

# Semi-Annual Management Report of Fund Performance

## BMO Harris Emerging Markets Equity Portfolio

For the period ended June 30, 2014

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 1A1 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, 2014, the Portfolio returned 6.63% in C\$ (6.11% in US\$), after expenses. The Portfolio's benchmark is the MSCI Emerging Markets Index, which generated a 6.54% in C\$ (6.14% in US\$) total return over the same six-month period.

Emerging markets equities advanced over the period as a result of a more stable geopolitical situation in Eastern Europe, more attractive equity valuations relative to their developed market peers and the U.S. Federal Reserve Board's continued (although reduced) quantitative easing program (i.e., monetary policy used by central banks to increase money supply).

The Portfolio slightly outperformed the benchmark over the period. From a regional perspective, the Portfolio's holdings in Brazil and Taiwan contributed to performance, as did its overweight position in Brazil and underweight position in Korea. On a sector basis, its holdings in the Industrials sector also contributed to performance, as did its underweight position in the Energy sector and lack of position in the Materials sector. Significant individual contributors included

Taiwan Semiconductor Manufacturing Company Limited, Cielo S.A. and WEG S.A. Taiwan Semiconductor Manufacturing Company Limited reported consistently good results in the period and benefited from strong ongoing demand for smartphones, low industry inventories and limited competition. Financial services firm Cielo S.A. and electric motor producer WEG S.A., both Brazilian companies, contributed as the market revised upward the companies' growth estimates.

From a regional perspective, the Portfolio's holdings in China and lack of position in Indonesia detracted from performance over the period. On a sector basis, the Portfolio's life insurance holdings were also detractors from performance. Significant individual detractors from performance included China Life Insurance Company Limited, Ping An Insurance Group Company of China Ltd. and Infosys Technologies Limited. Chinese life insurance companies were hampered by negative sentiment around China's financial and real estate markets. Infosys Technologies Limited faced a lack of confidence because of the departure of several members of senior management, but its stock rebounded when the company announced late in the period the appointment of a new, independent Chief Executive Officer.

The sub-advisor added to several of the Portfolio's positions over the period, including Infosys Technologies Limited, Power Grid Corporation of India Ltd. and Fomento Económico Mexicano, S.A.B. de C.V. The sub-advisor believes that Infosys Technologies Limited's restructuring is nearly finished and the company can now begin to focus on growth. The sub-advisor

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purchased additional shares of Power Grid Corporation of India Ltd. and Fomento Económico Mexicano, S.A.B. de C.V., based on good prices and valuations, and attractive growth potential.

The sub-advisor eliminated the Portfolio's position in Russian telecommunications company Mobile TeleSystems OJSC. Russia has not adopted smartphones as quickly as expected, and the company's growth is expected to slow.

*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

Emerging market equity valuations have improved significantly over the last four years, and the asset class is currently trading at a large discount to its developed market peers. The sub-advisor believes that, as a result, emerging equity markets have a performance edge over developed markets in the short term. However, in the longer term, market returns will more closely correlate to earnings. The sub-advisor will select holdings based on a quality growth approach, which will identify stocks that are expected to perform well, regardless of the macroeconomic, "big picture" environment.

## Significant Accounting Changes

### *Resulting from our Adoption of IFRS*

Effective January 1, 2014, the Portfolio adopted International Financial Reporting Standards ("IFRS") as its basis of accounting. The semi-annual financial statements for the period ended June 30, 2014 are the first set of financial statements prepared on an IFRS basis. The adjustments made to reflect the impact of the change from Canadian GAAP to IFRS are presented in note 8 to the financial statements.

Key changes to the financial statements as a result of the implementation of IFRS are:

- Statement of Financial Position has replaced the former Statement of Net Assets:
  - The Portfolio's unitholders investments in the units of the Portfolios did not qualify for equity classification under IFRS and have been classified as a financial liability for financial reporting purposes.

- Classification of financial instruments: derivatives and short positions have been classified as held for trading while all other financial instruments have been designated as fair valued through profit and loss ("FVTPL"). Following adoption of IFRS by the Portfolio, for financial reporting purposes the Portfolio now fair values its investment securities traded on an exchange at close price, which is determined as the price within the bid ask range that represents the best estimate of fair value.

- Statement of Comprehensive Income replaced Statement of Operations
  - The Portfolio accounts for interest income using the effective interest rate method, rather than the coupon method previously used under Canadian GAAP.
- Statement of Changes in Net Assets Attributable to Holders of Redeemable Units replaced the Statement of Changes in Net Assets and the Portfolio now presents a Statement of Cash Flows.
- Other notable changes to the financial statement notes include additional or enhanced information in the notes to the financial statements, including a more detailed note and reconciliation on the Portfolio's transition from Canadian GAAP to IFRS.

## 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.

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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 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 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 period were as follows:

	<b>Period ended June 30, 2014 (\$000s)</b>	<b>Period ended June 30, 2013 (\$000s)</b>
Unitholder Services	87	95

### 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 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 June 30, 2014	Years ended December 31				
		2013	2012	2011	2010	2009
Net assets, beginning of period <sup>(5)</sup>	\$ 13.73	11.87	10.53	13.26	11.71	8.22
<b>Increase (decrease) from operations:</b>						
Total revenue	\$ 0.17	0.24	0.20	0.26	0.22	0.19
Total expenses <sup>(2)</sup>	\$ (0.09)	(0.16)	(0.08)	(0.05)	(0.05)	(0.07)
Realized gains (losses) for the period	\$ 0.67	(0.18)	(0.79)	0.03	0.16	0.18
Unrealized gains (losses) for the period	\$ 0.15	2.25	2.15	(2.73)	1.45	3.21
<b>Total increase (decrease) from operations <sup>(3)</sup></b>	<b>\$ 0.90</b>	<b>2.15</b>	<b>1.48</b>	<b>(2.49)</b>	<b>1.78</b>	<b>3.51</b>
<b>Distributions:</b>						
From income (excluding dividends)	\$ —	0.00	0.00	0.00	—	—
From dividends	\$ —	0.17	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>(4)</sup></b>	<b>\$ —</b>	<b>0.17</b>	<b>0.16</b>	<b>0.27</b>	<b>0.18</b>	<b>0.00</b>
<b>Net assets, end of period <sup>(5)</sup></b>	<b>\$ 14.64</b>	<b>13.73</b>	<b>11.87</b>	<b>10.53</b>	<b>13.26</b>	<b>11.71</b>

<sup>(1)</sup> This information is derived from the Portfolio's audited annual financial statements and unaudited June 30, 2014 semi-annual financial statements. Prior to 2014, the net assets per unit presented in the financial statements differed 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> Includes commissions and portfolio transaction costs. Prior to 2014, 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.

<sup>(5)</sup> Net assets prior to 2014 were calculated under Canadian GAAP. Net assets in 2014 were calculated under IFRS.

Ratios and Supplemental Data	Six months ended June 30, 2014	Years ended December 31				
		2013	2012	2011	2010	2009
Total net asset value (000s) <sup>(1)</sup>	\$ 251,186	231,530	121,334	120,942	172,398	126,564
Number of units outstanding (000s) <sup>(1)</sup>	17,153	16,857	10,213	11,468	12,992	10,791
Management expense ratio <sup>(2)</sup>	% 0.95	1.05	0.54	0.28	0.30	0.43
Management expense ratio before waivers or management absorptions	% 1.11	1.22	0.56	0.28	0.30	0.43
Trading expense ratio <sup>(3)</sup>	% 0.14	0.25	0.18	0.11	0.13	0.23
Portfolio turnover rate <sup>(4)</sup>	% 15.58	32.27	38.29	39.42	23.41	34.33
Net asset value per unit	\$ 14.64	13.73	11.88	10.55	13.27	11.73

<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

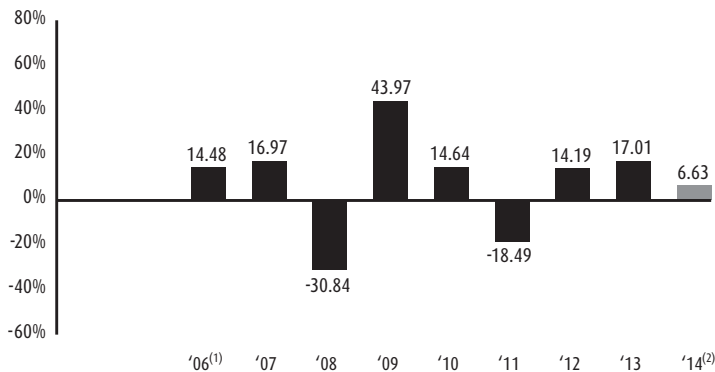
The Portfolio's performance information assumes that all distributions made by the Portfolio in the periods shown were reinvested in additional units of the Portfolio and is based on the net asset value of the Portfolio.

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, 2014 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.

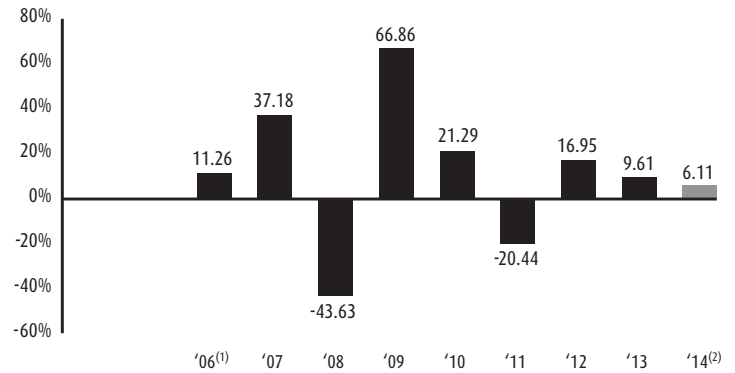
### BMO Harris Emerging Markets Equity Portfolio (C\$)



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

<sup>(2)</sup> For the six-month period ended June 30, 2014.

### 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, 2014.

## BMO Harris Emerging Markets Equity Portfolio

### Summary of Investment Portfolio

as at June 30, 2014

Portfolio Allocation	% of Net Asset Value
Brazil	19.3
China	11.1
Hong Kong	10.3
Taiwan	9.9
India	9.1
South Africa	6.8
Mexico	5.0
Cash/Receivables/Payables	4.4
Russia	4.2
Luxembourg	4.1
South Korea	3.8
Switzerland	3.6
Netherlands	3.0
United Kingdom	2.2
Malaysia	2.1
Turkey	1.1
<b>Total portfolio allocation</b>	<b>100.0</b>

#### Sector Allocation

Information Technology	23.4
Consumer Staples	21.8
Industrials	17.2
Financials	12.3
Consumer Discretionary	7.4
Telecommunication Services	6.7
Cash/Receivables/Payables	4.4
Energy	4.1
Health Care	2.7
<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	6.7
Cash/Receivables/Payables	4.4
China Mobile Limited	4.2
Tenaris S.A., ADR	4.1
Hutchison Whampoa Limited	4.1
China Life Insurance Company Limited, H Shares	3.9
Sanlam Limited	3.6
MediaTek Inc.	3.2
Heineken NV	3.0
Samsung Life Insurance Co., Ltd.	2.7
Weg S.A.	2.7
OdontoPrev S.A.	2.7
Infosys Technologies Limited, ADR	2.7
BRF S.A.	2.6
Natura Cosméticos S.A.	2.5
Cielo S.A.	2.4
Fomento Economico Mexicano, S.A.B. de C.V.	2.4
JBS S.A.	2.4
Wal-Mart de Mexico S.A.B. de C.V., Series V	2.3
Baidu, Inc., ADR	2.3
Bharat Heavy Electricals Limited, Equity Linked Notes, Jul 20, 2015	2.2
CCR SA	2.2
MTN Group Limited	2.2
Compagnie Financiere Richemont SA, Class A	2.2
SABMiller plc	2.2
<b>Total holdings as a percentage of net asset value</b>	<b>75.9</b>
<b>Total Net Asset Value</b>	<b>\$251,186,047</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.

[www.bmoharrisprivatebanking.com](http://www.bmoharrisprivatebanking.com)

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