

# 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

BMO Global Asset Management is a brand name that comprises BMO Asset Management Inc. and BMO Investments Inc.

Commissions, trailing commissions (if applicable), management fees and expenses all may be associated with mutual fund investments. Please read the fund facts or prospectus of the relevant mutual fund before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Distributions are not guaranteed and are subject to change and/or elimination.

For a summary of the risks of an investment in BMO Mutual Funds, please see the specific risks set out in the prospectus.

BMO Mutual Funds are managed by BMO Investments Inc., which is an investment fund manager and a separate legal entity from Bank of Montreal.

"BMO (M-bar roundel symbol)" is a registered trademark of Bank of Montreal, used under license.

Any statement that necessarily depends on future events may be a forward-looking statement. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Although such statements are based on assumptions that are believed to be reasonable, there can be no assurance that actual results will not differ materially from expectations. Investors are cautioned not to rely unduly on any forward-looking statements. In connection with any forward-looking statements, investors should carefully consider the areas of risk described in the most recent simplified prospectus.

The information provided on this report is intended for informational purposes only. Particular investments or trading strategies should be evaluated relative to each individual. The foregoing is not intended to be and should not be construed as legal, investment or tax advice to any party and a professional should be consulted with respect to any circumstance.



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 July 2025

### Lens 1 Asset Mix

- We are upgrading equities for a second consecutive month. Our asset mix now favours a modest tactical overweight to equities. We are funding this by downgrading fixed income to an underweight position.
- While the U.S. economy is experiencing a soft patch because of trade frictions, we expect a diminishing drag on the economy into 2026 along with resilient growth of corporate earnings.
- Overall, global and U.S. economic growth expectations appear to have bottomed following the Liberation Day shock, and we expect to see some improvements for the global outlook in coming months.

#### Tactical Score:

Equities	▲ +1
Fixed Income	▼ -1
Cash	0

### Lens 2 Asset Class Equity

- We upgraded U.S. equities to a small overweight on rising confidence that U.S. equities will continue to benefit from strong earnings tailwinds and pro-growth items in the "One Big Beautiful Bill" which seek to boost business investment.
- We remain bullish on China as we expect Chinese equities to continue to benefit from a U.S.-China trade detente and ongoing developments around China's technology sector.

#### Tactical Score:

Canada	0
U.S.A.	▲ +1
EAFE	0
EM	0

### Lens 3 Asset Class Fixed Income

- We upgraded high-yield fixed income to neutral on our positive U.S. growth outlook. Tight credit spreads leave equities more attractive than corporate bonds.
- We tactically downgraded gold to neutral as key fear catalysts (trade wars and geopolitical instability) that have been supporting gold in 2025 are a diminishing risk for the outlook.

#### Tactical Score:

IG Credit	0
High Yield	▲ 0
Duration (U.S.)	0
Duration (Canada)	0

### Lens 4 Style/Factor

- We are now neutral across equity styles and factors after downgrading low volatility equities to neutral as we expect more modest headwinds for investors this summer.
- Equity rotation episodes have been short-lived this year as mega-cap Tech stocks continue to deliver strong earnings growth while the economic outlook has been volatile in 2025 because of rising policy uncertainty around global trade.

#### Tactical Score:

Value / Yield / Quality	0
Size	0
Momentum / Growth	0
Volatility	▲ 0

### Lens 5 Implementation

- While we tactically downgraded gold to neutral this month, we continue to view gold as a superior long-term portfolio diversifier.
- Investors continue to face sticky fear of fiscal excess in the U.S. which are causing headwinds to both fixed-income assets and the U.S. Dollar, themes that are likely to persist into 2026.
- We turned neutral on the Canadian Dollar after solid year-to-date performance.

#### Tactical Score:

Canadian Dollar	▼ 0
Gold	▼ 0

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