



# BMO Tactical Balanced ETF Fund Highlights

## Core Tactical/Strategic Portfolio Outlook/Adjustments

As the markets have now recovered about half their YTD declines, the risk-reward outlook is getting worse. In the past few weeks the markets have rallied, 12-month forward EPS outlooks are coming down. Q2 earnings period has come and gone and it was better than expected, which the market always likes. It's clear the transmission of monetary policy works with variable lags and the next few quarters will most likely see significant hits to earnings outlooks. Last week we took profits in two of our thematic sleeves (XBI-Biotech, CLOU-Cloud computing). We still like them to buy on dips, but we rolled the exposure into the more defensive XLP-Consumer Staples with markets at what should be a higher risk point. We now have half the beta in the portfolio protected down to 3200 for whatever the next leg of this bear market will turn out to be. On the bond side we trimmed EMLC on some relative currency strength, but look to trim exposure back to 10% looking to increase TLT back to 10% on a backup in yields we expect in the back half of the year as QT has more of a risk premium impact on all assets.

## Macro Market Strategy

We think this is a very two-way market for the next few quarters with a bearish tilt. QT should start to weigh on risk premiums going forward, but there is massive cash balances sitting in the RRP to offset a significant impact. We think the skinny Bills Congress passed will add slightly to funding pressure. The FOMC's more aggressive path has caught them up to the curve and the terminal rate is now expected in December. We do expect the Powell to try and talk out rate cuts in 2023 at Jackson Hole, which would be decidedly more hawkish than the market is currently pricing. We do not expect higher highs (5000+) until after the 2024 elections. We can expect lots of volatility to remain as the global economy rebalances. Anyone suggesting a more bullish path, we'd like to debate.

## Top Holdings

Ticker	Name	Position
ZEA	BMO MSCI EAFE Index ETF	23.1%
ZEM	BMO MSCI Emerging Markets Index ETF	11.2%
EMLC	VanEck J. P. Morgan EM Local Currency Bond ETF	11.0%
ZUE	BMO S&P 500 Hedged to CAD Index ETF	9.5%
TLT	iShares 20+ Year Treasury Bond ETF	5.1%
VGK	Vanguard FTSE Europe ETF	5.0%
GDV	VanEck Gold Miners ETF/USA	3.1%
RSP	Invesco S&P 500 Equal Weight ETF	3.1%
KWEB	KraneShares CSI China Internet ETF	2.6%
MJ	ETFMG Alternative Harvest ETF	2.1%
ZMT	BMO Equal Weight Global Base Metals Hedged to CAD Index ETF	2.1%
URA	Global X Uranium ETF	2.0%
KBA	KraneShares Bosera MSCI China A 50 Connect Index ETF	2.0%
ZCLN	BMO Clean Energy Index ETF	1.9%
CIBR	First Trust NASDAQ Cybersecurity ETF	1.8%
FINX	Global X FinTech ETF	1.3%
BOTZ	Global X Robotics & Artificial Intelligence ETF	1.1%
FLIN	Franklin FTSE India ETF	1.0%
PAVE	Global X US Infrastructure Development ETF	0.7%
FLBR	Franklin FTSE Brazil ETF	0.6%

## Chart of the Week



## PRO-EYES - Berman's Call

Risk Level **High**

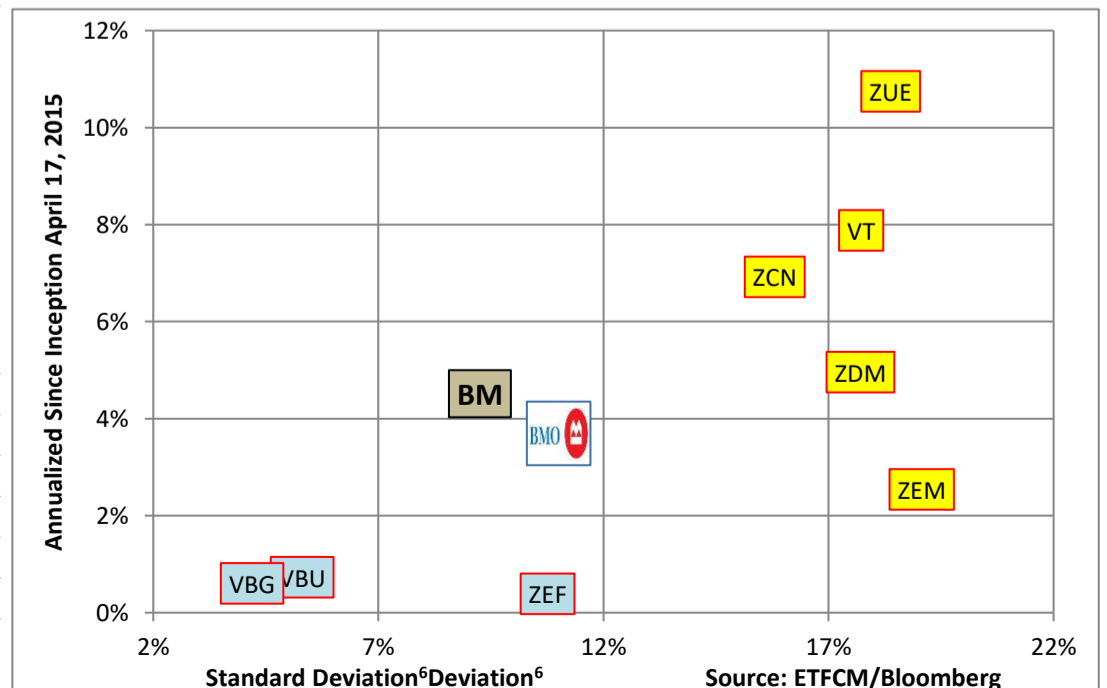
The core portfolio beta is 71.3%. The degree of delta protection is -31% while the value of beta protection is 40%.

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 (08/12/22)

Total Return	Net	Gross	Up/Downside <sup>5</sup>	
YTD	-6.16%	-5.02%	Upside	16%
Prev. Month	6.22%	6.38%	Down	29%
Prev. Quarter	1.53%	2.01%	Mths Up	54
Prev. Year	-5.43%	-3.51%	Mths Dn	34
Ann. SI (04/17/15)	1.77%	3.69%		
Sharpe Ratio	0.34			
Fund Codes:	No Load Retail: BMO70222			

## Defense Core Portfolio Beta: 71.3% Offense



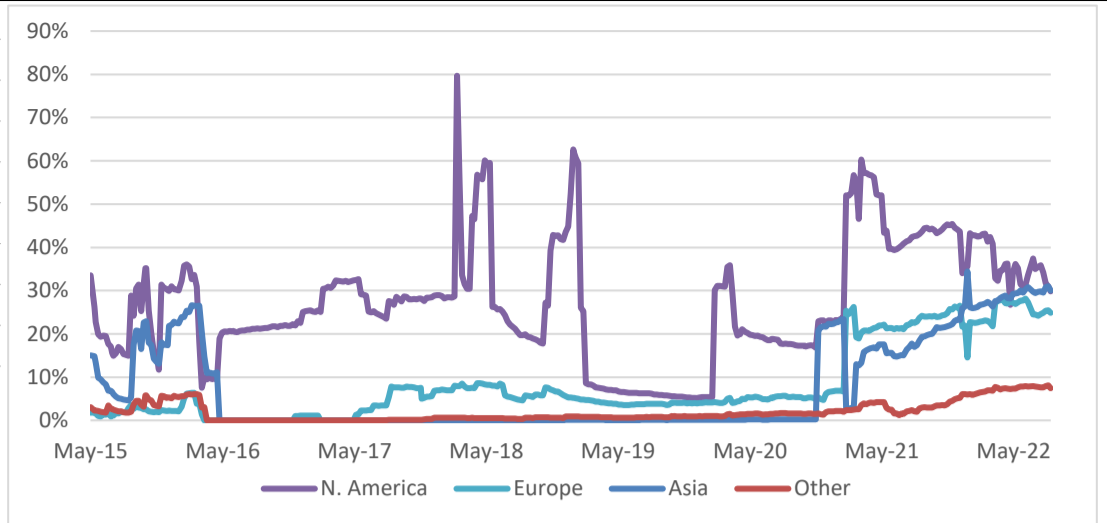
## Tactical Asset Allocation

Equity	N. America	Europe	Asia	Other
08/12/22	29.8%	24.9%	30.0%	7.4%
08/05/22	31.0%	25.4%	31.0%	8.1%
Change	-1.2%	-0.6%	-0.9%	-0.7%

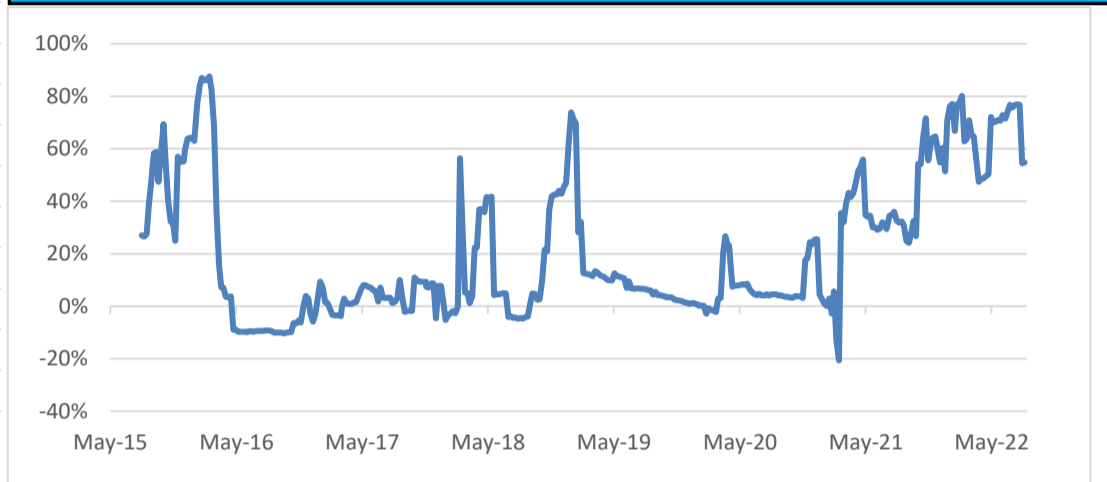
Bonds	Corp.	Govt.	Pref.	Cash
08/12/22	1.2%	16.9%	0.4%	6.8%
08/05/22	1.3%	19.3%	0.4%	4.5%
Change	-0.1%	-2.4%	0.0%	2.3%

Bonds	Duration
08/12/22	6.08
08/05/22	6.60
Change	-0.53

Sector	08/12/22	08/05/22	Change	BM
Basic Materials	9.9%	9.7%	0.2%	2.9%
Communications	7.3%	7.5%	-0.2%	7.0%
Consumer, Cyclical	7.1%	7.0%	0.1%	6.6%
Consumer, Non-cyclical	15.0%	15.8%	-0.8%	13.8%
Energy	4.4%	4.3%	0.1%	3.6%
Financial	12.0%	11.8%	0.2%	16.9%
Government	16.1%	18.7%	-2.6%	25.8%
Industrial	8.5%	8.3%	0.1%	6.6%
Technology	9.0%	9.5%	-0.5%	10.2%
Utilities	2.7%	2.7%	0.0%	2.7%

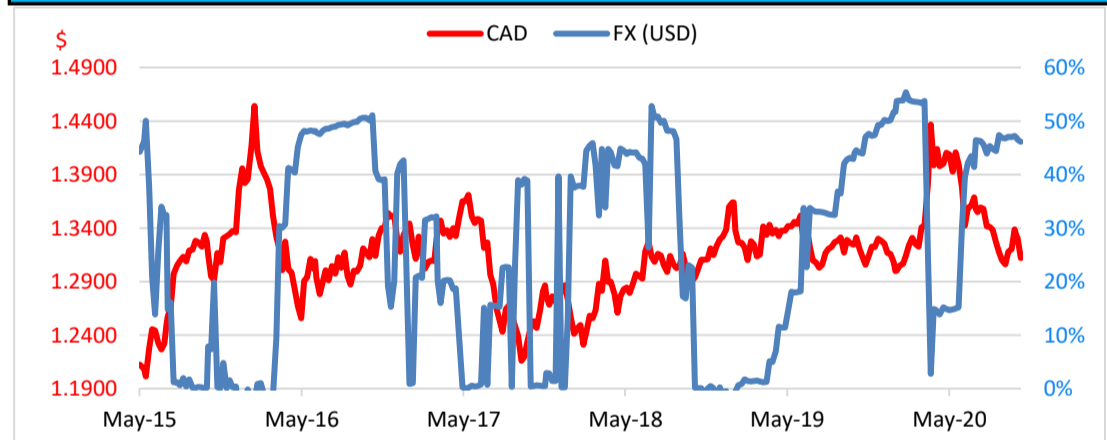


### Net Beta (Core - Protection): 40.6%



As of: 08/12/22	08/12/22	08/05/22	Change
FX (USD)	2.7%	3.6%	-0.9%
Beta <sup>2</sup>	71.3%	73.8%	-2.5%
Protection	-30.7%	-19.1%	-11.6%
Correlation	94.0%	97.6%	-3.6%
Yield <sup>3</sup>	2.76%	2.92%	-0.16%
ETF Holdings	24	25	-1
Volatility <sup>4</sup>	11.01%	11.93%	-0.92%
CAD	1.2782	1.2932	-1.2%

### 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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