

IBKRWEBINARS.COM



January 31, 2023

BMO Global Asset Management

Income Enhancements For Your Portfolio

Erin Allen

VP, Online ETF Distribution
BMO ETFs

Sa'ad Rana

Senior Associate, Online ETF
Distribution
BMO ETFs

Exchange and Industry Sponsored Webinars are presented by unaffiliated third parties. Interactive Brokers LLC is not responsible for the content of these presentations. You should review the contents of each presentation and make your own judgment as to whether the content is appropriate for you. Interactive Brokers LLC does not provide recommendations or advice. This presentation is not an advertisement or solicitation for new customers. It is intended only as an educational presentation.



Disclosure:

Options involve risk and are not suitable for all investors. For information on the uses and risks of options, you can obtain a copy of the Options Clearing Corporation risk disclosure document titled [Characteristics and Risks of Standardized Options](#) by calling (312) 542-6901.

Any discussion or mention of an ETF is not to be construed as recommendation, promotion or solicitation. All investors should review and consider associated investment risks, charges and expenses of the investment company or fund prior to investing. Before acting on this material, you should consider whether it is suitable for your particular circumstances and as necessary, seek professional advice.

Futures are not suitable for all investors. The amount you may lose may be greater than your initial investment. Before trading futures, please read the [CFTC Risk Disclosure](#). For a copy visit interactivebrokers.com.

There is a substantial risk of loss in foreign exchange trading. The settlement date of foreign exchange trades can vary due to time zone differences and bank holidays. When trading across foreign exchange markets, this may necessitate borrowing funds to settle foreign exchange trades. The interest rate on borrowed funds must be considered when computing the cost of trades across multiple markets.

The Order types available through Interactive Brokers LLC's Trader Workstation are designed to help you limit your loss and/or lock in a profit. Market conditions and other factors may affect execution. In general, orders guarantee a fill or guarantee a price, but not both. In extreme market conditions, an order may either be executed at a different price than anticipated or may not be filled in the marketplace.

There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations.

- IRS Circular 230 Notice: These statements are provided for information purposes only, are not intended to constitute tax advice which may be relied upon to avoid penalties under any federal, state, local or other tax statutes or regulations, and do not resolve any tax issues in your favor.
- Interactive Brokers LLC is a member of [NYSE FINRA SIPC](#)

DISCLAIMER

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. The viewpoints expressed by the individuals represents their assessment of the markets at the time of publication. Those views are subject to change without notice at any time without any kind of notice. The information provided herein does not constitute a solicitation of an offer to buy, or an offer to sell securities nor should the information be relied upon as investment advice. Past performance is no guarantee of future results. This communication is intended for informational purposes only.

Distributions are not guaranteed and may fluctuate. Distribution rates may change without notice (up or down) depending on market conditions. The payment of distributions should not be confused with an investment fund's performance, rate of return or yield. If distributions paid by an investment fund are greater than the performance of the fund, your original investment will shrink. Distributions paid as a result of capital gains realized by an investment fund, and income and dividends earned by an investment fund, 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. Please refer to the distribution policy for BMO ETF set out in the prospectus.

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.

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.

This 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.

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

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.

®/™Registered trademarks/trademark of Bank of Montreal, used under licence.

ETF
MARKET **INSIGHTS**



TODAY'S SPEAKERS



Erin Allen
VP, BMO ETFs



Sa'ad Rana
Senior Associate, BMO ETFs

ETF MARKET INSIGHTS PAST EPISODES



ETFMARKETINSIGHTS.com

SUBSCRIBE



ONE MINUTE UPDATE

COVERED CALL ETF UNIVERSE

COVERED CALL STRATEGIES

BENEFITS

TRADITIONAL APPROACH TO INCOME INVESTING

BALANCING INCOME & GROWTH

THE IMPACT OF MARKETS

OTHER CONSIDERATIONS

S&P/TSX Sector Performance

Sector	Week Chg	YTD Chg	1 Yr Chg
Info Tech	2.8%	10.3%	-34.0%
Health Care	2.1%	12.7%	-52.6%
Energy	1.8%	4.5%	17.4%
Utilities	0.7%	5.0%	-5.8%
Real Estate	0.7%	8.4%	-13.0%
Materials	0.6%	9.1%	8.4%
Financials	0.4%	5.6%	-10.7%
Communications	0.4%	4.7%	-2.6%
Consumer Discretionary	0.2%	5.9%	1.9%
Industrials	-0.2%	4.0%	6.9%
Consumer Staples	-0.5%	2.3%	17.8%

S&P 500 Sector Performance

Sector	Week Chg	YTD Chg	1 Yr Chg
Communications	3.0%	11.1%	-30.0%
Energy	0.7%	3.4%	43.0%
Info Tech	0.7%	5.5%	-17.0%
Consumer discretionary	-0.5%	7.6%	-25.9%
Real Estate	-0.7%	6.2%	-16.1%
Health Care	-1.1%	-1.5%	2.4%
Materials	-1.2%	6.6%	-3.6%
Financials	-2.1%	3.2%	-9.3%
Consumer Staples	-2.9%	-2.6%	-4.2%
Utilities	-2.9%	-1.8%	0.4%
Industrials	-3.4%	0.8%	-3.0%

Source: Bloomberg 20-January-2023
 Sectors are ranked in order of highest performing sector for the week, to the lowest



Erin Allen
VP, BMO ETFs



Sa'ad Rana
Associate, BMO ETFs

ONE MINUTE UPDATE

COVERED CALL ETF UNIVERSE

COVERED CALL STRATEGIES

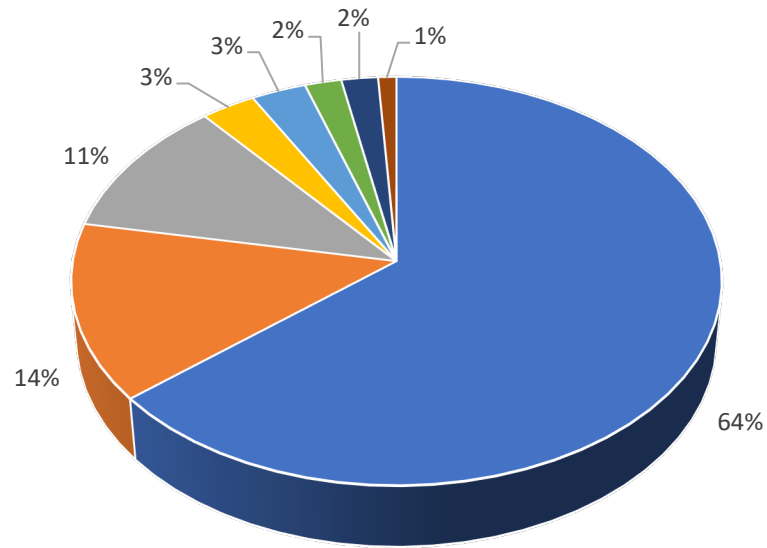
BENEFITS

TRADITIONAL APPROACH TO INCOME INVESTING

BALANCING INCOME & GROWTH

THE IMPACT OF MARKETS

OTHER CONSIDERATIONS



- \$4.4 billion in net flows in 2022 (a new high)¹
- Over \$14 billion AUM (as of Dec. 31, 2022)¹

Source – TD Securities, as of August 11, 2022

¹Source – National Bank, as of December 31, 2022



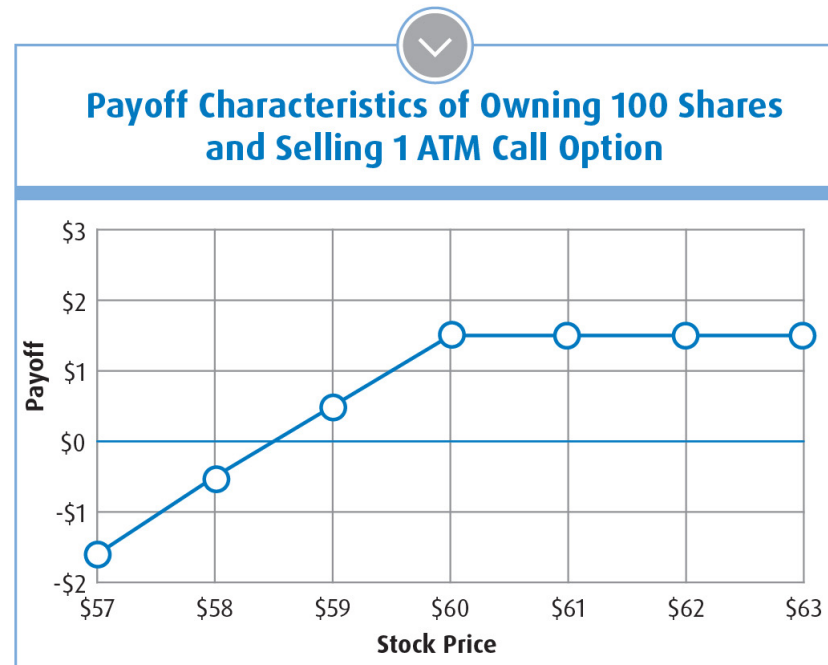
Erin Allen
VP, BMO ETFs



Sa'ad Rana
Associate, BMO ETFs

Covered Call Strategies

- Holding a stock and selling (writing) a call option on the underlying stock
- Selling a call option gives the buyer the ability to purchase a stock at a later date at an agreed upon price (the strike price)
- By selling the option, the portfolio receives a premium, providing additional cash flow



For illustrative purposes only

ONE MINUTE UPDATE
COVERED CALL ETF
UNIVERSE

COVERED CALL STRATEGIES

BENEFITS
TRADITIONAL APPROACH TO
INCOME INVESTING
BALANCING INCOME &
GROWTH
THE IMPACT OF MARKETS
OTHER CONSIDERATIONS



Erin Allen
VP, BMO ETFs



Sa'ad Rana
Associate, BMO ETFs

ONE MINUTE UPDATE

COVERED CALL ETF
UNIVERSE

COVERED CALL STRATEGIES

BENEFITS

TRADITIONAL APPROACH TO
INCOME INVESTING

BALANCING INCOME &
GROWTH

THE IMPACT OF MARKETS

OTHER CONSIDERATIONS

■ Generating consistent yield

- The extra option premium becomes an attractive yield enhancement on top of the stock dividends

■ Tax-efficient*

- The income generated from writing call options is taxed as capital gains

■ Lowers Risk & Volatility

- Additional income collected from a covered call strategy can offset potential losses on the stock position

■ Rinse and Repeat

- If the shares are not called away (OTM), you keep the shares and the premium. Rinse and Repeat.

*As compared to an investment that generates an equivalent amount of interest income



Erin Allen
VP, BMO ETFs



Sa'ad Rana
Associate, BMO ETFs

**ONE MINUTE UPDATE
COVERED CALL ETF
UNIVERSE**

COVERED CALL STRATEGIES

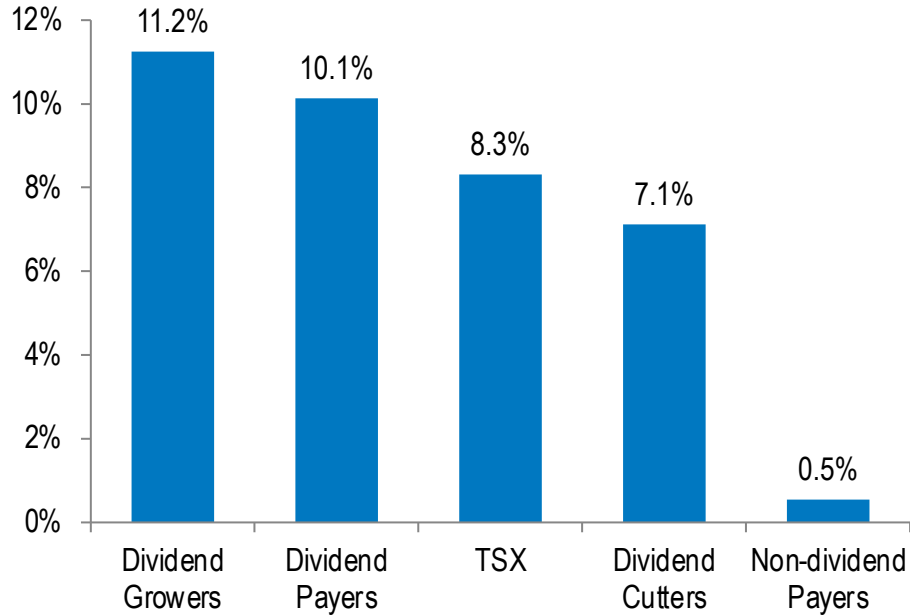
BENEFITS

**TRADITIONAL APPROACH TO
INCOME INVESTING**

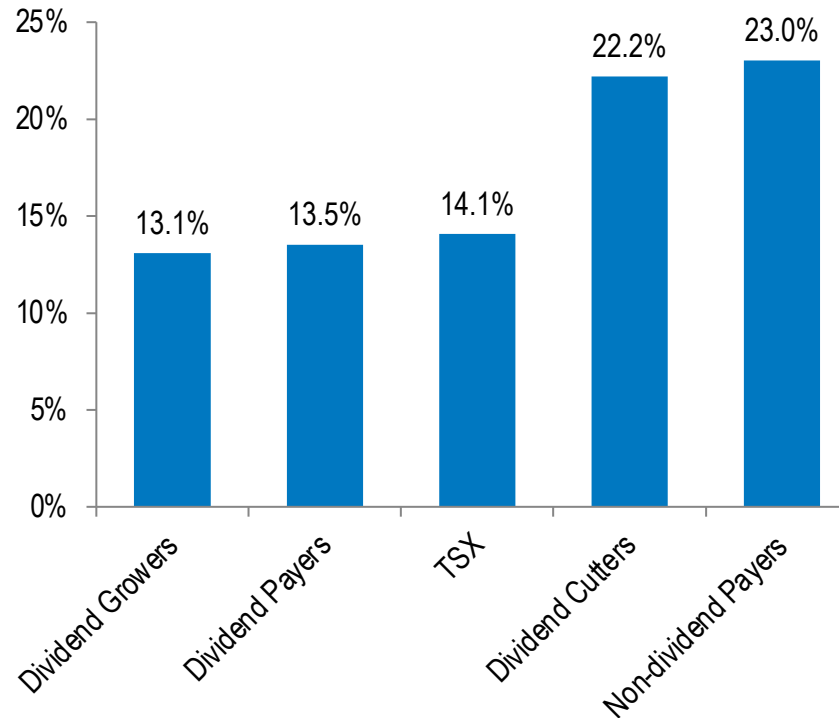
**BALANCING INCOME &
GROWTH**

**THE IMPACT OF MARKETS
OTHER CONSIDERATIONS**

Total Returns



Annualized Volatility



Better return profile at lower volatility = a winning investment proposition

Source: BMO Investment Strategy Group, unweighted. As at Feb 2022 (Analysis begins in January 1990).



Erin Allen
VP, BMO ETFs



Sa'ad Rana
Associate, BMO ETFs

- 50% of the portfolio is covered
- Use Out of the Money (OTM) options
- Use short-term options (1 to 3 Months)

Option Yield Scenario Table					
		Implied Volatility			
		10%	15%	20%	25%
OTM	2.0%	2.1%	4.9%	8.0%	11.3%
	3.0%	1.1%	3.4%	6.2%	9.3%
	4.0%	0.6%	2.3%	4.7%	7.5%
	5.0%	0.2%	1.5%	3.5%	6.1%
	6.0%	0.1%	0.9%	2.6%	4.8%
	7.0%	0.0%	0.6%	1.9%	3.8%

Source: BMO AM, Black-Scholes option pricing model assuming 50% portfolio coverage; *OTM = Out of the money

ONE MINUTE UPDATE

COVERED CALL ETF UNIVERSE

COVERED CALL STRATEGIES

BENEFITS

TRADITIONAL APPROACH TO INCOME INVESTING

BALANCING INCOME & GROWTH

THE IMPACT OF MARKETS

OTHER CONSIDERATIONS



Erin Allen
VP, BMO ETFs



Sa'ad Rana
Associate, BMO ETFs

ONE MINUTE UPDATE
COVERED CALL ETF
UNIVERSE

COVERED CALL STRATEGIES

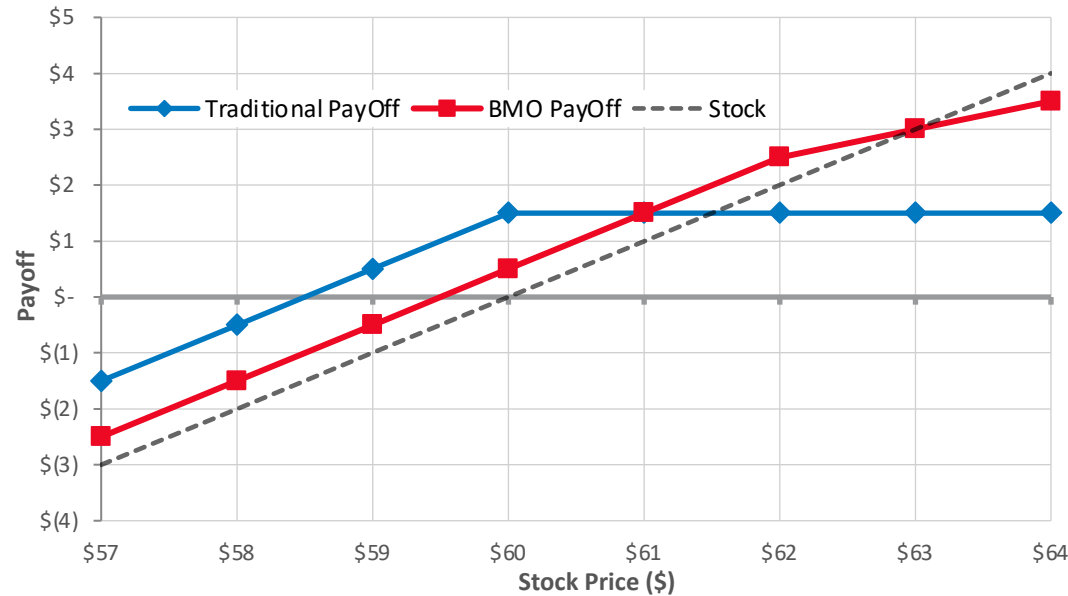
BENEFITS

TRADITIONAL APPROACH TO
INCOME INVESTING

BALANCING INCOME &
GROWTH

THE IMPACT OF MARKETS
OTHER CONSIDERATIONS

Example illustrating the payoff of a **traditional covered call** strategy relative to **Stock**



- 50% of the portfolio is covered
- Use Out of the Money (OTM) options
- Use short-term options (1 to 3 Months)

For illustrative purposes only

The above results are hypothetical and are intended for illustrative purposes only



Erin Allen
VP, BMO ETFs



Sa'ad Rana
Associate, BMO ETFs

The Impact of Markets

- Rising Markets
- Falling Markets
- Sideways Markets



ONE MINUTE UPDATE
COVERED CALL ETF
UNIVERSE

COVERED CALL STRATEGIES

BENEFITS

TRADITIONAL APPROACH TO
INCOME INVESTING

BALANCING INCOME &
GROWTH

THE IMPACT OF MARKETS

OTHER CONSIDERATIONS



Erin Allen
VP, BMO ETFs



Sa'ad Rana
Associate, BMO ETFs

Other Considerations

- Check ETF Facts for all in MER
- Fund of Fund considerations
- Leverage considerations

EXPERIENCE MATTERS

ONE MINUTE UPDATE
COVERED CALL ETF
UNIVERSE

COVERED CALL STRATEGIES

BENEFITS

TRADITIONAL APPROACH TO
INCOME INVESTING

BALANCING INCOME &
GROWTH

THE IMPACT OF MARKETS

OTHER CONSIDERATIONS



Erin Allen
VP, BMO ETFs



Sa'ad Rana
Associate, BMO ETFs



READ THE LATEST BLOG

COVERED CALL ETFS WITH OMANAND KARMALKAR

January 19, 2023

The covered call strategy is a relatively simple concept to understand but can be difficult to execute correctly. The key is to understand the options market and the underlying stock before entering a covered call position.

[READ MORE](#) > [VIEW ALL BLOGS](#) >

WHAT ARE ENHANCED INCOME STRATEGIES?

Enhanced income strategies are designed for investors looking for higher income to complement their portfolios. They provide:

- **Professional Management.** BMO ETFs is one of the largest providers of Covered Call ETFs in the world and has been running derivative based strategies for over 10 years.
- **Higher Income.** This is from the combination of both dividend and premiums earned from the derivative strategy.
- **Market Participation.** Investors participate in the market movements. The level of participation will depend on the derivative strategy.
- **Tax Efficiency.** The respective products provide income from a mixture of dividends, capital gains, return of capital and income to be tax efficient.
- **Diversified.** Products contain a diversified basket of derivatives and equities that pay regular dividends.

FOR A FULL LIST OF SOLUTIONS AND YIELDS SEE PAGE 2: ENHANCED INCOME ETFS
[BMO ETFS ROAD MAP](#)

ENHANCED INCOME FAQ

- **What's a Covered Call?**
- **What's a Put Write?**
- **Mechanics of Covered Calls on BMO ETFs**
- **What are Preferred Shares?**

The covered call option strategy, also known as a buy-write strategy, is designed to provide an investor with a double source of cash flow: an option premium plus the dividend yield. This distribution is tax efficient. The strategy is implemented by writing (selling) a call option contract, while owning the underlying stock. It is considered an income enhancement strategy because it generates additional cash flows compared to only owning the underlying stock. It is also considered a defensive strategy as equity dividend returns are reduced by the option premiums as a trade-off from excess positive returns. Covered call strategies tend to outperform in flat or down markets, and underperform in periods of rapid market appreciation.

RESOURCES & METHODOLOGY PDFS

- [WHAT TO EXPECT AT TAX SEASON](#)
- [COVERED CALLS, DERIVATIVES, AND VOLATILITY LANDSCAPE](#)
- [BMO COVERED CALL ETFS METHODOLOGY](#)
- [BMO ETF CANADIAN PREFERRED SHARES STRATEGY](#)
- [BMO ETF US PREFERRED SHARES STRATEGY](#)
- [BMO PREMIUM YIELD ETF \(PMV\)](#)
- [BMO US PUT WRITE ETF STRATEGY](#)

Annualized Option Yield: the annualized portfolio weighted average yield of trades completed during the month

Dividend Yield: annualized yield generated from the underlying dividend paying companies.

Indicative Yield: the annualized option yield plus the forward annualized dividend yield before fees, trading costs and taxes

ONE MINUTE UPDATE

COVERED CALL ETF UNIVERSE

COVERED CALL STRATEGIES

BENEFITS

TRADITIONAL APPROACH TO INCOME INVESTING

BALANCING INCOME & GROWTH

THE IMPACT OF MARKETS

OTHER CONSIDERATIONS



Erin Allen
VP, BMO ETFs



Sa'ad Rana
Associate, BMO ETFs



P R E S E N T S

E T F
MARKETINSIGHTS



THANK YOU FOR ATTENDING
JOIN US FOR OUR NEXT LIVE EPISODE

Friday, February 3rd 2023 • 1:00pm

2023 ETF Outlook

