

# Semi-Annual Financial Statements

## **BMO PineBridge Preferred Securities TACTIC™ Fund**

June 30, 2020

### NOTICE OF NO AUDITOR REVIEW OF THE SEMI-ANNUAL FINANCIAL STATEMENTS

BMO Nesbitt Burns Inc., the Manager of the Fund, appoints independent auditors to audit the Fund's Annual Financial Statements. Under Canadian securities laws (National Instrument 81-106), if an auditor has not reviewed the Semi-Annual Financial Statements, this must be disclosed in an accompanying notice.

The Fund's independent auditors have not performed a review of the Semi-Annual Financial Statements in accordance with standards established by the Chartered Professional Accountants of Canada.



# BMO PineBridge Preferred Securities TACTIC™ Fund (unaudited)

## STATEMENT OF FINANCIAL POSITION

(All amounts in Canadian dollars)

As at	June 30, 2020	December 31, 2019
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	1,953,273	1,659,219
Investments		
Non-derivative financial assets	13,090,788	17,708,196
Derivative assets	459,941	381,406
Receivable for investments sold	29,736	—
Dividends receivable	42,134	41,895
Interest receivable	94,232	121,012
<b>Total assets</b>	<b>15,670,104</b>	<b>19,911,728</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Redemptions payable	95,403	25,716
Accrued expenses	80,845	66,361
<b>Total liabilities</b>	<b>176,248</b>	<b>92,077</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>15,493,856</b>	<b>19,819,651</b>
<b>Net assets attributable to holders of redeemable units</b>		
Class A Units	12,583,516	16,459,540
Class D Units	84,590	92,156
Class F Units	2,825,740	3,267,944
Class I Units	10	11
<b>Net assets attributable to holders of redeemable units per unit (note 5)</b>		
Class A Units	\$ 10.08	\$ 11.05
Class D Units	\$ 10.16	\$ 11.06
Class F Units	\$ 10.26	\$ 11.18
Class I Units	\$ 10.19	\$ 11.22

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

# BMO PineBridge Preferred Securities TACTIC™ Fund (unaudited)

## STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Canadian dollars)

For the periods ended	June 30, 2020	June 30, 2019
<b>INCOME</b>		
Interest income	327,347	542,708
Dividend income	189,635	271,949
Other changes in fair value of investments and derivatives		
Net realized (loss) gain	(886,626)	153,013
Change in unrealized (depreciation) appreciation	(1,041,639)	1,927,560
Net (loss) gain in fair value of investments and derivatives	(1,411,283)	2,895,230
Foreign exchange (loss) gain	(12,981)	5,417
Total other (loss) income	(12,981)	5,417
<b>Total (loss) income</b>	<b>(1,424,264)</b>	<b>2,900,647</b>
<b>EXPENSES</b>		
Administration and portfolio management fees (note 6)	188,855	256,268
Fund administration fees (note 6)	33,510	33,047
Foreign withholding taxes	24,264	23,225
Transfer agent fees	—	1,175
Audit fees	7,435	8,860
Custodian fees	925	1,968
Interest expense (note 6)	1,050	12,294
Legal and filing fees	76,636	66,667
Independent review committee fees	9,994	2,819
Securityholder reporting costs	15,988	13,605
Trustees expenses	4,438	4,311
Operating expenses absorbed by the Manager (note 6)	(127,112)	(97,902)
Commissions and other portfolio transaction costs (note 6)	347	508
<b>Total expenses</b>	<b>236,330</b>	<b>326,845</b>
<b>(Decrease) increase in net assets attributable to holders of redeemable units</b>	<b>(1,660,594)</b>	<b>2,573,802</b>

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

# BMO PineBridge Preferred Securities TACTIC™ Fund (unaudited)

## STATEMENT OF COMPREHENSIVE INCOME (cont'd)

(All amounts in Canadian dollars)

For the periods ended	June 30, 2020	June 30, 2019
<b>(Decrease) increase in net assets attributable to holders of redeemable units</b>		
Class A Units	(1,385,626)	1,170,075
Class D Units	(7,566)	2,539
Class F Units	(267,401)	154,282
Class I Units	(1)	1
Class P Units	—	527,334
Class X Units	—	719,571
<b>(Decrease) increase in net assets attributable to holders of redeemable units per unit (note 3)</b>		
Class A Units	(0.99)	0.77
Class D Units	(0.91)	1.20
Class F Units	(0.94)	0.93
Class I Units	(1.03)	0.77
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 (unaudited)

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

(All amounts in Canadian dollars)

For the periods ended	June 30, 2020	June 30, 2019
<b>Class A Units</b>		
<b>Net assets attributable to holders of redeemable units at beginning of period</b>	<b>16,459,540</b>	<b>10</b>
(Decrease) increase in net assets attributable to holders of redeemable units	(1,385,626)	1,170,075
<b>Redeemable units transactions</b>		
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
Redemption of redeemable units	(2,492,398)	(12,057,207)
<b>Net (decrease) increase from redeemable units transactions</b>	<b>(2,490,398)</b>	<b>18,576,866</b>
Net (decrease) increase in net assets attributable to holders of redeemable units	(3,876,024)	19,746,941
<b>Net assets attributable to holders of redeemable units at end of period</b>	<b>12,583,516</b>	<b>19,746,951</b>
<b>Class D Units</b>		
<b>Net assets attributable to holders of redeemable units at beginning of period</b>	<b>92,156</b>	<b>10</b>
(Decrease) increase in net assets attributable to holders of redeemable units	(7,566)	2,539
<b>Redeemable units transactions</b>		
Proceeds from redeemable units issued	—	84,341
<b>Net increase from redeemable units transactions</b>	<b>—</b>	<b>84,341</b>
Net (decrease) increase in net assets attributable to holders of redeemable units	(7,566)	86,880
<b>Net assets attributable to holders of redeemable units at end of period</b>	<b>84,590</b>	<b>86,890</b>
<b>Class F Units</b>		
<b>Net assets attributable to holders of redeemable units at beginning of period</b>	<b>3,267,944</b>	<b>10</b>
(Decrease) increase in net assets attributable to holders of redeemable units	(267,401)	154,282
<b>Redeemable units transactions</b>		
Proceeds from redeemable units issued	31,078	4,406,258
Redemption of redeemable units	(205,881)	(1,581,476)
<b>Net (decrease) increase from redeemable units transactions</b>	<b>(174,803)</b>	<b>2,824,782</b>
Net (decrease) increase in net assets attributable to holders of redeemable units	(442,204)	2,979,064
<b>Net assets attributable to holders of redeemable units at end of period</b>	<b>2,825,740</b>	<b>2,979,074</b>

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

# BMO PineBridge Preferred Securities TACTIC™ Fund (unaudited)

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

(All amounts in Canadian dollars)

For the periods ended	June 30, 2020	June 30, 2019
<b>Class I Units</b>		
<b>Net assets attributable to holders of redeemable units at beginning of period</b>	<b>11</b>	<b>10</b>
(Decrease) increase in net assets attributable to holders of redeemable units	(1)	1
Net (decrease) increase in net assets attributable to holders of redeemable units	(1)	1
<b>Net assets attributable to holders of redeemable units at end of period</b>	<b>10</b>	<b>11</b>
<b>Class P Units</b>		
<b>Net assets attributable to holders of redeemable units at beginning of period</b>	<b>—</b>	<b>14,175,061</b>
Increase in net assets attributable to holders of redeemable units	—	527,334
<b>Distribution to holders of redeemable units from:</b>		
Net investment income	—	(98,403)
<b>Total distributions to holders of redeemable units</b>	<b>—</b>	<b>(98,403)</b>
<b>Redeemable units transactions</b>		
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)
<b>Net decrease from redeemable units transactions</b>	<b>—</b>	<b>(14,603,992)</b>
Net decrease in net assets attributable to holders of redeemable units	—	(14,175,061)
<b>Net assets attributable to holders of redeemable units at end of period</b>	<b>—</b>	<b>—</b>
<b>Class X Units</b>		
<b>Net assets attributable to holders of redeemable units at beginning of period</b>	<b>—</b>	<b>20,718,875</b>
Increase in net assets attributable to holders of redeemable units	—	719,571
<b>Distribution to holders of redeemable units from:</b>		
Net investment income	—	(112,662)
<b>Total distributions to holders of redeemable units</b>	<b>—</b>	<b>(112,662)</b>
<b>Redeemable units transactions</b>		
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)
<b>Net decrease from redeemable units transactions</b>	<b>—</b>	<b>(21,325,784)</b>
Net decrease in net assets attributable to holders of redeemable units	—	(20,718,875)
<b>Net assets attributable to holders of redeemable units at end of period</b>	<b>—</b>	<b>—</b>

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

## BMO PineBridge Preferred Securities TACTIC™ Fund (unaudited)

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

(All amounts in Canadian dollars)

For the periods ended	June 30, 2020	June 30, 2019
<b>Total Fund</b>		
<b>Net assets attributable to holders of redeemable units at beginning of period</b>	<b>19,819,651</b>	<b>34,893,976</b>
(Decrease) increase in net assets attributable to holders of redeemable units	(1,660,594)	2,573,802
<b>Distribution to holders of redeemable units from:</b>		
Net investment income	—	(211,065)
<b>Total distributions to holder of redeemable units</b>	<b>—</b>	<b>(211,065)</b>
<b>Redeemable units transactions</b>		
Proceeds from redeemable units issued	33,078	4,495,599
Reinvestments of distributions to holders of redeemable units	—	209,581
Redemption of redeemable units	(2,698,279)	(19,148,967)
<b>Net decrease from redeemable units transactions</b>	<b>(2,665,201)</b>	<b>(14,443,787)</b>
Net decrease in net assets attributable to holders of redeemable units	(4,325,795)	(12,081,050)
<b>Net assets attributable to holders of redeemable units at end of period</b>	<b>15,493,856</b>	<b>22,812,926</b>

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

# BMO PineBridge Preferred Securities TACTIC™ Fund (unaudited)

## STATEMENT OF CASH FLOWS

(All amounts in Canadian dollars)

For the periods ended	June 30, 2020	June 30, 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Decrease) increase in net assets attributable to holders of redeemable units	(1,660,594)	2,573,802
Adjustments for:		
Foreign exchange (gain) loss on cash	(420)	163,775
Net realized loss (gain) on sale of investments and derivatives	886,626	(153,013)
Change in unrealized depreciation (appreciation) of investments and derivatives	1,041,639	(1,927,560)
(Increase) decrease in dividend receivable	(239)	4,579
Decrease in interest receivable	26,780	26,608
Increase (decrease) in accrued expenses	14,484	(102,930)
Amortization of premium and discount	(2,677)	(3,501)
Proceeds from sale and maturity of investments	3,517,239	8,663,296
Purchases of investments	—	(5,603,198)
Cash outflows on derivatives	(933,691)	(725,254)
<b>Net cash flow from operating activities</b>	<b>2,889,147</b>	<b>2,916,604</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Gross proceeds from issuance of units	2,000	35,124,672
Amounts paid on redemption of redeemable units	(2,597,513)	(49,789,195)
Distributions paid to holders of redeemable units	—	(1,484)
<b>Net cash flow from financing activities</b>	<b>(2,595,513)</b>	<b>(14,666,007)</b>
Net increase (decrease) in cash	293,634	(11,749,403)
Foreign exchange gain (loss) on cash	420	(163,775)
Cash at beginning of period	1,659,219	13,726,559
<b>Cash at end of period</b>	<b>1,953,273</b>	<b>1,813,381</b>

## Supplementary information

Interest received, net of withholding taxes*	351,452	562,472
Dividends received, net of withholding taxes*	165,132	256,646
Interest expense paid*	1,050	12,294

\*These items are from operating activities



# BMO PineBridge Preferred Securities TACTIC™ Fund (unaudited)

## SCHEDULE OF INVESTMENT PORTFOLIO

(All amounts in Canadian dollars, unless otherwise noted)

As at June 30, 2020

Description	Par Value	Cost (\$)	Fair Value (\$)
<b>BONDS &amp; DEBENTURES</b>			
<b>Denmark — 7.2%</b>			
Danske Bank A/S, Fixed to Floating, Junior, Unsecured, Notes, Subordinated, Perpetual, Callable, 7.000% Dec 26, 2167	US\$ 800,000	962,947	1,110,517
<b>France — 2.1%</b>			
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	334,822
<b>Netherlands — 4.5%</b>			
ING Groep N.V., Fixed to Floating, Junior, Notes, Subordinated, Perpetual, Callable, 6.500% Mar 30, 2049	US\$ 500,000	619,786	693,224
<b>Switzerland — 5.5%</b>			
UBS Group Funding (Switzerland) AG, Series 144A, Fixed to Floating, Junior, Unsecured, Notes, Subordinated, Perpetual, Callable, 7.000% Jul 31, 2168	US\$ 600,000	796,730	849,179
<b>United Kingdom — 7.0%</b>			
Lloyds Banking Group plc, Fixed to Floating, Junior, Unsecured, Notes, Subordinated, Perpetual, Callable, 7.500% Sep 27, 2166	US\$ 400,000	506,463	567,477
Vodafone Group PLC, Fixed to Floating, Unsecured, Notes, Subordinated, Callable, 7.000% Apr 4, 2079	US\$ 327,000	439,504	519,404
		<b>945,967</b>	<b>1,086,881</b>
<b>United States — 29.4%</b>			
American International Group, Inc., Series A-9, Fixed to Floating, Junior, Unsecured, Notes, Subordinated, Callable, 5.750% Apr 1, 2048	US\$ 745,000	887,790	1,035,433
Assured Guaranty US Holdings Inc., Series A, Junior, Notes, Subordinated, Callable, Floating Rate, Dec 15, 2066	US\$ 400,000	495,581	331,933
CoBank, ACB, Series I, Fixed to Floating, Junior, Notes, Subordinated, Perpetual, Callable, 6.250% Oct 1, 2049	US\$ 535,000	720,977	728,132
Enterprise Products Operating LLC, Fixed to Floating, Junior, Notes, Subordinated, Callable, 7.000% Jun 1, 2067	US\$ 1,000,000	1,212,327	1,058,928
Genworth Holdings Inc., Junior, Notes, Subordinated, Callable, Floating Rate, Nov 15, 2066	US\$ 800,000	640,977	346,188

# BMO PineBridge Preferred Securities TACTIC™ Fund (unaudited)

## SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

(All amounts in Canadian dollars, unless otherwise noted)

As at June 30, 2020

Description	Par Value	Cost (\$)	Fair Value (\$)
<b>United States — 29.4% (cont'd)</b>			
MetLife, Inc., Series D, Fixed to Floating, Junior, Unsecured, Notes, Subordinated, Perpetual, Callable, 5.875% Mar 15, 2049	US\$ 500,000	649,327	713,588
PartnerRe Finance II Inc., Junior, Notes, Subordinated, Callable, Floating Rate, Dec 1, 2066	US\$ 316,000	350,736	335,170
		<b>4,957,715</b>	<b>4,549,372</b>
<b>Total — BONDS &amp; DEBENTURES 55.7%</b>		<b>8,596,734</b>	<b>8,623,995</b>

	Number of Shares or Units	Cost (\$)	Fair Value (\$)
<b>PREFERRED SHARES</b>			
<b>Cayman Islands — 8.0%</b>			
Global Indemnity Limited, 7.875%, Non-Cumulative, Preferred, Redeemable, Apr 15, 2022, \$25.00	36,628	1,245,404	1,237,684
<b>Netherlands — 0.8%</b>			
AEGON Funding Company LLC, 5.100%, Non-Cumulative, Preferred, Redeemable, Dec 15, 2024, \$25.00	4,000	132,040	124,791
<b>United States — 20.0%</b>			
AgriBank, FCB, 6.875%, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, Jan 1, 2024, \$100.00	5,000	713,910	712,740
Apollo Global Management, Inc., Series A, 6.375%, Non-Cumulative, Preferred, Redeemable, Mar 15, 2022, \$25.00	11,081	331,776	386,319
Bank of America Corporation, Series K, 6.450%, Cumulative, Fixed/Floating Rate Preferred, Redeemable, Jul 31, 2020, \$25.00	1,750	59,433	61,391
CoBank, ACB, Series H, 6.200%, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, Jan 1, 2025, \$100.00	4,000	545,833	568,834
CorTS Trust for BellSouth Debentures, 7.000%, Corporate-Backed Trust Securities (CorTS) Certificates, Dec 1, 2095, \$25.00	5,415	186,785	212,602
NuStar Energy L.P., Series B, 7.625%, Cumulative, Fixed/Floating Rate Preferred, Redeemable, Jun 15, 2022, \$25.00	40,000	1,007,528	880,811

# BMO PineBridge Preferred Securities TACTIC™ Fund (unaudited)

## SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

(All amounts in Canadian dollars, unless otherwise noted)

As at June 30, 2020

	Number of Shares or Units	Cost (\$)	Fair Value (\$)
<b>United States — 19.5% (cont'd)</b>			
Office Properties Income Trust, 5.875%, Non-Cumulative, Preferred, Redeemable, May 26, 2021, \$25.00	8,926	263,213	281,621
		<b>3,108,478</b>	<b>3,104,318</b>
<b>Total — PREFERRED SHARES 28.8%</b>		<b>4,485,922</b>	<b>4,466,793</b>
<b>Total Investment Portfolio — 84.5%</b>		<b>13,082,656</b>	<b>13,090,788</b>
<b>Total Unrealized Gain on Forward Currency Contract — 3.0%</b>			<b>459,941</b>
<b>Other Assets Less Liabilities — 12.5%</b>			<b>1,943,127</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS — 100.0%</b>			<b>15,493,856</b>

# BMO PineBridge Preferred Securities TACTIC™ Fund (unaudited)

## SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

(All amounts in Canadian dollars, unless otherwise noted)

As at June 30, 2020

### Unrealized Gain on Forward Currency Contract

Amounts Sold	Currency	Amounts Bought	Currency	Settlement Date	Counterparty	Counterparty Credit Rating*	Contract Rate	Unrealized Gain
(10,711,225)	U.S. Dollars	15,000,000	Canadian Dollars	August 12, 2020	Bank of New York Mellon Trust Co. N.A. (The)	A-1+	1.4004	459,941
<b>Total Unrealized Gain on Forward Currency Contract</b>								<b>459,941</b>

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

# BMO PineBridge Preferred Securities TACTIC™ Fund (unaudited)

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## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Canadian dollars)

June 30, 2020

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### 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, 3<sup>rd</sup> Floor Podium, Toronto, Ontario, M5X 1H3.

The Statement of Financial Position and related notes are as at June 30, 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 June 30, 2020 and June 30, 2019.

These financial statements were authorized for issuance by the authorized officers of BMO Nesbitt Burns Inc., as Administrators, on August 6, 2020.

These financial statements should be read in conjunction with the annual financial statements for the period ended December 31, 2019, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

### 2. Basis of preparation and presentation

These unaudited interim financial statements have been prepared in accordance with IFRS and in accordance with the International Accounting Standard (“IAS”) 34 – Interim Financial Reporting, as issued by the IASB. The financial statements have been prepared on a historic cost basis, except for the revaluation of financial assets and financial liabilities (including derivative financial instruments) measured at fair value through profit or loss (“FVTPL”).

### 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 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 fair value through profit and loss (“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.

#### *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.

# BMO PineBridge Preferred Securities TACTIC™ Fund (unaudited)

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## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in Canadian dollars)

June 30, 2020

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### *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.

### *Unconsolidated structured entities*

The Manager has determined that its investment in investment funds, if any, are unconsolidated structured entities. The 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.

Investment funds' 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 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.

# BMO PineBridge Preferred Securities TACTIC™ Fund (unaudited)

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in Canadian dollars)

June 30, 2020

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 investments in the unconsolidated structured entities.

As at June 30, 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 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 of settling on a net basis or no right of offset. There were no master netting arrangements during the periods.

### Income recognition

Dividend income is recognized on the ex-dividend.

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 foreign exchange gains (losses) on completed transactions are included in "Net realized (loss) gain" in the Statement of Comprehensive Income and unrealized foreign exchange gains (losses) are included in "Change in unrealized (depreciation) appreciation" in the Statement of Comprehensive Income. Foreign exchange gains (losses) relating to cash, receivables and payables are included in "Foreign exchange (loss) gain" 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 June 30, 2020 and June 30, 2019, is calculated as follows:

For the periods ended	June 30, 2020	June 30, 2019
<b>Class A Units</b>		
(Decrease) increase in net assets attributable to holders of redeemable units	(1,385,626)	1,170,075
Weighted average units outstanding during the period	1,400,815	1,512,995
(Decrease) increase in net assets attributable to holders of redeemable units per unit	(0.99)	0.77
<b>Class D Units</b>		
(Decrease) increase in net assets attributable to holders of redeemable units	(7,566)	2,539
Weighted average units outstanding during the period	8,330	2,113
(Decrease) increase in net assets attributable to holders of redeemable units per unit	(0.91)	1.20
<b>Class F Units</b>		
(Decrease) increase in net assets attributable to holders of redeemable units	(267,401)	154,282
Weighted average units outstanding during the period	283,200	166,238
(Decrease) increase in net assets attributable to holders of redeemable units per unit	(0.94)	0.93
<b>Class I Units</b>		
(Decrease) increase in net assets attributable to holders of redeemable units	(1)	1
Weighted average units outstanding during the period	1	1
(Decrease) increase in net assets attributable to holders of redeemable units per unit	(1.03)	0.77
<b>Class P Units</b>		
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
<b>Class X Units</b>		
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



# BMO PineBridge Preferred Securities TACTIC™ Fund (unaudited)

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in Canadian dollars)

June 30, 2020

### *Reconciliation of NAV to Net Assets*

As at June 30, 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, 2019, the Fund had capital losses carried forward of \$6,688,364 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 Fund has made in preparing its 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 PineBridge Preferred Securities TACTIC™ Fund (unaudited)

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in Canadian dollars)

June 30, 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 borrowing 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 and 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.

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	June 30, 2020	June 30, 2019
<b>Class A Units</b>		
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
Units redeemed during the period	(241,621)	(1,163,868)
<b>Units issued and outstanding, at end of period</b>	<b>1,247,872</b>	<b>1,827,799</b>
<b>Class D Units</b>		
Units issued and outstanding, at beginning of period	8,330	1
Issued	—	8,134
<b>Units issued and outstanding, at end of period</b>	<b>8,330</b>	<b>8,135</b>
<b>Class F Units</b>		
Units issued and outstanding, at beginning of period	292,342	1
Issued	2,698	426,177
Units redeemed during the period	(19,513)	(151,875)
<b>Units issued and outstanding, at end of period</b>	<b>275,527</b>	<b>274,303</b>
<b>Class I Units</b>		
Units issued and outstanding, at beginning of period	1	1
<b>Units issued and outstanding, at end of period</b>	<b>1</b>	<b>1</b>
<b>Class P Units</b>		
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)
<b>Units issued and outstanding, at end of period</b>	<b>—</b>	<b>—</b>
<b>Class X Units</b>		
Units issued and outstanding, at beginning of period	—	2,535,942
Issued on reinvestment of distributions	—	13,275
Conversion of Class X Units and Class P Units to Class A Units	—	(2,009,735)
Units redeemed during the period	—	(539,482)
<b>Units issued and outstanding, at end of period</b>	<b>—</b>	<b>—</b>

## 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,

# BMO PineBridge Preferred Securities TACTIC™ Fund (unaudited)

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in Canadian dollars)

June 30, 2020

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 June 30, 2020 amounted to \$31,505 (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 June 30, 2020 amounted to \$33,510 (June 30, 2019 – \$33,047).

### 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	June 30, 2020	June 30, 2019
Total brokerage amount paid (\$)	336	431
Total brokerage amounts paid to related parties (\$)	—	—

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

### Units held by the Manager

The Manager held the following units:

As at June 30, 2020

Class	Number of Units	Value of Units (\$)
Class A Units	1	10
Class D Units	1	10
Class F Units	1	11
Class I Units	1	10

As at December 31, 2019

Class	Number of Units	Value of Units (\$)
Class A Units	1	11
Class D Units	1	11
Class F Units	1	12
Class I Units	1	11

## 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 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.

# BMO PineBridge Preferred Securities TACTIC™ Fund (unaudited)

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in Canadian dollars)

June 30, 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 June 30, 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	(0)	—	—	(0)	(0.0)
U.S. Dollar	417,835	13,090,788	(14,540,059)	(1,031,436)	(6.7)
<b>Total</b>	<b>417,835</b>	<b>13,090,788</b>	<b>(14,540,059)</b>	<b>(1,031,436)</b>	<b>(6.7)</b>

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)
<b>Total</b>	<b>304,831</b>	<b>17,708,196</b>	<b>(17,618,594)</b>	<b>394,433</b>	<b>2.0</b>

As at June 30, 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 \$51,572 (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	
	June 30, 2020	December 31, 2019
Less than one year	—	—
One to three years	—	—
Three to five years	—	—
Five to ten years	—	—
Greater than ten years	8,623,995	12,191,496
<b>Total</b>	<b>8,623,995</b>	<b>12,191,496</b>

As at June 30, 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 \$314,360 (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

# BMO PineBridge Preferred Securities TACTIC™ Fund (unaudited)

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in Canadian dollars)

June 30, 2020

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 June 30, 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	June 30, 2020	December 31, 2019
AA	3.0	1.9
BBB	71.9	60.9
BB	9.0	15.2
B	—	8.8
CCC	2.2	—
Unrated	1.4	4.4
<b>Total</b>	<b>87.5</b>	<b>91.2</b>

### 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 June 30, 2020 and December 31, 2019.

### Concentration risk

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

As at	June 30, 2020	December 31, 2019
<b>Bonds &amp; Debentures</b>		
Denmark	7.2%	7.0%
France	2.1%	1.7%
Netherlands	4.5%	3.5%
Switzerland	5.5%	8.2%
United Kingdom	7.0%	14.0%
United States	29.4%	27.1%
<b>Preferred Shares</b>		
Cayman Islands	8.0%	7.0%
Netherlands	0.8%	0.7%
United States	20.0%	20.1%
<b>Other Assets Less Liabilities</b>	<b>15.5%</b>	<b>10.7%</b>
	<b>100.00%</b>	<b>100.00%</b>

## 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 Jun. 30, 2020

Financial Assets	Level 1	Level 2	Level 3	Total
Debt Securities	7,954,003	669,992	—	8,623,995
Preferred Securities	4,466,793	—	—	4,466,793
Derivatives	—	459,941	—	459,941
<b>Total</b>	<b>12,420,796</b>	<b>1,129,933</b>	<b>—</b>	<b>13,550,729</b>

### 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
<b>Total</b>	<b>9,710,502</b>	<b>8,379,100</b>	<b>—</b>	<b>18,089,602</b>

# BMO PineBridge Preferred Securities TACTIC™ Fund (unaudited)

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## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in Canadian dollars)

June 30, 2020

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### *Transfers between levels*

Transfers are made between the 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 June 30, 2020, \$5,314,758 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.

**Manager**

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