

BMO AM Dividend Equity & BMO AM Enhanced Yield ETF Portfolio

Two strategies for volatile markets

Earn More Income in Volatile Markets

Inflation, heightened geopolitical tension, concerns related to persistent inflation and elevated interest rates, and the possibility of a recession have all contributed to market volatility. As a result, many Advisors are looking for a safe haven to remain invested in the market.

Even in the case of a short and relatively shallow economic downturn, these headwinds are likely to create uncertainty for investors. In that environment, fiduciaries may wish to consider dividend-paying stocks. But an overweighting to equities, while satisfying income requirements, may raise concerns about additional portfolio risk.

How should investors balance the income-risk tradeoff?

Two effective SMA portfolios can provide higher cash flows with the added benefit of downside protection: **BMO AM Dividend Equity** and **BMO AM Enhanced Yield ETF Portfolio**. By combining these strategies, you can take advantage of market volatility with investments that are designed specifically to generate tax-efficient income in the portfolio.

The potential benefits are derived from bolstering high-quality, dividend-paying equities with the enhanced income from covered call writing. Second, the solution provides downside protection from call option premiums, helping to reduce volatility. The strategy is also tax efficient.



Unique Benefits

Enhanced yield: Provides additional income through high-quality dividends and call option premiums.

Tax efficient: Dividends are taxed preferentially compared to traditional fixed income products. For most investors, covered call writing can also be tax efficient since the premiums are considered capital gains, with net gains or losses resulting when a position is closed or expired.

Lower risk profile: Relative to pure equities, these portfolios have lower betas. The fixed income component (approximately 15%-20%) may serve as a ballast to equity-driven volatility.

Cash flow: Income is paid out monthly, providing regular cash flow as inflation pressures persist.

Options writing strategy

In recent years, option overlay strategies have emerged as an innovative solution that simultaneously manages risk while maximizing income. We always write “out of the money” (OTM) options to safeguard the principal investment. As volatility rises in a falling market, we write further OTM to protect from a market rebound, thus earning higher premiums while protecting capital in a rising market.

The Best of Both Worlds

Architect: BMO AM Dividend Equity

Dividends and Volatility

- In recent years, investors have experienced unprecedented levels of market volatility and uncertainty.
- In 2020 and 2021, we saw volatility due to the pandemic, and in 2022, inflation and interest rate concerns created additional instability.
- One method to offer a smoother ride is by investing in stable, dividend-paying companies that have weathered different market cycles over the long term.
- A steady dividend can be attributed to strong fundamentals and a capable, disciplined management team.

Dividends and Inflation

- Inflation remains a prevailing theme in 2023, with U.S. CPI at 6.0%, and CAD CPI at 5.9%—both well above the Fed and BoC's 2% target*.
- While inflation poses a risk to equity returns, during renormalization where the inflation rate falls—which we are experiencing in 2023—equity performance tends to be strong.
- During such a period, dividend-based strategies have historically performed well.

Architect: BMO AM Enhanced Yield ETF Portfolio

Benefits of a Covered Call Strategy

- The Enhanced Yield ETF Portfolio invests in a number of BMO Covered Call ETFs that aim to provide investors with higher, tax-efficient income.
- The covered call option strategy is designed to provide an investor with a dual source of cash flow: an option premium plus the dividend yield.
- Collect premiums that enhance income yet still participate in rising equity markets.
- The strategy also offsets risk by “selling volatility”—yields increase due to writing relatively expensive options on volatile stocks in exchange for a premium.

A Solution in Volatile Markets

- With increased volatility due to inflation risk, geopolitical tensions, and interest rate uncertainty, options premiums are very attractive.
- This allows for writing further out-of-the-money calls, offering more upside participation for the portfolio, while still delivering some downside protection.

*U.S. CPI as of February 2023; Canadian CPI as of January 2023.

Under the Hood

Top 10 Holdings

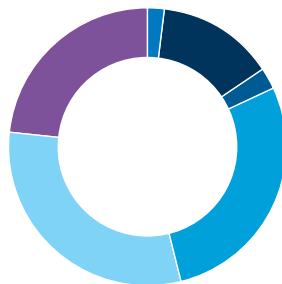
BMO AM Dividend Equity*



- Royal Bank of Canada – 8.5%
- Toronto-Dominion Bank – 8.2%
- Bank of Nova Scotia – 5.3%
- Waste Connections inc. – 5.1%
- Enbridge Inc. – 4.6%
- Intact Financial Corp – 4.2%
- WSP Global Inc. – 3.8%
- Dollarama Inc. – 3.8%
- Telus Corporation – 3.8%
- Canadian National Railway Company – 3.8%

* Top ten holdings as of December 31, 2022. The portfolio holdings are subject to change without notice. They are not recommendations to buy or sell any particular security.

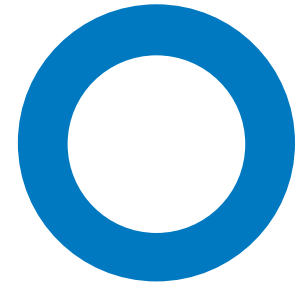
BMO AM Enhanced Yield ETF Portfolio



- Cash – 2.0%
- Canadian Fixed Income – 13.3%:
BMO Aggregate Bond Index ETF (Ticker: ZAG)
BMO Short Federal Bond Index ETF (Ticker: ZFS)
- U.S. Fixed Income – 2.5%:
BMO High Yield US Corporate Bond Index ETF (Ticker: ZJK)
- Canadian Equity – 28.3%:
BMO Canadian High Dividend Covered Call ETF (Ticker: ZWC)
BMO Covered Call Canadian Banks ETF (Ticker: ZWB)
BMO Equal Weights REITS Index ETF (Ticker: ZRE)
BMO Laddered Preferred Share Index ETF (Ticker: ZPR)
BMO Premium Yield ETF (Ticker: ZPAY)
- U.S. Equity – 30.7%:
BMO Covered Call Dow Jones Industrial Average Hedged to CAD ETF (Ticker: ZWA)
BMO NASDAQ 100 Equity Index ETF (Ticker: ZQQ)
BMO US High Dividend Covered Call ETF (Ticker: ZWH)
BMO US Preferred Share Index ETF (Ticker: ZUP)
Harvest Healthcare Leaders Income ETF (Ticker: HHL)
- EAFE Equity – 23.2%:
BMO Europe High Dividend Covered Call ETF (Ticker: ZWP)
BMO International Dividend ETF (Ticker: ZDI)

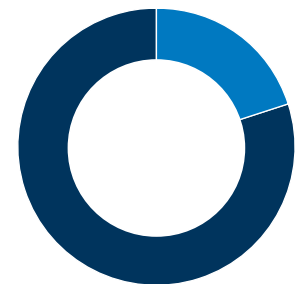
Portfolio Allocation

BMO AM Dividend Equity



- Equity – 100%

BMO AM Enhanced Yield ETF Portfolio



- Fixed Income – 25%
- Equity – 75%

Performance

Annualized Returns (%)	3 months	YTD	1 year	3 years	5 years	10 years	SI	Inception Date
BMO AM Dividend Equity	-1.2	4.2	-1.5	8.0	8.2	8.6	6.9	July 1, 2006
BMO AM Enhanced Yield ETF Portfolio	-0.7	3.8	-0.6	6.6	-	-	5.3	July 1, 2018

Source: BMO Global Asset Management, as of February 28, 2023.

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