



# BMO Tactical Dividend ETF Fund Highlights

Defense

BETA SCORE

Offense



## Beta (risk) Metrics



As of: Mar 8 2019	03/08/19	03/01/19	Change
FX (USD)	1.2%	1.6%	-0.4%
Beta <sup>2</sup>	37.5%	38.2%	-0.7%
Correlation	43.6%	44.0%	-0.4%
Yield <sup>3</sup>	4.24%	4.22%	0.02%
ETF Holdings	18	18	0
Volatility <sup>4</sup>	8.07%	8.08%	-0.01%
CAD	1.3416	1.3297	0.9%

## Performance Metrics

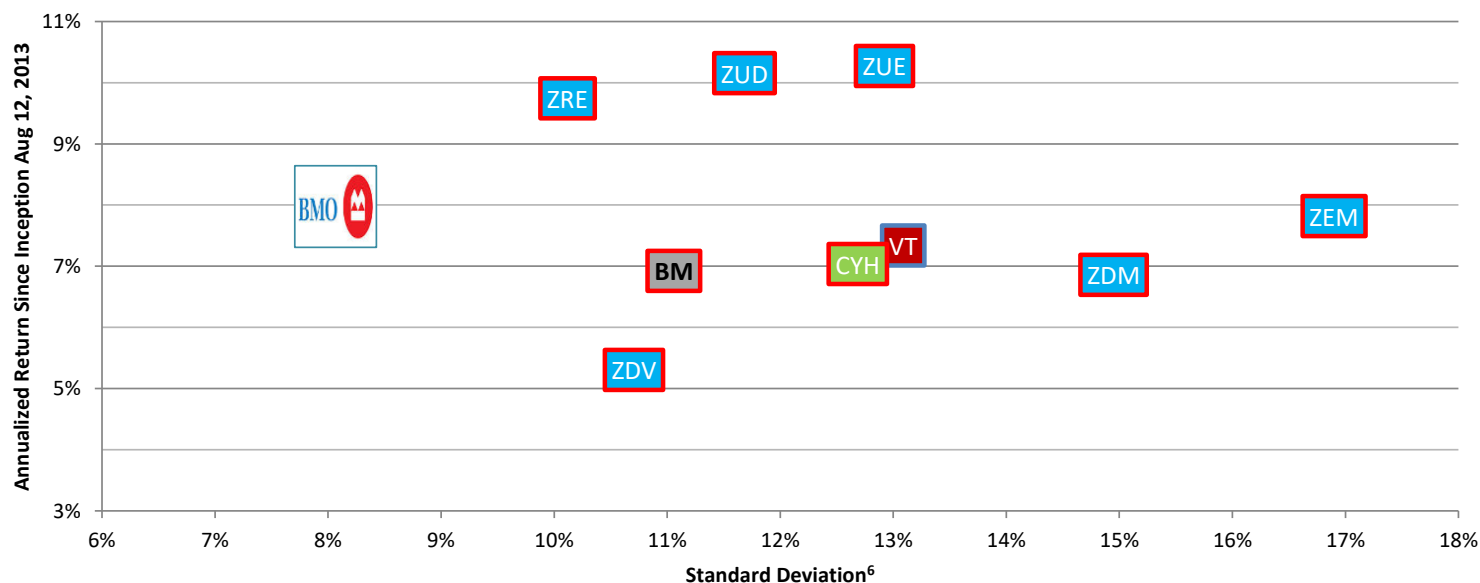
Total Return	Net	Gross	Upside/Downside <sup>5</sup>	
YTD	7.44%	7.79%	Upside	52%
Previous Quarter	4.87%	5.35%	Downside	8%
Previous Year	4.05%	5.97%	Months Up	39
3-Year	6.20%	8.12%	Months Dn	27
5-Year	4.94%	6.86%		
Annualized SI	6.05%	7.97%		
Sharpe Ratio		0.86		

## Market Strategy (Risk Management)

DEFENSE: The current beta is 37.5% vs. the benchmark of 73.4% and down from 38.2% last week. We added exposure to emerging markets local currency debt last week and we let cash accumulate. Key technical failures on many global indexes are confirming our concern about risks relative to potential returns at this point in the cycle. We believe we are in the early stages of a bear market that could last well into late 2020 or 2021 before seeing the real economic contraction and deleveraging cycle play out. Our goal for the portfolio remains a lower risk (beta) higher yield focus. There is much better value in international markets and when we add to portfolios, we will mostly be looking globally. That said, we will have tactical opportunities in the US market when P/Es are more reasonable.

## Top 20 Holdings

Ticker	Name	Position
ZST	BMO Ultra Short-Term Bond ETF	29.2%
ZWP	BMO Europe High Dividend Covered Call ETF	9.2%
ZWU	BMO Covered Call Utilities ETF	8.5%
ZGD	BMO Equal Weight Global Gold Index ETF	8.3%
AML	Alerian MLP ETF	7.0%
ZPW	BMO US Put Write ETF	6.1%
EMLC	VanEck Vectors J.P. Morgan EM Local Currency Bond ETF	5.0%
ZPR	BMO Laddered Preferred Share Index ETF	4.1%
DXJ	WisdomTree Japan Hedged Equity Fund	3.0%
ZDH	BMO International Dividend Hedged to CAD ETF	2.9%
EWUS	iShares MSCI United Kingdom Small-Cap ETF	2.6%
EDIV	SPDR S&P Emerging Markets Dividend ETF	2.4%
ZWC	BMO Canadian High Dividend Covered Call ETF	2.1%
TLT	iShares 20+ Year Treasury Bond ETF	2.0%
DGS	WisdomTree Emerging Markets SmallCap Dividend Fund	1.4%
DVYE	iShares Emerging Markets Dividend ETF	1.2%
ZWE	BMO Europe High Dividend Covered Call Hedged to CAD ETF	0.9%
SHV	iShares Short Treasury Bond ETF	0.0%
Total		95.9%

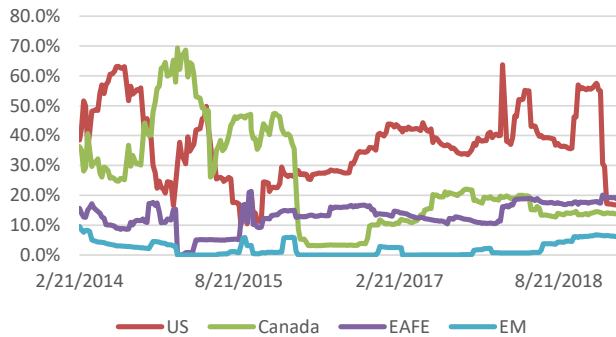


Fund Codes:

No Load: GGF70734; Advisor GGF99734; Low Load GGF98734; F-Class GGF95734; F6 GGF36734; ETF ZZZD

# Tactical Asset Allocation

Equity	US	Canada	EAFE	EM
03/08/19	16.7%	13.8%	18.8%	6.2%
03/01/19	16.8%	13.8%	19.2%	6.2%
Change	-0.1%	0.1%	-0.4%	0.0%



Sector	03/08/19	03/01/19	Change
Financials	6.57%	6.68%	-0.1%
Energy	11.85%	11.89%	0.0%
Health Care	2.91%	2.96%	0.0%
Technology	1.94%	1.98%	0.0%
Industrials	4.23%	4.32%	-0.1%
Discretionary	3.65%	3.72%	-0.1%
Real Estate	0.95%	0.97%	0.0%
Staples	3.15%	3.20%	0.0%
Telecom	4.04%	4.09%	0.0%
Utilities	5.28%	5.33%	-0.1%
Materials	11.01%	10.87%	0.1%
Government	6.80%	6.48%	0.3%
Corporate	29.34%	29.54%	-0.2%
C\$ Cash	40.31%	39.55%	0.8%
U\$ Cash	-36.16%	-35.80%	-0.4%
Preferred	4.13%	4.24%	-0.1%
Commodity	0.00%	0.00%	0.0%

## Country Allocation & Trades

Relative to benchmarks, we have more exposure in EM, EAFE, and Canada versus the US, where excess valuation and corporate leverage poses higher risks. While economically the best dirty shirt in the laundry, if we are eventually heading into a recession, multiple contraction becomes the biggest relative risks. Also, internationally (>3%), dividend yields are far more attractive than in the US (<2%). We look to add to Japan and the UK within EAFE as well as pockets of emerging market dividend plays on corrections. We don't see an ultimate bear market bottom until 2020 or even into 2021. We can see a credit deleveraging cycle last a few years where buybacks stop and debt is repaid with shrinking corporate profits. Exposure to the euro and British pound are getting attractive. The ECB is still anchoring to negative rates and that has pulled the euro weaker. Europe is on the edge of recession.

## Sector/Style Trades

We let new cash accumulate last week and will nibble passively at current positions to maintain yield in the portfolio using cash for tactical opportunities. Higher yielding sectors, low volatility, high quality are all styles that generate alpha in this part of the economic cycle. The defensive sectors that these factors track are not fundamentally cheap, so price risks are higher than we'd otherwise like to see. But they will tend to fall less in a bear market. These are the likely the best places to generate portfolio yield while we wait for the economic cycle to develop.

ETF Style	Weight	ETF Style	Weight
Bonds	36.15%	Equity-Low-Vol	0.00%
Cash	4.15%	Equity-Put	6.14%
Equity-Call	20.60%	Equity-Sector	8.34%
Equity-Dividend	14.87%	Preferred	4.13%
Equity-Hedged	0.00%	Equity-REITs	0.00%
Equity-Unhedged	0.00%	Commodity	0.00%

## Currency Strategy & Trades

Aside from the not credible employment gains in Canada, the potential for weakening global growth is a big headwind for Canada. In a recession scenario, the C\$ should drop below 70 cents and WTI back to \$30 or lower. We are shifting our target US\$ buy range 1.3050-1.32. We do not expect to see 80 cents (1.25) until after the recession plays out. We would be exceptionally bullish on Canada below 70 cents and with a change of government in Ottawa.

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1 The benchmark is the return of the targeted portfolio. As of Jan 1, 2017, the target portfolio is 80% (CYH) and 20% (ZDV); 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.