

Semi-Annual Management Report of Fund Performance

BMO Private Canadian Short-Term Bond 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, 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 sub-advisor of BMO Private Canadian Short-Term Bond Portfolio (the "Portfolio").

Results of Operations

Over the six-month period ended June 30, 2018, the Portfolio returned 0.53%, after expenses. The Portfolio's benchmark is the FTSE TMX Canada Short Term Bond Index, which generated a 0.54% total return over the same six-month period.

After recovering from some of the January job losses, which could be partly attributed to a higher minimum wage in Ontario, the Canadian economy posted softer employment data in the second quarter of 2018. While the Canadian Manufacturing Purchasing Managers' Index pointed to improving manufacturing activity, the Bank of Canada (the "BoC") paused its interest rate increases after January amid escalating concerns over global trade. While North American Free Trade Agreement negotiations continued, the U.S. enacted steel and aluminum tariffs on a number of countries, including Canada. The Canadian yield curve flattened

as long-term interest rates fell and short-term interest rates rose. Recent economic data pointed to weaker-than-expected economic activity, including retail sales and consumer prices. Nevertheless, markets continued to expect an interest rate increase by the BoC in July. Overall, the Canadian short- and mid-term bond markets, as measured respectively by the FTSE TMX Canada Short Term Overall Bond Index and FTSE TMX Canada Mid Term Overall Bond Index, rose 0.5% and 0.3%, respectively. Canadian corporate bond spreads widened across all maturities as corporate bonds underperformed government debt.

Exposure to federal and agency government bonds detracted from the Portfolio's performance. Allocation to the Financials sector was another detractor from performance.

Allocation to shorter-term bonds overall contributed to the Portfolio's performance over the period, as did exposure to the corporate bonds. Exposure to the Industrials and Energy sectors also contributed to performance, as did allocation to BBB-rated corporate bonds.

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.

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Recent Developments

The sub-advisor believes that the BoC should continue to raise interest rates in 2018, but at a slower pace than the U.S. Federal Reserve Board. Canada's economy is still slightly underperforming as a result of growing trade war concerns globally, particularly with regard to its relations with the United States. The Canadian economy remains reliant on the price of oil and the stability of the housing market.

The sub-advisor believes that the Portfolio is well positioned for a rising interest rate environment as interest rate risk is diversified by its shorter duration (interest rate sensitivity) positioning. In the sub-advisor's view, the Portfolio's exposure to credit will likely provide some protection should interest rates continue to rise.

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.

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.

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Buying and Selling Securities

Investments in Bank of Montreal Debt Securities in the Secondary Market, Investing in Bank of Montreal Debt Securities in a Primary Offering, Related-Party Underwritings, Trading as Principal, and Conducting Inter-Fund Trades

During the period, the Manager relied on an approval and standing instruction provided by the Portfolio's IRC with respect to the following related party transactions:

- (a) investments in debt securities of BMO, an affiliate of the Manager, in the secondary market;
 - (b) investments in debt securities of BMO, an affiliate of the Manager, in a primary offering;
 - (c) investments in a class of non-government debt securities and/or equity securities of an issuer during the period of distribution of those securities to the public and/or the 60-day period following the distribution period where BMO Nesbitt Burns Inc., an affiliate of the Manager, acted as an underwriter in the distribution;
 - (d) trades in debt securities in the secondary market with BMO Nesbitt Burns Inc. who is trading with the Portfolio as principal; and
 - (e) inter-fund trades;
- (each, a "Related Party Transaction").

In accordance with the IRC's approval and standing instruction, in making a decision to cause the Portfolio to make a Related Party Transaction, the Manager and the sub-advisor of the Portfolio are required to comply with the Manager's written policies and procedures governing the Related Party Transaction and report periodically to the IRC, describing each instance that the Manager and/or the sub-advisor relied on the approval and standing instruction and their compliance or non-compliance with the governing policies and procedures. The governing policies and procedures are designed to ensure the Related Party Transaction (i) is made free from any influence of BMO, BMO Nesbitt Burns Inc. or an associate or affiliate of BMO and/or BMO Nesbitt Burns Inc. and without taking into account any considerations relevant to BMO, BMO Nesbitt Burns Inc. or an associate or affiliate of BMO and/or BMO Nesbitt Burns Inc., (ii) represents the

business judgment of the Manager and/or the sub-advisor, uninfluenced by considerations other than the best interests of the Portfolio, and (iii) achieves a fair and reasonable result for the Portfolio.

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	142	136

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	\$ 10.12	10.38	10.55	10.56	10.52	10.98
Increase (decrease) from operations:						
Total revenue	\$ 0.09	0.17	0.18	0.20	0.18	0.19
Total expenses ⁽²⁾	\$ (0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)
Realized gains (losses) for the period	\$ (0.04)	(0.03)	0.02	0.04	0.02	0.31
Unrealized gains (losses) for the period	\$ 0.00	(0.14)	(0.10)	0.03	0.11	(0.35)
Total increase (decrease) from operations ⁽³⁾	\$ 0.05	(0.00)	0.10	0.26	0.31	0.15
Distributions:						
From income (excluding dividends)	\$ 0.12	0.26	0.27	0.28	0.28	0.32
From dividends	\$ —	—	—	—	—	—
From capital gains	\$ —	—	—	—	—	0.25
Return of capital	\$ —	0.00	0.00	0.00	0.00	0.03
Total Annual Distributions ⁽⁴⁾	\$ 0.12	0.26	0.27	0.28	0.28	0.60
Net assets, end of period	\$ 10.05	10.12	10.38	10.55	10.56	10.52

⁽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⁾	\$ 2,104,843	2,308,722	2,668,824	2,698,527	2,537,808	2,023,678
Number of units outstanding (000s) ⁽¹⁾	209,412	228,095	257,104	255,804	240,355	192,280
Management expense ratio ⁽²⁾	% 0.03	0.02	0.02	0.02	0.03	0.03
Management expense ratio before waivers or management absorptions ⁽²⁾	% 0.15	0.13	0.14	0.14	0.14	0.16
Trading expense ratio ⁽³⁾	% —	—	—	—	—	—
Portfolio turnover rate ⁽⁴⁾	% 19.73	57.73	36.03	39.55	44.60	156.33
Net asset value per unit	\$ 10.05	10.12	10.38	10.55	10.56	10.52

⁽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. 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.

⁽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

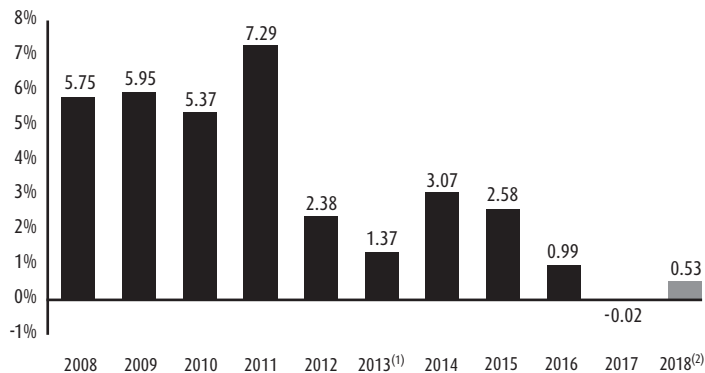
General

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 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 January 25, 2013, the Portfolio's investment strategies and benchmark were changed. Accordingly, the Portfolio's performance prior to this date would have been different under the current investment strategies and benchmark.

⁽²⁾ 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
Federal Bonds	47.5	Government of Canada, Unsecured, 1.500% Mar 1, 2020	3.3
Corporate Bonds & Debentures	32.1	Government of Canada, Unsecured, 0.750% Sep 1, 2020	3.3
Provincial Bonds	18.7	Canada Housing Trust, Mortgage Bonds, Series 48, Secured, 2.400% Dec 15, 2022	2.5
Asset-Backed Securities	0.9	Government of Canada, Series 1, 1.500% Jun 1, 2023	2.2
Cash/Receivables/Payables	0.5	Government of Canada, 3.500% Jun 1, 2020	2.2
Municipal Bonds	0.3	Government of Canada, Unsecured, 1.750% Sep 1, 2019	2.0
Total portfolio allocation	100.0	Government of Canada, 1.750% Mar 1, 2023	1.9
		Government of Canada, Unsecured, 0.750% Mar 1, 2021	1.9
		Government of Canada, Unsecured, 1.000% Sep 1, 2022	1.9
		Government of Canada, 3.250% Jun 1, 2021	1.9
		Government of Canada, 1.250% Nov 1, 2019	1.8
		Government of Canada, Unsecured, 0.500% Mar 1, 2022	1.8
		Government of Canada, Unsecured, 0.750% Sep 1, 2021	1.8
		Province of Ontario, 3.150% Jun 2, 2022	1.7
		Province of Ontario, 4.200% Jun 2, 2020	1.6
		Government of Canada, Unsecured, 0.750% Aug 1, 2019	1.6
		Province of Quebec, 4.250% Dec 1, 2021	1.5
		Canada Housing Trust, Mortgage Bonds, Series 68, Secured, 1.250% Dec 15, 2020	1.5
		Province of Ontario, Unsecured, 2.850% Jun 2, 2023	1.4
		Canada Housing Trust, Mortgage Bonds, Series 40, Secured, 3.800% Jun 15, 2021	1.4
		Province of Ontario, 4.000% Jun 2, 2021	1.4
		Government of Canada, 2.750% Jun 1, 2022	1.4
		Canada Housing Trust, Mortgage Bonds, Series 61, Secured, 2.000% Dec 15, 2019	1.3
		Province of Quebec, Unsecured, 3.500% Dec 1, 2022	1.3
		Canada Housing Trust, Mortgage Bonds, Series 71, Secured, 1.250% Jun 15, 2021	1.3
		Top holdings as a percentage of total net asset value	45.9
		Total Net Asset Value	\$2,104,842,632

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

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