

# Semi-Annual Management Report of Fund Performance

## BMO Private Canadian Money Market Portfolio

For the period ended June 30, 2018

This semi-annual management report of fund performance contains financial highlights, but does not contain the semi-annual or annual financial statements of the Portfolio. If the semi-annual or annual financial statements of the Portfolio do not accompany the mailing of this report, you may obtain a copy of the semi-annual or annual financial statements at your request, and at no cost, by calling 1-855-852-1026, 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 Money Market Portfolio (the “Portfolio”).*

### Results of Operations

Over the six-month period ended June 30, 2018, the Portfolio returned 0.72%, after expenses. The Portfolio's benchmark is the FTSE TMX Canada 91-Day T-Bill Index, which generated a 0.61% total return over the same six-month period.

Uncertainty persisted throughout the six-month period ended June 30, 2018, as global trade frictions and protectionist sentiment escalated concerning investors. With North Korea matters momentarily sidelined, the imposition of tariffs by the U.S. government and retaliatory measures from affected trade partners escalated fears of a trade war. Any deceleration of trade flows could raise the likelihood of financial stress and defaults, particularly in emerging markets such as Argentina, Brazil and Turkey, among others. The rising trade tensions come at an awkward time as major central banks had started to move away from easy monetary policies and now may face a potentially prolonged era of ultra-low interest rates.

Global gross domestic product (“GDP”) growth remained on track for a rate of 3.8% for 2018, assuming that policymakers step back from their protectionist policies. U.S. first-quarter GDP was revised modestly lower to 2.0%. Despite lower consumer spending, the U.S. economy maintained good momentum with expectations for second-quarter GDP at around 3.7%, guiding the U.S. Federal Reserve Board (the “Fed”) to raise interest rates undeterred by global economic conditions. Canadian GDP for April posted a 0.1% advance for the third consecutive month, despite the colder weather impact, leaving second-quarter GDP tracking in the mid-2% range. This is close to the Bank of Canada's (the “BoC”) projection of 2.5% for GDP growth.

The BoC kept interest rates the same during the second quarter of 2018 following an interest rate increase in January. It now appears likely that the BoC may increase rates again amid expectations that solid labour income growth will support housing activity and consumer consumption. The Portfolio's shorter average term-to-maturity contributed to its performance. A higher exposure to corporate paper and bonds (including floating rate notes) also contributed to performance, providing yield enhancement over federal Treasury bills (“T-bills”) and provincial products. The sub-advisor maximized corporate exposure while government exposure was held at its minimum, which contributed to the Portfolio's performance.

## BMO Private Canadian Money Market Portfolio

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Within the minimum 30% government exposure, the Portfolio held an underweight exposure to federal T-bills and a maximized allocation to provincial, municipal and government bond holdings to take advantage of the additional yield opportunities. At the end of period, provincial assets were yielding approximately 25 basis points higher than the corresponding T-bills. The Portfolio's corporate exposure was kept close to the 70% maximum allowed, comprised of bankers' acceptance notes, corporate paper and corporate bonds (including floating rate notes), which provided significant additional yield.

The Portfolio's required minimum 30% government exposure detracted from its performance relative to industry counterparts, many of which have little or no government minimum exposure requirements. Allocation to floating rate notes is also limited to 10% maximum, which detracted from performance. Other detractors included the Portfolio's minimum rating of R-1 (low) stable and higher for commercial paper, and an A-low stable and higher minimum for short-term debt (as rated by DBRS or the equivalent rating by other recognized rating agencies). In addition, a lack of exposure to BBB-rated bonds, split-rated securities and "maple" bonds (those denominated in Canadian dollars, sold in Canada by foreign financial institutions and companies) detracted from the Portfolio's performance.

The sub-advisor added a new position in The Bank of Nova Scotia (2.75%, 13/08/2018). As an AA senior rated security, it provides term and yield enhancement over traditional bankers' acceptance notes. The new holding provided approximately 18 basis points over the current one-month bankers' acceptance note. An existing holding in Royal Bank of Canada floating rate note (11/04/2018) was rolled into a Royal Bank of Canada floating rate note (09/04/2019). This new floating rate note provides approximately 24 basis points in yield enhancement over traditional bankers' acceptance notes.

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

### Recent Developments

Going forward, the Portfolio's term-to-maturity will be adjusted in a timely manner in response to the sub-advisor's assessment of the economy and any anticipated changes in Canadian interest rates, while emphasizing high-quality government and corporate holdings to enhance returns.

The BoC raised its benchmark overnight lending rate by 25 basis points — from 1.25% to 1.50% — on July 11, 2018.

### *International Financial Reporting Standard 9 (IFRS 9) Implementation:*

Effective January 1, 2018, the Portfolio retrospectively adopted IFRS 9. The new standard requires assets to be carried at either amortized cost, fair value through profit and loss ("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 judgments 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.

Upon transition to IFRS 9, financial assets and financial liabilities in the Portfolio's investment portfolio were classified as FVTPL. This 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.

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## 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”). The purpose of this section is to provide a brief description of any transaction involving the Portfolio and a related party. 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 a sub-advisory fee based on assets under management, which is paid monthly. BMO AM Inc. is paid by BPIC.

### *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.

### *Unitholder Services*

The Portfolio is provided with certain facilities and services by related parties. BPIC is the registrar of the Portfolio. The trustee and BPIC 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:

	Period ended June 30, 2018 (\$000s)	Period ended June 30, 2017 (\$000s)
Unitholder Services	151	142

## 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 Money Market 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>	Six months ended June 30, 2018	Years ended December 31				
		2017	2016	2015	2014	2013
Net assets, beginning of period	\$ 10.00	10.00	10.00	10.00	10.00	10.00
<b>Increase (decrease) from operations:</b>						
Total revenue	\$ 0.07	0.10	0.09	0.10	0.12	0.12
Total expenses <sup>(2)</sup>	\$ (0.00)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)
Realized gains (losses) for the period	\$ —	—	—	—	—	—
Unrealized gains (losses) for the period	\$ —	—	—	—	—	—
<b>Total increase (decrease) from operations <sup>(3)</sup></b>	<b>\$ 0.07</b>	<b>0.10</b>	<b>0.09</b>	<b>0.09</b>	<b>0.11</b>	<b>0.11</b>
<b>Distributions:</b>						
From income (excluding dividends)	\$ 0.07	0.10	0.09	0.09	0.11	0.11
From dividends	\$ —	—	—	—	—	—
From capital gains	\$ —	—	—	—	—	—
Return of capital	\$ —	—	—	—	—	—
<b>Total Annual Distributions <sup>(4)</sup></b>	<b>\$ 0.07</b>	<b>0.10</b>	<b>0.09</b>	<b>0.09</b>	<b>0.11</b>	<b>0.11</b>
<b>Net assets, end of period</b>	<b>\$ 10.00</b>	<b>10.00</b>	<b>10.00</b>	<b>10.00</b>	<b>10.00</b>	<b>10.00</b>

<sup>(1)</sup> This information is derived from the Portfolio's unaudited and audited financial statements.

<sup>(2)</sup> Includes commissions and other portfolio transaction costs and withholding taxes.

<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	Six months ended June 30, 2018	Years ended December 31				
		2017	2016	2015	2014	2013
Total net asset value (000s) <sup>(1)</sup>	\$ 1,422,372	1,336,834	1,311,766	1,281,737	1,103,538	1,382,647
Number of units outstanding (000s) <sup>(1)</sup>	142,237	133,683	131,177	128,174	110,354	138,265
Management expense ratio <sup>(2)</sup>	% 0.05	0.05	0.05	0.05	0.05	0.05
Management expense ratio before waivers or management absorptions <sup>(2)</sup>	% 0.17	0.17	0.17	0.16	0.16	0.18
Trading expense ratio <sup>(3)</sup>	% —	—	—	—	—	—
Portfolio turnover rate <sup>(4)</sup>	% —	—	—	—	—	—
Net asset value per unit	\$ 10.00	10.00	10.00	10.00	10.00	10.00

<sup>(1)</sup> This information is provided as at June 30 or 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. For all the financial periods listed, no commissions or portfolio transaction costs were incurred by the Portfolio. As a result, the trading expense ratio for each of the periods was zero.

<sup>(4)</sup> The portfolio turnover rate indicates how actively the Portfolio's sub-advisor 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. The Portfolio turnover ratio is not applicable to money market funds.

# BMO Private Canadian Money Market Portfolio

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## Past Performance

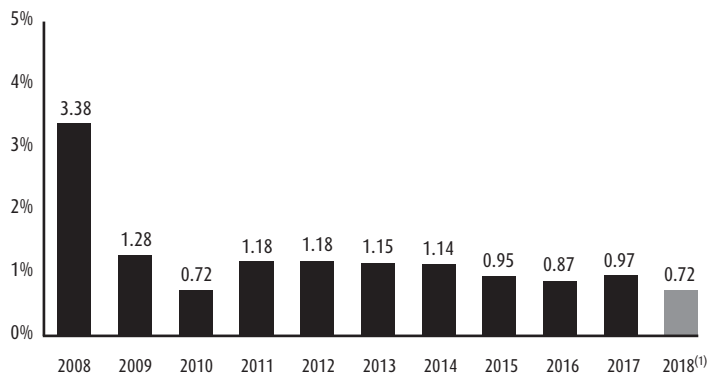
### General

The Portfolio's performance information assumes that all distributions made by the Portfolio in the periods shown were 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 and for the six-month period ended June 30, 2018 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> For the six-month period ended June 30, 2018.

## BMO Private Canadian Money Market Portfolio

### Summary of Investment Portfolio

as at June 30, 2018

Portfolio Allocation	% of Net Asset Value	Top 25 Holdings Issuer	% of Net Asset Value
Commercial Paper	54.0	Inter Pipeline Corridor Inc., Commercial Paper,	
Treasury Bills – Provincial	15.0	1.731% Aug 9, 2018	1.1
Corporate Bonds	11.8	Zeus Receivables Trust, Commercial Paper,	
Money Market – Provincial	6.5	1.674% Aug 20, 2018	1.1
Bearer Deposit Notes	5.9	Province of Ontario, Treasury Bills, 1.456% Aug 29, 2018	1.1
Municipal	3.4	ERAC Canada Finance Ltd., Commercial Paper,	
Treasury Bills – Federal	1.7	1.734% Aug 20, 2018	1.1
Asset-Backed Securities	0.7	Government of Canada, Treasury Bills, 1.274% Sep 20, 2018	1.1
Term Deposits	0.5	Province of Alberta, Promissory Notes, 1.474% Sep 11, 2018	1.1
Cash/Receivables/Payables	0.5	Province of Manitoba, Treasury Bills, 1.476% Sep 19, 2018	1.1
<b>Total portfolio allocation</b>	<b>100.0</b>	Prime Trust, Commercial Paper, 1.750% Sep 18, 2018	1.1
		Glacier Credit Card Trust, Commercial Paper,	
		1.850% Aug 8, 2018	1.0
		PSP Capital Inc., Commercial Paper, 1.404% Aug 7, 2018	1.0
		Bay Street Funding Trust, Commercial Paper,	
		1.605% Aug 3, 2018	1.0
		<b>Top holdings as a percentage of total net asset value</b>	<b>32.7</b>
		<b>Total Net Asset Value</b>	<b>\$1,422,371,655</b>
<b>Top 25 Holdings Issuer</b>	<b>% of Net Asset Value</b>		
Enbridge Pipelines Inc., Commercial Paper,			
1.808% Jul 13, 2018	2.1		
Province of Manitoba, Treasury Bills, 1.417% Aug 1, 2018	2.1		
Municipal Finance Authority of British Columbia,			
Commercial Paper, 1.444% Aug 8, 2018	1.8		
Province of Newfoundland and Labrador,			
Treasury Bills, 1.417% Aug 9, 2018	1.8		
Bay Street Funding Trust, Commercial Paper,			
1.693% Aug 16, 2018	1.5		
Province of Ontario, Treasury Bills, 1.394% Aug 1, 2018	1.5		
Storm King Funding, Commercial Paper, Series RBC,			
Floating Rate, 1.821% Nov 16, 2018	1.4		
John Deere Canada Funding Inc., Series 13-03, Senior,			
Unsecured, Notes, 2.650%, Jul 16, 2018	1.4		
Canadian Imperial Bank of Commerce, Deposit Notes,			
Senior, Unsecured, Floating Rate, May 8, 2019	1.3		
Inter Pipeline Corridor Inc., Commercial Paper,			
1.734% Aug 8, 2018	1.3		
Lakeshore Trust, Commercial Paper, 1.705% Sep 25, 2018	1.3		
Bank of Nova Scotia, The, Deposit Notes, Senior,			
Unsecured, 2.750%, Aug 13, 2018	1.2		
PSP Capital Inc., Commercial Paper, 1.385% Jul 24, 2018	1.1		
South Coast British Columbia Transportation Authority,			
Promissory Notes, 1.502% Jul 26, 2018	1.1		

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

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