

BMO Global Asset Management Income Leaders ETFs

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- > ZILS – BMO MSCI USA Income Leaders UCITS ETF
- > ZILE – BMO MSCI Europe ex-UK Income Leaders UCITS ETF
- > ZILK – BMO MSCI UK Income Leaders UCITS ETF
- > ZISG – BMO MSCI USA Income Leaders (GBP Hedged) UCITS ETF
- > ZIEG – BMO MSCI Europe ex-UK Income Leaders (GBP Hedged) UCITS ETF
- > ZIEM – BMO MSCI Emerging Markets Income Leaders UCITS ETF

The suite of BMO MSCI Income Leaders ETFs provides an innovative approach to income investing. Our ETFs are built combining two factors, quality and yield strategies. With this range of ETFs, investors benefit from sustainable returns and capital growth opportunities in a risk-controlled framework. Offering regional building blocks and a combination of hedged and unhedged ETFs, investors and asset allocators have access to a broad range of tools to meet their income and growth requirements.

Investing for Income

Income generating investments are in great demand and equity dividends are an excellent source to generate income.

However, dividend strategies alone can incorporate yield traps. This can be mitigated by introducing additional portfolio construction features, such as explicit quality screening preceding a filter seeking high dividend stocks.

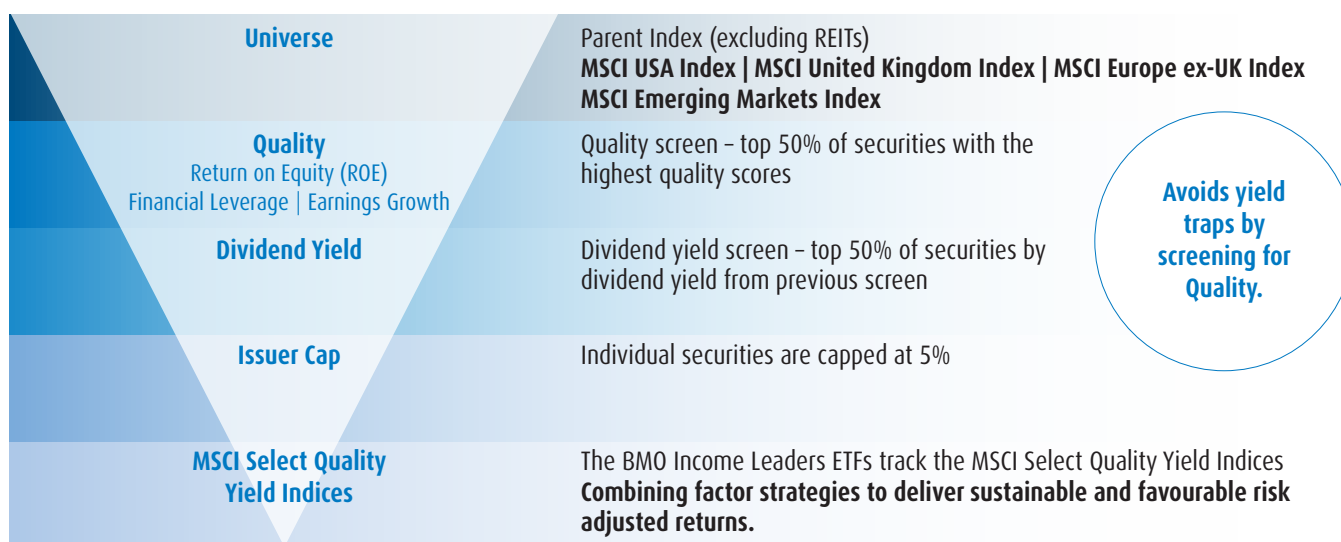
Applying such quality filters can also have additional benefits, such as reducing portfolio volatility, enhancing the risk adjusted returns and capturing market growth.

Quality as a 'Factor'

Quality investing is a relatively new concept as a factor when compared to more established factor strategies such as value, size, yield, momentum and low volatility. Quality investing has demonstrated long-term outperformance against the market.

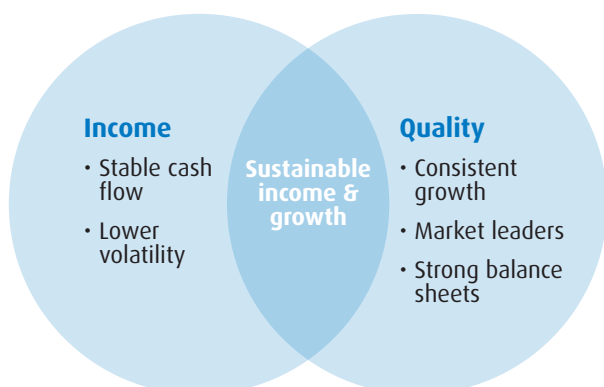
Quality strategies are often constructed selecting stocks providing high profitability, earnings persistency and low debt levels. Generally, quality stocks are better supported through market cycles¹ offering risk adjusted, longer-term capital growth potential.

BMO Income Leaders ETFs go beyond traditional income. They focus on sustainable quality income.



Blending Quality and Income

Quality and income investing are complementary factors, and provide investors with sustainable income and growth over the long term. We focus on quality first, to identify market leaders and those companies delivering sustainable income over time. We aim to screen out companies with poor fundamentals, which helps avoid yield traps.



Partnering with MSCI

We have partnered with MSCI, a global leader of both traditional market capitalisation and smart beta indices, to create the MSCI Select Quality Yield indices. These vehicles are designed to represent the performance of companies that have relatively high scores and with higher dividends within the parent index universe of securities.

The BMO Income Leaders suite of ETFs provide multiple building blocks to help investors achieve income generation across regions. Adding currency-hedged and unhedged vehicles, investors can also make an active decision on their currency exposure.

¹ MSCI, Flight to Quality, Understanding Factor Investing, September 2015.

Advanced Screening

The MSCI Select Quality Yield Indices are constructed blending two different factors; quality and dividend yield, employing a transparent rules-based methodology. All securities belonging to the parent MSCI index are eligible for inclusion with the exemption of REITs². The security selection is a two-step process:

1) Screening for quality

The quality score is calculated combining three fundamental variables to define the financial aspect of quality: Return on Equity (ROE), earnings variability and financial leverage to the parent index constituents. The top 50% securities by descended quality score are selected.

2) Screening for dividend yield

In a second step, all the previously selected companies are ranked again in descending order of their dividend yield, and the top 50% stocks are selected for inclusion in the index.

Selected securities in the index are first free float-adjusted market capitalisation weighted. Each security in the index is capped at 5% to ensure a well-diversified portfolio. The index is rebalanced on a semi-annual basis, coinciding with May and November Semi-Annual Index Review (SAIR) of the MSCI Global Investable Market Indices. To reduce index turnover and enhance index stability, a security buffer of 20% is applied during the ongoing index reviews.

The BMO Income Leaders ETFs provide exposure to the MSCI Select Quality Yield Indices. The ETFs fully replicate the underlying basket of constituents.

Currency hedging

The MSCI Select Quality Yield indices are calculated in their base currency (i.e. USD, EUR or GBP). A subset of ETFs are offered hedged to Sterling.

To hedge the currency risk of the Index, each foreign currency in the index is hedged back to a home currency (i.e. GBP) by notionally 'selling' each currency forward at the one-month forward rate at the end of each month.

ETF Name – Base Currency	Base currency	OCF*	Bloomberg Ticker
BMO MSCI USA Income Leaders UCITS ETF	USD	0.35%	ZILS LN
BMO MSCI Europe ex-UK Income Leaders UCITS ETF	EUR	0.35%	ZILE LN
BMO MSCI UK Income Leaders UCITS ETF	GBP	0.35%	ZILK LN
BMO MSCI Emerging Markets Income Leaders UCITS ETF	USD	0.38%	ZIEM LN
ETF Name – Hedged Currency	Hedged Currency	OCF	Bloomberg Ticker
BMO MSCI USA Income Leaders (GBP Hedged) UCITS ETF	GBP	0.40%	ZISG LN
BMO MSCI Europe ex-UK Income Leaders (GBP Hedged) UCITS ETF	GBP	0.40%	ZIEG LN

Source: BMO Global Asset Management. * Ongoing Charges Figure

A deeper look at quality

1. Profitability

Ability to generate profits for shareholders

How?

High return on equity

2. Earnings Growth

Persistency and predictability of earnings in good or bad economic conditions

How?

Stable earnings growth

3. Financial Leverage

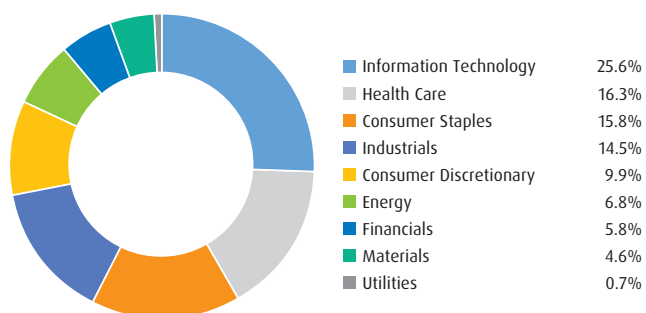
Returns are based on underlying operations and protects the downside

How?

Debt-to-Equity

Portfolio Allocations

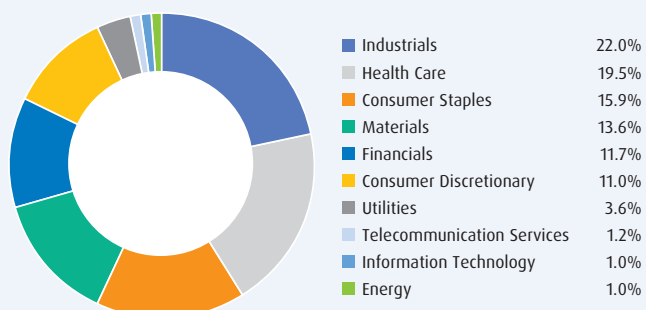
1. MSCI USA Select Quality Yield Index (USD)



Top 10 holdings of the MSCI USA Select Quality Yield Index

	Index Wt.(%)	Parent Index Wt.(%)	Sector
Exxon Mobil Corp	5.18	1.85	Energy
Apple	5.15	3.08	Info Tech
Microsoft Corp	5.04	2.27	Info Tech
Johnson & Johnson	4.52	1.56	Health Care
Procter & Gamble Co	3.09	1.06	Cons Staples
Pfizer	2083	0.97	Health Care
Intel Corp	2.46	0.85	Info Tech
Coca Cola (The)	2.44	0.84	Cons Staples
Home Depot	2.38	0.82	Cons Discr
Merck & Co	2.34	0.80	Health Care
Total	35.41	14.11	

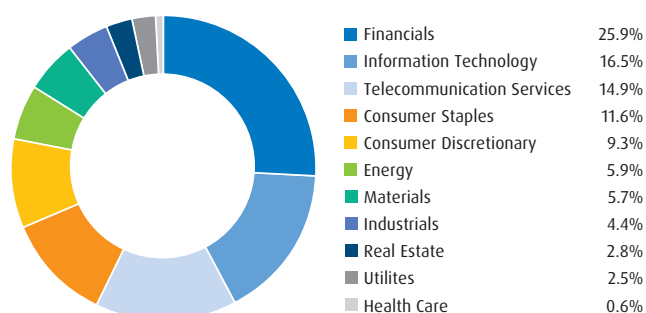
2. MSCI Europe Ex UK Select Quality Yield Index (USD)



Top 10 holdings of the MSCI Europe Ex UK Select Quality Yield Index

	Index Wt.(%)	Parent Index Wt.(%)	Sector
Siemens	5.18	1.72	Industrials
Nestle	5.03	4.09	Cons Staples
Novartis	4.88	2.98	Health Care
Bayer	4.86	1.58	Health Care
BASF	4.81	1.56	Materials
Sanofi	4.78	1.72	Health Care
Roche Holding Genuss	4.73	2.94	Health Care
Anheuser-Busch Inbev	4.54	1.48	Cons Staples
Allianz	4.26	1.38	Financials
Daimler	4.04	1.31	Cond Discr
Total	46.51	20.76	

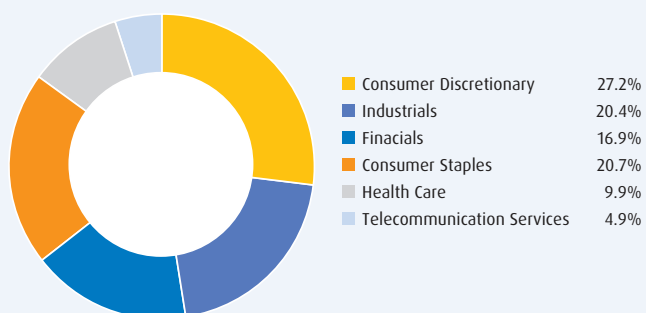
3. MSCI Emerging Markets Select Quality Yield Index



Top 10 holdings of the MSCI Emerging Markets Select Quality Yield Index (USD)

	Index Wt.(%)	Parent Index Wt.(%)	Sector
Taiwan Semiconductor Mfg	4.86	3.52	Info Tech
ICBC H	4.78	1.12	Financials
China Mobile	4.75	1.65	Telecom Srvc
Hon Hai Precision Ind Co	4.37	1.03	Info tech
Lukoil Holding (RUB)	2.59	0.61	Energy
Ambev ON (New)	2.56	0.60	Cons Staples
Sasol	1.74	0.41	Materials
Telekomunikasi Indonesia	1.61	0.38	Telecom Srvc
Standard Bank Group	1.55	0.36	Financials
Magnit Gor	1.46	0.34	Cons Staples
Total	30.27	10.03	

4. MSCI UK Select Quality Yield Index (USD)



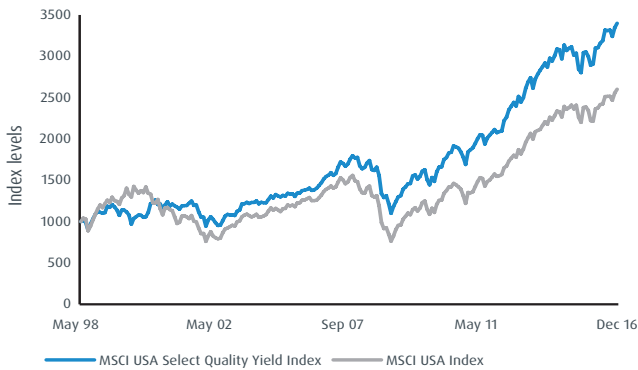
Top 10 holdings of the MSCI UK Select Quality Yield Index

	Index Wt.(%)	Parent Index Wt.(%)	Sector
ITV	5.61	0.41	Cons Discr
Legal & General Group	5.15	0.81	Financials
British American Tobacco	5.13	4.76	Cons Staples
Unilever Plc (GB)	5.11	2.33	Cons Staples
Pearson	5.05	0.37	Cons Discr
Astrazeneca	4.97	3.10	Health Care
Glaxosmithkline	4.97	4.20	Health Care
Imperial Brands	4.95	1.88	Cons Staples
BT Group	4.89	1.71	Telecom Services
BAE Systems	4.82	1.04	Industrials
Total	50.65	20.61	

Source: MSCI, as at 30 December 2016

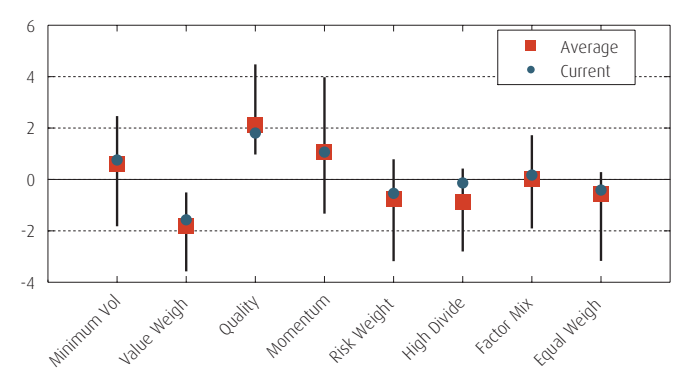
Long term outperformance across all market cycles with lower volatility

MSCI USA Select Quality Yield Index vs. MSCI USA Index (USD)



Relative Valuations of MSCI defined Factors

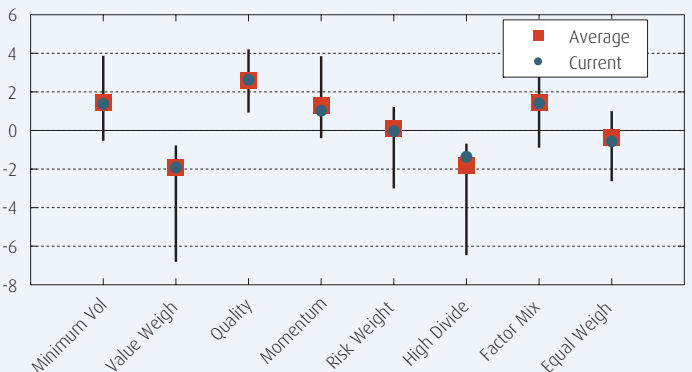
MSCI USA Factor Index Monthly 30 December 2016



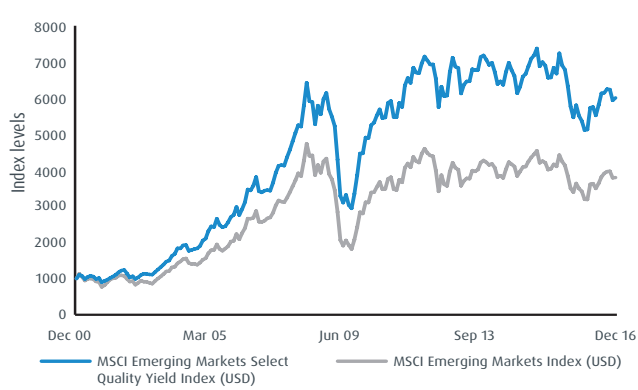
MSCI Europe ex UK Select Quality Yield Index vs. MSCI Europe ex UK Index (EUR)



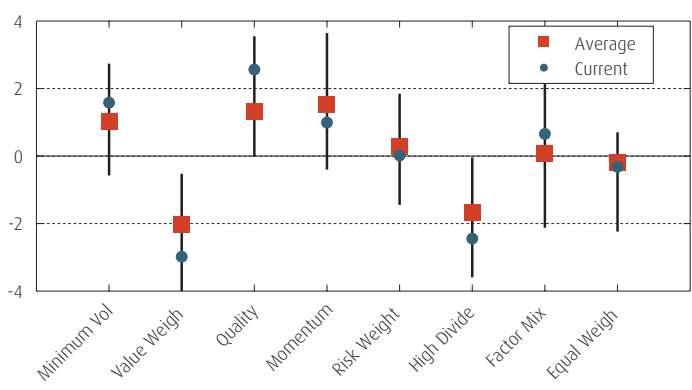
MSCI Europe (including the UK) Factor Index Monthly 30 December 2016



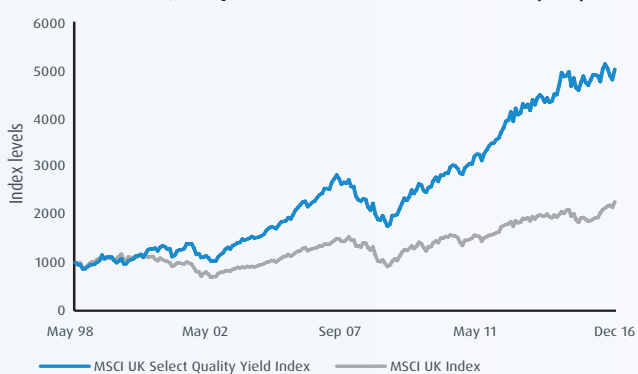
MSCI EM Factor Index Monthly vs. MSCI UK Index (USD)



MSCI EM Factor Index Monthly (USD) 30 December 2016



MSCI UK Select Quality Yield Index vs. MSCI UK Index (GBP)



Source: MSCI, as at 30 December 2016

Source: MSCI, as at 30 December 2016

Key Index metrics

	MSCI USA Index	MSCI USA Select Quality Yield Index	MSCI Europe ex UK Index	MSCI Europe ex UK Select Quality Yield Index	MSCI UK Index	MSCI UK Select Quality Yield Index	MSCI Emerging Markets Index	MSCI Emerging Markets Select Quality Yield Index
Currency	USD	USD	EUR	EUR	GBP	GBP	USD	USD
Total Return* (%)	5.27	6.80	3.96	7.19	4.48	9.05	8.69	11.84
Total Risk* (%)	15.33	13.18	16.41	14.64	14.15	12.41	23.44	21.53
Sharpe Ratio	0.26*	0.40*	0.20*	0.41*	0.16	0.48	0.41**	0.57**
Tracking Error* (%)		8.06		5.58		7.96		5.66
Historical Beta	1.00	0.72	1.00	0.82	1.00	0.80	1.00	0.89
Turnover** (%)	2.60	20.87	2.09	31.79	2.02	50.59	6.87	32.34
Price to Book***	2.89	3.92	1.80	2.38	1.77	2.76	1.51	1.73
Price to Earnings***	23.18	19.12	20.16	18.00	27.48	13.17	14.34	12.10
Div. Yield*** (%)	2.07	2.74	3.22	3.57	3.96	4.74	2.60	4.17

* Net returns annualized in USD for the period 31st December 1998 to 30th December 2016.

** Annualized one-way index turnover for the period 31st December 1998 to 30th December 2016.

*** Monthly averages for the period 31st December 1998 to 30th December 2016.

Source: MSCI, as at 30 December 2016

Performance (%)

	MSCI USA Index	MSCI USA Select Quality Yield Index	MSCI Europe ex UK Index	MSCI Europe ex UK Select Quality Yield Index	MSCI UK Index	MSCI UK Select Quality Yield Index	MSCI Emerging Markets Index	MSCI Emerging Markets Select Quality Yield Index
1 Year	10.89	13.34	2.42	5.33	19.16	5.85	11.19	11.91
3 Year	7.96	7.44	6.45	7.24	5.41	5.36	-2.55	-3.16
5 Year	13.85	12.42	11.96	10.69	8.85	10.4	1.28	-0.21
10 Year	6.34	8.09	2.62	5.39	5.05	7.04	1.84	3.83
Net returns in USD for the period ending 30th December 2016 Returns are annualized for periods longer than one year			Net returns in EUR for the period ending 30th December 2016 Returns are annualized for periods longer than one year		Net returns in GBP for the period ending 30th December 2016 Returns are annualized for periods longer than one year			

Source: MSCI, as at 30 December 2016

Glossary:

REITS – A Real Estate Investment Trust, or REIT, is a company that owns, and in most cases, operates income producing real estate assets. Some REITs provide loans to the owners and operators of real estate. To qualify as a REIT under the Internal Revenue Code, a REIT is required to distribute at least 90% of its taxable income to shareholders annually and receive at least 75% of that income from rents, mortgages, and sales of property.

Mortgage REITS – A Mortgage REIT provides loans to owners and operators of real estate assets or holds or trades mortgage backed securities. Mortgage REITs earn interest income and are subject to credit risk (that is, the chance that a loan will not be repaid).

Source: MSCI

² Real Estate Investment Trusts (REITs) have structurally very high dividend yield and, if included, would represent a very significant portion of the index. MSCI's newly introduced GICS (Global Industry Classification Standard) sector classification effective September 1st 2016, has elevated Real Estate from an industry group under the Financials GISC sector, to a sector of its own. BMO's Income Leaders underlying MSCI Select Quality Yield indices reflect these changes. As a result, Mortgage REITs will be eligible for inclusion in the investable universe under the Financials sector, while REITs will remain excluded. For more information visit www.msci.com.

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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.

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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.

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