

BMO Stable Value Fund

Plan participant

Fund characteristics

| Fund characteristics | Fund |
|---------------------------------|--------|
| Total assets (\$B) | \$1.02 |
| Market to book ratio (%) | 101.97 |
| Duration (years) | 1.75 |
| Current yield (before fees) (%) | 1.70 |

Quality breakdown

| Quality breakdown | % of Fund |
|-------------------|-----------|
| AAA | 69.3 |
| AA | 12.5 |
| A | 16.8 |
| BBB | 1.4 |
| Not Rated | 0.0 |
| Total | 100.0 |

Sector breakdown

| Sector breakdown | % of Fund |
|------------------|-----------|
| Treasury | 18.3 |
| Agency | 3.9 |
| MBS | 9.3 |
| ABS | 14.3 |
| CMBS | 7.1 |
| Corporate | 23.4 |
| Traditional GICs | 6.2 |
| Cash | 17.5 |
| Total | 100.0 |

Manager commentary

Portfolio discussion

Risk-free rates were driven to historically low levels in the face of a global pandemic and central bank activities. Inflationary measures and growth rates have all fallen as well. Various Federal Reserve (Fed) sponsored programs to maintain liquidity and support within financial markets have caused the Fed's balance sheet to expand, and an increased risk appetite to enter the market as investors search for yield. The Fed lowered rates to a 0.00% to 0.25% band and has indicated that the fed funds rate will remain in that range over the next several quarters. The interest rate paid on reserve balances has also been dropped to almost zero in order to entice banks to lend out reserve balances in order to generate growth in this environment.

In conjunction with a near full-stop of the domestic economy in March, GDP models shifted from moderate, positive growth to projected record setting, double-digit declines. In a matter of a few weeks, as the U.S. declared a national emergency, and moved forward with "stay at home" and "social distancing" directives, the prospects of an immediate recession were all but certain.

As the credit and the money market sectors locked up, the Fed announced several funding and credit facilities designed to provide access to credit, promote liquidity and to restore primary and secondary market functionality. Those programs have been implemented with various measures of success. Credit spreads have compressed to pre-COVID levels and the new issue market has re-opened with tremendous success.

Congress passed the >\$2 trillion CARES ACT, which was the largest economic relief and rescue package in U.S. history. U.S. Treasury rates have remained relatively stable over the quarter, with the 10-year U.S. Treasury trading at a yield around 0.60%.

Internet resources

Stable Value Investment Association — stablevalue.org
Hueler Analytics — hueler.com

Past performance is not necessarily a guide to future performance.

The BMO Stable Value Fund is a collective investment fund maintained by BMO Harris Bank N.A. and advised by BMO Asset Management Corp. The Fund seeks to maintain a stable \$1.00 unit value through investments in guaranteed and synthetic investment contracts as well as money market securities, although there is no guarantee it will be able to do so. Investment involves risk. The opinions expressed here reflect our judgment as of this date and are subject to change. Market conditions and trends will fluctuate. Portfolio composition is subject to change.

Yield will vary. After fee yield is net of 40 bp investment advisory fee. The current yield (before fees) does not reflect fees or expenses, if fees were reflected, the current yield would be reduced.

This material does not constitute investment advice and is not intended as an endorsement of any specific investment.

Effective June 1, 2016 the BMO Stable Principal Fund has changed its name to the BMO Stable Value Fund.

BMO  Global Asset Management

Keep in mind that as interest rates rise, prices for bonds with fixed interest rates may fall. This may have an adverse effect on a Fund's portfolio.

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