

BMO Tactical Balanced ETF Fund Highlights

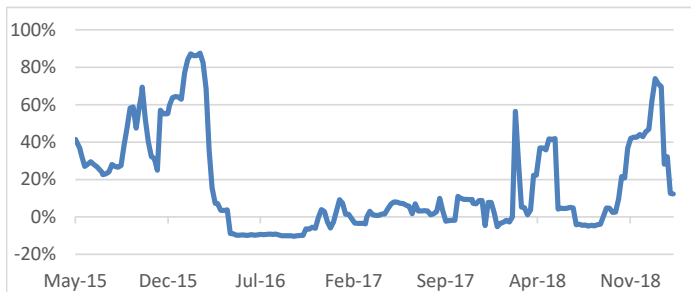
Defense

BETA SCORE

Offense



Beta (risk) Metrics



As of: Feb 8 2019	02/08/19	02/01/19	Change
FX (USD)	1.3%	1.5%	-0.1%
Beta ²	12.3%	12.5%	-0.2%
Correlation	22.5%	22.9%	-0.4%
Yield ³	2.78%	2.80%	-0.02%
ETF Holdings	16	16	0
Volatility ⁴	6.57%	6.58%	-0.02%
CAD	1.3278	1.3102	1.3%

Performance Metrics

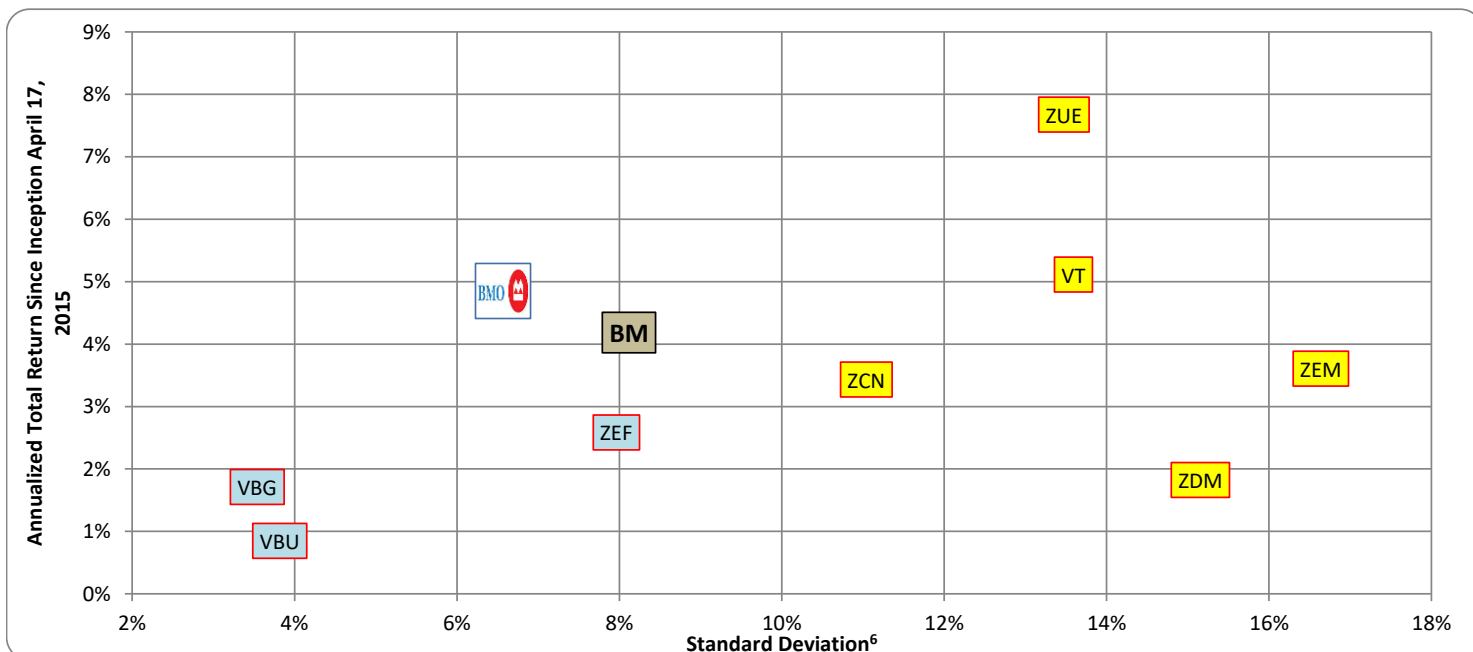
Total Return	Net	Gross	Upside/Downside ⁵
YTD	4.34%	4.55%	Upside 39%
Prev. Month	1.80%	1.96%	Downside 32%
Prev. Quarter	0.38%	0.86%	Months Up 30
Prev. Year	7.04%	8.96%	Months Dn 16
Annualized SI	2.93%	4.85%	
Sharpe Ratio	0.74		

Market Strategy (Risk Management)

DEFENSE: The current beta is 12.3% vs. the benchmark of 55.9% down from 12.5% last week. We let cash accumulate last week and the high cash position is a reflection on our short-term duration call. Globally, yields continue to collapse with yields in Japan and Germany anchoring US Treasury yields. Long bond supply in the US this week was not well recieved, yet equity weakness kept bonds bid most of the week. We still see supply as a weight on bond returns this year so we must be tactical in our duration calls.

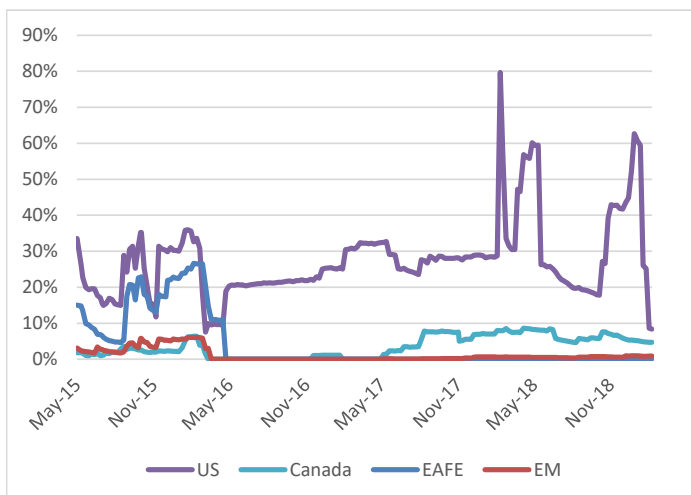
Top Holdings

Ticker	Name	Position
ZST	BMO Ultra Short-Term Bond ETF	19.0%
EMLC	VanEck Vectors J.P. Morgan EM Local Currency Bond ETF	9.2%
FLOT	iShares Floating Rate Bond ETF	8.9%
ZPR	BMO Laddered Preferred Share Index ETF	7.3%
ZGD	BMO Equal Weight Global Gold Index ETF	3.2%
AML	Alerian MLP ETF	2.4%
ZPH	BMO US Put Write Hedged to CAD ETF	2.4%
ZPW	BMO US Put Write ETF	1.9%
ZWU	BMO Covered Call Utilities ETF	1.7%
ZWC	BMO Canadian High Dividend Covered Call ETF	1.6%
GLD	SPDR Gold Shares	0.8%
ZUP	BMO US Preferred Share Index ETF	0.8%
GDX	VanEck Vectors Gold Miners ETF	0.7%
ZRR	BMO Real Return Bond Index ETF	0.6%
Total		60.5%



Tactical Asset Allocation

Equity	US	Canada	EAFE	EM
02/08/19	8.3%	4.7%	0.1%	0.8%
02/01/19	8.6%	4.7%	0.1%	0.8%
Change	-0.2%	-0.1%	0.0%	0.0%



Sector	02/08/19	02/01/19	Change
Financials	0.65%	0.66%	0.0%
Energy	4.13%	4.26%	-0.1%
Health Care	0.73%	0.75%	0.0%
Technology	0.78%	0.79%	0.0%
Industrials	0.50%	0.51%	0.0%
Discretionary	0.82%	0.84%	0.0%
Real Estate	0.00%	0.00%	0.0%
Staples	0.21%	0.21%	0.0%
Telecom	0.63%	0.64%	0.0%
Utilities	0.90%	0.92%	0.0%
Materials	4.50%	4.56%	-0.1%
Government	10.55%	10.72%	-0.2%
Corporate	27.18%	27.62%	-0.4%
C\$ Cash	64.14%	63.37%	0.8%
U\$ Cash	-24.66%	-24.91%	0.2%
Preferred	8.08%	8.21%	-0.1%
Commodity	0.85%	0.86%	0.0%

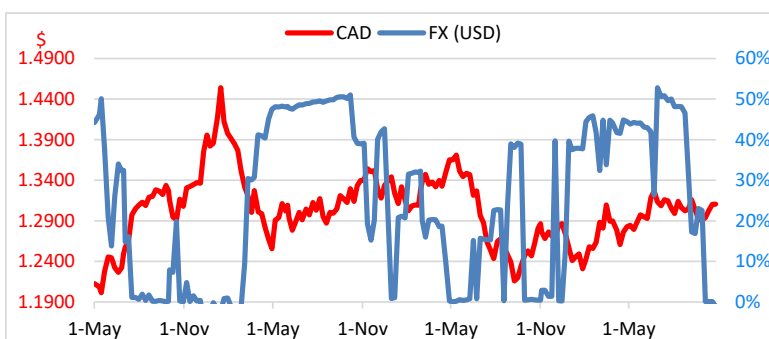
Bonds	Corp.	Govt.	Pref.	Cash	Duration
02/08/19	27.2%	10.6%	8.1%	39.5%	1.17
02/01/19	27.6%	10.7%	8.2%	38.5%	1.20
Change	-0.4%	-0.2%	-0.1%	1.0%	-0.03

Equity Country/Sector Allocation & Trades

We sold our last tranche of S&P 500 exposure as we hit resistance above 2700. The Fed surprised with an extremely dovish statement last week and suggests to us that despite still strong job gains, we may have reached the terminal funds rate and possibly the low end of the Fed's balance sheet unwind too. The global economy is only growing based on leverage and free money. In the long run, we are seeing huge misallocation of capital and the credit bubble that's building has to end badly. China may be at the front of that wave with the credit risk of the S&P 500 flirting with the biggest risk levels in history. To say we are a growth skeptic would be an understatement. For the next several years, tactical asset allocation may be our only real return possibility. Europe is cheap because it's a house of cards. EM is cheap because it's leveraged to Europe. The US is overvalued because it's the only economy that's working, but that's been 100% leverage for the past decade with free money.

Currency Strategy & Trades

Recovering oil prices and a FOMC that may have hit a ceiling has helped the C\$ reach its best levels in months, but make no mistake, in a recession, the C\$ is going sub 70 cents again and WTI back towards \$30 or less. We will use C\$ strength in the coming weeks to months to add US\$ exposure. We doubt we can see 80 cents again this cycle and will add US\$ between 76-78 cents.



Fixed-Income/Commodity Allocation & Trades

The most important consideration in our fixed-income portfolio is interest-rate sensitivity versus the benchmark of 6.21. The duration of the portfolio is 1.17 down -0.03 last week. We increased exposure to emerging market local currency debt (EMLC) where we see 10-15% total returns over the next year. It yields more than 6% and has potential currency gains over the next few years. On the currency front, we like the euro at 1.13 and lower and see a move back to 1.18 so we look to international government debt (IGOV) as a way to play FX gains. With yields so low globally, it's not a duration call. We look to add duration in the US with TLT as yields push higher under the weight of supply and firmer equity markets that we do not expect to last.

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1 Benchmark is the return of the targeted portfolio 60% global equities and 40% global bonds hedged to Canadian dollars; 2 Beta is a measure of how a fund responds to moves in the broader market. A beta of greater than 1.0 suggests that the fund is more volatile than the market, while a beta of less than 1.0 suggests that the fund is less volatile. 3 Yield is the most recent income received by the fund in the form of dividends, interest and other income annualized based on the payment frequency, divided by the current market value of the fund's investments. 4 Volatility is the annualized standard deviation which is a measure of risk. 5 Upside/Downside is a statistical measure of how much of the fund performance a manager captured during up-markets or down-markets. Typically, an investor would prefer a higher upside capture and lower downside capture. The time period presented is since inception. 6 Standard Deviation is a measure of risk that calculates the variation of a fund's performance around its average over a specific time period.

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