

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. The fund's largest exposures are to front end US interest rates with 23% in 1y and under rates, 31% in 3-5y rates, 13% in 10y rates as well as 27% in curve steepeners. Contingent coupons for range accruals are on average between 7-9% and steeper coupons remain between 10-11%. Range accruals remain within their ranges with an average of 90bps from the tops of the range.

The last few weeks we have seen risk off moves out of US, causing the traditional rally in bonds and sell off in equities, on the back of trade war implications and heightened geopolitical uncertainty. Trump officially announced that America is moving forwards with the Mar 4 25% tariffs on Canada and Mexico. He also spoke to a 25% tariff for Europe but without any concrete details. His recent interest in ending the Ukraine war escalated to a heated public debate between US President Trump and Ukrainian President Zelenskiy that did not end with any productive moves towards a ceasefire deal in Ukraine. If anything, the debate sparked more concern about the future of Eastern Europe. As a result of these events, we have started seeing a turn around of sentiment in the US economy and cracks are starting to show through the strength we had seen towards the end of last year, starting from the retail and wholesale sector on back of lack of confidence in consumer surveys. If the market starts to see this sour sentiment bleed into the labor market or manufacturing data then the risk off move could have more momentum. The question for the next few months will be on how inflation fares, particularly if growth starts to sour.

The risk off tone and resulting rates rally has supported the structures in SFIYF. The PM's of the fund have allocated ~3% more exposure to the 5-10y with conservative buffers into the risk off tone. Supporting this allocation is the US treasury continuing to suggest the amount of long term coupon issuance will not be affected this year by treasury funding needs. The possible early end of QT given the recent souring sentiment would also provide support for longer dated issuances. The buffers to the tops of the range have increased because of the recent risk off tone. There still remains a large amount of uncertainty in the actions of the US government and the fund continues to monetize this volatility through the strategy of prudent range accruals and steepeners, using the increased volatility to add extra buffer room to coupon contingency.

Fund Snapshot

Contingent Coupon	Credit Rating
6.1%	A

Distributions

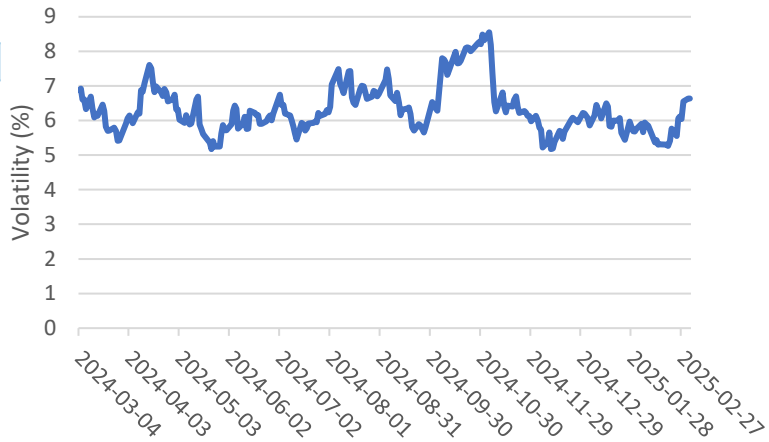
Previous	Upcoming
February 18, 2025	March 17, 2025

Fund Characteristics

Series	Fund Codes	MER (%)*
Advisor (CAD)	BM099341	1.07
F (CAD)	BM095341	0.51

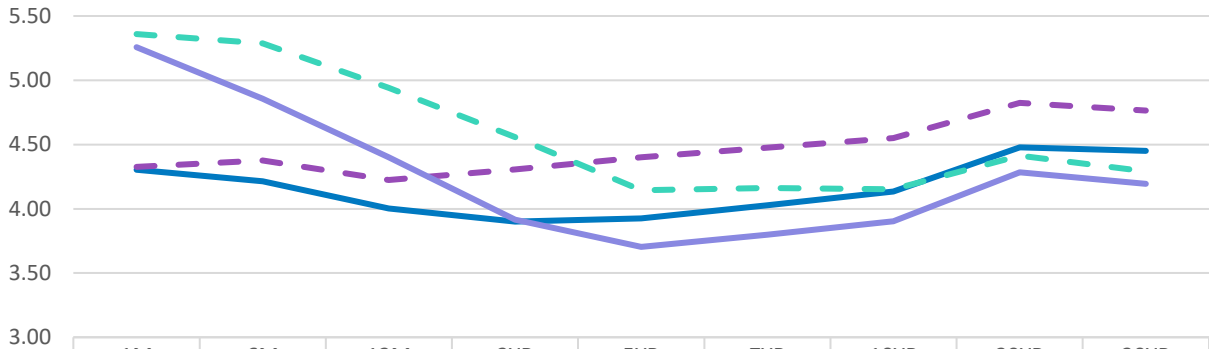
*Low risk rating by prospectus

Implied Volatility Move Index



Source: Bloomberg. March 4, 2024

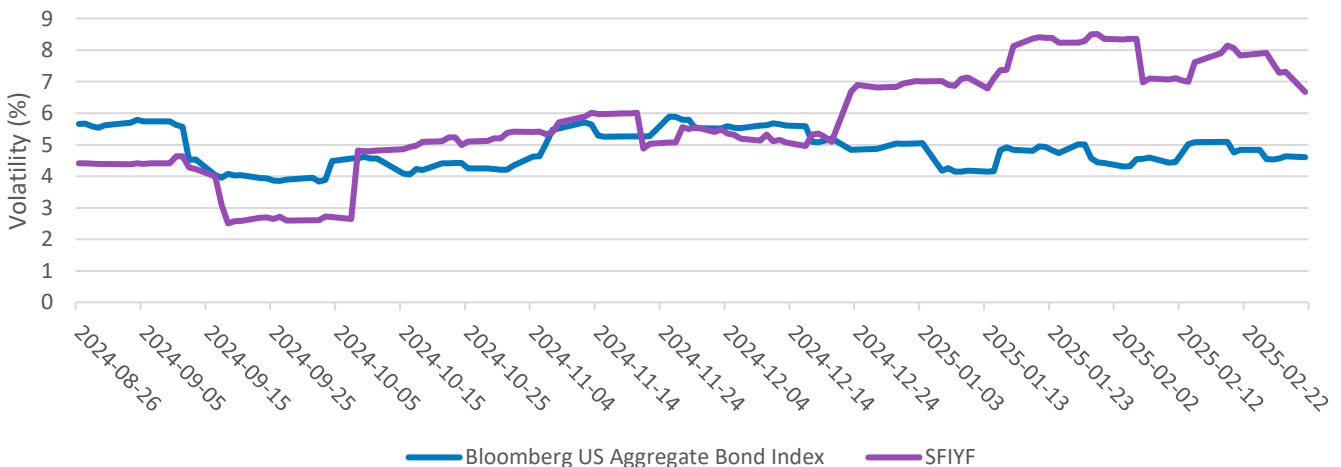
US Government Yield Curve



	1M	6M	12M	2YR	5YR	7YR	10YR	20YR	30YR
Today	4.31	4.21	4.00	3.90	3.93	4.03	4.13	4.48	4.45
2 Weeks ago	4.33	4.38	4.22	4.31	4.40	4.48	4.55	4.82	4.77
6 Months Ago	5.26	4.86	4.40	3.92	3.70	3.80	3.90	4.28	4.20
1 Year	5.36	5.29	4.94	4.56	4.14	4.16	4.15	4.41	4.29

Source: Bloomberg March 4, 2024

30 Day Historical Volatility



Source: Bloomberg March 4, 2025



Disclaimer

Commissions, trailing commissions (if applicable), management fees and expenses all may be associated with mutual fund investments. Please read the fund facts or simplified 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.

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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.

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.

**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.

*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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