Annual Management Report of Fund Performance

BMO Harris Canadian Corporate Bond Portfolio

For the period ended December 31, 2011

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., 9th Floor, Toronto, Ontario, M5X 1H3 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"), the manager and portfolio manager, is responsible for the management of the overall business, investments and operations of BMO Harris Private Portfolios and has engaged BMO Asset Management Inc. as the sub-advisor of the BMO Harris Canadian Corporate Bond Portfolio (the "Portfolio").

Investment Objective and Strategy

The Portfolio's investment 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 Canadian corporations that mature in more than one year.

To achieve the Portfolio's objectives, the sub-advisor selects a variety of investment maturities based on the interest rate outlook and seeks to determine the best potential investments for the Portfolio by analyzing the credit ratings of various issuers. While generation of income will be important, the Portfolio may also undertake shifts in portfolio duration and composition in anticipation of interest rate movements to protect or enhance capital value.

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 recent simplified prospectus or its amendments.

Results of Operations

For the 12-month period ended December 31, 2011, the BMO Harris Canadian Corporate Bond Portfolio returned 7.2%, after expenses.

The Portfolio's benchmark is the DEX Universe All Corporate Bond Index, which generated an 8.2% total return over the same 12-month period.

Corporate bonds underperformed their Government of Canada counterparts against a backdrop of uncertainty for the global economy, fears that the Chinese economy was materially slowing and concerns that several European Union member states were in serious economic and financial difficulty. In other words, corporate bond spreads (the amount of additional yield an issuer must offer above the Government of Canada yield to attract investors to buy its debt) widened and corporate bond issuers had to pay a larger premium compared to federal bonds to entice bond buyers to purchase them.

The pressure on corporate bond spreads was felt more strongly for lower-quality issuers than for higher-quality issuers: the spreads for BBB bonds widened more than the spreads on AA bonds. The sub-advisor's belief that investors were not being adequately compensated for investing in corporate debt prompted a defensive posture for the Portfolio. Over the year, the Portfolio maintained a weight in corporate bonds that was less than its benchmark and invested in corporate bonds that had a higher credit quality on average than the benchmark (for example, the Portfolio favoured bonds with a credit rating of A over bonds with a credit rating of BBB). On a relative basis, the Portfolio benefited from its defensive posture in corporate credit, as corporate spreads widened and Government of Canada bonds outperformed.

In addition to credit consideration, the interest-rate sensitivity (duration) of a corporate bond portfolio must also be considered. Over the year, the sub-advisor was concerned that low interest rates would discourage investors from purchasing bonds and consequently yields would have to rise. As a result of this expectation that interest rates would increase, the sub-advisor maintained a lower duration in the Portfolio than its benchmark. The flight-to-quality issues that helped to force corporate bond spreads wider also encouraged investors to flee to the perceived safety of Government of Canada bonds, however. This move to safety forced yields lower so that the Portfolio's lower duration relative to the benchmark detracted from performance.

For information on the Portfolio's longer-term performance and composition, please refer to the Past Performance section and Summary of Investment Portfolio section of this report.

Recent Developments

The sub-advisor believes that corporate bond spreads remain at levels that warrant caution when investing in corporate bonds. Although corporate bond spreads widened during the past year, they remain relatively narrow when compared to historical levels.

The sub-advisor believes that the level of volatility in the market is consistent with the perception that the market is somewhat complacent about risk and is therefore willing to price risk too cheaply. In other words, with respect to corporate bonds, the market is willing to lend too cheaply (corporate bond spreads are too narrow) to corporate bond issuers. As a result, the sub-advisor will retain a defensive posture for the Portfolio by positioning it with an underweight to corporate bonds relative to the benchmark and will continue to favour corporate bonds that have a higher credit quality on average than the Portfolio's benchmark. Doing so will allow the sub-advisor to increase the corporate weight of the Portfolio and decrease the credit quality of the Portfolio once risk is properly priced in the market (where corporate spreads have widened enough relative to their Government of Canada benchmarks to warrant purchasing them).

As mentioned above, when investing in corporate bonds, investors must consider their expectations for interest rates in addition to their perception of the credit worthiness of corporate bond issuers. In that light, the sub-advisor believes that the low level of yields will discourage investments in the bond market more generally and interest rates will experience some modest pressure to move upward as a result. The sub-advisor will keep the interest-rate sensitivity of the Portfolio beneath that of its benchmark in order to mitigate the impact of modestly higher interest rates in 2012.

Transition to International Financial Reporting Standards

In March 2011, the Canadian Accounting Standards Board ("AcSB") amended their mandatory requirement for all Canadian publicly accountable enterprises to prepare their financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), permitting investment companies, which includes mutual funds, to defer the adoption of IFRS. On December 12, 2011, the AcSB decided to extend by one year the deferral from fiscal year beginning on or after January 1, 2013 to January 1, 2014.

The deferral of the mandatory IFRS changeover date to January 1, 2014 is to prevent Canadian investment companies and segregated accounts of life insurance enterprises from having to change their current accounting treatment for controlled investees while the IASB finalizes its proposed investment entities standard. The AcSB will continue to monitor the need to revise the IFRS changeover date for these entities. Under the current IFRS guidance, investment companies are required to consolidate their controlled investments. The IASB has issued an exposure draft that will exempt entities that qualify as investment entities from consolidating their controlled investments, and requires such entities to record, with very limited exceptions, all their investments at fair value through profit or loss account. This exposure draft is still under review. Canadian GAAP permits investment companies to fair value their investments regardless of whether those investments are controlled.

The Portfolio has not elected to early adopt IFRS, therefore it will adopt IFRS effective January 1, 2014. The Portfolio expects to report its financial results for the six month period ended June 30, 2014 prepared on an IFRS basis. The Portfolio will also provide comparative data on an IFRS basis, including an opening balance sheet as at January 1, 2013. Further revisions by the AcSB to the IFRS adoption date for investment companies are possible.

The Manager has not identified any changes that will impact NAV per unit as a result of the changeover to IFRS. However, this determination is subject to change as the Manager finalizes its assessment of potential IFRS differences and as new standards are issued by the IASB prior to the Portfolio's adoption of IFRS. The criteria contained within the IFRS Financial Instruments: Presentation standard (IAS 32) 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 while 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 (a "related party").

Portfolio Manager

BHIMI has hired BMO Asset Management Inc. ("BMO AM"), a related party, to provide investment advice and make investment decisions for the Portfolio's investment portfolio. BMO AM receives an investment advisory fee based on assets under management that is paid monthly. BMO AM is paid by BHIMI and not by the Portfolio.

Buying and Selling Securities

Investing in Non-Government Debt Securities Underwritten by BMO Nesbitt Burns Inc. and Trading in Debt Securities with BMO Nesbitt Burns Inc., Trading as Principal

During the period, BHIMI relied on an approval and standing instruction provided by the Portfolio's independent review committee ("IRC") with respect to the following related party transactions:

(a) investments in a class of non-government debt securities of an issuer during the period of distribution of those securities to the public and/or the 60 day period following the period of distribution where BMO Nesbitt Burns Inc., an affiliate of BHIMI, acted as an underwriter in the distribution of those securities, and

(b) trades in debt securities in the secondary market with BMO Nesbitt Burns Inc., an affiliate of BHIMI, who is trading with the Portfolio as principal (each, 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, BHIMI and the investment manager of the Portfolio are required to comply with BHIMI's policies and procedures governing the related party transaction and report periodically to the IRC, describing each instance that BHIMI and the investment manager relied on the IRC's standing instruction and their compliance or non-compliance with the governing policies and procedures. The governing policies and procedures are designed to, among other things, ensure the related party transaction (i) is made free from any influence of BMO Nesbitt Burns Inc. or its associates or affiliates and without taking into account any considerations relevant to BMO Nesbitt Burns Inc. or its associates or affiliates, (ii) represents the business judgment of the investment manager, uninfluenced by considerations other than the best interests of the Portfolio, and (iii) achieves a fair and reasonable result for the Portfolio.

Wealth Management Fee

Units of the Portfolio are only available through the wealth management service offered through BMO Financial Group. BMO Trust Company (the "trustee"), a related party, receives an annual fee from each investor for the wealth management services offered through 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 investment management fee payable by each investor is set out in the BHIMI Investment Management Fee Schedule that has been provided to the investor in conjunction with the investment management agreement between the investor, the trustee and BHIMI. This 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 Servicing

The Portfolio is provided with certain facilities and services by related parties. BMO Trust Company is the trustee while BMO AM is the registrar of the Portfolio. BMO Trust Company and BMO AM 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:

	2011 ($000s)	**2010 ($000s)**
Unitholder Servicing	88	83

Management Fee

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

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 2011	2010	2009	2008	2007
Net assets, beginning of period	$	10.40	10.22	9.68	10.24	10.50
Increase (decrease) from operations:						
Total revenue	$	0.49	0.51	0.45	0.52	0.52
Total expenses	$	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)
Realized gains (losses) for the period	$	0.01	(0.02)	(0.09)	(0.02)	(0.09)
Unrealized gains (losses) for the period	$	0.24	0.20	0.58	(0.56)	(0.18)
Total increase (decrease) from operations [2]	$	0.74	0.69	0.93	(0.07)	0.24
Distributions:						
From income (excluding dividends)	$	0.49	0.51	0.42	0.51	0.48
From dividends	$	—	—	—	—	—
From capital gains	$	—	—	—	—	—
Return of capital	$	0.00	—	0.00	—	0.00
Total Annual Distributions [3]	$	0.49	0.51	0.42	0.51	0.48
Net assets, end of period	$	10.65	10.40	10.22	9.68	10.24

(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 2011	2010	2009	2008	2007
Total net asset value (000's) [1]	$	306,432	283,582	299,161	195,056	197,508
Number of units outstanding (000's) [1]		28,769	27,256	29,282	20,141	19,285
Management expense ratio [2]	%	0.06	0.05	0.07	0.09	0.09
Management expense ratio before waivers or management absorptions	%	0.06	0.05	0.07	0.09	0.09
Trading expense ratio [3]	%	—	—	—	—	—
Portfolio turnover rate [4]	%	29.41	40.39	54.02	3.32	67.14
Net asset value per unit	$	10.65	10.40	10.22	9.68	10.24

(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. For all the financial periods listed, no commissions or portfolio transaction costs were incurred by the Portfolio. As a result, the trading expense ratio for all the periods was zero.

(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.

Past Performance

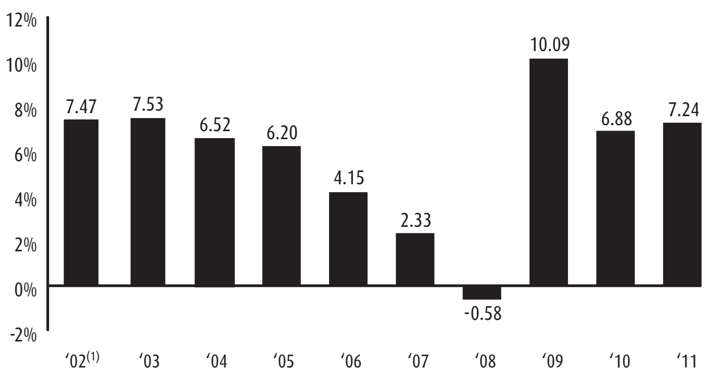
General

The Portfolio's performance information assumes that all distributions made by the Portfolio in the periods shown were used to purchase 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 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. The 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 the financial year.



(1) Return from March 1, 2002 to December 31, 2002.

Annual Compound Returns

This chart compares the historical annual compound returns of the Portfolio with the DEX Universe All Corporate Bond Index, which reflects marketable Canadian corporate bonds with a rating of BBB or better with terms to maturity greater than one year.

	1 yr %	3 yrs %	5yrs %	10yrs %	Since Inception§ %
BMO Harris Canadian Corporate Bond Portfolio‡	7.24	8.06	5.12	n/a	5.84
DEX Universe All Corporate Bond Index	8.24	10.54	6.62	n/a	6.77

‡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 March 1, 2002.

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.

Summary of Investment Portfolio
as at December 31, 2011

Portfolio Allocation	% of Net Asset Value
Corporate Bonds	81.0
Government Bonds	12.3
Money Market Investments	3.5
Cash/Receivables/Payables	1.6
Asset-Backed Securities	1.6

Top 25 Holdings	% of Net Asset Value
Government of Canada, 4.000% Jun 1, 2041	6.2
Government of Canada, Series A55, 8.000% Jun 1, 2023	5.5
Bank of Nova Scotia, Deposit Notes, Senior, 4.560% Oct 30, 2013	5.1
Toronto-Dominion Bank, The, Deposit Notes, Senior, Unsecured, 4.854% Feb 13, 2013	3.9
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, Unsubordinated, 3.660% Jan 25, 2017	2.6
Greater Toronto Airports Authority, Series 2000-1, Medium Term Notes, Senior, Secured, 7.050% Jun 12, 2030	2.2
Hydro One Inc., Series 4, Medium Term Notes, Unsecured, Callable, 6.350% Jan 31, 2034	2.2
Royal Bank of Canada, Deposit Notes, Senior, 4.710% Dec 22, 2014	1.8
Canadian Imperial Bank of Commerce, Deposit Notes, Unsecured, 3.400% Jan 14, 2016	1.7
Government of Canada, Treasury Bills, 0.831% Mar 29, 2012	1.6
Cash/Receivables/Payables	1.6
Toronto-Dominion Bank, The, Medium Term Notes, Fixed to Floating, Subordinated, Callable, 5.690% Jun 3, 2018	1.5
Enbridge Gas Distribution Inc., Medium Term Notes, Senior, Unsecured, Unsubordinated, 5.160% Dec 4, 2017	1.3
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, Unsubordinated, 5.060% Jul 17, 2013	1.3
CI Financial Corporation, Senior, Unsecured, Notes, 3.300% Dec 17, 2012	1.3
Sun Life Financial Inc., Series B, Fixed to Floating, Senior, Unsecured, Notes, Callable, 4.950% Jun 1, 2036	1.2
Intact Financial Corporation, Series 1, Medium Term Notes, Senior, Unsecured, Unsubordinated, 5.410% Sep 3, 2019	1.2
National Bank of Canada, Deposit Notes, Unsecured, 3.147% Feb 11, 2015	1.2
Sun Life Financial Inc., Series A, Medium Term Notes, Fixed to Floating, Senior, Unsecured, Callable, 4.800% Nov 23, 2035	1.1
NAV Canada, Series 1997-2, Sinking Fund, 7.560% Mar 1, 2027	1.1
Power Financial Corporation, Unsecured, Debentures, Callable, 6.900% Mar 11, 2033	1.1
Thomson Reuters Corporation, Unsecured, Notes, Unsubordinated, 6.000% Mar 31, 2016	1.1
Shaw Communications Inc., Senior, Unsecured, Notes, Callable, 7.500% Nov 20, 2013	1.1
TransAlta Corporation, Medium Term Notes, Senior, Unsecured, Unsubordinated, 6.450% May 29, 2014	1.1
Bell Canada, Series M-20, Medium Term Notes, Unsecured, 4.850% Jun 30, 2014	1.0
Top holdings as a percentage of net asset value	**51.0**
Total Net Asset Value	**$306,432,388**

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., 9th Floor
Toronto, Ontario M5X 1H3

Trustee
BMO Trust Company
1 First Canadian Place
100 King St. W., 9th Floor
Toronto, Ontario M5X 1H3

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.

www.bmoharrisprivatebanking.com

(12/11)

BMO Harris Private Banking®