



**BMO Asset  
Management Inc.**

**Blueprint Canadian  
Stock Selection  
Portfolio**

**BMO**  **Global Asset Management**

**Presented by:**

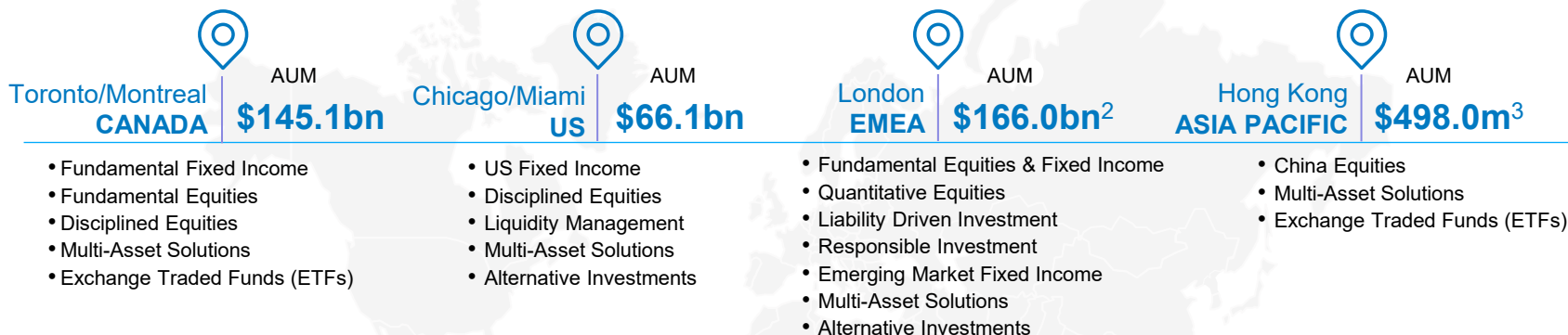
**Canadian Fundamental Equities**

Tyler Hewlett, CFA, Managing Director & Head of Canadian Growth  
Equities

David Taylor, CFA, Director & Portfolio Manager

# Our Capabilities and Managed Assets by Region

## BMO Global Asset Management: \$396bn AUM<sup>1</sup>



### BMO Boutiques: London, UK



Unless otherwise noted, all Assets Under Management (AUM) reported is as at 31-Dec-20 and includes both discretionary and non-discretionary assets. AUM figures are in CA\$.

<sup>1</sup> Includes AUM managed by BMO Global Asset Management (Canada), BMO Global Asset Management (United States), BMO Global Asset Management (EMEA), Pyrford International and LGM Investments. LLC are wholly owned subsidiaries of BMO Asset Management Corp. BMO Real Estate Partners is a subsidiary of BMO Global Asset Management (EMEA). AUM may not add up due to rounding. Figures are adjusted to avoid double-counting of assets sub-advised by investment specialists.

<sup>2</sup> Includes CA\$11.5 billion managed by BMO Real Estate Partners.

<sup>3</sup> AUM of Hong Kong domiciled BMO Exchange Traded Funds.

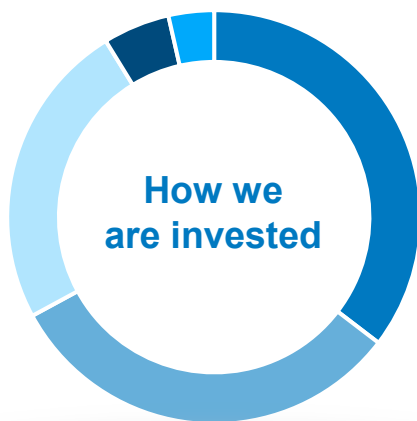
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# BMO Global Asset Management

## Our Business in Numbers

### Diversified across asset type, client type and geography

We have a diverse mix of people around the globe, managing assets for clients ranging from global institutions to investment advisers and retail investors. Our business is positioned to see the bigger picture whilst never losing focus of individual needs.



- Fixed Income (35.4)
- Equity (31.7%)
- Multi-Asset (24.1%)
- Liquidity Management (5.2%)
- Alternatives (3.6%)



- Institutional (62.7%)
- Retail (37.3%)



- Europe (42.5%)
- Canada (41.5%)
- US (15.0%)
- Other (1.0%)

Source: BMO Global Asset Management as at September 30, 2020. Alternatives include Investments and Real Estate.

# Canadian Fundamental Equity Team

## Portfolio Management



**Lutz Zeitler, CFA**  
Head of Canadian  
Fundamental Equity Team  
Portfolio Manager



**Tyler Hewlett, CFA**  
Head of Canadian  
Growth Equity Team  
Portfolio Manager



**Phil Harrington, CFA**  
Portfolio Manager



**Dave Taylor, CFA**  
Portfolio Manager



**Jennifer So, CPA, CA, CFA**  
Portfolio Manager, Analyst

## Research Analysis



**Ashley Bussin, CFA**  
Research Analyst



**Adam Brass, CFA**  
Research Analyst



**Victor Cheung, CFA**  
Research Analyst



**Samir Chawla**  
Research Analyst



**Slavoljub Pesic**  
Junior Analyst

Collaborative team-based culture with shared philosophy and process

# Our Purpose

**Our purpose is to deliver the exceptional outcomes our clients deserve.**

**To achieve this, we apply an unwavering focus on our long-term investment process within a team based collaborative culture**

# Blueprint Canadian Equity - Portfolio Objective

Managed by Tyler Hewlett and David Taylor

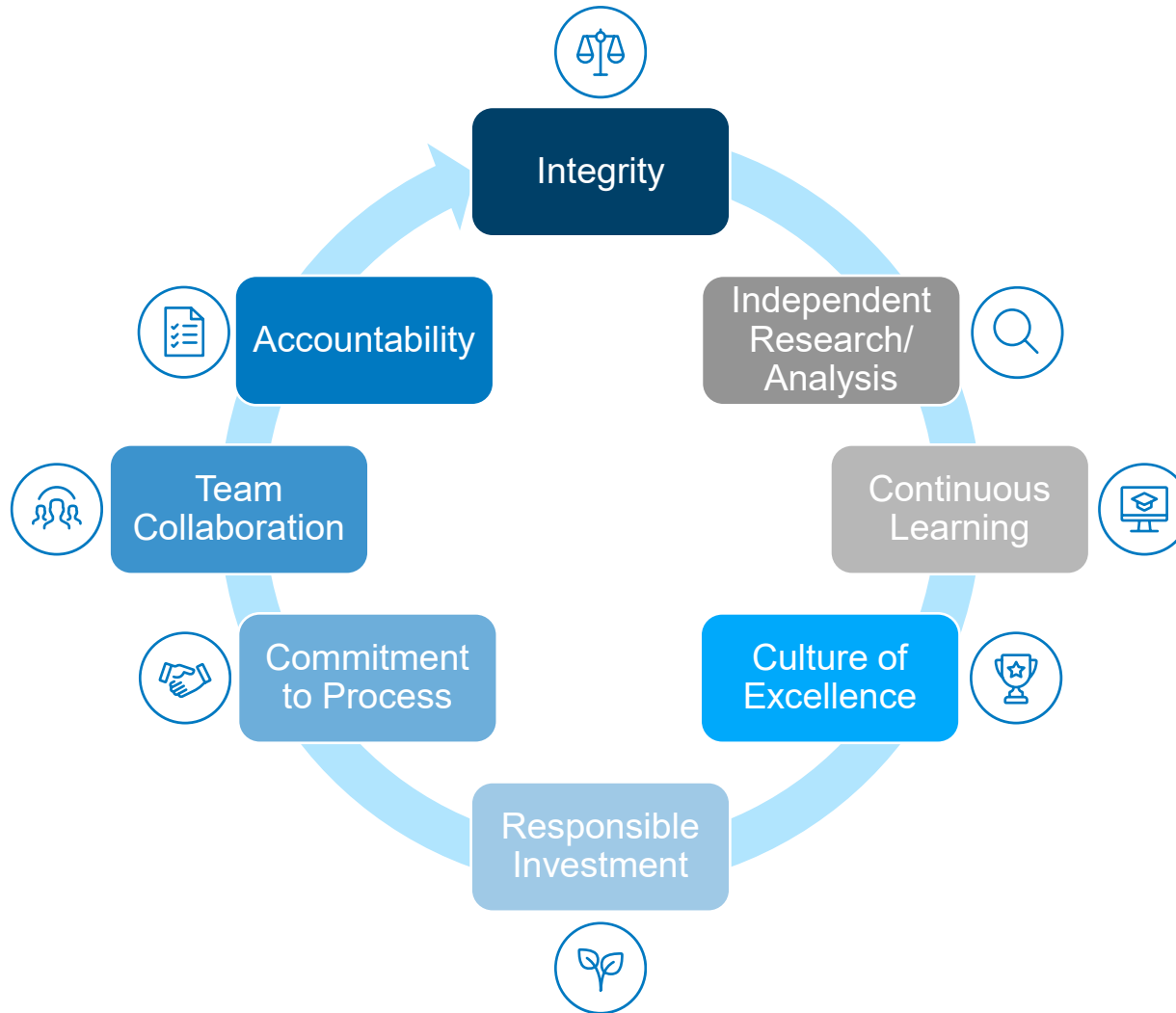
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***The portfolio's objective is to generate strong long term investment performance with a total return mindset, focussing on business models capable of delivering cash flow, earnings or asset/franchise value growth on a sustainable basis.***

***We accomplish this by constructing a concentrated portfolio of sustainable business models prioritizing long-term value creation and the assessment of risk through a business owners perspective.***

# Our Culture

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# Our Core Investment Beliefs

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## Sustainable business models

We are business analysts, not stock market speculators

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High quality businesses with strong moats led by excellent capital allocators

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ESG considers all stakeholders and risks not captured in financial statements

## Long-term value creation

Compounded growth creates value over the long term

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What could this company look like in 5 to 10 years?

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Focus on the key long-term business drivers

## Risk Management

Risk is inherent throughout our process

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We focus on risk from a business owner's perspective

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Behavioral risk mitigation - collaborative team, diverse views

## Concentrated Portfolios

Construct a concentrated and high conviction-weighted portfolio

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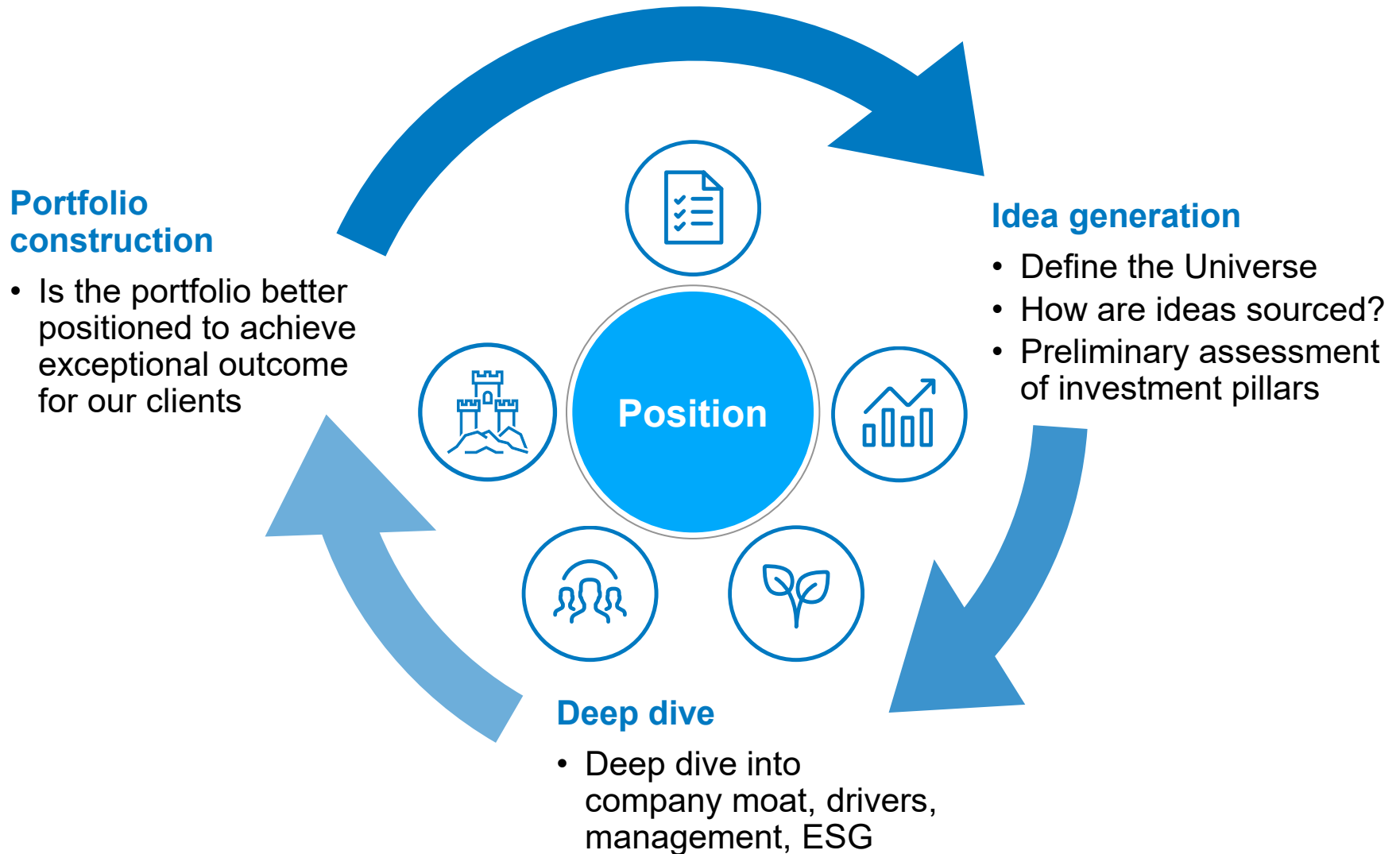
Capitalize on highest conviction ideas

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Focus on exceptional business models

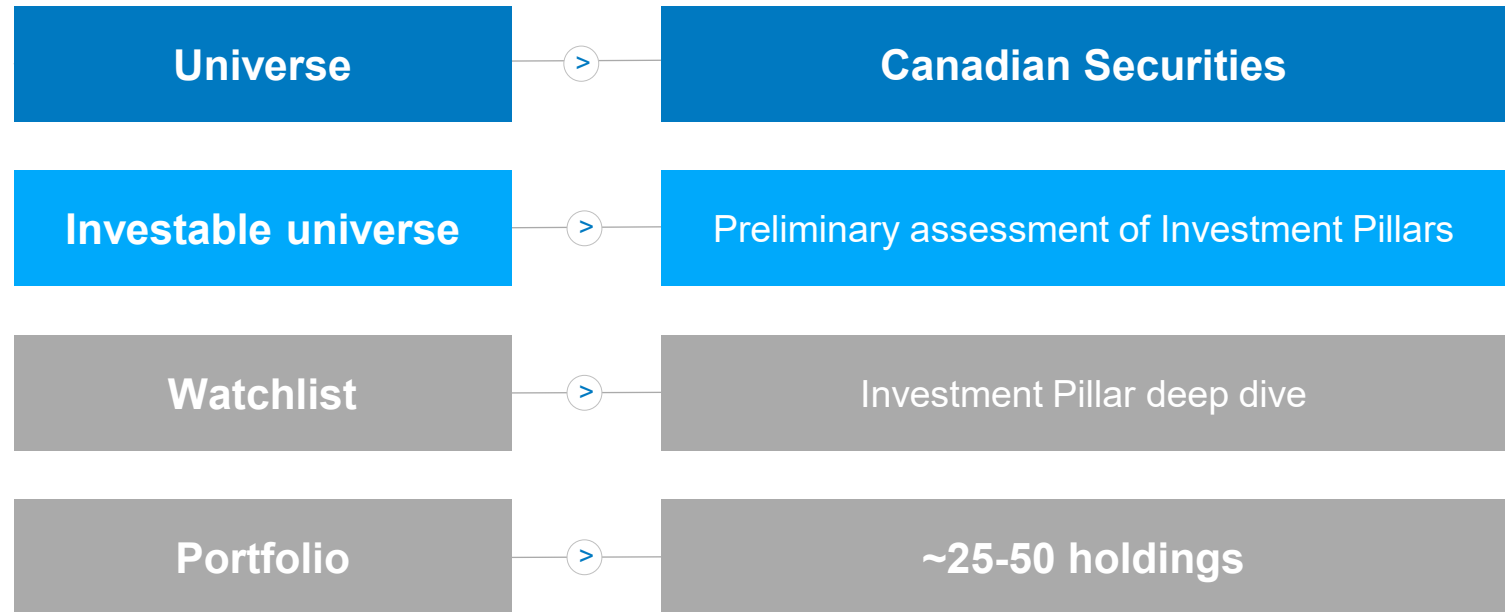


# Our Process



# Define the Universe

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# Idea Generation and Deep Dive

# Our Investment Pillars

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**Investment decisions based on careful analysis  
across five key pillars**



**Economic  
Moat**



**Growth  
Potential**



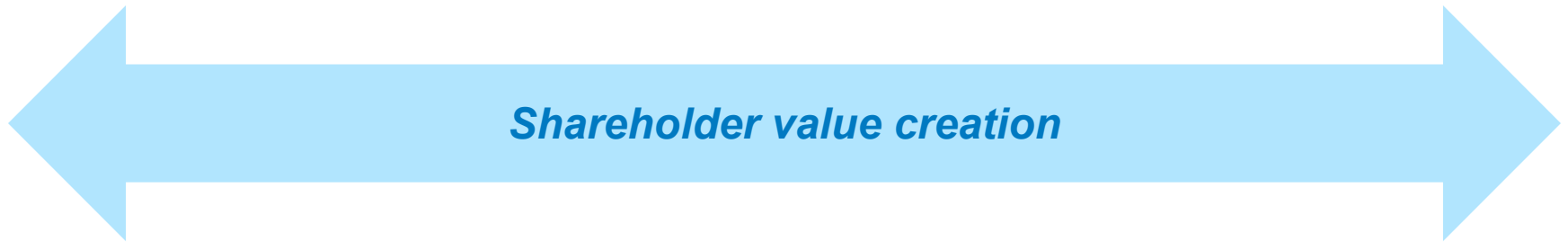
**Leadership**



**Responsible  
Investment**



**Business  
Value**



# Pillar I: Economic Moat



Identify and understand **source of competitive advantage**



Determine **strength** of moat and ability to bolster (competitors, disruption)



Assess **duration** of moat

## Pillar II: Growth Potential



Develop a deep understanding of the company's drivers and their contribution to profitability



Delineate between drivers connected to the moat vs transitory



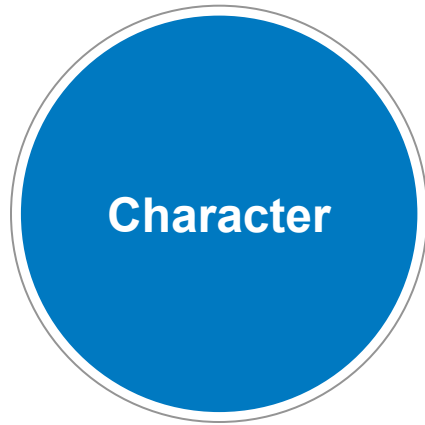
Consider how disruption may impact the company's drivers



Formulate the company's growth algorithm and understand the variability



## Confidence in ability to create shareholder value



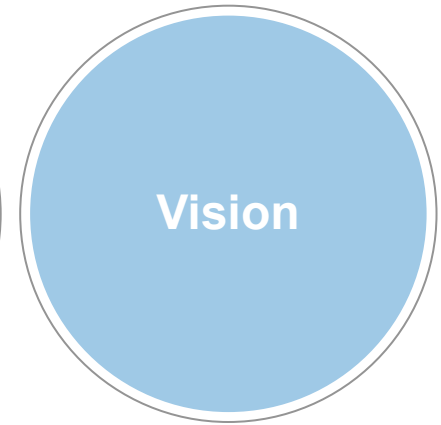
- Experience
- Culture
- Integrity



- Alignment
- Operational excellence
- Industry expertise
- Board strength



- Exemplary stewards of capital



- Strategy
- Thoughtful approach to widen competitive moat



## Environmental, Social, and Governance (ESG) issues have material impacts on long-term shareholder value



### **Thought leadership**

Collaborate with experienced Responsible Investment team



### **Research integration**

Analyze ESG risks and opportunities within fundamental framework



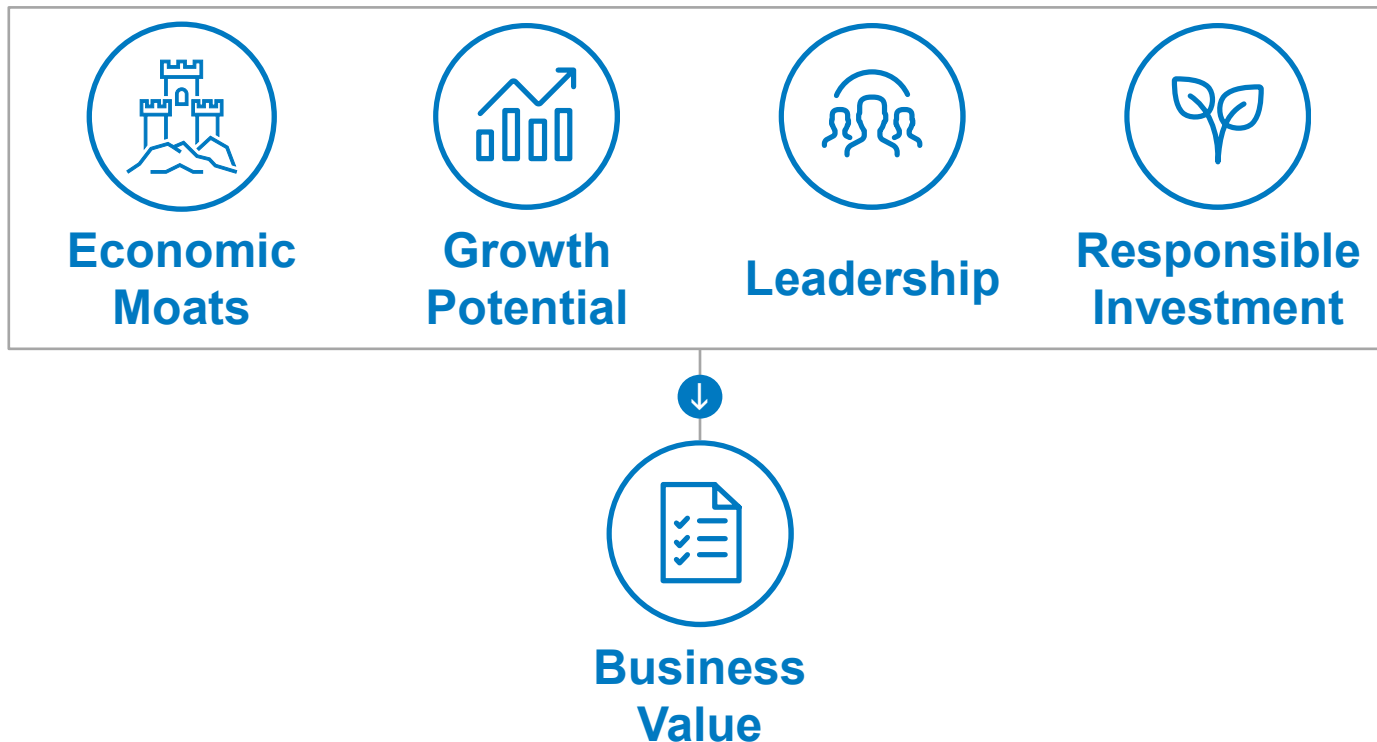
### **Active ownership**

Influence change via engagement and proxy voting



# Pillar V – Business Value

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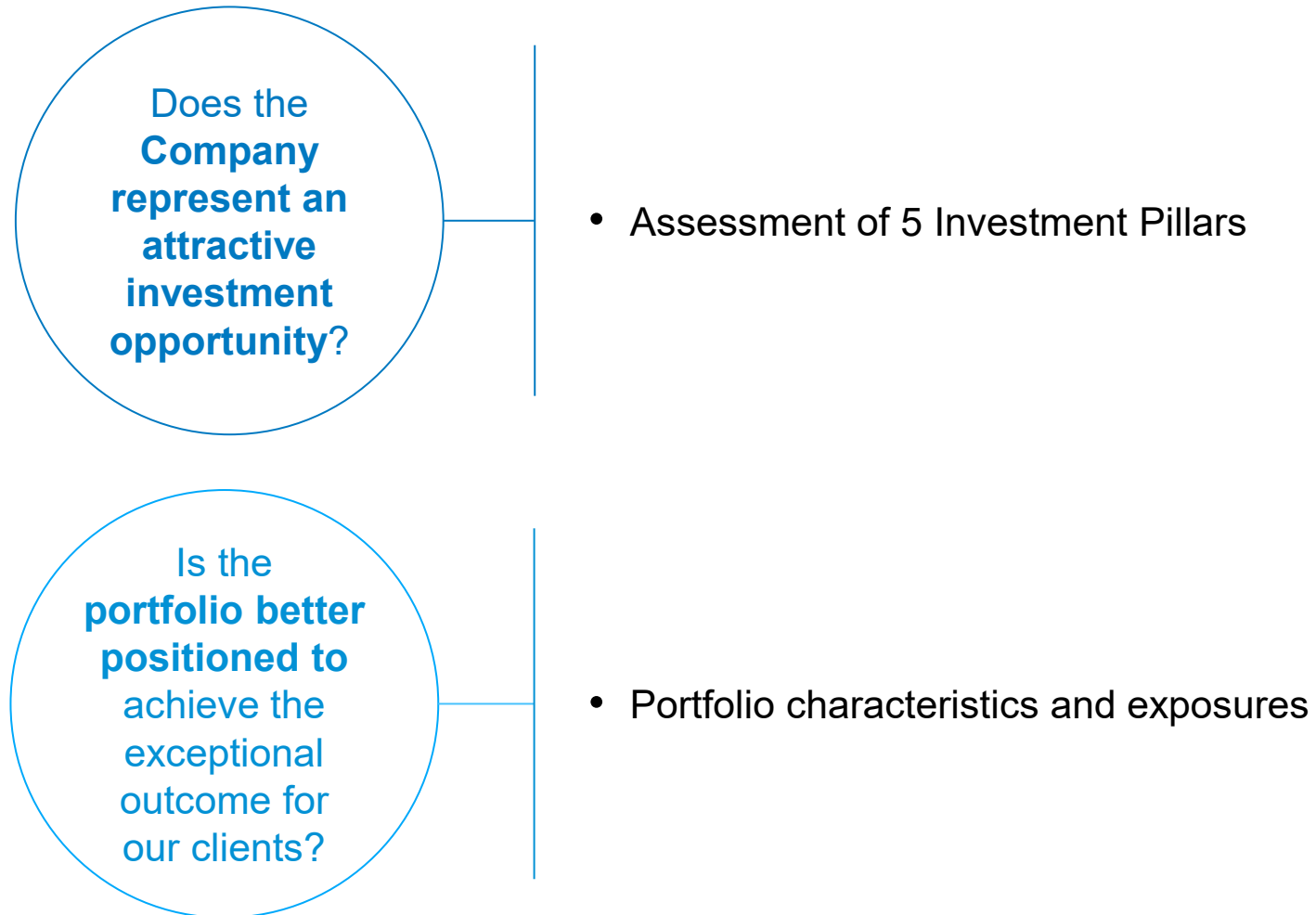


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Our competitive advantage is understanding the long-term business value,  
NOT focusing on short term multiples.

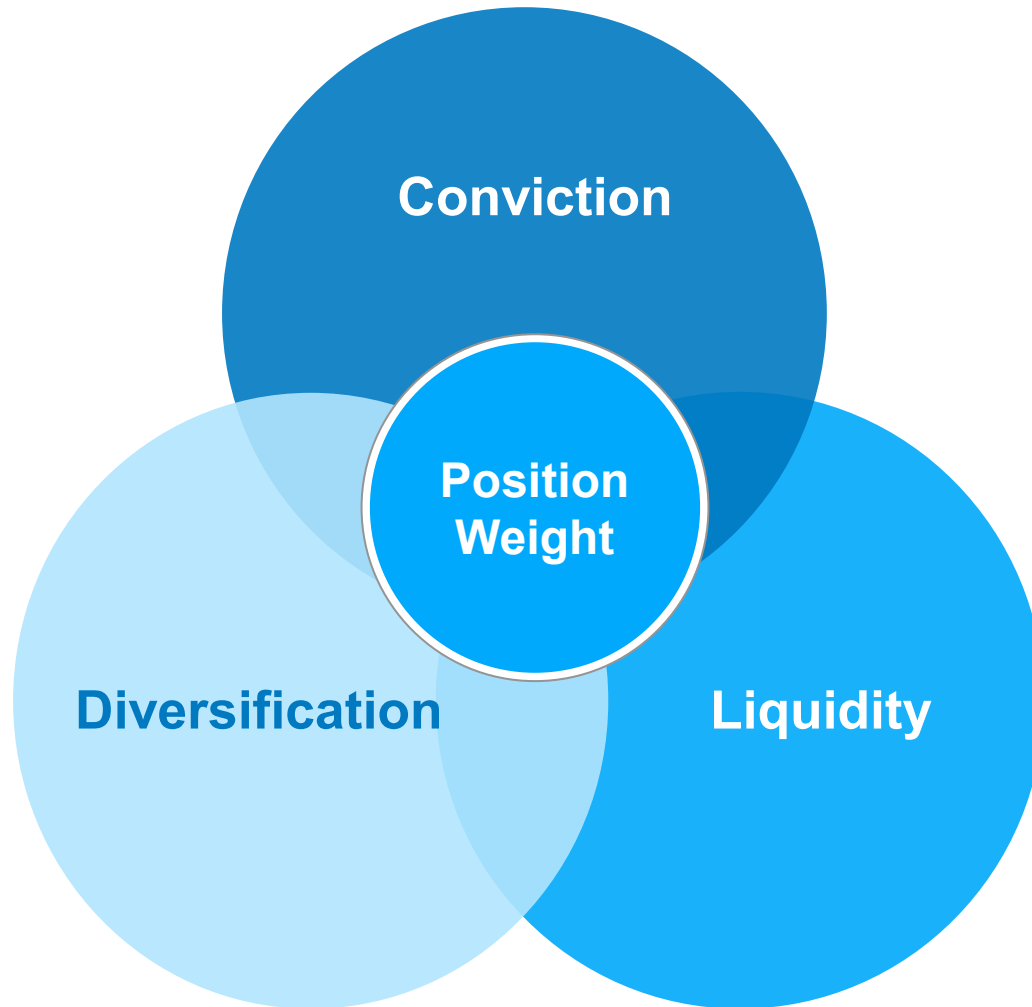
# Portfolio Construction

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# Position sizing and Portfolio Construction

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# Sell Discipline

**We are committed to driving exceptional outcomes for our clients...**

**When we lose conviction, we sell, regardless of cost base, duration of holding, valuation**

# Summary

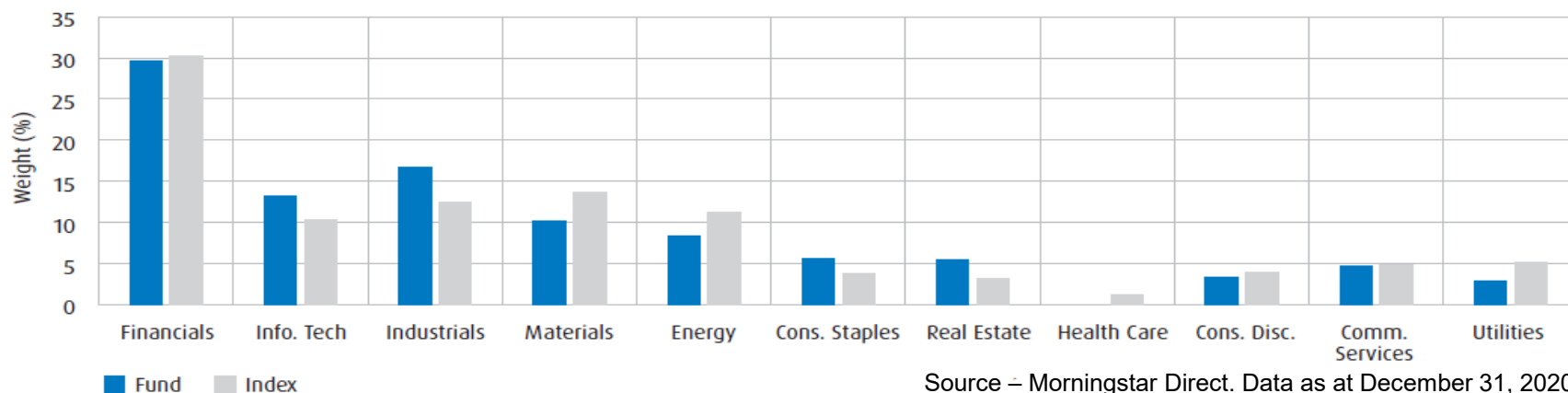
- Team-based collaborative culture
- Unwavering focus on long-term investment process
- Concentrated portfolios constructed with long term sustainable business models
- Risk Management at the stock, portfolio, and behavioral levels
- Consistency of performance reflects discipline

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# Portfolio Performance and Positioning

# Blueprint Canadian Stock Selection Portfolio – Top 10 Holdings & Sector Weights

Security	Sector	Weight (%)
Royal Bank of Canada	Financials	7.2%
The Toronto-Dominion Bank	Financials	6.2%
Brookfield Asset Management Inc Class A	Financials	6.1%
Intact Financial Corp.	Financials	4.6%
Franco-Nevada Corp.	Materials	4.4%
Canadian Pacific Railway Ltd.	Industrials	4.4%
Shopify Inc A	Information Technology	4.2%
Waste Connections Inc.	Industrials	3.6%
Bank of Nova Scotia	Financials	3.4%
Dollarama Inc.	Consumer Discretionary	3.3%



Source – Morningstar Direct. Data as at December 31, 2020.

# Blueprint Canadian Stock Selection Portfolio – Performance

## Calendar Returns

	2015	2016	2017	2018	2019	2020	YTD	Since Inception
<b>BMO Canadian Stock Selection Fund Series F</b>	<b>-4.0</b>	<b>20.9</b>	<b>9.8</b>	<b>-7.3</b>	<b>25.8</b>	<b>6.5</b>	<b>-1.5</b>	<b>8.3%</b>
<b>Benchmark*</b>	<b>-8.3</b>	<b>21.1</b>	<b>9.1</b>	<b>-8.9</b>	<b>22.9</b>	<b>5.6</b>	<b>-0.32</b>	<b>8.8%</b>

## Annualized Returns

	1yr	3yr	5yr	YTD	Since Inception
<b>BMO Canadian Stock Selection Fund Series F</b>	<b>2.7</b>	<b>7.5</b>	<b>10.4</b>	<b>-1.5</b>	<b>8.3%</b>
<b>Benchmark*</b>	<b>3.5</b>	<b>6.12</b>	<b>9.51</b>	<b>-0.32</b>	<b>8.8%</b>

Source: BMO Asset Management as of January 31, 2021, net of fees.

\* S&P/TSX Composite Index.



# Blueprint Canadian Stock Selection Portfolio – Portfolio Characteristics

**16.36%**

Standard  
Deviation

**0.45**

Sharpe Ratio

**1.56**

Alpha

**0.95**

Beta

**96.97%**

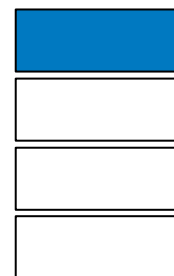
R<sup>2</sup>

**9%**

Turnover



Morningstar Rating  
(as of January 31, 2021)\*



Top Quartile  
Performance for 5  
Consecutive Years\*\*

Data Source: Morningstar Direct, as of January 31, 2021.

\* Morningstar; 3-Year statistics as of January 31, 2021 for F Series.

\*\* Morningstar; 2016–2020 for F Series.

# Exposure to Strong Secular Trends

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- Fund flow to 'Alternatives'

**Brookfield**

- Supply chain / Data analytics



- Ecommerce



- Institutionalization of single-family rental



## Utilizing High Quality Mid Cap Names On Risk Adjusted Basis

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- Boyd Group Services Inc. (BYD-T) \$4.7B market cap
- Morneau Shepell Inc. (MSI-T) \$2.2B market cap
- FirstService Corp (FSV-T) \$8.3B market cap
- CargoJet Inc. (CJT-T) \$2.8B market cap
- Kinaxis Inc.(KXS-T) \$4.0B market cap
- Descartes Systems Group Inc. (DSG-T) \$6.3B market cap

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# Appendix

# Portfolio Holding – Franco-Nevada (FNV-T)

## Sustainable Competitive Advantage

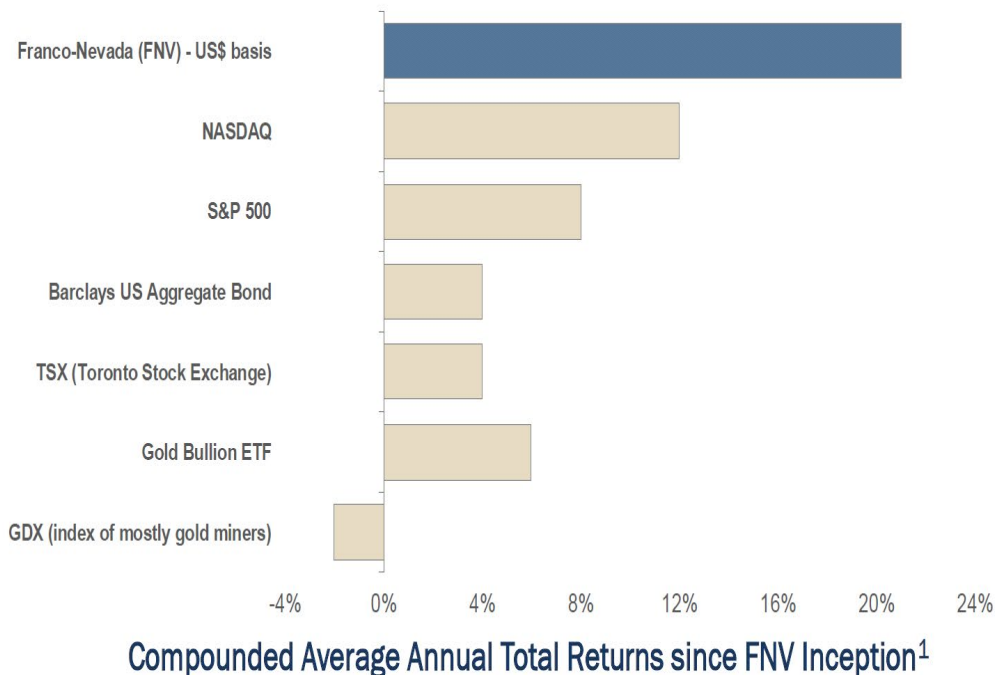
- High margin business that generates cash through commodity cycles
- Scalable business model
- Minimal exposure to operating risks of the mine
- Optionality on future resource exploration

## Strong Capital Allocation

- History of successfully allocating capital
- High cash flow generation

## Valuation

- Stock retains multiple in lower commodity environment



## Franco Nevada

FNV is a resource sector royalty company and investment company with a focus on precious and base metals, and oil & gas.

Source: BMO AM Inc., Company reports

Past performance is no guarantee of future results

# Portfolio Holding – Boyd Group (BYD-T)

## Sustainable Competitive Advantage

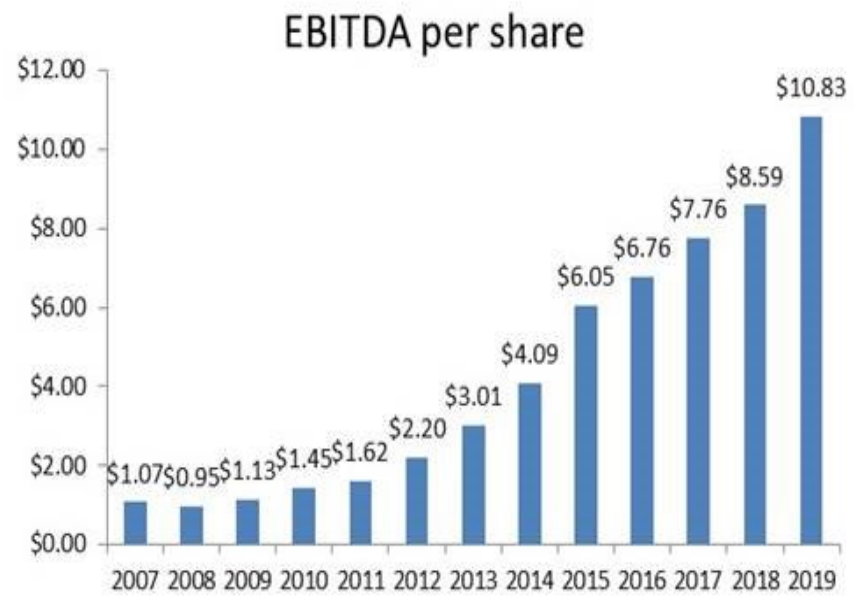
- High barriers to entry
- Strong relationships with insurers
- Long runway of growth opportunities

## Strong Capital Allocation

- ~15% top line growth; not macro dependent
- Very strong management with history of strong execution

## Valuation

- Internal estimates above consensus
- Top 3 of 4 players in space owned by PE; Take-outs at high multiples



### Boyd

Boyd Group is one of the largest owners and operators of non-franchised independent collision repair centers in North America.

Source: BMO AM Inc., Company reports Past performance is no guarantee of future results

# Portfolio Holding – Brookfield Asset Management (BAM/A-T)

## Sustainable Competitive Advantage

- Oligopoly like environment
- Management team with track record of adding value
- Irreplaceable real assets with high barriers to entry
- Strong relationships with institutional asset managers – pension plans increasing exposure to hard assets

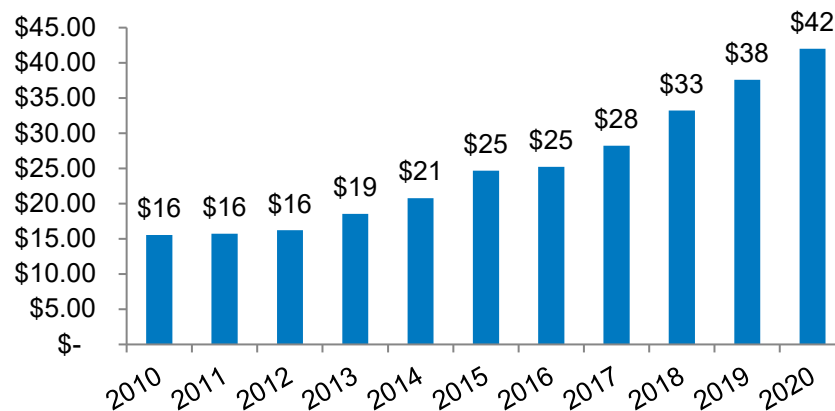
## Strong Capital Allocation

- Contrarian investors that take long-term view
- Invest with significant margin of safety globally
- Asset management business growing 15%
- Industry leading cost of capital and global reach

## Valuation

- Ability to compound NAV per share 15-20%

## BAM Forward NAV Estimates



## Brookfield Asset Management

BAM is a leading global asset manager focused on high quality real assets, including property, renewable energy, infrastructure, and private equity.

Source: BMO AM Inc., Company reports

Past performance is no guarantee of future results

# Presenters

Portfolio Management



## **Tyler Hewlett, CFA**

### **Managing Director & Portfolio Manager, *Head of Canadian Growth Equities***

Tyler is the lead portfolio manager for BMO Asset Management Inc.'s Canadian growth mandates, which include Canadian small cap and all-cap portfolios. He joined BMO Asset Management in 2007 as an analyst, covering multiple sectors with a focus on small capitalization equities and became a portfolio manager on the Canadian small cap team in 2009 assuming his position as lead portfolio manager in 2012. Tyler has been the lead portfolio manager on all-cap Canadian equity strategies since inception in 2015. He began his career in the industry in 2001 at a global financial institution, primarily in equity research. Tyler holds a Bachelor of Commerce degree from Queen's University and is a CFA charterholder.



## **David Taylor, CFA**

### **Director & Portfolio Manager, *Canadian Fundamental Equities***

David is a Portfolio Manager for BMO Asset Management Inc.'s fundamental growth strategies including BMO Canadian Small Cap, BMO Growth Opportunities Fund, and the Blueprint Canadian Equity mandates. He joined the firm in 2012 and began his career in the industry in 2003. Prior to joining BMO AM, David worked in equity research for a tier one Canadian investment dealer where he covered multiple sectors and prior to that with a high net worth investment boutique. He holds an Honors of Business Administration (HBA) degree from the Richard Ivey School of Business at the University of Western Ontario and is a CFA charterholder. David is a past President for the Equity committee of the Toronto CFA Society.



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