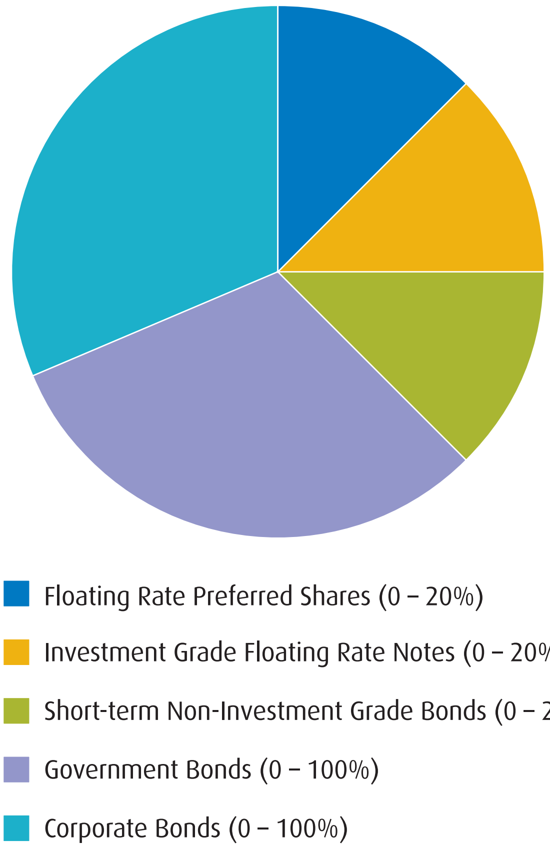
BMO Ultra Short-Term Bond ETF (ZST):
Uncovering Innovative Yield Opportunities

Enhancing yield while mitigating interest rate risks

The challenge in the short term fixed income market recently has been to source enough yield without taking on excess company-specific risks. ZST holds fixed income instruments with maturities less than one year or reset dates within one year, and innovates by including higher yielding asset classes. The target weighted average duration for the portfolio will be between 0.25 to 0.75 years. As the portfolio is yield focused, any currency exposure is hedged away to eliminate currency risk.

ZST is managed with the following sleeves:



Investment Grade Corporate Bonds provide investors with higher yields than comparable government bonds, backed by high quality investment grade companies; these bonds add stability to the portfolio.

Government Bonds and Treasury-Bills are issued by the federal and provincial governments of Canada and have a very high credit rating, as well as being extremely liquid.

Floating Rate Notes are bonds that have a maturity date like a conventional bond, but its coupon is tied to a benchmark rate. These bonds are issued by government entities or corporations and have a coupon that is adjusted every month or quarter, providing protection in a rising interest rate environment.

Floating Rate Preferred Shares are a class of preferred share that pays a fixed quarterly or monthly dividend. The dividend will adjust based on a reference rate, typically the prime rate, providing protection in a rising interest rate environment.

High Yield Bonds are bonds that are of lesser credit quality but pay a higher yield than investment grade corporate bonds. Diversified exposure to this asset class can provide the portfolio with additional yield.

Benefits of Asset Class Diversification:

Unlike other short term products that are focused on a few asset classes, ZST diversifies across a broad range of asset classes, attaining higher yield while managing duration risks. As the table below demonstrates, lower correlations enhance the portfolio's risk adjusted return.

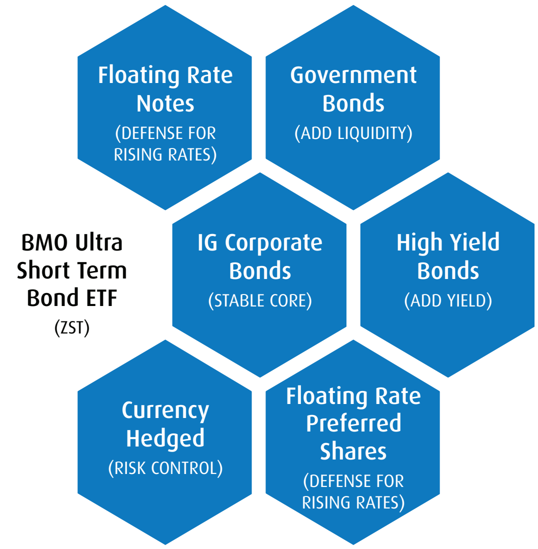
The lower correlations between the asset classes serve to further diversify the portfolio. The portfolio manager has the flexibility to regularly recalibrate the asset mix to market expectations. Fundamental analysis, relative strength indicators, and risk adjusted yield expectations are used to determine the portfolio mix. The portfolio is built using a core of investment grade corporate bonds and government bonds. The other asset classes add diversification and enhance yield opportunities, without adding duration.

Correlations of Corporate Bonds vs. Other Assets

Government Bond	0.66
Preferred Shares	0.34
High Yield Bonds	0.24

Source: BMO Asset Management Inc. Corporate Bonds are represented by DEX All Corporate Bond TR CAD. Government Bonds are represented by DEX Government Bond. Preferred Shares are represented by S&P/TSX Preferred Share TR. High Yield Bonds are represented by BofAML US HY Master II TR USD.

Fund Composition:



ZST allows investors to put cash to work, to earn a higher current income while taking very limited interest rate risks. It is important to note that the BMO Ultra Short-Term Bond ETF is not a money market fund, but is diversified across asset classes to manage price risk. ZST is beneficial as a strategic holding inside a portfolio, or alternatively as a low risk tactical holding. Investors can anticipate that this portfolio will generate a reasonable yield and manage interest rate risks, while still remaining a highly liquid investment vehicle.

Visit bmo.com/etfs or contact Client Services at 1-800-361-1392.

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