

BMO ETF Low Volatility Strategy

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

With recent market volatility, investors are demanding solutions that stay afloat during market ups and downs. BMO Low Volatility ETFs are designed to provide lower risk than the broad market while still providing growth opportunities, giving investors confidence to stay the course over the long-term.

Focusing on Beta

Beta is a risk metric that measures an investment's sensitivity to fluctuations in the broad market (market sensitivity). The broad market is assigned a beta value of 1.00, an investment with a beta less than 1.00 indicates the investment is less risky relative to the broad market.

The BMO ETF Low Volatility Strategy uses beta as the primary investment selection and weighting criteria. By constructing ETFs with lower beta securities, the BMO ETF Low Volatility Strategy gives investors access to portfolios that are designed to provide growth while reducing exposure to market risk.

Low beta investments are less volatile than the broad market and can be considered defensive investments. Over the long-term, low beta stocks may benefit from smaller declines during market corrections and still increase during advancing markets. Additionally, low beta stocks tend to be more mature and provide higher dividend yield than the broad market.

Strategy Implementation

The selection universe consists of mature securities that are the largest and most liquid. Next, the remaining securities are ranked by beta and the lowest betas are selected. The beta used for weighting purposes is calculated using 5 years of market data, with 25% weight placed on the most recent year, 22.5%, 20%, 17.5% and 15% in prior successive years. The portfolios are rebalanced semi-annually, where security weights of the existing holdings are adjusted to reflect changes in their beta.

To ensure a well diversified portfolio and to prevent unintended biases occurring from high concentrations, the BMO ETF Low Volatility Strategy limits exposure to any one security to 10%. Furthermore, sector exposures in ZLB are limited to 35%, ZLU / ZLU.U / ZLH, ZLI / ZLD and ZLE are limited to 25%. In addition, ZLI/ZLD and ZLE also limits the exposure to any one country to 25%.

Universe – Large Cap Universe

- Large mature and liquid securities

Market Leading Low Volatility Solutions¹

Ranking

- Securities are ranked and weighted by beta, with lowest betas are selected
- Beta is calculated using 5 year window, with more weight on recent data
- Fundamental review of securities held

Constraints

- 45 holdings Canada, 100 holdings US/EAFE, 200+ EM
- Sector and country caps to ensure good diversification
- Portfolio is rebalanced semi-annually

Low Volatility Equity Portfolios

- ZLB
- ZLU/ZLH
- ZLI/ZLD
- ZLE

Currency Flexibility to Execute Your Investment Strategy

Currency returns are an important factor impacting investors purchasing a non-Canadian portfolio. Since the underlying investments of these assets are bought in a foreign currency, the appreciation or depreciation of the foreign currency against the Canadian dollar can either add or detract from the total return. To provide the necessary tools for investors to execute their currency views on their specific investment strategies, BMO Low Volatility ETFs offer a suite of currency and hedging options.

In addition to choice, investors benefit from minimal currency conversion costs as currencies are converted at institutional rates.

Low Volatility as Core or Compliment

The BMO ETF Low Volatility Strategy allows investors to target a specific risk tolerance to help mitigate market uncertainties. These ETFs can be used as a core portfolio position, they can also be used to complement existing broad market portfolios. BMO Low Volatility ETFs can be used as a tactical trading vehicle in periods of greater market uncertainty, where a more defensive portfolio may be appropriate.

| BMO ETF Low Volatility Suite - Currency Choices | | | |
|---|--|---|--|
| Exposure | Canadian Dollar | Hedged | U.S. Dollar |
| Canada | ZLB BMO Low Volatility Canadian Equity Fund | | |
| U.S. | ZLU BMO Low Volatility US Equity Fund | ZLH BMO Low Volatility US Equity Hedged to CAD ETF | ZLU.U BMO Low Volatility US Equity ETF (US Dollar Units) |
| International | ZLI BMO Low Volatility International Equity ETF | ZLD BMO Low Volatility International Equity Hedged to CAD ETF | |
| Emerging Markets | ZLE BMO Low Volatility Emerging Markets Equity ETF | | |

1st to launch low volatility ETFs in Canada based on launch dates²

BMO ETFs
23% market share and \$129 billion in AUM²
180+ listed ETFs

Only provider focusing on beta as volatility measure¹

Asset leaders in low volatility category based on Assets under Management²

¹ Source: Bloomberg, December 31st, 2024.

² Source: BMO Asset Management Inc., December 31st, 2024.

This communication is intended for informational purposes only and is not, and should not be construed as, investment and/or tax advice to any individual. Particular investments and/or trading strategies should be evaluated relative to each individual's circumstances. Individuals should seek the advice of professionals, as appropriate, regarding any particular investment.

BMO ETFs are managed and administered by BMO Asset Management Inc., an investment fund manager and portfolio manager and separate legal entity from the Bank of Montreal.

Commissions, management fees and expenses all may be associated with investments in exchange traded funds. Please read the fund facts or prospectus before investing. Exchange traded funds are not guaranteed, their values change frequently and past performance may not be repeated.

"BMO (M-bar roundel symbol)" is a registered trademark of Bank of Montreal, used under licence.