

Semi-Annual Management Report of Fund Performance

BMO Private U.S. Equity 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 contact.centre@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 or SEDAR at 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 Corp. (“BMO AM Corp.” or the “sub-advisor”) as the sub-advisor of BMO Private U.S. Equity Portfolio (the “Portfolio”).

Results of Operations

Over the six-month period ended June 30, 2018, the Portfolio returned 3.68% in C\$ (-0.88% in US\$), after expenses. The Portfolio's benchmark is the S&P 500 Index, which generated a 7.79% total return in C\$ (2.65% in US\$) over the same six-month period.

Following a steady year of growth in 2017, the U.S. equity market experienced a return to volatility during the first half of 2018. In late January, investors sold out of equities as concern grew over the pace of future interest rate increases by the U.S. Federal Reserve Board. Equities recovered in the second half of February, until concerns over trade protectionism and increased regulation in the Information Technology sector resulted in a volatile March. As crude oil prices exceeded US\$70 a barrel for the first time in nearly three years, companies in the Energy sector were some of the best performers during April and May. The recovery in oil prices also drove the performance of higher-risk stocks over lower-risk stocks, as companies in commodity-linked sectors became riskier given recent volatility in commodity prices. From a style

perspective, growth stocks continued to outpace value-oriented stocks, although equities in the Information Technology sector declined in June as concerns mounted over the impact of trade wars. Concerns over a stronger U.S. dollar, trade wars and a strong U.S. economic backdrop helped to support small-capitalization companies over large-capitalization ones, marking a strong first half of the year for the Russell 2000 Index.

Security selection in the Health Care, Consumer Discretionary and Industrials sectors detracted from the Portfolio's performance. Individual detractors from performance included holdings in Owens Corning Inc., Southwest Airlines Co. and Unum Group.

Underweight allocations to the Consumer Staples and Telecommunication Services sectors contributed to the Portfolio's performance, as did stock selection in the Utilities sector. Top individual contributors to performance included holdings in F5 Networks Inc., S&P Global Inc. and Valero Energy Corp.

The sub-advisor added a new position in Intel Corp., which engages in the design, manufacture and sale of computer products and technologies. It was purchased as the company's stock ranked in the top-10% of the U.S. large-capitalization universe, driven by attractive valuations and positive investor sentiment, with improving company fundamentals. An existing position in Ameren Corp., which operates as a public utility holding company in the United States, was increased based on its attractive valuation and positive investor sentiment. Michael Kors Holdings Ltd. was eliminated

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from the Portfolio in light of deterioration in the stock's ranking, driven mostly by weakening fundamentals. Microsoft Corp. was trimmed as a risk control measure.

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

Looking ahead, the economic conditions supporting global equities remain strong despite increased market volatility. While corporate earnings may continue to benefit from accelerating global economic growth and accommodative tax policy, the threat of trade wars, geopolitical tensions and inflationary pressures from rising commodity prices may cause markets to react negatively.

The sub-advisor believes that elevated volatility in the coming period may provide a favourable environment for active stock selection. As such, the Portfolio has been positioned to participate in rising markets while managing downside risks through a combination of disciplined stock selection and thoughtful risk management.

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.

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 Corp., a related party, to provide investment advice and make investment decisions for the Portfolio's investment portfolio. BMO AM Corp. receives a sub-advisory fee based on assets under management, which is paid quarterly. BMO AM Corp. is paid by BPIC.

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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	146	137

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.

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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 ⁽¹⁾	Six months ended June 30, 2018	Years ended December 31				
		2017	2016	2015	2014	2013
Net assets, beginning of period	\$ 25.84	23.29	22.59	21.24	17.30	12.35
Increase (decrease) from operations:						
Total revenue	\$ 0.24	0.44	0.49	0.43	0.35	0.26
Total expenses ⁽²⁾	\$ (0.04)	(0.09)	(0.10)	(0.08)	(0.07)	(0.06)
Realized gains (losses) for the period	\$ 1.38	2.74	2.15	3.08	2.14	1.72
Unrealized gains (losses) for the period	\$ (0.65)	0.89	(0.95)	0.54	2.35	3.24
Total increase (decrease) from operations ⁽³⁾	\$ 0.93	3.98	1.59	3.97	4.77	5.16
Distributions:						
From income (excluding dividends)	\$ —	—	—	—	—	0.00
From dividends	\$ —	0.48	0.37	0.46	0.26	0.19
From capital gains	\$ —	0.90	0.65	2.23	0.51	—
Return of capital	\$ —	0.00	0.00	0.00	0.00	0.00
Total Annual Distributions ⁽⁴⁾	\$ —	1.38	1.02	2.69	0.77	0.19
Net assets, end of period	\$ 26.79	25.84	23.29	22.59	21.24	17.30

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

⁽²⁾ Includes commissions and other portfolio transaction costs and withholding taxes.

⁽³⁾ 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.

⁽⁴⁾ 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) ⁽¹⁾	\$ 3,204,707	2,907,735	2,714,280	2,779,867	2,110,352	1,488,013
Number of units outstanding (000s) ⁽¹⁾	119,610	112,534	116,559	123,076	99,343	86,021
Management expense ratio ⁽²⁾	% 0.02	0.03	0.02	0.02	0.03	0.05
Management expense ratio before waivers or management absorptions ⁽²⁾	% 0.22	0.21	0.18	0.19	0.26	0.22
Trading expense ratio ⁽³⁾	% 0.05	0.06	0.08	0.07	0.07	0.10
Portfolio turnover rate ⁽⁴⁾	% 31.52	68.19	73.72	58.33	61.24	67.59
Net asset value per unit	\$ 26.79	25.84	23.29	22.59	21.24	17.30

⁽¹⁾ This information is provided as at June 30 or December 31 of the period shown, as applicable.

⁽²⁾ 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.

⁽³⁾ 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.

⁽⁴⁾ 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.

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Past Performance

General

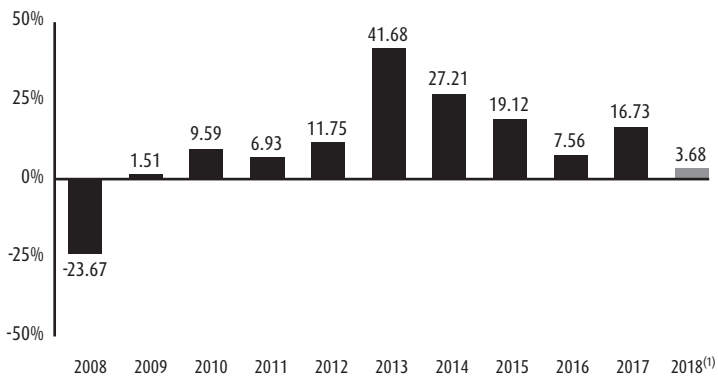
The Portfolio's performance information assumes that all distributions made by the Portfolio in the periods shown were reinvested in additional units of the Portfolio and is based on the net asset value of the Portfolio.

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.

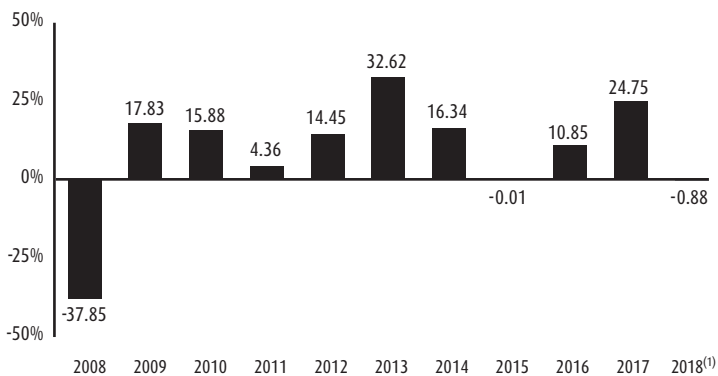
Year-by-Year Returns

The following bar charts show the performance for each of the financial years and for the six-month period ended June 30, 2018 shown and illustrate how the performance has changed from year to year. The bar charts show 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.

BMO Private U.S. Equity Portfolio (C\$)



BMO Private U.S. Equity Portfolio (US\$)



⁽¹⁾ For the six-month period ended June 30, 2018.

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Summary of Investment Portfolio

as at June 30, 2018

Portfolio Allocation	% of Net Asset Value	Top 25 Holdings Issuer	% of Net Asset Value
Information Technology	24.8	Apple Inc.	4.9
Financials	16.7	Alphabet Inc., Class C	3.2
Health Care	13.5	Microsoft Corporation	2.8
Consumer Discretionary	9.6	Chevron Corporation	2.8
Industrials	8.9	Pfizer Inc.	2.7
Energy	6.7	Comcast Corporation, Class A	2.4
Real Estate	5.7	Cash/Receivables/Payables	2.3
Utilities	5.4	Eli Lilly and Company	2.3
Consumer Staples	4.7	Citigroup Inc.	2.2
Cash/Receivables/Payables	2.3	Visa Inc., Class A	2.2
Materials	1.7	AbbVie Inc.	2.1
Total portfolio allocation	100.0	Boeing Company, The,	2.1
		Lowe's Companies, Inc.	2.1
		Exelon Corporation	2.0
		Intel Corporation	2.0
		Wal-Mart Stores, Inc.	2.0
		Valero Energy Corporation	1.9
		Ameren Corporation	1.9
		F5 Networks, Inc.	1.8
		Bank of America Corporation	1.8
		S&P Global Inc.	1.8
		Synchrony Financial	1.8
		Southwest Airlines Co.	1.7
		Amazon.com, Inc.	1.6
		Boston Properties, Inc.	1.6
		Top holdings as a percentage of total net asset value	56.0
		Total Net Asset Value	\$3,204,706,776

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

Manager

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This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the Portfolio may invest and the risks detailed from time to time in the simplified prospectus of the BMO Private Portfolios. We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the Portfolio, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, BMO Private Investment Counsel Inc. does not undertake, and specifically disclaims, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

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