

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

BMO Canadian High Dividend Covered Call ETF (ZWC) (the “ETF”)

For the 12-month period ended December 31, 2020 (the “Period”)

Manager: BMO Asset Management Inc. (the “Manager” and “portfolio manager”)

Management Discussion of Fund Performance

Investment Objective and Strategies

The ETF seeks to provide exposure to the performance of a portfolio of dividend paying Canadian companies to generate income and to provide long-term capital appreciation, while mitigating downside risk through the use of covered call options. The ETF will primarily invest in and hold dividend paying equity securities of Canadian companies. The selected companies will have the potential for long-term capital appreciation. Securities will be selected using a rules based methodology that considers dividend growth, yield, and payout ratio. Securities will also be subject to a screening process to ensure sufficient liquidity. Depending on market volatility and other factors, the ETF will write covered call options on these securities. Under such call options, the ETF will sell to the buyer of the option, for a premium, either a right to buy the security at an exercise price or, if the option is cash settled, the right to a payment equal to the difference between the value of the security and the exercise price. Covered call options partially hedge against a decline in the price of the securities on which they are written to the extent of the premiums received by the ETF at the time the options are written by the ETF. The call options written by the ETF may be either exchange traded options or over-the-counter options.

Risk

The risks associated with an investment in the ETF remain as disclosed in the ETF’s most recent prospectus or any amendments thereto and ETF facts. During the Period there were no changes to the ETF that materially affected the overall risk level associated with an investment in the ETF. On January 10, 2020, the Manager reviewed the ETF using the standardized investment risk classification methodology prescribed by National Instrument 81-102 *Investment Funds* and determined that the risk rating of the ETF had not changed. The Manager reviews the ETF’s investment risk level and reference index, if any, at least annually.

Results of Operations

The ETF returned -6.91% versus the S&P/TSX Capped Composite Index (the “Index”) return of 5.60%. The change in total net asset value during the Period from approximately \$553 million to approximately \$735 million had no impact to the performance of the ETF. The difference in the performance of the ETF relative to the Index during the Period (-12.51%) resulted from the management expense ratio (-0.72%) and other factors (-11.79%), which may have included holdings differences with the concentration of portfolio holdings in dividend paying companies versus the Index, as traditional dividend paying companies underperformed emerging growth companies, and market volatility. Additionally, due to the call writing strategy, the ETF will tend to outperform in flat or down markets and underperform in sharp market advances. This

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the ETF. If the annual financial statements of the ETF do not accompany the mailing of this report, you may obtain a copy of the annual financial statements at your request, and at no cost, by calling 1-800-361-1392, by writing to us at BMO Asset Management Inc., 250 Yonge Street, 7th Floor, Toronto, Ontario, M5B 2M8 or by visiting our website at www.bmo.com/etflegal or SEDAR at www.sedar.com. You may also contact us using one of these methods to request a copy of the ETF’s proxy voting policies and procedures, proxy voting disclosure record and/or quarterly portfolio disclosure.



Exchange Traded Funds

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performance difference occurs over the period that the calls are written, typically with one to two months to expiry, and then resets with new option positions.

Market Conditions

As COVID-19 began to spread across the world, Canadian equities and markets around the world declined significantly between March and April of 2020. Unprecedented monetary support and fiscal spending began to lift Canadian equities during the third quarter of 2020. The economic turbulence pushed the Bank of Canada to rapidly drop its target overnight rate to 0.25% in early 2020. This rate was maintained for the remainder of the Period. While optimism about COVID-19 vaccines improved investor risk appetite in the fourth quarter of 2020, the Energy sector underperformed in the Period as a result of the weaker demand for oil. Canada's oil production fell 20% from its average of 5.5 million barrels a day in 2019. Crude oil prices were down as low as US\$7.52 per barrel and West Texas Intermediate fell to an average of US\$18 per barrel in April 2020. However, crude oil prices increased in the remainder of the Period with economies re-opening and as vaccine trials began to show positive results. The Information Technology sector had strong positive performance over the Period, driven by the growth of e-commerce. Despite rising COVID-19 cases and re-imposed restrictions in the fourth quarter of 2020, Canada's employment continued to improve.

The ETF's exposure to the Industrials and Consumer Discretionary sectors contributed the most to performance, while the Energy sector detracted from performance. Significant individual contributors to performance were Magna International Inc. and Canadian National Railway Co. Individual detractors from performance included Inter Pipeline Ltd. and Pembina Pipeline Corp.

The ETF aims to maintain a distribution based on the earnings of the underlying portfolio, net of fees. This benefits existing unitholders by reducing uncertainty regarding expected distribution rates resulting from fund growth. A significant portion of the distributions consist of return of capital due to certain factors, which may include capital losses on covered call options in rising markets reducing the underlying portfolio's earnings. The distributions made do not impact the ETF's ability to fulfill its investment objectives.

Recent Developments

In Canada, a COVID-19 vaccination program has been in progress since December 2020. The vaccine rollout combined with continued monetary and fiscal stimulus, may be positive for Canadian equities as the Canadian

economy, and labour market, could see improvement in 2021. However, any roadblocks or setbacks to this economic recovery trajectory may have a negative impact on the equity markets. With the heightened degree of uncertainty, this could translate into higher option volatility, providing the ETF with compelling opportunities to earn additional income in the options market that may help offset some potential losses from the ETF's equity positions.

Related Party Transactions

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

Designated Broker

The Manager has entered into an agreement with BMO Nesbitt Burns Inc., an affiliate of the Manager, to act as designated broker and dealer for distribution of BMO exchange traded funds, on terms and conditions that are comparable to arm's length agreements in the exchange traded funds industry. The material terms and conditions of the agreement have been disclosed in the ETF's prospectus.

The Manager has also entered into agreements with certain other registered dealers in Canada to act as dealers for the creation and redemption of units of BMO exchange traded funds.

Buying and Selling Securities

During the Period, the ETF relied on standing instructions provided by the independent review committee ("IRC") for any of the following related party transactions that may have occurred in the ETF:

- (a) investments in securities issued by BMO, an affiliate of the Manager, or any other issuer related to the Manager;
- (b) investments in a class of non-government debt securities and/or equity securities of an issuer during the period of distribution of those securities to the public and/or the 60-day period following the distribution period where BMO Nesbitt Burns Inc., an affiliate of the Manager, or any other affiliate of the Manager acted as an underwriter in the distribution;

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(c) trades in debt securities in the secondary market with BMO Nesbitt Burns Inc., an affiliate of the Manager, that is trading with the ETF as principal; and

(d) inter-fund trades

(each, a “Related Party Transaction”).

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

Brokerage Commissions

The ETF pays standard brokerage commissions at market rates to BMO Nesbitt Burns Inc., an affiliate of the Manager, for executing a portion of its trades. The brokerage commissions charged to the ETF (excluding exchange and other fees) during the periods were as follows:

	2020	2019
Total brokerage commissions	\$ 909,904	687,228
Brokerage Commissions paid to BMO Nesbitt Burns Inc.	\$ 160,386	116,156

Financial Highlights

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

The ETF’s Net Assets per Unit⁽¹⁾

Listed CAD Units	Financial years ended Dec. 31			
	2020	2019	2018	2017 ⁽⁵⁾
Net assets, beginning of period	\$ 18.92	17.32	20.50	20.00*
Increase (decrease) from operations				
Total revenue	\$ 0.77	0.81	0.81	0.76
Total expenses ⁽²⁾	\$ (0.16)	(0.19)	(0.19)	(0.19)
Realized gains (losses) for the period	\$ (1.19)	(0.01)	0.03	(0.08)
Unrealized gains (losses) for the period	\$ (0.22)	2.12	(2.46)	1.43
Total increase (decrease) from operations⁽³⁾	\$ (0.80)	2.73	(1.81)	1.92
Distributions				
From income (excluding dividends)	\$ —	—	—	—
From dividends	\$ 0.65	0.65	0.61	0.48
From capital gains	\$ —	—	0.07	—
Return of capital	\$ 0.67	0.66	0.55	0.64
Total Annual Distributions⁽⁴⁾	\$ 1.32	1.31	1.23	1.12
Net assets, end of period	\$ 16.19	18.92	17.32	20.50

* Initial net assets.

⁽¹⁾ This information is derived from the ETF’s audited annual financial statements.

⁽²⁾ Includes commissions and other portfolio transaction costs and unitholding taxes.

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

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

⁽⁵⁾ The information in this column is for the period beginning January 30, 2017 (the ETF’s establishment date) and ending December 31, 2017.

Ratios and Supplemental Data

Listed CAD Units	Financial years ended Dec. 31			
	2020	2019	2018	2017 ⁽⁵⁾
Total net asset value (000’s) ⁽¹⁾	\$ 735,193	552,749	381,277	285,190
Number of units outstanding (000’s) ⁽¹⁾	45,410	29,210	22,010	13,910
Management expense ratio ⁽²⁾	%	0.72	0.72	0.72
Management expense ratio before waivers or absorptions ⁽²⁾	%	0.72	0.72	0.72
Trading expense ratio ⁽³⁾	%	0.28	0.28	0.26
Portfolio turnover rate ⁽⁴⁾	%	62.77	31.86	46.13
Net asset value per unit	\$	16.19	18.92	17.32
Closing market price	\$	16.20	18.93	17.29

⁽¹⁾ This information is provided as at December 31 of the period shown.

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

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

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

⁽⁵⁾ The information in this column is for the period beginning January 30, 2017 (the ETF’s establishment date) and ending December 31, 2017.

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Management Fees

The Manager is responsible for the day-to-day management of the business and operations of the ETF. The Manager monitors and evaluates the ETF's performance, manages the portfolio and provides certain administrative services required by the ETF. As compensation for its services, the Manager is entitled to receive a management fee payable quarterly and calculated based on the daily net asset value of the ETF at the annual rate set out in the table below.

Ticker	Annual Management Fee Rate %
ZWC	0.65

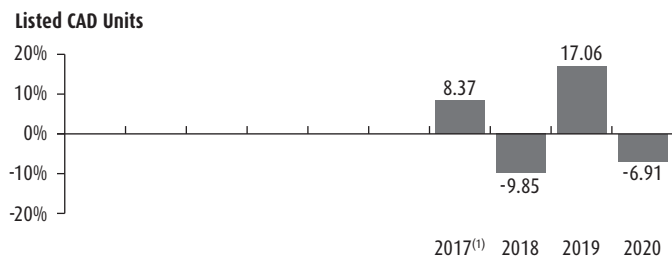
Past Performance

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

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

Year-by-Year Returns

The following bar chart shows the performance of the ETF for each of the financial years shown. The chart shows, in percentage terms, how much an investment made on the first day of each financial year would have increased or decreased by the last day of each financial year.



⁽¹⁾ For the period beginning with the performance launch date of February 3, 2017 to December 31, 2017.

Annual Compound Returns

This table compares the historical annual compound returns of the ETF with its benchmark index, the S&P/TSX Capped Composite Index.

The S&P/TSX Capped Composite Index is a market capitalization-weighted index of securities of the largest and most liquid companies on the TSX. It is the broadest in the S&P/TSX family and is the basis for multiple sub-indices. It includes common stocks and income trust units.

As at December 31, 2020

Listed CAD Units		1Yr	3Yr	5Yr	10Yr	Since Inception ⁽¹⁾
BMO Canadian High Dividend Covered Call ETF	%	-6.91	-0.59			1.61
S&P/TSX Capped Composite Index	%	5.60	5.74			6.47

⁽¹⁾ Return from the performance launch date of February 3, 2017 to December 31, 2020.

A discussion on the relative performance of the ETF as compared to its benchmark index can be found under the Results of Operations section of this report.

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Summary of Investment Portfolio

As at December 31, 2020

Portfolio Allocation	% of Net Asset Value
Financials	42.67
Energy	13.84
Communication Services	10.83
Utilities	9.72
Materials	7.06
Industrials	5.64
Consumer Staples	5.41
Consumer Discretionary	4.97
Cash/Receivables/Payables	0.17
Call Options	(0.31)
Total Portfolio Allocation	100.00

Top 25 Holdings	% of Net Asset Value
Long Positions	
BCE Inc.	5.03
Toronto-Dominion Bank, The	4.95
Royal Bank of Canada	4.92
Bank of Nova Scotia, The	4.86
Manulife Financial Corporation	4.52
Canadian Imperial Bank of Commerce	4.35
Enbridge Inc.	3.85
TC Energy Corporation	3.83
Bank of Montreal	3.78
Canadian National Railway Company	3.64
TELUS Corporation	3.56
Great-West Lifeco Inc.	3.51
Nutrien Ltd.	3.12
Sun Life Financial Inc.	2.80
Power Corporation of Canada	2.60
Pembina Pipeline Corporation	2.44
Rogers Communications Inc., Class B	2.24
Magna International Inc.	2.24
Canadian Natural Resources Limited	2.16
Thomson Reuters Corporation	2.16
Brookfield Infrastructure Partners L.P.	2.16
Brookfield Asset Management Inc., Class A	2.15
National Bank of Canada	2.07
Fortis Inc.	2.05
Canadian Pacific Railway Limited	2.01
Long Positions as a Percentage of Total Net Asset Value	81.00

Top 25 Holdings % of Net Asset Value

Short Positions	
Magna International Inc., Call Option, Jan 15, 2021, \$86.00	(0.07)
Nutrien Ltd., Call Option, Jan 15, 2021, \$62.00	(0.03)
Royal Bank of Canada, Call Option, Jan 22, 2021, \$106.50	(0.02)
Thomson Reuters Corporation, Call Option, Feb 19, 2021, \$110.00	(0.02)
Bank of Nova Scotia, The, Call Option, Jan 22, 2021, \$68.50	(0.02)
Algonquin Power & Utilities Corp., Call Option, Jan 22, 2021, \$21.00	(0.02)
Brookfield Asset Management Inc., Call Option, Feb 19, 2021, \$56.00	(0.01)
Toronto-Dominion Bank, The, Call Option, Jan 22, 2021, \$73.00	(0.01)
Brookfield Infrastructure Partners L.P., Call Option, Feb 19, 2021, \$68.00	(0.01)
Power Corporation of Canada, Call Option, Jan 15, 2021, \$30.00	(0.01)
Manulife Financial Corporation, Call Option, Jan 15, 2021, \$23.00	(0.01)
Manulife Financial Corporation, Call Option, Jan 29, 2021, \$24.00	(0.01)
Hydro One Limited, Call Option, Feb 19, 2021, \$30.00	(0.01)
Canadian Pacific Railway Limited, Call Option, Jan 15, 2021, \$450.00	(0.01)
TELUS Corporation, Call Option, Jan 15, 2021, \$26.00	(0.01)
Saputo Inc., Call Option, Feb 19, 2021, \$38.00	(0.01)
George Weston Limited, Call Option, Feb 19, 2021, \$105.00	(0.01)
Canadian Imperial Bank of Commerce, Call Option, Jan 29, 2021, \$114.00	(0.01)
Saputo Inc., Call Option, Jan 15, 2021, \$36.00	(0.01)
Rogers Communications Inc., Call Option, Jan 22, 2021, \$62.50*	(0.00)
Bank of Montreal, Call Option, Jan 15, 2021, \$101.00*	(0.00)
National Bank of Canada, Call Option, Jan 22, 2021, \$74.00*	(0.00)
Canadian National Railway Company, Call Option, Jan 15, 2021, \$145.00*	(0.00)
Enbridge Inc., Call Option, Jan 22, 2021, \$44.50*	(0.00)
Pembina Pipeline Corporation, Call Option, Feb 19, 2021, \$34.00*	(0.00)

Short Positions as a Percentage of Total Net Asset Value (0.31)

Top Holdings as a Percentage of Total Net Asset Value 80.69

Total Net Asset Value \$735,193,463

*Holdings of less than 0.005% and greater than -0.005% are rounded to 0.00%.

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

Caution regarding forward-looking statements

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

BMO exchange traded funds are managed and administered by BMO Asset Management Inc., an investment fund manager and portfolio manager and separate legal entity from Bank of Montreal.

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