Month-End Review and Near-Term Developments

The battle of “macro” vs. “micro” investing has been engaged for almost three years. The macros typically address conditions in a country or region, for better or worse, with regard to their debt/leverage, growth etc., while micros detail items such as the direction of corporate profits and consumer behavior. In recent years, the muscular nature of both forces created huge spikes of investor reaction day-to-day, week-to-week, and month-to-month. April 2012 was no exception.

First Quarter 2012 delivered solid stock returns around the globe, including U.S., Japan, China, Brazil, Russia, Germany and the U.K. But in April, macro fears, largely over Europe and Spain, jumped back to the forefront, spooked investors, and led to weakness in riskier assets – like stocks. Through April 10, these macros took the S&P 500 Index down by almost 3.5%. Then micros kicked in, particularly in the U.S., where corporations produced much stronger than expected growth in earnings for the first quarter, and consumer confidence and spending grew. So much for those macro concerns: stocks retraced nearly all those losses and prices ended the month down only 0.6%.

April stock results closed slightly negative, but the first quarter returns were strong, suggesting that a longer time horizon might provide additional perspective. For the past three years ending April 2012, even with all of Europe’s macro woes, the U.S. stock indexes came off their recession lows. The Dow Jones Industrial Average Index earned a three-year compound return ending, April 30, 2012, of 20.7% per year, and its ten-year return ending April was 5.5%. (Not a great ten-year return - but a big jump from the near 0% return of the decade ending 2010).

As mentioned, Spain is now the epicenter for Euro unease and the troubling worldwide reactions which predictably follow: yields rise in the countries at risk, the prices of credit default protection jump, bank stocks are punished and central bankers and IMF officials speak out. The intrusion of these Euro issues into the global economic landscape is both real and disturbing. Add to Spain the concerns about upcoming Dutch and French elections, and the political piece amplifies the volatility.

Obviously, China too makes the radar of “macro” issues. China is joined at the hip to Europe, which accounts for nearly 20% of China’s exports. But there are other intricacies at work as well. China is amid a structural shift from heavily export dependent to a greater emphasis on consumption. This transition makes management of their currency a delicate dance: a weaker currency helps exports, while a stronger one promotes consumption.

Additionally, any serious and secular slowdown in China may mean a potential pull back of foreign investment into China. So the complexities are many, but not new. The dual mandate of China is to balance growth, without excessive inflation. At present, China is loosening some liquidity constraints and tilting back toward expansion. Their recent economic growth was just over 8%. Most expect it will remain in that realm for 2012.

But, in spite of Europe and China, the micro picture for corporations and consumers in the U.S. remains upbeat. We have in hand the nearly final metrics for the growth of corporate profits and sales in the first quarter ending March. The news surprised to the upside, as nearly 75 percent of companies beat their earnings expectations. Add to that strong retail sales, consumers hungry for new vehicles, gasoline prices (negative force in our commentary last month) starting to moderate and hopefully these and other factors will help the markets scale the wall of worry out of Europe and China.

So far, over the past three years and with a lot volatility along the way: Macros won the headlines; but Micros won the returns.
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
The “fiscal cliff” is our spotlight this month. The fiscal cliff refers to the sharp contraction in federal government fiscal policy that current law will require. Essentially, it is the increase in taxes plus the reduction in government spending. We discuss implications of possible government actions and the Fed’s available tools to promote growth.

U.S. Equities – pg 11
Equity markets have shown an increase in daily volatility during April, with a slight negative return for the S&P 500 Index. The volatility was due in part to renewed fears regarding the European debt crisis as well as inconsistent U.S. economic reports. Despite being down for the month of April, the S&P 500 Index remains above the 1,400 mark with a return of 11.9% YTD.

Taxable Fixed Income Market – pg 12
During the month of April, Treasury securities gained back all they lost in March and then some. This rally was driven by a flight to quality, as investors once again feared the debt issues plaguing Europe. Within corporate bonds, all sectors posted positive returns, but underperformed Treasury securities with comparable duration. The hardest hit were long duration finance names, which tend to trade off when concerns over a global debt crisis are high.

U.S. Economic Growth and Inflation – pgs 6 & 7
The initial estimate for first quarter 2012 GDP growth was 2.2% over the prior quarter, slightly below the expected 2.5%. The Core Consumer Price Index (CPI), which excludes volatile food and energy prices, increased 2.3% on a year-over-year basis in March. Inflation in other parts of the world has shown sharper increases.

Alternatives Markets – pg 14
Commodity price speculators saw almost flat returns, as pricing pressure on corn and wheat and some selling of gold positions depressed the DJ UBS Commodity Index by 0.4%. For the past two months, commodities have traded lower, remaining nearly -20% below price levels of a year ago. REITS in the U.S. market rebounded by almost 3.0%.

International Developments – pg 10
Financial markets have recently shown some unease over the European sovereign debt problems. Standard & Poor’s lowered Spain’s debt rating, which has added to the markets’ concerned watch over each refinancing operation in Europe. Yields on Italian and Spanish debt increased during April.

Employment – pg 8
The unemployment rate declined to 8.2% in April, landing at a three-year low (Exhibit 6). Fed officials’ outlook for the unemployment rate is now a touch better than it was in the prior release following the January FOMC meeting, in the range of 7.8% to 8.0%.

Tax-Exempt Fixed Income Market – pg 13
Municipal yields fell last month despite modest fund outflows due to tax-related selling. The intermediate segment of the curve, from 6 – 20 years, rallied by 20 bps or more, with shorter and longer maturities lagging modestly. Credit spreads continue to narrow as the low yield environment has investors searching for yield. This is evident in high yield fund flows, which have been consistently positive in 2012.

Housing – pg 9
Home prices posted their sixth consecutive month of declines according to the S&P/Case-Shiller 20-City Index, ending at 134.2 in February or 35% below the peak. Hard hit areas such as Miami and Phoenix were among the few reporting positive monthly returns. Separately, the Federal Housing Finance Agency’s seasonally adjusted house price index rose 0.3% in February from January.
## Market Performance Review

### as of April 30, 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 April 30, 2012

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<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: The Fiscal Cliff

During his press conference following the Federal Reserve Board’s meeting on April 25, Fed Chairman Bernanke warned of the “fiscal cliff” facing the economy at the beginning of 2013. He warned that the “cliff” remains a major risk to the U.S. recovery. If Congress does not address it, the Chairman cautioned that monetary policy alone could not help the economy.

The fiscal cliff refers to the sharp contraction in federal government fiscal policy that current law will require. Essentially, it is the increase in taxes plus the reduction in government spending. The amount consists of several components: significant increases in personal income taxes as temporary tax cuts expire, the expiration of the 2% cut in the payroll tax rate, increases in Medicare taxes under ObamaCare (which are structured to affect the “wealthy”), and mandatory cuts in discretionary federal spending (known as “sequestration”) embedded in the deficit reduction legislation enacted in August 2011. An additional element is a likely battle over raising the federal debt ceiling, as Federal borrowing continues to grow.

Estimates vary on the impact that these changes will have on GDP, but the impact could stop economic growth in its tracks. Over the past year, growth in nominal GDP has averaged 4.0%. The direct impact on GDP from the reduction in discretionary Federal spending and the increased taxes amount to approximately 3.5% of nominal GDP (Exhibit 1). If business spending is curtailed, as owners and managers react to the economic uncertainty, the full effect could approach 4%.

Congress, however, faces a dilemma. With growth in federal debt over the course of the financial crisis and recession bumping against the debt ceiling, delaying any credible action to address it risks adverse reactions from the financial markets. The impasse in the debt reduction negotiations in August 2011 and the inability of the Super Committee to arrive at any compromise solution led to the “fiscal cliff.” Bridging the gap in negotiating positions during an election year is not an outcome many political pundits are willing to predict. The most optimistic scenario might be for some temporary fix (e.g., delaying some of the tax increases) for 2013, when the new Congress and the White House will not have an impending election blocking maneuvering room for a compromise.

Chairman Bernanke emphasized during his press conference that the Fed stands ready if the economy were to weaken. He stated that the Fed’s “tools remain very much on the table and we will not hesitate to use them should the economy require that additional support.” The challenge is that short-term interest rates (over which the Fed has the best control) are near 0%, and long-term rates (which the Fed affects imprecisely) remain very low. Thus, the effectiveness of the Fed’s tools is uncertain.
The initial estimate for first quarter 2012 GDP growth was 2.2% over the prior quarter, slightly below the 2.5% that Bloomberg News estimated from their monthly survey (Exhibit 2). Personal consumption grew 2.9% in the quarter, its strongest contribution since 4Q 2010. Residential investment advanced 19% over the prior quarter, while investment by businesses and in inventories contributed much less than in recent quarters.

The Chicago Fed’s National Activity Index three-month average weakened to 0.05% in March. The level indicates the economy’s growth is essentially at its trend-line level.

The growth in the ECRI Leading Index has oscillated throughout the recovery (Exhibit 3). It began to signal that a slowdown in growth was to be expected, as it crossed into negative territory in November 2011. The CFNAI and ECRI indicators together are signaling that economic growth is likely to be in the 2% area for the current calendar quarter.

Following the Federal Reserve Board’s two-day meeting during the last week of April, Chairman Bernanke emphasized the fiscal brakes the economy faces from the current Federal budget. He pointedly stated that monetary policy will be unable to overcome the slowing effects of a sharp drop in government spending and the increases in tax rates that will take effect at the start of 2013.
Economy and Markets

Inflation

- The Core Consumer Price Index (CPI), which excludes volatile food and energy prices, increased 2.3% on a year-over-year basis in March, a 0.1 point increase from the prior month. Headline inflation (CPI including food and energy) eased 0.2% to 2.7% (Exhibit 4). Both measures are double the pace of a year ago. Market inflation expectations, though, have remained in the 1.7-2.5% range since October 2010.

- The Fed’s commitment to low rates stems 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 April meeting, the Fed mentioned a slight pick-up in inflation, but repeated its expectations that any increase is temporary.

- Inflation in other parts of the world has shown sharper increases. In the Eurozone, inflation has been on a rising trend since mid 2009 and in the Asian Emerging Markets it has been on the increase 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 unemployment rate declined to 8.2% in April, landing at a three-year low (Exhibit 6). Fed officials’ outlook for the unemployment rate is now a touch better than it was in the prior release following the January FOMC meeting, in the range of 7.8% to 8.0%.

Non-farm job gains, while volatile, have been positive during the past 15 months, with the economy gaining over 2.9 million jobs from October 2010 through the end of March 2012.

The solid pace of job gains, which averaged 202,000 jobs per month in the past six months ending February 2012, was reversed in March, when the economy gained a weak 120,000 jobs.

Despite the steady trend of job gains, cumulative job losses since the end of 2007 stand at 5.1 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. However, April data negatively surprised the markets, as both initial and continuing claims increased (Exhibit 7).

The duration of unemployment remains at a stubbornly high rate. At an average 39.4 weeks in March 2012, the duration is only slightly below its all-time high of 40.9 weeks reached in November 2011.
Housing

- Home prices posted their sixth consecutive month of declines according to the S&P/Case-Shiller 20-City Index, ending at 134.2 in February or 35% below the peak (Exhibit 8). The lagging indicator has not yet captured the effects of improving seasonals, but declines have already shown signs of moderation. Hard hit areas such as Miami and Phoenix were among the few reporting positive monthly returns. Separately, the Federal Housing Finance Agency’s seasonally adjusted house price index rose 0.3% in February from January.

- New home sales fell in March, but exceeded expectations as the warm weather helped deliver a first quarter increase of 16% compared to the same period last year. Existing home sales declined as well, but remained inside a moderate upward trend. An encouraging sign, inventories remained well below their peak. Lastly, pending home sales increased for the third consecutive month in March, but improving demand still fails to fully translate into actual sales.

- Homebuilder sentiment and building permits, considered leading indicators, continue to show signs of improvement (Exhibit 9). Other higher frequency indicators have been encouraging as well – the ISI homebuilders sales survey, for example, has risen above 50 recently, a level not seen in years. Despite incipient green shoots, housing remains generally depressed and is susceptible to deterioration in employment and overall economic activity. Recessions in Europe, a slowdown in China and barely perceptible U.S. growth all pose significant risk to a potential housing recovery.
International Developments

- Financial markets have recently shown some unease over the European sovereign debt problems. Standard & Poor’s lowered Spain’s debt rating, which has added to the markets’ concerned watch over each refinancing operation in Europe. Yields on Italian and Spanish debt increased during April (Exhibit 10).

- Statistics from the U.K. and Spain indicate that those economies have slipped back into a recession, making them the first countries to experience a double-dip recession through the first quarter of 2012. Concerns remain over other countries facing a similar prospect. If the customary definition for a recession as two consecutive quarters of negative GDP growth is used, nine other European countries were experiencing a double-dip recession at the end of 2011.

- As Europe slides into recession and austerity budgets to contain the sovereign debt crisis are implemented, the casualties among European governing coalitions continue to rise. The Dutch coalition government fell due to disagreement within the coalition over tightened measures, and French President Sarkozy enters into a runoff election on May 6 trailing in the polls.

- European equities, measured by the MSCI European Monetary Union (EMU) Index, posted a negative return of 4% in April (Exhibit 11). The emerging markets equities also underperformed, as the MSCI Emerging Market Index slipped 1.2% in April. The MSCI Asia Pacific Index posted a negative 0.9% return in April, as well.

Exhibit 10
European Governments
9-Yr. and 10-Yr. Bond Yields

Exhibit 11
World Equity Markets
U.S. Equities

- Telecommunication Services was the best performing sector within the S&P 500 Index (Exhibit 12) due to very strong quarterly results from companies with a large weight in the index. Also, strong performance from Consumer Discretionary bodes well for investor expectations, which can be interpreted as a positive economic indicator.

- Large cap Financial stocks gave away part of their March gains in April, landing on the last place among large cap sectors. This poor underperformance is mostly due to fears stemming from the prolonged European debt crisis. However, many large banks have already posted strong first quarter earnings.

- Equity markets have shown an increase in daily volatility during April (Exhibit 13), with a slight negative return for the S&P 500 Index. The volatility was due in part to renewed fears regarding the European debt crisis as well as inconsistent U.S. economic reports. Despite being down for the month of April, the S&P 500 Index remains above the 1,400 mark with a return of 11.9% YTD.

- April is generally a heavy month for earnings reports. Of the 53% of companies in the S&P 500 Index which have already reported earnings, 73% had a positive surprise. Only 19% of those reported were below expectations. The rest were in line with expectations. There has been a slight uptick to $105.80 for aggregate EPS estimates for FY2012. Continued earnings estimate increases as well as positive earnings surprises will show continued improvement in the U.S. economy.

### 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>11.1%</td>
<td>1.3%</td>
<td>10.9%</td>
<td>14.7%</td>
</tr>
<tr>
<td>Consumer Staples</td>
<td>11.5%</td>
<td>0.3%</td>
<td>7.5%</td>
<td>11.8%</td>
</tr>
<tr>
<td>Energy</td>
<td>11.0%</td>
<td>-1.0%</td>
<td>1.4%</td>
<td>-9.1%</td>
</tr>
<tr>
<td>Financials</td>
<td>14.6%</td>
<td>-2.4%</td>
<td>10.2%</td>
<td>-4.1%</td>
</tr>
<tr>
<td>Health Care</td>
<td>11.2%</td>
<td>-0.2%</td>
<td>5.6%</td>
<td>9.0%</td>
</tr>
<tr>
<td>Industrials</td>
<td>10.2%</td>
<td>-1.1%</td>
<td>2.9%</td>
<td>-2.0%</td>
</tr>
<tr>
<td>Information Technology</td>
<td>20.6%</td>
<td>-1.9%</td>
<td>10.7%</td>
<td>14.6%</td>
</tr>
<tr>
<td>Materials</td>
<td>3.4%</td>
<td>-0.9%</td>
<td>-0.9%</td>
<td>-6.8%</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>2.9%</td>
<td>5.4%</td>
<td>10.6%</td>
<td>7.2%</td>
</tr>
<tr>
<td>Utilities</td>
<td>3.4%</td>
<td>1.8%</td>
<td>3.9%</td>
<td>12.4%</td>
</tr>
<tr>
<td>S&amp;P 500 Index</td>
<td>100%</td>
<td>-0.6%</td>
<td>7.1%</td>
<td>4.8%</td>
</tr>
</tbody>
</table>

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

### Exhibit 13

**Implied Stock Market Volatility and S&P 500 Index**

Sources: Bloomberg L.P., BMO Asset Management U.S.
Taxable Fixed Income Market

During the month of April, Treasury securities gained back all they lost in March and then some (Exhibit 14). This rally was driven by a flight to quality, as investors once again feared the debt issues plaguing Europe. While there is a semblance of control around the Greek debt issues, a similar crisis is brewing in Spain, which is the third largest debt issuer in the world. Yields on Spain’s sovereign debt rose from 5.33% to 5.76% during the month of April. Some softer economic numbers domestically also dampened investors optimism surrounding the health and viability of the U.S. economy.

Within corporate bonds, all sectors posted positive returns, but underperformed Treasury securities with comparable duration, as the risk-off trade ruled the month (Exhibit 15). The hardest hit were long-duration finance names, which tend to trade off when concerns over a global debt crisis are high. As would be expected in this environment, higher quality names outperformed their lower quality counterparts, as investors sought perceived safety.

Residential agency-backed MBS lagged U.S. Treasury securities in April on the flight-to-quality trade and MBS investors continued to price in potential impacts of increased prepayments. CMBS also lagged Treasury securities, as the market had to digest a large supply of issues sold from the Fed. This increased supply pressured prices for the first 3/4 of the month. The transaction ended up trading into a strong bid and spreads recovered somewhat into month-end.
Municipal yields fell last month despite modest fund outflows due to tax-related selling. The intermediate segment of the curve, from 6 – 20 years, rallied by 20 bps or more, with shorter and longer maturities lagging modestly (Exhibit 16).

YTD, approximately $112B of new tax-exempt supply has been issued, which pushes full-year estimates into the $350B range. If so, this will be more than 15% above last year’s $297B issuance. Yet, this increase is misleading in that more than 60% of YTD supply has been current (or near-current) refunding issues, which creates its own demand when bonds are called away. Net new supply, ex-redemptions, is likely to be negative for all of 2012.

Credit spreads continue to narrow as the low-yield environment has investors searching for yield. This is evident in high-yield fund flows, which have been consistently positive in 2012 (Exhibit 17).

The Senate Finance Committee held hearings last month to discuss possible tax reform ideas. While no changes are expected prior to the November election, it is increasingly likely that the tax-exemption for municipal debt will be subjected to close scrutiny when Congress looks for ways to cut government spending again. Senator Orin Hatch estimates that tax-exempt debt will cost the Treasury $347B in lost revenue from 2011 to 2015. The municipal industry argues that, despite its flaws, the current process is the best means available for state and local governments to access the financial markets. Stay tuned as the debate unfolds.
Prices of natural gas have fallen dramatically (about 52%) over the past year, coincident with the development of new mining and extraction technologies, the so-called “fracking” techniques which operate well below the ground, most often distant from the water table (Exhibit 18). Since natural gas resources seem to exist in such abundance in North America, some have argued that eventual independence from Middle East petroleum is possible in a future that transitions to natural gas as a replacement fuel to oil.

Commodity price speculators saw almost flat returns, as pricing pressure on corn and wheat and some selling of gold positions depressed the DJ UBS Commodity Index by 0.4%. For the past two months, commodities have traded lower, remaining nearly 20% below price levels of a year ago. Natural gas may explain some of the weakness, but its depressed price may attract new sources of demand, at least in the domestic markets.

Hedge fund returns were mostly negative across all styles, though losses were insignificant, as the composite benchmarks lost between 0.25% and 0.50%. Asset raising remains depressed, even though new regulatory guidance will allow hedge funds greater latitude in marketing their funds.

REITS in the U.S. market rebounded by almost 3.0%, benefiting from lower Treasury yields and the Fed’s outlook (Exhibit 19).
### 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)**  
The 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 AC Asia Pacific Index**  
The MSCI AC Asia Pacific Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of Asia and Pacific region.

**MSCI Emerging Markets Index**  
The 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.*
Index Definitions

Fixed Income Indices

**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.
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 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.

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.

CPI Index
The Consumer Price Index is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care.

*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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