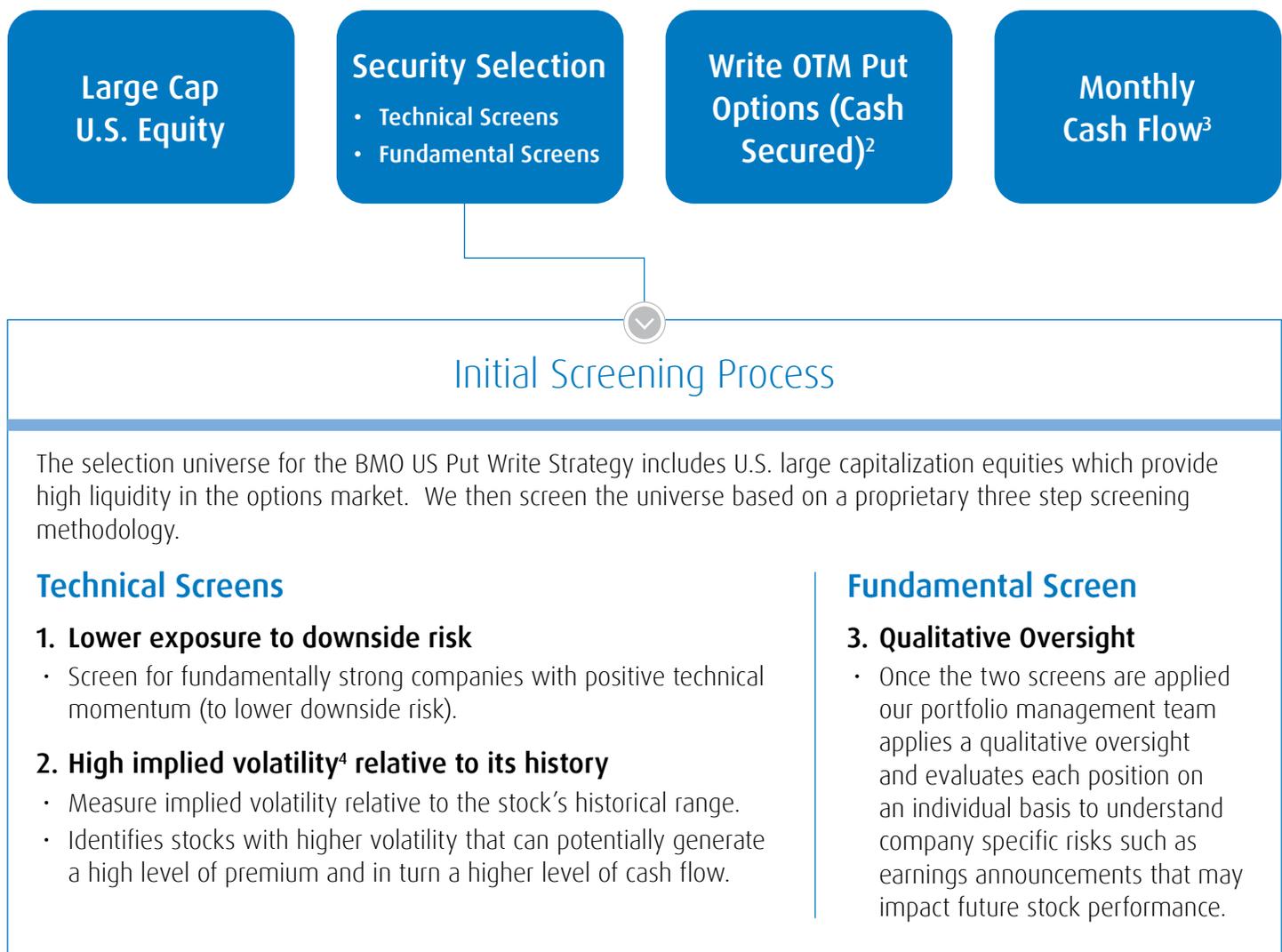


BMO US Put Write ETF (ZPW, ZPW.U)

BMO US Put Write Hedged to CAD ETF (ZPH)

BMO US Put Write ETF is an alternative income strategy that is constructed by selling out of the money (OTM) put options on U.S. equities. This strategy will own long equities and purchase them at attractive entry points when the puts are in money and stocks go on sale.¹

The goal of the put writing strategy is to generate cash flow by selling downside protection in equity securities. By maintaining diversification and specific risk levels, the portfolio has the opportunity to generate an overall total return similar to the long-run rate of return on the broad equity market.



Construction*

Stocks on the short list are analyzed using fundamental factors and technical indicators to assess specific downside risk. The stocks are then analyzed in the context of the options market to determine the most optimal moneyness⁵ and tenor of each position. Using names selected from the short list, the portfolio is constructed with approximately 25-50 securities.

Tenor and Moneyness of Positions

Our portfolio will generally write puts 1 to 3 months to expiry and we will aim to diversify option maturities. The shorter the tenor, the greater the effect of time decay⁶. However, this also leaves less time for a stock to recover, should it experience a significant downside move. Moneyness of the option in part will be determined by the tenor selected. Generally target range for how far out-the-money the put is written is 5%-15%. The portfolio at times, may implement a put spread⁷ strategy by purchasing puts with a lower strike purchase than previously sold, subject to any significant stock price declines.

Rolling Positions

The options selected will on average be held to maturity. When a security moves higher, we may look to roll the

option position into a future option that can provide the strike price that offers the most reward for risk over the remaining time to maturity.

Frequency of Screening

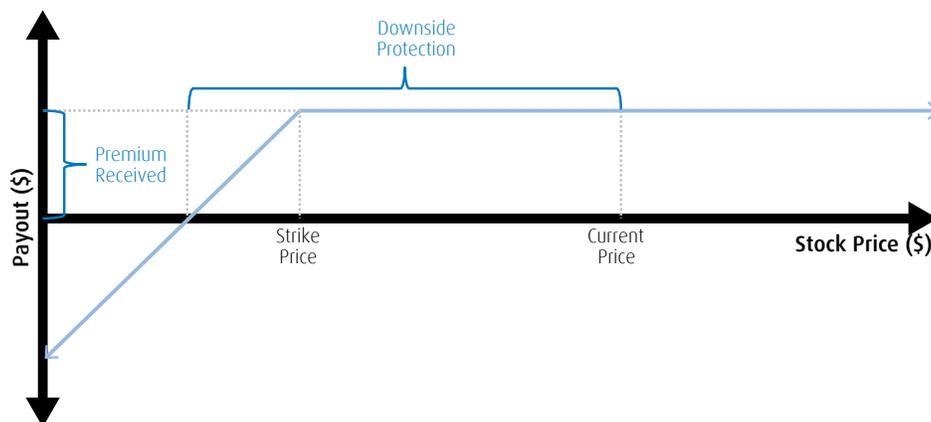
Positions are actively managed with a screen being run on a short list of potential options on monthly basis, in advance of expiry. The portfolio manager will also have daily oversight on each option. Candidates will remain on the short list for the month until the screen is run again. Should cash flows require new put positions to be implemented intra month, the same list of candidates will be used to select from. New lines on existing or new securities altogether may be selected.

Return Environment

The advanced screens and portfolio constraints ensure the portfolio is constructed to perform well in flat or moderately advancing equity markets. In high return scenarios, this strategy will underperform but have some downside protection by the amount of the moneyness of the puts. In significant market downturns this strategy will decline as the puts move into the money.

Our put write strategy provides exposure to short dated options that are appealing to investors looking to generate income with low correlation⁸ to other asset classes.

Payoff Characteristics of Selling an OTM Put Option



For illustrative purposes only.

¹ **Buying a Put:** Gives its owner the right, but not the obligation, to sell a certain amount of the underlying asset at a set price within a specific time.
Writing a Put: A contract giving the option buyer the right, but not the obligation, to sell a specified amount of an underlying asset at a predetermined price within a specified time frame.

In the money (ITM) option is one where the strike price is more favorable than the current market price of the underlying asset, resulting in intrinsic value for the option holder

Out-of-the-money (OTM) option is one where the strike price is not favorable relative to the current market price of the underlying asset. So the option has no intrinsic value.

² The BMO ETF may also purchase put options to potentially limit the loss from significant stock price declines.

³ Distributions are not guaranteed, may fluctuate and are subject to change and/or elimination.

⁴ **Volatility:** Measures how much the price of a security, derivative, or index fluctuates.

⁵ **Optimal Moneyness:** the option strike price determined by the Portfolio Manager that has the best risk/reward trade off.

⁶ **Time Decay:** a measure of the rate of decline in the value of an options contract due to the passage of time.

⁷ **Put Spread:** an options trading strategy involving simultaneously buying and selling put options on the same underlying asset with the same expiration date but different strike price.

⁸ **Correlation:** A statistical measure of how two securities move in relation to one another. Positive correlation indicates similar movements, up or down together, while negative correlation indicates opposite movements (when one rises, the other falls).

Disclaimers

This communication is intended for informational purposes only and is not, and should not be construed as, investment and/or tax advice to any individual. Particular investments and/or trading strategies should be evaluated relative to each individual's circumstances. Individuals should seek the advice of professionals, as appropriate, regarding any particular investment.

Any statement that necessarily depends on future events may be a forward-looking statement. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Although such statements are based on assumptions that are believed to be reasonable, there can be no assurance that actual results will not differ materially from expectations. Investors are cautioned not to rely unduly on any forward-looking statements. In connection with any forward-looking statements, investors should carefully consider the areas of risk described in the most recent simplified prospectus.

Changes in rates of exchange may also reduce the value of your investment.

The portfolio holdings are subject to change without notice and only represent a small percentage of portfolio holdings. They are not recommendations to buy or sell any particular security.

All investments involve risk. The value of an ETF can go down as well as up and you could lose money. The risk of an ETF is rated based on the volatility of the ETF's returns using the standardized risk classification methodology mandated by the Canadian Securities Administrators. Historical volatility doesn't tell you how volatile an ETF will be in the future. An ETF with a risk rating of "low" can still lose money. For more information about the risk rating and specific risks that can affect an ETF's returns, see the BMO ETFs' simplified prospectus.

BMO ETFs are managed and administered by BMO Asset Management Inc., an investment fund manager and portfolio manager and separate legal entity from the Bank of Montreal.

Commissions, management fees and expenses all may be associated with investments in exchange traded funds. Please read the fund facts or prospectus before investing. Exchange traded funds are not guaranteed, their values change frequently and past performance may not be repeated.

For a summary of the risks of an investment in the BMO ETFs, please see the specific risks set out in the BMO ETF's simplified prospectus. BMO ETFs trade like stocks, fluctuate in market value and may trade at a discount to their net asset value, which may increase the risk of loss. Distributions are not guaranteed and are subject to change and/or elimination.

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*Portfolio holdings and sector allocations are subject to change without notice.

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