

# Semi-Annual Financial Statements

BMO Private Portfolios

June 30, 2015

## **BMO Private U.S. Growth Equity Portfolio**

*(formerly BMO Harris U.S. Growth Portfolio)*

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

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

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

**BMO Private U.S. Growth Equity Portfolio**  
(formerly BMO Harris U.S. Growth Portfolio) (unaudited)

**STATEMENT OF FINANCIAL POSITION**

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

<b>As at</b>	<b>June 30 2015</b>	<b>December 31 2014</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	5,569	5,147
Investments		
Non-derivative financial assets	297,970	266,024
Receivable for investments sold	1,597	—
Subscriptions receivable	182	68
Dividends receivable	126	57
<b>Total assets</b>	<b>305,444</b>	<b>271,296</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Payable for investments purchased	3,284	—
Redemptions payable	61	29
Accrued expenses	477	433
<b>Total liabilities</b>	<b>3,822</b>	<b>462</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>301,622</b>	<b>270,834</b>
<b>Net assets attributable to holders of redeemable units per unit</b>	<b>\$ 10.76</b>	<b>\$ 9.87</b>

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

**BMO Private U.S. Growth Equity Portfolio**  
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**STATEMENT OF COMPREHENSIVE INCOME**

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

<b>For the periods ended</b>	<b>June 30 2015</b>	<b>June 30 2014</b>
<b>Income</b>		
Dividend income	705	471
Other changes in fair value of investments and derivatives		
Net realized gain	8,210	8,035
Change in unrealized appreciation (depreciation)	15,611	(3,336)
Net gain in fair value of investments and derivatives	24,526	5,170
Foreign exchange gain (loss)	352	(142)
Total other income (loss)	352	(142)
<b>Total income</b>	<b>24,878</b>	<b>5,028</b>
<b>Expenses</b>		
Sub-advisory fees	728	613
Audit fees	3	3
Independent review committee fees	1	1
Withholding taxes	86	50
Custodian fees	5	5
Legal and filing fees	10	19
Unitholder servicing fees	51	51
Printing and stationery fees	2	1
Commissions and other portfolio transaction costs (note 6)	31	18
Operating expenses absorbed by the Manager	(255)	(222)
<b>Total expenses</b>	<b>662</b>	<b>539</b>
<b>Increase in net assets attributable to holders of redeemable units</b>	<b>24,216</b>	<b>4,489</b>
<b>Increase in net assets attributable to holders of redeemable units per unit (note 3)</b>	<b>0.88</b>	<b>0.17</b>

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**BMO Private U.S. Growth Equity Portfolio**  
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**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS**

*(All amounts in thousands of Canadian dollars)*

<b>For the periods ended</b>	<b>June 30 2015</b>	<b>June 30 2014</b>
<b>Net assets attributable to holders of redeemable units at beginning of period</b>	270,834	204,195
Increase in net assets attributable to holders of redeemable units	24,216	4,489
<b>Redeemable unit transactions</b>		
Proceeds from redeemable units issued	35,902	37,923
Redemption of redeemable units	(29,330)	(21,190)
<b>Net increase from redeemable unit transactions</b>	6,572	16,733
<b>Net increase in net assets attributable to holders of redeemable units</b>	30,788	21,222
<b>Net assets attributable to holders of redeemable units at end of period</b>	301,622	225,417

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**STATEMENT OF CASH FLOWS**

(All amounts in thousands of Canadian dollars)

<b>For the periods ended</b>	<b>June 30 2015</b>	<b>June 30 2014</b>
<b>Cash flows from operating activities</b>		
Increase in net assets attributable to holders of redeemable units	24,216	4,489
Adjustments for:		
Foreign exchange (gain) loss on cash	(70)	21
Net realized gain on sale of investments and derivatives	(8,210)	(8,035)
Change in unrealized (appreciation) depreciation of investments and derivatives	(15,611)	3,336
Increase in dividends receivable	(69)	(8)
Increase in accrued expenses	44	67
Purchases of investments	(31,930)	(42,063)
Proceeds from sale and maturity of investments	25,492	23,647
<b>Net cash from operating activities</b>	<b>(6,138)</b>	<b>(18,546)</b>
<b>Cash flows used in financing activities</b>		
Proceeds from issuances of redeemable units	35,788	37,825
Amounts paid on redemption of redeemable units	(29,298)	(20,909)
<b>Net cash used in financing activities</b>	<b>6,490</b>	<b>16,916</b>
Foreign exchange gain (loss) on cash	70	(21)
Net increase (decrease) in cash	352	(1,630)
Cash at beginning of year	5,147	4,815
<b>Cash at end of year</b>	<b>5,569</b>	<b>3,164</b>
<b>Supplementary Information</b>		
Dividends received, net of withholding taxes*	550	413

\*These items are from operating activities

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**BMO Private U.S. Growth Equity Portfolio**  
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**SCHEDULE OF INVESTMENT PORTFOLIO**

As at June 30, 2015 (All amounts in thousands of Canadian dollars, unless otherwise noted)

Security	Number of Shares or Units	Cost+ (\$)	Fair Value (\$)
<b>Equities</b>			
<i>Consumer Discretionary — 14.3%</i>			
Chipotle Mexican Grill, Inc.	13,600	5,636	10,277
Las Vegas Sands Corp.	70,239	3,960	4,612
NIKE Inc., Class B	71,300	4,486	9,619
priceline.com Incorporated	8,300	7,577	11,936
Twenty-First Century Fox Inc.	166,400	6,744	6,764
		28,403	43,208
<i>Consumer Staples — 1.9%</i>			
Whole Foods Market, Inc.	118,100	5,785	5,818
<i>Energy — 5.9%</i>			
FMC Technologies Inc.	113,000	5,464	5,856
Schlumberger Limited	88,600	7,848	9,538
Southwestern Energy Company	87,400	3,283	2,481
		16,595	17,875
<i>Financials — 2.8%</i>			
Charles Schwab Corporation, The,	206,300	5,463	8,413
<i>Health Care — 21.8%</i>			
Alexion Pharmaceuticals, Inc.	48,900	6,100	11,041
athenahealth, Inc.	33,300	3,857	4,766
Biogen Idec Inc.	26,200	6,380	13,218
BioMarin Pharmaceutical Inc.	62,100	3,951	10,609
Cerner Corporation	82,600	3,997	7,125
Illumina, Inc.	13,705	3,712	3,738
Regeneron Pharmaceuticals, Inc.	24,100	6,565	15,355
		34,562	65,852
<i>Information Technology — 49.1%</i>			
Adobe Systems Incorporated	104,700	8,372	10,594
Alibaba Group Holdings Ltd., ADR	60,300	5,428	6,196
ARM Holdings PLC	98,900	4,503	6,086
ASML Holdings N.V.	39,800	2,314	5,176
Baidu, Inc., ADR	40,600	5,217	10,095
Facebook, Inc.	178,600	8,110	19,132
Google Inc., Class A	15,600	10,757	10,522
Google Inc., Class C	7,100	804	4,616
LendingClub Corporation	269,900	6,433	4,972
LinkedIn Corporation	51,300	11,279	13,240
Palo Alto Networks, Inc.	21,000	4,170	4,582
Salesforce.com, Inc.	229,100	10,332	19,924
Splunk Inc.	100,900	5,807	8,774
Visa Inc., Class A	286,500	11,319	24,029
		94,845	147,938

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**SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)**

*As at June 30, 2015 (All amounts in thousands of Canadian dollars, unless otherwise noted)*

<b>Security</b>	<b>Number of Shares or Units</b>	<b>Cost+ (\$)</b>	<b>Fair Value (\$)</b>
<i>Materials — 3.0%</i>			
Monsanto Company	66,600	7,684	8,866
<b>Total Investment Portfolio — 98.8%</b>		<b>193,337</b>	<b>297,970</b>
<b>Other Assets Less Liabilities — 1.2%</b>			<b>3,652</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS — 100.0%</b>			<b>301,622</b>

*+ 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*

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## NOTES TO FINANCIAL STATEMENTS

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

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### 1. The Portfolio

BMO Private U.S. Growth Equity Portfolio (“the Portfolio”) is an open-ended mutual fund trust established by a Declaration of Trust under the laws of the Province of Ontario, most recently amended on May 7, 2014. BMO Private Investment Counsel Inc. (“the Manager”) is the Manager of the Portfolio. The address of the Portfolio’s registered office is 1 First Canadian Place, 41st Floor, Toronto, Ontario.

The information provided in these unaudited interim financial statements is for the periods ended June 30, 2015 and June 30, 2014, except for the comparative information in the Statement of Financial Position and the related notes which are as at December 31, 2014.

These financial statements were authorized for issue by the Manager on August 14, 2015.

### 2. Basis of preparation and presentation

These unaudited interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The Portfolio adopted this basis of accounting effective January 1, 2014, as required by Canadian securities legislation and the Canadian Accounting Standards Board. Certain prior period balances have been reclassified to conform with the current period presentation.

### 3. Summary of significant accounting policies

#### Financial instruments

The Portfolio records financial instruments at fair value. Investment transactions are accounted for on the trade date. The Portfolio’s investments are either designated at fair value through profit or loss (“FVTPL”) at inception or classified as held for trading. The changes in the investment fair values and related transaction costs are recorded in the Portfolio’s Statement of Comprehensive Income.

Financial assets or financial liabilities held for trading are those acquired or incurred principally for the purpose of selling or repurchasing in the near future, or on initial recognition, are part of a portfolio of identified financial instruments that the Portfolio manages together and that have a recent actual pattern of short-term profit taking. The Portfolio classifies all derivatives and short positions as held for trading. The Portfolio does not designate any derivatives as hedges in a hedging relationship.

The Portfolio designates all other investments at FVTPL, as they have reliably measurable fair values, are part of a group of financial assets or liabilities that are managed and have their performance evaluated on a fair value basis in accordance with the Portfolio’s investment strategy.

The Portfolio’s outstanding redeemable units, which are puttable instruments, are entitled to a contractual obligation of annual distribution of any net income and net realized capital gains by the Portfolio. This annual distribution can be in cash at the option of the unitholders, and therefore the ongoing redemption feature is not the redeemable units’ only contractual obligation. Consequently, the units of the Portfolio do not meet the conditions to be classified as equity and therefore are classified as financial liabilities and presented at the redemption amounts.

All other financial assets and financial liabilities are measured at amortized cost. Under this method, financial assets and financial liabilities reflect the amount required to be received or paid or discounted, when appropriate, at the contract’s effective interest rate.

The Portfolio has determined that it meets the definition of “investment entity” and as a result, it measures subsidiaries other than those which provide services to the Portfolio, at FVTPL.

#### Cost of investments

The cost of investments represents the amount paid for each security and is determined on an average cost basis.

#### Fair value measurement

Investments are recorded at their fair value with the change between this amount and their average cost being recorded as change in unrealized appreciation (depreciation) in the Statement of Comprehensive Income.

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 securities traded in countries outside of North America daily, to avoid stale prices and to take into account among other things, any



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## NOTES TO FINANCIAL STATEMENTS (cont'd)

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significant events occurring after the close of a foreign market.

For bonds, debentures, asset-backed securities and other debt securities fair value is represented by bid prices provided by independent security pricing services. Short-term investments, if any, are carried at amortized cost which approximates fair value. Unlisted warrants, if any, are valued based on a pricing model which considers factors such as the market value of the underlying security, strike price and terms of the warrant. Mutual fund units held as investments are valued at their respective Net Asset Value ("NAV") on each Valuation Date (the "Valuation Date" is each day on which the Toronto Stock Exchange is open for trading), as these values are the most readily and regularly available.

For securities where market quotes are not available, unreliable or not considered to reflect the current value, the Portfolio may determine another value which it considers to be fair and reasonable, or using a valuation technique that, to the extent possible, makes maximum use of inputs and assumptions based on observable market data including volatility, comparable companies and other applicable rates or prices. These estimation techniques include discounted cash flows, internal models that utilize observable data or comparisons with other securities that are substantially similar. In limited circumstances, the Portfolio uses internal models where the inputs are not based on observable market data.

The Portfolio's accounting policies for measuring the fair value of its investments and derivatives are aligned with the valuation policies used in measuring its NAV for transactions with unitholders.

### Derivative instruments

Derivative instruments are financial contracts that derive their value from underlying changes in interest rates, foreign exchange rates or other financial or commodity prices or indices.

Derivative instruments are either regulated exchange-traded contracts or negotiated over-the-counter contracts. The Portfolio may use these instruments for trading purposes, as well as to manage the Portfolio's risk exposures.

Derivatives are marked to fair value. Discussion of the fair value measurement of derivatives is included in Note 3. Realized and unrealized gains and losses are recorded in the Statement of Comprehensive Income.

### Forward currency contracts

A forward currency contract is an agreement between two parties (the Portfolio and the counterparty) to purchase or sell a currency against another currency at a set price on a future date. The Portfolio may enter into forward currency contracts for hedging purposes which can include the hedging of all or a portion of the currency exposure of an investment or group of investments, either directly or indirectly. The Portfolio may also enter into these contracts for non-hedging purposes which can include increasing the exposure to a foreign currency or to shift exposure to foreign currency fluctuations from one country to another. The value of forward currency contracts entered into by the Portfolio is recorded as the difference between the value of the contract on the Valuation Date and the value on the date the contract originated.

### Income recognition

Dividend income and distributions from investment trust units 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 is 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 of Comprehensive Income. If held to maturity, the Portfolio 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 Portfolio'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. Foreign exchange gains (losses) on completed transactions are included in "Realized gains (losses)" and unrealized foreign exchange gains (losses)

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**NOTES TO FINANCIAL STATEMENTS (cont'd)**

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

**Securities lending**

A Portfolio may engage in securities lending pursuant to the terms of an agreement which includes restrictions as set out in Canadian securities legislation. Collateral held is government Treasury Bills and qualified Notes.

Income from securities lending, where applicable, is included in the Statement of Comprehensive Income and is recognized when earned. The securities on loan continue to be displayed in the Schedule of Investment Portfolio. The market value of the securities loaned and collateral held is determined daily. Aggregate values of securities held in trust as at June 30, 2015 and December 31, 2014, where applicable, are disclosed in Note 8(e).

**Short-term trading penalty**

To discourage excessive trading, the Portfolio may, at the Manager's sole discretion, charge a short-term trading penalty. This penalty is paid directly to the Portfolio and is included in "Short-term penalty trading fees" in the Statement of Comprehensive Income.

**Cash**

Cash is comprised of cash and deposits with banks which include bankers' acceptances and overnight demand deposits. Cash is recorded at amortized cost.

**Other assets and other liabilities**

Dividend receivable, interest receivable, distributions from investment trust units receivable, due from broker and subscriptions receivable are measured at fair value and subsequently measured at amortized cost. Similarly, due to broker, redemptions payable and accrued expenses are measured at amortized cost. Other assets and liabilities are short-term in nature, and are carried at cost or amortized cost, which approximates fair value.

**Increase or decrease in net assets attributable to holders of redeemable units**

"Increase (decrease) in net assets attributable to holders of redeemable units" in the Statement of Comprehensive Income represents the increase (decrease) in net assets attributable to holders of redeemable units divided by the weighted average number of units outstanding during the period.

**Taxation**

The Portfolio qualifies as a unit 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 Portfolio will not be subject to income tax. As a result, the Portfolio has determined that it is in substance not taxable and therefore nor does it not record income taxes in the Statement of Comprehensive Income and or recognize any deferred tax assets in the Statement of Financial Position.

The Portfolio incurs 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 are shown separately in the Statement of Comprehensive Income.

**Investments in associates, joint ventures and subsidiaries**

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

**Unconsolidated structured entities**

The Portfolio invests in securitizations, asset-backed securities and mortgage-backed securities.

The Portfolio has determined that its investments in securitizations, asset-backed securities and mortgage-backed securities are unconsolidated structured entities. The determination is based on the fact that decision making about the securitizations, asset-backed securities and mortgage-backed securities is not governed by the voting right or other similar right held by the Portfolio.

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 created from many types of assets,

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including auto loans, credit card receivables, home equity loans, and student loans.

The Portfolio does not provide and has not committed to providing any additional significant financial information or other support to the unconsolidated structured entities other than its investments in the unconsolidated structured entities. During the periods, the Portfolio had no sponsored unconsolidated structured entities.

Additional information on the Portfolio'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 transactions for which the Portfolio 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 transactions where a master netting arrangement or similar agreement is in place with a right of offset only in the event of default, insolvency or bankruptcy, or where the offset criteria are otherwise not met, including where the Portfolio has no intention to settling on a net basis. There were no master netting agreements during the periods.

### Accounting standards issued but not yet adopted

Below are accounting standards issued or amended but not yet effective and not yet adopted. The Manager does not expect the adoption of these standards or amendments to have a significant impact to the Portfolio's financial statements.

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which addresses classification and measurement, impairment and hedge accounting.

The new standard requires assets to be carried at amortized cost, FVTPL or fair value through other comprehensive income based on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial asset. The classification and measurement of liabilities remains generally unchanged with the exception of liabilities recorded at FVTPL. For these liabilities, fair value changes attributable to changes in the entity's own

credit risk are to be presented in other comprehensive income unless they affect amounts recorded in income.

The new standard also addresses impairment of financial assets. It also introduced a new hedge accounting model that expands the scope of eligible hedged items and risks eligible for hedge accounting, and aligns hedge accounting more closely with risk management.

The new standard is effective for the Portfolio for its fiscal year beginning January 1, 2018. The Portfolio is evaluating the impact of this standard on its financial statements.

### 4. Critical accounting estimates and judgements

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

#### Accounting judgements:

##### Functional and presentation currency

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

##### Classification of measurement of financial instruments and application of fair value option

In classifying and measuring financial instruments held by the Portfolio, the Manager is required to make significant judgements about whether or not the business of the Portfolio is to invest on a total return basis for the purpose of applying the fair value options for financial assets.

#### Accounting estimates:

##### Fair value measurement of securities not quoted in an active market

The Portfolio has established policies and control procedures that are intended to ensure these

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judgements are well controlled, independently reviewed, and consistently applied from period to period. The estimates of the value of the Portfolio's assets and liabilities are believed to be appropriate as at the reporting date.

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

### 5. Units and unit transactions

The redeemable units of the Portfolio are classified as 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 Portfolio's NAV. The Portfolio is required to pay distributions in an amount not less than the amount necessary to ensure the Portfolio will not be liable for income taxes. The Portfolio has no restrictions or specific capital requirements on the subscriptions and redemptions of units except as disclosed in Note 8(a). The relevant movements in redeemable units are shown on 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 Portfolio endeavours to invest the subscriptions received in appropriate investments, while maintaining sufficient liquidity to meet redemptions, with such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

Redeemable units of the Portfolio are offered for sale on a continuous basis and may be purchased or redeemed on any Valuation Date at the NAV per unit of a particular series. The NAV per unit for the purposes of subscription or redemption is computed by dividing the NAV of the Portfolio (that is, the total fair value of the assets less the liabilities) by the total number of units of the Portfolio outstanding at such time.

### 6. Related party transactions

#### (a) Unitholder servicing, sub-advisory commissions and other portfolio transaction costs

The Portfolio is provided with certain facilities and services by affiliates of the Manager. Expenses incurred in the administration of the Portfolio were paid to BMO Trust Company ("the Trustee") and to BMO Asset Management Inc. ("the Registrar") and charged to the Portfolio. These expenses are included in "Unitholder

servicing fees" in the Statement of Comprehensive Income.

The sub-advisors (including affiliates of the Manager, where applicable) engaged by the Manager provide investment advice and make investment decisions for the Portfolio's investment portfolio. For these services the sub-advisors receive sub-advisory fees that are paid monthly by the Manager. These expenses are included in "Sub-advisory fees" in the Statement of Comprehensive Income. Any sub-advisory fees less than or equal to 0.15% of the net asset value of the Portfolio are absorbed by the Manager.

The Portfolio may execute trades with and or through BMO Nesbit Burns Inc., an affiliate of the Manager based on established standard brokerage agreements at market prices. These fees are included in "Commissions and other portfolio transaction costs" in the Statement of Comprehensive Income. Refer to Note 8 for related party fees charged to the Portfolio for the periods ended June 30, 2015 and June 30, 2014.

#### (b) Other related party transactions

From time to time, the Manager may on behalf of the Portfolio enter into transactions or arrangements with or involving subsidiaries or affiliates of Bank of Montreal, or certain other persons or companies that are related or connected to the Manager of the Portfolio. These transactions or arrangements may include transactions or arrangements with or involving subsidiaries and affiliates of Bank of Montreal, BMO Trust Company, BMO Nesbitt Burns Inc., BMO Private Investment Counsel Inc., BMO Asset Management Inc., BMO Asset Management Corp., BMO Investments Inc., Pyrford International Ltd, or other investment funds offered by Bank of Montreal, and may involve the purchase or sale of portfolio securities through or from a subsidiary or affiliate of Bank of Montreal, the purchase or sale of securities issued or guaranteed by a subsidiary or affiliate of Bank of Montreal, entering into forward contracts with a subsidiary or affiliate 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.

### 7. Financial instruments risks

The Portfolio'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

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**NOTES TO FINANCIAL STATEMENTS (cont'd)**

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type, geographic location and/or market segment. The Portfolio's risk management practice outlines the monitoring of compliance to investment guidelines.

The Manager manages the potential effects of these financial risks on the Portfolio's performance by employing and overseeing professional and experienced portfolio managers that regularly monitor the Portfolio's positions, market events and diversify investment portfolios within the constraints of the investment guidelines.

**(a) Currency risk**

Currency risk is the risk that the value of financial instruments denominated in currencies, other than the functional currency of the Portfolio, 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 Portfolio's functional currency in determining fair value. The Portfolio may enter into forward currency contracts for hedging purposes to reduce foreign currency exposure or to establish exposure to foreign currencies. The Portfolio'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 Portfolio's interest-bearing investments will fluctuate due to changes in market interest rates. The Portfolio's exposure to interest rate risk is concentrated in its investment in debt securities (such as bonds, money market investments, short-term investments and debentures) and interest rate derivative instruments, if any. Other assets and liabilities are short-term in nature and/or non-interest bearing. The Portfolio'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. Other assets and liabilities are monetary items that are short-term in nature, as such they are not subject to other market risk. The Portfolio'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 Portfolio'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 Portfolio's exposure to credit risk, if any, is further discussed in Note 8.

The Portfolio 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 Portfolio must be at least 102% of the fair value of securities loaned, as disclosed in Note 8.

**(e) Liquidity risk**

The Portfolio's exposure to liquidity risk is concentrated in the daily cash redemptions of units. The Portfolio primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Portfolio retains sufficient cash and cash equivalent positions to maintain liquidity. The Portfolio may, from time to time, enter into over-the-counter derivative contracts or invest in unlisted securities, which are not traded in an organized market and may be illiquid. Securities for which a market quotation could not be obtained and may be illiquid are identified on the Statement of Investment Portfolio. The proportion of illiquid securities to the NAV of the Portfolio 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 Portfolio's financial obligations.

**BMO Private U.S. Growth Equity Portfolio**  
(formerly BMO Harris U.S. Growth Portfolio) (unaudited)

**NOTES TO FINANCIAL STATEMENTS**

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

June 30, 2015

**8. Portfolio specific information**

**(a) Portfolio information, change in units and significant events**

The Portfolio's inception date was June 28, 2000.

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, 2015	Jun. 30, 2014
Units issued and outstanding, beginning of period	27,430	24,591
Issued for cash	3,409	4,395
Redeemed during the period	(2,818)	(2,481)
Units issued and outstanding, end of period	28,021	26,505

*Portfolio name change*

Effective February 2, 2015, the Portfolio's name changed from BMO Harris U.S. Growth Portfolio to BMO Private U.S. Growth Portfolio.

*Manager name change*

Effective February 2, 2015, the Manager changed its name from BMO Harris Investment Management Inc. to BMO Private Investment Counsel Inc.

**(b) Reconciliation of NAV to Net Assets**

As at June 30, 2015 and December 31, 2014, there were no differences between the Portfolio'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, 2015 and June 30, 2014 is calculated as follows:

For the periods ended	Jun. 30, 2015	Jun. 30, 2014
Increase in net assets attributable to holders of redeemable units	24,216	4,489
Weighted average units outstanding during the period	27,497	25,793
Increase in net assets attributable to holders of redeemable units per unit	0.88	0.17

**(d) Income taxes**

As at the tax year-ended December 2014, the Portfolio had the following capital and non-capital losses for income tax purposes:

Total Capital Losses (\$)	Total Non- Capital Losses (\$)	Non-Capital Losses That Expire in		
		2015 (\$)	2016 (\$)	2017 and thereafter (\$)
70,776	—	—	—	—

**(e) Related party transactions**

*Unitholder servicing*

The related party fees charged for unitholder servicing fees are as follows:

For the periods ended	Jun. 30, 2015	Jun. 30, 2014
Unitholder servicing (\$)	43	44

*Brokerage commissions and soft dollars*

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

For the periods ended	Jun. 30, 2015	Jun. 30, 2014
Total brokerage amounts paid (\$)	28	18
Total brokerage amounts paid to related parties (\$)	—	—

The Manager may select brokers who charge a commission in "soft dollars" if they determine in good faith that the commission is reasonable in relation to the order execution and research services utilized. The ascertainable soft dollar value of services received as a percentage of total brokerage commissions paid under the soft dollar arrangement entered into by the portfolio advisor for the periods ended is as follows:

For the periods ended	Jun. 30, 2015	Jun. 30, 2014
Total soft dollars (\$)	16	—
Total soft dollars as a percentage of total commissions (\$)	57	-

**BMO Private U.S. Growth Equity Portfolio**  
(formerly BMO Harris U.S. Growth Portfolio) (unaudited)

**NOTES TO FINANCIAL STATEMENTS (cont'd)**

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

June 30, 2015

**(f) Financial instruments risks**

The Portfolio's objective is to provide the above average long term capital growth by investing in the equity securities of large-capitalization, U.S. based companies.

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

*Currency risk*

The tables below summarize the Portfolio's exposure to currency risk. Amounts shown are based on the carrying value of monetary and non-monetary assets (including derivatives and the underlying principle (notional) amount of forward currency contracts, if any).

As at Jun. 30, 2015

	Cash and other current receivables & payables (\$)	Investments (monetary & non-monetary) (\$)	Forward currency contracts (\$)	Net currency exposure (\$)	As a % of Net Assets (%)
U.S. Dollar	4,008	297,970	-	301,978	100.1

All amounts in Canadian Dollars

As at Dec. 31, 2014

	Cash and other current receivables & payables (\$)	Investments (monetary & non-monetary) (\$)	Forward currency contracts (\$)	Net currency exposure (\$)	As a % of Net Assets (%)
U.S. Dollar	5,199	266,024	-	271,223	100.1

All amounts in Canadian Dollars

As at June 30, 2015 and December 31, 2014, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies, with all factors remaining constant, Net Assets could possibly have increased or decreased, respectively, by approximately \$15,099 (December 31, 2014 – \$13,561). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

*Interest rate risk*

As at June 30, 2015 and December 31, 2014, the Portfolio did not have any significant exposure to interest rate risk.

*Other market risk*

The Portfolio has a significant exposure to other market risk arising from its investment in equity securities. Using historical correlation between the Portfolio's return and the return of its benchmark, if the benchmark, Russell 100 Growth Index (CAD), had increased or decreased by 10%, with all other variables held constant, the Net Assets of the Portfolio would have increased or decreased, respectively, by \$34,235 (December 31, 2014 – \$30,683). 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, 2015 and December 31, 2014, the Portfolio did not have any significant exposure to credit risk.

*Securities lending*

There were no assets involved in securities lending transactions as at June 30, 2015 and December 31, 2014.

*Concentration risk*

The following is a summary of the Portfolio's concentration risk:

As at	Jun. 30, 2015	Dec. 31, 2014
<b>Equities</b>		
Consumer Discretionary	14.3%	16.6%
Consumer Staples	1.9%	2.4%
Energy	5.9%	8.8%
Financials	2.8%	2.6%
Health Care	21.8%	18.1%
Information Technology	49.1%	46.4%
Materials	3.0%	3.3%
Other Assets Less Liabilities	1.2%	1.8%
	<b>100.0%</b>	<b>100.0%</b>

**(g) Financial assets and financial liabilities**

*Categories of financial assets and financial liabilities*

The table below shows the categories of financial assets and financial liabilities.

As at	Jun. 30, 2015	Dec. 31, 2014
Financial assets designated at FVTPL	297,970	266,024
Loans and receivables	1,905	125
Financial liabilities measured at amortized cost	3,822	462

**BMO Private U.S. Growth Equity Portfolio**  
(formerly BMO Harris U.S. Growth Portfolio) (unaudited)

**NOTES TO FINANCIAL STATEMENTS (cont'd)**

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

June 30, 2015

*Net gains and losses on financial assets and financial liabilities at fair value*

For the periods ended	Jun. 30, 2015	Jun. 30, 2014
<b>Net realized gains (losses) on financial assets</b>		
Designated at FVTPL	8,915	8,506
	8,915	8,506
<b>Total net realized gains (losses) on financial assets and financial liabilities</b>	8,915	8,506
<b>Change in unrealized gains (losses) on financial assets</b>		
Designated at FVTPL	15,611	(3,336)
	15,611	(3,336)
<b>Total change in unrealized gains (losses) on financial assets and financial liabilities</b>	15,611	(3,336)

**(h) Fair value hierarchy**

The Portfolio 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.

As at Jun. 30, 2015

Financial assets	Level 1	Level 2	Level 3	Total
Equity Securities	281,679	16,291	—	297,970

As at Dec. 31, 2014

Financial assets	Level 1	Level 2	Level 3	Total
Equity Securities	249,942	16,082	—	266,024

*Transfers between levels*

There were no transfers between the levels during the periods.



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