BMO Global Dividend Fund

The Secret to Wealth Creation – Coupon Clipping and Dividend Growth

We recently had the opportunity to sit down with Sri Iyer, Portfolio Manager of BMO Global Dividend Fund (the Fund) to talk about its stellar performance in Q4 2021 and is this a sign of better times ahead for dividend stocks?

In the fourth quarter (Q4) of the year the Fund's f series units returned 15%, over half of the Fund's 26% total return for the year. Can you give some insight into this stellar return?

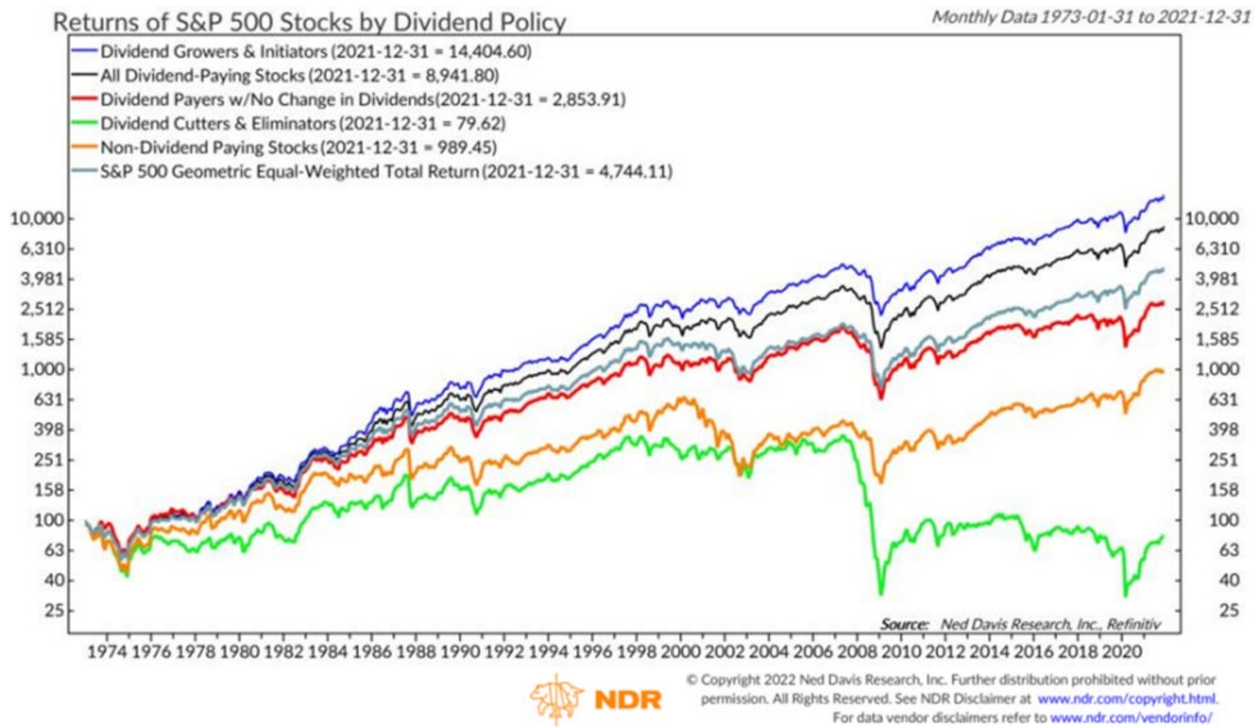
With the accommodative monetary policy retreating and the tightening cycle beginning in developed markets we saw company earnings becoming more important and as a result in Q4 companies with strong earnings and cash flows outperformed the market. The strong return reflects the shift in market sentiment but it is also the result of strong stock picking within the technology sector as companies like Broadcom, Accenture, Lam Research and Microsoft helped drive returns.

Do you think this shift will continue throughout 2022?

Yes, we do. With the prospect of rising rates in 2022 and beyond we believe this isn't a temporary phenomenon but rather a reversion back to when companies with solid fundamentals and cash flow should attract premium valuations. Another outcome of this shift is that many companies, from commodities to technology, have seen their cash balances grow and we see an increasing probability that this excess cash will be regularly returned to investors in the form of increased dividend payouts or even buybacks rather than through capital expenditure.

Are there different types of dividend companies you target for the fund?

Yes, we love Dividend Payers and Dividend Growers. 2020 and 2021 were years where the Fund wasn't rewarded for our focus on high dividend payers and dividend growers and we lagged global indices and some of our competitors. We stuck with our focus on dividend payers and growers because we're confident in our research that over the longer term this focus provides investors with the potential for growth but also some downside protection in volatile markets.



Any thoughts on competitor dividend funds and how they invested during 2020 and 2021?

Most global dividend funds stayed true to their investment style. However, when the market doesn't reward your asset class for an extended period of time it is hard to resist investing in what's winning in the moment. As a result a few competitors may have been focused less on dividends and more on total growth. While these funds may have benefited in the short term, when volatility returns, as we're seeing in January, higher growth companies are getting punished more than quality dividend paying companies, which typically provide some downside protection.

How do you determine what companies are ripe for dividend increases/decreases?

This is one of the most important benefits of our Fund. We forecast earnings and dividend growth as well as dividend and earnings cuts one year into the future for the approximately 3,200 companies in our universe. We've developed a forecasting model that uses machine learning and artificial intelligence to run through up to 2000 predictions for a company's future earnings and dividends. In February of 2020 the model indicated that there was a 60% chance that Royal Dutch would cut its dividend for the first time since world war II. We used the Human Intelligence part of our process to review the model forecasts and got out of the stock. Subsequently the company cut its dividend. This is a competitive advantage against many dividend managers in global markets.

How does this ability to reliably predict dividends impact the Fund?

If you can reliably predict dividend growth or dividend cuts you can avoid downside risk that in turn is an important factor to build wealth. If you build a diversified portfolio of global dividend stocks that can pay over 2% a year on a consistent basis and which also consistently grows year over year between 5-7%, that is a very efficient and effective way to grow your investments over the long term. Think of the dividend like a coupon you get while a company's dividend grows.

How accurate are your predictions?

There is no model which is 100% accurate (i.e., COVID-19) but I'm pleased to say that in 2021 approximately ~90% of the portfolio holdings had dividend increases and approximately ~65% had share buybacks. Equally important from a downside protection perspective is that there were 0 holdings in the fund that had a dividend cut. That has been consistent since the underlying strategy was started back in 2008 and we've never been invested in a dividend payer when it cut its dividend. So, if you consistently grow your dividends and avoid the cuts, you've got an excellent strategy for long term wealth generation.

Performance (%) for period ending: Dec 31, 2021

1 mo	3 mo	6 mo	YTD	1 yr	2 yr	3 yr	5 yr	10 yr	Since Inception
6.43	15.10	16.97	26.04	26.04	15.61	16.65	11.39	-	11.81

Source; BMO Global Asset Management as of December 31, 2021. Series inception August 12, 2013

Performance is for BMO Global Dividend Fund Series F. Series F units are only available to investors who participate in eligible wrap programs or flat fee accounts with their registered dealers that have entered into a Series F Agreement with BMO Investment Inc.

Series	Front End†	Low Load	Deferred Sales Charge*
Advisor Series (CAN$/US$)	BMO99725/BMO79725	BMO98725/BMO78725	BMO97725/BMO77725
F Series (CAN$/US$)	BMO95725/BMO40725	-	-

* Sales Charge. † Low Load and DSC purchase options are no longer available for sale.

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