

BMO Sustainable Portfolios

June 2025

Monthly Commentary

Market & Economic Commentary

BMO Managed Solutions

Portfolio Activity

as at May 31, 2025

Asset Allocation

as at May 31, 2025

Performance

as at May 31, 2025

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Global Asset Management

“Calm After the Storm”

May saw a resurgence of risk appetite following the de-escalation of the U.S. tariff narrative, as President Trump reduced effective tariffs on China, while continuing to reassure the media that countries were “lining up to make deals”. At time of writing, the number of completed deals sits at exactly one, the UK, which in fact yielded very few concrete details. Since then, the administration has refocused on sectoral trade barriers, instating a 50% levy on steel and aluminum, while more actively engaging China on the topics of semiconductors and rare earth metals. More importantly, court rulings pausing the interim reciprocal tariffs have emerged (only to be suspended by the Court of Appeals), which will ultimately fall before the U.S. Supreme Court. While these legal wranglings might defer the emergency tariffs imposed, they will not eliminate tariffs completely, as the administration has other avenues to apply them under different legislation.

If anything, tariffs actually seemed to take on secondary importance as the advancement of what has been widely dubbed Trump’s “Big, Beautiful Bill” through the U.S. House of Representatives. Alas, beauty is indeed in the eye of the beholder, and U.S. bond markets saw it more beastly than beautiful (cue the Disney music...). The ramifications for the U.S. budget deficit and total debt projections sent long-term yields higher, and the U.S. dollar lower. While the debt beast on the surface was ugly, it was what was lurking under the bed that raised the hair on the back of foreign investors’ necks. Section 899 of the bill included provisions to allow the U.S. to impose new taxes on dividends and income paid to foreign residents of countries deemed to be “unfair and abusive” in their tax regimes, namely, countries that impose a Digital Services Tax or Value-Added Tax (i.e., Canada, UK, and Europe). Promptly nicknamed the “Revenge Tax”, it would allow for progressive annual increases on the tax rates applied to payments made to foreign investors (including dividends, passive income and dispositions of real property), to a potential maximum rate of 50%. (Source: [Unpacking Section 899's proposed 'unfair foreign tax' provision](#). June 10, 2025. Grant Thornton). Hardly an incentive to attract

foreign investment, and almost certain to be challenged by the Senate upon their review, let alone legal challenges to including tax changes in a reconciliation bill.

With an above consensus May nonfarm jobs report, the U.S. Federal Reserve remains hamstrung with regard to lowering rates, pushing market pricing of any next potential cuts to October. Furthermore, wage growth came in at a healthy 0.4% month over month (May 2025 Jobs Report, U.S. Bureau of Labor Statistics). There is evidence of cracks in forward-looking data including manufacturing hiring intentions and new orders, but it is hard to argue that the economy is losing water quite yet. Following the first quarter of 2025 (“Q1”) frontrunning activity that boosted gross domestic product (GDP), the second quarter is expected to give back a little ground, while Q1 earnings season wrapped with above-average earnings surprise, in both number and magnitude.

Markets ultimately bounced back from April’s downdraft, with the S&P 500 Index back to above pre-“Liberation Day” levels, and at time of writing, only 1.5% shy of February’s all-time high. European and Canadian equities, despite lagging the U.S. rebound in May remain ahead by a wide margin on a year-to-date basis. Gold remains range-bound between \$3,177 and \$3,432 US/oz, while the 10-year yield is similarly tracking between 4.21% and 4.60% (Bloomberg, May 2025).

Steven W. Shepherd, CFA
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Index	Canadian Dollar Return	Close
S&P 500 Index	5.89%	17,957.69
MSCI World Index	5.50%	23,210.92
FTSE Canada Universe Bond Index	0.02%	1,185.01
Canadian Dollar (\$US/\$CA)	0.44%	0.73
Crude Oil	4.03%	83.63 bbl/CAD

Index performance is shown for illustrative purposes only. Index returns do not reflect transaction costs or the deduction of other fees and expenses. You cannot invest directly in an index.

Source: Bloomberg, from Apr 30, 2025 to May 31, 2025.

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BMO Sustainable Portfolios – Monthly Portfolio Commentary

Equities

- In May, we saw equities around the world stage a spectacular comeback as trade tensions eased and the worst-case outcome got priced out. U.S. led the recovery followed by Canada, EAFE, & Emerging Markets equities which were all up for the month. [BMO MSCI USA Selection Equity Index ETF \(ESGY\)](#) was the best performing equity holding for the BMO Sustainable Portfolios over the month.
- The ESG factor's performance was mixed – adding value in U.S. & Canadian equities, while detracting value in EAFE & Emerging Markets equities. We added explicit exposure to Chinese equities [via BMO MSCI China Selection Equity Index ETF \(ZCH\)](#) – as our house-view was bullish China.
- Active equity mutual funds all had a high positive return month, but they had a mixed-month vis-à-vis value-add. [BMO Sustainable Opportunities Canadian Equity Fund](#) added value, while [BMO Sustainable Opportunities Global Equity Fund](#) and [BMO Women in Leadership Fund](#) detracted.
- In the portfolios, we were neutral equities and had a slight preference for EAFE & Emerging Markets equities over U.S. equities.



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BMO Sustainable Portfolios – Monthly Portfolio Commentary

Fixed Income

- Duration trade was painful, yet again, this month with [BMO Long-Term US Treasury Bond Index ETF \(ZTL.F\)](#) being the worst performing fixed-income fund. On the Canadian side, [BMO Sustainable Bond Fund](#) eked out a small gain, while [BMO Government Bond Index ETF \(ZGB\)](#) was flat for the month. We added new holdings to have access to short federal and short corporate bonds which are less sensitive to yield spikes.
- As BMO ESG High Yield US Corporate Bond Index ETF (ESGH.F) – was liquidated, we replaced it with Putnam ESG High Yield ETF (PHYD) to continue to have exposure to the U.S. ESG high yield market.
- On the credit side, PHYD – was the best performer, as credit spreads tightening due to the risk-on mood, more than enough compensated for rising yields across the U.S. & Canada. [BMO ESG US Corporate Bond Hedged to CAD Index ETF \(ESGF\)](#) - was flat for the month as its higher duration hurt it more than [BMO ESG Corporate Bond Index ETF \(ESGB\)](#) & PHYD.
- Gold, for the first time since the start of the year, had a down month as broad-based risk-on sentiment reduced the need for a safe-haven.
- In the BMO Sustainable Portfolios, we maintained status quo – not making any substantial tilts on duration or credit.

Responsible Investing Update

- **Ivey Business School's Women in Asset Management (WAM) program:** Our RI team led a presentation to this year's WAM class on RI trends and ESG hot topics.
- **Annual BMO Farm to Market | Chemicals Conference:** The RI team attended and met in person with five companies to discuss business risks and opportunities related to ESG across agriculture and chemical industries. Discussion topics included: managing climate impacts on global food production, increasing nutrient use efficiency, agricultural offsets and the impact of inflation and tariffs on farmers, fertilizers, and food security, circularity in production, and market demand for certified green building materials.



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BMO Sustainable Portfolios (%) – as at May 31, 2025

	BMO Sustainable Income Portfolio	BMO Sustainable Conservative Portfolio	BMO Sustainable Balanced Portfolio	BMO Sustainable Growth Portfolio	BMO Sustainable Equity Growth Portfolio
Equity					
BMO MSCI Canada ESG Leaders ETF	3.3	4.9	7.3	9.8	11.7
BMO Sustainable Opps Cdn Equity Fund	2.4	3.5	5.3	7.1	8.4
BMO MSCI USA ESG Leaders ETF	7.5	10.9	15.9	21.3	26.3
BMO MSCI EAFE ESG Leaders ETF	8.0	11.6	16.9	22.7	28.0
BMO Sustainable Opps Global Equity Fund	2.5	3.5	5.3	7.1	8.3
BMO Women in Leadership Fund	2.6	3.8	5.7	7.5	9.1
iShares MSCI EM ESG Leaders ETF	0.9	1.0	1.5	2.0	3.6
Royal Mint Responsibly Sourced Physical Gold ETC	2.0	2.9	3.4	3.5	3.4
BMO Brookfield Global Renewables Infrastructure Fund	-	-	0.8	0.8	-
Total Equity	29	42	62	82	99
Fixed Income					
BMO Sustainable Bond Fund	23.3	18.6	11.8	5.3	-
BMO ESG US Corporate Bond Index ETF	18.1	14.4	9.2	4.0	-
BMO Government Bond Index ETF	13.7	11.0	7.0	3.1	-
BMO Short Federal Bond Index ETF	5.1	4.1	2.6	1.2	-
Putnam ESG High Yield ETF	4.8	3.9	2.4	1.1	-
BMO Long Term US Treasury Bond Index ETF	2.1	1.7	1.1	0.5	-
Other Fixed Income / Cash	3.8	4.3	3.8	3.0	1.2
Total Fixed Income	71	58	38	18	1

The portfolio holdings and allocations are subject to change without notice. They are not recommendations to buy or sell any particular security.

BMO Sustainable Portfolios – Performance

Series A Performance (%)	Since Inception	1 Month	3 Months	6 Months	1 Year	3 Year
BMO Sustainable Income Portfolio	0.2	1.3	-1.2	-0.2	6.4	3.8
BMO Sustainable Conservative Portfolio	1.9	2.0	-1.0	0.3	8.0	5.4
BMO Sustainable Balanced Portfolio	4.1	3.0	-0.8	0.7	9.6	7.5
BMO Sustainable Growth Portfolio	6.7	4.1	-0.5	1.3	11.2	9.6
BMO Sustainable Equity Growth Portfolio	14.8	5.1	-0.2	1.6	12.6	-

Inception date of BMO Sustainable Equity Growth Portfolio, Series A, as of June 16, 2023.

Inception date of the Income, Conservative, Balanced, and Growth BMO Sustainable Portfolios as of September 14, 2020.

Source: Morningstar. Performance is as of May 31, 2025 for Series A mutual Funds in Canadian dollars, and is net of fees and taxes.



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