

BMO SelectTrust® Portfolios

April 2024

Monthly Commentary

Market & Economic Commentary

BMO Managed Solutions

Portfolio Activity

as at Mar 31, 2024

Asset Allocation

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.

Steven W. Shepherd, CFA

Director, Portfolio Manager, 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.

BMO SelectTrust® Portfolios – Monthly Portfolio Commentary

- We continue to see value in gold as a long-term portfolio diversifier, and despite new all-time highs being set, we believe there is still significant upside to bullion, a result primarily of central bank buying. On a shorter-term basis, we respect the sharpness of the recent rally, and have underwritten covered calls to provide a measure of relative defensiveness should we see any price consolidation.
- We continue to hold downside hedges to guard against downside volatility*, using options on both the S&P 500 and Nasdaq indices. Despite the recent pullback, the cost of purchasing such insurance remains relatively cheap.
- Our most recent house view continues to favour U.S. equities over Canada, although recent price action among base commodities and energy are benefitting those sectors in the short-term. We remain concerned regarding the broader health of the economy however, and remain cautious pending further clarity on the Bank of Canada's timing of rate cuts.

*Volatility: Measures how much the price of a security, derivative, or index fluctuates.

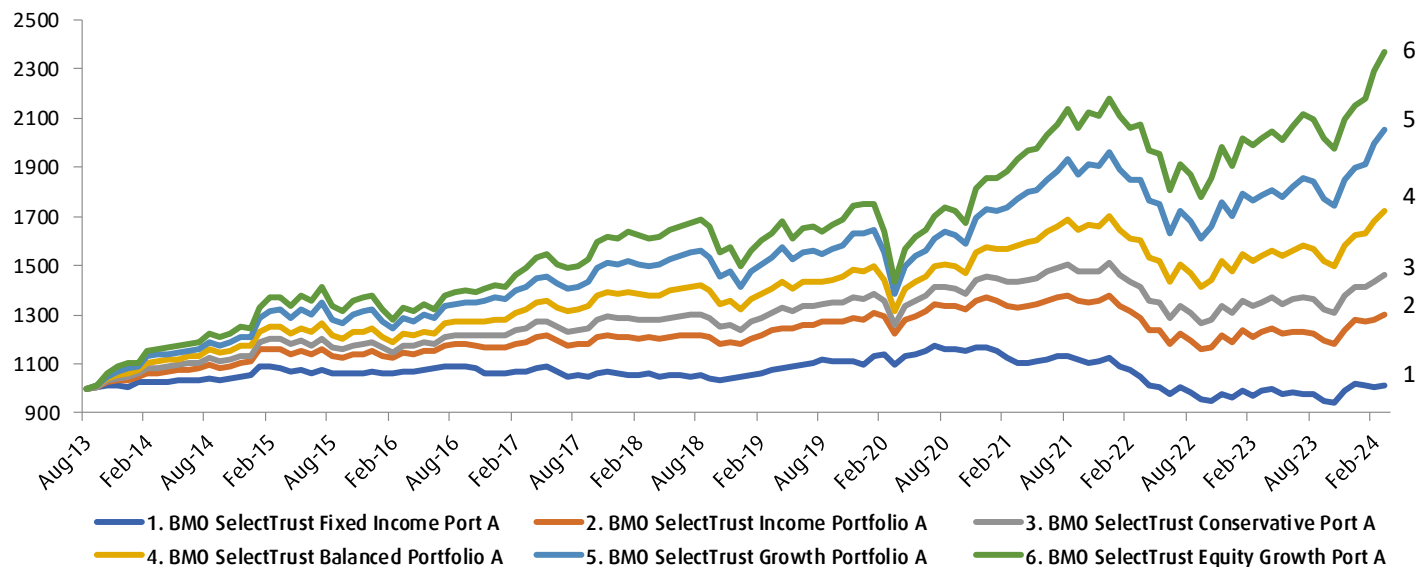


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BMO SelectTrust Portfolios (%) – as at Mar 31, 2024

	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
Fixed Income						
BMO Core Bond Series I	12.3	23.9	16.7	-	-	-
BMO Crossover Bond Fund Series I	15.7	4.8	1.1	4.3	-	-
BMO U.S. Corporate Bond Fund	9.7	8.4	6.6	2.4	2.1	-
BMO Long Federal Bond Index ETF	15.3	6.9	5.7	4.1	1.3	-
BMO Mid US IG Corp Bond Hedged to CAD	9.6	4.0	6.5	2.4	2.1	-
BMO Aggregate Bond Index ETF	3.3	5.3	5.0	2.2	1.7	-
BMO Emerging Markets Bond Series I	-	3.0	4.5	2.9	1.3	-
BMO Emerging Markets Bond Hdq to CAD Index ETF	10.0	2.5	-	-	-	-
BMO Core Plus Bond Series I	-	-	-	13.9	5.3	-
SPDR Portfolio TIPS ETF	5.0	-	-	-	-	-
BMO High Yield US Corporate Bond Hedged	7.5	3.7	3.2	2.1	1.1	-
Other Fixed Income / Cash	6.9	3.6	4.3	1.4	0.5	0.2
Total Fixed Income	95	66	54	36	15	0
Equity						
BMO Global Equity Fund	-	11.0	17.8	28.8	33.1	39.8
BMO MSCI EAFE Index ETF	-	3.4	4.8	7.4	5.6	6.4
BMO Canadian Smart Alpha Equity Fund	-	-	-	3.0	2.4	8.0
BMO Canadian Equity Fund	-	4.3	9.6	11.3	16.0	11.1
BMO Strategic Equity Yield Fund	4.6	3.9	3.1	-	-	-
BMO S&P/TSX Capped Comp Index ETF	-	3.1	-	-	-	0.3
BMO Emerging Market Fund	-	1.4	1.5	2.5	3.7	2.5
BMO S&P 500 Index ETF	-	1.4	2.0	3.1	4.0	4.9
BMO Growth Opportunities Fund	-	-	1.0	1.8	3.1	1.3
BMO Partners Group Private Markets Fund	-	3.4	2.2	1.0	-	-
BMO Global Innovators Fund	-	-	-	-	4.1	4.8
BMO International Equity Fund	-	-	-	-	4.3	5.3
BMO MSCI Emerging Markets Index ETF	-	-	0.5	0.4	0.2	2.2
iShares Gold Trust	-	0.5	0.9	1.2	1.6	2.0
Technology Select Sector SPDR ETF	-	0.4	0.8	0.8	0.8	2.4
Other Equity	-	1.4	2.3	3.0	5.6	8.8
Total Equity	5	34	46	64	85	100

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



Source: Morningstar. 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	0.8%	1.4%	1.8%	2.4%	3.0%	3.4%
3 month	-0.8%	1.8%	3.3%	5.8%	8.5%	10.2%
6 month	6.4%	8.9%	10.6%	13.1%	16.0%	17.5%
1 Year	2.4%	5.9%	8.2%	11.5%	15.1%	17.5%
3 Year	-2.9%	-0.7%	0.7%	2.9%	5.1%	7.0%
5 Year	-1.3%	0.9%	2.2%	4.0%	6.0%	7.7%
10 Year	-0.1%	2.0%	3.0%	4.4%	6.1%	7.3%
Since Inception as of August 12, 2013	0.1%	2.4%	3.6%	5.1%	6.9%	8.3%

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