

SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

BMO S&P/TSX Capped Composite Index ETF (ZCN) (the “ETF”)

For the six-month period ended June 30, 2017 (the “Period”)

Manager: BMO Asset Management Inc. (the “Manager” and “portfolio manager”)

Management Discussion of Fund Performance

Results of Operations

The ETF returned 0.73% versus the S&P/TSX Capped Composite Index (the “Index”) return of 0.74%. The change in total net asset value during the Period from approximately \$1,741 million to approximately \$2,468 million had no impact to the performance of the ETF.

The difference in the performance of the ETF relative to the Index during the Period (-0.01%) resulted from the payment of management fees (-0.03%), and the impact of sampling and certain other factors (0.02%), which may have included timing differences versus the Index, and market volatility.

Market Conditions

During the Period, Canadian equities, as represented by the Index, returned approximately 0.7%, underperforming most other developed equity markets. The Canadian dollar was initially among the weakest currencies in the first quarter of 2017, but rebounded in the second quarter, due to stronger growth, to end the Period higher against the U.S. dollar. In May, the Organization of Petroleum Exporting Countries (“OPEC”) announced oil production cuts; however, high inventory levels in the U.S. drove the commodity price lower, which fell over 19%.

The ETFs exposure to the Industrials and Financials sectors contributed the most to performance, while the Energy sector detracted from performance. Significant individual contributors to performance were Canadian National

Railway Company and Royal Bank of Canada. Individual detractors to performance included exposure to Cenovus Energy Inc. and Suncor Energy Inc.

Recent Developments

The portfolio manager believes that growth in the Canadian economy will continue to strengthen for the remainder of 2017. Stronger global economic growth should help Canadian exports, however, uncertainty in both the housing market and oil prices may present risks to equity growth. While a weak oil price is a concern for investors, the Canadian economy has been stronger than expected over the period. Canadian equities provide good value in the context of the global equity market, and international investors may increase their allocation to Canada, particularly if commodity prices stabilize, and increase slightly.

Related Party Transactions

The Manager, an indirect, wholly-owned subsidiary of Bank of Montreal (“BMO”), is the portfolio manager, trustee and promoter of the ETF. From time to time, the Manager may, on behalf of the ETF, 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 Manager (each a “Related Party”). The purpose of this section is to provide a brief description of any transactions involving the ETF and a Related Party.

This semi-annual management report of fund performance contains financial highlights but does not contain the complete semi-annual or annual financial statements of the ETF. If the semi-annual financial statements of the ETF 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 writing to us at BMO Asset Management Inc., 250 Yonge Street, 7th Floor, Toronto, Ontario, M5B 2M8 or by visiting our website at www.bmo.com/etflegal or SEDAR at www.sedar.com. You may also contact us using one of these methods to request a copy of the ETF’s proxy voting policies and procedures, proxy voting disclosure record and/or quarterly portfolio disclosure.

BMO S&P/TSX Capped Composite Index ETF

Designated Broker

The Manager has entered into an agreement with BMO Nesbitt Burns Inc., an affiliate of the Manager, to act as designated broker and dealer for distribution of BMO exchange traded funds, on terms and conditions that are comparable to arm's length agreements in the exchange traded funds industry. The material terms and conditions of the agreement have been disclosed in the ETF's prospectus.

The Manager has also entered into agreements with other major dealers in Canada to act as dealers for the creation and redemption of units of BMO exchange traded funds.

Buying and Selling Securities

Investing in Bank of Montreal Common Shares or Preferred Shares and Related-Party Underwritings

During the Period, the Manager relied on an approval and standing instruction provided by the ETF's Independent Review Committee ("IRC") with respect to the following related party transactions:

- (a) investments in common shares or preferred shares of BMO, an affiliate of the Manager; and
- (b) investments in a class of non-government debt securities and/or equity 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, a "Related Party Transaction").

In accordance with the IRC's approval and standing instruction, in making a decision to cause the ETF to make a Related Party Transaction, the Manager, as Manager and portfolio manager of the ETF, is 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 relied on the approval and standing instruction and its 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 of BMO, BMO Nesbitt Burns Inc. or an associate or affiliate of BMO and/or BMO Nesbitt Burns Inc. and without taking into account any considerations relevant to BMO, BMO Nesbitt Burns Inc. or an associate or affiliate

of BMO and/or BMO Nesbitt Burns Inc., (ii) represents the business judgment of the Manager, uninfluenced by considerations other than the best interests of the ETF, and (iii) achieves a fair and reasonable result for the ETF.

Management Fees

The Manager is responsible for the day-to-day management of the business and operations of the ETF. The Manager monitors and evaluates the ETF's performance, manages the portfolio and provides certain administrative services required by the ETF. As compensation for its services, the Manager is entitled to receive a management fee payable quarterly and calculated based on the daily net asset value of the ETF at the maximum annual rate set out in the table below.

Ticker	Maximum Annual Management Fee Rate %
ZCN	0.05

Brokerage Commissions

The ETF 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 ETF (excluding exchange and other fees) during the periods were as follows:

	2017	2016
Total brokerage commissions	\$ 8,800	5,985
Brokerage commissions paid to BMO Nesbitt Burns Inc.	\$ 6,642	5,283

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Financial Highlights

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the periods indicated.

The ETF's Net Assets per Unit⁽¹⁾

Listed Units	Period ended Jun. 30, 2017	Financial years ended Dec. 31				
		2016	2015	2014	2013	2012
Net assets, beginning of period	\$ 20.60	17.55	19.74	17.76	16.76	16.06
Increase (decrease) from operations						
Total revenue	\$ 0.30	0.56	0.57	0.56	0.52	0.50
Total expenses ⁽²⁾	\$ (0.01)	(0.01)	(0.01)	(0.02)	(0.03)	(0.03)
Realized gains (losses) for the period	\$ 0.14	(0.05)	0.16	0.55	0.21	(0.06)
Unrealized gains (losses) for the period	\$ (0.41)	3.17	(2.35)	0.54	1.39	0.68
Total increase (decrease) from operations⁽³⁾	\$ 0.02	3.67	(1.63)	1.63	2.09	1.09
Distributions						
From income (excluding dividends)	\$ 0.01	0.01	0.01	—	—	—
From dividends	\$ 0.26	0.51	0.56	0.52	0.51	0.41
From capital gains	\$ —	0.01	—	0.14	0.06	—
Return of capital	\$ 0.03	0.06	0.02	0.01	0.01	0.03
Total Annual Distributions⁽⁴⁾	\$ 0.30	0.59	0.59	0.67	0.58	0.44
Net assets, end of period	\$ 20.46	20.60	17.55	19.74	18.36	16.73

Institutional Units	Period ended Jun. 30, 2017	Financial years ended Dec. 31		
		2016	2015	2014 ⁽⁵⁾
Net assets, beginning of period	\$ 22.01	18.27	20.21	18.33
Increase (decrease) from operations				
Total revenue	\$ 0.25	0.49	0.46	0.44
Total expenses ⁽²⁾	\$ 0.00	—	—	—
Realized gains (losses) for the period	\$ 0.15	(0.07)	0.12	0.56
Unrealized gains (losses) for the period	\$ (0.29)	3.32	(2.52)	0.88
Total increase (decrease) from operations⁽³⁾	\$ 0.11	3.74	(1.94)	1.88
Distributions				
From income (excluding dividends)	\$ —	—	—	—
From dividends	\$ —	—	—	—
From capital gains	\$ —	—	—	—
Return of capital	\$ —	—	—	—
Total Annual Distributions⁽⁴⁾	\$ —	—	—	—
Net assets, end of period	\$ 22.12	22.01	18.27	20.21

⁽¹⁾This information is derived from the ETF's unaudited and audited financial statements. The financial information presented for the periods ended June 30, 2017, December 31, 2016, December 31, 2015, December 31, 2014 and December 31, 2013 is derived from the financial statements determined in accordance with IFRS. Information for years prior to January 1, 2013 is derived from prior period financial statements prepared in accordance with Canadian GAAP.

⁽²⁾Prior to 2013, withholding taxes were not included in expenses as they were included in revenue.

⁽³⁾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.

⁽⁴⁾Distributions were either paid in cash or reinvested in additional units of the ETF, or both. The allocation of the distributions from each of income, dividends, capital gains and return of capital is based on the Manager's estimate as at June 30 of the period shown, which is the ETF's semi-annual period end. However, actual allocation of distributions is determined as at December 15, the ETF's tax year-end. Accordingly, the actual allocation among income, dividends, capital gains and return of capital may differ from these estimates.

⁽⁵⁾The information shown in this column is for the period beginning January 3, 2014 (the ETF's establishment date) and ending December 31, 2014.

Ratios and Supplemental Data

Listed Units	Period ended Jun. 30, 2017	Financial years ended Dec. 31					
		2016	2015	2014	2013	2012	
Total net asset value (000's) ⁽¹⁾	\$ 2,467,522	1,740,948	1,078,029	1,303,105	1,043,847	1,429,105	
Number of units outstanding (000's) ⁽¹⁾	120,609	84,509	61,409	66,009	56,868	85,268	
Management expense ratio ⁽²⁾	% 0.06	0.06	0.06	0.09	0.17	0.17	
Management expense ratio before waivers or absorptions ⁽²⁾	% 0.06	0.06	0.06	0.09	0.17	0.17	
Trading expense ratio ⁽³⁾	% 0.00	0.00	0.00	0.00	0.00	0.00	
Portfolio turnover rate ⁽⁴⁾	% 8.78	11.97	20.27	19.46	21.62	34.02	
Net asset value per unit	\$ 20.46	20.60	17.55	19.74	18.36	16.76	
Closing market price	\$ 20.46	20.61	17.55	19.72	18.37	16.77	

Institutional Units	Period ended Jun. 30, 2017	Financial years ended Dec. 31		
		2016	2015	2014
Total net asset value (000's) ⁽¹⁾	\$ 0	0	0	0
Number of units outstanding (000's) ⁽¹⁾	0	0	0	0
Management expense ratio [*]	% —*	—*	—*	—*
Management expense ratio before waivers or absorptions [*]	% —*	—*	—*	—*
Trading expense ratio ⁽³⁾	% 0.00	0.00	0.00	0.00
Portfolio turnover rate ⁽⁴⁾	% 8.78	11.97	20.27	19.46
Net asset value per unit	\$ 22.12	22.01	18.27	20.21

* Management fees are paid directly to the Manager as negotiated with the investor.

⁽¹⁾This information is provided as at June 30 or December 31 of the period shown, as applicable.

⁽²⁾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.

⁽³⁾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.

⁽⁴⁾The ETF's portfolio turnover rate indicates how actively the ETF's portfolio manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher an ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF 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 an ETF.

Past Performance

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

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 that how the ETF has performed in the past does not indicate how it will perform in the future.

On September 21, 2012, the ETF changed its investment objective and underlying index from the Dow Jones Canada 60 Index to the S&P/TSX Capped Composite Index, which is a float-adjusted market capitalization weighted index

BMO S&P/TSX Capped Composite Index ETF

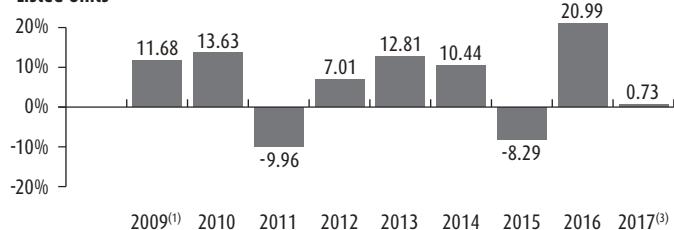
that incorporates over 200 equities and provides a more diversified exposure that is more representative of the Canadian equity market.

On May 1, 2014, the ETF reduced its maximum annual management fee from 0.15% to 0.05%. These changes could have affected the performance of the ETF, had they been in effect throughout the performance measurement periods presented.

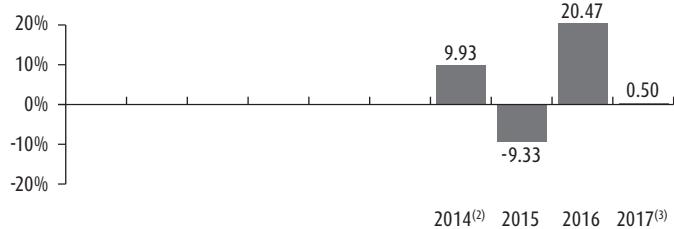
Year-by-Year Returns

The following bar charts show the performance of the ETF for each of the financial years shown. The charts show, in percentage terms, how much an investment made on the first day of each financial year would have increased or decreased by the last day of each financial year.

Listed Units



Institutional Units



⁽¹⁾ Return from May 29, 2009 to December 31, 2009.

⁽²⁾ Return from January 3, 2014 to December 31, 2014.

⁽³⁾ For the six-month period ended June 30, 2017.

Summary of Investment Portfolio

As at June 30, 2017

Portfolio Allocation	% of Net Asset Value
Financials	34.6
Energy	20.0
Materials	11.6
Industrials	9.6
Consumer Discretionary	5.4
Telecommunication Services	4.9
Consumer Staples	3.9
Utilities	3.3
Information Technology	3.3
Real Estate	3.0
Health Care	0.7
Cash/Receivables/Payables	(0.3)
Total Portfolio Allocation	100.0

Top 25 Holdings

Top 25 Holdings	% of Net Asset Value
Royal Bank of Canada	6.7
Toronto-Dominion Bank, The	5.9
Bank of Nova Scotia, The	4.6
Enbridge Inc.	4.1
Canadian National Railway Company	3.9
Suncor Energy Inc.	3.1
Bank of Montreal	3.0
TransCanada Corporation	2.6
BCE Inc.	2.6
Manulife Financial Corporation	2.3
Canadian Imperial Bank of Commerce	2.2
Brookfield Asset Management Inc., Class A	2.2
Canadian Natural Resources Limited	2.0
Canadian Pacific Railway Limited	1.5
Sun Life Financial Inc.	1.4
TELUS Corporation	1.3
Alimentation Couche-Tard Inc., Class B	1.3
Barrick Gold Corporation	1.2
Waste Connections, Inc.	1.1
Rogers Communications Inc., Class B	1.1
Magna International Inc.	1.1
Restaurant Brands International Inc.	0.9
Fortis Inc.	0.9
National Bank of Canada	0.9
Potash Corporation of Saskatchewan Inc.	0.9
Total Holdings as a Percentage of Total Net Asset Value	58.8
Total Net Asset Value	\$2,467,521,942

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

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 ETF may invest in and the risks detailed from time to time in the ETFs' 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 ETF, 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 Asset 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.

BMO exchange traded funds are managed and administered by BMO Asset Management Inc., an investment fund manager and portfolio manager and separate legal entity from Bank of Montreal.

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