

BMO Strategic Equity Yield Fund

Bi-Weekly Update

Portfolio Manager Commentary

As of June 16th, 2025, the BMO Strategic Equity Yield Fund (BMO SEYF) reported a net asset value (NAV) of \$9.31. The Fund continues to offer a compelling income profile, delivering average yields in the 9.50% to 10.00% range, underpinned by deep structural buffers and a deliberate focus on capital preservation.

Macro Environment: Surface Resilience, Underlying Fragility:

Markets continue to trade with optimism, but underlying signals suggest a more cautious stance is warranted. In the U.S., inflation remains above target and consumer momentum is softening, while the policy environment has grown more uncertain following the April 2025 tariff announcements. Earnings growth expectations are increasingly difficult to meet, particularly in sectors requiring high top-line expansion to justify valuations. In Canada, the S&P TSX Composite index is trading near record levels, supported by earnings resilience. However, analysts are beginning to note potential headwinds tied to trade policy, household demand, and consumer confidence. While near-term performance has been encouraging, recent research supports a more selective and defensive approach to Canadian equities. Recent trends point toward an increasingly asymmetric risk-reward environment. Upside appears constrained by stretched valuations and fading earnings revisions, while downside risks are broadening – from global trade frictions to consumer softness and policy-driven volatility.

Portfolio Positioning:

Structured products are inherently well-suited for current conditions. Unlike traditional equities, structured products do not require sustained market outperformance to meet their objectives:

- Coupons are collected even if the market is trending sideways, modestly up, or modestly down.
- In a more severe market environment, principal protection and downside buffers help preserve NAV and mitigate volatility.
- While structured products may lag in a sharp bull market, they are expected to outperform when markets are range-bound, choppy, or grinding lower – all of which are increasingly characterize the current regime.

In line with our cautious macro view, we have taken proactive steps to reduce cyclical exposure within the portfolio, especially in areas where fundamentals are deteriorating or earnings visibility has weakened. Recent rotations include:

- Reallocating to:
 - High-quality, lower-beta exposures that offer income durability across market cycles.
 - Broad index allocations to diversify idiosyncratic risk and reduce volatility as dispersion rises.
 - Deeper buffer protections to withstand drawdowns without sacrificing income.
- Reducing positions tied to global trade, discretionary consumption, and cyclical industries.

We believe equity markets are entering a more complex phase, where fundamentals will increasingly reassert themselves and passive flows may no longer mask underlying fragility. BMO SEYF is positioned to navigate this terrain – prioritizing steady yield, capital preservation, and disciplined risk-taking versus reacting to headlines.

Fund Snapshot

Coupon Range	Buffer Level Range
9.50%-10.00%	20% – 25%

Distributions

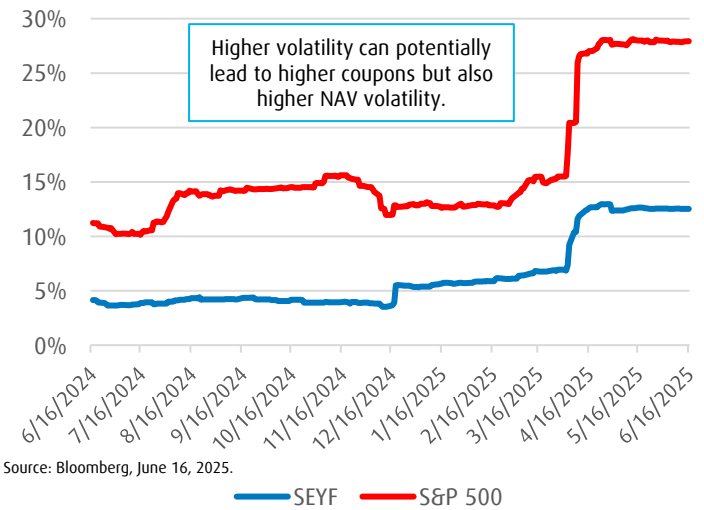
Previous	Upcoming
June 16, 2025	July 16, 2025

Fund Characteristics

Series	Fund Codes	MER (%)
Advisor (CAD)	BM099290	1.64
F (CAD)	BM095290	0.51

**Low to Medium risk rating by prospectus

Volatility 90 Day

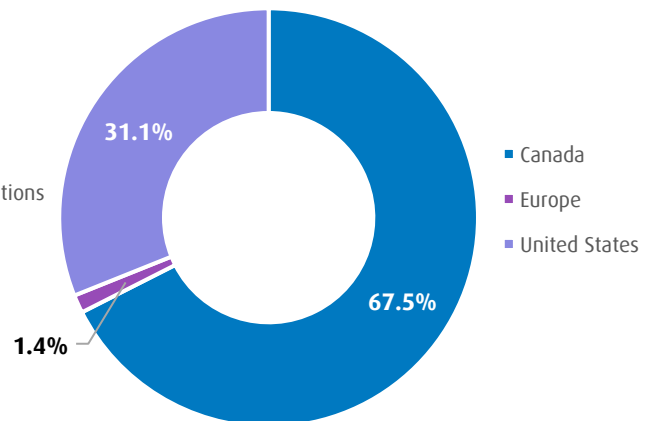
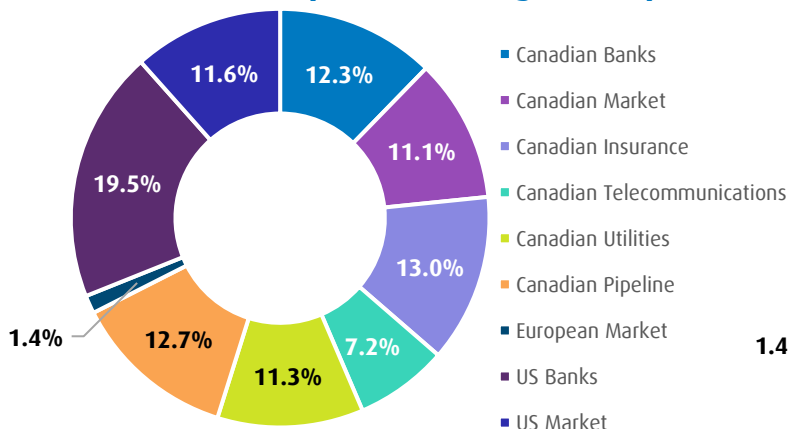


Top 10 Trades

Reference Asset	Annualized Coupon	% of overall fund	Distance to Protection	Distance to Call (Positive is in the money)
Canadian Pipelines	10.65%	1.61%	18.10%	-6.90%
Canadian Insurance	10.35%	1.61%	18.44%	-6.56%
Canadian Utilities	8.80%	1.61%	19.33%	-0.67%
Canadian Insurance	10.00%	1.61%	19.14%	-5.86%
Canadian Utilities	9.07%	1.61%	20.14%	0.14%
Canadian Insurance	10.50%	1.61%	19.96%	-5.04%
Canadian Utilities	9.55%	1.61%	21.18%	1.18%
Canadian Insurance	9.85%	1.45%	19.16%	-5.84%
Canadian Utilities	9.25%	1.45%	25.63%	0.63%
Canadian Market	9.20%	1.45%	25.05%	5.05%

Source: BMO GAM June 16, 2025

Reference Asset Exposure and Regional Exposure³



BMO Strategic Fixed Income Yield Fund

Bi-Weekly Update

Portfolio Manager Commentary

The Strategic Fixed Income Yield Field (SFIYF) contains a diversified suite of interest rate structured products with exposure to US rates. SFIYF as of June 16, 2025, has a NAV of \$9.76. The fund's largest exposures are to 5y and under US rates. Contingent coupons for range accruals are on average between 6-9% and steepener coupons remain between 7-10%. Range accruals remain within their ranges with an average of 105bps from the tops of the range.

Macro Environment:

Rates markets remain choppy since the start of June, with labor market and inflation data whipping US markets in opposite directions. Labor market data on June 6 out of the US showed non-farm payrolls coming in higher than expected causing a 5bps sell off in US swap rates. The week following, inflation data surprised to the downside, and US rates rallied ~15bps over the mid week with market was back to pricing 2 fed cuts for the year. To end the week, consumer sentiment improving triggered an uptick in US yields reversing some of the rally due to softer inflation data. To add to all this, the Trump administration continues negotiating trade deals with various partners in respect to the Jul 9 tariff relief deadline and have made some superficial progress with China on the rare earths front. The tax bill remains being negotiated by senate and tensions escalate in the middle east. Overall rates volatility remains, continuing to follow the latest headlines and data that arise.

Portfolio Positioning:

Despite all the noise, US swap rates remain quite range bound in the last few months, and PMs of the fund have been using sell off opportunities to add to range accruals at favorable levels. Recently, they have been entering into range accruals with coupons upwards of 8% and 120bps on the upside, given the increased volatility while keeping similar duration. The PMs of the fund continue to be wary of long end, mostly adding to range accruals in the 5y and under space, being cautious towards the hesitancy around the US exceptionalism story, considering the US' swelling debt burden and looming debt ceiling deadlines. The PMs of the fund continue to watch for opportunities in steepeners.

With continued business uncertainty in the US and Fed still in wait and see mode, market participants wait to see how this turmoil will impact lending and corporate credit. Despite the uncertainty, SFIYF continues to accrue and pay out 6% annualized coupons, regardless of how credit performs. SFIYF remains a good diversifier from traditional credit while still maintaining a similar enhanced coupon.

Fund Snapshot

Contingent Coupon	Credit Rating
6.0%	A
Average distance from the tops of the range	105bps

Fund Characteristics

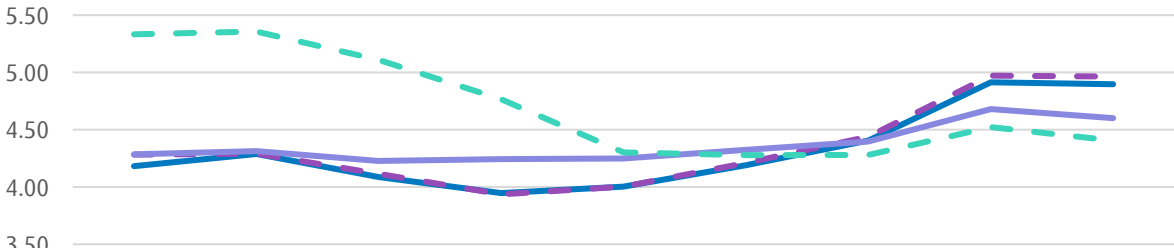
Series	Fund Codes	MER (%)**
Advisor (CAD)	BM099341	1.07
F (CAD)	BM095341	0.51
**Low risk rating by prospectus		

Total Return Volatility

Security Name	30 Days	90 Days	180 Days
BMO Strategic Fixed Income Yield Fund	3.98%	5.47%	6.05%
Iboxx USD Liquid High Yield Index TR	3.36%	4.98%	4.01%
Iboxx USD Liquid Investment Grade Index TR	6.83%	7.66%	7.33%
Bloomberg US Agg Total Return Index	5.18%	5.37%	5.16%

Source: Bloomberg. June 16, 2025. Historical volatility doesn't tell you how volatile a Mutual Fund will be in the future and will change based on market conditions.

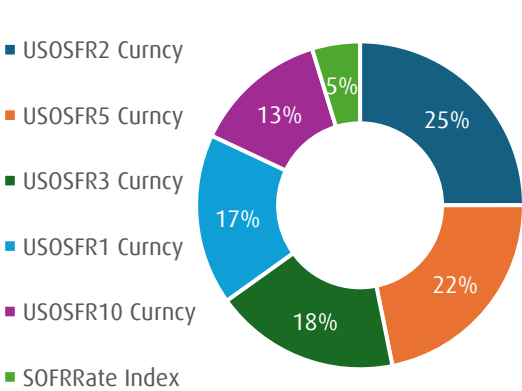
US Government Yield Curve



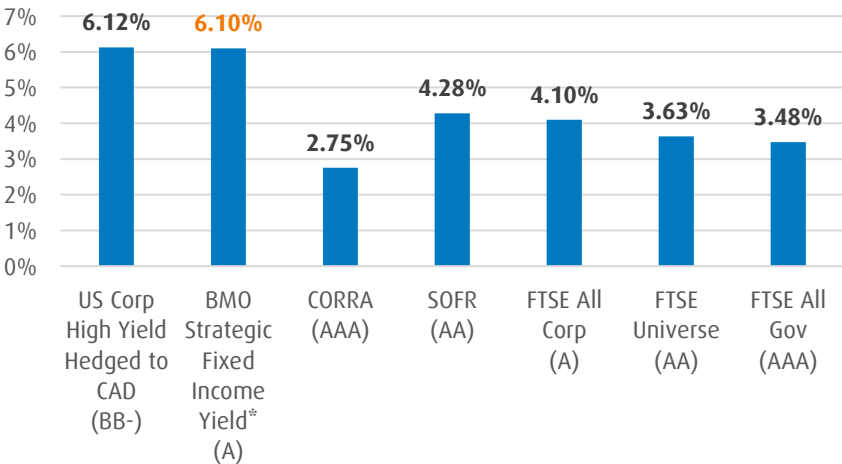
	1M	6M	12M	2YR	5YR	7YR	10YR	20YR	30YR
Today	4.18	4.29	4.09	3.95	4.00	4.19	4.41	4.91	4.90
2 Weeks ago	4.28	4.29	4.12	3.94	4.00	4.21	4.44	4.97	4.97
6 Months Ago	4.29	4.31	4.23	4.24	4.25	4.32	4.40	4.68	4.60
1 Year	5.33	5.36	5.11	4.77	4.30	4.28	4.28	4.52	4.41

Source: Bloomberg June 16, 2025

Reference Asset Exposure



Yield vs. Contingent Coupon



Source: BMO GAM June 16, 2025



Global Asset Management

BMO Strategic Fixed Income Yield: Yield reflects the contingent coupon of the structured rate swaps.

³Reference Asset and Regional Exposure refer to the underlying benchmark exposure from the Total Return Swaps held by the Fund. Source BMO GAM May 6, 2025. Holdings are subject to change without notice

Performance data as of April 30th 2025"

	1 mo	3 mo	6 mo	YTD	1 yr	SI
BMO Strategic Equity Yield Fund Class A	-0.95	-2.89	-3.05	-1.82	2.26	4.58
	1 mo	3 mo	6 mo	YTD	1 yr	SI
BMO Strategic Equity Yield Fund Class F	-0.86	-2.62	-2.52	-1.47	3.41	6.88

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^{*}As the fund is less than one year old, the actual Management Expense Ratio (MER) will not be known until the fund financial statements for the current fiscal year are published. The estimated MER is an estimate only of expected fund costs until the completion of a full fiscal year, and is not guaranteed.

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