

Semi-Annual Management Report of Fund Performance

BMO Harris Canadian Short-Term Bond Portfolio

For the period ended June 30, 2014

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 1A1 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

Over the six-month period ended June 30, 2014, the Portfolio returned 1.73% after expenses. The Portfolio's benchmark is the FTSE TMX Canada Short Term Bond Index (formerly the DEX Short Term Bond Index), which generated a 1.75% total return over the same six-month period.

As the U.S. Federal Reserve Board (the "Fed") began to unwind its bond-buying program in January, investors anticipated an increase in mid- and long-term interest rates in the United States and Canada. However, the five-year U.S. government bond yield declined by 16 basis points, easing upward pressure on mortgage rates. Longer-term Canadian government yields fell during the second quarter in response to expectations of modest economic growth in developed markets. As a result, the Canadian 10-year government benchmark bond yield declined from 2.5% at the end of March to 2.2% at the end of June. This resulted in better-than-expected bond market performance over the first quarter of 2014. In addition, foreign investment in

Canadian money market securities rebounded early in the second quarter, which partially offset the overall outflow experienced in the first quarter. However, despite this increasing foreign investment, the short-term Canadian bonds underperformed modestly. This was largely the result of higher-than-expected Canadian inflation, which exceeded the Bank of Canada's ("BoC") second-quarter target. Although the BoC attributed this higher inflation to temporary factors, yields at the short-term end of the yield curve increased, indicating slightly higher inflation expectations than in recent periods.

The Portfolio slightly underperformed the benchmark over the period. The Portfolio's shorter-than-benchmark duration (i.e., interest rate sensitivity) detracted from performance as longer-term bonds outperformed their short-term counterparts. The Portfolio's large allocation to federal bonds, particularly Government of Canada non-agency bonds, also detracted from performance as federal bonds underperformed provincial and corporate bonds.

The Portfolio's allocation to corporate bonds contributed to performance, as credit spreads tightened and corporate bonds outperformed government bonds. Within the corporate bond sector, the Portfolio's Energy and Industrials holdings contributed to performance.

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.

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Recent Developments

The sub-advisor recognizes that it is possible for global interest rates to normalize further. However, the sub-advisor does not expect bond yields, particularly at the long end of the curve, to decline much further. As the year progresses, the sub-advisor believes that the Fed will begin to reinforce its intention to raise its overnight lending rate in late 2014. Although the sub-advisor expects the actual hike in the U.S. overnight lending rate to occur in 2015, bond rates are likely to react sooner.

The sub-advisor believes the Portfolio is well positioned for rising interest rates, as shorter-duration bonds are likely to outperform longer-duration bonds. The sub-advisor also believes that the Portfolio's large allocation to corporate bonds should balance its allocation to more interest-rate-sensitive federal bonds, and contribute to the Portfolio's performance.

Significant Accounting Changes

Resulting from our Adoption of IFRS

Effective January 1, 2014, the Portfolio adopted International Financial Reporting Standards ("IFRS") as its basis of accounting. The semi-annual financial statements for the period ended June 30, 2014 are the first set of financial statements prepared on an IFRS basis. The adjustments made to reflect the impact of the change from Canadian GAAP to IFRS are presented in note 8 to the financial statements.

Key changes to the financial statements as a result of the implementation of IFRS are:

- Statement of Financial Position has replaced the former Statement of Net Assets:
 - The Portfolio's unitholders investments in the units of the Portfolios did not qualify for equity classification under IFRS and have been classified as a financial liability for financial reporting purposes.
 - Classification of financial instruments: derivatives and short positions have been classified as held for trading while all other financial instruments have been designated as fair valued through profit and loss ("FVTPL"). Following adoption of IFRS by the Portfolio, for financial reporting purposes the Portfolio now fair values its investment securities traded on an exchange at close price, which is determined as the price within the bid ask range that represents the best estimate of fair value.

- Statement of Comprehensive Income replaced Statement of Operations
 - The Portfolio accounts for interest income using the effective interest rate method, rather than the coupon method previously used under Canadian GAAP.
- Statement of Changes in Net Assets Attributable to Holders of Redeemable Units replaced the Statement of Changes in Net Assets and the Portfolio now presents a Statement of Cash Flows.
- Other notable changes to the financial statement notes include additional or enhanced information in the notes to the financial statements, including a more detailed note and reconciliation on the Portfolio's transition from Canadian GAAP to IFRS.

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 Equity or 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;

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- (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. 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, and the manager receive 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 and the manager. 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, 2014 (\$000s)	Period ended June 30, 2013 (\$000s)
Unitholder Services	123	126

Management Fee

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

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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, 2014	Years ended December 31				
		2013	2012	2011	2010	2009
Net assets, beginning of period ⁽⁵⁾	\$ 10.52	10.98	11.08	10.66	10.51	10.36
Increase (decrease) from operations:						
Total revenue	\$ 0.07	0.32	0.36	0.35	0.41	0.45
Total expenses ⁽²⁾	\$ (0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)
Realized gains (losses) for the period	\$ 0.01	0.31	(0.00)	(0.02)	0.05	0.01
Unrealized gains (losses) for the period	\$ 0.10	(0.48)	(0.10)	0.46	0.10	0.11
Total increase (decrease) from operations ⁽³⁾	\$ 0.18	0.15	0.26	0.79	0.55	0.57
Distributions:						
From income (excluding dividends)	\$ 0.14	0.32	0.36	0.35	0.41	0.46
From dividends	\$ —	—	—	—	—	—
From capital gains	\$ —	0.25	—	—	—	—
Return of capital	\$ —	0.03	0.00	0.00	0.00	0.00
Total Annual Distributions ⁽⁴⁾	\$ 0.14	0.60	0.36	0.35	0.41	0.46
Net assets, end of period ⁽⁵⁾	\$ 10.56	10.52	10.98	11.08	10.66	10.51

⁽¹⁾ This information is derived from the Portfolio's audited annual financial statements and unaudited June 30, 2014 semi-annual financial statements. Prior to 2014, the net assets per unit presented in the financial statements differed 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⁾ Includes commissions and portfolio transaction costs.

⁽³⁾ 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.

⁽⁴⁾ Distributions were paid in cash or reinvested in additional units of the Portfolio, or both.

⁽⁵⁾ Net assets prior to 2014 were calculated under Canadian GAAP. Net assets in 2014 were calculated under IFRS.

Ratios and Supplemental Data	Six months ended June 30, 2014	Years ended December 31				
		2013	2012	2011	2010	2009
Total net asset value (000s) ⁽¹⁾	\$ 1,943,470	2,023,678	1,801,250	1,775,435	1,295,450	1,152,943
Number of units outstanding (000s) ⁽¹⁾	183,968	192,280	164,073	160,302	121,495	109,709
Management expense ratio ⁽²⁾	% 0.03	0.03	0.03	0.03	0.03	0.03
Management expense ratio before waivers or management absorptions	% 0.15	0.15	0.06	0.03	0.03	0.03
Trading expense ratio ⁽³⁾	% —	—	—	—	—	—
Portfolio turnover rate ⁽⁴⁾	% 22.40	156.33	5.29	1.82	34.85	48.42
Net asset value per unit	\$ 10.56	10.52	10.98	11.08	10.66	10.51

⁽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.

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Past Performance

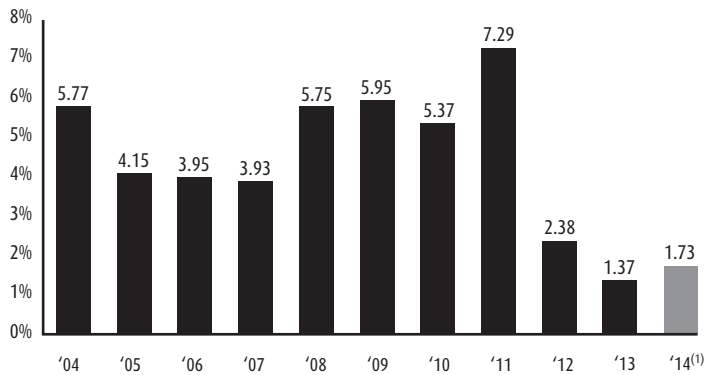
General

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, 2014 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, 2014.

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Summary of Investment Portfolio

as at June 30, 2014

Portfolio Allocation	% of Net Asset Value
Government Bonds	47.4
Corporate Bonds	34.5
Provincial Bonds	14.1
Asset-Backed Securities	2.3
Municipal Bonds	1.0
Cash/Receivables/Payables	0.7
Total portfolio allocation	100.0

Top 25 Holdings	% of Net Asset Value
Issuer	
Government of Canada, 1.250% Sep 1, 2018	4.1
Government of Canada, 1.250% Feb 1, 2016	3.6
Government of Canada, 1.500% Aug 1, 2015	3.3
Government of Canada, 1.500% Feb 1, 2017	3.2
Government of Canada, 1.500% Mar 1, 2017	2.9
Government of Canada, 2.000% Jun 1, 2016	2.7
Canada Housing Trust, Mortgage Bonds, Series 56, Secured, 2.350% Dec 15, 2018	2.6
Government of Canada, 1.000% Aug 1, 2016	2.3
Canada Housing Trust, Mortgage Bonds, Series 23, Secured, 4.100% Dec 15, 2018	2.1
Canada Housing Trust, Mortgage Bonds, Series 49, Secured, 1.700% Dec 15, 2017	2.1
Government of Canada, 3.750% Jun 1, 2019	2.0
Canada Housing Trust, Mortgage Bonds, Series 43, Secured, 1.850% Dec 15, 2016	2.0
Government of Canada, 1.750% Mar 1, 2019	2.0
Province of Ontario, 4.300% Mar 8, 2017	1.8
Canada Housing Trust, Mortgage Bonds, Series 46, Secured, 2.050% Jun 15, 2017	1.8
Government of Canada, 4.250% Jun 1, 2018	1.7
Province of Quebec, Unsecured, 5.000% Dec 1, 2015	1.6
Canada Housing Trust, Mortgage Bonds, Series 39, Secured, 2.750% Dec 15, 2015	1.5
Government of Canada, 1.250% Mar 1, 2018	1.4

Top 25 Holdings	% of Net Asset Value
Issuer	
Province of Quebec, Unsecured, Debentures, 4.500% Dec 1, 2016	1.4
Province of Ontario, 4.400% Jun 2, 2019	1.3
Government of Canada, 1.500% Sep 1, 2017	1.2
Canada Housing Trust, Mortgage Bonds, Secured, 1.950% Jun 15, 2019	1.2
Canada Housing Trust, Mortgage Bonds, Series 51, Secured, 1.750% Jun 15, 2018	1.2
Canada Housing Trust, Mortgage Bonds, Series 54, Secured, 2.050% Jun 15, 2018	1.1
Top holdings as a percentage of net asset value	52.1
Total Net Asset Value	\$1,943,470,014

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

Manager

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Trustee

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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.

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