



# BMO Tactical Dividend ETF Fund Highlights

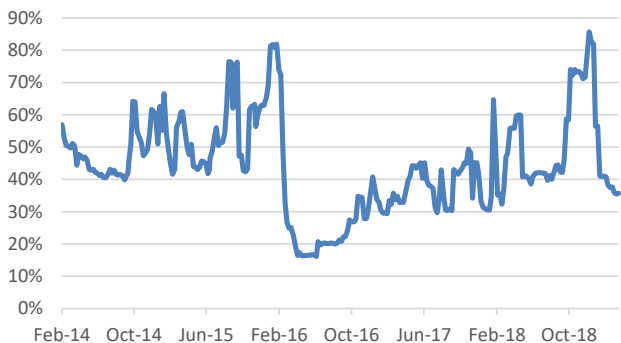
Defense

BETA SCORE

Offense



### Beta (risk) Metrics



| As of: Apr 5 2019       | 04/05/19 | 03/29/19 | Change |
|-------------------------|----------|----------|--------|
| FX (USD)                | 9.2%     | 8.9%     | 0.4%   |
| Beta <sup>2</sup>       | 35.7%    | 35.4%    | 0.2%   |
| Correlation             | 41.4%    | 40.7%    | 0.7%   |
| Yield <sup>3</sup>      | 4.13%    | 4.15%    | -0.02% |
| ETF Holdings            | 18       | 18       | 0      |
| Volatility <sup>4</sup> | 8.06%    | 8.04%    | 0.02%  |
| CAD                     | 1.3384   | 1.3349   | 0.3%   |

### Performance Metrics

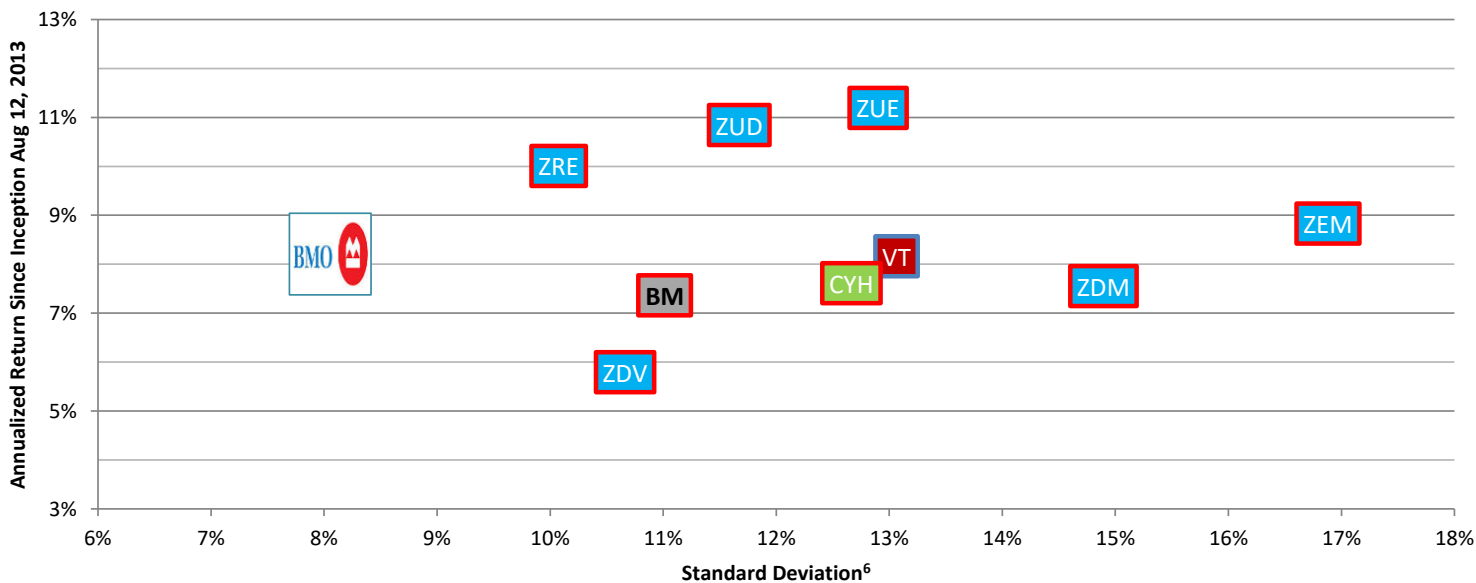
| Total Return     | Net   | Gross | Upside/Downside <sup>5</sup> |     |
|------------------|-------|-------|------------------------------|-----|
| YTD              | 9.26% | 9.77% | Upside                       | 53% |
| Previous Quarter | 7.51% | 7.99% | Downside                     | 7%  |
| Previous Year    | 6.38% | 8.30% | Months Up                    | 39  |
| 3-Year           | 6.74% | 8.66% | Months Dn                    | 28  |
| 5-Year           | 5.16% | 7.08% |                              |     |
| Annualized SI    | 6.29% | 8.21% |                              |     |
| Sharpe Ratio     |       | 0.89  |                              |     |

### Market Strategy (Risk Management)

DEFENSE: The current beta is 35.7% vs. the benchmark of 74.2% and up from 35.4% last week. Global equities continued to push higher and bond yields backed up unwinding some of the yield curve inversion. Is the economy fixed? The household employment survey says we have not added any jobs this year. The birth-death adjustment says that's where all the jobs came from. The quality of jobs in terms of economic expansion is weak. So NO, we don't think the economy is in good shape and we added to bond duration (TLT). But we did get a bit if a bounce in Chinese data and we are getting closer to some sort of trade resolution. The narrative swings to Q1 earnings for the next month and this is where we should have trouble despite the massive decline in earnings expectations. Low leverage and high quality dividend payers should be a good place to hide over the next year.

### Top 20 Holdings

| Ticker       | Name                                                    | Position     |
|--------------|---------------------------------------------------------|--------------|
| ZST          | BMO Ultra Short-Term Bond ETF                           | 27.6%        |
| ZWP          | BMO Europe High Dividend Covered Call ETF               | 8.9%         |
| ZWU          | BMO Covered Call Utilities ETF                          | 8.2%         |
| ZGD          | BMO Equal Weight Global Gold Index ETF                  | 7.8%         |
| AML          | Alerian MLP ETF                                         | 6.9%         |
| ZPW          | BMO US Put Write ETF                                    | 5.9%         |
| TLT          | iShares 20+ Year Treasury Bond ETF                      | 5.8%         |
| EMLC         | VanEck Vectors J.P. Morgan EM Local Currency Bond ETF   | 4.7%         |
| ZPR          | BMO Laddered Preferred Share Index ETF                  | 3.9%         |
| DXJ          | WisdomTree Japan Hedged Equity Fund                     | 3.0%         |
| ZDH          | BMO International Dividend Hedged to CAD ETF            | 2.9%         |
| EWUS         | iShares MSCI United Kingdom Small-Cap ETF               | 2.6%         |
| EDIV         | SPDR S&P Emerging Markets Dividend ETF                  | 2.3%         |
| ZWC          | BMO Canadian High Dividend Covered Call ETF             | 2.0%         |
| DGS          | WisdomTree Emerging Markets SmallCap Dividend Fund      | 1.4%         |
| DVYE         | iShares Emerging Markets Dividend ETF                   | 1.2%         |
| ZWE          | BMO Europe High Dividend Covered Call Hedged to CAD ETF | 0.8%         |
| SHV          | iShares Short Treasury Bond ETF                         | 0.0%         |
| <b>Total</b> |                                                         | <b>96.0%</b> |

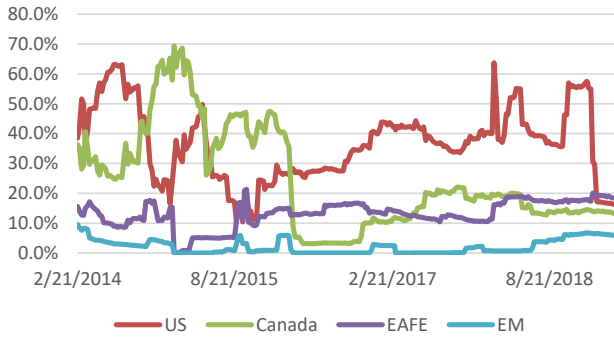


Fund Codes:

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

# Tactical Asset Allocation

| Equity   | US    | Canada | EAFE  | EM   |
|----------|-------|--------|-------|------|
| 04/05/19 | 16.2% | 13.2%  | 18.4% | 6.0% |
| 03/29/19 | 16.4% | 13.4%  | 18.4% | 6.0% |
| Change   | -0.2% | -0.2%  | 0.0%  | 0.0% |



| Sector        | 04/05/19 | 03/29/19 | Change |
|---------------|----------|----------|--------|
| Financials    | 6.40%    | 6.47%    | -0.1%  |
| Energy        | 11.59%   | 11.86%   | -0.3%  |
| Health Care   | 2.83%    | 2.88%    | 0.0%   |
| Technology    | 1.91%    | 1.91%    | 0.0%   |
| Industrials   | 4.14%    | 4.18%    | 0.0%   |
| Discretionary | 3.58%    | 3.60%    | 0.0%   |
| Real Estate   | 0.93%    | 0.93%    | 0.0%   |
| Staples       | 3.07%    | 3.11%    | 0.0%   |
| Telecom       | 3.93%    | 4.01%    | -0.1%  |
| Utilities     | 5.13%    | 5.25%    | -0.1%  |
| Materials     | 10.37%   | 10.86%   | -0.5%  |
| Government    | 10.36%   | 6.73%    | 3.6%   |
| Corporate     | 27.78%   | 28.69%   | -0.9%  |
| C\$ Cash      | 35.16%   | 33.71%   | 1.5%   |
| U\$ Cash      | -31.14%  | -28.26%  | -2.9%  |
| Preferred     | 3.95%    | 4.07%    | -0.1%  |
| Commodity     | 0.00%    | 0.00%    | 0.0%   |

| ETF Style       | Weight | ETF Style      | Weight |
|-----------------|--------|----------------|--------|
| Bonds           | 38.14% | Equity-Low-Vol | 0.00%  |
| Cash            | 4.02%  | Equity-Put     | 5.92%  |
| Equity-Call     | 20.01% | Equity-Sector  | 7.76%  |
| Equity-Dividend | 14.61% | Preferred      | 3.95%  |
| Equity-Hedged   | 0.00%  | Equity-REITs   | 0.00%  |
| Equity-Unhedged | 0.00%  | Commodity      | 0.00%  |

## Country Allocation & Trades

What is the portfolio construction that will give us a good yield and preserve capital in a global recession? Europe is a mess and has no long-term chance to be fixed with a negative rate policy and no fiscal union. While fundamentally cheaper from a P/E perspective, it's a value trap of major proportions. Emerging markets have great valuation too on a relative basis, but carry 50% higher risk on a standard deviation basis. Japan? LMFAO, but there are some great dividend payers and some intrinsic value. Truth is they have some great dividend payers and we have some exposure, but as the oldest (demographically speaking) economy in the world, they are the poster child for anaemic growth and QE that has not worked. We are seeing signs of changing thinking and some real growth plans are being made. Canada, while it looks like we will see a change in government in 2019 towards a more pro business and investment focus, a global recession always sees Canada lag due to the high exposure to cyclicals (energy, mining). And then there is the US, a fiscal mess, but the best dirty shirt in the laundry. It's expensive from a P/E perspective to clean your shirt, so it's important to clean the stuff you really like and are comfortable wearing as you're running from the bear.

## Sector/Style Trades

The Fed told us recently by stopping the balance sheet run-off that we are heading for a recession and the yield curve confirmed that. Defensive styles with greater use of enhanced yield with options strategies make massive sense. We will keep beta as low as possible while generating a 4% yield. High quality exposure with low volatility along with option based yield enhancements to ride out the end of the cycle. If you have any better ideas, please let us know. We added to long UST exposure last week (TLT) as yields have backed up a bit. Historically, a long duration bet offers significant capital gains potential. At a minimum, we retest the yield lows from BREXIT, which for now has been marked as the secular bull market low yield by many. In the next recession, we expect yields will go even lower.

## Currency Strategy & Trades

The Fed basically capitulated last week and the US 3M-10Y curve inverted. We are heading into a recession in the next 12+ months and the C\$ is heading below 70 cents and possibly towards all-time lows around 62 cents. The only question is how fast does it get there. We have moved our target ranges to 76-70 cents for now and will be more aggressive adding US\$ exposure during periods of C\$ strength.

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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.