

Portfolio Strategy

US Dividend Growth Portfolio: Q1 2025

Overview: The US Dividend Growth portfolio was up 1.6% in the first quarter of 2025 on a total return basis, underperforming the DVY, an ETF that tracks the DJ US Select Dividend index, by 152 bps. Portfolio underperformance in Q1 was mainly attributed to weak stock selection in Utilities and Communication Services.

- US Dividend Growth outperformed 27 of the 60 trading days in Q1.
- 1Q25 = Underperformed by 1.5%; LTM= Underperformed by 1.5%; Benchmark: DVY
- Q1 underperformance was attributed to our weak stock selection in Communication Services and Consumer Staples including Comcast and PepsiCo. In addition, our Utilities holdings brought down relative performance in 1Q due to under allocation compared to the benchmark and our largest holding, Edison International, suffered double-digit losses during the quarter.
- Q1 performance was somewhat offset by our over allocation in Health Care and superior stock selection which included Amgen, Gilead Sciences and Johnson & Johnson.
- On a total return basis, Gilead Sciences, Amgen, Chevron, Altria and Waste Management were the biggest contributors to Q1 performance, while Broadcom, Edison International, Oracle, Apple, and Microsoft were the biggest detractors.

Outlook: US stocks fell for the second consecutive month during March with the S&P 500 losing 5.75%, its largest monthly loss since December 2022. This weakness also pushed 1Q performance into negative territory with the index losing 4.6%, breaking a five-quarter winning streak and representing the worst 1Q since 2022. Tariff uncertainty continued to weigh on stock prices as investor and consumer sentiment levels deteriorated further throughout the month. On April 9, we revised our 2025 year-end S&P 500 price targets down to 6,100 from 6,700 (-9%). The speed and severity of this most recent drawdown has certainly surprised us and given where the S&P 500 currently trades, we felt it was necessary to adjust our targets towards more reasonable expectations. To be clear, we firmly believe that “this too shall pass” but even with our optimism, we concede that expecting an almost 35% gain from current levels through year-end is unreasonable. Therefore, we decided to make a realistic reset, but the reality is that we still expect US stocks to post solid gains from here. In fact, our newly revised target implies a gain of roughly 22% from the latest closing levels, which is relatively conservative compared to the periods we pointed out on in our April 6 report. As a result, we continue to recommend that investors ignore the noise, as hard as that may be, and stay the course because even with this most recent flare-up we continue to believe that the secular path for stocks remains higher.

Performance:

	1Q25	2024	2023	2022	2021	1-Yr	2-Yr	3-Yr	Live Inception	Model Inception
US Dividend Growth	1.6%	17.3%	11.9%	-5.4%	28.7%	11.6%	15.3%	9.0%	10.3%	11.1%
DVY	3.1%	16.3%	1.2%	1.8%	31.7%	13.1%	11.2%	5.5%	8.6%	8.6%

Please Note: The performance numbers listed above are derived from our model portfolios and are gross of fees unless otherwise stated. However, these model returns have they been independently audited through 31 December 2023 by a third party performance auditor. The US Dividend Growth “Model Portfolio Inception” performance was calculated from October 31, 2017, and “Live Portfolio Inception” performance was calculated from March 16, 2018. Performance as of 3/31/2025. Annualized returns used for time periods greater than one year.

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Legal Entity: BMO Capital Markets Corp.
BMO Nesbitt Burns Inc.*

1Q25 Changes

Additions:
Qualcomm (QCOM)

Deletions:
Broadcom Inc. (AVGO)

US Dividend Growth Portfolio

Overview: The portfolio is an actively traded model designed to encapsulate our dividend growth methodologies, with a particular focus on companies that offer attractive and quantifiable income and dividend growth characteristics.

Time frame: 12-24 months **Benchmark:** S&P 500 **Investable Portfolio Availability:** BMO Nesbitt Burns and LPL

Top 5 Holdings (Price Performance)

	1Q25	LTM
BlackRock, Inc. (BLK-US)	-7.7%	13.5%
Bank of America Corp (BAC-US)	-5.1%	10.0%
Verizon Communications Inc. (VZ-US)	13.4%	8.1%
Microsoft Corporation (MSFT-US)	-10.9%	-10.8%
Gilead Sciences, Inc. (GILD-US)	21.3%	53.0%

Source: BMO Investment Strategy Group, FactSet.

Top 5 Performers

	1Q25	LTM
Gilead Sciences, Inc. (GILD-US)	21.3%	53.0%
Amgen Inc. (AMGN-US)	19.5%	9.6%
Chevron Corporation (CVX-US)	15.5%	6.1%
Altria Group, Inc. (MO-US)	14.8%	37.6%
Waste Management, Inc. (WM-US)	14.7%	8.6%

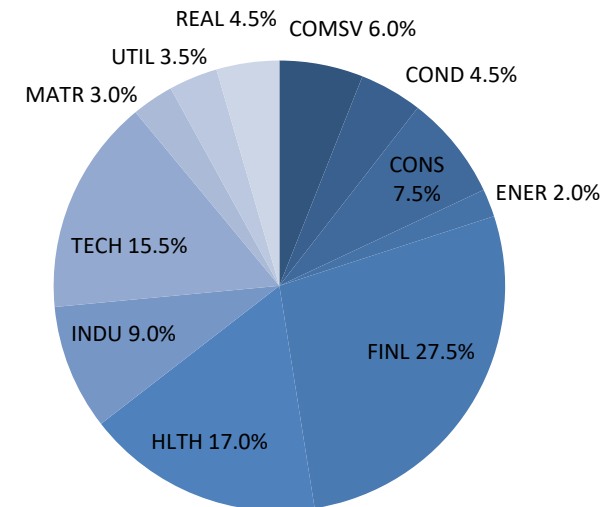
Source: BMO Investment Strategy Group, FactSet.

Bottom 5 Performers

	1Q25	LTM
Broadcom Inc. (AVGO-US)	-27.8%	26.3%
Edison International (EIX-US)	-26.2%	-16.7%
Oracle Corporation (ORCL-US)	-16.1%	11.3%
Apple Inc. (AAPL-US)	-11.3%	29.5%
Microsoft Corporation (MSFT-US)	-10.9%	-10.8%

Source: BMO Investment Strategy Group, FactSet.

Current Sector Weights



Source: BMO Investment Strategy Group, FactSet.

Key Statistics

	Portfolio	DVY
Portfolio Turnover (LTM)	8.0%	
Median Market Capitalization (\$b)	\$143.6	\$59.0
Dividend Yield	3.1%	4.2%
Price to Earnings (NTM)	16.6	14.8

Source: BMO Investment Strategy Group, FactSet, IBES, Compustat.

US Dividend Growth – Why Dividend Growth? A Bridge Back to Equities

Portfolio Is Constructed Around Three Tactical Dividend Strategies

The portfolio is designed to encapsulate our dividend growth methodologies, with a particular focus on companies that offer attractive and quantifiable income and dividend growth characteristics. Portfolio is constructed around three tactical dividend strategies:

Core Dividend Universe (min 60%)

- Dividend yield above S&P 500 Index
- No dividend cuts in last 10-years
- Free cash flow yield above the dividend yield
- Positive dividend growth in past year

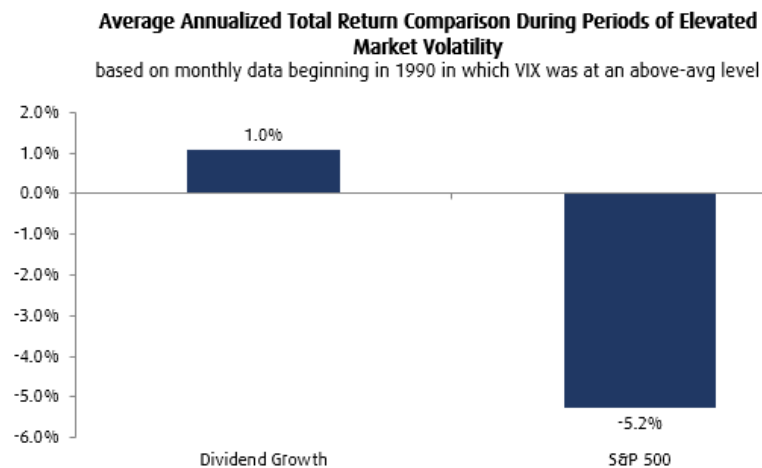
Dividend Yield Universe (0-40%)

- Dividend yield greater than 3.5%
- No dividend cuts in last five-years
- Positive dividend growth

Dividend Growth Universe (0-40%)

- Dividend yield above 1%
- No dividend cuts in last five-years
- Free cash flow yield above the dividend yield
- Dividend payout ratio less than the S&P 500 Index

Dividend Growth Can Combat Higher Levels of Volatility



Source: BMO Investment Strategy Group, FactSet, Compustat.

Dividend Strategies Offer Attractive Risk and Return Profiles

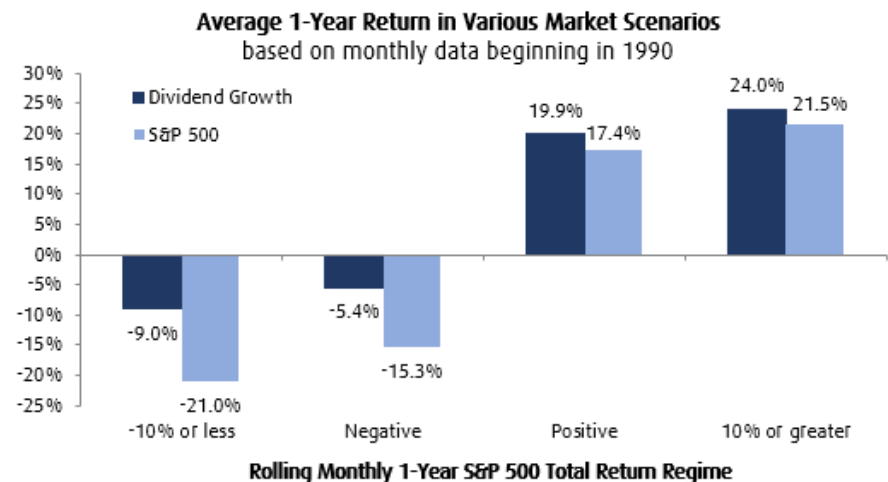
Historical Returns by Various Investable Universes

(monthly periods beginning 1990)

	CAGR	Sharpe Ratio
S&P 500	10.1%	0.21
S&P 500 Dividend Payers	11.6%	0.22
Core Universe Screen	13.5%	0.26
Growth Focus Universe Screen	13.8%	0.25
Yield Heavy Universe Screen	11.7%	0.21

Source: BMO Investment Strategy Group, FactSet, Compustat.

Dividend Growth Protects Gains but Also Participates in Market Strength



Source: BMO Investment Strategy Group, FactSet, Compustat.

Market Outlook

US Positioning Bottom Line:

In addition to our S&P 500 year-end target which was revised down to 6,100 from 6,700, we are also revising our 2025 S&P 500 EPS target down to \$250 from \$275 (-9%). Truthfully, we will be closely monitoring the upcoming reporting period for clues about how the tariffs will be impacting actual bottom lines because to be frank, we believe it is anybody's guess at this point. However, what we do know is that the trailing four-quarter number is currently about \$250 so we thought it was reasonable to set our new baseline to a "no-growth" assumption and adjust from there based on the incoming data. The only other thing we would point out, is that the S&P 500 price always bottoms first in bear markets (if this turns out to be one), while it takes roughly another nine months for EPS to bottom. In other words, stocks lead earnings and the economy. So, we would caution against becoming too reactionary should EPS numbers begin to drop in the coming months.

Admittedly, the sectors we have favored so far in 2025 have been admonished the most by the relentless change in momentum and what we continue to believe are premature binary conclusions. As such, we would caution investors to not seek simplistic defensive sector strategies. Instead, as we have stated since November 2023, a more normalized overall market performance environment (high single-digit to low double-digit gains) traditionally calls for less concentration and more evenly distributed positions. Remember, our approach to sectors and portfolios is to implement opinions that we believe will transpire over a 12-24-month time period. Therefore, investors should recalibrate positions within Technology and Discretionary (overweight non-Mag 7), accumulate Financials, while seeking select names within Communication Services and Industrials. Afterall, the market is a market of stocks.

[US Chartbook](#), [US Factor Profiles](#), [US Multi-Factor Profiles](#)

Recent Research

4/9/2025	US Strategy Comment: S&P 500 Target Update
4/6/2025	US Strategy Snapshot: Staying The Course
3/26/2025	US Strategy Comment: Focus On Tactical SMID-Cap Opportunities
3/14/2025	US Strategy Comment: Silence Is Not An Abstention
3/3/2025	US Strategy Comment: Still Overweight Technology But Selectivity is Critical
2/20/2025	US Strategy Comment: Style Preference Check Up
2/12/2025	US Strategy Comment: Use a Domestic Focus to Dilute the Tariff Noise
1/28/2025	US Strategy Comment: Revisiting Quality
1/15/2025	US Strategy Comment: Use Dividend Growth During Periods of Trepidation
12/13/2024	US Strategy Comment: Addressing the Year Ahead Feedback

The Portfolio:

Ticker	Company Name	Price	Yield	BMO Rating	Style
Communication Services (6% target weight)					
CMCSA	Comcast Corporation Class A	\$36.90	3.3%	NR	Growth
VZ	Verizon Communications Inc.	\$45.36	5.9%	NR	Yield
Consumer Discretionary (4.5% target weight)					
LOW	Lowe's Companies, Inc.	\$233.23	1.9%	NR	Core
MCD	McDonald's Corporation	\$312.37	2.2%	OP	Core
Consumer Staples (7.5% target weight)					
MO	Altria Group, Inc.	\$60.02	6.7%	NR	Yield
PEP	PepsiCo, Inc.	\$149.94	3.6%	NR	Core
PG	Procter & Gamble Company	\$170.42	2.3%	NR	Core
Energy (2% target weight)					
CVX	Chevron Corporation	\$167.29	3.9%	OP	Yield
Financials (27.5% target weight)					
BAC	Bank of America Corp	\$41.73	2.4%	NR	Growth
BLK	BlackRock, Inc.	\$946.48	2.2%	NR	Core
C	Citigroup Inc.	\$70.99	3.1%	NR	Yield
CFG	Citizens Financial Group, Inc.	\$40.97	4.1%	NR	Yield
GS	Goldman Sachs Group, Inc.	\$546.29	2.1%	NR	Growth
JPM	JPMorgan Chase & Co.	\$245.30	1.9%	NR	Growth
MET	MetLife, Inc.	\$80.29	2.7%	Mkt	Core
MS	Morgan Stanley	\$116.67	3.0%	NR	Growth
PRU	Prudential Financial, Inc.	\$111.68	4.7%	Und	Core
RF	Regions Financial Corporation	\$21.73	4.5%	NR	Core
TFC*	Truist Financial Corporation	\$41.15	5.1%	NR	Yield
Health Care (17% target weight)					
AMGN	Amgen Inc.	\$311.55	2.9%	OP	Core
GILD	Gilead Sciences, Inc.	\$112.05	2.7%	OP	Core
JNJ	Johnson & Johnson	\$165.84	3.0%	NR	Core
MDT	Medtronic Plc	\$89.86	3.1%	NR	Core
MRK	Merck & Co., Inc.	\$89.76	3.5%	Mkt	Core
PFE	Pfizer Inc.	\$25.34	6.6%	OP	Core
UNH	UnitedHealth Group Incorporated	\$523.75	1.6%	NR	Growth
Industrials (9% target weight)					
HON	Honeywell International Inc.	\$211.75	2.1%	NR	Core
LMT	Lockheed Martin Corporation	\$446.71	2.9%	NR	Core
NOC	Northrop Grumman Corp.	\$512.01	1.6%	NR	Growth
WM*	Waste Management, Inc.	\$231.51	1.3%	Mkt	Core

Information Technology (15.5% target weight)						
AAPL	Apple Inc.	\$222.13	0.4%	NR	Growth	
CSCO	Cisco Systems, Inc.	\$61.71	2.6%	NR	Core	
IBM	International Business Machines Corporation	\$248.66	2.7%	Mkt	Core	
MSFT	Microsoft Corporation	\$375.39	0.8%	OP	Growth	
ORCL	Oracle Corporation	\$139.81	1.1%	Mkt	Core	
QCOM	QUALCOMM Incorporated	\$153.61	2.2%	NR	Core	
TXN	Texas Instruments Incorporated	\$179.70	2.9%	NR	Core	
Materials (3% target weight)						
EMN	Eastman Chemical Company	\$88.11	3.7%	NR	Core	
LYB	LyondellBasell Industries NV	\$70.40	7.5%	Mkt	Yield	
Utilities (3.5% target weight)						
EIX	Edison International	\$58.92	5.3%	NR	Yield	
SO	Southern Company	\$91.95	3.1%	OP	Yield	
Real Estate (4.5% target weight)						
MAA	Mid-America Apartment Communities, Inc.	\$167.58	3.5%	Mkt	Core	
PLD	Prologis, Inc.	\$111.79	3.4%	Und	Core	

Source: BMO Capital Markets Investment Strategy. Prices as of 3/31/2025.

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Brian, Chief Investment Strategist and leader of the Investment Strategy Group, provides strategic investment and portfolio management advice to both institutional and private clients. Brian's group produces several investment strategy publications on a regular basis, with particular focus on both the U.S. and Canadian equity markets.

In his more than 30 years in the investment industry, Brian has held various senior strategy and research roles, including positions at Oppenheimer & Company, Merrill Lynch, and Piper Jaffray.

Brian is frequently quoted in the financial press, including regular appearances on CNBC, Bloomberg, and BNN, and is renowned for his accuracy as a strategist. Brian holds a B.Sc. degree from St. Cloud State University and splits his time between the BMO offices in New York and Toronto.

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Nick is the Head of US Equity Strategy and is responsible for all facets of developing and providing research and analysis within the Investment Strategy Group. His analysis focuses on traditional macroeconomic and fundamental methods, but he has also developed expertise in econometric and quantitative modeling.

In his more than 20 years in the investment industry, Nick has held various senior research roles, including positions at Merrill Lynch and Oppenheimer & Company. He has been a Senior Investment Strategist advising institutional and private clients since 2004. Nick holds B.S. and MBA degrees from St. John's University and is a CFA charterholder.

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Lexi has 6 years of experience in quantitative equity research. She previously worked at McKinley Capital Management. She is a CFA charter holder and has a master's in quantitative and computational finance from Georgia Institute of

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Dillon has two years of experience working in the investment consulting industry at Willis Towers Watson, where he advised institutional clients on portfolio construction and asset allocation. He holds a BBA from the University of Toronto.

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Hold	Market Perform	42.1 %	15.4 %	31.6 %	38.5 %	26.6 %	37.5%
Sell	Underperform	2.9 %	21.4 %	3.1 %	1.7 %	1.2 %	4.8%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

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~ As of April 1, 2019.

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Prior BMO Capital Markets Rating System

(April 2013 - October 2016)

http://researchglobal.bmocapitalmarkets.com/documents/2013/rating_key_2013_to_2016.pdf

(January 2010 - April 2013)

http://researchglobal.bmocapitalmarkets.com/documents/2013/prior_rating_system.pdf

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The recommendation contained in this report was produced at April 10, 2025, 14:59 ET. and disseminated at April 10, 2025, 14:59 ET.

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