

# ZTIP – BMO Short-Term US TIPS Index ETF

You can access a suite of US Treasury-Inflation Protected Securities here in Canada with your choice of hedged, unhedged or USD.

WHY  
ZTIP?



1. Protection against surprises in higher inflation.
2. Short duration to manage interest rate risks.
3. Safety of US government backed debt.



## ZTIP / ZTIP.F / ZTIP.U

**Management Fee:** 0.15% | **Risk Rating:** ZTIP – Low to Medium, ZTIP.F/ZTIP.U – Low

**ZTIP tracks the Bloomberg US Government Inflation-Linked 0-5 Year Bond Index**, focusing on the short end of the curve to provide more of a pure play on inflation by avoiding longer duration risk.

**ZTIP or Treasury-Inflation-Protected Securities** have been designed to protect investors against inflation. The bonds have a government backing, and pay investors a fixed interest rate as the bonds par value adjusts with the inflation rate.

Signs you should be protecting against inflation:

Sustained  
Geopolitical  
Tensions

Purchasing  
Power Falls

Increasing  
Production Costs

Elevated  
Commodity Prices

## How do Treasury Inflation Protected Securities Work?

- ZTIP pays interest twice a year based on a fixed rate
- The principle value of ZTIP adjusts up and down based on inflation as measured by Consumer Price Index (CPI)
- The rate of return received by investor reflects the adjusted principal

### Example:

The Treasury issues a US TIPS with \$1000 face value and 3% coupon.

**Year 1:** Investor received \$30 (in two semi-annual payments). That year the CPI increases by 4%. As a result, the face value adjusts to \$1040.

**Year 2:** Investor received the same 3% coupon, but based on new, adjusted face value. Therefore, the investor received income of \$31.20.

**Year 3:** CPI drops by 2%. Face value rises to \$1060.80 and investor receives interest of \$31.82.

The TIPS' payout consists of two parts: the increase in CPI and the "real yield," or the yield above inflation. Once the bonds mature, investors receive either the adjusted, higher principal or their original investment, whichever is greater.

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