

BMO Stable Value Fund

Plan participant

Fund characteristics	Fund
Total assets (\$B)	\$1.04
Market to book ratio	0.9878
Average quality	AA
Duration (years)	1.87
Current yield (before fees) (%)	2.06

Quality breakdown	% of Fund
Cash	10.3
Treasury	20.2
Agency	2.1
AAA	31.0
AA	15.3
A	14.9
BBB	6.2
Other	0.1

Sector breakdown	% of Fund
Cash	10.3
Treasury	20.2
Agency	2.1
Corporate	20.2
Residential mortgage-backed securities	11.4
Asset-backed securities	12.4
Commercial mortgage-backed securities	7.1
Guaranteed investment contracts	16.3
Non-corporate	0.0

Manager commentary

Portfolio discussion

As the yield curve worked itself into an inversion on the front end, the BMO Stable Value Fund (Fund) market-to-book ratio rose nominally during the quarter. Treasury rates were lower for the quarter by 33 basis points (bps) in the 2-year maturity bucket, and about 40 bps lower in the 7- to 10-year portion of the yield curve. The yield curve exhibited a significant change due to expectations that the Federal Reserve (Fed) may not hike short term interest rates as high, nor as quickly, as previously expected and that nominal growth rates will be lower than forecasts had shown. As the economic cycle matures and slows, corporate bond spreads widened in anticipation of a weaker balance sheet and revenue growth. Corporate bonds posted a total return of -0.18% for the last three months of the year. The securitized sectors added a large amount of outperformance due to good coupon return, higher portfolio allocations to the sector and a tightening spread bias early in the quarter.

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. 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.

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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