

ZTIP - BMO Short-Term US TIPS Index ETF

Now you can access US Treasury-Inflation-Protected Securities here in Canada with your choice of hedged, unhedged or USD.



ZTIP/ZTIP.F/ZTIP.U

Management Fee: 0.15% | YTM: 0.16^{*}%

Duration: 2.5 | **Risk Rating:** low

TIPS or Treasury-Inflation-Protected Securities have been designed to protect investors against inflation. The bonds have a government backing, and pay investors a fixed interest rate as the bonds par value adjusts with the inflation rate.

ZTIP tracks the Bloomberg Barclays U.S. Treasury Inflation Protected Securities (TIPS) 0-5 Years Index, focusing on the short end of the curve to provide more of a pure play on inflation by avoiding longer duration risk. The index includes issuances with a minimum outstanding amount of USD\$500 million.

* inflation adjusted YTM

Signs you should be protecting against inflation:

US Federal Reserve adoption of a more relaxed approach to monitoring inflation

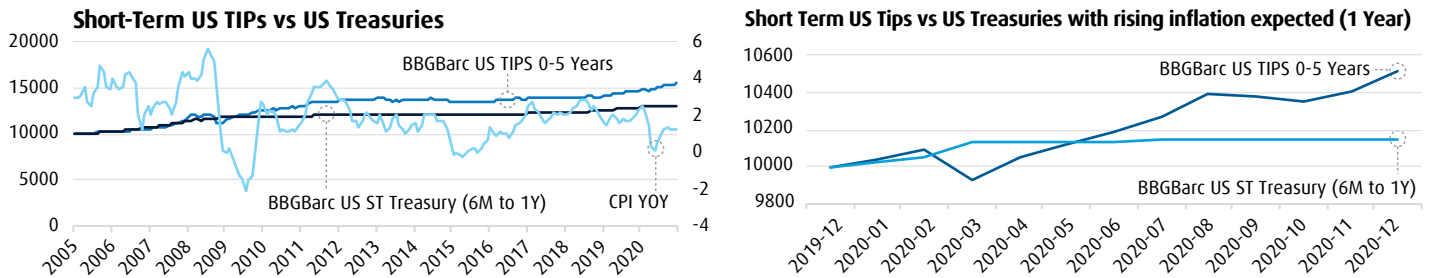
Expanding Corporate Balance Sheets

Historic Levels of Government Stimulus

Commodity Prices on the rise

US TIPS versus US Treasuries

The graphics below show how US TIPS perform relative to US Treasuries over the long term and in times of expected rising inflation as we saw in 2020.



Source: Bloomberg, Dec 31 2020

How do they work?

- TIPS pay interest twice a year based on a fixed rate
- The principle value of TIPS adjusts up and down based on inflation as measured by Consumer Price Index (CPI)
- The rate of return received by investor reflects the adjusted principal

Example:

The Treasury issues a US TIP security with \$1000 face value and 3% coupon.

Year 1: Investor received \$30 (in two semi-annual payments). That year the CPI increases by 4%. As a result, face value adjusts to \$1040.

Year 2: Investor received same 3% coupon, but based on new, adjusted face value. Therefore, investor received income of \$31.20.

Year 3: Inflation drops to 2%. Face value rises to \$1060.80 and investor receives interest of \$31.82.

The TIPS' payout consists of two parts: the increase in CPI and the "real yield," or the yield above inflation. Once the bonds mature, investors receive either the adjusted, higher principal or their original investment, whichever is greater.

Commissions, trailing commissions (if applicable), management fees and expenses all may be associated with mutual fund investments. Please read the ETF facts, fund facts or prospectus of the relevant mutual fund before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. The indicated rates of return are the historical annual compounded total returns for the period indicated including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that would have reduced returns. For a summary of the risks of an investment in the BMO Mutual Funds, please see the specific risks set out in the prospectus. ETF Series of the BMO Mutual Funds 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.

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