BMO Dividend Fund

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The Power of Persistence

"In the business world, the rearview mirror is always clearer than the windshield"--Warren Buffet.

- 2025 is off to a wild start to say the least, with equity markets walking a tightrope over policy and Mag7[1] developments. At this time of year, we often get asked about what our crystal ball is predicting for equity returns in the upcoming year and how we have adjusted the portfolio to reflect these views. With Trump's return to the Oval office along with his strong rhetoric on potentially disruptive action on trade, tariffs, tax, territorial claims, and immigration to name a few, investors are jittery about what this could mean for their equity investment. In our view these types of headlines act as noise driving market emotions rather than fundamentals. As such, it would be imprudent to make any dramatic moves in the portfolio until there is enough clarity to be able to properly assess any company impacts. The challenge with forecasting policy is that you must get two things right--the policy that will actually get passed and 2) how the market may react to this.
- We have come to figure out that the best way to deal with such uncertainty is to invest in companies with persistence. The goal of any investment is to compound wealth over time at attractive rates. Rather than placing a bet on a particular macro outcome or predicting where a stock price may wander near term, we trust that the businesses that we are invested in will be prepared and agile enough for what comes their way through the business cycle. As a dividend investor, persistence is particularly important as it translates into stable financial performance in terms of per share growth, free cash flow margins and conversion rates, and returns on capital and dividend payout ratios. Companies that are able to grow dividend year in and year out tend to have persistence in customer value propositions, industry structures, competitive power, management strategy and vision, and capital allocation actions. Dividend performance within the BMO Dividend Fund was strong in 2024 with 37 companies increasing their dividend, 3 holding steady, and 0 cuts. **Persistence.**
- These are the attributes that investors tend to reward with higher valuations and stock prices over time regardless of what is going on in the headlines. Investors have been thrown many curve balls over the past five years but key holdings in the BMO Dividend Fund such as Waste Connections, Dollarama, Visa, and GE Aerospace are great examples of companies with endurance.

[1] The Magnificent Seven is defined as the following 7 companies: Apple, Microsoft, Google parent Alphabet, Amazon.com, Nvidia, Meta Platforms, and Tesla.

Dividends are not guaranteed and may fluctuate. Past performance is not indicative of future results.

Waste Connections(WCN)*

Dividend Drivers	2024e	2023	2022	2021	2020
Dividend Per Share Growth	**11%**	**11%**	**12%**	**11%**	**14%**
Capex Intensity	13%	12%	13%	12%	11%
FCF Margin	14%	15%	15%	16%	15%
Debt/Ebitda	2.8x	3.0x	3.2x	2.7x	2.7x
FCF Payout Ratio	25%	23%	22%	23%	25%

WCN's stock performance over the past five years is no accident. As impressive as the doubling of the stock price over that time is, WCN has compounded at an 18% CAGR since its IPO back in 2002. Over this time the company has grown to become the #3 player in waste management in North America through a consistent playbook of strong organic growth mixed with strategic and accretive tuck in acquisitions. It is the leader in most of the markets it operates with an integrated strategy of controlling the regional waste system from collection to landfill which leads to low-cost incremental volumes, pricing power, and margin enhancement over time. WCN is an exemplary allocator of capital with its founding CEO working to invest in the business while remaining shareholder friendly. This discipline has led to admirable KPI's (key performance indicator) which have showcased steady margins, capital spend, and per share economic growth. Management remains very bullish on its prospects ahead given the 'must have' nature of the service it provides and the fragmented nature of the competitive landscape.

Dollarama(DOL)*

Dividend Drivers	2024e	2023	2022	2021	2020
Dividend Per Share Growth	**30%**	**28%**	**10%**	**12%**	**12%**
Capex Intensity	3%	4%	3%	3%	3%
FCF Margin	20%	20%	15%	24%	19%
Debt/Ebitda	1.0x	2.0x	2.1x	2.1x	2.1x
FCF Payout Ratio	8%	7%	9%	6%	7%

Dollarama has demonstrated remarkable persistence in delivering shareholder value, with the stock growing by 200%+ in the last five years. The exceptional performance stems from the company's consistent earnings growth of 16% annually on average, driven by efficient cost management, operational excellence, and impeccable customer value-for-money. Dollarama's strategic store expansion (targeting 2200 stores by 2034), robust business model performance during economic fluctuations, and strong comparable same store sales growth have solidified its leading position in the Canadian retail space. On top of that, Dollarama has also shown investors the scalability of its resilient business model through the success of its Dollarcity initiative in Latin America. Management remains prudent yet optimistic when it comes to capital allocation and international expansion, suggesting upside optionality with respect to shareholder value creation. Because of these attributes we expect DOL to remain a high dividend grower for the foreseeable future.

Visa Inc.(V)*

Dividend Drivers	2024e	2023	2022	2021	2020
Dividend Per Share Growth	**14%**	**11%**	**19%**	**18%**	**9%**
Capex Intensity	3%	3%	3%	3%	3%
FCF Margin	60%	52%	60%	61%	60%
Debt/Ebitda	-0.2x	0.4x	0.4x	0.4x	0.6x
FCF Payout Ratio	18%	20%	18%	17%	18%

V may have one of the strongest and most adaptive business models in the world. As part of a duopoly with Mastercard, V's payment network runs as the backbone for global digital commerce. The company's scale and critical service offering creates such a robust level of free cash flow that it can invest in innovation at superior rates creating formidable barriers to any potential new entrant. This 'flywheel effect' works to reinforce its economic moat and deepen switching costs for approximately 15k financial institutions and 80 million businesses worldwide that use its services. Returns on invested capital and free cash flow margins continue to be well above the typical public company, leading to low payout ratios and much higher dividend streams year after year. The capital allocations toolbox is well rounded with organic growth spend on innovative new product launches like Visa Direct combining with acquisitions and strategic partnerships to advance a wide array of initiatives in areas such as cloud banking, tokenization, buy now pay later, and cybersecurity.

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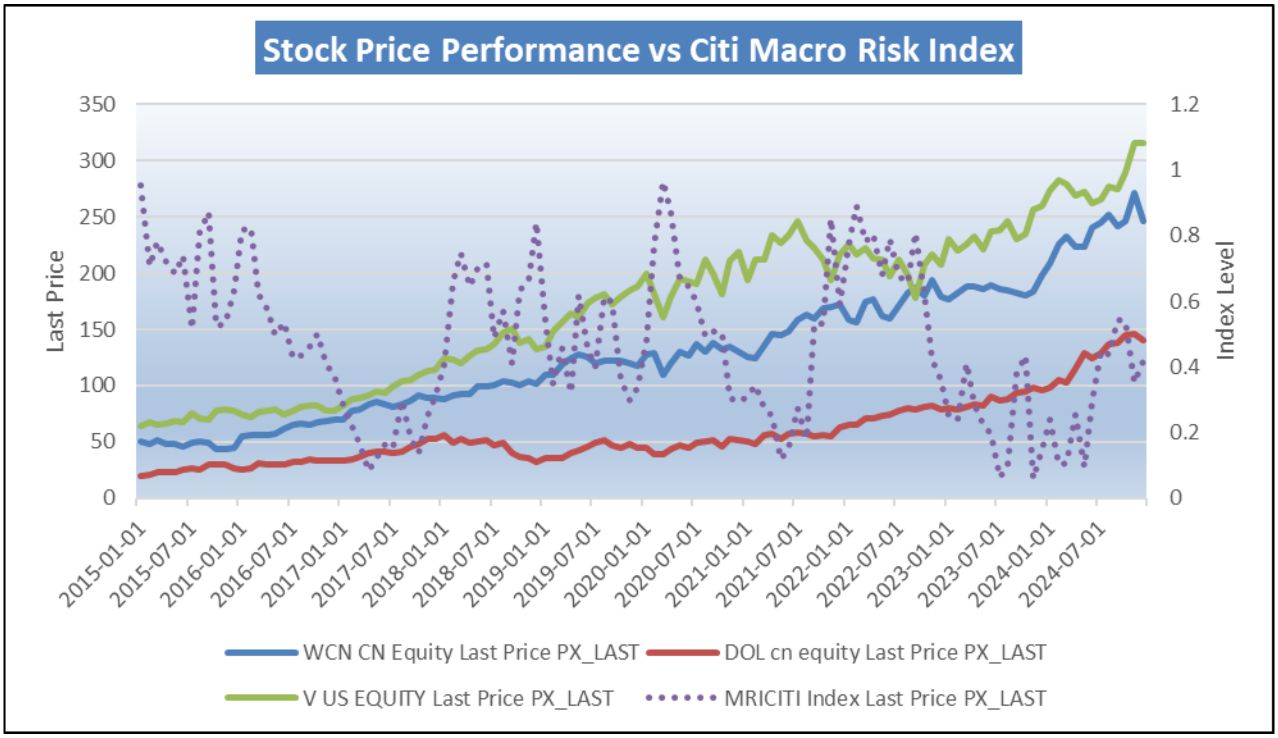
The below chart* shows our 3 current holdings, over a 10-year period, cutting through macro noise and building value.



New Add—GE Aerospace(GE)

- We recently added GE to the portfolio, a unique business that we feel strongly exhibits characteristics of persistence. GE does what only a few companies do worldwide, and we believe it does it the best. It innovates, designs, and manufactures the world's greatest commercial jet engines for the behemoths Boeing and Airbus, which themselves hold a duopoly in commercial jet building. Management is fond of citing the fact 3 out of every 4 commercial flights that take off are powered by a GE turbine. This is a well insulated business that follows a razor /razor blade type model which focuses on selling the engines at lower margins to grab hold of the 20yr+ contractual servicing life of an engine which carries much higher operating margins. Giving us confidence in the growth prospects is the fact that GE is a nice play on several secular growth theses tied to 1) the explosion in global travel on the heels of the growth of the global middle class and urbanization 2) the growth in experiential spending and 3) the aging jet fleet--which was only made worse thru COVID. As a result of GE's sheer scale and know how, it is much better positioned to spend excess cash on even more innovative features for its engines. This only works to strengthen its value proposition with the jet makers and airline operators which are always looking for the highest reliability, safety, fuel and service efficiency. GE is led by Lawrence Culp, who created tremendous business value while at the head of Danaher. We expect the free cash generation ahead to support a robust capital return program which is based on returning 70% of free cash back to investors via dividend increases and share buybacks.

* All charts are as of December 31, 2024. BMO Global Asset Management, Bloomberg. All Company data sourced from Company press releases.

Fund Codes and Fees

FundSERV Codes	Front End*	MER (%)	Low Load†	Deferred Sales Charge†
Advisor	BMO99146	1.80	BMO98146	BMO97146
F (Fee Based)	BMO95146	0.70	-	-

* Sales Charge. † Low Load and DSC purchase options are no longer available for sale.
MER as of September 30, 2024

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