

# Semi-Annual Management Report of Fund Performance

## BMO Private Canadian Corporate Bond Portfolio

For the period ended June 30, 2024

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 Corporate Bond Portfolio (the “Portfolio”).*

### Results of Operations

Over the six-month period ended June 30, 2024, the Portfolio returned 2.00%, after expenses. The Portfolio's benchmark is a blend of 50% FTSE Canada Short Term Corporate Bond Index and 50% FTSE Canada Mid Term Corporate Bond Index, which generated a 1.85% total return over the same six-month period.

During the period, Canadian fixed income performance was muted. Canada's 10-year bond yield was volatile. Despite this volatility, the Canadian short-term debt market, as measured by the FTSE Canada Short Term Overall Bond Index, gained over the period. Conversely, the FTSE Canada Mid Term Overall Bond Index declined.

The Portfolio's exposure to short-duration bonds (typically less sensitive to interest rates) contributed to performance during the period, as did exposure to one-to-five-year corporate bonds. Allocations to the Energy and Financials sectors, as well as the securitization

segment were the largest individual contributors to the Portfolio's performance. Exposure to BBB-rated corporate bonds also contributed to performance.

Exposure to longer-duration bonds detracted from the Portfolio's performance. Allocations to mid-term bonds in the infrastructure sub-sector and the Communication Services sector also detracted from performance.

*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

#### *Proposed Fund Merger*

On September 13, 2024, the Portfolio will merge into BMO Private Canadian Bond Portfolio. The proposed merger is part of the Manager's strategy to streamline and simplify its line-up of fixed income product offerings. The Portfolio will be terminated effective September 13, 2024. Following completion of the merger, the Manager intends to wind up the Portfolio as soon as reasonably possible, and unitholders will become unitholders of units of BMO Private Canadian Bond Portfolio.

The sub-advisor believes that interest rates should continue to come down in both Canada and the United States, but there will likely be continued divergence of monetary policy between the two countries. The sub-advisor believes that the Bank of Canada will look to continue cutting interest rates for the remainder of 2024 and into 2025. In contrast, the U.S. Federal Reserve Board (the “Fed”) will likely be slower to cut interest



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rates due to persistent inflation and the upcoming U.S. presidential election. The Fed is expected to hold interest rates higher until the second half of 2024 and then should begin its own cutting cycle.

Duration should be a major driver of performance in the period ahead as interest rates come down. The sub-advisor believes that Canadian corporate bonds should perform well. The Portfolio should be well positioned for declining interest rates as it is positioned with exposure to the short and mid parts of the yield curve.

### 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;

(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.

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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:

	<b>Period ended June 30, 2024 (\$000s)</b>	<b>Period ended June 30, 2023 (\$000s)</b>
Unitholder Services	140	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.

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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 <sup>(1)</sup>	Six months ended		Years ended December 31			
	June 30, 2024	2023	2022	2021	2020	2019
Net assets, beginning of period	\$ 9.79	9.44	10.50	10.92	10.38	10.06
<b>Increase (decrease) from operations:</b>						
Total revenue	\$ 0.19	0.35	0.30	0.28	0.30	0.30
Total expenses <sup>(2)</sup>	\$ 0.00	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Realized gains (losses) for the period	\$ (0.36)	(0.20)	(0.18)	0.07	0.04	0.03
Unrealized gains (losses) for the period	\$ 0.29	0.53	(0.90)	(0.46)	0.51	0.30
<b>Total increase (decrease) from operations <sup>(3)</sup></b>	<b>\$ 0.12</b>	<b>0.68</b>	<b>(0.78)</b>	<b>(0.11)</b>	<b>0.85</b>	<b>0.63</b>
<b>Distributions:</b>						
From income (excluding dividends)	\$ 0.21	0.34	0.32	0.32	0.33	0.32
From dividends	\$ —	—	—	—	—	—
From capital gains	\$ —	—	—	—	—	—
Return of capital	\$ —	0.00	0.00	0.00	0.00	0.00
<b>Total Annual Distributions <sup>(4)</sup></b>	<b>\$ 0.21</b>	<b>0.34</b>	<b>0.32</b>	<b>0.32</b>	<b>0.33</b>	<b>0.32</b>
<b>Net assets, end of period</b>	<b>\$ 9.77</b>	<b>9.79</b>	<b>9.44</b>	<b>10.50</b>	<b>10.92</b>	<b>10.38</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, 2024	2023	2022	2021	2020	2019
Total net asset value (000s) <sup>(1)</sup>	\$ 767,274	1,445,602	1,491,158	1,846,117	1,921,263	1,809,172
Number of units outstanding (000s) <sup>(1)</sup>	78,547	147,605	158,044	175,849	175,930	174,259
Management expense ratio <sup>(2)</sup>	% 0.06	0.05	0.04	0.03	0.03	0.03
Management expense ratio before waivers or management absorptions <sup>(2)</sup>	% 0.17	0.16	0.15	0.14	0.14	0.14
Trading expense ratio <sup>(3)</sup>	% —	—	—	—	—	—
Portfolio turnover rate <sup>(4)</sup>	% 44.83	31.56	28.57	22.87	23.16	33.00
Net asset value per unit	\$ 9.77	9.79	9.44	10.50	10.92	10.38

<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.

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## Past Performance

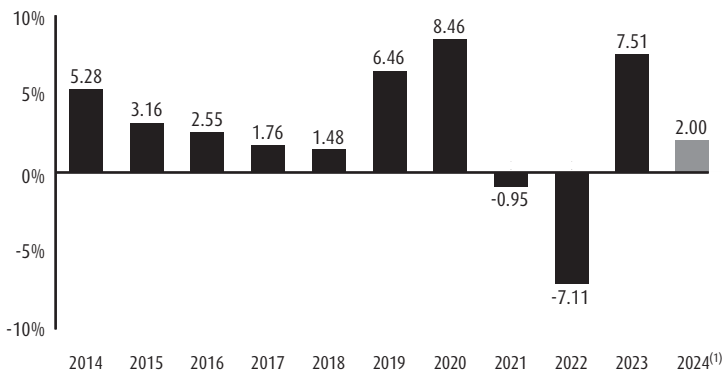
### General

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 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, 2024, 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, 2024.

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### Summary of Investment Portfolio

as at June 30, 2024

Portfolio Allocation	% of Net Asset Value	Top 25 Holdings Issuer	% of Net Asset Value
Corporate Bonds	54.7	Province of Ontario, Unsecured, Notes, 2.050% Jun 2, 2030	1.0
Provincial Bonds	24.5	Government of Canada, 3.250% Dec 1, 2033	0.9
Government Bonds	18.8	Government of Canada, 2.500% Dec 1, 2032	0.8
Asset-Backed Securities	1.2	Province of Quebec, Senior, Unsecured, Notes, 1.900% Sep 1, 2030	0.8
Cash/Receivables/Payables	0.8	Canada Housing Trust, Mortgage Bonds, Series 104, Secured, 2.150% Dec 15, 2031	0.8
<b>Total portfolio allocation</b>	<b>100.0</b>	Province of Quebec, Senior, Unsecured, Notes, 3.250% Sep 1, 2032	0.8
<b>Top 25 Holdings Issuer</b>	<b>% of Net Asset Value</b>	Province of Ontario, Unsecured, Notes, 2.150% Jun 2, 2031	0.8
Province of Ontario, Senior, Unsecured, Notes, 4.600% Dec 2, 2055	3.3	Province of Ontario, Senior, Unsecured, 2.250% Dec 2, 2031	0.8
Government of Canada, 2.750% Dec 1, 2055	2.3	Government of Canada, 2.750% Jun 1, 2033	0.8
Government of Canada, 3.500% Dec 1, 2045	2.0	Province of Ontario, Senior, Unsecured, 3.650% Jun 2, 2033	0.8
Province of Quebec, Senior, Unsecured, Debentures, 4.400% Dec 1, 2055	1.8	Cash/Receivables/Payables	0.8
Government of Canada, 3.000% Jun 1, 2034	1.7	Province of Alberta, Unsecured, 3.450% Dec 1, 2043	0.8
Province of Quebec, Senior, Unsecured, Notes, 3.600% Sep 1, 2033	1.1	<b>Top holdings as a percentage of total net asset value</b>	<b>29.3</b>
Canada Housing Trust, Mortgage Bonds, Series 107, Secured, 3.550% Sep 15, 2032	1.1	<b>Total Net Asset Value</b>	<b>\$767,273,981</b>
Canada Housing Trust, Mortgage Bonds, Series 112, Secured, 3.650% Jun 15, 2033	1.1		
Government of Canada, 1.750% Dec 1, 2053	1.0		
Government of Canada, 2.750% Dec 1, 2048	1.0		
Province of British Columbia, Unsecured, 4.250% Dec 18, 2053	1.0		
Province of Quebec, Unsecured, 3.500% Dec 1, 2045	1.0		
Canada Housing Trust, Mortgage Bonds, Series 92, Secured, 1.750% Jun 15, 2030	1.0		

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

**Manager**

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