

Perspectives from the Multi-Manager People

Asset allocation compass

BMO MM Navigator Funds – Q3 2020



▽ Negative
□ Neutral
△ Positive

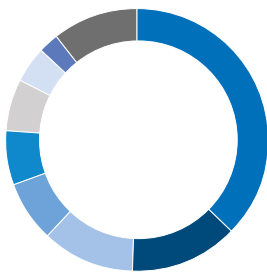
Equities	
US	▽ US equities have led the global market rebound but continue to look relatively expensive and appear not yet to be pricing in what is expected to be an extended period of subdued economic activity, meaning the recovery in corporate earnings is some way off. Narrow market leadership from the biggest tech names is also a concern. We see better value elsewhere.
UK	△ UK equities appear good relative value, though there are concerns around dividend cuts and Brexit. We see opportunities across the cap scale – the UK has underperformed in the market rebound but we are positive on the outlook given the value on offer – more certainty on Brexit will give us more conviction in our views.
Europe	▽ Reduced our underweight as we see the economy recovering more rapidly than in the US and the UK thanks to better suppression of the pandemic through aggressive shutdowns. Positive momentum towards a ‘Recovery Fund’ suggests politicians are stepping up in a time of crisis – this will be a positive for longer-term European unity.
Japan	□ Japan has, so far, has been less impacted by Covid-19 than elsewhere thanks to well-established hygiene protocols and a swift government response. Corporate Japan is in reasonable shape with increasingly shareholder-friendly policies and the Bank of Japan remains supportive. However, in the short-term we see better opportunities elsewhere in Asia.
Asia	△ The region suffered first from the pandemic and the rest of the world looks to Asia as a template for recovery. Significant stimulus has taken place in China and equity valuations in the region are relatively attractive. We are positive given the potential growth rebound from more effective intervention to contain the pandemic at an early stage.
Emerging markets	□ We are broadly neutral, preferring Asian equities. Dollar risks have abated, but concerns over the impact of the pandemic remain, particularly in Brazil and India.
Fixed income	
Government	▽ Sovereign debt is well supported despite alarming total levels of debt, thanks to the ongoing policies of the central banks that look set to continue almost in perpetuity. Government bonds will continue to see demand and it appears central banks will step in with support if needed. “Yield Curve Control” appears likely, even if central banks do not admit it is a policy.
Corporate	△ We have taken a more positive view on corporate bonds. With spreads having widened as markets sold off over pandemic concerns, the risk/reward and income on offer has become more compelling, though with the strong recovery, we have taken some profits. Central bank asset purchases of the asset class are also supportive.
Absolute/strategic	△ We still prefer the more nimble funds in this space and manager selection remains important but we continue to see opportunities for strategic bond managers to navigate volatile markets with a broader opportunity set thanks to that volatility.
High yield	△ We now see a more attractive risk/reward from this asset class and have added a High Yield fund to selected portfolios. Yields more compelling and plenty of ‘fallen angels’ from the investment grade space mean even more opportunities for managers. Federal Reserve asset purchases also very supportive.
Emerging market debt	□ Value on offer looks attractive but manager selection remains important. We see risks building from any Dollar strength, weaker global sentiment and a weaker growth outlook, meaning the asset class may remain out of favour. Paying an attractive yield and with the right managers, the risk/reward is now more compelling.
Other	
Property	□ Broadly neutral – investors have again forgotten how cyclical this sector usually is but the recent volatility and products being suspended yet again is a stark reminder. Strong preference for specialist and uncorrelated property exposure, such as leisure parks, infrastructure and investments tied to long-term government contracts.
Protection	□ We see protection as making use of index futures to add or remove portfolio beta. We are continuing to use such tools to express short-term views in what we expect to be continued volatile markets.
Absolute/low beta	△ Whilst sceptical over the merits of some absolute return products, we believe that with carefully selected managers we can add value in this area. We continue to very selectively hold managers in this space though expect exposure to be reduced as we find more opportunities in credit – both investment grade and high yield.

Compass contains forward-looking statements which can be identified by the use of terminology such as ‘may’, ‘should’, ‘expect’, ‘anticipate’ or ‘believe’. These do not constitute investment advice or recommendations to buy or sell investments and you should not place undue reliance on such returns and statements, as actual returns and results could differ materially due to various risks and uncertainties.

The asset allocation of each of the Navigator funds is designed to be appropriate given each portfolio's defined aims and objectives. Throughout the range we prioritise diversification – across individual fund offerings, geographies and asset classes – and actively manage each portfolio from both bottom-up fund selection and top-down perspectives.

Asset allocation as at 30-Jun-20

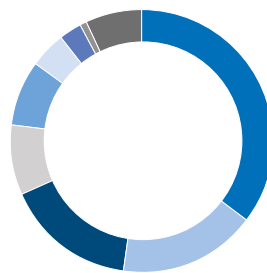
BMO MM Navigator Distribution Fund



● Fixed Income	37.42%
● UK	13.24%
● Specialist (Non-Equity)	11.55%
● Europe	7.42%
● Specialist Equity	6.71%
● North America	6.22%
● Asia	4.51%
● Japan	2.53%
● Liquidity & Other	10.40%



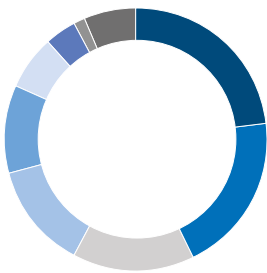
BMO MM Navigator Cautious Fund



● Fixed Income	35.42%
● Specialist (Non-Equity)	16.97%
● UK	16.19%
● North America	8.61%
● Europe	7.98%
● Asia	4.52%
● Japan	2.63%
● Emerging Markets	0.99%
● Liquidity & Other	6.68%



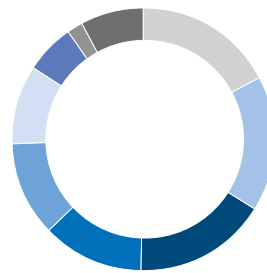
BMO MM Navigator Balanced Fund



● UK	23.30%
● Fixed Income	19.61%
● North America	14.95%
● Specialist (Non-Equity)	13.13%
● Europe	10.71%
● Asia	6.74%
● Japan	4.01%
● Emerging Markets	1.40%
● Liquidity & Other	6.15%



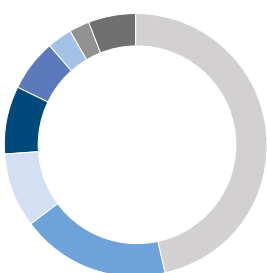
BMO MM Navigator Growth Fund



● North America	17.28%
● Specialist (Non-Equity)	16.85%
● UK	16.38%
● Fixed Income	12.43%
● Europe	11.70%
● Asia	9.72%
● Japan	6.06%
● Emerging Markets	1.98%
● Liquidity & Other	7.60%



BMO MM Navigator Boutiques Fund



● North America	46.62%
● Europe	18.29%
● Asia	9.24%
● UK	8.29%
● Japan	6.36%
● Specialist (Non-Equity)	3.13%
● Emerging Markets	2.44%
● Liquidity & Other	5.63%



Contact us

- 0800 085 0383
- sales.support@bmogam.com
- bmogam.com/navigator

Telephone calls may be recorded.

The value of investments and any income from them can go down as well as up and investors may not get back the original amount invested.

Source: BMO Global Asset Management as at 30-Jun-20