

BMO Long-Short Strategy ETF Stock Stories

BMO GAM's Quantitative Investments Team's Model Driven Stock selection process - Providing full transparency and a closer look at reasoning behind long and short positions in the portfolios.

ZLSC – BMO Long Short Canadian Equity ETF

Featured Long holdings

Celestica Inc

(ticker: CLS, +56.82% return Q1 2024)¹

- Celestica is an electronic manufacturing service provider that operates in markets like industrial, aerospace & defence, healthcare, and capital equipment.
- It has increased its exposure to hyper-scaler customers that should experience multi-year growth in data centers due to increasing investments in AI, translating into growth in Celestica's sales and earnings.
- Celestica boasts strong cashflow and earnings growth, reasonable value, solid momentum, and supportive market sentiment.

Loblaws Companies Ltd

(ticker: L: +17.36% return Q1 2024)¹

- Loblaw Companies is the largest food and drug retailer in Canada.
- Loblaw has a leading market position in the discount channel, private label brands, pharmacy and loyalty programs, all of which should help navigate a Canadian consumer slowdown.
- It earns excellent returns on capital, has mid single digit EPS growth, low accruals, good price momentum, a reasonable relative valuation and increasing expected sales, earnings and dividends.

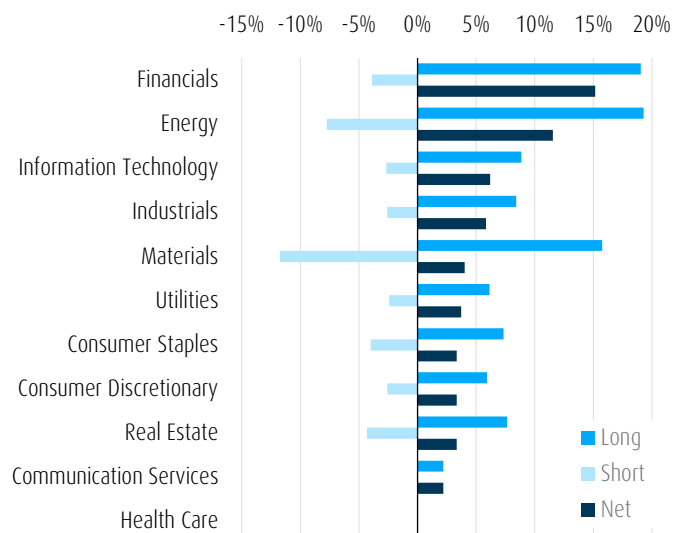
Featured Short

Ballard Power Systems Inc

(ticker: BLDP, -23.22% return Q1 2024)¹

- Ballard Power Systems is the leading developer and manufacturer of proton exchange membrane (PEM) fuel cell systems for commercial transportation applications.
- It's biggest current market is bus engines based on hydrogen fuel cell.
- It scores poorly on profitability, is richly valued on earnings and cashflows, analysts have been lowering their future earnings per share estimates.
- The company is expected to remain cash-burning for many years even as sales grow.

Canadian Portfolio Sector Allocation



*Sector allocation percentages are as of March 2024, portfolio allocations are subject to change without notice.

¹ Source: Bloomberg, March 30, 2024.

ZLSU – BMO Long Short US Equity ETF

Featured Long holdings

Ecolab Inc.

(ticker: ECL, +16.70% (USD) return Q1 2024)²

- Ecolab provides water, hygiene and infection prevention solutions and services.
- The company operates a “razor & blade” model, selling equipment and dispensers first and chemicals and services over time, making them resilient to most recessions.
- The company has now fully recovered from COVID (not a normal recession!) when food service and lodging were shut down, and is back on a growth path.
- It scores well on cash flow growth, needs low capex compared to its assets, and has good momentum and market sentiment.

TJX Companies Inc

(ticker: TJX, +8.48% (USD) return Q1 2024)²

- TJX is an off-price apparel retailer, which operates in the US, Europe and Canada. Canadian investors may recognise its stores: Winners, Homesense and Marshalls.
- The company has good profitability on assets and capital, has grown cashflow strongly, with solid momentum and supportive market sentiment and rising expectations for earnings and dividends.
- TJX continues to compound, offering brand names 30% or more cheaper to consumers and becoming an important part of the retail ecosystem.
- We expect the company to continue to grow the number of stores, sales per store, while also increasing the dividend and buying back shares.

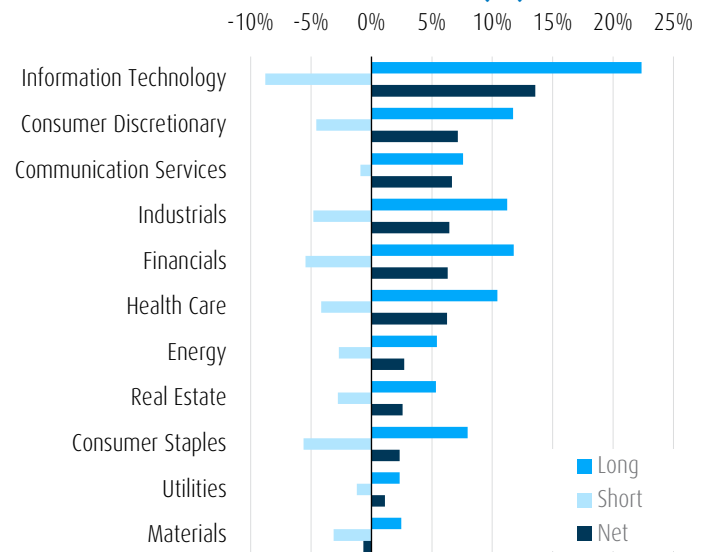
Featured Short

Rivian Automotive Inc

(ticker: RIVN, -53.32% (USD) return Q1 2024)²

- Rivian sell electric vehicles and loses money on every car it sells before accounting for selling and R&D expenses.
- The company has no profitability but is richly valued and its earnings expectations keep falling along with it’s stock price.
- The company has not met it’s sales & profitability targets. Currently the company is in the difficult situation that if it sells more cars, it will make higher losses!
- It is also facing higher EV competition from other car manufacturers, the possibility of more price cuts from Tesla and may need to raise money from the market (at uncertain terms) to fund it’s ongoing losses.

U.S. Portfolio Sector Allocation (%)



*Sector allocation percentages are as of as of March 2024, portfolio allocations are subject to change without notice

² Source: Bloomberg, March 30, 2024.



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