

Your quarterly investment report

BMO
Multi Manager
Lifestyle Range
– Q2 2021

Market insights

Detail and discussion of the key drivers of market moves together with our views on where things are likely to head from here.

Market review – Q2 2021

Global equities advanced strongly over the second quarter. Overall, developed markets outperformed their emerging counterparts, with especially good performance coming from the US and Europe ex UK. Economic indicators suggested a pickup in growth for both the US and eurozone against progressing vaccination campaigns, falling coronavirus case levels and easing restrictions. Despite a general rise in inflation, global government bond yields fell over the period as investors appeared to increasingly accept the reassurances from major central banks that inflation would prove transitory.

Asset Performance (in GBP) Q2 2021

IA UK All Companies	5.58%
IA Europe ex-UK	7.08%
IA Japan	-0.33%
IA Asia Pacific ex-Japan	2.58%
IA North America	8.02%
IA Global Emerging Mkts	4.64%
IA UK Direct Property	1.57%
IA £ High Yield	2.22%
IA £ Corporate Bond	1.75%
IA UK Gilt	1.50%
IA UK Index Linked Gilt	4.05%
IA Global Mixed Bond	1.29%
IA Targeted Abs Return	1.62%
IA Property Other	7.15%

Past performance should not be seen as an indication of future performance.

Our view



The outlook gives us room for encouragement, with extensive fiscal and monetary policy in place to facilitate the transition towards economic normalisation at some point in the future.

Across markets, however, valuations already reflect a somewhat optimistic assessment of where economic growth and company earnings are heading. This may limit near-term upside and make valuations vulnerable to any negative news that emerges.

Reflecting our assessment, we are somewhat cautious on both equities and fixed income – a view reflected in portfolio weightings to both asset classes. At the same time, we have a slight emphasis on specialist and absolute return funds. We are neutral on Asia and the emerging markets, with some concern that the tightening in policy we have seen in China will continue to weigh on growth. We are neutral on the US where we see strong growth potential, but our enthusiasm is tempered by elevated valuation levels. We believe the UK and Europe will both benefit from the recovery benefiting more economically sensitive stocks, but see the UK as better placed in the short term thanks to the vaccination programme and reopening of the economy. We are underweight Japan, where we see positive domestic themes offset by the slower growth in China weighing on exporters.



We believe the UK and Europe will both benefit from the recovery benefiting more economically sensitive stocks.

Anthony Willis, Investment Manager, Multi-Manager

Performance update – Q2 2021

The BMO MM Lifestyle range is a suite of actively managed multi-manager funds. Here we show how the portfolios have performed over the last calendar quarter and longer term.

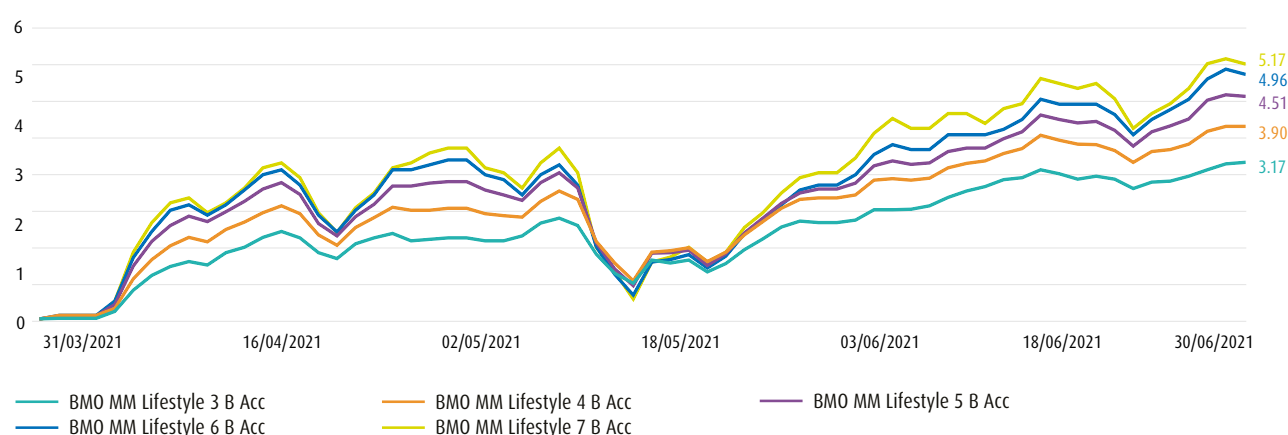
Key risks

Past performance should not be seen as an indication of future performance.

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

These funds invest principally in units in collective investment schemes. Please refer to the investment policy.

Three month performance (%)



	Lifestyle 3	Lifestyle 4	Lifestyle 5	Lifestyle 6	Lifestyle 7
Volatility boundaries % – DT* long-term estimates	4.2 – 6.3	6.3 – 8.4	8.4 – 10.5	10.5 – 12.6	12.6 – 14.7
Annualised volatility % – portfolio actual since launch	4.92	8.01	9.62	11.43	13.18

	Discrete performance Percentage growth (%)					Fund performance (%)				
	2020/21	2019/18	2018/19	2017/18	2016/17	3 months	6 months	1 year	3 year	5 year
BMO MM Lifestyle 3 B Acc	7.58	1.40	2.82	2.27	8.39	3.17	2.47	7.58	12.17	24.33
BMO MM Lifestyle 4 B Acc	13.69	0.14	2.27	4.22	12.66	3.90	5.34	13.69	16.43	36.71
BMO MM Lifestyle 5 B Acc	18.92	-1.26	1.69	5.89	16.43	4.51	7.71	18.92	19.42	47.23
BMO MM Lifestyle 6 B Acc	22.76	-3.48	0.89	6.88	19.73	4.96	9.44	22.76	19.55	52.99
BMO MM Lifestyle 7 B Acc	26.86	-5.59	-0.21	7.72	23.39	5.17	11.18	26.86	19.53	58.87

Source: BMO Global Asset Management and Lipper, all figures net of fees in sterling on a mid-to-mid basis.

*Distribution Technology

What has driven performance

In this section we take a closer look at what has driven portfolio performance over the quarter, assessing the contribution of our fund choices as well broader asset allocation decisions.

Asset allocation

Positive

A relative avoidance (underweight) of **fixed income assets** across all five Lifestyle portfolios was marginally positive over the quarter, as government and corporate bonds underperformed other assets.

Negative

A relative avoidance (underweight) of **US equities** was negative over the quarter as these assets performed strongly compared to other markets.

A bias to **cash** was negative during a positive quarter for risk assets (such as equities).

Fund selection

Positive

Montanaro UK Income (Lifestyle 3, 4, 5, 6 & 7) had a good quarter in an absolute and relative sense, outperforming the IA UK All Companies sector average by 4.8%, up 10.3%.

The position in **Spyglass US Growth** (Lifestyle 3, 4, 5, 6 & 7) performed very strongly, up 10.8% and ahead of the IA North America sector average by 2.8%.

TT Asia Ex Japan Equity (Lifestyle 4, 5, 6 & 7) had a strong quarter, up 6.6% and ahead of the IA sector average by 4%.

The holding in **Legg Mason WA Macro Opportunities GBP** (Lifestyle 3, 4, 5, & 6) performed strongly over the second quarter of 2021, delivering an absolute return of 8%.

Negative

After a strong first quarter of 2021, 'value' (cheaper) shares faced a headwind in the last three months and **RWC UK Equity Income** (Lifestyle 3, 4, 5, 6 & 7), underperformed the IA UK Equity Income sector average by 3.2%, despite rising 1.8%.

Suffering from the same value headwind, **Robeco Emerging Stars Equities** (Lifestyle 5, 6 & 7) gave some performance back, rising by 1.6% but underperforming the IA sector average by 3.1%.

Within European equities, **Polar Capital European Ex UK Income** (Lifestyle 4, 5, 6 & 7) climbed by 5.7%, but underperformed the IA sector average by 1.4%.

These do not constitute investment advice or recommendations to buy or sell investments and you should not place undue reliance on such statements or returns, as actual returns and results could differ materially due to various risks and uncertainties.

Views and opinions have been arrived at by BMO Global Asset Management and should not be considered to be a recommendation or solicitation to buy or sell any funds that may be mentioned.

Portfolio activity

The lowdown on adjustments to asset allocation across the portfolios as well as details on recent fund purchases and disposals.



Asset allocation

The second quarter of 2021 saw a pause in the recent trend of cheaper shares outperforming more expensive names, as growth companies staged a comeback. This was in line with bond yields falling over the same period, as bond market investors saw through the jump in inflation, expecting it to fall back once the year on year comparisons fade.

Over the period, we continued to make gradual changes to the composition of the portfolios. Earlier on, we continued the trade from the end of Q1 of adding some duration back to the portfolios – Lifestyle 3, 4 & 5 therefore saw an increase to Gilts and a slight increase to International Bonds.

The Absolute Return exposure across all five Lifestyle funds increased as we added exposure here via a new fund (TM Tellworth UK Select Fund). This move retains a high weighting to active management whilst allowing for a reduction to directional market exposure.

Within Lifestyle portfolios 3, 4, 5 & 6, we continued the move of taking profits from the credit exposure, moving further underweight the asset class.

During the quarter, we made the decision to reduce the Asian equities and add to US equities with the proceeds, moving nearer to neutral the asset class, from an underweight position.

The portfolios ended the quarter slightly underweight equities and credit against the strategic asset allocation. Whilst we're not bearish on the outlook for equities, we do note that the markets have run a long way since the nadir of March 2020 and much of the positive expectations for earnings growth are therefore baked in to share prices.

Environmental, social and governance (ESG) activity

Tellworth UK Smaller Companies & UK Select funds: Following further meetings with the team, we have upgraded our ESG score to silver. We have been impressed by both the resource and detail they go into at a stock level which then filters through to their investment process.

The 8th of June was World Ocean day and members of the team

joined David Rockefeller Jr and Mark Spalding the President of the Ocean Foundation on the day to discuss both the risk and opportunities in supporting the Oceans. While much of the environmental focus for companies remains on being carbon neutral it was a reminder that the Oceans are key ally in fighting global climate change.

Fund selection

⬆️ Additions:

Lifestyle 3, 4, 5, 6 & 7 – In order to increase scope for outperformance (driven by manager stock selection and sector allocation) within the UK exposure, we introduced the **Mirabaud UK Equity High Alpha fund** to complement existing positions.

Lifestyle 3, 4, 5, 6 & 7 – We added **iShares Core FTSE 100 UCITS ETF**, financed by the sale of the BMO FTSE All-Share Tracker Fund.

Lifestyle 3, 4, 5, 6 & 7 – We introduced the **TM Tellworth UK Select Fund** to portfolios to diversify the absolute return exposure.

Lifestyle 3, 4, 5, 6 & 7 – We added **iShares Core S&P 500 UCITS ETF**, financed from the sale of the Invesco S&P 500 UCITS ETF.

Lifestyle 3, 4 & 5 – We switched to the **iShares Core Global Aggregate Bond UCITS ETF** from M&G Global Macro Bond.

⬇️ Disposals:

Lifestyle 3, 4, 5, 6 & 7 – We sold the position in the **BMO FTSE All-Share Tracker Fund**, rotating the capital to the iShares Core FTSE 100 UCITS ETF.

Lifestyle 3 – We sold the portfolio's only Asian equity holding in **Fidelity Asia Pacific Opportunities**.

Lifestyle 3, 4 & 5 – We switched from the holding of **M&G Global Macro Bond** to iShares Core Global Aggregate Bond UCITS ETF.

Lifestyle 7 – We sold the position in **Lyxor FTSE Actuaries UK Gilts 0-5yr ETF**

Lifestyle 3, 4, 5, 6 & 7 – We sold the position in the **Invesco S&P 500 UCITS ETF**, rotating the capital to the iShares Core S&P 500 UCITS ETF.

Portfolio listings

Our aim is to offer investors access to highly diversified portfolios built with what we believe to be the best available funds.

BMO MM Lifestyle 3 Fund

Portfolio breakdown	%
Equities	24.74
UK Equities	12.01
LF Lindsell Train UK Equity Fund	2.56
River and Mercantile UK Recovery Fund	2.24
TM RWC UK Equity Income Fund	1.76
TM Tellworth UK Smaller Companies Fund	1.41
iShares Core FTSE 100 UCITS ETF	1.38
Montanaro UK Income Fund	1.28
Man GLG Undervalued Assets Fund	0.93
Mirabaud UK Equity High Alpha Fund	0.45
River and Mercantile UK Recovery Fund	1.80
TM RWC UK Equity Income Fund	1.78
Japanese Equities	4.72
Eastspring Investments – Japan Dynamic Fund	1.70
Baillie Gifford Japanese Fund	1.53
Tokio Marine Japanese Equity Focus Fund	1.49
North America Equities	8.02
Majedie Asset Management US Equity Fund	2.59
Artemis US Select Fund	2.17
iShares Core S&P 500 UCITS ETF	2.10
Spyglass US Growth Fund	1.16
Property	4.06
Darwin Leisure Property Fund	2.06
Supermarket Income REIT plc	1.02
LXI REIT PLC	0.99
Fixed Income	48.42
Gilts	7.96
Lyxor Core FTSE Actuaries UK Gilts (DR) UCITS ETF	7.96
UK Index Linked Bonds	9.58
Allianz Index-Linked Gilt Fund	5.92
iShares \$ TIPS UCITS ETF	3.66
UK Corporate Bonds	13.92
TwentyFour Corporate Bond Fund	5.99
Janus Henderson Strategic Bond Fund	4.99
Schroder Sterling Corporate Bond Fund	2.94
International Bonds	16.96
iShares Core Global Aggregate Bond UCITS ETF	6.97
Legg Mason Western Asset Macro Opportunities Bond Fund	5.99
Barings Emerging Markets Debt Blended Total Return Fund	4.00
Absolute Return	4.55
Man GLG UK Absolute Value Fund	2.51
TM Tellworth UK Select Fund	2.04
Liquidity & Other	18.23
Cash	18.23

BMO MM Lifestyle 4 Fund

Portfolio breakdown	%
Equities	43.06
UK Equities	15.82
LF Lindsell Train UK Equity Fund	3.03
River and Mercantile UK Recovery Fund	2.87
iShares Core FTSE 100 UCITS ETF	2.64
TM RWC UK Equity Income Fund	2.25
TM Tellworth UK Smaller Companies Fund	1.57
Montanaro UK Income Fund	1.54
Man GLG Undervalued Assets Fund	1.32
Mirabaud UK Equity High Alpha Fund	0.60
European Equities	4.56
Polar Capital European ex UK Income Fund	2.78
Premier Miton European Opportunities Fund	1.79
Japanese Equities	4.55
Eastspring Investments – Japan Dynamic Fund	1.64
Baillie Gifford Japanese Fund	1.47
Tokio Marine Japanese Equity Focus Fund	1.45
North America Equities	13.55
iShares Core S&P 500 UCITS ETF	4.66
Majedie Asset Management US Equity Fund	4.34
Artemis US Select Fund	2.89
Spyglass US Growth Fund	1.66
Asia Pacific Equities	4.58
Fidelity Asia Pacific Opportunities Fund	1.75
TT Asia Ex Japan Equity Fund	1.56
Federated Hermes Asia-ex Japan Equity Fund	1.27
Property	4.27
Darwin Leisure Property Fund	2.31
LXI REIT PLC	0.98
Supermarket Income REIT plc	0.98
Fixed Income	35.62
UK Index Linked Bonds	9.48
Allianz Index-Linked Gilt Fund	5.95
iShares \$ TIPS UCITS ETF	3.53
UK Gilts	2.73
Lyxor Core FTSE Actuaries UK Gilts (DR) UCITS ETF	2.73
UK Corporate Bonds	13.92
TwentyFour Corporate Bond Fund	5.99
Janus Henderson Strategic Bond Fund	4.99
Schroder Sterling Corporate Bond Fund	2.94
International Bonds	9.48
iShares Core Global Aggregate Bond UCITS ETF	3.98
Barings Emerging Markets Debt Blended Total Return Fund	2.99
Legg Mason Western Asset Macro Opportunities Bond Fund	2.51
Absolute Return	4.62
Man GLG UK Absolute Value Fund	2.59
TM Tellworth UK Select Fund	2.03
Liquidity & Other	12.42
Cash	12.42

Source: BMO Global Asset Management.
All information as at 30-Jun-21.

BMO MM Lifestyle 5 Fund

Portfolio breakdown	%
Equities	61.75
UK Equities	21.54
LF Lindsell Train UK Equity Fund	4.34
iShares Core FTSE 100 UCITS ETF	4.11
River and Mercantile UK Recovery Fund	3.77
TM RWC UK Equity Income Fund	3.15
TM Tellworth UK Smaller Companies Fund	1.81
Montanaro UK Income Fund	1.80
Man GLG Undervalued Assets Fund	1.72
Mirabaud UK Equity High Alpha Fund	0.84
European Equities	4.55
Polar Capital European ex UK Income Fund	2.77
Premier Miton European Opportunities Fund	1.78
Japanese Equities	5.46
Baillie Gifford Japanese Fund	1.95
Eastspring Investments – Japan Dynamic Fund	1.85
Tokio Marine Japanese Equity Focus Fund	1.67
North America Equities	19.53
iShares Core S&P 500 UCITS ETF	7.03
Majedie Asset Management US Equity Fund	6.12
Artemis US Select Fund	4.18
Spyglass US Growth Fund	2.20
Asia Pacific Equities	5.64
TT Asia Ex Japan Equity Fund	2.11
Fidelity Asia Pacific Opportunities Fund	2.00
Federated Hermes Asia-ex Japan Equity Fund	1.53
Emerging Markets Equities	5.03
TT Emerging Markets Unconstrained Fund	1.90
iShares Emerging Markets Equity Index Fund	1.82
Robeco Emerging Stars Equities	1.31
Property	2.88
Darwin Leisure Property Fund	1.91
LXI REIT PLC	0.97
Fixed Income	23.41
UK Index Linked Bonds	5.41
Allianz Index-Linked Gilt Fund	2.91
iShares \$ TIPS UCITS ETF	2.50
UK Gilts	2.67
Lyxor Core FTSE Actuaries UK Gilts (DR) UCITS ETF	2.67
UK Corporate Bonds	11.86
TwentyFour Corporate Bond Fund	4.96
Janus Henderson Strategic Bond Fund	4.47
Schroder Sterling Corporate Bond Fund	2.43
International Bonds	3.48
Legg Mason Western Asset Macro Opportunities Bond Fund	2.24
iShares Core Global Aggregate Bond UCITS ETF	1.23
Absolute Return	4.24
Man GLG UK Absolute Value Fund	2.23
TM Tellworth UK Select Fund	2.00
Liquidity & Other	7.71
Cash	7.71

BMO MM Lifestyle 6 Fund

Portfolio breakdown	%
Equities	74.52
UK Equities	22.55
iShares Core FTSE 100 UCITS ETF	4.46
LF Lindsell Train UK Equity Fund	4.23
River and Mercantile UK Recovery Fund	4.07
TM RWC UK Equity Income Fund	2.79
TM Tellworth UK Smaller Companies Fund	2.49
Man GLG Undervalued Assets Fund	1.94
Montanaro UK Income Fund	1.74
Mirabaud UK Equity High Alpha Fund	0.84
River and Mercantile UK Recovery Fund	4.00
TM RWC UK Equity Income Fund	2.95
European Equities	5.52
Polar Capital European ex UK Income Fund	3.46
Premier Miton European Opportunities Fund	2.05
Japanese Equities	6.35
Baillie Gifford Japanese Fund	2.17
Eastspring Investments – Japan Dynamic Fund	2.11
Tokio Marine Japanese Equity Focus Fund	2.08
North America Equities	20.51
iShares Core S&P 500 UCITS ETF	7.54
Majedie Asset Management US Equity Fund	6.37
Artemis US Select Fund	4.10
Spyglass US Growth Fund	2.49
Asia Pacific Equities	9.56
Fidelity Asia Pacific Opportunities Fund	3.75
TT Asia Ex Japan Equity Fund	3.31
Federated Hermes Asia-ex Japan Equity Fund	2.49
Emerging Markets Equities	10.03
TT Emerging Markets Unconstrained Fund	3.97
iShares Emerging Markets Equity Index Fund	3.46
Robeco Emerging Stars Equities	2.60
Property	2.97
Darwin Leisure Property Fund	1.99
LXI REIT PLC	0.98
Fixed Income	10.94
UK Corporate Bonds	7.43
TwentyFour Corporate Bond Fund	2.74
Janus Henderson Strategic Bond Fund	2.71
Schroder Sterling Corporate Bond Fund	1.98
International Bonds	3.50
Legg Mason Western Asset Macro Opportunities Bond Fund	3.50
Absolute Return	4.24
Man GLG UK Absolute Value Fund	2.24
TM Tellworth UK Select Fund	2.01
Liquidity & Other	7.33
Cash	7.33

BMO MM Lifestyle 7 Fund

Portfolio breakdown	%
Equities	87.97
UK Equities	32.29
iShares Core FTSE 100 UCITS ETF	6.57
LF Lindsell Train UK Equity Fund	5.78
River and Mercantile UK Recovery Fund	5.23
TM RWC UK Equity Income Fund	4.15
TM Tellworth UK Smaller Companies Fund	3.53
Man GLG Undervalued Assets Fund	3.23
Montanaro UK Income Fund	2.67
Mirabaud UK Equity High Alpha Fund	1.14
European Equities	5.54
Polar Capital European ex UK Income Fund	3.48
Premier Miton European Opportunities Fund	2.06
Japanese Equities	7.41
Eastspring Investments – Japan Dynamic Fund	2.56
Baillie Gifford Japanese Fund	2.48
Tokio Marine Japanese Equity Focus Fund	2.37
North America Equities	16.60
iShares Core S&P 500 UCITS ETF	5.55
Majedie Asset Management US Equity Fund	5.03
Artemis US Select Fund	3.53
Spyglass US Growth Fund	2.49
Asia Pacific Equities	12.42
Fidelity Asia Pacific Opportunities Fund	5.02
TT Asia Ex Japan Equity Fund	4.23
Federated Hermes Asia-ex Japan Equity Fund	3.17
Emerging Markets Equities	13.71
iShares Emerging Markets Equity Index Fund	5.49
TT Emerging Markets Unconstrained Fund	4.63
Robeco Emerging Stars Equities	3.60
Property	2.79
Darwin Leisure Property Fund	1.57
LXI REIT PLC	1.22
Absolute Return	4.42
Man GLG UK Absolute Value Fund	2.45
TM Tellworth UK Select Fund	1.97
Liquidity & Other	4.82
Cash	4.82

Source: BMO Global Asset Management.
All information as at 30-Jun-21.

Understanding risk and getting the right balance



Before investing it's important to think about financial goals and circumstances. These factors will help determine the choices that are made. Here we discuss the BMO MM Lifestyle Range and the risks associated with making an investment.

Making money work harder usually means taking greater risk with capital. Our BMO MM Lifestyle Funds offer a range of options so investors can choose the balance of risk and potential reward that's right for them.

How does this work? Each of the portfolios invests across a range of asset classes – the type and proportions in each tailored with a view to delivering defined investment outcomes. In the case of the BMO MM Lifestyle Funds, that means target volatility bands (volatility is a commonly used measure of risk).

For those comfortable with higher levels of risk, a growth portfolio with higher equity exposure may be appropriate. Why? Because equities can offer scope for higher returns, but that potential comes with greater risk of loss.

More cautiously minded investors meanwhile, can select a portfolio with a higher allocation to fixed income assets. The likes of government and high-quality corporate bonds tend to be less volatile in their performance than equities.

Adviser and individual work together to decide which of the Lifestyle funds is the right option, usually by discussing financial aims, circumstances and the likely timeframe as well as completing a questionnaire to accurately assess attitude to risk.

Things to remember when considering investing

The value of investments and any income derived from them can go down as well as up as a result of market movements. You may not get back the original amount invested.

These funds invest principally in units in collective investment schemes. Please refer to the investment policy of each fund.



Want to know more?

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Private individuals

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