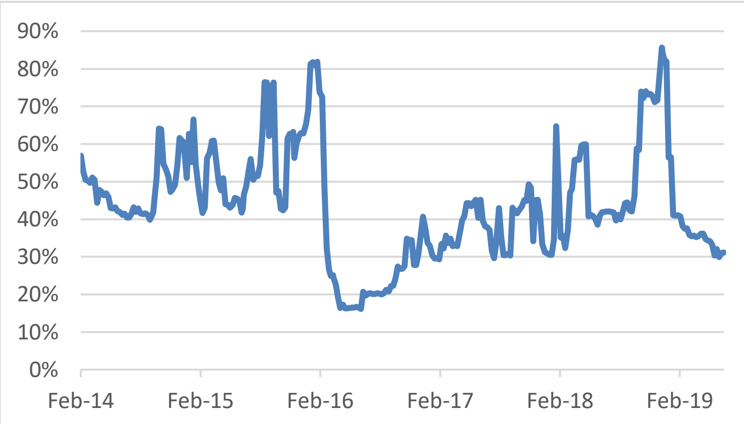
BMO Tactical Dividend ETF Fund Highlights

Defense | BETA SCORE | Offense

Beta (risk) Metrics



As of: Jul 5 2019	07/05/19	06/28/19	Change
FX (USD)	34.8%	34.7%	0.1%
Beta[2]	31.1%	31.0%	0.1%
Correlation	32.8%	32.7%	0.1%
Yield[3]	4.24%	4.26%	-0.02%
ETF Holdings	16	16	0
Volatility[4]	7.88%	7.89%	-0.01%
CAD	1.3081	1.3095	-0.1%

Performance Metrics

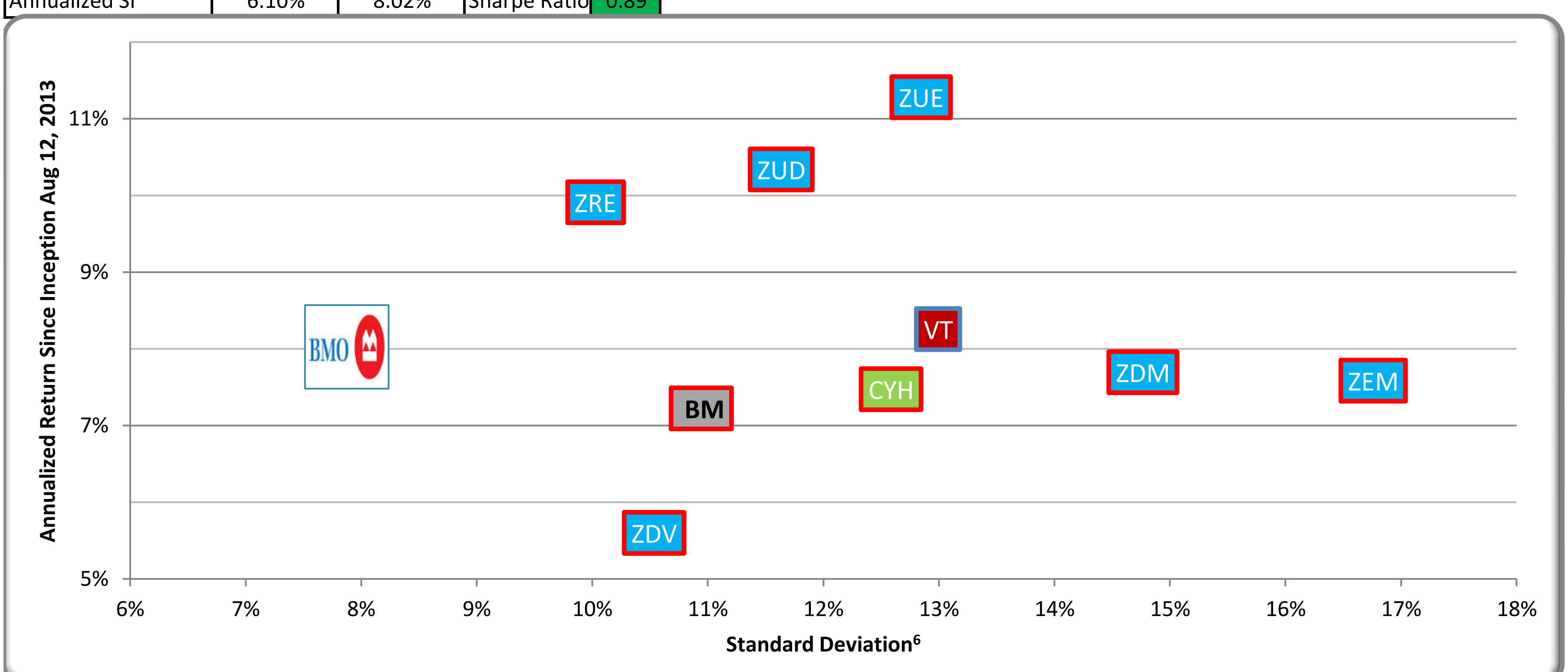
Total Return	Net	Gross	Upside/Downside[5]	
YTD	9.80%	10.76%	Upside	50%
Previous Quarter	0.49%	0.97%	Downside	7%
Previous Year	2.19%	4.11%	Months Up	38
3-Year	6.41%	8.33%	Months Dn	32
5-Year	4.89%	6.81%		
Annualized SI	6.10%	8.02%	Sharpe Ratio	0.89

Market Strategy (Risk Management)

DEFENSE: The current beta is 31.1% vs. the benchmark of 75.2% and up from 31.0% last week. What does S&P 500, 3000 really mean? Actually nothing at all. It's no more important than 2900 or 2999 for that matter. But new all-time highs do matter and we have been suggesting all year that it was not likely. So we were wrong and now what? Do we emotionally chase the markets with a massive FOMO capitulation or do we stick to our long-term style of asset allocation decisions based on relative value. The higher the market goes, the more defensive our portfolios will get the higher yield we will try to get. The challenge with the traditional high-yielding defensive sectors like utilities is that they have never in modern history been more expensive. Low vol no longer equals low risk. Clean balance sheets and low leverage are still somewhat attractive, but lots of money is hiding there too.

Top 20 Holdings

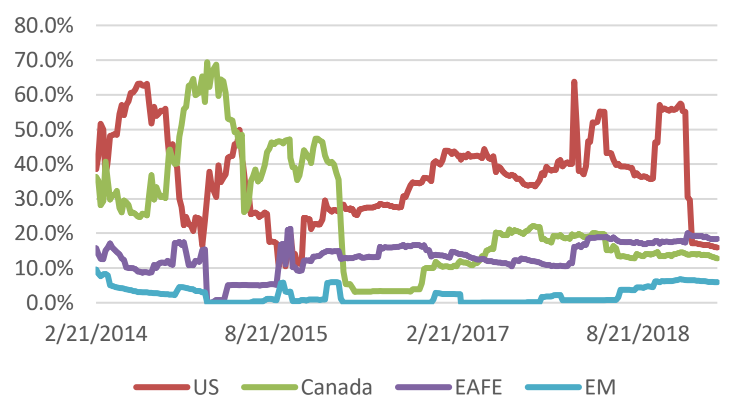
Ticker	Name	Position
ZST	BMO Ultra Short-Term Bond ETF	27.7%
ZWP	BMO Europe High Dividend Covered Call ETF	8.8%
ZWU	BMO Covered Call Utilities ETF	8.3%
EMLC	VanEck Vectors J.P. Morgan EM Local Currency Bond ETF	7.7%
ZGD	BMO Equal Weight Global Gold Index ETF	7.5%
AMLP	Alerian MLP ETF	6.7%
ZPW	BMO US Put Write ETF	5.6%
ZPR	BMO Laddered Preferred Share Index ETF	3.9%
DXJ	WisdomTree Japan Hedged Equity Fund	2.8%
ZDH	BMO International Dividend Hedged to CAD ETF	2.8%
EWUS	iShares MSCI United Kingdom Small-Cap ETF	2.4%
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%
Total		91.6%



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
07/05/19	15.7%	13.0%	17.9%	5.9%
06/28/19	15.6%	13.1%	17.9%	5.9%
Change	0.1%	-0.1%	0.0%	0.0%



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 relative valuation too, but carries 50% higher risk on a standard deviation basis. Japan has some great dividend payers and intrinsic relative value and we have some exposure. However, it's the oldest (demographically speaking) economy in the world and they are the poster child for anaemic growth and QE that has not worked. Let's call it strategic nibbling in the regions where there is some relative value. In Canada, it looks increasingly like we will see a change in government in 2019 towards a more pro business and investment focus, however a global recession always sees Canada lag due to the high exposure to cyclicals (energy, mining). While the US is a fiscal mess, it's the best dirty shirt in the laundry, though it's very expensive from an adjusted P\E perspective. The best investment skill we know is patience. Higher yield and lower volatility portfolio (sleep-at-night) is where we will sit clipping coupons and dividends until risk-adjusted returns improve.

Sector	07/05/19	06/28/19	Change
Financials	6.21%	6.21%	0.0%
Energy	11.35%	11.24%	0.1%
Health Care	2.74%	2.75%	0.0%
Technology	1.83%	1.82%	0.0%
Industrials	3.97%	3.98%	0.0%
Discretionary	3.44%	3.43%	0.0%
Real Estate	0.89%	0.89%	0.0%
Staples	2.97%	2.98%	0.0%
Telecom	3.90%	3.89%	0.0%
Utilities	5.12%	5.11%	0.0%
Materials	10.01%	10.14%	-0.1%
Government	7.39%	7.45%	-0.1%
Corporate	27.96%	28.11%	-0.1%
C$ Cash	6.08%	5.94%	0.1%
U$ Cash	2.27%	2.28%	0.0%
Preferred	3.86%	3.79%	0.1%
Commodity	0.00%	0.00%	0.0%

Sector/Style Trades

The Fed told us last week they are going to need to cut rates after the smallest rate hike cycle in history. NFP suggested maybe not so much. Inflation pressures are weak and we are at full employment. While the glass half full view says that's a Goldilocks scenario, the glass half empty view says the world is growth challenged and it's only low rates and increasing leverage keeping the party going. That's not a Goldilocks foundation, it's House of Cards foundation. We took profits on our long bond exposure as it is an extremely crowded trade. But we will come back to it as yields rise a bit. The US 10-year will struggle to move below 2% until the economy actually breaks, so we are using that hurdle as major resistance for now. A break below 2% targets the post BREXIT lows at 1.32% and likely a 10-year below 1%. Extracting yield from duration is still a big part of the next year plus in markets, but for now we expect a pullback. We do not have big exposure to the traditional defensive sectors like staples and utilities given there massive over value. We see the defensive aspects of gold equities still good for another 20-25% upside.

ETF Style	Weight	ETF Style	Weight
Bonds	35.35%	Equity-Low-Vol	0.00%
Cash	8.35%	Equity-Put	5.59%
Equity-Call	19.88%	Equity-Sector	7.49%
Equity-Dividend	14.25%	Preferred	3.86%
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 is 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. For now, Canada's economy seems to be holding up well and that is putting upside pressure on the C$. We do not expect it to last and will look to add US$ exposure on additional strength.

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.