

IRC 2018 Report to Securityholders

December 31, 2018

Dear Securityholder:

As Chair of the Independent Review Committee (the “IRC”) for certain publicly offered mutual funds (the “Portfolios”) managed by BMO Private Investment Counsel Inc. (the “Manager”), I am pleased to provide you with the 2018 Annual Report to Securityholders of the Portfolios, as required by National Instrument 81-107 – *Independent Review Committee for Investment Funds*.

The mandate of the IRC is to review conflict of interest matters identified and referred to the IRC by the Manager and to give an approval or a recommendation, depending on the nature of the conflict of interest matter. A “conflict of interest matter” is a situation where a reasonable person would consider the Manager or an entity related to the Manager to have an interest that may conflict with the Manager’s ability to act in good faith and in the best interest of both the Portfolios and the unitholders. In each instance where a conflict of interest matter is identified and referred to the IRC, the focus of the IRC is to determine if the Manager’s proposed action achieves a fair and reasonable result for the Portfolios.

At least annually, the IRC will also review and assess the adequacy and effectiveness of the Manager’s written policies and procedures relating to conflict of interest matters in respect of the Portfolios, and will conduct a self-assessment of the IRC’s independence, compensation and effectiveness.

The members of the IRC, whose identities are listed in the report, bring to their roles a combination of educational and professional experience and skills to adequately address the scope of the conflict of interest matters that come before the IRC. Since the formation of the IRC, its members have been fully satisfied with the open and cooperative attitude of the Manager. The members of the IRC look forward to maintaining the highest level of cooperation and to continuing to carry out its mandate to ensure that the best interest of both the Portfolios and the unitholders are paramount when the Manager is faced with a conflict of interest matter.

Louise Vaillancourt
Chair of the Independent Review Committee

Reporting Period

The Independent Review Committee (the “IRC”) for certain publicly offered mutual funds (the “Portfolios”) managed by the Manager, as listed in Schedule “A” to this report, became operational on September 12, 2007. The information disclosed in this report covers the period beginning January 1, 2018 and ending December 31, 2018, the financial year-end for the Portfolios (inclusively, the “Period”).

Members of the IRC

NAME	RESIDENCE	FIRST APPOINTED
Louise Vaillancourt Chair of the IRC	Montréal, Quebec	May 1, 2007 ¹
John K. McBride	Ottawa, Ontario	May 1, 2007 ^{1,2}
Wendy Hannam	Toronto, Ontario	March 22, 2017
Jim Falle	Port Perry, Ontario	March 22, 2017
Jacqueline Allen	Toronto, Ontario	June 6, 2018
Marlene Davidge	Toronto, Ontario	September 6, 2018

¹ As required under National Instrument 81-107 – *Independent Review Committee for Investment Funds*, the members of the IRC were appointed first members of the IRC on May 1, 2007. The members of the IRC also served as independent trustees of the Funds organized as trusts and independent directors of the Funds organized as corporations until the IRC became operational on September 12, 2007, at which time they resigned their positions as independent trustees and directors of the Funds.

² John K. McBride served as IRC member until December 6th, 2018.

The members of the IRC also serve as members of the IRC for BMO Exchange-Traded Funds, BMO Pooled Funds and BMO Mutual Funds. Each member of the IRC is independent of the Funds, the Manager and any person or company related to the Manager. During the Period, there were no relationships that may cause a reasonable person to question a member’s independence.

Holdings of Securities

Portfolios

As at December 31, 2018, IRC members beneficially owned, directly or indirectly, in aggregate, less than 10% of the outstanding units and/or shares of each series of the Portfolios.

Manager

The Manager is an indirect wholly-owned subsidiary of the Bank of Montreal (the “Bank”). As at December 31, 2018, IRC members beneficially owned, directly or indirectly, in aggregate, less than 0.01% of the Bank’s outstanding common shares.

Service Providers

As at December 31, 2018, IRC members did not beneficially own, directly or indirectly, any class or series of voting or equity securities of any other material person or company that provided mutual fund services to the Portfolios or the Manager during the Period.

IRC Compensation and Indemnities

The members of the IRC are entitled to be compensated by the Portfolios and to be indemnified by the Portfolios in appropriate circumstances. The aggregate compensation, including expenses, paid by the Portfolios to the IRC for the Period was \$46,461. This amount was allocated among the Portfolios, in an equitable and reasonable manner.

The initial compensation of the IRC was set by the Manager. At least annually, the IRC will review compensation in a manner consistent with good governance practices, giving consideration to the following factors, among any other factors the IRC considers important:

- (a) the best interest of both the Portfolios and the unitholders;
- (b) the number, nature and complexity of the Portfolios;
- (c) the nature and extent of the workload of each IRC member, including the commitment of time and energy that is expected from each member;
- (d) industry best practices, including industry averages and surveys on IRC compensation, if available,
- (e) the IRC’s most recent annual self-assessment; and
- (f) the Manager’s recommendations about IRC compensation and expenses, if made.

During the Period, no amounts were paid to the IRC by the Portfolios pursuant to indemnities given by the Portfolios to the IRC.

Conflict of Interest Matters

National Instrument 81-107 – *Independent Review Committee for Investment Funds* requires the IRC to review all conflict of interest matters identified and referred to the IRC by the Manager and to give an approval or a recommendation, depending on the nature of the conflict of interest matter. In certain cases, the IRC may also issue standing instructions to the Manager in conjunction with an approval or a recommendation to enable the Manager to act in the particular conflict of interest matter on a continuing basis.

Where standing instructions have been issued in respect of a conflict of interest matter, the Manager must present the standing instructions and its written policies and procedures on the conflict of interest matter to the IRC for the IRC's review and reaffirmation on an annual basis.

Below is a brief summary of the conflict of interest matters covered by standing instructions that have been identified by the Manager and referred by the Manager to the IRC for the IRC's approval or recommendation:

Conflict of Interest Matter

1. Investing in BMO common shares or BMO preferred shares

2. Investing in debt securities of a related issuer in the secondary market and long-term debt securities of a related issuer in a primary offering

3. Investing in securities during the period of distribution of those securities, or during the 60-day period following the period of distribution, where BMO Nesbitt Burns Inc. (BMONBI), an entity related to the Manager, acts as an underwriter in the distribution of those securities

4. Purchasing government and/or non-government debt securities from BMONBI, who holds the debt securities as principal and/or selling government or non-government debt securities to BMONBI who purchases that debt security as principal

5. Purchasing a security from or selling a security to another investment fund managed by the Manager or an affiliate of the Manager (Inter-Fund Trades)

6. Monitoring services provided by portfolio managers of the Portfolios, including portfolio managers related to the Manager

7. Voting securities held by the Portfolios (Proxy Voting)

8. Personal trading by employees of the Manager

9. Frequent trading by securityholders of the Portfolios

10. Employee conflict of interest matters, including outside business activities and the acceptance of payments, gifts and entertainment

11. Identifying and correcting net asset value (NAV) errors

12. Errors and breaches

13. Valuing assets of the Portfolios

14. Determining and authorizing the payment of fund expenses

15. Large securityholders and large redemptions

16. Fund of Funds Investing

17. Best execution and trade allocation

Compliance

The IRC has not been informed of any instance in which the Manager acted in a conflict of interest matter but did not meet a condition imposed by the IRC in its approval, recommendation and/or standing instruction. The Manager has an obligation to notify the IRC of any such instance. During 2018, the IRC was not informed of any instance of non-compliance with any conflict of interest.

Schedule "A"

BMO Private Portfolios

BMO Private Canadian Core Equity Portfolio
BMO Private Canadian Corporate Bond Portfolio
BMO Private Canadian Income Equity Portfolio
BMO Private Canadian Mid-Term Bond Portfolio
BMO Private Canadian Money Market Portfolio
BMO Private Canadian Short-Term Bond Portfolio
BMO Private Canadian Special Equity Portfolio
BMO Private Diversified Yield Portfolio
BMO Private Emerging Markets Equity Portfolio
BMO Private International Equity Portfolio
BMO Private U.S. Equity Portfolio
BMO Private U.S. Growth Equity Portfolio
BMO Private U.S. Special Equity Portfolio