BMO Core Plus Bond Fund

Series F: BMO95159 | Advisor FE: BMO99159 | ETF Series: ZCPB

Current State of the Market & Portfolio Impact

Interest Rates	Credit Spreads
Fixed income returns were negative in October as doubts crept in about the future path of interest rate policy. The Bank of Canada lowered the target for the overnight rate by 50bps, as widely expected. The rate reduction brought the policy rate to 3.75%, its lowest level since December 2022. The move allowed the BoC to keep pace with the US Federal Reserve's September policy decision and restored the differential to 125bps below the Fed's upper bound target. Bank of Canada Governor Tiff Macklem told reports following the announcement that the Bank "took a bigger step today because inflation is now back to the 2% target and we want to keep it close to the target", and that they are "now equally concerned about inflation coming in higher or lower than expected." Canadian growth remained sluggish, printing flat in the latest monthly release for a YOY growth rate of 1.3%, down from the prior month's reading of 1.5%. Several one-off events contributed to the low reading, including temporary rail lockouts. On a brighter note, the preliminary report for September indicated a rebound to 0.3% real growth, led by gains in finance, insurance, construction, and retail trade that offset declines in mining and oil and gas extraction. Canada headline CPI slowed to 1.6% as prices fell by 0.4% MOM, undershooting expectations for the second consecutive month. This also marked the first time that CPI had fallen below 2% since breaching that level in the other direction in March 2021. The BoC's preferred measures of core inflation, meanwhile, came in unchanged at 2.35% YOY. US CPI fell but was nevertheless slightly hotter than expected, at 2.4% YOY. Core services remained elevated despite some moderation in shelter prices. Core inflation excluding food and energy was also higher than forecasted, rising from 3.2% to 3.3%. In Canada, the 10Y rose 26bps, from 2.96% to 3.22%. The US 10Y underperformed Canada, rising by 50bps to 4.28%. The 2s-10s curve steepened by 10bps in Canada and flattened by 3bps in the US.	Canadian and US credit spreads narrowed during the month, in contrast to broad weakness in global equities. The FTSE Canada Mid-Term corporate spread tightened by 7bps. US investment grade spreads ended the period 5bps lower, and high yield cash spreads narrowed by 26bps. CDX Index spreads (IG and HY) ended the period slightly higher.
The portfolio's yield curve positioning including derivatives overlay detracted from performance versus benchmark during the period.	The portfolio's overweight to corporate spread exposure contributed meaningfully to performance during the period as corporate bonds benefitted from the extra carry and narrowing spreads above governments. A higher-than-expected inflation adjustment to real-return bonds held within the strategy also contributed to excess return.

Market Expectations & Portfolio Implications

Interest Rates	Credit Spreads
The uncertainty around the November 5 US election and ongoing resilience of the US economy created a challenging monthly period for fixed income. The US economy added far more jobs than expected during the reported month and the unemployment rate ticked down to 4.1%; this, combined with only small progress on inflation caused markets to rethink both the pace of future interest rate cuts and the total expected amount in aggregate. In Canada, ongoing weak economic data has the Bank of Canada increasingly attentive to downside risks to growth and inflation. Inflation has cooled to below the 2% midpoint of the target range, and job growth continues to lag population growth. Third quarter GDP is anticipated to have fallen well short of the BoC's October MPR forecast of 1.5%, that was itself revised downward from 2.8% in July. Central banks are confident that inflation re-ignition risks are in the rear-view mirror and that the future path of policy rates is lower. The pace and amount of any rate cuts is subject to some degree of lingering uncertainty, with the job market and economic growth key inputs into rate decisions. We expect volatility to remain elevated while data dependency reigns and remain tactically opportunistic in this environment. We reduced duration risk as the US election approached.	Canadian investment grade credit continued to benefit from strong demand on the back of the relatively high all-in yields that it offers. After narrowing further during the month, Canadian credit spreads are now well below longer-term averages; while expensive, valuations are not as extreme as with US investment grade spreads that appear to be priced for perfection. We have reduced overall credit risk while continuing to emphasize carry & roll-down within the portfolios by maintaining our overweight to the areas of the credit curve that offer the best yield enhancement and break-even protection against credit spread widening. This has resulted in a continued emphasis on short- and mid-term (<10-year maturities) investment grade corporate credit and selective short-term high yield exposure where permitted and relevant.
Bias: Neutral duration / interest rate sensitivity, with an overweight to real rates (Canada RRBs and US TIPs) largely offsetting an underweight to nominal rates.	**Bias:** Modest overweight to credit, with an emphasis on the short-term and mid-term segments of the yield curve.

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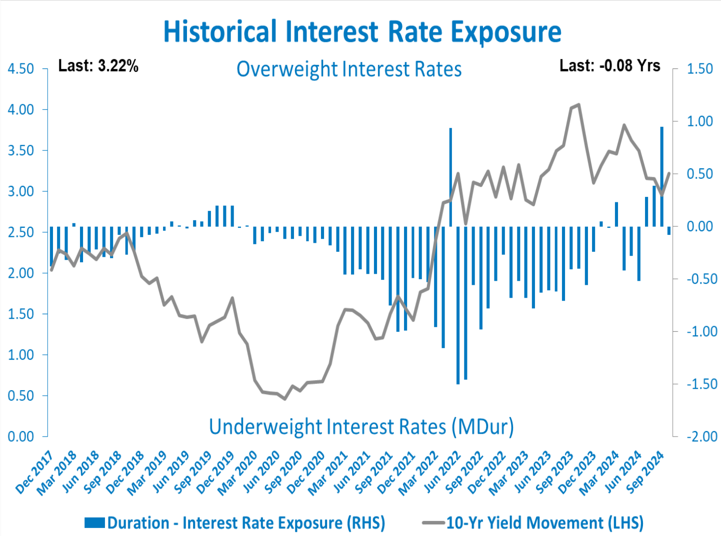
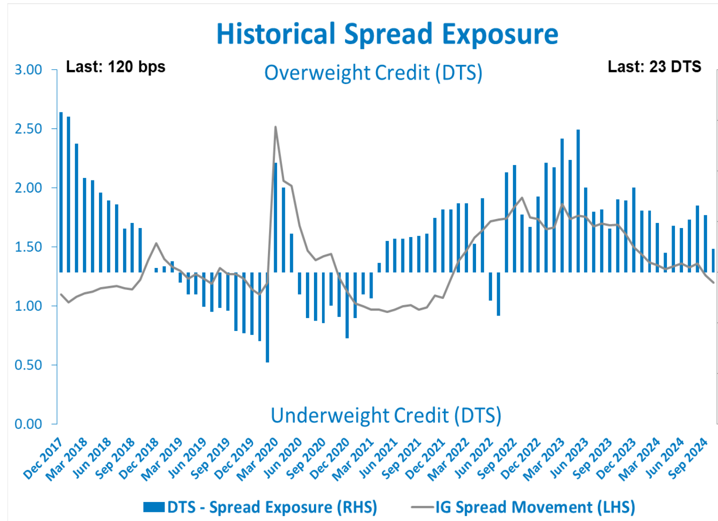


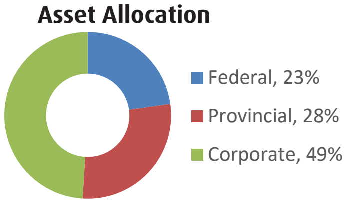


Source: BMO Global Asset Management

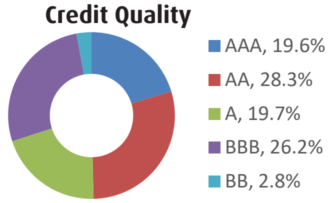
Portfolio Statistics (October 31, 2024, MER for Series F)

Risk Rating	Yield-to-Maturity	Current Yield	Duration	Average Credit Rating	MER
Low	3.89%	3.53%	6.76	A	0.56%

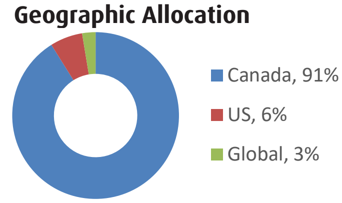
Asset Allocation



Credit Quality



Geographic Allocation



BMO Core Plus Bond Fund Series F trailing performance as of October 31, 2024 (inception date is November 13, 2014)

1-month	3-month	YTD	1-year	3-year	5-year	Since Inception
-0.91	1.41	3.78	11.57	-0.28	0.34	1.94

BMO Core Plus Bond Fund Series F calendar year performance

2023	2022	2021	2020	2019	2018	2017	2016
7.00	-12.53	-2.97	8.80	6.08	0.97	2.82	2.50

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Fund Codes & Fees

Series	Fund Code	MER*
Advisor FE	BMO99159	1.38
Series F	BMO95159	0.56
ETF Series	ZCPB	0.56

*Annual Management Expense Ratios (MERs) are as of September 30, 2023.