

# BMO SelectTrust® Portfolios

February 2021  
Monthly Commentary

**Market &  
Economic  
Commentary**

BMO Managed Solutions

**Portfolio  
Activity**

as at Jan 29, 2021

**Asset Allocation**

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.

**Steven W. Shepherd, CFA**  
Vice President, Portfolio Manager  
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 SelectTrust® Portfolios – Monthly Portfolio Commentary

- During the month of January, we narrowed the relative overweight of U.S. equities versus Canadian, in recognition of the inevitable broadening of market participation to cyclicals, which we have only seen the beginning of since November.
- The overweight of Emerging Markets remains one of our higher conviction calls (aside from equities over bonds), with tailwinds of growing global growth, a weaker U.S. dollar and fewer COVID-19 speedbumps in current play.
- While directionally rates are headed upward, it should be at a relatively modest pace, keeping our duration neutral among the BMO SelectTrust Balanced portfolio, and slightly short among our BMO SelectTrust Fixed Income and BMO SelectTrust Income Portfolios.



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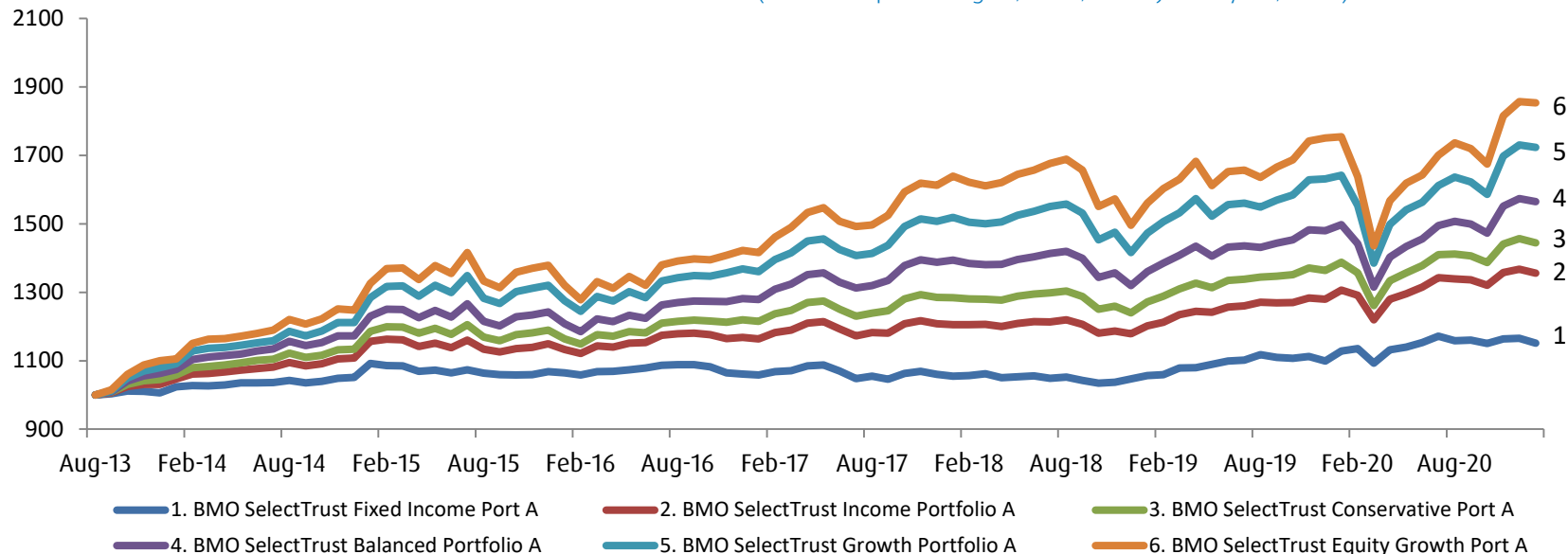
# BMO SelectTrust® Portfolios – as at Jan 29, 2021

## Asset Allocation

	BMO SelectTrust Fixed Income Portfolio	BMO SelectTrust Income Portfolio	BMO SelectTrust Conservative Portfolio	BMO SelectTrust Balanced Portfolio	BMO SelectTrust Growth Portfolio	BMO SelectTrust Eq. Growth Portfolio
<b>Fixed Income</b>						
BMO Core Bond Series I	52.2	50.2	35.1	-	-	-
BMO Crossover Bond Fund Series I	14.3	4.9	1.1	3.8	-	-
PIMCO Canadian Total Return Bond Fund Srs I	4.8	5.1	3.2	3.7	1.1	-
BMO Long Federal Bond Index	6.4	-	3.9	3.0	0.5	-
BMO Mid US IG Corp Bond Hedged to CAD	3.6	2.0	7.2	2.8	2.3	-
BMO Aggregate Bond Index ETF	2.1	4.8	5.4	2.6	0.9	-
BMO Emerging Markets Bond Series I	2.5	1.0	2.7	1.5	1.1	-
BMO Core Plus Bond Series I	-	-	-	22.3	12.3	1.3
SPDR Portfolio TIPS ETF	4.8	-	-	-	-	-
BMO High Yield US Corporate Bond Hedged	1.7	2.1	2.6	1.3	1.1	-
Other Fixed Income	7.7	5.7	2.1	1.7	0.8	0.9
<b>TOTAL Fixed Income</b>	<b>100</b>	<b>76</b>	<b>63</b>	<b>43</b>	<b>20</b>	<b>2</b>
<b>Equity</b>						
BMO Multi-Factor Equity Fund	-	5.7	7.4	10.6	11.5	17.8
BMO European Fund	-	3.9	6.3	10.0	14.2	17.0
BMO Canadian Equity Fund	-	3.2	8.0	9.9	16.2	12.8
BMO Canadian Large Cap Equity Fund	-	0.3	-	3.6	3.9	11.0
BMO S&P 500 Index ETF	-	3.4	2.3	7.1	10.9	12.9
BMO Japan Fund	-	1.3	1.8	3.1	4.6	6.7
BMO Emerging Market Fund	-	1.3	2.5	3.1	4.1	3.4
BMO MSCI Emerging Markets ETF	-	2.1	2.3	3.1	4.1	5.4
BMO Low Volatility US Equity ETF	-	0.8	1.2	2.0	2.9	3.1
BMO Growth Opportunities Fund	-	-	0.9	1.7	3.3	2.5
Other Equity	-	2.4	4.2	3.0	4.2	5.0
<b>TOTAL Equity</b>	<b>0</b>	<b>24</b>	<b>37</b>	<b>57</b>	<b>80</b>	<b>98</b>

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## BMO SelectTrust® Portfolios Performance (since inception Aug 12, 2013, as of January 29, 2021)



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

Time Lapse	BMO SelectTrust Fixed Income Portfolio A	BMO SelectTrust Income Portfolio A	BMO SelectTrust Conservative Portfolio A	BMO SelectTrust Balanced Portfolio A	BMO SelectTrust Growth Portfolio A	BMO SelectTrust Equity Growth Portfolio A
1 month	-1.2%	-0.9%	-0.8%	-0.6%	-0.4%	-0.1%
3 month	0.0%	2.6%	4.2%	6.3%	8.7%	10.7%
6 month	-1.9%	0.8%	2.3%	4.5%	6.8%	9.0%
1 Year	2.1%	3.5%	3.9%	4.3%	4.9%	5.5%
3 Year	2.9%	3.7%	3.9%	3.7%	4.3%	4.1%
5 Year	1.6%	3.5%	4.4%	5.2%	6.2%	6.9%
Since Inception as of August 12, 2013	1.9%	4.0%	5.0%	6.0%	7.5%	8.4%

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