

# Semi-Annual Financial Statements

BMO Harris Private Portfolios

June 30, 2012

**BMO Harris International Special Equity Portfolio**

## BMO Harris International Special Equity Portfolio

(unaudited)

<b>STATEMENT OF NET ASSETS</b> <i>As at (in thousands of Canadian dollars, except per unit data)</i>	<b>June 30, 2012</b>	<b>December 31, 2011</b>
<b>Assets</b>		
Cash	204	925
Investments at fair value	26,861	28,314
Income receivable	69	52
Subscriptions receivable	8	4
<b>Total assets</b>	<b>27,142</b>	<b>29,295</b>
<b>Liabilities</b>		
Due to broker	—	57
Accrued expenses	29	35
Redemptions payable	94	15
<b>Total liabilities</b>	<b>123</b>	<b>107</b>
 Net assets representing unitholders' equity	 27,019	 29,188
Net assets per unit	\$ 4.54	\$ 4.44

*The accompanying notes are an integral part of these financial statements.*

# BMO Harris International Special Equity Portfolio

(unaudited)

<b>STATEMENT OF OPERATIONS</b>	<b>June 30, 2012</b>	<b>June 30, 2011</b>
<i>For the periods ended (in thousands of Canadian dollars, except per unit data)</i>		
<b>Investment Income</b>		
Dividends	618	676
Interest	—	—
Distributions from investment trust units	22	11
Securities lending revenue	8	14
Foreign taxes	(71)	(52)
	<b>577</b>	<b>649</b>
<b>Expenses</b>		
Audit fees	2	2
Independent Review Committee fees	1	2
Custodian fees	39	30
Legal and filing fees	7	17
Unitholder servicing fees (note 5)	62	98
Printing and stationery fees	1	2
Commissions and other portfolio transaction costs (note 5)	63	68
	<b>175</b>	<b>219</b>
Net investment income for the period	402	430
Realized gain (loss) on sale of investments	(169)	1,129
Realized loss on foreign exchange	(5)	(10)
Change in unrealized appreciation in value of investments	450	87
Increase in net assets from operations	<b>678</b>	<b>1,636</b>
Increase in net assets from operations per unit (note 2)	<b>0.11</b>	<b>0.22</b>

*The accompanying notes are an integral part of these financial statements.*

## BMO Harris International Special Equity Portfolio

(unaudited)

<b>STATEMENT OF CHANGES IN NET ASSETS</b> <i>For the periods ended (in thousands of Canadian dollars)</i>	<b>June 30, 2012</b>	<b>June 30, 2011</b>
Net assets – beginning of period	29,188	38,408
Increase in net assets from operations	678	1,636
<b>Unit Transactions:</b>		
Proceeds from sale of units	2,479	7,538
Amounts paid on units redeemed	(5,326)	(4,000)
Total unit transactions	(2,847)	3,538
Net assets – end of period	27,019	43,582

*The accompanying notes are an integral part of these financial statements.*

# BMO Harris International Special Equity Portfolio

(unaudited)

## STATEMENT OF INVESTMENT PORTFOLIO

As at June 30, 2012 (in thousands of Canadian dollars, unless otherwise noted)

Security	Number of Shares or Units	Cost <sup>†*</sup> (\$)	Fair Value (\$)
<b>Equities</b>			
<i>Australia – 6.4%</i>			
Beach Energy Limited	81,200	142	81
Boart Longyear Limited	127,180	418	386
Campbell Brothers Limited	3,400	154	194
Challenger Financial Services Group Limited	26,000	127	89
Charter Hall Group	59,200	119	141
Flight Centre Limited	4,300	76	86
iiNet Limited	38,500	96	124
NRW Holdings Limited	42,700	120	136
Regis Resources Limited	46,300	144	190
Sigma Pharmaceuticals Limited	146,800	105	94
Spark Infrastructure Group	122,500	183	195
		1,684	1,716
<i>Belgium – 1.7%</i>			
Econocom Group	8,500	193	183
Gimv NV	2,600	141	120
Kinepolis Group NV	1,900	157	165
		491	468
<i>British Virgin Islands – 0.6%</i>			
Playtech Ltd.	30,900	135	170
<i>Canada – 11.2%</i>			
Aecon Group Inc.	10,900	126	128
Allied Properties REIT	5,600	127	162
Calfrac Well Services Ltd.	4,100	135	93
Canadian Apartment Properties REIT	4,000	80	95
Canexus Corp.	18,100	117	144
Canyon Services Group, Inc.	13,000	195	128
Capital Power Corporation	5,900	155	140
Chemtrade Logistic Income Fund	12,400	167	192
Dundee Corporation, Class A	6,200	124	140
Dundee REIT	4,200	154	160
EnerCare Inc.	15,800	153	145
Gibson Energy Inc.	6,100	117	126
Horizon North Logistics Inc.	28,100	172	162
Keyera Corp.	4,219	117	178
Manitoba Telecom Services Inc.	4,200	140	139
Martinrea International Inc.	18,900	199	151
Noranda Income Fund	24,100	143	108
Precision Drilling Corporation	20,500	219	141

<sup>†</sup>Where applicable, distributions received from holdings as a return of capital are used to reduce the adjusted cost base of the securities in the portfolio.

\*For the purpose of the Statement of Investment Portfolio, cost includes commissions and other portfolio transaction costs (note 2). The accompanying notes are an integral part of these financial statements.

# BMO Harris International Special Equity Portfolio

(unaudited)

## STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

As at June 30, 2012 (in thousands of Canadian dollars, unless otherwise noted)

Security	Number of Shares or Units	Cost <sup>†*</sup> (\$)	Fair Value (\$)
Total Energy Services Inc.	8,700	121	125
Transcontinental Inc., Class A	11,600	163	107
TransForce Inc.	7,200	82	120
Wajax Corporation	3,000	110	144
		3,116	3,028
<b>Denmark – 0.8%</b>			
Topdanmark A/S	1,250	225	218
<b>Finland – 2.7%</b>			
Amer Sports Oyj, Class A	13,800	201	160
Huhtamaki Van Leer OYJ	11,500	170	174
Kemira Oyj	7,000	119	83
Kesko Oyj, Class B	6,600	287	176
Tietoenator Oyj	9,100	149	148
		926	741
<b>France – 5.0%</b>			
Bonduelle S.C.A.	1,400	134	120
Havas SA	36,900	181	171
ICADE	1,500	126	116
Publicis Groupe SA	2,600	140	121
Rallye SA	5,200	160	151
Technip-Coflexip SA	1,600	136	170
Tessi SA	1,300	132	119
Valeo SA	4,000	194	169
Zodiac Aerospace	2,100	161	218
		1,364	1,355
<b>Germany – 6.8%</b>			
Aurubis AG	2,700	163	133
Delticom AG	1,800	158	120
Draegerwerk AG & Co. KGaA	1,500	168	151
Drillisch AG	14,100	168	137
Durr Aktiengesellschaft	2,500	114	157
Hannover Ruckversicherung AG	6,600	282	399
HUGO BOSS AG	2,600	180	260
Lanxess AG	2,500	196	161
Suedzucker AG	4,300	140	155
Tag Immobilien Ag	17,700	149	169
		1,718	1,842
<b>Gibraltar – 0.8%</b>			
888 Holdings Public Limited Company	200,000	175	203

<sup>†</sup>Where applicable, distributions received from holdings as a return of capital are used to reduce the adjusted cost base of the securities in the portfolio.

\*For the purpose of the Statement of Investment Portfolio, cost includes commissions and other portfolio transaction costs (note 2). The accompanying notes are an integral part of these financial statements.

# BMO Harris International Special Equity Portfolio

(unaudited)

## STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

As at June 30, 2012 (in thousands of Canadian dollars, unless otherwise noted)

Security	Number of Shares or Units	Cost <sup>†*</sup> (\$)	Fair Value (\$)
<b>Hong Kong – 2.2%</b>			
Giordano International Limited	125,000	79	90
Pacific Textiles Holdings Limited	155,000	109	97
SmarTone Telecommunications Holdings Limited	97,000	179	191
Sunlight REIT	631,000	202	217
		569	595
<b>Ireland – 1.4%</b>			
Aer Lingus Group plc	102,000	126	133
Greencore Group Public Limited Company	197,400	219	238
		345	371
<b>Israel – 2.5%</b>			
Alony-Hetz Properties and Investments Ltd.	29,214	137	121
Clal Insurance Enterprises Holdings Ltd.	9,375	133	93
Electra Limited	1,542	177	117
Gazit-Globe Ltd.	18,454	182	182
Shikun & Binui Ltd.	109,253	190	156
		819	669
<b>Italy – 4.0%</b>			
Danieli & C. Officine Meccaniche S.p.A.	5,300	107	113
Davide Campari-Milano S.p.A.	20,200	84	143
DiaSorin S.p.A.	5,600	131	167
Lottomatica S.p.A.	6,700	110	132
MARR S.p.A.	10,700	105	102
Pirelli & C. S.p.A.	13,600	132	146
Recordati Industria Chimica e Farmaceutica S.p.A.	18,800	142	136
TOD'S S.p.A.	1,400	145	143
		956	1,082
<b>Japan – 17.9%</b>			
Belluna Company Ltd.	14,000	87	113
Calsonic Kansei Corp.	18,000	111	99
Century Tokyo Leasing Corporation	10,200	153	195
Daihatsu Diesel Mfg. Co., Ltd.	10,000	76	35
Furukawa-Sky Aluminum Corp.	58,000	161	179
Fuyo General Lease Co., Ltd.	3,473	108	111
Geo Holdings Corporation	96	109	109
Heiwa Corporation	7,000	129	134
Hogy Medical Co., Ltd.	3,000	130	140
Hokuetsu Paper Mills, Ltd.	31,000	209	169
Kohnan Shoji Co., Ltd.	8,500	138	114
KYOEI STEEL LTD.	8,400	170	157
Macnica Inc.	11,000	243	251

<sup>†</sup>Where applicable, distributions received from holdings as a return of capital are used to reduce the adjusted cost base of the securities in the portfolio.

\*For the purpose of the Statement of Investment Portfolio, cost includes commissions and other portfolio transaction costs (note 2). The accompanying notes are an integral part of these financial statements.

# BMO Harris International Special Equity Portfolio

(unaudited)

## STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

As at June 30, 2012 (in thousands of Canadian dollars, unless otherwise noted)

Security	Number of Shares or Units	Cost <sup>†*</sup> (\$)	Fair Value (\$)
Megmilk Snow Brand Co., Ltd.	10,000	176	179
Okinawa Electric Power Company, Incorporated	4,800	384	159
Prima Meat Packers, Ltd.	135,000	163	247
Rengo Co., Ltd.	20,000	150	127
Riso Kagaku Corporation	12,000	199	214
SCSK Corporation	11,000	165	163
SKY Perfect JSAT Holdings Inc.	185	102	85
Taihei Kogyo Co., Ltd.	32,000	175	157
Tokai Rika Co., Ltd.	9,000	150	151
Toyo Kohan Co., Ltd.	20,000	106	73
Toyo Tire & Rubber Co., Ltd.	120,000	277	414
Unipres Corporation	11,400	183	302
Universal Entertainment Corporation	8,000	207	169
XEBIO Co., Ltd.	7,000	166	163
Yokohama Rubber Company, Limited, The	17,000	121	131
YOROZU CORPORATION	11,000	191	184
Zeon Corporation	15,000	146	116
		4,885	4,840
<b>Netherlands – 0.3%</b>			
Imtech N.V.	3,300	109	80
<b>New Zealand – 1.5%</b>			
DNZ Property Fund Limited	151,400	169	183
Vector Limited	102,900	223	225
		392	408
<b>Portugal – 0.5%</b>			
SONAECOM, S.G.P.S., S.A.	86,900	192	146
<b>Russia – 0.4%</b>			
Highland Gold Mining Limited	55,500	172	94
<b>South Korea – 2.9%</b>			
Dongbu Steel Co. Ltd.	33,600	290	137
Hansol Paper Co., Ltd.	9,000	114	64
Hanwha Securities Co., Ltd.	34,800	125	128
Hyundai Corp.	4,400	84	84
LG International Corp.	3,200	82	102
Samchully Co., Ltd.	2,200	201	172
Taeyoung Engineering and Construction Co., Ltd.	23,300	155	95
		1,051	782

<sup>†</sup>Where applicable, distributions received from holdings as a return of capital are used to reduce the adjusted cost base of the securities in the portfolio.

\*For the purpose of the Statement of Investment Portfolio, cost includes commissions and other portfolio transaction costs (note 2). The accompanying notes are an integral part of these financial statements.

# BMO Harris International Special Equity Portfolio

(unaudited)

## STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

As at June 30, 2012 (in thousands of Canadian dollars, unless otherwise noted)

Security	Number of Shares or Units	Cost <sup>†*</sup> (\$)	Fair Value (\$)
<b>Spain – 2.4%</b>			
Duro Felguera, S.A.	31,700	198	177
Enagas	8,400	156	156
Grifols, S.A.	4,800	117	124
Viscofan, S.A.	4,400	200	193
		671	650
<b>Sweden – 0.4%</b>			
NCC AB, B Shares	6,200	109	114
<b>Switzerland – 6.4%</b>			
Adecco S.A.	3,800	156	172
Allreal Holdings AG	1,200	175	178
Dufry Group	1,400	141	173
Forbo Holding AG	250	171	145
Implenia AG	6,700	183	215
Intershop Holding AG	600	216	210
OC Oerlikon Corp AG	22,600	198	191
PSP Swiss Property AG	1,300	115	117
Swiss Prime Site AG	2,200	181	187
Valiant Holding AG	1,300	169	148
		1,705	1,736
<b>United Kingdom – 20.6%</b>			
Catlin Group Limited	25,900	171	176
Debenhams Plc	197,100	273	272
Drax Group plc	13,000	78	116
easyJet plc	25,666	148	218
Enerflex Ltd.	11,400	148	122
EnQuest PLC	43,600	85	75
Enterprise Inns PLC	254,000	363	266
Fenner PLC	29,300	91	170
Ferrexpo plc	82,300	383	283
FirstGroup plc	29,000	138	104
Galliford Try PLC	17,100	168	173
Gem Diamonds Limited	57,000	224	178
Grainger plc	107,200	177	156
Hargreaves Services plc	10,000	183	122
Intermediate Capital Group PLC	24,000	102	104
Interserve Plc	30,300	153	151
Kentz Corporation Limited	23,500	180	142
Ladbroke PLC	46,100	125	116
Laird PLC	55,900	181	167

<sup>†</sup>Where applicable, distributions received from holdings as a return of capital are used to reduce the adjusted cost base of the securities in the portfolio.

\*For the purpose of the Statement of Investment Portfolio, cost includes commissions and other portfolio transaction costs (note 2). The accompanying notes are an integral part of these financial statements.

# BMO Harris International Special Equity Portfolio

(unaudited)

## STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

As at June 30, 2012 (in thousands of Canadian dollars, unless otherwise noted)

Security	Number of Shares or Units	Cost <sup>†*</sup> (\$)	Fair Value (\$)
London Stock Exchange Group PLC	13,100	207	210
Micro Focus international PLC	18,520	106	157
Mondi Plc	12,800	106	112
National Express Group PLC	38,600	138	132
Northgate PLC	28,100	128	93
Petropavlovsk PLC	11,400	125	83
Phoenix Group Holdings	17,000	183	131
QinetiQ Group plc	53,900	106	135
Senior PLC	128,800	245	386
Smiths News PLC	137,500	190	212
Spectris plc	5,500	120	135
Spirit Pub Company PLC	130,800	108	106
Stagecoach Group PLC	32,600	124	139
TalkTalk Telecom Group PLC	50,400	109	153
Valiant Petroleum plc	20,700	164	126
William Hill PLC	29,200	105	132
		5,635	5,553
<b>Total Investment Portfolio – 99.4%</b>		<b>27,444</b>	<b>26,861</b>
<b>Other Assets Less Liabilities – 0.6%</b>			<b>158</b>
<b>NET ASSETS – 100.0%</b>			<b>27,019</b>

<sup>†</sup>Where applicable, distributions received from holdings as a return of capital are used to reduce the adjusted cost base of the securities in the portfolio.

\*For the purpose of the Statement of Investment Portfolio, cost includes commissions and other portfolio transaction costs (note 2). The accompanying notes are an integral part of these financial statements.

# BMO Harris International Special Equity Portfolio

(unaudited)

---

## STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

As at June 30, 2012 (in thousands of Canadian dollars, unless otherwise noted)

The Portfolio's Investment Portfolio is concentrated in the following segments as at:

	June 30, 2012	December 31, 2011
Australia	6.4%	8.9%
Belgium	1.7%	1.6%
Bermuda	—%	0.5%
British Virgin Islands	0.6%	0.6%
Burkina Faso	—%	0.5%
Canada	11.2%	12.8%
Denmark	0.8%	0.7%
Europe	—%	1.0%
Finland	2.7%	2.3%
France	5.0%	4.3%
Germany	6.8%	5.2%
Gibraltar	0.8%	—%
Greece	—%	0.5%
Hong Kong	2.2%	1.8%
Ireland	1.4%	0.6%
Israel	2.5%	0.5%
Italy	4.0%	3.9%
Japan	17.9%	18.0%
Netherlands	0.3%	0.9%
New Zealand	1.5%	0.7%
Philippines	—%	0.2%
Portugal	0.5%	0.6%
Russia	0.4%	0.6%
Singapore	—%	1.1%
Slovakia	—%	0.7%
South Korea	2.9%	2.6%
Spain	2.4%	1.3%
Sweden	0.4%	3.3%
Switzerland	6.4%	4.4%
United Kingdom	20.6%	16.9%
Other Assets Less Liabilities	0.6%	3.0%
	<b>100.0%</b>	<b>100.0%</b>

---

---

The accompanying notes are an integral part of these financial statements.

# BMO Harris International Special Equity Portfolio

(unaudited)

---

## NOTES TO THE FINANCIAL STATEMENTS

*(All amounts in thousands of Canadian dollars, except per unit data)*

*June 30, 2012*

---

### 1. The Portfolio

BMO Harris International Special Equity Portfolio [“the Portfolio”] is an open-ended mutual fund trust established by a Declaration of Trust under the laws of the Province of Ontario, most recently amended on September 18, 2007. BMO Harris Investment Management Inc. (“the Manager”) is the Manager of the Portfolio.

The information provided in these unaudited financial statements is for the periods ended June 30, 2012 and 2011 except for the comparative information on the Statement of Net Assets and related notes which are as at December 31, 2011.

### 2. Summary of significant accounting policies

These interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”), including estimates and assumptions made by management that may affect the reported amounts of assets, liabilities, income and expenses during the reported periods. Actual results could differ from estimates.

#### Valuation of investments

Canadian GAAP requires the use of bid prices for long positions and ask prices for short positions in the fair valuation of investments traded in an active market, rather than the use of closing prices currently used for the purpose of determining Net Asset Value (“NAV”). For investments that are not traded in an active market, Canadian GAAP requires the use of valuation techniques, incorporating factors that market participants would consider in setting a price.

The NAV is the fair value of the total assets of a Portfolio less the fair value of its total liabilities at a Valuation Date (“the Valuation Date” is each day on which the Toronto Stock Exchange is open for trading) determined in accordance with Part 14 of National Instrument 81-106 – Investment Portfolio Continuous Disclosure (“NI 81-106”) for the purpose of processing unitholder transactions. For financial statement purposes, valuations are determined in accordance with Canadian GAAP. This may result in a difference between the Net Assets per unit and the NAV per unit. Refer to Note 8(b) for the details of the comparison between NAV per unit and Net Assets per unit.

Investments are deemed to be held for trading.

Investments are recorded at their fair value with the change between this amount and average cost being recorded as unrealized appreciation (depreciation) in value of investments in the Statement of Operations.

Securities listed on a recognized public securities exchange in North America are valued for financial statement purposes at their bid prices for long positions and ask prices for short positions. Procedures are in place to fair value securities traded in countries outside of North America daily, to avoid stale prices and to take into account, among other things, any significant events occurring after the close of a foreign market. The Manager uses fair value pricing when the price of a security held in a Portfolio is unavailable, unreliable or not considered to reflect the current value, and may determine another value which it considers to be fair and reasonable using the services of third-party valuation service providers, or using a valuation technique that, to the extent possible, makes maximum use of inputs and assumptions based on observable market data including volatility, comparable companies and other applicable rates or prices.

For bonds, debentures, asset-backed securities and other debt securities, the fair value represents the bid price provided by independent security pricing services. Short-term investments are included in the Statement of Investment Portfolio at their fair value. Unlisted warrants are valued based on a pricing model which considers factors such as the market value of the underlying security, strike price and terms of the warrant.

#### Investment transactions

Investment transactions are accounted for on the trade date. Realized gains (losses) from the sale of investments and unrealized appreciation (depreciation) in the value of investments are calculated with reference to the average cost of the related investments which exclude brokerage commissions and other trading expenses. All net realized gains (losses), unrealized appreciation (depreciation) in value, and transaction costs are attributable to investments and derivative instruments which are deemed held for trading, and are included in the Statement of Operations.

Client brokerage commissions, where applicable, are used as payment for order execution services or research services. The portfolio advisers or Managers may select brokers, including their affiliates, who charge a

# BMO Harris International Special Equity Portfolio

(unaudited)

---

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)

June 30, 2012

---

commission in excess of that charged by other brokers (“soft dollars”) if they determine in good faith that the commission is reasonable in relation to the order execution and research services utilized. It is the Manager’s objective that over time, all clients receive benefits from client brokerage commissions.

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Portfolio are expensed and included in “Commissions and other portfolio transaction costs” in the Statement of Operations.

### Cost of investments

The cost of investments represents the amount paid for each security and is determined on an average cost basis.

### Income recognition

Interest income is recognized on accrual basis. Dividend income and distributions from investment trust units are recognized on the ex-dividend and ex-distribution date, respectively.

Interest on inflation-indexed bonds will be paid based on a principal value, which is adjusted for inflation. The inflation adjustment of the principal value is recognized as part of interest income in the Statement of Operations. At maturity, the Portfolio will receive, in addition to a coupon interest payment, a final payment equal to the sum of the par value and the inflation compensation accrued from the original issue date. Interest is accrued on each Valuation Day based on the inflation adjusted par value at that time and is included in “Interest” in the Statement of Operations.

### Translation of foreign currencies

The fair value of investments and other assets and liabilities in foreign currencies are translated into the Portfolio’s functional currency at the rates of exchange prevailing at the period-end date. Purchases and sales of investments, and income and expenses are translated at the rates of exchange prevailing on the respective dates of such transactions. Foreign exchange gains (losses) on completed transactions are included in “Realized gain (loss) on sale of investments” and unrealized foreign exchange gains (losses) are included in “Change in

unrealized appreciation (depreciation) in value of investments” in the Statement of Operations. Realized and unrealized foreign exchange gains (losses) on assets (other than investments) and liabilities are included in “Realized gain (loss) on foreign exchange” in the Statement of Operations.

### Forward currency contracts

A forward currency contract is an agreement between two parties (the Portfolio and the counterparty) to purchase or sell a currency against another currency at a set price on a future date. The Portfolio may enter into forward currency contracts for hedging purposes which can include the hedging of all or a portion of the currency exposure of an investment or group of investments, either directly or indirectly. The Portfolio may also enter into these contracts for non-hedging purposes which can include increasing the exposure to a foreign currency or to shift exposure to foreign currency fluctuations from one country to another.

The value of forward currency contracts entered into by the Portfolio is recorded as the difference between the value of the contract on the Valuation Date and the value on the date the contract originated.

Changes in the value of open forward currency contracts at each Valuation Date are recognized in the Statement of Operations as “Change in unrealized appreciation (depreciation) in value of forward currency contracts.”

Amounts realized at the close of the contracts are recorded as “Realized gain (loss) on forward currency contracts” in the Statement of Operations.

### Securities lending

A Portfolio may engage in securities lending pursuant to the terms of an agreement which includes restrictions as set out in Canadian securities legislation. Collateral held is government Treasury Bills and qualified Notes.

Income from securities lending, where applicable, is included in the Statement of Operations and is recognized when earned. The securities on loan continue to be displayed in the Statement of Investment Portfolio. The market value of the securities loaned and collateral held is determined daily. Aggregate values of securities on loan and related collateral held in trust as at June 30, 2012 and December 31, 2011, where applicable, are disclosed in Note 8(g).

# BMO Harris International Special Equity Portfolio

(unaudited)

---

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)

June 30, 2012

---

### Increase or decrease in net assets from operations per unit

“Increase (decrease) in net assets from operations per unit” in the Statement of Operations represents the increase (decrease) in net assets from operations divided by the weighted average number of units outstanding during the period.

### Short-term trading penalty

To discourage excessive trading, the Portfolio may, at the Manager’s sole discretion, charge a short-term trading penalty. This penalty is paid directly to the Portfolio and is included in “Interest” in the Statement of Operations.

### Other assets and liabilities

Income receivable, subscriptions receivable and due from broker are designated as loans and receivables and recorded at cost or amortized cost. Similarly, amounts due to broker, redemptions payable and accrued expenses are designated as financial liabilities and reported at amortized cost. Other assets and liabilities are short-term in nature, and are carried at cost or amortized cost which approximates fair value.

### 3. Unit valuation

Units of the Portfolio are offered for sale on a continuous basis and may be purchased or redeemed on any Valuation Date at the NAV per unit. The NAV per unit for the purposes of subscription or redemption is computed by dividing the NAV of the Portfolio (that is, the total fair value of the assets less its liabilities) by the total number of units outstanding at such time. This amount may be different from the Net Asset per unit which is presented on the Statement of Net Assets. Generally, any differences are due to valuing actively traded securities at bid prices for Canadian GAAP purposes while NAV typically utilizes closing price to determine fair value for the purchase and redemption of units. See Note 8(b) for the details of the comparison between NAV per unit and Net Assets per unit.

### Capital

The capital of the Portfolio is represented by issued and redeemable units with no par value. The units are entitled to distributions, if any, and to payment of a proportionate share based on the Portfolio’s NAV per unit upon redemption. The Portfolio has no restrictions or specific

capital requirements on the subscriptions and redemptions of units except as disclosed in Note 8(a), if any. The relevant movements in capital are shown on the Statement of Changes in Net Assets. In accordance with its investment objectives and strategies, and the risk management practices outlined in Note 6, the Portfolio endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

### 4. Income Taxes

The Portfolio qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada) (the “Tax Act”). Distributions of all net taxable income and sufficient amounts of net realized capital gains for each taxation year will be paid to unitholders. Part of the Portfolio’s net income and net realized capital gains not paid or payable, is subject to income tax. It is the intention of the Portfolio to distribute all of its income and sufficient net realized capital gains so that the Portfolio will not be subject to income tax. Income tax on net realized capital gains not paid or payable is generally recoverable by virtue of refunding provisions contained in tax legislation, as redemptions occur.

Non-capital losses that arose in 2004 and 2005 are available to be carried forward for ten years and applied against future taxable income. Non-capital losses that arose in 2006 and thereafter are available to be carried forward for twenty years. Capital losses for income tax purposes may be carried forward indefinitely and applied against capital gains realized in future years.

The Portfolio’s non-capital and capital losses for income tax purposes as of the tax year-ended December 2011 are included in Note 8(c), if applicable.

### 5. Related party transactions

#### (a) Unitholder servicing, commissions and other portfolio transaction costs

The Portfolio is provided with certain facilities and services by affiliates of the Manager. Expenses incurred in the administration of the Portfolio were paid to BMO Trust Company (the Trustee) and to BMO Asset Management Inc. (the Registrar) and charged to the Portfolio. These expenses are included in “Unitholder servicing fees” in the Statement of Operations.

# BMO Harris International Special Equity Portfolio

(unaudited)

---

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)

June 30, 2012

---

The Portfolio may execute trades with and or through BMO Nesbit Burns Inc., an affiliate of the Manager based on established standard brokerage agreements at market prices. These fees are included in "Commissions and other portfolio transaction costs" in the Statement of Operations.

Refer to Note 8(d) for related party fees charged to the Portfolio for the periods ended June 30, 2012 and 2011.

### (b) Other related party transactions

From time to time, the Manager may on behalf of the Portfolio enter into transactions or arrangements with or involving other members of Bank of Montreal Group of Companies, or certain other persons or companies that are related or connected to the Manager of the Portfolio. These transactions or arrangements may include transactions or arrangements with or involving Bank of Montreal Group of Companies, BMO Trust Company, BMO Nesbitt Burns Inc., Harris Investment Management Inc., BMO Asset Management Inc., BMO Investments Inc., Pyrford International Ltd, Lloyd George Management Inc. or other investment funds offered by BMO, and may involve the purchase or sale of portfolio securities through or from a member of Bank of Montreal Group of Companies, the purchase or sale of securities issued or guaranteed by a member of Bank of Montreal Group of Companies, the purchase or sale of securities issued or guaranteed by a member of Bank of Montreal group of Companies, entering into forward contracts with a member of Bank of Montreal Group of Companies acting as counterparty, the purchase or redemption of units of other BMO Harris Private Portfolios or the provision of services to the Manager.

## 6. Financial Instrument Risk

The Portfolio may be exposed to a variety of financial risks that are concentrated in its investment holdings, including derivative instruments. The Statement of Investment Portfolio groups securities by asset type, geographic region and/or market segment. The Portfolio's risk management practice includes the monitoring of compliance to investment guidelines.

The Manager manages the potential effects of these financial risks on the Portfolio's performance by employing and overseeing professional and experienced

portfolio managers that regularly monitor the Portfolio's positions, market events and diversify investment portfolios within the constraints of the investment guidelines.

### (a) Currency risk

Currency risk is the risk that the value of investments denominated in currencies, other than the functional currency of the Portfolio, will fluctuate due to changes in foreign exchange rates. Investments in foreign markets are exposed to currency risk as the prices denominated in foreign currencies are converted to the Portfolio's functional currency in determining fair value. The Portfolio may enter into forward currency contracts for hedging purposes to reduce foreign currency exposure or to establish exposure to foreign currencies. The Portfolio's exposure to currency risk, if any, is further discussed in Note 8(f).

### (b) Interest rate risk

Interest rate risk is the risk that the fair value of the Portfolio's interest-bearing investments will fluctuate due to changes in market interest rates. The Portfolio's exposure to interest rate risk is concentrated in its investment in debt securities (such as bonds, money market instruments, short-term investments and debentures) and interest rate derivative instruments, if any. Other assets and liabilities are short-term in nature and/or non-interest bearing. The Portfolio's exposure to interest rate risk, if any, is further discussed in Note 8(f).

### (c) Other market risk

Other market risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market. Other assets and liabilities are monetary items that are short-term in nature, and as such they are not subject to other market risk. The Portfolio's exposure to other market risk, if any, is further discussed in Note 8(f).

### (d) Credit risk

Credit risk is the risk that a loss could arise from a security issuer or counterparty to a financial instrument not being able to meet its financial obligations. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. Credit risk exposure

# BMO Harris International Special Equity Portfolio

(unaudited)

---

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)

June 30, 2012

---

for over-the-counter derivative instruments is based on the Portfolio's unrealized gain (loss) of the contractual obligations with the counterparty as at the reporting date. The credit exposure of other assets is represented by its carrying amount. The Portfolio's exposure to credit risk, if any, is further discussed in Note 8(f).

The Portfolio may enter into securities lending transactions with approved counterparties. Credit risk associated with these transactions is considered minimal as all counterparties have a sufficient approved credit rating and the market value of collateral held by the Portfolio must be at least 102% of the fair value of securities loaned, if any, as disclosed in Note 8(h).

### (e) Liquidity risk

The Portfolio's exposure to liquidity risk is concentrated in the daily cash redemptions of units. The Portfolio primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Portfolio retains sufficient cash and cash equivalent positions to maintain liquidity. The Portfolio may, from time to time, enter into over-the-counter derivative contracts or invest in unlisted securities, which are not traded in an organized market and may be illiquid. Securities for which a market quotation could not be obtained and may be illiquid are identified on the Statement of Investment Portfolio. The proportion of illiquid securities to NAV of the Portfolio is monitored by the Manager to ensure it does not exceed the regulatory limit and does not significantly affect the liquidity required to meet the Portfolio's financial obligations.

## 7. Transition to International Reporting Standards

In March 2011, the Canadian Accounting Standards Board ("AcSB") amended its 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 years 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. Under IFRS 10 Consolidated Financial Statements, 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 of 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 AcSB will continue to monitor the need to revise the IFRS changeover date for these entities.

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 ending 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 IAS 32 Financial Instruments: Presentation Standard 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.

# BMO Harris International Special Equity Portfolio

(unaudited)

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)

June 30, 2012

### 8. Portfolio specific information

#### (a) Portfolio information and change in units

The Portfolio's inception date was September 29, 2006.

The number of units that have been issued and are outstanding are disclosed in the table below.

For the periods ended (in thousands of units)	Jun. 30, 2012	Jun. 30, 2011
Units issued and outstanding, beginning of period	6,573	7,030
Issued for cash	522	1,352
Redeemed during the period	(1,138)	(717)
Units issued and outstanding, end of period	5,957	7,665

#### (b) Comparison of NAV per unit to Net Assets per unit

Jun. 30, 2012		Dec. 31, 2011	
NAV per unit	Net Assets per unit	NAV per unit	Net Assets per unit
4.54	4.54	4.44	4.44

#### (c) Income taxes

As at the tax year-ended December 2011, the Portfolio had the following capital and non-capital losses available for income tax purposes:

Total capital losses (\$)	Total non- capital losses (\$)	Non-capital losses that expire in 2014 and thereafter		
		2014 (\$)	2015 (\$)	2016 and thereafter (\$)
57,460	—	—	—	—

#### (d) Related party transactions

The related party fees charged for unitholder servicing fees are as follows:

	Jun. 30, 2012	Jun. 30, 2011
Unitholder servicing (\$)	53	79

#### (e) Brokerage commissions and soft dollars

Brokerage commissions paid on securities transactions and amounts paid to related parties of the Manager for brokerage services provided to the Portfolio for the periods are as follows:

	Jun. 30, 2012	Jun. 30, 2011
Total brokerage amounts paid (\$)	45	37
Total brokerage amounts paid to related parties (\$)	nil	nil

The ascertainable soft dollar value of services received as a percentage of total brokerage commissions paid under the soft dollar arrangement entered into by the portfolio adviser for the periods ended is as follows:

	Jun. 30, 2012	Jun. 30, 2011
Total soft dollars (\$)	22	28
Total soft dollars as a percentage of total commissions (%)	50	76

#### (f) Financial instrument risk

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

No changes affecting the overall level of risk of investing in the Portfolio were made during the period.

#### Currency risk

The table below summarizes the Portfolio's exposure to currency risk. Amounts shown are based on the carrying value of monetary and non-monetary assets (including derivatives and the underlying principle (notional) amount of forward currency contracts, if any).

#### As at June 30, 2012

Currency	Cash and other current receivables & payables (\$)	Invest- ments (\$)	Forward currency contracts (\$)	Net currency exposure (\$)	As a % of net assets (%)
Euro dollar	44	6,497	—	6,541	24.2
Pound sterling	15	6,136	—	6,151	17.9
Japanese yen	5	4,840	—	4,845	22.8
U.S. dollar	24	—	—	24	0.1
Other European currencies	17	2,068	—	2,085	7.7
Other Pacific currencies	21	2,719	—	2,740	10.1
Other Emerging Market currencies	18	1,452	—	1,470	5.4

# BMO Harris International Special Equity Portfolio

(unaudited)

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)

June 30, 2012

### As at December 31, 2011

Currency	Cash and other current receivables & payables (\$)	Investments (\$)	Forward currency contracts (\$)	Net currency exposure (\$)	As a % of net assets (%)
Euro dollar	28	6,470	—	6,498	22.3
Japanese yen	(35)	5,258	—	5,223	17.9
Pound sterling	24	5,554	—	5,578	19.1
U.S. dollar	233	—	—	233	0.8
Other European currencies	34	2,454	—	2,488	8.5
Other Pacific currencies	53	3,731	—	3,784	13.0
Other Emerging Market currencies	2	1,122	—	1,124	3.8

All amounts in CA\$

As at the periods ended June 30, 2012 and December 31, 2011, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies, with all factors remaining constant, Net Assets could possibly have decreased or increased, respectively, by approximately \$1,193 (December 31, 2011 – \$1,246). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

### Interest rate risk

As at June 30, 2012 and December 31, 2011, the Portfolio did not have any significant exposure to interest rate risk.

### Other market risk

As at June 30, 2012, 99% (December 31, 2011 – 97%) of the Portfolio's Net Assets were traded on respective stock exchanges. If equity prices on respective stock exchanges had increased or decreased by 10% as at the periods ended, with all other factors remaining constant, Net Assets could possibly have increased or decreased, respectively, by approximately \$2,686 (December 31, 2011 – \$2,831). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

### Credit risk

As at June 30, 2012 and December 31, 2011, the Portfolio did not have any significant exposure to credit risk.

### (g) Fair value hierarchy

There was no significant change in the composition of the Portfolio's financial instruments levels as at June 30, 2012 compared to the classification as at December 31, 2011. Please refer to the December 31, 2011 audited annual financial statements disclosure of the Portfolio's financial assets and liabilities into the fair value levels classification.

### (h) Securities lending

The Portfolio had assets involved in securities lending transactions outstanding as at June 30, 2012 and December 31, 2011 as follows:

	Jun. 30, 2012	Dec. 31, 2011
Aggregate value of securities on loan (\$)	2,229	512
Aggregate value of collateral received for the loan (\$)	2,377	541

**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

**Independent Auditors**

PricewaterhouseCoopers LLP  
PwC Tower  
18 York Street, Suite 2600  
Toronto, Ontario M5J 0B2

®“BMO (M-bar roundel symbol) Harris Private Banking” is a registered trade-mark of Bank of Montreal, used under licence. BMO Harris Private Banking is part of BMO Financial Group. Banking services are offered through Bank of Montreal. Investment management services are offered through BMO Harris Investment Management Inc., an indirect subsidiary of Bank of Montreal. Estate, trust, planning, administration, custodial and tax services are offered through BMO Trust Company, a wholly owned subsidiary of Bank of Montreal.

[www.bmoharrisprivatebanking.com](http://www.bmoharrisprivatebanking.com)

(06/12)