

Semi-Annual Financial Statements

BMO Harris Private Portfolios

June 30, 2013

BMO Harris Canadian Corporate Bond Portfolio

NOTICE OF NO AUDITOR REVIEW OF THE SEMI-ANNUAL FINANCIAL STATEMENTS

BMO Harris Investment Management Inc., the Manager of the Portfolios, appoints independent auditors to audit the Portfolio's Annual Financial Statements. Under Canadian securities laws (National Instrument 81-106), if an auditor has not reviewed the Semi-Annual Financial Statements, this must be disclosed in an accompanying notice.

The Portfolio's independent auditors have not performed a review of these Semi-Annual Financial Statements in accordance with standards established by the Canadian Institute of Chartered Accountants.

BMO Harris Canadian Corporate Bond Portfolio

(unaudited)

STATEMENT OF NET ASSETS

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

As at	June 30, 2013	December 31, 2012
Assets		
Cash	4,131	1,612
Investments at fair value	302,370	351,909
Income receivable	3,155	3,070
Subscriptions receivable	33	84
Total assets	309,689	356,675
Liabilities		
Distributions payable	44	1
Accrued expenses	24	31
Redemptions payable	4,726	38
Total liabilities	4,794	70
Net assets representing unitholders' equity	304,895	356,605
Net assets per unit	\$ 10.36	\$ 10.66

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

BMO Harris Canadian Corporate Bond Portfolio

(unaudited)

STATEMENT OF OPERATIONS

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

For the periods ended	June 30, 2013	June 30, 2012
Investment Income		
Interest	7,123	7,042
	7,123	7,042
Expenses		
Sub-advisory fees (note 5)	210	—
Audit fees	4	4
Independent Review Committee fees	1	1
Custodian fees	4	6
Legal and filing fees	23	16
Unitholder servicing fees (note 5)	51	52
Printing and stationery fees	1	1
Operating expenses absorbed by the Manager (note 5)	(210)	—
	84	80
Net investment income for the period	7,039	6,962
Realized gain on sale of investments	4,101	253
Change in unrealized appreciation (depreciation) in value of investments	(13,365)	476
Increase (decrease) in net assets from operations	(2,225)	7,691
Increase (decrease) in net assets from operations per unit (note 2)	(0.07)	0.25

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BMO Harris Canadian Corporate Bond Portfolio

(unaudited)

STATEMENT OF CHANGES IN NET ASSETS

(in thousands of Canadian dollars)

For the periods ended	June 30, 2013	June 30, 2012
Net assets – beginning of period	356,605	306,432
Increase (decrease) in net assets from operations	(2,225)	7,691
Unit Transactions:		
Proceeds from sale of units	34,852	56,683
Reinvested distributions	6,834	6,681
Amounts paid on units redeemed	(84,062)	(38,925)
Total unit transactions	(42,376)	24,439
Distributions to Unitholders from:		
Net investment income	(7,109)	(6,958)
Total distributions paid to unitholders	(7,109)	(6,958)
Net assets – end of period	304,895	331,604

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BMO Harris Canadian Corporate Bond Portfolio

(unaudited)

STATEMENT OF INVESTMENT PORTFOLIO

As at June 30, 2013 (in thousands of Canadian dollars, unless otherwise noted)

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Bonds & Debentures			
<i>Corporate Bonds & Debentures – 96.2%</i>			
407 International Inc., Series 10-A3, Medium Term Notes, Senior, Secured, 4.300% May 26, 2021	687	758	734
407 International Inc., Series 04-A3, Medium Term Notes, Senior, Secured, Mortgage, 5.960% Dec 3, 2035	1,790	1,942	2,214
407 International Inc., Series 06-D1, Medium Term Notes, Secured, Subordinated, 5.750% Feb 14, 2036	500	618	581
Aeroports de Montreal, Unsecured, Debentures, 6.550% Oct 11 2033	1,502	1,767	1,936
Aeroports de Montreal, Senior, Secured, 5.670% Oct 16, 2037	1,400	1,798	1,668
Aimia Inc., Medium Term Notes, Senior, Secured, Notes, 5.600% May 17, 2019	700	735	723
Alimentation Couche-Tard Inc., Series 2, Senior, Unsecured, Notes, 3.319% Nov 1, 2019	1,500	1,510	1,470
Alliance Pipelines Limited Partnership, Senior, Unsecured, Notes, Sinkable, 4.928% Dec 16, 2019	894	994	957
AltaGas Income Trust, Medium Term Notes, Senior, Unsecured, Unsubordinated, 5.490% Mar 27, 2017	1,555	1,736	1,702
AltaLink, L.P., Series 2008-1, Medium Term Notes, Senior, Secured, 5.243% May 29, 2018	1,280	1,487	1,424
AltaLink Investments L.P., Series 09-1, Senior, Unsecured, 5.207% Dec 16, 2016	1,500	1,500	1,608
Bank of Montreal, Deposit Notes, Senior, Unsecured, Unsubordinated, 3.930% Apr 27, 2015	1,100	1,153	1,141
Bank of Montreal, Deposit Notes, Unsecured, Unsubordinated, 2.960% Aug 2, 2016	4,500	4,631	4,597
Bank of Montreal, Deposit Notes, Senior, Unsecured, Unsubordinated, 6.020% May 2, 2018	6,000	7,072	6,880
Bank of Montreal, Medium Term Notes, Fixed to Floating, Unsecured, Subordinated, Callable, 3.979% Jul 8, 2021	2,750	2,904	2,868
Bank of Nova Scotia, Deposit Notes, 2.250% May 8, 2015	1,500	1,518	1,511
Bank of Nova Scotia, Senior, Notes, 3.610% Feb 22, 2016	1,168	1,218	1,214
Bank of Nova Scotia, Unsecured, Notes, 1.800% May 9, 2016	1,250	1,250	1,240
Bank of Nova Scotia, Deposit Notes, Senior, 4.100% Jun 8, 2017	6,381	6,872	6,759
Bank of Nova Scotia, Medium Term Notes, Fixed to Floating, Subordinated, Callable, 2.898% Aug 3, 2022	4,000	4,072	4,018
Bank of Nova Scotia, Fixed to Floating, Subordinated, Callable, 3.036% Oct 18, 2024	2,500	2,524	2,464
bcIMC Realty Corp., Medium Term Notes, Senior, 4.650% Feb 10, 2015	1,500	1,584	1,564
bcIMC Realty Corp., Series 8, Unsecured, Notes, 2.960% Mar 7, 2019	500	509	500

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STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

As at June 30, 2013 (in thousands of Canadian dollars, unless otherwise noted)

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Bell Aliant Regional Communications LP, Senior, Unsecured, Notes, Unsubordinated, 5.410% Sep 26, 2016	895	982	969
Bell Aliant Regional Communications LP, Medium Term Notes, Unsecured, 5.520% Feb 26, 2019	1,350	1,467	1,483
Bell Canada, Series M-21, Medium Term Notes, Unsecured, Unsubordinated, 3.600% Dec 2, 2015	500	522	517
Bell Canada, Series M-23, Unsecured, Debentures, 3.650% May 19, 2016	2,678	2,758	2,774
Bell Canada, Series M-22, Medium Term Notes, 4.400% Mar 16, 2018	800	877	849
Bell Canada, Series M-24, Medium Term Notes, Senior, Unsecured, 4.950% May 19, 2021	1,433	1,580	1,541
Bell Canada, Series M-17, Senior, Unsecured, Notes, Unsubordinated, 6.100% Mar 16, 2035	400	484	452
BMO Capital Trust, BMO BOaTS, Series D, Perpetual, Callable, 5.474% Dec 31, 2049	1,500	1,600	1,576
Brookfield Asset Management Inc., Medium Term Notes, Senior, Unsecured, 3.950% Apr 9, 2019	1,496	1,495	1,520
Brookfield Asset Management Inc., Medium Term Notes, Senior, Unsecured, 4.540% Mar 31, 2023	1,000	1,039	1,005
Caisse centrale Desjardins, Series 2010-4, Medium Term Deposit Notes, Senior, Unsecured, Unsubordinated, 3.502% Oct 5, 2017	1,898	1,978	1,967
Calloway Real Estate Investment Trust, Series B, Senior, Unsecured, Notes, 5.370% Oct 12, 2016	500	544	536
Cameco Corporation, Series D, Senior, Unsecured, Notes, Unsubordinated, 5.670% Sep 2, 2019	1,500	1,506	1,654
Canadian Imperial Bank of Commerce, Deposit Notes, 3.300% Nov 19, 2014	1,494	1,546	1,526
Canadian Imperial Bank of Commerce, Deposit Notes, Senior, Unsecured, 3.100% Mar 2, 2015	2,750	2,824	2,807
Canadian Imperial Bank of Commerce, Deposit Notes, Unsecured, 3.400% Jan 14, 2016	2,000	1,999	2,066
Canadian Imperial Bank of Commerce, Deposit Notes, Senior, Unsecured, 3.950% Jul 14, 2017	2,631	2,772	2,775
Canadian Imperial Bank of Commerce, Unsecured, Notes, 2.350% Oct 18, 2017	2,500	2,495	2,473
Canadian Imperial Bank of Commerce, Fixed to Floating, Subordinated, Debentures, Callable, 3.150% Nov 2, 2020	2,000	2,057	2,040
Canadian Natural Resources Limited, Series 1, Medium Term Notes, Unsecured, 4.950% Jun 1, 2015	1,600	1,720	1,693
Canadian Pacific Railway Company, Medium Term Notes, Unsecured, 6.250% Jun 1, 2018	1,500	1,632	1,717

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STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

As at June 30, 2013 (in thousands of Canadian dollars, unless otherwise noted)

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Canadian Tire Corporation, Limited, Medium Term Notes, Unsecured, 4.950% Jun 1, 2015	1,300	1,298	1,373
Canadian Tire Corporation, Limited, Series D, Medium Term Notes, Unsecured, 5.650% Jun 1, 2016	500	500	547
Canadian Western Bank, Deposit Notes, Senior, Unsecured, 3.049% Jan 18, 2017	1,690	1,733	1,713
Canadian Western Bank, Deposit Notes, Senior, Unsecured, 2.531% Mar 22, 2018	1,000	999	980
Capital Desjardins Inc., Series G, Senior, Secured, Notes, 5.187% May 5, 2020	2,360	2,622	2,614
Capital Power L.P., Medium Term Notes, Senior, Unsecured, Unsubordinated, 4.850% Feb 21, 2019	750	749	767
Caterpillar Financial Services Limited, Unsecured, 2.63% Jun 1, 2017	1,700	1,735	1,707
Centre Street Trust, Series B, Secured, Notes, Sinkable, 3.693% Jun 14, 2022	209	208	201
CI Financial Corporation, Unsecured, Notes, 4.190% Dec 16, 2014	500	519	517
CIBC Capital Trust, Series A, Tier 1 Notes, Fixed to Floating, Subordinated, Unsecured, 9.976% Jun 30, 2108	1,750	2,336	2,308
Cominar Real Estate Investment Trust, Senior, Unsecured, 4.230% Dec 4, 2019	500	501	486
Consumers' Gas Company Ltd., The, Medium Term Notes, 6.050% Jul 5, 2023	500	441	595
CU Inc., Medium Term Notes, Unsecured, Callable, 5.432% Jan 23, 2019	1,500	1,640	1,696
CU Inc., Senior, Unsecured, 3.805% Sep 10, 2042	3,000	2,973	2,723
Daimler Canada Finance Inc., Senior, Unsecured, Notes, 2.330% Sep 14, 2015	1,410	1,419	1,419
Emera Inc., Series G, Medium Term Notes, Senior, Unsecured, Unsubordinated, 4.830% Dec 2, 2019	2,500	2,471	2,673
Enbridge Gas Distribution Inc., Medium Term Notes, Senior, Unsecured, Unsubordinated, 5.160% Dec 4, 2017	2,500	2,725	2,780
Enbridge Gas Distribution Inc., Medium Term Notes, Unsecured, Callable, 6.160% Dec 16, 2033	1,000	1,000	1,240
Enbridge Inc., Medium Term Notes, Senior, Unsecured, Unsubordinated, 5.000% Aug 9, 2016	758	814	819
Enbridge Inc., Medium Term Notes, Unsecured, 4.240% Aug 27, 2042	500	507	466
EnCana Corporation, Medium Term Notes, Unsecured, Unsubordinated, 5.800% Jan 18, 2018	1,000	1,137	1,114
ENMAX Corporation, Senior, Unsecured, Notes, 6.150% Jun 19, 2018	1,000	1,154	1,120

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STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

As at June 30, 2013 (in thousands of Canadian dollars, unless otherwise noted)

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
EPCOR Utilities Inc., Medium Term Notes, Senior, Unsecured, Unsubordinated, 5.800% Jan 31, 2018	2,500	2,808	2,828
Fairfax Financial Holdings Limited, Senior, Unsecured, Notes, Unsubordinated, 7.500% Aug 19, 2019	1,000	1,162	1,155
First Capital Realty Inc., Series P, Senior, Unsecured, Notes, 3.950% Dec 5, 2022	2,250	2,248	2,191
Ford Credit Canada Ltd., Senior, Unsecured, Notes, 4.875% Feb 8, 2017	2,000	2,127	2,101
FortisAlberta Inc., Senior, Unsecured, Notes, Unsubordinated, 5.400% Apr 21, 2036	1,100	1,094	1,257
FortisBC Inc., Series 1, Medium Term Notes, Unsecured, 6.100% Jun 2, 2039	2,000	2,000	2,479
Gaz Metro inc., Series J, First Mortgage, Secured, 5.700% Jul 10, 2036	1,250	1,589	1,479
GE Capital Canada Funding Company, Series A, Medium Term Notes, Senior, Unsecured, Unsubordinated, 4.650% Feb 11, 2015	1,500	1,589	1,565
GE Capital Canada Funding Company, Series A, Medium Term Notes, 5.100% Jun 1, 2016	1,929	1,888	2,084
GE Capital Canada Funding Company, Series A, Medium Term Notes, 5.530% Aug 17, 2017	2,870	3,248	3,189
GE Capital Canada Funding Company, Series A, Medium Term Notes, Unsecured, Unsubordinated, 5.730% Oct 22, 2037	1,500	1,842	1,748
George Weston Limited, Medium Term Notes, Senior, Unsecured, 7.100% Feb 5, 2032	1,000	1,179	1,156
Greater Toronto Airports Authority, Series 2000-1, Medium Term Notes, Senior, Secured, 7.050% Jun 12, 2030	3,500	4,155	4,638
Great-West LifeCo Finance (Delaware) LP, Fixed to Floating, Debentures, Subordinated, Callable, 5.691% Jun 21, 2067	2,000	2,206	2,196
Great-West Lifeco Inc., Debentures, Callable, 6.670% Mar 21, 2033	500	567	629
H&R Real Estate Investment Trust, Series D, Senior, Unsecured, Notes, 4.778% Jul 27, 2016	800	850	840
Health Montreal Collective LP, Series 144A, Senior, Sinking Funds, 6.721% Sep 30, 2049	2,500	3,055	3,010
HSBC Bank of Canada, Deposit Notes, 3.558% Oct 4, 2017	4,000	4,201	4,139
HSBC Bank of Canada, Deposit Notes, Senior, Unsecured, 2.938% Jan 14, 2020	1,000	1,001	978
Husky Energy Inc., Medium Term Notes, Senior, Unsecured, Unsubordinated, 3.750% Mar 12, 2015	1,000	999	1,031
Hydro One Inc., Series 4, Medium Term Notes, Unsecured, Callable, 6.350% Jan 31, 2034	2,500	2,825	3,182

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STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

As at June 30, 2013 (in thousands of Canadian dollars, unless otherwise noted)

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Hydro One Inc., Series 9, Medium Term Notes, Senior, Unsecured, 5.360% May 20, 2036	1,000	999	1,148
Hydro One Inc., Medium Term Notes, Senior, Unsecured, 5.490% Jul 16, 2040	2,500	3,188	2,946
IGM Financial, Inc., Senior, Unsecured, Notes, Unsubordinated, 6.580% Mar 7, 2018	1,200	1,326	1,386
IGM Financial, Inc., Senior, Unsecured, Notes, Unsubordinated, 7.350% Apr 8, 2019	1,000	1,171	1,217
Intact Financial Corporation, Series 1, Medium Term Notes, Senior, Unsecured, Unsubordinated, 5.410% Sep 3, 2019	1,500	1,515	1,682
John Deere Canada Funding Inc., Medium Term Notes, Senior, Unsecured, 2.300% Jul 5, 2016	2,000	2,015	2,007
Laurentian Bank of Canada, Series 2010-1, Medium Term Notes, Fixed to Floating, Unsecured, Subordinated, Callable, 3.700% Nov 2, 2020	1,000	1,033	1,014
Loblaw Companies Limited, Medium Term Notes, Senior, Unsecured, 5.220% Jun 18, 2020	1,100	1,267	1,213
Loblaw Companies Limited, Medium Term Notes, Unsecured, Callable, 6.450% Feb 9, 2028	1,000	941	1,131
Lower Mattagami Energy LP, Series 2013-1, Senior, Secured, Notes, 4.176% Feb 23, 2046	1,100	1,100	1,054
Manitoba Telecom Services Inc., Series 8, Medium Term Notes, Unsecured, 5.625% Dec 16, 2019	1,500	1,639	1,675
Manufacturers Life Insurance Company, The, Notes, Subordinated, Callable, 4.165% Jun 1, 2022	1,000	1,057	1,043
Manulife Finance (Delaware), L.P., Fixed to Floating, Unsecured, Debentures, Subordinated, Callable, 5.059% Dec 15, 2041	2,000	1,887	1,898
Manulife Financial Capital Trust II, Fixed to Floating, Unsecured, Notes, Subordinated, Callable, 7.405% Dec 31, 2108	1,000	1,194	1,184
Manulife Financial Corporation, Medium Term Notes, Senior, Unsecured, 4.079% Aug 20, 2015	1,445	1,488	1,507
Molson Coors Capital Finance ULC, Senior, Unsecured, Notes, 5.000% Sep 22, 2015	1,000	1,072	1,058
National Bank of Canada, Deposit Notes, Unsecured, 3.147% Feb 11, 2015	3,599	3,651	3,672
National Bank of Canada, Unsecured, Notes, Unsubordinated, 3.580% Apr 26, 2016	1,889	1,980	1,960
National Bank of Canada, Medium Term Notes, Fixed to Floating, Unsecured, Subordinated, Callable, 3.261% Apr 11, 2022	2,000	2,066	2,042
NAV Canada, Series 1997-2, Sinking Fund, 7.560% Mar 1, 2027	2,333	2,765	2,944
NOVA Gas Transmission Ltd., Medium Term Notes, 8.875% May 27, 2026	1,348	1,933	1,922

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STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

As at June 30, 2013 (in thousands of Canadian dollars, unless otherwise noted)

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Plenary Health Care Partnership Humber LP, Senior, Notes, 2.633% May 18, 2015	128	129	128
Power Financial Corporation, Unsecured, Debentures, Callable, 6.900% Mar 11, 2033	850	953	1,059
RBC Capital Trust Capital Securities, Series 2018, Fixed to Floating, Junior, Notes, Subordinated, Perpetual, Callable, 6.821% Dec 31, 2049	1,500	1,809	1,757
RioCan Real Estate Investment Trust, Series R, Senior, Unsecured, Notes, 3.716% Dec 13, 2021	1,750	1,744	1,679
Rogers Communications, Inc., Senior, Unsecured, Notes, Unsubordinated, 5.800% May 26, 2016	960	1,070	1,050
Rogers Communications, Inc., Unsecured, Notes, Unsubordinated, 6.680% Nov 4, 2039	1,500	1,498	1,760
Rogers Communications, Inc., Senior, Notes, 6.110% Aug 25, 2040	2,500	2,954	2,742
Royal Bank of Canada, Deposit Notes, Senior, 4.710% Dec 22, 2014	2,590	2,657	2,701
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, Unsubordinated, 2.050% Jan 13, 2015	1,000	1,009	1,004
Royal Bank of Canada, Senior, Unsecured, Notes, Unsubordinated, 2.680% Dec 8, 2016	2,947	2,986	2,979
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, Unsubordinated, 3.660% Jan 25, 2017	5,850	5,848	6,103
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, Unsubordinated, 2.580% Apr 13, 2017	500	499	502
Royal Bank of Canada, Series 14, Medium Term Notes, Fixed to Floating, Unsecured, Subordinated, Callable, 3.180% Nov 2, 2020	3,000	3,087	3,062
Royal Bank of Canada, Series 15, Medium Term Notes, Fixed to Floating, Subordinated, Callable, 2.990% Dec 6, 2024	3,000	3,009	2,947
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, 4.930% Jul 16, 2025	1,376	1,594	1,522
Scotiabank Capital Trust, Scotia BaTS II, Series 2006-1, Fixed to Floating, Senior, Unsecured, Notes, Callable, 5.650% Dec 31, 2056	1,000	1,217	1,147
Shaw Communications Inc., Senior, Unsecured, Notes, Unsubordinated, 5.650% Oct 1, 2019	3,700	4,022	4,093
Sobeys Inc., Series A, Medium Term Notes, Unsecured, Callable, 6.060% Oct 29, 2035	750	808	762
Standard Life Assurance Company of Canada, Fixed to Floating, Subordinated, Callable, 3.938% Sep 21, 2022	1,000	1,044	1,029
Sun Life Cap Trust II, Senior Unsecured Notes, Subordinated, Callable, 5.863% Dec 31, 2108	500	557	556
Sun Life Financial Inc., Series A, Medium Term Notes, Fixed to Floating, Senior, Unsecured, Callable, 4.800% Nov 23, 2035	909	912	954

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BMO Harris Canadian Corporate Bond Portfolio

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STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

As at June 30, 2013 (in thousands of Canadian dollars, unless otherwise noted)

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Sun Life Financial Inc., Series B, Fixed to Floating, Senior, Unsecured, Notes, Callable, 4.950% Jun 1, 2036	3,670	3,562	3,889
Suncor Energy Inc., Series 4, Medium Term Notes, Unsecured, Callable, 5.800% May 22, 2018	1,000	1,078	1,130
Suncor Energy Inc., Series 4, Medium Term Notes, Unsecured, 5.390% Mar 26, 2037	750	695	824
TD Capital Trust IV, CaTS, Series 3, Fixed to Floating, Unsecured, Notes, Subordinated, Callable, 6.631% Jun 30, 2108	3,000	3,701	3,568
TELUS Corporation, Series CG, Senior, Unsecured, Notes, Unsubordinated, 5.050% Dec 4, 2019	2,000	2,168	2,190
TELUS Corporation, Series CH, Senior, Unsecured, Notes, Unsubordinated, 5.050% Jul 23, 2020	928	1,036	1,014
TELUS Corporation, Medium Term Notes, Unsecured, Callable, 3.350% Apr 1, 2024	4,500	4,475	4,268
Teranet Holdings LP, Senior, Secured, Notes, 4.807% Dec 16, 2020	4,530	4,993	4,821
Terasen Gas Inc., Medium Term Notes, Unsecured, Callable, 5.550% Sep 25, 2036	2,000	2,028	2,332
Terasen Gas Inc., Medium Term Notes, Unsecured, Callable, 6.000% Oct 2, 2037	816	813	1,009
Thomson Reuters Corporation, Unsecured, Notes, Unsubordinated, 6.000% Mar 31, 2016	2,400	2,467	2,632
Toronto Hydro Corporation, Series 8, Senior, Unsecured, Debentures, 2.910% Apr 10, 2023	1,000	1,000	949
Toronto Hydro Corporation, Series 9, Senior, Unsecured, Debentures, 3.960% Apr 9, 2063	1,500	1,498	1,368
Toronto-Dominion Bank, The, Deposit Notes, 2.948% Aug 2, 2016	2,000	2,067	2,049
Toronto-Dominion Bank, The, Deposit Notes, Senior, Unsecured, 2.171% Apr 2, 2018	500	502	489
Toronto-Dominion Bank, The, Medium Term Notes, Fixed to Floating, Unsecured, Subordinated, Callable, 4.779% Dec 14, 2105	6,000	6,527	6,386
Toronto-Dominion Bank, The, Medium Term Notes, Fixed to Floating, Unsecured, Subordinated, Callable, 5.763% Dec 18, 2106	900	1,041	1,009
Toyota Credit Canada Inc., Medium Term Notes, Senior, Unsecured, 2.200% Oct 19, 2017	550	551	540
TransAlta Corporation, Medium Term Notes, Multi-Coupled, 6.900% Nov 15, 2030	1,500	1,545	1,515
TransCanada PipeLines Limited, Medium Term Notes, Senior, Unsecured, 8.050% Feb 17, 2039	2,000	3,227	3,007

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STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

As at June 30, 2013 (in thousands of Canadian dollars, unless otherwise noted)

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Union Gas Limited, Series 6, Medium Term Notes, Unsecured, 5.460% Sep 11, 2036	2,250	2,228	2,597
Veresen Inc., Medium Term Notes, Senior, Unsecured, 3.950% Mar 14, 2017	1,250	1,293	1,284
VW Credit Canada Inc., Unsecured, Notes, Unsubordinated, 3.600% Feb 1, 2016	1,500	1,499	1,555
Wells Fargo Financial Canada Corporation, Medium Term Notes, Senior, Unsecured, 2.774% Feb 9, 2017	4,500	4,552	4,540
Wells Fargo Financial Canada Corporation, Medium Term Notes, Senior, Unsecured, 2.944% Jul 25, 2019	500	506	495
Westcoast Energy Inc., Series U, Senior, Unsecured, Notes, Unsubordinated, 8.500% Nov 23, 2015	2,500	3,112	2,851
Westcoast Energy Inc., Series O, Senior, Unsecured, Notes, Unsubordinated, 8.500% Sep 4, 2018	1,000	1,237	1,247
Winnipeg Airports Authority, Series E, Secured, Notes, 3.039% Apr 13, 2023	1,000	1,000	946
		291,237	293,189
<i>Asset-Backed Securities – 3.0%</i>			
Canadian Credit Card Master Trust, Series 2010-1, Class A, Asset-Backed Notes, 3.444% Jul 24, 2015	1,000	1,041	1,031
CARDS II Trust, Series A, Credit Card Receivables-Backed, 1.984% Jan 15, 2016	1,000	1,005	1,000
CARDS II Trust, Series 2011-4, Credit Card Receivables-Backed, Class A Notes, 3.333% May 15, 2016	1,000	1,044	1,040
Glacier Credit Card Trust, Asset-Backed Notes, 2.394% Oct 20, 2017	800	804	800
Golden Credit Card Trust, Series 2011-1, Credit Card Receivables-Backed Notes, Senior, Secured, 3.510% May 15, 2016	2,500	2,624	2,614
Master Credit Card Trust, Series 2012-1, Class A, Credit Card Receivables-Backed Notes, Secured, 2.626% Jan 21, 2017	1,500	1,531	1,529
NBC Asset Trust, Asset-Backed, Fixed to Floating, Secured, Subordinated, Perpetual, Callable, 7.235% Jun 30, 2018	1,000	1,210	1,167
		9,259	9,181
Total Investment Portfolio – 99.2%		300,496	302,370
Other Assets Less Liabilities – 0.8%			2,525
NET ASSETS – 100.0%			304,895

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(unaudited)

STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

As at June 30, 2013 (in thousands of Canadian dollars, unless otherwise noted)

The Portfolio's Investment Portfolio is concentrated in the following segments as at:

	June 30, 2013	December 31, 2012
Money Market Investments		
Federal	—%	2.8%
Bonds & Debentures		
Federal	—%	12.3%
Corporate	96.2%	82.7%
Asset-Backed Securities	3.0%	0.9%
Other Assets Less Liabilities	0.8%	1.3%
	100.0%	100.0%

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

BMO Harris Canadian Corporate Bond Portfolio

(unaudited)

NOTES TO FINANCIAL STATEMENTS

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

June 30, 2013

1. The Portfolio

BMO Harris Canadian Corporate Bond Portfolio [“the Portfolio”] is an open-ended mutual fund trust established by a Declaration of Trust under the laws of the Province of Ontario, most recently amended on September 18, 2007. BMO Harris Investment Management Inc. (“the Manager”) is the Manager of the Portfolio.

The information provided in these unaudited financial statements is for the periods ended June 30, 2013 and 2012 except for the comparative information in the Statement of Net Assets and the related notes which are as at December 31, 2012.

2. Summary of significant accounting policies

These interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”), including estimates and assumptions made by management that may affect the reported amounts of assets, liabilities, income and expenses during the reported years. Actual results could differ from estimates.

Valuation of investments

Canadian GAAP requires the use of bid prices for long positions and ask prices for short positions in the fair valuation of investments traded in an active market, rather than the use of closing prices currently used for the purpose of determining Net Asset Value (“NAV”). For investments that are not traded in an active market, Canadian GAAP requires the use of valuation techniques, incorporating factors that market participants would consider in setting a price.

The NAV is the fair value of the total assets of a Portfolio less the fair value of its total liabilities at a Valuation Date (“the Valuation Date” is each day on which the Toronto Stock Exchange is open for trading) determined in accordance with Part 14 of National Instrument 81-106 – Investment Portfolio Continuous Disclosure (“NI 81-106”) for the purpose of processing unitholder transactions. For financial statement purposes, valuations are determined in accordance with Canadian GAAP. This may result in a difference between the net assets per unit and the NAV per unit. Refer to Note 7(b) for the details of the comparison between NAV per unit and net assets per unit.

Investments are deemed to be held for trading.

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

Securities listed on a recognized public securities exchange in North America are valued for financial statement purposes at their bid prices for long positions and ask prices for short positions. Procedures are in place to fair value securities traded in countries outside of North America daily, to avoid stale prices and to take into account, among other things, any significant events occurring after the close of a foreign market.

For bonds, debentures, asset-backed securities and other debt securities, the fair value represents the bid price provided by independent security pricing services. Short-term investments, if any, are included in the Statement of Investment Portfolio at their fair value. Unlisted warrants, if any, are valued based on a pricing model which considers factors such as the market value of the underlying security, strike price and terms of the warrant.

The Manager uses fair value pricing when the price of a security held in a Portfolio is unavailable, unreliable or not considered to reflect the current value, and may determine another value which it considers to be fair and reasonable using the services of third-party valuation service providers, or using a valuation technique that, to the extent possible, makes maximum use of inputs and assumptions based on observable market data including volatility, comparable companies and other applicable rates or prices.

Investment transactions

Investment transactions are accounted for on the trade date. Realized gains (losses) from the sale of investments and unrealized appreciation (depreciation) in the value of investments are calculated with reference to the average cost of the related investments which exclude brokerage commissions and other trading expenses. All

BMO Harris Canadian Corporate Bond Portfolio

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NOTES TO FINANCIAL STATEMENTS (cont'd)

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

June 30, 2013

net realized gains (losses), unrealized appreciation (depreciation) in value, and transaction costs are attributable to investments and derivative instruments which are deemed held for trading, and are included in the Statement of Operations.

Client brokerage commissions, where applicable, are used as payment for order execution services or research services. The portfolio advisers or Managers may select brokers, including their affiliates, who charge a commission in excess of that charged by other brokers ("soft dollars") if they determine in good faith that the commission is reasonable in relation to the order execution and research services utilized. It is the Manager's objective that over time, all clients receive benefits from client brokerage commissions.

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Portfolio are expensed and included in "Commissions and other portfolio transaction costs" in the Statement of Operations.

Cost of investments

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

Income recognition

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

Interest on inflation-indexed bonds will be paid based on a principal value, which is adjusted for inflation. The inflation adjustment of the principal value is recognized as part of interest income in the Statement of Operations. If held to maturity, the Portfolio will receive, in addition to a coupon interest payment, a final payment equal to the sum of the par value and the inflation compensation accrued from the original issue date. Interest is accrued on each Valuation Day based on the inflation adjusted par value at that time and is included in "Interest" in the Statement of Operations.

Translation of foreign currencies

The fair value of investments and other assets and liabilities in foreign currencies are translated into the Portfolio's functional currency at the rates of exchange prevailing at the year-end date. Purchases and sales of investments, and income and expenses are translated at the rates of exchange prevailing on the respective dates of such transactions. Foreign exchange gains (losses) on completed transactions are included in "Realized gain (loss) on sale of investments" and unrealized foreign exchange gains (losses) are included in "Change in unrealized appreciation (depreciation) in value of investments" in the Statement of Operations. Realized and unrealized foreign exchange gains (losses) on assets (other than investments) and liabilities are included in "Realized gain (loss) on foreign exchange" in the Statement of Operations.

Forward currency contracts

A forward currency contract is an agreement between two parties (the Portfolio and the counterparty) to purchase or sell a currency against another currency at a set price on a future date. The Portfolio may enter into forward currency contracts for hedging purposes which can include the hedging of all or a portion of the currency exposure of an investment or group of investments, either directly or indirectly. The Portfolio may also enter into these contracts for non-hedging purposes which can include increasing the exposure to a foreign currency or to shift exposure to foreign currency fluctuations from one country to another.

The value of forward currency contracts entered into by the Portfolio is recorded as the difference between the value of the contract on the Valuation Date and the value on the date the contract originated.

Changes in the value of open forward currency contracts at each Valuation Date are recognized in the Statement of Operations as "Change in unrealized appreciation (depreciation) in value of forward currency contracts."

Amounts realized at the close of the contracts are recorded as "Realized gain (loss) on forward currency contracts" in the Statement of Operations.

BMO Harris Canadian Corporate Bond Portfolio

(unaudited)

NOTES TO FINANCIAL STATEMENTS (cont'd)

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

June 30, 2013

Securities lending

A Portfolio may engage in securities lending pursuant to the terms of an agreement which includes restrictions as set out in Canadian securities legislation. Collateral held is government Treasury Bills and qualified Notes.

Income from securities lending, where applicable, is included in the Statement of Operations and is recognized when earned. The securities on loan continue to be displayed in the Statement of Investment Portfolio. The market value of the securities loaned and collateral held is determined daily. Aggregate values of securities on loan and related collateral held in trust as at June 30, 2013 and December 31, 2012, where applicable, are disclosed in Note 7(h).

Increase or decrease in net assets from operations per unit

“Increase (decrease) in net assets from operations per unit” in the Statement of Operations represents the increase (decrease) in net assets from operations divided by the weighted average number of units outstanding during the period.

Short-term trading penalty

To discourage excessive trading, the Portfolio may, at the Manager’s sole discretion, charge a short-term trading penalty. This penalty is paid directly to the Portfolio and is included in “Interest” in the Statement of Operations.

Other assets and liabilities

Income receivable, subscriptions receivable and due from broker are designated as loans and receivables and recorded at cost or amortized cost. Similarly, amounts due to broker, redemptions payable and accrued expenses are designated as financial liabilities and reported at amortized cost. Other assets and liabilities are short-term in nature, and are carried at cost or amortized cost which approximates fair value.

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 (“IASB”), 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 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

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NOTES TO FINANCIAL STATEMENTS (cont'd)

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

June 30, 2013

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 NAV per unit 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.

3. Unit valuation

Units of the Portfolio are offered for sale on a continuous basis and may be purchased or redeemed on any Valuation Date at the NAV per unit. The NAV per unit for the purposes of subscription or redemption is computed by dividing the NAV of the Portfolio (that is, the total fair value of the assets less its liabilities) by the total number of units outstanding at such time. This amount may be different from the Net Asset per unit which is presented

on the Statement of Net Assets. Generally, any differences are due to valuing actively traded securities at bid prices for Canadian GAAP purposes while NAV typically utilizes closing price to determine fair value for the purchase and redemption of units. See Note 7(b) for the comparison between NAV per unit and Net Assets per unit.

Capital

The capital of the Portfolio is represented by issued and redeemable units with no par value. The units are entitled to distributions, if any, and to payment of a proportionate share based on the Portfolio's NAV per unit upon redemption. The Portfolio has no restrictions or specific capital requirements on the subscriptions and redemptions of units except as disclosed in Note 7(a), if any. The relevant movements in capital are shown on the Statement of Changes in Net Assets. In accordance with its investment objectives and strategies, and the risk management practices outlined in Note 6, the Portfolio endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

4. Income taxes

The Portfolio qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada) (the "Tax Act"). Distributions of all net taxable income and sufficient amounts of net realized capital gains for each taxation year will be paid to unitholders. Part of the Portfolio's net income and net realized capital gains not paid or payable, is subject to income tax. It is the intention of the Portfolio to distribute all of its income and sufficient net realized capital gains so that the Portfolio will not be subject to income tax. Income tax on net realized capital gains not paid or payable is generally recoverable by virtue of refunding provisions contained in tax legislation, as redemptions occur.

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(unaudited)

NOTES TO FINANCIAL STATEMENTS (cont'd)

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

June 30, 2013

Non-capital losses that arose in 2004 and 2005 are available to be carried forward for ten years and applied against future taxable income. Non-capital losses that arose in 2006 and thereafter are available to be carried forward for twenty years. Capital losses for income tax purposes may be carried forward indefinitely and applied against capital gains realized in future years.

The Portfolio's non-capital and capital losses for income tax purposes as of the tax year-ended December 2012 are included in Note 7(c), if applicable.

5. Related party transactions

(a) Unitholder servicing, sub-advisory commissions and other portfolio transaction costs

The Portfolio is provided with certain facilities and services by affiliates of the Manager. Expenses incurred in the administration of the Portfolio were paid to BMO Trust Company (the Trustee) and to BMO Asset Management Inc. (the Registrar) and charged to the Portfolio. These expenses are included in "Unitholder servicing fees" in the Statement of Operations.

The sub-advisors (including affiliates of the Manager, where applicable) engaged by the Manager provide investment advice and make investment decisions for the Portfolio's investment portfolio. For these services the sub-advisors receive sub-advisory fees that are paid monthly by the Manager and, effective October 26, 2012, charged to the Portfolio. These expenses are included in "Sub-advisory fees" in the Statement of Operations. Any sub-advisory fees less than or equal to 0.15% of the net asset value of the Portfolio are absorbed by the Manager.

The Portfolio may execute trades with and or through BMO Nesbit Burns Inc., an affiliate of the Manager based on established standard brokerage agreements at market prices. These fees are included in "Commissions and other portfolio transaction costs" in the Statement of Operations.

Refer to Note 7(d) for related party fees charged to the Portfolio for the periods ended June 30, 2013 and 2012.

(b) Other related party transactions

From time to time, the Manager may on behalf of the Portfolio enter into transactions or arrangements with or involving other members of Bank of Montreal Group of Companies, or certain other persons or companies that are related or connected to the Manager of the Portfolio. These transactions or arrangements may include transactions or arrangements with or involving Bank of Montreal Group of Companies, BMO Trust Company, BMO Nesbitt Burns Inc., Harris Investment Management Inc., BMO Asset Management Inc., BMO Investments Inc., Pyrford International Ltd, Lloyd George Management Inc. or other investment funds offered by BMO, and may involve the purchase or sale of portfolio securities through or from a member of Bank of Montreal Group of Companies, the purchase or sale of securities issued or guaranteed by a member of Bank of Montreal Group of Companies, the purchase or sale of securities issued or guaranteed by a member of Bank of Montreal group of Companies, entering into forward contracts with a member of Bank of Montreal Group of Companies acting as counterparty, the purchase or redemption of units of other BMO Harris Private Portfolios or the provision of services to the Manager.

6. Financial instrument risk

The Portfolio may be exposed to a variety of financial risks that are concentrated in its investment holdings, including derivative instruments. The Statement of Investment Portfolio groups securities by asset type, geographic region and/or market segment. The Portfolio's risk management practice includes the monitoring of compliance to investment guidelines.

The Manager manages the potential effects of these financial risks on the Portfolio's performance by employing and overseeing professional and experienced portfolio managers that regularly monitor the Portfolio's positions, market events and diversify investment portfolios within the constraints of the investment guidelines.

BMO Harris Canadian Corporate Bond Portfolio

(unaudited)

NOTES TO FINANCIAL STATEMENTS (cont'd)

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

June 30, 2013

(a) Currency risk

Currency risk is the risk that the value of investments denominated in currencies, other than the functional currency of the Portfolio, will fluctuate due to changes in foreign exchange rates. Investments in foreign markets are exposed to currency risk as the prices denominated in foreign currencies are converted to the Portfolio's functional currency in determining fair value. The Portfolio may enter into forward currency contracts for hedging purposes to reduce foreign currency exposure or to establish exposure to foreign currencies. The Portfolio's exposure to currency risk, if any, is further discussed in Note 7(f).

(b) Interest rate risk

Interest rate risk is the risk that the fair value of the Portfolio's interest-bearing investments will fluctuate due to changes in market interest rates. The Portfolio's exposure to interest rate risk is concentrated in its investment in debt securities (such as bonds, money market instruments, short-term investments and debentures) and interest rate derivative instruments, if any. Other assets and liabilities are short-term in nature and/or non-interest bearing. The Portfolio's exposure to interest rate risk, if any, is further discussed in Note 7(f).

(c) Other market risk

Other market risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market. Other assets and liabilities are monetary items that are short-term in nature, and as such they are not subject to other market risk. The Portfolio's exposure to other market risk, if any, is further discussed in Note 7(f).

(d) Credit risk

Credit risk is the risk that a loss could arise from a security issuer or counterparty to a financial instrument not being able to meet its financial obligations. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. Credit risk exposure for over-the-counter derivative instruments is based on the Portfolio's unrealized gain (loss) of the contractual obligations with the counterparty as at the reporting date. The credit exposure of other assets is represented by its carrying amount. The Portfolio's exposure to credit risk, if any, is further discussed in Note 7(f).

The Portfolio may enter into securities lending transactions with approved counterparties. Credit risk associated with these transactions is considered minimal as all counterparties have a sufficient approved credit rating and the market value of collateral held by the Portfolio must be at least 102% of the fair value of securities loaned, if any, as disclosed in Note 7(h).

(e) Liquidity risk

The Portfolio's exposure to liquidity risk is concentrated in the daily cash redemptions of units. The Portfolio primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Portfolio retains sufficient cash and cash equivalent positions to maintain liquidity. The Portfolio may, from time to time, enter into over-the-counter derivative contracts or invest in unlisted securities, which are not traded in an organized market and may be illiquid. Securities for which a market quotation could not be obtained and may be illiquid are identified on the Statement of Investment Portfolio. The proportion of illiquid securities to NAV of the Portfolio is monitored by the Manager to ensure it does not exceed the regulatory limit and does not significantly affect the liquidity required to meet the Portfolio's financial obligations.

BMO Harris Canadian Corporate Bond Portfolio

(unaudited)

NOTES TO FINANCIAL STATEMENTS (cont'd)

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

June 30, 2013

7. Portfolio specific information

(a) Portfolio information and change in units

The Portfolio's inception date was March 1, 2002.

The number of units that have been issued and are outstanding are disclosed in the table below.

For the periods ended (in thousands of units)	June 30, 2013	June 30, 2012
Units issued and outstanding, beginning of period	33,445	28,769
Issued for cash	3,272	5,304
Issued on reinvestment of distributions	645	628
Redeemed during the period	(7,923)	(3,644)
Units issued and outstanding, end of period	29,439	31,057

(b) Comparison of NAV per unit to Net Assets per unit

June 30, 2013		Dec. 31, 2012	
NAV per unit	Net Assets per unit	NAV per unit	Net Assets per unit
10.36	10.36	10.66	10.66

(c) Income taxes

As at the tax year-ended December 2012, the Portfolio had the following capital and non-capital losses available for income tax purposes:

Total capital losses (\$)	Total non- capital losses (\$)	Non-capital losses that expire in 2026 and thereafter		
		2014 (\$)	2015 (\$)	(\$)
6,155	—	—	—	—

(d) Related party transactions

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

	June 30, 2013	June 30, 2012
Unitholder servicing (\$)	44	45

(e) Brokerage commissions and soft dollars

There were no brokerage commissions charged to the Portfolio during the periods ended June 30, 2013 and June 30, 2012.

There were no ascertainable soft dollars paid or payable to dealers by the Portfolio during the periods.

(f) Financial instrument risk

The Portfolio's objective is to produce superior returns through a combination of interest income and capital growth while also pursuing capital preservation. The Portfolio invests primarily in high quality fixed income securities such as bonds and debentures issued by governments and corporations that mature in more than one period.

Effective January 25, 2013, the Portfolio's investment strategies were changed to permit the Portfolio to invest in fixed income securities in reference to the characteristics of a widely recognized Canadian corporate bond index.

No changes affecting the overall level of risk of investing in the Portfolio were made during the period.

Currency risk

As at June 30, 2013 and December 31, 2012, the Portfolio did not have any significant exposure to currency risk as it invested fully in Canadian securities.

Interest rate risk

The following table summarizes the Portfolio's exposure to interest rate risk by remaining term to maturity.

Number of years	Interest rate exposure as at	
	June 30, 2013 \$	Dec. 31, 2012 \$
Less than 1 year	—	53,524
One to three years	52,393	65,547
Three to five years	82,921	75,224
Five to ten years	64,684	53,804
Greater than ten years	102,372	103,810
Total	302,370	351,909

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(unaudited)

NOTES TO FINANCIAL STATEMENTS (cont'd)

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

June 30, 2013

As at the periods ended June 30, 2013 and December 31, 2012, if the prevailing interest rates had been raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other factors remaining constant, Net Assets could possibly have decreased or increased, respectively, by approximately \$17,628 (December 31, 2012 – \$20,413). The Portfolio's interest rate sensitivity was determined based on portfolio weighted duration. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

Other market risk

The Portfolio was not significantly exposed to other market risk as at June 30, 2013 and December 31, 2012, as it invested fully in fixed income securities.

Credit risk

The Portfolio's credit risk exposure grouped by credit ratings is listed in the following table:

Credit rating	As a % of Net Assets	
	June 30, 2013	Dec. 31, 2012
R-1 High	—	2.8
AAA	2.6	14.7
AA	37.2	33.4
A	40.4	36.2
BBB	19.0	11.6
Total	99.2	98.7

(g) Fair value hierarchy

The Portfolio classifies its financial instruments into three levels based on the inputs used to value the financial instruments. Level 1 securities are valued based on the quoted prices in active markets for identical securities. Level 2 securities are valued based on significant observable market inputs, such as quoted prices from similar securities and quoted prices in inactive markets or based on unobservable inputs to models. Level 3 securities are valued based on significant unobservable inputs that reflect the Manager's determination of assumptions that market participants might reasonably use in valuing the securities. The table below shows the relevant disclosure.

As at June 30, 2013

Financial assets	Level 1	Level 2	Level 3	Total
Debt securities	8,640	293,730	—	302,370

As at December 31, 2012

Financial assets	Level 1	Level 2	Level 3	Total
Debt securities	6,160	345,749	—	351,909

Significant transfers

There were no significant transfers between the levels during the period.

(h) Securities lending

There were no assets involved in securities lending transactions as at June 30, 2013 and December 31, 2012.

Manager

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