Annual Management Report of Fund Performance

BMO Harris U.S. Equity 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 Harris Investment Management Inc., as the sub-advisor of the BMO Harris U.S. Equity Portfolio (the "Portfolio").

Investment Objective and Strategy

The Portfolio's investment objective is to provide long term capital appreciation by investing primarily in larger capitalization U.S. equity securities.

To seek to achieve the Portfolio's objectives, the sub-advisor uses a disciplined investment process designed to maintain a diversified portfolio of equity securities of higher quality companies considered to be undervalued and that represent stronger than average growth characteristics.

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 U.S. Equity Portfolio returned 6.9% C$ (4.4% US$), after expenses. The Portfolio's benchmark is the S&P 500 Index, which generated a 4.4% C$ (2.1% US$) total return for the same 12-month period.

In retrospect, the resiliency of the U.S. equity market in the face of global macro-economic concerns was refreshing. The seemingly never-ending stream of headlines concerning the eurozone crisis during the year drowned out the otherwise stronger fundamentals reported by many corporations. During the period, financial markets also focused intensely on a number of uncertainties in the economic outlook: oil prices, instability in the Middle East, Japan's natural disaster, the end to the U.S. Federal Reserve's buying program in June, America's involvement in another war and Europe's sovereign debt crisis. The U.S. Congress continued to debate ways to address a growing deficit, with the Congressional Super Committee failing to reach a compromise. By the end of the year, tentative signs of improvement in stagnant U.S. employment/income growth, better consumer spending and non-residential construction were offset by economic growth that was weaker than forecasted and a continued sluggish housing market.

Even though earnings for corporations represented in the benchmark index were up approximately 17% for the year, uncertainty continued to dominate the equity market as investors flocked into historically low-risk defensive sectors, which outperformed the benchmark for the year. During the fourth quarter, however, more cyclical sectors, such as Energy, Industrials and

Materials, performed well. For the year, the Portfolio outperformed its benchmark. In general, larger-capitalization companies continued to perform better than smaller-capitalization companies. Sectors that added to the Portfolio's performance were Health Care, Financials, Consumer Discretionary, Technology and Telecommunications. Detracting from performance were the Industrial, Consumer Staples, Utilities and Materials sectors. Among the positive contributors to the Portfolio's performance were Humana Inc, IBM Corp., TJX Cos., Apple Inc. and Dollar Tree Inc. Detracting from performance were Freeport-McMoRan Copper & Gold Inc., Peabody Energy Corp., TRW Automotive Holdings Corp., SanDisk Corp and CSX Corp.

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

While the pace of the recovery is slower than many forecasts and well below prior recoveries, the U.S. economy has been growing for over two years. There are indications that the economy's revitalization has moved from a recovery phase to an expansion phase. The sub-advisor expects to see modest improvement in industrial activity around the world, increasing capital expenditures and a (slow) increase in hiring. These are all signs of a broadening economy.

The sub-advisor believes that investors will likely continue to weigh the possibility of a global recession, especially in Europe as that region continues to deal with sovereign debt issues. Although not robust, the latest forecast for U.S. gross domestic product growth is positive and does not seem to be indicating a recession. In the sub-advisor's view, the underlying economic strength in the United States appears firm enough to be sustained, despite the aforementioned global hurdles.

There is a tremendous amount of liquidity in the financial system today. It is clear that the objectives of the U.S. Federal Reserve and U.S. government are aligned and committed to improving economic conditions and creating jobs. The equity markets are being supported by low interest rates throughout the industrialized world and robust corporate earnings. The U.S. Federal Reserve is expected to maintain its current interest rate policies for now. Although higher than a year ago, inflation is forecast to remain low because the economy is running below capacity and there is a lack of wage pressure.

While the current U.S. economic recovery has been slower than the historical average, the recovery in corporate profits has been stronger. Earnings growth is expected to slow but remain in the high single digits. Key to the sub-advisor's economic outlook is the level of U.S. employment. Any significant movement in the direction of jobs growth has the potential to alter the economic outlook, and therefore consumer confidence. At the end of 2011, companies had record levels of cash and other liquid assets on their balance sheets, according to U.S. Federal Reserve data. Although the U.S. economy is on the road to recovery, it is not yet growing fast enough to give business the confidence to spend cash and bring unemployment down meaningfully. While recognizing that the economy is still vulnerable to any unanticipated shock, such as a negative geopolitical event, the sub-advisor sees a number of reasons to be fairly upbeat about the recovery (for example, GDP expectations, and improvement in employment, consumer confidence and business spending trends) and believes it is sustainable.

The sub-advisor continues to focus on quality companies exhibiting improving fundamentals, attractive valuations and positive investor interest. The sub-advisor remains confident that the consistent application of a disciplined investment process will continue to produce positive results for the Portfolio over the long term.

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 Harris Investment Management, Inc. ("Harris Investments"), a related party of the manager, to provide investment advice and make investment decisions for the Portfolio's investment portfolio. Harris Investments receives an investment advisory fee based on assets under management that is paid quarterly. Harris Investments is paid by the manager and not by 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 Asset Management Inc. ("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	273	265

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	$	10.65	9.82	9.79	13.09	14.61
Increase (decrease) from operations:						
Total revenue	$	0.17	0.13	0.15	0.20	0.21
Total expenses	$	(0.02)	(0.02)	(0.03)	(0.03)	(0.02)
Realized gains (losses) for the period	$	0.53	0.05	(1.12)	(2.28)	0.11
Unrealized gains (losses) for the period	$	0.04	0.80	1.27	(1.25)	(1.74)
Total increase (decrease) from operations (2)	$	0.72	0.96	0.27	(3.36)	(1.44)
Distributions:						
From income (excluding dividends)	$	0.00	—	—	—	—
From dividends	$	0.17	0.11	0.13	0.20	0.18
From capital gains	$	—	—	—	—	—
Return of capital	$	0.00	0.00	0.00	0.00	0.00
Total Annual Distributions (3)	$	0.17	0.11	0.13	0.20	0.18
Net assets, end of period	$	11.22	10.65	9.82	9.79	13.09

(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)	$	620,756	586,020	442,912	320,379	451,961
Number of units outstanding (000's) (1)		55,317	55,010	45,097	32,708	34,481
Management expense ratio (2)	%	0.08	0.09	0.09	0.08	0.06
Management expense ratio before waivers or management absorptions	%	0.08	0.09	0.09	0.08	0.06
Trading expense ratio (3)	%	0.09	0.12	0.21	0.13	0.10
Portfolio turnover rate (4)	%	64.95	64.11	83.27	70.64	42.44
Net asset value per unit	$	11.22	10.65	9.82	9.80	13.11

(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.

Past Performance

General

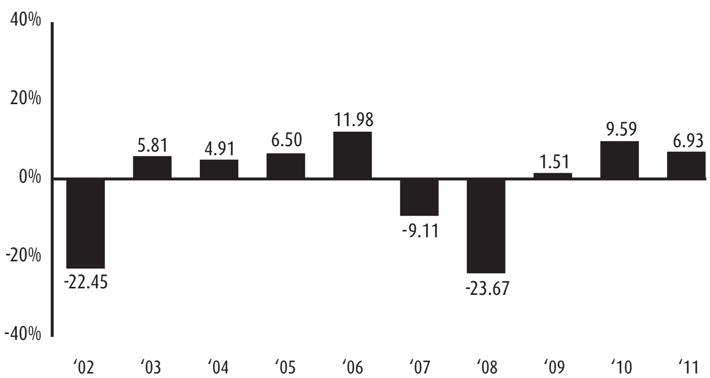
The Portfolio's performance information assumes that all distributions made by the Portfolio in the periods shown were used to purchase additional units of the Portfolio and is based on the net asset value of the Portfolio.

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.

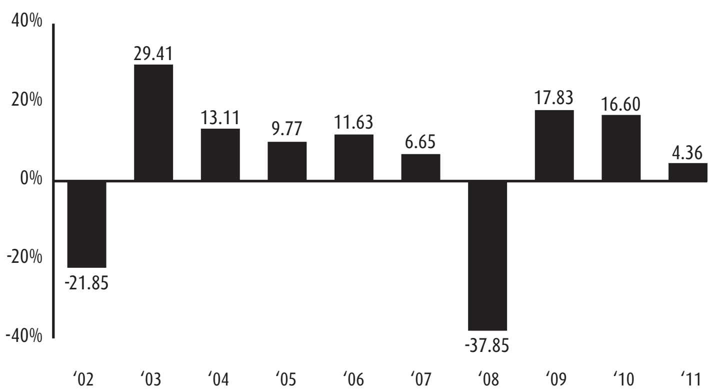
Year-by-Year Returns

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.

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



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



Annual Compound Returns

These charts compare the historical annual compound returns of the Portfolio with the S&P 500 Composite Index, which reflects changes in the performance of 500 widely-held U.S. common stocks.

	1 yr %	3 yrs %	5yrs %	10yrs %
BMO Harris U.S. Equity Portfolio‡	6.93	5.96	(3.77)	(1.64)
S&P 500 Index (C$)	4.41	7.26	(2.93)	(1.59)

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

	1 yr %	3 yrs %	5yrs %	10yrs %
BMO Harris U.S. Equity Portfolio‡ (US$)	4.36	12.76	(1.01)	2.91
S&P 500 Index (US$)	2.11	14.11	(0.25)	2.92

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

A commentary on the market and/or information regarding the relative performance of the Portfolio as compared to its benchmark can be found under the Results of Operations section of this report.

Summary of Investment Portfolio
as at December 31, 2011

Portfolio Allocation	% of Net Asset Value
Information Technology	18.4
Health Care	15.8
Energy	14.1
Consumer Discretionary	13.7
Consumer Staples	10.7
Financials	8.7
Industrials	5.8
Materials	5.2
Utilities	4.3
Cash/Receivables/Payables	1.7
Telecommunication Services	1.6

Top 25 Holdings	% of Net Asset Value
Exxon Mobil Corporation	4.7
Apple Inc.	4.3
Chevron Corporation	3.7
Pfizer Inc.	3.1
Philip Morris International Inc.	3.0
Microsoft Corporation	3.0
International Business Machines Corporation	2.9
ConocoPhillips	2.9
Eli Lilly and Company	2.3
TJX Companies, Inc., The	2.2
UnitedHealth Group Incorporated	2.1
Wal-Mart Stores, Inc.	2.1
CBS Corporation, Class B	2.0
DIRECTV, Class A	2.0
Walgreen Co.	2.0
Humana Inc.	2.0
Discover Financial Services	1.9
Dell Inc.	1.9
Freeport-McMoRan Copper & Gold Inc.	1.9
AES Corporation, The	1.8
Time Warner Cable	1.8
Ameriprise Financial, Inc.	1.8
CF Industries Holdings, Inc.	1.8
Amgen Inc.	1.8
General Electric Company	1.7
Top holdings as a percentage of net asset value	**60.7**
Total Net Asset Value	**$620,755,688**

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®