

Portfolio Strategy

US Large Cap Disciplined Value Portfolio: Q1 2025

Overview: The US Large Cap Disciplined Value portfolio was up 1.0% in the first quarter, underperforming its benchmark by 116bps in Q1. However, the portfolio is still outperforming the Russell 1000 Value by over 7% in the last 12 months. Overall, the underperformance this quarter was attributed to security selection decisions within the Industrials, Consumer Staples, and Information Technology sectors.

- Relative Performance: 1Q25 = -1.2%; Benchmark: Russell 1000 Value
- **Annualized 5-yr = Outperform by 2.9%; Since Live Portfolio Inception = Outperform by 2.0% annualized.**
- Stock selection within Industrials was the main detractor of value as Delta Air Lines and Lockheed Martin were down 28% and 8%, respectively.
- Our security selection decisions within Consumer Staples was another area of weakness, particularly Target, which was down 23% in Q1.
- Stock selection within Technology hurt performance as Oracle, AMD and Apple were all down more than 10% in the quarter.
- Health Care was an area of strength, as Gilead, Amgen and AbbVie were up 21%, 19.5% and 18%, respectively. In fact, Gilead and Amgen were in the top three performers in the quarter alongside AT&T.

Outlook: The Russell 1000 Value Index was up 2.1% in Q1, significantly outperforming the S&P 500, which was down 4.3%. 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 (USD):

	1Q25	YTD	1-yr	3-yr	5-yr	2024	2023	2022	Live Incept.	Model Incept.
US Large Cap Disciplined Value	1.0%	1.0%	14.8%	9.3%	19.1%	22.3%	10.3%	-5.5%	11.8%	11.5%
Russell 1000 Value	2.1%	2.1%	7.2%	6.6%	16.1%	14.4%	11.5%	-7.5%	9.8%	9.4%
S&P 500	-4.3%	-4.3%	8.3%	9.1%	18.6%	25.0%	26.3%	-18.1%		

Please Note: 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 Large Cap Disciplined Value ‘Model Portfolio Inception’ performance was calculated from October 31, 2015, and ‘Live Portfolio Launch’ performance was calculated from December 31, 2015.

Investment Strategy

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

1Q25 Changes

Additions:

Alphabet Inc. Class A (GOOGL)
Aptiv (APTV)
Wells Fargo (WFC)
PNC Financial (PNC)
IBM (IBM)
Nike (NKE)
Restaurant Brands International (QSR)

Deletions:

Comcast (CMCSA)
Marriott (MAR)
Regions Financial (RF)
Lululemon (LULU)

US Large Cap Disciplined Value Portfolio

Overview: The following portfolio is an actively traded model designed to encapsulate our current US Large Cap Strategy opinions regarding fundamental themes and sector recommendations, with a focus on attractive relative value, historically low debt to equity, and proven earnings power.

Time frame: 12-18 months. **Benchmark:** Russell 1000 Value.

Investable Portfolio Availability: BMO Nesbitt Burns Architect and Blueprint platforms

Top 5 Holdings (Price Performance)

	1Q25	1-yr
Berkshire Hathaway Inc. Class B (BRK.B-US)	17.5%	26.6%
Bank of America Corp (BAC-US)	-5.1%	10.0%
Citigroup Inc. (C-US)	0.9%	12.3%
UnitedHealth Group Incorporated (UNH-US)	3.5%	5.9%
Walmart Inc. (WMT-US)	-2.8%	45.9%

Source: BMO Investment Strategy Group, Factset.

Top 5 Performers

	1Q25	1-yr
AT&T Inc (T-US)	24.2%	60.7%
Gilead Sciences, Inc. (GILD-US)	21.3%	53.0%
Amgen Inc. (AMGN-US)	19.5%	9.6%
AbbVie, Inc. (ABBV-US)	17.9%	15.1%
Berkshire Hathaway Inc. Class B (BRK.B-US)	17.5%	26.6%

Source: BMO Investment Strategy Group, Factset.

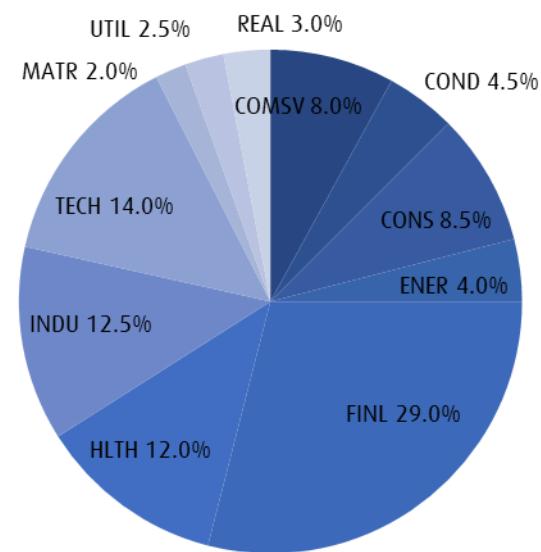
Bottom 5 Performers

	1Q25	1-yr
Delta Air Lines, Inc. (DAL-US)	-27.9%	-8.9%
lululemon athletica inc. (LULU-US)	-26.0%	-27.5%
Target Corporation (TGT-US)	-22.8%	-41.1%
NIKE, Inc. Class B (NKE-US)	-16.1%	-32.5%
Oracle Corporation (ORCL-US)	-16.1%	11.3%

Source: BMO Investment Strategy Group, Factset.

US Large Cap Disciplined Value – Why Value?

Current Sector Weights



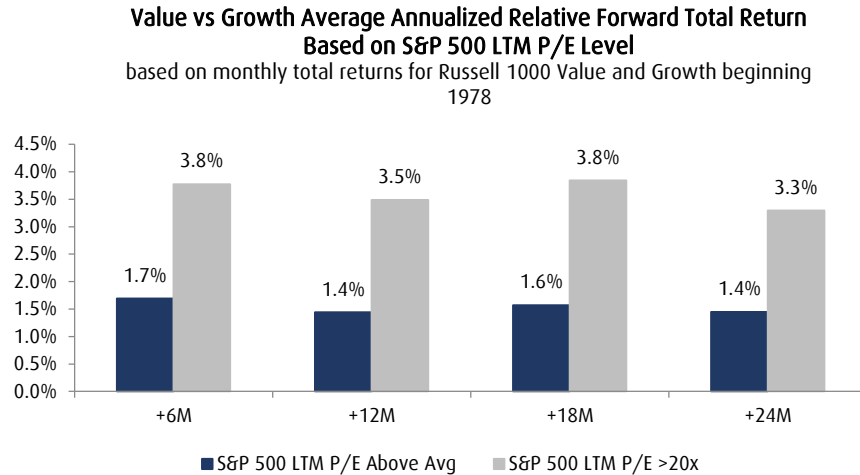
Source: BMO Investment Strategy Group, Factset.

Key Statistics

	Portfolio
Portfolio Turnover (LTM)	24%
Median Market Capitalization	\$137,595
Dividend Yield	2.5%
Price to Earnings (NTM)	16.7

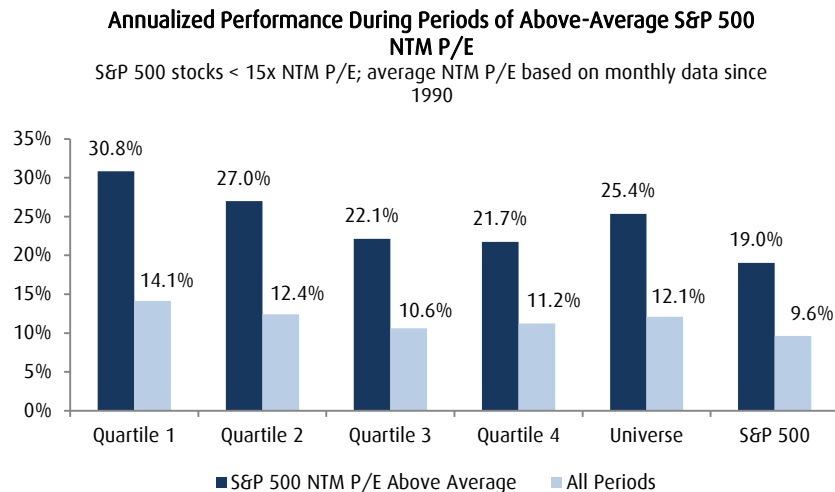
Source: BMO Investment Strategy Group, Factset, IBES, Compustat.

Value Tends to Outperform Across Multiple Periods When Valuations are Above Average



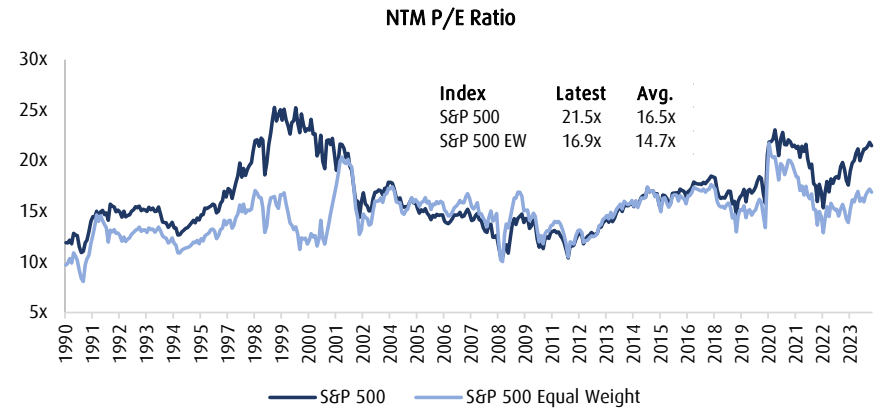
Source: BMO Investment Strategy Group, Factset.

Performance of Low P/E Stocks Has Historically Benefited During Periods of Above-Average S&P 500 NTM P/E



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

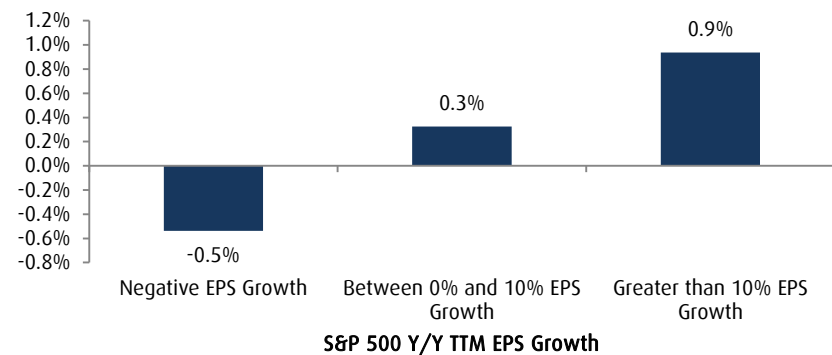
Valuation for The Average S&P 500 Stock is Considerably More Reasonable



Source: BMO Investment Strategy Group, Bloomberg.

Improving Earnings Growth Benefits Value

Value vs. Growth Average Annual Relative Performance Based on Market EPS Growth Regime based rolling 1-year monthly periods beginning 1980 for RLV & RLG



Source: BMO Investment Strategy Group, Bloomberg.

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 Comment: 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](#)

The Portfolio:

Ticker	Company Name	Price	BMO Rating
Communication Services			
DIS	Walt Disney Company	\$98.70	NR
GOOGL	Alphabet Inc. Class A	\$154.64	OP
T	AT&T Inc	\$28.28	NR
VZ	Verizon Communications Inc.	\$45.36	NR
Consumer Discretionary			
APTV	Aptiv PLC	\$59.50	NR
GM	General Motors Company	\$47.03	NR
MCD	McDonald's Corporation	\$312.37	OP
NKE	NIKE, Inc. Class B	\$63.48	OP
PHM	PulteGroup, Inc.	\$102.80	NR
QSR	Restaurant Brands International, Inc.	\$66.64	OP
SBUX	Starbucks Corporation	\$98.09	OP
Consumer Staples			
MO	Altria Group, Inc.	\$60.02	NR
TGT	Target Corporation	\$104.36	Mkt
WMT	Walmart Inc.	\$87.79	OP
Energy			
COP	ConocoPhillips	\$105.02	OP
CVX	Chevron Corporation	\$167.29	OP
ENB*	Enbridge Inc.	\$44.31	Mkt
Financials			
BAC	Bank of America Corp	\$41.73	NR
BLK	BlackRock, Inc.	\$946.48	NR
BRK.B	Berkshire Hathaway Inc. Class B	\$532.58	NR
C	Citigroup Inc.	\$70.99	NR
GS	Goldman Sachs Group, Inc.	\$546.29	NR
JPM	JPMorgan Chase & Co.	\$245.30	NR
MET	MetLife, Inc.	\$80.29	NR
MS	Morgan Stanley	\$116.67	NR
PNC	PNC Financial Services Group, Inc.	\$175.77	NR
SCHW	Charles Schwab Corp	\$78.28	NR
TFC	Truist Financial Corporation	\$41.15	NR
TRV	Travelers Companies, Inc.	\$264.46	OP
USB	U.S. Bancorp	\$42.22	NR
WFC	Wells Fargo & Company	\$71.79	Mkt
Health Care			
ABBV	AbbVie, Inc.	\$209.52	OP

Ticker	Company Name	Price	BMO Rating
AMGN	Amgen Inc.	\$311.55	OP
BDX	Becton, Dickinson and Company	\$229.06	NR
GILD	Gilead Sciences, Inc.	\$112.05	OP
MDT	Medtronic Plc	\$89.86	NR
MRK	Merck & Co., Inc.	\$89.76	Mkt
UNH	UnitedHealth Group Incorporated	\$523.75	NR
Industrials			
BA	Boeing Company	\$170.55	NR
DAL	Delta Air Lines, Inc.	\$43.60	NR
HON	Honeywell International Inc.	\$211.75	NR
LMT	Lockheed Martin Corporation	\$446.71	NR
PH	Parker-Hannifin Corporation	\$607.85	NR
Information Technology			
AAPL	Apple Inc.	\$222.13	NR
AMD	Advanced Micro Devices, Inc.	\$102.74	NR
CSCO	Cisco Systems, Inc.	\$61.71	NR
IBM	International Business Machines Corporation	\$248.66	Mkt
ORCL	Oracle Corporation	\$139.81	Mkt
QCOM	QUALCOMM Incorporated	\$153.61	NR
Materials			
EMN	Eastman Chemical Company	\$88.11	NR
Utilities			
NEE	NextEra Energy, Inc.	\$70.89	OP
PPL	PPL Corporation	\$36.11	OP
Real Estate			
BXP	BXP Inc	\$67.19	OP
PLD	Prologis, Inc.	\$111.79	Und
SPG	Simon Property Group, Inc.	\$166.08	Mkt

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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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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Ryan has over 15 years of investment industry experience, including various research roles at TD Securities, Connor Clark and Lunn Investment Management and Merrill Lynch. He is a CFA charterholder and has a master's in financial economics from the University of Toronto.

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Sooyun is US & Portfolio Strategy Analyst and provides technical and financial analysis of individual securities and industry groups to support portfolio composition and positions. She also focuses on developing thematic research relevant to current events and strategic investment ideas pertaining to overall sector recommendations by the Investment Strategy Group.

Prior to joining BMO, Sooyun spent over 13 years in investment banking at BNP Paribas and DVB Bank in New York. She started her career in equity research at KGI Securities. Sooyun has an MBA from NYU's Stern School of Business and BA from Ewha Womans University in Seoul, Korea.

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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 is a CFA charterholder and 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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(S) = Speculative investment;

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

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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, 15:00 ET. and disseminated at April 10, 2025, 15:00 ET.

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