

# Annual Financial Statements

BMO Private Portfolios

December 31, 2018

**BMO Private Canadian Short-Term Bond Portfolio**

# Independent Auditor's Report

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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)*

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## 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.

# Independent Auditor's Report

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## **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

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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

## BMO Private Canadian Short-Term Bond Portfolio

### STATEMENT OF FINANCIAL POSITION

*(All amounts in thousands of Canadian dollars, except per unit data)*

As at	December 31 2018	December 31 2017
<b>Assets</b>		
<b>Current Assets</b>		
Cash	550	2,772
Investments		
Non-derivative financial assets	2,023,387	2,298,285
Subscriptions receivable	2,156	1,659
Interest receivable	9,287	10,197
<b>Total assets</b>	<b>2,035,380</b>	<b>2,312,913</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Payable for investments purchased	—	3,065
Redemptions payable	1,134	994
Accrued expenses	117	132
<b>Total liabilities</b>	<b>1,251</b>	<b>4,191</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>2,034,129</b>	<b>2,308,722</b>
<b>Net assets attributable to holders of redeemable units per unit</b>	<b>\$ 10.06</b>	<b>\$ 10.12</b>

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

## BMO Private Canadian Short-Term Bond 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
<b>Income</b>		
Interest income	37,748	47,801
Other changes in fair value of investments and derivatives		
Net realized loss	(14,882)	(8,713)
Change in unrealized appreciation (depreciation)	15,473	(39,201)
Net gain (loss) in fair value of investments and derivatives	38,339	(113)
Securities lending (note 8)	337	471
Foreign exchange gain	0	0
Total other income	337	471
<b>Total income</b>	38,676	358
<b>Expenses</b>		
Sub-advisory fees	2,378	3,326
Audit fees	11	18
Independent review committee fees	4	8
Withholding taxes	2	1
Custodian fees	25	38
Legal and filing fees	159	120
Unitholder servicing fees	469	493
Printing and stationery fees	14	15
Operating expenses absorbed by the Manager	(2,378)	(3,326)
<b>Total expenses</b>	684	693
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>	37,992	(335)
<b>Increase (decrease) in net assets attributable to holders of redeemable units per unit (note 8)</b>	0.18	(0.00)

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

## BMO Private Canadian Short-Term Bond Portfolio

### STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

*(All amounts in thousands of Canadian dollars)*

<b>For the periods ended</b>	<b>December 31 2018</b>	<b>December 31 2017</b>
<b>Net assets attributable to holders of redeemable units at beginning of period</b>	2,308,722	2,668,824
Increase (decrease) in net assets attributable to holders of redeemable units	37,992	(335)
<b>Distributions to holders of redeemable units</b>		
From net investment income	(51,492)	(74,046)
Return of capital	(227)	(370)
<b>Total distributions paid to holders of redeemable units</b>	(51,719)	(74,416)
<b>Redeemable unit transactions</b>		
Proceeds from redeemable units issued	401,338	1,151,364
Reinvestments of distributions to holders of redeemable units	49,491	71,332
Redemption of redeemable units	(711,695)	(1,508,047)
<b>Net decrease from redeemable unit transactions</b>	(260,866)	(285,351)
<b>Net decrease in net assets attributable to holders of redeemable units</b>	(274,593)	(360,102)
<b>Net assets attributable to holders of redeemable units at end of period</b>	2,034,129	2,308,722

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

## BMO Private Canadian Short-Term Bond Portfolio

### STATEMENT OF CASH FLOWS

(All amounts in thousands of Canadian dollars)

For the periods ended	December 31 2018	December 31 2017
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	37,992	(335)
Adjustments for:		
Foreign exchange gain on cash	(0)	—
Net realized loss on sale of investments and derivatives	14,882	8,713
Change in unrealized (appreciation) depreciation of investments and derivatives	(15,473)	39,201
Decrease in interest receivable	910	2,879
(Decrease) increase in accrued expenses	(15)	17
Amortization of premium and discount	13,765	26,025
Purchases of investments	(877,743)	(1,707,681)
Proceeds from sale and maturity of investments	1,136,402	1,975,475
<b>Net cash from operating activities</b>	<b>310,720</b>	<b>344,294</b>
<b>Cash flows from financing activities</b>		
Distributions paid to holders of redeemable units, net of reinvested distributions	(2,228)	(3,084)
Proceeds from issuances of redeemable units	400,841	1,153,835
Amounts paid on redemption of redeemable units	(711,555)	(1,508,235)
<b>Net cash from financing activities</b>	<b>(312,942)</b>	<b>(357,484)</b>
Foreign exchange loss on cash	0	—
Net decrease in cash	(2,222)	(13,190)
Cash at beginning of period	2,772	15,962
<b>Cash at end of period</b>	<b>550</b>	<b>2,772</b>
<b>Supplementary Information</b>		
Interest received, net of withholding taxes*	52,423	76,705

\*These items are from operating activities

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



## BMO Private Canadian Short-Term Bond 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 (\$)
<b>Bonds &amp; Debentures</b>			
<i>Federal Bonds — 48.3%</i>			
Canada Housing Trust, Mortgage Bonds, Series 30, Secured, 3.750% Mar 15, 2020	19,500	19,992	19,925
Canada Housing Trust, Mortgage Bonds, Series 64, Secured, 1.200% Jun 15, 2020	15,000	14,971	14,846
Canada Housing Trust, Mortgage Bonds, Series 66, Secured, 1.450% Jun 15, 2020	13,900	13,892	13,807
Canada Housing Trust, Mortgage Bonds, Series 68, Secured, 1.250% Dec 15, 2020	28,750	28,673	28,349
Canada Housing Trust, Mortgage Bonds, Series 36, Secured, 3.350% Dec 15, 2020	13,000	13,520	13,337
Canada Housing Trust, Mortgage Bonds, Series 71, Secured, 1.250% Jun 15, 2021	28,250	28,304	27,714
Canada Housing Trust, Mortgage Bonds, Series 40, Secured, 3.800% Jun 15, 2021	28,234	30,027	29,409
Canada Housing Trust, Mortgage Bonds, Series 75, Secured, 1.150% Dec 15, 2021	19,000	18,728	18,481
Canada Housing Trust, Mortgage Bonds, Series 76, Secured, 1.500% Dec 15, 2021	20,000	19,965	19,652
Canada Housing Trust, Mortgage Bonds, Series 45, Secured, 2.650% Mar 15, 2022	18,750	19,408	19,043
Canada Housing Trust, Mortgage Bonds, Series 78, Secured, 1.750% Jun 15, 2022	21,250	21,214	20,942
Canada Housing Trust, Mortgage Bonds, Series 48, Secured, 2.400% Dec 15, 2022	43,429	44,140	43,700
Canada Housing Trust, Mortgage Bonds, Series 83, Secured, 2.350% Jun 15, 2023	27,700	27,653	27,785
Canada Housing Trust, Mortgage Bonds, Series 52, Secured, 2.350% Sep 15, 2023	16,750	16,604	16,794
Canada Housing Trust, Mortgage Bonds, Series 55, Secured, 3.150% Sep 15, 2023	10,040	10,305	10,422
Canada Housing Trust, Mortgage Bonds, Series 86, Secured, 2.550% Dec 15, 2023	20,750	20,901	20,977
CPPIB Capital Inc., Series A, Senior, Unsecured, Notes, 1.400% Jun 4, 2020	6,000	5,994	5,946
Government of Canada, 1.250% Feb 1, 2020	36,500	36,193	36,279
Government of Canada, Unsecured, 1.500% Mar 1, 2020	65,650	66,180	65,402
Government of Canada, 1.750% May 1, 2020	41,000	40,860	40,956
Government of Canada, 3.500% Jun 1, 2020	44,738	46,354	45,769
Government of Canada, 1.750% Aug 1, 2020	18,150	18,043	18,121
Government of Canada, Unsecured, 0.750% Sep 1, 2020	62,800	62,686	61,674
Government of Canada, 2.000% Nov 1, 2020	8,050	8,007	8,070
Government of Canada, Unsecured, 0.750% Mar 1, 2021	46,100	45,850	45,015
Government of Canada, 3.250% Jun 1, 2021	29,500	31,177	30,456
Government of Canada, Unsecured, 0.750% Sep 1, 2021	46,000	45,663	44,672
Government of Canada, Unsecured, 0.500% Mar 1, 2022	40,350	39,557	38,653
Government of Canada, 2.750% Jun 1, 2022	30,400	31,631	31,271
Government of Canada, Unsecured, 1.000% Sep 1, 2022	41,100	40,245	39,805

## BMO Private Canadian Short-Term Bond Portfolio

### SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

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

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Government of Canada, 1.750% Mar 1, 2023	37,660	37,169	37,448
Government of Canada, Series 1, 1.500% Jun 1, 2023	49,250	47,932	48,447
Government of Canada, 2.000% Sep 1, 2023	30,250	30,039	30,402
PSP Capital Inc., Senior, Unsecured, Notes, 1.730% Jun 21, 2022	9,000	9,000	8,820
		990,877	982,389
<b>Provincial Bonds — 18.6%</b>			
Municipal Finance Authority of British Columbia, Series DT, Unsecured, Debentures, 4.450% Jun 1, 2020	4,500	4,684	4,646
Municipal Finance Authority of British Columbia, Unsecured, Notes, 1.650% Apr 19, 2021	1,500	1,477	1,480
Municipal Finance Authority of British Columbia, Unsecured, Notes, 2.600% Apr 23, 2023	6,800	6,799	6,821
Province of Alberta, Unsecured, 1.250% Jun 1, 2020	7,720	7,714	7,635
Province of Alberta, Unsecured, 1.350% Sep 1, 2021	7,000	6,955	6,843
Province of Alberta, Unsecured, 1.600% Sep 1, 2022	2,000	1,951	1,946
Province of Alberta, Senior, Unsecured, 2.550% Dec 15, 2022	6,500	6,614	6,531
Province of Alberta, Unsecured, 2.650% Sep 1, 2023	2,500	2,480	2,517
Province of Alberta, Unsecured, 3.400% Dec 1, 2023	2,000	2,063	2,080
Province of British Columbia, 3.700% Dec 18, 2020	4,350	4,551	4,485
Province of British Columbia, 3.250% Dec 18, 2021	7,600	7,949	7,827
Province of British Columbia, Senior, Unsecured, 2.700% Dec 18, 2022	6,000	6,151	6,084
Province of British Columbia, Unsecured, 3.300% Dec 18, 2023	5,000	5,183	5,203
Province of Manitoba, Medium Term Notes, 4.750% Feb 11, 2020	4,600	4,748	4,737
Province of Manitoba, Unsecured, 4.150% Jun 3, 2020	2,420	2,516	2,491
Province of Manitoba, Unsecured, 1.600% Sep 5, 2020	2,000	2,003	1,984
Province of Manitoba, Unsecured, 1.550% Sep 5, 2021	3,500	3,498	3,440
Province of New Brunswick, Unsecured, 4.500% Jun 2, 2020	4,500	4,690	4,652
Province of New Brunswick, Unsecured, 3.350% Dec 3, 2021	3,300	3,451	3,399
Province of New Brunswick, Unsecured, 2.850% Jun 2, 2023	4,000	4,042	4,058
Province of Newfoundland and Labrador, Unsecured, 1.950% Jun 2, 2022	3,000	3,038	2,955
Province of Nova Scotia, Unsecured, 4.100% Jun 1, 2021	4,300	4,570	4,492
Province of Ontario, Unsecured, 4.200% Jun 2, 2020	26,950	27,974	27,756
Province of Ontario, Unsecured, 4.000% Jun 2, 2021	25,950	27,561	27,053
Province of Ontario, Senior, Unsecured, 1.350% Mar 8, 2022	17,600	17,361	17,092
Province of Ontario, Unsecured, 3.150% Jun 2, 2022	33,000	34,577	33,871
Province of Ontario, Senior, Unsecured, 1.950% Jan 27, 2023	16,500	16,183	16,231
Province of Ontario, Unsecured, 2.850% Jun 2, 2023	31,750	32,111	32,262
Province of Ontario, Unsecured, 2.600% Sep 8, 2023	9,750	9,716	9,803
Province of Ontario, Series HP, 8.100% Sep 8, 2023	9,500	11,774	11,842
Province of Prince Edward Island, Unsecured, 8.500% Dec 15, 2023	1,500	1,897	1,903
Province of Quebec, Unsecured, 4.500% Dec 1, 2020	24,750	26,140	25,872
Province of Quebec, Unsecured, 4.250% Dec 1, 2021	26,700	28,621	28,218
Province of Quebec, Unsecured, 3.500% Dec 1, 2022	26,500	27,743	27,628
Province of Quebec, Unsecured, 3.000% Sep 1, 2023	21,000	21,381	21,511
Province of Saskatchewan, Unsecured, 3.900% Jul 28, 2020	1,600	1,666	1,645
		381,832	378,993

## BMO Private Canadian Short-Term Bond Portfolio

### SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

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

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
<i>Municipal Bonds — 0.3%</i>			
City of Montreal, Unsecured, Notes, 3.500% Sep 1, 2023	2,500	2,587	2,592
City of Toronto, Unsecured, Notes, 3.500% Dec 6, 2021	2,100	2,176	2,166
City of Vancouver, Senior, Unsecured, Notes, 3.450% Dec 2, 2021	1,100	1,150	1,133
		5,913	5,891
<i>Corporate Bonds &amp; Debentures — 31.2%</i>			
407 International Inc., Series 10-A3, Medium Term Notes, Senior, Secured, 4.300% May 26, 2021	1,500	1,590	1,551
407 International Inc., Series 17-D1, Medium Term Notes, Secured, Subordinated, Callable, 2.470% Sep 8, 2022	1,000	1,000	982
Alimentation Couche-Tard Inc., Series 4, Senior, Unsecured, Notes, 4.214% Aug 21, 2020	1,000	1,034	1,021
Alimentation Couche-Tard Inc., Series 3, Senior, Unsecured, Notes, 3.899% Nov 1, 2022	1,000	1,043	1,019
AltaGas Ltd., Series 8, Medium Term Notes, Unsecured, 3.720% Sep 28, 2021	2,400	2,491	2,413
AltaGas Ltd., Series 10, Medium Term Notes, Unsecured, Callable, 3.570% Jun 12, 2023	2,000	2,010	1,972
AltaLink, L.P., Series 2012-2, Medium Term Notes, Secured, 2.978% Nov 28, 2022	1,400	1,443	1,411
AltaLink, L.P., Series 2013-4, Medium Term Notes, Secured, 3.668% Nov 6, 2023	1,800	1,841	1,870
AltaLink Investments L.P., Series 13-1, Senior, Unsecured, Notes, Callable, 3.265% Jun 5, 2020	1,000	1,015	1,008
Bank of Montreal, Deposit Notes, Senior, Unsecured, 2.840% Jun 4, 2020	1,060	1,077	1,064
Bank of Montreal, Deposit Notes, Senior, Unsecured, 2.100% Oct 6, 2020	4,500	4,512	4,460
Bank of Montreal, Senior, Unsecured, Notes, 1.880% Mar 31, 2021	7,000	7,028	6,876
Bank of Montreal, Deposit Notes, Senior, Unsecured, 3.400% Apr 23, 2021	4,500	4,649	4,569
Bank of Montreal, Senior, Unsecured, Notes, 1.610% Oct 28, 2021	5,000	4,970	4,844
Bank of Montreal, Deposit Notes, Senior, Unsecured, 2.120% Mar 16, 2022	4,600	4,616	4,503
Bank of Montreal, Deposit Notes, Senior, Unsecured, 2.270% Jul 11, 2022	5,000	4,997	4,903
Bank of Montreal, Deposit Notes, Senior, Unsecured, 2.890% Jun 20, 2023	4,550	4,549	4,545
Bank of Montreal, Fixed to Floating, Notes, Subordinated, Callable, 3.340% Dec 8, 2025	2,500	2,535	2,512
Bank of Montreal, Medium Term Notes, Fixed to Floating, Subordinated, Callable, 3.320% Jun 1, 2026	5,500	5,553	5,515
Bank of Montreal, Medium Term Notes, Fixed to Floating, Unsecured, Subordinated, Callable, 2.570% Jun 1, 2027	2,500	2,448	2,431
Bank of Nova Scotia, The, Deposit Notes, Senior, Unsecured, 2.270% Jan 13, 2020	4,000	4,026	3,993
Bank of Nova Scotia, The, Deposit Notes, Senior, Unsecured, 2.130% Jun 15, 2020	4,000	4,020	3,975

## BMO Private Canadian Short-Term Bond Portfolio

### SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

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

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Bank of Nova Scotia, The, Deposit Notes, Senior, Unsecured, 2.090% Sep 9, 2020	6,600	6,613	6,542
Bank of Nova Scotia, The, Deposit Notes, Senior, Unsecured, 3.270% Jan 11, 2021	4,500	4,616	4,550
Bank of Nova Scotia, The, Deposit Notes, Senior, Unsecured, 2.873% Jun 4, 2021	3,000	3,077	3,009
Bank of Nova Scotia, The, Deposit Notes, Senior, Unsecured, 1.900% Dec 2, 2021	7,000	6,992	6,823
Bank of Nova Scotia, The, Deposit Notes, Senior, Unsecured, 1.830% Apr 27, 2022	7,000	6,815	6,776
Bank of Nova Scotia, The, Deposit Notes, Senior, Unsecured, 2.360% Nov 8, 2022	5,000	4,999	4,900
Bank of Nova Scotia, The, Deposit Notes, Senior, Unsecured, 2.980% Apr 17, 2023	2,000	2,003	2,003
Bank of Nova Scotia, The, Fixed to Floating, Notes, Subordinated, Callable, 3.367% Dec 8, 2025	1,500	1,518	1,508
Bank of Nova Scotia, The, Fixed to Floating, Notes, Subordinated, Callable, 2.580% Mar 30, 2027	3,500	3,432	3,410
bcIMC Realty Corp., Series 12, Unsecured, Notes, 2.100% Jun 3, 2021	1,500	1,497	1,479
bcIMC Realty Corp., Series 10, Unsecured, Notes, 3.510% Jun 29, 2022	1,000	1,045	1,023
bcIMC Realty Corp., Series A, Senior, Unsecured, Notes, Callable, 2.150% Aug 11, 2022	1,000	987	977
Bell Canada, Series M-37, Medium Term Notes, Senior, Unsecured, 3.540% Jun 12, 2020	1,000	1,017	1,011
Bell Canada, Series M-27, Medium Term Notes, Senior, Unsecured, 3.250% Jun 17, 2020	2,500	2,553	2,516
Bell Canada, Series M-24, Medium Term Notes, Senior, Unsecured, 4.950% May 19, 2021	2,300	2,452	2,402
Bell Canada, Series M-30, Medium Term Notes, Senior, Unsecured, Callable, 3.150% Sep 29, 2021	2,000	2,065	2,004
Bell Canada, Series M-42, Medium Term Notes, Senior, Unsecured, 2.000% Oct 1, 2021	3,000	2,992	2,916
Bell Canada, Series M-40, Medium Term Notes, Senior, Unsecured, Callable, 3.000% Oct 3, 2022	4,500	4,536	4,458
Bell Canada, Series M-26, Medium Term Notes, Senior, Unsecured, 3.350% Mar 22, 2023	3,500	3,539	3,499
Bell Canada, Series M-29, Medium Term Notes, Senior, Unsecured, Callable, 4.700% Sep 11, 2023	2,200	2,330	2,315
BMW Canada Inc., Series P, Senior, Unsecured, Notes, 1.780% Oct 19, 2020	2,000	2,004	1,965
BMW Canada Inc., Series O, Senior, Unsecured, Notes, 1.830% Jun 15, 2021	2,000	2,002	1,951
Brookfield Asset Management Inc., Medium Term Notes, Senior, Unsecured, 4.540% Mar 31, 2023	2,000	2,105	2,069
Brookfield Infrastructure Finance ULC, Medium Term Notes, Senior, Unsecured, 3.538% Oct 30, 2020	2,000	2,049	2,019
Brookfield Property Finance ULC, Medium Term Notes, Senior, Unsecured, 4.115% Oct 19, 2021	614	614	619
Brookfield Property Finance ULC, Medium Term Notes, Senior, Unsecured, Callable, 4.346% Jul 3, 2023	2,500	2,499	2,504

## BMO Private Canadian Short-Term Bond Portfolio

### SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

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

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
BRP Finance ULC, Series 7, Medium Term Notes, Unsecured, 5.140% Oct 13, 2020	1,550	1,615	1,603
BRP Finance ULC, Series 8, Medium Term Notes, Unsecured, 4.790% Feb 7, 2022	2,250	2,390	2,333
Bruce Power L.P., Senior, Unsecured, Notes, 2.844% Jun 23, 2021	2,000	2,038	1,991
Caisse centrale Desjardins, Medium Term Notes, Senior, Unsecured, 1.748% Mar 2, 2020	7,000	7,006	6,938
Cameco Corporation, Series E, Senior, Unsecured, Notes, 3.750% Nov 14, 2022	2,000	1,987	1,984
Canadian Imperial Bank of Commerce, Deposit Notes, Unsecured, 1.660% Jan 20, 2020	5,000	5,010	4,960
Canadian Imperial Bank of Commerce, Deposit Notes, Unsecured, 1.850% Jul 14, 2020	2,000	2,003	1,978
Canadian Imperial Bank of Commerce, Deposit Notes, Unsecured, 1.900% Apr 26, 2021	4,000	4,005	3,926
Canadian Imperial Bank of Commerce, Unsecured, Notes, 1.640% Jul 12, 2021	4,500	4,484	4,377
Canadian Imperial Bank of Commerce, Deposit Notes, Senior, Unsecured, 2.900% Sep 14, 2021	1,750	1,750	1,755
Canadian Imperial Bank of Commerce, Deposit Notes, Senior, Unsecured, 2.040% Mar 21, 2022	6,000	6,034	5,854
Canadian Imperial Bank of Commerce, Deposit Notes, Senior, Unsecured, 2.300% Jul 11, 2022	1,700	1,700	1,668
Canadian Imperial Bank of Commerce, Deposit Notes, Senior, Unsecured, 2.470% Dec 5, 2022	4,500	4,500	4,425
Canadian Imperial Bank of Commerce, Deposit Notes, Senior, Unsecured, 2.970% Jul 11, 2023	4,800	4,799	4,805
Canadian Imperial Bank of Commerce, Fixed to Floating, Notes, Subordinated, Callable, 3.420% Jan 26, 2026	2,000	2,029	2,011
Canadian Imperial Bank of Commerce, Fixed to Floating, Unsecured, Debentures, Subordinated, Callable, 3.450% Apr 4, 2028	4,000	4,015	3,952
Canadian Natural Resources Limited, Medium Term Notes, Unsecured, 2.890% Aug 14, 2020	1,000	1,010	996
Canadian Natural Resources Limited, Medium Term Notes, Senior, Unsecured, 3.310% Feb 11, 2022	2,500	2,557	2,496
Canadian Tire Corporation, Limited, Medium Term Notes, Senior, Unsecured, 2.646% Jul 6, 2020	571	571	570
Canadian Tire Corporation, Limited, Medium Term Notes, Senior, Unsecured, 3.167% Jul 6, 2023	857	857	847
Canadian Utilities Limited, Senior, Unsecured, Debentures, 3.122% Nov 9, 2022	1,000	1,032	1,011
Canadian Western Bank, Deposit Notes, Senior, Unsecured, 2.751% Jun 29, 2020	3,000	3,016	2,991
Capital Desjardins Inc., Series G, Senior, Secured, Notes, 5.187% May 5, 2020	4,110	4,263	4,239
CDP Financial Inc., Senior, Unsecured, Notes, 4.600% Jul 15, 2020	1,500	1,567	1,554
Choice Properties L.P., Series 10, Senior, Unsecured, Notes, Callable, 3.600% Sep 20, 2022	2,000	2,037	2,009
Choice Properties Real Estate Investment Trust, Series E, Senior, Unsecured, Notes, 2.297% Sep 14, 2020	1,250	1,259	1,236

## BMO Private Canadian Short-Term Bond Portfolio

### SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

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

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Choice Properties Real Estate Investment Trust, Series C, Senior, Unsecured, Notes, 3.498% Feb 8, 2021	2,280	2,344	2,296
Choice Properties Real Estate Investment Trust, Series B, Senior, Unsecured, Notes, Callable, 4.903% Jul 5, 2023	2,200	2,335	2,306
CI Financial Corp., Senior, Unsecured, Debentures, Callable, 3.520% Jul 20, 2023	3,492	3,492	3,470
Coast Capital Savings Credit Union, Fixed to Floating, Unsecured, Notes, Subordinated, Callable, 5.000% May 3, 2028	250	251	253
Crombie Real Estate Investment Trust, Series D, Senior, Unsecured, Notes, Callable, 4.066% Nov 21, 2022	1,500	1,500	1,498
Daimler Canada Finance Inc., Euro Medium Term Notes, Senior, Unsecured, 1.570% May 25, 2020	2,000	1,969	1,965
Daimler Canada Finance Inc., Senior, Unsecured, Notes, 1.910% Jul 8, 2021	2,000	1,958	1,945
Dollarama Inc., Senior, Unsecured, Notes, 2.337% Jul 22, 2021	2,000	2,006	1,955
Dollarama Inc., Senior, Unsecured, Notes, Callable, 3.550% Nov 6, 2023	1,911	1,902	1,906
Emera Inc., Series 2016-1, Senior, Unsecured, Notes, 2.900% Jun 16, 2023	4,000	3,959	3,920
Enbridge Gas Distribution Inc., Medium Term Notes, Senior, Unsecured, 4.040% Nov 23, 2020	1,000	1,041	1,025
Enbridge Inc., Medium Term Notes, Unsecured, 4.530% Mar 9, 2020	1,000	1,026	1,019
Enbridge Inc., Medium Term Notes, Senior, Unsecured, Callable, 3.160% Mar 11, 2021	2,500	2,509	2,504
Enbridge Inc., Medium Term Notes, Senior, Unsecured, 3.190% Dec 5, 2022	1,400	1,418	1,395
Enbridge Inc., Medium Term Notes, Senior, Unsecured, 3.940% Jan 13, 2023	2,143	2,205	2,188
Enbridge Inc., Medium Term Notes, Senior, Unsecured, Callable, 3.940% Jun 30, 2023	2,960	3,046	3,025
Enbridge Pipelines Inc., Medium Term Notes, Senior, Unsecured, 4.450% Apr 6, 2020	1,500	1,552	1,531
Fairfax Financial Holdings Limited, Senior, Unsecured, Notes, 6.400% May 25, 2021	3,000	3,267	3,222
Fairfax Financial Holdings Limited, Senior, Unsecured, Notes, 5.840% Oct 14, 2022	1,500	1,612	1,622
Fairfax Financial Holdings Limited, Senior, Unsecured, Notes, 4.500% Mar 22, 2023	2,500	2,581	2,584
Federation des caisses Desjardins du Quebec, Medium Term Notes, Senior, Unsecured, 2.091% Jan 17, 2022	4,000	4,016	3,914
Federation des caisses Desjardins du Quebec, Medium Term Notes, Senior, Unsecured, 3.056% Sep 11, 2023	2,286	2,286	2,295
First Capital Realty, Inc., Series M, Senior, Unsecured, Debentures, 5.600% Apr 30, 2020	1,500	1,562	1,552
First Capital Realty, Inc., Series P, Senior, Unsecured, Debentures, 3.950% Dec 5, 2022	1,500	1,553	1,519
First Capital Realty, Inc., Series Q, Senior, Unsecured, Debentures, 3.900% Oct 30, 2023	3,000	3,011	3,016
Ford Credit Canada Company, Senior, Unsecured, Notes, 2.450% May 7, 2020	2,200	2,200	2,165

## BMO Private Canadian Short-Term Bond Portfolio

### SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

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

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Ford Credit Canada Company, Senior, Unsecured, Notes, 2.923% Sep 16, 2020	2,700	2,712	2,657
Ford Credit Canada Company, Senior, Unsecured, Notes, 2.580% May 10, 2021	3,000	2,995	2,893
Ford Credit Canada Company, Senior, Unsecured, Notes, 3.279% Jul 2, 2021	1,000	1,019	977
Ford Credit Canada Company, Senior, Unsecured, Notes, 2.710% Feb 23, 2022	5,400	5,355	5,118
Ford Credit Canada Company, Senior, Unsecured, Notes, 2.766% Jun 22, 2022	1,500	1,506	1,413
Gaz Metro inc., Series J, First Mortgage, Secured, 5.450% Jul 12, 2021	1,000	1,098	1,069
GE Capital Canada Funding Company, Series A, Medium Term Notes, Senior, Unsecured, 4.600% Jan 26, 2022	3,500	3,778	3,513
General Motors Financial of Canada, Ltd., Senior, Unsecured, Notes, 3.080% May 22, 2020	2,000	2,008	1,995
General Motors Financial of Canada, Ltd., Senior, Unsecured, Notes, 2.600% Jun 1, 2022	2,000	1,957	1,917
Granite REIT Holdings Limited Partnership, Series 3, Senior, Unsecured, Notes, Callable, 3.873% Nov 30, 2023	4,000	3,977	4,009
Greater Toronto Airports Authority, Series 2012-1, Medium Term Notes, Secured, Callable, 3.040% Sep 21, 2022	1,500	1,539	1,520
Great-West Lifeco Inc., Senior, Unsecured, Notes, 4.650% Aug 13, 2020	2,000	2,089	2,063
H&R Real Estate Investment Trust, Series O, Senior, Unsecured, Notes, Callable, 3.416% Jan 23, 2023	500	500	492
Honda Canada Finance, Inc., Series 16-4, Senior, Unsecured, Notes, 1.823% Dec 7, 2021	3,000	2,986	2,907
Honda Canada Finance, Inc., Senior, Unsecured, Notes, 2.268% Jul 15, 2022	2,000	1,990	1,950
HSBC Bank Canada, Deposit Notes, Senior, Unsecured, 2.938% Jan 14, 2020	2,000	2,018	2,007
HSBC Bank Canada, Deposit Notes, Senior, Unsecured, 2.908% Sep 29, 2021	3,500	3,592	3,496
HSBC Bank Canada, Deposit Notes, Senior, Unsecured, 2.170% Jun 29, 2022	3,000	2,955	2,914
HSBC Bank Canada, Deposit Notes, Senior, Unsecured, 3.245% Sep 15, 2023	5,366	5,368	5,382
HSBC Bank of Canada, Deposit Notes, Senior, Unsecured, 1.816% Jul 7, 2020	2,400	2,397	2,367
HSBC Bank of Canada, Senior, Unsecured, Notes, 2.449% Jan 29, 2021	2,000	2,031	1,983
HSBC Bank of Canada, Senior, Unsecured, Notes, 2.542% Jan 31, 2023	6,500	6,434	6,357
Husky Energy Inc., Medium Term Notes, Senior, Unsecured, 5.000% Mar 12, 2020	2,120	2,186	2,170
Hydro One Inc., Series 33, Medium Term Notes, Unsecured, 1.620% Apr 30, 2020	500	500	494
Hydro One Inc., Series 20, Medium Term Notes, Senior, Unsecured, 4.400% Jun 1, 2020	1,800	1,869	1,845
Hydro One Inc., Series 34, Medium Term Notes, Senior, Unsecured, 1.840% Feb 24, 2021	1,000	1,005	982

## BMO Private Canadian Short-Term Bond Portfolio

### SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

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

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Hydro One Inc., Medium Term Notes, Senior, Unsecured, 2.570% Jun 25, 2021	500	500	498
Hydro One Inc., Series 25, Medium Term Notes, Unsecured, 3.200% Jan 13, 2022	750	779	758
Industrial Alliance Insurance and Financial Services Inc., Fixed to Floating, Notes, Subordinated, Callable, 3.300% Sep 15, 2028	6,000	6,004	6,000
Intact Financial Corporation, Series 4, Medium Term Notes, Senior, Unsecured, 4.700% Aug 18, 2021	1,300	1,388	1,361
Inter Pipeline Ltd., Series 4, Medium Term Notes, Senior, Unsecured, 3.448% Jul 20, 2020	1,000	1,019	1,007
Inter Pipeline Ltd., Series 3, Medium Term Notes, Senior, Unsecured, 3.776% May 30, 2022	1,500	1,579	1,517
Inter Pipeline Ltd., Series 8, Medium Term Notes, Senior, Unsecured, Callable, 2.608% Sep 13, 2023	6,800	6,563	6,512
Ivanhoe Cambridge II Inc, Series 1, Senior, Unsecured, Debentures, Callable, 2.909% Jun 27, 2023	1,500	1,500	1,499
John Deere Canada Funding Inc., Series 17-01 Senior, Unsecured, Notes, 1.850% Mar 24, 2021	2,200	2,210	2,157
John Deere Canada Funding Inc., Series 18-01 Senior, Unsecured, Notes, 2.700% Jan 17, 2023	300	300	298
John Deere Financial Inc., Senior, Unsecured, Notes, 3.070% Jul 23, 2021	417	417	420
Laurentian Bank of Canada, Deposit Notes, Senior, Unsecured, 2.500% Jan 23, 2020	1,500	1,506	1,493
Laurentian Bank of Canada, Deposit Notes, Senior, Unsecured, 3.450% Jun 27, 2023	3,000	2,974	2,965
Loblaw Companies Limited, Series 2-B, Medium Term Notes, Senior, Unsecured, 5.220% Jun 18, 2020	1,100	1,147	1,137
Loblaw Companies Limited, Series 2023, Senior, Unsecured, Notes, Callable, 4.860% Sep 12, 2023	1,500	1,596	1,582
Magna International Inc., Senior, Unsecured, Notes, Callable, 3.100% Dec 15, 2022	2,400	2,447	2,391
Manufacturers Life Insurance Company, The, Fixed to Floating, Notes, Subordinated, Callable, 2.100% Jun 1, 2025	3,000	3,001	2,969
Manufacturers Life Insurance Company, The, Fixed to Floating, Notes, Subordinated, Callable, 3.181% Nov 22, 2027	2,400	2,467	2,406
Manulife Bank of Canada, Deposit Notes, Senior, Unsecured, 2.844% Jan 12, 2023	3,000	2,971	2,973
Manulife Financial Corporation, Fixed to Floating, Unsecured, Debentures, Subordinated, Callable, 3.317% May 9, 2028	2,450	2,450	2,437
MCAP Commercial L.P., Senior, Secured, Notes, 5.000% Dec 14, 2022	3,500	3,500	3,482
Metro Inc., Medium Term Notes, Senior, Unsecured, Callable, 2.680% Dec 5, 2022	1,000	1,000	976
Morguard Corporation, Series D, Senior, Unsecured, Notes, 4.085% May 14, 2021	2,268	2,268	2,270
National Bank of Canada, Deposit Notes, Senior, Unsecured, 1.742% Mar 3, 2020	2,500	2,503	2,478
National Bank of Canada, Deposit Notes, Senior, Unsecured, 1.809% Jul 26, 2021	3,500	3,511	3,417



## BMO Private Canadian Short-Term Bond Portfolio

### SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

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

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
National Bank of Canada, Deposit Notes, Senior, Unsecured, 2.105% Mar 18, 2022	3,000	3,005	2,932
National Bank of Canada, Deposit Notes, Senior, Unsecured, 1.957% Jun 30, 2022	2,000	1,989	1,939
National Bank of Canada, Fixed to Floating, Medium Term Notes, Unsecured, Subordinated, Callable, 3.183% Feb 1, 2028	3,000	3,000	2,929
Nissan Canada Financial Services, Inc., Series D, Senior, Unsecured, Notes, 2.420% Oct 19, 2020	1,250	1,250	1,236
Nissan Canada Financial Services, Inc., Series E, Senior, Unsecured, Notes, 2.606% Mar 5, 2021	833	833	824
Nissan Canada Financial Services Inc., Series F, Senior, Unsecured, Notes, 3.150% Sep 14, 2021	1,757	1,757	1,756
OMERS Realty Corporation, Series 3, Senior, Unsecured, Notes, 3.203% Jul 24, 2020	1,700	1,738	1,715
OMERS Realty Corporation, Series 4, Senior, Unsecured, Notes, 2.971% Apr 5, 2021	1,000	1,026	1,006
OMERS Realty Corporation, Series 2, Senior, Unsecured, Notes, 3.358% Jun 5, 2023	1,000	1,016	1,019
Pembina Pipeline Corporation, Series 1, Medium Term Notes, Unsecured, 4.890% Mar 29, 2021	1,250	1,296	1,295
Pembina Pipeline Corporation, Series 2, Medium Term Notes, Unsecured, 3.770% Oct 24, 2022	800	823	809
Penske Truck Leasing Canada Inc., Senior, Unsecured, Notes, Callable, 2.850% Dec 7, 2022	1,500	1,500	1,471
Reliance L.P., Secured, Notes, 4.075% Aug 2, 2021	3,000	3,027	3,045
RioCan Real Estate Investment Trust, Series U, Senior, Unsecured, Notes, 3.620% Jun 1, 2020	650	661	656
RioCan Real Estate Investment Trust, Series R, Senior, Unsecured, Notes, 3.716% Dec 13, 2021	2,550	2,625	2,580
RioCan Real Estate Investment Trust, Series V, Senior, Unsecured, Notes, 3.746% May 30, 2022	2,500	2,610	2,526
RioCan Real Estate Investment Trust, Series T, Senior, Unsecured, Notes, 3.725% Apr 18, 2023	750	762	753
RioCan Real Estate Investment Trust, Series AA, Senior, Unsecured, Debentures, Callable, 3.209% Sep 29, 2023	1,150	1,127	1,128
Rogers Communications, Inc., Senior, Unsecured, Notes, 4.700% Sep 29, 2020	2,000	2,095	2,060
Rogers Communications, Inc., Senior, Unsecured, Notes, 5.340% Mar 22, 2021	2,650	2,837	2,779
Rogers Communications, Inc., Senior, Unsecured, Notes, 4.000% Jun 6, 2022	2,000	2,134	2,050
Royal Bank of Canada, Secured, Notes, 1.590% Mar 23, 2020	2,200	2,205	2,180
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, 1.920% Jul 17, 2020	7,200	7,208	7,130
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, 2.860% Mar 4, 2021	7,000	7,139	7,024
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, 2.030% Mar 15, 2021	4,100	4,101	4,042
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, 1.650% Jul 15, 2021	6,500	6,492	6,327

## BMO Private Canadian Short-Term Bond Portfolio

### SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

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

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Royal Bank of Canada, Senior, Unsecured, Notes, 1.583% Sep 13, 2021	5,500	5,415	5,333
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, 1.968% Mar 2, 2022	2,155	2,161	2,101
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, 2.000% Mar 21, 2022	6,000	6,008	5,849
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, 2.360% Dec 5, 2022	4,000	4,000	3,924
Royal Bank of Canada, Senior, Unsecured, Notes, 3.296% Sep 26, 2023	6,800	6,800	6,827
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, 2.333% Dec 5, 2023	6,100	5,895	5,931
Royal Bank of Canada, Fixed to Floating, Notes, Subordinated, Callable, 2.480% Jun 4, 2025	4,500	4,480	4,471
Royal Bank of Canada, Fixed to Floating, Notes, Subordinated, Callable, 3.310% Jan 20, 2026	4,000	4,046	4,017
Royal Bank of Canada, Fixed to Floating, Unsecured, Notes, Subordinated, Callable, 3.450% Sep 29, 2026	2,500	2,540	2,515
Saputo Inc., Medium Term Notes, Senior, Unsecured, Callable, 2.827% Nov 21, 2023	4,000	3,870	3,883
Shaw Communications Inc., Senior, Unsecured, Notes, 5.500% Dec 7, 2020	3,000	3,160	3,135
Shaw Communications Inc., Senior, Unsecured, Notes, Callable, 3.800% Nov 2, 2023	909	909	914
SmartCentres Real Estate Investment Trust, Series H, Senior, Unsecured, Debentures, 4.050% Jul 27, 2020	850	872	863
SmartCentres Real Estate Investment Trust, Series L, Senior, Unsecured, Notes, 3.749% Feb 11, 2021	2,500	2,568	2,527
SNC-Lavalin Group Inc., Series 1, Senior, Unsecured, Debentures, 2.689% Nov 24, 2020	400	400	397
SNC-Lavalin Group Inc., Series 4, Senior, Unsecured, Debentures, Callable, 3.235% Mar 2, 2023	333	333	328
Sun Life Capital Trust II, Series 2009-1, SLEECs, Fixed to Floating, Senior, Notes, Subordinated, Callable, 5.863% Dec 31, 2108	1,500	1,726	1,542
Sun Life Financial Inc., Series E, Senior, Unsecured, Debentures, 4.570% Aug 23, 2021	1,500	1,603	1,567
Sun Life Financial Inc., Series 2015-1, Fixed to Floating, Unsecured, Debentures, Subordinated, Callable, 2.600% Sep 25, 2025	1,500	1,528	1,492
Sun Life Financial Inc., Fixed to Floating, Medium Term Notes, Unsecured, Subordinated, Callable, 2.750% Nov 23, 2027	1,000	1,004	983
Sun Life Financial Inc., Series 2016-2, Fixed to Floating, Unsecured, Debentures, Subordinated, Callable, 3.050% Sep 19, 2028	7,250	7,175	7,170
Suncor Energy, Inc., Series 5, Medium Term Notes, Unsecured, Callable, 3.100% Nov 26, 2021	2,550	2,617	2,559
TD Capital Trust IV, Series 3, CaTS, Fixed to Floating, Unsecured, Notes, Subordinated, Callable, 6.631% Jun 30, 2108	6,000	6,988	6,500
TELUS Corporation, Series CH, Senior, Unsecured, Notes, 5.050% Jul 23, 2020	2,000	2,091	2,068
TELUS Corporation, Series CM, Senior, Unsecured, Notes, 3.600% Jan 26, 2021	500	513	506
TELUS Corporation, Series CO, Unsecured, Notes, Callable, 3.200% Apr 5, 2021	2,250	2,299	2,259

## BMO Private Canadian Short-Term Bond Portfolio

### SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

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

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
TELUS Corporation, Series CT, Unsecured, Notes, Callable, 2.350% Mar 28, 2022	2,705	2,706	2,639
TELUS Corporation, Series CJ, Unsecured, Notes, Callable, 3.350% Mar 15, 2023	2,500	2,534	2,501
Teranet Holdings L.P., Senior, Secured, Notes, 4.807% Dec 16, 2020	3,500	3,638	3,597
Teranet Holdings L.P., Secured, Notes, Callable, 3.646% Nov 18, 2022	2,400	2,424	2,389
Thomson Reuters Corporation, Senior, Unsecured, Notes, Callable, 3.309% Nov 12, 2021	3,100	3,184	3,128
Toronto Hydro Corporation, Series 7, Senior, Unsecured, Debentures, 3.540% Nov 18, 2021	1,000	1,049	1,024
Toronto Hydro Corporation, Series 8, Senior, Unsecured, Debentures, Callable, 2.910% Apr 10, 2023	1,330	1,345	1,337
Toronto-Dominion Bank, The, Deposit Notes, Senior, Unsecured, 1.693% Apr 2, 2020	3,000	3,005	2,970
Toronto-Dominion Bank, The, Deposit Notes, Senior, Unsecured, 2.563% Jun 24, 2020	4,000	4,050	4,001
Toronto-Dominion Bank, The, Deposit Notes, Senior, Unsecured, 2.045% Mar 8, 2021	7,200	7,229	7,106
Toronto-Dominion Bank, The, Series CBL14, Secured, Notes, 1.680% Jun 8, 2021	6,000	5,924	5,876
Toronto-Dominion Bank, The, Deposit Notes, Senior, Unsecured, 2.621% Dec 22, 2021	6,300	6,407	6,274
Toronto-Dominion Bank, The, Deposit Notes, Senior, Unsecured, 1.994% Mar 23, 2022	3,300	3,285	3,220
Toronto-Dominion Bank, The, Deposit Notes, Unsecured, 3.005% May 30, 2023	2,727	2,727	2,742
Toronto-Dominion Bank, The, Deposit Notes, Senior, Unsecured, 1.909% Jul 18, 2023	9,000	8,628	8,625
Toronto-Dominion Bank, The, Medium Term Notes, Fixed to Floating, Subordinated, Callable, 2.692% Jun 24, 2025	2,750	2,752	2,739
Toronto-Dominion Bank, The, Medium Term Notes, Fixed to Floating, Subordinated, Callable, 2.982% Sep 30, 2025	3,750	3,774	3,749
Toronto-Dominion Bank, The, Medium Term Notes, Fixed to Floating, Unsecured, Subordinated, Callable, 3.589% Sep 14, 2028	3,000	2,981	2,985
Toyota Credit Canada Inc., Senior, Unsecured, Notes, 1.800% Feb 19, 2020	3,500	3,504	3,471
Toyota Credit Canada Inc., Euro Medium Term Notes, Senior, Unsecured, 2.050% May 20, 2020	2,000	2,009	1,984
Toyota Credit Canada Inc., Medium Term Notes, Senior, Unsecured, 2.200% Feb 25, 2021	3,000	3,017	2,963
Toyota Credit Canada Inc., Medium Term Notes, Senior, Unsecured, 2.020% Feb 28, 2022	2,000	2,011	1,946
Toyota Credit Canada Inc., Medium Term Notes, Senior, Unsecured, 3.040% Jul 12, 2023	1,620	1,620	1,617
TransCanada PipeLines Limited, Medium Term Notes, Unsecured, 3.650% Nov 15, 2021	1,350	1,412	1,377
TransCanada PipeLines Limited, Medium Term Notes, Senior, Unsecured, Callable, 3.690% Jul 19, 2023	3,200	3,292	3,264
Union Gas Limited, Series 11, Medium Term Notes, Senior, Unsecured, Callable, 2.760% Jun 2, 2021	1,000	1,023	1,001

## BMO Private Canadian Short-Term Bond Portfolio

### SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

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

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Union Gas Limited, Series 10, Medium Term Notes, Unsecured, Callable, 3.790% Jul 10, 2023	1,500	1,559	1,553
VW Credit Canada Inc., Senior, Unsecured, Notes, 2.150% Jun 24, 2020	2,000	2,009	1,974
VW Credit Canada Inc., Senior, Unsecured, Notes, 3.250% Mar 29, 2023	2,000	1,998	1,974
Wells Fargo Canada Corporation, Medium Term Notes, Unsecured, 3.040% Jan 29, 2021	4,050	4,139	4,067
Wells Fargo Canada Corporation, Medium Term Notes, Unsecured, 3.460% Jan 24, 2023	3,000	3,077	3,048
Westcoast Energy Inc., Series 10, Medium Term Notes, Senior, Unsecured, 4.570% Jul 2, 2020	1,500	1,549	1,537
Westcoast Energy Inc., Series 14, Medium Term Notes, Senior, Unsecured, 3.120% Dec 5, 2022	1,000	1,017	1,001
Winnipeg Airports Authority Inc., Series E, Secured, Notes, 3.039% Apr 14, 2023	1,500	1,508	1,516
		644,040	634,844
<b>Asset-Backed Securities — 1.1%</b>			
Canadian Credit Card Trust II, Series 2015-1, Class A, Credit Card Receivables-Backed Notes, 1.829% Mar 24, 2020	3,000	3,008	2,974
CARDS II Trust, Series 2015-3, Class A, Credit Card Receivables- Backed Notes, Sinkable, 2.155% Oct 15, 2020	3,450	3,426	3,419
Eagle Credit Card Trust, Credit Card Receivables- Backed, Series 2018-1, Class A, Senior, Secured, Notes, 3.042% Jul 17, 2023	625	625	626
Fortified Trust, Series 2016-1, Class A, Real Estate Secured Line of Credit-Backed Notes, 1.670% Jul 23, 2021	1,000	978	973
Genesis Trust II, Series 2015-1, Class A, Real Estate Secured Line of Credit-Backed Notes, 1.699% Apr 15, 2020	4,200	4,187	4,156
Glacier Credit Card Trust, Series 2015-1, Credit Card Asset-Backed Notes, Senior, 2.237% Sep 20, 2020	3,200	3,224	3,176
Glacier Credit Card Trust, Series 2017-1, Credit Card Asset-Backed Notes, Senior, Secured, 2.048% Sep 20, 2022	3,000	2,935	2,903
Hollis Receivables Term Trust II, Series 2015-1, Class A, Receivables- Backed Notes, 1.788% Feb 26, 2020	2,000	2,008	1,983
NBC Asset Trust, Trust Capital Securities, Series 2, Fixed to Floating, Asset-Backed, Perpetual, Callable, 7.447% Jun 30, 2049	1,000	1,217	1,060
		21,608	21,270
<b>Total Investment Portfolio — 99.5%</b>		<b>2,044,270</b>	<b>2,023,387</b>
<b>Other Assets Less Liabilities — 0.5%</b>			<b>10,742</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS — 100.0%</b>			<b>2,034,129</b>

# BMO Private Canadian Short-Term Bond Portfolio

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## Annual Financial Statements

*(All amounts in thousands of Canadian dollars, except per unit data)*

December 31, 2018

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### 1. The Portfolio

BMO Private Canadian Short-Term Bond 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

## BMO Private Canadian Short-Term Bond Portfolio

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### Annual Financial Statements (cont'd)

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

December 31, 2018

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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.

## BMO Private Canadian Short-Term Bond Portfolio

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### Annual Financial Statements (cont'd)

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

December 31, 2018

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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.

# BMO Private Canadian Short-Term Bond Portfolio

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## Annual Financial Statements (cont'd)

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

December 31, 2018

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### 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.



# BMO Private Canadian Short-Term Bond Portfolio

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## Annual Financial Statements (cont'd)

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

December 31, 2018

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### 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.

## BMO Private Canadian Short-Term Bond Portfolio

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### Annual Financial Statements (cont'd)

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

December 31, 2018

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#### (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

## BMO Private Canadian Short-Term Bond Portfolio

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### Annual Financial Statements (cont'd)

*(All amounts in thousands of Canadian dollars, except per unit data)*

*December 31, 2018*

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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.

## BMO Private Canadian Short-Term Bond Portfolio

### Annual Financial Statements (cont'd)

(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	228,095	257,104
Issued for cash	39,925	111,240
Issued on reinvestment of distributions	4,932	6,941
Redeemed during the period	(70,712)	(147,190)
Units issued and outstanding, end of period	202,240	228,095

##### (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
Increase (decrease) in net assets attributable to holders of redeemable units	37,992	(335)
Weighted average units outstanding during the period (in thousands of units)	207,854	289,340
<b>Increase (decrease) in net assets attributable to holders of redeemable units per unit</b>	<b>0.18</b>	<b>(0.00)</b>

##### (d) Income taxes

As at the tax year-ended December 2018, the Portfolio had the following capital and non-capital losses available for income tax purposes:

Total Capital Losses (\$)	Total Non-Capital Losses (\$)	Non-Capital Losses That Expire in		
		2029 (\$)	2030 (\$)	2031 and thereafter (\$)
81,815	—	—	—	—

##### (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 (\$)	279	273

###### Brokerage commissions and soft dollars

There were no brokerage commissions charged to the Portfolio during the periods ended December 31, 2018 and December 31, 2017.

##### (f) Financial instruments risks

The Portfolio's objectives are to provide a high level of interest income and to preserve the capital invested by primarily investing in high quality fixed income securities such as bonds and debentures issued by governments and corporations in Canada that mature in more than one year.

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 as it invested fully in Canadian securities.

###### Interest rate risk

The Portfolio's exposure to interest rate risk, by remaining term to maturity, is summarized in the following table:

Number of years	Interest Rate Exposure as at	
	Dec. 31, 2018	Dec. 31, 2017
Less than one year	—	—
One to three years	1,077,753	1,182,208
Three to five years	868,078	1,053,055
Five to ten years	68,454	31,735
Greater than ten years	9,102	31,287
<b>Total</b>	<b>2,023,387</b>	<b>2,298,285</b>

As at December 31, 2018 and December 31, 2017, if the prevailing interest rates had been raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, the Net Assets of the Portfolio could possibly have decreased or increased, respectively, by approximately \$54,408 (December 31, 2017 – \$63,082). The Portfolio's interest rate sensitivity was determined based on portfolio weighted duration. In practice, actual results may differ from

## BMO Private Canadian Short-Term Bond Portfolio

### Annual Financial Statements (cont'd)

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

December 31, 2018

this sensitivity analysis and the difference could be material.

#### Other market risk

The Portfolio was not significantly exposed to other market risk as at December 31, 2018 and December 31, 2017 as it was invested fully in fixed income securities.

#### Credit risk

The Portfolio's exposure to credit risk, grouped by credit ratings, is summarized in the following table:

Credit Rating	As a % of Net Assets as at	
	Dec. 31, 2018	Dec. 31, 2017
AAA	51.6	52.5
AA	15.8	11.9
A	20.4	23.6
BBB	11.7	11.3
Unrated	-	0.2
<b>Total</b>	<b>99.5</b>	<b>99.5</b>

#### Securities lending

The Portfolio had assets involved in securities lending transactions outstanding as at December 31, 2018 and December 31, 2017 as follows:

	Aggregate Value of Securities on Loan (\$)	Aggregate Value of Collateral Received for the Loan (\$)
December 31, 2018	521,427	548,836
December 31, 2017	719,006	756,495

The table below is a reconciliation of the gross amount generated from securities lending transactions to the security lending revenue for the periods ended December 31, 2018 and December 31, 2017:

For the periods ended	Dec. 31, 2018		Dec. 31, 2017	
	Amount	% of Gross Securities Lending Revenue	Amount	% of Gross Securities Lending Revenue
Gross securities lending revenue	481	100.0	672	100.0
Withholding taxes	2	0.4	1	0.2
	479	99.6	671	99.8
Payment to securities lending agents	144	30.0	201	29.9
Net securities lending revenue*	335	69.6	470	69.9

\* Amount shown on the Statement of Comprehensive Income is gross of withholding taxes of \$2 (December 31, 2017 — \$1).

#### Concentration risk

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

As at	Dec. 31, 2018	Dec. 31, 2017
<b>Bonds &amp; Debentures</b>		
Federal Bonds	48.3%	49.5%
Provincial Bonds	18.6%	18.3%
Municipal Bonds	0.3%	0.3%
Corporate Bonds & Debentures	31.2%	30.2%
Asset-Backed Securities	1.1%	1.2%
<b>Other Assets Less Liabilities</b>	<b>0.5%</b>	<b>0.5%</b>
	<b>100.0%</b>	<b>100.0%</b>

#### (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
Debt Securities	2,023,387	-	-	2,023,387

#### As at Dec. 31, 2017

Financial assets	Level 1	Level 2	Level 3	Total
Debt Securities	2,298,285	-	-	2,298,285

#### Transfers between levels

There were no transfers between the levels during the periods.

## BMO Private Canadian Short-Term Bond Portfolio

### Annual Financial Statements (cont'd)

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

December 31, 2018

#### (h) Unconsolidated structured entities

Information on the carrying amount and the size of the investments in structured entities is shown in the following table:

As at	Carrying amount	
	Dec. 31, 2018	Dec. 31, 2017
Canada Housing Trust, Mortgage Bonds, Series 59, Secured, 1.950% Jun 15, 2019	—	31,916
Canada Housing Trust, Mortgage Bonds, Series 61, Secured, 2.000% Dec 15, 2019	—	34,648
Canada Housing Trust, Mortgage Bonds, Series 30, Secured, 3.750% Mar 15, 2020	19,925	18,230
Canada Housing Trust, Mortgage Bonds, Series 64, Secured, 1.200% Jun 15, 2020	14,846	16,738
Canada Housing Trust, Mortgage Bonds, Series 66, Secured, 1.450% Jun 15, 2020	13,807	17,734
Canada Housing Trust, Mortgage Bonds, Series 68, Secured, 1.250% Dec 15, 2020	28,349	34,580
Canada Housing Trust, Mortgage Bonds, Series 36, Secured, 3.350% Dec 15, 2020	13,337	13,532
Canada Housing Trust, Mortgage Bonds, Series 71, Secured, 1.250% Jun 15, 2021	27,714	39,257
Canada Housing Trust, Mortgage Bonds, Series 40, Secured, 3.800% Jun 15, 2021	29,409	29,925
Canada Housing Trust, Mortgage Bonds, Series 75, Secured, 1.150% Dec 15, 2021	18,481	19,802
Canada Housing Trust, Mortgage Bonds, Series 76, Secured, 1.500% Dec 15, 2021	19,652	19,583
Canada Housing Trust, Mortgage Bonds, Series 45, Secured, 2.650% Mar 15, 2022	19,043	29,919
Canada Housing Trust, Mortgage Bonds, Series 78, Secured, 1.750% Jun 15, 2022	20,942	19,700
Canada Housing Trust, Mortgage Bonds, Series 48, Secured, 2.400% Dec 15, 2022	43,700	61,645
Canada Housing Trust, Mortgage Bonds, Series 83, Secured, 2.350% Jun 15, 2023	27,785	—
Canada Housing Trust, Mortgage Bonds, Series 52, Secured, 2.350% Sep 15, 2023	16,794	—
Canada Housing Trust, Mortgage Bonds, Series 55, Secured, 3.150% Sep 15, 2023	10,422	—
Canada Housing Trust, Mortgage Bonds, Series 86, Secured, 2.550% Dec 15, 2023	20,977	—

As at	Carrying amount	
	Dec. 31, 2018	Dec. 31, 2017
Canadian Credit Card Trust II, Series 2015-1, Class A, Credit Card Receivables-Backed Notes, 1.829% Mar 24, 2020	2,974	2,970
CARDS II Trust, Series 2015-3, Class A, Credit Card Receivables-Backed Notes, Sinkable, 2.155% Oct 15, 2020	3,419	2,439
Eagle Credit Card Trust, Credit Card Receivables- Backed, Series 2018-1, Class A, Senior, Secured, Notes, 3.042% Jul 17, 2023	626	—
Fortified Trust, Series 2016-1, Class A, Real Estate Secured Line of Credit-Backed Notes, 1.670% Jul 23, 2021	973	—
Genesis Trust II, Series 2014-1, Class A, Real Estate Secured Line of Credit-Backed Notes, 2.433% May 15, 2019	—	1,507
Genesis Trust II, Series 2015-1, Class A, Real Estate Secured Line of Credit-Backed Notes, 1.699% Apr 15, 2020	4,156	6,912
Glacier Credit Card Trust, Series 2015-1, Credit Card Asset-Backed Notes, Senior, 2.237% Sep 20, 2020	3,176	4,183
Glacier Credit Card Trust, Series 2017-1, Credit Card Asset-Backed Notes, Senior, Secured, 2.048% Sep 20, 2022	2,903	2,916
Hollis Receivables Term Trust II, Series 2014-1, Class A, Receivables-Backed Notes, 2.434% Jun 26, 2019	—	3,014
Hollis Receivables Term Trust II, Series 2015-1, Class A, Receivables-Backed Notes, 1.788% Feb 26, 2020	1,983	1,979
NBC Asset Trust, Trust Capital Securities, Series 2, Fixed to Floating, Asset-Backed, Perpetual, Callable, 7.447% Jun 30, 2049	1,060	1,096
<b>Total</b>	<b>366,453</b>	<b>413,825</b>

The carrying value of mortgage related and other asset-backed securities are included in “Investments – Non-derivative financial assets” in the Statement of Financial Position. This amount also represents the maximum exposure to losses at that date.

The change in fair value of mortgage related and other asset-backed securities are included in the Statement of Comprehensive Income in “Change in unrealized appreciation (depreciation)”.

## BMO Private Canadian Short-Term Bond Portfolio

### Annual Financial Statements (cont'd)

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

December 31, 2018

#### 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.

As at Jan. 1, 2018

Financial Assets	Held for Trading	Designated as FVTPL	Loans and Receivables**	FVTPL
Opening balance - under IAS 39	—	2,298,285	11,856	—
On the basis of change from IAS 39 to IFRS 9:				
- reclassification of investments to FVTPL*	—	(2,298,285)	—	2,298,285
<b>Total change on transition to IFRS 9</b>		<b>—(2,298,285)</b>		<b>— 2,298,285</b>
<b>Opening balance - under IFRS 9</b>			<b>11,856</b>	<b>2,298,285</b>

\* 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	—	4,191	—
On the basis of change from IAS 39 to IFRS 9:			
- reclassification of securities sold short and derivatives*	—	—	—
<b>Total change on transition to IFRS 9</b>		<b>—</b>	<b>—</b>
<b>Opening balance - under IFRS 9</b>		<b>4,191</b>	<b>—</b>

\* 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

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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



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