

# Semi-Annual Management Report of Fund Performance

## **BMO Private Canadian Money Market Portfolio** (formerly, BMO Harris Canadian Money Market Portfolio)

For the period ended June 30, 2015

This semi-annual management report of fund performance contains financial highlights, but does not contain semi-annual or annual financial statements of the Portfolio. If the semi-annual or annual financial statements of the Portfolio do not accompany the mailing of this report, you may obtain a copy of the semi-annual or annual financial statements at your request, and at no cost, by calling 1-800-361-1392, by e-mailing us at [contactcentre@bmo.com](mailto:contactcentre@bmo.com), by writing to us at BMO Private Investment Counsel Inc. (formerly, BMO Harris Investment Management Inc.), 1 First Canadian Place, 100 King St. W., 41st Floor, Toronto, Ontario, M5X 1A1 or by visiting our website at [www.bmoprivatebanking.com](http://www.bmoprivatebanking.com) or SEDAR at [www.sedar.com](http://www.sedar.com). You may also contact us using one of these methods to request a copy of the Portfolio's proxy voting policies and procedures, proxy voting disclosure record and/or quarterly portfolio disclosure.

## Management Discussion of Fund Performance

*BMO Private Investment Counsel Inc. ("BPIC" or the "Manager"), the manager and portfolio manager, is responsible for the management of the overall business, investments and operations of the BMO Private Portfolios (formerly, the BMO Harris Private Portfolios) and has engaged BMO Asset Management Inc. ("BMO AM Inc." or the "sub-advisor") as the sub-advisor of BMO Private Canadian Money Market Portfolio (the "Portfolio").*

### Results of Operations

Over the six-month period ended June 30, 2015, the Portfolio returned 0.53%, after expenses. The Portfolio's benchmark is the FTSE TMX Canada 91 Day T-Bill Index, which generated a 0.40% total return over the same six-month period.

During the period, there was heightened geopolitical uncertainty primarily associated with the Greek debt crisis, culminating in that country's default on a payment to the International Monetary Fund, despite a last minute bid to its creditors. Greece is the first developed nation to default on such a loan. In addition, the financial bailout package that began in February 2012 formally expired, leaving Greece without access to emergency financing. Other sources of uncertainty for the world economy during the period included the ongoing crisis in Ukraine and Russia, continuing Iran nuclear negotiations, Puerto Rico's debt struggles and escalating ISIS conflict in the Middle East.

The U.S. economy slowly regained momentum as weather and strike-related disruptions from the first quarter of 2015 receded, and during the second quarter of 2015, its gross domestic product ("GDP") growth rate was revised higher to reflect better results on exports, consumer spending and residential investment. The U.S. Federal Reserve Board (the "Fed") appeared cautiously optimistic at the latest Federal Open Market Committee meeting but remained undecided about the timing of its first interest rate increase, indicating it will raise rates when there is further improvement in the labour market and if inflation moves back to its 2.00% objective.

Canada's GDP growth rate unexpectedly declined by 0.1% in April following a 0.2% drop in March, casting doubt on a recovery from the first quarter's severe oil price slump, and renewing fears of a mild recession. The decline was concentrated in goods-producing industries where activity declined by 0.8%, led by continued weakness in mining, oil and gas, utilities, manufacturing and construction. More specifically, Alberta's oil sands were hit by maintenance shutdowns, forest fires and other production delays in April, and the Energy sector as a whole experienced sharply reduced investment in exploration and reduced drilling forecasts.

The Portfolio's longer average term-to-maturity (88 days at the end of the period) contributed to its performance as a result of the potential for another interest rate cut from the Bank of Canada. The

# BMO Private Canadian Money Market Portfolio

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Portfolio's corporate exposure was maintained close to the 70% maximum allowed, as the higher allocation in corporate paper and bonds provided additional yield enhancement compared to government product outright, contributing to the Portfolio's performance. The minimized allocation in the government sector was comprised mostly of provincial and municipal products to take advantage of their higher relative yield opportunities versus Canadian government treasury bills.

The Portfolio's required minimum 30% government exposure detracted from its performance, as corporate debt provides additional yield enhancement vis-à-vis government debt. Other detractors from performance included a lack of holdings in split-rated securities and a lack of exposure to BBB-rated bonds.

Holdings in National Bank of Canada one-year floating rate note were added to the Portfolio during the period for its higher yield over traditional banker's acceptance papers. The Portfolio's existing position in Manulife Financial Corporation (4.08%, 20/08/2015) was increased on the strength of its additional yield over existing corporate bond positions of the same term.

*For information on the Portfolio's longer-term performance and composition, please refer to the Past Performance section and Summary of Investment Portfolio section of this report.*

## Recent Developments

The sub-advisor believes that the global economy is in a somewhat fragile state and set for a challenging second half of 2015 as several concerns continue to weigh against a stronger and more sustainable rebound. Uncertainty in Greece, for example, and its possible exit from the European Union may delay a Fed interest rate increase, and has the potential to provide a destabilizing financial shock.

Given that the Canadian economy printed a negative GDP in Q2 for the second consecutive quarter (technically, a recession), there will be renewed emphasis on the health of the U.S. economy and the corresponding lift through non-energy exports. The sub-advisor believes that the damage to the Energy sector is likely larger and more sustained than previously believed, and that Canadian economic growth may remain subdued until later in the year. The Bank of Canada announced

another interest rate cut in July 2015. Going forward, the Portfolio's term-to-maturity will be adjusted in a timely manner in response to the sub-advisor's assessment of the economy, while emphasizing high-quality government and corporate holdings to help enhance returns.

## Related Party Transactions

BMO Trust Company, an indirect, wholly-owned subsidiary of Bank of Montreal, is the trustee (the "trustee") and BPIC is the manager of the Portfolio. From time to time, BPIC may, on behalf of the Portfolio, 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 Portfolio (each, a "related party" and collectively, the "related parties").

### *Sub-advisor*

BPIC has hired BMO AM Inc., a related party, to provide investment advice and make investment decisions for the Portfolio's investment portfolio. BMO AM Inc. receives an investment advisory fee based on assets under management, which is paid monthly. BMO AM Inc. is paid by BPIC.

### *Wealth Management Fee*

Units of the Portfolio are only available through the wealth management service offered by BMO Financial Group. The trustee, a related party, and the Manager receive an annual fee from each investor for the wealth management service offered by BMO Financial Group. A tiered schedule is applied to calculate the annual fee for this service. The fee schedule starts at 1.95% and declines to 0.20% (depending on the nature and size of the investor's investment portfolio), and is calculated as a percentage of the assets under management. The actual wealth management fee payable by each investor is set out in BPIC's *Investment Management Fee Schedule* that has been provided to the investor when the investor enters into an investment management agreement with the trustee and BPIC. The wealth management fee is paid directly by the investor to the trustee and the Manager. The trustee may compensate financial institutions and securities registrants within BMO Financial Group for client referrals to the wealth management service.

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### *Unitholder Services*

The Portfolio is provided with certain facilities and services by related parties. BMO AM Inc. is the registrar of the Portfolio. The trustee and BMO AM Inc. are paid by the Portfolio for fees relating to the custodial and administrative services they provide, respectively. Administrative services include fund accounting, record keeping and purchases/redemption order processing.

The fees charged to the Portfolio during the periods were as follows:

	<b>Period ended June 30, 2015 (\$000s)</b>	<b>Period ended June 30, 2014 (\$000s)</b>
Unitholder Services	136	141

### Management Fee

There is no management fee charged to the Portfolio. The trustee and the Manager receive an annual wealth management fee from investors for the wealth management service offered by BMO Financial Group.

## BMO Private Canadian Money Market Portfolio

### Financial Highlights

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

The Portfolio's Net Assets Per Unit <sup>(1)</sup>	Six months ended June 30, 2015	Years ended December 31				
		2014	2013	2012	2011	2010
Net assets, beginning of period	\$ 10.00	10.00	10.00	10.00	10.00	10.00
<b>Increase (decrease) from operations:</b>						
Total revenue	\$ 0.05	0.12	0.12	0.12	0.12	0.07
Total expenses <sup>(2)</sup>	\$ (0.00)	(0.01)	(0.01)	(0.00)	(0.00)	(0.00)
Realized gains (losses) for the period	\$ —	—	—	—	—	—
Unrealized gains (losses) for the period	\$ —	—	—	—	—	—
<b>Total increase (decrease) from operations <sup>(3)</sup></b>	<b>\$ 0.05</b>	<b>0.11</b>	<b>0.11</b>	<b>0.12</b>	<b>0.12</b>	<b>0.07</b>
<b>Distributions:</b>						
From income (excluding dividends)	\$ 0.05	0.11	0.11	0.12	0.12	0.07
From dividends	\$ —	—	—	—	—	—
From capital gains	\$ —	—	—	—	—	—
Return of capital	\$ —	—	—	—	—	—
<b>Total Annual Distributions <sup>(4)</sup></b>	<b>\$ 0.05</b>	<b>0.11</b>	<b>0.11</b>	<b>0.12</b>	<b>0.12</b>	<b>0.07</b>
<b>Net assets, end of period</b>	<b>\$ 10.00</b>	<b>10.00</b>	<b>10.00</b>	<b>10.00</b>	<b>10.00</b>	<b>10.00</b>

<sup>(1)</sup> This information is derived from the Portfolio's unaudited semi-annual and audited annual financial statements. The financial information presented for the periods ended June 30, 2015, December 31, 2014 and December 31, 2013 is derived from the financial statements determined in accordance with IFRS. Information for years prior to January 1, 2013 is derived from prior period financial statements prepared in accordance with Canadian GAAP. The net assets per unit presented in the financial statements differs from the net asset value calculated for portfolio pricing purposes. An explanation of these differences can be found in the notes to the financial statements.

<sup>(2)</sup> Includes commissions and portfolio transaction costs. Prior to 2013, withholding taxes were not included in expenses as they were included in revenue.

<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 paid in cash or reinvested in additional units of the Portfolio, or both.

Ratios and Supplemental Data	Six months ended June 30, 2015	Years ended December 31				
		2014	2013	2012	2011	2010
Total net asset value (000s) <sup>(1)</sup>	\$ 1,151,049	1,103,538	1,382,647	1,101,645	1,220,714	1,075,079
Number of units outstanding (000s) <sup>(1)</sup>	115,105	110,354	138,265	110,165	122,071	107,508
Management expense ratio <sup>(2)</sup>	% 0.05	0.05	0.05	0.06	0.05	0.04
Management expense ratio before waivers or management absorptions	% 0.21	0.17	0.18	0.08	0.05	0.04
Trading expense ratio <sup>(3)</sup>	% —	—	—	—	—	—
Portfolio turnover rate <sup>(4)</sup>	% —	—	—	—	—	—
Net asset value per unit	\$ 10.00	10.00	10.00	10.00	10.00	10.00

<sup>(1)</sup> This information is provided as at June 30 or December 31 of the period shown, as applicable.

<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. For all the financial periods listed, no commissions or portfolio transaction costs were incurred by the Portfolio. As a result, the trading expense ratio for each of the periods was zero.

<sup>(4)</sup> The portfolio turnover rate indicates how actively the Portfolio's sub-advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Portfolio buying and selling all of the securities in its portfolio once in the course of the year. The higher a portfolio turnover rate in a year, the greater the trading costs payable by the Portfolio 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 a portfolio. The Portfolio turnover ratio is not applicable to money market funds.

# BMO Private Canadian Money Market Portfolio

## Past Performance

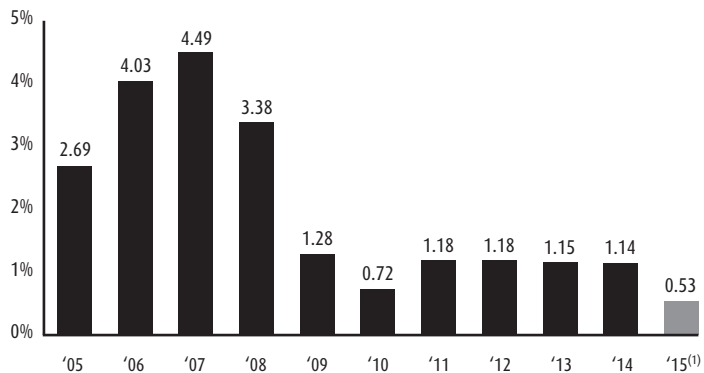
### General

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

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, how the Portfolio has performed in the past does not necessarily indicate how it will perform in the future.

### Year-by-Year Returns

The following bar chart shows the performance for each of the financial years and for the six-month period ended June 30, 2015 shown and illustrates how the performance has changed from year to year. The bar chart shows in percentage terms how an investment made on the first day of each financial year would have increased or decreased by the last day of each financial year.



<sup>(1)</sup> For the six-month period ended June 30, 2015.

## BMO Private Canadian Money Market Portfolio

### Summary of Investment Portfolio

as at June 30, 2015

Portfolio Allocation	% of Net Asset Value
Corporate Bonds	40.1
Commercial Paper	27.5
Treasury Bills – Provincial	20.6
Other	2.9
Asset-Backed Securities	2.5
Money Market – Provincial	2.3
Municipal	1.8
Provincial Bonds	1.2
Term Deposit Receipts	1.1
Cash/Receivables/Payables	0.0
<b>Total portfolio allocation</b>	<b>100.0</b>

Top 25 Holdings	% of Net Asset Value
<b>Issuer</b>	
Manulife Financial Corporation, Medium Term Notes, Senior, Unsecured, 4.079% Aug 20, 2015	4.4
Bank of Nova Scotia, Senior, Notes, 3.610% Feb 22, 2016	4.4
Cadillac Fairview Finance Trust, Series A, Senior, Unsecured, Notes, 3.240% Jan 25, 2016	4.2
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, 3.360% Jan 11, 2016	3.9
Province of Manitoba, Treasury Bills, 0.749% Aug 26, 2015	3.1
Province of Newfoundland, Treasury Bills, 0.751% Jul 31, 2015	2.2
Province of Ontario, Treasury Bills, 0.762% Aug 19, 2015	2.2
Province of Newfoundland, Treasury Bills, 0.747% Aug 27, 2015	2.2
Province of Ontario, Treasury Bills, 0.759% Sep 2, 2015	2.2
Glacier Credit Card Trust, Series 2010-1, Asset-Backed Notes, Senior, 3.158% Nov 20, 2015	1.9
VW Credit Canada Inc., Unsecured, Notes, 3.600% Feb 1, 2016	1.8
Bay Street Funding Trust, Commercial Paper, 0.908% Sep 1, 2015	1.8
Toronto Hydro Corporation, Commercial Paper, 0.939% Jul 7, 2015	1.8
Province of Quebec, Treasury Bills, 0.759% Sep 11, 2015	1.7
PSP Capital Inc., Series 2, Senior, Unsecured, Notes, 2.940% Dec 3, 2015	1.7

Top 25 Holdings	% of Net Asset Value
<b>Issuer</b>	
Canadian Western Bank, Deposit Notes, Senior, Unsecured, 2.378% Sep 14, 2015	1.5
Canadian Imperial Bank of Commerce, Deposit Notes, Unsecured, 3.400% Jan 14, 2016	1.5
National Bank of Canada, Deposit Notes, Unsecured, 2.050% Jan 11, 2016	1.5
Province of Ontario, Treasury Bills, 0.751% Sep 9, 2015	1.5
American Express Canada Credit Corp., Medium Term Notes, Senior, Unsecured, 3.600% Jun 3, 2016	1.4
Canadian Imperial Bank of Commerce, Deposit Notes, Unsecured, Floating Rate, Jun 14, 2016	1.3
Bank of Nova Scotia, Deposit Notes, Senior, Unsecured, Floating Rate, Mar 11, 2016	1.3
Canadian Imperial Bank of Commerce, Deposit Notes, Unsecured, Floating Rate, Jan 15, 2016	1.3
National Bank of Canada, Medium Term Notes, Senior, Unsecured, Floating Rate, Jun 22, 2016	1.3
Husky Energy Inc., Commercial Paper, 1.020% Jul 8, 2015	1.3
<b>Top holdings as a percentage of total net asset value</b>	<b>53.4</b>
<b>Total Net Asset Value</b>	<b>\$1,151,049,333</b>

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

**Manager**

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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 Portfolio may invest and the risks detailed from time to time in the simplified prospectus of the BMO Private Portfolios. 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 Portfolio, 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 Private Investment Counsel 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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