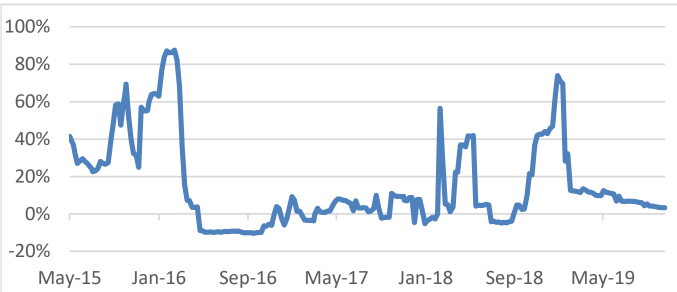
BMO Mutual Funds

BMO Tactical Balanced ETF Fund Highlights

Defense | **BETA SCORE** | Offense

Beta (risk) Metrics



Market Strategy (Risk Management)

DEFENSE: The current beta is 3.3% vs. the benchmark of 54.9% down from 3.3% last week. Our goal for this portfolio as we head into a global recession inspired by rapidly falling bond yields and inverted yield curve is to generate positive returns with very low portfolio volatility. We plan to do that with the wide balanced mandate we have. There are a few pockets of value developing in the markets, but there are still recession risks ahead that are not priced in to anything but bond yields. We see the US 10-year moving below 1% by the time the US job losses start to hit some time in 2020. Duration as an attractive asset class along with US$ exposure will be used to generate positive returns for the next phase of the cycle. There are only two positive sources of duration & yield. Long US Treasuries (TLT) and Emerging market debt (EMLC). We are buyers on dips.

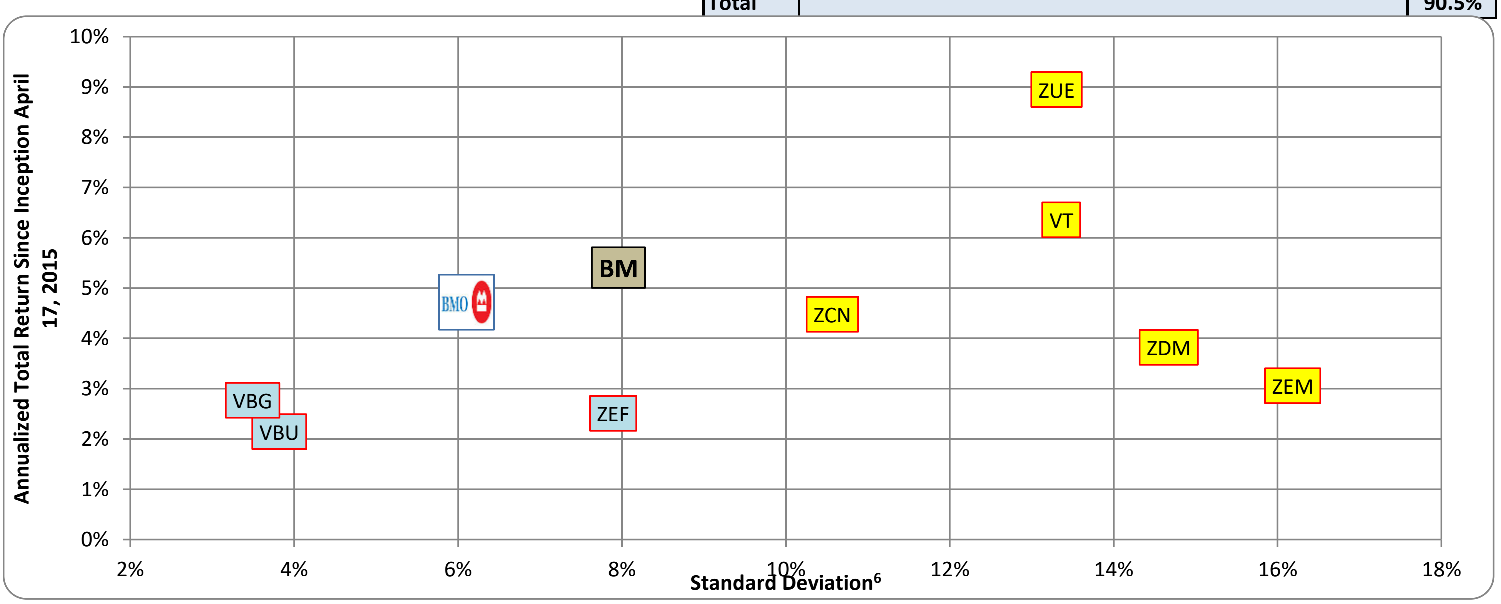
As of: Oct 18 2019	10/18/19	10/11/19	Change
FX (USD)	43.9%	44.1%	-0.2%
Beta[2]	3.3%	3.3%	-0.1%
Correlation	13.6%	13.5%	0.1%
Yield[3]	3.17%	3.18%	-0.01%
ETF Holdings	17	17	0
Volatility[4]	6.10%	6.11%	-0.01%
CAD	1.3127	1.3203	-0.6%

Performance Metrics

Total Return	Net	Gross	Upside/Downside[5]	
YTD	5.84%	7.33%	Upside	30%
Prev. Month	-0.38%	-0.22%	Downside	26%
Prev. Quarter	-0.27%	0.21%	Months Up	36
Prev. Year	1.90%	3.82%	Months Dn	18
Annualized SI	2.80%	4.72%		
Sharpe Ratio	0.77			

Top Holdings

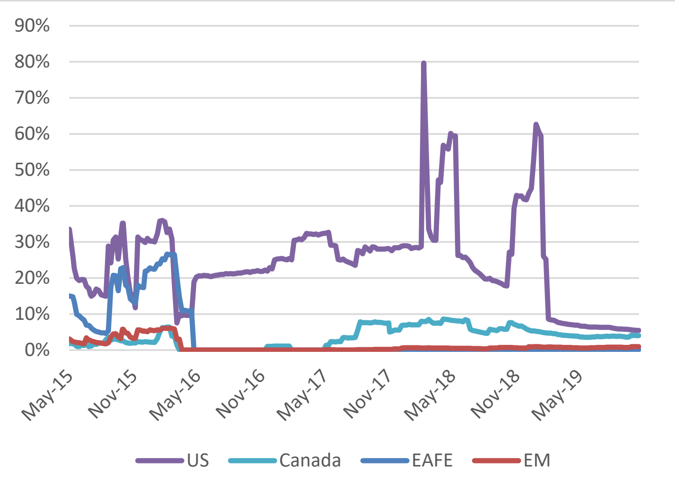
Ticker	Name	Position
ZST	BMO Ultra Short-Term Bond ETF	35.8%
EMLC	VanEck Vectors J.P. Morgan EM Local Currency Bond ETF	12.0%
BWZ	SPDR Bloomberg Barclays Short Term International Treasury Bon	9.9%
TLT	iShares 20+ Year Treasury Bond ETF	6.6%
FLOT	iShares Floating Rate Bond ETF	5.8%
ZPR	BMO Laddered Preferred Share Index ETF	4.5%
SHV	iShares Short Treasury Bond ETF	3.9%
ZGD	BMO Equal Weight Global Gold Index ETF	3.6%
ZPH	BMO US Put Write Hedged to CAD ETF	1.5%
AMLP	Alerian MLP ETF	1.4%
ZWU	BMO Covered Call Utilities ETF	1.2%
ZPW	BMO US Put Write ETF	1.2%
ZWC	BMO Canadian High Dividend Covered Call ETF	1.0%
GLD	SPDR Gold Shares	0.6%
GDX	VanEck Vectors Gold Miners ETF	0.6%
ZUP	BMO US Preferred Share Index ETF	0.5%
ZRR	BMO Real Return Bond Index ETF	0.4%
Total		**90.5%**



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

Tactical Asset Allocation

Equity	US	Canada	EAFE	EM
10/18/19	5.5%	4.0%	0.1%	0.9%
10/11/19	5.5%	4.0%	0.1%	0.9%
Change	0.0%	0.0%	0.0%	0.0%



Sector	10/18/19	10/11/19	Change
Financials	0.42%	0.43%	0.0%
Energy	2.55%	2.58%	0.0%
Health Care	0.46%	0.46%	0.0%
Technology	0.48%	0.48%	0.0%
Industrials	0.31%	0.31%	0.0%
Discretionary	0.52%	0.52%	0.0%
Real Estate	0.00%	0.00%	0.0%
Staples	0.13%	0.13%	0.0%
Telecom	0.43%	0.43%	0.0%
Utilities	0.62%	0.62%	0.0%
Materials	4.50%	4.47%	0.0%
Government	33.13%	33.25%	-0.1%
Corporate	41.30%	41.33%	0.0%
C$ Cash	9.40%	9.26%	0.1%
U$ Cash	0.13%	0.13%	0.0%
Preferred	4.99%	4.97%	0.0%
Commodity	0.62%	0.62%	0.0%

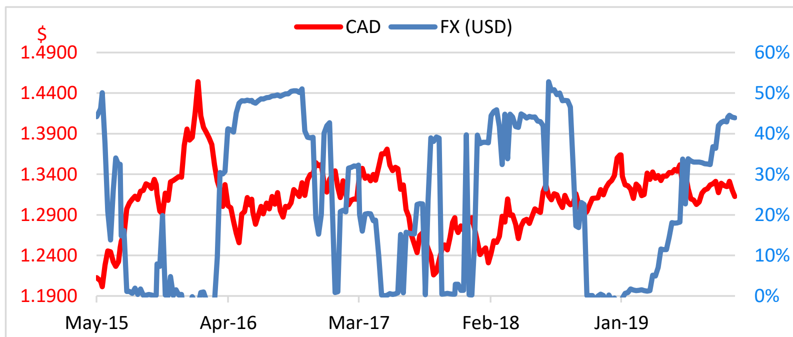
Bonds	Corp.	Govt.	Pref.	Cash	Duration
10/18/19	41.3%	33.1%	5.0%	9.5%	3.04
10/11/19	41.3%	33.3%	5.0%	9.4%	3.07
Change	0.0%	-0.1%	0.0%	0.1%	-0.03

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 more banks going under while the credit risk of the S&P 500 flirting with the biggest credit bubble in history as the index makes all time highs. 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

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 3.04 down -0.03 last week. The idea that the FOMC should be cutting rates with the unemployment rate below 4% is a gross mispricing of risks and underscores the fragile nature of world growth. We will never be able to pay of the debt and the only outcome is a debt monetization that is hugely bullish for gold. The 2020 US election will see the Democrats looking to spend bags of money as the DEBT troubles escalate. Bond supply will cause a problem at some point, but that is when a permanent QE is likely to be the only policy choice of a failed regime. The world MUST adjust to ta 1-2% growth world and stop artificial policies to boost it.

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.