

# Semi-Annual Management Report of Fund Performance

## BMO Harris Canadian Conservative Equity Portfolio

For the period ended June 30, 2013

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 [contact.centre@bmo.com](mailto:contact.centre@bmo.com), by writing to us at BMO Harris Investment Management Inc., 1 First Canadian Place, 100 King St. W., 41st Floor, Toronto, Ontario, M5X 1H3 or by visiting our website at [www.bmoharrisprivatebanking.com](http://www.bmoharrisprivatebanking.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 Harris Investment Management Inc. ("BHIMI" or the "Manager"), the manager and portfolio manager, is responsible for the management of the overall business, investments and operations of 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 Harris Canadian Conservative Equity Portfolio (the "Portfolio").*

#### Results of Operations

For the six-month period ended June 30, 2013, the Portfolio returned -0.64%, after expenses. The Portfolio's benchmark is the S&P/TSX Composite Index (the "S&P/TSX"), which generated a -0.88% total return over the same six-month period.

While the S&P/TSX posted a loss over the period, it started 2013 on positive footing. Speculation that the Chinese economy had avoided a significant slowdown and cautious optimism about the eurozone's fiscal issues helped solidify investor confidence earlier in the period. In sympathy with U.S. stock markets, which were nearing historically high closing levels, the S&P/TSX had also risen. By the middle of the period, however, the S&P/TSX started a slow descent into "bear market" territory, which is defined as a market that has declined 20% or more from its peak.

The first half of 2013 was a difficult period for the Materials sector, which fell nearly 31% on the back of poor-performing gold and mining stocks. Gold, which

had approached US\$1,700 an ounce at the beginning of the year, fell over 25% during the period, and was trading below US\$1,200 an ounce before recovering slightly. Gold's sharp decent was exacerbated by the U.S. Federal Reserve Board (the "Fed") stating a possible timeline for the slowing down (and end) to its bond-buying program. Gold bullion had benefited from a weakening U.S. dollar as well as the printing of money through the Fed's stimulus efforts. Most other major metals and minerals were also weaker by the end of the period, including copper and silver.

The Portfolio's underweight position in Material stocks contributed to its performance over the period. Stock selection also contributed to performance, with holdings such as Magna International Inc., Dollarama Inc., Tourmaline Oil Corp., ARC Resources Ltd., Loblaw Companies Limited and Manulife Financial Corporation posting relatively strong gains over the period.

The Portfolio's lack of exposure to the Health Care sector (in particular, Valeant Pharmaceuticals International, Inc., which posted a return of more than 50% over the period) and the Information Technology sector detracted from its performance over the period. The Portfolio's Materials holdings, primarily gold stocks, also detracted from the Portfolio's performance. From an individual securities perspective, Intact Financial Corporation, Finning International Inc., Baytex Energy Corp. and Rogers Communications Inc. detracted from the Portfolio's performance over the period.

# BMO Harris Canadian Conservative Equity Portfolio

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*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

Although global equity markets can be somewhat volatile, the sub-advisor believes the investment backdrop remains characterized by extraordinarily easy money, modest economic growth, low inflation and low long-term bond yields. On balance, the sub-advisor believes this has created a positive climate for equity investing, with dividends expected to be highly sought after by investors.

That said, capital markets continue to grapple with the timing of the Fed's stimulus removal in the United States and questions about China's economic growth. The sub-advisor does not expect that the signs that the Fed may be drawing its monetary easing program to a close will put an end to the cyclical bull market that has been pushing equity markets higher over the past few years. The sub-advisor also believes that economic data suggests the global economy is slowly transitioning from stabilization to acceleration.

The sub-advisor believes that yield investing is here to stay, and that demographics and underfunded pension obligations will continue to drive the requirement for corporate dividends. To offset the impact of higher bond yields, the sub-advisor will focus on companies with sustainable business models that can grow their underlying distributable cash and increase their dividends.

## Future Accounting Standards

Canadian investment entities will be required to prepare their financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board, for fiscal years beginning on or after January 1, 2014. For reporting periods commencing January 1, 2014, the Portfolio will adopt IFRS as the basis for preparing its financial statements. The Portfolio will report its financial results for the interim period ending June 30, 2014, prepared on an IFRS basis. It will also provide comparative data on an IFRS basis, including an opening balance sheet as at January 1, 2013 (transition date). A summary of the significant standards impacting the Portfolio under IFRS are outlined below.

Based on the Portfolio's analysis to date, the more significant accounting changes that will result from its adoption of IFRS will be in the areas of fair valuation, cash flow presentation, consolidation of investments and classification of net assets representing unitholders' equity. The differences described in the sections that follow are based on Canadian generally accepted accounting principles ("Canadian GAAP") and IFRS that are in effect as of this date. This should not be considered a comprehensive list of the main accounting changes when the Portfolio adopts IFRS.

The framework for fair valuation is set out under IFRS 13 Fair Value Measurement, which includes the requirements for the measurement and disclosure of fair value. If an asset or liability measured at fair value has a bid price and an ask price, the standard requires valuation to be based on a price within the bid-ask spread that is most representative of fair value. The standard allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical means for fair value measurements within a bid-ask spread. Thus, this standard will impact the net assets per unit for financial statement reporting purposes compared to current standards, and may also result in the elimination of the differences between the net asset per unit and net asset value per unit ("NAVPU") at the financial statement reporting date. The Manager has not identified any changes that will impact NAVPU as a result of the transition to IFRS.

Where the Portfolio holds controlling interest in an investment, it is the Manager's expectation that the Portfolio will qualify as an Investment Entity in accordance with IFRS 10 Consolidated Financial Statements. As such, the Portfolio will not be required to consolidate its investments, but rather to fair value its investments regardless of whether those investments are controlled. If the Portfolio fair values investments that it controls, it may be required to make additional financial statement disclosures on its controlled investments in accordance with IFRS 12 Disclosure of Interests in Other Entities. IFRS 12 also requires additional disclosures if the Portfolio is determined to qualify as an investment entity while not possessing all of the typical characteristics of an investment entity.

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The criteria contained within IAS 32 Financial Instruments: Presentation may require unitholders' equity to be classified as a liability within the Portfolio's Statement of Net Assets, unless certain conditions are met. The Manager is currently assessing the Portfolio's unitholder structure to confirm classification.

### Related Party Transactions

BMO Trust Company, an indirect, wholly-owned subsidiary of Bank of Montreal, is the trustee (the "trustee") and BHIMI is the manager of the Portfolio. From time to time, BHIMI 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*

BHIMI 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 that is paid monthly. BMO AM Inc. is paid by BHIMI.

### Buying and Selling Securities

#### *Related Party Underwritings*

During the period, the Manager relied on an approval and standing instruction provided by the Portfolio's Independent Review Committee ("IRC") to enable the Portfolio to invest in a class of equity and/or non-government debt securities of an issuer during the period of distribution of those securities to the public and/or the 60-day period following the distribution period where BMO Nesbitt Burns Inc., an affiliate of the Manager, acted as an underwriter in the distribution (each investment, a "Related Party Transaction"). In accordance with the IRC's approval and standing instruction, in making a decision to cause the Portfolio to make a Related Party Transaction, the Manager and the sub-advisor of the Portfolio are required to comply with the Manager's written policies and procedures governing the Related Party Transaction and report periodically to the IRC, describing each instance that the Manager and the sub-advisor relied on the approval and standing instruction and their compliance or non-compliance with the governing policies and

procedures. The governing policies and procedures are designed to ensure the Related Party Transaction (i) is made free from any influence by an entity related to the Manager or any associate or affiliate of the Manager and without taking into account any consideration relevant to the Manager or any associate or affiliate of the Manager, (ii) represents the business judgement of the Manager or sub-advisor, as the case may be, uninfluenced by considerations other than the best interests of the Portfolio, and (iii) achieves a fair and reasonable result for the Portfolio.

#### *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 period were as follows:

	Period ended June 30, 2013 (\$000s)	Period ended June 30, 2012 (\$000s)
Total Brokerage Commissions	175	309
Brokerage Fees paid to BMO Nesbitt Burns Inc.	12	10

#### *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, receives 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 BHIMI'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 BHIMI. The wealth management fee is paid directly by the investor to the trustee. The trustee may compensate financial institutions and securities registrants within BMO Financial Group for client referrals to the wealth management service.

## BMO Harris Canadian Conservative Equity Portfolio

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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 period were as follows:

	<b>Period ended June 30, 2013 (\$000s)</b>	<b>Period ended June 30, 2012 (\$000s)</b>
Unitholder Services	112	81

### Management Fee

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

## BMO Harris 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, 2013	Years ended December 31				
		2012	2011	2010	2009	2008
Net assets, beginning of period	\$ 13.69	13.05	15.36	14.03	11.14	17.45
<b>Increase (decrease) from operations:</b>						
Total revenue	\$ 0.21	0.37	0.35	0.33	0.34	0.34
Total expenses	\$ (0.01)	(0.02)	(0.02)	(0.01)	(0.01)	(0.02)
Realized gains (losses) for the period	\$ 0.07	(0.33)	0.43	0.21	(0.03)	(1.15)
Unrealized gains (losses) for the period	\$ (0.34)	0.94	(2.57)	1.11	2.90	(5.40)
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>\$ (0.07)</b>	<b>0.96</b>	<b>(1.81)</b>	<b>1.64</b>	<b>3.20</b>	<b>(6.23)</b>
<b>Distributions:</b>						
From income (excluding dividends)	\$ —	0.00	—	0.03	—	0.02
From dividends	\$ —	0.35	0.42	0.32	0.32	0.31
From capital gains	\$ —	—	—	—	—	—
Return of capital	\$ —	0.00	0.00	—	—	—
<b>Total Annual Distributions <sup>(3)</sup></b>	<b>\$ —</b>	<b>0.35</b>	<b>0.42</b>	<b>0.35</b>	<b>0.32</b>	<b>0.33</b>
<b>Net assets, end of period</b>	<b>\$ 13.60</b>	<b>13.69</b>	<b>13.05</b>	<b>15.36</b>	<b>14.03</b>	<b>11.14</b>

<sup>(1)</sup> This information is derived from the Portfolio's audited annual financial statements and unaudited June 30, 2013 semi-annual financial statements. 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> 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>(3)</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, 2013	Years ended December 31				
		2012	2011	2010	2009	2008
Total net asset value (000s) <sup>(1)</sup>	\$ 675,395	738,269	634,098	936,400	865,541	620,575
Number of units outstanding (000s) <sup>(1)</sup>	49,569	53,837	48,527	60,858	61,523	55,591
Management expense ratio <sup>(2)</sup>	% 0.06	0.05	0.04	0.04	0.04	0.04
Management expense ratio before waivers or management absorptions	% 0.18	0.07	0.04	0.04	0.04	0.04
Trading expense ratio <sup>(3)</sup>	% 0.05	0.09	0.12	0.05	0.07	0.06
Portfolio turnover rate <sup>(4)</sup>	% 8.03	19.63	25.34	17.35	18.74	10.10
Net asset value per unit	\$ 13.63	13.71	13.07	15.39	14.07	11.16

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

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

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

<sup>(4)</sup> The 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 Harris Canadian Conservative Equity Portfolio

## Past Performance

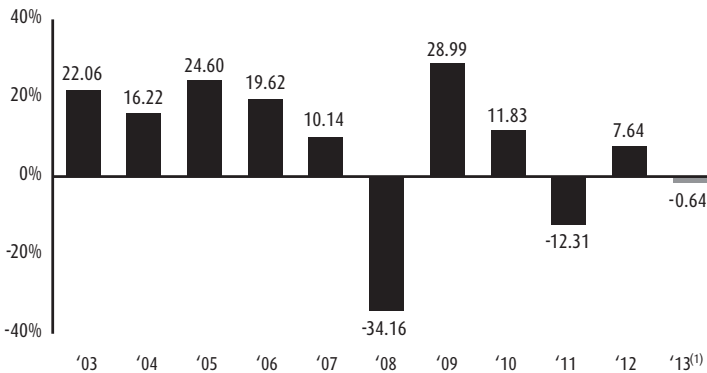
### General

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, 2013 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, 2013.

## BMO Harris Canadian Conservative Equity Portfolio

### Summary of Investment Portfolio

as at June 30, 2013

Portfolio Allocation	% of Net Asset Value	Top 25 Holdings	% of Net Asset Value
Financials	36.6	<b>Issuer</b>	
Energy	24.6	Toronto-Dominion Bank, The,	8.4
Materials	12.4	Bank of Nova Scotia	6.9
Industrials	8.1	Royal Bank of Canada	6.5
Consumer Discretionary	6.4	Suncor Energy Inc.	4.5
Telecommunication Services	4.8	Canadian National Railway Company	4.4
Consumer Staples	4.2	Enbridge Inc.	3.7
Cash/Receivables/Payables	1.5	Manulife Financial Corporation	3.5
Utilities	1.4	Goldcorp Inc.	3.3
<b>Total portfolio allocation</b>	<b>100.0</b>	Potash Corporation of Saskatchewan Inc.	3.2
		Canadian Natural Resources Limited	3.2
		TransCanada Corporation	3.1
		Cenovus Energy Inc.	2.6
		Brookfield Asset Management Inc., Class A	2.5
		Magna International Inc.	2.4
		Tourmaline Oil Corp.	2.2
		Intact Financial Corporation	2.1
		National Bank of Canada	2.1
		TELUS Corporation	2.0
		Crescent Point Energy Corp.	2.0
		Rogers Communications Inc., Class B	1.9
		Loblaw Companies Limited	1.9
		Dollarama Inc.	1.9
		Baytex Energy Corp.	1.7
		Home Capital Group Inc.	1.6
		ARC Resources Ltd.	1.6
		<b>Top holdings as a percentage of net asset value</b>	<b>79.2</b>
		<b>Total Net Asset Value</b>	<b>\$675,394,928</b>

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

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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 BMO Harris Private Portfolios’ simplified prospectus. We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the 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 Harris Investment Management Inc. does not undertake, and specifically disclaims, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

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