

BMO SelectTrust® Portfolios

February 2024

Monthly Commentary

Market & Economic Commentary

BMO Managed Solutions

Portfolio Activity

as at Jan 31, 2024

Asset Allocation

as at Jan 31, 2024

Performance

as at Jan 31, 2024

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Rate Cuts See Their Shadow

Japanese equities led global markets in January, with the TOPIX index rising 7.8%. This market has been an overweight among the managed solutions since the second quarter of last year, on attractive valuations and increasing shareholder yield opportunities. Weaker than expected wage growth data helped ease concerns of the Bank of Japan's potential termination of its yield curve controls and negative interest rate policy, boosting valuations over the month. January's slow start turned quickly into a continuation of the fourth quarter's "everything rally" in the U.S., as earnings season delivered above average upside earnings surprises. The "Magnificent 7" [a group of high-performing U.S. stocks including Microsoft (MSFT), Amazon (AMZN), Meta (META), Apple (AAPL), Google parent Alphabet (GOOGL), Nvidia (NVDA), and Tesla (TSLA)], was more mixed, with disappointing earnings from Tesla and a sales slump from Apple, while Meta soared on cost-cutting and the initiation of a regular dividend. The banking sector provided a modest fright with regional bank New York Community Bank (NYCB) reporting that they were increasing their credit provisions by \$552 million, more than 10 times analyst expectations, while also cutting their dividend. This was all due to deteriorating residential and commercial real estate loans, sparking fears that there might be similar uncovered risks throughout the sector. However, strong U.S. economic data, including upside surprises to January jobs and fourth quarter annualized GDP growth of 3.3% contributed to the rally, only to be cut short by the U.S. Federal Reserve's (the "Fed's") more hawkish stance.

As expected, the Fed held rates steady on January 31, and firmly put the notion of potential further hikes in the rear view. However, it also became abundantly clear that March was also unlikely for any first rate cut, with a blowout jobs report of

353,000 jobs in January versus a consensus expectation of 185,000. Mr. Powell even made it a point to appear on 60 minutes, an unusual forum for the Fed Chairman, to explain to the broader American public that while significant progress had been made, there remained inflationary impulses in the economy that were not yet tamed. Market pricing of rate cuts for the year ahead adjusted quickly, moving down to 4 from the prior 5-6 widely expected by 2024's end.

Chinese equities continued to struggle to rise from their knees in the wake of the property sector's final collapse of Evergrande Group, with authorities taking incremental steps to try to support the equity market, including restrictions on short sellers and a commitment of government buying of domestic equity ETFs. Unfortunately, these lack the scale to radically turn the market in the short-term, although the historically wide valuation discounts versus domestic markets, particularly the U.S., might prove interesting to longer-term contrarians. The increasing volatility has created shorter-term tactical opportunities to capture asymmetrical upside via the options market, however.

Steven W. Shepherd, CFA
Director, Portfolio Manager
BMO Asset Management Inc.

Index	Canadian Dollar Return	Close
S&P 500 Index	3.11%	14,064.50
MSCI World Index	2.56%	18,210.97
FTSE Canada Universe Bond Index	-1.37%	1,106.15
Canadian Dollar (\$US/\$CA)	-1.42%	0.74
Crude Oil	7.35%	101.59 bbl/CAD

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

Source: Bloomberg, from Dec 31, 2023 to Jan 31, 2024.

BMO SelectTrust® Portfolios – Monthly Portfolio Commentary

- The MAST House View has returned equities to an overweight position this month, leaving fixed income neutral, drawing down cash to underweight. We were adding modestly to U.S. equities to bring the Income and Conservative Portfolios back to benchmark over the month.
- We entered into a small tactical trade purchasing call options on KraneShares CSI China Internet ETF (KWEB), an ETF that tracks Chinese internet-related companies. This provides potential participation in any shorter-term recovery in the market, while limiting downside risk to a very small absolute proportion of the portfolios.
- We have reduced our Canadian equity exposure, buying broad EAFE to reflect our relative regional bias. This is primarily a reflection of a struggling Canadian economy, with lower relative job growth and continued concerns over the health of the consumer balance sheet.

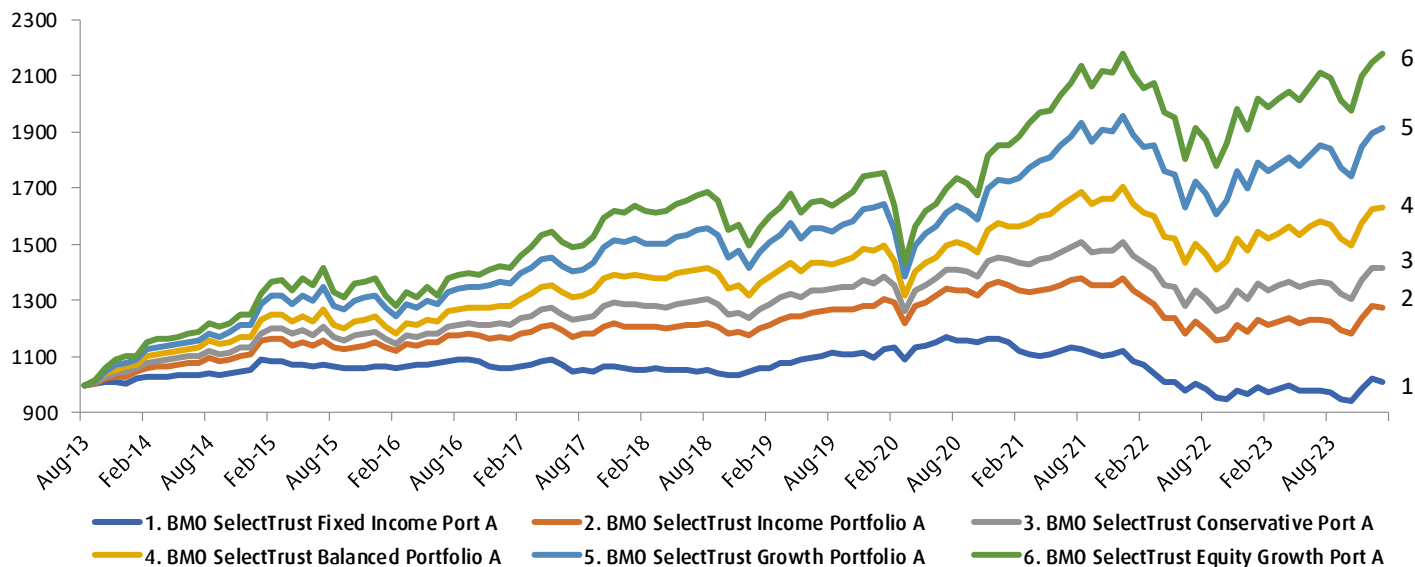


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BMO SelectTrust Portfolios (%) – as at Jan 31, 2024

	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	12.2	24.0	16.8	-	-	-
BMO Crossover Bond Fund Series I	17.0	5.1	1.1	4.6	-	-
BMO U.S. Corporate Bond Fund	10.3	8.8	6.9	2.6	2.2	-
BMO Long Federal Bond Index ETF	14.8	7.0	5.8	4.0	1.3	-
BMO Mid US IG Corp Bond Hedged to CAD	10.3	4.2	6.9	2.6	2.2	-
BMO Aggregate Bond Index ETF	3.3	5.2	6.1	2.2	1.8	-
BMO Emerging Markets Bond Series I	-	3.0	4.5	2.9	1.4	-
BMO Emerging Markets Bond Hdq to CAD Index ETF	10.0	2.5	-	-	-	-
BMO Core Plus Bond Series I	-	-	-	14.0	5.3	-
SPDR Portfolio TIPS ETF	4.9	-	-	-	-	-
BMO High Yield US Corporate Bond Hedged	5.0	2.8	2.5	1.7	0.9	-
Other Fixed Income / Cash	6.8	4.9	5.3	3.3	2.3	1.0
Total Fixed Income	95	67	56	38	17	1
Equity						
BMO Global Equity Fund	-	10.9	17.8	28.7	33.0	40.0
BMO MSCI EAFE Index ETF	-	2.9	4.2	6.4	4.8	5.5
BMO Canadian Smart Alpha Equity Fund	-	-	-	3.1	2.4	13.0
BMO Canadian Equity Fund	-	4.2	9.6	11.9	16.5	11.0
BMO Strategic Equity Yield Fund	5.3	3.8	3.1	-	-	-
BMO S&P/TSX Capped Comp Index ETF	-	3.5	0.7	0.6	1.2	2.2
BMO Emerging Market Fund	-	1.3	1.4	2.5	3.6	2.5
BMO S&P 500 Index ETF	-	1.3	2.0	3.1	4.1	4.9
BMO Growth Opportunities Fund	-	-	1.0	1.8	3.1	1.3
BMO Partners Group Private Markets Fund	-	3.3	2.2	1.1	-	-
BMO Global Innovators Fund	-	-	-	-	4.3	5.2
BMO International Equity Fund	-	-	-	-	3.7	4.7
Other Equity	-	1.2	2.3	3.1	5.8	8.6
Total Equity	5	33	44	62	83	99

BMO SelectTrust Portfolios Performance (since inception, as of Jan 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%	-0.5%	-0.1%	0.4%	1.0%	1.3%
3 month	7.1%	7.5%	8.1%	8.9%	9.9%	10.3%
6 month	3.4%	3.2%	3.3%	3.3%	3.3%	3.1%
1 Year	2.0%	3.1%	4.0%	5.6%	7.0%	8.0%
3 Year	-4.2%	-2.1%	-0.7%	1.4%	3.6%	5.6%
5 Year	-0.9%	1.0%	2.1%	3.6%	5.4%	6.8%
10 Year	-0.1%	1.9%	2.9%	4.2%	5.8%	7.0%
Since Inception as of August 12, 2013	0.1%	2.2%	3.3%	4.7%	6.3%	7.6%

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