

Annual Management Report of Fund Performance

BMO Private Canadian Special Equity Portfolio

For the period ended December 31, 2023

This annual management report of fund performance contains financial highlights, but does not contain the complete annual financial statements of the Portfolio. If the annual financial statements of the Portfolio do not accompany the mailing of this report, you may obtain a copy of the annual financial statements at your request, and at no cost, by calling 1-855-852-1026, by e-mailing us at contactcentre@bmo.com, by writing to us at BMO Private Investment Counsel Inc., 1 First Canadian Place, 100 King St. W., 41st Floor, Toronto, Ontario, M5X 1A1 or by visiting our website at www.bmo.com/privatewealth/regulatory-documents/bpic/ or SEDAR+ at www.sedarplus.ca. You may also contact us using one of these methods to request a copy of the Portfolio's interim financial report, proxy voting policies and procedures, proxy voting disclosure record and/or quarterly portfolio disclosure.

Management Discussion of Fund Performance

BMO Private Investment Counsel Inc. ("BPIC" or the "Manager"), the manager and portfolio manager, is responsible for the management of the overall business, investments and operations of the BMO Private Portfolios and has engaged BMO Asset Management Inc. ("BMO AM Inc." or the "sub-advisor") as the sub-advisor of BMO Private Canadian Special Equity Portfolio (the "Portfolio").

Investment Objective and Strategies

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

To achieve the Portfolio's objectives, the sub-advisor analyzes each company's financial health (including projected earnings and cash flow), operations, research and development to assess the company's future growth potential, and its management quality.

Risk

The risks associated with an investment in the Portfolio remain as disclosed in the Portfolio's most recent simplified prospectus or any amendments thereto and fund facts. During the period, there were no changes to the Portfolio's investment objective, strategies or management that materially affected the overall risk

level associated with an investment in the Portfolio. The Manager reviewed the Portfolio using the standardized investment risk classification methodology prescribed by National Instrument 81-102 *Investment Funds* and determined on May 18, 2023, that the risk rating of the Portfolio had not changed. The Manager reviews the Portfolio's investment risk level and reference index, if any, at least annually.

Results of Operations

Over the 12-month period ended December 31, 2023, the Portfolio returned -1.14%, after expenses. The Portfolio's benchmark is the S&P/TSX SmallCap Index, which generated a 4.79% total return over the same 12-month period. The S&P/TSX Composite Index returned 11.75% over the same 12-month period.

Canadian small-capitalization equities rose over the period, largely driven by gains in the Information Technology and Industrials sectors. Volatility persisted as record quantitative tightening (monetary policy used by central banks to decrease money supply) continued to drive an increase in 10-year yields not seen in decades. This put pressure on sectors that are sensitive to interest rates, such as Real Estate, Utilities and Consumer Discretionary, which were the weakest-performing sectors. Toward the latter part of 2023, sustained concern about a potential recession put pressure on equity valuations, specifically for high-quality, long-term growth companies.

BMO Private Canadian Special Equity Portfolio

Security selection in the Consumer Discretionary sector was the largest detractor from the Portfolio's performance. Overweight allocations to the Real Estate and Utilities sectors also detracted from performance as they were negatively affected by rising interest rates. A position in Pet Valu Holdings Ltd. detracted from the Portfolio's performance amid declining consumer spending and investor concern about Chewy Inc. entering the Canadian market. The sub-advisor believes that Chewy Inc. is a larger threat to Amazon.com Inc. and big box retailers, and does not anticipate significant market share erosion from Pet Valu Holdings Ltd. The latter company has a differentiated offering and little to no overlap in products with Chewy Inc. A holding in Aritzia Inc. also detracted from the Portfolio's performance as weakening consumer spending in Canada and the U.S. put pressure on margins and same-store sales growth.

Security selection within the Information Technology, Energy and Real Estate sectors contributed to the Portfolio's performance, as did overweight exposure to Information Technology. Top individual contributors to the Portfolio's performance included Lumine Group Inc. and Docebo Inc. Lumine Group Inc.'s stock returned 86% over the period. After being spun out from Constellation Software Inc., the company announced several acquisitions, which generated 30% to 35% return on invested capital. Docebo Inc. reached its profitability targets while sustaining a revenue growth rate greater than 40%, which highlighted the company's industry-leading unit economics.

The sub-advisor added a new holding in Lumine Group Inc., a vertical market software acquisition company specifically focused on mission-critical software assets in the communications and media industries. The company went public as a result of its spin-off from Constellation Software Inc., which was structured to acquire WideOrbit, an ad management platform. The sub-advisor believes that Lumine Group Inc.'s capital spending runway is extremely attractive and that it should be able to compound shareholder capital at double-digit rates for years to come.

An existing position in North American Construction Group Ltd. was increased. The company reported several better-than-anticipated quarters and announced a transformational acquisition. Despite this, its valuation contracted, and the sub-advisor anticipates a positive risk/reward payoff profile from period-end levels.

Boralex Inc. was eliminated from the Portfolio as the higher interest rate environment is a challenge to the company's long-term project financing. The Portfolio's holding in Aritzia Inc. was trimmed. The sub-advisor believes that the company's brand is still intact, but that its path to recovery is likely to be longer than anticipated.

For information on the Portfolio's longer-term performance and composition, please refer to the Past Performance section and Summary of Investment Portfolio section of this report.

Recent Developments

The sub-advisor believes that financial market volatility is likely to continue amid geopolitical tensions and recession concerns. However, the sub-advisor's investment process is based on a concentrated portfolio of durable businesses with high barriers to entry, strong cash flow, supportive long-term trends and strong management teams. As a result of the quality attributes of these companies, the sub-advisor believes that the Portfolio is defensively positioned. While there is considerable uncertainty, the sub-advisor believes that the Portfolio's holdings are favourably positioned to take market share and allocate capital appropriately to drive long-term shareholder value.

Related Party Transactions

BMO Trust Company, an indirect, wholly-owned subsidiary of Bank of Montreal ("BMO"), is the trustee (the "trustee") and BPIC is the manager of the Portfolio. From time to time, BPIC may, on behalf of the Portfolio, enter into transactions or arrangements with or involving other members of BMO Financial Group, or certain other persons or companies that are related or

BMO Private Canadian Special Equity Portfolio

connected to the Portfolio (each, a “related party” and collectively, the “related parties”). The purpose of this section is to provide a brief description of any transaction involving the Portfolio and a related party. In each instance where a conflict of interest is identified, it will be referred to the Portfolio’s independent review committee (the “IRC”). The primary focus of the IRC is to determine whether the proposed action of the Manager in respect of the conflict of interest matter achieves a fair and reasonable result for the Portfolio.

Sub-advisor

BPIC has hired BMO AM Inc., a related party, to provide investment advice and make investment decisions for the Portfolio’s investment portfolio. BMO AM Inc. receives a sub-advisory fee based on assets under management, which is paid monthly. BMO AM Inc. is paid by BPIC.

Buying and Selling Securities

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

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

(each, a “Related Party Transaction”).

In accordance with the IRC’s Standing Instructions, in making a decision to cause the Portfolio to make a Related Party Transaction, the Manager and the sub-advisor of the Portfolio are required to comply with the Manager’s written policies and procedures governing the Related Party Transaction and report periodically to the IRC, describing each instance that the Manager and/or the sub-advisor relied on the Standing Instructions and their compliance or non-compliance with the governing policies and procedures. The governing policies and procedures are designed to ensure that each Related Party Transaction (i) is made free from any influence of BMO, BMO Nesbitt Burns Inc. or an associate or affiliate of BMO and/or BMO Nesbitt Burns Inc. and without taking into account any considerations relevant to BMO, BMO Nesbitt Burns Inc. or an associate or affiliate of BMO and/or BMO Nesbitt Burns Inc., (ii) represents the business judgment of the Manager and/or the sub-advisor, uninfluenced by considerations other than the best interests of the Portfolio, and (iii) achieves a fair and reasonable result for the Portfolio. The IRC has reviewed the related party transactions described above and has provided an approval that each transaction achieves a fair and reasonable result for the Portfolio.

Brokerage Commissions

The Portfolio pays standard brokerage commissions at market rates to BMO Nesbitt Burns Inc., an affiliate of the Manager, for executing a portion of its trades. The brokerage commissions charged to the Portfolio during the periods were as follows:

	Period ended Dec. 31, 2023 (\$000s)	Period ended Dec. 31, 2022 (\$000s)
Total Brokerage Commissions	652	611
Brokerage Commissions paid to BMO Nesbitt Burns Inc.	14	11

BMO Private Canadian Special Equity Portfolio

Wealth Management Fee

Units of the Portfolio are only available through the wealth management service offered by BMO Financial Group. The trustee, a related party, and the Manager receive an annual fee from each investor for the wealth management service offered by BMO Financial Group. A tiered schedule is applied to calculate the annual fee for this service. The fee schedule starts at 1.95% and declines to 0.20% (depending on the nature and size of the investor's investment portfolio), and is calculated as a percentage of the assets under management. The actual wealth management fee payable by each investor is set out in BPIC's *Investment Management Fee Schedule* that is provided to the investor when the investor enters into an investment management agreement with the trustee and BPIC. The wealth management fee is paid directly by the investor to the trustee and the Manager. The trustee may compensate financial institutions and securities registrants within BMO Financial Group for client referrals to the wealth management service.

Unitholder Services

The Portfolio is provided with certain facilities and services by related parties. BPIC is the registrar of the Portfolio. The trustee and BPIC are paid by the Portfolio for fees relating to the custodial and administrative services they provide, respectively. Administrative services include fund accounting, record keeping and purchases/redemption order processing.

The fees charged to the Portfolio during the periods were as follows:

	Period ended Dec. 31, 2023 (\$000s)	Period ended Dec. 31, 2022 (\$000s)
Unitholder Services	165	167

Management Fee

There is no management fee charged to the Portfolio. The trustee and the Manager receive an annual wealth management fee from investors for the wealth management service offered by BMO Financial Group.

BMO Private Canadian Special Equity Portfolio

Financial Highlights

The following tables show selected key financial information about the Portfolio and are intended to help you understand the Portfolio's financial performance for the periods indicated.

The Portfolio's Net Assets Per Unit ⁽¹⁾	Years ended December 31				
	2023	2022	2021	2020	2019
Net assets, beginning of period	\$ 90.23	114.46	97.42	78.13	62.17
Increase (decrease) from operations:					
Total revenue	\$ 1.19	1.01	1.31	0.82	1.24
Total expenses ⁽²⁾	\$ (0.21)	(0.20)	(0.17)	(0.19)	(0.13)
Realized gains (losses) for the period	\$ 2.35	1.78	9.49	2.76	1.72
Unrealized gains (losses) for the period	\$ (4.64)	(28.63)	13.73	15.29	15.05
Total increase (decrease) from operations ⁽³⁾	\$ (1.31)	(26.04)	24.36	18.68	17.88
Distributions:					
From income (excluding dividends)	\$ 0.16	0.01	—	—	0.02
From dividends	\$ 1.03	1.42	0.86	0.79	1.17
From capital gains	\$ 1.04	—	6.29	—	0.75
Return of capital	\$ 0.00	0.01	0.01	0.00	0.01
Total Annual Distributions ⁽⁴⁾	\$ 2.23	1.44	7.16	0.79	1.95
Net assets, end of period	\$ 86.93	90.23	114.46	97.42	78.13

⁽¹⁾ This information is derived from the Portfolio's audited annual financial statements.

⁽²⁾ Includes commissions and other portfolio transaction costs and withholding taxes.

⁽³⁾ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

⁽⁴⁾ Distributions were paid in cash or reinvested in additional units of the Portfolio, or both.

Ratios and Supplemental Data	Years ended December 31				
	2023	2022	2021	2020	2019
Total net asset value (000s) ⁽¹⁾	\$ 420,747	370,997	621,834	432,732	325,627
Number of units outstanding (000s) ⁽¹⁾	4,840	4,112	5,433	4,442	4,168
Management expense ratio ⁽²⁾	0.08	0.07	0.06	0.08	0.08
Management expense ratio before waivers or management absorptions ⁽²⁾	0.19	0.19	0.17	0.19	0.19
Trading expense ratio ⁽³⁾	0.16	0.13	0.09	0.16	0.10
Portfolio turnover rate ⁽⁴⁾	35.99	27.24	22.83	37.87	23.64
Net asset value per unit	\$ 86.93	90.23	114.46	97.42	78.13

⁽¹⁾ This information is provided as at December 31 of the period shown.

⁽²⁾ Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

⁽³⁾ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

⁽⁴⁾ The portfolio turnover rate indicates how actively the Portfolio's sub-advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Portfolio buying and selling all of the securities in its portfolio once in the course of the year. The higher a portfolio turnover rate in a year, the greater the trading costs payable by the portfolio in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a portfolio.

BMO Private Canadian Special Equity Portfolio

Past Performance

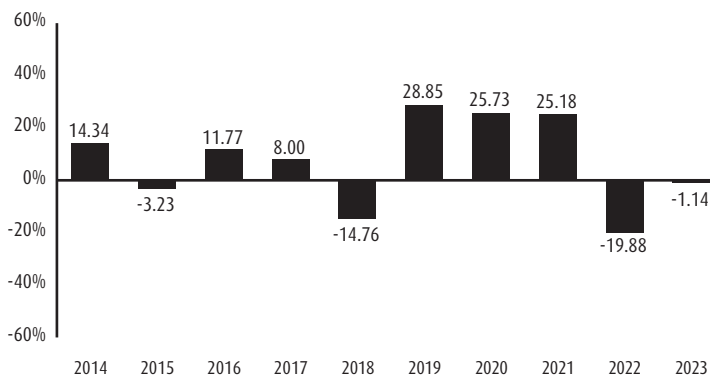
General

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

The performance information does not take into account sales, redemption, distribution or other optional charges that, if applicable, would have reduced returns or performance. Please remember, how the Portfolio has performed in the past does not necessarily indicate how it will perform in the future.

Year-by-Year Returns

The following bar chart shows the performance for each of the financial years shown, and illustrates how the performance has changed from year to year. The bar chart shows in percentage terms how an investment made on the first day of each financial year would have increased or decreased by the last day of each financial year.



Annual Compound Returns

This chart compares the historical annual compound returns of the Portfolio with the returns of the S&P/TSX SmallCap Index and the S&P/TSX Composite Index. The S&P/TSX SmallCap Index reflects the stock performance of the small capitalization segment of the Canadian equity market, and the S&P/TSX Composite Index reflects the price movements of a floating list of companies on the Toronto Stock Exchange that meet Standard & Poor's criteria for inclusion in the index.

	1 yr %	3 yrs %	5 yrs %	10 yrs %
BMO Private Canadian Special Equity Portfolio‡	-1.14	-0.28	9.94	6.22
S&P/TSX SmallCap Index*	4.79	4.57	8.37	4.19
S&P/TSX Composite Index	11.75	9.59	11.30	7.62

‡ The Portfolio's return is after the deduction of expenses, while the benchmarks do not include any costs of investing.

* The Portfolio's benchmark is the S&P/TSX SmallCap Index. Prior to January 1, 2015, it was the BMO Capital Markets Small Cap Index.

A commentary on the market and/or information regarding the relative performance of the Portfolio as compared to its benchmark can be found under the Results of Operations section of this report.

BMO Private Canadian Special Equity Portfolio

Summary of Investment Portfolio

as at December 31, 2023

Portfolio Allocation	% of Net Asset Value	Top 25 Holdings Issuer	% of Net Asset Value
Industrials	18.3	Trisura Group Ltd.	5.7
Materials	15.9	North American Construction Group Ltd.	5.1
Financials	11.4	Andlauer Healthcare Group Inc.	5.1
Energy	11.1	StorageVault Canada Inc.	4.7
Real Estate	11.0	Cargojet Inc.	4.6
Information Technology	9.0	Pet Valu Holdings Ltd.	4.1
Consumer Discretionary	7.7	Polaris Renewable Energy Inc.	3.8
Utilities	5.3	Docebo Inc.	3.4
Health Care	5.1	K92 Mining Inc.	3.4
Consumer Staples	4.2	EQB Inc.	3.2
Cash/Receivables/Payables	0.5	Neighbourly Pharmacy Inc.	3.1
Money Market Investments	0.5	Lumine Group Inc.	2.9
Total portfolio allocation	100.0	Element Fleet Management Corp.	2.7
		Parex Resources Inc.	2.6
		Park Lawn Corporation	2.4
		Dye & Durham Limited	2.3
		Topaz Energy Corp.	2.3
		Foran Mining Corporation	2.3
		GDI Integrated Facility Services Inc.	2.2
		Aya Gold & Silver Inc.	2.2
		Colliers International Group Inc.	2.1
		DATA Communications Management Corp.	1.9
		Hammond Power Solutions Inc., Class A	1.9
		Parkit Enterprise Inc.	1.8
		Brookfield Business Partners L.P.	1.8
		Top holdings as a percentage of total net asset value	77.6
		Total Net Asset Value	\$420,746,723

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

Manager

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