

SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

BMO MSCI Europe High Quality Hedged to CAD Index ETF (ZEQ) (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 outperformed the broad-based MSCI EAFE 100% Hedged to CAD Index by 3.15%. However, the more appropriate comparison is to the MSCI Europe Quality 100% Hedged to CAD Index (the “Index”), due to the concentration of the portfolio in European equities. The ETF returned 11.26% versus the Index return of 11.26%. The change in total net asset value during the Period from approximately \$322 million to approximately \$449 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 (0.00%) resulted from the payment of management fees (-0.22%), and the impact of sampling and certain other factors (0.22%), which may have included timing differences versus the Index, and market volatility.

Market Conditions

During the Period, European, Japanese and Australian equities outperformed Canadian equity markets, in both local and Canadian dollar terms. The eurozone enjoyed strong economic growth and the euro reached a six month high. The French elections saw pro-European candidate Emmanuel Macron win, which drove markets and the euro higher. In the U.K., the snap election saw Theresa May win the general election, however, her Conservative party lost several seats in Parliament. The initiation of “Brexit” in

March (i.e., the formal request from the U.K. government to begin negotiations to withdraw from the European Union) saw uncertainty increase in the U.K. In local currency terms, the U.K. FTSE 100 Index was up approximately 4.7%, the German DAX Index was up approximately 7.4%, France’s CAC 40 Index rose approximately 8.0% and the Italian FTSE MIB Index increased approximately 9.3%. The British pound appreciated approximately 1.9%, (versus the Canadian dollar), while the euro appreciated approximately 4.8%, (versus the Canadian dollar).

The European markets as a whole produced a solid performance (+11.26%). The ETF’s exposure to the Consumer Staples, Industrials and Health Care sectors contributed the most to performance, while the Utilities sector detracted from performance. Exposure to U.K. and Switzerland markets contributed positively to performance. No country allocation detracted from performance.

Significant individual contributors to performance were Nestle S.A., Unilever N.V., Bayer AG and British American Tobacco Plc. Individual detractors to performance included BT Group Plc, Pandora A/S, Hennes & Mauritz AB and Next Plc.

All currency hedges (Euro, British Pound, Swiss Franc, Danish Krone, Norwegian Krone and Swedish Krona) contributed positively to performance.

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.



Exchange Traded Funds

BMO MSCI Europe High Quality Hedged to CAD Index ETF

Recent Developments

The portfolio manager believes that global equities will perform well in 2017, as economic growth remains strong and monetary stimulus remains accommodative outside of the U.S. Europe is keeping interest rates low while the U.S. and Canada are slowly raising rates. This policy divergence, coupled with an earnings recovery underway, and relatively attractive valuations should help bolster international equity returns.

Recent Developments

The portfolio manager believes that global equities will perform well in 2017, as growth recovers and monetary stimulus remains strong outside of the U.S. The ETF continues to provide exposure to the European developed equity market. The ETF will benefit from improving global growth conditions that may occur if President Trump is able to deliver on pro-growth policies, as well as potential benefits from continuing monetary stimulus in the European Union. Geopolitical risks within Europe, where elections in 2017 may threaten the stability of the European Union, remain a risk and may temper growth expectations in the coming year.

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.

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.

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 %
ZEQ	0.40

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⁾

	Period ended Jun. 30, 2017	Financial years ended Dec. 31		
		2016	2015	2014 ⁽⁴⁾
Net assets, beginning of period	\$ 17.95	17.32	16.12	15.00
Increase (decrease) from operations				
Total revenue	\$ 0.44	0.51	0.45	0.35
Total expenses	\$ (0.12)	(0.16)	(0.17)	(0.13)
Realized gains (losses) for the period	\$ (0.40)	1.29	(0.62)	0.84
Unrealized gains (losses) for the period	\$ 1.93	(0.87)	1.00	(0.15)
Total increase (decrease) from operations⁽²⁾	\$ 1.85	0.77	0.66	0.91
Distributions				
From income (excluding dividends)	\$ —	—	—	0.00
From dividends	\$ 0.19	0.35	0.32	0.20
From capital gains	\$ —	0.84	—	0.67
Return of capital	\$ 0.01	0.02	0.04	0.08
Total Annual Distributions⁽³⁾	\$ 0.20	1.21	0.36	0.95
Net assets, end of period	\$ 19.77	17.95	17.32	16.12

⁽¹⁾ This information is derived from the ETF’s unaudited and audited financial statements.

⁽²⁾ 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.

⁽³⁾ 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.

⁽⁴⁾ The information shown in this column is for the period beginning January 29, 2014 (the ETF’s establishment date) and ending December 31, 2014.

BMO MSCI Europe High Quality Hedged to CAD Index ETF

Ratios and Supplemental Data

	Period ended Jun. 30, 2017	Financial years ended Dec. 31		
		2016	2015	2014 ⁽¹⁾
Total net asset value (000's) ⁽¹⁾	\$ 449,385	321,845	276,297	133,811
Number of units outstanding (000's) ⁽¹⁾	22,729	17,929	15,950	8,300
Management expense ratio ⁽²⁾	% 0.45	0.45	0.45	0.46
Management expense ratio before waivers or absorptions ⁽²⁾	% 0.45	0.45	0.45	0.46
Trading expense ratio ⁽³⁾	% 0.12	0.10	0.10	0.07
Portfolio turnover rate ⁽⁴⁾	% 22.92	73.15	63.92	22.41
Net asset value per unit	\$ 19.77	17.95	17.32	16.12
Closing market price	\$ 19.85	17.92	17.47	16.20

⁽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.

⁽⁵⁾ The information shown in this column is for the period beginning January 29, 2014 (the ETF's establishment date) and ending December 31, 2014.

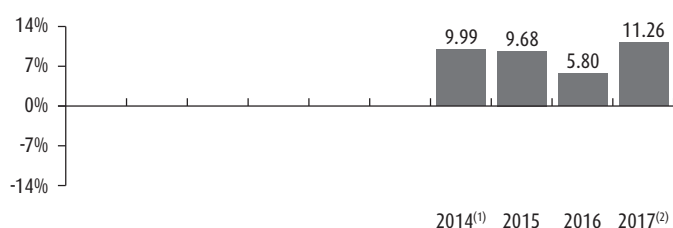
Past Performance

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.

Year-by-Year Returns

The following bar chart shows the performance of the ETF for each of the financial years shown. The chart shows, 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.



⁽¹⁾ Return from February 10, 2014 to December 31, 2014.

⁽²⁾ For the six-month period ended June 30, 2017.

Summary of Investment Portfolio

As at June 30, 2017

Portfolio Allocation	% of Net Asset Value
United Kingdom	36.1
Switzerland	17.4
Germany	15.0
France	7.1
Netherlands	6.5
Denmark	6.0
Sweden	3.9
Spain	3.1
Finland	2.7
Cash/Receivables/Payables	0.4
Other	1.8
Total Portfolio Allocation	100.0

Sector Allocation	% of Net Asset Value
Consumer Staples	28.9
Health Care	18.5
Industrials	17.7
Consumer Discretionary	15.2
Information Technology	6.4
Materials	6.1
Financials	3.9
Telecommunication Services	2.3
Cash/Receivables/Payables	0.4
Other	0.6
Total Sector Allocation	100.0

BMO MSCI Europe High Quality Hedged to CAD Index ETF

Top 25 Holdings	% of Net Asset Value
Nestle S.A.	5.3
British American Tobacco p.l.c.	4.9
Roche Holding AG	4.8
Novo Nordisk A/S, Class B	4.1
Unilever N.V.	3.8
AstraZeneca PLC	3.6
Bayer AG	3.4
SAP SE	3.3
Unilever PLC	2.9
Reckitt Benckiser Group plc	2.8
Diageo plc	2.7
BASF SE	2.6
LVMH Moet Hennessy Louis Vuitton S.A.	2.3
Industria de Diseno Textil, S.A.	1.8
L'Oreal S.A.	1.7
Imperial Brands PLC	1.6
ASML Holdings N.V.	1.6
ABB Ltd.	1.5
Compass Group PLC	1.5
BT Group plc	1.5
Deutsche Post AG	1.4
BAE Systems plc	1.2
Amadeus IT Holding S.A., Class A	1.1
H & M Hennes & Mauritz AB, B Shares	1.1
Atlas Copco AB, A Shares	1.0
Top Holdings as a Percentage of Total Net Asset Value	63.5
Total Net Asset Value	\$449,384,584

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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