

Fund Update

March 2021

We wanted to take this opportunity to provide you with a brief update from our Portfolio Managers of the Educators Dividend Fund (“the Fund”).

The S&P/TSX Composite Index, representing the broad Canadian stock market, saw over 25 dividend **cuts** last year vs. the Educators Dividend Fund which had 25 **dividend increases**, 1 cut (Suncor Energy Inc.) and 1 suspension (Walt Disney Co—although that hasn’t stopped the stock!). Of those that increased, the average hike was 9%. Our unwavering focus on quality is a real testament to each of our company’s underlying businesses and their ability to push their agendas forward in challenging times.

The chart below reflects the long-term wealth creation of the Educators Dividend Fund and our long time horizon approach to portfolio management. We will always go through periods when short-term greed by the market goes against our long-term quality focus bias, which we witnessed in the middle of last year following the March 2020 lows of the COVID-19 pandemic. However, the long-term success of the Educators Dividend Fund is what gives us the confidence that our investment process and philosophy work, and why we are steadfast in our discipline to this investment approach, predicated on 4 simple investment beliefs:



Only invest in **high quality sustainable business** models able to withstand both economic, market, and competitive pressures;



Invest for the long-term: we cannot control or predict short-term noise in the market;



Focus on risk management: reflected at the stock level, the portfolio level, and the firm level. The Fund may have higher tracking error than our peers reflecting our concentrated portfolio and benchmark agnostic philosophy, but our overall portfolio risk is lower than many of our peers. Tracking error reflects the variability around the benchmark, but *does not* reflect the risk to client capital.



Build concentrated portfolios: we believe in the benefits of diversification, but over-diversification results in rapidly diminishing benefits and impedes our ability to generate long term alpha.

Portfolio Managers



Lutz Zeitler, CFA, MBA
Managing Director & Head of
Canadian Fundamental Equities



Phillip Harrington, CFA, M.Fin.
Director & Portfolio Manager,
Canadian Fundamental Equities

Day to day portfolio management duties are carried out by Lutz Zeitler and Phil Harrington. They are members of, and supported by, BMO Global Asset Management’s Canadian Fundamental Equities Team:

- 5 Portfolio Managers
- 4 Analysts
- 3 Traders
- 18 years average industry experience

Long-term outperformance of the Educators Dividend Fund against its benchmark, the S&P/TSX 60 Index:



*JH165 represents the Educators Dividend Fund. Source: Bloomberg and BMO Global Asset Management as of March 18, 2021.

Below are the top 10 stocks in the Fund by active weight and a reflection of our four investment beliefs described above:

	Top Active Stock Positions	Why we have conviction in the stock:
1	Microsoft Corp.	world's largest software company, oligopoly, 'must have' products/services, high recurring revenues, transforming its business to leverage cloud, growing markets and share, highly profitable, free cash flow generative, no debt, high cash balance, selective M&A, innovation leadership
2	Brookfield Infrastructure Partners LP	leading global infrastructure owner, one-of-a-kind investment, pension like assets, Brookfield Asset Management (parent company) sponsorship, global scale, 95% regulated, above average dividend grower, active recycling, well capitalized for M&A, disciplined with its growth strategy, lower rates to benefit generally
3	Intact Financial Corp.	leading P&C insurance player in Canada, resilient, high quality, operationally strong, hard markets seeing top line growth, superior market power, cash flowing business, consolidator, defensive, above average dividend grower, recent ASA acquisition transformative
4	JPMorgan Chase & Co.	global leader in financial services, best in class offerings, leadership in all verticals, brand and scale are differentiators, innovator, strong focus on capital and balance sheet, above average earnings growth, cost focus, high dividend growth
5	Visa Inc.-Class A	world's largest payment network, oligopoly, strong economic moats, network effects, innovator, high returning business, long term secular tailwinds, plenty of organic growth opportunities, high dividend growth
6	Texas Instruments Inc.	leading semiconductor designer, dominant market share, share gainer, innovator, diversified with over 100k clients, big focus on capital return, capital recycling, zero debt, big cash balance, consolidator, exposure to forward tech themes such as digital car, robotics, factory automation, IoT ('Internet of Things')

7	Northland Power Inc.	renewable power owner and developer, first mover advantage in wind development, defensive cash flows, growing backlog in Asia, entrepreneurial mgt team, high inside ownership, strong outlook, decarbonization play
8	Killam Apartment REIT	REIT with a focus on high quality apartment buildings, has scale in Eastern Canada, newer portfolio, consistent strategy over the years, proven operator, various levers for growth, large landbank for future development, dividend growth, leverage to affordable housing theme
9	TJX Companies Inc.	largest global discount retailer, iconic brands (Winners, HomeSense, Marshalls), unique offering, category killer, defensive attributes vs Amazon, growing store count, ROIC focused, high free cash conversion, above peer dividend growth
10	Algonquin Power & Utilities Corp.	high growth power/utilities company, leverage to wind and solar renewable power, lower risk cash flows, multi-leg growth, top quartile backlog of projects, strong execution history, international diversification, above average dividend grower

Source: Bloomberg and BMO Global Asset Management as of March 18, 2021.

Our Commitment to You

At BMO we invest with a purpose – to boldly grow the good. Our focus is simple: to help our clients meet their investment goals, while also building a more sustainable and secure future for us all.

Thank you for your continued support and we hope you and your families are safe and well.

Any statement that necessarily depends on future events may be a forward-looking statement. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Although such statements are based on assumptions that are believed to be reasonable, there can be no assurance that actual results will not differ materially from expectations. Investors are cautioned not to rely unduly on any forward-looking statements. In connection with any forward-looking statements, investors should carefully consider the areas of risk described in the most recent simplified prospectus.

This article is for information purposes. The information contained herein is not, and should not be construed as, investment, tax or legal advice to any party. Investments should be evaluated relative to the individual's investment objectives and professional advice should be obtained with respect to any circumstance.

BMO Global Asset Management is a brand name that comprises BMO Asset Management Inc., BMO Investments Inc., BMO Asset Management Corp., BMO Asset Management Limited and BMO's specialized investment management firms.

®/™Registered trade-marks/trade-mark of Bank of Montreal, used under licence. (03/21)