

BMO Retirement Portfolios

February 2024

Monthly Commentary

Market & Economic Commentary

BMO Managed Solutions

Portfolio Activity

as at Jan 31, 2024

Asset Allocation & Portfolio Data

as at Jan 31, 2024

Performance

as at Jan 31, 2024

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Rate Cuts See Their Shadow

Japanese equities led global markets in January, with the Tokyo Stock Price Index (TOPIX) rising 7.8%. This market has been an overweight among the managed solutions since the second quarter of last year, on attractive valuations and increasing shareholder yield opportunities. Weaker than expected wage growth data helped ease concerns of the Bank of Japan's potential termination of its yield curve controls and negative interest rate policy, boosting valuations over the month. January's slow start turned quickly into a continuation of the fourth quarter's "everything rally" in the U.S., as earnings season delivered above average upside earnings surprises. The "Magnificent 7" [a group of high-performing U.S. stocks including Microsoft (MSFT), Amazon (AMZN), Meta (META), Apple (AAPL), Google parent Alphabet (GOOGL), Nvidia (NVDA), and Tesla (TSLA)], was more mixed, with disappointing earnings from Tesla and a sales slump from Apple, while Meta soared on cost-cutting and the initiation of a regular dividend. The banking sector provided a modest fright with regional bank New York Community Bank (NYCB) reporting that they were increasing their credit provisions by \$552 million, more than 10 times analyst expectations, while also cutting their dividend. This was all due to deteriorating residential and commercial real estate loans, sparking fears that there might be similar uncovered risks throughout the sector. However, strong U.S. economic data, including upside surprises to January jobs and fourth quarter annualized GDP growth of 3.3% contributed to the rally, only to be cut short by the U.S. Federal Reserve's (the "Fed's") more hawkish stance.

As expected, the Fed held rates steady on January 31, and firmly put the notion of potential further hikes in the rear view. However, it also became abundantly clear that March was also unlikely for any first rate cut, with a blowout jobs report of 353,000 jobs in January versus a consensus expectation of

185,000. Mr. Powell even made it a point to appear on 60 minutes, an unusual forum for the Fed Chairman, to explain to the broader American public that while significant progress had been made, there remained inflationary impulses in the economy that were not yet tamed. Market pricing of rate cuts for the year ahead adjusted quickly, moving down to 4 from the prior 5-6 widely expected by 2024's end.

Chinese equities continued to struggle to rise from their knees in the wake of the property sector's final collapse of Evergrande Group, with authorities taking incremental steps to try to support the equity market, including restrictions on short sellers and a commitment of government buying of domestic equity ETFs. Unfortunately, these lack the scale to radically turn the market in the short-term, although the historically wide valuation discounts versus domestic markets, particularly the U.S., might prove interesting to longer-term contrarians. The increasing volatility* has created shorter-term tactical opportunities to capture asymmetrical upside via the options market, however.

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

*Volatility measures how much the price of a security, derivative, or index fluctuates. The most commonly used measure of volatility when it comes to investment funds is standard deviation.

Index	Canadian Dollar Return	Close
S&P 500 Index	3.11%	14,064.50
MSCI World Index	2.56%	18,210.97
FTSE Canada Universe Bond Index	-1.37%	1,106.15
Canadian Dollar (\$US/\$CA)	-1.42%	0.74
Crude Oil	7.35%	101.59 bbl/CAD

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

Source: Bloomberg, from Dec 31, 2023 to Jan 31, 2024.

BMO Retirement Portfolios – Monthly Portfolio Commentary

- The BMO Retirement Portfolio have not had any major changes in the last month.
- The duration of the fixed income portfolio has slightly increased, as the allocation to BMO Core Plus Bond Fund has a dynamic allocation to duration that was increased towards the end of last year, and benefitted from the rally in fixed income.



[Main Page](#)

BMO Retirement Portfolios – as at Jan 31, 2024

Current Portfolio Composition Weights

Holdings	BMO Retirement Income Portfolio	BMO Retirement Conservative Portfolio	BMO Retirement Balanced Portfolio
Fixed Income	76.7%	61.7%	41.4%
BMO Risk Reduction Equity Fund	17.9%	23.5%	29.0%
Global Equities ¹	5.4%	14.8%	29.6%

¹ Includes Canada, U.S. and international low volatility, high quality and broad market equity ETFs

Portfolio Yield

Portfolio Yield	BMO Retirement Income Portfolio	BMO Retirement Conservative Portfolio	BMO Retirement Balanced Portfolio
Fixed Income Yield to Maturity	4.46%	4.46%	4.46%
Equity Dividend Yield	1.75%	1.93%	2.06%
Total Portfolio Yield	3.83%	3.49%	3.05%
Duration	4.86	5.03	5.12

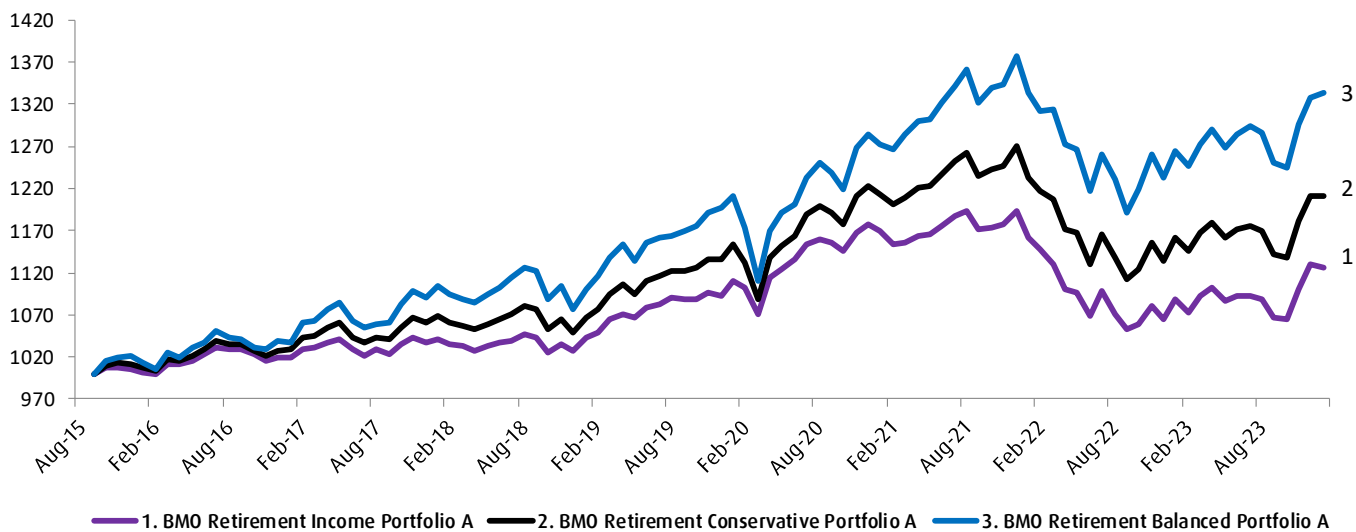
Currency Allocation

Currency Allocation	BMO Retirement Income Portfolio	BMO Retirement Conservative Portfolio	BMO Retirement Balanced Portfolio
CAD	95.7%	87.9%	76.2%
USD	2.9%	8.0%	15.8%
EUR	0.4%	1.3%	2.6%
GBP	0.2%	0.5%	1.0%
JPY	0.2%	0.6%	1.2%
Other	0.6%	1.6%	3.3%

Total Fixed Income - Credit Breakdown

Total Fixed Income - Credit Breakdown	BMO Retirement Income Portfolio	BMO Retirement Conservative Portfolio	BMO Retirement Balanced Portfolio
Sovereigns	28.2%	27.6%	27.7%
Provincials	19.9%	19.4%	19.1%
Corporates	51.9%	52.9%	53.2%

BMO Retirement Portfolios Performance (since inception, as of Jan 31, 2024)



Time Lapse	BMO Retirement Income Portfolio	BMO Retirement Conservative Portfolio	BMO Retirement Balanced Portfolio
1 month	-0.2%	0.1%	0.5%
3 month	5.8%	6.5%	7.3%
6 month	3.1%	3.1%	3.1%
1 Year	3.4%	4.3%	5.6%
3 Year	-1.2%	0.0%	1.6%
5 Year	1.6%	2.6%	3.9%
Since Inception	1.5%	2.4%	3.6%
3 year sharpe ratio	-0.61	-0.34	-0.07

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

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Main
Page