



# BMO Tactical Balanced ETF Fund Highlights

## Core Tactical/Strategic Portfolio Outlook/Adjustments

The correction that started last week is not likely over. Based on last week's more dovish comments from the Bank of Canada, we added back some US dollar exposure selling ZUE to buy ZSP. Our US\$ exposure is now 37% from 27% last week. We are still underweight as the US\$ is about 52% of the global 60:40 balanced benchmark. We are looking at a dip below 1.20 as our target to move back to market weight. Our chart of the week shows the dramatic impact of currency in the past month. With emerging markets underperforming, we see it as an opportunity to add to exposure in the coming months. ZEM is now down 2% on a YTD basis. Building exposure to India, Korea, Malaysia, Vietnam, and China are most attractive. The US treasury auctions were mediocre to good last week in terms of supply and key support held for US 30-year yields as the chart of the week shows. But there is a clear bearish break as we expected with the new supply that is needed to fund the Treasury. They can only kick the can so much. We see the 2.00% level for 10s (currently 1.63%) and a break of 2.50% for 30s as a better area to extend duration back to benchmark. We are currently holding mostly money markets with a duration of 1.1.

## Macro Market Strategy

We continue to see the Fed as the swing factor in markets. We now know that the Treasury needs to raise another \$600B in excess of what the Fed is monetizing. That should add stress to asset prices in the coming quarters. There is a narrative building around the August Jackson Hole event as to when the Fed will start thinking about tapering. If this crush of bond supply meets a Fed buying less, the equity risk premium will most likely rise. So even as earnings expectations for the S&P 500 are now 184 for 2021 and 207 for 2022, a multiple contraction with a less accommodative Fed should unwind some of that liquidity premium priced in over the COVID largess. 20x (still high) makes the 3700 area very important support and target for yeaned. How much of the recovery in earnings for 2021 was priced in last year?

## PRO-EYES - Berman's Call

Risk Level High

The current core portfolio beta is 60.4% The current degree of beta protection is about -26%.

When the PRO EYES indicator is at elevated levels (above 75%), as it is recently hit, we will have higher degree of beta protection on the portfolio. Historically, corrections that follow have a median of 7.3% and an average of 11.1% over the past 20 years. We have our downside hedge on the S&P 500 in place from 4200-3750 with a covered call at 4400 through Sept 30th. This is a tactical hedge and is actively adjusted as opportunities develop. For details of the [PRO-EYES-Berman's Call](#) Tactical Risk Models click link above.

## Performance Metrics (A-Series) as of (05/14/21)

Total Return	Net	Gross	Up/Downside <sup>5</sup>	
YTD	-1.05%	-0.35%	Upside	10%
Prev. Month	0.19%	0.36%	Down	7%
Prev. Quarter	0.46%	0.94%	Mths Up	45
Prev. Year	0.23%	2.15%	Mths Dn	27
Ann. SI (04/17/15)	2.44%	4.36%		
Sharpe Ratio	0.66			
Fund Codes:	Advisor BMO99222; F-Class BMO95222; No Load Retail: BMO70222			

## Top Holdings

Ticker	Name	Position
ZEA	BMO MSCI EAFE Index ETF	28.9%
ZUE	BMO S&P 500 Hedged to CAD Index ETF	20.6%
ZGD	BMO Equal Weight Global Gold Index ETF	9.9%
ZSP	BMO S&P 500 Index ETF	9.0%
ZEM	BMO MSCI Emerging Markets Index ETF	3.0%
EMLC	VanEck Vectors J.P. Morgan EM Local Currency Bond ETF	2.9%
ZMT	BMO Equal Weight Global Base Metals Hedged to CAD Index ETF	1.5%
XLE	Energy Select Sector SPDR Fund	1.2%
ZCLN	BMO Clean Energy Index ETF	1.2%
ZUS/U	BMO Ultra Short-Term US Bond ETF	0.9%
ZPR	BMO Laddered Preferred Share Index ETF	0.9%
HMMJ	Horizons Marijuana Life Sciences Index ETF	0.8%
INDA	iShares MSCI India ETF	0.6%
KBA	KraneShares Boser MSCI China A ETF	0.6%
ZUP	BMO US Preferred Share Index ETF	0.5%
ZRR	BMO Real Return Bond Index ETF	0.4%
CIBR	First Trust NASDAQ Cybersecurity ETF	0.3%
EWZ	iShares MSCI Brazil ETF	0.3%
EWU	iShares MSCI United Kingdom ETF	0.1%

## Chart of the Week

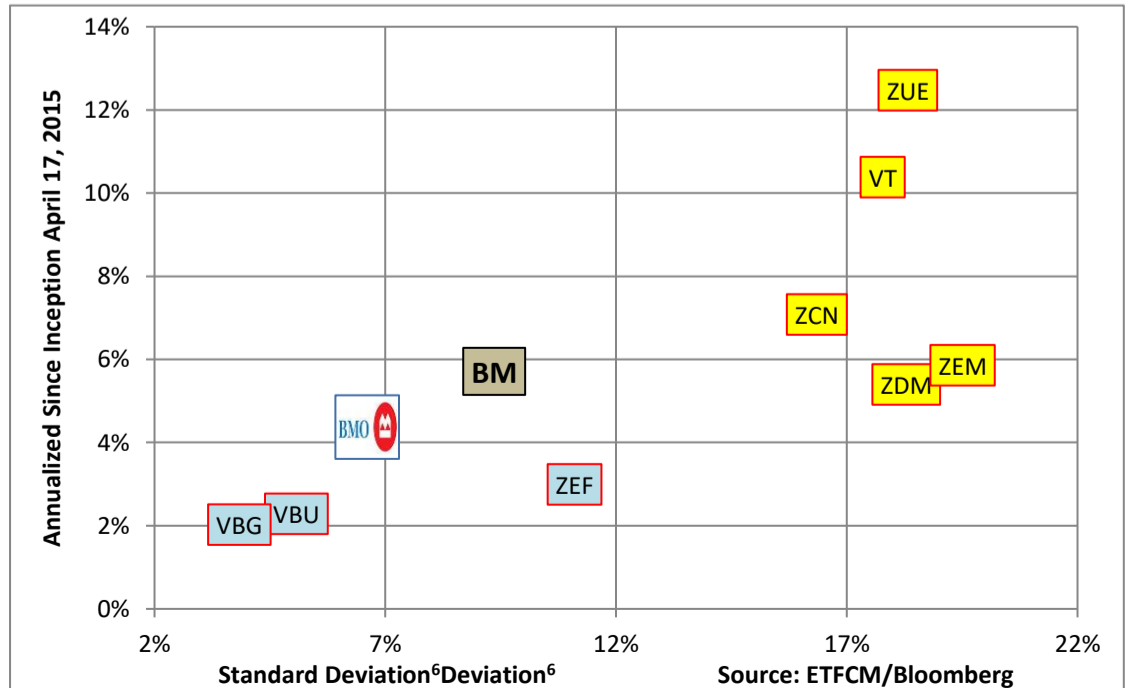


USGG30YR Index (US Generic Govt 30 Yr) Daily 31DEC2020-15MAY2021 Copyright© 2021 Bloomberg Finance L.P. 15-May-2021 12:12:42

## Defense

Core Beta: 60.4%

## Offense



Source: ETFCM/Bloomberg

Advisor/Broker Use Only

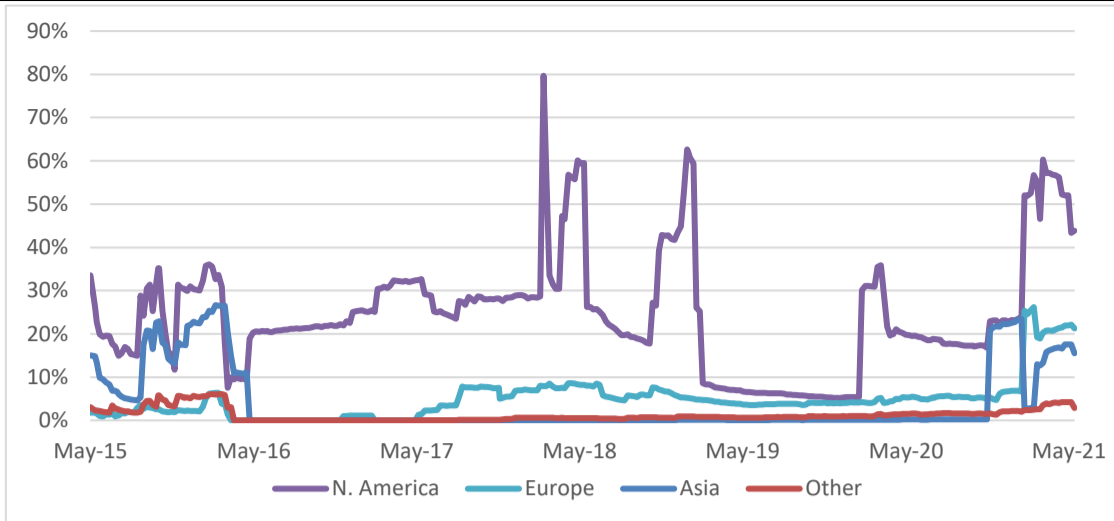
## Tactical Asset Allocation

Equity	N. America	Europe	Asia	Other
05/14/21	43.8%	21.3%	15.5%	2.8%
05/07/21	43.3%	22.1%	17.5%	4.2%
Change	0.5%	-0.9%	-2.1%	-1.4%

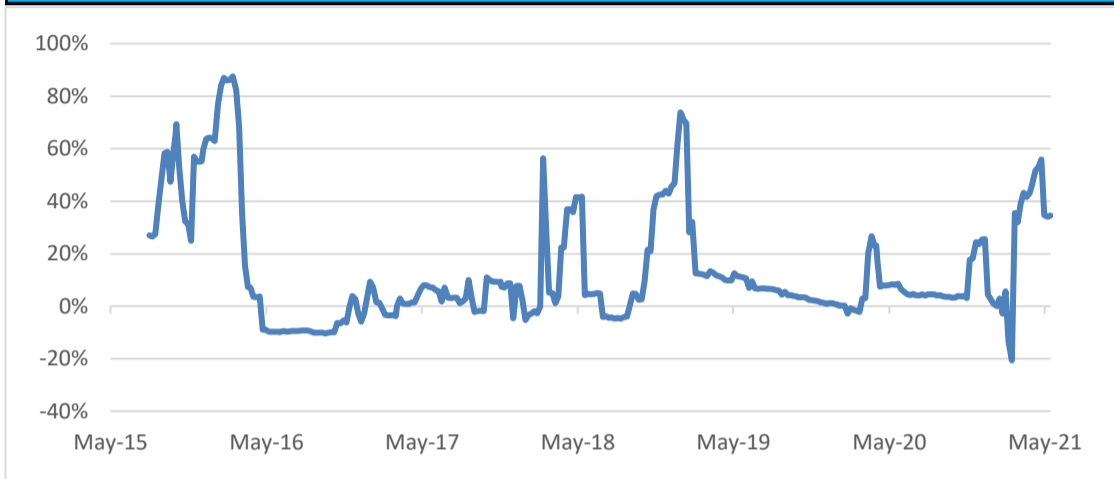
Bonds	Corp.	Govt.	Pref.	Cash
05/14/21	1.0%	3.2%	1.3%	15.8%
05/07/21	1.0%	3.1%	1.3%	16.1%
Change	0.0%	0.0%	0.0%	-0.4%

Bonds	Duration
05/14/21	1.13
05/07/21	1.11
Change	0.02

Sector	05/14/21	05/07/21	Change	BM
Basic Materials	14.4%	14.4%	0.0%	3.0%
Communications	7.3%	7.5%	-0.1%	8.6%
Consumer, Cyclical	7.3%	7.4%	-0.1%	7.1%
Consumer, Non-cyclical	14.7%	14.6%	0.1%	13.0%
Energy	4.2%	4.1%	0.0%	2.8%
Financial	12.9%	12.8%	0.1%	16.6%
Government	3.2%	3.2%	0.0%	25.9%
Industrial	7.2%	7.3%	0.0%	7.1%
Technology	9.2%	9.4%	-0.2%	10.1%
Utilities	2.8%	2.7%	0.0%	4.1%

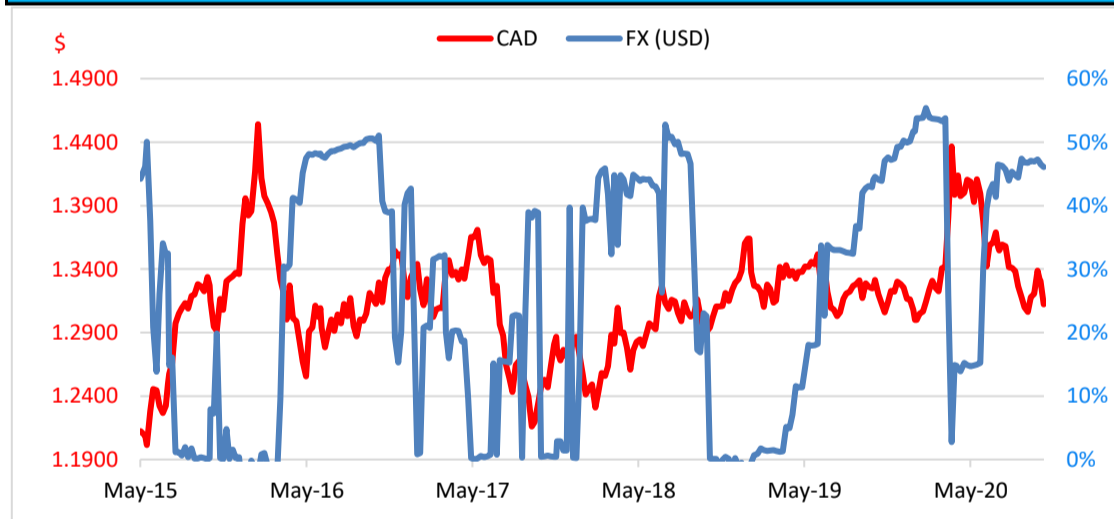


### Net Beta (Core - Protection): 34.5%



As of: 05/14/21	05/14/21	05/07/21	Change
FX (USD)	37.6%	27.4%	10.3%
Beta <sup>2</sup>	60.4%	61.1%	-0.7%
Protection	-25.9%	-27.1%	1.2%
Correlation	57.2%	57.4%	-0.1%
Yield <sup>3</sup>	1.79%	1.76%	0.02%
ETF Holdings	19	18	1
Volatility <sup>4</sup>	6.61%	6.59%	0.02%
CAD	1.2104	1.2133	-0.2%

### Tactical FX Exposure (USD)



This communication is intended for information purposes only. This update has been prepared by ETF Capital Management, the portfolio manager of BMO Tactical Balanced ETF Fund and represents their assessment at the time of publication. The views are subject to change without notice as markets change over time. The information contained herein is not, and should not be construed as, investment advice to any party. Investments should be evaluated relative to the individual's investment objectives and professional advice should be obtained with respect to any circumstance. The statistics provided in this presentation are based on information believed to be reliable, but BMO Investments Inc. cannot guarantee they are accurate or complete. BMO Global Asset Management is a brand name that comprises BMO Asset Management Inc., BMO Investments Inc., BMO Asset Management Inc. and BMO's specialized investment management firms. BMO Mutual Funds are offered by BMO Investments Inc., a financial services firm and separate legal entity from the Bank of Montreal. Commissions, management fees and expenses may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

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.

® "BMO (M-bar roundel)" is a registered trade-mark of Bank of Montreal, used under license. ETF Capital Management is a registered trade name of Quintessence Wealth, a Portfolio Manager, Investment Fund Manager and Exempt Market Dealer registered with the Canadian Securities Administrators.