



BMO Funds – BMO Balanced Fund

**For the period from 9 July 2018
(date of commencement of operations)
to 31 December 2018**

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Administration and management

Manager

BMO Global Asset Management
(Asia) Limited
36/F & Suite 3808, One Exchange Square
Central
Hong Kong

Legal counsel to the Manager

Simmons & Simmons
13/F, One Pacific Place
88 Queensway
Hong Kong

Directors of the Manager

Albert Yu
Edgar Legzdins
Raveendra Sriskandarajah
Richard Wilson

Registrar

Citicorp Financial Services Limited
9/F, Citi Tower, One Bay East
83 Hoi Bun Road
Kwun Tong
Kowloon
Hong Kong

Trustee

Cititrust Limited
50/F, Champion Tower
Three Garden Road
Central
Hong Kong

Auditor

KPMG
8/F, Prince's Building
10 Chater Road
Central
Hong Kong

Administrator and Custodian

Citibank N.A.
50/F, Champion Tower
Three Garden Road
Central
Hong Kong

Manager's report BMO Balanced Fund

Introduction

BMO Balanced Fund (the "Sub-Fund") , a sub-fund of BMO Funds which is a unit trust established by a trust deed dated 23 May 2018 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 2018, 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 9.2856	HK0000423837	BF2G3P6	BM0BAUA HK
Class A USD MDis	USD 9.1900	HK0000423845	BF2G3Q7	BM0BAUM HK
Class A HKD MDis	USD 1.1710	HK0000423852	BF2G3R8	BM0BAHM 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 2018.

Pertinent Sub-Fund Changes

During the period the Sub-Fund did not have any pertinent change.

Market Overview

In the 12-month period ended 31 December 2018, global equity markets performed exceptionally well with most markets posting solid gains. The macro economic backdrop remained highly supportive. The environment of steady economic growth and benign inflation outlook was highly favorable for equity markets. The growth and modest inflation outlook laid the foundations for meaningful earnings growth, while the stability in the macro economic backdrop and low interest rates created an environment where equity valuations could rise.

Currency movements also had a meaningful impact during the year as the US dollar was weaker compared to most major currencies during the year. When returns of foreign securities are expressed in USD term, the returns tend to be augmented by this currency translation effect.

Manager's report (continued)



BMO Balanced Fund

Market Overview (continued)

The US Federal Reserve Bank increased the US interest target three times during the year, in attempts to normalize interest rates from what was believed to be abnormally low levels. While the target (short-term) rate increased 0.75%, it remained at a very low level in a historical context. With few signs of inflationary pressures, longer term bond yields did not move in tandem. The US 10-year Treasury bond yields at the end of the year was about 2.40%, basically at the same level as they started the year.

Trustee's report BMO Balanced Fund

We hereby confirm that, to the best of our knowledge, 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, as amended, for the period from 9 July 2018 (date of commencement of operations) to 31 December 2018.

)
) For and on behalf of
) Cititrust Limited,
) Trustee
)
)

24 APR 2019

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 9 to 38, which comprise the statement of assets and liabilities as at 31 December 2018, 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 period from 9 July 2018 (date of commencement of operations) to 31 December 2018 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 2018 and of its financial transactions and cash flows for the period from 9 July 2018 (date of commencement of operations) to 31 December 2018 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 and the Trustee of the Sub-Fund are 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.

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

(Incorporated in Hong Kong with limited liability)

Responsibilities of the manager and the trustee of the Sub-Fund for the financial statements

The Manager and the Trustee of the Sub-Fund are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs and for such internal control as the Manager and the Trustee 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 and the Trustee of the Sub-Fund are 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 and the Trustee of the Sub-Fund either intend to liquidate the Sub-Fund or to cease operations, or have no realistic alternative but to do so.

In addition, the Manager and the Trustee of the Trust and its Sub-Fund are 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, as amended ("the Trust Deed") from time to time, for the period from 9 July 2018 (date of commencement of operations) to 31 December 2018, 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 are 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.

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)

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 and the Trustee of the Sub-Fund.
- Conclude on the appropriateness of the Manager's and the Trustee'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.

We communicate with the Manager and the Trustee 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.



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

(Incorporated in Hong Kong with limited liability)

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.

A handwritten signature in dark ink, appearing to read 'KPMG', written in a cursive style.

Certified Public Accountants

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

24 APR 2019

Statement of assets and liabilities as at 31 December 2018

(Expressed in United States dollars)

	Note	2018
Assets		
Financial assets at fair value through profit or loss	6	\$ 1,206,887
Dividend receivables		1,056
Other receivable		414
Cash and cash equivalents	3	6,635
		<u>\$ 1,214,992</u>
Liabilities		
Distribution payable		\$ 1,561
Accruals and other payables		2,642
Total liabilities		<u>\$ 4,203</u>
Net assets attributable to unitholders		<u>\$ 1,210,789</u>
Total number of units in issue		
Class A USD Acc	9	68,608
Class A USD MDis	9	59,103
Class A HKD MDis	9	26,101
Net asset value per unit		
Class A USD Acc	9	9.2856
Class A USD MDis	9	9.1900
Class A HKD MDis	9	1.1710

Approved by the Manager on **24 APR 2019**



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

The notes on pages 16 to 38 form part of these financial statements.

Statement of comprehensive income for the period from 9 July 2018 (date of commencement of operations) to 31 December 2018 (Expressed in United States dollars)

	Note	Period from 9 July 2018 (date of commencement of operations) to 31 December 2018
Income		
Interest income on bank deposit	7(b)	\$ 78
Dividend income		5,349
Net losses from financial instruments at fair value through profit or loss	4	(86,975)
Net foreign exchange gain		738
Other income		414
Total net losses		<u>\$ (80,396)</u>
Expenses		
Management fees	7(a)	\$ (2,641)
Transaction costs		(345)
Safe custody fees and bank charges	7(b)	(8)
Total operating expenses		<u>\$ (2,994)</u>
Net losses from operations before finance costs and taxation		<u>\$ (83,390)</u>
Distribution to unitholders	12	\$ (3,576)
Interest expenses	7(b)	(1)
Total finance costs		<u>\$ (3,577)</u>
Net losses from operations before taxation		\$ (86,967)
Taxation	5	(821)
Change in net assets attributable to unitholders and total comprehensive income for the period		<u>\$ (87,788)</u>

The notes on pages 16 to 38 form part of these financial statements.

**Statement of changes in net assets attributable to unitholders
for the period from 9 July 2018 (date of commencement of
operations) to 31 December 2018**
(Expressed in United States dollars)

	Note	Period from 9 July 2018 (date of commencement of operations) to 31 December 2018
Balance at the beginning of the period		\$ -
Transactions with unitholders		
Subscription of units		
– Class A USD Acc	9	\$ 687,080
– Class A USD MDis	9	578,248
– Class A HKD MDis	9	33,249
		<u>\$ 1,298,577</u>
Total transactions with unitholders		<u>\$ 1,298,577</u>
Change in net assets attributable to unitholders and total comprehensive income for the period		<u>\$ (87,788)</u>
Balance at the end of the period	9	<u>\$ 1,210,789</u>

The notes on pages 16 to 38 form part of these financial statements.

Cash flow statement

for the period from 9 July 2018 (date of commencement of operations) to 31 December 2018

(Expressed in United States dollars)

*Period from
9 July
2018 (date of
commencement
of operations)
to 31 December
2018*

Operating activities

Net loss from operation before taxation	\$ (86,967)
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Adjustments for:

Interest income on deposits	(78)
Interest expense	1
Net foreign exchange gain	(738)
Dividend income	(5,349)
Net losses from financial instrument at fair value through profit or loss	86,975
Distribution to unitholders	3,576
	3,576

Operating losses before changes in working capital	\$ (2,580)
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Payments for purchase of investments	(1,408,948)
Proceeds from sale of investments	115,086
Increase in other receivable	(414)
Increase in accruals and other payables	2,642
Dividend received, net of withholding tax	3,472
Interest received	78
	78

Net cash used in operating activities	\$ (1,290,664)
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Financing activities

Interest paid	\$ (1)
Proceeds on subscription of units	1,298,577
Distributions paid to unitholders	(2,015)
	(2,015)

Net cash generated from financing activities	\$ 1,296,561
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Cash flow statement
for the period from 9 July 2018 (date of commencement of
operations) to 31 December 2018 (continued)
(Expressed in United States dollars)

	<i>Period from 9 July 2018 (date of commencement of operations) to 31 December 2018</i>
Net increase in cash and cash equivalents	\$ 5,897
Effect of foreign exchange rate changes	738
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at the end of the period	<u>\$ 6,635</u>

The notes on pages 16 to 38 form part of these financial statements.

Distribution statement
for the period from 9 July 2018 (date of commencement of
operations) to 31 December 2018
(Expressed in United States dollars)

	<i>Period from 9 July 2018 (date of commencement of operations) to 31 December 2018</i>
<i>Note</i>	
Amount available for distribution brought forward	\$ -
Net received or receivable on issue of units	1,298,577
Loss before distributions after taxation	<u>(84,212)</u>
Amount available for distribution to unitholders	<u>\$ 1,214,365</u>
Distributions to unitholders	12 <u>\$ (3,576)</u>
Amount available for distribution carried forward	<u>\$ 1,210,789</u>

Distribution statement
for the period from 9 July 2018 (date of commencement of
operations) to 31 December 2018 (continued)
(Expressed in United States dollars)

Distribution history

	<i>Note</i>	<i>Class A USD MDis</i>	<i>Class A HKD MDis</i>
First distribution to unitholders per unit	12	<u>USD 0.025</u>	<u>HKD 0.025</u>
Date of distribution to unitholders		28 September 2018	28 September 2018
Second distribution to unitholders per unit	12	<u>USD 0.025</u>	<u>HKD 0.025</u>
Date of distribution to unitholders		31 October 2018	31 October 2018
Third distribution to unitholders per unit	12	<u>USD 0.025</u>	<u>HKD 0.025</u>
Date of distribution to unitholders		30 November 2018	30 November 2018
Forth distribution to unitholders per unit	12	<u>USD 0.025</u>	<u>HKD 0.025</u>
Date of distribution to unitholders		31 December 2018	31 December 2018

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

The notes on pages 16 to 38 form part of these financial statements

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 "Trustee"), and governed by the laws of Hong Kong. BMO Balanced Fund (the "Sub-Fund") is a sub-fund of the Trust and is authorised under the Section 104 of the Hong Kong Securities and Futures Ordinance (the "SFO").

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 Citibank N.A. (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 (note 13).

2 Significant accounting policies (continued)

(b) Basis of preparation of the financial statements

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

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).

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.

The financial statements cover from 9 July 2018 (date of commencement of operations) to 31 December 2018, which is the first reporting period of the Sub-Fund; therefore, no comparative figures are available.

(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.

2 Significant accounting policies (continued)

(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;
- 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.

2 Significant accounting policies (continued)

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 following the change in the business model.

2 Significant accounting policies (continued)

(ii) Recognition

The Sub-Fund recognises financial assets and financial liabilities on the date it 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.

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 at 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 the 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.

2 Significant accounting policies (continued)

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.

(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 amortisation 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.

2 Significant accounting policies (continued)

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.

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.

2 Significant accounting policies (continued)

Presentation of allowance 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 transfer nor retain 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)

(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.

(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.

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.

(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 legally to do business. The establishment costs are borne by the Manager.

2 Significant accounting policies (continued)

(h) Related parties

- (a) A person, or a close member of that person's family, is related to the 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.
- (b) An entity is related to the 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 an entity related to the Sub-Fund;
 - (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 Sub-Fund.

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.

2 Significant accounting policies (continued)

(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 rata 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.

(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

	2018
Cash held with a bank	\$ <u>6,635</u>

Cash held by the Sub-Fund is deposited with Citibank N.A. Hong Kong Branch.

4 Net losses from financial instruments at fair value through profit or loss

	<i>Period from 9 July 2018 (date of commencement of operations) to 31 December 2018</i>
Financial assets at fair value through profit or loss	
– Listed investment funds	\$ (86,975)
Representing	
– Net realised losses	\$ (1,597)
– Net unrealised losses	(85,378)
	<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.

Taxation in profit or loss represents:

	<i>Period from 9 July 2018 (date of commencement of operations) to 31 December 2018</i>
Overseas withholding tax	\$ 821

6 Financial assets at fair value through profit or loss

	<i>2018</i>
Listed investment funds	\$ 1,206,887

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.

(a) Management fees

The Sub-Fund is managed by BMO Global Asset Management (Asia) Limited ("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.

	2018
(i) Management fees for the period	\$ 2,641
(ii) Management fees payable at period end	<u>2,641</u>

(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 Trustee within the Citigroup Inc. ("Citigroup"). The balances of these accounts amounted to \$6,635 at the period end. During the period, \$78 interest income was earned from bank accounts with Citibank N.A. Hong Kong Branch. Bank charges paid to Citibank N.A. Hong Kong Branch amounted to \$8. During the period, \$1 interest expense was due to bank accounts with Citibank N.A. Hong Kong Branch. Interest expense payable to Citibank N.A. Hong Kong Branch amounted to \$1.

(c) Investments

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

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

	Holdings	Market value	% of net asset value
Listed investment funds			
<i>Canada</i>			
BMO HIGH YIELD US CORPORATE	2,518	\$ 36,227	2.99%
BMO MID-TERM US IG CORPORATE	1,256	17,302	1.43%
BMO MID-TERM US IG CORPORATE ZIC	2,750	37,370	3.09%
BMO S&P 500 INDEX ETF-USD	3,571	98,310	8.12%
BMO S&P/TSX CAP COMP IND ETF ZCN	3,262	46,143	3.81%
		<u>\$ 235,352</u>	<u>19.44%</u>
<i>Hong Kong</i>			
BMO ASIA HIGH DIVIDEND ETF	12,200	\$ 13,837	1.14%
BMO ASIA USD INVEST GR ETF	27,700	53,070	4.38%
BMO HONG KONG BANKS ETF	12,000	12,292	1.02%
BMO MSCI APAC REAL EST ETF	12,600	16,254	1.34%
BMO MSCI EUR QUALI H USD ETF	44,800	55,733	4.60%
BMO MSCI JAPAN HDG 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 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	<u>3,400</u>	<u>3,325</u>	<u>26,101</u>

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

(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 period, the total commission payable to the Distributor in respect of the Sub-Fund amounted to \$1,102.54.

8 Soft commission arrangements

No soft commission arrangements were entered into with brokers by the Sub-Fund during the period ended 31 December 2018.

9 Units issued and redeemed

Number of units in issue

	<i>Period from 9 July 2018 (date of commencement of operations) to 31 December 2018</i>		
	<i>Class A USD Acc</i>	<i>Class A USD MDis</i>	<i>Class A HKD MDis</i>
Balance at beginning of period	-	-	-
Units issued during the period	68,608	59,103	26,101
Units redeemed during the period	-	-	-
Balanced at the end of period	<u>68,608</u>	<u>59,103</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 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 to 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 2018, the Sub-Fund has net assets attributable to unitholders of 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:

	<i>Denomination currency</i>	<i>2018 US\$</i>
Net asset value per unit		
- Class A USD Acc	USD	9.2856
- Class A USD MDis	USD	9.1900
- Class A HKD MDis	HKD	<u>1.1710</u>

10 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 and the Trustee have set out below the most important types of financial risks inherent in each type of financial instrument. The Manager and the Trustee 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 financial instruments in the Sub-Fund can be found in the Sub-Fund's offering document.

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 date of the statement of financial position 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 objectives.

10 Financial instruments and associated risks (continued)

Price sensitivity

At the reporting date, the impact of a 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 \$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 a 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% 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.

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

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. As the HKD is pegged to the USD, the Manager does not expect any significant movement in USD/HKD exchange rate.

10 Financial instruments and associated risks (continued)

(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.

Cititrust Limited is the Trustee of the Sub-Fund, and substantially all of the assets of the Sub-Fund are held by Citibank N.A. (the "Custodian"). Bankruptcy or insolvency of the Trustee or the Custodian may cause the Sub-Funds' rights with respect to the assets to be delayed or limited. The Trustee and the Custodian are group companies of Citigroup, which have credit ratings of Baa1 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.

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 2018, 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 period 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 objectives 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.

11 Fair value information

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

Valuation of financial instruments

The Sub-Fund's accounting policy on fair value measurements is detailed in 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). This 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.

The following analyses financial instruments at fair value through profit and loss at the date of the statement of assets and liabilities, by the level in the fair value hierarchy into which the fair value measurement is categorised.

Financial instruments at fair value through profit or loss

	Level 1	Level 2	Level 3	Total
31 December 2018				
Financial asset				
Listed investment funds	\$ 1,206,887	\$ -	\$ -	\$ 1,206,887
	<u>\$ 1,206,887</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,206,887</u>

During the 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.

11 Fair value information (continued)

Valuation of financial instruments not measured at fair value

The financial instruments not measured at fair value through profit or loss are short-term financial assets and financial liabilities whose carrying amounts approximate their fair value.

The following table sets out the fair values of financial instruments not measured at fair value and analyses it by the level in the fair value hierarchy into which each fair value measurement is categorised.

31 December 2018

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Financial assets				
Dividend receivables	\$ -	\$ 1,056	\$ -	\$ 1,056
Other receivable	-	414	-	414
Cash and cash equivalents	-	6,635	-	6,635
	<u>\$ -</u>	<u>\$ 8,105</u>	<u>\$ -</u>	<u>\$ 8,105</u>
Financial liabilities				
Distribution payable	\$ -	\$ 1,561	\$ -	\$ 1,561
Accruals and other payables	-	2,642	-	2,642
Net assets attributable to unitholders	-	1,210,789	-	1,210,789
	<u>\$ -</u>	<u>\$ 1,214,992</u>	<u>\$ -</u>	<u>\$ 1,214,992</u>

The Sub-Fund has concluded that the listed investment funds in which it invests, but does 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 does not consolidate but in which it holds an interest.

11 Fair value information (continued)

<i>Type of structured entity</i>	<i>Nature and purpose</i>	<i>Interest held by the Sub-Fund</i>
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	

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.

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

During the period from 9 July 2018 (date of commencement of operations) to 31 December 2018, the Sub-Fund did not provide financial support to the unconsolidated structured 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.

12 Distributions

	<i>Period from 9 July 2018 (date of commencement of operations) to 31 December 2018</i>
	<i>\$</i>
<i>Class A USD MDis</i>	
Distributions declared on 28 September 2018	
– US\$0.025 per unit on 3,300 units	83
Distributions declared on 31 October 2018	
– US\$0.025 per unit on 8,245 units	206
Distributions declared on 30 November 2018	
– US\$0.025 per unit on 59,094 units	1,477
Distributions declared on 31 December 2018	
– US\$0.025 per unit on 59,103 units	1,478
	<u>3,244</u>

12 Distributions (continued)

*Period from
9 July
2018 (date of
commencement
of operations)
to 31 December
2018
US\$*

Class A HKD MDis

Distributions declared on 28 September 2018	
– HK\$0.025 per unit on 25,901 units	83
Distributions declared on 31 October 2018	
– HK\$0.025 per unit on 25,966 units	83
Distributions declared on 30 November 2018	
– HK\$0.025 per unit on 26,032 units	83
Distributions declared on 31 December 2018	
– HK\$0.025 per unit on 26,101 units	83

332

Distribution to unitholders during the period

3,576

Distributions declared and paid during the period

Class A USD MDis

– US\$0.025 per unit on 70,639 units	1,766
--------------------------------------	-------

Class A HKD MDis

– units	HK\$0.025 per unit on 77,899
	249

2,015

Distributions declared and unpaid during the period

Class A USD MDis

– US\$0.025 per unit on 59,103 units	1,478
--------------------------------------	-------

Class A HKD MDis

– units	HK\$0.025 per unit on 26,101
	83

1,561

13 Possible impact of amendments, new standards and interpretations issued but not yet effective for the period from 9 July 2018 (date of commencement of operations) to 31 December 2018

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Sub-Fund.

*Effective for
accounting periods
beginning on or after*

IFRIC 23, *Uncertainty over Income Tax Treatments*

1 January 2019

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 2018 (Unaudited)

(Expressed in United States dollars)

	Holdings	Market value	% of net asset value
Listed investment funds			
<i>Canada</i>			
BMO HIGH YIELD US CORPORATE	2,518	\$ 36,227	2.99%
BMO MID-TERM US IG CORPORATE	1,256	17,302	1.43%
BMO MID-TERM US IG CORPORATE ZIC	2,750	37,370	3.09%
BMO S&P 500 INDEX ETF-USD	3,571	98,310	8.12%
BMO S&P/TSX CAP COMP IND ETF ZCN	3,262	46,143	3.81%
		<hr/>	<hr/>
		\$ 235,352	19.44%
		<hr/>	<hr/>
<i>Hong Kong</i>			
BMO ASIA HIGH DIVIDEND ETF	12,200	\$ 13,837	1.14%
BMO ASIA USD INVEST GR ETF	27,700	53,070	4.38%
BMO HONG KONG BANKS ETF	12,000	12,292	1.02%
BMO MSCI APAC REAL EST ETF	12,600	16,254	1.34%
BMO MSCI EUR QUALI H USD ETF	44,800	55,733	4.60%
BMO MSCI JAPAN HDG USD ETF	61,600	76,633	6.33%
BMO NASDAQ 100 ETF	64,800	106,768	8.82%
VANGUARD FTSE ASIA EXJ I-ETF 2805	6,100	16,673	1.38%
		<hr/>	<hr/>
		\$ 351,260	29.01%
		<hr/>	<hr/>
<i>United Kingdom</i>			
DBX MSCI EMERGING MKTS DR 1C	769	\$ 34,444	2.84%
ISHARES CORE EURO CORP BOND			
IEAC	308	44,981	3.72%
ISHARES EURO AGGREGATE	454	62,554	5.17%
ISHARES FTSE 100-INC	4,738	40,152	3.32%
ISHARES JPM USD EM CORP BND	531	50,262	4.15%
ISHARES USD TREASURY BND7-10			
IDTM	71	13,552	1.12%
ISHARES USD TRSRY 1-3Y USD D	809	106,092	8.76%
SPDR BBG STERLING CORPORATE			
UKCO	338	25,176	2.08%
VANGUARD FTSE DEV EURP EX UK			
VERX	1,809	53,017	4.38%
		<hr/>	<hr/>
		\$ 430,230	35.54%
		<hr/>	<hr/>

Portfolio statement as at 31 December 2018 (Unaudited) (continued) *(Expressed in United States dollars)*

	<i>Holdings</i>	<i>Market value</i>	<i>% of net asset value</i>
Listed investment funds (continued)			
<i>United States</i>			
FINANCIAL SELECT SECTOR SPDR XLF	963	\$ 22,939	1.89%
ISHARES RUSSELL 2000 INDEX	375	50,213	4.15%
VANGUARD HIGH DVD YIELD ETF	300	23,397	1.93%
VANGUARD LARGE-CAP ETF	814	93,496	7.72%
		<u>\$ 190,045</u>	<u>15.69%</u>
Total listed investment funds		<u>1,206,887</u>	<u>99.68%</u>
Total investments (Cost of investments: \$1,292,262)		1,206,887	99.68%
Other net assets		<u>3,902</u>	<u>0.32%</u>
Total net assets		<u>1,210,789</u>	<u>100.00%</u>

**Statement of movements in portfolio holdings
for the period from 9 July 2018 (date of commencement of
operations) to 31 December 2018 (Unaudited)**
(Expressed in United States dollars)

	<i>% of net asset value 2018</i>
Financial assets	
 <i>Listed investment funds</i>	
Canada	19.44%
Hong Kong	29.01%
United Kingdom	35.54%
United States	15.69%
Total investment funds	<hr/> 99.68%
 Total investments	 99.68%
 Other net assets	 <hr/> 0.32%
Total net assets	<hr/> <hr/> 100.00%

Performance record (Unaudited)

(Expressed in United States dollars)

(a) Price record (dealing net asset value per unit)

For the period from 9 July 2018 (date of
commencement of operations) to 31 December
2018

<i>Highest issue unit price</i>	<i>Lowest redemption unit price</i>
\$	\$

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>
\$	\$

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	30,563	1.1710
	\$ 1,210,789	