

BMO Global Health Care Fund

Quarterly Commentary

Market Commentary

Health Care underperformed the broader markets in the second quarter of 2025 ("the quarter"), as the broader market rallied. Health Care Facilities, Drug Distributors, and MedTech performed best in the quarter as they were better insulated from policy risks and MedTech benefitted from the 90-day delay in tariffs. On the other hand, Managed Care underperformed largely due to UNH's guidance withdrawal, while Tools and Biotech underperformed amidst policy uncertainties.

The Health Care sector continues to deal with policy uncertainty with President Trump signing an Executive Order on May 12th, 2025 to deliver Most-Favoured Nation (MFN) prescription drug pricing to patients, which weighed on pharma. In addition, there remains uncertainty on the results of the Section 232 investigation for pharma tariffs, potential impact to Medicaid from the provisions in the Reconciliation Bill, and proposed funding reductions for the National Institutes of Health.

The Fund underperformed its benchmark (MSCI ACWI Healthcare index) over the quarter.

Attribution Comments

The Fund was negatively impacted by an overweight in Managed Care, while the positive contributors include stock selection in Pharmaceuticals, Biotechnology, and MedTech.

Our overweight in Galderma was a top contributor, while UNH and AbbVie were top detractors in the quarter.

- **Galderma:** Galderma (GALD SW) significantly outperformed the benchmark following strong Q1 2025 results. Despite typically soft seasonal trends in the injectable aesthetics category during Q1, Galderma's franchise exceeded Street expectations, continuing to gain market share from Allergan (a subsidiary of AbbVie). Meanwhile, the launch of its new drug, Nemluvio, for psoriasis and prurigo nodularis, continues to surpass expectations, reinforcing the company's momentum across both aesthetics and dermatology.
- **UNH:** UnitedHealth (UNH US) significantly underperformed in Q2 following a series of negative updates. After lowering 2025 EPS guidance in April, the company withdrew guidance entirely in May and announced the unexpected resignation of CEO Andrew Witty. Former CEO Stephen Hemsley has returned to the helm. The company cited a higher-than-expected medical cost trend and a disproportionate impact from the V28 risk adjustment model as key headwinds.

While these developments are clearly disappointing, we are encouraged by the return of Hemsley, whose leadership was instrumental in UNH's historical outperformance. At current levels, the stock is

trading at a meaningful discount to its long-term average valuation, reflecting substantial uncertainty around 2025 earnings. We believe once Hemsley reinstates guidance—likely set at a level he is confident the company can meet—the stock has the potential to re-rate higher.

- **AbbVie:** AbbVie (ABBV US) modestly underperformed the MSCI Healthcare Index during the quarter. While the company delivered solid Q2 earnings, investor sentiment was dampened by macro headwinds, including President Trump's comments on potential pharmaceutical tariffs and the signing of an executive order related to Most Favored Nation drug pricing. These developments, combined with strength in the broader equity markets, contributed to capital outflows from the biopharma sector.

Outlook for Market/Fund

Given the extensive policy uncertainties in the sector, we see long term opportunities to take advantage of depressed valuations and short-term dislocations. While we acknowledge near-term volatility, we believe flows can return to Health Care once we gain some clarity around the impact of Most-Favoured Nation prescription drug pricing.

The Fund maintains a significant allocation to MedTech and managed care where we see opportunities for earnings outperformance and potential for multiple expansion. Given the significant underperformance in managed care, the group is trading at a meaningful discount to its long-term average valuation and we believe there are catalysts to help re-rate certain securities in the group. While sentiment around pharma remains challenged given the MFN overhang, we see opportunities to buy the dips for names in which we believe provide a compelling growth profile with interesting pipeline opportunities. Overall, we remain committed to identifying high-quality,

innovative companies that can deliver sustainable returns in a dynamic healthcare landscape.

Buys/Sells

During the quarter, we added weight to Medtech by increasing our position in Dexcom, adding weight to GE Healthcare, and initiating a new position in Edwards Lifesciences. On the other hand, we decreased our exposure to Biotech as we sold Summit Therapeutics and we made some slight changes within Pharma, with the most notable being our increased weight in Galderma. Overall, our changes in the quarter reflect a decrease in exposure to segments that have elevated policy uncertainty, while increasing our exposure to MedTech which is relatively better insulated.

We increased our position in Galderma this quarter given strong earnings results and competitive dynamics with Galderma continuing to take share from Abbvie. Meanwhile, the launch of its new drug, Nemluvio, for psoriasis and prurigo nodularis, continues to surpass expectations, reinforcing the company's momentum across both aesthetics and dermatology.

We started a position in Edwards LifeSciences Corporation (EW US), which focuses on structural heart disease. EW is currently the leader in transcatheter aortic valve replacement (TAVR) and is in the early innings of building out their strategy for mitral and tricuspid patients. TAVR has historically been a double-digit growth story for EW, but the company had to reset their growth expectations amid capacity constraints. Growth expectations for TAVR have since come down and there is a strong possibility that the national coverage determination is reopened to reduce the strict requirements for centres eligible to undergo TAVR procedures given its safety and predictability. Given the reset expectations and lessening capacity constraints within TAVR and the continued strong adoption within mitral and tricuspid, we believe EW will be

able to sustainably deliver ~10% revenue growth and double digits EPS growth.

Hold: Eli Lilly (LLY US) posted strong results at the American Diabetes Association meeting in June, with Orforglipron—the first oral obesity drug—meeting high expectations on safety and efficacy. Its convenient oral format supports broad adoption, including in global and primary care settings. Furthermore, Zepbound also continues to gain

traction, capturing ~2/3 of new obesity patient starts.

While sector concerns around drug pricing and tariffs have pressured sentiment, LLY remains well-positioned among pharma peers with an innovative pipeline and strong U.S. manufacturing base.

There is no currency hedging in this Fund.

Fund Codes & Fees

Series	Fund Code	MER (%) [*]
Advisor	BM099335	2.07
Series F	BM095335	1.00

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

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