

BMO ETF Portfolios

(F-Series)

April 2024

Monthly Commentary

10-year
Anniversary

Portfolio
Activity

as at Mar 31, 2024

Market &
Economic
Commentary

BMO Managed Solutions

Asset Allocation

as at Mar 31, 2024

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as at Mar 31, 2024

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“Imagine there's no rate cuts...it's easy if you try...”

First and foremost, apologies to John Lennon. Moving on...

Following a strong first quarter performance from global equities, investor's collective nerves were shaken in early April with hotter-than-expected CPI data, which followed yet another upside surprise in U.S. job creation in March. This resulted in a sharp sell-off of equities, but an even sharper impact on interest rates, with the U.S. 10-year surging up beyond 4.5%, a level last seen in November of last year, after peaking just above 5%. More importantly, U.S. Federal Reserve futures pricing shifted even lower, now closer to only two cuts by year's end, and a definitive dismissal of any market expectations for June to mark a first cut.

We have observed the shift in narrative from "hard landing", to "soft" to "no landing" at all, but recent data suggests that not only is the U.S. economy not landing, it is indeed accelerating. With upgrades to both gross domestic product (GDP) forecasts and expected earnings-per-share growth, the apparent NEED for rate cuts in the U.S. is waning. Canada, on the other hand, is increasingly diverging in this respect, where softer job growth and higher overall rate sensitivity is impacting both the key banking sector and consumers alike. In particular, anyone who locked in a mortgage in 2020 is most likely nervously counting the months until their 2025 refinancing, when absent any policy cuts, will represent a significant increase in their monthly mortgage payment. Couple that with sub-trend GDP growth, the BoC's more dovish tone following their April meeting has still left the door open for an earlier June start versus our US neighbors.

Which brings us to the big question: What if the U.S. doesn't end up cutting at all, and what does that mean for markets? What if inflation is forever banished from returning to the nirvana of sub-2% level so firmly entrenched in the collective psyche of policy makers and investors? With a shifting geopolitical stage and the continued deglobalization of trade which peaked in 2018, fewer deflationary influences suggest that perhaps three is the new two. Or perhaps other deflationary forces, like artificial intelligence or advances in healthcare that reduce overall care costs on individuals and taxpayers will dominate, returning us to the prior low inflation regime. The longer-term result remains to be seen, but the shorter-term answer seems to be that markets are less focused on rates than they are on earnings growth, and that the economy seems to be growing into the higher rate environment. As such, we remain overweight equities, viewing the current pullback as a pause, not a reversal of trend.

Steven W. Shepherd, CFA

Director, Portfolio Manager, BMO Asset Management Inc.

Index	Canadian Dollar Return	Close
S&P 500 Index	2.91%	15,456.59
MSCI World Index	3.00%	19,857.97
FTSE Canada Universe Bond Index	0.49%	1,107.75
Canadian Dollar (\$US/\$CA)	0.29%	0.74
Crude Oil	5.95%	112.59 bbl/CAD

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

Source: Bloomberg, from Feb 29, 2024 to Mar 31, 2024.

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BMO ETF Portfolios – Monthly Portfolio Commentary

- We continue to see value in gold as a long-term portfolio diversifier, and despite new all-time highs being set, we believe there is still significant upside to bullion, a result primarily of central bank buying. On a shorter-term basis, we respect the sharpness of the recent rally, and have underwritten covered calls to provide a measure of relative defensiveness should we see any price consolidation.
- We continue to hold downside hedges to guard against downside volatility*, using options on both the S&P 500 and Nasdaq indices. Despite the recent pullback, the cost of purchasing such insurance remains relatively cheap.
- Our most recent house view continues to favour U.S. equities over Canada, although recent price action among base commodities and energy are benefitting those sectors in the short-term. We remain concerned regarding the broader health of the economy however, and remain cautious pending further clarity on the Bank of Canada’s timing of rate cuts.

*Volatility: Measures how much the price of a security, derivative, or index fluctuates.

Fixed Income Metrics	Fixed Income	Income	Conservative	Balanced	Growth	Equity Growth
Effective Duration	7.18	7.10	7.12	7.19	7.17	0.00
Yield to Maturity	5.12%	4.90%	4.91%	4.92%	5.00%	0.00%
Current Yield	3.89%	3.69%	3.81%	3.81%	3.93%	0.00%

Data as of Mar 31, 2024. Fixed income metrics shown are for the fixed income portion of the BMO ETF Portfolios only, excluding equities and cash.

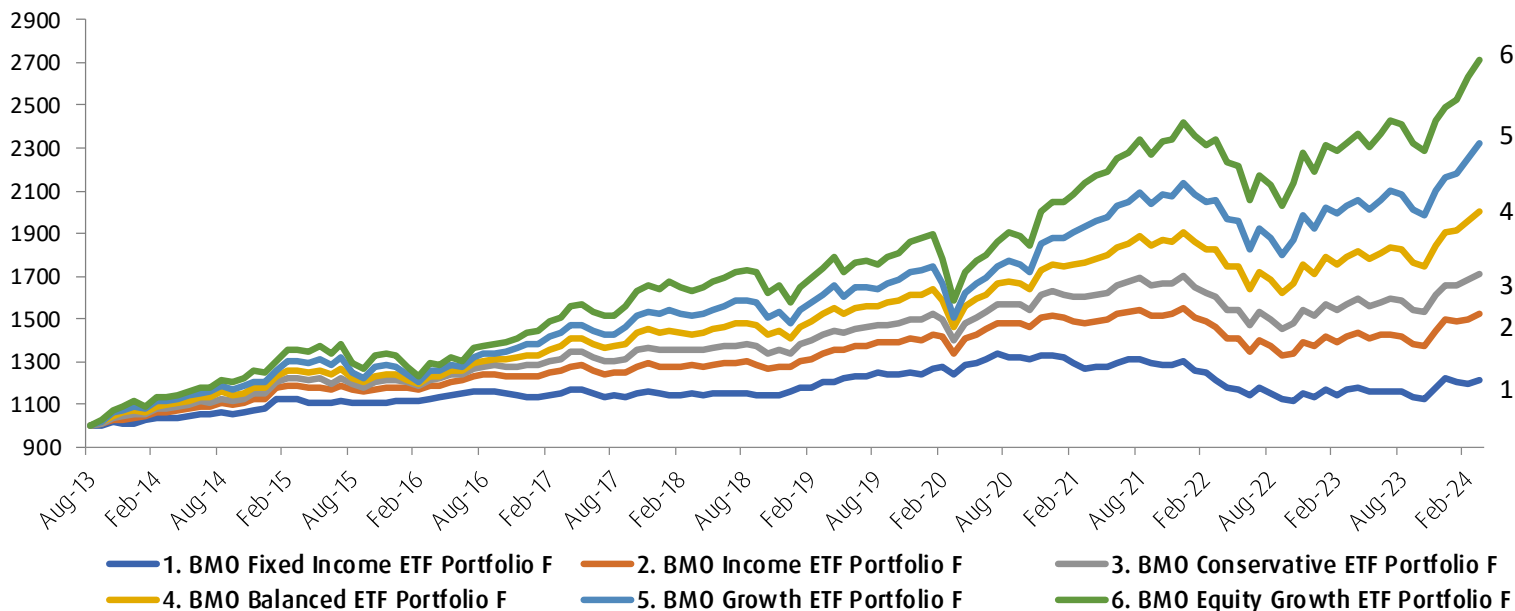
BMO ETF Portfolios (%) – as at Mar 31, 2024

Asset Allocation

	Ticker	BMO Fixed Income ETF Portfolio	BMO Income ETF Portfolio	BMO Conservative ETF Portfolio	BMO Balanced ETF Portfolio	BMO Growth ETF Portfolio	BMO Equity Growth ETF Portfolio
Fixed Income							
BMO Aggregate Bond Index ETF	ZAG	10.9	16.0	18.4	11.2	4.6	-
BMO Mid-Term US IG Corporate Bond ETF (CAD Hgd)	ZMU	34.7	17.1	14.0	9.0	4.2	-
BMO High Yield US Corporate Bond (CAD Hgd)	ZHY	7.4	4.5	3.7	2.4	1.1	-
BMO Core Plus Bond Fund ETF	ZCPB	5.5	6.6	4.8	3.4	2.4	-
BMO Emerging Markets Bond ETF (CAD Hgd)	ZEF	10.0	5.5	4.4	2.9	1.3	-
BMO Canadian MBS Index ETF	ZMBS	5.2	3.4	2.4	1.5	-	-
SPDR Portfolio Tips ETF	SPIP-US	4.9	-	-	-	-	-
BMO Long Federal Bond Index ETF	ZFL	14.1	7.7	6.3	4.0	1.4	-
BMO Ultra Short-Term Bond ETF	ZST	1.7	1.5	1.4	0.5	0.2	-
BMO Discount Bond Index ETF	ZDB	-	6.8	-	0.5	-	-
Cash & Cash Equivalents		5.6	1.8	1.7	1.2	0.9	0.9
TOTAL Fixed Income		100	71	57	37	16	1
Equity							
BMO S&P 500 Index ETF	ZSP	-	10.8	15.5	22.9	26.6	31.4
BMO S&P/TSX Capped Comp Index ETF	ZCN	-	7.3	10.5	16.0	21.3	20.5
BMO MSCI EAFE Index ETF	ZEA	-	5.4	7.0	11.9	16.4	17.0
BMO MSCI Emerging Markets Index ETF	ZEM	-	1.4	2.0	3.0	4.0	4.8
BMO MSCI Europe High Quality Index ETF	ZEQ	-	0.8	1.6	1.6	1.4	3.1
BMO Japan Index ETF	ZJPN	-	1.6	2.7	3.3	3.6	5.8
BMO Equal Weight Banks Index ETF	ZEB	-	0.4	0.6	0.9	1.2	1.4
BMO Global Infrastructure Fund	BGIF	-	-	-	-	1.0	1.0
BMO Global REIT Fund	BGRT	-	-	-	-	1.0	1.0
BMO S&P US Small Cap Index ETF	ZSML	-	-	-	0.6	0.6	0.8
iShares Gold Trust	IAU	-	0.6	0.8	1.2	1.7	2.0
Industrial Select Sector SPDR ETF	XLI	-	0.3	0.6	0.6	0.6	1.8
Technology Select Sector SPDR ETF	XLK	-	0.4	0.8	0.8	0.8	2.4
BMO NASDAQ 100 Equity Index ETF	ZNQ	-	-	-	-	3.2	4.2
BMO Global Health Care Fund	BGHC	-	0.3	0.6	0.6	0.6	1.8
TOTAL Equity		0	29	43	63	84	99

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BMO ETF Portfolios Performance (since inception, as of Mar 31, 2024)



The chart illustrates the impact to an initial investment of \$1,000 dollars from August 12, 2013 to March 31, 2024 in the BMO ETF Portfolios - Series F. It is not intended to reflect future returns on investments.

Time Lapse	Fixed Income	Income	Conservative	Balanced	Growth	Equity Growth
1 month	0.9%	1.5%	1.8%	2.3%	2.8%	3.2%
3 month	-0.7%	1.8%	3.1%	5.2%	7.2%	8.9%
6 month	7.0%	9.7%	11.0%	13.2%	15.2%	16.8%
1 Year	3.5%	7.1%	9.0%	11.8%	14.4%	17.0%
3 Year	-1.4%	1.0%	2.3%	4.3%	6.3%	8.1%
5 Year	0.3%	2.5%	3.8%	5.7%	7.5%	9.2%
10 Year	1.6%	3.6%	4.7%	6.2%	7.6%	9.0%
Since Inception as of August 12, 2013	1.8%	4.0%	5.1%	6.6%	8.1%	9.5%

Series F units are only available to investors who participate in eligible wrap programs or flat fee accounts with their registered dealers that have entered into a Series F Agreement with BMO Investments Inc.

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BMO ETF Portfolios use ETFs as the building blocks, giving you the benefits of ETFs and mutual funds in an easy to use, all-in-one investment solution. They provide diversified market and asset exposure through a series of risk-differentiated portfolios invested in BMO ETFs.

1 Clients expect investment professionals to take **advantage of ETFs** in their portfolio

2 BMO ETFs rank #2 in net new assets in the Canadian industry for 2023*

3 BMO ETF Portfolios & BMO USD ETF Portfolios are **risk-based ETF solutions** that meet client's evolving long-term needs

Mutual Fund Trust	Fixed Income				Income				Conservative				Balanced				Growth				Equity Growth			
	FE*	LL [†]	DSC [†]	Fee Based	FE*	LL [†]	DSC [†]	Fee Based	FE*	LL [†]	DSC [†]	Fee Based	FE*	LL [†]	DSC [†]	Fee Based	FE*	LL [†]	DSC [†]	Fee Based	FE*	LL [†]	DSC [†]	Fee Based
Advisor	99700	98700	97700	-	99701	98701	97701	-	99702	98702	97702	-	99703	98703	97703	-	99704	98704	97704	-	99705	98705	97705	-
T6	34706	33706	32706	-	34707	33707	32707	-	34708	33708	32708	-	34709	33709	32709	-	34710	33710	32710	-	34712	33712	32712	-
F	-	-	-	95700	-	-	-	95701	-	-	-	95702	-	-	-	95703	-	-	-	95704	-	-	-	95705
F2	-	-	-	14700	-	-	-	14701	-	-	-	14702	-	-	-	14703	-	-	-	14704	-	-	-	14705
F4	-	-	-	-	-	-	-	37701	-	-	-	37702	-	-	-	37703	-	-	-	37704	-	-	-	37705
F6	-	-	-	-	-	-	-	36701	-	-	-	36702	-	-	-	36703	-	-	-	36704	-	-	-	36705

Management Expense Ratio (MER) as of September 30, 2023

Advisor	1.01%	1.67%	1.67%	1.72%	1.72%	1.78%
F	0.45%	0.56%	0.56%	0.61%	0.62%	0.67%

†FE = Sales Charge | †DSC (Deferred Sales Charge) and LL (Low Load) purchase options are no longer available for sale.

USD

Mutual Fund Trust	USD INCOME	USD CONSERVATIVE	USD BALANCED
Advisor	99816	99814	99812
T6	99817	99815	99813
F	95816	95814	95812
F6	36817	36815	36813
MER (Advisor/T6)	1.54% / 1.51%	1.59% / 1.55%	1.61% / 1.62%
MER (F/F6)	0.57% / 0.57%	0.51% / 0.52%	0.47% / 0.45%

* National Bank Report, January 2024

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