

BMO AM Enhanced Total Equity & Enhanced Balanced Portfolios

BMO GAM's Comprehensive Core Active Portfolios

No Stone Left Unturned

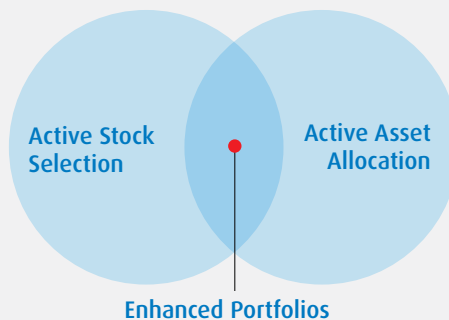
Accessible through the BMO Nesbitt Burns Architect Program, the BMO AM Enhanced Total Equity and Enhanced Balanced Portfolios are **global strategies** with a strong bias to North American equities.

COMPREHENSIVE, CORE, ACTIVE PORTFOLIOS

What does that mean?

- **Comprehensive:** Combining active, bottom-up North American stock selection with an asset allocation overlay and global lens.
- **Core:** Diversified, growth-oriented strategies suitable as a core holding in your client's portfolio.
- **Active:** Our portfolio managers are active via:
 - Stock selection (approximately 50% individual names in the Enhanced Total Equity portfolio and 40% in the Enhanced Balanced portfolio)
 - The use of ETFs
 - Factor, sector, and geographic tilts
 - Asset allocation (equities vs. bonds vs. cash)

The Enhanced portfolios have **no sector or factor constraints** and are delivered with unparalleled value. At a base rate of **only 5 bps**, Advisors can offer clients the best of BMO GAM research and active management.



Key Features

- Global portfolios with a strong bias to North American equities
- Active portfolio management
- 'One team' approach combining the best of BMO GAM research (MAST) and Fundamental Equities (asset allocation, stock selection, and the use of ETFs)
- No constraints, sector or otherwise
- No closet indexing
- Unmatched value at a 5 bps base rate

Asset Allocation and Stock Picking Don't Have to Be Mutually Exclusive

As far back as the 1980s, investment research has shown that asset allocation—a portfolio’s mix of stocks, bonds, and cash—is the primary driver of long-term returns.¹ Recent years, however, have seen a remarkable rise in the popularity of ETFs. Since 2009, globally, ETF assets under management (AUM) have grown from US\$1 trillion to US\$12.9 trillion, and the number of ETFs has exploded from just under 2,000 listed in 2009 to nearly 11,000 listed today.²

Concurrently, as ETF usage has grown, so have opportunities for portfolio managers to deliver outperformance via individual stock selection.

The BMO AM Enhanced Balanced and Enhanced Total Equity Portfolios offer the best of active asset allocation and stock picking through:

- **Bottom-up stock selection** to build a concentrated portfolio of high-conviction, North American growth-oriented equities
- **Top-down active asset allocation** to add diversification, manage risk, and broaden the opportunity set

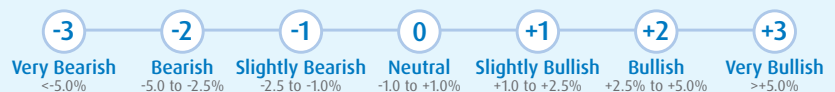
BMO’s “Five Lenses” Strategy

The BMO AM Enhanced Total Equity and Enhanced Balanced Portfolios benefit from the BMO GAM Multi-Asset Solutions Team’s (MAST) “Five Lenses” approach. This research-driven process helps ensure that portfolio holdings are in alignment with BMO GAM’s house view.

Five Lenses, as of July 2024

Lens 1 Asset Mix	Lens 2 Asset Class Equity	Lens 3 Asset Class Fixed Income	Lens 4 Style/Factor	Lens 5 Implementation
<ul style="list-style-type: none"> • We remain neutral across our asset mix between stocks, bonds and cash. • While the global economy remains resilient, we think equities are exposed to elevated valuation multiples as multiple risks lie ahead. • The political cycle is heating up, especially in the U.S. where odds to Trump rose after a challenging debate for the Democrats while France is also facing greater political uncertainty. • Investors must also face somewhat sticky inflation fear and delayed U.S. Federal Reserve (“Fed”) cuts, which could turn into headwinds for equities this summer. 	<ul style="list-style-type: none"> • Our outlook and the loonie, regional equity mix remains unchanged this month as the economy and markets largely evolve along the lines of our expectations. • We remain underweight to Canadian equities and continue to prefer U.S. equities. • We prefer to be tilted toward U.S. equities with its bias for higher quality and benefit from the more robust U.S. economy. • We expect the Canadian economic outlook to continue to soften as elevated interest rates are weighing on the economic. 	<ul style="list-style-type: none"> • We downgraded high-yield corporate bonds to a small underweight as spreads to government bonds are tight and relatively unattractive • While the Bank of Canada appears ready to ease monetary policy more than the markets expect, interest-rate duration ultimately needs some Fed easing, but the Fed remains handcuffed by data for now. • We remain bullish on gold as a hedge against the risk that long-term interest rates might continue to drift higher or if the U.S. economy was to cool faster than expected. 	<ul style="list-style-type: none"> • We continue to prefer higher quality companies who enjoy stronger balance sheets and pricing power, which enables them to have more resilient and wider profit margins. • We remain bullish on firms with strong dividends as interest rates are likely to decrease in 2024, albeit modestly; we expect investors to rotate in favour of that sector this year. • We remain bullish on value companies as we expect sticky inflation fear to favour value-oriented companies. • We remain bullish on low-volatility companies to better navigate a potentially more volatile equity market. 	<ul style="list-style-type: none"> • We continue to like gold as a hedge against downside macro risks. • We think gold could continue to shine if investors were surprised with renewed recession fear or inflation anxiety which could lead to further delaying expectations for Fed rate cuts and re-ignite a risk-off U.S. Dollar rally and weigh on the loonie. • Several central banks are steadily increasing their allocation to gold as a share of their international reserves, which is helping boost demand for gold.
Tactical Score: Equities 0 Fixed Income 0 Cash 0	Tactical Score: Canada -1 U.S.A. +1 EAFE 0 EM 0	Tactical Score: IG Credit 0 High Yield -1 EM Debt 0 Duration 0	Tactical Score: Value +1 Volatility -1 Quality +1 Yield +1	Tactical Score: Canadian Dollar -1 Gold +2

▲ Indicates an increase in the tactical score month-over-month | ▼ Indicates a decrease in the tactical score month-over-month



1 Gary P. Brinson, L. Randolph Hood, and Gilbert L. Beebower, “Determinants of Portfolio Performance,” 1986.

2 “ETFIG reports assets invested in the Global ETFs industry reached a new record high of US\$12.89 trillion at the end of May,” ETFIG, June 12, 2024.

High-Conviction Holdings

Ferrari NV (NYSE: RACE): Global premium car manufacturer

- **Unique, timeless asset** – Very exclusive luxury brands with two-year order visibility, 65% buyers already own a Ferrari, scarcity value of demand outstrips supply.
- **Growth through product, price and volume** – Personalization of the vehicle (colour, rims, interiors) drives higher average selling price and margins. Also, new E-Building increases capacity over the longer term.
- **Differentiated offering translates into compounding machine** – High return on equity (ROE), strong free cash flow generation and earnings growth drive long-term shareholder value.

Constellation Software (TSE: CSU): Provider and acquirer of vertical market software (“VMS”)

- **Excellent capital allocation track record** – Primary driver of value creation is acquisitions of VMS businesses at high return on invested capital (ROIC). Recent years have demonstrated its business model is scalable and likely to continue to compound capital at high rates over the long term.
- **Cash compounding machine** – Vertical-Market Businesses (VMS) CSU targets are structurally more attractive with high cash conversion and negative working capital accelerate the compounding of free cash flow (FCF).
- **Resilient business model** – Business verticals are well-diversified across 141 vertical markets, and market dislocations provide additional merger and acquisition (M&A) opportunities.

Brown & Brown, Inc. (NYSE: BRO): U.S. insurance broker

- **Attractive business attributes** – Capital light, recurring in nature with attractive margins and free-cash-flow conversion rates.
- **Acquisitions accelerate growth** – Brown & Brown has been highly acquisitive in this fragmented market and has grown revenues and cash flow per share at an impressive rate since its IPO. We believe there is further opportunity for organic and inorganic growth, in both their home market of the U.S. and internationally.

Past performance is not indicative of future results.

Annualized Performance (as of June 30, 2024)

Reference Asset	Q2 2024	1 year	3 years	5 years	10 years
BMO AM Enhanced Total Equity Portfolio	2.6%	18.3%	6.8%	-	-
BMO AM Enhanced Balanced Portfolio	2.0%	13.1%	3.6%	-	-

Allocation (as of June 30, 2024)

BMO AM ENHANCED TOTAL EQUITY PORTFOLIO		BMO AM ENHANCED BALANCED PORTFOLIO	
Asset Class	Weight (%)	Asset Class	Weight (%)
Cash – CAD	2.0	Cash – CAD	1.6
Equity		Fixed Income	35.8
• Canadian Equity	47.9	Equity	
• U.S. Equity	33.8	• Canadian Equity	29.9
• EAFE Equity	10.3	• U.S. Equity	22.8
• Emerging Markets Equity	5.9	• EAFE Equity	6.2
		• Emerging Markets Equity	3.8

Top Holdings (as of June 30, 2024)

BMO AM ENHANCED TOTAL EQUITY PORTFOLIO					
Active Stock Selection			Active Asset Allocation		
		Weight (%)			Weight (%)
CSU	CONSTELLATION SOFTWARE INC.	3.3	ZCN	BMO S&P/TSX CAPPED COMPOSITE INDEX ETF	17.2
MSFT-US	MICROSOFT CORP	2.9	ZEA	BMO MSCI EAFE INDEX ETF	8.8
WCN	WASTE CONNECTIONS INC	2.6	ZSP	BMO S&P 500 INDEX ETF	6.5
DOL	DOLLARAMA INC	2.6	ZLB	BMO LOW VOLATILITY CANADIAN EQUITY ETF	6.1
GOOG-US	ALPHABET INC CLASS C	2.4	ZEM	BMO MSCI EMERGING MARKETS INDEX ETF	5.9
IFC	INTACT FINANCIAL CORPORATION	2.3	ZUQ	BMO MSCI USA HIGH QUALITY INDEX ETF	2.2
RY	ROYAL BANK OF CANADA	2.2			
ISRG	US INTUITIVE SURGICAL INC	2.1			
BN	BROOKFIELD CORP	2.1			
XLE-US	ENERGY SELECT SECTOR SPDR	1.8			

BMO AM ENHANCED BALANCED PORTFOLIO					
Active Stock Selection			Active Asset Allocation		
		Weight (%)			Weight (%)
CSU	CONSTELLATION SOFTWARE INC.	2.8	ZCPB	BMO CORE PLUS BOND FUND	29.0
MSFT-US	MICROSOFT CORP	2.4	ZFL	BMO LONG FEDERAL BOND INDEX ETF	4.8
WCN	WASTE CONNECTIONS INC	2.2	BM083203	BMO AM GLOBAL ABSOLUTE RETURN BOND FUND	1.9
DOL	DOLLARAMA INC	2.2		EQUITY	
XLE.US	ENERGY SELECT SECTOR SPDR FUND	2.2	ZCN	BMO S&P/TSX CAPPED COMPOSITE INDEX ETF	6.5
GOOG-US	ALPHABET INC CLASS C	2.2	ZEA	BMO MSCI EAFE INDEX ETF	4.9
IFC	INTACT FINANCIAL CORP	1.9	ZEM	BMO MSCI EMERGING MARKETS INDEX ETF	3.8
RY	ROYAL BANK OF CANADA	1.9	ZLB	BMO LOW VOLATILITY CANADIAN EQUITY ETF	2.5
ISRG	US INTUITIVE SURGICAL INC	1.8	ZSP	BMO S&P 500 INDEX ETF	1.1
BN	BROOKFIELD CORP	1.8			

Contact your BMO Nesbitt Burns Investment Advisor for more information about the BMO AM Enhanced Total Equity and Enhanced Balanced Portfolios available through the BMO Nesbitt Burns Architect Program.

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