

## Portfolio Strategy

### US Tactical Equity Portfolio: Q1 2025

**Overview:** The US Tactical Equity portfolio was down 3.8% in the first quarter of 2025 on a total return basis, outperforming the S&P 500 by 51 bps. Superior stock selection in Communication Services was the primary contributor to relative outperformance in Q1.

- US Tactical Equity outperformed 32 of the 60 trading days in Q1.
- 1Q25 = Outperformed by 0.5%; LTM = Outperformed by 5.1%; Benchmark: S&P 500.
- 24 of the 48 stocks held in the portfolio during Q1 outperformed the S&P 500.
- Superior stock selection in Communication Services led by AT&T, Spotify and Netflix boosted relative performance in Q1.
- In addition, our Information Technology holdings produced superior relative performance in the first quarter as our holdings outperformed the sector benchmark returns.
- Q1 performance was somewhat offset by losses in our positions within Financials including Blackstone, Regions Financial, BlackRock and Morgan Stanley.
- From a total return standpoint, AT&T, Spotify, Gilead Sciences, Uber Technologies, and Berkshire Hathaway were the top performers in Q1, while Tesla, Delta, lululemon athletica, NVIDIA, and Blackstone were the bottom performers.

**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 4.3%, 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 Tactical Equity	-3.8%	31.6%	29.0%	-22.3%	27.2%	13.3%	22.7%	11.2%	12.6%	13.4%
S&P 500	-4.3%	25.0%	26.3%	-18.1%	28.7%	8.3%	18.6%	9.1%	12.4%	12.8%

**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 Tactical Equity “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. Performance is stated in USD, unless otherwise noted. 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:

Broadcom Inc. (AVGO)  
PNC Financial (PNC)  
Progressive Corporation (PGR)  
Quanta Services (PWR)

##### Deletions:

BlackRock (BLK)  
Regions Financial (RF)  
Walt Disney Corporation (DIS)  
Qualcomm (QCOM)

## US Tactical Equity Portfolio

**Overview:** The US Tactical Equity portfolio is an actively traded model designed to encapsulate our current US Strategy opinions regarding the S&P 500, sectors, industries, and style preferences. The portfolio will tactically incorporate various investment styles based on the cycle and our broad strategy opinions.

**Time frame:** 12-18 months **Benchmark:** S&P 500 **Investable Portfolio Availability:** BMO Nesbitt Burns and LPL

### Top 5 Holdings (Price Performance)

	1Q25	LTM
Apple Inc. (AAPL-US)	-11.3%	29.5%
Microsoft Corporation (MSFT-US)	-10.9%	-10.8%
NVIDIA Corporation (NVDA-US)	-19.3%	19.9%
Amazon.com, Inc. (AMZN-US)	-13.3%	5.5%
Alphabet Inc. Class A (GOOGL-US)	-18.3%	2.5%

Source: BMO Investment Strategy Group, FactSet.

### Top 5 Performers

	1Q25	LTM
AT&T Inc (T-US)	24.2%	60.7%
Spotify Technology SA (SPOT-US)	22.9%	108.4%
Gilead Sciences, Inc. (GILD-US)	21.3%	53.0%
Uber Technologies, Inc. (UBER-US)	20.8%	-5.4%
Berkshire Hathaway Inc. Class B (BRK.B-US)	17.5%	26.6%

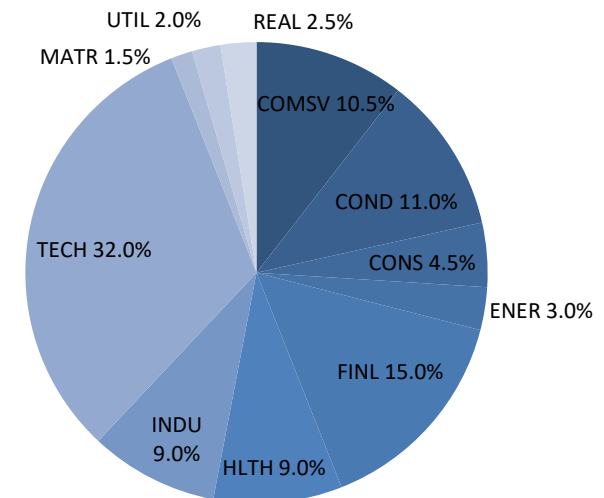
Source: BMO Investment Strategy Group, FactSet.

### Bottom 5 Performers

	1Q25	LTM
Tesla, Inc. (TSLA-US)	-35.8%	47.4%
Delta Air Lines, Inc. (DAL-US)	-27.9%	-8.9%
lululemon athletica inc. (LULU-US)	-26.0%	-27.5%
NVIDIA Corporation (NVDA-US)	-19.3%	19.9%
Blackstone Inc. (BX-US)	-18.9%	6.4%

Source: BMO Investment Strategy Group, FactSet.

### Current Sector Weights



Source: BMO Investment Strategy Group, FactSet.

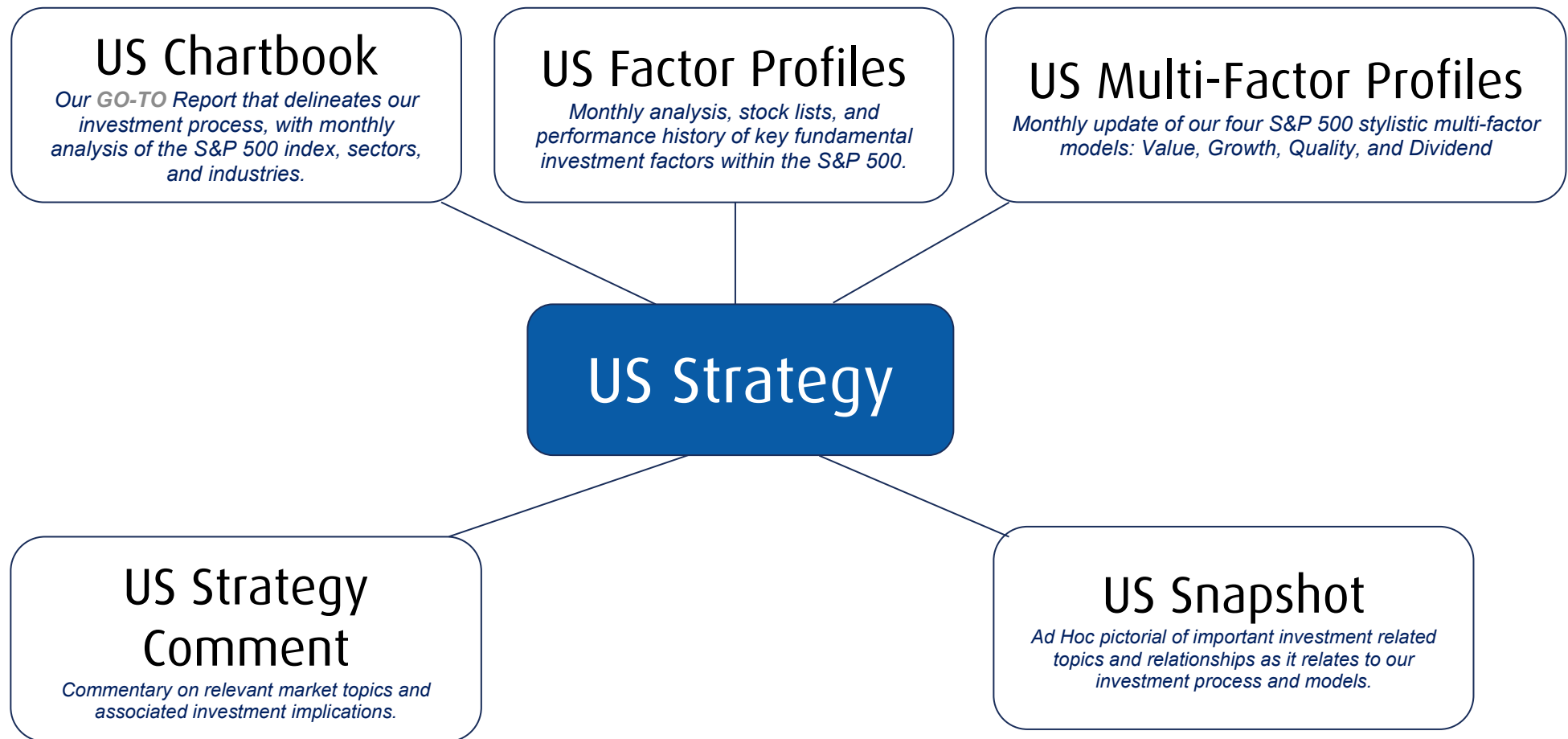
### Key Statistics

	Portfolio	S&P 500
Portfolio Turnover (LTM)	18.0%	
Median Market Capitalization (\$b)	\$179.1	\$36.1
Dividend Yield	1.4%	1.3%
Price to Earnings (NTM)	26.3	20.2

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

## US Tactical Equity = Fundamental Brands + High Quality

### Broad Investment Strategy Research and Process



### US Tactical Equity Portfolio

The US Tactical Equity Portfolio is designed to best encapsulate the longer-term fundamental opinions, themes, and positioning of the BMO Capital Markets Investment Strategy Group. The portfolio is constructed in such a manner so as to provide US investors with core long-term equity holdings of high-quality brand-named companies within the US.

## 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 4-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 9 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	BMO Rating
<b>Communication Services (10.5% target weight vs. 9.3% index weight)</b>			
GOOGL	<a href="#">Alphabet Inc. Class A</a>	\$154.64	OP
NFLX	<a href="#">Netflix, Inc.</a>	\$932.53	OP
SPOT	Spotify Technology SA	\$550.03	NR
T	AT&T Inc	\$28.28	NR
<b>Consumer Discretionary (11% target weight vs. 10.4% index weight)</b>			
AMZN	<a href="#">Amazon.com, Inc.</a>	\$190.26	OP
HD	Home Depot, Inc.	\$366.49	NR
LULU	<a href="#">lululemon athletica inc.</a>	\$283.06	Mkt
MAR	<a href="#">Marriott International, Inc. Class A</a>	\$238.20	Mkt
TJX	<a href="#">TJX Companies Inc</a>	\$121.80	OP
TSLA	Tesla, Inc.	\$259.16	NR
<b>Consumer Staples (4.5% target weight vs. 6% index weight)</b>			
COST	<a href="#">Costco Wholesale Corporation</a>	\$945.78	OP
WMT	<a href="#">Walmart Inc.</a>	\$87.79	OP
<b>Energy (3% target weight vs. 3.7% index weight)</b>			
CVX	<a href="#">Chevron Corporation</a>	\$167.29	OP
XOM	<a href="#">Exxon Mobil Corporation</a>	\$118.93	Mkt
<b>Financials (15.0% target weight vs. 14.6% index weight)</b>			
BAC	Bank of America Corp	\$41.73	NR
BRK.B	Berkshire Hathaway Inc. Class B	\$532.58	NR
BX*	Blackstone Inc.	\$139.78	NR
C	Citigroup Inc.	\$70.99	NR
GS	Goldman Sachs Group, Inc.	\$546.29	NR
MS	Morgan Stanley	\$116.67	NR
PGR	<a href="#">Progressive Corporation</a>	\$283.01	OP
PNC	PNC Financial Services Group, Inc.	\$175.77	NR
V*	<a href="#">Visa Inc. Class A</a>	\$350.46	OP
<b>Health Care (9% target weight vs. 10.9% index weight)</b>			
LLY	<a href="#">Eli Lilly and Company</a>	\$825.91	OP
GILD	<a href="#">Gilead Sciences, Inc.</a>	\$112.05	OP
JNJ	Johnson & Johnson	\$165.84	NR
TMO	Thermo Fisher Scientific Inc.	\$497.60	NR
UNH	UnitedHealth Group Incorporated	\$523.75	NR
<b>Industrials (9% target weight vs. 8.5% index weight)</b>			
DAL	Delta Air Lines, Inc.	\$43.60	NR

LMT	Lockheed Martin Corporation	\$446.71	NR
PH	Parker-Hannifin Corporation	\$607.85	NR
PWR	<a href="#">Quanta Services, Inc.</a>	\$254.18	OP
WM*	<a href="#">Waste Management, Inc.</a>	\$231.51	Mkt
UBER	<a href="#">Uber Technologies, Inc.</a>	\$72.86	OP
<b>Information Technology (32% target weight vs. 29.8% index weight)</b>			
AAPL	Apple Inc.	\$222.13	NR
AMD	Advanced Micro Devices, Inc.	\$102.74	NR
AVGO	Broadcom Inc.	\$167.43	NR
MSFT	<a href="#">Microsoft Corporation</a>	\$375.39	OP
NVDA	NVIDIA Corporation	\$108.38	NR
ORCL	<a href="#">Oracle Corporation</a>	\$139.81	Mkt
PANW	<a href="#">Palo Alto Networks, Inc.</a>	\$170.64	OP
PLTR	Palantir Technologies Inc. Class A	\$84.40	NR
SHOP	Shopify, Inc. Class A	\$95.48	NR
<b>Materials (1.5% target weight vs. 2% index weight)</b>			
FCX	<a href="#">Freeport-McMoRan, Inc.</a>	\$37.86	OP
<b>Utilities (2% target weight vs. 2.5% index weight)</b>			
NEE	<a href="#">NextEra Energy, Inc.</a>	\$70.89	Mkt
NI	<a href="#">NiSource Inc</a>	\$40.09	OP
<b>Real Estate (2.5% target weight vs. 2.3% index weight)</b>			
SPG	<a href="#">Simon Property Group, Inc.</a>	\$166.08	Mkt
PLD	<a href="#">Prologis, Inc.</a>	\$111.79	Und

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

\*These stocks are covered by BMO Nesbitt Burns, Inc. \*\*These stocks are covered by BMO Capital Markets Ltd.; all others covered by BMO Capital Markets Corp.

\*\*\*Rating Key, according to BMO Capital Markets Equity Research: OP: Outperform, Mkt: Market Perform, Und: Underperform, NR: Not rated by BMO Capital Markets, R: Restricted. Click here for disclosures on those stocks: <https://researchglobal0.bmocapitalmarkets.com/public-disclosure/>

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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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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 Technology.

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Dillon is an Investment Strategy Associate and provides strategic and analytical support within the Investment Strategy Group, with a focus on Canadian equity markets.

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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Buy	Outperform	54.8 %	24.0 %	64.3 %	59.7 %	71.7 %	57.7%
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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Mkt = Market Perform - Forecast to perform roughly in line with the analyst's coverage universe on a total return basis;

Und = Underperform - Forecast to underperform the analyst's coverage universe on a total return basis;

(S) = Speculative investment;

Spd = Suspended - Coverage and rating suspended until coverage is reinstated;

NR = No Rated - No rating at this time; and

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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](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](http://researchglobal.bmocapitalmarkets.com/documents/2013/prior_rating_system.pdf)

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