

Annual Management Report of Fund Performance

BMO Harris Canadian Conservative 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 Conservative Equity Portfolio (the "Portfolio").

Investment Objective and Strategy

The Portfolio's investment objective is to provide long term capital appreciation through investing primarily in equity securities of large 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 Conservative Equity Portfolio returned -12.3%, 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.

The past 12 months can be characterized in one word: volatility. Equity markets started the year in positive territory as generally positive economic data, coupled with attractive equity valuations, led investors to be comfortable in taking on greater risk in their portfolios in the form of equities – despite nuclear disasters in Japan and heightened political tensions throughout the Middle East. Since the end of the first quarter, however, investors' appetite for risk quickly reversed. This reversal in attitude was motivated by significant concern about sovereign debt in the eurozone, which started with Greece but quickly spread to other countries, the most worrying of which was Italy. Concern about economic conditions in the U.S. and China later in the year continued to pressure equity markets for the remainder of 2011.

Sector performance largely followed the same pattern as the overall equity market. Economically sensitive sectors, such as Materials and Energy, outperformed in the first quarter only to reverse this trend for the remainder of the year. Economically defensive sectors, such as Health Care and Telecommunications Services, experienced the opposite effect. For 2011 overall, the top-performing sectors were Health Care, Telecommunications, Consumer Staples, Utilities and Industrials. Sectors that experienced the largest declines were Information Technology, Consumer Discretionary, Energy and Materials. The Portfolio

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benefited from a larger allocation to the Telecommunication Services and Industrials sectors; however, these gains were more than offset by the Portfolio's larger relative allocation to the Consumer Discretionary and Information Technology sectors and smaller allocation to the Health Care and Consumer Staples sectors.

On a security-specific basis, the Portfolio's holdings in Research In Motion Ltd., Sino-Forest Corp., Agnico Eagle Mines Ltd. and Manulife Financial Corp. detracted from performance and were responsible for most of the Portfolio's relative underperformance. The Portfolio's position in Sino-Forest was sold after allegations of fraudulent behaviour surfaced. Trading in Sino-Forest shares was subsequently halted by securities commissions and the company remains under investigation. Securities that contributed to performance included Telus Corp., BCE Inc., TransCanada Corp., Tim Hortons Inc. and Intact Financial Corp.

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

Recent Developments

The investment manager expects continued volatility in equity markets in the near term, given the risks posed by Europe's sovereign debt problems and the potential severity of a negative outcome. Nevertheless, the investment manager believes these issues will be managed prudently by local and world authorities, which should be positive for equity markets, and expects economic conditions in North America to continue to improve, albeit at a moderate pace. Early indications from economic data support this thesis; U.S. data indicated that the private sector continues to add jobs, with U.S. non-farm payroll data showing gains of 200,000 jobs in the month of December. This took the unemployment rate down to its lowest level since February 2009. Furthermore, the Institute for Supply Management (a broadly used indicator to gauge the health and direction of the U.S. economy) showed an increase in both the non-manufacturing and manufacturing indices for the month of December. This data has been improving since hitting lows in August of last year.

In light of the potential for future market volatility caused mainly by sovereign debt issues in Europe, as well as the potential for choppy economic data, the investment manager believes that the Portfolio's emphasis on high-quality companies with strong fundamentals and attractive valuations is imperative.

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.

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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.

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	1,008	476
Brokerage Fees paid to BMO Nesbitt Burns Inc.	66	9

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	175	175

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	\$ 15.36	14.03	11.14	17.45	16.12
Increase (decrease) from operations:					
Total revenue	\$ 0.35	0.33	0.34	0.34	0.35
Total expenses	\$ (0.02)	(0.01)	(0.01)	(0.02)	(0.02)
Realized gains (losses) for the period	\$ 0.43	0.21	(0.03)	(1.15)	0.71
Unrealized gains (losses) for the period	\$ (2.57)	1.11	2.90	(5.40)	0.51
Total increase (decrease) from operations ⁽²⁾	\$ (1.81)	1.64	3.20	(6.23)	1.55
Distributions:					
From income (excluding dividends)	\$ —	0.03	—	0.02	0.03
From dividends	\$ 0.42	0.32	0.32	0.31	0.25
From capital gains	\$ —	—	—	—	—
Return of capital	\$ 0.00	—	—	—	—
Total Annual Distributions ⁽³⁾	\$ 0.42	0.35	0.32	0.33	0.28
Net assets, end of period	\$ 13.05	15.36	14.03	11.14	17.45

⁽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⁾	\$ 634,098	936,400	865,541	620,575	893,285
Number of units outstanding (000's) ⁽¹⁾	48,527	60,858	61,523	55,591	51,131
Management expense ratio ⁽²⁾	%	0.04	0.04	0.04	0.04
Management expense ratio before waivers					
or management absorptions	%	0.04	0.04	0.04	0.04
Trading expense ratio ⁽³⁾	%	0.12	0.05	0.07	0.06
Portfolio turnover rate ⁽⁴⁾	%	25.34	17.35	18.74	10.10
Net asset value per unit	\$ 13.07	15.39	14.07	11.16	17.47

⁽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 investor 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

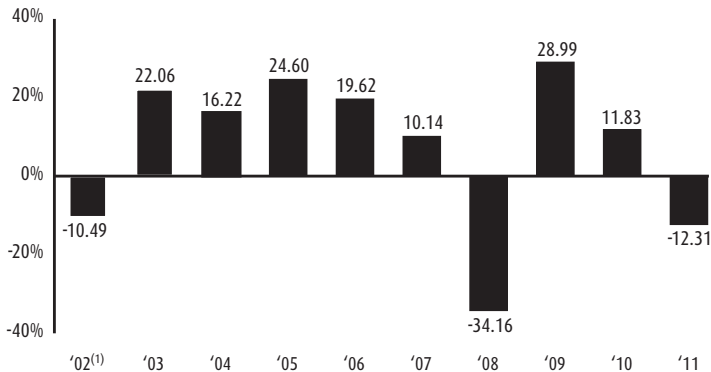
General

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. Three mutual funds, all 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 Conservative Equity Portfolio [†]	(12.31)	8.15	(1.71)	n/a	5.77
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 benchmarks do 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	29.9	Toronto-Dominion Bank, The	7.9
Energy	25.6	Bank of Nova Scotia	6.5
Materials	19.5	Royal Bank of Canada	5.6
Telecommunication Services	5.9	Cash/Receivables/Payables	5.0
Industrials	5.5	Suncor Energy Inc.	4.6
Cash/Receivables/Payables	5.0	Canadian Natural Resources Limited	4.4
Consumer Discretionary	4.3	Barrick Gold Corporation	3.7
Consumer Staples	2.6	Goldcorp Inc.	3.6
Utilities	1.1	Potash Corporation of Saskatchewan Inc.	3.6
Other	0.6	Canadian National Railway Company	3.4
		Enbridge Inc.	2.8
		Rogers Communications Inc., Class B	2.7
		TransCanada Corporation	2.7
		Cenovus Energy Inc.	2.5
		National Bank of Canada	2.5
		Teck Resources Limited, Class B	2.1
		Brookfield Asset Management Inc., Class A	1.9
		BCE Inc.	1.7
		ARC Resources Ltd.	1.7
		Intact Financial Corporation	1.6
		Manulife Financial Corporation	1.6
		Canadian Oil Sands Limited	1.6
		Kinross Gold Corporation	1.5
		TELUS Corporation	1.5
		EnCana Corporation	1.5
		Top holdings as a percentage of net asset value	78.2
		Total Net Asset Value	\$634,097,827

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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