BMO Retirement Portfolios

March 2025

Monthly Commentary

Market & Economic Commentary

BMO Managed Solutions

Portfolio Activity

as at Feb 28, 2025

Asset Allocation & Portfolio Data

as at Feb 28, 2025

Performance

as at Feb 28, 2025

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BMO Global Asset Management

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"Is 2025 Over Yet?"

A lot of market observers are probably asking themselves that, as the first two months of the year have brought if not an unprecedented level of market volatility[1], then a degree of geopolitical confusion that has abruptly, firmly, and negatively impacted the prior optimism following November's U.S. Presidential Election.

Is there any reason to be optimistic? Of course, there always is. Fundamentally, equities have corrected close to 10% from their peaks, which provides more attractive entry points for trades that had been outperforming, including Banks and Technology. Market darling Nvidia Corporation is now at a paltry 23x Forward P/E[2], versus the roughly 40x multiple the market assigned upon launch of ChatGPT in November 2022. Economically, there is little hard data to support the most recent market concern that the U.S. is indeed facing the onset of recession this year, despite the markets' reaction to President Trump's evasion of ruling one out. Job creation is lower, but still positive, and when balanced against the reduction in immigration that is reducing the number of available workers, the unemployment rate has remained stable. Consumer spending is indeed showing some cracks, but remains strong in the absolute. Finally, from a policy perspective, the notion of corporate tax cuts is still a primary objective of the current U.S. administration, as is broad deregulation. Both are positive catalysts for earnings and economic growth…it's just a matter of whether these happen in time to stave off a major slowdown.

The downside is far more obvious. Tariff threats have been lobbed internationally, with as little as a six-hour difference in one case between the escalation of U.S. tariffs on Canadian steel from 25% to 50%, and back down again. The inflationary nature of tariffs was priced into the bond market earlier this year, but attention has now moved to the slowing of economic output and resulting corporate earnings growth in the equity market. Strategist targets for year end S&P500 Index levels have fallen from an average of 6500 to 6100, representing a scant 3.7% gain from the year's starting level, but a healthy 9.2% rebound from the 5586 level observed at time of this writing. The uncertainty has also been extrapolated to reduced corporate investment, including the previously indominable AI (artificial intelligence) theme, with industry heavyweights pulling back on planned expenditures in server capacity and development. Add onto that the prospect of a U.S. government shutdown that might halt payments and furlough workers, and it is certainly understandable that volatility has spiked.

So, what has been working? Our overweight of duration[3] in our Canadian fixed income positions has helped cushion the equity bumps, as the Bank of Canada delivered the broadly expected 25 basis point (bp) cut to bring the overnight rate to 2.75%, while the 10-year Government of Canada yield has moved from a mid-January peak of 3.54% to a low of 2.84%, bouncing with each announcement of tariff reprieve. The U.S. 10-year treasury yield has also fallen to below 4.25% as well, back to last October's levels.

Elsewhere, our off-benchmark allocation to gold remains an important diversifier, up roughly 11% year-to-date (YTD), remaining range-bound throughout the recent volatility. Central bank purchases have ramped up again, with China returning to positive flows, and we are seeing dislocations in pricing among regions as nations rush to import bullion in advance of possible tariff levies. European equities have been outperforming YTD, as have Chinese, despite being included in the U.S. "Tariff Tango". Unlike Canada and Mexico, these economies are in the same weight-class as the U.S. when measured on a reciprocal trade basis.

In summary, the case for a full-blown bear market scenario is still lacking. U.S. recession over the next 12 months remains a low probability and credit spreads, although wider, show no signs of panic. While market corrections are not a ton of fun at the best of times, they are a fundamental part of being a long-term investor. They rebalance relative valuations within and across markets, and ultimately, give the long-term investor the best opportunity to outperform the market. Dollar cost averaging accomplishes just that, as does disciplined rebalancing and active asset allocation.

All data from Bloomberg, March 2025.

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

Index	Canadian Dollar Return	Close
S&P 500 Index	-1.04%	18,913.83
MSCI World Index	3.00%	23,083.72
FTSE Canada Universe Bond Index	1.10%	1,195.87
Canadian Dollar ($US/$CA)	0.55%	0.69
Crude Oil	-3.56%	100.73 bbl/CAD

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

Source: Bloomberg, from Jan 31, 2025 to Feb 28, 2025.

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Portfolio Activity

BMO Retirement Portfolios – Monthly Portfolio Commentary

- We maintained an overweight position towards risk-reduction equities, while being neutral on risky equities.
- We continued to keep U.S. equities at an underweight and maintained our underweight position to bonds.

[1] Volatility: Measures how much the price of a security, derivative, or index fluctuates. The most commonly used measure of volatility when it comes to investment funds is standard deviation. Standard Deviation: A measure of risk in terms of the volatility of returns. It represents the historical level of volatility in returns over set periods. A lower standard deviation means the returns have historically been less volatile and vice-versa. Historical volatility may not be indicative of future volatility.

[2] The price-to-earnings (P/E) ratio: measures a company's share price relative to its earnings per share (EPS) and helps assess the relative value of a company's stock. A high P/E ratio could mean that a company's stock is overvalued or that investors expect high growth rates. The forward P/E ratio divides the current share price of a company by the estimated future ("forward") EPS of that company. For valuation purposes, a forward P/E ratio is typically considered more relevant than a historical P/E ratio.

[3] Duration: A measure of the sensitivity of the price of a fixed income investment to a change in interest rates. Duration is expressed as number of years. The price of a bond with a longer duration would be expected to rise (fall) more than the price of a bond with lower duration when interest rates fall (rise).

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Asset Allocation & Portfolio Data

BMO Retirement Portfolios – as at Feb 28, 2025

Current Portfolio Composition Weights

Holdings	BMO Retirement Income Portfolio	BMO Retirement Conservative Portfolio	BMO Retirement Balanced Portfolio
Fixed Income	73.5%	58.7%	38.6%
BMO Risk Reduction Equity Fund	21.0%	26.5%	31.4%
Global Equities[1]	5.4%	14.8%	30.1%

[1] Includes Canada, U.S. and international low volatility, high quality and broad market equity ETFs

Portfolio Yield

Portfolio Yield	BMO Retirement Income Portfolio	BMO Retirement Conservative Portfolio	BMO Retirement Balanced Portfolio
Fixed Income Yield to Maturity	3.77%	3.79%	3.81%
Equity Dividend Yield	2.58%	1.66%	1.11%
Total Portfolio Yield	**3.78%**	**3.54%**	**3.21%**
Duration	5.17	5.28	5.34

Currency Allocation

Currency Allocation	BMO Retirement Income Portfolio	BMO Retirement Conservative Portfolio	BMO Retirement Balanced Portfolio
CAD	95.0%	86.1%	72.1%
USD	4.6%	11.8%	21.7%
EUR	0.1%	0.7%	1.7%
GBP	0.1%	0.4%	0.8%
JPY	0.1%	0.3%	0.8%
Other	0.1%	0.7%	2.9%

Total Fixed Income - Credit Breakdown

Total Fixed Income - Credit Breakdown	BMO Retirement Income Portfolio	BMO Retirement Conservative Portfolio	BMO Retirement Balanced Portfolio
Sovereigns	28.7%	28.8%	29.2%
Provincials	19.2%	19.1%	19.0%
Corporates	52.2%	52.2%	51.8%

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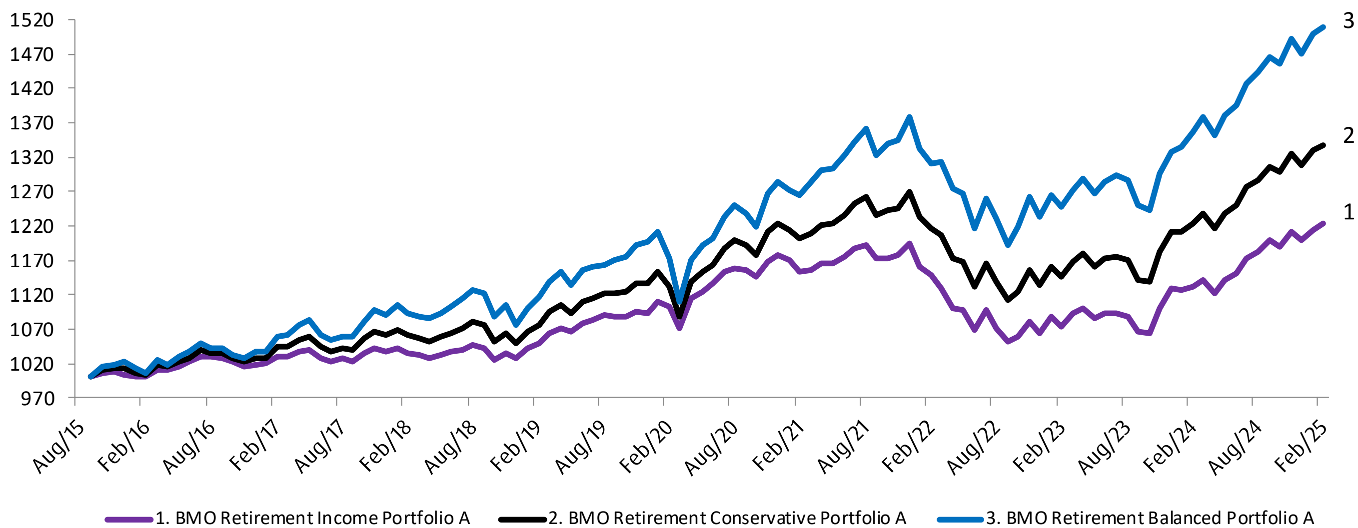
Source: BMO Global Asset Management

Performance

BMO Retirement Portfolios Performance (since inception, as of Feb 28, 2025)



Time Lapse	BMO Retirement Income Portfolio	BMO Retirement Conservative Portfolio	BMO Retirement Balanced Portfolio
1 month	0.7%	0.7%	0.6%
3 month	0.9%	0.9%	1.1%
6 month	3.4%	3.9%	4.6%
1 Year	8.1%	9.4%	11.3%
3 Year	2.1%	3.2%	4.8%
5 Year	2.1%	3.4%	5.2%
Since Inception	2.2%	3.2%	4.6%
3 year sharpe ratio	-0.29	-0.08	0.15

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

[Advisor use only]: To view the Series F performance, click here and select the desired product.

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