

BMO Global Multi-Sector Bond

Ticker: ZMSB

Current State of the Market

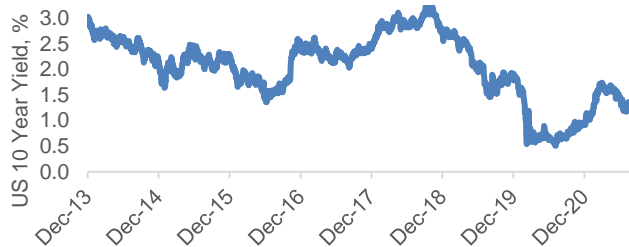
Overview

Government bond yields came under upward pressure during August, as thin summer liquidity exacerbated market moves. This reflected the impact of stronger readings on the US labour market, the persistence of elevated price pressures globally, as well as more technical market factors. This included a positioning clear-out of tactical short rate positions in the government bond market and muted index extensions at month-end. Debate also continued amongst investors about the timescale for the future tapering of asset purchases by central banks globally. Jerome Powell, Chair of the Federal Reserve, indicated that although progress had been made towards the Federal Reserve’s inflation goal, further progress still had to be made towards their goal of maximum employment. He pointed towards year-end as a potential start date for tapering whilst he also tried to break any link between tapering and future interest rate hikes. The market regarded his comments as supportive for financial assets, helping buoy valuations of equity and credit instruments.

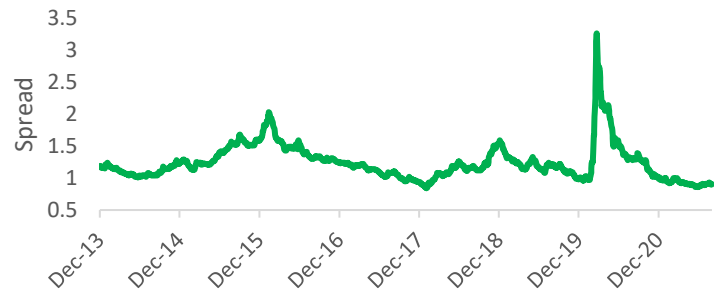
Performance & Positioning

Against this background, the ETF returned +0.20%. This reflected exposure to credit spread risk in a pro-risk environment. Security selection within the consumer sector and emerging market debt also made a positive contribution to performance. Portfolio activity saw us continue to build up exposure to emerging market debt, which continues to offer value relative to other asset classes. We also enhanced the ETF’s holding in rising stars – debt from issuers that we expect to make the credit rating transition from high yield to investment grade. Interest rate strategy saw us pare back duration from 3.7 years to 3.1 years as we position the ETF more defensively against a higher yield environment.

Change in US 10-year bond yields



Change in Global Credit Spreads

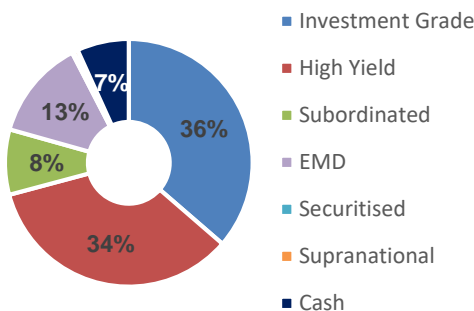


Source: Bloomberg 31st August 2021

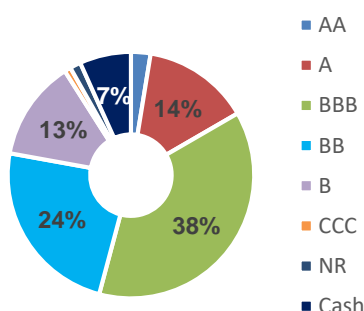
Portfolio Statistics (ETF Series)

Risk Rating	MER	Duration	Current Yield	Yield to Maturity
Low to medium	XX%	3.1	3.3%	2.3%

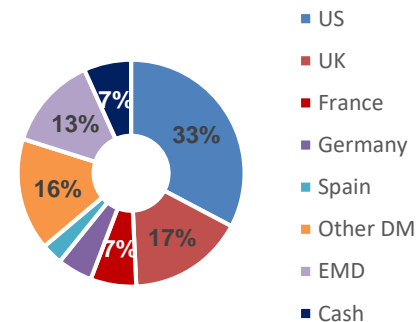
Asset Allocation



Credit Quality

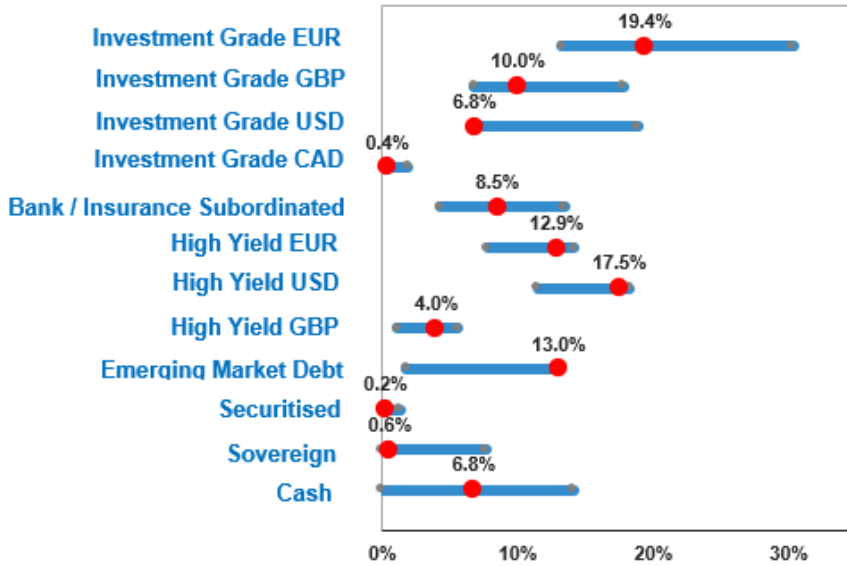


Geographic Allocation



EMD = Emerging Market Debt; NR = Non-Rated; Other DM = Other Developed Market

Asset Allocation



Investment Grade Credit - We participated in two new attractively priced deals from German Real Estate Company, Vonovia (BBB+) and Belgian bank-insurance group, KBC (BBB). Vonovia has a large portfolio of income producing assets and benefits from high occupancy rates and long leases. KBC has a strong capital base and stable earnings.

High Yield Credit - We allocated capital across a range of maturities to US premier omnichannel retailer, Macy's (BB-), which we regard as a rising star candidate likely to transition from high yield to investment grade. Macy's management team is strengthening its digital imprint whilst reducing costs. We also participated in a new issue from Dutch chemical company, Ashland (BB+). Ashland benefits from a high quality asset base and a conservative financial profile.

Emerging Market Debt - We participated in new deals from the Bank of China (A) and the First Bank of Abu Dhabi (AA-). Both banks are systematically important banks, enjoy implicit government support and are strongly capitalised.

Securitized Debt - There was no change to the small allocation to securitized debt, which remains invested in the UK leisure sector.

Government Debt - Interest rate strategy saw us pare back exposure from 3.7 years to 3.1 years, reducing exposure to Germany, which had lagged the recent sell-off in the US and the UK, in anticipation of a higher yield environment.

Trailing Performance (%) as at August 31st, 2021

ETF Series	1-Month	3-Month	YTD	1-Year	2-Year	Since Inception	Inception Date
	0.20	1.21	1.33	4.14	4.00	5.06	24/05/2018

Calendar Year Performance (%)

ETF series	2018	2019	2020
	-1.01	11.23	5.28

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

The fixed income team at BMO Global Asset Management is a global team with expertise in multiple credit geographies across multiple global fixed income sectors.



Keith Patton
Global Head of
Unconstrained Fixed Income



Ian Robinson
Global Co-Head of Income &
Head of Credit – EMEA



Andrew Brown
Fund Manager
Fixed Income



Abigail Mardlin
Fund Manager
Fixed Income



Rebecca Seabrook
Fund Manager
Fixed Income

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