

BMO ETF Portfolios

March 2022
Monthly Commentary

Market & Economic Commentary

BMO Managed Solutions

Portfolio Activity

as at Feb 28, 2022

Asset Allocation

as at Feb 28, 2022

Performance

as at Feb 28, 2022

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February was a continuation of January’s risk off market, with angst over the U.S. Federal Reserve’s (the “Fed”) policy trajectory, continued inflation pressures, and most notably, the invasion of the Ukraine by Russian military forces.

Markets were already sensitive to the spectre of rising rates, with market pricing of the number of Fed hikes moving from the prior 4-5 to as high as 7-8, as energy prices continued to shock consumers. Despite relatively good earnings announcements, concerns over large cap tech valuations shook the sector, pulling multiples down sharply. Year to date, Technology was down just under 13% by the end of the month, while Financials and Energy continued to lead the market.

10-year yields were volatile over the month, moving from 1.78 to peak at 2.04 mid-month, before sliding back to 1.83 by month’s end. Canada’s tracked within single basis points of the U.S. rate, with the Bank of Canada making it’s first rate increase of 50 basis points in the first week of March, a move largely expected by markets. Fed Chair Jerome Powell signaled a 25 basis point hike would be delivered later in March, despite speculation that heightened volatility from the conflict in Ukraine might stay his hand. If anything, the conflict has amplified overall inflation through oil prices, suggesting a firmer tightening might be justified.

Energy is now the primary focus of most market participants, with global sanctions against Russian trade, and more specifically, the withdrawal of several oil companies from Russia triggering concerns of a severe supply crunch that will persist well after any ceasefire. The lack of investment in oil exploration in recent years

has resulted in limited spare production capacity, impacting not only short-term pricing, but also longer-term energy supply chains. More effective and efficient transport among global markets would go a long way to ease pressure, including re-examination of cancelled infrastructure projects like Keystone XL, and the development of natural gas de-liquification facilities across Germany and Europe to allow import from foreign markets.

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Index	Canadian Dollar Return	Close
S&P 500 Index	-3.07%	11,655.67
MSCI World Index	-2.76%	15,412.41
FTSE Canada Universe Bond Index	-0.72%	1,141.47
Canadian Dollar (\$US/\$CA)	0.28%	0.79
Crude Oil	8.50%	121.45 bbl/CAD

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

Source: Bloomberg, as at Feb 28 2022

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BMO ETF Portfolios – Monthly Portfolio Commentary

- During the month, the BMO ETF Portfolios' positioning proved defensive, with the overweight of Canada and Energy cushioning the general decline of equities. The underweights of Europe and Emerging Markets were particularly beneficial.
- Bonds fell modestly during the month, with the FTSE Canadian Universe Bond Index falling -0.72%. Long bonds underperformed short, while U.S. investment grade credit lagged high yield, with spreads narrowing on general market risk aversion.
- The Portfolios have been building cash over the past several weeks, adding an additional measure of defense. Given the uncertainty of the conflict in Europe, keeping dry powder to take advantage of more severe equity shocks has historically been a strong long-term strategy for outperformance.



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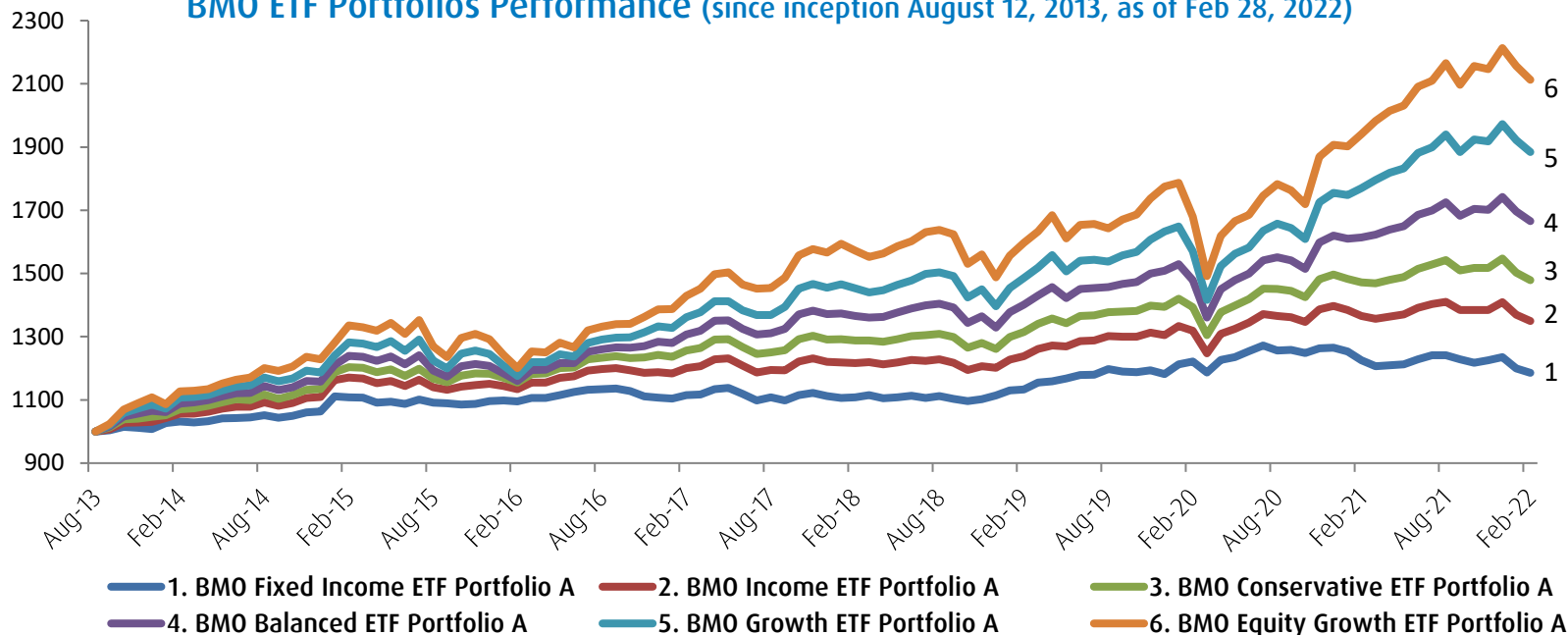
BMO ETF Portfolios – as at Feb 28, 2022

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	28.3	30.9	27.5	13.4	6.9	-
BMO Mid-Term US IG Corporate Bond ETF (CAD Hgd)	ZMU	20.6	10.0	8.8	6.5	2.0	-
BMO High Yield US Corp Bond Hedged	ZHY	8.4	1.8	1.5	1.3	0.4	-
BMO Long Federal Bond Index ETF	ZFL	2.4	3.8	2.3	2.0	1.0	-
BMO Short Corporate Bond Index ETF	ZCS	6.6	3.1	2.2	0.8	0.3	-
BMO Mid Corporate Bond Index ETF	ZCM	0.1	5.6	2.8	1.8	0.6	-
BMO Core Plus Bond Fund ETF	ZCPB	0.8	1.5	1.2	1.5	0.6	-
BMO Emerging Markets Bond ETF (CAD Hgd)	ZEF	4.9	4.2	3.4	2.3	0.3	-
BMO Long Provincial Bond Index ETF	ZPL	-	1.6	1.4	0.8	0.4	-
BMO Canadian MBS Index ETF	ZMBS	6.7	3.6	2.8	0.9	-	-
SPDR Portfolio Tips ETF	SPIP-US	5.6	-	-	-	-	-
BMO Long-Term US Treasury Bond ETF	ZTL	5.3	-	-	-	-	-
Other Fixed Income/Cash		8.1	6.6	7.9	5.5	3.3	1.5
TOTAL Fixed Income		98	73	62	37	16	2
Equity							
BMO S&P 500 Index ETF	ZSP	1.1	7.9	11.9	19.3	24.1	29.5
BMO S&P/TSX Capped Comp Index ETF	ZCN	1.1	9.3	11.8	17.6	24.2	28.6
BMO MSCI EAFE Index ETF	ZEA	-	6.0	9.0	13.2	18.1	22.0
BMO MSCI Emerging Markets Index ETF	ZEM	-	1.1	2.4	5.2	7.2	7.2
BMO Low Volatility Canadian Equity ETF	ZLB	-	-	0.9	1.2	1.9	1.6
BMO Low Volatility US Equity ETF	ZLU	-	-	-	1.6	2.5	1.6
BMO S&P US Small Cap Index ETF	ZSML	-	-	-	1.8	2.5	2.9
Financial Select Sector SPDR Fund	XLF-US	-	1.1	0.6	1.0	1.2	1.6
Other Equity		-	1.9	1.6	2.5	2.5	3.4
TOTAL Equity		2	27	38	63	84	98

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BMO ETF Portfolios Performance (since inception August 12, 2013, as of Feb 28, 2022)



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	-1.2%	-1.5%	-1.6%	-1.8%	-1.9%	-2.1%
3 month	-3.3%	-2.6%	-2.6%	-2.1%	-1.7%	-1.6%
6 month	-4.5%	-4.3%	-4.1%	-3.5%	-2.8%	-2.5%
1 Year	-3.3%	-1.2%	0.5%	3.2%	6.5%	8.8%
3 Year	1.5%	3.0%	4.1%	5.9%	7.9%	9.4%
5 Year	1.2%	2.4%	3.4%	5.0%	6.5%	7.9%
Since Inception as of August 12, 2013	1.9%	3.6%	4.6%	6.0%	7.4%	8.7%

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