

# BMO Retirement Portfolios

December 2024

Monthly Commentary

**Market &  
Economic  
Commentary**

BMO Managed Solutions

**Portfolio  
Activity**

as at Nov 30, 2024

**Asset Allocation  
& Portfolio Data**

as at Nov 30, 2024

**Performance**

as at Nov 30, 2024

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Global Asset Management

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## There's a New Tariff in Town

It was the weeks before Christmas...and it wasn't exactly quiet.

Over the past month, the threat of tariffs became real, and sooner than expected, but oddly first directed at the two economies with which the U.S. shares both borders and the highest total trade, Canada and Mexico. The integration of the North American economy is so entwined, one has to wonder if the net benefits of any such tariffs would really be of benefit to the U.S. economy. Rather than any trade deficit or critical industries being protected, the stated justification was aimed purely at illegal immigration and smuggling of fentanyl from China, two high profile Trump campaign targets. Despite being by far the lesser contributor to either problem, Canada was lumped in with Mexico by virtue of the existence of the United States-Mexico-Canada Agreement (USMCA) which was scheduled for review in the fourth quarter of 2025 anyway. Between U.S. dependence on Canadian energy, or the almost genetic interdependence of all three countries in the auto sector, this is certainly a case where it is hoped that the bark is indeed worse than any bite.

Other items that made the naughty and nice list over the month:

- Equity markets continued to grind higher, with the S&P 500 generating a 5.7% return for November, lagging the TSX which beat with a 6.2% increase (price indices, local currency). China dragged down the broader Emerging Market index, falling 4.4% and 3.7%, respectively. EAFE equities fell a slight 0.7%, impacted by volatility related to the French non-confidence vote that saw Prime Minister Michel Barnier ousted over his tabled budget.
- A ceasefire in Lebanon eased upward pressure on oil prices, despite there being no immediate prospects for reduced active engagement in Gaza. Shortly thereafter, Russia's overtures of the use of ICBM (intercontinental ballistic missile) nuclear strikes should Ukraine continue pressing on Russian assets had the opposite effect. Finally, OPEC (Organization of the Petroleum Exporting Countries) again deferred planned output cuts, capping crude's potential near-term upside, a green flag for subdued inflation. Overall, we remain bearish on the prospects for oil prices into next year.
- October's inflation data showed U.S. Core PCE (personal consumption expenditures) at 0.3% month-over-month and 2.8% year-over-year, as higher stock prices actually feed into this measure via financial services

fees, unlike the traditional CPI (consumer price index) basket. October U.S. consumer spending was up slightly. With 50 basis points (bps) not just off the table, but following the meatball right out the door, market odds for even a 25 bp U.S. Federal Reserve ("Fed") cut on Dec 18 stood just above even as of Nov 27th.

- November payrolls came out pretty much bang on expectations at 227,000 versus consensus 220,000. The unemployment rate slid one tenth to 4.1%, while average hourly earnings came in a bit hot at 0.4% month-over-month, keeping the December Fed rate decision live and on track for 25 bps.

Overall, there was no major changes to our house view over the month, with only slight adjustments around our primary themes of overweight equities and U.S. leadership, which we expect to continue well into 2025. As we end 2024, we are also completing two exceptionally strong years for markets, both equities and fixed income. From the lows of October 2022 to time of writing (Dec 12, 2024), the S&P 500 Total Return Index has risen an incredible 75.9%, a 29.8% annualized return, in USD. In CAD, 29.4%. For reference, the annualized return since 1990 has been 10.8%, and when converted to CAD, 11.8%. (All returns as of close 12/11/2024). Back-to-back years of such strong performance is quite common historically, but three in a row is tougher to expect. That said, with consensus earnings growth of just over 12% for the S&P 500, and average targets of 6,800(ish) by year's end (an 11% gain from here), 2025 should prove to be fairly merry and bright...assuming it isn't hijacked by a nefarious grinch-like event.

(Data sourced from Bloomberg, 2024)

Steven W. Shepherd, CFA  
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Index	Canadian Dollar Return	Close
S&P 500 Index	6.45%	18,516.66
MSCI World Index	5.09%	23,066.84
FTSE Canada Universe Bond Index	1.68%	1,177.01
Canadian Dollar (\$US/\$CA)	-0.52%	0.71
Crude Oil	-1.28%	95.19 bbl/CAD

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

Source: Bloomberg, from Oct 31, 2024 to Nov 30, 2024.

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## BMO Retirement Portfolios – Monthly Portfolio Commentary

- We increased equities per BMO GAM House View, which shifted to +2 equities for a more bullish view. Within equities, we shifted to U.S. equities from the BMO Risk Reduction Equity Fund to reflect bullish bias.
- We made a small trim of Canadian equities to add U.S. at the margin. We also trimmed Fixed Income pro-rata - while keeping status quo on duration / credit.



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## BMO Retirement Portfolios – as at Nov 30, 2024

### Current Portfolio Composition Weights

Holdings	BMO Retirement Income Portfolio	BMO Retirement Conservative Portfolio	BMO Retirement Balanced Portfolio
Fixed Income	73.5%	57.8%	36.0%
BMO Risk Reduction Equity Fund	21.2%	26.9%	32.0%
Global Equities <sup>1</sup>	5.3%	15.5%	30.6%

<sup>1</sup> 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	4.18%	4.19%	4.20%
<b>Total Portfolio Yield</b>	<b>3.34%</b>	<b>2.98%</b>	<b>2.53%</b>
Duration	5.10	5.20	5.27

### Currency Allocation

Currency Allocation	BMO Retirement Income Portfolio	BMO Retirement Conservative Portfolio	BMO Retirement Balanced Portfolio
CAD	94.8%	85.1%	68.8%
USD	4.8%	13.0%	25.6%
EUR	0.1%	0.7%	1.7%
GBP	0.1%	0.4%	0.8%
JPY	0.1%	0.3%	0.7%
Other	0.1%	0.5%	2.4%

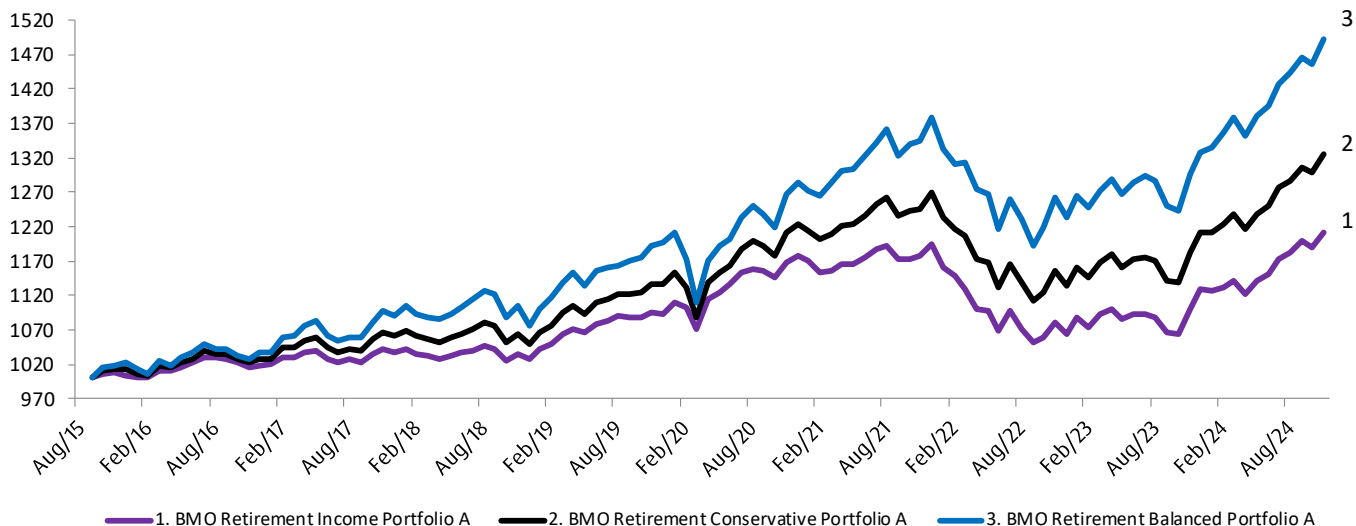
### Total Fixed Income - Credit Breakdown

Total Fixed Income - Credit Breakdown	BMO Retirement Income Portfolio	BMO Retirement Conservative Portfolio	BMO Retirement Balanced Portfolio
Sovereigns	54.7%	54.9%	55.1%
Corporates	45.3%	45.1%	44.9%

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Source: BMO Global Asset Management

## BMO Retirement Portfolios Performance (since inception, as of Nov 30, 2024)



Time Lapse	BMO Retirement Income Portfolio	BMO Retirement Conservative Portfolio	BMO Retirement Balanced Portfolio
1 month	1.7%	2.1%	2.5%
3 month	2.5%	2.9%	3.4%
6 month	6.2%	7.0%	8.1%
1 Year	10.0%	12.2%	15.1%
3 Year	1.0%	2.1%	3.6%
5 Year	2.0%	3.1%	4.6%
Since Inception	2.1%	3.2%	4.6%
<b>3 year sharpe ratio</b>	-0.42	-0.20	0.03

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

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