

# Mutual Fund vs. GIC: Which Can Generate a Higher After-Tax Return?

A deeply and persistently inverted yield curve has the short end looking very attractive. As a result, some investors are shifting from stocks to cash equivalents, like high-interest savings accounts (HISA), guaranteed investment certificates (GICs) and ultra short-term bonds. Unfortunately, **not all cash and cash-like instruments are created equal.**

The BMO Ultra Short-Term Bond ETF Fund (USTBF), for example, is an effective way to earn a high rate of return similar to a one-year GIC but in a liquid strategy. And, with ultra-short-term bonds currently trading at a discount, the Fund is also potentially more tax efficient for taxable investors.

## BMO Ultra Short-Term Bond ETF Fund vs. 1-Year Non-Redeemable GIC

This Fund invests exclusively in the BMO Ultra Short-Term Bond ETF.  
Here is how it compares to a 1-year non-redeemable GIC.

			Before Tax Return		After Tax Return				
	Coupon <sup>1</sup>	YTM <sup>2</sup>	Interest Income (\$)	Capital Gains (\$)	Interest Income (\$)	Capital Gains (\$)	After Tax Return (\$)	After Tax Return (%)	Difference
USTBF's Underlying Investment	2.67%	5.83%	\$2,670.00	\$3,160.00	\$1,240.75	\$2,314.23	\$3,554.98	3.55%	0.76%
GIC	6.00%	6.00%	\$6,000.00	\$0.00	\$2,788.20	\$0.00	\$2,788.20	2.79%	-0.76%

Given current market dynamics,  
an investor can generate a higher  
after-tax expected return (approximately +27%)  
by investing in a USTBF vs. a GIC.

### Tax Calculation

USTBF's Underlying Investment	
Interest Income	<ul style="list-style-type: none"><li>2.67% Coupon x \$100,000.00 Initial Investment = <b>\$2,670.00 Pre-Tax Interest Income</b></li><li>\$2,670.00 Income Before Tax x (1- Marginal Tax Rate<sup>3</sup>) = <b>\$1,240.75 After-Tax Interest Income</b></li></ul>
Capital Gain	<ul style="list-style-type: none"><li>(5.83% x YTM - 2.67% Coupon) x \$100,000.00 Initial Investment = <b>\$3,160.00 Pre-Tax Capital Gains realized at maturity</b></li><li>Capital Gains before Tax x (1 - Capital Gains Inclusion Rate) + [Capital Gains Before Tax x (1 - Capital Gains Inclusion Rate) x (1 - Marginal Tax Rate)] = <b>\$2,314.23 After-Tax Capital Gains</b></li></ul>
Total Return	<ul style="list-style-type: none"><li>\$2,670.00 Interest Income + \$3,160.00 Capital Gains = <b>\$5,830.00 Pre-Tax Return</b></li><li>\$1,240.00 Interest Income + \$2,314.23 Capital Gains = <b>\$3,554.98 After-Tax Return</b></li></ul>
GIC Interest Income	<ul style="list-style-type: none"><li>6.0% Coupon x \$100,000.00 Initial Investment = <b>\$6,000.00 Pre-Tax Interest Income Earned</b></li><li>\$6,000.00 Coupon x (1 - Marginal Tax Rate) = <b>\$2,788.20 After-Tax Return</b></li></ul>

### Fund Code and Fee

BMO Ultra Short-Term Bond ETF Fund	Target MER <sup>4</sup>	Fund Code
<a href="#">Series F</a>	0.17%	BM095338
<a href="#">Advisor Series</a>	0.73%	BM099338

### Added Benefits



Highly Liquid

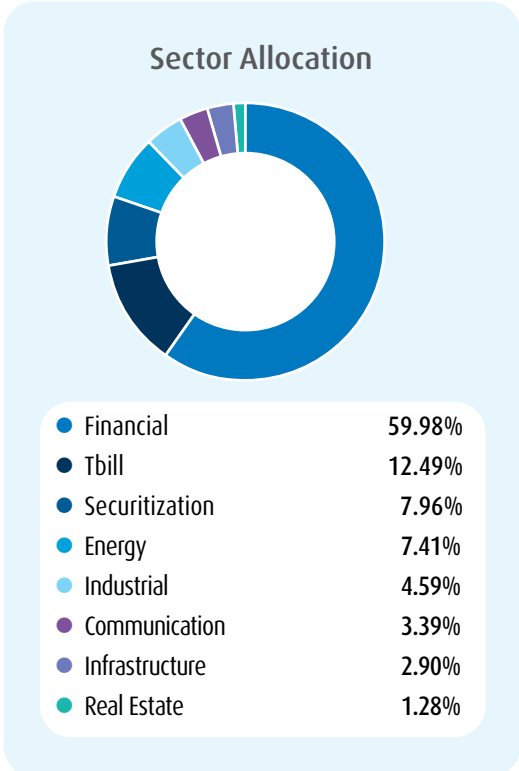
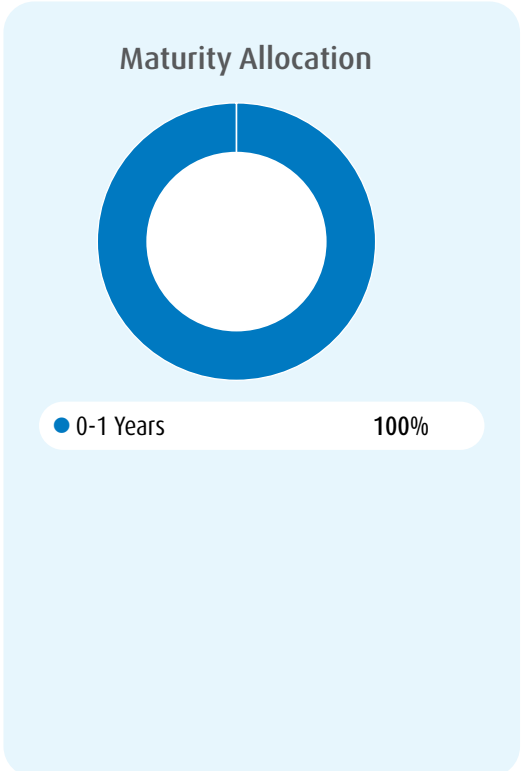


No Lock-Up Period



12-Years Without a  
Negative Rate of Return  
for the Underlying ETF<sup>5</sup>

### Holding Allocations



Source: Bloomberg, BMO Global Asset Management, as of October 13, 2023.

For more information, please contact your  
**BMO Global Asset Management wholesaler.**

<sup>1</sup> USTBF's Underlying Investment (ZST) coupon as of October 13, 2023. Hypothetical 1-Year Non-Redeemable GIC rate.

<sup>2</sup> YTM is calculated gross of fees.

<sup>3</sup> Assuming the tax rate is 53.53. Top marginal tax bracket will differ depending on province of residence.

<sup>4</sup> Target MER - Management Expense Ratio is an estimate only as this fund is less than one year old.

<sup>5</sup> Bloomberg, BMO Global Asset Management, as of September 29, 2023. ZST Annualized Performance - 1-year: 4.69%; 3-year: 1.77%; 5-year: 1.99%; 10-year: 1.67%; Since Inception: 1.82%. Inception Date: January 28, 2011.

**Yield to Maturity:** The total expected return from a bond when it is held until maturity - including all interest, coupon payments, and premium or discount adjustments.

#### Disclosures:

We are not tax specialists and each individual's circumstances and tax situation may be different. Investors should consult their tax specialist before acting on the information provided above.

Commissions, management fees and expenses (if applicable) all may be associated with investments in mutual funds. Trailing commissions may be associated with investments in certain series of securities of mutual funds. Although such statements are based on assumptions that are believed to be reasonable, there can be no assurance that actual results will not differ materially from expectations. Investors are cautioned not to rely unduly on any forward-looking statements. In connection with any forward-looking statements, investors should carefully consider the areas of risk described in the most recent simplified prospectus.

As the fund is less than one year old, the actual Management Expense Ratio (MER) will not be known until the fund financial statements for the current fiscal year are published. The estimated MER is an estimate only of expected fund costs until the completion of a full fiscal year, and is not guaranteed.

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