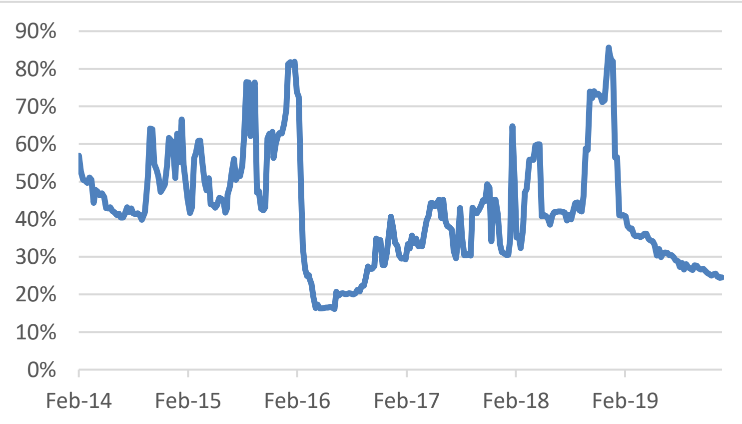
BMO Mutual Funds

BMO Tactical Dividend ETF Fund Highlights

Defense BETA SCORE Offense

Beta (risk) Metrics



As of: Jan 10 2020	01/10/20	01/03/20	Change
FX (USD)	54.4%	54.1%	0.3%
Beta[2]	24.5%	24.4%	0.1%
Correlation	29.5%	29.2%	0.3%
Yield[3]	4.17%	4.16%	0.01%
ETF Holdings	18	18	0
Volatility[4]	7.64%	7.65%	-0.01%
CAD	1.3050	1.3001	0.4%

Performance Metrics

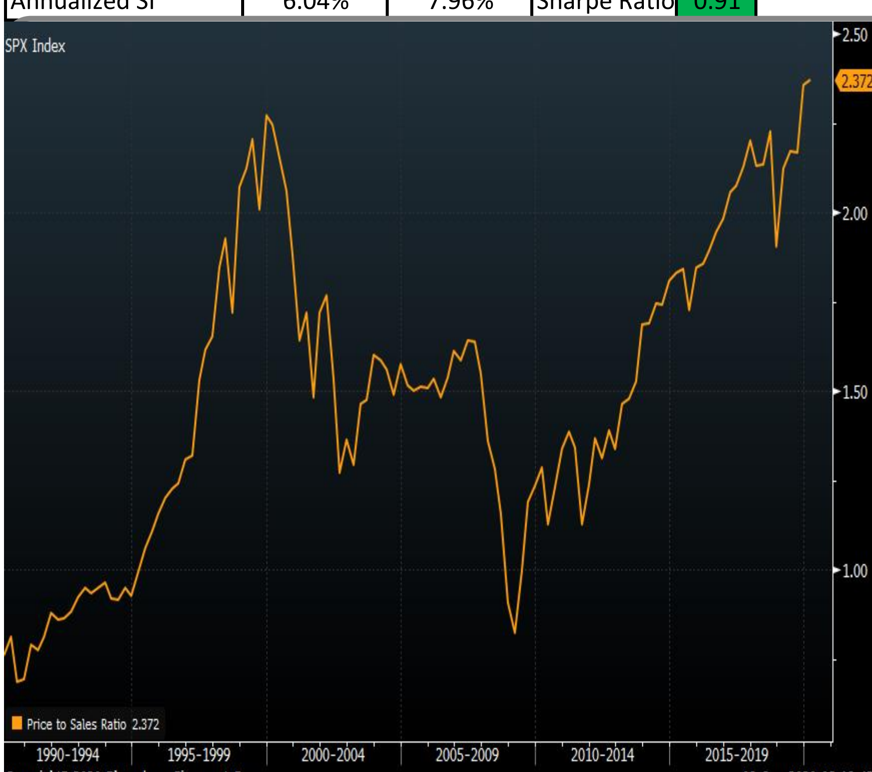
Total Return	Net	Gross	Upside/Downside[5]	
YTD	0.35%	0.41%	Upside	43%
Previous Quarter	2.12%	2.60%	Downside	39%
Previous Year	8.70%	10.62%	Months Up	49
3-Year	4.75%	6.67%	Months Dn	24
5-Year	5.08%	7.00%		
Annualized SI	6.04%	7.96%	Sharpe Ratio	0.91

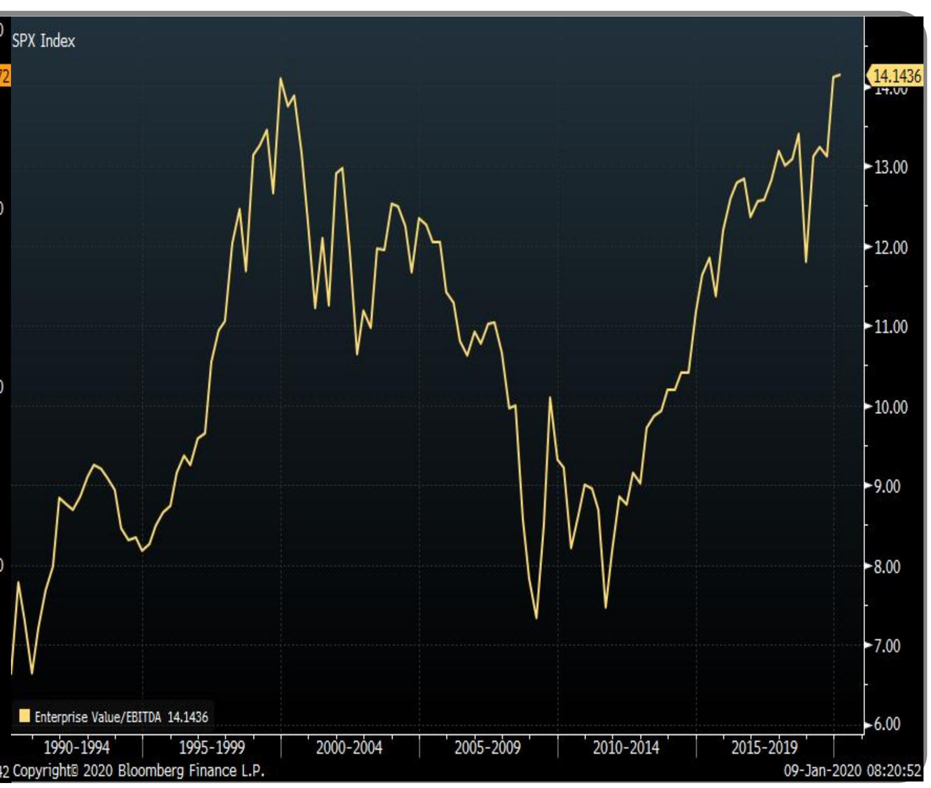
Market Strategy (Risk Management)

DEFENSE: The current beta is 24.5% vs. the benchmark of 68.4% and up from 24.4% last week. You may have heard me say in presentations last year the markets have never been more expensive. I've added two charts on page 1 that show Price\Sales and EV\EBITDA ratios for the S&P 500. We already know financial engineering (share buybacks) is playing games with boosting EPS while enriching the C-Suite. But revenue does not lie (unless you're Enron) and EV\EBITDA can somewhat smooth out the leverage used to buy back shares. And we know what happens next...eventually. In any case, there is no earnings growth and it's laughable to think we'll see what analysts are expecting in 2020 and beyond with the cloud of global uncertainty. FOMO is not thing for us and never will be. CAPITAL PRESERVATION MODE and a good coupon while we wait it out IS! Sleep-at-Night Dividends....ZZZ...D!

Top 20 Holdings

Ticker	Name	Position
ZST	BMO Ultra Short-Term Bond ETF	13.2%
SHV	iShares Short Treasury Bond ETF	11.9%
TLT	iShares 20+ Year Treasury Bond ETF	10.6%
ZGD	BMO Equal Weight Global Gold Index ETF	9.2%
EMLC	VanEck Vectors J.P. Morgan EM Local Currency Bond ETF	8.7%
ZWP	BMO Europe High Dividend Covered Call ETF	8.1%
ZWU	BMO Covered Call Utilities ETF	7.7%
AMLP	Alerian MLP ETF	6.2%
ZPW	BMO US Put Write ETF	5.0%
ZPR	BMO Laddered Preferred Share Index ETF	3.5%
DXJ	WisdomTree Japan Hedged Equity Fund	2.8%
ZDH	BMO International Dividend Hedged to CAD ETF	2.7%
EWUS	iShares MSCI United Kingdom Small-Cap ETF	2.5%
EDIV	SPDR S&P Emerging Markets Dividend ETF	2.0%
ZWC	BMO Canadian High Dividend Covered Call ETF	1.8%
DGS	WisdomTree Emerging Markets SmallCap Dividend Fund	1.2%
DVYE	iShares Emerging Markets Dividend ETF	1.1%
ZWE	BMO Europe High Dividend Covered Call Hedged to CAD ETF	0.8%
Total		98.8%

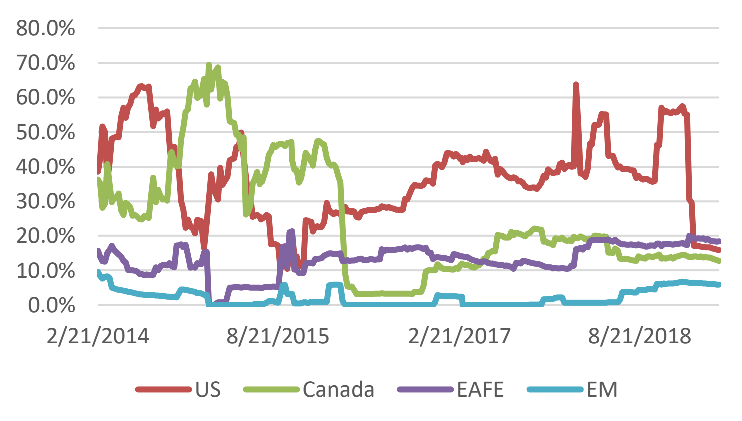




Fund Codes:	Advisor BMO99734; Low Load BMO98734; F-Class BMO95734; F6 BMO36734; ETF ZZZD; No Load Retail: BMO70734

Tactical Asset Allocation

Equity	US	Canada	EAFE	EM
01/10/20	14.5%	13.7%	17.0%	5.6%
01/03/20	14.5%	13.7%	17.0%	5.6%
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 anemic growth and QE that has not worked. The UK still has some BREXIT risks, but is relatively cheap on a currency adjusted basis. Let's call it strategic nibbling in the regions where there is some relative value. 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. The combination of a Liberal & NDP majority likely keeps the Canadian energy sector as an UNDERPERFORMING value trap.

Sector	01/10/20	01/03/20	Change
Financials	5.72%	5.69%	0.0%
Energy	10.47%	10.41%	0.1%
Health Care	2.53%	2.52%	0.0%
Technology	1.70%	1.69%	0.0%
Industrials	3.73%	3.72%	0.0%
Discretionary	3.25%	3.23%	0.0%
Real Estate	0.83%	0.83%	0.0%
Staples	2.74%	2.73%	0.0%
Telecom	3.62%	3.60%	0.0%
Utilities	4.76%	4.73%	0.0%
Materials	11.53%	11.71%	-0.2%
Government	30.87%	30.77%	0.1%
Corporate	13.52%	13.52%	0.0%
C$ Cash	1.06%	1.24%	-0.2%
U$ Cash	0.18%	0.14%	0.0%
Preferred	3.49%	3.46%	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 improve 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 may use a negative rates and permanent QE policies in the US, we see low rates as toxic than simulative and eventually massively inflationary as the US embraces socialism. 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 following the Fed rate cuts. We see a fractured political landscape globally that will likely lead to MMT policies all over the world. It will be inflationary at some point, but it could be years (decades) away still. Real Assets should outperform, but an era of stagnation lies ahead. Real return bonds could be particularly attractive once the disinflation era ends.

ETF Style	Weight	ETF Style	Weight
Bonds	44.39%	Equity-Low-Vol	0.00%
Cash	1.24%	Equity-Put	4.97%
Equity-Call	18.40%	Equity-Sector	9.19%
Equity-Dividend	13.09%	Preferred	3.49%
Equity-Hedged	0.00%	Equity-REITs	0.00%
Equity-Unhedged	0.00%	Commodity	0.00%

Currency Strategy & Trades

The US yield curve tells us we are heading into recession. Global trade wars are a major catalyst. We are now likely to see global central banks competing to cut rates. We should see a considerable increase in currency market volatility. For the C$, we should see a stronger US dollar especially if we see Canadian data turn down. The C$ is likely heading below 70 cents and possibly towards all-time lows around 62 cents. For now, Canada's faltering employment picture should move the BoC off the sidelines in the coming months. C$ risk is bearish and we added to US$ exposure last week.

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.