

Annual Financial Statements

BMO Global Water Solutions TACTIC™ Fund

December 31, 2020 (in liquidation)



Independent Auditor's Report

To the Unitholders and Trustee of

BMO PineBridge Preferred Securities TACTIC™ Fund

BMO Global Water Solutions TACTIC™ Fund

(individually, a Fund)

Our opinion

In our opinion, the accompanying financial statements of each Fund present fairly, in all material respects, the financial position of each Fund as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The financial statements of each Fund comprise:

- the statements of financial position as at December 31, 2020 and 2019;
- the statements of comprehensive income for the years then ended;
- the statements of changes in net assets attributable to holders of redeemable units for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of each Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information of each Fund. The other information comprises the Annual Management Report of Fund Performance of each Fund.

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 of each Fund, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of each Fund 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

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of each Fund in accordance with IFRS, and for such internal control as management determines 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, management is responsible for assessing the ability of each Fund to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate any Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of each Fund.

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 for each Fund are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards 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 the financial statements of each Fund.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of each Fund, 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 internal control of each Fund.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management'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 ability of each Fund 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 of each Fund 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 any Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of each Fund, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditor's Report

We communicate with those charged with governance 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario

March 31, 2021

BMO Global Water Solutions TACTIC™ Fund

STATEMENT OF FINANCIAL POSITION

(All amounts in Canadian dollars)

As at	December 31, 2020 (in liquidation)	December 31, 2019
ASSETS		
CURRENT ASSETS		
Cash	352,720	263,420
Investments		
Non-derivative financial assets	11,011,428	12,716,794
Receivable for investments sold	1,428	7,225
Dividends receivable	20,336	22,993
Distribution receivable from investment trusts	—	1,168
Total assets	11,385,912	13,011,600
LIABILITIES		
CURRENT LIABILITIES		
Payable for investments purchased	—	17,727
Redemptions payable	5,881	32,131
Accrued expenses	24,286	47,847
Total liabilities	30,167	97,705
Net assets attributable to holders of redeemable units	11,355,745	12,913,895
Net assets attributable to holders of redeemable units		
Class A Units	10,512,100	12,020,256
Class D Units	38,837	34,792
Class F Units	804,795	858,835
Class I Units	13	12
Net assets attributable to holders of redeemable units per unit (note 5)		
Class A Units	\$ 12.93	\$ 11.84
Class D Units	\$ 13.27	\$ 12.00
Class F Units	\$ 13.27	\$ 12.02
Class I Units	\$ 13.25	\$ 12.02

The accompanying notes are an integral part of these financial statements.

BMO Global Water Solutions TACTIC™ Fund

STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Canadian dollars)

For the periods ended	December 31, 2020 (in liquidation)	December 31, 2019
INCOME		
Interest income	269	27
Dividend income	235,800	328,413
Distributions received from investment trusts	2,180	17,831
Other changes in fair value of investments and derivatives		
Net realized gain	632,129	206,592
Change in unrealized appreciation	367,561	2,805,477
Net gain in fair value of investments and derivatives	1,237,939	3,358,340
Foreign exchange loss	(613)	(4,371)
Total other loss	(613)	(4,371)
Total income	1,237,326	3,353,969
EXPENSES		
Administration and portfolio management fees (note 6)	230,453	289,384
Fund administration fees (note 6)	56,618	56,550
Foreign withholding taxes	7,744	13,837
Transfer agent fees	—	175
Audit fees	14,683	14,682
Custodian fees	28,671	38,318
Interest expense (note 6)	92	3,200
Legal and filing fees	74,738	21,334
Independent review committee fees	19,241	5,520
Securityholder reporting costs	29,332	32,329
Trustees expenses	8,702	8,699
Operating expenses absorbed by the Manager (note 6)	(204,925)	(140,899)
Commissions and other portfolio transaction costs (note 6)	11,174	13,185
Total expenses	276,523	356,314
Increase in net assets attributable to holders of redeemable units	960,803	2,997,655

The accompanying notes are an integral part of these financial statements.

BMO Global Water Solutions TACTIC™ Fund

STATEMENT OF COMPREHENSIVE INCOME (cont'd)

(All amounts in Canadian dollars)

For the periods ended	December 31, 2020 (in liquidation)	December 31, 2019
Increase in net assets attributable to holders of redeemable units		
Class A Units	879,106	939,370
Class D Units	4,045	2,414
Class F Units	77,651	52,267
Class I Units	1	2
Class X Units	—	2,003,602
Increase in net assets attributable to holders of redeemable units per unit (note 3)		
Class A Units	1.00	0.92
Class D Units	1.39	0.98
Class F Units	1.11	1.08
Class I Units	1.36	2.14
Class X Units	—	0.89

The accompanying notes are an integral part of these financial statements.

BMO Global Water Solutions TACTIC™ Fund

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

(All amounts in Canadian dollars)

For the periods ended	December 31, 2020 (in liquidation)	December 31, 2019
Class A Units		
Net assets attributable to holders of redeemable units at beginning of period	12,020,256	10
Increase in net assets attributable to holders of redeemable units	879,106	939,370
Distribution to holders of redeemable units from:		
Net investment income	—	(25,417)
Net realized gains on investments and derivatives	(108,533)	—
Return of capital	—	(127)
Total distributions to holders of redeemable units	(108,533)	(25,544)
Redeemable units transactions		
Proceeds from redeemable units issued	28,922	56,539
Conversion of Class X Units to Class A Units	—	17,440,027
Reinvestments of distributions to holders of redeemable units	107,349	25,307
Redemption of redeemable units	(2,415,000)	(6,415,453)
Net (decrease) increase from redeemable units transactions	(2,278,729)	11,106,420
Net (decrease) increase in net assets attributable to holders of redeemable units	(1,508,156)	12,020,246
Net assets attributable to holders of redeemable units at end of period	10,512,100	12,020,256
Class D Units		
Net assets attributable to holders of redeemable units at beginning of period	34,792	10
Increase in net assets attributable to holders of redeemable units	4,045	2,414
Distribution to holders of redeemable units from:		
Net realized gains on investments and derivatives	(361)	—
Total distributions to holders of redeemable units	(361)	—
Redeemable units transactions		
Proceeds from redeemable units issued	—	32,368
Reinvestments of distributions to holders of redeemable units	361	—
Net increase from redeemable units transactions	361	32,368
Net increase in net assets attributable to holders of redeemable units	4,045	34,782
Net assets attributable to holders of redeemable units at end of period	38,837	34,792

The accompanying notes are an integral part of these financial statements.

BMO Global Water Solutions TACTIC™ Fund

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS (cont'd)

(All amounts in Canadian dollars)

For the periods ended	December 31, 2020 (in liquidation)	December 31, 2019
Class F Units		
Net assets attributable to holders of redeemable units at beginning of period	858,835	35,394
Increase in net assets attributable to holders of redeemable units	77,651	52,267
Distribution to holders of redeemable units from:		
Net investment income	—	(3,870)
Net realized gains on investments and derivatives	(8,800)	—
Return of capital	—	(19)
Total distributions to holders of redeemable units	(8,800)	(3,889)
Redeemable units transactions		
Proceeds from redeemable units issued	106,094	1,354,813
Reinvestments of distributions to holders of redeemable units	6,043	2,633
Redemption of redeemable units	(235,028)	(582,383)
Net (decrease) increase from redeemable units transactions	(122,891)	775,063
Net (decrease) increase in net assets attributable to holders of redeemable units	(54,040)	823,441
Net assets attributable to holders of redeemable units at end of period	804,795	858,835
Class I Units		
Net assets attributable to holders of redeemable units at beginning of period	12	10
Increase in net assets attributable to holders of redeemable units	1	2
Distribution to holders of redeemable units from:		
Net realized gains on investments and derivatives	(0)	—
Total distributions to holders of redeemable units	(0)	—
Redeemable units transactions		
Reinvestments of distributions to holders of redeemable units	0	—
Net increase from redeemable units transactions	0	—
Net increase in net assets attributable to holders of redeemable units	1	2
Net assets attributable to holders of redeemable units at end of period	13	12

The accompanying notes are an integral part of these financial statements.

BMO Global Water Solutions TACTIC™ Fund

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS (cont'd)

(All amounts in Canadian dollars)

For the periods ended	December 31, 2020 (in liquidation)	December 31, 2019
Class X Units		
Net assets attributable to holders of redeemable units at beginning of period	—	18,786,921
Increase in net assets attributable to holders of redeemable units	—	2,003,602
Redeemable units transactions		
Conversion of Class X units to Class A units	—	(17,440,027)
Redemption of redeemable units	—	(3,350,496)
Net decrease from redeemable units transactions	—	(20,790,523)
Net decrease in net assets attributable to holders of redeemable units	—	(18,786,921)
Net assets attributable to holders of redeemable units at end of period	—	—
Total Fund		
Net assets attributable to holders of redeemable units at beginning of period	12,913,895	18,822,345
Increase in net assets attributable to holders of redeemable units	960,803	2,997,655
Distribution to holders of redeemable units from:		
Net investment income	—	(29,287)
Net realized gains on investments and derivatives	(117,694)	—
Return of capital	—	(146)
Total distributions to holders of redeemable units	(117,694)	(29,433)
Redeemable units transactions		
Proceeds from redeemable units issued	135,016	1,443,720
Reinvestments of distributions to holders of redeemable units	113,753	27,940
Redemption of redeemable units	(2,650,028)	(10,348,332)
Net decrease from redeemable units transactions	(2,401,259)	(8,876,672)
Net decrease in net assets attributable to holders of redeemable units	(1,558,150)	(5,908,450)
Net assets attributable to holders of redeemable units at end of period	11,355,745	12,913,895

The accompanying notes are an integral part of these financial statements.

BMO Global Water Solutions TACTIC™ Fund

STATEMENT OF CASH FLOWS

(All amounts in Canadian dollars)

For the periods ended	December 31, 2020	December 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets attributable to holders of redeemable units	960,803	2,997,655
Adjustments for:		
Foreign exchange loss on cash	444	48
Net realized gain on sale of investments and derivatives	(632,129)	(206,592)
Change in unrealized appreciation of investments and derivatives	(367,561)	(2,805,477)
Decrease in dividend receivable	2,657	12,051
Decrease in distribution receivable from investment trusts	1,168	921
Decrease in accrued expenses	(23,561)	(55,880)
Return of capital dividends received	—	8,422
Proceeds from sale and maturity of investments	6,957,427	13,652,990
Purchases of investments	(4,264,301)	(4,378,292)
Net cash flow from operating activities	2,634,947	9,225,846
CASH FLOWS FROM FINANCING ACTIVITIES		
Gross proceeds from issuance of units	135,016	542,939
Amounts paid on redemption of redeemable units	(2,671,374)	(9,420,637)
Distributions paid to holders of redeemable units	(3,941)	(1,493)
Net cash flow from financing activities	(2,545,203)	(8,879,191)
Net increase in cash	89,744	346,655
Foreign exchange loss on cash	(444)	(48)
Cash and bank indebtedness at beginning of period	263,420	(83,187)
Cash at end of period	352,720	263,420

Supplementary information

Interest received, net of withholding taxes*	269	27
Dividends received, net of withholding taxes*	230,713	335,049
Distributions received from investment trusts, net of withholding taxes*	3,348	18,752
Interest expense paid*	92	3,200

*These items are from operating activities

BMO Global Water Solutions TACTIC™ Fund

SCHEDULE OF INVESTMENT PORTFOLIO

(All amounts in Canadian dollars, unless otherwise noted)

As at December 31, 2020

Description	Number of Shares or Units	Cost+ (\$)	Fair Value (\$)
EQUITIES			
Austria — 1.9%			
Andritz AG	3,624	201,782	211,326
Brazil — 1.6%			
Companhia de Saneamento de Minas Gerais - COPASA MG	44,100	182,513	178,052
Canada — 1.5%			
H2O Innovation Inc.	26,904	44,930	54,884
Stantec Inc.	2,681	90,212	110,672
		135,142	165,556
Cayman Islands — 0.5%			
Consolidated Water Co. Ltd.	3,520	55,157	53,991
France — 9.5%			
SUEZ	15,548	276,364	392,302
Veolia Environnement SA	22,211	649,680	691,703
		926,044	1,084,005
Germany — 2.2%			
NORMA Group SE	3,845	230,968	250,460
Hong Kong — 5.9%			
Beijing Enterprises Water Group Limited	304,000	251,181	155,447
China Everbright International Limited	208,037	265,324	149,935
China Water Affairs Group Limited	162,618	155,158	161,833
Guangdong Investment Limited	88,000	197,443	202,358
		869,106	669,573
Japan — 4.2%			
Kurita Water Industries Ltd.	9,800	350,957	477,490
Mexico — 2.5%			
Orbia Advance Corporation, S.A.B. de C.V.	96,200	290,962	287,926
Netherlands — 3.7%			
Aalberts Industries N.V.	5,074	249,334	286,264
Arcadis NV	3,321	87,238	139,760
		336,572	426,024
Philippines — 0.6%			
Metro Pacific Investments Corporation	565,000	76,527	64,143
Singapore — 0.3%			
SIIC Environment Holdings Ltd.	216,600	87,255	36,637

BMO Global Water Solutions TACTIC™ Fund

SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

(All amounts in Canadian dollars, unless otherwise noted)

As at December 31, 2020

Description	Number of Shares or Units	Cost+ (\$)	Fair Value (\$)
South Korea — 3.2%			
Coway Co., Ltd.	4,222	411,438	359,715
Sweden — 1.7%			
Alfa Laval AB	5,643	171,498	197,410
United Kingdom — 10.4%			
Costain Group PLC	97,355	252,565	100,327
Pennon Group plc	23,987	369,757	397,765
United Utilities Group PLC	43,380	628,567	679,172
		1,250,889	1,177,264
United States — 47.3%			
Agilent Technologies, Inc.	2,248	196,332	339,056
Danaher Corporation	1,186	180,763	335,356
Essential Utilities, Inc.	7,273	340,118	437,801
Evoqua Water Technologies Corp.	2,586	61,152	88,810
Ferguson PLC	1,894	185,228	293,190
Fortune Brands Home & Security, Inc.	3,774	303,691	411,792
Granite Construction Incorporated	4,145	265,546	140,926
IDEX Corporation	682	137,118	172,929
Itron, Inc.	1,055	90,087	128,785
Lindsay Corporation	942	111,988	154,033
Middlesex Water Company	406	21,036	37,452
Mueller Water Products, Inc., Class A	15,934	223,895	251,096
Pentair plc	6,777	372,460	457,978
PICO Holdings, Inc.	15,376	169,368	182,999
Rexnord Corporation	4,134	148,072	207,803
Roper Technologies, Inc.	621	229,443	340,764
SJW Corp.	1,962	150,273	173,222
SPX Corporation	3,896	139,535	270,476
Toro Company, The,	1,489	135,892	179,755
Valmont Industries, Inc.	2,176	388,755	484,526
Xylem Inc.	2,185	183,307	283,107
		4,034,059	5,371,856
Total Investment Portfolio — 97.0%		9,610,869	11,011,428
Other Assets Less Liabilities — 3.0%			344,317
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS — 100.0%			11,355,745

BMO Global Water Solutions TACTIC™ Fund

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Canadian dollars)

December 31, 2020

1. The Fund

BMO Global Water Solutions TACTIC Fund (“the Fund”), is an open-end (daily redeemable) mutual fund established as a trust under the laws of the Province of Ontario on January 29, 2015 and amended on December 7, 2018. BMO Nesbitt Burns Inc. (the “Manager”) is responsible for the management and administration of the Fund.

The address of the Fund’s registered office is 1 First Canadian Place, 100 King Street West, 3rd Floor Podium, Toronto, Ontario, M5X 1H3.

The Statement of Financial Position and related notes for the Fund are as at December 31, 2020 and December 31, 2019. The Statement of Comprehensive Income, Statement of Changes in Net Assets Attributable to Holders of Redeemable Units, Statement of Cash Flows and related notes are for the periods ended December 31, 2020 and December 31, 2019.

In each of the statements and in the notes to the financial statements “periods” refers to “years”.

On March 25, 2021, the Manager decided to terminate the Fund on June 8, 2021 or as soon as practicable after that date. Effective March 25, 2021, the Fund will no longer accept additional investments. Upon termination, following the conversion of the assets of the Fund to cash, and the satisfaction of, or provision for, all liabilities of the Fund, the units of the Fund will be redeemed and the net assets distributed to unitholders in payment of the redemption price based on the number and class of units held whereupon the Fund will terminate.

These financial statements were authorized for issuance by the authorized officers of BMO Nesbitt Burns Inc., as Administrators, on March 30, 2021.

2. Basis of preparation and presentation

These audited financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The financial statements have been prepared on a historic basis, except for the revaluation of financial assets and financial liabilities (including derivative financial instruments) measured at fair value through profit or loss (“FVTPL”).

As disclosed in Note 1 and 10, the Fund will terminate on June 8, 2021 or as soon as practicable after that date. As a result, the Fund has applied IFRS on a liquidation

basis for the period from January 1, 2020 to December 31, 2020. In this instance, the liquidation basis does not result in any material adjustments to the carrying amounts of assets and liabilities of the Fund, prepared in accordance with IFRS.

3. Summary of significant accounting policies

Financial instruments

Financial instruments include financial assets and financial liabilities such as equity and debt securities, investment funds and derivatives. These financial instruments are part of a group of financial instruments that are managed and their performance is evaluated on a fair value basis in accordance with the Fund’s investment strategy.

The Fund classifies and measures financial instruments in accordance with IFRS 9 Financial Instruments (“IFRS 9”). Upon initial recognition, financial instruments are recorded at fair value. A financial instrument is recognized when the Fund becomes a party to the contractual requirements of the instrument, and is derecognized when the right to receive cash flows from the instrument has expired or the Fund has transferred substantially all risks and rewards of ownership. As such, investment purchase and sale transactions are recorded as of the trade date. Investments and derivatives are subsequently measured at FVTPL, with changes in fair value recognized in the Statement of Comprehensive Income as “Change in unrealized appreciation”.

All financial assets and financial liabilities are recognized in the Statement of Financial Position.

The Fund’s outstanding redeemable units, which are puttable instruments, are entitled to a contractual obligation of annual distribution of any net income and net realized capital gains by the Fund. This annual distribution can be in cash at the option of the unitholders, and therefore the ongoing redemption feature is not the redeemable units’ only contractual obligation. Also, the Fund has issued multiple series of redeemable units, which are equally subordinated but are not identical and consequently, do not meet the conditions to be classified as equity. As a result, the Fund’s obligations for net assets attributable to holders of redeemable units (“Net Assets”) are classified as financial liabilities and presented at the redemption amounts.

BMO Global Water Solutions TACTIC™ Fund

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in Canadian dollars)

December 31, 2020

Cost of investments

The cost of investments represents the amount paid for each security and is determined on an average cost basis, and excludes commissions and other portfolio transaction costs, which are reported separately in the Statement of Comprehensive Income. Realized gains and losses on disposition are determined based on the cost of investments.

Fair value measurement

Fair value is defined as 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.

For exchange-traded securities, close prices are considered to be fair value if they fall within the bid-ask spread. In circumstances where the close price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of the fair value based on the specific facts and circumstances.

Procedures are in place to fair value equities traded in countries outside of North America daily, to avoid stale prices and to take into account, among other things, any significant events occurring after the close of a foreign market.

The Fund may enter into forward currency contracts for hedging purposes either directly or indirectly or for non-hedging purposes. The fair value of forward currency contracts entered into by the Fund is recorded as the difference between the fair value of the contract on the Valuation Date (the "Valuation Date" is each day on which the TSX is open for trading) and the fair value on the date the contract originated.

For securities where market quotes are not available, unreliable or not considered to reflect the current value, the Manager may determine another value which it considers to be fair and reasonable, or use a valuation technique that, to the extent possible, makes maximum use of inputs and assumptions based on observable market data including volatility, comparable companies and other applicable rates or prices. These estimation techniques include discounted cash flows, internal models that utilize observable data or comparisons with other securities that are substantially similar. In limited circumstances, the Manager may use internal models where the inputs are not based on observable market data.

Cash

Cash is comprised of cash and deposits with banks, which include bankers' acceptances and overnight demand deposits. The carrying amount of cash approximates its fair value because it is short-term in nature.

Other assets and other liabilities

Other assets and other liabilities generally include receivable for investments sold, dividends receivable, distribution receivable from investment trusts, payable for investments purchased, redemptions payable and accrued expenses. These financial assets and financial liabilities are short-term in nature and are subsequently measured at amortized cost, which approximates their fair value.

Investments in subsidiaries, joint ventures and associates

Subsidiaries are entities over which the Fund has control through its exposure or rights to variable returns from its investment and has the ability to affect those returns through its power over the entity. The Manager has determined that the Fund is an investment entity and as such, it accounts for subsidiaries, if any, at fair value. Joint ventures are investments where the Fund exercises joint control through an agreement with other shareholders, and associates are investments in which the Fund exerts significant influence over operating, investing and financing decisions (such as entities in which the Fund owns 20% – 50% of voting shares), all of which, if any, have been classified as FVTPL.

Unconsolidated structured entities

The Manager has determined that its investment in investments funds, if any, are unconsolidated structured entities. This determination is based on the fact that decision making about the investment funds is not governed by the voting right or other similar right held by the Fund.

The Fund may invest in investment funds whose investment objectives range from achieving short-term to long-term income and capital growth potential. Investment funds may use leverage in a manner consistent with their respective investment objectives and as permitted by Canadian securities regulatory authorities. Investment funds finance their operations by issuing redeemable units, which are puttable at the holders' option and entitles the holder to a proportionate stake in the respective investment fund's Net Assets. The change in fair value of each of

BMO Global Water Solutions TACTIC™ Fund

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in Canadian dollars)

December 31, 2020

the investment funds during the periods is included in “Change in unrealized (depreciation) appreciation” in the Statement of Comprehensive Income.

The Fund does not provide and has not committed to providing any additional significant financial or other support to the unconsolidated structured entities other than its investment in the unconsolidated structured entities.

As at December 31, 2020 and December 31, 2019, the Fund does not have any direct investments in unconsolidated structured entities.

Offsetting of financial assets and financial liabilities

Financial instruments are presented at net or gross amounts in the Statement of Financial Position depending on the existence of intention and legal right to offset opposite positions of such instruments held with the same counterparties. Amounts offset in the Statement of Financial Position are related to transactions for which the Fund has legally enforceable rights to offset and intends to settle the positions on a net basis. Amounts not offset in the Statement of Financial Position relate to positions where there is no legally enforceable right to offset, or the legal right to offset is only in the event of default, insolvency or bankruptcy, or where the Fund has no intention to settle on a net basis. There were no master netting arrangements during the periods.

Income recognition

Dividend income and distributions received from investment trusts are recognized on the ex-dividend and ex-distribution date, respectively.

Foreign currency translation

The fair value of investments and other assets and liabilities in foreign currencies are translated into the Fund’s functional currency, which is Canadian dollars, at the rates of exchange prevailing at the period-end date. Purchases and sales of investments, and income and expenses are translated at the rates of exchange prevailing on the respective dates of such transactions. Realized and unrealized foreign exchange gains (losses) on investment transactions are included in “Net realized gain” and in “Change in unrealized appreciation”, respectively, in the Statement of Comprehensive Income. Foreign exchange gains (losses) relating to cash, receivables and payables are included in “Foreign exchange loss” in the Statement of Comprehensive Income.

Increase or decrease in net assets attributable to holders of redeemable units per unit

“Increase (decrease) in net assets attributable to holders of redeemable units per unit” of a class in the Statement of Comprehensive Income represents the increase (decrease) in net assets attributable to holders of redeemable units (“Net Assets”) of the class divided by the weighted average number of units outstanding of the class during the period.

The increase (decrease) in net assets attributable to holders of redeemable units per unit for the periods ended December 31, 2020 and December 31, 2019, is calculated as follows:

For the periods ended	December 31, 2020	December 31, 2019
Class A Units		
Increase in net assets attributable to holders of redeemable units	879,106	939,370
Weighted average units outstanding during the period	877,767	1,022,318
Increase in net assets attributable to holders of redeemable units per unit	1.00	0.92
Class D Units		
Increase in net assets attributable to holders of redeemable units	4,045	2,414
Weighted average units outstanding during the period	2,901	2,456
Increase in net assets attributable to holders of redeemable units per unit	1.39	0.98
Class F Units		
Increase in net assets attributable to holders of redeemable units	77,651	52,267
Weighted average units outstanding during the period	70,203	48,583
Increase in net assets attributable to holders of redeemable units per unit	1.11	1.08
Class I Units		
Increase in net assets attributable to holders of redeemable units	1	2
Weighted average units outstanding during the period	1	1
Increase in net assets attributable to holders of redeemable units per unit	1.36	2.14
Class X Units (formerly, Units)		
Increase in net assets attributable to holders of redeemable units	—	2,003,602
Weighted average units outstanding during the period	—	2,256,446
Increase in net assets attributable to holders of redeemable units per unit	—	0.89

BMO Global Water Solutions TACTIC™ Fund

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in Canadian dollars)

December 31, 2020

Reconciliation of NAV to Net Assets

As at December 31, 2020 and December 31, 2019, there were no differences between the Fund's NAV per unit and its Net Assets per unit calculated in accordance with IFRS.

Taxation

The Fund qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada). Distributions of all net taxable income and sufficient amounts of net realized capital gains for each taxation year will be paid to unitholders so that the Fund will not be subject to income tax. As a result, the Manager has determined that the Fund is in substance not taxable and therefore, does not record income taxes in the Statement of Comprehensive Income nor does it recognize any deferred tax assets or liabilities in the Statement of Financial Position.

The Fund may incur withholding taxes imposed by certain countries on investment income and capital gains. Such income and capital gains are recorded on a gross basis with the related withholding taxes shown as a separate expense in the Statement of Comprehensive Income.

Non-capital losses are available to be carried forward for twenty years. Capital losses, for income tax purposes, may be carried forward indefinitely and applied against capital gains realized in future years. As at December 15, 2020, the Fund had no capital and non-capital losses carried forward.

4. Critical accounting estimates and judgements

The preparation of financial statements requires the use of judgement in applying the Fund's accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgements and estimates that the Manager has made in preparing the Fund's financial statements.

Accounting judgements:

Functional and presentation currency

The Fund's unitholders are mainly Canadian residents, with the subscriptions and redemptions of the redeemable units denominated in Canadian dollars. The performance of the Fund is measured and reported to the investors in Canadian dollars. The Manager considers the Canadian dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Canadian dollars, which is the Fund's functional and presentation currency.

Classification and measurement of financial instruments

In classifying and measuring financial instruments held by the Fund, the Manager is required to make an assessment of the Fund's business model for managing financial instruments. In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgements in determining the most appropriate classification in accordance with IFRS 9. The Manager has assessed the Fund's business model with respect to the manner in which financial assets and financial liabilities are managed as a group and performance is evaluated on a fair value basis, and has concluded that FVTPL in accordance with IFRS 9 provides the most appropriate measurement and presentation of the Fund's investment portfolio. The collection of principal and interest is incidental to the fair value business model.

Accounting estimates:

Fair value measurement of securities not quoted in an active market

The Manager has established policies and control procedures that are intended to ensure these estimates are well controlled, independently reviewed, and consistently applied from period to period. The estimates of the value of the Fund's assets and liabilities are believed to be appropriate as at the reporting date.

The Fund may hold financial instruments that are not quoted in active markets. Note 3 discusses the policies used by the Fund for the estimates used in determining fair value.

5. Units and unit transactions

The redeemable units of the Fund are classified as financial liabilities. The units have no par value and are entitled to distributions, if any. Upon redemption, a unit is entitled to a proportionate share of the Fund's NAV. The Fund is required to pay distributions in an amount not less than the amount necessary to ensure the Fund will not be liable for income taxes on realized capital gains, dividends and interest. The Fund has no restrictions or specific capital requirements on the subscriptions and redemptions of units except as disclosed in Note 7. The relevant movements in redeemable units are shown in the Statement of Changes in Net Assets Attributable to Holders of Redeemable Units.

BMO Global Water Solutions TACTIC™ Fund

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in Canadian dollars)

December 31, 2020

In accordance with its investment objectives and strategies, and the risk management practices outlined in Note 7, the Fund endeavours to invest the subscriptions received in appropriate investments, while maintaining sufficient liquidity to meet redemptions, with such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

Redeemable units of the Fund are offered for sale on a continuous basis and may be purchased or redeemed on any Valuation Date at the NAV per unit of a particular class. The NAV per unit of a class of the purposes of subscription or redemption is computed by dividing the NAV of the Fund attributable to the class (that is, the total fair value of the assets attributable to the class less the liabilities attributable to the class) by the total number of units of the class of the Fund outstanding at such time on each Valuation Date, in accordance with Part 14 of National Instruments ("NI") 81-106 Investment Fund Continuous Disclosure for the purpose of unitholder transactions. Net Assets are determined in accordance with IFRS and may differ to the Fund's NAV. Where the Fund's NAV is not equal to its Net Assets, a reconciliation is shown in Note 3.

Expenses directly attributable to a class are charged to that class. Other expenses, income, realized and unrealized gains and losses from investment transactions are allocated proportionately to each class based upon the relative NAV of each class.

The number of units that have been issued and are outstanding are disclosed in the table below.

For the periods ended	December 31, 2020	December 31, 2019
Class A Units		
Units issued and outstanding, at beginning of period	1,014,942	1
Issued	2,285	5,090
Issued on reinvestment of distributions	8,360	2,120
Conversion of Class X Units to Class A Units	—	1,584,593
Units redeemed during the period	(212,688)	(576,862)
Units issued and outstanding, at end of period	812,899	1,014,942
Class D Units		
Units issued and outstanding, at beginning of period	2,900	1
Issued	—	2,899
Issued on reinvestment of distributions	27	—
Units issued and outstanding, at end of period	2,927	2,900
Class F Units		
Units issued and outstanding, at beginning of period	71,426	3,543
Issued	9,034	119,722
Issued on reinvestment of distributions	459	217
Units redeemed during the period	(20,266)	(52,056)
Units issued and outstanding, at end of period	60,653	71,426
Class I Units		
Units issued and outstanding, at beginning of period	1	1
Issued on reinvestment of distributions	0	—
Units issued and outstanding, at end of period	1	1
Class X Units		
Units issued and outstanding, at beginning of period	—	2,375,564
Conversion of Class X Units to Class A Units	—	(1,984,731)
Units redeemed during the period	—	(390,833)
Units issued and outstanding, at end of period	—	—

6. Related party transactions

Administration and portfolio management fees

The Manager is responsible for providing or arranging for the day-to-day management, administration and compliance services of the Fund. The Manager monitors and evaluates the performance of the Fund, pays for the investment management services of the portfolio manager and provides all administrative services required by the Fund. As compensation for its services, the Manager is entitled to receive the following fees payable monthly, calculated at the following maximum annual rates, plus applicable taxes:

BMO Global Water Solutions TACTIC™ Fund

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in Canadian dollars)

December 31, 2020

Class	Management Fee (%)
Class A Units	2.00
Class D Units	1.00
Class F Units	1.00
Class I Units	*
Class X Units	1.00

*Negotiated and paid by each Class I investor directly to the Manager.

The outstanding accrued management fees due to the Manager are included in “Accrued expenses” in the Statement of Financial Position and for the period ended December 31, 2020 amounted to \$20,726 (December 31, 2019 – \$23,581).

Affiliates of the Manager provide the Fund with certain facilities and services such as accounting, record keeping, issuing financial statements, and for general administrative support. Fees for these services are shown as “Fund administration fees” in the Statement of Comprehensive Income and for the period ended December 31, 2020 amounted to \$56,618 (December 31, 2019 – \$56,550).

The outstanding accrued fund administration fees due to the Manager are included in “Accrued expenses” in the Statement of Financial Position and for the period ended December 31, 2020 amounted to \$14,231 (December 31, 2019 – \$14,268).

Other related party transactions

The Manager is a member of BMO Financial Group. From time to time, the Manager may, on behalf of the Fund, enter into transaction arrangements with, or involving other members of BMO Financial Group, or certain other persons or companies that are related or connected to the Manager of the Fund. The terms of such transactions will be at market at the relevant times.

The Manager may, in some years and in certain cases, absorb a portion of administration and portfolio management fees, fund administration fees or certain specific expenses of the Fund or class of the Fund. The decision to absorb these expenses is reviewed periodically and determined at the discretion of the Manager, without notice to unitholders.

Brokerage commissions and soft dollars

Brokerage commissions (excluding transaction costs) paid on security transactions and amounts paid to the Manager for brokerage services provided to the Fund for the periods were as follows:

For the periods ended	December 31, 2020	December 31, 2019
Total brokerage amount paid (\$)	5,128	7,320
Total brokerage amounts paid to related parties (\$)	—	—

There were no ascertainable soft dollars paid or payable to dealers by the Fund during the periods.

7. Financial instruments risks

The Fund’s activities expose it to a variety of risks associated with the financial instruments, as follows: market risk (including currency risk, interest rate risk and other market risk), credit risk and liquidity risk. The concentration table groups securities by geographic location. The Fund’s risk management practices outline the monitoring of compliance to investment guidelines.

The Manager manages the potential effects of these financial risks on the Fund’s performance by employing and overseeing professional and experienced portfolio advisors who regularly monitor the Fund’s positions and market events, and diversify the investment portfolio within the constraints of the investment guidelines.

The Fund’s objective is to provide unitholders with the opportunity for capital appreciation and quarterly cash distributions by investing in an actively managed global portfolio comprised primarily of publicly-listed equity securities of water issuers.

No changes affecting the overall level of risk of investing in the Fund were made during the period.

Currency risk

Currency risk is the risk that the fair value of financial instruments denominated in currencies, other than the functional currency of the Fund, will fluctuate due to changes in foreign exchange rates. Investments in foreign markets are exposed to currency risk as the prices denominated in foreign currencies are converted to the Fund’s functional currency in determining fair value. The Fund may enter into forward currency contracts for hedging purposes to reduce foreign currency exposure or to establish exposure to foreign currencies.

BMO Global Water Solutions TACTIC™ Fund

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in Canadian dollars)

December 31, 2020

The Fund's exposure to currency risk is summarized in the tables below. Amounts shown are based on the carrying value of monetary and non-monetary assets

(including derivatives and the underlying principle (notional) amounts of forward currency contracts, if any).

As at December 31, 2020

Currency	Cash and other current receivables & payables (\$)	Investments and options (monetary & non-monetary) (\$)	Forward currency contracts (\$)	Net currency exposure (\$)	As a % of Net Assets %
Brazilian Cruz Real	23,848	178,052	—	201,900	1.8
Euro	155	1,971,814	—	1,971,969	17.4
Hong Kong Dollar	4,153	706,210	—	710,363	6.3
Japanese Yen	—	477,490	—	477,490	4.2
Mexico New Peso	—	287,926	—	287,926	2.5
Philippine Peso	1,428	64,144	—	65,572	0.6
Pound Sterling	10,308	1,470,454	—	1,480,762	13.0
South Korean Won	—	359,715	—	359,715	3.2
Swedish Krona	—	197,410	—	197,410	1.7
U.S. Dollar	2,677	5,132,658	—	5,135,335	45.2
Total	42,569	10,845,873	—	10,888,442	95.9

As at December 31, 2019

Currency	Cash and other current receivables & payables (\$)	Investments and options (monetary & non-monetary) (\$)	Forward currency contracts (\$)	Net currency exposure (\$)	As a % of Net Assets %
Brazilian Real	—	83,671	—	83,671	0.6
Euro	1,056	1,914,988	—	1,916,044	14.8
Hong Kong Dollar	4,494	713,562	—	718,056	5.6
Japanese Yen	1,538	870,641	—	872,179	6.8
Mexican New Peso	103	254,484	—	254,587	2.0
Philippine Peso	1,390	104,138	—	105,528	0.8
Pound Sterling	8,692	1,002,268	—	1,010,960	7.8
South Korean Won	—	466,776	—	466,776	3.6
Swedish Krona	—	354,689	—	354,689	2.7
Swiss Franc	1,544	214,492	—	216,036	1.7
U.S. Dollar	3	6,067,169	—	6,067,172	47.0
Total	18,820	12,046,878	—	12,065,698	93.4

As at December 31, 2020 and December 31, 2019, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies, with all other variables held constant, the Net Assets of the Fund could possibly have decreased or increased, respectively, by approximately \$544,422 (December 31, 2019 – \$603,825). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

Interest rate risk

Interest rate risk is the risk that the fair value of the Fund's interest bearing investments will fluctuate due to changes in market interest rates. The Fund's exposure to interest rate risk is concentrated in its

investment in debt securities (such as bonds, money market investments, short-term investments and debentures) and interest rate derivative instruments, if any. Other assets and liabilities are short term in nature and/or non-interest bearing.

As at December 31, 2020 and December 31, 2019, the Fund did not have any significant exposure to interest rate risk.

Other market risk

Other market risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial

BMO Global Water Solutions TACTIC™ Fund

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in Canadian dollars)

December 31, 2020

instrument or its issuer, or factors affecting all similar financial instruments traded in a market. Other assets and liabilities are monetary items that are short-term in nature, as such they are not subject to other market risk.

The Fund has a significant exposure to other market risk arising from its investment in equity securities. Using historical correlation between the Fund's return and the return of its benchmark, if the benchmark, the MSCI World Index, had increased or decreased by 10%, with all other variables held constant, the Net Assets of the Fund would have increased or decreased, respectively by \$1,204,088 (December 31, 2019 – \$1,193,317). Historical correlation may not be representative of future correlation, and accordingly, actual results may differ and the difference could be material.

Credit risk

Credit risk is the risk that a loss could arise from a security issuer or counterparty to a financial instrument not being able to meet its financial obligations. The fair value of debt securities includes consideration of the creditworthiness of the debt issuer. Credit risk exposure for over-the-counter derivative instruments is based on the Fund's unrealized gain of the contractual obligations with the counterparty as at the reporting date. The credit exposure of other assets is represented by its carrying amount.

As at December 31, 2020 and December 31, 2019, the Fund did not have any significant exposure to credit risk.

Liquidity risk

The Fund's exposure to liquidity risk is concentrated in the redemptions of units. The Fund primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Fund retains sufficient cash and cash equivalent positions to maintain liquidity. The Fund may, from time to time, enter into over-the-counter derivative contracts or invest in unlisted securities, which are not traded in an organized market and may be illiquid. Securities for which a market quotation could not be obtained and may be illiquid are identified in the Schedule of Investment Portfolio. The proportion of illiquid securities to the NAV of the Fund is monitored by the Manager to ensure it does not exceed the regulatory limit and does not significantly affect the liquidity required to meet the Fund's financial obligations. There were no such illiquid securities held by the Fund as at December 31, 2020 and December 31, 2019.

Concentration risk

The Fund's concentration risk is summarized in the following table:

As at	December 31, 2020	December 31, 2019
Australia	1.9%	2.0%
Brazil	1.6%	0.7%
Canada	1.5%	5.2%
Cayman islands	0.5%	1.0%
Finland	—%	1.1%
France	9.5%	5.4%
Germany	2.2%	1.6%
Hong Kong	5.9%	5.3%
Japan	4.2%	6.8%
Mexico	2.5%	2.0%
Netherlands	3.7%	4.7%
Philippines	0.6%	0.8%
Singapore	0.3%	0.3%
South Korea	3.2%	3.6%
Sweden	1.7%	2.7%
Switzerland	—%	1.7%
United Kingdom	10.4%	11.8%
United States	47.3%	41.8%
Other Assets Less Liabilities	3.0%	1.5%
	100.0%	100.0%

8. Fair value hierarchy

The Fund classifies its financial instruments into three levels based on the inputs used to value the financial instruments. Level 1 securities are valued based on quoted prices in active markets for identical securities. Level 2 securities are valued based on significant observable market inputs, such as quoted prices from similar securities and quoted prices in inactive markets, or based on observable inputs to models. Level 3 securities are valued based on significant unobservable inputs that reflect the Manager's determination of assumptions that market participants might reasonably use in valuing the securities. The relevant disclosure is shown in the following tables:

As at December 31, 2020

Financial Assets	Level 1	Level 2	Level 3	Total
Equity Securities	5,586,139	5,425,289	—	11,011,428

As at December 31, 2019

Financial Assets	Level 1	Level 2	Level 3	Total
Equity securities	6,991,569	5,725,225	—	12,716,794

Transfers between levels

There were no transfers between the levels during the periods.

BMO Global Water Solutions TACTIC™ Fund

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in Canadian dollars)

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9. Significant event

The current spread of the novel coronavirus (COVID-19) has caused a global pandemic and the unprecedented responses taken by many governments, including closing borders, restricting international and domestic travel, and the imposition of prolonged social distancing or similar restrictions, as well as the forced or voluntary closure of, or operational changes to many retail and other businesses, has resulted in fundamental changes in the business world with significant impacts on operations and world markets. The impacts on operations includes changes in work environments, inherent controls risk and cyber-risks; while the main impacts on investments includes increase in market risks, market volatility and liquidity risk, with its impacts on valuations.

Management has implemented and will continue to review the situation with a view to implementing additional controls and procedures to adequately address the risks and reduce the impacts of the COVID-19 on the Fund, to the extent possible.

10. Subsequent event

On March 25, 2021, the Manager decided to terminate the Fund on June 8, 2021 or as soon as practicable after that date. Refer to Note 1 for additional details.

Management's Responsibility For Financial Reporting

The accompanying financial statements have been prepared by an affiliate of the Manager and approved by the Manager of the Fund. The Manager is responsible for the information and representations contained in these financial statements.

The affiliate of the Manager maintains appropriate processes to ensure that relevant and reliable information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and include certain amounts that are based on estimates and judgements.

The significant accounting policies which the Manager believes are appropriate for the Fund are described in Note 3 to the financial statements. The Manager is responsible for reviewing and approving the financial statements and overseeing management's performance of its financial reporting responsibilities. The Manager reviews the financial statements of the Fund, adequacy of internal controls, the audit process and financial reporting with the external auditor.

PricewaterhouseCoopers LLP is the external auditor of the Fund. The auditor has audited the financial statements in accordance with generally accepted auditing standards in Canada to enable them to express their opinion on the financial statements. This report is included as an integral part of the financial statements.

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March 30, 2021

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