

Semi-Annual Financial Statements

BMO Harris Private Portfolios

June 30, 2014

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 FINANCIAL POSITION

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

| As at | June 30 2014 | December 31 2013 | January 1 2013 |
|--|-------------------------|-----------------------------|---------------------------|
| Assets | | | |
| Current Assets | | | |
| Cash | 10,690 | 9,204 | 1,483 |
| Investments | | | |
| Non-derivative financial assets | 1,930,273 | 2,011,405 | 1,793,127 |
| Receivable for investments sold | 6,937 | — | — |
| Subscriptions receivable | 3,688 | 2,229 | 2,108 |
| Interest receivable | 10,359 | 11,291 | 6,010 |
| Total assets | 1,961,947 | 2,034,129 | 1,802,728 |
| Liabilities | | | |
| Current Liabilities | | | |
| Payable for investments purchased | 17,282 | 8,127 | — |
| Redemptions payable | 958 | 2,215 | 1,380 |
| Distributions payable | 162 | — | — |
| Accrued expenses | 75 | 109 | 98 |
| Total liabilities | 18,477 | 10,451 | 1,478 |
| Net assets attributable to holders of redeemable units | 1,943,470 | 2,023,678 | 1,801,250 |
| Net assets attributable to holders of redeemable units per unit | \$ 10.56 | \$ 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) (unaudited)

STATEMENT OF COMPREHENSIVE INCOME

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

| For the periods ended | June 30 2014 | June 30 2013 |
|--|-------------------------|-------------------------|
| Income | | |
| Interest income | 12,314 | 14,284 |
| Other changes in fair value of investments and derivatives | | |
| Net realized gain | 2,843 | 55,692 |
| Change in unrealized appreciation (depreciation) | 18,460 | (72,435) |
| Net gain (loss) in fair value of investments and derivatives | 33,617 | (2,459) |
| Securities lending | 207 | 140 |
| Foreign exchange gain on cash | 0 | 2 |
| Total other income | 207 | 142 |
| Total income (loss) | 33,824 | (2,317) |
| Expenses | | |
| Sub-advisory fees | 1,090 | 946 |
| Audit fees | 11 | 9 |
| Independent review committee fees | 4 | 2 |
| Withholding taxes | 0 | 0 |
| Custodian fees | 15 | 13 |
| Legal and filing fees | 74 | 48 |
| Unitholder servicing fees | 186 | 188 |
| Printing and stationery fees | 6 | 9 |
| Operating expenses absorbed by the Manager | (1,090) | (946) |
| Total expenses | 296 | 269 |
| Increase (decrease) in net assets attributable to holders of redeemable units | 33,528 | (2,586) |
| Increase (decrease) in net assets attributable to holders of redeemable units per unit (note 3) | 0.18 | (0.02) |

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BMO Harris Canadian Short-Term Bond Portfolio
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STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

(All amounts in thousands of Canadian dollars)

| For the periods ended | June 30 2014 | June 30 2013 |
|--|-------------------------|-------------------------|
| Net assets attributable to holders of redeemable units at beginning of period | 2,023,678 | 1,801,250 |
| Increase (decrease) in net assets attributable to holders of redeemable units | 33,528 | (2,586) |
| Distributions to holders of redeemable units | | |
| From net investment income | (25,606) | (23,470) |
| From net realized gains on investments and derivatives | — | (38,722) |
| Total distributions to holders of redeemable units | (25,606) | (62,192) |
| Redeemable unit transactions | | |
| Proceeds from redeemable units issued | 292,493 | 760,542 |
| Reinvestments of distributions to holders of redeemable units | 24,673 | 60,036 |
| Redemption of redeemable units | (405,296) | (728,521) |
| Net (decrease) increase from redeemable unit transactions | (88,130) | 92,057 |
| Net (decrease) increase in net assets attributable to holders of redeemable units | (80,208) | 27,279 |
| Net assets attributable to holders of redeemable units at end of period | 1,943,470 | 1,828,529 |

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

STATEMENT OF CASH FLOWS

(All amounts in thousands of Canadian dollars)

| For the periods ended | June 30 2014 | June 30 2013 |
|--|-------------------------|-------------------------|
| Cash flows from operating activities | | |
| Increase (decrease) in net assets attributable to holders of redeemable units | 33,528 | (2,586) |
| Adjustments for: | | |
| Foreign exchange gain on cash | — | (2) |
| Net realized gain on sale of investments and derivatives | (2,843) | (55,692) |
| Change in unrealized (appreciation) depreciation of investments and derivatives | (18,460) | 72,435 |
| Increase in receivable for investments sold | (6,937) | — |
| Decrease (increase) in interest receivable | 932 | (4,026) |
| Decrease in accrued interest on money market investments | — | 287 |
| Increase in payable for investments purchased | 9,155 | 4,729 |
| Decrease in accrued expenses | (34) | (22) |
| Amortization of premium and discount | 13,673 | 9,000 |
| Purchases of investments | (430,951) | (1,997,238) |
| Proceeds from sale and maturity of investments | 519,713 | 1,956,272 |
| Net cash from operating activities | 117,776 | (16,843) |
| Cash flows used in financing activities | | |
| Distributions paid to holders of redeemable units, net of reinvested distributions | (771) | (2,028) |
| Proceeds from issuances of redeemable units | 291,034 | 754,778 |
| Amounts paid on redemption of redeemable units | (406,553) | (728,734) |
| Net cash used in financing activities | (116,290) | 24,016 |
| Foreign exchange gain on cash | — | 2 |
| Net increase in cash | 1,486 | 7,173 |
| Cash at beginning of period | 9,204 | 1,483 |
| Cash at end of period | 10,690 | 8,658 |
| Supplementary Information | | |
| Interest received, net of withholding taxes* | 26,919 | 19,545 |

*These items are from operating activities

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

SCHEDULE OF INVESTMENT PORTFOLIO

As at June 30, 2014 (All amounts in thousands of Canadian dollars, unless otherwise noted)

| Security | Par Value (in thousands) | Cost (\$) | Fair Value (\$) |
|--|-----------------------------|--------------|--------------------|
| Bonds & Debentures | | | |
| <i>Federal Bonds — 47.4%</i> | | | |
| Canada Housing Trust, Mortgage Bonds, Series 37, Secured, 2.450% Dec 15, 2015 | 12,300 | 12,537 | 12,537 |
| Canada Housing Trust, Mortgage Bonds, Series 39, Secured, 2.750% Dec 15, 2015 | 28,750 | 29,407 | 29,427 |
| Canada Housing Trust, Mortgage Bonds, Series 41, Secured, 2.750% Jun 15, 2016 | 15,400 | 15,856 | 15,853 |
| Canada Housing Trust, Mortgage Bonds, Series 43, Secured, 1.850% Dec 15, 2016 | 37,950 | 38,260 | 38,430 |
| Canada Housing Trust, Mortgage Bonds, Series 46, Secured, 2.050% Jun 15, 2017 | 35,000 | 35,329 | 35,619 |
| Canada Housing Trust, Mortgage Bonds, Series 49, Secured, 1.700% Dec 15, 2017 | 40,600 | 40,457 | 40,808 |
| Canada Housing Trust, Mortgage Bonds, Series 51, Secured, 1.750% Jun 15, 2018 | 22,400 | 22,266 | 22,483 |
| Canada Housing Trust, Mortgage Bonds, Series 54, Secured, 2.050% Jun 15, 2018 | 20,800 | 20,854 | 21,115 |
| Canada Housing Trust, Mortgage Bonds, Series 56, Secured, 2.350% Dec 15, 2018 | 48,500 | 49,224 | 49,731 |
| Canada Housing Trust, Mortgage Bonds, Series 23, Secured, 4.100% Dec 15, 2018 | 37,500 | 40,945 | 41,251 |
| Canada Housing Trust, Mortgage Bonds, Secured, 1.950% Jun 15, 2019 | 23,250 | 23,316 | 23,354 |
| Government of Canada, 1.500% Aug 1, 2015 | 64,000 | 64,293 | 64,339 |
| Government of Canada, 3.000% Dec 1, 2015 | 1,200 | 1,233 | 1,233 |
| Government of Canada, 1.250% Feb 1, 2016 | 69,500 | 69,635 | 69,701 |
| Government of Canada, 2.000% Jun 1, 2016 | 51,000 | 51,772 | 51,869 |
| Government of Canada, 1.000% Aug 1, 2016 | 45,000 | 44,781 | 44,905 |
| Government of Canada, 1.500% Feb 1, 2017 | 61,750 | 62,016 | 62,254 |
| Government of Canada, 1.500% Mar 1, 2017 | 56,100 | 56,276 | 56,596 |
| Government of Canada, 1.500% Sep 1, 2017 | 23,500 | 23,631 | 23,653 |
| Government of Canada, 1.250% Mar 1, 2018 | 26,750 | 26,578 | 26,656 |
| Government of Canada, 4.250% Jun 1, 2018 | 29,250 | 32,383 | 32,417 |
| Government of Canada, 1.250% Sep 1, 2018 | 80,400 | 78,573 | 79,722 |
| Government of Canada, 1.750% Mar 1, 2019 | 38,000 | 38,195 | 38,371 |
| Government of Canada, 3.750% Jun 1, 2019 | 35,000 | 38,534 | 38,626 |
| | | 916,351 | 920,950 |
| <i>Provincial Bonds — 14.1%</i> | | | |
| Alberta Capital Finance Authority, Notes, 4.350% Jun 15, 2016 | 7,000 | 6,950 | 7,417 |
| Financement-Quebec, Medium Term Notes, Unsecured, 3.500% Dec 1, 2017 | 2,250 | 2,363 | 2,387 |
| Financement-Quebec, Unsecured, Notes, 2.400% Dec 1, 2018 | 11,000 | 11,044 | 11,218 |
| Province of Alberta, 1.750% Jun 15, 2017 | 5,250 | 5,266 | 5,297 |
| Province of Alberta, 1.700% Dec 15, 2017 | 4,250 | 4,204 | 4,269 |
| Province of Alberta, 1.600% Jun 15, 2018 | 4,250 | 4,157 | 4,239 |
| Province of British Columbia, Unsecured, Notes, 4.700% Dec 1, 2017 | 6,650 | 7,258 | 7,344 |

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

SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at June 30, 2014 (All amounts in thousands of Canadian dollars, unless otherwise noted)

| Security | Par Value (in thousands) | Cost (\$) | Fair Value (\$) |
|---|-----------------------------|--------------|--------------------|
| Province of British Columbia, Medium Term Notes, Senior, Unsecured, 4.650% Dec 18, 2018 | 4,250 | 4,736 | 4,775 |
| Province of British Columbia, Unsecured, Notes, 2.250% Mar 1, 2019 | 2,500 | 2,535 | 2,550 |
| Province of Manitoba, Medium Term Notes, 5.200% Dec 3, 2015 | 6,000 | 5,994 | 6,343 |
| Province of Manitoba, Notes, 2.050% Dec 1, 2016 | 7,000 | 7,088 | 7,124 |
| Province of New Brunswick, Unsecured, 4.700% Jul 21, 2016 | 8,000 | 8,482 | 8,551 |
| Province of New Brunswick, 4.450% Mar 26, 2018 | 3,250 | 3,523 | 3,574 |
| Province of New Brunswick, Notes, 4.400% Jun 3, 2019 | 3,000 | 3,331 | 3,330 |
| Province of Ontario, 4.400% Mar 8, 2016 | 12,000 | 12,586 | 12,636 |
| Province of Ontario, 4.300% Mar 8, 2017 | 33,200 | 32,966 | 35,697 |
| Province of Ontario, Unsecured, 1.900% Sep 8, 2017 | 19,750 | 19,735 | 19,947 |
| Province of Ontario, 4.200% Mar 8, 2018 | 11,500 | 12,475 | 12,529 |
| Province of Ontario, Unsecured, 2.100% Sep 8, 2018 | 20,500 | 20,370 | 20,720 |
| Province of Ontario, 4.400% Jun 2, 2019 | 23,000 | 25,460 | 25,530 |
| Province of Quebec, Unsecured, 5.000% Dec 1, 2015 | 29,500 | 31,044 | 31,081 |
| Province of Quebec, Unsecured, Debentures, 4.500% Dec 1, 2016 | 24,500 | 26,145 | 26,320 |
| Province of Quebec, Medium Term Notes, 4.500% Dec 1, 2018 | 5,700 | 6,232 | 6,323 |
| Province of Saskatchewan, Unsecured, Notes, 4.500% Aug 23, 2016 | 5,000 | 5,310 | 5,344 |
| | | 269,254 | 274,545 |
| Municipal Bonds — 1.0% | | | |
| Municipal Finance Authority of British Columbia, Series DQ, Unsecured, Debentures, 5.100% Nov 20, 2018 | 16,500 | 18,362 | 18,673 |
| Corporate Bonds & Debentures — 34.5% | | | |
| American Express Canada Credit Corp., Medium Term Notes, Senior, Unsecured, Unsubordinated, 3.600% Jun 3, 2016 | 2,500 | 2,571 | 2,588 |
| American Express Canada Credit Corp., Medium Term Notes, Senior, Unsecured, 2.310% Mar 29, 2018 | 1,000 | 990 | 1,007 |
| Bank of Montreal, Deposit Notes, Senior, Unsecured, 1.890% Oct 5, 2015 | 8,000 | 8,002 | 8,039 |
| Bank of Montreal, Deposit Notes, Senior, Unsecured, Unsubordinated, 3.490% Jun 10, 2016 | 9,000 | 9,272 | 9,309 |
| Bank of Montreal, Deposit Notes, Unsecured, Unsubordinated, 2.960% Aug 2, 2016 | 8,500 | 8,648 | 8,716 |
| Bank of Montreal, Deposit Notes, Senior, Unsecured, 2.390% Jul 12, 2017 | 8,500 | 8,508 | 8,628 |
| Bank of Montreal, Deposit Notes, Senior, Unsecured, 2.240% Dec 11, 2017 | 9,250 | 9,218 | 9,320 |
| Bank of Montreal, Deposit Notes, Senior, Unsecured, 3.210% Sep 13, 2018 | 8,500 | 8,700 | 8,846 |
| Bank of Montreal, Medium Term Notes, Fixed to Floating, Subordinated, Callable, 5.100% Apr 21, 2021 | 1,200 | 1,280 | 1,269 |
| Bank of Montreal, Medium Term Notes, Fixed to Floating, Unsecured, Subordinated, Callable, 3.979% Jul 8, 2021 | 2,000 | 2,081 | 2,082 |
| Bank of Montreal, Series F, Fixed to Floating, Unsecured, Notes, Subordinated, Callable, 6.170% Mar 28, 2023 | 6,000 | 6,929 | 6,847 |
| Bank of Nova Scotia, Senior, Notes, 3.610% Feb 22, 2016 | 2,500 | 2,569 | 2,582 |
| Bank of Nova Scotia, Unsecured, Notes, 1.800% May 9, 2016 | 5,000 | 4,987 | 5,011 |
| Bank of Nova Scotia, Deposit Notes, Senior, 2.740% Dec 1, 2016 | 8,750 | 8,919 | 8,943 |

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SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at June 30, 2014 (All amounts in thousands of Canadian dollars, unless otherwise noted)

| Security | Par Value (in thousands) | Cost (\$) | Fair Value (\$) |
|--|-------------------------------------|----------------------|----------------------------|
| Bank of Nova Scotia, Deposit Notes, Senior, 2.598% Feb 27, 2017 | 5,500 | 5,552 | 5,607 |
| Bank of Nova Scotia, Deposit Notes, Senior, 4.100% Jun 8, 2017 | 8,000 | 8,414 | 8,509 |
| Bank of Nova Scotia, Deposit Notes, Senior, Unsecured, 2.370% Jan 11, 2018 | 9,000 | 8,993 | 9,101 |
| Bank of Nova Scotia, Senior, Unsecured, Notes, 2.242% Mar 22, 2018 | 9,500 | 9,440 | 9,557 |
| Bank of Nova Scotia, Medium Term Notes, Fixed to Floating, Subordinated, Callable, 2.898% Aug 3, 2022 | 10,000 | 10,138 | 10,244 |
| bcIMC Realty Corp., Series 9, Unsecured, Notes, 2.650% Jun 29, 2017 | 1,500 | 1,512 | 1,537 |
| bcIMC Realty Corp., Series 8, Unsecured, Notes, 2.960% Mar 7, 2019 | 7,000 | 7,145 | 7,211 |
| Bell Aliant Regional Communications LP, Medium Term Notes, 4.880% Apr 26, 2018 | 3,500 | 3,800 | 3,809 |
| Bell Canada, Series M-21, Medium Term Notes, Unsecured, Unsubordinated, 3.600% Dec 2, 2015 | 5,775 | 5,834 | 5,929 |
| Bell Canada, Series M-22, Medium Term Notes, 4.400% Mar 16, 2018 | 7,000 | 7,460 | 7,532 |
| Bell Canada, Series M-25, Senior, Unsecured, Debentures, Unsubordinated, 3.350% Jun 18, 2019 | 3,000 | 3,105 | 3,106 |
| BMW Canada Inc., Senior, Unsecured, Notes, Unsubordinated, 2.640% Aug 10, 2015 | 4,000 | 4,045 | 4,050 |
| BMW Canada Inc., Series F, Senior, Unsecured, Notes, 2.110% May 26, 2016 | 4,000 | 4,020 | 4,031 |
| Caisse centrale Desjardins, Medium Term Deposit Notes, Senior, Unsecured, 2.281% Oct 17, 2016 | 9,000 | 9,026 | 9,098 |
| Canadian Imperial Bank of Commerce, Deposit Notes, Unsecured, 3.400% Jan 14, 2016 | 12,758 | 12,953 | 13,111 |
| Canadian Imperial Bank of Commerce, Deposit Notes, Senior, Unsecured, 2.650% Nov 8, 2016 | 11,000 | 11,120 | 11,219 |
| Canadian Imperial Bank of Commerce, Deposit Notes, Senior, Unsecured, 3.950% Jul 14, 2017 | 2,000 | 2,094 | 2,121 |
| Canadian Imperial Bank of Commerce, Unsecured, Notes, 2.350% Oct 18, 2017 | 4,500 | 4,503 | 4,551 |
| Canadian Imperial Bank of Commerce, Unsecured, Notes, 2.220% Mar 7, 2018 | 5,000 | 4,979 | 5,032 |
| Canadian Imperial Bank of Commerce, Fixed to Floating, Debentures, Subordinated, Callable, 3.150% Nov 2, 2020 | 8,500 | 8,692 | 8,660 |
| Canadian Imperial Bank of Commerce, Medium Term Notes, Fixed to Floating, Subordinated, Callable, 6.000% Jun 6, 2023 | 2,500 | 2,869 | 2,848 |
| Canadian Natural Resources Limited, Medium Term Notes, Senior, Unsecured, 3.050% Jun 19, 2019 | 1,500 | 1,536 | 1,535 |
| Canadian Pacific Railway Company, Medium Term Notes, Unsecured, 6.250% Jun 1, 2018 | 2,000 | 2,275 | 2,296 |
| Canadian Western Bank, Deposit Notes, Senior, Unsecured, 2.531% Mar 22, 2018 | 1,000 | 1,000 | 1,010 |
| Capital Desjardins Inc., Fixed to Floating, Senior, Notes, Callable, 3.797% Nov 23, 2020 | 3,000 | 3,106 | 3,084 |
| Caterpillar Financial Services Limited, Unsecured, 2.630% Jun 1, 2017 | 5,000 | 5,045 | 5,105 |
| Choice Properties Real Estate Investment Trust, Series A, Senior, Unsecured, Notes, 3.554% Jul 5, 2018 | 4,600 | 4,645 | 4,784 |
| CIBC Capital Trust, Series A, Tier 1 Notes, Fixed to Floating, Unsecured, Subordinated, 9.976% Jun 30, 2108 | 3,000 | 3,936 | 3,926 |

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

SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at June 30, 2014 (All amounts in thousands of Canadian dollars, unless otherwise noted)

| Security | Par Value (in thousands) | Cost (\$) | Fair Value (\$) |
|--|-------------------------------------|----------------------|----------------------------|
| Cominar Real Estate Investment Trust, Senior, Unsecured, Notes, 4.274% Jun 15, 2017 | 2,000 | 2,041 | 2,080 |
| Daimler Canada Finance Inc., Senior, Unsecured, Notes, 2.33% Sep 14, 2015 | 1,000 | 1,003 | 1,009 |
| Daimler Canada Finance Inc., Senior, Unsecured, Notes, Unsubordinated, 3.280% Sep 15, 2016 | 2,000 | 2,045 | 2,062 |
| Daimler Canada Finance Inc., Senior, Unsecured, Notes, 2.280% Feb 17, 2017 | 3,750 | 3,753 | 3,786 |
| Dollarama Inc., Senior, Unsecured, Notes, 3.095% Nov 5, 2018 | 1,000 | 1,000 | 1,019 |
| Enbridge Inc., Medium Term Notes, Unsecured, Callable, 5.170% May 19, 2016 | 5,000 | 5,284 | 5,310 |
| Enbridge Inc., Medium Term Notes, Senior, Unsecured, Unsubordinated, 5.000% Aug 9, 2016 | 2,500 | 2,648 | 2,663 |
| Enbridge Income Fund Holdings Inc., Medium Term Notes, Senior, Unsecured, 2.920% Dec 14, 2017 | 2,500 | 2,536 | 2,550 |
| EPCOR Utilities Inc., Medium Term Notes, Senior, Unsecured, Unsubordinated, 5.800% Jan 31, 2018 | 4,000 | 4,449 | 4,498 |
| Ford Credit Canada Ltd., Senior, Unsecured, Notes, 7.500% Aug 18, 2015 | 6,500 | 6,862 | 6,880 |
| Ford Credit Canada Ltd., Senior, Unsecured, Notes, 3.320% Dec 19, 2017 | 3,500 | 3,506 | 3,607 |
| Ford Credit Canada Ltd., Senior, Unsecured, Notes, 2.939% Feb 19, 2019 | 2,250 | 2,243 | 2,273 |
| GE Capital Canada Funding Company, Series A, Medium Term Notes, 5.100% Jun 1, 2016 | 5,866 | 5,845 | 6,240 |
| GE Capital Canada Funding Company, Series A, Medium Term Notes, 5.530% Aug 17, 2017 | 6,500 | 7,097 | 7,198 |
| GE Capital Canada Funding Company, Senior, Unsecured, Notes, 2.420% May 31, 2018 | 7,000 | 6,950 | 7,076 |
| Granite REIT Holdings Limited Partnership, Senior, Unsecured, Notes, 4.613% Oct 2, 2018 | 3,000 | 3,000 | 3,172 |
| Greater Toronto Airports Authority, Series 2007-1, Medium Term Notes, Secured, Callable, 4.850% Jun 1, 2017 | 4,161 | 4,477 | 4,520 |
| Greater Toronto Airports Authority, Series 2008-1, Medium Term Notes, Secured, 5.260% Apr 17, 2018 | 4,000 | 4,442 | 4,466 |
| Great-West LifeCo Finance (Delaware) LP, Fixed to Floating, Debentures, Subordinated, Callable, 5.691% Jun 21, 2067 | 5,000 | 5,522 | 5,509 |
| Great-West LifeCo Finance (Delaware) LP II, Fixed to Floating, Debentures, Subordinated, Callable, 7.127% Jun 26, 2068 | 3,500 | 4,124 | 4,133 |
| Honda Canada Finance, Inc., Senior, Unsecured, Notes, 2.275% Dec 11, 2017 | 2,000 | 2,003 | 2,018 |
| HSBC Bank of Canada, Deposit Notes, 2.572% Nov 23, 2015 | 8,000 | 8,065 | 8,107 |
| HSBC Bank of Canada, Deposit Notes, Senior, 2.901% Jan 13, 2017 | 7,000 | 7,117 | 7,177 |
| Hydro One Inc., Series 10, Medium Term Notes, Unsecured, 4.640% Mar 3, 2016 | 7,500 | 7,855 | 7,885 |
| Hydro One Inc., Series 13, Medium Term Notes, Unsecured, 5.180% Oct 18, 2017 | 1,500 | 1,635 | 1,656 |
| Hydro One Inc., Series 28, Medium Term Notes, Senior, Unsecured, 2.780% Oct 9, 2018 | 1,050 | 1,058 | 1,078 |

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SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at June 30, 2014 (All amounts in thousands of Canadian dollars, unless otherwise noted)

| Security | Par Value (in thousands) | Cost (\$) | Fair Value (\$) |
|---|-------------------------------------|----------------------|----------------------------|
| IGM Financial, Inc., Senior, Unsecured, Notes, Unsubordinated, 6.580% Mar 7, 2018 | 4,328 | 4,935 | 4,965 |
| IGM Financial, Inc., Senior, Unsecured, Notes, Unsubordinated, 7.350% Apr 8, 2019 | 1,500 | 1,799 | 1,810 |
| John Deere Canada Funding Inc., Series 12-01, Senior, Unsecured, 2.300% Jul 5, 2016 | 5,000 | 5,022 | 5,056 |
| John Deere Canada Funding Inc., Series 13-03, Senior, Unsecured, 2.650% Jul 16, 2018 | 1,000 | 1,000 | 1,019 |
| Laurentian Bank of Canada, Series 2010-1, Medium Term Notes, Fixed to Floating, Unsecured, Subordinated, Callable, 3.700% Nov 2, 2020 | 2,500 | 2,568 | 2,553 |
| Loblaw Companies Limited, Series 2019, Senior, Unsecured, Notes, 3.748% Mar 12, 2019 | 6,500 | 6,794 | 6,827 |
| Manufacturers Life Insurance Company, The, Fixed to Floating, Notes, Subordinated, Callable, 2.811% Feb 21, 2024 | 2,000 | 2,014 | 2,024 |
| Manulife Financial Corporation, Medium Term Notes, Senior, Unsecured, 4.079% Aug 20, 2015 | 8,000 | 8,174 | 8,215 |
| Manulife Financial Corporation, Medium Term Notes, Senior, Unsecured, 7.768% Apr 8, 2019 | 1,500 | 1,825 | 1,841 |
| Molson Coors Capital Finance ULC, Senior, Unsecured, Notes, 5.000% Sep 22, 2015 | 4,200 | 4,342 | 4,366 |
| National Bank of Canada, Unsecured, Notes, Unsubordinated, 3.580% Apr 26, 2016 | 3,884 | 3,985 | 4,014 |
| National Bank of Canada, Deposit Notes, Unsecured, 2.794% Aug 9, 2018 | 3,000 | 2,989 | 3,067 |
| National Bank of Canada, Medium Term Notes, Fixed to Floating, Unsecured, Subordinated, Callable, 3.261% Apr 11, 2022 | 12,000 | 12,316 | 12,391 |
| NAV Canada, Series 2006-1, Medium Term Notes, Unsecured, Subordinated, 4.713% Feb 24, 2016 | 2,000 | 2,092 | 2,102 |
| NAV Canada, Series 2009-1, Medium Term Notes, Senior, Unsecured, 5.304% Apr 17, 2019 | 3,800 | 4,302 | 4,333 |
| OMERS Realty Corporation, Notes, 4.740% Jun 4, 2018 | 8,995 | 9,845 | 9,921 |
| RBC Capital Trust, RBC TruCS, Series 2015, Junior, Notes, Subordinated, Perpetual, Callable, Exchangeable, 4.870% Dec 31, 2015 | 5,000 | 5,195 | 5,225 |
| RBC Capital Trust, RBC TruCS, Series 2008-1, Fixed to Floating, Junior, Notes, Subordinated, Perpetual, Callable, 6.821% Dec 31, 2049 | 2,000 | 2,351 | 2,336 |
| Reliance LP, Medium Term Notes, Secured, 4.574% Mar 15, 2017 | 1,000 | 1,011 | 1,050 |
| RioCan Real Estate Investment Trust, Series S, Senior, Unsecured, Notes, 2.870% Mar 5, 2018 | 6,500 | 6,502 | 6,573 |
| RioCan Real Estate Investment Trust, Series Q, Senior, Unsecured, Notes, 3.850% Jun 28, 2019 | 3,050 | 3,191 | 3,181 |
| Rogers Communications, Inc., Senior, Unsecured, Notes, Unsubordinated, 5.800% May 26, 2016 | 6,250 | 6,660 | 6,701 |
| Royal Bank of Canada, Deposit Notes, Senior, Unsecured, Unsubordinated, 3.360% Jan 11, 2016 | 5,000 | 5,111 | 5,135 |
| Royal Bank of Canada, Deposit Notes, Senior, Unsecured, Unsubordinated, 3.030% Jul 26, 2016 | 6,000 | 6,128 | 6,159 |

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SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at June 30, 2014 (All amounts in thousands of Canadian dollars, unless otherwise noted)

| Security | Par Value (in thousands) | Cost (\$) | Fair Value (\$) |
|---|-------------------------------------|----------------------|----------------------------|
| Royal Bank of Canada, Senior, Unsecured, Notes, Unsubordinated, 2.680% Dec 8, 2016 | 9,000 | 9,161 | 9,190 |
| Royal Bank of Canada, Deposit Notes, Senior, Unsecured, Unsubordinated, 3.660% Jan 25, 2017 | 6,189 | 6,361 | 6,471 |
| Royal Bank of Canada, Deposit Notes, Senior, Unsecured, Unsubordinated, 2.580% Apr 13, 2017 | 6,500 | 6,573 | 6,627 |
| Royal Bank of Canada, Deposit Notes, Senior, Unsecured, 2.364% Sep 21, 2017 | 6,000 | 6,018 | 6,070 |
| Royal Bank of Canada, Senior, Unsecured, Notes, 2.260% Mar 12, 2018 | 8,000 | 7,966 | 8,056 |
| Royal Bank of Canada, Deposit Notes, Senior, Unsecured, 2.820% Jul 12, 2018 | 8,050 | 8,096 | 8,246 |
| Royal Bank of Canada, Deposit Notes, Unsecured, 2.890% Oct 11, 2018 | 3,600 | 3,648 | 3,697 |
| Royal Bank of Canada, Deposit Notes, Senior, Unsecured, 2.770% Dec 11, 2018 | 8,700 | 8,752 | 8,884 |
| Royal Bank of Canada, Deposit Notes, Senior, Unsecured, 2.980% May 7, 2019 | 5,500 | 5,652 | 5,670 |
| Scotiabank Tier I Trust, Scotia BaTS III, Series 2009-1, Fixed to Floating, Senior, Unsecured, Notes, Callable, 7.802% Jun 30, 2108 | 3,000 | 3,696 | 3,687 |
| Shaw Communications Inc., Senior, Unsecured, Notes, Callable, 5.700% Mar 2, 2017 | 2,000 | 2,158 | 2,187 |
| Sobeys Inc., Series 2013-1, Senior, Unsecured, Notes, 3.520% Aug 8, 2018 | 2,000 | 1,996 | 2,067 |
| Standard Life Assurance Company of Canada, Fixed to Floating, Notes, Subordinated, Callable, 3.938% Sep 21, 2022 | 4,000 | 4,153 | 4,205 |
| Sun Life Financial Inc., Series A, Medium Term Notes, Fixed to Floating, Senior, Unsecured, Callable, 4.800% Nov 23, 2035 | 7,950 | 8,054 | 8,273 |
| Sun Life Financial Inc., Series B, Fixed to Floating, Senior, Unsecured, Notes, Callable, 4.950% Jun 1, 2036 | 2,000 | 2,121 | 2,109 |
| Suncor Energy Inc., Series 4, Medium Term Notes, Unsecured, Callable, 5.800% May 22, 2018 | 5,105 | 5,739 | 5,777 |
| TD Capital Trust III, Series 2008, CaTS, Fixed to Floating, Unsecured, Notes, Perpetual, Callable, 7.243% Dec 31, 2049 | 5,500 | 6,616 | 6,578 |
| TELUS Corporation, Medium Term Notes, 3.650% May 25, 2016 | 2,000 | 2,064 | 2,069 |
| TELUS Corporation, Series CD, Senior, Unsecured, Unsubordinated, 4.950% Mar 15, 2017 | 5,000 | 5,343 | 5,393 |
| Teranet Holdings LP, Senior, Secured, Notes, 3.531% Dec 16, 2015 | 7,000 | 7,147 | 7,173 |
| Thomson Reuters Corporation, Senior, Unsecured, Notes, Unsubordinated, 5.700% Jul 15, 2015 | 1,000 | 1,039 | 1,041 |
| Thomson Reuters Corporation, Unsecured, Notes, Unsubordinated, 6.000% Mar 31, 2016 | 4,038 | 4,299 | 4,313 |
| Tim Hortons, Inc., Senior, Unsecured, Notes, Unsubordinated, 4.200% Jun 1, 2017 | 4,500 | 4,733 | 4,767 |
| Toronto-Dominion Bank, The, Deposit Notes, 2.948% Aug 2, 2016 | 4,500 | 4,590 | 4,615 |
| Toronto-Dominion Bank, The, Deposit Notes, Senior, Unsecured, 2.433% Aug 15, 2017 | 6,000 | 5,974 | 6,091 |
| Toronto-Dominion Bank, The, Deposit Notes, Senior, Unsecured, 2.171% Apr 2, 2018 | 5,750 | 5,714 | 5,778 |

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

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SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at June 30, 2014 (All amounts in thousands of Canadian dollars, unless otherwise noted)

| Security | Par Value (in thousands) | Cost (\$) | Fair Value (\$) |
|--|-----------------------------|--------------|--------------------|
| Toronto-Dominion Bank, The, Deposit Notes, Unsecured, 2.447% Apr 2, 2019 | 3,000 | 2,999 | 3,022 |
| Toronto-Dominion Bank, The, Medium Term Notes, Fixed to Floating, Unsecured, Subordinated, Callable, 5.828% Jul 9, 2023 | 2,000 | 2,257 | 2,272 |
| Toronto-Dominion Bank, The, Medium Term Notes, Fixed to Floating, Unsecured, Subordinated, Callable, 4.779% Dec 14, 2105 | 10,000 | 10,878 | 10,667 |
| Toronto-Dominion Bank, The, Medium Term Notes, Fixed to Floating, Unsecured, Subordinated, Callable, 5.763% Dec 18, 2106 | 10,500 | 12,023 | 11,733 |
| Toyota Credit Canada Inc., Medium Term Notes, Senior, Unsecured, 2.200% Oct 19, 2017 | 5,000 | 4,991 | 5,036 |
| Toyota Credit Canada Inc., Medium Term Notes, Senior, Unsecured, 2.750% Jul 18, 2018 | 2,000 | 2,006 | 2,046 |
| Toyota Credit Canada Inc., Medium Term Notes, Senior, Unsecured, 2.800% Nov 21, 2018 | 2,000 | 2,045 | 2,047 |
| Trans Quebec & Maritimes Pipeline Inc., Unsecured, Notes, 4.250% Sep 15, 2017 | 2,867 | 2,993 | 3,030 |
| TransCanada PipeLines Limited, Medium Term Notes, Senior, Unsecured, Unsubordinated, 4.650% Oct 3, 2016 | 3,296 | 3,495 | 3,513 |
| TransCanada PipeLines Limited, Medium Term Notes, Unsecured, Callable, 5.100% Jan 11, 2017 | 3,500 | 3,748 | 3,789 |
| VW Credit Canada Inc., Unsecured, Notes, Unsubordinated, 3.600% Feb 1, 2016 | 2,000 | 2,047 | 2,061 |
| VW Credit Canada Inc., Senior, Unsecured, Notes, 2.200% Oct 11, 2016 | 2,000 | 1,999 | 2,018 |
| VW Credit Canada Inc., Senior, Unsecured, Notes, 2.450% Nov 14, 2017 | 2,000 | 2,002 | 2,027 |
| Wells Fargo Financial Canada Corporation, Medium Term Notes, Senior, Unsecured, 2.774% Feb 9, 2017 | 8,093 | 8,203 | 8,282 |
| Wells Fargo Financial Canada Corporation, Medium Term Notes, Senior, Unsecured, 2.780% Nov 15, 2018 | 1,250 | 1,275 | 1,275 |
| Westcoast Energy Inc., Medium Term Notes, Senior, Unsecured, Unsubordinated, 3.280% Jan 15, 2016 | 6,250 | 6,368 | 6,399 |
| Westcoast Energy Inc., Series 9, Medium Term Notes, Senior, Unsecured, Unsubordinated, 5.600% Jan 16, 2019 | 2,000 | 2,228 | 2,255 |
| | | 665,842 | 671,132 |
| Asset-Backed Securities — 2.3% | | | |
| Canadian Credit Card Master Trust, Series 2010-1, Class A, Asset-Backed Notes, 3.444% Jul 24, 2015 | 4,500 | 4,581 | 4,593 |
| Canadian Credit Card Master Trust, Series 2013-1, Credit Card Receivables-Backed, Class A Notes, 1.596% Sep 24, 2015 | 2,000 | 1,999 | 2,001 |
| CARDS II Trust, Series 2010-3, Credit Card Receivables-Backed, Class A Notes, 3.096% Sep 15, 2015 | 1,500 | 1,523 | 1,528 |
| CARDS II Trust, Series 2013-1, Class A, Credit Card Receivables-Backed, 1.984% Jan 15, 2016 | 10,250 | 10,294 | 10,315 |
| Glacier Credit Card Trust, Series 2012-2, Asset-Backed Notes, Senior, 2.394% Oct 20, 2017 | 2,500 | 2,504 | 2,530 |
| Golden Credit Card Trust, Series 2011-1, Credit Card Receivables-Backed Notes, Senior, Secured, 3.510% May 15, 2016 | 10,700 | 11,017 | 11,065 |

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

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SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at June 30, 2014 (All amounts in thousands of Canadian dollars, unless otherwise noted)

| Security | Par Value (in thousands) | Cost (\$) | Fair Value (\$) |
|---|-------------------------------------|----------------------|----------------------------|
| Master Credit Card Trust, Series 2011-1, Class A, Credit Card Receivables-Backed Notes, Secured, 3.502% May 21, 2016 | 2,000 | 2,060 | 2,068 |
| Master Credit Card Trust, Series 2012-1, Class A, Credit Card Receivables-Backed Notes, Secured, 2.626% Jan 21, 2017 | 8,000 | 8,113 | 8,161 |
| Master Credit Card Trust II, Series 2013-4, Class A, Credit Card Receivables-Backed Notes, 2.723% Nov 21, 2018 | 1,500 | 1,505 | 1,533 |
| NBC Asset Trust, Fixed to Floating, Secured, Subordinated, Perpetual, Callable, Asset-Backed, 7.235% Jun 30, 2049 | 1,000 | 1,184 | 1,179 |
| | | 44,780 | 44,973 |
| Total Investment Portfolio — 99.3% | | 1,914,589 | 1,930,273 |
| Other Assets Less Liabilities — 0.7% | | | 13,197 |
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS — 100.0% | | | 1,943,470 |

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

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June 30, 2014

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 address of the Portfolio’s registered office is 1 First Canadian Place, 41st Floor, Toronto, Ontario.

The information provided in these interim financial statements is for the periods ended June 30, 2014 and June 30, 2013, except for the comparative information in the Statement of Financial Position and the related notes, which are as at December 31, 2013 and January 1, 2013.

These financial statements were authorized for issue by BMO Trust Company, the trustee, on August 12, 2014.

2. Basis of preparation and presentation

These interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) IAS 34 Interim Financial Reporting. These are the Portfolio’s first interim financial statements during the first year of reporting in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

As required by Canadian securities legislation and the Canadian Accounting Standards Board, the Portfolio has adopted this basis of accounting effective January 1, 2014. The Portfolio’s financial statements were previously prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”), as previously defined and as described in the notes to the Portfolio’s annual financial statements for the year ended December 31, 2013. Canadian GAAP, as previously defined, differs in some areas from IFRS. To comply with IFRS, the Portfolio has amended certain accounting policies, classification, measurement and disclosure previously applied in the Canadian GAAP financial statements.

As required under IFRS, the Portfolio has:

- provided comparative financial information including an opening Statement of Financial Position as at the transition date
- retroactively applied all IFRS, other than in respect of elections taken under IFRS 1; and
- applied all mandatory exceptions as applicable for the first-time adopters of IFRS.

The interim financial statements should be read in conjunction with the Portfolio’s Canadian GAAP annual financial statements for the year-ended December 31, 2013.

Note 8(h) contains reconciliations and descriptions of the effects of the transition to IFRS on the Portfolio’s reported financial position, financial performance and cash flows.

The policies applied in these interim financial statements are based on IFRS issued and outstanding as of August 12, 2014, the date the Manager approved the statements. Any subsequent changes to IFRS that are given effect in the Portfolio’s annual financial statements for the period ending December 31, 2014 could result in a restatement of these interim financial statements, including the transition adjustments.

3. Summary of significant accounting policies

Financial instruments

The Portfolio records financial instruments at fair value. Investment transactions are accounted for on the trade date. The Fund’s investments are either designated as fair value through profit or loss (“FVTPL”) at inception or classified as held for trading. The changes in the investment fair values and related transaction costs are recorded in the Portfolio’s Statement of Comprehensive Income.

Financial assets or financial liabilities held for trading are those acquired or incurred principally for the purpose of selling or repurchasing in the near future, or on initial recognition, are part of a portfolio of identified financial instruments that the Portfolio manages together and that have a recent actual pattern of short-term profit taking. The Portfolio classifies all derivatives and short positions as held for trading. The Portfolio does not designate any derivatives as hedges in a hedging relationship.

The Portfolio designates all other investments as FVTPL, as they have reliably measurable fair values, are part of a group of financial assets or liabilities that are managed and have their performance evaluated on a fair value basis in accordance with the Fund’s investment strategy.

The Portfolio’s redeemable units contain multiple contractual obligations and consequently, do not meet the conditions to be classified as equity. As a result, the Fund’s obligations for net assets attributable to holders of redeemable units are presented at the redemption amounts.

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NOTES TO FINANCIAL STATEMENTS (cont'd)

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All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid or discounted, when appropriate, at the contract's effective interest rate.

Cost of investments

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

Fair value measurement

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

For exchange traded securities, close prices are considered to be fair value if they fall within the bid-ask spread. In circumstances where the close price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

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 fair value is represented by bid prices provided by independent security pricing services. Short-term investments, if any, are amortized at cost which approximates fair value.

Exchange traded funds held as investments are valued at their respective Net Asset Value ("NAV") on each Valuation Date (the "Valuation Date" is each day on which the Toronto Stock Exchange is open for trading), as these values are the most readily and regularly available.

For securities where market quotes are not available, unreliable or not considered to reflect the current value, the Portfolio may determine another value which it considers to be fair and reasonable, 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. These estimation techniques include discounted

cash flows, internal models that utilize observable data, or comparisons with other securities that are substantially similar. In limited circumstances, the Fund uses internal models where the inputs are not based on observable market data.

Derivative instruments

Derivative instruments are financial contracts that derive their value from underlying changes in interest rates, foreign exchange rates, or other financial or commodity prices or indices.

Derivative instruments are either regulated exchange-traded contracts or negotiated over-the-counter contracts. The Portfolio may use these instruments for trading purposes, as well as to manage the Portfolio's risk exposures.

Derivatives are marked to fair value. Realized and unrealized gains and losses are recorded in the Statement of Comprehensive Income.

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 economic 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 shifting the 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.

Income recognition

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

Interest income from interest bearing investments is recognized in the Statement of Comprehensive Income using the effective interest rate. Interest receivable shown in the Statement of Financial Position is accrued based on the interest bearing instruments' stated rates of interest.

Interest on inflation-indexed bonds is paid based on a principal value, which is adjusted for inflation.

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The inflation adjustment of the principal value is recognized as part of interest income in the Statement of Comprehensive Income. 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 Date based on the inflation adjusted par value at that time and is included in "Interest income" in the Statement of Comprehensive Income.

Foreign currency translation

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 period-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 gains (losses)" and unrealized foreign exchange gains (losses) are included in "Change in unrealized appreciation (depreciation)" in the Statement of Comprehensive Income. Foreign exchange gains and losses relating to cash are included as "Foreign exchange gain (loss) on cash".

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 Comprehensive Income and is recognized when earned. The market value of the securities loaned and collateral held is determined daily. Aggregate values of securities held in trust as at June 30, 2014, and December 31, 2013 and January 1, 2013, where applicable, are disclosed in Note 8(e).

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 "Short-term penalty fees" in the Statement of Comprehensive Income.

Cash

Cash is comprised of cash and deposits with banks, which include banker acceptances and overnight demand deposits. Cash is recorded at amortized cost.

Other assets and other liabilities

Dividend receivable, interest receivable, distributions from investment trust units receivable, due from broker and subscriptions receivable, are initially measured at fair value and subsequently measured at amortized cost. Similarly, due to broker, redemptions payable and accrued expenses, are initially measured at amortized cost. Other assets and liabilities are short-term in nature, and are carried at cost or amortized cost, which approximates fair value.

Increase or decrease in net assets attributable to holders of redeemable units

"Increase (decrease) in net assets attributable to holders of redeemable units" in the Statement of Comprehensive Income represents, the increase (decrease) in net assets attributable to holders of redeemable units divided by the weighted average number of units outstanding during the period.

Taxation

The Portfolio qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada). Distributions of all net taxable income and sufficient amounts of net realized capital gains for each taxation year will be paid to unitholders so that the Portfolio will not be subject to income tax. As a result, the Portfolio has determined that it is in substance not taxable and therefore does not record income taxes in the Statement of Comprehensive Income and or recognize any deferred tax assets in the Statement of Financial Position.

The Portfolio may incur withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis with the related withholding taxes shown as a separate expense in the Statement of Comprehensive Income.

Investments in subsidiaries, joint ventures and associates

Subsidiaries are entities over which the Portfolio has control through its exposure or rights to variable returns from its investment, and has the ability to affect those returns through its power over the entity. The Portfolio has determined that it is an investment entity and as such, it accounts for subsidiaries at fair value. Joint ventures are those where the Portfolio exercises joint control through an agreement with other shareholders. Associates are investments in which the Portfolio exerts significant influence over operating, investing, and financing decisions (such as companies in which the

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Portfolio owns 20% - 50% of voting shares), all of which have been designated at FVTPL.

Accounting standards issued but not yet adopted

Below are accounting standards issued or amended but not yet effective and not yet adopted. The Manager does not expect the adoption of these standards or amendments to have a significant impact to the Portfolio's financial statements.

In July 2014, the IASB issued the most recent version of IFRS 9 Financial Instruments, which addresses classification and measurement, impairment and hedge accounting.

The new standard requires assets to be carried at amortised cost, fair value through profit and loss or fair value through

comprehensive income based on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial asset. The classification and measurement of liabilities remains generally unchanged with the exception of liabilities recorded at fair value through profit and loss. For these liabilities, fair value changes attributable to changes in the entity's own credit risk are to be presented in other comprehensive income unless they affect amounts recorded in income.

The new standard also addresses impairment of financial assets. It also introduced a new hedge accounting model that expands the scope of eligible hedged items and risks eligible for hedge accounting, and aligns hedge accounting more closely with risk management.

The new standard is effective for the Portfolio for its fiscal year beginning January 1, 2018. The Portfolio is evaluating the impact of this standard on its financial statements.

4. Critical accounting estimates and judgments

The most significant accounting estimates and judgments that the Portfolio has made in preparing the financial statements relate to the fair value measurement and classification of investments.

The Portfolio has established policies and control procedures that are intended to ensure these judgments are well controlled, independently reviewed, and consistently applied from period to period. The estimates of the value of the Portfolio's assets and liabilities are believed to be appropriate as at the reporting date.

The Portfolio may hold financial instruments that are not quoted in active markets. Note 3 discusses the estimates used in determining fair value.

In classifying and measuring financial instruments held by the Portfolio, the Manager is required to make significant judgments about whether or not the business of the Portfolio is to invest on a total return basis for the purpose of applying the fair value options for financial assets.

5. Units and unit transactions

The redeemable units of the Portfolio are classified as liabilities.

The units have no par value and are entitled to distributions, if any. Upon redemption, a unit is entitled to a proportionate share of the Portfolio's NAV. The Portfolio is required to pay distributions in an amount not less than the amount necessary to ensure the Portfolio will not be liable for income taxes. The Portfolio has no restrictions or specific capital requirements on the subscriptions and redemptions of units except as disclosed in Note 8(a). The relevant movements in redeemable units are shown on the Statement of Changes in Net Assets Attributable to Holders of Redeemable Units. In accordance with its investment objectives and strategies, and the risk management practices outlined in Note 7, the Portfolio endeavours to invest the subscriptions received in appropriate investments, while maintaining sufficient liquidity to meet redemptions, with such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

Redeemable 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 of a particular series. 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 the liabilities) by the total number of units of the Portfolio outstanding at such time.

6. 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

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servicing fees" in the Statement of Comprehensive Income.

The sub-advisors (including affiliates of the Manager, where applicable) engaged by the Manager provide investment advice and make investment decisions for the Portfolio. For these services, the sub-advisors receive sub-advisory fees that are paid monthly by the Manager. These expenses are included in "Sub-advisory fees" in the Statement of Comprehensive Income. 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 Comprehensive Income. Refer to Note 8(d) for related party fees charged to the Portfolio for the periods ended June 30, 2014 and June 30, 2013.

(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 subsidiaries or affiliates of Bank of Montreal group, 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 subsidiaries or affiliates of Bank of Montreal, 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., F&C Asset Management plc, or other investment funds offered by BMO, and may involve the purchase or sale of portfolio securities through or from a subsidiary or affiliate of Bank of Montreal, the purchase or sale of securities issued or guaranteed by a subsidiary or affiliate of Bank of Montreal, entering into forward contracts with a subsidiary or affiliate of Bank of Montreal acting as counterparty, the purchase or redemption of units of other BMO Harris Private Portfolios or the provision of services to the Manager.

7. Financial instrument risk

The Portfolio's activities expose it to a variety of risks associated with the financial instruments, as follows: market risk (including currency risk, interest rate risk and other market risk), credit risk and liquidity risk. The concentration table groups securities by asset

type, geographic location and/or market segment. The Portfolio's risk management practice outlines 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.

(a) Currency risk

Currency risk is the risk that the value of financial instruments 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 disclosed in Note 8(e).

(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 8(e).

(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 or market segment. 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 8(e).

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(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 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 8(e).

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, as disclosed in Note 8(e).

(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. The proportion of illiquid securities to the 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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8. 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) | Jun. 30, 2014 | Jun. 30, 2013 |
|---|------------------|------------------|
| Units issued and outstanding, beginning of period | 192,280 | 164,073 |
| Issued for cash | 27,640 | 71,074 |
| Issued on reinvestment of distributions | 2,332 | 5,635 |
| Redeemed during the period | (38,284) | (67,156) |
| Units issued and outstanding, end of period | 183,968 | 173,626 |

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) Increase (decrease) in net assets attributable to holders of redeemable units per unit

The increase (decrease) in net assets attributable to holders of redeemable units per unit for the periods ended June 30, 2014 and June 30, 2013 is calculated as follows:

| | Jun. 30, 2014 | Jun. 30, 2013 |
|--|------------------|------------------|
| Increase (decrease) in net assets attributable to holders of redeemable units | 33,528 | (2,586) |
| Weighted average units outstanding during the period | 181,724 | 144,289 |
| Increase (decrease) in net assets attributable to holders of redeemable units per unit | 0.18 | (0.02) |

(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

Unitholder servicing

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

| | Jun. 30, 2014 | Jun. 30, 2013 |
|---------------------------|------------------|------------------|
| Unitholder servicing (\$) | 123 | 126 |

Brokerage commissions and soft dollars

There were no brokerage commissions charged to the Portfolio during the periods ended June 30, 2014 and June 30, 2013.

(e) 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, 2014, December 31, 2013, and January 1, 2013, 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.

| Number of years | Interest Rate Exposure as at | | |
|------------------------|------------------------------|------------------|------------------|
| | Jun. 30, 2014 | Dec. 31, 2013 | Jan. 1, 2013 |
| Less than one year | — | — | 389,099 |
| One to three years | 1,023,936 | 1,026,199 | 279,302 |
| Three to five years | 898,724 | 862,384 | 102,921 |
| Five to ten years | 7,613 | 70,764 | 944,100 |
| Greater than ten years | — | 52,058 | 77,705 |
| Total | 1,930,273 | 2,011,405 | 1,793,127 |

As at June 30, 2014, December 31, 2013 and January 1, 2013, 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 \$54,710 (December 31, 2013 – \$55,390, January 1, 2013 - \$75,822). The Portfolio's interest rate sensitivity was determined based on portfolio weighted duration. In practice, actual

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NOTES TO FINANCIAL STATEMENTS (cont'd)

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

June 30, 2014

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, 2014, December 31, 2013 and January 1, 2013 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:

| As a % of Net Assets as at | | | |
|----------------------------|------------------|------------------|-----------------|
| Credit Rating | Jun. 30, 2014 | Dec. 31, 2013 | Jan. 1, 2013 |
| R-1 High | - | - | 6.0 |
| R-1 Mid | - | - | 6.5 |
| R-1 Low | - | - | 0.3 |
| AAA | 53.0 | 53.4 | 71.2 |
| AA | 22.3 | 21.8 | 7.5 |
| A | 16.1 | 17.4 | 8.0 |
| BBB | 7.9 | 6.8 | - |
| BB | - | - | - |
| Total | 99.3 | 99.4 | 99.5 |

Securities lending

The Portfolio had assets involved in securities lending transactions outstanding as at June 30, 2014, December 31, 2013 and January 1, 2013 as follows:

| | Aggregate Value of Securities on Loan (\$) | Aggregate Value of Collateral Received for the Loan (\$) |
|-------------------|--|---|
| June 30, 2014 | 610,341 | 641,464 |
| December 31, 2013 | 651,973 | 692,100 |
| January 1, 2013 | 786,330 | 828,716 |

Concentration risk

The following is a summary of the Portfolio's concentration risk:

| | Jun. 30, 2014 | Dec. 31, 2013 | Jan. 1, 2013 |
|----------------------------------|------------------|------------------|-----------------|
| Bonds & Debentures | | | |
| Federal Bonds | 47.4% | 48.2% | 65.1% |
| Provincial Bonds | 14.1% | 12.9% | 12.3% |
| Municipal Bonds | 1.0% | 0.9% | 3.4% |
| Corporate Bonds & Debentures | 34.5% | 35.2% | 5.2% |
| Asset-Backed Securities | 2.3% | 2.2% | 0.7% |
| Money Market Investments | | | |
| Federal | —% | —% | 6.0% |
| Provincial | —% | —% | 6.8% |
| Other Assets Less Liabilities | 0.7% | 0.6% | 0.5% |
| | 100.0% | 100.0% | 100.0% |

(f) Financial assets and financial liabilities

Categories of financial assets and financial liabilities

The table below shows the categories of financial assets and financial liabilities.

| | Jun. 30, 2014 | Dec. 31, 2013 | Jan. 1, 2013 |
|---|------------------|------------------|-----------------|
| Financial assets designated at FVTPL | 1,930,273 | 2,011,405 | 1,793,127 |
| Loans and receivables | 20,984 | 13,520 | 8,118 |
| Financial liabilities measured at amortized cost | 18,477 | 10,451 | 1,478 |

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NOTES TO FINANCIAL STATEMENTS (cont'd)

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June 30, 2014

Net gains and losses on financial assets and financial liabilities at fair value

| | Jun. 30, 2014 | Jun. 30, 2013 |
|---|------------------|------------------|
| Net realized gains on financial assets at FVTPL | | |
| Designated at FVTPL | 15,157 | 69,976 |
| | 15,157 | 69,976 |
| Total net realized gains on financial assets at FVTPL | 15,157 | 69,976 |
| Change in unrealized gains (losses) on financial assets at FVTPL | | |
| Designated at FVTPL | 18,460 | (72,435) |
| | 18,460 | (72,435) |
| Total change in unrealized gains (losses) on financial assets at FVTPL | 18,460 | (72,435) |

(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 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 observable 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 tables below show the relevant disclosure.

As at Jun. 30, 2014

| Financial assets | Level 1 | Level 2 | Level 3 | Total |
|------------------|-----------|---------|---------|-----------|
| Debt Securities | 1,930,273 | — | — | 1,930,273 |

As at Dec. 31, 2013

| Financial assets | Level 1 | Level 2 | Level 3 | Total |
|------------------|-----------|---------|---------|-----------|
| Debt Securities | 2,011,405 | — | — | 2,011,405 |

As at Jan. 1, 2013

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

Transfers between levels

There were no transfers between levels during the periods.

(h) Transition to IFRS

The differences between the Portfolio's Canadian GAAP accounting policies and IFRS requirements resulted in measurement and classification differences on transition to IFRS. The net impact of these differences was recorded in opening Net Assets as of January 1, 2013.

The following information reflects the Portfolio's transition elections under IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1"), the standard for first-time adoption and the significant accounting changes resulting from our adoption of IFRS. The general principle under IFRS 1 is retroactive application, such that the Portfolio's Statement of Financial Position as at January 1, 2013 was restated as though the Portfolio has always applied IFRS with the net impact shown as an adjustment to opening Net Assets.

Transition elections

The fund had applied the voluntary exemption upon transition to designate financial assets or financial liabilities at FVTPL. All financial assets designated at FVTPL upon transition were previously recorded at fair value under Canadian GAAP as required by Accounting Guideline 18, Investment Companies.

Statement of cash flows

Under Canadian GAAP, the Portfolio was exempt from providing a Statement of Cash Flows. IAS 1, Presentation of Financial Statements ("IAS 1"), requires that a Statement of Cash Flows to be presented as part of a complete set of financial statements. As such, the Portfolio has presented a Statement of Cash Flows in the interim financial statements for the periods ended June 30, 2014 and June 30, 2013.

Classification of redeemable units issued by the Portfolio

Under Canadian GAAP, redeemable units of the Portfolio were accounted for as equity. IAS 32, Financial Instruments: Disclosure and Presentation ("IAS 32"), however, requires an assessment to determine whether the units issued to unitholders are puttable instruments that qualify for equity classification. The Portfolio's units do not meet the criteria in IAS 32 for equity classification and therefore, have been reclassified as financial liabilities on transition to IFRS and presented on the Statement of Financial Position as Net Assets.

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NOTES TO FINANCIAL STATEMENTS (cont'd)

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June 30, 2014

Revaluation of investments at FVTPL

Canadian GAAP required the use of bid prices for long positions and ask prices for short positions in determining fair valuation of investments traded in an active market, rather than the use of close prices used for the purpose of determining NAV. IFRS 13, Fair Value Measurement (“IFRS 13”), requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. The standard also allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. Upon adoption of IFRS, the fund has determined that for traded securities, close prices on the reporting date are considered to be fair value, if they fall within the bid-ask spread. See Note 3 for the Portfolio’s fair value measurement policy.

period ended June 30, 2013 to conform to the IFRS presentation.

Reconciliation of Net Assets as reported under Canadian GAAP to IFRS

| | Dec. 31, 2013 | Jun. 30, 2013 | Jan. 1, 2013 |
|---|------------------|------------------|-----------------|
| Net assets representing unitholders' equity under Canadian GAAP | 2,023,678 | 1,828,529 | 1,801,250 |
| Revaluation of investments at FVTPL | — | — | — |
| Net assets attributable to holders of redeemable units | 2,023,678 | 1,828,529 | 1,801,250 |

Reconciliation of increase (decrease) in net assets reported under Canadian GAAP to IFRS

| | Dec. 31, 2013 | Jun. 30, 2013 |
|---|------------------|------------------|
| Increase (decrease) in net assets from operations under Canadian GAAP | 25,158 | (2,586) |
| Revaluation of investments at FVTPL | — | — |
| Increase (decrease) in net assets attributable to holders of redeemable units | 25,158 | (2,586) |

Presentation of Interest Income

Under Canadian GAAP, the Portfolio presented interest income on debt instruments in the Statement of Operations calculated using the stated rate without amortization of discounts, premiums or transaction costs. IFRS requires interest income to be calculated using the effective interest method. As a result, \$9,000 was reclassified from “change in unrealized appreciation (depreciation)” to “Interest Income” in the Statement of Comprehensive Income for the

Manager

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