

BMO Sector Trade Opportunity

A tactical time to add exposure to Canadian Banks

BMO Equal Weight Banks Index ETF: ZEB Canadian Banks for Growth



- Canada's Big Six Banks raised their dividends by 15% on average and announced plans to repurchase up to 160 million shares, equivalent to 2.7% of outstanding stock after the country's financial regulator lifted a nearly two-year moratorium.
- Q4 2021 earnings exceeded BMO Capital Market expectations even though CIBC, Royal Bank and National Bank fell short of earning forecasts. Analysts continue to predict upside in bank stocks (see table on page 2), with target prices above current prices.
- Since the vaccine news was announced on "Pfizer Monday" (November 9th 2020) the Solactive Equal-Weight Canada Banks Index returned 52%, vs the S&P/TSX Composite Index return of 32.29% and the S&P 500 Index return of 30.79% during this time.¹
- We believe the banks will continue to outperform as the market recovers from the most recent Omicron news. The expectation on higher interest rates and share buy backs are tailwinds as we head into 2022.

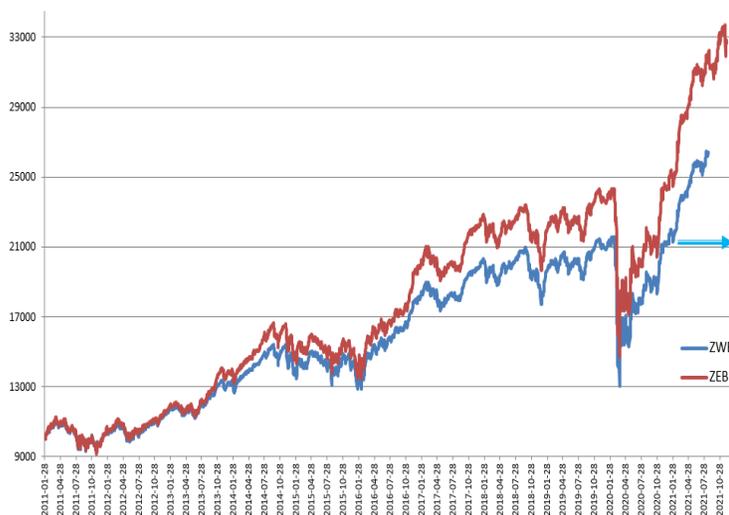
BMO Covered Call Canadian Banks ETF: ZWB Enhanced Yield from Covered Calls for Income



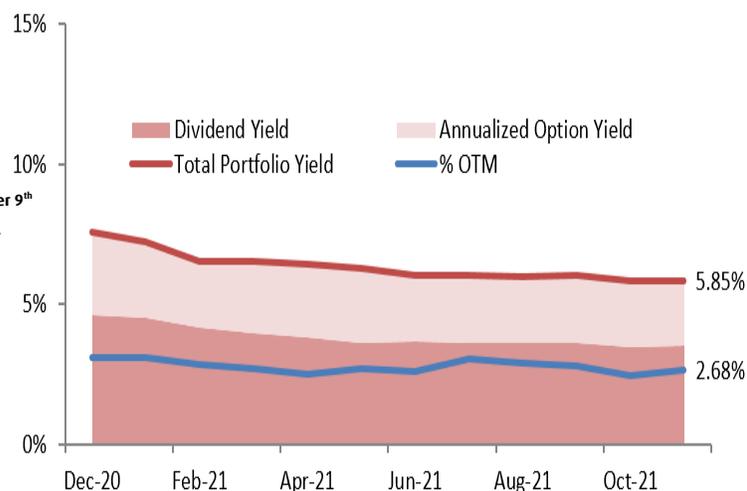
- The dividend yield is enhanced because we write call options on half of the portfolio. The premiums received from writing these options adds approximately 3.2% of tax efficient yield to the portfolio.³
- Yield is tax efficient: covered call option premiums are generally treated as capital gains.



Strong History of Performance, Tactical Buying Opportunity: ZEB & ZWB Growth of \$10,000: Since Common Inception (Jan 28, 2011)²



BMO Covered Call Banks ETF (ZWB): Breakdown of Portfolio Yield³



¹ Source: Bloomberg, December 7th, 2021. All returns in CAD. ²Source: Bloomberg, December 7th, 2021. Performance of the BMO Covered Call Canadian Banks ETF (ZWB) and the BMO Equal Weight Banks Index ETF (ZEB). ³Source: BMO Global Asset Management, November 30th, 2021.

*Annualized Distribution Yield (as of November 30th, 2021). Yield subject to change month to month. Past performance does not indicate future results. Annualized performance of ZEB: 1 year 35.78%, 3 year 14.2%, 5 year 11.82%, since inception (October 20,2009) 11.64%. Annualized performance of ZWB: 1 year 27.87%, 3 year 10.60%, 5 year 10.41%, since inception (January 28, 2011) 9.39%.

Analyst Expectations:

Research Analyst	Target Price (Estimate)*					
	BMO	Scotia Bank	CIBC	National Bank	Royal Bank	TD
BMO Capital Markets		\$93	\$165	\$104	\$142	\$105
Canaccord Genuity	\$160	\$89	\$161	\$105	\$141	\$103
CIBC Capital Markets	\$157	\$96		\$108	\$143	\$108
Desjardins Securities	\$150	\$90	\$157	\$105	\$143	\$107
National Bank Financial	\$151	\$86	\$165		\$140	\$106
RBC Capital Markets	\$154	\$99	\$169	\$111		\$104
Scotiabank	\$162		\$166	\$112	\$146	\$105
TD Securities	\$160	\$94	\$165	\$105	\$150	
Average Price (Estimate)*	\$156	\$92	\$164	\$107	\$144	\$105
Current Price (Actual)	\$139	\$86	\$142	\$97	\$129	\$95
% Upside from target	12.5%	7.2%	15.1%	11.0%	11.3%	11.0%
Dividend Yield	3.8%	4.6%	4.5%	3.6%	3.7%	3.8%
Total Return	16.3%	11.8%	19.6%	14.6%	15.0%	14.8%

Average 6 Banks, held in ZEB/ZWB:

Price Return	11.3%
Dividend Return	4.0%
Total Return	15.4%

*This table shows an **estimated** forward target price for each of the six largest Canadian banks. Each investment firm's research department publishes these reports and they can be reviewed for further explanation on the reasoning for the price estimate. These are estimates only and are subject to change. Source: Bloomberg, December 14th, 2021.

Implementation

For exposure to an equal weight basket of Canadian Banks consider buying [BMO Equal Weight Banks Index ETF \(ticker: ZEB\)](#) or with an enhanced yield component the [BMO Covered Call Canadian Banks ETF \(ticker: ZWB\)](#).



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.

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