

Annual Financial Statements

BMO PineBridge Preferred Securities 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 PineBridge Preferred Securities 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	1,652,555	1,659,219
Investments		
Non-derivative financial assets	12,494,093	17,708,196
Derivative assets	253,911	381,406
Dividends receivable	31,983	41,895
Interest receivable	81,419	121,012
Total assets	14,513,961	19,911,728
LIABILITIES		
CURRENT LIABILITIES		
Redemptions payable	15,681	25,716
Accrued expenses	36,119	66,361
Total liabilities	51,800	92,077
Net assets attributable to holders of redeemable units	14,462,161	19,819,651
Net assets attributable to holders of redeemable units		
Class A Units	12,010,485	16,459,540
Class D Units	92,823	92,156
Class F Units	2,358,842	3,267,944
Class I Units	11	11
Net assets attributable to holders of redeemable units per unit (note 5)		
Class A Units	\$ 10.64	\$ 11.05
Class D Units	\$ 10.71	\$ 11.06
Class F Units	\$ 10.71	\$ 11.18
Class I Units	\$ 10.82	\$ 11.22

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

BMO PineBridge Preferred Securities 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	567,320	969,944
Dividend income	347,687	481,115
Other changes in fair value of investments and derivatives		
Net realized (loss) gain	(85,437)	816,023
Change in unrealized (depreciation) appreciation	(741,513)	2,155,566
Net gain in fair value of investments and derivatives	88,057	4,422,648
Foreign exchange gain (loss)	30,246	(60,794)
Total other income (loss)	30,246	(60,794)
Total income	118,303	4,361,854
EXPENSES		
Administration and portfolio management fees (note 6)	354,225	490,984
Fund administration fees (note 6)	67,333	66,842
Foreign withholding taxes	48,965	49,353
Transfer agent fees	—	1,175
Audit fees	15,004	14,895
Custodian fees	1,930	3,018
Interest expense (note 6)	1,692	29,940
Legal and filing fees	134,244	33,239
Independent review committee fees	19,599	5,468
Securityholder reporting costs	26,655	29,429
Trustees expenses	8,869	8,805
Operating expenses absorbed by the Manager (note 6)	(232,629)	(105,169)
Commissions and other portfolio transaction costs (note 6)	441	1,052
Total expenses	446,328	629,031
(Decrease) increase in net assets attributable to holders of redeemable units	(328,025)	3,732,823

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

BMO PineBridge Preferred Securities 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
(Decrease) increase in net assets attributable to holders of redeemable units		
Class A Units	(314,820)	2,122,255
Class D Units	667	7,805
Class F Units	(13,872)	355,857
Class I Units	(0)	1
Class P Units	—	527,334
Class X Units	—	719,571
(Decrease) increase in net assets attributable to holders of redeemable units per unit (note 3)		
Class A Units	(0.24)	1.36
Class D Units	0.08	1.51
Class F Units	(0.05)	1.50
Class I Units	(0.13)	1.32
Class P Units	—	0.86
Class X Units	—	0.32

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

BMO PineBridge Preferred Securities 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	16,459,540	10
(Decrease) increase in net assets attributable to holders of redeemable units	(314,820)	2,122,255
Distribution to holders of redeemable units from:		
Net investment income	(394,905)	(482,743)
Return of capital	(1,975)	(2,414)
Total distributions to holders of redeemable units	(396,880)	(485,157)
Redeemable units transactions		
Proceeds from redeemable units issued	2,000	5,000
Conversion of Class P units to Class A units	—	13,689,817
Conversion of Class X units to Class A units	—	16,939,256
Reinvestments of distributions to holders of redeemable units	392,175	481,322
Redemption of redeemable units	(4,131,530)	(16,292,963)
Net (decrease) increase from redeemable units transactions	(3,737,355)	14,822,432
Net (decrease) increase in net assets attributable to holders of redeemable units	(4,449,055)	16,459,530
Net assets attributable to holders of redeemable units at end of period	12,010,485	16,459,540
Class D Units		
Net assets attributable to holders of redeemable units at beginning of period	92,156	10
Increase in net assets attributable to holders of redeemable units	667	7,805
Distribution to holders of redeemable units from:		
Net investment income	(3,543)	(2,145)
Return of capital	(18)	(11)
Total distributions to holders of redeemable units	(3,561)	(2,156)
Redeemable units transactions		
Proceeds from redeemable units issued	—	84,341
Reinvestments of distributions to holders of redeemable units	3,561	2,156
Net increase from redeemable units transactions	3,561	86,497
Net increase in net assets attributable to holders of redeemable units	667	92,146
Net assets attributable to holders of redeemable units at end of period	92,823	92,156

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

BMO PineBridge Preferred Securities 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	3,267,944	10
(Decrease) increase in net assets attributable to holders of redeemable units	(13,872)	355,857
Distribution to holders of redeemable units from:		
Net investment income	(114,951)	(99,114)
Return of capital	(575)	(495)
Total distributions to holders of redeemable units	(115,526)	(99,609)
Redeemable units transactions		
Proceeds from redeemable units issued	46,300	5,007,245
Reinvestments of distributions to holders of redeemable units	82,299	70,694
Redemption of redeemable units	(908,303)	(2,066,253)
Net (decrease) increase from redeemable units transactions	(779,704)	3,011,686
Net (decrease) increase in net assets attributable to holders of redeemable units	(909,102)	3,267,934
Net assets attributable to holders of redeemable units at end of period	2,358,842	3,267,944
Class I Units		
Net assets attributable to holders of redeemable units at beginning of period	11	10
(Decrease) increase in net assets attributable to holders of redeemable units	(0)	1
Distribution to holders of redeemable units from:		
Net investment income	(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 (decrease) increase in net assets attributable to holders of redeemable units	(0)	1
Net assets attributable to holders of redeemable units at end of period	11	11

BMO PineBridge Preferred Securities 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 P Units		
Net assets attributable to holders of redeemable units at beginning of period	—	14,175,061
Increase in net assets attributable to holders of redeemable units	—	527,334
Distribution to holders of redeemable units from:		
Net investment income	—	(98,403)
Total distributions to holders of redeemable units	—	(98,403)
Redeemable units transactions		
Reinvestments of distributions to holders of redeemable units	—	97,689
Conversion of Class P units to Class A units	—	(13,689,817)
Redemption of redeemable units	—	(1,011,864)
Net decrease from redeemable units transactions	—	(14,603,992)
Net decrease in net assets attributable to holders of redeemable units	—	(14,175,061)
Net assets attributable to holders of redeemable units at end of period	—	—
Class X Units		
Net assets attributable to holders of redeemable units at beginning of period	—	20,718,875
Increase in net assets attributable to holders of redeemable units	—	719,571
Distribution to holders of redeemable units from:		
Net investment income	—	(112,662)
Total distributions to holders of redeemable units	—	(112,662)
Redeemable units transactions		
Reinvestments of distributions to holders of redeemable units	—	111,892
Conversion of Class X units to Class A units	—	(16,939,256)
Redemption of redeemable units	—	(4,498,420)
Net decrease from redeemable units transactions	—	(21,325,784)
Net decrease in net assets attributable to holders of redeemable units	—	(20,718,875)
Net assets attributable to holders of redeemable units at end of period	—	—

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

BMO PineBridge Preferred Securities 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
Total Fund		
Net assets attributable to holders of redeemable units at beginning of period	19,819,651	34,893,976
(Decrease) increase in net assets attributable to holders of redeemable units	(328,025)	3,732,823
Distribution to holders of redeemable units from:		
Net investment income	(513,399)	(795,067)
Return of capital	(2,568)	(2,920)
Total distributions to holders of redeemable units	(515,967)	(797,987)
Redeemable units transactions		
Proceeds from redeemable units issued	48,300	5,096,586
Reinvestments of distributions to holders of redeemable units	478,035	763,753
Redemption of redeemable units	(5,039,833)	(23,869,500)
Net decrease from redeemable units transactions	(4,513,498)	(18,009,161)
Net decrease in net assets attributable to holders of redeemable units	(5,357,490)	(15,074,325)
Net assets attributable to holders of redeemable units at end of period	14,462,161	19,819,651

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

BMO PineBridge Preferred Securities 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		
(Decrease) increase in net assets attributable to holders of redeemable units	(328,025)	3,732,823
Adjustments for:		
Foreign exchange loss on cash	32	162,442
Net realized loss (gain) on sale of investments and derivatives	85,437	(816,023)
Change in unrealized depreciation (appreciation) of investments and derivatives	741,513	(2,155,566)
Decrease in dividend receivable	9,912	4,933
Decrease in interest receivable	39,593	53,809
Decrease in accrued expenses	(30,242)	(90,680)
Amortization of premium and discount	(4,835)	(5,909)
Proceeds from sale and maturity of investments	4,707,920	12,217,734
Purchases of investments	(271,518)	(5,735,238)
Cash inflows (outflows) on derivatives	83,079	(239,947)
Net cash flow from operating activities	5,032,866	7,128,378
CASH FLOWS FROM FINANCING ACTIVITIES		
Gross proceeds from issuance of units	2,000	915,900
Amounts paid on redemption of redeemable units	(5,003,566)	(19,914,942)
Distributions paid to holders of redeemable units	(37,932)	(34,234)
Net cash flow from financing activities	(5,039,498)	(19,033,276)
Net decrease in cash	(6,632)	(11,904,898)
Foreign exchange loss on cash	(32)	(162,442)
Cash at beginning of period	1,659,219	13,726,559
Cash at end of period	1,652,555	1,659,219

Supplementary information

Interest received, net of withholding taxes*	599,018	1,011,205
Dividends received, net of withholding taxes*	311,666	443,334
Interest expense paid*	1,692	29,940

*These items are from operating activities

BMO PineBridge Preferred Securities TACTIC™ Fund

SCHEDULE OF INVESTMENT PORTFOLIO

(All amounts in Canadian dollars, unless otherwise noted)

As at December 31, 2020

Description	Par Value	Cost (\$)	Fair Value (\$)
BONDS & DEBENTURES			
Denmark — 7.8%			
Danske Bank A/S, Fixed to Floating, Junior, Unsecured, Notes, Subordinated, Perpetual, Callable, 7.000% Dec 26, 2167	US\$ 800,000	962,942	1,129,062
France — 2.4%			
Credit Agricole S.A., Series 144A, Fixed to Floating, Junior, Unsecured, Notes, Subordinated, Perpetual, Callable, 6.875% Sep 23, 2165	US\$ 238,000	313,589	338,547
Netherlands — 4.8%			
ING Groep N.V., Fixed to Floating, Junior, Notes, Subordinated, Perpetual, Callable, 6.500% Mar 30, 2049	US\$ 500,000	620,039	700,094
Switzerland — 5.8%			
UBS Group Funding (Switzerland) AG, Series 144A, Fixed to Floating, Junior, Unsecured, Notes, Subordinated, Perpetual, Callable, 7.000% Jul 31, 2168	US\$ 600,000	796,731	840,113
United Kingdom — 7.7%			
Lloyds Banking Group plc, Fixed to Floating, Junior, Unsecured, Notes, Subordinated, Perpetual, Callable, 7.500% Sep 27, 2166	US\$ 400,000	506,462	588,080
Vodafone Group PLC, Fixed to Floating, Unsecured, Notes, Subordinated, Callable, 7.000% Apr 4, 2079	US\$ 327,000	439,504	518,216
		945,966	1,106,296
United States — 28.3%			
American International Group, Inc., Series A-9, Fixed to Floating, Junior, Unsecured, Notes, Subordinated, Callable, 5.750% Apr 1, 2048	US\$ 545,000	649,951	805,421
Assured Guaranty US Holdings Inc., Series A, Junior, Notes, Subordinated, Callable, Floating Rate, Dec 15, 2066	US\$ 400,000	495,770	366,595
CoBank, ACB, Series I, Fixed to Floating, Junior, Notes, Subordinated, Perpetual, Callable, 6.250% Oct 1, 2049	US\$ 535,000	720,923	743,994
Enterprise Products Operating LLC, Fixed to Floating, Junior, Notes, Subordinated, Callable, 7.000% Jun 1, 2067	US\$ 1,000,000	1,212,842	1,100,709

BMO PineBridge Preferred Securities TACTIC™ Fund

SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

(All amounts in Canadian dollars, unless otherwise noted)

As at December 31, 2020

Description	Par Value	Cost (\$)	Fair Value (\$)
United States — 28.3% (cont'd)			
MetLife, Inc., Series D, Fixed to Floating, Junior, Unsecured, Notes, Subordinated, Perpetual, Callable, 5.875% Mar 15, 2049	US\$ 500,000	649,434	729,531
PartnerRe Finance II Inc., Junior, Notes, Subordinated, Callable, Floating Rate, Dec 1, 2066	US\$ 316,000	351,057	350,674
		4,079,977	4,096,924
Total — BONDS & DEBENTURES 56.8%		7,719,244	8,211,036

	Number of Shares or Units	Cost (\$)	Fair Value (\$)
PREFERRED SHARES			
Netherlands — 1.0%			
AEGON Funding Company LLC, 5.100%, Non-Cumulative, Preferred, Redeemable, Dec 15, 2024, \$25.00	US\$ 4,000	132,040	140,426
United States — 28.6%			
AgriBank, FCB, 6.875%, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, Jan 1, 2024, \$100.00	US\$ 5,000	713,910	719,188
Apollo Global Management, Inc., Series A, 6.375%, Non-Cumulative, Preferred, Redeemable, Mar 15, 2022, \$25.00	US\$ 11,081	331,776	381,117
Bank of America Corporation, Series K, 6.450%, Cumulative, Fixed/Floating Rate Preferred, Redeemable, Feb 3, 2021, \$25.00	US\$ 1,750	59,433	60,056
CoBank, ACB, Series H, 6.200%, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, Jan 1, 2025, \$100.00	US\$ 4,000	545,833	565,168
CorTS Trust for Bellsouth Debentures, 7.000%, Corporate-Backed Trust Securities (CorTS) Certificates, Dec. 1, 2095, \$25.00	US\$ 5,415	186,785	209,884
Global Indemnity Group, LLC, 7.875%, Preferred, Redeemable, Apr 15, 2022, \$25.00	US\$ 30,000	1,020,043	996,680
NuStar Energy L.P., Series B, 7.625%, Cumulative, Fixed/Floating Rate Preferred, Redeemable, Jun 15, 2022, \$25.00	US\$ 40,000	1,007,528	915,469
Office Properties Income Trust, 5.875%, Cumulative, Preferred, Redeemable, May 26, 2021, \$25.00	US\$ 8,926	263,213	295,069
		4,128,521	4,142,631
Total — PREFERRED SHARES 29.6%		4,260,561	4,283,057

BMO PineBridge Preferred Securities TACTIC™ Fund

SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

(All amounts in Canadian dollars, unless otherwise noted)

As at December 31, 2020

	Number of Shares or Units	Cost (\$)	Fair Value (\$)
Total Investment Portfolio — 86.4%		11,979,805	12,494,093
Total Unrealized Gain on Forward Currency Contract — 1.8%			253,911
Other Assets Less Liabilities — 11.8%			1,714,157
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS — 100.0%			14,462,161

BMO PineBridge Preferred Securities TACTIC™ Fund

SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

(All amounts in Canadian dollars, unless otherwise noted)

As at December 31, 2020

Unrealized Gain on Forward Currency Contract

Amounts Sold	Currency	Amounts Bought	Currency	Settlement Date	Counterparty	Counterparty Credit Rating**	Contract Rate	Unrealized Gain
(10,014,637)	U.S. Dollars	13,000,000	Canadian Dollars	February 3, 2021	Bank of New York Mellon Trust Co. N.A. (The)	A-1+	1.2981	253,911
Total Unrealized Gain on Forward Currency Contract								253,911

**Credit rating provided by Standard & Poor's.

BMO PineBridge Preferred Securities TACTIC™ Fund

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Canadian dollars)

December 31, 2020

1. The Fund

BMO PineBridge Preferred Securities TACTIC Fund (“the Fund”), is an open-end fund established as a trust under the laws of the Province of Ontario on October 24, 2013 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 (depreciation) 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 PineBridge Preferred Securities 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.

For bonds, debentures, asset-backed securities and other debt securities, fair value is determined as the last traded market price or close price, or other such prices, that falls within the bid-ask spread of the security.

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 the Class A Units, the Fund entered into forward currency contracts to hedge against exchange rate risk based on the fluctuations in the exchange rate between the Canadian dollar and the US dollar.

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, interest receivable, payable for investments purchased, redemptions payable, distributions 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.

BMO PineBridge Preferred Securities TACTIC™ Fund

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in Canadian dollars)

December 31, 2020

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 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 is recognized on the ex-dividend and ex-distribution date.

Interest income from interest bearing investments is recognized in the Statement of Comprehensive Income using the effective interest rate. Interest receivable shown in the Statement of Financial Position is accrued based on the interest bearing investments' stated rates of interest.

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 (loss) gain" and in "Change in unrealized (depreciation) appreciation", respectively, in the Statement of Comprehensive Income. Foreign exchange gains (losses) relating to cash, receivables and payables are included in "Foreign exchange gain (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.

BMO PineBridge Preferred Securities TACTIC™ Fund

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in Canadian dollars)

December 31, 2020

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		
(Decrease) increase in net assets attributable to holders of redeemable units	(314,820)	2,122,255
Weighted average units outstanding during the period	1,290,503	1,562,273
(Decrease) increase in net assets attributable to holders of redeemable units per unit	(0.24)	1.36
Class D Units		
Increase in net assets attributable to holders of redeemable units	667	7,805
Weighted average units outstanding during the period	8,343	5,157
Increase in net assets attributable to holders of redeemable units per unit	0.08	1.51
Class F Units		
(Decrease) increase in net assets attributable to holders of redeemable units	(13,872)	355,857
Weighted average units outstanding during the period	268,222	237,782
(Decrease) increase in net assets attributable to holders of redeemable units per unit	(0.05)	1.50
Class I Units		
(Decrease) increase in net assets attributable to holders of redeemable units	(0)	1
Weighted average units outstanding during the period	1	1
(Decrease) increase in net assets attributable to holders of redeemable units per unit	(0.13)	1.32
Class P Units		
Increase in net assets attributable to holders of redeemable units	—	527,334
Weighted average units outstanding during the period	—	615,497
Increase in net assets attributable to holders of redeemable units per unit	—	0.86
Class X Units		
Increase in net assets attributable to holders of redeemable units	—	719,571
Weighted average units outstanding during the period	—	2,244,072
Increase in net assets attributable to holders of redeemable units per unit	—	0.32

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 capital losses carried forward of \$6,750,432 and no 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.

BMO PineBridge Preferred Securities TACTIC™ Fund

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in Canadian dollars)

December 31, 2020

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.

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.

BMO PineBridge Preferred Securities TACTIC™ Fund

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in Canadian dollars)

December 31, 2020

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	1,489,314	1
Issued	179	487
Conversion of Class X Units and Class P Units to Class A Units	—	2,991,179
Issued on reinvestment of distributions	37,008	43,592
Units redeemed during the period	(397,189)	(1,545,945)
Units issued and outstanding, at end of period	1,129,312	1,489,314
Class D Units		
Units issued and outstanding, at beginning of period	8,330	1
Issued	—	8,134
Issued on reinvestment of distributions	333	195
Units at end of period	8,663	8,330
Class F Units		
Units issued and outstanding, at beginning of period	292,342	1
Issued	4,120	480,605
Issued on reinvestment of distributions	7,718	6,333
Units redeemed during the period	(83,861)	(194,597)
Units issued and outstanding, at end of period	220,319	292,342
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 P Units		
Units issued and outstanding, at beginning of period	—	639,641
Issued on reinvestment of distributions	—	4,276
Conversion of Class P Units to Class A Units	—	(599,243)
Units redeemed during the period	—	(44,674)
Units issued and outstanding, at end of period	—	—
Class X Units		
Units issued and outstanding, at beginning of period	—	2,535,942
Issued on reinvestment of distributions	—	13,275
Conversion of Class X Units to Class A Units	—	(2,009,735)
Units redeemed during the period	—	(539,482)
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:

Class	Management Fee (%)
Class A Units	2.10
Class D Units	1.10
Class F Units	1.10
Class I Units	—
Class X Units	1.10

*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, 2020 amounted to \$26,249 (December 31, 2019 – \$36,606).

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 \$67,333 (December 31, 2019 – \$66,842).

The outstanding accrued fund administration fees in the Statement of Financial Position and for the period ended December 31, 2020 amounted to \$16,911 (December 31, 2019 – \$16,899).

BMO PineBridge Preferred Securities TACTIC™ Fund

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in Canadian dollars)

December 31, 2020

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.

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.

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 (\$)	424	942
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.

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 (%)
Pound Sterling	2	—	—	2	0.0
U.S. Dollar	197,387	12,494,093	(12,746,089)	(54,609)	(0.4)
Total	197,389	12,494,093	(12,746,089)	(54,607)	(0.4)

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 (%)
Pound Sterling	59,611	1,124,914	—	1,184,525	6.0
U.S. Dollar	245,220	16,583,282	(17,618,594)	(790,092)	(4.0)
Total	304,831	17,708,196	(17,618,594)	394,433	2.0

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 preserve the NAV per unit and reduce the risk of rising interest rates by managing portfolio duration.

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.

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).

BMO PineBridge Preferred Securities TACTIC™ Fund

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in Canadian dollars)

December 31, 2020

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 \$2,730 (December 31, 2019 – \$19,722). 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.

The Fund's exposure to interest rate risk, by remaining term to maturity, is summarized in the following table:

Number of Years	Interest Rate Exposure as at	
	December 31, 2020	December 31, 2019
Less than one year	—	—
One to three years	—	—
Three to five years	—	—
Five to ten years	—	—
Greater than ten years	8,211,036	12,191,496
Total	8,211,036	12,191,496

All amounts in Canadian dollars

As at December 31, 2020 and December 31, 2019, if the prevailing interest rates had been raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, the Net Assets of the Fund could have possibly decreased or increased, respectively, by approximately \$290,198 (December 31, 2019 – \$441,360). The Fund's interest rate sensitivity was determined based on portfolio weighted duration. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

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

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 was not significantly exposed to other market risk as at December 31, 2020 and December 31, 2019, as it invested primarily in fixed income securities.

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.

The Fund's exposure to credit risk grouped by credit ratings, as summarized in the following table:

Credit Rating	December 31, 2020	December 31, 2019
AA	1.8	1.9
BBB	52.5	60.9
BB	26.1	15.2
B	6.3	8.8
Unrated	1.5	4.4
Total	88.2	91.2

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.

BMO PineBridge Preferred Securities TACTIC™ Fund

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in Canadian dollars)

December 31, 2020

Concentration risk

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

As at	December 31, 2020	December 31, 2019
Bonds & Debentures		
Denmark	7.8%	7.0%
France	2.4%	1.7%
Netherlands	4.8%	3.5%
Switzerland	5.8%	8.2%
United Kingdom	7.7%	14.0%
United States	28.3%	27.1%
Preferred Shares		
Cayman Islands	—%	7.0%
Netherlands	1.0%	0.7%
United States	28.6%	20.1%
Other Assets Less Liabilities	13.6%	10.7%
	100.00%	100.00%

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 Dec. 31, 2020

Financial Assets	Level 1	Level 2	Level 3	Total
Debt Securities	6,421,106	1,789,930	—	8,211,036
Preferred Securities	4,283,057	—	—	4,283,057
Derivatives	—	253,911	—	253,911
Total	10,704,163	2,043,841	—	12,748,004

As at Dec. 31, 2019

Financial Assets	Level 1	Level 2	Level 3	Total
Debt Securities	4,193,802	7,997,694	—	12,191,496
Preferred Securities	5,516,700	—	—	5,516,700
Derivatives	—	381,406	—	381,406
Total	9,710,502	8,379,100	—	18,089,602

Transfers between levels

Transfers are made between various fair value hierarchy levels due to the changes in the availability of quoted market prices or observable inputs, due to changing market conditions.

During the period from January 1, 2020 to December 31, 2020, \$4,062,770 of debt securities were transferred from Level 2 to Level 1 due to increased observability of the inputs used to value these debt securities.

During the period from January 1, 2019 to December 31, 2019, \$982,159 of debt securities were transferred from Level 1 to Level 2 due to reduced observability of the inputs used to value these debt securities.

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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Products Group, BMO Capital Markets

Robert Turnbull
Managing Director, Global Structured
Products Group, BMO Capital Markets

Robert Schauer
Head, Investment Funds
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March 30, 2021

Manager

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