

BMO Global Climate Transition Fund

Quarterly Commentary

Market Commentary

Tariff turbulence initiated by the new Trump administration impacted the global market and introduced high volatilities into our sectors during the second quarter of 2025 ("the quarter"). Especially, concerns around renewables procurement and supply chain have reached a new level. We saw a strong pullback around IRA, which is leading the market to a "downside case scenario".

The stock outperformed the benchmark (MSCI ACWI Index) during Q2, delivering both absolute and relative gains. Its mandate underweights on Health Care also helped, as this sector was one of the biggest laggards in the broad market in the previous quarter.

Attribution Comments

The largest two sectors in our Fund are industrials and utilities; both beat the benchmark, and the strong performance of automobiles also boosted the performance. Our structural (as per mandate) underweight of Technology hurt the Fund in late part of the quarter but was offset by our underweights of Health Care and Financials.

Strong stock selection in our major sectors (Industrials, Utilities, Automotive and Energy) all contributed to outperformance this quarter. Wind, Electrification, and EV are the top performers. Geographically, our overweight of Brazil partially offset the negative allocation to Canada. China remained as a strong contributor this quarter thanks to good stock pick.

Outlook for Market/Fund

We expect the noise from the trade war to gradually normalize in the rest of 2025. Rising expectation of U.S. Federal Reserve Board (Fed) rate cuts may lift the valuation of utilities. Europe/China may continue to have less volatility than the US, given less turbulence in their policy environment.

Buys/Sells

The Fund reduced holdings in cyclically sensitive positions early in the quarter due to peak trade uncertainty. Some positions were restored as tariff risks receded. We also traded opportunistically to take advantage of perceived mispricings that arose during the volatile trading period.

We added First Solar into the Fund as we believe the sell-off on the stock was overdone. As the only large US domestic solar supplier, FSLR is well protected from pull backs from uncertainties from IRA and is also the largest beneficiary of potentially more restrictive Chinese-import restrictions.

We took profit from Leapmotor as it reached our target price. As BYD initiated a new wave of price war in China, we expect this sector to remain muted and would like to stay away from it for a short while.

Goldwind was the largest contributor to the Fund's performance in the quarter. We took profit on the name and decided to exit tactically, as some of its big shareholders were taking profit upon its high valuation in the past 60 months.

Hold: We continue to hold GE Vernova. Megatrends continued to be confirmed in Q2 with strong pricing, order activity, and data centre capacity announcements. Tailwinds from electrification, US re-industrialization, energy security, and artificial intelligence provide support for long term growth.

The Fund does not hedge currencies.

Fund Codes & Fees

Series	Fund Code	MER (%) [*]
Advisor	BM099333	1.98
Series F	BM095333	0.85

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

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