

# ZGSB - BMO Global Strategic Bond Fund ETF Series

## PM Commentary

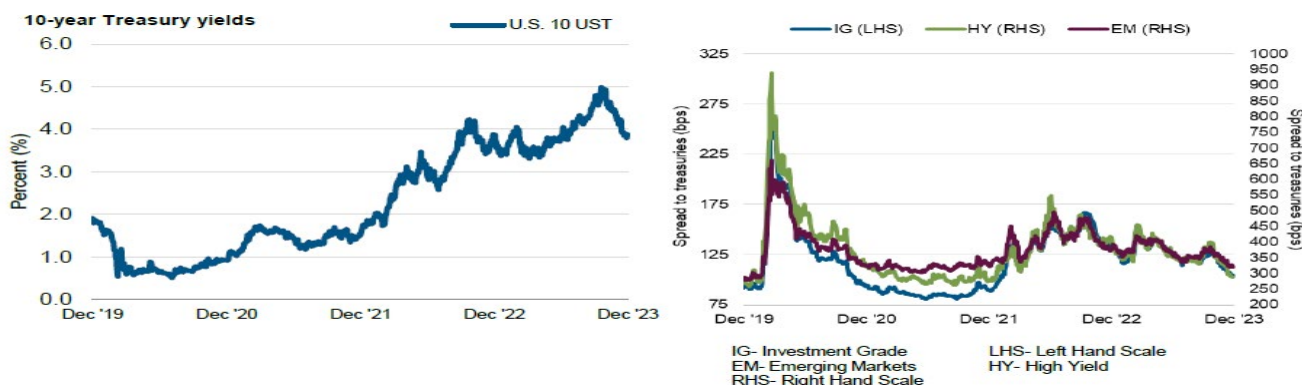
Global investment grade credit spreads tightened 5 bps in December, ending the month at 105 bps. The sector returned 3.73%, outperforming like duration government bonds by 0.38%. Credit spreads tightened as rates continued to rally over the month.

Global high yield bond spreads tightened 41 bps in December, ending the month at 355 bps. The lower quality segments of the high yield market outperformed as the single B and triple C segments saw a total return of 3.5% and 5.5%, respectively, while the highest quality segment (double B) saw a total return of 3.1%. Altogether, the asset class returned 3.5% amid benign

inflation data and market expectations of an end to the U.S. rate hiking cycle.

External debt returned +4.81% in December, driven by a 45 bp fall in underlying U.S. Treasury yields and a 20 bp tightening in spreads. Local debt also posted strong returns of +3.21% as EM currencies largely appreciated against the U.S. dollar and local interest rates fell.

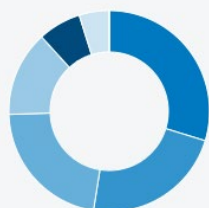
Emerging markets continued their rally in December given dovish signals from the Fed, with a rate cutting cycle and a soft landing likely ahead in 2024, an environment which has proven to be beneficial for EM bonds.



## Performance Gross of fees - ZGSB BMO Global Strategic Bond ETF Series, as of December 29<sup>th</sup>, 2023

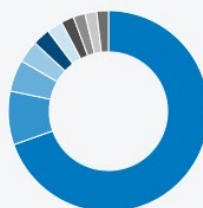
1 mth	3 mth	6 mth	YTD	1 yr	3 yr	5 yr	Annualized Since Inception (May 29 <sup>th</sup> , 2018)
4.19%	7.75%	6.58%	10.28%	10.28%	-1.81%	2.33%	1.93%

### Sector Allocation



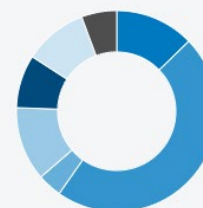
Emerging Market Bonds	29.74%
Securitized Debt	22.78%
High Yield Bonds	21.98%
Investment Grade Bonds	13.74%
Government Bonds	6.92%
Other	4.83%
Municipal Bond	0.01%

### Geographic Allocation



United States	66.37%
Other	8.22%
Mexico	4.85%
United Kingdom	3.40%
Romania	2.69%
Hungary	2.43%
Chile	1.96%
Switzerland	1.81%
Panama	1.81%
Italy	1.80%

### Credit Allocation



AAA	12.76%
AA	46.97%
A	3.92%
BBB	11.91%
BB	8.54%
B	10.22%
CCC or below	5.67%

## Positioning and outlook

### Investment Grade Corporate Credit

We are cautious on generic corporate credit and instead are focusing on sectors that have historically been more resilient to higher rates. We continue to find opportunities in the financials segment as broad-based weakening in preferred shares and bank capital securities has made some of the senior issues from stronger banks more attractive.

### High Yield

We maintain an overweight to high yield, with a focus on active sector, issuer and security selection. We are cautiously constructive on fundamentals – while the level of stress in market has been increasing, in contrast to most prior periods heading into a slowdown, the health of corporate, consumer, and bank balance sheets appears reasonably sound. We remain cautious on high yield sectors with heightened sensitivity to disruption, including the raw materials and energy sectors. We continue to emphasize exposure via CDX given superior liquidity.

### Emerging Markets (EM)

We remain cautious on EM, staying selective and sizing our positions conservatively. Our focus is on select opportunities that offer an attractive risk/reward balance in an environment of elevated uncertainty over global monetary and fiscal policy. We emphasize a selective approach focusing on issuers with strong fundamentals and ability to repay and seek to avoid the increasing number of lower quality.

### Securitized

We remain constructive on senior US securitized credit broadly. Senior non-agency MBS stands out as attractive given diversification benefits, stable cash flows, and resilient fundamentals. We remain constructive on Agency MBS as technical pressures should continue to wane as demand returns alongside declining volatility, providing tailwinds for spreads to tighten.

## PIMCO

PIMCO is a premier global investment solutions provider managing over \$1.8 trillion in assets combining global capabilities, broad expertise and investment strategies to bring investors results.

PIMCO has an extensive track record managing single-sector strategies, launching high yield and loan strategies in 1992, securitized and emerging market strategies in 1997, and investment grade credit strategies in 2000; the public credit business today has grown to over \$400bn in AUM.

Diversified Income was launched in 2003 as the best reflection of PIMCO's global multi-sector credit views reflected in a benchmark aware approach. The overarching goal is to use our footprint in all relevant markets to match client needs with where we are finding opportunities.



**Dan Ivascyn**  
Managing Director  
and Group CIO



**Alfred Murata**  
Managing Director



**Sonali Pier**  
Managing Director