



# BMO Tactical Balanced ETF Fund Highlights

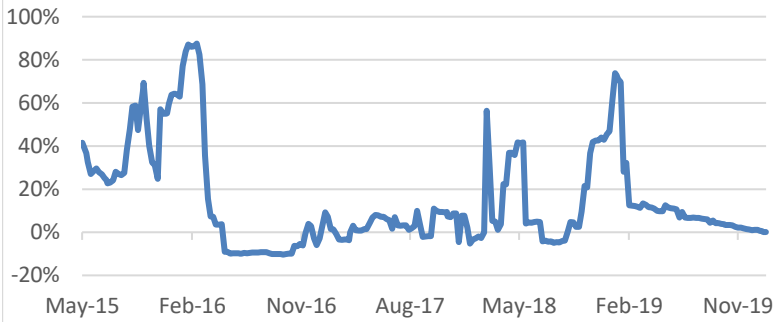
Defense

BETA SCORE

Offense



### Beta (risk) Metrics



As of: Jan 10 2020	01/10/20	01/03/20	Change
FX (USD)	53.8%	53.8%	0.0%
Beta <sup>2</sup>	0.1%	0.1%	0.0%
Correlation	10.9%	11.0%	-0.1%
Yield <sup>3</sup>	3.07%	3.07%	0.00%
ETF Holdings	17	17	0
Volatility <sup>4</sup>	5.99%	6.00%	-0.01%
CAD	1.3050	1.3001	0.4%

### Performance Metrics

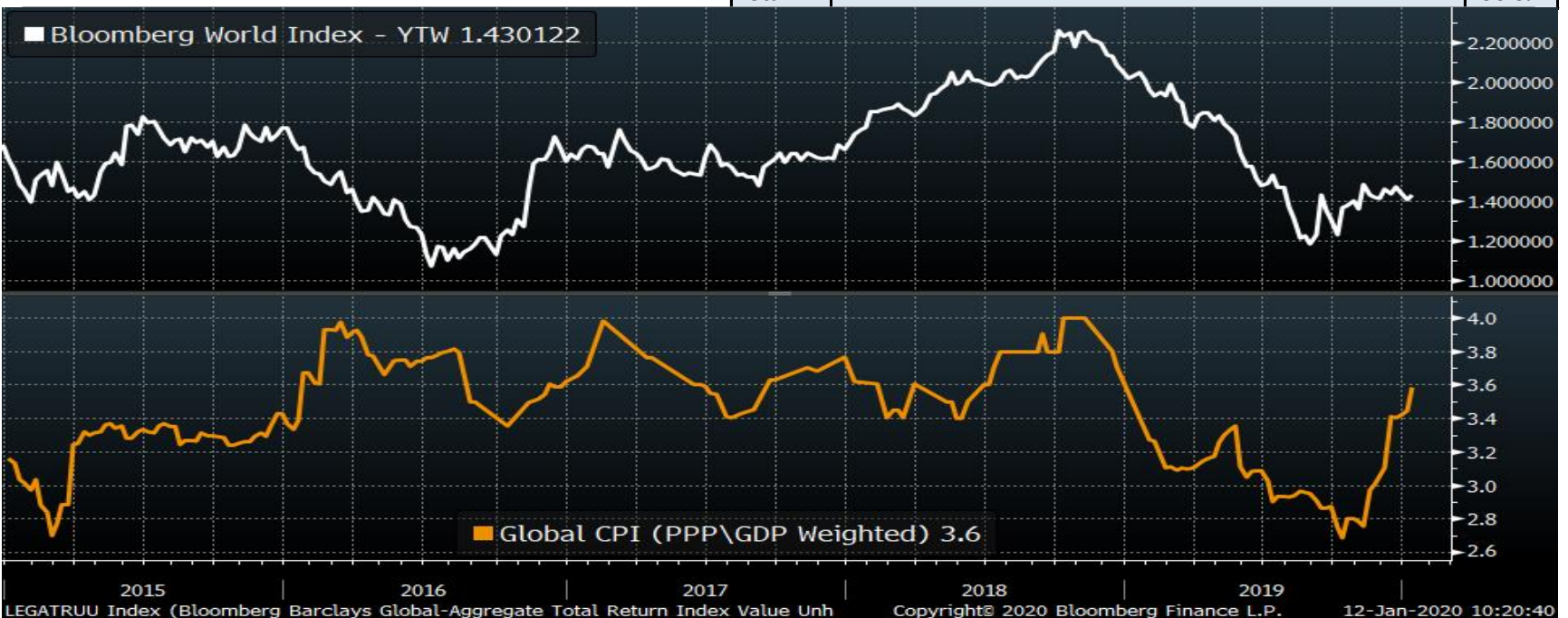
Total Return	Net	Gross	Upside/Downside <sup>5</sup>	
YTD	0.42%	0.48%	Upside	30%
Prev. Month	0.24%	0.40%	Downside	26%
Prev. Quarter	0.51%	0.99%	Months Up	37
Prev. Year	3.84%	5.76%	Months Dn	18
Annualized SI	2.81%	4.73%		
Sharpe Ratio	0.79			

### Market Strategy (Risk Management)

DEFENSE: The current beta is 0.1% vs. the benchmark of 55.3% down from 0.1% last week. When the equity market breaks this FOMO rally--and it will--where is the money going to go? Despite the fact that the bond market offers no real yield on the entire planet (see chart below) should remind investors there is nothing normal or healthy about the global economy. And it's only going to get worse heading into the US election. Promises from the LEFT to print money (MMT) to pay for your vote and promises from the RIGHT to MAGA have a cost. So why if we are running Trillion dollar deficits for ever into the future and equities are at all time highs, can bond yields remain so low? This conundrum is what we think about 24-7. The glass half full argues real rates are so low you MUST own equities. The glass half empty argues WHY are real yields so low? World CPI adjusted for GDP and PPP is running at 3.6% and the YTW of the entire debt in the world is 1.43%. These low real yields are fueling a massive inequality and is a ticking time bomb politically. Answer: Into US Treasuries & GOLD, the highest yielding safety on the planet.

### Top Holdings

Ticker	Name	Position
ZST	BMO Ultra Short-Term Bond ETF	31.9%
EMLC	VanEck Vectors J.P. Morgan EM Local Currency Bond ETF	11.6%
SHV	iShares Short Treasury Bond ETF	10.8%
TLT	iShares 20+ Year Treasury Bond ETF	10.4%
BWZ	SPDR Bloomberg Barclays Short Term International Treasury Bo	9.6%
FLOT	iShares Floating Rate Bond ETF	5.6%
ZPR	BMO Laddered Preferred Share Index ETF	4.5%
ZGD	BMO Equal Weight Global Gold Index ETF	3.8%
ZPH	BMO US Put Write Hedged to CAD ETF	1.4%
AMPLP	Alerian MLP ETF	1.4%
ZWU	BMO Covered Call Utilities ETF	1.2%
ZPW	BMO US Put Write ETF	1.1%
ZWC	BMO Canadian High Dividend Covered Call ETF	1.0%
GLD	SPDR Gold Shares	0.6%
GDV	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%
<b>Total</b>		<b>96.6%</b>

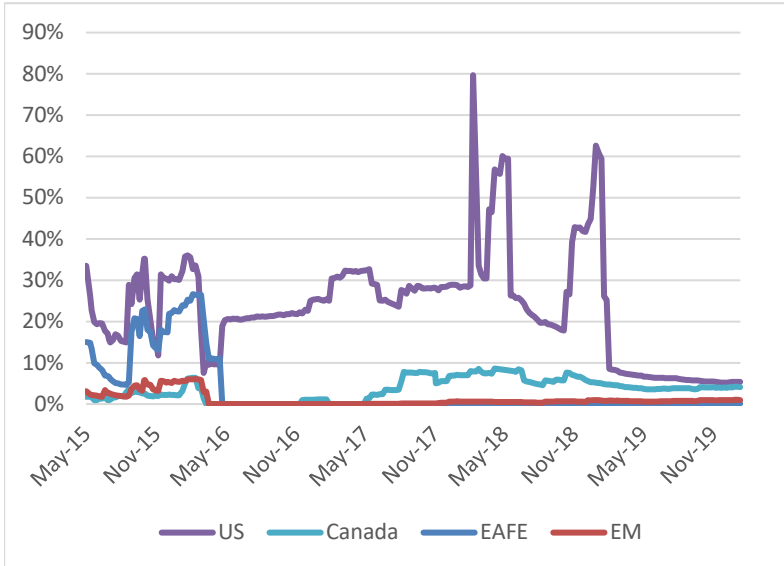


Fund Codes:

Advisor BMO99222; Low Load BMO98222; F-Class BMO95222; No Load Retail: BMO70222

# Tactical Asset Allocation

Equity	US	Canada	EAFE	EM
01/10/20	5.4%	4.1%	0.1%	1.0%
01/03/20	5.4%	4.2%	0.1%	1.0%
Change	0.0%	0.0%	0.0%	0.0%



Sector	01/10/20	01/03/20	Change
Financials	0.42%	0.42%	0.0%
Energy	2.49%	2.48%	0.0%
Health Care	0.45%	0.45%	0.0%
Technology	0.47%	0.47%	0.0%
Industrials	0.31%	0.31%	0.0%
Discretionary	0.51%	0.50%	0.0%
Real Estate	0.00%	0.00%	0.0%
Staples	0.13%	0.13%	0.0%
Telecom	0.43%	0.42%	0.0%
Utilities	0.61%	0.61%	0.0%
Materials	4.67%	4.78%	-0.1%
Government	43.07%	43.08%	0.0%
Corporate	37.18%	37.30%	-0.1%
C\$ Cash	3.32%	3.17%	0.1%
U\$ Cash	0.31%	0.26%	0.0%
Preferred	5.02%	5.00%	0.0%
Commodity	0.63%	0.62%	0.0%

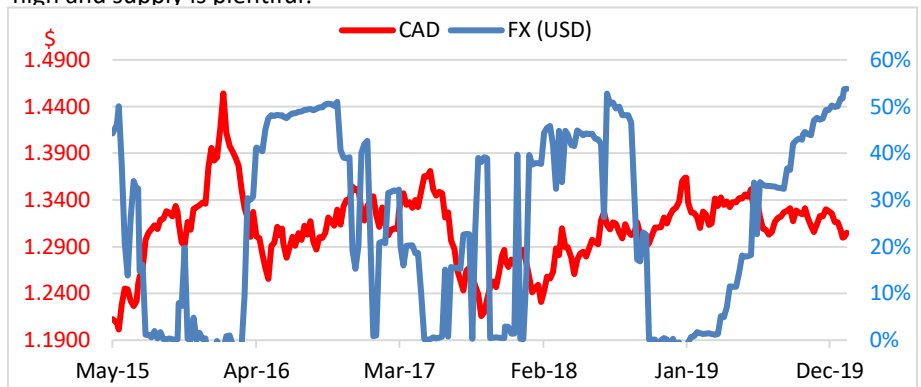
Bonds	Corp.	Govt.	Pref.	Cash	Duration
01/10/20	37.2%	43.1%	5.0%	3.6%	3.90
01/03/20	37.3%	43.1%	5.0%	3.4%	3.90
Change	-0.1%	0.0%	0.0%	0.2%	0.00

## Equity Country/Sector Allocation & Trades

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. 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 record number of zombie SOEs while the leveraged 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 recession. EM is relatively 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 are now at benchmark exposure in the US\$ around 53% of the world. We can increase that should the C\$ strengthen under the geopolitical spike in world oil prices--that won't last. Peak crude demand is high and supply is plentiful!



## 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 3.90 down 0.00 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 off the debt and the only outcome we see is a debt monetization that is hugely bullish for gold long term. 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 a 1-2% growth outlook and stop artificial policies to boost it and pull forward demand at the catastrophic cost of the debt burden.

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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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