

# Semi-Annual Financial Statements

BMO Harris Private Portfolios

June 30, 2013

**BMO Harris Canadian Money Market Portfolio**

## NOTICE OF NO AUDITOR REVIEW OF THE SEMI-ANNUAL FINANCIAL STATEMENTS

BMO Harris Investment Management Inc., the Manager of the Portfolios, appoints independent auditors to audit the Portfolio's Annual Financial Statements. Under Canadian securities laws (National Instrument 81-106), if an auditor has not reviewed the Semi-Annual Financial Statements, this must be disclosed in an accompanying notice.

The Portfolio's independent auditors have not performed a review of these Semi-Annual Financial Statements in accordance with standards established by the Canadian Institute of Chartered Accountants.

## BMO Harris Canadian Money Market Portfolio

(unaudited)

### STATEMENT OF NET ASSETS

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

As at	June 30, 2013	December 31, 2012
<b>Assets</b>		
Cash	156	118
Investments at fair value	1,160,631	1,099,232
Subscriptions receivable	27,376	15,759
<b>Total assets</b>	<b>1,188,163</b>	<b>1,115,109</b>
<b>Liabilities</b>		
Distributions payable	62	80
Due to broker	31,061	—
Accrued expenses	82	95
Redemptions payable	30,741	13,289
<b>Total liabilities</b>	<b>61,946</b>	<b>13,464</b>
Net assets representing unitholders' equity	1,126,217	1,101,645
Net assets per unit	\$ 10.00	\$ 10.00

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

## BMO Harris Canadian Money Market Portfolio

(unaudited)

### STATEMENT OF OPERATIONS

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

For the periods ended	June 30, 2013	June 30, 2012
<b>Investment Income</b>		
Interest	6,208	6,736
Securities lending revenue	7	18
	6,215	6,754
<b>Expenses</b>		
Sub-advisory fees (note 5)	631	—
Audit fees	4	10
Independent Review Committee fees	1	1
Custodian fees	13	13
Legal and filing fees	39	39
Unitholder servicing fees (note 5)	232	220
Printing and stationery fees	12	11
Operating expenses absorbed by the Manager (note 5)	(631)	—
	301	294
Net investment income for the period	5,914	6,460
Increase in net assets from operations	5,914	6,460
Increase in net assets from operations per unit (note 2)	0.06	0.06

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

## BMO Harris Canadian Money Market Portfolio

(unaudited)

### STATEMENT OF CHANGES IN NET ASSETS

*(in thousands of Canadian dollars)*

For the periods ended	June 30, 2013	June 30, 2012
Net assets – beginning of period	1,101,645	1,220,714
Increase in net assets from operations	5,914	6,460
<b>Unit Transactions:</b>		
Proceeds from sale of units	2,175,155	2,150,415
Reinvested distributions	5,387	6,101
Amounts paid on units redeemed	(2,155,970)	(2,286,797)
Total unit transactions	24,572	(130,281)
<b>Distributions to Unitholders from:</b>		
Net investment income	(5,914)	(6,460)
Total distributions paid to unitholders	(5,914)	(6,460)
Net assets – end of period	1,126,217	1,090,433

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## BMO Harris Canadian Money Market Portfolio

(unaudited)

### STATEMENT OF INVESTMENT PORTFOLIO

*As at June 30, 2013 (in thousands of Canadian dollars, unless otherwise noted)*

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
<b>Money Market Investments</b>			
<i>Federal – 8.5%</i>			
Government of Canada, Treasury Bills, 1.018%, Jul 3, 2013	23,100	23,088	23,099
Government of Canada, Treasury Bills, 0.987%, Jul 4, 2013	20,000	19,985	19,998
Government of Canada, Treasury Bills, 1.009%, Jul 4, 2013	23,500	23,478	23,498
Government of Canada, Treasury Bills, 1.024%, Jul 4, 2013	13,900	13,888	13,899
Government of Canada, Treasury Bills, 1.034%, Jul 5, 2013	10,000	9,995	9,999
Government of Canada, Treasury Bills, 0.995%, Sep 12, 2013	5,000	4,975	4,990
		95,409	95,483
<i>Provincial – 17.6%</i>			
Province of Manitoba, Treasury Bills, 1.039%, Aug 14, 2013	20,050	20,002	20,025
Province of New Brunswick, Treasury Bills, 1.046%, Aug 29, 2013	17,000	16,956	16,971
Province of New Brunswick, Treasury Bills, 1.056%, Sep 12, 2013	29,000	28,922	28,939
Province of Newfoundland, Treasury Bills, 1.017%, Jul 4, 2013	3,400	3,393	3,400
Province of Newfoundland, Treasury Bills, 1.079%, Sep 19, 2013	5,650	5,635	5,637
Province of Ontario, Treasury Bills, 1.028%, Jul 3, 2013	15,000	14,970	14,999
Province of Ontario, Treasury Bills, 1.019%, Jul 10, 2013	10,000	9,976	9,997
Province of Ontario, Treasury Bills, 1.047%, Jul 31, 2013	5,000	4,987	4,996
Province of Ontario, Treasury Bills, 1.031%, Aug 7, 2013	10,000	9,974	9,990
Province of Ontario, Treasury Bills, 1.046%, Aug 14, 2013	10,000	9,975	9,987
Province of Ontario, Treasury Bills, 1.043%, Aug 21, 2013	35,000	34,915	34,949
Province of Ontario, Treasury Bills, 1.064%, Sep 4, 2013	20,000	19,952	19,962
Province of Quebec, Treasury Bills, 1.038%, Jul 12, 2013	15,000	14,967	14,995
Province of Quebec, Treasury Bills, 1.031%, Aug 2, 2013	3,000	2,993	2,997
		197,617	197,844
<i>Corporate – 35.3%</i>			
Canadian Imperial Bank of Commerce, Bankers Acceptances, 1.107%, Jul 2, 2013	2,975	2,967	2,975
Canadian Imperial Bank of Commerce, Bankers Acceptances, 1.095%, Jul 30, 2013	9,230	9,221	9,222
Enbridge Inc., Discounted Bills, 1.136%, Jul 3, 2013	9,500	9,497	9,499
Enbridge Inc., Discounted Bills, 1.124%, Jul 9, 2013	25,000	24,981	24,994
Enbridge Inc., Commercial Paper, 1.151%, Jul 9, 2013	10,000	9,996	9,998
Enbridge Inc., Discounted Bills, 1.119%, Jul 11, 2013	14,900	14,886	14,895
Enbridge Inc., Discounted Bills, 1.132%, Jul 18, 2013	22,750	22,729	22,738
Enbridge Inc., Commercial Paper, 1.158%, Jul 25, 2013	5,000	4,995	4,996
Enbridge Inc., Commercial Paper, 1.163%, Jul 30, 2013	15,000	14,985	14,986
Honda Canada Finance Inc., Discounted Bills, 1.095%, Jul 5, 2013	13,700	13,690	13,698
Honda Canada Finance Inc., Commercial Paper, 1.121%, Aug 16, 2013	8,150	8,136	8,139
OMERS Finance Trust, Discounted Bills, 1.078%, Jul 23, 2013	15,000	14,981	14,990

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## BMO Harris Canadian Money Market Portfolio

(unaudited)

### STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

*As at June 30, 2013 (in thousands of Canadian dollars, unless otherwise noted)*

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
OMERS Finance Trust, Discounted Bills, 1.127%, Jul 23, 2013	8,200	8,177	8,194
OMERS Finance Trust, Discounted Bills, 1.127%, Aug 6, 2013	5,000	4,986	4,994
OMERS Finance Trust, Discounted Bills, 1.128%, Aug 6, 2013	1,550	1,546	1,548
OMERS Finance Trust, Discounted Bills, 1.127%, Aug 12, 2013	13,500	13,463	13,483
OMERS Finance Trust, Discounted Bills, 1.127%, Aug 20, 2013	5,000	4,986	4,992
OMERS Finance Trust, Discounted Bills, 1.127%, Aug 20, 2013	3,950	3,939	3,944
OMERS Finance Trust, Discounted Bills, 1.127%, Aug 26, 2013	8,069	8,046	8,055
Royal Bank of Canada, Term Deposit Receipts, 0.950%, Jul 2, 2013	15,400	15,400	15,401
Royal Bank of Canada, Bankers Acceptances, 1.077%, Jul 4, 2013	10,000	9,994	9,999
Royal Bank of Canada, Bankers Acceptances, 1.095%, Jul 29, 2013	4,000	3,996	3,997
Toronto-Dominion Bank, Bankers Acceptances, 1.082%, Jul 10, 2013	18,000	17,985	17,995
Toronto-Dominion Bank, Bearer Deposit Notes, 1.095%, Jul 12, 2013	15,995	15,981	15,990
Toronto-Dominion Bank, Bankers Acceptances, 1.083%, Jul 15, 2013	25,000	24,977	24,990
Toronto-Dominion Bank, Bankers Acceptances, 1.083%, Jul 18, 2013	14,250	14,237	14,243
Toronto-Dominion Bank, Bankers Acceptances, 1.083%, Jul 19, 2013	5,000	4,996	4,997
Toronto-Dominion Bank, Bankers Acceptances, 1.107%, Aug 23, 2013	6,700	6,681	6,689
Toronto-Dominion Bank, Bankers Acceptances, 1.107%, Sep 30, 2013	11,400	11,368	11,369
TransCanada Pipelines Ltd., Commercial Paper, 1.137%, Jul 22, 2013	25,000	24,973	24,984
TransCanada Pipelines Ltd., Commercial Paper, 1.125%, Jul 25, 2013	21,000	20,977	20,985
TransCanada Pipelines Ltd., Commercial Paper, 1.171%, Jul 25, 2013	29,800	29,772	29,777
		397,544	397,756
<b>Total Money Market Investments – 61.4%</b>		<b>690,570</b>	<b>691,083</b>

### Bonds & Debentures

#### *Federal Bonds – 7.9%*

Canada Housing Trust, Mortgage Bonds, Series 22, Secured, 3.550% Sep 15, 2013	60,800	61,103	61,741
Canada Housing Trust, Mortgage Bonds, Series 25, Floating Rate, Mar 15, 2014	5,000	5,000	5,004
Canada Mortgage & Housing Corporation, Medium Term Notes, Senior, Unsecured, 4.900% Dec 1, 2013	17,500	17,771	17,841
PSP Capital Inc., Series 1, Senior Notes, Unsecured, Unsubordinated, 4.570% Dec 9, 2013	4,000	4,057	4,069
		87,931	88,655

#### *Provincial Bonds – 4.5%*

Province of British Columbia, Series BCCD-N, Debentures, 8.500% Aug 23, 2013	5,000	5,054	5,204
Province of British Columbia, Series AG13, Notes, Stripped, Aug 23, 2013	9,900	9,885	9,885

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## BMO Harris Canadian Money Market Portfolio

(unaudited)

### STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

As at June 30, 2013 (in thousands of Canadian dollars, unless otherwise noted)

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Province of Manitoba, 5.050% Dec 3, 2013	3,692	3,753	3,767
Province of Quebec, 5.250% Oct 1, 2013	16,550	16,723	16,939
Province of Quebec, Stripped, Dec 1, 2013	14,380	14,313	14,313
		49,728	50,108
<b>Corporate Bonds &amp; Debentures – 28.4%</b>			
AltaGas Income Trust, Series 1, Medium Term Notes, Senior, Unsecured, Unsubordinated, 7.420% Apr 29, 2014	11,100	11,560	11,702
Bank of Nova Scotia, Deposit Notes, Senior, 4.560% Oct 30, 2013	63,186	63,874	64,362
BMW Canada Inc., Series B, Notes, 2.760% Apr 1, 2014	30,117	30,427	30,634
Canadian Imperial Bank of Commerce, Deposit Notes, 4.950% Jan 23, 2014	15,500	15,811	16,148
Caterpillar Financial Services Limited, Medium Term Notes, Senior, Unsecured, 2.640% Dec 3, 2013	20,065	20,175	20,217
Daimler Canada Finance Inc., Notes, 3.160% Apr 14, 2014	11,900	12,055	12,136
GE Capital Canada Funding Company, Senior, Unsecured, Notes, 2.950% Feb 10, 2014	12,500	12,624	12,767
Honda Canada Finance, Inc., Senior, Unsecured, Notes, Unsubordinated, 5.613% Sep 12, 2013	27,484	27,719	28,185
Hydro One Inc., Series 15, Medium Term Notes, Unsecured, 5.000% Nov 12, 2013	1,000	1,013	1,020
John Deer Credit Inc., Medium Term Notes, Senior, Unsecured, Unsubordinated, 1.850% Jan 24, 2014	500	502	506
John Deere Credit Inc., Third Series Guaranteed Notes, Unsecured, 3.900% Jul 29, 2013	18,798	18,833	19,143
Metropolitan Life Global Funding I, Secured, Notes, 4.450% Nov 8, 2013	17,000	17,179	17,290
New York Life Global Funding, Series MPLE, 4.300% Mar 19, 2014	4,400	4,490	4,543
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, Unsubordinated, 5.060% Jul 17, 2013	18,300	18,333	18,754
TransCanada Pipelines Limited, Medium Term Notes, Unsecured, 5.050% Feb 14, 2014	3,300	3,369	3,432
TransCanada PipeLines Limited, Medium Term Notes, Senior, Unsecured, Unsubordinated, 5.650% Jan 15, 2014	19,892	20,350	20,868
Union Gas Limited, Series 1994, Senior, Unsecured, Notes, Unsubordinated, 7.900% Feb 24, 2014	11,998	12,497	12,829
VW Credit Canada Inc., Unsecured, Notes, Unsubordinated, 2.550% Nov 18, 2013	25,500	25,611	25,689
		316,422	320,225

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

## BMO Harris Canadian Money Market Portfolio

(unaudited)

### STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

*As at June 30, 2013 (in thousands of Canadian dollars, unless otherwise noted)*

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
<i>Asset-Backed Securities – 0.9%</i>			
Gloucester Credit Card Trust, Series 2004-1, Asset-Backed, 5.376% May 15, 2014	4,735	4,892	4,925
Score Trust, Series 2004-1, Senior, Secured, Notes, Asset-Backed, Credit Card Receivables 4.949% Feb 20, 2014	5,424	5,538	5,635
		10,430	10,560
<b>Total Bonds &amp; Debentures – 41.7%</b>		<b>464,511</b>	<b>469,548</b>
<b>Total Investment Portfolio – 103.1%</b>		<b>1,155,081</b>	<b>1,160,631</b>
<b>Other Assets Less Liabilities – (3.1)%</b>			<b>(34,414)</b>
<b>NET ASSETS – 100.0%</b>			<b>1,126,217</b>

The Portfolio's Investment Portfolio is concentrated in the following segments as at:

	June 30, 2013	December 31, 2012
<b>Money Market Investments</b>		
Federal	8.5%	5.5%
Provincial	17.6%	27.1%
Corporate	35.3%	24.7%
<b>Bonds &amp; Debentures</b>		
Federal	7.9%	2.3%
Provincial	4.5%	1.4%
Asset-Backed Securities	0.9%	—%
Corporate	28.4%	38.8%
<b>Other Assets Less Liabilities</b>	<b>(3.1)%</b>	<b>0.2%</b>
	<b>100.0%</b>	<b>100.0%</b>

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



# BMO Harris Canadian Money Market Portfolio

(unaudited)

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## NOTES TO FINANCIAL STATEMENTS

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

*June 30, 2013*

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### 1. The Portfolio

BMO Harris Canadian Money Market 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 September 18, 2007. BMO Harris Investment Management Inc. (“the Manager”) is the Manager of the Portfolio.

The information provided in these unaudited financial statements is for the periods ended June 30, 2013 and 2012 except for the comparative information in the Statement of Net Assets and the related notes which are as at December 31, 2012.

### 2. Summary of significant accounting policies

These interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”), including estimates and assumptions made by management that may affect the reported amounts of assets, liabilities, income and expenses during the reported years. Actual results could differ from estimates.

#### Valuation of investments

Canadian GAAP requires the use of bid prices for long positions and ask prices for short positions in the fair valuation of investments traded in an active market, rather than the use of closing prices currently used for the purpose of determining Net Asset Value (“NAV”). For investments that are not traded in an active market, Canadian GAAP requires the use of valuation techniques, incorporating factors that market participants would consider in setting a price.

The NAV is the fair value of the total assets of a Portfolio less the fair value of its total liabilities at a Valuation Date (“the Valuation Date” is each day on which the Toronto Stock Exchange is open for trading) determined in accordance with Part 14 of National Instrument 81-106 – Investment Portfolio Continuous Disclosure (“NI 81-106”) for the purpose of processing unitholder transactions. For financial statement purposes, valuations are determined in accordance with Canadian GAAP. This may result in a difference between the net assets per unit and the NAV per unit. Refer to Note 7(b) for the details of the comparison between NAV per unit and net assets per unit.

Investments are deemed to be held for trading.

Investments are recorded at their fair value with the change between this amount and average cost being recorded as unrealized appreciation (depreciation) in value of investments in the Statement of Operations.

Securities listed on a recognized public securities exchange in North America are valued for financial statement purposes at their bid prices for long positions and ask prices for short positions. 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, the fair value represents the bid price provided by independent security pricing services. Short-term investments, if any, are included in the Statement of Investment Portfolio at their 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.

The Manager uses fair value pricing when the price of a security held in a Portfolio is unavailable, unreliable or not considered to reflect the current value, and may determine another value which it considers to be fair and reasonable using the services of third-party valuation service providers, 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.

#### Investment transactions

Investment transactions are accounted for on the trade date. Realized gains (losses) from the sale of investments and unrealized appreciation (depreciation) in the value of investments are calculated with reference to the average cost of the related investments which exclude brokerage commissions and other trading expenses. All

# BMO Harris Canadian Money Market Portfolio

(unaudited)

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## NOTES TO FINANCIAL STATEMENTS (cont'd)

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

*June 30, 2013*

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net realized gains (losses), unrealized appreciation (depreciation) in value, and transaction costs are attributable to investments and derivative instruments which are deemed held for trading, and are included in the Statement of Operations.

Client brokerage commissions, where applicable, are used as payment for order execution services or research services. The portfolio advisers or Managers may select brokers, including their affiliates, who charge a commission in excess of that charged by other brokers ("soft dollars") if they determine in good faith that the commission is reasonable in relation to the order execution and research services utilized. It is the Manager's objective that over time, all clients receive benefits from client brokerage commissions.

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Portfolio are expensed and included in "Commissions and other portfolio transaction costs" in the Statement of Operations.

### **Cost of investments**

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

### **Income recognition**

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

Interest on inflation-indexed bonds will be 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 Operations. 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 value and the inflation compensation accrued from the original issue date. Interest is accrued on each Valuation Day based on the inflation adjusted par value at that time and is included in "Interest" in the Statement of Operations.

### **Translation of foreign currencies**

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 year-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 gain (loss) on sale of investments" and unrealized foreign exchange gains (losses) are included in "Change in unrealized appreciation (depreciation) in value of investments" in the Statement of Operations. Realized and unrealized foreign exchange gains (losses) on assets (other than investments) and liabilities are included in "Realized gain (loss) on foreign exchange" in the Statement of Operations.

### **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.

Changes in the value of open forward currency contracts at each Valuation Date are recognized in the Statement of Operations as "Change in unrealized appreciation (depreciation) in value of forward currency contracts."

Amounts realized at the close of the contracts are recorded as "Realized gain (loss) on forward currency contracts" in the Statement of Operations.

# BMO Harris Canadian Money Market Portfolio

(unaudited)

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## NOTES TO FINANCIAL STATEMENTS (cont'd)

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

*June 30, 2013*

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### 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 Operations and is recognized when earned. The securities on loan continue to be displayed in the Statement of Investment Portfolio. The market value of the securities loaned and collateral held is determined daily. Aggregate values of securities on loan and related collateral held in trust as at June 30, 2013 and December 31, 2012, where applicable, are disclosed in Note 7(h).

### Increase or decrease in net assets from operations per unit

“Increase (decrease) in net assets from operations per unit” in the Statement of Operations represents the increase (decrease) in net assets from operations divided by the weighted average number of units outstanding during the period.

### 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 “Interest” in the Statement of Operations.

### Other assets and liabilities

Income receivable, subscriptions receivable and due from broker are designated as loans and receivables and recorded at cost or amortized cost. Similarly, amounts due to broker, redemptions payable and accrued expenses are designated as financial liabilities and reported at amortized cost. Other assets and liabilities are short-term in nature, and are carried at cost or amortized cost which approximates fair value.

### Future accounting standards

Canadian investment entities will be required to prepare their financial statements in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), for fiscal years beginning on or after January 1, 2014. For reporting periods commencing January 1, 2014, the Portfolio will adopt IFRS as the basis for preparing its financial statements. The Portfolio will report its financial results for the interim period ending June 30, 2014, prepared on an IFRS basis. It will also provide comparative data on an IFRS basis, including an opening balance sheet as at January 1, 2013 (transition date). A summary of the significant standards impacting the Portfolio under IFRS are outlined below.

Based on the Portfolio’s analysis to date, the more significant accounting changes that will result from its adoption of IFRS will be in the areas of fair valuation, cash flow presentation, consolidation of investments and classification of net assets representing unitholders’ equity. The differences described in the sections that follow are based on Canadian GAAP and IFRS that are in effect as of this date. This should not be considered a comprehensive list of the main accounting changes when the Portfolio adopts IFRS.

The framework for fair valuation is set out under IFRS 13 Fair Value Measurement, which includes the requirements for the measurement and disclosure of fair value. If an asset or liability measured at fair value has a bid price and an ask price, the standard requires valuation to be based on a price within the bid-ask spread that is most representative of fair value. The standard allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical means for fair value measurements within a bid-ask spread. Thus this standard will impact the net assets per unit for

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## NOTES TO FINANCIAL STATEMENTS (cont'd)

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

*June 30, 2013*

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financial statement reporting purposes compared to current standards, and may also result in the elimination of the differences between the net asset per unit and NAV per unit at the financial statement reporting date. The Manager has not identified any changes that will impact NAVPU as a result of the transition to IFRS.

Where the Portfolio holds controlling interest in an investment, it is the Manager's expectation that the Portfolio will qualify as an Investment Entity in accordance with IFRS 10 Consolidated Financial Statements. As such, the Portfolio will not be required to consolidate its investments, but rather to fair value its investments regardless of whether those investments are controlled. If the Portfolio fair values investments that it controls, it may be required to make additional financial statement disclosures on its controlled investments in accordance with IFRS 12 Disclosure of Interests in Other Entities. IFRS 12 also requires additional disclosures if the Portfolio is determined to qualify as an investment entity while not possessing all of the typical characteristics of an investment entity.

The criteria contained within IAS 32 Financial Instruments: Presentation may require unitholders' equity to be classified as a liability within the Portfolio's Statement of Net Assets, unless certain conditions are met. The Manager is currently assessing the Portfolio's unitholder structure to confirm classification.

### 3. Unit valuation

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. 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 its liabilities) by the total number of units outstanding at such time. This amount may be different from the Net Asset per unit which is presented

on the Statement of Net Assets. Generally, any differences are due to valuing actively traded securities at bid prices for Canadian GAAP purposes while NAV typically utilizes closing price to determine fair value for the purchase and redemption of units. See Note 7(b) for the comparison between NAV per unit and Net Assets per unit.

### Capital

The capital of the Portfolio is represented by issued and redeemable units with no par value. The units are entitled to distributions, if any, and to payment of a proportionate share based on the Portfolio's NAV per unit upon redemption. The Portfolio has no restrictions or specific capital requirements on the subscriptions and redemptions of units except as disclosed in Note 7(a), if any. The relevant movements in capital are shown on the Statement of Changes in Net Assets. In accordance with its investment objectives and strategies, and the risk management practices outlined in Note 6, the Portfolio endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

### 4. Income taxes

The Portfolio qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada) (the "Tax Act"). Distributions of all net taxable income and sufficient amounts of net realized capital gains for each taxation year will be paid to unitholders. Part of the Portfolio's net income and net realized capital gains not paid or payable, is subject to income tax. It is the intention of the Portfolio to distribute all of its income and sufficient net realized capital gains so that the Portfolio will not be subject to income tax. Income tax on net realized capital gains not paid or payable is generally recoverable by virtue of refunding provisions contained in tax legislation, as redemptions occur.

# BMO Harris Canadian Money Market Portfolio

(unaudited)

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## NOTES TO FINANCIAL STATEMENTS (cont'd)

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

June 30, 2013

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Non-capital losses that arose in 2004 and 2005 are available to be carried forward for ten years and applied against future taxable income. Non-capital losses that arose in 2006 and thereafter are available to be carried forward for twenty years. Capital losses for income tax purposes may be carried forward indefinitely and applied against capital gains realized in future years.

The Portfolio's non-capital and capital losses for income tax purposes as of the tax year-ended December 2012 are included in Note 7(c), if applicable.

### 5. 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 Operations.

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 and, effective October 26, 2012, charged to the Portfolio. These expenses are included in "Sub-advisory fees" in the Statement of Operations. 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 Operations.

Refer to Note 7(d) for related party fees charged to the Portfolio for the periods ended June 30, 2013 and 2012.

#### (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 other members 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 Bank of Montreal Group of Companies, BMO Trust Company, BMO Nesbitt Burns Inc., Harris Investment Management Inc., BMO Asset Management Inc., BMO Investments Inc., Pyrford International Ltd, Lloyd George Management Inc. or other investment funds offered by BMO, and may involve the purchase or sale of portfolio securities through or from a member 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, 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.

### 6. Financial instrument risk

The Portfolio may be exposed to a variety of financial risks that are concentrated in its investment holdings, including derivative instruments. The Statement of Investment Portfolio groups securities by asset type, geographic region and/or market segment. The Portfolio's risk management practice includes 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.

# BMO Harris Canadian Money Market Portfolio

(unaudited)

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## NOTES TO FINANCIAL STATEMENTS (cont'd)

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

*June 30, 2013*

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### **(a) Currency risk**

Currency risk is the risk that the value of investments 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 discussed in Note 7(f).

### **(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 7(f).

### **(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, and 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 7(f).

### **(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 (loss) 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 7(f).

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, if any, as disclosed in Note 7(h).

### **(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 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 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 Money Market Portfolio

(unaudited)

## NOTES TO FINANCIAL STATEMENTS (cont'd)

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

June 30, 2013

### 7. Portfolio specific information

#### (a) Portfolio information and change in units

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)	June 30, 2013	June 30, 2012
Units issued and outstanding, beginning of period	110,165	122,071
Issued for cash	217,515	215,042
Issued on reinvestment of distributions	539	610
Redeemed during the period	(215,597)	(228,680)
Units issued and outstanding, end of period	112,622	109,043

#### (b) Comparison of NAV per unit to Net Assets per unit

June 30, 2013		Dec. 31, 2012	
NAV per unit	Net Assets per unit	NAV per unit	Net Assets per unit
10.00	10.00	10.00	10.00

#### (c) Income taxes

As at the tax year-ended December 2012, there were no capital and non-capital losses carried forward.

#### (d) Related party transactions

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

	June 30, 2013	June 30, 2012
Unitholder servicing (\$)	153	160

#### (e) Brokerage commissions and soft dollars

There were no brokerage commissions charged to the Portfolio during the periods ended June 30, 2013 and June 30, 2012.

There were no ascertainable soft dollars paid or payable to dealers by the Portfolio during the periods.

#### (f) Financial instrument risk

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

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

#### Currency risk

As at June 30, 2013 and December 31, 2012, the Portfolio did not have exposure to currency risk as it invested fully in Canadian securities.

#### Interest rate risk

As at June 30, 2013, 103.1% (December 31, 2012 – 99.8%) of the Portfolio's Net Assets were invested in debt securities with term to maturity or reset date of less than one year. The Portfolio's sensitivity to interest rate risk as determined based on portfolio weighted duration was not significant as at June 30, 2013 and December 31, 2012.

#### Other market risk

The Portfolio was not significantly exposed to other market risk as at June 30, 2013 and December 31, 2012, as it 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	
	June 30, 2013	Dec. 31, 2012
R-1 High	26.1	16.3
R-1 Mid	18.7	27.5
R-1 Low	16.6	13.5
AAA	8.8	4.6
AA	13.2	8.8
A	18.6	29.1
BBB	1.1	—
<b>Total</b>	<b>103.1</b>	<b>99.8</b>

# BMO Harris Canadian Money Market Portfolio

(unaudited)

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## NOTES TO FINANCIAL STATEMENTS (cont'd)

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

June 30, 2013

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### (g) 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 the 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 unobservable 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 table below shows the relevant disclosure.

#### As at June 30, 2013

Financial assets	Level 1	Level 2	Level 3	Total
Debt securities	—	1,160,631	—	1,160,631

#### As at December 31, 2012

Financial assets	Level 1	Level 2	Level 3	Total
Debt securities	—	1,099,232	—	1,099,232

### Significant transfers

There were no significant transfers between the levels during the period.

### (h) Securities lending

The Portfolio had assets involved in securities lending transactions outstanding as at June 30, 2013 and December 31, 2012 as follows:

	June 30, 2013	Dec. 31, 2012
Aggregate value of securities on loan (\$)	45,282	7,643
Aggregate value of collateral received for the loan (\$)	47,895	8,170



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(06/13)