




BMO Global Asset Management

Monthly ETF Update

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Trump Ignites Change in Bond Yields

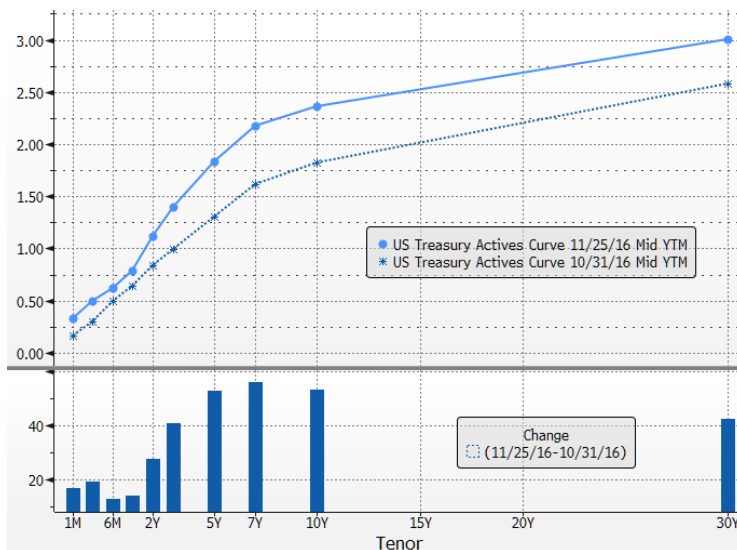
While it may be too early to pronounce that the “Great Rotation” has begun, there is no denying that significant levels of ETF assets have flowed from bonds into equities following the U.S. election. According to JP Morgan, US\$6.2B flowed out of U.S. Bond ETFs following the election. (Source Bloomberg, information as at 21.11.2016).

Donald Trump’s triumph may signal the long-awaited end to the more than 30-year-old bull-run in bonds. This rotation from bonds into equities has had a significant impact on longer dated U.S. Treasuries. The 30-year US Treasury yield posted its largest weekly increase since January 2009. The U.S. is not the only economy feeling the effects of Trump’s victory, global bond markets around the world are also impacted.

Investors appear to be fearful that the President-elect Trump will push up inflation as he strives to stimulate growth through infrastructure spending and tax reductions (“Make America Great Again”). What remains to be seen, is if the new regime will be able to carry out these promises and the impact they could have on the economy. With the recent example of the markets quick reversal of post-Brexit fears, it is too early to determine if the swift increase in bond yields has staying power. What is clear is that positioning in fixed income is more important than ever. Investor sentiment appears to be mixed, favouring short term bonds for security, or longer term bonds as a contrarian investment.

This expectation of increased fiscal spending and economic growth has fueled an expectation of a December rate hike and driven a steepening of the yield curve.

Change in US Treasury Yield after Trump’s Election



Source: Bloomberg. Data as at 25.11.2016

BMO Global Asset Management ETFs provide precision tools to gain exposure to three maturity segments of the global corporate bond yield curve. The ETFs provide the diversification of a global bond portfolio with the yield characteristics of investment grade bonds. Furthermore, currency risk is mitigated within the performance of the ETFs through currency hedging. The tables below compare the change in yield of our maturity banded ETFs over the election period. The impact of changes in yield is dependent on the chosen maturity bucket, thus enabling investors to position assets to take advantage of their investment views. In a scenario where yields consolidate at these new levels, perhaps the highest yielding fund, ZC7G, will become the most attractive exposure. Should yields continue to rise, the negative impact will be felt least in ZC1G. Conversely if the recent yield move is reversed, ZC7G stands to gain the most. ZC3G sits between the two, and may offer an appealing balance of risk and return.

BMO Global Asset Management's Fixed Income ETF solutions

- [BMO Barclays 1-3 Year Global Corporate Bond \(GBP Hedged\) UCITS ETF - ZC1G](#)
- [BMO Barclays 3-7 Year Global Corporate Bond \(GBP Hedged\) UCITS ETF - ZC3G](#)
- [BMO Barclays 7-10 Year Global Corporate Bond \(GBP Hedged\) UCITS ETF - ZC7G](#)

Impact of Trump's Victory on BMO Global Asset Management ETF's Yield to Maturity

BMO ETFs	Pre-Election Yield (31.10.16)	Post-Election Yield (25.11.2016)	Change in Yield
ZC1G	1.28%	1.55%	27 bps
ZC3G	1.90%	2.33%	43 bps
ZC7G	2.72%	3.21%	49 bps

Source: Barclays Point (Now Bloomberg Barclays Indices). Data as at 25.11.2016

	ZC1G	ZC3G	ZC7G
Price Change 31.10.2016 – 25.11.2016	-0.42%	-1.69%	-3.19%
Weighted Average Yield to Maturity	1.55%	2.33%	3.21%
Weighted Average Duration (Years)	1.89	4.55	7.46
OCF*	0.30%	0.30%	0.30%

Source: BMO Global Asset Management. Data as at 25.11.2016

*Ongoing Charges Figure

Regulatory Disclosure

F&C Management Limited is the investment manager of BMO UCITS ETF ICAV which is authorised by the Central Bank of Ireland as a UCITS. BMO Global Asset Management ETFs are registered for distribution to professional investors in the UK, Germany, Italy, Netherlands and Spain. Shares are listed on the London Stock Exchange and may be purchased and sold on the exchange through a broker-dealer. Purchasing and selling shares may result in brokerage commissions. Applications for subscriptions directly to the funds may only be made by authorised participants. Shares purchased on the secondary market cannot usually be sold directly back to the Fund. Secondary market investors must buy and sell ETF Shares with the assistance of an intermediary (e.g. a stockbroker) and may incur fees for doing so. In addition, investors may pay more than the current Net Asset Value per Share when buying ETF Shares and may receive less than the current Net Asset Value per Share when selling them. Commissions, fees, costs and expenses all may be associated with investments in exchange traded funds. Please read the prospectus and key investor information document (KIID) before investing. Investment objectives, risk information, fees and expenses and other important information about the funds can be found in the prospectus. Exchange traded funds are not guaranteed, their values change frequently and past performance may not be repeated. This document is provided for information purposes only and is not to be construed as investment advice to a recipient on the merits of any investment. This document does not constitute, or form part of, any solicitation of any offer to deal in any type of investment. This document is provided only to assist financially sophisticated investors in their independent review of particular investments and is not intended to be, and must not be relied upon, as the sole basis for any investment decision. This document must not be acted on or relied on by persons who are not relevant persons and who are not the intended recipients of this document. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of any investment, and should consult its own legal counsel and financial, actuarial, accounting, regulatory and tax advisers to evaluate any such investment. Past performance should not be seen as an indication of future performance. The value of investments and income derived from them can go down as well as up as a result of market or currency movements and investors may not get back the original amount invested. Investing in ETFs involves risk, including risks associated with market volatility, currency rate fluctuations, replication strategies, and changes in composition of the underlying index and assets. Diversification and asset class allocation do not guarantee profit or protect against loss. Views and opinions have been arrived at by BMO Global Asset Management and should not be considered to be a recommendation or solicitation to buy or sell any products that may be mentioned. The "Barclays" marks are trademarks of Barclays Bank PLC or its affiliates ("Barclays") and have been licensed for use in connection with the issuance and distribution of the BMO UCITS ETF ICAV. The BMO UCITS ETF ICAV is not sponsored by, endorsed, sold or promoted by Barclays, and Barclays makes no representation regarding the advisability of investing in it.

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