

# BMO Global Dividend Opportunities Fund

## Quarterly Commentary

### Market Commentary

The early part of the second quarter of 2025 ("the quarter") saw the market dip with President Trump's proposed tariffs. As the details became more apparent, and the tariff deadlines were extended, the market recovered. Expectations are for trade deals to materialize with limited impact on the global economy. In the earlier part of the year, investors were looking to diversify outside the US; this trend became less popular over the last month as the outlook for the US economy improved. Geopolitical tensions also impacted performance in the quarter although the fact that most of the events had been contained helped the market to rebound and achieve new all-time highs.

The Fund slightly trailed the benchmark (MSCI World Index (C\$)) over the quarter. Both returns are in Canadian dollars.

### Attribution Comments

Outside of the Consumer Staples sector none of our sector weighting added any positive returns in the quarter.

The top contributing sectors in the quarter were the Financials, Utilities, and Consumer sectors. The Energy sector also had a positive return but lower than the other sectors. As stated above all positive returns were as a result of strong stock selection.

Healthcare, Information Technology, Industrials, and Communication Services were the main sectors detracting from performance. Being underweight both the Information Technology and

Communication Services sectors hurt us during the quarter.

### Outlook for Market/Fund

The Fund's opportunities set is global which helps in diversification of returns. Tariffs and their impact on the global economy dominated the first part of the quarter after the U.S. administration imposed high tariffs on several countries. Although the U.S. economy continues to demonstrate resilience, the introduction of tariffs by the new administration established a level of uncertainty that is putting corporate spending on hold and negatively impacting consumers confidence. Same as in the U.S., the current state of the global economy is relatively healthy but the impact of prolonged tariffs on employment, inflation, and sentiment can easily lead to a global recession although this is not our or the market's base case. Some Emerging Markets (EM) continue to screen cheap, and the rhetoric against China seems to have softened a little with some progress being made on the negotiations front. By its nature the Fund has a more defensive tilt to it as it invests in high quality companies, which should help it in case investors become more nervous on the global economy again.

Companies that generate strong free cash flow and pay consistent dividends are considered high quality companies, and that is what the Fund is looking to hold. We also believe the traditional screen for dividend fund holdings has expanded to include companies that might or might not pay an actual dividend but can generate free cash flows that can

either be returned to investors or profitably invested back in their businesses. With the ability to choose investments globally and as we expect market returns to continue broadening out and not only driven by the US technology sector, we think the opportunity for the Fund is exciting. The quality bias of the Fund should help it in producing more consistent returns in times of markets uncertainty.

### Buys/Sells

We sold out of Verizon and Comcast to increase our weight in the Real Estate sector. Although both names have a decent dividend yield, debt loads are high and growth potential is limited. The Real Estate sector has been volatile as a result of the changing interest rate outlook and we viewed that as a good buying opportunity. We initiated positions in three REITs, U.S. open-air retail owner/operator Kite Realty, U.S. apartment owner/operator Centerspace, and U.S. life science owner/operator Alexandria Realty, capitalizing on discounted valuation in these three issuers; while exiting U.S. single family rental owner/operator American Homes 4 Rent following strong relative performance to start the year.

We sold out of Netflix as growth potential for the company seem to have been reflected in the price. With some of the proceeds from the sell we started a position in Singapore Telecommunications (SingTel). The company offers a combination of lower growth business in Singapore and Australia that generate high levels of free cash flows, while emerging markets businesses in Thailand, Indonesia, Philippines, and India offer higher growth rates as wireless penetration levels in these countries is low. SingTel is also looking to optimize assets and capital structure resulting in strong sustainable capital returns over time.

We initiated a position in Oracle as we are bullish on the company's ongoing transformation from a low-growth, legacy software company to a high-growth, next-gen AI cloud company. On its most recent earnings call, the company increased outyear targets and now expects total revenue growth to accelerate to high double digits in FY27, in addition

to total backlog expected to more-than-double in the next 12 months. As the company continues to stand-up more data center capacity, driven by growing demand from high-profile AI natives (most notably, OpenAI), combined with its underappreciated inherent operating leverage, we expect to see continued positive estimates revision.

Boeing has been a good performer for the Fund in the months before our switching. The company was recovering production rates and was implementing a credible restructuring plan under new leadership. The tragic accident involved an Air India 787 suggested to move away from Boeing given the precedent of the 737 Max issues and their impact on the share price. The sale was driven by a combination of profit taking and being prudent about potential risks for the Boeing franchise. The Boeing position was replaced with Embraer, a Brazilian aerospace company. Embraer has strong positioning in regional jets and a consequent large and growing backlog. While the regional jets business is still the largest earnings driver for Embraer, defense is emerging as a strong growth area for the company. Increase in defence spending in Europe and the U.S. should benefit the company. Overall, Embraer combines a strong growth profile together with a good safety track record and prudent capital allocation.

We exited our position in Colgate given that their gross margins restored back to historical levels, and their top line re-accelerated to reflect the investment they made into advertising and marketing. While Colgate remains a high-quality compounder within the Staples sector, the Health and Personal Care category is facing more pricing pressure in 2025 as a result of pressure from retailers.

In the Financials sector, we sold out of Aercap, Danske, and UniCredit as all names had a good run and we were looking to lock-in some profits. Aearcap driven by higher than expected gains on sale and a favourable insurance settlement related to Russia, rerated nicely and Danske and UniCredit both enjoyed the European Financials strong

performance YTD. We initiated a position in Alpha Bank, one of the biggest banks in Greece. With the help of the EU's Recovery Fund, the Greek economy growth is projected to be one of the highest in the EU region. Alpha Bank should be a beneficiary of this growth as the distribution of the funds will be executed through the banks. Alpha bank screened attractively as one of the cheapest banks in the country with a clean balance sheet and strong returns.

Hold: Banorte is one of the biggest commercial banks in Mexico. With most of the top banks in the country privately owned by foreign banks, Banorte offers a unique opportunity to own a big diversified commercial bank in the country. Banorte transformed itself over the last number of years, mainly through organic growth, becoming a very profitable bank increasing return on equity from low teens to above twenty percent. Banorte should continue to enjoy high growth opportunities into an economy that still has low banking penetration

levels and is expected to increase over time. Banks that consistently generate returns as high as Banorte's, usually trade at high multiples significantly above where Banorte trades. We initiated our position in the stock after it sold off post tariff worries and their impact on the Mexican economy. Although we think high tariffs could have a negative impact on the economy, we think president Sheinbaum is doing a great job managing the negotiations and we expect the outcome to be better than feared by the market. The current lower than historical loan growth rates mean Banorte is generating capital and currently runs its core equity tier 1 significantly above that of the required minimum. We believe that over time Banorte will be able to return this excess capital through dividends and buybacks.

We currently hedge around 14% of our USD exposure.

## Fund Codes & Fees

Series	Fund Code	MER (%) <sup>*</sup>
<b>Advisor / US\$</b>	BM099334/BM079334	1.93
<b>Series F / US\$</b>	BM095334/BM040334	0.83

<sup>\*</sup>Annual Management Expense Ratios (MERs) are as of September 30, 2024.

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