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The Simple Power of Broad Market ETFs

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As with all investments, your capital is at risk



The Simple Power of Broad Market ETFs

BMO  | Exchange Traded Funds
by BMO Global Asset Management

Presented by Zayla Saunders
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BMO Exchange Traded Funds

Investing Can be Challenging

Common DIY investor challenges

- Too many stocks, too much noise
- Market timing stress
- High fees quietly eating returns
- Fear of “getting it wrong”



What is a Broad Market ETF?

A type of index fund

- Trades on an exchange like a stock
- Tracks a **broad index** (entire market or major segment)
- Examples include ETFs tracking the S&P 500, TSX Composite, or MSCI EAFE



Easy access to top global indices



Flexibility to execute investment strategy



Instant diversification



Cost efficiency

A Quick History: Why Indexes Exist

Indexes came before ETFs

- Built to measure markets—not to beat them
- Used by institutions long before retail investors
- ETFs made them accessible to everyone

Key milestones

- S&P 500 → U.S. Stock Market Performance → 1957
- S&P/TSX Composite → 1977 → Canada's core benchmark
- MSCI EAFE → developed markets outside North America

The world's first ETF was created in Canada, known as the Toronto 35 Index Participation Units (TIPs) in March 1990.

Why Broad Market ETFs Work

The power behind the strategy

- Instant diversification
- Reduces single-stock risk
- Historically competitive long-term outcomes
- No need to predict winners



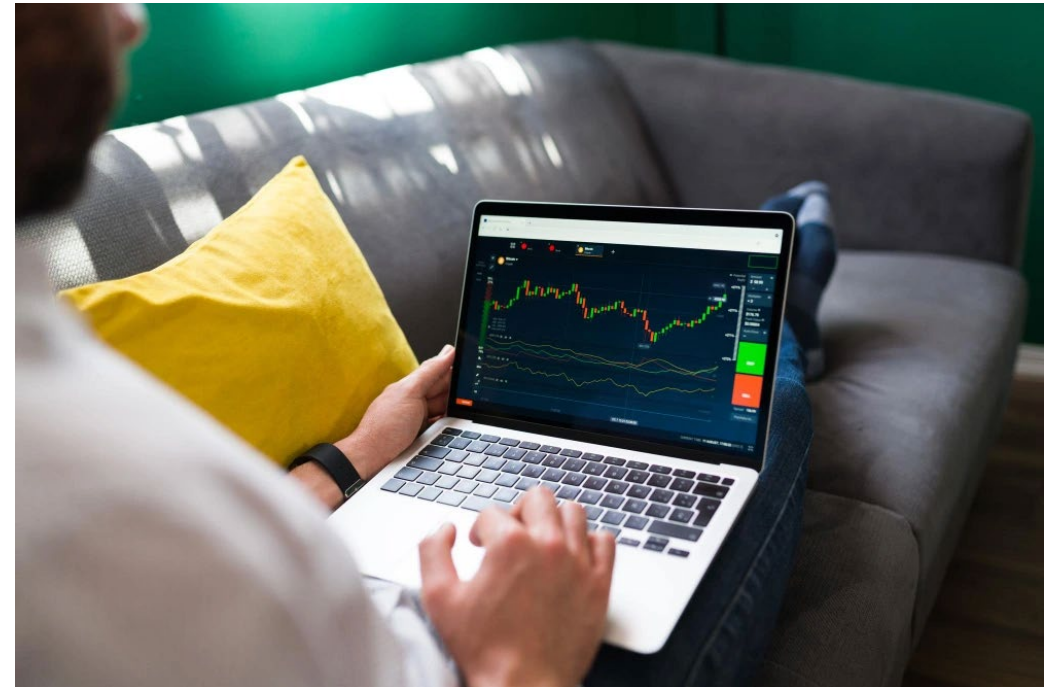
“79% of all active large-cap U.S. equity funds underperformed the S&P 500”

Source: SPIVA U.S. Year End Report, 2025

Broad Market ETF Advantages

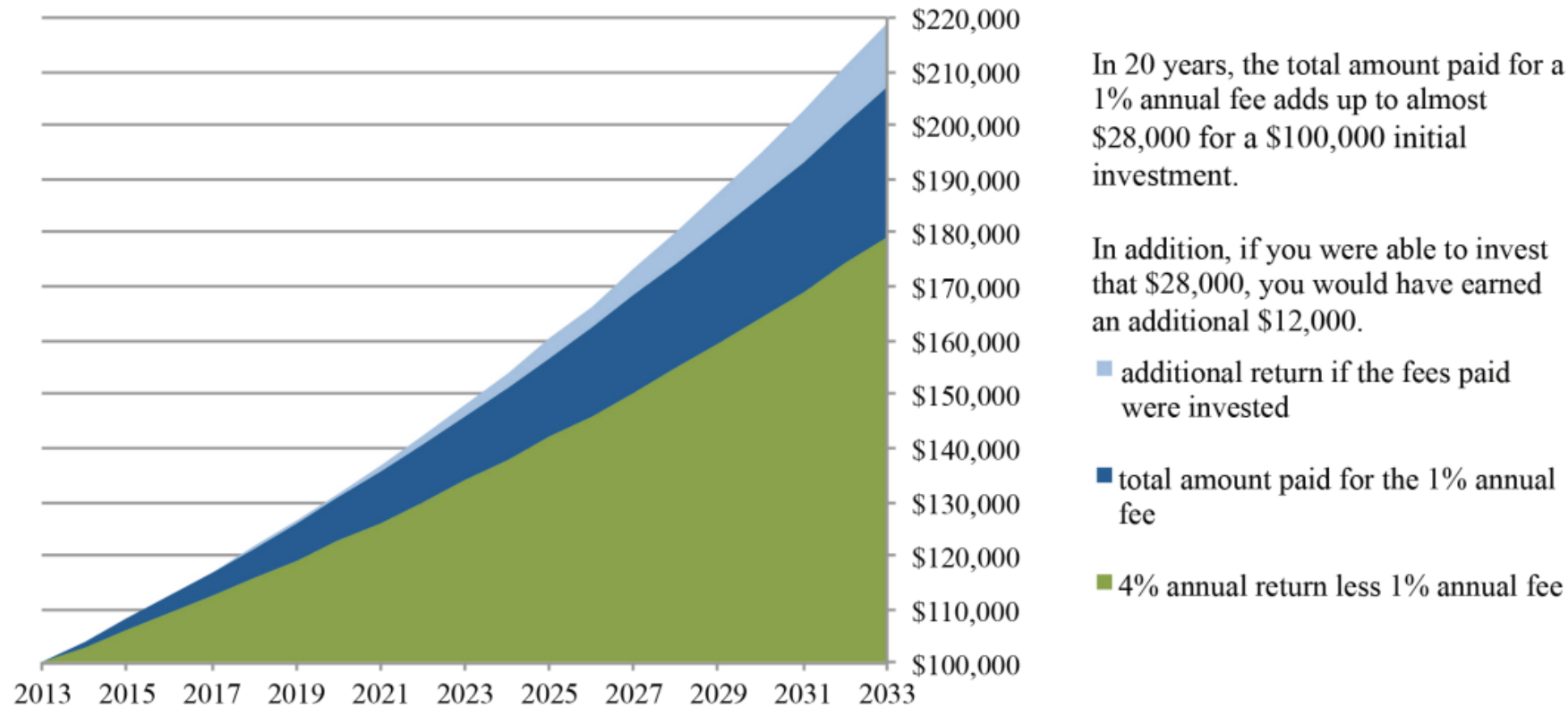
Broad market **ETF** advantages (vs traditional index mutual funds):

- Trade intraday (buy/sell anytime markets are open)
- Typically lower MERs
- Full transparency of holdings
- No minimum investment beyond one share



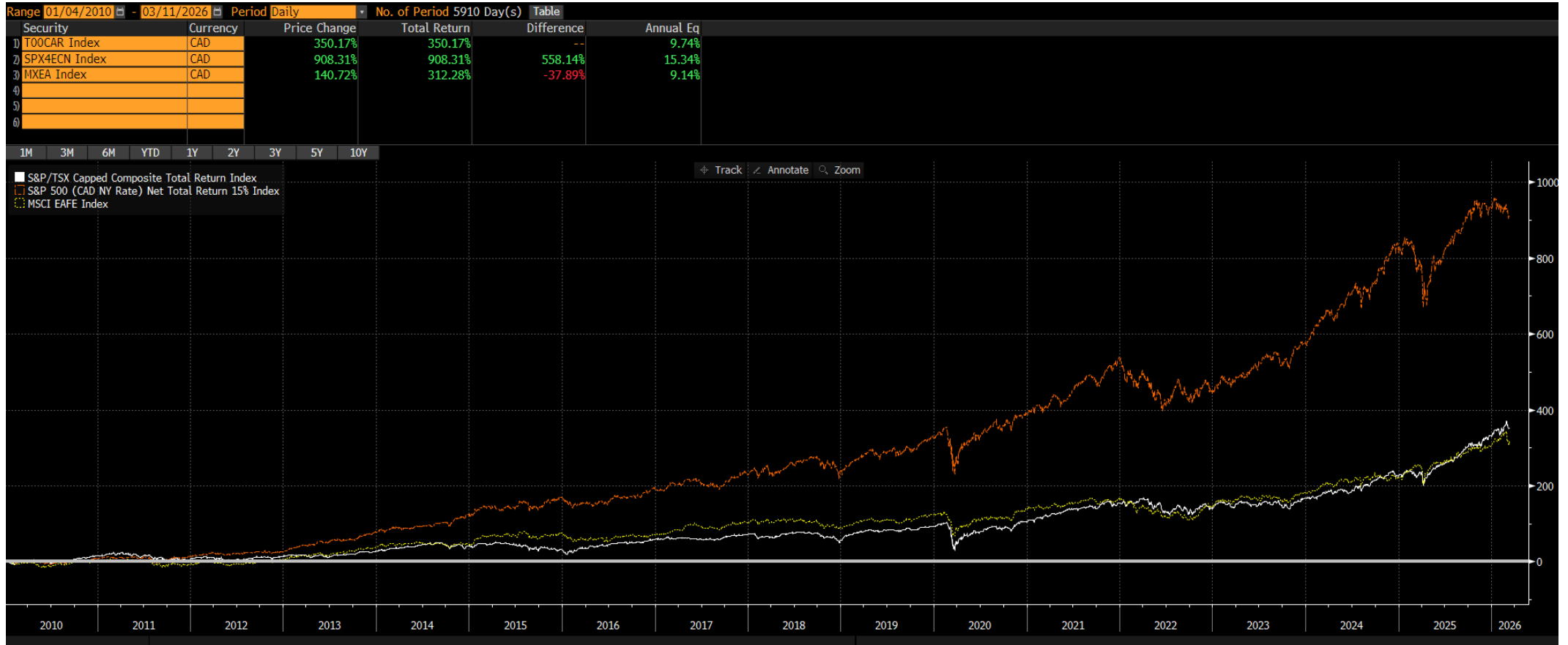
Cost Matters

Illustration of Ongoing Fees Over 20 Years



Source: https://www.sec.gov/investor/alerts/ib_fees_expenses.pdf, as of Mar 2026

Meet The Core Building Blocks



Source: Bloomberg, as of Mar 12 2026

Index returns do not reflect transactions costs or the deduction of other fees and expenses and it is not possible to invest directly in an Index. Past performance is not indicative of future results.

A simple DIY core portfolio



Canadian Market Index → Home bias



U.S. Market Index → Growth engine



All World Index → Global diversification

Other Indices

- **Canada:** S&P/TSX Composite
- **U.S. Core:** S&P 500, NASDAQ-100
- **U.S. Size Segments:** Mid-Cap, Small-Cap
- **International Developed:** MSCI EAFE
- **Emerging Markets:** MSCI EM
- **Fixed Income:** Canadian Aggregate Bonds, U.S. Aggregate Bonds

Why ETFs Have Exploded in Popularity

Investors want:

- Transparency
- Liquidity
- Lower fees
- Control

ETFs deliver all four



Key Takeaways

Think of broad market ETFs as the foundation of your investment strategy. They provide:

- **Core exposure** to major markets (Canada, U.S., international)
- **Simplicity** — one trade gives you hundreds of stocks
- **Flexibility** — combine with sector ETFs, bonds, or thematic strategies to further customize your portfolio

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