# BMO Dividend Fund

## Quarterly Commentary

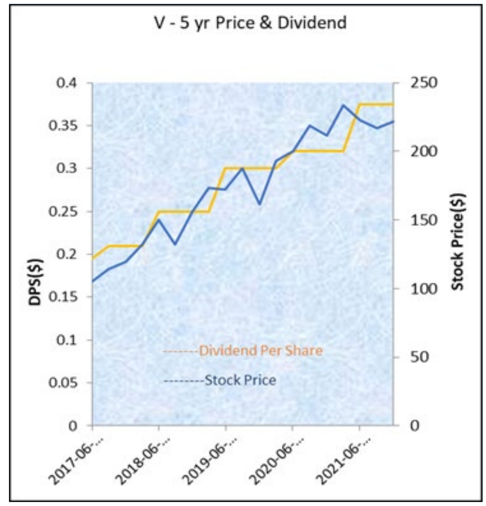
**Philip Harrington, CFA**
Director & Portfolio Manager
Fundamental Canadian Equities
BMO Asset Management Inc.

**Lutz Zeitler, CFA**
Managing Director & Portfolio Manager
Fundamental Canadian Equities
BMO Asset Management Inc.

## BMO Dividend Fund – Navigating Crisis Events with a Long-Term View

Investing is all about decision making under uncertainty. Crisis events always lead to huge bouts of uncertainty for financial markets and we have seen our share over the past 10 years--The Great Financial Crisis, the Greek crisis, Brexit, taper tantrums, COVID-19 and more recently, the Ukraine invasion. The challenge with these types of events is that they unleash emotional responses which can lead to rash and very poor decision making. A common characteristic of the greatest investors of all time is the ability to look through the noise of the day and stay focused on what matters in the long term--the fundamentals of the underlying businesses they are invested in. Currently, the noise is quite loud with investors grappling with the highest inflation in 40 years, fresh COVID driven shutdowns in China, the more hawkish shift in central bank monetary policy and the Ukrainian war which is upsetting already troubled global supply chains and commodity prices. With the benefit of hindsight, however, we can see that the tendency of equity markets is to move past the headlines, emotions, and narratives associated with these macro events and back to company fundamentals over time. One way we manage through these challenging periods is to stay focussed on the secular growth themes that our companies are tied to. These are the critical drivers that will set the course for value creation for many years to come. Strong tailwinds can endure short-term challenges and present opportunities for companies with strong economic moats and well thought out business strategies that reflect long term objectives. The BMO Dividend Fund is anchored to many secular themes such as aging demographics, urbanisation, energy transition, big data, digitization, and a changing consumer to name a few. Investing in high quality companies with visible growth prospects is what sets the stage for strong dividend growth well into the future.

Visa Inc. (V-US) has had one of the most eventful few months in its history. Questions swirled around the rise of new alternative forms of payments like Buy Now, Pay Later, cryptocurrency, and fast payments. Then there was the public move by Amazon to stop accepting Visa cards in the UK and the implications that would have on the growing number of large global merchants that could likewise impinge on Visa's competitive position. Most recently, worry has risen over the implications of the Russian invasion on payment volumes across the whole of Europe as global travelers take a more cautious approach to the region. In spite of all these narratives questioning Visa's moat, our fundamental deep dive the company's value drivers reaffirmed our conviction in Visa's superior competitive advantage which affords it a global duopoly position in the payments ecosystem alongside Mastercard. While change is inevitable, Visa's position to connect global buyers and sellers (and their banks) remains a constant. We particularly like Visa's strategy of partnering with nascent players to facilitate the rapid growth of cashless payments in the industry. Overall, we continue to have a high level of confidence in Visa's critical role in the rapidly growing global payments ecosystem and the dividend growth potential that comes with that in spite of all the noise in the marketplace.




*Source – Morningstar Direct.*
*Data as of March 31, 2022*

Canadian Apartment Properties REIT (CAR.UN): is a well located, growth focused multi-family residential REIT, with a focus on apartment buildings, townhouses, and manufactured homes in or near major urban centres in Canada. The company stands to benefit from the structural urbanization trend that is being driven by the desire to live, work and play in leading city centers. CAPREIT has grown to become one of Canada's largest apartment property owners with ~54k apartment suites plus ~12k manufactured home sites. Over 40% of the REIT's Net Operating Income comes from Ontario, an area that continues to show strong fundamentals for rental properties driven by healthy employment growth and strong intra-provincial and international migration. These market fundamentals allow for mid-single digit same-property revenue increases, supplemented by a strong property acquisition pipeline which continues to build mass within its competitively advantaged areas. This is expected to result in consistent middle single digit annual NAV growth over the longer term and stable dividend growth.

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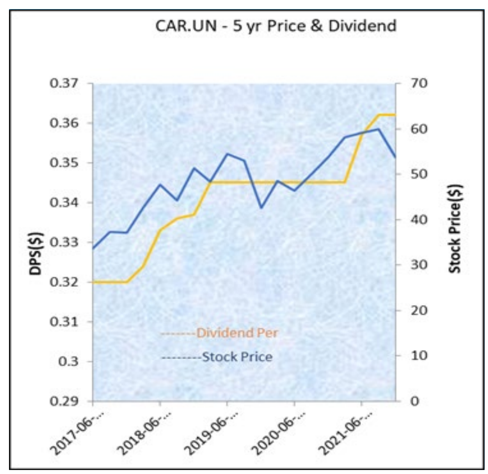


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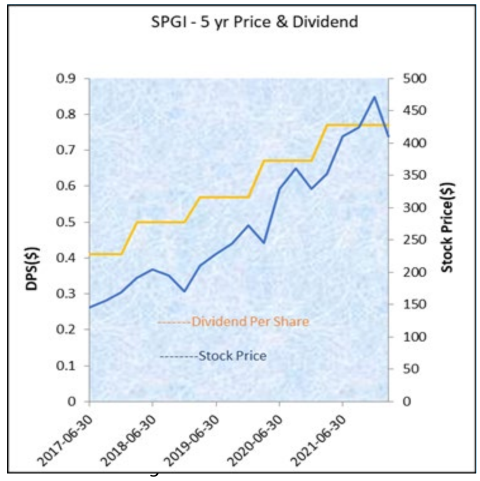
## S&P Global Inc. (SPGI-US)




*Source – Morningstar Direct.*
*Data as of March 31, 2022*

SPGI is a leader in data and market information, enabling market participants to make informed decisions. Financial market uncertainty and interest rate increases have driven the issuance market to be weaker than expected in most major bond categories. That said, SPGI is a high-quality business, in an attractive market duopoly, with high return on capital and strong capital return capabilities. The recent IHS Markit acquisition is transformational adding key complementary data assets while diversifying the business mix and increasing the recurring revenue stream to ~75% of total sales. The market sensitive ratings segment has dropped to 35% of the total mix as a result.  Issuances are known to be volatile but organically grows LSD-MSD in the long-term, along with an annual 3-4% pricing lever. In addition, capital allocation should begin to pick up again as capital returns were muted during the IHS Markit transaction process. The fundamental growth drivers at SPGI remain unchanged and are linked to explosion of data proliferation and usage, the China ratings opportunity, the growing ESG franchise, and the structural move to passive from active management will continue to drive growth for years to come. SPGI has had a solid dividend growth history and is expected to return $12Bn to shareholders this year via dividend growth and buy-backs thus setting the stage for above average shareholder value over the long-term.