

BMO Sector Trade Opportunity

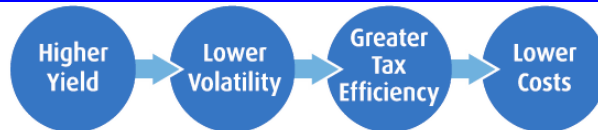
A tactical time to add exposure to Canadian Banks

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 43.2%, vs the S&P/TSX Composite Index return of 27.8% and the S&P 500 Index return of 25.5% during this time.¹
- **The average dividend yield today for a Big 6 Bank is around 3.3%, which is below the historical average of 4%.² Dividends are well supported throughout 2020 and the sector is sitting on significant excess capital (excess provisions for loan losses) leading some to believe dividend hikes or share buy-backs could be on the horizon.**
- Q3 2021 earnings marked the third straight quarter of beating analysts’ expectations thanks to declining credit losses and stable revenue growth which is diversified among business lines.
- Analysts continue to predict upside in bank stocks (see table on page 2), with target prices above current prices.
- 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.

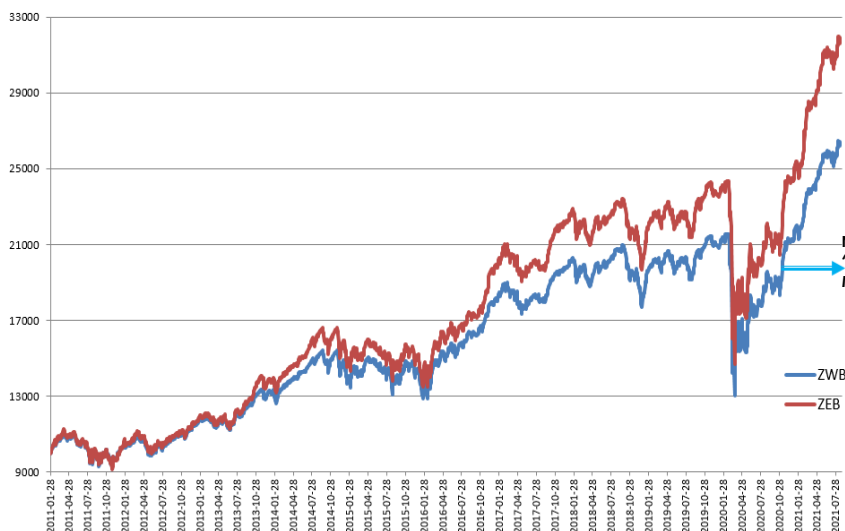
BMO Covered Call Canadian Banks ETF: ZWB Enhanced Yield from Covered Calls for Income



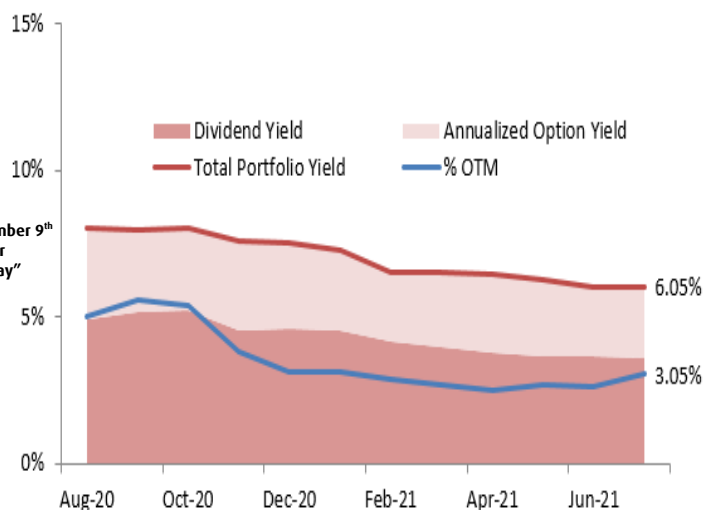
- The dividend yield is enhanced because we write call options on half of the portfolio. The premiums received from writing these options adds approximately 2.5% of tax efficient yield to the portfolio.⁴
- Yield is tax efficient: covered call option premiums are generally treated as capital gains.



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, September 2, 2021. All returns in CAD. ²Source: Bloomberg, September 2, 2021. ³Source: Morningstar Direct, August 31, 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, July 31, 2021.

*Annualized Distribution Yield (as of September 2, 2021). Yield subject to change month to month. Past performance does not indicate future results. Annualized performance of ZEB: 1 year 55.3%, 3 year 10.8%, 5 year 13.1%, since inception (October 20,2009) 11.6%. Annualized performance of ZWB: 1 year 44.4%, 3 year 8.0%, 5 year 10.3%, since inception (January 28, 2011) 9.4%.

Analyst Expectations:

Research Analyst	Target Price (Estimate)*					
	BMO	Scotia Bank	CIBC	National Bank	Royal Bank	TD
BMO Capital Markets		\$ 93	\$ 165	\$ 104	\$ 142	\$ 94
Canaccord Genuity	\$ 149	\$ 83	\$ 161	\$ 104	\$ 143	\$ 88
CIBC Capital Markets	\$ 148	\$ 90		\$ 102	\$ 145	\$ 99
Desjardins Securities	\$ 138	\$ 89	\$ 154	\$ 103	\$ 141	\$ 97
National Bank Financial	\$ 149	\$ 86	\$ 168		\$ 144	\$ 89
RBC Capital Markets	\$ 146	\$ 89	\$ 158	\$ 99		\$ 91
Scotiabank	\$ 147.00		\$168.00	\$109.00	\$148.00	\$ 94.00
TD Securities	\$ 140.00	\$ 87.00	\$160.00	\$ 99.00	\$145.00	
Average Price (Estimate)*	\$ 145.29	\$ 88.14	\$162.00	\$102.79	\$144.00	\$ 93.07
Current Price (Actual)	\$ 126.45	\$ 78.45	\$144.85	\$101.33	\$129.52	\$ 82.80
% Upside from target	14.9%	12.4%	11.8%	1.4%	11.2%	12.4%
Dividend Yield	3.4%	4.6%	4.0%	2.8%	3.3%	3.8%
Total Return	18.2%	16.9%	15.9%	4.2%	14.5%	16.2%

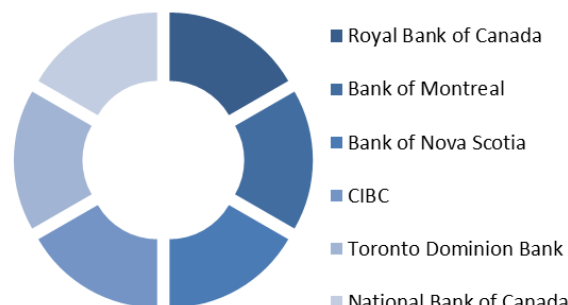
Average 6 Banks, held in ZEB/ZWB:

Price Return	10.7%
Dividend Return	3.7%
Total Return	14.3%

*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, September 2, 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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