BMO Mutual Funds

Benefits of Asset Allocation

Diversification through asset classes: By investing in only one asset class you may miss out on potential gains.

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Highest Return	U.S. Equities 23.9%	U.S. Equities 21.6%	Canadian Equities 21.1%	Emerging Mkt Equities 28.7%	U.S. Equities 4.2%	U.S. Equities 24.8%	Emerging Mkt Equities 16.6%	U.S. Equities 27.6%	Cash 1.8%	U.S. Equities 22.9%
	Balanced Portfolio 11.6%	International Equities 19.5%	U.S. Equities 8.1%	European Equities 17.9%	Global Bonds 1.9%	Canadian Equities 22.9%	U.S. Equities 16.3%	Canadian Equities 25.1%	Canadian Equities -5.8%	European Equities 17.4%
	Canadian Equities 10.6%	European Equities 17.1%	Emerging Mkt Equities 7.7%	International Equities 17.4%	Canadian Bonds 1.4%	European Equities 18.3%	Balanced Portfolio 10.4%	European Equities 16.0%	Intl. Equities -7.8%	Intl. Equities 15.7%
	Global Bonds 9.4%	Balanced Portfolio 7.6%	Balanced Portfolio 6.6%	U.S. Equities 13.8%	Cash 1.4%	International Equities 16.5%	Canadian Bonds 8.7%	Balanced Portfolio 12.0%	European Equities -8.3%	Balanced Portfolio 13.4%
	Canadian Bonds 8.8%	Canadian Bonds 3.5%	Global Bonds 3.5%	Canadian Equities 9.1%	Balanced Portfolio -1.2%	Balanced Portfolio 16.1%	International Equities 6.4%	International Equities 10.8%	Balanced Portfolio -10.4%	Canadian Equities 11.8%
	Emerging Mkt Equities 7.0%	Emerging Mkt Equities 2.4%	Canadian Bonds 1.7%	Balanced Portfolio 8.8%	International Equities -5.6%	Emerging Mkt Equities 12.9%	Global Bonds 6.0%	Cash 0.2%	Canadian Bonds -11.7%	Emerging Mkt Equities 7.3%
	International Equities 4.1%	Global Bonds 1.9%	Cash 0.5%	Canadian Bonds 2.5%	Emerging Mkt Equities -6.5%	Canadian Bonds 6.9%	Canadian Equities 5.6%	Global Bonds -2.3%	U.S. Equities -12.2%	Canadian Bonds 6.7%
	European Equities 2.8%	Cash 0.6%	International Equities -2.0%	Global Bonds 1.8%	European Equities -6.6%	Global Bonds 6.9%	European Equities 4.1%	Canadian Bonds -2.5%	Global Bonds -13.2%	Global Bonds 5.6%
Lowest Return	Cash 0.9%	Canadian Equities -8.3%	European Equities -3.2%	Cash 0.6%	Canadian Equities -8.9%	Cash 1.6%	Cash 0.9%	Emerging Mkt Equities -3.1%	Emerging Mkt Equities -13.9%	Cash 4.7%

Source: Morningstar Direct. All returns in C$ and are calendar year returns to December 31, 2023.

- **International Equities** MSCI EAFE Index
- **U.S. Equities** S&P 500 Total Return Index
- **Canadian Equities** S&P/TSX Composite Index
- **Canadian Bonds** FTSE TMX Canada Universe Bond Index
- **Cash** FTSE TMX Canada 91 Day T-Bill Index
- **Global Bonds** Citi World Government Bond
- **European Equities** MSCI Europe Total Return Index
- **Emerging Market Equities** MSCI Emerging Markets Total Return Index
- **Balanced Portfolio** 40% FTSE TMX Canada Universe Bond Index 40% MSCI World Index 20% S&P/TSX Composite Total Return Index

Investing Strategy		Ending Value	Annual Return	Standard Deviation
Chasing returns:	Always invest in the prior year's **top** performing asset class	$158,552	4.72%	13.05
Contrarian view:	Always invest in the prior year's **worst** performing asset class	$209,309	7.67%	5.52
Diversified:	Invest in 60/40 Balanced Portfolio* (rebalanced annually)	$201,345	7.25%	8.12

A Balanced Portfolio provides more consistent returns with potentially less risk than constantly chasing the best/worst asset classes.

Source: Morningstar Direct, in Canadian dollars, as at December 31, 2023 for a 10-year period *60/40 Balanced Portfolio consists of 40% FTSE Canada Universe Bond, 40% MSCI World C$, 20% S&P/TSX Composite TR.
The table illustrates the impact to an initial investment of C$ 100,000 from January 1, 2014 to December 31, 2023 in the three investing strategies. It is not intended to reflect future returns on investments in these strategies. It does not reflect transactions costs or the deduction of other fees and expenses.

Historically, it is difficult to predict next year's top performing asset class.

- A key element in helping to achieve your financial goals is strategic asset allocation, which means establishing a mix of equities, fixed income and cash that is best suited to your risk tolerance[1] and investment objectives, and holding this mix consistently.
- Take the guesswork out of trying to always pick the winners by diversifying your portfolio to capitalize on future changes in the market and the performance of each asset class.

The chart on page 1 illustrates that it is difficult for investors to predict the performance of a particular asset class from year-to-year.

A strong tactical asset manager[2] can help ensure that you have exposure to the best performing asset class in any given year.

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[1] Risk tolerance measures the degree of uncertainty that an investor can handle regarding fluctuations in the value of their portfolio. The amount of risk associated with any particular investment depends largely on your own personal circumstances including your time horizon, liquidity needs, portfolio size, income, investment knowledge and attitude toward price fluctuations. Investors should consult their financial advisor before making a decision as to whether this Fund is a suitable investment for them.

[2] A manager that takes on an active management portfolio strategy that shifts the percentage of assets held in various categories to take advantage of market pricing anomalies or strong market sectors.