Semi-Annual Financial Statements

BMO Private Portfolios

June 30, 2018

BMO Private Canadian Income Equity Portfolio

NOTICE OF NO AUDITOR REVIEW OF THE SEMI-ANNUAL FINANCIAL STATEMENTS

BMO Private Investment Counsel Inc., the Manager of the Portfolios, appoints independent auditors to audit the Portfolio's Annual Financial Statements. Under Canadian securities laws (National Instrument 81-106), if an auditor has not reviewed the Semi-Annual Financial Statements, this must be disclosed in an accompanying notice.

The Portfolio's independent auditors have not performed a review of these Semi-Annual Financial Statements in accordance with standards established by the Chartered Professional Accountants of Canada.

BMO Wealth Management
BMO Private Banking

BMO Private Canadian Income Equity Portfolio

(unaudited)

STATEMENT OF FINANCIAL POSITION
(All amounts in thousands of Canadian dollars, except per unit data)

As at	June 30 2018	December 31 2017
Assets		
Current Assets		
Cash	61,204	114,505
Investments		
Non-derivative financial assets	2,046,141	2,143,636
Subscriptions receivable	1,067	1,344
Dividends receivable	4,841	5,317
Distribution receivable from investment trusts	158	162
Total assets	2,113,411	2,264,964
Liabilities		
Current Liabilities		
Redemptions payable	2,994	1,321
Distributions payable	593	—
Accrued expenses	95	95
Total liabilities	3,682	1,416
Net assets attributable to holders of redeemable units	2,109,729	2,263,548
Net assets attributable to holders of redeemable units per unit	**$ 9.63**	**$ 9.88**

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

BMO Private Canadian Income Equity Portfolio

(unaudited)

STATEMENT OF COMPREHENSIVE INCOME
(All amounts in thousands of Canadian dollars, except per unit data)

For the periods ended	June 30 2018	June 30 2017
Income		
Interest income	115	39
Dividend income	29,698	27,605
Distributions received from investment trusts	2,650	1,479
Other changes in fair value of investments and derivatives		
Net realized gain	36,868	23,343
Change in unrealized depreciation	(95,072)	(5,254)
Net (loss) gain in fair value of investments and derivatives	(25,741)	47,212
Securities lending (note 8)	65	54
Foreign exchange gain (loss)	245	(116)
Total other income (loss)	310	(62)
Total (loss) income	(25,431)	47,150
Expenses		
Sub-advisory fees	1,204	1,090
Audit fees	6	9
Independent review committee fees	2	2
Custodian fees	12	12
Interest expense	1	—
Legal and filing fees	36	39
Unitholder servicing fees	178	171
Printing and stationery fees	6	5
Commissions and other portfolio transaction costs (note 6)	312	857
Operating expenses absorbed by the Manager	(1,204)	(1,090)
Total expenses	553	1,095
(Decrease) increase in net assets attributable to holders of redeemable units	(25,984)	46,055
(Decrease) increase in net assets attributable to holders of redeemable units per unit (note 8)	(0.12)	0.21

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

BMO Private Canadian Income Equity Portfolio

(unaudited)

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS
(All amounts in thousands of Canadian dollars)

For the periods ended	June 30 2018	June 30 2017
Net assets attributable to holders of redeemable units at beginning of period	2,263,548	1,912,373
(Decrease) increase in net assets attributable to holders of redeemable units	(25,984)	46,055
Distributions to holders of redeemable units		
From net investment income	(31,773)	(29,129)
Total distributions paid to holders of redeemable units	(31,773)	(29,129)
Redeemable unit transactions		
Proceeds from redeemable units issued	165,307	234,159
Reinvestments of distributions to holders of redeemable units	30,628	28,036
Redemption of redeemable units	(291,997)	(132,820)
Net (decrease) increase from redeemable unit transactions	(96,062)	129,375
Net (decrease) increase in net assets attributable to holders of redeemable units	(153,819)	146,301
Net assets attributable to holders of redeemable units at end of period	2,109,729	2,058,674

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

BMO Private Canadian Income Equity Portfolio

(unaudited)

STATEMENT OF CASH FLOWS

(All amounts in thousands of Canadian dollars)

For the periods ended	June 30 2018	June 30 2017
Cash flows from operating activities		
(Decrease) increase in net assets attributable to holders of redeemable units	(25,984)	46,055
Adjustments for:		
Foreign exchange (gain) loss on cash	(162)	152
Net realized gain on sale of investments and derivatives	(36,868)	(23,343)
Change in unrealized depreciation of investments and derivatives	95,072	5,254
Decrease in dividends receivable	476	1,057
Decrease (increase) in distribution receivable from investment trusts	4	(157)
(Decrease) Increase in accrued expenses	(0)	6
Return of capital distributions received	177	514
Non-cash dividends	—	(296)
Purchases of investments	(171,408)	(485,526)
Proceeds from sale and maturity of investments	210,522	388,847
Net cash from operating activities	71,829	(67,437)
Cash flows from financing activities		
Distributions paid to holders of redeemable units, net of reinvested distributions	(552)	(524)
Proceeds from issuances of redeemable units	165,584	233,892
Amounts paid on redemption of redeemable units	(290,324)	(132,381)
Net cash from financing activities	(125,292)	100,987
Foreign exchange gain (loss) on cash	162	(152)
Net (decrease) increase in cash	(53,463)	33,550
Cash at beginning of period	114,505	64,486
Cash at end of period	61,204	97,884
Supplementary Information		
Interest received, net of withholding taxes*	115	39
Dividends received, net of withholding taxes*	30,174	28,366
Distributions received from investment trusts, net of withholding taxes*	2,831	1,836
Interest expense paid*	1	—

*These items are from operating activities

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

BMO Private Canadian Income Equity Portfolio

(unaudited)

SCHEDULE OF INVESTMENT PORTFOLIO
As at June 30, 2018 (All amounts in thousands of Canadian dollars, unless otherwise noted)

Security	Number of Shares or Units	Cost+ ($)	Fair Value ($)
Equities			
Consumer Discretionary — 5.8%			
Dollarama Inc.	1,285,200	23,854	65,494
Restaurant Brands International Inc.	450,214	26,767	35,702
Shaw Communications Inc., Class B	804,200	20,914	21,536
		71,535	122,732
Consumer Staples — 5.6%			
Alimentation Couche-Tard Inc., Class B	1,056,506	42,437	60,337
Loblaw Companies Limited	539,299	16,629	36,457
Saputo Inc.	481,606	21,108	21,022
		80,174	117,816
Energy — 19.2%			
ARC Resources Ltd.	722,200	15,610	9,808
Canadian Natural Resources Limited	1,822,589	76,706	86,482
Enbridge Inc.	2,168,330	84,980	101,912
Keyera Corp.	513,900	20,381	18,798
Pembina Pipeline Corporation	912,054	39,870	41,526
Suncor Energy Inc.	1,695,420	52,609	90,705
TransCanada Corporation	981,900	41,348	55,850
		331,504	405,081
Financials — 39.1%			
Bank of Nova Scotia, The,	1,972,877	113,064	146,861
Brookfield Asset Management Inc., Class A	2,064,100	58,577	110,079
Canadian Western Bank	1,116,200	30,456	38,676
Industrial Alliance Insurance and Financial Services Inc.	766,800	43,827	38,915
Intact Financial Corporation	523,100	35,485	48,779
Manulife Financial Corporation	3,729,500	68,253	88,091
Royal Bank of Canada	1,567,805	90,647	155,197
Sun Life Financial Inc.	664,630	20,857	35,112
Toronto-Dominion Bank, The,	2,150,009	84,144	163,594
		545,310	825,304
Industrials — 10.5%			
Canadian National Railway Company	1,131,516	66,780	121,672
Waste Connections, Inc.	688,416	59,606	68,174
WSP Global Inc.	463,991	24,186	32,117
		150,572	221,963
Materials — 5.9%			
CCL Industries Inc., Class B	330,900	20,444	21,326
Franco-Nevada Corporation	398,700	37,122	38,255
Nutrien Ltd.	529,020	34,508	37,836
Teck Resources Limited, Class B	816,900	20,672	27,358
		112,746	124,775

BMO Private Canadian Income Equity Portfolio

(unaudited)

SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)
As at June 30, 2018 (All amounts in thousands of Canadian dollars, unless otherwise noted)

Security	Number of Shares or Units	Cost+ ($)	Fair Value ($)
Real Estate — 2.7%			
Allied Properties REIT	525,700	18,928	22,001
Brookfield Property Partners L.P.	649,400	20,204	16,216
RioCan REIT	750,700	19,848	18,129
		58,980	56,346
Telecommunication Services — 2.7%			
Rogers Communications Inc., Class B	891,936	54,921	55,693
		54,921	55,693
Utilities — 5.5%			
Algonquin Power & Utilities Corp.	2,075,572	27,564	26,360
Brookfield Infrastructure Partners L.P.	1,073,025	14,139	54,123
Fortis Inc.	855,500	27,085	35,948
		68,788	116,431
Total Investment Portfolio — 97.0%		**1,474,530**	**2,046,141**
Other Assets Less Liabilities — 3.0%			**63,588**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS — 100.0%			**2,109,729**

+ 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.

NOTES TO FINANCIAL STATEMENTS

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

June 30, 2018

1.The Portfolio

BMO Private Canadian Income Equity 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 July 8, 2016. BMO Private Investment Counsel Inc. ("the Manager") is the Manager of the Portfolio. The address of the Portfolio's registered office is 1 First Canadian Place, 41st Floor, Toronto, Ontario, M5X 1A1.

The Statement of Financial Position and related notes of each of the Portfolios are as at June 30, 2018 and December 30, 2017. The Statement of Comprehensive Income, Statement of Changes in Net Assets Attributable to Holders of Redeemable Units, Statement of Cash Flows and related notes are for the periods ended June 30, 2018 and June 30, 2017.

These financial statements were authorized for issuance by the Board of Directors of the Manager on August 14, 2018.

These financial statements should be read in conjunction with the annual financial statements for the period ended December 31, 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

2.Basis of preparation and presentation

These unaudited interim financial statements have been prepared in accordance with IFRS and in accordance with International Accounting Standard ("IAS") 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB").

3.Summary of significant accounting policies

Financial instruments

Investments include financial assets and financial liabilities such as equity and debt securities, investment funds and derivatives. These financial instruments are part of a group of financial instruments that are managed and their performance is evaluated on a fair value basis in accordance with the Portfolio's investment strategy.

The Portfolio classifies and measures financial instruments in accordance with IFRS 9 Financial Instruments ("IFRS 9"). Upon initial recognition, financial instruments are recorded at fair value through profit or loss ("FVTPL"). A financial instrument is recognized when the Portfolio becomes a party to the contractual requirements of the instrument and is derecognized when the right to receive cash flows from the instrument has expired or the Portfolio has transferred substantially all risks and rewards of ownership. As such, investment purchase and sale transactions are recorded as of the trade date. Financial instruments are subsequently measured as FVTPL with changes in fair value recognized in the Statement of Comprehensive Income as "Change in unrealized appreciation (depreciation)".

All financial assets and financial liabilities are recognized in the Statement of Financial Position.

The Portfolio's outstanding redeemable units, which are puttable instruments, are entitled to a contractual obligation of annual distribution of any net income and net realized capital gains by the Portfolio. This annual distribution can be in cash at the option of the unitholders, and therefore the ongoing redemption feature is not the redeemable units' only contractual obligation. Consequently, the units of the Portfolio do not meet the conditions to be classified as equity and therefore are classified as financial liabilities and presented at the redemption amounts.

Cost of investments

The cost of investments represents the amount paid for each security and is determined on an average cost basis and excludes commissions and other portfolio transaction costs, which are reported separately in the Statement of Comprehensive Income. Realized gains and losses on disposition are determined based on the cost of the investment.

Fair value measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For exchange-traded securities, close prices are considered to be fair value if they fall within the bid-ask spread. In circumstances where the close price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

Procedures are in place to fair value equities 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.

For bonds, debentures, asset-backed securities and other debt securities, fair value is represented by bid prices provided by independent security pricing services. Short-term investments, if any, are held at amortized cost which approximates fair value.

Mutual fund units held as investments are valued at their respective Net Asset Value ("NAV") on each Valuation Date (the "Valuation Date" is each day on which the Toronto Stock Exchange is open for trading), as these values are the most readily and regularly available.

The Portfolio may enter into forward currency contracts for hedging purposes, either directly or indirectly or for non-hedging purposes. The fair value of forward currency contracts entered into by the Portfolio is recorded as the difference between the fair value of the contract on the Valuation Date and the fair value on the date the contract originated.

Unlisted warrants, if any, 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.

For securities where market quotes are not available, unreliable or not considered to reflect the current value, the Manager may determine another value which it considers to be fair and reasonable, or use a valuation technique that, to the extent possible, makes maximum use of inputs and assumptions based on observable market data including volatility, comparable companies, NAV (for exchange-traded funds) and other applicable rates or prices. These estimation techniques include discounted cash flows, internal models that utilize observable data or comparisons with other securities that are substantially similar. In limited circumstances, the Manager may use internal models where the inputs are not based on observable market data.

Cash

Cash is comprised of cash and deposits with banks which include bankers' acceptances and overnight demand deposits. Cash is recorded at fair value. The carrying amount of cash approximates its fair value because it is short-term in nature.

Other assets and other liabilities

Other assets and other liabilities generally include receivables and payables relating to investment transactions, unitholder subscriptions and redemptions, and other assets and other liabilities that are initially recorded at fair value. These financial assets and financial liabilities are short-term in nature and are subsequently measured at amortized cost, which approximates their fair value.

Investments in subsidiaries, joint ventures and associates

Subsidiaries are entities over which the Portfolio has control through its exposure or rights to variable returns from its investment and has the ability to affect those returns through its power over the entity. The Manager has determined that the Portfolio is an investment entity and as such, it accounts for subsidiaries, if any, at fair value. Joint ventures are those where the Portfolio exercises joint control through an agreement with other shareholders, and associates are investments in which the Portfolio exerts significant influence over operating, investing, and financing decisions (such as entities in which the Portfolio owns 20% - 50% of voting shares), all of which, if any, have been classified at FVTPL.

Unconsolidated structured entities

During the periods, the Portfolio had no sponsored unconsolidated structured entities. The Manager has determined that the underlying funds in which the Portfolio may invest are unconsolidated structured entities. This determination is based on the fact that decision making about the underlying funds is not governed by the voting right or other similar right held by the Portfolio. Similarly, investments in securitizations, asset-backed securities and mortgage-backed securities are determined to be interests in unconsolidated structured entities.

The Portfolio may invest in underlying funds whose investment objectives range from achieving short-term to long-term income and capital growth potential. Underlying funds may use leverage in a manner consistent with their respective investment objectives and as permitted by Canadian securities regulatory authorities. Underlying funds finance their operations by issuing redeemable units which are puttable at the holders' option and entitles the holder to a proportionate stake in the respective fund's Net Assets. The change in fair value of each of the underlying funds during the periods is included in "Change in unrealized appreciation (depreciation)" in the Statement of Comprehensive Income.

Mortgage-related securities are created from pools of residential or commercial mortgage loans, including mortgage loans made by savings and loan institutions, mortgage bankers, commercial banks and others. Asset-backed securities created from many types of assets, including auto loans, credit card receivables, home equity loans, and student loans.

NOTES TO FINANCIAL STATEMENTS (cont'd)
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The Portfolio does not provide and has not committed to providing any additional significant financial or other support to the unconsolidated structured entities other than its investment in the unconsolidated structured entities.

Additional information on the Portfolio's interest in unconsolidated structured entities, where applicable, is provided in Note 8.

Offsetting of financial assets and financial liabilities

Financial instruments are presented at net or gross amounts on the Statement of Financial Position depending on the existence of intention and legal right to offset opposite positions of such instruments held with the same counterparties. Amounts offset in the Statement of Financial Position are transactions for which the Portfolio has legally enforceable rights to offset and intends to settle the positions on a net basis. Amounts not offset in the Statement of Financial Position relate to transactions where a master netting arrangement or similar agreement is in place with a right to offset only in the event of default, insolvency or bankruptcy, or where the Portfolio has no intention of settling on a net basis. There were no master netting agreements during the periods.

Income recognition

Dividend income and distributions received from investment trusts are recognized on the ex-dividend and ex-distribution date, respectively.

Interest income from interest bearing investments is recognized in the Statement of Comprehensive Income using the effective interest rate. Interest receivable shown in the Statement of Financial Position is accrued based on the interest bearing investments' stated rates of interest.

Interest on inflation-indexed bonds is 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 Comprehensive Income. If held to 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 Date based on the inflation adjusted par value at that time and is included in "Interest income" in the Statement of Comprehensive Income.

Foreign currency translation

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 "Net realized gain (loss)"in the Statement of Comprehensive Income and unrealized foreign exchange gains (losses) are included in "Change in unrealized appreciation (depreciation)" in the Statement of Comprehensive Income. Foreign exchange gains (losses) relating to cash, receivables and payables are included in "Foreign exchange gain (loss)" in the Statement of Comprehensive Income.

Securities lending

A Portfolio may engage in securities lending pursuant to the terms of an agreement with BNY Mellon (the "security lending agent"). The aggregate market value of all securities loaned by the Portfolio cannot exceed 50% of the NAV of the Portfolio. The Portfolio will receive collateral of at least 102% of the value of securities on loan. Collateral will generally be comprised of obligations of or guarantee by the Government of Canada or a province thereof, or by the United States government or its agencies, but it may include obligations of other governments with appropriate credit ratings. Further, the program entered into provides for 100% indemnification by the securities lending agent and parties related to the Portfolio's custodian, to the Portfolio for the defaults by borrowers.

For those Portfolios participating in the program, aggregate values of securities on loan and the collateral held as at June 30, 2018 and December 31, 2017, are disclosed in Note 8.

Income from securities lending, where applicable, is included in the Statement of Comprehensive Income and is recognized when earned. The breakdown of the securities lending income is disclosed in Note 8, where applicable.

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 "Short-term trading penalty fees" in the Statement of Comprehensive Income.

NOTES TO FINANCIAL STATEMENTS (cont'd)
(All amounts in thousands of Canadian dollars, except per unit data)
June 30, 2018

Increase or decrease in net assets attributable to holders of redeemable units per unit

"Increase (decrease) in net assets attributable to holders of redeemable units per unit" in the Statement of Comprehensive Income represents the increase (decrease) in net assets attributable to holders of redeemable units ("Net Assets") divided by the weighted average number of units outstanding during the period.

Taxation

The Portfolio qualifies as a unit trust under the provisions of the Income Tax Act (Canada). Distributions of all net taxable income and sufficient amounts of net realized capital gains for each taxation year will be paid to unitholders so that the Portfolio will not be subject to income tax. As a result, the Portfolio has determined that it is in substance not taxable and therefore does not record income taxes in the Statement of Comprehensive Income nor does it recognize any deferred tax assets or liabilities in the Statement of Financial Position.

The Portfolio may incur withholding taxes imposed by certain countries on investment income and capital gains. Such income and capital gains are recorded on a gross basis with the related withholding taxes shown as a separate expense in the Statement of Comprehensive Income.

4.Critical accounting judgements and estimates

The preparation of financial statements requires the use of judgement in applying the Portfolio's accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgements and estimates that the Portfolio has made in preparing its financial statements.

Accounting judgements:

Functional and presentation currency

The Portfolio's unitholders are mainly Canadian residents, with the subscriptions and redemptions of the redeemable units denominated in Canadian dollars. The Portfolio invests in Canadian and U.S. dollars and other foreign denominated securities, as applicable. The performance of the Portfolio is measured and reported to the investors in Canadian dollars. The Manager considers the Canadian dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Canadian dollars, which is the Portfolio's functional and presentation currency.

Classification and measurement of financial instruments

Effective January 1, 2018, the Portfolio retrospectively adopted IFRS 9. The new standard requires assets to be carried at either amortized cost, FVTPL, or fair value through other comprehensive income ("FVOCI"), based on an assessment of the Portfolio's business model for managing financial assets and the contractual cash flow characteristic of the financial assets. In classifying and measuring financial instruments held by the Portfolio, the Manager is required to make significant judgements in determining the most appropriate classification in accordance with IFRS 9. The Manager has assessed the Portfolio's business model with respect to the manner in which financial assets and financial liabilities are managed as a group and performance is evaluated on a fair value basis, and has concluded that FVTPL in accordance with IFRS 9 provides the most appropriate measurement and presentation of the Portfolio's investment portfolio. Further information related to the Portfolio's transition to IFRS 9 is detailed in Note 9.

Accounting estimates:

Fair value measurement of securities not quoted in an active market

The Portfolio has established policies and control procedures that are intended to ensure these estimates are well controlled, independently reviewed, and consistently applied from period to period. The estimates of the value of the Portfolio's assets and liabilities are believed to be appropriate as at the reporting date.

The Portfolio may hold financial instruments that are not quoted in active markets. Note 3 discusses the policies used by the Portfolio for the estimates used in determining fair value.

5.Units and unit transactions

The redeemable units of the Portfolio are classified as liabilities.

The units have no par value and are entitled to distributions, if any. Upon redemption, a unit is entitled to a proportionate share of the Portfolio's NAV. The Portfolio is required to pay distributions in an amount not less than the amount necessary to ensure the Portfolio will not be liable for income taxes on realized capital gains, dividends and interest. The Portfolio has no restrictions or specific capital requirements on the subscriptions and redemptions of units except

NOTES TO FINANCIAL STATEMENTS (cont'd)
(All amounts in thousands of Canadian dollars, except per unit data)
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as disclosed in Note 8. The relevant movements in redeemable units are shown on the Statement of Changes in Net Assets Attributable to Holders of Redeemable Units. In accordance with its investment objectives and strategies, and the risk management practices outlined in Note 7, the Portfolio endeavours to invest the subscriptions received in appropriate investments, while maintaining sufficient liquidity to meet redemptions, with such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

Redeemable 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 the liabilities) by the total number of units of the Portfolio outstanding at such time on each Valuation Date, in accordance with Part 14 of National Instruments ("NI") 81-106 Investment Fund Continuous Disclosure for the purpose of unitholder transactions. Net Assets are determined in accordance with IFRS and may differ to the Portfolio's NAV. Where the Portfolio's NAV is not equal to its Net Assets, a reconciliation is shown in Note 8.

6.Related party transactions

(a) Management fees

The Manager is responsible for the day-to-day management of the Portfolio, including managing or arranging for the management of the Portfolio's investment portfolio as well as providing and arranging for the provision of administrative services to the Portfolio such as valuation services, fund accounting and unitholder records. The Manager does not receive a fee from the Portfolio for its services. Instead, unitholders pay an investment management fee directly to BMO Trust Company and the Manager as arranged between the unitholder, BMO Trust Company and the Manager.

(b) Unitholder servicing, sub-advisory 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 Comprehensive Income.

The sub-advisors (including affiliates of the Manager, where applicable) engaged by the Manager provide investment advice and make investment decisions for the Portfolio's investment portfolio. For these services the sub-advisors receive sub-advisory fees. These fees are paid monthly by the Manager on behalf of the Portfolio. These expenses are included in "Sub-advisory fees" in the Statement of Comprehensive Income. Any sub-advisory fees less than or equal to 0.15% of the NAV of the Portfolio are absorbed by the Manager.

(c) Portfolio expenses

The Portfolio also pays certain operating expenses directly, including compensation and expenses payable to Independent Review Committee ("IRC") members and any independent counsel or other advisors employed by the IRC, the costs of the orientation and continuing education of IRC members and the costs and expenses associated with IRC meetings.

(d) Commissions and other portfolio transaction costs

The Portfolio may execute trades with and through BMO Nesbitt 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 Comprehensive Income. Refer to Note 8 for related party fees charged to the Portfolio during the periods ended June 30, 2018 and June 30, 2017.

(e) Other related party transactions

From time to time, the Manager may on behalf of the Portfolio, enter into transactions or arrangements with or involving subsidiaries and affiliates of Bank of Montreal, 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 subsidiaries and affiliates of Bank of Montreal, BMO Asset Management Inc., BMO Trust Company, BMO Nesbitt Burns Inc., BMO InvestorLine Inc., BMO Private Investment Counsel Inc., BMO Asset Management Corp., Pyrford International Limited, or other investment funds offered by Bank of Montreal, and may involve the purchase or sale of portfolio securities through or from a subsidiary or affiliates of Bank of Montreal, the purchase or sale of securities issued or guaranteed by subsidiaries or affiliates of Bank of Montreal, entering into forward contracts with subsidiaries or affiliates of Bank of Montreal acting as

NOTES TO FINANCIAL STATEMENTS (cont'd)
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counterparty, the purchase or redemption of units of other Bank of Montreal affiliated investment funds or the provision of services to the Manager.

7.Financial instruments risks

The Portfolio's activities expose it to a variety of risks associated with the financial instruments, as follows: market risk (including currency risk, interest rate risk and other market risk), credit risk and liquidity risk. The concentration table groups securities by asset type, geographic location and/or market segment. The Portfolio's risk management practice outlines 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 fair value of financial instruments 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 disclosed in Note 8.

(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 investments, 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.

(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, 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.

(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 for over-the-counter derivative instruments is based on the Portfolio's unrealized gain 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.

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, as disclosed in Note 8, where applicable.

(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 Schedule of Investment Portfolio. The proportion of illiquid securities to the 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
(All amounts in thousands of Canadian dollars, except per unit data)
June 30, 2018

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, 2018	Jun. 30, 2017
Units issued and outstanding, beginning of period	229,098	208,325
Issued for cash	17,365	25,071
Issued on reinvestment of distributions	3,244	3,017
Redeemed during the period	(30,736)	(14,216)
Units issued and outstanding, end of period	218,971	222,197

(b) Reconciliation of NAV to Net Assets

As at June 30, 2018 and December 31, 2017, there were no differences between the Portfolio's NAV per unit and its Net Assets per unit calculated in accordance with IFRS.

(c) Increase (decrease) in net assets attributable to holders of redeemable units per unit

The increase (decrease) in net assets attributable to holders of redeemable units per unit for the periods ended June 30, 2018 and June 30, 2017 is calculated as follows:

For the periods ended	Jun. 30, 2018	Jun. 30, 2017
(Decrease) increase in net assets attributable to holders of redeemable units	(25,984)	46,055
Weighted average units outstanding during the period (in thousands of units)	223,337	215,497
(Decrease) increase in net assets attributable to holders of redeemable units per unit	**(0.12)**	**0.21**

(d) Income taxes

As at the tax year-ended December 2017, 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		
		2028 ($)	2029 ($)	2030 and thereafter ($)
955	—	—	—	—

(e) Related party transactions

Unitholder servicing

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

For the periods ended	Jun. 30, 2018	Jun. 30, 2017
Unitholder servicing ($)	110	100

Brokerage commissions and soft dollars

Brokerage commissions paid (excluding transaction costs) on security transactions and amounts paid to related parties of the Manager for brokerage services provided to the Portfolio for the periods are as follows:

For the periods ended	Jun. 30, 2018	Jun. 30, 2017
Total brokerage amounts paid ($)	312	857
Total brokerage amounts paid to related parties ($)	33	118

The Manager may select brokers who charge a commission in "soft dollars" if they determine in good faith that the commission is reasonable in relation to the order execution and research services utilized.

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

(f) Financial instruments risks

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

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

Currency risk

As at June 30, 2018 and December 31, 2017, the Portfolio did not have any significant exposure to currency risk.

Interest rate risk

As at June 30, 2018 and December 31, 2017, the Portfolio did not have any significant exposure to interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
(All amounts in thousands of Canadian dollars, except per unit data)
June 30, 2018

Other market risk

The Portfolio has a significant exposure to other market risk arising from its investment in equity securities. Using historical correlation between the Portfolio's return and the return of its benchmark, if the benchmark, S&P/TSX Composite Index, had increased or decreased by 10%, with all other variables held constant, the Net Assets of the Portfolio would have increased or decreased, respectively, by $192,033 (December 31, 2017 — $203,483). Historical correlation may not be representative of future correlation, and accordingly, actual results may differ and the difference could be material.

Credit risk

As at June 30, 2018 and December 31, 2017, the Portfolio did not have any significant exposure to credit risk.

Securities lending

The Portfolio had assets involved in securities lending transactions outstanding as at June 30, 2018 and December 31, 2017 as follows:

	Aggregate Value of Securities on Loan ($)	Aggregate Value of Collateral Received for the Loan ($)
June 30, 2018	120,167	126,376
December 31, 2017	113,562	119,299

The table below is a reconciliation of the gross amount generated from securities lending transactions to the security lending revenue for the periods ended June 30, 2018 and June 30, 2017:

For the periods ended	Jun. 30, 2018		Jun. 30, 2017	
	Amount	% of Gross Securities Lending Revenue	Amount	% of Gross Securities Lending Revenue
Gross securities lending revenue	93	100.0	78	100.0
Withholding taxes	—	—	—	—
	93	100.0	78	100.0
Payment to securities lending agents	28	30.0	24	30.0
Net securities lending revenue	65	70.0	54	70.0

Concentration risk

The Portfolio's concentration risk is summarized in the following table:

As at	Jun. 30, 2018	Dec. 31, 2017
Equities		
Consumer Discretionary	5.8%	6.2%
Consumer Staples	5.6%	5.5%
Energy	19.2%	17.1%
Financials	39.1%	41.0%
Industrials	10.5%	7.6%
Materials	5.9%	4.6%
Real Estate	2.7%	2.7%
Telecommunication Services	2.7%	4.6%
Utilities	5.5%	5.4%
Other Assets Less Liabilities	3.0%	5.3%
	100.0%	**100.0%**

(g) Fair value hierarchy

The Portfolio classifies its financial instruments into three levels based on the inputs used to value the financial instruments. Level 1 securities are valued based on quoted prices in active markets for identical securities. Level 2 securities are valued based on significant observable market inputs, such as quoted prices from similar securities and quoted prices in inactive markets or based on observable inputs to models. Level 3 securities are valued based on significant unobservable inputs that reflect the Manager's determination of assumptions that market participants might reasonably use in valuing the securities. The tables below show the relevant disclosure.

As at Jun. 30, 2018

Financial assets	Level 1	Level 2	Level 3	Total
Equity Securities	2,046,141	–	–	2,046,141

As at Dec. 31, 2017

Financial assets	Level 1	Level 2	Level 3	Total
Equity Securities	2,143,636	–	–	2,143,636

Transfers between levels

There were no transfers between the levels during the periods.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
(All amounts in thousands of Canadian dollars, except per unit data)
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9. IFRS 9 transition

Upon transition to IFRS 9, financial assets and financial liabilities in the Portfolio's investment portfolio were classified as FVTPL. The classification differs from the classification under the previous IAS 39 for the financial assets and financial liabilities that were previously classified as held for trading; therefore there were changes in the categorization of financial assets and financial liabilities upon transition to IFRS 9. However, there were no changes in the measurement attributes for any of the financial assets and financial liabilities upon transition to IFRS 9. The tables below show the reconciliation of the financial assets and financial liabilities balances as at January 1, 2018, the IFRS 9 transition date.

As at Jan. 1, 2018

Financial Assets	**Held for Trading**	**Designated as FVTPL**	**Loans and Receivables****	**FVTPL**
Opening balance - under IAS 39	—	2,143,636	6,823	—
On the basis of change from IAS 39 to IFRS 9:				
- reclassification of investments to FVTPL*	—	(2,143,636)	—	2,143,636
Total change on transition to IFRS 9	**—**	**(2,143,636)**	**—**	**2,143,636**
Opening balance - under IFRS 9	**—**	**—**	**6,823**	**2,143,636**

* These are financial instruments (derivatives) classified as held for trading and others designated as FVTPL under IAS 39.
** These are other financial assets classified as loans and receivables under IAS 39, now classified as amortized cost under IFRS 9.

As at Jan. 1, 2018

Financial Liabilities	**Held for Trading**	**Amortized Cost****	**FVTPL**
Opening balance - under IAS 39	—	1,416	—
On the basis of change from IAS 39 to IFRS 9:			
- reclassification of shorts and other derivatives*	—	—	—
Total change on transition to IFRS 9	**—**	**—**	**—**
Opening balance - under IFRS 9	**—**	**1,416**	**—**

* These are other financial liabilities (such as shorts and derivatives) classified as held for trading under IAS 39.
** These are other financial liabilities that continue to be classified as amortized cost.

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