

Views from the Desk

Top ETF Picks Over 6% Yield

In the current economic environment, the hunt for yield is difficult. Interest rates are at historic lows, some even turning negative. The 10-year US treasury is yielding 0.68% today, a 116 bps drop from one year ago.¹ Investors should look to alternative income strategies such as BMO's covered call option ETFs where they can generate meaningful portfolio yield that is tax efficient. Here are our top picks yielding over 6% for this month.

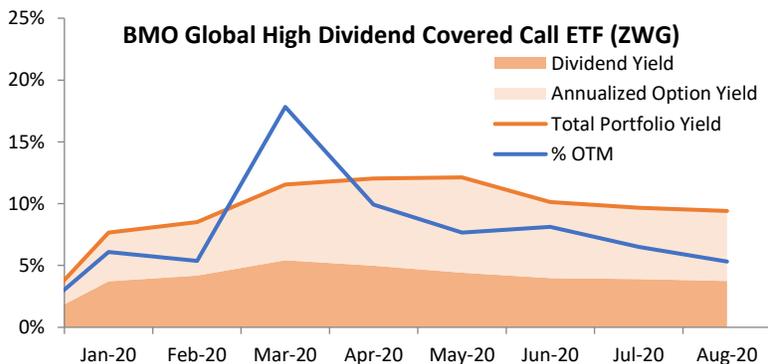
The BMO Global Dividend Covered Call ETF (ticker: ZWG)

Yield: 6.8%*

Why Global Dividend Payers? This portfolio is 50 high-quality, blue-chip companies such as Microsoft, Johnson & Johnson and IBM. These companies all pass our [dividend sustainability test](#) and we use quality screens to ensure these companies have strong balance sheets and resilient cash flows; important characteristics to ensure dividends keep getting paid and continue to grow. The portfolio offers durable downside protection, as witnessed during March this year. This defensive growth is important as we face continued market uncertainty. The underlying portfolio's dividend yield is currently 3.8%.

Option Update on the Portfolio: Because of increased market volatility, we have been able to write current options at around 5-7% OTM right now which adds an additional 2.5% yield. This gives the option portfolio some room for growth before options are called.

The Kicker: This portfolio uses ESG integration which means there is an added layer of quality control for the portfolio. The 50 names in ZWG all carry higher ESG scores than peers. We believe that for dividend paying companies the emphasis on the "G" (governance) is so important for strong management teams and prudent cash flow management.



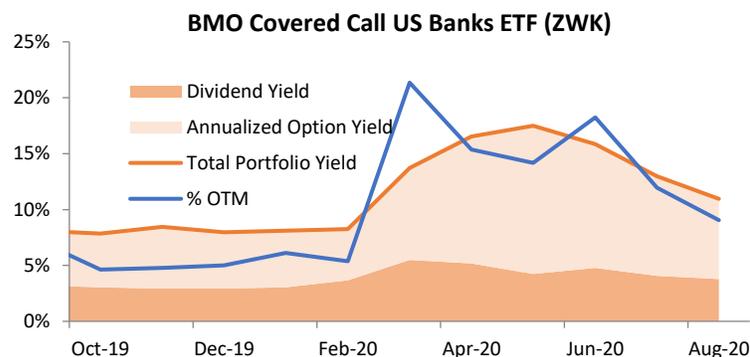
The BMO Covered Call US Banks ETF (ticker: ZWK)

Yield: 10.3%*

Why U.S. Banks? Valuations look very attractive in the U.S. banks space. This sector has not recovered as much as other industries, due to historically high loan loss provisions that the banks set aside to prepare for potential future defaults. U.S. banks are well capitalized, evidenced by the amount of capital that they were able to set aside to prepare for defaults. Because of their strong balance sheets, U.S. banks can withstand further market stress while offering a great opportunity for growth right now especially at current valuations and we see this sector as a value play. U.S. banks are yielding on average 4%, a historic high for this sector.

Option Update on the Portfolio: Volatility is higher for U.S. banks than Canadian banks because their loan books take on more risk and they are more regionally exposed. This allows us to write options at a higher price than other sectors. We are currently writing option premiums on this portfolio at approximately 10% OTM, which adds an additional 6% yield.

The Kicker: Legendary investor Warren Buffet just made a sizeable investment into the US Bank sector, to the tune of \$2.1 billion into Bank of America.² This was viewed as a positive indicator for the sector which according to Mr. Buffet, is looking very cheap right now, while offering upside potential.



¹Source Bloomberg, September 15, 2020.

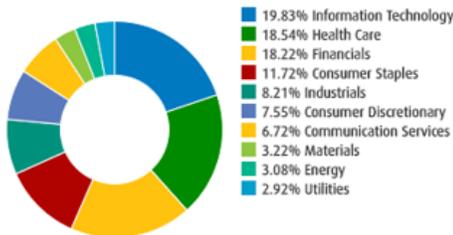
²Source: <https://www.cnbc.com/2020/08/05/mike-mayo-says-buffett-is-on-right-track-sees-upside-for-bank-stocks.html>

*Annualized distribution yield as of September 11, 2020. Yield is subject to change each month.

Implementation

For exposure to global high dividend paying equities with an enhanced income overlay, consider buying the [The BMO Global Dividend Covered Call ETF, ticker ZWG](#).

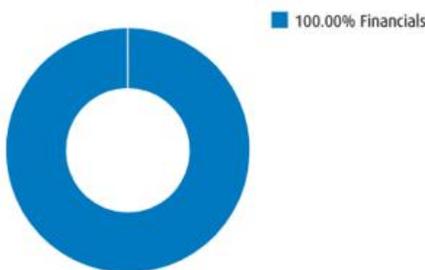
Sector Allocation



BMO Global High Dividend Covered Call ETF
ZWG
 Distribution Yield: 6.8% | M
 Mgmt. Fee: 0.65%
 Risk Rating: Medium new

Weight (%)	Name
4.90%	VERIZON COMMUNICATIONS INC
4.76%	MICROSOFT CORP
4.62%	HOME DEPOT INC/THE
3.76%	PROCTER & GAMBLE CO/THE
3.49%	TOTAL SE
3.35%	JOHNSON & JOHNSON
3.14%	CISCO SYSTEMS INC
2.96%	COCA-COLA CO/THE
2.92%	INTERNATIONAL BUSINESS MACHINES CORP
2.80%	ABBVIE INC

For exposure to U.S. banks with an enhanced income overlay, consider buying the [The BMO Covered Call US Banks ETF, ticker ZWK](#).



BMO Covered Call US Banks
ZWK
 Distribution Yield: 10.3% | M
 Mgmt. Fee: 0.65%
 Risk Rating: Medium to High

Weight (%)	Name
7.43%	AMERIPRISE FINANCIAL INC
7.29%	FIFTH THIRD BANCORP
7.21%	SVB FINANCIAL GROUP
6.88%	TRUIST FINANCIAL CORP
6.74%	KEYCORP
6.53%	REGIONS FINANCIAL CORP
6.46%	PNC FINANCIAL SERVICES GROUP INC/THE
6.31%	CITIGROUP INC
6.23%	JPMORGAN CHASE & CO
6.17%	BANK OF AMERICA CORP

Source: BMO Global Asset Management, September 15, 2020.

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