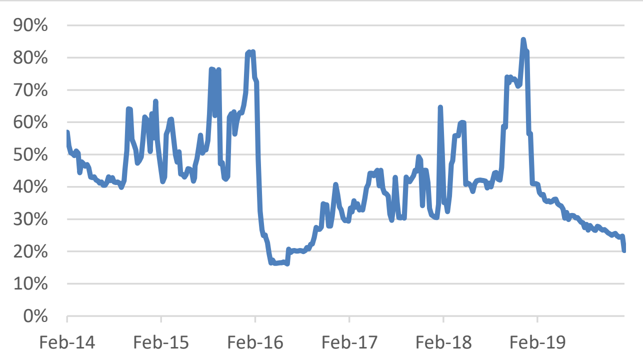
BMO Mutual Funds

BMO Tactical Dividend ETF Fund Highlights

Defense BETA SCORE Offense

Beta (risk) Metrics



As of: Jan 24 2020	01/24/20	01/17/20	Change
FX (USD)	54.5%	54.3%	0.2%
Beta[2]	20.3%	24.8%	-4.5%
Correlation	30.1%	29.9%	0.2%
Yield[3]	4.01%	4.14%	-0.13%
ETF Holdings	22	18	4
Volatility[4]	7.62%	7.63%	-0.01%
CAD	1.3143	1.3066	0.6%

Performance Metrics

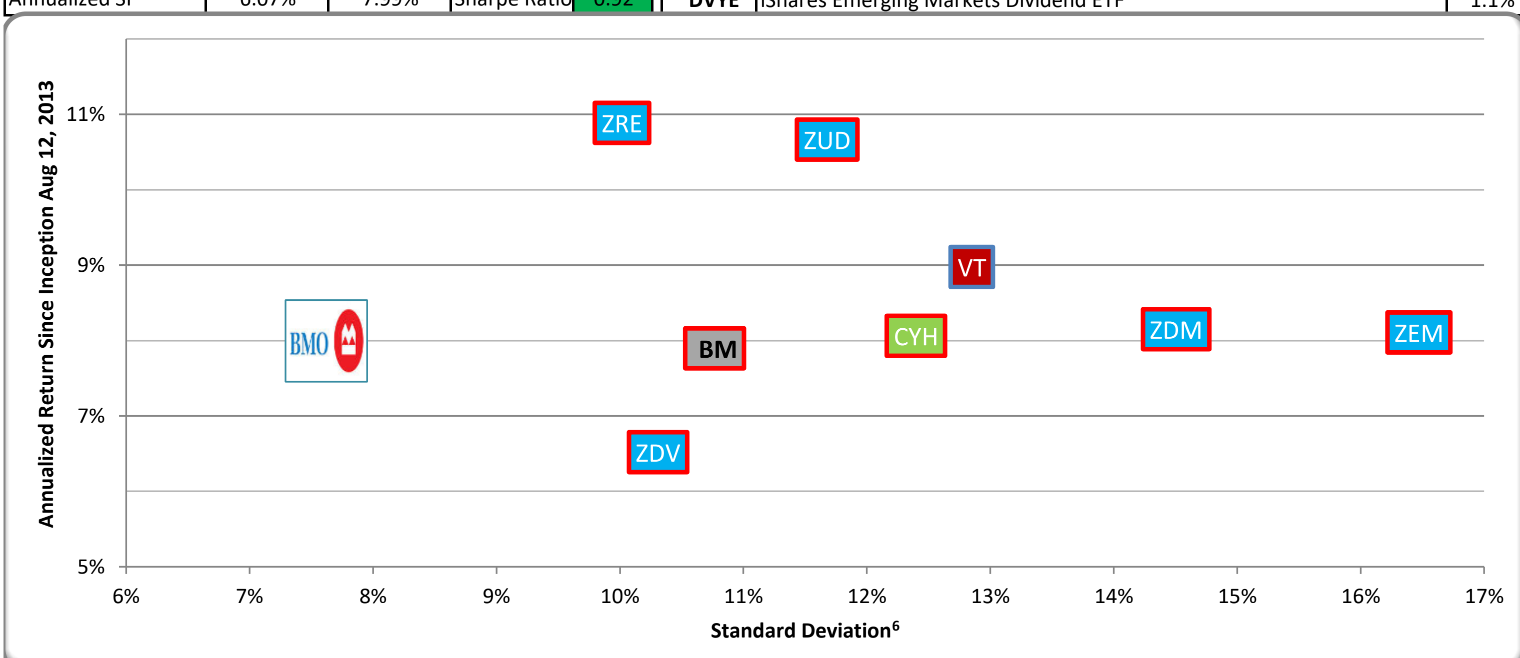
Total Return	Net	Gross	Upside/Downside[5]	
YTD	0.81%	0.94%	Upside	43%
Previous Quarter	2.55%	3.03%	Downside	39%
Previous Year	8.29%	10.21%	Months Up	49
3-Year	4.80%	6.72%	Months Dn	24
5-Year	4.70%	6.62%		
Annualized SI	6.07%	7.99%	Sharpe Ratio	0.92

Market Strategy (Risk Management)

DEFENSE: The current beta is 20.3% vs. the benchmark of 69.3% and down from 24.8% last week. As noted last week we added about an 11% exposure between QBTL, BTAL and ZPAY. That combination lowered the portfolio beta a few points keeping the yield above 4%. One of the benefits of the low beta is the low correlation to equity risk. And while that lags in a strong up market, it helped last week as concerns are growing over Coronavirus. Global benchmarks declined last week and ZZZD was up. To reiterate, we are in capital preservation mode as equity market valuations are extreme in the US market. We seek the lowest risk highest yielding portfolio we can build.

Top 20 Holdings

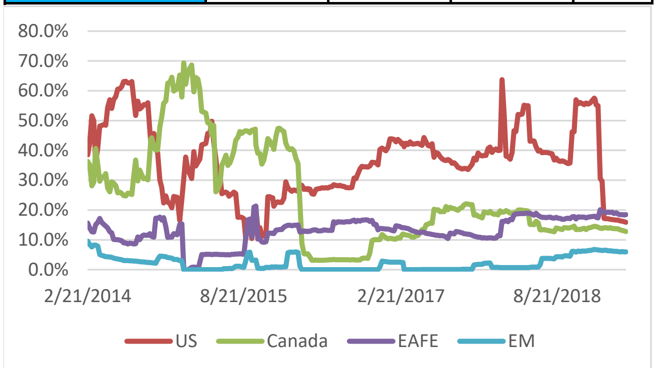
Ticker	Name	Position
ZTL	BMO Long-Term US Treasury Bond Index ETF	10.9%
SHV	iShares Short Treasury Bond ETF	9.4%
ZGD	BMO Equal Weight Global Gold Index ETF	9.2%
EMLC	VanEck Vectors J.P. Morgan EM Local Currency Bond ETF	8.7%
ZWP	BMO Europe High Dividend Covered Call ETF	8.1%
ZWU	BMO Covered Call Utilities ETF	8.0%
ZST	BMO Ultra Short-Term Bond ETF	6.1%
AMLP	Alerian MLP ETF	5.9%
ZPAY	BMO Premium Yield ETF	5.3%
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%
BTAL	AGFiQ US Market Neutral Anti-Beta Fund	2.7%
QBTL	AGFiQ US Market Neutral Anti-Beta CAD-Hedged ETF	2.7%
ZDH	BMO International Dividend Hedged to CAD ETF	2.6%
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%



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
01/24/20	25.0%	13.9%	17.0%	5.6%
01/17/20	14.6%	13.6%	17.1%	5.6%
Change	10.4%	0.3%	-0.1%	-0.1%



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	01/24/20	01/17/20	Change
Financials	5.72%	5.74%	0.0%
Energy	10.26%	10.55%	-0.3%
Health Care	2.53%	2.54%	0.0%
Technology	1.69%	1.71%	0.0%
Industrials	3.73%	3.75%	0.0%
Discretionary	3.24%	3.26%	0.0%
Real Estate	0.83%	0.84%	0.0%
Staples	2.73%	2.75%	0.0%
Telecom	3.68%	3.65%	0.0%
Utilities	4.86%	4.81%	0.1%
Materials	22.23%	11.33%	10.9%
Government	28.66%	30.60%	-1.9%
Corporate	6.44%	13.42%	-7.0%
C$ Cash	5.18%	1.41%	3.8%
U$ Cash	-5.25%	0.18%	-5.4%
Preferred	3.47%	3.47%	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	35.10%	Equity-Low-Vol	0.00%
Cash	-0.07%	Equity-Put	4.99%
Equity-Call	18.64%	Equity-Sector	19.89%
Equity-Dividend	12.74%	Preferred	3.47%
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.