

Annual Management Report of Fund Performance

BMO Harris U.S. Special Equity Portfolio (formerly BMO Harris International Special 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 Corp. (“BMO AM Corp.” or the “sub-advisor”) as the sub-advisor of BMO Harris U.S. Special Equity Portfolio (the “Portfolio”). BMO AM Corp. replaced GlobeFlex Capital, L.P. as sub-advisor in 2012.

Investment Objective and Strategies

As BMO Harris International Special Equity Portfolio

The Portfolio's investment objective is to achieve long-term growth through capital appreciation by primarily investing in small and mid-sized companies internationally.

To achieve the Portfolio's objectives, the sub-advisor employs bottom-up security selection, quantitative and traditional fundamental analyses, analysis of the financial results, financial condition and potential future growth of the company, and seeks to identify companies with earnings acceleration that are currently trading below their fair market values. The Portfolio may invest some of its assets in securities of companies located in emerging markets.

As BMO Harris U.S. Special Equity Portfolio

The Portfolio's investment objective is to achieve long-term growth through capital appreciation by primarily investing in equity securities of small and mid-capitalization U.S. companies.

To achieve the Portfolio's objectives, the sub-advisor employs bottom-up security selection, quantitative and traditional fundamental analyses, analysis of the financial results, financial condition and potential future growth of the company, and seeks to identify companies showing improvement in the growth rates of one or more fundamental metrics, such as revenue, earnings or margins.

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 7.37% in C\$ (9.95% in US\$), after expenses. The Portfolio's benchmark (for the January 1, 2012 to October 25, 2012 period) was the S&P Developed Ex-U.S. Small Cap Index, which generated a 15.93% total return in C\$ (18.55% in US\$) over the 12-month period ended December 31, 2012. On October 26, 2012, the Portfolio's benchmark was changed to the Russell

BMO Harris U.S. Special Equity Portfolio

2000 Growth Index, which generated a 12.10% total return in C\$ (14.59% in US\$) over the 12-month period ended December 31, 2012.

As BMO Harris International Special Equity Portfolio

Global equity markets were volatile over the period as a result of investor concern regarding ongoing European sovereign debt and banking issues, the sustainability of the global economic recovery and geopolitical uncertainty.

Earlier in the period, equity markets were highly volatile, as sovereign debt issues in the eurozone and concern about the strength of the global economic recovery had a negative impact on investor confidence. This market volatility affected companies that are closely tied to global economic growth, particularly international small-capitalization growth companies. Equity markets rose later in the period, however, in response to measures taken by the European Central Bank (the “ECB”) and the U.S. Federal Reserve Board (the “Fed”) to solve those regions’ sovereign debt issues. International small-cap stocks performed relatively well later in the period and, despite challenging macroeconomic conditions, global corporate profitability was relatively strong.

The Portfolio’s holdings in Japan, South Korea, New Zealand and Israel detracted from performance, as did the Portfolio’s holdings in the Materials, Energy and Consumer Discretionary sectors.

The Portfolio’s exposure to the United Kingdom, Germany and Italy contributed to performance over the period, as did the Portfolio’s holdings in the Industrials and Health Care sectors.

Having determined that there were limited opportunities available for a mandate investing in small- and mid-capitalization companies in the international market, and that there could be better opportunities in such issuers in the U.S. market, BHIMI decided to change the Portfolio’s investment objectives. In connection with the change to the Portfolio’s investment objectives, BHIMI also changed the Portfolio’s name and investment strategies. BHIMI also changed the Portfolio’s sub-advisor from GlobeFlex Capital, L.P. to BMO Asset Management Corp. The Portfolio’s benchmark was also changed as a result of these changes. Each of these changes became effective October 26, 2012.

As BMO Harris U.S. Special Equity Portfolio

Although there was ongoing concern regarding the recession in Europe, investor confidence was relatively high over the period as a result of stimulative monetary policies undertaken by the Fed and the ECB, and an improving Chinese economy. Investors were relatively confident that measures taken by U.S. policymakers to resolve that country’s “fiscal cliff,” which many believed would result in spending cuts and tax increases, would succeed. In general, sectors that investors perceive as “riskier,” such as the Industrials and Energy sectors, outperformed defensive sectors like the Health Care and Utilities sectors.

The Portfolio’s overweight exposure to the Energy sector, its underweight exposure to the Materials sector and security selection in the Information Technology sector detracted from its performance. Significant individual detractors from Portfolio performance over the period included Ebix, Inc.; Velti plc; and Safeguard Scientifics, Inc. Shares of Velti plc posted losses as a result of relatively weak sales in Europe and continuing investor concern regarding the company’s ability to generate cash flow. Safeguard Scientifics, Inc.’s stock declined in value as a result of losses incurred by a number of the companies Safeguard finances.

The Portfolio’s overweight positions in the Financials, Industrials and Telecommunication Services sectors, and its underweight positions in the Consumer Discretionary, Consumer Staples, Health Care and Utilities sectors, contributed to its performance. Significant individual contributors to Portfolio performance included Gulfport Energy Corporation; Unit Corporation; PDC Energy, Inc.; and AVG Technologies N.V. Shares of Gulfport Energy Corporation, Unit Corporation and PDC Energy, Inc. posted gains as a result of increasing investor confidence in the Energy sector. AVG Technologies N.V. stock rose as a result of the renewal of an agreement the company had made with Google Inc.

Change to Expenses

The Portfolio is responsible for the payment of all expenses relating to the operation of the Portfolio and the carrying on of its business. At the beginning of the period, these expenses were capped and the trustee absorbed any expenses above this capped amount.

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Effective October 1, 2012, the existing cap on the expenses of the Portfolio was removed. Also, commencing on that date, any fees payable to the sub-advisor of the Portfolio over 0.15% (plus any applicable HST) became an expense of the Portfolio.

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

During the fourth quarter of 2012, BMO AM Corp. sold a number of the Portfolio's positions during the fourth quarter of 2012, including Ancestry.com Inc.; Medicis Pharmaceutical Corporation; and Teavana Holdings, Inc. BMO AM Corp. sold Medicis Pharmaceuticals Corporation because the company announced plans to be acquired by another pharmaceuticals firm. Teavana Holdings, Inc. was sold as a result of a takeover offer by Starbucks Corporation.

In the fourth quarter, the BMO AM Corp. added positions in AVG Technologies N.V.; inContact, Inc.; and Proofpoint, Inc. AVG Technologies N.V. was purchased because BMO AM Corp. believed the company's fundamental outlook was strong as a result of its agreement with Google Inc. BMO AM Corp. purchased inContact, Inc. because BMO AM Corp. believes that there will be strong demand for the company's cloud contact centre software. Proofpoint, Inc. was purchased as a result of BMO AM Corp.'s belief that the company's data security sector is experiencing accelerating growth, particularly with the continuing expansion of social media.

BMO AM Corp. believes that U.S. equity markets are likely to be negatively affected in the near term by high unemployment and fiscal issues in that country. BMO AM Corp.'s outlook for the U.S. economy in the medium term, however, is more positive. BMO AM Corp. will continue to focus investment in companies and sectors that are likely to benefit from ongoing economic expansion in the United States.

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 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.

BMO Harris U.S. Special Equity Portfolio

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 Corp. ("BMO AM Corp.") to provide investment advice and make investment decisions for the Portfolio's investment portfolio. BMO AM Corp. receives an investment advisory fee based on assets under management that is paid quarterly. BMO AM Corp. is paid by both BHIMI and by the Portfolio.

Wealth Management Fee

Units of the Portfolio are only available through the wealth management service offered by BMO Financial Group. The trustee, a related party, receives an annual fee from each investor for the wealth management service offered by BMO Financial Group. A tiered schedule is applied to calculate the annual fee for this service. The fee schedule starts at 1.95% and declines to 0.20% (depending on the nature and size of the investor's investment portfolio), and is calculated as a percentage of the assets under management. The actual wealth management fee payable by each investor is set out in 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.

Unitholder Services

The Portfolio is provided with certain facilities and services by related parties. BMO Asset Management Inc. ("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	116	153

Management Fee

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

BMO Harris U.S. Special Equity Portfolio

Financial Highlights

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

The Portfolio's Net Assets Per Unit ⁽¹⁾	Years ended December 31				
	2012	2011	2010	2009	2008
Net assets, beginning of period	\$ 4.44	5.46	4.78	4.59	9.21
Increase (decrease) from operations:					
Total revenue	\$ 0.13	0.12	0.10	0.12	0.23
Total expenses	\$ (0.07)	(0.06)	(0.06)	(0.05)	(0.07)
Realized gains (losses) for the period	\$ 0.07	(0.09)	(0.02)	(1.94)	(4.08)
Unrealized gains (losses) for the period	\$ 0.22	(0.89)	0.69	2.09	(0.81)
Total increase (decrease) from operations ⁽²⁾	\$ 0.35	(0.92)	0.71	0.22	(4.73)
Distributions:					
From income (excluding dividends)	\$ 0.00	0.00	—	0.01	0.23
From dividends	\$ 0.09	0.12	0.08	0.07	0.01
From capital gains	\$ —	—	—	—	—
Return of capital	\$ 0.00	0.00	0.00	0.00	0.00
Total Annual Distributions ⁽³⁾	\$ 0.09	0.12	0.08	0.08	0.24
Net assets, end of period	\$ 4.67	4.44	5.46	4.78	4.59

⁽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⁾	\$ 30,749	29,201	38,417	35,416	29,765
Number of units outstanding (000s) ⁽¹⁾	6,575	6,573	7,030	7,402	6,487
Management expense ratio ⁽²⁾	%	1.04	0.76	0.70	0.58
Management expense ratio before waivers or management absorptions	%	1.06	0.76	0.70	0.58
Trading expense ratio ⁽³⁾	%	0.54	0.44	0.45	0.28
Portfolio turnover rate ⁽⁴⁾	%	195.27	99.55	97.54	86.50
Net asset value per unit	\$ 4.68	4.44	5.46	4.79	4.59

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

BMO Harris U.S. Special Equity Portfolio

Past Performance

General

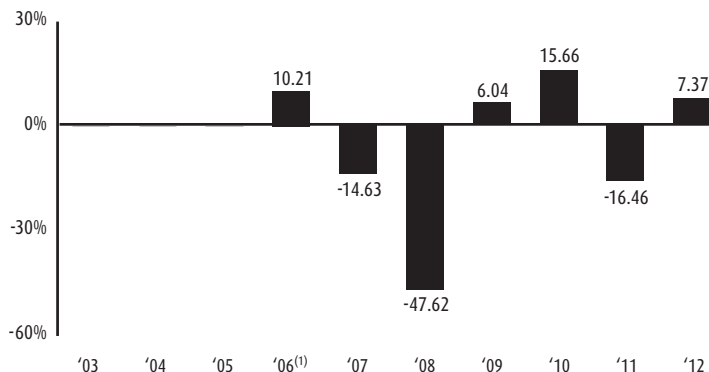
The Portfolio's performance information assumes that all distributions made by the Portfolio in the periods shown were reinvested in additional units of the Portfolio and is based on the net asset value of the Portfolio.

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

Year-by-Year Returns

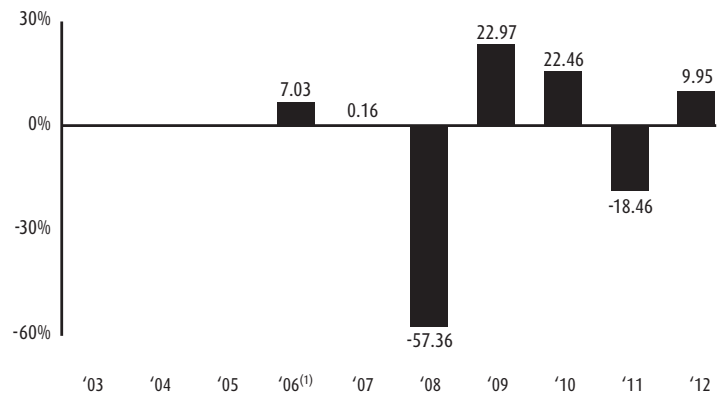
The following bar chart(s) show the performance for each of the financial years shown and illustrates how the performance has changed from year to year. The bar chart(s) show in percentage terms how an investment made on the first day of each financial year would have increased or decreased by the last day of each financial year.

BMO Harris U.S. Special Equity Portfolio (C\$)



⁽¹⁾ Return from November 1, 2006 to December 31, 2006.

BMO Harris U.S. Special Equity Portfolio (US\$)



⁽¹⁾ Return from November 1, 2006 to December 31, 2006.

Annual Compound Returns

This chart compares the historical annual compound returns of the Portfolio with the Russell 2000 Growth Index and the S&P Developed Ex.-U.S. Small Cap Index. The benchmark for the Portfolio has been changed from the S&P Developed Ex-U.S. Small Cap Index to the Russell 2000 Index to align with the Portfolio's current objective and strategies. The Russell 2000 Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 Index companies with higher price-to-value ratios and higher forecasted growth values. The S&P Developed Ex-U.S. Small Cap Index which measures the performance (total return) of those countries that are captured in the bottom 20% of the S&P broader market index consisting of countries that have a float adjusted market capitalization over US\$750 million, excluding the U.S.

	1 yr %	3 yrs %	5yrs %	10yrs %	Since Inception [§] %
BMO Harris U.S. Special Equity Portfolio ^{††} (C\$)	7.37	1.23	(10.44)	n/a	(9.45)
Russell 2000 Growth Index* (C\$)	12.10	10.94	3.63	n/a	n/a
S&P Developed Ex-U.S. Small Cap Index (C\$)	15.93	5.50	(1.09)	n/a	n/a

BMO Harris U.S. Special Equity Portfolio

	1 yr %	3 yrs %	5yrs %	10yrs %	Since Inception§ %
BMO Harris U.S. Special Equity Portfolio†† (US\$)	9.95	3.16	(10.46)	n/a	(7.52)
Russell 2000 Growth Index* (US\$)	14.59	12.82	3.49	n/a	n/a
S&P Developed Ex-U.S. Small Cap Index (US\$)	18.55	7.33	(1.26)	n/a	n/a

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

§The Portfolio commenced offering units by way of prospectus on November 1, 2006.

†On October 26, 2012 the investment objectives, investment strategies, sub-advisor and benchmark of BMO Harris U.S. Special Equity Portfolio (formerly BMO Harris International Special Equity Portfolio) were changed.

*BMO Harris U.S. Special Equity Portfolio's benchmark is the Russell 2000 Growth Index, and prior to October 1, 2012 it was the S&P Developed Ex-U.S. Small Cap Index.

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.

BMO Harris U.S. Special Equity Portfolio

Summary of Investment Portfolio

as at December 31, 2012

Portfolio Allocation	% of Net Asset Value	Top 25 Holdings	% of Net Asset Value
Information Technology	21.2	Issuer	
Industrials	19.2	Unit Corporation	4.5
Health Care	14.7	American Capital, Ltd.	4.2
Financials	14.1	PDC Energy, Inc.	4.2
Consumer Discretionary	14.1	Acacia Research Corporation	4.1
Energy	11.3	Ebix, Inc.	3.4
Cash/Receivables/Payables	3.2	Cash/Receivables/Payables	3.2
Telecommunication Services	1.5	Lions Gate Entertainment Corp.	3.2
Other	0.7	Safeguard Scientifics, Inc.	3.1
Total portfolio allocation	100.0	ICG Group, Inc.	2.2
		Angie's List, Inc.	2.0
		Arctic Cat Inc.	1.8
		AVG Technologies NV	1.7
		Gulfport Energy Corporation	1.6
		Triumph Group, Inc.	1.5
		Jazz Pharmaceuticals Plc	1.4
		CEVA, Inc.	1.4
		Biglari Holdings Inc.	1.4
		HomeAway, Inc.	1.3
		Aspen Technology Inc.	1.3
		Cardtronics, Inc.	1.3
		Chicago Bridge & Iron Company N.V.	1.3
		Akorn, Inc.	1.3
		Sonic Automotive Inc	1.3
		Hexcel Corporation	1.2
		Mednax, Inc.	1.2
		Top holdings as a percentage of net asset value	55.1
		Total Net Asset Value	\$30,748,576

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

Manager

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

Trustee

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

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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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