BMO Mutual Funds

BMO Tactical Dividend ETF Fund Highlights

Defense BETA SCORE Offense

Beta (risk) Metrics

Beta (risk) Metrics chart: 0% to 90%; Feb-14, Oct-14, Jun-15, Feb-16, Oct-16, Jun-17, Feb-18, Oct-18

As of: Apr 26 2019	04/26/19	04/18/19	Change
FX (USD)	12.1%	12.3%	-0.2%
Beta[2]	36.1%	35.4%	0.7%
Correlation	42.5%	41.1%	1.4%
Yield[3]	4.19%	4.14%	0.05%
ETF Holdings	18	18	0
Volatility[4]	7.99%	8.01%	-0.01%
CAD	1.3455	1.3376	0.6%

Performance Metrics

Total Return	Net	Gross	Upside/Downside[5]	
YTD	8.65%	9.26%	Upside	52%
Previous Quarter	3.17%	3.65%	Downside	7%
Previous Year	3.84%	5.76%	Months Up	38
3-Year	6.56%	8.48%	Months Dn	29
5-Year	4.97%	6.89%		
Annualized SI	6.12%	8.04%		
Sharpe Ratio		0.88		

Market Strategy (Risk Management)

DEFENSE: The current beta is 36.1% vs. the benchmark of 74.3% and up from 35.4% last week. A few key indexes have made new highs, but not the Total World Index. We saw a mixed bag in terms of economic numbers globally, but more missed numbers that better numbers. The US GDP report shows final demand is anaemic and output expanded on a massive inventory build. The economy is not great Mr. President! Markets are having a relatively easy time beating EPS estimates and that is the clear catalyst for pushing to new highs. Forward looking statements by some key companies like MMM and INTC this week suggest more caution than the strong business investment we are seeing in cloud technology from firms like MSFT and AMZN. The message is that market breadth is not strong and once again markets are getting a lift by fewer leaders.

Top 20 Holdings

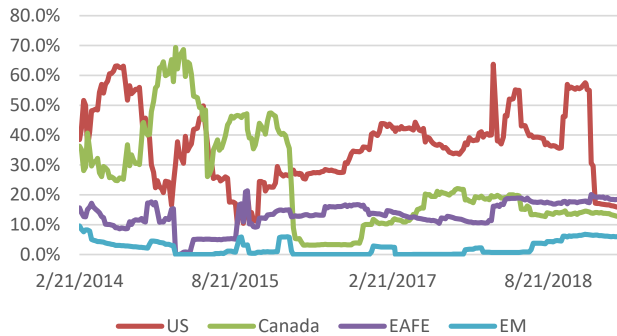
Ticker	Name	Position
ZST	BMO Ultra Short-Term Bond ETF	27.1%
ZWP	BMO Europe High Dividend Covered Call ETF	8.8%
ZWU	BMO Covered Call Utilities ETF	8.0%
TLT	iShares 20+ Year Treasury Bond ETF	7.7%
ZGD	BMO Equal Weight Global Gold Index ETF	7.3%
AMLP	Alerian MLP ETF	6.7%
EMLC	VanEck Vectors J.P. Morgan EM Local Currency Bond ETF	5.8%
ZPW	BMO US Put Write ETF	5.8%
ZPR	BMO Laddered Preferred Share Index ETF	3.8%
DXJ	WisdomTree Japan Hedged Equity Fund	3.0%
ZDH	BMO International Dividend Hedged to CAD ETF	2.8%
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	1.3%
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%
Total		**97.1%**

Chart: Annualized Return Since Inception Aug 12, 2013 (5% to 11%) vs. Standard Deviation[6] (6% to 18%); labels: ZUE, ZUD, ZRE, ZEM, VT, BMO, CYH, ZDM, BM, ZDV

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
04/26/19	15.8%	12.7%	18.2%	5.8%
04/18/19	15.9%	12.8%	18.5%	5.9%
Change	-0.1%	-0.1%	-0.2%	-0.1%



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 has some great dividend payers and intrinsic relative 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. Let's call it strategic nibbling. 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 it as you're running from the end of cycle bear that continues to approach.

Sector	04/26/19	04/18/19	Change
Financials	6.32%	6.40%	-0.1%
Energy	11.29%	11.37%	-0.1%
Health Care	2.80%	2.83%	0.0%
Technology	1.88%	1.90%	0.0%
Industrials	4.09%	4.14%	0.0%
Discretionary	3.53%	3.58%	0.0%
Real Estate	0.92%	0.93%	0.0%
Staples	3.03%	3.06%	0.0%
Telecom	3.84%	3.90%	-0.1%
Utilities	5.01%	5.09%	-0.1%
Materials	9.85%	9.85%	0.0%
Government	13.36%	12.21%	1.2%
Corporate	27.35%	27.58%	-0.2%
C$ Cash	33.63%	32.79%	0.8%
U$ Cash	-30.76%	-29.56%	-1.2%
Preferred	3.85%	3.93%	-0.1%
Commodity	0.00%	0.00%	0.0%

Sector/Style Trades

The Fed told us recently by slowing and then stopping the balance sheet run-off that we are heading for a recession and the yield curve is confirming this outlook. 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 again 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, sadly, we expect yields will go even lower. Those suggesting the bond bull has needed have not studied the history of debt. Central banks will have little choice but to monetize the debt going forward. Modern Monetary Theory is gaining traction with the political LEFT as more people get LEFT behind. Trump is trying to #MAGA, but he's only making it worse by adding to the debt accelerating the need to monetize the debt. QE to infinity should be supportive for market liquidity. The FOMC backing off on rate hikes and unwinding the balance sheet reminds us how fragile the world is to rate normalization and this liquidity and debt induced growth.

ETF Style	Weight	ETF Style	Weight
Bonds	40.72%	Equity-Low-Vol	0.00%
Cash	2.87%	Equity-Put	5.84%
Equity-Call	19.64%	Equity-Sector	7.27%
Equity-Dividend	14.24%	Preferred	3.85%
Equity-Hedged	0.00%	Equity-REITs	0.00%
Equity-Unhedged	0.00%	Commodity	0.00%

Currency Strategy & Trades

The Fed basically capitulated on "financial conditions (read equity market weakness)" and the US 3M-10Y curve inverted. We are heading into a recession in the next 12+ months and the C$ is likely 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. Stronger WTI (on supply constraints) has not helped oil prices and Trump, as expect, is tweeting it lower.

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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.**