

# Annual Management Report of Fund Performance

## BMO Harris Canadian Money Market Portfolio

For the period ended December 31, 2014

This annual management report of fund performance contains financial highlights, but does not contain the complete annual financial statements of the Portfolio. If the annual financial statements of the Portfolio do not accompany the mailing of this report, you may obtain a copy of the 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 Private Investment Counsel Inc. (formerly 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.bmoprivatebanking.com](http://www.bmoprivatebanking.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 Inc. ("BMO AM Inc." or the "sub-advisor") as the sub-advisor of BMO Harris Canadian Money Market Portfolio (the "Portfolio").*

#### Investment Objective and Strategies

The Portfolio's investment objectives are to provide a high level of interest income and liquidity, and to preserve the capital invested. The Portfolio invests primarily in high quality, low risk short-term debt instruments issued by governments and corporations in Canada, such as treasury bills, bankers' acceptances and commercial paper.

To seek to achieve the Portfolio's objectives, the sub-advisor invests in securities rated A-1 (low) or higher at the time of investment by the Standard & Poor's Rating Service or R-1 (low) stable or higher at the time of investment by Dominion Bond Rating Service Limited or the equivalent rating as defined by other designated rating organizations. The Portfolio seeks to maintain a unit price of \$10.00 by crediting income daily and distributing it monthly.

#### Risk

No significant changes affecting the overall level of risk associated with investing in the Portfolio were made during the period. The risks of this Portfolio remain as discussed in the Portfolio's most recently filed simplified prospectus or its amendments.

#### Results of Operations

Over the 12-month period ended December 31, 2014, the Portfolio returned 1.14%, after expenses. The Portfolio's benchmark is the FTSE TMX Canada 91 Day T-Bill Index, which generated a 0.91% total return over the same 12-month period.

Geopolitical issues kept the global growth outlook uncertain throughout 2014. These included the sharp slowing of the Russian economy, Greek election event risk, the oil price decline, the Ebola outbreak and armed conflicts in the Middle East. Global real gross domestic product ("GDP") is expected to have averaged 3.2% in 2014. Three of the world's four largest economies continued to contract, namely, Europe, Japan and China. The eurozone continues to struggle to produce growth, and deflation fears remain prominent. European unemployment is high, and manufacturing data is weak.

The U.S. economy, however, remains resilient. U.S. third-quarter GDP growth was revised upward to an annualized rate of 5.0%, building on an already robust 4.6% surge in the second-quarter. This marks the

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largest quarterly increase in annualized GDP since the third quarter of 2003. The bulk of the upward revision reflected stronger consumer spending, with smaller upward revisions due to business investment growth and inventories. Despite uneven housing momentum and concern about slowing global growth, the U.S. Federal Reserve Board is expected to raise interest rates in 2015.

Canadian real GDP also had better-than-expected growth, rising 0.4% (unrevised) in September and 0.3% (unrevised) in October. Goods-producing industries saw an increase in output due to gains in mining, oil and gas, manufacturing and construction, which more than offset declines in agriculture and utilities. At the end of the period, manufacturing output was at its highest level in six years, buoyed by stronger U.S. demand and the depreciating Canadian dollar. Canada is on track to achieve annualized growth of roughly 2.5% in the fourth quarter of 2014, in line with the Bank of Canada's (the "BoC") October forecast.

With continued low interest rates, the Portfolio's longer average term-to-maturity contributed to its performance. The Portfolio's term-to-maturity was 82 days at the end of the period. The Portfolio's higher weighting in commercial paper and bonds also contributed to its performance as they provided enhanced yield over Government of Canada T-Bills and over provincial or municipal bonds. The Portfolio's exposure to corporate securities was maximized while exposure to government securities was held at its minimum (30%). The Portfolio's requirement to hold high-quality debt securities detracted from its performance over the period.

During the period, the sub-advisor added a new position in Royal Bank of Canada 1-year floating rate notes to add term and enhance yield over traditional bankers' acceptance paper. The sub-advisor increased the Portfolio's position in Manulife Financial Corporation (5.161%, 26/06/2015), which provided additional yield over other existing corporate bond positions with the same term.

*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 BoC surprised markets by cutting the overnight rate to 0.75% at its first policy meeting in 2015. The reasoning behind the move, according to the BoC, was the decline in crude oil prices, which poses risks to the economic outlook, inflation profile and financial stability.

The sub-advisor will adjust the Portfolio's term-to-maturity in a timely manner in response to economic conditions and changes in interest rates in Canada, and will focus on high-quality government and corporate holdings to help enhance returns.

### Name Changes

Effective February 2, 2015, BMO Harris Investment Management Inc. is named BMO Private Investment Counsel Inc., and BMO Harris Private Banking is named BMO Private Banking. Effective February 2, 2015, the Portfolio is named BMO Private Canadian Money Market Portfolio. These name changes are the result of a rebranding initiative by BMO Financial Group.

### 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 annual financial statements for the year ended December 31, 2014 are the first set of annual financial statements prepared on an IFRS basis. The adjustments made to reflect the impact of the change from Canadian generally accepted accounting principles ("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 replaced the former Statement of Net Assets:
  - The Portfolio's unitholders investments in the units of the Portfolio did not qualify for equity classification under IFRS and have been classified as a financial liability for financial reporting purposes.

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- 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. 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 BMO AM Inc., a related party, to provide investment advice and make investment decisions for the Portfolio's investment portfolio. BMO AM Inc. receives an investment advisory fee based on assets under management, which is paid monthly. BMO AM Inc. is paid by BHIMI.

### Buying and Selling Securities

#### *Trades in Debt Securities with a Related Entity, Trading as Principal*

During the period, the Manager relied on an approval and standing instruction provided by the Portfolio's Independent Review Committee ("IRC") to enable the Portfolio to trade in debt securities in the secondary market with BMO Nesbitt Burns Inc., an affiliate of the Manager, who is trading with the Portfolio as principal (each trade, a "Related Party Transaction"). In accordance with the IRC's approval and standing instruction, in making a decision to cause the Portfolio to make a Related Party Transaction, the Manager and the sub-advisor of the Portfolio are 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 their 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 Nesbitt Burns Inc. or an associate or affiliate of BMO Nesbitt Burns Inc. and without taking into account any considerations relevant to BMO Nesbitt Burns Inc. or an associate or affiliate of BMO Nesbitt Burns Inc., (ii) represents the business judgement of the Manager, uninfluenced by considerations other than the best interests of the Portfolio, and (iii) achieves a fair and reasonable result for 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, 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

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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 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 Dec. 31, 2014 (\$000s)</b>	<b>Period ended Dec. 31, 2013 (\$000s)</b>
Unitholder Services	279	302

### 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 Canadian Money Market 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>		Years ended December 31				
		2014	2013	2012	2011	2010
Net assets, beginning of period	\$	10.00	10.00	10.00	10.00	10.00
<b>Increase (decrease) from operations:</b>						
Total revenue	\$	0.12	0.12	0.12	0.12	0.07
Total expenses <sup>(2)</sup>	\$	(0.01)	(0.01)	(0.00)	(0.00)	(0.00)
Realized gains (losses) for the period	\$	—	—	—	—	—
Unrealized gains (losses) for the period	\$	—	—	—	—	—
<b>Total increase (decrease) from operations <sup>(3)</sup></b>	<b>\$</b>	<b>0.11</b>	<b>0.11</b>	<b>0.12</b>	<b>0.12</b>	<b>0.07</b>
<b>Distributions:</b>						
From income (excluding dividends)	\$	0.11	0.11	0.12	0.12	0.07
From dividends	\$	—	—	—	—	—
From capital gains	\$	—	—	—	—	—
Return of capital	\$	—	—	—	—	—
<b>Total Annual Distributions <sup>(4)</sup></b>	<b>\$</b>	<b>0.11</b>	<b>0.11</b>	<b>0.12</b>	<b>0.12</b>	<b>0.07</b>
<b>Net assets, end of period</b>	<b>\$</b>	<b>10.00</b>	<b>10.00</b>	<b>10.00</b>	<b>10.00</b>	<b>10.00</b>

<sup>(1)</sup> This information is derived from the Portfolio's audited annual financial statements. The financial information presented for the years ended 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. 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> Includes commissions and portfolio transaction costs. 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 paid in cash or reinvested in additional units of the Portfolio, or both.

Ratios and Supplemental Data		Years ended December 31				
		2014	2013	2012	2011	2010
Total net asset value (000s) <sup>(1)</sup>	\$	1,103,538	1,382,647	1,101,645	1,220,714	1,075,079
Number of units outstanding (000s) <sup>(1)</sup>		110,354	138,265	110,165	122,071	107,508
Management expense ratio <sup>(2)</sup>	%	0.05	0.05	0.06	0.05	0.04
Management expense ratio before waivers or management absorptions	%	0.17	0.18	0.08	0.05	0.04
Trading expense ratio <sup>(3)</sup>	%	—	—	—	—	—
Portfolio turnover rate <sup>(4)</sup>	%	—	—	—	—	—
Net asset value per unit	\$	10.00	10.00	10.00	10.00	10.00

<sup>(1)</sup> This information is provided as at 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. For all the financial periods listed, no commissions or portfolio transaction costs were incurred by the Portfolio. As a result, the trading expense ratio for each of the periods was zero.

<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. The Portfolio turnover ratio is not applicable to money market funds.

# BMO Harris Canadian Money Market Portfolio

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## Past Performance

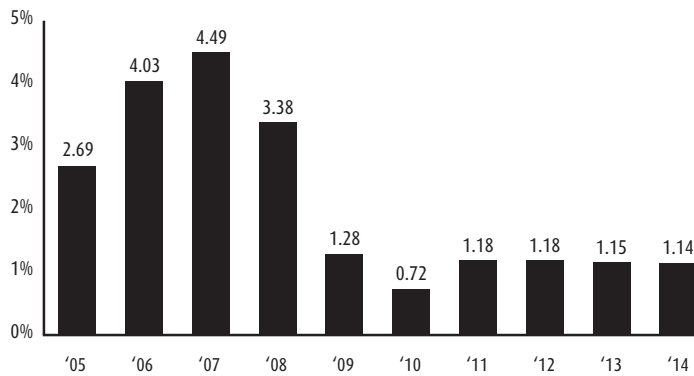
### General

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 chart shows the performance for each of the financial years shown and illustrates how the performance has changed from year to year. The bar chart shows 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 Canadian Money Market Portfolio

### Summary of Investment Portfolio

as at December 31, 2014

Portfolio Allocation	% of Net Asset Value
Commercial Paper	35.0
Corporate Bonds	34.5
Treasury Bills – Provincial	14.3
Provincial Bonds	5.5
Government Bonds	4.8
Municipal Bonds	2.5
Money Market – Provincial	2.0
Treasury Bills – Federal	1.0
Asset-Back Securities	0.6
Cash/Receivables/Payables	-0.2
<b>Total portfolio allocation</b>	<b>100.0</b>

Top 25 Holdings	% of Net Asset Value
<b>Issuer</b>	
GE Capital Canada Funding Company, Series A, Medium Term Notes, Senior, Unsecured, Unsubordinated, 4.650% Feb 11, 2015	4.3
Manulife Financial Corporation, Medium Term Notes, Senior, Unsecured, Unsubordinated, Callable, 5.161% Jun 26, 2015	4.2
Province of Ontario, Treasury Bills, 0.990% Mar 4, 2015	3.9
Bank of Nova Scotia, Deposit Notes, Senior, 3.340% Mar 25, 2015	3.8
Canadian Imperial Bank of Commerce, Deposit Notes, Unsecured, 2.200% May 22, 2015	3.4
Bank of Nova Scotia, Deposit Notes, Senior, Unsecured, 2.250% May 8, 2015	3.0
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, Unsubordinated, 2.050% Jan 13, 2015	2.9
Storm King Funding, Commercial Paper, 1.196% Jan 21, 2015	2.6
Canada Housing Trust, Mortgage Bonds, Series 33, Secured, 2.950% Mar 15, 2015	2.5
Manulife Financial Corporation, Medium Term Notes, Senior, Unsecured, 4.079% Aug 20, 2015	2.3
Bay Street Funding Trust, Commercial Paper, 1.198% Feb 3, 2015	2.3
Canada Housing Trust, Mortgage Bonds, Series 35, Secured, 3.150% Jun 15, 2015	2.1

Top 25 Holdings	% of Net Asset Value
<b>Issuer</b>	
Zeus Receivables Trust, Commercial Paper, 1.186% Jan 20, 2015	2.1
Husky Energy Inc., Commercial Paper, 1.218% Jan 20, 2015	1.8
Prime Trust, Commercial Paper, 1.233% Apr 15, 2015	1.8
Storm King Funding, Commercial Paper, 1.205% Mar 4, 2015	1.8
Bay Street Funding Trust, Commercial Paper, 1.217% Feb 18, 2015	1.7
OMERS Finance Trust, Commercial Paper, 1.167% Feb 2, 2015	1.7
Prime Trust, Commercial Paper, 1.217% Mar 9, 2015	1.6
Province of Quebec, Treasury Bills, 0.986% Feb 27, 2015	1.5
Prime Trust, Commercial Paper, 1.186% Jan 7, 2015	1.4
Canadian Western Bank, Deposit Notes, Senior, Unsecured, 2.378% Sep 14, 2015	1.3
Wells Fargo Financial Canada Corporation, Medium Term Notes, Senior, Unsecured, 4.380% Jun 30, 2015	1.3
PSP Capital Inc., Series 2, Senior, Unsecured, Notes, 2.940% Dec 3, 2015	1.3
Province of Newfoundland, Treasury Bills, 0.999% Mar 12, 2015	1.2
<b>Top holdings as a percentage of total net asset value</b>	<b>57.8</b>
<b>Total Net Asset Value</b>	<b>\$1,103,537,785</b>

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



**Manager**

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(formerly BMO Harris Investment Management Inc.)  
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Toronto, Ontario M5X 1A1

**Trustee**

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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 the simplified prospectus of the BMO Private Portfolios (formerly the BMO Harris Private Portfolios). 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 Private Investment Counsel 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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