



The best U.S. and
Canadian equity ideas

BMO U.S. Equity Plus Fund

May 2020

BMO  **Global Asset Management**

Presented by:
**Moderator – Stewart Reid, RVP, Western Canada, Intermediary
Distribution**
**Presenter – Brian Belski, Chief Investment Strategist, BMO Capital
Markets**

BMO Mutual Funds

Everything You Need to Succeed



Asset Managers
in the world¹

Over
200
year old



Legacy of safety, trust and success
BMO Bank of Montreal

Unparalleled access to both active
and passive investing strategies



Asset Manager
in Canada²

Managing
>\$342B
CAD



300+ investment professionals
in 20+ offices globally⁴



Experience the power of
BMO Global Asset Management
global reach & local expertise

BMO Mutual Funds

50

of BMO's F-Series Mutual
Funds are 4 + rated⁵



Partnering

With some of the
best specialist
managers in the
world

BMO Mutual Funds

over

40 years

of providing investment
expertise to Canadian investors

BMO ETFs marks its

10th
Anniversary



Over
\$30B
in innovative
managed solutions³

Sources: ¹ Investment & Pensions Europe, 2018, ² Strategic Insights, March 2019, ³ BMO Investments Inc., May 31, 2019, ⁴ BMO GAM, March 2019, ⁵ Morningstar, July 31, 2019

US Strategy Overview

This Too Shall Pass - Control What You Can Control

S&P 500 Next 12-Month Price and EPS Targets: Base Case: 3,400; \$160

There is no denying that stocks have endured a violent and aggressive cyclical bear market - but the duration and depth remain in question.

Given the irrational and fear-laden nature of the current stock market, historical precedence and traditional bottoming signals carry little to no weight, in our view. Instead, markets and society need to see less negative (second derivative) headlines and actualities surrounding COVID-19 virus to become reality before a bottoming process is likely to ensue.

This too shall pass. And when it does, there is no reason to believe that US stocks will not see similar daily upside moves. As such, we believe there is a very good chance that US stocks will rally 40-50% from the lows.

Three Scenarios for US Stocks

1. COVID-19 Case: Next 1-3 Months-Defense and COVID-19 Centric Themes

- Mix of defense and COVID-19 virus related topical themes

2. Base Case: Next 12-18 Months-Recovery and Defining the Next Bull

- Focus on what consumers are buying; high quality; lower interest rates will help REITs and Utilities

3. Secular Case: Next 3-5 Years-Another Doubtful Bull

- When fear and resistance are at their highest during bear markets, it's typically a signal that a new bull market is around the corner

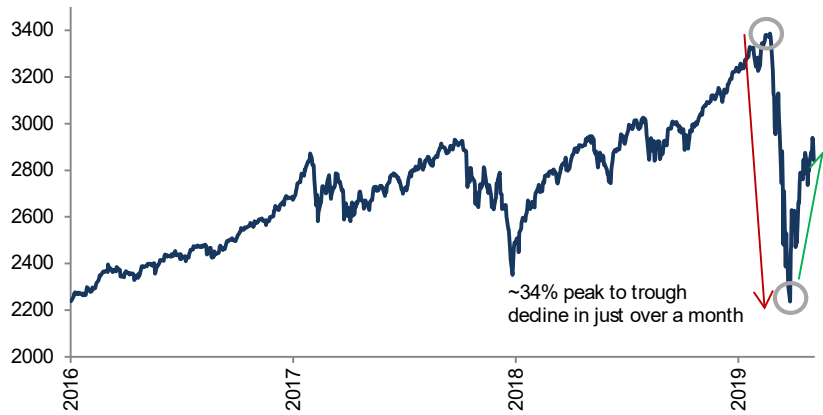
Source: BMO Investment Strategy Group

Epidemic of Fear

Coronavirus COVID-19 Outbreak Has Sent US Stocks Tumbling ~34%
From Its February Peak...

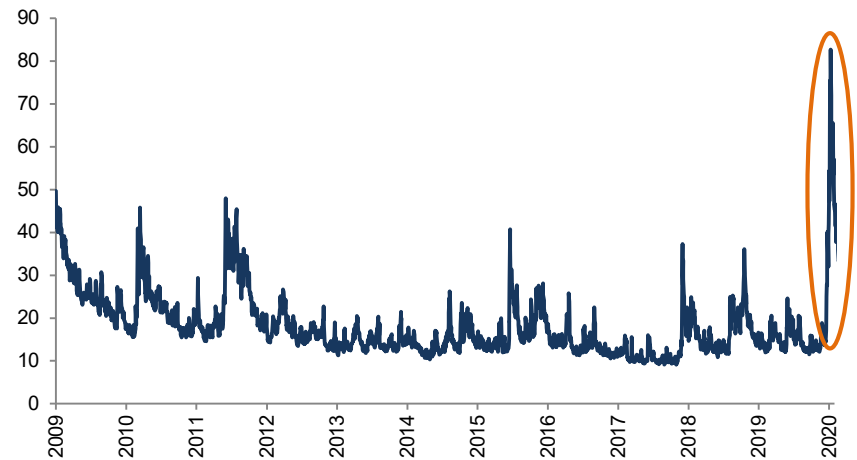
...But US Stocks Have Been Recovering Some of Their Losses

S&P 500 Daily Price



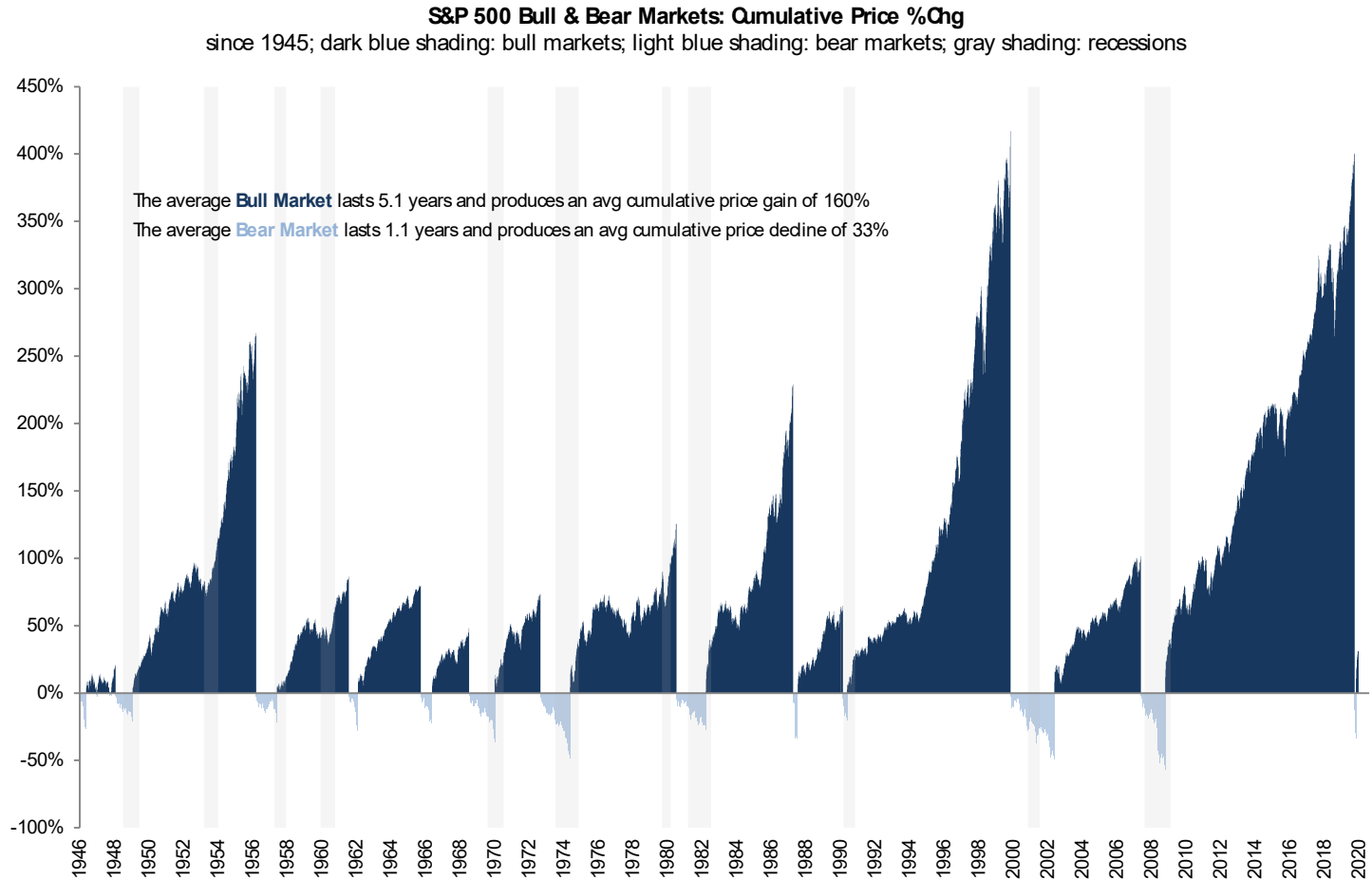
Volatility Has Spiked to Unprecedented Levels

CBOE Volatility Index (VIX)



Source: BMO Investment Strategy Group, FactSet

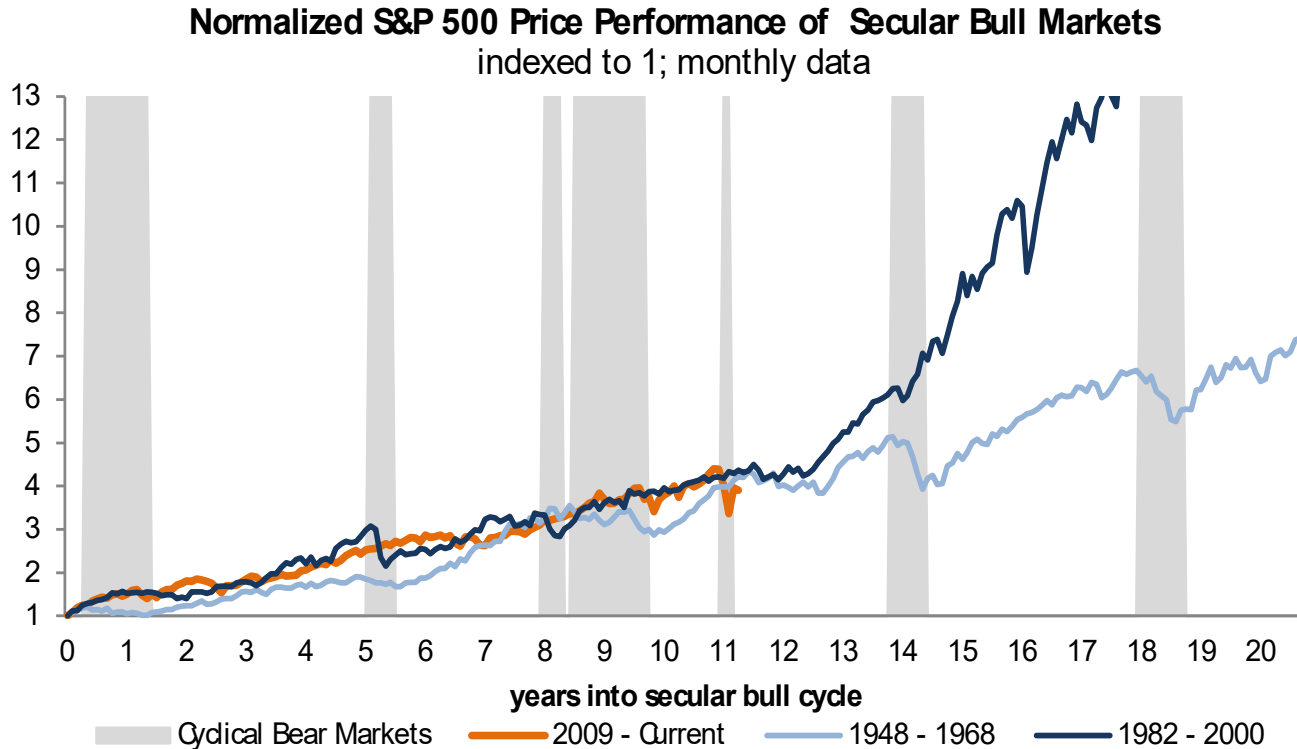
Bull Markets Are Born Out of Bear Markets



Source: BMO Investment Strategy Group, FactSet

Welcoming the Cyclical Bear to the Secular Bull

Cyclical Bear Markets Are Not a Secular Bull Killer



Source: BMO Investment Strategy Group, FactSet

“Fast” Recoveries to New All-Time Highs Have Happened Before

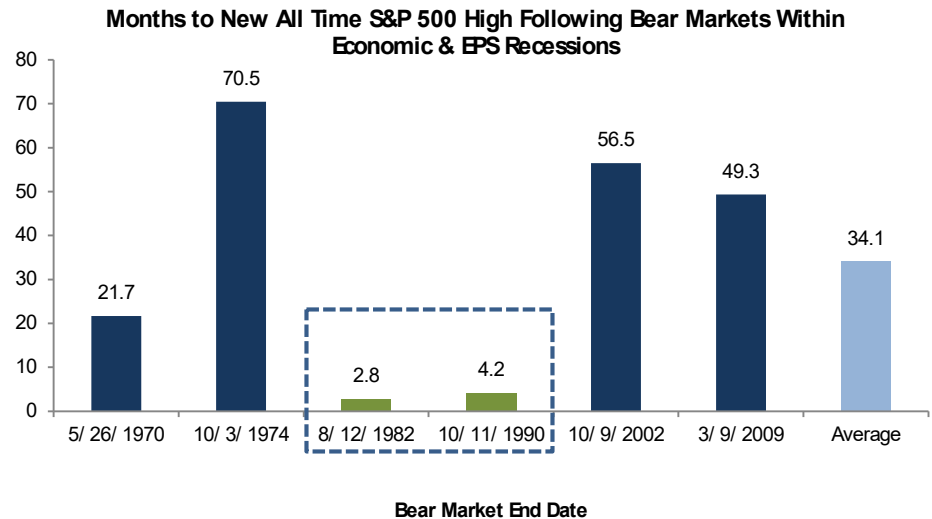
It Typically Takes an Average of 34 Months From the Trough to Hit a New All-Time High

Bear Markets Coinciding With Economic & EPS Recessions

Peak Date	Trough Date	% Decline	Date of New All-Time High	Months: Trough To Recovery
11/29/1968	5/26/1970	-36.1%	3/6/1972	21.7
1/11/1973	10/3/1974	-48.2%	7/17/1980	70.5
11/28/1980	8/12/1982	-27.1%	11/3/1982	2.8
7/16/1990	10/11/1990	-19.9%	2/13/1991	4.2
3/24/2000	10/9/2002	-49.1%	5/30/2007	56.5
10/9/2007	3/9/2009	-56.8%	3/28/2013	49.3
	Average	-39.5%		34.1

However, Swift Recoveries Did Occur Following the Early 1980s and 1990s Recessions

And not so coincidentally, the market declines in those episodes were less severe compared to others, making them more similar to the current period, in our view (less severe = quicker rebound)



Source: BMO Investment Strategy Group, FactSet

Prepare For The Recovery – Because It Is Coming With a Vengeance

Investment Strategy Base Case – Time Frame: Next 12 Months

The US remains the home for stability and consistency

- The strength of the US economy remains the consumer – focus on what they are BUYING = Communication Services, Technology, and online retail and select lifestyle discretionary
- While a cyclical rebound will likely be powerful, quality measures such as operating performance and earnings stability should be a primary area of focus within areas like Industrials, Energy, and Materials
- Lower interest rates will undoubtedly help REITs and Utilities, while forcing positions within Financials to be more concentrated (within the big players)

Sector	Opinion	%Weight	Theme
Communication Services	OW	12.5%	The three C's = content, cash and cannibalism; wireless and communications are necessities
Consumer Discretionary	OW	10.5%	On-line shopping is safe and so too is casual wear as we work at home
Consumer Staples	UW	6%	Discretionary retail
Energy	MW	3%	Focus on yield and cash flow only; languishing underlying commodity likely to persist
Financials	MW	11.5%	Multi-divisional; biggest of the big are best positioned
Health Care	MW	14%	Biotech, pharma, medical devices are more important than ever
Industrials	MW	8.5%	Will benefit from a cyclical recovery, but stick with high quality
Information Technology	OW	24%	Consumer-driven cash flow and innovators; wireless and broadband budgets to explode
Materials	MW	2.5%	Stay diversified; rebound for metals is coming, but focus on quality
Real Estate	OW	4%	Yield and cash flow; lower for longer interest rates to provide support
Utilities	MW	3.5%	Yield and stability of dividend; lower for longer interest rates to provide support

Source: BMO Investment Strategy Group, FactSet

Canadian Strategy Overview

This Too Shall Pass - Preparing for the Recovery

S&P/TSX Next 12-Month Price and EPS Targets: Base Case: 18,200; \$1020

There is no denying the collapse of oil prices and the indefinite shutdown of the global economy have positioned Canadian economic and stock market forecasts with nearly impossible levels of uncertainty.

However, as markets become more rational, we believe the efficacy of point-in-time forecasts will follow suit.

This malaise and anxiety will dissipate. When it does, there is no reason to believe that Canadian stocks will not return to fundamentals and see similar daily upside moves.

Three Scenarios for Canadian Stocks

1. COVID-19 Case: Next 1-3 Months - Defense and COVID-19 Centric Themes

- Mix of defense and COVID-19 virus related topical themes

2. Base Case: Next 12-18 Months - Rebound and Canada's Role in the Recovery

- Focus on companies levered to US growth; high quality; lower interest rates will help REITs and Utilities

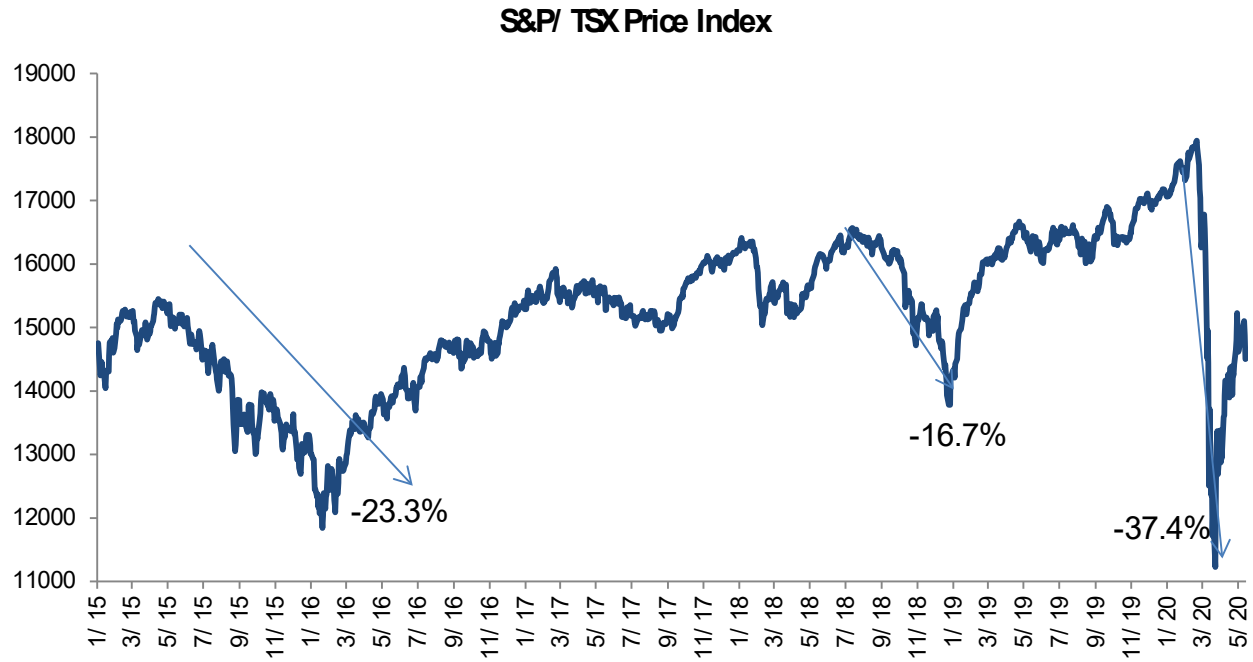
3. Secular Case: Next 3-5 Years - Early Stages of Global Re-synchronization

- Be patient – oil and gold will come back; In the meantime, enjoy those companies levered to U.S. growth and prepare for global markets and commodities to regain their footing

Source: BMO Investment Strategy Group

Oil Shock and Fear

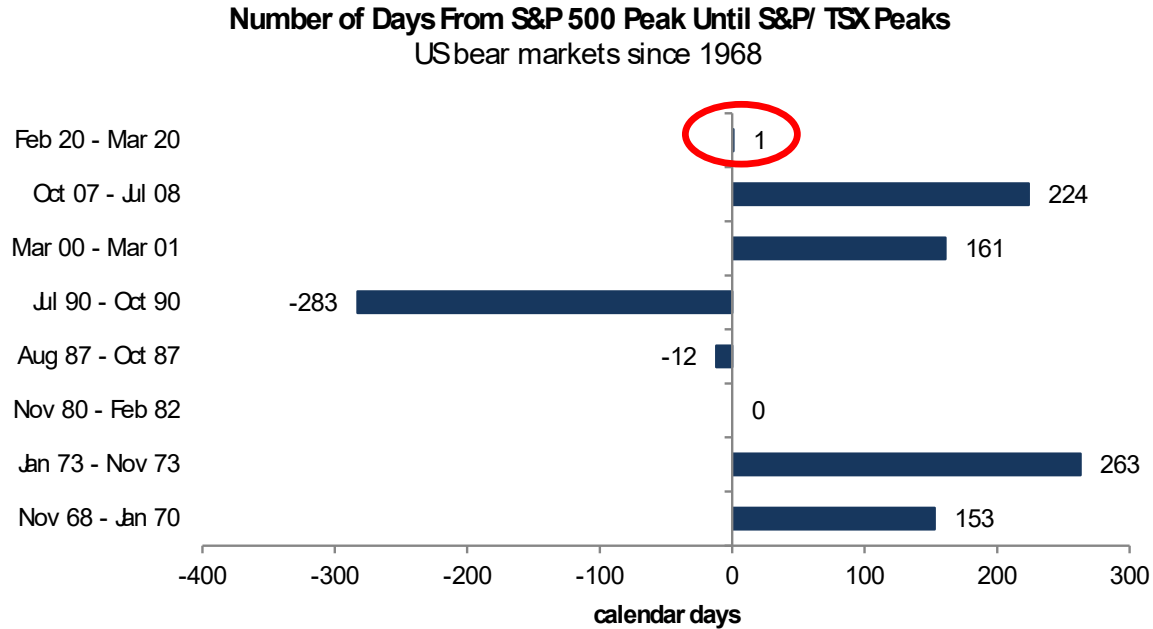
Coronavirus COVID-19 Outbreak Has Sent Canadian Stocks Tumbling ~37% From Its February Peak



Source: BMO Investment Strategy Group, FactSet

TSX Historically Peaks Months After the US

Not This Time...



Source: BMO Investment Strategy Group, FactSet

Canada Outperforming From Trough

Global Markets Performance: During Current Bear Market

	Trough to Current	Peak to Trough	% Recovered
S&P TSX	32.5%	-37.4%	54%
S&P 500	28.3%	-33.7%	56%
NASDAQ Composite Index	31.2%	-29.6%	74%
STOXX Europe 50	17.8%	-31.6%	39%
FTSE 100	20.0%	-32.8%	41%
Japan Nikkei 225	20.0%	-28.1%	51%
ASX All Ordinaries	20.8%	-37.1%	35%
MSCI EAFE	17.4%	-30.4%	40%
MSCI EM (Emerging Markets)	18.9%	-27.4%	50%
MSCI China	16.5%	-19.5%	68%
Crude Oil WTI (NYM \$/bbl) Continuous	5.4%	-56.6%	4%
Gold (NYM \$/ozt) Continuous	9.8%	-3.3%	290%
CADUSD	3.6%	-9.0%	36%

Source: BMO Investment Strategy Group, FactSet. Prices as of May 12, 2020

Canada Positioning and Sector Opinions

Investment Strategy Base Case – Time Frame: Next 12 Months

Canada = A Backdoor Value Proposition to Own the U.S.

- We continue to believe the strength and stability of current and future cash flow and earnings power will come from companies whose primary or incremental growth is coming from or geared toward the U.S.
- While a cyclical rebound will likely be powerful, quality measures such as operating performance and earnings stability should be a primary area of focus within areas like Industrials, Energy, and Materials.
- Lower interest rates will undoubtedly help REITs and Utilities, while forcing positions within Financials to be more concentrated (within the big players).
- Energy Overweight? Yes. We are an embargo or V-shaped recovery away from a massive rally. Furthermore, our preferred positions employ very concentrated and high-tracking error positioning to pipes and integrated oil (yield and cash flow).

Sector	Opinion	%Weight	Theme
Communication Services	OW	7.5%	Yield, content and cash flow; work from home is a major positive
Consumer Discretionary	MW	3.5%	Staples oriented retail and lifestyle
Consumer Staples	MW	5%	Discretionary retail
Energy	OW	13%	Focus on yield and cash flow only; languishing underlying commodity likely to persist
Financials	OW	31%	Multi-divisional; biggest of the big – especially those focused on the US - are best positioned
Health Care	UW	0%	Prefer US
Industrials	MW	12%	Will benefit from a cyclical recovery, but stick with high quality
Information Technology	MW	7.5%	On -line shopping has become a necessity; wireless and broadband budgets to explode
Materials	MW	13%	Stay diversified; rebound for metals is coming, but focus on quality
Real Estate	OW	3.5%	Yield and cash flow; lower for longer interest rates to provide support
Utilities	MW	5%	Yield and stability of dividend; lower for longer interest rates to provide support

Source: BMO Investment Strategy Group, FactSet

Performance

- Outperformance of the Morningstar U.S. Equity Category

	3-Month	YTD	1-Yr.	3-Yr.	5 Yr.
BMO US Equity Plus F	-7.14	-4.59	2.09	7.41	10.28
Canada Fund US Equity	-7.72	-6.62	-0.80	6.10	7.91
Excess Return	0.58	2.03	2.89	1.31	2.37

	2019	2018	2017	2016	2015
BMO US Equity Plus F	26.92	-0.75	12.26	8.98	15.73
Canada Fund US Equity	22.59	-0.62	12.73	5.51	13.44
Excess Return	4.33	-0.14	-0.47	3.48	2.29

Source – Morningstar Direct. Data through April 30th, 2020.

US Equity Plus Portfolio Stocks

US Equity Plus Portfolio Stocks

Ticker	Company	Price	BMO Rating*
Communication Services (11% target weight vs. 9.6% index weight)			
BCE-CA*	BCE Inc.	\$56.29	OP
CMCSA	Comcast Corporation Class A	\$37.63	NR
DIS	Walt Disney Company	\$108.15	OP
GOOGL	Alphabet Inc. Class A	\$1,346.70	OP
NFLX	Netflix, Inc.	\$419.85	OP
RCI.B-CA*	Rogers Communications Inc. Class B	\$58.30	OP
T	AT&T Inc.	\$30.47	NR
Consumer Discretionary (9.5% target weight vs. 8.8% index weight)			
AMZN	Amazon.com, Inc.	\$2,474.00	OP
DOL-CA*	Dollarama Inc.	\$43.66	Mkt
LULU	Lululemon Athletica Inc	\$223.48	Mkt
MAR	Marriott International, Inc. Class A	\$90.94	Und
QSR-CA*	Restaurant Brands International Inc	\$67.90	OP
Consumer Staples (5% target weight vs. 6.6% index weight)			
ATD.B-CA*	Alimentation Couche-Tard Inc. Class B	\$38.84	OP
COST	Costco Wholesale Corporation	\$303.00	OP
Energy (6% target weight vs. 5.7% index weight)			
ENB-CA*	Enbridge Inc.	\$42.65	OP
SU-CA*	Suncor Energy Inc.	\$24.82	OP
TRP-CA*	TC Energy Corporation	\$64.06	Mkt
XOM	Exxon Mobil Corporation	\$46.47	NR
Financials (18% target weight vs. 15.3% index weight)			
BAC	Bank of America Corp	\$24.05	Mkt
BMO-CA	Bank of Montreal	\$70.77	NR
GS	Goldman Sachs Group, Inc.	\$183.42	OP
JPM	JPMorgan Chase & Co.	\$95.76	Mkt
MS	Morgan Stanley	\$39.43	OP
RY-CA*	Royal Bank of Canada	\$85.63	Mkt
TROW	T. Rowe Price Group	\$115.63	Mkt

Source: BMO Capital Markets Investment Strategy. Prices as of 4/30/2020. *These stocks are covered by BMO Nesbitt Burns, Inc. **These stocks are covered by BMO Capital Markets Limited.; all others covered by BMO Capital Markets Corp.

***Rating Key, according to BMO Capital Markets Equity Research: OP: Outperform, Mkt: Market Perform, Und: Underperform, NR: Not rated by BMO Capital Markets, R: Restricted

US Equity Plus Portfolio Stocks

Health Care (11% target weight vs. 11.8% index weight)			
GILD	Gilead Sciences, Inc.	\$84.00	Mkt
JNJ	Johnson & Johnson	\$150.04	NR
MDT	Medtronic Plc	\$97.63	NR
PFE	Pfizer Inc.	\$38.36	NR
TMO	Thermo Fisher Scientific Inc.	\$334.68	NR
UNH	UnitedHealth Group Incorporated	\$292.47	Mkt
Industrials (10% target weight vs. 8.9% index weight)			
CP-CA*	Canadian Pacific Railway Limited	\$316.36	OP
HON	Honeywell International Inc.	\$141.90	NR
LMT	Lockheed Martin Corporation	\$389.06	NR
WCN-CA*	Waste Connections, Inc.	\$119.76	OP
WM	Waste Management, Inc.	\$100.02	OP
Information Technology (20% target weight vs. 21.3% index weight)			
AAPL	Apple Inc.	\$293.80	NR
ADBE	Adobe Inc.	\$353.64	OP
CRM	salesforce.com, inc.	\$161.95	OP
INTC	Intel Corporation	\$59.98	Mkt
MSFT	Microsoft Corporation	\$179.21	OP
PYPL	PayPal Holdings Inc	\$123.00	Mkt
V	Visa Inc. Class A	\$178.72	OP
Materials (4.5% target weight vs. 5.4% index weight)			
ECL	Ecolab Inc.	\$193.50	Mkt
BLL	Ball Corporation	\$65.59	Mkt
WFT-CA	West Fraser Timber Co. Ltd.	\$38.74	OP
Utilities (1% target weight vs. 3.8% index weight)			
BIP.UT-CA*	Brookfield Infrastructure Partners L.P.	\$54.76	OP
Real Estate (4% target weight vs. 3.0% index weight)			
PLD	Prologis, Inc.	\$89.23	OP
REI.UT-CA*	RioCan Real Estate Investment Trust	\$15.90	Mkt
SPG	Simon Property Group, Inc.	\$66.77	Mkt

Source: BMO Capital Markets Investment Strategy. Prices as of 4/30/2020. *These stocks are covered by BMO Nesbitt Burns, Inc. **These stocks are covered by BMO Capital Markets Limited.; all others covered by BMO Capital Markets Corp. ***Rating Key, according to BMO Capital Markets Equity Research: OP: Outperform, Mkt: Market Perform, Und: Underperform, NR: Not rated by BMO Capital Markets, R: Restricted

BMO Investment Strategy Group

Brian G. Belski
Chief Investment Strategist
US, Canadian & Portfolio Strategy
212.885.4151
416.359.5761
brian.belski@bmo.com

Brian, Chief Investment Strategist and leader of the Investment Strategy Group, provides strategic investment and portfolio management advice to both institutional and private clients. Brian's group produces several investment strategy publications on a regular basis, with particular focus on both the U.S. and Canadian equity markets.

In his more than 30 years in the investment industry, Brian has held various senior strategy and research roles, including positions at Oppenheimer & Company, Merrill Lynch, and Piper Jaffray.

Brian is frequently quoted in the financial press, including regular appearances on CNBC, Bloomberg, and BNN, and is renowned for his accuracy as a strategist. Brian holds a B.Sc. degree from St. Cloud State University and splits his time between the BMO offices in New York and Toronto.

Nick Roccanova, CFA
Sr. Investment Strategist
US & Portfolio Strategy
212.885.4179
nicholas.roccanova@bmo.com

Nick is the senior US Investment Strategist and is responsible for all facets of developing and providing research and analysis within the Investment Strategy Group. His analysis focuses on traditional macroeconomic and fundamental methods, but he has also developed expertise in econometric and quantitative modeling.

In his over 20 years in the investment industry, Nick has held various senior research roles, including positions at Merrill Lynch and Oppenheimer & Company. He has been a Senior Investment Strategist advising institutional and private clients since 2004. Nick holds B.S. and MBA degrees from St. John's University and is a CFA charterholder.

Ryan Bohren, CFA
Investment Strategist
Canadian & Portfolio Strategy
416.359.4993
ryan.bohren@bmo.com

Ryan is the Canadian Investment Strategist, provides strategic and analytical support within the Investment Strategy Group, with a focus on Canadian equity markets.

Ryan has over 15 years of investment industry experience, including various research roles at TD Securities, Connor Clark and Lunn Investment Management and Merrill Lynch. He is a CFA charterholder and has a master's in financial economics from the University of Toronto.

Andrew Birstingl
Assoc. Investment Strategist
US & Portfolio Strategy
212.885.4172
andrew.birstingl@bmo.com

Andrew is the Associate US Investment Strategist and provides strategic and analytical support within the Investment Strategy Group, with a focus on US equity markets.

Andrew has five years of experience working in the financial data industry at FactSet Research Systems, where he held various consulting and research roles. He holds a B.S. from Binghamton University.

Fund Codes

Series	MER	Sales Charge	Low Load	Deferred Sales Charge	Fee Based
Advisor	2.20	BMO99744	BMO98744	BMO97744	-
Series F	0.82	-	-	-	BMO95744
Advisor (USD)	2.20	BMO79744	BMO78744	BMO77744	-
Series F (USD)	0.82	-	-	-	BMO40744

Disclaimer

© “BMO (M-bar roundel symbol)” are trade-marks of Bank of Montreal, used under license.

BMO Global Asset Management is a brand name that comprises BMO Asset Management Inc., BMO Investments Inc., BMO Asset Management Corp., BMO Asset Management Limited and BMO’s specialized investment management firms.

©/™Registered trade-marks/trade-mark of Bank of Montreal, used under licence.

This article is for information purposes. The information contained herein is not, and should not be construed as, investment, tax or legal advice to any party. Investments should be evaluated relative to the individual’s investment objectives and professional advice should be obtained with respect to any circumstance.

Any statement that necessarily depends on future events may be a forward-looking statement. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Although such statements are based on assumptions that are believed to be reasonable, there can be no assurance that actual results will not differ materially from expectations. Investors are cautioned not to rely unduly on any forward-looking statements. In connection with any forward-looking statements, investors should carefully consider the areas of risk described in the most recent simplified prospectus.