BMO Sustainable Opportunities Global Equity Fund

Quarterly Commentary

Market Commentary

President Trump's flurry of executive orders, tariff announcements, and attacks on Western alliances, has contributed to heightened uncertainty and in turn, market volatility over the first quarter of 2025 ("the quarter").

The view had been that the tax and deregulation policies under the new administration would boost US economics growth and that tariffs would be more harmful to the rest of the world. However, the first blow to this view and of "US exceptionalism" was the release of Deepseek's (a Chinese company) AI model which claimed comparable performance at a fraction of the cost.

In the US, announcements on tariffs, immigration, cuts by DOGE, and geopolitics, led to concerns on inflation and growth. Trump's radical shift away from Western alliances that have been in place since WWII finally woke Europe from its long slumber. It led Germany to initiate a historic fiscal stimulus package funded by removing its government debt brake that has been in place since the Financial Crisis. This caused European markets to surge, which along with higher Chinese markets, raised the question of whether the world might finally be rebalancing away from US market dominance.

The MSCI World index fell 1.7% in CAD during the first quarter of 2025 ("the quarter") driven by weak performance in Consumer Discretionary and Information Technology. US markets fell, whilst APAC and Europe were up.

The Fund underperformed the benchmark (MSCI World Index) during the quarter.

Attribution Comments

Positive Contributors:

- Underweight to Consumer Discretionary - largely driven by Automobiles which fell on tariff concerns and weak performance of Tesla. We retain our zero weight on governance concerns.
- Overweight Materials – the sector performed well with a rotation into value and defensives.
- Overweight EM - USD weakened over the quarter.

Negative Contributors:

- Largest drag from stock selection discussed below.
- Overweight IT which pulled back over 10% on concerns around AI; underweight Financials which performed strongly on rotation into value and rate expectations.
- Underweight Europe - expectation of increased defense spend and infrastructure spend by Germany.

Stock Selection drag to performance:

- Tetra Tech (Industrials) - fell on cancellation of USAID by DOGE and vulnerability of other government related revenue.
- Microsoft (Information Technology) – fell along with other large cap tech on concerns of overbuild in AI/DCs, Deepseek, and rumours of cancelled DC projects.
- TSMC (Information Technology) - sold off with big tech on long term AI demand uncertainty.

The positive contribution from the stocks below was not enough to offset:

- Tesla (Consumer Discretionary) - not owned, stock dropped over 30% on poor sales and increasing competition from Chinese competitor BYD.
- Apple (Consumer Discretionary) - not owned, fell on delayed launch of AI offering, raising concerns of falling behind and potential tariff implications on supply chain and end demand.
- Linde (Materials)- performed well, defensive revenue stream with long term contracts.

Outlook for Market/Fund

The new US administration has undoubtedly created uncertainty, both geopolitically and for equity markets. This is not necessarily expected to abate in the near term and compared to the end of the year, macro pressure has increased.

We maintain our bottom-up focus on well managed, high-quality companies, with strong sustainable growth drivers. We will continue to use any volatility to take advantage of opportunities to add new or add to existing companies leaning into our core sustainability themes.

Buys/Sells

Trading has been on reducing positions where valuations have moved above fair value (Meli, CrowdStrike, Trimble) but also reducing risk to those names heavily exposed to DOGE cuts or tariffs (such as Tetra Tech or Acuity). On the other side, we have introduced companies such as Nomad (leading branded frozen food company in Europe) which is more defensive and trades at attractive valuations.

New Purchase: **Munich Re** is one of the most financially sound reinsurers in the world, ensuring the stability of the insurance industry via risk transfer which is exhibiting long term structural growth. With the cost of climate change being felt around the world, Munich Re actively addresses climate risk by providing catastrophe reinsurance for extreme weather events, offering faster payouts for natural disasters and partnering with governments and organizations to close the global protection gap (e.g. insurance for developing nations facing climate risks). They are also innovating in cybersecurity and digital insurance solutions. Cyber insurance is a rapidly expanding market, with Munich Re well-positioned due to its expertise in risk modelling. Solvency is extremely strong and management have been disciplined in capital allocation.

Added to position in **AIA**, the leading Asian ex-Japan life and health insurance company with operations and leading market position across 18 fast growing non-Japan Asian markets. Shares trading at heavily discounted valuations due to the sell-off in Chinese markets despite robust growth prospects and a dominant competitive position across most of the region. Sustainable thesis - As the largest pan-Asian life insurer, AIA is key to closing the “protection gap” in the region i.e. the shortfall in protection required to safeguard communities against unforeseen health and mortality risks with a purpose to help people “live longer and better lives.”

Hold: **Mercadolibre (Meli)** is Latin America's largest ecommerce and payments ecosystem. It has ambitions to become the region's de facto digital bank, helping to serve people with limited or no access to financial services such as providing access to loans for small merchants to grow their business who previously would have been rejected by traditional banks. This is evident from Meli's mission to "democratise commerce and financial access". From the onset, Meli has identified key friction points such as logistics and payments and pursued to make buying and selling as seamless as possible. As well as having a positive social contribution, Meli enjoy a strong sales growth outlook as the penetration of ecommerce and digital financial services are still in its infancy in LATAM. MELI have managed to fight off competition from the likes of Amazon through a combination of strong innovation in their digital capabilities, a large network effect, and investment in their logistics footprint. They realised that logistics was going to be critical to the user experience, and so have spent the last few years building their logistic from scratch with the result that they now have the most efficient ecommerce logistics network in Latin America. With logistics now largely scaled, combined with the addition of new, higher margin revenue streams to their platform, including advertising, Meli are delivering strong, profitable growth with returns only improving as the company scales. The stock has performed well since our purchase (in both stock price and nonfinancial outcomes with fintech users up 30%) and whilst we continue to believe Meli is a long-term winner, we viewed the valuation as becoming fuller, and reduced our position.

No Hedging is done within the Fund.

FundSERV Codes	Front End†	Low Load	Deferred Sales Charge*
Advisor	BMO99764	BMO98764	-
F (Fee Based)	BMO95764	-	-

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

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