

# BMO Shiller Select US Index ETF (Ticker: ZEUS)

BMO Global Asset Management (BMO GAM) has partnered with Professor Robert J. Shiller and Barclays International to launch the BMO Shiller Select US Index ETF.



## Professor Robert J. Shiller

Professor of Economics and Finance at Yale University, best-selling author of *Irrational Exuberance*, and co-developer of the CAPE® Ratio.



**Barclays International** is a diversified transatlantic business comprising a corporate banking franchise, which is market leading in the UK with strong international growth opportunities, a top-tier investment bank, a strong and growing U.S. and international cards business, an international wealth offering, and leading payments capability through both corporate banking and the Barclaycard merchant acquiring expertise.

**BMO Shiller Select US Index ETF (Ticker: ZEUS)** – The first exchange traded fund (ETF) in Canada to track the Shiller Barclays CAPE® U.S. Single Stock Index with exclusive access to Robert Shiller’s CAPE® methodology. An equal weight strategy that combines value and momentum leveraging the research of Professor Robert Shiller.



### Buy low, knowing when to sell high

Value is a widely recognized investment strategy dating back to the 1930s. It is measured by valuation ratios such as price-to-book, 12-month forward earnings-to-price and dividend yield.



### Knowing when to buy and sell even higher

Momentum is an indicator of a positive or negative trend in a security’s price movement over time. It is measured by the most recent month over the last 12 months.



**Value Trap & Momentum** - Using momentum signals coupled with a value strategy screens out stocks with recent negative performance.

## Shiller’s Cyclically Adjusted PE (CAPE®) Ratio

- Defined by Robert Shiller and John Campbell during the 1980s
- Used to identify long-term under and over valuations of equity markets
- Averaging earnings over 10 years allows for mean reversion of earnings and earnings over the business cycle
- For the Shiller Barclays CAPE® U.S. Single Stock Index the CAPE® yield is utilized: expressed as 1 divided by the CAPE® Ratio

*“ We seek to invest in seasoned companies - Old Standbys - that also show good value by the CAPE® ratio. This is a new and different approach to value investing that is designed to try to come closer to its original motivation: find stocks that are well established and relatively forgotten, with a long history of earnings but underpriced in the market. ”*

- Professor Robert J. Shiller

$$CAPE^{\text{®}1} = \frac{\text{Price}}{10\text{-Y Average of Inflation Adjusted Earnings}}$$

	“Traditional” Value	CAPE® Methodology
Expression <sup>1</sup>	<ul style="list-style-type: none"> <li>• Price-to-Book</li> <li>• Price-to-Earnings</li> <li>• Dividend Yield</li> </ul>	<ul style="list-style-type: none"> <li>• Price-to-average 10-year Earnings, with momentum filter</li> </ul>
Potential Benefits	<ul style="list-style-type: none"> <li>• Simple ratio to determine valuation, typically price-to-book</li> </ul>	<ul style="list-style-type: none"> <li>• Accounts for earnings cycles and mean reversion of earnings</li> <li>• Value trap is considered</li> </ul>
Considerations	<ul style="list-style-type: none"> <li>• One year measure</li> </ul>	<ul style="list-style-type: none"> <li>• No relative valuation between stocks</li> </ul>

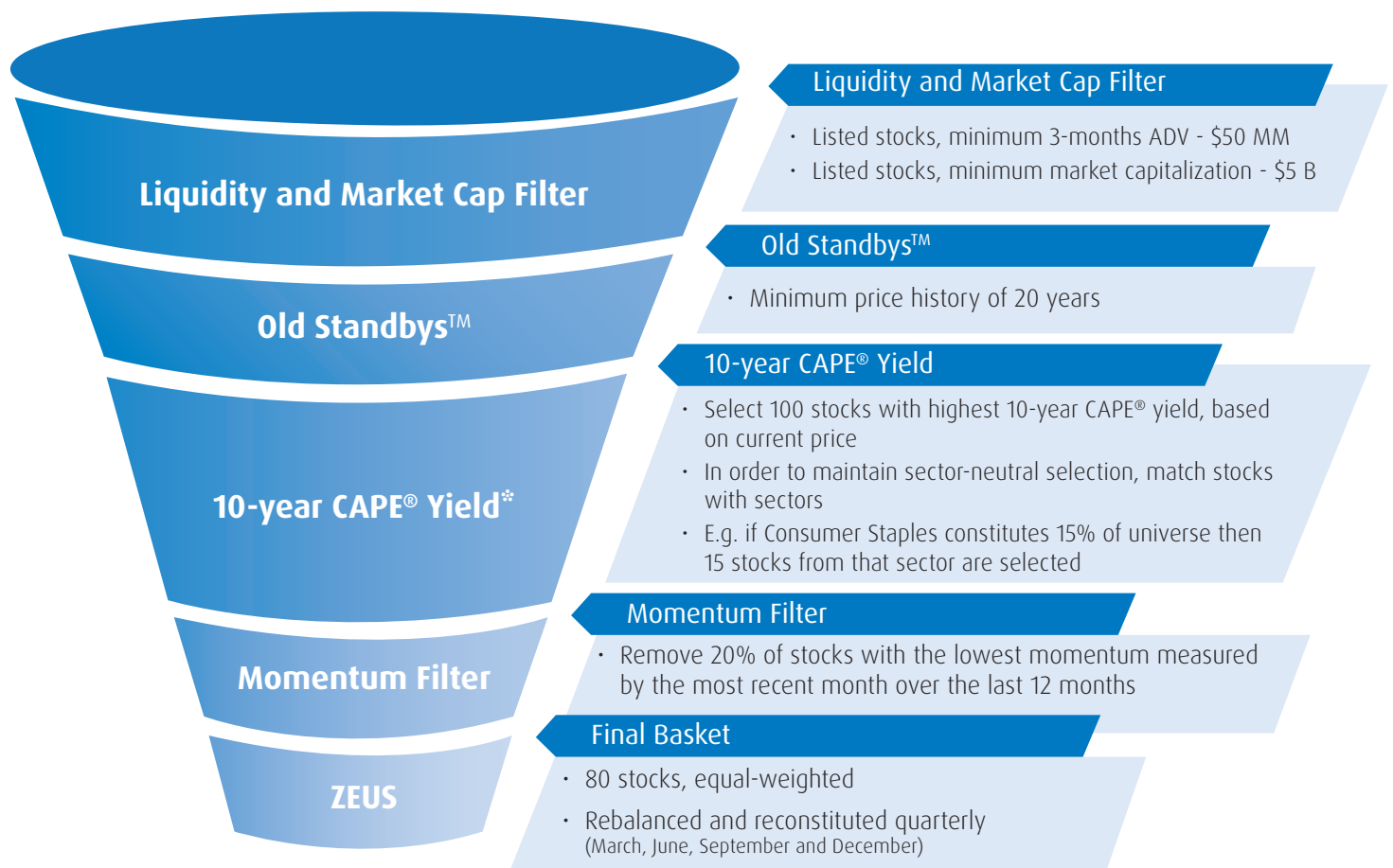
Source: <sup>1</sup>Basu (1977) concludes that low P/E portfolios did earn superior returns on risk-adjusted basis. MSCI: Foundations of Factor Investing. 2015.

## BMO Shiller Select US Index ETF (Ticker: ZEUS)

**Management Fee:** 0.65%

- Equal-weighted solution that aims to provide an alternative to market capitalization weighted indices with an unique value bias based on the CAPE® Ratio and momentum.

### Portfolio Construction



\* CAPE® Yield is expressed as one divided by the CAPE® Ratio.

The Shiller Barclays CAPE® Single Stock Index Family has been developed in part by RSBB-I, LLC, the research principal of which is Robert J. Shiller. RSBB-I, LLC is not an investment advisor, and does not guarantee the accuracy or completeness of the Shiller Barclays CAPE® Single Stock Index Family, or any data or methodology either included therein or upon which it is based. Neither RSBB-I, LLC nor Robert J. Shiller shall have any liability for any errors, omissions, or interruptions therein, and makes no warranties, express or implied, as to performance or results experienced by any party from the use of any information included therein or upon which it is based, and expressly disclaims all warranties of merchantability or fitness for a particular purpose with respect thereto, and shall not be liable for any claims or losses of any nature in connection with the use of such information, including but not limited to, lost profits or punitive or consequential damages, even if RSBB-I, LLC is advised of the possibility of same. Shiller Barclays CAPE® U.S. Single Stock Index is the intellectual property of Barclays Bank PLC and has been licensed for use in connection with the BMO Shiller Select US Index ETF (Ticker: ZEUS). ZEUS is not sponsored, endorsed, sold or promoted by Barclays Bank PLC or any of its affiliates. Neither Barclays Bank PLC nor any of its affiliates makes any representations or warranties to holders of ZEUS or any member of the public regarding the advisability of investing in ZEUS.

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