

# Views from the Desk

## BMO Dividend ETFs – Rebalance Update

Jun 30, 2021

### Summary

The Dividend ETFs were rebalanced in the month of May 2021. The turnovers were relatively light, ranging from 6.0% to 9% across ZDV, ZDY & ZDI (one-way turnover). From a return perspective, overall performance of Dividends has been strong, as cyclical value and dividend oriented factor exposure has been in favour this year overall. ZDV & ZDI had very strong performance beating the performance of the broad market. ZDY lagged vs. the broader market as we saw a strong rebound in the technology sector near the end of Q2 (June 2021), in which we are underweight. The emphasis on total dividends approach has had the benefit of reducing turnover somewhat relative to previous mid-year rebalances, and has enhanced the overall stability and consistency of the portfolio with larger cap and better quality characteristics, while still collecting an attractive yield boost relative to broad markets.

YTD High Level Performance Summary\_(Date: 12/31/2020 till June 30, 2021, Distribution Yield as of July 7, 2021)

	<b>BMO Canadian Dividend ETF (ZDV)</b>	<b>BMO S&amp;P/TSX Capped Composite (ZCN)</b>		
<b>Return</b>	<b>18.17%</b>	17.46%		
<b>Dist. Yield</b>	<b>4.14%</b>	2.79%	<b>Hedged Dividend ETFs</b>	
	<b>BMO US Dividend ETF (ZDY)</b>	<b>BMO S&amp;P 500 Index ETF (ZSP)</b>	<b>BMO US Dividend Hedged to CAD (ZUD)</b>	<b>BMO S&amp;P 500 Hedged to CAD (ZUE)</b>
<b>Return</b>	<b>9.72%</b>	12.20%	<b>12.20%</b>	14.90%
<b>Dist. Yield</b>	<b>2.67%</b>	1.21%	<b>2.75%</b>	1.15%
	<b>BMO International Dividend ETF (ZDI)</b>	<b>BMO MSCI EAFE Index ETF (ZEA)</b>	<b>BMO International Dividend Hedged to CAD (ZDH)</b>	<b>BMO MSCI EAFE Hedged to CAD (ZDM)</b>
<b>Return</b>	<b>8.99%</b>	6.83%	<b>14.48%</b>	13.05%
<b>Dist. Yield</b>	<b>3.81%</b>	2.49%	<b>3.81%</b>	2.42%

## BMO Canadian Dividend ETF (ZDV)

BMO Canadian Dividend ETF (ZDV)			
Sectors	Previous Weight	New Weight	Difference
Utilities	11.0%	12.2%	1.2%
Communication Services	10.7%	11.2%	0.5%
Industrials	7.9%	8.2%	0.2%
Real Estate	2.6%	2.9%	0.2%
Energy	12.8%	12.9%	0.1%
Consumer Staples	3.7%	3.9%	0.1%
Health Care	0.0%	0.0%	0.0%
Information Technology	0.0%	0.0%	0.0%
Materials	7.1%	7.0%	-0.1%
Consumer Discretionary	2.6%	2.1%	-0.6%
Financials	41.5%	39.8%	-1.7%

Dividend Yield	3.94%	3.94%	0.01%
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Turnover (1-way)	5.69%
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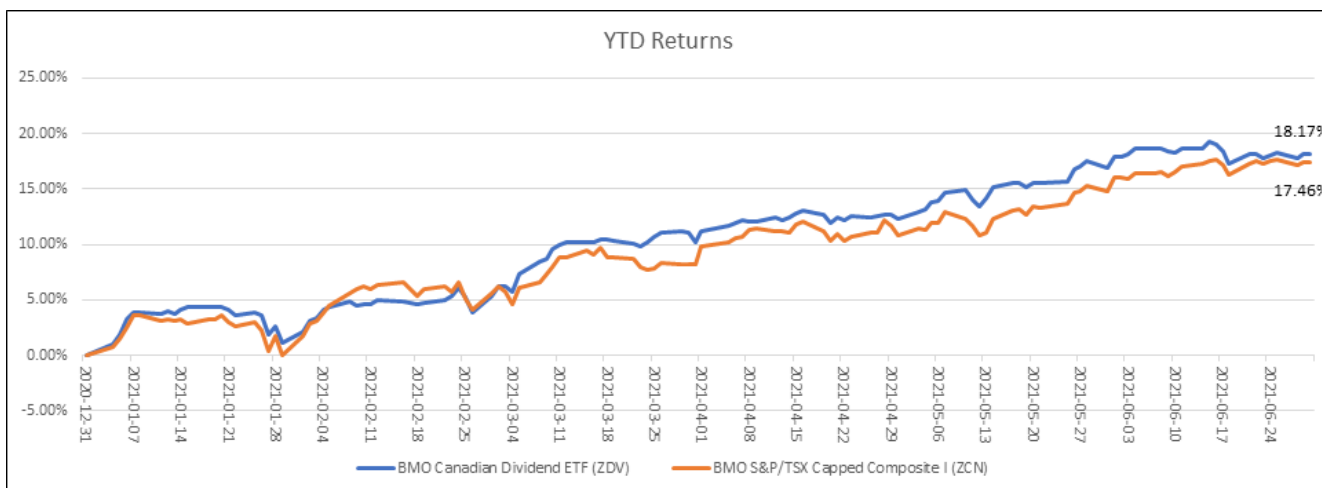
Additions			
Ticker	Name	Sector	New Weight
WCN CN Equity	Waste Connections Inc	Industrials	0.59%

Deletions			
Ticker	Name	Sector	Reason
SJR/B CN Equity	Shaw Communications Inc	Communication Services	Acquired by Rogers Communication

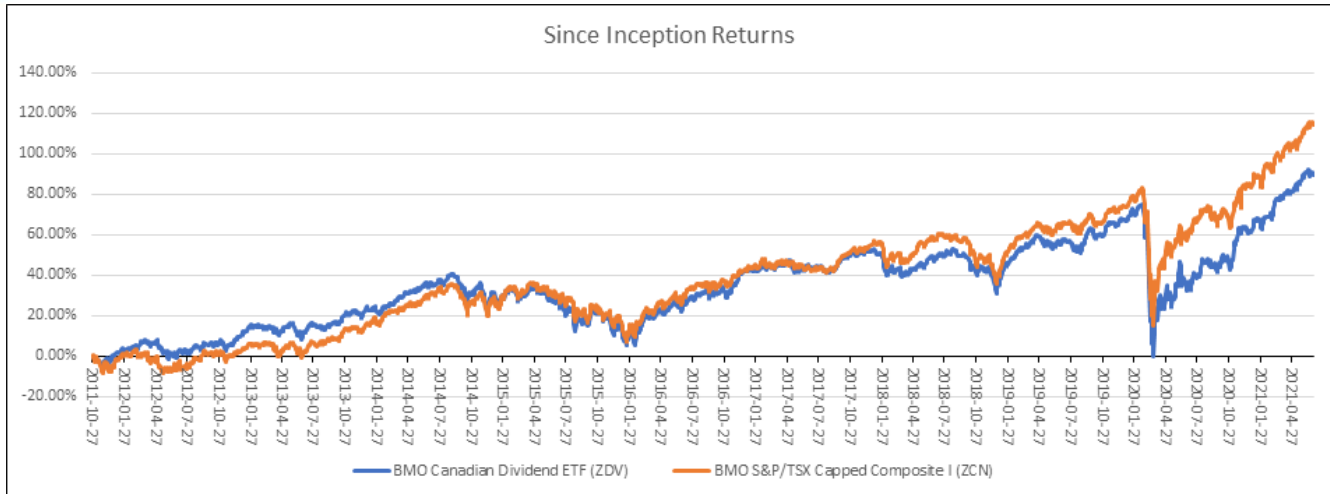
ZDV Commentary

- During the May 2021 rebalance, there was one deletion and one new addition.
  - Shaw Communications was deleted as it was acquired by Rogers Communications & replaced by Waste Management.
- From a performance perspective, ZDV had a very strong performance in the first half of 2021, beating the broad market by ~70bps.
  - Our overweight exposure in Utilities detracted value
  - Our underweight exposure in Technology detracted value as we saw a huge rally in growth stocks in the month of June 2021.
  - Our overweight exposure in Financials & underweight exposure in Materials added significant value & hence provided better returns vs the broad market.

Date: 12/31/2020 till June 30, 2021	<b>BMO Canadian Dividend ETF (ZDV)</b>	<b>BMO S&amp;P/TSX Capped Composite I (ZCN)</b>
Return	18.17%	17.46%



<b>Since Inception</b>	<b>BMO Canadian Dividend ETF (ZDV)</b>	<b>BMO S&amp;P/TSX Capped Composite I (ZCN)</b>
Cumulative Return	90.41%	115.19%
Annualized Return	6.88%	8.24%
Date: Oct 27, 2011 till June 30, 2021		



BMO US Dividend ETF (ZDY)

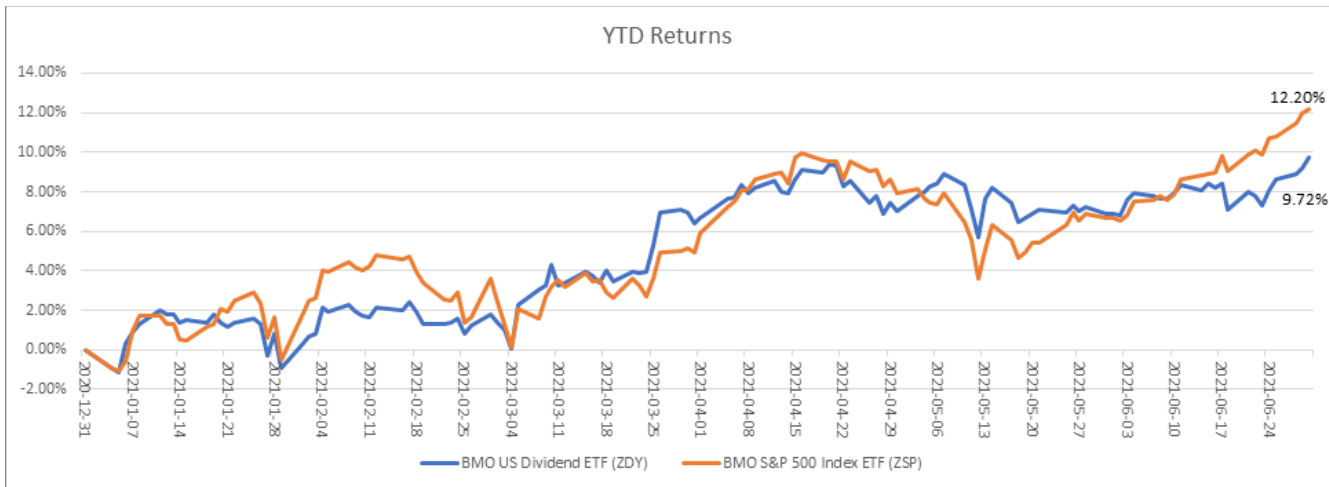
BMO US Dividend ETF (ZDY)			
Sectors	Previous Weight	New Weight	Difference
Consumer Staples	10.7%	12.5%	1.8%
Health Care	15.5%	16.7%	1.2%
Utilities	8.9%	9.9%	1.0%
Communication Services	6.6%	7.2%	0.6%
Information Technology	20.1%	20.1%	0.0%
Real Estate	0.7%	0.7%	0.0%
Materials	1.5%	1.4%	-0.2%
Energy	2.7%	2.5%	-0.2%
Consumer Discretionary	6.8%	6.4%	-0.4%
Industrials	9.1%	8.3%	-0.8%
Financials	17.4%	14.4%	-3.0%
Dividend Yield	2.59%	2.63%	0.03%
Turnover (1-way)	5.96%		

Deletions			
Ticker	Name	Sector	Reason
VTRS US Equity	Viatrix Inc	Health Care	Credit Rating Deteriorated

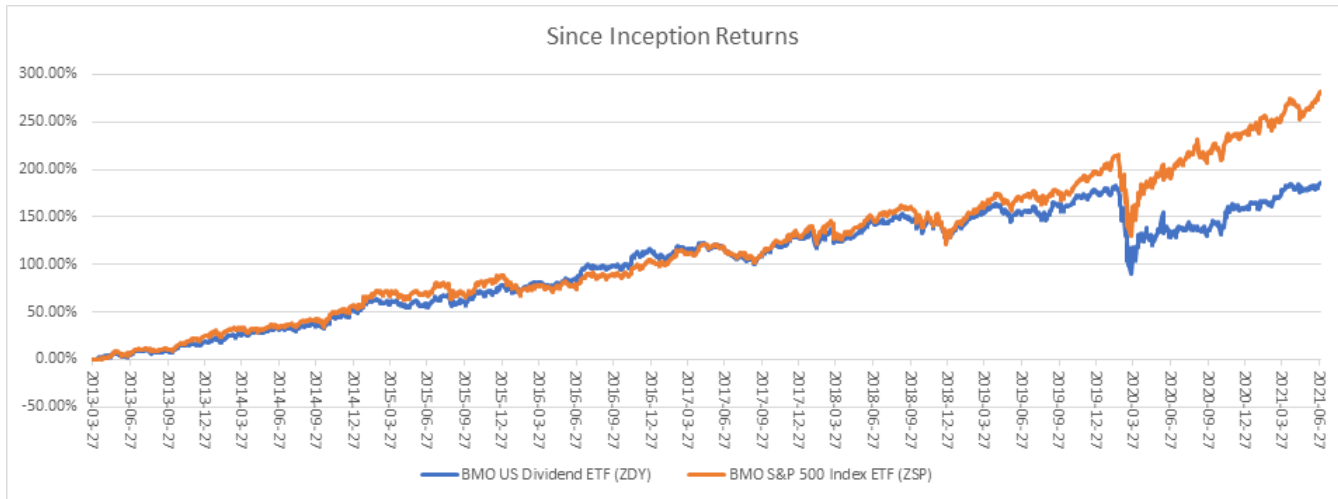
**ZDY Commentary**

- During the May 2021 rebalance, there was one deletion.
  - Viatrix Inc. was deleted as its credit rating deteriorated.
- From a performance perspective, ZDY lagged vs the broad market performance in the first half of 2021. Majority of the underperformance can be attributed to the month of June 2021 where Technology staged a recovery.
  - Our overweight exposure in Utilities detracted value
  - Our underweight exposure in Consumer Discretionary & Technology detracted value as we saw a huge rally in growth stocks in the month of June 2021.
  - Our overweight exposure in Financials helped partially offset some of the underperformance.

Date: 12/31/2020 till June 30, 2021	BMO US Dividend ETF (ZDY)	BMO S&P 500 Index ETF (ZSP)
Return	9.72%	12.20%



Since Inception	BMO US Dividend ETF (ZDY)	BMO S&P 500 Index ETF (ZSP)
Cumulative Return	186.06%	281.73%
Annualized Return	13.56%	17.59%
Date: March 27, 2013 till June 30, 2021		



BMO International Dividend ETF (ZDI)

BMO International Dividend ETF (ZDI)			
Sectors	Previous Weight	New Weight	Difference
Financials	15.5%	17.5%	1.9%
Health Care	15.0%	15.6%	0.6%
Communication Services	8.5%	8.9%	0.3%
Information Technology	2.7%	3.0%	0.3%
Consumer Staples	12.5%	12.8%	0.3%
Industrials	12.2%	12.3%	0.0%
Energy	2.9%	2.9%	0.0%
Real Estate	2.4%	2.3%	-0.2%
Utilities	8.5%	8.2%	-0.3%
Consumer Discretionary	7.5%	6.3%	-1.2%
Materials	12.2%	10.5%	-1.8%

Dividend Yield	3.46%	3.53%	0.07%
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Turnover (1-way)	8.59%
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<b>BMO International Dividend ETF (ZDI)</b>			
<b>Country Exposure</b>	<b>Previous Weight</b>	<b>New Weight</b>	<b>Difference</b>
France	12.47%	15.19%	2.72%
Switzerland	12.06%	13.06%	1.00%
Sweden	2.51%	3.26%	0.75%
Ireland	0.00%	0.47%	0.47%
Australia	3.50%	3.68%	0.18%
Spain	2.39%	2.43%	0.05%
New Zealand	0.14%	0.17%	0.04%
Finland	1.40%	1.39%	0.00%
Norway	0.75%	0.70%	-0.06%
Netherlands	1.94%	1.87%	-0.07%
Denmark	1.96%	1.77%	-0.20%
Singapore	1.21%	0.80%	-0.41%
Italy	3.55%	3.01%	-0.54%
Hong Kong	5.87%	5.22%	-0.65%
Germany	16.24%	15.44%	-0.79%
Japan	17.49%	16.30%	-1.19%
United Kingdom	16.54%	15.23%	-1.31%

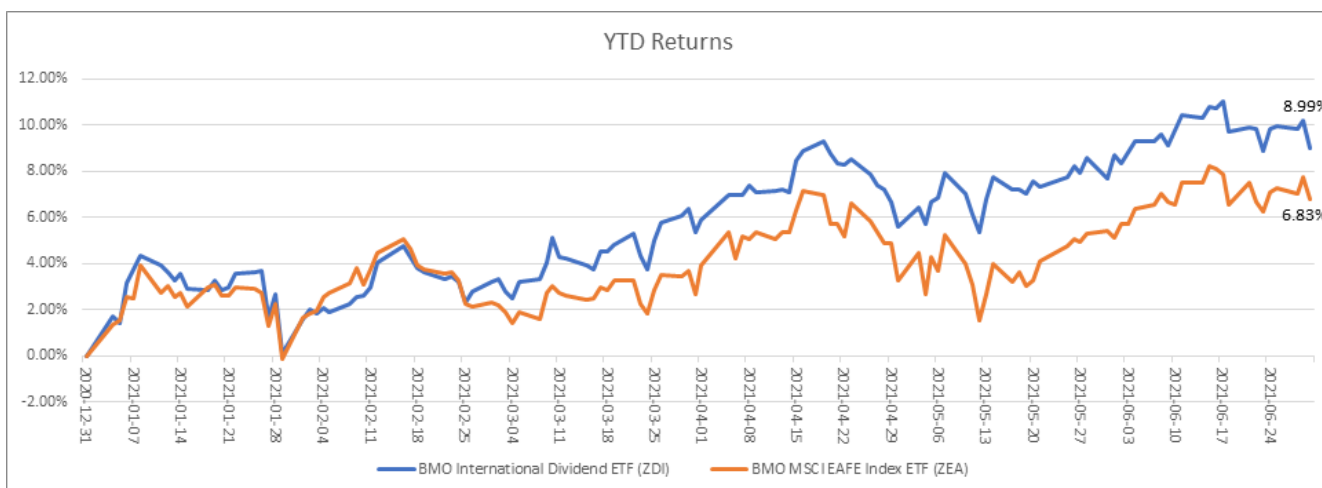
<b>Additions</b>			
<b>Ticker</b>	<b>Name</b>	<b>Sector</b>	<b>New Weight</b>
BN FP Equity	Danone SA	Consumer Staples	0.58%
VOLVB SS Equity	Volvo AB	Industrials	0.54%
CRH ID Equity	CRH PLC	Materials	0.47%
CS FP Equity	AXA SA	Financials	1.77%

Deletions			
Ticker	Name	Sector	Reason
BHP LN Equity	BHP Group PLC	Materials	Removed as we held BHP AT
SEBA SS Equity	Skandinaviska Enskilda Banken	Financials	Dividends Cut
6752 JT Equity	Panasonic Corp	Consumer Discretionary	
SLA LN Equity	Abrdn Plc	Financials	

ZDI Commentary

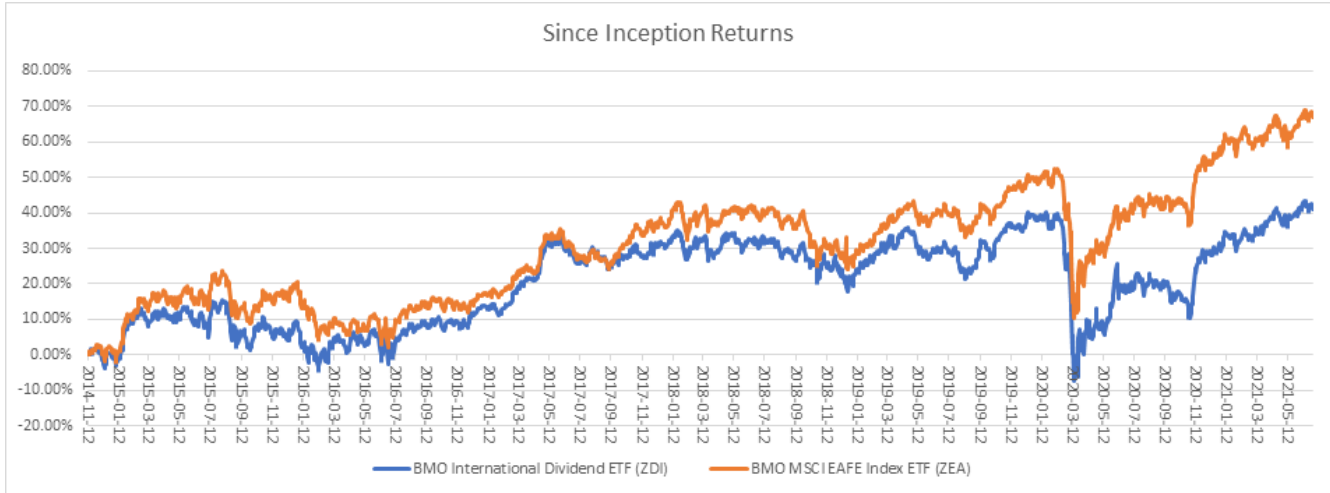
- During the May 2021 rebalance, there was four deletes and four new additions.
  - Skandinaviska, Panasonic & Abrdn were deleted due to dividend cuts
  - BHP Group was deleted as we already held another line of BHP AT shares.
- From a performance perspective, ZDI had a very strong performance in the first half of 2021, beating the broad market by a whopping ~216bps
  - Our overweight exposure in Utilities detracted value
  - Our underweight exposure Technology detracted value as we saw a huge rally in growth stocks in the month of June 2021.
  - Our underweight exposure in Japan & overweight exposure in France/Germany added significant value & hence provided better returns vs the broad market.

Date: 12/31/2020 till June 30, 2021	BMO International Dividend ETF (ZDI)	BMO MSCI EAFE Index ETF (ZEA)
Return	8.99%	6.83%





Since Inception	BMO International Dividend ETF (ZDI)	BMO MSCI EAFE Index ETF (ZEA)
Cumulative Return	40.91%	66.99%
Annualized Return	5.30%	8.03%
Date: November 12, 2014 till June 30, 2021		



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