



Economy and Markets

Retrospective and Perspective

February 5, 2013

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Not FDIC Insured	No Bank Guarantee	May Lose Value
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Retrospective and Perspective

January – The January Effect

Review

U.S.: The “January effect” phrase was coined in the 1980s to describe the outsized stock market returns frequently associated with the month. 2013 had a whopper of a January, the S&P 500® Index rising 5.18%, a return close to what many predicted for the whole year.

Was the news that good? Many of the economic and market metrics were decent: corporate profits and sales growth for the fourth quarter, for example, beat expectations for the most part, auto sales rose 9% in December and hit the highest level since 2007, home inventories fell to 4.9 months vs. 12.2 months at recession peak, holiday sales (while not as hot as last year) bumped up 3.2%, and retail investors put nearly \$15 billion into equity mutual funds (haven’t seen that amount since 2001). A few other developments worked to the market’s favor and included relief from the immediate fiscal cliff, as the Bush tax cuts were made permanent, and a few months stay of execution for the debt ceiling. Also, the actions and language of the Federal Reserve remained accommodative, to say the least.

However, we still have worries, including mandatory spending cuts set for March 1, the impact on consumers of reversing the 2% tax reduction on social security, big “ifs” on the probabilities of meaningful entitlement reform, and a fourth quarter GDP number that ticked just into negative territory, albeit still with some noted signs of strength.

Europe: The general impression is one of “conditional optimism,” as German leader Angela Merkel expressed it. Mario Draghi, head of the European Central Bank (ECB), referred to what he called signs of “positive contagion.” The specifics, however, still sketch a weak overall European Union (EU) picture.

For the two biggest economies in the European Union, the January news was mixed. In Germany, the DAX Index was up 2.1%, consumer and business confidence surveys rose nicely, and industrial production also improved. Yet, in France, the CAC 40 Index was up 2.5%, but manufacturing and service segments continued to be soft.

Draghi has stated that the second half of 2013 should see the EU come out of recession. Obviously, their markets seem to believe it, as the government bond yields in Spain, Italy, et al. remain at much lowered levels, and the pan-European STOXX Index is up 2.8% in January, to boot.

TOTAL RETURNS <i>(as of 01/31/2013)</i>	January	Last 3 Months	2012
S&P 500® Index	5.18	6.75	16.00
STOXX Europe 600 Index	2.84	6.71	18.83
MSCI Emerging Markets Index	1.38	7.69	18.22
U.S. 10-Yr Treasury	-1.99	-0.21	4.18

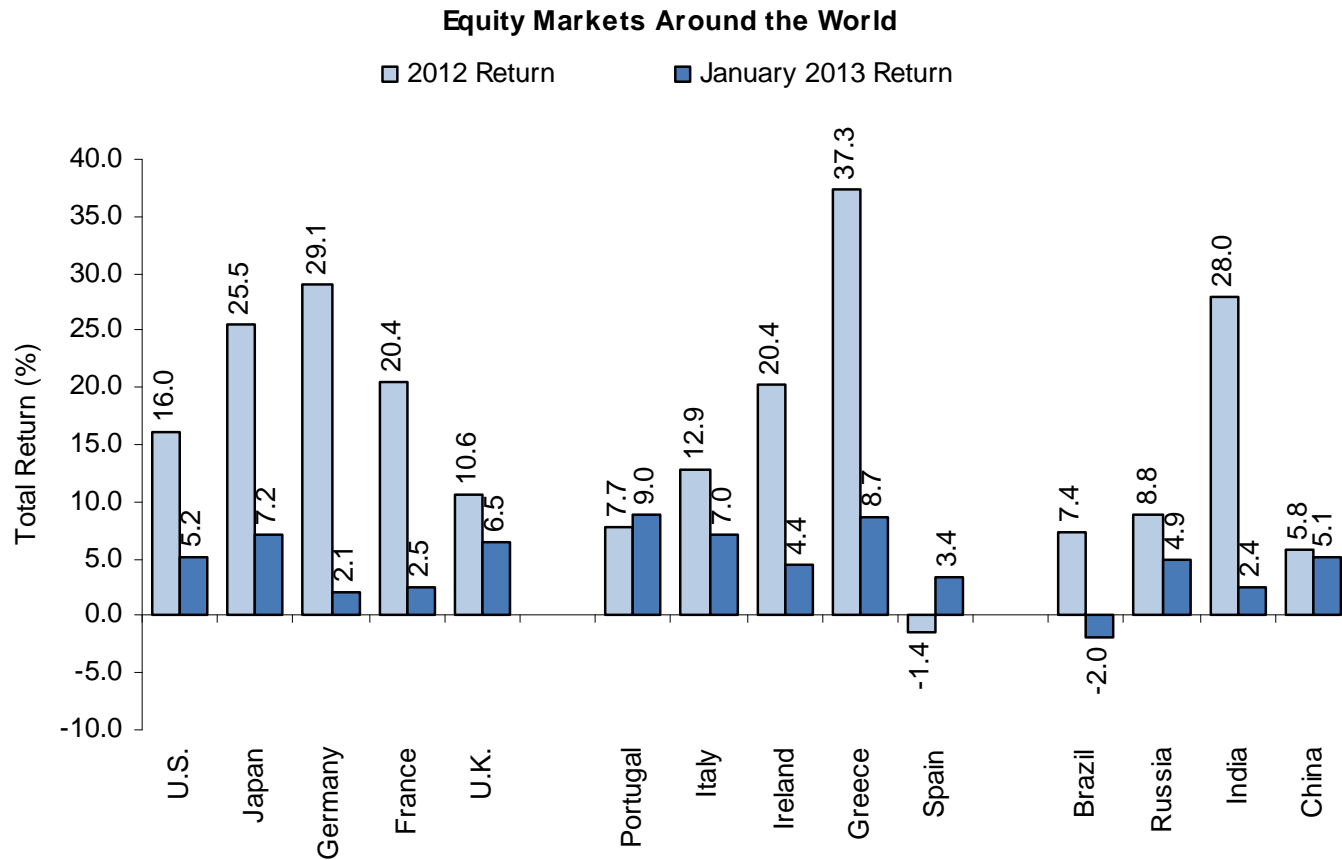
Sources: Bloomberg L.P., BMO Global Asset Management

Asia: The January effect caught hold in several Asian markets, as well. Japan’s Nikkei 225 Index, for instance, advanced 7.2% and China Shanghai Stock Index moved higher by 5.1%.

As always, China remains a key player in the global recovery. So far, while making some policy missteps along the way, it appears China has now stabilized their rate of economic growth. For example, in the fourth quarter of 2012, the Chinese economy grew at 7.9%, up from 7.6% and 7.4% in the prior two quarters. Also, exports, which had been in near free-fall, expanded again in December to make a seven-month high, and manufacturing activity continued to strengthen in the fourth quarter. Clearly, the government’s accommodative policies have been a big factor in this rekindled growth.

Important forward-looking issues are very U.S. focused:

- How do consumers respond to less take home pay, etc?
- How do spending cuts get handled and absorbed?
- What unfolds on entitlements and tax reform?
- Does housing rebound hold?
- Will corporate America increase hiring?



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

Market Performance Summary

As of January 31, 2013

Review

EQUITIES (% Returns)

U.S. Large Cap Equities

	1-Mo	3-Mo	6-Mo	1-Yr	3-Yrs	5-Yrs	10-Yrs	1Q 2012	2Q 2012	3Q 2012	4Q 2012	2012
S&P 500® Index	5.18	6.75	9.91	16.78	14.14	3.97	7.93	12.59	-2.75	6.35	-0.38	16.00
Dow Jones Industrial Average Index	5.91	6.61	8.04	12.75	14.29	4.76	8.31	8.84	-1.85	5.02	-1.74	10.24
Russell 1000® Index	5.42	7.36	10.89	17.03	14.48	4.28	8.36	12.90	-3.12	6.31	0.12	16.42
Russell 1000® Growth Index	4.29	6.00	7.75	13.43	14.61	5.70	8.24	14.69	-4.02	6.11	-1.32	15.26
Russell 1000® Value Index	6.50	8.65	13.97	20.58	14.30	2.70	8.32	11.12	-2.20	6.51	1.52	17.51

U.S. Mid Cap Equities

Russell Midcap® Index	6.84	11.04	15.79	18.14	16.99	6.37	11.61	12.94	-4.40	5.59	2.88	17.28
Russell Midcap® Growth Index	6.17	10.48	13.88	14.63	16.76	6.22	11.09	14.52	-5.60	5.35	1.69	15.81
Russell Midcap® Value Index	7.42	11.52	17.47	21.34	17.21	6.27	11.74	11.41	-3.26	5.80	3.93	18.51

U.S. Small-Mid Cap Equities (SMID)

Russell 2500™ Index	6.84	11.31	17.08	18.09	17.19	7.08	11.52	44.23	-11.92	17.64	9.59	16.39
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U.S. Small Cap Equities

Russell 2000® Index	6.26	10.63	15.51	15.47	15.98	6.31	10.70	12.44	-3.47	5.25	1.85	16.35
Russell 2000® Growth Index	6.58	10.49	14.23	13.63	17.02	6.85	10.81	13.28	-3.94	4.84	0.45	14.59
Russell 2000® Value Index	5.96	10.76	16.76	17.29	14.88	5.63	10.45	11.59	-3.01	5.67	3.22	18.05

International Equities

MSCI ACWI ex USA Index (Devlp. & EM)	4.92	10.36	17.78	15.88	7.02	-0.63	9.54	10.37	-7.20	7.30	5.93	16.41
MSCI EAFE Index (Developed Markets)	5.27	11.27	18.61	17.25	6.94	-0.79	9.24	10.86	-7.13	6.92	6.57	17.32
MSCI European Monetary Union Index (in €)	3.04	8.43	15.93	16.38	3.92	-2.85	5.80	9.42	-5.86	7.99	6.98	18.99
MSCI AC Asia Pacific Index	3.02	9.52	13.55	11.41	7.20	1.00	10.28	12.01	-6.74	5.56	5.91	16.78
MSCI Emerging Markets Index	1.38	7.69	13.11	7.64	7.17	2.04	16.73	14.07	-8.89	7.74	5.58	18.22

Technology and Growth Stocks

NASDAQ Composite Index	4.08	6.19	7.94	13.41	14.92	6.81	10.03	18.98	-4.76	6.54	-2.47	17.75
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ALTERNATIVES (% Returns)

	1-Mo	3-Mo	6-Mo	1-Yr	3-Yrs	5-Yrs	10-Yrs	1Q 2012	2Q 2012	3Q 2012	4Q 2012	2012
DJ UBS Commodity Index	2.40	-0.22	-1.18	-1.13	3.43	-5.51	3.57	0.89	-4.55	9.69	-6.33	-1.06
MSCI ACWI Commodity Producers Index	2.99	3.24	8.58	-4.32	1.91	-3.63	10.29	4.79	-10.76	6.90	-0.61	-0.64
Wilshire U.S. REIT Index	3.35	5.88	1.95	10.24	17.54	1.55	7.18	9.87	2.82	-0.99	1.38	13.40
S&P Global REIT Index	3.57	7.10	8.21	21.24	18.00	3.86	10.46	10.67	3.91	2.75	4.65	23.65
S&P Global Infrastructure Index	2.67	3.32	6.43	11.93	7.69	0.47	10.74	5.75	-0.69	3.30	2.32	11.00

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 January 31, 2013

Review

U.S. FIXED INCOME (% Returns)

	1-Mo	3-Mo	6-Mo	1-Yr	3-Yrs	5-Yrs	10-Yrs	1Q 2012	2Q 2012	3Q 2012	4Q 2012	2012
Barclays U.S. Aggregate Index	-0.70	-0.68	-0.28	2.59	5.41	5.45	5.10	0.30	2.06	1.58	0.22	4.22
Barclays U.S. Interm. Gov/Crd Index	-0.36	-0.16	0.41	2.47	4.58	4.66	4.58	0.61	1.48	1.40	0.35	3.89
Barclays U.S. Corporate Index	-0.89	-1.11	1.09	6.48	8.08	7.46	6.19	2.08	2.52	3.83	1.06	9.82
Barclays U.S. Treasury Index	-0.81	-0.73	-1.32	0.74	5.01	4.70	4.70	-1.29	2.83	0.57	-0.09	1.99
Barclays Securitized Index	-0.48	-0.47	-0.17	1.99	4.52	5.22	4.94	0.74	1.07	1.28	-0.12	3.01
Barclays High Yield Index	1.34	3.76	7.37	13.91	11.89	10.93	10.40	5.34	1.83	4.53	3.29	15.81
Merrill Lynch High Yield BB/B Constr. Index	1.06	3.21	6.70	12.91	11.24	9.50	9.18	4.43	1.91	4.45	3.08	14.58
Barclays 1-10 yr Municipals Index	0.23	0.37	1.02	2.71	4.62	4.72	4.34	0.53	1.27	1.41	0.30	3.56
Barclays Global Aggregate Bond Index	-0.91	-1.24	0.68	1.67	4.70	4.67	5.76	0.87	0.62	3.27	-0.48	4.32
Barclays Global Credit Index	-0.15	1.11	5.07	8.98	7.40	6.16	6.90	4.19	0.36	4.75	2.33	12.09

BOND YIELDS (%)

	Jan 2013	Dec 2012	Oct 2012	Jul 2012	Apr 2012	Jan 2012
Fed Funds Rate (Effective Rate)	0.15	0.09	0.18	0.13	0.16	0.11
3-month Treasury Bill	0.07	0.04	0.11	0.10	0.09	0.05
2-year Treasury Note	0.26	0.25	0.28	0.21	0.26	0.22
5-year Treasury Note	0.88	0.72	0.72	0.58	0.81	0.71
10-year Treasury Note	1.99	1.76	1.69	1.47	1.92	1.80
30-year Treasury Bond	3.17	2.95	2.86	2.55	3.11	2.94
Barclays U.S. Aggregate Index	1.91	1.74	1.70	1.73	2.07	2.06
Barclays U.S. Corporate Index	2.83	2.72	2.67	2.94	3.29	3.41
Barclays High Yield Index	6.61	6.79	7.10	7.56	7.62	8.02
Barclays US Emerging Markets Index	4.51	4.38	4.56	5.00	5.24	5.76
Barclays US Emerging Markets Corporate Index	4.66	4.72	4.80	5.39	5.59	6.22

INFLATION (%)

	Jan 2013	Dec 2012	Oct 2012	Jul 2012	Apr 2012	Jan 2012
Headline CPI YoY	NA	1.70	2.20	1.40	2.30	2.90
Core CPI YoY	NA	1.90	2.00	2.10	2.30	2.30
Core PCE YoY	NA	1.40	1.60	1.70	1.90	1.90

OTHER MARKETS

	Jan 2013	Dec 2012	Oct 2012	Jul 2012	Apr 2012	Jan 2012
US\$ / Euro	1.358	1.319	1.296	1.230	1.324	1.308
WTI Crude Oil Price (\$/barrel)	97.5	92.3	87.8	90.3	105.7	99.9
Gold (\$/troy oz)	1,664	1,675	1,721	1,614	1,665	1,738

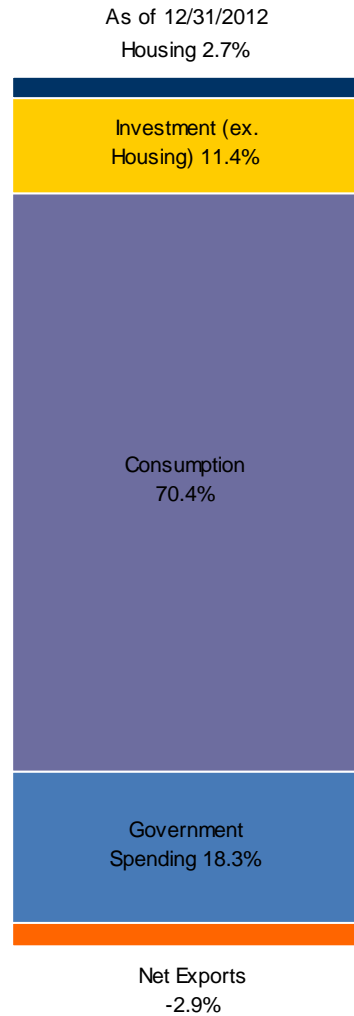
Total returns for periods of one year or more are annualized. Sources: Barclays Capital, Bloomberg L.P., BMO Global Asset Management

U.S. Economic Growth

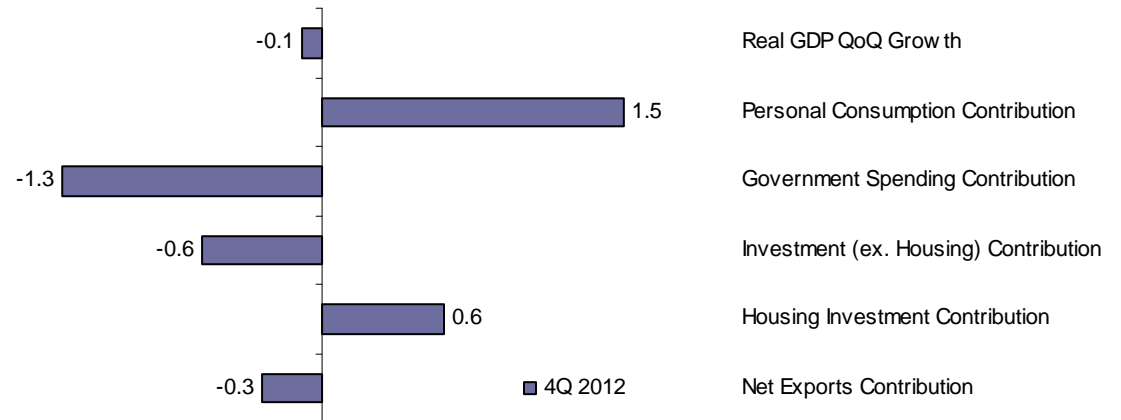
The U.S. economy unexpectedly contracted 0.1% in the fourth quarter of 2012, largely due to a decline in government spending and a fall in business inventory, which overwhelmed the positive contribution from personal consumption. Despite this drop, the economy increased 2.2% in 2012, from 1.8% growth in 2011.



Components of Real GDP

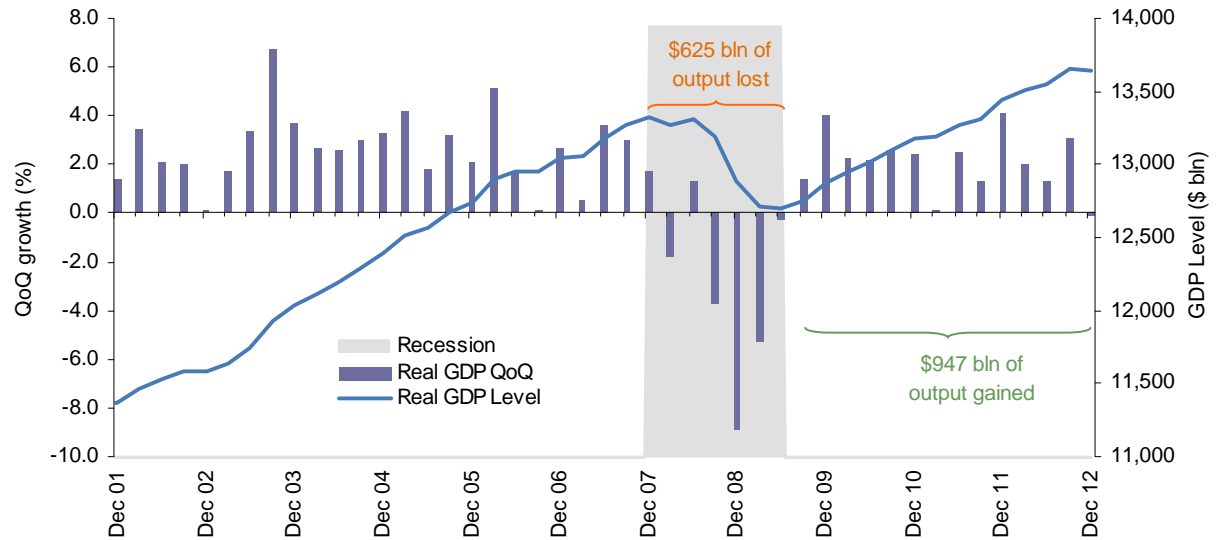


Real GDP QoQ Growth and Components Contribution



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

Headline inflation (CPI including food and energy) increased by 1.7% YoY in December, slower than in the prior month. Despite low inflation, low nominal yields have kept real yields in negative territory.

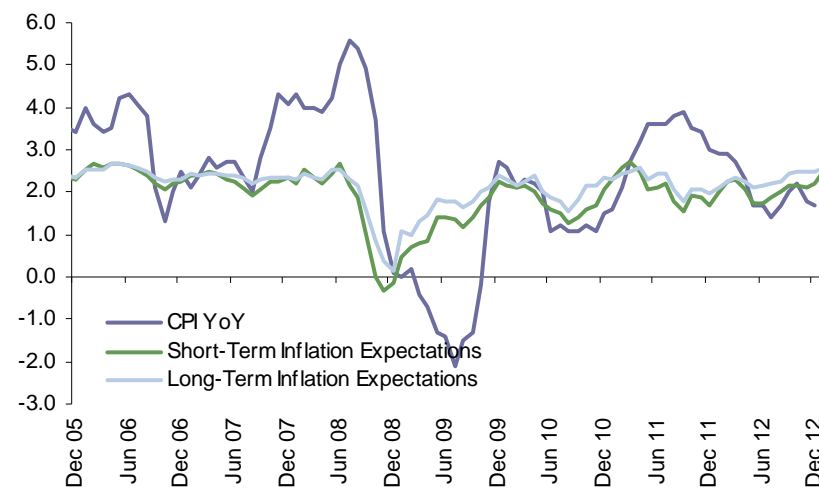
Economy

Urban CPI Components	YoY % Change	Weight in Headline CPI (%)
Headline CPI	1.7	100.0
Food	1.8	14.2
Energy	0.5	10.0
Core CPI (excl. Food and Energy)	1.9	75.8
Housing	1.7	37.9
Transportation	2.6	10.7
Medical Care	3.2	6.5
Recreation	0.9	6.4
Education & Communication	1.5	6.1
Apparel	1.8	3.6
Other Goods & Services	1.5	3.5
Beverages	1.9	0.9

Seasonally adjusted values, as of 12/31/2012

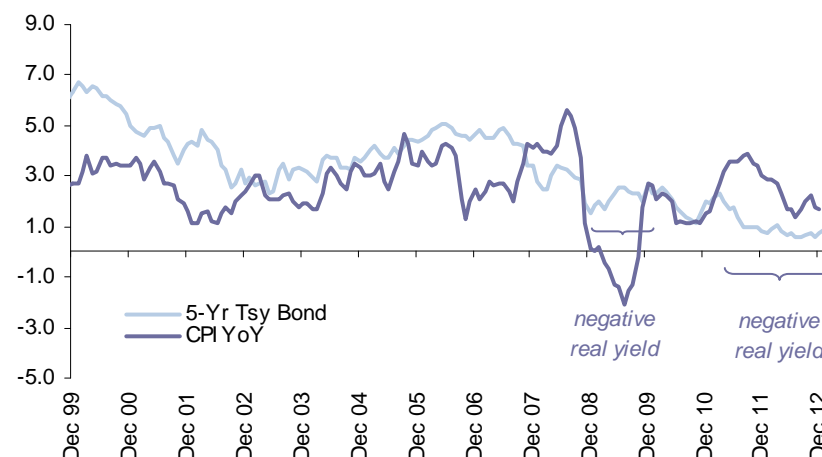
Sources: Bloomberg L.P., BMO Global Asset Management

Inflation Expectations and Nominal CPI



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

Headline Inflation and 5-yr Treasury Bond Yield

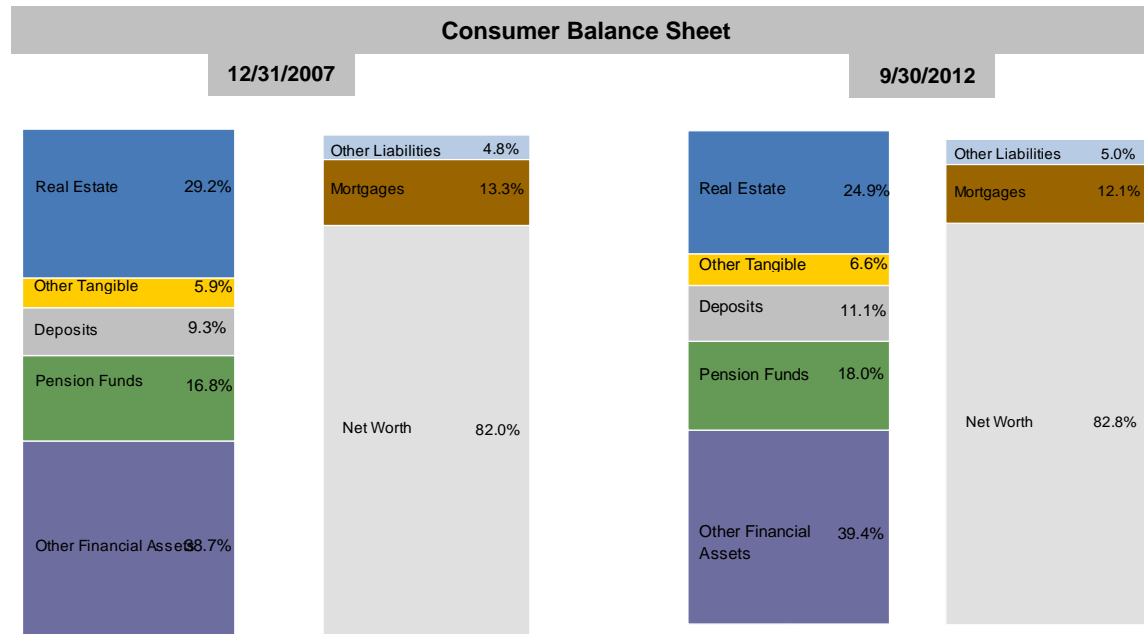
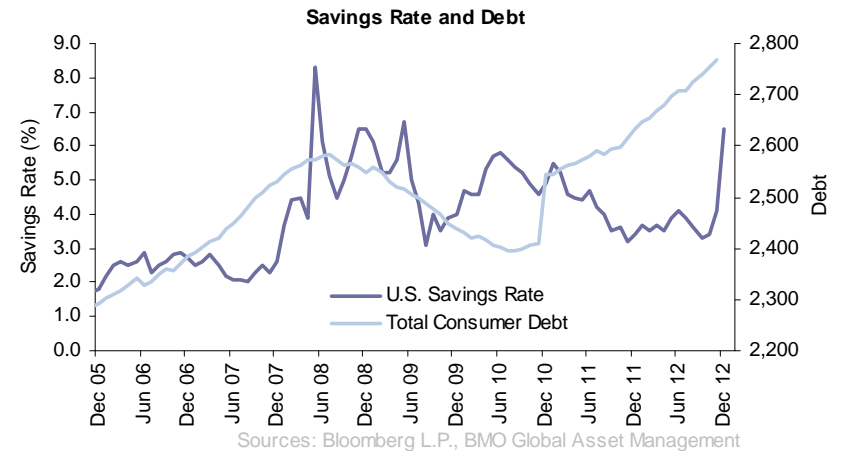
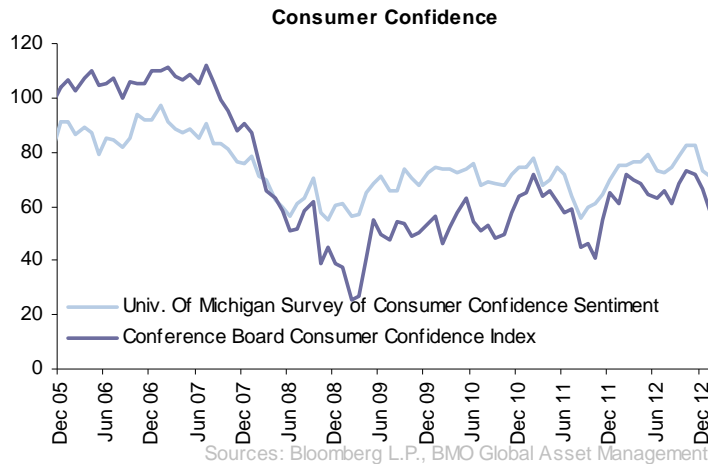


Sources: Bloomberg L.P., BMO Global Asset Management

U.S. Consumer

After the frenzied pace of Thanksgiving weekend sales, there was a pronounced consumer slowdown through the subsequent few weeks. As consumers reduced spending, the savings rate spiked to 6.5% by the end of December 2012.

Economy

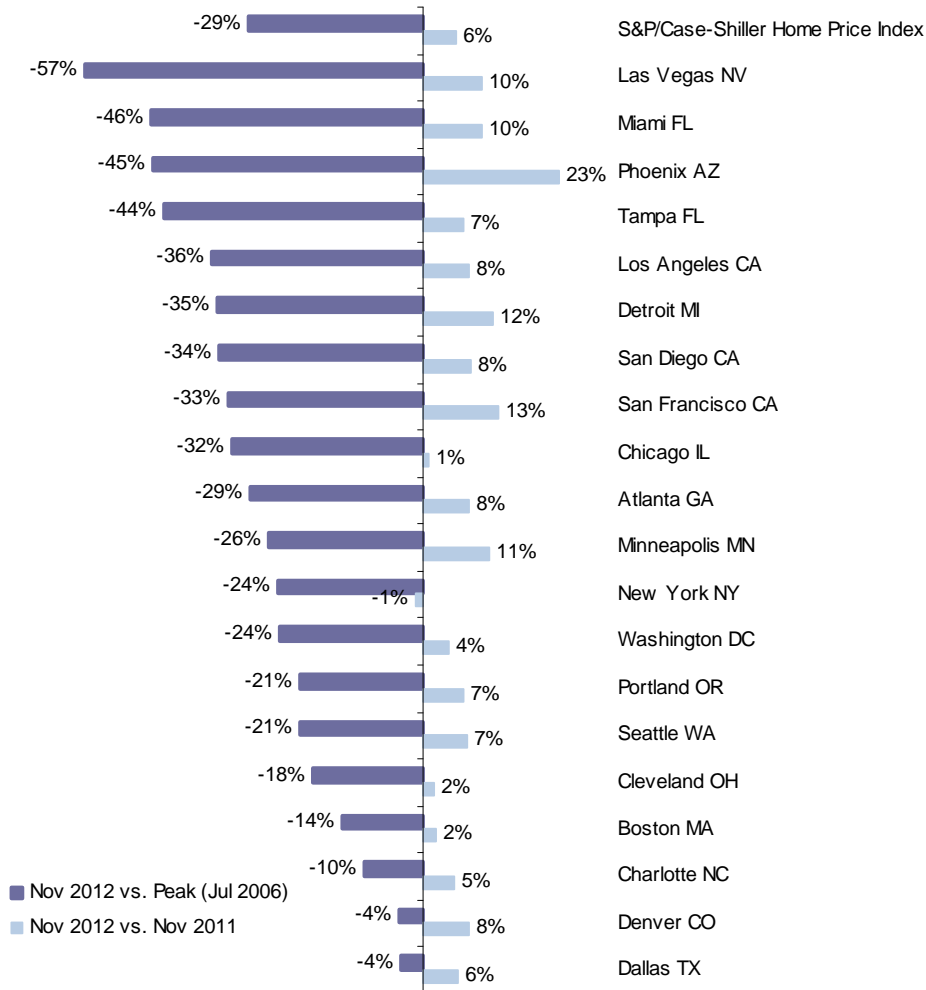


U.S. Housing Market

While the numbers varied largely on a month-over-month basis, a significant number of housing market indicators showed very strong performance on a year-over-year basis: existing home sales up 12.8%, new house sales up 8.8%, and home prices up 5.5%, just to name a few.

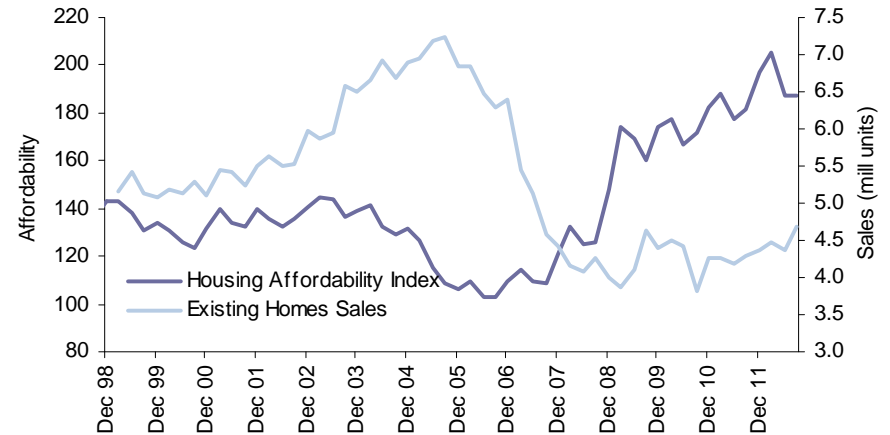
Economy

U.S. Home Prices



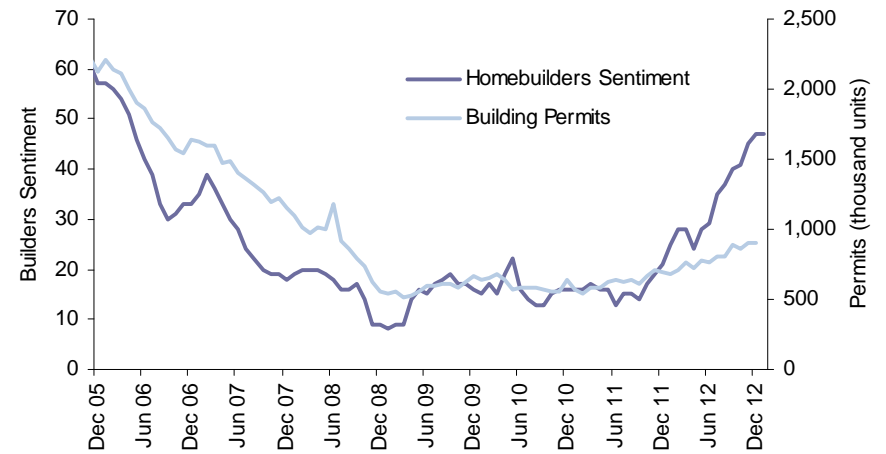
Sources: Bloomberg L.P., BMO Global Asset Management

Housing Affordability Index and Existing Home Sales



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

Homebuilders Sentiment and Building Permits

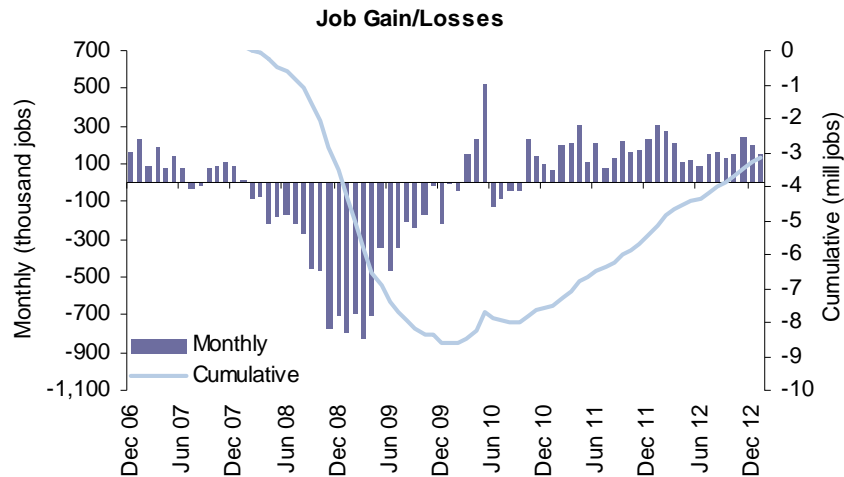


Sources: Bloomberg L.P., BMO Global Asset Management

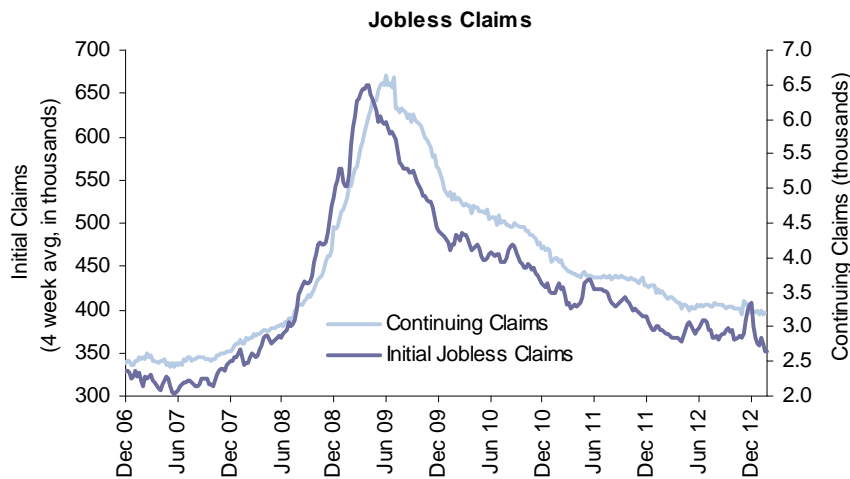
U.S. Job Gains/Losses

The economy added 2.2 million jobs in 2012, roughly 63,000 more than in 2011. Cumulative job losses since the onset of the 2008 recession stand at 3.1 million. Initial jobless claims spiked in November, but subsequently declined close to a 4-year low in December.

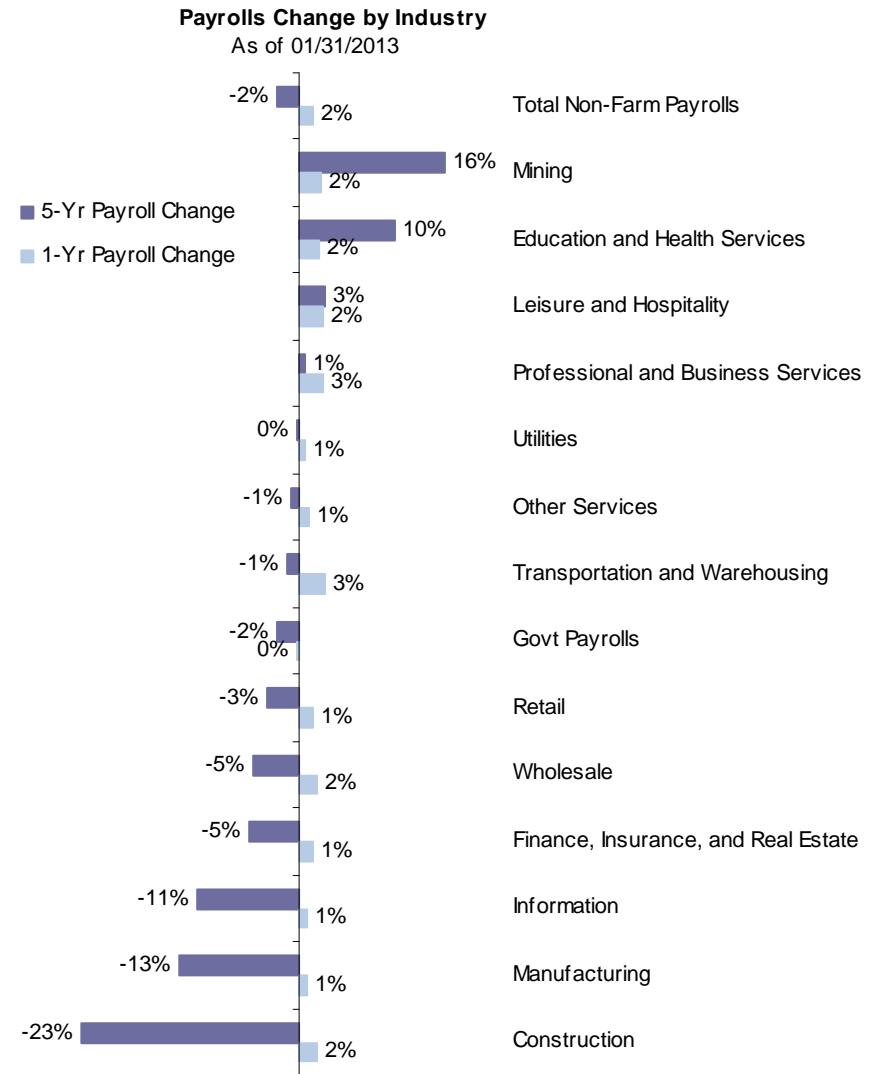
Economy



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



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



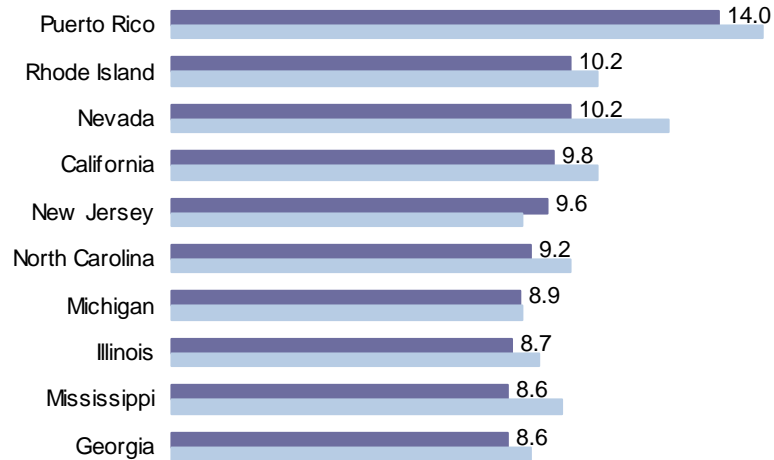
Sources: Bloomberg L.P., BMO Global Asset Management

U.S. Unemployment

The unemployment rate inched up to 7.9% in January 2013 from 7.8% in December 2012. The duration of unemployment remains stubbornly high. Private employment continues its upward trend, while government employment has been slowly declining.

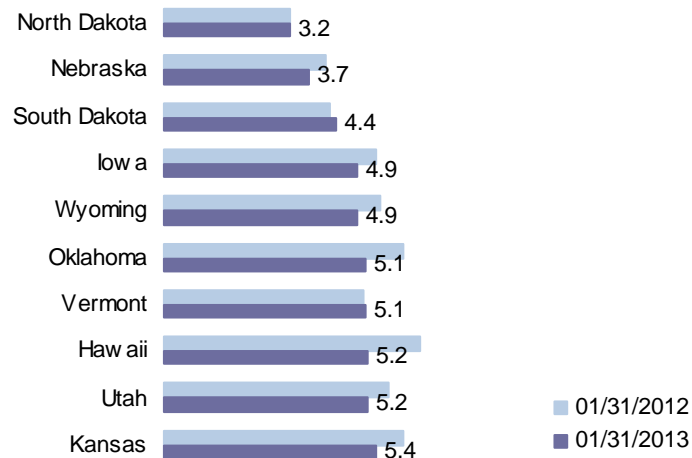
Economy

**Unemployment Rate
Worst 10 States**



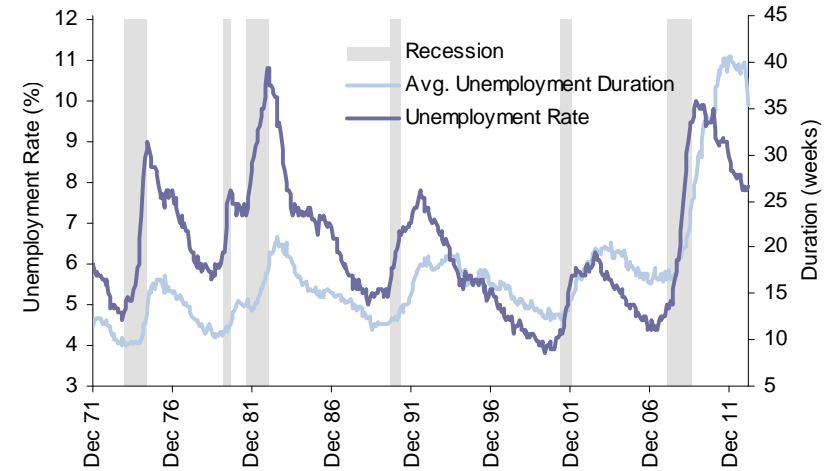
Sources: Bloomberg L.P., BMO Global Asset Management

Best 10 States



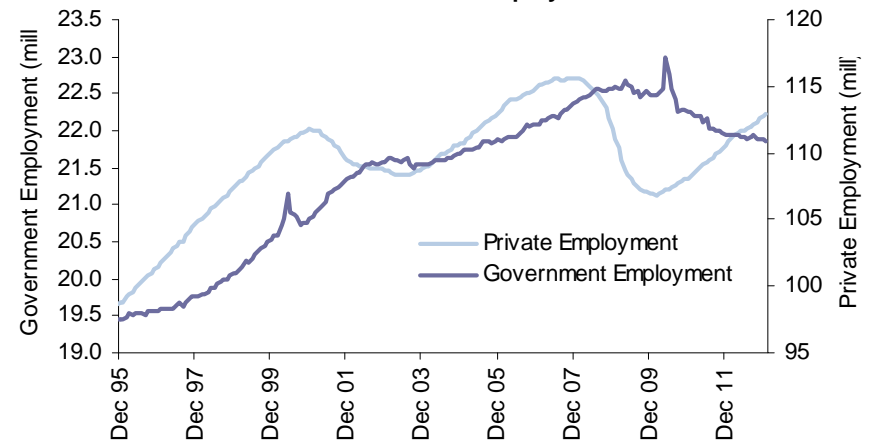
Sources: Bloomberg L.P., BMO Global Asset Management

Unemployment Rate and Duration



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

Government and Private Employment



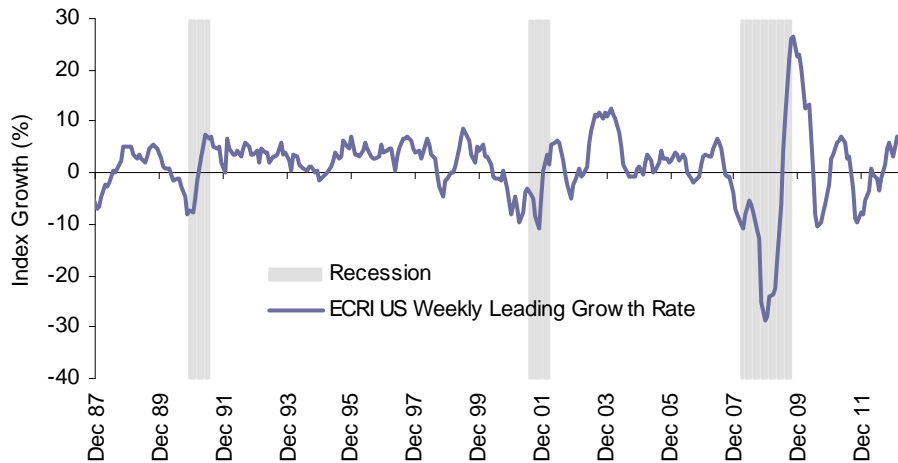
Sources: Bloomberg L.P., BMO Global Asset Management

Other U.S. Economic Indicators

Recently, leading economic indicators have showed mixed results: the ECRI and Chicago Fed National Activity Index (CFNAI) indicate an improvement in economic outlook, albeit CFNAI affirms that current growth is below its trend-line average, while consumer expectations declined.

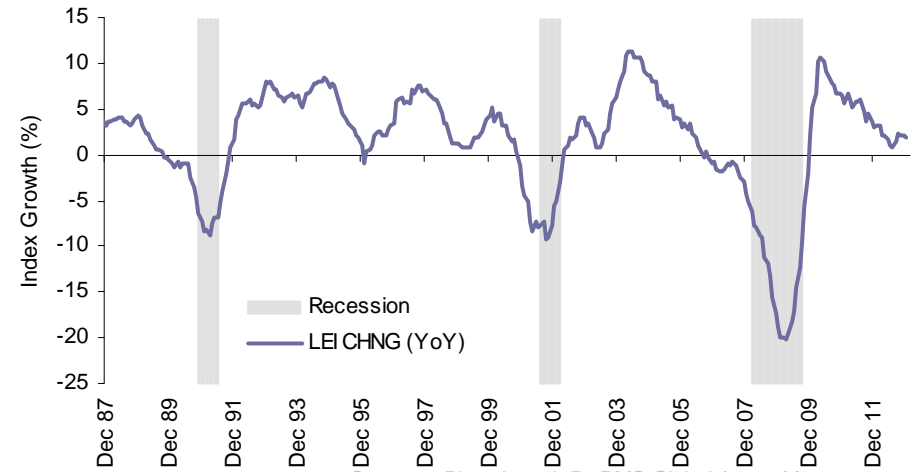
Economy

Economic Cycle Research Institute (ECRI) Weekly Leading Index



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

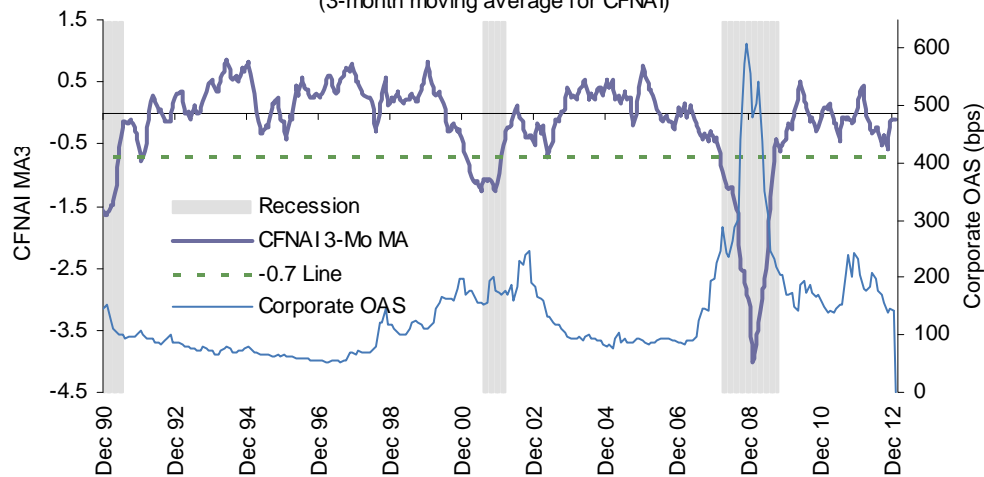
Conference Board Leading Index Growth



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

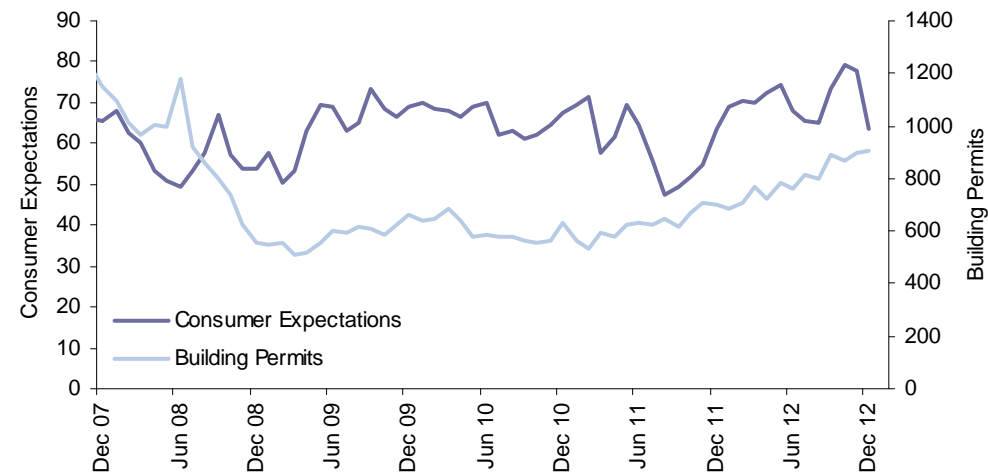
Chicago Fed National Activity Index (CFNAI) and Credit Spreads

(3-month moving average for CFNAI)



Sources: Chicago Federal Reserve Bank, Barclays Capital, BMO Global Asset Management

Leading Index Selected Components

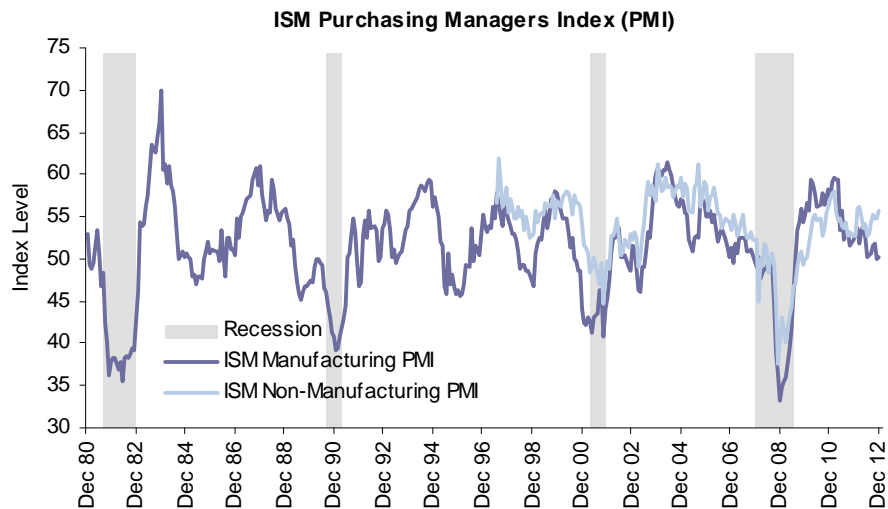
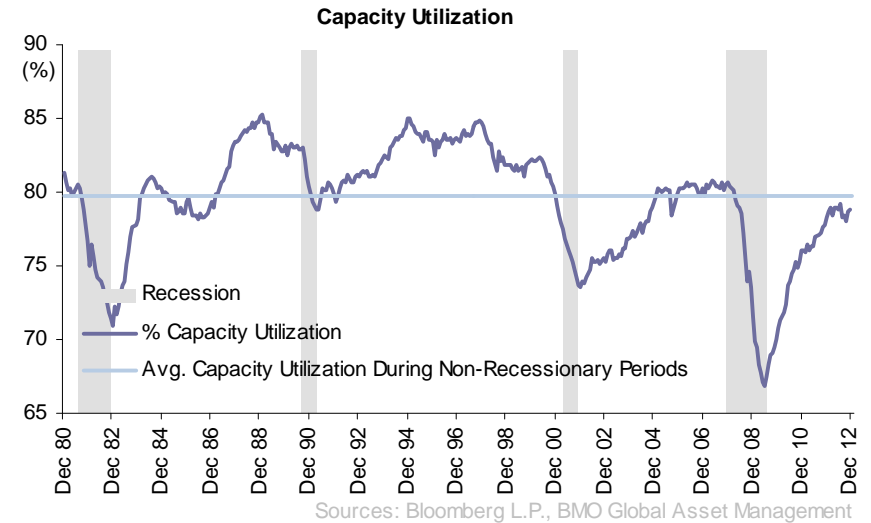
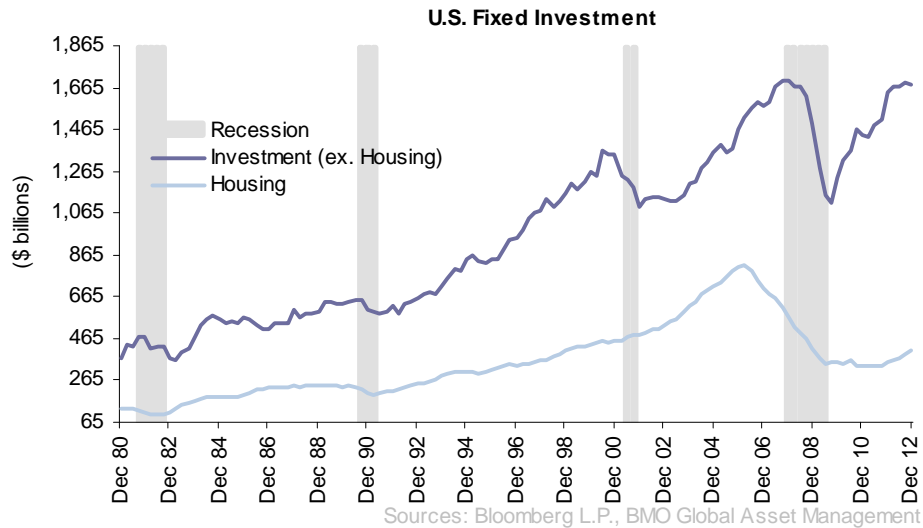


Sources: Conference Board, BMO Global Asset Management

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 been trending downward since August. Corporations have reported solid profits.

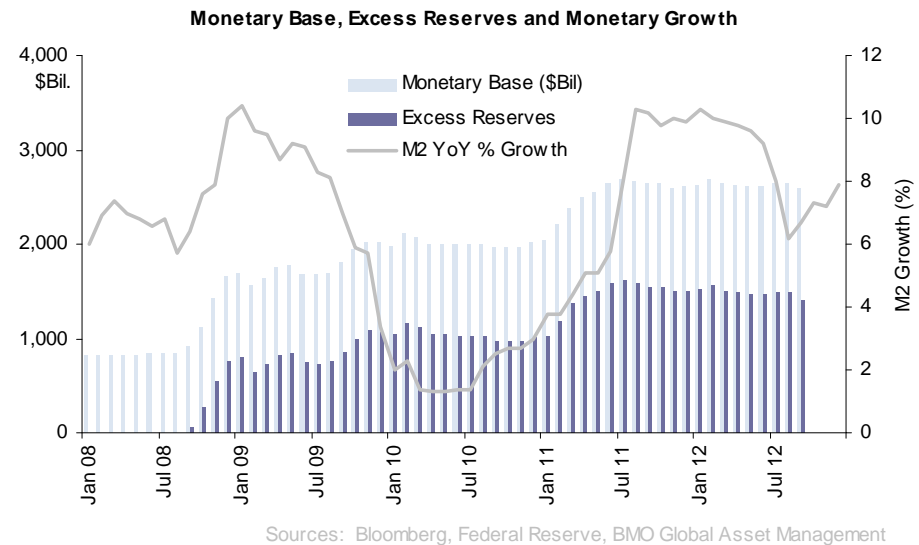
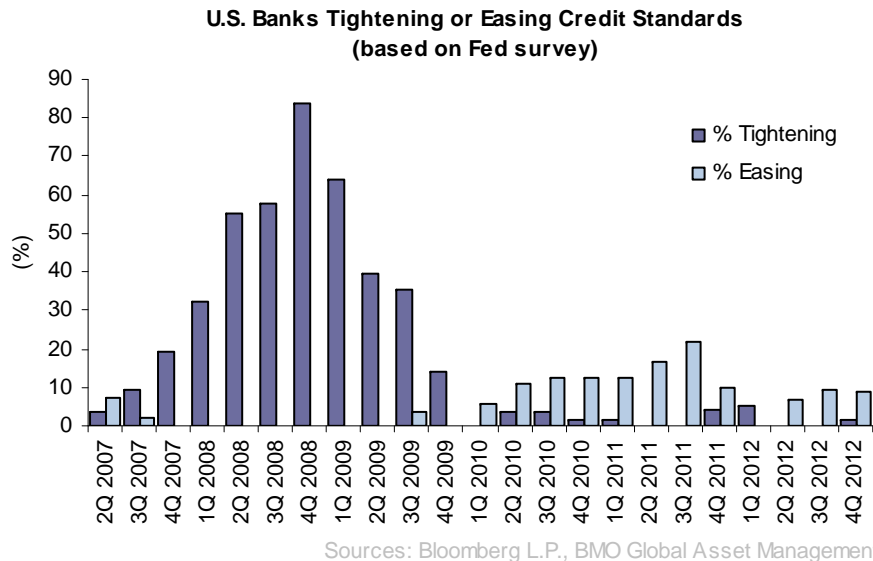
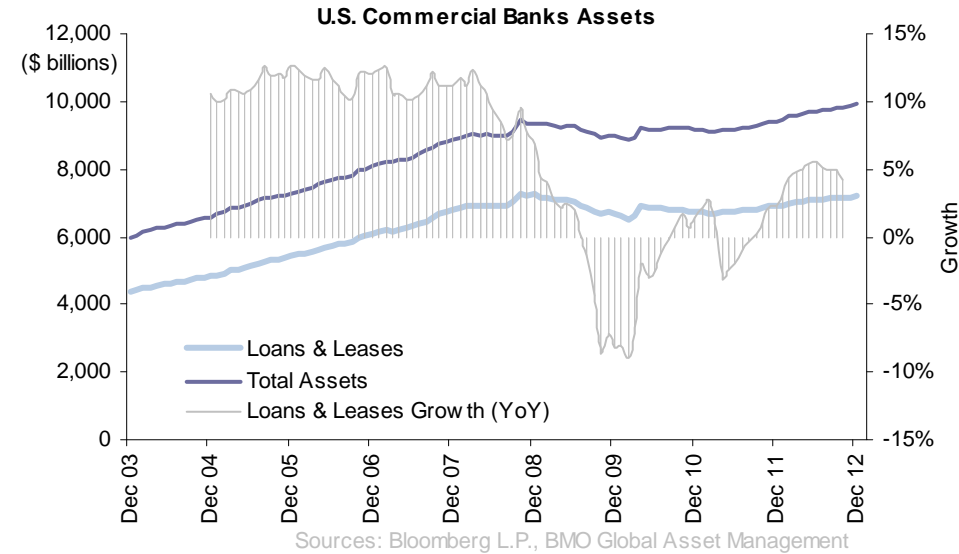
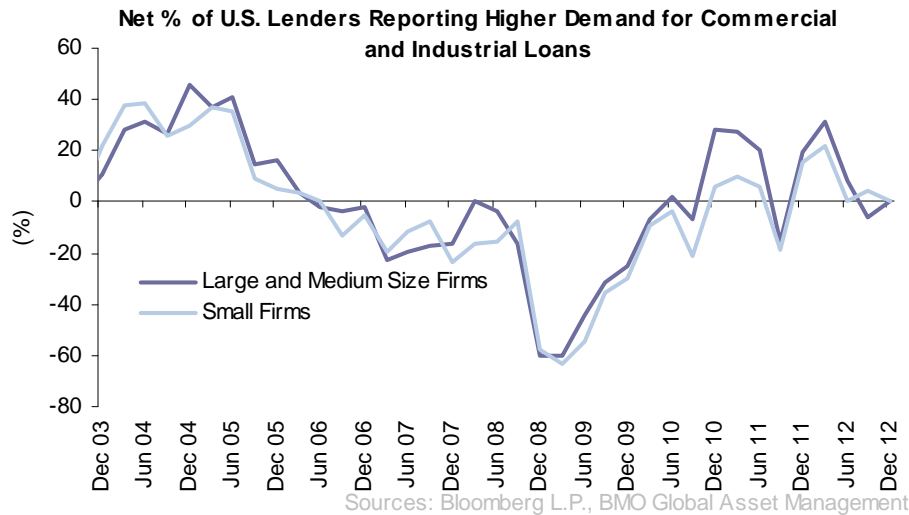
Economy



U.S. Lending and Banking Activity

Demand for commercial and industrial loans has decreased, although the smaller firms reported an increase in credit demand, as banks have been easing credit standards. While monetary stimulus continues, banks hold excess reserves, limiting a portion of funds from flowing into the economy.

Economy

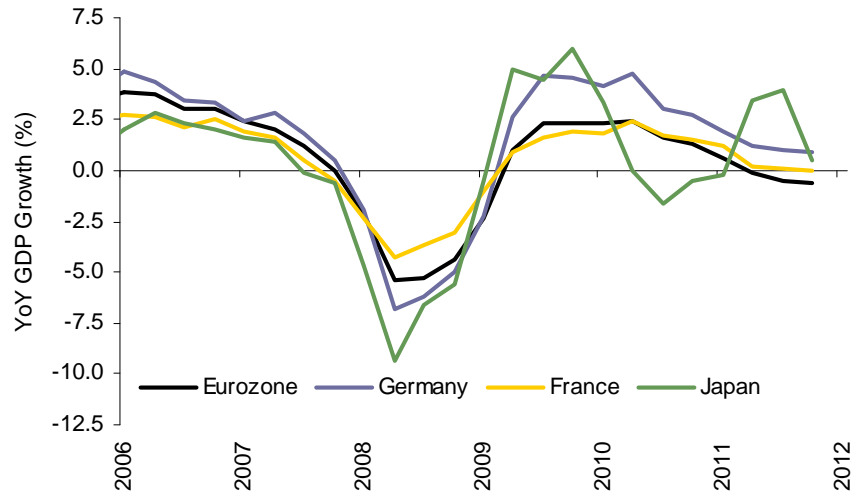


World Economic Growth and Inflation

Several European economies have slipped into recession; Germany and France have avoided downturns. Economic growth slowed significantly in Brazil and India. World inflation has been declining slightly since the end of 3Q 2011.

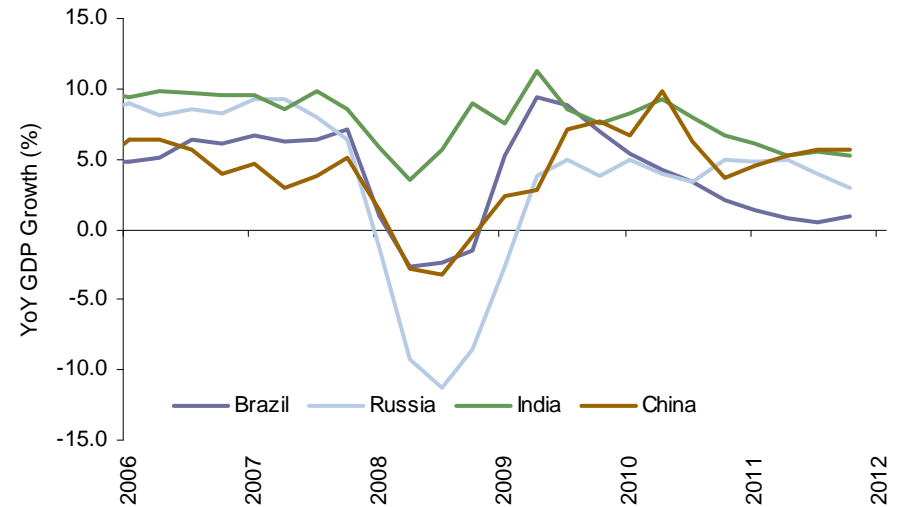
Economy

Real GDP Growth for Developed Countries



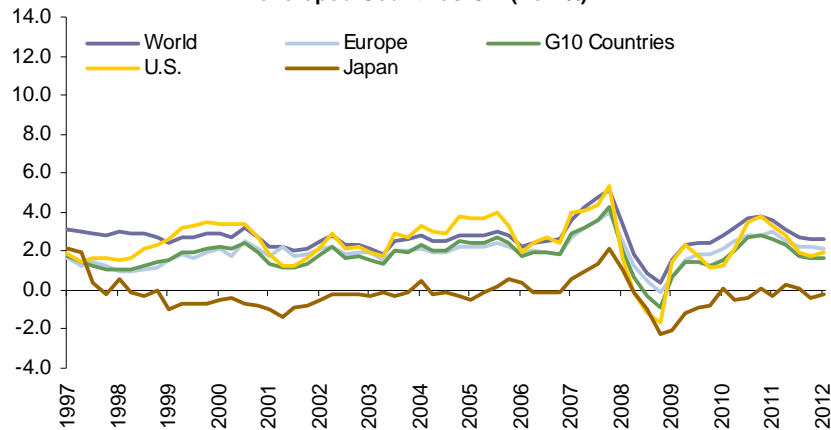
Sources: Bloomberg L.P., BMO Global Asset Management

Real GDP Growth for BRIC Countries



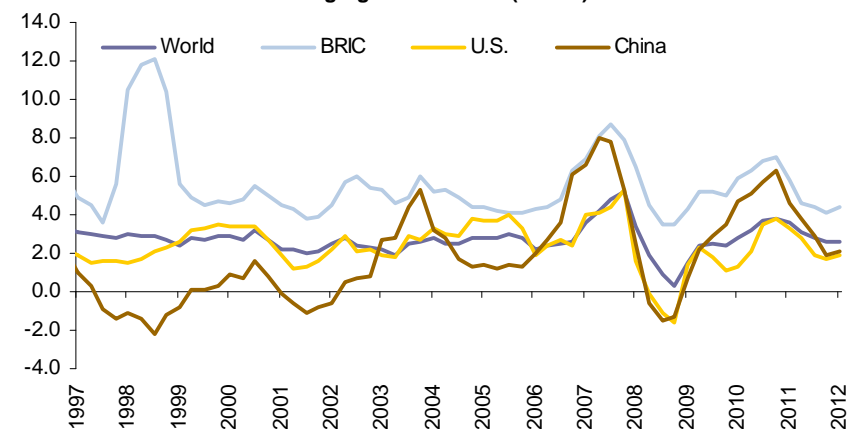
Sources: Bloomberg L.P., BMO Global Asset Management

Developed Countries CPI (YoY %)



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

Emerging Markets CPI (YoY %)



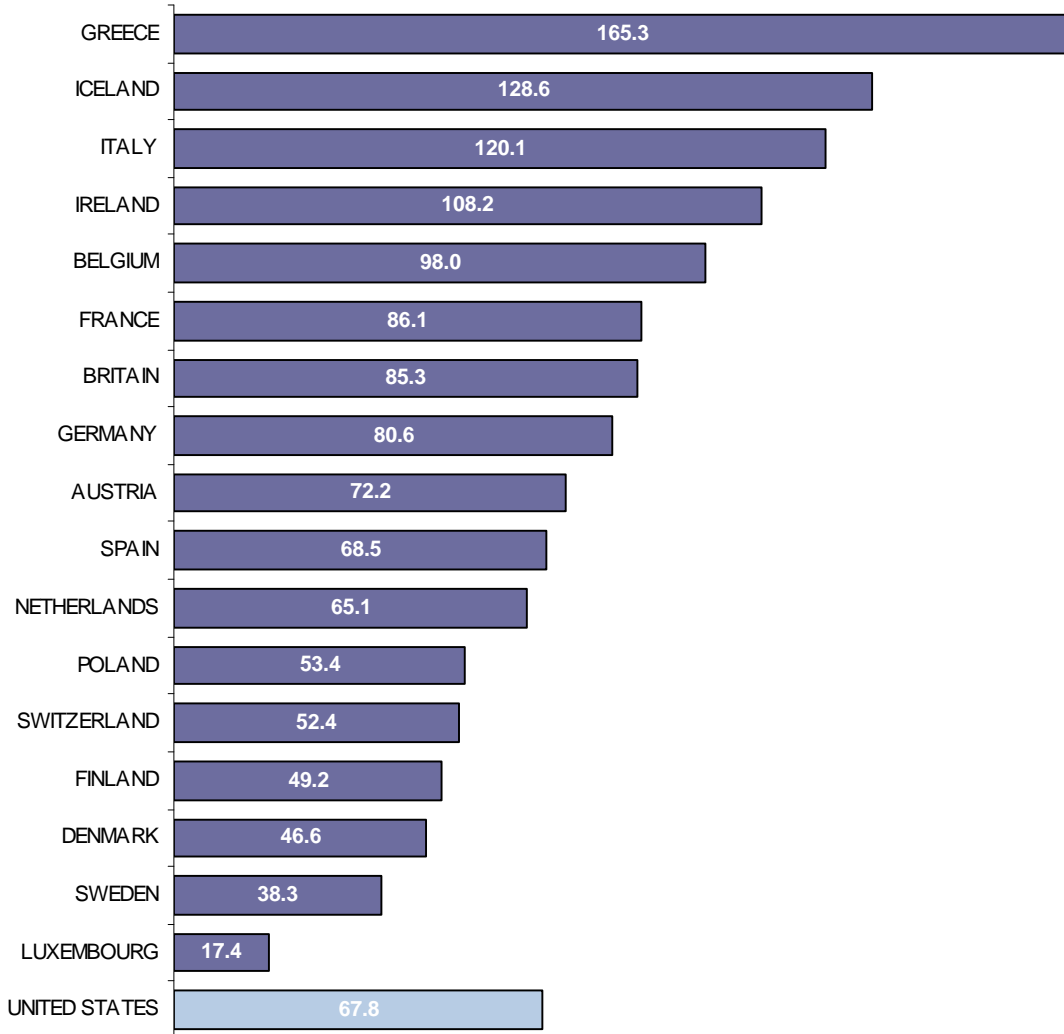
Sources: Bloomberg L.P., BMO Global Asset Management

European Economies

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

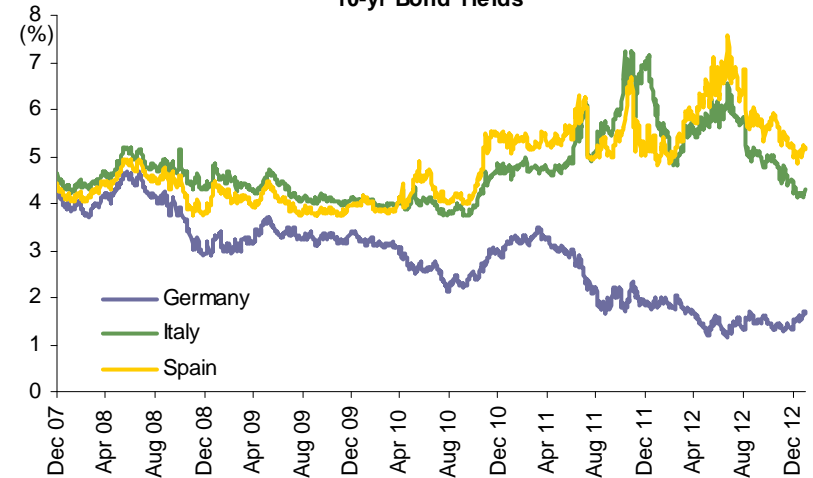
Economy

Eurozone
Percentage Debt to GDP by Country on 12/31/2011



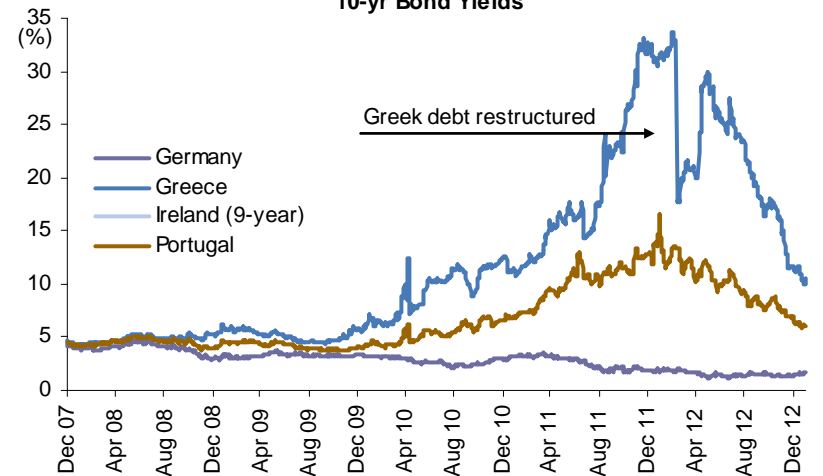
Sources: Bloomberg L.P., BMO Global Asset Management

European Governments
10-yr Bond Yields



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

European Governments
10-yr Bond Yields



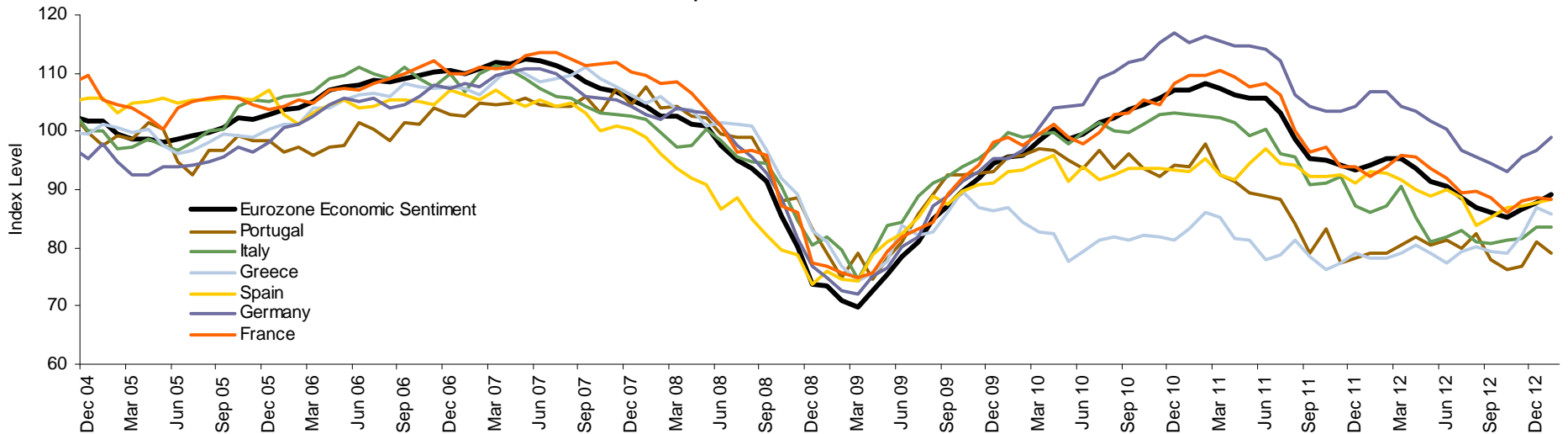
Sources: Bloomberg L.P., BMO Global Asset Management

European Economies

Downward trending sentiment indicators from several European countries have been the norm since late 2010 through October 2012. However, the last couple of months saw an improvement in sentiment indicators, and the European Purchasing Managers Index increased slightly.

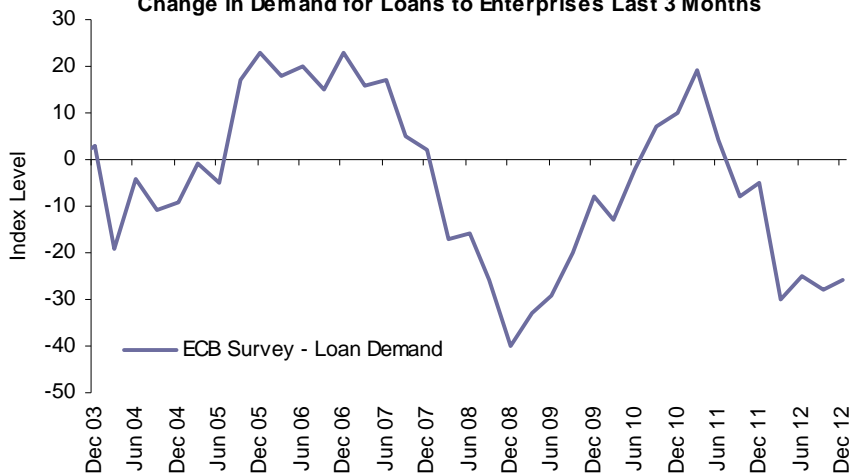
Economy

European Economic Sentiment Indicators



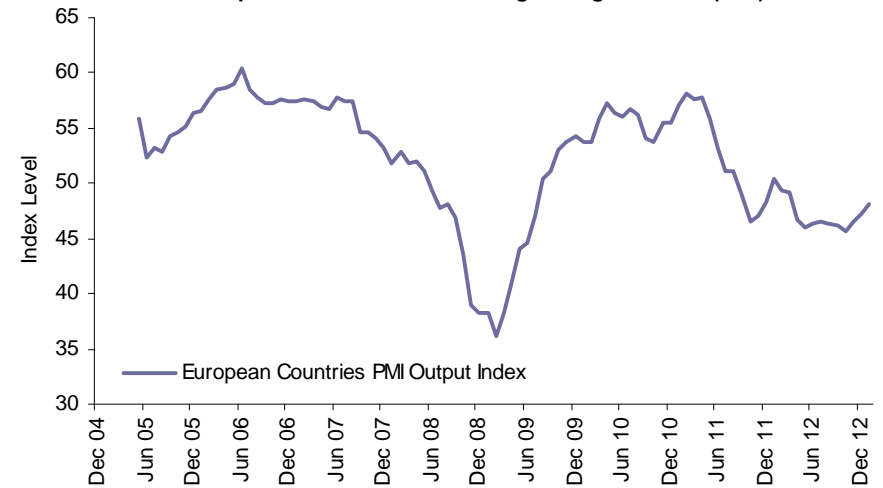
Sources: Bloomberg L.P., BMO Global Asset Management

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



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

European Countries Purchasing Managers Index (PMI)



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

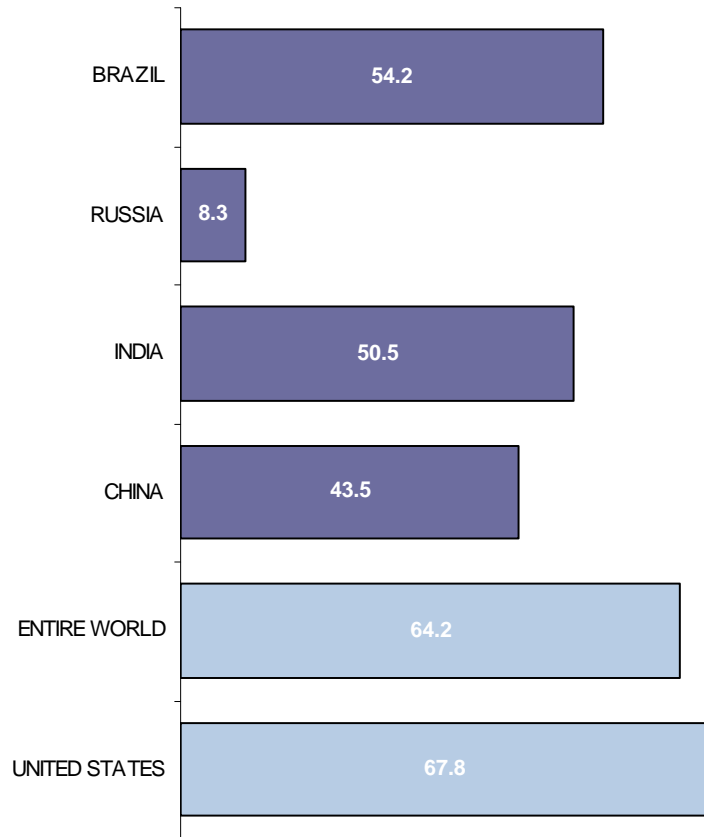
BRIC Economies

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

Economy

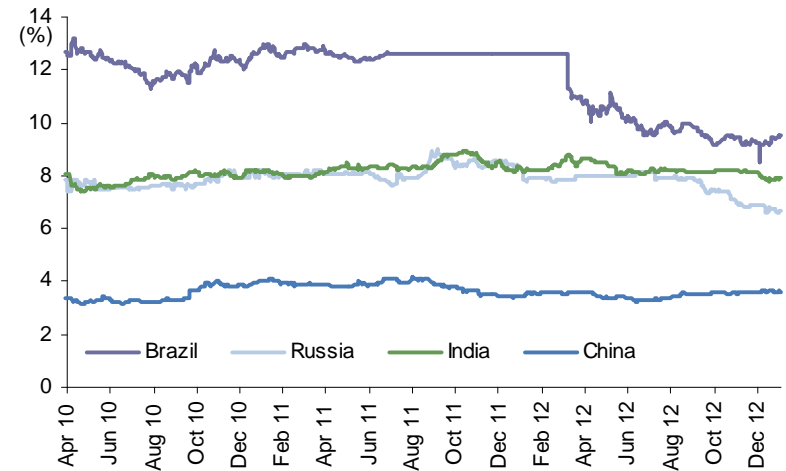
BRIC Countries

Percentage Debt to GDP by Country on 12/31/2011



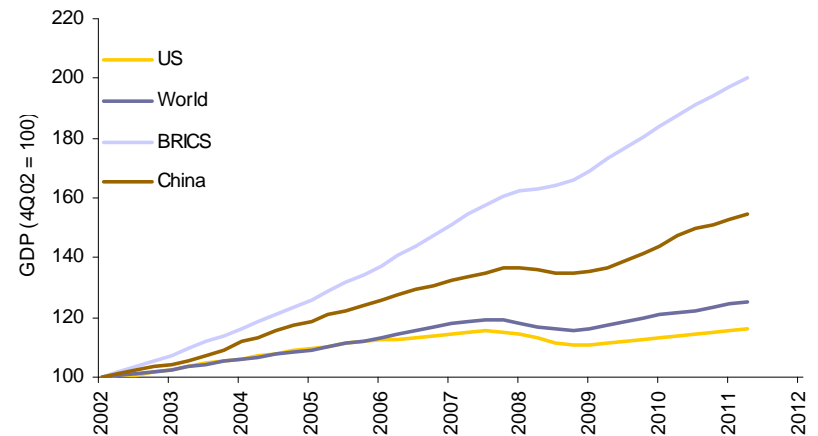
Sources: Bloomberg L.P., BMO Global Asset Management

BRIC Governments 10-yr Bond Yields



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

Real GDP



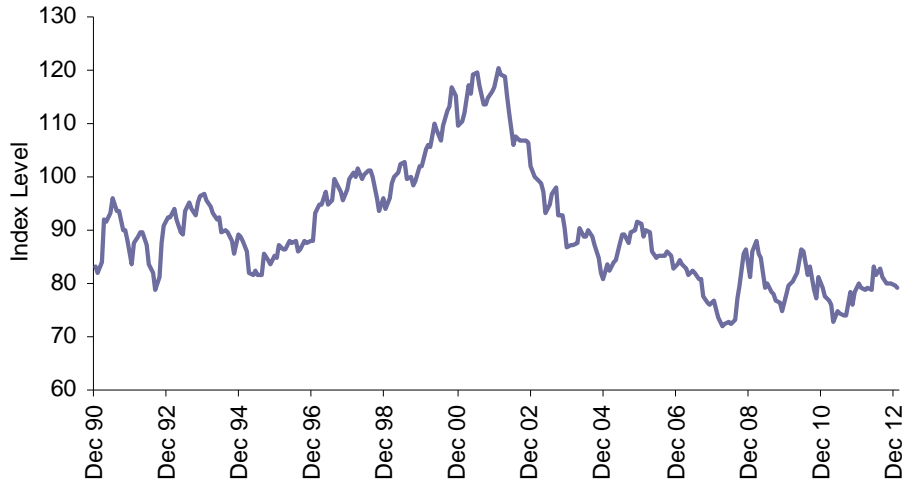
Sources: Bloomberg L.P., BMO Global Asset Management

Currencies

The dollar's relative strength is one factor which explains weak revenue growth in the fourth quarter, as sales in non-dollar currencies are converted into fewer dollars. The fiscal cliff drama has the potential to reverse the dollar's recent strength.

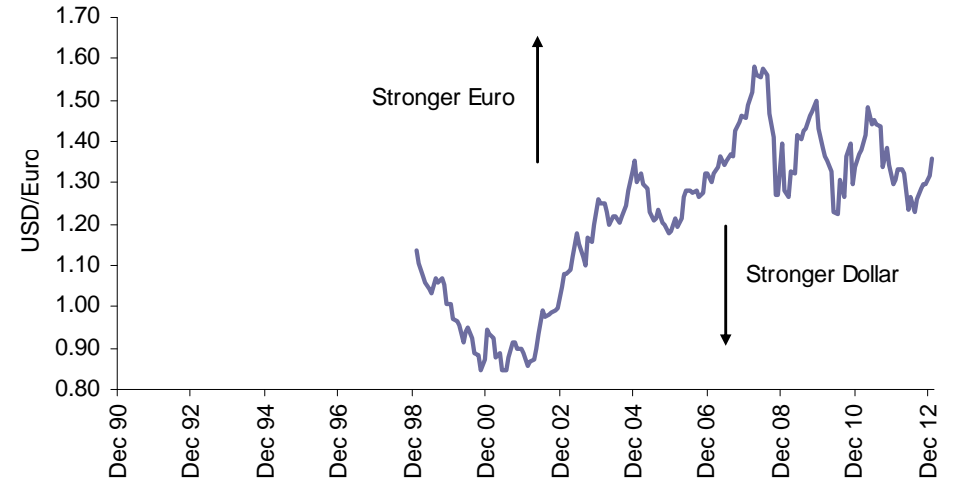
Economy

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



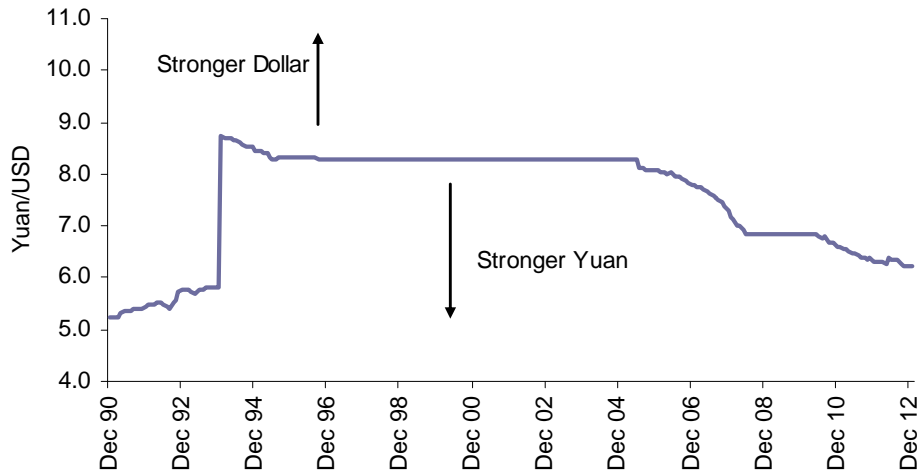
Sources: Bloomberg L.P., BMO Global Asset Management

U.S. Dollar Strength Relative to Euro



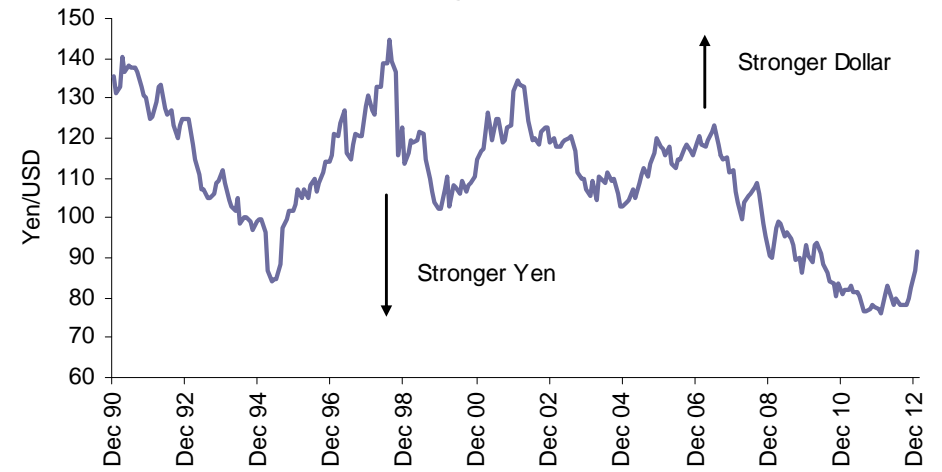
Sources: Bloomberg L.P., BMO Global Asset Management

U.S. Dollar Strength Relative to Chinese Yuan



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

U.S. Dollar Strength Relative to Japanese Yen

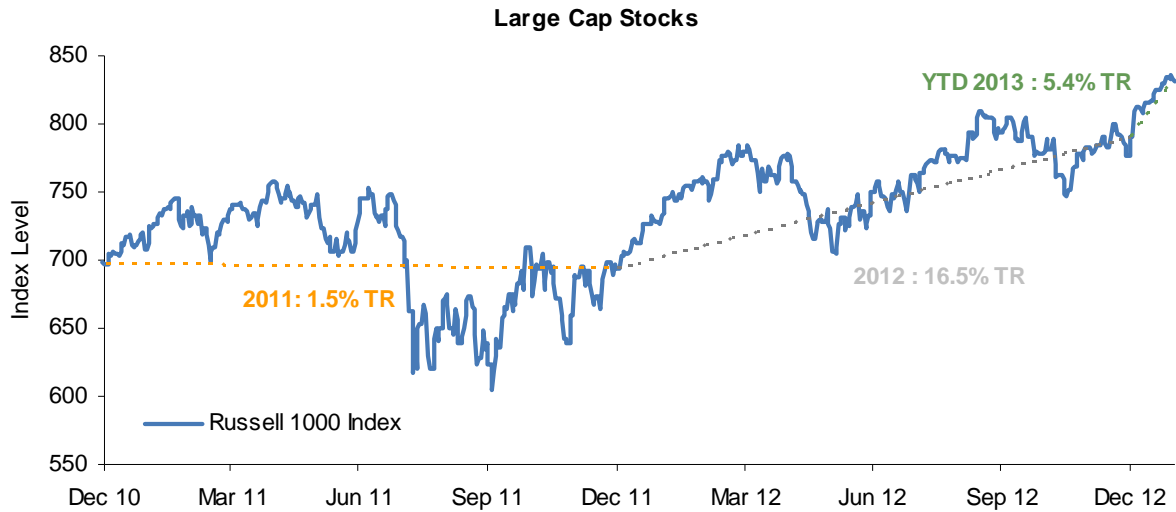


Sources: Bloomberg L.P., BMO Global Asset Management

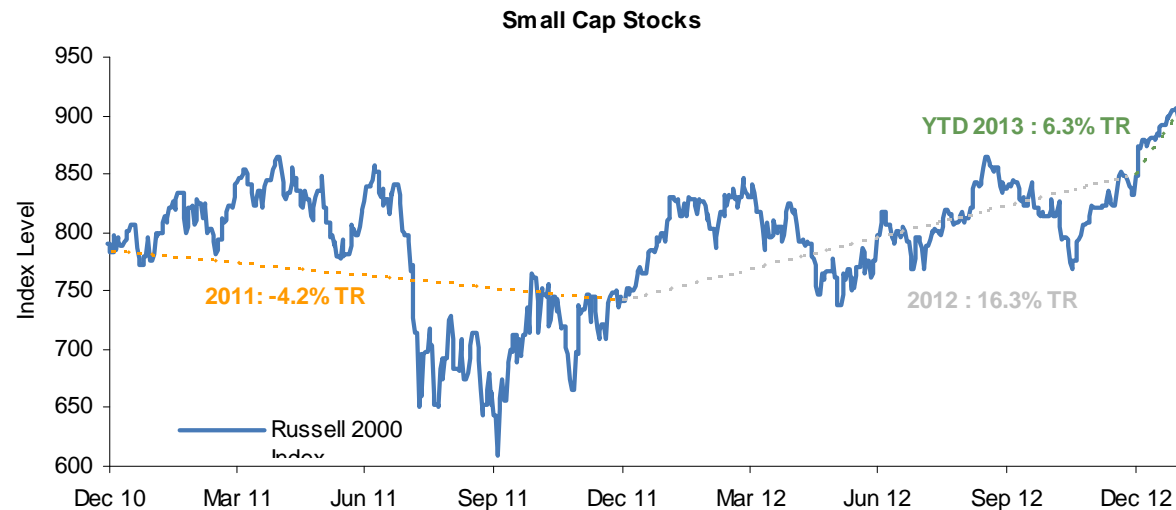
Investment Style Performance

All equity styles and market caps posted strong returns in January 2013, led by good performance of Energy and Health Care stocks. This month, value stocks outperformed growth stocks in large and mid size space.

Stocks



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



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

Total Returns (%)

		YTD 1/31/2013		
		Value	Blend	Growth
Large	Large	6.5	5.4	4.3
	Mid	7.4	6.8	6.2
	Small	6.0	6.3	6.6
2012	Large	17.5	16.5	15.3
	Mid	18.5	17.7	16.4
	Small	18.1	16.3	14.6

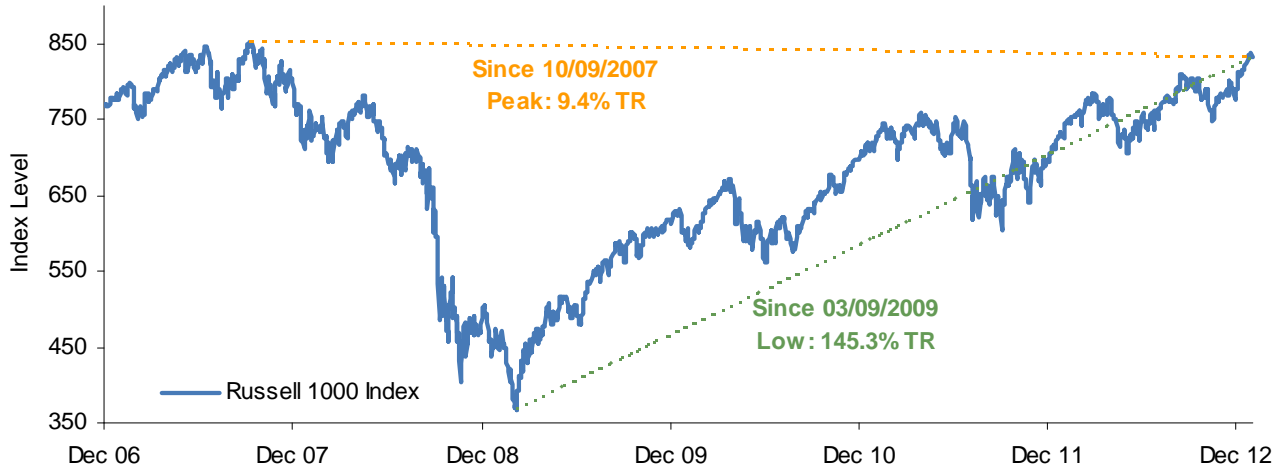
Total returns are based on Russell-style indices performance and include dividends. Graphs depict price levels only. Sources: Bloomberg L.P., BMO Global Asset Management.

Investment Style Performance

Indices across styles and sizes have more than doubled their levels since their post-crisis lows. Large and small cap indices are near their previous highs. The annualized total return since prior peaks are positive across market caps and styles.

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 01/31/2013

Since Peak 10/9/2007

	Value	Blend	Grow th
Large	0.7	9.4	17.5
Mid	18.1	19.7	19.6
Small	11.9	15.0	17.4

Since Low 3/9/2009

	Value	Blend	Grow th
Large	151.0	145.3	139.7
Mid	201.7	188.7	176.5
Small	176.8	177.3	177.0

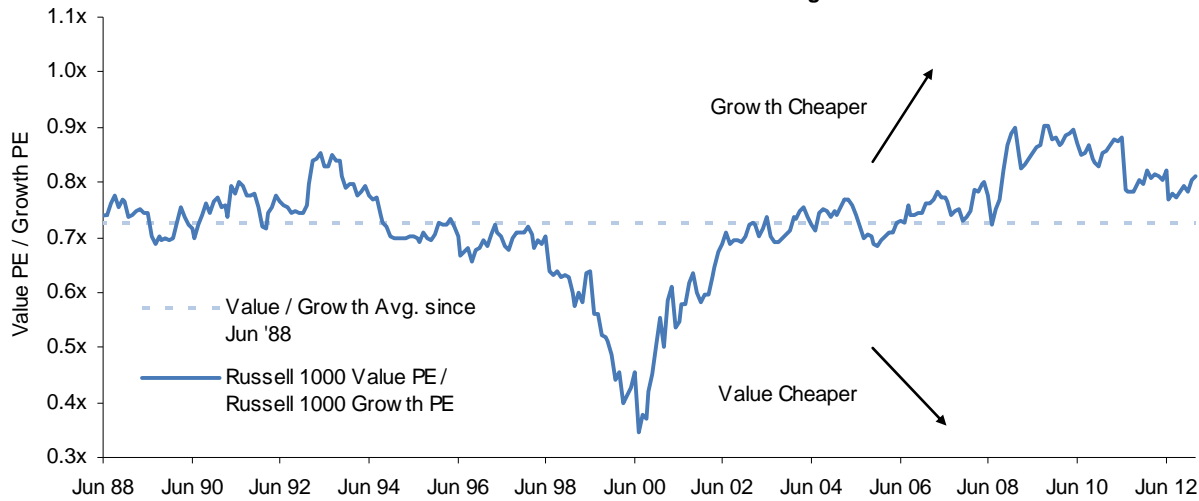
Total returns are based on Russell-style indices performance and include dividends. Total returns are cumulative returns for the period, not annualized. Peak market date is 10/09/2007. Low market date is 03/09/2009. Graphs depict price levels only. Sources: Bloomberg L.P., BMO Global Asset Management.

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 cheap across the market cap spectrum.

Stocks

Value vs. Growth Price to NTM Earnings



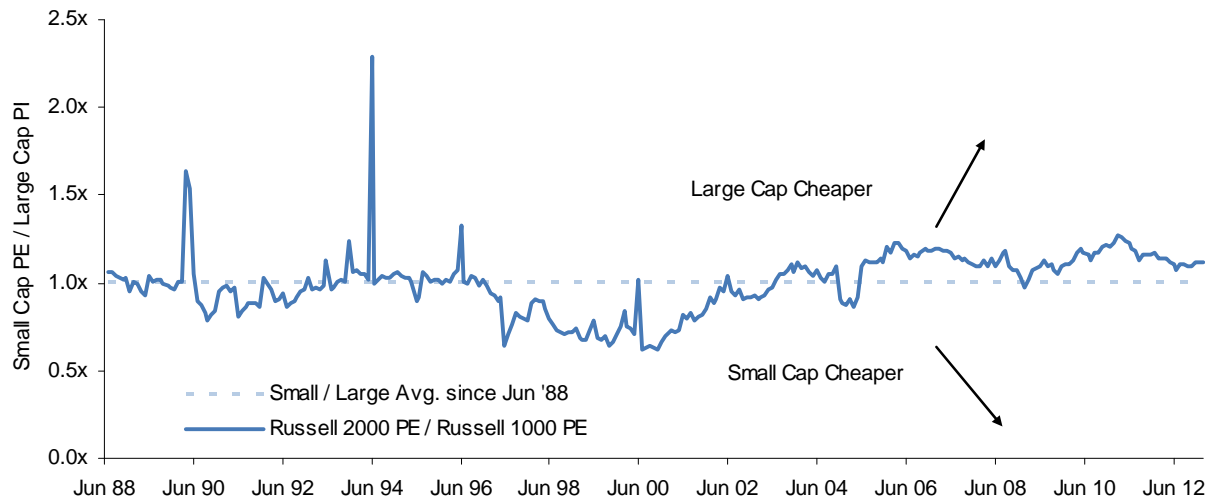
Sources: FactSet, BMO Global Asset Management

P/E vs. Long Term Average*

As of 01/31/2013

Current P/E (Avg. P/E)	Value	Blend	Growth
Large	12.3 (13.4)	13.6 (15.9)	15.2 (19.8)
Mid	13.9 (13.6)	15.2 (15.5)	17.0 (19.5)
Small	14.2 (13.6)	15.2 (15.4)	16.5 (18.0)

Small vs. Large Price to NTM Earnings



Sources: FactSet, BMO Global Asset Management

Current PE as % of Avg PE	Value	Blend	Growth
Large	91.7%	85.1%	76.7%
Mid	102.1%	98.1%	87.2%
Small	104.7%	98.7%	91.8%

*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.

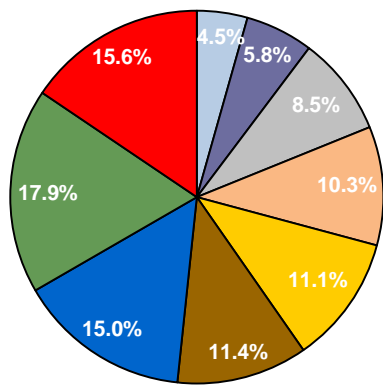
Sector Performance

The Energy and Health Care sectors were the top performers in the large cap category, while Technology lagged. In the small cap space, Health Care took the lead with 7.9% return in January 2013.

Stocks

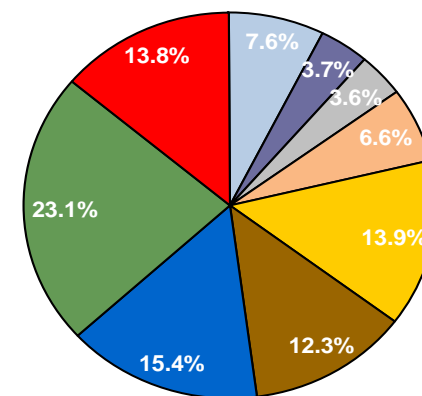
As of 01/31/2013		Russell Index	Materials and Processing	Utilities	Consumer Staples	Energy	Producer Durables	Health Care	Consumer Discretionary	Financials	Technology
LARGE CAP EQUITIES	YTD 2013	5.4%	3.6%	4.5%	6.3%	7.7%	6.4%	7.6%	5.9%	6.0%	1.1%
	2012	16.5%	18.0%	7.8%	10.3%	4.2%	16.5%	19.6%	25.8%	27.4%	12.5%
	2011	1.5%	-6.9%	12.6%	14.5%	3.5%	-1.9%	11.8%	5.5%	-12.9%	0.3%
SMALL CAP EQUITIES	YTD 2013	6.3%	5.1%	4.8%	6.0%	6.5%	6.6%	7.9%	6.0%	6.3%	5.8%
	2012	16.3%	28.2%	6.1%	11.6%	-3.6%	16.8%	17.7%	24.2%	21.8%	10.6%
	2011	-4.2%	-8.9%	10.5%	5.0%	-6.4%	-6.1%	2.2%	-7.2%	-2.9%	-8.4%

Russell 1000 Index Composition



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

Russell 2000 Index Composition



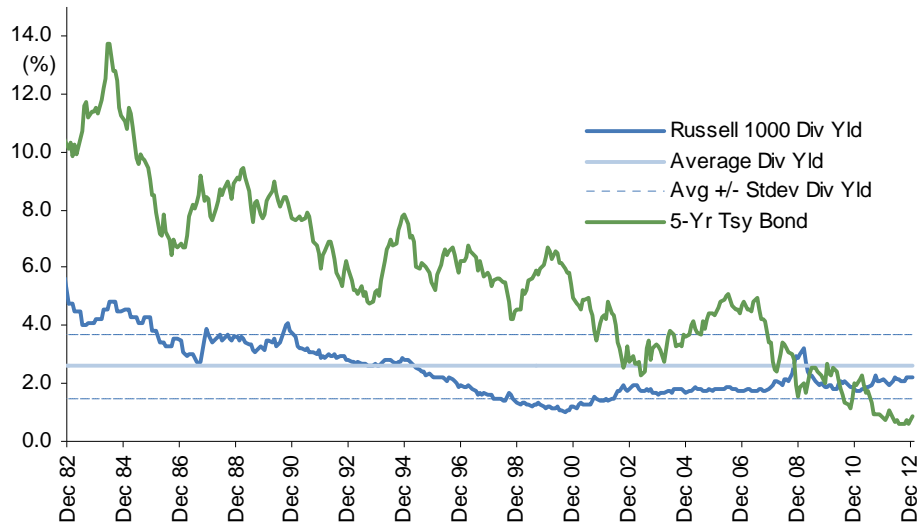
Sources: Bloomberg L.P., BMO Global Asset Management . Sector break-down based on Russell categories.

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 a 9.4% earnings growth versus year-end 2012. In 2012, the earnings were up 5.3%.

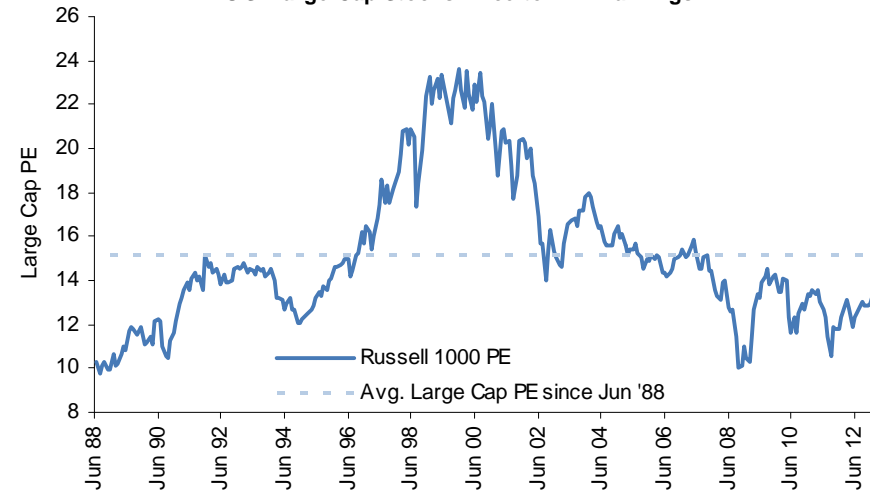
Stocks

Dividend Yield



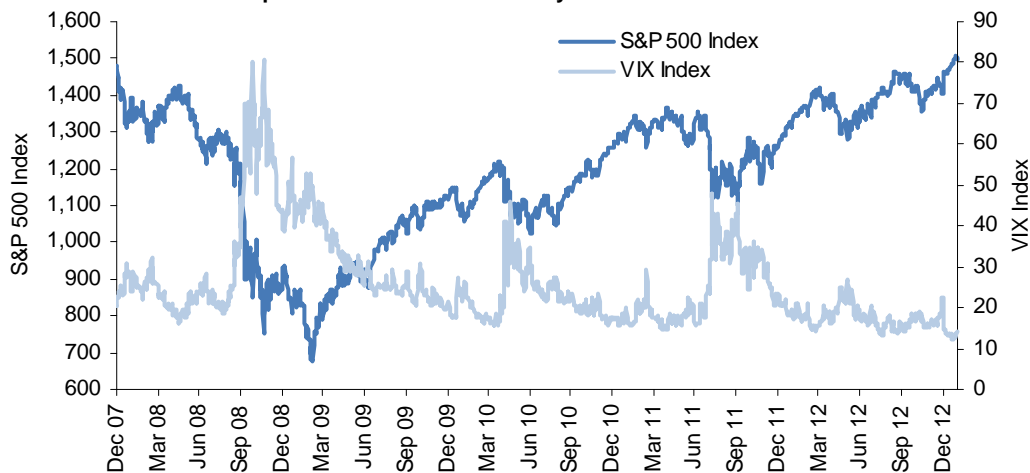
Sources: FactSet, Bloomberg L.P., BMO Global Asset Management

U.S. Large Cap Stocks Price to NTM Earnings



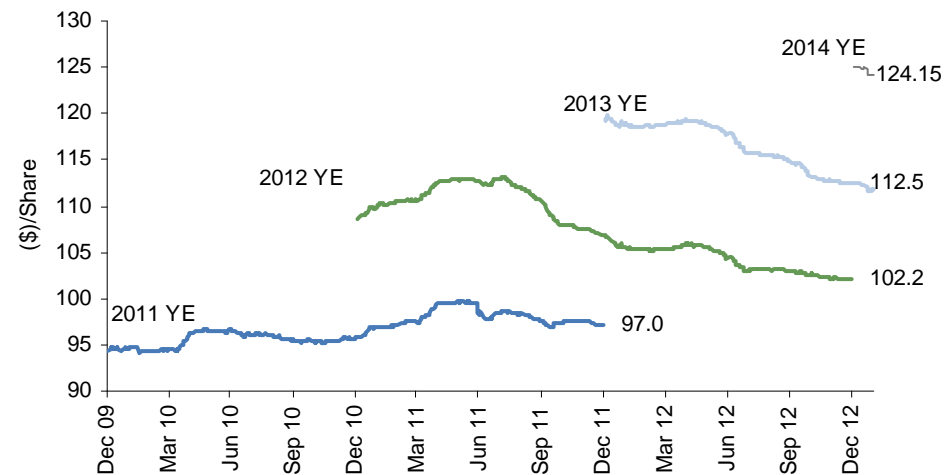
Sources: FactSet, BMO Global Asset Management

Implied Stock Market Volatility and the S&P 500 Index



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

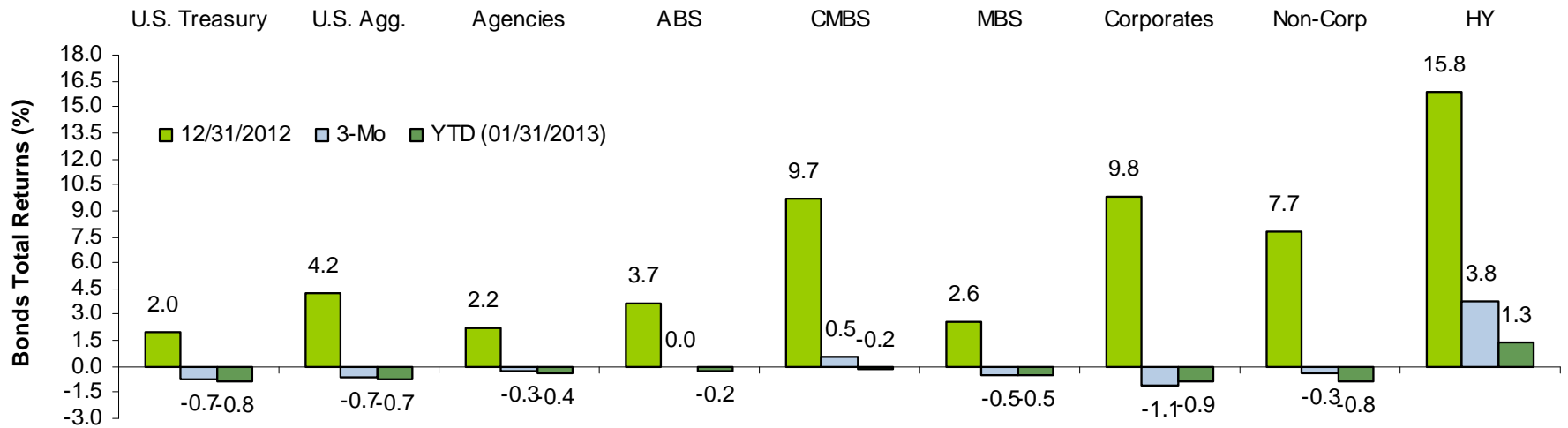
Year-End Consensus EPS Estimate for the S&P500 Index



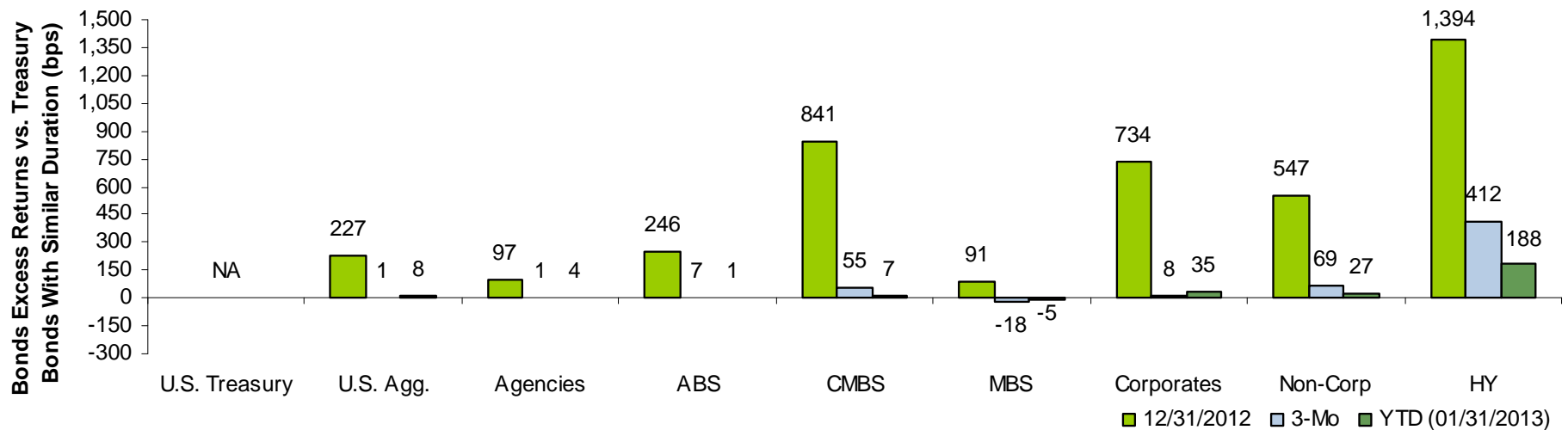
Sources: FactSet, BMO Global Asset Management

U.S. Bond Market Performance

All investment grade bond sectors posted negative total returns in January 2013, and most spread sectors outpaced U.S. Treasuries with comparable maturities. The exception was the MBS sector, which underperformed Treasuries by 5 bps. High Yield bonds performance was strong, up 1.3% for the month.



Sources: Barclays Capital, BMO Global Asset Management

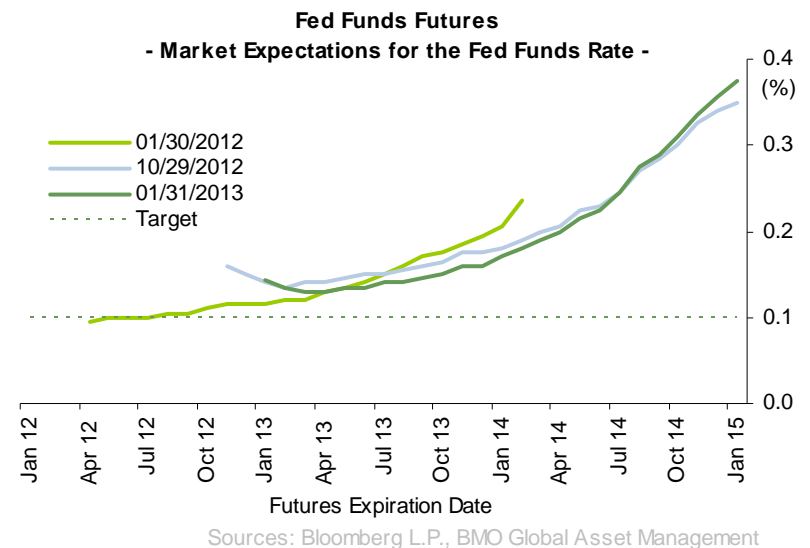
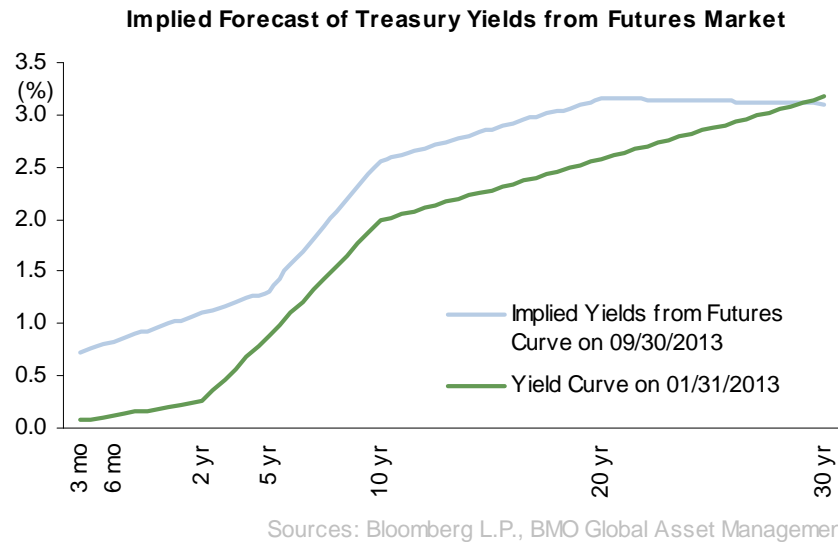
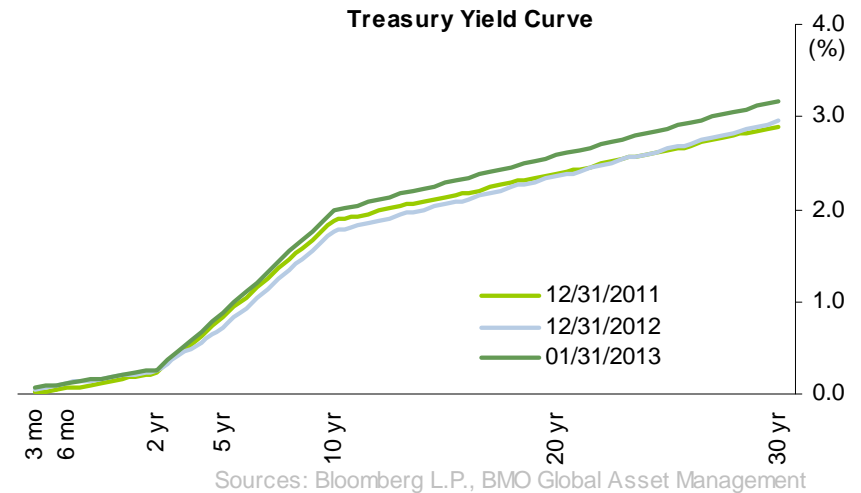
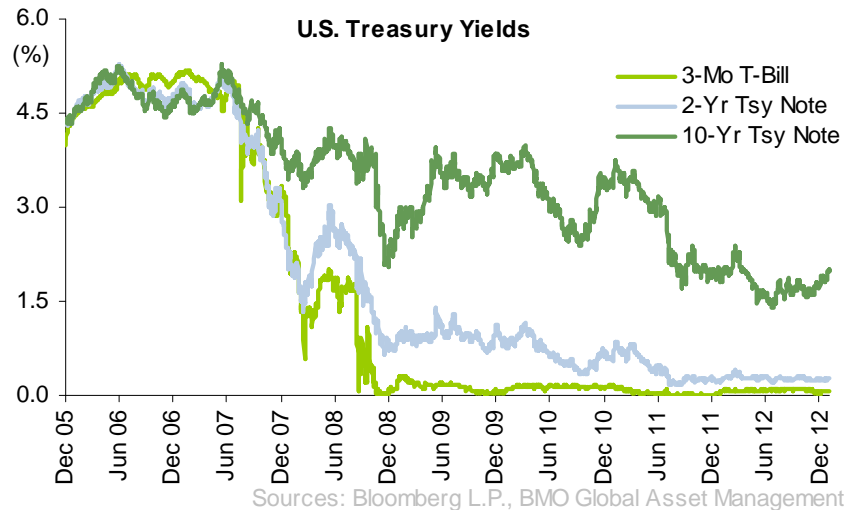


Sources: Barclays Capital, BMO Global Asset Management

U.S. Treasury Yields

In January 2013, yields increased slightly across the yield curve. Expectations of increases in the Fed Funds rate were pushed further into the future, as the Fed declared that it expects to maintain low rates until unemployment falls below 6.5% and that inflation expectations remain “anchored.”

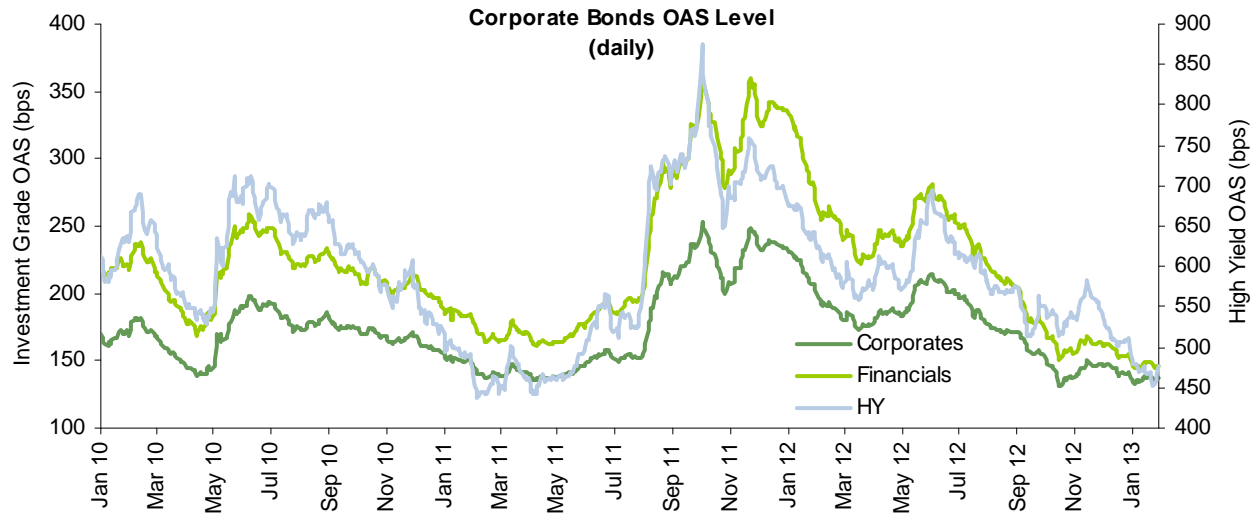
Bonds



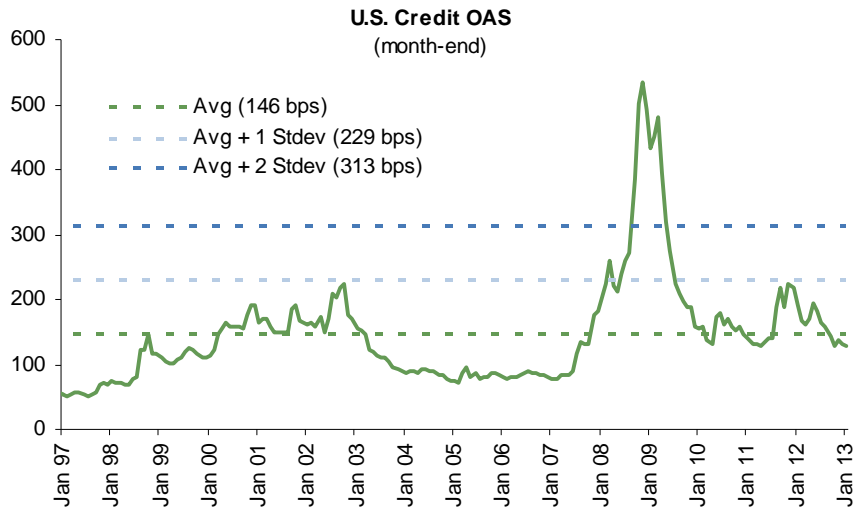
Bond Spreads

Corporate spreads have been on a declining path since May 2012, trending below the long-term average since September 2012.

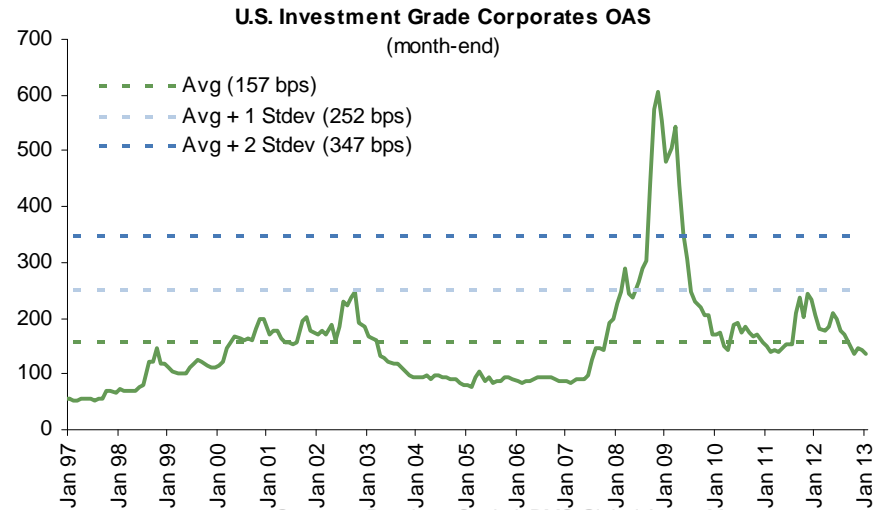
Bonds



Sources: Barclays Capital, BMO Global Asset Management



Sources: Barclays Capital, BMO Global Asset Management



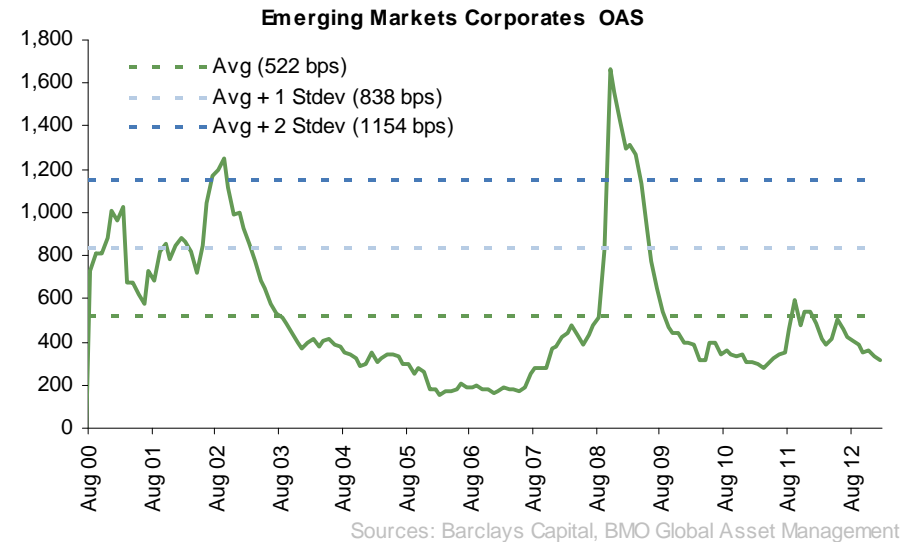
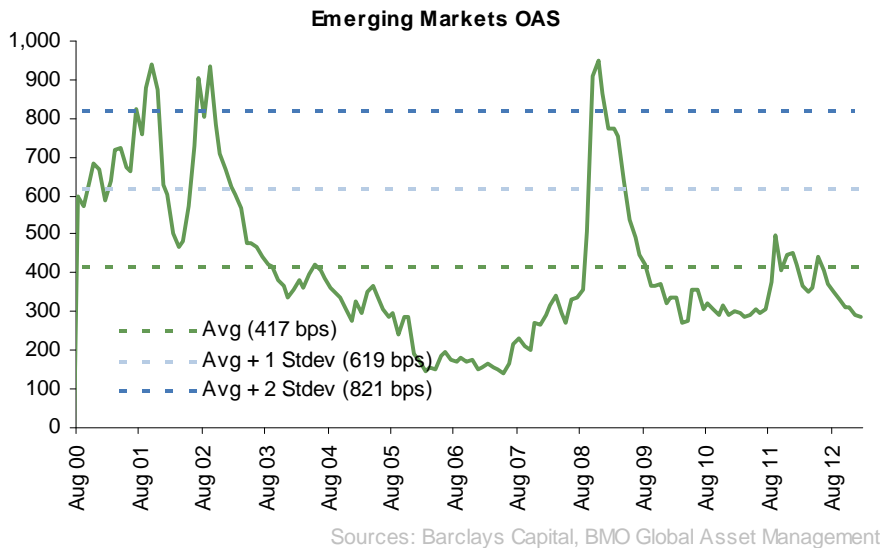
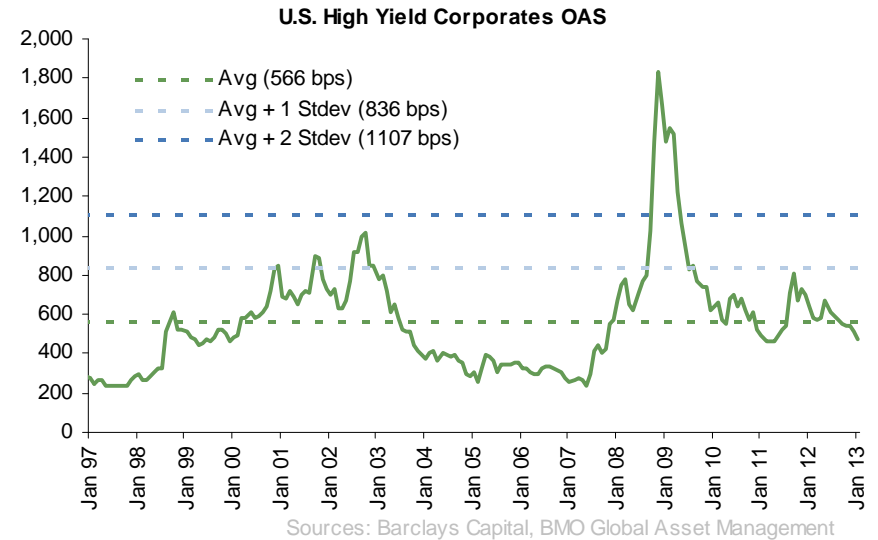
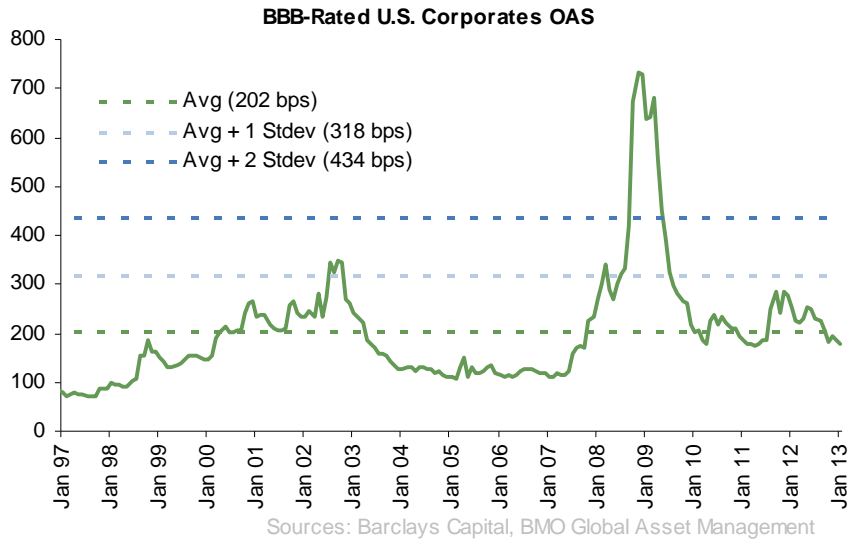
Sources: Barclays Capital, BMO Global Asset Management

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. Emerging markets spreads on government and corporate debt also landed below their long-term average at the end of 2012.

Bonds

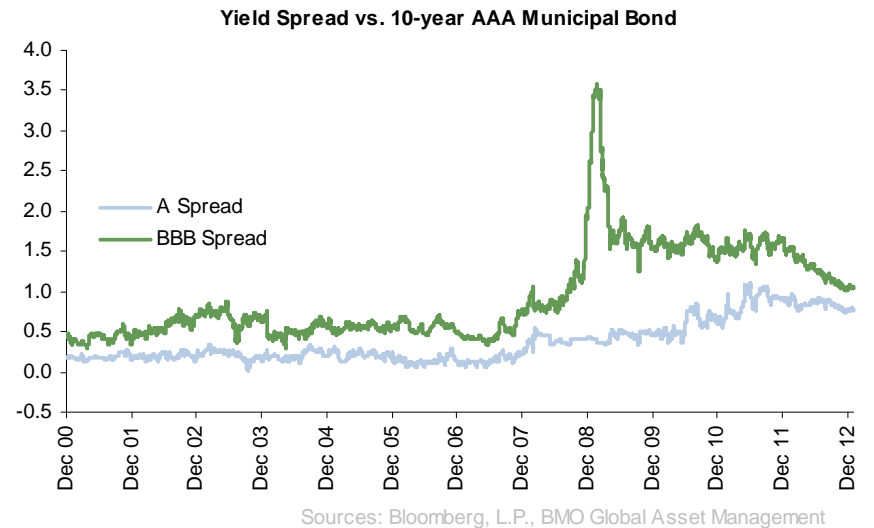
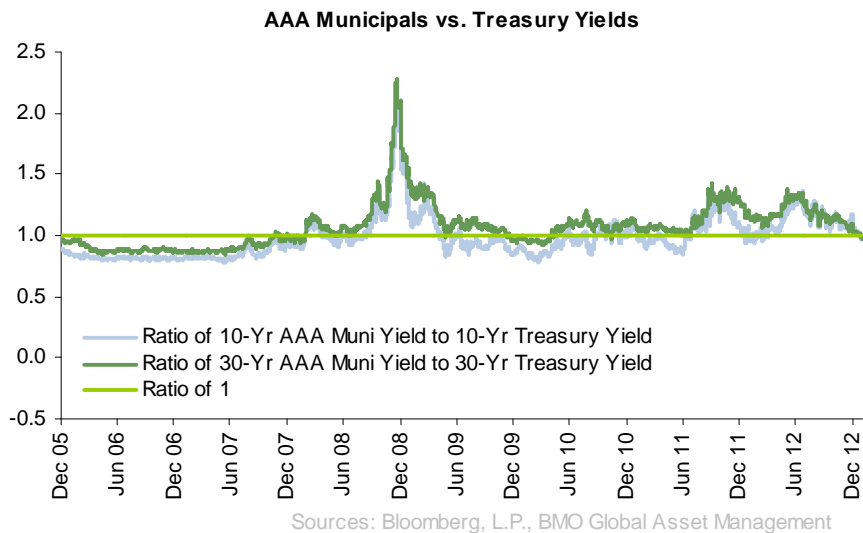
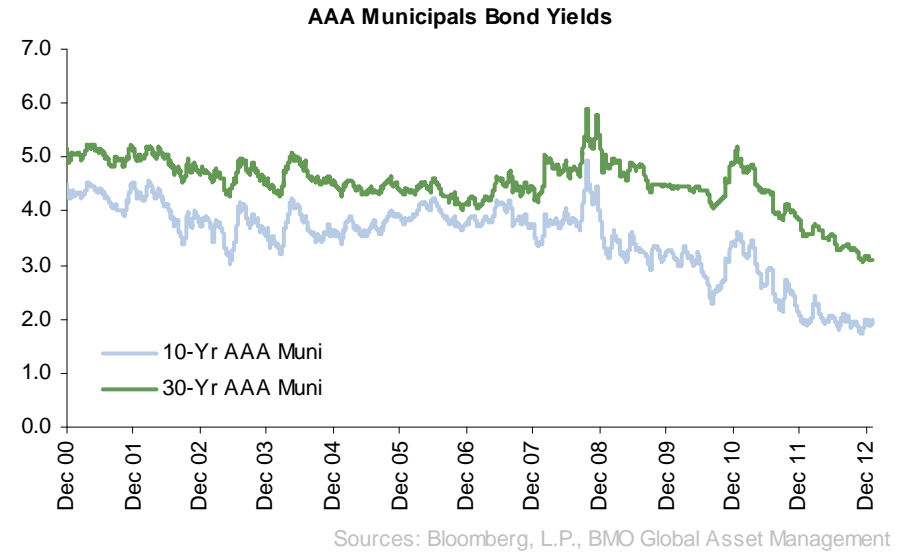
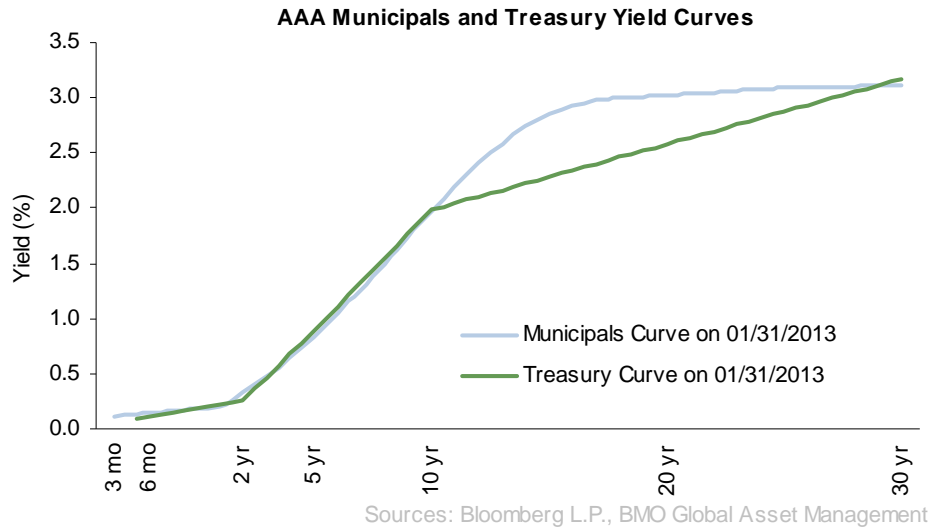


The average and standard deviation are calculated using monthly data starting in January 1997 for the U.S. series, and starting in August 2000 for the Emerging Markets series.

Municipal Bonds

AAA-rated Municipal bonds in the belly of the curve (maturities 15-25 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

01/31/2013	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	-0.70	-0.81	0.23	-0.89	-0.19	-1.27	-0.50	1.34	-0.66	0.50
3-Mo Total Return	-0.68	-0.73	0.37	-1.11	0.44	-1.83	-0.54	3.76	1.37	1.66
YTD Total Return	-0.70	-0.81	0.23	-0.89	-0.19	-1.27	-0.50	1.34	-0.66	0.50
12-Mo Total Return	2.59	0.74	2.71	6.48	10.40	4.54	1.66	13.91	14.49	13.90
MTD Excess Return	0.08	NA	NA	0.35	0.67	0.10	-0.05	1.88	0.54	1.49
3-Mo Excess Return	0.01	NA	NA	0.08	1.19	-0.49	-0.18	4.12	2.45	2.49
YTD Excess Return	0.08	NA	NA	0.35	0.67	0.10	-0.05	1.88	0.54	1.49
12-Mo Excess Return	1.80	NA	NA	5.72	9.61	3.75	0.73	13.05	13.46	12.93
Yield to Maturity	1.91	0.95	1.35	2.83	2.62	2.88	2.54	6.61	4.51	4.66
OAS	54	NA	NA	138	146	132	55	477	287	317
Average* OAS (since Jan 1997)	66	NA	NA	157	167	152	61	566	417	522
Std Dev* of OAS (since Jan 1997)	36	NA	NA	95	131	76	30	270	202	316
Duration (Mod. Adj.)	5.20	5.29	4.17	7.08	5.65	7.55	3.88	4.12	6.67	5.89
Maturity (years)	7.10	6.44	6.07	10.43	7.74	11.32	5.53	6.67	10.82	8.62
Coupon	3.53	2.20	4.82	4.90	4.89	4.81	4.27	7.83	6.67	6.21
Price	108.01	106.16	112.89	112.06	110.93	112.05	107.08	105.23	112.89	108.17
Market Value (\$ millions)	16,902,968	6,184,884	663,493	3,649,802	1,203,321	2,050,327	4,962,127	1,173,995	867,847	201,375
Quality	AA1/AA2	AAA/AAA	AA2/AA3	A3/BAA1	A2/A3	A3/BAA1	AAA/AAA	B1/B2	BAA3/BA1	BAA3/BA1

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

Sources: Barclays Capital, BMO Global Asset Management

Commodities

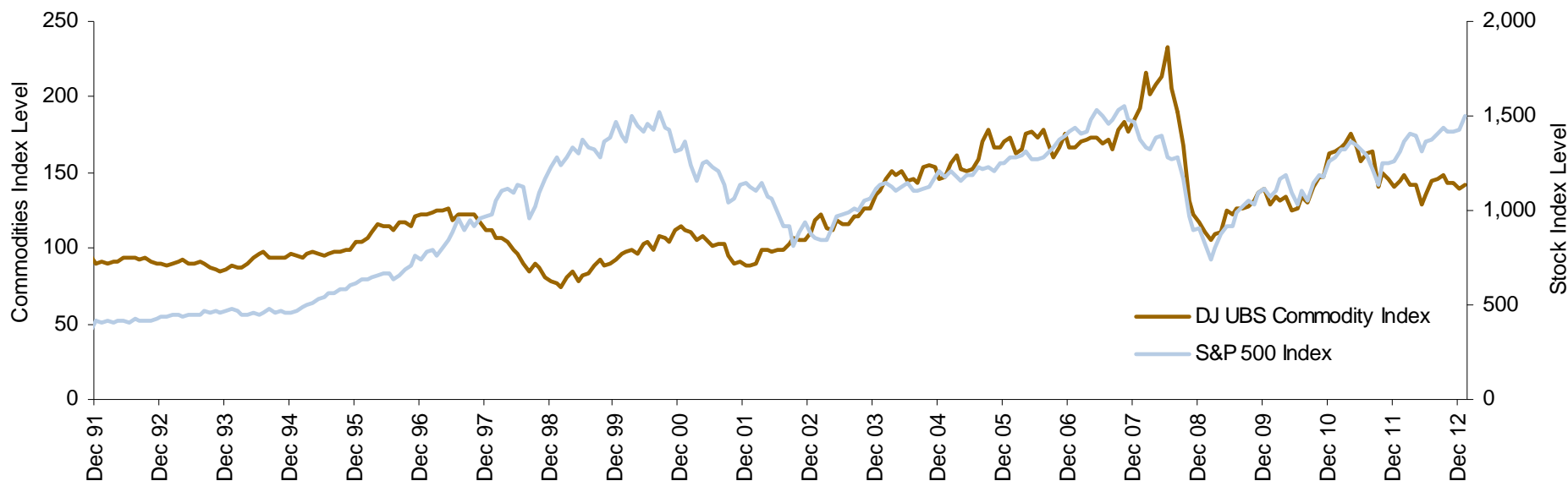
Commodities have seen increased correlation to equity prices since the onset of the last credit crisis, but decoupling began in 2011, as commodities significantly underperformed equities.

Alternative Assets

As of 01/31/2013	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
YTD 2013	3.1	-1.3	3.7	3.4	-6.2	2.3	2.4	5.2
2012	3.9	-3.6	18.1	-9.4	-14.5	0.6	-1.1	16.0
2011	-14.4	-2.4	-14.5	-16.0	-18.5	-24.3	-13.3	2.1

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

Commodities and Stocks



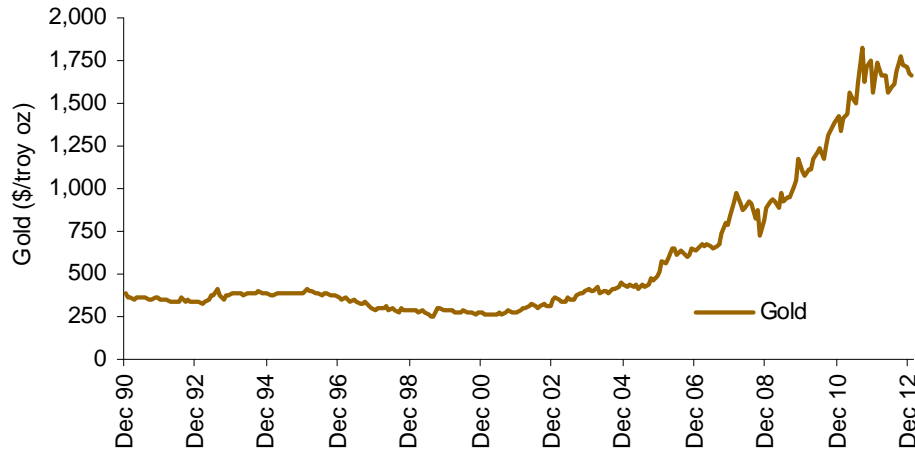
Sources: Bloomberg L.P., BMO Global Asset Management

Commodities

Most major commodity groups posted positive returns in 2012. Energy and precious metals prices are the exception. Grains were the star performers in 2012, mainly as a result of the summer drought, which pushed grain prices upward.

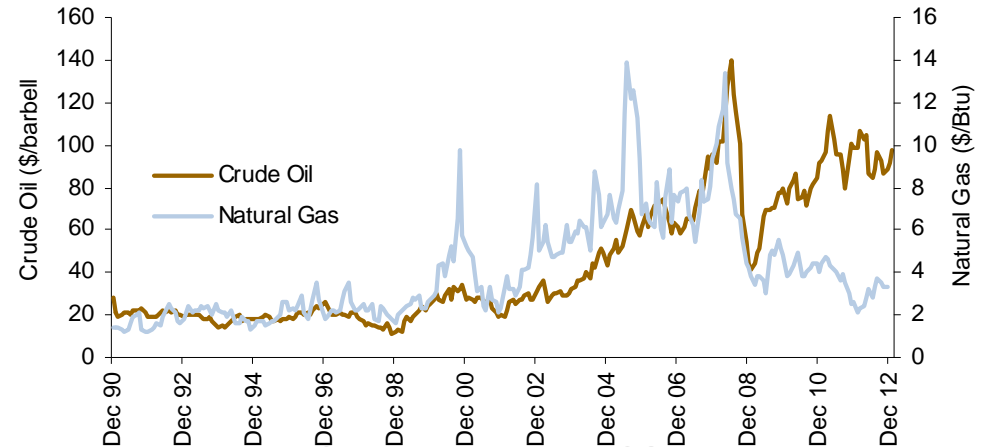
Alternative Assets

Price of Gold



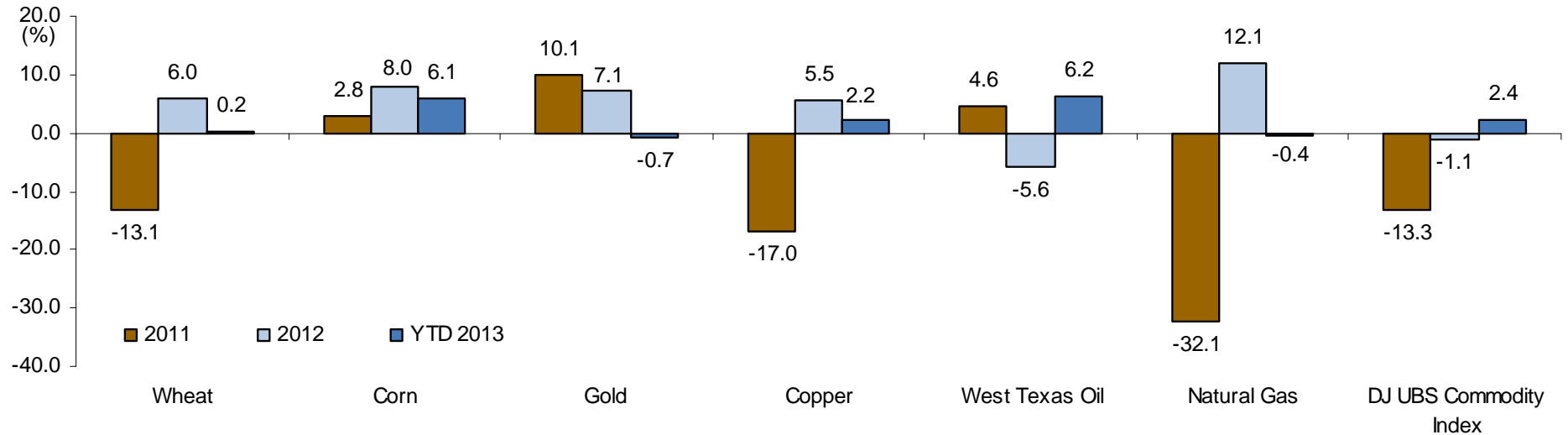
Sources: Bloomberg L.P., BMO Global Asset Management

Crude Oil and Natural Gas Prices



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

Commodities Total Return



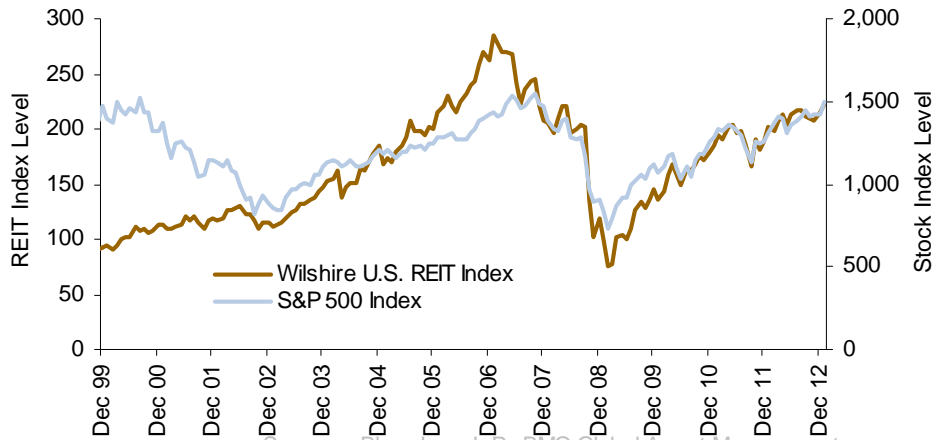
Sources: Bloomberg L.P., BMO Global Asset Management

Other Alternative Assets

U.S. REITs and infrastructure underperformed large cap equities in 2012, while global REITs have outperformed, as Eurozone bank failures were avoided due to governments' intervention. Alternatives lagged stocks in January 2013.

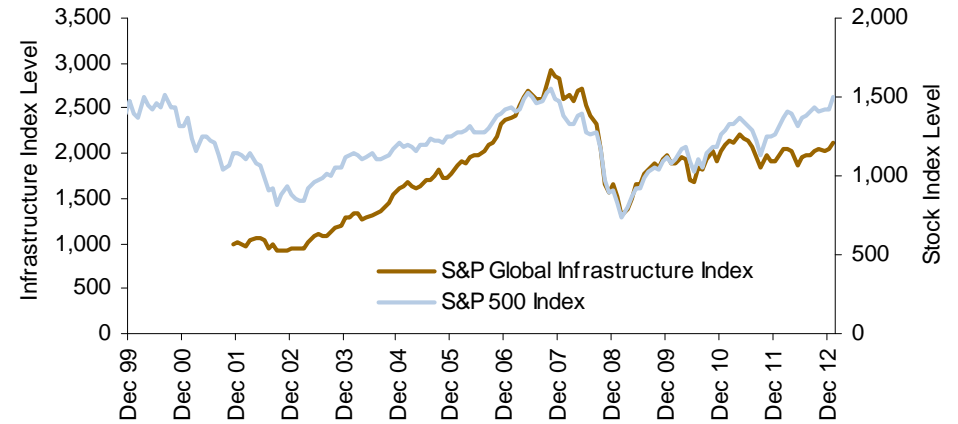
Alternative Assets

REITs and Stocks



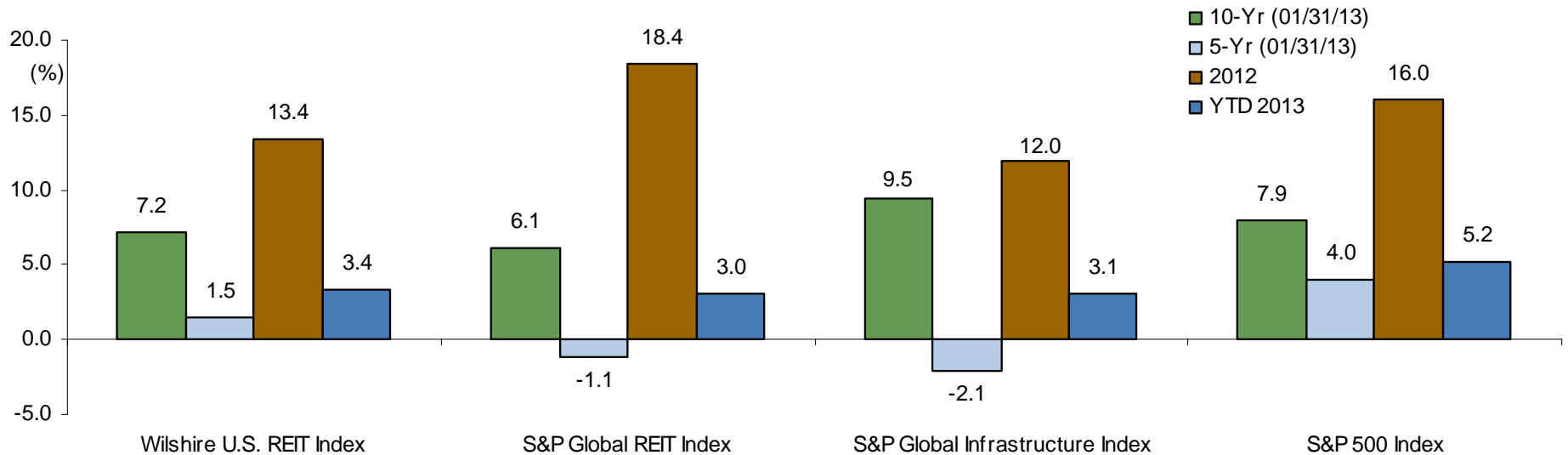
Sources: Bloomberg L.P., BMO Global Asset Management

Global Infrastructure and Stocks



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

Alternatives Total Return



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

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

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Index Definitions

Equity Indices

S&P 500® Index

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

The Shanghai A-Share Stock Price Index is a capitalization-weighted index. The index tracks the daily price performance of all A-shares listed on the Shanghai Stock Exchange that are restricted to local investors and qualified institutional foreign investors.

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

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

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.

BofA Merrill Lynch High Yield BB/B Constr. Index

The BofA 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.

U.S. Emerging Markets Bond Index

The Barclays US 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 US 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.

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.

Investments cannot be made in an index.

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).

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

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