

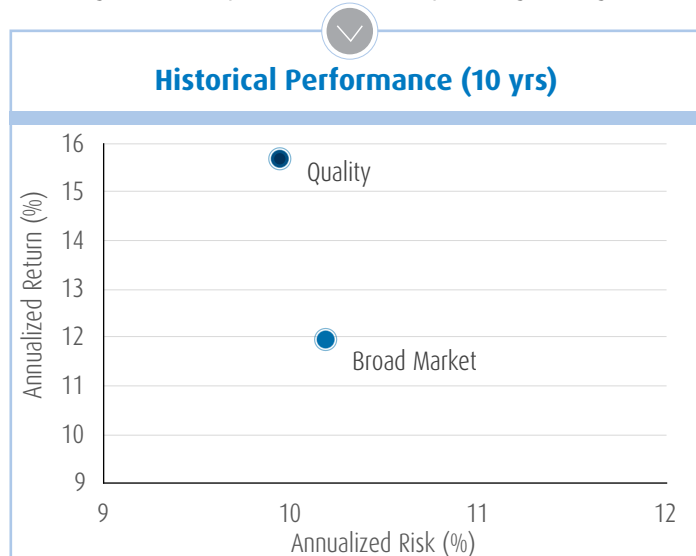
BMO Quality ETFs

Making Sense of Quality Investing

- BMO MSCI All Country World High Quality Index ETF (ZGQ)
- BMO MSCI USA High Quality Index ETF (ZUQ, ZUQ.F, ZUQ.U)

Why Quality 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. Quality screening avoids inexpensive stocks masquerading as bargains.



10 year annualized return vs. the 10 year standard deviation. All returns in CAD (Net). Source: MSCI June 2020.

What is Quality?

High quality companies are defined as market leaders that have durable business models and sustainable competitive advantages. BMO's suite of quality ETFs are based on MSCI's quality index methodology. 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.

- BMO MSCI Europe High Quality Hedged to CAD Index ETF (ZEQ)

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.

What is a High Quality Company?

3 Quality Variables

- High ROE** – 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.

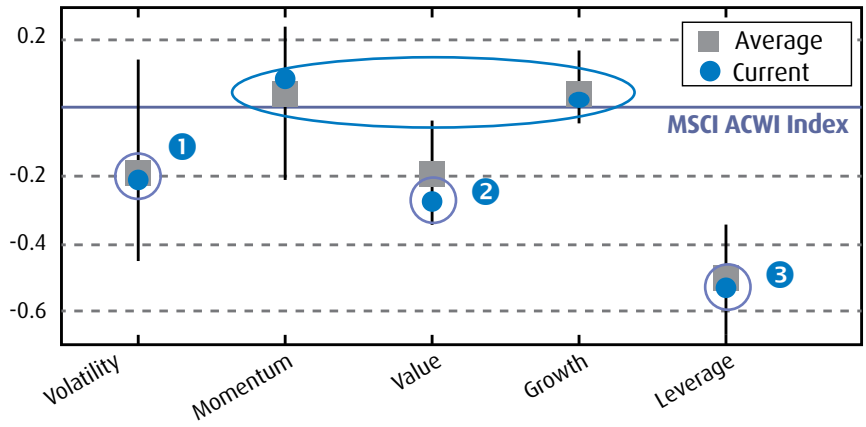
The portfolio is built on the quality scores and the process is repeated at reweight to ensure the portfolio remains constructed with true market leaders. The methodology aims to not only capture the performance of high quality companies, but to ensure reasonably high trading liquidity and to moderate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

Impact of Quality Variables

Relative to the parent index, the MSCI ACWI Quality Index:

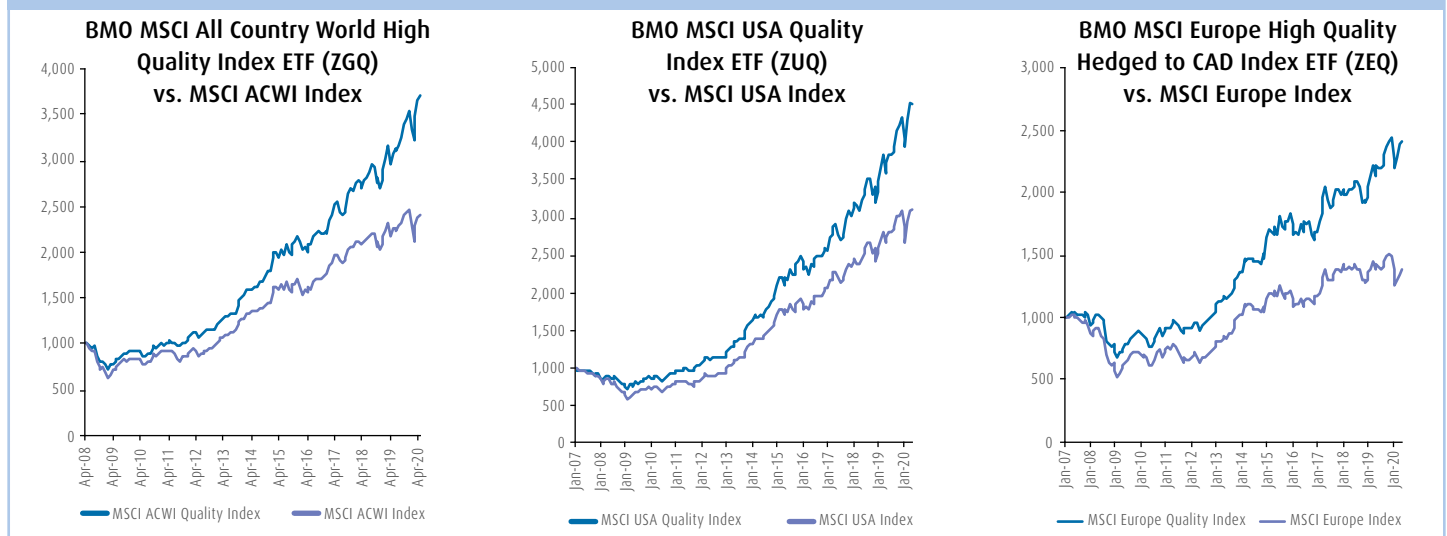
- 1 Lowers Volatility
- 2 Avoids Value Trap
- 3 Reduces Leverage

All Without Sacrificing Growth



For illustrative purposes only

Quality Investing: Long-Term Outperformance



Source: MSCI June 2020. Hypothetical Growth of \$10,000 chart reflects a hypothetical \$10,000 investment and assumes reinvestment of dividends and capital gains. Fund expenses, including management fees and other expenses were deducted. BMO MSCI All Country World High Quality Index ETF (ZGQ) vs. MSCI ACWI Index and BMO MSCI USA Quality Index ETF (ZUQ) vs. MSCI USA Index chart returns are Gross and in the local currency. BMO MSCI Europe High Quality Hedged to CAD Index ETF (ZEQ) vs. MSCI Europe Index chart returns are Net and in CAD.

ETF Name	Ticker	Management Fee (%)
BMO MSCI All Country World High Quality Index ETF	ZGQ	0.45
BMO MSCI USA High Quality Index ETF	ZUQ / ZUQ.F / ZUQ.U	0.30
BMO MSCI Europe High Quality Hedged to CAD Index ETF	ZEQ	0.40

Key Metrics as of June 30, 2020.

High Quality Index ETFs	BMO MSCI All Country World High Quality Index ETF		BMO MSCI USA High Quality Index ETF		BMO MSCI Europe High Quality Hedged to CAD Index ETF	
	MSCI ACWI Index	MSCI ACWI Quality Index	MSCI USA Index	MSCI USA Quality Index	MSCI Europe Index	MSCI Europe Quality Index
Sharpe Ratio ¹	1.13	1.49	1.45	1.62	0.66	1.01
Tracking Error (%)	0.00	3.97	0.00	3.88	0.00	5.70
Historical Beta	1.00	0.87	1.00	0.95	1.00	0.79
Turnover (%) ²	3.82	23.77	3.12	28.21	2.70	25.30
Price to Book ³	2.34	6.74	3.69	7.71	1.80	4.10
Price to Earnings ³	19.92	22.41	24.33	22.70	15.50	15.70
Dividend Yield ³	2.21	1.70	1.80	1.61	3.30	3.00
Performance (%)⁴						
YTD	-1.54	6.87	2.46	6.62	-8.40	-4.19
1 Year	6.43	20.35	12.34	20.62	-2.84	5.22
3 Year	7.83	14.59	12.16	17.55	1.60	7.67
5 Year	8.33	13.38	12.03	15.81	3.24	8.95
10 Year	11.90	15.64	16.25	18.64	8.31	10.99
Since Inception*	4.59	6.90	9.29	11.72	2.78	6.74

Risk is defined as the standard deviation of monthly net returns.

Dividend yield is the most recent regular distribution (excluding year end distributions for these investments that distribute more frequently) annualized for frequency divided by current NAV.

* Since Inception Dates - MSCI ACWI Quality Index December 18 2012, MSCI USA Quality Index December 18, 2012, MSCI Europe Quality Hedged to CAD Index was launched on January 24 2014, MSCI USA June 30 1994, MSCI ACWI December 29 2000, MSCI Europe December 31 2003.

¹ 10 year Sharpe Ratio.

² Annualized one way index turnover for the 12/29/2000 to 06/30/2020 period.

³ Monthly averages for the 12/29/2000 to 06/30/2020 period.

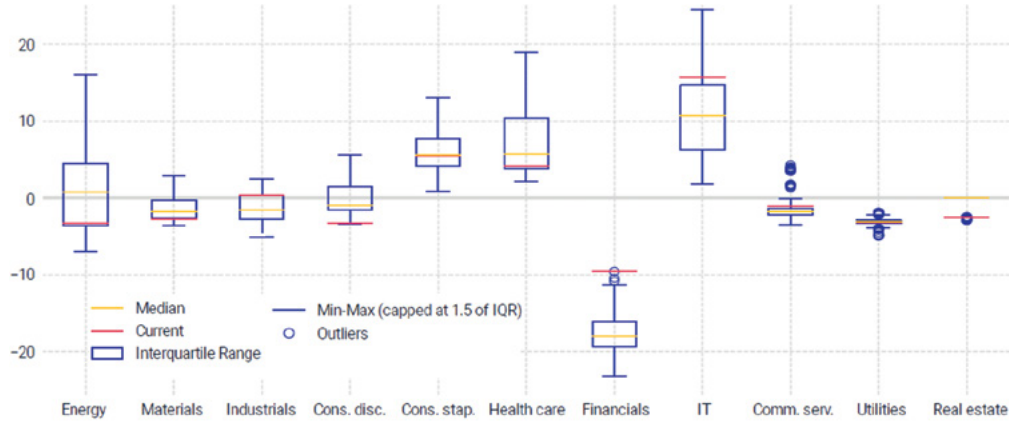
⁴ Net returns in CAD (\$) and for periods longer than one year, returns are annualized.

Please note this data changes month to month based on market conditions.

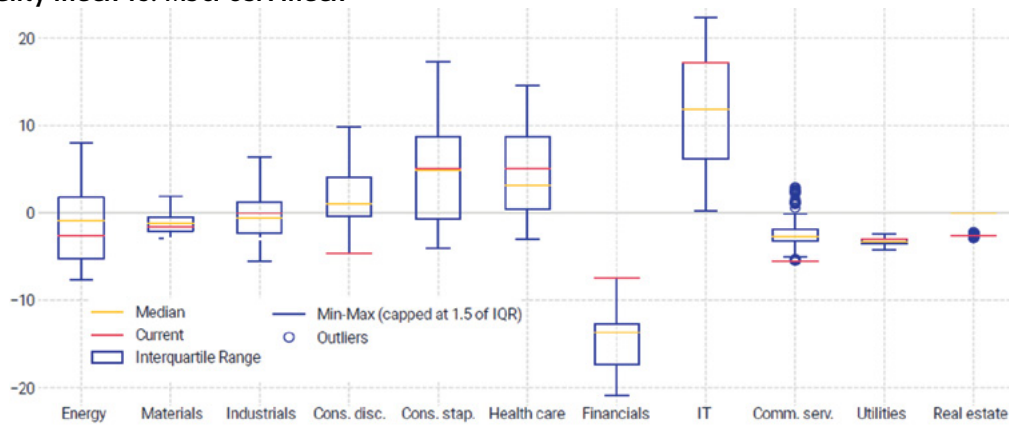
Source: MSCI, Index data as of June 30, 2020.

Sector Allocations vs. Parent Indices for the Period 06/01/1999 to 10/31/2017

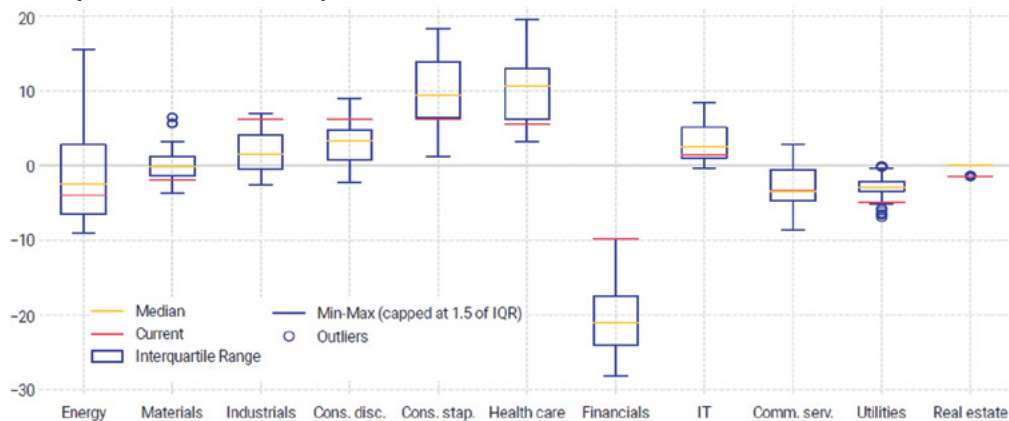
BMO MSCI All Country World High Quality Index ETF
MSCI ACWI Quality Index vs. MSCI ACWI Index



BMO MSCI USA High Quality Index ETF
MSCI USA Quality Index vs. MSCI USA Index



BMO MSCI Europe High Quality Hedged to CAD Index ETF
MSCI Europe Quality Index vs. MSCI Europe Index



Source: MSCI, June 2020

Quality Portfolio Construction 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.

Parameter	Methodology	Comments
Security Universe	<ul style="list-style-type: none"> Parent Index 	<ul style="list-style-type: none"> BMO Asset Management Inc. has an agreement with MSCI, a leading provider of traditional market capitalization and smart beta indices Broad indices that are recognized and used as benchmarks by many investors Parent index provide an opportunity set with sufficient liquidity and capacity Applicable universe includes all securities encompassed in parent indices
Quality Variables	<ul style="list-style-type: none"> ROE Earnings Stability Debt to Equity 	<ul style="list-style-type: none"> 3 variables are determined for all securities and ranked Once ranked, impact of extreme data outliers is removed for all 3 variables 3 variables are standardized – equal weights are used to calculate a composite score Composite scores are averaged into a quality score
Portfolio Selection and Weighting	<ul style="list-style-type: none"> Fixed Number of Securities Quality Score X Market Capitalization 5% Cap 	<ul style="list-style-type: none"> Fixed number targets 30-40% coverage of parent index universe Allows for high quality exposure while maintaining sufficient index market capitalization and diversification 493 names for MSCI ACWI Quality Index 125 names for MSCI USA Quality Index 124 names for MSCI Europe Quality Index Quality score is multiplied by the market capitalization weight in the parent index and normalized to 100% Quality tilted market capitalization results in high capacity and liquidity Cap reduces concentration and security specific risk
Review	<ul style="list-style-type: none"> Semi-Annual Rebalancing Buffer Zones 	<ul style="list-style-type: none"> Semi-annual rebalancing in May and November to coincide with semi-annual review of parent indices Quality variable data as of the end of April and October are used Goal is to capture timely updates to quality characteristics and is timed with the rebalancing frequency of MSCI parent indices Buffers historically reduce turnover and improve replicability A 20% buffer rule is applied on the fixed number of securities in the index

For more detailed methodology information regarding the quality variables, security composite scoring, security selection, weighting and index maintenance, visit the MSCI quality indices website: <https://www.msci.com/index-solutions>



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