

Annual Management Report of Fund Performance

BMO Harris Canadian Conservative Equity 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, 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 or SEDAR at 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 Conservative Equity Portfolio (the "Portfolio").

Investment Objective and Strategies

The Portfolio's investment objective is to provide long term capital appreciation through investing primarily in equity securities of large Canadian issuers.

To seek to achieve the Portfolio's objectives, the sub-advisor employs bottom-up security selection to identify reasonable stock price valuations for its holdings that is based on quantitative and fundamental analyses, including assessment of the company's projected earnings, quality of management, and identification of reasonable stock price valuations relative to other companies in the same industry.

Risk

Effective May 7, 2014, as outlined in the Portfolio's most recently filed simplified prospectus, the risk rating of the Portfolio was reduced from "Medium to High" to "Medium" to better align with the Portfolio's risk level. The investment objectives, investment strategies and management of the Portfolio did not change as a result of the change in risk rating.

Results of Operations

Over the 12-month period ended December 31, 2014, the Portfolio returned 10.30%, after expenses. The Portfolio's benchmark is the S&P/TSX Composite Index ("S&P/TSX"), which generated a 10.55% total return over the same 12-month period.

Canadian equities, as represented by the S&P/TSX, had the second-best performance in the Morgan Stanley Capital International All Country World Index in 2014. The Canadian economy modestly exceeded expectations, with full-year gross domestic product growth likely at 2.3%, largely in line with U.S. economic performance. A lower Canadian dollar contributed to strength in consumer spending and improving export performance, which in turn helped Canada's economic growth.

The commodities-based sectors were the weakest performing sectors in the S&P/TSX during the year. The Energy and Materials sectors were the only sectors with negative returns, down 4.8% and 2.6%, respectively. The Energy sector rose in the first half of the year and then fell sharply in the second half, following the price of oil (as represented by the West Texas Intermediate (WTI) benchmark). Oil prices dropped both before and after the Organization of the Petroleum Exporting Countries' (OPEC) announcement in late November 2014 that it would not cut production. The performance of stocks with exposure to the U.S. was an area of strength in the S&P/TSX. Canadian companies that incur costs in Canadian dollars but earn revenues in U.S. dollars benefited significantly as the U.S. dollar appreciated meaningfully versus the Canadian dollar

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during the year. Finally, there was surprising strength in the performance of defensive sectors stocks, particularly those in the Consumer Staples sector, which was the top performing sector of the year. Defensive stocks benefitted from their “safe haven” status as investors avoided the volatile commodities-based sectors and favoured the greater earnings available in sectors such as Consumer Staples.

The Portfolio slightly underperformed the benchmark over the period. Stock selection in the Materials and Financials sectors detracted from the Portfolio’s performance over the period. The Portfolio’s holdings in the Energy sector also detracted from the Portfolio’s performance as a result of the significant drop in oil prices, especially high-yielding producers. Significant individual detractors from the Portfolio’s performance included Baytex Energy Corp., Teck Resources Limited and First Quantum Minerals Ltd. The decline in oil prices forced Baytex Energy Corp. to cut its dividend to more sustainable levels. Teck Resources Limited suffered from weakness in the mining industry, especially coal pricing, and First Quantum Minerals Ltd. was negatively impacted along with the rest of the mining industry.

Overweight positions in the Consumer Discretionary, Information Technology and Industrials sectors contributed to the Portfolio’s performance, as did an underweight position in the Materials sector. Significant individual contributors to the Portfolio’s performance included Canadian National Railway Company, Brookfield Asset Management Inc. and Enbridge Inc. Canadian National Railway Company benefited from continued operational excellence, and its share price was rewarded by a market that was generally positive about the transportation industry. Brookfield Asset Management Inc. continued to execute its growth strategy. Enbridge Inc. benefited from financial restructuring with its subsidiary, Enbridge Income Fund Holdings Inc. and strong dividend growth.

During the period, the sub-advisor initiated positions in MacDonald, Dettwiler and Associates Ltd., CI Financial Corp. and West Fraser Timber Co. Ltd. The sub-advisor believes that MacDonald, Dettwiler and Associates Ltd. has a strong market position in an industry with very high barriers to entry, abundant growth opportunities

and a proven track record. CI Financial Corp. is a high-quality asset manager with a strong market position and leverage to equity markets. West Fraser Timber Co. Ltd. is the world’s largest lumber producer, with top-tier assets and leverage to a rebound in U.S. residential housing construction. The sub-advisor increased the Portfolio’s positions in CGI Group Inc., Brookfield Asset Management Inc., Dollarama Inc., Canadian Western Bank and Gildan Activewear Inc. The sub-advisor eliminated the Portfolio’s positions in Brookfield Office Properties Inc. (due to restructuring by its parent company), in Agrium Inc. (due to concerns about the grain complex), as well as in Home Capital Group Inc. and Tim Hortons Inc. (both due to valuation concerns), and in Yamana Gold Inc. (to reduce exposure to mining and due to concerns over operational issues).

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

Six years after the Great Recession of 2007/2008, the world’s major economies are still dealing with deleveraging and deflation, forces that sustain the central banks’ looser monetary policies and keep the economic recovery constrained. Despite lower oil prices, the decline in global bond yields and an array of geopolitical issues, the sub-advisor believes that 2015 will again see positive returns for Canadian stocks. Economic growth in the U.S. is expected to continue its upward trajectory, buoyed by stronger consumer spending, cash-rich corporations and accommodative U.S. Federal Reserve Board (the “Fed”) policies. The Canadian economy should benefit from a weaker Canadian dollar and trade ties to a strengthening U.S. economy, but the sub-advisor expects lower oil prices to weigh on equity earnings and investor sentiment. The sub-advisor anticipates that the Fed may raise interest rates at a pace that the economy can digest. A weaker Canadian dollar and a soft domestic economy will translate into an even slower pace of interest rate increases in Canada. The sub-advisor anticipates that continued market volatility, moderate growth, stable inflation and muted interest rates may support equities in the coming period.

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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 Conservative Equity 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.
 - 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.

Brokerage Commissions

The Portfolio pays standard brokerage commissions at market rates to BMO Nesbitt Burns Inc., an affiliate of the Manager, for executing a portion of its trades. The brokerage commissions charged to the Portfolio during the period were as follows:

	Period ended Dec. 31, 2014 (\$000s)	Period ended Dec. 31, 2013 (\$000s)
Total Brokerage Commissions	205	349
Brokerage Fees paid to BMO Nesbitt Burns Inc.	8	20

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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 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:

	Period ended Dec. 31, 2014 (\$000s)	Period ended Dec. 31, 2013 (\$000s)
Unitholder Services	176	215

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.

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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 ⁽¹⁾	Years ended December 31				
	2014	2013	2012	2011	2010
Net assets, beginning of period	\$ 15.05	13.69	13.05	15.36	14.03
Increase (decrease) from operations:					
Total revenue	\$ 0.44	0.41	0.37	0.35	0.33
Total expenses ⁽²⁾	\$ (0.01)	(0.03)	(0.02)	(0.02)	(0.01)
Realized gains (losses) for the period	\$ 0.44	0.25	(0.33)	0.43	0.21
Unrealized gains (losses) for the period	\$ 0.72	1.05	0.94	(2.57)	1.11
Total increase (decrease) from operations ⁽³⁾	\$ 1.59	1.68	0.96	(1.81)	1.64
Distributions:					
From income (excluding dividends)	\$ —	0.01	0.00	—	0.03
From dividends	\$ 0.45	0.45	0.35	0.42	0.32
From capital gains	\$ —	—	—	—	—
Return of capital	\$ —	0.00	0.00	0.00	—
Total Annual Distributions ⁽⁴⁾	\$ 0.45	0.46	0.35	0.42	0.35
Net assets, end of period	\$ 16.15	15.05	13.69	13.05	15.36

⁽¹⁾ 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. An explanation of these differences can be found in the notes to the financial statements.

⁽²⁾ Includes commissions and portfolio transaction costs. Prior to 2013, withholding taxes were not included in expenses as they were included in revenue.

⁽³⁾ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

⁽⁴⁾ Distributions were 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) ⁽¹⁾	\$ 730,729	710,836	738,269	634,098	936,400
Number of units outstanding (000s) ⁽¹⁾	45,239	47,227	53,837	48,527	60,858
Management expense ratio ⁽²⁾	%	0.04	0.06	0.05	0.04
Management expense ratio before waivers or management absorptions	%	0.16	0.18	0.07	0.04
Trading expense ratio ⁽³⁾	%	0.03	0.05	0.09	0.12
Portfolio turnover rate ⁽⁴⁾	%	12.74	15.23	19.63	25.34
Net asset value per unit	\$	16.15	15.05	13.71	13.07

⁽¹⁾ This information is provided as at December 31 of the period shown.

⁽²⁾ Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

⁽³⁾ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

⁽⁴⁾ The portfolio turnover rate indicates how actively the Portfolio's investor manager 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.

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Past Performance

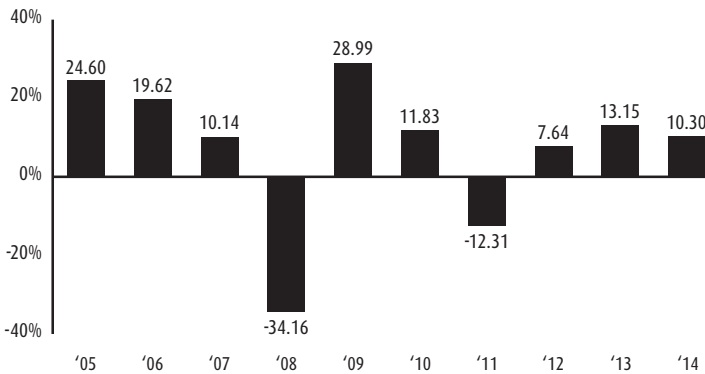
General

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.



Annual Compound Returns

This chart compares the historical annual compound returns of the Portfolio with the S&P/TSX Composite Index. The S&P/TSX Composite Index reflects the price movements of a floating list of companies on the Toronto Stock Exchange that meet Standard & Poor's criteria for inclusion in the index.

	1 yr %	3 yrs %	5 yrs %	10 yrs %
BMO Harris Canadian Conservative Equity Portfolio [‡]	10.30	10.34	5.67	6.27
S&P/TSX Composite Index	10.55	10.22	7.53	7.60

[‡]The Portfolio's return is after the deduction of expenses, while the benchmark does not include any costs of investing.

A commentary on the market and/or information regarding the relative performance of the Portfolio as compared to its benchmark can be found under the Results of Operations section of this report.

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Summary of Investment Portfolio

as at December 31, 2014

Portfolio Allocation	% of Net Asset Value	Top 25 Holdings	% of Net Asset Value
Financials	36.5	Issuer	
Energy	20.2	Toronto-Dominion Bank, The,	7.7
Consumer Discretionary	10.8	Bank of Nova Scotia	6.9
Materials	8.8	Royal Bank of Canada	6.4
Industrials	8.8	Canadian National Railway Company	5.3
Information Technology	4.4	Manulife Financial Corporation	4.1
Telecommunication Services	4.3	Enbridge Inc.	3.9
Cash/Receivables/Payables	2.7	Suncor Energy Inc.	3.7
Consumer Staples	2.2	Dollarama Inc.	3.6
Utilities	1.3	Brookfield Asset Management Inc., Class A	3.6
Total portfolio allocation	100.0	TransCanada Corporation	2.9
		Gildan Activewear Inc.	2.9
		CGI Group Inc., Class A	2.8
		Intact Financial Corporation	2.8
		Magna International Inc.	2.7
		Cash/Receivables/Payables	2.7
		Loblaw Companies Limited	2.2
		Canadian Natural Resources Limited	2.2
		Goldcorp Inc.	2.1
		Canadian Western Bank	2.1
		Rogers Communications Inc., Class B	2.0
		Progressive Waste Solutions Ltd.	1.7
		MacDonald, Dettwiler and Associates Ltd.	1.6
		Tourmaline Oil Corp.	1.6
		TELUS Corporation	1.6
		Thomson Reuters Corporation	1.6
		Top holdings as a percentage of total net asset value	80.7
		Total Net Asset Value	\$730,729,406

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

Manager

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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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