

# BMO Ascent Portfolios

February 2021  
Monthly Commentary

## Market & Economic Commentary

BMO Managed Solutions

## Portfolio Activity

as at Jan 29, 2021

## Asset Allocation

as at Jan 21, 2021

## Performance

as at Jan 29, 2021

Legal Disclaimer

\*If you have any issues with the file links, please update your version of Adobe Reader.

## January Was a Tough Year...

So much for 2021 being different than last year. The first month saw several notable events:

- i. an upset in the Georgia Senate Run-Off, tipping legislative power to Democrats
- ii. a violent invasion of the U.S. Capitol Building leading to the impeachment of then President Donald Trump
- iii. a resurgence of COVID-19 driven by new, more virulent mutations leading to new heights of hospitalizations and renewed containment lockdowns
- iv. a week of equity market volatility caused by the warp-speed rise of GameStop Corporation and other stocks shorted by Wall Street hedge funds, all at the collective hands of individual investors

It's enough to make someone pick up and leave on vacation... assuming they could go anywhere.

Policy and COVID-19 continue to be the driving themes of markets. Criticism of vaccine distribution ranged from local missteps to graver concerns over potential export bans on vaccines from the EU and U.S. From an economic perspective, ongoing restrictions will force more of the service sector to continue operating at lower capacity, which has a significant impact on not only employment, but consumer spending patterns. Further, much of this lost activity is not readily made up for upon re-opening, as consumers are unlikely to double-down on things like haircuts and vacations when available.

Newly inaugurated President Biden jumped right in with 25 executive orders during the month, addressing not only the pandemic, but also issues including climate change, immigration policies, gender discrimination, and to Canada's disappointment, revocation of the Keystone XL Pipeline permit, which shouldn't have a long-term impact on the Canadian oil sector. Financial markets were mixed, with an initial surge earlier in the month

giving way to higher volatility and consolidation across many

sectors and regions. Emerging Markets led performance, with the MSCI Emerging Markets Index rising 3.3% (in CAD terms). Developed Markets were flat to negative, with Canada's S&P/TSX Composite Index falling 0.55%, while the S&P 500 and MSCI EAFE indices fell -0.84% and -0.82%, respectively. European stocks suffered the most, with the Stoxx50 Index falling -2.5%, while Japan's Nikkei 225 Index managed a positive 0.18%. From a factor perspective, U.S. Small caps bucked the trend with the Russell 2000 Index rising 5.3%. Value and growth were far less differentiated, with Russell's benchmarks falling -0.79 and -0.50%.

While equity markets and "Redditor" trades stole the headlines, the 10-year yield and yield curve quietly crept upward, with the U.S. 10-year treasury reaching as high as 1.15%, the highest since late March 2020. While directionally, higher inflation is to be expected, it is hard to imagine a material shock to consumer prices until higher levels of employment are seen, absent some unforeseen external shock, as markets price in a first U.S. Fed rate hike no sooner than 2023.

- BMO Multi-Asset Solutions Team ("MAST")  
BMO Asset Management Inc.

Index	Canadian Dollar Return	Close
S&P 500 Index	-0.74%	9,834.00
MSCI World Index	-0.70%	13,603.32
FTSE Canada Universe Bond Index	-1.11%	1,207.71
Canadian Dollar (\$US/\$CA)	-0.33%	0.78
Crude Oil	7.88%	66.83 bbl/CAD

Index performance is shown for illustrative purposes only. You cannot invest directly in an index. Source: Bloomberg, as at Jan 29 2021.

## BMO Ascent Portfolios – Monthly Portfolio Commentary

### Fixed Income

- No changes occurred on the policy rate front as central banks maintain a zero-bound policy framework for the foreseeable future.
- We continue to maintain our positioning in the fixed income side of the book – slight duration overweight on the equity-heavier BMO Ascent Portfolio risk profiles, with a small bias to investment grade credit.

### Equities

- As we trade more into equities, we continue to be deliberate with our trades between the core holdings and satellites.
- We continue to slowly rotate into U.S., while slowly trading out of Canada and international markets.
- On the factor front, we continue our rotation into U.S. Momentum (MTUM – iShares MSCI USA Momentum Factor ETF) – buying opportunistically with the risk-on trade being rewarded.
- 2020 was an unusual year where we saw performance concentrated in a few mega stocks. While those stocks will continue to rally, we are anticipating a potential catch-up trade occurring in 2021 for some factors and sectors that were out of favour last year. We expect the post-pandemic era will be a boon for our diversified factor approach in the portfolios as growth becomes less scarce.



[Main Page](#)

## BMO Ascent Portfolios – as at Jan 21, 2021

# Asset Allocation

Fixed Income	Income	Conservative	Balanced	Growth	Equity Growth
BMO Core Plus Bond Fund	25.7	18.8	12.2	5.6	1.6
BMO Aggregate Bond Index ETF	20.4	14.9	9.7	2.9	-
BMO Mid-Term US IG Corporate Bond Index ETF	12.5	9.1	5.9	2.5	-
BMO Long Federal Bond Index ETF	4.8	5.5	4.1	2.7	-
BMO Emerging Markets Bond Fund	3.0	2.2	1.8	0.8	-
BMO High Yield US Corporate Bond Index ETF	3.8	2.8	1.8	0.8	-
BMO Short Federal Bond Index ETF	5.0	1.7	0.6	-	-
Other Fixed Income	0.8	0.6	-	-	-
<b>Total Fixed Income</b>	<b>76</b>	<b>56</b>	<b>36</b>	<b>15</b>	<b>2</b>
Equity					
BMO S&P 500 Index ETF	4.6	7.2	10.8	14.8	20.2
BMO S&P/TSX Capped Composite Index ETF	5.1	9.1	14.3	20.1	18.6
BMO MSCI EAFE Index ETF	3.8	6.5	7.0	9.7	9.0
BMO MSCI Emerging Markets Index ETF	3.0	5.5	9.2	10.0	11.7
iShares Edge MSCI USA Momentum Factor ETF	1.0	3.2	5.6	8.5	11.3
BMO Global Growth & Income Fund	0.3	2.8	4.2	4.5	3.0
US Vanguard Russell 1000 Growth ETF	-	-	0.5	1.2	3.8
US Vanguard Russell 1000 Value ETF	2.0	1.8	1.8	2.4	2.5
BMO Global Small Cap Fund	1.0	2.8	5.5	7.5	10.0
iShares Gold Trust	-	1.5	1.9	2.9	2.9
Other Equity	3.4	4.2	3.4	3.4	5.5
<b>Total Equity</b>	<b>24</b>	<b>45</b>	<b>64</b>	<b>85</b>	<b>98</b>



**Main Page**

## BMO Ascent Portfolios – Performance

Series A Performance (%)	Since Inception	1 Month	3 Months	6 Months	1 Year
BMO Ascent Income Portfolio A	4.0	-0.9	2.9	1.2	3.7
BMO Ascent Conservative Portfolio A	4.3	-0.8	5.0	3.0	3.9
BMO Ascent Balanced Portfolio A	5.3	-0.5	7.2	5.0	4.8
BMO Ascent Growth Portfolio A	6.0	-0.3	9.6	7.5	5.5
BMO Ascent Equity Growth Portfolio A	7.5	-0.1	10.9	9.4	7.7

Data as of January 29, 2021.

Performance is for Series A mutual funds in Canadian dollars and is net of fees and taxes.

Source: Morningstar Direct



Main  
Page

# Disclaimer

This article is for information purposes. The information contained herein is not, and should not be construed as, investment, tax or legal advice to any party. Investments should be evaluated relative to the individual's investment objectives and professional advice should be obtained with respect to any circumstance.

Commissions, management fees and expenses (if applicable) may be associated with investments in mutual funds and exchange traded funds (ETFs). Trailing commissions may be associated with investments in mutual funds. Please read the fund facts, ETF Facts or prospectus before investing. Mutual funds and ETFs are not guaranteed, their values change frequently and past performance may not be repeated.

For a summary of the risks of an investment in BMO Mutual Funds or BMO ETFs, please see the specific risks set out in the prospectus of the relevant mutual fund or ETF. BMO ETFs trade like stocks, fluctuate in market value and may trade at a discount to their net asset value, which may increase the risk of loss. Distributions are not guaranteed and are subject to change and/or elimination.

BMO Mutual Funds are offered by BMO Investments Inc., a financial services firm and separate entity from Bank of Montreal. BMO ETFs are managed and administered by BMO Asset Management Inc., an investment fund manager and portfolio manager and separate legal entity from Bank of Montreal.

BMO Global Asset Management is a brand name that comprises BMO Asset Management Inc., BMO Investments Inc., BMO Asset Management Corp., BMO Asset Management Limited and BMO's specialized investment management firms.

©/™Registered trademarks/trademark of Bank of Montreal, used under licence.

 [Main Page](#)