

BMO ETF Portfolios

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

Performance

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.

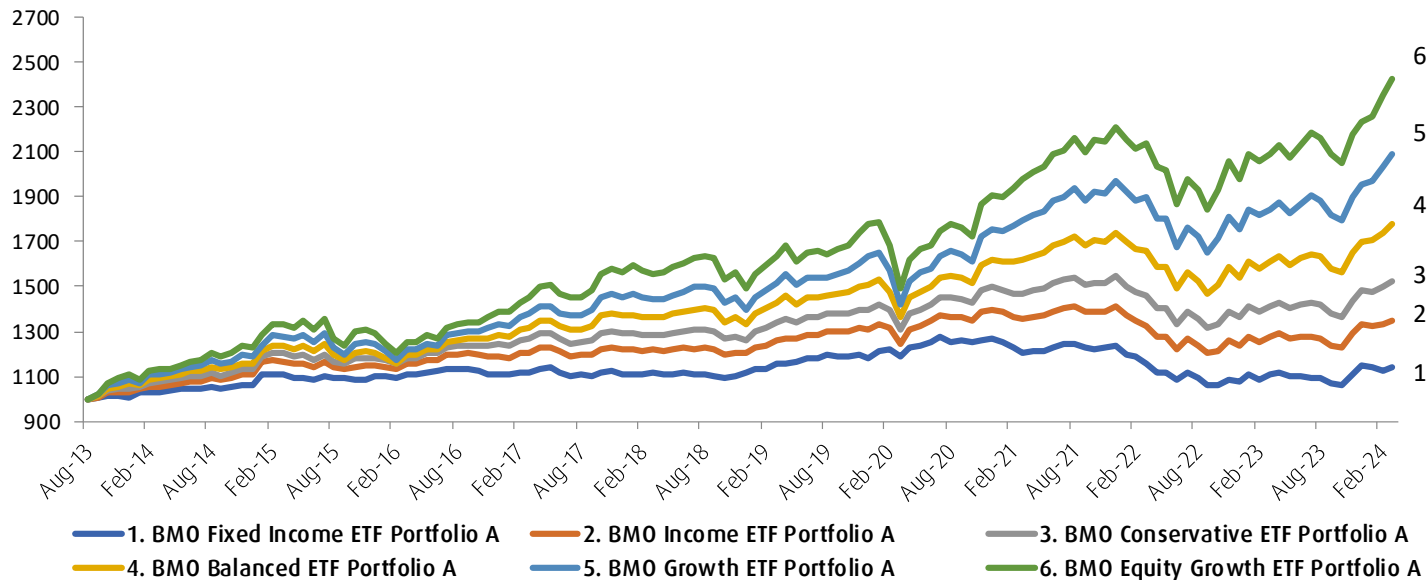
BMO ETF Portfolios (%) – as at Mar 31, 2024

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)



| Time Lapse | Fixed Income | Income | Conservative | Balanced | Growth | Equity Growth |
|---------------------------------------|--------------|--------|--------------|----------|--------|---------------|
| 1 month | 0.9% | 1.4% | 1.7% | 2.2% | 2.7% | 3.1% |
| 3 month | -0.8% | 1.5% | 2.8% | 4.9% | 6.9% | 8.6% |
| 6 month | 6.8% | 9.1% | 10.4% | 12.6% | 14.6% | 16.2% |
| 1 Year | 2.9% | 5.9% | 7.8% | 10.6% | 13.2% | 15.8% |
| 3 Year | -1.9% | -0.2% | 1.2% | 3.2% | 5.2% | 6.9% |
| 5 Year | -0.3% | 1.4% | 2.6% | 4.5% | 6.4% | 8.0% |
| 10 Year | 1.0% | 2.5% | 3.6% | 5.0% | 6.4% | 7.8% |
| Since Inception as of August 12, 2013 | 1.2% | 2.9% | 3.9% | 5.5% | 6.9% | 8.3% |

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

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