

## SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

# BMO MSCI Emerging Markets Index ETF (ZEM) (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 15.09% versus the MSCI Emerging Markets Index (the “Index”) return of 14.69%. The change in total net asset value during the Period from approximately \$155 million to approximately \$231 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 (0.40%) resulted from the payment of management fees (-0.14%), and the impact of sampling and certain other factors (0.54%), which may have included timing differences versus the Index, and market volatility.

### Market Conditions

During the Period, emerging market equities were the best performing equities globally, returning approximately 18.5% (in U.S. dollar terms), and outperformed the MSCI World Index, which returned approximately 11.0% (in U.S. dollar terms). Regionally, emerging markets returns were mixed.

Emerging Asian markets dominated over the Period returning 23.2% (in U.S. dollar terms). South Korea faced some geopolitical risk with the impeachment of President Park Geun-hye in March. Despite the risk, the Korean KOSPI Index rallied after the impeachment and returned approximately 18.2% (in local currency terms). China’s economic growth strengthened with the help of government infrastructure spending and the continuing property boom. Leverage continued to grow to record high levels in China, which contributed to Moody’s downgrade of China from

Aa3 to A1. India’s equity market, as measured by the Indian S&P BSE Sensex Index returned approximately 17.0% (in U.S. dollar terms).

In Latin America, equity markets performed below their peers as increased political uncertainty out of Brazil and Venezuela weighted on the regions performance. In Brazil, the economy continued to be in a deep contraction with its unemployment hitting a cyclical high of over 12%. The Brazilian Ibovespa Index returned approximately 4.4% (in local currency terms). The Mexican peso fell dramatically after the win of President Trump in 2016, as expectations that trade barriers would increase between the two countries, however, the Mexican peso rebounded strongly, to return over 14.3%, versus the U.S. dollar.

The ETF’s exposure to the Information Technology, the Financials and the Consumer Discretionary sectors contributed the most to performance, while the Energy sector detracted from performance. Exposure to China and South Korea markets contributed positively to performance, while allocation to Russia and Qatar detracted from its performance.

Significant individual contributors to performance were Tencent Holdings Ltd., Alibaba Group Holdings Ltd., Samsung Electronics Co., Ltd. and Taiwan Semiconductor Manufacturing Company, Ltd. Individual detractors to performance included Gazprom PJSC, Lukoil PJSC, Petroleo Brasileiro Petrobras and Sberbank of Russia PJSC.

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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](http://www.bmo.com/etflegal) 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 ETF’s proxy voting policies and procedures, proxy voting disclosure record and/or quarterly portfolio disclosure.



Exchange Traded Funds

# BMO MSCI Emerging Markets Index ETF

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## Recent Developments

The portfolio manager believes that going forward, emerging markets equities should perform well on the back of stronger global economic growth. China's economy is improving despite facing record high debt levels, which still poses an economic risk, while India is expected to continue its strong economic growth.

## 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 %
ZEM	0.25

# BMO MSCI Emerging Markets Index ETF

## 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<sup>(1)</sup>

Listed Units	Period ended Jun. 30, 2017	Financial years ended Dec. 31				
		2016	2015	2014	2013	2012
Net assets, beginning of period	\$ 16.32	15.47	15.88	15.39	15.19	13.58
<b>Increase (decrease) from operations</b>						
Total revenue	\$ 0.25	0.34	0.42	0.39	0.36	0.30
Total expenses <sup>(2)</sup>	\$ (0.05)	(0.06)	(0.07)	(0.07)	(0.11)	(0.07)
Realized gains (losses) for the period	\$ 0.07	0.59	(0.25)	0.23	(0.09)	(0.31)
Unrealized gains (losses) for the period	\$ 1.96	0.43	(0.32)	0.17	0.20	1.79
<b>Total increase (decrease) from operations<sup>(3)</sup></b>	\$ 2.23	1.30	(0.22)	0.72	0.36	1.71
<b>Distributions</b>						
From income (excluding dividends)	\$ —	—	—	0.00	0.01	0.00
From dividends	\$ —	0.29	0.37	0.26	0.31	0.22
From capital gains	\$ —	0.29	—	0.02	—	—
Return of capital	\$ —	0.02	0.01	0.01	0.02	0.03
<b>Total Annual Distributions<sup>(4)</sup></b>	\$ —	0.60	0.38	0.29	0.34	0.25
<b>Net assets, end of period</b>	\$ 18.77	16.32	15.47	15.88	15.39	15.18

Institutional Units	Period ended Jun. 30, 2017	Financial years ended Dec. 31		
		2016	2015	2014
Net assets, beginning of period	\$ 16.88	15.93	17.07	15.08
<b>Increase (decrease) from operations</b>				
Total revenue	\$ 0.17	0.18	0.33	0.33
Total expenses <sup>(2)</sup>	\$ (0.01)	(0.01)	—	(0.00)
Realized gains (losses) for the period	\$ 0.06	0.60	(0.02)	0.25
Unrealized gains (losses) for the period	\$ 2.28	0.18	(0.25)	1.41
<b>Total increase (decrease) from operations<sup>(3)</sup></b>	\$ 2.50	0.95	(1.14)	1.99
<b>Distributions</b>				
From income (excluding dividends)	\$ —	—	—	—
From dividends	\$ —	—	—	—
From capital gains	\$ —	—	—	—
Return of capital	\$ —	—	—	—
<b>Total Annual Distributions<sup>(4)</sup></b>	\$ —	—	—	—
<b>Net assets, end of period</b>	\$ 19.38	16.88	15.93	17.07

<sup>(1)</sup> 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.

<sup>(2)</sup> Prior to 2013, 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 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.

## 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) <sup>(1)</sup>	\$ 231,195	155,252	139,260	114,337	81,558	61,522
Number of units						
outstanding (000's) <sup>(1)</sup>	12,315	9,515	9,000	7,200	5,300	4,050
Management expense ratio <sup>(2)</sup>	% 0.27	0.27	0.29	0.46	0.58	0.65
Management expense ratio before waivers or absorptions <sup>(3)</sup>	% 0.27	0.27	0.40	0.46	0.58	0.65
Trading expense ratio <sup>(3)</sup>	% 0.07	0.06	0.08	0.05	0.10	0.11
Portfolio turnover rate <sup>(4)</sup>	% 36.74	82.99	111.83	43.10	93.69	53.58
Net asset value per unit	\$ 18.77	16.32	15.47	15.88	15.39	15.19
Closing market price	\$ 18.85	16.22	15.48	15.90	15.48	15.13

Institutional Units	Period ended Jun. 30, 2017	Financial years ended Dec. 31		
		2016	2015	2014
Total net asset value (000's) <sup>(1)</sup>	\$ 0	0	0	0
Number of units outstanding (000's) <sup>(1)</sup>	0	0	0	0
Management expense ratio <sup>(2)</sup>	% —*	—*	—*	—*
Management expense ratio before waivers or absorptions <sup>(3)</sup>	% —*	—*	—*	—*
Trading expense ratio <sup>(3)</sup>	% 0.07	0.06	0.08	0.05
Portfolio turnover rate <sup>(4)</sup>	% 36.74	82.99	111.83	43.10
Net asset value per unit	\$ 19.38	16.88	15.93	17.07

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

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

<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. The management expense ratio reflects the proportional management expense ratio relating to units held in each of the underlying investment funds.

<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 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.

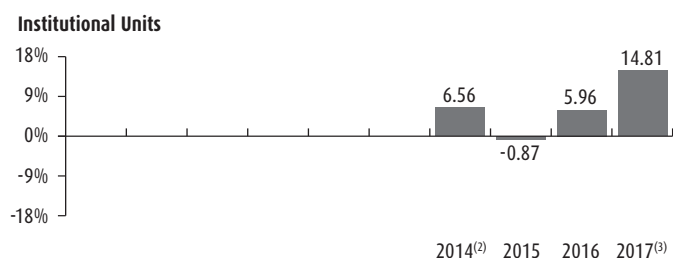
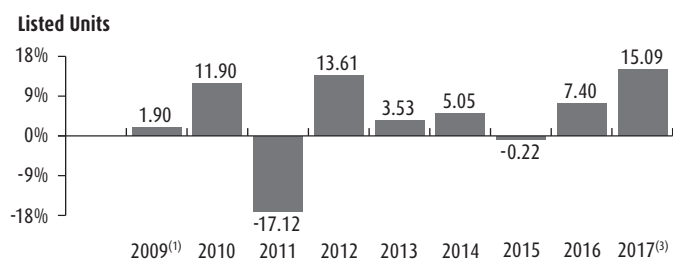
On April 1, 2013, the ETF changed its investment objective and underlying index from the Dow Jones Emerging Markets Total Stock Market Specialty Index to the MSCI Emerging Markets Index. In addition, the ETF reduced its maximum annual management fee from 0.535% to 0.45%.

# BMO MSCI Emerging Markets Index ETF

On May 1, 2014, the ETF reduced its maximum annual management fee from 0.45% to 0.25%. 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.



<sup>(1)</sup> Return from October 20, 2009 to December 31, 2009.

<sup>(2)</sup> Return from January 3, 2014 to December 31, 2014.

<sup>(3)</sup> For the six-month period ended June 30, 2017.

## Summary of Investment Portfolio

As at June 30, 2017

Portfolio Allocation	% of Net Asset Value
China	22.5
South Korea	15.4
Taiwan	12.2
India	8.5
Brazil	6.6
South Africa	5.9
Hong Kong	4.8
Mexico	3.8
Russia	3.3
Indonesia	2.4
Malaysia	2.2
Thailand	2.0
United States	1.6
Philippines	1.4
Poland	1.2
Turkey	1.1
Chile	1.1
Cash/Receivables/Payables	0.7
Other	3.3
<b>Total Portfolio Allocation</b>	<b>100.0</b>

Sector Allocation	% of Net Asset Value
Information Technology	25.1
Financials	21.6
Emerging Markets Equity Funds	9.8
Consumer Discretionary	9.0
Materials	6.1
Energy	5.5
Consumer Staples	5.4
Telecommunication Services	4.9
Industrials	4.5
Real Estate	2.6
Utilities	2.1
Health Care	1.6
International Equity Fund	1.1
Cash/Receivables/Payables	0.7
<b>Total Sector Allocation</b>	<b>100.0</b>

# BMO MSCI Emerging Markets Index ETF

<b>Top 25 Holdings</b>	<b>% of Net Asset Value</b>
iShares MSCI India ETF*	8.5
Samsung Electronics Co., Ltd.	4.6
Tencent Holdings Limited	4.5
Taiwan Semiconductor Manufacturing Company, Ltd.	3.8
Alibaba Group Holding Limited, ADR.	3.6
Naspers Limited, N Shares	2.0
China Mobile Limited	1.6
China Construction Bank Corporation, H Shares	1.5
Hon Hai Precision Industry Co., Ltd.	1.3
iShares MSCI Emerging Markets ETF*	1.2
Industrial and Commercial Bank of China, H Shares	1.1
Baidu, Inc., ADR.	1.1
iShares MSCI Chile Capped ETF*	1.1
Itau Unibanco Holding S.A., Preference	0.9
Ping An Insurance (Group) Company of China, Ltd., H Shares	0.8
Bank of China Ltd., H Shares	0.8
SK Hynix Inc.	0.7
Cash/Receivables/Payables	0.7
Sberbank of Russia PJSC	0.6
America Movil, S.A.B. de C.V., Series L	0.6
JD.com Inc, ADR.	0.6
Samsung Electronics Co., Ltd., Preference	0.6
PAO "Gazprom"	0.6
Ambev S.A.	0.6
CNOOC Limited.	0.6
<b>Top Holdings as a Percentage of Total Net Asset Value</b>	<b>44.0</b>
<b>Total Net Asset Value</b>	<b>\$231,195,435</b>

\*The prospectus and other information about the underlying exchange traded funds held in the portfolio may be found at their respective issuers' website.

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

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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