

# BMO LifeStage Plus 2022 Fund (the "Fund")

For the six-month period ended March 31, 2015 (the "period")

Manager: BMO Investments Inc. (the "Manager" or "BMOI")

Portfolio manager: BMO Asset Management Inc., Toronto, Ontario (the "portfolio manager")

## 2015 Semi-Annual Management Report of Fund Performance

This semi-annual management report of fund performance contains financial highlights but does not contain the complete semi-annual or annual financial statements of the Fund. If the semi-annual financial statements of the Fund do not accompany the mailing of this report, you may obtain a copy of the semi-annual or annual financial statements at your request, and at no cost, by calling 1-800-665-7700, by writing to us at BMO Investments Inc., First Canadian Place, 100 King Street West, 43rd Floor, Toronto, Ontario, M5X 1A1 or by visiting our website at [www.bmo.com/mutualfunds](http://www.bmo.com/mutualfunds) or SEDAR at [www.sedar.com](http://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

#### Results of Operations

During the period, the Fund's total net asset value increased from approximately \$229 million to approximately \$252 million. Series A units of the Fund returned 7.02%. Please see the *Past Performance* section for information on the performance returns of the Fund's other series.

During the period, financial markets were driven primarily by a 50% decline in the global prices of oil, varying central bank monetary policy among major developed economies, and ongoing geopolitical concerns, which included Greece's potential exit from the European Monetary Union.

Canadian equities, as represented by the S&P/TSX Composite Total Return Index ("S&P/TSX"), rose 1.1% for the period, sharply trailing the strong returns in other major markets. The best performing sectors in the S&P/TSX were Health Care and Information Technology. Valeant Pharmaceuticals International Inc., which represents 85% of the Health Care sector by market capitalization, was very strong, up nearly 71%. This alone contributed significantly to the returns of the S&P/TSX. The Information Technology sector was up 25.3% but, like Health Care, it is a very small component of the S&P/TSX. However, these two sectors are dwarfed in terms of market capitalization by both the Energy and Financials sectors, which were down 24.2% and 0.9%, respectively.

Of particular note for the Canadian economy, was the significant fall in the Canadian dollar versus the U.S. dollar. The Canadian dollar fell sharply when the Bank of Canada ("BoC") lowered interest rates by 0.25% in January, in an attempt to stimulate domestic economic activity to counter the dulling effect of sharply lower oil prices. Economic indicators pointed to a very weak first quarter, prompting

the BoC Governor describe Canada's economic performance in the quarter as "atrocious".

Conversely, U.S. equities broadly benefitted from lower oil prices and changing expectations related to the U.S. Federal Reserve Board's ("Fed") timing of rate increases. From a macroeconomic perspective, a drastic reduction in earnings expectations for the Energy sector, coupled with cuts in capital expenditures, had a negative impact on gross domestic output in the U.S. However, with lower prices at the gas pumps, cheaper gasoline was widely seen as a catalyst for future increases in consumer spending. This outlook contributed to a deflationary bias with respect to U.S. monetary policy, pushing the beginning of U.S. interest rate hikes back to September 2015. The S&P 500 Index rose 5.9% in U.S. dollar terms. For Canadian investors, these returns were complemented by a 12.8% appreciation of the U.S. dollar relative to the Canadian dollar.

European equities surged upward, responding positively to a rapidly declining euro, a result of the long-awaited announcement and subsequent initiation of a wide-spread quantitative easing program (i.e., monetary policy used by central banks to increase money supply) by the European Central Bank ("ECB"). In January, ECB President Mario Draghi confirmed the bank's intent to purchase eurozone corporate and sovereign bonds, which drove the euro down 14.3%. The intent of the ECB was to drive investors into riskier assets while motivating corporations to undertake capital expenditures and expansion projects to increase gross domestic product ("GDP") growth. The decline in the

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euro also benefitted the export sector, which is a large component of eurozone GDP. For the period, the MSCI Europe Index was down 0.9% in local currency terms, led by strength from Germany (up 26.3%), France (up 14.6%) and Italy (up 11.0%).

Among the fixed income markets, the deflationary impacts of cheap oil and loose central bank policy placed downward pressure on bond yields globally. In January, the BoC surprised the market by cutting their overnight rate by 0.25%, to 0.75%. Initially the BoC left the impression that another rate cut was likely in the near future, but in March it hinted that it was willing to wait a bit longer to give the economy some breathing space, as financial conditions were improving enough to “mitigate” the impact of the oil-price shock. As a result, the 10-year Government of Canada bond started the period at about 2.10%, fell to a low of 1.24% at the beginning of February, and then eased upward to trade between 1.60% and 1.30% for the balance of the period.

U.S. fixed income experienced a similar consensus, as expectations of the timing of the Fed’s rate increases moved first from March to June, and ultimately from June to September, with some suggesting that any increases could be deferred until 2016. The initial expectations of rate increases pushed the U.S. 10-year yields to 2.37% before the oil shock. Soft first quarter economic data, and dovish Fed comments drove the 10-year yield down as low as 1.67%, before rebounding to 2.24%, and easing to finish the period at 1.93%. The credit spread on U.S. investment grade corporate bonds widened mid-period by as much as 15 basis points (“bps”), only to ease back to finish the period 3 bps higher. High yield bonds were more volatile, as the 15% index weighting in the Energy sector issues prompted a mid-November spike in credit spreads, from 429 bps to 571 bps, only to settle back to 461 bps by the end of the period. The spread movement, combined with falling treasury rates resulted in modest price gains for the Corporate Bond and High Yield Bond sectors. However, the Fund benefitted significantly through the unhedged exposure to the U.S. dollar.

European bonds saw the largest gain from declining rates, as the ECB’s quantitative easing drove yields on the benchmark German 10-year bund from 0.82% down to 0.18%, effectively pushing real rates (i.e., adjusted for expected inflation) to negative levels.

In keeping with the Fund’s investment strategies, the present portfolio allocation is intended to ensure the Fund has sufficient assets at maturity to pay investors the Guaranteed Maturity Amount. The unit price of Series A at the end of the period was \$16.1121; the Guaranteed Maturity Amount as the end of the period was \$16.2412.

The Manager confirms that the Fund did not borrow money during the period.

*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

The portfolio manager expects equities will outperform bonds as the ECB and Bank of Japan continue to flood markets with liquidity. Additionally, dovish comments from the Fed continue to keep yields far below their long-term average and support the rally in equity markets around the world. While first quarter economic data was disappointing, it would be premature to view this as a reversal of the U.S. economy’s upward trajectory. Second quarter growth is expected to rebound from the impact of cold weather, with the lagged benefit of housing starts and increased consumer spending from energy savings, both contributing to positive growth. The Fed is aggressively stating its commitment to “data dependent” timing of interest rate increases, which should keep an equity-friendly economic environment intact through 2015. In the near-term, valuation is becoming a concern, but the portfolio manager believes that this will represent a pause to a longer-term extended rally than an end of a rally.

Eurozone industrial production, consumer spending, and broad GDP growth are already reacting positively to the ECB’s asset purchases. Equity markets seem to have proactively priced in future earnings growth by pushing trailing price/earnings multiples to levels last seen 15 years ago. This, combined with an increasingly evident risk of Greece’s exit from the euro, will create volatility, but for longer term investors, provide additional buying opportunities.

The Canadian economy will most likely continue to underperform the U.S. economy by a wide margin, as a “lower for longer” regime presides over oil prices throughout the first half of 2015. Absent, is any immediate significant reduction in global oil supply, which makes it difficult for the portfolio manager to expect any catalysts for significant earnings growth in the Energy sector. The knock-on effects to employment, capital expenditures, and financing activity should limit growth potential for Canadian GDP into 2016. The portfolio manager continues to overweight their exposure to equities over bonds, in addition to maintaining an underweight exposure to Canadian equities, while opportunistically taking profits in U.S. equities with a bias towards increasing the Fund’s exposure in EAFE (Europe, Australasia and Far East).

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## *Significant Accounting Changes Resulting from our Adoption of IFRS*

Effective October 1, 2014, the Fund adopted International Financial Reporting Standards (“IFRS”) as its basis of accounting. The semi-annual financial statements for the period ended March 31, 2015 are the first set of financial statements prepared on an IFRS basis. The adjustments made to reflect the impact of the change from Canadian generally accepted accounting principles (“Canadian GAAP”) to IFRS are presented in note 8 to the financial statements.

Key changes to the financial statements as a result of the implementation of IFRS are:

- Statement of Financial Position replaced the former Statement of Net Assets:
  - The Fund’s unitholders investments in the units of the Fund did not qualify for equity classification under IFRS and have been classified as a financial liability for financial reporting purposes.
  - Classification of financial instruments: derivatives and short positions have been classified as held for trading while all other financial instruments have been designated as fair valued through profit and loss. Following adoption of IFRS by the Fund for financial reporting purposes, the Fund now fair values its investment securities traded on an exchange at close price, which is determined as the price within the bid ask range that represents the best estimate of fair value.
- Statement of Comprehensive Income replaced Statement of Operations:
  - The Fund accounts for interest income using the effective interest rate method, rather than the coupon method previously used under Canadian GAAP.
- Statement of Changes in Net Assets Attributable to Holders of Redeemable Units replaced the Statement of Changes in Net Assets and the Fund now presents a Statement of Cash Flows.
- Other notable changes to the financial statement notes include additional or enhanced information in the notes to the financial statements including a more detailed note and reconciliation on the Fund’s transition from Canadian GAAP to IFRS.

## RELATED PARTY TRANSACTIONS

BMO Investments Inc., an indirect, wholly-owned subsidiary of Bank of Montreal (“BMO”), 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 from the Fund a management fee based on assets under management, calculated daily and payable monthly.

### Administration Fees and Operating Expenses

The Fund pays a fixed administration fee to the Manager in respect of each series. The Manager in return pays the operating expenses of these series 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 relevant 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. 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](http://www.bmo.com/mutualfunds) or [www.sedar.com](http://www.sedar.com).

### Distribution Services

The Manager markets and distributes the Fund through Bank of Montreal branches and/or (depending on the series) 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 a service fee called a “trailing commission” based on the average daily value of the units and/or shares that are held in investor accounts. This service fee is paid monthly or quarterly and varies by purchase option and by series.

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## 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 net asset value 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	2.00	1	99
Advisor Series Units	2.00	42	58

## 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 <sup>(1)</sup>

#### Series A Units

	Period ended Mar. 31 2015	2014	Periods ended Sep. 30			
	2015	2014	2013	2012	2011	2010
Net assets, beginning of period	\$ 15.05	13.46	13.02	12.37	12.45	11.91
<b>Increase (decrease) from operations:</b>						
Total revenue	\$ 0.72	0.77	0.41	0.65	0.54	0.51
Total expenses	\$ -0.19	-0.36	-0.33	-0.32	-0.34	-0.31
Realized gains (losses) for the period	\$ 0.00	0.09	0.03	0.00	-0.05	—
Unrealized gains (losses) for the period	\$ 0.52	1.09	0.33	0.28	-0.70	0.49
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	\$ 1.05	1.59	0.44	0.61	-0.55	0.69
<b>Distributions:</b>						
From income (excluding dividends)	\$ —	—	0.28	—	—	0.06
From dividends	\$ 0.15	0.16	0.07	0.15	0.04	0.10
From capital gains	\$ 0.27	0.24	0.01	—	—	—
Return of capital	\$ 0.01	0.07	0.13	0.09	0.17	—
<b>Total Annual Distributions <sup>(3)</sup></b>	\$ 0.43	0.47	0.49	0.24	0.21	0.16
<b>Net assets, end of period</b>	\$ 16.11	15.05	13.46	13.02	12.37	12.45

## Advisor Series Units

	Period ended Mar. 31 2015	2014	Periods ended Sep. 30			
	2015	2014	2013	2012	2011	2010
Net assets, beginning of period	\$ 15.06	13.47	13.03	12.38	12.45	11.91
<b>Increase (decrease) from operations:</b>						
Total revenue	\$ 0.72	0.78	0.41	0.65	0.53	0.50
Total expenses	\$ -0.19	-0.37	-0.33	-0.31	-0.33	-0.31
Realized gains (losses) for the period	\$ 0.00	0.09	0.03	0.00	-0.06	—
Unrealized gains (losses) for the period	\$ 0.52	1.09	0.33	0.27	-0.75	0.55
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	\$ 1.05	1.59	0.44	0.61	-0.61	0.74
<b>Distributions:</b>						
From income (excluding dividends)	\$ —	—	0.28	—	—	0.05
From dividends	\$ 0.14	0.16	0.08	0.13	0.06	0.09
From capital gains	\$ 0.27	0.25	0.02	—	—	—
Return of capital	\$ 0.01	0.07	0.14	0.09	0.13	—
<b>Total Annual Distributions <sup>(3)</sup></b>	\$ 0.42	0.48	0.52	0.22	0.19	0.14
<b>Net assets, end of period</b>	\$ 16.12	15.06	13.47	13.03	12.38	12.45

<sup>(1)</sup> This information is derived from the Fund's audited and unaudited financial statements. The financial information presented for the periods ended March 31, 2015 and September 30, 2014 is derived from the financial statements determined in accordance with IFRS. Information for periods prior to October 1, 2013 is derived from prior period financial statements presented in accordance with Canadian GAAP. An explanation of these differences can be found in the notes to the Fund's financial statements.

<sup>(2)</sup> 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.

<sup>(3)</sup> Distributions were either paid in cash or reinvested in additional units of the Fund, or both. The allocation of the distributions from each of income, dividends, capital gains and return of capital is based on the Manager's estimate as at March 31 and September 30 of the period shown, which is the Fund's interim and financial year-end, respectively. However, the actual allocation of distributions is determined as at December 15, the Fund's tax year-end. Accordingly, the actual allocation among income, dividends, capital gains and return of capital may differ from these estimates.

## Ratios and Supplemental Data

### Series A Units

	Period ended Mar. 31 2015	2014	Periods ended Sep. 30			
	2015	2014	2013	2012	2011	2010
Total net asset value (000's) <sup>(1)</sup>	\$ 225,544	204,767	182,153	179,948	138,015	58,986
Number of units outstanding (000's) <sup>(1)</sup>	13,998	13,602	13,533	13,823	11,157	4,737
Management expense ratio <sup>(2)</sup>	% 2.49	2.50	2.50	2.49	2.66	2.55
Management expense ratio before waivers or absorptions	% 2.49	2.50	2.50	2.49	2.66	2.57
Trading expense ratio <sup>(3)</sup>	% 0.02	0.02	0.02	0.02	0.02	0.06
Portfolio turnover rate <sup>(4)</sup>	% 0.02	0.49	4.98	2.89	35.28	—
Net asset value per unit	\$ 16.11	15.05	13.46	13.02	12.37	12.45

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## Advisor Series Units

	Period ended Mar. 31 2015	2014	Periods ended Sep. 30 2013	2012	2011	2010
Total net asset value (000's) <sup>(1)</sup>	\$ 26,639	24,223	23,016	23,469	14,228	3,497
Number of units outstanding (000's) <sup>(1)</sup>	1,653	1,608	1,708	1,801	1,150	281
Management expense ratio <sup>(2)</sup>	% 2.53	2.54	2.51	2.42	2.60	2.55
Management expense ratio before waivers or absorptions	% 2.53	2.54	2.51	2.42	2.61	2.57
Trading expense ratio <sup>(3)</sup>	% 0.02	0.02	0.02	0.02	0.02	0.06
Portfolio turnover rate <sup>(4)</sup>	% 0.02	0.49	4.98	2.89	35.28	—
Net asset value per unit	\$ 16.12	15.06	13.47	13.03	12.38	12.45

<sup>(1)</sup> This information is provided as at March 31 or September 30 of the period shown, as applicable.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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. For the financial period-ended September 30, 2010, no purchases or sales of portfolio securities were made by the Fund. As a result, the portfolio turnover rate for this period was zero.

## PAST PERFORMANCE

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

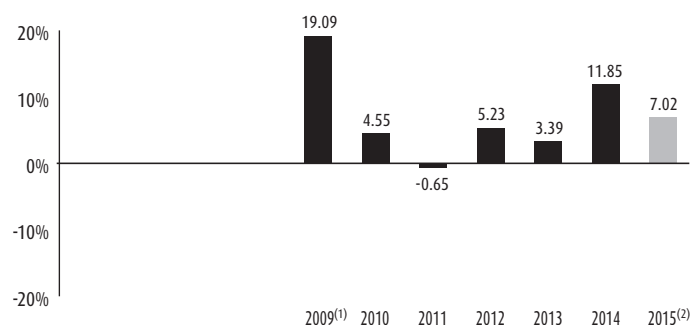
The performance information does not take into account sales, redemption, distribution or other optional charges that, if applicable, would have reduced returns or performance. Please remember that how the Fund has performed in the past does not indicate how it will perform in the future.

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.

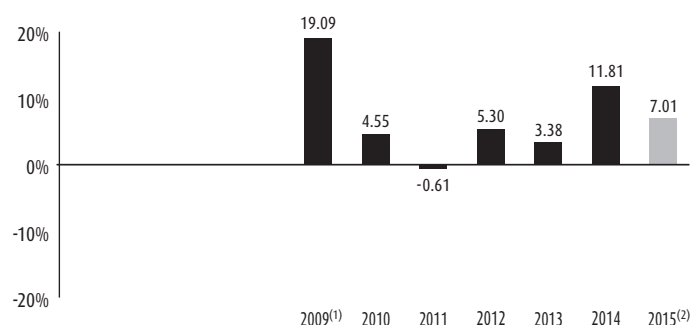
## Year-by-Year Returns

The following bar charts show the performance for each series of the Fund for each of the financial years shown and for the six-month period ended March 31, 2015. 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 Units



### Advisor Series Units



<sup>(1)</sup> For the period beginning January 26, 2009 to September 30, 2009.

<sup>(2)</sup> For the six-month period ended March 31, 2015.

# BMO LifeStage Plus 2022 Fund

## SUMMARY OF INVESTMENT PORTFOLIO

As at March 31, 2015

<b>Portfolio Allocation</b>	<b>% of Net Asset Value</b>
Canadian Balanced Fund	49.4
Canadian Equity Fund	24.8
Provincial Bonds	17.9
Money Market Investments	3.3
Corporate Bonds	2.7
Cash/Receivables/Payables	1.9
<b>Total Portfolio Allocation</b>	<b>100.0</b>

<b>Holdings*</b>	<b>% of Net Asset Value</b>
<b>Issuer</b>	
BMO Monthly Income Fund, Series I <sup>+</sup>	49.4
BMO Dividend Fund, Series I <sup>+</sup>	24.8
Province of Ontario, Stripped, Dec 2, 2021	7.8
Province of Ontario, Series J122, Stripped, Jul 13, 2022	6.2
Province of Ontario, Stripped, Dec 2, 2022	3.4
Government of Canada, Treasury Bills, 0.518% Jul 2, 2015	3.3
Hydro-Quebec, Stripped, Aug 15, 2022	2.0
Cash/Receivables/Payables	1.9
Hydro-Quebec, Stripped, Feb 15, 2022	0.7
Province of Quebec, IO Stripped, Sep 21, 2022	0.5
<b>Total Holdings as a Percentage of Total Net Asset Value</b>	<b>100.0</b>
<b>Total Net Asset Value</b>	<b>\$252,182,520</b>

\*Represents entire portfolio.

+ The prospectus and other information about the underlying investment funds held in the portfolio are available on the internet at [www.sedar.com](http://www.sedar.com) and, also at [www.bmo.com/mutualfunds](http://www.bmo.com/mutualfunds).

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



[www.bmo.com/mutualfunds](http://www.bmo.com/mutualfunds) and [www.bmomutualfunds.com/advisor](http://www.bmomutualfunds.com/advisor)

**BMO Investments Inc.**

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For more information please call BMO Investment Centre at 1-800-665-7700 (investors who purchased BMO Mutual Funds through a BMO Bank of Montreal branch or BMO Online Banking) or call Client Services toll-free at 1-800-668-7327 (investors who purchased BMO Mutual Funds through a full-service or discount broker) or at 1-800-361-1392 (investors who purchased Series NBA and NBF through a full-service or discount broker).



This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the Fund may invest in and the risks detailed from time to time in BMO Mutual Funds' simplified prospectus. We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the Fund, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, BMO Investments Inc. does not undertake, and specifically disclaims, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

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