

# Semi-Annual Management Report of Fund Performance

## BMO Private Canadian Bond Portfolio

(formerly, BMO Private Canadian Short-Mid Bond Portfolio)

For the period ended June 30, 2025

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](mailto: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.bmo.com/privatewealth/regulatory-documents/bpic/](http://www.bmo.com/privatewealth/regulatory-documents/bpic/) or SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). You may also contact us using one of these methods to request a copy of the Portfolio's interim financial report, 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 Bond Portfolio (the "Portfolio").*

*Fund Name, Investment Strategies and Benchmark Changes*  
Effective January 26, 2024, the Portfolio's investment strategies changed to permit the sub-advisor to select fixed income securities with a variety of investment maturities based on the interest rate outlook and to determine the best potential investments for the Portfolio by analyzing the credit ratings of various issuers. In conjunction with this change, the Portfolio's benchmark changed to the FTSE Canada Universe Bond Index (100%) from its previous benchmark, which was made up of the FTSE Canada Short Term Overall Bond Index (50%) and the Canada Mid Term Overall Bond Index (50%). In addition, the Portfolio's name changed from BMO Private Canadian Short-Mid Bond Portfolio to BMO Private Canadian Bond Portfolio.

## Results of Operations

Over the six-month period ended June 30, 2025, the Portfolio returned 1.41%, after expenses. The Portfolio's benchmark is the FTSE Canada Universe Bond Index, which generated a 1.44% total return over the same six-month period.

Canadian bonds posted modest gains over the period. The Bank of Canada (the "BoC") cut interest rates twice, in January and March, as inflation eased closer to its target. The yield curve steepened as short-term yields declined more sharply. Both government and corporate bonds rose, with corporate bonds outperforming on strong demand and resilient earnings in key sectors. Despite weaker growth and employment data, the bond market remained well supported by lower interest rates from the BoC.

The Portfolio's yield curve positioning detracted from performance in a volatile market environment. The Portfolio's tactical duration positioning (sensitivity to interest rates) also detracted from performance.

The Portfolio maintained an overweight allocation to corporate bonds, which contributed to performance as corporate bonds significantly outperformed government bonds during the period. This positioning also helped to keep the Portfolio's yield above that of the benchmark, which contributed materially to performance. The Portfolio held off-benchmark positions in Canadian and U.S. high-yield securities, which contributed to performance as these holdings outperformed.

# BMO Private Canadian Bond Portfolio

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New positions included a protective purchase in an investment-grade credit default swap index, which was purchased late in the period after credit spreads had narrowed significantly.

Increased positions included the Portfolio's allocation to off-benchmark high-yield securities.

*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

Canada's economy remains sluggish, with the manufacturing sector driving recent weakness in gross domestic product data. The BoC has indicated it is willing to support demand in defiance of U.S. tariffs and is closely monitoring the labour market for any signs of a slowdown. Nevertheless, lingering uncertainty about the future path of inflation has prompted the BoC to refrain from further interest-rate cuts for now. Meanwhile, the Canadian government has pledged higher fiscal spending in the years ahead while delaying its formal budget process. This has added marginal upward pressure on longer-term domestic bond yields.

The sub-advisor expects to keep the Portfolio's duration broadly in line with that of the benchmark, while being tactically opportunistic amid evolving market conditions.

The Trump administration's lack of clear objectives regarding trade policy creates ongoing uncertainty; however, investors' concerns about a potential recession have receded. Following the market rally, credit spreads in the corporate sector are expensive relative to historical levels, but fundamentals remain generally supportive of corporate credit. Furthermore, the sub-advisor views persistent tariffs at proposed levels as a risk to corporations' profits rather than their solvency. As a result, the sub-advisor will maintain the Portfolio's overweight exposure to the corporate sector, including selective high-yield credit, while emphasizing areas of the credit curve that offer the best yield enhancement and protection against any potential spread widening.

In January 2025, U.S. President Donald Trump was inaugurated. Subsequently, the U.S. government has made sweeping policy changes. These policy changes include both an increase in existing tariffs and the invocation of new tariffs on many countries, including Canada. In response, both domestic and global financial markets have reacted with increased volatility. As at the current date, President Trump's policy changes are continuously shifting. It is uncertain how long the market instability will continue and whether it will escalate further.

## 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.

### *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.

### *Buying and Selling Securities*

During the period, the Manager relied on Standing Instructions provided by the Portfolio's IRC for any of the following related party transactions that may have occurred in the Portfolio:

- (a) investments in securities issued by BMO, an affiliate of the Manager, or any other issuer related to the Manager;

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- (b) investments in a class of securities of an issuer during the distribution period of those securities or the 60-day period following the completion of the distribution where BMO Nesbitt Burns Inc., an affiliate of the Manager, or any other affiliate of the Manager acts as an underwriter in the distribution of those securities;
- (c) trades in over-the-counter debt securities in the secondary market with BMO Nesbitt Burns Inc., or any other affiliate of the Manager, acting as principal in the Canadian debt securities market; and
- (d) trades of a security of any issuer from or to, another investment fund managed by the Manager or an affiliate of the Manager or a managed account managed by an affiliate of the Manager

(each, a “Related Party Transaction”).

In accordance with the IRC’s Standing Instructions, 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 Standing Instructions and their compliance or non-compliance with the governing policies and procedures. The governing policies and procedures are designed to ensure that each 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. The IRC has reviewed the related party transactions described above and has provided an approval that each transaction 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, 2025 (\$000s)	Period ended June 30, 2024 (\$000s)
Unitholder Services	156	141

### 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 Bond 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		Years ended December 31			
	June 30, 2025	2024	2023	2022	2021	2020
Net assets, beginning of period	\$ 10.53	10.31	10.01	11.05	11.64	10.84
<b>Increase (decrease) from operations:</b>						
Total revenue	\$ 0.20	0.43	0.29	0.20	0.18	0.24
Total expenses <sup>(2)</sup>	\$ (0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Realized gains (losses) for the period	\$ 0.01	(0.01)	(0.30)	(0.50)	0.05	0.20
Unrealized gains (losses) for the period	\$ (0.06)	0.17	0.57	(0.49)	(0.46)	0.59
<b>Total increase (decrease) from operations <sup>(3)</sup></b>	<b>\$ 0.15</b>	<b>0.59</b>	<b>0.56</b>	<b>(0.79)</b>	<b>(0.23)</b>	<b>1.03</b>
<b>Distributions:</b>						
From income (excluding dividends)	\$ 0.20	0.38	0.26	0.25	0.25	0.27
From dividends	\$ —	—	—	—	—	—
From capital gains	\$ —	—	—	—	0.01	—
Return of capital	\$ —	0.00	0.01	0.00	0.00	0.00
<b>Total Annual Distributions <sup>(4)</sup></b>	<b>\$ 0.20</b>	<b>0.38</b>	<b>0.27</b>	<b>0.25</b>	<b>0.26</b>	<b>0.27</b>
<b>Net assets, end of period</b>	<b>\$ 10.48</b>	<b>10.53</b>	<b>10.31</b>	<b>10.01</b>	<b>11.05</b>	<b>11.64</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		Years ended December 31			
	June 30, 2025	2024	2023	2022	2021	2020
Total net asset value (000s) <sup>(1)</sup>	\$ 6,672,572	6,321,179	4,891,969	4,440,812	5,426,771	2,758,074
Number of units outstanding (000s) <sup>(1)</sup>	636,611	600,401	474,278	443,462	491,332	236,969
Management expense ratio <sup>(2)</sup>	% 0.02	0.02	0.02	0.02	0.02	0.03
Management expense ratio before waivers or management absorptions <sup>(2)</sup>	% 0.13	0.13	0.19	0.13	0.13	0.14
Trading expense ratio <sup>(3)</sup>	% 0.00	0.00	0.01	—	—	—
Portfolio turnover rate <sup>(4)</sup>	% 28.78	194.04	101.57	70.00	30.25	41.13
Net asset value per unit	\$ 10.48	10.53	10.31	10.01	11.05	11.64

<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.

<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.

# BMO Private Canadian Bond Portfolio

## Past Performance

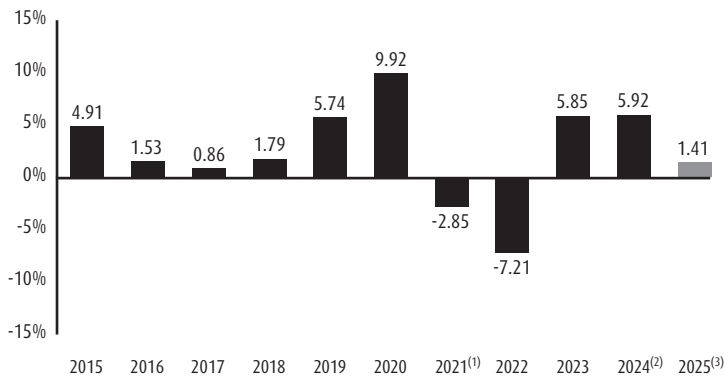
### General

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 reinvestment of distributions increases returns.

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 shown and for the six-month period ended June 30, 2025, 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> On July 9, 2021, BMO Private Canadian Short-Term Bond Portfolio merged into the Portfolio, which changed its name to BMO Private Canadian Short-Mid Bond Portfolio at the time of the merger.

<sup>(2)</sup> On January 26, 2024, the Portfolio's investment strategies were changed, and the Portfolio also changed its name to BMO Private Canadian Bond Portfolio. Accordingly, the Portfolio's performance prior to this date would have been different under the current investment strategies.

<sup>(3)</sup> For the six-month period ended June 30, 2025.

## BMO Private Canadian Bond Portfolio

### Summary of Investment Portfolio

as at June 30, 2025

Portfolio Allocation	% of Net Asset Value	Top 25 Holdings Issuer	% of Net Asset Value
Corporate Bonds & Debentures	52.12	<b>Long Positions</b>	
Provincial Bonds	25.52	Government of Canada, 2.750% Jun 1, 2033	0.88
Federal Bonds	20.46	Government of Canada, 2.750% Dec 1, 2048	0.86
Cash/Receivables/Payables	1.07	Province of British Columbia, Unsecured, 4.250% Dec 18, 2053	0.77
Municipal Bonds	0.43	Manulife Financial Corporation, Unsecured, Notes, Subordinated, Callable, 5.054% Feb 23, 2034	0.76
Money Market Investments	0.35	Canada Housing Trust, Mortgage Bonds, Series 101, Secured, 1.600% Dec 15, 2031	0.69
Supranational Bonds	0.12	Government of Canada, 3.250% Dec 1, 2033	0.66
Asset-Backed Securities	0.10	Toronto-Dominion Bank, The, Senior, Unsecured, Notes, Callable, 4.002% Oct 31, 2030	0.64
Credit Default Swaps	-0.17	Province of Ontario, Senior, Unsecured, 2.250% Dec 2, 2031	0.64
<b>Total portfolio allocation</b>	<b>100.00</b>	Government of Canada, 3.500% Dec 1, 2057	0.62
<b>Top 25 Holdings Issuer</b>	<b>% of Net Asset Value</b>	<b>Long positions as a percentage of total net asset value</b>	<b>32.55</b>
<b>Long Positions</b>		<b>Short Positions</b>	
Government of Canada, 3.250% Jun 1, 2035	4.41	Markit CDX North America Investment Grade Index, Series 44, Version 1, 1.000%, Jun 20, 2030	-0.17
Province of Ontario, Senior, Unsecured, Notes, 4.150% Dec 2, 2054	2.63	<b>Short positions as a percentage of total net asset value</b>	<b>-0.17</b>
Province of Ontario, Senior, Unsecured, 3.800% Dec 2, 2034	1.95	<b>Top holdings as a percentage of total net asset value</b>	<b>32.38</b>
Government of Canada, 3.500% Dec 1, 2045	1.94	<b>Total Net Asset Value</b>	<b>\$6,672,571,668</b>
Province of Ontario, Unsecured, 3.600% Jun 2, 2035	1.86		
Province of Quebec, Senior, Unsecured, Debentures, 4.400% Dec 1, 2055	1.82		
Government of Canada, 2.750% Dec 1, 2055	1.68		
Government of Canada, 4.000% Jun 1, 2041	1.31		
Province of Quebec, Senior, Unsecured, Notes, 3.250% Sep 1, 2032	1.21		
Canada Housing Trust, Mortgage Bonds, Series 107, Secured, 3.550% Sep 15, 2032	1.15		
Province of Ontario, Senior, Unsecured, Notes, 4.600% Dec 2, 2055	1.10		
Cash/Receivables/Payables	1.07		
Bank of Montreal, Senior, Unsecured, Callable, 4.537% Dec 18, 2028	1.05		
Bank of Nova Scotia, The, Senior, Unsecured, Notes, 2.950% Mar 8, 2027	1.02		
Province of Quebec, Unsecured, 3.500% Dec 1, 2045	0.94		
Province of Quebec, Senior, Unsecured, Notes, 3.600% Sep 1, 2033	0.89		

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



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