

Semi-Annual Management Report of Fund Performance

BMO Private Diversified Yield Portfolio

For the period ended June 30, 2023

This semi-annual management report of fund performance contains financial highlights, but does not contain the semi-annual or annual financial statements of the Portfolio. If the semi-annual or annual financial statements of the Portfolio do not accompany the mailing of this report, you may obtain a copy of the semi-annual or 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 Diversified Yield Portfolio (the “Portfolio”).

Results of Operations

Over the six-month period ended June 30, 2023, the Portfolio returned 3.02%, after expenses. The Portfolio's benchmark is the S&P/TSX Composite Index (the “S&P/TSX”), which generated a 5.70% total return over the same six-month period.

During the period, Canadian equity markets were volatile as a result of global economic conditions, slower economic growth and lower oil prices. The Bank of Canada (the “BoC”) raised interest rates by 50 basis points since the beginning of 2023, with the policy interest rate sitting at 4.75% at the end of the period. The S&P/TSX posted a gain during the period, with Information Technology and Consumer Discretionary being the best-performing sectors. Energy was the weakest-performing sector, followed by Communication Services.

During the period, the S&P/TSX Preferred Share Index was relatively flat. Preferred shares underperformed relative to the S&P/TSX as a result of the U.S. regional

bank crisis that impacted the global financial sector, as Canadian banks are a key component of the preferred share market. Canada's 2-to-10-year yield curve ended the period at -132 basis points. The best performing sectors in Canadian equity markets were Information Technology and Consumer Discretionary, which further deepened the divergence between equities and preferred shares.

During the period, the Canadian real estate investment trust (“REIT”) market, as measured by the S&P/TSX REIT Total Return Index, declined. REITs underperformed the S&P/TSX as higher interest rates impacted the mortgage space and the U.S. regional bank crisis raised concerns about commercial real estate. Despite macroeconomic concerns, REITs continued to benefit from increased demand for rental housing, population growth and deteriorating housing affordability.

Stock selection within the Financials, Industrials and Materials sectors detracted from the Portfolio's performance. An underweight exposure to the Information Technology sector also detracted from the Portfolio's performance, as investors looked for durable growth companies exposed to the artificial intelligence thematic. The Portfolio's position in Northland Power Inc. detracted from performance. Despite a growing renewable project backlog, its stock price was down as a result of a capital cost increases on a few key major developments. A holding in Nutrien Ltd. detracted from the Portfolio's performance as its stock came under pressure alongside weakening fertilizer pricing and a negative earnings forecast. Another notable detractor from performance was a position in The



Private Wealth

BMO Private Diversified Yield Portfolio

Toronto-Dominion Bank. Its stock price was weighed down by a combination of rising interest rates, increased regulatory burden and the termination of the First Horizon National Corp. acquisition.

An overweight exposure to equities contributed to the Portfolio's performance, as did stock selection within the Real Estate, Energy and Utilities sectors. An underweight exposure to REITs and preferred shares also contributed to performance as higher interest rates led to negative returns for those asset classes. Underweight allocations to Energy and Materials added to the Portfolio's performance as commodity prices weakened. Top individual contributors to the Portfolio's performance were positions in Brookfield Infrastructure Partners L.P., Canadian Apartment Properties REIT and Algonquin Power & Utilities Corp. Brookfield Infrastructure Partners L.P.'s stock price rebounded amid positive sentiment around its organic growth prospects and accelerating capital recycling program. Canadian Apartment Properties REIT saw its share price move higher on continued operating and financial momentum driven by strong demand for affordable housing and strong immigration trends. Algonquin Power & Utilities Corp. saw its stock rise following a dividend cut and subsequent strategic review announcement.

The sub-advisor added a new holding in Canadian Natural Resources Ltd., a leading energy producer in Canada. It was added based on the company's portfolio of long-life, low-decline oil reserves, its low-cost producer status, its capital allocation discipline and its strong, consistent history of dividend growth through the commodity cycle. A new position in Tourmaline Oil Corp., a leading natural gas producer, was also added to the Portfolio. It was introduced on the strength of its production footprint in leading basins in Western Canada, its low-cost status, balance sheet strength and history of unlocking value for shareholders. PrairieSky Royalty Ltd., an energy royalty company with exposure to a significant producing footprint in Canada, was also added to the Portfolio. The sub-advisor liked the company's cost structure, healthy balance sheet, exposure to future industry output growth, low payout ratio and attractive dividend yield.

The Portfolio's positions in Parkland Corp. and Manulife Financial Corp. were eliminated to finance the new additions to the Portfolio.

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

Equity market sentiment took a negative turn during the second quarter of 2023. Investors were forced to abandon hope of central bank interest rate cuts later in the year given the strength of the underlying economic picture and the determination of central bankers to stamp out inflation. What remains unclear is the ultimate damage that the monetary policy tightening over the past year will have on the real economy and when this may play out.

The sub-advisor believes that we are closer to the end than the beginning of interest rate tightening policy. While the recent equity market upswing has been a positive development, the sub-advisor believes that more clarity is needed regarding the ultimate paths of inflation, interest rates, credit and earnings before a more sustainable upwardly trending market for stocks will be established.

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.

BMO Private Diversified Yield 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 June 30, 2023 (\$000s)	Period ended June 30, 2022 (\$000s)
Total Brokerage Commissions	91	67
Brokerage Commissions paid to BMO Nesbitt Burns Inc.	11	2

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.

BMO Private Diversified Yield Portfolio

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 June 30, 2023 (\$000s)	Period ended June 30, 2022 (\$000s)
Unitholder Services	122	120

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 Diversified Yield 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⁾	Six months ended June 30, 2023	Years ended December 31				
		2022	2021	2020	2019	2018
Net assets, beginning of period	\$ 19.72	22.74	19.09	19.49	17.31	19.27
Increase (decrease) from operations:						
Total revenue	\$ 0.37	0.72	0.70	0.71	0.69	0.68
Total expenses ⁽²⁾	\$ (0.01)	(0.01)	(0.02)	(0.02)	(0.02)	(0.02)
Realized gains (losses) for the period	\$ 0.03	0.76	1.02	(0.01)	1.26	2.15
Unrealized gains (losses) for the period	\$ 0.21	(3.72)	2.78	(0.53)	1.09	(3.81)
Total increase (decrease) from operations ⁽³⁾	\$ 0.60	(2.25)	4.48	0.15	3.02	(1.00)
Distributions:						
From income (excluding dividends)	\$ 0.01	0.01	0.01	0.01	0.01	—
From dividends	\$ 0.36	0.71	0.68	0.70	0.72	0.71
From capital gains	\$ —	—	—	—	—	—
Return of capital	\$ 0.03	0.03	0.06	0.05	0.05	0.03
Total Annual Distributions ⁽⁴⁾	\$ 0.40	0.75	0.75	0.76	0.78	0.74
Net assets, end of period	\$ 19.92	19.72	22.74	19.09	19.49	17.31

⁽¹⁾ This information is derived from the Portfolio's unaudited and 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	Six months ended June 30, 2023	Years ended December 31				
		2022	2021	2020	2019	2018
Total net asset value (000s) ⁽¹⁾	\$ 708,562	709,477	869,518	833,781	894,727	1,060,854
Number of units outstanding (000s) ⁽¹⁾	35,575	35,985	38,239	43,666	45,912	61,274
Management expense ratio ⁽²⁾	% 0.08	0.07	0.06	0.07	0.06	0.04
Management expense ratio before waivers or management absorptions ⁽²⁾	% 0.19	0.18	0.17	0.18	0.16	0.16
Trading expense ratio ⁽³⁾	% 0.03	0.01	0.02	0.02	0.05	0.07
Portfolio turnover rate ⁽⁴⁾	% 4.76	3.92	6.41	6.83	7.38	12.92
Net asset value per unit	\$ 19.92	19.72	22.74	19.09	19.49	17.31

⁽¹⁾ This information is provided as at June 30 or December 31 of the period shown, as applicable.

⁽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 Diversified Yield Portfolio

Past Performance

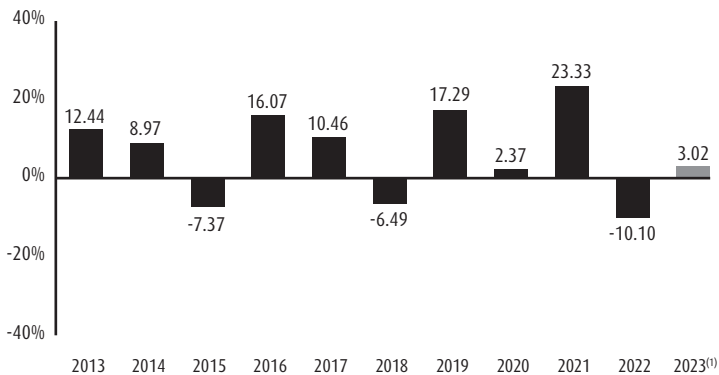
General

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 for the six-month period ended June 30, 2023, 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⁾ For the six-month period ended June 30, 2023.

BMO Private Diversified Yield Portfolio

Summary of Investment Portfolio

as at June 30, 2023

Portfolio Allocation	% of Net Asset Value	Top 25 Holdings Issuer	% of Net Asset Value
Financials	27.8	Royal Bank of Canada	6.3
Preferred Shares – Fixed/Floaters	16.5	Toronto-Dominion Bank, The,	5.4
Industrials	11.0	Brookfield Corporation, Class A	3.7
Real Estate	8.8	Intact Financial Corporation	3.6
Utilities	8.3	Canadian National Railway Company	3.4
Energy	8.0	Brookfield Infrastructure Partners L.P.	3.3
Preferred Shares – Straight	5.1	Waste Connections, Inc.	3.1
Materials	5.0	Element Fleet Management Corp.	3.1
Communication Services	3.6	WSP Global Inc.	2.8
Consumer Discretionary	2.3	Canadian Apartment Properties REIT	2.7
Consumer Staples	1.1	Rogers Communications Inc., Class B	2.6
Fixed Income Fund	1.0	Bank of Nova Scotia, The,	2.6
Cash/Receivables/Payables	0.9	Dollarama Inc.	2.3
Preferred Shares – Floating Perpetual	0.3	Nutrien Ltd.	2.2
Money Market Investments	0.3	Tricon Residential Inc.	2.0
Total portfolio allocation	100.0	Enbridge Inc.	1.8
		Canadian Natural Resources Limited	1.8
		Franco-Nevada Corporation	1.8
		Thomson Reuters Corporation	1.6
		Granite REIT	1.5
		Brookfield Renewable Partners L.P.	1.5
		Killam Apartment REIT, Class A	1.4
		TMX Group Limited	1.4
		TC Energy Corporation	1.2
		Northland Power Inc.	1.2
		Top holdings as a percentage of total net asset value	64.3
		Total Net Asset Value	\$708,561,720

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 Street West, 41st Floor
Toronto, Ontario M5X 1A1

Trustee

BMO Trust Company
1 First Canadian Place
100 King Street West, 41st Floor
Toronto, Ontario M5X 1A1

BMO Private Wealth is a brand name for a business group consisting of Bank of Montreal and certain of its affiliates in providing private wealth management products and services. Not all products and services are offered by all legal entities within BMO Private Wealth. Banking services are offered through Bank of Montreal. Investment management, wealth planning, tax planning, and philanthropy planning services are offered through BMO Nesbitt Burns Inc. and BMO Private Investment Counsel Inc. Estate, trust, and custodial services are offered through BMO Trust Company. BMO Private Wealth legal entities do not offer tax advice.

This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the Portfolio may invest and the risks detailed from time to time in the simplified prospectus of the BMO Private Portfolios. We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the Portfolio, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, BMO Private Investment Counsel Inc. does not undertake, and specifically disclaims, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

®Registered trademark of Bank of Montreal, used under license.

www.bmo.com/privatewealth/
For more information please call 1-855-852-1026