

Annual Financial Statements

BMO Harris Private Portfolios

December 31, 2013

BMO Harris Canadian Short-Term Bond Portfolio

(formerly BMO Harris Canadian Bond Income Portfolio)

Independent Auditor's Report

To the Unitholders of:

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

(formerly BMO Harris Canadian Bond Income Portfolio)

STATEMENT OF NET ASSETS

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

As at	December 31, 2013	December 31, 2012
Assets		
Cash	9,204	1,483
Investments at fair value	2,011,405	1,793,127
Income receivable	11,291	6,010
Subscriptions receivable	2,229	2,108
Total assets	2,034,129	1,802,728
Liabilities		
Due to broker	8,127	—
Accrued expenses	109	98
Redemptions payable	2,215	1,380
Total liabilities	10,451	1,478
Net assets representing unitholders' equity	2,023,678	1,801,250
Net assets per unit	\$ 10.52	\$ 10.98

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

BMO Harris Canadian Short-Term Bond Portfolio

(formerly BMO Harris Canadian Bond Income Portfolio)

STATEMENT OF OPERATIONS

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

For the periods ended	December 31, 2013	December 31, 2012
Investment Income		
Interest	52,239	58,292
Securities lending revenue	314	371
Foreign taxes	—	—
	52,553	58,663
Expenses		
Sub-advisory fees	2,152	487
Audit fees	21	27
Independent Review Committee fees	3	3
Custodian fees	29	36
Legal and filing fees	93	81
Unitholder servicing fees (note 5)	378	349
Printing and stationery fees	18	13
Operating expenses absorbed by the Manager	(2,152)	(487)
	542	509
Net investment income for the period	52,011	58,154
Realized gain on sale of investments	51,929	149
Realized gain (loss) on foreign exchange	2	(1)
Change in unrealized depreciation in value of investments	(78,784)	(16,563)
Increase in net assets from operations	25,158	41,739
Increase in net assets from operations per unit (note 2)	0.15	0.26

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

BMO Harris Canadian Short-Term Bond Portfolio

(formerly BMO Harris Canadian Bond Income Portfolio)

STATEMENT OF CHANGES IN NET ASSETS

(in thousands of Canadian dollars)

For the periods ended	December 31, 2013	December 31, 2012
Net assets – beginning of period	1,801,250	1,775,435
Increase in net assets from operations	25,158	41,739
Unit Transactions:		
Proceeds from sale of units	1,226,914	443,770
Reinvested distributions	88,225	55,898
Amounts paid on units redeemed	(1,026,490)	(457,501)
Total unit transactions	288,649	42,167
Distributions to Unitholders from:		
Net investment income	(52,632)	(58,067)
Capital gains	(34,229)	—
Return of capital	(4,518)	(24)
Total distributions paid to unitholders	(91,379)	(58,091)
Net assets – end of period	2,023,678	1,801,250

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

BMO Harris Canadian Short-Term Bond Portfolio

(formerly BMO Harris Canadian Bond Income Portfolio)

STATEMENT OF INVESTMENT PORTFOLIO

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

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Bonds & Debentures			
<i>Federal Bonds – 48.2%</i>			
Canada Housing Trust, Mortgage Bonds, Series 33, Secured, 2.950% Mar 15, 2015	50,000	51,285	51,133
Canada Housing Trust, Mortgage Bonds, Series 35, Secured, 3.150% Jun 15, 2015	9,650	9,999	9,937
Canada Housing Trust, Mortgage Bonds, Series 39, Secured, 2.750% Dec 15, 2015	38,750	39,990	39,913
Canada Housing Trust, Mortgage Bonds, Series 43, Secured, 1.850% Dec 15, 2016	61,800	62,460	62,541
Canada Housing Trust, Mortgage Bonds, Series 46, Secured, 2.050% Jun 15, 2017	35,000	35,486	35,487
Canada Housing Trust, Mortgage Bonds, Series 49, Secured, 1.700% Dec 15, 2017	40,600	40,410	40,318
Canada Housing Trust, Mortgage Bonds, Series 51, Secured, 1.750% Jun 15, 2018	22,400	22,233	22,103
Canada Housing Trust, Mortgage Bonds, Series 54, Secured, 2.050% Jun 15, 2018	30,000	30,074	29,982
Canada Housing Trust, Mortgage Bonds, Series 56, Secured, 2.350% Dec 15, 2018	37,500	37,920	37,710
Canada Housing Trust, Mortgage Bonds, Series 23, Secured, 4.100% Dec 15, 2018	24,000	26,285	26,108
Government of Canada, 1.000% Feb 1, 2015	55,050	55,002	55,050
Government of Canada, Unsecured, 1.000% May 1, 2015	20,000	19,974	19,994
Government of Canada, 4.500% Jun 1, 2015	51,250	53,976	53,727
Government of Canada, 1.500% Aug 1, 2015	93,000	93,704	93,617
Government of Canada, 1.250% Feb 1, 2016	84,500	84,722	84,699
Government of Canada, 2.000% Jun 1, 2016	51,000	52,052	52,031
Government of Canada, 1.000% Aug 1, 2016	45,000	44,704	44,762
Government of Canada, 1.500% Feb 1, 2017	54,000	54,264	54,183
Government of Canada, 1.500% Mar 1, 2017	84,100	84,409	84,417
Government of Canada, 1.250% Sep 1, 2018	80,400	78,324	77,895
		977,273	975,607
<i>Provincial Bonds – 12.9%</i>			
Alberta Capital Finance Authority, Notes, 4.900% Jun 1, 2015	2,000	2,007	2,105
Alberta Capital Finance Authority, Notes, 4.350% Jun 15, 2016	12,000	11,667	12,871
Financement-Quebec, Medium Term Notes, Unsecured, 3.500% Dec 1, 2017	2,250	2,382	2,371
Financement-Quebec, Unsecured, Notes, 2.400% Dec 1, 2018	14,000	14,063	13,964
Province of Alberta, 1.750% Jun 15, 2017	2,500	2,494	2,506
Province of Alberta, Unsecured, Notes, 1.700% Dec 15, 2017	6,250	6,164	6,190
Province of Alberta, Unsecured, 1.600% Jun 15, 2018	2,250	2,155	2,199

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

BMO Harris Canadian Short-Term Bond Portfolio

(formerly BMO Harris Canadian Bond Income Portfolio)

STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

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

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Province of British Columbia, 4.700% Dec 1, 2017	6,650	7,409	7,340
Province of Manitoba, Medium Term Notes, 5.200% Dec 3, 2015	6,000	5,965	6,449
Province of Manitoba, Notes, 2.050% Dec 1, 2016	4,000	4,050	4,068
Province of New Brunswick, Unsecured, 4.700% Jul 21, 2016	10,000	11,018	10,821
Province of New Brunswick, 4.450% Mar 26, 2018	3,250	3,595	3,549
Province of Ontario, 4.500% Mar 8, 2015	4,200	4,433	4,366
Province of Ontario, 4.400% Mar 8, 2016	12,000	12,877	12,792
Province of Ontario, 4.300% Mar 8, 2017	38,200	37,309	41,303
Province of Ontario, Unsecured, 1.900% Sep 8, 2017	29,750	29,717	29,691
Province of Ontario, Unsecured, 2.100% Sep 8, 2018	25,500	25,312	25,231
Province of Quebec, Unsecured, 5.000% Dec 1, 2015	29,500	31,727	31,580
Province of Quebec, Unsecured, Debentures, 4.500% Dec 1, 2016	27,500	29,950	29,821
Province of Quebec, Medium Term Notes, 4.500% Dec 1, 2018	5,700	6,297	6,245
Province of Saskatchewan, Unsecured, Notes, 4.500% Aug 23, 2016	5,000	5,515	5,409
		256,106	260,871
Municipal Bonds – 0.9%			
Municipal Finance Authority of British Columbia, Series DQ, Debentures, Unsecured, 5.100% Nov 20, 2018	16,500	18,602	18,468
Corporate Bonds & Debentures – 35.2%			
407 International Inc., Series 10-A1, Medium Term Notes, Senior, Secured, 3.880% Jun 16, 2015	5,000	5,240	5,168
American Express Canada Credit Corp., Medium Term Notes, Senior, Unsecured, Unsubordinated, 3.600% Jun 3, 2016	2,500	2,609	2,599
American Express Canada Credit Corp., Medium Term Notes, Senior, Unsecured, 2.310% Mar 29, 2018	1,000	987	984
Bank of Montreal, Deposit Notes, Senior, Unsecured, Unsubordinated, 3.930% Apr 27, 2015	8,000	8,384	8,246
Bank of Montreal, Deposit Notes, Senior, Unsecured, 1.890% Oct 5, 2015	10,000	10,004	10,035
Bank of Montreal, Deposit Notes, Senior, Unsecured, Unsubordinated, 3.490% Jun 10, 2016	10,500	11,000	10,905
Bank of Montreal, Deposit Notes, Unsecured, Unsubordinated, 2.960% Aug 2, 2016	10,000	10,291	10,260
Bank of Montreal, Deposit Notes, Senior, Unsecured, 2.390% Jul 12, 2017	8,500	8,508	8,532
Bank of Montreal, Deposit Notes, Senior, Unsecured, 2.240% Dec 11, 2017	6,000	5,919	5,937
Bank of Montreal, Deposit Notes, Senior, Unsecured, 3.210% Sep 13, 2018	4,000	4,050	4,074
Bank of Montreal, Medium Term Notes, Fixed to Floating, Unsecured, Subordinated, Callable, 3.979% Jul 8, 2021	2,000	2,091	2,087

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

BMO Harris Canadian Short-Term Bond Portfolio

(formerly BMO Harris Canadian Bond Income Portfolio)

STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

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

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Bank of Montreal, Series F, Fixed to Floating, Unsecured, Notes, Subordinated, Callable, 6.170% Mar 28, 2023	6,000	7,055	6,783
Bank of Nova Scotia, Deposit Notes, Senior, 3.340% Mar 25, 2015	2,000	2,052	2,044
Bank of Nova Scotia, Deposit Notes, 2.250% May 8, 2015	4,595	4,650	4,638
Bank of Nova Scotia, Senior, Notes, 3.610% Feb 22, 2016	2,500	2,612	2,593
Bank of Nova Scotia, Unsecured, Notes, 1.800% May 9, 2016	5,000	4,981	4,995
Bank of Nova Scotia, Deposit Notes, Senior, 2.740% Dec 1, 2016	2,500	2,545	2,549
Bank of Nova Scotia, Deposit Notes, Senior, 2.598% Feb 27, 2017	5,500	5,567	5,580
Bank of Nova Scotia, Deposit Notes, Senior, 4.100% Jun 8, 2017	10,000	10,762	10,606
Bank of Nova Scotia, Deposit Notes, Senior, Unsecured, 2.370% Jan 11, 2018	10,500	10,491	10,435
Bank of Nova Scotia, Senior, Unsecured, Notes, 2.242% Mar 22, 2018	11,500	11,415	11,335
Bank of Nova Scotia, Medium Term Notes, Fixed to Floating, Subordinated, Callable, 2.898% Aug 3, 2022	12,000	12,191	12,136
bcIMC Realty Corp., Medium Term Notes, Senior, 4.650% Feb 10, 2015	4,159	4,392	4,298
bcIMC Realty Corp., Series 9, Unsecured, Notes, 2.650% Jun 29, 2017	1,500	1,516	1,516
Bell Aliant Regional Communications LP, Medium Term Notes, 4.880% Apr 26, 2018	3,500	3,887	3,741
Bell Canada, Series M-21, Medium Term Notes, Unsecured, Unsubordinated, 3.600% Dec 2, 2015	8,275	8,431	8,533
Bell Canada, Series M-22, Medium Term Notes, 4.400% Mar 16, 2018	5,000	5,408	5,277
BMW Canada Inc., Senior, Unsecured, Notes, Unsubordinated, 2.640% Aug 10, 2015	4,000	4,087	4,061
BMW Canada Inc., Series F, Senior, Unsecured, Notes, 2.110% May 26, 2016	4,000	4,032	4,025
Caisse centrale Desjardins, Medium Term Notes, Senior, Unsecured, 2.281% Oct 17, 2016	9,000	9,041	9,061
Canadian Imperial Bank of Commerce, Deposit Notes, Unsecured, 2.200% May 22, 2015	4,000	4,033	4,035
Canadian Imperial Bank of Commerce, Deposit Notes, Unsecured, 3.400% Jan 14, 2016	16,758	17,240	17,290
Canadian Imperial Bank of Commerce, Deposit Notes, Senior, Unsecured, 2.650% Nov 8, 2016	15,000	15,261	15,264
Canadian Imperial Bank of Commerce, Deposit Notes, Senior, Unsecured, 3.950% Jul 14, 2017	2,000	2,125	2,113
Canadian Imperial Bank of Commerce, Unsecured, Notes, 2.350% Oct 18, 2017	4,500	4,506	4,485
Canadian Imperial Bank of Commerce, Unsecured, Notes, 2.220% Mar 7, 2018	5,000	4,973	4,923

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

BMO Harris Canadian Short-Term Bond Portfolio

(formerly BMO Harris Canadian Bond Income Portfolio)

STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

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

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Canadian Imperial Bank of Commerce, Fixed to Floating, Subordinated, Debentures, Callable, 3.150% Nov 2, 2020	12,000	12,325	12,250
Canadian Imperial Bank of Commerce, Medium Term Notes, Fixed to Floating, Subordinated, Callable, 6.000% Jun 6, 2023	2,500	2,906	2,820
Canadian Natural Resources Limited, Series 1, Medium Term Notes, Unsecured, 4.950% Jun 1, 2015	2,500	2,678	2,609
Canadian Pacific Railway Company, Medium Term Notes, Unsecured, 6.250% Jun 1, 2018	2,000	2,345	2,268
Canadian Tire Corporation, Limited, Series D, Medium Term Notes, Unsecured, 5.650% Jun 1, 2016	2,500	2,746	2,710
Canadian Western Bank, Deposit Notes, Senior, Unsecured, 2.531% Mar 22, 2018	1,000	1,000	985
Capital Desjardins Inc., Fixed to Floating, Senior, Notes, Callable, 3.797% Nov 23, 2020	3,000	3,127	3,097
Caterpillar Financial Services Limited, Unsecured, 2.630% Jun 1, 2017	5,000	5,067	5,056
Choice Properties Real Estate Investment Trust, Series A, Senior, Unsecured, Notes, 3.554% Jul 5, 2018	4,600	4,654	4,653
Cominar Real Estate Investment Trust, Senior, Unsecured, Notes, 4.274% Jun 15, 2017	2,000	2,055	2,046
Daimler Canada Finance Inc., Senior, Unsecured, Notes, 2.33% Sep 14, 2015	1,000	1,006	1,008
Daimler Canada Finance Inc., Senior, Unsecured, Notes, Unsubordinated, 3.280% Sep 15, 2016	2,000	2,066	2,062
Daimler Canada Finance Inc., Senior, Unsecured, Notes, 2.280% Feb 17, 2017	3,750	3,754	3,753
Dollarama Inc., Senior, Unsecured, Notes, 3.095% Nov 5, 2018	1,000	1,000	994
Enbridge Inc., Medium Term Notes, Unsecured, Callable, 5.170% May 19, 2016	5,000	5,497	5,373
Enbridge Inc., Medium Term Notes, Senior, Unsecured, Unsubordinated, 5.000% Aug 9, 2016	2,500	2,719	2,688
EPCOR Utilities Inc., Medium Term Notes, Senior, Unsecured, Unsubordinated, 5.800% Jan 31, 2018	4,000	4,614	4,493
Ford Credit Canada Ltd., Senior, Unsecured, Notes, 7.500% Aug 18, 2015	6,500	7,251	7,035
Ford Credit Canada Ltd., Senior, Unsecured, Notes, 3.320% Dec 19, 2017	3,500	3,506	3,553
GE Capital Canada Funding Company, Series A, Medium Term Notes, 5.100% Jun 1, 2016	5,866	5,786	6,309
GE Capital Canada Funding Company, Series A, Medium Term Notes, 5.530% Aug 17, 2017	7,500	8,442	8,308
GE Capital Canada Funding Company, Senior, Unsecured, Notes, 2.420% May 31, 2018	8,000	7,928	7,915
Genworth MI Canada Inc., Senior, Unsecured, Notes, 4.590% Dec 15, 2015	2,320	2,320	2,408

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

BMO Harris Canadian Short-Term Bond Portfolio

(formerly BMO Harris Canadian Bond Income Portfolio)

STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

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

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Granite REIT Holdings, Limited Partnership, Series 1, Senior, Unsecured, Debentures, 4.613% Oct 2, 2018	3,000	3,000	3,043
Greater Toronto Airports Authority, Series 2007-1, Medium Term Notes, Secured, Callable, 4.850% Jun 1, 2017	4,161	4,628	4,519
Greater Toronto Airports Authority, Series 2008-1, Medium Term Notes, Secured, 5.260% Apr 17, 2018	4,000	4,563	4,433
Great-West LifeCo Finance (Delaware) LP, Fixed to Floating, Debentures, Subordinated, Callable, 5.691% Jun 21, 2067	5,000	5,524	5,471
Great-West LifeCo Finance (Delaware) LP II, Fixed to Floating, Debentures, Subordinated, Callable, 7.127% Jun 26, 2068	3,500	4,125	4,077
Honda Canada Finance, Inc., Senior, Unsecured, Notes, 2.275% Dec 11, 2017	4,000	4,008	3,965
HSBC Bank of Canada, Deposit Notes, 2.572% Nov 23, 2015	8,000	8,124	8,113
HSBC Bank of Canada, Deposit Notes, Senior, 2.901% Jan 13, 2017	7,000	7,176	7,157
Husky Energy Inc., Medium Term Notes, Senior, Unsecured, Unsubordinated, 3.750% Mar 12, 2015	2,000	2,082	2,045
Hydro One Inc., Series 10, Medium Term Notes, Unsecured, 4.640% Mar 3, 2016	11,000	11,890	11,681
Hydro One Inc., Series 13, Medium Term Notes, Unsecured, 5.180% Oct 18, 2017	3,500	3,910	3,857
Hydro One Inc., Series 28, Medium Term Notes, Senior, Unsecured, 2.780% Oct 9, 2018	1,800	1,815	1,807
IGM Financial, Inc., Senior, Unsecured, Notes, Unsubordinated, 6.580% Mar 7, 2018	4,328	5,137	4,940
John Deere Canada Funding Inc., Medium Term Notes, Senior, Unsecured, 2.300% Jul 5, 2016	5,000	5,038	5,053
John Deere Canada Funding Inc., Medium Term Notes, Senior, Unsecured, 2.650% Jul 16, 2018	1,000	1,000	998
Laurentian Bank of Canada, Series 2010-1, Medium Term Notes, Fixed to Floating, Unsecured, Subordinated, Callable, 3.700% Nov 2, 2020	2,500	2,582	2,558
Manulife Financial Corporation, Medium Term Notes, Senior, Unsecured, 4.079% Aug 20, 2015	8,000	8,392	8,293
Molson Coors Capital Finance ULC, Senior, Unsecured, Notes, 5.000% Sep 22, 2015	5,700	6,106	5,991
National Bank of Canada, Deposit Notes, Senior, Unsecured, Unsubordinated, 2.231% Jan 30, 2015	7,500	7,570	7,560
National Bank of Canada, Medium Term Notes, Unsubordinated, 4.030% May 26, 2015	5,000	5,251	5,168
National Bank of Canada, Unsecured, Notes, Unsubordinated, 3.580% Apr 26, 2016	3,884	4,063	4,034
National Bank of Canada, Deposit Notes, Unsecured, 2.794% Aug 9, 2018	3,000	2,987	3,007

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

BMO Harris Canadian Short-Term Bond Portfolio

(formerly BMO Harris Canadian Bond Income Portfolio)

STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

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

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
National Bank of Canada, Medium Term Notes, Fixed to Floating, Unsecured, Subordinated, Callable, 3.261% Apr 11, 2022	12,000	12,366	12,296
NAV Canada, Series 2006-1, Medium Term Notes, Unsecured, Subordinated, 4.713% Feb 24, 2016	2,000	2,171	2,126
OMERS Realty Corporation, Notes, 4.740% Jun 4, 2018	8,995	10,064	9,797
RBC Capital Trust, Trust Capital Securities, Series 2015, Exchangeable, Perpetual, Callable, 4.870% Dec 31, 2015	5,000	5,357	5,275
RBC Capital Trust Capital Securities, Series 2018, Fixed to Floating, Junior, Notes, Subordinated, Perpetual, Callable, 6.821% Dec 31, 2049	2,000	2,354	2,318
Reliance LP, Medium Term Notes, Secured, 4.574% Mar 15, 2017	1,000	1,017	1,043
RioCan Real Estate Investment Trust, Series S, Senior, Unsecured, Notes, 2.870% Mar 5, 2018	6,500	6,503	6,399
Rogers Communications, Inc., Senior, Unsecured, Notes, Unsubordinated, 5.800% May 26, 2016	7,000	7,759	7,601
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, Unsubordinated, 2.050% Jan 13, 2015	9,200	9,274	9,260
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, Unsubordinated, 3.360% Jan 11, 2016	5,000	5,176	5,154
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, Unsubordinated, 3.030% Jul 26, 2016	6,000	6,172	6,163
Royal Bank of Canada, Senior, Unsecured, Notes, Unsubordinated, 2.680% Dec 8, 2016	3,500	3,575	3,561
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, Unsubordinated, 3.660% Jan 25, 2017	6,189	6,428	6,472
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, Unsubordinated, 2.580% Apr 13, 2017	6,500	6,595	6,581
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, 2.364% Sep 21, 2017	7,000	7,030	6,980
Royal Bank of Canada, Senior, Unsecured, Notes, 2.260% Mar 12, 2018	12,000	11,937	11,828
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, 2.820% Jul 12, 2018	10,050	10,114	10,107
Royal Bank of Canada, Deposit Notes, Unsecured, 2.890% Oct 11, 2018	1,600	1,615	1,604
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, 2.770% Dec 11, 2018	2,700	2,696	2,687
Royal Bank of Canada, Fixed to Floating, Unsecured, Notes, Subordinated, Callable, 4.350% Jun 15, 2020	10,000	10,534	10,353
Shaw Communications Inc., Senior, Unsecured, Notes, Callable, 5.700% Mar 2, 2017	2,000	2,218	2,185
Sobeys Inc., Senior, Unsecured, Notes, 3.520% Aug 8, 2018	2,000	1,995	2,017
Standard Life Assurance Company of Canada, Fixed to Floating, Notes, Subordinated, Callable, 3.938% Sep 21, 2022	4,000	4,176	4,136

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

BMO Harris Canadian Short-Term Bond Portfolio

(formerly BMO Harris Canadian Bond Income Portfolio)

STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

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

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Sun Life Financial Inc., Series A, Medium Term Notes, Fixed to Floating, Senior, Unsecured, Callable, 4.800% Nov 23, 2035	9,950	10,089	10,406
Sun Life Financial Inc., Series B, Fixed to Floating, Senior, Unsecured, Notes, Callable, 4.950% Jun 1, 2036	2,000	2,123	2,120
Suncor Energy Inc., Series 4, Medium Term Notes, Unsecured, Callable, 5.800% May 22, 2018	5,105	5,907	5,713
TD Capital Trust III Securities, Series 2008, Fixed to Floating, Perpetual, Callable, 7.243% Dec 31, 2049	3,500	4,204	4,156
TELUS Corporation, Medium Term Notes, 3.650% May 25, 2016	2,000	2,107	2,076
TELUS Corporation, Series CD, Senior, Unsecured, Unsubordinated, 4.950% Mar 15, 2017	5,000	5,519	5,398
Teranet Holdings LP, Senior, Secured, Notes, 3.531% Dec 16, 2015	7,000	7,279	7,203
Thomson Reuters Corporation, Senior, Unsecured, Notes, Unsubordinated, 5.700% Jul 15, 2015	1,000	1,072	1,057
Thomson Reuters Corporation, Unsecured, Notes, Unsubordinated, 6.000% Mar 31, 2016	6,538	7,301	7,078
Tim Hortons, Inc., Senior, Unsecured, Notes, Unsubordinated, 4.200% Jun 1, 2017	4,500	4,812	4,720
Toronto-Dominion Bank, The, Deposit Notes, 2.948% Aug 2, 2016	7,500	7,743	7,705
Toronto-Dominion Bank, The, Deposit Notes, Senior, Unsecured, 2.433% Aug 15, 2017	6,000	5,967	6,016
Toronto-Dominion Bank, The, Deposit Notes, Senior, Unsecured, 2.171% Apr 2, 2018	7,250	7,194	7,138
Toronto-Dominion Bank, The, Medium Term Notes, Fixed to Floating, Unsecured, Subordinated, Callable, 5.828% Jul 9, 2023	2,000	2,280	2,249
Toronto-Dominion Bank, The, Medium Term Notes, Fixed to Floating, Unsecured, Subordinated, Callable, 4.779% Dec 14, 2105	10,000	10,879	10,694
Toronto-Dominion Bank, The, Medium Term Notes, Fixed to Floating, Unsecured, Subordinated, Callable, 5.763% Dec 18, 2106	10,500	12,024	11,648
Toyota Credit Canada Inc, Medium Term Notes, Senior, Unsecured, 2.750% Jul 18, 2018	2,000	2,008	2,003
Toyota Credit Canada Inc., Medium Term Notes, Senior, Unsecured, 2.200% Oct 19, 2017	5,000	4,987	4,951
Trans Quebec & Maritimes Pipeline Inc., Unsecured, Notes, 4.250% Sep 15, 2017	2,867	3,026	3,017
TransCanada PipeLines Limited, Medium Term Notes, Senior, Unsecured, Unsubordinated, 4.650% Oct 3, 2016	3,546	3,851	3,802
TransCanada PipeLines Limited, Medium Term Notes, Unsecured, Callable, 5.100% Jan 11, 2017	3,500	3,886	3,813

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

BMO Harris Canadian Short-Term Bond Portfolio

(formerly BMO Harris Canadian Bond Income Portfolio)

STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

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

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
VW Credit Canada Inc., Unsecured, Notes, Unsubordinated, 3.600% Feb 1, 2016	2,000	2,090	2,072
VW Credit Canada Inc., Senior, Unsecured, Notes, 2.200% Oct 11, 2016	2,000	1,998	2,010
VW Credit Canada Inc., Senior, Unsecured, Notes, 2.450% Nov 14, 2017	2,000	2,002	1,994
Wells Fargo Financial Canada Corporation, Medium Term Notes, Senior, Unsecured, 4.380% Jun 30, 2015	6,000	6,359	6,241
Wells Fargo Financial Canada Corporation, Medium Term Notes, Senior, Unsecured, 2.774% Feb 9, 2017	9,093	9,269	9,262
Westcoast Energy Inc., Medium Term Notes, Senior, Unsecured, Unsubordinated, 3.280% Jan 15, 2016	7,250	7,500	7,452
		716,701	711,243
<i>Asset Backed Securities – 2.2%</i>			
Canadian Credit Card Master Trust, Series 2010-1, Class A, Asset-Backed Notes, 3.444% Jul 24, 2015	4,500	4,673	4,625
Canadian Credit Card Master Trust, Series 2013-1, Credit Card Receivables-Backed, Class A Notes, 1.596% Sep 24, 2015	2,000	1,998	1,997
CARDS II Trust, Series 2010-3, Credit Card Receivables-Backed, Class A Notes, 3.096% Sep 15, 2015	2,500	2,583	2,560
CARDS II Trust, Series 2013-1, Class A, Credit Card Receivables-Backed, 1.984% Jan 15, 2016	10,250	10,311	10,295
Glacier Credit Card Trust, Asset-Backed Notes, 2.394% Oct 20, 2017	2,500	2,504	2,488
Golden Credit Card Trust, Series 2010-1, Credit Card Receivables-Backed Notes, Senior, Secured, 3.824% May 15, 2015	1,000	1,050	1,030
Golden Credit Card Trust, Series 2011-1, Credit Card Receivables-Backed Notes, Senior, Secured, 3.510% May 15, 2016	9,000	9,428	9,353
Master Credit Card Trust, Series 2011-1, Class A, Credit Card Receivables-Backed Notes, Secured, 3.502% May 21, 2016	2,000	2,093	2,078
Master Credit Card Trust, Series 2012-1, Class A, Credit Card Receivables-Backed Notes, Secured, 2.626% Jan 21, 2017	8,000	8,168	8,130
Master Credit Card Trust II, Series 2013-4, Class A, Asset-Backed, 2.723% Nov 21, 2018	1,500	1,506	1,492
NBC Asset Trust, Asset-Backed, Fixed to Floating, Secured, Subordinated, Perpetual, Callable, 7.235% Jun 30, 2049	1,000	1,186	1,168
		45,500	45,216
Total Investment Portfolio – 99.4%		2,014,182	2,011,405
Other Assets Less Liabilities – 0.6%			12,273
NET ASSETS – 100.0%			2,023,678

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

BMO Harris Canadian Short-Term Bond Portfolio

(formerly BMO Harris Canadian Bond Income Portfolio)

STATEMENT OF 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		
Federal	—%	6.0%
Provincial	—%	6.8%
Bonds & Debentures		
Federal	48.2%	65.1%
Provincial	12.9%	12.3%
Municipal	0.9%	3.4%
Corporate	35.2%	5.2%
Asset Backed Securities	2.2%	0.7%
Other Assets Less Liabilities	0.6%	0.5%
	100.0%	100.0%

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

BMO Harris Canadian Short-Term Bond Portfolio

(formerly BMO Harris Canadian Bond Income Portfolio)

NOTES TO FINANCIAL STATEMENTS

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

December 31, 2013

1. The Portfolio

BMO Harris Canadian Short-Term Bond Portfolio ["the Portfolio"] is an open-ended mutual fund trust established by a Declaration of Trust under the laws of the Province of Ontario, most recently amended on 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

BMO Harris Canadian Short-Term Bond Portfolio

(formerly BMO Harris Canadian Bond Income Portfolio)

NOTES TO FINANCIAL STATEMENTS (cont'd)

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

December 31, 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 (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 Short-Term Bond Portfolio

(formerly BMO Harris Canadian Bond Income Portfolio)

NOTES TO FINANCIAL STATEMENTS (cont'd)

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

December 31, 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.

BMO Harris Canadian Short-Term Bond Portfolio

(formerly BMO Harris Canadian Bond Income Portfolio)

NOTES TO FINANCIAL STATEMENTS (cont'd)

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

December 31, 2013

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.

BMO Harris Canadian Short-Term Bond Portfolio

(formerly BMO Harris Canadian Bond Income Portfolio)

NOTES TO FINANCIAL STATEMENTS (cont'd)

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

December 31, 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., Pymford 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.

BMO Harris Canadian Short-Term Bond Portfolio

(formerly BMO Harris Canadian Bond Income Portfolio)

NOTES TO FINANCIAL STATEMENTS (cont'd)

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

December 31, 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.

BMO Harris Canadian Short-Term Bond Portfolio

(formerly BMO Harris Canadian Bond Income Portfolio)

NOTES TO FINANCIAL STATEMENTS (cont'd)

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

December 31, 2013

7. Portfolio specific information

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

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

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

For the periods ended (in thousands of units)	Dec. 31, 2013	Dec. 31, 2012
Units issued and outstanding, beginning of period	164,073	160,302
Issued for cash	115,300	40,193
Issued on reinvestment of distributions	8,310	5,063
Redeemed during the period	(95,403)	(41,485)
Units issued and outstanding, end of period	192,280	164,073

Name change

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

(b) 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
10.52	10.52	10.98	10.98

(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 (\$)	256	255

(e) Brokerage commissions and soft dollars

There were no brokerage commissions charged to the Portfolio during the periods ended December 31, 2013 and December 31, 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 to preserve the capital invested. The Portfolio invests primarily in high quality fixed income securities such as bonds and debentures issued by governments and corporations in Canada that mature in more than one year.

Effective January 25, 2013, the Portfolio's investment strategies were changed to permit the Portfolio to invest in fixed income securities in reference to the characteristics of a widely recognized Canadian short-term bond index.

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

Currency risk

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

Interest rate risk

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

	Interest rate exposure as at	
	Dec. 31, 2013 \$	Dec. 31, 2012 \$
Number of years		
Less than 1 year	—	389,099
One to three years	1,026,199	279,302
Three to five years	862,384	102,921
Five to ten years	70,764	944,100
Greater than ten years	52,058	77,705
Total	2,011,405	1,793,127

BMO Harris Canadian Short-Term Bond Portfolio

(formerly BMO Harris Canadian Bond Income Portfolio)

NOTES TO FINANCIAL STATEMENTS (cont'd)

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

December 31, 2013

As at the years ended December 31, 2013 and December 31, 2012, if the prevailing interest rates had been raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other factors remaining constant, Net Assets could possibly have decreased or increased, respectively, by approximately \$55,390 (December 31, 2012 – \$75,822). The Portfolio's interest rate sensitivity was determined based on portfolio weighted duration. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

Other market risk

The Portfolio was not significantly exposed to other market risk as at December 31, 2013 and December 31, 2012, as it was invested fully in fixed income securities.

Credit risk

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

Credit rating	As a % of Net Assets	
	Dec. 31, 2013	Dec. 31, 2012
R-1 High	—	6.0
R-1 Mid	—	6.5
R-1 Low	—	0.3
AAA	53.4	71.2
AA	21.8	7.5
A	17.4	8.0
BBB	6.8	—
Total	99.4	99.5

(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
Debt securities	2,011,405	—	—	2,011,405

As at December 31, 2012

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

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 December 31, 2013 and December 31, 2012 as follows:

	Dec. 31, 2013	Dec. 31, 2012
Aggregate value of securities on loan (\$)	651,973	786,330
Aggregate value of collateral received for the loan (\$)	692,100	828,716

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

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

www.bmoharrisprivatebanking.com

(12/13)