

# Semi-Annual Management Report of Fund Performance

## BMO Private Canadian Conservative Equity Portfolio (formerly, BMO Harris Canadian Conservative Equity 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 Conservative Equity Portfolio (the "Portfolio").*

#### Results of Operations

Over the six-month period ended June 30, 2015, the Portfolio returned 1.61%, after expenses. The Portfolio's benchmark is the S&P/TSX Composite Index ("S&P/TSX"), which generated a 0.91% total return over the same six-month period.

Canadian equities, as measured by the S&P/TSX, gained slightly during the period. The Canadian economy continued to feel the impact of the faltering Energy and Mining sectors as gross domestic product ("GDP") contracted 0.1% in April for the fourth consecutive month. The S&P/TSX underperformed most other major equity indices, including those of Japan and the eurozone in Canadian dollar terms, as the Canadian dollar continued to weaken versus the U.S. dollar. The Canadian dollar's slide began when the Bank of Canada (the "BoC") surprised markets with an unexpected interest rate cut in January, which was intended to off-set the dulling effect of low oil prices.

None of the "big three" sectors (Energy, Materials and Financials) rose significantly in the first half of the year, which was not surprising given that they each have some degree of correlation to the economic cycle. The Energy sector was down 5.4% as the price of oil remained severely depressed versus a year ago. Returns for the Financials and Materials sectors were -1.4% and 0.8%, respectively. The strongest returns were in the smaller Health Care and Consumer Discretionary sectors (33.6% and 7.8%, respectively). Of particular note was the performance of Valeant Pharmaceuticals International, Inc. and its impact on the Health Care sector and on the overall S&P/TSX. With its 66.7% year-to-date return, Valeant Pharmaceuticals International Inc. now has a 4.8% weighting in the S&P/TSX.

Security selection was the largest contributor to the Portfolio's performance, particularly in the Financials, Consumer Discretionary, Information Technology and Materials sectors. An overweight allocation to the Consumer Discretionary sector also contributed to the Portfolio's performance, as did an underweight position in the Energy sector. Top individual contributors to the Portfolio's performance included Gildan Activewear Inc., Dollarama Inc., CGI Group Inc. and Brookfield Asset Management Inc. Stock prices of both Gildan Activewear Inc. and Dollarama Inc. rose on solid earnings reports and positive growth. CGI Group Inc. had strong stock performance after the company reported good earnings and expansion in the Information Technology sector. Shares of Brookfield Asset

## BMO Private Canadian Conservative Equity Portfolio

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Management Inc. increased in price as a result of good exposure to global infrastructure assets, in contrast to the rest of the Canadian Financials sector, which faced challenges in Canadian consumer and loan growth in Western Canada related to the Energy sector decline.

The Portfolio's underweight allocation to the Health Care sector detracted from its performance, particularly its underexposure to the strongly performing Valeant Pharmaceuticals International, Inc. Other individual detractors from the Portfolio's performance included holdings in Canadian Western Bank, which was negatively affected by its exposure to the Western Canada region, and overall Energy sector weakness.

The sub-advisor introduced several new holdings to the Portfolio, including Valeant Pharmaceuticals International, Inc., Franco-Nevada Corporation, Alimentation Couche-Tard Inc., Onex Corporation and Element Financial Corporation. Valeant Pharmaceuticals International, Inc. was purchased for both its organic growth and active acquisition potentials, and Franco-Nevada Corporation for its lower risk exposure to a growing royalty streaming business. Alimentation Couche-Tard Inc. offers a scalable business model and growth through acquisition. Onex Corporation was added for its long-term growth prospects in the private equity business, and Element Financial Corporation was purchased for both its organic and acquisitive growth potentials. The sub-advisor sold BCE Inc. shares in favour of other opportunities in the Telecommunication Services sector. Teck Resources Limited was eliminated from the Portfolio as coal and copper markets weakened, causing the company to make a significant dividend cut. The sub-advisor also eliminated the Portfolio's holdings of SNC-Lavalin Group Inc. as a result of the company's increased legal risks. IGM Financial Inc. was sold amid weak mutual fund flows and pressure on fee income.

*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 United States will continue to show strong economic momentum, but that Canada's economic performance will lag behind as a result of lower oil prices and a slowdown in employment gains. Increased market volatility is also expected in the coming period, but the anticipated environment of low growth, stable inflation and muted interest rates should be supportive for dividend stocks. Given the sub-advisor's outlook for North American economic recovery, and for investment opportunities in the Consumer Discretionary, Financials and Industrials sectors, the sub-advisor will maintain the Portfolio's positioning to benefit from these opportunities. The Portfolio's current underweight allocations to the Energy, Materials, Health Care and Information Technology sectors will likely continue, given the lack of dividend stability in these sectors.

On July 15, the BoC lowered its target interest rate a further 0.25% to 0.50%. The interest rate cut caused the Canadian dollar to weaken relative to the U.S. dollar. Commodity prices (for oil, copper, gold and a number of other commodities) fell in response to the weaker Canadian dollar. Not surprisingly, Energy and Materials were the weakest-performing sectors in the Canadian equity market in July, declining 6.5% and 14.5%, respectively. Eight of the S&P/TSX's 10 sectors posted positive returns, but this was not enough to offset the negative impact of the Energy and Materials sectors on the S&P/TSX's performance over the month of July.

### 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").

## BMO Private Canadian Conservative Equity Portfolio

### *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.

### *Brokerage Commissions*

The Portfolio 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 Portfolio during the periods were as follows:

	Period ended June 30, 2015 (\$000s)	Period ended June 30, 2014 (\$000s)
Total Brokerage Commissions	137	128
Brokerage Fees paid to BMO Nesbitt Burns Inc.	3	6

### *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.

### *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:

	Period ended June 30, 2015 (\$000s)	Period ended June 30, 2014 (\$000s)
Unitholder Services	87	88

### *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 Conservative Equity 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	\$ 16.15	15.05	13.71	13.05	15.36	14.03
<b>Increase (decrease) from operations:</b>						
Total revenue	\$ 0.21	0.44	0.41	0.37	0.35	0.33
Total expenses <sup>(2)</sup>	\$ (0.01)	(0.01)	(0.03)	(0.02)	(0.02)	(0.01)
Realized gains (losses) for the period	\$ 0.31	0.44	0.25	(0.33)	0.43	0.21
Unrealized gains (losses) for the period	\$ (0.25)	0.72	1.05	0.94	(2.57)	1.11
<b>Total increase (decrease) from operations <sup>(3)</sup></b>	<b>\$ 0.26</b>	<b>1.59</b>	<b>1.68</b>	<b>0.96</b>	<b>(1.81)</b>	<b>1.64</b>
<b>Distributions:</b>						
From income (excluding dividends)	\$ —	—	0.01	0.00	—	0.03
From dividends	\$ —	0.45	0.45	0.35	0.42	0.32
From capital gains	\$ —	—	—	—	—	—
Return of capital	\$ —	—	0.00	0.00	0.00	—
<b>Total Annual Distributions <sup>(4)</sup></b>	<b>\$ —</b>	<b>0.45</b>	<b>0.46</b>	<b>0.35</b>	<b>0.42</b>	<b>0.35</b>
<b>Net assets, end of period</b>	<b>\$ 16.41</b>	<b>16.15</b>	<b>15.05</b>	<b>13.69</b>	<b>13.05</b>	<b>15.36</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. 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>	\$ 736,069	730,729	710,836	738,269	634,098	936,400
Number of units outstanding (000s) <sup>(1)</sup>	44,851	45,239	47,227	53,837	48,527	60,858
Management expense ratio <sup>(2)</sup>	% 0.04	0.04	0.06	0.05	0.04	0.04
Management expense ratio before waivers or management absorptions	% 0.20	0.16	0.18	0.07	0.04	0.04
Trading expense ratio <sup>(3)</sup>	% 0.04	0.03	0.05	0.09	0.12	0.05
Portfolio turnover rate <sup>(4)</sup>	% 9.63	12.74	15.23	19.63	25.34	17.35
Net asset value per unit	\$ 16.41	16.15	15.05	13.71	13.07	15.39

<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.

<sup>(4)</sup> The portfolio turnover rate indicates how actively the Portfolio's investor manager 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.

# BMO Private Canadian Conservative Equity Portfolio

## Past Performance

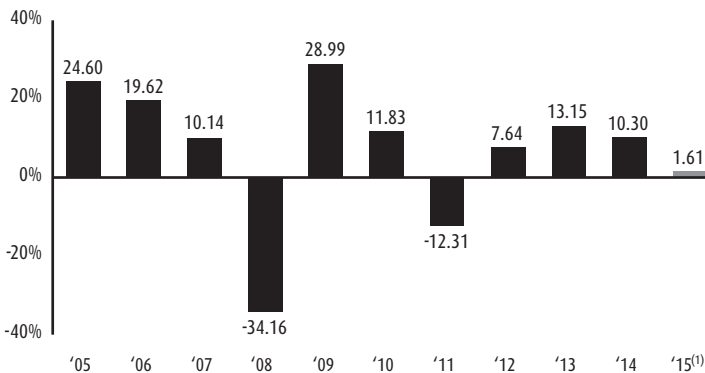
### General

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 Conservative Equity Portfolio

### Summary of Investment Portfolio

as at June 30, 2015

Portfolio Allocation	% of Net Asset Value	Top 25 Holdings	% of Net Asset Value
Financials	36.5	<b>Issuer</b>	
Energy	18.2	Toronto-Dominion Bank, The,	7.3
Consumer Discretionary	9.7	Bank of Nova Scotia	6.7
Materials	9.6	Royal Bank of Canada	6.0
Industrials	6.8	Canadian National Railway Company	4.1
Information Technology	4.4	Cash/Receivables/Payables	4.0
Cash/Receivables/Payables	4.0	Brookfield Asset Management Inc., Class A	3.9
Consumer Staples	3.8	Enbridge Inc.	3.8
Telecommunication Services	3.2	Suncor Energy Inc.	3.2
Health Care	2.4	Manulife Financial Corporation	3.1
Utilities	1.4	Magna International Inc.	3.0
<b>Total portfolio allocation</b>	<b>100.0</b>	CGI Group Inc., Class A	2.9
		Intact Financial Corporation	2.8
		TransCanada Corporation	2.6
		Valeant Pharmaceuticals International, Inc.	2.4
		Gildan Activewear Inc.	2.3
		Dollarama Inc.	2.3
		Loblaw Companies Limited	2.2
		Canadian Western Bank	2.1
		Canadian Natural Resources Limited	2.1
		Goldcorp Inc.	2.0
		Potash Corporation of Saskatchewan Inc.	1.8
		Element Financial Corporation	1.7
		Rogers Communications Inc., Class B	1.6
		TELUS Corporation	1.6
		Progressive Waste Solutions Ltd.	1.6
		<b>Top holdings as a percentage of total net asset value</b>	<b>77.1</b>
		<b>Total Net Asset Value</b>	<b>\$736,069,337</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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