

## IRC 2014 Report to Securityholders

December 31, 2014

Dear Securityholder:

As Chair of the Independent Review Committee (the “IRC”) for certain publicly offered mutual funds (the “Portfolios”) managed by BMO Harris Investment Management Inc.<sup>1</sup> (the “Manager”), I am pleased to provide you with the 2014 Annual Report to Securityholders of the Portfolios, as required under National Instrument 81-107-*Independent Review Committee for Investment Funds*.

The mandate of the IRC is to review conflict of interest matters identified and referred to the IRC by the Manager and to give an approval or a recommendation, depending on the nature of the conflict of interest matter. A “conflict of interest matter” is a situation where a reasonable person would consider the Manager or an entity related to the Manager to have an interest that may conflict with the Manager’s ability to act in good faith and in the best interests of the Portfolios. In each instance where a conflict of interest matter is identified and referred to the IRC, the focus of the IRC is to determine if the Manager’s proposed action achieves a fair and reasonable result for the Portfolios.

At least annually, the IRC will also review and assess the adequacy and effectiveness of the Manager’s written policies and procedures relating to conflict of interest matters in respect of the Portfolios, and will conduct a self-assessment of the IRC’s independence, compensation and effectiveness.

The members of the IRC, whose identities are listed in the report, bring to their roles a combination of educational and professional experience and skills to adequately address the scope of the conflict of interest matters that come before the IRC. Since the formation of the IRC, its members have been fully satisfied with the open and cooperative attitude of the Manager. The members of the IRC look forward to maintaining the highest level of cooperation and to continuing to carry out its mandate to ensure that the best interests of the Portfolios are paramount when the Manager is faced with a conflict of interest matter.

Me. Louise Vaillancourt  
Chair of the Independent Review Committee

## Reporting Period

The Independent Review Committee (the “IRC”) for the publicly offered mutual funds (the “Portfolios”) managed by the Manager, as listed in Schedule “A” to this report, became operational on September 12, 2007. The information disclosed in this report covers the period beginning January 1, 2014 and ending December 31, 2014, the financial year-end for the Portfolios (inclusively, the “Period”).

## Members of the IRC

NAME	RESIDENCE	FIRST APPOINTED
Louise Vaillancourt Chair of the IRC	Montréal, Quebec	May 1, 2007
Allen B. Clarke	Toronto, Ontario	May 1, 2007
John K. McBride	Ottawa, Ontario	May 1, 2007
Mark Brown	Calgary, Alberta	December 4, 2013

The members of the IRC also serve as members of the IRC for BMO Exchange-Traded Funds and BMO Mutual Funds. In addition, Mark Brown and Allen B. Clarke serve as IRC Members for Canoe Financial Mutual Funds and Allen B. Clarke serves as an IRC member for Ridgewood Capital, Coxe Global Agribusiness Income Fund, Star Hedge Managers Corp. II, Star Yield Managers Class (a class of shares of Star Portfolio Corp.), Star Yield Trust, U.S. Housing Recovery Fund, DoubleLine Income Solutions Trust, First Trust Global DividendSeeker Fund, PineBridge Investment Grade Preferred Securities Fund and Global Water Solutions Fund. Each member of the IRC is independent of the Portfolios, the Manager and any person or company related to the Manager. During the Period, there were no relationships that may cause a reasonable person to question a member’s independence.

## Holdings of Securities

### *Portfolios*

As at December 31, 2014, IRC members beneficially owned, directly or indirectly, in aggregate, less than 10% of the outstanding units of each class or series of the Portfolios.

### *Manager*

The Manager is an indirect subsidiary of the Bank of Montreal (the “Bank”). As at December 31, 2014, IRC members beneficially owned, directly or indirectly, in aggregate, less than 0.01% of the Bank’s outstanding common shares.

### *Service Providers*

As at December 31, 2014, IRC members did not beneficially own, directly or indirectly, any class or series of voting or equity securities of any other material persons or companies that provided mutual fund services to the Portfolios or the Manager during the Period.

## IRC Compensation and Indemnities

The members of the IRC are entitled to be compensated by the Portfolios and to be indemnified by the Portfolios in appropriate circumstances. The aggregate compensation, including expenses, paid by the Portfolios to the IRC for the Period was \$57,528. This amount was allocated among the Portfolios, in an equitable and reasonable manner.

The initial compensation of the IRC was set by the Manager. At least annually, the IRC will review compensation in a manner consistent with good governance practices, giving consideration to the following factors, among any other factors the IRC considers important:

- the best interests of the Portfolios;
- the number, nature and complexity of the Portfolios;
- the nature and extent of the workload of each IRC member, including the commitment of time and energy that is expected from each member;
- industry best practices, including industry averages and surveys on IRC compensation, if available;
- the IRC’s most recent annual self-assessment, and
- the Manager’s recommendations about IRC compensation and expenses, if made.

During the Period, no amounts were paid to the IRC by the Portfolios pursuant to indemnities given by the Portfolios to the IRC.

## Conflict of Interest Matters

National Instrument 81-107-*Independent Review Committee for Investment Funds* requires the IRC to review all conflict of interest matters identified and referred to the IRC by the Manager and to give an approval or a recommendation, depending on the nature of the conflict of interest matter. In certain cases, the IRC may also issue standing instructions to the Manager in conjunction with

an approval or a recommendation to enable the Manager to act in the particular conflict of interest matter on a continuing basis.

Below is a brief summary of the conflict of interest matters that have been identified by the Manager and referred by the Manager to the IRC for the IRC's approval or recommendation:

### Conflict of Interest Matter

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1. Investing in BMO common shares or BMO preferred shares.
  2. Investing in BMO debt securities in the secondary market.
  3. Investing in BMO long-term debt securities in a primary offering.
  4. Investing in securities during the period of distribution of those securities or during the 60-day period following the period of distribution where BMO Nesbitt Burns Inc. (BMONBI), an entity related to the Manager, acts as an underwriter in the distribution of those securities.
  5. Purchasing government and/or non-government debt securities from BMONBI who holds the debt securities as principal and/or selling government and/or non-government debt securities to BMONBI who purchases the debt securities as principal.
  6. Purchasing a security from or selling a security to another investment fund managed by the Manager or an affiliate of the Manager (Inter-Fund Trades).
  7. Monitoring services provided by portfolio managers of the Portfolios, including portfolio managers related to the Manager.
  8. Voting securities held by the Portfolios (Proxy Voting).
  9. Personal trading by employees of the Manager.
  10. Frequent trading by securityholders of the Portfolios.
  11. Large securityholders and large redemptions.
  12. Employee conflict of interest matters, including outside business activities and the acceptance of payments, gifts and entertainment.
  13. Identifying and correcting net asset value (NAV) errors.
  14. Valuing assets of the Portfolios.
  15. Allocating expenses of the Portfolios.
  16. Trading practices, including best execution and trade allocation.
  17. Fund of funds investing.
  18. Conducting FX transactions with a related party.
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## Compliance

The IRC has not been informed of any instance in which the Manager acted in a conflict of interest matter but did not meet a condition imposed by the IRC in its approval, recommendation and/or standing instruction. The Manager has an obligation to notify the IRC of any such instance.

## Schedule "A"

### *BMO Harris Private Portfolios<sup>1</sup>*

BMO Harris Canadian Conservative Equity Portfolio

BMO Harris Canadian Corporate Bond Portfolio

BMO Harris Canadian Growth Equity Portfolio

BMO Harris Canadian Income Equity Portfolio

BMO Harris Canadian Mid-Term Bond Portfolio

BMO Harris Canadian Money Market Portfolio

BMO Harris Canadian Short-Term Bond Portfolio

BMO Harris Canadian Special Growth Portfolio

BMO Harris Diversified Yield Portfolio

BMO Harris Emerging Markets Equity Portfolio

BMO Harris International Equity Portfolio

BMO Harris U.S. Equity Portfolio

BMO Harris U.S. Growth Portfolio

BMO Harris U.S. Special Equity Portfolio

<sup>1</sup> Effective February 2, 2015, the BMO Harris Private Banking name was changed to BMO Private Banking, BMO Private Banking's investment management services arm changed its name from BMO Harris Investment Management Inc. to BMO Private Investment Counsel Inc., and the BMO Harris Private Portfolios listed in Schedule "A" became the BMO Private Portfolios. These changes will be reflected in the IRC 2015 Report to Securityholders.