

Semi-Annual Management Report of Fund Performance

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

For the period ended June 30, 2013

This semi-annual management report of fund performance contains financial highlights, but does not contain semi-annual or annual financial statements of the Portfolio. If the semi-annual or annual financial statements of the Portfolio do not accompany the mailing of this report, you may obtain a copy of the semi-annual or annual financial statements at your request, and at no cost, by calling 1-800-361-1392, by e-mailing us at contact.centre@bmo.com, by writing to us at BMO Harris Investment Management Inc., 1 First Canadian Place, 100 King St. W., 41st Floor, Toronto, Ontario, M5X 1H3 or by visiting our website at www.bmoharrisprivatebanking.com or SEDAR at www.sedar.com. You may also contact us using one of these methods to request a copy of the Portfolio's proxy voting policies and procedures, proxy voting disclosure record and/or quarterly portfolio disclosure.

Management Discussion of Fund Performance

BMO Harris Investment Management Inc. (“BHIMI” or the “Manager”), the manager and portfolio manager, is responsible for the management of the overall business, investments and operations of the BMO Harris Private Portfolios and has engaged BMO Asset Management Inc. (“BMO AM Inc.” or the “sub-advisor”) as sub-advisor of BMO Harris Canadian Short-Term Bond Portfolio (the “Portfolio”).

Results of Operations

Effective January 25, 2013, the Portfolio's investment strategies changed to permit the sub-advisor to select fixed income securities in reference to the characteristics of a widely recognized Canadian short-term bond index. In conjunction with this change, the Portfolio's benchmark changed to the DEX Short Term Bond Index (100%) from its previous benchmark, which was made up of the DEX Short Term Bond Index (50%) and the DEX Mid Term Bond Index (50%) (the “blended benchmark”). In addition, the Portfolio's name changed from BMO Harris Canadian Bond Income Portfolio to its current name.

For the six-month period ended June 30, 2013, the Portfolio's return, after expenses, was flat at 0.00%. The blended benchmark generated a -0.60% total return over the same six-month period. The DEX Short Term Bond Index's total return was 0.30% over the same six-month period.

Yields on Canadian bonds remained relatively flat during the first half of the period. Later in the period, however, yields moved notably higher after the U.S. Federal Reserve Board (the “Fed”) hinted at potentially reducing its bond-buying program in the near future. The potential impact of fewer stimulative measures caused yields to surge around the world, which resulted in a sell-off of yield-oriented assets. Yields increased further in June 2013, after Fed Chairman Ben Bernanke confirmed his intent to reduce his bond-buying program — possibly before the end of 2013. This resulted in a further sell-off in all assets including bonds, equities and commodities.

With yields declining earlier in the period, short- and mid-duration bonds and corporate bonds posted gains. The majority of the bond market activity, however, occurred later in the period following the Fed's announcement. After that meeting, yields rose across all maturities, especially mid-term maturities, which resulted in a steepening of the Canadian federal yield curve. The yield on 10-year Government of Canada bonds increased 69 basis points (“bps”). The spread between two- and 10-year Canadian yields increased 68.5 bps over the period, with the majority of the move happening in the second half of the period. The spread between Canadian corporate and federally issued bonds narrowed by 11 bps over the period, which slightly offset the negative impact of rising interest rates for corporate bonds.

BMO Harris Canadian Short-Term Bond Portfolio

Credit spreads narrowed 11 bps, which contributed somewhat to the Portfolio's performance over the period. The Portfolio's higher weighting in AA and A bonds, as well as its lower weighting in BBB bonds, also contributed to performance.

Rising rates detracted from the Portfolio's performance later in the period as the Portfolio had a slightly higher duration of 2.81 years (compared to the 2.78 duration of the benchmark).

Bond issues that dropped out of the benchmark during the period were sold from the Portfolio accordingly. Proceeds were then used to buy other bond issues that were part of the benchmark. When or if cash was needed to meet redemptions, issues were sold to fund the cash outflows, while maintaining the characteristics of the benchmark. Incoming cash flows and proceeds from bonds dropping out of the benchmark were used to purchase other bonds that made up the benchmark. Purchases were made to best match the various characteristics of the benchmark.

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

Recent Developments

The sub-advisor believes the spike in yields that occurred later in the period was likely an overreaction to the potential reduction of the Fed's bond-buying program. The sub-advisor believes the Bank of Canada should keep its overnight rate at 1.00% for the remainder of 2013, given it has already raised rates since coming out of the credit crisis. While data suggests the U.S. economy has strengthened, economic data out of Canada has been steady but not strong enough to warrant higher interest rates. The sub-advisor believes Canada's monetary policy is appropriate for the country's current economic conditions, whereas U.S. monetary policy is more fitting for much slower economic conditions. In the absence of unforeseen economic events, the sub-advisor expects interest rates to normalize over the remainder of 2013.

The sub-advisor believes that if the Fed does taper off its bond-buying program, this would be the result of strengthening macroeconomic conditions. The sub-

advisor also believes improving economic conditions are positive for corporations, and that a further narrowing of credit spreads may follow.

The sub-advisor believes rising yields, particularly in mid-term bonds, will likely result in a further rotation out of longer-duration bonds and into the shorter-end of the yield curve. Consequently, the sub-advisor believes shorter-duration bonds may outperform longer-duration bonds, and corporate bonds may outperform government-related issues, as long as there are no negative macroeconomic events until the end of 2013.

Future Accounting Standards

Canadian investment entities will be required to prepare their financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board, for fiscal years beginning on or after January 1, 2014. 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 generally accepted accounting principles ("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

BMO Harris Canadian Short-Term Bond Portfolio

standard allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical means for fair value measurements within a bid-ask spread. Thus, this standard will impact the net assets per unit for financial statement reporting purposes compared to current standards, and may also result in the elimination of the differences between the net asset per unit and net asset value per unit (“NAVPU”) at the financial statement reporting date. 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.

Related Party Transactions

BMO Trust Company, an indirect, wholly-owned subsidiary of Bank of Montreal (“BMO”), is the trustee (the “trustee”) and BHIMI is the manager of the Portfolio. From time to time, BHIMI may, on behalf of the Portfolio, enter into transactions or arrangements with or involving other members of BMO Financial Group, or certain other persons or companies that are related or connected to the Portfolio (each, a “related party” and collectively, the “related parties”).

Sub-advisor

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

Buying and Selling Securities

Investing in BMO Debt Securities in the Secondary Market, Investing in Non-Government Debt Securities Underwritten by BMO Nesbitt Burns Inc., Trading in Debt Securities with BMO Nesbitt Burns Inc., Trading as Principal, and Inter-fund Trades

During the period, the Manager relied on an approval and standing instruction provided by the Portfolio’s Independent Review Committee (“IRC”) with respect to the following related party transactions:

- (a) investments in debt securities issued by BMO, or an issuer related to BMO, in the secondary market;
- (b) investments in a class of equity and/or non-government debt securities of an issuer during the period of distribution of those securities to the public and/or the 60-day period following the distribution period where BMO Nesbitt Burns Inc., an affiliate of the Manager, acted as an underwriter in the distribution;
- (c) trades in debt securities in the secondary market with BMO Nesbitt Burns Inc., who is trading with the Portfolio as principal; and
- (d) inter-fund trades (each, a “Related Party Transaction”).

In accordance with the IRC’s approval and standing instruction, in making a decision to cause the Portfolio to make a Related Party Transaction, the Manager and the sub-advisor of the Portfolio are required to comply with the Manager’s written policies and procedures governing the Related Party Transaction and report periodically to the IRC, describing each instance that the Manager and the sub-advisor relied on the approval and standing instruction and their compliance or non-compliance with the governing policies and procedures.

BMO Harris Canadian Short-Term Bond Portfolio

The governing policies and procedures are designed to ensure the Related Party Transaction (i) is made free from any influence by an entity related to the Manager or any associate or affiliate of the Manager and without taking into account any consideration relevant to the Manager or any associate or affiliate of the Manager, (ii) represents the business judgement of the Manager or sub-advisor, as the case may be, uninfluenced by considerations other than the best interests of the Portfolio, and (iii) achieves a fair and reasonable result for the Portfolio.

Wealth Management Fee

Units of the Portfolio are only available through the wealth management service offered by BMO Financial Group. The trustee, a related party, receives an annual fee from each investor for the wealth management service offered by BMO Financial Group. A tiered schedule is applied to calculate the annual fee for this service. The fee schedule starts at 1.95% and declines to 0.20% (depending on the nature and size of the investor's investment portfolio), and is calculated as a percentage of the assets under management. The actual wealth management fee payable by each investor is set out in BHIMI's *Investment Management Fee Schedule* that has been provided to the investor when the investor enters into an investment management agreement with the trustee and BHIMI. The wealth management fee is paid directly by the investor to the trustee. The trustee may compensate financial institutions and securities registrants within BMO Financial Group for client referrals to the wealth management service.

Unitholder Services

The Portfolio is provided with certain facilities and services by related parties. BMO AM Inc. is the registrar of the Portfolio. The trustee and BMO AM Inc. are paid by the Portfolio for fees relating to the custodial and administrative services they provide, respectively. Administrative services include fund accounting, record keeping and purchases/redemption order processing. The fees charged to the Portfolio during the period were as follows:

	Period ended June 30, 2013 (\$000s)	Period ended June 30, 2012 (\$000s)
Unitholder Services	126	130

Management Fee

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

BMO Harris Canadian Short-Term Bond Portfolio

Financial Highlights

The following tables show selected key financial information about the Portfolio and are intended to help you understand the Portfolio's financial performance for the periods indicated.

The Portfolio's Net Assets Per Unit ⁽¹⁾	Six months ended June 30, 2013	Years ended December 31				
		2012	2011	2010	2009	2008
Net assets, beginning of period	\$ 10.98	11.08	10.66	10.51	10.36	10.28
Increase (decrease) from operations:						
Total revenue	\$ 0.16	0.36	0.35	0.41	0.45	0.50
Total expenses	\$ (0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)
Realized gains (losses) for the period	\$ 0.39	(0.00)	(0.02)	0.05	0.01	0.05
Unrealized gains (losses) for the period	\$ (0.57)	(0.10)	0.46	0.10	0.11	0.04
Total increase (decrease) from operations ⁽²⁾	\$ (0.02)	0.26	0.79	0.55	0.57	0.59
Distributions:						
From income (excluding dividends)	\$ 0.16	0.36	0.35	0.41	0.46	0.50
From dividends	\$ —	—	—	—	—	—
From capital gains	\$ 0.29	—	—	—	—	—
Return of capital	\$ —	0.00	0.00	0.00	0.00	—
Total Annual Distributions ⁽³⁾	\$ 0.45	0.36	0.35	0.41	0.46	0.50
Net assets, end of period	\$ 10.53	10.98	11.08	10.66	10.51	10.36

⁽¹⁾ This information is derived from the Portfolio's audited annual financial statements and unaudited June 30, 2013 semi-annual financial statements. The net assets per unit presented in the financial statements differs from the net asset value calculated for Portfolio pricing purposes. An explanation of these differences can be found in the notes to the financial statements.

⁽²⁾ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

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

Ratios and Supplemental Data	Six months ended June 30, 2013	Years ended December 31				
		2012	2011	2010	2009	2008
Total net asset value (000s) ⁽¹⁾	\$ 1,828,529	1,801,250	1,775,435	1,295,450	1,152,943	899,722
Number of units outstanding (000s) ⁽¹⁾	173,626	164,073	160,302	121,495	109,709	86,819
Management expense ratio ⁽²⁾	% 0.04	0.03	0.03	0.03	0.03	0.03
Management expense ratio before waivers or management absorptions	% 0.16	0.06	0.03	0.03	0.03	0.03
Trading expense ratio ⁽³⁾	% —	—	—	—	—	—
Portfolio turnover rate ⁽⁴⁾	% 111.97	5.29	1.82	34.85	48.42	17.20
Net asset value per unit	\$ 10.53	10.98	11.08	10.66	10.51	10.36

⁽¹⁾ This information is provided as at June 30 or December 31 of the period shown.

⁽²⁾ Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

⁽³⁾ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. For all the financial periods listed, no commissions or portfolio transaction costs were incurred by the Portfolio. As a result, the trading expense ratio for each of the periods was zero.

⁽⁴⁾ The portfolio turnover rate indicates how actively the Portfolio's sub-advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Portfolio buying and selling all of the securities in its portfolio once in the course of the year. The higher a portfolio turnover rate in a year, the greater the trading costs payable by the Portfolio in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a Portfolio.

BMO Harris Canadian Short-Term Bond Portfolio

Past Performance

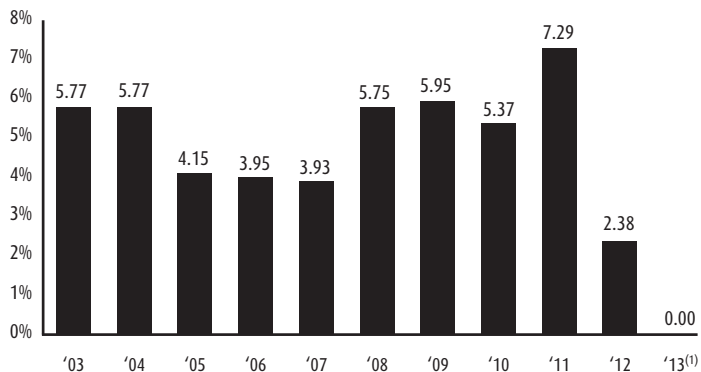
General

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

The performance information does not take into account sales, redemption, distribution or other optional charges that, if applicable, would have reduced returns or performance. Please remember, how the Portfolio has performed in the past does not necessarily indicate how it will perform in the future.

Year-by-Year Returns

The following bar chart shows the performance for each of the financial years and for the six-month period ended June 30, 2013 shown and illustrates how the performance has changed from year to year. The bar chart shows in percentage terms how an investment made on the first day of each financial year would have increased or decreased by the last day of each financial year.



⁽¹⁾ For the six-month period ended June 30, 2013.

BMO Harris Canadian Short-Term Bond Portfolio

Summary of Investment Portfolio

as at June 30, 2013

Portfolio Allocation	% of Net Asset Value
Government Bonds	50.2
Corporate Bonds	34.3
Provincial Bonds	12.2
Asset Backed Securities	1.7
Cash/Receivables/Payables	1.1
Municipal Bonds	0.5
Total portfolio allocation	100.0

Top 25 Holdings	% of Net Asset Value
Issuer	
Government of Canada, 2.500% Jun 1, 2015	4.8
Government of Canada, 3.000% Dec 1, 2015	4.7
Government of Canada, 2.750% Sep 1, 2016	3.8
Government of Canada, 2.000% Dec 1, 2014	3.4
Government of Canada, 2.250% Aug 1, 2014	3.0
Canada Housing Trust, Mortgage Bonds, Series 41, Secured, 2.750% Jun 15, 2016	2.9
Government of Canada, 1.500% Sep 1, 2017	2.9
Canada Housing Trust, Mortgage Bonds, Series 32, Secured, 2.750% Dec 15, 2014	2.8
Canada Housing Trust, Mortgage Bonds, Series 37, Secured, 2.450% Dec 15, 2015	2.6
Province of Ontario, 4.300% Mar 8, 2017	2.4
Province of Quebec, Senior, Unsecured, Notes, 5.500% Dec 1, 2014	2.1
Government of Canada, 4.250% Jun 1, 2018	1.9
Canada Housing Trust, Mortgage Bonds, Secured, 2.050% Jun 15, 2017	1.9
Canada Housing Trust, Mortgage Bonds, Secured, 1.700% Dec 15, 2017	1.9
Government of Canada, 4.000% Jun 1, 2017	1.8
Canada Housing Trust, Mortgage Bonds, Series 43, Secured, 1.850% Dec 15, 2016	1.7
Government of Canada, 1.250% Mar 1, 2018	1.4
Government of Canada, 1.500% Mar 1, 2017	1.3
Government of Canada, 1.500% Aug 1, 2015	1.2

Top 25 Holdings	% of Net Asset Value
Issuer	
Canada Housing Trust, Mortgage Bonds, Secured, 1.750% Jun 15, 2018	1.2
Province of Ontario, Notes, 3.150% Sep 8, 2015	1.1
Cash/Receivables/Payables	1.1
Canada Housing Trust, Mortgage Bonds, Series 29, Secured, 2.750% Sep 15, 2014	1.1
Province of Quebec, Medium Term Notes, 4.500% Dec 1, 2017	1.0
Canadian Imperial Bank of Commerce, Deposit Notes, Unsecured, 3.400% Jan 14, 2016	0.9
Top holdings as a percentage of net asset value	54.9
Total Net Asset Value	\$1,828,528,621

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

Manager

BMO Harris Investment
Management Inc.
1 First Canadian Place
100 King St. W., 41st Floor
Toronto, Ontario M5X 1H3

Trustee

BMO Trust Company
1 First Canadian Place
100 King St. W., 41st Floor
Toronto, Ontario M5X 1H3

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

This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the Portfolio may invest and the risks detailed from time to time in BMO Harris Private Portfolios’ simplified prospectus. We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the Portfolio, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, BMO Harris Investment Management Inc. does not undertake, and specifically disclaims, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

www.bmoharrisprivatebanking.com

(06/13)