

BMO Concentrated Global Equity Fund

Quarterly Commentary



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Market Commentary

Global equities ended the second quarter of 2025 ("the quarter") higher, as measured by the MSCI World Index, which returned +5.68% in Canadian dollar terms. The rally was driven by a rebound in U.S. tech stocks and continued strength in German equities. Information Technology and Financials were the top performing sectors, while Health Care and Energy lagged.

The U.S. dollar continued its decline, finishing 10% lower than the start of the year. German equities stood out during the quarter, benefiting from the new infrastructure bill and a significant increase in defense spending by NATO allies. Meanwhile, concerns around U.S. fiscal policy and rising long-term bond yields added a layer of caution, even as equity markets rallied.

The quarter also continued the shift in market leadership, with international equities again narrowing the performance gap with their U.S. counterparts, although not to the same degree as the first quarter. The European Central Bank and

Bank of England both cut rates, easing monetary policy, while the U.S. Federal Reserve Board (Fed) held firm. Trade policy continues to drive market volatility, and so far, only two countries (the UK and Vietnam) have signed new trade deals with the U.S. An escalation of the conflict in the Middle East seemed likely to roil markets as first Israel and then the U.S. bombed Iran. However, oil prices recovered quickly, and the conflict ended in a tenuous ceasefire, with markets moving on quickly.

The Fund underperformed its benchmark, the MSCI World Index, in the second quarter.

Attribution Comments

Sector and country weights for the Fund are an output of bottom-up stock selection.

The largest positive contributor to the returns during Q2 2025, with shares rising 19.3%, was **Booking Holdings**. Booking Holdings, a leading global online travel company, continues to benefit from international travel demand. The company guided revenue growth of 10%-12% and room night growth

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of 4%-6% in Q2, indicating continued momentum, but tempered its full year 2025 forecast slightly due to increased macroeconomic and geopolitical uncertainty. Shares of **Microsoft** finished the quarter 25.9% higher. Microsoft is a technology company that develops and supports software, services, devices, and solutions. The company continues to benefit from strong AI-driven growth and accelerated demand for cloud migrations across industries. **Novonesis's** stock ended 17.6% higher in Q2. Novonesis is a global manufacturer of enzymes and microbials for various end markets. The company reported strong performance across the board with all subsegments growing double-digits and management reiterated their FY25 guidance for topline and margins. Shares of **L'Oréal** rose 11.1% in Q2. L'Oréal is the largest cosmetics manufacturer in the world with brands including L'Oréal Paris, Maybelline, and NYX. Shares rose on the back of strong sales growth, beating consensus estimates. The company continues to report resilient sales growth, led by demand for products in its luxe category. Shares of **Illumina** climbed 14.0% during Q2. Illumina, the largest producer of gene sequencing machines and consumables in the world, suffered from material headwinds in both its China and academic/government research businesses in Q1. However, it reported solid progress on transitioning its high-throughput customers' gigabases to the NovaSeq X and continued strength in its clinical business, providing partial relief to the stock in Q2.

The largest detractor to the returns over the quarter was **UnitedHealth Group**, with shares falling -43.1%. UnitedHealth Group is the largest health insurer in the U.S. Shares were down following the announcement that the CEO Andrew Witty would be stepping down and the suspension of 2025 earnings

guidance due to greater than expected Medicare costs. He was replaced by former CEO Stephen Hemsley. Shares of **Yum China** ended -18.1% lower in Q2. Yum China is the largest restaurant company in China, operating iconic brands like KFC, Pizza Hut, and Taco Bell, along with local concepts, and is known for its innovative digital and delivery capabilities. The share price declined following mixed results and modest growth as the Chinese consumer continues to be weak. Shares of **EssilorLuxottica** fell -8.2% in Q2. EssilorLuxottica is a global leader in the design, manufacture, and distribution of eyewear and ophthalmic lenses, combining iconic brands like Ray-Ban and Oakley with innovative vision care solutions. Uncertainty around tariffs on China has impacted the stock price over the short term. The company is implementing measures to manage the impact. **Colgate-Palmolive** finished the quarter -7.5% lower. Colgate-Palmolive is the global oral care market leader and produces hygiene, home care, and pet nutrition products. Colgate-Palmolive underperformed in Q2 2025 due to FX headwinds, mainly from Latin America, where currency depreciation and a 25% U.S. tariff on Mexican imports hurt margins. Despite strong organic growth in Europe and Hill's Pet Nutrition, global volatility weighed on results. Shares of **Waters** fell -10.2% in Q2. Waters is a leading supplier of high-precision analytical technologies for separation, analysis, and purification of a broad range of materials. The stock has experienced headwinds due to the uncertainty around tariffs, but the company has identified actions to offset the majority of the expected impact.

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Outlook for Market

The outlook for the market remains uncertain, with valuations currently elevated relative to historical averages. While the long-term fundamentals of many index constituents are strong, the Manager believes that short-term volatility may persist due to macroeconomic pressures, including inflation, unexpected changes to fiscal, monetary, or trade policy, and geopolitical risks. As a result, there is a meaningful risk of further market fluctuations, as we have already experienced so far this year.

Outlook for Fund

The Fund invests in 20-25 high-quality long-term secular growth companies with a strong focus on valuation. It is managed using a bottom-up investment process and the companies invested in are exposed to secular growth drivers meaning that the Fund does not employ “top down” macro-economic analysis or forecasting as a driver of asset allocation decisions.

The Fund has struggled to keep up with the unusually strong returns of its benchmark over the past few years, however, if the volatility and uncertainty of this past quarter continue, the Manager does not expect the environment of the past few years to continue. The Fund is, effectively, always on a defensive footing, given its tilt to quality. The Manager takes a long view on all holdings, forecasting five or more years into the future. On a forward-looking basis, the Manager’s proprietary forecasts for the Fund’s holdings indicate double-digit long-term earnings growth by the companies in the portfolio is likely, and they are, therefore, satisfied with the overall quality of the Fund’s portfolio.

Buys/Sells

In May, the Manager made some valuation-driven adjustments to existing positions, notably increasing weight to UnitedHealth, with the proceeds from trimming MasterCard.

Hold: UnitedHealth Group is a diversified Health Care company operating through UnitedHealthcare and Optum, offering insurance services and health solutions across the U.S. Health Care system. Its long-term growth is supported by secular trends such as aging demographics, rising health care utilization, and the shift toward value-based care. Despite recent share price weakness - driven by operational missteps, leadership changes, and regulatory scrutiny - the company retains strong competitive advantages, including scale, data integration, and a broad service offering. The Manager added to the position following a significant decline, believing the stock now offers attractive long-term return potential as stability returns under the leadership of former CEO Stephen Hemsley. The decision was made after additional research and thorough analysis of risks and opportunities relative to our investment thesis.

No hedging is done within the Fund.

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FundSERV Codes	Front End†	Low Load	Deferred Sales Charge*
Advisor	BM099213	BM098213	-
Advisor US\$	BM079213	BM078213	-
Advisor Hedged	BM026213	BM025213	-
T6	BM034774	BM033774	-
T6 (No Load)	BM0774	-	-
F (Fee Based)	BM095213	-	-
F US\$ (Fee Based)	BM040213	-	-
F Hedged (Fee Based)	BM024213	-	-
F6	BM036774	-	-

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

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