

BMO ETF Portfolios

December 2021
Monthly Commentary

Market & Economic Commentary

BMO Managed Solutions

Portfolio Activity

as at Nov 30, 2021

Asset Allocation

as at Nov 30, 2021

Performance

as at Nov 30, 2021

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Volatility returned to global markets in the form of a new COVID variant, dubbed “Omicron” by the scientific community. Somewhat concerning comments from Moderna CEO regarding lower efficacy of existing vaccines were echoed by empirical data, rattling markets late in month, sending markets lower briefly, with concerns compounded by low post-Thanksgiving volume, and hawkish comments from Jerome Powell, striking the word “transitory” from the U.S. Federal Reserve vernacular, and suggesting that an acceleration of the pace of tapering might be justified only one month after announcing the commencement of the tightening process.

Economic data was mixed, with continued indications of growth, despite ongoing supply bottlenecks and labor shortages. The overall unemployment rate dropped to 7.8% from the prior month’s 8.3%, despite the labour participation rate increasing only. On the other hand, factory orders doubled expectations, rising 1% over the month, while pending home sales surged along with personal spending rising.

Overall, the result for equities over the month was that Technology was the defensive trade once again, with Growth drastically outperforming Value. Regionally, the U.S. was the sole developed market to deliver a positive price change, rising 2.6%. Conversely, the highly cyclical Canadian S&P/TSX Composite Index declined 2.8%, with crude oil’s decline to \$66.18 USD per barrel weighing on energy stocks, sending the Energy sector 7.6% lower.

The volatility was echoed in bond markets, with the U.S. 10-year yield fluctuating over the month between 140 and 170 basis points (bps), ending the month at 144 with the news of Omicron driving risk aversion. Canadian 10-year yields followed suit, ending the month 18 bps lower at 157 bps. Sector-wise, this resulted in longer term bonds outperforming, while credit underperformed, with spreads on U.S. Investment Grade and High Yield bonds widening modestly.

We continue to favour Canadian and U.S. equities, with a focus on cyclical exposures of Banks and Energy. We are becoming less pessimistic (as opposed to more optimistic...yes, there is a difference...) on Emerging Market equities, although Chinese markets continue to demonstrate downward trends, despite very low valuations. We are watching this closely, for signs of a 2022 first quarter revival, with promising early indicators from trade numbers and a cut to the banking sector’s required reserve ratio (“RRR”).

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

Index	Canadian Dollar Return	Close
S&P 500 Index	2.69%	12,251.87
MSCI World Index	1.26%	16,180.34
FTSE Canada Universe Bond Index	0.35%	1,177.04
Canadian Dollar (\$US/\$CA)	-3.07%	0.78
Crude Oil	-18.11%	84.83 bbl/CAD

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

Source: Bloomberg, as at Nov 30 2021

Main
Page

BMO ETF Portfolios – Monthly Portfolio Commentary

- The BMO ETF Portfolios have remained overweight equities to the benefit of relative performance year to date, and this view remained correct for November. However, our regional mix detracted from relative performance, as Canadian equities underperformed all other markets as the Energy sector was the primary detractor from index performance, as oil prices plunged due to concerns over the COVID-19 Omicron variant and renewed travel restrictions. The portfolios' U.S. equity exposure provided the highest contribution to performance, as Information Technology stocks dominated at the expense of the cyclical Financial and Energy sectors. These two satellite positions detracted over the month, but rebounded sharply after month-end as evidence suggested the new COVID variant might be less onerous than originally feared, and broadly addressable via booster vaccinations and additional vaccine developments.
- Emerging Market equities enjoyed a relative reprieve, underperforming U.S. equities, but outperforming both the Canada and EAFE regions. With the MSCI China Index's forward price-to-earnings ratio trading at only 0.71 of the MSCI World Index's, valuations are starting to pique the collective market's interest, but this has yet to be confirmed by any significant change in price momentum, or asset flows. Increased monetary support, an upside surprise in trade data, and positive industrial output numbers are promising, leading us to begin adding modestly to our presently underweight position.
- Similar to our cyclical bias in equities, our modest short of duration detracted from performance during the month as rates fell. The volatility of rates has made us hesitant to make any dramatic calls with respect to direction, although we are biased towards higher rates as the global economy continues to normalize through 2022 and beyond, and components of overall inflation prove stickier than initially expected.



[Main Page](#)

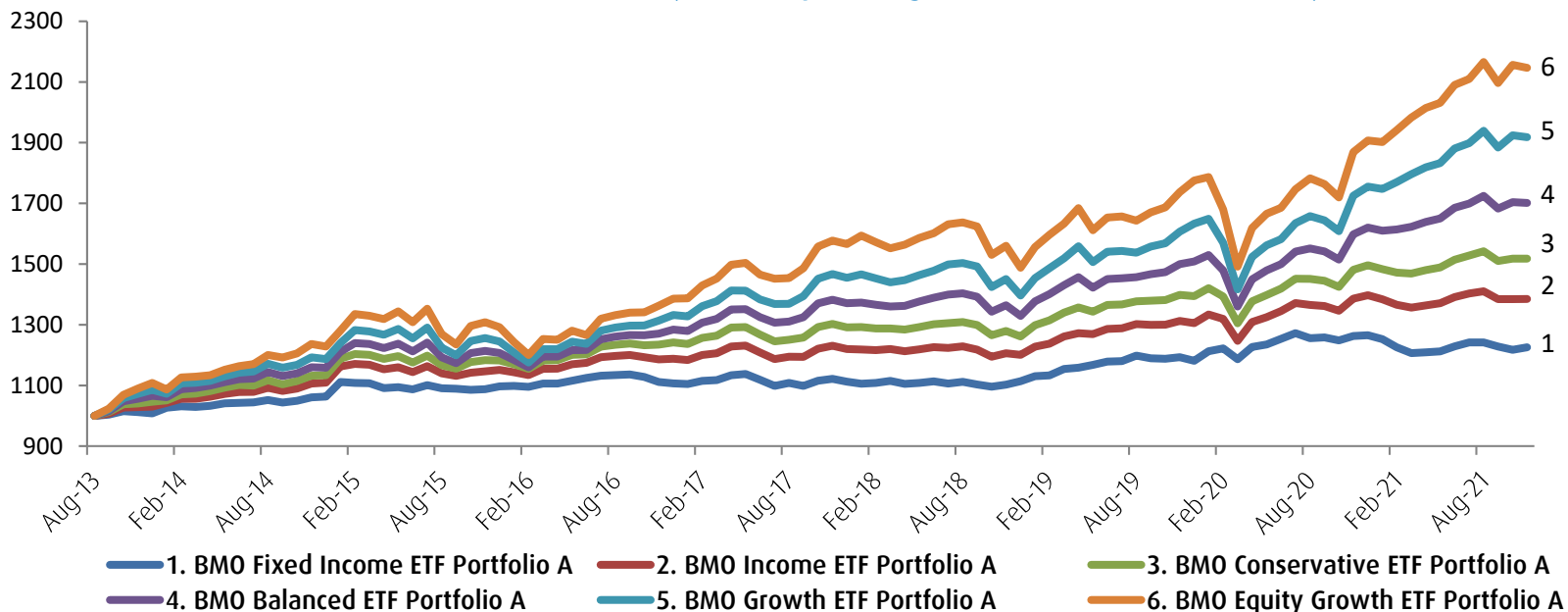
BMO ETF Portfolios – as at Nov 30, 2021

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	29.8	29.5	26.7	15.6	9.6	-
BMO Mid-Term US IG Corporate Bond ETF (CAD Hgd)	ZMU	20.2	9.8	9.3	7.0	2.2	-
BMO High Yield US Corp Bond Hedged	ZHY	8.8	1.7	1.5	1.3	0.4	-
BMO Long Federal Bond Index ETF	ZFL	3.5	3.9	2.7	2.2	1.1	-
BMO Short Corporate Bond Index ETF	ZCS	7.3	2.9	2.2	0.9	0.3	-
BMO Mid Corporate Bond Index ETF	ZCM	2.0	6.0	3.0	1.8	0.7	-
BMO Core Plus Bond Fund ETF	ZCPB	-	1.4	1.3	1.5	0.5	-
BMO Emerging Markets Bond ETF (CAD Hgd)	ZEF	5.1	4.3	3.5	2.5	0.4	-
BMO Long Provincial Bond Index ETF	ZPL	0.8	2.1	1.5	0.9	0.4	-
BMO Canadian MBS Index ETF	ZMBS	6.5	3.4	2.8	0.9	-	-
SPDR Portfolio Tips ETF	SPIP-US	5.6	-	-	-	-	-
BMO Long-Term US Treasury Bond ETF	ZTL	5.6	-	-	-	-	-
Other Fixed Income/Cash		2.7	6.1	7.1	3.8	2.9	1.3
TOTAL Fixed Income		98	71	62	39	18	1
Equity							
BMO S&P 500 Index ETF	ZSP	1.2	8.6	12.6	18.1	22.4	28.5
BMO S&P/TSX Capped Comp Index ETF	ZCN	1.1	9.8	11.2	17.4	23.5	28.4
BMO MSCI EAFE Index ETF	ZEA	-	5.9	9.1	13.4	18.8	23.1
BMO MSCI Emerging Markets Index ETF	ZEM	-	1.8	2.4	4.9	6.2	6.8
BMO Low Volatility Canadian Equity ETF	ZLB	-	0.5	1.2	1.2	2.0	2.5
BMO Low Volatility US Equity ETF	ZLU	-	-	0.3	1.6	2.5	2.6
BMO S&P US Small Cap Index ETF	ZSML	-	-	-	2.0	2.7	3.2
iShares U.S. Financials ETF	IYF	-	1.0	0.6	1.0	1.3	1.6
Other Equity		-	1.4	1.0	2.0	2.1	2.1
TOTAL Equity		2	29	38	61	82	99

Main Page

BMO ETF Portfolios Performance (since inception August 12, 2013, as of Nov 30, 2021)



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

Time Lapse	BMO Fixed Income ETF Portfolio A	BMO Income ETF Portfolio A	BMO Conservative ETF Portfolio A	BMO Balanced ETF Portfolio A	BMO Growth ETF Portfolio A	BMO Equity Growth ETF Portfolio A
1 month	0.7%	0.0%	0.0%	-0.2%	-0.3%	-0.5%
3 month	-1.3%	-1.8%	-1.6%	-1.3%	-1.1%	-0.9%
6 month	1.1%	1.0%	2.0%	3.1%	4.6%	5.7%
1 Year	-3.0%	-0.1%	2.5%	6.5%	11.2%	14.9%
3 Year	3.6%	4.8%	6.0%	7.7%	9.4%	10.8%
5 Year	2.0%	3.2%	4.3%	6.0%	7.6%	9.3%
Since Inception as of August 12, 2013	2.4%	4.0%	5.0%	6.5%	7.8%	9.2%

Performance

Main Page

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 **Main
Page**