



# Economy and Markets

## Retrospective and Perspective

May 1, 2013

Investment products are: 

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# Retrospective and Perspective

April – the balancing act continues

Review

**Europe:** The bourses of Europe continued red-hot in April. The Greek stock index rose 12.1% for the month, Italy 8.8% and Spain 7.1%. Bonds were in the act, as well. The Spanish 10-year government bonds garnered a one-month total return of 3.55% from March 25 to April 26. The “risk on trade” was in the driver’s seat.

Yet there was very little upbeat economic news for the month of April. Yes, Cyprus had faded from the headlines, but Germany, the king pin economy of the European Union, showed weaker results across both manufacturing and services; and those same metrics for France remained below the neutral “50” line.

However, there were some notable pockets of improvement, whether permanent or fleeting remains to be seen. The topper story was economic growth in the UK, which ticked out of contraction in the fourth quarter to a positive real GDP growth rate of 1.2% in the first quarter. The key driver of this was improved consumer activity. The austerity measures of England have been roundly criticized, so this GDP result may buy them some time. Italy also notched modest improvements in consumer confidence and retail sales. More important for Italy was the swearing in of new Prime Minister Enrico Letta, ending a months’ long political gridlock.

**Asia:** Japan has been the headline grabber again this month. Its Nikkei stock index continued to roar. Since the beginning of the year, this index is up 34.3%. And April was no slouch, jumping 11.8% for the month. As we have noted before, the Bank of Japan has initiated a much more aggressive (aka stimulative) monetary policy. This, in turn, helped drive their currency lower and make their exports – a critical component of their economy – more competitive.

On the other hand, South Korea, which competes with Japan in many export markets, has watched their currency, the Won, become less competitive. South Korea did manage to achieve a 2.7% growth in their GDP for the first quarter, but the full impact of Japan’s actions may take time to sort out.

The balancing act in China between growth and inflation still remains in play. The economic growth for the first quarter was a bit shy of the hoped-for 8% number, but did hit 7.8%. Fortunately, inflation has remained below 3%, which buys some time for the policy makers. No doubt the Chinese stock market has disappointed, as the more slowly growing developed markets have held the better hand for their stock markets.

TOTAL RETURNS (as of 04/30/2013)	April	YTD 2013	2012
S&P 500® Index	1.93	12.74	16.00
STOXX Europe 600 Index	1.76	7.72	18.83
MSCI Emerging Markets Index	0.75	-0.88	18.22
U.S. 10-Yr Treasury	1.80	1.44	4.18

Sources: Bloomberg L.P., BMO Global Asset Management

**U.S.:** The first quarter earnings season for 2013 is upon us and has pushed some of our fiscal and monetary issues off center stage, at least for now.

So far, with over half the S&P 500 companies reporting, more than 70% have beat analysts’ consensus earnings expectations, duplicating the percentage we saw in the fourth quarter of 2012. At a company specific level, Ford Motor Company saw their net income jump 15% via North American results, exceeding those in Europe. Boeing also beat expectations in spite of Dreamliner battery configuration problems. However, Proctor & Gamble lowered earnings expectations and the stock was punished hard; 3M shares a similar story.

While beating earnings has been welcome, most companies failed to achieve top line revenue growth, critical for job growth and investment, maintaining or improving profit margins. Some of this slowdown in sales may well reflect the uncertainty surrounding our fiscal issues here at home.

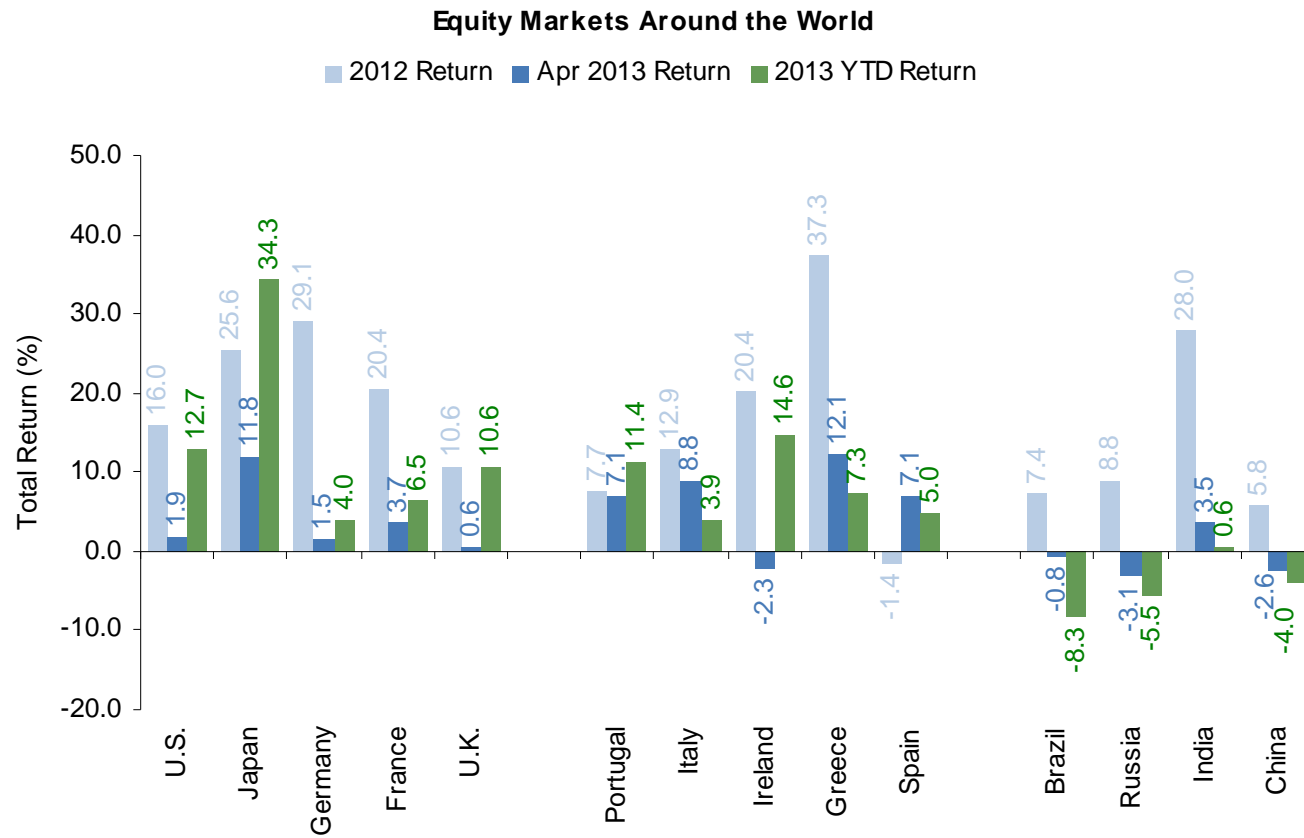
At the economic level, the U.S. continues to be in slow mode. Our real GDP growth in the first quarter did jump to 2.5% from 0.4% in the fourth quarter, but many expected better. The housing uptick, strong auto sales and service sector demand, however, are still in place.

Important forward-looking issues:

- Does the UK economy sustain growth from here?
- Will the European Central Bank lower rates to stimulate EU traction?
- Will sensible tax and spending reforms be accomplished? ‘
- Corporate profits for the first quarter
- Can China effect decent growth and control inflation?

# Highlighted Charts

Review



Sources: Bloomberg L.P., BMO Global Asset Management

# Market Performance Summary

As of April 30, 2013

Review

<u>EQUITIES (% Returns)</u>	1-Mo	3-Mo	6-Mo	1-Yr	3-Yrs	5-Yrs	10-Yrs	YTD 2013	1Q 2013	2012
<b>U.S. Large Cap Equities</b>										
S&P 500® Index	1.93	7.19	14.42	16.89	12.80	5.21	7.88	12.74	10.61	16.00
Dow Jones Industrial Average Index	1.94	7.74	14.86	15.39	13.48	5.93	8.49	14.10	11.93	10.24
Russell 1000® Index	1.81	7.16	15.05	17.17	12.91	5.49	8.32	12.97	10.96	16.42
Russell 1000® Growth Index	2.12	7.27	13.71	12.60	13.44	6.66	8.08	11.87	9.54	15.26
Russell 1000® Value Index	1.51	7.05	16.31	21.80	12.35	4.17	8.42	14.01	12.31	17.51
<b>U.S. Mid Cap Equities</b>										
Russell Midcap® Index	1.28	7.08	18.90	19.20	13.70	7.24	11.63	14.41	12.96	17.28
Russell Midcap® Growth Index	1.47	6.58	17.75	14.42	13.68	6.79	10.96	13.15	11.51	15.81
Russell Midcap® Value Index	1.12	7.51	19.89	23.66	13.70	7.49	11.88	15.49	14.21	18.51
<b>U.S. Small-Mid Cap Equities (SMID)</b>										
Russell 2500™ Index	0.31	5.95	17.94	18.96	12.95	7.95	11.38	13.20	12.85	17.88
<b>U.S. Small Cap Equities</b>										
Russell 2000® Index	-0.37	5.38	16.58	17.69	11.25	7.27	10.47	11.98	12.39	16.35
Russell 2000® Growth Index	-0.66	5.52	16.60	15.67	12.94	7.81	10.53	12.47	13.21	14.59
Russell 2000® Value Index	-0.10	5.25	16.58	19.71	9.58	6.60	10.28	11.52	11.63	18.05
<b>International Equities</b>										
MSCI ACWI ex USA Index (Devlp. & EM)	4.56	4.33	15.15	17.45	6.88	-0.94	9.44	9.47	4.70	16.41
MSCI EAFE Index (Developed Markets)	5.21	5.07	16.90	19.39	7.44	-0.93	9.23	10.61	5.13	17.32
MSCI European Monetary Union Index (in €)	2.97	2.48	11.12	20.84	3.61	-2.82	5.67	5.60	2.55	18.99
MSCI AC Asia Pacific Index	4.92	7.40	17.63	16.45	6.83	1.40	11.39	10.65	5.46	16.78
MSCI Emerging Markets Index	0.75	-2.23	5.29	3.97	3.12	-0.33	16.14	-0.88	-1.62	18.22
<b>Technology and Growth Stocks</b>										
NASDAQ Composite Index	1.93	6.27	12.85	11.02	11.97	7.87	9.55	10.61	8.51	17.75
<b>ALTERNATIVES (% Returns)</b>										
DJ UBS Commodity Index	-2.79	-6.14	-6.34	-5.33	-0.18	-8.28	3.45	-3.89	-1.13	-1.06
MSCI ACWI Commodity Producers Index	-1.34	-6.65	-3.63	-7.28	-2.70	-7.53	9.44	-3.86	-2.55	-0.64
Wilshire U.S. REIT Index	6.44	9.71	16.16	13.86	13.08	1.92	7.49	13.39	6.53	13.40
S&P Global REIT Index	6.25	11.02	18.29	22.48	13.51	0.48	6.77	14.65	7.91	20.27
S&P Global Infrastructure Index	4.61	6.88	11.26	15.33	9.22	-1.29	9.53	10.21	5.35	11.98

Highlighted items represent either the best- or worst-performing equity sector for the period. Total returns for periods of one year or more are annualized. MSCI indices performance is net of foreign taxes on dividends. Sources: Bloomberg L.P., FactSet, BMO Global Asset Management

# Market Performance Summary

As of April 30, 2013

Review

## U.S. FIXED INCOME (% Returns)

	1-Mo	3-Mo	6-Mo	1-Yr	3-Yrs	5-Yrs	10-Yrs	YTD 2013	1Q 2013	2012
Barclays U.S. Aggregate Index	1.01	1.60	0.91	3.68	5.51	5.73	5.04	0.89	-0.12	4.22
Barclays U.S. Interm. Gov/Crd Index	0.63	1.25	1.09	3.23	4.66	4.90	4.48	0.89	0.26	3.89
Barclays U.S. Corporate Index	1.83	2.63	1.49	7.92	8.13	8.07	6.04	1.72	-0.11	9.82
Barclays U.S. Treasury Index	0.89	1.52	0.79	2.56	5.33	5.00	4.67	0.70	-0.19	1.99
Barclays Securitized Index	0.55	1.00	0.52	2.12	4.41	5.31	4.92	0.52	-0.03	3.01
Barclays High Yield Index	1.81	3.37	7.26	13.98	11.05	11.11	9.69	4.75	2.89	15.81
Merrill Lynch High Yield BB/B Constr. Index	1.80	3.16	6.47	13.24	10.66	9.71	8.64	4.25	2.40	14.58
Barclays 1-10 yr Municipals Index	0.70	0.96	1.33	3.28	4.59	5.04	4.26	1.19	0.49	3.56
Barclays Global Aggregate Bond Index	1.39	0.19	-1.06	1.47	5.00	4.35	5.48	-0.72	-2.09	4.32
Barclays Global Credit Index	2.38	1.69	2.82	8.30	7.64	6.27	6.59	1.54	-0.82	12.09

## BOND YIELDS (%)

	Apr 2013	Jan 2013	Oct 2012	Apr 2012	Apr 2010	Apr 2008	Apr 2003
Fed Funds Rate (Effective Rate)	0.14	0.15	0.18	0.16	0.20	2.37	1.31
3-month Treasury Bill	0.05	0.07	0.11	0.09	0.16	1.38	1.11
2-year Treasury Note	0.21	0.26	0.28	0.26	0.96	2.26	1.49
5-year Treasury Note	0.68	0.88	0.72	0.81	2.42	3.01	2.75
10-year Treasury Note	1.67	1.99	1.69	1.92	3.66	3.73	3.84
30-year Treasury Bond	2.88	3.17	2.86	3.11	4.52	4.47	4.77
Barclays U.S. Aggregate Index	1.73	1.91	1.70	2.07	3.36	4.74	3.91
Barclays U.S. Corporate Index	2.62	2.83	2.67	3.29	4.28	5.91	4.58
Barclays High Yield Index	6.17	6.61	7.10	7.62	8.34	10.10	9.70
Barclays Emerging Markets Index	4.13	4.51	4.56	5.24	6.02	6.73	8.35
Barclays Emerging Markets Corporate Index	4.54	4.66	4.80	5.59	6.17	7.66	9.87

## INFLATION (%)

	Mar 2013	Jan 2013	Oct 2012	Apr 2012	Apr 2010	Apr 2008	Apr 2003
Headline CPI YoY	1.50	1.60	2.20	2.30	2.20	3.90	2.20
Core CPI YoY	1.90	1.90	2.00	2.30	0.90	2.30	1.50
Core PCE YoY	1.13	1.36	1.59	1.88	1.71	2.37	1.51

## OTHER MARKETS

	Apr 2013	Jan 2013	Oct 2012	Apr 2012	Apr 2010	Apr 2008	Apr 2003
US\$ / Euro	1.317	1.358	1.296	1.324	1.329	1.562	1.118
WTI Crude Oil Price (\$/barrel)	93.5	98.8	89.0	104.6	94.1	104.0	25.8
Gold (\$/troy oz)	1,477	1,664	1,721	1,665	1,179	878	339

Total returns for periods of one year or more are annualized. Sources: Barclays Capital, Bloomberg L.P., BMO Global Asset Management

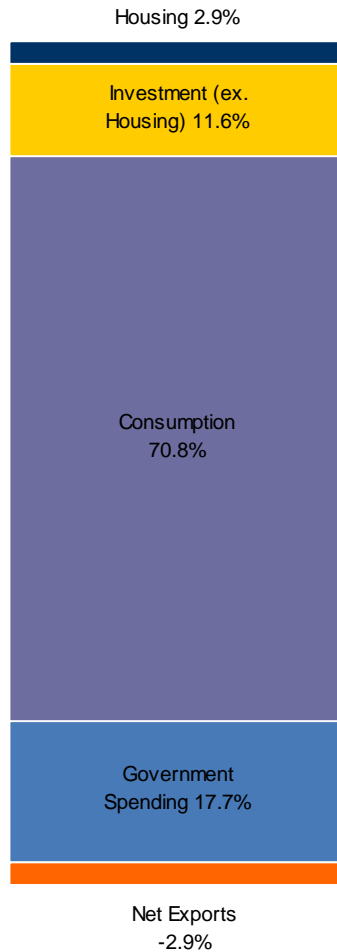
# U.S. Economic Growth

The U.S. economy expanded 2.5% in the first quarter of 2013, less than the estimated 3.0% growth. Consumer spending experienced the largest increase in two years, being partly offset by a drop in defense outlays and slow exports. Investments posted strong growth in the first quarter as well.

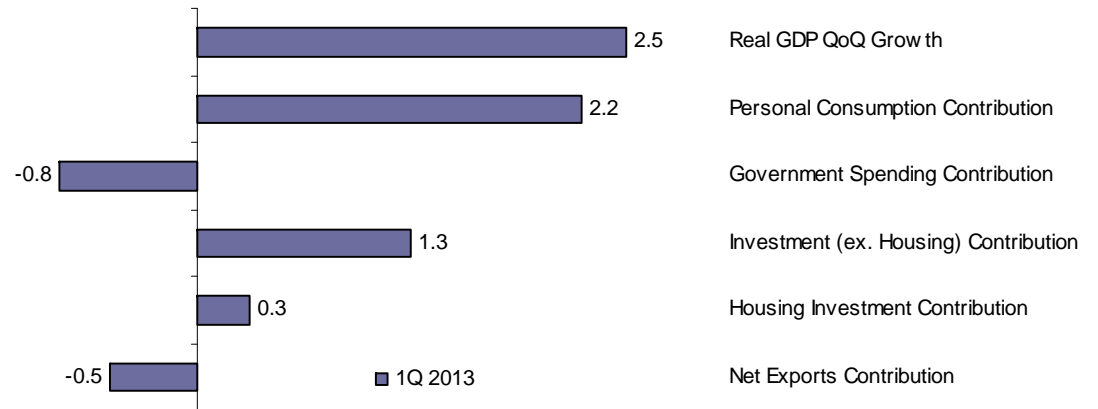
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## Components of Real GDP

As of 03/31/2013

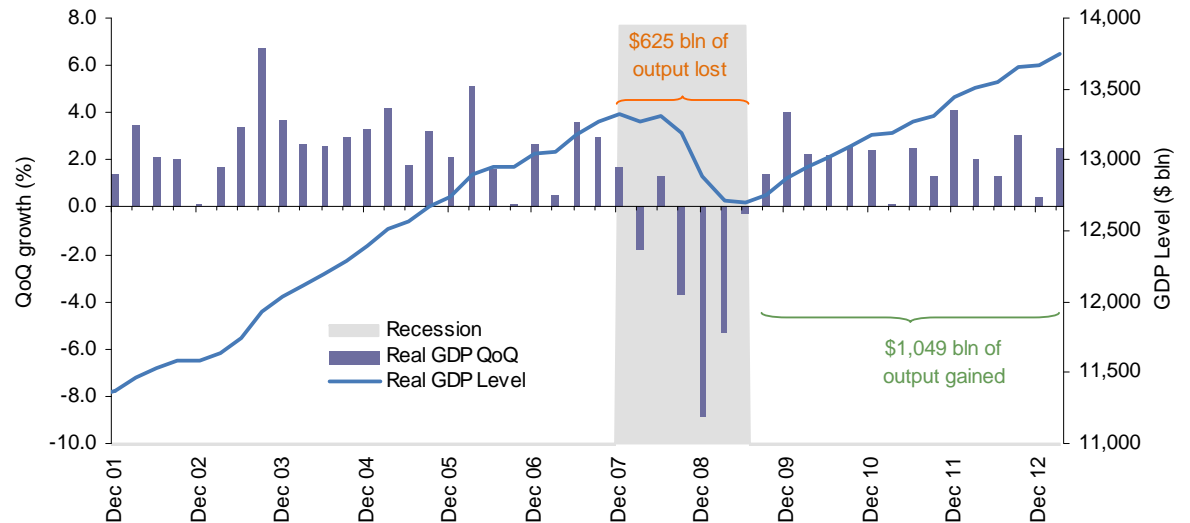


## Real GDP QoQ Growth and Components Contribution



Sources: www.BEA.com, BMO Global Asset Management

## U.S. Real GDP Growth



Sources: Bloomberg L.P., BMO Global Asset Management

Sources: www.BEA.com, BMO Global Asset Management

# U.S. Inflation

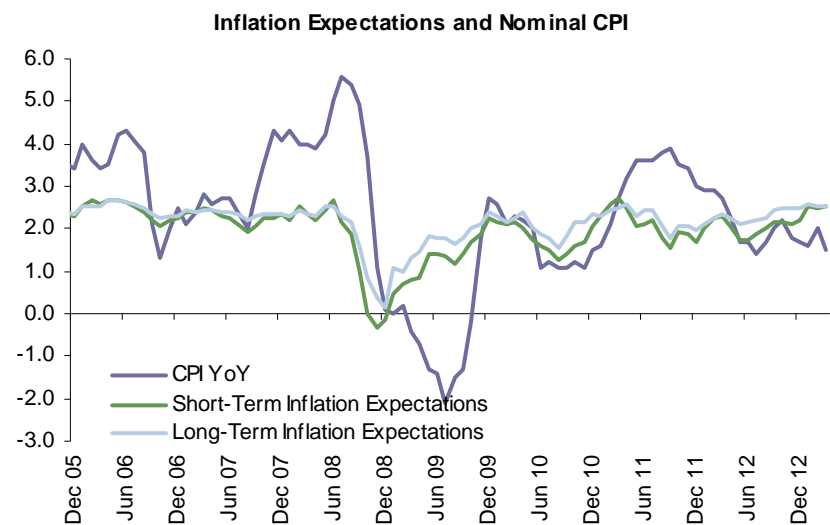
After a rapid increase in February, energy costs dropped 1.6% in March, pushing inflation down. On a year-over-year basis, the headline inflation (CPI including food and energy) increased 1.5%. Despite tame inflation, low nominal yields have kept real yields in negative territory since early 2011.

Economy

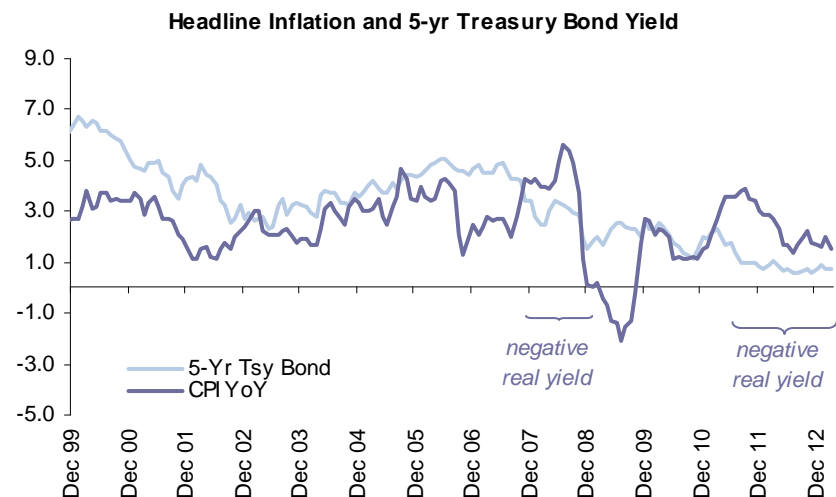
Urban CPI Components	YoY % Change 03/31/2013	YoY % Change 02/28/2013	Weight in Headline CPI (%)
<b>Headline CPI</b>	<b>1.5</b>	<b>2.0</b>	<b>100.0</b>
Food	1.5	1.6	14.2
Energy	-1.6	2.3	10.0
<b>Core CPI (excl. Food and Energy)</b>	<b>1.9</b>	<b>2.0</b>	<b>75.8</b>
Housing	1.9	1.9	37.9
Transportation	3.1	3.1	10.7
Medical Care	3.1	3.1	6.5
Recreation	0.6	0.9	6.4
Education & Communication	1.8	1.7	6.1
Apparel	0.8	2.4	3.6
Other Goods & Services	1.8	1.8	3.5
Beverages	1.7	1.4	0.9

Seasonally adjusted values, as of 03/31/2013

Sources: Bloomberg L.P., BMO Global Asset Management



Sources: Bloomberg L.P., BMO Global Asset Management

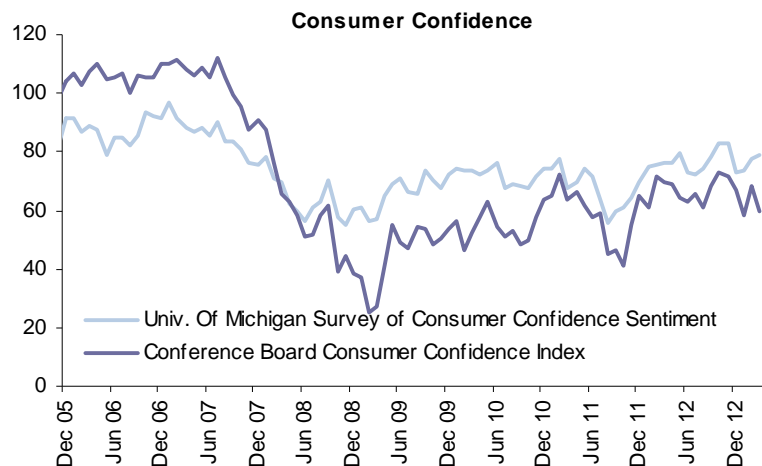


Sources: Bloomberg L.P., BMO Global Asset Management

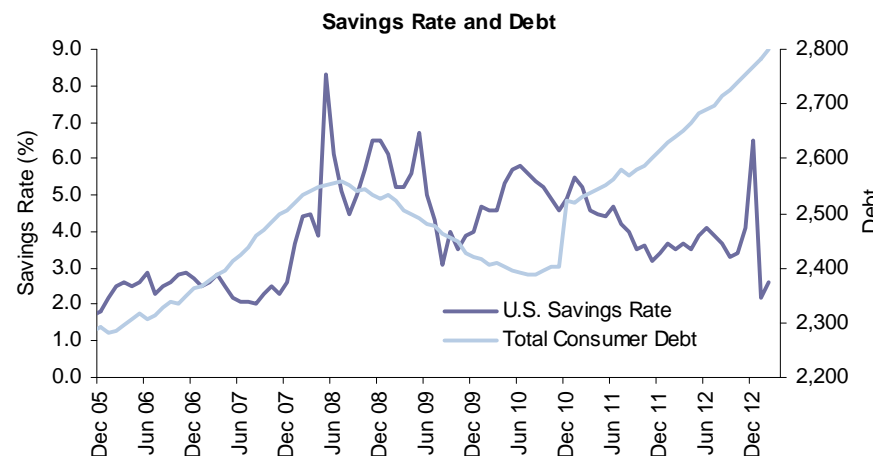
# U.S. Consumer

The U.S. savings rate plunged to 2.4% in January, from 6.4% in December, but increased slightly in March. Higher income taxes reduced disposable income. Despite the increase in consumer debt, consumer balance sheets appear healthier, as net worth increased to 83% of balance sheet.

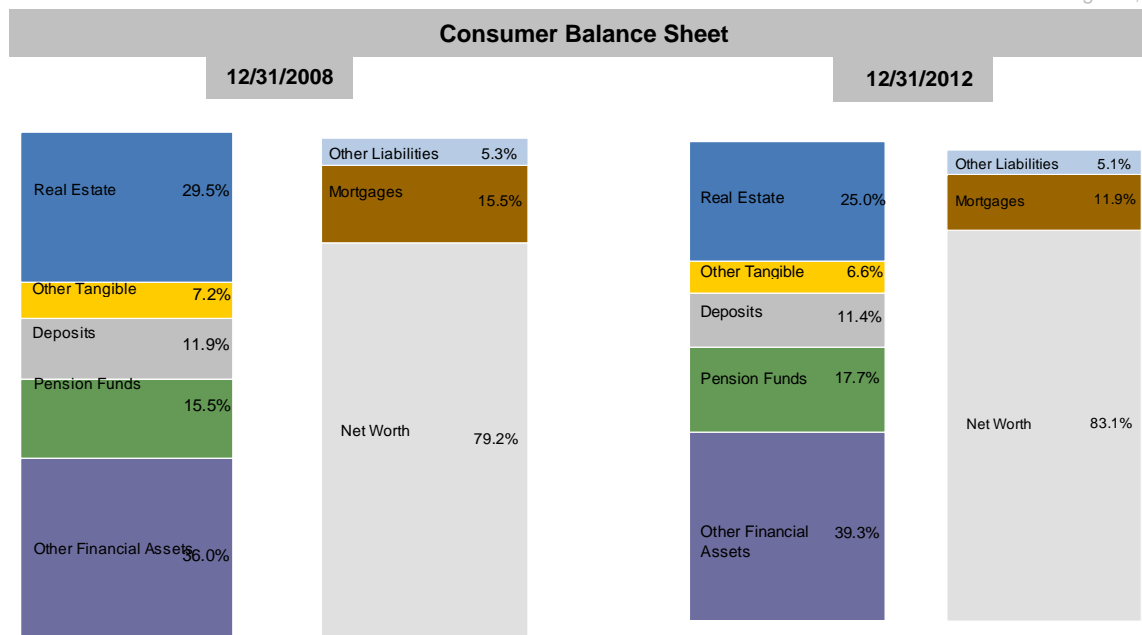
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Sources: Bloomberg L.P., BMO Global Asset Management



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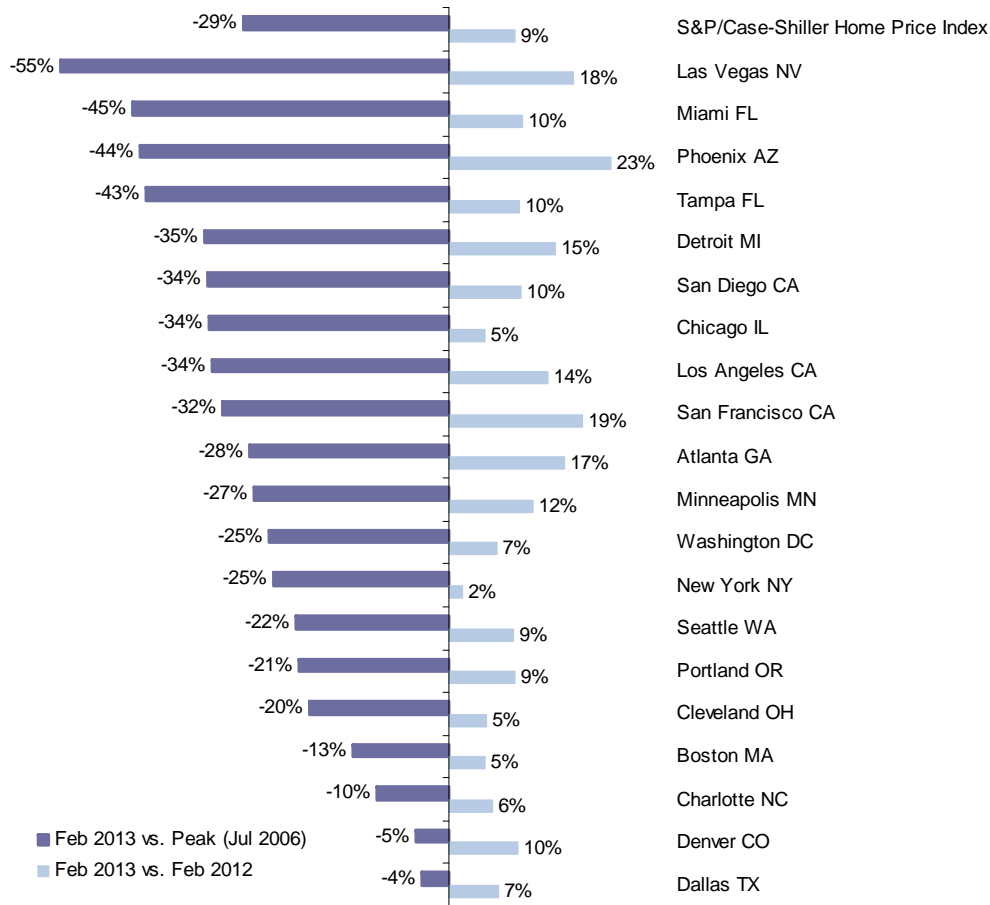
Sources: Federal Reserve Bank, BMO Global Asset Management

# U.S. Housing Market

Residential real estate prices increased in February by 9.3% on a year-over-year basis, the most since the price peaked in July 2006. Home prices increased across the nation, in some cases at a double-digit pace over the past 12 months, but remain below their 2006 high.

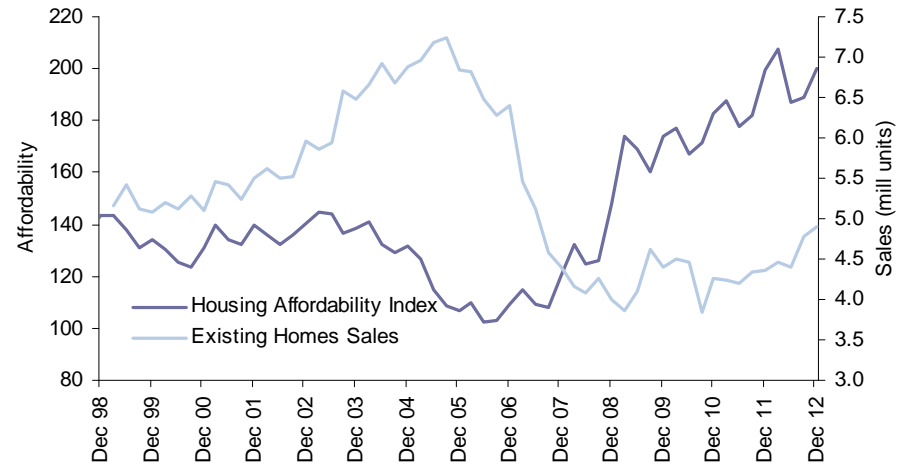
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### U.S. Home Prices



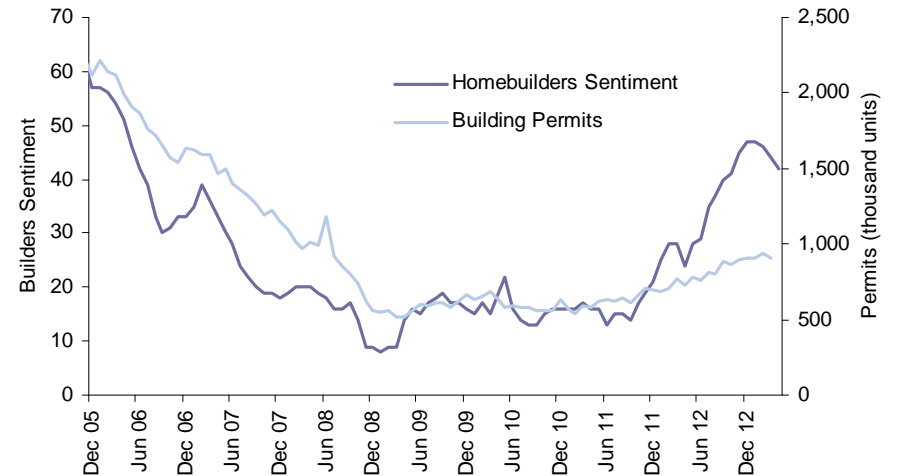
Sources: Bloomberg L.P., BMO Global Asset Management

### Housing Affordability Index and Existing Home Sales



Sources: Bloomberg L.P., BMO Global Asset Management

### Homebuilders Sentiment and Building Permits

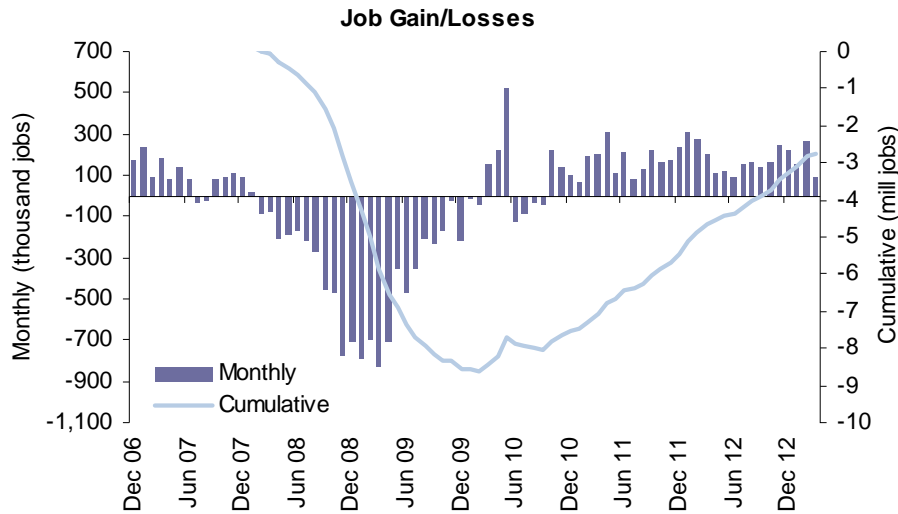


Sources: Bloomberg L.P., BMO Global Asset Management

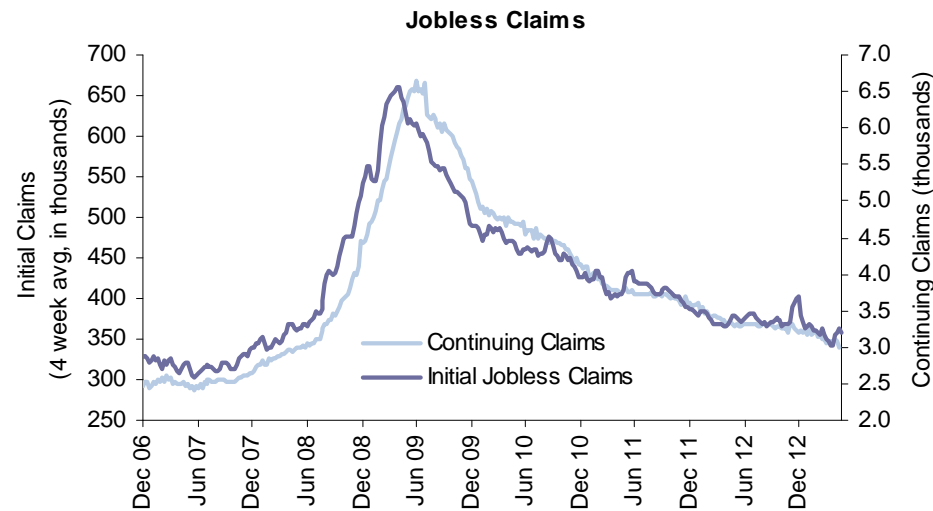
# U.S. Job Gains/Losses

The economy added an average of 168,000 jobs in the first three months of 2013, slightly below 2012 average of 183,000 jobs per month and significantly below the average of 262,000 jobs recorded in the first three months of 2012. Initial jobless claims in March were near a four-year low.

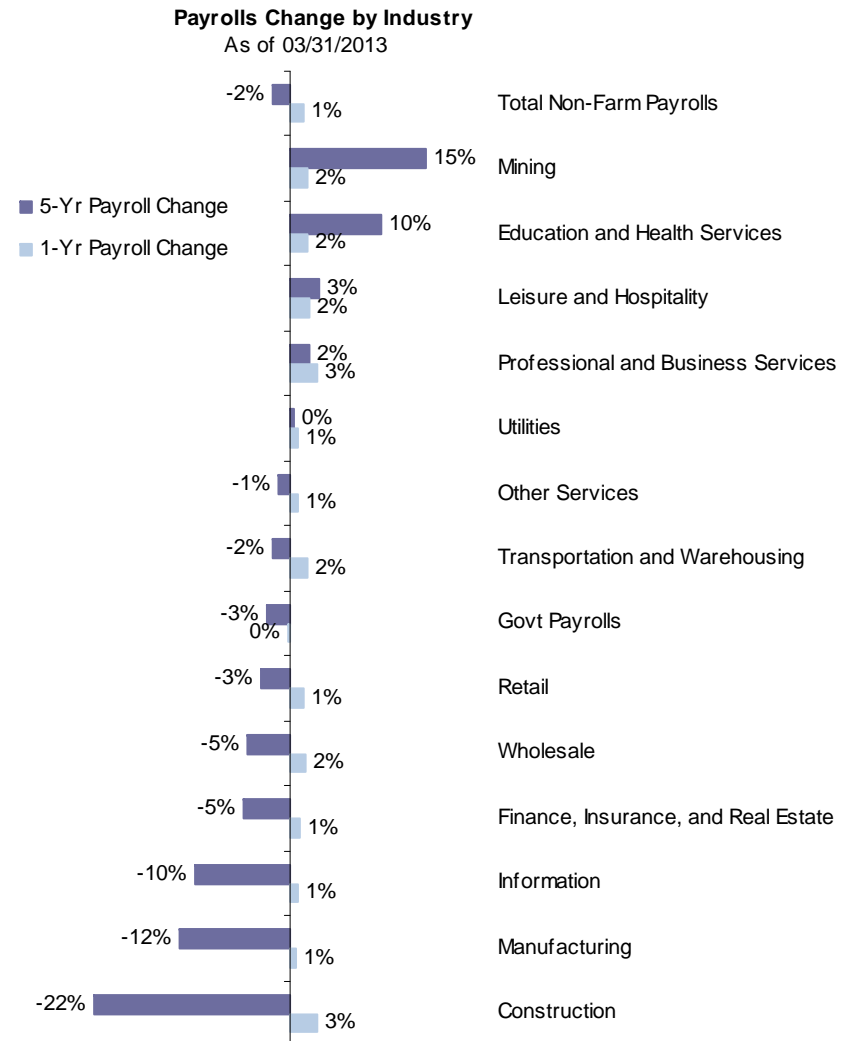
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Sources: Bloomberg L.P., BMO Global Asset Management



Sources: Bloomberg L.P., BMO Global Asset Management



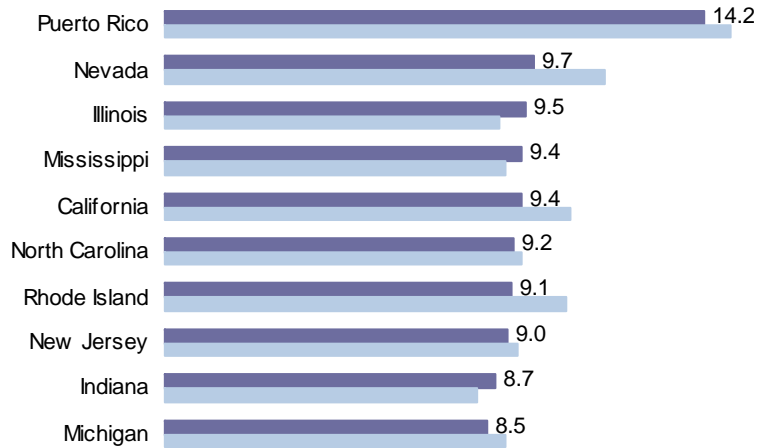
Sources: Bloomberg L.P., BMO Global Asset Management

# U.S. Unemployment

The unemployment rate declined to 7.6% in March, from 7.7% in February. While it is significantly below its peak of 40.7 weeks reached just over a year ago, duration of unemployment remains stubbornly high, at 37.1 weeks. Private employment continues its steadily increasing trend which began in early 2010.

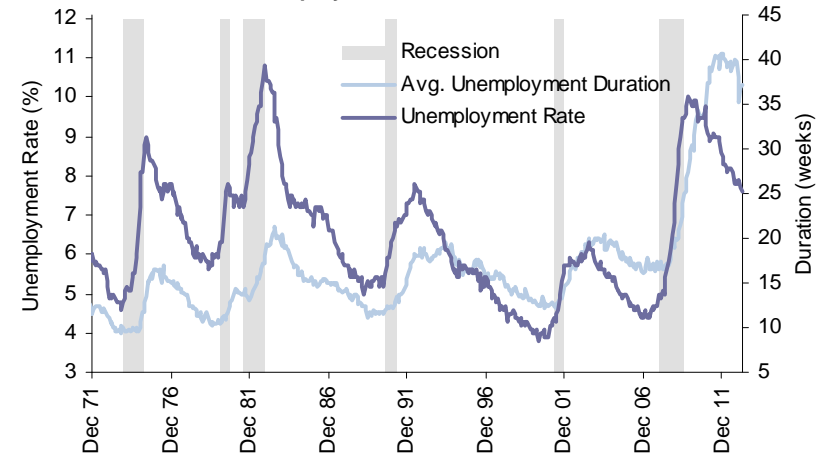
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**Unemployment Rate Worst 10 States**



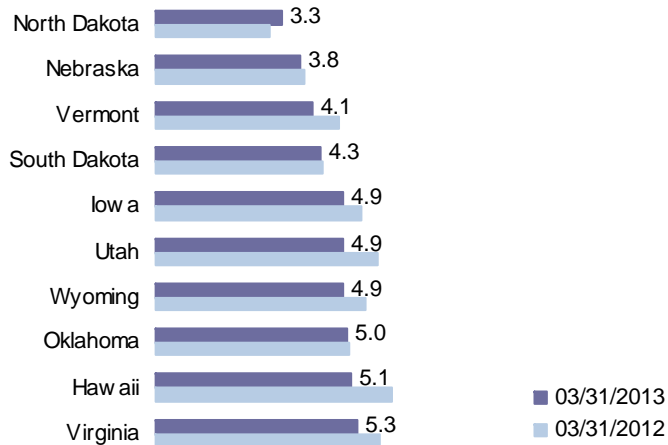
Sources: Bloomberg L.P., BMO Global Asset Management

**Unemployment Rate and Duration**



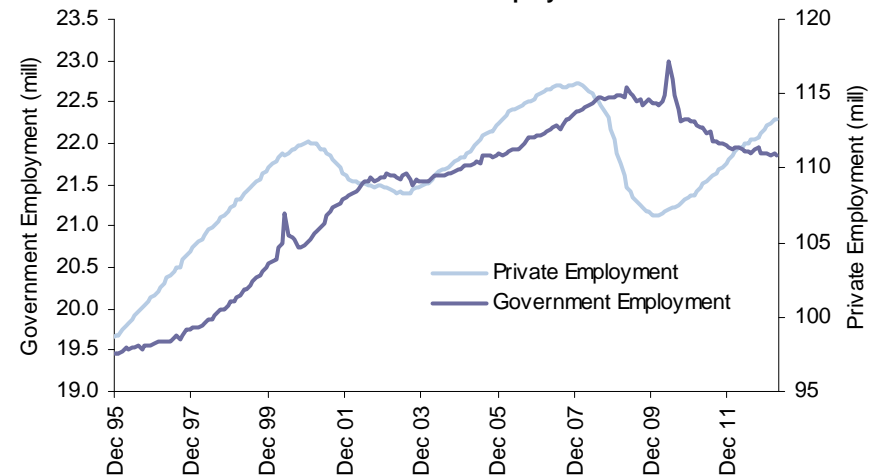
Sources: Bloomberg L.P., BMO Global Asset Management

**Best 10 States**



Sources: Bloomberg L.P., BMO Global Asset Management

**Government and Private Employment**

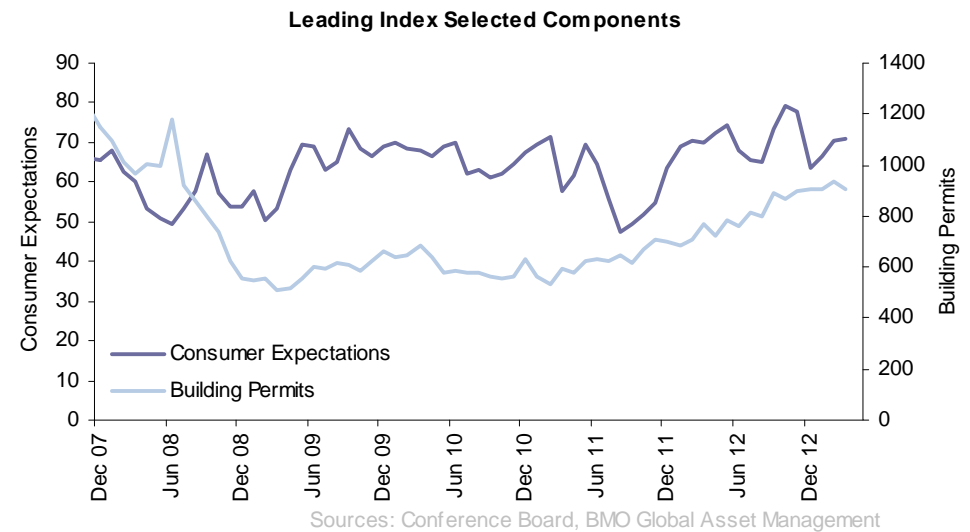
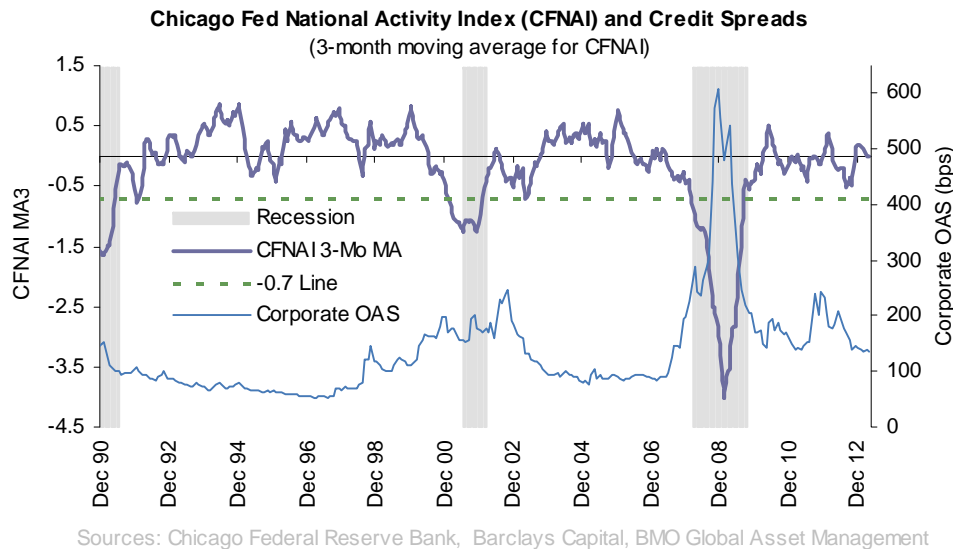
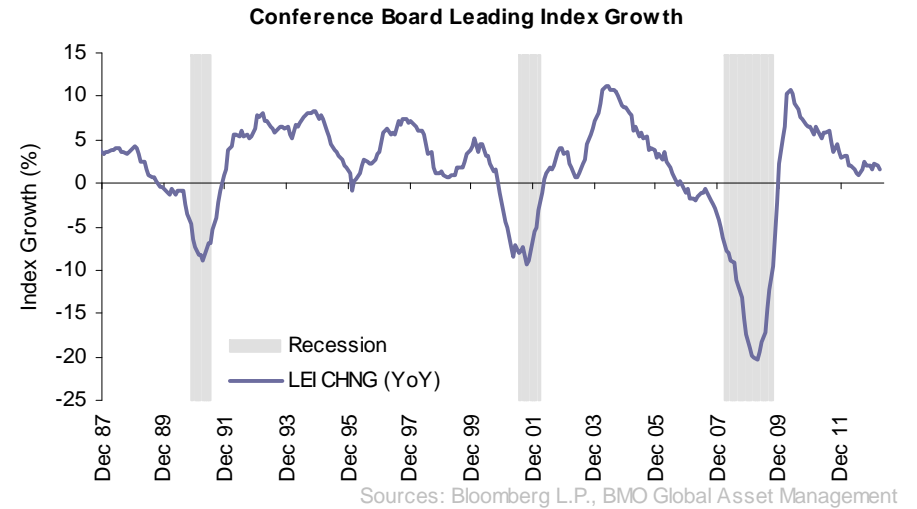
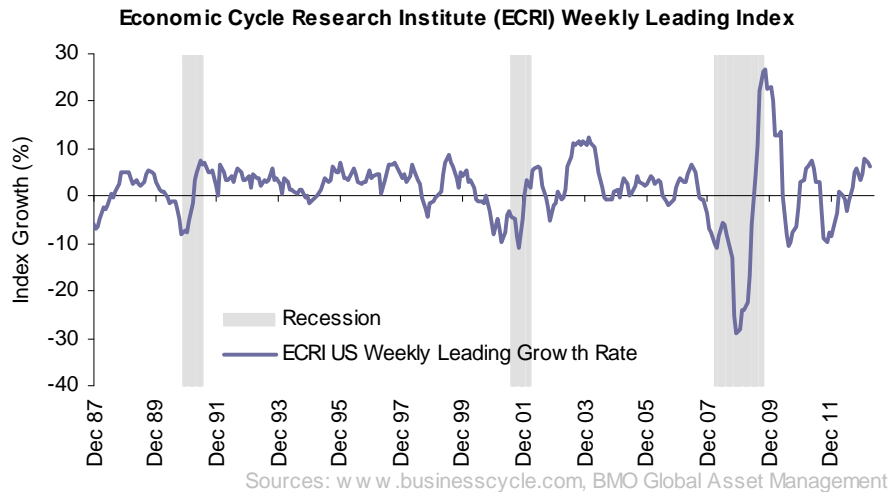


Sources: Bloomberg L.P., BMO Global Asset Management

# Other U.S. Economic Indicators

Leading economic indicators have showed mixed results: the ECRI and CFNAI hooked down slightly in March, while consumer expectations improved modestly, perhaps driven by strong stock market performance. Building permits declined slightly as well in March.

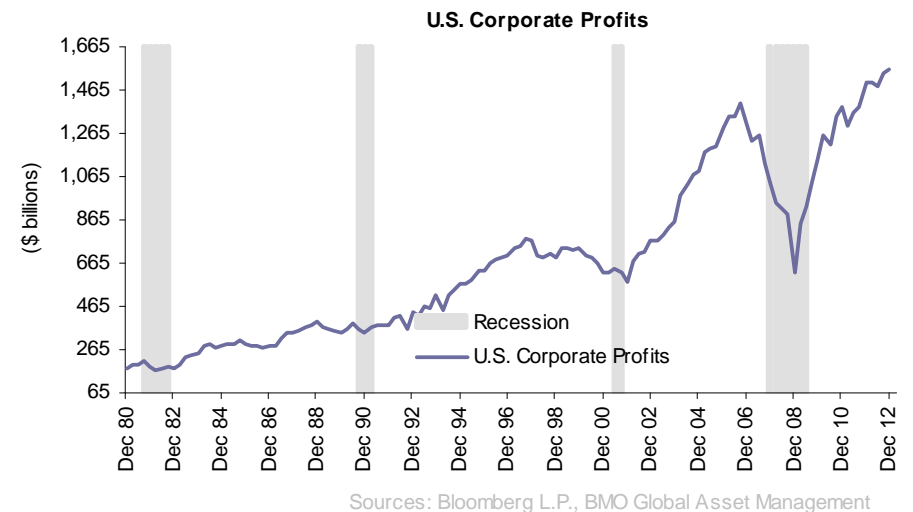
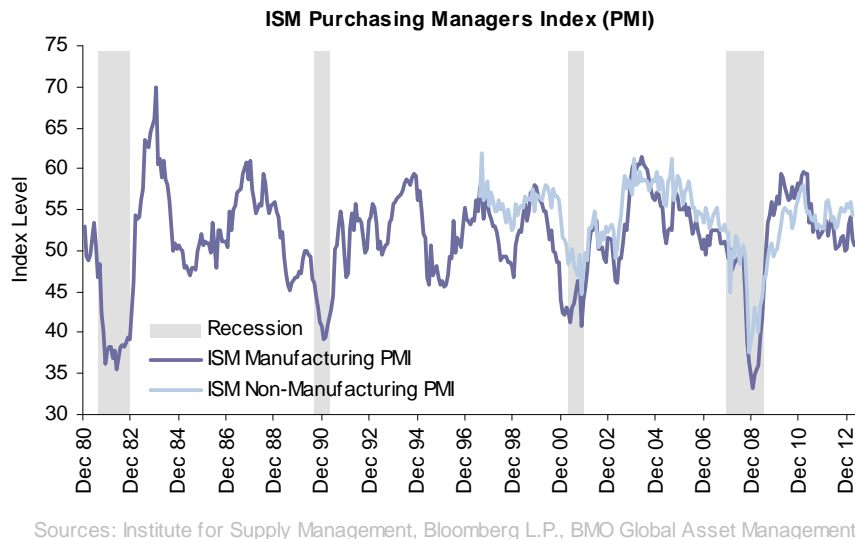
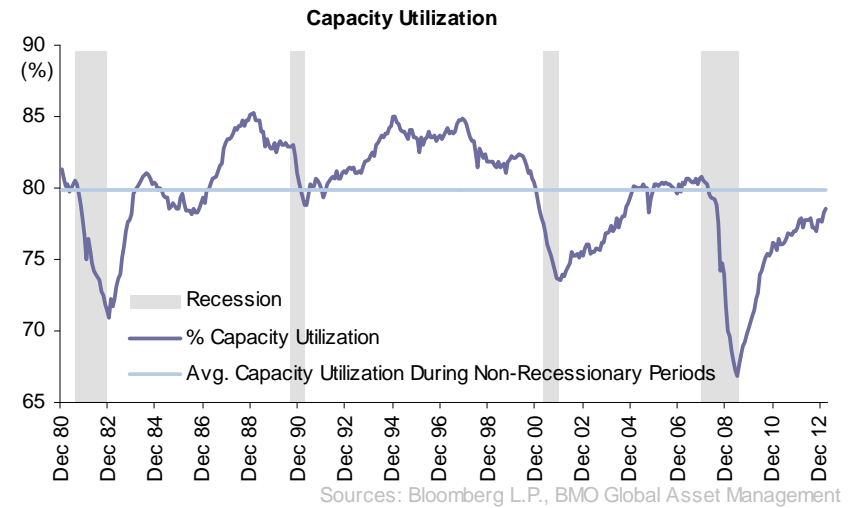
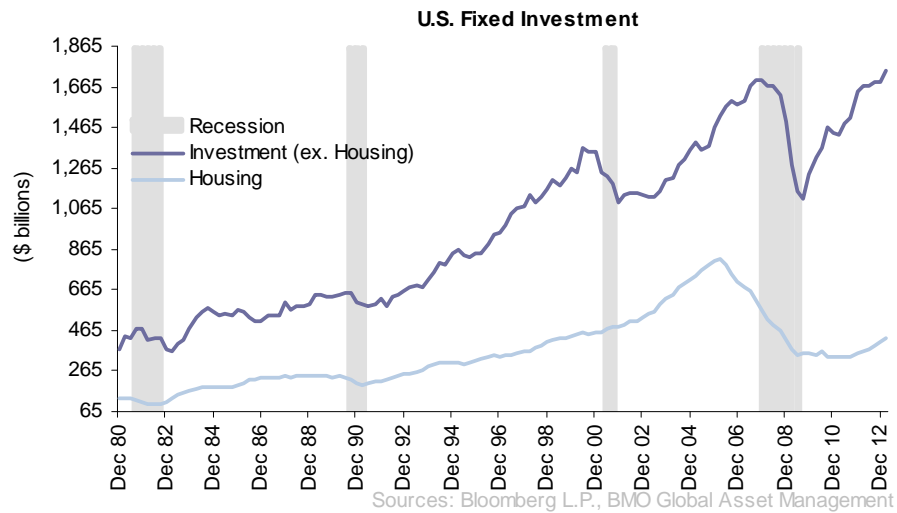
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# U.S. Business Activity

Housing investment level, while still low, shows the beginning of a recovery. Other fixed investment activity has steadily increased to pre-recession levels. Capacity utilization, while close to average during non-recessionary periods, has improved slightly. Corporations continue to book solid profits.

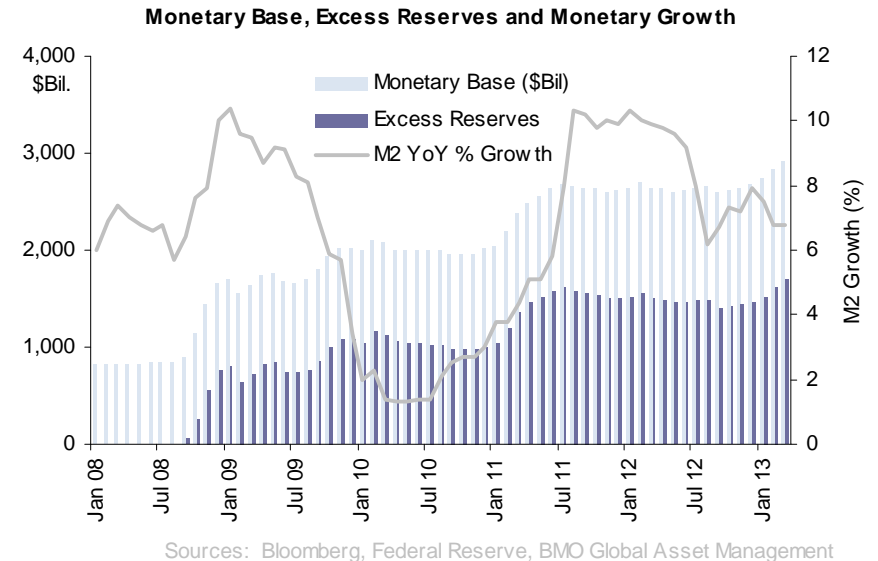
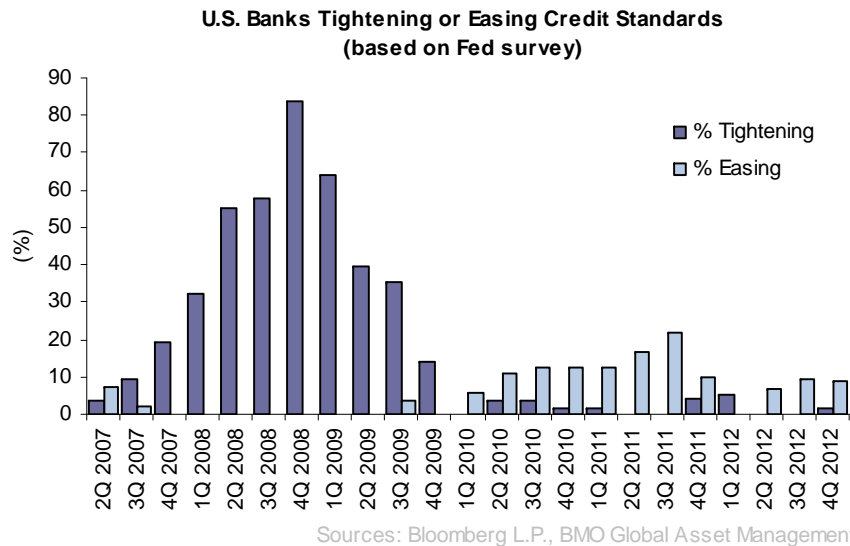
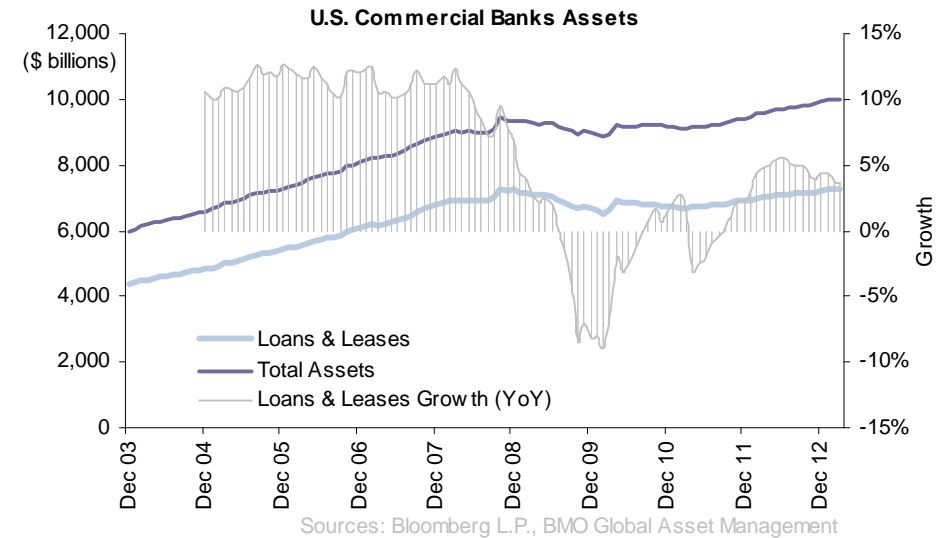
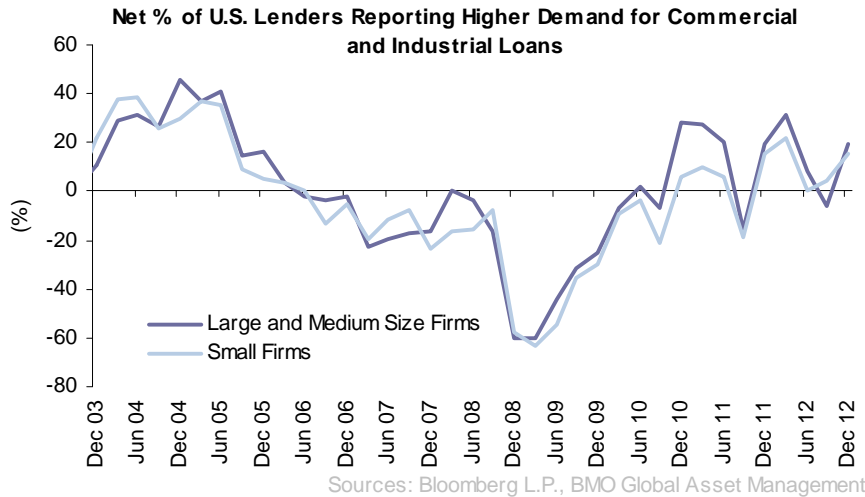
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# U.S. Lending and Banking Activity

Demand for commercial and industrial loans increased in the last quarter of 2012, as banks have been easing credit standards. While monetary stimulus continues, banks hold excess reserves, which limit a portion of funds from flowing into the economy. Credit standards continue to be favorable for borrowers.

Economy

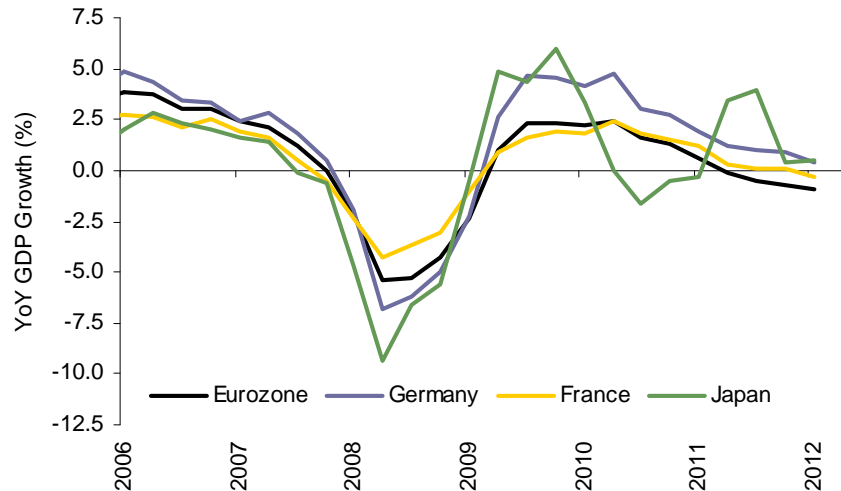


# World Economic Growth and Inflation

Several European economies slipped into recession in the fourth quarter of 2012, but Germany has avoided it. Economic growth slowed significantly in Brazil and India. World inflation has been declining slightly since the end of third quarter 2011.

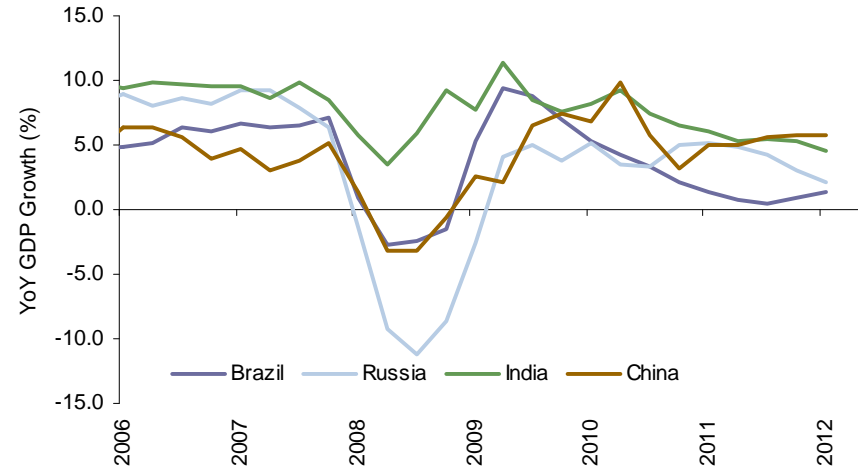
Economy

Real GDP Growth for Developed Countries



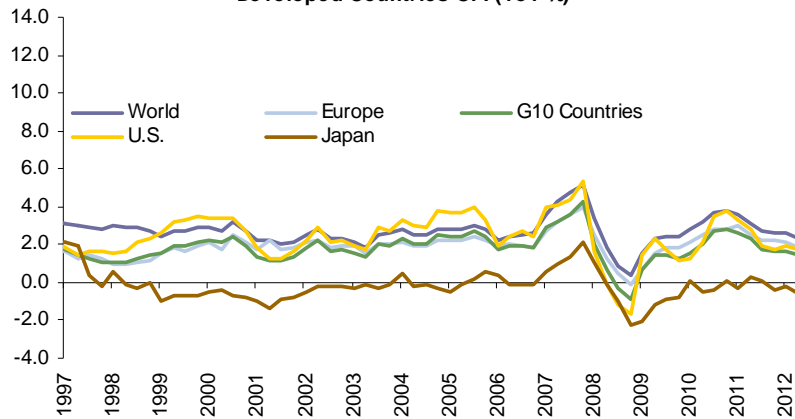
Sources: Bloomberg L.P., BMO Global Asset Management

Real GDP Growth for BRIC Countries



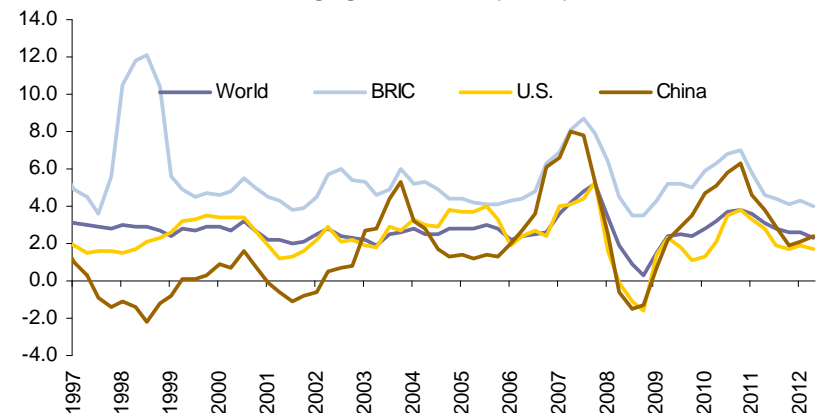
Sources: Bloomberg L.P., BMO Global Asset

Developed Countries CPI (YoY %)



Sources: Bloomberg L.P., BMO Global Asset Management

Emerging Markets CPI (YoY %)



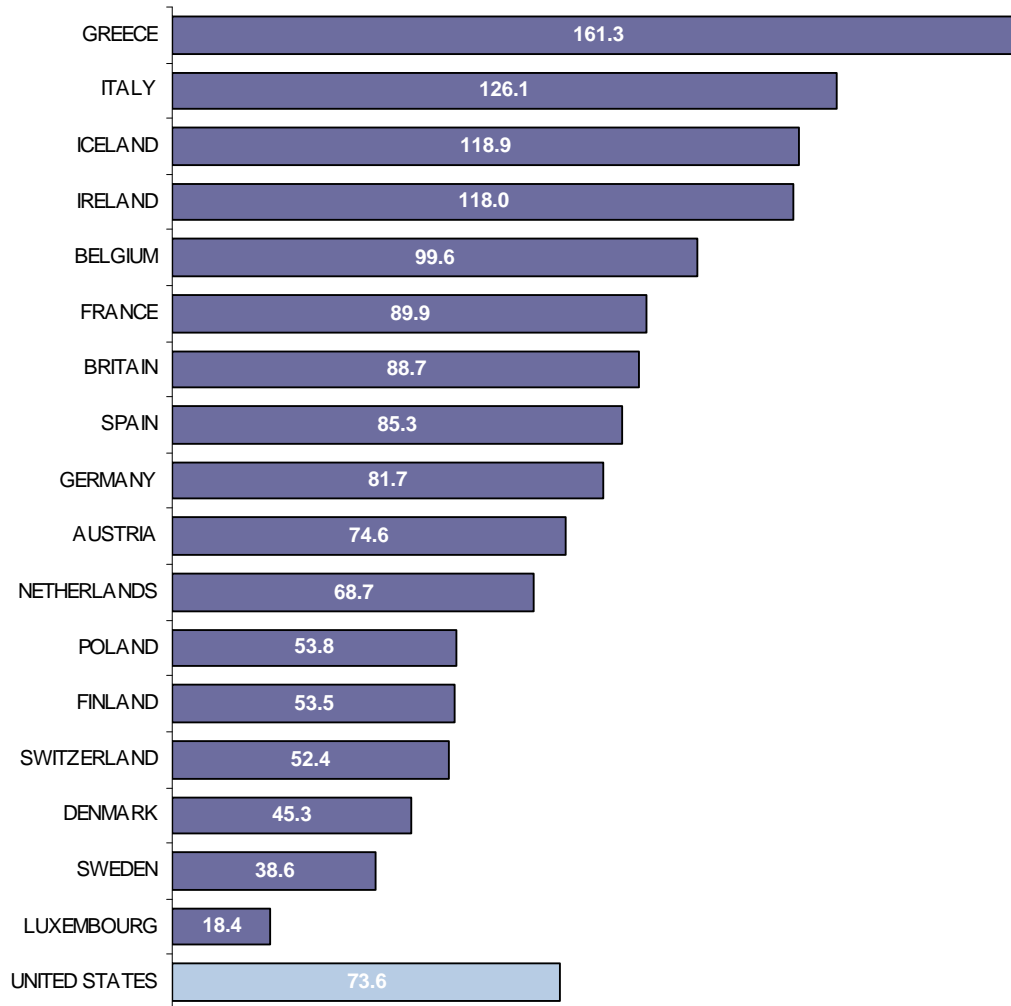
Sources: Bloomberg L.P., BMO Global Asset Management

# European Economies

Many European economies are struggling, being hampered by recession, high debt-to-GDP ratios and high sovereign yields compared to the rest of the developed world. Yet recent yields show less concern about the European governments' ability to restrain spending.

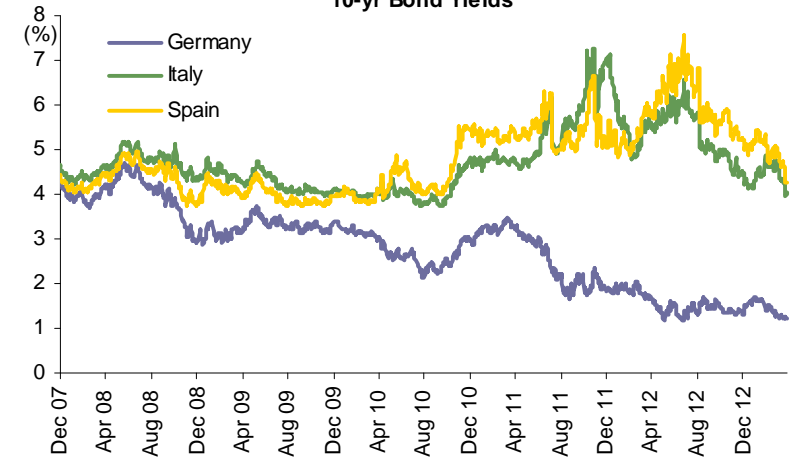
Economy

**Eurozone**  
Percentage Debt to GDP by Country on 12/31/2012



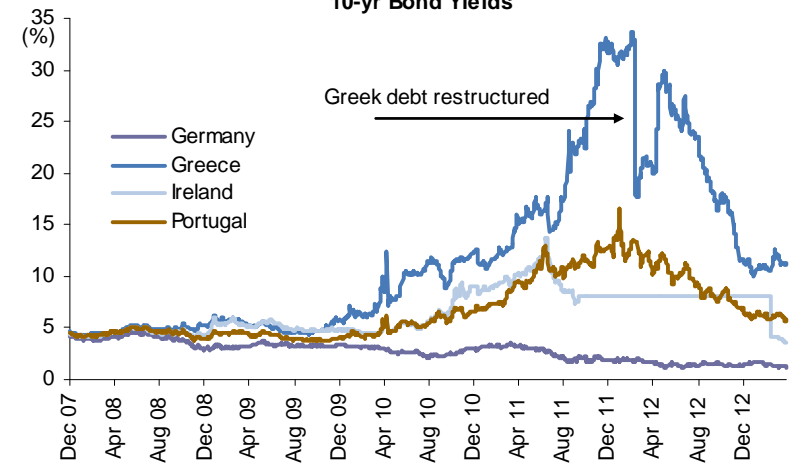
Sources: Bloomberg L.P., BMO Global Asset Management

**European Governments**  
10-yr Bond Yields



Sources: Bloomberg L.P., BMO Global Asset Management

**European Governments**  
10-yr Bond Yields



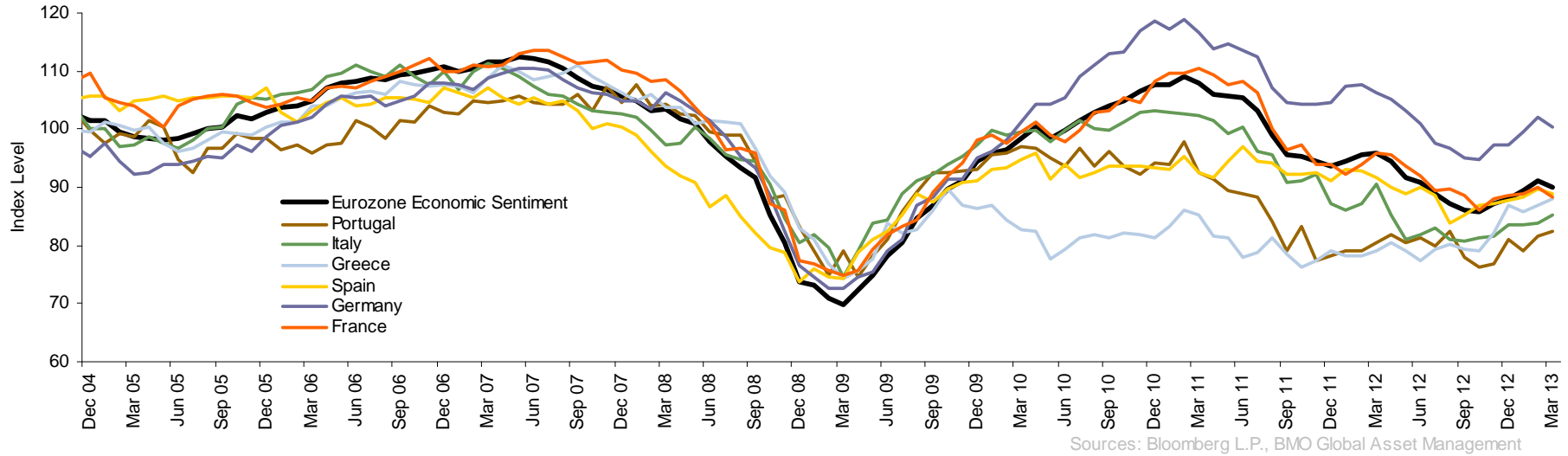
Sources: Bloomberg L.P., BMO Global Asset Management

# European Economies

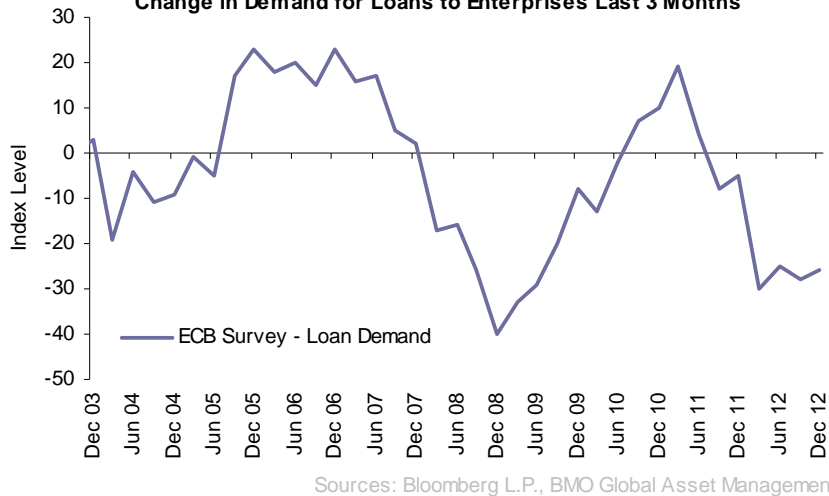
Sentiment indicators from several European countries were mixed in March, following several months of improvement across several countries. European Central Bank indicates there was a small increase in demand for commercial loans over the past three months.

Economy

European Economic Sentiment Indicators



European Central Bank Survey  
Change in Demand for Loans to Enterprises Last 3 Months



European Countries Purchasing Managers Index (PMI)



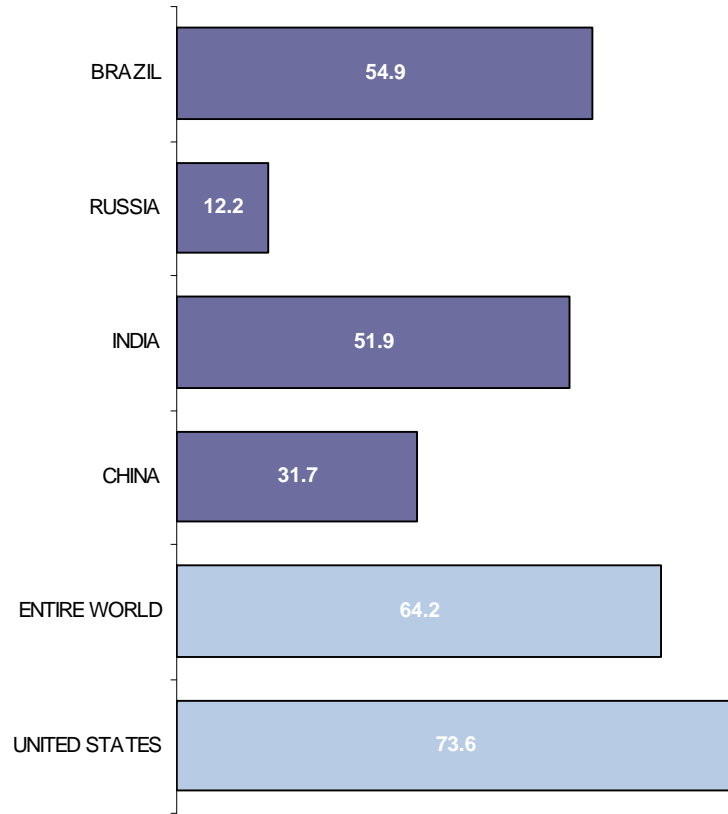
# BRIC Economies

Over the past 10 years, emerging market economies boomed. China grew by approximately 50%, while other Asian and BRIC economies doubled in size. As the world economies slow, near-term growth prospects are unambiguously much lower.

Economy

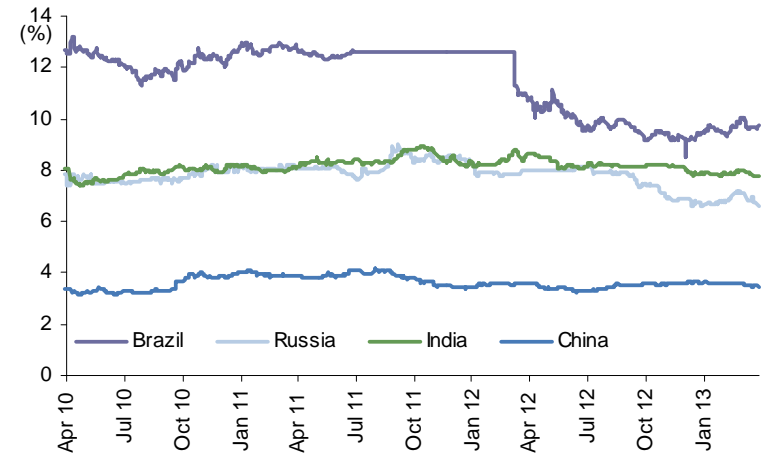
**BRIC Countries**

Percentage Debt to GDP by Country on 12/31/2012



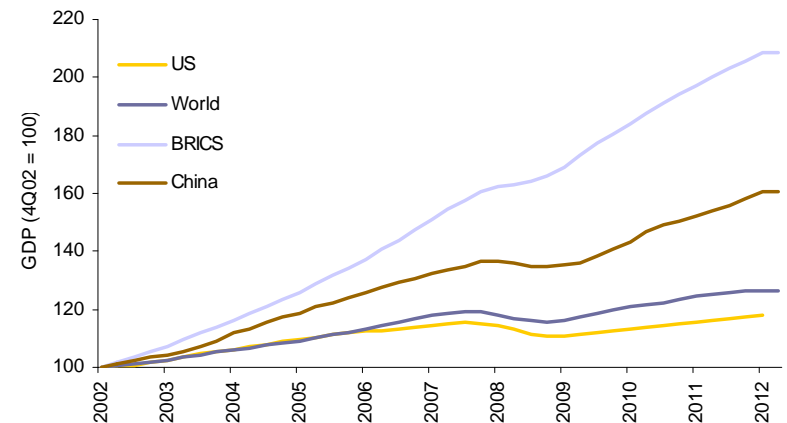
Sources: Bloomberg L.P., BMO Global Asset Management

**BRIC Governments  
10-yr Bond Yields**



Sources: Bloomberg L.P., BMO Global Asset Management

**Real GDP**



Sources: Bloomberg L.P., BMO Global Asset Management

# Currencies

Expectations for more aggressive monetary and fiscal stimuli from both the Japanese government and the Japanese Central Bank have pushed the Japanese Yen down over 20% this year. The Euro has seen a similar devaluation.

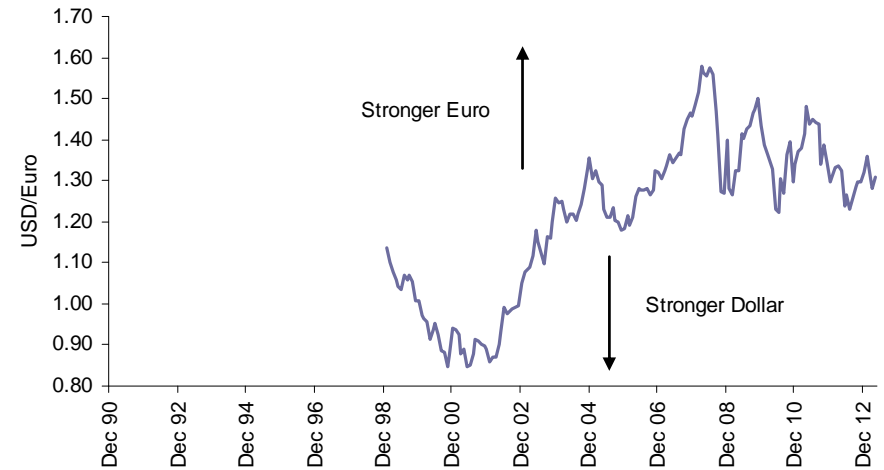
Economy

U.S. Dollar Strength Relative to a Basket of Currencies



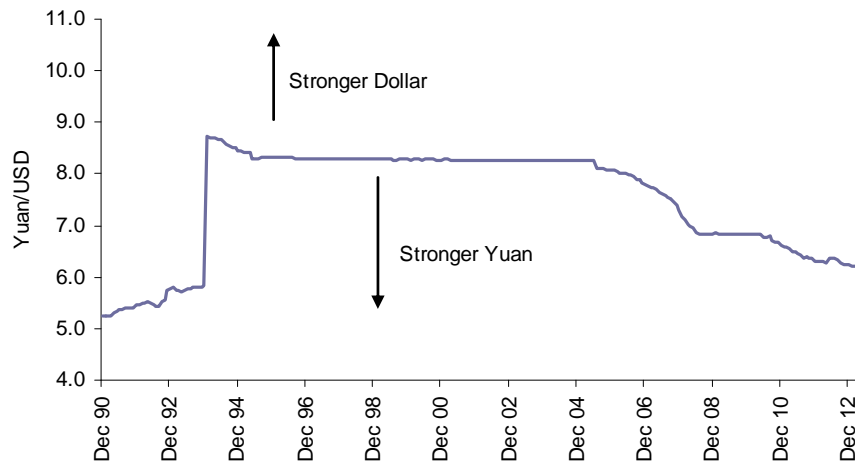
Sources: Bloomberg L.P., BMO Global Asset Management

U.S. Dollar Strength Relative to Euro



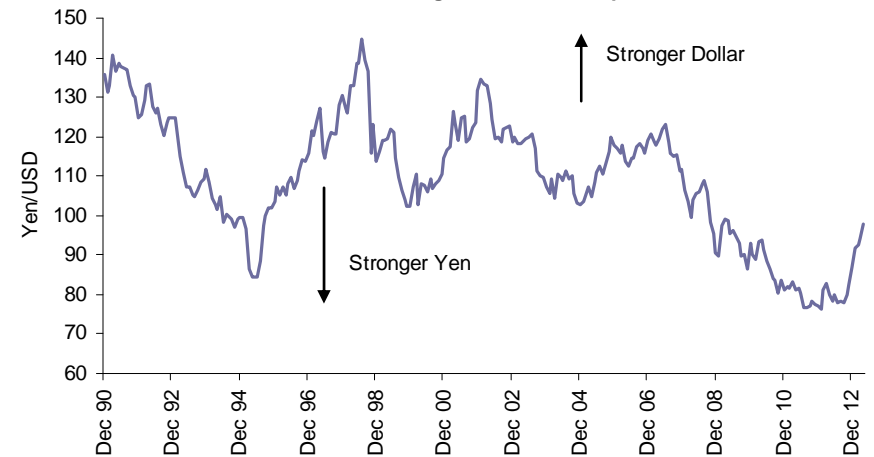
Sources: Bloomberg L.P., BMO Global Asset Management

U.S. Dollar Strength Relative to Chinese Yuan



Sources: Bloomberg L.P., BMO Global Asset Management

U.S. Dollar Strength Relative to Japanese Yen

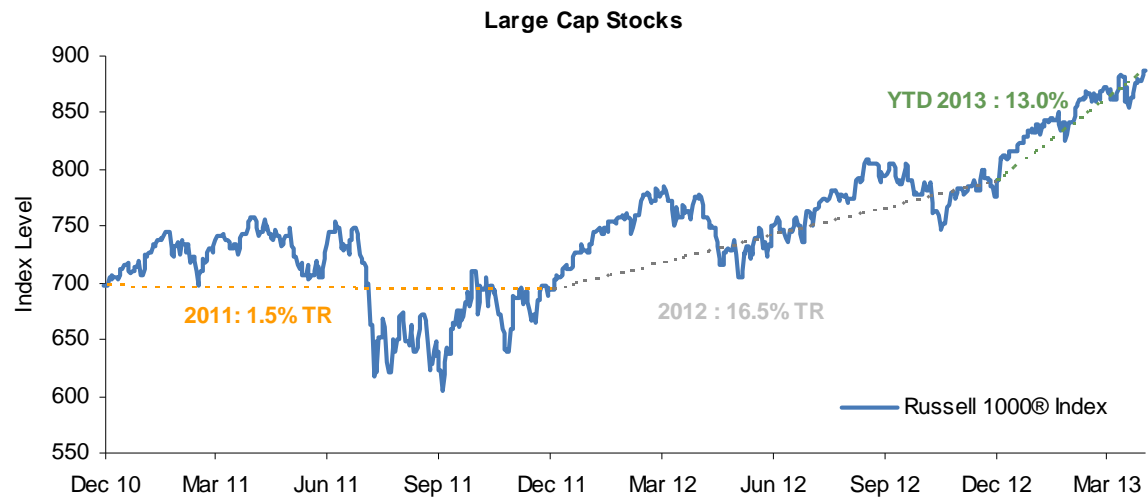


Sources: Bloomberg L.P., BMO Global Asset Management

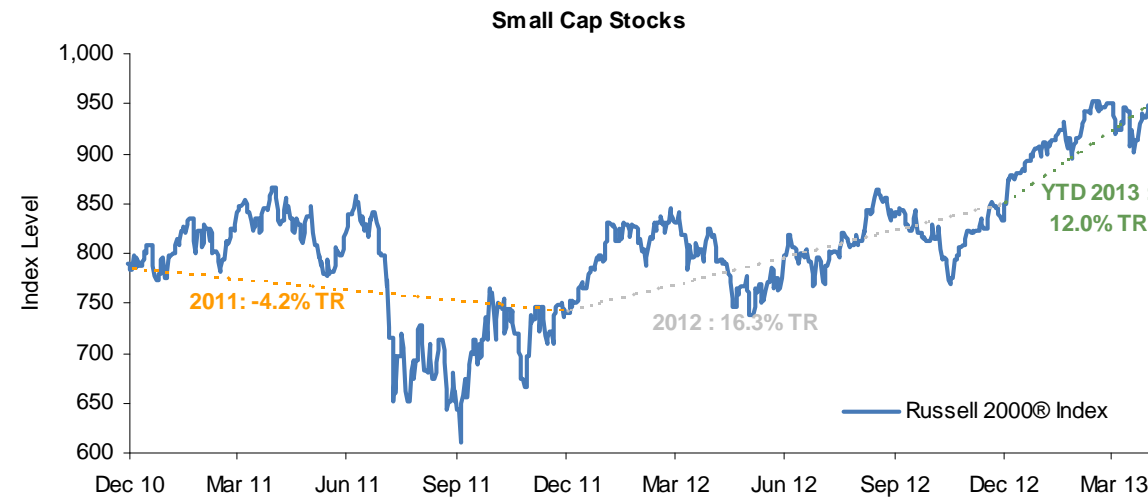
# Investment Style Performance

In the U.S., equity markets performance has been very strong year-to-date. Large cap growth stocks outperformed all other U.S. stock market segments in April, posting 2.1% total return. Value style has generally outperformed growth style YTD.

Stocks



Sources: Bloomberg L.P., BMO Global Asset Management



Sources: Bloomberg L.P., BMO Global Asset Management

## Total Returns (%)

		YTD 4/30/2013		
		Value	Blend	Growth
Large	Large	14.0	13.0	11.9
	Mid	15.5	14.4	13.2
	Small	11.5	12.0	12.5

		2012		
		Value	Blend	Growth
Large	Large	17.6	16.5	15.3
	Mid	18.8	17.7	16.4
	Small	18.1	16.3	14.6

Total returns are based on Russell-style indices performance and include dividends. Graphs depict price levels only. Sources: Bloomberg L.P., BMO Global Asset Management.

# Investment Style Performance

All equity indices across styles and market caps have more than doubled their levels since their post-crisis lows. The annualized total returns since prior peaks are positive across market caps and styles, as the S&P 500® and the Dow Jones Industrial Average indices reached record-high levels.

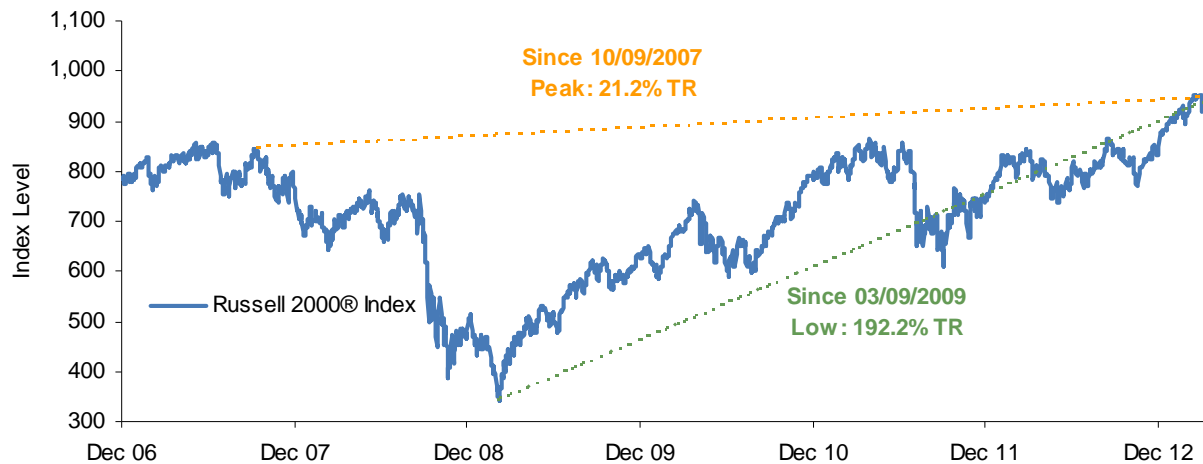
Stocks

## Large Cap Stocks



Sources: Bloomberg L.P., BMO Global Asset Management

## Small Cap Stocks



Sources: Bloomberg L.P., BMO Global Asset Management

## Total Returns (%)

As of 04/30/2013

### Since Peak 10/9/2007

	Value	Blend	Growth
Large	8.0	17.2	26.1
Mid	27.6	28.1	27.5
Small	17.8	21.2	23.9

### Since Low 3/9/2009

	Value	Blend	Growth
Large	169.2	162.8	157.1
Mid	225.7	209.1	194.7
Small	191.4	192.2	192.3

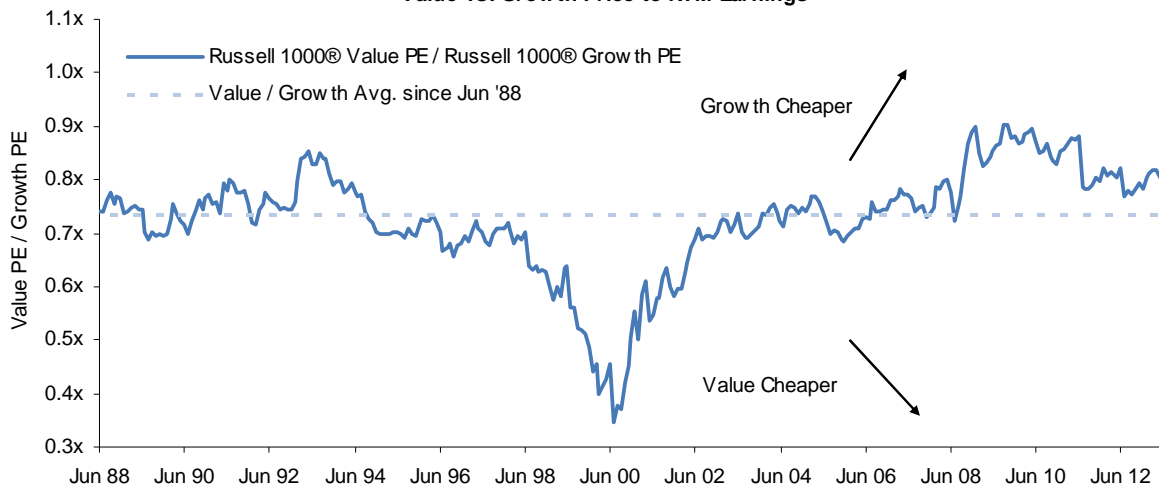
Total returns are based on Russell-style indices performance and include dividends. Total returns are cumulative returns for the period, not annualized. Peak market date is 10/09/2007. Low market date is 03/09/2009. Graphs depict price levels only. Sources: Bloomberg L.P., BMO Global Asset Management.

# Investment Style Valuations

Current multiples of U.S. large cap companies are below their historical norms, and appear attractive relative to mid and small companies' P/Es. Growth stocks appear cheaper than value stocks across the market cap spectrum.

Stocks

Value vs. Growth Price to NTM Earnings



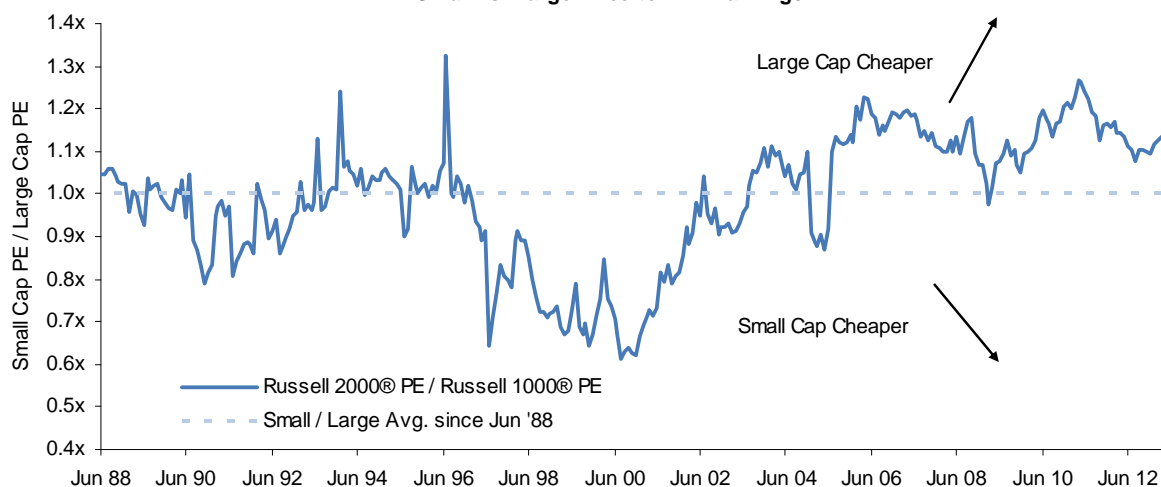
Sources: FactSet, BMO Global Asset Management

P/E vs. Long Term Average\*

As of 04/30/2013

Current P/E (Avg. P/E)	Value	Blend	Growth
Large	12.8 (13.4)	14.2 (15.9)	15.9 (19.6)
Mid	14.5 (13.7)	15.7 (15.5)	17.5 (19.4)
Small	14.9 (13.6)	15.9 (15.4)	17.2 (17.9)

Small vs. Large Price to NTM Earnings



Sources: FactSet, BMO Global Asset Management

Current PE as % of Avg PE	Value	Blend	Growth
Large	95.7%	89.4%	81.3%
Mid	106.1%	101.5%	89.9%
Small	109.4%	103.2%	95.7%

\*Data begins in June 1988. Data based on Russell-style indices. Earnings are estimated earnings for the next 12 months (NTM). Sources: FactSet, BMO Global Asset Management.

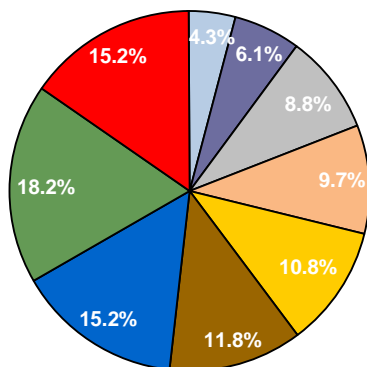
# Sector Performance

Utilities sector was the top performer in April and Health Care leads the year-to-date performance in the large cap and small cap categories. Large cap stocks have generally outperformed small cap stocks in April and year-to-date.

Stocks

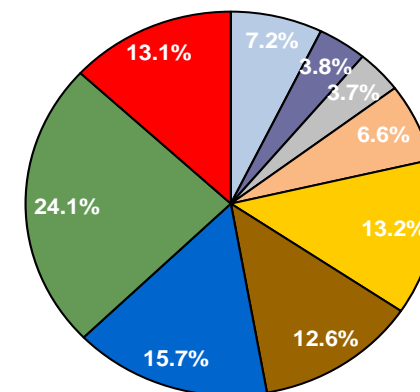
As of 04/30/2013		Russell Index	Materials and Processing	Utilities	Consumer Staples	Energy	Producer Durables	Health Care	Consumer Discretionary	Financials	Technology
LARGE CAP EQUITIES	MTD	1.8%	0.3%	6.1%	2.8%	-1.1%	-0.6%	3.2%	3.0%	2.5%	0.6%
	YTD 2013	13.0%	5.4%	18.8%	18.5%	9.3%	11.5%	19.7%	15.2%	14.8%	4.5%
	2012	16.5%	18.0%	7.8%	10.3%	4.2%	16.4%	19.6%	25.8%	27.4%	12.5%
SMALL CAP EQUITIES	MTD	-0.4%	-4.0%	4.8%	2.8%	-2.3%	-3.4%	1.4%	2.6%	0.4%	-2.9%
	YTD 2013	12.0%	4.2%	14.8%	15.4%	9.0%	11.0%	16.4%	15.6%	13.5%	6.9%
	2012	16.3%	28.2%	6.1%	11.6%	-3.6%	16.6%	17.7%	24.1%	21.8%	10.6%

Russell 1000® Index Composition



- Materials and Processing
- Utilities
- Consumer Staples
- Energy
- Producer Durables
- Health Care
- Consumer Discretionary
- Financials
- Technology

Russell 2000® Index Composition



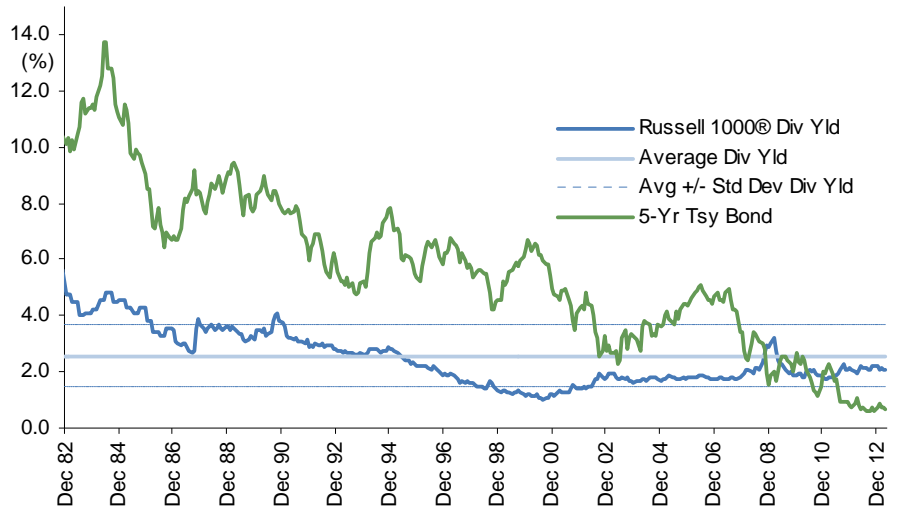
Sources: Bloomberg L.P., BMO Global Asset Management. Sector break-down based on Russell categories.

# Other Stock Valuations and Metrics

Stocks offer an attractive dividend yield when compared to U.S. Treasury bonds. The estimated EPS for 2013 translates into an 8.0% earnings growth versus year-end 2012. In 2012, earnings were up 5.4%.

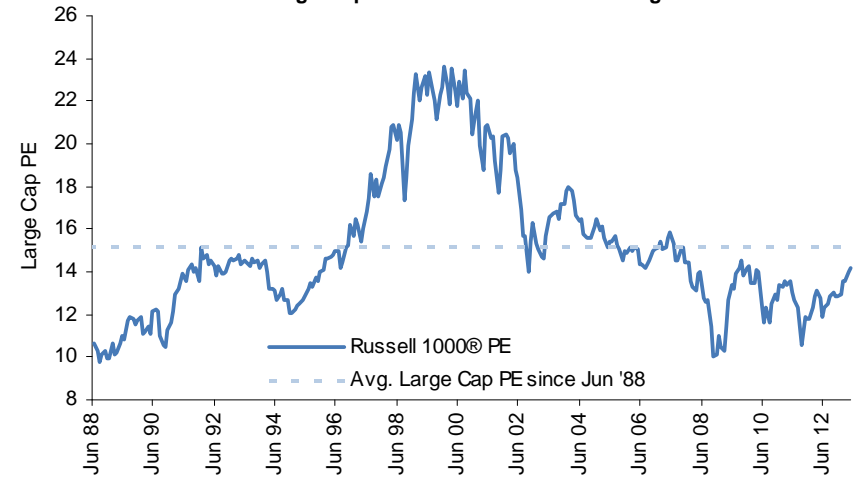
Stocks

Dividend Yield



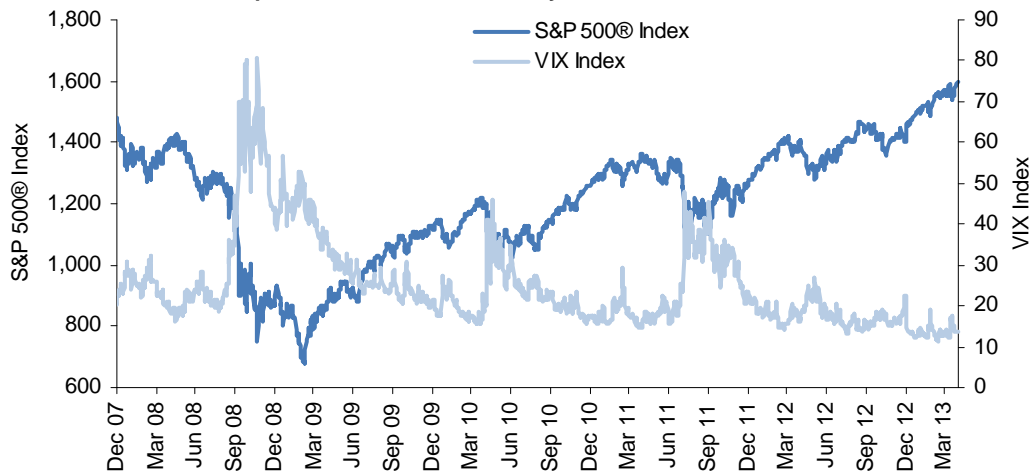
Sources: FactSet, Bloomberg L.P., BMO Global Asset Management

U.S. Large Cap Stocks Price to NTM Earnings



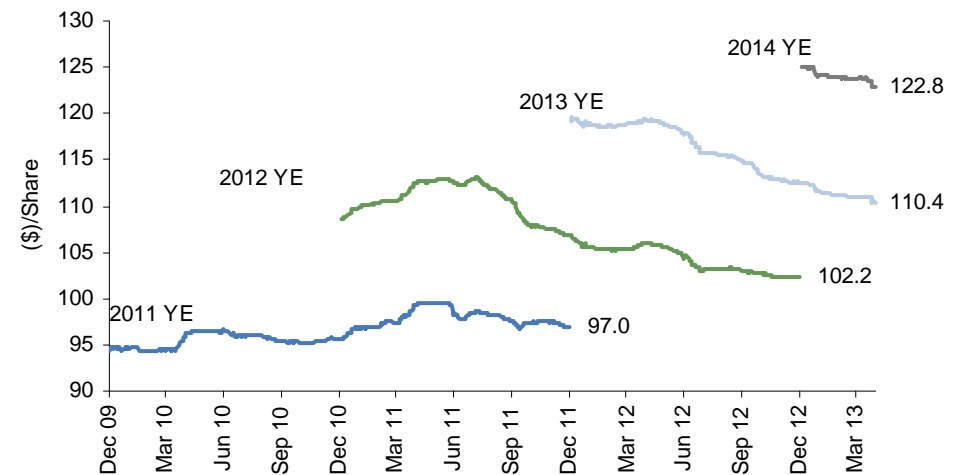
Sources: FactSet, BMO Global Asset Management

Implied Stock Market Volatility and the S&P 500® Index



Sources: Bloomberg L.P., BMO Global Asset Management

Year-End Consensus EPS Estimate for the S&P 500® Index

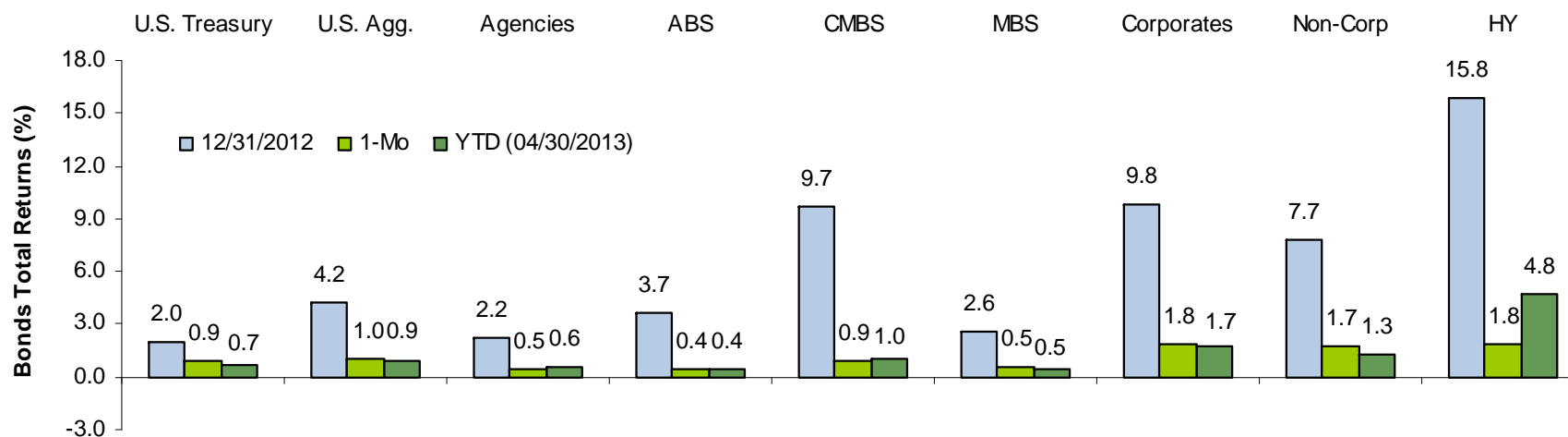


Sources: FactSet, BMO Global Asset Management

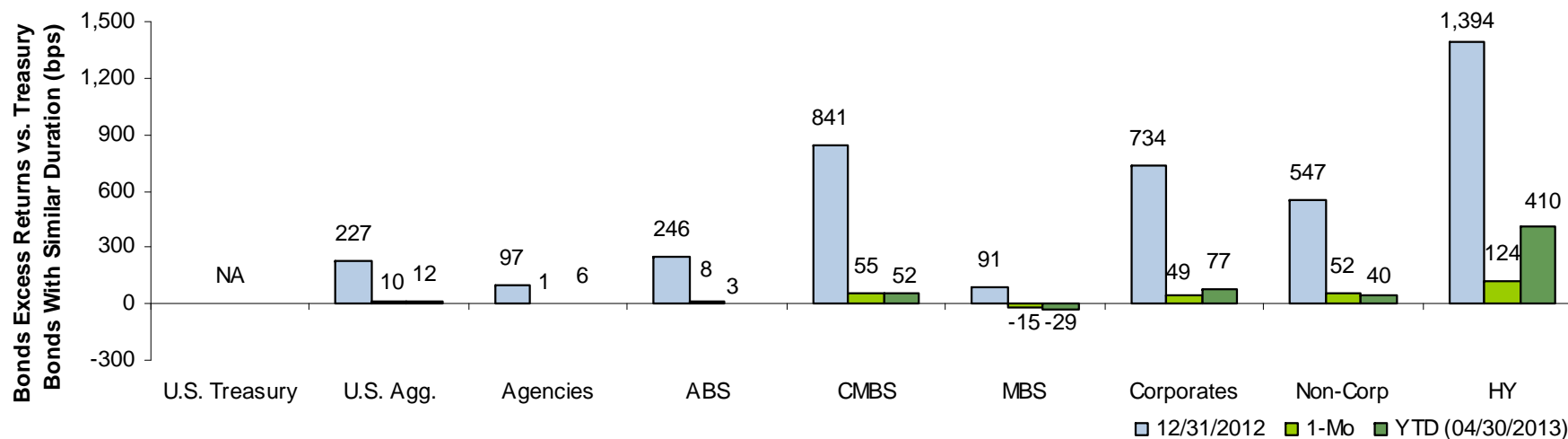
# U.S. Bond Market Performance

With the exception of MBS bonds, all investment grade bond sectors outperformed comparable U.S. Treasuries month-to-date and year-to-date. High Yield bonds performed well, the sector returning 4.8% YTD.

Bonds



Sources: Barclays Capital, BMO Global Asset Management

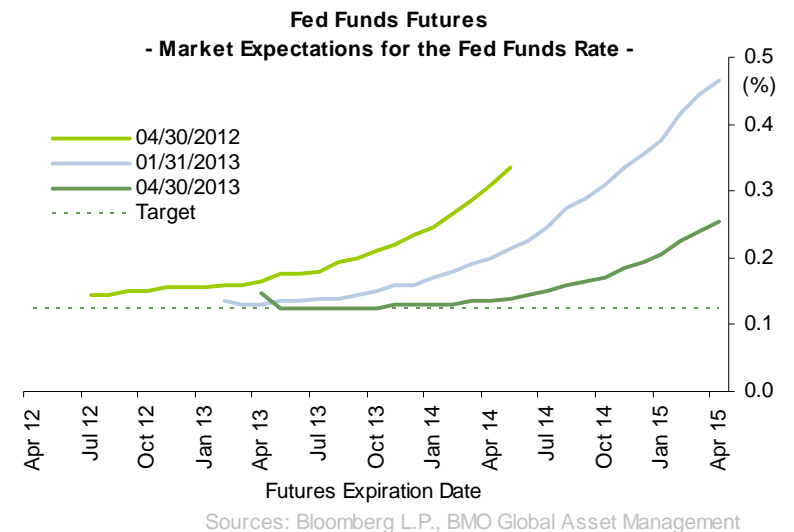
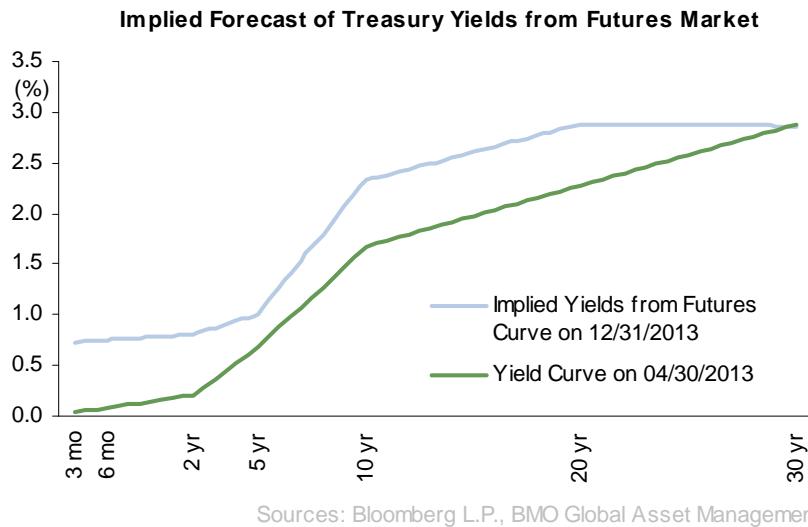
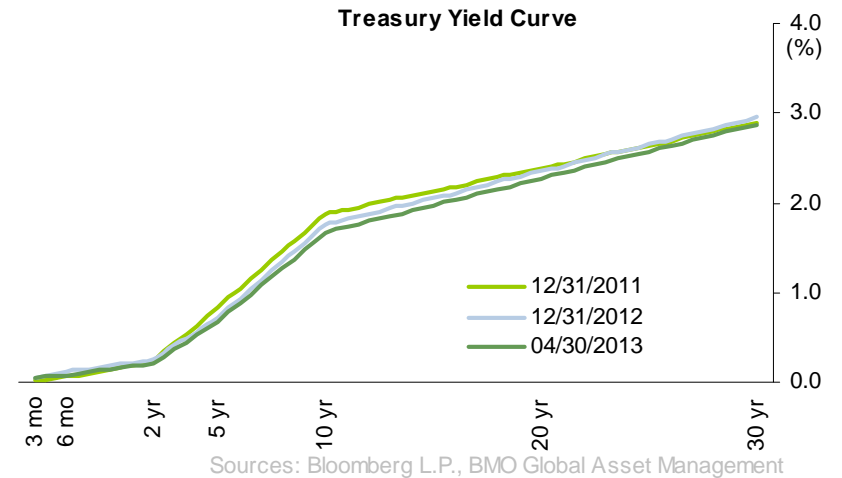
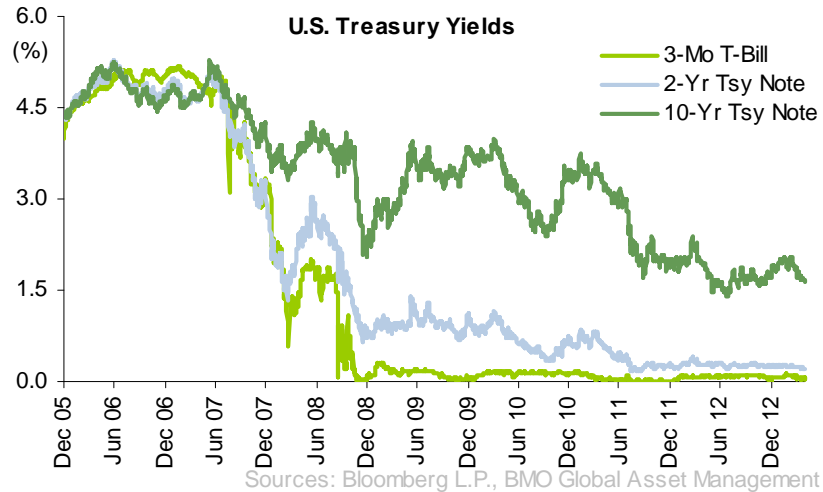


Sources: Barclays Capital, BMO Global Asset Management

# U.S. Treasury Yields

While expectations of increases in the Fed funds rate continue to be pushed further into the future, the futures market indicates that yields are expected to rise approximately 50 bps by December 2013. So far this year, yields have moved down slightly across the entire maturity range.

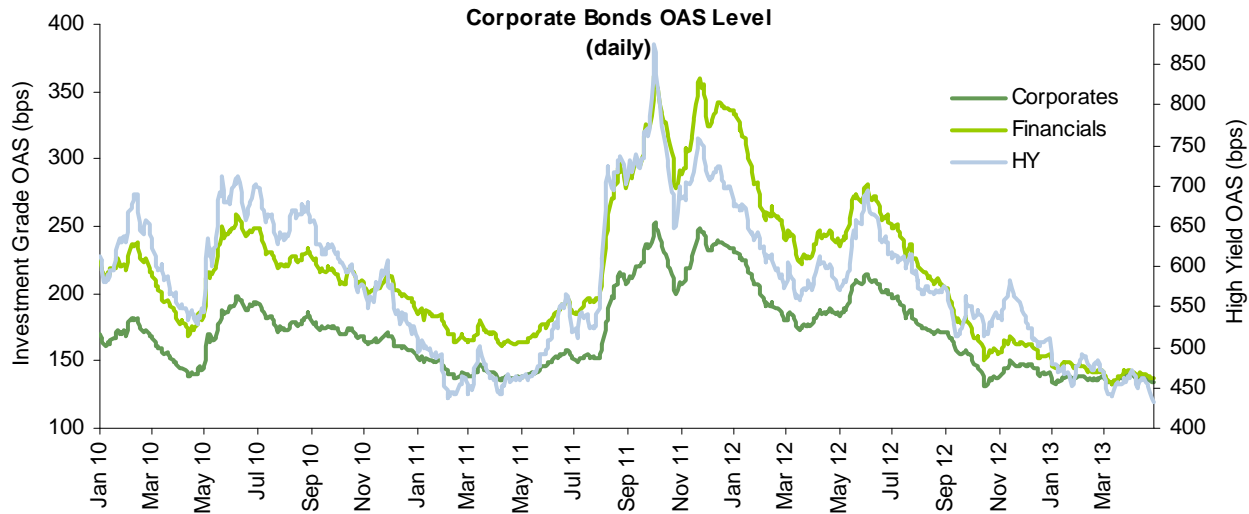
Bonds



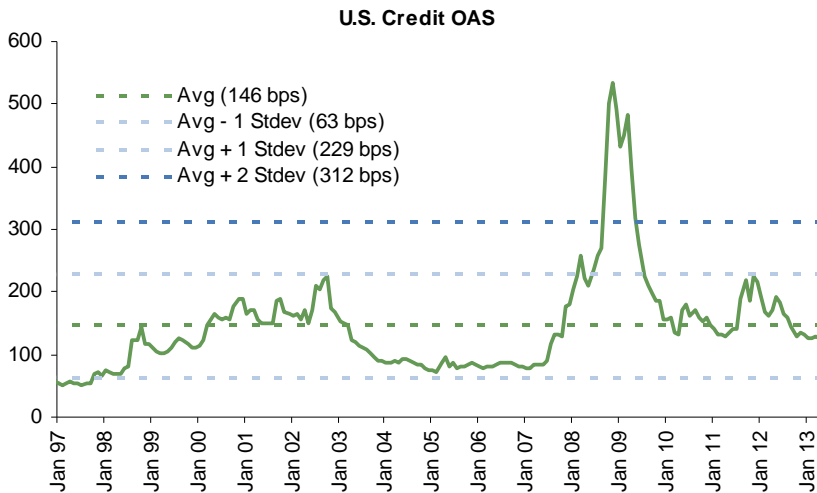
# Bond Spreads

Corporate spreads have been on a declining path since the uptick in May 2012, which coincided with a stock market low for 2012. Spreads fell below the long-term average in September 2012.

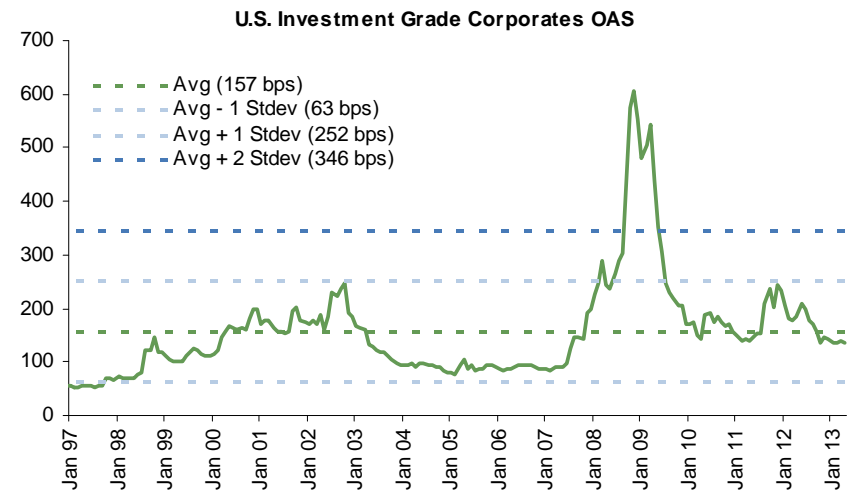
Bonds



Sources: Barclays Capital, BMO Global Asset Management



Sources: Barclays Capital, BMO Global Asset Management



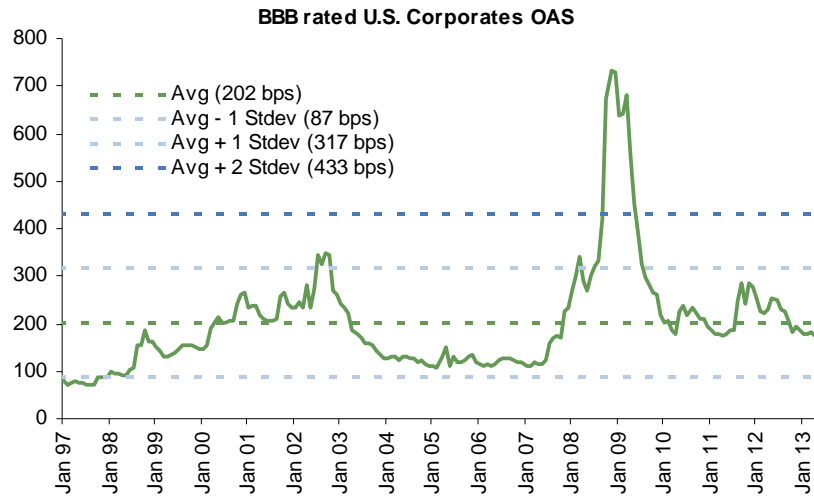
Sources: Barclays Capital, BMO Global Asset Management

The average and standard deviation are calculated using monthly data starting January 1997.

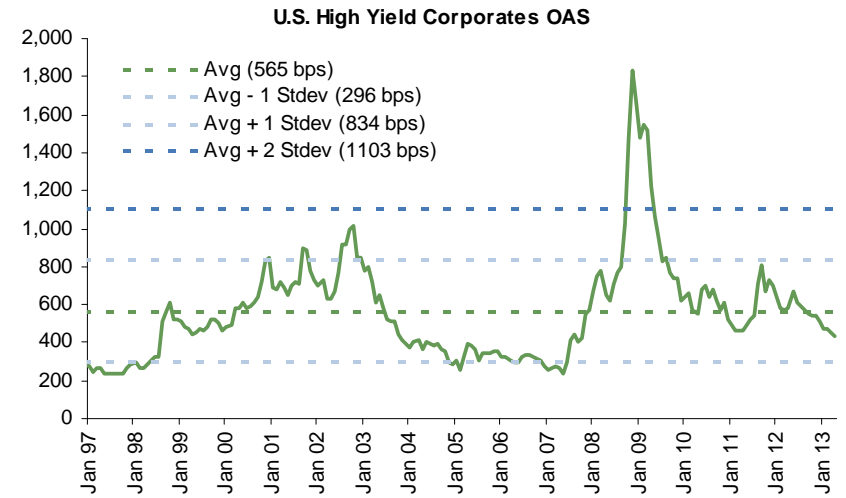
# Bond Spreads

The thirst for yield pushed BBB rated Corporates and High Yield spreads downward in 2012, ending the year slightly below their long-term average. The trend has continued into 2013. Emerging market spreads on corporate debt also landed below their long-term average at the end of 2012, but saw an uptick recently.

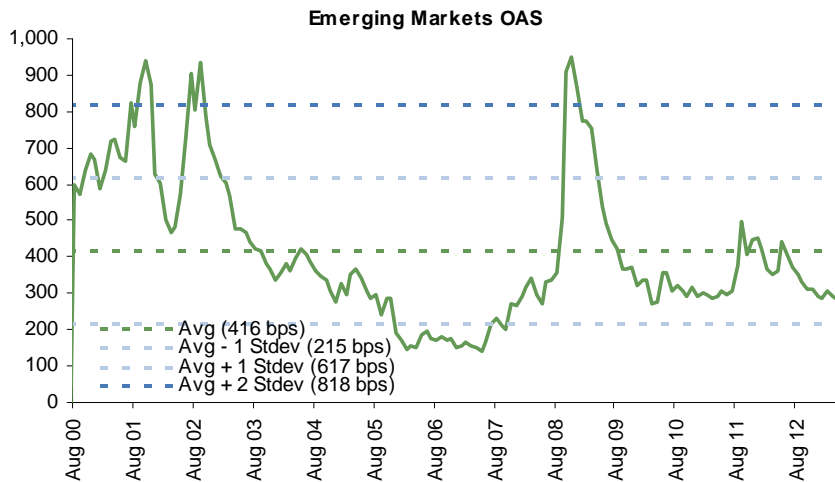
Bonds



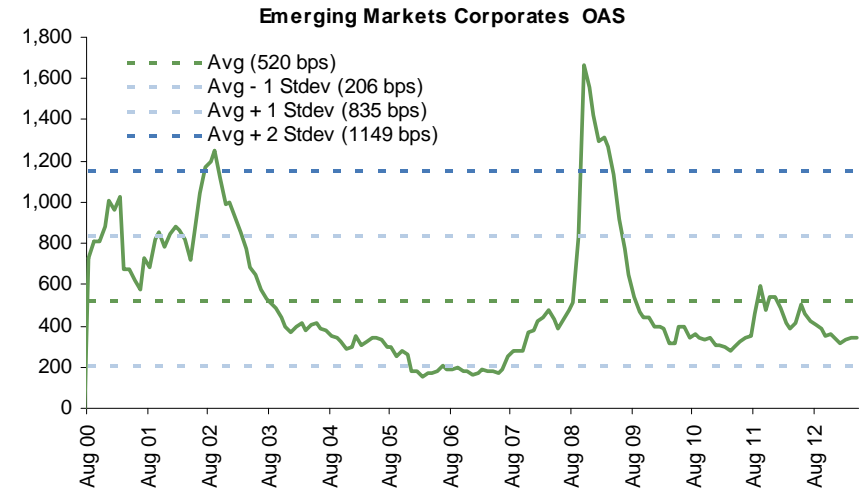
Sources: Barclays Capital, BMO Global Asset Management



Sources: Barclays Capital, BMO Global Asset Management



Sources: Barclays Capital, BMO Global Asset Management



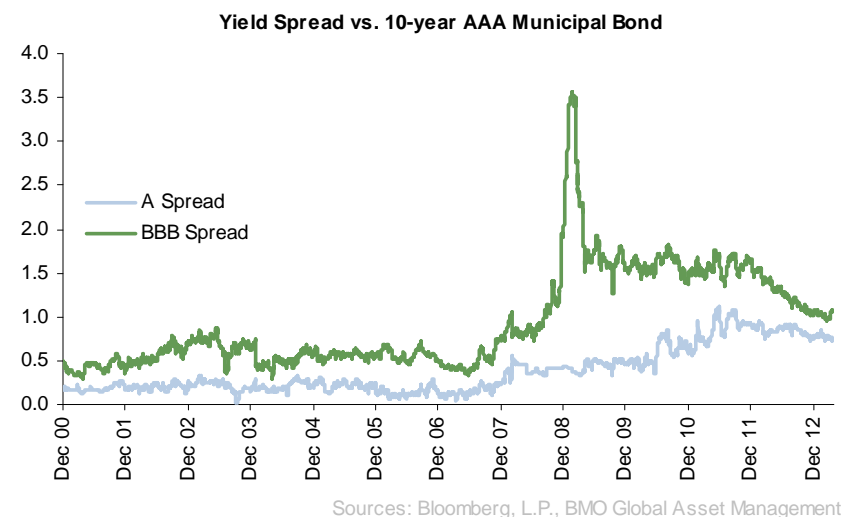
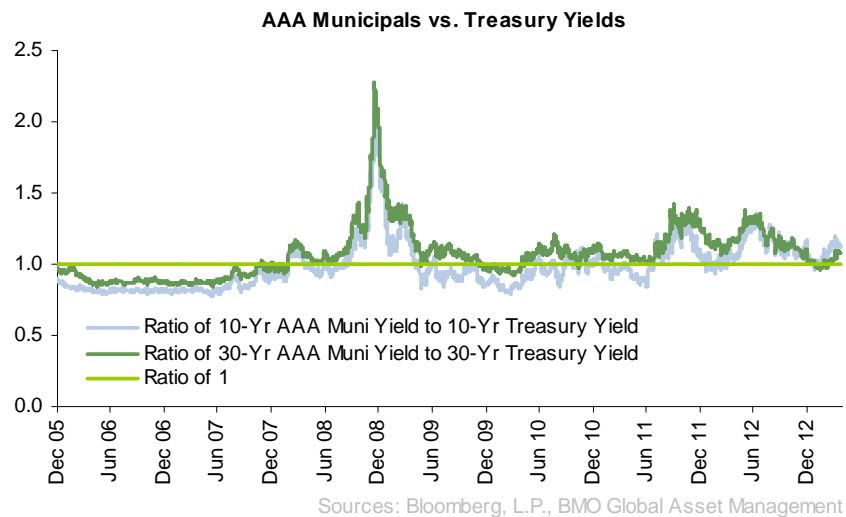
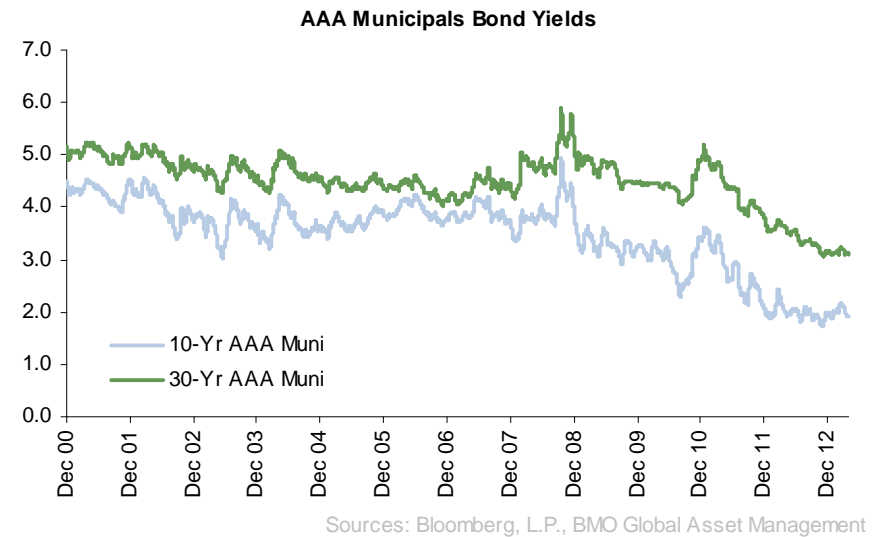
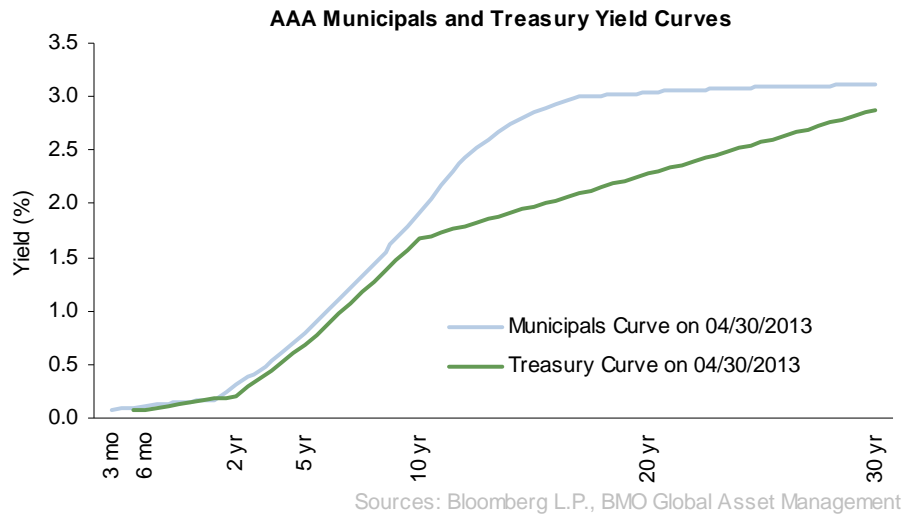
Sources: Barclays Capital, BMO Global Asset Management

The average and standard deviation are calculated using monthly data starting in January 1997 for the U.S. series, and starting in August 2000 for the Emerging Markets series.

# Municipal Bonds

AAA-rated municipal bonds in the belly of the curve (maturities 10-25 years) carry a higher yield than Treasury securities with similar maturities. In addition, investors get a healthy yield pick-up by moving down the quality spectrum.

Bonds



# Bond Market Snapshot

Bonds

04/30/2013	U.S. Aggregate	U.S. Treasury	1-10 yr Municipals	Inv. Grade Corporates	Finance	Industrial	MBS	High Yield	Emerging Markets (EM)	EM Corporates
MTD Total Return	1.01	0.89	0.70	1.83	1.36	1.97	0.53	1.81	2.01	1.25
3-Month Total Return	1.60	1.52	0.96	2.63	2.44	2.57	0.99	3.37	1.18	0.87
YTD Total Return	0.89	0.70	1.19	1.72	2.25	1.27	0.48	4.75	0.52	1.38
12-Month Total Return	3.68	2.56	3.28	7.92	10.43	6.50	1.85	13.98	10.86	10.33
MTD Excess Return	0.10	NA	NA	0.49	0.42	0.51	-0.15	1.24	0.95	0.44
3-Month Excess Return	0.04	NA	NA	0.42	0.76	0.18	-0.24	2.18	-0.92	-0.89
YTD Excess Return	0.12	NA	NA	0.77	1.44	0.27	-0.29	4.10	-0.36	0.62
12-Month Excess Return	1.20	NA	NA	4.62	7.79	2.96	-0.16	11.97	7.59	7.52
Yield to Maturity	1.73	0.80	1.22	2.62	2.35	2.70	2.34	6.17	4.13	4.54
OAS	54	NA	NA	135	137	133	57	432	283	338
Average* OAS (since Jan 1997)	66	NA	NA	157	167	152	61	565	416	520
Std Dev* of OAS (since Jan 1997)	36	NA	NA	94	131	75	30	269	201	314
Effective Duration (years)	5.22	5.39	4.06	7.21	5.64	7.74	3.69	3.90	6.29	5.31
Effective Maturity (years)	7.16	6.50	5.97	10.51	7.66	11.49	5.49	6.74	9.71	7.43
Coupon	3.44	2.13	4.83	4.81	4.79	4.71	4.13	7.66	6.11	5.94
Price	108.79	106.91	113.50	113.46	112.01	113.45	107.46	106.54	111.09	106.43
Market Value (\$ millions)	17,146,906	6,258,061	668,428	3,762,607	1,247,517	2,100,437	5,001,921	1,188,535	1,284,499	359,382
Quality	AA1/AA2	AAA/AAA	AA2/AA3	A3/BAA1	A2/A3	A3/BAA1	AAA/AAA	B1/B2	BAA2/BAA3	BAA3/BA1

\* The average OAS and standard deviation of OAS for the Emerging Market indices are based on monthly data starting in August 2000.

Sources: Barclays Capital, BMO Global Asset Management

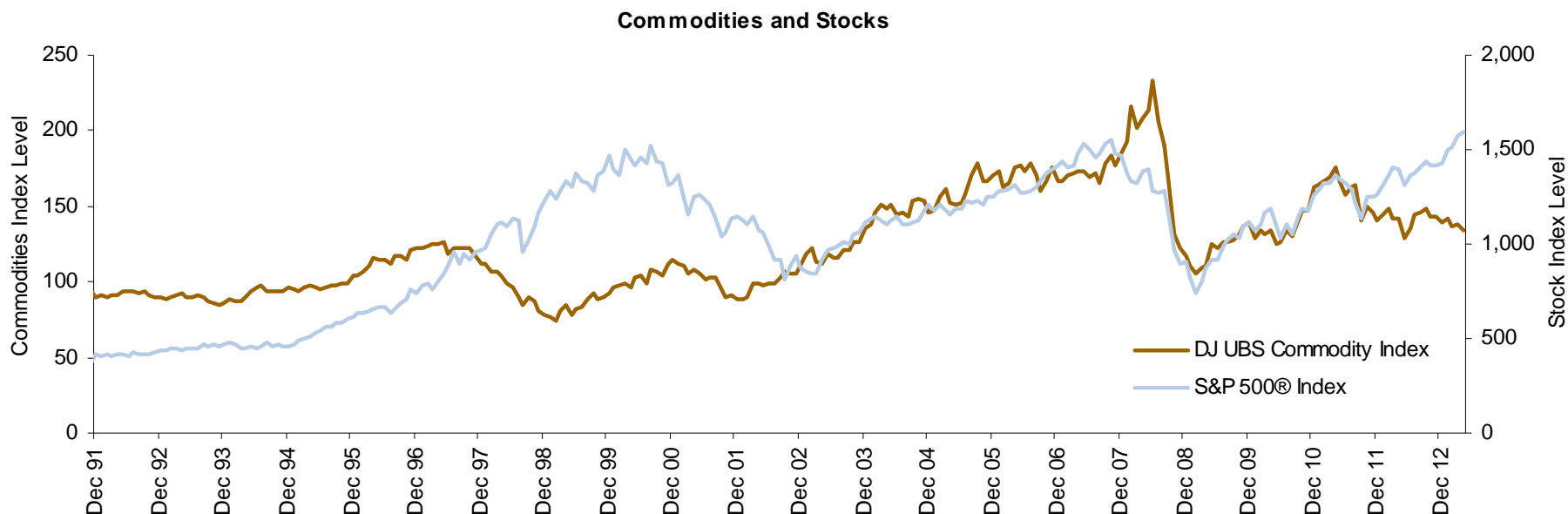
# Commodities

Commodities experienced an increase in their correlation to equity prices with the onset of the last credit crisis. However, a decoupling trend began in 2011, and commodities have significantly underperformed equities since.

Alternative Assets

As of 04/30/2013	DJ UBS Agriculture Subindex	DJ UBS Livestock Subindex	DJ UBS Grains Subindex	DJ UBS Energy Subindex	DJ UBS Precious Metals Subindex	DJ UBS Industrial Metals Subindex	DJ UBS Commodity Index	S&P 500® Index
MTD	-0.4	-0.6	0.2	-1.5	-17.6	-5.1	-2.8	1.9
YTD 2013	-3.5	-7.0	-3.6	5.5	-28.6	-12.5	-3.9	12.7
2012	3.9	-3.6	18.1	-9.4	-14.5	0.6	-1.1	16.0

Sources: Bloomberg L.P., BMO Global Asset Management



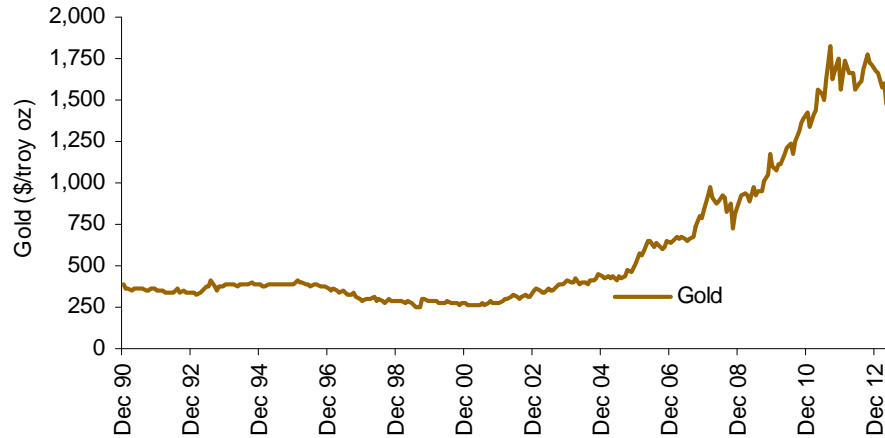
Sources: Bloomberg L.P., BMO Global Asset Management

# Commodities

Natural gas, the star performer in 2012, continues to lead commodities, with positive performance in April and YTD. However, many other commodity groups recorded a decline in 2013, with the exception of crude oil.

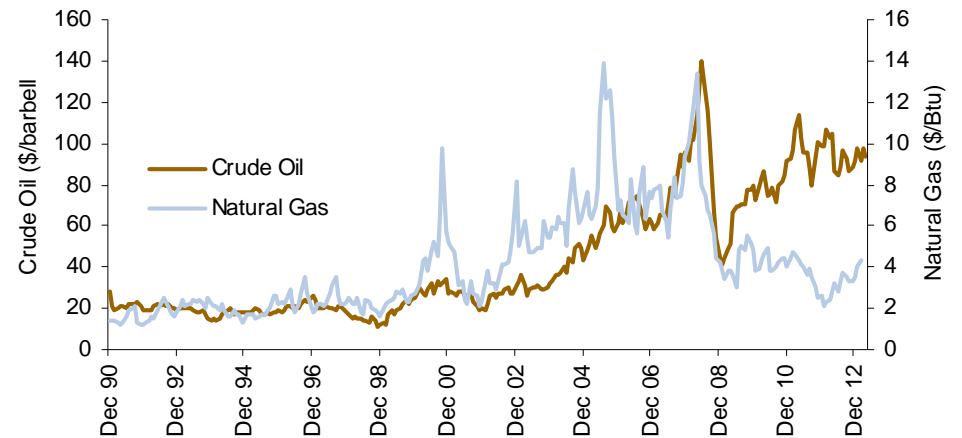
Alternative Assets

Price of Gold



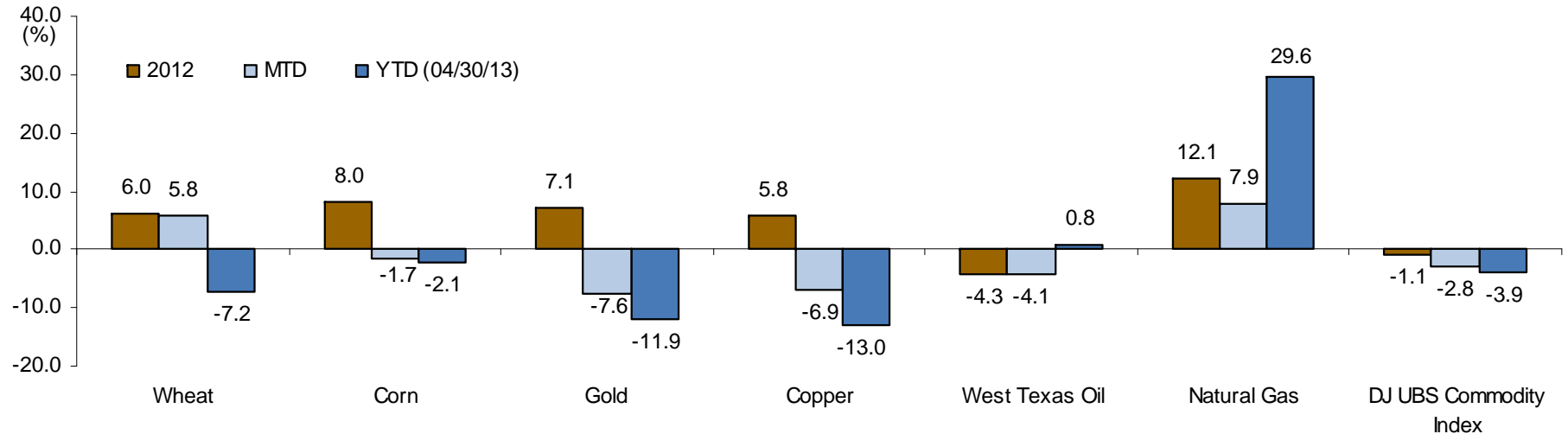
Sources: Bloomberg L.P., BMO Global Asset Management

Crude Oil and Natural Gas Prices



Sources: Bloomberg L.P., BMO Global Asset Management

Commodities Total Return

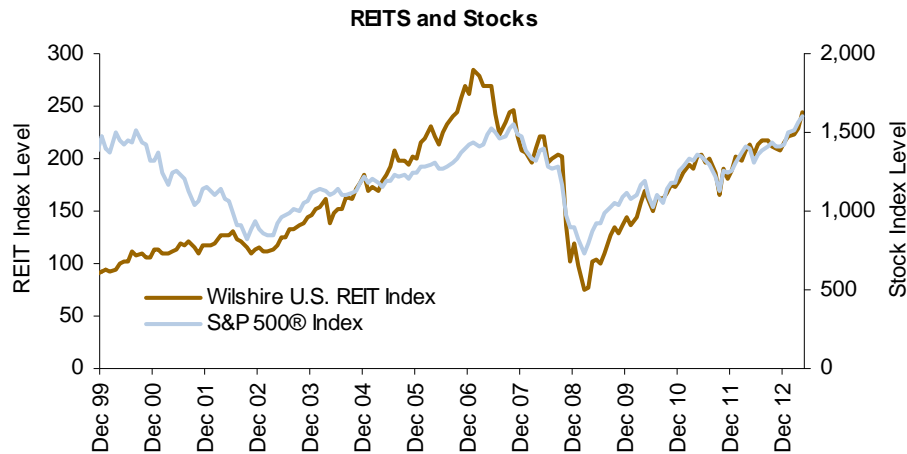


Sources: Bloomberg L.P., BMO Global Asset Management

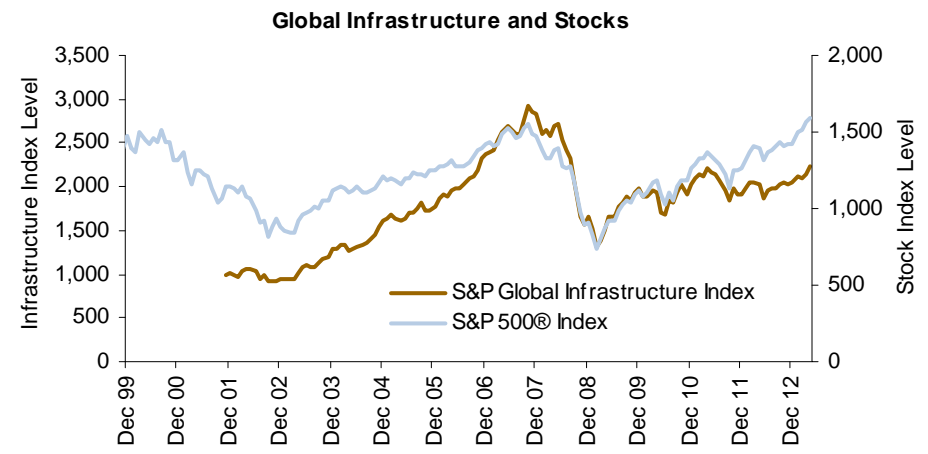
# Other Alternative Assets

Historical trends indicate a strong positive correlation between stocks and alternatives.  
U.S. REITs and Global REITs have outpaced U.S. stocks in 2013.

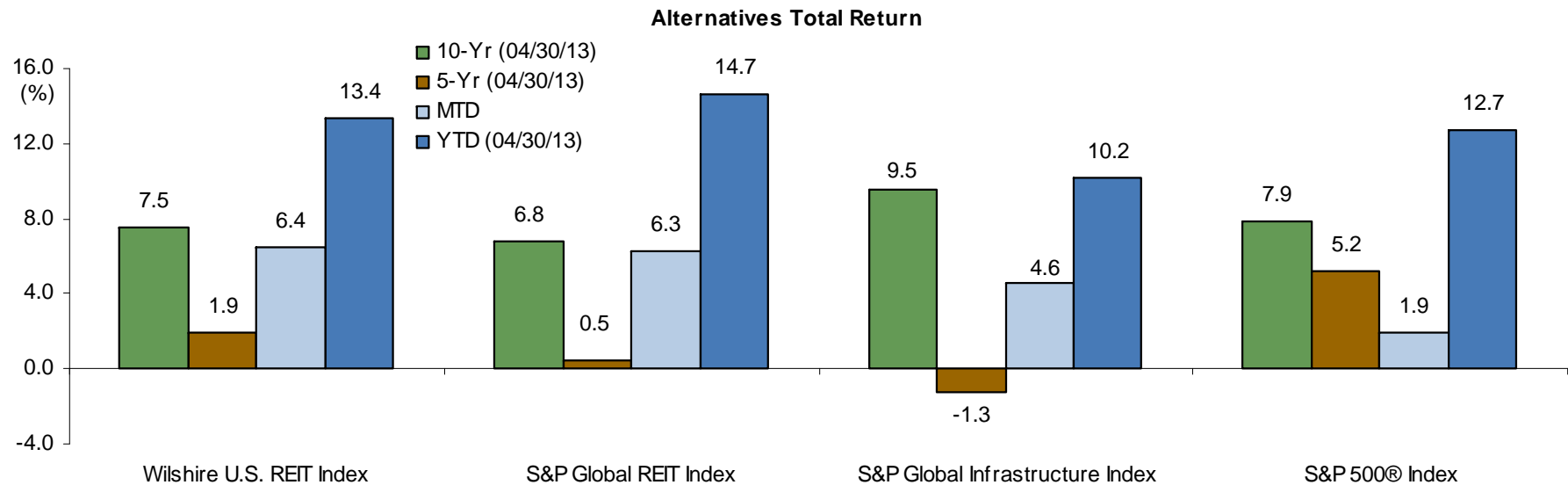
Alternative Assets



Sources: Bloomberg L.P., BMO Global Asset Management



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Sources: Bloomberg L.P., BMO Global Asset Management

Total returns for periods of one year or more are annualized.

# Investment Strategy Group

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# Index Definitions

## Equity Indices

### S&P 500® Index

The S&P 500® Index is an unmanaged index of large-cap common stocks.

### Dow Jones Industrial Average

The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq.

### Russell 1000® Index

Russell 1000® Index consists of approximately 1,000 of the largest companies in the U.S. equity markets.

### Russell 1000® Growth Index

Russell 1000® Growth Index measures the performance of those Russell 1000 Companies with higher price-to-book ratios and higher forecasted growth values.

### Russell 1000® Value Index

Russell 1000® Value Index measures the performance of those Russell 1000 Companies with lower price-to-book ratios and lower forecasted growth values.

### Russell Midcap® Index

Russell Midcap® Index measures the performance of the smallest 800 U.S. companies in the Russell 1000 Index.

### Russell Midcap® Growth Index

Russell Midcap® Growth Index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values.

### Russell Midcap® Value Index

Russell Midcap® Value Index measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values.

### Russell 2500™ Index

The Russell 2500™ Index measures the performance of the small to mid-cap segment of the U.S. equity universe. It is a subset of the Russell 3000® Index.

### Russell 2000® Index

Russell 2000® Index is an unmanaged index that measures the performance of the smallest 2000 U.S. companies in the Russell 3000® Index.

### Russell 2000® Growth Index

Russell 2000® Growth Index measures the performance of those Russell 2000 Companies with higher price-to-book ratios and higher forecasted growth values.

### Russell 2000® Value Index

Russell 2000® Value Index measures the performance of those Russell 2000 Companies with lower price-to-book ratios and lower forecasted growth values.

*Investments cannot be made in an index.*

### MSCI ACWI ex USA Index

The MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets.

### MSCI EAFE Index (Developed Markets)

The MSCI EAFE Index Europe, Australasia, and Far East Index (EAFE) is a standard unmanaged foreign securities index representing major non-U.S. stock markets, as monitored by Morgan Stanley Capital International.

### MSCI European Monetary Union Index

The MSCI EMU (European Economic and Monetary Union) Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of countries within EMU.

### MSCI AC Asia Pacific Index

The MSCI AC Asia Pacific Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of Asia and Pacific region.

### MSCI Emerging Markets Index

The MSCI Emerging Markets Index is a market capitalization weighted index comprised of over 800 companies representative of the market structure of the emerging countries in Europe, Latin America, Africa, Middle East and Asia. Prior to January 1, 2002, the returns of the MSCI Emerging Markets Index were presented before application of withholding taxes.

### NASDAQ Composite Index

The NASDAQ Composite Index is a market-cap weighted index of the more than 3,000 common equities listed on the Nasdaq stock exchange.

### STOXX Europe 600 Index

The STOXX Europe Index represents 600 large, mid, and small capitalization companies across 18 countries of the European Region.

### Duetsche Borse AG German Stock Index

The Duetsche Borse AG German Stock Index (DAX) is a total return index of 30 selected German blue chip stocks traded on the Frankfurt Stock Exchange. The equities use free float shares in the index calculation.

### CAC 40 Index

CAC 40 Index is a modified cap-weighted index of 40 companies on the Paris Bourse.

### Shanghai Stock Index

Shanghai Stock Exchange Composite Index is a capitalization-weighted index. The index tracks the daily price performance of all A-shares and B-shares listed on the Shanghai Stock Exchange.

### NIKKEI 225 Index

The Nikkei-225 Stock Average is a price-weighted average of 225 top-rated Japanese companies listed in the First Section of the Tokyo Stock Exchange.

# Index Definitions

## Fixed Income Indices

### Barclays U.S. Aggregate Index

The Barclays Capital U.S. Aggregate Bond Index is an unmanaged index that covers the U.S. investment-grade fixed-rate bond market, including government and credit securities, agency mortgage pass-through securities, asset-backed securities and commercial mortgage-based securities.

### Barclays U.S. Interm. Gov/Crd Index

The Barclays Capital Intermediate U.S. Government/Credit Index (Barclays Capital Int Gov't/Credit) is an unmanaged index comprised of government and corporate bonds rated BBB or higher with maturities between 1-10 years.

### Barclays U.S. Corporate Index

The Barclays Capital U.S. Corporate Bond Index is designed to measure the performance of the U.S. corporate bond market.

### Barclays U.S. Treasury Index

The Barclays Capital U.S. Treasury Index is an unmanaged index that includes a broad range of U.S. Treasury obligations and is considered representative of U.S. Treasury bond performance overall.

### Barclays Securitized Index

The Barclays Capital U.S. Securitized Bond Index is an unmanaged index of asset-backed securities, collateralized mortgage-backed securities (ERISA-eligible), and fixed-rate mortgage-backed securities.

### Barclays High Yield Index

The Barclays Capital U.S. Corporate High-Yield Bond Index is an unmanaged index that covers the USD-denominated, non-investment-grade, fixed-rate, taxable corporate bond market.

### Merrill Lynch High Yield BB/B Constr. Index

The Merrill Lynch BB-B Global High Yield Index is a subset of The BofA Merrill Lynch Global High Yield Index including all securities rated BB1 through B3, inclusive.

### Barclays 1-10 yr Municipals Index

The Barclays Capital 1-10 Year Municipal Blend Index is a market value-weighted index which covers the short and intermediate components of the Barclays Capital Municipal Bond Index—an unmanaged, market value-weighted index which covers the U.S. investment-grade tax-exempt bond market.

### Barclays Global Aggregate Bond Index

The Barclays Capital Global Aggregate Bond Index is an index of global government, government-related agencies, corporate and securitized fixed-income investments.

### Barclays Global Credit Index

The Barclays Global Credit Index is the credit component of the Barclays Global Aggregate Index, an index of global government, government-related agencies, corporate and securitized fixed-income investments.

### Barclays Emerging Markets Bond Index

The Barclays Emerging Markets Index includes fixed and floating-rate USD-denominated debt from emerging markets in the following regions: Americas, Europe, Middle East, Africa, and Asia. For the index, an emerging market is defined as any country that has a long-term foreign currency debt sovereign rating of Baa1/BBB+/BBB+ or below, using the middle rating of Moody's, S&P and Fitch. The index was launched on January 1, 1997 with index history backfilled to January 1, 1993.

**The Barclays Emerging Markets Corporate Index** is a component of the Barclays US Emerging Markets Index which is made up of debt issued by corporations.

*Investments cannot be made in an index.*

# Index Definitions

## Alternative Investments Indices

### DJ UBS Commodity Index

The Dow Jones-UBS Commodity Total Return Index is composed of commodities traded on U.S. exchanges and it reflects the returns that are potentially available through an unleveraged investment in the futures contracts on physical commodities comprising the index plus the rate of interest that could be earned on cash collateral invested in specified Treasury Bills.

### DJ UBS Agriculture Subindex Index

The Dow Jones-UBS Agriculture Subindex is a sub-index of the Dow Jones UBS Commodity Index and is currently composed of seven futures contracts on agricultural commodities traded on U.S. exchanges.

### DJ UBS Livestock Subindex Index

The Dow Jones-UBS Livestock Subindex is a sub-index of the Dow Jones UBS Commodity Index and it is currently composed of two livestock commodities contracts (lean hogs and live cattle) traded on U.S. exchanges.

### DJ UBS Grains Subindex Index

The Dow Jones-UBS Grains Subindex is a sub-index of the Dow Jones UBS Commodity Index and it is currently composed of three futures contracts on grains traded on U.S. exchanges.

### DJ UBS Energy Subindex Index

The Dow Jones-UBS Energy Subindex is a sub-index of the Dow Jones UBS Commodity Index and it is currently composed of four energy-related commodities contracts (crude oil, heating oil, natural gas and unleaded gasoline) traded on U.S. exchanges.

### DJ UBS Precious Metals Subindex Index

The Dow Jones-UBS Precious Metals Subindex is a sub-index of the Dow Jones UBS Commodity Index and it is currently composed of two precious metals commodities contracts (gold and silver).

### DJ UBS Industrial Metals Subindex Index

The Dow Jones-UBS Industrial Metals Subindex is a sub-index of the Dow Jones UBS Commodity Index and it is currently composed of four futures contracts on industrial metals, three of which (aluminum, nickel and zinc) are traded on the London Metal Exchange and the other of which (copper) is traded on the COMEX division of the New York Mercantile Exchange.

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### MSCI ACWI Commodity Producers Index

The MSCI ACWI Commodity Producers Index is a component of the broader MSCI Commodity Producers Indices and covers large, mid and small cap companies across 45 Developed and Emerging Markets.

### Wilshire US REIT Index

The Wilshire US REIT Index measures U.S. publicly traded Real Estate Investment Trusts. It is a subset of the Wilshire US Real Estate Securities Index.

### S&P Global REIT Index

The S&P Global REIT Index measures the performance of real estate investment trusts in both developed and emerging markets.

### S&P Global Infrastructure Index

The S&P Global Infrastructure Index provides liquid and tradable exposure to 75 companies from around the world that represent the listed infrastructure universe including utilities, transportation and energy.

# Index Definitions

## Other Indices

### S&P/Case-Shiller 20-City Index

The S&P/Case-Shiller 20-City Home Price Index is a composite index of the home price index for 20 major metropolitan statistical areas in the U.S.

### VIX Index

The Chicago Board Options Exchange Market Volatility Index is a measure of implied volatility of S&P 500 index options, often referred to as the “fear” index.

### CPI Index

The Consumer Price Index is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care.

### Economic Cycle Research Institute (ECRI) Weekly Leading Index

ECRI Index is released each Friday by the Economic Cycle Research Institute, and identifies turning points in the economic cycle that are indicated by pronounced changes in the index. The index contains money supply data, stock prices, an industrial markets price index developed by the organization, mortgage applications, bond quality spread, bond yields, and initial jobless claims. An advantage of the index is that it is very timely. ECRI is a New York-based independent forecasting group.

### Conference Board Leading Economic Index® (LEI) for the U.S.

The leading economic index is composite average of several individual leading indicators. It is constructed to summarize and reveal common turning point patterns in economic data in a clearer and more convincing manner than any individual component – primarily because it smoothes out some of the volatility of individual components.

### Chicago Fed National Activity Index (CFNAI)

The Chicago Fed National Activity Index (CFNAI) is a monthly index designed to gauge overall economic activity and related inflationary pressure and it is a weighted average of 85 existing monthly indicators. A zero value indicates that the economy is expanding at its historical trend rate of growth; negative values indicate below-average growth; and positive values indicate above-average growth. When the 3-month moving average moves below -0.7 following a period of economic expansion, there is an increased likelihood that a recession has begun. When the 3-month moving average moves above +0.7 more than two years into an economic expansion, there is an increased likelihood that a period of sustained increasing inflation has begun (source: [www.chicagofed.org](http://www.chicagofed.org)).

### European Countries Purchasing Manager Index

The PMIs are designed to provide a single figure snapshot for the Eurozone. It is based on a survey of over 3,000 business executives in the Euro area and it is designed to provide the most up-to-date picture of business conditions. Anything above 50 indicates expansion; below 50, a contraction. The greater the divergence from 50, the greater the rate of change. The index is released by Markit Economics.

**Univ. Of Michigan Survey of Consumer Confidence Sentiment** is a survey of consumer attitudes concerning both the present situation as well as expectations regarding economic conditions conducted by the University of Michigan. It has a base year 1966=100.

**ISM Purchasing Managers Indices** compare changes in various market areas on a month to month basis and include prices paid for all purchases.

*Investments cannot be made in an index.*

# Disclosures

For further information, please visit our websites at

BMO Funds [www.bmofundsus.com](http://www.bmofundsus.com)

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