

# BMO Tactical Balanced ETF Fund Highlights

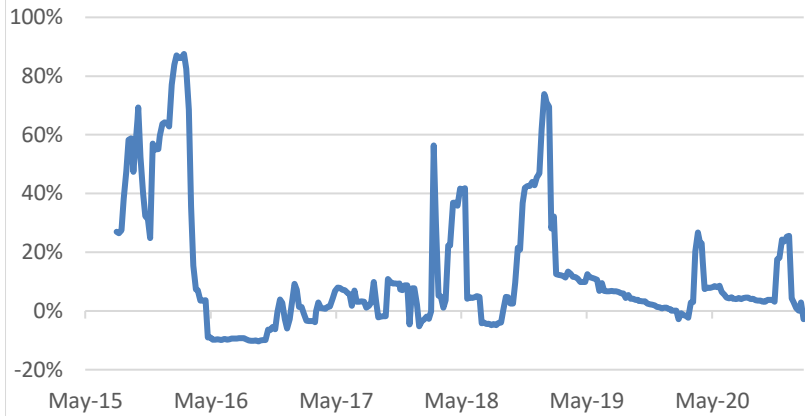
Defense

Core Beta: 25.9%

Offense



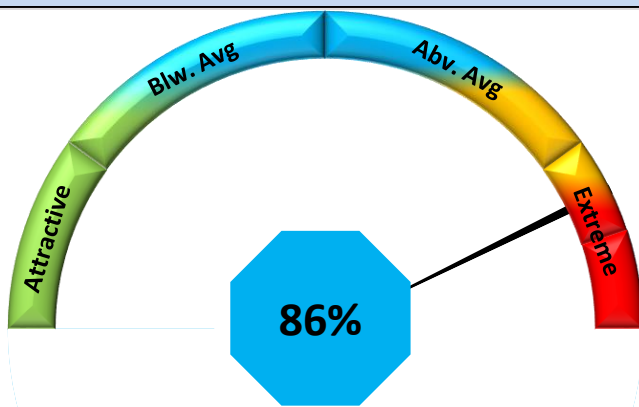
Net Beta (Core - Protection): -2.9%



## Market Strategy (Risk Management)

DEFENSE: The current beta is 25.9% vs. the benchmark of 59.0% down from 27.9% last week. The current degree of protection is about -29%. We made one tactical shift last week. We reduced exposure to EM debt, which we are structurally bullish on, but see near-term credit and currency risks. At the same time we increased duration (ZCB). We will add EM local currency debt on weakness as a theme of the US dollar losing status in the coming decade. Our PRO EYEs macro indicators suggests high risk of corrective action and downside protection is in place. We DO NOT see a major correction risk in the short-term owing to more stimulus coming. At some point it needs to be paid for and if the Fed does not monetize enough, that's when the liquidity bubble is most at risk. We adjusted our model weights owing to the simple fact that the central banks have increased the moral hazard factor and reduced the CAPM discounted cash flow model in terms of fair value. So going forward, the big corrections will simply be when the central banks do not mint enough fiat. Our core portfolio tilts towards higher yield and lower beta for now. We will look to shift to more growth theme during periods of weakness. We are looking for a modest dip now as Congress debates the next COVID bill. Infrastructure stimulus will come much later in the year on

## PRO EYEs Macro Risk Model



When the PRO EYEs indicator is at elevated levels, we will incorporate additional downside protection in the portfolio as an overlay to the core "BEST IDEAS" holdings. The current correction risk is modest and we are protected to 3400 on the S&P 500 with upside potential to 3800 through Feb expiry.

## Top Holdings

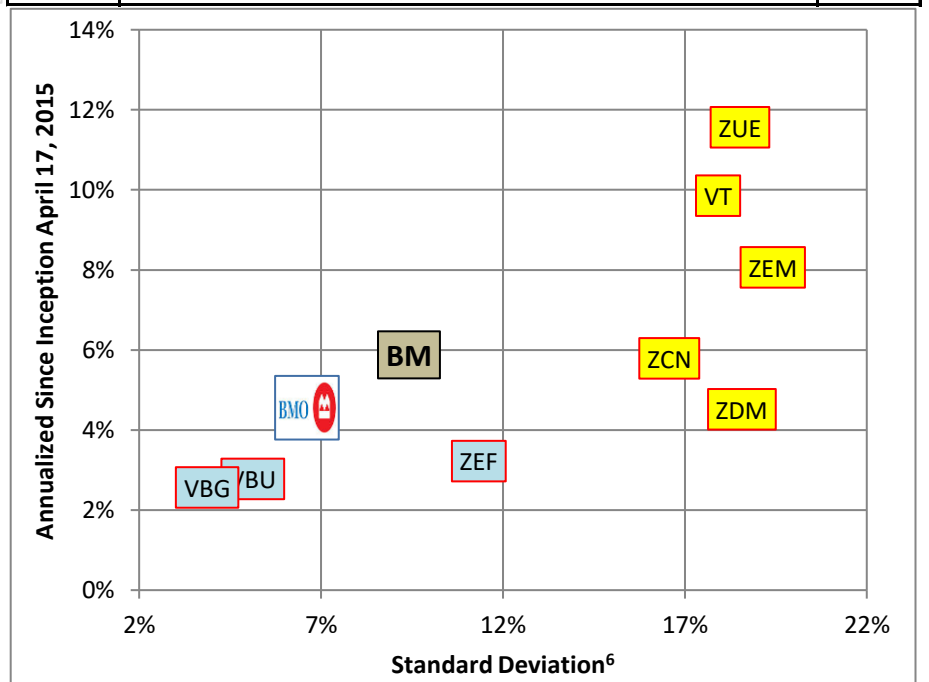
Ticker	Name	Position
ZWP	BMO Europe High Dividend Covered Call ETF	23.5%
ZPAY	BMO Premium Yield ETF	20.8%
ZGD	BMO Equal Weight Global Gold Index ETF	8.9%
ZUS/U	BMO Ultra Short-Term US Bond ETF	8.7%
ZPR	BMO Laddered Preferred Share Index ETF	6.0%
ZCB	BMO Corporate Bond Index ETF	5.7%
EMLC	VanEck Vectors J.P. Morgan EM Local Currency Bond ETF	5.7%
ZTL/U	BMO Long-Term US Treasury Bond Index ETF	5.0%
XLE	Energy Select Sector SPDR Fund	1.2%
ZWU	BMO Covered Call Utilities ETF	0.9%
ZWC	BMO Canadian High Dividend Covered Call ETF	0.7%
AMLP	Alerian MLP ETF	0.7%
ZUP	BMO US Preferred Share Index ETF	0.4%
ZRR	BMO Real Return Bond Index ETF	0.3%
EWU	iShares MSCI United Kingdom ETF	0.1%

As of: 01/22/21	01/22/21	01/15/21	Change
FX (USD)	53.2%	53.1%	0.1%
Beta <sup>2</sup>	25.9%	27.9%	-2.0%
Protection	-28.7%	-25.1%	-3.7%
Correlation	53.6%	58.9%	-5.3%
Yield <sup>3</sup>	4.51%	4.55%	-0.04%
ETF Holdings	15	14	1
Volatility <sup>4</sup>	6.61%	6.60%	0.02%
CAD	1.2733	1.2732	0.0%

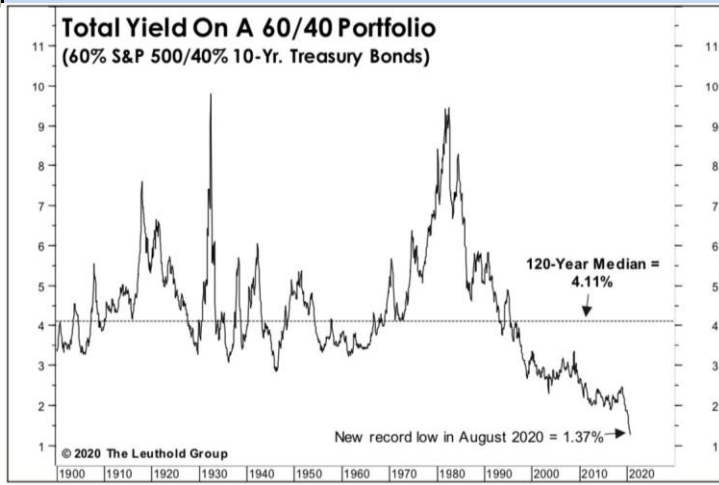
## Performance Metrics

Total Return	Net	Gross	Up/Downside <sup>5</sup>
YTD	0.00%	0.12%	Upside 12%
Prev. Month	-1.24%	-1.08%	Down 5%
Prev. Quarter	0.97%	1.45%	Mths Up 43
Prev. Year	1.45%	3.37%	Mths Dn 26
Annualized SI	2.63%	4.55%	
Sharpe Ratio	0.69		

Fund Codes: Advisor BMO99222; Low Load BMO98222; F-Class BMO95222; No Load Retail: BMO70222



# Chart(s) of The Week

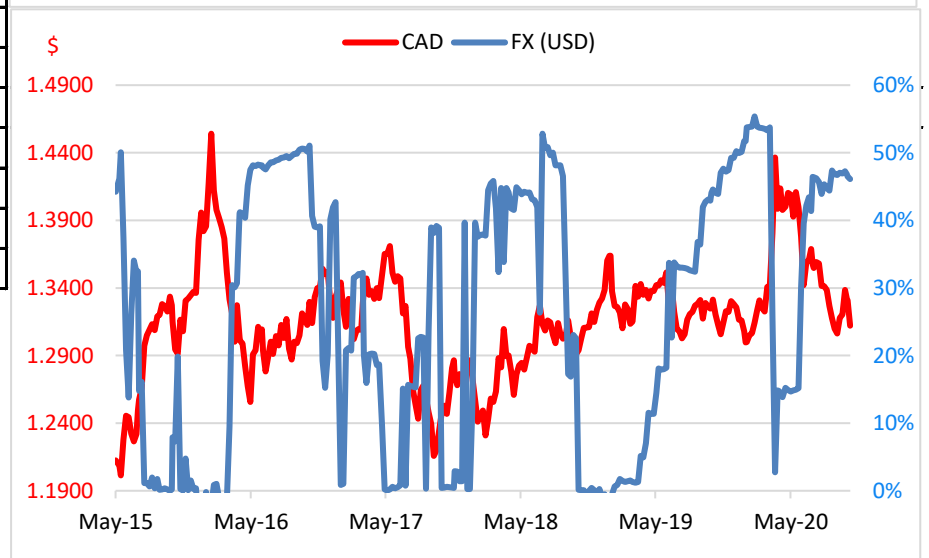
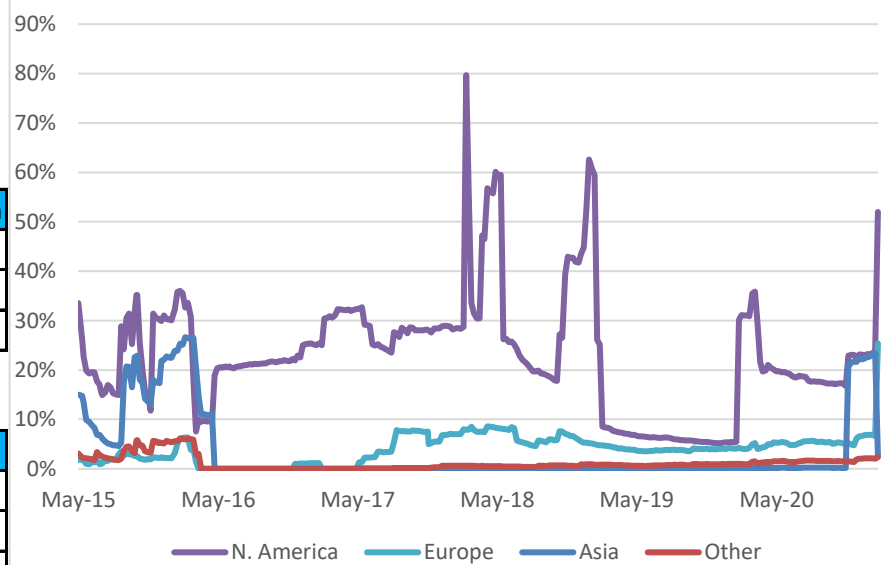


## Tactical Asset Allocation

Equity	N. America	Europe	Asia	Other
01/22/21	52.0%	25.4%	2.6%	2.3%
01/15/21	23.9%	6.6%	23.4%	2.0%
Change	28.1%	18.8%	-20.8%	0.3%

Bonds	Corp.	Govt.	Pref.	Cash	Duration
01/22/21	14.5%	10.8%	6.4%	12.1%	6.02
01/15/21	9.0%	16.1%	6.3%	12.9%	5.55
Change	5.6%	-5.3%	0.1%	-0.8%	0.48

Sector	01/22/21	01/15/21	Change	BM	O/U
Basic Materials	11.2%	11.0%	0.2%	3.0%	8.3%
Communications	3.6%	3.0%	0.6%	8.7%	-5.1%
Consumer, Cyclical	3.3%	3.0%	0.3%	7.0%	-3.6%
Consumer, Non-cyclical	11.3%	10.8%	0.6%	13.5%	-2.2%
Energy	4.4%	3.7%	0.7%	2.6%	1.8%
Financial	10.2%	7.8%	2.4%	16.1%	-5.9%
Government	28.0%	33.4%	-5.4%	25.9%	2.1%
Industrial	3.8%	3.3%	0.5%	7.0%	-3.2%
Technology	3.2%	3.1%	0.1%	10.4%	-7.2%
Utilities	2.6%	1.5%	1.1%	4.1%	-1.5%



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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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