

BMO Monthly Income Fund (the "Fund")

For the period ended September 30, 2012 • Manager: BMO Investments Inc.

Portfolio manager: BMO Asset Management Inc., Toronto, Ontario

Annual Management Report of Fund Performance

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Fund. If the annual financial statements of the Fund do not accompany the mailing of this report, you may obtain a copy of the annual financial statements at your request, and at no cost, by calling 1-800-665-7700, by writing to us at BMO Investments Inc., 77 King Street West, 42nd Floor, Toronto, Ontario, M5K 1J5 or by visiting our website at www.bmo.com/mutualfunds or SEDAR at www.sedar.com. You may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record and/or quarterly portfolio disclosure.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund's objective is to provide a fixed monthly distribution while preserving the value of your investment. The Fund invests primarily in Canadian fixed-income securities with higher-than-average yields, issued by the federal government, provincial governments, government agencies and corporations, as well as preferred and common shares, real estate investment trusts ("REITs"), royalty trusts and other high-yielding investments.

For fixed-income investments, a disciplined investment approach is used based on the portfolio manager's interest rate outlook. Overall maturity structure and sector positioning of the Fund's portfolio are based on anticipated changes in the direction of interest rates, while the selection of individual securities is determined by fundamental analysis and relative valuations.

For the equity portion of the portfolio, the portfolio manager applies a bottom-up fundamental investment process to identify attractively priced securities. This process includes analyzing financial statements, company management and valuations, with an emphasis on companies that generate stable and predictable cash flows.

Risk

No changes affecting the overall level of risk associated with investing in the Fund were made during the period. The risks of this Fund remain as discussed in the Fund's most recent simplified prospectus or its amendments.

Results of Operations

Over the 12-month period ended September 30, 2012 (the "period"), Series A units of the Fund returned 5.99%. Please see *Past Performance* for information on the performance returns of the Fund's other series.

During the period, and on the heels of a very negative third quarter in 2011, Canadian equity returns were fairly robust with the S&P/TSX Composite Total Return Index ("S&P/TSX") and the S&P/TSX 60 Index generating a total return of 9.2% and 8.6%, respectively. Canadian equity returns were broad-based, with seven of the 10 S&P/TSX sectors ending the period with double digit returns. The strongest performing sectors were Health Care, Industrials, and Telecommunication Services, while Information Technology and Materials posted negative returns.

During the early part of the period, the market exhibited heightened volatility as investors' concerns regarding slowing global growth and ongoing European instability were offset by expectations of policy intervention. With the arrival of the European Central Bank's ("ECB") liquidity-inducing long-term refinancing operations towards the end of 2011 and some temporary improvement in U.S. economic indicators, risk-taking returned and the market rallied through the first quarter of 2012. By May, the market began to sell-off once again as fears of an economic slowdown returned and investors became concerned over a potential Greek exit from the Eurozone and a growing funding crisis in the Spanish banking sector. China was also exhibiting signs of slowing, which put pressure on commodity prices. In the third quarter, the market rallied again as policymakers signaled their intention to provide additional stimulus as needed. This came in early September 2012 as both the ECB and the U.S. Federal Reserve Board (the "Fed") announced significant new policy support.

During the period, the Fund delivered strong returns despite a fairly volatile market, which can be attributed to its defensive sector positioning coupled with strong stock

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selection. For the most part, global equity markets and sectors followed the ups and downs of the macroeconomic challenges, with risky stocks favored during periods of optimism and defensive sectors outperforming during times of caution. Throughout, the Fund maintained its disciplined approach towards high quality, dividend growing companies and its bias towards defensive yield groups such as Financials, Telecommunication Services and Utilities, at the expense of the economically driven sectors such as the Materials, Energy, Information Technology and Consumer Discretionary sectors.

The Fund's fixed income exposure was heavily weighted towards corporate bonds for the entire period and this contributed positively to returns. Investors everywhere sought out higher yielding securities to bolster investment returns and in doing so bid the prices for investment grade corporate securities much higher than similar-termed government bonds. Also adding value was the portfolio manager's decision to hold some securities with longer maturities whose value rose as interest rates declined.

Towards the end of the period, the portfolio manager employed changes to reduce the overall volatility of the Fund, including tilting the Fund towards higher-yielding positions to increase portfolio yield and income. With this emphasis, the Fund tends to be focussed more on higher-dividend sectors that exhibit lower volatility, including consumer and financial related sectors. Conversely, the Fund will typically have lower exposure to resource related sectors which exhibit higher volatility.

The Fund distributes a fixed amount per unit each month, consistent with the Fund's stated objective of providing a stable cash flow to its unitholders. A portion of a distribution may consist of a return of capital, this portion may be significant, and will occur when the income earned by the Fund per unit is less than the fixed amount of the distribution. Distributions are expected to continue to include return of capital until there is a general improvement in the economy, an increase in interest rates, or there is a change in the fixed amount to be distributed.

For information on the Fund's performance and composition, please refer to the Past Performance section and Summary of Investment Portfolio section of this report.

Recent Developments

While global macroeconomic challenges will continue to dominate market sentiment, the portfolio manager's near term base case macroeconomic forecast assumes that North America avoids the recession that is engulfing Europe and that growth in China continues, albeit at a slower pace.

However, given the recent strength in the market and short term risks on the horizon the portfolio manager would not be surprised to a pause in the current rally.

Positive news that the ECB is now ready to support the bond markets of weaker European countries bolstered equity markets catapulting them higher. This also caused a spike in global interest rates as money flowed back into risky assets. Should this continue or if the economies of developed countries begin to grow at a faster pace it will almost assuredly result in higher interest rates and lower returns from bonds. The portfolio manager may have to reposition the Fund towards shorter, less price sensitive securities to protect the capital within the Fund.

While recent earnings forecasts have been reduced to account for slowing global growth, the portfolio manager remains concerned about the upcoming third quarter earnings announcements including the outlook for the coming year, and the ability of companies to generate top line growth given numerous macroeconomic challenges.

Future Accounting Standards

Canadian investment entities will be required to prepare their financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), for fiscal years beginning on or after January 1, 2014. For reporting periods commencing October 1, 2014, the Fund will adopt IFRS as the basis for preparing its financial statements. The Fund will report its financial results for the interim period ending March 31, 2015, prepared on an IFRS basis. It will also provide comparative data on an IFRS basis, including an opening balance sheet as at October 1, 2013 (transition date). A summary of the significant standards impacting the Fund under IFRS are outlined below.

Based on the Fund's analysis to date, the more significant accounting changes that will result from its adoption of IFRS will be in the areas of fair valuation, cash flow presentation, consolidation of investments and classification of net assets representing unitholders' equity. The differences described in the sections that follow are based on Canadian generally accepted accounting principles (GAAP) and IFRS that are in effect as of this date. This should not be considered a comprehensive list of the main accounting changes when the Fund adopts IFRS.

The framework for fair valuation is set out under IFRS 13 Fair Value Measurement, which includes the requirements for the measurement and disclosure of fair value. If an asset or liability measured at fair value has a bid price and an ask

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price, the standard requires valuation to be based on a price within the bid-ask spread that is most representative of fair value. The standard allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical means for fair value measurements within a bid-ask spread. Thus this standard will impact the net assets per unit for financial statement reporting purposes compared to current standards, and may also result in the elimination of the differences between the net asset per unit and net asset value per unit (“NAVPU”) at the financial statement reporting date. The Manager has not identified any changes that will impact NAVPU as a result of the transition to IFRS.

Where the Fund holds controlling interest in an investment, it is the Manager’s expectation that the Fund will qualify as an investment entity in accordance with IFRS 10 Consolidated Financial Statements. As such, the Fund will not be required to consolidate its investments, but rather to fair value its investments regardless of whether those investments are controlled. However, where in certain circumstances the Fund does not have all the typical characteristics of an investment entity, even though it qualifies as an investment entity, it may be required to make additional financial statements disclosures on its investments in accordance with IFRS 12 Disclosure of Interests in Other Entities.

In addition to the financial statements currently presented for the Fund, Statement of Cash Flows will now be included in the financial statements in accordance with the requirement of IFRS 1 First-time adoption of International Financial Reporting Standards, and prepared in line with IAS 7 Statement of Cash Flows.

The criteria contained within IAS 32 Financial Instruments: Presentation may require unitholders’ equity to be classified as a liability within the Fund’s Statement of Net Assets, unless certain conditions are met. The Manager is currently assessing the Fund’s unitholder structure to confirm classification.

RELATED PARTY TRANSACTIONS

BMO Investments Inc. (“BMOII”), an indirect, wholly-owned subsidiary of Bank of Montreal, is the Manager of the Fund. From time to time, the Manager may, on behalf of the Fund, enter into transactions or arrangements with or involving other members of BMO Financial Group, or certain other persons or companies that are related or connected to the Manager (each a “Related Party”). The purpose of this section is to provide a brief description of any transaction involving the Fund and a Related Party.

Portfolio Manager

The Fund’s portfolio manager is BMO Asset Management Inc. (“BMOAM”), an affiliate of the Manager. BMOAM provides portfolio management services to the Fund. BMOAM receives a management fee based on assets under management, calculated daily and payable monthly.

Administration Fees

The Fund pays a fixed administration fee to the Manager. The Manager in return pays the operating expenses of the Fund, other than certain specified expenses that are paid directly by the Fund (“Fund Expenses”). Fund Expenses include interest or other borrowing expenses, costs and expenses related to the operation of the Fund’s Independent Review Committee (“IRC”), including fees and expenses of IRC members, taxes to which the Fund is or might be subject, and costs associated with compliance with any new governmental or regulatory requirement introduced after December 1, 2007 (e.g., cost associated with the production of Fund Facts, filed in compliance with the relevant amendments to NI 81-101). Fund Expenses are allocated proportionately among the series. If the Fund Expenses are specific to a series, the Fund Expenses are allocated to that series. The fixed administration fee is calculated as a fixed annual percentage of the average net asset value of each relevant series of the Fund and, for the most part, replaces the previous cost recovery method under which operating expenses were charged or allocated to the Fund. Further details about the fixed administration fee and/or Fund Expenses can be found in the Fund’s most recent simplified prospectus at www.bmo.com/mutualfunds or www.sedar.com.

Buying and Selling Securities

Investments in BMO Common Shares, Related-Party Underwritings and Trades in Debt Securities with a Related Entity, Trading as Principal

During the period, the Manager relied on an approval and standing instruction provided by the Fund’s IRC with respect to the following related party transactions:

- (a) investments in common shares of Bank of Montreal (“BMO”), an affiliate of the Manager;
- (b) investments in a class of equity and/or non-government debt securities of an issuer during the period of distribution of those securities to the public and/or the 60-day period following the distribution period where BMO Nesbitt Burns Inc., an affiliate of the Manager, acted as an underwriter in the distribution; and
- (c) trades in debt securities in the secondary market with BMO Nesbitt Burns Inc. who is trading with the Fund as principal (each, a “Related Party Transaction”).

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In accordance with the IRC's approval and standing instruction, in making a decision to cause the Fund to make a Related Party Transaction, the Manager and portfolio manager of the Fund are required to comply with the Manager's written policies and procedures governing the Related-Party Transaction and report periodically to the IRC, describing each instance that the Manager and/or portfolio manager relied on the approval and standing instruction and their compliance or non-compliance with the governing policies and procedures. The governing policies and procedures are designed to ensure the Related Party Transaction (i) is made free from any influence of BMO, BMO Nesbitt Burns Inc. or an associate or affiliate of BMO and/or BMO Nesbitt Burns Inc. and without taking into account any considerations relevant to BMO, BMO Nesbitt Burns Inc. or an associate or affiliate of BMO and/or BMO Nesbitt Burns Inc., (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, and (iii) achieves a fair and reasonable result for the Fund.

Brokerage Commissions

The Fund pays standard brokerage commissions at market rates to BMO Nesbitt Burns Inc., an affiliate of the Manager, for executing a portion of its trades. The brokerage commissions charged to the Fund during the period were as follows:

		Period ended Sep. 30, 2012 \$000	Period ended Sep. 30, 2011 \$000
Total brokerage commissions	\$	1,411	1,100
Brokerage commissions paid to BMO Nesbitt Burns Inc.	\$	69	97

Distribution Services

The Manager markets and distributes the Fund directly through Bank of Montreal branches and through registered dealers and brokers, including BMO InvestorLine Inc. and BMO Nesbitt Burns Inc., both affiliates of the Manager. The Manager pays to these affiliates on an ongoing basis annual service or trailing commissions based on the average daily value of the units that are held in investor accounts.

Management Fees

The Manager is responsible for the day-to-day management of the business and operations of the Fund. The Manager monitors and evaluates the Fund's performance, pays for the investment advice provided by the Fund's portfolio manager and provides certain administrative services required by the Fund. As compensation for its services the Manager is entitled to receive a management fee payable monthly, calculated based on the daily NAV of each series of the Fund at the maximum annual rate set out in the table below.

	Maximum Annual Management Fee Rate*	As a Percentage of Management Fees	
		Dealer Compensation %	General Administration, Investment Advice and Profit %
Series A Units	1.30	8	92
Series I Units	—	—	—
Series F Units ⁽¹⁾	0.85	0	100

* For Series I Units, separate Series I fees are negotiated and paid by each Series I investor. Because the Manager pays no distribution, service or trailing fees on Series I Units, Series I Units will have lower Series I fees than the management fees for Series A Units.

⁽¹⁾ Series F Units refers to BMO Guardian Monthly Income Fund Series F Units ("Series F" or "Series F Units").

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the periods indicated.

The Fund's Net Assets per Unit ⁽¹⁾

Series A		Periods ended Sep. 30				
		2012	2011	2010	2009	2008
Net assets, beginning of period	\$	7.57	8.09	8.25	8.59	9.91
Increase (decrease)						
from operations:						
Total revenue	\$	0.32	0.35	0.39	0.43	0.46
Total expenses ⁽²⁾	\$	-0.12	-0.13	-0.12	-0.12	-0.14
Realized gains (losses)						
for the period	\$	0.23	0.05	-0.09	-0.45	0.20
Unrealized gains (losses)						
for the period	\$	0.00	-0.09	0.38	0.47	-1.12
Total increase (decrease)						
from operations ⁽³⁾	\$	0.43	0.18	0.56	0.33	-0.60
Distributions:						
From income						
(excluding dividends)	\$	0.05	0.14	0.17	0.22	0.19
From dividends	\$	0.09	0.14	0.14	0.12	0.14
From capital gains	\$	—	—	—	—	—
Return of capital	\$	0.58	0.44	0.41	0.38	0.39
Total Annual Distributions ⁽⁴⁾	\$	0.72	0.72	0.72	0.72	0.72
Net assets, end of period	\$	7.28	7.57	8.09	8.25	8.59

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Series I

	2012	Periods ended Sep. 30			
		2011	2010	2009	2008 ⁽⁵⁾
Net assets, beginning of period	\$ 8.93	9.28	9.23	9.38	10.00 [*]
Increase (decrease)					
from operations:					
Total revenue	\$ 0.38	0.41	0.44	0.50	0.29
Total expenses ⁽²⁾	\$ 0.00	—	—	—	—
Realized gains (losses)					
for the period	\$ 0.29	0.03	-0.10	-0.42	-0.06
Unrealized gains (losses)					
for the period	\$ -0.03	-0.23	0.53	-0.94	-1.04
Total increase (decrease)					
from operations⁽³⁾	\$ 0.64	0.21	0.87	-0.86	-0.81
Distributions:					
From income					
(excluding dividends)	\$ 0.23	0.28	0.30	0.49	0.10
From dividends	\$ 0.15	0.13	0.14	0.12	0.07
From capital gains	\$ —	—	—	—	—
Return of capital	\$ 0.34	0.31	0.28	0.11	0.19
Total Annual Distributions⁽⁴⁾	\$ 0.72	0.72	0.72	0.72	0.36
Net assets, end of period	\$ 8.87	8.93	9.28	9.23	9.38

Series F

	2012	Periods ended Sep. 30		
		2011	2010	2009 ⁽⁶⁾
Net assets, beginning of period	\$ 10.31	10.72	10.66	10.00 [*]
Increase (decrease)				
from operations:				
Total revenue	\$ 0.44	0.47	0.51	0.51
Total expenses ⁽²⁾	\$ -0.11	-0.12	-0.11	-0.10
Realized gains (losses)				
for the period	\$ 0.38	0.08	-0.10	-0.35
Unrealized gains (losses)				
for the period	\$ -0.07	-0.37	1.35	2.03
Total increase (decrease)				
from operations⁽³⁾	\$ 0.64	0.06	1.65	2.09
Distributions:				
From income				
(excluding dividends)	\$ 0.15	0.20	0.24	0.03
From dividends	\$ 0.16	0.10	0.07	0.03
From capital gains	\$ —	—	—	—
Return of capital	\$ 0.41	0.42	0.41	0.60
Total Annual Distributions⁽⁴⁾	\$ 0.72	0.72	0.72	0.66
Net assets, end of period	\$ 10.25	10.31	10.72	10.66

^{*} Initial net assets.

⁽¹⁾ This information is derived from the Fund's audited financial statements. The net assets per unit presented in the financial statements differs from the net asset value calculated for fund pricing purposes. An explanation of these differences can be found in the notes to the Fund's financial statements.

⁽²⁾ Includes commissions and other portfolio transaction costs.

⁽³⁾ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

⁽⁴⁾ Distributions were either paid in cash or reinvested in additional units of the Fund, or both.

⁽⁵⁾ The information shown in this column is for the period beginning March 5, 2008 (the series' launch date) and ending September 30, 2008.

⁽⁶⁾ The information shown in this column is for the period beginning November 3, 2008 (the series' launch date) and ending September 30, 2009.

Ratios and Supplemental Data

Series A

		Periods ended Sep. 30				
		2012	2011	2010	2009	2008
Total net asset value (000's) ⁽¹⁾	\$	4,572,861	4,808,496	4,899,785	4,878,602	5,264,331
Number of units						
outstanding (000's) ⁽¹⁾		627,199	634,733	605,339	590,908	612,605
Management expense ratio ⁽²⁾	%	1.57	1.57	1.51	1.49	1.49
Management expense ratio						
before waivers or absorptions	%	1.57	1.57	1.51	1.49	1.49
Trading expense ratio ⁽³⁾	%	0.03	0.02	0.02	0.03	0.04
Portfolio turnover rate ⁽⁴⁾	%	50.07	39.59	33.70	50.21	49.14
Net asset value per unit	\$	7.29	7.58	8.09	8.26	8.59

Series I

		Periods ended Sep. 30				
		2012	2011	2010	2009	2008 ⁽⁵⁾
Total net asset value (000's) ⁽¹⁾	\$	232,045	187,456	237,989	107,085	396,736
Number of units						
outstanding (000's) ⁽¹⁾		26,133	20,971	25,632	11,599	42,276
Management expense ratio ⁺	%	—	—	—	—	—
Management expense ratio						
before waivers or absorptions ⁺	%	0.00	—	—	—	—
Trading expense ratio ⁽³⁾	%	0.03	0.02	0.02	0.03	0.04
Portfolio turnover rate ⁽⁴⁾	%	50.07	39.59	33.70	50.21	49.14
Net asset value per unit	\$	8.88	8.94	9.28	9.23	9.38

Series F

		Periods ended Sep. 30			
		2012	2011	2010	2009 ⁽⁶⁾
Total net asset value (000's) ⁽¹⁾	\$	6,209	3,733	1,095	17
Number of units					
outstanding (000's) ⁽¹⁾		605	361	102	2
Management expense ratio ⁽²⁾	%	1.05	1.08	1.04	0.99
Management expense ratio					
before waivers or absorptions	%	1.05	1.08	1.04	0.99
Trading expense ratio ⁽³⁾	%	0.03	0.02	0.02	0.03
Portfolio turnover rate ⁽⁴⁾	%	50.07	39.59	33.70	50.21
Net asset value per unit	\$	10.26	10.33	10.73	10.66

+ Operating expenses are paid by BMOIF and management fees are paid directly to BMOIF as negotiated with the investor.

⁽¹⁾ This information is provided as at September 30 of the period shown, as applicable.

⁽²⁾ Management expense ratio is based on total expenses (excluding commissions and other portfolio transactions costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

⁽³⁾ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

⁽⁴⁾ The Fund's portfolio turnover rate indicates how actively the Fund's portfolio manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

⁽⁵⁾ The information shown in this column is for the period beginning March 5, 2008 (the series' launch date) and ending September 30, 2008.

⁽⁶⁾ The information shown in this column is for the period beginning November 3, 2008 (the series' launch date) and ending September 30, 2009.

PAST PERFORMANCE

The Fund's performance information assumes that all distributions made by the Fund in the periods shown were used to purchase additional units or shares of the Fund and is based on the net asset value of the Fund.

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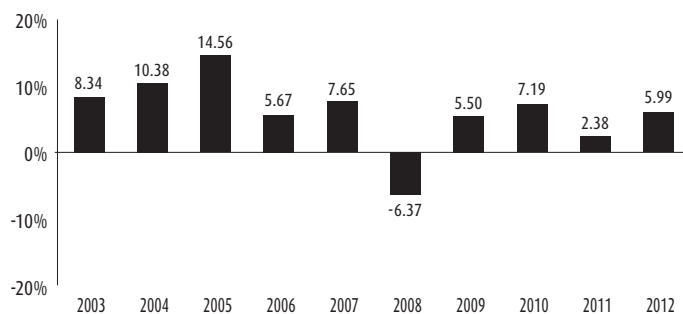
The performance information does not take into account sales, redemption, distribution or other optional charges that, if applicable, would have reduced returns or performance. Please remember that how the Fund has performed in the past does not indicate how it will perform in the future.

The returns of each series may differ from one another for a number of reasons, including if the series was not issued and outstanding for the entire reporting period and because of the different levels of management fees and expenses allocated and payable by each series.

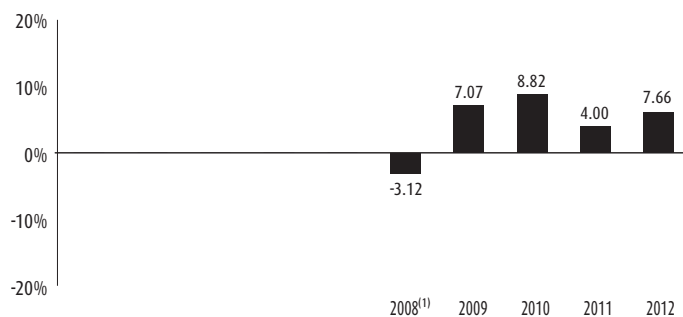
Year-by-Year Returns

The following bar charts show the performance for each series of the Fund for each of the financial years shown. The charts show in percentage terms how an investment made on the first day of each financial year would have increased or decreased by the last day of each financial year.

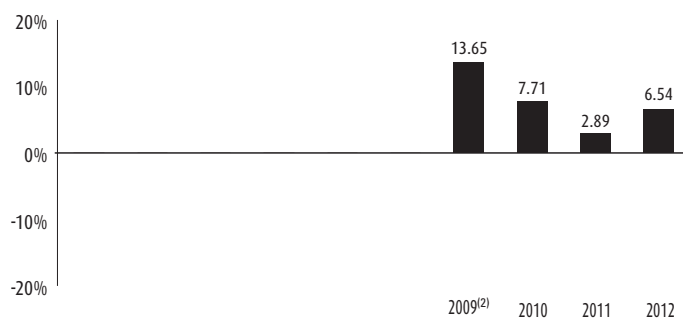
Series A



Series I



Series F



⁽¹⁾ For the period beginning March 5, 2008 to September 30, 2008.

⁽²⁾ For the period beginning November 3, 2008 to September 30, 2009.

Annual Compound Returns

This table compares the historical annual compound returns of the Fund with its blended benchmark (composed of 50% DEX Short-Term Bond Index and 50% S&P/TSX Composite Total Return Index ("S&P/TSX")). It also compares the Fund's historical annual compound returns to the DEX Universe Bond Index and the S&P/TSX, both broad-based indices.

The DEX Short-Term Bond Index is a measure of the total return of short-term bonds in the Canadian market that mature in less than one year.

The DEX Universe Bond Index is a broad measure of the total return of Canadian bonds that mature in more than one year.

The S&P/TSX reflects the price movements of selected securities listed on the Toronto Stock Exchange and weighted by market capitalization.

Series A

		1 year	3 years	5 years	10 years	Since Inception
BMO Monthly Income Fund	%	5.99	5.17	2.82	6.00	
Blended Benchmark	%	5.78	4.70	2.97	7.45	
DEX Universe Bond Index	%	5.45	6.48	6.86	6.18	
S&P/TSX	%	9.17	5.52	0.22	9.83	

Series I

		1 year	3 years	5 years	10 years	Since Inception ⁽⁹⁾
BMO Monthly Income Fund	%	7.66	6.81			5.25
Blended Benchmark	%	5.78	4.70			3.10
DEX Universe Bond Index	%	5.45	6.48			6.42
S&P/TSX	%	9.17	5.52			1.00

Series F

		1 year	3 years	5 years	10 years	Since Inception ⁽⁹⁾
BMO Monthly Income Fund	%	6.54	5.69			7.81
Blended Benchmark	%	5.78	4.70			7.17
DEX Universe Bond Index	%	5.45	6.48			7.82
S&P/TSX	%	9.17	5.52			9.31

⁽¹⁾ Return from March 5, 2008 to September 30, 2012.

⁽²⁾ Return from November 3, 2008 to September 30, 2012.

As noted above, the table shows a comparison of the historical annual compound returns of the Fund with the DEX Universe Bond Index, as well as the S&P/TSX, both broad-based indices. The Fund, however, uses a blended benchmark to compare its overall relative performance. The reason for this is that the Fund's portfolio invests in approximately 50% Canadian equities and 50% Canadian fixed-income securities (with a heavier weighting towards shorter-term bonds). Accordingly, the blended benchmark is a more accurate and useful comparison.

A commentary on the market and/or information regarding the relative performance of the Fund as compared to its benchmark can be found under the Results of Operations section of this report.

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SUMMARY OF INVESTMENT PORTFOLIO

As at September 30, 2012

Portfolio Allocation	% of Net Asset Value
Canadian Equities	50.6
Bonds and Debentures	45.6
Other	2.8
Cash/Receivables/Payables	1.0
Total Portfolio Allocation	100.0

Sector Allocation

Corporate Bonds	24.7
Financials	18.0
Provincial Bonds	12.0
Government Bonds	8.0
Energy	7.9
Utilities	6.6
Telecommunication Services	5.5
Consumer Staples	5.2
Consumer Discretionary	4.1
Industrials	2.2
Other	2.2
Materials	1.3
Cash/Receivables/Payables	1.0
Asset-Backed Securities	0.6
Health Care	0.3
Municipal Bonds	0.2
Mortgage Backed Securities	0.2
Total Sector Allocation	100.0

Top 25 Holdings	% of Net Asset Value
Issuer	
Royal Bank of Canada	2.8
Toronto-Dominion Bank, The	2.5
BMO High Yield U.S. Corporate Bond Hedged to CAD ETF*	2.3
Bank of Nova Scotia	2.2
Canadian National Railway Company	1.9
Enbridge Inc.	1.7
Province of Ontario, Series HC, Unsecured, 9.500% Jul 13, 2022	1.7
BCE Inc.	1.4
Government of Canada, 3.750% Jun 1, 2019	1.3
TransCanada Corporation	1.2
Magna International Inc.	1.2
Intact Financial Corporation	1.2
Crescent Point Energy Corp.	1.1
Franco-Nevada Corporation	1.1
Boardwalk REIT	1.1
Bell Aliant Regional Communications Income Fund*	1.0
Brookfield Infrastructure Partners L.P.	1.0
Province of British Columbia, Series BCCD-T, Senior, Unsecured, Notes, 9.000% Aug 23, 2024	1.0
Canadian Imperial Bank of Commerce	1.0
Hydro-Quebec, Series HL-2020, Notes, 11.000% Aug 15, 2020	1.0
TELUS Corporation, Non Voting Shares	1.0
Rogers Communications Inc., Class B	1.0
Fortis Inc.	1.0
Manitoba Telecom Services Inc.	1.0
Shoppers Drug Mart Corporation	1.0
Top Holdings as a Percentage of Total Net Asset Value	34.7
Total Net Asset Value	\$4,811,114,995

* The prospectus and other information about the underlying exchange traded fund held in the portfolio is available on the internet at www.sedar.com and, also at www.bmoetf.com.

+ The prospectus and other information about the underlying investment fund held in the portfolio is available on the internet at www.sedar.com.

The summary of investment portfolio may change due to the Fund's ongoing portfolio transactions. Updates are available quarterly.

www.bmo.com/mutualfunds

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