



# BMO TACTIC™ Fund Corporation

## Tax-Efficient Exposure to BMO ETFs

**ZCN**  
Canadian Composite

**ZEB**  
Canadian Banks

**ZEO**  
Canadian Oil & Gas

**ZPR**  
Canadian Preferreds

# Disclaimer

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Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Prospective purchasers should read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Mutual fund investments are not insured by the Canada Deposit Insurance Corporation or any other entity.

Additional information about each BMO TACTIC™ Fund’s portfolio, including a complete list of the companies included in the portfolio from time to time, will be available in the most recently filed annual or interim financial statements of the BMO TACTIC™ Funds.

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# BMO TACTIC™ Fund Corporation: An Introduction

- **Tactical Allocation Customized Thematic Investment Company** (“**TACTIC™**”) is a platform for the issuance of customized investment solutions based on a set of timely and opportunistic investment themes.
  - These solutions include enhancements such as tax-efficiency and increased investment exposure to particular investment strategies.
- BMO has launched the following funds:
  - **BMO Advantaged S&P/TSX Capped Composite TACTIC™ Fund**
  - **BMO Advantaged Equal Weight Oil & Gas TACTIC™ Fund**
  - **BMO Advantaged Equal Weight Banks TACTIC™ Fund**
  - **BMO Advantaged Laddered Preferred Share TACTIC™ Fund**
- These offerings provide tax-efficient, leveraged exposure to select BMO ETFs. The funds focus on the broad Canadian composite, banks, oil & gas, and preferred shares.

| BMO Advantaged TACTIC™ Fund                          | BMO ETF and Ticker                                    |
|--|---|
| BMO Advantaged S&P/TSX Capped Composite TACTIC™ Fund | BMO S&P/TSX Capped Composite Index ETF ( <u>ZCN</u> ) |
| BMO Advantaged Equal Weight Banks TACTIC™ Fund       | BMO Equal Weight Banks Index ETF ( <u>ZEB</u> )       |
| BMO Advantaged Equal Weight Oil & Gas TACTIC™ Fund   | BMO Equal Weight Oil & Gas Index ETF ( <u>ZEO</u> )   |
| BMO Advantaged Laddered Preferred Share TACTIC™ Fund | BMO Laddered Preferred Share Index ETF ( <u>ZPR</u> ) |

- **1) Advantaged** – Tax-efficient for investors with deferral and capital gains tax treatment upon disposition.
- **2) Leveraged** – Each BMO Advantaged TACTIC™ Fund will use leverage to increase its exposure to its specified ETF up to 33⅓% of total assets.
- **3) Liquid** – Daily subscriptions and redemptions via FUNDSERV, like a typical mutual fund.



**BMO Advantaged TACTIC™ Funds are a simple, tax-efficient way to increase investment exposure to a favourite ETF or sector**

<https://www.bmonotes.com/Tactic-Funds>

## Tax-Efficient Exposure to Select BMO ETFs

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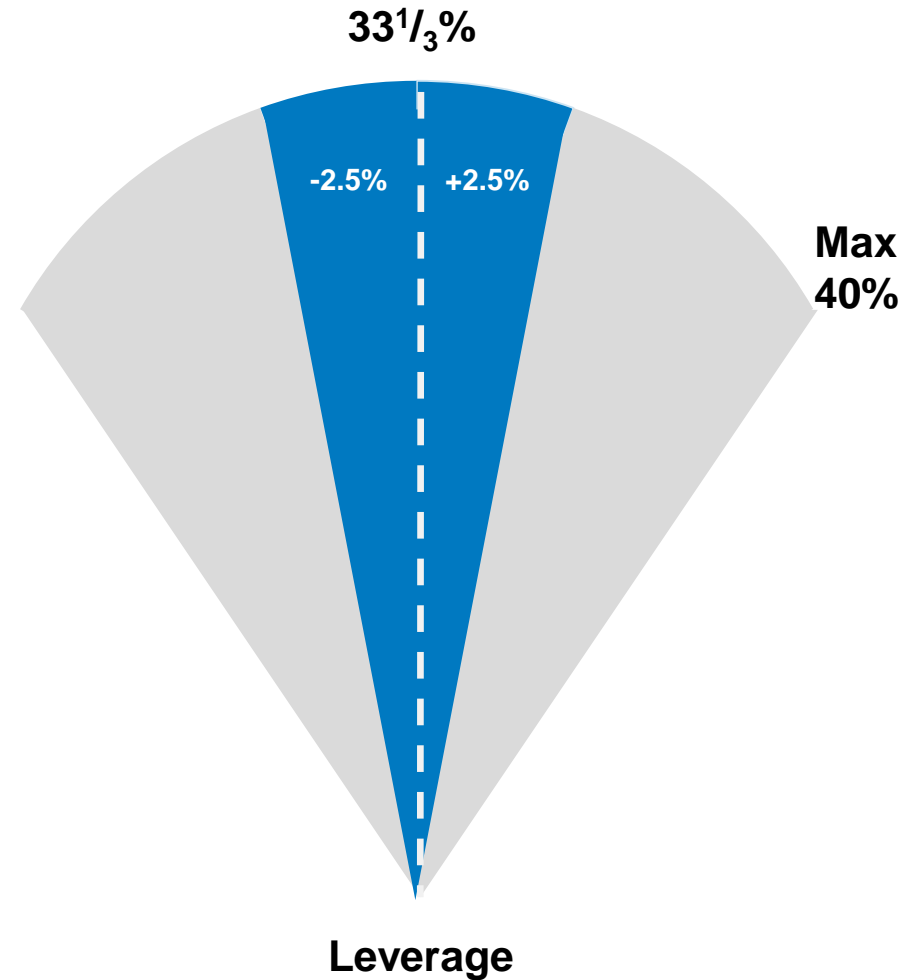
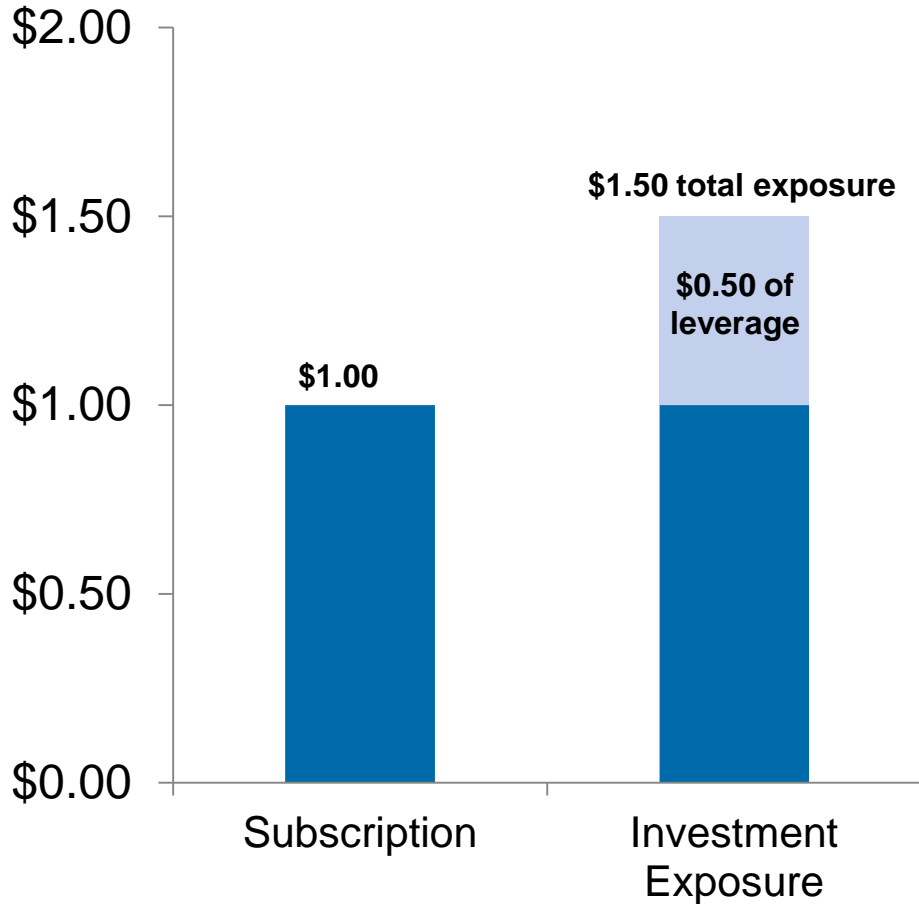
- BMO has developed a tax-advantaged structure designed to complement an existing investment strategy, with several advantages:
  - Defers tax until disposition of the BMO Advantaged TACTIC™ Funds
    - Investor can delay taxable event until timing of his or her own choosing, i.e. until disposition
  - Distributions and realized gains grow and compound tax-free within the BMO Advantaged TACTIC™ Fund
  - When BMO Advantaged TACTIC™ Fund is ultimately taxed upon disposition, the investor is taxed at the capital gains tax rate

## Leveraged Exposure to Select BMO ETFs

- Each BMO Advantaged TACTIC™ Fund will employ leverage to increase its exposure to its specified BMO ETF to a maximum of 1.33:1
  - Target leverage of 33.3% of total assets, i.e. \$0.50 for every dollar invested in the BMO Advantaged TACTIC™ Fund for total target exposure of \$1.50
- Prudent leverage
  - The target level of leverage is consistent with leverage typically seen in many publicly listed closed-end funds
  - The level of leverage is considered prudent and is lower than many leveraged Exchange Traded Products that employ multiples of leverage such as 3x and which are automatically rebalanced on a daily basis
  - Furthermore, the underlying ETFs are based on broad sectors of the Canadian equity markets, as opposed to more volatile underliers such as commodities, volatility
- Application of leverage
  - The maximum amount of permitted leverage is 33.3% of total assets at the time of incurring leverage. However, if at any time leverage exceeds 40% of total assets, the Investment Advisor will reduce leverage to at or below 33.3% of total assets
  - While the leverage will be monitored daily, it is not intended that the leverage will be reset on a daily basis. The general goal is to maintain leverage at 33.3% of total assets but the level of leverage will be permitted within a band of this target level of leverage
    - If leverage exceeds the target level, actions will be taken to reduce leverage back to the target amount
    - If leverage is below the target level, actions will be taken to increase leverage back to the target amount
    - Unlike many levered Exchange Traded Products, the BMO Advantaged TACTIC™ Funds are not linked to the daily performance of a benchmark index. As such it is not intended as a short-term trading vehicle linked only to a multiple of the benchmark's daily return
    - This minimizes the “path dependency” observed in many daily levered Exchange Traded Products in which, if there are many up-and-down days over the period, returns could be lower than expected due to the magnification of the multiples on any given day
  - Like typical strategies that employ leverage, the impact of the leverage will be determined mainly by the performance of the underlying ETF
    - Return to investor will be net of the fees and financing costs for the leveraged component

# Application of Leverage

- A dollar invested in the BMO Advantaged TACTIC™ Fund gives an investor \$1.50 of investment exposure to the relevant BMO ETF
- The BMO Advantaged TACTIC™ Fund will have a target leverage of 33<sup>1</sup>/<sub>3</sub>% of total assets



# Summary of Terms

|  |   |   |
|--|---|---|
| <b>Issuers:</b>                              | <b>BMO Advantaged S&amp;P/TSX Capped Composite TACTIC™ Fund</b>   | <b>BMO Advantaged Equal Weight Oil &amp; Gas TACTIC™ Fund</b> |
|  | <b>BMO Advantaged Equal Weight Banks TACTIC™ Fund</b>   | <b>BMO Advantaged Laddered Preferred Share TACTIC™ Fund</b>   |
| <b>Offering:</b>                             | Series A Shares, Series D Shares, Series F Shares and Series I Shares of each TACTIC™ Fund.   |   |
|  | Series A Shares are available to all investors through authorized dealers.  |   |
|  | Series D Shares are available to investors who have an account with a discount brokerage.   |   |
|  | Series F Shares are available to investors who have fee-based accounts with their dealer.   |   |
|  | Series I Shares are available to institutional investors on a case-by-case basis, at the Manager's discretion.  |   |
| <b>Continuous Distribution:</b>              | The Shares are offered on a continuous basis at the net asset value per Share.  |   |
| <b>Minimum:</b>                              | Minimum of \$500 per account and \$100 for each additional transaction.   |   |
| <b>Investment Objectives and Strategies:</b> | Each Advantaged TACTIC™ Fund is a commodity pool which seeks to provide long-term tax-efficient compound growth through leveraged exposure to its specified BMO ETF. Each Advantaged TACTIC™ Fund will utilize an investment strategy whereby it enters into derivative agreements pursuant to which it will agree to acquire from the counterparty units of its specified BMO ETF at a specified future date at a price equal to the price of such units at the date the derivative agreement is entered into. |   |
| <b>Leverage:</b>                             | Each Advantaged TACTIC™ Fund can employ leverage, including through the use of derivatives, to a maximum of 33 <sup>1</sup> / <sub>3</sub> % of total assets as at the time of borrowing or incurring other leverage. If at any time leverage exceeds 40% of the total assets of an Advantaged TACTIC™ Fund, the Investment Advisor will, as soon as practicable thereafter, cause the leverage to be reduced to at or below 33 <sup>1</sup> / <sub>3</sub> % of total assets.                                  |   |
| <b>Distribution Policy:</b>                  | The Advantaged TACTIC™ Funds will not pay regular dividends or other distributions.   |   |

## Summary of Terms (Continued)

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**Redemptions:** Shareholders may redeem their Shares for cash on each business day at a redemption price equal to the applicable NAV per Share on such date.

**Termination:** The Advantaged TACTIC™ Funds do not have a fixed termination date.

**Manager:** BMO Nesbitt Burns Inc.

**Manager of Underlying ETFs:** BMO Global Asset Management Inc.

**Investment Advisor:** Faircourt Asset Management Inc.

**Eligibility for Investment:** Provided that BMO Advantaged TACTIC™ Fund Corporation qualifies as a “mutual fund corporation” within the meaning of the Tax Act, the Shares of each Advantaged TACTIC™ Fund, if issued on the date hereof, would be qualified investments under the Tax Act for a trust governed by a Registered Plan.

Holders of TFSAs and RDSPs, annuitants of RRSPs and RRIFs and subscribers of RESPs should consult with their tax advisors as to whether the Shares would be a prohibited investment for such accounts or plans in their particular circumstances.



## Fees and Expenses

**Initial Sales Charge:** Up to 2.00% of the amount invested is payable by investors purchasing Series A Shares. No sales commissions are payable in respect of the Series D Shares, Series F Shares or Series I Shares.

**Management Fees:**

| Series | Annual Management Fee (%)   |
|--------|---|
| A      | 1.05%, including an amount equal to the service fee of 1.00% payable by the Manager to registered dealers |
| D      | 0.05%   |
| F      | 0.05%   |
| I      | N/A. Fee is negotiated and paid by each Series I investor   |

Each TACTIC™ Fund will also indirectly bear its share of the management fees of the specified BMO ETF to which it is exposed since such management fees reduce the net asset value (and likely the market price of the units) of that BMO ETF.

**Service Fees:** 1.00% per annum of the net asset value per Series A Share of each Advantaged TACTIC™ Fund. No service fees are payable in respect of the Series D Shares, Series F Shares or the Series I Shares.

**Counterparty Fees:** 0.10% p.a. on total assets of the BMO Advantaged TACTIC™ Fund.

**Interest on Leverage:** Cost of leverage is floating based on 3-month CDOR plus 0.90%.

## Fund Codes

| Fund Series  | Series   | Fund Code |
|--|----------|-----------|
| BMO Advantaged S&P/TSX Capped Composite TACTIC™ Fund | Series A | JHN10048  |
|  | Series D | JHN10049  |
|  | Series F | JHN10050  |
| BMO Advantaged Equal Weight Banks TACTIC™ Fund       | Series A | JHN10052  |
|  | Series D | JHN10053  |
|  | Series F | JHN10054  |
| BMO Advantaged Equal Weight Oil & Gas TACTIC™ Fund   | Series A | JHN10056  |
|  | Series D | JHN10057  |
|  | Series F | JHN10058  |
| BMO Advantaged Laddered Preferred Share TACTIC™ Fund | Series A | JHN10060  |
|  | Series D | JHN10061  |
|  | Series F | JHN10062  |

Risk Rating for All = Medium to High