

# Beyond the Balance Sheet: Quantifying Human Capital

## BMO Human Capital Factor US Equity ETF (ZHC)

*"Companies that invest in human capital achieve more consistent and resilient financial performance than their peers<sup>1</sup>."*

Trying to  
Quantify the  
Intangible?  
**Start Here.**

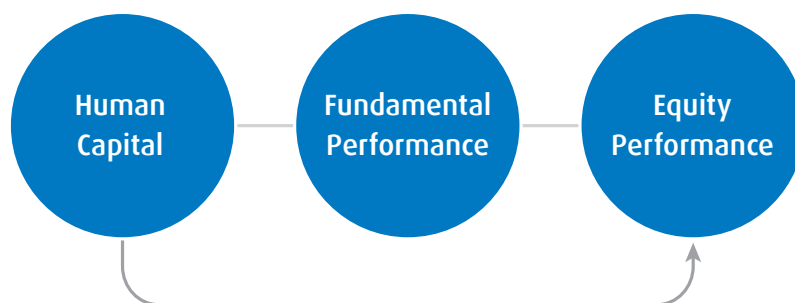
BMO Human Capital Factor US Equity ETF

**ZHC**

Management Fee: **0.35%** Risk Rating<sup>2</sup>: **Medium**

### The Human Capital Factor<sup>®</sup> (HCF<sup>®</sup>)

What if a potential driver of equity outperformance isn't found on a balance sheet – but in the behaviours of a company's employees? The HCF<sup>®</sup> captures these insights through a systematic approach, using large-scale behavioural data that seeks to quantify the link between strong human capital and future equity performance.



### The Human Capital Factor<sup>®</sup> – How it's Applied

The Human Capital Factor<sup>®</sup> follows a rules-based, quantitative methodology that evaluates companies based on their human capital attributes. The process includes:

- 1. Data-driven screening:** Uses both public and proprietary data source analysis.
- 2. Scoring:** Multiple dimensions are applied to each company within the dataset and subsequently reduced down to a single score – the HCF<sup>®</sup> score.
- 3. Selection:** The portfolio is then built based on companies with the top HCF<sup>®</sup> scores. HCF<sup>®</sup> scores determine which stocks are selected, but are not used to determine the magnitude of individual weights within the portfolio.

<sup>1</sup> McKinsey Global Institute, Performance through people: Transforming human capital into competitive advantage, February 2023. The BMO ETF will primarily invest in equity securities of U.S. issuers that score highly in the management of human capital, which seeks to link company culture and equity performance in a quantifiable factor

<sup>2</sup> All investments involve risk. The value of an ETF can go down as well as up and you could lose money. The risk of an ETF is rated based on the volatility of the ETF's returns using the standardized risk classification methodology mandated by the Canadian Securities Administrators. Historical volatility doesn't tell you how volatile an ETF will be in the future. An ETF with a risk rating of "low" can still lose money. For more information about the risk rating and specific risks that can affect an ETF's returns, see the BMO ETFs' simplified prospectus.

## The Dataset

### Proprietary

- Robust Question Sets
- Survey's + Comments
- Behavioural Data

### Extensive

- **Long, Consistent Dataset**
  - 18+ Years of Insight
- **Deep & Precise Insights**
  - 750 Million+ Datapoints
  - 15 Million+ Employee Survey Responses

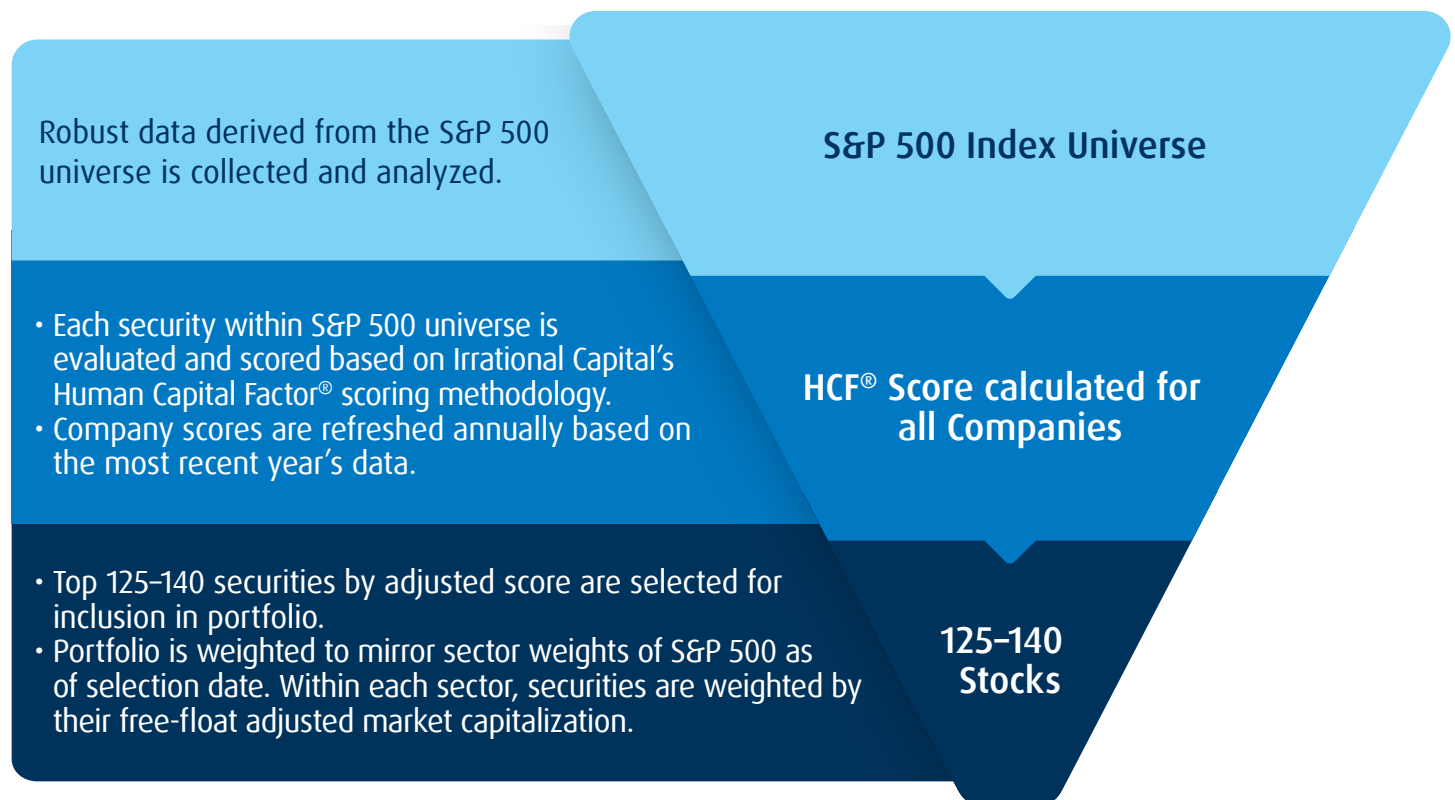
### Coverage

S&amp;P 500

100%

## Investment Process

The strategy will apply the HCF® through a disciplined, rules-based approach to invest in equity securities of US companies that score highly in the management of human capital, which seeks to link company culture and equity performance in a quantifiable manner. The portfolio is constructed using a robust dataset to target companies with strong human capital signals while maintaining broad diversification and risk-aware exposure.



## Benefits of BMO's Human Capital Factor US Equity ETF

BMO ETFs realize that some clients may want to tilt their portfolios towards specific factors to mitigate market risk, to target excess returns, or achieve both depending on their financial goals and market outlook. BMO's Human Capital Factor US Equity ETF offers an option for investors seeking a differentiated factor profile for the US market.

### Data-Driven

Uses a quantitative methodology to identify companies with the strongest human capital characteristics, ensuring a systematic, research-backed investment process.

### Fees

Management Fee of only 0.35%: the consideration of fees in your investment decision making process is important as fees can impact overall performance.

### Forward Looking

Offers a forward-looking way to invest in firms where work-force strength is a key competitive advantage.

### Factor Diversification

Offers potential for broadening factor exposure by providing a signal that is differentiated from traditional factors such as Value, Quality, and Momentum.

### Potential Value Creation

Aims to prioritize companies that invest in their workforce and identify firms with an ability to generate enhanced shareholder value.




### Institutional Grade Strategy

Allows investors access to a strategy historically limited to institutional-level research and execution.

**BMO**  | Exchange Traded Funds  
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### Disclaimers

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

For a summary of the risks of an investment in the BMO ETFs, please see the specific risks set out in the BMO ETF's simplified prospectus. BMO ETFs trade like stocks, fluctuate in market value and may trade at a discount to their net asset value, which may increase the risk of loss. Distributions are not guaranteed and are subject to change and/or elimination.

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

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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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