

Semi-Annual Management Report of Fund Performance

BMO Private Canadian Income 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 Inc. (“BMO AM Inc.” or the “sub-advisor”) as the sub-advisor of BMO Private Canadian Income Equity Portfolio (the “Portfolio”).

Results of Operations

Over the six-month period ended June 30, 2018, the Portfolio returned -1.05%, after expenses. The Portfolio's benchmark is the S&P/TSX Composite Dividend Index (“S&P/TSX Dividend”), which generated a 1.33% total return over the same six-month period.

The first quarter of 2018 was challenging for global equities, and Canadian equities were not immune to weak investor sentiment. In addition, the discount on Canadian oil widened as a result of pipeline constraints, which put further pressure on the energy sector, and by extension on Canadian equities. As a result, the S&P/TSX Composite Index (“S&P/TSX”), representing the performance of Canadian equities, declined over the first three months of 2018. However, Canadian equities posted gains over the second quarter of 2018, led by the energy sector which was helped by higher prices for crude oil driven by healthy global demand combined with supply constraints from various regions around the world. Overall, the S&P/TSX rose 1.9%. Canadian equities delivered mixed

performance not only over the period but also across sectors. Information Technology and Health Care sectors stocks performed particularly well. The Materials sector posted a small gain, which also supported the S&P/TSX. However, the Financials sector declined slightly given weaker sales activity in the housing market and recent regulatory changes in mortgage financing.

An underweight position in the Information Technology sector, and overweight exposures to the Financials and Utilities sectors detracted from the Portfolio's performance. Individual detractors included Industrial Alliance Insurance and Financial Services Inc., Cineplex Inc. and Alimentation Couche-Tard Inc. The stock price of Industrial Alliance Insurance and Financial Services Inc. declined after the company had posted soft quarterly results. Meanwhile, Cineplex Inc. shares were down amid concerns over lower box office results and the slower growth in new initiatives. Alimentation Couche-Tard Inc. posted weaker-than-expected fuel margins in its core regions.

Underweight allocations to the Health Care and Telecommunication Services sectors contributed to the Portfolio's performance during the period. Top individual contributors included holdings in WSP Global Inc., Waste Connections Inc. and Suncor Energy Inc. WSP Global Inc.'s share price strength was the result of good financial results, positive forecasts and a steady stream of acquisitions. Waste Connections Inc. benefited from its continued delivery of above-

BMO Private Canadian Income Equity Portfolio

estimate results that were driven by strength in the waste industry and effective capital allocation. Suncor Energy Inc.'s stock rebounded amid a sharp recovery in oil pricing, which has driven free cash flow expectations higher.

The sub-advisor added a new holding in Shaw Communications Inc., one of the major cable companies in Canada operating primarily in Western Canada. In the sub-advisor's view, the company has the potential to disrupt the wireless market through its brand, Freedom Mobile. Shaw Communications Inc. has more financial flexibility than its peers, with lower debt levels and a balance sheet that appears ready to support future investments needed to grow its platforms. CCL Industries Inc. was also added to the Portfolio for its highly regarded management team, stable business, recurring revenue stream and steady cash flow generation. A new holding in Saputo Inc. was purchased as the sub-advisor is encouraged by the positive cheese volume growth, which indicates that the company is still gaining market share despite the depressed operating environment.

Existing holdings in Waste Connection Inc. and Rogers Communications Inc. were increased. Waste Connections Inc.'s focus on exclusive and secondary markets allows it to secure higher-margin contracts, which results in a recurring revenue stream, industry-leading earnings and high cash flow conversion. Rogers Communications Inc. makes approximately two-thirds of its earnings in the wireless segment, which is currently growing at above the industry average. Its chief executive officer has recently promised to emphasize efficiency gains and margin improvements.

BCE Inc., Cineplex Inc. and Metro Inc. were eliminated from the Portfolio during the period. While BCE Inc. continues to exhibit good wireless growth, approximately two-thirds of its business remains exposed to the wireline segment, which is facing a secular decline. Cineplex Inc. was sold given its box office declines, while Metro Inc. was eliminated as the result of increased competition and regulatory pressures with respect to pharmacy. Holdings in Sun Life Financial Inc. were trimmed after experiencing strong share price appreciation.

Benchmark Change

Effective January 1, 2018, the Portfolio's benchmark is changed to the S&P/TSX Composite Dividend Index from the S&P/TSX Composite Index, to better align with the Portfolio's investment mandate.

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

North American equity markets moved past the volatility earlier in the year with robust performance in the second quarter. In fact, Canadian equities rose to new all-time highs driven by a domestic economy that has been supported by stronger U.S. demand, ongoing oil price recovery, a low jobless rate and decent earnings growth. As a result of the strength in the domestic economic conditions, as well as inflation within the Bank of Canada's target range, the BoC raised interest rates for the fourth time over the past 12-month period. That said, the outlook for the Canadian equity market has become more uncertain with rising trade tensions and rising interest rates. Outside of these risks, the sub-advisor believes that the return expectation for domestic stocks remains positive but modest, driven in large part by earnings growth and dividend yield. The Canadian economy continues to be well supported and the risk of recession remains low given the fiscal policy backing and the cautious path to interest rate normalization that the BoC is navigating.

Reflecting this outlook, the Portfolio remains biased toward high-quality businesses in the Financials, Information Technology and Consumer-related sectors, which are able to grow free cash flow and dividend streams. The sub-advisor believes that investing in companies with less earnings variability and solid business models works to mitigate overall equity risk through the economic cycle. In the sub-advisor's view, the prospect of higher North American interest rates should not bring an end to the strong market for dividend stocks, which will likely remain attractive to investors searching for quality business models and yield.

BMO Private Canadian Income Equity Portfolio

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 (“BMO”), 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.

Brokerage Commissions

The Portfolio pays standard brokerage commissions at market rates to BMO Nesbitt Burns Inc., an affiliate of the Manager, for executing a portion of its trades. The brokerage commissions charged to the Portfolio during the periods were as follows:

	Period ended June 30, 2018 (\$000s)	Period ended June 30, 2017 (\$000s)
Total Brokerage Commissions	312	857
Brokerage Commissions paid to BMO Nesbitt Burns Inc.	33	118

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*

BMO Private Canadian Income Equity Portfolio

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	110	100

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 Income Equity Portfolio

Financial Highlights

The following tables show selected key financial information about the Portfolio and are intended to help you understand the Portfolio's financial performance for the periods indicated.

The Portfolio's Net Assets Per Unit ⁽¹⁾	Six months ended June 30, 2018	Years ended December 31				
		2017	2016	2015	2014	2013
Net assets, beginning of period	\$ 9.88	9.18	7.73	8.31	7.55	6.61
Increase (decrease) from operations:						
Total revenue	\$ 0.14	0.27	0.27	0.27	0.25	0.23
Total expenses ⁽²⁾	\$ (0.00)	(0.01)	(0.00)	(0.01)	(0.00)	(0.00)
Realized gains (losses) for the period	\$ 0.17	0.12	0.02	(0.00)	0.36	(0.01)
Unrealized gains (losses) for the period	\$ (0.43)	0.59	1.42	(0.60)	0.41	0.96
Total increase (decrease) from operations ⁽³⁾	\$ 0.12	0.97	1.71	(0.34)	1.02	1.18
Distributions:						
From income (excluding dividends)	\$ 0.01	0.01	—	—	—	0.00
From dividends	\$ 0.13	0.25	0.27	0.26	0.25	0.23
From capital gains	\$ —	—	—	—	—	—
Return of capital	\$ —	0.00	0.00	0.00	0.00	0.00
Total Annual Distributions ⁽⁴⁾	\$ 0.14	0.26	0.27	0.26	0.25	0.23
Net assets, end of period	\$ 9.63	9.88	9.18	7.73	8.31	7.55

⁽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⁾	\$ 2,109,729	2,263,548	1,912,373	1,489,622	1,381,291	1,177,790
Number of units outstanding (000s) ⁽¹⁾	218,971	229,098	208,325	192,646	166,286	156,070
Management expense ratio ⁽²⁾	% 0.02	0.02	0.03	0.03	0.03	0.03
Management expense ratio before waivers or management absorptions ⁽²⁾	% 0.14	0.13	0.14	0.14	0.14	0.16
Trading expense ratio ⁽³⁾	% 0.03	0.05	0.01	0.02	0.02	0.02
Portfolio turnover rate ⁽⁴⁾	% 8.41	21.30	1.95	1.73	9.20	4.06
Net asset value per unit	\$ 9.63	9.88	9.18	7.73	8.31	7.55

⁽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 investment manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Portfolio buying and selling all of the securities in its portfolio once in the course of the year. The higher a portfolio turnover rate in a year, the greater the trading costs payable by the portfolio in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a portfolio.

BMO Private Canadian Income Equity Portfolio

Past Performance

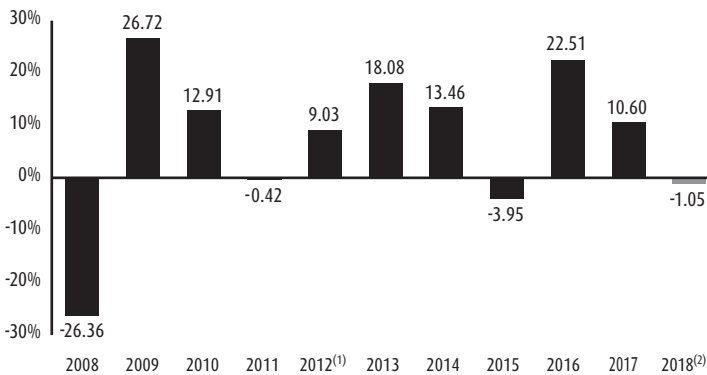
General

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

The performance information does not take into account sales, redemption, distribution or other optional charges that, if applicable, would have reduced returns or performance. Please remember, how the Portfolio has performed in the past does not necessarily indicate how it will perform in the future.

Year-by-Year Returns

The following bar chart shows the performance for each of the financial years 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.



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

⁽²⁾ For the six-month period ended June 30, 2018.

BMO Private Canadian Income Equity Portfolio

Summary of Investment Portfolio

as at June 30, 2018

Portfolio Allocation	% of Net Asset Value	Top 25 Holdings Issuer	% of Net Asset Value
Financials	39.1	Toronto-Dominion Bank, The,	7.8
Energy	19.2	Royal Bank of Canada	7.4
Industrials	10.5	Bank of Nova Scotia, The,	7.0
Materials	5.9	Canadian National Railway Company	5.8
Consumer Discretionary	5.8	Brookfield Asset Management Inc., Class A	5.2
Consumer Staples	5.6	Enbridge Inc.	4.8
Utilities	5.5	Suncor Energy Inc.	4.3
Cash/Receivables/Payables	3.0	Manulife Financial Corporation	4.2
Real Estate	2.7	Canadian Natural Resources Limited	4.1
Telecommunication Services	2.7	Waste Connections, Inc.	3.2
Total portfolio allocation	100.0	Dollarama Inc.	3.1
		Cash/Receivables/Payables	3.0
		Alimentation Couche-Tard Inc., Class B	2.9
		TransCanada Corporation	2.6
		Rogers Communications Inc., Class B	2.6
		Brookfield Infrastructure Partners L.P.	2.6
		Intact Financial Corporation	2.3
		Pembina Pipeline Corporation	2.0
		Industrial Alliance Insurance and Financial Services Inc.	1.8
		Canadian Western Bank	1.8
		Franco-Nevada Corporation	1.8
		Nutrien Ltd.	1.8
		Loblaw Companies Limited	1.7
		Fortis Inc.	1.7
		Restaurant Brands International Inc.	1.7
		Top holdings as a percentage of total net asset value	87.2
		Total Net Asset Value	\$2,109,729,458

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

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