

BMO Sector Trade Opportunity

A tactical time to add exposure to Canadian Banks

BMO Equal Weight Banks Index ETF: ZEB Canadian Banks for Growth



- Since the vaccine news was announced on “Pfizer Monday” (November 9th) the Solactive Equal-Weight Canada Banks Index returned 30.3%, vs the S&P/TSX Composite Index return of 16.4% and the S&P 500 Index return of 7.7% during this time.¹
- Q1 2021 earnings which were recently reported were strong and were above analysts’ expectations. Year over year earnings growth was up 13% for the industry.²
- Canadian banks have rebounded strongly since November and have been leaders in the “reopening trade”. Credit losses continue to drop, and revenue growth remains strong especially among capital markets who are benefitting from trading volumes due to market volatility.
- The average dividend yield for a Big 6 Bank is around 3.8%. These dividends are resilient; there have not been cuts in over a decade.
- We believe the banks will continue to outperform as the market recovers. Continued stimulus and progress on vaccines are tailwinds as the economy strengthens and reopens. Dividends have been well supported throughout 2020 and the sector is sitting on significant excess capital (excess provisions for loan losses) leading some to believe dividend hikes could be on the horizon.

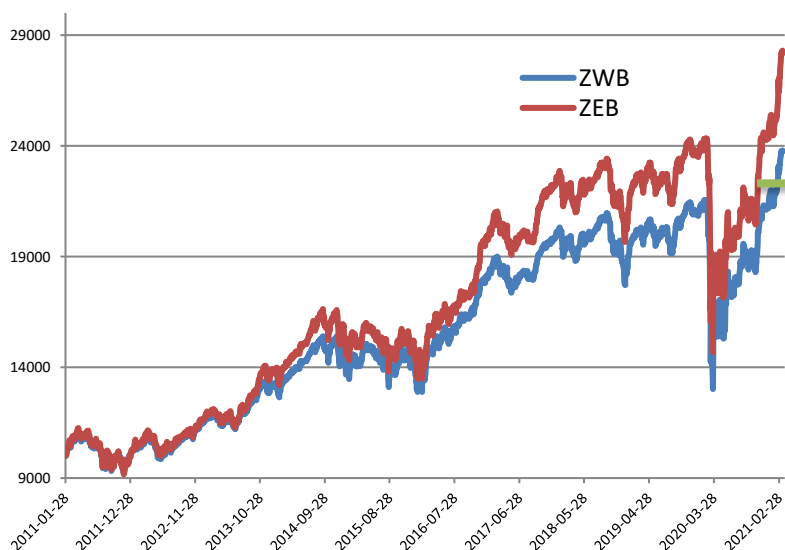
BMO Covered Call Canadian Banks ETF: ZWB Enhanced Yield from Covered Calls for Income



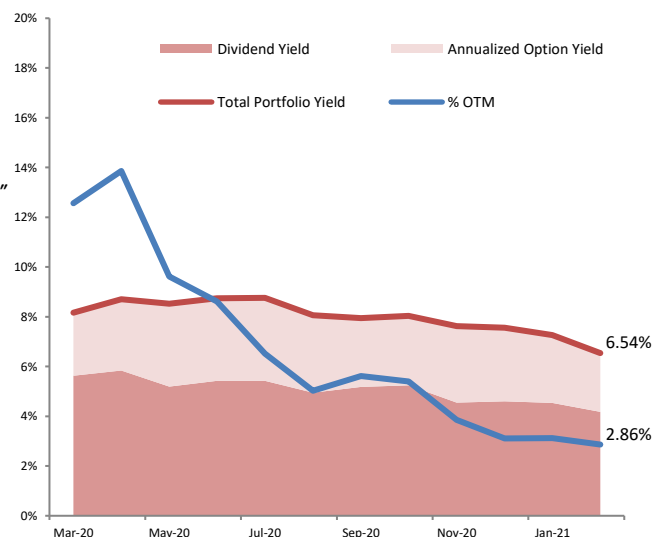
- The dividend yield is enhanced because we write call options on half of the portfolio. The premiums received from writing these options adds approximately 2% of tax efficient yield to the portfolio.⁴
- Yield is tax efficient: covered call option premiums are generally treated as capital gains.



Strong History of Performance, Tactical Buying Opportunity: ZEB & ZWB Growth of \$10,000: Since Common Inception (Jan 28, 2011)³



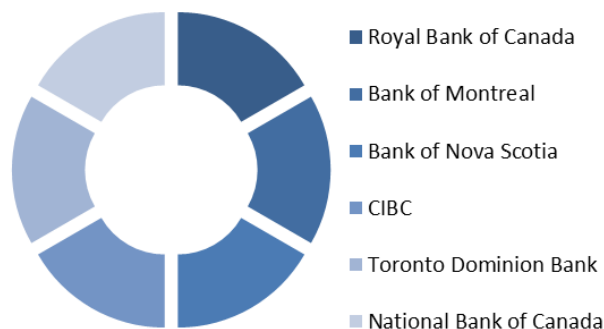
BMO Covered Call Banks ETF (ZWB): Breakdown of Portfolio Yield⁴



¹ Source: Bloomberg, March 18, 2021. All returns in CAD. ²Source: BMO GAM Q1 Banks Earnings Podcast, March 17, 2021. ³Source: Morningstar Direct, March 18, 2021. Performance of the BMO Covered Call Canadian Banks ETF (ZWB) and the BMO Equal Weight Banks Index ETF (ZEB). ⁴Source: BMO Global Asset Management, February 28, 2021.

*Annualized Distribution Yield (as of March 12, 2021). Yield subject to change month to month. Past performance does not indicate future results. Annualized performance of ZEB: 1 year 17.73%, 3 year 6.48%, 5 year 13.09%, since inception (October 20,2009) 10.52%. Annualized performance of ZWB: 1 year 14.23%, 3 year 5.16%, 5 year 10.69%, since inception (January 28, 2011) 8.49%.

An Equal Weight Basket of the Canadian Banks



Implementation

For exposure to Canadian Banks consider buying [BMO Equal Weight Banks Index ETF \(ticker: ZEB\)](#) or with an enhanced yield component the [BMO Covered Call Canadian Banks ETF \(ticker: ZWB\)](#).

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