ZTIP - BMO Short-Term US TIPS Index ETF

TIPS - BMO 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 TIPS?

- Higher inflation for longer could surprise markets going forward.
- Bond market inflation expectations have come down aggressively.
- Lengthen duration for potential rate cuts.

ZTIP/ZTIP.F/ZTIP.U	TIPS/TIPS.U/TIPS.F
Management Fee: 0.15% | Duration: 2.46 | YTM*: 3.86 **Risk Rating:** ZTIP - Low to Medium, ZTIP.F/ZTIP.U - Low	Management Fee: 0.15% | Duration: 6.95 | YTM*: 3.86 **Risk Rating:** Low new

TIPS 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.

TIPS tracks the Bloomberg US Treasury Inflation-Linked Bond Index (Series-L), focusing on full term structure to provide diversification across the yield curve.

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.

Signs you should be protecting against inflation:

- **Sustained Geopolitical Tensions**
- **Historic Central Bank Rate Hikes**
- **Supply Chain Bottlenecks**
- **Elevated Commodity Prices**

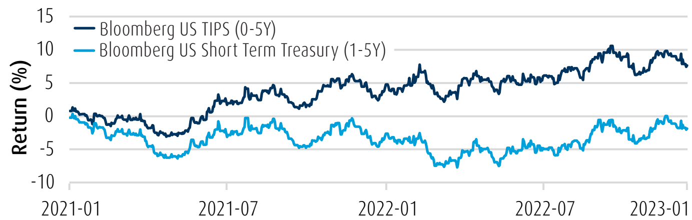
* Yield to Maturity: The market value weighted average yield to maturity includes the coupon payments and any capital gain or loss that the investor will realize by holding the bonds to maturity.

Continued

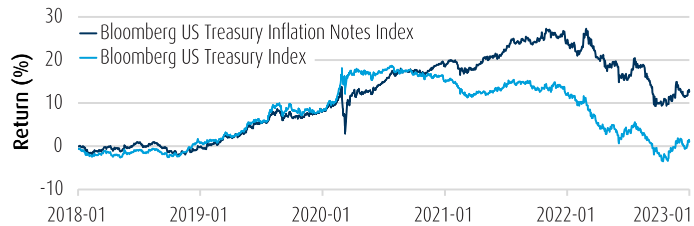
US TIPS versus US Treasuries

The graphics below show how US TIPS perform relative to US Treasuries over the long term and in times of expected rising inflation.

Short-Term US TIPs vs US Treasuries



US TIPS vs US Treasuries



Source: Bloomberg, Jan 10, 2023. Index returns do not reflect transactions costs or the deduction of other fees and expenses and it is not possible to invest directly in an Index. Past performance is not indicative of future results.

How do Treasury Inflation Protected Securities Work?

- TIPS pay interest twice a year based on a fixed rate
- The principle value of TIPS 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.