

BMO Retirement Portfolios

February 2021
Monthly Commentary

**Market &
Economic
Commentary**

BMO Managed Solutions

**Portfolio
Activity**

as at Jan 29, 2021

**Asset Allocation
& Portfolio Data**

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.

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

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.

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BMO Retirement Portfolios – Monthly Portfolio Commentary

- The BMO Retirement Portfolios' performance slightly lagged broad market indices (MSCI world) in January except for the Income portfolio which slightly outperformed. The fixed income basket of the Portfolios (including gold position) was in line with the benchmark and bond universe.
- The BMO Low Volatility U.S. Equity ETF position was slightly reduced across all portfolios, as was the BMO S&P 500 Index ETF.
- The previous hedging of 50% of the U.S. dollar exposure in these Portfolios was removed as the BMO Multi-Asset Solutions Team didn't have a strong view of U.S. dollar versus Canadian dollar, although in hindsight may not have been the most timely move as the Canadian dollar continues to rally.



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BMO Retirement Portfolios – as at Jan 29, 2021

Current Portfolio Composition Weights

Holdings	BMO Retirement Income Portfolio	BMO Retirement Conservative Portfolio	BMO Retirement Balanced Portfolio
Fixed Income	72.1%	56.7%	36.2%
BMO Risk Reduction Equity Fund	20.9%	24.9%	29.1%
Global Equities ¹	6.0%	16.4%	31.6%
Gold	1.0%	2.0%	3.0%

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	0.99%	1.00%	1.02%
Equity Dividend Yield	1.65%	1.78%	1.87%
Total Portfolio Yield	1.16%	1.30%	1.51%

Currency Allocation

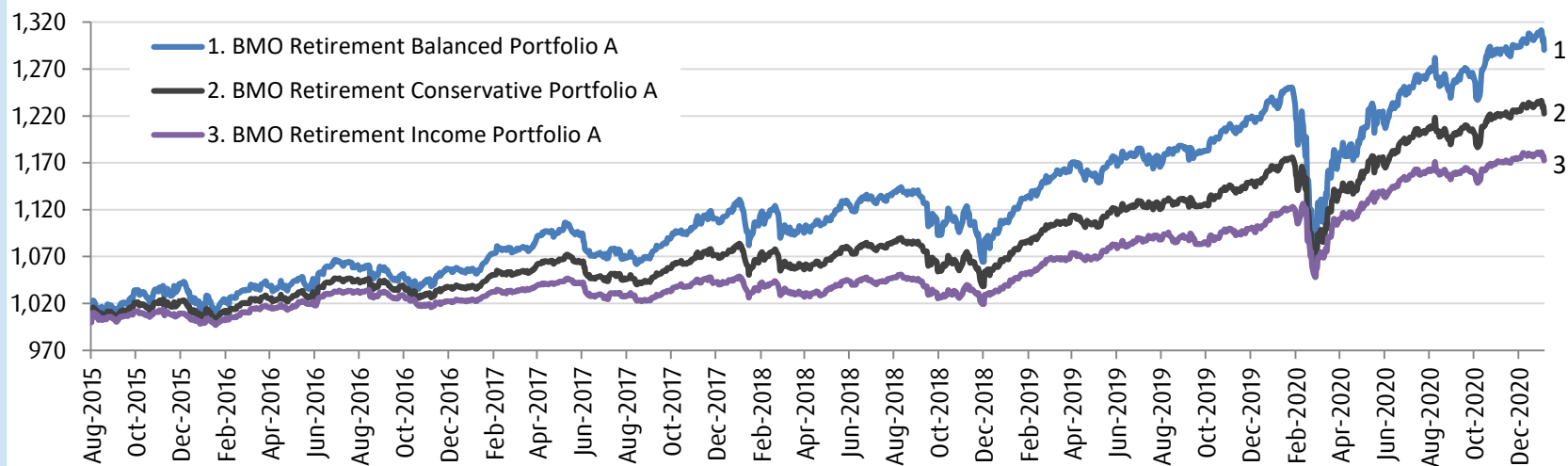
Currency Allocation	BMO Retirement Income Portfolio	BMO Retirement Conservative Portfolio	BMO Retirement Balanced Portfolio
CAD	87.8%	76.0%	59.6%
USD	9.9%	17.9%	28.5%
EUR	0.7%	1.9%	3.8%
GBP	0.2%	0.6%	1.2%
JPY	0.3%	0.9%	1.7%
Other	1.0%	2.7%	5.2%

Total Fixed Income - Credit Breakdown

Total Fixed Income - Credit Breakdown	BMO Retirement Income Portfolio	BMO Retirement Conservative Portfolio	BMO Retirement Balanced Portfolio
Sovereigns	33.4%	32.9%	32.5%
Provincials	18.0%	18.2%	18.6%
Corporates	47.0%	46.7%	46.6%

Source: BMO Global Asset Management

BMO Retirement Portfolio's Performance (since inception August 25, 2015, as at January 29, 2021)



Time Lapse	BMO Retirement Income Portfolio	BMO Retirement Conservative Portfolio	BMO Retirement Balanced Portfolio
1 month	-0.7%	-0.8%	-0.9%
3 month	2.1%	3.0%	4.3%
1 Year	5.2%	5.2%	5.1%
3 Year	3.9%	4.3%	4.8%
Since Inception	3.0%	3.8%	4.8%
3 year sharpe ratio	0.64	0.57	0.52

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

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