



BMO Funds

BMO Balanced Fund

31 December 2019

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Administration and management

Manager

BMO Global Asset Management (Asia)
Limited
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Directors of the Manager

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Edgar Legzdins
Raveendra Sriskandarajah
Richard Wilson (resigned on 15 April 2019)

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(prior to 25 November 2019)

State Street Trust (HK) Limited
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(with effect from 25 November 2019)

Administrator and Custodian

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Legal counsel to the Manager

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Auditor

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Registrar

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State Street Bank and Trust Company
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8 Finance Street
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Hong Kong
(with effect from 25 November 2019)

Manager's report

BMO Balanced Fund

Introduction

BMO Balanced Fund (the "Sub-Fund"), a sub-Fund of BMO Funds which is a unit trust constituted pursuant to a trust deed dated 23 May 2018 and a deed of retirement and appointment dated 3 June 2019 (as amended from time to time) as an umbrella fund under the laws of Hong Kong.

The Sub-Fund aims to achieve long-term capital growth while maintaining stable income by investing primarily in a globally diversified portfolio of exchange traded funds (Underlying ETFs) whose underlying assets cover the risk return spectrum. The Sub-Fund seeks to diversify its portfolio across a broad range of underlying asset classes and currencies globally, including emerging markets.

Fund Performance

As of 31 December 2019, the net asset value of the Sub-Fund is shown below:

Share class	NAV per unit	ISIN	SEDOL	Bloomberg code
Class A USD Acc	USD 11.0440	HK0000423837	BF2G3P6	BMOBAUA HK
Class A USD MDis	USD 10.6105	HK0000423845	BF2G3Q7	BMOBAUM HK
Class A HKD MDis	USD 1.3518	HK0000423852	BF2G3R8	BMOBAHM HK

Class A USD Acc - Dividend distributions will not be made in respect of this class.

Class A USD MDis, HKD MDis - The Fund made monthly dividend distribution payments to unitholders in 2019.

Pertinent Fund Changes

Recent fund changes made and announced to public, please refer to website <https://www.bmo.hk/en/> for details.

Market Overview

At the start of 2019, investors were nervous and confidence was fragile. But a few days later came the dramatic pivot by the U.S. Federal Reserve. Their bias towards hiking interest rates was dropped and the market began to price in cuts. Fed had ultimately delivered a total of 0.75% in interest rate reductions in three stages. With the European Central Bank also easing policy, the stage was set for central banks around the world to follow suit. With global economic growth sluggish and inflation low, bond yields tumbled.

Trade optimism on the phase-one US-China trade deal continued to buoy risk appetite, setting up a stage for melt-up in asset prices in December. The rally to new highs in equity markets is further aided by positive outcomes from UK elections and dovish Fed.

In general, the performance of financial markets in 2019 had been remarkable. Amid geopolitics upheavals around the world, in particular a trade war between the US and China; weakness across Europe, turmoil in the Middle East, looming Brexit and uncertainty heading into 2020 US elections, as well as a global manufacturing slump and fears of possible recessions globally, all asset classes delivered robust returns in 2019.

In 2019, global equities as measured by MSCI AC World Total Return index had gained 27% and the key U.S. equity benchmarks delivering more than 30% in total returns. Technology was one of the best December performers and was the runaway winner of 2019 with approximately +40% returns for the year. 2019 also marked the 11th year of the US bull market, the longest on the record.

Nevertheless, 2019 was probably the most unloved bull market as persistent investor skepticism had led to portfolios staying under-invested. Should equity markets stay resilient in 2020, portfolios that are sitting on excess cash levels may have little choice but to get back in. At the same time, ultra-low rates and bond yields today, prompted investors globally to hunt for higher yielding assets.

Trustee's report BMO Balanced Fund

We hereby confirm that in our opinion, the Manager of the BMO Balanced Fund (the "Sub-Fund") has, in all material respects, managed the Sub-Fund in accordance with the provisions of the Trust Deed dated 23 May 2018 and a deed of retirement and appointment dated 3 June 2019, as amended from time to time, for the year ended 31 December 2019.



)
) For and on behalf of
) State Street Trust (HK) Limited,
) Trustee
)
) **24 APR 2020**



Independent auditor's report to the unitholders of BMO Balanced Fund

(Incorporated in Hong Kong with limited liability)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of BMO Balanced Fund (the "Sub-Fund"), a sub-fund of BMO Funds (the "Trust"), set out on pages 8 to 36, which comprise the statement of assets and liabilities as at 31 December 2019, the statement of comprehensive income, the statement of changes in net assets attributable to unitholders, the cash flow statement and the distribution statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial disposition of the Sub-Fund as at 31 December 2019 and of its financial transactions and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board ("IAASB"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Sub-Fund in accordance with the *Code of Ethics for Professional Accountants* ("the Code") issued by the International Ethics Standards Board for Accountants ("IESBA") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and auditor's report thereon

The Manager of the Sub-Fund is responsible for the other information. The other information comprises all the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager of the Sub-Fund for the financial statements

The Manager of the Sub-Fund is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs and for such internal control as the Manager of the Sub-Fund determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager of the Sub-Fund is responsible for assessing the Sub-Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager of the Sub-Fund either intends to liquidate the Sub-Fund or to cease operations, or have on realistic alternative but to do so.



Independent auditor's report to the unitholders of BMO Balanced Fund (continued)

(Incorporated in Hong Kong with limited liability)

Responsibilities of the Manager of the Sub-Fund for the financial statements (continued)

In addition, the Manager of the Trust and its Sub-Fund is required to ensure that the financial statements have been properly prepared in accordance with the relevant provisions of the trust deed dated 23 May 2018 and as amended from time to time (the "Trust Deed"), for the year ended 31 December 2019, and the relevant disclosure provisions of Appendix E of the Code on Unit Trusts and Mutual Funds (the "SFC Code") issued by the Hong Kong Securities and Futures Commission.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to assess whether the financial statements of the Sub-Fund have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sub-Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager of the Sub-Fund.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Sub-Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Sub-Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Independent auditor's report to the unitholders of BMO Balanced Fund (continued)

(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the financial statements (continued)

We communicate with the Manager of the Sub-Fund regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on matters under the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code

In our opinion, the financial statements have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

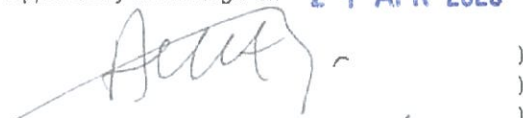

24 APR 2020

Statement of assets and liabilities as at 31 December 2019

(Expressed in United States dollars)

	Notes	As at 31 December 2019 US\$	As at 31 December 2018 US\$
Assets			
Financial assets at fair value through profit or loss			
Investment securities	6	2,380,386	1,206,887
Dividend receivables		2,989	1,056
Other receivables		1,270	414
Cash at banks	3	<u>124,562</u>	<u>6,635</u>
		<u>2,509,207</u>	<u>1,214,992</u>
Liabilities			
Amounts due to brokers		85,918	-
Distribution payables		3,891	1,561
Accruals and other payables		<u>7,098</u>	<u>2,642</u>
		<u>96,907</u>	<u>4,203</u>
Net assets attributable to unitholders		<u>2,412,300</u>	<u>1,210,789</u>
Number of units in issue			
Class A USD Acc	9	68,952	68,608
Class A USD MDis	9	150,353	59,103
Class A HKD MDis	9	41,024	26,101
Net asset value per unit			
Class A USD Acc	9	11.0440	9.2856
Class A USD MDis	9	10.6105	9.1900
Class A HKD MDis	9	1.3518	1.1710

Approved by the Manager on **24 APR 2020**

)
) For and on behalf of
) BMO Global Asset Management (Asia) Limited,
) ("Manager")
)
)

The notes on pages 14 to 36 from part of these financial statements.

Statement of comprehensive income for the year ended 31 December 2019

(Expressed in United States dollars)

		Year ended 31 December 2019	Period from 9 July 2018 (date of commencement of operations) to 31 December 2018
	Notes	US\$	US\$
Income			
Interest income on bank deposits	7(b)	117	78
Dividend income		35,300	5,349
Net gains/(losses) from financial instruments at fair value through profit or loss	4	240,529	(86,975)
Net foreign exchange (losses)/gains		(604)	738
Other income		<u>2,254</u>	<u>414</u>
Total net income/(losses)		<u>277,596</u>	<u>(80,396)</u>
Expenses			
Management fees	7(a)	(14,288)	(2,641)
Transaction costs		(612)	(345)
Safe custody fees and bank charges	7(b)	<u>-</u>	<u>(8)</u>
Total operating expenses		<u>(14,900)</u>	<u>(2,994)</u>
Net profits/(losses) from operations before finance costs and taxation		<u>262,696</u>	<u>(83,390)</u>
Interest expenses	7(b)	<u>(3)</u>	<u>(1)</u>
Total finance costs		<u>(3)</u>	<u>(1)</u>
Net profits/(losses) from operations before taxation		262,693	(83,391)
Taxation	5	<u>(4,219)</u>	<u>(821)</u>
Change in net assets attributable to unitholders and total comprehensive income for the year/period		<u>258,474</u>	<u>(84,212)</u>

The notes on pages 14 to 36 from part of these financial statements.

Statement of changes in net assets attributable to unitholders for the year ended 31 December 2019

(Expressed in United States dollars)

	Notes	Year ended 31 December 2019 US\$	Period from 9 July 2018 (date of commencement of operations) to 31 December 2018 US\$
Net assets attributable to unitholders at the beginning of the year/period		<u>1,210,789</u>	<u>-</u>
Transaction with unitholders			
<i>Subscription of units</i>			
- Class A USD Acc	9	3,837	687,080
- Class A USD MDis	9	942,762	578,248
- Class A HKD MDis	9	<u>21,139</u>	<u>33,249</u>
		<u>967,738</u>	<u>1,298,577</u>
<i>Redemption of units</i>			
- Class A USD Acc	9	(128)	-
- Class A HKD MDis	9	<u>(1,266)</u>	<u>-</u>
		<u>(1,394)</u>	<u>-</u>
Total transactions with unitholders		<u>966,344</u>	<u>1,298,577</u>
Change in net assets attributable to unitholders and total comprehensive income for the year/period		258,474	(84,212)
Distributions to unitholders during the year/period	10	<u>(23,307)</u>	<u>(3,576)</u>
Net assets attributable to unitholders at the end of the year/period	9	<u>2,412,300</u>	<u>1,210,789</u>

The notes on pages 14 to 36 from part of these financial statements.

Cash flow statement for the year ended 31 December 2019

(Expressed in United States dollars)

	Notes	Year ended 31 December 2019 US\$	For the period from 9 July 2018 to 31 December 2018 US\$
Operating activities			
Net profits/(losses) from operations before taxation		262,693	(83,391)
Adjustments for:			
Interest income on bank deposits	7(b)	(117)	(78)
Dividend income		(35,300)	(5,349)
Net (gains)/losses from financial instruments at fair value through profit or loss	4	(240,529)	86,975
Interest expenses	7(b)	<u>3</u>	<u>1</u>
Operating losses before changes in working capital		<u>(13,250)</u>	<u>(1,842)</u>
Payments for purchase of investment securities		(1,574,562)	(1,408,948)
Proceeds from sale of investment securities		727,510	115,086
Increase in other receivables		(856)	(414)
Increase in accruals and other payables		4,456	2,642
Dividend received, net of withholding tax		29,148	3,472
Interest received, net of withholding tax		<u>117</u>	<u>78</u>
Net cash used in operating activities		<u>(827,437)</u>	<u>(1,289,926)</u>
Financing activities			
Interest paid		(3)	(1)
Proceeds on subscription of units		967,738	1,298,577
Payments on redemption of units		(1,394)	-
Distribution paid to unitholders		<u>(20,977)</u>	<u>(2,015)</u>
Net cash generated from financing activities		<u>945,364</u>	<u>1,296,561</u>
Net increase in cash and cash equivalents		117,927	6,635
Cash and cash equivalents at the beginning of the year/period		<u>6,635</u>	<u>-</u>
Cash and cash equivalents at the end of the year/period	3,7(b)	<u>124,562</u>	<u>6,635</u>

The notes on pages 14 to 36 from part of these financial statements.

Distribution statement for the year ended 31 December 2019

(Expressed in United States dollars)

	Notes	Year ended 31 December 2019 US\$	Period from 9 July 2018 (date of commencement of operations) to 31 December 2018 US\$
Amount available for distribution brought forward		1,210,789	-
Net received or receivable on issue of units		966,344	1,298,577
Profit/(loss) before distributions after taxation		<u>258,474</u>	<u>(84,212)</u>
Amount available for distribution to unitholders		<u>2,435,607</u>	<u>1,214,365</u>
Distributions to unitholders	10	<u>(23,307)</u>	<u>(3,576)</u>
Amount available for distribution carried forward		<u>2,412,300</u>	<u>1,210,789</u>
Distribution history		Class A USD MDis US\$	Class A HKD MDis HK\$
Year ended 31 December 2019			
First distribution declared on 31 January 2019 to unitholders per unit	10	0.0250	0.0250
Second distribution declared on 28 February 2019 to unitholders per unit	10	0.0250	0.0250
Third distribution declared on 29 March 2019 to unitholders per unit	10	0.0250	0.0250
Forth distribution declared on 30 April 2019 to unitholders per unit	10	0.0250	0.0250
Fifth distribution declared on 31 May 2019 to unitholders per unit	10	0.0250	0.0250
Sixth distribution declared on 28 June 2019 to unitholders per unit	10	0.0250	0.0250
Seventh distribution declared on 31 July 2019 to unitholders per unit	10	0.0250	0.0250
Eighth distribution declared on 30 August 2019 to unitholders per unit	10	0.0250	0.0250
Ninth distribution declared on 30 September 2019 to unitholders per unit	10	0.0250	0.0250
Tenth distribution declared on 31 October 2019 to unitholders per unit	10	0.0250	0.0250
Eleventh distribution declared on 29 November 2019 to unitholders per unit	10	0.0250	0.0250
Twelfth distribution declared on 31 December 2019 to unitholders per unit	10	0.0250	0.0250

The notes on pages 14 to 36 from part of these financial statements.

Distribution statement for the year ended 31 December 2019 (continued)

(Expressed in United States dollars)

Distribution history	Notes	Class A USD MDis US\$	Class A HKD MDis HK\$
Period from 9 July 2018 (date of commencement of operations) to 31 December 2018			
First distribution declared on 28 September 2018 to unitholders per unit	10	0.0250	0.0250
Second distribution declared on 31 October 2018 to unitholders per unit	10	0.0250	0.0250
Third distribution declared on 30 November 2018 to unitholders per unit	10	0.0250	0.0250
Forth distribution declared on 31 December 2018 to unitholders per unit	10	0.0250	0.0250

The Manager currently dose not intend to make dividend distributions in respect of Class A USD Acc Units.

Notes to the financial statements

(Expressed in United States dollars unless otherwise indicated)

1 The Fund

BMO Funds (the "Trust") is a Hong Kong umbrella unit trust established under a trust deed dated 23 May 2018 and as amended from time to time (the "Trust Deed") between BMO Global Asset Management (Asia) Limited (the "Manager") and Cititrust Limited (the "Retired Trustee"), and governed by the laws of Hong Kong. The Trust and the BMO Balanced Fund (the "Sub-Fund"), a sub-fund of the Trust, are authorised under Section 104 of the Hong Kong Securities and Futures Ordinance (the "SFO").

Pursuant to a deed of retirement and appointment (the "DORA") between the Manager, the Retired Trustee and State Street Trust (HK) Limited (the "Trustee") dated 3 June 2019, the Retired Trustee retired as trustee of the Trust and the Trustee was appointed as trustee of the Trust with effect from 25 November 2019. Also, the global custodian of the Fund has changed from Cititrust N.A. to State Street Bank and Trust Company on the same day.

The investment objective of the Sub-Fund is to achieve long-term capital growth while maintaining stable income. This will be achieved by investing primarily in a globally diversified portfolio of exchange traded funds (the "Underlying ETFs") whose underlying assets cover the risk return spectrum. The Sub-Fund seeks to diversify its portfolio across a broad range of underlying asset classes and currencies globally, including emerging markets. Such underlying assets may include, but are not limited to equity securities, fixed income securities, commodities and money market instruments. There can be no assurance that the Sub-Fund will achieve its investment objective.

The Trust Deed does not contain any requirement that a combined set of financial statements for the Trust itself be prepared.

The investment activities of the Trust are managed by the Manager and the administration of the Trust is delegated to State Street Bank and Trust Company (the "Administrator").

2 Significant accounting policies

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs"), and Interpretations issued by International Accounting Standards Board ("IASB"), the relevant disclosure provisions of the Trust Deed and the relevant disclosure requirements of the Code issued by the Hong Kong Securities and Futures Commission (the "SFC"). A summary of the significant accounting policies adopted by the Sub-Fund is set out below.

The IASB has issued certain new and revised IFRSs that are available for early adoption for the current accounting period of the Sub-Fund. The Sub-Fund has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(b) Basis of preparation of the financial statements

The functional and presentation currency of the Sub-Fund is the United States dollars reflecting the fact that the participating redeemable units of the Sub-Fund are issued and redeemed in United States dollars.

The financial statements is prepared for the year from 1 January 2019 to 31 December 2019. The comparative figures, however, due to the commencement of the Sub-Fund, are presented for the period from 9 July 2018 to 31 December 2018. Consequently, the comparative figures are not comparable.

The financial statements are prepared on a fair value basis for financial assets and financial liabilities at fair value through profit or loss. Other financial assets and financial liabilities are stated at amortised cost or redemption amount (redeemable units).

2 Significant accounting policies (continued)

(b) Basis of preparation of the financial statements (continued)

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Foreign currency translation

Foreign currency transactions during the year are translated into the functional currencies of the Sub-Fund at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currencies at the foreign exchange rates ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated into the functional currencies at the exchange rate at the date on which the fair value was determined. Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in profit or loss.

Foreign currency exchange differences relating to financial instruments at fair value through profit or loss are included in net gains or losses from financial instruments at fair value through profit or loss. All other foreign currency exchange differences relating to monetary items including cash and cash equivalents are presented separately in profit or loss.

(d) Financial instruments

(i) Classification

On initial recognition, the Sub-Fund classifies financial assets as measured at amortised cost or fair value through profit or loss ("FVTPL").

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI").

All other financial assets of the Sub-Fund are measured at FVTPL.

Business model assessment

In making an assessment of the objective of the business model in which a financial asset is held, the Sub-Fund considers all of the relevant information about how the business is managed, including:

- the documented investment strategy and the execution of this strategy in practice. This includes whether the investment strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Sub-Fund's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

2 Significant accounting policies (continued)

(d) Financial instruments (continued)

(i) Classification (continued)

- how the investment manager is compensated: e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Sub-Fund's continuing recognition of the assets.

The Sub-Fund has determined that it has two business models.

- Held-to-collect business model: this includes dividends and other receivables and cash and cash equivalents. These financial assets are held to collect contractual cash flow.
- Other business model: this includes equity securities and collective investment schemes. These financial assets are managed and their performance is evaluated, on a fair value basis, with frequent sales taking place.

Assessment whether contractual cash flows are SPPI

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Sub-Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Sub-Fund considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- terms that limit the Sub-Fund's claim to cash flows from specified assets (e.g. non-recourse features); and
- features that modify consideration for of the time value of money (e.g. periodical reset of interest rates).

The Sub-Fund classifies its investments based on the business model and contractual cash flows assessment. Accordingly, the Sub-Fund classifies all its investments, including investments in listed investment funds into financial assets at FVTPL category. Financial assets measured at amortised cost include dividend receivables, other receivables, and cash and cash equivalents.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition unless the Sub-Fund were to change its business model for managing financial assets, in which case all affected financial assets would be reclassified on the first day of the first reporting period follow the change in the business model.

(ii) Recognition

The Sub-Fund recognises financial assets and financial liabilities on the date they becomes a party to the contractual provisions of the instruments.

A regular way purchase or sale of financial assets is recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

2 Significant accounting policies (continued)

(d) Financial instruments (continued)

(ii) Recognition (continued)

Financial liabilities are not recognised unless one of the parties has performed their obligations under the contract or the contract is a derivative contract not exempted from the scope of IFRS 9.

(iii) Measurement

Financial instruments are measured initially at fair value (transaction price). Transaction costs on financial assets and liabilities at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortised.

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognised in profit or loss.

Financial assets, other than those fair value through profit or loss are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

Financial liabilities, other than those at fair value through profit or loss are measured at amortised cost using the effective interest rate method.

(iv) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in principal, or in its absence, the most advantageous market to which the Sub-Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Sub-Fund measures the fair value of an instrument using the quoted price in an active market for that instrument provided such price is within the bid-ask spread. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. In circumstances where the quoted price is not within the bid-ask spread, the Manager of the Sub-Fund will determine the points within the bid-ask spread that are most representative of the fair value.

When there is no quoted price in an active market, the Sub-Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received. If the Sub-Fund determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Sub-Fund on the basis of the net exposure to either market or credit risk, are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Sub-Fund recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

2 Significant accounting policies (continued)

(d) Financial instruments (continued)

(v) Amortised cost measurement principles

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vi) Impairment

The Sub-Fund recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost.

The Sub-Fund measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- financial assets that are determined to have low credit risk at the reporting date; and
- other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Sub-Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Sub-Fund's historical experience and informed credit assessment and including forward-looking information.

The Sub-Fund assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Sub-Fund considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Sub-Fund in full, without recourse by the Sub-Fund to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Sub-Fund considers a financial asset to have low credit risk when the credit rating of the counterparty is equivalent to the globally understood definition of 'investment grade'. The Sub-Fund considers this to be Baa3 or higher per Moody's or BBB- or higher per Standard & Poor's.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Sub-Fund is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Sub-Fund expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

2 Significant accounting policies (continued)

(d) Financial instruments (continued)

(vi) Impairment (continued)

Credit-impaired financial assets

At each reporting date, the Sub-Fund assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowances for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Sub-Fund has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

(vii) Derecognition

The Sub-Fund derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or they transfer the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Sub-Fund neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the assets (or the carrying amount allocated to the portion of the asset that is derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. Any interest in such transferred financial assets that is created or retained by the Sub-Fund is recognised as a separate asset or liability.

If the Sub-Fund enters into transactions whereby it transfers assets recognised on its statement of assets and liabilities, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all of the risks and rewards include sale and repurchase transactions.

The Sub-Fund uses the weighted average method to determine realised gains and losses on derecognition.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

(viii) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of assets and liabilities when the Sub-Fund has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis or simultaneously, e.g. through a market clearing mechanism.

Income and expenses are presented on a net basis for gains and losses from financial instruments at fair value through profit and loss and foreign exchange gains and losses.

2 Significant accounting policies (continued)

(d) Financial instruments (continued)

(ix) Specific instruments

Cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 2(d)(vi).

(e) Revenue recognition

Provided it is probable that the economic benefits will flow to the Sub-Fund and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Dividends

Dividend income from listed investments is recognised on the ex-dividend date. Dividend income from equity securities designated as at fair value through profit and loss is recognised in profit or loss in a separate line item. In some cases, the Sub-Fund may choose to receive dividends in the form of additional shares rather than cash. In such cases, the Sub-Fund recognises the dividend income for the amount of the equivalent cash dividend with the corresponding debit treated as an additional investment.

Dividends received by the Sub-Fund may be subject to non-recoverable withholding tax imposed in the country of origin. This income is recorded gross of such taxes and the withholding tax is recognised in the profit and loss as incurred.

(ii) Interest income

Interest income is recognised in profit or loss as it accrues, using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument (or, when appropriate, a shorter period) to the carrying amount of the financial instrument on initial recognition. When calculating the effective interest rate, the Sub-Fund estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

(f) Expenses

All expenses are recognised in profit or loss on an accrual basis.

(g) Establishment cost

The establishment costs of the Sub-Fund consist of costs incurred to establish the Sub-Fund and enable it to do business legally. The establishment costs are borne by the Manager.

(h) Related parties

(a) A person, or a close member of that person's family, is related to a Sub-Fund if that person:

- (i) has control or joint control over the Sub-Fund;
- (ii) has significant influence over the Sub-Fund; or
- (iii) is a member of the key management personnel of the Sub-Fund.

2 Significant accounting policies (continued)

(h) Related parties (continued)

(b) An entity is related to a Sub-Fund if any of the following conditions applies:

- (i) The entity and the Sub-Fund are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group;
- (vi) The entity is controlled or jointly controlled by a person identified in (a); or
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(i) Subscriptions and redemptions

The Sub-Fund recognises unitholders' subscriptions and allots units upon receipt of a valid subscription application and derecognises them upon receipt of a valid redemption application.

(j) Units in issue

The Sub-Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

A puttable financial instrument that includes a contractual obligation for the issuer to repurchase or redeem that instrument for cash or another financial asset is classified as an equity instrument if it meets all of the following conditions:

- (i) It entitles the holder to a pro rate share of the issuer's net assets in the event of the issuer's liquidation;
- (ii) It is in the class of instruments that is subordinate to all other classes of instruments;
- (iii) All financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- (iv) Apart from the contractual obligation for the issuer to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and
- (v) The total expected cash flows attributable to the instrument over its life are based substantially on profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the issuer over the life of the instrument.

The Sub-Fund has the following classes of redeemable units in issue: Class A USD Acc, Class A USD MDis and Class A HKD MDis.

These redeemable units are the most subordinate classes of financial instruments in the Sub-Fund and rank *pari passu* in all material respects but have different distribution policies as set out in the Prospectus. As the different classes of redeemable units do not have identical features, they do not meet the criteria for equity classification and therefore are classified as financial liabilities. They are measured at the present value of the redemption amounts.

2 Significant accounting policies (continued)

(k) Distributions to holders of redeemable units

Distributions to holders of redeemable units classified as financial liabilities are recognised in profit or loss as finance cost when they are authorised and no longer at the discretion of the Sub-Fund.

3 Cash and cash equivalents

	As at 31 December 2019 US\$	As at 31 December 2018 US\$
Cash at banks	<u>124,562</u>	<u>6,635</u>
	<u>124,562</u>	<u>6,635</u>

Cash held by the Sub-Fund is deposited with State Street Bank and Trust Company and Citibank N.A. Hong Kong Branch as at 31 December 2019 and 2018 respectively.

4 Net gains/(losses) from financial instruments at fair value through profit or loss

	Year ended 31 December 2019 US\$	Period from 9 July 2018 (date of commencement of operations) to 31 December 2018 US\$
Investment securities		
Realised gains/(losses) on investment securities	9,960	(1,597)
Net changes in unrealised gains/(losses) on investment securities	<u>230,569</u>	<u>(85,378)</u>
Total gains/(losses) on investment securities	<u>240,529</u>	<u>(86,975)</u>

5 Taxation

No provision for Hong Kong profits tax has been made in the financial statements as the Sub-Fund is exempt from taxation under section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

Dividend income received by the Sub-Fund may be subject to non-recoverable withholding tax imposed in the country of origin. Dividend income is recorded gross of such taxes and the withholding tax is recognised in profit or loss as incurred.

Capital gains realised in certain jurisdictions may be subject to capital gains tax. Capital gains tax is charged to profit or loss on an accrual basis, using tax rates enacted or substantively enacted at the date of the statement of financial position.

5 Taxation (continued)

Taxation in profit or loss represents:

	Year ended 31 December 2019 US\$	Period from 9 July 2018 (date of commencement of operations) to 31 December 2018 US\$
Overseas withholding tax	<u>4,219</u>	<u>821</u>
Total	<u>4,219</u>	<u>821</u>

6 Financial assets at fair value through profit or loss

	As at 31 December 2019 US\$	As at 31 December 2018 US\$
Financial assets at fair value through profit or loss		
Listed investment funds	<u>2,380,386</u>	<u>1,206,887</u>
Total	<u>2,380,386</u>	<u>1,206,887</u>

7 Transactions with the Trustee, Manager and Connected Persons

The following is a summary of significant related party transactions or transactions entered into during the year between the Sub-Fund and the Trustee, the Manager and their Connected Persons. Connected Persons are those as defined in the Code on Unit Trusts and Mutual Funds issued by the SFC. All transactions during the year between the Sub-Fund and the Trustee, the Manager and their Connected Persons were entered into in the ordinary course of business and under normal commercial terms. To the best of the knowledge of the Trustee and the Manager, the Sub-Fund did not have any other transactions with Connected Persons except for those disclosed below.

7 Transactions with the Trustee, Manager and Connected Persons (continued)

(a) Management fees

The Sub-Fund is managed by BMO Global Asset Management (Asia) (the "Manager") who is entitled to a management fee of 0.98% per annum of the net asset value of the Sub-Fund. The management fee in respect of the Sub-Fund includes the Manager's fee, the Trustee's fee, the Registrar's fee and the Administrator and Custodian's fee, and will be payable quarterly in arrears.

	Year ended 31 December 2019 US\$	Period from 9 July 2018 (date of commencement of operations) to 31 December 2018 US\$
Management fees for the year/period	14,288	2,641
Management fees payable at the year/period end	6,405	2,641

(b) Bank accounts held with Trustee's affiliates

Bank accounts are maintained with Citibank N.A. Hong Kong Branch, which is a fellow subsidiary of the Retired Trustee within the Citigroup Inc. ("Citigroup") for the period from 9 July 2018 (date of commencement of operations) to 24 November 2019 and State Street Bank and Trust Company, which is a related party of the Trustee, State Street Trust (HK) Limited (the "SST") with effect from 25 November 2019. The balances of these accounts amounted to USD 124,562 at the year end (2018: USD 6,635 at Citibank N.A. Hong Kong Branch). During the year, USD 105 and USD 12 interest income were earned from bank accounts with Citibank N.A. Hong Kong Branch and State Street Bank and Trust Company respectively (2018: USD 78 from Citibank N.A. Hong Kong Branch). Bank charges paid to Citibank N.A. Hong Kong Branch and State Street Bank and Trust Company amounted to USD Nil and USD Nil respectively (2018: USD 8 to Citibank N.A. Hong Kong Branch). During the year, USD 3 and USD Nil interest expense were due to bank accounts with Citibank N.A. Hong Kong Branch and State Street Bank and Trust Company respectively (2018: USD 1 to Citibank N.A. Hong Kong Branch). Interest expense payable to State Street Bank and Trust Company amounted to USD Nil (2018: USD 1 to Citibank N.A. Hong Kong Branch).

7 Transactions with the Trustee, Manager and Connected Persons (continued)

(c) Investments

The Sub-Fund held investments in the following funds which are also managed by the Manager and BMO's group:

As at 31 December 2019			
Listed investment funds	Holdings	Market value US\$	% of net asset value
Canada			
BMO HIGH YIELD US CORPORATE	6,068	94,711	3.93%
BMO MID-TERM US IG CORPORATE ZIC	6,210	93,479	3.88%
BMO MID-TERM US IG CORPORATE	1,256	19,003	0.79%
BMO S&P 500 INDEX ETF-USD	5,971	212,090	8.79%
BMO S&P/TSX CAPPED COMPOSITE INDEX ETF ZCN	<u>6,712</u>	<u>118,997</u>	<u>4.93%</u>
		<u>538,280</u>	<u>22.32%</u>
Hong Kong			
BMO ASIA HIGH DIVIDEND ETF	36,200	48,225	2.00%
BMO ASIA USD INVESTMENT GRADE BOND ETF	44,100	90,783	3.76%
BMO ASIA USD INVESTMENT GRADE BOND ETF USD	25,000	51,270	2.13%
BMO HONG KONG BANKS ETF	22,400	23,947	0.99%
BMO MSCI ASIA PACIFIC REAL ESTATE ETF	20,000	28,902	1.20%
BMO MSCI EUROPE QUALITY HEDGED TO USD ETF	79,400	130,842	5.42%
BMO MSCI JAPAN HEDGED TO USD ETF	75,000	111,656	4.63%
BMO NASDAQ 100 ETF	<u>94,200</u>	<u>212,778</u>	<u>8.82%</u>
		<u>698,403</u>	<u>28.95%</u>
As at 31 December 2018			
Listed investment funds	Holdings	Market value US\$	% of net asset value
Canada			
BMO HIGH YIELD US CORPORATE	2,518	36,227	2.99%
BMO MID-TERM US IG CORPORTATE	1,256	17,302	1.43%
BMO MID-TERM US IG CORPORTATE ZIC	2,750	37,370	3.09%
BMO S&P 500 INDEX ETF-USD	3,571	98,310	8.12%
BMO S&P/TSX CAPPED COMPOSITE INDEX ETF ZCN	<u>3,262</u>	<u>46,143</u>	<u>3.81%</u>
		<u>235,352</u>	<u>19.44%</u>

7 Transactions with the Trustee, Manager and Connected Persons (continued)

(c) Investments (continued)

As at 31 December 2018		Market value	% of net
Listed investment funds	Holdings	US\$	asset value
Hong Kong			
BMO ASIA HIGH DIVIDEND ETF	12,200	13,837	1.14%
BMO ASIA USD INVESTMENT GRADE BOND ETF	27,700	53,070	4.38%
BMO HONG KONG BANKS ETF	12,000	12,292	1.02%
BMO MSCI ASIA PACIFIC REAL ESTATE ETF	12,600	16,254	1.34%
BMO MSCI EUROPE QUALITY HEDGED TO USD ETF	44,800	55,733	4.60%
BMO MSCI JAPAN HEDGED TO USD ETF	61,600	76,633	6.33%
BMO NASDAQ 100 ETF	64,800	106,768	8.82%
		<u>334,587</u>	<u>27.63%</u>

(d) Unitholdings

As at 31 December 2019, the units of Class A held by related parties are summarised below:

Name	Relationship	Number of holdings		
		Class A USD Acc	Class A USD MDis	Class A HKD MDis
BMO Investments Inc.	Fellow subsidiary of the Manager	3,400	3,427	26,896

As at 31 December 2018, the units of Class A held by related parties are summarised below:

Name	Relationship	Number of holdings		
		Class A USD Acc	Class A USD MDis	Class A HKD MDis
BMO Investments Inc.	Fellow subsidiary of the Manager	3,400	3,325	26,101

(e) Distributor

The Manager has appointed Bank of Montreal (Hong Kong and Singapore Branches) (the "Distributor") as a distributor to market the units of the Sub-Fund in Hong Kong and Singapore. The Distributor is the parent of the Manager and is entitled to a commission equivalent to 50% of the management fee. The commission is calculated daily based on the net asset value of the units held by the Distributor and payable on a quarterly basis. During the year, the total commission payable to the Distributor in respect of the Sub-Fund amounted to USD 6,627 (2018: USD 1,103).

8 Soft commission arrangements

No soft commission arrangements were entered into with brokers by the Sub-Fund during the years ended 31 December 2019 and the period from 9 July 2018 (date of commencement of operations) to 31 December 2018.

9 Units issued and redeemed

Number of units in issue

	Year ended 31 December 2019 Unit	Period from 9 July 2018 (date of commencement of operations) to 31 December 2018 Unit
Class A USD Acc		
Balance at the beginning of the year/period	68,608	-
Units issued during the year/period	356	68,608
Units redeemed during the year/period	<u>(12)</u>	<u>-</u>
Balance at the end of the year/period	<u>68,952</u>	<u>68,608</u>
Class A USD MDis		
Balance at the beginning of the year/period	59,103	-
Units issued during the year/period	91,250	59,103
Units redeemed during the year/period	<u>-</u>	<u>-</u>
Balance at the end of the year/period	<u>150,353</u>	<u>59,103</u>
Class A HKD MDis		
Balance at the beginning of the year/period	26,101	-
Units issued during the year/period	15,882	26,101
Units redeemed during the year/period	<u>(959)</u>	<u>-</u>
Balance at the end of the year/period	<u>41,024</u>	<u>26,101</u>

During the initial offer period, units in a Sub-Fund were offered to investors at an initial subscription price of USD 10 for Class A USD Acc units and Class A USD MDis units, and HKD 10 for Class A HKD MDis units. The Subscription Price on any Dealing Day will be the price per unit ascertained by dividing the Net Asset Value of the relevant class of the Sub-Fund as at the Valuation Point in respect of the relevant Dealing Day by the number of Units of such class of that Sub-Fund then in issue and rounded 4 decimal places or in such manner and to such other number of decimal places as may from time to time be determined by the Manager.

Unitholders may redeem their units in the Sub-Fund on any Dealing Day by submitting a redemption request to the Registrar. Redemption proceeds will normally be paid by telegraphic transfer, within 7 Business Days after the relevant Dealing Day and in any event within one calendar month of the relevant Dealing Day or (if later) receipt of a properly documented redemption request. As at 31 December, 2019, the Sub-Fund has net assets attributable to unitholders of USD 2,412,300 (2018: USD 1,210,789).

The Sub-Fund does not have any externally imposed capital requirements.

9 Units issued and redeemed (continued)

Net asset value per unit

According to the Prospectus of the Sub-Fund, some of the classes are denominated in HKD for dealing, which are different from the presentation currency of the Sub-Fund. The net asset value per unit for each class of the Sub-Fund at the date of statement of assets and liabilities is as follows:

	Denomination currency	As at 31 December 2019 US\$	As at 31 December 2018 US\$
Net asset value per unit			
- Class A USD Acc	USD	11.0440	9.2856
- Class A USD MDis	USD	10.6105	9.1900
- Class A HKD MDis	HKD	1.3518	1.1710

10 Distributions

Class A USD MDis	Year ended 31 December 2019 US\$	Period from 9 July 2018 (date of commencement of operations) to 31 December 2018 US\$
<i>Distributions attributable to the year/period</i>		
Distributions declared on 31 January 2019 -US\$0.0250 per unit on 59,112 units	1,478	-
Distributions declared on 28 February 2019 US\$0.0250 per unit on 59,120 units	1,478	-
Distributions declared on 29 March 2019 -US\$0.0250 per unit on 59,129 units	1,478	-
Distributions declared on 30 April 2019 -US\$0.0250 per unit on 59,137 units	1,478	-
Distributions declared on 31 May 2019 -US\$0.0250 per unit on 59,146 units	1,479	-
Distributions declared on 28 June 2019 -US\$0.0250 per unit on 59,154 units	1,479	-
Distributions declared on 31 July 2019 -US\$0.0250 per unit on 59,162 units	1,479	-
Distributions declared on 30 August 2019 -US\$0.0250 per unit on 59,171 units	1,479	-
Distributions declared on 30 September 2019 -US\$0.0250 per unit on 59,179 units	1,480	-
Distributions declared on 31 October 2019 -US\$0.0250 per unit on 103,289 units	2,582	-
Distributions declared on 29 November 2019 -US\$0.0250 per unit on 103,297 units	2,582	-
Distributions declared on 31 December 2019 -US\$0.0250 per unit on 150,353 units	3,759	-
Distributions declared on 28 September 2018 -US\$0.0250 per unit on 3,300 units	-	83
Distributions declared on 31 October 2018 -US\$0.0250 per unit on 8,245 units	-	206
Distributions declared on 30 November 2018 -US\$0.0250 per unit on 59,094 units	-	1,477
Distributions declared on 31 December 2018 -US\$0.0250 per unit on 59,103 units	-	1,478
	<u>22,231</u>	<u>3,244</u>

10 Distributions (continued)

Class A HKD MDIs	Year ended 31 December 2019 US\$	Period from 9 July 2018 (date of commencement of operations) to 31 December 2018 US\$
<i>Distributions attributable to the year/period</i>		
Distributions declared on 31 January 2019 -HK\$0.0250 per unit on 26,171 units	83	-
Distributions declared on 28 February 2019 HK\$0.0250 per unit on 26,239 units	84	-
Distributions declared on 29 March 2019 -HK\$0.0250 per unit on 26,305 units	84	-
Distributions declared on 30 April 2019 -HK\$0.0250 per unit on 26,370 units	84	-
Distributions declared on 31 May 2019 -HK\$0.0250 per unit on 26,436 units	84	-
Distributions declared on 28 June 2019 -HK\$0.0250 per unit on 26,502 units	85	-
Distributions declared on 31 July 2019 -HK\$0.0250 per unit on 26,567 units	85	-
Distributions declared on 30 August 2019 -HK\$0.0250 per unit on 26,634 units	85	-
Distributions declared on 30 September 2019 -HK\$0.0250 per unit on 26,700 units	85	-
Distributions declared on 31 October 2019 -HK\$0.0250 per unit on 26,767 units	85	-
Distributions declared on 29 November 2019 -HK\$0.0250 per unit on 31,407 units	100	-
Distributions declared on 31 December 2019 -HK\$0.0250 per unit on 41,024 units	132	-
Distributions declared on 28 September 2018 -HK\$0.0250 per unit on 25,901 units	-	83
Distributions declared on 31 October 2018 -HK\$0.0250 per unit on 25,966 units	-	83
Distributions declared on 30 November 2018 -HK\$0.0250 per unit on 26,032 units	-	83
Distributions declared on 31 December 2018 -HK\$0.0250 per unit on 26,101 units	-	83
	1,076	332

11 Financial instruments and associated risks

The Sub-Fund maintains an investment portfolio in a variety of listed financial instruments as dictated by its investment management strategy. The investment objective of the Sub-Fund is disclosed in note 1.

The Sub-Fund's investing activities expose it to various types of risks that are associated with the financial instruments and markets in which it invests. The Manager has set out below the most important types of financial risks inherent in each type of financial instrument. The Manager would like to highlight that the following list of associated risks only sets out some of the risks but does not purport to constitute an exhaustive list of all the risks inherent in an investment in the Sub-Fund. Unitholders should note that additional information in respect of risks associated with investment in the Sub-Fund can be found in the Sub-Fund's offering document.

11 Financial instruments and associated risks (continued)

The asset allocation is determined by the Manager who manages and monitors the distribution of the assets to achieve the investment objective.

The nature and extent of the financial instruments outstanding at the reporting date and the risk management policies employed by the Sub-Fund are discussed below.

(a) Price risk

Price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

The Sub-Fund is exposed to price risk arising from changes in market prices, such as interest rates, foreign exchange rates, equity prices and credit spreads. It will affect the Sub-Fund's income or the fair value of its holdings of financial instruments. Price risk is managed by investing in a portfolio of different investments in accordance with the investment objective.

Price sensitivity

At the reporting date, the impact of a 10% (2018: 10%) increase in value of the investments, with all other variables held constant would have increased the Sub-Fund's net assets attributable to unitholders by USD 238,039 (2018: USD 120,689). An equal change in the opposite direction would have reduced the net asset values by an equal but opposite amount.

(b) Interest rate risk

The Sub-Fund does not have any significant interest-bearing financial instrument that is subject to interest rate risk.

(c) Currency risk

The Sub-Fund may invest in financial instruments and enter into transactions denominated in currencies other than its functional currency. Consequently, the Sub-Fund is exposed to risks that the exchange rate of its functional currency relative to other foreign currencies may change in manner that has an adverse effect on the value of that portion of the Sub-Fund's assets or liabilities denominated in currencies other than its functional currency.

The fluctuations in the rate of exchange between the currency in which the asset or liability is denominated and the functional currency could result in an appreciation or depreciation in the fair value of that asset or liability. The Manager may mitigate this risk by using financial derivatives instruments. The Manager monitors the Sub-Fund's currency exposures on an ongoing basis.

Currency sensitivity

At the reporting date, had the USD weakened by 5% (2018: 5%) in relation to respective currencies below, with all other variables held constant, net assets attributable to unitholders would have increased by the amounts shown below.

11 Financial instruments and associated risks (continued)

(c) Currency risk (continued)

	As at 31 December 2019	
	Net exposure	Change in net asset if US\$ weakened by 5%
	US\$	US\$
Canadian Dollar	308,844	15,442
Euro	235,373	11,769
Great British Pound	214,744	10,737
Japanese Yen	11	1
Total		37,949

	As at 31 December 2018	
	Net exposure	Change in net asset if US\$ weakened by 5%
	US\$	US\$
Canadian Dollar	120,529	6,026
Euro	107,690	5,385
Great British Pound	118,698	5,935
Japanese Yen	11	1
Total		17,347

As the HKD is pegged to the USD, the Manager does not expect any significant movement in USD/HKD exchange rate. A 5% appreciation of USD against the above currencies would have resulted in an equal but opposite effect, on the basis that all other variables remain constant.

(d) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Sub-Fund. The Sub-Fund's exposure to credit risk is monitored by the Manager on an ongoing basis.

State Street Trust (HK) Limited is the Trustee of the Sub-Fund, and substantially all of the assets of the Sub-Fund are held by State Street Bank and Trust Company (the "Custodian"). Bankruptcy or insolvency of the Trustee or the Custodian may cause the Sub-Fund's rights with respect to the assets to be delayed or limited. The Trustee and the Custodian are group companies of the SSBT Group, which have credit ratings of Aa1 as determined by Moody's. The Manager mitigates the risk by monitoring supporting the credit ratings and publicly available information on regular basis.

(e) Liquidity risk

Liquidity risk is the risk that the Sub-Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Sub-Fund.

11 Financial instruments and associated risks (continued)

(e) Liquidity risk (continued)

The Sub-Fund's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities to meet its liquidity requirements in the short and longer term.

The Sub-Fund's listed investments are generally considered to have insignificant exposure to liquidity risk as they are all readily realisable on the stock exchange on which they are listed.

As at 31 December 2019, the Sub-Fund's financial liabilities are due within three months, except for net assets attributable to unitholders which are repayable on demand.

(f) Capital management

The Sub-Fund's capital as at the year end date is represented by its redeemable units, which are classified as financial liabilities.

The Sub-Fund's objective in managing the capital is to ensure a stable and strong base to achieve long-term capital appreciation, and to manage liquidity risk arising from the redemptions. The Manager manages the capital of the Sub-Fund in accordance with the Sub-Fund's investment objective and policies stated in the Sub-Fund's Prospectus.

The amount and the movement of net assets attributable to unitholders are stated in the statement of changes in net assets attributable to unitholders. As the redeemable units are redeemed on demand at the unitholders' option, the actual level of redemption may differ significantly from the historical experience.

12 Fair value information

The Sub-Fund's financial instruments are measured at fair value at the reporting date. Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instruments. Usually, fair values can be reliably determined within a reasonable range. For certain other financial instruments, including cash and cash equivalents, dividend receivables, other receivables, distribution payables, accruals and other payables, the carrying amounts approximate fair values due to the short-term nature of these financial instruments.

Valuation of financial instruments

The Sub-Fund's accounting policy on fair value measurements is detailed in the significant accounting policy in note 2(d)(iv).

The Sub-Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). The category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

12 Fair value information (continued)

The following analyses financial instruments at fair value through profit or loss at the reporting date, by the level in the fair value hierarchy into which the fair value measurements is categorised.

As at 31 December 2019	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Financial assets				
Investments:				
Listed investment funds	<u>2,380,386</u>	<u>-</u>	<u>-</u>	<u>2,380,386</u>
	<u>2,380,386</u>	<u>-</u>	<u>-</u>	<u>2,380,386</u>
As at 31 December 2018	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Financial assets				
Investments:				
Listed investment funds	<u>1,206,887</u>	<u>-</u>	<u>-</u>	<u>1,206,887</u>
	<u>1,206,887</u>	<u>-</u>	<u>-</u>	<u>1,206,887</u>

During the year ended 31 December 2019 and period from 9 July 2018 (date of commencement of operations) to 31 December 2018, there were no transfers of financial instruments between the fair value hierarchy levels.

The Sub-Fund has concluded that the listed investment funds in which it invests, but dose not consolidate, meet the definition of structured entities because:

- the voting rights in the investment funds are not dominant rights in deciding who controls them as they relate to administrative tasks only;
- each investment fund's activities are restricted by its prospectus; and
- the investment funds have narrow and well defined objectives to provide investment opportunities to investors.

The table below describes the types of structured entities that the Sub-Fund dose not consolidate but in which it holds an interest.

Type of structured entity	Nature and purpose	Interest held by the Sub-Fund
Investment funds	To manage assets on behalf of third party investors and generate fees for the investment manager	Investment in units issued by the investment funds
	These vehicles are financed through the issue of units to investors	

12 Fair value information (continued)

The table below sets out interests held by the Sub-Fund in unconsolidated structured entities. The maximum exposure to loss is the carrying amount of the financial assets held.

31 December 2019	Number of investee funds	Total net assets (based on unaudited information) US\$ (in millions)	Carrying amount included in "Financial assets of fair value through profit or loss" US\$ (in millions)
Listed investment funds	<u>26</u>	<u>139,195</u>	<u>2</u>
31 December 2018	Number of investee funds	Total net assets (based on unaudited information) US\$ (in millions)	Carrying amount included in "Financial assets of fair value through profit or loss" US\$ (in millions)
Listed investment funds	<u>26</u>	<u>131,103</u>	<u>1</u>

During the year ended 31 December 2019 and period from 9 July 2018 (date of commencement of operations) to 31 December 2018, the Sub-Fund did not provide financial support to the unconsolidate structure entities and has no intention of providing financial or other support.

The Sub-Fund can sell units in the above listed investment funds on each trade day.

13 Bank loans and other borrowings

As at 31 December 2019 and 2018, there were no bank loans or other borrowings.

14 Contingent liabilities and capital commitments

As at 31 December 2019 and 2018, there were no contingent liabilities or capital commitments outstanding.

15 Security lending arrangements

During the years ended 31 December 2019 and 2018, the Sub-Fund did not enter into any security lending arrangements.

16 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2019

Up to the date of issue of these financial statements, the IASB has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These include the following which may be relevant to the Sub-Fund.

	<i>Effective for accounting periods beginning on or after</i>
Amendments to IFRS 3, <i>Definition of a business</i>	1 January 2020
Amendments to IAS 1 and IAS 8, <i>Definition of material</i>	1 January 2020

The Sub-Fund is in the process of making an assessment of what the impact of these amendments, new standard and interpretations is expected to be in the period of initial application. So far the Sub-Fund has concluded that the adoption of them is unlikely to have a significant impact on the Sub-Fund's results of operations and financial position.

Portfolio statement as at 31 December 2019 (Unaudited)

(Expressed in United States dollars)

	Holdings	Market value US\$	% of net assets value
Listed investment funds (98.68%)			
Canada			
BMO HIGH YIELD US CORPORATE	6,068	94,711	3.93%
BMO MID-TERM US IG CORPORATE	1,256	19,003	0.79%
BMO MID-TERM US IG CORPORATE ZIC	6,210	93,479	3.88%
BMO S&P 500 INDEX ETF-USD	5,971	212,090	8.79%
BMO S&P/TSX CAPPED COMPOSITE INDEX ETF ZCN	6,712	118,997	4.93%
		<u>538,280</u>	<u>22.32%</u>
Hong Kong			
BMO ASIA HIGH DIVIDEND ETF	36,200	48,225	2.00%
BMO ASIA USD INVESTMENT GRADE BOND ETF	44,100	90,783	3.76%
BMO ASIA USD INVESTMENT GRADE BOND ETF USD	25,000	51,270	2.13%
BMO HONG KONG BANKS ETF	22,400	23,947	0.99%
BMO MSCI ASIA PACIFIC REAL ESTATE ETF	20,000	28,902	1.20%
BMO MSCI EUROPE QUALITY HEDGED TO USD ETF	79,400	130,842	5.42%
BMO MSCI JAPAN HEDGED TO USD ETF	75,000	111,656	4.63%
BMO NASDAQ 100 ETF	94,200	212,778	8.82%
VANGUARD FTSE ASIA EX JAPAN INDEX ETF	19,100	59,444	2.47%
		<u>757,847</u>	<u>31.42%</u>
United Kingdom			
ISHARES CORE EURO CORPORATE BOND	445	67,010	2.78%
ISHARES CORE FTSE 100	3,436	33,875	1.40%
ISHARES EURO AGGREGATE BOND	1,184	168,123	6.97%
ISHARES JP MORGAN USD EM CORP BOND	923	94,940	3.94%
ISHARES USD TREASURY BOND 20+Y	9,900	59,722	2.48%
ISHARES USD TREASURY BOND 7-10Y	352	71,452	2.96%
SPDR BLOOMBERG BARCLAYS STERLING CORPORATE	581	48,805	2.02%
VANGUARD FTSE DEVELOPED EUROPE	3,687	131,365	5.44%
XTRACKERS MSCI EMERGING MARKETS	1,365	71,649	2.97%
		<u>746,941</u>	<u>30.96%</u>
United States			
ISHARES RUSSELL 2000 ETF	175	28,992	1.20%
VANGUARD HIGH DIVIDEND YIELD ETF	1,020	95,584	3.96%

Portfolio statement as at 31 December 2019 (Unaudited) (continued)

(Expressed in United States dollars)

	<i>Holdings</i>	<i>Market value US\$</i>	<i>% of net assets value</i>
Listed investment funds (98.68%) (continued)			
United States (continued)			
VANGUARD LARGE-CAP ETF	1,439	<u>212,742</u>	<u>8.82%</u>
		<u>337,318</u>	<u>13.98%</u>
Total listed unit trusts		<u>2,380,386</u>	<u>98.68%</u>
Total investments		<u>2,380,386</u>	<u>98.68%</u>
Total cost of investments		<u>2,235,195</u>	

Statement of movements in portfolio holdings For the year ended 31 December 2019 (Unaudited)

(Expressed in United States dollars)

	<i>% of Net assets 2019</i>	<i>% of Net assets 2018</i>
Listed investment funds		
Canada	22.32	19.44
Hong Kong	31.42	29.01
United Kingdom	30.96	35.54
United States	13.98	15.69
	<hr/>	<hr/>
Total listed investment funds	98.68	99.68
	<hr/>	<hr/>
Total investments	98.68	99.68
	<hr/>	<hr/>

Performance record (Unaudited)

(Expressed in United States dollars)

(a) Price record

	<i>Highest subscription price</i>	<i>Lowest redemption price</i>
	US\$	US\$
For the year end 31 December 2019		
Class A USD Acc	11.0954	9.1937
Class A USD Mdis	10.6850	9.0991
Class A HKD Mdis	1.3613	1.1593
Period from 9 July 2018 (date of commencement of operations) to 31 December 2018		
Class A USD Acc	10.2146	9.0854
Class A USD Mdis	10.2149	9.0163
Class A HKD Mdis	1.3014	1.1487

(b) Total net asset value and net asset value per unit

	<i>Total net asset value</i>	<i>Net asset value per unit</i>
	US\$	US\$
As at 31 December 2019		
Class A USD Acc	761,513	11.0440
Class A USD MDis	1,595,328	10.6105
Class A HKD MDis	<u>55,459</u>	<u>1.3518</u>
	<u>2,412,300</u>	
As at 31 December 2018		
Class A USD Acc	637,068	9.2856
Class A USD MDis	543,158	9.1900
Class A HKD MDis	<u>30,563</u>	<u>1.1710</u>
	<u>1,210,789</u>	