

# Annual Management Report of Fund Performance

## BMO Private Canadian Growth Equity Portfolio

For the period ended December 31, 2015

This annual management report of fund performance contains financial highlights, but does not contain the complete 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@bmo.com](mailto:contactcentre@bmo.com), by writing to us at BMO Private Investment Counsel Inc., 1 First Canadian Place, 100 King St. W., 41st Floor, Toronto, Ontario, M5X 1A1 or by visiting our website at [www.bmoprivatebanking.com](http://www.bmoprivatebanking.com) or SEDAR at [www.sedar.com](http://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 Private Investment Counsel Inc. ("BPIC" or the "Manager"), the manager and portfolio manager, is responsible for the management of the overall business, investments and operations of the BMO Private Portfolios and has engaged BMO Asset Management Inc. ("BMO AM Inc." or the "sub-advisor") as the sub-advisor of BMO Private Canadian Growth Equity Portfolio (the "Portfolio").*

#### Investment Objective and Strategies

The Portfolio's investment objective is to provide above-average long-term returns through investing primarily in growth-oriented equity securities of Canadian issuers.

To seek to achieve the Portfolio's objectives, the sub-advisor 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 earnings, quality of management, and identification of reasonable stock price valuations relative to other companies in the same industry.

The Portfolio may use derivative instruments to try to reduce risk by protecting the Portfolio against potential losses from changes in interest rates and reducing the impact of currency fluctuations on the Portfolio's holdings (i.e., hedging purposes).

#### 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 recently filed simplified prospectus or its amendments.

#### Results of Operations

Over the 12-month period ended December 31, 2015, the Portfolio returned 0.40%, after expenses. The Portfolio's benchmark is the S&P/TSX Composite Index ("S&P/TSX"), which generated a -8.32% total return over the same 12-month period.

Canadian equities, as measured by the S&P/TSX, declined 8.3%, widely trailing the Canadian dollar returns of most other global equity markets. Canadian equities and Canadian dollar softness can be largely attributed to severe weakness in commodity prices and, more specifically, to the significant drop in crude oil prices. The price of a barrel of oil continued to fall throughout the period as a result of a global oversupply relative to flat demand levels. Not surprisingly, the commodity sectors led the S&P/TSX lower. Energy was down 22.9%, while Materials was down 21.0%. Additionally, the once highly positive Health Care sector was down 15.6%, as sector giant Valeant Pharmaceuticals International, Inc. lost over half its market capitalization after the integrity of its revenue reporting came into question. Only three S&P/TSX

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sectors were positive over the year: Consumer Staples, Information Technology and Telecommunication Services, which had total returns of 12.4%, 15.6% and 3.6%, respectively.

During the period, U.S. equities first declined, following disappointing first-quarter gross domestic product growth (the result of harsh weather), then quickly regained, only to remain flat as investors around the world tried to guess when the U.S. Federal Reserve Board (the “Fed”) would begin to raise interest rates.

Investors were concerned that softening economic data, weak global growth and low interest rates may have been hurting the U.S. economy. Investors reacted negatively in March, June and September, as the Fed deferred raising rates as a result of the global market volatility that followed the unexpected devaluation of the Chinese yuan. The market barely reacted to the Fed’s December rate increase and U.S. equities drifted lower as the year ended.

Overall, the S&P 500 Total Return Index rose a modest 1.38% in U.S. dollar terms, or 21.0% for unhedged Canadian investors. Among the outperformers, Consumer Discretionary stocks led, rising 10.1% in U.S. dollar terms, followed by Health Care (6.9%), Consumer Staples (6.6%), Information Technology (5.9%) and Telecommunication Services (3.4%). All other sectors underperformed, with Energy declining 21.1%, Materials (-8.4%), Utilities (-4.9%), Industrials (-2.5%) and Financials (-1.5%) detracting from the index’s return.

Security selection contributed to the Portfolio’s performance, particularly in the Consumer Discretionary sector. An overweight allocation to the Information Technology sector, which was the top-performing sector in the S&P/TSX during the year, also contributed to the Portfolio’s performance. In addition, an underweight exposure to the Energy and Materials sectors, the two worst performers in 2015, contributed to the Portfolio’s performance. Top individual contributors to performance included Descartes Systems Group Inc., Dollarama Inc. and Visa Inc. Descartes Systems Group Inc. outperformed as a result of strategic acquisitions and solid quarterly results. Dollarama Inc.’s results were stronger than expected, and the company increased long-term guidance for store growth. Visa Inc. benefited from its acquisition of Visa Europe.

Security selection in the Energy sector detracted from the Portfolio’s performance, as did an underweight allocation to the Consumer Staples sector, which was the second-best-performing sector in the S&P/TSX during the last quarter of 2015. Individual detractors from the Portfolio’s performance included Secure Energy Services Inc., Tourmaline Oil Corp. and Canadian Western Bank. All three holdings were negatively affected by continued weakness in oil and gas prices, with Canadian Western Bank also weakened by its high exposure to Western Canada.

The sub-advisor added a position in Alimentation Couche-Tard Inc., as the company appears well positioned to benefit from a strengthening U.S. economy, the growth potential from improving fresh food offerings and efficiencies from recent acquisitions. The company has also exhibited a solid financial position and free cash flow generation. The sub-advisor increased the Portfolio’s position in CGI Group Inc. for its strong quarterly earnings, solid bookings across its regions and particular strength coming from its European margins. The company continued to outperform expectations in terms of cash flow generation, which resulted in a fairly rapid reduction of debt levels. The sub-advisor believes that this puts the company in a good position to pursue further acquisitions and share buybacks. Organic growth in Europe is also expected to return to a positive level in the coming year.

The sub-advisor eliminated the Portfolio’s position in Potash Corporation of Saskatchewan Inc., which was under pressure in 2015 as a result of persistent weakness in underlying commodity prices. The sub-advisor continues to view the company as relatively high quality given its world-class assets and position as one of the lowest-cost producers. However, there are increased concerns over the company’s growth profile as low commodity prices may persist longer than anticipated. Given this unattractive growth outlook, the position was exited for other opportunities. The sub-advisor decreased the Portfolio’s position in Descartes Systems Group Inc. to trim gains after recent stock price strength and in order to manage the Portfolio’s weighting in the company.

*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.*

# BMO Private Canadian Growth Equity Portfolio

## Recent Developments

The sub-advisor believes that Canadian stocks will post solid returns, particular in companies with good exposure to the strengthening U.S. economy. While expectations for rising U.S. interest rates and various geopolitical issues may cause further short-term market volatility, the sub-advisor continues to believe that, on balance, the current environment will remain supportive of equities. The sub-advisor believes that the Portfolio's focus on higher-quality companies with solid growth prospects and reasonable valuations will continue to generate attractive risk-adjusted returns for long-term investors.

## Related Party Transactions

BMO Trust Company, an indirect, wholly-owned subsidiary of Bank of Montreal, is the trustee (the "trustee") and BPIC is the manager of the Portfolio. From time to time, BPIC 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 (each, a "related party" and collectively, the "related parties").

To ensure that the Manager's duties are carried out in the best interests of the Portfolio and its unitholders, the Manager has adopted a Code of Business Conduct (the "Code"), consisting of "First Principles – Working with Integrity" and "Information Security – Safeguarding Our Customers' Trust," which requires the Manager to put the interests of the Portfolio ahead of all personal self-interests. Among other subjects, the Code deals with standards of conduct, confidential information, conflicts of interests and insider trading and other areas, including compliance with laws and regulations, and sanctions for breach of the Code. In each instance where a conflict of interest is identified, it will be referred to the Portfolio's independent review committee (the "IRC"). The primary focus of the IRC is to determine whether the proposed action of the Manager in respect of the conflict of interest matter achieves a fair and reasonable result for the Portfolio. The IRC has reviewed the related party relationships described below and has provided a positive recommendation that each relationship achieves a fair and reasonable result for the Portfolio.

## Sub-advisor

BPIC has hired BMO AM Inc., a related party, to provide investment advice and make investment decisions for the Portfolio's investment portfolio. BMO AM Inc. receives an investment advisory fee based on assets under management, which is paid monthly. BMO AM Inc. is paid by BPIC.

## 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 periods were as follows:

	Period ended Dec. 31, 2015 (\$000s)	Period ended Dec. 31, 2014 (\$000s)
Total Brokerage Commissions	61	73
Brokerage Commissions paid to BMO Nesbitt Burns Inc.	11	1

## Wealth Management Fee

Units of the Portfolio are only available through the wealth management service offered by BMO Financial Group. The trustee, a related party, and the Manager receive an annual fee from each investor for the wealth management service offered by 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 wealth management fee payable by each investor is set out in BPIC's *Investment Management Fee Schedule* that is provided to the investor when the investor enters into an investment management agreement with the trustee and BPIC. The wealth management fee is paid directly by the investor to the trustee and the Manager. The trustee may compensate financial institutions and securities registrants within BMO Financial Group for client referrals to the wealth management service.

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### *Unitholder Services*

The Portfolio is provided with certain facilities and services by related parties. BMO AM Inc. is the registrar of the Portfolio. The trustee and BMO AM Inc. 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 periods were as follows:

	<b>Period ended Dec. 31, 2015 (\$000s)</b>	<b>Period ended Dec. 31, 2014 (\$000s)</b>
Unitholder Services	76	74

### Management Fee

There is no management fee charged to the Portfolio. The trustee and the Manager receive an annual wealth management fee from investors for the wealth management service offered by BMO Financial Group.

## BMO Private Canadian Growth Equity Portfolio

### 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 <sup>(1)</sup>	Years ended December 31				
	2015	2014	2013	2012	2011
Net assets, beginning of period	\$ 11.60	10.74	9.24	8.87	10.88
<b>Increase (decrease) from operations:</b>					
Total revenue	\$ 0.25	0.22	0.20	0.17	0.15
Total expenses <sup>(2)</sup>	\$ (0.03)	(0.03)	(0.03)	(0.02)	(0.03)
Realized gains (losses) for the period	\$ 0.03	1.13	(0.48)	(0.25)	0.52
Unrealized gains (losses) for the period	\$ (0.22)	(0.22)	1.95	0.59	(2.47)
<b>Total increase (decrease) from operations <sup>(3)</sup></b>	<b>\$ 0.03</b>	<b>1.10</b>	<b>1.64</b>	<b>0.49</b>	<b>(1.83)</b>
<b>Distributions:</b>					
From income (excluding dividends)	\$ —	—	0.00	—	—
From dividends	\$ 0.20	0.20	0.21	0.18	0.19
From capital gains	\$ —	—	—	—	—
Return of capital	\$ 0.00	0.00	0.00	0.00	0.00
<b>Total Annual Distributions <sup>(4)</sup></b>	<b>\$ 0.20</b>	<b>0.20</b>	<b>0.21</b>	<b>0.18</b>	<b>0.19</b>
<b>Net assets, end of period</b>	<b>\$ 11.45</b>	<b>11.60</b>	<b>10.74</b>	<b>9.22</b>	<b>8.87</b>

<sup>(1)</sup> This information is derived from the Portfolio's audited annual financial statements. The financial information presented for the periods ended December 31, 2015 and December 31, 2014 and December 31, 2013 is derived from the financial statements determined in accordance with IFRS. Information for years prior to January 1, 2013 is derived from prior period financial statements prepared in accordance with Canadian GAAP.

<sup>(2)</sup> Includes commissions and portfolio transaction costs. Prior to 2013, withholding taxes were not included in expenses as they were included in revenue.

<sup>(3)</sup> 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.

<sup>(4)</sup> Distributions were paid in cash or reinvested in additional units of the Portfolio, or both.

Ratios and Supplemental Data	Years ended December 31				
	2015	2014	2013	2012	2011
Total net asset value (000s) <sup>(1)</sup>	\$ 91,322	72,958	69,008	73,271	84,542
Number of units outstanding (000s) <sup>(1)</sup>	7,975	6,292	6,425	7,932	9,500
Management expense ratio <sup>(2)</sup>	%	0.14	0.15	0.16	0.12
Management expense ratio before waivers or management absorptions	%	0.29	0.27	0.29	0.14
Trading expense ratio <sup>(3)</sup>	%	0.08	0.10	0.12	0.10
Portfolio turnover rate <sup>(4)</sup>	%	13.17	35.38	26.98	17.41
Net asset value per unit	\$ 11.45	11.60	10.74	9.24	8.90

<sup>(1)</sup> This information is provided as at December 31 of the period shown, as applicable.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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.

# BMO Private Canadian Growth Equity Portfolio

## Past Performance

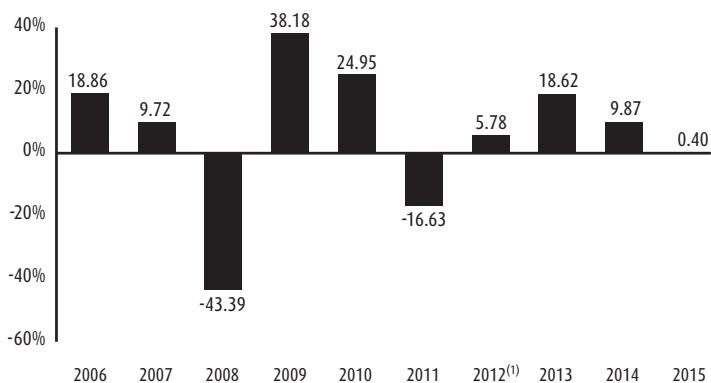
### General

The Portfolio's performance information assumes that all distributions made by the Portfolio in the periods shown were reinvested in 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 necessarily indicate how it will perform in the future.

### Year-by-Year Returns

The following bar chart shows the performance for each of the financial years shown and illustrates how the performance has changed from year to year. The bar chart shows 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 each financial year.



<sup>(1)</sup> On March 26, 2012, BMO AM Inc. became the sub-advisor of the Portfolio.

### Annual Compound Returns

This chart compares the historical annual compound returns of the Portfolio with the S&P/TSX Composite Index. The S&P/TSX Composite Index 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 %	5 yrs %	10 yrs %
BMO Private Canadian Growth Equity Portfolio <sup>‡†</sup>	0.40	9.38	2.91	3.93
S&P/TSX Composite Index	-8.32	4.62	2.30	4.38

<sup>‡</sup>The Portfolio's return is after the deduction of expenses, while the benchmark does not include any costs of investing.

<sup>§</sup>On September 18, 2007, the Portfolio's investment objectives were changed.

<sup>†</sup>On March 26, 2012, BMO AM Inc. became the sub-advisor of the Portfolio.

*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.*

## BMO Private Canadian Growth Equity Portfolio

### Summary of Investment Portfolio

as at December 31, 2015

Portfolio Allocation	% of Net Asset Value	Top 25 Holdings	% of Net Asset Value
Financials	37.2	<b>Issuer</b>	
Energy	12.3	Toronto-Dominion Bank, The,	6.3
Information Technology	11.9	Canadian National Railway Company	6.2
Industrials	10.1	Manulife Financial Corporation	4.4
Consumer Discretionary	8.8	Bank of Nova Scotia	4.1
Materials	5.9	Alimentation Couche-Tard Inc., Class B	3.2
Consumer Staples	5.1	Intact Financial Corporation	3.1
Telecommunication Services	3.9	Cash/Receivables/Payables	2.9
Cash/Receivables/Payables	2.9	Royal Bank of Canada	2.9
Health Care	1.9	Canadian Natural Resources Limited	2.9
<b>Total portfolio allocation</b>	<b>100.0</b>	CGI Group Inc., Class A	2.7
		Visa Inc., Class A	2.7
		Descartes Systems Group Inc., The	2.5
		MacDonald, Dettwiler and Associates Ltd.	2.5
		Franco-Nevada Corporation	2.4
		Rogers Communications Inc., Class B	2.4
		Cineplex Inc.	2.3
		Starbucks Corporation	2.3
		Onex Corporation	2.2
		Moody's Corporation	2.1
		Sun Life Financial Inc.	2.0
		Boyd Group Income Fund	2.0
		Cenovus Energy Inc.	2.0
		Constellation Brands, Inc., Class A	2.0
		Element Financial Corporation	1.9
		Brookfield Asset Management Inc., Class A	1.9
		<b>Top holdings as a percentage of total net asset value</b>	<b>71.9</b>
		<b>Total Net Asset Value</b>	<b>\$91,322,143</b>

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

**Manager**

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