

BMO Strategic Equity Yield Fund

Bi-Weekly Update

Portfolio Manager Commentary

As of 08/11/2025, the BMO Strategic Equity Yield Fund (BMO SEYF) reported a net asset value (NAV) of \$9.47, continuing to deliver a compelling income profile with average yields in the 9.50% to 10.00% range.¹ Our approach remains anchored in capital preservation, disciplined risk management, and consistent income generation.

Navigating a Complacent Market:

Equity markets have continued their ascent, yet the gap between valuations and underlying economic signals is becoming harder to ignore. In the U.S., elevated pricing combined with softening macro data suggests the potential for a modest pullback or range-bound trading. We anticipate a more volatile backdrop heading into year-end and are positioning accordingly, favoring strategies that emphasize resilience, yield stability, and downside protection.

Macro Landscape:

United States:

Corporate earnings have surprised to the upside, but signs of complacency are emerging. Credit spreads remain tight, and equity valuations are rich, even as labor market data weakens and inflation risks persist. Fixed income markets are flashing caution, and we expect fundamentals to play a more decisive role in shaping market direction over the coming months.

Canada:

The Canadian economy has shown unexpected durability. Q2 GDP growth, while minimal, exceeded expectations and helped ease concerns around trade-related headwinds. Business and consumer sentiment have improved, and while we remain measured in our outlook, we are increasingly constructive on Canada's ability to weather external pressures.

Portfolio Evolution: Tactical Shifts Reflecting Market Dynamics:²

In the past two weeks, we've made targeted adjustments to reflect evolving macro conditions:

- U.S. Banks: Allocation increased by 2.69%, given attractive coupons and supported by strong Q2 earnings, stable lending margins, and regulatory catalysts.
- U.S. Broad Market: Exposure increased by 1.79%, given lower industry specific risk with broad-based exposures.
- Canada: Slight uptick in broad market exposure (+0.52%), while allocations to Insurance (-1.56%) and Pipelines (-0.99%) were trimmed to manage sector-specific risks. Allocations to Canadian Banks, Telecoms, and Utilities remain unchanged.

Outlook: Prioritizing Selectivity and Stability:

As markets digest mixed macro signals and policy uncertainty, we believe the path forward will require greater discernment. With passive flows slowing and volatility likely to rise, we are focused on mitigating tail risk.

Rather than chase momentum, we're focused on building durability—positioning the portfolio to withstand turbulence and capitalize on dislocations.

Fund Snapshot

Coupon Range	Buffer Level Range
9.50%-10.00%	20% – 25%

Distributions

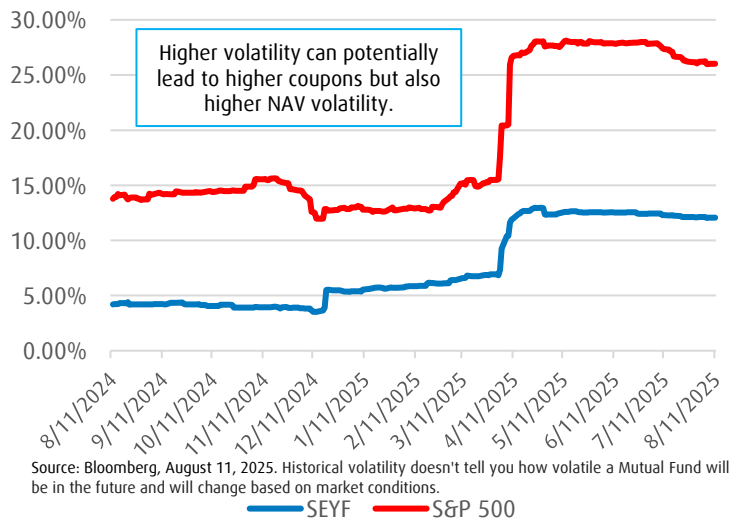
Previous	Upcoming
July 16, 2025	August 18, 2025

Fund Characteristics

Series	Fund Codes	MER (%)
Advisor (CAD)	BM099290	1.64
F (CAD)	BM095290	0.51

**Low to Medium risk rating by prospectus

Volatility 90 Day

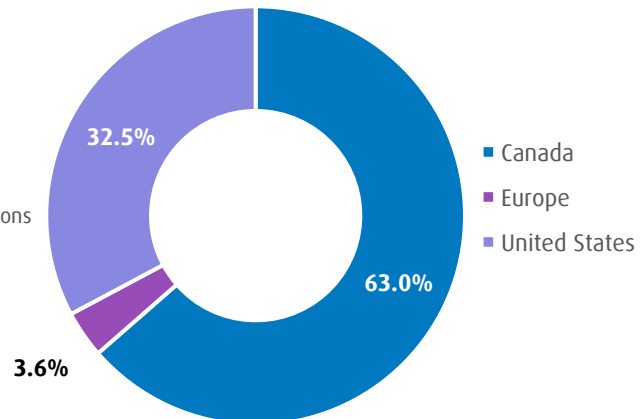
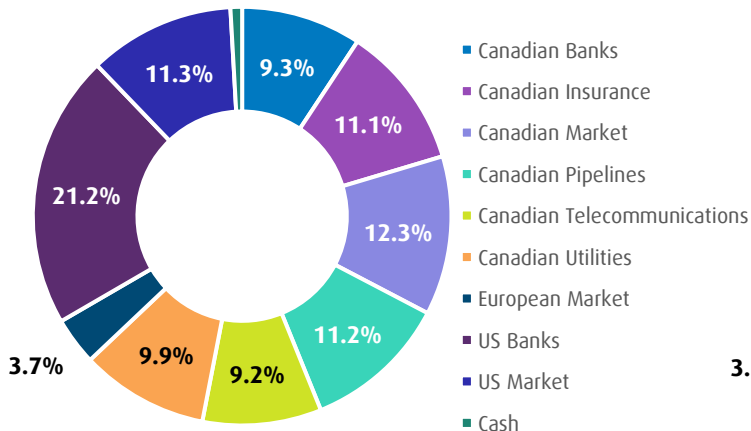


Top 10 Trades

Reference Asset	Annualized Coupon	% of overall fund	Distance to Protection	Distance to Call (Positive is in the money)
Canadian Market	8.50%	2.33%	12.94%	-14.06%
US Market	8.00%	1.74%	21.22%	-3.78%
US Banks	11.86%	1.45%	20.42%	-4.58%
Canadian Market	8.00%	1.45%	13.22%	-3.78%
Canadian Pipelines	10.65%	1.45%	17.65%	-7.35%
Canadian Insurance	10.35%	1.45%	17.18%	-7.82%
Canadian Utilities	8.80%	1.45%	21.37%	1.37%
Canadian Insurance	10.00%	1.45%	17.87%	-7.13%
Canadian Utilities	9.07%	1.45%	22.20%	2.20%
Canadian Insurance	10.50%	1.45%	18.68%	-6.32%

Source: BMO GAM August 11, 2025

Reference Asset Exposure and Regional Exposure³



BMO Strategic Fixed Income Yield Fund

Bi-Weekly Update

Portfolio Manager Commentary

The BMO Strategic Fixed Income Yield Fund (BMO SFIYF) contains a diversified suite of interest rate structured products with exposure to US rates. As of 8/11/2025, the fund reported a NAV of \$9.91. The fund's largest exposures are in 3-5y US rates with contingent coupons for range accruals are on average between 6-9% and steeper coupons remain between 6.5-8%. Range accruals remain within their ranges with an average of 123bps from the tops of the range.¹

Recent Rates Market Movers:

Over the past two weeks, U.S. Treasury yields continue to experience volatility, driven by a mix of macroeconomic data and central bank announcements. During the Jul FOMC meeting, the Fed held rates unchanged for the fifth consecutive meeting. [The report suggested economic activity had continued to expand at a solid pace and labor market dynamics remained solid](#), supporting the Fed's wait and see stance. Notably, two Fed governors dissented, advocating for a 25 bp cut which was the first such split vote since 1993 adding to the rates market uncertainty. Following the Jul Fed meeting, [downward revisions to job figures for May and June raised concerns about economic softness](#), causing a 20bps rally in US treasuries mostly led by front end as market priced 60bps of cuts into this year (from previous 32bps). This aggressive repricing of interest rate cuts in the front end of the curve drove curve steepening, with 2y vs 30y swap curve stabilizing near the 50bps level post this move.

Portfolio Positioning:

The significant rates rally driven by US employment data strongly supported the fund's range accrual and steeper positions. The PMs positioned the fund's range accrual portfolio to be more focused in front end, thus were able to take advantage of the biggest portion of this move. As a result, the range accrual portfolio now has 123bps of buffer, meaning more certainty for coupon collection and higher valuation for the structures. The steeper also performed well in this environment given the front end rally. Steeper allocation remains ~20% and continues building momentum, with 2s30s reaching 50+bps of steepness again post employment data. PMs remain confident in the portfolio allocation continuing to find opportunities to add to range accruals in the 5y and under space as well as steepeners. Despite the rates move lower, coupons for range accruals still remain within the 6.5-8% space given the interest rate volatility. PMs believe US IR structures coupons will continue to remain attractive for the next year given all the continued economic uncertainty and current data. Despite the uncertainty, BMO SFIYF continues to accrue and pay out 6% annualized coupons, regardless of [the caution signs in credit](#).¹ BMO SFIYF remains a good diversifier from traditional credit while still maintaining a similar enhanced coupon, [for those interested in yield enhancing products in the fixed income space](#).

Fund Snapshot

Contingent Coupon	Credit Rating
6.0%	A

Average distance from the tops of the range	123bps
---	--------

Fund Characteristics

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

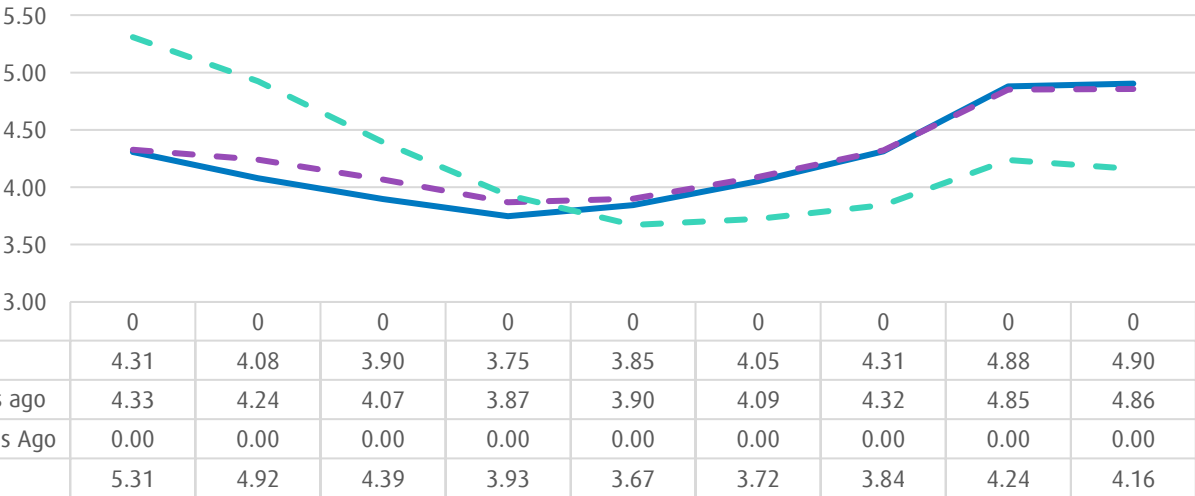
**Low risk rating by prospectus

Total Return Volatility

Security Name	30 Days	90 Days	180 Days
BMO Strategic Fixed Income Yield Fund	2.78%	3.87%	5.51%
Iboxx USD Liquid High Yield Index TR	1.85%	3.50%	3.95%
Iboxx USD Liquid Investment Grade Index TR	5.03%	6.38%	6.71%
Bloomberg US Agg Total Return Index	4.21%	5.09%	4.84%

Source: Bloomberg. August 11, 2025. Historical volatility doesn't tell you how volatile a Mutual Fund will be in the future and will change based on market conditions.

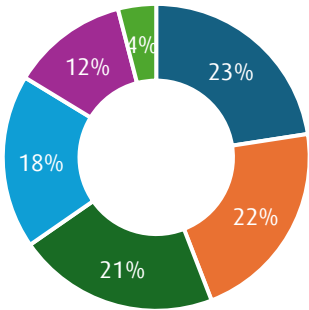
US Government Yield Curve



Source: Bloomberg August 11, 2025

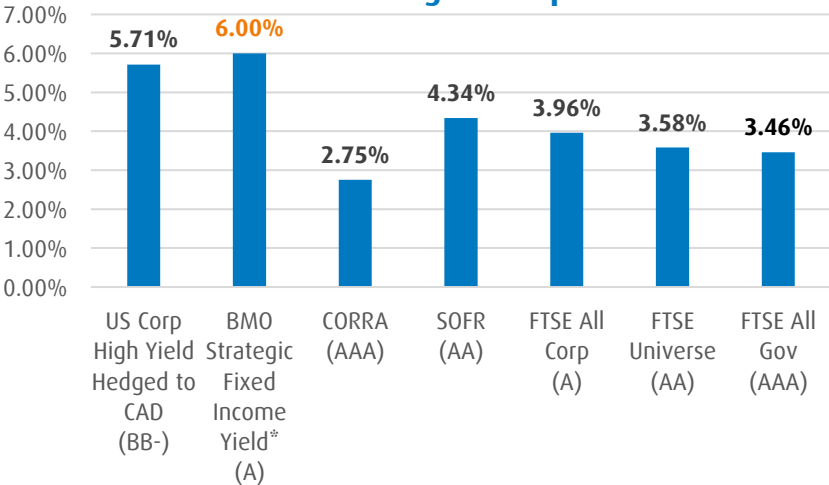
Reference Asset Exposure

- USOSFR5 Currency
- USOSFR3 Currency
- USOSFR2 Currency
- USOSFR1 Currency
- USOSFR10 Currency
- SOFRRate Index



Source: BMO GAM August 11, 2025

Yield vs. Contingent Coupon



BMO Strategic Fixed Income Yield: Yield reflects the contingent coupon of the structured rate swaps.



³Reference Asset and Regional Exposure refer to the underlying benchmark exposure from the Total Return Swaps held by the Fund. Source BMO June 30, 2025. Holdings are subject to change without notice

Performance (total return) data as of July 31st, 2025.

Inception Date BMO SEYF: June 16, 2023. Inception Date BMO SFIYF: July 10, 2024

	1 mo	3 mo	6 mo	YTD	1 yr	SI
BMO Strategic Equity Yield Fund Class A	0.33	5.77	5.03	5.47	7.05	9.77
	1 mo	3 mo	6 mo	YTD	1 yr	SI
BMO Strategic Equity Yield Fund Class F	0.42	6.07	5.59	6.16	8.25	13.15

	1 mo	3 mo	6 mo	YTD	1 yr	SI
BMO Strategic Fixed Income Yield Fund Class A	1.64	4.22	5.92	6.38	2.74	2.71
	1 mo	3 mo	6 mo	YTD	1 yr	SI
BMO Strategic Fixed Income Yield Fund Class F	1.43	4.12	5.97	6.51	3.10	3.12

Disclaimer

No portion of this communication may be reproduced or distributed to clients.

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.

This material is for information purposes. The information contained herein is not, and should not be construed as, investment, tax or legal advice to any party. Particular investments and/or trading strategies should be evaluated relative to the individual's investment objectives and professional advice should be obtained with respect to any circumstance.

BMO Global Asset Management is a brand name under which BMO Asset Management Inc. and BMO Investments Inc. operate.

The viewpoints expressed by the Portfolio Managers represents their assessment of the markets at the time of publication. Those views are subject to change without notice at any time. The information provided herein does not constitute a solicitation of an offer to buy, or an offer to sell securities nor should the information be relied upon as investment advice. Past performance is no guarantee of future results. This communication is intended for informational purposes only.

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.

*Portfolio holdings and allocations are subject to change without notice.

**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.

***The estimated MER is an estimate only of expected fund costs until the completion of a full fiscal year, and is not guaranteed.

"BMO (M-bar roundel symbol)" is a registered trademark of Bank of Montreal, used under licence.