Annual Financial Statements

BMO Private Portfolios

December 31, 2018

BMO Private Canadian Special Equity Portfolio

BMO Wealth Management
BMO Private Banking

Independent Auditor's Report

To the Unitholders and Trustee of

BMO Private Canadian Money Market Portfolio
BMO Private Canadian Special Equity Portfolio
BMO Private U.S. Equity Portfolio
BMO Private International Equity Portfolio
BMO Private U.S. Growth Equity Portfolio
BMO Private Canadian Income Equity Portfolio
BMO Private Canadian Short-Term Bond Portfolio
BMO Private Canadian Core Equity Portfolio
BMO Private Canadian Mid-Term Bond Portfolio
BMO Private Canadian Corporate Bond Portfolio
BMO Private Diversified Yield Portfolio
BMO Private Emerging Markets Equity Portfolio
BMO Private U.S. Special Equity Portfolio

(collectively the Portfolios, individually the Portfolio)

Our opinion

In our opinion, the accompanying financial statements of each of the Portfolios present fairly, in all material respects, the financial position of each Portfolio as at December 31, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board (IFRS).

What we have audited

The financial statements of each of the Portfolios comprise:

- the statements of financial position as at December 31, 2018 and 2017;
- the statements of comprehensive income for the years then ended;
- the statements of changes in net assets attributable to holders of redeemable units for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements section* of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of each of the Portfolios in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information of each of the Portfolios. The other information comprises the Annual Management Report of Fund Performance of each of the Portfolios.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of each of the Portfolios, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of each of the Portfolios or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of each of the Portfolios in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of each of the Portfolios to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate any of the Portfolios or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of each of the Portfolios.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole for each Portfolio are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements of each of the Portfolios.

Independent Auditor's Report

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of each of the Portfolios, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of each of the Portfolios.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of each of the Portfolios to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements of each of the Portfolios or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause any of the Portfolios to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of each of the Portfolios, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario

March 22, 2019

STATEMENT OF FINANCIAL POSITION
(All amounts in thousands of Canadian dollars, except per unit data)

As at	December 31 2018	December 31 2017
Assets		
Current Assets		
Cash	1,785	1,751
Investments		
Non-derivative financial assets	253,109	270,066
Receivable for investments sold	9	—
Subscriptions receivable	45	42
Dividends receivable	533	362
Distribution receivable from investment trusts	38	31
Total assets	255,519	272,252
Liabilities		
Current Liabilities		
Redemptions payable	56	57
Accrued expenses	42	41
Total liabilities	98	98
Net assets attributable to holders of redeemable units	255,421	272,154
Net assets attributable to holders of redeemable units per unit	**$ 62.17**	**$ 74.68**

The accompanying notes are an integral part of these financial statements.

BMO Private Canadian Special Equity Portfolio

STATEMENT OF COMPREHENSIVE INCOME
(All amounts in thousands of Canadian dollars, except per unit data)

For the periods ended	December 31 2018	December 31 2017
Income		
Interest income	155	76
Dividend income	4,055	3,296
Distributions received from investment trusts	311	294
Other changes in fair value of investments and derivatives		
Net realized gain	2,094	11,081
Change in unrealized (depreciation) appreciation	(49,892)	7,424
Net (loss) gain in fair value of investments and derivatives	(43,277)	22,171
Foreign exchange gain (loss)	296	(20)
Total other income (loss)	296	(20)
Total (loss) income	(42,981)	22,151
Expenses		
Sub-advisory fees	332	316
Audit fees	4	5
Independent review committee fees	1	1
Custodian fees	11	16
Interest expense	—	0
Legal and filing fees	22	21
Unitholder servicing fees	190	178
Printing and stationery fees	5	4
Commissions and other portfolio transaction costs (note 6)	386	773
Operating expenses absorbed by the Manager	(332)	(316)
Total expenses	619	998
(Decrease) increase in net assets attributable to holders of redeemable units	(43,600)	21,153
(Decrease) increase in net assets attributable to holders of redeemable units per unit (note 8)	(10.90)	5.40

The accompanying notes are an integral part of these financial statements.

BMO Private Canadian Special Equity Portfolio

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS
(All amounts in thousands of Canadian dollars)

For the periods ended	December 31 2018	December 31 2017
Net assets attributable to holders of redeemable units at beginning of period	272,154	287,520
(Decrease) increase in net assets attributable to holders of redeemable units	(43,600)	21,153
Distributions to holders of redeemable units		
From net investment income	(3,986)	(3,472)
From net realized gains on investments and derivatives	(2,008)	—
Return of capital	(20)	(17)
Total distributions paid to holders of redeemable units	(6,014)	(3,489)
Redeemable unit transactions		
Proceeds from redeemable units issued	79,541	38,563
Reinvestments of distributions to holders of redeemable units	5,861	3,395
Redemption of redeemable units	(52,521)	(74,988)
Net increase (decrease) from redeemable unit transactions	32,881	(33,030)
Net decrease in net assets attributable to holders of redeemable units	(16,733)	(15,366)
Net assets attributable to holders of redeemable units at end of period	255,421	272,154

The accompanying notes are an integral part of these financial statements.

BMO Private Canadian Special Equity Portfolio

STATEMENT OF CASH FLOWS
(All amounts in thousands of Canadian dollars)

For the periods ended	December 31 2018	December 31 2017
Cash flows from operating activities		
(Decrease) increase in net assets attributable to holders of redeemable units	(43,600)	21,153
Adjustments for:		
Foreign exchange (gain) loss on cash	(84)	13
Net realized gain on sale of investments and derivatives	(2,094)	(11,081)
Change in unrealized depreciation (appreciation) of investments and derivatives	49,892	(7,424)
Increase in dividends receivable	(171)	(32)
Increase in distribution receivable from investment trusts	(7)	(15)
Increase in accrued interest on money market investments	(15)	(1)
Increase in accrued expenses	1	6
Return of capital distributions received	199	154
Non-cash dividends	—	(169)
Purchases of investments	(167,305)	(183,525)
Proceeds from sale and maturity of investments	136,271	218,954
Net cash from operating activities	(26,913)	38,033
Cash flows from financing activities		
Distributions paid to holders of redeemable units, net of reinvested distributions	(153)	(95)
Proceeds from issuances of redeemable units	79,538	38,560
Amounts paid on redemption of redeemable units	(52,522)	(74,996)
Net cash from financing activities	26,863	(36,531)
Foreign exchange gain (loss) on cash	84	(13)
Net (decrease) increase in cash	(50)	1,502
Cash at beginning of period	1,751	262
Cash at end of period	1,785	1,751
Supplementary Information		
Interest received, net of withholding taxes*	140	75
Dividends received, net of withholding taxes*	3,884	3,095
Distributions received from investment trusts, net of withholding taxes*	503	433
Interest expense paid*	—	0

*These items are from operating activities

The accompanying notes are an integral part of these financial statements.

BMO Private Canadian Special Equity Portfolio

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2018 (All amounts in thousands of Canadian dollars, unless otherwise noted)

Security	Par Value (in thousands)	Cost ($)	Fair Value ($)
Money Market Investments — 3.9%			
Federal — 3.9%			
Government of Canada, Treasury Bills, 1.592% Jan 10, 2019	1,000	996	1,000
Government of Canada, Treasury Bills, 1.598% Jan 10, 2019	1,000	996	1,000
Government of Canada, Treasury Bills, 1.636% Jan 10, 2019	700	698	700
Government of Canada, Treasury Bills, 1.679% Jan 10, 2019	1,000	1,000	999
Government of Canada, Treasury Bills, 1.717% Feb 7, 2019	2,000	1,991	1,996
Government of Canada, Treasury Bills, 1.703% Feb 7, 2019	1,000	996	998
Government of Canada, Treasury Bills, 1.682% Feb 7, 2019	750	747	749
Government of Canada, Treasury Bills, 1.659% Mar 7, 2019	1,000	996	997
Government of Canada, Treasury Bills, 1.662% Apr 4, 2019	1,500	1,492	1,494
		9,912	9,933
Total Money Market Investments — 3.9%		**9,912**	**9,933**

Security	Number of Shares or Units	Cost⁺ ($)	Fair Value ($)
Equities			
Communication Services — 2.4%			
Kew Media Group Inc.	173,900	1,725	875
Kew Media Group Inc., Warrants, Jul 25, 2021	136,700	13	68
Stingray Group Inc.	773,600	5,782	5,222
		7,520	6,165
Consumer Discretionary — 6.3%			
BuildDirect.com Technologies Inc.*	719,400	4,127	—
Diversified Royalty Corp.	1,027,200	2,884	2,907
Park Lawn Corporation	300,600	6,366	6,932
Real Matters Inc.	897,900	7,687	2,963
Spin Master Corporation	82,800	2,648	3,179
		23,712	15,981
Consumer Staples — 2.2%			
GreenSpace Brands Inc.	518,700	740	197
Premium Brands Holdings Corporation	71,900	7,329	5,382
		8,069	5,579
Energy — 13.3%			
ARC Resources Ltd.	340,700	4,330	2,760
CES Energy Solutions Corp.	947,300	5,085	2,984
Enerflex Ltd.	452,100	6,818	7,224
Kelt Exploration Ltd.	376,700	2,618	1,748
Parex Resources Inc.	383,300	6,371	6,267
Parkland Fuel Corporation	191,300	4,693	6,760
Storm Resources Ltd.	1,848,300	6,847	3,216
TORC Oil & Gas Ltd.	665,200	4,330	2,907
		41,092	33,866
Financials — 2.9%			
Alignvest Acquisition II Corporation, Warrants, Jul 4, 2022	80,800	16	32
Canadian Western Bank	189,900	5,366	4,945
Canopy Rivers Inc.	214,500	751	659

SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)
As at December 31, 2018 (All amounts in thousands of Canadian dollars, unless otherwise noted)

Security	Number of Shares or Units	Cost+ ($)	Fair Value ($)
Trisura Group Ltd.	46,700	1,263	1,219
Westaim Corp., The,	251,300	789	648
		8,185	7,503
Health Care — 2.3%			
Knight Therapeutics Inc.	759,000	5,600	5,837
		5,600	5,837
Industrials — 22.4%			
ATS Automation Tooling Systems Inc.	164,100	2,723	2,361
Badger Daylighting Ltd.	81,800	2,421	2,638
Boyd Group Income Fund	94,400	5,016	10,663
Brookfield Business Partners L.P.	230,708	7,848	9,593
Cargojet Inc.	44,200	2,099	3,129
Hardwoods Distribution Inc.	147,700	2,277	1,623
K-Bro Linen Inc.	92,400	3,546	3,090
Morneau Shepell Inc.	248,700	6,195	6,227
NFI Group Inc.	201,900	8,538	6,873
People Corporation	1,239,800	5,410	9,032
Savaria Corporation	161,800	2,688	2,113
		48,761	57,342
Information Technology — 8.8%			
Descartes Systems Group Inc., The,	170,856	3,298	6,156
Kinaxis Inc.	63,900	2,265	4,211
Photon Control Inc.	617,700	1,283	673
Solium Capital Inc.	481,282	3,498	5,674
Sylogist Ltd.	352,100	2,788	4,405
TECSYS Inc.	114,200	1,798	1,412
		14,930	22,531
Materials — 16.0%			
AirBoss of America Corp.	306,661	3,892	2,631
Altius Minerals Corporation	256,800	3,491	2,776
B2Gold Corp.	1,209,700	4,149	4,827
Endeavour Mining Corporation	59,600	1,320	1,331
Ero Copper Corp.	514,200	3,638	5,044
Interfor Corporation	208,400	3,966	3,005
Neo Performance Materials Inc.	81,525	1,362	1,256
Osisko Gold Royalties Ltd.	218,700	3,093	2,618
SSR Mining Inc.	13,500	218	223
Stelco Holdings Inc.	172,300	3,298	2,595
Western Forest Products Inc.	1,030,400	2,120	1,947
Winpak Ltd.	264,200	11,773	12,616
		42,320	40,869
Real Estate — 16.2%			
Altus Group Limited	422,800	11,066	10,008
FirstService Corporation	59,400	3,518	5,565
Slate Retail REIT	345,600	4,608	4,061
StorageVault Canada Inc.	4,221,700	7,455	10,005
Tricon Capital Group Inc.	1,199,700	10,261	11,625
		36,908	41,264

SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at December 31, 2018 (All amounts in thousands of Canadian dollars, unless otherwise noted)

Security	Number of Shares or Units	Cost+ ($)	Fair Value ($)
Utilities — 2.4%			
Boralex Inc., Class A	370,500	7,082	6,239
		7,082	6,239
Total Equities — 95.2%		**244,179**	**243,176**
Total Investment Portfolio — 99.1%		**254,091**	**253,109**
Other Assets Less Liabilities — 0.9%			**2,312**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS — 100.0%			**255,421**

+ Where applicable, distributions received from holdings as a return of capital are used to reduce the adjusted cost base of the securities in the portfolio.

** These securities have no quoted market value and are valued using valuation techniques (note 3).*

Annual Financial Statements
(All amounts in thousands of Canadian dollars, except per unit data)
December 31, 2018

1.The Portfolio

BMO Private Canadian Special Equity Portfolio ("the Portfolio") is an open-ended mutual fund trust established by a Declaration of Trust under the laws of the Province of Ontario, most recently amended on July 8, 2016. BMO Private Investment Counsel Inc. ("the Manager") is the Manager of the Portfolio. The address of the Portfolio's registered office is 1 First Canadian Place, 41st Floor, Toronto, Ontario, M5X 1A1.

The Statement of Financial Position and related notes of each of the Portfolios are as at December 31, 2018 and December 31, 2017. The Statement of Comprehensive Income, Statement of Changes in Net Assets Attributable to Holders of Redeemable Units, Statement of Cash Flows and related notes are for the periods ended December 31, 2018 and December 31, 2017.

These financial statements were authorized for issuance by the Board of Directors of the Manager on March 7, 2019.

2.Basis of preparation and presentation

These audited financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

3.Summary of significant accounting policies

Financial instruments

Investments include financial assets and financial liabilities such as equity and debt securities, investment funds and derivatives. These financial instruments are part of a group of financial instruments that are managed and their performance is evaluated on a fair value basis in accordance with the Portfolio's investment strategy.

The Portfolio classifies and measures financial instruments in accordance with IFRS 9 Financial Instruments ("IFRS 9"). Upon initial recognition, financial instruments are recorded at fair value. A financial instrument is recognized when the Portfolio becomes a party to the contractual requirements of the instrument and is derecognized when the right to receive cash flows from the instrument has expired or the Portfolio has transferred substantially all risks and rewards of ownership. As such, investment purchase and sale transactions are recorded as of the trade date. Investments and derivatives are subsequently measured as fair value through profit or loss ("FVTPL") with changes in fair value recognized in the Statement of Comprehensive Income as "Change in unrealized appreciation (depreciation)".

All financial assets and financial liabilities are recognized in the Statement of Financial Position.

The Portfolio's outstanding redeemable units, which are puttable instruments, are entitled to a contractual obligation of annual distribution of any net income and net realized capital gains by the Portfolio. This annual distribution can be in cash at the option of the unitholders, and therefore the ongoing redemption feature is not the redeemable units' only contractual obligation. Consequently, the units of the Portfolio do not meet the conditions to be classified as equity and therefore are classified as financial liabilities and presented at the redemption amounts.

Cost of investments

The cost of investments represents the amount paid for each security and is determined on an average cost basis and excludes commissions and other portfolio transaction costs, which are reported separately in the Statement of Comprehensive Income. Realized gains and losses on disposition are determined based on the cost of the investments.

Fair value measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For exchange-traded securities, close prices are considered to be fair value if they fall within the bid-ask spread. In circumstances where the close price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

Procedures are in place to fair value daily equities traded in countries outside of North America, to avoid stale prices and to take into account among other things, any significant events occurring after the close of a foreign market.

For bonds, debentures, asset-backed securities and other debt securities, fair value is represented by bid prices provided by independent security pricing services. Short-term investments, if any, are held at amortized cost which approximates fair value.

Mutual fund units held as investments are valued at their respective Net Asset Value ("NAV") on each

Annual Financial Statements (cont'd)
(All amounts in thousands of Canadian dollars, except per unit data)
December 31, 2018

Valuation Date (the "Valuation Date" is each day on which the Toronto Stock Exchange is open for trading), as these values are the most readily and regularly available.

The Portfolio may enter into forward currency contracts for hedging purposes, either directly or indirectly or for non-hedging purposes. The fair value of forward currency contracts entered into by the Portfolio is recorded as the difference between the fair value of the contract on the Valuation Date and the fair value on the date the contract originated.

Unlisted warrants, if any, are valued based on a pricing model which considers factors such as the market value of the underlying security, strike price and terms of the warrant.

For securities where market quotes are not available, unreliable or not considered to reflect the current value, the Manager may determine another value which it considers to be fair and reasonable, or use a valuation technique that, to the extent possible, makes maximum use of inputs and assumptions based on observable market data including volatility, comparable companies, NAV (for exchange-traded funds) and other applicable rates or prices. These estimation techniques include discounted cash flows, internal models that utilize observable data or comparisons with other securities that are substantially similar. In limited circumstances, the Manager may use internal models where the inputs are not based on observable market data.

Cash

Cash is comprised of cash and deposits with banks which include bankers' acceptances and overnight demand deposits. The carrying amount of cash approximates its fair value because it is short-term in nature.

Other assets and other liabilities

Other assets and other liabilities generally include receivables and payables relating to investment transactions, unitholder subscriptions and redemptions, and other assets and other liabilities that are initially recorded at fair value. These financial assets and financial liabilities are short-term in nature and are subsequently measured at amortized cost, which approximates their fair value.

Investments in subsidiaries, joint ventures and associates

Subsidiaries are entities over which the Portfolio has control through its exposure or rights to variable returns from its investment and has the ability to affect those returns through its power over the entity. The Manager has determined that the Portfolio is an investment entity and as such, it accounts for subsidiaries, if any, at fair value. Joint ventures are investments where the Portfolio exercises joint control through an agreement with other shareholders, and associates are investments in which the Portfolio exerts significant influence over operating, investing, and financing decisions (such as entities in which the Portfolio owns 20% - 50% of voting shares), all of which, if any, have been classified at FVTPL.

Unconsolidated structured entities

The Manager has determined that the underlying funds in which the Portfolio may invest are unconsolidated structured entities. This determination is based on the fact that decision making about the underlying funds is not governed by the voting right or other similar right held by the Portfolio. Similarly, investments in securitizations, asset-backed securities and mortgage-backed securities are determined to be interests in unconsolidated structured entities.

The Portfolio may invest in underlying funds whose investment objectives range from achieving short-term to long-term income and capital growth potential. Underlying funds may use leverage in a manner consistent with their respective investment objectives and as permitted by Canadian securities regulatory authorities. Underlying funds finance their operations by issuing redeemable units which are puttable at the holders' option and entitles the holder to a proportionate stake in the respective fund's Net Assets. The change in fair value of each of the underlying funds during the periods is included in "Change in unrealized appreciation (depreciation)" in the Statement of Comprehensive Income.

Mortgage-related securities are created from pools of residential or commercial mortgage loans, including mortgage loans made by savings and loan institutions, mortgage bankers, commercial banks and others. Asset-backed securities are created from many types of assets, including auto loans, credit card receivables, home equity loans, and student loans.

The Portfolio does not provide and has not committed to providing any additional significant financial or other support to the unconsolidated structured entities other than its investment in the unconsolidated structured entities.

Additional information on the Portfolio's interest in unconsolidated structured entities, where applicable, is provided in Note 8.

Offsetting of financial assets and financial liabilities

Financial instruments are presented at net or gross amounts on the Statement of Financial Position depending on the existence of intention and legal right to offset opposite positions of such instruments held with the same counterparties. Amounts offset in the Statement of Financial Position are transactions for which the Portfolio has legally enforceable rights to offset and intends to settle the positions on a net basis. Amounts not offset in the Statement of Financial Position relate to transactions where a master netting arrangement or similar agreement is in place with a right to offset only in the event of default, insolvency or bankruptcy, or where the Portfolio has no intention of settling on a net basis. There were no master netting agreements during the periods.

Income recognition

Dividend income and distributions received from investment trusts are recognized on the ex-dividend and ex-distribution date, respectively.

Interest income from interest bearing investments is recognized in the Statement of Comprehensive Income using the effective interest rate. Interest receivable shown in the Statement of Financial Position is accrued based on the interest bearing investments' stated rates of interest.

Interest on inflation-indexed bonds is paid based on a principal value, which is adjusted for inflation. The inflation adjustment of the principal value is recognized as part of interest income in the Statement of Comprehensive Income. If held to maturity, the Portfolio will receive, in addition to a coupon interest payment, a final payment equal to the sum of the par value and the inflation compensation accrued from the original issue date. Interest is accrued on each Valuation Date based on the inflation adjusted par value at that time and is included in "Interest income" in the Statement of Comprehensive Income.

Foreign currency translation

The fair value of investments and other assets and liabilities in foreign currencies are translated into the Portfolio's functional currency at the rates of exchange prevailing at the period-end date. Purchases and sales of investments, and income and expenses are translated at the rates of exchange prevailing on the respective dates of such transactions. Realized foreign exchange gains (losses) on completed transactions are included in "Net realized gain (loss)"in the Statement of Comprehensive Income and unrealized foreign exchange gains (losses) are included in "Change in unrealized appreciation (depreciation)" in the Statement of Comprehensive Income. Foreign exchange gains (losses) relating to cash, receivables and payables are included in "Foreign exchange gain (loss)" in the Statement of Comprehensive Income.

Securities lending

A Portfolio may engage in securities lending pursuant to the terms of an agreement with BNY Mellon (the "security lending agent"). The aggregate market value of all securities loaned by the Portfolio cannot exceed 50% of the NAV of the Portfolio. The Portfolio will receive collateral of at least 102% of the value of securities on loan. Collateral will generally be comprised of obligations of or guarantee by the Government of Canada or a province thereof, or by the United States government or its agencies, but it may include obligations of other governments with appropriate credit ratings. Further, the program entered into provides for 100% indemnification by the securities lending agent and parties related to the Portfolio's custodian, to the Portfolio for the defaults by borrowers.

For those Portfolios participating in the program, aggregate values of securities on loan and the collateral held as at December 31, 2018 and December 31, 2017 are disclosed in Note 8, where applicable.

Income from securities lending, where applicable, is included in the Statement of Comprehensive Income and is recognized when earned. The breakdown of the securities lending income is disclosed in Note 8, where applicable.

Short-term trading penalty

To discourage excessive trading, the Portfolio may, at the Manager's sole discretion, charge a short-term trading penalty. This penalty is paid directly to the Portfolio and is included in "Short-term trading penalty fees" in the Statement of Comprehensive Income.

Increase or decrease in net assets attributable to holders of redeemable units per unit

"Increase (decrease) in net assets attributable to holders of redeemable units per unit" in the Statement of Comprehensive Income represents the increase (decrease) in net assets attributable to holders of redeemable units ("Net Assets") divided by the weighted average number of units outstanding during the period. Refer to Note 8 for details.

Taxation

The Portfolio qualifies as a unit trust under the provisions of the Income Tax Act (Canada). Distributions of all net taxable income and sufficient amounts of net realized capital gains for each taxation year will be paid to unitholders so that the Portfolio will not be subject to income tax. As a result, the Portfolio has determined that it is in substance not taxable and therefore does not record income taxes in the Statement of Comprehensive Income nor does it recognize any deferred tax assets or liabilities in the Statement of Financial Position.

The Portfolio may incur withholding taxes imposed by certain countries on investment income and capital gains. Such income and capital gains are recorded on a gross basis with the related withholding taxes shown as a separate expense in the Statement of Comprehensive Income.

4.Critical accounting judgements and estimates

The preparation of financial statements requires the use of judgement in applying the Portfolio's accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgements and estimates that the Portfolio has made in preparing its financial statements.

Accounting judgements:

Functional and presentation currency

The Portfolio's unitholders are mainly Canadian residents, with the subscriptions and redemptions of the redeemable units denominated in Canadian dollars. The Portfolio invests in Canadian and U.S. dollars and other foreign denominated securities, as applicable. The performance of the Portfolio is measured and reported to the investors in Canadian dollars. The Manager considers the Canadian dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Canadian dollars, which is the Portfolio's functional and presentation currency.

Classification and measurement of investment portfolio

Effective January 1, 2018, the Portfolio retrospectively adopted IFRS 9. The new standard requires assets to be carried at either amortized cost, FVTPL, or fair value through other comprehensive income ("FVOCI"), based on an assessment of the Portfolio's business model for managing financial instruments and the contractual cash flow characteristics of the financial assets. In classifying and measuring financial instruments held by the Portfolio, the Manager is required to make significant judgements 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. The collection of principal and interest is incidental to the fair value business model. Further information related to the Portfolio's transition to IFRS 9 is detailed in Note 9.

Accounting estimates:

Fair value measurement of securities not quoted in an active market

The Portfolio has established policies and control procedures that are intended to ensure these estimates are well controlled, independently reviewed, and consistently applied from period to period. The estimates of the value of the Portfolio's assets and liabilities are believed to be appropriate as at the reporting date.

The Portfolio may hold financial instruments that are not quoted in active markets. Note 3 discusses the policies used by the Portfolio for the estimates used in determining fair value.

5.Units and unit transactions

The redeemable units of the Portfolio are classified as financial liabilities. The units have no par value and are entitled to distributions, if any. Upon redemption, a unit is entitled to a proportionate share of the Portfolio's NAV. The Portfolio is required to pay distributions in an amount not less than the amount necessary to ensure the Portfolio will not be liable for income taxes on realized capital gains, dividends and interest. The Portfolio has no restrictions or specific capital requirements on the subscriptions and redemptions of units except as disclosed in Note 8. The relevant movements in redeemable units are shown in the Statement of Changes in Net Assets Attributable to Holders of Redeemable Units. In accordance with its investment objectives and strategies, and the risk management practices outlined in Note 7, the Portfolio endeavours to invest the subscriptions received in appropriate investments, while maintaining sufficient liquidity to meet redemptions, with such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

Redeemable units of the Portfolio are offered for sale on a continuous basis and may be purchased or redeemed on any Valuation Date at the NAV per unit. The NAV per unit for the purposes of subscription or redemption is computed by dividing the NAV of the Portfolio (that is, the total assets less the liabilities) by the total number of units of the Portfolio outstanding at such time on each Valuation Date, in accordance with Part 14 of National Instruments ("NI") 81-106 Investment Fund Continuous Disclosure for the purpose of unitholder transactions. Net Assets are determined in accordance with IFRS and may differ to the Portfolio's NAV. Where the Portfolio's NAV is not equal to its Net Assets, a reconciliation is shown in Note 8.

6.Related party transactions

(a) Management fees

The Manager is responsible for the day-to-day management of the Portfolio, including managing or arranging for the management of the Portfolio's investment portfolio as well as providing and arranging for the provision of administrative services to the Portfolio such as valuation services, fund accounting and unitholder records. The Manager does not receive a fee from the Portfolio for its services. Instead, unitholders pay an investment management fee directly to BMO Trust Company and the Manager as arranged between the unitholder, BMO Trust Company and the Manager.

(b) Unitholder servicing, sub-advisory commissions and other portfolio transaction costs

The Portfolio is provided with certain facilities and services by affiliates of the Manager. Expenses incurred in the administration of the Portfolio were paid to BMO Trust Company ("the Trustee") and to BMO Asset Management Inc. ("the Registrar") and charged to the Portfolio. These expenses are included in "Unitholder servicing fees" in the Statement of Comprehensive Income.

The sub-advisors (including affiliates of the Manager, where applicable) engaged by the Manager provide investment advice and make investment decisions for the Portfolio's investment portfolio. For these services the sub-advisors receive sub-advisory fees. These fees are paid monthly by the Manager on behalf of the Portfolio. These expenses are included in "Sub-advisory fees" in the Statement of Comprehensive Income. Any sub-advisory fees less than or equal to 0.15% of the NAV of the Portfolio are absorbed by the Manager.

(c) Portfolio expenses

The Portfolio also pays certain operating expenses directly, including compensation and expenses payable to Independent Review Committee ("IRC") members and any independent counsel or other advisors employed by the IRC, the costs of the orientation and continuing education of IRC members and the costs and expenses associated with IRC meetings.

(d) Commissions and other portfolio transaction costs

The Portfolio may execute trades with and through BMO Nesbitt Burns Inc., an affiliate of the Manager based on established standard brokerage agreements at market prices. These fees are included in "Commissions and other portfolio transaction costs" in the Statement of Comprehensive Income. Refer to Note 8 for related party fees charged to the Portfolio during the periods ended December 31, 2018 and December 31, 2017.

(e) Other related party transactions

From time to time, the Manager may on behalf of the Portfolio, enter into transactions or arrangements with or involving subsidiaries and affiliates of Bank of Montreal, or certain other persons or companies that are related or connected to the Manager of the Portfolio. These transactions or arrangements may include transactions or arrangements with or involving subsidiaries and affiliates of Bank of Montreal, BMO Asset Management Inc., BMO Trust Company, BMO Nesbitt Burns Inc., BMO InvestorLine Inc., BMO Private Investment Counsel Inc., BMO Asset Management Corp., Pyrford International Limited, or other investment funds offered by Bank of Montreal, and may involve the purchase or sale of portfolio securities through or from subsidiaries or affiliates of Bank of Montreal, the purchase or sale of securities issued or guaranteed by subsidiaries or affiliates of Bank of Montreal, entering into forward contracts with subsidiaries or affiliates of Bank of Montreal acting as counterparty, the purchase or redemption of units of other Bank of Montreal affiliated investment funds or the provision of services to the Manager.

7.Financial instruments risks

The Portfolio's activities expose it to a variety of risks associated with the financial instruments, as follows: market risk (including currency risk, interest rate risk and other market risk), credit risk and liquidity risk. The concentration table groups securities by asset type, geographic location and/or market segment. The Portfolio's risk management practice outlines the monitoring of compliance to investment guidelines.

The Manager manages the potential effects of these financial risks on the Portfolio's performance by employing and overseeing professional and experienced portfolio managers that regularly monitor the Portfolio's positions, market events and diversify investment portfolios within the constraints of the investment guidelines.

(a) Currency risk

Currency risk is the risk that the fair value of financial instruments denominated in currencies, other than the functional currency of the Portfolio, will fluctuate due to changes in foreign exchange rates. Investments in foreign markets are exposed to currency risk as the prices denominated in foreign currencies are converted to the Portfolio's functional currency in determining fair value. The Portfolio may enter into forward currency contracts for hedging purposes to reduce foreign currency exposure or to establish exposure to foreign currencies. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk. However, the Manager monitors the exposure on all foreign currency denominated assets and liabilities. The Portfolio's exposure to currency risk, if any, is further disclosed in Note 8.

(b) Interest rate risk

Interest rate risk is the risk that the cash flow or fair value of the Portfolio's interest bearing investments will fluctuate due to changes in market interest rates. The Portfolio's exposure to interest rate risk is concentrated in its investment in debt securities (such as bonds, money market investments, short-term investments and debentures) and interest rate derivative instruments, if any. Other assets and liabilities are short-term in nature and/or non-interest bearing. The Portfolio's exposure to interest rate risk, if any, is further discussed in Note 8.

(c) Other market risk

Other market risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market. Other assets and liabilities are monetary items that are short-term in nature, as such they are not subject to other market risk. The Portfolio's exposure to other market risk, if any, is further discussed in Note 8.

(d) Credit risk

Credit risk is the risk that a loss could arise from a security issuer or counterparty to a financial instrument not being able to meet its financial obligations. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. Credit risk exposure for over-the-counter derivative instruments is based on the Portfolio's unrealized gain of the contractual obligations with the counterparty as at the reporting date. The credit exposure of other assets is represented by its carrying amount. The Portfolio's exposure to credit risk, if any, is further discussed in Note 8.

The Portfolio may enter into securities lending transactions with approved counterparties. Credit risk associated with these transactions is considered minimal as all counterparties have a sufficient approved credit rating and the market value of collateral held by the Portfolio must be at least 102% of the fair value of securities loaned, as disclosed in Note 8, where applicable.

(e) Liquidity risk

The Portfolio's exposure to liquidity risk is concentrated in the daily cash redemptions of units, and other liabilities. The Portfolio primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Portfolio retains sufficient cash positions to maintain liquidity. The Portfolio may, from time to time, enter into over-the-counter derivative contracts or invest in unlisted securities, which are not traded in an organized market and may be illiquid. Securities for which a market quotation could not be obtained and may be illiquid are identified in the Schedule of Investment Portfolio. The proportion of illiquid securities to the NAV of the Portfolio is monitored by the Manager to ensure it does not exceed the regulatory limit and does not significantly affect the liquidity required to meet the Portfolio's financial obligations.

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(All amounts in thousands of Canadian dollars, except per unit data)
December 31, 2018

8. Portfolio specific information

(a) Portfolio information and change in units

The Portfolio's inception date was May 15, 1997.

The number of units that have been issued and are outstanding are disclosed in the table below.

For the periods ended (in thousands of units)	Dec. 31, 2018	Dec. 31, 2017
Units issued and outstanding, beginning of period	3,644	4,103
Issued for cash	1,106	539
Issued on reinvestment of distributions	95	47
Redeemed during the period	(737)	(1,045)
Units issued and outstanding, end of period	4,108	3,644

(b) Reconciliation of NAV to Net Assets

As at December 31, 2018 and December 31, 2017, there were no differences between the Portfolio's NAV per unit and its Net Assets per unit calculated in accordance with IFRS.

(c) Increase (decrease) in net assets attributable to holders of redeemable units per unit

The increase (decrease) in net assets attributable to holders of redeemable units per unit for the periods ended December 31, 2018 and December 31, 2017 is calculated as follows:

For the periods ended	Dec. 31, 2018	Dec. 31, 2017
(Decrease) increase in net assets attributable to holders of redeemable units	(43,600)	21,153
Weighted average units outstanding during the period (in thousands of units)	4,000	3,914
(Decrease) increase in net assets attributable to holders of redeemable units per unit	**(10.90)**	**5.40**

(d) Income taxes

As at the tax year-ended December 2018, there were no capital and non-capital losses carried forward.

(e) Related party transactions

Unitholder servicing

The related party fees charged for unitholder servicing fees are as follows:

For the periods ended	Dec. 31, 2018	Dec. 31, 2017
Unitholder servicing ($)	139	122

Brokerage commissions and soft dollars

Brokerage commissions paid (excluding transaction costs) on security transactions and amounts paid to related parties of the Manager for brokerage services provided to the Portfolio for the periods are as follows:

For the periods ended	Dec. 31, 2018	Dec. 31, 2017
Total brokerage amounts paid ($)	386	773
Total brokerage amounts paid to related parties ($)	17	16

The Manager may select brokers who charge a commission in "soft dollars" if they determine in good faith that the commission is reasonable in relation to the order execution and research services utilized.

There were no ascertainable soft dollars paid or payable to dealers by the Portfolio during the periods.

(f) Financial instruments risks

The Portfolio's objective is to provide an above average capital growth over the long term by investing in small and mid-sized Canadian companies whose shares are listed on a Canadian stock exchange.

No changes affecting the overall level of risk of investing in the Portfolio were made during the period.

Currency risk

As at December 31, 2018 and December 31, 2017, the Portfolio did not have any significant exposure to currency risk.

Interest rate risk

As at December 31, 2018 and December 31, 2017, the Portfolio did not have any significant exposure to interest rate risk.

Other market risk

The Portfolio has a significant exposure to other market risk arising from its investment in equity securities. Using historical correlation between the Portfolio's return and the return of its benchmark, if the benchmark, BMO Capital Markets Small Cap Index, had increased or decreased by 10%, with all other variables held constant, the Net Assets of the Portfolio would have increased or decreased, respectively, by $14,675 (December 31, 2017 — $15,239). Historical correlation may not be representative of future correlation, and accordingly, actual results may differ and the difference could be material.

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(All amounts in thousands of Canadian dollars, except per unit data)
December 31, 2018

Credit risk

As at December 31, 2018 and December 31, 2017, Portfolio did not have any significant exposure to credit risk.

Securities lending

There were no assets involved in securities lending transactions as at December 31, 2018 and December 31, 2017.

Concentration risk

The Portfolio's concentration risk is summarized in the following table:

As at	Dec. 31, 2018	Dec. 31, 2017
Money Market Investments		
Federal	3.9%	2.8%
Equities		
Communication Services	2.4%	—%
Consumer Discretionary	6.3%	9.2%
Consumer Staples	2.2%	1.7%
Energy	13.3%	17.6%
Financials	2.9%	7.1%
Health Care	2.3%	2.7%
Industrials	22.4%	17.8%
Information Technology	8.8%	10.5%
Materials	16.0%	14.4%
Real Estate	16.2%	13.5%
Utilities	2.4%	1.9%
Other Assets Less Liabilities	0.9%	0.8%
	100.0%	**100.0%**

(g) Fair value hierarchy

The Portfolio classifies its financial instruments into three levels based on the inputs used to value the financial instruments. Level 1 securities are valued based on quoted prices in active markets for identical securities. Level 2 securities are valued based on significant observable market inputs, such as quoted prices from similar securities and quoted prices in inactive markets or based on observable inputs to models. Level 3 securities are valued based on significant unobservable inputs that reflect the Manager's determination of assumptions that market participants might reasonably use in valuing the securities. The tables below show the relevant disclosure.

As at Dec. 31, 2018

Financial assets	Level 1	Level 2	Level 3	Total
Equity Securities	243,176	—	—	243,176
Debt Securities	—	9,933	—	9,933
Total	**243,176**	**9,933**	**—**	**253,109**

As at Dec. 31, 2017

Financial assets	Level 1	Level 2	Level 3	Total
Equity Securities	261,365	1,106	—	262,471
Debt Securities	—	7,595	—	7,595
Total	**261,365**	**8,701**	**—**	**270,066**

Transfers between levels

Transfers are made between the various fair value hierarchy levels due to changes in the availability of quoted market prices or observable inputs due to changing market conditions.

During the period from January 1, 2018 to December 31, 2018, there were no transfers between the levels.

During the period from January 1, 2017 to December 31, 2017, $3,880 of equity securities were transferred from Level 3 to Level 1 due to increased availability of quoted prices in the active market.

Changes in Level 3 Fair Value Measurements

Level 3 additional disclosures:

The level 3 position held in the Portfolio filed for creditor protection during the period. Based on a report by the court approved monitor and significant unobservable inputs used in the valuation of the level 3 position, the Manager determined the fair value of the level 3 position to be nil.

9. IFRS 9 transition

Upon transition to IFRS 9, financial assets and financial liabilities in the Portfolio's investment portfolio were classified as FVTPL. The classification for financial assets and financial liabilities differs from the classification under the previous IAS 39. However, there were no changes in the measurement attributes for any of the financial assets and financial liabilities upon transition to IFRS 9. The tables below show the reconciliation of the financial assets and financial liabilities balances as at January 1, 2018, the IFRS 9 transition date.

Annual Financial Statements (cont'd)

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As at Jan. 1, 2018 Financial Assets	Held for Trading	Designated as FVTPL	Loans and Receivables**	FVTPL
Opening balance - under IAS 39	—	270,066	435	—
On the basis of change from IAS 39 to IFRS 9:				
- reclassification of investments to FVTPL*	—	(270,066)	—	270,066
Total change on transition to IFRS 9	**—**	**(270,066)**	**—**	**270,066**
Opening balance - under IFRS 9	**—**	**—**	**435**	**270,066**

* These are financial instruments (including derivatives) classified as held for trading and others designated as FVTPL under IAS 39.
** These are other financial assets classified as loans and receivables under IAS 39, now classified as amortized cost under IFRS 9.

As at Jan. 1, 2018 Financial Liabilities	Held for Trading	Amortized Cost**	FVTPL
Opening balance - under IAS 39	—	98	—
On the basis of change from IAS 39 to IFRS 9:			
- reclassification of securities sold short and derivatives*	—	—	—
Total change on transition to IFRS 9	**—**	**—**	**—**
Opening balance - under IFRS 9	**—**	**98**	**—**

* These are financial liabilities (such as securities sold short and derivatives) classified as held for trading under IAS 39.
** These were classified as other financial liabilities under IAS 39, now classified as amortized cost under IFRS 9.

Management's Responsibility for Financial Reporting

The accompanying financial statements have been prepared by management of BMO Private Investment Counsel Inc. Management is responsible for the information and representations contained in these financial statements.

Management has maintained appropriate processes to ensure that relevant and reliable information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and include certain amounts that are based on estimates and judgements. The significant accounting policies which management believes are appropriate for the Portfolio are described in Note 3 of the financial statements. The Trustee (BMO Trust Company) is responsible for reviewing and approving the financial statements and overseeing management's performance of its financial reporting responsibilities. The Trustee reviews the financial statements of the Portfolios, adequacy of the internal controls, the audit process and financial reporting with management and external auditor.

PricewaterhouseCoopers LLP is the external auditor of the Portfolios. The auditor has been appointed by Board of the Manager and of the Trustees and cannot be changed without the prior approval for the Independent Review Committee and 60 days notice to the Unitholders. They have audited the financial statements in accordance with generally accepted auditing standards in Canada to enable them to express to the unitholders and trustee their opinion on the financial statements. Their report is included as an integral part of the financial statements.

Bruce Ferman
President and Chief Executive Officer
BMO Private Investment Counsel Inc.
March 7, 2019

Robert J. Schauer
Chief Financial Officer
BMO Private Portfolios
March 7, 2019

Manager
BMO Private Investment Counsel Inc.
1 First Canadian Place
100 King Street West, 41st Floor
Toronto, Ontario M5X 1A1

Trustee
BMO Trust Company
1 First Canadian Place
100 King Street West, 41st Floor
Toronto, Ontario M5X 1A1

Independent Auditor
PricewaterhouseCoopers LLP
PwC Tower
18 York Street, Suite 2600
Toronto, Ontario M5J 0B2

www.bmoprivatebanking.com
For more information please call 1-855-852-1026

BMO Wealth Management
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