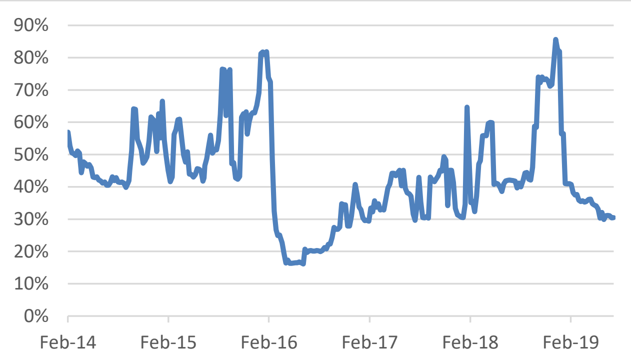
# BMO Tactical Dividend ETF Fund Highlights

Defense BETA SCORE Offense

## Beta (risk) Metrics




| As of: Jul 26 2019 | 07/26/19 | 07/19/19 | Change |
|---|---|---|---|
| FX (USD) | 34.4% | 34.3% | 0.1% |
| Beta[2] | 30.5% | 30.4% | 0.1% |
| Correlation | 32.9% | 32.8% | 0.1% |
| Yield[3] | 4.24% | 4.25% | -0.01% |
| ETF Holdings | 17 | 17 | 0 |
| Volatility[4] | 7.85% | 7.85% | -0.01% |
| CAD | 1.3166 | 1.3059 | 0.8% |

## Performance Metrics

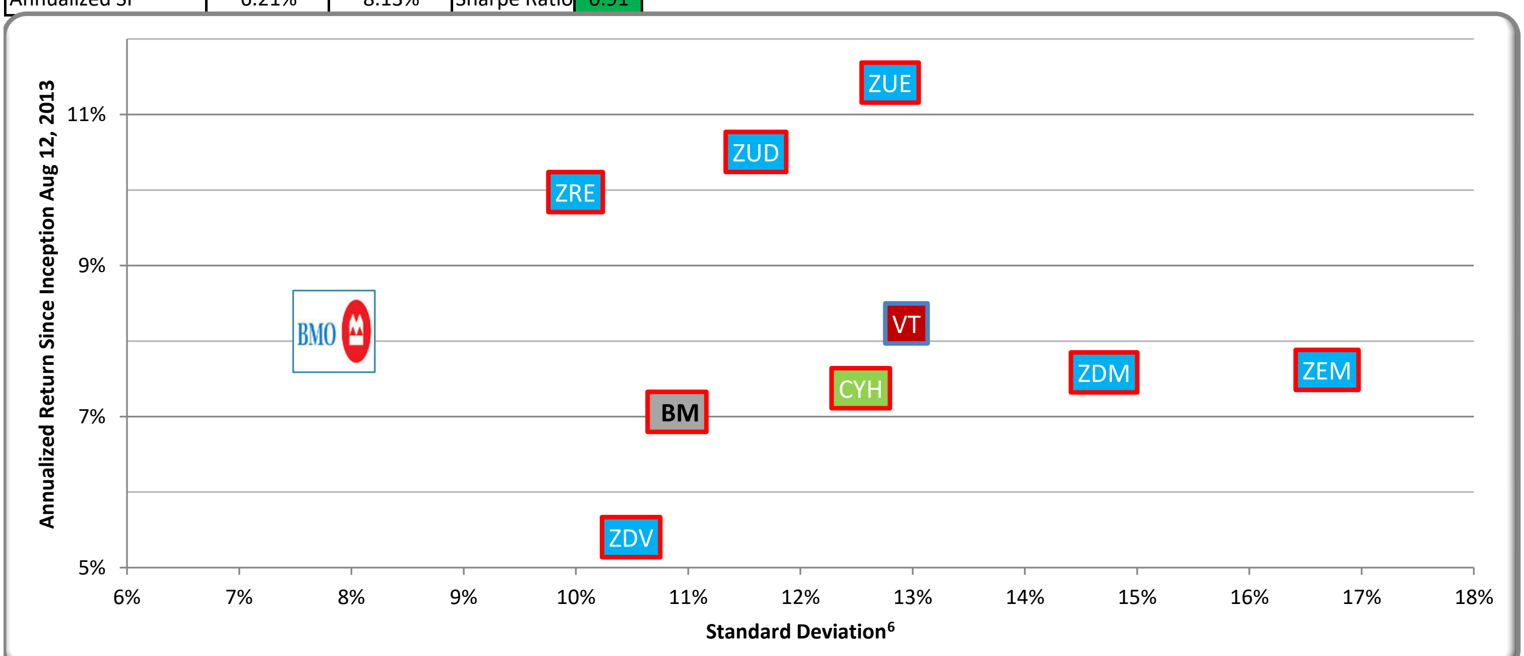
| Total Return | Net | Gross | Upside/Downside[5] | |
|---|---|---|---|---|
| YTD | 10.84% | 11.91% | Upside | 51% |
| Previous Quarter | 2.01% | 2.49% | Downside | 7% |
| Previous Year | 2.47% | 4.39% | Months Up | 38 |
| 3-Year | 5.89% | 7.81% | Months Dn | 32 |
| 5-Year | 4.94% | 6.86% | | |
| Annualized SI | 6.21% | 8.13% | Sharpe Ratio | 0.91 |

## Market Strategy (Risk Management)

DEFENSE: The current beta is 30.5% vs. the benchmark of 75.5% and up from 30.4% last week. While earnings are beating as they always do, we are in an earnings recession the past 2 quarters. Adjusted for share buybacks, sales are not growing at nominal GDP rates, so margins are getting squeezed. The increased probability of global trade wars lasting beyond the 2020 elections should add more uncertainty. Our intentions are to get more defensive while keeping the internal yield over 4%. US long bonds have not sold off at all despite the equity rally continuing. Economically sensitive small caps continue to lag significantly. and the forward earnings on the S&P 500 adjusted for share buybacks have never been more expensive. Credit risk is off the charts...but we have easy central banks...or do we? Should be a very interesting week for Fed policy guidance.

## Top 20 Holdings

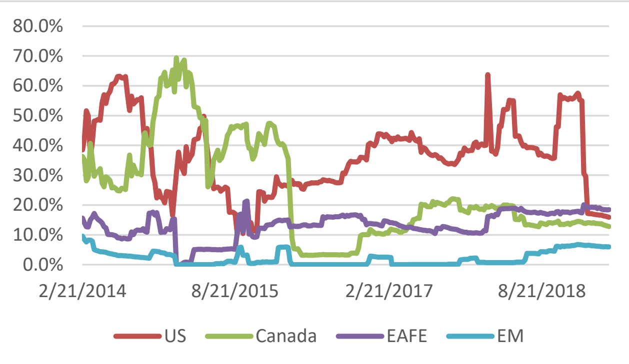
| Ticker | Name | Position |
|---|---|---|
| ZST | BMO Ultra Short-Term Bond ETF | 27.2% |
| ZWP | BMO Europe High Dividend Covered Call ETF | 8.6% |
| ZGD | BMO Equal Weight Global Gold Index ETF | 8.3% |
| ZWU | BMO Covered Call Utilities ETF | 8.0% |
| EMLC | VanEck Vectors J.P. Morgan EM Local Currency Bond ETF | 7.6% |
| AMLP | Alerian MLP ETF | 6.6% |
| ZPW | BMO US Put Write ETF | 5.6% |
| TLT | iShares 20+ Year Treasury Bond ETF | 5.0% |
| ZPR | BMO Laddered Preferred Share Index ETF | 3.8% |
| 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 | 2.2% |
| ZWC | BMO Canadian High Dividend Covered Call ETF | 1.9% |
| DGS | WisdomTree Emerging Markets SmallCap Dividend Fund | 1.3% |
| DVYE | iShares Emerging Markets Dividend ETF | 1.1% |
| ZWE | BMO Europe High Dividend Covered Call Hedged to CAD ETF | 0.8% |
| Total | | 95.9% |




| 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 |
|---|---|---|---|---|
| 07/26/19 | 15.6% | 13.4% | 17.5% | 5.9% |
| 07/19/19 | 15.5% | 13.5% | 17.4% | 5.9% |
| Change | 0.0% | -0.1% | 0.1% | -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 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. The UK has BREXIT risks, but is cheap on a currency adjusted basis. 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 | 07/26/19 | 07/19/19 | Change |
|---|---|---|---|
| Financials | 6.09% | 6.07% | 0.0% |
| Energy | 11.12% | 11.11% | 0.0% |
| Health Care | 2.69% | 2.67% | 0.0% |
| Technology | 1.80% | 1.79% | 0.0% |
| Industrials | 3.91% | 3.88% | 0.0% |
| Discretionary | 3.37% | 3.35% | 0.0% |
| Real Estate | 0.88% | 0.88% | 0.0% |
| Staples | 2.91% | 2.90% | 0.0% |
| Telecom | 3.80% | 3.82% | 0.0% |
| Utilities | 4.99% | 5.02% | 0.0% |
| Materials | 10.76% | 10.85% | -0.1% |
| Government | 12.34% | 12.34% | 0.0% |
| Corporate | 27.49% | 27.61% | -0.1% |
| C$ Cash | 6.74% | 6.57% | 0.2% |
| U$ Cash | -2.64% | -2.64% | 0.0% |
| Preferred | 3.77% | 3.76% | 0.0% |
| Commodity | 0.00% | 0.00% | 0.0% |

## Sector/Style Trades

Our multi-factor macro risk model assesses 1) Valuation; 2) Sentiment; 3) Business cycles; and 4) Geopolitics in the framework of game theory. The model suggests that the global economy is House of Cards built on a foundation of leverage and liquidity. We have never been more concerned about markets in our 30 plus year history (which includes 1987, but what the #@!% did we know about the world at 22). It's been said that we've been concerned about the world for years and we've been wrong. YES, we have, and when we've seen the corrections and Valuation improves we have taken advantage of it--like we did in Q1 and Q4 2018. We do not believe the next dip will come back like the others have. We see the Fed out of bullets and while they will likely use a negative rate policy in the US, we see that as more toxic than simulative. The most attractive sector in the world right now is precious metals with the entire world of bonds having a negative real return. The most attractive companies right now are the ones with the cleanest balance sheets. The quality factor makes immense sense. The next best asset class for a Canadian is probably the US$, though it really depends on what the BoC does after the Fed starts to cut rates.

| ETF Style | Weight | ETF Style | Weight |
|---|---|---|---|
| Bonds | 39.82% | Equity-Low-Vol | 0.00% |
| Cash | 4.09% | Equity-Put | 5.57% |
| Equity-Call | 19.36% | Equity-Sector | 8.28% |
| Equity-Dividend | 13.98% | Preferred | 3.77% |
| 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.