

# BMO Tactical Global Growth ETF Fund

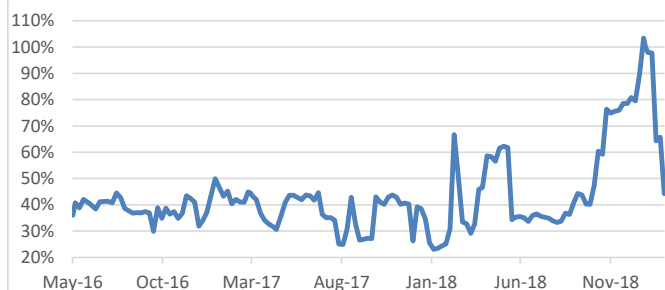
Defense

BETA SCORE

Offense



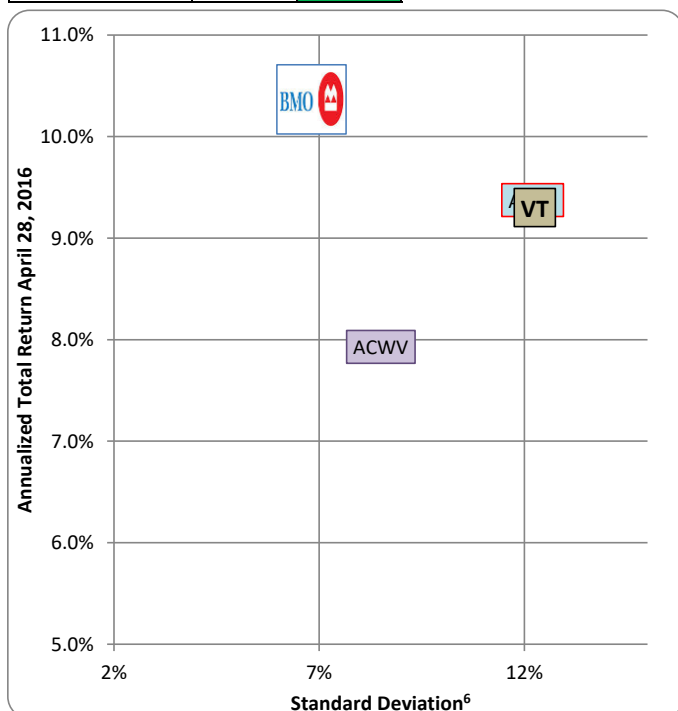
## Beta (risk) Metrics



As of: Feb 1 2019	02/01/19	01/25/19	Change
FX (USD)	-5.3%	-6.1%	0.9%
Beta <sup>2</sup>	44.2%	65.7%	-21.5%
Correlation	24.1%	40.5%	-16.4%
Yield <sup>3</sup>	3.02%	2.75%	0.27%
ETF Holdings	21	21	0
Volatility <sup>4</sup>	6.81%	6.82%	-0.01%
CAD	1.3102	1.3218	-0.9%

## Performance Metrics

Total Return	Net	Gross	Upside/Downside <sup>5</sup>	
YTD	7.34%	7.52%	Upside	53%
Prev. Qtr.	3.16%	3.63%	Downside	29%
Prev. Year	5.46%	7.38%	Months Up	26
Since Inception	25.58%	30.66%	Months Dn	7
Annualized SI	8.52%	10.37%		
Sharpe Ratio		1.52		



## Market Strategy (Risk Management)

DEFENSE: The current beta is 44.2% vs. the benchmark of 100% down from 65.7% last week. We sold our last direct exposure to the S&P 500 last week and beta is now back in defensive territory (less than half the benchmark level of risk). So how do we grow a growth portfolio in a bear market where we want to avoid growth exposure? In 2001/02 it was value. Today, alternative asset classes and low correlated asset classes. Fixed-income, Gold, and currencies are the prime candidates. Market neutral strategies with yield and equity sectors and styles like low vol, utilities and put-write option yield. We want lots of correlation with falling interest rates. We will move more in this direction in the coming weeks and months.

## Top Holdings

Ticker	Name	Position
ZST	BMO Ultra Short-Term Bond ETF	19.3%
ZWP	BMO Europe High Dividend Covered Call ETF	7.9%
ZGD	BMO Equal Weight Global Gold Index ETF	7.5%
AML	Alerian MLP ETF	5.2%
EMLC	VanEck Vectors J.P. Morgan EM Local Currency Bond ETF	4.8%
ASHR	Xtrackers Harvest CSI 300 China A-Shares ETF	3.9%
EWU	iShares MSCI United Kingdom ETF	3.9%
ZWU	BMO Covered Call Utilities ETF	3.3%
DXJ	WisdomTree Japan Hedged Equity Fund	3.3%
XLE	Energy Select Sector SPDR Fund	3.3%
IYZ	iShares US Telecommunications ETF	3.2%
ZWH	BMO US High Dividend Covered Call ETF	2.1%
ZWC	BMO Canadian High Dividend Covered Call ETF	1.9%
EWV	iShares MSCI Mexico ETF	1.2%
KRE	SPDR S&P Regional Banking ETF	1.1%
ZUB	BMO Equal Weight US Banks Hedged to CAD Index ETF	1.0%
BRF	VanEck Vectors Brazil Small-Cap ETF	1.0%
EIDO	iShares MSCI Indonesia ETF	0.9%
ZCN	BMO S&P/TSX Capped Composite Index ETF	0.6%
INDA	iShares MSCI India ETF	0.4%
ZLI	BMO Low Volatility International Equity ETF	0.1%
Total		75.9%

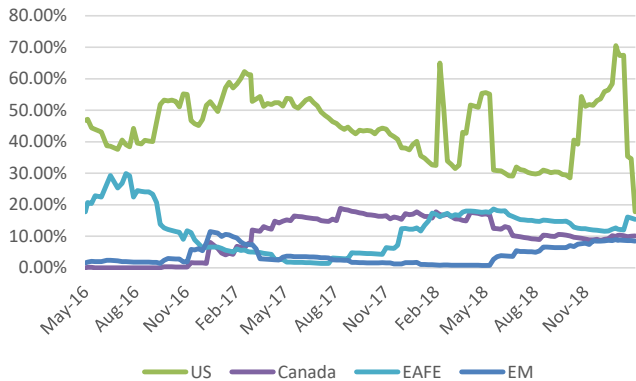
Fund Codes:

No Load: GGF70762; Advisor GGF99762; Low Load GGF98762; F-Class GGF95762



# Tactical Asset Allocation

Equity	US	Canada	EAFE	EM
02/01/19	17.8%	10.1%	15.4%	8.5%
01/25/19	34.6%	10.0%	15.8%	8.6%
Change	-16.8%	0.1%	-0.4%	-0.1%



Sector	02/01/19	01/25/19	Change
Financials	8.25%	10.98%	-2.7%
Energy	11.79%	12.94%	-1.1%
Health Care	2.51%	4.88%	-2.4%
Technology	1.37%	5.39%	-4.0%
Industrials	3.43%	5.21%	-1.8%
Discretionary	3.06%	5.23%	-2.2%
Real Estate	0.52%	0.97%	-0.5%
Staples	3.21%	4.60%	-1.4%
Telecom	5.30%	5.80%	-0.5%
Utilities	2.47%	2.99%	-0.5%
Materials	9.81%	10.08%	-0.3%
Government	4.63%	4.74%	-0.1%
Corporate	19.49%	0.17%	19.3%
C\$ Cash	62.72%	82.64%	-19.9%
US\$ Cash	-38.57%	-56.61%	18.0%
Preferred	0.00%	0.00%	0.0%
Commodity	0.00%	0.00%	0.0%

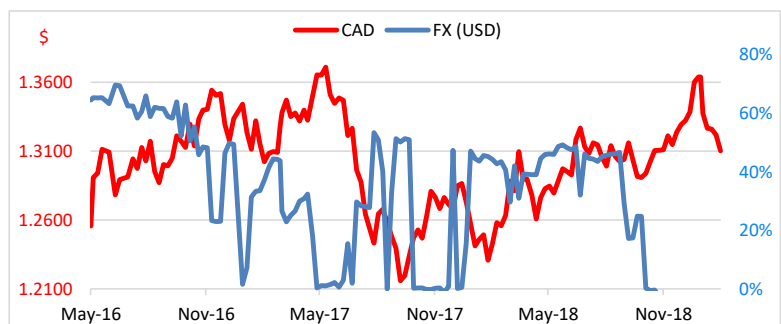
Bonds	Corp.	Govt.	Pref.	Cash
02/01/19	19.5%	4.6%	0.0%	24.1%
01/25/19	0.2%	4.7%	0.0%	26.0%
Change	19.3%	-0.1%	0.0%	-1.9%

## Equity Allocation Country/Sector Trades

There is no doubt the recent weakness went far lower than we expected. This is exactly why you don't take beta up to 1 until valuation is compelling and or the multiple has a high probability of expanding. Late in the cycle with the yield curve as flat as it is, you MUST err on the side of playing defense. While the US market and economy is still the most robust globally, the longer-term headwinds of uncontrollable debt, deficits, an aging demographic, and a current administration that is not fit for office, offers major hurdles to growth. We are heading into a late cycle bear market and there is not much in the policy toolbox to change that though the Fed will try. Japan is cheap and has some great dividend payers. They have been the poster child for anemic growth for decades. Sadly, the US is heading in this direction along with most of the developed world. There are policy tools to fix the issues, but politically impossible to implement because it largely involves austerity budgets and reduction of promises which makes it near impossible to implement. We will tend to shift money to places like Japan and the UK that have good dividend payers and much better valuations. Emerging markets has some of these exposures too along with tilting towards a weaker US dollar scenario as the Fed will need to take rates to zero again while the rest of the developed world cannot get off of them. Low beta, low volatility, value, high dividend, high quality are all relatively attractive. Option strategies to enhance yield will play a big role as well in recessionary portfolio construction.

## Fixed-Income/Currency/Commodity Strategy & Trades

It is clear to us that we are heading for a recession and a prolonged bear market environment. Historically, bonds and duration will play an increasing role in portfolio construction and capital preservation. We have started to nibble at Emerging Market Local currency government debt (EMLC). This is a growth at a reasonable price portfolio and we will increasingly seek to grow the portfolio with duration exposure. As the Fed looks to cut rates, gold exposure should provide some growth as well. A weaker US dollar trend will see us shift assets to higher yielding currencies as well. emerging market local currency debt seems particularly attractive. As for the C\$, we see it below 70 cents at the trough of the next recession and it should struggle to move above 78 cents. We will seek more US\$ exposure closer to 78 cents. Oil should stabilize in the \$50 range, but would certainly move back towards \$30 in a global recession we expect to play out into 2020.



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1 Benchmark is the return of the targeted portfolio 100% global equities 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. ® "BMO (M-bar roundel)" is a registered trade-mark of Bank of Montreal, used under licence. ETF Capital Management is a registered trade name of Quintessence Wealth, a Portfolio Manager, Investment Fund Manager and Exempt Market Dealer registered with the Canadian Securities Administrators.