



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. The position rallied over 1% following the dovish FOMC. So we trimmed exposure again. In the span of 24 hours we picked up 100 bps on the position, which is almost the entire yield of the developed world bond market (in a year). We will continue to add the position on weakness, but with the anticipated risk-off in August and September reducing credit exposure makes sense tactically. Yield is north of 5% and it's the only real yield on the planet with 10-year USTs now south of -110bps. Duration is not an attractive asset class at the moment. We expect bond supply and inflation pressure will offer an opportunity in the coming months. We unhedged some US dollar exposure as well last week ZSP/ZUE and that lowered the core beta slightly adding a bit more defense.

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.

Top Holdings

Ticker	Name	Position
ZEA	BMO MSCI EAFE Index ETF	30.8%
ZUE	BMO S&P 500 Hedged to CAD Index ETF	26.8%
ZSP	BMO S&P 500 Index ETF	5.1%
ZGD	BMO Equal Weight Global Gold Index ETF	5.0%
ZEM	BMO MSCI Emerging Markets Index ETF	3.1%
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	1.4%
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 Boser 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%

Chart of the Week



PRO-EYES - Berman's Call

Risk Level **High**

The current core portfolio beta is 65.6% The current degree of beta protection is about -33%.

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.

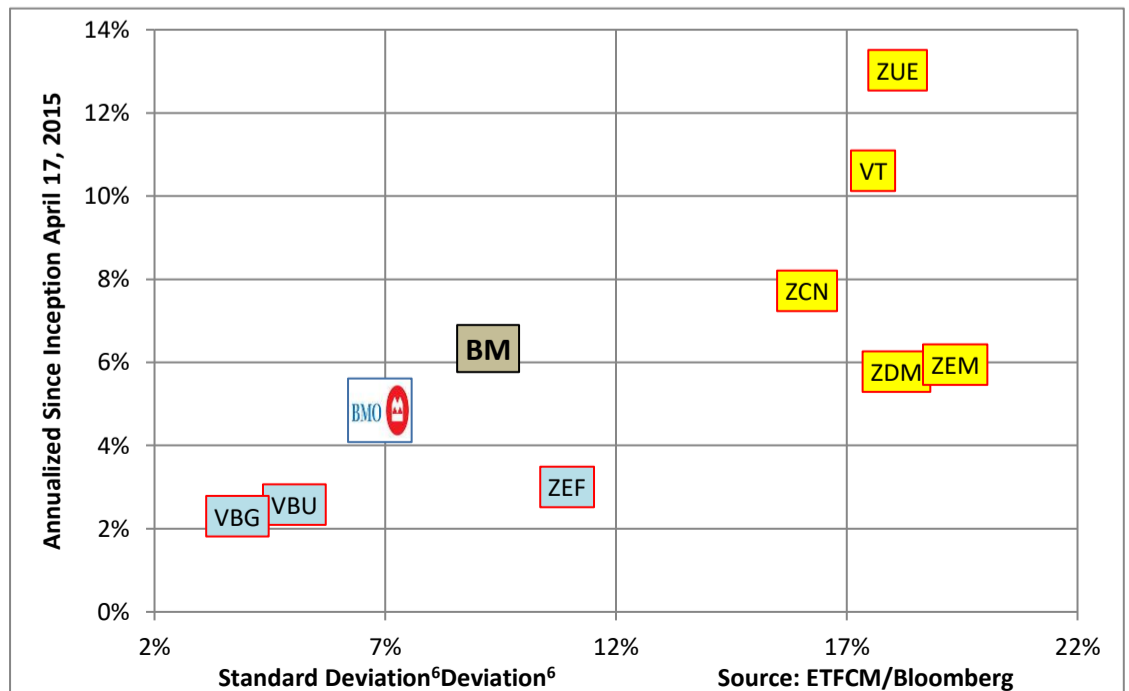
Performance Metrics (A-Series) as of (07/30/21)

Total Return	Net	Gross	Up/Downside ⁵	
YTD	2.44%	3.52%	Upside	14%
Prev. Month	0.66%	0.82%	Down	7%
Prev. Quarter	4.14%	4.62%	Mths Up	49
Prev. Year	1.74%	3.66%	Mths Dn	27
Ann. SI (04/17/15)	2.92%	4.84%		
Sharpe Ratio	0.70			

Defense

Core Beta: 65.6%

Offense



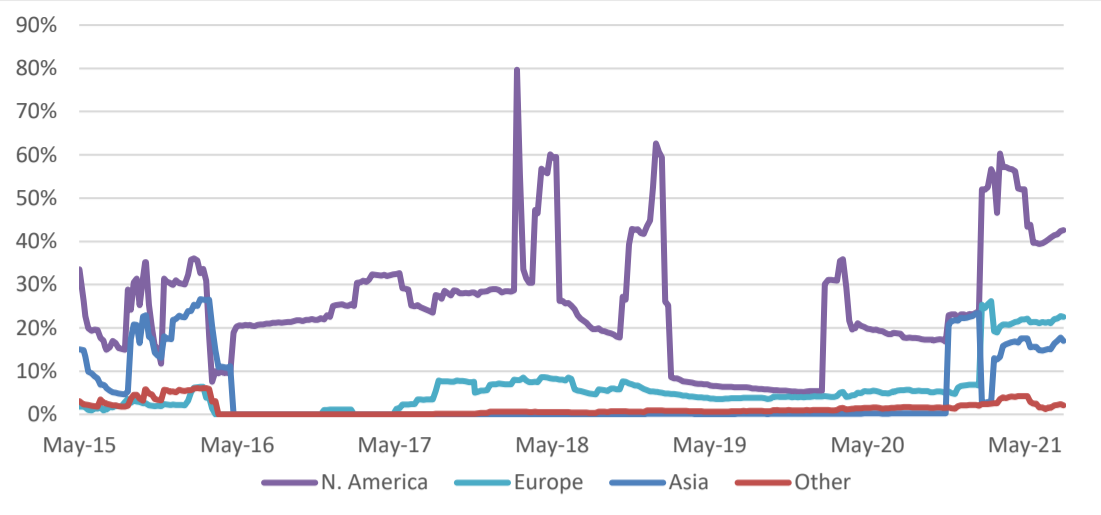
Source: ETFCM/Bloomberg

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

Tactical Asset Allocation

Equity	N. America	Europe	Asia	Other
07/30/21	42.6%	22.5%	16.9%	2.1%
07/23/21	42.4%	22.7%	17.7%	2.4%
Change	0.2%	-0.2%	-0.8%	-0.3%

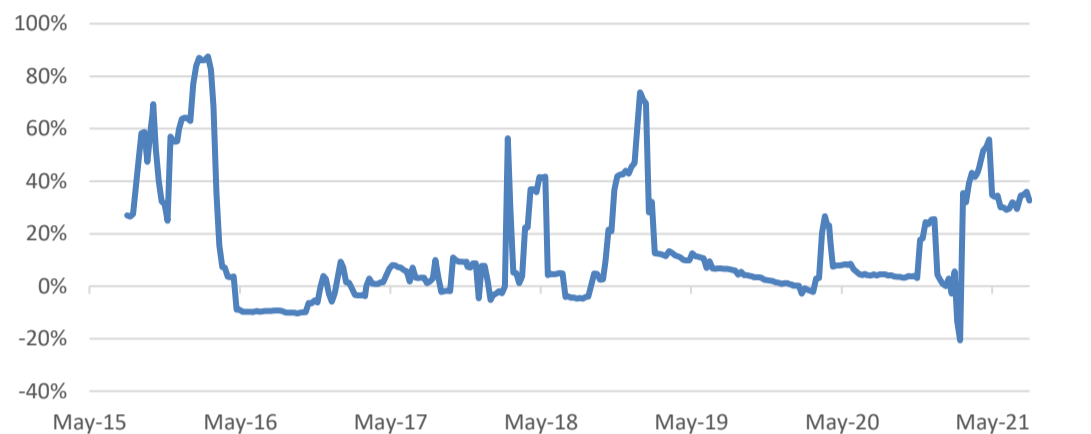


Bonds	Corp.	Govt.	Pref.	Cash
07/30/21	1.0%	1.9%	1.4%	16.4%
07/23/21	1.0%	3.0%	1.4%	15.4%
Change	0.0%	-1.1%	0.0%	0.9%

Bonds	Duration
07/30/21	0.81
07/23/21	1.12
Change	-0.31

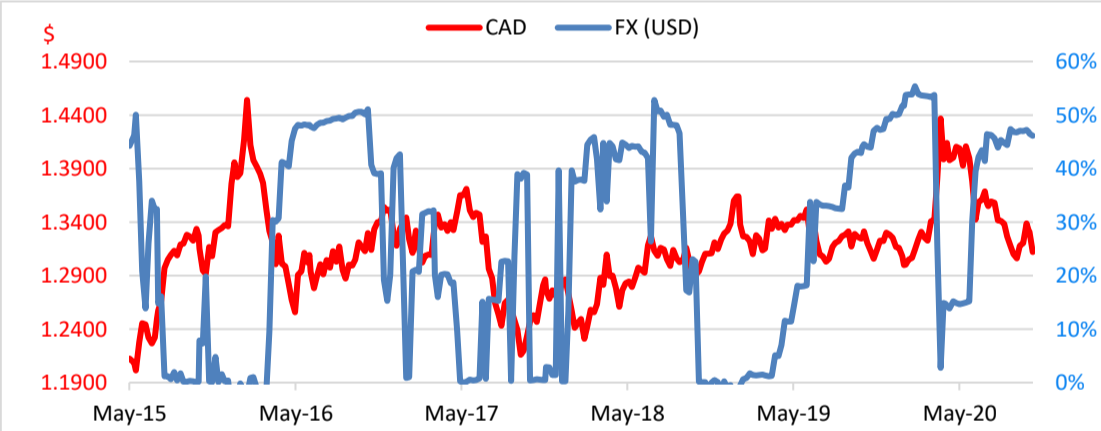
Sector	07/30/21	07/23/21	Change	BM
Basic Materials	10.5%	10.1%	0.4%	3.0%
Communications	8.4%	8.6%	-0.2%	8.7%
Consumer, Cyclical	8.0%	8.0%	0.0%	7.0%
Consumer, Non-cyclical	15.7%	15.8%	-0.1%	13.1%
Energy	4.2%	4.2%	0.0%	2.8%
Financial	13.3%	13.4%	-0.1%	16.5%
Government	2.3%	3.4%	-1.1%	26.4%
Industrial	8.0%	8.0%	0.0%	7.0%
Technology	10.7%	10.7%	0.0%	10.5%
Utilities	2.8%	2.9%	0.0%	#####

Net Beta (Core - Protection): 32.6%



As of: 07/30/21	07/30/21	07/23/21	Change
FX (USD)	25.0%	1.9%	23.1%
Beta ²	65.6%	69.2%	-3.6%
Protection	-33.0%	-33.2%	0.2%
Correlation	66.3%	82.5%	-16.2%
Yield ³	1.72%	1.61%	0.11%
ETF Holdings	21	20	1
Volatility ⁴	6.89%	6.89%	0.00%
CAD	1.2475	1.2564	-0.7%

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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