

BMO Retirement Portfolios

Monthly Commentary

April 2024

Portfolio Activity

as at Mar 31, 2024

Market & Economic Commentary

BMO Managed Solutions

Asset Allocation & Portfolio Data

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.

- BMO Multi-Asset Solutions Team “MAST”
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.

Main
Page

BMO Retirement Portfolios – Monthly Portfolio Commentary

- Very little changed month over month; we have spent down a small amount of cash, buying protected equities for the most part.
- We have maintained a slight tilt away from Canadian equities in favour of U.S. stocks, given the better outlook for economic growth.



[Main Page](#)

BMO Retirement Portfolios – as at Mar 31, 2024

Current Portfolio Composition Weights

Holdings	BMO Retirement Income Portfolio	BMO Retirement Conservative Portfolio	BMO Retirement Balanced Portfolio
Fixed Income	74.8%	59.3%	39.1%
BMO Risk Reduction Equity Fund	19.0%	24.4%	29.4%
Global Equities ¹	6.2%	16.3%	31.5%

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	4.56%	4.57%	4.58%
Equity Dividend Yield	1.79%	1.96%	2.09%
Total Portfolio Yield	3.86%	3.51%	3.06%
Duration	4.85	5.04	5.16

Currency Allocation

Currency Allocation	BMO Retirement Income Portfolio	BMO Retirement Conservative Portfolio	BMO Retirement Balanced Portfolio
CAD	94.3%	85.6%	72.8%
USD	4.2%	10.1%	18.7%
EUR	0.4%	1.4%	2.7%
GBP	0.2%	0.5%	1.0%
JPY	0.2%	0.6%	1.3%
Other	0.6%	1.7%	3.5%

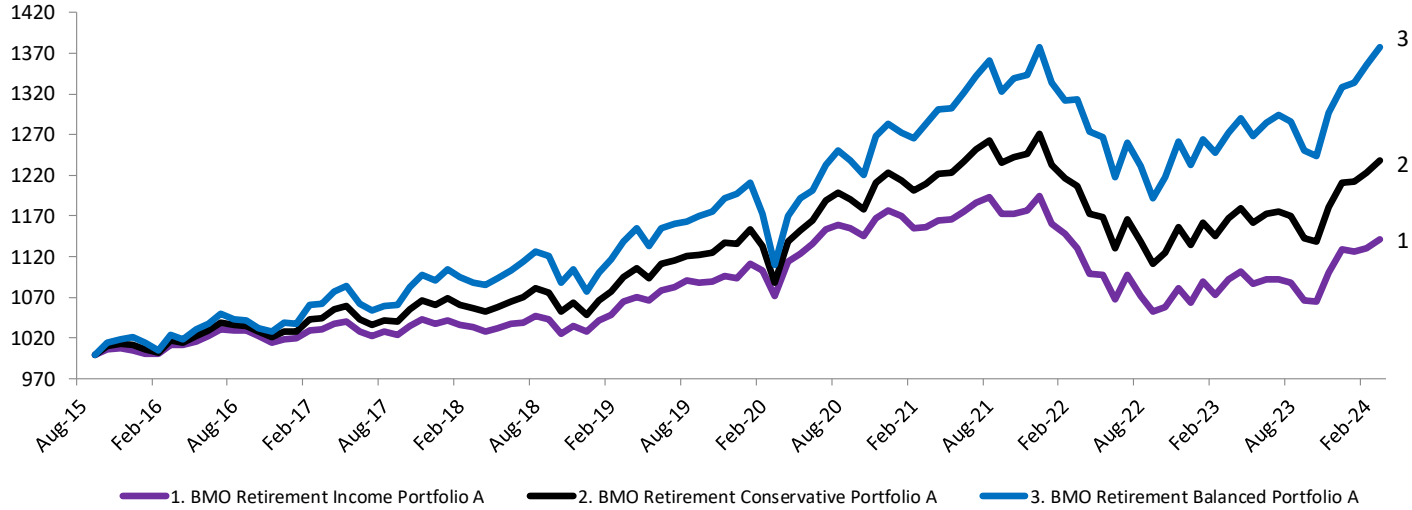
Total Fixed Income - Credit Breakdown

Total Fixed Income - Credit Breakdown	BMO Retirement Income Portfolio	BMO Retirement Conservative Portfolio	BMO Retirement Balanced Portfolio
Sovereigns	28.3%	27.7%	27.8%
Provincials	20.3%	19.8%	19.4%
Corporates	51.4%	52.4%	52.8%

Main Page

Performance

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



Time Lapse	BMO Retirement Income Portfolio	BMO Retirement Conservative Portfolio	BMO Retirement Balanced Portfolio
1 month	0.9%	1.2%	1.6%
3 month	1.1%	2.2%	3.8%
6 month	7.0%	8.3%	10.2%
1 Year	4.5%	6.0%	8.3%
3 Year	-0.4%	0.8%	2.4%
5 Year	1.4%	2.5%	3.9%
Since Inception	1.6%	2.6%	4.0%
3 year sharpe ratio	-0.51	-0.26	0.00

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

Main Page

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Main
Page