

# Semi-Annual Management Report of Fund Performance

## **BMO Private Emerging Markets Equity Portfolio** (formerly, BMO Harris Emerging Markets 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 Comgest S.A. (“Comgest” or the “sub-advisor”) as the sub-advisor of BMO Private Emerging Markets Equity Portfolio (the “Portfolio”).*

### Results of Operations

Over the six-month period ended June 30, 2015, the Portfolio returned 13.48% in C\$ (5.55% in US\$), after expenses. The Portfolio's benchmark is the MSCI Emerging Markets Index, which generated a 10.70% total return in C\$ (2.95% in US\$) over the same six-month period.

During the period, emerging markets remained focused on whether or not the U.S. Federal Reserve Board would raise interest rates. U.S. economic growth continued to show promising signs, increasing the likelihood of an interest rate increase later in 2015. The announcement of a Greek referendum for early July surprised investors, who have become accustomed to believing that the central banks would manage to find a solution to the country's debt problems. This resulted in increased market volatility for emerging economies, and China in particular. China was also in the spotlight as its equity markets rose sharply over the period amid ample liquidity from Chinese retail investors. A more

favourable outlook for China led to a rebound in the price of oil, resulting in strong performance in the Energy sector over the period. However, the Shanghai Stock Exchange Composite Index declined in June, almost 20% from its peak seen earlier in the month as the China Securities Regulatory Commission signaled its intention to tighten regulation. Russia, benefiting from rising oil prices, was the best-performing emerging market economy over the period.

Security selection contributed to the Portfolio's performance, particularly in the Telecommunication Services sector, with particularly strong contributions from individual holdings in Bharti Infratel Limited, China Mobile (Hong Kong) Ltd. and South African firm MTN Group Limited. Security selection in Hong Kong and China also contributed to the Portfolio's performance, as both benefited from strong market rallies. In particular, Chinese life insurance companies performed well as a result of China's interest rate cuts and the opening of the southbound market investment. Top contributors to the Portfolio's performance included holdings in NetEase Inc., Hutchison Whampoa Limited and China Life Insurance Company Limited. NetEase Inc., China's largest publisher of online and mobile games, benefited from a rise in demand from the growing Chinese middle class and successful migration from desktop to mobile gaming. Hutchison Whampoa Limited shares rose after its announcement in January that it would spin off its property business into Cheung Kong (Holdings) Limited, thereby reducing the company's capital intensity and raising returns.

## BMO Private Emerging Markets Equity Portfolio

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The Portfolio's underweight allocation to the top performing Energy sector detracted from its performance. Stock selection in both Russia and Taiwan detracted from performance, particularly with respect to the Portfolio's holdings in Yandex N.V., Taiwan Semiconductor Manufacturing Company Ltd. and MediaTek Inc. Significant individual detractors from the Portfolio's performance included holdings in Natura Cosméticos S.A., Localiza Rent A Car S.A. and CCR S.A., all companies in Brazil. Cosmetics company Natura Cosméticos S.A. fell 17.3% amid disappointing results, loss of market share and lower than expected growth from its online platform. Car rental network Localiza Rent A Car S.A. and transportation firm CCR S.A. both declined on weak results.

The sub-advisor initiated several new positions in the Portfolio during the period, including Indian telecommunications services company Bharti Airtel Limited. Chinese automotive Weifu High-Technology Group Company Limited was also purchased for its strategic partnership with Bosch Limited in the areas of fuel efficiency and emission reduction, which should continue to benefit from the need to modernize vehicles to comply with the country's more restrictive anti-pollution standards. In addition, the Portfolio has new holdings in CK Hutchison Holdings Limited and Cheung Kong Property Holdings Limited as a result of the June 2015 merger of Hutchison Whampoa Limited and Cheung Kong (Holdings) Limited, and the spin-off of its resulting property division. The sub-advisor increased the Portfolio's existing positions in Samsung Life Insurance Company Limited and SAIC Motor Corporation Limited. Holdings in two bottling companies, Coca-Cola Icecek A.S. in Turkey and Coca-Cola HBC AG in Greece, were eliminated from the Portfolio. The sub-advisor also trimmed positions in Tata Motors Ltd, as a result of its exposure to luxury car sales in China, Mexican retailer Wal-Mart de Mexico SAB de CV, and U.K. beverages company SABMiller PLC.

*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 maintains a positive outlook on China, believing that investment in the region requires patience and the ability to distinguish strong franchises from the larger number of weak ones. As a result, the sub-advisor believes that the Portfolio is positioned to benefit in the coming period from holdings in companies such as China Life Insurance Company Limited, China Mobile (Hong Kong) Ltd. and Kweichow Moutai Company Limited.

The sub-advisor maintains a cautious outlook on emerging markets overall, and believes that the Portfolio's returns in the long term may be lower than the current levels. Some emerging market countries have attempted to restore productivity levels and boost savings to compensate for economic weakness and, with time, reignite growth. From this perspective, the sub-advisor believes that India, China and Mexico look promising for the coming period, while Indonesia, Turkey, South Africa, Brazil and Russia appear increasingly weak.

### 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 Comgest to provide investment advice and make investment decisions for the Portfolio's investment portfolio. Comgest receives an investment advisory fee based on assets under management, which is paid quarterly. Comgest is paid by BPIC, and BPIC charges a portion of the sub-advisory fee as an expense to the Portfolio.

## BMO Private Emerging Markets Equity Portfolio

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### *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 Asset Management Inc. ("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	84	87

### 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 Emerging Markets 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	\$ 15.28	13.73	11.88	10.53	13.26	11.71
<b>Increase (decrease) from operations:</b>						
Total revenue	\$ 0.51	0.32	0.27	0.20	0.26	0.22
Total expenses <sup>(2)</sup>	\$ (0.11)	(0.19)	(0.19)	(0.08)	(0.05)	(0.05)
Realized gains (losses) for the period	\$ 1.00	1.23	(0.18)	(0.79)	0.03	0.16
Unrealized gains (losses) for the period	\$ 0.66	0.31	2.25	2.15	(2.73)	1.45
<b>Total increase (decrease) from operations <sup>(3)</sup></b>	<b>\$ 2.06</b>	<b>1.67</b>	<b>2.15</b>	<b>1.48</b>	<b>(2.49)</b>	<b>1.78</b>
<b>Distributions:</b>						
From income (excluding dividends)	\$ —	—	0.00	0.00	0.00	—
From dividends	\$ —	0.15	0.17	0.16	0.27	0.18
From capital gains	\$ —	—	—	—	—	—
Return of capital	\$ —	—	0.00	0.00	0.00	0.00
<b>Total Annual Distributions <sup>(4)</sup></b>	<b>\$ —</b>	<b>0.15</b>	<b>0.17</b>	<b>0.16</b>	<b>0.27</b>	<b>0.18</b>
<b>Net assets, end of period</b>	<b>\$ 17.34</b>	<b>15.28</b>	<b>13.73</b>	<b>11.87</b>	<b>10.53</b>	<b>13.26</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>	\$ 305,445	271,656	231,530	121,334	120,942	172,398
Number of units outstanding (000s) <sup>(1)</sup>	17,618	17,775	16,857	10,213	11,468	12,992
Management expense ratio <sup>(2)</sup>	% 0.94	0.96	1.05	0.54	0.28	0.30
Management expense ratio before waivers or management absorptions	% 1.11	1.13	1.22	0.56	0.28	0.30
Trading expense ratio <sup>(3)</sup>	% 0.10	0.13	0.25	0.18	0.11	0.13
Portfolio turnover rate <sup>(4)</sup>	% 26.06	27.83	32.27	38.29	39.42	23.41
Net asset value per unit	\$ 17.34	15.28	13.73	11.88	10.55	13.27

<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 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.

# BMO Private Emerging Markets Equity Portfolio

## Past Performance

### General

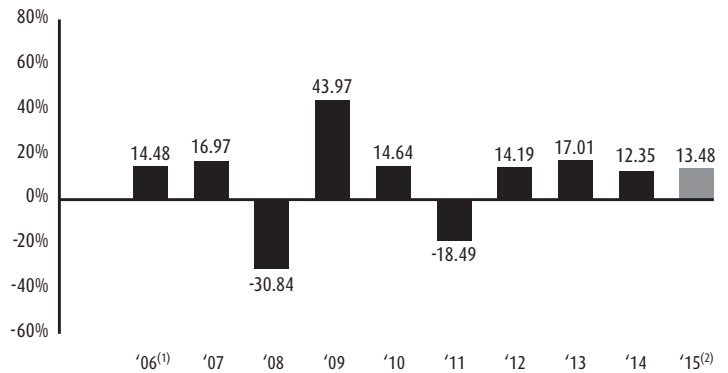
The Portfolio's performance information assumes that all distributions made by the Portfolio in the periods shown were reinvested in additional units of the Portfolio and is based on the net asset value of the Portfolio.

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 charts show the performance for each of the financial years and for the six-month period ended June 30, 2015 shown and illustrate how the performance has changed from year to year. The bar charts show 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.

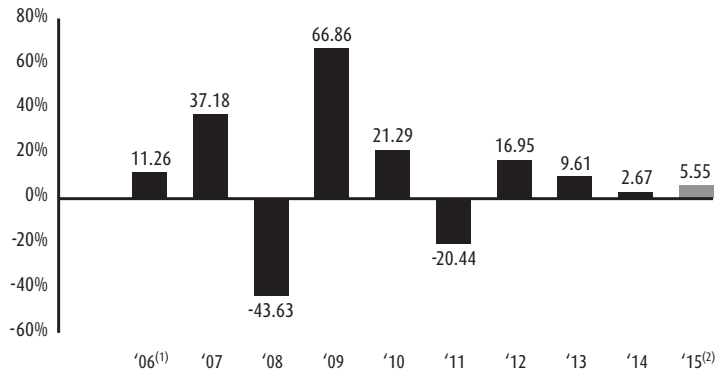
**BMO Private Emerging Markets Equity Portfolio (C\$)**



<sup>(1)</sup> Return from November 1, 2006 to December 31, 2006.

<sup>(2)</sup> For the six-month period ended June 30, 2015.

**BMO Private Emerging Markets Equity Portfolio (US\$)**



<sup>(1)</sup> Return from November 1, 2006 to December 31, 2006.

<sup>(2)</sup> For the six-month period ended June 30, 2015.

## BMO Private Emerging Markets Equity Portfolio

### Summary of Investment Portfolio

as at June 30, 2015

Portfolio Allocation	% of Net Asset Value	Top 25 Holdings	% of Net Asset Value
China	21.4	<b>Issuer</b>	
Brazil	16.0	Taiwan Semiconductor Manufacturing Company Limited, ADR	6.5
India	13.9	China Life Insurance Company Limited, H Shares	6.1
Hong Kong	11.9	China Mobile Limited	5.8
Taiwan	9.4	Bharit Infratel Ltd.	4.6
South Africa	8.9	MTN Group Limited	4.3
Cash/Receivables/Payables	4.1	NetEase, Inc., ADR	4.2
Russia	3.6	Cash/Receivables/Payables	4.1
South Korea	3.3	Infosys Limited, ADR	4.0
Mexico	3.2	Sanlam Limited	3.5
Netherlands	1.8	Power Grid Corporation, Equity Linked Notes, Nov 27, 2019	3.3
Malaysia	1.4	Samsung Life Insurance Co., Ltd.	3.3
Luxembourg	1.1	CK Hutchison Holdings Limited	3.3
<b>Total portfolio allocation</b>	<b>100.0</b>	Kweichow Moutai Co., Ltd., Equity Linked Notes, Dec 4, 2017	3.2
		Fomento Economico Mexicano, S.A.B. de C.V.	3.2
<b>Sector Allocation</b>		MediaTek Inc.	2.9
Information Technology	24.4	Ping An Insurance Group Company of China Ltd., H Shares	2.7
Financials	19.9	Cielo S.A.	2.6
Consumer Staples	17.3	Weg S.A.	2.4
Industrials	14.5	OdontoPrev S.A.	2.3
Telecommunication Services	12.1	BRF S.A.	2.2
Consumer Discretionary	4.3	CCR SA	2.2
Cash/Receivables/Payables	4.1	Bharti Airtel Limited, Equity Linked Notes, May 18, 2020	2.0
Health Care	2.3	Baidu, Inc., ADR	2.0
Energy	1.1	Samsonite International S.A.	2.0
<b>Total sector allocation</b>	<b>100.0</b>	SAIC Motor Corporation Ltd., Equity Linked Notes, Nov 11, 2019	1.9
		<b>Top holdings as a percentage of total net asset value</b>	<b>84.6</b>
		<b>Total Net Asset Value</b>	<b>\$305,444,609</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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