



BMO Tactical Balanced ETF Fund Highlights

Core Tactical/Strategic Portfolio Outlook/Adjustments

Two big equity shifts last week that boosted beta overall. Not because we are bullish on markets, but because market volatility offered up the opportunities. On the FX side we hedged US\$ exposure selling ZSP for ZUE. Should the C\$ rally in the back half of the year we will look to add back US\$ exposure around 1.2000. We also took the opportunity to add to a longer-term thematic trade (Chinese Internet) KWEB after it hit capitulation oversold levels last week in the wake of the DIDI fiasco. We are looking at the pullback in some of the energy stocks (XLE) as a buying opportunity. If there is any value in this market it is in the energy sector for the next year or two. Beyond that we are structural bears given peak oil and ESG pressure. To balance that off, ZCLN is a structural thematic long and we will continue to add on weakness. On the bond side, we started to nibble again at EM local currency debt below \$31 (EMLC) having sold it off into strength earlier in the year a few percent higher.

Macro Market Strategy

From a macro perspective, our risk indicators are elevated. This is not a time to chase equities. However, we do not see much more than a normal course 5-10% correction (closer to 10%) in Q3. Unless the Fed makes a major policy mistake and inflation is not transitory. This would add a new dynamic the markets are not priced for. UST 10s probably test closer to 2.00% as the Fed tapers. This should negative influence the equity risk premium and reduce the market multiple. For 2022, a 213 EPS for the S&P 500 puts a 20x at 4260. Dips should be well supported. If 2% is not defended by the FOMC, a 3% 10-year puts the multiple closer to 18x and the 3700-3800 range offers the strongest support.

PRO-EYES - Berman's Call

Risk Level **High**

The current core portfolio beta is 65.3% The current degree of beta protection is about -31%.

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.

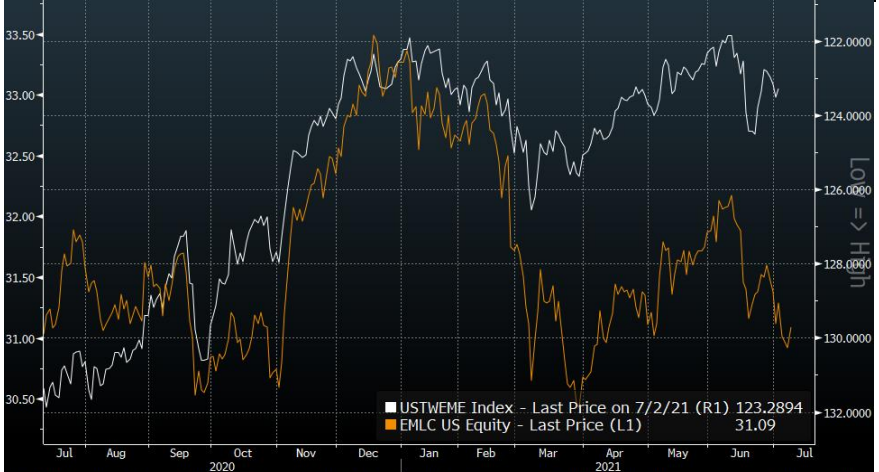
Performance Metrics (A-Series) as of (07/09/21)

Total Return	Net	Gross	Up/Downside ⁵	
YTD	2.61%	3.58%	Upside	13%
Prev. Month	1.75%	1.91%	Down	7%
Prev. Quarter	3.86%	4.34%	Mths Up	48
Prev. Year	2.99%	4.91%	Mths Dn	27
Ann. SI (04/17/15)	2.98%	4.90%		
Sharpe Ratio	0.71			
Fund Codes:	Advisor BMO99222; F-Class BMO95222; No Load Retail: BMO70222			

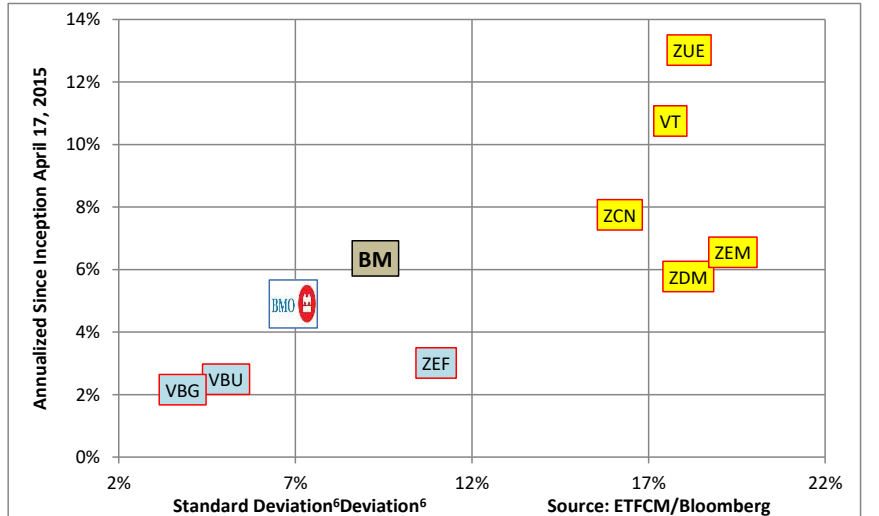
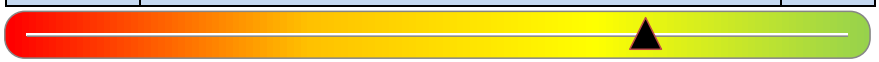
Top Holdings

Ticker	Name	Position
ZUE	BMO S&P 500 Hedged to CAD Index ETF	31.0%
ZEA	BMO MSCI EAFE Index ETF	30.1%
ZGD	BMO Equal Weight Global Gold Index ETF	4.9%
ZEM	BMO MSCI Emerging Markets Index ETF	3.2%
EMLC	VanEck Vectors J.P. Morgan EM Local Currency Bond ETF	2.0%
ZMT	BMO Equal Weight Global Base Metals Hedged to CAD Index ETF	1.4%
ZCLN	BMO Clean Energy Index ETF	1.3%
XLE	Energy Select Sector SPDR Fund	1.3%
ZUS/U	BMO Ultra Short-Term US Bond ETF	0.9%
HMMJ	Horizons Marijuana Life Sciences Index ETF	0.9%
ZPR	BMO Laddered Preferred Share Index ETF	0.9%
INDA	iShares MSCI India ETF	0.7%
KBA	KraneShares Boser MSCI China A ETF	0.7%
KWEB	KraneShares CSI China Internet ETF	0.6%
URA	Global X Uranium 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	0.4%
EWZ	iShares MSCI Brazil ETF	0.3%
EWU	iShares MSCI United Kingdom ETF	0.1%

Chart of the Week



Defense **Core Beta: 65.3%** Offense



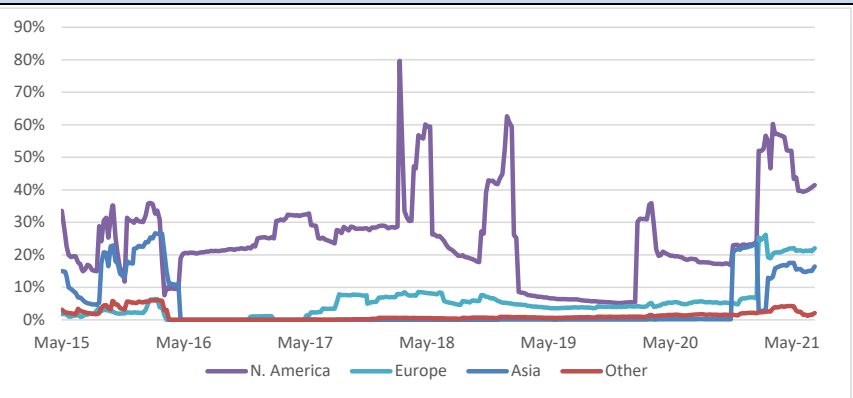
Tactical Asset Allocation

Equity	N. America	Europe	Asia	Other
07/09/21	41.4%	22.0%	16.4%	2.1%
06/30/21	40.8%	21.1%	15.0%	1.5%
Change	0.6%	0.9%	1.4%	0.6%

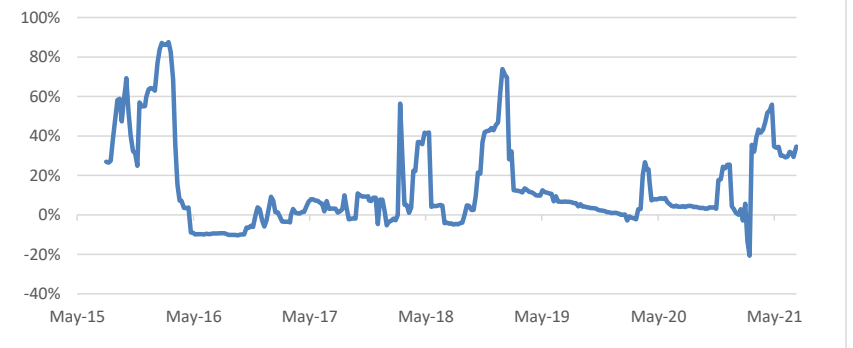
Bonds	Corp.	Govt.	Pref.	Cash
07/09/21	1.0%	2.3%	1.4%	18.3%
06/30/21	0.9%	0.4%	1.4%	21.6%
Change	0.1%	1.9%	0.0%	-3.3%

Bonds	Duration
07/09/21	0.83
06/30/21	0.31
Change	0.52

Sector	07/09/21	06/30/21	Change	BM
Basic Materials	9.7%	9.7%	0.0%	2.8%
Communications	8.1%	7.6%	0.5%	7.6%
Consumer, Cyclical	7.8%	7.7%	0.1%	6.6%
Consumer, Non-cyclical	15.5%	15.2%	0.3%	13.6%
Energy	4.4%	4.4%	-0.1%	3.7%
Financial	13.1%	12.9%	0.2%	18.2%
Government	2.6%	0.7%	1.9%	25.3%
Industrial	7.7%	7.5%	0.2%	7.2%
Technology	10.3%	10.0%	0.3%	7.9%
Utilities	2.8%	2.7%	0.1%	#####

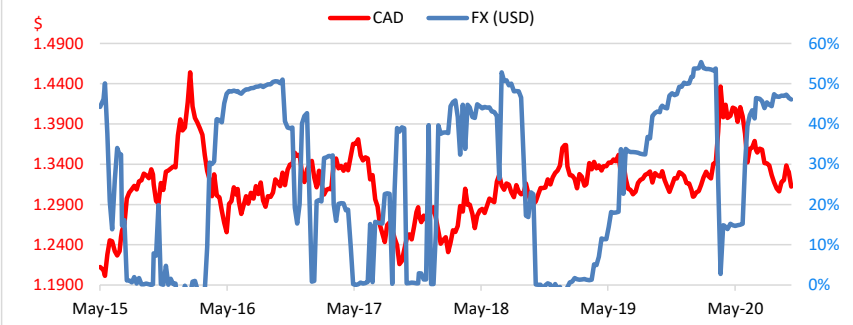


Net Beta (Core - Protection): 34.7%



As of: 07/09/21	07/09/21	06/30/21	Change
FX (USD)	12.6%	47.7%	-35.1%
Beta ²	65.3%	58.5%	6.8%
Protection	-30.6%	-29.2%	-1.4%
Correlation	70.3%	53.0%	17.3%
Yield ³	1.68%	1.76%	-0.09%
ETF Holdings	20	19	1
Volatility ⁴	6.94%	6.80%	0.14%
CAD	1.2447	1.2398	0.4%

Tactical FX Exposure (USD)



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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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