

BMO Quality ETFs

Making Sense of Quality Investing

BMO EXCHANGE TRADED FUNDS

ZGQ - BMO MSCI All Country World High Quality Index ETF
ZUQ - BMO MSCI USA High Quality Index ETF

ZEQ - BMO MSCI Europe High Quality Hedged to CAD Index ETF

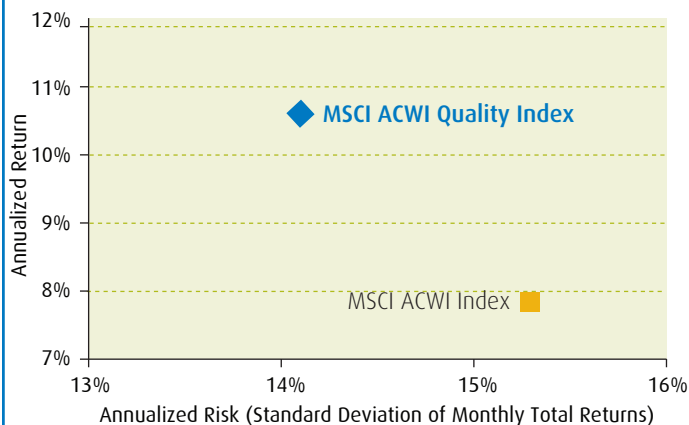
Why Quality Matters

One of the most intuitive smart beta factors is quality investing. Quality based investing is built to identify market leading companies. Research has shown that equity investing with a high quality focus has earned a premium while reducing risk over longer periods of time relative to the market. Part of the value is in the meaningful difference from traditional market capitalization indices where quality provides effective exposure throughout the entire market cycle. Furthermore, quality screening avoids inexpensive stocks masquerading as bargains.

advantages. Quality growth companies typically have high return on equity (ROE), stable earnings and strong balance sheets with low financial leverage. These quality leaders are positioned to respond to positive market conditions, as well as provide support in market contractions.

Quality Investing: Superior Risk Adjusted Returns

MSCI ACWI Quality Index Historical Return and Risk 1993-2014



ACWI is defined as All Country World Index
Source: MSCI, August 2014 (Gross)

What is Quality?

BMO Quality ETFs invest in high quality companies that provide greater long-term growth potential with less volatility than the broad market. High quality companies are defined as **market leaders** that have **durable business models** and **sustainable competitive**

What is a High Quality Company?



3 Quality Variables

High ROE – Indicates a business with a sustainable competitive advantage, efficient operations and profitability.

Stable Earnings Growth – Demonstrates durability and stability of a company's business model.

Low Financial Leverage – Determines if returns are based on underlying operations and protects on the downside.

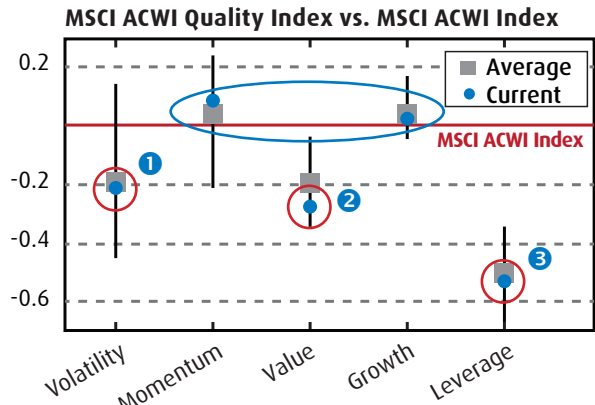
Each variable on its own is not necessarily an indicator of a quality company. For example, high ROE could be an abnormal spike at one point in time or a result of high leverage. The 3 variables in combination provide a more accurate assessment. BMO Quality ETFs consider these 3 quality variables in combination.

Impact of Quality Variables

Relative to the parent index, the MSCI ACWI Quality Index:

- 1 Lowers Volatility
- 2 Avoids Value Trap
- 3 Reduces Leverage

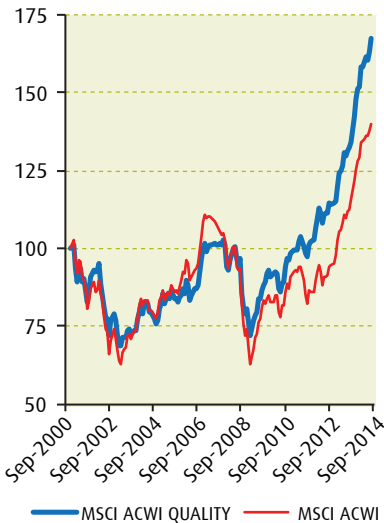
All Without Sacrificing Growth



Source: MSCI, 06/01/1999 to 06/02/2014

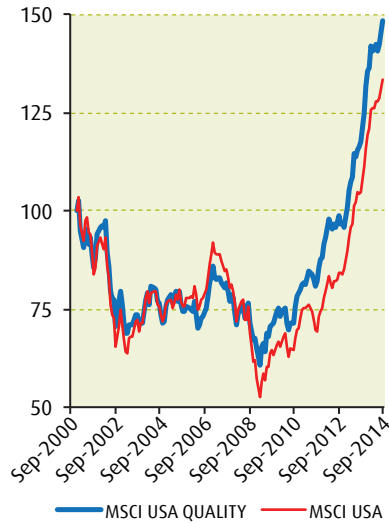
Quality Investing: Long-Term Outperformance

MSCI ACWI Quality Index vs. MSCI ACWI Index

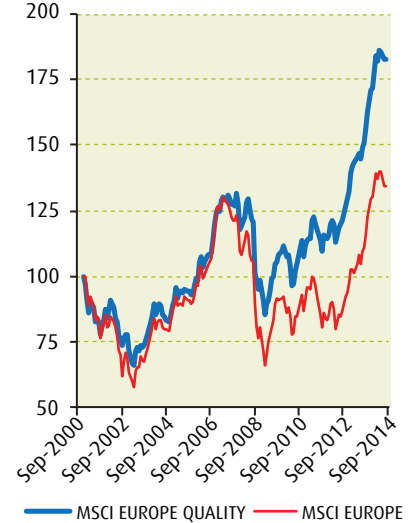


Source: MSCI, Index data as of September 2014

MSCI USA Quality Index vs. MSCI USA Index



MSCI Europe Quality Index vs. MSCI Europe Index



BMO Quality ETFs

BMO ETFs has created a suite of quality ETFs that captures high quality companies with a transparent, rules based portfolio methodology that aims to provide higher risk adjusted returns to investors. The BMO Quality ETF suite screens for companies with high quality scores based on 3 fundamental variables; high ROE, stable earnings growth and low financial leverage. The portfolio is built on the

quality scores and the process is repeated at reweight to ensure the portfolio remains constructed with true market leaders. The methodology aims to not only capture the performance of high quality companies, but to ensure reasonably high trading liquidity and to moderate security turnover while staying cost effective. BMO Quality ETFs are designed to be core equity options.

ETF Name	Ticker	Management Fee
BMO MSCI All Country World High Quality Index ETF	ZGQ	0.45
BMO MSCI USA High Quality Index ETF	ZUQ	0.30
BMO MSCI Europe High Quality Hedged to CAD Index ETF	ZEQ	0.40

► Key Metrics as of August 29, 2014

	BMO MSCI All Country World High Quality Index ETF		BMO MSCI USA High Quality Index ETF		BMO MSCI Europe High Quality Hedged to CAD Index ETF	
	MSCI ACWI Index	MSCI ACWI Quality Index	MSCI USA Index	MSCI USA Quality Index	MSCI Europe Index	MSCI Europe Quality Index
Total Return ¹	2.6%	3.7%	2.1%	2.9%	2.2%	4.7%
Total Risk ¹	12.3%	11.2%	12.6%	12.0%	14.9%	12.3%
Return/Risk	0.21	0.33	0.17	0.24	0.14	0.38
Sharpe Ratio	-0.01	0.10	-0.04	0.02	-0.03	0.16
Active Return ¹	0.0%	1.2%	0.0%	0.8%	0.0%	2.5%
Tracking Error ¹	0.0%	4.1%	0.0%	4.1%	0.0%	5.9%
Historical Beta	1.00	0.86	1.00	0.90	1.00	0.76
Turnover ²	3.5%	23.2%	3.2%	25.4%	3.2%	28.9%
Price to Book ³	2.2	4.2	2.7	4.8	2.0	4.1
Price to Earnings ³	18.2	16.5	19.4	17.8	15.6	15.4
Dividend Yield ³	2.3%	2.1%	1.8%	1.7%	3.1%	2.9%
Performance⁴						
YTD	9.5%	10.6%	11.7%	9.5%	4.1%	7.0%
1 Year	24.3%	26.5%	28.0%	27.4%	20.1%	20.3%
3 Year	18.8%	20.0%	24.4%	22.6%	17.7%	18.5%
5 Year	11.6%	14.2%	16.1%	16.2%	8.6%	12.1%
10 Year	5.8%	7.8%	5.9%	6.9%	5.4%	8.1%

Risk is defined as the standard deviation of monthly total returns.

Dividend yield is the most recent regular distribution (excluding year end distributions for these investments that distribute more frequently) annualized for frequency divided by current NAV.

¹ Net returns annualized in CAD for the 12/31/1998 to 08/29/2014 period.

² Annualized one way index turnover for the 12/31/1998 to 08/29/2014 period.

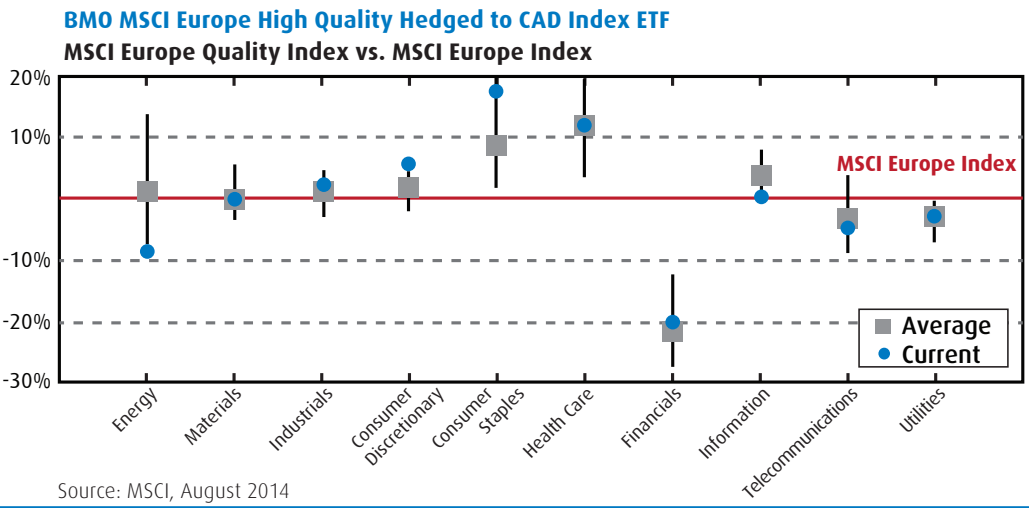
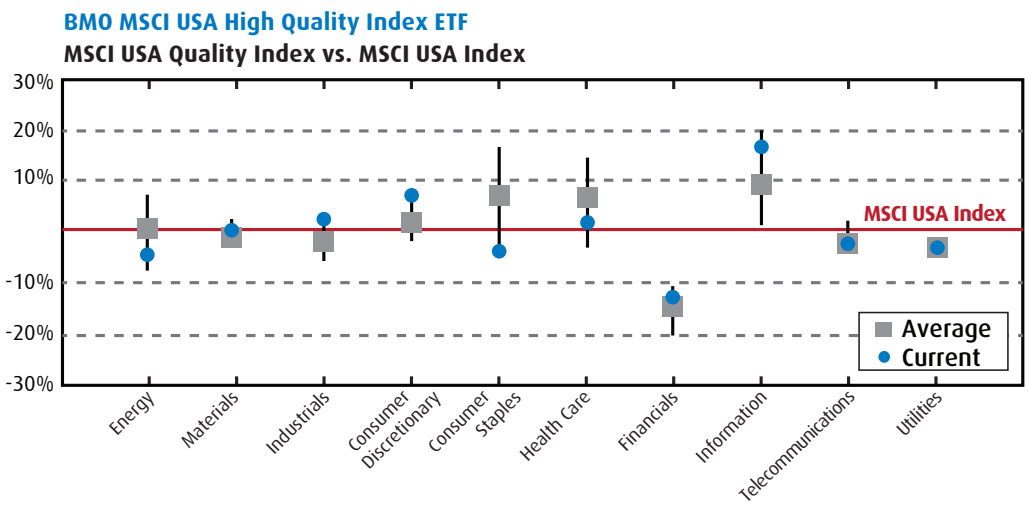
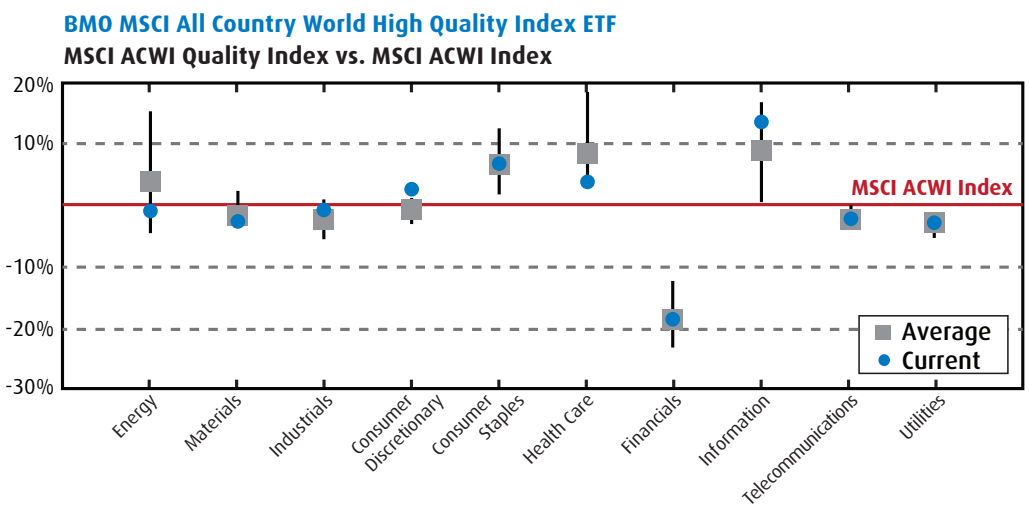
³ Monthly averages for the 12/31/1998 to 08/29/2014 period.

⁴ Net returns in CAD and for periods longer than one year, returns are annualized.

Please note this data changes month to month based on market conditions.

Source: MSCI, Index data as of August 2014

**Sector Allocations vs. Parent Indices for the Period
06/01/1999 to 06/02/2014**



Source: MSCI, August 2014

► Quality Portfolio Construction Methodology

BMO Quality ETFs track the performance of MSCI quality indices which are a subset of the broad market parent indices. Security selection relies on the determination of the 3 quality variables. Weighting is based on a

combination of the security's quality scores and market capitalization. Quality indices are rebalanced semi-annually.

Parameter	Methodology	Comments
Security Universe	<ul style="list-style-type: none"> Parent Index 	<ul style="list-style-type: none"> BMO Asset Management Inc. has an agreement with MSCI, a leading provider of traditional market capitalization and smart beta indices Broad indices that are recognized and used as benchmarks by many investors Parent index provide an opportunity set with sufficient liquidity and capacity Applicable universe includes all securities encompassed in parent indices
Quality Variables	<ul style="list-style-type: none"> ROE Earnings Stability Debt to Equity 	<ul style="list-style-type: none"> 3 variables are determined for all securities and ranked Once ranked, impact of extreme data outliers is removed for all 3 variables 3 variables are standardized – equal weights are used to calculate a composite score Composite scores are averaged into a quality score
Portfolio Selection and Weighting	<ul style="list-style-type: none"> Fixed Number of Securities Quality Score X Market Capitalization 5% Cap 	<ul style="list-style-type: none"> Fixed number targets 30-40% coverage of parent index universe Allows for high quality exposure while maintaining sufficient index market capitalization and diversification 501 names for MSCI ACWI Quality Index 126 names for MSCI USA Quality Index 125 names for MSCI Europe Quality Index Quality score is multiplied by the market capitalization weight in the parent index and normalized to 100% Quality tilted market capitalization results in high capacity and liquidity Cap reduces concentration and security specific risk
Review	<ul style="list-style-type: none"> Semi-Annual Rebalancing Buffer Zones 	<ul style="list-style-type: none"> Semi-annual rebalancing in May and November to coincide with semi-annual review of parent indices Quality variable data as of the end of April and October are used Goal is to capture timely updates to quality characteristics and is timed with the rebalancing frequency of MSCI parent indices Buffers historically reduce turnover and improve replicability

For more detailed methodology information regarding the quality variables, security composite scoring, security selection, weighting and index maintenance, visit the MSCI quality indices website: <http://www.msci.com/products/indexes/strategy/factor/quality/>

Visit bmo.com/etfs or contact Client Services at 1-800-361-1392.

For market views that lead to a variety of BMO ETF solutions subscribe to the Monthly Strategy Report at bmo.com/etfs.

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