Annual Management Report of Fund Performance

BMO Harris U.S. Equity Portfolio

For the period ended December 31, 2013

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 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.bmoharrisprivatebanking.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 Corp. ("BMO AM Corp." or the "sub-advisor") as the sub-advisor of BMO Harris U.S. Equity Portfolio (the "Portfolio").

Investment Objective and Strategies

The Portfolio's investment objective is to provide long term capital appreciation by investing primarily in larger capitalization U.S. equity securities.

To seek to achieve the Portfolio's objectives, the sub-advisor uses a disciplined investment process designed to maintain a diversified portfolio of equity securities of higher quality companies considered to be undervalued and that represent stronger than average growth characteristics.

Risk

Effective July 12, 2013, as outlined in the Portfolio's most recent 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, 2013, the Portfolio returned 41.68% in C$ (32.62% in US$), after expenses. The Portfolio's benchmark is the S&P 500 Index, which generated a 41.53% in C$ (32.39% in US$) total return over the same 12-month period.

Strong U.S. equity market performance over the period was driven by gradual improvement in the domestic economy and the subsequent effect on interest rates. The U.S. Federal Reserve Board (the "Fed") has held its target federal funds rate at historically low levels since 2009. The Fed has also maintained a quantitative easing program (monetary policy used by central banks to increase money supply) in an effort to reduce longer-term interest rates and spur economic growth. Over the period, the Fed announced plans to slow and eventually terminate its quantitative easing program as a result of economic growth and improving employment data. The U.S. equity market, as measured by the S&P 500 Index, had its strongest performance since the late 1990s. Higher-risk, cyclical sectors outperformed other areas of the market, while more interest rate sensitive stocks, such as those with high dividend yields and those in defensive sectors, underperformed.

The Portfolio outperformed the benchmark slightly over the period. Underweight positions in the Consumer Staples and Telecommunication Services sectors, and an overweight position in the Health Care sector, contributed to performance. Significant individual contributors to performance included

United Therapeutics Corporation, Southwest Airlines Co., Ameriprise Financial, Inc., Northrop Grumman Corporation and Alliance Data Systems Corporation. Biotechnology company United Therapeutics Corporation's share price rose in response to strong operating performance and approval from the U.S. Food and Drug Administration for a new drug in the company's pipeline. Southwest Airlines Co. benefited from the economic recovery and reduced capacity in the airline industry, which has consolidated and become more efficient in recent years.

The Portfolio's overweight positions in the Materials sector detracted from performance, as did several of the Portfolio's holdings in the retail industry. Significant individual detractors from performance included Abercrombie & Fitch Co., Dillard's, Inc. and PetSmart, Inc. Abercrombie & Fitch Co.'s share price fell in response to disappointing operating results and fourth-quarter guidance.

During the period, the sub-advisor added several companies to the Portfolio, including Comcast Corporation, McKesson Corporation, Capital One Financial Corporation, Northrop Grumman Corporation and Mylan Inc. In the sub-advisor's view, these companies have attractive equity valuations and high-quality, stable business fundamentals. The sub-advisor reduced the Portfolio's position in Exxon Mobil Corporation and eliminated its positions in Philip Morris International Inc., International Business Machines Corporation (IBM), Eli Lilly and Company and CBS Corporation. The sub-advisor believes that these companies are struggling with deteriorating fundamentals and equity valuations.

For information on the Portfolio's longer-term performance and composition, please refer to the Past Performance section and Summary of Investment Portfolio section of this report.

Recent Developments

The sub-advisor believes that long-term interest rates will continue to rise, while shorter-term rates will likely be held at low levels by the Fed (and other global central banks), thereby steepening the yield curve. The sub-advisor also believes that synchronized global economic growth will continue and could even accelerate into 2014.

The sub-advisor believes that investor expectations of rising interest rates and the pace of Fed's reduction of its quantitative easing program will continue to drive financial market performance in 2014. This will likely be positive for equities and negative for bonds. In addition, the sub-advisor believes that multiple expansion could continue in the coming year, as stocks have not yet reached peak valuations by historical standards. Bond valuations, on the other hand, remain high. Given this, the sub-advisor believes that investors will continue to move toward equities and away from bonds.

The sub-advisor also expects investors to favour small- and mid-capitalization equities over large- and mega-cap equities, low- and non-dividend paying stocks over high-dividend paying stocks, and cyclical sectors over more defensive sectors. The sub-advisor will continue to position the Portfolio according to these expectations. For example, the sub-advisor will maintain the Portfolio's underweight position in defensive sectors, such as the Telecommunication Services and Consumer Staples sectors, and its overweight positions in cyclical sectors, such as the Industrials and Financials sectors.

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, for fiscal years beginning on or after January 1, 2014. As a result, 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").

The differences between the Portfolio's accounting policies under Canadian Generally Accepted Accounting Principles ("GAAP") and IFRS requirements will result in measurement and recognition differences on transition to IFRS. The net impact of these differences will be recorded in the increase/decrease in net assets attributable to redeemable unitholders.

Significant Accounting Changes Resulting from Our Adoption of IFRS
The main accounting changes listed below should not be considered a comprehensive list of impacts of adopting IFRS, but rather the most significant of certain key changes.

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 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 Net Asset Value per unit ("NAVPU") at the financial statement reporting date.

While IFRS does not require interest income to be disclosed for debt instruments measured at Fair Value through Profit or Loss, when interest income is disclosed, IFRS requires that the effective interest rate method of calculating accrued interest be used rather than the straight-line amortization method. The Manager is assessing the impact of this change to the Portfolio's financial statements. 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 hold the investments at Fair Value through Profit or Loss regardless of whether those investments are controlled. If the Portfolio fair values the investments 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"). IFRS 12 also requires additional disclosures if the Portfolio is determined to qualify as an investment entity without having all of the typical characteristics of an investment entity.

The criteria contained within IAS 32 Financial Instruments: Presentation ("IAS 32") will result in the classification of the unitholders' equity as a liability within the Portfolio's Statement of Net Assets, unless all conditions required for equity classification are met. The Manager is currently assessing the Portfolio's unitholder structure to determine classification under IAS 32.

Under IFRS, cash flows statement is one of the primary financial statements required to be presented. The Portfolio will therefore be presenting cash flows statement in its set of financial statements in accordance with the presentation requirements in IAS 7 Statement of Cash Flows.

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

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, receives 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. 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 Asset Management Inc. ("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, 2013 ($000s)	**Period ended Dec. 31, 2012 ($000s)**
Unitholder Services	274	272

Management Fee

There is no management fee charged to the Portfolio. The trustee receives an annual fee from investors for the wealth management service offered by BMO Financial Group.

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** 2013	2012	2011	2010	2009
Net assets, beginning of period	$	12.35	11.22	10.65	9.82	9.79
Increase (decrease) from operations:						
Total revenue	$	0.22	0.22	0.17	0.13	0.15
Total expenses	$	(0.02)	(0.02)	(0.02)	(0.02)	(0.03)
Realized gains (losses) for the period	$	1.72	0.02	0.53	0.05	(1.12)
Unrealized gains (losses) for the period	$	3.23	1.08	0.04	0.80	1.27
Total increase (decrease) from operations [(2)]	$	5.15	1.30	0.72	0.96	0.27
Distributions:						
From income (excluding dividends)	$	0.00	0.00	0.00	—	—
From dividends	$	0.19	0.19	0.17	0.11	0.13
From capital gains	$	—	—	—	—	—
Return of capital	$	0.00	0.00	0.00	0.00	0.00
Total Annual Distributions [(3)]	$	0.19	0.19	0.17	0.11	0.13
Net assets, end of period	$	17.29	12.35	11.22	10.65	9.82

(1) This information is derived from the Portfolio's audited annual financial statements. The net assets per unit presented in the financial statements differs from the net asset value calculated for Portfolio pricing purposes. An explanation of these differences can be found in the notes to the financial statements.

(2) 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.

(3) Distributions were paid in cash or reinvested in additional units of the Portfolio, or both.

Ratios and Supplemental Data		**Years ended December 31** 2013	2012	2011	2010	2009
Total net asset value (000s) [(1)]	$	1,488,013	738,655	620,756	586,020	442,912
Number of units outstanding (000s) [(1)]		86,021	59,827	55,317	55,010	45,097
Management expense ratio [(2)]	%	0.05	0.06	0.08	0.09	0.09
Management expense ratio before waivers or management absorptions	%	0.22	0.14	0.08	0.09	0.09
Trading expense ratio [(3)]	%	0.10	0.07	0.09	0.12	0.21
Portfolio turnover rate [(4)]	%	67.59	38.03	64.95	64.11	83.27
Net asset value per unit	$	17.30	12.35	11.22	10.65	9.82

(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 sub-advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Portfolio buying and selling all of the securities in its portfolio once in the course of the year. The higher a portfolio turnover rate in a year, the greater the trading costs payable by the Portfolio in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a Portfolio.

Past Performance

General

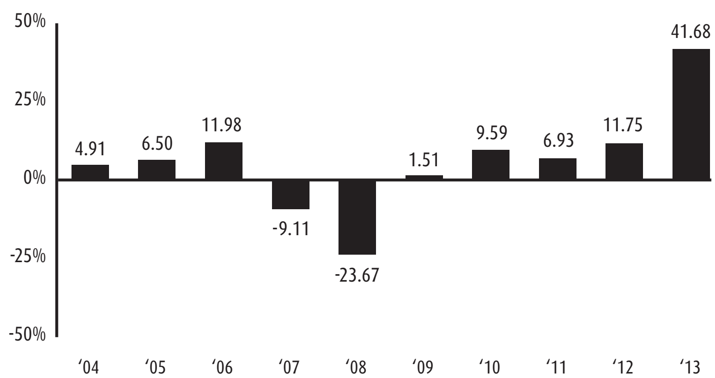
The Portfolio's performance information assumes that all distributions made by the Portfolio in the periods shown were reinvested in additional units of the Portfolio and is based on the net asset value of the Portfolio.

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.

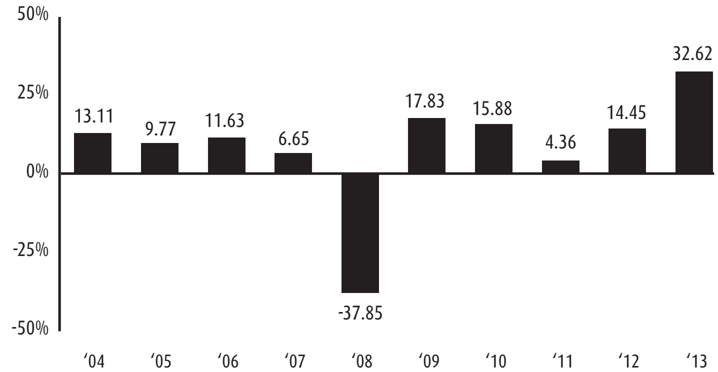
Year-by-Year Returns

The following bar charts show the performance for each of the financial years shown and illustrates how the performance has changed from year to year. The bar charts show in percentage terms how an investment made on the first day of each financial year would have increased or decreased by the last day of each financial year.

BMO Harris U.S. Equity Portfolio (C$)



BMO Harris U.S. Equity Portfolio (US$)



Annual Compound Returns

These charts compare the historical annual compound returns of the Portfolio with the S&P 500 Composite Index, which reflects changes in the performance of 500 widely-held U.S. common stocks.

	1 yr %	3 yrs %	5yrs %	10yrs %
BMO Harris U.S. Equity Portfolio‡	41.68	19.18	13.50	5.04
S&P 500 Index (C$)	41.53	18.81	14.66	5.33

	1 yr %	3 yrs %	5yrs %	10yrs %
BMO Harris U.S. Equity Portfolio‡ (US$)	32.62	16.57	16.68	7.11
S&P 500 Index (US$)	32.39	16.18	17.94	7.41

‡The Portfolio's return is after the deduction of expenses, while the benchmarks do 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.

Summary of Investment Portfolio
as at December 31, 2013

Portfolio Allocation	% of Net Asset Value
Financials	19.6
Information Technology	17.3
Consumer Discretionary	14.2
Health Care	13.4
Industrials	12.6
Energy	7.2
Consumer Staples	6.6
Materials	4.7
Cash/Receivables/Payables	2.6
Utilities	1.8
Total portfolio allocation	**100.0**

Top 25 Holdings	% of Net Asset Value
Issuer	
Apple Inc.	4.7
Microsoft Corporation	3.3
Chevron Corporation	3.1
Wells Fargo & Company	3.0
Pfizer Inc.	2.9
Comcast Corporation, Class A	2.7
Cash/Receivables/Payables	2.6
Cisco Systems, Inc.	2.1
Ameriprise Financial, Inc.	2.1
Discover Financial Services	2.1
United Therapeutics Corporation	2.0
PPG Industries, Inc.	2.0
CF Industries Holdings, Inc.	2.0
McKesson Corporation	2.0
Capital One Financial Corporation	2.0
Northrop Grumman Corporation	2.0
Southwest Airlines Co.	1.9
CVS Caremark Corporation	1.9
Mylan Inc.	1.9
Travelers Companies Inc., The,	1.9
Macy's, Inc.	1.9
Fifth Third Bancorp	1.9
AES Corporation, The	1.8
Alliance Data Systems Corporation	1.8
Halliburton Company	1.8
Top holdings as a percentage of net asset value	**57.4**
Total Net Asset Value	**$1,488,013,476**

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

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