

BMO Covered Call Canadian Banks ETF (ZWB) and BMO Equal Weight Banks Index ETF (ZEB) Commentary



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Market Commentary – Canadian Banks

As of June 23rd underlying banks are at 4.6% dividend yield. While yields may tick higher and offer even better buying opportunities, current levels are starting to get more and more interesting in the last couple weeks. Historically investing at these levels has seen positive 1 year forward returns associated with it.

The following tables of bank fundamentals illustrates that overall they are in good shape. Dividend Yield, Price to Book (P/B), Price to Earnings (P/E) are attractive versus averages (Forward P/E near the 10yr lows), with Return on Equity (ROE) just a touch lighter than 10yr average. Unemployment is low, and loan books are functioning.

Banks are a high quality equity exposure to consider putting money to work – they are also a tailwind to ZDV/ZWC as well if those broader strategies are of interest.

ZEB Forward Returns based on Dividend Yield

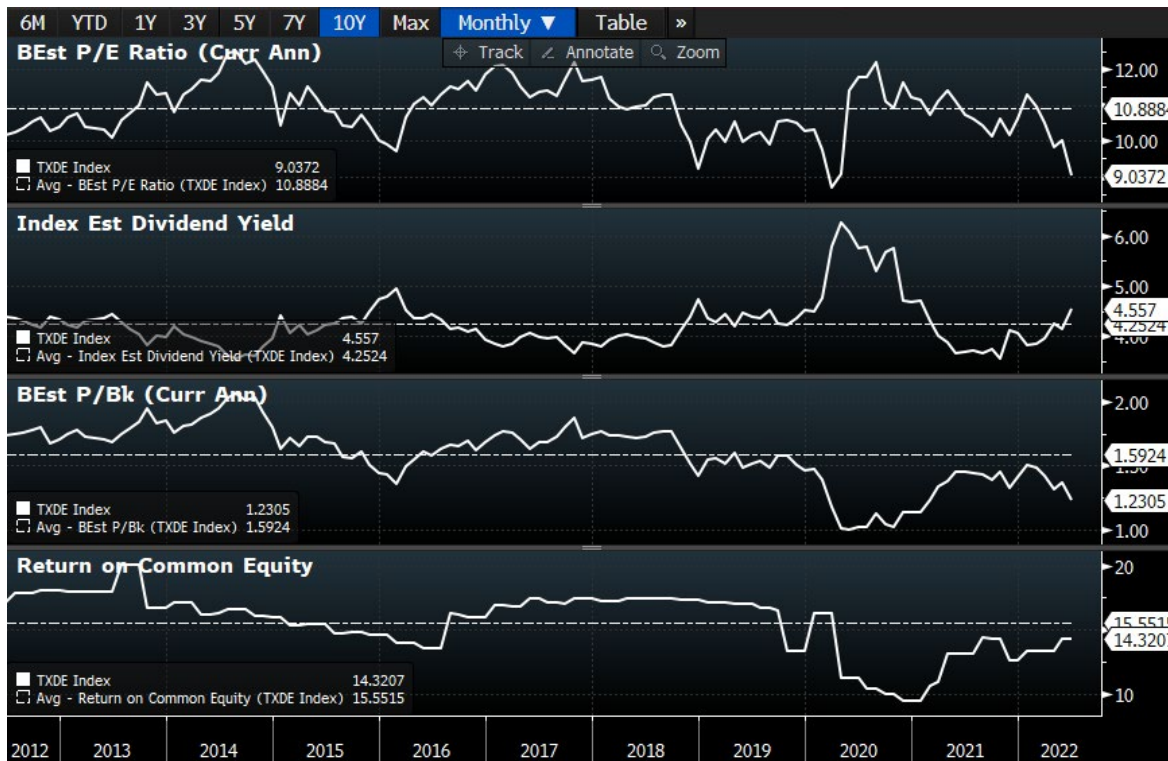
Div Yield	# of months	Avg forward 12-month return	Ticker	Div Yield
< 3.50	9	-4.0%	BMO	4.50%
3.75	36	5.1%	BNS	5.43%
4.00	42	12.1%	CM	5.25%
4.25	33	14.2%	NA	4.39%
4.50	10	19.8%	RY	4.12%
> 5.00	8	54.6%	TD	4.65%
			Avg.	4.65%

Data since Dec/2009, ZEB NAV returns.

Source: BMO Global Asset Management as of June 23rd, 2022. Number of months signifies the months out of 138 (i.e. since December 2009) where the yields were in the range specified. Average forward 12-month return is the average 1 year return for the number of months for the different dividend yield ranges.

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ZEB – BMO Equal Weight Canadian Banks ETF NAV Returns since December 2009



Source: Bloomberg as of June 23rd, 2022

Performance

Fund Name	Ticker	1 month	3 month	6 month	1 year	2 year	3 year	5 year	10 year	Since Inception
BMO Equal Weight Banks Index ETF	ZEB	-10.17%	-13.22%	-10.46%	-1.67%	24.46%	10.80%	8.94%	11.35%	10.58%
BMO Covered Call Canadian Banks ETF	ZWB	-9.91%	-12.93%	-11.28%	-3.91%	18.73%	7.23%	6.40%	9.15%	8.22%

Source: BMO ETFs as of June 30th 2022

<p>BMO Equal Weight Banks ZEB</p> <p>Distribution Yield: 4.2% M Mgmt. Fee: 0.25% Risk Rating: Medium</p>	<p>BMO Covered Call Canadian Banks ZWB ZWB.U USD Units</p> <p>Distribution Yield: 7.1% M Mgmt. Fee: 0.65% Risk Rating: Medium</p>
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As of July 1st 2022.*

ZEB and ZWB are both available in Mutual fund versions.

BMO Canadian Banks ETF Fund uses the same investment strategy as BMO Equal Weight Banks Index ETF (ZEB). BMO Covered Call Canadian Banks ETF Fund uses the same investment strategy as BMO Covered Call Canadian Banks ETF (ZWB).

* Annualized Distribution Yield: The most recent regular distribution, or expected distribution, (excluding additional year end distributions) annualized for frequency, divided by current NAV.

Risk is defined as the uncertainty of return and the potential for capital loss in your investments

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Bank seasonality may support a possible second half recovery. Over the past 10 years, ZEB has tended to perform more strongly on the back half of the year. Additionally, the only worse H1 ZEB has experienced than 2022, was in 2020, where COVID volatility saw banks down 19% for the first half. After the poor start, ZEB rallied significantly to end the year as equity markets saw relief. With global risk barometers near recent highs, and equity market pessimism this also may argue for a reversal.



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