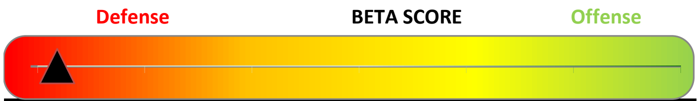
# BMO Tactical Global Growth ETF Fund

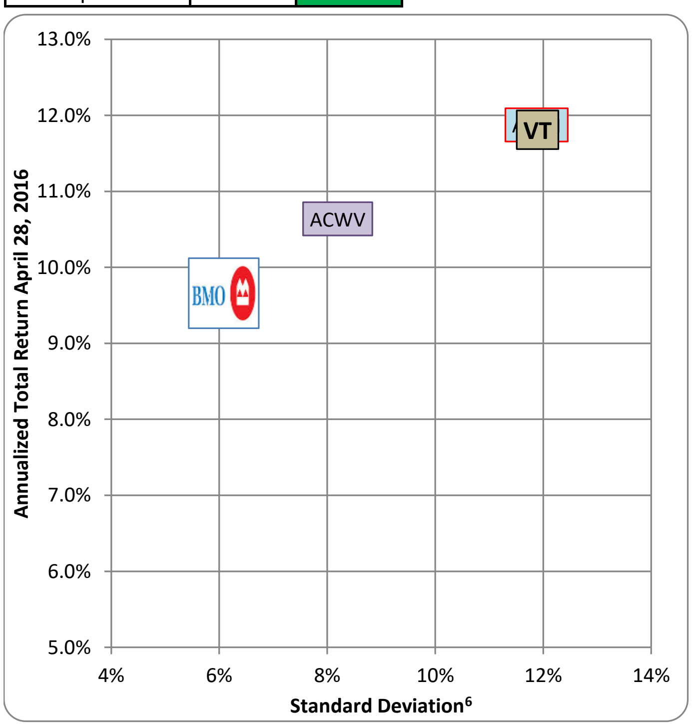



## Beta (risk) Metrics


| As of: Jan 24 2020 | 01/24/20 | 01/17/20 | Change |
|---|---|---|---|
| FX (USD) | 54.9% | 53.7% | 1.1% |
| Beta[2] | 3.7% | 7.2% | -3.5% |
| Correlation | 16.5% | 13.3% | 3.3% |
| Yield[3] | 3.37% | 2.97% | 0.40% |
| ETF Holdings | 19 | 16 | 3 |
| Volatility[4] | 6.08% | 6.10% | -0.02% |
| CAD | 1.3143 | 1.3066 | 0.6% |

## Performance Metrics

| Total Return | Net | Gross | Upside/Downside[5] | |
|---|---|---|---|---|
| YTD | 1.07% | 1.20% | Upside | 35% |
| Prev. Qtr. | 2.19% | 2.67% | Downside | 21% |
| Prev. Year | 7.46% | 9.38% | Months Up | 34 |
| Since Inception | 32.41% | 39.27% | Months Dn | 10 |
| Annualized SI | 7.74% | 9.66% | | |
| Sharpe Ratio | | 1.59 | | |

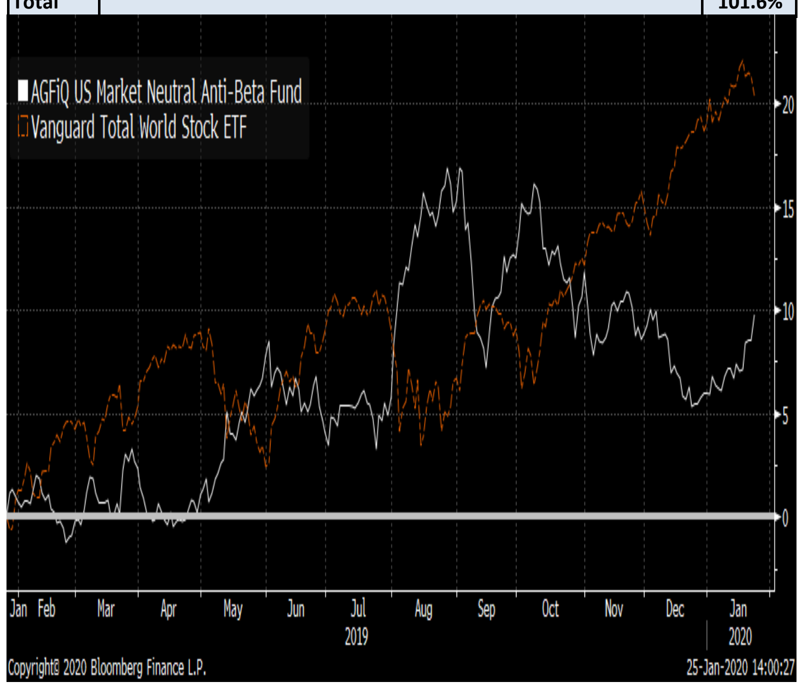



## Market Strategy (Risk Management)

DEFENSE: The current beta is 3.7% vs. the benchmark of 100% down from 7.2% last week. We made some significant shifts last week that increased our yield 40 bps and reduced our overall portfolio beta. We added the new BMO ZPAY ETF that is a combination of covered call exposure with put writing to generate a 6%+ yield with lower overall portfolio risk. We estimate the beta of the holding to be around half of the world index. We combined that holding with a market neutral long low beta short high beta series of ETFs from AGFiQ. The AGF strategies have a negative beta (see chart) and should offset the added beta of the ZPAY holding while boosting the yield. We also swapped TLT for ZTL, which serves to lower the portfolio MER. The shift in BoC thinking to a more dovish stance suggests our US$ exposure should add value.

## Top Holdings

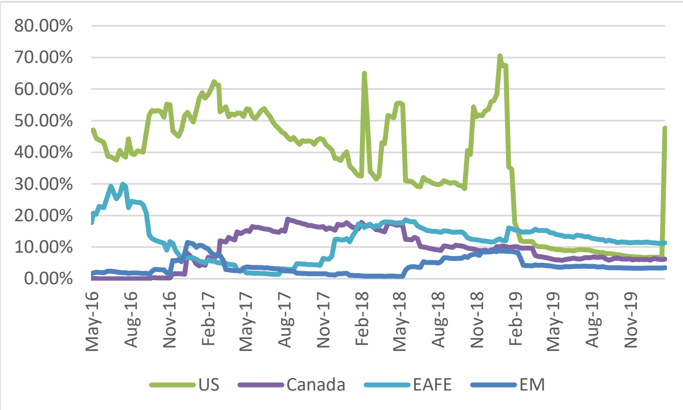
| Ticker | Name | Position |
|---|---|---|
| ZPAY | BMO Premium Yield ETF | 20.2% |
| SHV | iShares Short Treasury Bond ETF | 14.3% |
| BTAL | AGFiQ US Market Neutral Anti-Beta Fund | 10.4% |
| QBTL | AGFiQ US Market Neutral Anti-Beta CAD-Hedged ETF | 10.3% |
| ZTL | BMO Long-Term US Treasury Bond Index ETF | 10.0% |
| EMLC | VanEck Vectors J.P. Morgan EM Local Currency Bond ETF | 7.3% |
| ZGD | BMO Equal Weight Global Gold Index ETF | 6.9% |
| ZWP | BMO Europe High Dividend Covered Call ETF | 5.6% |
| EWUS | iShares MSCI United Kingdom Small-Cap ETF | 3.1% |
| DXJ | WisdomTree Japan Hedged Equity Fund | 2.4% |
| AMLP | Alerian MLP ETF | 2.4% |
| IYZ | iShares US Telecommunications ETF | 2.3% |
| ZPW | BMO US Put Write ETF | 1.4% |
| ZWC | BMO Canadian High Dividend Covered Call ETF | 1.4% |
| ZST | BMO Ultra Short-Term Bond ETF | 1.1% |
| EWW | iShares MSCI Mexico ETF | 0.8% |
| BRF | VanEck Vectors Brazil Small-Cap ETF | 0.8% |
| EIDO | iShares MSCI Indonesia ETF | 0.6% |
| INDA | iShares MSCI India ETF | 0.3% |
| ZLI | BMO Low Volatility International Equity ETF | 0.1% |
| Total | | 101.6% |




Fund Codes: Advisor BMO99762; Low Load BMO98762; F-Class BMO95762; No Load Retail: BMO70762;

# Tactical Asset Allocation

| Equity | US | Canada | EAFE | EM |
|---|---|---|---|---|
| 01/24/20 | 47.7% | 6.3% | 11.3% | 3.5% |
| 01/17/20 | 6.9% | 6.1% | 11.3% | 3.4% |
| Change | 40.8% | 0.2% | 0.1% | 0.1% |




| Sector | 01/24/20 | 01/17/20 | Change |
|---|---|---|---|
| Financials | 6.28% | 2.88% | 3.4% |
| Energy | 3.60% | 3.70% | -0.1% |
| Health Care | 8.35% | 1.65% | 6.7% |
| Technology | 1.50% | 0.98% | 0.5% |
| Industrials | 5.88% | 2.44% | 3.4% |
| Discretionary | 7.94% | 2.39% | 5.6% |
| Real Estate | 3.62% | 0.37% | 3.2% |
| Staples | 8.90% | 1.64% | 7.3% |
| Telecom | 3.67% | 3.01% | 0.7% |
| Utilities | 9.60% | 0.48% | 9.1% |
| Materials | 9.49% | 8.11% | 1.4% |
| Government | 31.47% | 40.49% | -9.0% |
| Corporate | 1.33% | 28.93% | -27.6% |
| C$ Cash | 18.61% | 2.66% | 16.0% |
| U$ Cash | -20.23% | 0.27% | -20.5% |
| Preferred | 0.00% | 0.00% | 0.0% |
| Commodity | 0.00% | 0.00% | 0.0% |

| Bonds | Corp. | Govt. | Pref. | Cash |
|---|---|---|---|---|
| 01/24/20 | 1.3% | 31.5% | 0.0% | -1.6% |
| 01/17/20 | 28.9% | 40.5% | 0.0% | 2.9% |
| Change | -27.6% | -9.0% | 0.0% | -4.5% |

## Equity Allocation Country/Sector Trades

Late in the cycle with the yield curve warning of economic trouble ahead, we MUST err on the side of playing defense. Globally, economic data continues to soften and we are heading into a late cycle recession bear market. There is not much in the policy toolbox to change that though the Fed has ramped up the balance sheet again with more monetization--what sounds like a permanent balance sheet expansion and a permanent policy tool given massive deficits in the future. Crazy to believe that at full employment they need to add stimulus and ease conditions. Japan is cheap and has some great dividend payers. They have been the poster child for anemic growth for decades. Sadly, the US is heading in this direction along with most of the developed world and China that is rapidly aging. There are policy tools to fix the issues, but politically impossible to implement because it largely involves austerity budgets and reduction of promises (benefits) which makes it near impossible to implement. Instead, the world is politically shifting to more extreme polarizations. The nationalism of the extreme RIGHT vs. the socialism of the extreme LEFT. The Trump experience is likely to shift the US to the extreme LEFT and polarization will most likely intensify. Wall Street is not ready for it. It will not likely be good for growth or valuations. Still, parts of the world of EM, Japan, UK assets have some relative value and good dividend payers. Lot's of places to play defense and generate some growth at a reasonable price while we await the next Minsky Moment. In early 2018 it was volatility complacency.

## Fixed-Income/Currency/Commodity Strategy & Trades

It is clear to us that we are heading for a recession and a sluggish growth environment for several decades. Historically, bonds and duration will play an increasing role in portfolio construction and capital preservation. We have started to nibble at Emerging Market Local currency government debt (EMLC) as well as long duration in USTs (TLT) on weakness. This is a growth at a reasonable price portfolio and we will increasingly seek to grow the portfolio with duration exposure. As the Fed looks to cut rates, gold (and gold equity) exposure should provide some growth as well. A soft US dollar outlook will see us shift assets to higher yielding currencies as well. Emerging market local currency debt seems particularly attractive. As for the C$, we see it below 70 cents at the trough of the next recession and it should struggle to hold above 76 cents with Canada's economic outlook taking a serious downgrade in Q419. The BoC does not want to inflate the debt bubble by cutting rates more--they may have no choice.