BMO Global Dividend Opportunities Fund

Quarterly Commentary

Market Commentary

The biggest driver of performance in the first quarter of 2025 ("the quarter") was the U.S. elections and the win by Donald Trump. Right after the elections, the market rallied based on the assumptions that the new administration was business friendly, will reduce regulations and taxes, and support M&A activity. Over the last month the market realized that the new administration is going to follow through on its Tariff threats resulting in global economic uncertainty which caused a steep market selloff. The threat of a potential global trade war has caused a sell off across different markets and geographies as investors take a risk off approach in relation to the increased economic uncertainty.

The Fund outperformed the benchmark (MSCI World Index (C$)) over the quarter by over 330bps. Both returns are in Canadian dollars.

Attribution Comments

Being overweight the Financials sector and underweight the Information Technology sector helped the Fund's overall performance. An underweight in the Consumer Discretionary sector also helped performance. There was no negative impact from sector allocation in the quarter.

The top contributing sectors to the Fund were Financials, Consumer Discretionary, and Health Care. In the case of all three sectors, stock selection drove the performance. Our overweight position in both the Financials and Health Care sectors was also a positive in the overall outperformance for the mandate.

Materials, Information Technology, and Utilities, all contributed negatively to the performance of the Fund in the quarter. In all cases, stock selection was the main driver for the underperformance. All other sectors had a positive contribution for the Fund and stock selection was the main driver in most cases.

Outlook for Market/Fund

The investment universe for the Fund is global, and general investor outlook on the global economy shifted towards more optimism post the U.S. elections. That optimism faded in the first quarter of the year as more people realized the tariff plans were more than just a negotiating tactic. Although the U.S. economy continues to demonstrate resilience, the introduction of tariffs by the new administration established a level of uncertainty that is impacting both consumers and corporate confidence. As with the U.S., the current state of the global economy is relatively healthy but the impact of prolonged tariffs on employment, inflation, and sentiment can easily lead to a global recession. Emerging markets (EM) continue to screen cheap but the particularly hard stance taken by the administration towards China will keep risk premiums high. In anticipation of the market uncertainty, we took steps to reduce overall risk levels in the portfolio, moving weights to high quality names that should fare better during a potential downturn.

Companies that generate strong free cash flow and pay consistent dividends are considered high quality companies, and that is what the Fund is looking to hold. We also believe the traditional screen for dividend fund holdings has expanded to include companies that might or might not pay an actual dividend but can generate free cash flows that can either be returned to investors or profitably invested back in their businesses. In the last number of years, the high dividend index trailed the broader market as tech companies outperformed the rest of the market. With the ability to choose investments globally and as we expect market returns to continue broadening out and not only be driven by the technology sector, we think the opportunity for the Fund is exciting. The quality bias of the Fund should help it in producing more consistent returns in times of markets uncertainty.

Buys/Sells

In the Health Care sector, we added **MCK** as it is one of the 3 major domestic drug distributors in the U.S. It is currently benefiting from strong prescription trends, increasing use of specialty medications, and rapid adoption of GLP-1 drugs. We see MCK growing revenues at high single digit to low double digit and earnings at low to mid teens, which is faster than its peers. The introduction of biosimilars will be a major opportunity for the distributors, and especially for MCK as it owns the largest oncology network in the U.S. MCK is also well insulated from current U.S. policy turbulence as the company has essentially entirely domestic operations and therefore has minimal impacts from tariffs, has no significant FX exposure, and would benefit from U.S. corporate tax reductions. We exited our position in **Merck** as we have increasing concerns about many of the company's base businesses. Keytruda patent expiry in the mid-term will remain an overhang, the recent launch of Winrevair has underwhelmed, and the company has experienced issues with Gardasil in China. Additionally, recent changes at the FDA and the U.S. Department of Health and Human Services undermine our confidence in the prospects for companies with significant vaccines businesses (20% of MRK sales).

In the tech sector, we added **Alphabet** due to 1) increased confidence in the strength in advertising, post Q4 2024 earnings and 2) improved sentiment on the company's ability to monetize AI following recent product launches. We also added **Comcast** to obtain further subsector diversification, in response to elevated macroeconomic uncertainty related to potential tariffs and trade wars.

In the Consumer sector we exited our position in **Colgate** given that their gross margins restored back to historical levels, and their top line re-accelerated to reflect the investment they made into advertising and marketing. While Colgate remains a high-quality compounder within the Staples sector, the HPC category is facing more pricing pressure in 2025 as a result of pressure from retailers.

In financials, we exited both **EQH** and **Barclays** as both names rallied to a point where we saw better upsides in other names. A favourable deal environment helped sentiment on Barclays, while changes into more capital light businesses helped a rerating in EQH stock. During the quarter we added **MarketAxcess** as a defensive name with economic uncertainty lingering. We also added **Met Life**, a well diversified life insurance company, with global growth opportunities in the group benefit business, trading at low multiples.

During the quarter in the Real Estate sector, the Fund initiated a position in **BSR REIT**, a multifamily apartment owner/operator with concentration in the U.S. Sun Belt, specifically Texas. Our investment thesis was underpinned by stabilizing operating trends as new supply deliveries abate, as well as a significant disconnect between BSR's trading price and our assessment of private market value, with the stock trading north of a 6% implied cap rate and a double-digit discount to NAV. Also, during the quarter, the Fund exited its position in **Elme Communities**, a multifamily apartment REIT with portfolio concentration in the Washington, DC metro and U.S. Sun Belt regions. On February 13, Elme surprised positively with its Q4 2024 earnings release. In conjunction with in-line Q4 results and 2025 guidance, Elme announced its Board of Trustees had initiated a formal strategic review process, to explore options to maximize shareholder value. The launch of the strategic review came as a positive surprise, with the stock up 11%+ on the day following the announcement. The Fund had initiated a position in Elme in 2024, with the investment thesis underpinned by healthy supply/demand fundamentals in the Washington, DC metro region, and a significant disconnect between Elme's trading price and our assessment of private market value. We took advantage of unit price strength to exit Elme and recycle capital into **BSR REIT**.

Trades in the Industrial sector included replacing **Bridgestone** with **Michelin** because the former has higher exposure to the U.S. market and could be more vulnerable to FX amid U.S.-Japan trade disputes. Michelin has stronger pricing power in passenger tires to pass through tariff impact, with self-help benefits from restructuring/right sizing ramping up in the coming years. We also replaced **Enel** with **SNAM** as the former has higher exposure to renewables, which could see a less favorable policy environment in 2025. SNAM is more resilient in gas network investment opportunities, with higher mix of well-protected regulated businesses.

Canadian Natural Resources was switched to **Diamondback Energy**, both of which are recognized as high-quality oil and gas producers with free cash flow and strong management teams. In the near term, Diamondback plans to aggressively reduce its leverage by divesting mineral rights acquired through the Endeavor acquisition, aiming to reach a net debt target of $10 billion by the end of 2025. Once this is achieved, the company intends to increase shareholder returns to 75% from 50%. Additionally, despite already being one of the lowest cost producers in the Permian Basin, the recent Endeavor acquisition has further enhanced Diamondback's operational efficiency given the increase in tier 1 assets. The company is also in discussions with independent power producers to leverage its large natural gas resources in the basin to support the growing power demand in data centers and AI.

Hold: **Snam** is a European infrastructure company based in Italy. Snam owns the pipelines that run across Italy from Africa to Germany. Snam is also connecting Greece and natural gas from the Caucasus to Italy, as well as other strategic assets in Austria, Germany, the UK, and France. Snam is also active in gas regassification, thus connecting southern Europe to the global LNG markets. Snam's network is complemented by one of the largest storage capabilities in Europe. Snam's strategic central position takes advantage of the European natural gas market in the current configuration but will also benefit should the traditional piped gas from Russia return after the end of the Ukrainian war. Snam's network is primed for hydrogen transport and the company is active in the CCS business. We meet Snam's management twice a year and we decided to take a position in the stock after meeting the CEO to discuss their new strategic plan.

In the quarter we increased our hedging from around 20% to almost 30%.

Fund Codes & Fees

Series	Fund Code	MER (%)*
Advisor / US$	BMO99334/BMO79334	1.93
Series F / US$	BMO95334/BMO40334	0.83

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

Disclaimer