

BMO Equal Weight Banks Index ETF: ZEB

Lower Price, Same Value Add

The Canadian Banks have been a powerhouse investment over the decades, and Canadian investors are well aware of the value these stocks can add to their portfolios, for growth and income.

The BMO Equal Weight Banks ETF (ticker: ZEB) allows investors to add the major six Canadian Banks to their portfolios with the efficiency of a single trade, and in an extremely cost-effective manner. The management fee on ZEB has just been lowered to 0.25%.

Benefits of Using ZEB to Access Canadian Bank Stocks:

1. Lower Trading Costs
2. Equal Weight Approach
3. Low Fee

ZEB
Mgmt Fee:
0.25%*

Lower Trading Costs:

There are two things which contribute to trading costs for investors: spreads and transaction fees. When we consider keeping trading costs low, look to minimize portfolio trading and bid/ask spreads. For investors looking to add Canadian banks to their portfolio, ZEB offers both these benefits. ZEB trades very efficiently (which is in line with the underlying Canadian bank stocks) and perhaps more importantly it provides the ability to add six bank stocks in one trade. No further rebalancing is required by the investor (this is done by the ETF fund managers), which also keeps transaction costs down. For example, a hypothetical portfolio of \$100,000 equally invested in the six largest Canadian banks would have an average annual turnover of 7.5% over the last 5 years (assuming semi annual re-balancing). This would incur an added 12 basis points in trading costs.

Trading Costs for Bank Stocks on the Exchange:

Name	Ticker	Spread (\$)	Spread (%)	Price (\$)
BMO Equal Weight Banks Index ETF	ZEB	0.01	0.027%	36.83
Bank of Montreal	BMO	0.03	0.024%	127.30
Royal Bank	RY	0.02	0.015%	129.93
Toronto Dominion Bank	TD	0.01	0.012%	85.13
Bank of Nova Scotia	BNS	0.01	0.013%	79.70
Canadian Imperial Bank of Commerce	CM	0.03	0.020%	147.15
National Bank of Canada	NA	0.02	0.021%	96.99

Source: Bloomberg, August 19, 2021. Real time quotes pulled at 10:30am.

Equal Weight Approach:

ZEB uses an equal weight approach to balance its basket of bank stocks. This means that at each rebalance, our portfolio managers are trimming (taking profits) from the outperforming banks, and buying the underperforming banks. This provides a value and size tilt. Taking an equal weight approach over a market cap approach in this sector has proven successful if we look at the historical returns.

The Equal Weight approach has outperformed the Market Cap approach by over 1% annually over the past five years:



Source: Bloomberg, August 19, 2021.

Index returns do not reflect transactions costs or the deduction of other fees and expenses. It is not possible to invest directly in an Index. Past performance is not indicative of future results.

Annual Canadian Banks Index Returns, Equal Weight vs Market Cap

Year	Equal Weight Index	Market Cap Index	Difference
2010	13.3%	10.4%	2.9%
2011	2.1%	1.1%	1.0%
2012	15.4%	16.3%	-0.9%
2013	21.4%	22.0%	-0.6%
2014	14.5%	13.7%	0.8%
2015	-5.4%	-3.9%	-1.5%
2016	31.6%	30.1%	1.5%
2017	15.1%	14.8%	0.4%
2018	-8.3%	-7.6%	-0.7%
2019	16.9%	14.1%	2.7%
2020	4.4%	3.8%	0.7%

Source: Bloomberg, August 19, 2021.

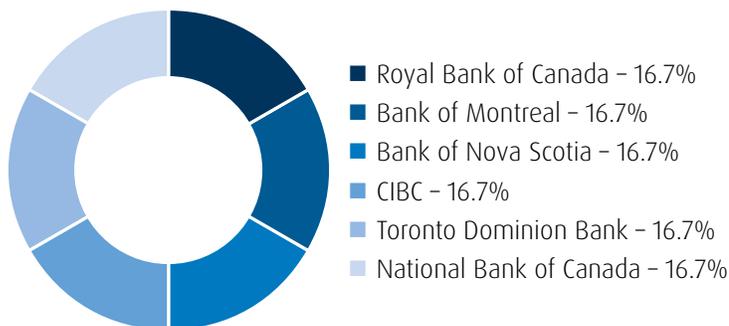
Access an Equal Weight Basket of Canadian Bank Stocks for a Low Fee:

ZEB is an all in one, low cost solution to own Canada's six largest banks within a single ETF for just 0.25%.* The ETF is professionally managed by BMO ETFs and is rebalanced quarterly by our team, to keep the equal weight exposure in check.

For more information on adding Canadian Banks to your portfolio, [read our Q3 Banks Trade report](#) or listen to our [Canadian Banks Podcast](#).

Implementation

For exposure to an equal weight basket of Canadian Banks consider buying [BMO Equal Weight Banks Index ETF \(ticker: ZEB\)](#).



Let's connect



Call us at 1-800-668-7327



bmo.com/gam/ca/advisor

* Management fee was lowered to 0.25% on September 1, 2021.

¹ Source BMO Global Asset Management. Annualized distribution as of September 1, 2021.

Distributions are not guaranteed and may fluctuate. Distribution rates may change without notice (up or down) depending on market conditions. The payment of distributions should not be confused with an investment fund's performance, rate of return or yield. If distributions paid by an investment fund are greater than the performance of the fund, your original investment will shrink. Distributions paid as a result of capital gains realized by an investment fund, and income and dividends earned by an investment fund, 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. Please refer to the distribution policy for BMO ETF set out in the prospectus.

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. 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 Distribution Policy in the BMO ETFs' prospectus.

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.

Individuals should seek the advice of professionals, as appropriate, regarding any particular investment. Commissions, management fees and expenses all may be associated with investments in exchange traded funds. Please read the ETF Facts or prospectus of the BMO ETFs before investing. Exchange traded funds 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 BMO ETF's 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 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.

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