

Semi-Annual Management Report of Fund Performance

BMO Private U.S. Special 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 William Blair Investment Management, LLC ("William Blair" or the "sub-advisor") as the sub-advisor of BMO Private U.S. Special Equity Portfolio (the "Portfolio").

Results of Operations

Over the six-month period ended June 30, 2018, the Portfolio returned 16.25% in C\$ (11.35% in US\$), after expenses. The Portfolio's benchmark is the Russell 2500 Growth Index, which generated a 13.40% total return in C\$ (8.04% in US\$) over the same six-month period.

After robust equity market performance in January, inflationary fears arose, which caused increased market volatility and led most major equity indices to retreat. While companies generally reported strong financial results for the prior quarter and economic data was mostly positive, trade tensions and building inflationary pressures weighed on returns during the first quarter of 2018.

Growth-style equity indices were strongly positive in the second quarter as volatility moderated from elevated first-quarter levels, supported by a healthy U.S. economy. Retail spending rebounded, housing starts increased and manufacturing activity remained robust despite an appreciating U.S. dollar. In addition,

consumer and business confidence remained elevated. With unemployment reaching 3.8%, its lowest level since 2000, and core inflation just over 2%, the U.S. Federal Reserve Board (the "Fed") announced its second interest rate increase of 2018 and communicated expectations for two more before the end of 2018.

With the addition of a positive tax impact, U.S. corporations generally posted robust earnings growth. Corporations in the S&P 500 Index ("S&P 500") reported first-quarter earnings growth of approximately 25%, as compared to the same period in the prior year, with over 80% of companies in the S&P 500 topping investor expectations. However, trade tensions between the United States and China were a focus of investors over the course of the quarter, and as more countries became involved, anxiety grew that tariffs could potentially escalate into a trade war.

The Portfolio outperformed its benchmark largely as a result of stock selection, notably in the Health Care and Industrials sectors, and its bias toward companies with higher and more sustainable growth. In the Health Care sector, the two top contributors to performance were ABIOMED Inc. and Ligand Pharmaceuticals Inc. ABIOMED Inc.'s stock outperformed as the company reported two quarters of strong patient utilization results, while Ligand Pharmaceuticals Inc. benefited from the company's reported royalty and milestone revenues, which significantly exceeded expectations. Other top performers in the Portfolio included Copart Inc., CoStar Group Inc. and Domino's Pizza Inc.

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Stock selection in the Information Technology sector detracted from performance, most notably in the Portfolio's holdings in Rogers Corp., Maxlinear Inc. and Coherent Inc. Advanced materials company Rogers Corp. saw its stock decline after disappointing results and near-term forecasts, as operational challenges and strong product demand against limited manufacturing capacity and rising raw material costs dampened the company's margins. Other notable detractors from the Portfolio's performance were LendingTree Inc. and The Middleby Corp. LendingTree Inc., which provides targeted online marketing, underperformed amid decreased optimism for its mortgage business.

The sub-advisor introduced a number of new positions to the Portfolio, including Pure Storage Inc., Healthcare Services Group Inc., GoDaddy Inc., Catalent Inc. and Floor & Decor Holdings Inc. Existing holdings of Martin Marietta Materials Inc., Encompass Health Corp., Hexcel Corp., Rogers Corp. and Coherent Inc. were increased.

Positions in Worldpay Group Inc., Maximus Inc., Take-Two Interactive Software Inc., The Michaels Companies Inc. and ABIOMED Inc. were eliminated from the Portfolio, while Domino's Pizza Inc., WEX Inc., Copart Inc., 2U Inc. and Guidewire Software Inc. were trimmed.

Risk Rating Change

The risks associated with an investment in the Portfolio remain as disclosed in the Portfolio's most recent simplified prospectus or any amendments and fund facts. Effective May 4, 2018, the risk rating of the Portfolio was reduced from "High" to "Medium to High" to better align with the Portfolio's risk level. The investment objectives, investment strategies and management of the Portfolio did not change as a result of this risk rating change.

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

Despite the Fed raising interest rates and the potential for a global trade war, optimism still persists across consumers, businesses and investors. While the Fed has signalled more increases, interest rates still remain low. A trade war would clearly be negative for global economic activity, while continued uncertainty around the ultimate outcome of the proposed tariffs could also

disrupt business planning and dampen overall productivity. However, the impact of fiscal stimulus in the form of lower corporate tax rates has largely overwhelmed trade concerns thus far. One early benefit of U.S. corporate tax reform has been an increase in U.S. capital expenditures, which, according to the sub-advisor, has the potential to boost productivity and create jobs longer term. In addition, the current U.S. administration has been aggressive in reducing regulation on businesses, which could be a continued benefit for companies.

Broadly speaking, corporate earnings trends and forecasts are reflective of the strong economy. The sub-advisor's focus remains on identifying companies with attractive growth opportunities, independent of the economic backdrop. The sub-advisor believes that companies with durable growth drivers, whose stocks present compelling risk/reward opportunities, should enable the Portfolio to outperform over the long run.

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

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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 William Blair to provide investment advice and make investment decisions for the Portfolio’s investment portfolio. William Blair receives a sub-advisory fee based on assets under management, which is paid quarterly. William Blair is paid by BPIC, and BPIC charges a portion of the sub-advisory fee as an expense to the Portfolio.

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	72	191
Brokerage Commissions paid to BMO Nesbitt Burns Inc.	—	0

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	71	62

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	2017	2016	2015	2014	2013
Net assets, beginning of period	\$ 10.09	8.42	8.26	7.60	7.10	4.68
Increase (decrease) from operations:						
Total revenue	\$ 0.03	0.06	0.08	0.09	0.07	0.03
Total expenses ⁽²⁾	\$ (0.04)	(0.08)	(0.07)	(0.08)	(0.11)	(0.08)
Realized gains (losses) for the period	\$ 0.99	1.50	(0.47)	0.68	0.63	0.79
Unrealized gains (losses) for the period	\$ 0.68	0.22	0.10	(0.12)	0.03	1.57
Total increase (decrease) from operations ⁽³⁾	\$ 1.66	1.70	(0.36)	0.57	0.62	2.31
Distributions:						
From income (excluding dividends)	\$ —	—	—	—	—	—
From dividends	\$ —	—	0.03	0.03	0.15	—
From capital gains	\$ —	—	—	—	—	—
Return of capital	\$ —	—	0.00	0.00	0.00	—
Total Annual Distributions ⁽⁴⁾	\$ —	—	0.03	0.03	0.15	—
Net assets, end of period	\$ 11.73	10.09	8.42	8.26	7.60	7.10

⁽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	2017	2016	2015	2014	2013
Total net asset value (000s) ⁽¹⁾	\$ 282,955	260,060	192,131	277,161	197,017	165,458
Number of units outstanding (000s) ⁽¹⁾	24,116	25,787	22,823	33,575	25,940	23,291
Management expense ratio ⁽²⁾	%	0.65	0.72	0.63	0.58	0.64
Management expense ratio before waivers or management absorptions ⁽²⁾	%	0.84	0.86	0.79	0.75	0.81
Trading expense ratio ⁽³⁾	%	0.05	0.11	0.18	0.22	0.39
Portfolio turnover rate ⁽⁴⁾	%	36.95	133.04	61.48	73.11	92.65
Net asset value per unit	\$ 11.73	10.09	8.42	8.26	7.60	7.10

⁽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

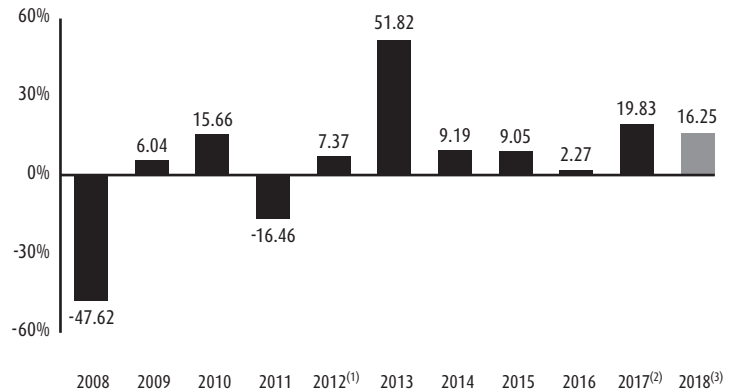
The Portfolio's performance information assumes that all distributions made by the Portfolio in the periods shown were reinvested in additional units of the Portfolio and is based on the net asset value of the Portfolio.

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.

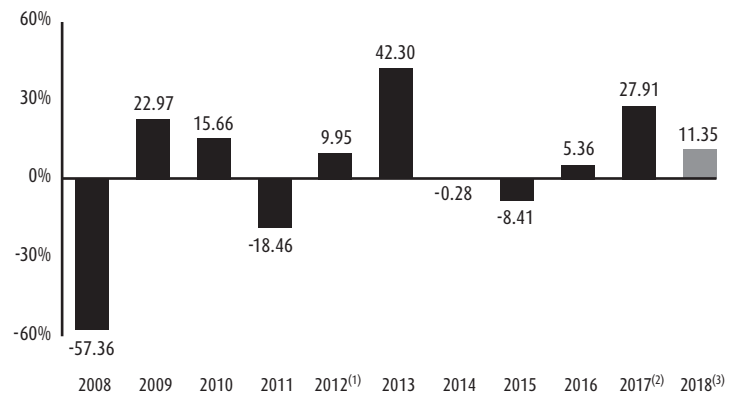
Year-by-Year Returns

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. Special Equity Portfolio (C\$)



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



⁽¹⁾ On October 26, 2012, the Portfolio's investment objectives, investment strategies, sub-advisor and benchmark were changed. Accordingly, the Portfolio's performance prior to this date would have been different under the current investment objective, investment strategies, sub-advisor and benchmark.

⁽²⁾ On January 16, 2017, the Portfolio's sub-advisor and benchmark were changed. Accordingly, the Portfolio's performance prior to this date would have been different under the current sub-advisor and benchmark.

⁽³⁾ 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
United States	94.6	CoStar Group, Inc.	3.1
Canada	2.8	Copart, Inc.	3.0
Cash/Receivables/Payables	1.7	BWX Technologies, Inc.	2.6
Israel	0.9	TransUnion	2.3
Total portfolio allocation	100.0	Encompass Health Corporation	2.3
		Martin Marietta Materials, Inc.	2.3
		Ligand Pharmaceuticals Incorporated	2.3
		Six Flags Entertainment Corporation	2.2
		Booz Allen Hamilton Holding Corporation	2.1
		Adtalem Global Education Inc.	1.9
		Hexcel Corporation	1.9
		Domino's Pizza, Inc.	1.9
		Live Nation, Inc.	1.9
		Pure Storage, Inc., Class A	1.8
		Cash/Receivables/Payables	1.7
		Ball Corporation	1.7
		Grand Canyon Education, Inc.	1.7
		HEICO Corporation, Class A	1.7
		FirstCash, Inc.	1.7
		DexCom, Inc.	1.6
		Celanese Corporation, Series A	1.6
		Teledyne Technologies Incorporated	1.6
		Veeva Systems Inc., Class A	1.6
		Horizon Pharma Plc	1.5
		Healthcare Services Group, Inc.	1.5
		Total holdings as a percentage of total net asset value	49.5
		Total Net Asset Value	\$282,954,737

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

Manager

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