BMO Sustainable Global Multi-Sector Bond

Ticker: ZMSB, Fund Codes: F Series: BMO95162, Advisor FE: BMO99162; LL: BMO98162

Current State of the Market

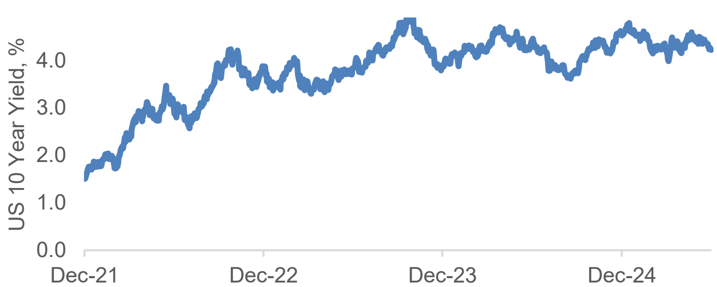
Overview

June was generally positive for fixed income.US bond yields finished the month lower, helped by softer than expected inflation, and increased expectations of an early interest rate cut by the Fed. While the US economy continued to demonstrate a high degree of resilience, there was an underlying narrative of decelerating growth, as companies and households responded cautiously to a more uncertain environment. The Fed left rates on hold with Jay Powell, Fed chair, confirming they were in data dependent mode. Two Fed governors, Waller, and Bowman, however, suggested that a rate cut could take place as soon as July if inflation were to continue moving in the right direction. Geopolitical risks diminished. China reached an outline agreement with the US, while the deadline for the implementation of Eurozone tariffs was postponed another month. Consensus thinking in the market points to a pragmatic series of deals with limited impact on general price levels. Within the space of a month, war between Israel and Iran gave way to a ceasefire. The price of oil briefly spiked but soon subsided to sub-65 territory, alleviating inflation concerns. The ECB cut rates by 0.25% to 2%, justifying its action on continuing disinflation in the eurozone. Increased issuance by Germany to fund infrastructure and defence put upward pressure on eurozone bond yields.

Performance & Positioning

The BMO Sustainable Global Multi Sector Bond ETF returned 0.95% in June, benefitting from relative value interest rate decisions and from security selection in credit. In mid-May, we increased US duration after fiscal concerns and uncertainty over tariffs had pushed yields towards the top of their current trading range, creating an attractive entry point for the position. Exposure to UK interest rate risk also made a positive contribution to performance. The cheapness of gilt valuations contributed to the strong performance of the UK relative to other core markets. In emerging markets, exposure to South African local currency debt also enhanced value. Positive investor sentiment towards South African debt reflected expectations that the South African Reserve Bank will move to an inflation targeting regime. From a credit perspective, the fund benefitted from exposure to higher beta debt, especially in the US, given the extent of the rally in the US high yield market. Within credit, security selection in the banking, consumer, and insurance sectors was positive. Portfolio activity saw us continue to make selective use of the new issue market, buying debt in the financial and automotive sectors.

Change in US 10-year bond yields



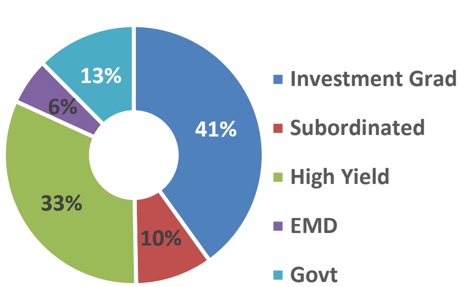
Change in global credit spreads

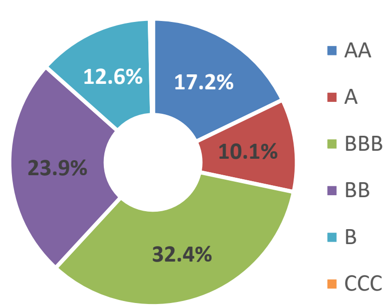
Source: Bloomberg 30th June 2025

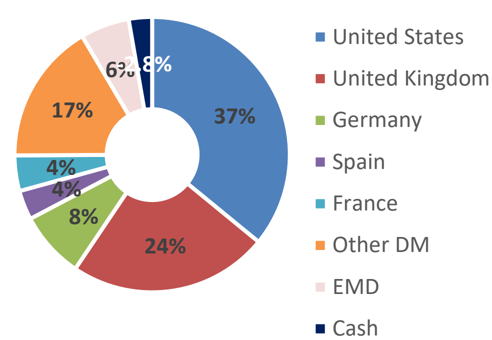
Portfolio Statistics (ETF Series)

Risk Rating	MER	Duration	Current Yield	Yield to Maturity
Low	0.64%	4.6	3.6%	4.2%

Asset Allocation





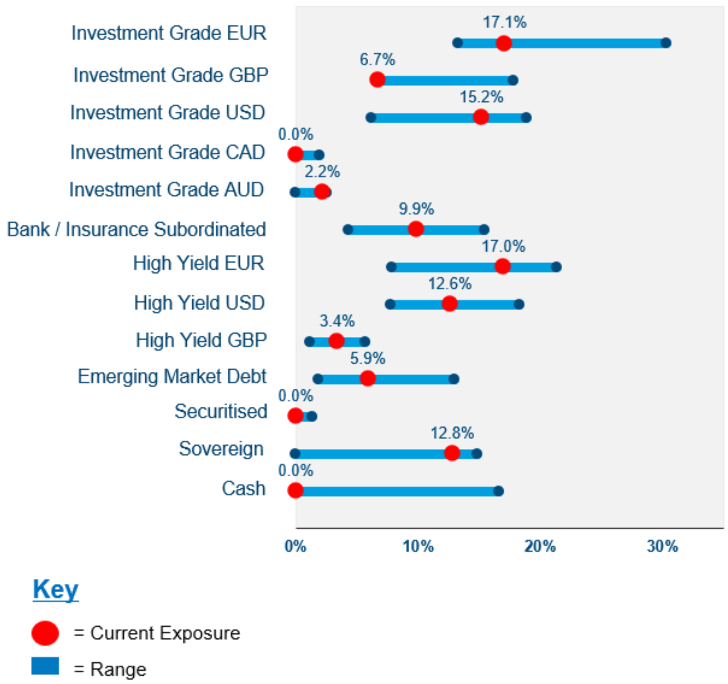


Geographic Allocation

Credit Quality

IG = Investment Grade, HY = High Yield, EMD = Emerging Market Debt; NR = Non-Rated; Other DM = Other Developed Market

Asset Allocation (September 2018 – June 2025)



Investment Grade Credit – We participated in an attractively priced new green bond from Caixabank (A). Caixabank is Spain's leading bancassurance franchise, with significant exposure to the savings and pensions market. From a portfolio construction perspective, its high credit quality and stable earnings profile makes it a core name for the portfolio. We also participated in a new issue from Op Corporate Bank (AA-), whose high credit quality makes it another core holding candidate. OP Corporate Bank has a dominant position in the Finnish banking sector. It is conservatively run and benefits from an ample liquidity buffer. Another new issue that we purchased was from UK services company, Compass (A). The management team at Compass has adopted a conservative financial policy, while the company is strongly cash flow generative. Its business should continue to benefit from the growth in outsourcing.

High Yield Credit – We participated in a new issue from Austrian automotive company, Benteler (BB-). A family owned company, Benteler pursues a conservative financial policy and is targeting a lower level of leverage. The new issue offered value relative to debt in its broader peer group. We also purchased debt from another automotive company, Clarios (BB-). Clarios holds a dominant position in the low voltage car battery space in the US, while it has also been able to grow a profitable after care business. We also participated in a new issue from German pharmaceutical company, Cheplapharm (B). Cheplapharm had stepped back from acquisitions to concentrate on rebuilding its balance sheet. Its bonds came to a market, offering an attractive level of yield relative to its sector and the broader market

Emerging Market Debt – Exposure to South Africa made a positive contribution to performance. The South Africa Reserve Bank has taken a step closer to implementing an inflation-targeting regime, which has had a positive impact on investor sentiment. Having captured the yield compression trend, we took profits on the position towards the end of the month. We also took profits on our position in UAE ports operator, DP World, which had performed strongly

Securitised Debt – No exposure to securitized debt

Government Debt – The fund benefited from our decision to increase duration in the US.

Trailing Performance (%) as of 30th June 2025.

	1-Month	3-Month	YTD	1-Year	3-Year	5-Year	Since Inception	Inception Date
ETF Series	0.96	2.37	2.77	6.17	6.11	2.33	2.95	24/05/2018
F Series	0.96	2.37	2.77	6.17	6.12	2.34	2.89	14/05/2018

Calendar Year Performance (%)

	2020	2021	2022	2023	2024
ETF Series	5.29	0.48	-9.54	8.64	4.76
F Series	5.30	0.49	-9.53	8.65	4.77

Draw on the fixed income expertise and capabilities of a global investment team:

The fixed income team at Columbia Threadneedle Investments is a global team with expertise in multiple credit geographies across multiple global fixed income sectors.

Keith Patton
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