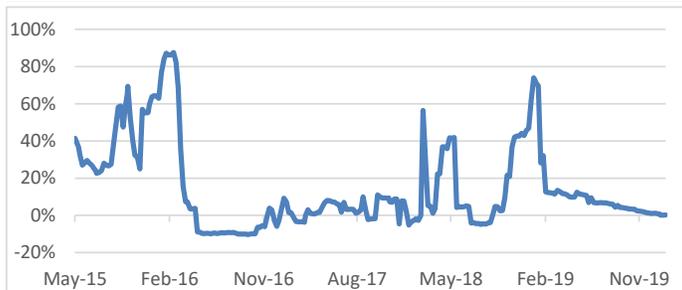


# BMO Tactical Balanced ETF Fund Highlights

Defense BETA SCORE Offense



### Beta (risk) Metrics



| As of: Jan 17 2020      | 01/17/20 | 01/10/20 | Change |
|-------------------------|----------|----------|--------|
| FX (USD)                | 53.9%    | 53.8%    | 0.1%   |
| Beta <sup>2</sup>       | 0.1%     | 0.1%     | 0.0%   |
| Correlation             | 11.2%    | 10.9%    | 0.3%   |
| Yield <sup>3</sup>      | 3.07%    | 3.07%    | 0.00%  |
| ETF Holdings            | 17       | 17       | 0      |
| Volatility <sup>4</sup> | 5.97%    | 5.99%    | -0.01% |
| CAD                     | 1.3066   | 1.3050   | 0.1%   |

### Performance Metrics

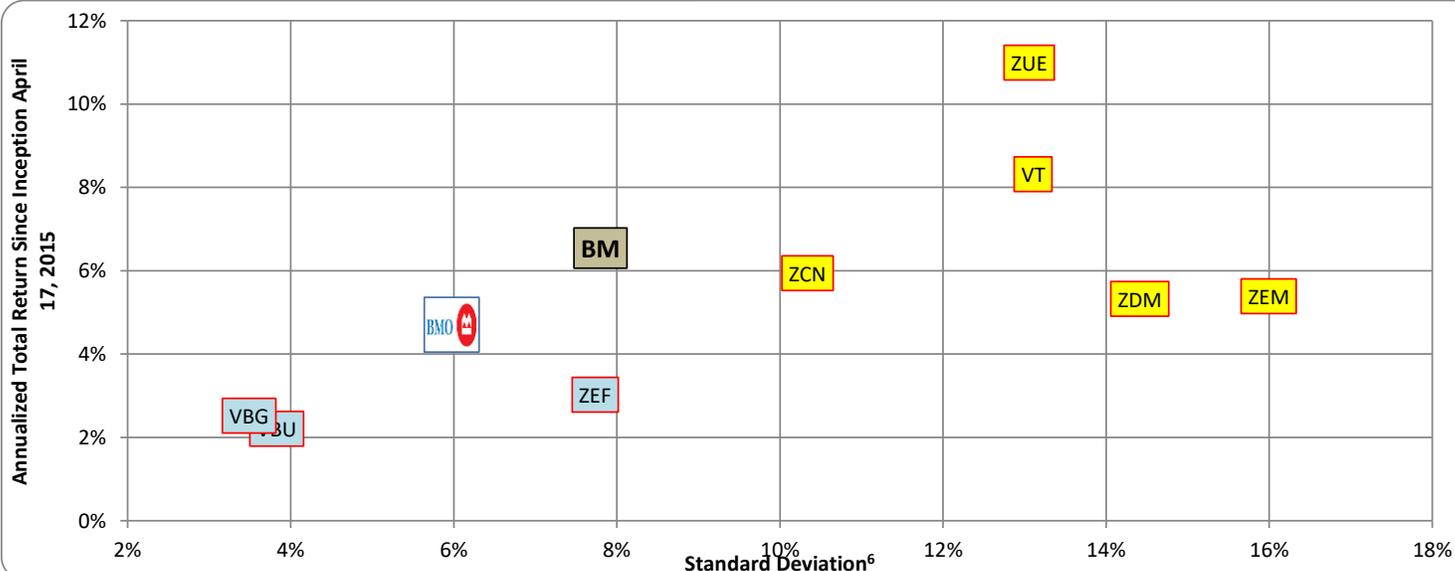
| Total Return  | Net   | Gross | Upside/Downside <sup>5</sup> |
|---------------|-------|-------|------------------------------|
| YTD           | 0.38% | 0.48% | Upside 30%                   |
| Prev. Month   | 0.51% | 0.68% | Downside 26%                 |
| Prev. Quarter | 0.63% | 1.11% | Months Up 37                 |
| Prev. Year    | 3.27% | 5.19% | Months Dn 18                 |
| Annualized SI | 2.79% | 4.71% |                              |
| Sharpe Ratio  | 0.79  |       |                              |

### Market Strategy (Risk Management)

**DEFENSE:** The current beta is 0.1% vs. the benchmark of 55.4% up from 0.1% last week. We were interested to see a recent report out of the Federal Reserve suggesting 10-Year bond yields would likely drop below 1% and may converge to zero in the next recession. We continue to believe duration is an important asset class in this low yield world. We also believe gold will shine and were interested to see Ray Dalio suggest a \$2000 price target. We think it will be much higher, but we'll be quite happy with \$2000. Balanced portfolios to us have morphed into being more about risk parity and lower overall portfolio volatility than traditional balanced thinking due to the low rate world. And while we are BULLISH on duration, the fact that bond index duration has never been higher because yields are so low and supply has been increasingly longer maturities, the asset class has never been riskier. GOLD might be the only real yield along with TIPS and Real Return Bonds in the coming years. The disinflation theme is powerful, but supply and demand of DEBT and aging demographics is going to challenge that norm.

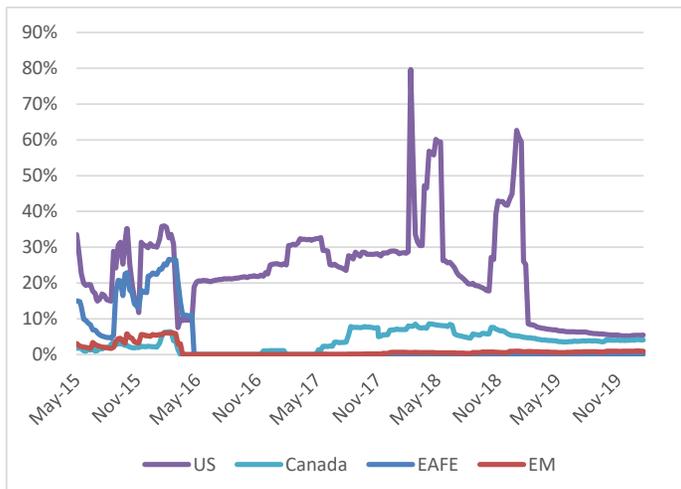
### Top Holdings

| Ticker       | Name   | Position     |
|--------------|--|--------------|
| ZST          | BMO Ultra Short-Term Bond ETF                                  | 31.9%        |
| EMLC         | VanEck Vectors J.P. Morgan EM Local Currency Bond ETF          | 11.7%        |
| SHV          | iShares Short Treasury Bond ETF                                | 10.8%        |
| TLT          | iShares 20+ Year Treasury Bond ETF                             | 10.3%        |
| BWZ          | SPDR Bloomberg Barclays Short Term International Treasury Bond | 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                         | 3.7%         |
| ZPH          | BMO US Put Write Hedged to CAD ETF                             | 1.5%         |
| AML          | 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%         |
| <b>Total</b> |  | <b>96.5%</b> |



# Tactical Asset Allocation

| Equity   | US   | Canada | EAFE | EM   |
|----------|------|--------|------|------|
| 01/17/20 | 5.4% | 4.1%   | 0.1% | 1.0% |
| 01/10/20 | 5.4% | 4.1%   | 0.1% | 1.0% |
| Change   | 0.1% | 0.0%   | 0.0% | 0.0% |



| Sector        | 01/17/20 | 01/10/20 | Change |
|---------------|----------|----------|--------|
| Financials    | 0.43%    | 0.42%    | 0.0%   |
| Energy        | 2.53%    | 2.49%    | 0.0%   |
| Health Care   | 0.45%    | 0.45%    | 0.0%   |
| Technology    | 0.48%    | 0.47%    | 0.0%   |
| Industrials   | 0.31%    | 0.31%    | 0.0%   |
| Discretionary | 0.51%    | 0.51%    | 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%    | 0.61%    | 0.0%   |
| Materials     | 4.63%    | 4.67%    | 0.0%   |
| Government    | 43.08%   | 43.07%   | 0.0%   |
| Corporate     | 37.26%   | 37.18%   | 0.1%   |
| C\$ Cash      | 3.16%    | 3.32%    | -0.2%  |
| U\$ Cash      | 0.31%    | 0.31%    | 0.0%   |
| Preferred     | 5.05%    | 5.02%    | 0.0%   |
| Commodity     | 0.63%    | 0.63%    | 0.0%   |

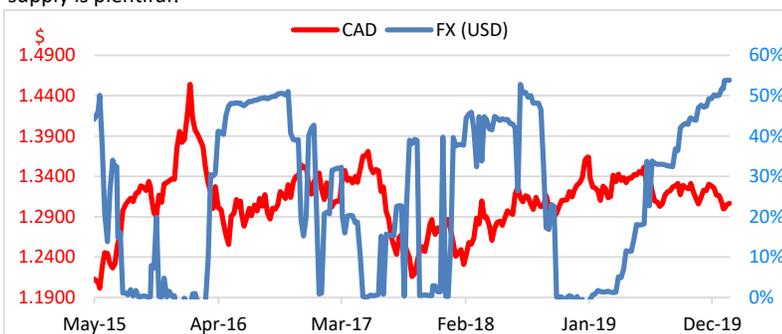
| Bonds    | Corp. | Govt. | Pref. | Cash  | Duration |
|----------|-------|-------|-------|-------|----------|
| 01/17/20 | 37.3% | 43.1% | 5.0%  | 3.5%  | 3.89     |
| 01/10/20 | 37.2% | 43.1% | 5.0%  | 3.6%  | 3.90     |
| Change   | 0.1%  | 0.0%  | 0.0%  | -0.2% | -0.01    |

## 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 US 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 3.89 down -0.01 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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