



BMO Strategic Fixed Income Yield Fund

BMO



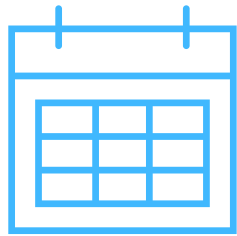
Global Asset Management

October 2024

For advisor use only

Traditional Methods for Enhancing fixed Income yield

Traditionally, there are three methods for increasing yields on fixed income products:



Extend Duration:

- Increases fixed income volatility.
- Higher sensitivity to small changes in interest rates.



Decrease Credit Quality:

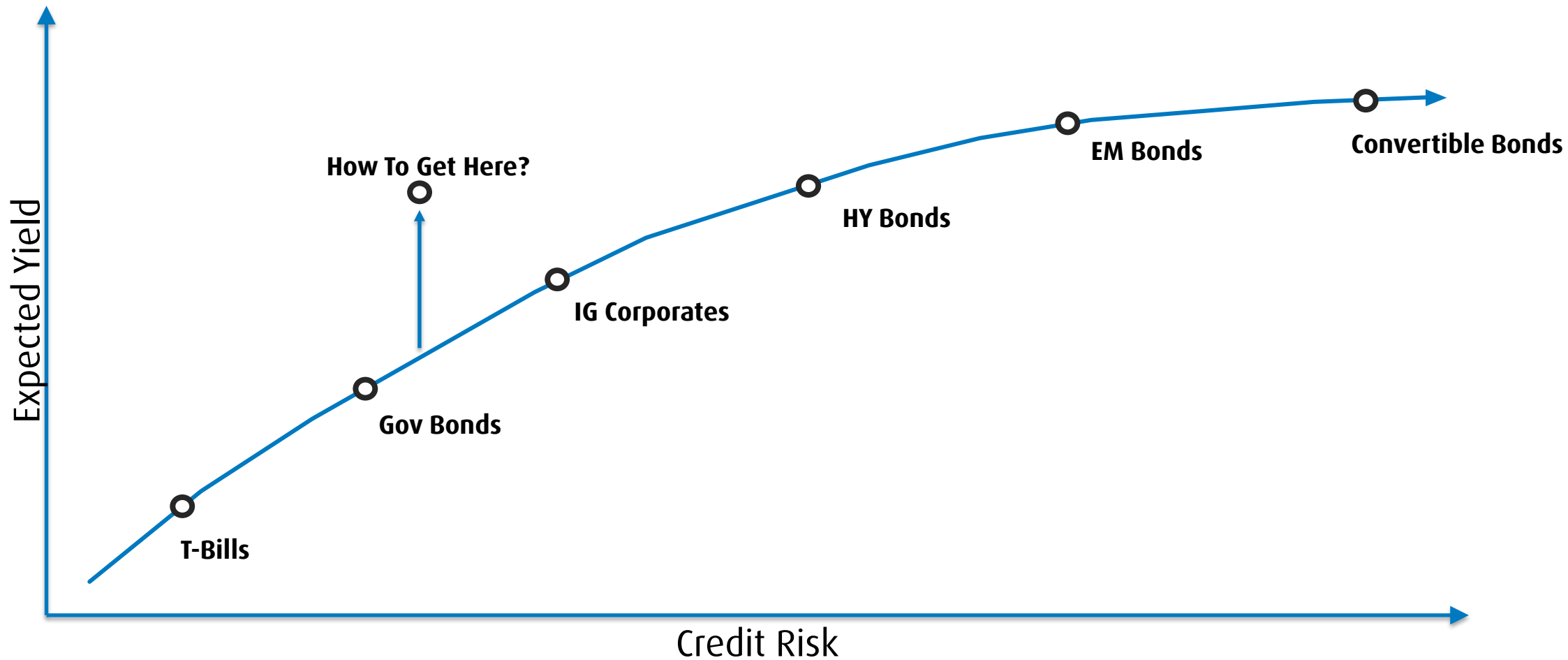
- Increases chance of default and loss of principal.



Go Global:

- Increases currency and sovereign risk.
- Currency fluctuations can impact the yield and value of portfolio.

Product Objective

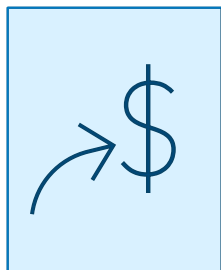


For illustrative purposes only.

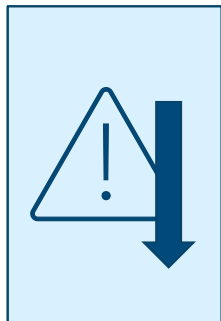
For advisor use only

Product Objective

- BMO Strategic Fixed Income Yield Fund is designed to simultaneously achieve *two main goals* for investors – enhance yields while lowering risk.



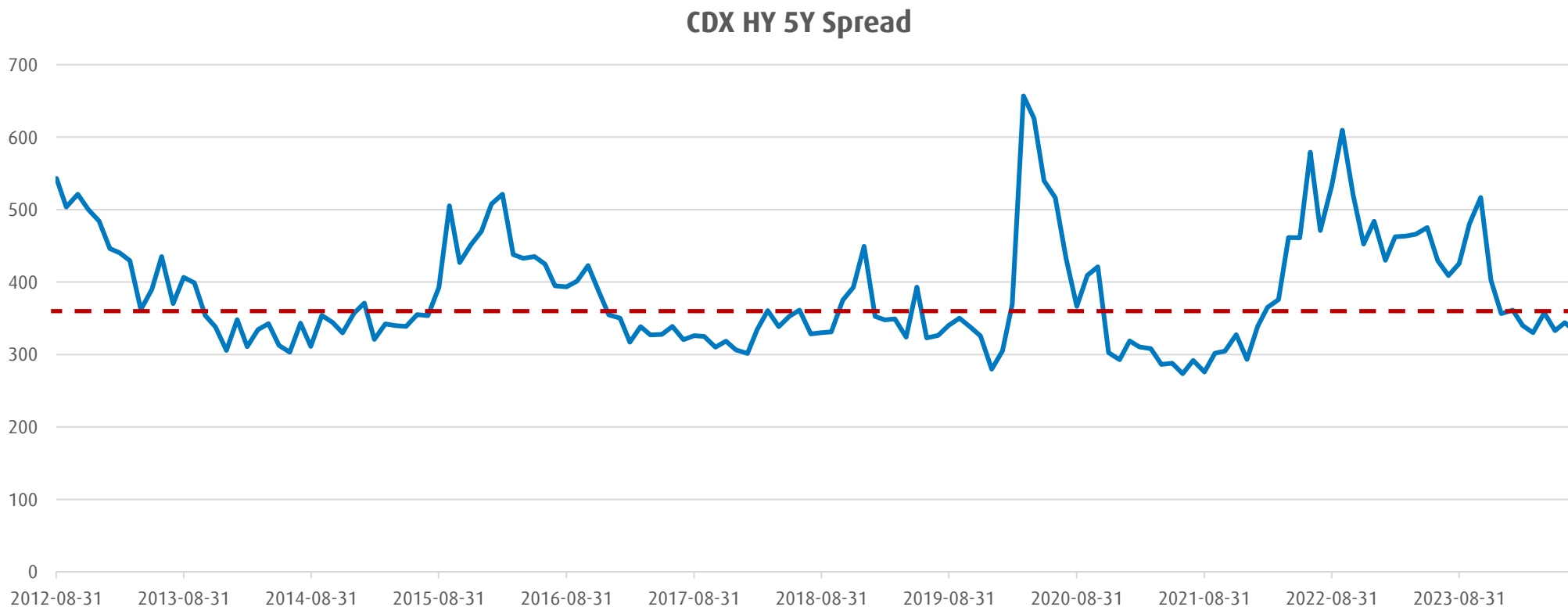
Higher Yield: BMO SFIYF is designed to give investors a higher yield relative to more traditional fixed income instruments.



Reduced Credit Risk: Investors can reduce credit risk in their portfolio by replacing lower credit rated bonds with BMO SFIYF.

Credit Spreads Have Been Historically Tight

Credit spreads have been tightening recently which means that investors are having to take on higher credit risk for less yield than they have historically. In other words, high-yield fixed income is offering lower risk-adjusted returns.

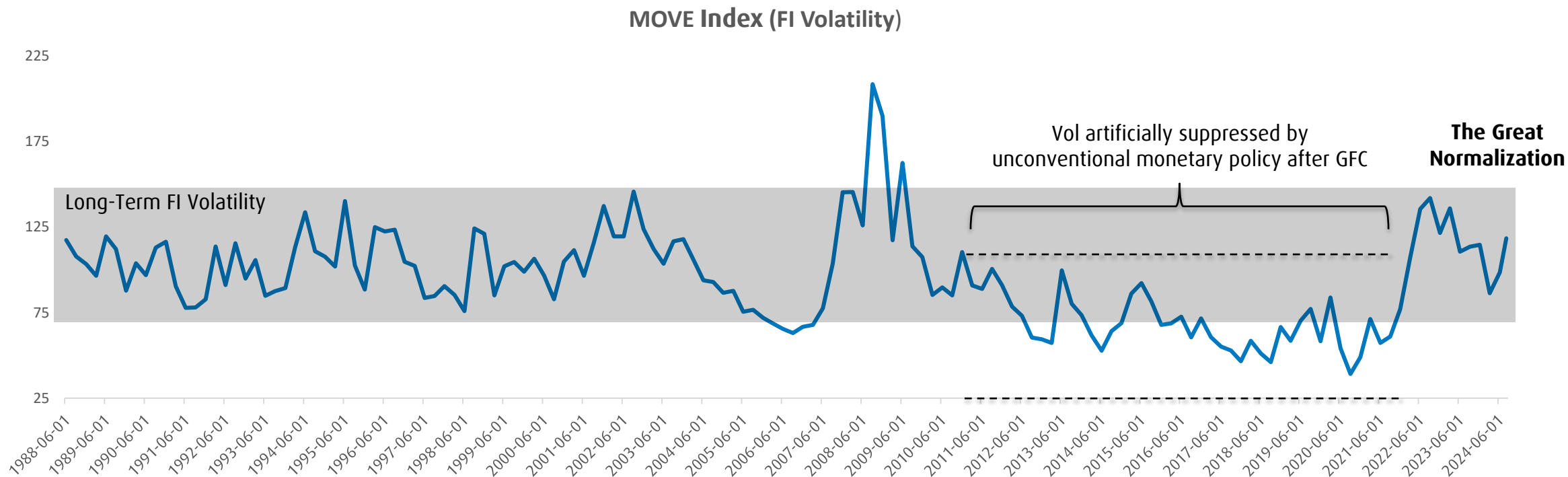


Source: BMO GAM, Bloomberg (As of 9/10/2024)

For advisor use only

Fixed Income Volatility Has Been Increasing

Investors have traditionally used fixed income to mitigate some of the risk in their portfolios, the recent increase in fixed income volatility means that investors will be taking on more total risk in their portfolio's than they have over the past decade.



Source: BMO GAM, Bloomberg (As of 9/10/2024)

For advisor use only

A New Method for Increasing Income

BMO Strategic Fixed Income Yield Fund seeks to replicate exposure to **U.S. interest-rate linked notes** to enhanced cash flow for investors without the added credit risk.

How do interest-rate linked notes improve on traditional methods:

★★★ Higher credit rating than comparable high-yield products.



Hedged to CAD to decrease overall currency risk.



US denominated securities which reduces possible sovereign risk.



NAV stability and low expected volatility

What are the new methods for increasing income using interest-rate linked notes:



These notes are customizable assets which is created through an agreement between BMO GAM and the counterparty.



Product features, such as contingency of coupons and callability, are used to increase the yield.

What are Interest-Rate Linked Notes

Interest-rate linked notes are structured products that link coupon payments directly to changes in US interest rates to generate income.

Key Features



Contingent Coupon:

Coupons are contingent depending on the structure of the note and the level of the reference rate. Contingency means coupons are paid only when reference rate is at the needed level.



Reference Rates:

All contingent coupons are based on the level of the underlying reference rates which are directly related to the rates set by the Federal Reserve (Fed Funds rate).



Callable:

Each note has a callable feature – issuer has the option to call the note back on specific dates (quarterly). Callable feature enhances yield.

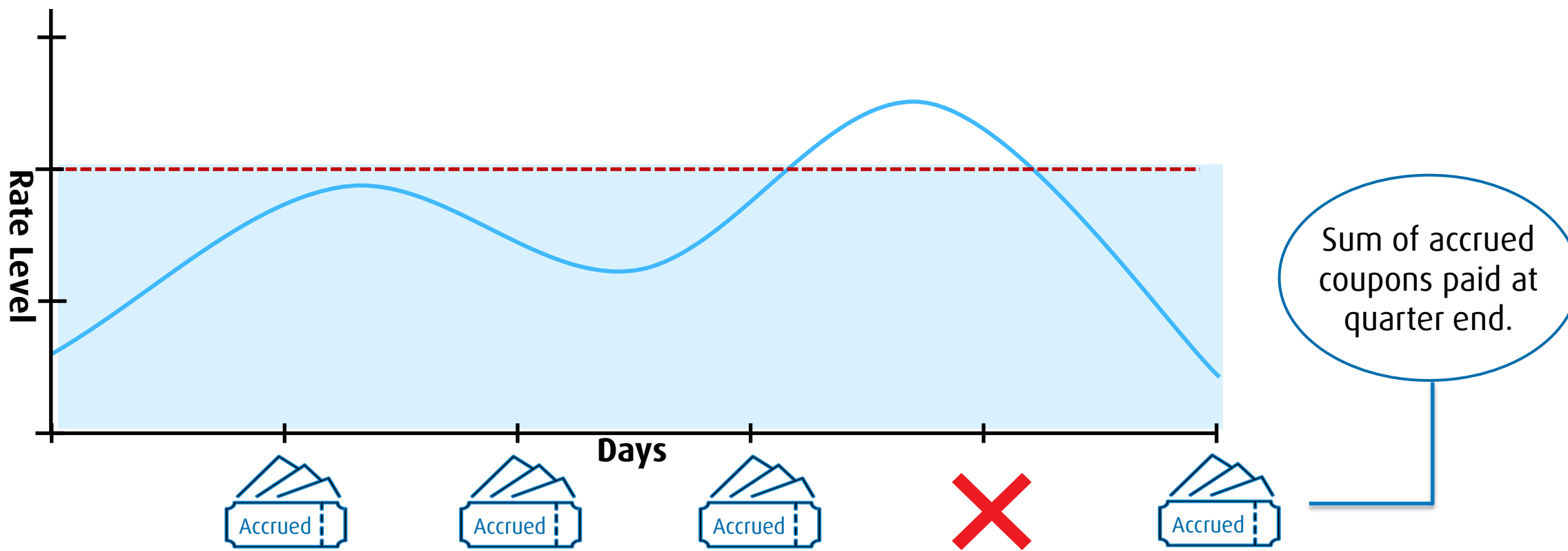


Principally Protected:

Investors will receive complete principal protection if the notes are held to maturity or call.

Understanding the Strategy – Range Accrual Notes

Range accrual notes pay out a quarterly coupon that is accrued for every day that the reference rate stays within a predetermined range.

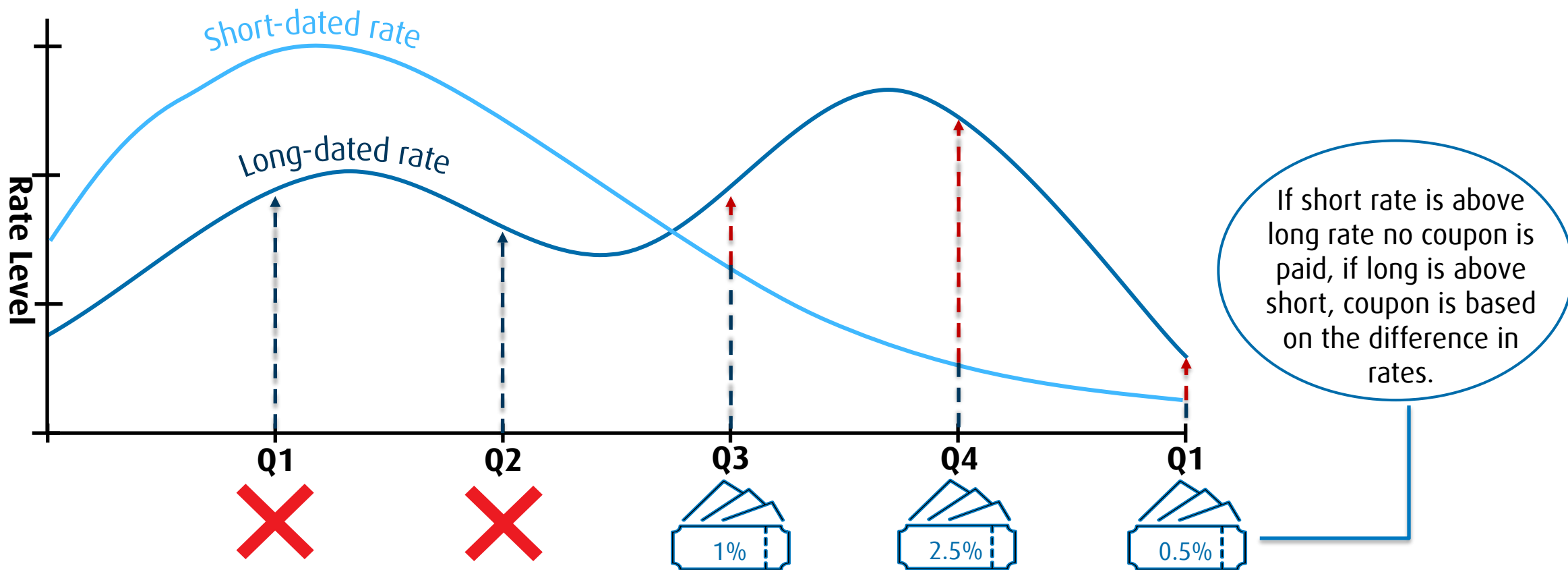


For illustrative purposes only.

For advisor use only

Understanding the Strategy – Curve Steepener Notes

Curve steepener notes pay out a quarterly coupon that is based on the difference between a long and short reference rate. First year coupon may be fixed.



For illustrative purposes only.

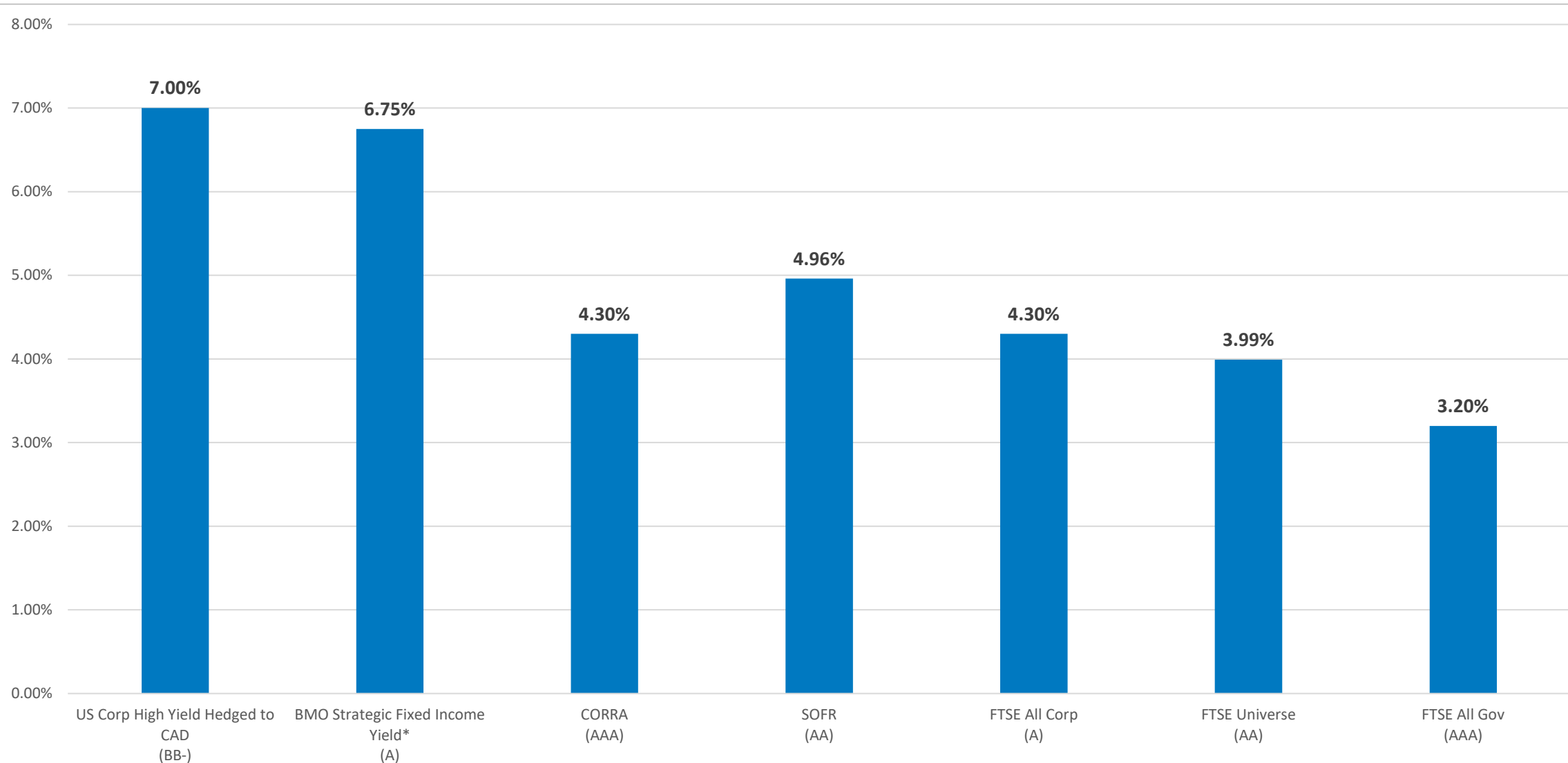
Current Asset Allocation

Swaps*	Type	Reference Asset	Ref Rate	Term	Range	Allocation	Contingent Coupon
Cash FI Instruments		Bonds <1Y	5.32%	<1Y		5%	5.3%
7Y nc 1Y 20xCMS30Y2Y >0%	Callable Steepener	30CMS - 2Y CMS	-0.42%	7YR	> 0%	23%	10.00%
5YR nc1 - 3Y CMS Rate	Callable Range Accrual	3Y CMS Rate	3.51%	5YR	0% - 5.0%	16%	7.13%
5YR nc1 - 5Y CMS Rate	Callable Range Accrual	5Y CMS Rate	3.37%	5YR	0% - 5.0%	16%	7.12%
7YR nc1 - 10Y CMS Rate	Callable Range Accrual	10Y CMS Rate	3.38%	7YR	0% - 5.0%	20%	7.45%
10Y nc1 - 1Y CMS Rate	Callable Range Accrual	1Y CMS Rate	4.28%	10Y	0% - 5.5%	4%	7.58%
7YR nc1 - 5Y CMS Rate	Callable Range Accrual	5Y CMS Rate	3.37	5YR	0% - 5.0%	9%	7.55%
7YR nc1 - 5Y CMS Rate	Callable Range Accrual	5Y CMS Rate	3.37	5YR	0% - 4.6%	8%	7.07
Structured Rate Contingent Yield							7.81%
Cost of FX Hedging							-0.75%
Total Fund Contingent Yield (Gross of Fees)							7.06%

Subject to change without notice

Source: BMO GAM (08/16/2024)
For advisor use only

Yield vs. Contingent Coupon Compared



Source: Bloomberg, BMO GAM (As of 10/01/2024). BMO Strategic Fixed Income Yield: Yield reflects the contingent coupon of the structured rate swaps.

For advisor use only

Scenario Analysis

	Weight	Parallel Shift									Curve Shift (75bps)	
		-100bps	-50bps	-30bps	-10bps	0bps	+10bps	+30bps	+50bps	+100bps	Flat	Steep
7Y nc 1Y 20xCMS30Y2Y >0%	25%	2.0%	1.4%	0.9%	0.3%	0.0%	-0.3%	-0.8%	-1.3%	-4.1%	-2.8%	2.2%
5YR nc1 - 3Y CMS Rate	20%	3.4%	2.0%	1.3%	0.5%	0.0%	-0.5%	-1.7%	-3.0%	-8.0%	0.4%	-0.8%
5YR nc1 - 5Y CMS Rate	20%	3.2%	2.0%	1.3%	0.5%	0.0%	-0.5%	-1.6%	-2.9%	-7.7%	0.7%	-1.7%
7YR nc1 - 10Y CMS Rate	25%	3.7%	2.2%	1.5%	0.5%	0.0%	-0.6%	-1.8%	-3.3%	-8.5%	1.5%	-3.9%
10Y nc1 - 1Y CMS Rate	5%	5.1%	3.1%	2.0%	0.7%	0.0%	-0.8%	-2.8%	-5.0%	-11.6%	0.3%	-2.3%
Total		3.0%	1.9%	1.2%	0.4%	0.0%	-0.5%	-1.5%	-2.6%	-6.9%	-0.1%	-1.0%

- Average duration: 4.95y
- Similar to fixed income, fund benefits from falling yields and falling interest rate volatility
- Swaps are principally protected but fund is exposed to mark-to-market risk
- Asymmetric MTM
 - Yields fall: smaller mark-to-market gain as the swap pays a higher contingent coupon with higher probability of swap called at par by counterparty early (ie. Shorter duration)
 - Yields rise: greater mark-to-market loss due higher risk of no coupon paid and decreases the probability of the swap being called early (ie. Longer duration)

Key Features



Enhanced Yield

- Higher potential yield compared to traditional fixed income instruments with similar credit and maturity



Mature at Par

- If the underlying structured interest rate swaps are held to maturity or call, they are principle protected without notional exchanges



Daily Liquidity

- Aims to deliver stable monthly income to investors
- Income earned will be distributed monthly



Diversification

- Exposure to a range of structured interest rate payoffs
- Actively managed across different interest rate regimes



Currency Hedging

- Clients gain exposure to the underlying asset and returns are not affected by movements in currency pairs



Lower Minimum Investments

- Clients can have access to expensive assets that generally require higher capital investments within this fund, as there are low minimum requirements



Accessibility

- Typically, structured notes have a limited selling window (around two weeks)
- Within an open fund structure clients can invest into the fund at any time



Time Savings

- Actively managing a large portfolio of notes is time consuming and cumbersome for the client, as notes get called frequently



Experienced Management Team

- Portfolio managers with extensive experience in Capital Markets and WealthManagement

A Product Prepared for Any Outcome

The BMO Strategic Fixed Income Yield Fund provides investors with unique benefit of positioning the portfolio in order to provide innovative investment solutions depending on the future direction of interest rates.

Falling Interest Rates

- Currently, because of our view that US interest rates will fall, we have positioned our fund into strategies that perform well in a falling to stable interest rate environment such as the Range Accrual and Curve Steepener notes.

Stable Interest Rates

- If interest rates remain steady, the strategy is expected to collect the contingent coupon

Rising Interest Rates

- If future interest rates begin to rise our investment management team will switch into strategies that link positive performance to increases in interest rates.

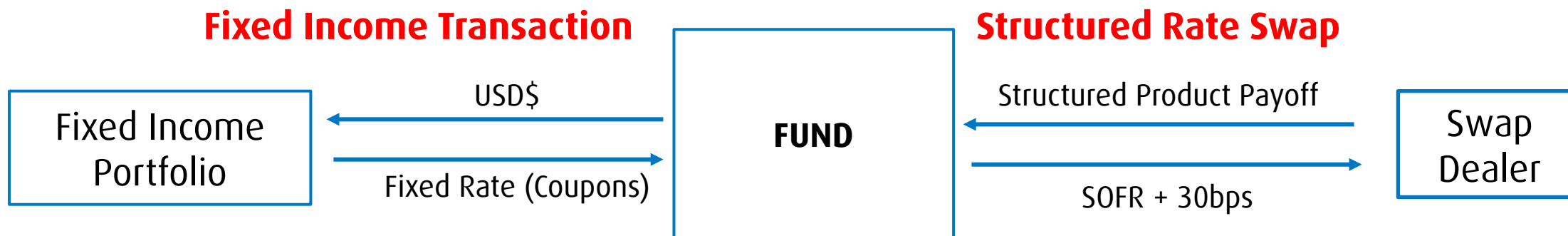
BMO Strategic Fixed Income Yield Fund

Fund Overview	
Fund	BMO Strategic Fixed Income Yield Fund
Type	Mutual Fund Trust
Category	Global Fixed Income
Risk Rating	Low Risk
Investment Objective	The fund's objective is to generate income while preserving capital by investing primarily in debt instruments anywhere in the world. The Fund may make these investments directly, or indirectly by using derivative instruments or investing all or a portion of its assets in one or more investment funds.
Benchmark	Bloomberg US Aggregate Bond Hedged to CAD
Fund Code	BM099341 / BM095341
Launch Date	July 10, 2024
Currency	CAD
Distribution	Monthly
Estimated MER**	73bps (F-Series), 130 bps (A-Series & Advisor Series with 50 bps trailer)

*The actual Management Expense Ratio (MER) will not be known until the fund financial statements for the current fiscal year are published.

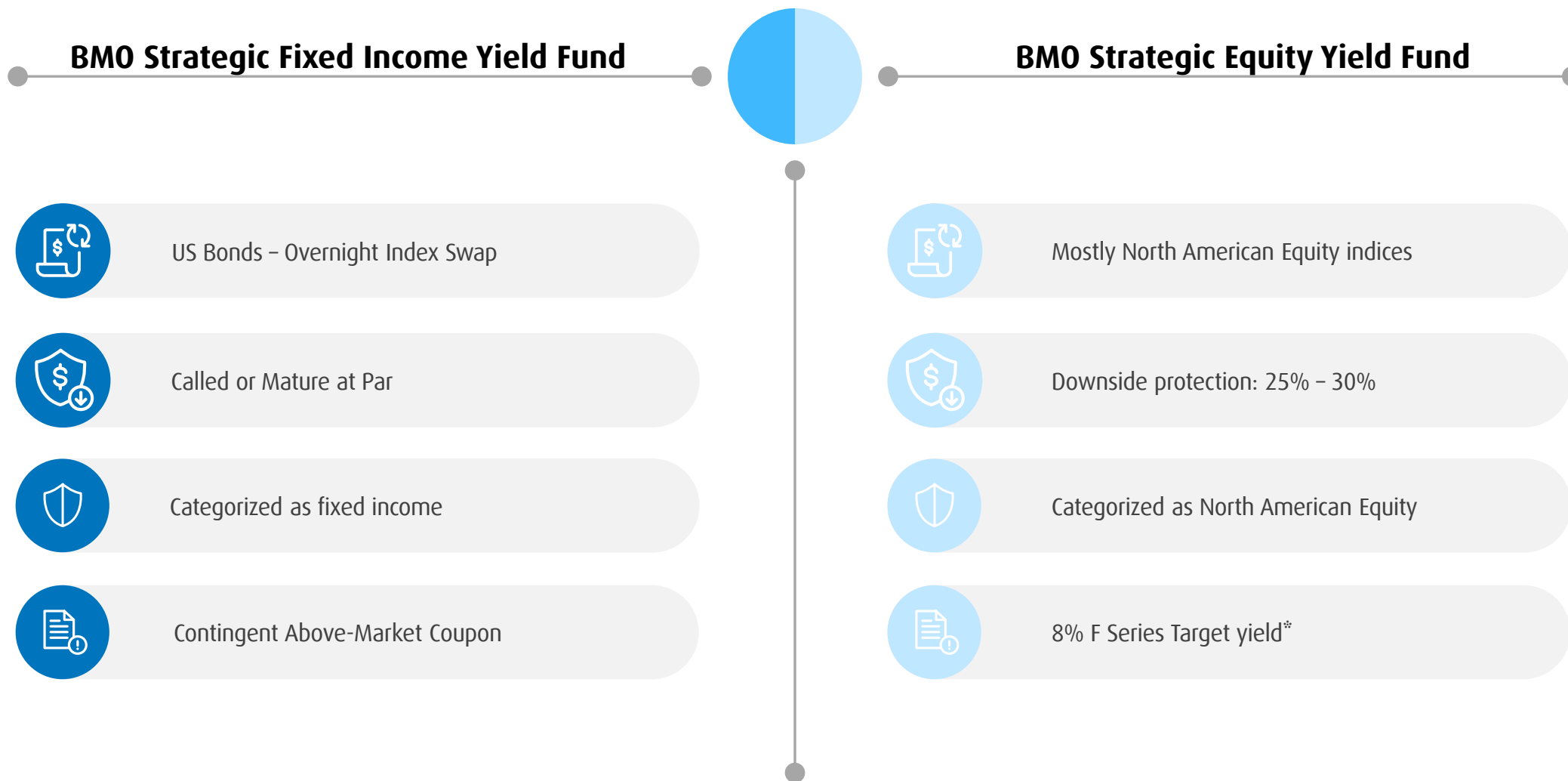
Appendix

Fund Structure



- Fund will invest in a portfolio of fixed income instruments
 - Bonds will have maturity less than one year with a designated rating for cash cover
 - Coupon from fixed income instruments used to fund Structured Rate Swaps
- Structured Rate Swaps allows the fund to receive Higher Cashflow (assuming conditions are met) while paying CORRA/SOFR + 30bps (same as SEYF)
 - Callable Range Accrual Swaps / Callable Curve Steepener Swaps / Callable Fixed Rate Swaps / Extendible Step-Up Swaps

Extension of Existing Capabilities



For advisor use only

Disclaimer

This presentation is for information purposes. The information contained herein is not, and should not be construed as, investment, tax or legal advice to any party. Particular investments and/or trading strategies should be evaluated relative to the individual's investment objectives and professional advice should be obtained with respect to any circumstance.

Any statement that necessarily depends on future events may be a forward-looking statement. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Although such statements are based on assumptions that are believed to be reasonable, there can be no assurance that actual results will not differ materially from expectations. Investors are cautioned not to rely unduly on any forward-looking statements. In connection with any forward-looking statements, investors should carefully consider the areas of risk described in the most recent simplified prospectus.

All investments involve risk. The value of a Mutual Fund can go down as well as up and you could lose money. The risk of a Mutual Fund is rated based on the volatility of the Mutual Fund's returns using the standardized risk classification methodology mandated by the Canadian Securities Administrators. Historical volatility doesn't tell you how volatile a Mutual Fund will be in the future. A Mutual Fund with a risk rating of "low" can still lose money. For more information about the risk rating and specific risks that can affect a Mutual Fund's returns, see the BMO Mutual Fund's simplified prospectus.

Distribution yields are calculated by using the most recent regular distribution, or expected distribution, (which may be based on income, dividends, return of capital, and option premiums, as applicable) and excluding additional year end distributions, and special reinvested distributions annualized for frequency, divided by current net asset value (NAV). **Distributions are not guaranteed, may fluctuate and are subject to change and/or elimination. Distribution rates may change without notice (up or down) depending on market conditions and NAV fluctuations.** The payment of distributions should not be confused with a BMO Mutual Fund's performance, rate of return or yield. If distributions paid by a BMO Mutual Fund are greater than the performance of the investment fund, your original investment will shrink. Distributions paid as a result of capital gains realized by a BMO Mutual Fund, and income and dividends earned by a BMO Mutual Fund, are taxable in your hands in the year they are paid. **Your adjusted cost base will be reduced by the amount of any returns of capital. If your adjusted cost base goes below zero, you will have to pay capital gains tax on the amount below zero.**

Distributions, if any, for all series of securities of a BMO Mutual Fund (other than ETF Series) are automatically reinvested in additional securities of the same series of the applicable BMO Mutual Fund, unless the securityholder elects in writing that that they prefer to receive cash distributions. For ETF Series securities of a BMO Mutual Fund, distributions, if any, may be paid in cash or reinvested automatically in additional ETF Series securities of the applicable BMO Mutual Fund and the ETF Series securities will be immediately consolidated such that the number of outstanding ETF Series securities following the distribution will equal the number of ETF Series securities outstanding prior to the distribution. If a securityholder is enrolled in a distribution reinvestment plan, distributions, if any, will be automatically reinvested in additional ETF Series securities of the applicable BMO Mutual Fund pursuant to the distribution reinvestment plan. For further information, see the distribution policy for the applicable BMO Mutual Fund in the simplified prospectus.

Series F units are only available to investors who participate in eligible wrap programs or flat fee accounts with their registered dealers that have entered into a Series F Agreement with BMO Investment Inc.

Commissions, trailing commissions (if applicable), management fees and expenses all may be associated with mutual fund investments. Please read the fund facts or prospectus of the relevant mutual fund before investing. The indicated rates of return are the historical annual compounded total returns for the period indicated including changes in unit value and reinvestment of all distributions and does not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Distributions are not guaranteed and are subject to change and/or elimination.

For a summary of the risks of an investment in BMO Mutual Funds, please see the specific risks set out in the simplified prospectus.
BMO Mutual Funds are managed by BMO Investments Inc., which is an investment fund manager and a separate legal entity from Bank of Montreal.
BMO Global Asset Management is a brand name under which BMO Asset Management Inc. and BMO Investments Inc. operate.
"BMO (M-bar roundel symbol)" is a registered trademark of Bank of Montreal, used under licence.