

Semi-Annual Financial Statements

BMO Harris Private Portfolios

June 30, 2013

BMO Harris Canadian Short-Term Bond Portfolio

(formerly BMO Harris Canadian Bond Income Portfolio)

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

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

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

BMO Harris Canadian Short-Term Bond Portfolio
(formerly BMO Harris Canadian Bond Income Portfolio) (unaudited)

STATEMENT OF NET ASSETS

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

As at	June 30, 2013	December 31, 2012
Assets		
Cash	8,658	1,483
Investments at fair value	1,808,063	1,793,127
Income receivable	10,036	6,010
Subscriptions receivable	7,872	2,108
Total assets	1,834,629	1,802,728
Liabilities		
Distributions payable	128	—
Due to broker	4,729	—
Accrued expenses	76	98
Redemptions payable	1,167	1,380
Total liabilities	6,100	1,478
Net assets representing unitholders' equity	1,828,529	1,801,250
Net assets per unit	\$ 10.53	\$ 10.98

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

BMO Harris Canadian Short-Term Bond Portfolio
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STATEMENT OF OPERATIONS

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

For the periods ended	June 30, 2013	June 30, 2012
Investment Income		
Interest	23,284	28,367
Securities lending revenue	140	172
Foreign taxes	—	—
	23,424	28,539
Expenses		
Sub-advisory fees (note 5)	946	—
Audit fees	9	15
Independent Review Committee fees	2	2
Custodian fees	13	18
Legal and filing fees	48	43
Unitholder servicing fees (note 5)	188	176
Printing and stationery fees	9	8
Operating expenses absorbed by the Manager (note 5)	(946)	—
	269	262
Net investment income for the period	23,155	28,277
Realized gain on sale of investments	55,692	3,249
Realized gain on foreign exchange	2	—
Change in unrealized appreciation (depreciation) in value of investments	(81,435)	207
Increase (decrease) in net assets from operations	(2,586)	31,733
Increase (decrease) in net assets from operations per unit (note 2)	(0.02)	0.20

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BMO Harris Canadian Short-Term Bond Portfolio
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STATEMENT OF CHANGES IN NET ASSETS

(in thousands of Canadian dollars)

For the periods ended	June 30, 2013	June 30, 2012
Net assets – beginning of period	1,801,250	1,775,435
Increase (decrease) in net assets from operations	(2,586)	31,733
Unit Transactions:		
Proceeds from sale of units	760,542	234,706
Reinvested distributions	60,036	27,166
Amounts paid on units redeemed	(728,521)	(261,574)
Total unit transactions	92,057	298
Distributions to Unitholders from:		
Net investment income	(23,470)	(28,248)
Capital gains	(38,722)	—
Total distributions paid to unitholders	(62,192)	(28,248)
Net assets – end of period	1,828,529	1,779,218

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BMO Harris Canadian Short-Term Bond Portfolio

(formerly BMO Harris Canadian Bond Income Portfolio) (unaudited)

STATEMENT OF INVESTMENT PORTFOLIO

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

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Bonds & Debentures			
<i>Federal Bonds – 50.2%</i>			
Canada Housing Trust, Mortgage Bonds, Series 29, Secured, 2.750% Sep 15, 2014	19,250	19,722	19,598
Canada Housing Trust, Mortgage Bonds, Series 32, Secured, 2.750% Dec 15, 2014	51,000	52,336	52,084
Canada Housing Trust, Mortgage Bonds, Series 33, Secured, 2.950% Mar 15, 2015	5,250	5,422	5,395
Canada Housing Trust, Mortgage Bonds, Series 35, Secured, 3.150% Jun 15, 2015	10,000	10,370	10,344
Canada Housing Trust, Mortgage Bonds, Series 37, Secured, 2.450% Dec 15, 2015	46,750	48,087	47,832
Canada Housing Trust, Mortgage Bonds, Series 41, Secured, 2.750% Jun 15, 2016	52,000	54,084	53,671
Canada Housing Trust, Mortgage Bonds, Series 43, Secured, 1.850% Dec 15, 2016	31,800	32,067	31,896
Canada Housing Trust, Mortgage Bonds, Secured, 2.050% Jun 15, 2017	35,000	35,486	35,188
Canada Housing Trust, Mortgage Bonds, Secured, 1.700% Dec 15, 2017	35,600	35,422	35,061
Canada Housing Trust, Mortgage Bonds, Secured, 1.750% Jun 15, 2018	22,400	22,233	21,989
Government of Canada, 2.250% Aug 1, 2014	55,000	55,672	55,639
Government of Canada, 2.000% Dec 1, 2014	61,600	62,329	62,302
Government of Canada, 1.000% Feb 1, 2015	9,000	8,981	8,972
Government of Canada, 2.500% Jun 1, 2015	85,658	87,803	87,726
Government of Canada, 1.500% Aug 1, 2015	22,000	22,187	22,124
Government of Canada, 3.000% Dec 1, 2015	83,072	86,634	86,397
Government of Canada, 1.250% Feb 1, 2016	13,000	12,995	12,967
Government of Canada, 2.000% Jun 1, 2016	5,000	5,120	5,084
Government of Canada, 4.000% Jun 1, 2016	14,000	15,092	15,032
Government of Canada, 1.000% Aug 1, 2016	10,000	9,887	9,865
Government of Canada, 2.750% Sep 1, 2016	66,000	69,166	68,605
Government of Canada, 1.500% Mar 1, 2017	23,350	23,380	23,278
Government of Canada, 4.000% Jun 1, 2017	29,700	32,655	32,340
Government of Canada, 1.500% Sep 1, 2017	52,750	52,878	52,243
Government of Canada, 1.250% Mar 1, 2018	27,100	26,938	26,433
Government of Canada, 4.250% Jun 1, 2018	32,000	36,123	35,639
		923,069	917,704
<i>Provincial Bonds – 12.2%</i>			
Alberta Capital Finance Authority, Notes, 4.900% Jun 1, 2015	2,000	2,007	2,130
Alberta Capital Finance Authority, Notes, 4.350% Jun 15, 2016	12,000	11,667	12,911

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STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

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

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Province of Alberta, 1.750% Jun 15, 2017	3,500	3,501	3,475
Province of Alberta, Unsecured, Notes, 1.700% Dec 15, 2017	4,500	4,456	4,420
Province of British Columbia, 4.700% Dec 1, 2017	4,650	5,195	5,156
Province of Manitoba, 4.800% Dec 3, 2014	4,000	4,234	4,196
Province of Manitoba, Medium Term Notes, 5.200% Dec 3, 2015	6,000	5,965	6,521
Province of Manitoba, Notes, 2.050% Dec 1, 2016	2,500	2,541	2,520
Province of New Brunswick, Unsecured, 4.700% Jul 21, 2016	10,000	11,018	10,867
Province of New Brunswick, 4.450% Mar 26, 2018	1,250	1,407	1,368
Province of Ontario, 3.250% Sep 8, 2014	1,000	1,032	1,023
Province of Ontario, 4.500% Mar 8, 2015	4,200	4,433	4,415
Province of Ontario, Notes, 3.150% Sep 8, 2015	20,000	20,847	20,698
Province of Ontario, 4.400% Mar 8, 2016	4,000	4,315	4,288
Province of Ontario, 4.300% Mar 8, 2017	40,200	39,263	43,524
Province of Ontario, Unsecured 1.900% Sep 8, 2017	16,250	16,208	16,064
Province of Ontario, 4.200% Mar 8, 2018	7,650	8,482	8,294
Province of Quebec, Senior, Unsecured, Notes, 5.500% Dec 1, 2014	37,016	38,900	39,153
Province of Quebec, Unsecured, 5.000% Dec 1, 2015	1,000	1,094	1,081
Province of Quebec, Unsecured, Debentures, 4.500% Dec 1, 2016	7,000	7,689	7,613
Province of Quebec, Medium Term Notes, 4.500% Dec 1, 2017	16,700	18,587	18,296
Province of Saskatchewan, Unsecured, Notes, 4.500% Aug 23, 2016	5,000	5,515	5,434
		218,356	223,447
<i>Municipal Bonds – 0.5%</i>			
Municipal Finance Authority of British Columbia, Series DC, Debentures, Unsecured, 4.900% Dec 2, 2014	9,000	8,996	9,430
<i>Corporate Bonds & Debentures – 34.3%</i>			
407 International Inc., Series 10-A1, Medium Term Notes, Senior, Secured, 3.880% Jun 16, 2015	3,000	3,157	3,121
American Express Canada Credit Corp., Medium Term Notes, Unsecured, 4.853% Oct 3, 2014	2,000	2,105	2,077
American Express Canada Credit Corp., Medium Term Notes, Senior, Unsecured, Unsubordinated, 3.600% Jun 3, 2016	2,500	2,609	2,595
American Express Canada Credit Corp., Medium Term Notes, Senior, Unsecured, 2.310% Mar 29, 2018	2,500	2,469	2,447
Bank of Montreal, Deposit Notes, Senior, Unsecured, Unsubordinated, 3.930% Apr 27, 2015	10,000	10,480	10,371
Bank of Montreal, Deposit Notes, Senior, Unsecured, 1.890% Oct 5, 2015	10,000	10,005	9,981
Bank of Montreal, Deposit Notes, Senior, Unsecured, Unsubordinated, 3.490% Jun 10, 2016	10,500	11,000	10,893
Bank of Montreal, Deposit Notes, Unsecured, Unsubordinated, 2.960% Aug 2, 2016	12,000	12,349	12,260

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STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

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

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Bank of Montreal, Deposit Notes, Senior, Unsecured, 2.390% Jul 12, 2017	2,500	2,503	2,485
Bank of Montreal, Deposit Notes, Senior, Unsecured, 2.240% Dec 11, 2017	3,500	3,485	3,462
Bank of Montreal, Series F, Fixed to Floating, Unsecured, Notes, Subordinated, Callable, 6.170% Mar 28, 2023	6,000	7,055	6,850
Bank of Nova Scotia, Deposit Notes, Senior, 3.350% Nov 18, 2014	10,000	10,306	10,217
Bank of Nova Scotia, Deposit Notes, 2.250% May 8, 2015	7,095	7,180	7,146
Bank of Nova Scotia, Senior, Notes, 3.610% Feb 22, 2016	2,500	2,612	2,599
Bank of Nova Scotia, Unsecured, Notes, 1.800% May 9, 2016	2,500	2,486	2,479
Bank of Nova Scotia, Deposit Notes, Senior, 2.740% Dec 1, 2016	2,500	2,545	2,530
Bank of Nova Scotia, Deposit Notes, Senior, 2.598% Feb 27, 2017	2,500	2,528	2,515
Bank of Nova Scotia, Deposit Notes, Senior, 4.100% Jun 8, 2017	10,000	10,762	10,592
Bank of Nova Scotia, Deposit Notes, Senior, Unsecured, 2.370% Jan 11, 2018	7,500	7,506	7,382
Bank of Nova Scotia, Senior, Unsecured, Notes, 2.242% Mar 22, 2018	6,000	6,024	5,878
Bank of Nova Scotia, Medium Term Notes, Fixed to Floating, Subordinated, Callable, 2.898% Aug 3, 2022	10,000	10,180	10,044
bcIMC Realty Corp., Medium Term Notes, Senior, 4.650% Feb 10, 2015	4,159	4,392	4,337
bcIMC Realty Corp., Series 9, Unsecured, Notes, 2.650% Jun 29, 2017	1,500	1,516	1,507
Bell Aliant Regional Communications LP, Medium Term Notes, 4.880% Apr 26, 2018	3,500	3,887	3,739
Bell Canada, Series M-20, Medium Term Notes, Unsecured, 4.850% Jun 30, 2014	4,000	4,174	4,116
Bell Canada, Series M-21, Medium Term Notes, Unsecured, Unsubordinated, 3.600% Dec 2, 2015	8,275	8,431	8,550
Bell Canada, Series M-22, Medium Term Notes, 4.400% Mar 16, 2018	5,000	5,408	5,304
BMO Capital Trust, BMO BOaTS, Series D, Perpetual, Callable, 5.474% Dec 31, 2049	2,000	2,134	2,101
BMW Canada Inc., Senior, Unsecured, Notes, Unsubordinated, 2.640% Aug 10, 2015	4,000	4,087	4,059
BMW Canada Inc., Series F, Senior, Unsecured, Notes, 2.110% May 26, 2016	4,000	4,032	3,993
Caisse centrale Desjardins, Medium Term Notes, Senior, Unsecured, 2.281% Oct 17, 2016	9,000	9,041	8,976
Canadian Imperial Bank of Commerce, Deposit Notes, Senior, Unsecured, 3.100% Mar 2, 2015	2,000	2,048	2,041

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STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

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

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Canadian Imperial Bank of Commerce, Deposit Notes, Unsecured, 2.200% May 22, 2015	2,000	2,017	2,013
Canadian Imperial Bank of Commerce, Deposit Notes, Unsecured, 3.400% Jan 14, 2016	16,758	17,240	17,313
Canadian Imperial Bank of Commerce, Deposit Notes, Senior, Unsecured, 2.650% Nov 8, 2016	15,000	15,261	15,150
Canadian Imperial Bank of Commerce, Deposit Notes, Senior, Unsecured, 3.950% Jul 14, 2017	2,000	2,125	2,109
Canadian Imperial Bank of Commerce, Unsecured, Notes, 2.350% Oct 18, 2017	2,500	2,523	2,473
Canadian Imperial Bank of Commerce, Unsecured, Notes, 2.220% Mar 7, 2018	5,000	4,973	4,895
Canadian Imperial Bank of Commerce, Fixed to Floating, Subordinated, Debentures, Callable, 3.150% Nov 2, 2020	10,000	10,283	10,201
Canadian Imperial Bank of Commerce, Medium Term Notes, Fixed to Floating, Subordinated, Callable, 6.000% Jun 6, 2023	2,500	2,906	2,848
Canadian Natural Resources Limited, Series 1, Medium Term Notes, Unsecured, 4.950% Jun 1, 2015	2,500	2,678	2,645
Canadian Pacific Railway Company, Medium Term Notes, Unsecured, 6.250% Jun 1, 2018	2,000	2,345	2,289
Canadian Tire Corporation, Limited, Series D, Medium Term Notes, Unsecured, 5.650% Jun 1, 2016	1,500	1,662	1,640
Canadian Western Bank, Deposit Notes, Senior, Unsecured, Unsubordinated, 2.570% Nov 4, 2014	3,000	3,035	3,030
Canadian Western Bank, Deposit Notes, Senior, Unsecured, 2.531% Mar 22, 2018	1,000	1,000	980
Capital Desjardins Inc., Fixed to Floating, Senior, Notes, Callable, 3.797% Nov 23, 2020	5,000	5,212	5,143
Caterpillar Financial Services Limited, Unsecured, 2.63% Jun 1, 2017	5,000	5,067	5,021
Choice Properties Real Estate Investment Trust, Series A, Senior, Unsecured, Notes, 3.544% Jul 5, 2018	600	600	603
CI Financial Corporation, Unsecured, Notes, 4.190% Dec 16, 2014	1,995	2,070	2,061
Cominar REIT, Senior, Unsecured, Notes, 4.274% Jun 15, 2017	2,000	2,055	2,030
Daimler Canada Finance Inc., Senior, Unsecured, Notes, 2.330% Sep 14, 2015	1,000	1,006	1,007
Daimler Canada Finance Inc., Senior, Unsecured, Notes, Unsubordinated, 3.280% Sep 15, 2016	2,000	2,066	2,051
Enbridge Inc., Medium Term Notes, Unsecured, Callable, 5.170% May 19, 2016	5,000	5,497	5,413
Enbridge Inc., Medium Term Notes, Senior, Unsecured, Unsubordinated, 5.000% Aug 9, 2016	2,500	2,719	2,701

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STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

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

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
EPCOR Utilities Inc., Medium Term Notes, Senior, Unsecured, Unsubordinated, 5.800% Jan 31, 2018	4,000	4,614	4,524
Ford Credit Canada Ltd., Senior, Unsecured, Notes, 7.500% Aug 18, 2015	5,000	5,619	5,475
FortisAlberta Inc., Senior, Unsecured, Notes, 5.330% Oct 31, 2014	2,000	2,130	2,096
GE Capital Canada Funding Company, Series A, Medium Term Notes, 5.100% Jun 1, 2016	5,866	5,786	6,338
GE Capital Canada Funding Company, Series A, Medium Term Notes, 5.530% Aug 17, 2017	5,500	6,215	6,111
GE Capital Canada Funding Company, Senior, Unsecured, Notes, 2.420% May 31, 2018	6,000	5,966	5,855
Genworth MI Canada Inc., Senior, Unsecured, Notes, 4.590% Dec 15, 2015	2,320	2,320	2,402
Greater Toronto Airports Authority, Series 2007-1, Medium Term Notes, Secured, Callable, 4.850% Jun 1, 2017	4,161	4,628	4,541
Greater Toronto Airports Authority, Series 2008-1, Medium Term Notes, Secured, 5.260% Apr 17, 2018	4,000	4,563	4,466
Great-West LifeCo Finance (Delaware) LP, Fixed to Floating, Debentures, Subordinated, Callable, 5.691% Jun 21, 2067	3,000	3,321	3,293
Great-West LifeCo Finance (Delaware) LP II, Subordinated Debentures, Fixed to Floating, Callable, 7.127% Jun 26, 2068	3,500	4,125	4,121
Honda Canada Finance, Inc., Senior, Unsecured, Notes, 2.275% Dec 11, 2017	4,000	4,008	3,956
HSBC Bank of Canada, Deposit Notes, 2.572% Nov 23, 2015	6,500	6,604	6,576
HSBC Bank of Canada, Deposit Notes, Senior, 2.901% Jan 13, 2017	7,000	7,176	7,112
Husky Energy Inc., Medium Term Notes, Senior, Unsecured, Unsubordinated, 3.750% Mar 12, 2015	2,000	2,082	2,062
Hydro One Inc., Series 10, Medium Term Notes, Unsecured, 4.640% Mar 3, 2016	8,000	8,693	8,548
Hydro One Inc., Series 13, Medium Term Notes, Unsecured, 5.180% Oct 18, 2017	2,500	2,799	2,774
IGM Financial, Inc., Senior, Unsecured, Notes, Unsubordinated, 6.580% Mar 7, 2018	4,328	5,137	5,001
John Deere Canada Funding Inc., Medium Term Notes, Senior, Unsecured, 2.300% Jul 5, 2016	5,000	5,038	5,017
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	2,534
Manulife Financial Corporation, Medium Term Notes, Senior, Unsecured, 4.079% Aug 20, 2015	8,000	8,392	8,343
Molson Coors Capital Finance ULC, Senior, Unsecured, Notes, 5.000% Sep 22, 2015	8,700	9,320	9,209

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STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

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

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
National Bank of Canada, Deposit Notes, Senior, Unsecured, Unsubordinated, 2.231% Jan 30, 2015	5,500	5,560	5,533
National Bank of Canada, Medium Term Notes, Unsubordinated, 4.030% May 26, 2015	5,000	5,251	5,196
National Bank of Canada, Unsecured, Notes, Unsubordinated, 3.580% Apr 26, 2016	3,884	4,063	4,029
National Bank of Canada, Medium Term Notes, Fixed to Floating, Unsecured, Subordinated, Callable, 3.261% Apr 11, 2022	10,000	10,329	10,209
NAV Canada, Series 2006-1, Medium Term Notes, Unsecured, Subordinated, 4.713% Feb 24, 2016	2,000	2,171	2,142
OMERS Realty Corporation, Notes, 4.740% Jun 4, 2018	8,995	10,064	9,855
RBC Capital Trust, Trust Capital Securities, Series 2015, Exchangeable, Perpetual, Callable, 4.870% Dec 31, 2015	3,000	3,233	3,186
Reliance LP, Medium Term Notes, Secured, 4.574% Mar 15, 2017	1,000	1,017	995
RioCan Real Estate Investment Trust, Series S, Senior, Unsecured, Notes, 2.870% Mar 5, 2018	6,500	6,503	6,409
Rogers Communications, Inc., Senior, Unsecured, Notes, Unsubordinated, 5.800% May 26, 2016	7,000	7,759	7,653
Royal Bank of Canada, Deposit Notes, Senior, 4.710% Dec 22, 2014	12,000	12,029	12,516
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, Unsubordinated, 2.050% Jan 13, 2015	15,700	15,827	15,768
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, Unsubordinated, 3.360% Jan 11, 2016	3,000	3,111	3,095
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, Unsubordinated, 3.030% Jul 26, 2016	3,000	3,085	3,073
Royal Bank of Canada, Senior, Unsecured, Notes, Unsubordinated, 2.680% Dec 8, 2016	2,000	2,053	2,022
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, Unsubordinated, 3.660% Jan 25, 2017	4,189	4,337	4,370
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, Unsubordinated, 2.580% Apr 13, 2017	2,000	2,046	2,007
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, 2.364% Sep 21, 2017	10,000	10,043	9,899
Royal Bank of Canada, Senior, Unsecured, Notes, 2.260% Mar 12, 2018	8,500	8,485	8,328
Royal Bank of Canada, Fixed to Floating, Unsecured, Notes, Subordinated, Callable, 4.350% Jun 15, 2020	8,000	8,448	8,331
Shaw Communications Inc., Senior, Unsecured, Notes, Callable, 5.700% Mar 2, 2017	2,000	2,218	2,194
Standard Life Assurance Company of Canada, Fixed to Floating, Subordinated, Callable, 3.938% Sep 21, 2022	4,000	4,176	4,118

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STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

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

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Sun Life Financial Inc., Series A, Medium Term Notes, Fixed to Floating, Senior, Unsecured, Callable, 4.800% Nov 23, 2035	9,950	10,089	10,443
Suncor Energy Inc., Series 4, Medium Term Notes, Unsecured, Callable, 5.800% May 22, 2018	5,105	5,907	5,771
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	5,404
Teranet Holdings LP, Senior, Secured, Notes, 3.531% Dec 16, 2015	7,000	7,279	7,218
Thomson Reuters Corporation, Unsecured, Notes, Unsubordinated, 6.000% Mar 31, 2016	6,538	7,301	7,170
Tim Hortons, Inc., Senior, Unsecured, Notes, Unsubordinated, 4.200% Jun 1, 2017	6,000	6,416	6,337
Toronto-Dominion Bank, The, Deposit Notes, 2.948% Aug 2, 2016	7,500	7,743	7,682
Toronto-Dominion Bank, The, Deposit Notes, Senior, Unsecured, 2.171% Apr 2, 2018	5,250	5,228	5,138
Toronto-Dominion Bank, The, Medium Term Notes, Fixed to Floating, Unsecured, Subordinated, Callable, 4.779% Dec 14, 2105	10,000	10,879	10,643
Toronto-Dominion Bank, The, Medium Term Notes, Fixed to Floating, Unsecured, Subordinated, Callable, 5.763% Dec 18, 2106	10,500	12,024	11,775
Toyota Credit Canada Inc., Medium Term Notes, Senior, Unsecured, 2.200% Oct 19, 2017	5,000	4,987	4,906
TransCanada PipeLines Limited, Medium Term Notes, Senior, Unsecured, Unsubordinated, 4.650% Oct 3, 2016	3,546	3,851	3,823
TransCanada PipeLines Limited, Medium Term Notes, Unsecured, Callable, 5.100% Jan 11, 2017	3,500	3,886	3,831
VW Credit Canada Inc., Unsecured, Notes, Unsubordinated, 3.600% Feb 1, 2016	2,000	2,090	2,073
VW Credit Canada Inc., Senior, Unsecured, Notes, 2.200% Oct 11, 2016	2,000	1,998	1,993
Wells Fargo Financial Canada Corporation, Medium Term Notes, Senior, Unsecured, 4.380% Jun 30, 2015	6,000	6,359	6,287
Wells Fargo Financial Canada Corporation, Medium Term Notes, Senior, Unsecured, 2.774% Feb 9, 2017	7,093	7,232	7,155
Westcoast Energy Inc., Medium Term Notes, Senior, Unsecured, Unsubordinated, 3.280% Jan 15, 2016	5,000	5,181	5,141
		631,838	626,411

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STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

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

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
<i>Asset-Backed Securities – 1.7%</i>			
Canadian Credit Card Master Trust, Series 2010-1, Class A, Asset-Backed Notes, 3.444% Jul 24, 2015	4,500	4,673	4,642
CARDS II Trust, Series 2010-3, Credit Card Receivables-Backed, Class A Notes, 3.096% Sep 15, 2015	2,500	2,583	2,567
CARDS II Trust, Series A, Credit Card Receivables-Backed, 1.984% Jan 15, 2016	5,500	5,546	5,502
Golden Credit Card Trust, Series 2010-1, Credit Card Receivables-Backed Notes, Senior, Secured, 3.824% May 15, 2015	1,000	1,049	1,037
Golden Credit Card Trust, Series 2011-1, Credit Card Receivables-Backed Notes, Senior, Secured, 3.510% May 15, 2016	8,000	8,387	8,364
Master Credit Card Trust, Series 2011-1, Class A, Credit Card Receivables-Backed Notes, Secured 3.502% May 21, 2016	2,000	2,093	2,079
Master Credit Card Trust, Series 2012-1, Class A, Credit Card Receivables-Backed Notes, Secured, 2.626% Jan 21, 2017	6,750	6,901	6,880
		31,232	31,071
Total Investment Portfolio – 98.9%		1,813,491	1,808,063
Other Assets Less Liabilities – 1.1%			20,466
NET ASSETS – 100.0%			1,828,529

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

	June 30, 2013	December 31, 2012
Money Market Investments		
Federal	—%	6.0%
Provincial	—%	6.8%
Bonds & Debentures		
Federal	50.2%	65.1%
Provincial	12.2%	12.3%
Municipal	0.5%	3.4%
Corporate	34.3%	5.2%
Asset-Backed Securities	1.7%	0.7%
Other Assets Less Liabilities	1.1%	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) (unaudited)

NOTES TO FINANCIAL STATEMENTS

(all amounts in thousands of Canadian dollars, except per unit data)
June 30, 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 unaudited financial statements is for the periods ended June 30, 2013 and 2012 except for the comparative information in the Statement of Net Assets and the related notes which are as at December 31, 2012.

2. Summary of significant accounting policies

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

Valuation of investments

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

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

Investments are deemed to be held for trading.

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

Securities listed on a recognized public securities exchange in North America are valued for financial statement purposes at their bid prices for long positions and ask prices for short positions. Procedures are in place to fair value securities traded in countries outside of North America daily, to avoid stale prices and to take into account, among other things, any significant events occurring after the close of a foreign market.

For bonds, debentures, asset-backed securities and other debt securities, the fair value represents the bid price provided by independent security pricing services. Short-term investments, if any, are included in the Statement of Investment Portfolio at their fair value. Unlisted warrants, if any, are valued based on a pricing model which considers factors such as the market value of the underlying security, strike price and terms of the warrant.

The Manager uses fair value pricing when the price of a security held in a Portfolio is unavailable, unreliable or not considered to reflect the current value, and may determine another value which it considers to be fair and reasonable using the services of third-party valuation service providers, or using a valuation technique that, to the extent possible, makes maximum use of inputs and assumptions based on observable market data including volatility, comparable companies and other applicable rates or prices.

Investment transactions

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

BMO Harris Canadian Short-Term Bond Portfolio

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NOTES TO FINANCIAL STATEMENTS (cont'd)

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

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

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

Cost of investments

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

Income recognition

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

Interest on inflation-indexed bonds will be paid based on a principal value, which is adjusted for inflation. The inflation adjustment of the principal value is recognized as part of interest income in the Statement of Operations. If held to maturity, the Portfolio will receive, in addition to a coupon interest payment, a final payment equal to the sum of the par value and the inflation compensation accrued from the original issue date. Interest is accrued on each Valuation Day based on the inflation adjusted par value at that time and is included in "Interest" in the Statement of Operations.

Translation of foreign currencies

The fair value of investments and other assets and liabilities in foreign currencies are translated into the Portfolio's functional currency at the rates of exchange prevailing at the year-end date. Purchases and sales of investments, and income and expenses are translated at the rates of exchange prevailing on the respective dates of such transactions. Foreign exchange gains (losses) on completed transactions are included in "Realized gain (loss) on sale of investments" and unrealized foreign exchange gains (losses) are included in "Change in unrealized appreciation (depreciation) in value of investments" in the Statement of Operations. Realized and unrealized foreign exchange gains (losses) on assets (other than investments) and liabilities are included in "Realized gain (loss) on foreign exchange" in the Statement of Operations.

Forward currency contracts

A forward currency contract is an agreement between two parties (the Portfolio and the counterparty) to purchase or sell a currency against another currency at a set price on a future date. The Portfolio may enter into forward currency contracts for hedging purposes which can include the hedging of all or a portion of the currency exposure of an investment or group of investments, either directly or indirectly. The Portfolio may also enter into these contracts for non-hedging purposes which can include increasing the exposure to a foreign currency or to shift exposure to foreign currency fluctuations from one country to another.

The value of forward currency contracts entered into by the Portfolio is recorded as the difference between the value of the contract on the Valuation Date and the value on the date the contract originated.

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

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

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NOTES TO FINANCIAL STATEMENTS (cont'd)

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Securities lending

A Portfolio may engage in securities lending pursuant to the terms of an agreement which includes restrictions as set out in Canadian securities legislation. Collateral held is government Treasury Bills and qualified Notes.

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

Increase or decrease in net assets from operations per unit

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

Short-term trading penalty

To discourage excessive trading, the Portfolio may, at the Manager’s sole discretion, charge a short-term trading penalty. This penalty is paid directly to the Portfolio and is included in “Interest” in the Statement of Operations.

Other assets and liabilities

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

Future accounting standards

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

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

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

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

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

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

3. Unit valuation

Units of the Portfolio are offered for sale on a continuous basis and may be purchased or redeemed on any Valuation Date at the NAV per unit. The NAV per unit for the purposes of subscription or redemption is computed by dividing the NAV of the Portfolio (that is, the total fair value of the assets less its liabilities) by the total number of units outstanding at such time. This amount may be different from the Net Asset per unit which is presented

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

Capital

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

4. Income taxes

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

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NOTES TO FINANCIAL STATEMENTS (cont'd)

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

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

5. Related party transactions

(a) Unitholder servicing, sub-advisory commissions and other portfolio transaction costs

The Portfolio is provided with certain facilities and services by affiliates of the Manager. Expenses incurred in the administration of the Portfolio were paid to BMO Trust Company (the Trustee) and to BMO Asset Management Inc. (the Registrar) and charged to the Portfolio. These expenses are included in "Unitholder servicing fees" in the Statement of Operations.

The sub-advisors (including affiliates of the Manager, where applicable) engaged by the Manager provide investment advice and make investment decisions for the Portfolio's investment portfolio. For these services the sub-advisors receive sub-advisory fees that are paid monthly by the Manager and, effective October 26, 2012, charged to the Portfolio. These expenses are included in "Sub-advisory fees" in the Statement of Operations. Any sub-advisory fees less than or equal to 0.15% of the net asset value of the Portfolio are absorbed by the Manager.

The Portfolio may execute trades with and or through BMO Nesbit Burns Inc., an affiliate of the Manager based on established standard brokerage agreements at market prices. These fees are included in "Commissions and other portfolio transaction costs" in the Statement of Operations.

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

(b) Other related party transactions

From time to time, the Manager may on behalf of the Portfolio enter into transactions or arrangements with or involving other members of Bank of Montreal Group of Companies, or certain other persons or companies that are related or connected to the Manager of the Portfolio. These transactions or arrangements may include transactions or arrangements with or involving Bank of Montreal Group of Companies, BMO Trust Company, BMO Nesbitt Burns Inc., Harris Investment Management Inc., BMO Asset Management Inc., BMO Investments Inc., Pyrford International Ltd, Lloyd George Management Inc. or other investment funds offered by BMO, and may involve the purchase or sale of portfolio securities through or from a member of Bank of Montreal Group of Companies, the purchase or sale of securities issued or guaranteed by a member of Bank of Montreal Group of Companies, the purchase or sale of securities issued or guaranteed by a member of Bank of Montreal group of Companies, entering into forward contracts with a member of Bank of Montreal Group of Companies acting as counterparty, the purchase or redemption of units of other BMO Harris Private Portfolios or the provision of services to the Manager.

6. Financial instrument risk

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

The Manager manages the potential effects of these financial risks on the Portfolio's performance by employing and overseeing professional and experienced portfolio managers that regularly monitor the Portfolio's positions, market events and diversify investment portfolios within the constraints of the investment guidelines.

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NOTES TO FINANCIAL STATEMENTS (cont'd)

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

June 30, 2013

(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.

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NOTES TO FINANCIAL STATEMENTS (cont'd)

(all amounts in thousands of Canadian dollars, except per unit data)
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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)	June 30, 2013	June 30, 2012
Units issued and outstanding, beginning of period	164,073	160,302
Issued for cash	71,074	21,268
Issued on reinvestment of distributions	5,635	2,461
Redeemed during the period	(67,156)	(23,752)
Units issued and outstanding, end of period	173,626	160,279

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

June 30, 2013		Dec. 31, 2012	
NAV per unit	Net Assets per unit	NAV per unit	Net Assets per unit
10.53	10.53	10.98	10.98

(c) Income taxes

As at the tax year-ended December 2012, the Portfolio had the following capital and non-capital losses available for income tax purposes:

Total capital losses (\$)	Total non- capital losses (\$)	Non-capital losses that expire in 2026 and thereafter		
		2014 (\$)	2015 (\$)	and thereafter (\$)
16,572	—	—	—	—

(d) Related party transactions

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

	June 30, 2013	June 30, 2012
Unitholder servicing (\$)	126	130

(e) Brokerage commissions and soft dollars

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

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

(f) Financial instrument risk

The Portfolio's objectives are to provide a high level of interest income and 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 June 30, 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	
	June 30, 2013 \$	Dec. 31, 2012 \$
Number of years		
Less than 1 year	—	389,099
One to three years	949,470	279,302
Three to five years	780,099	102,921
Five to ten years	42,340	944,100
Greater than ten years	36,154	77,705
Total	1,808,063	1,793,127

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NOTES TO FINANCIAL STATEMENTS (cont'd)

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As at the years ended June 30, 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 \$49,990 (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 June 30, 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	
	June 30, 2013	Dec. 31, 2012
R-1 High	—	6.0
R-1 Mid	—	6.5
R-1 Low	—	0.3
AAA	54.2	71.2
AA	26.2	7.5
A	15.5	8.0
BBB	3.0	—
Total	98.9	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 June 30, 2013

Financial assets	Level 1	Level 2	Level 3	Total
Debt securities	142,716	1,665,347	—	1,808,063

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 June 30, 2013 and December 31, 2012 as follows:

	June 30, 2013	Dec. 31, 2012
Aggregate value of securities on loan (\$)	388,882	786,330
Aggregate value of collateral received for the loan (\$)	410,108	828,716

Manager

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Trustee

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