For professional investors only

Achieving precision with **BMO ETFs**

BMO Global Asset Management

BMO Global Asset Management – intelligent about Exchange Traded Funds (ETFs)

At BMO Global Asset Management, our focus is on the provision of innovative solution orientated ETFs.

Award winning – recognising innovation

At the ETF.com Europe Awards, we were named 'Best New ETF Issuer 2015' and awarded 'Best New Fixed Income ETFs 2015'.

BMO ETFs – achieving precision in your clients' portfolios

In 2009, we launched our first ETF in Canada. Since then, we have built a range of over 80 ETFs and become Canada's second largest provider. We started to expand our ETF range globally by launching BMO ETFs in Hong Kong in 2014 and then in the UK in 2015. Further expansion has been focused in the UK with the most recent launches in July 2017.

At BMO Global Asset Management, our focus is on providing high quality, solution orientated ETFs.

We thought very carefully about the ETFs we launched in the UK during 2015. Our ambition is to give investors something truly different; something they're looking for that isn't already available in the marketplace. BMO ETFs are carefully engineered to target desired levels of income and risk.

Leveraging our strong capabilities in both active and passive strategies has enabled us to develop offerings using new methodologies. Our award winning maturity-banded global corporate bond ETFs typify our commitment. We have not stopped there though in our aim to develop new products. Our range also provides access to quality screened, high dividend paying stocks with our Income Leaders ETFs and sustainable yield with less equity risk through our Enhanced Income ETFs.

Risk factors

Past performance should not be seen as an indication of future performance. The value of investments and income derived from them can go down as well as up as a result of market or currency movements and investors may not get back the original amount invested.

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.

The continued expansion of ETFs

With institutional and retail investors recognising the benefits associated with Exchange Traded Funds, ETFs will play an increasingly prominent role in the growth of the asset management industry, accounting for an increasing proportion of asset flows in many markets and investor segments. ETFs now hold approximately US$5 trillion of assets globally.[1]

Key ETF benefits

- Diversified portfolios
- Precise exposures
- Transparent
- Efficient

Their rapid rise can largely be attributed to the growing acceptance of indexing, but ETFs are likely to get an additional boost in the coming years from greater penetration of global markets, growing acceptance among more types of investors and the introduction of a wider variety of investment strategies. ETFs are widely expected to continue growing, assets are expected to exceed US$7 trillion by 2021.[2]

The growth of the ETF market, both in terms of product offerings through smart beta and currency options, and through growing investor interest and trading, reflects wider recognition that ETFs can be useful tools for positioning portfolios and addressing market volatility.

Our view is that the ETF industry will continue on its current growth trajectory, buoyed by increased investor adoption. It is our aim that BMO Global Asset Management is viewed as an industry innovator and is helping drive that growth.

'We expect the ETF industry to continue on a strong growth trajectory, buoyed by increased investor adoption. We anticipate global ETF assets to increase at around 20% a year'

Rob Thorpe, Managing Director, Head of Distribution, UK Intermediary

[1] Source: ETFGI as at end February 2018

[2] PWC report 'ETFs: a roadmap to growth'

BMO Fixed Income ETFs

Our fixed income ETFs currently consist of three global corporate bond ETFs spanning different maturity bands and one global high yield bond ETF.

Product features

- **Global portfolios** – diversification and stability of income
- **Maturity bands** – position with precision
- **Currency-hedged** – counter undesired risk exposures
- **Physical replication** – avoid potential conflicts

Our corporate bond ETFs give maturity options for investors so they can position their credit exposure in line with their view on interest rates and market conditions. They are also currency hedged and aim to provide consistent return by removing currency fluctuations.

ETF Name	Base Currency	OCF[1]
BMO Bloomberg Barclays 1-3 Year Global Corporate Bond (GBP Hedged) UCITS ETF	GBP	0.17%
BMO Bloomberg Barclays 3-7 Year Global Corporate Bond (GBP Hedged) UCITS ETF	GBP	0.17%
BMO Bloomberg Barclays 7-10 Year Global Corporate Bond (GBP Hedged) UCITS ETF	GBP	0.17%
BMO Bloomberg Barclays Global High Yield Bond (GBP Hedged) UCITS ETF	GBP	0.35%

[1] OCF – Ongoing Charges Figure

Intelligent index construction

Liquidity has become a key consideration for investors in credit. Each ETF tracks the Bloomberg Barclays Global Corporate Very Liquid Index (VLI)*, a subset of the Bloomberg Barclays Global Aggregate Bond Index. The Bloomberg Barclays Global Corporate VLI applies filters to exclude more illiquid bond issues.

* The Very Liquid Index and the abbreviation VLI refer to the benchmark index calculated by Bloomberg and is a name created and owned by Bloomberg. BMO Asset Management Limited makes no guarantees, warranties, claims, or representations as to the liquidity of the assets held in the ETF itself.

Currency hedging

Currency fluctuations can have a meaningful impact on portfolio returns. Our ETFs are listed in Sterling and those that invest in non-sterling assets are also available as sterling-hedged funds to mitigate this currency risk.

Liquid benefits

Daily liquidity in our ETFs is secured through dedicated on-exchange market making in conjunction with a group of Authorised Participants, facilitating liquidity through the creation and redemption process. This ensures that investors have easy and flexible access when executing their investment strategy.

BMO Income Leaders ETFs

Our equity 'Income Leaders' ETFs aim to provide high quality cost effective income orientated solutions. Each ETF is based on new MSCI Select Quality Yield Indices, developed between MSCI and BMO Global Asset Management.

Product features

- **Smart yield** – sustainable yield and emphasis on quality
- **Currency-hedged** – counter undesired risk exposures
- **Physical replication** – avoid potential conflicts
- **Quality index** – partnered with MSCI

In a low interest rate world, income is set to remain a key challenge for investors – our income leader ETFs are designed to help source attractive and reliable yields from high quality equities.

ETF Name	Base Currency	OCF[1]
Europe		
BMO MSCI Europe ex-UK Income Leaders UCITS ETF	EUR	0.25%
BMO MSCI Europe ex-UK Income Leaders (GBP Hedged) UCITS ETF	GBP	0.30%
BMO MSCI UK Income Leaders UCITS ETF	GBP	0.25%
US		
BMO MSCI USA Income Leaders UCITS ETF	USD	0.25%
BMO MSCI USA Income Leaders (GBP Hedged) UCITS ETF	GBP	0.30%
Emerging Markets		
BMO MSCI Emerging Markets Income Leaders UCITS ETF	USD	0.38%

[1] OCF – Ongoing Charges Figure

Targeting 'quality' income

Filters are applied during index construction in order to identify companies with the highest quality scores and higher than average dividend yields. By identifying quality, they aim to contain leading companies with long-term sustainable business models and clear competitive advantages. Screening for higher than average dividend yields means having the potential to provide investors with a sustainable income stream.

An experienced team

Our 13 UCITS ETFs are managed by a London-based team who have extensive experience in index and factor-based investing. They are also able to leverage off our award winning ETF capabilities in Canada and Hong Kong.

Regulated structure

BMO Global Asset Management (EMEA) ETFs are UCITS funds, registered in Dublin under the Irish Collective Asset management Vehicle ("ICAV") structure.

BMO Enhanced Income Equity ETFs

This range may appeal to investors who are looking for alternative ways to generate sustainable income without taking on additional risk. Enhanced Income strategies, also known as covered call strategies, are efficient solutions that can add income to a portfolio without increasing equity risk.

Product features

- **Passive stock selection** – full replication of stated index
- **Enhanced yield** – targeting 2-4% per annum, in excess of the benchmark dividend yield
- **Option overlay coverage** – target 40-60% of portfolio
- **Established indices** – passive exposure to FTSE 100, EuroStoxx 50 and S&P 500 with additional index option overlay

Providing equity exposure with a sustainable attractive yield and lower volatility than a traditional market capitalisation weighted index, these ETFs are an efficient way to access an enhanced income strategy combining passive equity portfolio management and a rules-based options overlay methodology, at a low cost.

ETF Name	Base Currency	OCF[1]
BMO Enhanced Income UK Equity UCITS ETF	GBP	0.30%
BMO Enhanced Income US Equity UCITS ETF	USD	0.30%
BMO Enhanced Income Euro Equity UCITS ETF	EUR	0.30%

[1] OCF – Ongoing Charges Figure

Dynamic selection process

Our proprietary enhanced income strategy is implemented by writing (selling) call options on the index, while owning the underlying stocks. The covered call option strategy allows the portfolio to generate income from the written call option premiums in addition to the dividend yield from the underlying stocks. Historically, covered call strategies have provided a similar long-term performance to the broad market with lower risk.

Out-of-the-money (OTM) covered call options are sold on approximately 50% of the portfolio with a target range of 40-60%, as determined by market conditions. This dynamic approach provides investors with the right balance between enhanced income and participation in rising markets.

Introducing BMO Global Asset Management

BMO Global Asset Management is a worldwide investment manager. We are owned by the Bank of Montreal, one of Canada's largest banks and manage around £190bn+* for our clients across a range of asset classes and strategies.

Our aim is to offer clients high quality investment solutions by drawing on our worldwide investment capabilities. These include those in our four regional investment hubs together with the specialist expertise in our network of investment boutiques.

Our business in numbers*

£195bn+ in assets
1200+ employees worldwide
20+ offices
14+ countries

* as at 30 September 2018

Canada
Launched BMO ETFs in
2009

- Over 70 listed ETFs
- #1 in net new assets 6 years in a row
- Second largest ETF provider in Canada
- Comprehensive platform:
  - Superior Smart Beta
  - Innovative Solutions
  - Comprehensive Fixed Income
  - Effective Broad Market

Hong Kong
Launched BMO ETFs in
2014

- Listed 7 local BMO ETFs
- Main gateway to China's markets
- Recognised for excellence by Asian Asset management Awards:
  - Best Thematic ETF
  - Best New ETF
  - Most Innovative ETF

Europe
Launched BMO ETFs in
2015

- Listed 13 UCITS ETFs
- Innovative global corporate bond ETFs with maturity bands
- Smart beta income leaders suite
- Recognised for excellence by ETF.com
  - Best New ETF Issuer
  - Best New Fixed Income ETF

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