

BMO ETF Portfolios

February 2021
Monthly Commentary

Market & Economic Commentary

BMO Managed Solutions

Portfolio Activity

as at Jan 29, 2021

Asset Allocation

as at Jan 29, 2021

Performance

as at Jan 29, 2021

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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.

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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 ETF Portfolios – Monthly Portfolio Commentary

- During the month of January, we narrowed the relative overweight of U.S. equities versus Canadian, in recognition of the inevitable broadening of market participation to cyclicals, which we have only seen the beginning of since November.
- The overweight of Emerging Markets remains one of our higher conviction calls (aside from equities over bonds), with tailwinds of growing global growth, a weaker U.S. dollar and fewer COVID-19 speedbumps in current play.
- While directionally rates are headed upward, it should be at a relatively modest pace, keeping our duration neutral among the BMO Balanced ETF portfolio, and slightly short among our BMO Fixed Income and BMO Income ETF Portfolios.



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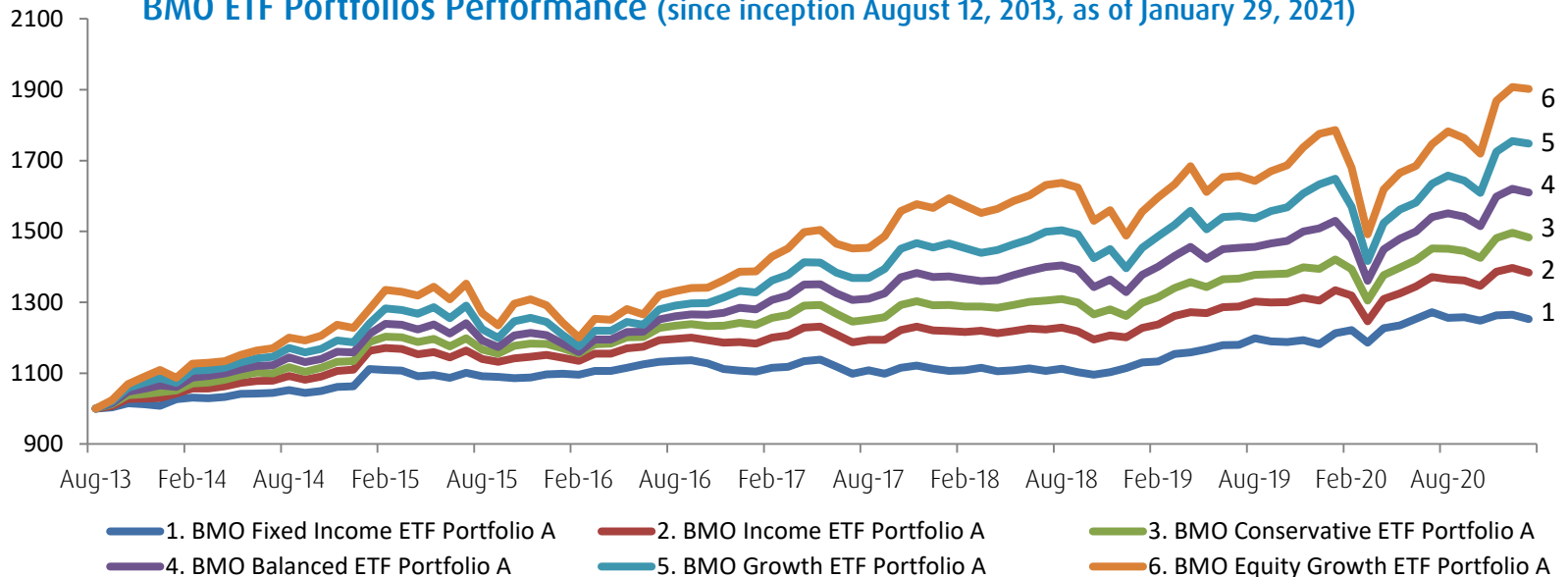
BMO ETF Portfolios – as at Jan 29, 2021

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	28.9	32.0	25.4	16.3	8.1	2.5
BMO Long Federal Bond Index ETF	ZFL	5.2	5.0	4.7	3.2	1.8	-
BMO Short Corporate Bond Index ETF	ZCS	7.8	2.7	2.2	0.8	0.4	-
BMO Mid Corporate Bond Index ETF	ZCM	2.6	6.6	3.9	2.5	1.0	-
BMO Mid-Term US IG Corporate Bond ETF (CAD Hgd)	ZMU	19.0	9.9	8.7	7.5	3.2	-
BMO Core Plus Bond Fund ETF	ZCPB	1.6	1.6	1.7	2.1	0.8	-
BMO Emerging Markets Bond ETF (CAD Hgd)	ZEF	4.6	3.3	3.0	1.7	0.6	-
BMO High Yield US Corp Bond Hedged	ZHY	8.4	1.9	1.6	1.7	0.6	-
BMO Long Provincial Bond Index ETF	ZPL	1.9	3.3	2.8	1.8	0.6	-
BMO Canadian MBS Index ETF	ZMBS	3.9	2.3	1.2	0.9	-	-
BMO FLOATING RATE HIGH YIELD	ZFH	1.6	1.8	1.5	0.4	0.4	-
SPDR Portfolio Tips ETF	SPIP-US	4.7	-	-	-	-	-
BMO Long-Term US Treasury Bond ETF	ZTL	4.7	-	-	-	-	-
Other Fixed Income/Cash	-	5.0	5.6	6.6	4.3	3.3	1.3
TOTAL Fixed Income	-	100	76	63	43	21	4
Equity							
BMO S&P 500 Index ETF	ZSP	-	9.4	13.6	18.8	24.4	30.8
BMO S&P/TSX Capped Comp Index ETF	ZCN	-	4.9	8.4	14.1	20.1	24.0
BMO MSCI EAFE Index ETF	ZEA	-	5.0	8.2	12.6	18.0	21.7
BMO MSCI Emerging Markets Index ETF	ZEM	-	3.4	4.5	5.9	8.6	10.2
BMO Low Volatility Canadian Equity ETF	ZLB	-	0.4	0.5	1.2	1.7	3.1
BMO Low Volatility US Equity ETF	ZLU	-	0.8	1.3	1.7	3.4	3.6
Other Equity	-	-	-	0.3	2.3	2.7	3.0
TOTAL Equity	-	0	24	37	57	79	96

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BMO ETF Portfolios Performance (since inception August 12, 2013, as of January 29, 2021)



Source: Morningstar Direct. Performance is for Series A mutual funds in Canadian dollars, and is net of fees and taxes.

Time Lapse	BMO Fixed Income ETF Portfolio A	BMO Income ETF Portfolio A	BMO Conservative ETF Portfolio A	BMO Balanced ETF Portfolio A	BMO Growth ETF Portfolio A	BMO Equity Growth ETF Portfolio A
1 month	-1.0%	-0.9%	-0.9%	-0.6%	-0.4%	-0.3%
3 month	0.4%	2.8%	4.1%	6.3%	8.7%	10.6%
6 month	-1.4%	1.1%	2.3%	4.6%	7.0%	8.9%
1 Year	3.3%	4.0%	4.6%	5.5%	6.0%	6.7%
3 Year	4.3%	4.4%	4.8%	5.5%	5.7%	5.7%
5 Year	2.7%	3.9%	4.9%	6.4%	7.4%	8.7%
Since Inception as of August 12, 2013	3.0%	4.4%	5.3%	6.4%	7.4%	8.5%

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