

Annual Management Report of Fund Performance

BMO Private U.S. Equity Portfolio

For the period ended December 31, 2018

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.bmoprivatebanking.com or SEDAR at www.sedar.com. You may also contact us using one of these methods to request a copy of the Portfolio's 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 Corp. ("BMO AM Corp." or the "sub-advisor") as the sub-advisor of BMO Private U.S. Equity Portfolio (the "Portfolio").

Investment Objective and Strategies

The Portfolio's investment objective is to provide long-term capital appreciation by investing primarily in larger capitalization U.S. equity securities.

To achieve the Portfolio's objectives, the sub-advisor uses a disciplined investment process designed to maintain a diversified portfolio of equity securities of higher quality companies to assist in reducing risk and selects securities that are considered to be undervalued and that represent stronger than average growth characteristics.

Risk

The risks associated with an investment in the Portfolio remain as disclosed in the Portfolio's most recent simplified prospectus or any amendments and fund facts. During the period there were no changes to the Portfolio that materially affected the overall risk level associated with an investment in the Portfolio. On May 4, 2018, the Manager reviewed the Portfolio using the standardized investment risk classification methodology under National Instrument 81-102

Investment Funds and determined 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, 2018, the Portfolio returned -0.80% in C\$ (-8.69% in US\$), after expenses. The Portfolio's benchmark is the S&P 500 Index, which generated a 4.25% total return in C\$ (-4.38% in US\$) over the same 12-month period.

While volatility re-emerged several times throughout 2018, in the fourth quarter U.S. equities, as measured by the S&P 500 Index, had their worst performance since the 2008 financial crisis. It was the first calendar year of underperformance in nine years. Drivers of the fourth-quarter equity sell-off included continued trade tensions between the United States and China, concerns over tightening by the U.S. Federal Reserve Board, the U.K.'s negotiations to exit the European Union and the U.S. federal government shutdown. Stocks with positive sensitivities to inflation and oil were some of the worst performers during the period, as the Energy sector declined nearly 40%. Utilities, in contrast, was the only positive performing sector.

Security selection overall was the primary driver of underperformance, particularly within the Financials sector. An overweight allocation to Financials also detracted from performance. The sub-advisor's emphasis on company valuations had a significant

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impact on the Portfolio's performance as the S&P 500 Index was led by the most expensive 10% of stocks. Individual detractors from performance included holdings in Owens Corning Inc., Celgene Corp. and Synchrony Financial.

The Portfolio's bias toward companies with positive or improving investor sentiment contributed to performance. An underweight allocation to Consumer Staples also contributed to performance, as did stock selection in the Energy sector. Top individual contributors to performance included holdings in F5 Networks Inc., Pfizer Inc. and Eli Lilly and Co. The sub-advisor added a new position in Intel Corp., which engages in the design, manufacture and sale of computer products and technologies. It was purchased as the company's stock ranked in the top 10% of the U.S. large-capitalization universe, driven by attractive valuations and positive investor sentiment, with improving company fundamentals. An existing position in Visa Inc., which operates as a payment technology company facilitating commerce through the transfer of value and information, was increased based on improving company fundamentals. CVS Health Corp. was eliminated because of a deterioration in the stock's ranking, driven mostly by weakening fundamentals. Wells Fargo & Co. was trimmed as a risk control measure, in order to bring the position back to an optimal weighting.

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

Looking ahead, there is potential for increased financial market volatility. While strong corporate earnings and positive economic data could support a recovery in equities, ongoing concerns over the macroeconomic environment could cause markets to react negatively.

The sub-advisor expects that elevated volatility in the coming period to provide a favourable environment for active stock selection and, as such, the Portfolio has been positioned to participate in rising markets while managing downside risks through a combination of disciplined stock selection and thoughtful risk management.

Independent Review Committee

On June 6, 2018, the Portfolio's independent review committee (the "IRC") was increased to five members when Jacqueline Allen was appointed as an IRC member. On September 6, 2018, the Portfolio's IRC was increased to six members when Marlene Davidge was appointed as an IRC member.

Related Party Transactions

BMO Trust Company, an indirect, wholly-owned subsidiary of Bank of Montreal, is the trustee (the "trustee") and BPIC is the manager of the Portfolio. From time to time, BPIC may, on behalf of the Portfolio, enter into transactions or arrangements with or involving other members of BMO Financial Group, or certain other persons or companies that are related or connected to the Portfolio (each, a "related party" and collectively, the "related parties"). The purpose of this section is to provide a brief description of any transaction involving the Portfolio and a related party. In each instance where a conflict of interest is identified, it will be referred to the Portfolio's IRC. The primary focus of the IRC is to determine whether the proposed action of the Manager in respect of the conflict of interest matter achieves a fair and reasonable result for the Portfolio. The IRC has reviewed the related party relationships described below and has provided a positive recommendation that each relationship achieves a fair and reasonable result for the Portfolio.

Sub-advisor

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

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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 of BMO, an affiliate of the Manager;
 - (b) investments in a class of non-government debt securities and/or equity securities of an issuer during the period of distribution of those securities to the public and/or the 60-day period following the distribution period where BMO Nesbitt Burns Inc., an affiliate of the Manager, or any other affiliate of the Manager acted as an underwriter in the distribution;
 - (c) trades in debt securities in the secondary market with BMO Nesbitt Burns Inc., or any other affiliate of the Manager, who is trading with the Portfolio as principal; and
 - (d) inter-fund trades;
- (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.

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, 2018 (\$000s)	Period ended Dec. 31, 2017 (\$000s)
Unitholder Services	291	276

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 U.S. 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					
	2018	2017	2016	2015	2014	
Net assets, beginning of period	\$	25.84	23.29	22.59	21.24	17.30
Increase (decrease) from operations:						
Total revenue	\$	0.51	0.44	0.49	0.43	0.35
Total expenses ⁽²⁾	\$	(0.10)	(0.09)	(0.10)	(0.08)	(0.07)
Realized gains (losses) for the period	\$	2.07	2.74	2.15	3.08	2.14
Unrealized gains (losses) for the period	\$	(2.88)	0.89	(0.95)	0.54	2.35
Total increase (decrease) from operations ⁽³⁾	\$	(0.40)	3.98	1.59	3.97	4.77
Distributions:						
From income (excluding dividends)	\$	—	—	—	—	—
From dividends	\$	0.40	0.48	0.37	0.46	0.26
From capital gains	\$	1.80	0.90	0.65	2.23	0.51
Return of capital	\$	0.00	0.00	0.00	0.00	0.00
Total Annual Distributions ⁽⁴⁾	\$	2.20	1.38	1.02	2.69	0.77
Net assets, end of period	\$	23.43	25.84	23.29	22.59	21.24

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

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

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

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

Ratios and Supplemental Data	Years ended December 31					
	2018	2017	2016	2015	2014	
Total net asset value (000s) ⁽¹⁾	\$	3,230,693	2,907,735	2,714,280	2,779,867	2,110,352
Number of units outstanding (000s) ⁽¹⁾		137,904	112,534	116,559	123,076	99,343
Management expense ratio ⁽²⁾	%	0.02	0.03	0.02	0.02	0.03
Management expense ratio before waivers or management absorptions ⁽²⁾	%	0.21	0.21	0.18	0.19	0.26
Trading expense ratio ⁽³⁾	%	0.05	0.06	0.08	0.07	0.07
Portfolio turnover rate ⁽⁴⁾	%	55.35	68.19	73.72	58.33	61.24
Net asset value per unit	\$	23.43	25.84	23.29	22.59	21.24

⁽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.

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Past Performance

General

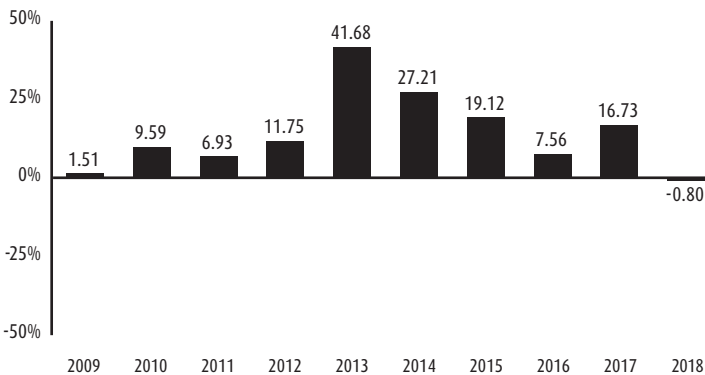
The Portfolio's performance information assumes that all distributions made by the Portfolio in the periods shown were reinvested in additional units of the Portfolio and is based on the net asset value of the Portfolio.

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

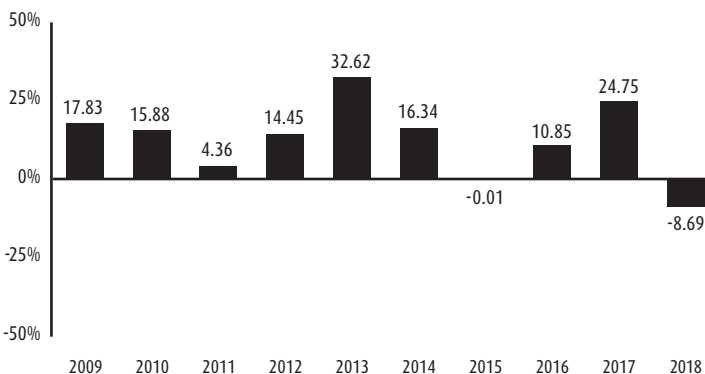
Year-by-Year Returns

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

BMO Private U.S. Equity Portfolio (C\$)



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



Annual Compound Returns

These charts compare the historical annual compound returns of the Portfolio with the S&P 500 Index, which reflects changes in the performance of 500 widely-held U.S. common stocks.

	1 yr %	3 yrs %	5 yrs %	10 yrs %
BMO Private U.S. Equity Portfolio (C\$) [†]	(0.80)	7.59	13.55	13.52
S&P 500 Index (C\$)	4.25	8.75	14.04	14.35

	1 yr %	3 yrs %	5 yrs %	10 yrs %
BMO Private U.S. Equity Portfolio (US\$) [†]	(8.69)	8.09	7.99	12.25
S&P 500 Index (US\$)	(4.38)	9.26	8.49	13.12

[†]The Portfolio's return is after the deduction of expenses, while the benchmark does not include any costs of investing.

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 U.S. Equity Portfolio

Summary of Investment Portfolio

as at December 31, 2018

Portfolio Allocation	% of Net Asset Value	Top 25 Holdings Issuer	% of Net Asset Value
Information Technology	21.4	Apple Inc.	4.5
Health Care	15.1	Pfizer Inc.	3.2
Financials	14.8	Alphabet Inc., Class C	3.2
Consumer Discretionary	8.7	Microsoft Corporation	3.2
Industrials	7.1	Chevron Corporation	2.6
Energy	6.5	Eli Lilly and Company	2.6
Communication Services	6.2	Comcast Corporation, Class A	2.6
Consumer Staples	5.5	Intel Corporation	2.4
Real Estate	5.4	Visa Inc., Class A	2.4
Utilities	5.3	Exelon Corporation	2.4
Materials	2.2	AbbVie Inc.	2.3
Cash/Receivables/Payables	1.8	Wal-Mart Stores, Inc.	2.2
Total portfolio allocation	100.0	Lowe's Companies, Inc.	2.2
		Citigroup Inc.	2.1
		ConocoPhillips	2.0
		Allstate Corporation, The,	1.9
		F5 Networks, Inc.	1.9
		Cash/Receivables/Payables	1.8
		Essex Property Trust, Inc.	1.7
		Southwest Airlines Co.	1.7
		Citizens Financial Group, Inc.	1.6
		Host Hotels & Resorts, Inc.	1.6
		American Express Company	1.6
		Boston Properties, Inc.	1.6
		Amazon.com, Inc.	1.6
		Top holdings as a percentage of total net asset value	56.9
		Total Net Asset Value	\$3,230,693,453

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

Manager

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