

BMO ETF Portfolios

September 2024

Monthly Commentary

10-year
Anniversary

Portfolio
Activity

as at Aug 31, 2024

Market &
Economic
Commentary

BMO Managed Solutions

Asset Allocation

as at Aug 31, 2024

Performance

as at Aug 31, 2024

Legal Disclaimer

BMO



Global Asset Management

*If you have any issues with the file links, please update your version of Adobe Reader.

Back to Schooled

September markets started with much the same sentiment as the average 5th grader after the Labour Day long weekend; namely, grumpy, tired and unimpressed. Following the release of August employment data, which again missed consensus expectations, paired with weakening manufacturing activity data, equities have once again turned downward. What is notable is the rotation in sector leadership, where cyclically defensive sectors have started to outperform, broadly due to their higher rate sensitivity in the face of a widely anticipated first cut from the U.S. Federal Reserve.

Pricing of the first cut has moved between 25 and 50 basis points (bps) on almost a weekly basis, with the August consumer price index (CPI) report coming slightly higher than expected, moving the needle back toward 25 bps. Bond markets remain unconvinced; the real U.S. Federal Reserve (“Fed”) policy rate is now tracking well above 2%, a historically high level over the past decade, suggesting that moving policy back to neutral, let alone stimulative in the face of recession fears, is a long slog at 25 bps per meeting. The 2-year yield is similarly oppositional, with the gap between it and the Fed rate wider than it has been since February 2008, right in the muck of the Global Financial Crisis...that’s roughly three and a half standard deviations below the average over that period. Essentially, this is the bond market saying that the Fed will have to pull up its socks and pick up the pace on rate cuts. The U.S. 10 year has also moved south of 3.75%, a key support level, opening the pathway to 3.25-3.3%, again suggesting bonds have more room to run. This is consistent with our current house view, that has us underweight cash in favour of fixed income.

Among equities, the current drawdown has not been as sharp as that in August, but the notable shift in leadership since August 1 is clear; Real Estate, Consumer Staples, HealthCare and Utilities are all outperforming the S&P 500 Index since then, while InfoTech and Energy have lagged (on a price-only return basis). The much-

anticipated release of Nvidia’s second quarter earnings, which again beat expectations (although disappointed with cautions surrounding timing of their Blackwell chip’s release), were still not sufficient to ward off an 18% drawdown of the Tech behemoth’s share price in 6 short days. Banks and Industrials have held up reasonably well, despite their more cyclical inclinations, but the overriding message is that there seems to be a narrative shift in the market, with more defensive positioning, and a broadening of sector participation.

Of course, we can’t forget the U.S. Presidential Election, with the first and perhaps only candidate debate just concluded. To skip the politics and focus on market impact, in short: the debate had marginal impact on election probabilities, and certainly nothing sufficient to make a sweep for either party a base case. History shows that elections are typically non-events for the broader market, with sector implications at best, but it is fair to say that the politics of 2024 are far different today than the past. For now, we are watching and waiting, focusing on Fed Policy, economic data and market fundamentals more than partisan policy.

Steven W. Shepherd, CFA

Director, Portfolio Manager, BMO Asset Management Inc.

Index	Canadian Dollar Return	Close
S&P 500 Index	0.16%	16,667.45
MSCI World Index	0.17%	21,249.68
FTSE Canada Universe Bond Index	0.33%	1,147.51
Canadian Dollar (\$US/\$CA)	2.35%	0.74
Crude Oil	-7.69%	99.31 bbl/CAD

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

Source: Bloomberg, from Jul 31, 2024 to Aug 31, 2024.

Main
Page

BMO ETF Portfolios – Monthly Portfolio Commentary

- We have maintained our positioning this month, with the only change to our house view being a pullback in our gold outlook, from a +2 to a +1. Having recently added to the position, we have bought protective puts to protect against any price consolidation from the current overbought conditions. We are cognizant of the fact that retail investors seem to be missing out on the longer-term rally, with industry purchases of Gold ETFs having decoupled from the gains seen year-to-date in the underlying commodity.
- We have had the portfolios essentially neutral equities, with the additional protection of put options, with tilts to U.S. Banks, U.S. Industrials and Global Healthcare. All of these have contributed to returns on a relative basis over the past month.

Fixed Income Metrics	Fixed Income	Income	Conservative	Balanced	Growth	Equity Growth
Effective Duration	6.02	5.98	6.24	6.29	6.47	0.00
Yield to Maturity	4.71%	4.47%	4.46%	4.46%	4.55%	0.00%
Current Yield	3.78%	3.74%	3.73%	3.75%	3.87%	0.00%

Data as of Aug 31, 2024. Fixed income metrics shown are for the fixed income portion of the BMO ETF Portfolios only, excluding equities and cash.

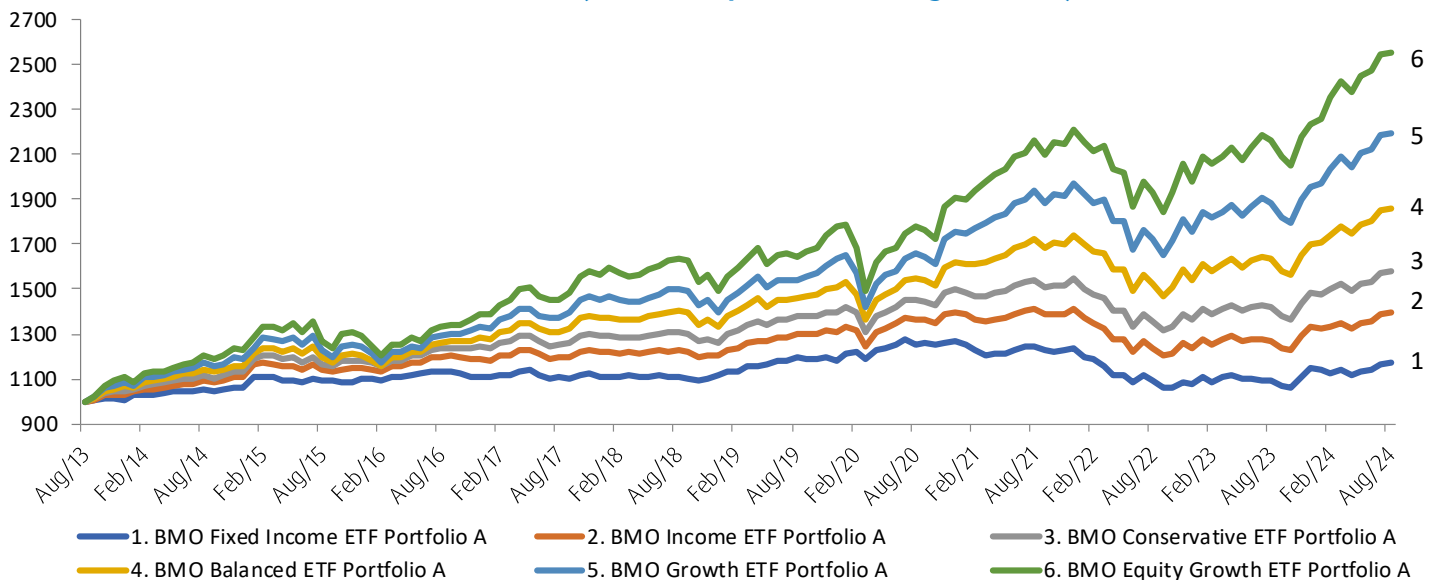
BMO ETF Portfolios (%) – as at Aug 31, 2024

Asset Allocation

	Ticker	BMO Fixed Income ETF Portfolio	BMO Income ETF Portfolio	BMO Conservative ETF Portfolio	BMO Balanced ETF Portfolio	BMO Growth ETF Portfolio	BMO Equity Growth ETF Portfolio
Fixed Income							
BMO Aggregate Bond Index ETF	ZAG	10.9	22.8	18.2	11.7	4.4	-
BMO Mid-Term US IG Corporate Bond ETF (CAD Hgd)	ZMU	34.8	17.1	14.0	9.0	4.2	-
BMO High Yield US Corporate Bond (CAD Hgd)	ZHY	7.4	4.5	3.6	2.3	1.1	-
BMO Core Plus Bond Fund ETF	ZCPB	5.4	6.6	4.8	3.3	2.3	-
BMO Emerging Markets Bond ETF (CAD Hgd)	ZEF	10.0	5.4	4.3	2.7	1.2	-
BMO Canadian MBS Index ETF	ZMBS	5.1	3.5	2.5	1.5	-	-
SPDR Portfolio Tips ETF	SPIP-US	4.6	-	-	-	-	-
BMO Long Federal Bond Index ETF	ZFL	6.1	2.1	2.7	1.6	0.6	-
BMO Ultra Short-Term Bond ETF	ZST	4.4	3.2	2.5	1.3	0.5	-
BMO Short Corporate Bond Index ETF	ZCS	4.9	4.0	2.5	1.4	0.4	-
Cash & Cash Equivalents		6.3	4.0	4.1	1.5	1.3	1.1
TOTAL Fixed Income		100	73	59	36	16	1
Equity							
BMO S&P 500 Index ETF	ZSP	-	10.8	16.3	25.5	30.2	34.1
BMO S&P/TSX Capped Comp Index ETF	ZCN	-	5.4	8.0	13.2	17.3	16.5
BMO MSCI EAFE Index ETF	ZEA	-	4.9	6.6	12.1	16.7	17.1
BMO MSCI Emerging Markets Index ETF	ZEM	-	0.9	1.2	1.8	2.4	2.9
BMO MSCI Europe High Quality Index ETF	ZEQ	-	1.5	2.9	3.2	3.4	6.0
BMO Japan Index ETF	ZJPN	-	0.8	1.4	1.6	1.7	2.9
BMO Global Infrastructure Fund	BGIF	-	-	-	-	1.0	1.0
BMO Global REIT Fund	BGRT	-	-	-	-	1.0	1.0
BMO S&P US Small Cap Index ETF	ZSML	-	-	-	0.6	0.5	0.8
BMO Gold Bullion ETF	ZGLD	-	0.8	1.2	1.9	2.5	3.1
Industrial Select Sector SPDR ETF	XLI	-	0.3	0.6	0.3	0.2	1.3
BMO Equal Weight US Bank Index ETF	ZBK	-	0.2	0.8	0.8	0.8	2.4
Technology Select Sector SPDR ETF	XLK	-	0.2	0.4	0.4	0.4	1.2
BMO NASDAQ 100 Equity Index ETF	ZNQ	-	-	-	-	3.2	4.2
BMO Global Health Care Fund	BGHC	-	0.3	0.6	0.6	0.6	1.8
iShares China Large Cap ETF	FXI	-	0.2	0.3	0.4	0.6	0.7
BMO MSCI India ESG Leaders Index ETF	ZID	-	0.3	0.4	0.6	0.9	1.0
BMO Equal Weight Global Base Metals Index ETF	ZMT	-	0.2	0.3	0.5	0.6	0.8
TOTAL Equity		0	27	41	64	84	99

Main Page

BMO ETF Portfolios Performance (since inception, as of Aug 31, 2024)



The chart illustrates the impact to an initial investment of \$1,000 dollars from August 12, 2013 to August 31, 2024 in the BMO ETF Portfolios - Series A. It is not intended to reflect future returns on investments.

Time Lapse	Fixed Income	Income	Conservative	Balanced	Growth	Equity Growth
1 month	0.8%	0.4%	0.4%	0.4%	0.3%	0.2%
3 month	3.8%	3.7%	3.8%	4.0%	4.2%	4.2%
6 month	4.0%	4.9%	5.6%	6.7%	7.9%	8.6%
1 Year	7.5%	10.0%	11.5%	14.0%	16.4%	18.1%
3 Year	-1.9%	-0.3%	0.8%	2.6%	4.2%	5.6%
5 Year	-0.4%	1.5%	2.8%	5.0%	7.1%	9.0%
10 Year	1.1%	2.5%	3.6%	5.0%	6.4%	7.7%
Since Inception as of August 12, 2013	1.4%	3.1%	4.1%	5.7%	7.1%	8.5%

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

This report has been prepared by the BMO Multi-Asset Solutions Team and is intended for informational purposes only. The viewpoints expressed by the Portfolio Manager represents their assessment of the markets at the time of publication. Those views are subject to change without notice at any time without any kind of notice. The information provided herein does not constitute a solicitation of an offer to buy, or an offer to sell securities nor should the information be relied upon as investment advice. Past performance is no guarantee of future results. This communication is intended for informational purposes only.

Any statement that necessarily depends on future events may be a forward-looking statement. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Although such statements are based on assumptions that are believed to be reasonable, there can be no assurance that actual results will not differ materially from expectations. Investors are cautioned not to rely unduly on any forward-looking statements. In connection with any forward-looking statements, investors should carefully consider the areas of risk described in the most recent simplified prospectus.

The BMO ETFs or securities referred to herein are not sponsored, endorsed or promoted by MSCI Inc. ("MSCI"), and MSCI bears no liability with respect to any such BMO ETFs or securities or any index on which such BMO ETFs or securities are based. The prospectus of the BMO ETFs contains a more detailed description of the limited relationship MSCI has with BMO Asset Management Inc. and any related BMO ETFs.

The Index is a product of S&P Dow Jones Indices LLC or its affiliates ("SPDJI"), and has been licensed for use by the Manager. S&P®, S&P 500®, US 500, The 500, iBoxx®, iTraxx® and CDX® are trademarks of S&P Global, Inc. or its affiliates ("S&P") and Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"), and these trademarks have been licensed for use by SPDJI and sublicensed for certain purposes by the Manager. The ETF is not sponsored, endorsed, sold or promoted by SPDJI, Dow Jones, S&P, their respective affiliates, and none of such parties make any representation regarding the advisability of investing in such product(s) nor do they have any liability for any errors, omissions, or interruptions of the Index.

Commissions, management fees and expenses (if applicable) may be associated with investments in mutual funds and exchange traded funds (ETFs). Trailing commissions may be associated with investments in mutual funds. Please read the fund facts, ETF Facts or prospectus of the relevant mutual fund or ETF before investing. Mutual funds and ETFs are not guaranteed, their values change frequently and past performance may not be repeated.

For a summary of the risks of an investment in BMO Mutual Funds or BMO ETFs, please see the specific risks set out in the prospectus of the relevant mutual fund or ETF. BMO ETFs trade like stocks, fluctuate in market value and may trade at a discount to their net asset value, which may increase the risk of loss. Distributions are not guaranteed and are subject to change and/or elimination.

BMO Mutual Funds are offered by BMO Investments Inc., a financial services firm and separate entity from Bank of Montreal. BMO ETFs are managed and administered by BMO Asset Management Inc., an investment fund manager and portfolio manager and separate legal entity from Bank of Montreal.

BMO Global Asset Management is a brand name that under which BMO Asset Management Inc. and BMO Investments Inc. operate.

This material is for information purposes. The information contained herein is not, and should not be construed as, investment, tax or legal advice to any party. Particular investments and/or trading strategies should be evaluated relative to the individual's investment objectives and professional advice should be obtained with respect to any circumstance.

"BMO (M-bar roundel symbol)" is a registered trademark of Bank of Montreal, used under licence.