

Annual Management Report of Fund Performance

BMO Harris Canadian Conservative Equity Portfolio

For the period ended December 31, 2012

This annual management report of fund performance contains financial highlights but does not contain annual financial statements of the Portfolio. If the annual financial statements of the Portfolio do not accompany the mailing of this report, you may obtain a copy of the annual financial statements at your request, and at no cost, by calling 1-800-361-1392, by e-mailing us at contact.centre@bmonb.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. Electronic copies are available 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 the sub-advisor of BMO Harris Canadian Conservative Equity Portfolio (the "Portfolio").

Investment Objective and Strategies

The Portfolio's investment objective is to provide long term capital appreciation through investing primarily in equity securities of large Canadian issuers.

To seek to achieve the Portfolio's objectives, the sub-advisor employs bottom-up security selection to identify reasonable stock price valuations for its holdings that is based on quantitative and fundamental analyses, including assessment of the company's projected earnings, quality of management, and identification of reasonable stock price valuations relative to other companies in the same industry.

Risk

No significant changes affecting the overall level of risk associated with investing in the Portfolio were made during the period. The risks of this Portfolio remain as discussed in the Portfolio's most recently filed simplified prospectus or its amendments.

Results of Operations

For the 12-month period ended December 31, 2012, the Portfolio returned 7.64%, after expenses. The Portfolio's benchmark is the S&P/TSX Composite Index, which generated a 7.19% total return over the same 12-month period.

Investor concern over 2012 focused on economic and fiscal uncertainty in the eurozone, China and the United States. Despite these concerns, many of the world's equity markets, including Canada's, posted gains. In Canada, relatively defensive sectors generally outperformed. The Financials sector gained as a result of solid earnings reports from Canada's banks, combined with dividend increases and relatively attractive yields and valuations. The Materials sector underperformed as investors moved their assets out of perceived "riskier" sectors and into those sectors generally perceived as "safer," as well as in response to the economic slowdown in China.

The Portfolio's overweight positions in the Financials, Industrials and Consumer Staples sectors, and its underweight position in the Materials sector, contributed to its performance over the period. Significant individual contributors to the Portfolio's performance included Royal Bank of Canada, Intact Financial Corporation, Tourmaline Oil Corp., Loblaw Companies Limited and Canadian National Railway Company. Royal Bank of Canada posted strong earnings for three consecutive quarters and increased its dividend. Tourmaline Oil Corp.'s shares gained in value in response to the company's relatively strong growth, and as investors anticipated that natural gas

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prices had stopped declining. The shares of Loblaw Companies Limited performed well after the company announced it would be restructuring its properties into a real estate investment trust structure.

The Portfolio's positions in the Health Care and Consumer Discretionary sectors detracted from its performance over the period. Significant individual detractors from Portfolio performance included Baytex Energy Corp., Canadian Natural Resources Limited, Crescent Point Energy Corp. and SNC-Lavalin Group Inc. Shares of Baytex Energy Corp. and Canadian Natural Resources Limited posted losses as a result of these companies' exposure to heavy oil production, the prices of which fluctuated in response to issues in the North American pipeline system.

During the period, the sub-advisor sold the Portfolio's positions in Kinross Gold Corporation; Canadian Tire Corporation, Limited; and Research In Motion Ltd.

During the period, the sub-advisor purchased Dollarama Inc., Brookfield Office Properties Inc., Loblaw Companies Limited and Progressive Waste Solutions Ltd. The sub-advisor believes that Dollarama Inc. is a promising growth stock with potentially strong dividend growth. Brookfield Office Properties Inc. is currently being repositioned to focus on office space, which the sub-advisor believes could result in an increase in the company's stock price. The sub-advisor believes that Loblaw Companies Limited's ability to generate cash flow should increase significantly after the completion of a major infrastructure project. According to the sub-advisor, Progressive Waste Solutions Ltd.'s shares are currently undervalued as a result of investor over-reaction to a weak earnings report, but should gain in value in the near term.

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 Canadian equity market continues to be significantly tied to global macroeconomic developments, especially those in Europe, China and the United States. According to the sub-advisor, financial markets will likely be relatively

stable over the medium term, but some risk of volatility remains. As a result, the sub-advisor will continue to position the Portfolio conservatively, investing in high-quality companies with a focus on dividends and dividend growth.

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 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

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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. However, where in certain circumstances the Portfolio does not have all the typical characteristics of an investment entity, even though it qualifies as an investment entity, it may be required to make additional financial statements disclosures on its investments in accordance with IFRS 12 Disclosure of Interests in Other Entities.

In addition to the financial statements currently presented for the Portfolio, Statement of Cash Flows will now be included in the financial statements in accordance with the requirement of IFRS 1 First-time Adoption of IFRS, and prepared in line with IAS 7 Statement of Cash Flows.

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, 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”).

Portfolio Manager

BHIMI has hired BMO Asset Management Inc. (“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.

Brokerage Commissions

The Portfolio pays standard brokerage commissions at market rates to BMO Nesbitt Burns Inc., an affiliate of the manager, for executing a portion of its trades. The brokerage commissions charged to the Portfolio during the period were as follows:

	2012 (\$000s)	2011 (\$000s)
Total Brokerage Commissions	602	1,008
Brokerage Fees paid to BMO Nesbitt Burns Inc.	26	66

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 the BHIMI *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.

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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:

	2012 (\$000s)	2011 (\$000s)
Unitholder Services	219	175

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.

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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⁾	Years ended December 31				
	2012	2011	2010	2009	2008
Net assets, beginning of period	\$ 13.05	15.36	14.03	11.14	17.45
Increase (decrease) from operations:					
Total revenue	\$ 0.37	0.35	0.33	0.34	0.34
Total expenses	\$ (0.02)	(0.02)	(0.01)	(0.01)	(0.02)
Realized gains (losses) for the period	\$ (0.33)	0.43	0.21	(0.03)	(1.15)
Unrealized gains (losses) for the period	\$ 0.94	(2.57)	1.11	2.90	(5.40)
Total increase (decrease) from operations ⁽²⁾	\$ 0.96	(1.81)	1.64	3.20	(6.23)
Distributions:					
From income (excluding dividends)	\$ 0.00	—	0.03	—	0.02
From dividends	\$ 0.35	0.42	0.32	0.32	0.31
From capital gains	\$ —	—	—	—	—
Return of capital	\$ 0.00	0.00	—	—	—
Total Annual Distributions ⁽³⁾	\$ 0.35	0.42	0.35	0.32	0.33
Net assets, end of period	\$ 13.69	13.05	15.36	14.03	11.14

⁽¹⁾ This information is derived from the Portfolio's audited 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	Years ended December 31				
	2012	2011	2010	2009	2008
Total net asset value (000s) ⁽¹⁾	\$ 738,269	634,098	936,400	865,541	620,575
Number of units outstanding (000s) ⁽¹⁾	53,837	48,527	60,858	61,523	55,591
Management expense ratio ⁽²⁾	0.05	0.04	0.04	0.04	0.04
Management expense ratio before waivers or management absorptions	0.07	0.04	0.04	0.04	0.04
Trading expense ratio ⁽³⁾	0.09	0.12	0.05	0.07	0.06
Portfolio turnover rate ⁽⁴⁾	19.63	25.34	17.35	18.74	10.10
Net asset value per unit	\$ 13.71	13.07	15.39	14.07	11.16

⁽¹⁾ This information is provided as at 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.

⁽⁴⁾ The portfolio turnover rate indicates how actively the Portfolio's investor manager 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

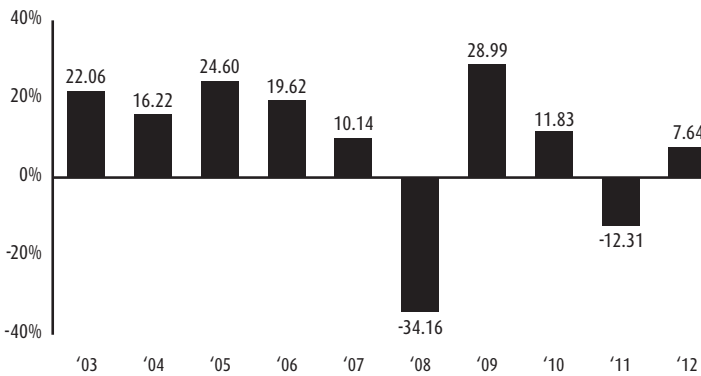
General

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(s) show the performance for each of the financial years shown and illustrates how the performance has changed from year to year. The bar chart(s) show 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.



Annual Compound Returns

This chart compares the historical annual compound returns of the Portfolio with the S&P/TSX Composite Index, which reflects the price movements of a floating list of companies on the Toronto Stock Exchange that meet Standard & Poor's criteria for inclusion in the index.

	1 yr %	3 yrs %	5yrs %	10yrs %
BMO Harris Canadian Conservative Equity Portfolio [†]	7.64	1.82	(2.16)	7.64
S&P/TSX Composite Index	7.19	4.79	0.81	9.22

[†]The Portfolio's return is after the deduction of expenses, while the benchmarks do not include any costs of investing.

A commentary on the market and/or information regarding the relative performance of the Portfolio as compared to its benchmark can be found under the Results of Operations section of this report.

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Summary of Investment Portfolio

as at December 31, 2012

Portfolio Allocation	% of Net Asset Value	Top 25 Holdings	% of Net Asset Value
Financials	34.3	Issuer	
Energy	24.5	Toronto-Dominion Bank, The,	8.3
Materials	16.1	Bank of Nova Scotia	7.0
Industrials	7.5	Royal Bank of Canada	6.5
Telecommunication Services	5.1	Suncor Energy Inc.	4.7
Consumer Discretionary	4.4	Canadian National Railway Company	4.1
Consumer Staples	4.4	Canadian Natural Resources Limited	3.6
Cash/Receivables/Payables	1.5	Potash Corporation of Saskatchewan Inc.	3.2
Utilities	1.1	Enbridge Inc.	3.0
Money Market Investments	1.1	Goldcorp Inc.	3.0
Total portfolio allocation	100.0	Manulife Financial Corporation	2.9
		TransCanada Corporation	2.7
		Cenovus Energy Inc.	2.7
		National Bank of Canada	2.6
		Barrick Gold Corporation	2.5
		Rogers Communications Inc., Class B	2.3
		Brookfield Asset Management Inc., Class A	2.2
		Intact Financial Corporation	2.0
		Teck Resources Limited, Class B	2.0
		Loblaw Companies Limited	2.0
		ARC Resources Ltd.	1.8
		Tourmaline Oil Corp.	1.6
		TELUS Corporation	1.5
		Cash/Receivables/Payables	1.5
		Magna International Inc.	1.5
		Shoppers Drug Mart Corporation	1.5
		Top holdings as a percentage of net asset value	76.7
		Total Net Asset Value	\$738,269,319

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

Manager

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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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