Monthly Economic Update and Market Review

BMO Asset Management U.S.

April 2, 2012
Month-End Review and Near-Term Developments

Equity markets have given investors a solid return in the first quarter of 2012, the best first quarter since 1998. Investor sentiment indicators are up and market volatility has subsided significantly. The balance of risk is less tilted to positive surprise. Given the strong market momentum to-date, some slowdown is not out of the question of possibility. Stocks continued to rally in March pushing returns on stocks up 12.9% since the beginning of the year as measured by the Russell 1000 Index.

Despite a nice rally in stocks over the past three months, bond yields have started to nudge higher but are still at historic lows. This is most likely a reflection of the combination of slow economic growth, reasonably attractive stock valuations and the elevated risk of economic shocks. Chairman Bernanke’s busy lecture speaking circuit has provided some clue to the Fed’s opinion on the economy. The thrust of his comments are two-fold: the economy is doing well but not great, and the Fed has done much but possibly not enough to achieve its goal of normalizing labor markets. The economic data this month, as if on cue, remained sufficiently mixed to reinforce Bernanke’s main theme that, “It’s far too early to declare victory.”

The U.S. economy continues to make significant gains, though, in solidifying the expansion of economic activity. Most recently, we are seeing a marked improvement in the stability of the banking sector. In the past couple of months, there has been a clear increase in commercial bank lending, led by the commercial and industrial loan segment. Home sales fell in February, while factory orders rebounded and consumers showed a firmer pulse at the expense of saving less of their still-modest income gains. While discretionary spending is holding up, gasoline consumption has plunged 6% in the past year. Rising gasoline prices pose a major problem for many households and a moderate risk to the recovery, according to the Fed. Bernanke made the case for additional Fed easing if the recent pace of job gains falters. The consumer confidence report was mixed. The overall index slipped to 70.2 in March from 71.6 in February.

Economic growth in the last quarter of 2011 was affirmed at an annual rate of 3.0% adjusted for inflation. Early data for this quarter shows reasonably good strength in retail sales in a variety of retail outlets. Improving auto sales is particularly welcome, since it is a large part of the U.S. economy. We are also seeing some indications that the housing market is bottoming, which is also a major driver of growth. Corporate earnings have continued to grow at a nice pace since bottoming in 2008. Much of the improvement in earnings has come from improving profit margins rather than sales growth. Profit margins now stand at historic highs and we expect margins to come down in coming quarters.

The markets continue to deal with the added risk to the global economic system caused by the high degree of debt that exists throughout the developed world. A spirit of cooperation in Europe helped to put those concerns on the back burner recently. Solutions for Greece have been announced; however, these are not permanent solutions, and the problems go much further than Greece. We expect potentially more turbulence from sovereign debt problems to reemerge in coming months. For its part, the U.S. federal budget poses a risk to economic growth, as current law mandates an increase in taxes and a sharp reduction in government spending for 2013.
The Current Environment – At A Glance…

Market Performance Review – pgs 3 & 4
This section includes performance data for various equity, fixed income and alternatives indices, as well as yield and/or price levels for certain assets.

Spotlight – pg 5
Demographics may be influencing the decline in the unemployment rate more than many market participants believe. The most widely held view is that the unemployment rate has fallen because the labor force participation rate has also declined. Most believe that the large number of “discouraged” workers has been the reason for the drop. But there may be more to the story. A fuller understanding of the causes may have significant market, if not political, implications.

U.S. Economic Growth and Inflation – pgs 6 & 7
The final update for fourth quarter 2011 GDP growth was 3.0% over the prior quarter, in line with expectations. The Fed’s monetary policy will likely remain accommodative past mid-2014. The Core Consumer Price Index (CPI), which excludes volatile food and energy prices, increased 2.2% on a year-over-year basis in February, while headline inflation (CPI including food and energy) stayed flat at 2.9%.

Employment – pg 8
The unemployment rate remained flat at 8.3% in March, at a 3-year low. Nonfarm job gains, while volatile, have been positive during the past 15 months, with the economy gaining over 2.8 million jobs from October 2010 through February 2012. The pace of job gains picked up significantly in the last six months, averaging 201,000 job gains per month.

Housing – pg 9
Seasonal headwinds continue to pressure home prices, and the S&P/Case-Shiller 20-City Index posted its fifth consecutive decline in January into new record territory. The Index is now nearly 34.5% below its peak. Nonetheless, other housing indicators have turned more positive, as both homebuilder sentiment and housing permits rose in February.

International Developments – pg 10
World financial markets seemed satisfied with the agreement among European finance ministers, private government bond holders, and Greek government leaders on the rescue deal for Greece. Despite the agreement, yields on Greek bonds remain elevated. Investors marked down the value of their Greek debt by 53.5% in the “voluntary” exchange. Investors who formally rejected the exchange offer had the exchange imposed upon them.

U.S. Equities – pg 11
The U.S. stock market continued to push higher during March. The Dow Jones Industrial Average Index traded above 13,000 in the last half of March, reaching its highest level since early 2008. The S&P 500 Index was up 3.3% in March. Small cap stocks participated in the rally, Russell 2000 Index posting a 2.6% return for March and a 12.4% return YTD. The VIX Index, which measures the implied volatility of S&P 500 index options, has hit its lowest level since 2007.

Taxable Fixed Income Market – pg 12
Treasury yields ended moderately higher in March, with the biggest changes at the mid- and longer-end of the curve. The high-yield market ended flat, with the median BBB spread rising approximately 15 bps. The yield increases were muted on lower quality issues as credit spreads compressed.

Tax-Exempt Fixed Income Market – pg 13
High-grade tax-exempt yields rose in March, led by a rise of approximately 35 bps in the 13 – 15 year segment of the yield curve. The upward pressure on rates was more subdued elsewhere, with the shortest and longest maturities rising approximately 15 bps. The yield increases were muted on lower quality issues as credit spreads compressed.

Alternatives Markets – pg 14
Commodity prices continued to retreat from late February highs, with the DJ UBS Commodity Index YTD returning only 0.9% through the end of March. In contrast, consumers watched unleaded gasoline surge to over $4.00 in almost every region of the country. It is little wonder that that the inflation outlook has confused market analysts, as the Fed focuses on economic growth.
Market Performance Review
as of March 31, 2012

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Performance expressed as total return, in percentage points. Total returns for periods of one year or more are annualized. MSCI indices performance is net of foreign taxes on dividends. Highlighted items represent either the best- or worst-performing equity sector for the period.

Sources: Bloomberg L.P., BMO Asset Management U.S.
Market Performance Review

as of March 31, 2012

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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>US$ / Euro</td>
<td>1,334</td>
<td>1,333</td>
<td>1,296</td>
<td>1,339</td>
<td>1,450</td>
<td>1,416</td>
</tr>
<tr>
<td>WTI Crude Oil Price ($/barrel)</td>
<td>103.0</td>
<td>107.5</td>
<td>99.2</td>
<td>80.0</td>
<td>99.2</td>
<td>107.5</td>
</tr>
<tr>
<td>Gold ($/troy oz)</td>
<td>1,668</td>
<td>1,697</td>
<td>1,564</td>
<td>1,624</td>
<td>1,500</td>
<td>1,432</td>
</tr>
</tbody>
</table>

Performance expressed as total return, in percentage points. Total returns for periods of one year or more are annualized.

Sources: Barclays Capital, Bloomberg L.P., BMO Asset Management U.S.
Spotlight: Demographic Influence on Employment

Demographics may be influencing the decline in the unemployment rate more than many market participants believe. As we know, the unemployment rate has experienced a relatively rapid decline recently, from 9.1% last August to 8.3% in January, where it remains at the time of this writing. While hiring has clearly accelerated, averaging 201,000 new private sector jobs each month since the end of August, few economists believed that this modest pace of hiring would have lowered the unemployment rate as it has. Consensus opinion suggests that at least 150,000 new jobs per month are needed just to match the natural growth in the labor force. So what gives?

The most widely held view is that the unemployment rate has fallen because the labor force participation rate has also declined. The participation rate’s recent peak was 66.4% in January 2007, but has slipped to 63.9% in February. Most believe that the large number of “discouraged” workers, those who have stopped looking for work and are no longer counted among the unemployed, has been the reason for the drop. But, as is often the case, there may be more to the story. A fuller understanding of the causes may have significant market, if not political, implications, particularly if the unemployment rate continues to decline at its recent pace.

Recent analysis by two different firms, International Strategy & Investment (ISI) and the Barclays Economic Research team, has independently reached an alternative view. They believe the primary cause of the decline in labor force participation rate and the unemployment rate is demographics. Barclays suggests that demographics, “specifically retirements among baby boomers, have played a larger role in pushing the labor force participation rate down than have cyclical factors,” such as the rise in the number of discouraged workers. ISI research shows that while there is a “common perception that participation in the labor force remains high until retirement ages, the reality is that the peak participation rate occurs at much younger ages (35 – 44 years old).” Exhibit 1, which looks at the labor force participation rate across various age categories, shows this to be true as the trend is essentially the same regardless of whether the data is from 1950 or 2010. ISI found that “participation rates for persons 64 years old are substantially less than the average, so the continued maturation of the baby boomers into their 60s places enormous downward pressure on total participation. With baby boomers now reaching retirement, the downward pressure on the total participation rate will intensify further.”

If true, then it’s likely that the decline in the unemployment rate will continue, assuming a similar pace of approximately 200,000 new jobs per month. Already, the unemployment rate has reached the Fed’s year-end target range. While this alone is unlikely to change Fed monetary policy, it will certainly be a factor if other data also continues to improve. This also could influence both presidential and congressional elections this fall. If public sentiment improves as the unemployment rate declines, all else equal, it would tend to help the incumbent in each election.
The final update for fourth quarter 2011 GDP growth was 3.0% over the prior quarter, in line with expectations (Exhibit 2). GDP for 2011 advanced 1.7%. Among the components of GDP, investment in inventories remained as the largest contributor to growth. Excluding its contribution, fourth quarter growth was a relatively anemic 1%.

The Chicago Fed’s National Activity Index three-month average improved to 0.3% in February. The level indicates the economy’s growth is slightly above trend-line level. A survey of economists taken in early March by Bloomberg News put expectations for growth for the first quarter of 2012 at 2.0%, a nominal decline from January’s consensus view. For the whole year, expectations look for growth of 2.2%.

The slow economic recovery and growth rate of the government debt load remain a dilemma for policy decision-makers. Fiscal policy poses a strong headwind to economic growth, as the growth in the ECRI Leading Index has oscillated throughout the recovery (Exhibit 3). The House passed a budget resolution drawn up by Congressman Paul Ryan, after it voted down a resolution based on the Simpson-Bowles Deficit Panel’s recommendations. Economic analysts are warning of the effects of the fiscal “cliff” in 2013, as tax rates increase and spending is sharply reduced under existing policies.

This dilemma is a major factor for Fed chairman Bernanke’s expectations that monetary policy will remain accommodative past mid-2014, a point he has emphasized in a recent speech to business economists.
Inflation

- The Core Consumer Price Index (CPI), which excludes volatile food and energy prices, increased 2.2% on a year-over-year basis in February, while headline inflation (CPI including food and energy) stayed flat at 2.9% (Exhibit 4). Both measures are double the pace of a year ago. Market inflation expectations, though, have remained in the 1.75-2.50% range since October 2010.

- The Fed’s commitment to low rates stem from its conviction that inflation remains under control, and it expects that any increase above 2% will be temporary. To bolster its inflation-fighting credentials, the Fed has now publicly committed to keeping inflation around the 2% level. In its statement following the January meeting, the Fed maintained its plan to extend the maturity of its securities by purchasing longer dated bonds as its holdings mature. The Fed statement has caused some Fed observers to begin to muse about a potential QE3, although Fed officials have not expressed an inclination to expand its balance sheet.

- Inflation in the Eurozone has been on a rising trend since mid-2009 and in the Asian Emerging Markets since January 2010 (Exhibit 5). With a mandate to only focus on inflation, the European Central Bank has been unwilling to embark on a monetary stimulus to fight sluggish growth or to fight the European debt crisis. It would appear that its willingness to launch aggressive bond purchases will be constrained as long as inflationary pressures persist. The ECB has injected substantial liquidity into the European banks, though, through its Long-Term Refinancing Operation.
Non-farm job gains, while volatile, have been positive during the past 15 months, with the economy gaining over 2.8 million jobs from October 2010 through the end of February 2012 (Exhibit 6).

The average job gain since the peak of job losses recorded in February 2010 was only 137,000 jobs per month, but the pace of job gains picked up significantly in the last six months, averaging 201,000 job gains per month.

Despite encouraging job gains, cumulative job losses since the end of 2007 stand at 5.2 million, but below the peak of 8.7 million job losses recorded in February 2010.

Unemployment insurance claims have been trending steadily downward since the early part of 2009, with both the initial jobless claims and continuing claims data further confirming that the employment conditions are gradually improving (Exhibit 7).

The duration of unemployment remains at a stubbornly high rate. At an average 40 weeks in February 2012, the duration is only slightly below its all-time high of 40.9 weeks reached in November 2011.

The unemployment rate remained flat at 8.3% in March, at a 3-year low. Fed officials projected that the unemployment rate would be between 8.2% and 8.5% towards the end of 2012, constrained by “low rates of resource utilization.”
Economy and Markets

Housing

- Seasonal headwinds continue to pressure home prices and the S&P/Case-Shiller 20-City Index posted its fifth consecutive decline in January into new record territory. The Index is now nearly 34.5% below its peak (Exhibit 8). Nonetheless, other housing indicators have turned more positive, as both homebuilder sentiment and housing permits rose in February (Exhibit 9).

- Despite the negative price headlines, anecdotal evidence points to signs of improvement in some markets. In particular, as rents have risen in many urban areas relative to home prices, some renters are considering purchasing instead of renting and demand for homes is inching higher. The often prohibitively tight lending standards, however, still cause many contract negotiations to fail and increased demand has not yet translated in more robust home sales.

- Meanwhile, the debate on how to best help homeowners navigate through the housing depression continues. Treasury Secretary Timothy Geithner proposed a new incentive plan to mortgage giants Fannie Mae and Freddie Mac to help encourage principal forgiveness for struggling homeowners. The Treasury would pay 63 cents for every dollar forgiven. Despite its seeming appeal, principal forgiveness has concerned regulators and banks, as it can insert significant moral hazard by encouraging some borrowers who could otherwise afford payments to default on their loans. The Federal Housing Finance Agency is in the process of analyzing the benefits and risks of the proposal and expects to release its findings mid-April.
World financial markets seemed satisfied with the agreement among European finance ministers, private government bond holders, and Greek government leaders on the rescue deal for Greece. Despite the agreement, yields on Greek bonds remain elevated (Exhibit 10). Investors marked down the value of their Greek debt by 53.5% in the “voluntary” exchange. Investors who formally rejected the exchange offer had the exchange imposed upon them.

The European debt crisis, however, is not over. With yields of 20%, the new Greek bonds are trading at steep discounts to par value. Yields on the debt underscore the market’s opinion regarding the country’s risks, which will come into sharper focus as elections there unfold in six weeks.

Iran has receded somewhat from the headlines after the saber rattling with a threat to close the Strait of Hormuz in retaliation for sanctions. However, movement to implement sanctions continues, and oil shipments from Iran have decreased. The Iranian risk is part of the explanation for West Texas oil rising 3.8% since the start of the year and Brent crude rising 15.6%.

European equities, measured by the MSCI European Monetary Union (EMU) Index, posted a negative return of 0.4% in March (Exhibit 11). The emerging markets equities also underperformed, with the MSCI Emerging Market Index dropping 3.3% in March. The Emerging Markets Index, though, has maintained its status as the best-performing index so far this year.
The U.S. stock market continued to push higher during March. The Dow Jones Industrial Average Index traded above 13,000 in the last half of March, reaching its highest level since early 2008. The S&P 500 Index was up 3.3% in March and up 12.6% for the year (Exhibit 12).

March was a very strong month for Financials. All but four of 19 major U.S. banks passed the Fed-conducted stress tests. This allowed those banks that passed the stress test to issue dividends and authorize stock buybacks, pushing the financial sector up 7.5% for the month. The stress tests measured the banks’ ability to have sufficient capital to continue to lend to businesses and households amid a hypothetical economic downturn.

Small cap stocks participated in the rally, Russell 2000 Index posting a 2.6% return for March and a 12.4% return YTD.

During the first quarter of 2012, of the S&P 500 companies that reported earnings, 60.8% reported a positive surprise, 29.4% reported a negative surprise, and the remaining 9.8% reported earnings in line with expectations. The Industrial sector had 72.1% of companies report positive earnings.

Commonly referred to as the fear gauge, the VIX Index, which measures the implied volatility of S&P 500 Index options, has hit its lowest level since July 2007 (Exhibit 13). The lower the VIX, the less fearful investors are about the future. The VIX Index is used to hedge market correction.

### Exhibit 12

<table>
<thead>
<tr>
<th>S&amp;P 500 SECTORS</th>
<th>Weight</th>
<th>1-Mo</th>
<th>3-Mo</th>
<th>1-Yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Discretionary</td>
<td>10.9%</td>
<td>4.6%</td>
<td>16.0%</td>
<td>17.6%</td>
</tr>
<tr>
<td>Consumer Staples</td>
<td>11.5%</td>
<td>3.4%</td>
<td>5.5%</td>
<td>17.3%</td>
</tr>
<tr>
<td>Energy</td>
<td>11.0%</td>
<td>-3.3%</td>
<td>3.9%</td>
<td>-6.9%</td>
</tr>
<tr>
<td>Financials</td>
<td>14.9%</td>
<td>7.5%</td>
<td>22.0%</td>
<td>-1.7%</td>
</tr>
<tr>
<td>Health Care</td>
<td>11.3%</td>
<td>4.4%</td>
<td>9.1%</td>
<td>16.4%</td>
</tr>
<tr>
<td>Industrials</td>
<td>10.3%</td>
<td>1.2%</td>
<td>11.3%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Information Technology</td>
<td>20.8%</td>
<td>5.1%</td>
<td>21.5%</td>
<td>20.2%</td>
</tr>
<tr>
<td>Materials</td>
<td>3.4%</td>
<td>0.4%</td>
<td>11.2%</td>
<td>-3.9%</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>2.7%</td>
<td>1.2%</td>
<td>2.1%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Utilities</td>
<td>3.3%</td>
<td>1.4%</td>
<td>-1.6%</td>
<td>14.8%</td>
</tr>
<tr>
<td>S&amp;P 500 Index</td>
<td>100%</td>
<td>3.3%</td>
<td>12.6%</td>
<td>8.5%</td>
</tr>
</tbody>
</table>

### Exhibit 13

Implied Stock Market Volatility and S&P 500 Index

Sources: Bloomberg L.P., BMO Asset Management U.S.
The first half of the month saw a dramatic sell-off in Treasury securities, as investor confidence soared on stronger domestic economic indicators. Investors were also relieved to see the vast majority of Greece’s debt holders agree to a debt-swap deal to prevent a default. Treasury securities snapped back at the mid-point of the month, primarily over concerns the Chinese economy could experience a hard landing, which could negatively impact the global economy. For the month, Treasury yields ended moderately higher, with the biggest changes at the mid and longer end of the curve (Exhibit 14).

Corporate bonds continued to outpace Treasury securities, with the financial sector leading the way with 622 basis points of excess returns year to date (Exhibit 15). Within the investment grade universe, lower quality bonds have outperformed their higher quality counterparts, as yield-hungry investors become more confident that the current economic recovery is sustainable. Despite its negative total return MTD, the corporate bond sector posted its best first quarter excess return performance on record, which starts in 1989.

The high-yield sector outperformed Treasury securities for the month, but generated a negative return of -0.14% for the month. Lower quality high-yield securities generated the best performance, with the Caa quality tier generating 0.70% return for the quarter and 8.09% year to date.
Economy and Markets

Tax-Exempt Fixed Income Market

- High-grade tax-exempt yields rose in March, led by a rise of approximately 35 bps in the 13 – 15 year segment of the yield curve. The upward pressure on rates was more subdued elsewhere, with the shortest and longest maturities rising approximately 15 bps (Exhibit 16). The yield increases were muted on lower quality issues as credit spreads compressed.

- The back-up in tax-exempt yields was partly due to weakness in the Treasury market, but heavy new municipal supply put additional pressure on tax-exempts. While cash flows remain positive and there is ample cash available to meet the demand, investors were hesitant to commit until yields rose.

- There is always a question of where is the optimal risk-reward location along the yield curve. While the risk tolerance of each investor is of primary importance, for those willing to extend beyond five years, valuations and the roll make the 6 – 11 year segment of the curve most appealing (Exhibit 17). This analysis weighs the duration risk of extending along the curve against the 12-month total return anticipated if the slope of the curve remains the same over that period.

- On the credit front, S&P announced that it expects to change its rating methodology for local government general obligation bonds. In addition to traditional measures of financial measures and debt, they will also now consider legal differences between states. They expect the net results to be modest upgrades on one-third of issuers.
Commodity prices continued to retreat from late February highs, the DJ UBS Commodity index YTD returning only 0.9% through the end of March. In contrast, consumers watched unleaded gasoline surge to over $4.00 in almost every region of the country (Exhibit 18). It is little wonder that the inflation outlook has confused market analysts, as the Federal Reserve focuses on economic growth.

Gold weakened by nearly 2% in March, attributable to more attractive longer term bond yields and diminished volatility in the currency markets. Gold mining equity indices were battered, dropping by 10.5%, one of the weakest sectors in the equity markets (Exhibit 19).

Publicly traded REITs were modestly positive in March, trading in parallel with the S&P 500 Index and supported by the strength in the financials sector of which they are components. Over the past year, REITs have outperformed commodity market indices and gold miners by nearly 25%, while beating the S&P 500 Index. However, REITs' relative strength appears to be waning, as yields from fixed income securities are approaching competitive levels to REIT dividends.

Hedge fund returns were mixed in March, as most managers protected YTD gains of 3% and 4%. While some managers benefited from the Treasury market’s trend reversal, macro-oriented trades in gold and commodities were detractors. Managers pointed to opportunities in European distressed debt, as banks are expected to liquidate assets currently on their balance sheets.
Equity Indices

S&P 500 Index
S&P 500 Index is an unmanaged index of large-cap common stocks.

Dow Jones Industrial Average
The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq.

Russell 1000 Index
Russell 1000® Index consists of approximately 1,000 of the largest companies in the U.S. equity markets.

Russell 1000 Growth Index
Russell 1000® Growth Index measures the performance of those Russell 1000 Companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Value Index
Russell 1000® Value Index measures the performance of those Russell 1000 Companies with lower price-to-book ratios and lower forecasted growth values.

Russell Midcap Index
Russell Midcap® Index measures the performance of the smallest 800 U.S. companies in the Russell 1000 Index.

Russell Midcap Growth Index
Russell Midcap® Growth Index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values.

Russell Midcap Value Index
Russell Midcap® Value Index measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values.

Russell 2500 Index
The Russell 2500 Index measures the performance of the small to mid-cap segment of the U.S. equity universe. It is a subset of the Russell 3000® Index.

Russell 2000 Index
Russell 2000® Index is an unmanaged index that measures the performance of the smallest 2000 U.S. companies in the Russell 3000® Index.

Russell 2000 Growth Index
Russell 2000® Growth Index measures the performance of those Russell 2000 Companies with higher price-to-book ratios and higher forecasted growth values.

Russell 2000 Value Index

MSCI ACWI ex USA Index
The MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets.

MSCI EAFE Index (Developed Markets)
MSCI EAFE Index Europe, Australasia, and Far East Index (EAFE) is a standard unmanaged foreign securities index representing major non-U.S. stock markets, as monitored by Morgan Stanley Capital International.

MSCI European Monetary Union Index
The MSCI EMU (European Economic and Monetary Union) Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of countries within EMU.

MSCI Emerging Markets Index
MSCI Emerging Markets Index is a market capitalization weighted index comprised of over 800 companies representative of the market structure of the emerging countries in Europe, Latin America, Africa, Middle East and Asia. Prior to January 1, 2002, the returns of the MSCI Emerging Markets Index were presented before application of withholding taxes.

NASDAQ Composite Index
The NASDAQ Composite Index is a market-cap weighted index of the more than 3,000 common equities listed on the Nasdaq stock exchange.

Investments cannot be made in an index.
Barclays U.S. Aggregate Index
Barclays Capital U.S. Aggregate Bond Index is an unmanaged index that covers the U.S. investment-grade fixed-rate bond market, including government and credit securities, agency mortgage pass-through securities, asset-backed securities and commercial mortgage-based securities.

Barclays U.S. Interm. Gov/Crd Index
Barclays Capital Intermediate U.S. Government/Credit Index (Barclays Capital Int Gov't/Credit) is an unmanaged index comprised of government and corporate bonds rated BBB or higher with maturities between 1-10 years.

Barclays U.S. Corporate Index
The Barclays Capital U.S. Corporate Bond Index is designed to measure the performance of the U.S. corporate bond market.

Barclays U.S. Treasury Index
The Barclays Capital U.S. Treasury Index is an unmanaged index that includes a broad range of U.S. Treasury obligations and is considered representative of U.S. Treasury bond performance overall.

Barclays Securitized Index
The Barclays Capital U.S. Securitized Bond Index is an unmanaged index of asset-backed securities, collateralized mortgage-backed securities (ERISA-eligible), and fixed-rate mortgage-backed securities.

Barclays High Yield Index
The Barclays Capital U.S. Corporate High-Yield Bond Index is an unmanaged index that covers the USD-denominated, non-investment-grade, fixed-rate, taxable corporate bond market.

BofA Merrill Lynch High Yield BB/B Constr. Index
The BofA Merrill Lynch BB-B Global High Yield Index is a subset of the BofA Merrill Lynch Global High Yield Index including all securities rated BB1 through B3, inclusive.

Barclays 1-10 yr Municipals Index
The Barclays Capital 1-10 Year Municipal Blend Index is a market value-weighted index which covers the short and intermediate components of the Barclays Capital Municipal Bond Index—an unmanaged, market value-weighted index which covers the U.S. investment-grade tax-exempt bond market.

Barclays Global Aggregate Bond Index
The Barclays Capital Global Aggregate Bond Index is an index of global government, government-related agencies, corporate and securitized fixed-income investments.

Barclays Global Credit Index
The Barclays Global Credit Index is the credit component of the Barclays Global Aggregate Index, an index of global government, government-related agencies, corporate and securitized fixed-income investments.
Index Definitions

Alternative Investments Indices

DJ UBS Commodity Index
The Dow Jones-UBS Commodity Index is composed of commodities traded on U.S. exchanges.

MSCI ACWI Commodity Producers Index
The MSCI ACWI Commodity Producers Index is a component of the broader MSCI Commodity Producers Indices and covers large, mid and small cap companies across 45 Developed and Emerging Markets.

Wilshire US REIT Index
The Wilshire US REIT Index measures U.S. publicly traded Real Estate Investment Trusts. It is a subset of the Wilshire US Real Estate Securities Index.

S&P Developed World REIT Index
The S&P Developed REIT Index measures the performance of more than 200 real estate investment trusts in 14 developed markets. The index is the developed market component of the S&P Global REIT, which includes REITs from both developed and emerging markets.

S&P Global REIT Index
The S&P Global REIT Index measures the performance of real estate investment trusts in both developed and emerging markets.

S&P Global Infrastructure Index
The S&P Global Infrastructure Index provides liquid and tradable exposure to 75 companies from around the world that represent the listed infrastructure universe including utilities, transportation and energy.

Arca Gold Miners Index
The NYSE Arca Gold Miners Index is a modified market capitalization weighted index comprised of publicly traded companies involved primarily in the mining for gold and silver.

Other Indices

S&P/Case-Shiller 20-City Index
The S&P/Case-Shiller 20-City Index is a composite index of the home price index for 20 major metropolitan statistical areas in the U.S.

VIX Index
The Chicago Board Options Exchange Market Volatility Index is a measure of implied volatility of S&P 500 index options, often referred to as the “fear” index.

Investments cannot be made in an index.
Disclosure

For further information, please visit our websites at

BMO Funds www.bmofundsus.com

M&I Investment Management Corp. www.mi-imc.com

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