

Annual Management Report of Fund Performance

BMO Harris International Special 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 contactcentre@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 GlobeFlex Capital, L.P. as the sub-advisor of the BMO Harris International Special Equity Portfolio (the "Portfolio").

Investment Objective and Strategy

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

To achieve the Portfolio's objectives, the sub-advisor employs bottom up security selection to seek to identify companies with earnings acceleration that currently trade below their fair market values. This process is based on quantitative and fundamental analyses that consider the financial results, financial condition and potential future growth of the company. The Portfolio may invest some of its assets in securities of companies located in emerging markets.

The Portfolio may use derivative instruments to reduce the impact of currency fluctuations on, and to add value to, the Portfolio's investment portfolio. Stock index futures may also be used as a substitute for acquiring or selling the underlying securities which allows the Portfolio to efficiently manage its cash flow and its exposure to different countries.

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 International Special Equity Portfolio returned -16.5% in C\$ (-18.5% in US\$), after expenses.

The Portfolio's benchmark is the S&P Developed Ex-U.S. SmallCap Index, which generated a -12.4% total return in C\$ (-14.5% US\$) over the same 12-month period.

The year 2011 was volatile for investors, who wrestled with a variety of market influences, including the continued European sovereign debt situation, concerns over the sustainability of the global economic recovery, rising oil prices, and geopolitical tensions. Global equity market volatility reflected investors' heightened sensitivity to these macroeconomic problems.

In the first half of the year, investors were mildly optimistic and focused more on individual companies than on macroeconomic issues; companies that delivered on their earnings prospects and had reasonable valuations outperformed slightly. During the third quarter, however, investors experienced fear once again, driven by European sovereign debt

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concerns and questions about the durability of the global recovery. Companies that were rewarded in the first half of the year, particularly international small capitalization growth companies like those held in the Portfolio, declined sharply as investors reduced risk. Globally, equities rebounded in October, but that was followed by two consecutive months of declines.

In contrast to difficult macroeconomic conditions and investors' concerns about them, corporate profitability around the globe continued to be robust and came in well above analysts' expectations; this was particularly true for the companies whose stocks are held in the Portfolio. Generally, companies that missed their earnings forecasts were punished harshly, while companies that exceeded their profit expectations were not rewarded, reflecting an environment in which investors were not focusing on the positive corporate fundamentals.

Against this volatile market environment, the Portfolio either outperformed or was in line with its benchmark for three of the four quarters of 2011. Unfortunately, the Portfolio's negative performance in the third quarter overshadowed the other three quarters and it underperformed its benchmark for the 12-month period. The primary performance detractor was weak stock selection in the United Kingdom and Switzerland, and to some extent in Japan. Allocations to the markets in Canada, Australia and Singapore were the greatest contributors to the Portfolio's performance.

From a sector perspective, the Portfolio benefited from stock selection in the Materials, Financials and Health Care sectors, while weak stock selection in the Consumer Staples, Industrials and Information Technology sectors detracted from performance. Overall, companies in which the Portfolio is invested have benefited from sustained cost cutting and revenue growth driven by emerging economies or proprietary product lines. The sub-advisor expects these trends will continue and believes that these companies offer great value at this point.

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

In the sub-advisor's view, the last four years have constituted an extreme market environment that has not been conducive to the Portfolio's investment style; however, the companies held in the Portfolio have grown more fundamentally attractive in terms of their profitability and valuation in that time. The sub-advisor believes that the global economy will experience growth in 2012 and that the European sovereign debt situation will be contained. Given that perspective, the sub-advisor considers international equities cheap, and believes investors will finally recognize companies that can deliver on their growth prospects after a very long underperformance cycle. This outcome would be favourable to the Portfolio.

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.

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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 GlobeFlex Capital, L.P. to provide investment advice and make investment decisions for the Portfolio's investment portfolio. GlobeFlex Capital, L.P. receives an investment advisory fee based on assets under management that is paid quarterly. GlobeFlex Capital, L.P. 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	153	147

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.

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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	\$	5.46	4.78	4.59	9.21	10.96
Increase (decrease) from operations:						
Total revenue	\$	0.12	0.10	0.12	0.23	0.19
Total expenses	\$	(0.06)	(0.06)	(0.05)	(0.07)	(0.09)
Realized gains (losses) for the period	\$	(0.09)	(0.02)	(1.94)	(4.08)	(0.54)
Unrealized gains (losses) for the period	\$	(0.89)	0.69	2.09	(0.81)	(1.43)
Total increase (decrease) from operations ⁽²⁾	\$	(0.92)	0.71	0.22	(4.73)	(1.87)
Distributions:						
From income (excluding dividends)	\$	0.00	—	0.01	0.23	0.13
From dividends	\$	0.12	0.08	0.07	0.01	—
From capital gains	\$	—	—	—	—	—
Return of capital	\$	0.00	0.00	0.00	0.00	0.00
Total Annual Distributions ⁽³⁾	\$	0.12	0.08	0.08	0.24	0.13
Net assets, end of period	\$	4.44	5.46	4.78	4.59	9.21

⁽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⁾	\$	29,201	38,417	35,416	29,765	85,781
Number of units outstanding (000's) ⁽¹⁾		6,573	7,030	7,402	6,487	9,292
Management expense ratio ⁽²⁾	%	0.76	0.70	0.70	0.58	0.46
Management expense ratio before waivers or management absorptions	%	0.76	0.70	0.70	0.58	0.46
Trading expense ratio ⁽³⁾	%	0.44	0.45	0.42	0.28	0.38
Portfolio turnover rate ⁽⁴⁾	%	99.55	97.54	86.50	77.46	94.49
Net asset value per unit	\$	4.44	5.46	4.79	4.59	9.23

⁽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.

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Past Performance

General

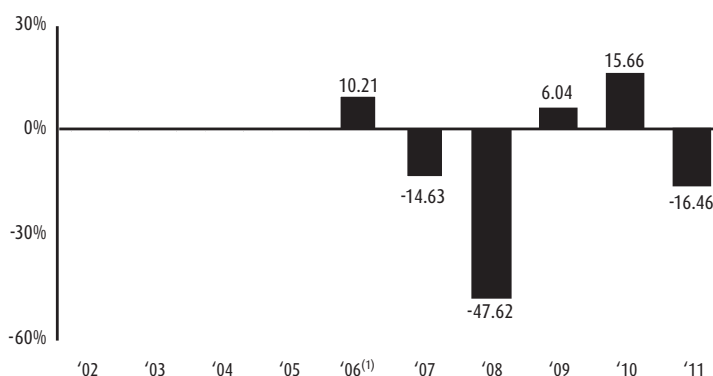
The Portfolio's performance information assumes that all distributions made by the Portfolio in the periods shown were used to purchase additional units of the Portfolio and is based on the net asset value of the Portfolio.

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

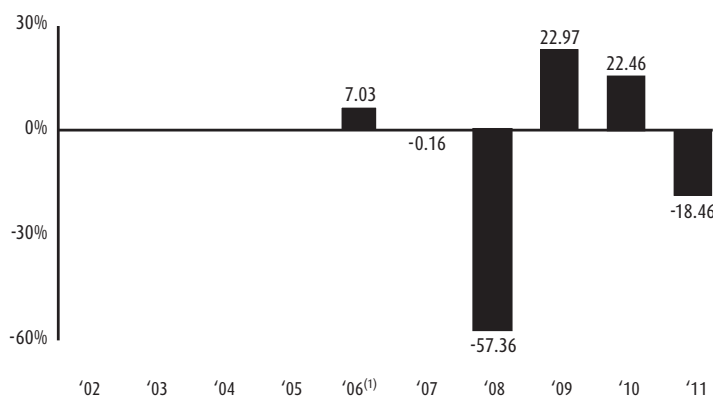
The following bar chart(s) show the performance for each of the financial years shown. The chart(s) show in percentage terms how an investment made on the first day of each financial year would have increased or decreased by the last day of the financial year.

BMO Harris International Special Equity Portfolio (C\$)



⁽¹⁾ Return from November 1, 2006 to December 31, 2006.

BMO Harris International Special Equity Portfolio (US\$)



⁽¹⁾ Return from November 1, 2006 to December 31, 2006.

Annual Compound Returns

This chart compares the historical annual compound returns of the Portfolio with the S&P/Citigroup EMI World Ex. U.S. (S&P/Citigroup) Index, which measures the performance (total return) of those countries that are captured in the bottom 20% of the S&P/Citigroup broader market index consisting of countries that have a float adjusted market capitalization over US\$750 million, excluding the U.S.

	1 yr %	3 yrs %	5yrs %	10yrs %	Since Inception [§] %
BMO Harris International Special Equity Portfolio [‡] (C\$)	(16.46)	0.81	(14.45)	n/a	(12.39)
S&P Developed Ex-U.S. SmallCap Index (C\$)	(12.37)	7.66	(5.76)	n/a	(3.43)

[‡]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 November 1, 2006.

	1 yr %	3 yrs %	5yrs %	10yrs %	Since Inception [§] %
BMO Harris International Special Equity Portfolio [‡] (US\$)	(18.46)	7.08	(12.11)	n/a	(10.57)
S&P Developed Ex-U.S. SmallCap Index (US\$)	(14.49)	14.80	(3.21)	n/a	(1.63)

[‡]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 November 1, 2006.

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.

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Summary of Investment Portfolio

as at December 31, 2011

Portfolio Allocation	% of Net Asset Value	Top 25 Holdings	% of Net Asset Value
Japan	18.0	Cash/Receivables/Payables	3.0
United Kingdom	16.9	Iluka Resources Limited	1.7
Canada	12.8	Senior PLC	1.4
Australia	8.9	Boart Longyear Limited	1.3
Other	7.6	Ramelius Resources Limited	1.3
Germany	5.2	Ferrexpo plc	1.3
Switzerland	4.4	Hannover Ruckversicherung AG	1.2
France	4.3	Unipres Corporation	1.1
Italy	3.9	Biosensors International Group Ltd.	1.1
Sweden	3.3	Toyo Tire & Rubber Co., Ltd.	1.1
Cash/Receivables/Payables	3.0	Centerra Gold Inc.	1.1
South Korea	2.6	Keyera Corp.	1.0
Finland	2.3	Precision Drilling Corporation	1.0
Hong Kong	1.8	Belvedere S.A.	1.0
Belgium	1.6	Macnica Inc.	0.9
Spain	1.3	Neo Material Technologies Inc.	0.9
Singapore	1.1	Dundee Corporation, Class A	0.9
Europe	1.0	YOROZU CORPORATION	0.9
		Universal Entertainment Corporation	0.9
		Kesko Oyj, Class B	0.8
		Prima Meat Packers, Ltd.	0.8
		Debenhams Plc	0.8
		Weir Group PLC, The,	0.8
		Fields Corporation	0.8
		Zodiac Aerospace	0.7
		Top holdings as a percentage of net asset value	27.8
		Total Net Asset Value	\$29,200,665

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

Manager

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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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