

# BMO Stable Value Fund

## Plan participant

Fund characteristics	Fund
Total assets (\$M)	\$957.80
Market to book ratio (%)	100.55
Average quality	AA
Duration (years)	1.77
Current yield (before fees) (%)	2.22

Quality breakdown	% of Fund
AAA	66.0
AA	14.1
A	18.9
BBB	1.0
Not Rated	0.0
Total	100.0

Sector breakdown	% of Fund
Treasury	18.1
Agency	0.2
MBS	13.1
ABS	16.0
CMBS	10.1
Corporate	24.2
Traditional GICs	9.7
Cash	8.7
Total	100.0

## Manager commentary

### Portfolio discussion

The yield curve flattened and U.S. rates continued their alignment with global yields by heading lower. As global growth has slowed, and the trade war has continued to infect forward demand, rates have been driven lower by 5-30 basis points across the curve. This caused the BMO Stable Value Fund (Fund) market-to-book ratio to rise nominally during the quarter. Intraday volatility has increased, with the outlook for an increase in volatility over the next couple of quarters. Corporate bond spreads were mixed through the quarter, equity values rose marginally and correlation factors across asset classes rose. In response to this, corporate bonds posted a total return of 3.1% during the second quarter, bringing YTD performance to 13.2%. The securitized market sectors were well bid as well, enjoying a 5.8% total return YTD. As rates remain low, and the consumer retains strength, many new issuers have entered the market to securitize their assets and the market has absorbed the increase in offerings with ease. The relative yield and credit pickup has caused many crossover investors to increase their allocations to the securitized sectors. The Fund maintains a bias to this sector due to these factors.

### Internet resources

Stable Value Investment Association — [stablevalue.org](http://stablevalue.org)  
Hueler Analytics — [hueler.com](http://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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