Semi-Annual Financial Statements

BMO Harris Private Portfolios

June 30, 2012

BMO Harris Canadian Special Growth Portfolio

BMO Harris Private Banking®

BMO Harris Canadian Special Growth Portfolio

(unaudited)

STATEMENT OF NET ASSETS *As at (in thousands of Canadian dollars, except per unit data)*	**June 30, 2012**	**December 31, 2011**
Assets		
Cash	809	3,218
Investments at fair value	144,247	167,030
Income receivable	199	230
Subscriptions receivable	17	14
Due from broker	518	12
Total assets	145,790	170,504
Liabilities		
Due to broker	73	—
Accrued expenses	60	50
Redemptions payable	105	34
Total liabilities	238	84
Net assets representing unitholders' equity	145,552	170,420
Net assets per unit	$ 40.49	$ 40.96

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

BMO Harris Canadian Special Growth Portfolio

(unaudited)

STATEMENT OF OPERATIONS *For the periods ended (in thousands of Canadian dollars, except per unit data)*	**June 30, 2012**	**June 30, 2011**
Investment Income		
Dividends	909	700
Interest	51	83
Distributions from investment trust units	51	1
Securities lending revenue	45	68
	1,056	852
Expenses		
Audit fees	3	3
Independent Review Committee fees	1	2
Custodian fees	8	12
Legal and filing fees	18	20
Unitholder servicing fees (note 5)	110	149
Printing and stationery fees	4	4
Commissions and other portfolio transaction costs (note 5)	386	773
	530	963
Net investment income (loss) for the period	526	(111)
Realized gain (loss) on sale of investments	(1,595)	18,265
Realized loss on foreign exchange	—	(4)
Change in unrealized appreciation (depreciation) in value of investments	58	(41,698)
Decrease in net assets from operations	(1,011)	(23,548)
Decrease in net assets from operations per unit (note 2)	(0.26)	(4.68)

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

BMO Harris Canadian Special Growth Portfolio

(unaudited)

STATEMENT OF CHANGES IN NET ASSETS *For the periods ended (in thousands of Canadian dollars)*	**June 30, 2012**	**June 30, 2011**
Net assets – beginning of period	170,420	238,163
Decrease in net assets from operations	(1,011)	(23,548)
Unit Transactions:		
Proceeds from sale of units	13,635	38,614
Amounts paid on units redeemed	(37,492)	(37,700)
Total unit transactions	(23,857)	914
Net assets – end of period	145,552	215,529

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

BMO Harris Canadian Special Growth Portfolio

(unaudited)

STATEMENT OF INVESTMENT PORTFOLIO

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

Security	Par Value (in thousands)	Cost ($)	Fair Value ($)
Money Market Investments			
Federal – 4.7%			
Government of Canada, Treasury Bills, 0.972% Jul 19, 2012	850	848	849
Government of Canada, Treasury Bills, 0.999% Jul 19, 2012	2,000	1,995	1,999
Government of Canada, Treasury Bills, 0.951% Aug 30, 2012	2,000	1,995	1,997
Government of Canada, Treasury Bills, 0.904% Sep 27, 2012	2,000	1,995	1,996
		6,833	6,841
Provincial – 2.7%			
Province of Alberta, Promissory Notes, 1.029% Jul 16, 2012	4,000	3,990	3,998
Total Money Market Investments – 7.4%		**10,823**	**10,839**

Security	Number of Shares or Units	Cost†* ($)	Fair Value ($)
Equities			
Consumer Discretionary – 8.7%			
Amaya Gaming Group Inc.	444,400	1,270	1,684
Astral Media Inc.	33,900	1,135	1,655
Bauer Performance Sports Ltd.	346,700	2,704	2,795
Great Canadian Gaming Corporation	153,600	1,145	1,392
IMAX Corporation	83,900	1,935	2,047
Linamar Corporation	159,300	2,159	3,138
		10,348	12,711
Energy – 15.9%			
Americas Petrogas Inc.	467,400	1,122	874
Aurora Oil & Gas Limited	838,300	2,542	2,699
Canadian Energy Services & Technology Corp.	135,400	971	1,307
Celtic Explorations Ltd.	216,500	2,796	2,955
Geodrill Limited	420,200	1,315	882
Painted Pony Petroleum Ltd.	254,100	1,712	1,868
Paramount Resources Ltd., Class A	96,800	3,009	2,364
Poseidon Concepts Corp.	55,063	195	683
Renegade Petroleum Ltd.	468,100	1,780	1,217
Secure Energy Services Inc.	288,200	1,979	2,199
Southern Pacific Resource Corp.	967,500	1,413	1,229
Spartan Oil Corp.	386,600	1,722	1,338
Surge Energy Inc.	214,700	2,028	1,580
Western Energy Services Corp.	179,145	1,408	1,023
Whitecap Resources Inc.	140,046	1,197	940
		25,189	23,158

†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.

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†* ($)	Fair Value ($)
Financials – 14.5%			
Allied Properties REIT	117,500	2,697	3,406
Canadian Western Bank	197,900	4,187	5,217
Chartwell Seniors Housing REIT	254,700	2,045	2,466
Element Financial Corporation	444,100	2,238	2,367
Element Financial Corporation, Restricted, Aug 14, 2012**	143,300	752	755
FirstService Corporation	111,400	4,129	3,169
HOMEQ Corporation	116,100	872	1,077
Killam Properties Inc.	143,600	1,638	1,868
Laurentian Bank of Canada	16,100	734	745
		19,292	21,070
Health Care – 3.4%			
Imris Inc.	333,945	1,600	1,035
Oncolytics Biotech Inc.	259,900	1,186	866
Oncolytics Biotech Inc., Warrants, Nov 8, 2012**	128,500	—	1
Paladin Labs Inc.	63,000	2,465	3,013
		5,251	4,915
Industrials – 17.0%			
Aecon Group Inc.	208,600	1,964	2,445
ATS Automation Tooling Systems Inc.	268,000	1,965	2,492
Boyd Group Income Fund	16,500	215	225
Canadian Helicopters Group Inc.	92,300	2,246	2,709
Stantec Inc.	81,300	2,414	2,352
Toromont Industries Ltd.	178,200	3,146	3,910
TransForce Inc.	259,200	3,644	4,321
Wajax Corporation	62,900	2,563	3,022
WestJet Airlines Ltd.	205,000	2,753	3,270
		20,910	24,746
Information Technology – 13.4%			
Computer Modelling Group Ltd.	164,500	2,213	2,829
Descartes Systems Group Inc., The	614,900	3,567	5,319
EXFO Inc.	101,800	892	510
MacDonald, Dettwiler and Associates Ltd.	114,597	4,134	6,665
Pure Technologies Ltd.	326,100	1,577	1,454
Softchoice Corporation	217,100	2,360	2,662
		14,743	19,439
Materials – 18.8%			
Allied Nevada Gold Corp.	111,400	2,176	3,180
B2Gold Corp.	437,300	1,677	1,334
Canfor Corporation	201,200	1,846	2,437

†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).*

*** These securities have no quoted market value and are valued using valuation techniques (note 2).*

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

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†* ($)	Fair Value ($)
Capstone Mining Corp.	665,200	2,120	1,463
Continental Gold Limited	267,200	1,717	1,747
Continental Gold Limited, Warrants, Sep 16, 2012	107,450	—	43
Copper Mountain Mining Corporation	128,100	426	427
First Majestic Silver Corp.	109,700	1,930	1,602
HudBay Minerals Inc.	214,900	2,913	1,680
Imperial Metals Corporation	119,500	1,898	1,108
Lucara Diamond Corp.	815,900	779	555
Major Drilling Group International Inc.	129,200	1,536	1,521
Marengo Mining Limited	4,530,800	1,226	680
Orbite Aluminae Inc., Warrants, Jul 7, 2012**	61,850	—	—
Perseus Mining Limited	1,109,500	2,702	2,918
PMI Gold Corporation	1,375,400	1,568	1,073
Sandstorm Gold Ltd.	198,820	1,717	1,648
SEMAFO Inc.	432,600	1,905	2,016
Tahoe Resources Inc.	137,700	1,784	1,937
		29,920	27,369
Total Equities – 91.7%		**125,653**	**133,408**
Total Investment Portfolio – 99.1%		**136,476**	**144,247**
Other Assets Less Liabilities – 0.9%			**1,305**
NET ASSETS – 100.0%			**145,552**

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

	June 30, 2012	December 31, 2011
Money Market Investments	7.4%	3.3%
Consumer Discretionary	8.7%	9.0%
Energy	15.9%	24.2%
Financials	14.5%	11.3%
Health Care	3.4%	3.5%
Industrials	17.0%	10.7%
Information Technology	13.4%	10.2%
Materials	18.8%	25.8%
Other Assets Less Liabilities	0.9%	2.0%
	100.0%	**100.0%**

†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).*

*** These securities have no quoted market value and are valued using valuation techniques (note 2).*

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

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in thousands of Canadian dollars, except per unit data)
June 30, 2012

1. The Portfolio

BMO Harris Canadian Special Growth 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

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 (deprecation) 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).

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.

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

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*
(All amounts in thousands of Canadian dollars, except per unit data)
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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.

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 May 15, 1997.

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	4,161	4,803
Issued for cash	315	780
Redeemed during the period	(881)	(801)
Units issued and outstanding, end of period	3,595	4,782

(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
40.67	40.49	41.15	40.96

(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 ($)	2015 ($)	2026 and thereafter ($)
23,833	—	—	—	—

(d) Related party transactions

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

	Jun. 30, 2012	Jun. 30, 2011
Unitholder servicing ($)	85	105

(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 ($)	386	773
Total brokerage amounts paid to related parties ($)	11	24

There were no ascertainable soft dollars or client brokerage commissions paid or payable to dealers by the Portfolio during the periods.

(f) Financial instrument risk

The Portfolio's objective is to provide an above average capital growth over the long term by investing in small and mid-sized Canadian companies whose shares are listed on a Canadian stock exchange.

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

Currency risk

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

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, 92% (December 31, 2011 – 95%) 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 $13,341 (December 31, 2011 – $16,134). 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.

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

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

June 30, 2012

(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 ($)	33,741	26,203
Aggregate value of collateral received for the loan ($)	35,585	27,706

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