

Your quarterly **investment report**

BMO
Multi Manager
Navigator 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 Navigator 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.

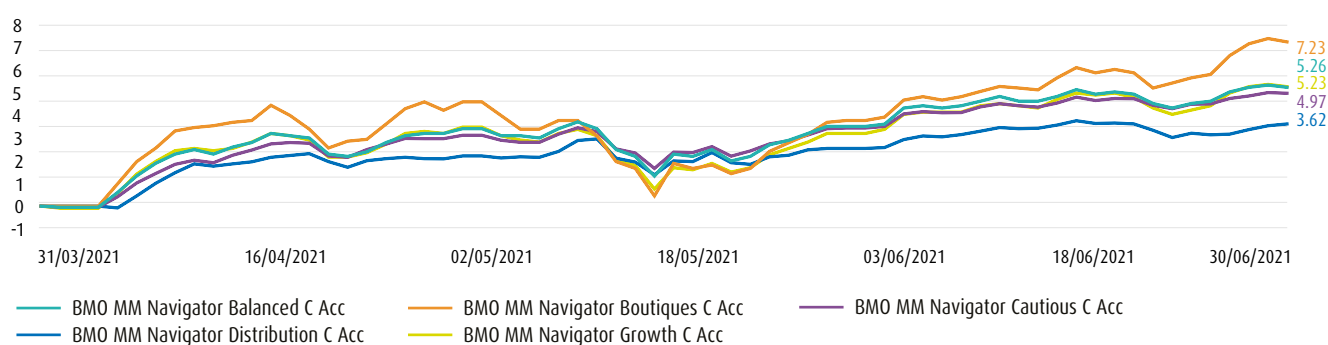
Key risks

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 (%)



Fund performance (%)

	3 months	6 months	1 year	3 year	5 year
BMO MM Navigator Cautious C Acc	4.97	6.46	17.07	12.19	32.89
BMO MM Navigator Distribution C Acc	3.62	6.04	13.67	3.26	19.30
BMO MM Navigator Balanced C Acc	5.23	8.26	21.40	15.50	45.81
BMO MM Navigator Growth C Acc	5.26	9.06	22.59	18.68	53.01
BMO MM Navigator Boutiques C Acc	7.23	12.66	29.69	34.21	80.80

Discrete performance Percentage growth (%)

	2020/21	2019/20	2018/19	2017/18	2016/17
BMO MM Navigator Cautious C Acc	17.07	-4.43	0.27	2.98	15.02
BMO MM Navigator Distribution C Acc	13.67	-11.15	2.25	1.79	13.51
BMO MM Navigator Balanced C Acc	21.40	-4.41	-0.48	4.21	21.14
BMO MM Navigator Growth C Acc	22.59	-2.27	-0.94	4.90	22.90
BMO MM Navigator Boutiques C Acc	29.69	0.27	3.20	6.63	26.33

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

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

An underweight to **Global Bonds** was again positive as prices lagged other asset classes over the quarter.

Negative

Being overweight **Absolute Return** was negative in a quarter during which equities outperformed.

Being underweight **North American** equities was negative in a positive quarter for US shares.

Fund selection

Positive

LF Lindell Train UK Equity (Navigator Growth, Balanced, Cautious & Boutiques) had a good quarter, outperforming the IA UK All Companies sector average by 2.7%, returning 8.3%.

Within US Equities, **Edgewood I Select US Select Growth** (Navigator Growth, Balanced, Cautious & Boutiques) performed well in a more supportive quarter for growth shares, returning 17.9% and outperforming the IA sector average by 9.9%.

In Emerging Markets, **TT Emerging Markets Unconstrained** (Navigator Growth, Balanced, Cautious & Boutiques) performed strongly, returning 8.9% and outperforming the IA sector average by 4.2%.

Legg Mason WA Macro Opportunities (Navigator Growth, Balanced & Cautious) performed well, returning 8% over the quarter.

Within the UK equity exposure in Navigator Distribution, strong performance from the smaller company positions of **Montanaro UK Income** (up 10.3%) and **Chelverton UK Equity Income** (up 7.5%), outperformed their IA sector averages by 4.8% and 2.5% respectively and were beneficial to performance. **CIM Dividend Income** was again the standout performer of our Asian equity selections, up 7.5% and ahead of the IA Asia Pacific sector average by 4.9%. There was strong

performance from the fund's specialist property positions, **Supermarket Income REIT** was up 9.7%, **LXI REIT** was up 6.9% & **Target Healthcare REIT** was up 3.3%.

Negative

The rally in 'value' (cheaper) shares paused during the quarter, causing **Artemis UK Select** (Navigator Growth, Balanced & Cautious) to face a style headwind - despite rising in value by 3%, it underperformed the IA sector average by 2.6%.

In the US, the **Lyrical Value** Fund (Navigator Growth, Balanced, Cautious & Boutiques) underperformed the IA sector average by 4%, despite rising 4% in absolute terms.

LF Brook Continental European fund (Navigator Growth, Balanced & Boutiques) had a tougher quarter, rising by 4.5% but underperforming the IA sector average by 2.6%.

Turning to Navigator Distribution, despite strong absolute returns of 5.2%, the **BNY Mellon US Equity Income** fund underperformed the IA sector average by 2.8%. In the UK, **Schroder Income** returned 2.8% but underperformed the IA sector average by 2.2%. **Schroder Asian Income Maximiser** fell in value by -0.2% and underperformed the IA sector average by 2.9%.

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. UK equity allocation was increased as was the equity exposure in the US.

Fixed interest exposure was reduced, mainly through the profit taking on credit positions which had performed well since last year.

The Absolute Return exposure across the portfolios increased. This move retains a high weighting to active management whilst allowing for a reduction in reliance on directional market exposure.

The portfolios ended the quarter slightly underweight equities and credit. 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:

During the quarter, we added **TM Tellworth UK Smaller Companies** to Navigator Growth, Balanced, Cautious and Boutiques portfolios. Within Navigator Growth and Balanced, we introduced **RWC UK Equity Income** as a new position.

In the US, **HC Snyder US All Cap Equity** and **Pzena US Large Cap Value** were added to complement the existing US holdings in Navigator Growth, Balanced, Cautious & Boutiques.

We diversified the absolute return exposure in Navigator Growth, Balanced & Cautious portfolios via the introduction of **TM Tellworth UK Select** fund which has a market neutral approach.

Turning to the Navigator Distribution fund, we started a position in **Liontrust Global Dividend**. Managed by Storm Uru, the fund looks to invest in companies that are in the right place in their growth cycle to grow earnings and return cash to shareholders via dividends. It has a focus on dividend growth and complements some of the higher yielding names in the fund.

⬇️ Disposals:

We sold the position in **Schroder Sterling Corporate Bond** from Navigator Growth and Balanced portfolios following a period of strong performance and a manager resignation.

There were no disposals from the Navigator Boutiques, Cautious or Distribution portfolios.

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.

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.

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 Navigator Cautious Fund

Portfolio breakdown	%
Equities	44.19
UK Equities	18.79
LF Lindsell Train UK Equity Fund	3.42
Artemis UK Select Fund	3.42
Jupiter UK Dynamic Equity Fund	2.98
GVQ UK Focus Fund	2.91
The Heronbridge United Kingdom Equity Fund	2.32
TM RWC UK Equity Income Fund	2.24
TM Tellworth UK Smaller Companies Fund	2.01
Man GLG Undervalued Assets Fund	0.49
FTSE 100 Index Futures	-1.00
European Equities	8.78
Magallanes Value Investors UCITS - European Equity	4.09
Memnon European Fund	3.04
Premier Miton European Opportunities Fund	1.65
Japanese Equities	1.82
LF Morant Wright Nippon Yield Fund	0.76
CC Japan Alpha Fund	0.57
UI - Alpha Max Japan Fund	0.50
North America Equities	9.57
Findlay Park American Fund	2.38
Lyrical US Value Equity Strategy I	2.03
Spyglass US Growth Fund	1.92
Edgewood L Select US Select Growth Fund	1.92
HC Snyder US All Cap Equity Fund	1.81
Pzena US Large Cap Value Fund	0.50
S&P 500 Index Futures	-0.98
Asian Equities	5.50
Prusik Asian Equity Income Fund	2.27
Fidelity Asia Pacific Opportunities Fund	1.84
TT Asia Ex Japan Equity Fund	1.40
Emerging Markets Equities	-0.28
TT Emerging Markets Unconstrained Fund	0.72
MSCI EM Index Futures	-1.00
Specialist (Non-Equity)	18.44
Man GLG UK Absolute Value Fund	5.27
Darwin Leisure Property Fund	3.70
Jupiter UK Specialist Equity Fund	3.04
TM Tellworth UK Select Fund	2.00
Supermarket Income REIT plc	1.98
LXI REIT PLC	1.95
Amedeo Air Four Plus Limited	0.47
Fixed Income	33.48
Janus Henderson Strategic Bond Fund	7.25
Legg Mason Western Asset Macro Opportunities Bond Fund	4.18
Barings Emerging Markets Debt Blended Total Return Fund	4.09
Liontrust Strategic Bond Fund	4.04
GCP Asset Backed Income Fund Ltd	3.14
Schroder Sterling Corporate Bond Fund	3.07
Federated Hermes Multi-Strategy Credit Fund	3.03
GCP Infrastructure Investments Limited	2.65
iShares \$ Treasury Bond 7-10yr UCITS ETF	2.03
Liquidity & Other	3.90
Cash	3.90

BMO MM Navigator Distribution Fund

Portfolio breakdown	%
Equities	37.61
UK Equities	17.69
J O Hambro Capital Management UK Equity Income Fund	5.83
Schroder Income Fund	4.99
Montanaro UK Income Fund	4.98
MI Chelverton UK Equity Income Fund	3.89
FTSE 100 Index Futures	-2.01
European Equities	8.40
Polar Capital European ex UK Income Fund	5.00
Montanaro European Income Fund	3.41
Japanese Equities	2.07
CC Japan Income & Growth Fund	2.07
North America Equities	4.43
Schroder US Equity Income Maximiser	4.41
BNY Mellon U.S. Equity Income Fund	1.02
S&P 500 Index Futures	-1.00
Asian Equities	5.52
Prusik Asian Equity Income Fund	4.07
CIM Dividend Income Fund	2.06
Schroder Asian Income Maximiser	1.76
Hang Seng Index Futures	-2.37
Emerging Markets	-0.50
MSCI EM Index Futures	-0.50
Specialist (Equity)	8.14
Fidelity Global Enhanced Income Fund	4.65
Legg Mason IF ClearBridge Global Infrastructure Income Fund	2.16
Liontrust Global Dividend Fund	1.34
Specialist (Non-Equity)	16.52
Darwin Leisure Property Fund	6.45
Supermarket Income REIT plc	2.56
Target Healthcare REIT Limited	2.13
Round Hill Music Royalty Fund Limited	1.98
LXI REIT PLC	1.72
Amedeo Air Four Plus Limited	0.67
KKV Secured Loan Fund C Shares	0.56
KKV Secured Loan Fund	0.45
Fixed Income	31.91
Janus Henderson Strategic Bond Fund	4.86
MI TwentyFour Dynamic Bond Fund	4.75
Schroder Sterling Corporate Bond Fund	4.02
GCP Infrastructure Investments Limited	3.44
Federated Hermes Global High Yield Credit Fund	3.34
Active Funds ICAV - Global High Income Bond Fund	3.02
Schroder Strategic Credit Fund	2.97
TwentyFour Income Fund Limited	2.86
Ashmore SICAV Emerging Markets Total Return Fund	2.12
iShares \$ Treasury Bond 20+yr UCITS ETF	0.54
Liquidity & Other	5.82
Cash	5.82

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

BMO MM Navigator Balanced Fund

Portfolio breakdown	%
Equities	64.78
UK Equities	26.03
LF Lindsell Train UK Equity Fund	4.50
Artemis UK Select Fund	4.47
The Heronbridge United Kingdom Equity Fund	4.11
GVQ UK Focus Fund	3.96
Jupiter UK Dynamic Equity Fund	3.74
TM Tellworth UK Smaller Companies Fund	2.54
TM RWC UK Equity Income Fund	1.75
Man GLG Undervalued Assets Fund	0.97
European Equities	11.84
Memnon European Fund	3.24
Magallanes Value Investors UCITS - European Equity	2.95
LF Brook Continental European Fund	2.91
Premier Miton European Opportunities Fund	2.73
Japanese Equities	3.18
LF Morant Wright Nippon Yield Fund	1.76
UI - Alpha Max Japan Fund	0.80
CC Japan Alpha Fund	0.63
North America Equities	15.69
Findlay Park American Fund	4.38
Lyrical US Value Equity Strategy I	3.10
Spyglass US Growth Fund	3.05
HC Snyder US All Cap Equity Fund	2.85
Edgewood L Select US Select Growth Fund	2.70
Pzena US Large Cap Value Fund	0.61
S&P 500 Index Futures	-1.00
S&P 500 Index Futures	-1.32
Asian Equities	7.85
Prusik Asian Equity Income Fund	3.00
Fidelity Asia Pacific Opportunities Fund	2.50
TT Asia Ex Japan Equity Fund	2.35
Emerging Markets Equities	0.19
TT Emerging Markets Unconstrained Fund	1.21
MSCI EM Index Futures	-1.02
Specialist (Non-Equity)	13.71
Darwin Leisure Development Fund	4.46
Man GLG UK Absolute Value Fund	3.26
Jupiter UK Specialist Equity Fund	2.78
TM Tellworth UK Select Fund	1.75
LXI REIT PLC	1.47
Fixed Income	17.96
Janus Henderson Strategic Bond Fund	6.52
Legg Mason Western Asset Macro Opportunities Bond Fund	4.16
Liontrust Strategic Bond Fund	3.75
GCP Infrastructure Investments Limited	2.01
iShares \$ Treasury Bond 7-10yr UCITS ETF	1.52
Liquidity & Other	3.54
Cash	3.54

BMO MM Navigator Growth Fund

Portfolio breakdown	%
Equities	72.75
UK Equities	21.62
LF Lindsell Train UK Equity Fund	3.98
Artemis UK Select Fund	3.86
Jupiter UK Dynamic Equity Fund	3.15
GVQ UK Focus Fund	3.14
The Heronbridge United Kingdom Equity Fund	2.76
TM Tellworth UK Smaller Companies Fund	2.23
TM RWC UK Equity Income Fund	1.74
Man GLG Undervalued Assets Fund	0.75
European Equities	14.13
Memnon European Fund	4.00
LF Brook Continental European Fund	3.63
Premier Miton European Opportunities Fund	3.27
Magallanes Value Investors UCITS - European Equity	3.24
Japanese Equities	4.80
LF Morant Wright Nippon Yield Fund	2.79
UI - Alpha Max Japan Fund	1.03
CC Japan Alpha Fund	0.99
North America Equities	19.42
Findlay Park American Fund	4.61
Lyrical US Value Equity Strategy I	4.39
Spyglass US Growth Fund	3.81
HC Snyder US All Cap Equity Fund	3.54
Edgewood L Select US Select Growth Fund	3.13
Pzena US Large Cap Value Fund	0.97
S&P 500 Index Futures	-1.03
Asian Equities	11.73
Prusik Asian Equity Income Fund	4.73
Fidelity Asia Pacific Opportunities Fund	3.61
TT Asia Ex Japan Equity Fund	3.38
Emerging Markets Equities	1.05
TT Emerging Markets Unconstrained Fund	2.04
MSCI EM Index Futures	-0.98
Specialist (Non-Equity)	13.01
Man GLG UK Absolute Value Fund	4.47
Jupiter UK Specialist Equity Fund	3.52
Darwin Leisure Development Fund	3.02
TM Tellworth UK Select Fund	1.99
Fixed Income	8.99
Janus Henderson Strategic Bond Fund	5.47
Legg Mason Western Asset Macro Opportunities Bond Fund	2.03
iShares \$ Treasury Bond 7-10yr UCITS ETF	1.50
Liquidity & Other	5.25
Cash	5.25

BMO MM Navigator Boutiques Fund

Portfolio breakdown	%
Equities	94.27
UK Equities	11.84
The Heronbridge United Kingdom Equity Fund	2.96
GVQ UK Focus Fund	2.93
LF Lindsell Train UK Equity Fund	2.27
Jupiter UK Dynamic Equity Fund	2.16
TM Tellworth UK Smaller Companies Fund	1.96
FTSE 100 Index Futures	-0.45
European Equities	18.37
Magallanes Value Investors UCITS - European Equity	5.19
Memnon European Fund	4.77
LF Brook Continental European Fund	4.70
Premier Miton European Opportunities Fund	3.72
Japanese Equities	5.12
LF Morant Wright Nippon Yield Fund	2.80
UI - Alpha Max Japan Fund	1.32
CC Japan Alpha Fund	1.00
North America Equities	47.67
Findlay Park American Fund	12.02
Lyrical US Value Equity Strategy I	10.23
Spyglass US Growth Fund	9.68
Edgewood L Select US Select Growth Fund	9.37
HC Snyder US All Cap Equity Fund	6.43
Pzena US Large Cap Value Fund	0.94
S&P 500 Index Futures	-1.00
Asian Equities	10.17
Prusik Asian Equity Income Fund	4.44
Ninety One Asia Pacific Franchise	2.99
Federated Hermes Asia-ex Japan Equity Fund	2.73
Emerging Markets Equities	1.11
TT Emerging Markets Unconstrained Fund	2.07
MSCI EM Index Futures	-0.96
Specialist (Non-Equity)	2.23
Man GLG UK Absolute Value Fund	2.23
Liquidity & Other	3.50
Cash	3.50

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.

Making money work harder than it would in a savings account usually means taking greater risk with capital. Our BMO MM Navigator 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 portfolio invests in 30+ carefully selected individual funds across a range of asset classes – the type and proportions in each tailored with a view to delivering defined investment outcomes.

For those seeking growth and comfortable with higher levels of risk, the Boutiques and Growth funds with their 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 the Balanced and Cautious funds 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. Distribution, meanwhile, is a cautiously managed portfolio with an income remit.

Adviser and individual work together to decide which portfolio is the right option, usually by discussing financial aims and objectives together with investment timeframe.

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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