

# BMO Sector Trade Opportunity

## BMO Covered Call Technology ETF and BMO Covered Call US Banks ETF (tickers ZWT & ZWK) Covered Calls for Growth and Income

Investors looking for an income tilt traditionally had to avoid these sectors that don't historically pay a high level of dividends. Now investors are able to **capture the growth potential** of these two sectors while still earning a predictable **income stream**.

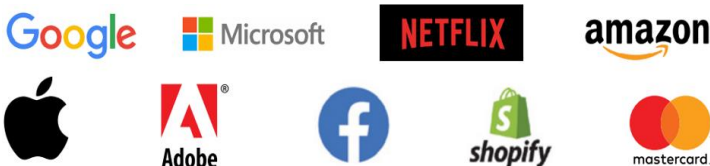
### US Technology: Growth and Income BMO Covered Call Technology ETF: ZWT

- Technology and technology related companies continue to be the backbone of the US (and global) economy. As a key driver of productivity gains, the technology sector is highly correlated to advances in economic growth.
- Broadly defined technology includes companies that are not classified as "technology" under GICS methodology - including Alphabet/Google (Communication Services), Amazon (Consumer Discretionary) and Netflix (Communication Services). This provides exposure to a broader set of companies that are likely to provide growth potential from various areas of the overall economy.
- The sector has proven it can grow revenue and earnings during COVID-related restrictions and should continue to be a source of growth even if there is an uneven recovery.
- **BMO Covered Call Technology ETF provides exposure to new age technology companies, benefiting from the growth of the technology industry while also providing sustainable income through covered call writing with an annualized distribution yield of 4.4%**

Source: BMO GAM Aug 31st, 2021.

#### ZWT Holdings

\*Annualized Distribution Yield as of August 31st, 2021. The portfolio holdings are subject to change without notice and only represent a small percentage of portfolio holdings. They are not recommendations to buy or sell any particular security.



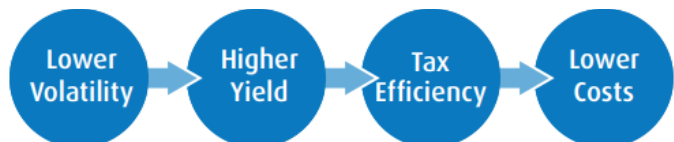
### US Banks: Growth and Income BMO Covered Call US Banks ETF: ZWK

- **BMO Covered Call US banks has a return of 21.93% YTD, as of Aug 31st, 2021.**
- As the US Federal Reserve Bank (the Fed) looks to begin tapering its asset purchase program. There is the potential for longer term interest rates to rise, thus steepening the yield curve. This would be a positive environment for banks, as a steeper yield curve is seen as a positive to banks' lending business.
- In addition, with all the largest US banks passing the latest round of Fed stress tests, the sector has been given the go ahead to resume paying out dividends and initiating buy back programs. These capital return programs provide a level of support to stocks and can even put upward pressure on share prices.
- With the economy continuing to grow at a strong pace as COVID related restrictions continue to be removed (or loosened) over time, this sets up a positive environment for US bank share performance over the short-to-mid term time horizon (so called "reflation trade")
- **BMO Covered Call Banks are designed for investors looking for higher income from equity portfolios and has an annualized distribution yield of 7%.**

Source: BMO GAM Aug 31st, 2021.

#### ZWK Holdings

\*Annualized Distribution Yield as of August 31st, 2021. The portfolio holdings are subject to change without notice and only represent a small percentage of portfolio holdings. They are not recommendations to buy or sell any particular security.

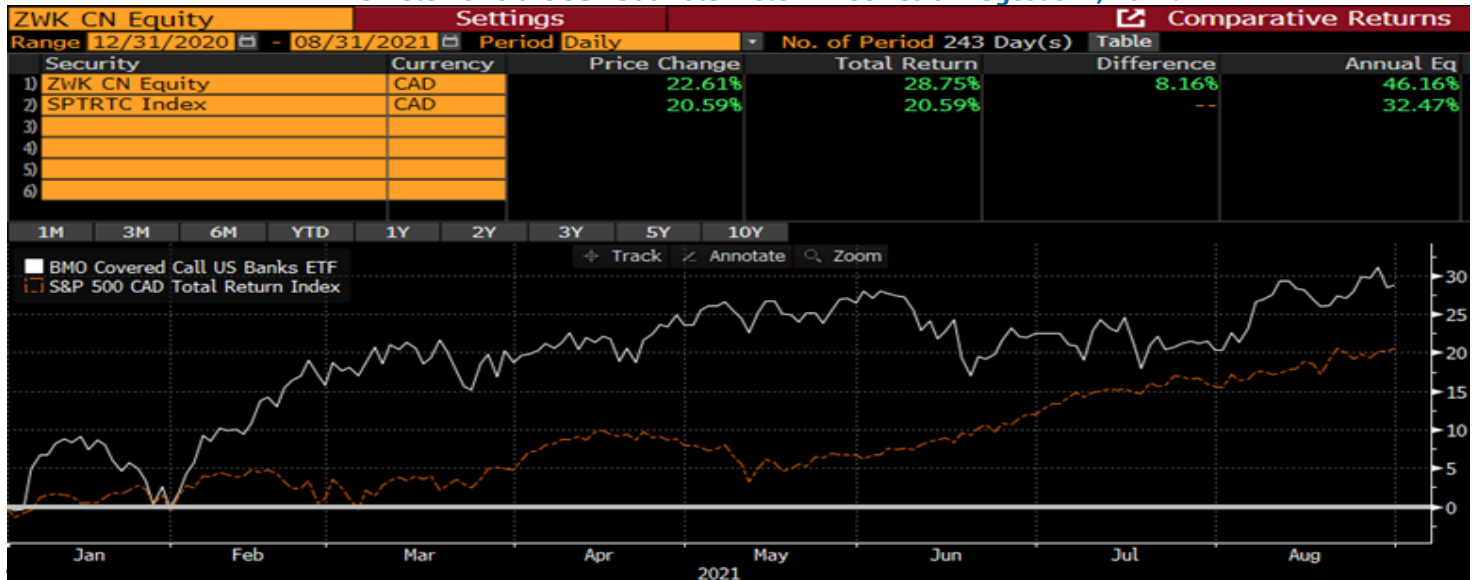


Annualized Distribution Yield: The most recent regular distribution, or expected distribution, (excluding additional year end distributions) annualized for frequency, divided by current NAV. Distribution yield is not an indicator of overall performance yields will change from month to month based on market conditions and is not guaranteed. See appendix for the full disclaimer.

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Covered Calls for Growth and Income

ZWK YTD Returns vs the S&P 500 Total Return Index as of August 31<sup>st</sup>, 2021.



Source: Bloomberg. Data as of market close Aug 31<sup>st</sup>, 2021.

ZWK is tracking the Solactive equal weight US Banks Index. The S&P 500 total return index measures the value of the stocks of the 500 largest corporations by market capitalization listed on the New York Stock Exchange or Nasdaq Composite.

**For institutions and advisors with larger trades (50k shares or greater), please contact your BMO ETF Specialist to coordinate this trade. BMO ETFs can help arrange this trade with a market maker in order to better manage the execution. [BMO ETF Specialists](#)**

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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.

Distributions are not guaranteed and may fluctuate. Distribution rates may change without notice (up or down) depending on market conditions. The payment of distributions should not be confused with an investment fund's performance, rate of return or yield. If distributions paid by an investment fund are greater than the performance of the fund, your original investment will shrink. Distributions paid as a result of capital gains realized by an investment fund, and income and dividends earned by an investment fund, are taxable in your hands in the year they are paid. Your adjusted cost base will be reduced by the amount of any returns of capital. If your adjusted cost base goes below zero, you will have to pay capital gains tax on the amount below zero. Please refer to the distribution policy for BMO ETF set out in the prospectus. Cash distributions, if any, on units of a BMO ETF (other than accumulating units or units subject to a distribution reinvestment plan) are expected to be paid primarily out of dividends or distributions, and other income or gains, received by the BMO ETF less the expenses of the BMO ETF, but may also consist of non-taxable amounts including returns of capital, which may be paid in the manager's sole discretion. To the extent that the expenses of a BMO ETF exceed the income generated by such BMO ETF in any given month, quarter or year, as the case may be, it is not expected that a monthly, quarterly, or annual distribution will be paid. Non-resident unitholders may have the number of securities reduced due to withholding tax. Certain BMO ETFs have adopted a distribution reinvestment plan, which provides that a unitholder may elect to automatically reinvest all cash distributions paid on units held by that unitholder in additional units of the applicable BMO ETF in accordance with the terms of the distribution reinvestment plan. For further information, see Distribution Policy in the BMO ETFs' prospectus.

Commissions, management fees and expenses all may be associated with investments in exchange traded funds. Please read the ETF Facts or prospectus of the BMO ETFs before investing. The indicated rates of return are the historical annual compounded total returns including changes in unit value and reinvestment of all dividends or 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. 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 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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