Annual Financial Statements

BMO Harris Private Portfolios
December 31, 2013

BMO Harris Canadian Income Equity Portfolio

BMO Harris Private Banking®

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
BMO Harris Canadian Growth Equity Portfolio
BMO Harris Canadian Conservative Equity Portfolio
BMO Harris Canadian Mid-Term 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 statement of investment portfolio as at December 31, 2013 and the statements of net assets as at December 31, 2013 and 2012 and the statements of operations and changes in net assets for the years then ended, and the related notes, which comprise a summary of significant accounting policies.

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 Canadian generally accepted accounting principles, 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, 2013 and December 31, 2012 and the results of each of their operations and the changes in each of their net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Professional Accountants,
Licensed Public Accountants
Toronto, Ontario
March 27, 2014

BMO Harris Canadian Income Equity Portfolio

STATEMENT OF NET ASSETS
(in thousands of Canadian dollars, except per unit data)

As at	December 31, 2013	December 31, 2012
Assets		
Cash	17,022	25,093
Investments at fair value	1,157,275	883,468
Income receivable	3,232	3,079
Subscriptions receivable	549	813
Total assets	1,178,078	912,453
Liabilities		
Accrued expenses	68	58
Redemptions payable	883	605
Total liabilities	951	663
Net assets representing unitholders’ equity	1,177,127	911,790
Net assets per unit	$ 7.54	$ 6.59

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

BMO Harris Canadian Income Equity Portfolio

STATEMENT OF OPERATIONS
(in thousands of Canadian dollars, except per unit data)

For the periods ended	December 31, 2013	December 31, 2012
Investment Income		
Dividends	32,715	27,014
Interest	204	369
Distributions from investment trust units	1,124	—
Foreign taxes	—	(2)
	34,043	27,381
Expenses		
Sub-advisory fees	1,253	184
Audit fees	16	14
Independent Review Committee fees	3	3
Custodian fees	15	13
Legal and filing fees	55	56
Unitholder servicing fees (note 5)	250	220
Printing and stationery fees	11	7
Operating expenses absorbed by the Manager	(1,253)	(184)
Commissions and other portfolio transaction costs (note 5)	224	334
	574	647
Net investment income for the period	33,469	26,734
Realized loss on sale of investments	(1,265)	(1,803)
Realized gain (loss) on foreign exchange	64	(21)
Change in unrealized appreciation in value of investments	142,532	46,395
Increase in net assets from operations	174,800	71,305
Increase in net assets from operations per unit (note 2)	1.18	0.55

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

STATEMENT OF CHANGES IN NET ASSETS
(in thousands of Canadian dollars)

For the periods ended	December 31, 2013	December 31, 2012
Net assets – beginning of period	911,790	724,420
Increase in net assets from operations	174,800	71,305
Unit Transactions:		
Proceeds from sale of units	300,534	283,203
Reinvested distributions	32,843	24,465
Amounts paid on units redeemed	(208,634)	(166,132)
Total unit transactions	124,743	141,536
Distributions to Unitholders from:		
Net investment income	(34,158)	(25,435)
Return of capital	(48)	(36)
Total distributions paid to unitholders	(34,206)	(25,471)
Net assets – end of period	1,177,127	911,790

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

BMO Harris Canadian Income Equity Portfolio

STATEMENT OF INVESTMENT PORTFOLIO

As at December 31, 2013 (in thousands of Canadian dollars, unless otherwise noted)

Security	Par Value (in thousands)	Cost ($)	Fair Value ($)
Money Market Investments			
Corporate – 1.7%			
Bank of Nova Scotia, Bearer Deposit Notes, 1.173% Jun 6, 2014	10,000	9,943	9,949
National Bank of Canada, Bearer Deposit Notes, 1.183% Jun 27, 2014	10,000	9,941	9,943
		19,884	19,892
Total Money Market Investments – 1.7%		**19,884**	**19,892**

Security	Number of Shares or Units	Cost+* ($)	Fair Value ($)
Equities			
Consumer Discretionary – 5.9%			
Thomson Reuters Corporation	594,300	21,413	23,867
Tim Hortons Inc.	734,900	27,857	45,549
		49,270	69,416
Consumer Staples – 4.2%			
Loblaw Companies Limited	295,000	10,124	12,499
Shoppers Drug Mart Corporation	631,650	26,436	36,731
		36,560	49,230
Energy – 18.6%			
ARC Resources Ltd.	531,600	11,656	15,693
Canadian Natural Resources Limited	420,300	14,983	15,093
Cenovus Energy Inc.	619,900	15,002	18,845
Crescent Point Energy Corp.	746,900	30,848	30,787
Enbridge Inc.	1,079,100	27,076	50,038
Peyto Exploration & Development Corp.	424,000	10,755	13,738
Suncor Energy Inc.	1,165,220	31,055	43,358
TransCanada Corporation	651,000	22,652	31,560
		164,027	219,112
Financials – 46.6%			
Bank of Nova Scotia	1,112,900	49,731	73,930
Brookfield Asset Management Inc., Class A	603,700	18,306	24,812
Brookfield Office Properties Inc.	1,489,200	19,702	30,439
Canadian Imperial Bank of Commerce	169,400	10,899	15,365
Canadian Western Bank	487,700	12,450	18,840
IGM Financial Inc.	686,300	25,445	38,474

+*Where applicable, distributions received from holdings as a return of capital are used to reduce the adjusted cost base of the securities in the portfolio.*

**For the purpose of the Statement of Investment Portfolio, cost includes commissions and other portfolio transaction costs (note 2).*

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

STATEMENT OF INVESTMENT PORTFOLIO (cont'd)
As at December 31, 2013 (in thousands of Canadian dollars, unless otherwise noted)

Security	Number of Shares or Units	Cost+* ($)	Fair Value ($)
Intact Financial Corporation	439,700	27,372	30,471
Manulife Financial Corporation	2,468,900	41,143	51,724
National Bank of Canada	626,700	33,997	55,388
Royal Bank of Canada	1,089,650	51,497	77,779
Sun Life Financial Inc.	1,234,758	35,298	46,316
Toronto-Dominion Bank, The,	856,800	55,434	85,757
		381,274	549,295
Industrials – 5.1%			
Canadian National Railway Company	518,200	12,882	31,372
Finning International Inc.	417,900	10,164	11,329
SNC-Lavalin Group Inc.	356,400	16,074	17,007
		39,120	59,708
Materials – 4.6%			
Barrick Gold Corporation	479,200	17,821	8,966
Goldcorp Inc.	672,237	22,617	15,455
Potash Corporation of Saskatchewan Inc.	325,200	12,846	11,379
Teck Resources Limited, Class B	653,100	17,941	18,031
		71,225	53,831
Telecommunication Services – 7.7%			
BCE Inc.	904,455	28,357	41,605
Bell Aliant Inc.	200,000	5,536	5,346
Rogers Communications Inc., Class B	227,800	8,449	10,950
TELUS Corporation	900,300	25,571	32,915
		67,913	90,816
Utilities – 4.0%			
Brookfield Infrastructure Partners L.P.	636,550	12,439	26,500
Fortis Inc.	640,000	17,892	19,475
		30,331	45,975
Total Equities – 96.7%		**839,720**	**1,137,383**
Total Investment Portfolio – 98.4%		**859,604**	**1,157,275**
Other Assets Less Liabilities – 1.6%			**19,852**
NET ASSETS – 100.0%			**1,177,127**

+Where applicable, distributions received from holdings as a return of capital are used to reduce the adjusted cost base of the securities in the portfolio.

**For the purpose of the Statement of Investment Portfolio, cost includes commissions and other portfolio transaction costs (note 2).*

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

STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

As at December 31, 2013 (in thousands of Canadian dollars, unless otherwise noted)

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

	December 31, 2013	December 31, 2012
Money Market Investments		
Corporate	1.7%	1.1%
Equities		
Consumer Discretionary	5.9%	5.3%
Consumer Staples	4.2%	3.9%
Energy	18.6%	19.5%
Financials	46.6%	41.5%
Industrials	5.1%	4.8%
Materials	4.6%	7.7%
Telecommunication Services	7.7%	8.5%
Utilities	4.0%	4.6%
Other Assets Less Liabilities	1.6%	3.1%
	100.0%	**100.0%**

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

NOTES TO FINANCIAL STATEMENTS
(all amounts in thousands of Canadian dollars, except per unit data)
December 31, 2013

1. The Portfolio

BMO Harris Canadian Income Equity 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 audited financial statements is for the periods ended December 31, 2013 and 2012.

2. Summary of significant accounting policies

These 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 periods. 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.

When the price of a security held in a Portfolio is unavailable, unreliable or not considered to reflect the current value, the Manager 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 net realized gains (losses), unrealized appreciation

NOTES TO FINANCIAL STATEMENTS (cont'd)
(all amounts in thousands of Canadian dollars, except per unit data)
December 31, 2013

(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 (deprecation) 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.

NOTES TO FINANCIAL STATEMENTS (cont'd)
(all amounts in thousands of Canadian dollars, except per unit data)
December 31, 2013

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 December 31, 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, 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 ("IFRS 13"), 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 ("IAS 7").

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.

NOTES TO FINANCIAL STATEMENTS (cont'd)
(all amounts in thousands of Canadian dollars, except per unit data)
December 31, 2013

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.

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 estimated non-capital and capital losses for income tax purposes as of the tax year-ended December 2013 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 December 31, 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.

NOTES TO FINANCIAL STATEMENTS (cont'd)
(all amounts in thousands of Canadian dollars, except per unit data)
December 31, 2013

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 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.

NOTES TO FINANCIAL STATEMENTS (cont'd)
(all amounts in thousands of Canadian dollars, except per unit data)
December 31, 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)	Dec. 31, 2013	Dec. 31, 2012
Units issued and outstanding, beginning of period	138,266	116,205
Issued for cash	43,206	44,196
Issued on reinvestment of distributions	4,688	3,786
Redeemed during the period	(30,090)	(25,921)
Units issued and outstanding, end of period	156,070	138,266

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

Dec. 31, 2013		Dec. 31, 2012	
NAV per unit	Net Assets per unit	NAV per unit	Net Assets per unit
7.55	7.54	6.61	6.59

(c) Income taxes

As at the tax year-ended December 2013, 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:

	Dec. 31, 2013	Dec. 31, 2012
Unitholder servicing ($)	178	168

(e) Brokerage commissions and soft dollars

Brokerage commissions paid on securities transactions and amounts paid to related parties of the Manager for brokerage services provided to the Portfolio for the periods are as follows:

	Dec. 31, 2013	Dec. 31, 2012
Total brokerage amounts paid ($)	224	334
Total brokerage amounts paid to related parties ($)	7	6

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

(f) Financial instrument risk

The Portfolio's objective is to provide a higher than average income stream primarily from income, royalties and distributions or dividends of equity securities of Canadian issuers.

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

Currency risk

As at December 31, 2013 and December 31, 2012, the Portfolio did not have any significant exposure to currency risk.

Interest rate risk

As at December 31, 2013 and December 31, 2012, the Portfolio did not have any significant exposure to interest rate risk.

Other market risk

As at December 31, 2013, 96.7% (December 31, 2012 – 95.8%) of the Portfolio's Net Assets were traded on respective stock exchanges. If equity prices on the respective stock exchanges had increased or decreased by 10% as at the periods ended, with all other factors remaining constant, Net Assets could possibly have increased or decreased, respectively, by approximately $113,738 (December 31, 2012 – $87,350). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

NOTES TO FINANCIAL STATEMENTS (cont'd)
(all amounts in thousands of Canadian dollars, except per unit data)
December 31, 2013

Credit risk
As at December 31, 2013 and December 31, 2012, the Portfolio did not have any significant exposure to credit risk.

(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 December 31, 2013

Financial assets	Level 1	Level 2	Level 3	Total
Equity securities	1,137,383	—	—	1,137,383
Debt securities	—	19,892	—	19,892
Total	1,137,383	19,892	—	1,157,275

As at December 31, 2012

Financial assets	Level 1	Level 2	Level 3	Total
Equity securities	873,500	—	—	873,500
Debt securities	—	9,968	—	9,968
Total	873,500	9,968	—	883,468

Significant transfers

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

(h) Securities lending

There were no assets involved in securities lending transactions as at December 31, 2013 and December 31, 2012.

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 the accounting principles generally accepted in Canada 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 Harris Investment Management Inc.
March 17, 2014

Robert J. Schauer
Chief Financial Officer
BMO Harris Private Portfolios
March 17, 2014

Manager
BMO Harris Investment Management Inc.
1 First Canadian Place
100 King St. W., 41st Floor
Toronto, Ontario M5X 1A1

Trustee
BMO Trust Company
1 First Canadian Place
100 King St. W., 41st Floor
Toronto, Ontario M5X 1A1

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

www.bmoharrisprivatebanking.com

(12/13)

BMO Harris Private Banking®