BMO Women in Leadership Fund

Quarterly Commentary

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Market Commentary

While Canadian equities faced challenges during the first quarter of 2025 (“the quarter”) amid global trade tensions and domestic economic uncertainties, they posted a slight gain. The S&P/TSX Composite Index experienced volatility, with sectors like Materials and Utilities outperforming due to their defensive nature. Health Care and Information Technology were the worst performing sectors. Investor sentiment was cautious, influenced by concerns over potential tariff impacts on exports. Despite these challenges, select sectors demonstrated strength (Materials, Energy, Communication Services), and the overall market posted a total return of 1.51%, reflecting a cautiously optimistic outlook amid prevailing uncertainties.

U.S. equities experienced volatility during the quarter amid escalating trade tensions and concerns over a potential recession. The S&P 500 had a total return of -4.27% in U.S.-dollar terms or -4.20% in Canadian-dollar terms. Information Technology stocks, particularly the ‘Magnificent Seven,’ faced significant losses, contributing to a nearly US$2 trillion reduction in market capitalization. Investor sentiment was dampened by concerns of widespread tariffs and their impact on economic growth. Investors sought refuge in less cyclical industries during the uncertain economic climate. Consumer Discretionary and Information Technology were worst-performing sectors, while Energy and Health Care were the best-performing sectors.

The Fund outperformed relative to the benchmark (blended: 60% S&P/TSX Composite Total Return Index; 40% S&P 500 Total Return Index C$)) over the quarter.

Attribution Comments

Negative sector allocation and positive stock selection dominated returns this quarter.

Overweight in Industrials and Information technology contributed to relative performance.

Underweight in Materials and Energy contributed to relative underperformance.

Security specific contributors to outperformance included:

- **Waste Connections (WCN-T)** contributed to relative performance. Quarterly results were in-line, and 2025 guidance looks strong and implies another year of strong growth, led by price and outsized margin expansion and labour improvement.
- **Franco-Nevada Corp (FNV-T)** contributed to relative performance. Gold prices are at all-time-highs due to strong central bank buying and an uncertain macro environment. In addition, encouraging developments with respect to a potential restart of the Cobre-Panama mine.

Security specific contributors to underperformance included:

- **Alphabet Inc (GOOGL-US)** detracted from performance. In addition to other Mag-7 stocks that have done well in the last couple of years, YTD 2025 stock prices have been weak due to macro un-certainty, and they are being used as a source of funds. We continue to believe Alphabet's fundamentals are solid and the company will remain both a driver of and primary beneficiary of an increasingly digital economy and advances in genAI.
- **Microsoft Corp (MSFT-US)** detracted from performance. YTD 2025 stock prices have been weak due to macro un-certainty. We continue to have confidence in Microsoft and view their ability to monetize AI workloads as best-in-class. In addition, they are capital disciplined and we believe they will post double digit earning per share growth at reasonable P/E valuation.

Outlook for Market/Fund

We believe the outlook for Canadian equities is somewhat challenged after a strong 2024 and modestly positive performance in Q1/25, mostly due to uncertainty caused by ongoing tariff uncertainty and the expected negative impact on the Canadian economy.

In the US, our economic outlook is on a weaker footing relative to 2024 with uncertainty around inflation impacts from potential tariffs and Government cost cutting. However, on a relative basis the US economy is stronger given the demand environment for jobs and stronger consumer.

Our investment process is based on owning a concentrated portfolio of durable businesses with high barriers to entry, strong cash flow, long secular trends, and strong management teams that we have the utmost confidence will allocate capital appropriately to drive long-term shareholder value.

While there is considerable uncertainty given the macro environment which drives interest rates and energy prices, we have the utmost confidence our portfolio holdings are in an advantageous position to take market share and allocate capital appropriately to drive long-term shareholder value.

The Fund does not hedge.

Buys/Sells

The Fund exited its positions in Canadian Apartment REIT (CAR.un-T) and Granite REIT (GRT.un-T) as we found better risk-reward alternatives. The Fund added new positions in JP Morgan Chase & Co. (JPM-US) and Accenture PLC (ACN-US).

The Fund added a new position in **JP Morgan Chase & Co. (JPM-US)** is the largest bank in the U.S. It has leading market positions, "a fortress balance sheet", and a top-tier management team. The bank is vigorously defending against fintech and other threats to the business as it continues to expand its empire globally. The bank is best positioned to win in a fragmented U.S. banking environment given its scale advantages and increasing regulatory costs.

The Fund added a new position in **Accenture PLC (ACN-US)**, one of the world's largest IT services companies, providing both consulting services and managed services to a vertically diversified end customer mix. Accenture is benefiting from long term IT spending tailwinds from continued cloud modernizations and genAI initiatives as companies continue to invest in digital transformation. Accenture has proven to be a leader in next generation technologies (including cloud and SaaS) and has already grown its genAI-related bookings to be 7% of all new bookings. Accenture's strong competitive positioning is strengthened by partnerships with companies like Microsoft, Amazon AWS, Alphabet, SAP, and Oracle – with Accenture being the #1 partner for its top 10 ecosystem partners. We believe that the share price decline in 2025 from concerns on US Federal government spending cutbacks (which is only 8% of Accenture's revenue) is overly penalizing Accenture and provides a good entry opportunity to buy into a high-quality business at an attractive valuation.

Hold: **Constellation Software (CSU-T)** is a serial acquirer of vertical market software businesses that provide customers with specialized, mission-critical software solutions specific to their industry. Despite the scale at which Constellation is now operating at, we believe the TAM of VMS remains very large and the company's reputation provides a long runway for strong, accretive growth.

FundSERV Codes	Front End†	Low Load	Deferred Sales Charge*
Advisor	BMO99757	BMO98757	-
F (Fee Based)	BMO95757	-	-

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