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August 17, 2021

BMO Global Asset Management

Megatrends: How to Align your ETF Portfolio with Disruptive Innovations

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Investing in Innovation

Investing in the companies who are at the leading edge of change

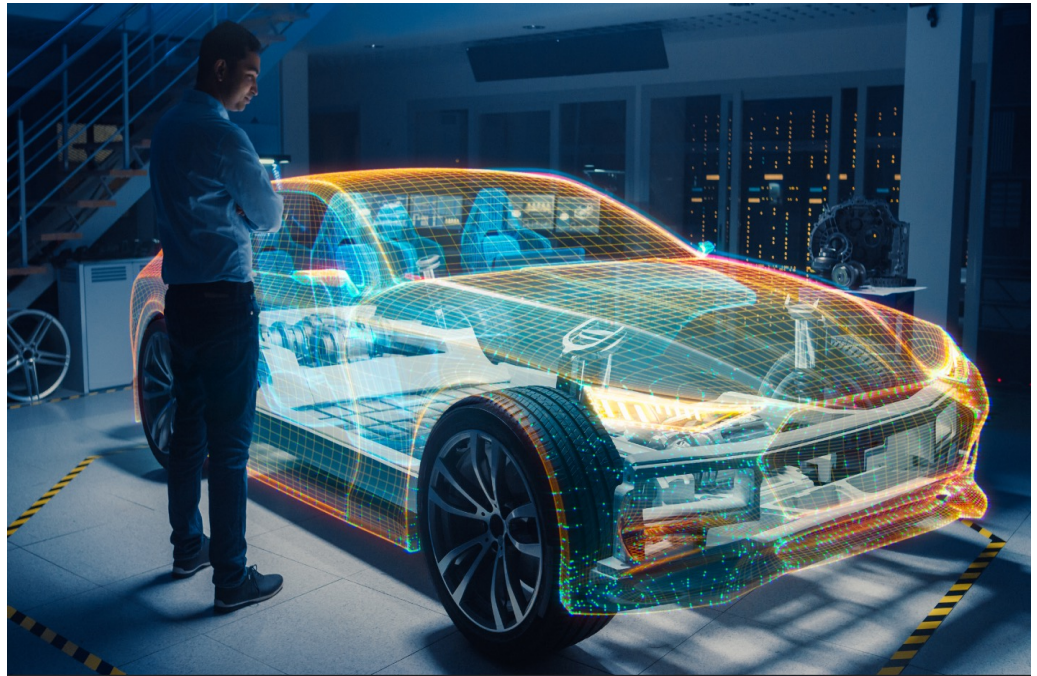
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Exchange Traded Funds

Agenda

1. What are disruptive innovations and what types of companies are most exposed?
2. Thematic Investing to access innovations
3. Portfolio construction: What products are available and how do they fit in a portfolio?



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Innovative Companies are Making Headlines

CONSUMER TRENDS

How next-gen tech solves today's challenges while shaping tomorrow's store

NRF 2021 - Chapter 1: Retail innovators from Allbirds, Endear and Shopify on what's working and what's not

FT Financial Times

US plays catch-up on genomic sequencing to track Covid variants

Francis deSouza, chief executive of Illumina, said it was important to "sound the alarm" about the need to rapidly create a better infrastructure.



Tesla's power businesses are beginning to take off

Jonathan Shieber @jshieber / 6:30 PM EST • January 27, 2021

Comment



Motley Fool

Why Zoom Stock Jumped Today

Zoom's stock price fell more than 40% from its highs back in October following promising vaccine data from Moderna and Pfizer. Investors rotated

...



What are Disruptive Innovations?

Disruptive innovations are new technologies that we believe will completely change the way we interact with the world in the future.

Disruptive Innovations are expected to have powerful impacts on all industries and companies on a global scale.

The companies exposed to these innovations will benefit most by way of increased revenues and market cap creation as the innovation evolves.



Genomics



Fintech



Next Generation Internet



Autonomous Technology

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Disruptive Innovations

Disruptive Innovations are identified by 3 common factors:

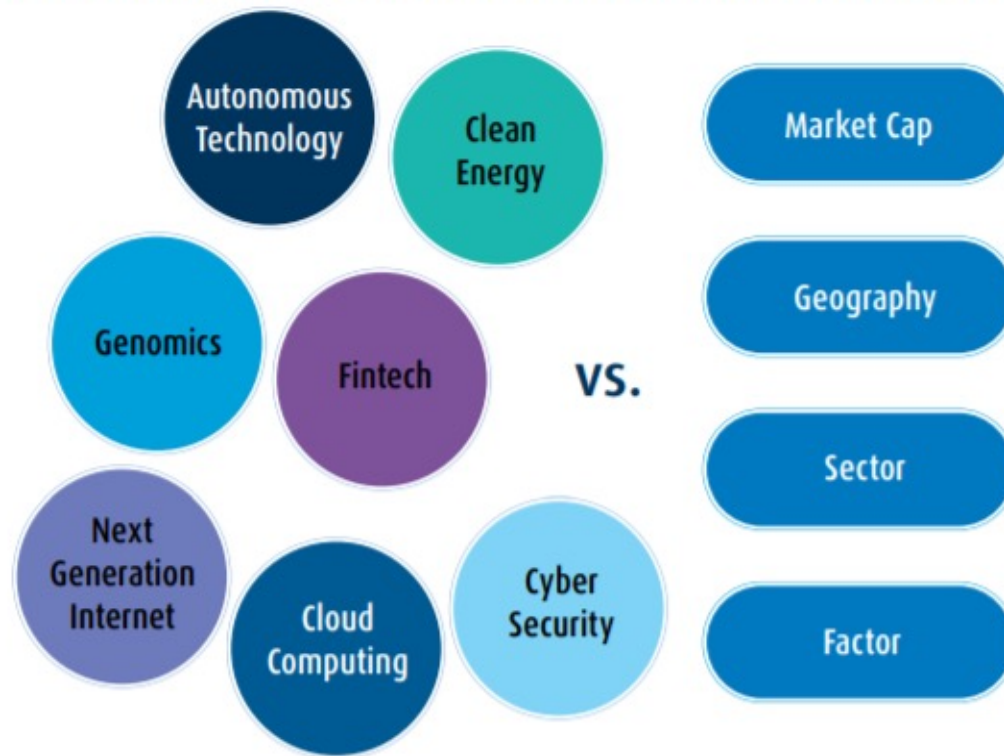
1. Cost Curve Decline
2. Cross sector and global adoption
3. New innovations developed off of more mature innovation



Thematic Investing- What is it?

Thematic Investing is how we identify disruptive innovations and “megatrends” from an investment standpoint.

Emerging Themes & Megatrends vs. Traditional Market Segments

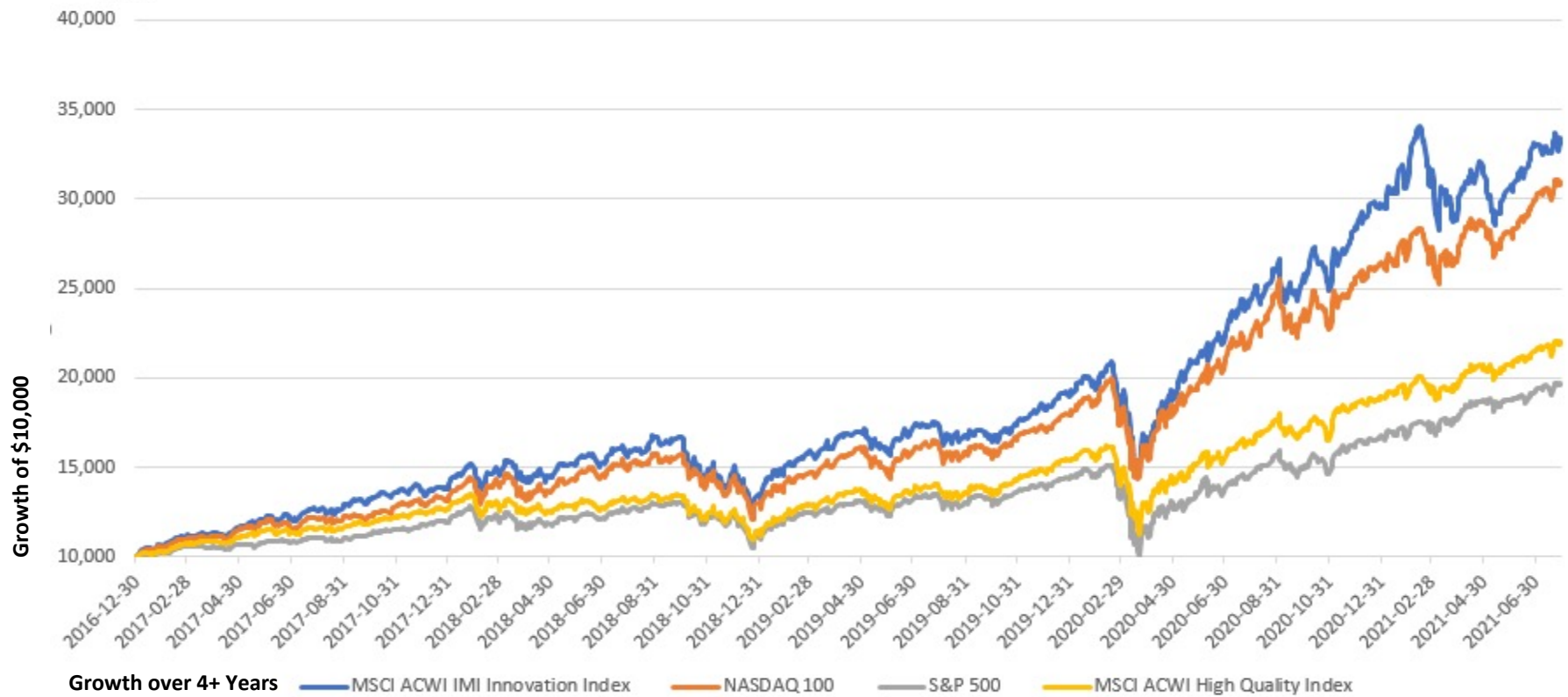


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Thematic Investing is Growth Investing

Growth Profiles of Emerging Themes:

Megatrends have been the drivers of market growth over the past several years, beating out other traditional growth areas of the market:



Source: Bloomberg, August, 2021. Note you cannot invest directly in an index. All returns USD.

Adding Megatrends to Your Portfolio

- 1. Core Allocations:** As a core holding, these exposures will evolve overtime, so will continue to capture growth as the disruptive innovation evolves.
- 2. Tactical Allocations:** For investors who have high conviction views on a specific megatrend can add it as a tactical position.
- 3. Sector:** Thematic Investing is not constrained by GICs sector classifications, however each theme is biased to certain sectors.
- 4. Growth Sleeve:** For investors who are less focused on being growth oriented but still require a growth sleeve within a portfolio.



Megatrends and Innovations in the ETF Market

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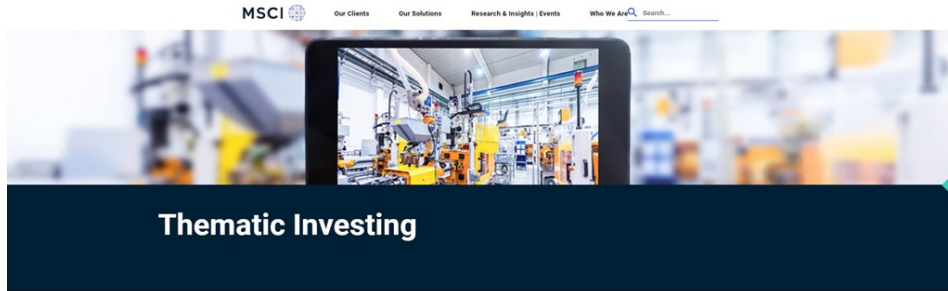
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Passive vs Active and Single Stocks to Access Innovations

- **Minimizes single-stock risk and maximizes exposure to the megatrend**
- Diversification
- Lower turnover
- Lower cost to end investors



Resources



- MSCI Thematic Investing Website

What it is, and is not

Thematic investing is a top-down investment approach, designed to capitalize on opportunities created by macroeconomic, geopolitical and technological trends that are both structural and transformative in nature. The investment approach offers investors a unique view to capture powerful global trends that may drive future stock performance. Thematic investing is not a sector factor or ESG strategy, nor is it bound by conventional geographic or industry classifications, such as size or market capitalization. Rather, it is an investment approach that takes a long-term view of how trends can change generating business models and value chains while facilitating investor access and exposure to growth themes of the future.

How thematic investing differs from traditional approaches

Thematic investing differs from traditional approaches in several key ways:

- BMO ETFs Megatrends website

bmogam.com/megatrends

BMO Innovative ETFs



You can't stop progress. Now you can invest in it.

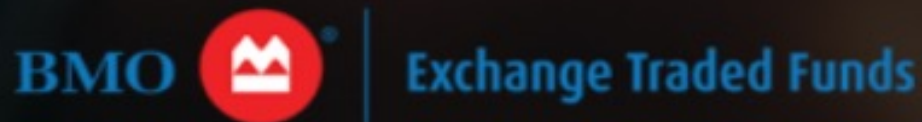
Thematic investing in megatrends involves investing around a particular premise or trend that is expected to play out over the next several years. These megatrends have the potential to change how we interact with the world.

Covering five key megatrends, BMO's suite of innovative ETFs make investing in innovation accessible.

BMO Global Asset Management is the first provider in Canada to offer the MSCI Innovation Index in an ETF.

Key megatrends and the ETF solutions to invest in each

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