

Built on Quality & Yield: The Growth Advantage of Re-Emerging Markets

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Why are we here?

BMO Global Asset Management is a global leader in the ETF market

Team developed several 'ETF world firsts'

- First ETF worldwide
- World's first fixed income ETF
- First FX hedged ETFs
- Covered calls on Canadian, USA and European equities

BMO Global Asset Management ETFs in EMEA

- High quality, yield-generating equity exposure
- Award-winning maturity banded corporate bond exposure
- Sterling hedged
- Global High Yield Fixed Income

Highly experienced ETF team

- Over \$28 billion in AUM (USD)
- Top 10 global Smart Beta ETF provider based on AUM
- Top 10 global Fixed Income ETF provider based on AUM

Source: ETF Global Intelligence (ETFGI) as at 28.02.2017; AUM = Assets Under Management; ETF = Exchange Traded Fund; FX = Foreign Exchange.

BMO Global Asset Management ETFs capabilities

Canada

Launched BMO ETFs in 2009

- Recognised for excellence:
 - Morningstar: Best Equity ETF & Best Speciality ETF
 - Lipper: Best ETF Equity Group & Best ETF in Canadian Fixed Income space

Europe (EMEA)

Launched BMO ETFs in Nov 2015

- Recognised for excellence by ETF.com
 - Best New ETF Issuer
 - Best New Fixed Income ETF

Hong Kong

Launched BMO ETFs in Nov 2014

- Recognised for excellence by Asian Asset Management Awards:
 - Best Thematic ETF
 - Best New ETF
 - Most Innovative ETF



Source: BMO Global Asset Management as at 31.12.2016.

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Re-Emerging Markets

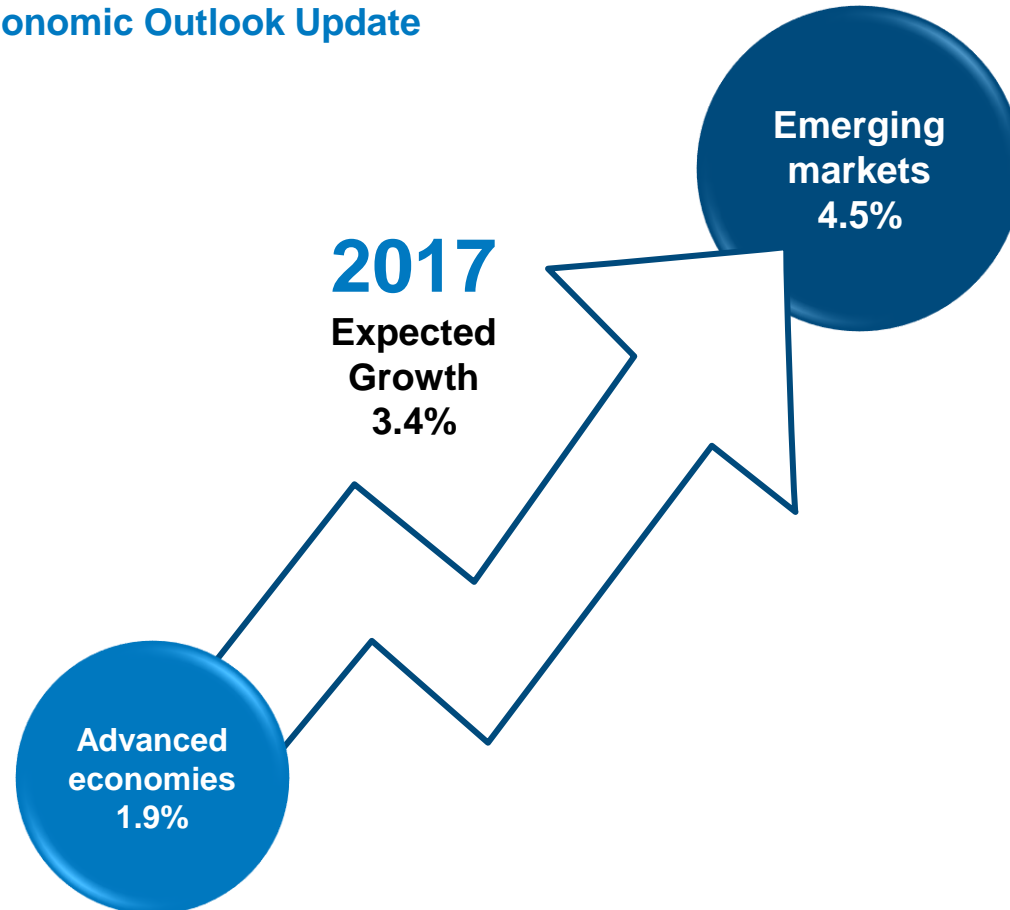
Why factors matter

- **Quality**
- **Yield**

Income Leaders Methodology

Re-emerging markets

World Economic Outlook Update

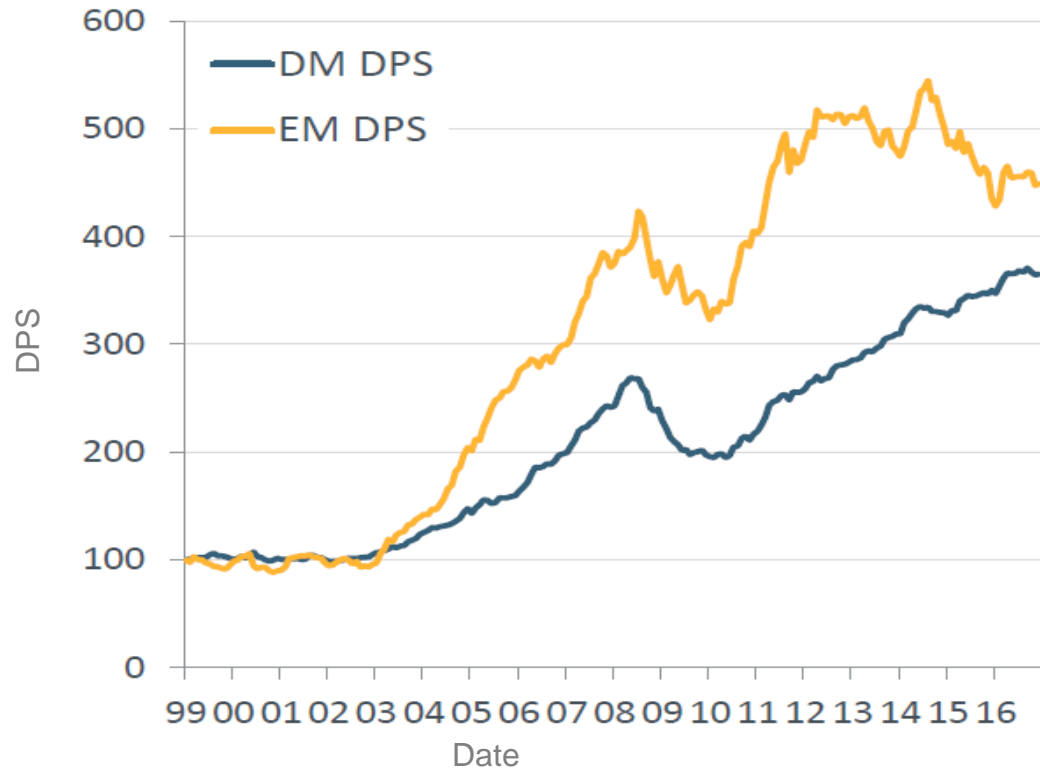


- Global economic activity set to pick up in 2017-2018
- Emerging markets (EM) are expected to grow at 2 to 3 times the rate of the U.S.
- In 2017 EM GDP is expected to grow at 4.5% versus developed markets where GDP growth projections are at 1.9%
- A strong US economy as well as USD strength, stabilized commodity prices, steady Chinese growth, and the long term growth of the local consumer base all support the EM investment thesis

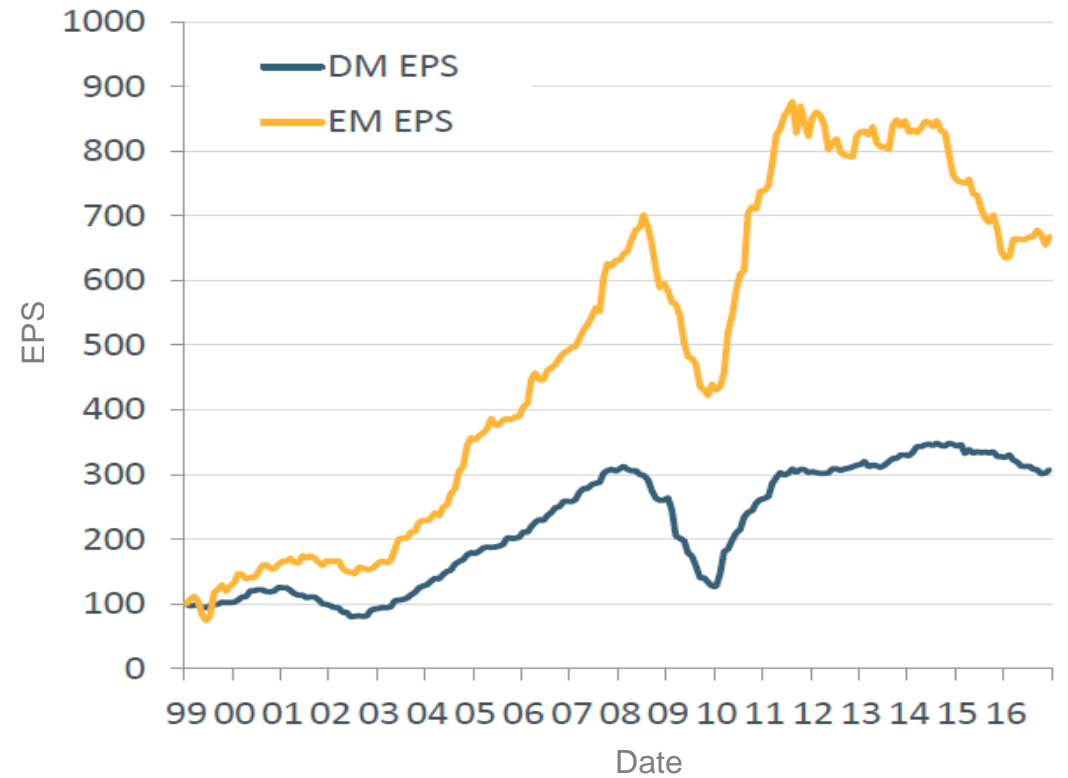
Source: International Monetary Fund as at 16.01.2017.

Emerging markets outperformance

Dividend growth



Earnings growth



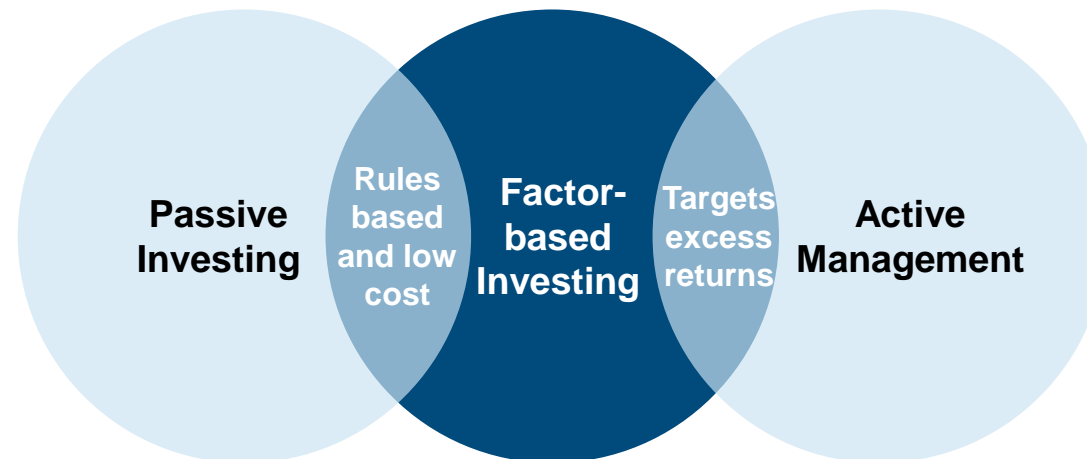
Source: MSCI as at 31.01.2017. DM DPS = Developed Markets Dividend Per Share; EM DPS = Emerging Markets Dividend Per Share; DM EPS = Developed Markets Earnings Per Share; EM EPS = Emerging Markets Earnings Per Share. For illustrative purposes only

Why 'factors' matter

What is 'factor-based' investing and why we believe in it

- 'Factor investing' sits between cap-weighted passive and active
- It seeks to capture higher risk adjusted returns via systematic exposure to stock characteristics
- Not new: Factors can be traced back to the 1930s
- Can explain part of the long-term portfolio performance of fundamental active investors*
- Factor indices provide a transparent, rules-based and cost-effective basis to seek systematic exposure to specific defined factors
- Reasonably high trading liquidity and moderate security turnover while staying cost effective

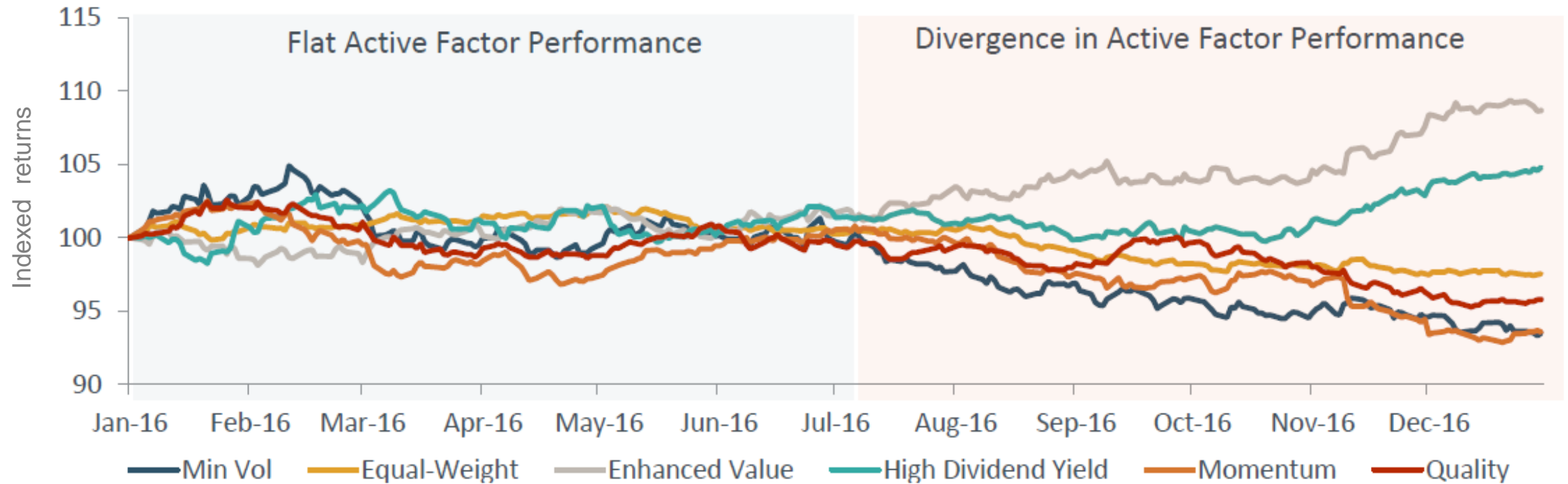
Bringing together the best of both worlds



*For example: "Buffett's Alpha" Andrea Frazzini, David Kabiller and Lasse Pedersen. Information as at December 2013

A closer look at 'factors' in EM

2016 year in review: A Tale of Two Halves



Source: MSCI as at 31.12.2015 to 30.12.2016. EM = Emerging Markets. For illustrative purposes only.

Performance of the 'factors'

Key Metrics

	MSCI EM Index	MSCI EM Quality Index	MSCI EM Enhanced Value Index	MSCI EM Equal Weighted Index	MSCI EM Minimum Volatility Index	MSCI EM High Dividend Yield Index	MSCI EM Momentum Index
Total Return* (%)	9.1	11.4	14.8	10.3	11.1	12.5	11.7
Total Risk (%)	22.5	21.1	27.3	22.7	17.5	22.1	23.7
Sharpe Ratio	0.31	0.44	0.46	0.36	0.51	0.47	0.40
Tracking Error (%)	0.00	5.2	9.2	5.1	7.0	6.8	7.6
Dividend Yield**(%)	2.5	2.8	3.2	2.8	3.3	4.7	2.0

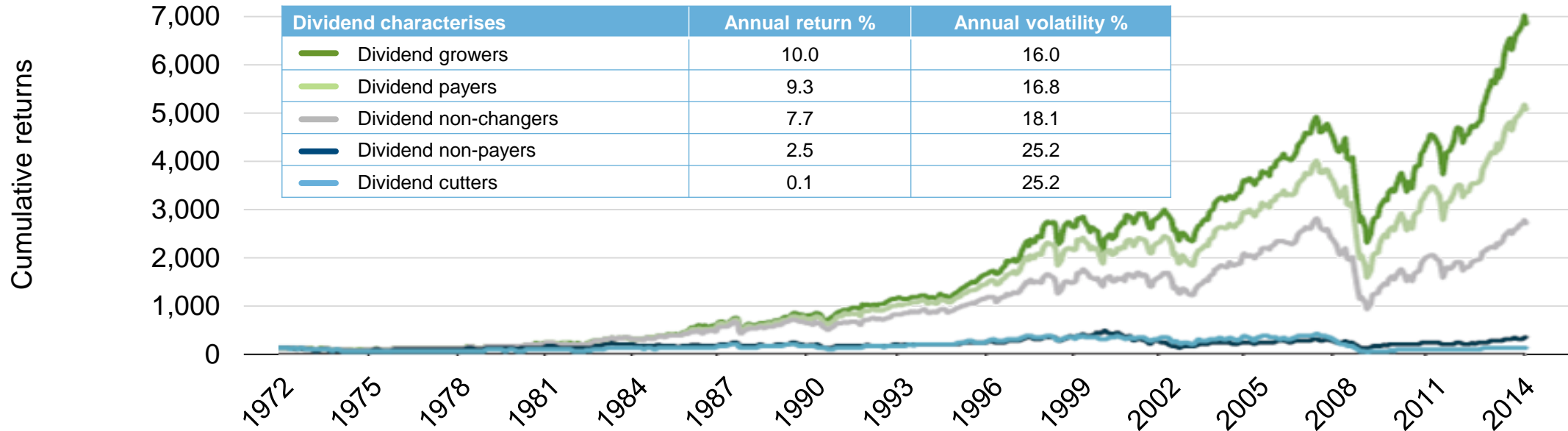
Source MSCI. Information from 31.12.1998 to 31.01.2017

*Gross returns annualized in USD **Monthly averages

- Multi-factor approach by selecting companies with high quality scores and higher than average dividend yields
- Rules based investing built around quality and yield that have exhibited enhanced risk adjusted returns over the long term

Yield

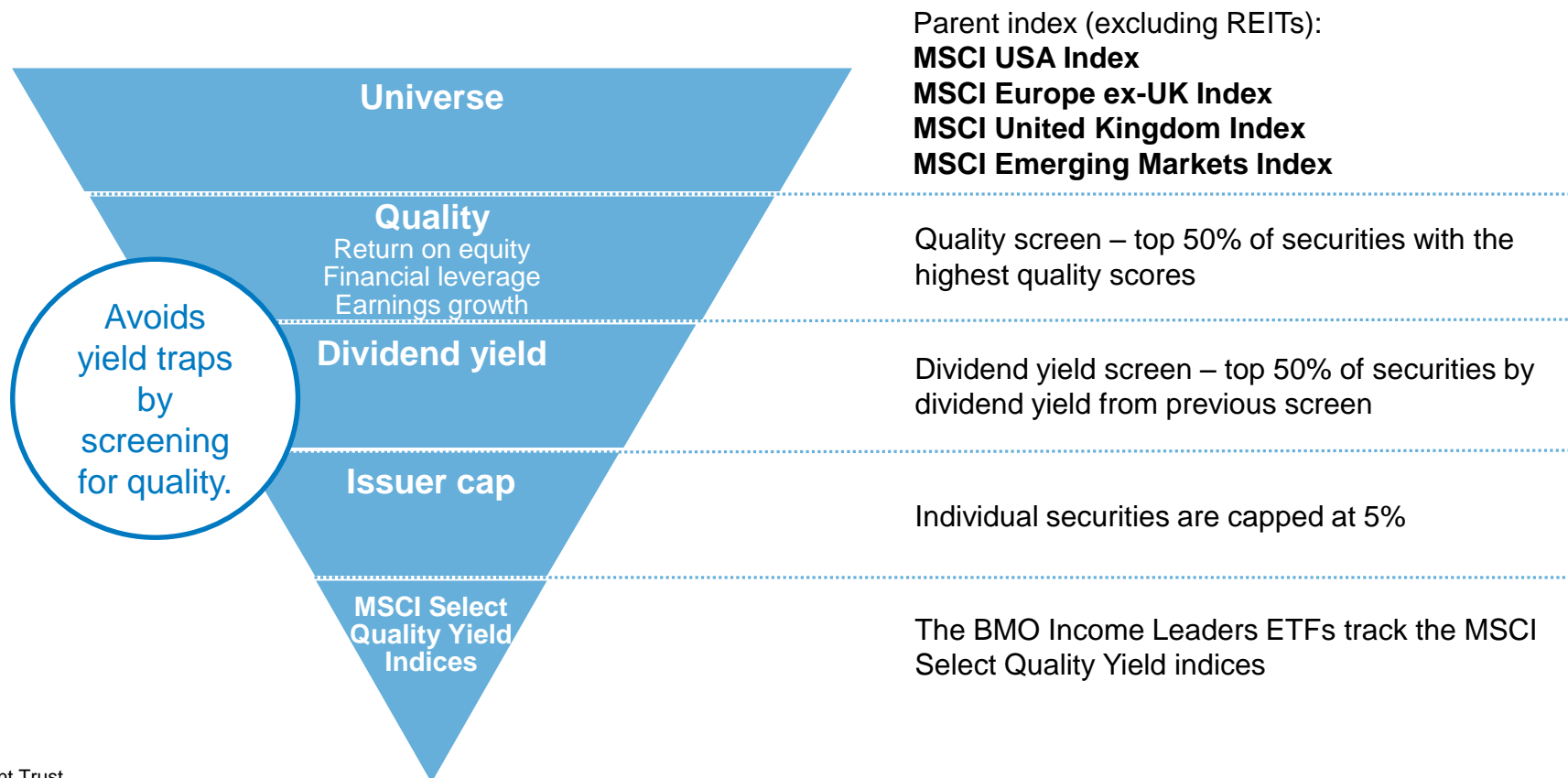
S&P 500: January 1972 – July 2014



- Companies which consistently pay dividends have historically demonstrated better risk-adjusted returns
- Dividend cutters typically suffer from significantly increased volatility
- Avoid “Yield Traps” with a quality screen

Source: Ned Davis Research Group, based on an analysis of S&P 500 stocks from 31.01.1972 to 31.07.2014. S&P, Copyright 2017, All rights reserved

MSCI Select Quality Yield Index methodology



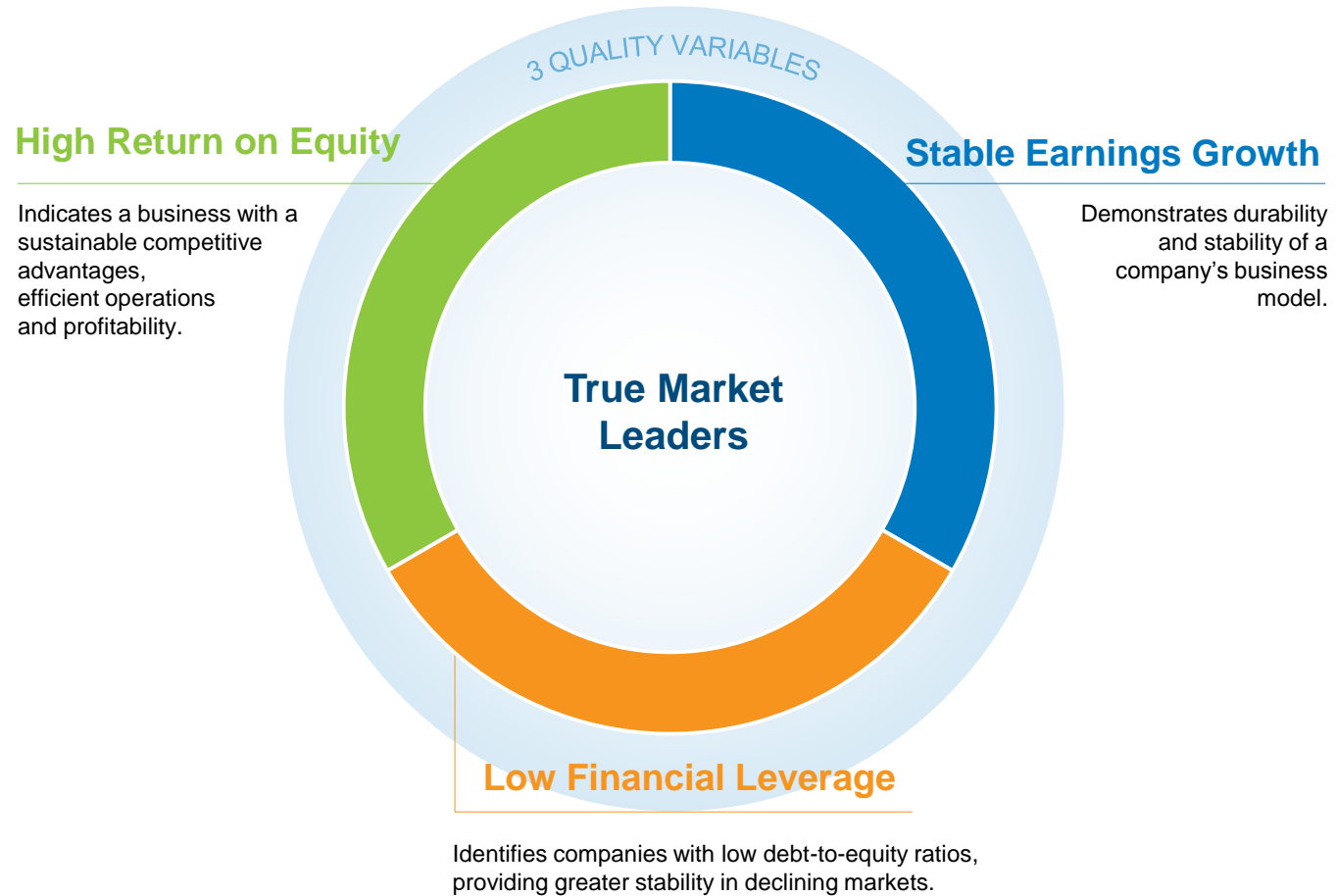
REIT – Real Estate Investment Trust.

Stocks weighting based on their free float adjusted market cap. Index rebalanced in June and December annually

Quality as a factor

What is a “quality” company?

- Quality screens for industry leading companies with sustainable business models and growing competitive advantages



Characteristics of the Top 10 constituents

MSCI Emerging Markets Select Quality Yield Index

	Index weight	Return on equity	Dividend yield	P/E ratio
Taiwan Semiconductor	5.02	23.9	3.18	15.97
Industrial & Commercial Bank of China	4.92	15.0	5.18	5.77
China Mobile	4.66	11.7	3.14	13.87
Hon Hai Precision Industry	4.60	13.4	4.47	11.68
Ambev	2.77	26.2	3.25	22.58
Lukoil	2.28	2.9	6.06	23.13
Sasol	1.60	12.2	3.73	9.52
Telekomunikasi Indonesia	1.48	22.3	2.46	20.42
Standard Bank Group	1.44	15.2	4.97	10.07
Cathay Financial Holding	1.31	11.5	4.15	10.71

Source: BMO Global Asset Management, Factset as at 28.02.2017.

Sector allocation

BMO MSCI Emerging Markets Income Leaders UCITS ETF (ZIEM) relative to parent index (MSCI EM)

Sector	ZIEM	MSCI EM	Difference
Consumer Discretionary	9.3%	10.3%	-1.0%
Consumer Staples	11.2%	6.9%	4.3%
Energy	5.5%	7.4%	-1.9%
Financials	26.2%	24.5%	1.7%
Health Care	0.6%	2.4%	-1.8%
Industrials	4.5%	5.8%	-1.3%
Information Technology	17.0%	23.9%	-6.9%
Materials	5.6%	7.6%	-2.0%
Real Estate	3.0%	2.6%	0.4%
Telecommunications	14.5%	5.7%	8.8%
Utilities	2.5%	2.9%	-0.4%

Source: Bloomberg, BMO Global Asset Management and MSCI, as at 03.03.2017. EM = Emerging Markets. For illustrative purposes only.

Historical performance

The factors of Quality and Income help to mitigate downside risk

Year	MSCI Emerging Markets Select Quality Index	MSCI Emerging Markets Index
2016	11.91	11.19
2015	-18.20	-14.92
2014	-0.79	-2.19
2013	-7.36	-2.60
2012	17.63	18.22
2011	-11.32	-18.42
2010	20.29	18.88
2009	71.27	78.51
2008	-43.63	-53.33
2007	42.87	39.42
2006	32.40	32.14
2005	27.19	34.00
2004	33.02	25.55
2003	61.78	55.82
2002	11.75	-6.17

Source: MSCI USD as at 31.12.2016. For illustrative purposes only.

MSCI's Select Quality Yield Index

Key Metrics

	MSCI EM Index	MSCI EM HDY Index	MSCI EM Quality Index	MSCI EM Select Quality Yield Index
Total Return* (%)	9.1	12.5	11.4	12.8
Total Risk (%)	22.5	22.1	21.1	20.8
Return/Risk	0.41	0.56	0.54	0.62
Sharpe Ratio	0.31	0.47	0.44	0.51
Active Return (%)	0.0	3.3	2.2	3.7
Tracking Error (%)	0.0	6.8	5.2	6.3
Information Ratio	NaN	0.49	0.43	0.59
Historical Beta	1.00	0.93	0.91	0.89
No of Stocks***	794	239	199	195
Turnover** (%)	8.1	36.7	28.7	34.5
Price To Book***	1.7	1.5	3.0	1.9
Price to Earnings***	14.0	10.1	13.0	10.7
Dividend Yield*** (%)	2.5	4.7	2.8	4.4

Period: 31-Dec-1998 to 31-Jan-2017

* Gross returns annualized in USD

** Annualized one-way index turnover over index reviews

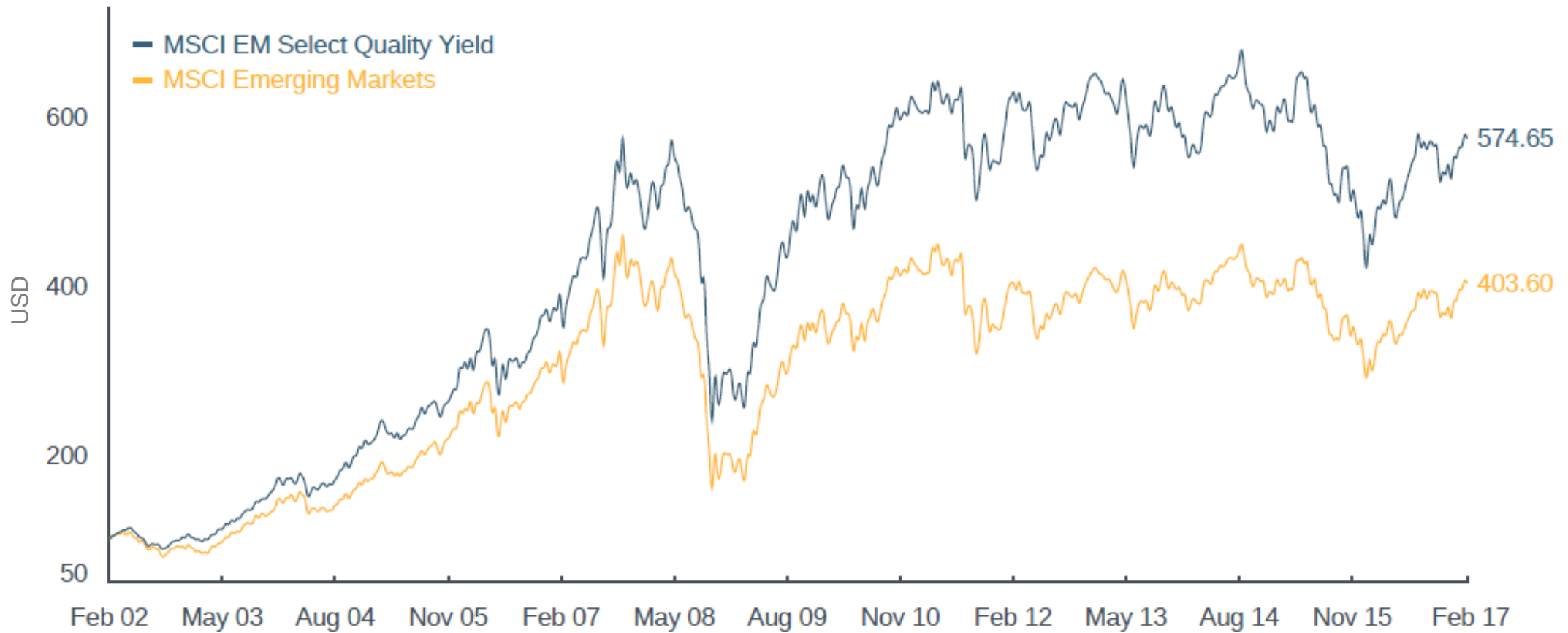
*** Monthly averages



Source: MSCI Information as at 31.01.2017. For illustrative purposes only.

Cumulative index performance – net returns

MSCI Emerging Markets Select Quality Yield Index



Source: MSCI as at 28.02.2017. For illustrative purposes only.

Performance metrics

Key metrics

	MSCI EM Select Quality Yield Index	MSCI Emerging Markets Index
Currency	USD	USD
Total return (annualised, %)	12.13	9.16
Total risk (10-year annualised, %)	21.55	23.51
Sharpe ratio	0.58*	0.43*
Tracking error (%)	5.66	0.00
Historical beta	0.89	1.00
Turnover (%)	32.34	6.87
Price-to-book	1.77	1.58
Price-to-earnings	12.73	15.11
Dividend yield (%)	4.23	2.53

Based on monthly net returns data since 29th December 2000 unless otherwise stated.

Source: MSCI as at 28.02.2017. *Based on ICE LIBOR 1-month. For illustrative purposes only.

Our belief in 'factor based' investing

Investing for Income	'Quality' as a 'Factor'
<ul style="list-style-type: none">• Long-term outperformance against broader market	<ul style="list-style-type: none">• Long-term outperformance against broader market
<ul style="list-style-type: none">• High dividend yield strategies generate a stable source of income	<ul style="list-style-type: none">• Security selection based on high profitability, earnings persistency and low debt levels
<ul style="list-style-type: none">• Tends to have persistent valuation discount to the market	<ul style="list-style-type: none">• Quality screening can help mitigate risk of yield traps
<ul style="list-style-type: none">• Defensive characteristics	<ul style="list-style-type: none">• Tends to have persistent valuation premium to the market



BMO Emerging Markets Income Leaders UCITs ETF

Key characteristics

- BMO MSCI Emerging Markets Income Leaders UCITS ETF

Characteristics	Details
Fund Ticker	ZIEM
Base Currency	USD
Trading Currency	GBP
Ongoing Charges Figure	0.38%*
Inception Date	Dec 06, 2016
Fiscal Year-End	Sep-30
Index	MSCI Emerging Markets Select Quality Yield Index
Index Ticker	M1CXBMOD
Index Provider	MSCI
Index Type	Equity
Exchange	London Stock Exchange
ISIN	IE00BZ053T90
Sedol	BZ053T9
Bloomberg Ticker	ZIEM LN
Reuters Ticker	68398617

*BMO MSCI Emerging Markets Income Leaders UCITS ETF is the **lowest cost** emerging markets 'smart beta' UCITS ETF by OCF (as at 15 March 2017)

*Source: BMO Global Asset Management. The ongoing charges figure is estimated because the share/unit class is relatively new and has insufficient track record for us to calculate it exactly. The ongoing charges figure may vary from year to year and will exclude the costs of buying or selling assets for the Fund (unless these assets are shares of another fund)."

BMO Income Leaders UCITS ETFs suite

ETF name	Base currency	OCF	Bloomberg ETF ticker
BMO MSCI USA Income Leaders UCITS ETF	USD	0.35%	ZILS LN
BMO MSCI Europe ex-UK Income Leaders UCITS ETF	EUR	0.35%	ZILE LN
BMO MSCI UK Income Leaders UCITS ETF	GBP	0.35%	ZILK LN
BMO MSCI Emerging Markets Income Leaders UCITS ETF	USD	0.38%	ZIEM LN
BMO MSCI USA Income Leaders (GBP Hedged) UCITS ETF	GBP	0.40%	ZISG LN
BMO MSCI Europe ex-UK Income Leaders (GBP Hedged) UCITS ETF	GBP	0.40%	ZIEG LN

Additional features

- Factor based investing – best of both worlds (hybrid of active & passive)
- Currency-hedged
- Physical replication
- Experienced team – BMO Global Asset Management (EMEA), formerly F&C, has expertise in index and factor based investing, also leveraging our award winning ETF team in Canada
- Industry leading index provider, MSCI, a global leader of market cap and smart beta indices

Source: BMO Global Asset Management. This is indicative only, fund characteristics may change. OCFs (ongoing charges figures) shown are the proposed level of fees and commissions to be charged to each ETF. Final levels may be subject to change and will be set out in the prospectus. The MSCI Select Quality and Yield Indices are created and independently monitored by MSCI.

Local ETF expertise



Marc Knowles
Director, ETFs

Marc has over 14 years' experience in the ETF industry. Marc started his career in 1999 with Barclays Global Investors and joined the iShares team in 2001 as one of its first hires. During his time at iShares, Marc held a number of senior roles across the business and up until 2013 served as Managing Director, Capital Markets (EMEA). Prior to joining BMO Global Asset Management in 2015, Marc was at Markit, where he served as Director of ETFs. Marc holds a BA (Honours) in Business Studies from Sheffield Hallam University.



Terry Wood
Director, Systematic Strategies

Terry Wood is a Director of the Systematic Strategies team. He joined in August 2007. Prior to this, Terry worked at Insight Investment as a Quantitative Analyst. Previously Terry spent nine years at Deutsche Asset Management as a Quantitative Analyst for the Global Equity team. He holds a BA (Hons) in Accounting & Finance from the University of Kent and is a CFA Charterholder.



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Extensive worldwide investment capabilities

- Total focus on clients
- Comprehensive range of products and solutions
- Defined expertise – including a suite of specialist investment boutiques



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