

# BMO Tactical Global Growth ETF Fund

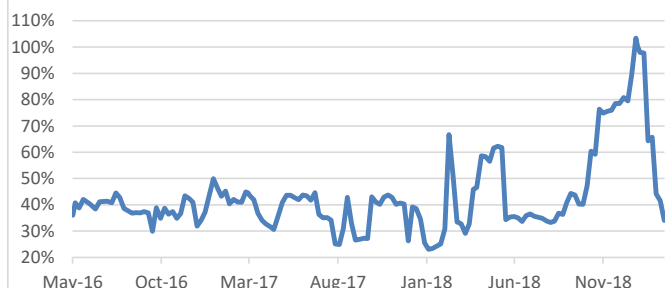
Defense

BETA SCORE

Offense



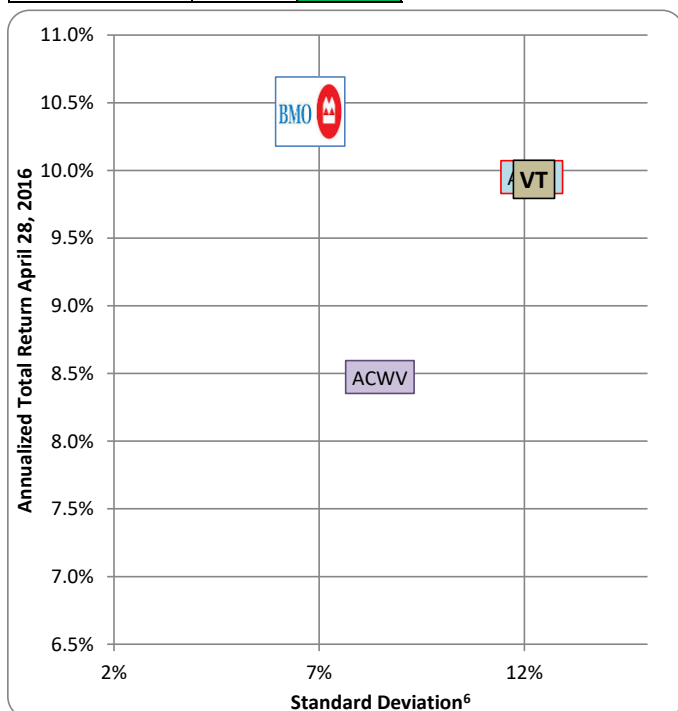
## Beta (risk) Metrics



As of: Feb 15 2019	02/15/19	02/08/19	Change
FX (USD)	-4.8%	-5.8%	1.0%
Beta <sup>2</sup>	34.1%	41.6%	-7.5%
Correlation	20.1%	21.4%	-1.4%
Yield <sup>3</sup>	3.17%	3.00%	0.17%
ETF Holdings	19	19	0
Volatility <sup>4</sup>	6.78%	6.80%	-0.02%
CAD	1.3244	1.3278	-0.3%

## Performance Metrics

Total Return	Net	Gross	Upside/Downside <sup>5</sup>
YTD	7.86%	8.11%	Upside 53%
Prev. Qtr.	3.33%	3.81%	Downside 29%
Prev. Year	6.13%	8.05%	Months Up 26
Since Inception	26.19%	31.35%	Months Dn 7
Annualized SI	8.59%	10.44%	
Sharpe Ratio		1.54	



## Market Strategy (Risk Management)

DEFENSE: The current beta is 34.1% vs. the benchmark of 100% down from 41.6% last week. We cut beta again last week in Chinese A Shares that saw a near 10% gains in recent weeks and has outperformed world market by almost 20% since we added the position several months ago. We still like the asset class for growth and will buy back in on a slight pullback anticipating increasing global index inclusion in the next decade. KBA is a better way to play the inclusion trade versus ASHR. We also cut beta in energy (XLE) that we added in the midst of the December carnage. In a global slowdown/recession, energy always underperforms and it was our biggest sector overweight. We are looking to add on pullback in Japan and the UK, where we rolled large cap exposure to small cap exposure.

## Top Holdings

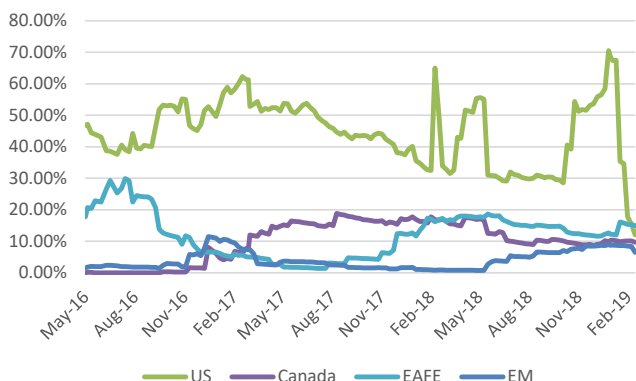
Ticker	Name	Position
ZST	BMO Ultra Short-Term Bond ETF	36.6%
ZWP	BMO Europe High Dividend Covered Call ETF	7.6%
ZGD	BMO Equal Weight Global Gold Index ETF	7.1%
AML	Alerian MLP ETF	5.0%
EMLC	VanEck Vectors J.P. Morgan EM Local Currency Bond ETF	4.7%
EWUS	iShares MSCI United Kingdom Small-Cap ETF	3.8%
DXJ	WisdomTree Japan Hedged Equity Fund	3.3%
ZWU	BMO Covered Call Utilities ETF	3.2%
IYZ	iShares US Telecommunications ETF	3.2%
ZWH	BMO US High Dividend Covered Call ETF	2.0%
ASHR	Xtrackers Harvest CSI 300 China A-Shares ETF	2.0%
ZWC	BMO Canadian High Dividend Covered Call ETF	1.9%
EWV	iShares MSCI Mexico ETF	1.1%
BRF	VanEck Vectors Brazil Small-Cap ETF	0.9%
EIDO	iShares MSCI Indonesia ETF	0.8%
ZCN	BMO S&P/TSX Capped Composite Index ETF	0.6%
INDA	iShares MSCI India ETF	0.4%
KBA	KraneShares Bosera MSCI China A ETF	0.2%
ZLI	BMO Low Volatility International Equity ETF	0.1%
<b>Total</b>		<b>84.4%</b>

Fund Codes:

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

# Tactical Asset Allocation

Equity	US	Canada	EAFE	EM
02/15/19	12.1%	9.7%	14.9%	6.5%
02/08/19	15.5%	10.1%	15.3%	8.4%
Change	-3.4%	-0.4%	-0.4%	-1.9%



Sector	02/15/19	02/08/19	Change
Financials	5.02%	6.09%	-1.1%
Energy	7.66%	11.59%	-3.9%
Health Care	2.24%	2.50%	-0.3%
Technology	1.47%	1.36%	0.1%
Industrials	3.60%	3.40%	0.2%
Discretionary	3.21%	3.02%	0.2%
Real Estate	0.73%	0.52%	0.2%
Staples	2.50%	3.20%	-0.7%
Telecom	5.25%	5.31%	-0.1%
Utilities	2.27%	2.46%	-0.2%
Materials	9.22%	9.83%	-0.6%
Government	4.49%	4.61%	-0.1%
Corporate	36.73%	19.36%	17.4%
C\$ Cash	46.83%	64.40%	-17.6%
US\$ Cash	-31.24%	-37.67%	6.4%
Preferred	0.00%	0.00%	0.0%
Commodity	0.00%	0.00%	0.0%

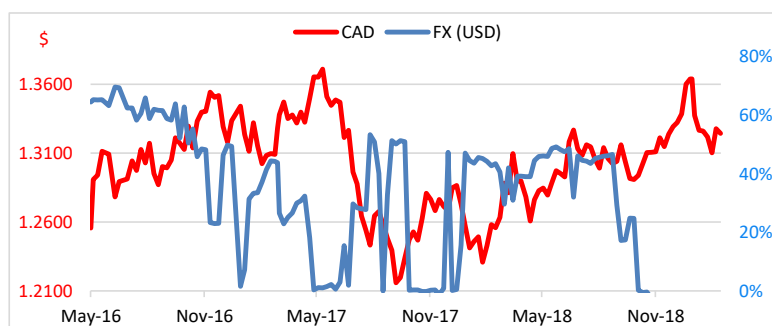
Bonds	Corp.	Govt.	Pref.	Cash
02/15/19	36.7%	4.5%	0.0%	15.6%
02/08/19	19.4%	4.6%	0.0%	26.7%
Change	17.4%	-0.1%	0.0%	-11.1%

## 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 as we have once again. 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. Currency exposure will be a significant contributor as well.

## 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.



This communication is intended for information purposes only. This update has been prepared by ETF Capital Management, the portfolio manager of BMO Tactical Global Growth ETF Fund and represents their assessment at the time of publication. The views are subject to change without notice as markets change over time. The information contained herein is not, and should not be construed as, investment advice to any party. Investments should be evaluated relative to the individual's investment objectives and professional advice should be obtained with respect to any circumstance. The statistics provided in this presentation are based on information believed to be reliable, but BMO Investments Inc. cannot guarantee they are accurate or complete. BMO Global Asset Management is a brand name that comprises BMO Asset Management Inc., BMO Investments Inc., BMO Asset Management Inc. and BMO's specialized investment management firms. BMO Mutual Funds are offered by BMO Investments Inc., a financial services firm and separate legal entity from the Bank of Montreal. Commissions, management fees and expenses may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

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.