

BMO Ascent Portfolios

June 2024

Monthly Commentary

Market & Economic Commentary

BMO Managed Solutions

Portfolio Activity

as at May 31, 2024

Asset Allocation

as at May 31, 2024

Performance

as at May 31, 2024

Legal Disclaimer

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



Global Asset Management

Downshift to Neutral

April's pullback proved to be short lived, as May brought a resurgence of positive sentiment, a combination of softer inflation data and continued support from tech earnings. The beginning of June however brought some doubt back into the collective view, as a blowout U.S. non-farm jobs report dented rate cut expectations. A huge miss to the upside, job creation came in at 272,000 versus the consensus expected 180,000, with wage growth moving slightly higher back up, only to reverse course on the day of the Fed's June meeting, which coincided with downside surprises in consumer price index (CPI) readings for May.

Despite holding rates steady yet again, markets quickly moved to price a second cut back into 2024 expectations, even while the Fed's own dot plot (i.e., median expectations of voting members) showed a deferral of the previously expected second cut to 2025's total. The result was a sharp gain in bonds, as the U.S. 10-year treasury yield plunged to below 4.30%. What was of note was during the month, the market actually showed a couple of instances where bad news was actually seen as bad news; for example, the slowing of ISM manufacturing index saw a negative impact on the daily market move, rather than being cheered as a reason for the Fed to cut rates. Nonetheless, the S&P500 Index once again set a new all time high, hitting 5,433 at time of writing, well outpacing May's Bloomberg Strategist Consensus Year-End Forecast (SPXSFRCS Index) of 5,100.

With so many things going right, the reader might be surprised to hear that we have adjusted our House View of equities to neutral from our long-standing overweight. Well, the devil is always in the details, and while our longer-term outlook for equities remains positive, there are a number of short-term tailwinds that are materializing in our view:

- 2025 earnings per share (EPS) projections have not come down at all – despite reductions in expected gross domestic product growth and an increasingly tighter job market, there has been no material reduction in projected growth rates for most sectors of the S&P500 Index for 2025.
- Consumer spending has pulled back in the lower income tiers, with many large retailers reporting reduced same store sales and cutting projected earnings expectations.
- AI (artificial intelligence) seems to be re-defining the law of gravity, with more and more of the market being linked to its parabolic growth. Not just semis and software, but Utilities, Materials and Industrials have all seen upticks due to the expected revolutionary impacts of AI. Broadening of market participation is always a welcome thing, and AI is certainly a multi-year, if not decades, theme. However, the recent sharp gains made with a complacent level of volatility suggest that corrections from overbought conditions should be expected along the way.

- Canadian rate cuts finally have started, but will they come fast enough? With both the Bank of Canada and European Central Bank cutting their first 25 basis points, it does remove some uncertainty at the margin, but the clock is ticking before the 2025/26 refinancing wall approaches, when it is estimated that close to 74% of Canadian mortgages outstanding will need to be rolled, with roughly a 2.5-3% higher applicable interest rate on the bellwether 5-year fixed mortgage. With four more meetings between now and year end, the market is only pricing in 2, maybe 3 cuts, implying a policy rate of 4-4.25% for the start of next year.

- Politics, politics, here there and everywhere – 2024 is the busiest year for global elections worldwide, despite the media focus on our neighbours to the south. The U.S. Presidential Election will undoubtedly bring volatility, less-than diplomatic rhetoric, and significant implications for domestic policy, international trade, and ultimately, economic growth. Europe is facing similar unrest, with the snap election called in France, and "tariff tennis" being played between the European Union and China over electric vehicle imports. Military conflict in the middle east and Ukraine continues, with very little visibility on a resolution for either.

Now, lest the reader leave completely discouraged, note that these are some of the headwinds. For each, there is an equal, and in many cases, stronger tailwind for financial markets, and hence our staying neutral equities versus bonds or cash, versus an outright underweight. Across the full line-up of BMO's managed solutions, this shift is expressed in several different ways, whether an outright sale of equities, a shift to lower-beta exposures within the market, or through the application of an overlay strategy, using options as a hedge against adverse market movements. In short, this is not a year in which we are "selling in May and going away"...but we will definitely be checking the tape regularly – even if it's from the cottage on the odd Friday.

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

Index	Canadian Dollar Return	Close
S&P 500 Index	4.10%	15,682.22
MSCI World Index	3.72%	20,148.36
FTSE Canada Universe Bond Index	1.40%	1,104.81
Canadian Dollar (\$US/\$CA)	1.10%	0.73
Crude Oil	-6.79%	105.04 bbl/CAD

Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

Source: Bloomberg, from Apr 30, 2024 to May 31, 2024.

Main
Page

BMO Ascent Portfolios – Monthly Portfolio Commentary

Fixed Income

- Bonds came back in May with the BMO Aggregate Bond ETF up 1.7% as yields dipped lower.
- The U.S. 10year fell 20 basis points, closing the month at 4.5% level. The Canada 10year saw similar activity, closing the month at 3.6%
- The longer end U.S. Long Treasuries finally saw a good month. Credit continues to hold up well in this risk-on period with both high yield and investment grade delivering positive returns.
- The portfolio continues to be neutral on the bond side – not making tilts on either duration or credit.

Equities

- The house view continues to favour U.S at a regional level. This has been an exceptional trade since the risk-on rally began in November 2023. The backdrop of strong earnings data in the S&P500 Index has buoyed the rally and has kept the positive momentum going.
- International equities in recent weeks have picked up momentum and were neck to neck with the S&P500 Index performance in the month of May.
- That's precisely why we continue to favour the integrated factor approach on the equities. While value and low volatility have certainly lagged YTD, this can suddenly reverse (i.e. EAFE) as the catch-up trade gains momentum in the back half of 2024.
- Infrastructure continues to have a strong month as it outperformed broad equities. The Physical Gold position continues to be positive even as risk assets rallied. The long/short alpha-driven strategies continue to deliver positive returns in a risk-on month, demonstrating the all-weather nature of these strategies.
- The portfolios will continue to emphasize the integrated approach of ETFs | Factors | Alternatives in its portfolio construction.



Main
Page

BMO Ascent Portfolios (%) – as at May 31, 2024

Fixed Income	Income	Conservative	Balanced	Growth	Equity Growth
BMO Core Plus Bond Fund	12.4	11.7	7.6	4.3	-
BMO Aggregate Bond Index ETF	18.4	17.0	11.1	2.7	-
BMO Mid-Term US IG Corporate Bond Index ETF	18.8	13.2	8.9	4.3	-
BMO Emerging Markets Bond Fund	5.4	4.3	2.9	1.2	-
BMO High Yield US Corporate Bond Index ETF	5.3	4.1	2.6	1.0	-
BMO Money Market Fund ETF	3.0	2.2	0.3	0.1	-
Other Fixed Income / Cash	2.3	2.6	3.5	5.0	7.7
Total Fixed Income	66	55	37	19	8
Equity					
BMO S&P 500 Index ETF	9.0	12.8	19.7	25.6	27.7
BMO S&P/TSX Capped Composite Index ETF	3.3	5.8	10.8	15.8	17.1
BMO MSCI EAFE Index ETF	7.3	10.2	15.7	20.9	25.2
BMO MSCI Emerging Markets Index ETF	1.0	1.9	2.9	3.8	4.8
BMO Global Infrastructure Fund	2.1	2.5	3.2	3.7	3.8
US Vanguard Russell 1000 Growth ETF	0.2	0.4	0.4	-	-
BMO Women in Leadership Fund	0.4	0.6	1.0	1.8	4.8
BMO Global Small Cap Fund	-	0.1	1.8	1.6	2.5
iShares Global REIT ETF	2.0	2.0	2.6	2.6	2.8
BMO MSCI USA Value ETF	0.5	0.5	-	-	-
Royal Mint Responsibly Sourced Physical Gold ETC	2.3	1.8	1.4	1.6	-
Other Equity	6.4	6.3	3.7	4.0	3.6
Total Equity	34	45	63	81	92


 Main
Page

BMO Ascent Portfolios – Performance

Series A Performance (%)	Since Inception	1 Month	3 Months	6 Months	1 Year	3 Year	5 Year
BMO Ascent Income Portfolio A	1.5	2.1	1.5	5.1	6.6	-0.7	0.8
BMO Ascent Conservative Portfolio A	2.5	2.3	2.1	6.5	8.6	0.6	2.2
BMO Ascent Balanced Portfolio A	4.0	2.7	3.0	8.7	11.8	2.3	4.0
BMO Ascent Growth Portfolio A	5.7	3.1	4.0	11.2	15.6	4.5	6.1
BMO Ascent Equity Growth Portfolio A	7.4	3.3	4.6	12.9	18.8	6.2	8.2

Data as of May 31, 2024.

Inception date September 18, 2017. Performance is for Series A mutual funds in Canadian dollars and is net of fees and taxes.

Source: Morningstar



Main
Page

This report has been prepared by the BMO Multi-Asset Solutions Team and is intended for informational purposes only. The viewpoints expressed by the Portfolio Manager represents their assessment of the markets at the time of publication. Those views are subject to change without notice at any time without any kind of notice. The information provided herein does not constitute a solicitation of an offer to buy, or an offer to sell securities nor should the information be relied upon as investment advice. Past performance is no guarantee of future results. This communication is intended for informational purposes only.

Any statement that necessarily depends on future events may be a forward-looking statement. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Although such statements are based on assumptions that are believed to be reasonable, there can be no assurance that actual results will not differ materially from expectations. Investors are cautioned not to rely unduly on any forward-looking statements. In connection with any forward-looking statements, investors should carefully consider the areas of risk described in the most recent simplified prospectus.

The BMO ETFs or securities referred to herein are not sponsored, endorsed or promoted by MSCI Inc. (“MSCI”), and MSCI bears no liability with respect to any such BMO ETFs or securities or any index on which such BMO ETFs or securities are based. The prospectus of the BMO ETFs contains a more detailed description of the limited relationship MSCI has with BMO Asset Management Inc. and any related BMO ETFs.

The Index is a product of S&P Dow Jones Indices LLC or its affiliates (“SPDJI”), and has been licensed for use by the Manager. S&P®, S&P 500®, US 500, The 500, iBoxx®, iTraxx® and CDX® are trademarks of S&P Global, Inc. or its affiliates (“S&P”) and Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC (“Dow Jones”), and these trademarks have been licensed for use by SPDJI and sublicensed for certain purposes by the Manager. The ETF is not sponsored, endorsed, sold or promoted by SPDJI, Dow Jones, S&P, their respective affiliates, and none of such parties make any representation regarding the advisability of investing in such product(s) nor do they have any liability for any errors, omissions, or interruptions of the Index.

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 of the relevant mutual fund or ETF 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 under which BMO Asset Management Inc. and BMO Investments Inc. operate.

This material is for information purposes. The information contained herein is not, and should not be construed as, investment, tax or legal advice to any party. Particular investments and/or trading strategies should be evaluated relative to the individual’s investment objectives and professional advice should be obtained with respect to any circumstance.

“BMO (M-bar roundel symbol)” is a registered trademark of Bank of Montreal, used under licence.