

BMO Strategic Fixed Income Yield Fund

One Year Review

The **Strategic Fixed Income Yield Fund (SFIYF)** contains a diversified suite of interest rate structured products with exposure to the U.S. rates curve. The majority of the fund is invested in Range Accruals that pays out an above market coupon when a US interest rate is within a predetermined range. The range is typically between 0 and an upper cap. The upper cap is typically set at above current market levels. Thus, the fund benefits when US interest rates move lower.


Over the past year, the BMO Strategic Fixed Income Yield Fund (SFIYF) has delivered steady monthly income across diverse rate environments—without taking on additional credit risk. The fund delivered a total return of 3.12% YTD since inception, outperforming its benchmark, while collecting 7%+ coupons. This is driven by the fact that the underlying investments with the Fund are structurally designed to pay a coupon if rates remain within a given range, allowing for certainty of coupon collection in a wide range of rate backdrops.

SFIYF was designed to achieve two main goals for investors – enhance yield and lower risk by reducing credit risk. The following highlights how the fund’s structures achieved these goals and maintained income generation through varying rates market scenarios and how it can be positioned as a strategic complement to traditional fixed income allocations.

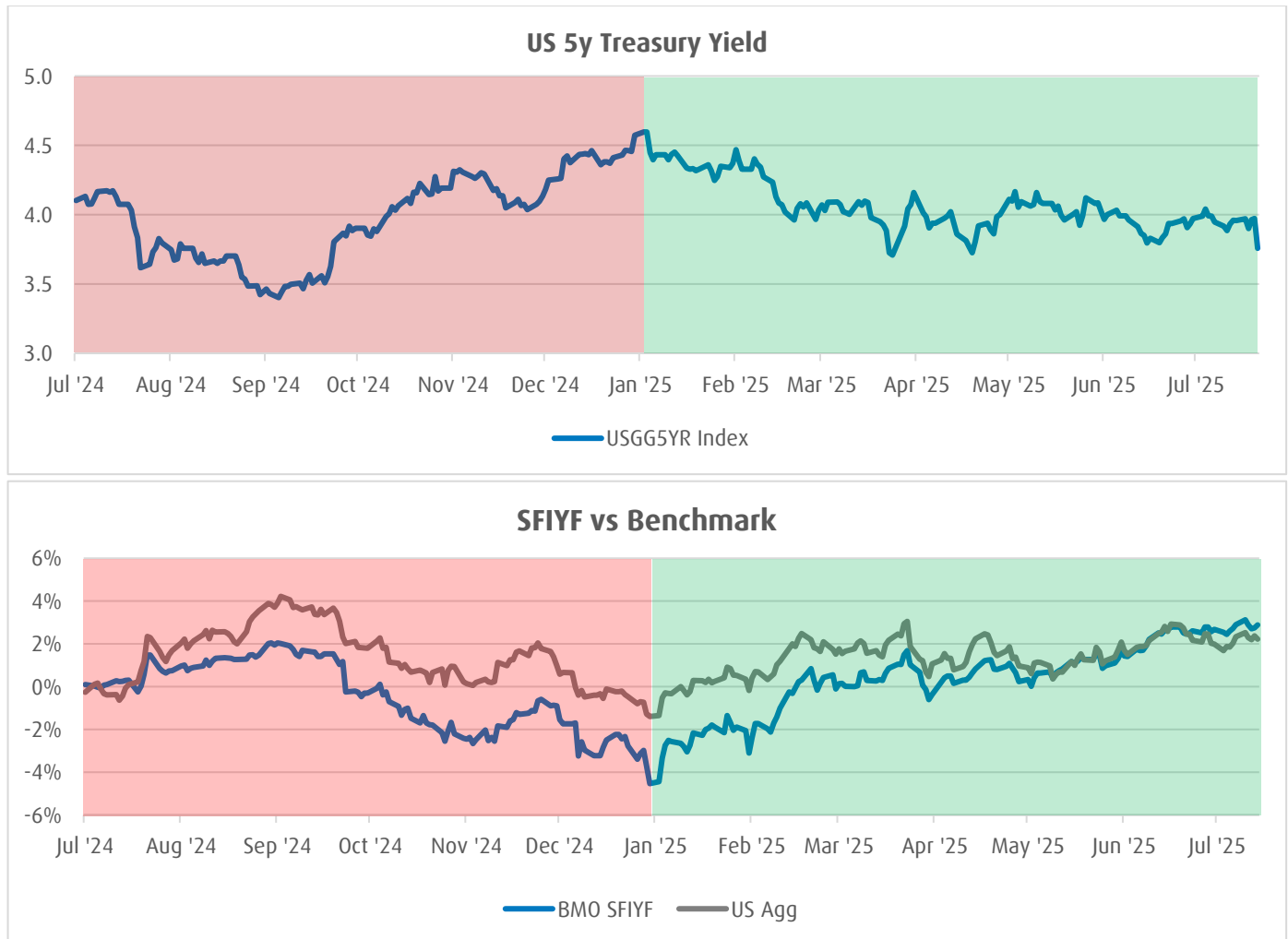
SFIYF collects coupons despite varying rates environments

In SFIYF’s first year, rates markets saw two different rates environments. A bear environment with rising US interest rates representing approximately October 2024 to December 2024, noted by sticky US inflation, a stronger than expected labor market, and of course Trump winning the election. This was followed by a bullish interest rate environment where US interest rates declined through August 2025. There was the start of the trade war, “Liberation day” and souring business and consumer sentiment as a result. Regardless of rising or falling US interest rates since the fund’s inception, SFIYF continued to collect over 7% coupons showcasing the how the fund is designed to produce stable enhanced yield despite the rate environment.

¹Income refers to coupon payments (similar to a bond) received when interest rates are within a predetermined range.



Income¹
generation
across rate
cycles



Source: Bloomberg as of July 31, 2025

Coupons expected: 7.072%

Coupons earned: 7.004%

% coupons earned over period: **99.04%**

Rising US Interest Rate Environment (Oct 2024 to Dec 2024)

As markets repriced for “higher for longer” rates following strong U.S. data and a Fed pivot, SFIYF continued to deliver. Despite a treasury sell-off where we saw a 100bps+ move from September to January, the fund’s structure enabled us to collect coupons above 7% with over a **99% collection rate**, validating its prudence and resilience in rising rate environments.

During this period: Trump election, resilient labor market data and stickier inflation repriced US rates higher for longer resulting in a fed pivot even after 100bps of rate cuts.

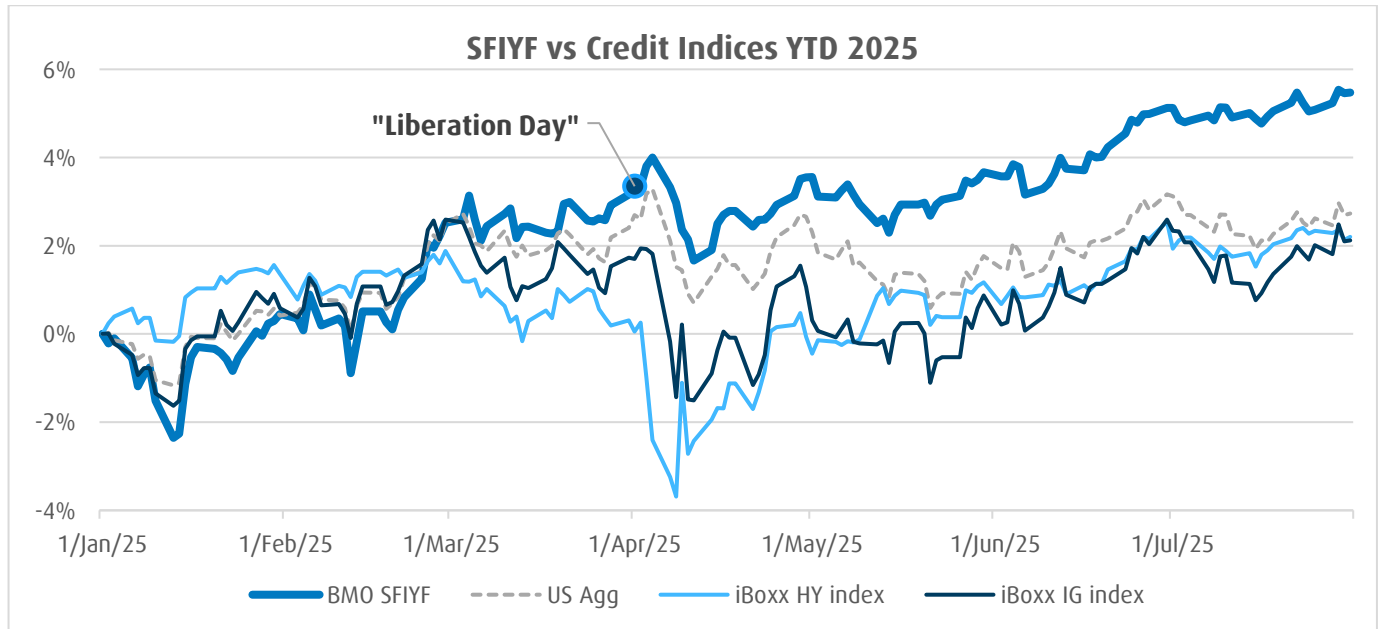
Falling US Interest Rate Environment (Jan 2025 to June 2025)

With inflation moderating and softer data emerging, SFIYF sustained strong income generation and NAV performance as the market move supported the Fund’s positioning.

During this period: We saw a risk off tone play out in markets as consumer sentiment softened and inflation moderated causing the market to price 2-3 fed cuts into 2025. The fund was able to collect 100% of its coupon and the fund’s performance benefited during this period.

SFIYF performance as a Credit Diversification Tool (YTD 2025)

During the escalation of the U.S. trade war and widening credit spreads, SFIYF outperformed traditional credit-sensitive products while exhibiting a lower volatility profile than credit indices. As credit spreads widened over 50bps, SFIYF's low correlation to credit spreads allowed its resilience to shine and maintained coupons above 7% annualized. This period reinforced the fund's role as a diversifier in risk-off environments.



Stats over period (YTD 2025)	BMO SFIYF	US Agg	iBoxx HY index	iBoxx IG index
Total Return	5.47%	2.73%	2.20%	2.12%
Vol	5.19%	4.85%	6.67%	7.60%

During this period: Trump's global tariff announcement on Apr 02 2025, "Liberation Day" resulted in global equity market sell offs, credit spreads widening and increased volatility

- SFIYF collected 100% of coupons post "Liberation Day" as the fund outperformed during the flight to quality, risk off move
- SFIYF outperformance really shined beginning in March 2025 when tariff escalation first began - business sentiment dwindled and credit spreads widened while SFIYF remained resilient

This year has been a rollercoaster for fixed income environments, which has allowed us to demonstrate that SFIYF is built to deliver:

- **Yield Without Credit Risk:** SFIYF targets enhanced yield through structured interest rate notes, avoiding the need to extend duration or increase credit exposure.
- **Diversification Benefit:** Acts as a complement to traditional fixed income portfolios.
- **Tactical Flexibility:** The fund is actively managed to adapt to rising, falling, or stable rate environments, as well as yield curve movements.
- **Consistent Income:** In every scenario, the fund continued to achieve strong coupon collection, as designed— maintaining healthy buffers to receiving coupons in interest rate structures even during treasury volatility.

Portfolio positioning

A compliment to all types of fixed income exposures

- **Diversifying Credit Sensitivity Strategies:** reduce exposure to credit volatility while maintaining income targets with BMO Strategic Fixed Income Yield
- **Diversifying Interest Rate Sensitivity Strategies:** remains resilient in higher rates environments and benefits from rangebound and lower rate scenarios.
 - Higher rates for longer mitigates reinvestment risk for the fund since PMs are able to continue investing into high coupon structures.
 - Continues to collect high coupons even if rates go sideways or decrease within the range.
- **For Income-Focused Investors:** Attractive monthly distributions and low risk rating.



Diversifying
your traditional
fixed income
exposure

This year has certainly provided the backdrop for a compelling story of resilience and diversification value. SFIYF continues to offer a differentiated tool for navigating fixed income volatility and achieving sustainable yield.

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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.

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Distribution yields are calculated by using the most recent regular distribution, or expected distribution, (which may be based on income, dividends, return of capital, and option premiums, as applicable) and excluding additional year end distributions, and special reinvested distributions annualized for frequency, divided by month-end net asset value (NAV).

Distributions are not guaranteed, may fluctuate and are subject to change and/or elimination. Distribution rates may change without notice (up or down) depending on market conditions and NAV fluctuations.

The payment of distributions should not be confused with a BMO Mutual Fund's performance, rate of return or yield. If distributions paid by a BMO Mutual Fund are greater than the performance of the investment fund, your original investment will shrink. Distributions paid as a result of capital gains realized by a BMO Mutual Fund, and income and dividends earned by a BMO Mutual Fund, are taxable in your hands in the year they are paid.

Your adjusted cost base will be reduced by the amount of any returns of capital. If your adjusted cost base goes below zero, you will have to pay capital gains tax on the amount below zero.

Distributions, if any, for all series of securities of a BMO Mutual Fund (other than ETF Series) are automatically reinvested in additional securities of the same series of the applicable BMO Mutual Fund, unless the securityholder elects in writing that they prefer to receive cash distributions. For ETF Series securities of a BMO Mutual Fund, distributions, if any, may be paid in cash or reinvested automatically in additional ETF Series securities of the applicable BMO Mutual Fund and the ETF Series securities will be immediately consolidated such that the number of outstanding ETF Series securities following the distribution will equal the number of ETF Series securities outstanding prior to the distribution. If a securityholder is enrolled in a distribution reinvestment plan, distributions, if any, will be automatically reinvested in additional ETF Series securities of the applicable BMO Mutual Fund pursuant to the distribution reinvestment plan. For further information, see the distribution policy for the applicable BMO Mutual Fund in the simplified prospectus.

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.

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