

Annual Management Report of Fund Performance

BMO Harris Canadian Income 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 is also the investment manager for the BMO Harris Canadian Income Equity Portfolio (the "Portfolio").

Investment Objective and Strategy

The Portfolio's investment objective is to provide a higher than average income stream primarily from income, royalties and distributions or dividends of equity securities of Canadian issuers.

To seek to achieve the Portfolio's objectives, the portfolio manager employs bottom-up security selection to identify reasonable stock price valuations for its holdings that is based on quantitative and fundamental analyses, including assessment of the company's projected cash flow and management quality.

Risk

No significant changes affecting the overall level of risk associated with investing in the Portfolio were made during the period. The risks of this Portfolio remain as discussed in the Portfolio's most recent simplified prospectus or its amendments.

Results of Operations

For the 12-month period ended December 31, 2011, the BMO Harris Canadian Income Equity Portfolio returned -0.4%, after expenses.

The Portfolio's benchmark is the S&P/TSX Composite Index, which generated a total return of -8.7% over the same 12-month period.

In 2011, capital markets were materially impacted by macroeconomic events that caused significant equity market volatility throughout the year.

The first quarter was dominated by a series of global events, including geopolitical tensions in North Africa (the so-called Arab Spring) and a massive earthquake and nuclear emergency in Japan. Investors shifted their focus in the second quarter to the faltering pace of the U.S. economic recovery and slowing growth in China. In addition, sovereign debt problems in Europe erupted into a full-blown crisis. The third quarter ushered in further equity market volatility as the political wrangling in the U.S. Congress related to increasing the debt ceiling dragged on longer than anticipated. To make matters worse, the credit rating agency Standard & Poor's downgraded the credit rating of U.S. government bonds for the first time in the country's history.

The Portfolio's benchmark, which had rallied 5.6% in first quarter on higher energy prices due to Middle East tensions, declined by 5.2% in the second quarter as the Energy and Materials sectors fell in response to concerns about the slowing U.S. and Chinese economies and European sovereign debt. The benchmark dropped by another 12.0% in the third quarter as the U.S. debt ceiling debate and the ensuing Standard & Poor's downgrade sent the markets plunging.

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Over the full 12-month period ended December 31, 2011, the Health Care, Telecommunications, Consumer Staples, Utilities, Industrials and Financials sectors led the market. Lagging sectors were Energy, Consumer Discretionary, Materials and Information Technology. The Portfolio benefited from focusing on higher-yielding securities with more stable earnings streams in economically defensive sectors. Specifically, the Portfolio benefited from a larger allocation to the Telecommunication Services, Industrials, Financials, Consumer Staples and Utilities sectors, relative to its benchmark. In addition, the Portfolio's relatively smaller allocation to the Information Technology, Energy and Materials sectors helped performance.

On a security-specific basis, the Portfolio's holdings in Enbridge Inc., Telus Corp., Canadian National Railway Co., BCE Inc., and Tim Hortons Inc. added to performance. Conversely, the Portfolio's holdings in Sun Life Financial, Manulife Financial Corp., Encana Corp., Thomson Reuters Corp and Suncor Energy Inc. detracted from performance.

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

Recent Developments

U.S. employment numbers for December 2011 showed the U.S. economy added 200,000 jobs in the month, an improvement over the 155,000 new jobs economists had expected. The stronger-than-expected jobs number is a positive indicator of the health of the U.S. economy. Job creation is the key to a sustainable economic recovery and is necessary for an economy to move to an expansion stage. The emergence of job-growth patterns following a recession is often very gradual and can stretch out over a number of years. The investment manager expects job creation activity to improve over the coming year as U.S. economic growth picks up and employer confidence improves.

The investment manager maintains a positive outlook for the Canadian equity market over the medium and longer term. The manager expects equity prices to advance gradually over the coming year as the U.S. economy improves and China engineers a soft landing for its economy. The investment manager expects equity market volatility to remain high as uncertainties

related to the European debt crisis are expected to persist. Moreover, there will likely be periods when leading economic indicators in the United States will be mixed and economic activity will soften. This is a normal part of a recovery phase; economic activity generally does not improve in a linear manner coming out of a recession.

In summary, although shorter-term economic challenges and market volatility may still lie ahead, the investment manager believes that the Portfolio's emphasis on high-quality companies with strong fundamentals and attractive valuations is imperative. The investment manager remains confident that 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.

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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

The manager is also the Portfolio's investment manager and provides investment analysis and investment decisions for the Portfolio. The Portfolio does not pay a fee to the manager for this service.

Buying and Selling Securities

Investing in Equity Securities Underwritten by BMO Nesbitt Burns Inc.

During the period, BHIMI relied on an approval and standing instruction provided by the Portfolio's independent review committee ("IRC") to enable the Portfolio to invest in a class of equity securities of an issuer during the period of distribution of those

securities to the public and/or the 60 day period following the distribution period where BMO Nesbitt Burns Inc., an affiliate of BHIMI, acted as an underwriter in the distribution of those securities. In accordance with the IRC's approval and standing instruction, in making such an investment, BHIMI, as manager and investment manager of the Portfolio, is required to comply with BHIMI's policies and procedures governing investments in securities underwritten by a related entity and report periodically to the IRC, describing each instance that BHIMI relied on the IRC's standing instruction and its compliance or non-compliance with the governing policies and procedures. The governing policies and procedures are designed to ensure, among other things, that the decision to make an investment in equity securities underwritten by BMO Nesbitt Burns Inc. (i) is made free from any influence of BMO Nesbitt Burns Inc. or its associates or affiliates and without taking into account any considerations relevant to BMO Nesbitt Burns Inc. or its associates or affiliates, (ii) represents the business judgment of BHIMI, uninfluenced by considerations other than the best interests of the Portfolio, and (iii) achieves a fair and reasonable result for the Portfolio.

Brokerage Commissions

The Portfolio pays standard brokerage commissions at market rates to BMO Nesbitt Burns Inc., an affiliate of the manager, for executing a portion of its trades. The brokerage commissions charged to the Portfolio during the period were as follows:

	2011 (\$000s)	2010 (\$000s)
Total Brokerage Commissions	194	116
Brokerage Commissions paid to BMO Nesbitt Burns Inc.	12	16

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

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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	144	130

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	\$ 6.44	5.87	4.84	6.76	6.57
Increase (decrease) from operations:					
Total revenue	\$ 0.19	0.18	0.18	0.17	0.16
Total expenses	\$ (0.00)	(0.00)	(0.01)	(0.01)	(0.01)
Realized gains (losses) for the period	\$ 0.09	0.02	0.14	—	0.69
Unrealized gains (losses) for the period	\$ (0.27)	0.57	0.87	(1.84)	(0.45)
Total increase (decrease) from operations ⁽²⁾	\$ 0.01	0.77	1.18	(1.68)	0.39
Distributions:					
From income (excluding dividends)	\$ 0.00	0.01	—	0.01	—
From dividends	\$ 0.18	0.17	0.17	0.16	0.16
From capital gains	\$ —	—	0.06	—	0.05
Return of capital	\$ 0.00	0.00	0.00	0.00	0.00
Total Annual Distributions ⁽³⁾	\$ 0.18	0.18	0.23	0.17	0.21
Net assets, end of period	\$ 6.23	6.44	5.87	4.84	6.76

⁽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⁾	\$ 725,339	659,818	541,189	338,591	341,114
Number of units outstanding (000's) ⁽¹⁾	116,205	102,335	92,050	69,900	50,435
Management expense ratio ⁽²⁾	%	0.04	0.04	0.07	0.07
Management expense ratio before waivers					
or management absorptions	%	0.04	0.04	0.07	0.07
Trading expense ratio ⁽³⁾	%	0.03	0.02	0.09	0.07
Portfolio turnover rate ⁽⁴⁾	%	6.44	1.81	25.43	10.69
Net asset value per unit	\$ 6.24	6.45	5.88	4.84	6.76

⁽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 investment manager 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

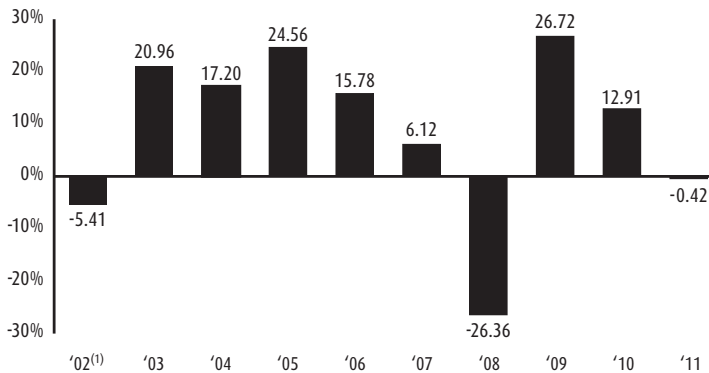
General

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.



⁽¹⁾ Return from March 1, 2002 to December 31, 2002. Two mutual funds, both of which were offered by way of private placement, merged to form the Portfolio on February 28, 2002.

Annual Compound Returns

This chart compares the historical annual compound returns of the Portfolio with the S&P/TSX Composite Index, which reflects the price movements of a floating list of companies on the Toronto Stock Exchange that meet Standard & Poor's criteria for inclusion in the index.

	1 yr %	3 yrs %	5yrs %	10yrs %	Since Inception [§] %
BMO Harris Canadian Income Equity Portfolio [‡]	(0.42)	12.53	2.17	n/a	8.11
S&P/TSX Composite Index	(8.71)	13.18	1.30	n/a	7.21

[‡]The Portfolio's return is after the deduction of expenses, while the benchmark does not include any costs of investing.

[§]The Portfolio commenced offering units by way of prospectus on March 1, 2002.

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

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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
Financials	38.2	Toronto-Dominion Bank, The	7.3
Energy	17.3	Royal Bank of Canada	4.9
Telecommunication Services	9.3	National Bank of Canada	4.8
Materials	8.3	Bank of Nova Scotia, The, Bearer Deposit Notes, 1.148% Mar 13, 2012	4.5
Money Market Investments	6.6	Bank of Nova Scotia	4.2
Consumer Discretionary	5.6	Enbridge Inc.	4.1
Industrials	5.1	BCE Inc.	4.0
Utilities	4.6	Tim Hortons Inc.	3.7
Consumer Staples	2.7	Suncor Energy Inc.	3.7
Cash/Receivables/Payables	2.3	Rogers Communications Inc., Class B	3.6
		IGM Financial Inc.	3.5
		Goldcorp Inc.	3.1
		TransCanada Corporation	3.0
		Potash Corporation of Saskatchewan Inc.	2.8
		Shoppers Drug Mart Corporation	2.7
		Brookfield Office Properties Inc.	2.7
		Sun Life Financial Inc.	2.6
		Fortis Inc.	2.5
		Barrick Gold Corporation	2.4
		Canadian National Railway Company	2.3
		Cash/Receivables/Payables	2.3
		Cenovus Energy Inc.	2.2
		Manulife Financial Corporation	2.1
		Brookfield Infrastructure Partners L.P.	2.1
		National Bank, Bearer Deposit Notes, 1.087% Mar 13, 2012	2.1
		Top holdings as a percentage of net asset value	83.2
		Total Net Asset Value	\$725,339,231

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

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