BMO Global Asset Management

Enhance your dividends

With seven rules-driven funds focused on cashflow

Seeking more cashflow amid ongoing volatility? BMO Global Asset Management (BMO GAM) covered call strategies aim to generate **higher yields** for **less risk**. This unique suite establishes two set pathways to deliver cashflow within the portfolio:

1. Dividends paid from top-quality equities
2. Premiums from writing call options contracts

How it works: Utilizing a proprietary rules-driven approach, the underlying ETFs are created with clear boundaries, where approximately 50% of the funds are invested into traditional stock holdings and the other 50% are used to write options that ultimately diversify the cashflow streams.

Typically, a covered call strategy can be time consuming and difficult to run alone. But, with BMO Covered Call strategies, investors can easily access all the potential benefits in one fund without all the administrative burdens of trying to do it themselves.

BMO GAM is the largest covered call provider in Canada.[1] After launching our first cover call ETF in 2011, we are proud to also offer ETF-based mutual funds to address the cashflow needs of investors.

BENEFITS OF COVERED CALL FUNDS

Lower volatility
Similar performance to the broad market with less volatility.

Higher yield potential
Earn yield from option premiums in addition to dividend income.

Tax efficiency
Cash flow generated from writing call options on securities is generally taxed as capital gains.[2]

Lower costs
Lower fees compared to implementing the strategy on your own.

Mechanics of covered calls

The underlying BMO ETFs sell out of the money (OTM) call options on approximately 50% of the stocks, which may cap the return of the written positions at the option strike price until the option expires (generally one to two months).

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, call options are written on 100 shares to receive $150 in premium.

Payoff without exercise:	Breakeven point:	Payoff with 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.**	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). The portfolio will devalue at any price below $58.50.**	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.**

Covered call strategies can act as a cushion in down markets and may outperform in flat markets when distributions are reinvested back into the fund. The BMO Covered Call Strategy strikes a balance between generating cashflow and participating in rising markets. This approach can potentially provide exposure to the underlying portfolio with less risk.

Funds at a glance

Get exposure to dividend yielding companies in Canada, U.S. and Europe, with lower volatility and higher cashflow.

The underlying ETFs optimize a proprietary rules-based portfolio construction strategy and look to avoid deteriorating companies based on quality and fundamental screening.

BMO high dividend covered call ETF funds

The BMO Exchange Traded Funds (BMO ETFs) dividend approach is a customized strategy that combines higher yield potential with sustainable growth. Through an advanced four-step screening process, BMO ETFs analyzes each company's willingness and ability to pay dividends over time with additional forward-looking considerations. The underlying dividend strategy is enhanced with a covered call overlay.

Equity universe > Positive flat 3-Year dividend growth rate > 5-Year dividend payout sustainability > Total dividends weighted

Funds	BMO Covered Call Canada High Dividend ETF Fund – Series F	BMO Covered Call U.S. High Dividend ETF Fund – Series F	BMO Covered Call Europe High Dividend ETF Fund – Series F
Fund code	BMO95127	BMO95766	BMO95767
Exposure	Dividend - paying Canadian companies, total dividends weighted	Dividend - paying U.S. companies, total dividends weighted	Dividend - paying European companies, total dividends weighted
Series code MER (%)*	0.73	0.73	0.73
Risk rating[3]	Medium	Medium	Medium
Inception date	May 14, 2018	April 28, 2016	April 28, 2016

*Management expense ratio (MER) is as of March 31, 2024.

BMO covered call sector ETF funds

These three funds are allocated an approximate equal weight rather than market cap weight, decreasing security specific risk and market cap concentration. BMO ETFs Equal Weight strategy can be a more efficient way to implement sector exposures and complement or replace single stock holdings. A covered call overlay is added to the underlying equal weight strategy.

Funds	BMO Covered Call Canadian Banks ETF Fund – Series F	BMO Covered Call Energy ETF Fund - Series F	BMO Covered Call Utilities ETF Fund - Series F
Fund code	BMO95765	BMO95330	BMO95331
Exposure	Canadian banks, equal weighted	Equally weighted global Energy companies	Utilities, telecommunications and pipeline companies, equal weighted
Series code MER (%)*	0.73	0.71	0.73
Risk rating[3]	Medium	High	Medium
Inception date	April 28, 2016	June 16, 2023	June 16, 2023

*Management expense ratio (MER) is as of March 31, 2024.

BMO all-in-one enhanced income solution

This fund-of-fund strategy holds a combination of high dividend and equal weight covered call ETFs in one solution.

Funds	BMO Global Enhanced Income Fund – Series F
Fund code	BMO95166
Exposure	Asset allocation
Series code MER (%)*	0.73
Risk rating[3]	Medium
Inception date	May 30, 2022

*Management Expense Ratio (MER) is as of March 31, 2024.

For more information or guidance, please contact BMO Global Asset Management.

[1] Morningstar, as of August 31, 2024.

[2] As compared to an investment that generates an equivalent amount of interest income.

[3] All investments involve risk. The value of a Mutual Fund can go down as well as up and you could lose money. The risk of a Mutual Fund is rated based on the volatility of the Mutual Fund's returns using the standardized risk classification methodology mandated by the Canadian Securities Administrators. Historical volatility doesn't tell you how volatile a Mutual Fund will be in the future. A Mutual Fund with a risk rating of "low" can still lose money. For more information about the risk rating and specific risks that can affect a Mutual Fund's returns, see the BMO Mutual Fund's simplified prospectus.

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.

Dividend yield: annualized yield generated from the underlying dividend paying companies.

Out-of-the-money: how far the strike price is set relative to the underlying stock price.

Strike price: is the price at which the underlying security can be either bought or sold once exercised.

At the money: have a strike price that is equal to the current market price of the underlying holding.

Call: a call option gives the holder the right to buy a stock.

Exercise: to put into effect the right to buy or sell the underlying security that is specified in the options contract.