

BMO ETF Portfolios

(F-Series)

April 2025

Monthly Commentary

Market & Economic Commentary

BMO Managed Solutions

Portfolio Activity

as at Mar 31, 2025

Asset Allocation

as at Mar 31, 2025

Performance

as at Mar 31, 2025

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Global Asset Management

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Trade Wargames

“The only way to win...is not to play...”

Despite dating myself profoundly, the above quote from the self-aware computer “Joshua” from the movie “WarGames” (1983) seems eerily timely, given its themes of artificial intelligence (AI), international political conflict, and general anxiety over global collapse...but, probably just a coincidence.

However, when considered against the current threat of a tariff-induced global trade war, it is particularly apt. “Thermonuclear” is a fair description of the economic impact of the worst case scenario of possible U.S. tariffs, which have been touted to consider not only trade imbalances and tariff differentials, but also Value Added Taxes applied to U.S. goods, and even “non-trade barriers”, like product standards related to safety or food ingredients that prove onerous for U.S.-made exports. Upper-end estimates of analysis provided by Bloomberg Economics show the impact pushing the average U.S. tariff rate moving from 2.4% to just under 35%*. Remember: tariffs are a tax, pure and simple, paid by the end consumer buying the good. “Boom”, indeed.

*The ultimate levies applied April 2, 2025 tally to roughly 22.5%, or a trade-weighted average of about 18%. In dollars, it represents roughly \$600 billion USD, or roughly 2.2% of total U.S. GDP. (Source: Bloomberg, Strategas Research)

Q1 Review: Through the Looking Glass

The first quarter of 2025 (the “quarter”) has been marked with a radical shifting of global trade policy, international security alignments, and heightened political divide. As per campaign promises, the Trump administration has moved quickly and forcefully to enact new tariffs on imports, with the intent to reignite U.S. manufacturing, while simultaneously pursuing other goals related to immigration and negotiating an end to fighting in Ukraine and Gaza. Equally forceful has been federal spending cuts with the dismantling of several government agencies under Elon Musk’s Department of Government Efficiency (DOGE), resulting in mass terminations of federal workers.

The market impacts have been profound, with heightened volatility and corrections across most risk assets, most notably the S&P500 Index. The prior dominance of the Magnificent Seven stocks (Alphabet, Amazon, Apple, Meta Platforms, Microsoft, NVIDIA and Tesla) has been upended, primarily due to the release by China’s DeepSeek of an artificial intelligence (AI) model that offers top tier performance at an apparently lower development/processing price point, leading to questions of potential overinvestment and overvaluation across the industry. This has led the broader index down,

although some of it can be accounted for by some profit taking in Financials and Consumer Discretionary (although the latter is more a function of Tesla’s residence in the sector, and political backlash against its founder). A rotation to more attractively valued sectors including Health Care and Energy has offered small bright spots within the U.S. market year-to-date, but more pronounced has been the relative outperformance of both Europe and China, despite being primary targets of Trump’s reciprocal tariff threats. Canadian equities remained flat over the quarter, with only a slight decline for Banks, a sharp fall for Energy, and a massive surge in Materials, dominated largely by the price of gold bullion.

Gold has been a welcome outlier in financial markets, rising 17.5% (in USD) since the start of the year. Seen as a hedge against the de-dollarization of global trade, both institutional buying by central banks and retail buying pushed billion above \$3,100USD per oz, with analyst forecasts of \$3,500 by year’s end increasingly common (Bloomberg, 2025).

As volatile as equities have been, rates have been more so, as the combination of potential inflation from tariffs and reduced employment across exporters and federal agencies has sparked concerns of a stagflation scenario (rising prices with slowing economic growth). From a policy standpoint, this is perhaps the most challenging for central banks as the cure for one issue complicates the other: more plainly, raising rates to fight inflation creates further drag on the economy. That said, additional rate cuts remain priced in for the balance of the year in both the U.S. (three 25 basis point cuts) and Canada (two), with the latter having a greater potential for further cutting to offset the impact of tariffs. The benchmark U.S. 10-year yield tested 4.80% in January, drifting to end the quarter at 4.21% as risk adverse investors shifted to fixed income (Bloomberg, 2025).

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Index	Canadian Dollar Return	Close
S&P 500 Index	-6.05%	17,769.04
MSCI World Index	-1.61%	23,083.72
FTSE Canada Universe Bond Index	-0.28%	1,192.50
Canadian Dollar (\$US/\$CA)	0.51%	0.70
Crude Oil	2.01%	102.76 bbl/CAD

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

Source: Bloomberg, from Feb 28, 2025 to Mar 31, 2025.

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BMO ETF Portfolios – Monthly Portfolio Commentary

- Equity exposures have been reduced to neutral, mostly through neutralization of the prior U.S. equity overweight, eliminating our Nasdaq exposure and reducing our core S&P500 holdings.
- In addition, we have been maintaining protective put options (“puts” allow an investor to sell a security at a predetermined price) on both U.S. and Canadian equities, resulting in an effective underweight of equities.
- Conversely, we have been increasing our exposure to core Canadian bonds, both through the passive index ETF (BMO Aggregate Bond Index ETF - ZAG) and our active fixed income team’s BMO Core Plus Bond Fund.

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Following our shift to overweight equities post-U.S. election, we have spent the year reducing our exposure and enhancing our option overlay protection, bringing our portfolio solutions to an effective underweight of equities. Exposure to technology has been further reduced, removing our holdings of NASDAQ, while our previously held tilts to Global Health Care and U.S. Banks have both added relative value over the quarter. Similarly, we have neutralized our prior tilt to the U.S, using the proceeds to increase our core fixed income positions, holding a slight overweight of Canadian duration. While we are aware of recent history’s support of the notion of buying the dips in equities, the longer-term view shows that slippage below 200 day moving averages (average closing price over the last 200 days) paired with the sharp decline in breadth of names in an uptrend can test even the longest of investment horizons. More concerning, the number of companies issuing negative first quarter earnings guidance is double that of those offering positive guidance, again led by the Tech sector, the single largest by market capitalization.

All data from Bloomberg, March 2025.

Steven W. Shepherd, CFA
 Director, Portfolio Manager, BMO Asset Management Inc.

Fixed Income Metrics	Fixed Income	Income	Conservative	Balanced	Growth	Equity Growth
Effective Duration	6.12	6.23	6.48	6.70	7.16	0.00
Yield to Maturity	4.73%	4.26%	4.29%	4.23%	4.28%	0.00%
Current Yield	4.18%	3.90%	3.91%	3.74%	3.88%	0.00%

Data as of Mar 31, 2025. Fixed income metrics shown are for the fixed income portion of the BMO ETF Portfolios only, excluding equities and cash.



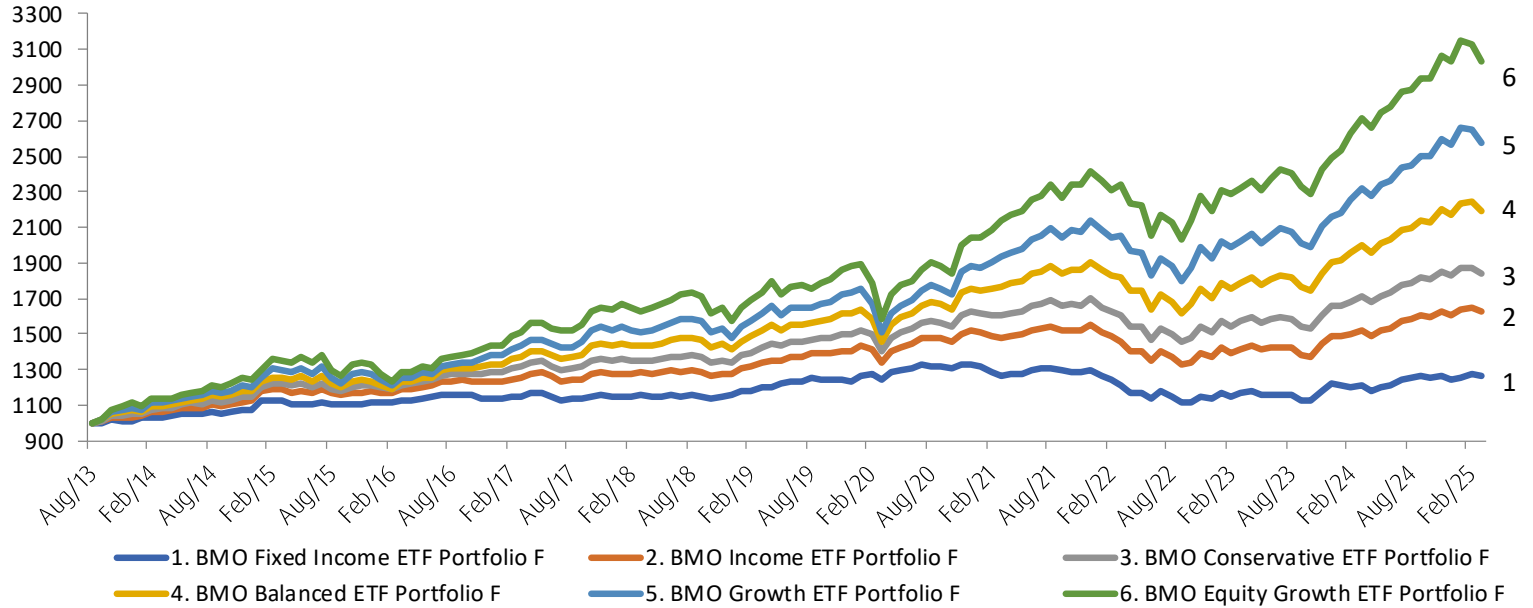
BMO ETF Portfolios (%) – as at Mar 31, 2025

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	11.6	21.5	14.7	11.5	4.9	-
BMO Mid-Term US IG Corporate Bond ETF (CAD Hgd)	ZMU	34.8	17.0	13.9	8.8	4.0	-
BMO High Yield US Corporate Bond (CAD Hgd)	ZHY	11.8	4.4	3.5	2.2	1.0	-
BMO Core Plus Bond Fund ETF	ZCPB	9.5	10.2	11.9	5.3	4.1	-
BMO Emerging Markets Bond ETF (CAD Hgd)	ZEF	9.8	5.2	4.1	2.5	1.1	-
BMO Canadian MBS Index ETF	ZMBS	5.3	3.5	2.3	1.5	-	-
BMO Long Federal Bond Index ETF	ZFL	8.0	3.2	3.4	3.0	1.3	-
BMO Short Corporate Bond Index ETF	ZCS	7.2	5.3	3.3	0.8	-	-
Cash & Cash Equivalents		1.9	1.3	2.0	2.5	0.9	1.0
TOTAL Fixed Income		100	72	59	38	17	1
Equity							
BMO S&P 500 Index ETF	ZSP	-	9.9	14.2	21.5	27.1	25.8
BMO S&P/TSX Capped Comp Index ETF	ZCN	-	6.7	10.0	15.1	20.2	22.8
BMO MSCI EAFE Index ETF	ZEA	-	4.3	5.5	9.7	14.1	21.4
BMO Global Equity Fund	BGEQ	-	2.2	3.2	4.7	6.3	7.2
BMO MSCI Emerging Markets Index ETF	ZEM	-	0.9	1.5	2.2	3.2	3.9
BMO MSCI Europe High Quality Index ETF	ZEQ	-	1.4	2.4	2.8	2.7	4.3
BMO Japan Index ETF	ZJPN	-	0.8	1.3	1.6	1.7	2.9
BMO Global Infrastructure Fund	BGIF	-	-	-	-	1.0	1.0
BMO Global REIT Fund	BGRT	-	-	-	-	0.9	0.9
BMO S&P US Small Cap Index ETF	ZSML	-	0.1	0.1	0.7	0.8	1.1
BMO Gold Bullion ETF	ZGLD	-	1.0	1.5	2.2	2.9	3.6
BMO Equal Weight US Bank Index ETF	ZBK	-	0.1	0.4	0.4	0.4	1.1
BMO Global Health Care Fund	BGHC	-	0.3	0.5	0.5	0.5	1.8
BMO MSCI India ESG Leaders Index ETF	ZID	-	0.3	0.4	0.5	0.7	0.9
SPDR S&P Regional Banking ETF	KRE	-	0.1	0.1	0.2	0.3	0.4
TOTAL Equity		0	28	41	62	83	99

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BMO ETF Portfolios Performance (since inception, as of Mar 31, 2025)



The chart illustrates the impact to an initial investment of \$1,000 dollars from August 12, 2013 to March 31, 2025 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	-0.4%	-1.3%	-1.7%	-2.3%	-2.9%	-3.3%
3 month	1.8%	1.2%	1.0%	0.7%	0.3%	0.0%
6 month	0.0%	1.1%	1.5%	2.2%	2.9%	3.3%
1 Year	4.9%	6.9%	7.7%	9.4%	11.0%	11.5%
3 Year	1.5%	3.6%	4.7%	6.3%	7.7%	8.9%
5 Year	0.5%	3.9%	5.6%	8.5%	11.3%	13.7%
10 Year	1.3%	3.2%	4.2%	5.7%	7.1%	8.3%
Since Inception as of August 12, 2013	2.1%	4.2%	5.3%	6.9%	8.3%	9.7%

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 2024*

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 ¹	DSC ¹	Fee Based	FE*	LL ¹	DSC ¹	Fee Based	FE*	LL ¹	DSC ¹	Fee Based	FE*	LL ¹	DSC ¹	Fee Based	FE*	LL ¹	DSC ¹	Fee Based	FE*	LL ¹	DSC ¹	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	-	-	-	-
F4	-	-	-	-	-	-	-	37701	-	-	-	-	-	-	-	37703	-	-	-	-	-	-	-	-
F6	-	-	-	-	-	-	-	36701	-	-	-	36702	-	-	-	36703	-	-	-	36704	-	-	-	36705

Management Expense Ratio (MER) as of September 30, 2024

Advisor (%)	1.01	1.67	1.67	1.72	1.72	1.78
F (%)	0.45	0.56	0.56	0.61	0.61	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)	1.70% / 1.70%	1.69% / 1.59%	1.58% / 1.59%
MER (F/F6)	0.57% / 0.57%	0.57% / 0.57%	0.47% / 0.48%

* National Bank Report, January 2025

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