

# Annual Management Report of Fund Performance

## BMO Harris U.S. Growth 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](mailto: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](http://www.bmoharrisprivatebanking.com) or SEDAR at [www.sedar.com](http://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 Sands Capital Management, LLC as the sub-advisor of the BMO Harris U.S. Growth Portfolio (the "Portfolio").*

### Investment Objective and Strategy

The Portfolio's investment objective is to provide above average long term capital growth by investing in the equity securities of large-capitalization, U.S.-based companies.

To seek to achieve the Portfolio's objectives, the sub-advisor looks for companies in promising businesses that have distinct competitive advantages, with proven management and very strong transparent financial statements. The Portfolio may use depository receipts as part of its investment strategy.

### 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. Growth Portfolio returned 5.3% CS (2.8% US\$), after expenses.

The Portfolio's benchmark is the Russell 1000 Growth Index, which generated a 5.0% CS (2.6% US\$) total return for the same 12-month period.

The Portfolio's performance was primarily attributable to sector allocation, while security selection detracted slightly for the year. The largest individual stock contributors to the Portfolio's return were Visa Inc., Intuitive Surgical, Inc., Alexion Pharmaceuticals, Inc., W.W. Grainger Inc. and Starbucks Corporation. The largest detractors were Illumina Inc., Salesforce.com, inc., Netflix Inc., Cree, Inc. and OpenTable, Inc.

During the year, the sub-advisor initiated new positions in Priceline.com Incorporated, believing it to have a very attractive, exceptionally scalable business model that has unusually high margins; OpenTable, which has significant opportunity for continued growth; Regeneron Pharmaceuticals Inc., which has the potential for sustainable, above-average growth; and Coach Inc., which is uniquely positioned to capitalize on global growth opportunities due to its brand strength, strong financial position and execution-driven management team.

The sub-advisor eliminated positions in Staples over concerns about the company's future growth prospects; Cree, Inc., due to the company's increasing risk profile; and Varian Medical Systems because the company's industry is entering a more mature growth stage.

In 2011, fear and uncertainty, plus the ever-changing currents of the global economy appeared to cause many investors to reduce their investment time

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horizon. According to the Wall Street Journal, intra-market correlations rose to levels not seen since the crash of 1987. This is primarily the result of macroeconomic forces that have resulted in “risk on/risk-off” behaviour, as investors shift into stocks on positive news (risk on) and shift out when news is negative (risk off).

When stock prices move in concert, it can mean that business fundamentals such as earnings and growth rates are overlooked in favour of other factors. In the sub-advisor’s view, successful investing is a long-term endeavour that requires ongoing, rigorous due diligence, patience and discipline. With this mindset, the sub-advisor looks beyond short-term events and recent stock price movement to focus on and think creatively about the key drivers of a company’s long-term business fundamentals and its ability to generate sustainable, above-average earnings growth.

*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

History has shown that, in the long run, companies that generate sustainable, above-average earnings growth are rewarded with significant stock price appreciation. The sub-advisor’s process is focused on first identifying companies with business models that generate above-average earnings growth (typically companies with significant competitive advantages, strong leadership positions in attractive business spaces and solid balance sheets), then purchasing them at reasonable valuations. These criteria serve as a tested and repeatable analytical framework that enables the sub-advisor to remain objective and identify long term investments independent of short-term investor sentiment.

The sub-advisor expects that equity market volatility and the constant presence of macroeconomic risks will persist, heavily influencing investor behaviour. At the same time, the sub-advisor believes that the uncertainty relating to various global economic conditions has created numerous opportunities for long-term investors. Therefore, the sub-advisor will continue to focus on identifying leading growth businesses with the potential to enhance the Portfolio’s performance in a prudent, long-term manner.

### *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

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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 Sands Capital Management, LLC ("Sands") to provide investment advice and make investment decisions for the Portfolio's investment portfolio. Sands receives an investment advisory fee based on assets under management that is paid quarterly. Sands is paid by BHIMI 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	87	90

### 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.

## BMO Harris U.S. Growth 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 <sup>(1)</sup>	Years ended December 31				
	2011	2010	2009	2008	2007
Net assets, beginning of period	\$ 4.33	3.64	2.46	3.91	3.87
<b>Increase (decrease) from operations:</b>					
Total revenue	\$ 0.02	0.02	0.01	0.01	0.03
Total expenses	\$ (0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Realized gains (losses) for the period	\$ 0.26	0.24	(0.12)	(0.47)	(0.04)
Unrealized gains (losses) for the period	\$ (0.08)	0.33	1.28	(1.05)	0.07
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>\$ 0.19</b>	<b>0.58</b>	<b>1.16</b>	<b>(1.52)</b>	<b>0.05</b>
<b>Distributions:</b>					
From income (excluding dividends)	\$ —	—	—	—	0.02
From dividends	\$ 0.01	0.01	—	—	—
From capital gains	\$ —	—	—	—	—
Return of capital	\$ 0.00	—	—	—	—
<b>Total Annual Distributions <sup>(3)</sup></b>	<b>\$ 0.01</b>	<b>0.01</b>	<b>—</b>	<b>—</b>	<b>0.02</b>
<b>Net assets, end of period</b>	<b>\$ 4.55</b>	<b>4.33</b>	<b>3.64</b>	<b>2.46</b>	<b>3.91</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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) <sup>(1)</sup>	\$ 71,149	62,935	67,264	67,621	131,022
Number of units outstanding (000's) <sup>(1)</sup>	15,634	14,522	18,477	27,494	33,450
Management expense ratio <sup>(2)</sup>	0.22	0.27	0.30	0.22	0.22
Management expense ratio before waivers or management absorptions	0.22	0.27	0.30	0.22	0.22
Trading expense ratio <sup>(3)</sup>	0.03	0.07	0.07	0.06	0.04
Portfolio turnover rate <sup>(4)</sup>	40.32	57.81	29.84	43.29	30.37
Net asset value per unit	\$ 4.55	4.33	3.64	2.46	3.92

<sup>(1)</sup> This information is provided as at December 31 of the period shown.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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. Growth Portfolio

## Past Performance

### General

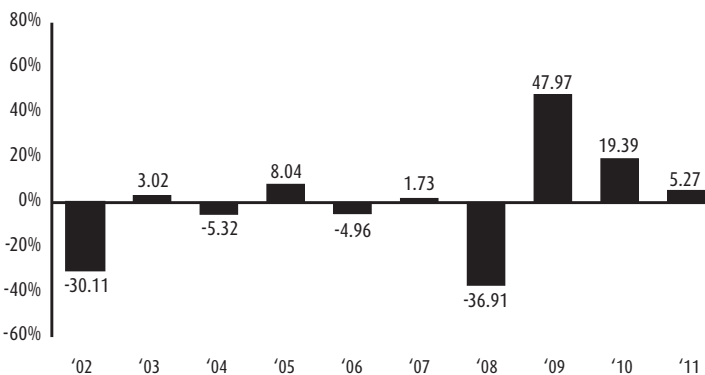
The Portfolio's performance information assumes that all distributions made by the Portfolio in the periods shown were used to purchase additional units of the Portfolio and is based on the net asset value of the Portfolio.

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.

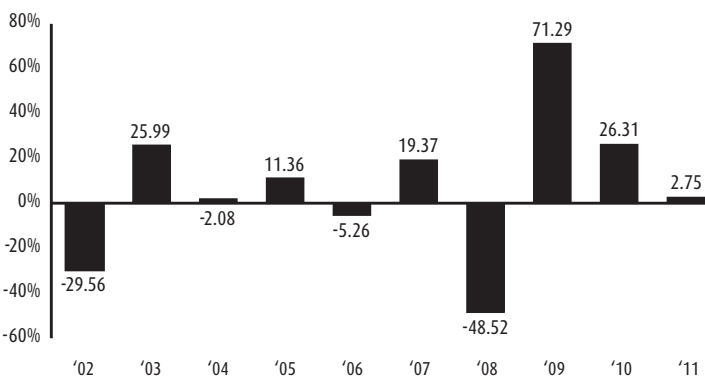
### Year-by-Year Returns

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. Growth Portfolio (C\$)



#### BMO Harris U.S. Growth Portfolio (US\$)



### Annual Compound Returns

These charts compare the historical annual compound returns of the Portfolio with the Russell 1000® Growth Index, which measures the performance of those Russell 1000 companies with higher price-to-book rates and higher forecasted growth values.

	1 yr %	3 yrs %	5yrs %	10yrs %
BMO Harris U.S. Growth Portfolio <sup>†</sup> (C\$)	5.27	22.97	3.60	(1.78)
Russell 1000 Growth Index (C\$)	4.95	10.93	(0.25)	(1.90)

<sup>†</sup>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. Growth Portfolio <sup>†</sup> (US\$)	2.75	30.51	6.44	2.70
Russell 1000 Growth Index (US\$)	2.64	18.02	2.50	2.60

<sup>†</sup>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.*

## BMO Harris U.S. Growth Portfolio

### Summary of Investment Portfolio

as at December 31, 2011

Portfolio Allocation	% of Net Asset Value	Top 25 Holdings	% of Net Asset Value
Information Technology	39.1	Visa Inc., Class A	8.1
Consumer Discretionary	21.9	Apple Inc.	7.5
Health Care	14.2	Google Inc., Class A	6.3
Energy	11.7	Amazon.com, Inc.	5.4
Industrials	4.9	Salesforce.com, Inc.	5.4
Financials	4.6	QUALCOMM Incorporated	5.2
Materials	2.7	Alexion Pharmaceuticals, Inc.	4.0
Cash/Receivables/Payables	0.9	Starbucks Corporation	3.8
		Intuitive Surgical, Inc.	3.7
		NIKE Inc., Class B	3.4
		Schlumberger Limited	3.4
		F5 Networks Inc.	3.4
		FMC Technologies Inc.	3.4
		Allergan, Inc.	3.3
		W.W. Grainger Inc.	3.2
		priceline.com Incorporated	3.0
		National-Oilwell Varco, Inc.	3.0
		Las Vegas Sands Corp.	3.0
		ASML Holdings NV	2.8
		Praxair, Inc.	2.7
		IntercontinentalExchange, Inc.	2.7
		Coach, Inc.	2.3
		Illumina, Inc.	2.1
		Southwestern Energy Company	2.0
		Charles Schwab Corporation, The	1.9
		<b>Top holdings as a percentage of net asset value</b>	<b>95.0</b>
		<b>Total Net Asset Value</b>	<b>\$71,148,676</b>

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

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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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