

ETF INNOVATION



Raymond Chan
Director,
portfolio manager

Charles-Lucien Myssié
Director, portfolio manager

Chris McHaney
Director,
portfolio manager

Rob Bechard
Managing director, head of
ETF portfolio management

Inside the BMO ETFs team

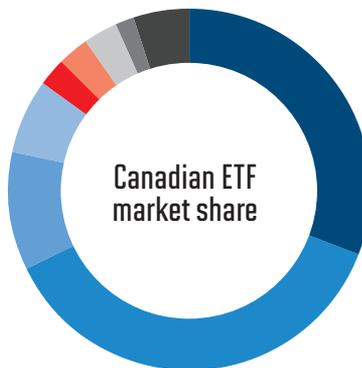
WPC recently visited the BMO Global Asset Management headquarters in downtown Toronto to meet some of the ETF team's key members

WHEN BMO Global Asset Management launched its ETFs business in 2009, it was literally starting from nothing – zero assets under management. Although the firm was backed by the name of a renowned Canadian banking institution, in reality, it faced the same obstacles as any startup fund provider.

Nine years later, the growth of BMO ETFs has been nothing short of astronomical. From surpassing \$7 billion in AUM in three years to launching some of the most innovative ETFs in the world, it's been a high-octane journey of smashing targets and continuous improvement. Here, WPC talks to some of the BMO ETFs team's main players to get the inside scoop on their success so far.

CANADA'S KEY ETF PLAYERS

The top two providers – BMO and BlackRock – account for almost 70% of total market share.



- **31.0%**
BMO \$50.7 billion
- **36.9%**
iShares \$60.4 billion
- **10.7%**
Vanguard \$17.6 billion
- **6.5%**
Horizons \$10.6 billion
- **5.0%**
Other providers \$8.1 billion
- **3.1%**
RBC \$5.1 billion
- **2.8%**
First Asset \$4.6 billion
- **2.5%**
Invesco \$4.1 billion
- **1.6%**
Purpose \$2.6 billion

Source: Bloomberg, as of August 31, 2016

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BMO  Global Asset Management



Chris Heakes
Director,
portfolio manager

Alfred Lee
Director, investment
strategist and
portfolio manager

Vishal Bhatia
Director,
portfolio manager

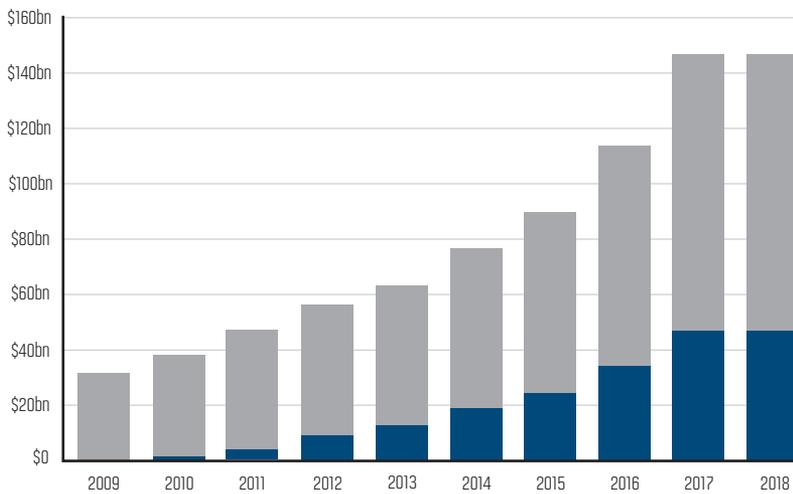
Matt Montemurro
Director,
portfolio manager

A GROWING INFLUENCE

BMO GAM has achieved massive growth in AUM since first launching ETFs in 2009.

Canadian ETF market AUM

■ Total ■ BMO ETFs



Source: Bloomberg, as of April 2018

BMO ETFs BY THE NUMBERS



Top 10

global fixed-income
ETF provider based on AUM



Over 35%

of Canadian ETF AUM
growth in 2017



Top 20

global ETF provider (listings in
Canada, Europe and Hong Kong)



#1

most precise fixed-income
suite in Canada



#1

in Canadian net new assets
seven years in a row



Top 12

global smart beta ETF
provider based on AUM

Sources: Bloomberg, as of April 2018; ETFGI Industry Report; ETFGI ETF and ETP Smart Beta Insights: Global, April 2018

ETF INNOVATION



KEVIN GOPAUL

Head, BMO Global Asset Management
Canada

When BMO Financial Group launched its ETF business in 2009, it was a completely new direction for the bank: a new team, new focus and, importantly, a new product line as BMO Global Asset Management became the first bank affiliate in Canada to offer its own lineup of ETFs.

Rob Bechard and Kevin Gopaul have been with BMO ETFs since the very beginning. Both men have been instrumental in pushing the business forward and ensuring it continues to hit key milestones. From reaching \$1 billion in assets under management only 15 months after entering the ETF market to being the top asset gatherer for seven years in a row, it's been an exhilarating ride. However, for Gopaul and Bechard, this is just beginning.

"We started this business at zero, in a very humble position, and every dollar we brought in and every client we met was so important," Bechard says. "That was an



ROB BECHARD

Managing director, head of ETF portfolio
management

important starting position for us, and we have managed to keep that philosophy. All of our teams hit the ground running from day one and have maintained that momentum ever since."

Innovation has been at the heart of BMO ETFs' growth story. In the early days, the ETF team had the feel and flexibility of a startup, and Bechard and Gopaul were eager to encourage (and drive) an innovative and creative approach – one that remains at the core of BMO ETFs' strategy for delivering cutting-edge solutions to Canadian investors.

"We are creative individuals by nature, and we were both institutional portfolio managers previously, so we know how to bring quality and rigour to new solutions," Gopaul says. "Launching top-quality ETFs has created a level of confidence that has been the catalyst for more ideas to come forward, like the covered call strategy."

"In the early days, we were taking risks to fill gaps in client portfolios that other providers were ignoring. As a result, we have grown a lot quicker than people expected"

Although BMO ETFs no longer flies under the radar like it did in its early days, the company is still committed to doing things differently, to making unique ideas a reality for investors. Some of the first fixed-income ETFs, synthetic ETFs and currency-hedged ETFs were managed by members of the team.

"In the early days, we were taking risks to fill gaps in client portfolios that other providers were ignoring," Bechard says. "As a result, we have grown a lot quicker than people expected. Those successes gave us the energy and confidence to really push the business aggressively forward."

Bechard and Gopaul are clearly proud of the team spirit they have created. The pair has now worked together for 15 years, and in addition to each understanding how the other operates, they recognize the importance of having a strong and happy group.

"We have voluntary turnover rate of zero, and that has helped us build an investment management team that is one of the most experienced in Canada, if not the world," Gopaul says. "We have fostered a very collaborative and trusting culture, which makes me very proud."



ALFRED LEE

Director, investment strategist and portfolio manager

Alfred Lee was developing ETF-related strategies for a large Canada-based brokerage when he received a job offer from BMO ETFs in 2010. It didn't take Lee very long to decide to join the BMO ETFs team – and he definitely has no regrets.

“This is by far the most enjoyable job I have had in my career,” Lee says. “A lot of the team's core members have been here since the beginning, and there is a real entrepreneurial spirit in the group. We have built the business from zero, and we retain a lot of the characteristics and qualities that enabled us to do that.”

In addition to being an investment strategist, Lee also manages fixed-income and preferred-share mandates for both institutional and retail clients. “It is a very innovative team; we collaborate with our product team in coming up with new ideas and then help see those through to fruition,” he says. “Then, when it is trading on the exchange, we continually service the product and manage and support it

from an investment perspective.”

As part of the global fixed-income ETF management team, Lee is involved in the management and trading of a wide variety of portfolios. “Compared to a traditional portfolio manager, our skill set tends to be broader,” he says. “Rather than focusing on one asset class, we are required to be experts from everything from Canadian to US bonds, emerging market bonds, preferred shares, credit derivatives and everything in between.

“We are all very hands-on with every part of the business,” Lee adds. “Although on paper, I am a portfolio manager, I am also involved with investment strategy, sales positioning, index and product design, and education for our clients and sales staff. It is a very dynamic culture we have on our team – there's a lot of interaction with different market participants, but our main objective is that we want to make a difference for the end investor.”



MATT MONTEMURRO

Director, portfolio manager

Matt Montemurro has been with BMO for his entire career, joining the company after graduating with an honours business administration degree from the Richard Ivey School of Business in 2009. He started on the wealth management associate rotation program, bouncing between business units and learning the different roles within wealth management. After the program, Montemurro joined BMO GAM as a trader on the active fixed-income team. He thrived in the unique and very human world of fixed-income investing.

“It is more of a relationship business compared to equity markets,” Montemurro says. “I found that my personality and skill set fit that well. Bonds are not exchange-traded, so there is still that negotiation aspect, and to succeed you need to be able to make meaningful human connections.”

It was around the same time that the ETF team was beginning to flourish. Montemurro was hearing positive things and had gotten to know Rob Bechard, Kevin Gopaul and the team, so when an opportunity arose to come onboard, he was excited at the prospect.

“There is a really unique desire to ensure we are providing the best client experience”

Montemurro joined the team in 2011 and has been an important cog ever since. He's now a director and portfolio manager responsible for managing and trading on behalf of all ETF and passive institutional fixed-income portfolios, as well as assisting with currency hedging for the BMO ETFs team.

“The team dynamic is so unique and special,” he says. “There is a pride within the team; we want to make sure we are providing the best solutions for investors. Whether that is from a sales, investment strategy or portfolio construction perspective, there is a really unique desire to ensure we are providing the best client experience.”

**CHRIS MCHANEY**

Director, portfolio manager

Chris McHaney has been with BMO ETFs since 2009 and operates as a portfolio manager for equity-based and derivative-based mandates, encompassing Canadian, US, international and emerging market equities, as well as North American and European derivatives. McHaney co-manages various cross-asset portfolios, and he also trades foreign exchange contracts and equity options for mandates across the firm.

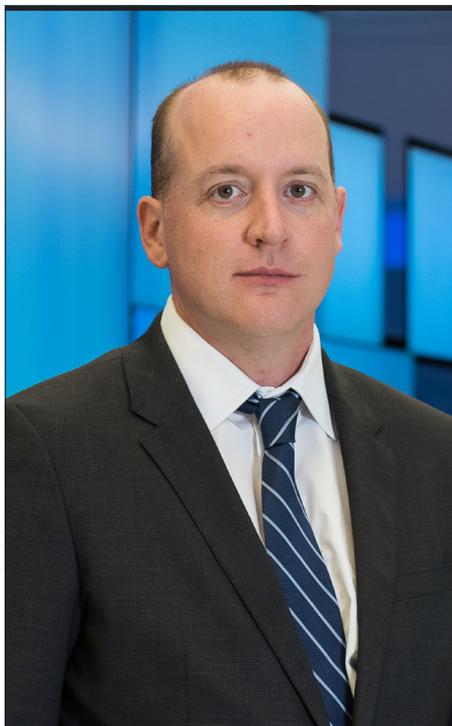
“I focus primarily on our non-indexed, quasi-active mandates,” McHaney says. “In my previous role at BMO, I was responsible for mutual fund manager monitoring and selection, so I have a lot of experience with different investment styles on the active management side of things. Active ETFs have grown rapidly over the past few years, so that is where I have applied most of my experience.”

McHaney believes the Canadian active ETF

space is well positioned for further growth, due to the fact that ETFs are regulated the same as mutual funds. “There is certainly room for more participants and further growth,” he says, “but the key is knowing which mandates will work well in the ETF format compared to a mutual fund.”

As geopolitical unrest and trade wars bring a new level of uncertainty to global markets, McHaney believes sticking to high-quality, blue-chip companies is the best bet for investors. “I think those investments will perform best over the next 10 years or so,” he says, “although I do not expect them to do as well as they have in the past decade.”

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**CHRIS HEAKES**

Director, portfolio manager

Chris Heakes is another member of the team who has been with BMO ETFs since the very early days. He joined the BMO group in 2008 after getting a master’s of finance from the University of Toronto and moved over to BMO GAM in 2010. Heakes is a portfolio manager of equity, derivatives-based and multi-asset portfolios, and he also trades equity options and foreign exchange. He started on the quantitative equities side in 2010 and shifted to focus on ETFs in 2011.

“I have a very varied role and get to do many different types of work,” Heakes says. “On any given day, I could be looking at Canadian equities, emerging markets, EAFE, derivatives strategies or FX.”

Heakes highlights the growth of the Low Volatility Canadian Equity ETF (ZLB) as one of his proudest career achievements. He played a key role in formulating the methodology of the fund and has seen it become a real success story with AUM of more than \$1.5 billion.

“It was an ETF that really grew on the

“On any given day, I could be looking at Canadian equities, emerging markets, EAFE, derivatives strategies or FX”

fruits of its own success,” Heakes says. “It didn’t take off immediately, but slowly and surely investors have gravitated towards it. It has been really rewarding to see ZLB become one of top-ranked ETFs for Canadian equity exposures.”

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