

BMO Managed Portfolios

August 2025

Monthly Commentary

Market & Economic Commentary

BMO Managed Solutions

Portfolio Activity

as at Jul 31, 2025

Asset Allocation

as at Jul 31, 2025

Performance

as at Jul 31, 2025

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Global Asset Management

Summer Heatwave Continues

Markets continued to grind higher through July, with a month-end shock of wildly sub-consensus U.S. job creation, compounded by a massive revision to prior month's reported U.S. job growth, essentially flatlining employment for the past few months. Tariff rhetoric continued, with rates, countries and sectors all in flux as the U.S. administration announced "deals" (or more accurately, frameworks for potential future agreement) that remain foggy at best, and certainly nowhere near what anyone would consider a stable trade environment. Tuning out some of this with a hope of focusing on the comfort of fundamentals was slightly therapeutic, as earnings season continued to deliver earnings per share (EPS) growth above expectations, and margins that continued to track near historically high levels. Summer movie goers might have chosen an alternative to red-caped heroes by watching a modern western, "The Magnificent 7" Rides Again", showing in glorious laptop screen Bloomberg-Vision.

We are in a very momentum driven market—for good reasons. First, second quarter earnings season was reasonably benign, with low expectations for EPS growth at the beginning of the quarter handily beat, almost threefold. Second, increasing expectations for U.S. Federal Reserve Board ("Fed") rate cuts, which the market is reacting positively toward. Third, inflation pressure remains relatively contained, despite continued fears of yet-to-be seen significant tariff impacts. U.S. valuations are admittedly high, but not universally, and positioning is still not to the manic levels we've seen in the past. One area of caution: When you look at the concentration of Tech as a sector, and more specifically the four biggest names (Apple, Microsoft, Nvidia and Alphabet), all of a sudden, your largest asset allocation call—the S&P 500 Index—comes down to watching four companies like a hawk. Where they go, so goes the Index. From purely an arithmetic indexing point of view, if those stocks go down, the myriad of ETFs that are indexed to them have to start selling. That can become an issue, if one is not properly diversified or applying other defensive hedging strategies.

With respect to bonds, the July U.S. payrolls report put our +1 (slightly bullish) scoring on Fixed Income in bold font, with September expectations for a Fed cut now essentially fully priced in by the market and probably a second one by year-end. On a tactical basis, having some exposure to the yield curve¹ versus cash is a good idea, as U.S. two-year rates moved sharply lower after that shockingly low July U.S. jobs report. If we see any more politically driven developments that point toward more aggressive rate cuts (namely, continued pressure and restaffing of the U.S. Federal Reserve board of governors), we want more fixed income over cash right now.

The remainder of the summer should prove relatively quiet, as earnings season winds down, although Nvidia's numbers later in the month will be key to the present AI-focused tech rally. The imminent appointment of Stephen Miran to a U.S. Federal Reserve seat will almost certainly tilt the vote further in favour of interest rate cuts beginning in September, particularly if we see further weakness in August job numbers.

*Apple, Microsoft, Google parent Alphabet, Amazon.com, Nvidia, Meta Platforms and Tesla

¹ Yield Curve: A line that plots the interest rates of bonds having equal credit quality but differing maturity dates.

Steven W. Shepherd, CFA
Director, Portfolio Manager, BMO Asset Management Inc.

Index	Canadian Dollar Return	Close
S&P 500 Index	3.91%	19,415.53
MSCI World Index	2.65%	24,672.66
FTSE Canada Universe Bond Index	-0.74%	1,176.95
Canadian Dollar (\$US/\$CA)	-1.80%	0.72
Crude Oil	8.11%	95.91 bbl/CAD

Index performance is shown for illustrative purposes only. Index returns do not reflect transaction costs or the deduction of other fees and expenses. You cannot invest directly in an index.

Source: Bloomberg, from Jun 30, 2025 to Jul 31, 2025.

BMO Managed Portfolios – Monthly Portfolio Commentary

- We have increased our allocation to active equities via the [BMO Global Equity Fund](#). As concentration risk again becomes an issue in the U.S. market, fundamental security selection by our sector specialists provides additional risk management to an increasingly overheated market.
- We have closed our positions in U.S. Banks, taking profits and redeploying to U.S. Industrials, while also adding call options on the broader U.S. Financials sector. This provides continued upside exposure while limiting any erosion of gains since first adding U.S. banks to our portfolios before the U.S. Presidential election.
- Despite what seemed to be attractive relative valuations, we have sold our holding of [BMO S&P US Small Cap Index ETF](#) across the portfolios. We added to this position earlier in the year based on the attractive multiples compared to mega-cap stocks, and the prospect of reduced income taxes. We have been disappointed with their relative underperformance, lacking a more substantial cut in interest rates and concerns over impact of import tariffs.



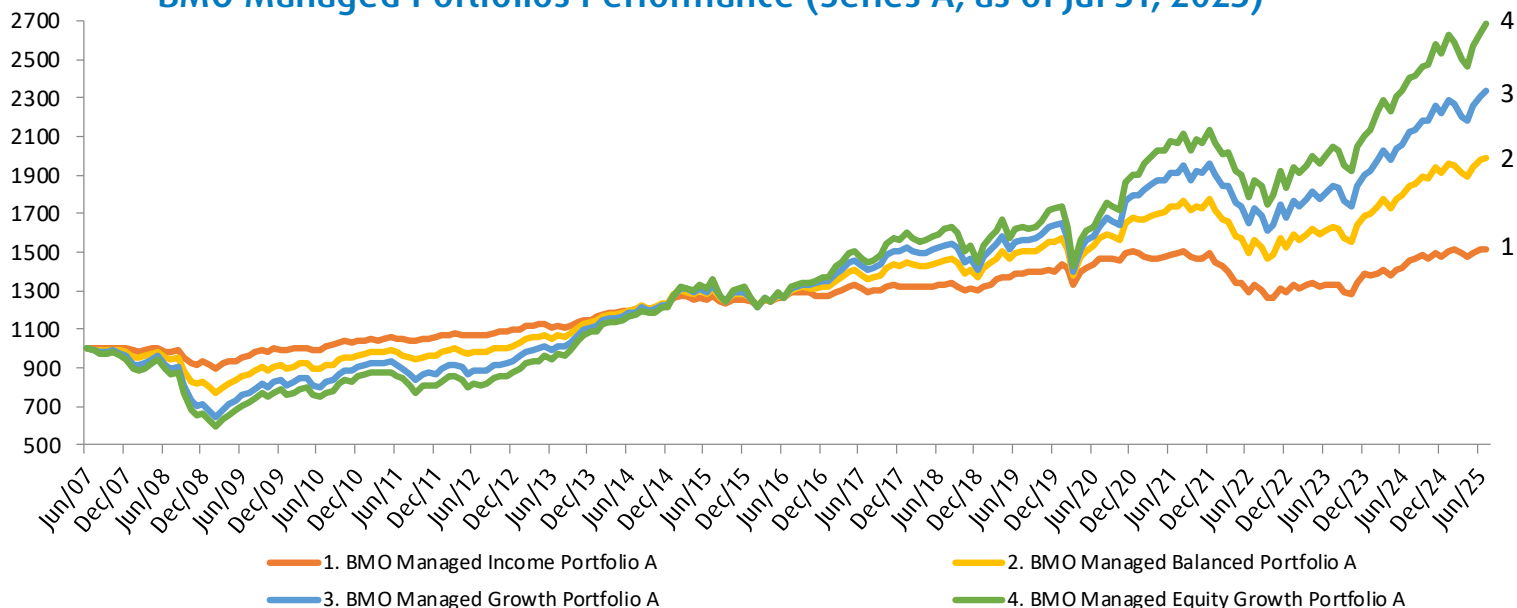
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BMO Managed Portfolios (%) – as at Jul 31, 2025

	BMO Manged Income Portfolio	BMO Managed Conservative Portfolio	BMO Managed Balanced Portfolio	BMO Managed Growth Portfolio	BMO Managed Equity Growth Portfolio
Fixed Income					
BMO Core Plus Bond Fund	19.7	17.1	11.1	2.4	-
BMO Aggregate Bond ETF	9.7	8.0	3.7	4.0	-
BMO U.S. Corporate Bond Fund	6.8	5.5	3.6	2.0	-
BMO US Aggregate Bond Index ETF Hedged	13.4	10.6	7.0	3.0	-
BMO High Yield US Corporate Bond Hedged to CAD Index ETF	7.3	6.0	4.2	2.2	-
BMO Emerging Markets Bond Fund	5.1	4.3	2.7	1.1	-
BMO Long Federal Bond Index	2.7	3.1	1.8	1.3	-
Other Fixed Income / Cash	3.6	4.3	3.5	1.6	1.7
Total Fixed Income	68	59	38	17	2
Equity					
BMO Multi-Factor Equity Fund	4.5	6.9	12.5	16.8	21.4
BMO Canadian Smart Alpha Equity Fund	-	5.8	9.0	13.1	8.7
BMO European Fund	2.0	2.1	4.4	6.2	7.0
BMO Global Equity Fund	2.7	3.5	5.3	6.6	7.8
BMO Japan Fund	2.0	2.2	4.2	5.9	6.7
BMO Global REIT Fund	0.7	1.3	2.6	3.2	4.0
BMO Global Infrastructure Fund	0.8	1.8	2.6	3.4	4.1
BMO S&P 500 Index ETF	4.7	4.2	3.0	2.8	1.0
BMO MSCI EAFE Index ETF	3.9	4.7	4.3	5.8	4.5
BMO S&P/TSX Capped Comp Index ETF	0.5	2.1	2.3	2.4	8.5
BMO Partners Group Private Markets Fund	3.0	0.0	0.7	-	-
BMO Strategic Equity Yield Fund	2.7	-	-	-	-
BMO Global Innovators Fund	-	2.2	2.3	3.6	6.1
BMO Emerging Markets Fund	-	0.6	0.9	1.2	1.8
BMO Global Small Cap Fund	-	0.6	1.3	2.3	2.9
BMO Carlyle Private Equity Strategies Fund	-	-	0.9	1.5	1.9
BMO Global Health Care Fund	0.2	0.5	0.4	0.4	1.6
BMO Gold Bullion ETF	0.8	1.5	2.0	2.9	3.5
Other Equity	3.4	1.1	3.5	4.5	6.7
Total Equity	32	41	62	83	98

The portfolio holdings and allocations are subject to change without notice. They are not recommendations to buy or sell any particular security.

BMO Managed Portfolios Performance (Series A, as of Jul 31, 2025)



The chart illustrates the impact to an initial investment of \$1,000 dollars from June 18, 2007 to July 31, 2025 in the BMO Managed Portfolios - Series A. It is not intended to reflect future returns on investments.

Time Lapse	Income (%)	Conservative (%)	Balanced (%)	Growth (%)	Equity Growth (%)
1 month	0.1	0.4	0.8	1.1	1.6
3 month	2.5	3.8	5.4	7.1	9.1
6 month	1.0	1.4	1.6	1.7	2.2
1 Year	4.1	5.9	7.8	9.6	11.6
3 Year	4.4	-	8.3	10.6	12.7
5 Year	0.6	-	4.8	7.4	9.7
10 Year	1.7	-	4.2	5.8	7.1
Since Inception	2.3	7.7	3.8	4.7	5.5

Inception date of BMO Managed Conservative Portfolio, Series A, as of June 16, 2023.

Inception date of the Income, Balanced, Growth, and Equity Growth BMO Managed Portfolios as of June 18, 2007.

Source: Morningstar. Performance is as of July 31, 2025 for Series A mutual Funds in Canadian dollars, and is net of fees and taxes.

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