

Annual Management Report of Fund Performance

BMO Private Canadian Corporate Bond 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 Corporate Bond Portfolio (the "Portfolio").

Investment Objective and Strategies

The Portfolio's investment objective is to produce superior returns through a combination of interest income and capital growth while also pursuing capital preservation. The Portfolio invests primarily in high-quality fixed income securities such as bonds and debentures issued by Canadian corporations that mature in more than one year.

To achieve the Portfolio's objectives, the sub-advisor selects fixed income securities in reference to the characteristics of a widely recognized Canadian corporate bond index (which includes bonds with remaining effective terms of over one year). The sub-advisor also allocates investments among corporate debt securities, including securities backed by mortgages or other financial assets, and invests a portion of the Portfolio's assets in non-investment grade fixed income securities.

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 7.51%, after expenses. The Portfolio's benchmark is a blend of 50% FTSE Canada Short Term Corporate Bond Index and 50% FTSE Canada Mid Term Corporate Bond Index, which generated a 7.63% total return over the same 12-month period.

Longer-duration (sensitivity to interest rates) bonds benefitted the most from peak interest rates and the increased likelihood of rate cuts in 2024. Shorter-duration bonds were relatively flat heading into October and posted modest gains during the fourth quarter bond rally. Mid-term bonds rallied more significantly, and overcame the losses incurred early in the period. Short- and mid-term bonds (as measured by the FTSE Canada Short Term Bond Index and the FTSE Canada Mid Term Bond Index) gained over the period.



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Exposure to shorter-duration bonds detracted from the Portfolio's performance. Exposure to the Securitization sector also detracted from the Portfolio's performance, as did allocations to corporate bonds rated AAA/AA.

The Portfolio's exposure to longer-duration bonds (typically more sensitive to interest rates) contributed to its performance as these outperformed short-duration bonds. Holdings in BBB-rated corporate bonds, as well as in the Energy and Communication Services sectors, contributed to the Portfolio's performance.

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 fixed income markets could continue to experience heightened volatility in 2024 led by interest rate decisions made by central banks. Market participants believe that interest rates have reached peak levels and that central banks could start lowering interest rates in 2024. While the market is pricing in an expectation of several interest rate cuts, the sub-advisor believes that interest rate cuts will be fewer and slower than the market is currently predicting. However, the overall trend should be for a reduction in interest rates.

The sub-advisor believes that the Bank of Canada (the "BoC") will begin lowering interest rates sooner than the U.S. Federal Reserve Board, but that both central banks will likely move in the same direction for the entirety of the period ahead. While inflation is still a concern, and above the BoC's long-term target, the sub-advisor believes that the period of inflation being the only concern in markets is over.

The sub-advisor believes that the Portfolio's exposure to longer-duration bonds should position it well for the period ahead. The Portfolio should benefit from its corporate bond exposure if the economy slows enough to bring inflation down to the BoC's target without entering a recession.

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 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;

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- (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.

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	283	285

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				
	2023	2022	2021	2020	2019
Net assets, beginning of period	\$ 9.44	10.50	10.92	10.38	10.06
Increase (decrease) from operations:					
Total revenue	\$ 0.35	0.30	0.28	0.30	0.30
Total expenses ⁽²⁾	\$ (0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Realized gains (losses) for the period	\$ (0.20)	(0.18)	0.07	0.04	0.03
Unrealized gains (losses) for the period	\$ 0.53	(0.90)	(0.46)	0.51	0.30
Total increase (decrease) from operations ⁽³⁾	\$ 0.68	(0.78)	(0.11)	0.85	0.63
Distributions:					
From income (excluding dividends)	\$ 0.34	0.32	0.32	0.33	0.32
From dividends	\$ —	—	—	—	—
From capital gains	\$ —	—	—	—	—
Return of capital	\$ 0.00	0.00	0.00	0.00	0.00
Total Annual Distributions ⁽⁴⁾	\$ 0.34	0.32	0.32	0.33	0.32
Net assets, end of period	\$ 9.79	9.44	10.50	10.92	10.38

⁽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⁾	\$ 1,445,602	1,491,158	1,846,117	1,921,263	1,809,172
Number of units outstanding (000s) ⁽¹⁾	147,605	158,044	175,849	175,930	174,259
Management expense ratio ⁽²⁾	0.05	0.04	0.03	0.03	0.03
Management expense ratio before waivers or management absorptions ⁽²⁾	0.16	0.15	0.14	0.14	0.14
Trading expense ratio ⁽³⁾	—	—	—	—	—
Portfolio turnover rate ⁽⁴⁾	31.56	28.57	22.87	23.16	33.00
Net asset value per unit	\$ 9.79	9.44	10.50	10.92	10.38

⁽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. For all the financial periods listed, no commissions or portfolio transaction costs were incurred by the Portfolio. As a result, the trading expense ratio for each of the periods was zero.

⁽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

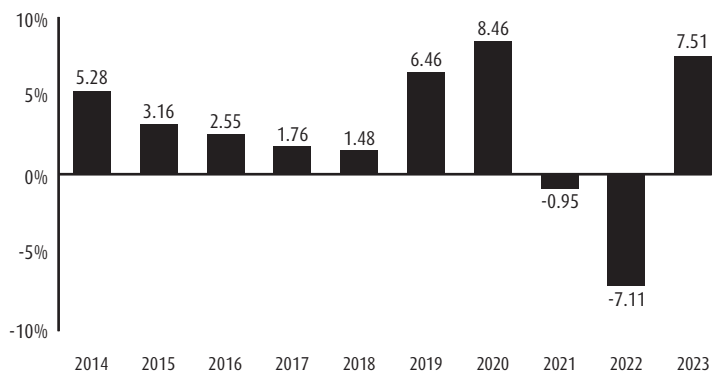
General

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 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 blended benchmark made up of the FTSE Canada Short Term Corporate Bond Index (50%) and the FTSE Canada Mid Term Corporate Bond Index (50%), and with the FTSE Canada All Corporate Bond Index. The FTSE Canada Short Term Corporate Bond Index reflects marketable Canadian corporate bonds with a rating of BBB or better with terms to maturity between one and five years, the FTSE Canada Mid Term Corporate Bond Index reflects marketable Canadian corporate bonds with a rating of BBB or better with terms to maturity between five and ten years, and the FTSE Canada All Corporate Bond Index reflects marketable Canadian corporate bonds with a rating of BBB or better with terms to maturity greater than one year.

	1 yr %	3 yrs %	5 yrs %	10 yrs %
BMO Private Canadian Corporate Bond Portfolio‡	7.51	-0.36	2.69	2.77
Blended benchmark*	7.63	-0.39	2.73	3.01
FTSE Canada All Corporate Bond Index**	8.37	-1.23	2.51	3.10

‡ 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 a blend of 50% FTSE Canada Short Term Corporate Bond Index and 50% FTSE Canada Mid Term Corporate Bond Index. The FTSE Canada All Corporate Bond Index continues to be disclosed because it is an appropriate broad-based market index to compare the Portfolio's performance against.

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, 2023

Portfolio Allocation	% of Net Asset Value	Top 25 Holdings Issuer	% of Net Asset Value
Corporate Bonds	98.5	North West Redwater Partnership/NWR Financing Company Ltd., Series N, Senior, Secured, Notes, Callable, 2.800% Jun 1, 2031	0.6
Cash/Receivables/Payables	1.0	Toronto-Dominion Bank, The, Medium Term Notes, Fixed to Floating, Unsecured, Subordinated, Callable, 4.859% Mar 4, 2031	0.6
Asset-Backed Securities	0.5	TELUS Corporation, Series CAF, Senior, Unsecured, Notes, Callable, 2.850% Nov 13, 2031	0.6
Total portfolio allocation	100.0	Bank of Nova Scotia, The, Senior, Unsecured, Notes, 2.950% Mar 8, 2027	0.6
Top 25 Holdings Issuer	% of Net Asset Value	Toronto-Dominion Bank, The, Senior, Unsecured, Notes, 1.888% Mar 8, 2028	0.6
Toronto-Dominion Bank, The, Senior, Unsecured, Notes, 4.680% Jan 8, 2029	1.4	Fairfax Financial Holdings Limited, Senior, Unsecured, Notes, Callable, 3.950% Mar 3, 2031	0.6
Cash/Receivables/Payables	1.0	Toronto-Dominion Bank, The, Senior, Unsecured, Notes, 2.260% Jan 7, 2027	0.6
Bell Canada, Medium Term Notes, Senior, Unsecured, Callable, 3.000% Mar 17, 2031	0.9	Inter Pipeline Ltd., Series 12, Senior, Unsecured, Notes, Callable, 3.983% Nov 25, 2031	0.6
Greater Toronto Airports Authority, Series 2019-1, Senior, Secured, Notes, Callable, 2.730% Apr 3, 2029	0.9	Manulife Financial Corporation, Unsecured, Notes, Subordinated, Callable, 2.818% May 13, 2035	0.5
Bell Canada, Senior, Unsecured, Notes, Callable, 5.850% Nov 10, 2032	0.8	Bruce Power L.P., Series 2020-1, Senior, Unsecured, Notes, Callable, 4.000% Jun 21, 2030	0.5
Enbridge Inc., Medium Term Notes, Senior, Unsecured, Callable, 2.990% Oct 3, 2029	0.7	TransCanada PipeLines Limited, Medium Term Notes, Senior, Unsecured, Callable, 5.277% Jul 15, 2030	0.5
Royal Bank of Canada, Senior, Unsecured, Notes, 5.228% Jun 24, 2030	0.7	OMERS Realty Corporation, Series 11, Senior, Unsecured, Debentures, Callable, 3.628% Jun 5, 2030	0.5
Rogers Communications Inc., Senior, Unsecured, Notes, Callable, 4.250% Apr 15, 2032	0.7	Top holdings as a percentage of total net asset value	17.2
TELUS Corporation, Senior, Unsecured, Notes, Callable, 5.250% Nov 15, 2032	0.7	Total Net Asset Value	\$1,445,601,942
Bell Canada, Senior, Unsecured, Notes, Callable, 4.550% Feb 9, 2030	0.7		
Canadian Imperial Bank of Commerce, Deposit Notes, Unsecured, 3.300% May 26, 2025	0.7		
Brookfield Finance II Inc., Medium Term Notes, Senior, Unsecured, Callable, 5.431% Dec 14, 2032	0.6		
TransCanada PipeLines Limited, Medium Term Notes, Senior, Unsecured, Callable, 5.330% May 12, 2032	0.6		

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

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