

# Semi-Annual Management Report of Fund Performance

## BMO Harris U.S. Special 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 Corp. ("BMO AM Corp." or the "sub-advisor") as the sub-advisor of BMO Harris U.S. Special Equity Portfolio (the "Portfolio").*

### Results of Operations

For the six-month period ended June 30, 2013, the Portfolio returned 25.47% in C\$ (18.67% in US\$), after expenses. The Portfolio's benchmark is the Russell 2000 Growth Index, which generated a 24.09% total return in C\$ (17.44% in US\$) over the same six-month period.

Much of the reporting period was characterized by generally healthy corporate fundamentals and fewer macroeconomic concerns. In mid-June 2013, however, the U.S. Federal Reserve Board (the "Fed") began to speak of potentially tapering off its quantitative easing measures (such as its bond-buying program). This, plus Chinese liquidity issues and concerns about that country's economic growth, negatively impacted global equity market performance. That said most equity markets posted relatively strong gains over the period.

On a sector basis, contributors to the Portfolio's performance over the period included its underweight positions in the Materials and Utilities sectors, as well as its overweight positions in the Industrials, Information Technology and Telecommunication Services sectors.

From an individual securities perspective, the most significant contributors to the Portfolio's performance included PDC Energy, Inc. and Angie's List, Inc., as both of these companies exhibited improving fundamentals. PDC Energy Inc., an exploration and production company, continued to execute well on its core areas of the Wattenberg field in northern Colorado, as well as its emerging Utica Shale in southeastern Ohio. The company had an active first quarter of 2013, which included selling some of its non-core acreage in Colorado to help the company fund its capital expenditures budget this year. The company also reported initial production results from its second well in the Utica Shale that were even stronger than the encouraging results from its first well. Angie's List, Inc., a leading online national consumer review service, posted strong results and a positive 2013 outlook, and the company's shares responded accordingly. More importantly, customer acquisition costs for Angie's List, Inc. have been declining, and renewal rates for both members and service providers (who can be invited to advertise to members), are increasing.

On a sector basis, detractors from the Portfolio's performance over the period included its overweight positions in the Energy and Financials sectors, as well as its underweight positions in the Consumer Discretionary, Consumer Staples and Health Care sectors.

From an individual securities perspective, detractors from the Portfolio's performance over the period included Acacia Research Corporation and Ebix, Inc. Shares of Acacia Research Corporation, an intellectual property licensing company within the technology and

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life sciences industries, fell as some investors were disappointed with an initial settlement announced with Apple Inc. around Acacia's smartphone patents. However, the company continues to grow its already industry-leading patent portfolio. Ebix, Inc., a leader in on-demand software and e-commerce services to the insurance industry, announced plans in May 2013 to sell itself to Goldman Sachs Group, Inc. The U.S. Department of Justice (the "DoJ"), however, announced the opening of a preliminary investigation into Ebix, Inc. in June 2013, which resulted in the transaction being cancelled. While the cancelled deal was not anticipated, the sub-advisor believes Ebix, Inc.'s fundamentals remain strong and the company will likely still be on the market once the DoJ wraps up its investigation. Additionally, Ebix, Inc. announced a US\$100 million share repurchase in June 2013. Given the company's cash flow characteristics and current share price, the sub-advisor believes Ebix, Inc. may be an active re-purchaser of its shares over the remainder of 2013.

During the period, a number of the Portfolio's position were sold, including PDC Energy, Inc., which was sold as the sub-advisor believed much of the good news from both its Wattenberg and Utica properties was already reflected in the company's stock price. As a result of price strength and what the sub-advisor believed was a full valuation, the Portfolio's position in Angie's List, Inc. was also sold. Move, Inc. and LinnCo, LLC were sold on price appreciation.

During the period, the sub-advisor purchased a number of new holdings including Pacira Pharmaceuticals, Inc., as a result of improving adoption of the company's pain medication, and CalAmp Corp., on improving company fundamentals.

*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 questions around continued economic growth in the United States and other countries, including China, will likely impact investor confidence and financial markets over the coming period. Additionally, the sub-advisor believes the continued European recession, and the potential for economic deceleration, in many emerging markets

countries (ex-China) will also impact financial markets. The sub-advisor believes these macroeconomic factors may impact equities in the short term but that, ultimately, the U.S. economy, on which the Portfolio is most dependent, will continue to recover.

The sub-advisor believes the Portfolio is positioned in companies and sectors that should benefit from ongoing economic expansion in the United States, positioning which has been in place since shortly after the market bottom in March 2009. The sub-advisor believes this positioning, despite the current macroeconomic environment, is where growth should occur over the coming quarters.

### 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

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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.

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 Corp. to provide investment advice and make investment decisions for the Portfolio’s investment portfolio. BMO AM Corp.

receives an investment advisory fee based on assets under management that is paid quarterly. BMO AM Corp. is paid by BHIMI, and BHIMI charges a 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 June 30, 2013 (\$000s)	Period ended June 30, 2012 (\$000s)
Unitholder Services	73	53

### 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 U.S. Special 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	2012	2011	2010	2009	2008
Net assets, beginning of period	\$ 4.67	4.44	5.46	4.78	4.59	9.21
<b>Increase (decrease) from operations:</b>						
Total revenue	\$ 0.01	0.13	0.12	0.10	0.12	0.23
Total expenses	\$ (0.03)	(0.07)	(0.06)	(0.06)	(0.05)	(0.07)
Realized gains (losses) for the period	\$ 0.34	0.07	(0.09)	(0.02)	(1.94)	(4.08)
Unrealized gains (losses) for the period	\$ 0.75	0.22	(0.89)	0.69	2.09	(0.81)
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>\$ 1.07</b>	<b>0.35</b>	<b>(0.92)</b>	<b>0.71</b>	<b>0.22</b>	<b>(4.73)</b>
<b>Distributions:</b>						
From income (excluding dividends)	\$ —	0.00	0.00	—	0.01	0.23
From dividends	\$ —	0.09	0.12	0.08	0.07	0.01
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>0.09</b>	<b>0.12</b>	<b>0.08</b>	<b>0.08</b>	<b>0.24</b>
<b>Net assets, end of period</b>	<b>\$ 5.86</b>	<b>4.67</b>	<b>4.44</b>	<b>5.46</b>	<b>4.78</b>	<b>4.59</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	2012	2011	2010	2009	2008
Total net asset value (000s) <sup>(1)</sup>	\$ 116,328	30,749	29,201	38,417	35,416	29,765
Number of units outstanding (000s) <sup>(1)</sup>	19,825	6,575	6,573	7,030	7,402	6,487
Management expense ratio <sup>(2)</sup>	% 0.72	1.04	0.76	0.70	0.70	0.58
Management expense ratio before waivers or management absorptions	% 0.80	1.06	0.76	0.70	0.70	0.58
Trading expense ratio <sup>(3)</sup>	% 0.56	0.54	0.44	0.45	0.42	0.28
Portfolio turnover rate <sup>(4)</sup>	% 38.37	195.27	99.55	97.54	86.50	77.46
Net asset value per unit	\$ 5.87	4.68	4.44	5.46	4.79	4.59

<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 U.S. Special Equity Portfolio

## Past Performance

### General

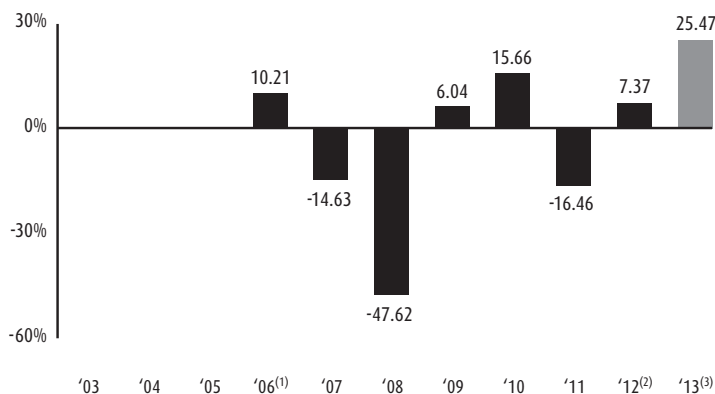
The Portfolio's performance information assumes that all distributions made by the Portfolio in the periods shown were reinvested in additional units of the Portfolio and is based on the net asset value of the Portfolio.

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 U.S. Special Equity Portfolio (C\$)

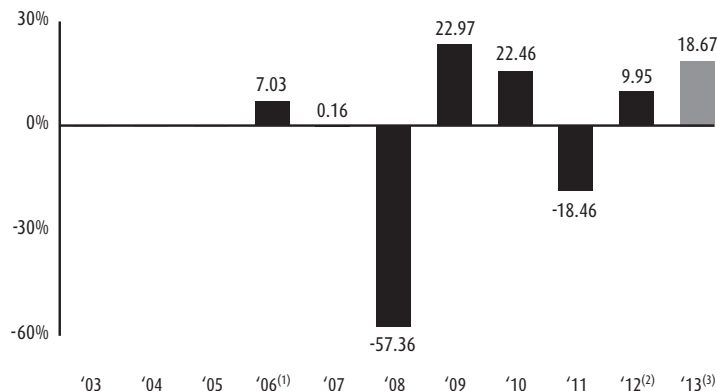


<sup>(1)</sup> Return from November 1, 2006 to December 31, 2006.

<sup>(2)</sup> On October 26, 2012, the investment objectives, investment strategies, sub-advisor and benchmark of BMO Harris U.S. Special Equity Portfolio (formerly BMO Harris International Special Equity Portfolio) were changed.

<sup>(3)</sup> For the six-month period ended June 30, 2013.

### BMO Harris U.S. Special Equity Portfolio (US\$)



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

<sup>(2)</sup> On October 26, 2012, the investment objectives, investment strategies, sub-advisor and benchmark of BMO Harris U.S. Special Equity Portfolio (formerly BMO Harris International Special Equity Portfolio) were changed.

<sup>(3)</sup> For the six-month period ended June 30, 2013.

## BMO Harris U.S. Special Equity Portfolio

### Summary of Investment Portfolio

as at June 30, 2013

Portfolio Allocation	% of Net Asset Value
United States	85.1
Cash/Receivables/Payables	4.0
Ireland	3.7
Czech Republic	3.0
Canada	2.3
Israel	1.0
Other	0.9
<b>Total portfolio allocation</b>	<b>100.0</b>

#### Sector Allocation

Information Technology	19.4
Health Care	16.9
Industrials	15.6
Financials	15.2
Energy	12.4
Consumer Discretionary	10.7
Cash/Receivables/Payables	4.0
Telecommunication Services	3.3
Consumer Staples	1.7
Other	0.8
<b>Total portfolio allocation</b>	<b>100.0</b>

Top 25 Holdings	% of Net Asset Value
<b>Issuer</b>	
Cash/Receivables/Payables	4.0
Approach Resources Inc.	4.0
American Capital, Ltd.	3.8
PICO Holdings, Inc.	3.4
Acacia Research Corporation	3.3
AVG Technologies NV	3.0
Unit Corporation	2.9
inContact, Inc.	2.8
Bellatrix Exploration Ltd.	2.3
Arctic Cat Inc.	2.1
Global Eagle Entertainment Inc.	2.1
ICG Group, Inc.	2.1
Penn Virginia Corporation	2.0
Safeguard Scientifics, Inc.	1.9
TRI Pointe Homes, Inc.	1.7
Jazz Pharmaceuticals Plc	1.5
Aspen Technology Inc.	1.5
Ebix, Inc.	1.4
Triumph Group, Inc.	1.4
EPAM Systems, Inc.	1.4
Laredo Petroleum Holdings, Inc.	1.2
Hexcel Corporation	1.2
Tumi Holdings, Inc.	1.2
PAREXEL International Corporation	1.2
ICON Public Limited Company	1.1
<b>Top holdings as a percentage of net asset value</b>	<b>54.5</b>
<b>Total Net Asset Value</b>	<b>\$116,328,404</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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