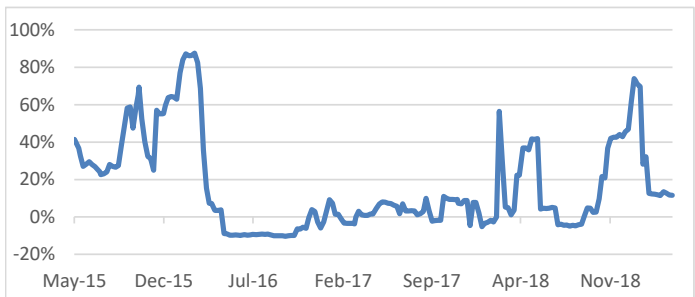


# BMO Tactical Balanced ETF Fund Highlights

Defense BETA SCORE Offense



**Beta (risk) Metrics**



As of: Mar 29 2019	03/29/19	03/22/19	Change
FX (USD)	4.9%	5.1%	-0.2%
Beta <sup>2</sup>	11.5%	11.7%	-0.2%
Correlation	21.3%	22.0%	-0.7%
Yield <sup>3</sup>	3.07%	3.09%	-0.03%
ETF Holdings	19	19	0
Volatility <sup>4</sup>	6.46%	6.48%	-0.02%
CAD	1.3349	1.3429	-0.6%

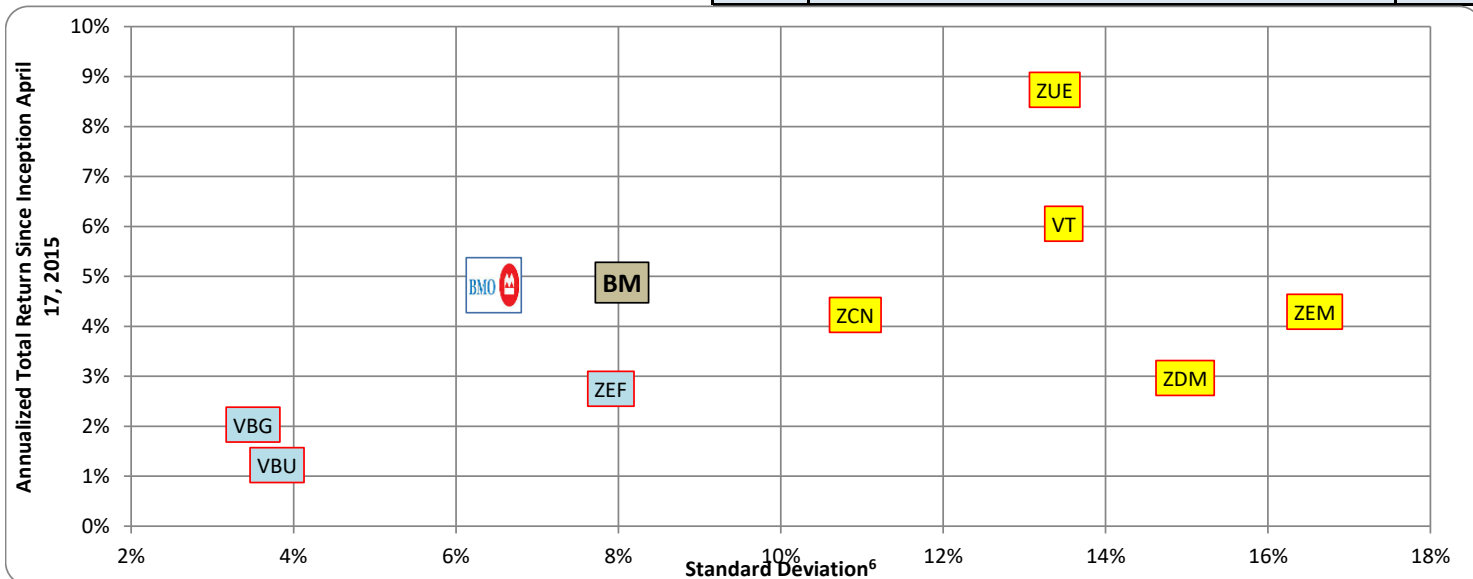
Performance Metrics				
Total Return	Net	Gross	Upside/Downside <sup>5</sup>	
YTD	4.64%	5.11%	Upside	36%
Prev. Month	0.06%	0.22%	Downside	32%
Prev. Quarter	5.41%	5.89%	Months Up	32
Prev. Year	3.02%	4.94%	Months Dn	16
Annualized SI	2.90%	4.82%		
Sharpe Ratio	0.75			

## Market Strategy (Risk Management)

DEFENSE: The current beta is 11.5% vs. the benchmark of 55.5% down from 11.7% last week. We remain very defensive. We see a 10% correction in global equities and do not see new highs. Q1 earnings season starts next week and what companies tell us about trade and orders will help to clarify upside versus downside risks. It's clear the global economy is slowing. The impact of higher interest rates and less liquidity is having an impact along with tariffs. We see more clouds than green shoots. Recent data in China once again is debt fueled stimulus that can always help, but is doing major damage to the longer-term outlook. The FOMC did change tact dramatically in recent weeks and the yield curve 3M-10Y inversion suggests Recession is coming--the only question is when. The Fed is now well aware that they probably tightened liquidity too much, which should be a warnings sign of how fragile global growth really is and how leveraged it is to cheap money and debt!

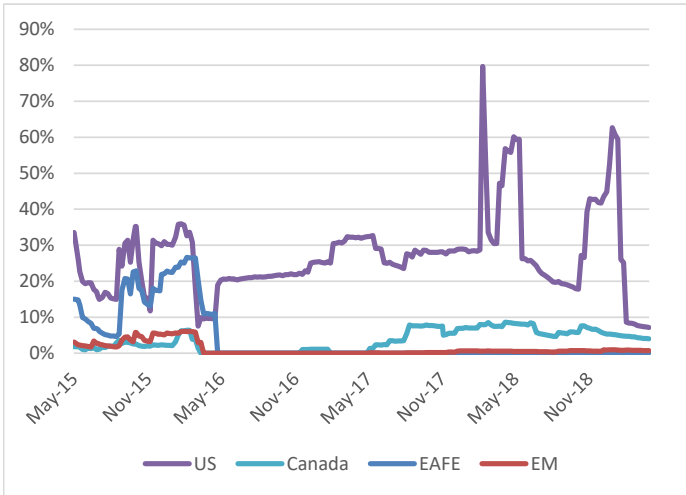
## Top Holdings

Ticker	Name	Position
ZST	BMO Ultra Short-Term Bond ETF	46.6%
EMLC	VanEck Vectors J.P. Morgan EM Local Currency Bond ETF	9.1%
FLOT	iShares Floating Rate Bond ETF	7.5%
ZPR	BMO Laddered Preferred Share Index ETF	6.0%
BWZ	SPDR Bloomberg Barclays Short Term International Treasury B	4.5%
ZGD	BMO Equal Weight Global Gold Index ETF	2.7%
AMLP	Alerian MLP ETF	2.1%
ZPH	BMO US Put Write Hedged to CAD ETF	2.0%
TLT	iShares 20+ Year Treasury Bond ETF	1.9%
ZPW	BMO US Put Write ETF	1.6%
ZWU	BMO Covered Call Utilities ETF	1.5%
ZWC	BMO Canadian High Dividend Covered Call ETF	1.3%
GLD	SPDR Gold Shares	0.7%
ZUP	BMO US Preferred Share Index ETF	0.7%
GDX	VanEck Vectors Gold Miners ETF	0.6%
ZRR	BMO Real Return Bond Index ETF	0.5%
SHV	iShares Short Treasury Bond ETF	0.0%
<b>Total</b>		<b>89.4%</b>



# Tactical Asset Allocation

Equity	US	Canada	EAFE	EM
03/29/19	7.1%	4.0%	0.1%	0.7%
03/22/19	7.3%	4.1%	0.1%	0.7%
Change	-0.2%	-0.1%	0.0%	0.0%



Sector	03/29/19	03/22/19	Change
Financials	0.55%	0.57%	0.0%
Energy	3.59%	3.67%	-0.1%
Health Care	0.62%	0.63%	0.0%
Technology	0.66%	0.67%	0.0%
Industrials	0.42%	0.43%	0.0%
Discretionary	0.70%	0.71%	0.0%
Real Estate	4.54%	4.68%	-0.1%
Staples	0.18%	0.18%	0.0%
Telecom	0.54%	0.56%	0.0%
Utilities	0.78%	0.80%	0.0%
Materials	3.78%	3.96%	-0.2%
Government	16.65%	17.11%	-0.5%
Corporate	53.54%	54.62%	-1.1%
C\$ Cash	35.46%	33.97%	1.5%
U\$ Cash	-24.85%	-25.45%	0.6%
Preferred	6.68%	6.86%	-0.2%
Commodity	0.70%	0.73%	0.0%

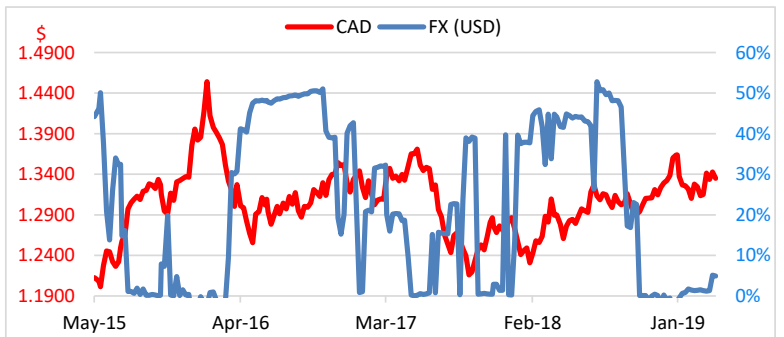
Bonds	Corp.	Govt.	Pref.	Cash	Duration
03/29/19	53.5%	16.6%	6.7%	10.6%	1.80
03/22/19	54.6%	17.1%	6.9%	8.5%	1.86
Change	-1.1%	-0.5%	-0.2%	2.1%	-0.06

## 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 credit 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

We have moved our U\$ target over the next year to 76-70 cents with a bias towards the ALL-TIME low of 62 cents by the time the global recession plays out. Twin deficits and stupidity in Ottawa are the catalysts along with world energy prices collapsing in the downturn. We look to build US\$ exposure towards 50% of the portfolio in the coming months. That would push the beta of the portfolio to negative levels where we hope to have positive returns as the bear plays out.



## 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 1.80 down -0.06 last week. We look to increased exposure to emerging market local currency debt (EMLC) where we see 10%+ 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 (ZST) 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 (BZW) as a way to play FX gains. With yields so low globally, it's not a duration call. We look to add more duration in the US and our target ranges have shifted significantly after the FOMC balance sheet shift and yield curve inversion 3M-10Y.

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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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