

# Annual Financial Statements

BMO Harris Private Portfolios

December 31, 2014

**BMO Harris Canadian Short-Term Bond Portfolio**

*(formerly BMO Harris Canadian Bond Income Portfolio)*

# Independent Auditor's Report

---

## To the Unitholders of

BMO Harris Canadian Money Market Portfolio  
BMO Harris Canadian Special Growth Portfolio  
BMO Harris U.S. Equity Portfolio  
BMO Harris International Equity Portfolio  
BMO Harris U.S. Growth Portfolio  
BMO Harris Canadian Income Equity Portfolio  
BMO Harris Canadian Short-Term Bond Portfolio  
(formerly BMO Harris Canadian Bond Income Portfolio)  
BMO Harris Canadian Growth Equity Portfolio

BMO Harris Canadian Conservative Equity Portfolio  
BMO Harris Canadian Mid-Term Bond Portfolio  
(formerly BMO Harris Canadian Total Return Bond Portfolio)  
BMO Harris Canadian Corporate Bond Portfolio  
BMO Harris Diversified Yield Portfolio  
BMO Harris Emerging Markets Equity Portfolio  
BMO Harris U.S. Special Equity Portfolio  
*(collectively the "Portfolios")*

---

We have audited the accompanying financial statements of each of the Portfolios, which comprise the statements of financial position as at December 31, 2014, December 31, 2013 and January 1, 2013 and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years ended December 31, 2014 and December 31, 2013, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

### *Management's responsibility for the financial statements*

Management is responsible for the preparation and fair presentation of the financial statements of each of the Portfolios in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial statements of each of the Portfolios based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material

misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in each of our audits is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements of each of the Portfolios present fairly, in all material respects, the financial position of each of the Portfolios as at December 31, 2014, December 31, 2013 and January 1, 2013 and the financial performance and cash flows of each of the Portfolios for the years ended December 31, 2014 and December 31, 2013 in accordance with International Financial Reporting Standards.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario

March 31, 2015

*The accompanying notes are an integral part of these financial statements.*

**BMO Harris Canadian Short-Term Bond Portfolio**  
(formerly BMO Harris Canadian Bond Income Portfolio)

**STATEMENT OF FINANCIAL POSITION**

*(All amounts in thousands of Canadian dollars, except per unit data)*

<b>As at</b>	<b>December 31 2014</b>	<b>December 31 2013</b>	<b>January 1 2013</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash	17,883	9,204	1,483
Investments			
Non-derivative financial assets	2,514,869	2,011,405	1,793,127
Receivable for investments sold	7,730	—	—
Subscriptions receivable	2,097	2,229	2,108
Interest receivable	13,051	11,291	6,010
<b>Total assets</b>	<b>2,555,630</b>	<b>2,034,129</b>	<b>1,802,728</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payable for investments purchased	16,336	8,127	—
Redemptions payable	1,363	2,215	1,380
Accrued expenses	123	109	98
<b>Total liabilities</b>	<b>17,822</b>	<b>10,451</b>	<b>1,478</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>2,537,808</b>	<b>2,023,678</b>	<b>1,801,250</b>
<b>Net assets attributable to holders of redeemable units per unit</b>	<b>\$ 10.56</b>	<b>\$ 10.52</b>	<b>\$ 10.98</b>

*The accompanying notes are an integral part of these financial statements.*

**BMO Harris Canadian Short-Term Bond Portfolio**  
(formerly BMO Harris Canadian Bond Income Portfolio)

**STATEMENT OF COMPREHENSIVE INCOME**

*(All amounts in thousands of Canadian dollars, except per unit data)*

<b>For the periods ended</b>	<b>December 31 2014</b>	<b>December 31 2013</b>
<b>Income</b>		
Interest income	35,841	31,918
Other changes in fair value of investments and derivatives		
Net realized gain	4,567	51,929
Change in unrealized appreciation (depreciation)	23,229	(58,463)
Net gain in fair value of investments and derivatives	63,637	25,384
Securities lending	453	314
Foreign exchange gain	0	2
Total other income	453	316
<b>Total income</b>	<b>64,090</b>	<b>25,700</b>
<b>Expenses</b>		
Sub-advisory fees	2,573	2,152
Audit fees	25	21
Independent review committee fees	8	3
Withholding taxes	1	0
Custodian fees	31	29
Legal and filing fees	147	93
Unitholder servicing fees	390	378
Printing and stationery fees	16	18
Operating expenses absorbed by the Manager	(2,573)	(2,152)
<b>Total expenses</b>	<b>618</b>	<b>542</b>
<b>Increase in net assets attributable to holders of redeemable units</b>	<b>63,472</b>	<b>25,158</b>
<b>Increase in net assets attributable to holders of redeemable units per unit (note 3)</b>	<b>0.31</b>	<b>0.15</b>

*The accompanying notes are an integral part of these financial statements.*

**BMO Harris Canadian Short-Term Bond Portfolio**  
(formerly BMO Harris Canadian Bond Income Portfolio)

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS**

*(All amounts in thousands of Canadian dollars)*

<b>For the periods ended</b>	<b>December 31 2014</b>	<b>December 31 2013</b>
<b>Net assets attributable to holders of redeemable units at beginning of period</b>	2,023,678	1,801,250
Increase in net assets attributable to holders of redeemable units	63,472	25,158
<b>Distributions to holders of redeemable units</b>		
From net investment income	(57,684)	(52,632)
From net realized gains on investments and derivatives	—	(34,229)
Return of capital	(30)	(4,518)
<b>Total distributions paid to holders of redeemable units</b>	(57,714)	(91,379)
<b>Redeemable unit transactions</b>		
Proceeds from redeemable units issued	1,036,989	1,226,914
Reinvestments of distributions to holders of redeemable units	55,608	88,225
Redemption of redeemable units	(584,225)	(1,026,490)
<b>Net increase from redeemable unit transactions</b>	508,372	288,649
<b>Net increase in net assets attributable to holders of redeemable units</b>	514,130	222,428
<b>Net assets attributable to holders of redeemable units at end of period</b>	2,537,808	2,023,678

*The accompanying notes are an integral part of these financial statements.*

**BMO Harris Canadian Short-Term Bond Portfolio**  
(formerly BMO Harris Canadian Bond Income Portfolio)

**STATEMENT OF CASH FLOWS**

(All amounts in thousands of Canadian dollars)

<b>For the periods ended</b>	<b>December 31 2014</b>	<b>December 31 2013</b>
<b>Cash flows from operating activities</b>		
Increase in net assets attributable to holders of redeemable units	63,472	25,158
Adjustments for:		
Foreign exchange gain on cash	—	(1)
Net realized gain on sale of investments and derivatives	(4,567)	(51,929)
Change in unrealized (appreciation) depreciation of investments and derivatives	(23,229)	58,463
Increase in interest receivable	(1,760)	(5,281)
Decrease in accrued interest on money market investments	—	287
Increase in accrued expenses	14	11
Amortization of premium and discount	22,690	20,321
Purchases of investments	(1,464,324)	(3,186,618)
Proceeds from sale and maturity of investments	966,445	2,949,325
<b>Net cash from operating activities</b>	<b>(441,259)</b>	<b>(190,264)</b>
<b>Cash flows used in financing activities</b>		
Distributions paid to holders of redeemable units, net of reinvested distributions	(2,106)	(3,154)
Proceeds from issuances of redeemable units	1,037,121	1,226,793
Amounts paid on redemption of redeemable units	(585,077)	(1,025,655)
<b>Net cash used in financing activities</b>	<b>449,938</b>	<b>197,984</b>
Foreign exchange gain on cash	—	1
Net increase in cash	8,679	7,720
Cash at beginning of year	9,204	1,483
<b>Cash at end of year</b>	<b>17,883</b>	<b>9,204</b>
Supplementary Information		
Interest received, net of withholding taxes*	56,772	47,246

\*These items are from operating activities

The accompanying notes are an integral part of these financial statements.

**BMO Harris Canadian Short-Term Bond Portfolio**  
(formerly BMO Harris Canadian Bond Income Portfolio)

**SCHEDULE OF INVESTMENT PORTFOLIO**

*As at December 31, 2014 (All amounts in thousands of Canadian dollars, unless otherwise noted)*

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
<b>Bonds &amp; Debentures</b>			
<i>Federal Bonds — 46.2%</i>			
Canada Housing Trust, Mortgage Bonds, Series 41, Secured, 2.750% Jun 15, 2016	70,900	72,555	72,565
Canada Housing Trust, Mortgage Bonds, Series 43, Secured, 1.850% Dec 15, 2016	37,950	38,198	38,462
Canada Housing Trust, Mortgage Bonds, Series 46, Secured, 2.050% Jun 15, 2017	36,750	37,115	37,462
Canada Housing Trust, Mortgage Bonds, Series 49, Secured, 1.700% Dec 15, 2017	48,100	48,022	48,612
Canada Housing Trust, Mortgage Bonds, Series 51, Secured, 1.750% Jun 15, 2018	33,900	33,839	34,271
Canada Housing Trust, Mortgage Bonds, Series 54, Secured, 2.050% Jun 15, 2018	35,050	35,328	35,786
Canada Housing Trust, Mortgage Bonds, Series 56, Secured, 2.350% Dec 15, 2018	31,000	31,458	32,013
Canada Housing Trust, Mortgage Bonds, Series 23, Secured, 4.100% Dec 15, 2018	25,500	27,638	28,038
Canada Housing Trust, Mortgage Bonds, Secured, 1.950% Jun 15, 2019	54,300	54,692	55,170
Canada Housing Trust, Mortgage Bonds, Series 61, Secured, 2.000% Dec 15, 2019	30,000	30,489	30,471
Government of Canada, 1.250% Feb 1, 2016	69,700	69,798	69,882
Government of Canada, 1.000% May 1, 2016	43,000	42,974	43,002
Government of Canada, 2.000% Jun 1, 2016	51,000	51,571	51,715
Government of Canada, 4.000% Jun 1, 2016	25,200	26,227	26,258
Government of Canada, 1.000% Aug 1, 2016	49,000	48,828	49,004
Government of Canada, 2.750% Sep 1, 2016	30,250	31,099	31,123
Government of Canada, Unsecured, 1.000% Nov 1, 2016	20,650	20,606	20,664
Government of Canada, 1.500% Feb 1, 2017	61,750	61,965	62,368
Government of Canada, 1.500% Mar 1, 2017	56,100	56,243	56,707
Government of Canada, 4.000% Jun 1, 2017	17,000	18,170	18,213
Government of Canada, 1.250% Aug 1, 2017	20,000	20,011	20,093
Government of Canada, 1.500% Sep 1, 2017	40,250	40,480	40,699
Government of Canada, 1.250% Mar 1, 2018	21,750	21,653	21,825
Government of Canada, 4.250% Jun 1, 2018	24,250	26,522	26,763
Government of Canada, 1.250% Sep 1, 2018	80,400	78,787	80,595
Government of Canada, 1.750% Mar 1, 2019	42,500	42,717	43,367
Government of Canada, 3.750% Jun 1, 2019	42,750	46,691	47,325
Government of Canada, Unsecured, 1.750% Sep 1, 2019	50,500	50,903	51,432
		1,164,579	1,173,885
<i>Provincial Bonds — 15.3%</i>			
Alberta Capital Finance Authority, Notes, 4.350% Jun 15, 2016	7,000	6,962	7,319
Financement-Quebec, Medium Term Notes, Unsecured, 3.500% Dec 1, 2016	3,000	3,122	3,128
Financement-Quebec, Medium Term Notes, Unsecured, 3.500% Dec 1, 2017	7,500	7,891	7,937
Financement-Quebec, Unsecured, Notes, 2.400% Dec 1, 2018	11,000	11,039	11,323
Financement-Quebec, Unsecured, Notes, 2.450% Dec 1, 2019	15,000	15,378	15,430

*The accompanying notes are an integral part of these financial statements.*

**BMO Harris Canadian Short-Term Bond Portfolio**  
(formerly BMO Harris Canadian Bond Income Portfolio)

**SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)**

*As at December 31, 2014 (All amounts in thousands of Canadian dollars, unless otherwise noted)*

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Province of Alberta, 1.750% Jun 15, 2017	6,950	6,995	7,029
Province of Alberta, 1.700% Dec 15, 2017	5,750	5,719	5,805
Province of Alberta, 1.600% Jun 15, 2018	6,750	6,665	6,783
Province of Alberta, Notes, 4.000% Dec 1, 2019	3,550	3,922	3,931
Province of British Columbia, Unsecured, Notes, 4.700% Dec 1, 2017	6,650	7,171	7,283
Province of British Columbia, Medium Term Notes, Senior, Unsecured, 4.650% Dec 18, 2018	9,250	10,263	10,365
Province of British Columbia, Unsecured, Notes, 2.250% Mar 1, 2019	8,500	8,672	8,736
Province of Manitoba, Notes, 2.050% Dec 1, 2016	11,000	11,129	11,176
Province of Manitoba, Unsecured, Notes, 1.850% Sep 5, 2018	3,000	3,029	3,040
Province of New Brunswick, Unsecured, 4.700% Jul 21, 2016	8,000	8,366	8,431
Province of New Brunswick, 4.450% Mar 26, 2018	3,250	3,487	3,554
Province of New Brunswick, Notes, 4.400% Jun 3, 2019	5,000	5,503	5,572
Province of Nova Scotia, Unsecured, Debentures, 4.600% Aug 18, 2016	2,500	2,634	2,637
Province of Nova Scotia, 4.150% Nov 25, 2019	3,500	3,874	3,883
Province of Ontario, 4.400% Mar 8, 2016	2,500	2,587	2,595
Province of Ontario, Notes, 3.200% Sep 8, 2016	12,500	12,902	12,917
Province of Ontario, 4.300% Mar 8, 2017	38,200	38,319	40,667
Province of Ontario, Unsecured, 1.900% Sep 8, 2017	25,350	25,458	25,701
Province of Ontario, 4.200% Mar 8, 2018	13,500	14,540	14,641
Province of Ontario, Unsecured, 2.100% Sep 8, 2018	25,500	25,445	26,006
Province of Ontario, 4.400% Jun 2, 2019	28,000	30,732	31,207
Province of Ontario, Unsecured, 2.100% Sep 8, 2019	20,000	20,178	20,305
Province of Quebec, Unsecured, Debentures, 4.500% Dec 1, 2016	19,500	20,541	20,704
Province of Quebec, Medium Term Notes, 4.500% Dec 1, 2017	9,000	9,769	9,785
Province of Quebec, Medium Term Notes, 4.500% Dec 1, 2018	10,700	11,675	11,869
Province of Quebec, Unsecured, Notes, 4.500% Dec 1, 2019	30,100	33,771	33,874
Province of Saskatchewan, Unsecured, Notes, 4.500% Aug 23, 2016	5,000	5,238	5,271
		382,976	388,904
<b>Municipal Bonds — 0.6%</b>			
Municipal Finance Authority of British Columbia, Series DQ, Unsecured, Debentures, 5.100% Nov 20, 2018	12,500	13,756	14,127
<b>Corporate Bonds &amp; Debentures — 35.1%</b>			
Alberta Capital Finance Authority, Senior, Unsecured, Notes, 4.650% Jun 15, 2017	3,500	3,777	3,780
Alimentation Couche-Tard Inc., Series 2, Senior, Unsecured, Notes, 3.319% Nov 1, 2019	4,650	4,724	4,759
American Express Canada Credit Corp., Medium Term Notes, Senior, Unsecured, Unsubordinated, 3.600% Jun 3, 2016	2,500	2,553	2,566
American Express Canada Credit Corp., Medium Term Notes, Senior, Unsecured, 2.310% Mar 29, 2018	2,000	1,996	2,019
Bank of Montreal, Deposit Notes, Senior, Unsecured, 3.490% Jun 10, 2016	9,000	9,203	9,234
Bank of Montreal, Deposit Notes, Unsecured, 2.960% Aug 2, 2016	8,500	8,613	8,670
Bank of Montreal, Deposit Notes, Senior, Unsecured, 2.390% Jul 12, 2017	8,500	8,506	8,623

*The accompanying notes are an integral part of these financial statements.*



**BMO Harris Canadian Short-Term Bond Portfolio**  
(formerly BMO Harris Canadian Bond Income Portfolio)

**SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)**

*As at December 31, 2014 (All amounts in thousands of Canadian dollars, unless otherwise noted)*

<b>Security</b>	<b>Par Value (in thousands)</b>	<b>Cost (\$)</b>	<b>Fair Value (\$)</b>
Bank of Montreal, Deposit Notes, Senior, Unsecured, 2.240% Dec 11, 2017	12,250	12,247	12,368
Bank of Montreal, Deposit Notes, Senior, Unsecured, 3.210% Sep 13, 2018	8,500	8,677	8,857
Bank of Montreal, Deposit Notes, Senior, Unsecured, 2.430% Mar 4, 2019	4,000	4,029	4,052
Bank of Montreal, Medium Term Notes, Fixed to Floating, Subordinated, Callable, 5.100% Apr 21, 2021	1,200	1,274	1,249
Bank of Montreal, Medium Term Notes, Fixed to Floating, Unsecured, Subordinated, Callable, 3.979% Jul 8, 2021	6,000	6,228	6,182
Bank of Montreal, Series F, Fixed to Floating, Unsecured, Notes, Subordinated, Callable, 6.170% Mar 28, 2023	6,000	6,884	6,738
Bank of Nova Scotia, Senior, Notes, 3.610% Feb 22, 2016	2,500	2,548	2,557
Bank of Nova Scotia, Unsecured, Notes, 1.800% May 9, 2016	5,000	4,991	5,012
Bank of Nova Scotia, Deposit Notes, Senior, Unsecured, 2.100% Nov 8, 2016	3,000	3,018	3,021
Bank of Nova Scotia, Deposit Notes, Senior, 2.740% Dec 1, 2016	8,750	8,885	8,915
Bank of Nova Scotia, Deposit Notes, Senior, 2.598% Feb 27, 2017	5,500	5,542	5,598
Bank of Nova Scotia, Deposit Notes, Senior, 4.100% Jun 8, 2017	8,000	8,345	8,438
Bank of Nova Scotia, Deposit Notes, Senior, Unsecured, 2.370% Jan 11, 2018	9,000	8,994	9,116
Bank of Nova Scotia, Senior, Unsecured, Notes, 2.242% Mar 22, 2018	9,500	9,447	9,581
Bank of Nova Scotia, Deposit Notes, Senior, Unsecured, 2.462% Mar 14, 2019	5,950	5,999	6,035
Bank of Nova Scotia, Deposit Notes, Senior, Unsecured, 2.400% Oct 28, 2019	5,000	5,013	5,033
Bank of Nova Scotia, Medium Term Notes, Fixed to Floating, Subordinated, Callable, 2.898% Aug 3, 2022	10,000	10,130	10,211
Bank of Nova Scotia, Fixed to Floating, Notes, Subordinated, Callable, 3.036% Oct 18, 2024	6,700	6,885	6,858
bcIMC Realty Corp., Series 9, Unsecured, Notes, 2.650% Jun 29, 2017	1,500	1,510	1,533
bcIMC Realty Corp., Unsecured, Notes, 2.790% Aug 2, 2018	2,500	2,552	2,573
bcIMC Realty Corp., Series 8, Unsecured, Notes, 2.960% Mar 7, 2019	7,000	7,130	7,238
Bell Canada, Series M-23, Unsecured, Debentures, 3.650% May 19, 2016	2,500	2,563	2,562
Bell Canada, Series M-22, Medium Term Notes, 4.400% Mar 16, 2018	7,000	7,400	7,480
Bell Canada, Medium Term Notes, Senior, Unsecured, 4.880% Apr 26, 2018	3,500	3,762	3,795
Bell Canada, Series M-25, Senior, Unsecured, Debentures, 3.350% Jun 18, 2019	5,500	5,684	5,718
BMO Capital Trust II, Series A, Fixed to Floating, Junior, Unsecured, Notes, Callable, 10.221% Dec 31, 2107	1,000	1,306	1,282
BMW Canada Inc., Series F, Senior, Unsecured, Notes, 2.110% May 26, 2016	4,000	4,015	4,024
BMW Canada Inc., Series K, Senior, Unsecured, Notes, 2.330% Sep 26, 2018	7,250	7,304	7,323
BMW Canada Inc., Series M, Senior, Unsecured, Notes, 2.270% Nov 26, 2018	2,100	2,116	2,113
Caisse centrale Desjardins, Medium Term Deposit Notes, Senior, Unsecured, 2.281% Oct 17, 2016	9,000	9,020	9,090

*The accompanying notes are an integral part of these financial statements.*

**BMO Harris Canadian Short-Term Bond Portfolio**  
(formerly BMO Harris Canadian Bond Income Portfolio)

**SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)**

*As at December 31, 2014 (All amounts in thousands of Canadian dollars, unless otherwise noted)*

<b>Security</b>	<b>Par Value (in thousands)</b>	<b>Cost (\$)</b>	<b>Fair Value (\$)</b>
Caisse centrale Desjardins, Medium Term Notes, Senior, Unsecured, 2.795% Nov 19, 2018	3,000	3,060	3,076
Caisse centrale Desjardins, Medium Term Notes, Senior, Unsecured, 2.443% Jul 17, 2019	3,000	3,007	3,031
Cameco Corporation, Series D, Senior, Unsecured, Notes, 5.670% Sep 2, 2019	4,000	4,483	4,464
Canadian Imperial Bank of Commerce, Deposit Notes, Unsecured, 3.400% Jan 14, 2016	12,758	12,890	12,996
Canadian Imperial Bank of Commerce, Unsecured, Notes, 1.750% Jun 1, 2016	2,000	2,003	2,004
Canadian Imperial Bank of Commerce, Deposit Notes, Senior, Unsecured, 2.650% Nov 8, 2016	11,000	11,095	11,189
Canadian Imperial Bank of Commerce, Deposit Notes, Senior, Unsecured, 3.950% Jul 14, 2017	2,750	2,867	2,894
Canadian Imperial Bank of Commerce, Unsecured, Notes, 2.350% Oct 18, 2017	6,000	6,021	6,076
Canadian Imperial Bank of Commerce, Unsecured, Notes, 2.220% Mar 7, 2018	9,000	9,012	9,074
Canadian Imperial Bank of Commerce, Deposit Notes, Unsecured, 2.350% Jun 24, 2019	5,000	5,015	5,046
Canadian Imperial Bank of Commerce, Medium Term Notes, Fixed to Floating, Subordinated, Callable, 6.000% Jun 6, 2023	2,500	2,852	2,808
Canadian Natural Resources Limited, Medium Term Notes, Senior, Unsecured, 3.050% Jun 19, 2019	1,500	1,533	1,529
Canadian Pacific Railway Company, Medium Term Notes, Unsecured, 6.250% Jun 1, 2018	2,000	2,241	2,272
Canadian Western Bank, Deposit Notes, Senior, Unsecured, 2.531% Mar 22, 2018	2,000	2,012	2,020
Capital Desjardins Inc., Series F, Fixed to Floating, Senior, Notes, Callable, 5.541% Jun 1, 2021	2,000	2,126	2,100
Caterpillar Financial Services Limited, Unsecured, 2.63% Jun 1, 2017	5,000	5,038	5,100
Choice Properties Real Estate Investment Trust, Series A, Senior, Unsecured, Notes, 3.554% Jul 5, 2018	7,600	7,748	7,894
CIBC Capital Trust, Series A, Tier 1 Notes, Fixed to Floating, Unsecured, Subordinated, 9.976% Jun 30, 2108	6,000	7,865	7,741
Cominar Real Estate Investment Trust, Senior, Unsecured, Notes, 4.274% Jun 15, 2017	2,000	2,034	2,078
Cominar Real Estate Investment Trust, Senior, Unsecured, Notes, 4.230% Dec 4, 2019	5,000	5,161	5,165
CU Inc., Medium Term Notes, Senior, Unsecured, Callable, 6.800% Aug 13, 2019	3,000	3,597	3,615
Daimler Canada Finance Inc., Senior, Unsecured, Notes, 3.280% Sep 15, 2016	2,000	2,035	2,051
Daimler Canada Finance Inc., Senior, Unsecured, Notes, 2.280% Feb 17, 2017	3,750	3,753	3,786
Dollarama Inc., Senior, Unsecured, Notes, 3.095% Nov 5, 2018	3,500	3,538	3,568
Enbridge Inc., Medium Term Notes, Unsecured, Callable, 5.170% May 19, 2016	7,500	7,825	7,834
Enbridge Inc., Medium Term Notes, Senior, Unsecured, 5.000% Aug 9, 2016	3,500	3,664	3,669

*The accompanying notes are an integral part of these financial statements.*

**BMO Harris Canadian Short-Term Bond Portfolio**  
(formerly BMO Harris Canadian Bond Income Portfolio)

**SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)**

*As at December 31, 2014 (All amounts in thousands of Canadian dollars, unless otherwise noted)*

<b>Security</b>	<b>Par Value (in thousands)</b>	<b>Cost (\$)</b>	<b>Fair Value (\$)</b>
Enbridge Inc., Medium Term Notes, Unsecured, Callable, 4.770% Sep 2, 2019	3,250	3,578	3,563
Enbridge Income Fund Holdings Inc., Medium Term Notes, Senior, Unsecured, 2.920% Dec 14, 2017	2,500	2,531	2,544
EPCOR Utilities Inc., Medium Term Notes, Senior, Unsecured, 5.800% Jan 31, 2018	4,000	4,388	4,458
Ford Credit Canada Ltd., Senior, Unsecured, Notes, 3.320% Dec 19, 2017	3,500	3,505	3,596
Ford Credit Canada Ltd., Senior, Unsecured, Notes, 3.700% Aug 2, 2018	2,500	2,592	2,606
Ford Credit Canada Ltd., Senior, Unsecured, Notes, 2.939% Feb 19, 2019	6,250	6,285	6,338
GE Capital Canada Funding Company, Series A, Medium Term Notes, 5.100% Jun 1, 2016	5,866	5,850	6,147
GE Capital Canada Funding Company, Series A, Medium Term Notes, 5.530% Aug 17, 2017	6,500	7,004	7,109
GE Capital Canada Funding Company, Senior, Unsecured, Notes, 2.420% May 31, 2018	7,000	6,956	7,103
GE Capital Canada Funding Company, Medium Term Notes, Senior, Unsecured, 5.680% Sep 10, 2019	500	572	576
General Motors Financial of Canada, Ltd., Senior, Unsecured, Notes, 3.250% May 30, 2017	2,000	2,031	2,015
Genesis Trust II, Series 2013-1, Class A, Real Estate Secured Line of Credit-Backed Notes, 2.295% Feb 15, 2017	3,000	3,034	3,037
Granite REIT Holdings Limited Partnership, Senior, Unsecured, Notes, 4.613% Oct 2, 2018	3,000	3,000	3,181
Greater Toronto Airports Authority, Series 2007-1, Medium Term Notes, Secured, Callable, 4.850% Jun 1, 2017	4,161	4,424	4,478
Greater Toronto Airports Authority, Series 2008-1, Medium Term Notes, Secured, 5.260% Apr 17, 2018	5,000	5,491	5,550
Greater Toronto Airports Authority, Series 2009-1, Medium Term Notes, Secured, 5.960% Nov 20, 2019	5,625	6,589	6,630
Great-West LifeCo Finance (Delaware) LP, Fixed to Floating, Debentures, Subordinated, Callable, 5.691% Jun 21, 2067	8,000	8,828	8,695
Great-West LifeCo Finance (Delaware) LP II, Fixed to Floating, Debentures, Subordinated, Callable, 7.127% Jun 26, 2068	3,500	4,123	4,072
Honda Canada Finance, Inc., Senior, Unsecured, Notes, 2.275% Dec 11, 2017	3,700	3,724	3,741
HSBC Bank of Canada, Deposit Notes, Senior, 2.901% Jan 13, 2017	9,000	9,140	9,198
HSBC Bank of Canada, Deposit Notes, 3.558% Oct 4, 2017	2,000	2,085	2,087
HSBC Bank of Canada, Deposit Notes, Senior, Unsecured, 2.491% May 13, 2019	2,000	2,014	2,027
Hydro One Inc., Series 10, Medium Term Notes, Unsecured, 4.640% Mar 3, 2016	7,500	7,749	7,768
Hydro One Inc., Series 13, Medium Term Notes, Unsecured, 5.180% Oct 18, 2017	4,000	4,342	4,375
Hydro One Inc., Series 28, Medium Term Notes, Senior, Unsecured, 2.780% Oct 9, 2018	3,550	3,624	3,667
IGM Financial, Inc., Senior, Unsecured, Notes, 6.580% Mar 7, 2018	4,328	4,855	4,906
IGM Financial, Inc., Senior, Unsecured, Notes, 7.350% Apr 8, 2019	1,500	1,769	1,792

*The accompanying notes are an integral part of these financial statements.*

**BMO Harris Canadian Short-Term Bond Portfolio**  
(formerly BMO Harris Canadian Bond Income Portfolio)

**SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)**

*As at December 31, 2014 (All amounts in thousands of Canadian dollars, unless otherwise noted)*

<b>Security</b>	<b>Par Value (in thousands)</b>	<b>Cost (\$)</b>	<b>Fair Value (\$)</b>
Intact Financial Corporation, Series 1, Medium Term Notes, Senior, Unsecured, 5.410% Sep 3, 2019	2,000	2,247	2,254
John Deere Canada Funding Inc., Series 12-01, Senior, Unsecured, 2.300% Jul 5, 2016	5,000	5,017	5,047
John Deere Canada Funding Inc., Series 13-03, Senior, Unsecured, 2.650% Jul 16, 2018	1,000	1,000	1,022
John Deere Canada Funding Inc., Medium Term Notes, Senior, Unsecured, 2.350% Jun 24, 2019	3,000	3,006	3,024
Loblaw Companies Limited, Series 2019, Senior, Unsecured, Notes, 3.748% Mar 12, 2019	6,500	6,764	6,852
Manufacturers Life Insurance Company, The, Fixed to Floating, Notes, Subordinated, Callable, 2.926% Nov 29, 2023	2,000	2,042	2,045
Manufacturers Life Insurance Company, The, Fixed to Floating, Notes, Subordinated, Callable, 2.811% Feb 21, 2024	8,500	8,610	8,654
Manulife Financial Capital Trust II, Fixed to Floating, Unsecured, Notes, Subordinated, Callable, 7.405% Dec 31, 2108	4,000	4,879	4,872
Manulife Financial Corporation, Medium Term Notes, Senior, Unsecured, 7.768% Apr 8, 2019	1,500	1,793	1,819
National Bank of Canada, Unsecured, Notes, 3.580% Apr 26, 2016	5,884	6,009	6,031
National Bank of Canada, Deposit Notes, Unsecured, 2.702% Dec 15, 2016	2,000	2,035	2,036
National Bank of Canada, Deposit Notes, Senior, Unsecured, 2.019% Apr 13, 2017	4,000	4,019	4,020
National Bank of Canada, Deposit Notes, Senior, Unsecured, 2.689% Aug 21, 2017	4,500	4,594	4,595
National Bank of Canada, Deposit Notes, Unsecured, 2.794% Aug 9, 2018	3,000	2,990	3,080
National Bank of Canada, Deposit Notes, Senior, Unsecured, 2.404% Oct 28, 2019	2,000	1,994	2,011
National Bank of Canada, Medium Term Notes, Fixed to Floating, Unsecured, Subordinated, Callable, 3.261% Apr 11, 2022	12,000	12,298	12,320
NAV Canada, Series 2006-1, Medium Term Notes, Unsecured, Subordinated, 4.713% Feb 24, 2016	2,000	2,064	2,071
NAV Canada, Series 2009-1, Medium Term Notes, Senior, Unsecured, 5.304% Apr 17, 2019	3,800	4,252	4,319
OMERS Realty Corporation, Notes, 4.740% Jun 4, 2018	8,995	9,740	9,864
RBC Capital Trust, RBC TruCS, Series 2008-1, Fixed to Floating, Junior, Notes, Subordinated, Perpetual, Callable, 6.821% Dec 31, 2049	2,000	2,350	2,301
Reliance LP, Medium Term Notes, Secured, 4.574% Mar 15, 2017	1,000	1,009	1,040
RioCan Real Estate Investment Trust, Series S, Senior, Unsecured, Notes, 2.870% Mar 5, 2018	6,500	6,502	6,599
RioCan Real Estate Investment Trust, Series Q, Senior, Unsecured, Notes, 3.850% Jun 28, 2019	3,050	3,178	3,194
Rogers Communications, Inc., Senior, Unsecured, Notes, 5.800% May 26, 2016	9,250	9,717	9,746
Rogers Communications, Inc., Senior, Unsecured, Notes, 3.000% Jun 6, 2017	1,500	1,535	1,536
Rogers Communications, Inc., Senior, Unsecured, Notes, 5.380% Nov 4, 2019	2,500	2,795	2,815

*The accompanying notes are an integral part of these financial statements.*

**BMO Harris Canadian Short-Term Bond Portfolio**  
(formerly BMO Harris Canadian Bond Income Portfolio)

**SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)**

*As at December 31, 2014 (All amounts in thousands of Canadian dollars, unless otherwise noted)*

<b>Security</b>	<b>Par Value (in thousands)</b>	<b>Cost (\$)</b>	<b>Fair Value (\$)</b>
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, 3.360% Jan 11, 2016	500	508	509
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, 3.030% Jul 26, 2016	8,000	8,140	8,166
Royal Bank of Canada, Senior, Unsecured, Notes, 2.680% Dec 8, 2016	9,000	9,128	9,161
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, 3.660% Jan 25, 2017	9,189	9,441	9,537
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, 2.580% Apr 13, 2017	9,500	9,609	9,667
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, 2.364% Sep 21, 2017	6,000	6,015	6,075
Royal Bank of Canada, Senior, Unsecured, Notes, 2.260% Mar 12, 2018	11,000	10,991	11,095
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, 2.820% Jul 12, 2018	11,050	11,158	11,354
Royal Bank of Canada, Deposit Notes, Unsecured, 2.890% Oct 11, 2018	6,600	6,717	6,794
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, 2.770% Dec 11, 2018	11,700	11,807	11,994
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, 2.980% May 7, 2019	8,500	8,729	8,805
Royal Bank of Canada, Series 15, Medium Term Notes, Fixed to Floating, Subordinated, Callable, 2.990% Dec 6, 2024	8,000	8,160	8,172
Scotiabank Tier I Trust, Scotia BaTS III, Series 2009-1, Fixed to Floating, Senior, Unsecured, Notes, Callable, 7.802% Jun 30, 2108	3,000	3,696	3,630
Shaw Communications Inc., Senior, Unsecured, Notes, Callable, 5.700% Mar 2, 2017	2,000	2,129	2,154
Shaw Communications Inc., Senior, Unsecured, Notes, 5.650% Oct 1, 2019	7,000	7,872	7,929
Shoppers Drug Mart Corporation, Series 6, Medium Term Notes, Senior, Unsecured, 2.360% May 24, 2018	1,700	1,714	1,713
Sobeys Inc., Series 2013-1, Senior, Unsecured, Notes, 3.520% Aug 8, 2018	5,500	5,613	5,686
Standard Life Assurance Company of Canada, Fixed to Floating, Notes, Subordinated, Callable, 3.938% Sep 21, 2022	4,000	4,145	4,186
Sun Life Capital Trust II, Series 2009-1, SLEECs, Fixed to Floating, Senior, Notes, Subordinated, Callable, 5.863% Dec 31, 2108	2,500	2,877	2,873
Sun Life Financial Inc., Series D, Senior, Unsecured, Notes, 5.700% Jul 2, 2019	1,000	1,145	1,145
Sun Life Financial Inc., Series 2012-1, Fixed to Floating, Unsecured, Debentures, Subordinated, Callable, 4.380% Mar 2, 2022	3,000	3,161	3,150
Sun Life Financial Inc., Series 14-1, Fixed to Floating, Notes, Subordinated, Callable, 2.770% May 13, 2024	3,000	3,029	3,035
Sun Life Financial Inc., Series B, Fixed to Floating, Senior, Unsecured, Notes, Callable, 4.950% Jun 1, 2036	5,000	5,278	5,208
Suncor Energy Inc., Series 4, Medium Term Notes, Unsecured, Callable, 5.800% May 22, 2018	5,105	5,660	5,709
TD Capital Trust III, Series 2008, CaTS, Fixed to Floating, Unsecured, Notes, Perpetual, Callable, 7.243% Dec 31, 2049	11,000	13,172	12,968
TELUS Corporation, Medium Term Notes, 3.650% May 25, 2016	2,000	2,047	2,051

*The accompanying notes are an integral part of these financial statements.*

**BMO Harris Canadian Short-Term Bond Portfolio**  
(formerly BMO Harris Canadian Bond Income Portfolio)

**SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)**

*As at December 31, 2014 (All amounts in thousands of Canadian dollars, unless otherwise noted)*

<b>Security</b>	<b>Par Value (in thousands)</b>	<b>Cost (\$)</b>	<b>Fair Value (\$)</b>
TELUS Corporation, Series CD, Senior, Unsecured, 4.950% Mar 15, 2017	5,000	5,280	5,329
TELUS Corporation, Series CG, Senior, Unsecured, Notes, 5.050% Dec 4, 2019	11,630	12,967	13,003
Toronto-Dominion Bank, The, Deposit Notes, 2.948% Aug 2, 2016	4,500	4,576	4,590
Toronto-Dominion Bank, The, Deposit Notes, Senior, Unsecured, 2.433% Aug 15, 2017	9,000	9,019	9,136
Toronto-Dominion Bank, The, Deposit Notes, Senior, Unsecured, 2.171% Apr 2, 2018	8,750	8,735	8,809
Toronto-Dominion Bank, The, Deposit Notes, Unsecured, 2.447% Apr 2, 2019	6,500	6,527	6,588
Toronto-Dominion Bank, The, Medium Term Notes, Fixed to Floating, Unsecured, Subordinated, Callable, 5.828% Jul 9, 2023	2,000	2,245	2,244
Toronto-Dominion Bank, The, Medium Term Notes, Fixed to Floating, Unsecured, Subordinated, Callable, 4.779% Dec 14, 2105	13,000	14,070	13,683
Toronto-Dominion Bank, The, Medium Term Notes, Fixed to Floating, Unsecured, Subordinated, Callable, 5.763% Dec 18, 2106	10,500	12,023	11,568
Toyota Credit Canada Inc., Medium Term Notes, Senior, Unsecured, 2.200% Oct 19, 2017	5,000	4,992	5,044
Toyota Credit Canada Inc., Medium Term Notes, Senior, Unsecured, 2.750% Jul 18, 2018	2,000	2,006	2,051
Toyota Credit Canada Inc., Medium Term Notes, Senior, Unsecured, 2.800% Nov 21, 2018	2,000	2,040	2,055
Toyota Credit Canada Inc., Medium Term Notes, Senior, Unsecured, 2.250% May 23, 2019	2,000	2,001	2,009
Trans Quebec & Maritimes Pipeline Inc., Unsecured, Notes, 4.250% Sep 15, 2017	2,867	2,974	3,015
TransCanada PipeLines Limited, Medium Term Notes, Senior, Unsecured, 4.650% Oct 3, 2016	5,796	6,088	6,084
TransCanada PipeLines Limited, Medium Term Notes, Unsecured, Callable, 5.100% Jan 11, 2017	3,500	3,700	3,726
Ventas Canada Finance Ltd., Series A, Senior, Unsecured, Notes, 3.000% Sep 30, 2019	3,000	3,028	3,033
Veresen Inc., Medium Term Notes, Senior, Unsecured, 3.950% Mar 14, 2017	2,500	2,589	2,588
VW Credit Canada Inc., Unsecured, Notes, 3.600% Feb 1, 2016	2,000	2,033	2,042
VW Credit Canada Inc., Senior, Unsecured, Notes, 2.200% Oct 11, 2016	2,000	1,999	2,016
VW Credit Canada Inc., Senior, Unsecured, Notes, 2.450% Nov 14, 2017	4,000	4,024	4,059
VW Credit Canada Inc., Senior, Unsecured, Notes, 2.500% Oct 1, 2019	2,300	2,314	2,324
Wells Fargo Financial Canada Corporation, Medium Term Notes, Senior, Unsecured, 2.774% Feb 9, 2017	11,093	11,242	11,321
Wells Fargo Financial Canada Corporation, Medium Term Notes, Senior, Unsecured, 2.780% Nov 15, 2018	4,250	4,334	4,355
Wells Fargo Financial Canada Corporation, Medium Term Notes, Senior, Unsecured, 2.944% Jul 25, 2019	10,650	10,920	10,986
Westcoast Energy Inc., Medium Term Notes, Senior, Unsecured, 3.280% Jan 15, 2016	6,250	6,335	6,345

*The accompanying notes are an integral part of these financial statements.*

**BMO Harris Canadian Short-Term Bond Portfolio**  
(formerly BMO Harris Canadian Bond Income Portfolio)

**SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)**

*As at December 31, 2014 (All amounts in thousands of Canadian dollars, unless otherwise noted)*

<b>Security</b>	<b>Par Value (in thousands)</b>	<b>Cost (\$)</b>	<b>Fair Value (\$)</b>
Westcoast Energy Inc., Series 9, Medium Term Notes, Senior, Unsecured, 5.600% Jan 16, 2019	2,500	2,780	2,806
WestJet Airlines Ltd., Senior, Unsecured, Notes, 3.287% Jul 23, 2019	5,000	5,002	5,019
		885,651	890,303
<b>Asset-Backed Securities — 1.9%</b>			
CARDS II Trust, Series 2013-1, Class A, Credit Card Receivables- Backed, 1.984% Jan 15, 2016	10,250	10,280	10,295
Genesis Trust II, Series 2014-1, Class A, Real Estate Secured Line of Credit-Backed Notes, 2.433% May 15, 2019	3,000	3,029	3,042
Glacier Credit Card Trust, Series 2012-2, Asset-Backed Notes, Senior, 2.394% Oct 20, 2017	2,500	2,503	2,535
Golden Credit Card Trust, Series 2011-1, Credit Card Receivables- Backed Notes, Senior, Secured, 3.510% May 15, 2016	10,700	10,933	10,977
Hollis Receivables Term Trust II, Series 2013-1, Class A, Receivables- Backed Notes, 2.235% Sep 26, 2016	3,000	3,028	3,028
Hollis Receivables Term Trust II, Series 2014-1, Class A, Receivables- Backed Notes, 2.434% Jun 26, 2019	3,000	3,019	3,034
Master Credit Card Trust, Series 2011-1, Class A, Credit Card Receivables-Backed Notes, Secured, 3.502% May 21, 2016	2,000	2,044	2,050
Master Credit Card Trust, Series 2012-1, Class A, Credit Card Receivables-Backed Notes, Secured, 2.626% Jan 21, 2017	8,000	8,092	8,148
Master Credit Card Trust II, Series 2013-4, Class A, Credit Card Receivables-Backed Notes, 2.723% Nov 21, 2018	3,300	3,344	3,384
NBC Asset Trust, Fixed to Floating, Secured, Subordinated, Perpetual, Callable, Asset-Backed, 7.235% Jun 30, 2049	1,000	1,183	1,157
		47,455	47,650
<b>Total Investment Portfolio — 99.1%</b>		<b>2,494,417</b>	<b>2,514,869</b>
<b>Other Assets Less Liabilities — 0.9%</b>			<b>22,939</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS — 100.0%</b>			<b>2,537,808</b>

*The accompanying notes are an integral part of these financial statements.*

# BMO Harris Canadian Short-Term Bond Portfolio

## (formerly BMO Harris Canadian Bond Income Portfolio)

---

### NOTES TO FINANCIAL STATEMENTS

*(All amounts in thousands of Canadian dollars, except per unit data)*

December 31, 2014

---

#### 1. The Portfolio

BMO Harris Canadian Short-Term Bond Portfolio (“the Portfolio”) is an open-ended mutual fund trust established by a Declaration of Trust under the laws of the Province of Ontario, most recently amended on May 7, 2014. BMO Harris Investment Management Inc. (“the Manger”) is the Manager of the Portfolio. The address of the Portfolio’s registered office is 1 First Canadian Place, 41st Floor, Toronto, Ontario.

The information provided in these annual financial statements is as at and for the periods ended December 31, 2014, December 31, 2013 and opening Statement of Financial Position as at January 1, 2013.

These financial statements were authorized for issue by the Manager on March 11, 2015.

#### 2. Basis of preparation and presentation

These annual financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The Portfolio has adopted this basis of accounting effective January 1, 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously the Portfolio prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles as defined in Part V of the Chartered Professional Accountant (“CPA”) Handbook (Canadian GAAP). The Portfolio has consistently applied the accounting policies used in the preparation of their opening IFRS statements of financial position at January 1, 2013 and throughout all periods presented as if these policies had always been in effect.

As required under IFRS, the Portfolio has:

- provided comparative financial information including an opening balance sheet as at the transition date
- retroactively applied all IFRS, other than in respect of elections taken under IFRS 1; and
- applied all mandatory exceptions as applicable for the first-time adopters of IFRS.

Note 8 contains reconciliations and descriptions of the effects of the transition to IFRS on the Portfolio's reported financial position, financial performance and cash flows.

#### 3. Summary of significant accounting policies

##### Financial instruments

The Portfolio records financial instruments at fair value. Investment transactions are accounted for on the trade date. The Portfolio’s investments are either designated

at fair value through profit or loss (“FVTPL”) at inception or classified as held for trading. The changes in the investment fair values and related transaction costs are recorded in the Portfolio’s Statement of Comprehensive Income.

Financial assets or financial liabilities held for trading are those acquired or incurred principally for the purpose of selling or repurchasing in the near future, or on initial recognition, are part of a portfolio of identified financial instruments that the Portfolio manages together and that have a recent actual pattern of short-term profit taking. The Portfolio classifies all derivatives and short positions as held for trading. The Portfolio does not designate any derivatives as hedges in a hedging relationship.

The Portfolio designates all other investments at FVTPL, as they have reliably measurable fair values, are part of a group of financial assets or liabilities that are managed and have their performance evaluated on a fair value basis in accordance with the Portfolio’s investment strategy.

The Portfolio’s outstanding redeemable units, which are puttable instruments, are entitled to a contractual obligation of annual distribution of any net income and net realized capital gains by the Portfolio. This annual distribution can be in cash at the option of the unitholders, and therefore the ongoing redemption feature is not the redeemable units’ only contractual obligation. Consequently, the units of the Portfolio do not meet the conditions to be classified as equity and therefore are classified as financial liabilities and presented at the redemption amounts.

All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid or discounted, when appropriate, at the contract’s effective interest rate.

The Portfolio has determined that it meets the definition of “investment entity” and as a result, it measures subsidiaries other than those which provide services to the Portfolio, at FVTPL.

##### Cost of investments

The cost of investments represents the amount paid for each security and is determined on an average cost basis.

##### Fair value measurement

Investments are recorded at their fair value with the change between this amount and their average cost



# BMO Harris Canadian Short-Term Bond Portfolio

(formerly BMO Harris Canadian Bond Income Portfolio)

---

## NOTES TO FINANCIAL STATEMENTS (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)

December 31, 2014

---

being recorded as change in unrealized appreciation (depreciation) in the Statement of Comprehensive Income.

For exchange traded securities close prices are considered to be fair value if they fall within the bid-ask spread. In circumstances where the close price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

Procedures are in place to fair value securities traded in countries outside of North America daily, to avoid stale prices and to take into account among other things, any significant events occurring after the close of a foreign market.

For bonds, debentures, asset-backed securities and other debt securities fair value is represented by bid prices provided by independent security pricing services. Short-term investments, if any, are carried at amortized cost which approximates fair value. Unlisted warrants, if any, are valued based on a pricing model which considers factors such as the market value of the underlying security, strike price and terms of the warrant. Exchange traded funds held as investments are valued at their respective Net Asset Value ("NAV") on each Valuation Date (the "Valuation Date" is each day on which the Toronto Stock Exchange is open for trading), as these values are the most readily and regularly available.

For securities where market quotes are not available, unreliable or not considered to reflect the current value, the Portfolio may determine another value which it considers to be fair and reasonable, or using a valuation technique that, to the extent possible, makes maximum use of inputs and assumptions based on observable market data including volatility, comparable companies and other applicable rates or prices. These estimation techniques include discounted cash flows, internal models that utilize observable data or comparisons with other securities that are substantially similar. In limited circumstances, the Portfolio uses internal models where the inputs are not based on observable market data.

The Portfolio's accounting policies for measuring the fair value of its investments and derivatives are aligned with the valuation policies used in measuring its NAV for transactions with unitholders.

### Derivative instruments

Derivative instruments are financial contracts that derive their value from underlying changes in interest rates, foreign exchange rates or other financial or commodity prices or indices.

Derivative instruments are either regulated exchange-traded contracts or negotiated over-the-counter contracts. The Portfolio may use these instruments for trading purposes, as well as to manage the Portfolio's risk exposures.

Derivatives are marked to fair value. Discussion of the fair value measurement of derivatives is included in Note 3. Realized and unrealized gains and losses are recorded in the Statement of Comprehensive Income.

### Forward currency contracts

A forward currency contract is an agreement between two parties (the Portfolio and the counterparty) to purchase or sell a currency against another currency at a set price on a future date. The Portfolio may enter into forward currency contracts for hedging purposes which can include the hedging of all or a portion of the currency exposure of an investment or group of investments, either directly or indirectly. The Portfolio may also enter into these contracts for non-hedging purposes which can include increasing the exposure to a foreign currency or to shift exposure to foreign currency fluctuations from one country to another. The value of forward currency contracts entered into by the Portfolio is recorded as the difference between the value of the contract on the Valuation Date and the value on the date the contract originated.

### Income recognition

Dividend income and distributions from investment trust units are recognized on the ex-dividend and ex-distribution date, respectively.

Interest income from interest bearing investments is recognized in the Statement of Comprehensive Income using the effective interest rate. Interest receivable is shown in the Statement of Financial Position is accrued based on the interest bearing instruments' stated rates of interest.

Interest on inflation-indexed bonds is paid based on a principal value, which is adjusted for inflation. The inflation adjustment of the principal value is recognized as part of interest income in the Statement of Comprehensive Income. If held to maturity, the Portfolio will receive, in addition to a coupon interest payment, a final payment equal to the sum of the par

# BMO Harris Canadian Short-Term Bond Portfolio

(formerly BMO Harris Canadian Bond Income Portfolio)

---

## NOTES TO FINANCIAL STATEMENTS (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)

December 31, 2014

---

value and the inflation compensation accrued from the original issue date. Interest is accrued on each Valuation Date based on the inflation adjusted par value at that time and is included in "Interest income" in the Statement of Comprehensive Income.

### Foreign currency translation

The fair value of investments and other assets and liabilities in foreign currencies are translated into the Portfolio's functional currency at the rates of exchange prevailing at the period-end date. Purchases and sales of investments, and income and expenses are translated at the rates of exchange prevailing on the respective dates of such transactions. Foreign exchange gains (losses) on completed transactions are included in "Realized gains (losses)" and unrealized foreign exchange gains (losses) are included in "Change in unrealized appreciation (depreciation)" in the Statement of Comprehensive Income. Foreign exchange gains and losses relating to cash, receivables and payables are included as "Foreign exchange gain (loss)".

### Securities lending

A Portfolio may engage in securities lending pursuant to the terms of an agreement which includes restrictions as set out in Canadian securities legislation. Collateral held is government Treasury Bills and qualified Notes.

Income from securities lending, where applicable, is included in the Statement of Comprehensive Income and is recognized when earned. The securities on loan continue to be displayed in the Schedule of Investment Portfolio. The market value of the securities loaned and collateral held is determined daily. Aggregate values of securities held in trust as at December 31, 2014, December 31, 2013 and January 1, 2013, where applicable, are disclosed in Note 8(e).

### Short-term trading penalty

To discourage excessive trading, the Portfolio may, at the Manager's sole discretion, charge a short-term trading penalty. This penalty is paid directly to the Portfolio and is included in "Short-term penalty trading fees" in the Statement of Comprehensive Income.

### Cash

Cash is comprised of cash and deposits with banks which include banker acceptances and overnight demand deposits. Cash is recorded at amortized cost.

### Other assets and other liabilities

Dividend receivable, interest receivable, distributions from investment trust units receivable, due from broker

and subscriptions receivable are measured at fair value and subsequently measured at amortized cost. Similarly, due to broker, redemptions payable and accrued expenses are initially measured at amortized cost. Other assets and liabilities are short-term in nature, and are carried at cost or amortized cost, which approximates fair value.

### Increase or decrease in net assets attributable to holders of redeemable units

"Increase (decrease) in net assets attributable to holders of redeemable units" in the Statement of Comprehensive Income represents the increase (decrease) in net assets attributable to holders of redeemable units divided by the weighted average number of units outstanding during the period.

### Taxation

The Portfolio qualifies as a unit trust under the provisions of the Income Tax Act (Canada). Distributions of all net taxable income and sufficient amounts of net realized capital gains for each taxation year will be paid to unitholders so that the Portfolio will not be subject to income tax. As a result, the Portfolio has determined that it is in substance not taxable and therefore nor does it not record income taxes in the Statement of Comprehensive Income and or recognize any deferred tax assets in the Statement of Financial Position.

The Portfolio incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis with the related withholding taxes are shown separately in the Statement of Comprehensive Income.

### Investments in associates, joint ventures and subsidiaries

Subsidiaries are entities over which the Portfolio has control through its exposure or rights to variable returns from its investment and has the ability to affect those returns through its power over the entity. The Portfolio has determined that it is an investment entity and as such, it accounts for subsidiaries at fair value. Joint ventures are those where the Portfolio exercises joint control through an agreement with other shareholders, and associates are investments in which the Portfolio exerts significant influence over operating, investing, and financing decisions (such as entities in which the Portfolio owns 20% - 50% of voting shares), all of which have been designated at FVTPL.

# BMO Harris Canadian Short-Term Bond Portfolio

(formerly BMO Harris Canadian Bond Income Portfolio)

---

## NOTES TO FINANCIAL STATEMENTS (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)

December 31, 2014

---

### Unconsolidated structured entities

The Portfolio invests in securitizations, asset-backed securities and mortgage-backed securities.

The Portfolio has determined that its investments in securitizations, asset-backed securities and mortgaged-backed securities are unconsolidated structured entities. The determination is based on the fact that decision making about the securitizations, asset-backed securities and mortgage-backed securities is not governed by the voting right or other similar right held by the Portfolio.

Mortgage-related securities are created from pools of residential or commercial mortgage loans, including mortgage loans made by savings and loan institutions, mortgage bankers, commercial banks and others. Asset-backed securities created from many types of assets, including auto loans, credit card receivables, home equity loans, and student loans.

The Portfolio does not provide and has not committed to providing any additional significant financial information or other support to the unconsolidated structured entities other than its investments in the unconsolidated structured entities. During the periods, the Portfolio had no sponsored unconsolidated structured entities.

Additional information on the Portfolio's interest in unconsolidated structured entities, where applicable, is provided in Note 8.

### Offsetting of financial assets and financial liabilities

Financial instruments are presented at net or gross amounts on the Statement of Financial Position depending on the existence of intention and legal right to offset opposite positions of such instruments held with the same counterparties. Amounts offset in the Statement of Financial Position are transactions for which the Portfolio has legally enforceable rights to offset and intends to settle the positions on a net basis, such as derivative instruments. Amounts not offset in the Statement of Financial Position relate to transactions where a master netting arrangement or similar agreement is in place with a right of offset only in the event of default, insolvency or bankruptcy, or where the offset criteria are otherwise not met, including where the Portfolio has no intention to settling on a net basis. There were no master netting agreements during the period.

### Accounting standards issued but not yet adopted

Below are accounting standards issued or amended but not yet effective and not yet adopted. The Manager does not expect the adoption of these standards or amendments to have a significant impact to the Portfolio's financial statements.

In July 2014, the IASB issued the most recent version of IFRS 9 Financial Instruments, which addresses classification and measurement, impairment and hedge accounting.

The new standard requires assets to be carried at amortized cost, fair value through profit and loss or fair value through comprehensive income based on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial asset. The classification and measurement of liabilities remains generally unchanged with the exception of liabilities recorded at fair value through profit and loss. For these liabilities, fair value changes attributable to changes in the entity's own credit risk are to be presented in other comprehensive income unless they affect amounts recorded in income.

The new standard also addresses impairment of financial assets. It also introduced a new hedge accounting model that expands the scope of eligible hedged items and risks eligible for hedge accounting, and aligns hedge accounting more closely with risk management.

The new standard is effective for the Portfolio for its fiscal year beginning January 1, 2018. The Portfolio is evaluating the impact of this standard on its financial statements.

### 4. Critical accounting estimates and judgements

The preparation of financial statements requires the use of judgement in applying the Portfolio's accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgements and estimates that the Portfolio has made in preparing its financial statements:

#### Accounting judgements:

##### Functional and presentation currency

The Portfolio unitholders are mainly Canadian residents, with the subscriptions and redemptions of the redeemable shares denominated in Canadian dollars. The Portfolio invests in Canadian and U.S. dollars and other foreign denominated securities, as applicable. The performance of the Portfolio is measured and

# BMO Harris Canadian Short-Term Bond Portfolio

## (formerly BMO Harris Canadian Bond Income Portfolio)

---

### NOTES TO FINANCIAL STATEMENTS (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)

December 31, 2014

---

reported to the investors in Canadian dollars. The Manager considers the Canadian dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Canadian dollars, which is the Portfolio's functional and presentation currency.

#### **Classification of measurement of financial instruments and application of fair value option**

In classifying and measuring financial instruments held by the Portfolio, the Manager is required to make significant judgements about whether or not the business of the Portfolio is to invest on a total return basis for the purpose of applying the fair value options for financial assets.

#### **Accounting estimates:**

##### **Fair value measurement of securities not quoted in an active market**

The Portfolio has established policies and control procedures that are intended to ensure these judgements are well controlled, independently reviewed, and consistently applied from period to period. The estimates of the value of the Portfolio's assets and liabilities are believed to be appropriate as at the reporting date.

The Portfolio may hold financial instruments that are not quoted in active markets. Note 3 discusses the estimates used in determining fair value.

#### **5.Units and unit transactions**

The redeemable units of the Portfolio are classified as liabilities.

The units have no par value and are entitled to distributions, if any. Upon redemption, a unit is entitled to a proportionate share of the Portfolio's NAV. The Portfolio is required to pay distributions in an amount not less than the amount necessary to ensure the Portfolio will not be liable for income taxes. The Portfolio has no restrictions or specific capital requirements on the subscriptions and redemptions of units except as disclosed in Note 8(a). The relevant movements in redeemable units are shown on the Statement of Changes in Net Assets Attributable to Holders of Redeemable Units. In accordance with its investment objectives and strategies, and the risk management practices outlined in Note 7, the Portfolio endeavours to invest the subscriptions received in appropriate investments, while maintaining sufficient liquidity to meet redemptions, with such liquidity being

augmented by short-term borrowings or disposal of investments where necessary.

Redeemable units of the Portfolio are offered for sale on a continuous basis and may be purchased or redeemed on any Valuation Date at the NAV per unit of a particular series. The NAV per unit for the purposes of subscription or redemption is computed by dividing the NAV of the Portfolio (that is, the total fair value of the assets less the liabilities) by the total number of units of the Portfolio outstanding at such time.

#### **6.Related party transactions**

##### **(a) Unitholder servicing, sub-advisory commissions and other portfolio transaction costs**

The Portfolio is provided with certain facilities and services by affiliates of the Manager. Expenses incurred in the administration of the Portfolio were paid to BMO Trust Company ("the Trustee") and to BMO Asset Management Inc. ("the Registrar") and charged to the Portfolio. These expenses are included in "Unitholder servicing fees" in the Statement of Comprehensive Income.

The sub-advisors (including affiliates of the Manager, where applicable) engaged by the Manager provide investment advice and make investment decisions for the Portfolio's investment portfolio. For these services the sub-advisors receive sub-advisory fees that are paid monthly by the Manager. These expenses are included in "Sub-advisory fees" in the Statement of Comprehensive Income. Any sub-advisory fees less than or equal to 0.15% of the net asset value of the Portfolio are absorbed by the Manager.

The Portfolio may execute trades with and or through BMO Nesbit Burns Inc., an affiliate of the Manager based on established standard brokerage agreements at market prices. These fees are included in "Commissions and other portfolio transaction costs" in the Statement of Comprehensive Income. Refer to Note 8 for related party fees charged to the Portfolio for the periods ended December 31, 2014 and December 31, 2013.

##### **(b) Other related party transactions**

From time to time, the Manager may on behalf of the Portfolio enter into transactions or arrangements with or involving subsidiaries or affiliates of Bank of Montreal group of companies, or certain other persons or companies that are related or connected to the Manager of the Portfolio. These transactions or arrangements may include transactions or arrangements with or involving subsidiaries and

# BMO Harris Canadian Short-Term Bond Portfolio

(formerly BMO Harris Canadian Bond Income Portfolio)

---

## NOTES TO FINANCIAL STATEMENTS (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)

December 31, 2014

---

affiliates of Bank of Montreal group of companies, BMO Trust Company, BMO Nesbitt Burns Inc., BMO Private Investment Counsel Inc., BMO Asset Management Inc., BMO Asset Management Corp., BMO Investments Inc., Pymford International Ltd, LGM Investments Limited., F&C Asset Management plc, or other investment funds offered by BMO, and may involve the purchase or sale of portfolio securities through or from a subsidiary or affiliate of Bank of Montreal group of companies, the purchase or sale of securities issued or guaranteed by a member of Bank of Montreal group of companies, entering into forward contracts with a member of Bank of Montreal group of companies acting as counterparty, the purchase or redemption of units of other BMO Harris Private Portfolios or the provision of services to the Manager.

### 7. Financial instrument risk

The Portfolio's activities expose it to a variety of risks associated with the financial instruments, as follows: market risk (including currency risk, interest rate risk and other market risk), credit risk and liquidity risk. The concentration table groups securities by asset type, geographic location and/or market segment. The Portfolio's risk management practice outlines the monitoring of compliance to investment guidelines.

The Manager manages the potential effects of these financial risks on the Portfolio's performance by employing and overseeing professional and experienced portfolio managers that regularly monitor the Portfolio's positions, market events and diversify investment portfolios within the constraints of the investment guidelines.

#### (a) Currency risk

Currency risk is the risk that the value of financial instruments denominated in currencies, other than the functional currency of the Portfolio, will fluctuate due to changes in foreign exchange rates. Investments in foreign markets are exposed to currency risk as the prices denominated in foreign currencies are converted to the Portfolio's functional currency in determining fair value. The Portfolio may enter into forward currency contracts for hedging purposes to reduce foreign currency exposure or to establish exposure to foreign currencies. The Portfolio's exposure to currency risk, if any, is further disclosed in Note 8.

#### (b) Interest rate risk

Interest rate risk is the risk that the fair value of the Portfolio's interest-bearing investments will fluctuate due to changes in market interest rates. The Portfolio's exposure to interest rate risk is concentrated in its investment in debt securities (such as bonds, money market instruments, short-term investments and debentures) and interest rate derivative instruments, if any. Other assets and liabilities are short-term in nature and/or non-interest bearing. The Portfolio's exposure to interest rate risk, if any, is further discussed in Note 8.

#### (c) Other market risk

Other market risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market. Other assets and liabilities are monetary items that are short-term in nature, as such they are not subject to other market risk. The Portfolio's exposure to other market risk, if any, is further discussed in Note 8.

#### (d) Credit risk

Credit risk is the risk that a loss could arise from a security issuer or counterparty to a financial instrument not being able to meet its financial obligations. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. Credit risk exposure for over-the-counter derivative instruments is based on the Portfolio's unrealized gain of the contractual obligations with the counterparty as at the reporting date. The credit exposure of other assets is represented by its carrying amount. The Portfolio's exposure to credit risk, if any, is further discussed in Note 8.

The Portfolio may enter into securities lending transactions with approved counterparties. Credit risk associated with these transactions is considered minimal as all counterparties have a sufficient approved credit rating and the market value of collateral held by the Portfolio must be at least 102% of the fair value of securities loaned, as disclosed in Note 8.

#### (e) Liquidity risk

The Portfolio's exposure to liquidity risk is concentrated in the daily cash redemptions of units. The Portfolio primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Portfolio retains sufficient cash and cash equivalent

**BMO Harris Canadian Short-Term Bond Portfolio**  
(formerly BMO Harris Canadian Bond Income Portfolio)

---

**NOTES TO FINANCIAL STATEMENTS (cont'd)**

*(All amounts in thousands of Canadian dollars, except per unit data)*

*December 31, 2014*

---

positions to maintain liquidity. The Portfolio may, from time to time, enter into over-the-counter derivative contracts or invest in unlisted securities, which are not traded in an organized market and may be illiquid. Securities for which a market quotation could not be obtained and may be illiquid are identified on the Statement of Investment Portfolio. The proportion of illiquid securities to the NAV of the Portfolio is monitored by the Manager to ensure it does not exceed the regulatory limit and does not significantly affect the liquidity required to meet the Portfolio's financial obligations.

# BMO Harris Canadian Short-Term Bond Portfolio

(formerly BMO Harris Canadian Bond Income Portfolio)

## NOTES TO FINANCIAL STATEMENTS

(All amounts in thousands of Canadian dollars, except per unit data)

December 31, 2014

### 8. Portfolio specific information

#### (a) Portfolio information, change in units and significant events

The Portfolio's inception date was May 15, 1997.

The number of units that have been issued and are outstanding are disclosed in the table below.

For the periods ended (in thousands of units)	Dec. 31, 2014	Dec. 31, 2013
Units issued and outstanding, beginning of period	192,280	164,073
Issued for cash	98,028	115,300
Issued on reinvestment of distributions	5,264	8,310
Redeemed during the period	(55,217)	(95,403)
Units issued and outstanding, end of period	240,355	192,280

#### Name change

Effective January 25, 2013, the Portfolio changed its name from BMO Harris Canadian Bond Income Portfolio to BMO Harris Canadian Short-Term Bond Portfolio.

#### (b) Reconciliation of NAV to net assets

As at December 31, 2014, December 31, 2013 and January 1, 2013, there were no differences between the Fund's NAV per unit and its net assets per unit calculated in accordance with IFRS.

#### (c) Increase (decrease) in net assets attributable to holders of redeemable units per unit

The increase (decrease) in net assets attributable to holders of redeemable units per unit for the periods ended December 31, 2014 and December 31, 2013 is calculated as follows:

	Dec. 31, 2014	Dec. 31, 2013
Increase in net assets attributable to holders of redeemable units	63,472	25,158
Weighted average units outstanding during the period	203,318	166,237
Increase (decrease) in net assets attributable to holders of redeemable units per unit	0.31	0.15

#### (d) Income taxes

As at the tax year-ended December 2014, the Portfolio had the following estimated capital and non-capital losses for income tax purposes:

Total Capital Losses (\$)	Total Non- Capital Losses (\$)	Non-Capital Losses That Expire in		
		2014 (\$)	2015 (\$)	2026 and thereafter (\$)
3,616	—	—	—	—

#### (e) Related party transactions

##### Unitholder servicing

The related party fees charged for unitholder servicing fees are as follows:

	Dec. 31, 2014	Dec. 31, 2013
Unitholder servicing (\$)	253	256

##### Brokerage commissions and soft dollars

There were no brokerage commissions charged to the Portfolio during the periods ended December 31, 2014 and December 31, 2013.

#### (f) Financial instrument risk

The Portfolio's objectives are to provide a high level of interest income and to preserve the capital invested. Prior to January 25, 2013, the Portfolio invested primarily in high quality fixed income securities such as bonds and debentures issued by governments and corporations in Canada that mature in more than one year. Effective January 25, 2013, the Portfolio's investment strategies were changed to permit the Portfolio to invest in fixed income securities in reference to the characteristics of a widely recognized Canadian short-term bond index.

No changes affecting the overall level of risk of investing in the Portfolio were made during the period.

##### Currency risk

As at December 31, 2014, December 31, 2013, and January 1, 2013, the Portfolio did not have any significant exposure to currency risk.

## BMO Harris Canadian Short-Term Bond Portfolio

(formerly BMO Harris Canadian Bond Income Portfolio)

### NOTES TO FINANCIAL STATEMENTS (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)

December 31, 2014

#### Interest rate risk

The following table summarizes the Portfolio's exposure to interest rate risk by remaining term to maturity.

Number of years	Interest Rate Exposure as at		
	Dec. 31, 2014	Dec. 31, 2013	Jan. 1, 2013
Less than one year	—	—	389,099
One to three years	1,262,751	1,026,199	279,302
Three to five years	1,092,117	862,384	102,921
Five to ten years	79,952	70,764	944,100
Greater than ten years	80,049	52,058	77,705
<b>Total</b>	<b>2,514,869</b>	<b>2,011,405</b>	<b>1,793,127</b>

As at December 31, 2014, December 31, 2013 and January 1, 2013, if the prevailing interest rates had been raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other factors remaining constant, Net Assets could possibly have decreased or increased, respectively, by approximately \$69,891 (December 31, 2013 – \$55,390, January 1, 2013 – \$75,822). The Portfolio's interest rate sensitivity was determined based on portfolio weighted duration. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

#### Other market risk

The Portfolio was not significantly exposed to other market risk as at December 31, 2014, December 31, 2013 and January 1, 2013 as it was invested fully in fixed income securities.

#### Credit risk

The Portfolio's credit risk exposure grouped by credit ratings is listed in the following table:

Credit Rating	As a % of Net Assets as at		
	Dec. 31, 2014	Dec. 31, 2013	Jan. 1, 2013
R-1 High	—	—	6.0
R-1 Mid	—	—	6.5
R-1 Low	—	—	0.3
AAA	51.8	53.4	71.2
AA	21.8	21.8	7.5
A	17.8	17.4	8.0
BBB	7.7	6.8	—
<b>Total</b>	<b>99.1</b>	<b>99.4</b>	<b>99.5</b>

#### Securities lending

The Portfolio had assets involved in securities lending transactions outstanding as at December 31, 2014, December 31, 2013 and January 1, 2013 as follows:

	Aggregate Value of Securities on Loan (\$)	Aggregate Value of Collateral Received for the Loan (\$)
December 31, 2014	807,656	850,105
December 31, 2013	651,973	692,100
January 1, 2013	786,330	828,716

#### Concentration risk

The following is a summary of the Portfolio's concentration risk:

	Dec. 31, 2014	Dec. 31, 2013	Jan. 1, 2013
<b>Money Market Investments</b>			
Federal	—%	—%	6.0%
Provincial	—%	—%	6.8%
<b>Bonds &amp; Debentures</b>			
Federal Bonds	46.2%	48.2%	65.1%
Provincial Bonds	15.3%	12.9%	12.3%
Municipal Bonds	0.6%	0.9%	3.4%
Corporate Bonds & Debentures	35.1%	35.2%	5.2%
Asset-Backed Securities	1.9%	2.2%	0.7%
Other Assets Less Liabilities	0.9%	0.6%	0.5%
	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

### (g) Financial assets and financial liabilities

#### Categories of financial assets and financial liabilities

The table below shows the categories of financial assets and financial liabilities:

	Dec. 31, 2014	Dec. 31, 2013	Jan. 1, 2013
Financial assets designated as FVTPL	2,514,869	2,011,405	1,793,127
Loans and receivables	22,878	13,520	8,118
Financial liabilities measured at amortized cost	17,822	10,451	1,478



## BMO Harris Canadian Short-Term Bond Portfolio

(formerly BMO Harris Canadian Bond Income Portfolio)

### NOTES TO FINANCIAL STATEMENTS (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)

December 31, 2014

#### Net gains and losses on financial assets and financial liabilities at fair value

	Dec. 31, 2014	Dec. 31, 2013
<b>Net realized gains (losses) on financial assets at FVTPL</b>		
Designated at FVTPL	40,408	83,847
	40,408	83,847
<b>Total net realized gains (losses) on financial assets and liabilities at FVTPL</b>	40,408	83,847
<b>Change in unrealized gains (losses) on financial assets at FVTPL</b>		
Designated as at FVTPL	23,229	(58,463)
	23,229	(58,463)
<b>Total change in unrealized gains (losses) on financial assets and liabilities at FVTPL</b>	23,229	(58,463)

#### (h) Fair value hierarchy

The Portfolio classifies its financial instruments into three levels based on the inputs used to value the financial instruments. Level 1 securities are valued based on quoted prices in active markets for identical securities. Level 2 securities are valued based on significant observable market inputs, such as quoted prices from similar securities and quoted prices in inactive markets or based on observable inputs to models. Level 3 securities are valued based on significant unobservable inputs that reflect the Manager's determination of assumptions that market participants might reasonably use in valuing the securities. The tables below show the relevant disclosure.

As at Dec. 31, 2014

Financial assets	Level 1	Level 2	Level 3	Total
Debt Securities	2,514,869	—	—	2,514,869

As at Dec. 31, 2013

Financial assets	Level 1	Level 2	Level 3	Total
Debt Securities	2,011,405	—	—	2,011,405

As at Jan. 1, 2013

Financial assets	Level 1	Level 2	Level 3	Total
Debt Securities	9,906	1,783,221	—	1,793,127

#### Transfers between levels

During the period ended December 31, 2013, \$143.8 million of debt securities were transferred from Level 2 to Level 1 as values of these securities have now been obtained that are based on market quotations.

#### (i) Unconsolidated structured entities

Information on the carrying amount and the size of the investments in structured entities is shown in the table below.

	Dec. 31, 2014	Dec. 31, 2013	Jan. 1, 2013
<b>Carrying amount</b>			
CARDS II Trust, Series 2013-1, Class A, Credit Card Receivables-Backed, 1.984% Jan 15, 2016 .....	10,295	10,295	—
Genesis Trust II, Series 2014-1, Class A, Real Estate Secured Line of Credit-Backed Notes, 2.433% May 15, 2019 .....	3,042	—	—
Glacier Credit Card Trust, Series 2012-2, Asset-Backed Notes, Senior, 2.394% Oct 20, 2017 .....	2,535	2,488	—
Golden Credit Card Trust, Series 2011-1, Credit Card Receivables-Backed Notes, Senior, Secured, 3.510% May 15, 2016 .....	10,977	9,353	—
Hollis Receivables Term Trust II, Series 2013-1, Class A, Receivables-Backed Notes, 2.235% Sep 26, 2016 .....	3,028	—	—
Hollis Receivables Term Trust II, Series 2014-1, Class A, Receivables-Backed Notes, 2.434% Jun 26, 2019 .....	3,034	—	—
Master Credit Card Trust, Series 2011-1, Class A, Credit Card Receivables-Backed Notes, Secured, 3.502% May 21, 2016 .....	2,050	2,078	—
Master Credit Card Trust, Series 2012-1, Class A, Credit Card Receivables-Backed Notes, Secured, 2.626% Jan 21, 2017 .....	8,148	8,130	—

## BMO Harris Canadian Short-Term Bond Portfolio

(formerly BMO Harris Canadian Bond Income Portfolio)

### NOTES TO FINANCIAL STATEMENTS (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)

December 31, 2014

Master Credit Card Trust II, Series 2013-4, Class A, Credit Card Receivables-Backed Notes, 2.723% Nov 21, 2018.....	3,384.....	1,492.....	—
NBC Asset Trust, Fixed to Floating, Secured, Subordinated, Perpetual, Callable, Asset-Backed, 7.235% Jun 30, 2049 .....	1,157.....	1,168.....	—
Canadian Credit Card Master Trust, Series 2010-1, Class A, Asset-Backed Notes, 3.444% Jul 24, 2015.....	—.....	4,625.....	—
Canadian Credit Card Master Trust, Series 2013-1, Credit Card Receivables-Backed, Class A Notes, 1.596% Sep 24, 2015.....	—.....	1,997.....	—
CARDS II Trust, Series 2010-3, Credit Card Receivables-Backed, Class A Notes, 3.096% Sep 15, 2015.....	—.....	2,560.....	—
Golden Credit Card Trust, Series 2010-1, Credit Card Receivables-Backed Notes, Senior, Secured, 3.824% May 15, 2015.....	—.....	1,030.....	—
Eagle Credit Card Trust, Series 2010-1, Class A, Secured, Credit Card Receivables-Backed Notes, 2.782% Dec 17, 2013 .....	—.....	—.....	5,064
Gloucester Credit Card Trust, Series 2004-1, Asset-Backed, 5.376% May 15, 2014.....	—.....	—.....	7,352
<b>Total</b>	<b>47,650</b>	<b>45,216</b>	<b>12,416</b>

The carrying value of mortgage related and other asset-backed securities are included in “Investments – Non-derivative financial assets” in the Statement of Financial Position. This amount also represents the maximum exposure to losses at that date.

The change in fair value of mortgage related and other asset-backed securities are included in the Statement of Comprehensive Income in “Change in unrealized appreciation (depreciation)”.

### (j) Transition to IFRS

The differences between the Portfolio’s Canadian GAAP accounting policies and IFRS requirements resulted in measurement and classification differences on transition to IFRS. The net impact of these differences was recorded in opening Net Assets as of January 1, 2013.

The following information reflects the Portfolio’s transition elections under IFRS 1, First-time Adoption of International Financial Reporting Standards (“IFRS 1”), the standard for first-time adoption and the significant accounting changes resulting from our adoption of IFRS. The general principle under IFRS 1 is retroactive application, such that the Portfolio’s Statement of Financial Position as at January 1, 2013 was restated as though the Portfolio has always applied IFRS with the net impact shown as an adjustment to opening Net Assets.

### Transition elections

The fund had applied the voluntary exemption upon transition to designate financial assets or financial liabilities at FVTPL. All financial assets designated at FVTPL upon transition were previously recorded at fair value under Canadian GAAP as required by Accounting Guideline 18, Investment Companies.

### Statement of cash flows

Under Canadian GAAP, the Portfolio was exempt from providing a Statement of Cash Flows. IAS 1, Presentation of Financial Statements (“IAS 1”), requires that a Statement of Cash Flows to be presented as part of a complete set of financial statements. As such, the Portfolio has presented a Statement of Cash Flows in the annual financial statements for the periods ended December 31, 2014 and December 31, 2013.

### Classification of redeemable units issued by the Portfolio

Under Canadian GAAP, redeemable units of the Portfolio were accounted for as equity. IAS 32, Financial Instruments: Disclosure and Presentation (“IAS 32”), however, requires an assessment to determine whether the units issued to unitholders are puttable instruments that qualify for equity classification. The Portfolio’s units do not meet the criteria in IAS 32 for equity classification and therefore, have been reclassified as financial liabilities on transition to IFRS and presented on the Statement of Financial Position as Net Assets.

## BMO Harris Canadian Short-Term Bond Portfolio

(formerly BMO Harris Canadian Bond Income Portfolio)

### NOTES TO FINANCIAL STATEMENTS (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)

December 31, 2014

#### Reclassification adjustments

In addition to the measurement adjustments noted above, the Portfolio reclassified certain amounts upon transition in order to conform its financial statement presentation under IFRS. Under Canadian GAAP, the Portfolio presented withholding taxes by netting them against investment income, whereas they have been reclassified and presented separately as an expense under IFRS.

#### Revaluation of investments at FVTPL

Canadian GAAP required the use of bid prices for long positions and ask prices for short positions in determining fair valuation of investments traded in an active market, rather than the use of close prices used for the purpose of determining NAV. IFRS 13, Fair Value Measurement ("IFRS 13"), requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. The standard also allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. Upon adoption of IFRS, the fund has determined that for traded securities, close prices on the reporting date are considered to be fair value, if they fall within the bid-ask spread. See Note 3 for the Portfolio's fair value measurement policy.

#### Reconciliation of Net Assets as reported under Canadian GAAP to IFRS

As at	Dec. 31, 2013	Jan. 1, 2013
Net assets representing unitholders' equity under Canadian GAAP	2,023,678	1,801,250
Revaluation of investments at FVTPL	—	—
Net assets attributable to holders of redeemable units	2,023,678	1,801,250

#### Reconciliation of increase (decrease) in net assets reported under Canadian GAAP to IFRS

For the period ended	Dec. 31, 2013
Increase in net assets from operations under Canadian GAAP	25,158
Revaluation of investments at FVTPL	—
Increase in net assets attributable to holders of redeemable units	25,158

#### Presentation of Interest Income

Under Canadian GAAP, the Portfolio presented interest income on debt instruments in the Statement of Operations calculated using the stated rate without amortization of discounts, premiums or transaction costs. IFRS requires interest income to be calculated using the effective interest method. As a result, \$20,321 was reclassified from "change in unrealized appreciation (depreciation)" to "Interest income" in the Statement of Comprehensive Income for the period ended December 31, 2013 to conform to the IFRS presentation.

#### (k) Subsequent events

##### Portfolio name change

Effective February 2, 2015, the Portfolio name changed from BMO Harris Canadian Short-Term Bond Portfolio to BMO Private Canadian Short-Term Bond Portfolio.

##### Manager name change

Effective February 2, 2015, the Manager changed its name from BMO Harris Investment Management Inc. to BMO Private Investment Counsel Inc.

## Management's Responsibility for Financial Reporting

---

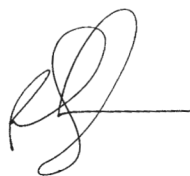
The accompanying financial statements have been prepared by an affiliate of the Manager and approved by the Board of Trustees of the Portfolios. Management is responsible for the information and representations contained in these financial statements.

The affiliate of the Manager maintains appropriate processes to ensure that relevant and reliable information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and include certain amounts that are based on estimates and judgements. The significant accounting policies which management believes are appropriate for the Portfolio are described in Note 2 of the financial statements. The Trustee (BMO Trust Company) is responsible for reviewing and approving the financial statements and overseeing management's performance of its financial reporting responsibilities. The Trustee reviews the financial statements of the Portfolios, adequacy of the internal controls, the audit process and financial reporting with management and external auditors.

PricewaterhouseCoopers LLP is the external auditor of the Portfolios. The auditor has been appointed by Board of the Manager and of the Trustees and cannot be changed without the prior approval for the Independent Review Committee and 60 days notice to the Unitholders. They have audited the financial statements in accordance with generally accepted auditing standards in Canada to enable them to express to the unitholders their opinion on the financial statements. Their report is included as an integral part of the financial statements.



**Richard Mason**  
Chief Executive Officer  
BMO Private Investment Counsel Inc.  
March 11, 2015



**Robert J. Schauer**  
Chief Financial Officer  
BMO Private Portfolios  
March 11, 2015

**Manager**

BMO Private Investment  
Counsel Inc.  
1 First Canadian Place  
100 King St. W., 41st Floor  
Toronto, Ontario M5X 1H3

**Trustee**

BMO Trust Company  
1 First Canadian Place  
100 King St. W., 41st Floor  
Toronto, Ontario M5X 1H3

**Independent Auditor**

PricewaterhouseCoopers LLP  
PwC Tower  
18 York Street, Suite 2600  
Toronto, Ontario M5J 0B2

® "BMO (M-bar roundel symbol) Private Banking" is a registered trade-mark of Bank of Montreal, used under licence. BMO Private Banking is comprised of Bank of Montreal, BMO Private Investment Counsel Inc., and BMO Trust Company. Banking services are offered through Bank of Montreal. Investment management services are offered through BMO Private Investment Counsel Inc., an indirect subsidiary of Bank of Montreal. Estate, trust, planning, administration and custodial services are offered through BMO Trust Company, a wholly owned subsidiary of Bank of Montreal.

<http://www.bmoprivatebanking.com>

For more information please call 1-800-361-1392