BMO Global Climate Transition Fund

Quarterly Commentary

Market Commentary

The future of clean energy policy under the new Republican administration remains uncertain. This has resulted in project cancellations and delays.

In addition, investor sentiment regarding AI Data Centre infrastructure build has turned more cautious following the release of DeepSeek and project adjustments at Microsoft. This has weighed on electrical infrastructure companies.

The Fund outperformed the benchmark (MSCI ACWI Index) over the first quarter of 2025 ("the quarter") because its mandate underweights the sectors of Information Technology and Telecommunication, which performed particularly worse than the broad market in the last quarter.

Attribution Comments

Our structural (as per mandate) underweight in Health Care and Financials continued to impact the quarterly performance. The largest two sectors in our Fund, Industrials and Utilities, both underperformed the benchmark, but the strong performance of automobiles helped offset their negative impact.

Stock picking was the main driver of positive performance in automobiles. Utilities and Industrials experienced several unexpected volatile shifts in the quarter. California wildfires severely hurt the valuation of two Utilities names in the Fund, whilst fading euphoria on AI/data center impacted the investor sentiment on some industrial names. Geographically, our U.S. underweight and Europe overweight contributed on performance. China was a strong contributor in this quarter thanks to stock pick.

Outlook for Market/Fund

We expect policy direction to be a key driver of performance in 2025. In particular, noise around AI/datacenter, IRA/renewables, are likely to sustain for a longer time period, and tariffs initiated by the new U.S. administration continue to be a source of turbulence. We may look for more diversified allocation to Europe/Asia to reduce risk exposure to the U.S. We also reduced our exposure to cyclical growth industries but maintain some exposure to longer cycle trends, such as power infrastructure.

Buys/Sells

We increased our exposure to automobiles, energy, and industrials, and cut our positions in utilities. We reduced our weights in the U.S. and allocated more to Europe and Brazil.

Prysmian – We exited Prysmian to lower our overall exposure to electrical infrastructure and recognize risk of downside price normalization.

We exited **Firs Solar** given rising concerns on the sustainability of renewables subsidies and incentive policies in the U.S.

We added **E.ON** into the Fund as we expect the new German government to issue more utility-friendly energy policy, which could potentially benefit large network companies like E.ON.

We added **TC Energy** due its resilient underlying demand profile relative to a challenging macro economic environment with elevated policy uncertainty.

Hold: We continue to hold **Leapmotor**, which was the largest contributor to the Fund's performance in this quarter. It has achieved stronger-than-expected EV delivery in both domestic market and Europe (via its JV partner Stellantis). We believe this alliance could help the company to achieve breakeven earlier than expected and lead to a re-rate of the stock.

The Fund does not hedge currencies.

Fund Codes & Fees

Series	Fund Code	MER (%)*
Advisor	BMO99333	1.98
Series F	BMO95333	0.85

*Annual Management Expense Ratios (MERs) are as of September 30, 2024.

Disclaimer