

Quarterly investment report

BMO
Sustainable
Universal
MAP Funds
– Q2 2021

Actively investing in sustainable strategies with a capped
OCF of 0.39%: redefining value

Market insights

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.



- US equities generated strongly positive returns over the quarter, outperforming the global average. US coronavirus cases fell sharply over the period as the country's vaccination campaign continued to progress. Economic indicators pointed to significant expansion for the US economy during the second quarter, with business survey data suggesting activity had reached a record high in May.
- Emerging market (EM) equities generated positive returns over the quarter, though lagged the global average. In a continuation of the trend observed in the prior quarter, commodity producers were generally supported by rising price levels. Brazil and Russia were among the best-performing emerging markets, finding support from increasing oil prices. Poland, Hungary and Czech Republic also outperformed over the quarter, buoyed by falling coronavirus cases levels and economic recovery across the EU. Indonesia, Thailand and Malaysia suffered from rising coronavirus cases.
- UK equities made gains over the quarter, though lagged the global average. UK survey data pointed to accelerating economic momentum against the UK's rapid vaccine rollout and the phased reopening of the domestic economy. In May, the Bank of England (BoE) raised its UK growth forecast for 2021 to 7.75% from its previous 5.5% estimate. However, rising coronavirus cases prompted the government to delay plans to end all social restrictions by a month.
- Global government bond yields fell modestly over the quarter. US Treasury bond yields eased, with the bulk of this coming in June when 10-year US inflation expectations declined as the market dismissed inflationary pressures as transitory. US headline inflation reached 5% in May, up from 4.2% in April, though Federal Reserve (Fed) chair Jay Powell suggested the factors behind the surge were largely temporary. The Fed, however, signalled it would likely begin hiking interest rates in 2023 rather than in 2024 as it had previously estimated. European government bond yields were little changed. The European Central Bank pledged to maintain its current pace of quantitative easing, while projecting inflationary pressures to ease next year.

ESG Viewpoint

The role of migrant workers in supply chains

Discover how companies can better protect migrant workers in international supply chains.

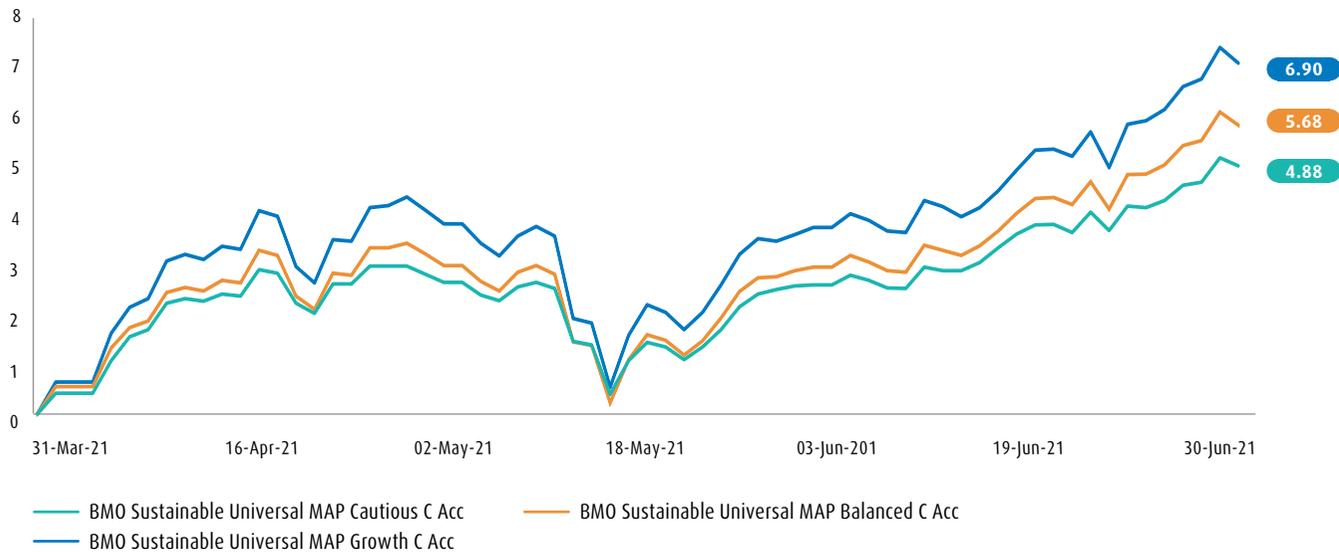
Performance update

Equity markets continued their relentless march northwards over the quarter, while fixed income markets reversed some of the losses seen in the first quarter to register a healthy gain.



The tactical tilt towards higher equity allocations proved positive

Three month performance (%)



Source: BMO Global Asset Management and Lipper, all figures net of fees, as at 30-Jun-21

Key risks

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

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

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 products that may be mentioned.

Screening out sectors or companies may result in less diversification and hence more volatility in investment values.

Performance update (continued)

The MSCI world equity index posted positive returns in local currency terms every month over the quarter. Yields on UK 10-year government bonds fell from 0.84% to 0.72%. The drop in yields coupled with a tightening of spreads meant credit markets were also positive over the quarter. Sterling strengthened slightly over the period providing one of the few small detractors to overall portfolio returns.

The tactical tilt towards higher equity allocations proved positive. Stock selection from the global equity team was strong with the resurgence of growth companies towards the end of the period. Companies selected within the health care and industrials sectors performed particularly well, with names such as Illumina, Mettler-Toledo, Roper Technologies and Xylem all outperforming. The UK equity allocation also outperformed over the quarter despite the increase in oil prices over the period. Similarly to the global holdings, health care and industrials were

the two sectors that contributed most to the outperformance. Companies such as UDG Healthcare, Ashtead and St. Modwen led the outperformance in the portfolio. Our decision to run low sovereign debt exposure worked well for the first half of the quarter as yields rose; however, in the second half of the quarter bonds rallied strongly on the back of a mixture of technical and fundamental factors.



Sterling strengthened slightly over the period, providing one of the few small detractors to overall portfolio returns.

Cumulative performance as at 30-Jun-2021	3 month	1 year	Since Launch	Volatility*
BMO Sustainable Universal MAP Growth C Acc	6.90%	18.49%	25.20%	8.8%
BMO Sustainable Universal MAP Balanced C Acc	5.68%	15.19%	22.12%	7.5%
BMO Sustainable Universal MAP Cautious C Acc	4.88%	10.76%	17.38%	6.4%

Discrete performance as at 30-Jun-2021	2016 – 2017	2017 – 2018	2018 – 2019	2019 – 2020	2020 – 2021
BMO Sustainable Universal MAP Growth C Acc	-	-	-	-	18.49%
BMO Sustainable Universal MAP Balanced C Acc	-	-	-	-	15.19%
BMO Sustainable Universal MAP Cautious C Acc	-	-	-	-	10.76%

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

Source: BMO Global Asset Management and Lipper, all figures net of fees. Launch date: 09-Dec-19.

* Volatility is since inception based on monthly returns.

Engagement activity

Being a responsible investor lies at the heart of everything we do, which includes continually driving improvement through engagement with companies.



intertek

Intertek Group PLC

- Intertek suffered a high vote against its pay report in 2020. We voted against the resolution primarily due to the high pension contribution awarded to the CEO that is significantly above market norms and wider employer pension contributions.
- We spoke with the remuneration committee chair who explained the plans to address this issue. She noted that they have also reached out to the top 50 shareholders to discuss concerns.
- To reduce the contributions a 'glide path' of reductions has been proposed. We have pushed back on this plan as it is allowing five years to achieve what the majority of companies will achieve in three, without adequate justification. We encouraged the committee to review its proposals before the next shareholder meeting.

♥CVSHealth.

CVS Health Corp

- We participated in a collaborative call with other IOPA (Investors for Opioid and Pharmaceutical Accountability) members about employee health and safety. We spoke to the Chair of the Board and senior leaders at CVS, including the Chief People Officer.
- We gained valuable insights into: 1) how the Board oversees the impact of Covid-19 and the company's human capital management practices on employee health and safety; and 2) the role of the internal audit function in reviewing health and safety measures in place and ensuring that these measures are adhered to.
- Overall, we do not have any major concerns about the Board's approach to monitoring, managing and mitigating health and safety risks. However, we will follow up with the company if any significant Covid-19 outbreaks among their employees come to our attention.

Engagements over Q2 2021

Over the quarter we engaged with 40 companies in the portfolio on 110 separate issues from climate change to Labour standards. We also achieved 15 milestones with companies amending their policies in line with our engagement.

Sustainability leaders

Global sustainability challenges create opportunities for long-term investors, including renewable energy technologies, products to mitigate the inefficient use of global resources, and education for financial inclusion.

This does not constitute a recommendation to buy or sell any particular security



1 Linde Plc

Multinational chemical company with products that enable their customers to reduce the carbon footprint/use of fossil fuels in their businesses.



2 Thermo Fisher Scientific Inc

High quality life science provider of diagnostic equipment, such as oncology testing, genetic sequencing equipment and other laboratory equipment and consumables; is enabling better healthcare outcomes, directly addressing SDG3; Good Health & Well-being.



3 Mastercard Inc

Provides access to finance to under-developed markets; is developing the use of blockchain technology in the circular economy; has growth potential based on approval for access to Chinese payments market, but needs enhanced compliance procedures.



4 Illumina

An innovative diagnostics equipment provider focused on next generation sequencing of DNA, enabling critical diagnoses of multiple health conditions and illnesses, which supports access to healthcare through the development of novel sequencing technologies.



5 Xylem

Xylem's products directly address solving water problems globally using technology to improve water efficiency and accessibility in local communities. Structural growth driven by the need to address scarcity by delivering operational efficiencies.

Sustainability comments are for the top 5 company holdings in the BMO Sustainable Universal MAP Balanced Fund.

Activity & positioning

Over the quarter there were limited changes to the portfolio with no changes made to the strategic asset allocation at the last quarterly review point.



Equities		Fixed income	
UK	□ −	UK gilts	□ −
North America	△ ↗	UK index linked	▽ −
Europe ex UK	△ ↗	Global corporate bonds	□ ↗
Japan	□ ↘		
Pacific ex Japan	□ −		
Emerging markets	□ −		

- Within equities exposure to both Europe and US increased slightly.
- New holdings over the quarter included:
 - Vestas, a company involved in the manufacture and installation of wind turbines.
 - DSM, which manufactures animal feed products, one of which reduces methane production in cows assisting with greenhouse gas emissions.
 - Uniphar, a UK-based pharmaceutical company specialising in medical devices.

Our view: ▾ Negative □ Neutral △ Positive

Allocation change from previous quarter: ▾ Down □ Same △ Up

Our view

The team discuss the key drivers of recent market moves together with their view on where things are likely to head from here



The first half of the year has seen a vigorous global economic rebound fuelled by reopening economies on the back of positive vaccine developments. The second quarter contained some notable surprises.

With respect to equities, the biggest surprise was the exceptional earnings momentum that has continued into the second quarter. Analysts have been upgrading estimates at a record pace within the quarter. The big surprise in fixed income was the decline in bond yields in recent months despite fears of elevated inflation. From our perspective, this has been the result of an overselling of bond assets as well as a consensus view that inflationary

pressures are more transitory than longer lasting.

During the second half of this year, we will be closely watching a number of developments. First, inflation data will carry a high degree of importance and investors will be searching for clues on the transitory versus durable inflation debate. With much stronger recent employment and inflation data, the US Federal Reserve may announce a plan to taper as soon as August, though they will likely remove stimulus in a very gradual fashion. This monetary policy will probably be exported to other countries and talk will quickly turn to when each central bank will start to increase interest rates, particularly in the UK. We are still

too far away for this scenario to be priced into markets; however, in the second half of the year, we expect the volume to be turned up on these discussions.

The financial markets appear to have stopped trading on Covid-related news. It

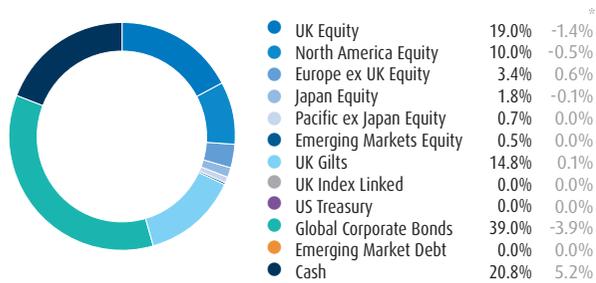
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With much stronger recent employment and inflation data, the US Federal Reserve may announce a plan to taper as soon as August.

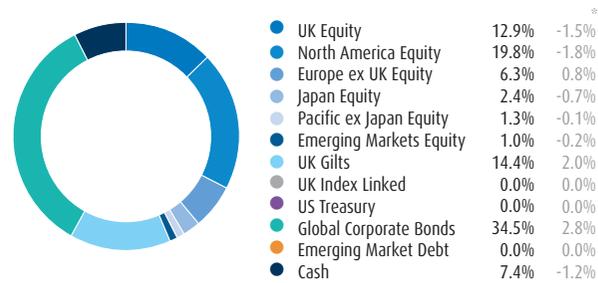
will be interesting to see if the increased prevalence of the Delta variant globally and the associated increase in cases and unfortunately hospitalisations will influence the markets again. In the UK, we are moving towards a restriction free world at the same time that infection rates remain elevated, effectively pursuing a herd immunity policy backed up by significant vaccination take-up. If hospitalisation levels remain muted it would be counted as a success and could become the playbook for other nations to follow. At that point, the reflation and reopening trade would be back on. If hospitalisations increase at too rapid a pace, then unfortunately we expect restrictions to come back in.

Asset allocation as at 30-Jun-21

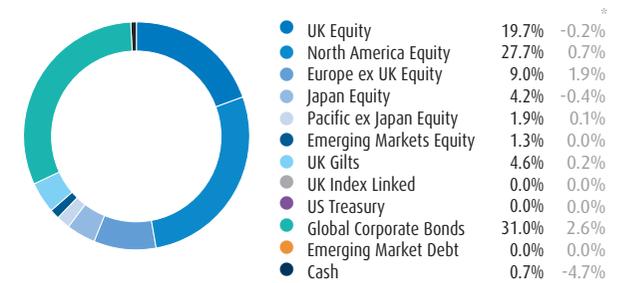
BMO Sustainable Universal MAP Defensive Fund



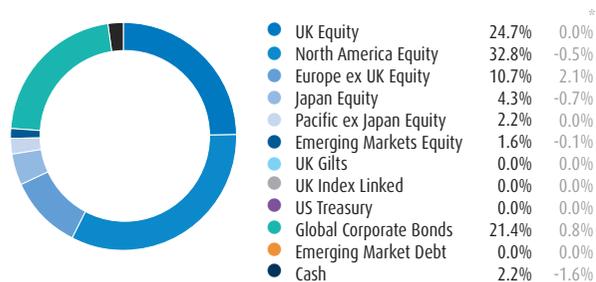
BMO Sustainable Universal MAP Cautious Fund



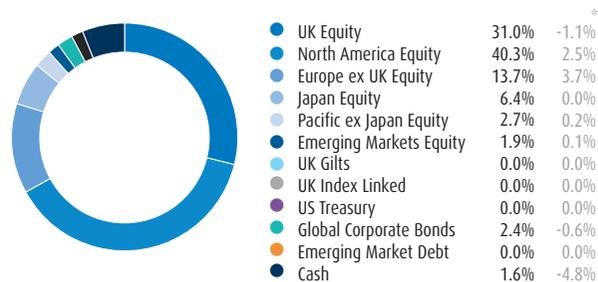
BMO Sustainable Universal MAP Balanced Fund



BMO Sustainable Universal MAP Growth Fund



BMO Sustainable Universal MAP Adventurous Fund



Source: BMO Global Asset Management. *Change from 31-Mar-21

Designed to make investing simple

With five options ranging from Defensive to Adventurous you can choose the fund that is right for you.



Each portfolio invests across a range of asset classes – the type and proportion of each asset class is tailored in each fund with a view to delivering defined investment outcomes. That means target volatility bands (volatility is a commonly used measure of risk) and long-term return expectations relative to inflation.

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.

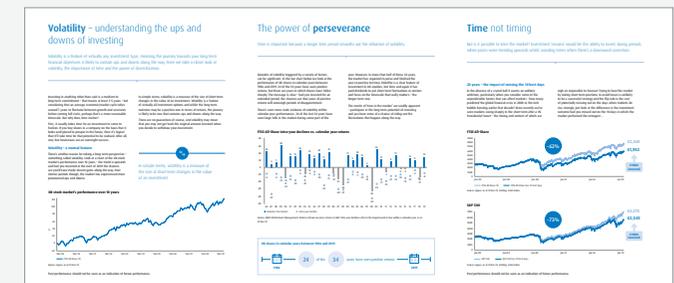
Your adviser can help you decide which portfolio is the right option for you, usually by using a 'risk profiling' questionnaire alongside consideration of your objectives.

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. The BMO Sustainable Universal MAP Funds use exclusion criteria to avoid investing in companies with damaging or unsustainable practices. Investors should remember that screening out sectors or companies may result in less diversification and hence more volatility in investment values.

Understanding volatility

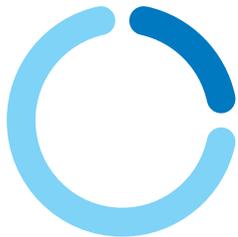
If you want to know more speak to your financial adviser. They'll be able to provide you with a copy of our guide to 'Volatility – understanding the ups and downs of investing'.



Typical portfolio asset allocations

Lower risk/return potential
Higher allocation to fixed income

Higher risk/return potential
Greater emphasis on equities



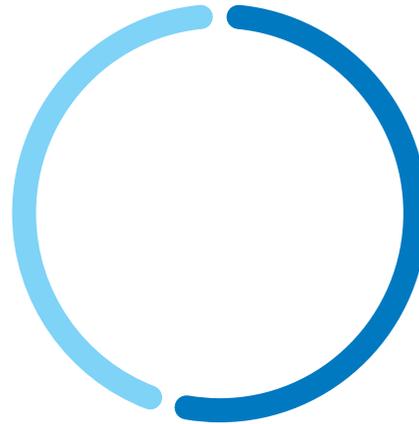
Defensive Fund

- Equities 25%
- Fixed income 75%



Cautious Fund

- Equities 45%
- Fixed income 55%



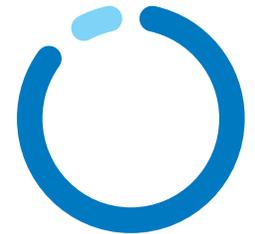
Balanced Fund

- Equities 55%
- Fixed income 45%



Growth Fund

- Equities 75%
- Fixed income 25%



Adventurous Fund

- Equities 95%
- Fixed income 5%

Source: BMO Global Asset Management, for illustrative purposes only.

BMO Sustainable Universal MAP: redefining value

Keep up to date with responsible investing in our monthly roundup of highlights – interesting events, articles we're reading, podcasts and more:



Understanding impact is a central part of the philosophy of our Sustainable Universal MAP Range. We use a range of metrics to capture key ESG characteristics of the funds. Find out more in our Impact Report:

Want to find out more?

For more information please contact your financial adviser.



The Fund is a sub fund of BMO Investment Funds (UK) ICVC III, an open ended investment company (OEIC), registered in the UK and authorised by the Financial Conduct Authority (FCA).

English language copies of the Fund's Prospectus and English language copies of the key investor information document (KIID) can be obtained from BMO Global Asset Management, Exchange House, Primrose Street, London EC2A 2NY, telephone: Client Services on 0044 (0)20 7011 4444, email: client.service@bmogam.com or electronically at www.bmogam.com. Please read the Prospectus before taking any investment decision.

The information provided does not constitute, and should not be construed as, investment advice or a recommendation to buy, sell or otherwise transact in the Funds. An investment may not be suitable for all investors and independent professional advice, including tax advice, should be sought where appropriate.

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