

# BMO ETF Portfolios

May 2023

Monthly Commentary

## Market & Economic Commentary

BMO Managed Solutions

## Portfolio Activity

as at Apr 30, 2023

## Asset Allocation

as at Apr 30, 2023

## Performance

as at Apr 30, 2023

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Much like Marvin the Martian, the helmeted antagonist of Looney Tunes fame, the U.S. Federal Reserve (the “Fed”) must be equally confused that their plan for containing inflation has not yet resulted in the recessionary implosion that 525 basis points (bps) of tightening would suggest. However, both equity markets and key economic measures seem to be pushing a downturn further into the second half of 2023.

April brought hot jobs numbers yet again, although tempering upside reaction by paring them with downward revisions to prior months’ reported levels. As expected, the Fed proceeded with its 25 bp rate hike, albeit with much more dovish language, suggesting that they were ready to call an end to the sharpest rate cycle in recent history. Banking concerns continued to simmer post-Silicon Valley Bank and Signature Bank, highlighting the difference between “idiosyncratic” and “isolated.” First Republic Bank was purchased by JPMorgan (JPM) after it’s seizure by the Federal Deposit Insurance Corporation (FDIC), but not without significant government guarantees to indemnify JPM of any unforeseen risks. Although still not approaching systemic stress levels of the 2008 Global Financial Crisis, continued bank bailouts and purchases all contributed to an ongoing theme of reduced lending activity going forward, as indicated by the Senior Loan Officer Opinion Survey, among others.

One thing is clear though; that the bar to raise rates further is much higher now, with markets now firmly pricing in rate cuts before the end of the year. What seems to be lacking is the impact of an actual recession, never mind the fact that core Consumer Price Index (CPI) seems firmly stuck at ~5%, raising the question of whether the Fed is really done raising rates. It

is this contradiction that keeps us firmly defensive among the portfolios, with an underweight to equities, high yield bonds and U.S. equities in particular. While Jerome Powell has given lip service to a soft landing, historical patterns around recessions would indicate a rough run, for both the economy and equity markets.

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

Index	Canadian Dollar Return	Close
S&P 500 Index	1.78%	12,099.70
MSCI World Index	2.03%	16,121.51
FTSE Canada Universe Bond Index	0.98%	1,095.61
Canadian Dollar (\$US/\$CA)	-0.26%	0.74
Crude Oil	1.68%	104.05 bbl/CAD

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

Source: Bloomberg, from Mar 31, 2023 to Apr 30, 2023.

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## BMO ETF Portfolios – Monthly Portfolio Commentary

- In addition to our underweight of equities among the BMO ETF Portfolios, we have also lowered our conviction on the overweight of emerging markets, specifically Chinese equities. While we continue to believe they will outperform on a relative basis, the strength of the economy’s reopening has disappointed, and political tensions have yet again raised concerns over inevitability in the region. As such, we remain overweight, but to a lesser extent. We are using these proceeds to increase our exposure to Canadian equities, that have a comforting dividend tilt by nature, and as the recent sell off from both banks and energy stocks create a longer-term value opportunity.
- Our addition of gold bullion and Canadian Materials earlier this year have been strong contributors to relative performance, and we continue to hold these. Although recently pushing up against technical resistance, we do believe gold will continue to shine as the U.S. moves into economic contraction, and we will look to add to the position on additional upside momentum.

Fixed Income Metrics	Fixed Income	Income	Conservative	Balanced	Growth	Equity Growth
Effective Duration	7.13	7.18	7.21	7.22	7.21	0.00
Yield to Maturity	4.89%	4.63%	4.67%	4.63%	4.70%	0.00%
Current Yield	3.54%	3.44%	3.50%	3.46%	3.57%	0.00%

Data as of Apr 30, 2023. Fixed income metrics shown are for the fixed income portion of the BMO ETF Portfolios only, excluding equities and cash.

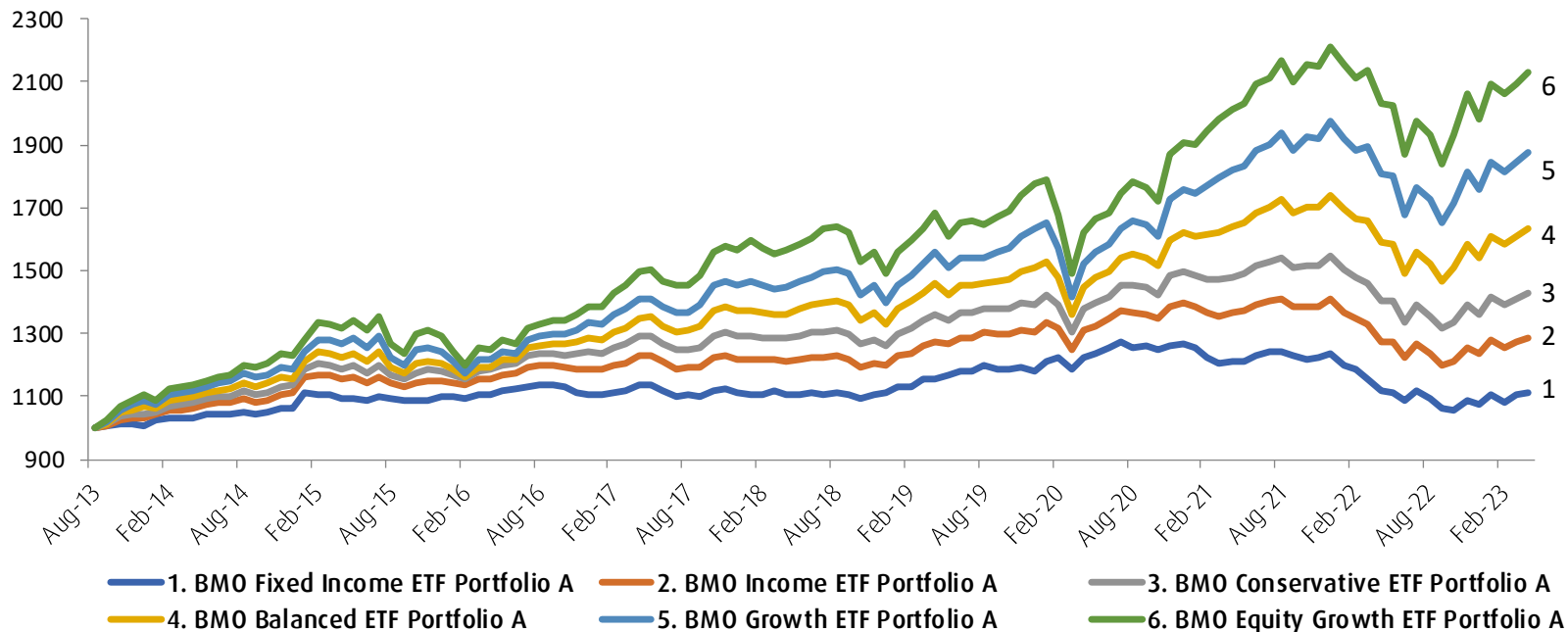
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## BMO ETF Portfolios (%) – as at Apr 30, 2023

	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
<b>Fixed Income</b>							
BMO Aggregate Bond Index ETF	ZAG	15.8	25.8	21.0	14.6	7.5	-
BMO Mid-Term US IG Corporate Bond ETF (CAD Hgd)	ZMU	35.8	18.7	15.4	10.2	5.2	-
BMO High Yield US Corporate Bond (CAD Hgd)	ZHY	6.2	2.7	2.9	1.5	0.9	-
BMO Core Plus Bond Fund ETF	ZCPB	5.7	6.7	4.9	3.5	2.5	-
BMO Emerging Markets Bond ETF (CAD Hgd)	ZEF	10.9	6.1	5.0	3.3	1.6	-
BMO Canadian MBS Index ETF	ZMBS	5.4	3.5	2.6	1.7	-	-
SPDR Portfolio Tips ETF	SPIP-US	4.9	-	-	-	-	-
BMO Long Federal Bond Index ETF	ZFL	11.8	6.3	5.5	3.4	1.3	-
Cash & Cash Equivalents		3.6	5.1	5.2	3.5	3.0	2.6
<b>TOTAL Fixed Income</b>		<b>100</b>	<b>75</b>	<b>63</b>	<b>42</b>	<b>22</b>	<b>3</b>
<b>Equity</b>							
BMO S&P 500 Index ETF	ZSP	-	7.3	11.1	16.4	21.6	27.5
BMO S&P/TSX Capped Comp Index ETF	ZCN	-	6.5	9.9	15.3	20.8	26.0
BMO MSCI EAFE Index ETF	ZEA	-	5.2	7.0	13.6	18.7	20.3
BMO MSCI Emerging Markets Index ETF	ZEM	-	1.6	2.4	4.0	5.3	6.5
BMO MSCI Europe High Quality Index ETF	ZEQ	-	1.2	2.2	2.7	2.7	4.8
BMO Japan Index ETF	ZJPN	-	1.1	2.1	2.6	2.6	4.7
Industrial Select Sector SPDR Fund	XLI	-	0.6	0.8	1.0	1.1	1.4
iShares S&P/TSX Capped Materials Index ETF	XMA	-	0.5	0.8	1.0	1.2	1.5
BMO Brookfield Global Renewables Infrastructure Fund ETF	GRNI	-	-	-	-	1.0	1.0
BMO Brookfield Global Real Estate Tech Fund ETF	TOWR	-	-	-	-	1.0	1.0
BMO S&P US Small Cap Index ETF	ZSML	-	-	-	0.5	0.4	0.7
BMO MSCI China ESG Leaders	ZCH	-	-	-	0.1	0.6	0.9
iShares Gold Trust	IAU	-	0.8	1.1	1.2	1.1	1.2
<b>TOTAL Equity</b>		<b>0</b>	<b>25</b>	<b>37</b>	<b>58</b>	<b>78</b>	<b>97</b>


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## BMO ETF Portfolios Performance (since inception, as of Apr 30, 2023)



Time Lapse	Fixed Income	Income	Conservative	Balanced	Growth	Equity Growth
1 month	0.8%	1.1%	1.2%	1.4%	1.6%	1.7%
3 month	0.7%	0.8%	1.0%	1.4%	1.6%	1.9%
6 month	5.5%	6.5%	7.1%	8.3%	9.3%	10.1%
1 Year	-0.1%	1.0%	2.0%	2.9%	3.7%	4.8%
3 Year	-3.2%	-0.4%	1.3%	4.1%	7.2%	9.7%
5 Year	0.2%	1.3%	2.2%	3.7%	5.1%	6.2%
Since Inception as of August 12, 2013	1.1%	2.6%	3.6%	5.1%	6.4%	7.7%

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