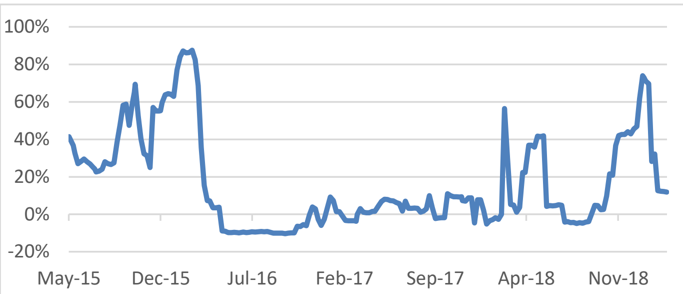
BMO Mutual Funds

BMO Tactical Balanced ETF Fund Highlights

Defense | BETA SCORE | Offense

Beta (risk) Metrics



Market Strategy (Risk Management)

DEFENSE: The current beta is 11.9% vs. the benchmark of 55.9% down from 12.2% last week. Scanning the world for value comes up empty. EM is relatively cheap, but not from a risk adjusted perspective. The markets are rallying with the excitement of a trade deal. We see a mediocre agreement at best that does not include IP or a plan to curb SOE support. Xi hopes for the US to move towards the middle. Buying more US soybeans and computer chips an easy ask. Buying US crude does not help the trade balance one iota, as the US will always be a net importer of crude. On the bond side, we saw a massive supply announcement hit the market for one day. The bond market is telling us the global economy is slowing. We have moved up our duration buying targets to the 3.10-3.25% level for US long bonds. We doubt 10% will get above 3% again until well after the next recession plays out. C$ strength is an opportunity to buy US$ in the coming months. We see a move below 70 cents in the coming recession.

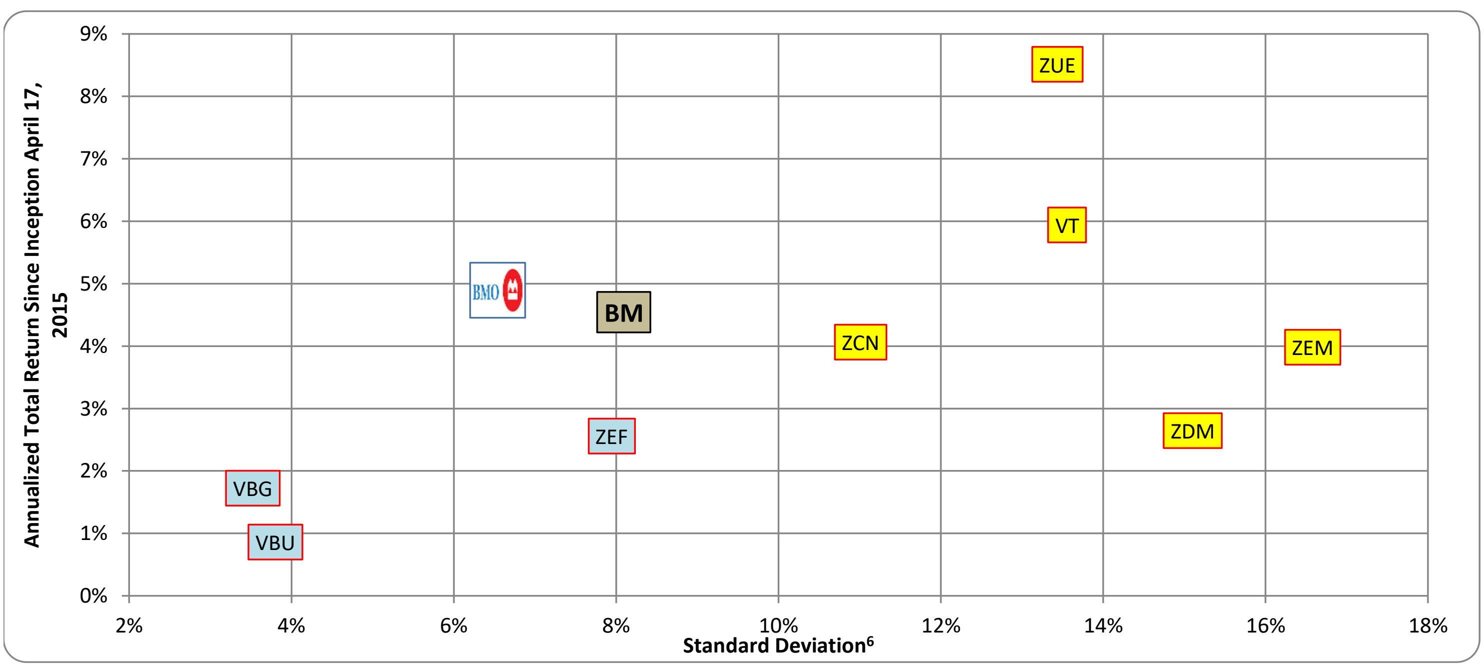
As of: Feb 22 2019	02/22/19	02/15/19	Change
FX (USD)	1.5%	1.4%	0.1%
Beta[2]	11.9%	12.2%	-0.3%
Correlation	21.0%	21.4%	-0.3%
Yield[3]	3.14%	3.25%	-0.11%
ETF Holdings	16	16	0
Volatility[4]	6.54%	6.55%	-0.01%
CAD	1.3135	1.3244	-0.8%

Performance Metrics

Total Return	Net	Gross	Upside/Downside[5]	
YTD	4.63%	4.91%	Upside	39%
Prev. Month	1.35%	1.51%	Downside	32%
Prev. Quarter	2.90%	3.38%	Months Up	30
Prev. Year	4.08%	6.00%	Months Dn	16
Annualized SI	2.97%	4.89%		
Sharpe Ratio	0.75			

Top Holdings

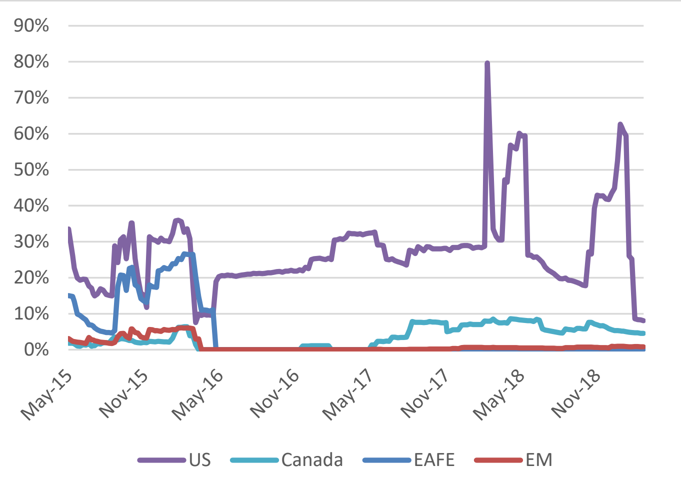
Ticker	Name	Position
ZST	BMO Ultra Short-Term Bond ETF	47.1%
EMLC	VanEck Vectors J.P. Morgan EM Local Currency Bond ETF	8.9%
FLOT	iShares Floating Rate Bond ETF	8.4%
ZPR	BMO Laddered Preferred Share Index ETF	6.9%
ZGD	BMO Equal Weight Global Gold Index ETF	3.1%
AMLP	Alerian MLP ETF	2.3%
ZPH	BMO US Put Write Hedged to CAD ETF	2.3%
ZPW	BMO US Put Write ETF	1.8%
ZWU	BMO Covered Call Utilities ETF	1.7%
ZWC	BMO Canadian High Dividend Covered Call ETF	1.5%
GLD	SPDR Gold Shares	0.8%
ZUP	BMO US Preferred Share Index ETF	0.8%
GDX	VanEck Vectors Gold Miners ETF	0.7%
ZRR	BMO Real Return Bond Index ETF	0.6%
Total		**86.9%**



Fund Codes:	No Load: GGF70222; Advisor GGF99222; Low Load GGF98222; F-Class GGF95222

Tactical Asset Allocation

Equity	US	Canada	EAFE	EM
02/22/19	8.1%	4.6%	0.1%	0.8%
02/15/19	8.3%	4.6%	0.1%	0.8%
Change	-0.2%	0.0%	0.0%	0.0%



Sector	02/22/19	02/15/19	Change
Financials	0.63%	0.64%	0.0%
Energy	3.99%	4.12%	-0.1%
Health Care	0.71%	0.73%	0.0%
Technology	0.75%	0.77%	0.0%
Industrials	0.48%	0.50%	0.0%
Discretionary	0.79%	0.81%	0.0%
Real Estate	0.00%	0.00%	0.0%
Staples	0.20%	0.21%	0.0%
Telecom	0.61%	0.62%	0.0%
Utilities	0.88%	0.89%	0.0%
Materials	4.41%	4.38%	0.0%
Government	10.19%	10.50%	-0.3%
Corporate	54.83%	56.32%	-1.5%
C$ Cash	36.52%	35.17%	1.4%
U$ Cash	-23.43%	-24.29%	0.9%
Preferred	7.64%	7.81%	-0.2%
Commodity	0.81%	0.83%	0.0%

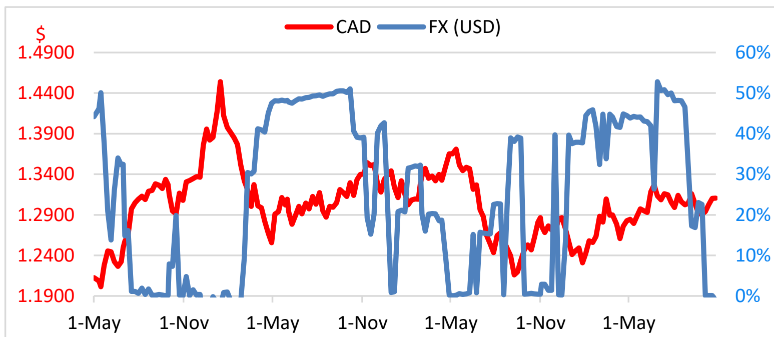
Bonds	Corp.	Govt.	Pref.	Cash	Duration
02/22/19	54.8%	10.2%	7.6%	13.1%	1.39
02/15/19	56.3%	10.5%	7.8%	10.9%	1.45
Change	-1.5%	-0.3%	-0.2%	2.2%	-0.05

Equity Country/Sector Allocation & Trades

We are not concerned about a new bull market developing. The markets are excited about a trade resolution and a dovish Fed. Nevertheless, the global economy continues to slow and the lagged impact of tighter policy will likely have negative impacts for growth. The global economy is only growing based on leverage and easy money. In the long run, we are seeing huge misallocation of capital and the credit bubble that's building will likely end badly. China may be at the front of that wave with the credit risk of the S&P 500 flirting with the biggest risk levels in history. To say we are a growth skeptic would be an understatement. For the next several years, tactical asset allocation may be our only real return possibility. Europe is cheap because it's a house of cards with it's strongest economy, Germany, basically in a recession. EM is cheap because it's leveraged to Europe. The US is overvalued because it's the only economy that's working, but that's been 100% leverage for the past decade with free money, which is coming to an end--especially with the political shift to the LEFT.

Currency Strategy & Trades

Recovering oil prices and a FOMC that may have hit a ceiling has helped the C$ reach its best levels in months, but make no mistake, in a recession, the C$ is going sub 70 cents again and WTI back towards $30 or less. We will use C$ strength in the coming weeks to months to add US$ exposure. We doubt we can see 80 cents again this cycle and will add US$ between 76.5-78 cents.



Fixed-Income/Commodity Allocation & Trades

The most important consideration in our fixed-income portfolio is interest-rate sensitivity versus the benchmark of 6.21. The duration of the portfolio is 1.39 down -0.05 last week. We increased exposure to emerging market local currency debt (EMLC) where we see 10-15% total returns over the next year. It yields more than 6% and has potential currency gains over the next few years. We added to short-term high yield to boost yield in the portfolio. On the currency front, we like the euro at 1.13 and lower and see a move back to 1.18 so we look to international government debt (ISHG & IGOV) as a way to play FX gains. With yields so low globally, it's not a duration call. We look to add duration in the US with TLT as yields push higher under the weight of supply and firmer equity markets that we do not expect to last.

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.