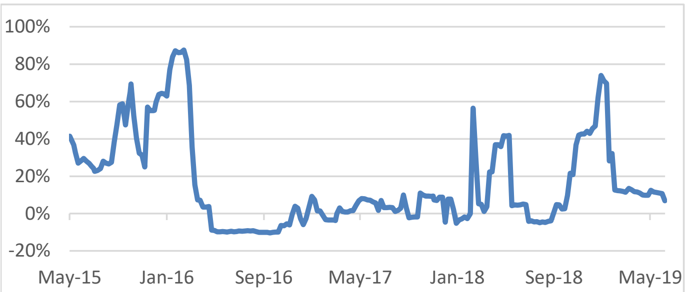
BMO Mutual Funds

BMO Tactical Balanced ETF Fund Highlights

Defense | **BETA SCORE** | **Offense**

Beta (risk) Metrics



As of: Jun 7 2019	06/07/19	05/31/19	Change
FX (USD)	33.7%	18.2%	15.5%
Beta[2]	6.9%	10.6%	-3.8%
Correlation	16.6%	22.1%	-5.4%
Yield[3]	3.27%	3.17%	0.10%
ETF Holdings	16	16	0
Volatility[4]	6.32%	6.34%	-0.01%
CAD	1.3267	1.3516	-1.8%

Performance Metrics

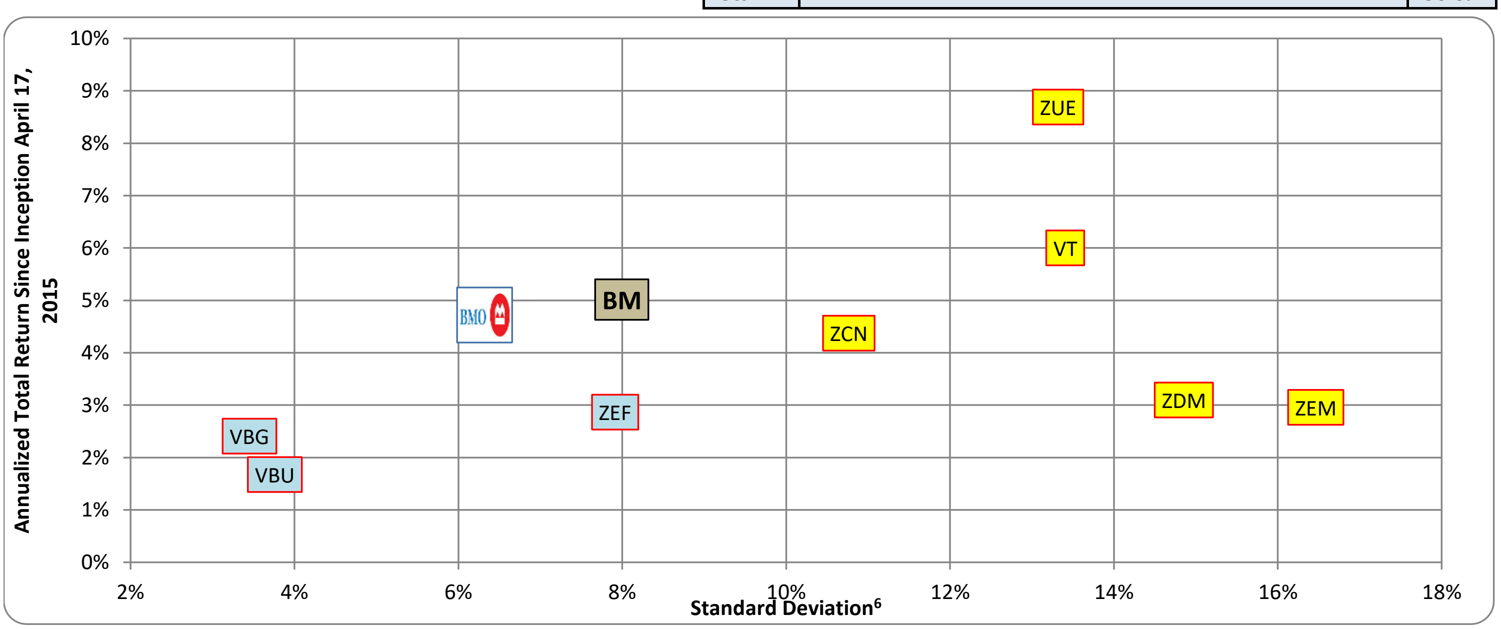
Total Return	Net	Gross	Upside/Downside[5]	
YTD	4.79%	5.61%	Upside	35%
Prev. Month	0.41%	0.57%	Downside	30%
Prev. Quarter	0.35%	0.83%	Months Up	33
Prev. Year	0.73%	2.65%	Months Dn	17
Annualized SI	2.80%	4.72%		
Sharpe Ratio	0.75			

Market Strategy (Risk Management)

DEFENSE: The current beta is 6.9% vs. the benchmark of 55.4% down from 10.6% last week. We got more defensive by increasing exposure to US$ as we said we would above 75 cents. There is an interesting conundrum for Fed policy as we see it. We do not think they cut rates as long as the equity market (read financial conditions) are stable. Trump needs them to cut rates to negotiate a trade deal with China. If he does a deal with China in June (which is doubtful), equities rally more and the Fed does not cut rates putting strength back into the US dollar hurting equity markets, forcing financial conditions weaker, and the Fed to cut rates. Should the Fed pre-emptively cut, Trump wins the influence war and the Fed loses credibility. This rock and hard place conundrum should leave equities vulnerable and bond markets confused. i.e. time to be conservative in portfolios not aggressive. A near zero beta with a 3%+ yield allows us maximum flexibility to take advantage of pending volatility.

Top Holdings

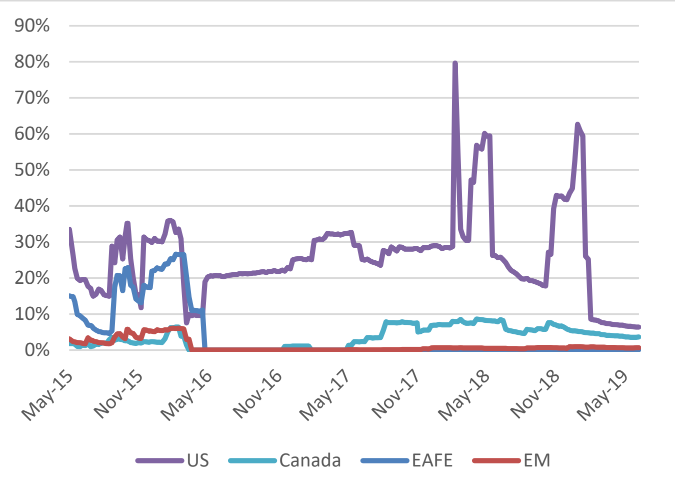
Ticker	Name	Position
ZST	BMO Ultra Short-Term Bond ETF	41.9%
EMLC	VanEck Vectors J.P. Morgan EM Local Currency Bond ETF	11.7%
BWZ	SPDR Bloomberg Barclays Short Term International Treasury Bon	9.4%
FLOT	iShares Floating Rate Bond ETF	6.9%
ZPR	BMO Laddered Preferred Share Index ETF	5.2%
TLT	iShares 20+ Year Treasury Bond ETF	3.2%
ZGD	BMO Equal Weight Global Gold Index ETF	2.4%
AMLP	Alerian MLP ETF	1.9%
ZPH	BMO US Put Write Hedged to CAD ETF	1.8%
ZPW	BMO US Put Write ETF	1.4%
ZWU	BMO Covered Call Utilities ETF	1.4%
ZWC	BMO Canadian High Dividend Covered Call ETF	1.2%
GLD	SPDR Gold Shares	0.7%
ZUP	BMO US Preferred Share Index ETF	0.6%
GDX	VanEck Vectors Gold Miners ETF	0.6%
ZRR	BMO Real Return Bond Index ETF	0.5%
Total		90.6%



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

Tactical Asset Allocation

Equity	US	Canada	EAFE	EM
06/07/19	6.4%	3.6%	0.1%	0.6%
05/31/19	6.4%	3.6%	0.1%	0.6%
Change	0.0%	0.1%	0.0%	0.0%



Sector	06/07/19	05/31/19	Change
Financials	0.50%	0.50%	0.0%
Energy	3.21%	3.23%	0.0%
Health Care	0.55%	0.55%	0.0%
Technology	0.58%	0.59%	0.0%
Industrials	0.38%	0.38%	0.0%
Discretionary	0.62%	0.62%	0.0%
Real Estate	9.38%	9.50%	-0.1%
Staples	0.16%	0.16%	0.0%
Telecom	0.50%	0.50%	0.0%
Utilities	0.72%	0.71%	0.0%
Materials	3.43%	3.31%	0.1%
Government	25.12%	25.47%	-0.4%
Corporate	48.35%	48.68%	-0.3%
C$ Cash	12.78%	28.13%	-15.3%
U$ Cash	-3.40%	-19.45%	16.0%
Preferred	5.84%	5.95%	-0.1%
Commodity	0.66%	0.66%	0.0%

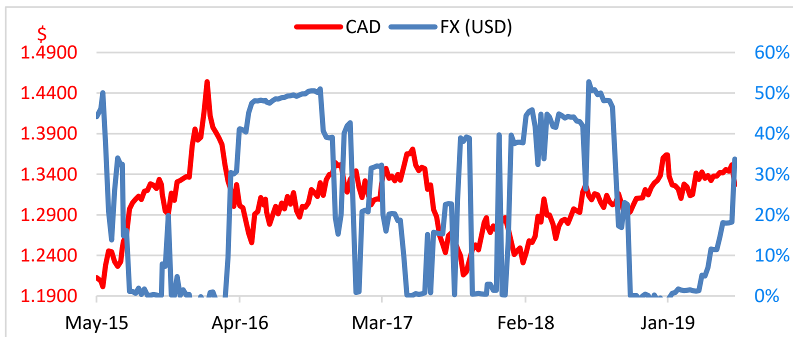
Bonds	Corp.	Govt.	Pref.	Cash	Duration
06/07/19	48.4%	25.1%	5.8%	9.4%	2.29
05/31/19	48.7%	25.5%	6.0%	8.7%	2.27
Change	-0.3%	-0.4%	-0.1%	0.7%	0.01

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 bubble 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 its 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 that could leak in more inflation than the debt load can handle.

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 2.29 up 0.01 last week. The idea that the FOMC will have to cut rates with the unemployment rate below 4% is a gross mispricing of risks. That said, it underscores how fragile the global economy is with the real yield on the entire world of fixed income negative and we cannot normalize. Worse yet, the 2020 US election will see the Democrats looking to spend bags of money as the DEBT troubles escalate. You would think that would all be bearish for bonds yet the long end of the curve is anchored. Gold should still provide a stable store of value and makes sense to own during periods of falling rates. A major breakout scenario is developing.

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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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