

# Semi-Annual Management Report of Fund Performance

## BMO Private Diversified Yield Portfolio

For the period ended June 30, 2024

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](mailto: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/](http://www.bmo.com/privatewealth/regulatory-documents/bpic/) or SEDAR+ at [www.sedarplus.ca](http://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”).*

### 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 17, 2024, that the risk rating of the Portfolio changed from “Low to Medium” to “Medium”. The Manager reviews the Portfolio's investment risk level and reference index, if any, at least annually.

### Results of Operations

Over the six-month period ended June 30, 2024, the Portfolio returned 7.02%, after expenses. The Portfolio's benchmark is the S&P/TSX Composite Index (the “S&P/TSX”), which generated a 6.05% total return over the same six-month period.

During the period, Canadian equity markets gained, driven by higher commodity prices and lower inflation. The Bank of Canada (the “BoC”) cut its policy interest rate as inflation cooled. The S&P/TSX gained but underperformed many other developed markets. Energy and Materials were the strongest-performing sectors. Communication Services was the weakest-performing sector.

During the period, the Canadian preferred equity market gained and outperformed the broader Canadian equity market. This outperformance was influenced by the expectation for interest rate cuts, which benefitted Canadian banks, a key component of the preferred share market. Canada's 2-to-10-year yield curve was inverted and steepened significantly over the period. The large Financials and Energy sector weightings helped drive the preferred share market's outperformance.

During the period, the Canadian Real Estate Investment Trust market declined. The Canadian Real Estate sector also declined. This underperformance relative to the broader S&P/TSX was influenced by the volatility of interest rates and economic weakness. High interest rates continued to weigh on the real estate market as a result of its higher sensitivity to interest rates, which weighed on consumer demand.



## BMO Private Diversified Yield Portfolio

---

An underweight exposure to real estate investment trusts (“REITs”) contributed to the Portfolio’s performance. An overweight allocation to the Industrials sector and underweight allocation to the Information Technology sector also contributed to performance. Stock selection within the Industrials and Consumer Discretionary sectors contributed to the Portfolio’s performance. Top individual contributors to the Portfolio’s performance were positions in Element Fleet Management Corp., Dollarama Inc. and Waste Connections Inc. Element Fleet Management Corp.’s stock moved sharply higher after the company reported better-than-expected earnings and growth in its free cash flow per share. Dollarama Inc.’s shares gained following a strong quarterly earnings release and improved results on its Dollarcity strategy in South America. Waste Connections Inc. benefitted from its steady strategic execution and consistent operating and financial performance.

An underweight exposure to preferred shares and an overweight exposure to common equities detracted from the Portfolio’s performance. From a sector standpoint, underweight allocations to Energy and Materials and an overweight allocation to Utilities detracted from performance. Stock selection within the Financials, Consumer Staples and Materials sectors also detracted from performance. The Portfolio’s position in Brookfield Infrastructure Partners L.P. detracted from performance, despite strong operating fundamentals, amid changing macroeconomic perceptions. A holding in Rogers Communications Inc. also detracted from the Portfolio’s performance. The company’s shares underperformed amid heightened wireless competition and the arrival of a new fourth national competitor. Another notable detractor from performance was a position in The Toronto-Dominion Bank. Its stock price was weaker because of anti-money laundering compliance violations and concerns over possible penalties.

The sub-advisor added to the Portfolio a new holding in Bank of Montreal. The bank is well positioned to offer attractive returns given its diversified business mix, above-average earnings prospects, solid capital position and dividend growth. In addition, it has recently acquired Bank of the West. Other new positions added to the Portfolio included ARC Resources Ltd.,

Alimentation Couche-Tard Inc., Canadian Pacific Kansas City Ltd., Manulife Financial Corp. and Constellation Software Inc. An existing holding in Restaurant Brands International Inc. was increased as the company continues to demonstrate progress on its repositioning program and its international expansion.

During the period, several adjustments were made to the Portfolio. Preferred shares have been eliminated from the Portfolio because of their poor liquidity and shrinking issuer base. The Portfolio’s positions in TMX Group Ltd., PrairieSky Royalty Ltd., Allied Properties REIT, Granite Industrial REIT and Killam Apartment REIT were also eliminated. A holding in Tricon Residential Inc. was sold following its agreement to be acquired by Blackstone Inc.

*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

During the period, the preferred share and REIT assets were sold from the Portfolio, and a series of common equity adjustments were made.

Canadian equity markets struggled to advance in the second quarter of 2024 as investors re-evaluated their enthusiasm over the interest rate easing cycle. The sub-advisor believes that the outlook for Canadian equities continues to be positive, supported by a global economy that continues to grind forward, the initiation of interest rate cuts by the BoC, the level of household wealth and the resilient job market.

Having said that, equity investors continue to face challenges related to higher interest costs, rising household debt in Canada, lower productivity, inflecting jobless data and deteriorating housing affordability. These persistent risks are likely to result in return volatility for investors. The Portfolio continues to be invested in high-quality, sustainable businesses with safe and growing dividend streams that the sub-advisor believes will be attractive to investors looking forward as interest rates ease.

## BMO Private Diversified Yield Portfolio

### 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;
- (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, 2024 (\$000s)	Period ended June 30, 2023 (\$000s)
Total Brokerage Commissions	563	91
Brokerage Commissions paid to BMO Nesbitt Burns Inc.	63	11

## BMO Private Diversified Yield 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:

	<b>Period ended June 30, 2024 (\$000s)</b>	<b>Period ended June 30, 2023 (\$000s)</b>
Unitholder Services	122	122

### 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 <sup>(1)</sup>	Six months ended		Years ended December 31				
	June 30, 2024	2023	2022	2021	2020	2019	
Net assets, beginning of period	\$ 20.16	19.72	22.74	19.09	19.49	17.31	
<b>Increase (decrease) from operations:</b>							
Total revenue	\$ 0.39	0.84	0.72	0.70	0.71	0.69	
Total expenses <sup>(2)</sup>	\$ (0.03)	(0.02)	(0.01)	(0.02)	(0.02)	(0.02)	
Realized gains (losses) for the period	\$ (0.11)	0.01	0.76	1.02	(0.01)	1.26	
Unrealized gains (losses) for the period	\$ 1.17	0.40	(3.72)	2.78	(0.53)	1.09	
<b>Total increase (decrease) from operations <sup>(3)</sup></b>	<b>\$ 1.42</b>	<b>1.23</b>	<b>(2.25)</b>	<b>4.48</b>	<b>0.15</b>	<b>3.02</b>	
<b>Distributions:</b>							
From income (excluding dividends)	\$ 0.02	0.03	0.01	0.01	0.01	0.01	
From dividends	\$ 0.39	0.78	0.71	0.68	0.70	0.72	
From capital gains	\$ —	—	—	—	—	—	
Return of capital	\$ 0.01	0.00	0.03	0.06	0.05	0.05	
<b>Total Annual Distributions <sup>(4)</sup></b>	<b>\$ 0.42</b>	<b>0.81</b>	<b>0.75</b>	<b>0.75</b>	<b>0.76</b>	<b>0.78</b>	
<b>Net assets, end of period</b>	<b>\$ 21.16</b>	<b>20.16</b>	<b>19.72</b>	<b>22.74</b>	<b>19.09</b>	<b>19.49</b>	

<sup>(1)</sup> This information is derived from the Portfolio's unaudited and audited financial statements.

<sup>(2)</sup> Includes commissions and other portfolio transaction costs and withholding taxes.

<sup>(3)</sup> 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.

<sup>(4)</sup> Distributions were paid in cash or reinvested in additional units of the Portfolio, or both.

Ratios and Supplemental Data	Six months ended		Years ended December 31				
	June 30, 2024	2023	2022	2021	2020	2019	
Total net asset value (000s) <sup>(1)</sup>	\$ 684,397	687,924	709,477	869,518	833,781	894,727	
Number of units outstanding (000s) <sup>(1)</sup>	32,344	34,119	35,985	38,239	43,666	45,912	
Management expense ratio <sup>(2)</sup>	% 0.08	0.08	0.07	0.06	0.07	0.06	
Management expense ratio before waivers or management absorptions <sup>(2)</sup>	% 0.19	0.19	0.18	0.17	0.18	0.16	
Trading expense ratio <sup>(3)</sup>	% 0.16	0.02	0.01	0.02	0.02	0.05	
Portfolio turnover rate <sup>(4)</sup>	% 33.51	6.92	3.92	6.41	6.83	7.38	
Net asset value per unit	\$ 21.16	20.16	19.72	22.74	19.09	19.49	

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

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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

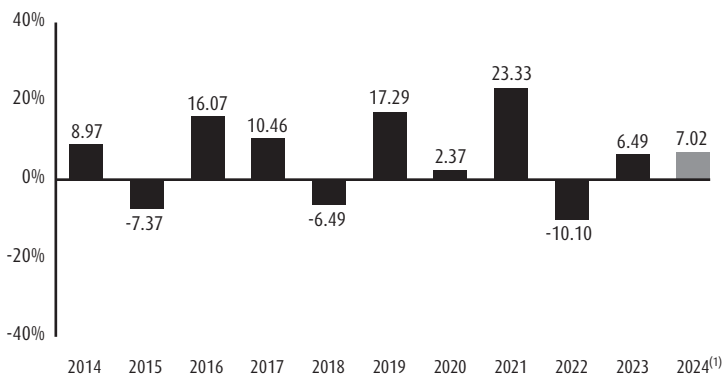
### General

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, 2024, 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.



<sup>(1)</sup> For the six-month period ended June 30, 2024.

## BMO Private Diversified Yield Portfolio

### Summary of Investment Portfolio

as at June 30, 2024

Portfolio Allocation	% of Net Asset Value	Top 25 Holdings Issuer	% of Net Asset Value
Financials	35.4	Royal Bank of Canada	9.0
Industrials	23.1	Toronto-Dominion Bank, The,	6.5
Energy	12.7	Brookfield Corporation, Class A	6.4
Materials	6.1	Waste Connections, Inc.	5.8
Consumer Discretionary	5.9	Dollarama Inc.	4.5
Utilities	5.8	Canadian National Railway Company	4.1
Consumer Staples	3.4	Canadian Pacific Kansas City Limited	3.9
Communication Services	2.9	Intact Financial Corporation	3.9
Money Market Investments	1.6	WSP Global Inc.	3.8
Real Estate	1.2	Bank of Nova Scotia, The,	3.5
Information Technology	1.2	Alimentation Couche-Tard Inc.	3.5
Cash/Receivables/Payables	0.6	Canadian Natural Resources Limited	3.4
Preferred Shares – Fixed/Floaters	0.1	Enbridge Inc.	3.3
<b>Total portfolio allocation</b>	<b>100.0</b>	Element Fleet Management Corp.	3.1
		Brookfield Infrastructure Partners L.P.	2.5
		TC Energy Corporation	2.4
		Franco-Nevada Corporation	2.3
		Thomson Reuters Corporation	2.3
		Fortis Inc.	2.3
		Bank of Montreal	2.2
		Rogers Communications Inc., Class B	2.1
		Manulife Financial Corporation	2.0
		Nutrien Ltd.	1.9
		CCL Industries Inc., Class B	1.8
		Pembina Pipeline Corporation	1.6
		<b>Top holdings as a percentage of total net asset value</b>	<b>88.1</b>
		<b>Total Net Asset Value</b>	<b>\$684,396,626</b>

*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.

“BMO (M-bar roundel symbol)” is a registered trademark of Bank of Montreal, used under license.

[www.bmo.com/privatewealth/](http://www.bmo.com/privatewealth/)

For more information please call 1-855-852-1026



Private Wealth