Understanding ETFs

The BMO ETF Platform

BMO Exchange Traded Funds

For more information on the topics in this booklet or for additional information on BMO ETFs, please visit our website at **bmoetfs.com**

Table of contents

Smart Beta
Dividend Strategy 1
Value Strategy 2
Low Volatility Strategy 3
Quality Screens 4
Sector Strategy 5

Innovative Solutions
Covered Call Strategy 6
Preferred Share Strategy 7
BMO Premium Yield ETF Solution 8

Comprehensive Fixed Income
BMO Fixed Income ETFs 9

Effective Broad Market
BMO Core Solutions 11
BMO Asset Allocation ETFs

BMO ETF Specialist Contact Info Back Cover

Our Strategy

BMO Exchange Traded Funds (ETFs) are equally suited for longer-term strategic investments and shorter-term tactical, market movement opportunities. BMO ETFs appeal across various user groups including institutional, sovereign wealth funds, advisors and retail investors.

BMO ETFs

Smart Beta	Innovative Solutions	Comprehensive Fixed Income	Effective Broad Market
ETFs that deliver factor exposures combined with effective portfolio construction.	ETFs that are at the forefront at recognizing and initiating industry development.	ETFs that cover broad market, targeted and non traditional exposures.	Efficient ETFs with the market leading indices.
• BMO Low Volatility Canadian Equity ETF (ZLB) • BMO MSCI Europe High Quality Hedged to CAD Index ETF (ZEQ) • BMO International Dividend Hedged to CAD ETF (ZDH) • BMO Equal Weight Banks Index ETF (ZEB)	• BMO Covered Call Canadian Banks ETF (ZWB, ZWB.U) • BMO US High Dividend Covered Call ETF (ZWH, ZWH.U) • BMO Canadian High Dividend Covered Call (ZWC) • BMO Laddered Preferred Share Index ETF (ZPR, ZPR.U)	• BMO Short Corporate Bond Index ETF (ZCS, ZCS.L) • BMO Aggregate Bond Index ETF (ZAG) • BMO Short-Term US TIPS Index ETF (ZTIP, ZTIP.F, ZTIP.U) • BMO Discount Bond Index ETF (ZDB)	• BMO S&P/TSX Capped Composite Index ETF (ZCN) • BMO S&P 500 Index ETF (ZSP, ZSP.U) • BMO MSCI EAFE Hedged to CAD Index ETF (ZDM) • BMO MSCI Emerging Markets Index ETF (ZEM)

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BMO ETFs delivers a comprehensive platform – a full spectrum of solutions to meet diverse investor needs.

Dividend Strategy

- **BMO Canadian Dividend ETF** (ZDV)
- **BMO US Dividend ETF** (ZDY, ZDY.U)
- **BMO US Dividend Hedged to CAD ETF** (ZUD)
- **BMO International Dividend ETF** (ZDI)
- **BMO International Dividend Hedged to CAD ETF** (ZDH)

BMO Dividend ETFs are designed for income investors who want a high level of sustainable dividend income, as well as the potential for portfolio gains. BMO Exchange Traded Funds has created custom solutions to identify higher yielding dividend equities, while screening for both the historical growth rate, momentum, and sustainability of the dividends, as a quality indicator. The final result are well diversified core portfolio solutions for income investors.

Advanced screening

Unlike some other dividend strategies that only focus on yield, the BMO ETF Dividend Strategy focuses on sustainability.

The first screen in the BMO ETF Dividend Strategy is the three year dividend growth rate ranked by total dividends available. The second screen is the five year analysis of the dividend payout ratio. The choice to focus on the three year dividend growth rate and the dividend payout ratio over five years is deliberate – these screens are sensitive enough to measure changing company conditions, but do not overreact to short-term anomalies. They also have the added benefit of reducing overall portfolio turnover.

The three year dividend growth rate illustrates a company's willingness to pay dividends and grow them over time. Eligible companies require a credit rating which further enhances our focus on higher quality companies. In addition, companies must pass a momentum screen that helps ensure the portfolio is positioned to avoid companies with stale momentum.

The Payout ratio is defined as dividends paid divided by operating cash flow. The BMO Dividend ETF methodology analyses dividend payout sustainability over a five-year period, the four most recent years, as well as analyst forecasts for the next year. This ensures the dividend is funded by ongoing operations and is forward looking. Companies are then graded using an internally developed approach. Securities scores will benefit from stable earnings as they will score higher across measurement periods. This will eliminate companies identified as having an increased risk of maintaining their dividend.

The volatility of the dividend payout ratio is also important. It is typically impacted by earnings volatility as the dividends paid are more stable. Higher volatility will result in a higher probability that the security will be screened out.

The BMO ETF Dividend Strategy also considers a share buyback program. This is a tax effective way to deploy excess cash on the balance sheet as it does not result in income for shareholders. Instead it creates upward pressure on prices, by reducing the outstanding share float.

Portfolio construction

After the screens are applied, the remaining securities are then weighted by total dividends available to construct the portfolios. To prevent unintended biases and ensure the portfolios are well diversified, BMO ETFs applies both a sector and security cap.

Sector caps ensure that no one particular sector is over represented, such as Financials, which is often a significant weight in dividend based portfolios. Generally, the portfolios will be tilted towards defensive sectors and away from resources, as companies in defensive sectors tend to have more stable business models and payout more of their cash flow through dividends. A combination of large, mid and small cap companies enhances diversification and retains growth potential.

Next, liquidity of the underlying investments in the portfolio is constantly observed to ensure that any holding can be traded with efficiency.

These advanced screens and portfolio constraints ensure that the BMO Dividend ETF suite is properly constructed and diversified so that they can be used as a core portfolio position.

BMO Dividend ETF Methodology

Step 1	**Step 2**	**Step 3**	**Step 4**
Form The Selection Universe	Screen On Dividend Growth, Rank By Yield	Screen On Dividend Payout Sustainability	Form The Portfolio
Equity Universe	Positive/Flat 3 Year Dividend Growth Rate	5 Year Dividend Payout Sustainability	Total Dividends Weight

Value Strategy

- **BMO MSCI Canada Value Index ETF** (ZVC)
- **BMO MSCI USA Value Index ETF** (ZVU)

Value factor investing- the pursuit of low cost securities relative to their fundamental value- is an investing style employed by active managers. While the premise may be similar not all value strategies are the same. Factor based value investing takes traditional value style investing a step further by selecting a more concentrated segment of the investable universe and adjusting security weights by the value score. BMO Value ETFs provide a rules-based methodology while being cost effective.

Identifying the Value Factor

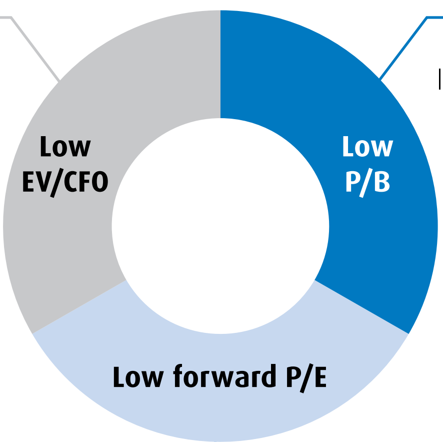
BMO Value ETFs seek to remedy flaws found in traditional value investing such as sector bias, concentration of highly leveraged companies and reliance on metrics that are subject to distortion. Therefore these ETFs use three core metrics: Price-to-Book (P/B), Price-to-Forward Earnings (P/E) and Enterprise Value-to-Cash Flow from Operations (EV/CFO). Low values in all three ratios signal a company which is in line with its peers, but is less expensive. This "sale price" is where the value factor is found: once the market reprices, the investor captures the appreciation.

Portfolio Construction

The selection universe begins with a neutral parent index (ZVC – MSCI Canada Index, and ZVU- MSCI USA Index), then adjusts towards the value factor by using equal weights of the three core metrics to compute a composite z-score. The z-score is scored by sector, producing a final value score which is multiplied by the market cap. The maximum security weight in each index is capped at 10%. The index targets 50% of the parent market cap coverage. The weight of each sector is the same as the sector weights within the parent index. For the MSCI EAFE Enhanced Value Region Neutral Capped Index, region neutrality is achieved by maintaining identical region weights to that of the MSCI EAFE Index. The portfolios are rebalanced and reviewed semi-annually. This methodology aims to not only identify value companies, but to ensure high trading liquidity and to moderate security turnover while staying cost effective. BMO Value ETFs are designed to be core equity options.

BMO Value Investing

Enterprise Value reflects all sources of capital, debt and equity. Therefore, evaluating Enterprise Value will screen out companies which have high financial leverage.



Low P/B reflects companies who are less expensive than their peers but have similar common equity available to shareholders.

Forward earnings projections provide a more accurate representation of future price than trailing earnings.

Low Volatility Strategy

- **BMO Low Volatility Canadian Equity ETF** (ZLB)
- **BMO Low Volatility US Equity ETF** (ZLU, ZLU.U)
- **BMO Low Volatility US Equity Hedged to CAD ETF** (ZLH)
- **BMO Low Volatility International Equity ETF** (ZLI)
- **BMO Low Volatility International Equity Hedged to CAD ETF** (ZLD)
- **BMO Low Volatility Emerging Markets Equity ETF** (ZLE)

Target low risk broad market exposure – the trade off between risk and return remains at the heart of portfolio construction and investing. Particularly following the market downturn of 2008, investors have become more aware of portfolio risk levels in addition to returns. They are questioning how much risk is in their portfolio and how it will affect their returns. Our low volatility strategy allows investors to target a specific portfolio risk level that is lower than the broad market.

Less volatile or defensive stocks have outperformed the broad market over the long-term, as less volatile stocks may benefit from a smaller decline during market corrections while still increasing during advancing markets. Additionally, low volatility stocks tend to be more mature and have a higher dividend yield than the broad market. The higher dividend yield helps to minimize swings in portfolio value.

Higher volatility stocks have also underperformed over time, as investors are willing to pay a premium for "lottery tickets", high risk – high reward stocks that often do not meet expectations. Investors have been attracted to these glamour stocks, preferring short-term big winners over long-term steady performers.

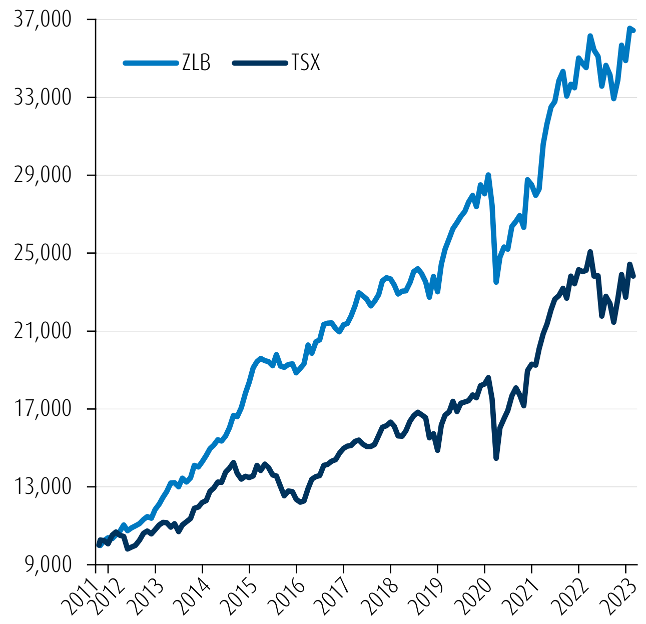
Focusing on beta

To develop our low volatility strategy, we identified beta as the most appropriate risk metric as it measures a security's sensitivity to the movements of the broad market. The broad market has a beta value of 1.00. A beta less than 1.00 indicates a security is less risky relative to the broad market. By selecting securities with lower betas, investors are able to access a portfolio that is designed to reduce market risk.

Beta is a smarter portfolio construction tool when compared to standard deviation (stock's volatility relative to itself) because it does a better job at sheltering investors from large market events.

As the following charts illustrate, the low volatility strategy has outperformed the broad market over longer time periods. The strategy had less of a decline than the broad market during the major correction of 2008. It is for these reasons, the BMO Low Volatility Strategy can be used as a core, long-term investment or a complimentary equity holding.

Total Return – BMO Low Volatility Canadian Equity ETF (ZLB) vs. S&P/TSX Composite



Annualized Performance	1 Year	3 Year	5 Year	Since Inception
NAV	-0.41%	5.60%	7.55%	11.49%

Source: BMO Asset Management Inc., Morningstar, as of April 28, 2023.

The chart illustrates the impact to an initial investment of $10,000 dollars from Jan 2011 to April 2023 in the BMO Low Volatility Canadian Equity ETF (ZLB). It is not intended to reflect future returns on investments in the Fund. 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.

Quality Screens

- **BMO MSCI All Country World High Quality Index ETF** (ZGQ)
- **BMO MSCI USA High Quality Index ETF** (ZUQ/ZUQ.U/ZUQ.F)
- **BMO MSCI Europe High Quality Hedged to CAD Index ETF** (ZEQ)

The success of rules based smart beta has been built on blurring the lines between ETFs and other investment vehicles by combining the transparency, trading efficiency, and low cost of ETFs with the enhanced stock screening and weighting methods of more responsive active strategies.

As smart beta has evolved, portfolios have moved beyond single factor lenses. Effective strategies are now increasingly screening for multiple factors and monitoring for unintended biases such as sector or industry concentration, or even excess turnover.

One of the most intuitively appealing factors is quality investing. Quality based investing is built to identify market leading companies, providing access to long-term industry leaders with sustainable business models and growing competitive advantages. These quality companies have historically outperformed the broad market with lower volatility. These quality leaders are positioned to respond to positive market conditions, as well as provide support in market contractions.

Quality investing identifies true market leaders

These ETFs provide an innovative approach to investing by selecting companies with high quality scores based on three fundamental variables: high return on equity, stable earnings growth and low financial leverage. Part of its value lies in its meaningful difference from the traditional value and growth classifications where quality is an effective exposure across the market cycle. Quality screening avoids inexpensive stocks masquerading as bargains.

BMO Quality Investing

The portfolio is built on the high quality scores and the process is repeated at reweight to ensure the portfolio remains constructed with true market leaders.

Sector Strategy

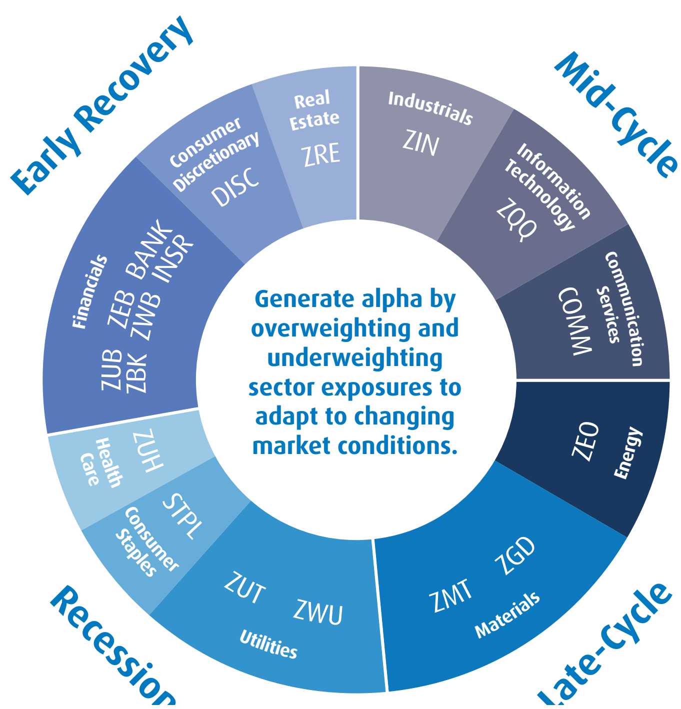
- **BMO Equal Weight US Banks Index ETF** (ZBK)
- **BMO Equal Weight US Banks Hedged to CAD Index ETF** (ZUB)
- **BMO Equal Weight Banks Index ETF** (ZEB)
- **BMO Global Consumer Discretionary Hedged to CAD Index ETF** (DISC)
- **BMO Equal Weight REITs Index ETF** (ZRE)
- **BMO Equal Weight Industrials Index ETF** (ZIN)
- **BMO Global Communications Index ETF** (COMM)
- **BMO Equal Weight Global Gold Index ETF** (ZGD)
- **BMO Equal Weight Global Base Metals Hedged to CAD Index ETF** (ZMT)
- **BMO Equal Weight Oil & Gas Index ETF** (ZEO)
- **BMO Global Agriculture ETF** (ZEAT)
- **BMO Equal Weight Utilities Index ETF** (ZUT)
- **BMO Global Consumer Staples Hedged to CAD Index ETF** (STPL)
- **BMO Equal Weight US Health Care Index ETF** (ZHU)
- **BMO Equal Weight US Health Care Hedged to CAD Index ETF** (ZUH)

BMO ETFs offers a broad suite of key sector and industry solutions across geographies allowing investors to gain exposure with precision and liquidity. Global exposures address a home country bias where investors typically hold the majority of their portfolio in local markets. Local exposures, which have country specific return drivers provide investors access to a depth of companies they know and trust.

BMO ETFs provides efficient tools for investors to respond strategically and tactically to changing markets cycles to find returns and lower risk. Investors can complement their core portfolio with sector and industry specific ETFs to take advantage of specific market trends.

Sector returns vary widely; the average difference between the best and worst performing sectors over the last 10+ years has been greater than 30% per year. Paying attention to sector weights and having the ability to tailor a portfolio towards specific sectors can help investors manage risk while participating in market opportunities.

BMO ETFs Sector & Industry Suite



* Alpha: 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.

Covered Call Strategy

- **BMO Covered Call Canadian Banks ETF** (ZWB/ZWB.U)
- **BMO Covered Call Utilities ETF** (ZWU)
- **BMO Covered Call Dow Jones Industrial Average Hedged to CAD ETF** (ZWA)
- **BMO US High Dividend Covered Call Hedged to CAD ETF** (ZWS)
- **BMO Covered Call Energy ETF** (ZWEN)
- **BMO Covered Call Health Care ETF** (ZWHC)
- **BMO US High Dividend Covered Call ETF** (ZWH, ZWH.U)
- **BMO Europe High Dividend Covered Call Hedged to CAD ETF** (ZWE)
- **BMO Canadian High Dividend Covered Call ETF** (ZWC)
- **BMO Europe High Dividend Covered Call ETF** (ZWP)
- **BMO Covered Call US Banks ETF** (ZWK)
- **BMO Global Enhanced Income Fund ETF Series** (ZWQT)

Income generation

The covered call strategy is implemented by writing a call option contract while owning the equivalent shares of the underlying stock. The purpose of the strategy is to provide additional income and reduce the risks of stock ownership.

Instead of stretching for additional yield with fixed income investments (and increasing risks), the covered call strategy effectively creates an additional income stream from equity investments. Additionally, it also has the added benefit of reducing equity risk making it a valuable portfolio construction tool.

The BMO ETF Covered Call Strategy generates income from two sources. First and foremost, is the dividend yield from the underlying assets. Next is the overlay of premium income generated from selling the call options. By already having a strong income base from the underlying, we can employ a lighter touch with the call option overlay to better protect investor's capital.

BMO ETFs sell out-of-the-money call options which cap the return of the portfolio at the option strike price until the option expires. For BMO ETFs, option expiries are generally 1-2 months out.

Historically, covered call strategies have provided similar overall return to the underlying portfolio with a significantly lower risk level.

Example

As an example, consider a portfolio that consists of 100 shares of a stock at a current price of $60, for a total value of $6,000. At the money (ATM) call options (strike price of $60) that expire in one month are valued at a premium of $1.50 per contract. To implement a covered call strategy, the portfolio writes call options on 100 shares and receives $150 in premium.

Payoff without exercise: Premium received adjusted for any difference in stock price
If the stock price remains at $60, the calls are not exercised, and the portfolio benefits from the premium received. The new portfolio value is $6,150.

Break even point: Stock purchase price less premium received
If the stock price drops to $58.50, the calls are not exercised, but the portfolio value drops. The new portfolio value is $6,000 ($5,850 + $150) which is the break-even point. The portfolio will devalue at any price below $58.50.

Payoff with exercise: Premium received adjusted for any difference between stock price and exercise price
If the stock price rises to $62, the calls are exercised at $60 eliminating the benefit of the rising stock price except for the premium received. The new portfolio value is $6,150.

Preferred Share Strategy

- **BMO Laddered Preferred Share Index ETF** (ZPR/ZPR.U)
- **BMO US Preferred Share Index ETF** (ZUP, ZUP.U)
- **BMO US Preferred Share Hedged to CAD Index ETF** (ZHP)

Preferred shares (preferreds) combine the characteristics of both equity and fixed income securities and are chosen by investors to provide their unique balance of security and yield.

Canada

Not all preferreds are equal when it comes to interest rate senstivity. BMO's strategy uses 100% rate resets as they are more adaptable in a rising rate environment since their dividends are reset on a periodic basis, adjusting to reflect the current interest rate environment.

The rate reset market has grown significantly in recent years – new issuers and new issues. ETFs are now able to deliver convenient and well constructed portfolios built around rate reset preferreds.

BMO's laddering process

To further diversify a preferred share portfolio against a rising interest rate environment, an investor can structure rate reset preferreds in a staggered manner. BMO ETFs achieves this by organizing the portfolio in a ladder, similar to a bond ladder. In this structure, the portfolio is evenly divided by calendar years, or term buckets. Within each term bucket, there will be a number of individual rate reset preferred share issues which have a reset date in the same year. Once the particular issue has reset, it will move to the back of the ladder, again grouped with other individual issues with a reset date of the same year. By doing this, each year a portion of the portfolio will be reset to reflect the current interest rate levels.

U.S.

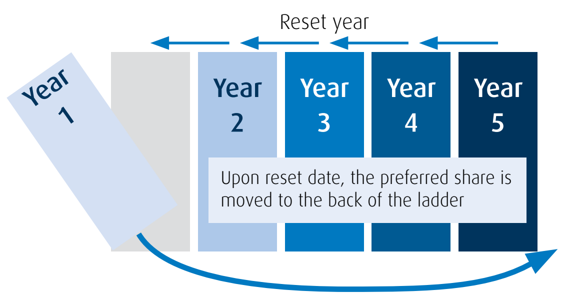
The U.S. preferred share market has some unique characteristics that make them appealing to investors:

1. Higher Dividends: U.S. preferred shares have historically paid higher dividends compared to their Canadian equivalent.
2. Different credit exposure: The U.S. economy is more diversified than Canada. U.S. preferred shares tend to have wide credit spreads above treasury bonds, the tightening of credit spreads could partially offset duration risk in a rising interest rate environment.
3. Diversification benefits: U.S. preferred shares tend to have low correlation to traditional asset classes such as bonds, equities and cash. U.S. preferred shares have also had low correlation to Canadian preferred shares.

BMO's U.S. preferred share process

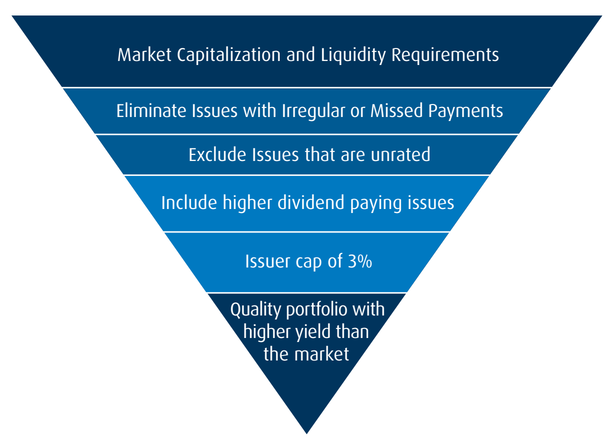
BMO's U.S. Preferred Share ETFs utilize a smart beta approach that provides Canadian investors with efficient and liquid exposure to a diversified portfolio of U.S. preferred shares. Rather than using a traditional market capitalization approach, these ETFs utilize a unique screening methodology that looks at dividend yield, mitigates exposure to non-rated securities and implements security caps.

BMO Canadian Laddered Preferred Share Strategy



- Laddering spreads preferred share investment over different terms
- Each step in the ladder contains multiple preferreds
- Rate reset preferreds adjust to reflect current interest rate environment

BMO U.S. Screening Methodology



BMO Premium Yield ETF Solution

- **BMO Premium Yield ETF (ZPAY, ZPAY.F, ZPAY.U)**

BMO Premium Yield ETF uses option strategies (put-write and covered calls) combined with some long stock exposure to provide an enhanced income product that has less volatility, more diversification, higher yield, and partial market exposure.

Portfolio Implementation

The portfolio will buy a concentrated basket of 40-60 large-cap U.S. equities. These stocks will be selected based on quality fundamentals such as strong balance sheets, low debt to equity, high return on equity and liquidity screens.

In normal market conditions, the fund will target a range of 20–50% to be invested in equity securities, however, during market selloffs, the equity weight can rise further as securities are received and to add the opportunity to further participate in a potential market rebound.

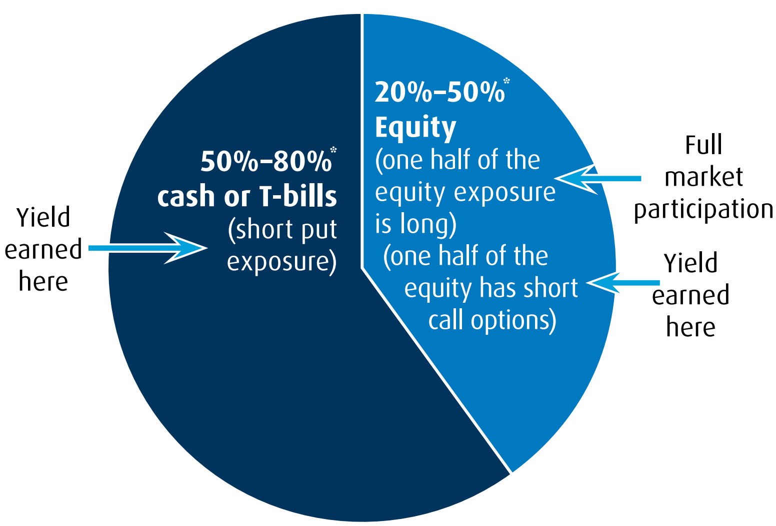
Call option writing will be implemented on half of the long portfolio. The covered calls will be written Out of The Money (OTM) by approximately 2-5% with 1-2 months to expiry. The long portion of the portfolio will have full market exposure while the covered call portion will have capped upside potential and reduced volatility. The call option writing will generate income.

Put options will be written on stocks that the fund manager considers attractive. Put options will be written OTM by approximately 5-10% with 1–2 months to expiry. The fund will be obligated to purchase the shares if the price drops and the option is exercised. Sufficient cash is held on approximately 60% of the portfolio to cover the puts. The put option writing will generate income.

Example Portfolio Composition

The portfolio ranges referenced are what the portfolio aims for in normal market conditions. The portfolio composition can change based on market movements. As market conditions change, the portfolio's equity and option exposure may vary. The asset mix illustrated below is a target under normal market conditions.

BMO ETFs Sector & Industry Suite



Market Example

- Buy 400 shares of Apple $300
  - Write call option on 200 shares at $310 strike price
- Sell put option on 800 shares of Apple at $290 strike price
  - Buy T-Bill to cover puts
  - If stock stays between $290 and $310, keep all premium
- If stock goes below $290, puts are assigned and portfolio owns 1,200 Apple shares ➡ start the covered call process again
- If stock goes above $310, calls are assigned and portfolio owns 200 Apple shares ➡ now sell put on 1,000 shares and call on 100 shares

Tax Efficiency

ZPAY will have tax efficiency* because some of the option premiums are taxed as capital gains. Also, the long portion of the portfolio with exposure to U.S. equities will have greater ability for growth, and this capital appreciation is also taxed as capital gains.

*Tax Efficient: as compared to an investment that generates an equivalent amount of interest income

BMO Fixed Income ETFs

- **BMO Ultra Short-Term Bond ETF** (ZST, ZST.L)
- **BMO Aggregate Bond Index ETF** (ZAG)
- **BMO Discount Bond Index ETF** (ZDB)
- **BMO Long-Term US Treasury Bond Index ETF** (ZTL, ZTL.U)
- **BMO Short Federal Bond Index ETF** (ZFS, ZFS.L)
- **BMO US Aggregate Bond Index ETF** (ZUAG, ZUAG.F, ZUAG.U)
- **BMO Short Term US TIPS Index ETF** (ZTIP, ZTIP.F, ZTIP.U)
- **BMO High Yield US Corporate Bond Hedged to CAD Index ETF** (ZHY)
- **BMO Mid-Term US IG Corporate Bond Hedged to CAD Index ETF** (ZMU)
- **BMO Emerging Markets Bond Hedged to CAD Index ETF** (ZEF)
- **BMO Ultra Short-Term US Bond ETF** (ZUS.U, ZUS.V)

Targeted exposures

Investors have recognized the importance of strategic positioning in fixed income and not just concentrating on equities. The days of buying only traditional full market exposure have passed, as portfolios now have both targeted positions and non traditional exposures to complement existing broad market holdings.

BMO provide a comprehensive set of for fixed income, having built an innovative suite that segments the investment grade market by both term and credit exposure. This allows investors to either build a portfolio, or tilt an existing portfolio, based on their outlook for both interest rate changes and credit spreads. Other Canadian ETFs may provide the ability to do one or the other, but not comprehensively across both.

Broad market Canadian exposures

In addition, BMO ETFs have been innovative in addressing broad exposures. To compliment BMO Aggregate Bond Index ETF (ZAG), we have BMO Discount Bond Index ETF (ZDB) which provides the same exposure, but only buys bonds at par or discount, decreasing taxable interest income while maintaining the yield to maturity.

BMO offers BMO Ultra Short-Term Bond ETF (ZST) and BMO Ultra Short-Term US Bond ETF (ZUS.U) which are diversified baskets of short-term investments. These ETFs allow clients to maintain a higher yield while maintaining a short duration for investors anticipating rising interest rates. Unlike other ETFs which are focused on a single exposure, ZST and ZUS.U diversify across investment grade, high yield, preferred shares, and floating rate bonds.

BMO Targeted Fixed Income ETFs

Credit ↑ / Term →			
	ZCS BMO Short Corporate Bond Index ETF	**ZCM** BMO Mid Corporate Bond Index ETF	**ZLC** BMO Long Corporate Bond Index ETF
Credit	**ZPS** BMO Short Provincial Bond Index ETF	**ZMP** BMO Mid Provincial Bond Index ETF	**ZPL** BMO Long Provincial Bond Index ETF
	ZFS BMO Short Federal Bond Index ETF	**ZFM** BMO Mid Federal Bond Index ETF	**ZFL** BMO Long Federal Bond Index ETF
	Term		

Segmented Fixed Income

ZGB	ZCB	ZSB
BMO Government Bond Index ETF	BMO Corporate Bond Index ETF	BMO Short-Term Bond Index ETF

BMO ETFs now offer a suite of segmented Canadian fixed income ETFs which offer more focused exposures than the traditional broad market. The BMO Government Bond Index ETF (ZGB), the BMO Corporate Bond Index ETF (ZCB) and the BMO Short-Term Bond Index ETF (ZSB) will allow investors to access these specific exposures in a low-cost and efficient way. ZGB gives investors access to Canadian government bonds- federal, provincial and municipal- across all maturities. ZCB provides access to Canadian corporate bonds from all sectors and maturities. ZSB gives investors the ability to hold short-term bonds (1-5 years) which are diversified among corporate and government bonds. Using BMO's segmented fixed income ETFs, investors have the ability to invest in a focused segment of the fixed income market, and then diversify among durations, credit qualities and industries.

Accumulating units

BMO ETF's Accumulating units are designed for investors who want exposure to the underlying fixed income assets but don't need regular monthly distributions. Accumulating units offer an effective solution to help mitigate price declines by reinvesting coupons and consolidating the units.

Accumulating units will distribute an annual reinvested and consolidated distribution which will be added back to the NAV. For investors in non-registered accounts, there is no tax advantage to holding BMO's accumulating units. Investors of Accumulating units will still receive a tax slip at year end, similar to distributing ETFs.

Accumulating units are offered on BMOs short term fixed income ETFs as the lower duration of the portfolios means they are less impacted by yield changes and have a greater probability of a consistent positive return.

U.S. Exposure

Fixed income ETFs are continuing to gain market share across the globe as investors see the appeal of the efficiency, diversification and added layer of liquidity they provide. In addition to BMO ETFs robust Canadian exposures, we also provide investors with precise access to the U.S. fixed income market through U.S. Treasuries and Corporate bonds as well as hard to access asset classes such as high yield bonds.

BMO ETFs is the first Canadian issuer to launch full spectrum of U.S. Treasury ETFs segmented by term to allow for risk positioning in fixed income portfolios, providing investors with an important risk management tool for a flight to safety trade and an effective portfolio building block with a low correlation to equities.

With the liquidity constraints in the fixed income market, ETFs add a layer of liquidity to more challenging asset classes such as high yield and floating rate. BMO High Yield US Corporate Bond hedged to CAD Index ETF (ZHY) allows investor to efficiently access this exposure with the benefit of diversification to reduce risk.

Building Blocks For Success

US/Global

New

BMO US Aggregate Bond Index
ZUAG | **ZUAG.F** (Hedged to CAD) | **ZUAG.U** (USD units)
Duration: 6.3 **Distribution Yield:**
ZUAG: 2.0% ZUAG.F/ZUAG.U: 2.0% | M
Yield to Maturity: 4.3% Mgmt. Fee: 0.08%
Risk Rating: ZUAG: Low to Medium
ZUAG.F/ZUAG.U: Low

BMO Ultra Short-Term US Bond
ZUS.U (USD units) | **ZUS.V** (USD accumulating units)
Duration: 0.2 Duration: 0.2
Distribution Yield:
ZUS.U: 5.4% | M ZUS.V: 0.0% | Q
Yield to Maturity: 5.1%
Mgmt. Fee: 0.15% **Risk Rating:** Low

BMO Short-Term US TIPS Index
ZTIP | **ZTIP.F** (Hedged to CAD) | **ZTIP.U** (USD units)
Duration: 2.5
Distribution Yield:
ZTIP: 6.4%, ZTIP.F: 6.9%, ZTIP.U: 6.9% | Q
Yield to Maturity: 3.9% Mgmt. Fee: 0.15%
Risk Rating: Low to Medium

New

BMO US TIPS Index
TIPS | **TIPS.F** (Hedged to CAD) | **TIPS.U** (USD units)
Duration: 7.0 **Distribution Yield:**
TIPS: 6.9% TIPS.F/TIPS.U: 7.0% | Q
Yield to Maturity: 3.9% Mgmt. Fee: 0.15%
Risk Rating: TIPS: Low to Medium
TIPS.F/TIPS.U: Low

BMO Floating Rate High Yield
ZFH
Duration: 0.3
Distribution Yield: 5.2% | M
Yield to Maturity: 8.9%
Mgmt. Fee: 0.40%
Risk Rating: Low to Medium

BMO Short-Term US IG Corporate Bond Hedged to CAD Index
ZSU
hedged to CAD
Duration: 2.6
Distribution Yield: 3.2% | M
Yield to Maturity: 5.1%
Mgmt. Fee: 0.25%
Risk Rating: Low

BMO Mid-Term US IG Corporate Bond Index
ZMU (hedged to CAD) | **ZIC** (unhedged) | **ZIC.U** (USD units)
Duration: 6.2
Distribution Yield:
ZMU: 4.3%, ZIC: 3.8%, ZIC.U: 3.9% | M
Yield to Maturity: 5.0% Mgmt. Fee: 0.25%
Risk Rating: Low to Medium

O **BMO High Yield US Corporate Bond Index**
ZJK (unhedged) | **ZHY** (hedged to CAD) | **ZJK.U** (USD Units)
Duration: 3.7
Distribution Yield:
ZJK: 6.3%, ZHY: 6.7%, ZJK.U: 6.2% | M
Yield to Maturity: 8.4% Mgmt. Fee: 0.55%
Risk Rating: Low to Medium

BMO Emerging Markets Bond Hedged to CAD Index
ZEF
hedged to CAD
Duration: 4.4
Distribution Yield: 4.6% | M
Yield to Maturity: 6.4%
Mgmt. Fee: 0.50%
Risk Rating: Low to Medium

BMO Short-Term US Treasury Bond Index
ZTS (unhedged) | **ZTS.U** (USD units)
Duration: 2.6
Distribution Yield: ZTS: 1.9%, ZTS.U: 2.0% | Q
Yield to Maturity: ZTS: 4.0%, ZTS.U: 4.2%
Mgmt. Fee: 0.20%
Risk Rating: ZTS: Low to Medium, ZTS.U: Low

BMO Mid-Term US Treasury Bond Index
ZTM (unhedged) | **ZTM.U** (USD units)
Duration: 6.3
Distribution Yield:
ZTM: 2.1%, ZTM.U: 2.2% | Q
Yield to Maturity: 3.5% Mgmt. Fee: 0.20%
Risk Rating: ZTM: Low to Medium, ZTM.U: Low

BMO Long-Term US Treasury Bond Index
ZTL.F (hedged to CAD) | **ZTL** (unhedged) | **ZTL.U** (USD units)
Duration: 17.6
Distribution Yield:
ZTL.F: 3.2%, ZTL: 3.3%, ZTL.U: 3.4% | Q
Yield to Maturity: 3.8% Mgmt. Fee: 0.20%
Risk Rating: Medium

As of March 30, 2023

Distribution Yield is the most recent regular distribution (excluding year end distributions for those ETFs that distribute more frequently) annualized for frequency divided by current NAV.

Yield to Maturity includes the coupon payments and any capital gain or loss that the portfolio will realize by holding the bonds to maturity. Duration is a measure of sensitivity of bond prices to changes in interest rates. For example, a 5 year duration means the bond will decrease in value by 5% if interest rates rise 1% and increase in value by 5% if interest rates fall 1%. Generally, the higher the duration the more volatile the bond's price will be when interest rates change.

BMO Core Solutions

- **BMO S&P/TSX Capped Composite Index ETF** (ZCN)
- **BMO S&P 500 Index ETF** (ZSP, ZSP.U)
- **BMO S&P 500 Hedged to CAD Index ETF** (ZUE)
- **BMO MSCI EAFE Index ETF** (ZEA)
- **BMO MSCI EAFE Hedged to CAD Index ETF** (ZDM)
- **BMO MSCI Emerging Markets Index ETF** (ZEM)
- **BMO Aggregate Bond Index ETF** (ZAG)
- **BMO US Aggregate Bond Index ETF** (ZUAG)

BMO ETFs is committed to providing an efficient suite of core solutions that represent the right indices and are effectively priced. BMO ETFs continues to push the boundaries of ETF pricing to make core solutions even better.

Exposures

Core investments typically reflect a range of broad asset classes, including Canadian equities, U.S. equities, international equities and fixed income. They also represent the full gamut of ETF benefits – flexibility, diversification and efficiency.

Core ETFs are the essential building blocks of a portfolio that provide the foundation for long-term growth. They are critical in the decision to stay invested through the market cycle. They allow investors to supplement with regional or other asset classes (core satellite strategy) while maintaining a low cost portfolio.

BMO ETFs simplify the process of acquiring broad exposures and provides instant diversification. Not all broad market investments are equal – a core BMO ETF generally has a longer list of holdings.

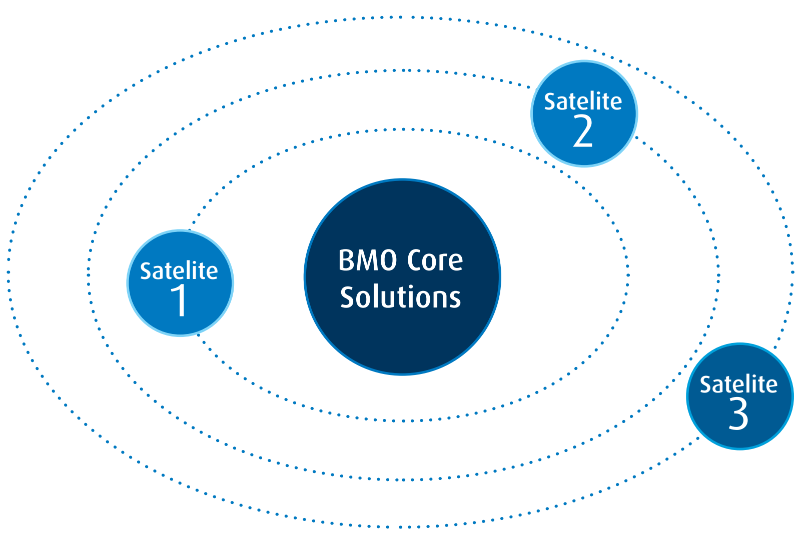
The right indices

Investors expect recognized indices. They also expect ETFs with performance that match the returns of the indices. The right indices are the universally accepted benchmarks for the various broad asset classes. Having the right index is important because investors are familiar with the index and understand the exposure. Furthermore, information is widely available and regularly reported.

Typically, the right core investment indices are weighted by market cap. This allows the index to capture the entire marketplace and all market influences.

BMO ETF Core Solutions

- Market leading indices you know and want
- Flexibility to execute investment strategy
- Instant diversification
- Cost efficiency



Beta: A measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole.

Correlation: A statistical measure of how two securities move in relation to one another. Positive correlation indicates similar movements, up or down, while negative correlation indicates opposite movements (when one rises, the other falls).

Credit rating/risk: An assessment of the creditworthiness of a borrower in general terms or with respect to a particular debt or financial obligation. Credit risk is the risk of default on a debt that may arise from a borrower failing to make required payment.

Duration: A measure of the sensitivity of the price of a fixed income investment to a change in interest rates. Duration is expressed as number of years. The price of a bond with a longer duration would be expected to rise (fall) more than the price of a bond with lower duration when interest rates fall (rise).

Interest rate risk: Refers to the chance that investments in bonds will suffer, as the result of unexpected interest rate changes.

Leverage: An investment strategy of using borrowed money - specifically, the use of various financial instruments or borrowed capital - to increase the potential return of an investment.

Liquidity: The degree to which an asset or security can be quickly bought or sold in the market without affecting the asset's price. Cash is considered to be the most liquid asset, while things like fine art or rare books would be relatively illiquid.

Standard Deviation: 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.

Volatility: Measures how much the price of a security, derivative, or index fluctuates. The most commonly used measure of volatility when it comes to investment funds is standard deviation.

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Let’s connect

For more information on the topics in this booklet or for additional information on BMO ETFs, please visit our website at **bmoetfs.com**

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