

Annual Management Report of Fund Performance

BMO Private Emerging Markets 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 contact.centre@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 Comgest S.A. (“Comgest” or the “sub-advisor”) as the sub-advisor of BMO Private Emerging Markets Equity Portfolio (the “Portfolio”).

Investment Objective and Strategies

The Portfolio's investment objective is to achieve long-term growth through capital appreciation by primarily investing in securities of companies in emerging markets or companies with a connection to emerging markets.

To achieve the Portfolio's objectives, the portfolio manager and the sub-advisor primarily employ bottom-up security selection to select attractively priced companies that show exceptional characteristics with strong competitive positions that are likely to appreciate steadily over the long-term. This process is based on quantitative and traditional fundamental analyses that consider the company's balance sheet and earnings as well as the quality of the company's management.

The Portfolio may use derivative instruments in an effort to reduce the impact of currency fluctuations on, and to add value to, the Portfolio's investment portfolio. Stock index futures may also be used as a substitute for acquiring or selling the underlying securities which allows the Portfolio to efficiently manage its cash flow and its exposure to different countries.

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 -12.92% in C\$ (-19.83% in US\$), after expenses. The Portfolio's benchmark is the MSCI Emerging Markets Index, which generated a -6.86% total return in C\$ (-14.58% in US\$) over the same 12-month period.

The 12-month period ended December 31, 2018, was a challenging one for global financial markets, with most asset classes registering negative returns. While tax cuts supported U.S. corporate earnings, Japan's economy softened and Europe faced a complex political situation. Emerging markets were negatively impacted by higher bond yields, a strengthening U.S. dollar and fragile fundamentals. Heavily indebted countries were badly hit, with Turkey and frontier market Argentina leading the pack. However, to a

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certain extent, this was to be expected and overall there were no major economic surprises in 2018, apart from U.S. dollar strength. Since the summer, equity markets have been influenced by policy divergence between the United States and China. A number of domestic elections in the emerging markets also added to uncertainty in 2018.

Sector allocation detracted from the Portfolio's performance as a result of its minimal exposure to the Energy sector. Within Financials, the outperformance of banks over insurance companies detracted from performance. Other detractors included an investment style shift, which translated into quality- and growth-style strategies underperforming value. Individual detractors from performance included Kroton Educacional SA, China Life Insurance Co. Ltd. and MTN Group Ltd. Kroton Educacional SA was negatively impacted by deteriorating employment market conditions in Brazil. China Life Insurance Co. Ltd. was weak following lower-than-expected quarterly results, its earnings affected by falling long-term interest rates and the local stock market correction. MTN Group Ltd. had disappointing performance, impacted by its exposure to Iran and the resurgence of its conflict with the Nigerian regulator.

Stock selection within the Information Technology sector contributed to the Portfolio's performance. Top individual contributors to performance included Infosys Ltd., NCsoft Corp. and B3 SA – Brasil Bolsa Balcao. Infosys Ltd. experienced solid demand for services in its key verticals of financial services, retail and telecom organizations. NCsoft Corp. delivered better-than-expected results, its core products generating enough cash flow to comfortably invest in new game titles. B3 SA – Brasil Bolsa Balcao benefited from its diversified revenue stream, low earnings volatility and higher trading volumes.

The sub-advisor purchased several new positions for the Portfolio. Samsung Electronics Co. Ltd. was added based on improvement in corporate governance and better capital allocation. Unilever NV was purchased for its sales generation in faster-growing emerging markets. Suzuki Motor Corp. is a play on Maruti Suzuki India Ltd., the market leader in the Indian passenger car market. The company's ongoing operational performance remains strong, particularly in India, but also in other markets, and the sub-advisor took

advantage of weakness in the share price to purchase it for the Portfolio. Naspers Ltd., Kroton Educacional SA and exposures to Chinese A-share companies were increased on share price weakness.

BRF Brasil Foods SA was eliminated from the Portfolio after it reported unexpectedly weak fourth-quarter 2017 results, revealing poor control of prices and costs, probably related to the frequent management changes over the last two years. Bharti Airtel Ltd. and Bharti Infratel Ltd. were both sold on a competition-induced softer earnings outlook. Chinese liquor company Kweichow Moutai was sold for valuation reasons. China Life Insurance Co. Ltd. was reduced in favour of increasing exposure to Ping An Insurance (Group) Co. of China Ltd. following a change in regulation, which benefits long-term insurance products over single premium products.

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 coming year is expected to be one of continued turbulence, as serious political issues remain unresolved. There is uncertainty surrounding the necessary level of interest rates and the length of the ongoing economic expansion in the United States. The supremacy of the U.S. dollar as the currency of reserve and trade is also increasingly challenged.

In emerging markets, external debt levels are elevated in a number of countries. China's economic slowdown adds pressure on emerging market growth, while the direction of the Chinese renminbi is no longer clear. However, the political situation is clearer following a number of presidential elections in the emerging markets and economic activity has started to improve. The price of oil has corrected sharply, easing pressure on several importers. China's economic stimulus is expected to gain more traction by mid-2019. Aggregated data indicates that the balance sheets of emerging markets companies remain relatively sound and valuations of emerging markets stocks are close to an attractive level. With respect to growth-oriented stocks, the sub-advisor expects double-digit earnings growth in 2019 and over the next five years.

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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 Comgest to provide investment advice and make investment decisions for the Portfolio’s investment portfolio. Comgest receives a sub-advisory fee based on assets under management, which is paid quarterly. Comgest is paid by BPIC, and BPIC charges a portion of the sub-advisory fee as an expense to the Portfolio.

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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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	139	152

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	\$	18.68	15.12	15.34	15.28	13.73
Increase (decrease) from operations:						
Total revenue	\$	0.45	0.39	0.36	0.67	0.32
Total expenses ⁽²⁾	\$	(0.22)	(0.22)	(0.21)	(0.21)	(0.19)
Realized gains (losses) for the period	\$	0.65	1.56	0.99	1.03	1.23
Unrealized gains (losses) for the period	\$	(3.41)	2.92	(0.68)	(0.76)	0.31
Total increase (decrease) from operations ⁽³⁾	\$	(2.53)	4.65	0.46	0.73	1.67
Distributions:						
From income (excluding dividends)	\$	—	—	—	—	—
From dividends	\$	0.25	0.18	0.19	0.47	0.15
From capital gains	\$	0.53	0.94	0.67	0.25	—
Return of capital	\$	0.00	0.00	0.00	0.00	0.00
Total Annual Distributions ⁽⁴⁾	\$	0.78	1.12	0.86	0.72	0.15
Net assets, end of period	\$	15.47	18.68	15.12	15.34	15.28

⁽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⁾	\$	260,618	331,694	243,073	292,215	271,656
Number of units outstanding (000s) ⁽¹⁾		16,842	17,759	16,078	19,045	17,775
Management expense ratio ⁽²⁾	%	0.92	0.96	1.01	0.95	0.96
Management expense ratio before waivers or management absorptions ⁽²⁾	%	1.10	1.11	1.18	1.12	1.13
Trading expense ratio ⁽³⁾	%	0.12	0.13	0.13	0.13	0.13
Portfolio turnover rate ⁽⁴⁾	%	46.50	38.17	22.69	40.75	27.83
Net asset value per unit	\$	15.47	18.68	15.12	15.34	15.28

⁽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.

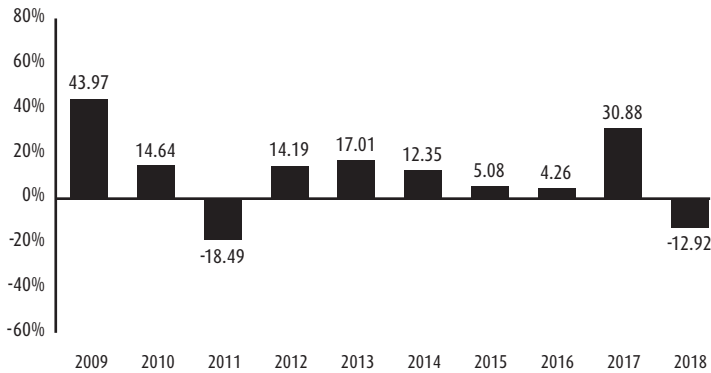
The performance information does not take into account sales, redemption, distribution or other optional charges that, if applicable, would have reduced returns or performance. Please remember, how the Portfolio has performed in the past does not necessarily indicate how it will perform in the future.

Year-by-Year Returns

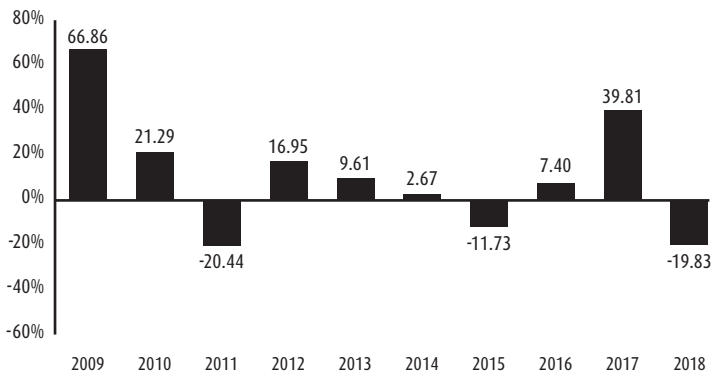
The following bar charts show the performance for each of the financial years shown and illustrate how the performance has changed from year to year.

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 Emerging Markets Equity Portfolio (C\$)



BMO Private Emerging Markets Equity Portfolio (US\$)



Annual Compound Returns

These charts compare the historical annual compound returns of the Portfolio with the MSCI Emerging Markets Index, which is a free float-adjusted market capitalization weighted index that measures equity market performance (total return) in global emerging markets.

	1 yr %	3 yrs %	5 yrs %	10 yrs %
BMO Private Emerging Markets Equity Portfolio (C\$) [†]	(12.92)	5.92	7.00	9.69
MSCI Emerging Markets Index (C\$)	(6.86)	8.74	6.84	9.20

	1 yr %	3 yrs %	5 yrs %	10 yrs %
BMO Private Emerging Markets Equity Portfolio (US\$) [†]	(19.83)	6.38	1.76	8.46
MSCI Emerging Markets Index (US\$)	(14.58)	9.25	1.65	8.02

[†]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.

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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
China	26.7	Ping An Insurance (Group) Company of China, Ltd., H Shares	5.1
Brazil	14.7	Taiwan Semiconductor Manufacturing Company, Ltd., ADR	4.8
South Africa	11.5	Power Grid Corporation of India Limited	4.0
South Korea	9.3	Sanlam Limited	3.9
India	7.7	Cognizant Technology Solutions Corporation, Class A	3.5
Mexico	6.0	Baidu, Inc., Class A, ADR	3.5
Hong Kong	5.8	Fomento Economico Mexicano, S.A.B. de C.V.	3.3
Taiwan	4.8	Naspers Limited, N Shares	3.2
United States	3.5	SAIC Motor Corporation Ltd., Equity Linked Notes, Nov 11, 2019	3.0
Indonesia	2.8	Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk	2.8
United Kingdom	1.8	Samsung Life Insurance Co., Ltd.	2.8
Cash/Receivables/Payables	1.5	BB Seguridade Participacoes S.A.	2.7
Russia	1.4	Infraestrutura Energetica Nova, S.A.B. de C.V.	2.7
Japan	1.3	AIA Group Limited	2.5
Malaysia	1.2	NetEase, Inc., ADR	2.5
Total portfolio allocation	100.0	Hengan International Group Company Limited	2.5
		Samsung Electronics Co., Ltd.	2.4
		Inner Mongolia Yili Industrial Group Co., Ltd., Equity Linked Notes, Mar 31, 2021	2.4
		Discovery Limited	2.3
		NCSOFT Corporation	2.2
		Ultrapar Participacoes S.A.	2.2
		China Life Insurance Company Limited, H Shares	2.2
		MTN Group Limited	2.1
		Kroton Educacional S.A.	2.1
		Infosys Limited, ADR	2.1
		Top holdings as a percentage of total net asset value	72.8
		Total Net Asset Value	\$260,618,238

Sector Allocation	% of Net Asset Value
Financials	23.6
Communication Services	22.7
Information Technology	16.7
Consumer Staples	9.9
Consumer Discretionary	7.7
Industrials	7.4
Utilities	6.7
Energy	2.2
Health Care	1.6
Cash/Receivables/Payables	1.5
Total sector allocation	100.0

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

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