

Annual Management Report of Fund Performance

BMO Private Canadian Income 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 Inc. (“BMO AM Inc.” or the “sub-advisor”) as the sub-advisor of BMO Private Canadian Income Equity Portfolio (the “Portfolio”).

Investment Objective and Strategies

The Portfolio's investment objective is to provide a higher than average income stream primarily from income, royalties and distributions or dividends of equity securities of Canadian issuers.

To achieve the Portfolio's objectives, the sub-advisor primarily employs bottom-up security selection for its holdings that is based on quantitative and traditional fundamental analyses, including assessment of the company's projected earnings growth, quality of management, and identification of reasonable stock price valuations relative to other companies in the same industry.

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 -9.10%, after expenses. The Portfolio's benchmark is the S&P/TSX Composite Dividend Index (“S&P/TSX Dividend”), which generated a -8.59% total return over the same 12-month period.

While the end of 2017 looked promising for Canadian equities, the first and fourth quarters of 2018 were particularly challenging as a result of fragile investor sentiment. The S&P/TSX Composite Index (“S&P/TSX”), representing the performance of Canadian equities, fell 8.9%. Oil was under pressure in the latter half of the year as concerns arose over demand. Coupled with decelerating global economic growth and U.S. waivers for a number of countries to buy Iranian oil, oil experienced significant downward pressure in the fourth quarter as the West Texas Intermediate (“WTI”) oil price fell to levels last seen in 2017. Weaker economic data, particularly in the second half of 2018, along with rising interest rates and a flattening yield curve, weighed on investor sentiment given the potential for weaker consumer credit growth. Information Technology stocks were a bright spot, delivering high double-digit gains.

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Underweight exposures to the Industrials and Communication Services sectors detracted from the Portfolio's performance. Individual detractors included overweight positions in Dollarama Inc. and Canadian Western Bank. Dollarama Inc. announced weak traffic results that impacted its same-store sales growth. Furthermore, the company also experienced weaker-than-forecast gross margins as a result of higher freight cost and increased competitive intensity. Canadian Western Bank's favourable loan growth performance was offset by volatility in energy prices and fears over potential credit losses.

An overweight allocation to the Consumer Staples sector, and an underweight allocation to Energy contributed to the Portfolio's performance during the period. Top individual contributors included overweight holdings in Rogers Communications Inc. and Alimentation Couche-Tard Inc. Rogers Communications Inc. reported solid earnings, which were supported by solid wireless results. Alimentation Couche-Tard Inc. reported improving same-store sales growth in its U.S. operations and also recognized higher-than-forecast synergies from recent acquisitions. In addition, improving fuel margins also contributed to its positive earnings results.

The sub-advisor added several new holdings to the Portfolio during the period, including Shaw Communications Inc., CCL Industries Inc. and Canadian Pacific Railway Ltd. Saputo Inc., a global dairy producer, was also introduced to the Portfolio for its solid operating track record, competitive market position in Canada and consistently high level of profitability. Saputo Inc. is the third-largest cheese producer in the U.S. market with growing market share. Recent international acquisitions have enhanced its growth outlook as it is now able to participate in high-growth geographies like Asia.

An existing holding in Royal Bank of Canada was increased because of its universal banking model with a strong domestic personal and commercial banking business and its global wealth management and capital markets operations. The company has fully integrated its City National Corp. acquisition in the United States and is continuing to benefit from a strong U.S. economy and higher interest rates. The success of the banking model has allowed its management to return more capital to shareholders through dividend increases while continuing to invest in the digital transformation of its operations.

BCE Inc., Canadian Imperial Bank of Commerce, Gildan Activewear Inc. and Cineplex Inc. were eliminated from the Portfolio. Metro Inc. was sold given the continued challenges from minimum wage increases in Canada, drug reform regulatory risk and increased competition from online competitors. Sun Life Financial Inc. was trimmed given its healthy premium versus peers.

Benchmark Change

Effective January 1, 2018, the Portfolio's benchmark is changed to the S&P/TSX Composite Dividend Index from the S&P/TSX Composite Index, to better align with the Portfolio's investment mandate.

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 outlook for equity markets has changed dramatically over the course of the past year. 2018 began with plenty of optimism over the prospects for North American equities, buoyed by U.S. tax cuts, fiscal stimulus, global synchronized growth and accelerating earnings. By the end of the year, global economic and political risks were quite elevated, driven in large part by the trade dispute between the U.S. and China.

However, the sub-advisor's bias continues to favour equities, with the recognition that while increased volatility should continue, there is positive potential stemming from a possible resolution of various outstanding global issues. Interest rate risk has softened somewhat, providing additional support for an extension of the current economic and market cycle. The sub-advisor expects Canadian economic growth to moderate in 2019 as higher interest rates, new mortgage regulations and lower energy prices will likely slow the pace of economic activity. The risk of recession in the near term remains low given the low unemployment rate and the solid fundamentals backing the U.S. economy. In addition, softer domestic economic data along with weaker commodity pricing should work to keep the Bank of Canada more cautious in its ongoing effort to normalize interest rates.

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Reflecting this outlook, the sub-advisor has maintained the Portfolio's bias towards high-quality businesses in the Financials, Information Technology and Consumer-oriented sectors that are able to grow free cash flow and dividend streams.

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 ("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 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 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 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.

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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, 2018 (\$000s)	Period ended Dec. 31, 2017 (\$000s)
Total Brokerage Commissions	462	952
Brokerage Commissions paid to BMO Nesbitt Burns Inc.	42	134

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	216	203

Management Fee

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

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Financial Highlights

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

The Portfolio's Net Assets Per Unit ⁽¹⁾	Years ended December 31				
	2018	2017	2016	2015	2014
Net assets, beginning of period	\$ 9.88	9.18	7.73	8.31	7.55
Increase (decrease) from operations:					
Total revenue	\$ 0.29	0.27	0.27	0.27	0.25
Total expenses ⁽²⁾	\$ (0.01)	(0.01)	(0.00)	(0.01)	(0.00)
Realized gains (losses) for the period	\$ 0.29	0.12	0.02	(0.00)	0.36
Unrealized gains (losses) for the period	\$ (1.45)	0.59	1.42	(0.60)	0.41
Total increase (decrease) from operations ⁽³⁾	\$ (0.88)	0.97	1.71	(0.34)	1.02
Distributions:					
From income (excluding dividends)	\$ —	0.01	—	—	—
From dividends	\$ 0.29	0.25	0.27	0.26	0.25
From capital gains	\$ —	—	—	—	—
Return of capital	\$ 0.00	0.00	0.00	0.00	0.00
Total Annual Distributions ⁽⁴⁾	\$ 0.29	0.26	0.27	0.26	0.25
Net assets, end of period	\$ 8.71	9.88	9.18	7.73	8.31

⁽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⁾	\$ 1,833,353	2,263,548	1,912,373	1,489,622	1,381,291
Number of units outstanding (000s) ⁽¹⁾	210,462	229,098	208,325	192,646	166,286
Management expense ratio ⁽²⁾	%	0.02	0.02	0.03	0.03
Management expense ratio before waivers or management absorptions ⁽²⁾	%	0.14	0.13	0.14	0.14
Trading expense ratio ⁽³⁾	%	0.02	0.05	0.01	0.02
Portfolio turnover rate ⁽⁴⁾	%	13.59	21.30	1.95	1.73
Net asset value per unit	\$ 8.71	9.88	9.18	7.73	8.31

⁽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 investment manager 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

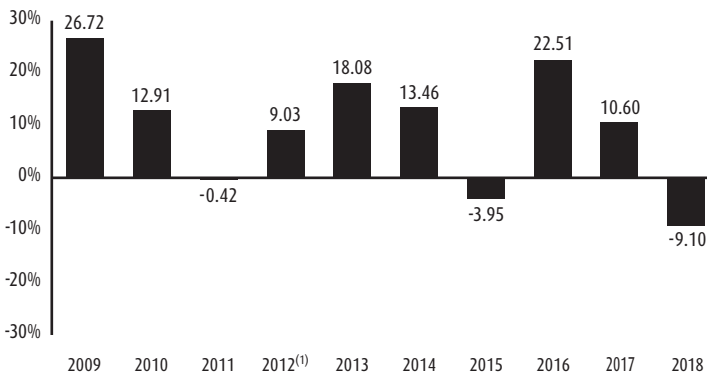
General

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 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.



⁽¹⁾ On March 26, 2012, BMO AM Inc. became the sub-advisor of the Portfolio.

Annual Compound Returns

This chart compares the historical annual compound returns of the Portfolio with the S&P/TSX Composite Dividend Index and the S&P/TSX Composite Index. The S&P/TSX Composite Dividend Index aims to provide a broad-based benchmark of Canadian dividend-paying stocks. The index includes all stocks in the S&P/TSX Composite with positive annual dividend yields as of the latest rebalancing of the S&P/TSX Composite Index. 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 Income Equity Portfolio ^{‡§}	(9.10)	7.19	6.06	9.43
S&P/TSX Composite Dividend Index* (new)	(8.59)	6.49	4.12	7.95
S&P/TSX Composite Index	(8.89)	6.37	4.06	7.92

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

[§]On March 26, 2012, BMO AM Inc. became the sub-advisor of the Portfolio.

*The Portfolio's benchmark is the S&P/TSX Composite Dividend Index. Prior to January 1, 2018 it was the S&P/TSX Composite 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.

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Summary of Investment Portfolio

as at December 31, 2018

Portfolio Allocation	% of Net Asset Value	Top 25 Holdings Issuer	% of Net Asset Value
Financials	38.2	Royal Bank of Canada	8.0
Energy	16.3	Toronto-Dominion Bank, The,	7.5
Industrials	11.7	Bank of Nova Scotia, The,	7.1
Utilities	7.2	Canadian National Railway Company	5.9
Materials	6.8	Brookfield Asset Management Inc., Class A	5.9
Consumer Staples	6.8	Enbridge Inc.	4.6
Communication Services	5.1	Rogers Communications Inc., Class B	4.1
Consumer Discretionary	3.9	Manulife Financial Corporation	3.9
Real Estate	3.0	Alimentation Couche-Tard Inc., Class B	3.7
Cash/Receivables/Payables	1.0	Suncor Energy Inc.	3.6
Total portfolio allocation	100.0	Waste Connections, Inc.	3.6
		Brookfield Infrastructure Partners L.P.	3.6
		Canadian Natural Resources Limited	3.1
		Dollarama Inc.	2.2
		Fortis Inc.	2.1
		Franco-Nevada Corporation	2.1
		TransCanada Corporation	2.1
		CCL Industries Inc., Class B	1.9
		Pembina Pipeline Corporation	1.9
		Intact Financial Corporation	1.8
		Restaurant Brands International Inc.	1.7
		Nutrien Ltd.	1.6
		Loblaw Companies Limited	1.6
		Canadian Western Bank	1.6
		Algonquin Power & Utilities Corp.	1.6
		Top holdings as a percentage of total net asset value	86.8
		Total Net Asset Value	\$1,833,352,970

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

Manager

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

Trustee

BMO Trust Company
1 First Canadian Place
100 King St. W., 41st Floor
Toronto, Ontario M5X 1A1

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