

BMO Canadian Income & Growth Fund

All-in-One Canadian Balanced Fund

Quarterly Commentary

Market Commentary

The second quarter of 2025 ("the quarter") saw significant volatility given the rollercoaster policy announcements. Equity markets globally were inching towards bear market territory before bouncing back to all-time highs after tariffs were pulled back and deals were made with China. Canadian equity performed better than the rest of the world given the exposure to gold. Bond markets lost amid inflationary impulses from tariffs and the U.S. Federal Reserve Board's (Fed) hesitance on reducing interest rates. Gold gained on its inflation protection characteristics. USD depreciated against its peers on investor hedging activity and re-evaluation of American exceptionalism.

In Q2, the Fund underperformed the benchmark* (30% FTSE Canada Universe Bond Index, 10% Bloomberg U.S. High Yield Very Liquid Index (Hedged to C\$), 40% S&P/TSX Composite Index, 20% MSCI World Index (C\$)). Performance was top quartile in the Canadian Neutral Balanced category.

Attribution Comments

Over the quarter, we were nimble in our equity weight, dialing back at the beginning of the quarter and adding back at the end of the quarter. We held our gold position throughout. Our equity underweight paid off while gold was mixed as price appreciated but the US dollar depreciated against CAD.

From an asset allocation perspective, underweight global equity added while gold overweight detracted.

From a sector allocation perspective, overweight Canadian industrials added while underweight Canadian financials detracted.

From a security selection perspective, Global equity added while Canadian equity detracted. Selection in Financials added while Materials detracted.

Outlook for Market/Fund

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.

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.

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 seeks to boost business investment.

We remain bullish on China as we expect Chinese equities to continue to benefit from a U.S.-China

*Index returns do not reflect transactions costs or the deduction of other fees and expenses and it is not possible to invest directly in an Index. Past performance is not indicative of future results.

trade detente and ongoing developments around China's technology sector.

We upgraded high-yield fixed income to neutral on our positive U.S. growth outlook. Tight credit spreads leaves 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.

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 a solid year-to-date performance.

The Fund is well positioned to reflect our improving outlook on equities. We continue to hold gold to diversify the inflationary impulse coming from tariffs.

Buys/Sells

We have been incrementally buying equities and feel confident that our current positioning will benefit from the improving equity outlook. We have been adding to technology names as fundamentals remain strong. We have been trimming energy names as spare capacity and diminishing demand from China weigh on earnings.

We decided to start a position in Nintendo. Our thesis on Nintendo stems from: (1) Switch 2 new product release which we expect to translate into record first year hardware sales and tends to have a high software attachment rate, (2) better supply chain preparation ahead of the launch as compared to prior cycles which should help support hardware sales, (3) Switch 2 launch should help catalyze a software pipeline internally and with third party developers, and (4) more favourable market

dynamics with Microsoft's focus away from hardware console competition with the Xbox series and willingness to partner.

The more defensive position in Marketaxess was switched into Shift4 Payments. The steepening of the US yield curve and increase in rates volatility both helped Marketaxess performance. With a more constructive view on the economy, we sold out of Marketaxess and bought Shift4 Payments. Shift4 Payments had been weak since it announced a large acquisition in February 2025, shortly after it's founder/CEO disclosed that he intended to leave the company. However, we remain confident in the company's transition plan, and it's fundamental M&A strategy and we believed the weakness provided an attractive entry point for the portfolio.

Hold: GE Vernova made significant gains in Q2. With leading technology in gas fired power generation, electrical grid, and nuclear SMR, GEV products will feature prominently in the coming global power infrastructure build cycle. This cycle is underpinned by many forces including electrification, US re-industrialization, energy security, and artificial intelligence. In Q2, order pipelines, data centre activity, and margin drivers continued to strengthen. Against the backdrop of heightened policy and macroeconomic uncertainty, GEV offers multi-year visibility and structural tailwinds.

We will opportunistically hedge foreign currencies based on our currency views. Currently our U.S fixed income exposure is fully hedged. In Q2, we maintained a US dollar hedge as we believed it would start reverting back to the historical valuation. This added to performance.

Fund Codes & Fees

Series	Fund Code	MER (%) [*]
Advisor CAD\$ / US\$	BM099163 / BM079163 (USD)	1.72
T6	BM034268	1.72
Series F CAD\$ / US\$	BM095163 / BM040163 (USD)	0.61
Series F6	BM036163	0.61

^{*}Annual Management Expense Ratios (MERs) are as of September 30, 2024.

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