

Semi-Annual Management Report of Fund Performance

BMO Private Diversified Yield Portfolio (formerly, BMO Harris Diversified Yield Portfolio)

For the period ended June 30, 2015

This semi-annual management report of fund performance contains financial highlights, but does not contain 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 1-800-361-1392, by e-mailing us at contact.centre@bmo.com, by writing to us at BMO Private Investment Counsel Inc. (formerly, BMO Harris Investment Management 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 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 (formerly, the BMO Harris 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, 2015, the Portfolio returned -1.42%, after expenses. The Portfolio's benchmark is the S&P/TSX Composite Index (“S&P/TSX”), which generated a 0.91% total return over the same six-month period.

Canadian equities, as measured by the S&P/TSX, gained slightly during the period. The Canadian economy continued to feel the impact of the faltering Energy and Mining sectors as gross domestic product (“GDP”) contracted 0.1% in April for the fourth consecutive month. The S&P/TSX underperformed most other major equity indices, including those of Japan and the eurozone in Canadian dollar terms, as the Canadian dollar continued to weaken versus the U.S. dollar. The Canadian dollar's slide began when the Bank of Canada (the “BoC”) surprised markets with an unexpected interest rate cut in January, which was intended to off-set the dulling effect of low oil prices.

None of the “big three” sectors (Energy, Materials and Financials) rose significantly in the first half of the year, which was not surprising given that they each have some degree of correlation to the economic cycle. The Energy sector was down 5.4% as the price of oil remained severely depressed versus a year ago. Returns for the Financials and Materials sectors were -1.4% and 0.8%, respectively. The strongest returns were in the smaller Health Care and Consumer Discretionary sectors (33.6% and 7.8%, respectively). Of particular note was the performance of Valeant Pharmaceuticals International, Inc. and its impact on the Health Care sector and on the overall S&P/TSX. With its 66.7% year-to-date return, Valeant Pharmaceuticals International, Inc. now has a 4.8% weighting in the S&P/TSX.

The Canadian preferred share market, as measured by the S&P/TSX Preferred Share Index, generated a return of -8.6% over the period, underperforming the S&P/TSX. The BoC's interest rate cut contributed to the S&P/TSX Preferred Share Index loss of -4.6% in January, after which the preferred share market slowly sold off on a month-over-month basis from February to May, with the pace of the decline accelerating in June.

Canadian Real Estate Investment Trusts (REITs) were volatile over the period, with valuations fluctuating with expectations of Canadian interest rates, and ended the period up just over 2.6%. Small-capitalization REITs outperformed their larger-capitalization peers in the second quarter, a reversal of the first quarter's

BMO Private Diversified Yield Portfolio

trend. Regionally, Western REITs with exposure to Alberta continued to suffer the impact of weak oil prices, while office REITs in both Toronto and Calgary were weak as a result of expectations that the additional supply becoming available in 2017 would dampen future rent increases.

The Portfolio's large weight in preferred equities was the largest detractor from its performance over the period, as declining interest rates led to a sell-off and reduced dividend payouts. The Portfolio did not hold the strongly performing Valeant Pharmaceuticals International, Inc., which detracted from the Portfolio's performance relative to the benchmark, as did the resulting underweight allocation to the Health Care sector. An overweight position in the Energy sector also detracted from performance, despite the Portfolio's greater focus on more defensive energy infrastructure companies. Common share holdings in the Energy sector also detracted from the Portfolio's performance.

Security selection contributed to the Portfolio's performance, particularly in the Financials, Utilities and Industrials sectors. An overweight allocation to the Consumer Discretionary sector also contributed to the Portfolio's performance, as did an underweight position in the Materials sector. In addition, an underweight exposure to railway stocks contributed to the Portfolio's performance, as the sub-sector performed poorly amid fears of an economic slowdown, particularly in Western Canada. Top individual contributors to the Portfolio's performance included Brookfield Infrastructure Partners L.P. and Brookfield Asset Management Inc., which both rose as a result of good exposure to global infrastructure assets.

Several new holdings were introduced to the Portfolio, including preferred shares of Pembina Pipeline Corporation (new issue) and Royal Bank of Canada, both for their attractive dividends and reset rates. The sub-advisor also purchased DH Corporation on the strength of its financial technology business and the company's solid organic growth, supplemented with growth through acquisition. The Portfolio's holdings of Dream Office Real Estate Investment Trust were sold amid concerns about oversupply of office properties in Canada. Holdings in Teck Resources Limited were

eliminated as coal and copper markets weakened, causing the company to make a significant dividend cut. The sub-advisor also eliminated the Portfolio's shares of SNC-Lavalin Group Inc. as a result of the company's increased legal risks.

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 the United States will continue to show strong economic momentum, but that Canada's economic performance will lag behind as a result of lower oil prices and a slowdown in employment gains. Increased market volatility is also expected in the coming period, but the anticipated environment of low growth, stable inflation and muted interest rates should be supportive for dividend stocks. Given the sub-advisor's outlook for North American economic recovery, and for investment opportunities in the Consumer Discretionary, Financials and Industrials sectors, the sub-advisor will maintain the Portfolio's positioning to benefit from these opportunities. The Portfolio's current underweight allocations to the Energy, Materials, Health Care and Information Technology sectors will likely continue, given the lack of dividend stability in these sectors. In addition, the sub-advisor will maintain the Portfolio's underweight position in preferred shares owing to the interest rate environment and the prospect of lower dividends within the rate reset category.

On July 15, 2015, the BoC lowered its target interest rate a further 0.25% to 0.50%. The interest rate cut caused the Canadian dollar to weaken relative to the U.S. dollar. Commodity prices (for oil, copper, gold and a number of other commodities) fell in response to the weaker Canadian dollar. Not surprisingly, Energy and Materials were the weakest-performing sectors in the Canadian equity market in July, declining 6.5% and 14.5%, respectively. Eight of the S&P/TSX's 10 sectors posted positive returns, but this was not enough to offset the negative impact of the Energy and Materials sectors on the S&P/TSX's performance over the month of July.

BMO Private Diversified Yield Portfolio

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”).

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 an investment advisory fee based on assets under management, which is paid monthly. BMO AM Inc. is paid by BPIC.

Buying and Selling Securities

Related-Party Underwritings

During the period, the Manager relied on an approval and standing instruction provided by the Portfolio’s Independent Review Committee (“IRC”) with respect to 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, acted as an underwriter in the distribution (each, a “Related Party Transaction”).

In accordance with the IRC’s approval and standing instruction, 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 the sub-advisor relied on the approval and standing instruction and their compliance or non-compliance with the governing policies and procedures. The governing policies and procedures are designed to ensure the Related Party Transaction (i) is made free from any influence by an entity related to the Manager

or any associate or affiliate of the Manager and without taking into account any consideration relevant to the Manager or any associate or affiliate of the Manager, (ii) represents the business judgement of the Manager or sub-advisor, as the case may be, uninfluenced by considerations other than the best interests of the Portfolio, and (iii) 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, 2015 (\$000s)	Period ended June 30, 2014 (\$000s)
Total Brokerage Commissions	63	138
Brokerage Commissions paid to BMO Nesbitt Burns Inc.	2	5

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 has been 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.

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Unitholder Services

The Portfolio is provided with certain facilities and services by related parties. BMO AM Inc. is the registrar of the Portfolio. The trustee and BMO AM Inc. 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, 2015 (\$000s)	Period ended June 30, 2014 (\$000s)
Unitholder Services	131	135

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, 2015	Years ended December 31				
		2014	2013	2012	2011	2010
Net assets, beginning of period	\$ 18.23	17.39	16.14	15.51	15.05	13.25
Increase (decrease) from operations:						
Total revenue	\$ 0.34	0.68	0.64	0.62	0.64	0.65
Total expenses ⁽²⁾	\$ (0.00)	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)
Realized gains (losses) for the period	\$ (0.05)	0.35	0.69	0.11	0.02	0.11
Unrealized gains (losses) for the period	\$ (0.56)	0.56	0.57	0.55	0.47	1.80
Total increase (decrease) from operations ⁽³⁾	\$ (0.27)	1.58	1.89	1.27	1.11	2.54
Distributions:						
From income (excluding dividends)	\$ 0.01	0.03	0.03	0.03	0.08	0.26
From dividends	\$ 0.31	0.64	0.62	0.55	0.51	0.34
From capital gains	\$ —	—	—	—	—	—
Return of capital	\$ 0.02	0.04	0.06	0.08	0.06	0.09
Total Annual Distributions ⁽⁴⁾	\$ 0.34	0.71	0.71	0.66	0.65	0.69
Net assets, end of period	\$ 17.63	18.23	17.39	16.11	15.51	15.05

⁽¹⁾ This information is derived from the Portfolio's unaudited semi-annual and audited annual financial statements. The financial information presented for the periods ended June 30, 2015, December 31, 2014 and December 31, 2013 is derived from the financial statements determined in accordance with IFRS. Information for years prior to January 1, 2013 is derived from prior period financial statements prepared in accordance with Canadian GAAP. An explanation of these differences can be found in the notes to the financial statements.

⁽²⁾ Includes commissions and portfolio transaction costs. Prior to 2013, withholding taxes were not included in expenses as they were included in revenue.

⁽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, 2015	Years ended December 31				
		2014	2013	2012	2011	2010
Total net asset value (000s) ⁽¹⁾	\$ 1,570,290	1,586,670	1,483,501	1,465,191	1,257,115	996,966
Number of units outstanding (000s) ⁽¹⁾	89,077	87,017	85,316	90,795	80,854	66,125
Management expense ratio ⁽²⁾	% 0.03	0.03	0.04	0.04	0.05	0.06
Management expense ratio before waivers or management absorptions	% 0.19	0.15	0.16	0.06	0.05	0.06
Trading expense ratio ⁽³⁾	% 0.01	0.01	0.04	0.03	0.06	0.06
Portfolio turnover rate ⁽⁴⁾	% 3.08	7.72	15.42	3.80	7.80	7.07
Net asset value per unit	\$ 17.63	18.23	17.39	16.14	15.55	15.08

⁽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 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

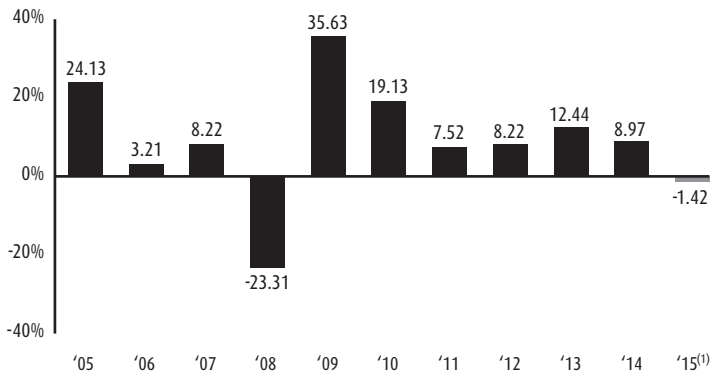
General

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 and for the six-month period ended June 30, 2015 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⁾ For the six-month period ended June 30, 2015.

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Summary of Investment Portfolio

as at June 30, 2015

Portfolio Allocation	% of Net Asset Value	Top 25 Holdings	% of Net Asset Value
Financials	26.6	Issuer	
Energy	16.8	Cash/Receivables/Payables	8.4
Preferred Shares – Fixed/Floaters	12.9	Toronto-Dominion Bank, The,	4.2
Cash/Receivables/Payables	8.4	Brookfield Asset Management Inc., Class A	4.0
Industrials	7.7	Bank of Nova Scotia	3.7
Consumer Discretionary	6.6	Brookfield Infrastructure Partners L.P.	3.2
Preferred Shares – Straight	6.4	Keyera Corp.	3.1
Utilities	5.1	Enbridge Inc.	2.9
Telecommunication Services	3.1	Intact Financial Corporation	2.7
Consumer Staples	2.9	Thomson Reuters Corporation	2.7
Preferred Shares – Floating Perpetual	2.0	Royal Bank of Canada	2.7
Preferred Shares – Retractable	1.5	Cineplex Inc.	2.5
Total portfolio allocation	100.0	Inter Pipeline Ltd.	2.3
		Progressive Waste Solutions Ltd.	2.2
		Loblaw Companies Limited	2.2
		BCE Inc.	2.1
		Vermilion Energy Inc.	2.1
		RioCan REIT	1.9
		Brookfield Renewable Energy Partners L.P.	1.9
		Aimia Inc.	1.4
		Crescent Point Energy Corp.	1.4
		Manulife Financial Corporation	1.3
		WSP Global Inc.	1.3
		ARC Resources Ltd.	1.3
		Canadian Apartment Properties REIT	1.3
		DH Corporation	1.2
		Top holdings as a percentage of total net asset value	64.0
		Total Net Asset Value	\$1,570,289,527

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

Manager

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