

BMO Women in Leadership Fund

Quarterly Commentary



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Market Commentary

The S&P/TSX Composite Index gained over the second quarter of 2025 ("the quarter"). Given trade-induced uncertainty, investor interest in gold increased. This shift benefited gold miners, which make up a significant portion of the Canadian equity market. As a result, the Materials sector gained. The Financials sector also gained as Canadian banks are often considered a safer investment during uncertain times. Despite trade uncertainties, the Information Technology and Consumer Discretionary sectors also gained.

U.S. stocks recovered after tariff announcements triggered a significant decline, and the S&P 500 Index gained over the quarter. Much of the recovery was the result of retail investors buying mega-capitalization technology stocks. Positive economic data also lifted investor sentiment as the U.S. economy continued to perform better than expected. Economic surveys also pointed to less pessimism in the economy. The U.S. earnings season was positive overall, and investors seemed

unconcerned about weakness among select U.S. companies.

The Fund underperformed relative to the benchmark (blended: 60% S&P/TSX Composite Total Return Index; 40% S&P 500 Total Return Index C\$) over the quarter.

Attribution Comments

Positive Sector Allocation and negative Security Selection dominated returns this quarter.

Overweight in Industrials and Consumer Discretionary contributed to outperformance relative to the benchmark.

Overweight in Financials and underweight in Materials detracted relative to the benchmark.

Security specific contributors to outperformance included:

- **Dollarama Inc (DOL-T)** contributed to relative outperformance driven by its strong EPS growth

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of >20%. Its best-in-class EPS growth was driven by 10.7% same store sales growth on a two year stack basis, as well as a 220bps (basis points) EBITDA margin expansion as the company benefitted from cost management and operational leverage. Meanwhile, Dollarcity's earnings contribution beat market expectations by 22% and this boosted the market's confidence in Dollarama's ability to expand globally.

- **Microsoft Corp. (MSFT-US)** contributed to outperformance as a result of strong performance across all of its segments (Microsoft 365, cloud, and personal computing). Notably, the strength in its Azure cloud computing business was in both the AI-related and non-AI related businesses, indicating better-than-expected broad based strength. The market reacted positively as it gained more comfort in Microsoft's positioning as an AI winner and to cost cutting announcements that will support margins.

Security specific detractors included:

- **Marsh & McLennan (MMC-US)** detracted relative to the benchmark. Quarterly results showed an insurance market softening slightly in terms of pricing, which tends to weigh on the commissions that MMC's insurance brokerage charges. We see the trend as natural after a few years of very hard insurance markets across multiple lines. In addition, MMC's stable Consulting business (Mercer and Oliver Wyman, which represents approximately a third of the company's consolidated revenues and just under a quarter of operating profit) provides extra diversification in terms of revenues and cash flows.

- **United Health Care Group (UNH-T)** detracted from performance. The Company cut and then suspended guidance during the quarter as higher usage of medical services drove up the medical loss ratio. A former CEO was appointed and there remains uncertainty with respect to outlook and ability to achieve historical margins. We see better risk-reward opportunities elsewhere and have exited the position.

Outlook for Market/Fund

The outlook for equities remains volatile with several issues that still need to be resolved on both sides of the border including trade negotiations, regulatory reform, and global geopolitical instability.

Our investment process is based on owning a concentrated portfolio of durable businesses with high barriers to entry, strong cash flow, long secular trends, and strong management teams that we have the utmost confidence will allocate capital appropriately to drive long-term shareholder value.

While there is considerable uncertainty given the macro environment which drives interest rates and energy prices, we have the utmost confidence our portfolio holdings are in an advantageous position to take market share and allocate capital appropriately to drive long-term shareholder value.

Buys/Sells

The Fund added a new position in Progressive Corporation and exited United Healthcare Group (UNH-US).

The Fund initiated a position in **The Progressive Corporation (PGR-US)**, the second-largest property and casualty (P&C) insurer in the United States, with a core focus on personal and commercial automobile coverage. Over the past 30 years, Progressive has achieved impressive market share expansion driven by its innovative use of technology, direct-to-

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consumer distribution model, and disciplined, competitive pricing strategy. We believe the company is well positioned to continue capturing share and deliver attractive shareholder returns, while also serving as a defensive allocation within the portfolio amid broader market uncertainties.

The Fund exited its position in **United Healthcare Group (UNH-US)**. Recent changes around the CEO position, suspension of guidance, and unresolved DOJ investigations decreased the attractiveness of the stock. We see better risk-reward opportunities elsewhere.

Hold: Intuitive Surgical (ISRG-US) is a global leader in surgical robotics with a well-entrenched ecosystem. ISRG is at a very unique time in its history with multiple transformational product launches that are all about to inflect including new robot dV5, AI, Ion, SP, and refurbished Xi systems. ISRG has a strong financial growth profile, a large portion of revenue is recurring which include instruments and accessories used on a per-procedure basis, and service of systems in the field.

The Fund does not hedge.

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FundSERV Codes	Front End†	Low Load	Deferred Sales Charge*
Advisor	BM099757	BM098757	-
F (Fee Based)	BM095757	-	-

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

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