



# BMO Tactical Balanced ETF Fund Highlights

## Core Tactical/Strategic Portfolio Outlook/Adjustments

Global markets stalled last week after the strong rally off recent lows. A mix of global data remains confusing regarding the inflation vs. growth dynamic. We do expect a cooling of inflation pressures in the months to come to stabilize markets and see a slight reduction in volatility. For the next phase of the market cycle, it will be about the Main Street impact on jobs that will matter and how sticky inflation will be. We do not have a clear lens here, but expect inflation to be stickier than markets expect or are ready for. That concludes more volatility will come. When Bullard remarked about rate cuts in 2023/24 and market based pricing confirms, it's due to recession risks and weak financial conditions. There is no reason to celebrate this outcome. A hard landing is almost a certainty we believe. Again for now, markets will likely enjoy a period of relative stability as inflation cools. We made no changes last week, but look to re-establish volatility protection in the weeks and months ahead at slightly higher levels. On the bond side, we added back some duration (TLT) exposure that we reduced in recent weeks. Duration remains a focal point for alpha as the market debates the inflation outcome.

## Macro Market Strategy

We think this is a very two-way market for the next few quarters with a bearish tilt. Better than expected tax receipts should push the negative funding pressure from QT into 2023. Once QT starts, to have an impact, we would be more concerned that equity risk premiums will rise and multiples will contract. The risk of a policy mistake is significant. The FOMC hawkish walk back by Bullard putting rate cuts on the table for 2023/24 now reflects the shape of the money market curves. The Fed put is still there, but sticky inflation will be the challenge. For the next few months, the mathematics of rates-of-change should pacify inflation fears. Longer-term inflation expectations (seen in the chart of the week 5-year, 5-year breakeven swap) are elevated, but anchored.

## Top Holdings

Ticker	Name	Position
ZEA	BMO MSCI EAFE Index ETF	28.1%
EMLC	VanEck J. P. Morgan EM Local Currency Bond ETF	13.0%
ZEM	BMO MSCI Emerging Markets Index ETF	10.8%
ZUE	BMO S&P 500 Hedged to CAD Index ETF	8.7%
ZQQ	BMO Nasdaq 100 Equity Hedged To CAD Index ETF	6.3%
TLT	iShares 20+ Year Treasury Bond ETF	5.8%
VGK	Vanguard FTSE Europe ETF	5.0%
GDX	VanEck Gold Miners ETF/USA	2.6%
KWEB	KraneShares CSI China Internet ETF	2.5%
URA	Global X Uranium ETF	1.9%
ZMT	BMO Equal Weight Global Base Metals Hedged to CAD Index ETF	1.6%
ZCLN	BMO Clean Energy Index ETF	1.5%
PAVE	Global X US Infrastructure Development ETF	1.5%
KBA	KraneShares Boser MSCI China A 50 Connect Index ETF	1.3%
MJ	ETFMG Alternative Harvest ETF	1.3%
FLGB	Franklin FTSE United Kingdom ETF	0.9%
FLIN	Franklin FTSE India ETF	0.9%
FLBR	Franklin FTSE Brazil ETF	0.7%
CLOU	Global X Cloud Computing ETF	0.6%
CIBR	First Trust NASDAQ Cybersecurity ETF	0.6%

## Chart of the Week



## PRO-EYES - Berman's Call

Risk Level **High**

The core portfolio beta is 72.8%. The degree of delta protection is 0% while the value of beta protection is 0%.

The tactical PRO-EYES factor suggests more dip buying opportunity exists than not. However, the trend of liquidity in business conditions is likely to get worse before it improves. The fact the FOMC has now talked about 2023/24 rate cuts, markets should stabilize. Valuation metrics have yet to reflect a recession and that is the overriding risk. This likely means there will be more two-way opportunities in assets until the inflation cycle is under control. We expect it will be stickier than the market believes and the FOMC will have difficulty with a soft landing scenario.

## Performance Metrics (A-Series) as of (06/03/22)

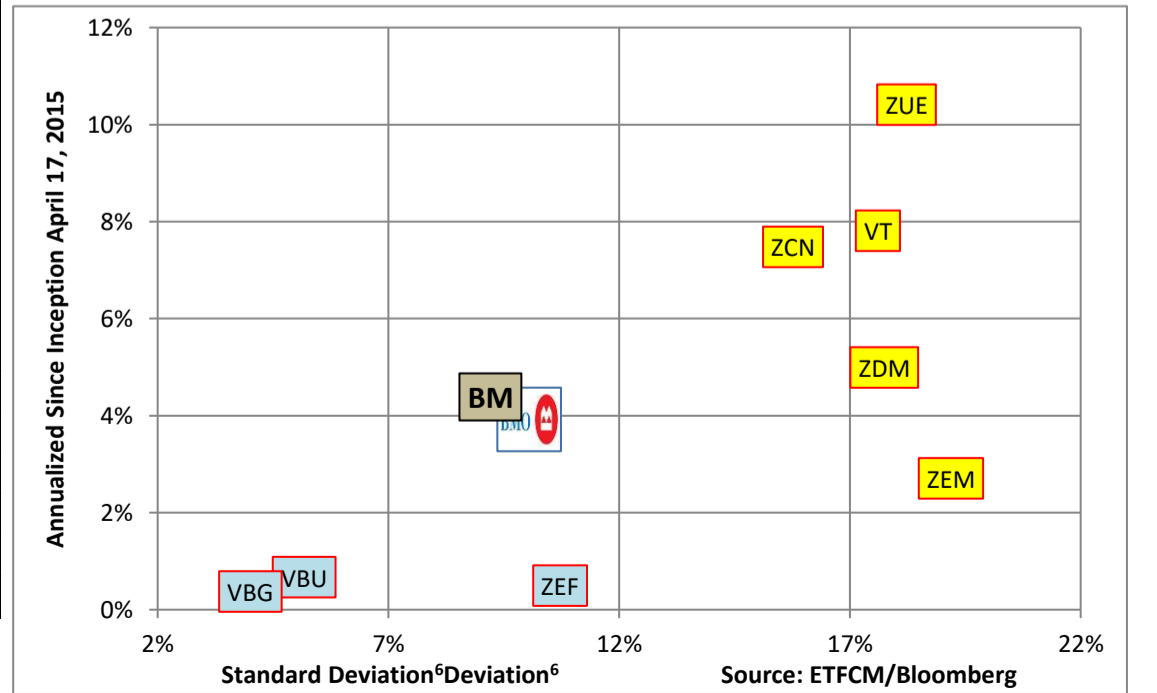
Total Return	Net	Gross	Up/Downside <sup>5</sup>	
YTD	-4.99%	-4.20%	Upside	15%
Prev. Month	-2.24%	-2.08%	Down	20%
Prev. Quarter	-1.68%	-1.20%	Mths Up	53
Prev. Year	-2.17%	-0.25%	Mths Dn	33
Ann. SI (04/17/15)	2.00%	3.92%		

Sharpe Ratio	0.39
Fund Codes:	No Load Retail: BMO70222

## Defense

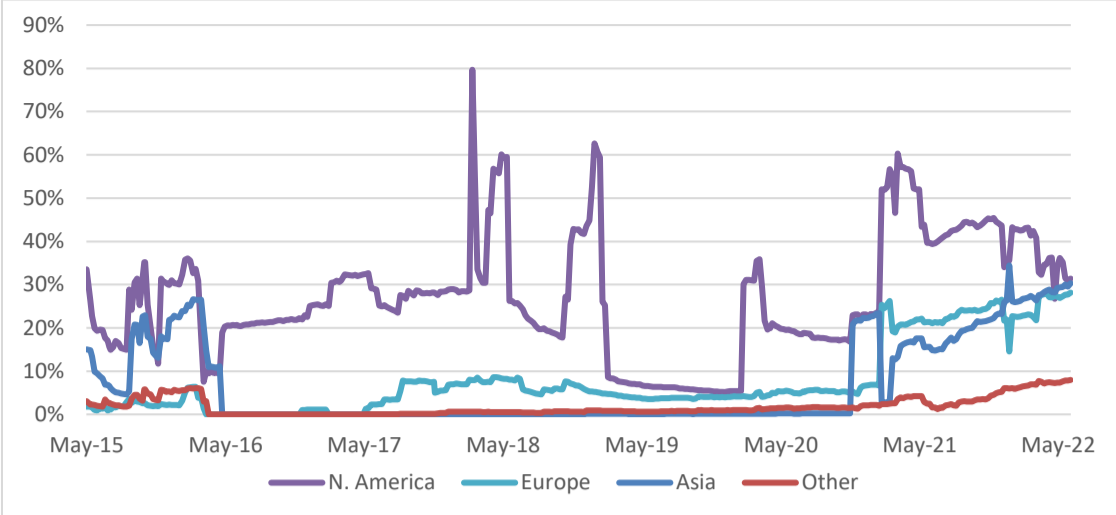
Core Portfolio Beta: **72.8%**

## Offense



## Tactical Asset Allocation

Equity	N. America	Europe	Asia	Other
06/03/22	31.3%	28.1%	30.3%	8.0%
05/27/22	30.9%	27.7%	29.6%	7.8%
Change	0.5%	0.4%	0.8%	0.2%



Bonds	Corp.	Govt.	Pref.	Cash
06/03/22	0.5%	18.4%	0.6%	2.2%
05/27/22	0.4%	18.2%	0.6%	4.0%
Change	0.0%	0.2%	0.0%	-1.8%

Bonds	Duration
06/03/22	8.04
05/27/22	7.42
Change	0.62

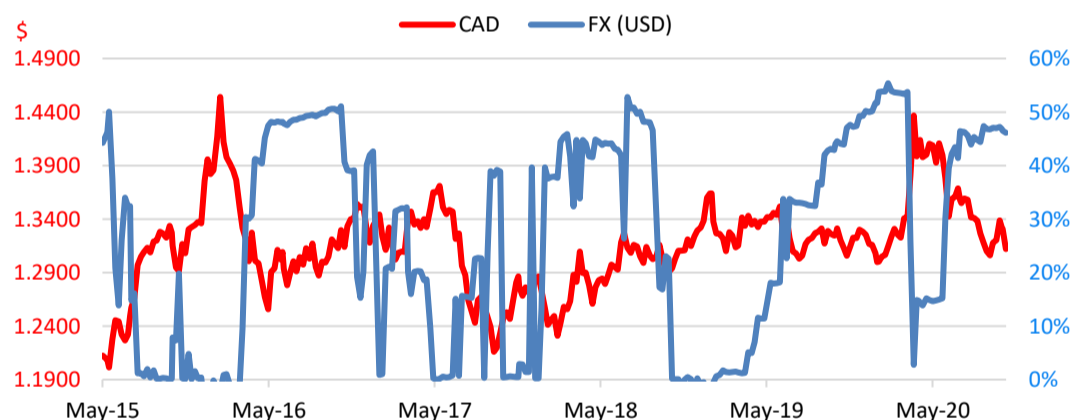
Sector	06/03/22	05/27/22	Change	BM
Basic Materials	9.6%	9.3%	0.2%	3.1%
Communications	8.5%	8.2%	0.3%	7.0%
Consumer, Cyclical	7.3%	7.2%	0.1%	6.8%
Consumer, Non-cyclical	15.3%	15.1%	0.2%	13.4%
Energy	4.3%	4.2%	0.1%	3.5%
Financial	12.4%	12.2%	0.2%	17.3%
Government	18.8%	18.5%	0.2%	27.9%
Industrial	8.2%	8.1%	0.2%	6.7%
Technology	10.4%	10.2%	0.2%	10.6%
Utilities	2.9%	2.8%	0.1%	2.6%

### Net Beta (Core - Protection): 72.8%



As of: 06/03/22	06/03/22	05/27/22	Change
FX (USD)	4.3%	6.2%	-1.9%
Beta <sup>2</sup>	72.8%	70.7%	2.1%
Protection	0.0%	0.0%	0.0%
Correlation	91.6%	90.4%	1.2%
Yield <sup>3</sup>	2.69%	2.67%	0.03%
ETF Holdings	25	24	1
Volatility <sup>4</sup>	10.05%	9.49%	0.56%
CAD	1.2594	1.2724	-1.0%

### Tactical FX Exposure (USD)



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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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