

## ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

# BMO Nasdaq 100 Equity Hedged to CAD Index ETF (ZQQ) (the "ETF")

For the 12-month period ended December 31, 2025 (the "Period")

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

## Management Discussion of Fund Performance

### Investment Objective and Strategies

The ETF seeks to replicate, to the extent possible, the performance of an index that provides exposure to equity securities of large-capitalization issuers listed in the U.S. ("Index") by establishing, directly or indirectly, a long or short position in the instruments included in the Index ("Index Constituent"), each in proportion to its positive or negative weight in the Index; and/or instruments that are not Index Constituents but that have, in the aggregate, investment characteristics similar to the Index or to a subset of the Index Constituents. Currently, the Index is the NASDAQ-100 Index Hedged to CAD. The Fund may invest substantially all of its assets, directly or indirectly, in BMO Nasdaq 100 Equity Index ETF ("Reference Fund"). The Fund generally uses derivatives to implement a hedging strategy whose objective is to minimize changes in the Fund's NAV resulting from changes in the exchange rate between the Canadian dollar and the foreign currencies to which the Fund's investments provide exposure. However, the Fund may also employ any or all of the investment strategies that the Reference Fund may employ.

### Risk

The risks associated with an investment in the ETF remain as disclosed in the ETF's most recent prospectus or any amendments thereto and ETF facts. During the Period, there were no changes to the ETF that materially affected the overall risk level associated with an investment

in the ETF. The Manager reviewed the ETF using the standardized investment risk classification methodology prescribed by National Instrument 81-102 *Investment Funds* and determined on January 21, 2025 that the risk rating of the ETF had not changed. The Manager reviews the ETF's investment risk level and reference index, if any, at least annually.

### Results of Operations

The ETF returned 18.36% versus the NASDAQ-100 Index Hedged to CAD (the "Index") return of 18.98%. The change in total net asset value during the Period from approximately \$2,164 million to approximately \$2,796 million had no impact on the performance of the ETF. The difference in the performance of the ETF relative to the Index during the Period (-0.62%) resulted from the management expense ratio (-0.39%) and the impact of sampling and certain other factors (-0.23%), which may have included timing differences versus the Index, and market volatility.

### Market Conditions

U.S. equities advanced during the Period, supported by resilient economic activity, steady consumer spending, and an improving policy backdrop. During the Period, the S&P 500 Total Return Index (C\$) rose by 12.4%. The NASDAQ Composite Total Return Index (C\$) increased by 15.5%, reflecting strong participation from innovative and growth-oriented companies. Market leadership broadened as easing inflation and lower interest rates created a constructive environment for earnings. Technology (18.21%) and Communication Services (27.28%) remained

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This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the ETF. If the annual financial statements of the ETF do not accompany the mailing of this report, you may obtain a copy of the annual financial statements at your request, and at no cost, by calling 1-800-361-1392, by writing to us at BMO Asset Management Inc., 250 Yonge Street, 7th Floor, Toronto, Ontario, M5B 2M8 or by visiting our website at [www.bmogam.com/ca-en/resources/legal-and-regulatory-documents/#bmo-etfs](http://www.bmogam.com/ca-en/resources/legal-and-regulatory-documents/#bmo-etfs) or SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). You may also contact us using one of these methods to request a copy of the ETF's interim financial report, proxy voting policies and procedures, proxy voting disclosure record and/or quarterly portfolio disclosure.



Exchange Traded Funds

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key contributors, driven by continued investment in artificial intelligence (“AI”) and data infrastructure, while Financials (9.63%) and Industrials (13.84%) also delivered solid results. Although markets experienced periods of volatility related to tariff developments and shifting policy expectations, corporate fundamentals remained stable and helped sustain investor confidence. The overall strength in sector breadth and earnings momentum reinforced the position of the U.S. as a leading global equity market.

The Information Technology and Communication Services sectors contributed the most to the ETF’s returns. Among detractors, Industrials and Consumer Staples dragged performance lower the most. In terms of individual stock contributors, Broadcom Inc. and NVIDIA Corporation elevated returns the most. Adobe Inc. and Strategy Inc. proved to be among the biggest detractors from returns.

## *Independent Review Committee (IRC)*

On December 3, 2025, Erez Blumberger and Anne Marie O’Donovan joined the IRC as members.

## **Recent Developments**

The U.S. investment backdrop for 2026 remains broadly constructive, supported by above-trend economic growth, easing policy conditions, and continued productivity gains driven in part by AI-related capital spending. However, risks such as rich equity valuations, labour-market softness, and uncertain interest rate paths argue for selectivity, especially as volatility may rise from historically elevated asset prices. Overall, while equities are still favoured over fixed income, investors may opt to balance participation in growth themes with prudent diversification given sticky inflation (where inflation increases but there is stagnant economic growth), shifting monetary policy, and potential macroeconomic shocks.

U.S. Technology enters 2026 with strong structural momentum as AI-driven capital expenditure, data-center build-outs, and productivity enhancements remain the sector’s dominant growth engine.

Despite elevated valuations, earnings expansion is expected to continue, though with greater dispersion as the market broadens beyond early AI beneficiaries and investors grow more selective around capital-intensive business models. Overall, the sector remains well-positioned but faces concentration and volatility risks, making diversification across adjacent themes and disciplined exposure management increasingly important in 2026.

In January 2025, U.S. President Donald Trump was inaugurated. Subsequently, the U.S. government has made sweeping policy changes. These policy changes include

both an increase in existing tariffs and the invocation of new tariffs on many countries, including Canada. In response, both domestic and global financial markets have reacted with increased volatility. As at the current date, President Trump’s policy changes are continuously shifting. It is uncertain how long the market instability will continue and whether it will escalate further.

## **Subsequent Event**

### *Independent Review Committee (IRC)*

On March 4, 2026, Jim Falle and Wendy Hannam ceased to be Independent Review Committee members due to the expiry of their terms.

## **Related Party Transactions**

From time to time, the Manager may, on behalf of the ETF, enter into transactions or arrangements with or involving other members of BMO Financial Group, or certain other persons or companies that are related or connected to the Manager (each a “Related Party”). The purpose of this section is to provide a brief description of any transactions involving the ETF and a Related Party.

### *Manager*

The Manager, an indirect, wholly-owned subsidiary of Bank of Montreal (“BMO”), is the portfolio manager, trustee and promoter of the ETF. The Manager is paid a management fee by the ETF as compensation for its services, which is described in the “Management Fees” section later in this document.

### *Designated Broker*

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

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

### *Buying and Selling Securities*

During the Period and pursuant to applicable securities legislation, the ETF relied on standing instructions provided by the independent review committee (“IRC”) with respect to one or more of the following related party transactions (each, a “Related Party Transaction”):

(a) investments in securities issued by BMO;

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(b) investments in a class of securities of an issuer during the period of distribution of those securities to the public and/or the 60-day period following the distribution period where a related party dealer acted as an underwriter in the distribution;

(c) trades in debt securities of any issuer from or to a related party dealer acting as principal;

(d) trades of a security of any issuer from or to another investment fund or managed account managed by the Manager or an affiliate of the Manager; and

(e) allowing Alternative BMO ETF's to borrow cash from a related prime broker.

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

## Other Transactions with a Related Party

During the Period and pursuant to applicable securities legislation, the ETF relied on standing instructions and positive recommendations provided by the IRC with respect to engaging a Related Party as a derivatives counterparty or service provider.

## Brokerage Commissions

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

		2025	2024
Total brokerage commissions	\$	24,030	28,659
Brokerage Commissions paid to BMO Nesbitt Burns Inc.	\$	3,147	4,368

## Financial Highlights

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

### The ETF's Net Assets per Unit<sup>(1)</sup>

Listed CAD Units	Financial years ended Dec. 31					
	2025	2024	2023	2022	2021	
Net assets, beginning of period	\$	146.27	118.26	77.89	118.09	93.29
<b>Increase (decrease) from operations</b>						
Total revenue	\$	1.12	1.11	0.95	0.83	0.73
Total expenses <sup>(2)</sup>	\$	(0.76)	(0.68)	(0.53)	(0.48)	(0.52)
Realized gains (losses) for the period	\$	12.82	11.11	11.41	0.74	10.12
Unrealized gains (losses) for the period	\$	14.09	16.98	28.90	(39.75)	14.48
<b>Total increase (decrease) from operations<sup>(3)</sup></b>	\$	27.27	28.52	40.73	(38.66)	24.81
<b>Distributions</b>						
From net investment income (excluding dividends)	\$	—	—	—	—	—
From dividends	\$	0.45	0.48	0.38	0.33	0.15
From capital gains	\$	5.06	—	6.12	2.02	6.20
Return of capital	\$	0.60	0.06	—	0.02	0.06
<b>Total Annual Distributions<sup>(4)</sup></b>	\$	6.11	0.54	6.50	2.37	6.41
<b>Net assets, end of period</b>	\$	172.66	146.27	118.26	77.89	118.09

<sup>(1)</sup> This information is derived from the ETF's audited annual financial statements.

<sup>(2)</sup> Includes commissions and other portfolio transaction costs and withholding taxes.

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

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

## Ratios and Supplemental Data

Listed CAD Units	Financial years ended Dec. 31					
	2025	2024	2023	2022	2021	
Total net asset value (000's) <sup>(1)</sup>	\$	2,795,755	2,163,668	1,719,506	1,167,473	1,775,967
Number of units						
outstanding (000's) <sup>(1)</sup>		16,193	14,793	14,540	14,990	15,040
Management expense ratio <sup>(2)</sup>	%	0.39	0.39	0.39	0.39	0.39
Management expense ratio before waivers or absorptions <sup>(2)</sup>	%	0.39	0.39	0.39	0.39	0.39
Trading expense ratio <sup>(3)</sup>	%	0.00	0.00	0.00	0.00	0.00
Portfolio turnover rate <sup>(4)</sup>	%	30.09	29.47	24.67	38.13	25.82
Net asset value per unit	\$	172.66	146.27	118.26	77.89	118.09
Closing market price	\$	172.77	146.33	118.43	77.90	118.12

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

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

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

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

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## Management Fees

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

Ticker	Annual Management Fee Rate %
ZQQ	0.35

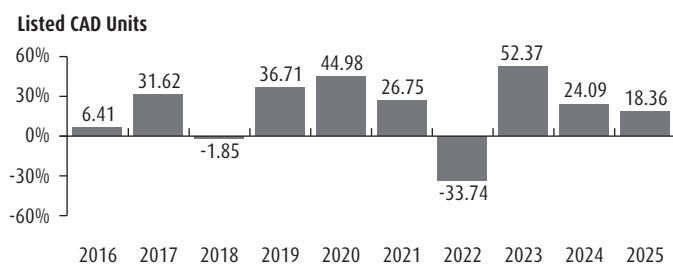
## Past Performance

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

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

## Year-by-Year Returns

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



## Annual Compound Returns

This table compares the historical annual compound returns of the ETF with its benchmark index, the NASDAQ-100 Index Hedged to CAD.

The NASDAQ-100 Index Hedged to CAD consists of 100 of the largest non-financial securities listed on the NASDAQ Stock Market based on market capitalization. The U.S. dollar currency exposure is hedged back to the Canadian dollar.

As at December 31, 2025

Listed CAD Units		1Yr	3Yr	5Yr	10Yr
BMO Nasdaq 100 Equity Hedged to CAD Index ETF	%	18.36	30.80	13.45	17.74
NASDAQ-100 Index Hedged to CAD	%	18.98	31.49	14.06	18.44

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

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## Summary of Investment Portfolio

As at December 31, 2025

<b>Portfolio Allocation</b>	<b>% of Net Asset Value</b>
Information Technology . . . . .	52.9
Communication Services . . . . .	16.0
Consumer Discretionary . . . . .	13.4
Health Care . . . . .	5.4
Consumer Staples . . . . .	4.6
Industrials . . . . .	4.2
Utilities . . . . .	1.4
Materials . . . . .	1.1
Energy . . . . .	0.5
Financials . . . . .	0.3
Real Estate . . . . .	0.2
<b>Total Portfolio Allocation</b>	<b>100.0</b>

<b>Top 25 Holdings</b>	<b>% of Net Asset Value</b>
NVIDIA Corporation . . . . .	9.1
Apple Inc. . . . .	8.0
Microsoft Corporation . . . . .	7.2
Alphabet Inc. . . . .	7.0
Amazon.com, Inc. . . . .	4.9
Tesla Inc. . . . .	4.0
Meta Platforms, Inc., Class A . . . . .	3.9
Broadcom Inc. . . . .	3.3
Palantir Technologies, Class A . . . . .	2.2
Netflix, Inc. . . . .	2.2
Costco Wholesale Corporation . . . . .	2.1
Advanced Micro Devices, Inc. . . . .	1.9
Micron Technology, Inc. . . . .	1.8
Cisco Systems, Inc. . . . .	1.7
T-Mobile US, Inc. . . . .	1.3
Lam Research Corporation . . . . .	1.2
AppLovin Corporation, Class A . . . . .	1.1
Applied Materials, Inc. . . . .	1.1
Intuitive Surgical, Inc. . . . .	1.1
Linde PLC . . . . .	1.1
Shopify Inc., Class A . . . . .	1.1
PepsiCo, Inc. . . . .	1.1
Intuit Inc. . . . .	1.0
QUALCOMM Incorporated . . . . .	1.0
Amgen Inc. . . . .	1.0
<b>Top Holdings as a Percentage of Total Net Asset Value</b>	<b>71.4</b>
<b>Total Net Asset Value</b>	<b>\$2,795,754,839</b>

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

### Caution regarding forward-looking statements

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

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BMO Exchange Traded Funds are managed and administered by BMO Asset Management Inc., an investment fund manager and portfolio manager and separate legal entity from Bank of Montreal.

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