



BMO Tactical Balanced ETF Fund Highlights

Core Tactical/Strategic Portfolio Outlook/Adjustments

We have been nibbling on EMLC below \$31 on potential yield pick-up and currency appreciation looking forward. We added back the position (below \$30.75) that we sold last week (above \$31.25). We continue to view EM local currency debt as the most attractive yield on a risk-adjusted basis globally. Credit markets are entirely distorted by Fed policy. Our overweight in Europe and EM remains strategic and value based. The recent US market outperformance has not helped. Reducing monetary support going forward should reverse that trend. We also added a bit of exposure to EM with a direct allocation (0.3%) to Thailand (THD) as good relative value has developed on the recent correction.

Top Holdings

Ticker	Name	Position
ZEA	BMO MSCI EAFE Index ETF	31.2%
ZUE	BMO S&P 500 Hedged to CAD Index ETF	27.0%
ZSP	BMO S&P 500 Index ETF	5.2%
ZGD	BMO Equal Weight Global Gold Index ETF	4.8%
ZEM	BMO MSCI Emerging Markets Index ETF	3.2%
EMLC	VanEck Vectors J.P. Morgan EM Local Currency Bond ETF	1.6%
ZMT	BMO Equal Weight Global Base Metals Hedged to CAD Index ETF	1.3%
ZCLN	BMO Clean Energy Index ETF	1.3%
XLE	Energy Select Sector SPDR Fund	1.2%
URA	Global X Uranium ETF	1.2%
KWEB	KraneShares CSI China Internet ETF	1.0%
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	0.7%
KBA	KraneShares Bosera MSCI China A ETF	0.7%
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%

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 217 EPS for the S&P 500 puts a 20x at 4340. Dips should be well supported. If a 2% 10-year yield 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 on a correction in 2022.

Chart of the Week



PRO-EYES - Berman's Call

Risk Level **High**

The current core portfolio beta is 66.4% The current degree of beta protection is about -34%.

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.

Defense

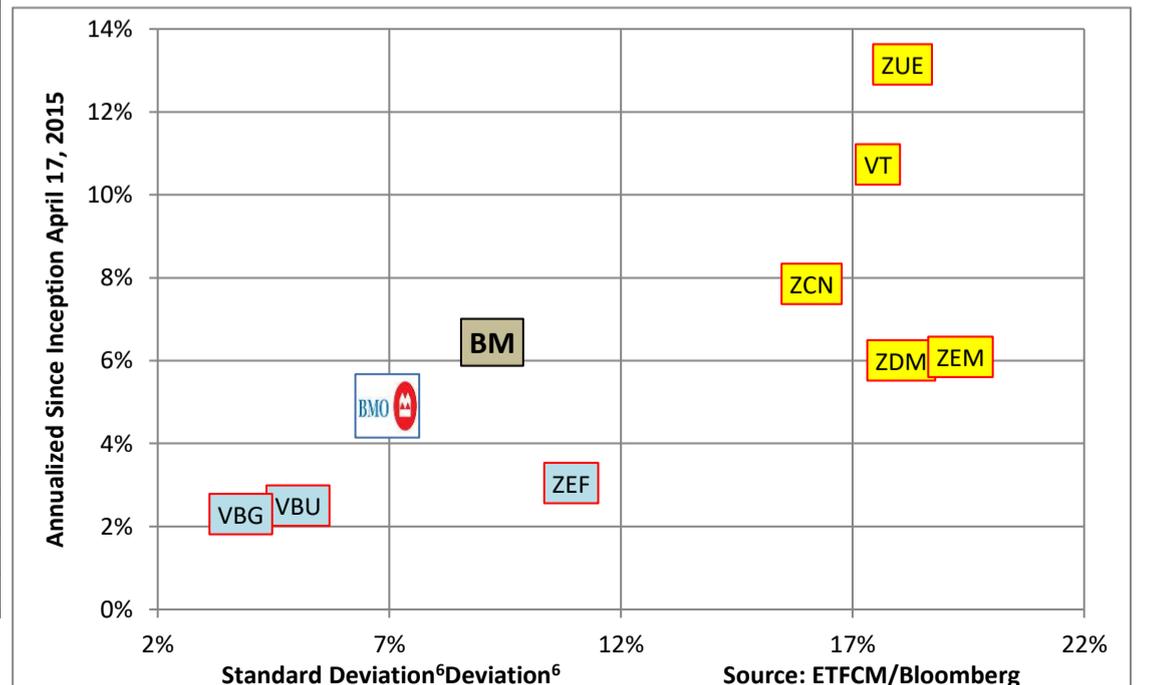
Core Beta: 66.4%

Offense



Performance Metrics (A-Series) as of (08/06/21)

Total Return	Net	Gross	Up/Downside ⁵	
YTD	2.84%	3.96%	Upside	14%
Prev. Month	0.31%	0.47%	Down	7%
Prev. Quarter	3.09%	3.57%	Mths Up	49
Prev. Year	2.34%	4.26%	Mths Dn	27
Ann. SI (04/17/15)	2.98%	4.90%		
Sharpe Ratio	0.70			



Source: ETFCM/Bloomberg

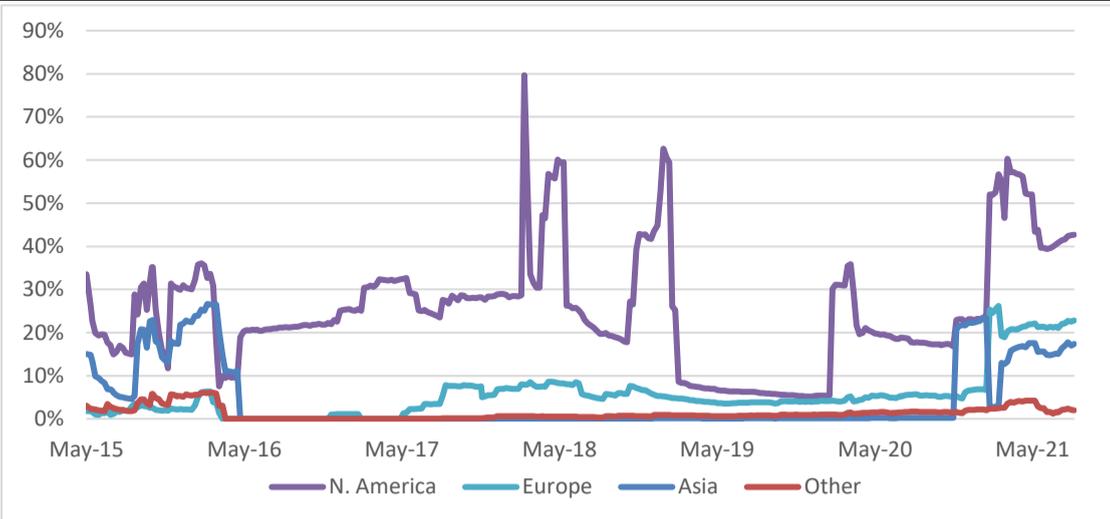
Tactical Asset Allocation

Equity	N. America	Europe	Asia	Other
08/06/21	42.7%	22.8%	17.3%	2.0%
07/30/21	42.6%	22.5%	16.9%	2.1%
Change	0.1%	0.3%	0.4%	0.0%

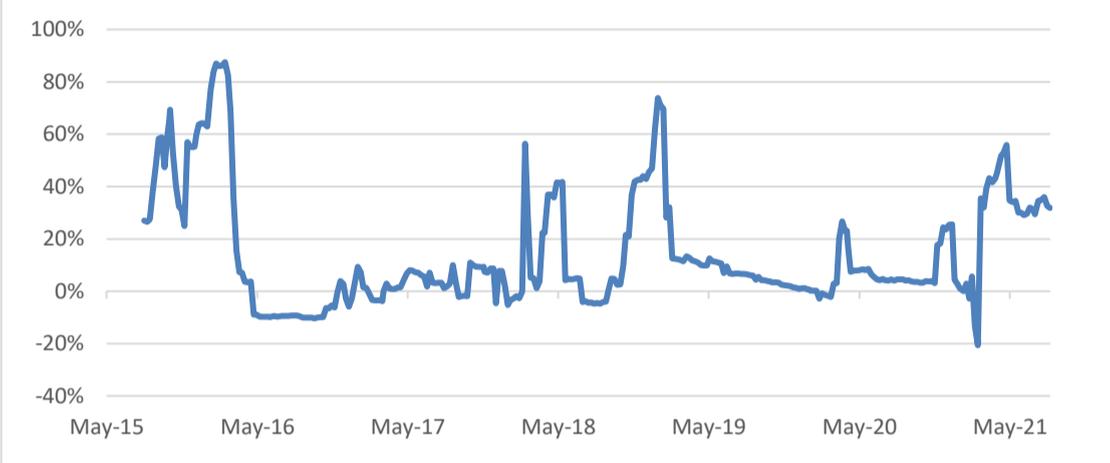
Bonds	Corp.	Govt.	Pref.	Cash
08/06/21	1.0%	1.9%	1.4%	15.9%
07/30/21	1.0%	1.9%	1.4%	16.4%
Change	0.0%	0.0%	0.0%	-0.5%

Bonds	Duration
08/06/21	0.83
07/30/21	0.81
Change	0.02

Sector	08/06/21	07/30/21	Change	BM
Basic Materials	10.2%	10.5%	-0.3%	2.9%
Communications	8.5%	8.4%	0.1%	8.7%
Consumer, Cyclical	8.2%	8.0%	0.1%	7.0%
Consumer, Non-cyclical	15.9%	15.7%	0.2%	13.0%
Energy	4.3%	4.2%	0.1%	2.8%
Financial	13.5%	13.3%	0.2%	16.2%
Government	2.3%	2.3%	0.0%	25.4%
Industrial	8.1%	8.0%	0.2%	7.0%
Technology	10.9%	10.7%	0.2%	10.4%
Utilities	2.9%	2.8%	0.1%	2.4%

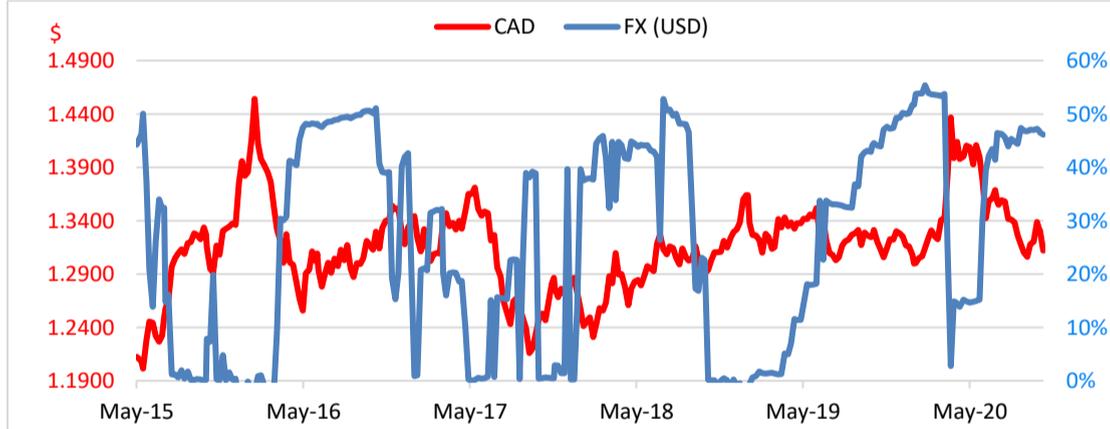


Net Beta (Core - Protection): 32.1%



As of: 08/06/21	08/06/21	07/30/21	Change
FX (USD)	24.7%	25.0%	-0.2%
Beta ²	66.4%	65.6%	0.8%
Protection	-34.3%	-33.0%	-1.3%
Correlation	67.3%	66.3%	1.0%
Yield ³	1.72%	1.72%	0.00%
ETF Holdings	22	21	1
Volatility ⁴	6.96%	6.89%	0.07%
CAD	1.2554	1.2475	0.6%

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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