# Investing in Gold with BMO ETFs

## BMO Options for Gold and Gold Equity Investments

Investors can allocate to the asset class via physical gold commodity ETFs or via senior/junior[1] gold equites ETFs. Investing in physical gold with BMO ETFs allows investors to get direct exposure to the price of gold bullion without having the hassle of buying and storing the precious metal. Gold equity ETFs provide exposure to mining and exploration companies that tend to fluctuate with the price of gold and provide exposure to company profitability and mining activities.

| | BMO Gold Bullion ETF | BMO Equal Weight Global Gold Index ETF | BMO Junior Gold Index ETF |
|---|---|---|---|
| New | ZGLD[2] / ZGLH (Hedged to CAD ETF) / ZGLD.U (USD Units) | ZGD | ZJG |
| | Management Fee: 0.20% \| Risk[3] Rating: Medium | Management Fee: 0.55% \| Risk[3] Rating: High | Management Fee: 0.55% \| Risk[3] Rating: High |

## Why BMO ETFs for Physical Gold and Equity Exposure

### 1 Fully allocated

Inventory is only held in physical form. No paper certificates or derivatives[4] are utilized for investor exposure.

### 2 Locally housed in Canada

Gold is held in a local BMO vault in Toronto.

### 3 Cost efficient

Competitive management fees for physical gold trusts that trade over the Toronto Stock Exchange.

### 4 Ease of access

BMO ETFs can be bought and sold on the Toronto Stock Exchange on any open trading day. Investors do not have to handle and store physical gold to gain exposure. The net asset value per unit of the ETFs movement is tied to the price of physical gold bullion.

### 5 Currency exposure management

Investors can get exposure to physical gold via three different ETF options. ZGLD is unhedged, ZGLH is hedged to the Canadian dollar and ZGLD.U is purchased in U.S dollars for those who have U.S. dollars and want to avoid conversion fees.

### 6 Equity exposure

Investors can get direct exposure to gold mining companies via ZGD and ZJG ETFs. Investors have a choice between senior or junior[1] mining companies to control their leverage to the price of gold.

# Why Gold

### 1 Diversification/Low Correlation

Exposure to physical gold can be a good portfolio building block as historically precious metals tend to have a lower correlation[5] to traditional asset classes like stocks and bonds[6]. Its low correlation offers investors an effective way to diversify their portfolios and potentially add alpha[7] during down market periods.

### 2 Inflation hedge & haven

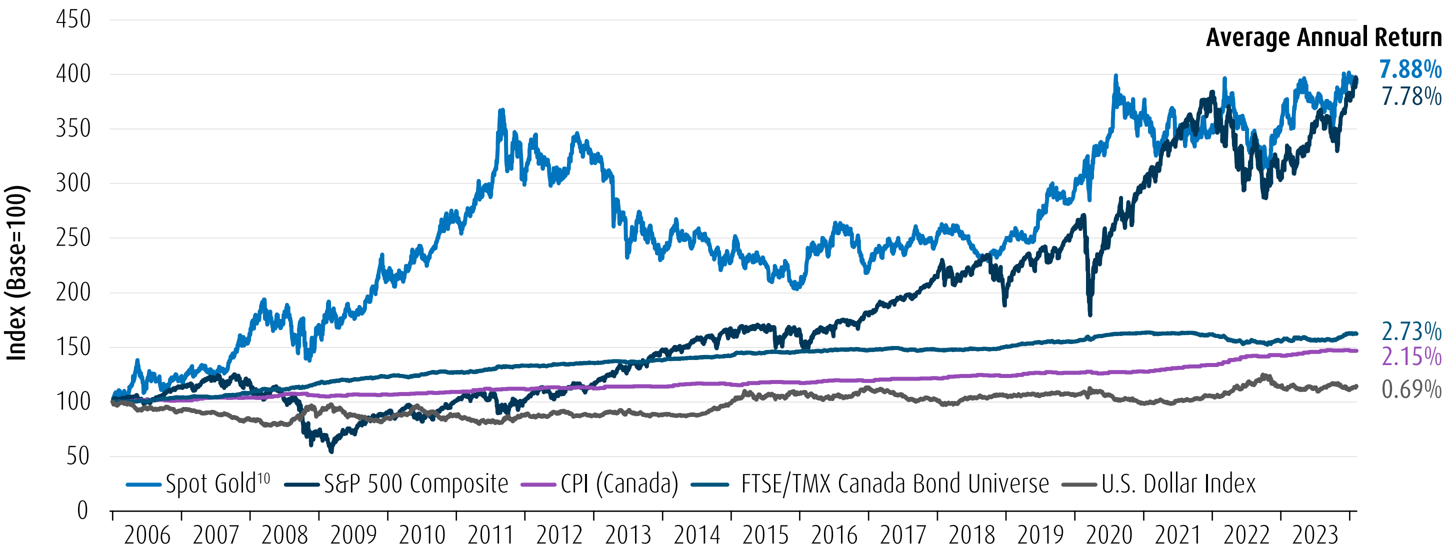
Gold has historically provided positive rates of return in rising/high inflation market conditions. Gold has long been classified as a safe haven asset as during periods of crisis and global economic uncertainty precious metals tend to outperform[6].

### 3 Return potential

Physical Gold demand has been on the rise and higher than its 10-year average, thus mining activities have not been able to keep up with demand.[8] Investor appetite for physical real assets and central bank purchases can lead to further price increases in the future.

## Strong Historical Performance of Physical Gold Bullion[9]

Gold's annualized average rate of return since the year 2006 has surpassed major indices.




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

## Portfolio Construction Use Case[10]

Historically just a 5% allocation to gold has provided better risk adjusted returns than a traditional 60/40 portfolio. A 57.50% Equity, 37.50% Fixed Income 5% Gold portfolio has produced greater returns, lower levels of volatility and higher Sharpe ratios over 3, 5 and 10-year periods.

| Annualized Returns | 60/40 Portfolio | 57.5/37.5/5 Portfolio | Difference |
|---|---|---|---|
| 3-Year | 4.83% | 4.96% | 0.13% |
| 5-Year | 6.42% | 6.70% | 0.28% |
| 10-Year | 5.66% | 5.82% | 0.17% |
| **Standard Deviation[11]** | **60/40 Portfolio** | **57.5/37.5/5 Portfolio** | **Difference** |
| 3-Year | 8.47% | 8.16% | -0.31% |
| 5-Year | 11.00% | 10.57% | -0.42% |
| 10-Year | 8.72% | 8.41% | -0.31% |
| **Sharpe Ratio[12]** | **60/40 Portfolio** | **57.5/37.5/5 Portfolio** | **Difference** |
| 3-Year | 0.57 | 0.61 | 0.04 |
| 5-Year | 0.58 | 0.63 | 0.05 |
| 10-Year | 0.65 | 069 | 0.04 |

Past performance is not indicative of future results.

**5% Allocation to Physical gold could enhance a traditional portfolio**

BMO Exchange Traded Funds

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[1] Senior refers to large capitalization companies that have been in operation for several years, junior equities refer to smaller capitalization companies that may not have been in operation for long.
[2] Changes in rates of exchange may also reduce the value of your investment.
[3] Risk is defined as the uncertainty of return and the potential for capital loss in your investments.
[4] A financial security with a value that is reliant upon, or derived from, an underlying asset or group of assets. The derivative itself is a contract between two or more parties based upon the asset or assets. Its price is determined by fluctuations in the underlying asset.
[5] A statistical measure of how two securities move in relation to one another. Positive correlation indicates similar movements, up or down together, while negative correlation indicates opposite movements (when one rises, the other falls).
[6] Source: BMO Global Asset Management, Bloomberg, January, 31 2024.
[7] A measure of performance often considered the active return on an investment. It gauges the performance of an investment against a market index or benchmark which is considered to represent the market's movement as a whole. The excess return of an investment relative to the return of a benchmark index is the investment's alpha.
[8] Source: World Gold Council, https://www.gold.org/goldhub/research/gold-demand-trends/gold-demand-trends-q3-2023.
[9] Source: BMO Global Asset Management, Bloomberg As of February 6, 2024. Average annual percentages are calculated in local currencies. Past performance is no guaranteed of future results.
[10] Source: BMO Global Asset Management, Bloomberg,(60/40 portfolio – is composed of 60% S&P/TSX Composite Index and 40% FTSE/TMX Canada Bond Universe Index , 57.5/37.5/35 portfolio is composed of 57.50% S&P/TSX Composite Index, 37.50% FTSE/TMX Canada Bond Universe index and 5% Spot Gold Index), All components are in Canadian dollar terms. Time period used for calculations are daily from January 2, 2006–January 31,2024.
[11] A measure of risk in terms of the volatility of returns. It represents the historical level of volatility in returns over set periods. A lower standard deviation means the returns have historically been less volatile and vice-versa. Historical volatility may not be indicative of future volatility.
[12] A risk-adjusted return measure calculated by using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe Ratio, the better the portfolio's historical risk-adjusted performance.

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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 by BMO Asset Management Inc., which is an investment fund manager and a portfolio manager, and a separate legal entity from Bank of Montreal..



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