



# BMO Tactical Dividend ETF Fund Highlights

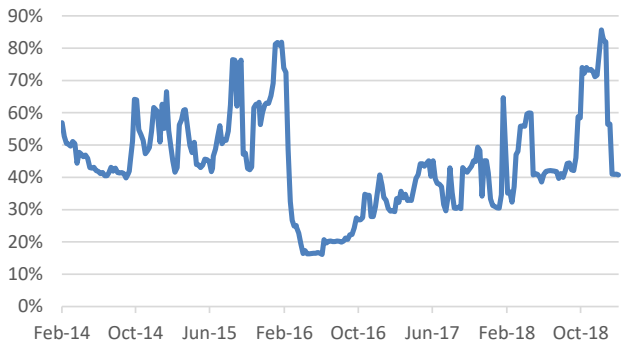
Defense

BETA SCORE

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## Beta (risk) Metrics



As of: Feb 22 2019	02/22/19	02/15/19	Change
FX (USD)	1.7%	1.3%	0.4%
Beta <sup>2</sup>	40.8%	41.0%	-0.3%
Correlation	45.8%	46.0%	-0.2%
Yield <sup>3</sup>	4.03%	4.10%	-0.07%
ETF Holdings	16	16	0
Volatility <sup>4</sup>	8.09%	8.10%	-0.01%
CAD	1.3135	1.3244	-0.8%

## Performance Metrics

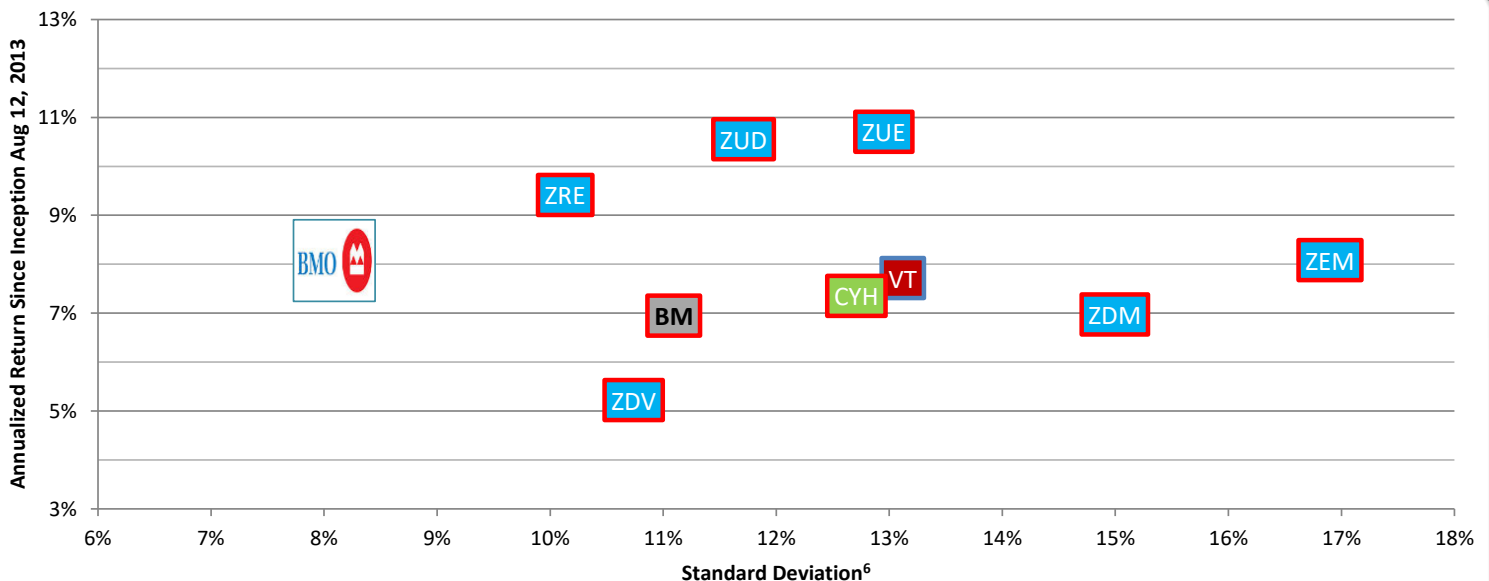
Total Return	Net	Gross	Upside/Downside <sup>5</sup>	
YTD	7.75%	8.03%	Upside	50%
Previous Quarter	4.97%	5.45%	Downside	8%
Previous Year	5.19%	7.11%	Months Up	38
3-Year	7.60%	9.52%	Months Dn	27
5-Year	5.14%	7.06%		
Annualized SI	6.15%	8.07%		
Sharpe Ratio		0.87		

## Market Strategy (Risk Management)

NEUTRAL: The current beta is 40.8% vs. the benchmark of 73.4% and down from 41.0% last week. We continue to optimize the portfolio for about half the benchmark risk level with a yield above 4%. This week we added to cash again. Our focus looking out is to generate a lower risk higher yield using periods of weakness to add beta only. Despite the exuberance about the "V" based recovery, earnings growth is a huge risk in the next few years and corporate leverage is a major headwind to growth. We look to reduce beta more in the coming weeks and months on market strength. Adding duration in bonds and US\$ exposure should help to preserve capital once investors realize that "This is as good as it gets" for the cycle. They had a taste last year, there is likely much more to come before Main Street feels the recession. There are too many leading indicators that suggest the cycle is ending.

## Top 20 Holdings

Ticker	Name	Position
ZST	BMO Ultra Short-Term Bond ETF	23.9%
ZWP	BMO Europe High Dividend Covered Call ETF	9.3%
ZWU	BMO Covered Call Utilities ETF	8.6%
ZGD	BMO Equal Weight Global Gold Index ETF	8.5%
AML	Alerian MLP ETF	7.1%
ZWH	BMO US High Dividend Covered Call ETF	6.2%
EMLC	VanEck Vectors J.P. Morgan EM Local Currency Bond ETF	4.7%
ZPR	BMO Laddered Preferred Share Index ETF	4.2%
DXJ	WisdomTree Japan Hedged Equity Fund	3.1%
ZDH	BMO International Dividend Hedged to CAD ETF	3.0%
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%
DGS	WisdomTree Emerging Markets SmallCap Dividend Fund	1.4%
DVYE	iShares Emerging Markets Dividend ETF	1.3%
ZWE	BMO Europe High Dividend Covered Call Hedged to CAD ETF	0.9%
<b>Total</b>		<b>89.4%</b>

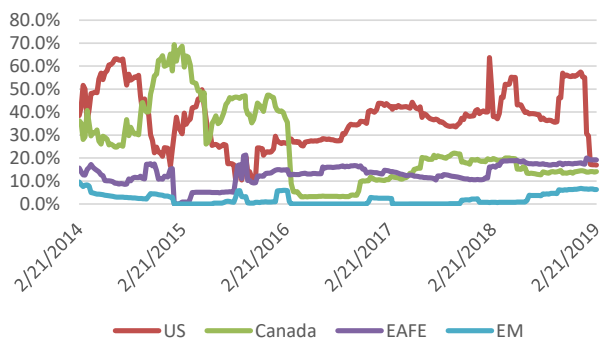


Fund Codes:

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

# Tactical Asset Allocation

Equity	US	Canada	EAFE	EM
02/22/19	16.9%	14.1%	19.1%	6.4%
02/15/19	17.1%	13.9%	19.2%	6.3%
Change	-0.2%	0.2%	-0.1%	0.0%



Sector	02/22/19	02/15/19	Change
Financials	5.81%	5.84%	0.0%
Energy	12.27%	12.45%	-0.2%
Health Care	2.91%	2.93%	0.0%
Technology	2.59%	2.60%	0.0%
Industrials	3.98%	4.00%	0.0%
Discretionary	3.64%	3.66%	0.0%
Real Estate	1.25%	1.25%	0.0%
Staples	3.14%	3.16%	0.0%
Telecom	4.27%	4.28%	0.0%
Utilities	5.53%	5.54%	0.0%
Materials	11.11%	10.83%	0.3%
Government	4.55%	4.61%	-0.1%
Corporate	24.11%	24.33%	-0.2%
C\$ Cash	44.42%	44.79%	-0.4%
U\$ Cash	-33.82%	-34.54%	0.7%
Preferred	4.23%	4.25%	0.0%
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.

## Sector/Style Trades

We let cash accumulate last week and added to corporate bond exposure to boost yield relative to cash. We are looking to add bond duration, but find it remarkable that with the global equity recovery, bond yields have actually fell and not increased. It continues to suggest that bond investors are seeing an eventual recession while equity investors have severe FOMO anxiety. At some point soon, many will see the 10% YTD gains in many equity markets as an "it's as good as it gets" moment and ring the register. We expect a sell the news reaction to an eventual trade deal with China and can kick on BREXIT. Stable equity markets may lead to another Fed hike by mid year further pushing the yield curve towards inversion and our call for a 2020 recession hitting Main Street.

ETF Style	Weight	ETF Style	Weight
Bonds	28.66%	Equity-Low-Vol	0.00%
Cash	10.60%	Equity-Put	0.00%
Equity-Call	27.09%	Equity-Sector	8.53%
Equity-Dividend	15.14%	Preferred	4.23%
Equity-Hedged	0.00%	Equity-REITs	0.00%
Equity-Unhedged	0.00%	Commodity	0.00%

## Currency Strategy & Trades

We almost hit our first BUY US\$ level in months, as the C\$ is recovering with oil prices and a BoC that seems to want to sneak in another rate hike or two this year despite the FOMC being on hold. We see limited rally potential for the C\$ and will be adding back US\$ exposure in the coming weeks and months. In a recession scenario, the C\$ should drop below 70 cents and WTI back to \$30 or lower. Target US\$ buy range 1.28-1.3050. 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.