

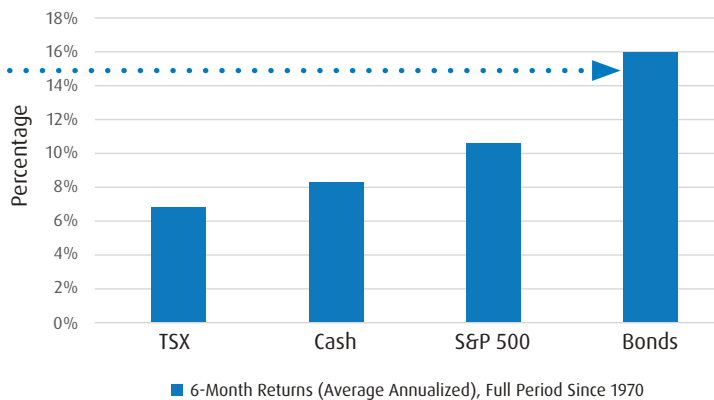
Bonds Look Poised to Beat Stocks and Cash

History shows fixed income tends to outperform both cash and equities when central banks are done hiking interest rates. Since 1970, U.S. 10-year Treasuries have outperformed both cash and U.S. equities once rate hikes stopped. In the current environment, bonds can act as a hedge to equity drawdowns going forward as well.



Asset Returns Six Months After Last Rate Hike...

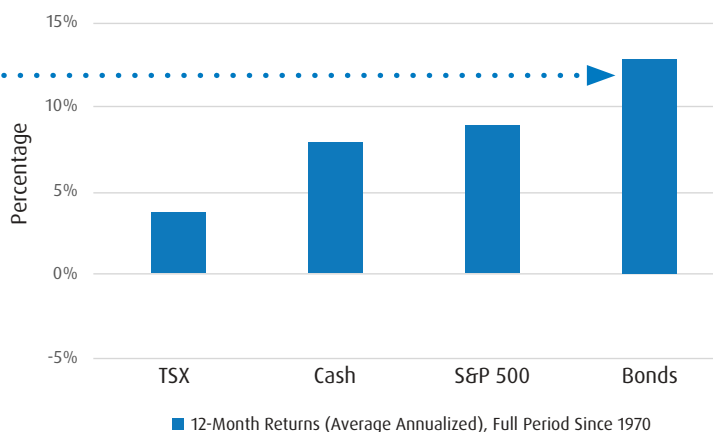
US 10-year Treasuries vs. cash and U.S. equities six months after last U.S. Federal Reserve hike.



Source: Bloomberg, BMO GAM. Monthly Data since January 1, 1970. Dates of last Federal Reserve hike: May 1974, March 1980, May 1981, August 1984, February 1989, February 1995, May 2000, June 2006, December 2018. U.S. data used to demonstrate the general principle that bond prices tend to have an inverse relationship with interest rates.

...Asset Returns 12 Months After Last Rate Hike

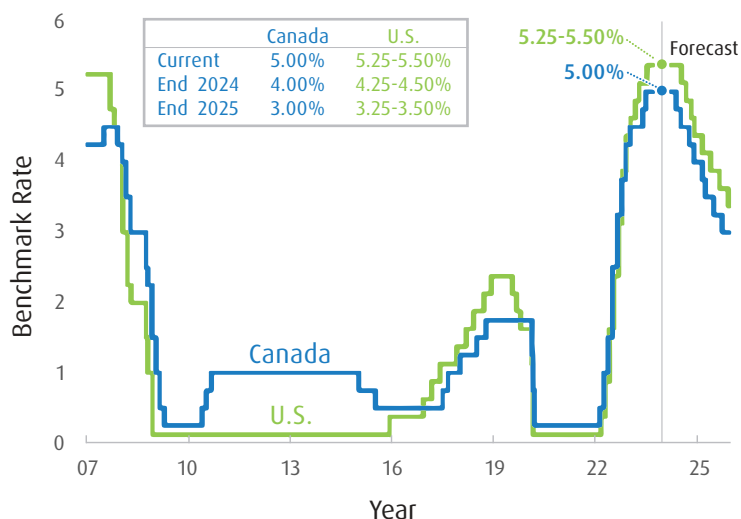
One year after the last hike, bonds continued to outperform.



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- With the U.S. Federal Reserve and Bank of Canada likely at an
- end to intense monetary-policy tightening campaigns to curb
- inflation, the risk of further material increases in interest rates
- has greatly diminished. The current consensus is for interest rates
- to start being cut sometime this year.

Overnight Rate Forecast



Cash yields look attractive, but the scope for rate cuts through 2025 looks even more so.

Sources: BMO Economics/Haver Analytics.

Portfolio Positioning

The performance of fixed-income assets in recent years has been eye watering for many investors, but we think they should avoid extrapolating that experience into the future. Fixed income tends to shine, outperforming both cash and equities, after we hit peak yields and peak monetary policy.

Investors should consider strategically redeploying cash toward fixed income ahead of potential rate cuts to come with an exposure in the [BMO Aggregate Bond ETF Fund](#) as well as [BMO Corporate Bond ETF Fund](#).

BMO Aggregate Bond ETF Fund

- Designed to deliver consistent income
- Diversified portfolio of federal, provincial and corporate bonds
- MER: 0.09% (Series F)

BMO Corporate Bond ETF Fund

- Diversified portfolio of corporate bonds
- Includes bonds with term to maturity greater than one year
- MER: 0.17% (Series F)



For clients looking for a higher level of income and potential for capital growth, consider BMO's actively managed solution:

BMO Core Plus Bond Fund

- Core Canadian bond fund that provides a high level of interest income and an absolute total return
- Portfolio manager uses a risk aware approach to invest across multiple fixed income asset classes
- MER: 0.56% (Series F)



Disclosures:

Commissions, management fees and expenses (if applicable) all may be associated with investments in mutual funds. Trailing commissions may be associated with investments in certain series of securities of mutual funds. Please read the fund facts, ETF facts or prospectus of the relevant mutual fund before investing. 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 the BMO Mutual Funds, please see the specific risks set out in the prospectus. ETF Series of the BMO Mutual Funds trade like stocks, fluctuate in market value and may trade at a discount to their net asset value, which may increase the risk of loss. Distributions are not guaranteed and are subject to change and/or elimination.

BMO Mutual Funds are managed by BMO Investments Inc., which is an investment fund manager and a separate legal entity from Bank of Montreal.

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.

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 current 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.

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