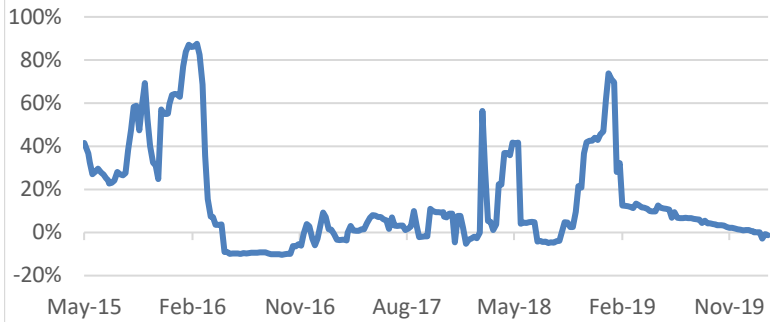


# BMO Tactical Balanced ETF Fund Highlights

Defense BETA SCORE Offense



### Beta (risk) Metrics



| As of: Feb 7 2020       | 02/07/20 | 01/31/20 | Change |
|-------------------------|----------|----------|--------|
| FX (USD)                | 53.7%    | 53.9%    | -0.2%  |
| Beta <sup>2</sup>       | -1.3%    | -0.8%    | -0.6%  |
| Correlation             | 12.0%    | 13.6%    | -1.6%  |
| Yield <sup>3</sup>      | 3.29%    | 3.29%    | -0.01% |
| ETF Holdings            | 21       | 21       | 0      |
| Volatility <sup>4</sup> | 5.95%    | 5.96%    | -0.01% |
| CAD                     | 1.3308   | 1.3237   | 0.5%   |

### Performance Metrics

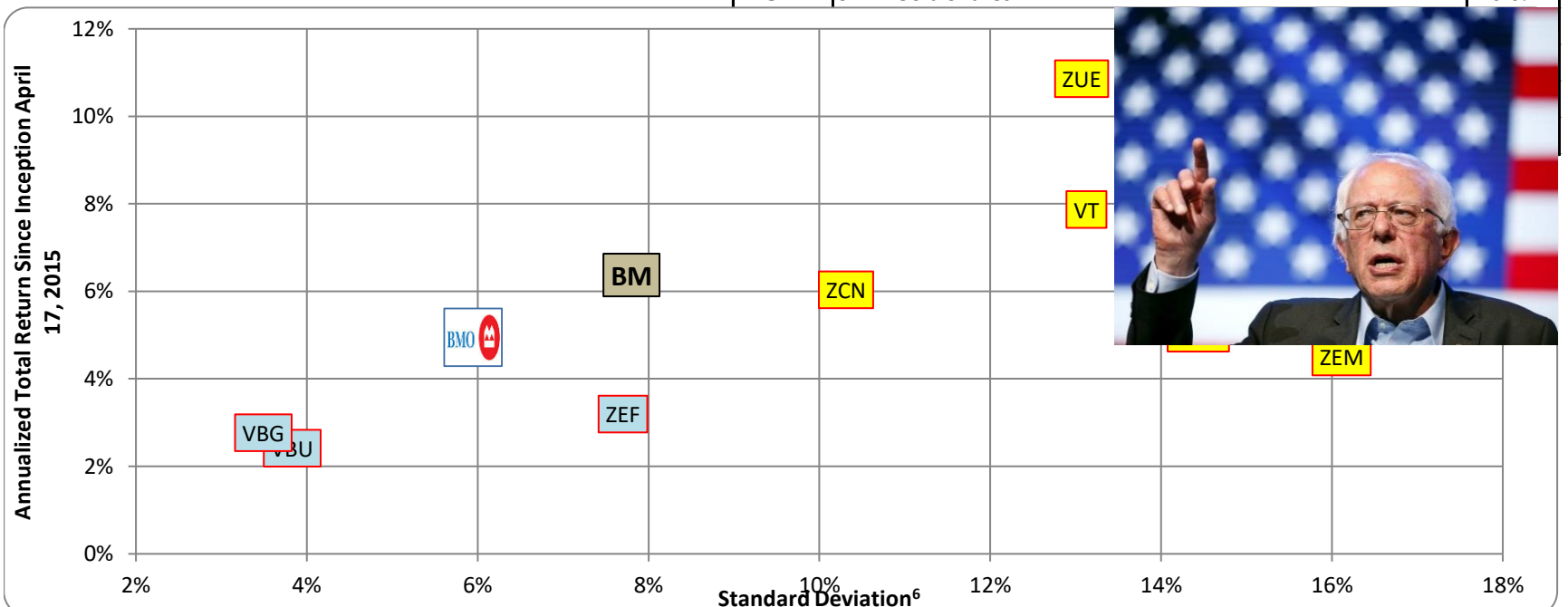
| Total Return  | Net   | Gross | Upside/Downside <sup>5</sup> |     |
|---------------|-------|-------|------------------------------|-----|
| YTD           | 1.66% | 1.86% | Upside                       | 27% |
| Prev. Month   | 1.57% | 1.73% | Downside                     | 21% |
| Prev. Quarter | 1.93% | 2.41% | Months Up                    | 39  |
| Prev. Year    | 3.43% | 5.35% | Months Dn                    | 19  |
| Annualized SI | 3.02% | 4.94% |                              |     |
| Sharpe Ratio  | 0.83  |       |                              |     |

### Market Strategy (Risk Management)

DEFENSE: The current beta is -1.3% vs. the benchmark of 55.4% down from -0.8% last week. We remain in defensive mode and look to take advantage of mispriced assets. Great start to the year for a portfolio that thrives off increased volatility. The Novel Coronavirus that is gripping investor attention appears to be still in the early innings. Complicated by a surging Bernie Sanders in key polling states and you have a lot of question marks not priced in to the markets. New market highs last week came with more bearish divergences and so far has appeared to fail. Market TOPS are near impossible to navigate, but make no mistake, all the evidence is pointing to an end of cycle market. We are defensive with a ZERO beta and will take advantage of mispricings as they develop. And we can make some money along the way. Good start to the year so far.

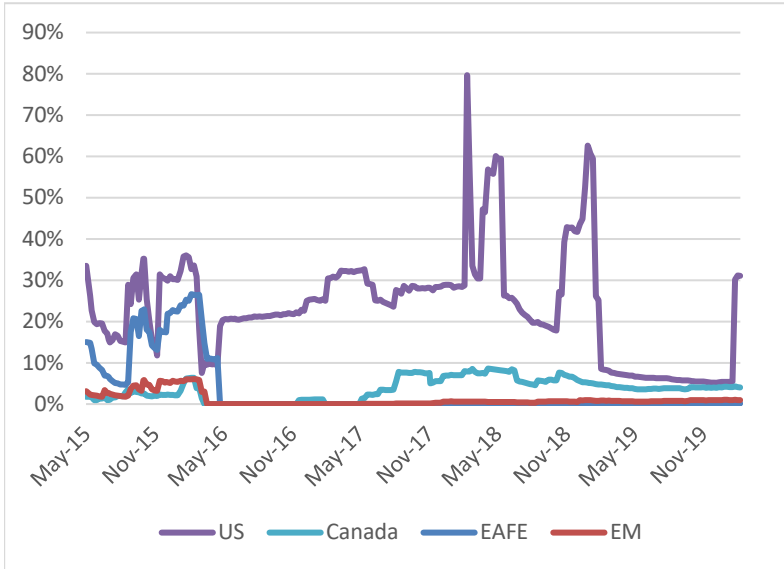
### Top Holdings

| Ticker | Name                                                         | Position |
|--------|--------------------------------------------------------------|----------|
| ZST    | BMO Ultra Short-Term Bond ETF                                | 15.5%    |
| ZPAY   | BMO Premium Yield ETF                                        | 11.8%    |
| EMLC   | VanEck Vectors J.P. Morgan EM Local Currency Bond ETF        | 11.4%    |
| ZTL    | BMO Long-Term US Treasury Bond Index ETF                     | 10.7%    |
| BWZ    | SPDR Bloomberg Barclays Short Term International Treasury Bo | 9.4%     |
| BTAL   | AGFIQ US Market Neutral Anti-Beta Fund                       | 6.1%     |
| QBTL   | AGFIQ US Market Neutral Anti-Beta CAD-Hedged ETF             | 5.9%     |
| FLOT   | iShares Floating Rate Bond ETF                               | 5.6%     |
| ZPR    | BMO Laddered Preferred Share Index ETF                       | 4.4%     |
| ZGD    | BMO Equal Weight Global Gold Index ETF                       | 3.6%     |
| SHV    | iShares Short Treasury Bond ETF                              | 2.9%     |
| XLE    | Energy Select Sector SPDR Fund                               | 2.0%     |
| ZPH    | BMO US Put Write Hedged to CAD ETF                           | 1.4%     |
| AMLPL  | Alerian MLP ETF                                              | 1.3%     |
| 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%     |



# Tactical Asset Allocation

| Equity   | US    | Canada | EAFE | EM   |
|----------|-------|--------|------|------|
| 02/07/20 | 31.1% | 4.0%   | 0.1% | 0.9% |
| 01/31/20 | 31.1% | 4.1%   | 0.1% | 1.0% |
| Change   | -0.1% | -0.1%  | 0.0% | 0.0% |



| Sector        | 02/07/20 | 01/31/20 | Change |
|---------------|----------|----------|--------|
| Financials    | 1.17%    | 1.16%    | 0.0%   |
| Energy        | 4.37%    | 4.35%    | 0.0%   |
| Health Care   | 2.66%    | 2.62%    | 0.0%   |
| Technology    | 4.80%    | 4.74%    | 0.1%   |
| Industrials   | 1.39%    | 1.38%    | 0.0%   |
| Discretionary | 1.44%    | 1.42%    | 0.0%   |
| Real Estate   | 0.17%    | 0.17%    | 0.0%   |
| Staples       | 1.80%    | 1.78%    | 0.0%   |
| Telecom       | 0.99%    | 0.98%    | 0.0%   |
| Utilities     | 0.61%    | 0.61%    | 0.0%   |
| Materials     | 4.59%    | 4.74%    | -0.2%  |
| Government    | 35.12%   | 35.46%   | -0.3%  |
| Corporate     | 20.83%   | 20.97%   | -0.1%  |
| C\$ Cash      | 14.07%   | 13.53%   | 0.5%   |
| U\$ Cash      | -11.57%  | -11.68%  | 0.1%   |
| Preferred     | 4.90%    | 4.88%    | 0.0%   |
| Commodity     | 0.63%    | 0.64%    | 0.0%   |

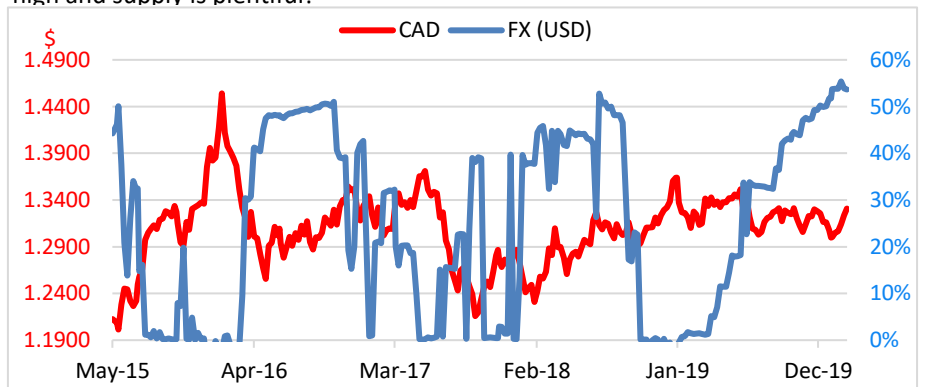
| Bonds    | Corp. | Govt. | Pref. | Cash | Duration |
|----------|-------|-------|-------|------|----------|
| 02/07/20 | 20.8% | 35.1% | 4.9%  | 2.5% | 5.89     |
| 01/31/20 | 21.0% | 35.5% | 4.9%  | 1.8% | 5.96     |
| Change   | -0.1% | -0.3% | 0.0%  | 0.7% | -0.06    |

## Equity Country/Sector Allocation & Trades

The FOMC (and other Central Banks) are aligning towards increasing their tolerance for inflation. Now we do not know too many people that actually believe the core trimmed mean inflation rate is below 2%, but that is what the data suggests. Add in a growing policy willingness to add to the already stressed fiscal spend and you have the makings of a stagflation cycle. Bad for most investment styles, but great for tactical that thrives off increased volatility and uncertainty. The sharp increase in equity exposure in recent weeks has been tempered with a short beta matching (QBTL, BTAL). So while yield has been boosted, the overall portfolio risk remains close to a zero beta. And our asset mix is clearly tilted towards risk off for now. We should see more downside to equities in the coming weeks. We are most interested in EM exposure that in many cases trades at half the multiple seen in the US. Despite all of China's challenges, their silk road initiative should provide a stable value base to the region that tends to throw off better yields than the grossly over priced US market.

## 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 5.89 down -0.06 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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