

Annual Management Report of Fund Performance

BMO Harris Canadian Conservative Equity Portfolio

For the period ended December 31, 2013

This annual management report of fund performance contains financial highlights, but does not contain the complete 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@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 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.

Results of Operations

Over the 12-month period ended December 31, 2013, the Portfolio returned 13.15%, after expenses. The Portfolio's benchmark is the S&P/TSX Composite Index, which generated a 12.99% total return over the same 12-month period.

The U.S. Federal Reserve Board (the "Fed") announced its intention to begin reducing its monetary stimulus program over the period. Global bond yields rose, and economic activity in the United States strengthened, while growth in China and the emerging markets slowed. Rising bond yields had a negative impact on interest rate sensitive securities. Stronger economic activity in the United States, as well as talk of the Fed reducing its monetary stimulus program, had a negative impact on gold equities. Slowing economic activity in China and the emerging markets negatively affected the share prices of other commodity producers. During the period, Canadian equities, as measured by the S&P/TSX Composite Index ("S&P/TSX"), returned approximately 13%, despite weakness in commodities markets and general market volatility resulting from the U.S. budget debate and partial government shutdown. The Financials sector was the most significant contributor to the S&P/TSX's solid returns. The Materials sector was the most significant detractor from the S&P/TSX's performance.

The Portfolio outperformed the benchmark slightly over the period. Its overweight positions in the Industrials and Consumer Discretionary sectors, and

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underweight position in the Materials sector, contributed to performance. The Industrials sector benefited from a stronger economic environment, which drove corporate earnings and prompted investors to move to more cyclical sectors. The Consumer Discretionary sector also benefited from the economic recovery. The Materials sector struggled with weak commodity prices, particularly for gold, as a result of a strengthening U.S. dollar and declining demand. Many companies in the Materials sector also struggled with operational issues and cost overruns.

Significant individual contributors to performance included Magna International Inc., Dollarama Inc., Home Capital Group Inc., Tourmaline Oil Corp. and Canadian National Railway Co. Magna International Inc. benefited from strong auto sales. Dollarama Inc. and Canadian National Railway Co. posted strong earnings growth. Home Capital Group Inc. benefited from continued strength in the Canadian housing market and low mortgage rates. Tourmaline Oil Corp. benefited from strong growth in the liquids-rich gas market.

The Portfolio's lack of exposure to the Health Care sector, particularly Valeant Pharmaceuticals International, Inc., detracted from performance. This company has a large weighting in the benchmark index, and its share price rose strongly in response to an active acquisition strategy. Significant individual detractors from performance included Goldcorp Inc., which struggled with weak commodity prices.

During the period, the sub-advisor added several companies to the Portfolio, including Gildan Activewear Inc., Peyto Exploration Corp., Canadian Western Bank and Home Capital Group Inc. The sub-advisor expects strong growth at Gildan Activewear Inc. as a result of its facility expansion and new contracts. The sub-advisor expects Peyto Exploration Corp. to grow strongly on its low-cost natural gas production model. Canadian Western Bank should benefit from growth in Western Canada as well as in the equipment leasing sub-sector. Home Capital Inc. could benefit from low mortgage rates, in the sub-advisor's view. The sub-advisor eliminated several of the Portfolio's holdings, including Canadian Tire Corporation, Limited, Metro inc., National Bank of Canada, Eldorado Gold Corp., HudBay Minerals Inc. and Kinross Gold Corp. The sub-advisor believes that Canadian Tire Corporation, Limited is struggling with low growth, while Metro inc. is struggling with margin pressure and increased

competition. The positions in Eldorado Gold Corp., HudBay Minerals Inc. and Kinross Gold Corp. were eliminated as the sub-advisor reduced the Portfolio's exposure to the Materials sector, specifically the gold sub-sector.

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 expects accommodative global monetary policy to continue to drive economic activity. The sub-advisor also expects global growth to become more synchronized. The sub-advisor believes that equity returns will remain positive over the coming year, likely driven by corporate earnings growth. Low inflation and interest rates should also benefit equity returns, in the sub-advisor's view, with economically sensitive sectors outperforming more defensive sectors. The sub-advisor will therefore maintain the Portfolio's overweight positions in the economically sensitive Financials, Industrials and Consumer Discretionary sectors, and an underweight position in the more defensive Telecommunication Services sector. Expecting the U.S. dollar to continue to strengthen, which would be negative for commodity prices, the sub-advisor will also maintain the Portfolio's underweight position in the Materials sector.

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. As a result, 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").

The differences between the Portfolio's accounting policies under Canadian Generally Accepted Accounting Principles ("GAAP") and IFRS requirements will result in measurement and recognition differences on transition to IFRS. The net impact of these differences will be recorded in the increase/decrease in net assets attributable to redeemable unitholders.

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Significant Accounting Changes Resulting from Our Adoption of IFRS

The main accounting changes listed below should not be considered a comprehensive list of impacts of adopting IFRS, but rather the most significant of certain key changes.

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 net asset per unit and Net Asset Value per unit (“NAVPU”) at the financial statement reporting date.

While IFRS does not require interest income to be disclosed for debt instruments measured at Fair Value through Profit or Loss, when interest income is disclosed, IFRS requires that the effective interest rate method of calculating accrued interest be used rather than the straight-line amortization method. The Manager is assessing the impact of this change to the Portfolio’s financial statements. 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 hold the investments at Fair Value through Profit or Loss regardless of whether those investments are controlled. If the Portfolio fair values the investments 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”). IFRS 12 also requires additional disclosures if the Portfolio is determined to qualify as an investment entity without having all of the typical characteristics of an investment entity.

The criteria contained within IAS 32 Financial Instruments: Presentation (“IAS 32”) will result in the classification of the unitholders’ equity as a liability within the Portfolio’s Statement of Net Assets, unless all conditions required for equity classification are met. The Manager is currently assessing the Portfolio’s unitholder structure to determine classification under IAS 32.

Under IFRS, cash flows statement is one of the primary financial statements required to be presented. The Portfolio will therefore be presenting cash flows statement in its set of financial statements in accordance with the presentation requirements in IAS 7 Statement of Cash Flows.

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”).

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

Related Party Underwritings

During the period, the Manager relied on an approval and standing instruction provided by the Portfolio’s Independent Review Committee (“IRC”) to enable the Portfolio to invest in a class of equity and/or non-government debt securities of an issuer during the

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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 (each investment, 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.

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:

	Period ended Dec. 31, 2013 (\$000s)	Period ended Dec. 31, 2012 (\$000s)
Total Brokerage Commissions	349	602
Brokerage Fees paid to BMO Nesbitt Burns Inc.	20	26

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 Dec. 31, 2013 (\$000s)	Period ended Dec. 31, 2012 (\$000s)
Unitholder Services	215	219

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				
	2013	2012	2011	2010	2009
Net assets, beginning of period	\$ 13.69	13.05	15.36	14.03	11.14
Increase (decrease) from operations:					
Total revenue	\$ 0.41	0.37	0.35	0.33	0.34
Total expenses	\$ (0.01)	(0.02)	(0.02)	(0.01)	(0.01)
Realized gains (losses) for the period	\$ 0.25	(0.33)	0.43	0.21	(0.03)
Unrealized gains (losses) for the period	\$ 1.05	0.94	(2.57)	1.11	2.90
Total increase (decrease) from operations ⁽²⁾	\$ 1.70	0.96	(1.81)	1.64	3.20
Distributions:					
From income (excluding dividends)	\$ 0.01	0.00	—	0.03	—
From dividends	\$ 0.45	0.35	0.42	0.32	0.32
From capital gains	\$ —	—	—	—	—
Return of capital	\$ 0.00	0.00	0.00	—	—
Total Annual Distributions ⁽³⁾	\$ 0.46	0.35	0.42	0.35	0.32
Net assets, end of period	\$ 15.04	13.69	13.05	15.36	14.03

⁽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				
	2013	2012	2011	2010	2009
Total net asset value (000s) ⁽¹⁾	\$ 710,836	738,269	634,098	936,400	865,541
Number of units outstanding (000s) ⁽¹⁾	47,227	53,837	48,527	60,858	61,523
Management expense ratio ⁽²⁾	0.06	0.05	0.04	0.04	0.04
Management expense ratio before waivers					
or management absorptions	0.18	0.07	0.04	0.04	0.04
Trading expense ratio ⁽³⁾	0.05	0.09	0.12	0.05	0.07
Portfolio turnover rate ⁽⁴⁾	15.23	19.63	25.34	17.35	18.74
Net asset value per unit	\$ 15.05	13.71	13.07	15.39	14.07

⁽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

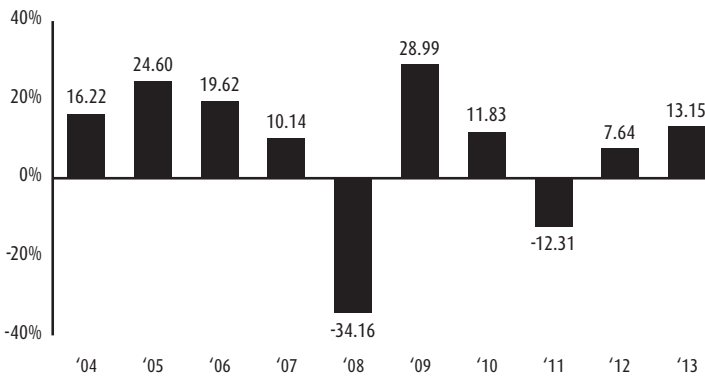
General

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 shows the performance for each of the financial years 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.



Annual Compound Returns

This chart compares the historical annual compound returns of the Portfolio with the S&P/TSX Composite Index. The S&P/TSX Composite Index 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 [‡]	13.15	2.22	9.03	6.82
S&P/TSX Composite Index	12.99	3.40	11.92	7.97

[‡]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, 2013

Portfolio Allocation	% of Net Asset Value	Top 25 Holdings	% of Net Asset Value
Financials	37.3	Issuer	
Energy	24.0	Toronto-Dominion Bank, The,	8.3
Materials	9.3	Bank of Nova Scotia	7.8
Industrials	8.3	Royal Bank of Canada	6.6
Consumer Discretionary	7.5	Canadian National Railway Company	4.5
Telecommunication Services	5.0	Suncor Energy Inc.	4.2
Cash/Receivables/Payables	3.0	Manulife Financial Corporation	3.7
Consumer Staples	2.6	Enbridge Inc.	3.5
Information Technology	1.8	Cash/Receivables/Payables	3.0
Utilities	1.2	TransCanada Corporation	2.9
Total portfolio allocation	100.0	Canadian Natural Resources Limited	2.6
		Goldcorp Inc.	2.6
		Brookfield Asset Management Inc., Class A	2.4
		Intact Financial Corporation	2.4
		Magna International Inc.	2.3
		Cenovus Energy Inc.	2.2
		Crescent Point Energy Corp.	2.2
		TELUS Corporation	2.1
		Rogers Communications Inc., Class B	2.1
		Teck Resources Limited, Class B	2.1
		Tourmaline Oil Corp.	2.1
		Home Capital Group Inc.	1.9
		CGI Group Inc., Class A	1.8
		Baytex Energy Corp.	1.8
		Gildan Activewear Inc.	1.6
		Dollarama Inc.	1.5
		Top holdings as a percentage of net asset value	78.2
		Total Net Asset Value	\$710,835,917

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

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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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