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 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

-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 %