

# Semi-Annual Management Report of Fund Performance

## BMO Harris Emerging Markets 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 Comgest S.A. ("Comgest" or the "sub-advisor") as the sub-advisor of BMO Harris Emerging Markets Equity Portfolio (the "Portfolio").*

#### Results of Operations

For the six-month period ended June 30, 2013, the Portfolio returned 0.20% in C\$ (-5.23% in US\$), after expenses. The Portfolio's benchmark is the Morgan Stanley Capital International (MSCI) Emerging Markets Index, which generated a -4.45% in C\$ (-9.57% in US\$) over the same six-month period.

Global equity markets continued to rally over the period, buoyed by the ongoing accommodative monetary policies of the central banks in the United States and Japan. Corporate earnings released were also generally stronger than expected. European equity markets were hindered by the sovereign debt issues in Cyprus and Italy, and by ongoing economic uncertainty in Europe. As a result of uncertainty regarding China's economic growth and lower commodities prices, emerging markets equities generally declined over the period.

Positive liquidity conditions, a depreciating U.S. dollar and rising commodity prices have bolstered emerging markets equities for years. The possible tightening of monetary policies, commodity price declines and the likely appreciation of the U.S. dollar could reverse this

trend somewhat and, as a consequence, negatively impacted emerging markets stock, bond and currency prices late in the reporting period.

From a regional perspective, contributors to the Portfolio's performance over the period included its positions in Russia, South Korea, Turkey and Brazil. On a sector basis, contributors to performance included the Portfolio's underweight position in the Energy sector and overweight position in the Consumer Staples sector. From an individual securities perspective, OJSC Magnit, Yandex N.V. and Coca-Cola İçecek A.Ş. were significant contributors to performance. OJSC Magnit and Yandex N.V. released solid quarterly results. Yandex N.V. exceeded analyst estimates, posting a 50% increase in operating profit. The company has benefited from strong growth in internet advertising and revised its sales and growth forecasts upward. OJSC Magnit's monthly sales are increasing by about 30% year-over-year, and the company has become Russia's largest supermarket retailer.

From a regional perspective, the Portfolio's underweight positions in Taiwan and Southeast Asia detracted from its performance over the period. On a sector basis, detractors from the Portfolio's performance included its underweight position in the Financials sector. From an individual securities perspective, the Portfolio's gold mining holdings — specifically Randgold Resources Limited and Gold Fields Limited — detracted from performance. Bharat Heavy Electricals Limited, an Indian electrical equipment company, also detracted from performance. Bharat Heavy Electricals' shares fell on low order inflows.

## BMO Harris Emerging Markets Equity Portfolio

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During the period, the sub-advisor sold the Portfolio's positions in Gold Fields Limited, Newcrest Mining Limited, Bharti Airtel Limited and Duratex S.A. The sub-advisor added positions in a number of companies, including Hutchison Whampoa Limited, Localiza Rent A Car S.A. and Tata Motors Limited.

*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 economic growth in emerging markets may remain under pressure. For example, South Korean manufacturing production and Taiwanese export orders were in negative territory late in the period, while the Chinese economy weakened further. The sub-advisor believes that it is difficult for emerging markets to perform well when developed markets have not yet fully recovered from their downturn. The sub-advisor believes that, on the positive side, many of the current macroeconomic issues are already largely priced into equity markets. As a consequence, the sub-advisor believes the average valuation of emerging markets equities is at a relatively low level. The sub-advisor believes the current emerging markets asset sell-off has created buying opportunities for contrarian and valuation-conscious asset managers. The sub-advisor is confident that the Portfolio's investment approach will continue to provide investors with a robust portfolio through a possibly volatile equity market environment.

The sub-advisor believes the Portfolio's holdings will likely experience earnings growth in 2013, boosted by the growth of consumer spending in emerging countries, market share gains and the digitalisation of the economy.

### *Risk Classification Change*

Effective July 12, 2013, as outlined in the Portfolio's most recent prospectus, the risk rating of the Portfolio was reduced from "High" to "Medium to High" to better align with the Portfolio's risk level. The investment objectives, investment strategies and management of the Portfolio did not change as a result of the change in risk rating.

### *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.

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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.

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 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 that is paid quarterly. Comgest is paid by BHIMI, and BHIMI charges portion of the sub-advisory fee as an expense to the Portfolio.

#### *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.

#### *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 period were as follows:

|                     | Period ended<br>June 30, 2013<br>(\$000s) | Period ended<br>June 30, 2012<br>(\$000s) |
|---------------------|---|---|
| Unitholder Services | 95  | 102                                       |

### 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 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<br>June 30, 2013 | Years ended December 31 |               |              |              |               |
|---|-----------------------------------|-------------------------|---------------|--------------|--------------|---------------|
|   |                                   | 2012                    | 2011          | 2010         | 2009         | 2008          |
| Net assets, beginning of period                                 | \$ 11.87                          | 10.53                   | 13.26         | 11.71        | 8.22         | 12.57         |
| <b>Increase (decrease) from operations:</b>                     |                                   |                         |               |              |              |               |
| Total revenue   | \$ 0.12                           | 0.20                    | 0.26          | 0.22         | 0.19         | 0.32          |
| Total expenses  | \$ (0.07)                         | (0.08)                  | (0.05)        | (0.05)       | (0.07)       | (0.07)        |
| Realized gains (losses) for the period                          | \$ (0.39)                         | (0.79)                  | 0.03          | 0.16         | 0.18         | (0.38)        |
| Unrealized gains (losses) for the period                        | \$ 0.26                           | 2.15                    | (2.73)        | 1.45         | 3.21         | (3.92)        |
| <b>Total increase (decrease) from operations <sup>(2)</sup></b> | <b>\$ (0.08)</b>                  | <b>1.48</b>             | <b>(2.49)</b> | <b>1.78</b>  | <b>3.51</b>  | <b>(4.05)</b> |
| <b>Distributions:</b>   |                                   |                         |               |              |              |               |
| From income (excluding dividends)                               | \$ —                              | 0.00                    | 0.00          | —            | —            | 0.50          |
| From dividends  | \$ —                              | 0.16                    | 0.27          | 0.18         | —            | —             |
| From capital gains  | \$ —                              | —                       | —             | —            | —            | —             |
| Return of capital   | \$ —                              | 0.00                    | 0.00          | 0.00         | 0.00         | 0.00          |
| <b>Total Annual Distributions <sup>(3)</sup></b>                | <b>\$ —</b>                       | <b>0.16</b>             | <b>0.27</b>   | <b>0.18</b>  | <b>0.00</b>  | <b>0.50</b>   |
| <b>Net assets, end of period</b>                                | <b>\$ 11.90</b>                   | <b>11.87</b>            | <b>10.53</b>  | <b>13.26</b> | <b>11.71</b> | <b>8.22</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<br>June 30, 2013 | Years ended December 31 |         |         |         |        |
|--|-----------------------------------|-------------------------|---------|---------|---------|--------|
|  |                                   | 2012                    | 2011    | 2010    | 2009    | 2008   |
| Total net asset value (000s) <sup>(1)</sup>                          | \$ 190,518                        | 121,334                 | 120,942 | 172,398 | 126,564 | 64,908 |
| Number of units outstanding (000s) <sup>(1)</sup>                    | 16,005                            | 10,213                  | 11,468  | 12,992  | 10,791  | 7,885  |
| Management expense ratio <sup>(2)</sup>                              | % 0.86                            | 0.54                    | 0.28    | 0.30    | 0.43    | 0.35   |
| Management expense ratio before waivers<br>or management absorptions | % 0.99                            | 0.56                    | 0.28    | 0.30    | 0.43    | 0.35   |
| Trading expense ratio <sup>(3)</sup>                                 | % 0.36                            | 0.18                    | 0.11    | 0.13    | 0.23    | 0.31   |
| Portfolio turnover rate <sup>(4)</sup>                               | % 19.85                           | 38.29                   | 39.42   | 23.41   | 34.33   | 63.01  |
| Net asset value per unit   | \$ 11.90                          | 11.88                   | 10.55   | 13.27   | 11.73   | 8.23   |

<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 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 Harris Emerging Markets Equity Portfolio

## Past Performance

### General

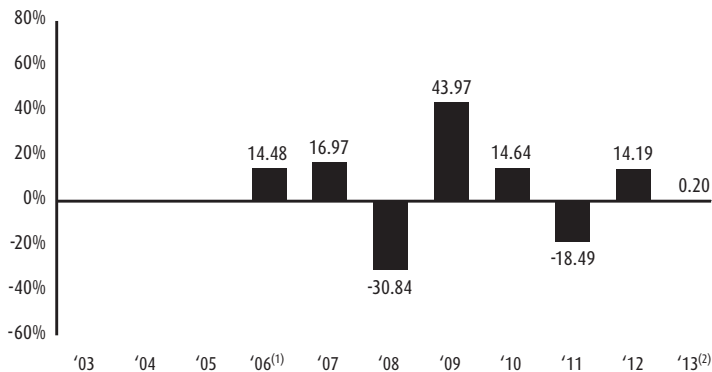
The Portfolio's performance information assumes that all distributions made by the Portfolio in the periods shown were reinvested in additional units of the Portfolio and is based on the net asset value of the Portfolio.

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, 2013 shown and illustrates 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.

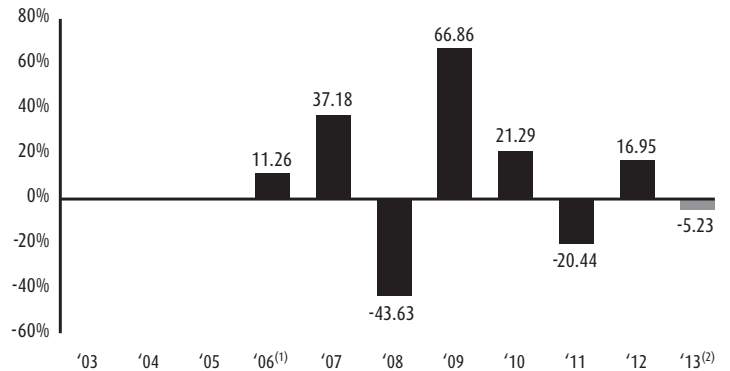
### BMO Harris Emerging Markets Equity Portfolio (C\$)



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

<sup>(2)</sup> For the six-month period ended June 30, 2013.

### BMO Harris 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, 2013.

## BMO Harris Emerging Markets Equity Portfolio

### Summary of Investment Portfolio

as at June 30, 2013

| Portfolio Allocation              | % of Net Asset Value |
|-----------------------------------|----------------------|
| Brazil                            | 19.2                 |
| China                             | 11.4                 |
| Hong Kong                         | 10.6                 |
| South Africa                      | 9.0                  |
| Russia                            | 8.1                  |
| Taiwan                            | 5.8                  |
| Mexico                            | 5.5                  |
| South Korea                       | 5.4                  |
| India                             | 4.4                  |
| Luxembourg                        | 3.7                  |
| Cash/Receivables/Payables         | 3.5                  |
| Netherlands                       | 2.7                  |
| Switzerland                       | 2.3                  |
| United Kingdom                    | 2.1                  |
| Malaysia                          | 2.1                  |
| Turkey                            | 1.7                  |
| Ukraine                           | 1.3                  |
| United States                     | 1.2                  |
| <b>Total portfolio allocation</b> | <b>100.0</b>         |

#### Sector Allocation

|                                |              |
|--------------------------------|--------------|
| Consumer Staples               | 22.5         |
| Information Technology         | 18.7         |
| Industrials                    | 13.8         |
| Telecommunication Services     | 12.7         |
| Financials                     | 12.2         |
| Consumer Discretionary         | 8.5          |
| Energy                         | 3.7          |
| Cash/Receivables/Payables      | 3.5          |
| Health Care                    | 1.9          |
| Materials                      | 1.6          |
| Other                          | 0.9          |
| <b>Total sector allocation</b> | <b>100.0</b> |

| Top 25 Holdings   | % of Net Asset Value |
|---|----------------------|
| <b>Issuer</b>   |                      |
| Taiwan Semiconductor Manufacturing Company Limited, ADR | 5.8                  |
| China Mobile Limited                                    | 4.8                  |
| Tenaris S.A., ADR                                       | 3.7                  |
| Cash/Receivables/Payables                               | 3.5                  |
| Samsung Life Insurance Co., Ltd.                        | 3.4                  |
| Yandex N.V.   | 3.4                  |
| Natura Cosméticos S.A.                                  | 3.2                  |
| Baidu, Inc., ADR  | 3.1                  |
| China Life Insurance Company Limited, H Shares          | 3.1                  |
| Ping An Insurance Group Company of China Ltd., H Shares | 3.1                  |
| Hutchison Whampoa Limited                               | 2.9                  |
| America Movil S.A.B. de C.V., Series L                  | 2.9                  |
| BRF S.A.  | 2.9                  |
| Heineken NV   | 2.7                  |
| Sanlam Limited  | 2.7                  |
| Weg S.A.  | 2.7                  |
| Wal-Mart de Mexico S.A.B. de C.V., Series V             | 2.6                  |
| JBS S.A.  | 2.5                  |
| MTN Group Limited                                       | 2.5                  |
| Mobile TeleSystems OJSC, ADR                            | 2.5                  |
| Tata Motors Limited, ADR                                | 2.4                  |
| Magnit OJSC, GDR  | 2.3                  |
| Naspers Limited, N Shares                               | 2.2                  |
| Cielo S.A.  | 2.2                  |
| Tencent Holdings Limited                                | 2.1                  |
| <b>Top holdings as a percentage of net asset value</b>  | <b>75.2</b>          |
| <b>Total Net Asset Value</b>                            | <b>\$190,517,944</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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