

BMO Concentrated Global Balanced Fund

Quarterly Commentary



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Market Commentary

The Bank of Canada continued its easing cycle by delivering 50-basis-point cuts at its October and December meetings. While there were periods of volatility, the Canadian equity market reacted positively to the lower interest rate outlook. Global bullish sentiment, especially in the U.S., also gave Canadian equities a lift. The S&P/TSX Composite Index, a broad-based index of Canadian stocks, was up 3.76%. Information Technology was the best-performing sector, with a 22.19% return, while Communication Services was the worst-performing sector, down 19.21%.

U.S. equities were volatile in the fourth quarter of 2024 (“the quarter”). A broad rally following Trump’s win was followed by a more hawkish U.S. Federal Reserve Board (Fed) and fiscal uncertainties, which led to the Fed Funds futures market reducing the predicted number of interest rate cuts in 2025 to two from four. Both U.S. yields and the U.S. dollar increased. The S&P 500 Index was up 2.41% in U.S.-dollar terms and 9.02% in Canadian-dollar terms.

The Consumer Discretionary sector outperformed, with a return of 14.25%, while Materials was down 12.42% (both in U.S.-dollar terms).

Attribution Comments

Rates were volatile during the quarter and the yield curve (Government of Canada 10-year yield minus Government of Canada 2-year yield) steepened significantly. As a guide, the Government of Canada 2-year yield began the quarter at 2.91% and ended it at 2.93%; a slight increase of 2 basis points (bps). Meanwhile the Canada 10-year yield rose from 2.96% to 3.23%; an increase of 27bps. The portfolio’s yield curve positioning across the maturity spectrum versus the benchmark contributed to performance versus the benchmark (60% MSCI World Index (C\$); 40% FTSE Canada All Government Bond Index).

The Fund maintained an overweight position to the provincial sector of the portfolio. Provincial bonds

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outperformed Canada bonds during the period, thereby contributing to relative performance.

Outlook for Market/Fund

The Bank of Canada ("BoC") is confident that inflation has been contained and is increasingly attentive to downside risks to growth and inflation. The timing and extent of any further rate cuts, however, remains uncertain, influenced primarily by the job market and economic growth. Elevated rate volatility is expected as the BoC continues to rely on incoming data to inform their decisions and will soon have to navigate the potentially choppy waters of Trump-era policies. The portfolio manager expects to keep, on balance, the duration / interest rate sensitivity of the Fund in line with that of the benchmark.

Fundamentals, meanwhile, remain generally supportive to provincial credit spreads. As a result, the portfolio manager expects to maintain an overweight to provincial credit.

The Fund has minimal FX exposure, and is functionally hedged.

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| FundSERV Codes | Front End† | Low Load | Deferred Sales Charge* |
|----------------------|------------|----------|------------------------|
| Advisor | BM087237 | BM086950 | BM085263 |
| Advisor US\$ | BM079237 | BM078237 | BM077237 |
| Advisor Hedged | BM026237 | BM025237 | - |
| T5 | BM03022 | BM03024 | BM03023 |
| T5 US\$ | BM03025 | BM03027 | BM03026 |
| T6 (No Load) | BM0770 | - | - |
| F (Fee Based) | BM088237 | - | - |
| F US\$ (Fee Based) | BM040237 | - | - |
| F Hedged (Fee Based) | BM024237 | - | - |
| F6 | BM036237 | - | - |

*DSC closed to new purchase. As of November 2020, LL no longer available for sale. †Front End = Sales Charge

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