BMO's "Five Lenses" Strategy

BMO Multi-Asset Solutions Team

At BMO Global Asset Management (BMO GAM) we recognize that asset allocation is the primary driver of long-term portfolio performance. That's why we've created a group of asset allocators called the Multi-Asset Solutions Team (MAST), who follow a consistent investment philosophy to focus on global idea generation with local portfolio implementation. The MAST has developed a simplified "Five Lenses" view to help explain what is driving their asset allocation decisions.

Lens 1

Asset Mix

- Equities
- Fixed Income
- Cash

Lens 2

Asset Class – Equity

- Regional Equities
  - Canada
  - U.S.A.
  - EAFE
  - Emerging Markets
- Alternative Investments

Lens 3

Asset Class – Fixed Income

- Duration
- Investment Grade Credit
- High Yield
- Emerging Market Debt
- Alternative Investments

Lens 4

Style/Factor

- Value
- Momentum
- Volatility
- Growth
- Quality
- Size
- Yield

Lens 5

Implementation

- Active vs. Passive
- Derivatives
- Currency Selection

Watch our video to get to know more about the BMO GAM Multi-Asset Solutions (MAST) Team!

The Five Lens process begins with the strategic asset allocation, which takes into account the long term expected returns, standard deviations and correlations of various asset classes, adjusted for recent experience. This establishes our longer-term view (4-5 years) that defines the neutral asset mix and the design choices of each portfolio (subject to its objectives). However, we recognize that there are times when our short term views (3-12 months) differ substantially from our longer term views. This is where our tactical asset allocation is employed, and forms part of our risk management framework. How we make our tactical asset allocation decisions forms the DNA for our Five Lenses. Our process first decides where we want to be more or less bullish, whether we need to adjust our geographic weightings (both within equities and bonds) and whether there are certain exposures we like to have more or less of (i.e., high yield vs. corporate bonds). We then decide whether there are certain styles or factors we want to adjust. Finally, we update tactical changes via our scorecard and communicate it via the Five Lenses each month. Each portfolio is designed with specific parameters in mind to allow for sufficient degrees of freedom to implement meaningful tactical calls when appropriate.

Five Lenses, as of June 2025

Lens 1
Asset Mix

- We are upgrading equities back to neutral this month as trade wars continue to de-escalate and U.S. recession fear is cooling.
- We are now neutral across equities, fixed income, and cash as the economic and market outlook remains stable, but near-term policy uncertainty remains elevated.
- Recession odds have cooled and further resilience of the U.S. economy, along with some fear of inflation due to tariffs, could leave the U.S. Federal Reserve ("Fed") on hold a little longer this year.

Tactical Score:

Equities	▲	0
Fixed Income		0
Cash	▼	0

Lens 2
Asset Class Equity

- We upgraded U.S. equities back to neutral as the de-escalation of trade wars lowered the recession risk in the U.S. and should support healthy earnings growth.
- The unusual degree and nature of economic and market uncertainty is leaving us neutral across regions.
- While we are neutral on the broader Emerging Markets complex, we remain slightly bullish on China. We think China can maintain its ability to decouple from the U.S. economy and help diversify our global portfolios.

Tactical Score:

Canada		0
U.S.A.	▲	0
EAFE	▼	0
EM		0

Lens 3
Asset Class Fixed Income

- We downgraded U.S. bond duration back to neutral as the risk of U.S. recession has diminished and the Fed might continue to hold its policy rates steady this summer.
- We remain underweight high-yield fixed income as credit spreads have re-tightened and offer little tactical upside in these highly uncertain times.
- We remain slightly overweight gold; we expect macro fear to remain elevated, especially around the outlook for U.S. fiscal policy.

Tactical Score:

IG Credit		0
High Yield		-1
Duration (U.S.)	▼	0
Duration (Canada)		0

Lens 4
Style/Factor

- We downgraded Value, Dividend and Quality stocks to neutral and we are now largely neutral across equity style and factors after also upgrading Growth stocks to neutral.
- The one exception is we continue to prefer Low-Volatility stocks, which we think are better designed to navigate choppy markets.

Tactical Score:

Value / Yield / Quality	▼	0
Size		0
Momentum / Growth	▲	0
Volatility		-1

Lens 5
Implementation

- The long-term bull case for gold remains intact as a portfolio diversifier.
- Investors continue to face sticky fear of fiscal excess in the U.S., which are causing headwinds to both long-dated fixed-income assets, and the U.S. Dollar.
- We think the Canadian Dollar will continue to gradually recover as global investors embrace a rotation away from the U.S. Dollar due to disruptive "MAGA" policies.

Tactical Score:

Canadian Dollar	+1
Gold	+1

▲ Indicates an increase in the tactical score month-over-month | ▼ Indicates a decrease in the tactical score month-over-month

-3	-2	-1	0	+1	+2	+3
Very Bearish	Bearish	Slightly Bearish	Neutral	Slightly Bullish	Bullish	Very Bullish
<-5,0 %	-5,0 to -2,5 %	-2,5 to -1,0 %	-1,0 to +1,0 %	+1,0 to +2,5 %	+2,5 % to +5,0 %	>+5,0 %