CANADIAN

ETF Watch

CanadianETFWatch.com

Peace of Mind

Balancing Growth and Safety in the Modern Market

- Peace of Mind: Balancing Growth and Safety in the Modern Market
- Three ETFs on Pace for the 2024 A+® Awards Short List
- CIFSC Refines RI Framework to More Sharply Define Eligible Funds
- Finding Global Opportunities in your Own Backyard
- 3 Key Sectors Likely to Gain from Falling Interest Rates: Banks, Utilities and REITs
- How the Next U.S. President Could Impact Canadian Investors

As the vibrant colours of autumn settle across the country, we are pleased to introduce the Fall 2024 edition of ***Canadian ETF Watch***. The season of change is upon us, and just as nature transitions, so too does the financial services landscape, offering fresh opportunities and challenges for investors and advisors. This edition focuses on navigating the evolving market conditions and highlights key strategies to help you stay ahead in the world of exchange-traded funds.

With global economic shifts and fluctuating interest rates, the ETF industry continues to evolve, driven by a need for innovation and adaptability. This edition's selection of articles aims to provide you with insights that are not only timely but also actionable as you build portfolios that can withstand these changes.

In this Fall 2024 edition of ***Canadian ETF Watch***, we bring you a range of thought-provoking articles:

- **CIFSC Refines RI Framework to More Sharply Define Eligible Funds**
  John Krisko, CFA, Vice President of Investment Analytics at Fundata Canada Inc., discusses the latest refinements to the Responsible Investment framework and what these changes mean for investors seeking sustainable options.
- **Finding Global Opportunities in Your Own Backyard**
  Jose Alancherry, CFA, Vice President of Retail Client Portfolio Management at TD Asset Management Inc., explores how investors can uncover global growth opportunities without straying far from familiar markets.
- **3 Key Sectors Likely to Gain from Falling Interest Rates: Banks, Utilities, and REITs**
  Kevin Prins, Managing Director and Head of ETF & Managed Accounts Distribution at BMO Global Asset Management, identifies three sectors poised for growth as interest rates decline.
- **How the Next U.S. President Could Impact Canadian Investors**
  Ahmed Farooq, CIMA, CFP, Senior Vice President and Head of Retail ETF Distribution at Franklin Templeton Canada, analyzes the potential effects of the upcoming U.S. presidential election on Canadian portfolios and investment strategies.

As you explore the insightful articles in this Fall 2024 edition of ***Canadian ETF Watch***, we want to express our sincere gratitude to you, our dedicated readers. We hope the perspectives and strategies shared here will inspire you to navigate this season of change with confidence and success.

We wish you a successful and informative fall season ahead.

Sincerely,

Keith Costello
Global CEO,
Canadian Institute of Financial Planning
www.CIFP.ca

Ron Landry
Executive Director,
Canadian ETF Association (CEFTA)
www.CETFA.ca

About *Canadian ETF Watch*

Through a dedicated website and quarterly issues, ***Canadian ETF Watch*** will speak to financial advisors, investors, managers and service providers to provide them with the latest information on ETFs in Canada. Canadian-based ETF markets continue to grow, which presents numerous marketing and promotional opportunities. Fund companies benefit from being featured in Canadian ETF Watch as their company name and solutions are distributed to our audience who are dedicated & targeted to ETFs.

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CanadianETFWatch.com

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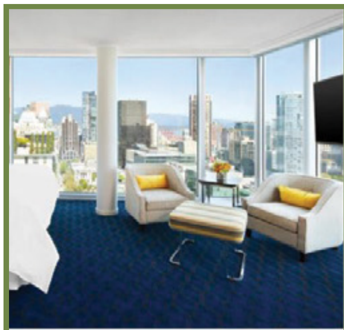
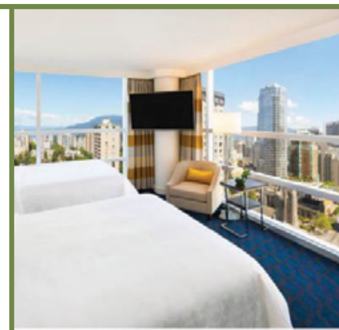


CIFPs

23rd Annual National Conference - 2025

Sheraton Vancouver Wall Centre - British Columbia

Sunday, June 15th - Wednesday, June 18th



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The CIFPs Annual National Conference
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http://www.CIFPs.ca/Conference

Contact us at 1-866-933-0233 for early bird specials

1 - CIFP/CIFPs creates and/or sponsors its educational offerings in consideration of the continuing education guidelines set by FP Canada™ Standards Council. It is the responsibility of the CFP professional to assess the appropriateness of this education content for purposes of claiming CE credits. Claims for CE credits are subject to review and approval by FP Canada™ Standards Council.

Peace of Mind:
Balancing Growth and Safety in the Modern Market

With growing volatility in equities, Ahmed Farooq contemplates the importance of equity strategies that prioritize safety and dividends.

Ahmed Farooq,
Senior Vice President, Head of Retail ETF Distribution, Franklin Templeton Canada

2024 started with such a bang.

It seemed that nothing was going to stop the momentum of the equity markets as all North American indices were heading toward all-time highs. Though inflation remained sticky in the US, we were seeing inflation steadily come down in Canada. Eventual rate cuts were on the horizon supported by increasing unemployment rates and consumer debt levels. And it was all driving momentum in equities. But, as equities continued to rise, so did a growing sense of uneasiness. Today, it feels like that uneasiness is playing a bigger role in the conversation.

FRANKLIN TEMPLETON

In the US, progress on the inflation fight seems to have stalled bringing some ambiguity to the rate cutting narrative. Escalating geopolitical conflicts, particularly in the middle east, continue to worry investors. And, in Canada, there are very real questions about the strength of the economy, and the likelihood of a soft landing.

In my recent conversations with advisors, I do feel a larger sense of concern and apprehension. The markets have run up too high and the magnificent 7 (now the fantastic 4) have sold off. Advisors are wondering if it's time to make changes and finally take some profits. Protecting some of those gains could be prudent, and rebalancing to a more defensive position backed by high quality dividends has been sounding like a very viable option. That's why I am glad to introduce our new Low Volatility High Dividend suite of ETFs.

Piggy backing on the success of our US ETF offerings, which have raised $1.6 billion in USD, the new Low Volatility High Dividend suite deploys a strategic beta strategy that focuses on high long-term sustainable dividends, while screening to reduce both price and earnings volatility. There are a couple of things that make our strategy unique.

A lot of dividend ETFs tend to only screen for trailing 12-month dividends. We screen for both 12-month trailing and 12-month projected dividends for an added measure of certainty. And – unlike other dividend ETFs – we take the extra step of performing volatility screening, assessing future earnings while analyzing the volatility of the underlying stock price. I feel this is an important step to focus on for investors that want to maintain a low risk profile while maximizing yield. It's also important to note that this 'best of both worlds' approach comes at a very competitive low cost offering.

Here is the suite:

FLVC - Franklin Canada Low Volatility High Dividend Index ETF **(15bps)**

FLVU - Franklin U.S. Low Volatility High Dividend Index ETF **(12bps*)**

FLVI - Franklin International Low Volatility High Dividend Index ETF **(25bps**)**

These strategies can easily be included in a dividend income portfolio, complementing core holdings, or as a core for investors that are more risk adverse, looking for income with less overall volatility.

Please reach out to Franklin Templeton wholesaler and ETF specialist to learn more.

*Management fee waived from 0.27% to 0.12% for the first year ending March 31, 2025. For additional information, please consult the prospectus.

**Management fee waived from 0.40% to 0.25% for the first year ending March 31, 2025. For additional information, please consult the prospectus.

Three ETFs on Pace for the 2024 A+® Awards Short List

The Canadian ETF market continues to grow both in assets and number of products. According to the Investment Fund Institute of Canada (IFIC), ETF assets totaled $429.2 billion as of May 31. This represents a 27% increase over the past 12 months and a 140% increase over the past five years.

Brian Bridger,
Senior Vice President,
Analytics and Data
Fundata Canada Inc.

This works out to a five-year compound growth rate of over 19%. The number of ETFs follows a similar trajectory. There are now over 1,450 funds from over 40 ETF manufacturers. Already this year, there have been 120 new products launched, on pace to eclipse the 2021 high of 170 new ETF launches.

FUNDATA
FINANCIAL DATA THAT MATTER

The best-performing ETFs are honoured at the annual Fundata FundGrade A+® Awards. ETFs are ranked against other ETFs and retail mutual funds in their respective CIFSC categories using risk-adjusted performance metrics. Funds require a three-year track record to be eligible for the awards. As we approach the halfway point of 2024, let's take a look at some of the potential first-time A+ award winning ETFs for this year.

Fidelity Sustainable World ETF (CBOE CAN: FCSW) is a Global Equity fund that launched in 2019. The portfolio managers at Fidelity include Anna Laster, George Liu, and Shashi Naik. Using a quantitative multi-factor model, they invest in companies with favourable ESG characteristics. The fund has just under 60% exposure to the United States, with the next highest being China at 5%. Technology is the highest sector weight at 35%, followed by Financial Services at 15% and Healthcare at 12%.

Top holdings include Microsoft, Nvidia, and Alphabet. Over the past three years, FCSW delivered an average annual compounded rate of return of 10.6%, outperforming the category average of 5.9%. The standard deviation over this time was 12.8%, less than the category average of 13.9%. Looking at the past five years paints a similar picture: above average returns and below average volatility, putting it on track to win its first FundGrade A+ Award in 2024. FCSW has an MER of 0.61% and a risk rating of Medium.

Sticking with the ESG theme, **CI MSCI World ESG Impact Index ETF (CESG)** is looking for its first A+ award since its inception in 2019. CESG is an index-based ETF in the Global Equity category that seeks to replicate the performance of the MSCI World ESG Select Impact ex Fossil Fuels Index Hedged to CAD. As the index name suggests, this fund has no exposure to fossil fuels and invests in companies with strong ESG performance that have a positive impact on the environment and society.

The portfolio has a 26% allocation to Healthcare and 20% to Real Estate. The highest geographic exposure is the United States at 52%, followed by Japan at 15%. Top holdings include Nvidia, Novo Nordisk, and Amgen. In each of the past three years, CESG has outperformed the Global Equity average and has done so with below-average volatility. The ETF is available in a hedged and unhedged version, both with an MER of 0.39%. The risk rating is Medium.

Switching gears, **Hamilton Global Financials ETF (TSX: HFG)** is an active ETF in the Financial Services Equity category also vying for its first FundGrade A+ Award. Launched in 2020, this ETF invests in banks, insurance companies, asset managers, and other financial services companies from around the world. Geographically, 46% of the fund is invested in the United States, followed by the United Kingdom at 16%, and then Canada at 7%.

Top holdings include Apollo Global Management, Fairfax Financial Holdings, and Standard Chartered. HFG is up over 35% during the past 12 months and has one of the highest three-year annualized rates of return in the category at 8.6%, well above the category average of 3%. Volatility over the past three years is also better than average with a standard deviation of 16.3%. The ETF has a trailing 12-month yield of 3.47% and an MER of 0.91%. The fund is rated Medium risk.

Check the FundGrade A+ Awards website www.fundgradeawards.com for a list of last year's winners, and more detail on selection methodology.

Brian Bridger, CFA, FRM, is Senior Vice President, Analytics and Data, at Fundata Canada Inc. and is a member of the Canadian Investment Funds Standards Committee (CIFSC).

2024 CALENDAR OF EVENTS

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WAIS Canada 23rd Annual

October 24th ~ Toronto, ON @ The Marriott Downtown

WAIS Canada is in its 23rd year and is Canada's largest gathering of alternative investments, investment professionals, investors, industry experts and service providers. Today's WAIS has gone much beyond its original alternative investment only focus attracting investment professionals from all facets of investments. WAIS Canada is a popular annual event that is not to be missed.

WAIS 2024 CANADA

waisc.com

Exchange Traded Forum (Toronto) 15th Annual

May 26th ~ Toronto, ON @ The Delta Hotel Toronto

Canada's largest and longest standing event dedicated to Exchange Traded Products. Hear from leading financial industry professionals and industry experts who will provide valuable insights into the issues and trends that matter most to Canada's financial professionals. Join us for presentations, advisor/client-focused sessions, roundtable discussions, networking events and knowledge sharing critical issues facing the financial industry. This is an opportunity for IIROC based financial advisors and also Portfolio Managers to gather together in a great location to network, learn from each other, and participates in the numerous educational opportunities that fill the agenda.

ETF & INVESTMENT FORUM 2025

ExchangeTradedForum.com

TORONTO

Exchange Traded Forum (Vancouver) 14th Annual

June 18th ~ Vancouver, BC @ Sheraton Wall Centre

Canada's largest and longest standing event dedicated to Exchange Traded Products. Hear from leading financial industry professionals and industry experts who will provide valuable insights into the issues and trends that matter most to Canada's financial professionals. Join us for presentations, advisor/client-focused sessions, roundtable discussions, networking events and knowledge sharing critical issues facing the financial industry.

ETF & INVESTMENT FORUM 2025

ExchangeTradedForum.com

VANCOUVER

Retirement and Investment Conference 7th Annual

Fall 2025 ~ Toronto, ON

A full-day event packed with presentations on the latest trends and solutions for retirement and investment professionals. Explore strategies to navigate and turn a challenging retirement and investment environment into an advantage for advisors. Network with peers and industry experts while gaining comprehensive exposure to all critical aspects of retirement and investment planning, including the latest tools, insights, and strategies to enhance client outcomes and grow your practice.

RETIREMENT AND INVESTMENT CONFERENCE 2025

RetirementInstitute.ca

ESG Conference (Toronto) 2nd Annual

Fall 2025 ~ Toronto, ON

The Canadian ESG Conference Toronto provides attendees with the opportunity for quality networking with a highly defined audience of credentialed advisors, investment professionals, sustainability professionals and corporate responsibility, green economy practitioners and sponsors within the financial services industry.

ESG CONFERENCE 2025

canadianesgconference.com

TORONTO

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ETF & Investment Forum London 2nd Annual

Autumn 2025 ~ London, United Kingdom

A unique, 1-day European gathering of industry experts and financial professionals with comprehensive exposure to the latest products and trends in the fast growing ETF and Investment industry.

ETF & INVESTMENT FORUM 2025
RadiusEurope.com
LONDON

ETF & Investment Forum Frankfurt 2nd Annual

Autumn 2025 ~ Frankfurt, Germany

A unique, 1-day European gathering of industry experts and financial professionals with comprehensive exposure to the latest products and trends in the fast growing ETF and Investment industry. (Präsentiert in deutscher Sprache)

ETF & INVESTMENT FORUM 2025
RadiusEurope.com
FRANKFURT

Institutional Dialogue 2nd Annual

Autumn 2025 ~ Edinburgh, United Kingdom

A 1 ½ day event packed with family conversations and solutions for a unique class of wealth professionals and entrepreneurs. Networking and learning among peers and industry experts with comprehensive exposure to all important aspects for family stewards.

INSTITUTIONAL DIALOGUE
RadiusEurope.com

Radius Europe Financial Education (Radius Europe) has been producing high level conferences within the financial services sector for over 20 years. As a leading producer of conferences within the financial sector, Radius Europe events focus on education and networking through an exchange of independent ideas and information, allowing our delegates to be leaders in their chosen fields. Our top-down approach to the agenda enables us to deliver relevant, thought-provoking, cutting edge, and sometimes controversial insight in a stimulating manner. We understand the importance of learning from the best. Each conference offers a well balanced speaker composition consisting of insight from authors, educators, economists, regulatory bodies and industry leaders from around the globe.

CIFSC Refines RI Framework to More Sharply Define Eligible Funds

It has been a year and a half since the Canadian Investment Funds Standards Committee (CIFSC) launched the Responsible Investment Identification Framework (RI Framework) in January, 2023.

John Krisko,
Manager,
Analytics and Data
Fundata Canada Inc.

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The RI Framework seeks to identify investment funds that apply one or more RI approaches. But responsible investment continues to evolve at a rapid pace in Canada and globally, and so the committee reviews the RI Framework annually to ensure that it is broadly in alignment with current standards.

Changes to the CIFSC RI Framework

The CIFSC began its 2024 review of the RI Framework and, among other minor changes to language, identified a potential inconsistency with the "Environment, Social, and Governance (ESG) Integration and Evaluation" approach, which ultimately led to its removal.

ESG Integration is, per the CIFSC definition, the use of "ESG criteria as an essential component of the evaluation method for security selection alongside traditional financial factors, such that all securities in a portfolio have been evaluated based on ESG factors and the ESG factors are significant and influential in the buying and selling of securities in the portfolio."

What stands out from this definition – which mirrors those of the Canadian security regulator's (CSA) Staff Notice 81-334 and the CFA/GSIA/PRI responsible investment definitions – is that apart from the other identified approaches, ESG Integration is a process. A process does not have an objective, or a measurable endpoint.

In addition, the wording that ESG Integration is used "alongside traditional financial factors" indicates that it may not be more important than those factors, and that the primary purpose of integration may be to enhance risk-adjusted returns. In contrast, funds identified under the other approaches specifically seek to have a measurable impact on one or more ESG factors, independent of financial return.

These two points are inconsistent with the intent of the RI Framework and the other five recognized approaches (ESG Best in Class, ESG Exclusions, ESG Related Engagement and Stewardship Activities, ESG Thematic Investing, and Impact Investing).

A summary of each RI approach and the changes to them is shown in the accompanying table.

RI Approach	Example of a Measurable Objective	Definition Change
ESG Exclusions	Limit or prohibit investment in securities that fail to meet ESG criteria.	Minor language changes to align with global standards.
ESG Best in Class	Restrict investment to securities with above-average ESG performance.	
ESG Thematic Investic	Restrict investment based on a specific ESG-focused theme.	
ESG Related Engagement and Stewardship Activites	Documentation of engagement with companies and voting records on ESG issues.	
Impact Investing	Metrics demonstrating the positive impact of invested capital.	"Green bonds" removed as a specific example, and minor language changes to align with global standards.
ESG Integration and Evaluation		Removed as of September 1, 2024.

What comes next?

After careful consideration and consultation with industry participants and stakeholders, the CIFSC voted to remove ESG Integration and Evaluation as an identified RI approach as of September 1, 2024.

The CIFSC recognizes that ESG Integration is a valid investment strategy. However, in the context of an objective-based RI Framework, a fund that integrates ESG in its investment process but does not seek a specific ESG outcome is not eligible to be flagged as an ESG objective fund.

Although this change may appear to be inconsistent with current definitions, given that both the CFA/GSIA/PRI definitions and CSA Staff Notice recognize Integration as a distinct RI approach, it is worth noting that CFA Institute recently published an update stating that their Global Industry Standards Team is developing a white paper that will address issues with ESG fund classification including the "lack of well-defined boundaries" such as "the difference between Integration Funds and ESG Focused Funds."

There is certainly more to come on this topic as regulators, investors, fund managers, and other industry participants continue to develop and refine their understanding of responsible investment. For its part, the CIFSC believes that limiting the RI Framework to objective-focused ESG approaches provides investors with a clear and consistent standard to identify funds where ESG factors are the primary investment selection criteria.

John Krisko, CFA, BBA, is Vice President, Investment Analytics at Fundata Canada Inc. and is Vice Chair of the Canadian Investment Funds Standards Committee (CIFSC). This information is not intended to provide specific personalized advice including, without limitation, investment, financial, legal, accounting or tax advice. No guarantee of performance is made or implied.

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Canadian ETF Association

CETFA's mandate is to support the growth, sustainability and integrity of Canada's ETF industry.

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Finding Global Opportunities in your Own Backyard

Jose Alancherry, CFA
Vice President, Retail Client Portfolio Management, TD Asset Management Inc.

Global financial markets are vast. Investing in them can open a world of opportunities, spanning countless industries, geographies and business models that drive the global economy.

Unlike that of the U.S., most equity markets around the world are often concentrated in a consortium of sectors that dominate their respective economies. Take Canada for instance. Investors who solely invest in Canadian equities will naturally be over exposed to Financials, Energy and Materials, while having little to no exposure to Technology, Healthcare, and/or Consumer Discretionary sectors. In addition, some industries are very localized or concentrated in a specific region for varying reasons. Take luxury goods for example. Premium, high-end, heritage luxury brands are typically situated in the European epicenters of Italy and France.

TD Asset Management

For Canadian investors, broadening out geographically beyond the Canadian market can unlock opportunities that are otherwise inaccessible. By investing in global solutions, investors can gain exposure to industries and businesses across the world, improving portfolio diversification and the overall risk profile of a portfolio.

Is now a good time to explore global options?

Global equity markets continue to exhibit positive momentum, building off robust 2023 performance. The resilience and strength exhibited by U.S. equities is now dispersing to other major equity markets around the world, with many indices at or near all-time highs. Global economic indicators remain constructive and are supported by indications we may be in the mid-cycle stage of a conventional economic cycle - which bodes well for equities.

Investing in global markets at this juncture also provides access to unique, idiosyncratic ideas – such as the Japanese revival and the re-industrialization of the Western World. Japan's revival is being driven by corporate policy reforms and regulatory focus aimed at unlocking shareholder value for public equities. Meanwhile, a wave of spending on big picture secular trends such as decarbonization, supply chain reshoring, advanced computing and data centre buildout, infrastructure spending, and ageing demographics is driving real dollars into capital expenditures. This influx of investment in Western modernization bodes well for equities geared to these themes, particularly those in the U.S., Europe, and Japan.

Harnessing the global opportunity through TGED

You don't have to travel the world to find a global investment opportunity. The TD Active Global Enhanced ETF (TGED), which has recently celebrated its five-year anniversary, does it for you by focusing on investing in high quality global companies with consistent and sustainable cash flow compounding. In addition, the solution is designed to help resolve the specific challenge of balancing growth and income in the search for total yield. The strategy behind addressing this challenge aims to enhance income streams through a differentiated option overlay strategy. Unlike many competitor products, TGED use an active approach in both selecting stocks and writing options.

Consistent outperformance through various market conditions

TGED was designed to be an all-weather solution that can adapt to changing market conditions, enhance returns, while also providing downside protection through all the facets of the market cycle. In fact, when reviewing periods of rising markets, TGED experienced compound returns better than the index and peer group[1]. According to Morningstar®, over a 3-year rolling basis, TGED's upside capture ratio is 122 compared to the global category's 94, meaning TGED outperformed its benchmark in rising markets, whereas our peer groups only captured a handful of the market's gains.

Conversely, in challenging environments our peers captured even greater downside than the market, while TGED provided investors defensive shelter through better drawdown management. TGED has delivered higher returns for a comparatively lower risk profile to both its benchmark and its peer group, making it a one-stop solution for clients to compound returns while managing risk through changing market cycles.

For more information about TD ETFs please visit our ETF Resource Centre.

As of July 31, 2024	1 Month	3 Months	6 Months	YTD	1 Year	2 Years	3 Years	5 Years	Since Inception	Inception Date
TD Active Global Enhanced Dividend ETF	0.78	9.09	20.21	25.47	33.31	24.68	12.59	15.08	14.59	5/3/2019
Peer group percentile	83	13	3	3	3	3	3	5	5	NA
Canada Fund Global Equity	2.52	7.32	13.01	15.01	18.39	15.42	6.02	9.28	8.60	1/1/1972
S&P/TSX Composite TR	5.87	7.26	11.67	12.28	15.73	11.91	7.72	10.45	10.00	1/3/1977
MSCI World NR LCL	1.25	7.81	12.83	14.84	19.35	15.96	8.27	12.52	12.13	3/31/1986

Source: Morningstar

[1] Morningstar Peer Group refers to the Canada Fund US Equity category in Morningstar where similarly-structured US equity funds in Canada are grouped together. The peer group average refers to the average performance of this category. The information contained herein has been provided by TDAM and is for information purposes only. The information has been drawn from sources believed to be reliable. Graphs and charts are used for illustrative purposes only and do not reflect future values or future performance of any investment. The information does not provide financial, legal, tax or investment advice. Particular investment, tax, or trading strategies should be evaluated relative to each individual's objectives and risk tolerance. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the fund facts and prospectus, which contain detailed investment information, before investing. The indicated rates of return are the historical annual compounded total returns for the period indicated including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that would have reduced returns. Mutual funds are not guaranteed or insured, their values change frequently and past performance may not be repeated. Certain statements in this document may contain forward-looking statements ("FLS") that are predictive in nature and may include words such as "expects", "anticipates", "intends", "believes", "estimates" and similar forward-looking expressions or negative versions thereof. FLS are based on current expectations and projections about future general economic, political and relevant market factors, such as interest and foreign exchange rates, equity and capital markets, the general business environment, assuming no changes to tax or other laws or government regulation or catastrophic events. Expectations and projections about future events are inherently subject to risks and uncertainties, which may be unforeseeable. Such expectations and projections may be incorrect in the future. FLS are not guarantees of future performance. Actual events could differ materially from those expressed or implied in any FLS. A number of important factors including those factors set out above can contribute to these digressions. You should avoid placing any reliance on FLS.TD Mutual Funds and the TD Managed Assets Program portfolios are managed by TD Asset Management Inc., a wholly-owned subsidiary of The Toronto-Dominion Bank and are available through authorized dealers. The Morningstar Risk-Adjusted Ratings (MRARs), commonly referred to as the Star Rating, relates the risk-adjusted performance of a fund to its peers within the same CIFSC Fund Category for the period ended as noted and are subject to change monthly. Morningstar calculates ratings for categories with at least 20 funds. To determine a fund's rating, the fund and its peers are ranked by their MRARs. If a fund scores in the top 10% of its category, it receives five stars (High); if it falls in the next 22.5%, it receives four stars (Above Average); the next 35% earns a fund three stars (Neutral or Average); those in the next 22.5% receive two stars (Below Average); and the lowest 10% receive one star (Low). The Overall Rating is a weighted combination of the 3, 5, and 10-year ratings. For greater detail, see www.morningstar.ca. Quartile rankings are intended to measure how well a fund has performed compared to other funds in its peer group. Quartile rankings are compiled by ranking all of the funds in a category by return over a given time period. The top performing 25% of funds in the category are assigned a quartile ranking of 1, the next 25% a 2, the next 25% a 3, and the bottom 25% of funds a 4. Quartile rankings can change over time. Percentile Rank is the fund's total-return percentile rank relative to all funds that are within the same Morningstar Category. The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100. The top-performing fund in a category will always receive a rank of 1.

RETIREMENT AND INVESTMENT CONFERENCE 2025

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Life at its fullest

It is our great pleasure to invite you to the **Retirement and Investment Conference 2025** being held in Toronto in the Fall of 2025 for a full-day event packed with presentations on the latest trends and solutions for retirement and investment professionals. Explore strategies to navigate and turn a challenging retirement and investment environment into an advantage for advisors. Network with peers and industry experts while gaining comprehensive exposure to all critical aspects of retirement and investment planning, including the latest tools, insights, and strategies to enhance client outcomes and grow your practice.

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3 Key Sectors Likely to Gain from Falling Interest Rates: Banks, Utilities and REITs

Kevin Prins,
Managing Director, Head of Distribution, ETFs and Digital Distribution, BMO Global Asset Management

The Bank of Canada (BoC) has now cut interest rates three times this year with markets quickly pricing in additional cuts for the remaining rate-decision meetings for 2024.

The Bank of Canada (BoC) has now cut interest rates three times this year with markets quickly pricing in additional cuts for the remaining rate-decision meetings for 2024. That would bring the overnight rate to 3.75% from its current rate of 4.25%, with potentially faster cuts to come next year—many now believe we may see the BoC's overnight rate fall as low as 2.25% by the end of 2025.

In the U.S., due to higher-than-expected unemployment, many believe the delay in cutting rates in July may have been a mistake, with market expectations now leaning toward an oversized cut of 50 basis points (bps) in upcoming meetings with further cuts to come through the end of 2024. At one point, interest rate futures in August suggested the Federal Reserve would cut as much as two full percentage points or more by the end of 2025.

In a declining interest rate environment, certain sectors may be poised to shine more than others. Furthermore, yields across the curve have fallen substantially over the last month due to market expectations of future rate cuts. Could this leave investors looking for other cashflow options? Below, we highlight three sectors likely to benefit from a declining interest rate environment.

ETFs in Focus

- BMO Equal Weight Banks Index ETF (Ticker: ZEB)
- BMO Covered Call Canadian Banks ETF (Ticker: ZWB)
- BMO Equal Weight Utilities Index ETF (Ticker: ZUT)
- BMO Covered Call Utilities ETF (Ticker: ZWU)
- BMO Equal Weight REITs Index ETF (Ticker: ZRE)
- BMO Global REIT Fund Active ETF Series (Ticker: BGRT)

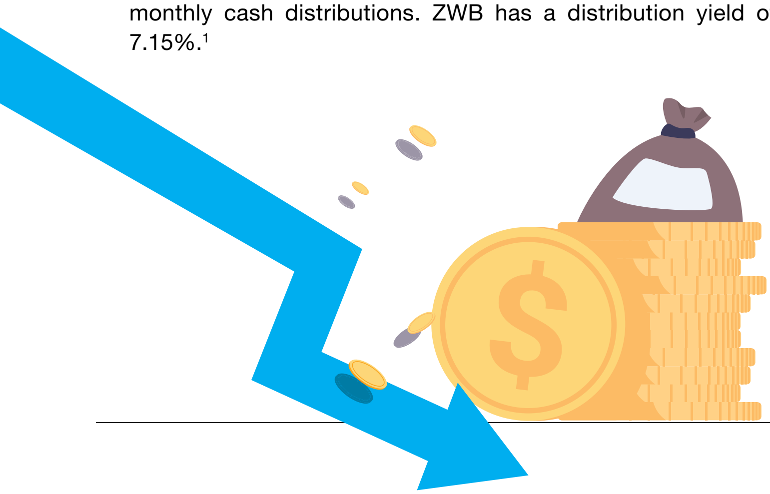
Banks

When interest rates drop, it typically eases the pressure on defaults along with encouraging businesses and consumers to borrow more, which represent potential tailwinds for Canada's Big Six lenders (Royal Bank of Canada, TD Bank, Bank of Montreal, CIBC, Bank of Nova Scotia and National Bank). With additional rates cuts expected from the BoC, now could serve as a tactical time to add or increase a weighting to Canadian banks.

With the wide dispersions in stock price performance between the banks as of late, one may have the opinion that not all banks are considered equal. BMO's Equal Weight strategy is designed to remove concentration risk in a particular company.

- BMO Equal Weight Banks Index ETF (Ticker: ZEB) aims to provide equal-weight exposure to large, diversified Canadian bank stocks. ZEB has a distribution yield of 4.47%.[1]

- BMO Covered Call Canadian Banks ETF (Ticker: ZWB) call option writing reduces volatility while producing enhanced monthly cash distributions. ZWB has a distribution yield of 7.15%.[1]



Utilities

Government bond yields tend to have an inverse relationship with Utilities (when interest rates drop, utility stock prices typically increase, and vice versa). This is mainly due to the costs involved with sector companies. The cost of construction for power plants, and the maintenance of infrastructure required to deliver gas, water, or electricity can make Utilities expensive when the cost of borrowing is high.

When interest rates decline, bond yields lower, yet demand for income remains. Utilities act as a defensive sector that can consistently pay high dividends. In a downward rate cycle, investors tend to shift away from bonds and into Utilities equities, putting demand and upward price pressure on the sector.

- BMO Equal Weight Utilities Index ETF (Ticker: ZUT) aims to provide equal-weight exposure to large, diversified utilities stocks. The ETF pays an attractive distribution yield of 4.27%.[1]

- BMO Covered Call Utilities ETF (Ticker: ZWU) call option writing reduces volatility while producing enhanced monthly cash distributions. ZWU pays a distribution yield of 7.75%.[1]

REITs

Real Estate Income Trusts (REITs) tend to deliver strong returns during early stages of a real estate recovery cycle, which tends to align with a lower, and falling, interest rate environment. In addition, similar to Utilities, lower rates should benefit capital-intensive publicly traded companies like REITs. Lower interest rates mean lower debt payments for property buyers and lower debt payments in turn improve the economics of property deals. Therefore, real estate companies tend to increase their investing activity and expand their portfolios. The potential expansion in inventory to lease out to customers could result in potential profit growth.

- BMO Equal Weight REITs Index ETF (Ticker: ZRE) aims to provide an equal-weight exposure to large REITs and a distribution yield of 4.89%.[1] Yields for REITs may look more favorable than yields on fixed-income and money market solutions.

- BMO Global REIT Fund Active ETF Series (Ticker: BGRT) is an active REIT ETF that uses a fundamental top-down, bottom-up process to select high-quality REITs. BGRT has a distribution yield of 3.80%.[1]

In a declining interest rate environment, Canadian banks, Utilities and REITs are likely poised to be beneficiaries of investor demand for yield. With market expectations pricing in further cuts to come in Canada, now may prove to be an attractive time to gain or add to an exposure to these rate-sensitive sectors.

Performance

Fund Name	Ticker	YTD	3 mo	1 Year	3 Year	5 Year	10 Year	Since Inception	Inception Date
BMO Equal Weight Banks Index ETF	ZEB	11.79%	7.22%	23.94%	6.41%	11.55%	8.78%	10.55%	20-Oct-2009
BMO Covered Call Canadian Banks ETF	ZWB	9.76%	5.59%	17.85%	3.66%	8.14%	6.68%	8.13%	28-Jan-2011
BMO Equal Weight Utilities Index ETF	ZUT	6.94%	5.04%	4.33%	2.42%	6.46%	7.14%	6.92%	19-Jan-2010
BMO Covered Call Utilities ETF	ZWU	11.06%	6.32%	14.10%	1.96%	3.16%	3.28%	4.51%	20-Oct-2011
BMO Equal Weight REITs Index ETF	ZRE	9.78%	14.31%	12.89%	-1.59%	2.92%	6.14%	8.14%	19-May-2010
BMO Global REIT Fund Active ETF Series	BGRT	10.51%	12.58%	17.14%	–	–	–	17.12%	27-Jun-2023

Bloomberg, as of August 31, 2024

[1] Source: Bloomberg, August 23, 2024. Annualized distribution yield is calculated by taking the most recent regular distribution, or expected distribution, (excluding additional year end distributions) annualized for frequency, divided by current NAV. The yield calculation does not include reinvested distributions.

The communication is for information purposes. The information contained herein is not, and should not be construed as, investment, tax or legal advice to any party. Particular investments and/or trading strategies should be evaluated relative to the individual's investment objectives and professional advice should be obtained with respect to any circumstance.

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 prospectus.

Distribution yields are calculated by using the most recent regular distribution, or expected distribution, (which may be based on income, dividends, return of capital, and option premiums, as applicable) and excluding additional year end distributions, and special reinvested distributions annualized for frequency, divided by month end net asset value (NAV). The yield calculation does not include reinvested distributions. **Distributions are not guaranteed, may fluctuate and are subject to change and/or elimination. Distribution rates may change without notice (up or down) depending on market conditions and NAV fluctuations**. The payment of distributions should not be confused with the BMO ETF's performance, rate of return or yield. If distributions paid by a BMO ETF are greater than the performance of the investment fund, your original investment will shrink. Distributions paid as a result of capital gains realized by a BMO ETF, and income and dividends earned by a BMO ETF, are taxable in your hands in the year they are paid. **Your adjusted cost base will be reduced by the amount of any returns of capital. If your adjusted cost base goes below zero, you will have to pay capital gains tax on the amount below zero**.

Cash distributions, if any, on units of a BMO ETF (other than accumulating units or units subject to a distribution reinvestment plan) are expected to be paid primarily out of dividends or distributions, and other income or gains, received by the BMO ETF less the expenses of the BMO ETF, but may also consist of non-taxable amounts including returns of capital, which may be paid in the manager's sole discretion. To the extent that the expenses of a BMO ETF exceed the income generated by such BMO ETF in any given month, quarter, or year, as the case may be, it is not expected that a monthly, quarterly, or annual distribution will be paid. Distributions, if any, in respect of the accumulating units of BMO Short Corporate Bond Index ETF, BMO Short Federal Bond Index ETF, BMO Short Provincial Bond Index ETF, BMO Ultra Short-Term Bond ETF and BMO Ultra Short-Term US Bond ETF will be automatically reinvested in additional accumulating units of the applicable BMO ETF. Following each distribution, the number of accumulating units of the applicable BMO ETF will be immediately consolidated so that the number of outstanding accumulating units of the applicable BMO ETF will be the same as the number of outstanding accumulating units before the distribution. Non-resident unitholders may have the number of securities reduced due to withholding tax. Certain BMO ETFs have adopted a distribution reinvestment plan, which provides that a unitholder may elect to automatically reinvest all cash distributions paid on units held by that unitholder in additional units of the applicable BMO ETF in accordance with the terms of the distribution reinvestment plan. For further information, see the distribution policy in the BMO ETFs' prospectus.

Commissions, management fees and expenses all may be associated with investments in exchange traded funds. Please read the ETF Facts or prospectus of the BMO ETFs before investing. The indicated rates of return are the historical annual compounded total returns including changes in unit value and reinvestment of all dividends or distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that would have reduced returns. 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 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.

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

BMO Global Asset Management is a brand name under which BMO Asset Management Inc. and BMO Investments Inc. operate.

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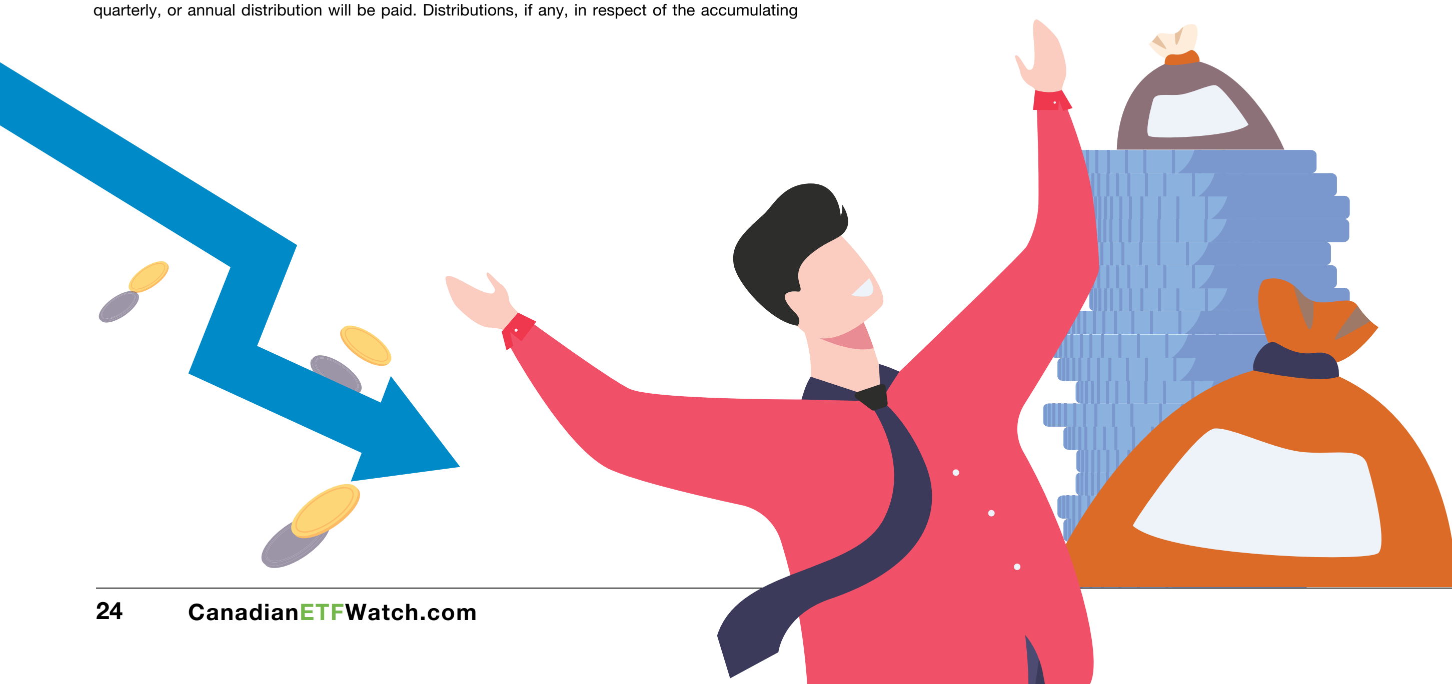
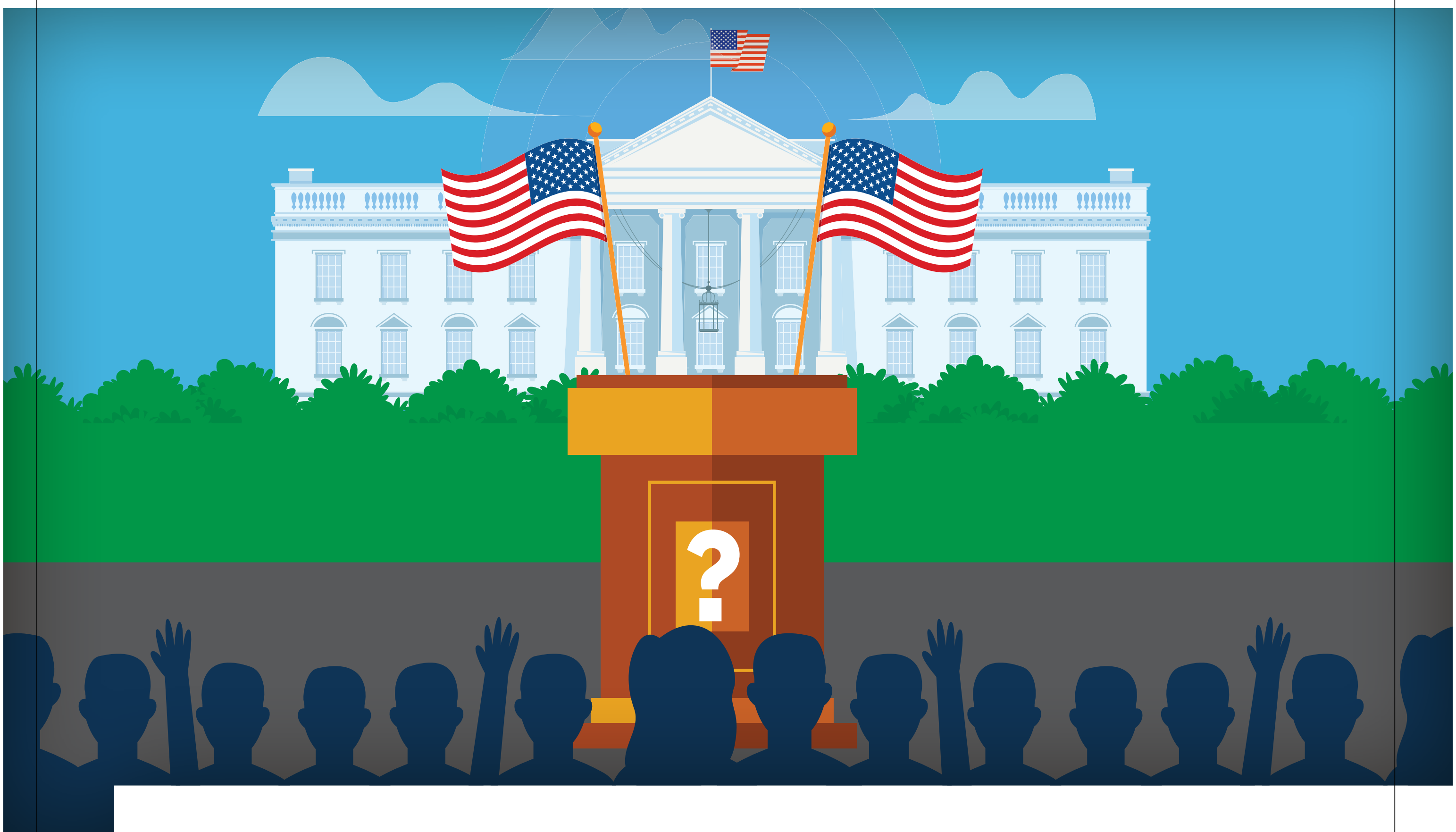


How the Next U.S. President Could Impact Canadian Investors



For better or worse, the spotlight on the U.S. election shines brighter with each passing day.

Ahmed Farooq,
Senior Vice President, Head of Retail ETF Distribution, Franklin Templeton Canada

As our focus shifts more toward what could happen at the conclusion of the election cycle, Canadian portfolios will surely be impacted. My conversations with advisors are becoming increasingly tactical, as they try to forecast how each potential winner could impact markets. This is complicated by the fact that the macro environment is especially dynamic right now.

FRANKLIN TEMPLETON

While it's under 3%, inflation is still slowly reaching the desired target. The Bank of Canada had its 3rd rate cut, dropping the key interest rate to 4.25%. The Fed is posturing for rate cuts in September, and the downside of this effort could be as unprecedented and unpredictable as the upside. U.S. growth is slowing while unemployment has risen to 4.1%. And we haven't even talked about what some are calling the most important election in modern American history.

With November rapidly approaching, the U.S. presidency is about to change hands, and **this is a reality that Canadian investors and advisors should prepare for**. So, let's think through what both a Harris and a Trump presidency could mean for Canadians investing in U.S. markets.

A Harris Presidency:

Pros	Cons
In favour of building out green economy and expanding access to healthcare.	Erosion of corporate earnings via higher taxes.
Could be friendlier to big tech than Biden has been.	

A Harris presidency comes with a lot of ambiguity. Will her administration look like a continuation of the previous one? Or will she try to woo undecided voters by introducing new ideas while distancing herself from Biden's platform? While there are a lot of questions still in the air, there are a few things we know for sure.

Harris will prioritize tax hikes for corporations. This could erode corporate profitability, having a negative impact on the markets and the economy – both short-term and long-term. As a climate champion, she could be bad for big oil on both sides of the border, but good for sectors that prioritize green friendly energy and infrastructure. Plus, as a former California senator, she has deep ties and well-established relationships with big tech, which may lead to friendlier policies for the sector. We also know that she will prioritize healthcare expansion with policies to grow Medicare to all Americans.

A Trump Presidency:

Pros	Cons
Perceived as a pro-market president.	More protectionist trade policy creates risk.
Friendlier tax policies.	
Deregulation in heavily regulated sectors.	

Warranted or not, Trump is commonly perceived as a pro-market president. With proposed tax policies to reduce both corporate and individual tax rates, his office could stimulate the U.S. economy by increasing corporate profits and putting more spending money in the pockets of consumers. He's also focused on deregulating heavily regulated sectors such as energy, healthcare, and finance, leading to larger investment in companies within those sectors. This includes a vow to reinstate the Keystone XL Pipeline project, which would be a bonus for Canada's energy sector.

Based on his campaign platform, we know that a second presidency would be more protectionist than the first. The results of this could be mixed, with the potential for reciprocation from other countries. This could lead to protracted trade disputes while negatively affecting the global supply chain. For Canadians, the elephant in the room is his proposed 10% tariff on all U.S. imports, which would be a difficult development for a weakening economy that ships nearly three quarters of its exports south of the border.

What Does This Mean for Canadian Investors?

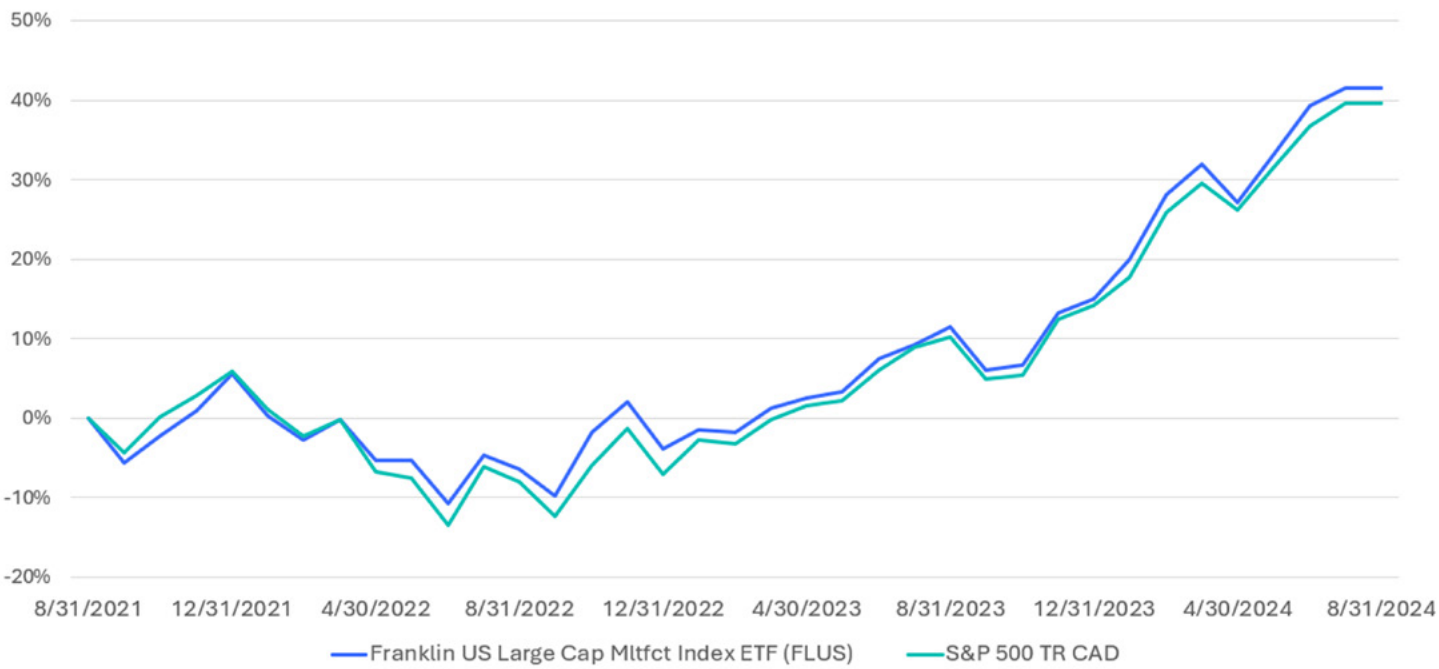
Okay – so we've established that both candidates come with a unique set of push-and-pull dynamics. Beyond that, each candidate's ability to implement their platforms will depend greatly on how divided the U.S. congressional house is post-election. But what we know for sure is that the market is flooded with uncertainty. And that means investors need to prepare for near-term volatility. That's why I believe that having a high-quality overlay in your U.S. exposure will be important.

FLUS - our U.S. Multi Factor ETF – leans primarily into quality[1] with some exposure to value[2] and momentum3 layered on top. The quality factor is the foundation that supports the more growth-oriented factor exposures, giving investors a best of both worlds approach, all for 25bps. And despite the elevated market volatility this year, FLUS has outperformed the S&P 500 on a year-to-date, 1-year, and 3-year basis.

1. Stocks of companies with strong balance sheets, stable earnings, and consistent growth. 2. Stocks of companies trading at lower multiples relative to their fundamental value.
3. Stocks which have recently outperformed on a relative basis over a 1-year period or less.

3-Year Performance

(as of 08/31/24)



Source: Morningstar Research Inc., as of August 31, 2024. Commissions, trailing commissions, management fees, brokerage fees and expenses may be associated with investments in mutual funds and ETFs. Please read the prospectus and fund fact/ETF facts document before investing. ETFs trade like stocks, fluctuate in market value and may trade at prices above or below the ETF's net asset value. Brokerage commissions and ETF expenses will reduce returns. Performance of an ETF may vary significantly from the performance of an index, as a result of transaction costs, expenses, and other factors. Indicated rates of return are historical annual compounded total returns for the period indicated, including changes in unit value and reinvestment distributions, and do not take into account any charges or income taxes payable by any security holder that would have reduced returns. Mutual funds and ETFs are not guaranteed. Their values change frequently. **Past performance may not be repeated**. ETF units may be bought or sold throughout the day at their market price on the exchange on which they are listed.

To be clear, while this moment will be impactful to Canadian investors, the significance of any one election shouldn't be overstated. But, when you layer in all of the other market dynamics at play, the sum of the parts suggests that we're in a complicated phase of the cycle. And, when things get complicated, sometimes keeping it simple with quality is the best approach.