

“Investment Success in a Shrinking World of Global Growth”

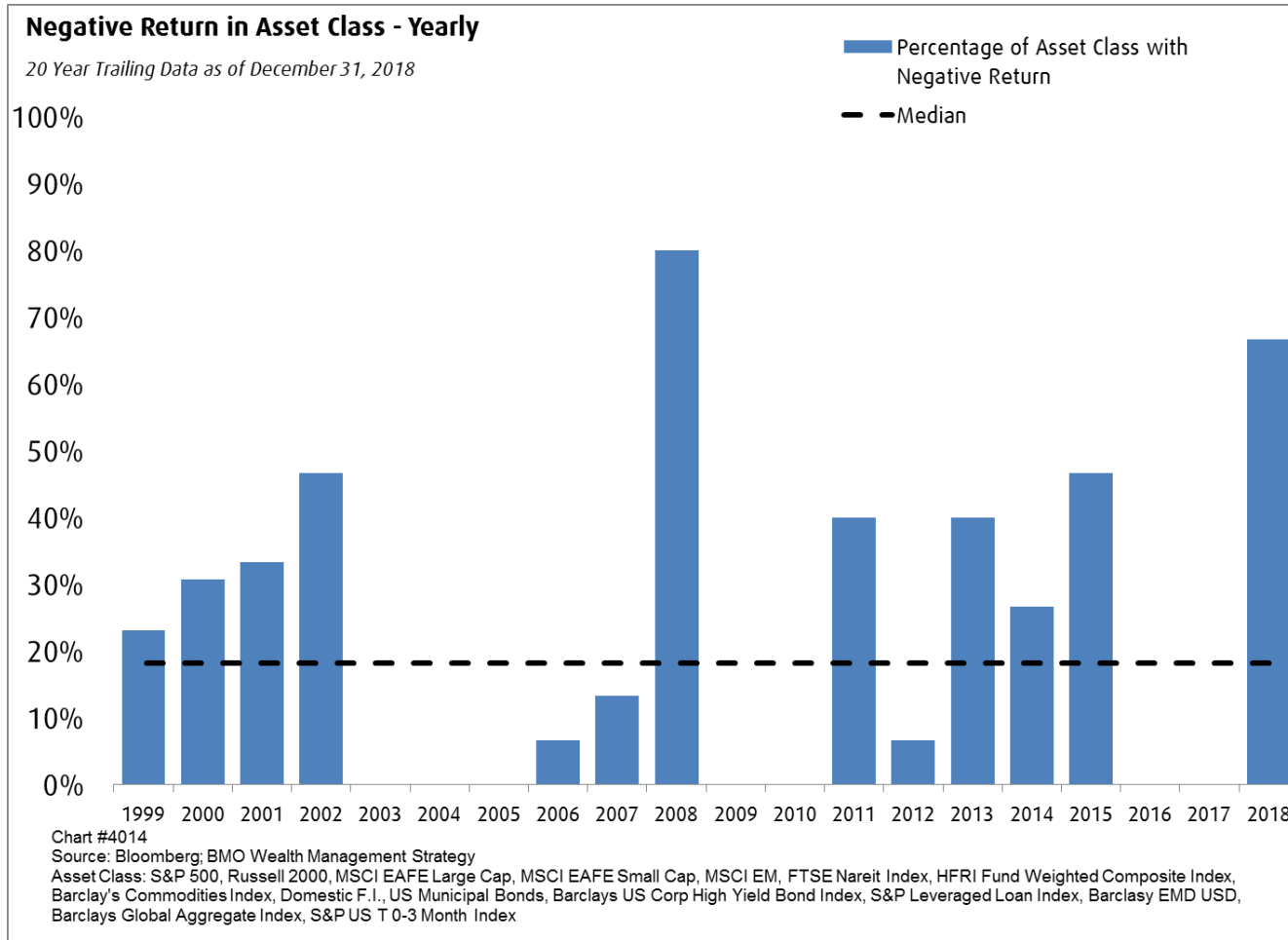
March 2019

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Director of Investments

Negative Return in Asset Class

A large percentage of asset classes show a negative return in 2018.

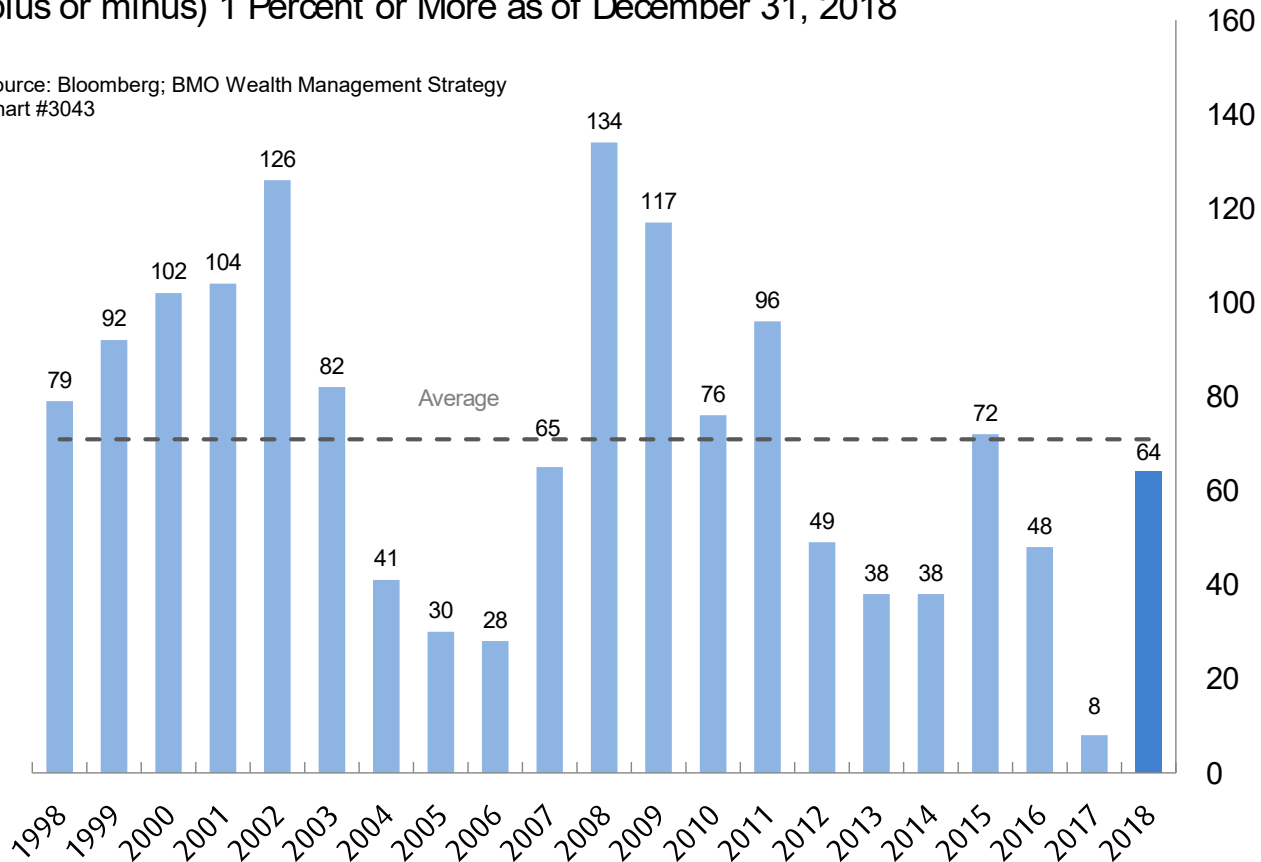


Returns & Pullbacks

Over past 20 years, there has been a daily market move of +/- 1% roughly 28% of all trading days (71)

S&P 500: Number of Trading Days Closing with a Move of (plus or minus) 1 Percent or More as of December 31, 2018

Source: Bloomberg; BMO Wealth Management Strategy
Chart #3043

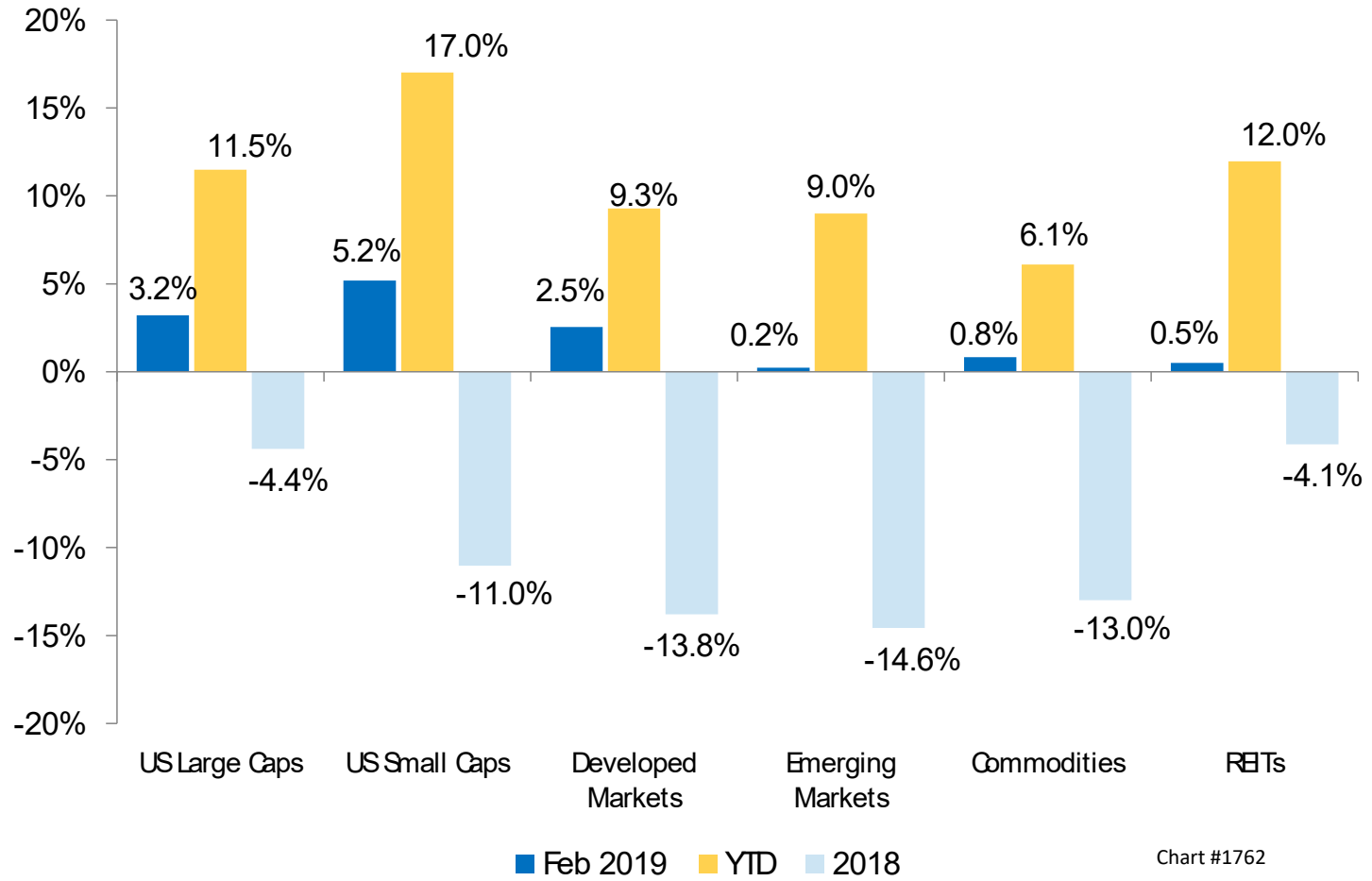


Source: Bloomberg, Standard & Poor's, BMO Wealth Management Strategy
Chart #3043

Returns are based on daily values as of market close and includes price only and does not include dividends.

What a Difference a Month Makes!

Equity and Commodity Performance Through Feb 2019



Risk on the Rise

Fixed Income Performance Through Feb 2019

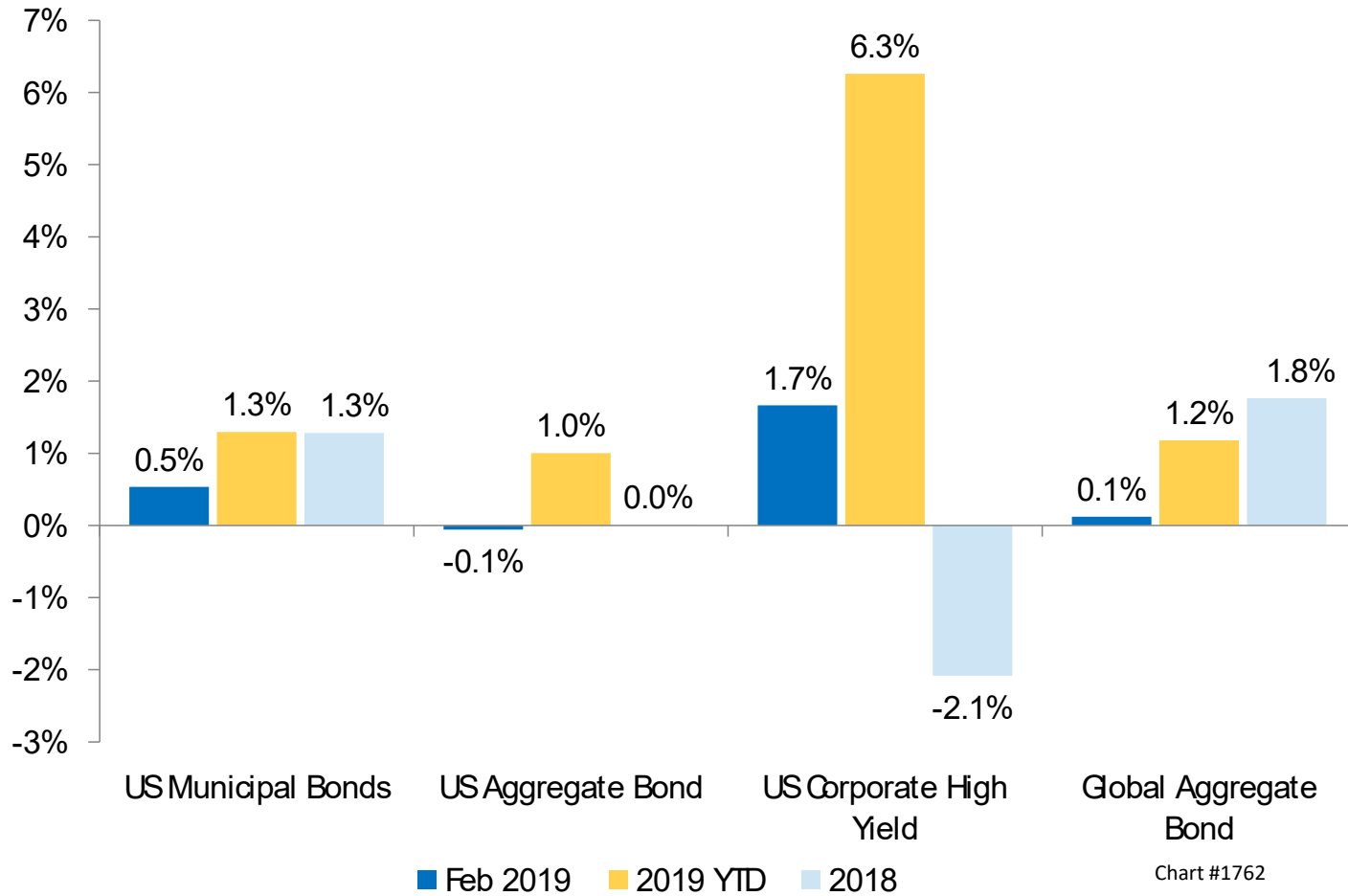


Chart #1762

Priceless, perhaps?



**THE BEST
NOISE
CANCELLING
HEADPHONES
UNDER
\$100**

2019 Market Themes



The Federal Reserve

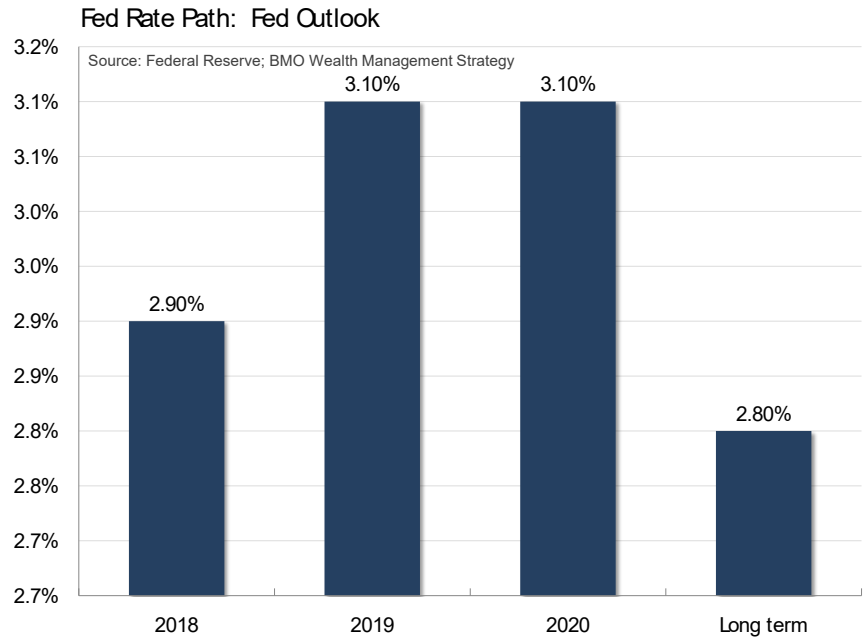
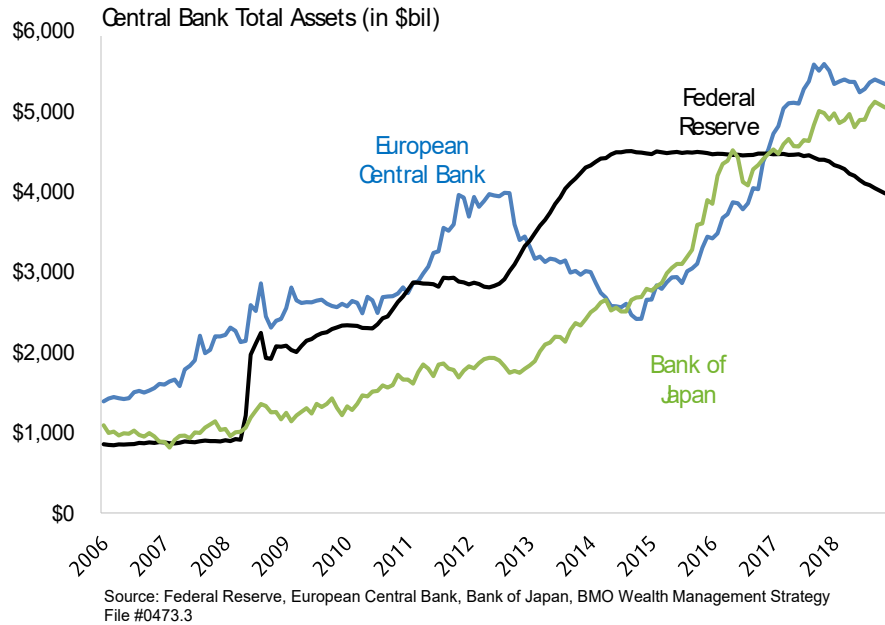


Global Trade Policy



Chinese Economic Growth

Central Bank Policy

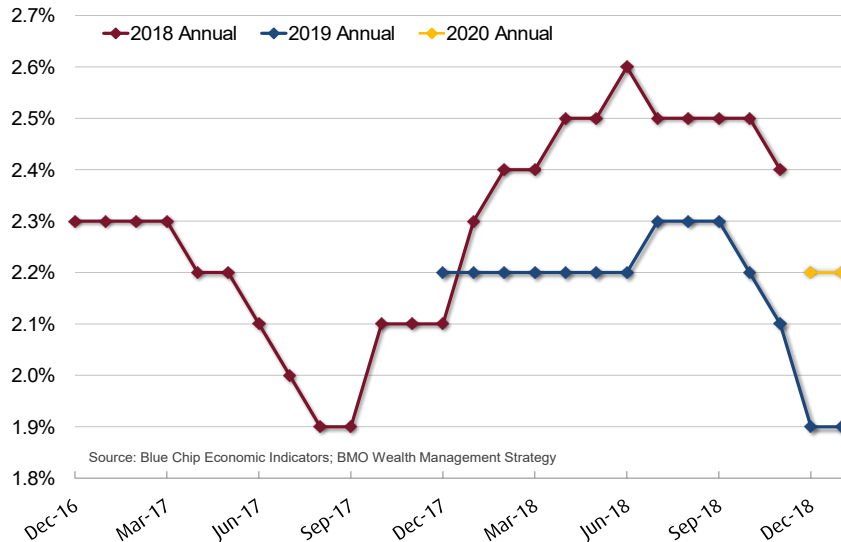


The Fed continues to send broadly dovish signals about its 2019 policy outlook and will likely remain on hold as it awaits more clarity around global economic growth and market stability.

Global Inflation Conditions

U.S. inflation expectations have picked up from December's ultra-lows but remain muted. OECD inflation has been in sharp retreat, sliding 100 bps in four months, as lower energy prices weigh on YoY comps.

U.S. CPI Tracking Forecast: Blue Chip Consensus

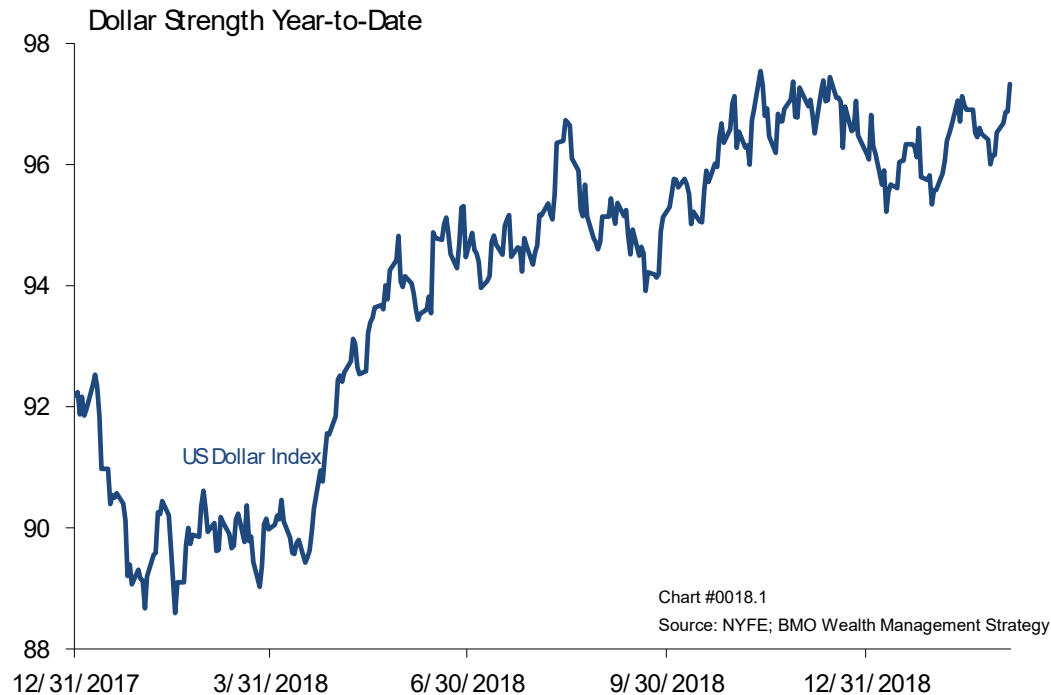


Source: Blue Chip Economic Indicators; BMO Wealth Management Strategy



Source: Bloomberg Financial; OECD; BMO Wealth Management Strategy

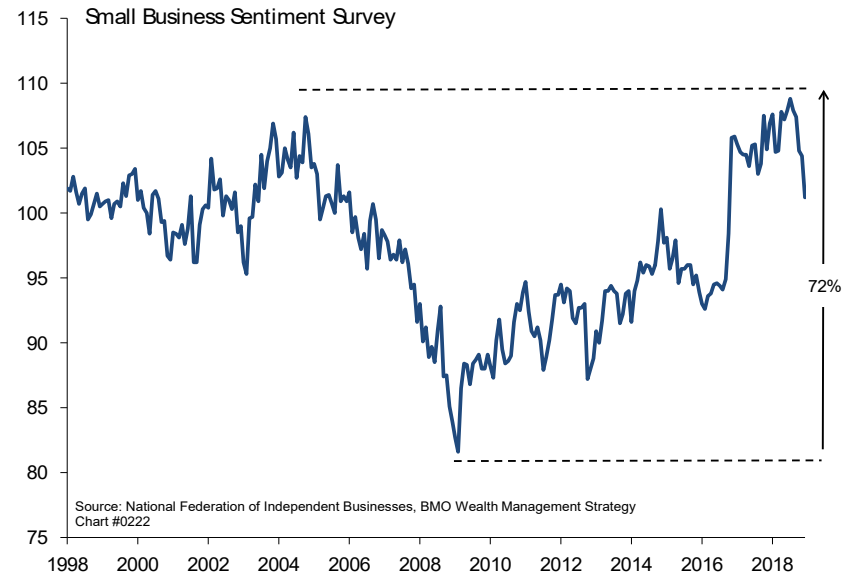
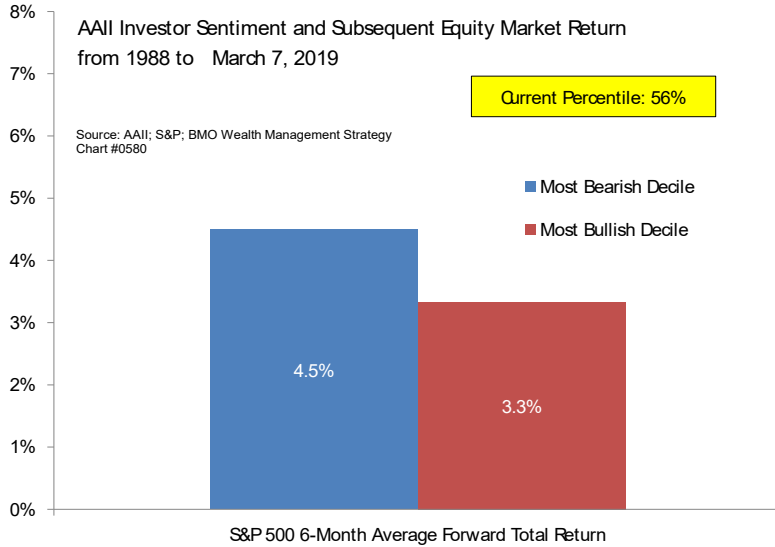
Global Currency Monitor



- After slipping for two straight months, the dollar reversed course in February, moving 60 bps higher. Meanwhile, the yen gave back some of its turmoil-driven gains from December.
- The Fed's pivot initially suggested moderating support for the dollar going forward. But as other central banks adopt a more cautious outlook for 2019, the relative prospects of different currency pairs are likely to be driven by country-specific events.

Psychology

Market participants appear to be more accurately factoring in market risk, displaying neither undue optimism or pessimism.



2018 – Q4 Conference Calls

Insights on Key Themes

- **Fed / Interest Rates**

Re: The Fixed Income trading business: “in the fourth quarter, where the volatility was just so much that people didn’t know when to jump in and therefore... everybody just stayed on the sidelines” Citigroup CFO from the 4Q conference call

- **China Slow Down**

“Organic growth was up 1% in China/Hong Kong versus 18% a year ago.” 3M CFO from the 4Q conference call

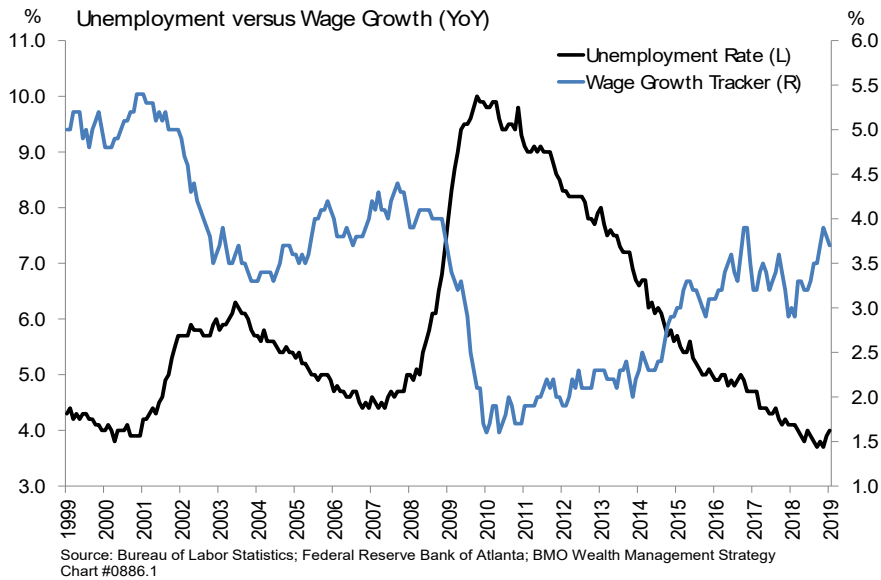
- **Tariffs / Trade Negotiations**

“Certainty is something we really desire because of our product lead times. We don’t have that right now.” Ford Executive Chairman at Detroit Auto Show

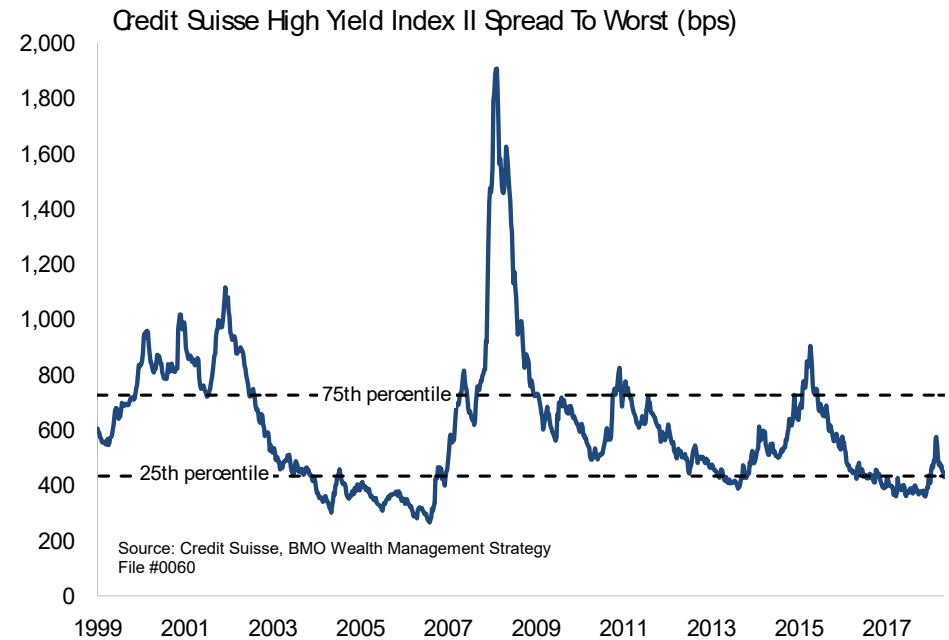
- **Consumer Led Economy**

“Growth... at our domestic parks business was driven by higher guest spending at the park and higher occupied room nights at the hotels. “ Disney CFO from the 4Q conference call

Domestic Economic Environment

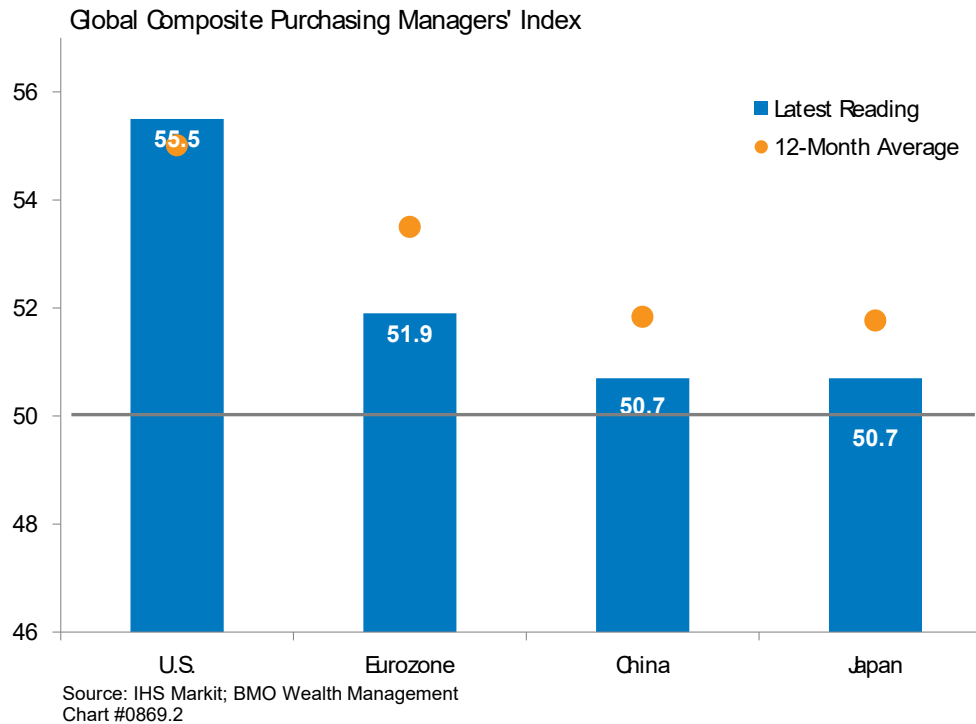


Labor market momentum remains strong and we expect wage growth will continue to push higher.



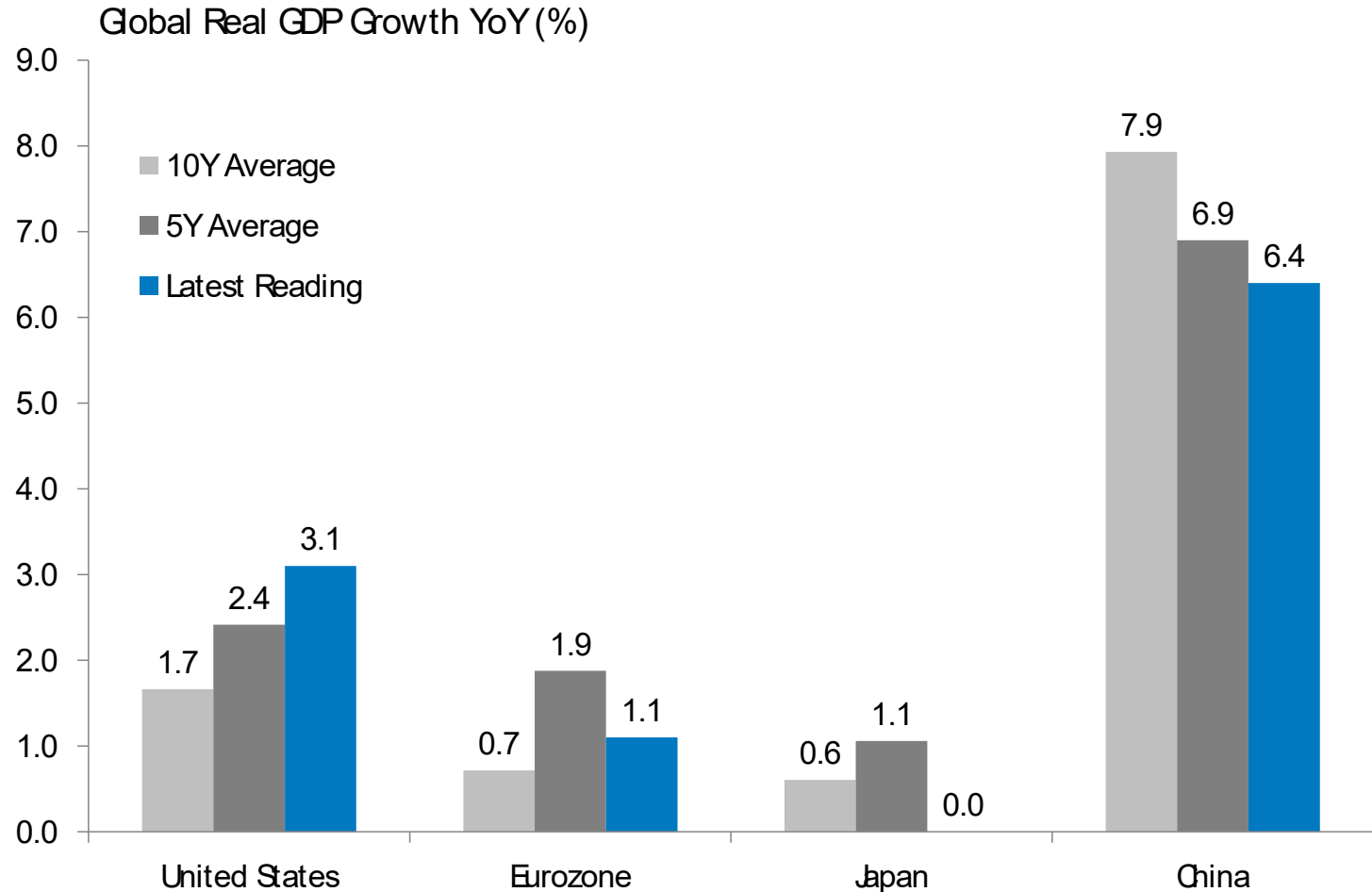
High yield spreads tightened in February.

International Economic Environment



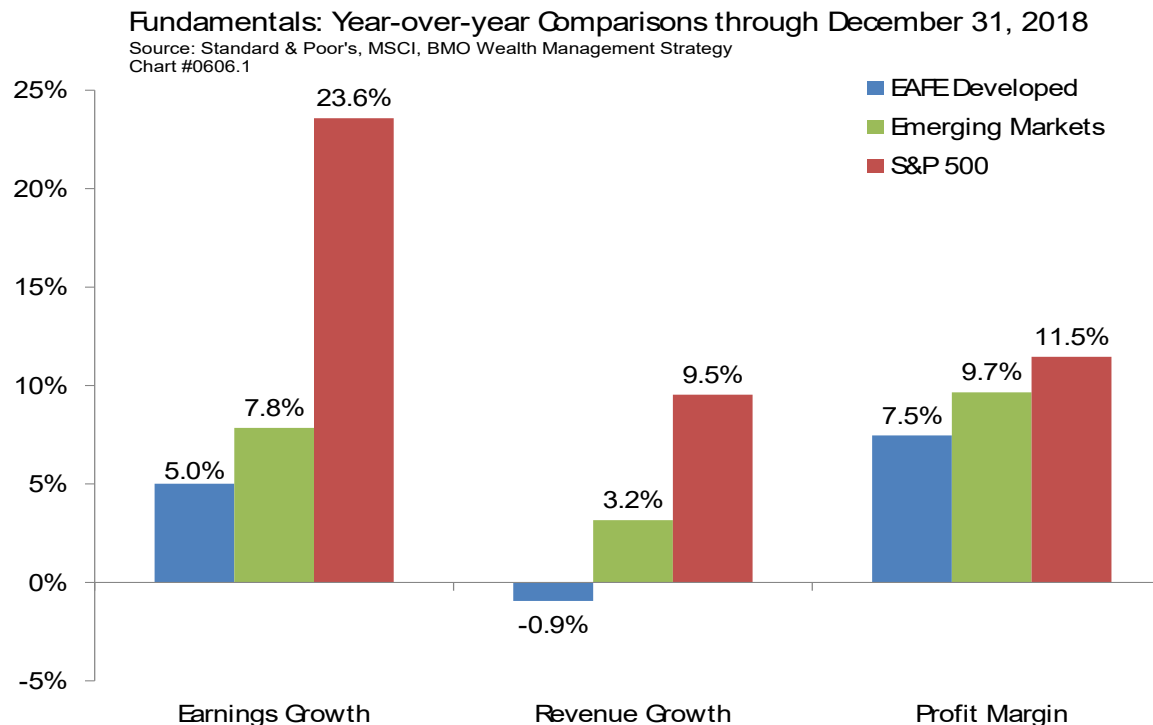
- The global expansion has likely peaked and is expected to slow in 2019 — particularly in Europe. Despite the slowdown, forecasts point to continued global growth over the tactical horizon.
- U.S. and China trade negotiations may be moving toward a conclusion as the delegations plan a summit for month-end.
- Even so, the situation remains fluid, and tensions between the U.S and its trading partners remain a source of global uncertainty.

Point of Reference



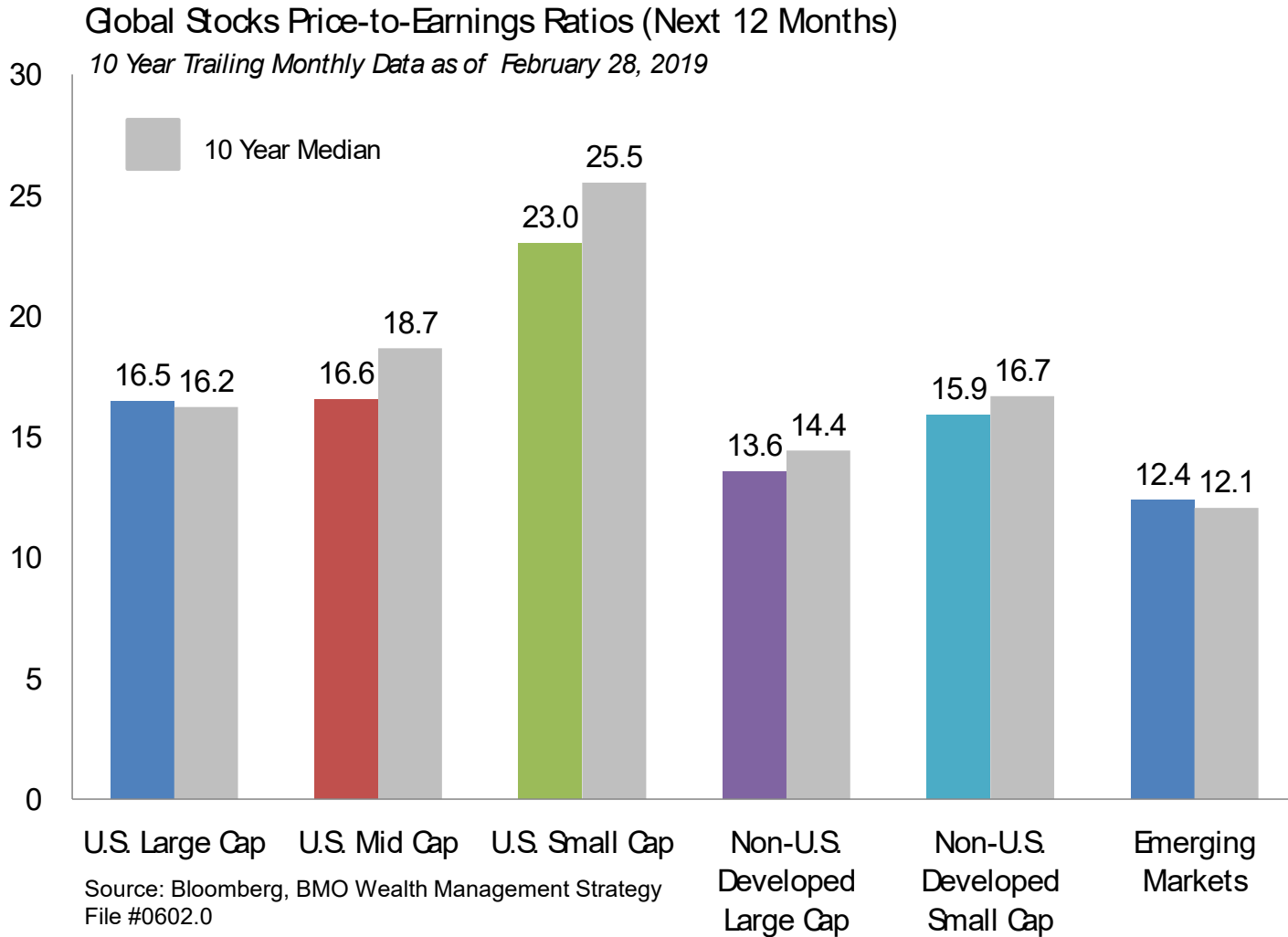
Source: Bureau of Economic Analysis; Eurostat; Economic and Social Research Institute Japan; National Bureau of Statistics of China; BMO Wealth Management Strategy
Chart #0900.3

U.S. Equities vs Non-U.S. Equities

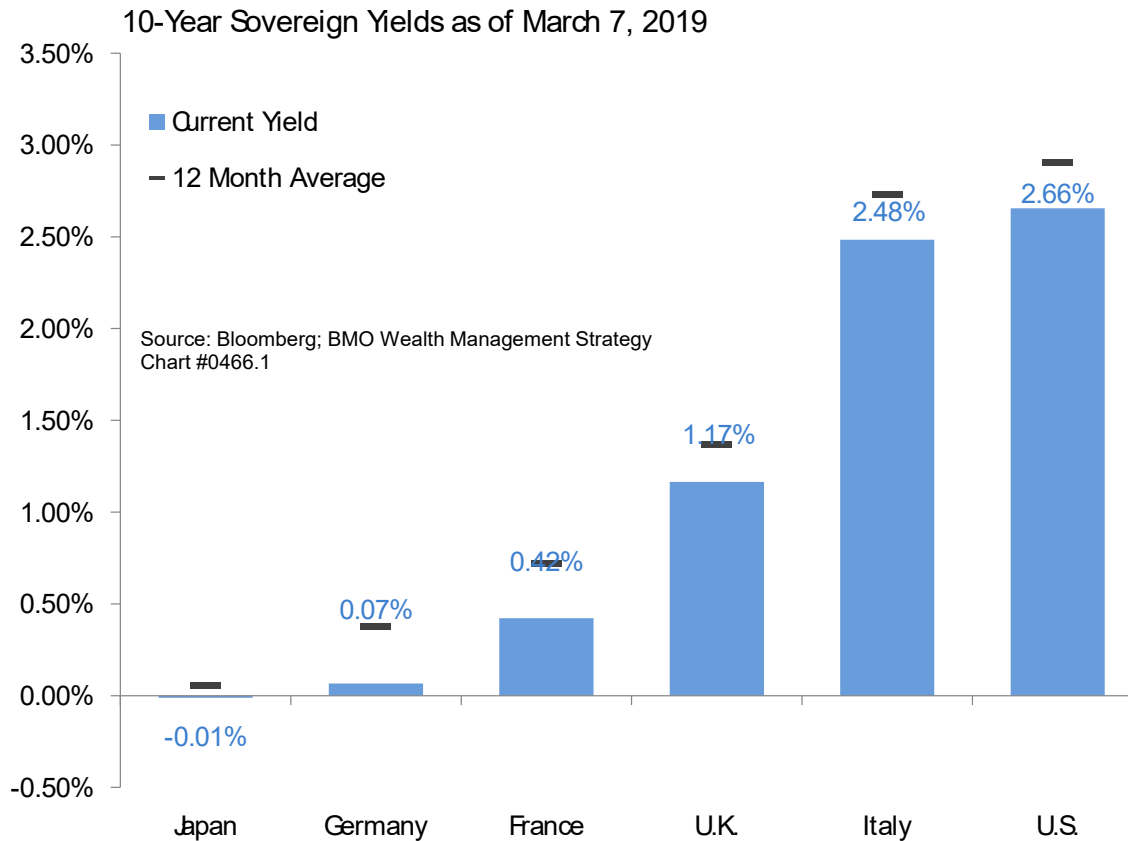


- Trade tensions and geopolitical risks remain key concerns for international equities. Expectation for slower global growth have also weighed on the outlook.
- Developed international equities have continued to display relatively strong earnings even as growth slows. Further, valuations remain in a reasonable range.
- Emerging market equities are in a stabilizing environment with high expected growth that, combined with reasonable equity valuations, leads to a favorable risk-reward tradeoff.

U.S. Equities vs. Non-U.S. Equities



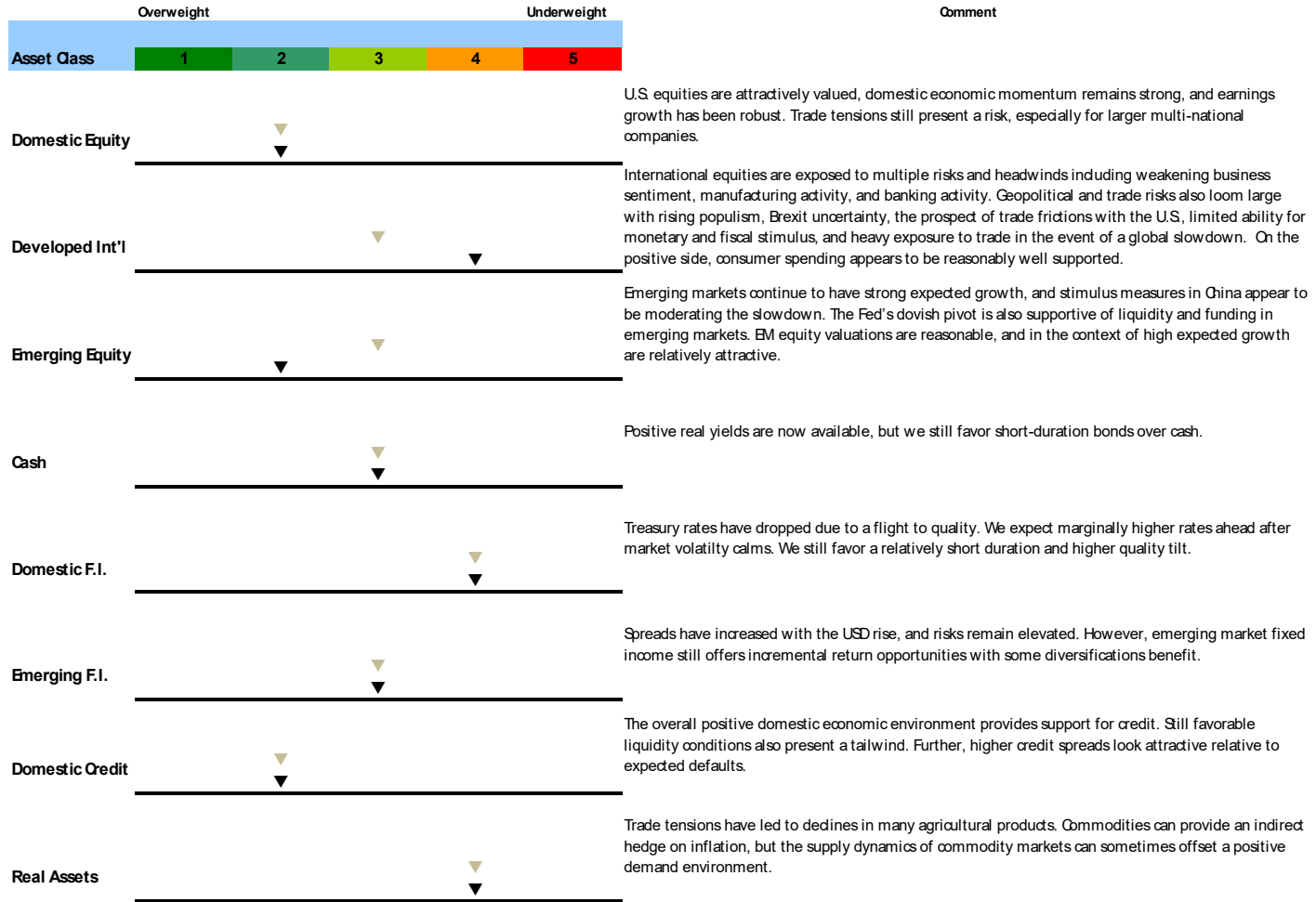
Global Fixed Income Markets



- Global yields have reversed course from October/November highs, continuing lower in 2019.
- Central bank policy in Europe and Japan remains highly accommodative.
- High yield credit spreads have tightened around 150 bps since early January, tracking 2019's market rebound.

Asset Class Dashboard

BMO Wealth Management Asset Class Dashboard
February 2019



Source: BMO Wealth Management Strategy
Chart #0839

Key: ▼ Current month position
▼ Previous month position

1: Overweight / Underweight positioning relates to the long-term strategic asset allocation

Source: BMO Wealth Management Strategy

For general information only. Market conditions and trends will vary.

Past performance is no guarantee of future results.

Annual Returns for Major Market Indices: 2008-2018

Over the past ten years Large Cap Growth is the highest performing asset class but a diversified portfolio has offered consistent returns with less risk.

Annual Returns										Through December 31, 2018			
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018 YTD	5YR*	10YR*
Best ↑	Investment Grade Bonds 5.24%	Emerging Market Stocks 78.42%	REITs 28.03%	Municipal Bonds 10.73%	REITs 19.70%	Small Cap Stocks 38.95%	REITs 28.11%	Large Cap Growth 5.53%	Small Cap Stocks 21.28%	Emerging Market Stocks 37.40%	Cash 1.87%	Large Cap Growth 10.54%	Large Cap Growth 14.80%
	Cash 2.06%	High Yield Bonds 58.41%	Small Cap Stocks 26.90%	REITs 8.31%	Emerging Market Stocks 18.22%	Large Cap Growth 32.85%	Large Cap Growth 14.93%	Municipal Bonds 3.31%	Large Cap Value 17.39%	Large Cap Growth 27.51%	Municipal Bonds 1.28%	Large Cap Core 8.48%	Large Cap Core 13.10%
	Municipal Bonds -2.47%	Non-U.S. Stocks 31.88%	Emerging Market Stocks 18.93%	Investment Grade Bonds 7.86%	Large Cap Value 17.66%	Large Cap Core 32.48%	Large Cap Core 13.72%	REITs 2.83%	High Yield Bonds 17.13%	Non-U.S. Stocks 25.11%	Investment Grade Bonds 0.01%	REITs 8.32%	REITs 12.52%
	Asset Allocation -20.10%	Large Cap Growth 31.66%	Commodities 16.88%	High Yield Bonds 4.99%	Non-U.S. Stocks 17.32%	Large Cap Value 32.07%	Large Cap Value 12.38%	Large Cap Core 1.38%	Large Cap Core 11.95%	Large Cap Core 21.89%	Large Cap Growth -0.01%	Asset Allocation 6.10%	Small Cap Stocks 11.95%
	High Yield Bonds -26.16%	REITs 28.08%	High Yield Bonds 15.17%	Large Cap Growth 4.66%	Small Cap Stocks 16.39%	Non-U.S. Stocks 22.84%	Asset Allocation 10.62%	Asset Allocation 1.05%	Commodities 11.77%	Large Cap Value 15.40%	High Yield Bonds -2.08%	Large Cap Value 6.05%	Large Cap Value 11.19%
	Hedge Funds -26.65%	Small Cap Stocks 27.17%	Large Cap Value 15.14%	Asset Allocation 4.41%	Large Cap Core 15.99%	Asset Allocation 18.67%	Municipal Bonds 9.08%	Investment Grade Bonds 0.55%	Emerging Market Stocks 11.18%	Small Cap Stocks 14.67%	Asset Allocation -2.63%	Small Cap Stocks 4.40%	High Yield Bonds 11.12%
	Small Cap Stocks -33.81%	Large Cap Core 26.53%	Large Cap Core 15.10%	Large Cap Core 2.11%	High Yield Bonds 15.81%	Hedge Funds 14.28%	Investment Grade Bonds 5.98%	Cash 0.05%	REITs 8.63%	Asset Allocation 14.55%	REITs -4.04%	High Yield Bonds 3.83%	Asset Allocation 9.25%
	Large Cap Growth -34.92%	Hedge Funds 24.57%	Large Cap Growth 15.08%	Cash 0.10%	Large Cap Growth 14.61%	High Yield Bonds 7.47%	Small Cap Stocks 4.91%	Non-U.S. Stocks -0.82%	Asset Allocation 8.23%	Hedge Funds 13.29%	Large Cap Core -4.39%	Municipal Bonds 3.82%	Emerging Market Stocks 8.02%
	Commodities -35.65%	Large Cap Value 21.21%	Asset Allocation 11.69%	Large Cap Value -0.49%	Asset Allocation 11.28%	REITs 2.86%	High Yield Bonds 2.46%	Hedge Funds -0.97%	Large Cap Growth 6.89%	REITs 8.70%	Hedge Funds -6.94%	Investment Grade Bonds 2.52%	Non-U.S. Stocks 6.31%
	Large Cap Core -37.00%	Commodities 18.96%	Hedge Funds 10.45%	Small Cap Stocks -4.19%	Hedge Funds 7.41%	Cash 0.07%	Hedge Funds 1.81%	Large Cap Value -3.15%	Hedge Funds 5.47%	High Yield Bonds 7.53%	Large Cap Value -8.97%	Hedge Funds 2.29%	Hedge Funds 5.64%
	REITs -37.73%	Asset Allocation 18.30%	Non-U.S. Stocks 7.77%	Hedge Funds -8.38%	Municipal Bonds 6.78%	Investment Grade Bonds -2.03%	Cash 0.03%	Small Cap Stocks -4.43%	Investment Grade Bonds 2.65%	Municipal Bonds 5.46%	Small Cap Stocks -11.03%	Emerging Market Stocks 1.65%	Municipal Bonds 4.85%
	Large Cap Value -39.22%	Municipal Bonds 12.95%	Investment Grade Bonds 6.56%	Non-U.S. Stocks -12.17%	Investment Grade Bonds 4.21%	Municipal Bonds -2.56%	Emerging Market Stocks -2.19%	High Yield Bonds -4.48%	Non-U.S. Stocks 1.00%	Investment Grade Bonds 3.55%	Commodities -11.25%	Cash 0.63%	Investment Grade Bonds 3.48%
	Non-U.S. Stocks -43.38%	Investment Grade Bonds 5.95%	Municipal Bonds 2.39%	Commodities -13.35%	Cash 0.11%	Emerging Market Stocks -2.66%	Non-U.S. Stocks -4.92%	Emerging Market Stocks -14.95%	Cash 0.33%	Commodities 1.71%	Non-U.S. Stocks -13.79%	Non-U.S. Stocks 0.53%	Cash 0.37%
Worst ↓	Emerging Market Stocks -53.35%	Cash 0.21%	Cash 0.13%	Emerging Market Stocks -18.47%	Commodities -1.06%	Commodities -9.55%	Commodities -17.05%	Commodities -24.72%	Municipal Bonds 0.25%	Cash 0.85%	Emerging Market Stocks -14.51%	Commodities -8.80%	Commodities -3.78%

* Annualized returns

Source: BMO Wealth Management Strategy, Bloomberg

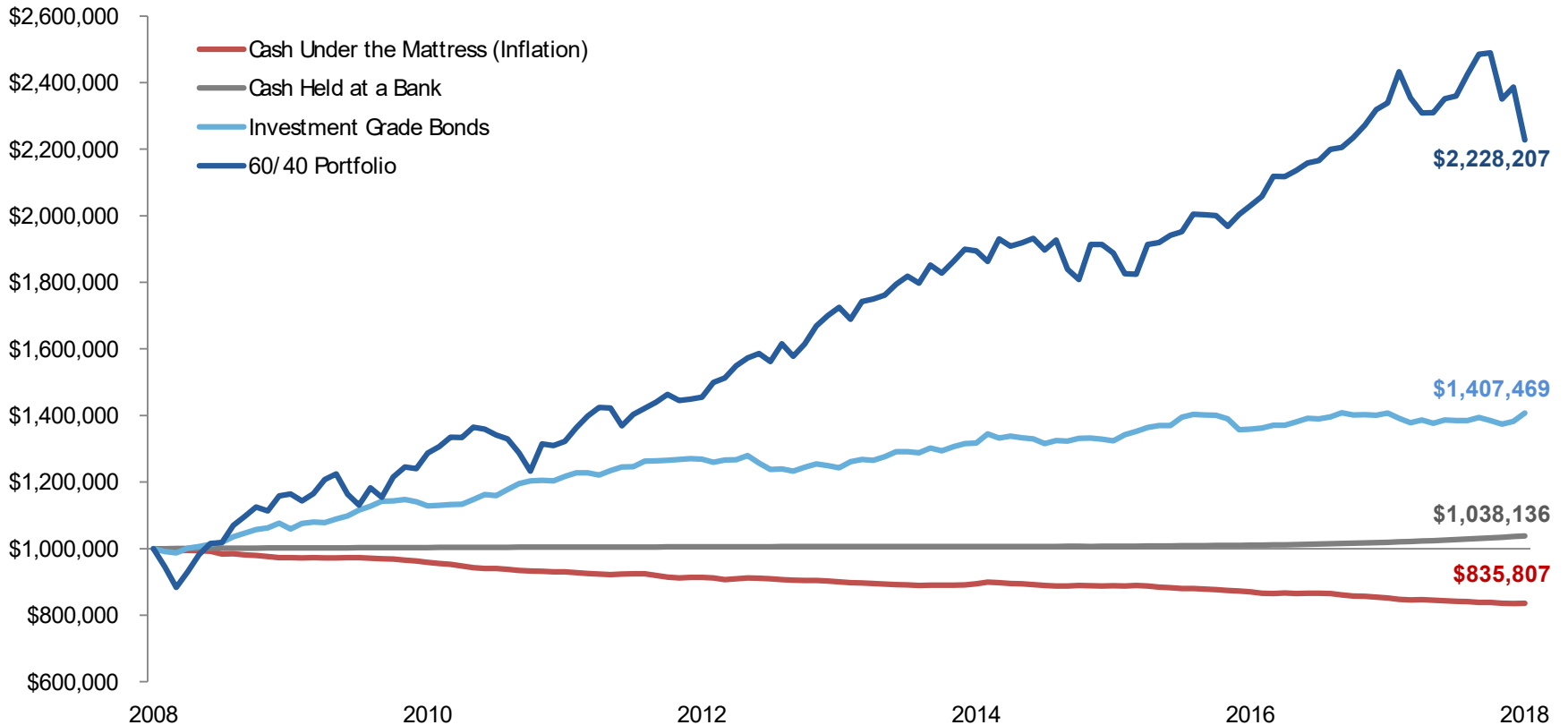
Asset allocation represents a portfolio invested in 60% stocks (S&P 500) and 40% bonds (Bloomberg Barclays US Aggregate)

Cash & Inflation

Over the past 10 years, due to low interest rates, the yield on cash instruments have been historically low while inflation further erodes real return.

Growth of \$1,000,000 Compared to Inflation

10 Year Trailing Data, Monthly Compounding, as of December 31, 2018



Source: Bloomberg, BMO Wealth Management Strategy

Chart #3048

Indexes: Consumer Price YoY Index (Cash Under the Mattress (Inflation)), ICE BofAML US Treasury 3-Month T-Bill Index (Cash Held at a Bank), Bloomberg Barclays US Aggregate (Investment Grade Bonds), S&P 500 (US Large Cap Stocks)

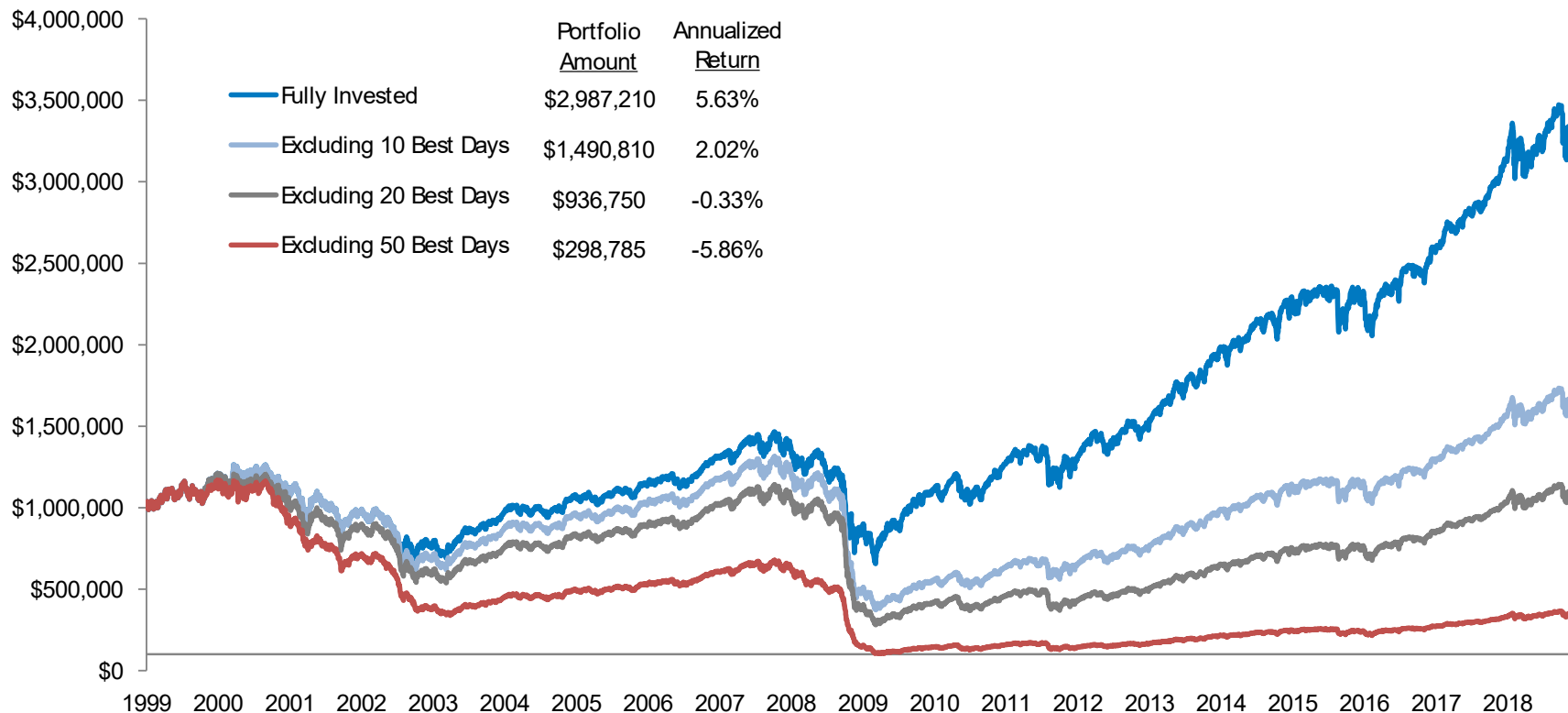
60/40 Portfolio represents a portfolio invested in 60% US Large Cap Stocks (S&P 500) and 40% Investment Grade Bonds (Bloomberg Barclays US Aggregate)

Staying Disciplined

Timing the market is difficult and data concludes staying fully invested adds significant value over time

Performance of \$1,000,000 Invested in the S&P 500

20 Year Trailing Data Ending on December 31, 2018



Source: Bloomberg, Standard & Poor's, BMO Wealth Management Strategy

Chart #3041

Returns are based on 20 year trailing market data and assumes dividends are reinvested. Exclusion scenarios assume a daily return of 0% in place of the top days in the described frequency scenarios.

Technology As Champion?



**LUDDITES
UNITE!**

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