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July 27, 2023

BMO Global Asset Management

Low Volatility ETF Investing

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TODAY'S SPEAKERS



Erin Allen
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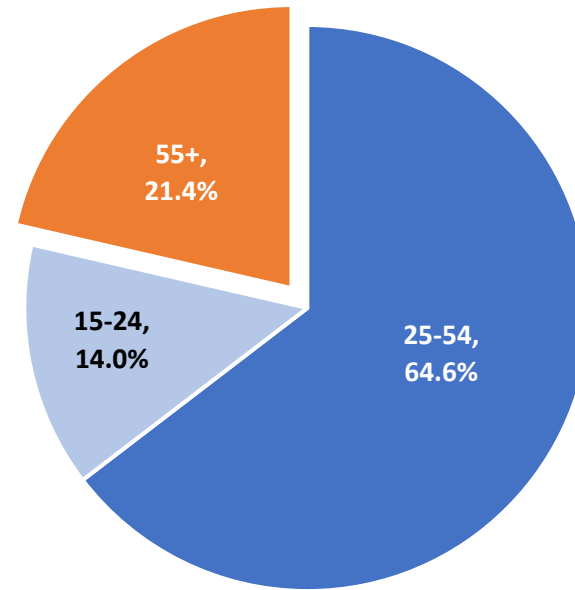
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Aging Workforce

- Over one in five workers in Canada is now 55 or older
- Labour force has never been older



Source: Reuters, Statistics Canada, as of August 2022

AGING WORKFORCE

WORKERS ARE RETIRING EARLIER

EQUITY VOLATILTY

RATE VOLATILITY HIGH

LOW VOL METHODOLOGIES

EQUITY FACTORS

**MITIGATING VOLATILITY -
FACTOR ETFS**

**WHAT'S THE RIGHT MIX FOR
ME?**

THIS WEEK'S TOPIC:

Low Volatility ETF Investing

THURSDAY, JULY 27TH, 2023



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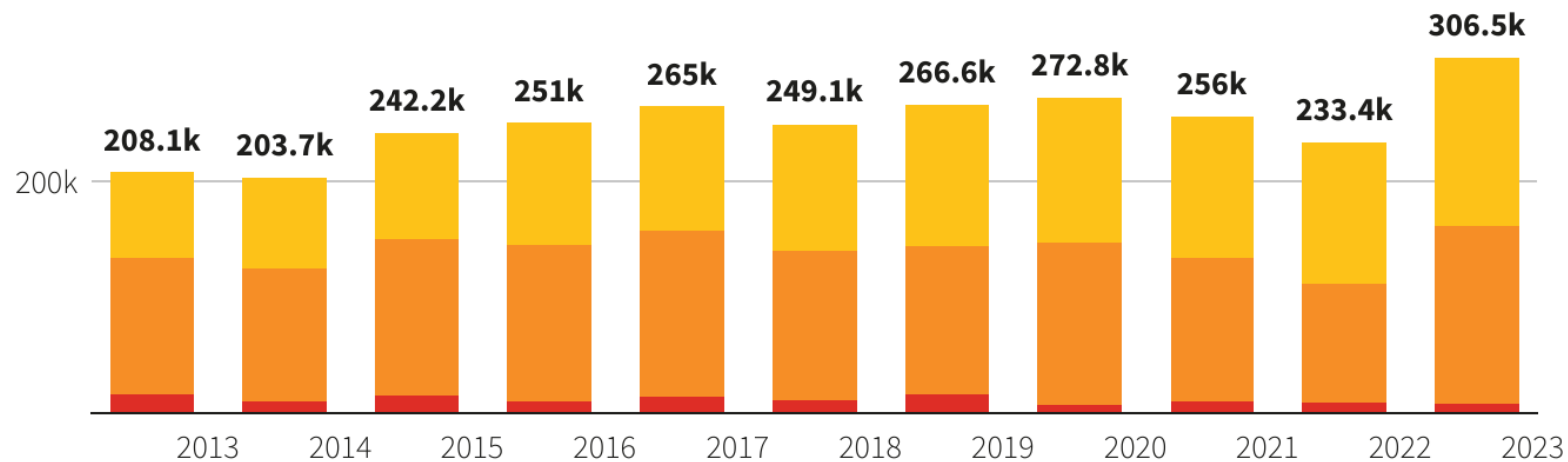
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Workers are Retiring Earlier

Canadians are retiring in droves

After falling in the pandemic, a record number of Canadians say they retired in the last 12 months

● 15 to 54 ● 55 to 64 ● 65+



Note: Data is for August of each year and represents the net number of people who retired in the previous 12 months

Source: Statistics Canada

Source: Reuters, August 2023

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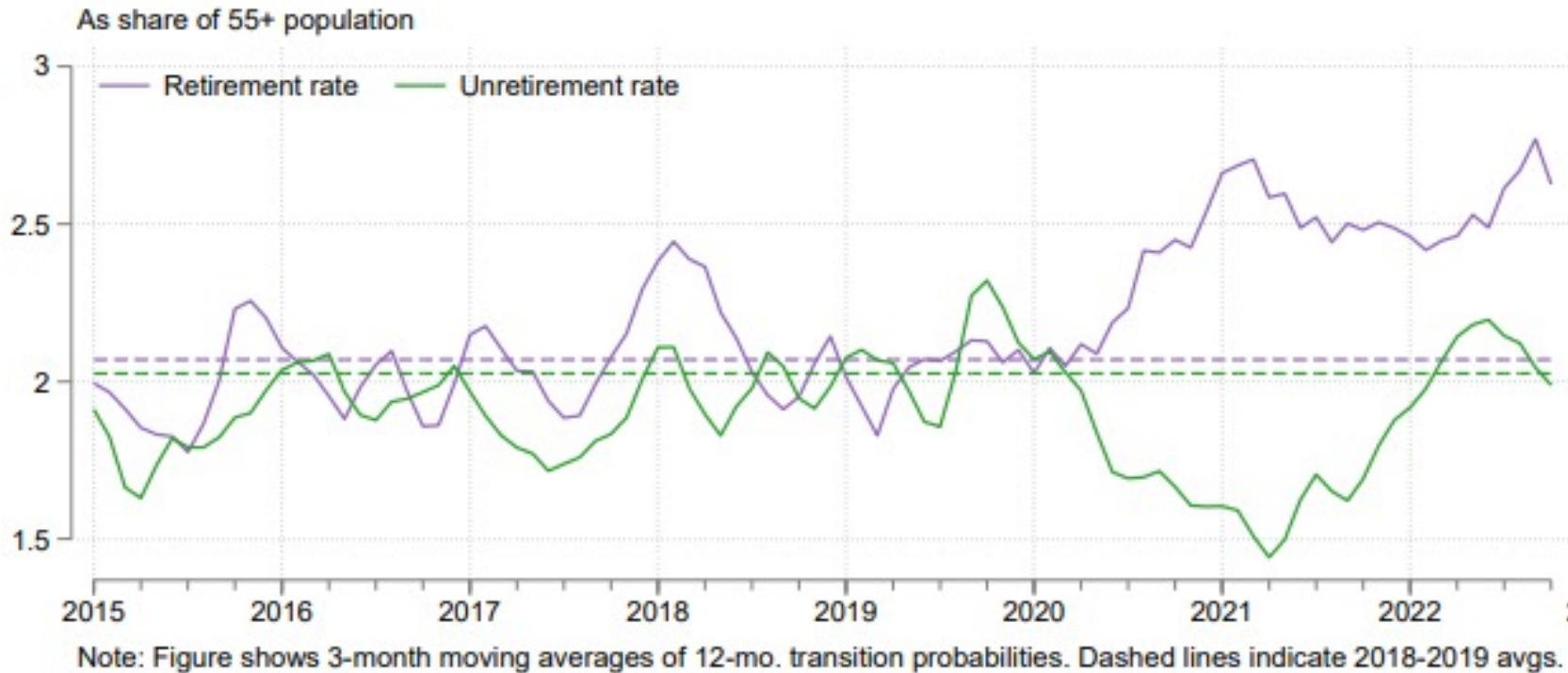


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Workers are Retiring Earlier



Source: US Federal Reserve, as of Sept. 2022

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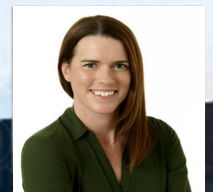
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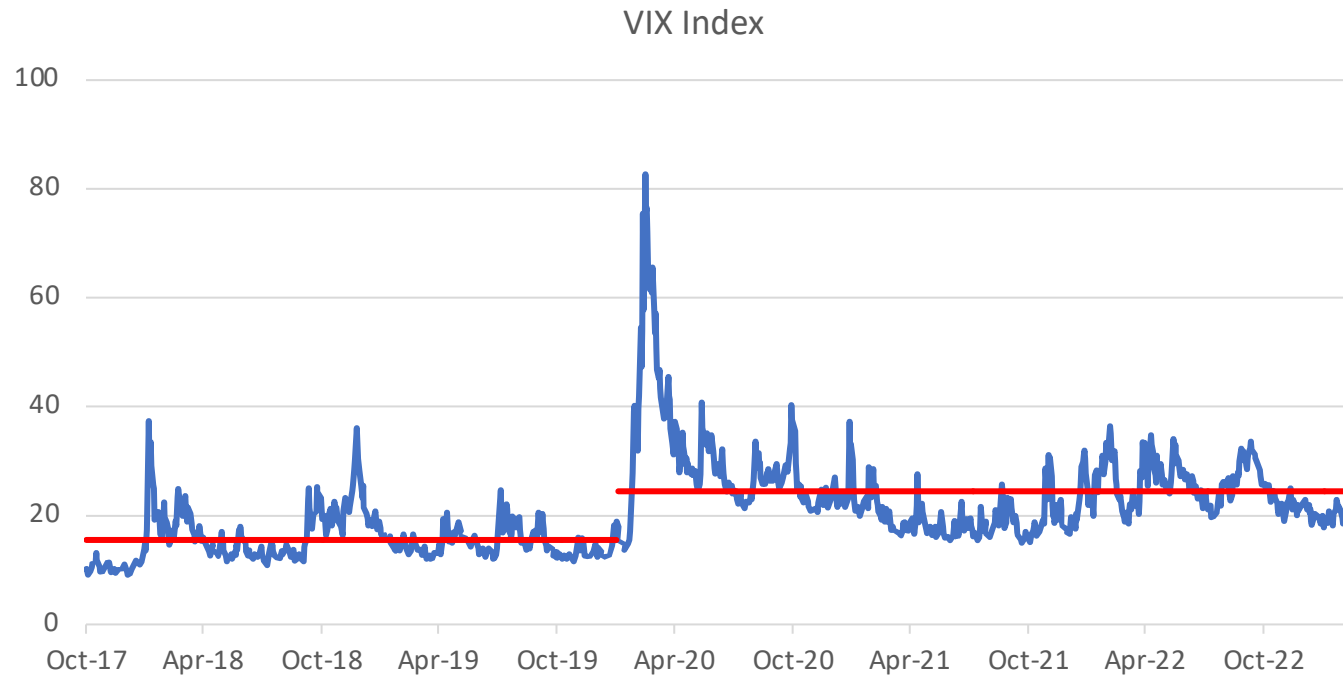


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Equity Volatility Persisting



Source: Bloomberg, Mar 31 2023

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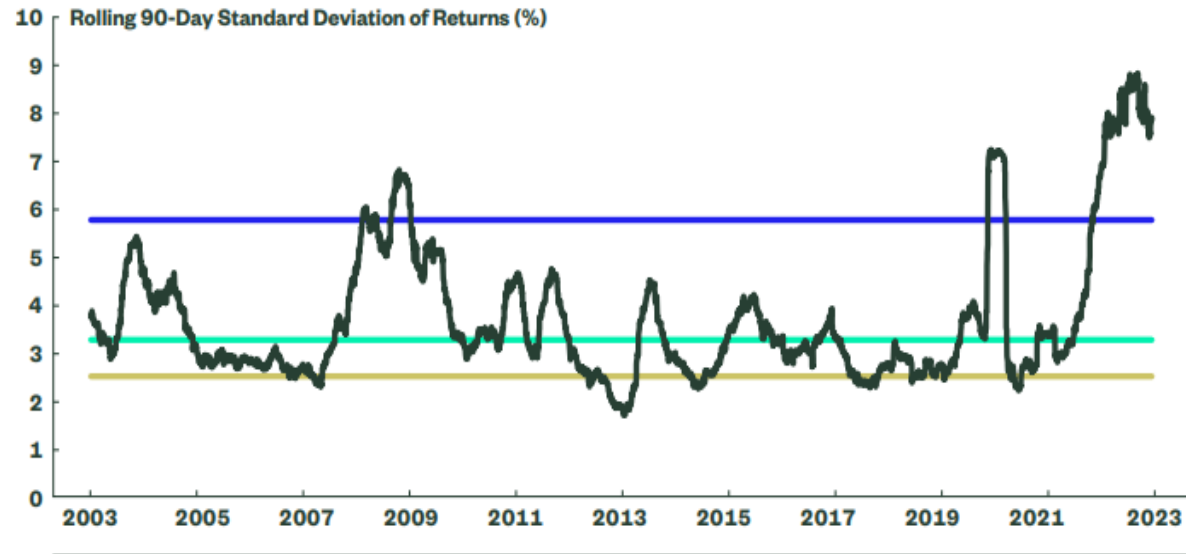


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Rate Volatility Historically High

Bond Volatility at Multi-Decade Highs

- █ Volatility — 90 Day
- █ Median
- █ 90th Percentile
- █ 10th Percentile



Source: Bloomberg Finance L.P. as of May 12, 2023. Based on SPDR Americas Research calculations using monthly frequency from 1989 to 2023 for the Bloomberg US Aggregate Bond Index. **Past performance is not a reliable indicator of future performance.**

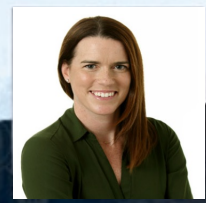
Source: State Street Global Advisors, May 12, 2023

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- WORKERS ARE RETIRING EARLIER
- EQUITY VOLATILITY
- RATE VOLATILITY HIGH**
- LOW VOL METHODOLOGIES
- EQUITY FACTORS
- MITIGATING VOLATILITY - FACTOR ETFs
- WHAT'S THE RIGHT MIX FOR ME?

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Low Vol Methodologies

Low Volatility Methodologies



Standard Deviation

- Reflects the volatility of individual stocks
- Point in time measure

Beta

- Reflects the volatility of individual stocks
- Measure volatility relative to the market
- Higher predictability
- Typically more stable measurement

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How Can Factor ETFs Help Mitigate Volatility?



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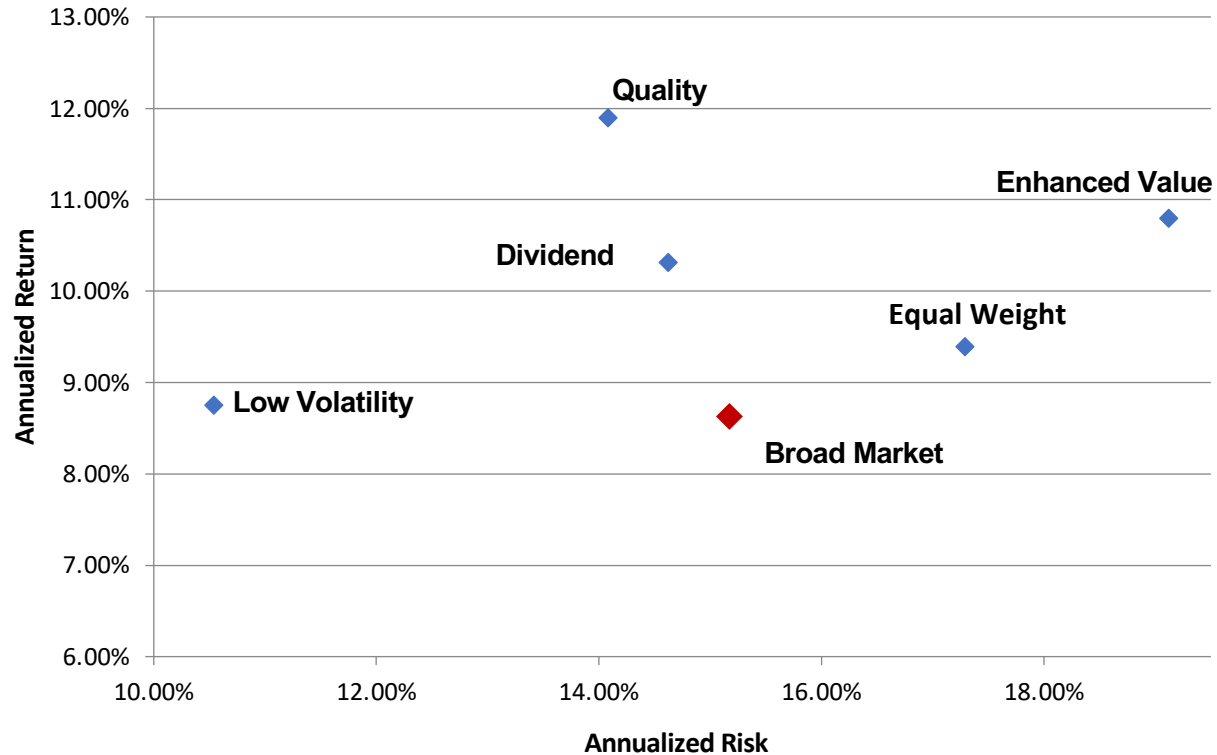


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Equity Factors – Risk/Return Profiles



Source: Morningstar, Mar 31 2022

Risk is defined as the uncertainty of a return and the potential for capital loss in your investment. Broad Market Proxy: MSCI ACWI Index (USD), Low Volatility Proxy: MSCI ACWI Minimum Volatility Index, (USD) Quality Proxy: MSCI ACWI Quality Index (USD), Dividend Proxy: MSCI ACWI High Dividend Yield Index (USD), Value Proxy: MSCI ACWI Enhanced Value Weighted Index (USD) Equal Weight Proxy: MSCI ACWI Equal Weight Index

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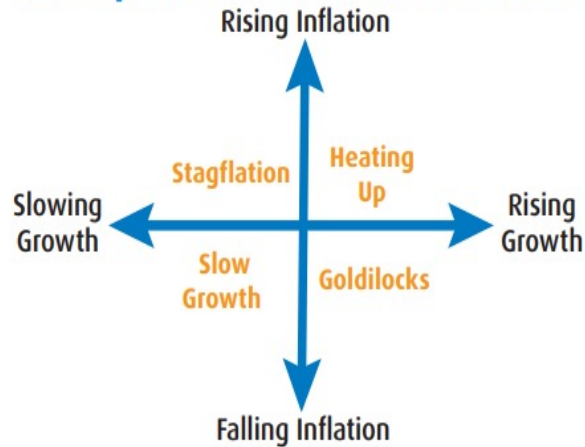
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Use Factors to Position Equities

Factor performance based on economic regimes



Index	Heating Up	Goldilocks	Slow Growth	Stagflation
World Equal Weighted Index	0.02%	0.31%	0.00%	-0.14%
World Dividend Index	-0.07%	-0.05%	0.19%	0.18%
World Low Volatility Index*	-0.42%	-0.51%	0.41%	0.35%
World Quality Index	0.06%	-0.12%	0.25%	0.34%
World Enhanced Value†	0.27%	0.59%	0.05%	-0.14%

Source: MSCI Inc.

Average Monthly Gross Active Returns relative to MSCI World from December 1975 to October 2021.

Broad Market Proxy: MSCI ACWI Index (USD), Low Volatility Proxy: MSCI ACWI Minimum Volatility Index, (USD) Quality Proxy: MSCI ACWI Quality Index (USD), Dividend Proxy: MSCI ACWI High Dividend Yield Index (USD), Value Proxy: MSCI ACWI Enhanced Value Weighted Index (USD).

* Based on official MSCI Minimum Volatility Index Levels from May 1988; Low Volatility Tilt Index prior to that.

† Based on MSCI Enhanced Value Index methodology. Prior to 1997, cash earnings, to price is used in place of CFO/EV. Before 1994, sector definitions are extended by mapping the Barra model industry classification to the GICS sectors.

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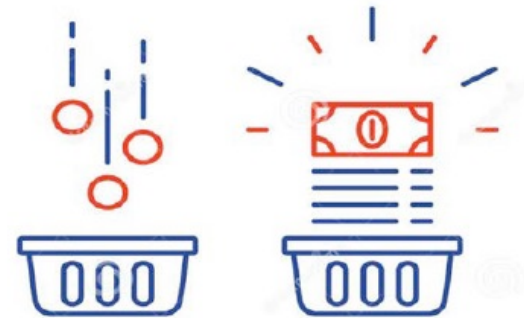
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What's the Right Mix for Me?

- Start with asset allocations
- Determine level of comfort with volatility
- Review solutions to determine level of risk and volatility
- If max tolerance for risk exceeds current allocation, use the remaining funds to allocate towards low volatility equities



Low Volatility can be a building block to constructing a well diversified and customized portfolio

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