BMO Dividend Fund

Quarterly Commentary

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Market Commentary

Canadian equities, as measured by the S&P/TSX Composite Index, gained over the second quarter of 2025 ("the quarter"). The Materials and Industrials sectors drove performance as global demand for commodities recovered. The Bank of Canada's (BoC) interest rate cuts supported domestic economic activity and lifted rate-sensitive sectors like Utilities and Real Estate. The Financials sector also gained, buoyed by stable margins and improving credit trends. Canadian growth stocks rebounded later in the quarter, helping to broaden market participation. Investor sentiment improved as inflation moderated and global growth showed signs of stabilization. Canadian equities outperformed many developed market peers.

U.S. equities rose over the quarter. Gains were more modest in Canadian-dollar terms as a result of currency effects. Market leadership narrowed around mega-capitalization technology and artificial intelligence companies. Earnings were better than expected, especially among large-capitalization companies. Investor sentiment improved as inflation cooled and the U.S. Federal Reserve Board (Fed) hinted at interest rate cuts later in 2025. The Financials and Communication Services sectors outperformed, while more defensive sectors, such as Consumer Discretionary and Health Care, underperformed.

The Fund underperformed its benchmark (S&P/TSX Composite Total Return Index) over the quarter.

Attribution Comments

Negative stock selection weighed on relative performance offset to a degree by positive sector allocation.

From a sector allocation perspective, the underweight bias to the Information Technology and Health Care sectors detracted from relative performance as did the overweight positions in the Industrial and Utility spaces. This was offset by the underweight in Energy and the overweight in Financials.
The Fund had several standout performances within the Communications and Utilities sectors while several names within the Energy, Industrials, Financials, and Materials sectors underperformed.

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Outlook for Market/Fund

North American equities experienced heightened volatility this past quarter amid a massive surge in US led global trade tensions under the Trump administration. Investor sentiment has flipped several times this year between a bullish one supported by economic soft landings, pro growth fiscal policies, and AI enthusiasm to a much more cautious one fuelled by stagflation and recession fears before ending the quarter on a more 'risk on' view.

As we enter the second half of 2025, the outlook for Canadian equities is one of cautious optimism, with the pro-growth mandate of newly elected Prime Minister Mark Carney tempered by persistent global trade and geopolitical headwinds. The domestic economy is showing signs of slowing, with GDP growth expected to decelerate, impacted by weaker exports and softer business investment. A key overhang remains ongoing trade tensions with the U.S., particularly tariffs on steel, aluminum, and auto-related goods, which continue to weigh on corporate sentiment and profit margins. Inflation is expected to remain relatively contained near the Bank of Canada's 2% target, allowing the Bank of Canada to maintain a measured stance, with additional interest rate cuts possible if economic conditions deteriorate further, though policy flexibility may be limited if inflation resurges.

Despite the elevated economic uncertainty, dividends and dividend growth will be an important part of investor returns in our view. Our strategy continues to be anchored to investing in high quality, sustainable businesses with safe and growing dividend streams which we believe will be increasingly attractive to investors looking forward as interest rates ease.

Buys/Sells

New positions in Cintas Corp., Element Fleet Management, and Accenture were established owing to their attractive investment merits which include 1) strong business models 2) smart capital allocation and 3) above average dividend growth.

Rogers Communications Inc. was increased owing to its high-quality business characteristics and attractive valuation.

Positions in UnitedHealth Group Inc., Nutrien Ltd., and Restaurant Brands International were eliminated on deteriorating investment cases.

Positions in Bank of Nova Scotia and Brookfield Corp were trimmed as a result of lower risk reward profiles than other opportunities within the portfolio.

Cintas Corp dominates the North American uniform and facility services market, delivering steady expansion through innovation, market share gains, and strategic acquisitions; its 40+ year record of annual dividend hikes, low payout ratio, and double-digit dividend growth underscore its commitment to shareholder returns and prudent risk management.

Hold: Element Fleet Management operates the largest automobile fleet leasing company in North America and as such offers investors a 1) growing market position in an attractive industry, 2) a high level of recurring revenue streams, 3) a global growth platform and 4) a strong level of free cash flow generation to support consistent buybacks and dividends over time.

The Fund hedges a portion of its USD currency risk.

FundSERV Codes	Front End†	Low Load	Deferred Sales Charge*
Trust - Advisor	BM099146	BM098146	BM097146
Trust – T5	BM054146	BM053146	BM052146
Trust - F (Fee Based)	BM095146	-	-
Trust – F4	BM037146	-	-
Trust – F6	BM036146	-	-
Class – Advisor	BM087241	BM086241	BM085241
Class – F (Fee Based)	BM088241	-	-

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

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