

SEMI-ANNUAL FINANCIAL STATEMENTS

BMO Equal Weight Industrials Index ETF (ZIN)

June 30, 2021



Exchange Traded Funds

BMO Equal Weight Industrials Index ETF

(unaudited)

Statement of Financial Position

(All amounts in thousands of Canadian dollars, except per unit data)

As at	June 30 2021	December 31 2020
Assets		
Current Assets		
Cash	89	87
Investments		
Non-derivative financial assets	50,467	37,335
Receivable for investments sold	—	0
Subscriptions receivable	—	92
Dividends receivable	83	68
Total assets	50,639	37,582
Liabilities		
Current Liabilities		
Distributions payable	229	195
Accrued expenses	76	55
Total liabilities	305	250
Net assets attributable to holders of redeemable units	50,334	37,332
Net assets attributable to holders of redeemable units per unit	\$ 35.24	\$ 30.59

Statement of Comprehensive Income

(All amounts in thousands of Canadian dollars, except per unit data)

For the periods ended	June 30 2021	June 30 2020
Income		
Interest income	—	0
Dividend income	374	430
Distribution from investment trusts	6	3
Other changes in fair value of investments and derivatives		
Net realized gain (loss)	2,130	(4,380)
Change in unrealized appreciation (depreciation)	4,000	(5,554)
Net gain (loss) in fair value of investments and derivatives	6,510	(9,501)
Securities lending (note 8)	3	6
Foreign exchange (loss) gain	(0)	1
Total other income	3	7
Total income (loss)	6,513	(9,494)
Expenses		
Management fees (note 6)	138	112
Independent review committee fees (note 6)	0	0
Withholding taxes	0	—
ETF summary document fees	0	0
Unitholder reporting costs	1	—
Commissions and other portfolio transaction costs (note 6)	14	6
Total expenses	153	118
Increase (decrease) in net assets attributable to holders of redeemable units	6,360	(9,612)
Increase (decrease) in net assets attributable to holders of redeemable units per unit (note 8)	4.72	(6.53)

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

BMO Equal Weight Industrials Index ETF

(unaudited)

Statement of Changes in Net Assets Attributable to Holders of Redeemable Units

(All amounts in thousands of Canadian dollars)

For the periods ended	June 30 2021	June 30 2020
Net assets attributable to holders of redeemable units at beginning of period	37,332	50,045
Increase (decrease) in net assets attributable to holders of redeemable units	6,360	(9,612)
Distributions to holders of redeemable units from:		
Net investment income	(421)	(390)
Return of capital	(35)	(7)
Total distributions to holders of redeemable units	(456)	(397)
Redeemable unit transactions		
Proceeds from redeemable units issued	13,644	4,543
Redemption of redeemable units	(6,546)	(16,742)
Net increase (decrease) from redeemable unit transactions	7,098	(12,199)
Net increase (decrease) in net assets attributable to holders of redeemable units	13,002	(22,208)
Net assets attributable to holders of redeemable units at end of period	50,334	27,837

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BMO Equal Weight Industrials Index ETF

(unaudited)

Statement of Cash Flows

(All amounts in thousands of Canadian dollars)

For the periods ended	June 30 2021	June 30 2020
Cash flows from operating activities		
Increase (decrease) in net assets attributable to holders of redeemable units	6,360	(9,612)
Adjustments for:		
Foreign exchange gain on cash	(0)	(1)
Net realized (gain) loss on sale of investments and derivatives	(2,130)	4,380
Change in unrealized (appreciation) depreciation of investments and derivatives	(4,000)	5,554
(Increase) decrease in dividends receivable	(15)	76
Increase (decrease) in accrued expenses	21	(30)
Return of capital distributions received	—	2
Non-cash distributions from investment trusts	(1)	—
Purchases of investments*	(7,232)	(3,795)
Proceeds from sale and maturity of investments*	7,064	4,180
Net cash from operating activities	67	754
Cash flows from financing activities		
Distributions paid to holders of redeemable units, net of reinvested distributions	(422)	(742)
Proceeds from issuances of redeemable units*	358	50
Amounts paid on redemption of redeemable units*	(1)	(58)
Net cash used in financing activities	(65)	(750)
Foreign exchange gain on cash	0	1
Net increase in cash	2	4
Cash at beginning of period	87	111
Cash at end of period	89	116
Supplementary Information		
Interest received, net of withholding taxes*	—	0
Dividends received, net of withholding taxes*	359	506
Distribution received from investment trusts, net of withholding taxes*	5	5

* Excludes in-kind transactions, if any.

* These items are from operating activities.

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Schedule of Investment Portfolio

As at June 30, 2021 (All amounts in thousands of Canadian dollars, unless otherwise noted)

	Number of Shares or Units	Cost ⁺ (\$)	Fair Value (\$)		Number of Shares or Units	Cost ⁺ (\$)	Fair Value (\$)
EQUITIES				Industrial Machinery — 3.8%			
Consumer Discretionary — 2.8%				ATS Automation Tooling Systems Inc.54,372..... 1,093..... 1,935			
Auto Parts & Equipment — 2.8%				Railroads — 5.8%			
MARTINREA International Inc.108,441..... 1,469..... 1,418				Canadian National Railway Company10,503..... 1,293..... 1,373			
Total Consumer Discretionary 1,469..... 1,418				Canadian Pacific Railway Limited16,270..... 1,094..... 1,551			
Energy — 3.0%			 2,387..... 2,924			
Oil & Gas Refining & Marketing — 3.0%				Research & Consulting Services — 3.2%			
Parkland Corporation.....37,990..... 1,340..... 1,522				Stantec Inc.28,912..... 1,162..... 1,599			
Total Energy 1,340..... 1,522				Trading Companies & Distributors — 13.7%			
Industrials — 88.3%				Finning International Inc.46,117..... 1,132..... 1,497			
Aerospace & Defense — 10.8%				Richelieu Hardware Ltd.39,794..... 1,304..... 1,597			
Bombardier Inc., Class B2,135,220..... 1,585..... 2,498				Russel Metals Inc.58,853..... 1,347..... 1,993			
CAE Inc.43,149..... 1,109..... 1,647				Toromont Industries Ltd.16,956..... 1,190..... 1,831			
Maxar Technologies Inc.26,043..... 1,134..... 1,289			 4,973..... 6,918			
..... 3,828..... 5,434				Trucking — 7.0%			
Air Freight & Logistics — 3.2%				Mullen Group Ltd.121,772..... 1,318..... 1,627			
Cargojet Inc.8,683..... 1,279..... 1,598				TFI International Inc.16,544..... 936..... 1,872			
Airlines — 5.5%			 2,254..... 3,499			
Air Canada51,006..... 1,056..... 1,300				Total Industrials 34,746..... 44,416			
Exchange Income Corporation37,248..... 1,314..... 1,485				Materials — 2.9%			
..... 2,370..... 2,785				Metal & Glass Containers — 2.9%			
Construction & Engineering — 16.3%				CCL Industries Inc. Class B.....21,610..... 1,271..... 1,475			
Aecon Group Inc.77,069..... 1,272..... 1,387				Total Materials 1,271..... 1,475			
Badger Infrastructure Solutions Ltd.36,975..... 1,268..... 1,391				Utilities — 3.3%			
Brookfield Business Partners L.P.30,340..... 1,355..... 1,738				Gas Utilities — 3.3%			
SNC-Lavalin Group Inc.55,404..... 1,575..... 1,787				Superior Plus Corporation.....107,142..... 1,285..... 1,636			
WSP Global Inc.13,079..... 1,081..... 1,893				Total Utilities 1,285..... 1,636			
..... 6,551..... 8,196				Total Investment Portfolio — 100.3% 40,111..... 50,467			
Construction & Farm Machinery & Heavy Trucks — 4.4%				Other Assets Less Liabilities — (0.3)% (133)			
NFI Group Inc.50,097..... 1,385..... 1,411				NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS — 100.0% ... 50,334			
Westport Fuel Systems Inc.124,670..... 1,362..... 821							
..... 2,747..... 2,232							
Diversified Support Services — 3.1%							
Ritchie Bros Auctioneers Inc.21,169..... 1,270..... 1,556							
Electrical Components & Equipment — 2.1%							
Ballard Power Systems Inc.46,122..... 1,011..... 1,037							
Environmental & Facilities Services — 6.4%							
GFL Environmental Inc.36,647..... 1,183..... 1,452							
Waste Connections, Inc.11,799..... 1,361..... 1,747							
..... 2,544..... 3,199							
Human Resource & Employment Services — 3.0%							
LifeWorks, Inc.45,003..... 1,277..... 1,504							

⁺ Where applicable, distributions received from holdings as a return of capital are used to reduce the adjusted cost base of the securities in the portfolio.

BMO Equal Weight Industrials Index ETF

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Notes to the Financial Statements

(All amounts in thousands of Canadian dollars, except per unit data)
June 30, 2021

1. The Fund

BMO Equal Weight Industrials Index ETF ("the ETF") is an exchange-traded fund established as an open-ended trust by a Declaration of Trust under the laws of the Province of Ontario. BMO Asset Management Inc. ("the Manager") is the Manager and trustee of the ETF. The Manager is a wholly owned subsidiary of Bank of Montreal. The address of the ETF's registered office is 100 King Street West, Toronto, Ontario, M5X 1A1.

The Statement of Financial Position and related notes for the ETF are as at June 30, 2021 and December 31, 2020, except for ETFs established in 2021, in which case the information is only as at June 30, 2021. 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 period(s) ended June 30, 2021 and June 30, 2020, except for ETFs established during either period, which is presented from the date of establishment (as noted in Note 8) to June 30, of the applicable period. Financial information provided for a class of units established during the period(s) is presented from the establishment date as noted in Note 8 to June 30 of the applicable period.

The financial statements were authorized for issue by the Manager on August 10, 2021.

These financial statements should be read in conjunction with the annual financial statements for the period ended December 31, 2020, 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 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"). Certain prior period

balances may have been reclassified to conform with the current period presentation.

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 investments are part of a group of financial instruments that are managed and their performance is evaluated on a fair value basis and in accordance with the ETF's investment strategy.

The ETF 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 ETF 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 ETF has transferred substantially all risks and rewards of ownership. As such, investment purchase and sale transactions are recorded as of the trade date. Investments and derivatives are subsequently measured at FVTPL, with changes in fair value recognized in the Statement of Comprehensive Income as "Change in unrealized appreciation (depreciation)".

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

The ETF's redeemable units, which are puttable instruments, are held by different types of unitholders that are entitled to different redemption rights. See Note 5 for details of unitholders' transactions in the units of the ETF.

The different redemption features create equally subordinate but not identical units or classes of the units of the ETF. Redemption of units at 95% of the Net Asset Value ("NAV") for some type of unitholders redemptions also results in a situation where the redemption value of this puttable instrument is not based substantially on the net assets of the ETF. As a

BMO Equal Weight Industrials Index ETF

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Notes to the Financial Statements (cont'd)

*(All amounts in thousands of Canadian dollars, except per unit data)
June 30, 2021*

result, the ETF'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 the 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 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. Short-term investments, if any, are held at amortized cost, which approximates fair value due to their short-term nature.

The ETF 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 ETF 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 Toronto Stock Exchange ("TSX") is open for trading) and the fair value on the date the contract originated.

For the Listed Hedged Units (the "Hedged Units"), the ETF enters into forward currency contracts to hedge against foreign currency exposure and as a result the Hedged Units will be subject to less currency risk than the other classes of the ETF because their foreign currency exposure is hedged. However, the hedging strategy may not achieve a perfect hedge of the foreign currency exposure for the Hedged Units.

The ETF may engage in option contract transactions by purchasing (long positions) or writing (short positions) call or put option contracts. These contracts have different risk exposures for the ETF, whereas the risk for long positions will be limited to the premium paid to purchase the option contracts, the risk exposure for the short positions is potentially unlimited until closed or expired.

The premium paid for purchasing an option is included in "Derivative assets" in the Statement of Financial Position. The option contract is valued on each Valuation Date at an amount equal to the fair value of the option that would have the effect of closing the position. The change in the difference between the premium and the fair value is shown as "Change in unrealized appreciation (depreciation)" in the Statement of Comprehensive Income.

When a purchased option expires, the ETF will realize a loss equal to the premium paid. When a purchased option is closed, the gain or loss the ETF will realize will be the difference between the proceeds and the premium paid. When a purchased call option is exercised, the premium paid is added to the cost of acquiring the underlying security. When a purchased put option is exercised, the premium paid is subtracted from the proceeds from the sale of the underlying security that had to be sold.

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Notes to the Financial Statements (cont'd)

*(All amounts in thousands of Canadian dollars, except per unit data)
June 30, 2021*

The premium received from writing an option is included in "Derivative liabilities" in the Statement of Financial Position.

When a written option expires, the ETF will realize a gain equal to the premium received. When a written option is closed, the ETF will realize a gain or loss equal to the difference between the cost at which the contract was closed and the premium received. When a written call option is exercised, the premium received is added to the proceeds from the sale of the underlying investments to determine the realized gain or loss. When a written put option is exercised, the premium received is subtracted from the cost of the underlying investments the ETF had purchased.

The gain or loss that the ETF realizes when a purchased or written option is expired or closed is recorded as "Net realized gain (loss)" in the Statement of Comprehensive Income.

A credit default swap contract is an agreement to transfer credit risk from one party, a buyer of protection, to another party, a seller of protection. The ETF, as a seller of protection, would be required to pay a notional or other agreed upon value to the buyer of protection in the event of a default by a third-party. In return, the ETF would receive from the counterparty a periodic stream of payments over the term of the contract provided that no event of default occurs. If no default occurs, the ETF would keep the stream of payments and would have no payment obligations.

In connection with the agreement, securities or cash may be identified as collateral or margin in accordance with the terms of the agreement to provide assets of value in the event of default or bankruptcy/insolvency.

The ETF, as a buyer of protection, would receive a notional or other agreed upon value from the seller of protection in the event of a default by a third-party. In return, the ETF would be required to pay to the counterparty a periodic stream of payments over the term of the contract provided that no event of default occurs.

Credit default swap contracts are fair valued daily based upon quotations from independent security pricing sources. Premiums paid or received, if any, are included in "Net realized gain (loss)" in the Statement of Comprehensive Income. Net periodic payments are accrued daily and recorded as "Derivative income (loss)" in the Statement of Comprehensive Income. When credit default swap contracts expire or are closed out, gains or losses are recorded as "Net realized gain (loss)" in the Statement of Comprehensive Income.

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, NAV (for exchange-traded funds) 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, subscriptions receivable, dividends receivable, redemptions payable, distributions payable and accrued expenses. These financial assets and financial liabilities are short-term in nature and are measured at amortized cost, which approximates their fair value.

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Notes to the Financial Statements (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)

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Investments in subsidiaries, joint ventures and associates

Subsidiaries are entities over which the ETF 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 ETF is an investment entity and as such, it accounts for subsidiaries, if any, at fair value. Joint ventures are investments where the ETF exercises joint control through an agreement with other shareholders, and associates are investments in which the ETF exerts significant influence over operating, investing, and financing decisions (such as entities in which the ETF owns 20% - 50% of voting shares), all of which, if any, have been classified at FVTPL.

Unconsolidated structured entities

The Manager has determined that the underlying funds in which the ETF may invest are unconsolidated structured entities. This determination is based on the fact that decision making about the underlying funds is not governed by the voting right or other similar right held by the ETF. Similarly, investments in securitizations, asset-backed securities and mortgage-backed securities are determined to be interests in unconsolidated structured entities.

The ETF may invest in underlying funds whose investment objectives range from achieving short-term to long-term income and capital growth potential. Underlying funds may use leverage in a manner consistent with their respective investment objectives and as permitted by Canadian securities regulatory authorities. Underlying 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 underlying funds during the periods is included in "Change in unrealized appreciation (depreciation)" in the Statement of Comprehensive Income.

Mortgage-related securities are created from pools of residential or commercial mortgage loans, including mortgage loans made by savings and loan institutions,

mortgage bankers, commercial banks and others.

Asset-backed securities are created from many types of assets, including auto loans, credit card receivables, home equity loans, and student loans.

The ETF 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.

Additional information on the ETF's interest in unconsolidated structured entities, where applicable, is provided in Note 8.

Offsetting of financial assets and financial liabilities

Financial instruments are presented at net or gross amounts on 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 ETF 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 ETF has no intention to settle on a net basis. Refer to Note 8 for details.

Income recognition

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

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.

Interest on inflation-indexed bonds is paid based on a principal value, which is adjusted for inflation. The inflation adjustment of the principal value is recognized as part of "Interest income" in the Statement

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of Comprehensive Income. If held to maturity, the ETF will receive, in addition to a coupon interest payment, a final payment equal to the sum of the par value and the inflation compensation accrued from the original issue date. Interest is accrued on each Valuation Date based on the inflation adjusted par value at that time and is included in "Interest income" in the Statement of Comprehensive Income.

Foreign currency translation

The fair value of investments and other assets and liabilities in foreign currencies are translated into the ETF's functional currency at the rates of exchange prevailing at the period-end date. Purchases and sales of investments, and income and expenses are translated at the rates of exchange prevailing on the respective dates of such transactions. Realized and unrealized foreign exchange gains (losses) on investment transactions are included in "Net realized gain (loss)" and in "Change in unrealized appreciation (depreciation)" 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.

Securities lending

An ETF may engage in securities lending pursuant to the terms of an agreement with State Street (the "securities lending agent"). The aggregate market value of all securities on loan by an ETF cannot exceed 50% of the NAV of the ETF. An ETF will receive collateral of at least 102% of the value of the securities on loan. Collateral will generally be comprised of obligations of or guarantee by the Government of Canada or a province thereof, or by the United States government or its agencies, but it may include obligations of other governments with appropriate credit ratings. Further, the program entered into provides for 100% indemnification by the securities lending agent and parties related to the ETF's custodian, to the ETF for any defaults by borrowers.

For those ETFs participating in the program, aggregate values of securities on loan and the collateral held as at June 30, 2021 and December 31, 2020 and information about the security lending income earned by the ETF are disclosed in Note 8, where applicable.

Income from securities lending, where applicable, is included in the Statement of Comprehensive Income and is recognized when earned. The breakdown of the securities lending income is disclosed in Note 8, where applicable.

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 of the class divided by the weighted average number of units of the class outstanding during the period. Refer to Note 8 for details.

Taxation

The ETF 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 ETF will not be subject to income tax. As a result, the Manager has determined that the ETF 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 ETF may incur withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis with the related withholding taxes shown as a separate expense in the Statement of Comprehensive Income.

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4. Critical accounting judgements and estimates

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

Accounting judgements:

Functional and presentation currency

The ETF's unitholders are mainly Canadian residents, with the subscriptions and redemptions of the redeemable units denominated in Canadian dollars. The ETF invests in Canadian and U.S. dollars and other foreign denominated securities, as applicable. The performance of the ETF 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 ETF's functional and presentation currency.

Classification and measurement of investment portfolio

In classifying and measuring financial instruments held by the ETF, the Manager is required to make an assessment of the ETF's business model for managing financial instruments and the Manager is also required to make significant judgements in determining the most appropriate classification in accordance with IFRS 9. The Manager has assessed the ETF'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 ETF'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 ETF's assets and liabilities are believed to be appropriate as at the reporting date.

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

5. Units and unit transactions

The redeemable units of the ETF 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 ETF's NAV. The ETF is required to pay distributions in an amount not less than the amount necessary to ensure the ETF will not be liable for income taxes on realized capital gains, dividends and interest. The ETF has no restrictions or specific capital requirements on the subscriptions and redemptions of units except as disclosed in Note 8. 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 ETF 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.

The ETF is authorized to issue an unlimited number of units of each class. On any trading day, a designated broker or underwriter may place a subscription or

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redemption order for an integral multiple of the prescribed number of units of a particular class of the ETF. A trading day is each day on which the TSX is opened for business.

If the subscription or redemption order is accepted, the ETF will issue or redeem units to/from the designated broker or underwriter by no later than the third trading day after the date on which the subscription or redemption order is accepted. For each prescribed number of units issued or redeemed, a designated broker or underwriter must deliver or receive payment consisting of:

- A basket of applicable securities and cash in an amount sufficient so that the value of the securities, and the cash received is equal to the NAV of the units subscribed/redeemed; or
- Cash in the amount equal to the NAV of the units subscribed/redeemed.

On any trading day, unitholders may redeem units for cash or exchange units for baskets of securities and cash. Units redeemed for cash will be redeemed at a redemption price per unit equal to 95% of the closing price for the units on the exchange on the effective day of the redemption. Units exchanged for baskets of securities will be exchanged at a price equal to the NAV of the units on the effective date of the exchange request, payable by delivery of baskets of securities and cash.

Unitholders that redeem units prior to the distribution record date will not be entitled to receive the distribution.

The NAV per unit of a class for the purposes of subscription or redemption is computed by dividing the NAV of the ETF (that is, the total fair value of the assets attributable to the class of the ETF less the liabilities attributable to the class) by the total number of units of the class of the ETF outstanding at such time on each Valuation Day, in accordance with Part 14 National Instrument ("NI") 81-106 Investment Fund Continuous Disclosure for the purpose of processing unitholder transactions. Net Assets are determined in accordance

with IFRS and may differ from the ETF's NAV. Where an ETF's NAV is not equal to its Net Assets, a reconciliation is shown in Note 8.

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.

6. Related party transactions

(a) Management fees

The Manager is responsible for all other costs and expenses of the ETF, including the fees payable to the Custodian, Registrar and Transfer Agent and Plan Agent fees payable to other service providers, including the index providers retained by the Manager.

The ETF will pay the Manager a management fee as disclosed in Note 8 based on the NAV of the class of the ETF. The management fee, plus applicable taxes, will be accrued daily and paid quarterly in arrears. The Manager may, from time to time in its discretion, waive a portion of the management fee charged at any given time.

The Manager may agree to charge a reduced management fee it otherwise would be entitled to receive from the ETF with respect to investments in the ETF by certain unitholders. An amount equal to the difference between the fee otherwise chargeable and the reduced fee of the ETF will be distributed in cash to those unitholders as Management Fee Distributions.

(b) Other related party transactions

All expenses are recognized in the Statement of Comprehensive Income on the accrual basis.

The ETF is responsible for the costs and expenses incurred in complying with NI 81-107 (including any expenses related to the implementation and on-going operation of an Independent Review Committee), brokerage expenses and commissions, income and withholding taxes as well as other applicable taxes, the costs of complying with any new governmental or regulatory requirement introduced after the date the ETF was established and extraordinary expenses.

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From time to time, the Manager may on behalf of the ETF, enter into transactions or arrangements with or involving subsidiaries and affiliates of Bank of Montreal, or certain other persons or companies that are related or connected to the Manager of the ETF. These transactions or arrangements may include transactions or arrangements with or involving subsidiaries and affiliates of Bank of Montreal, BMO Asset Management Corp., BMO Asset Management Inc., BMO Nesbitt Burns Inc., BMO Private Investment Counsel Inc., BMO InvestorLine Inc., BMO Investments Inc., or other investment funds offered by Bank of Montreal and may involve the purchase or sale of portfolio securities through or from subsidiaries or affiliates of Bank of Montreal, the purchase or sale of securities issued or guaranteed by subsidiaries or affiliates of Bank of Montreal, entering into forward contracts with subsidiaries or affiliates of Bank of Montreal acting as counterparty, the purchase or redemption of units of other Bank of Montreal affiliated investment funds or the provision of services to the Manager.

BMO Nesbitt Burns Inc. is one of the designated brokers that have entered into an underwriting agreement with the Manager. As a Designated Broker, under the underwriting agreement, BMO Nesbitt Burns Inc. may subscribe for and or be issued units of the ETF by the Manager from time to time.

On April 12, 2021, BMO Financial Group announced that it had reached a definitive agreement to sell the entities that represent its EMEA Asset Management business to Ameriprise Financial, Inc. The transaction is expected to close in the fourth quarter of 2021, subject to regulatory approval and other customary closing conditions. After the transaction has closed, Pyrford International Limited, LGM Investments Limited, BMO Global Asset Management (Asia) Limited and BMO Asset Management Limited will no longer be subsidiaries or affiliates of Bank of Montreal or related or connected to the Manager.

Separately, in the U.S. the transaction includes the transfer to Columbia Threadneedle Investments ("CTI"), Ameriprise Financial's global asset management business, of certain asset management clients of BMO Asset Management Corp. or Taplin, Canida & Habacht, LLC (together, "BMO GAM U.S."), subject to client consent. An evaluation is currently underway between BMO GAM U.S. and CTI in relation to the sub-advisory arrangements with BMO GAM U.S. for certain Funds.

7. Financial instruments risks

The ETF'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 asset type, geographic location and/or market segment. The ETF's risk management practice focuses on processes and strategies to minimize the tracking error between the ETF's performance and the performance of its relevant index.

(a) Currency risk

Currency risk is the risk that the fair value of financial instruments denominated in currencies, other than the functional currency of the ETF, 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 ETF's functional currency in determining fair value. The ETF may enter into forward currency contracts for hedging purposes to reduce foreign currency exposure. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk. However, the Manager monitors the exposure on all foreign currency denominated assets and liabilities. The ETF's exposure to currency risk, if any, is further disclosed in Note 8.

(b) Interest rate risk

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

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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 ETF's exposure to interest rate risk, if any, is further discussed in Note 8.

(c) 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 interest rate risk or currency 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 or market segment. The Manager moderates this risk through the use of investment strategies that seek to minimize the ETF's tracking error versus a market index, within the parameters of the investment strategy. The maximum risk resulting from financial instruments is equivalent to its fair value.

The Manager monitors the ETF's overall market positions on a daily basis and positions are maintained within established ranges. Other assets and liabilities are monetary items that are short-term in nature, and as such they are not subject to other market risk. The ETF's exposure to other market risk, if any, is further discussed in Note 8.

(d) 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 credit worthiness of the debt issuer. Credit risk exposure for over-the-counter derivative instruments is based on the ETF'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 ETF's exposure to credit risk, if any, is further discussed in Note 8.

The ETF may enter into securities lending transactions with approved counterparties. Credit risk associated with these transactions is considered minimal as all counterparties have a sufficient approved credit rating and the market value of collateral held by the ETF must be at least 102% of the fair value of securities loaned, as disclosed in Note 8, where applicable.

(e) Liquidity risk

The ETF's exposure to liquidity risk is concentrated in the daily redemptions of units, and other liabilities. Since the settlement of redemptions is primarily by delivery of securities, the ETF is not exposed to any significant liquidity risk. The ETF primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the ETF retains sufficient cash positions to maintain liquidity. The ETF 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 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 ETF 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 ETF's financial obligations.

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8. ETF specific information

(a) ETF information and change in units

The ETF was established on November 1, 2012. The units are listed on the TSX under the symbol ZIN.

The last close price as at June 30, 2021 was \$35.23 (December 31, 2020 — \$30.49).

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

For the periods ended (in thousands of units)	Jun. 30, 2021	Jun. 30, 2020
Units issued and outstanding, beginning of period	1,220	1,715
Units issued	408	202
Redeemed during the period	(200)	(750)
Units issued and outstanding, end of period	1,428	1,167

(b) Reconciliation of NAV to Net Assets

As at June 30, 2021 and December 31, 2020, there were no differences between the ETF's NAV per unit and its Net Assets per unit calculated in accordance with IFRS.

(c) Increase (decrease) in net assets attributable to holders of redeemable units per unit

The increase (decrease) in net assets attributable to holders of redeemable units per unit for the periods ended June 30, 2021 and June 30, 2020 is calculated as follows:

For the periods ended	Jun. 30, 2021	Jun. 30, 2020
Increase (decrease) in net assets attributable to holders of redeemable units	6,360	(9,612)
Weighted average units outstanding during the period (in thousands of units)	1,349	1,471
Increase (decrease) in net assets attributable to holders of redeemable units per unit	4.72	(6.53)

(d) Income taxes

As at the tax year-ended December 15, 2020, the ETF had the following capital and non-capital losses available for income tax purposes:

Total Capital Losses (\$)	Total Non-Capital Losses (\$)	Non-Capital Losses That Expire in		
		2026 (\$)	2027 (\$)	2028 and thereafter (\$)
2,412	—	—	—	—

(e) Related party transactions

Management fees

The Manager is entitled to receive a management fee of 0.550% per annum of the NAV of the ETF, plus applicable taxes, accrued daily and paid quarterly in arrears.

The outstanding accrued management fees due to the Manager are included in "Accrued expenses" in the Statement of Financial Position and as at June 30, 2021 amounted to \$75 (December 31, 2020 — \$54).

Brokerage commissions

Brokerage commissions paid (excluding transaction costs) on security transactions and amounts paid to related parties of the Manager for brokerage services provided to the ETF for the periods are as follows:

For the periods ended	Jun. 30, 2021 (\$)	Jun. 30, 2020 (\$)
Total brokerage amounts paid	14	6
Total brokerage amounts paid to related parties	1	6

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

(f) Financial instruments risks

The investment strategy of the ETF is to invest and hold the constituent securities of the Solactive Equal Weight Canada Industrials Index in the same proportion as they are reflected in the Solactive Equal Weight Canada Industrials Index or securities intended to replicate the performance of that index.

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

Currency risk

As at June 30, 2021 and December 31, 2020, the ETF did not have significant exposure to currency risk as it invested fully in Canadian denominated securities.

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Interest rate risk

As at June 30, 2021 and December 31, 2020, the ETF did not have significant exposure to interest rate risk.

Other market risk

The ETF has a significant exposure to other market risk arising from its investment in equity securities. Using historical correlation between the ETF's return and the return of its benchmark, if the benchmark, Solactive Equal Weight Canada Industrials Index, had increased or decreased by 10%, with all other variables held constant, the Net Assets of the ETF would have increased or decreased, respectively, by \$5,037 (December 31, 2020 — \$3,726). Historical correlation may not be representative of future correlation, and accordingly, actual results may differ and the difference could be material.

Credit risk

As at June 30, 2021 and December 31, 2020, the ETF did not have significant exposure to credit risk.

Securities lending

The ETF had assets involved in securities lending transactions outstanding as at June 30, 2021 and December 31, 2020 as follows:

	Aggregate Value of Securities on Loan (\$)	Aggregate Value of Collateral Received for the Loan (\$)
Jun. 30, 2021	2,808	2,951
Dec. 31, 2020	2,566	2,695

The table below is a reconciliation of the gross amount generated from securities lending transactions to the security lending revenue for the periods ended June 30, 2021 and June 30, 2020:

For the periods ended	Jun. 30, 2021		Jun. 30, 2020	
	Amount	% of Gross Securities Lending Revenue	Amount	% of Gross Securities Lending Revenue
Gross securities lending revenue	3	100.0	8	100.0
Withholding taxes	—	—	—	—
	3	100.0	8	100.0
Payment to securities lending agents	0	24.9	2	25.0
Net securities lending revenue	3	75.1	6	75.0

Concentration risk

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

As at	Jun. 30, 2021	Dec. 31, 2020
Consumer Discretionary		
Auto Parts & Equipment	2.8%	—%
Energy		
Oil & Gas Refining & Marketing	3.0%	3.3%
Industrials		
Aerospace & Defense	10.8%	12.7%
Air Freight & Logistics	3.2%	3.3%
Airlines	5.5%	6.6%
Construction & Engineering	16.3%	15.6%
Construction & Farm Machinery & Heavy Trucks	4.4%	3.8%
Diversified Support Services	3.1%	3.2%
Electrical Components & Equipment	2.1%	4.5%
Environmental & Facilities Services	6.4%	6.5%
Human Resource & Employment Services	3.0%	3.0%
Industrial Machinery	3.8%	3.5%
Railroads	5.8%	5.8%
Research & Consulting Services	3.2%	2.8%
Trading Companies & Distributors	13.7%	13.1%
Trucking	7.0%	6.3%
Materials		
Metal & Glass Containers	2.9%	3.3%
Utilities		
Gas Utilities	3.3%	2.7%
Other Assets Less Liabilities	(0.3)%	(0.0)%
	100.0%	100.0%

(g) Fair value hierarchy

The ETF 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 tables below show the relevant disclosure.

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As at Jun. 30, 2021				
Financial assets	Level 1	Level 2	Level 3	Total
Equity Securities	50,467	—	—	50,467

As at Dec. 31, 2020				
Financial assets	Level 1	Level 2	Level 3	Total
Equity Securities	37,335	—	—	37,335

Transfers between levels

There were no transfers between the levels during the periods.

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 COVID-19 on the ETF, to the extent possible.

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