

BMO Quality ETFs

Making Sense of Quality Investing

- BMO MSCI All Country World High Quality Index ETF ([ZGQ](#))
- BMO MSCI USA High Quality Index ETF ([ZUQ](#))
- BMO MSCI Europe High Quality Hedged to CAD Index ETF ([ZEQ](#))

- BMO MSCI USA High Quality Index ETF Hedged units ([ZUQ.F](#))
- BMO MSCI USA High Quality Index ETF US Dollar Units ([ZUQ.U](#))

Why the Quality Factor Matters

One of the most intuitive smart beta factors is quality investing. Quality based investing is built to identify market leading companies with sustainable competitive advantages. Research has shown that equity investing with a high quality focus has earned a premium while reducing risk over longer periods of time relative to the market. Part of

the value is in the meaningful difference from traditional market capitalization indices where quality provides effective exposure throughout the entire market cycle. Furthermore, quality screening avoids inexpensive stocks masquerading as bargains.

What is Quality?

BMO Quality ETFs invest in high quality companies that provide greater long-term growth potential with less volatility than the broad market. High quality companies are defined as **market leaders** that have **durable business models** and **sustainable competitive advantages**. Quality growth companies typically have high return on equity (ROE), stable earnings and strong balance sheets with low financial leverage. These quality leaders are positioned to respond

to positive market conditions, as well as provide support in market contractions.

Each variable on its own is not necessarily an indicator of a quality company. For example, high ROE could be an abnormal spike at one point in time or a result of high leverage. The 3 variables in combination provide a more accurate assessment. BMO Quality ETFs consider these 3 quality variables in combination.



What is a High Quality Company?



3 Quality Variables

High Return on Equity

Indicates a business with a sustainable competitive advantage, efficient operations and profitability.

Stable Earnings Growth

Demonstrates durability and stability of a company's business model.

Low Financial Leverage

Identifies companies with low debt-to-equity ratios, providing greater stability in declining markets.

BMO Quality ETFs

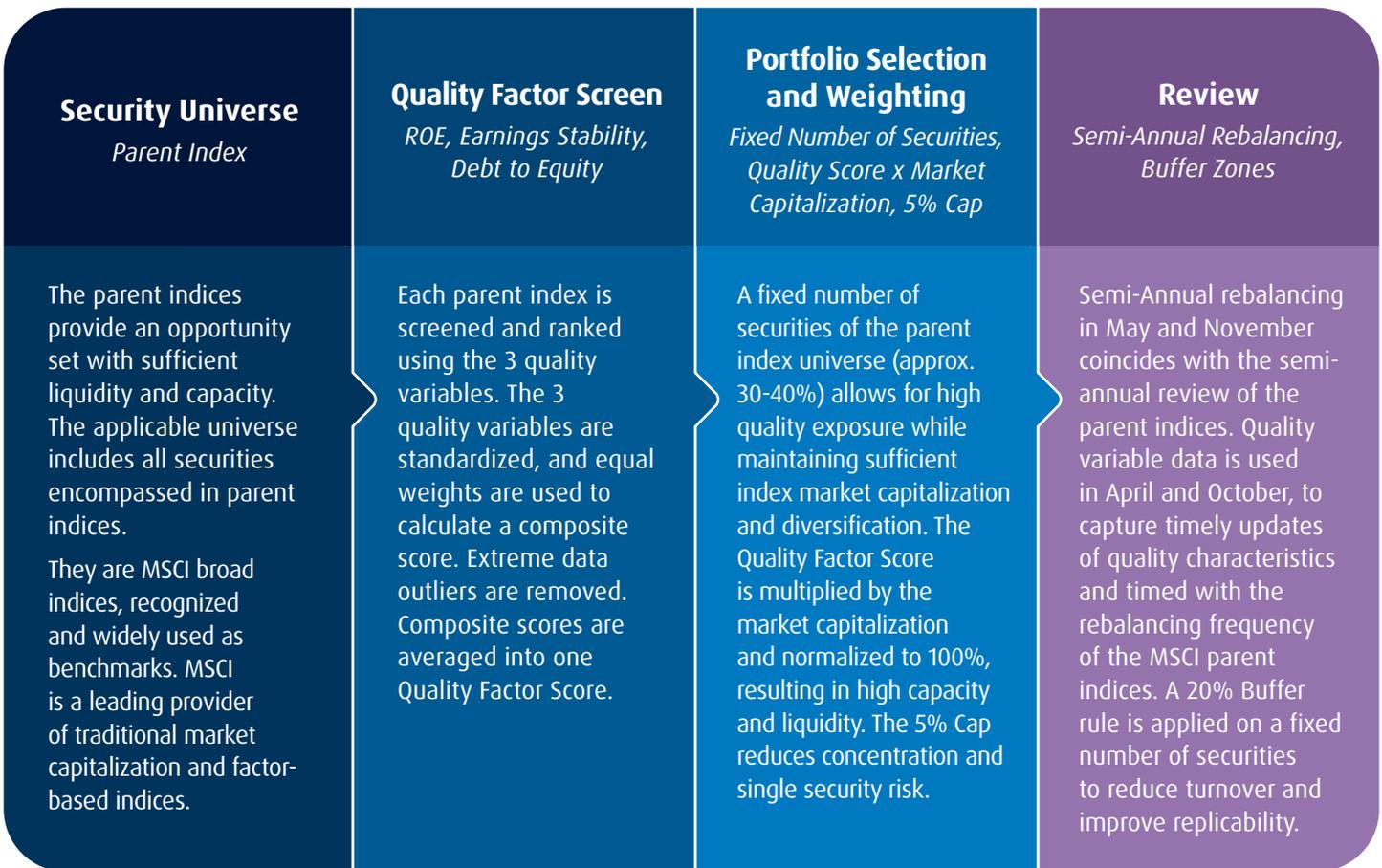
BMO ETFs has created a suite of quality ETFs that captures high quality companies with a transparent, rules based portfolio methodology that aims to provide higher risk adjusted returns to investors. The BMO Quality ETF suite screens for companies with high quality scores based on 3 fundamental variables; high ROE, stable earnings growth and low financial leverage. The portfolio is built on the quality

scores and the process is repeated at reweight to ensure the portfolio remains constructed with true market leaders. The methodology aims to not only capture the performance of high quality companies, but to ensure reasonably high trading liquidity and to moderate security turnover while staying cost effective. BMO Quality ETFs are designed to be core equity options.

Methodology

BMO Quality ETFs track the performance of MSCI quality indices which are a subset of the broad market parent indices. Security selection relies on the determination of the 3 quality variables.

Weighting is based on a combination of the security's quality scores and market capitalization. Quality indices are rebalanced semiannually.



QUALITY

<p>BMO MSCI USA High Quality Index 0</p> <p>ZUQ.F hedged to CAD ZUQ unhedged ZUQ.U USD Units</p> <p>Distribution Frequency: Quarterly Mgmt. Fee: 0.30% Risk Rating: ZUQ.F: Medium to High ZUQ/ZUQ.U: Medium</p>	<p>BMO MSCI All Country World High Quality Index</p> <p>ZGQ</p> <p>Distribution Frequency: Quarterly Mgmt. Fee: 0.45% Risk Rating: Medium</p>	<p>BMO MSCI Europe High Quality Hedged to CAD Index</p> <p>ZEQ hedged to CAD</p> <p>Distribution Frequency: Quarterly Mgmt. Fee: 0.40% Risk Rating: Medium</p>
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For more detailed methodology information regarding the quality variables, security composite scoring, security selection, weighting and index maintenance, visit the MSCI quality indices website:

- [MSCI Quality Methodology](#)
- [MSCI 'Understanding Quality' Research](#)



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