

BMO Sustainable Opportunities Global Equity Fund Quarterly Commentary

Market Commentary

The second quarter of 2025 ("the quarter") began with Liberation Day and the announcement of a wave of tariffs on America's trading partners, raising concerns of a global economic recession and sending markets lower. After a bond market sell off, the more extreme tariff positioning was rescinded, and a 90-day pause announced. Markets reacted positively.

The AI trade was back on following the DeepSeek/AI wobble in 1Q 2025 with signs of capex discipline and AI-related revenue growth showing up in earnings. This resulted in a rally in tech and Datacentre related infrastructure.

The MSCI World rose 5.7% in CAD during the quarter driven by big tech (both IT and Communication Services).

The Fund outperformed the benchmark (MSCI World Index) during the quarter.

Attribution Comments

The Fund's overweight to IT was a key driver for outperformance but also stock selection within IT was strong.

Asset allocation was a strong contributor with the overweight to IT which rebounded strongly off the lows (>20% for the quarter) and zero weight to Energy. Detracting was Health Care which was dragged down by Trump administration cuts to NIH funding and threatened cuts to U.S. drug pricing and social healthcare. Zero weight to Communication Services, where we didn't find companies leaning into our sustainability themes, pulled down performance. The overweight to Materials contributed negatively due to more cyclically exposed companies which sold off in a tougher macro outlook

Our underweight positioning to North America was positive, in part offset by the underweight to Europe which continued to rally on optimism of growth.

Outlook for Market/Fund

The new U.S. administration has undoubtedly created uncertainty both geopolitically and for equity markets. This is not necessarily expected to abate in the near term and macro uncertainty persists.

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We maintain our bottom-up focus on well managed, high quality companies, with strong competitive moats, leveraged to long term positive sustainability trends driving growth. We will continue to use any volatility to take advantage of opportunities to add new or add to existing companies leaning into our core sustainability themes. These include:

- The tectonic shifts we're currently seeing both in our technology systems, to AI, and our energy systems, to cleaner energy.
- Rising demand for Power over the next decade driven by electrification trends, AI, and onshoring in U.S. manufacturing.
- Rising investments for Climate adaptation such as smarter water solutions as the world faces growing water scarcity and toxicity.
- Accelerated innovation and demand for Health Care solutions as the world ages and faces growing healthcare challenges.

Buys/Sells

In broad terms, trading was undertaken to reduce cyclicalities: we trimmed Smurfit Westrock, Advanced Drainage, Keyence, and exited Sika where we didn't view cyclical concerns as being sufficiently reflected in valuation. New positions initiated in SAP, American Towers, and Pearson. We exited Roper to fund our SAP purchase. We continued to add to Nu Holdings, Broadcom, and Mastercard on weakness.

Sell: Sika continues to innovate to make construction materials more sustainable, however, we exited the position on concerns about end market demand which we did not view as being reflected in valuations.

Buy: SAP - Global leader in Enterprise Resource Planning (ERP) software enables businesses and organisations of all sizes to operate more efficiently, adapt to changing market conditions, and grow sustainably. It provides innovative products and services that enable customers to become fully digital, resilient, and sustainable businesses. SAP software helps enterprises measure, manage, and reduce their environmental and social footprints. SAP is expected to benefit from their investment in AI innovation given their embedded relationship with customers for day-to-day operations. Our view is that the market is underestimating the free cash flow inflection.

Hold: Nu Holdings is a challenger bank in LatAm, where the population is significantly underbanked. Nu is able to provide quality digital banking services at a large discount to the incumbent banks. We initiated a position when the share price pulled back, offering an attractive valuation for strong growth potential.

No Hedging is done within the Fund.

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FundSERV Codes	Front End†	Low Load	Deferred Sales Charge*
Advisor	BM099764	BM098764	-
F (Fee Based)	BM095764	-	-

*DSC closed to new purchase. As of November 2020, LL no longer available for sale. †Front End = Sales Charge

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