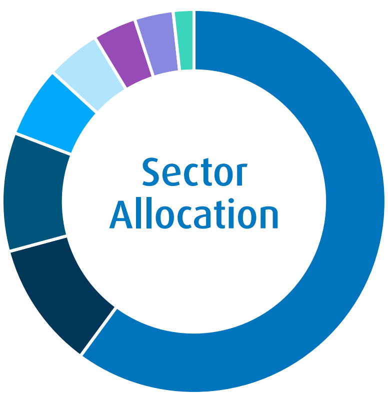
ZST – BMO Ultra Short-Term Bond ETF vs HISA ETFs

ZST – BMO Ultra Short-Term Bond ETF has been designed to provide exposure to a high-quality corporate bond portfolio with a term to maturity of less than one year. The Fund primarily invests in investment grade corporate bonds and has the ability to have exposure to government bonds and T Bills for enhanced downside protection.

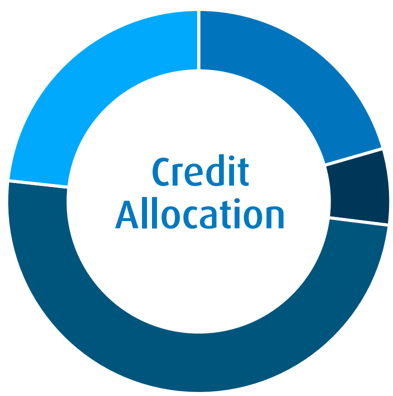
The objective is to hold these bonds to maturity within the Fund and provide unitholders with monthly distributions. Currently the Fund holds bonds that are trading at a discount to enhance returns via the ability to earn capital gains.

High Interest Saving Account ETFs are invested in a basket of savings accounts with Canadian banks. They offer no duration[1] exposure and pay monthly distributions. Since the ETFs are invested in cash, all the distributions will be treated as interest income for tax purposes with no ability for capital gains preferential tax treatment.

ZST Portfolio



Financials	60.09%
Securitization	10.71%
Tbill	10.02%
Energy	5.98%
Industrial	4.55%
Communication Services	3.65%
Real Estate	3.27%
Infrastructure	1.74%



AAA	20.55%
AA	6.43%
A	49.75%
BBB	23.27%

ZST Portfolio Metrics

Weighted Average Yield to maturity[2]:	5.38%
Weighted Average Coupon:	2.76%
Duration:	0.38

ZST Performance

Annualized Performance	1 Year	3 Year	5 Year	10 Year	Since Inception
ZST – BMO Ultra Short-Term Bond ETF	5.28	2.36	2.20	1.86	1.93

Source: BMO Global Asset Management, as of January 31,2024.
Past performance is not a guide to future performance. Performance is shown net of fees, in the currency of the respective share class with distributions reinvested. Inception date ZST January 28, 2011

Reasons why ZST is an attractive alternative to HISA ETFs

Yield

Yield to maturity is higher than HISA ETF's current gross yields and is not affected by recent regulator changes from Office of the Superintendent of Financial Institutions (OSFI). Current Yield to maturity is ~ 40 basis points higher than the ~ average gross yields of the 5 biggest HISA ETFs available in Canada.[3] New liquidity guidelines have been set and must by adhered to by January 31, 2024, as a result HISA ETF gross yields are likely to decrease by at least 0.50%. Investors need to exercise greater due diligence when looking at HISA ETF providers websites. A distinction needs to be made between current yields, (gross yield) which are forward looking and will likely be lowered due to OSFI's regulatory changes, and annualized distribution which is backward looking. Annualized distributions yields stated on a provider's website may not take in the impact of regulatory changes.

Tax efficiency[4]

As of January 2024, many of the bonds held by ZST are trading at a discount. This allows for a portion of investor returns to come from price appreciation of the bonds allowing for capital gain treatment for tax purposes rather than solely interest income. HISA ETFs do not offer this benefit as they are only invested in bank savings accounts that pay interest income. For more details and calculations on potential tax benefits please see our Tax Advantages of Fixed Income ETFs aid.

Return Potential

Since bond yields and bond prices are inversely related, with interest rate cuts in Canada expected to occur in 2024, the underlying bond holdings should benefit from some duration exposure. This means that bond prices (ZST's NAV) may provide a buffer against lower yields. HISA ETFs will not be able to offer any buffer against lower interest rates as they only hold savings accounts and have no duration exposure.

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[1] Duration: A measure of the sensitivity of the price of a fixed income investment to a change in interest rates. Duration is expressed as number of years. The price of a bond with a longer duration would be expected to rise (fall) more than the price of a bond with lower duration when interest rates fall (rise).
[2] Weighted Average Yield to Maturity: The market value weighted average yield to maturity includes the coupon payments and any capital gain or loss that the investor will realize by holding the bonds to maturity.
[3] As of January 31, 2024. Source: Scotia Capital Inc., Weekly Canadian ETF Snapshot report.
[4] Tax Efficient: as compared to an investment that generates an equivalent amount of interest income.

This communication is intended for informational purposes only and is not, and should not be construed as, investment, legal or tax advice to any individual. Particular investments and/or trading strategies should be evaluated relative to each individual's circumstances.

Distribution yields are calculated by using the most recent regular distribution, or expected distribution, (which may be based on income, dividends, return of capital, and option premiums, as applicable) and excluding additional year end distributions, and special reinvested distributions annualized for frequency, divided by current net asset value (NAV). The yield calculation does not include reinvested distributions. Distributions are not guaranteed, may fluctuate and are subject to change and/or elimination. Distribution rates may change without notice (up or down) depending on market conditions and NAV fluctuations. The payment of distributions should not be confused with the BMO ETF's performance, rate of return or yield. If distributions paid by a BMO ETF are greater than the performance of the investment fund, your original investment will shrink. Distributions paid as a result of capital gains realized by a BMO ETF, and income and dividends earned by a BMO ETF, are taxable in your hands in the year they are paid. Your adjusted cost base will be reduced by the amount of any returns of capital. If your adjusted cost base goes below zero, you will have to pay capital gains tax on the amount below zero.

Cash distributions, if any, on units of a BMO ETF (other than accumulating units or units subject to a distribution reinvestment plan) are expected to be paid primarily out of dividends or distributions, and other income or gains, received by the BMO ETF less the expenses of the BMO ETF, but may also consist of non-taxable amounts including returns of capital, which may be paid in the manager's sole discretion. To the extent that the expenses of a BMO ETF exceed the income generated by such BMO ETF in any given month, quarter, or year, as the case may be, it is not expected that a monthly, quarterly, or annual distribution will be paid. Distributions, if any, in respect of the accumulating units of BMO Short Corporate Bond Index ETF, BMO Short Federal Bond Index ETF, BMO Short Provincial Bond Index ETF, BMO Ultra Short-Term Bond ETF and BMO Ultra Short-Term US Bond ETF will be automatically reinvested in additional accumulating units of the applicable BMO ETF. Following each distribution, the number of accumulating units of the applicable BMO ETF will be immediately consolidated so that the number of outstanding accumulating units of the applicable BMO ETF will be the same as the number of outstanding accumulating units before the distribution. Non-resident unitholders may have the number of securities reduced due to withholding tax. Certain BMO ETFs have adopted a distribution reinvestment plan, which provides that a unitholder may elect to automatically reinvest all cash distributions paid on units held by that unitholder in additional units of the applicable BMO ETF in accordance with the terms of the distribution reinvestment plan. For further information, see the distribution policy in the BMO ETFs' prospectus.

Individuals should seek the advice of professionals, as appropriate, regarding any particular investment. Commissions, management fees and expenses (if applicable) may be associated with investments in mutual funds and exchange traded funds (ETFs). Trailing commissions may be associated with investments in mutual funds. Please read the fund facts, ETF Facts or prospectus before investing. Mutual funds and ETFs are not guaranteed, their values change frequently and past performance may not be repeated.

For a summary of the risks of an investment in the BMO ETFs, please see the specific risks set out in the prospectus. BMO ETFs trade like stocks, fluctuate in market value and may trade at a discount to their net asset value, which may increase the risk of loss. Distributions are not guaranteed and are subject to change and/or elimination.

BMO Mutual Funds are offered by BMO Investments Inc., a financial services firm and separate entity from Bank of Montreal. BMO ETFs are managed and administered by BMO Asset Management Inc., an investment fund manager and portfolio manager and separate legal entity from Bank of Montreal.