

BMO Sector Trade Opportunity

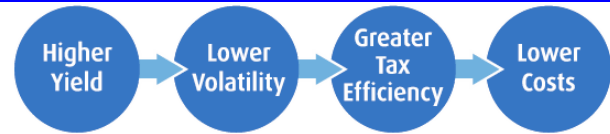
A tactical time to add exposure to Canadian Banks

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 41.5%, vs the S&P/TSX Composite Index return of 21.7% and the S&P 500 Index return of 11.4% during this time.¹
- Q2 2021 earnings which were recently reported were strong and were above analysts’ expectations. Analysts are still predicting upside in the bank stocks (see table on page 2), with target prices above current prices.
- 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 and diversified among business lines.
- The average dividend yield today for a Big 6 Bank is around 3.7%², which is below the historical average. Dividends were 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.
- 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.

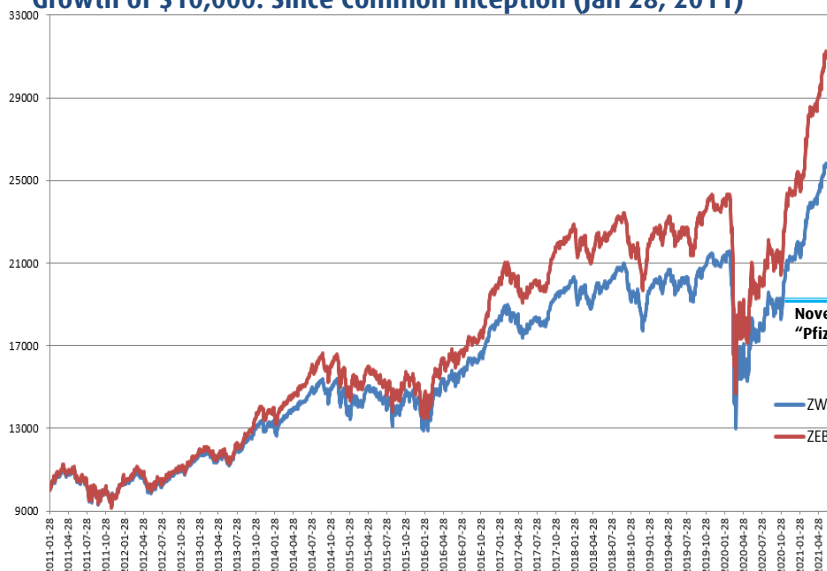
BMO Covered Call Canadian Banks ETF: ZWB Enhanced Yield from Covered Calls for Income



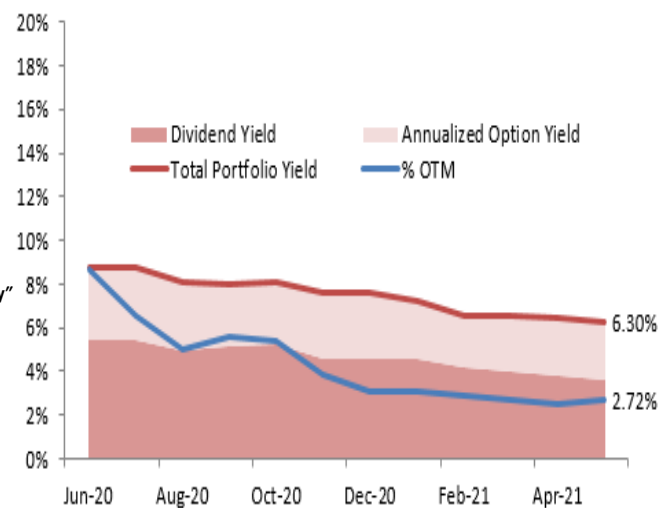
- The dividend yield is enhanced because we write call options on half of the portfolio. The premiums received from writing these options adds approximately 2.5% of tax efficient yield to the portfolio.⁴
- Yield is tax efficient: covered call option premiums are generally treated as capital gains.



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, June 10, 2021. All returns in CAD. ²Source: Bloomberg, June 10, 2021. ³Source: Morningstar Direct, June 10, 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, May 31, 2021.

*Annualized Distribution Yield (as of June 11, 2021). Yield subject to change month to month. Past performance does not indicate future results. Annualized performance of ZEB: 1 year 63.2%, 3 year 12.1%, 5 year 13.6%, since inception (October 20,2009) 11.8%. Annualized performance of ZWB: 1 year 52.0%, 3 year 9.2%, 5 year 10.7%, since inception (January 28, 2011) 9.5%.

Analyst Expectations:

Research Analyst	Target Price (Estimate)*					
	BMO	Scotia Bank	CIBC	National Bank	Royal Bank	TD
BMO Capital Markets		\$ 93	\$ 160	\$ 101	\$ 139	\$ 96
Canaccord Genuity	\$ 139	\$ 83	\$ 149	\$ 97	\$ 135	\$ 89
CIBC Capital Markets	\$ 136	\$ 91		\$ 98	\$ 133	\$ 97
Desjardins Securities	\$ 128	\$ 89	\$ 145	\$ 100	\$ 138	\$ 97
National Bank Financial	\$ 136	\$ 84	\$ 156		\$ 137	\$ 89
RBC Capital Markets	\$ 139	\$ 86	\$ 158	\$ 97		\$ 91
Scotiabank	\$ 138		\$ 157	\$ 104	\$ 144	\$ 95
TD Securities	\$ 140	\$ 91	\$ 155	\$ 100	\$ 145	
Average Price (Estimate)*	\$ 136.57	\$ 88.14	\$ 154.29	\$ 99.57	\$ 138.64	\$ 93.43
Current Price (Actual)	\$ 127.42	\$ 81.12	\$ 145.01	\$ 92.15	\$ 125.26	\$ 87.50

% Upside from target	7.2%	8.7%	6.4%	8.1%	10.7%	6.8%
Dividend Yield	3.3%	4.4%	4.0%	3.1%	3.4%	3.6%
Total Return	10.5%	13.1%	10.4%	11.1%	14.1%	10.4%

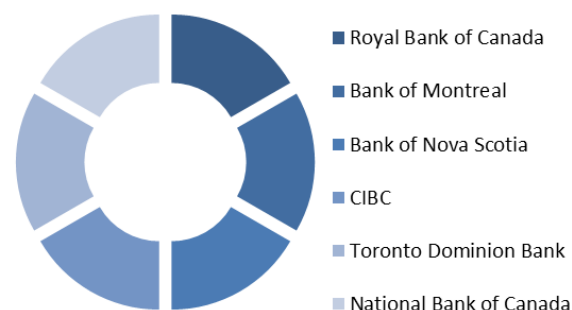
Average 6 Banks, held in ZEB/ZWB:

Price Return	7.96%
Dividend Return	3.66%
Total Return	11.61%

*This table shows an **estimated** forward target price for each of the six largest Canadian banks. Each investment firm's research department publishes these reports and they can be reviewed for further explanation on the reasoning for the price estimate. These are estimates only and are subject to change.
Source: Bloomberg, June 10, 2021.

Implementation

For exposure to an equal weight basket of 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)**.



Any statement that necessarily depends on future events may be a forward-looking statement. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Although such statements are based on assumptions that are believed to be reasonable, there can be no assurance that actual results will not differ materially from expectations. Investors are cautioned not to rely unduly on any forward-looking statements. In connection with any forward-looking statements, investors should carefully consider the areas of risk described in the most recent simplified prospectus.

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