



# BMO Tactical Balanced ETF Fund Highlights

## Core Tactical/Strategic Portfolio Outlook/Adjustments

We remain well hedged for a looming correction. Last week we trimmed Uranium (URA) on the incredible rally. On the debt side, we trimmed EMLC a few weeks back and we are now looking to add this week prior to the FOMC. It remains our favourite global bond exposure. We see USTs as extremely high risk as the Fed adjusts to a tapering mode. We also expect the Dems to ram through enough spending to put some pressure on bond yields once the debt ceiling is extended. As history shows, it will go right down to the 11th hour or a week later. As of mid last week the Treasury general account is down to 230B; less than a month worth of cash (see chart).

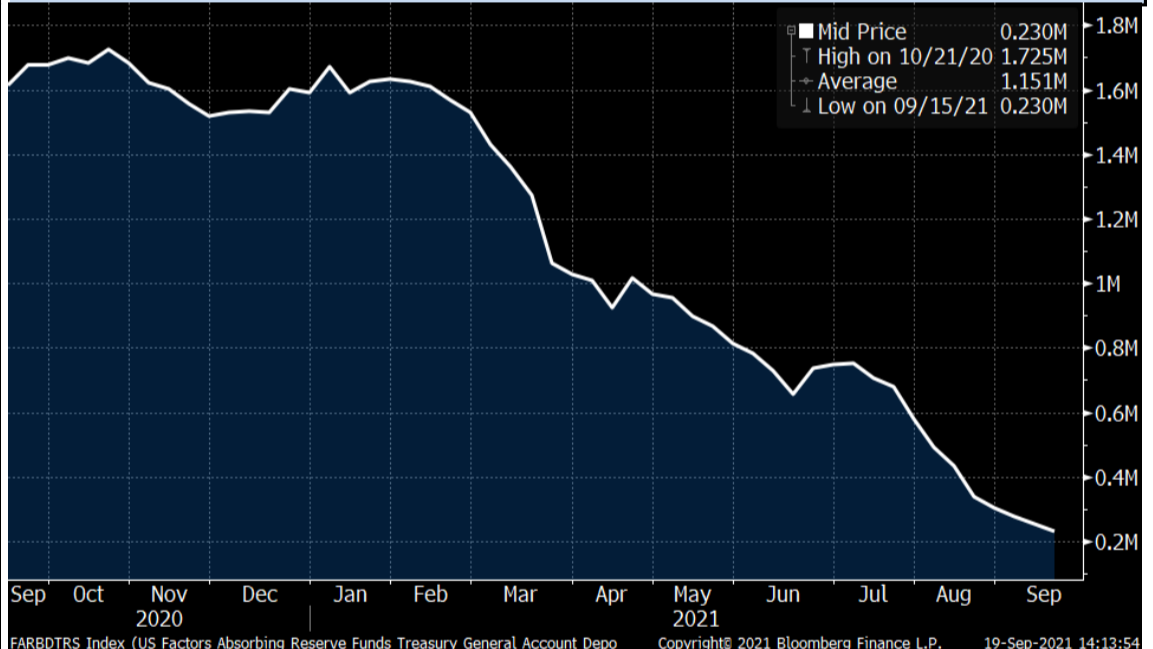
## Top Holdings

Ticker	Name	Position
ZEA	BMO MSCI EAFE Index ETF	32.0%
ZSP	BMO S&P 500 Index ETF	23.5%
ZUE	BMO S&P 500 Hedged to CAD Index ETF	8.1%
EMLC	VanEck J. P. Morgan EM Local Currency Bond ETF	5.1%
ZGD	BMO Equal Weight Global Gold Index ETF	4.5%
ZEM	BMO MSCI Emerging Markets Index ETF	3.2%
XLE	Energy Select Sector SPDR Fund	1.9%
KWEB	KraneShares CSI China Internet ETF	1.6%
ZCLN	BMO Clean Energy Index ETF	1.3%
ZMT	BMO Equal Weight Global Base Metals Hedged to CAD Index ETF	1.3%
PAVE	Global X US Infrastructure Development ETF	1.2%
HMMJ	Horizons Marijuana Life Sciences Index ETF	1.1%
URA	Global X Uranium ETF	1.1%
ZUS/U	BMO Ultra Short-Term US Bond ETF	1.0%
ZPR	BMO Laddered Preferred Share Index ETF	0.9%
FLIN	Franklin FTSE India ETF	0.8%
KBA	KraneShares Bosera MSCI China A ETF	0.7%
ZUP	BMO US Preferred Share Index ETF	0.5%
CIBR	First Trust NASDAQ Cybersecurity ETF	0.4%
ZRR	BMO Real Return Bond Index ETF	0.4%

## 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 221 EPS for the S&P 500 puts a 20x at 4400. 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 71.0% The current degree of beta protection is about -39%.

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 two downside risk buffers on the S&P 500 in place. Sept 30: 4200-3750 with a covered call at 4400. Oct 29: 4400-4175 with a covered call at 4550. 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

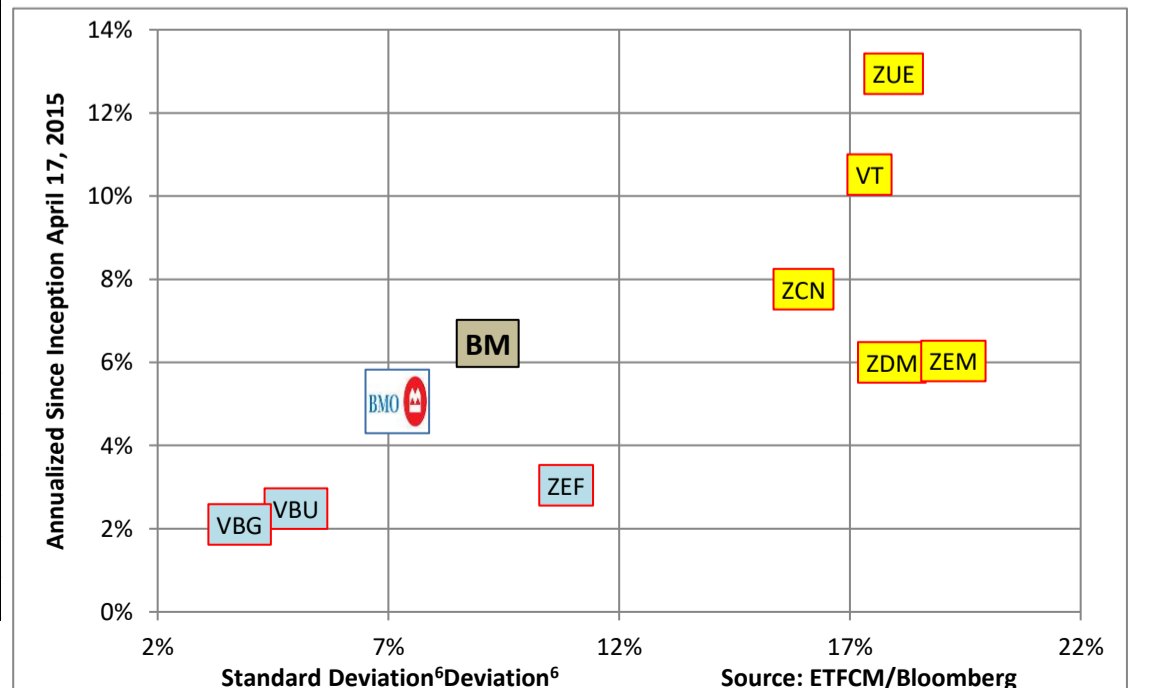
Core Beta: 71.0%

## Offense



## Performance Metrics (A-Series) as of (09/17/21)

Total Return	Net	Gross	Up/Downside <sup>5</sup>	
YTD	4.18%	5.51%	Upside	14%
Prev. Month	1.81%	1.97%	Down	7%
Prev. Quarter	2.62%	3.10%	Mths Up	50
Prev. Year	4.72%	6.64%	Mths Dn	27
Ann. SI (04/17/15)	3.13%	5.05%		
Sharpe Ratio	0.70			



Fund Codes: No Load Retail: BMO70222

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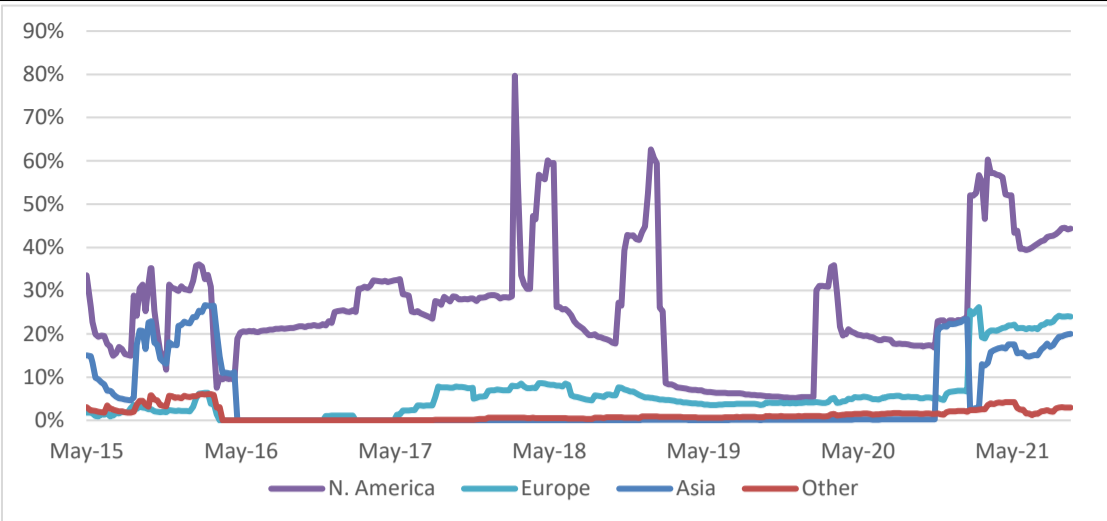
## Tactical Asset Allocation

Equity	N. America	Europe	Asia	Other
09/17/21	44.4%	24.0%	20.0%	2.9%
09/10/21	44.1%	24.1%	19.9%	3.0%
Change	0.3%	-0.1%	0.1%	0.0%

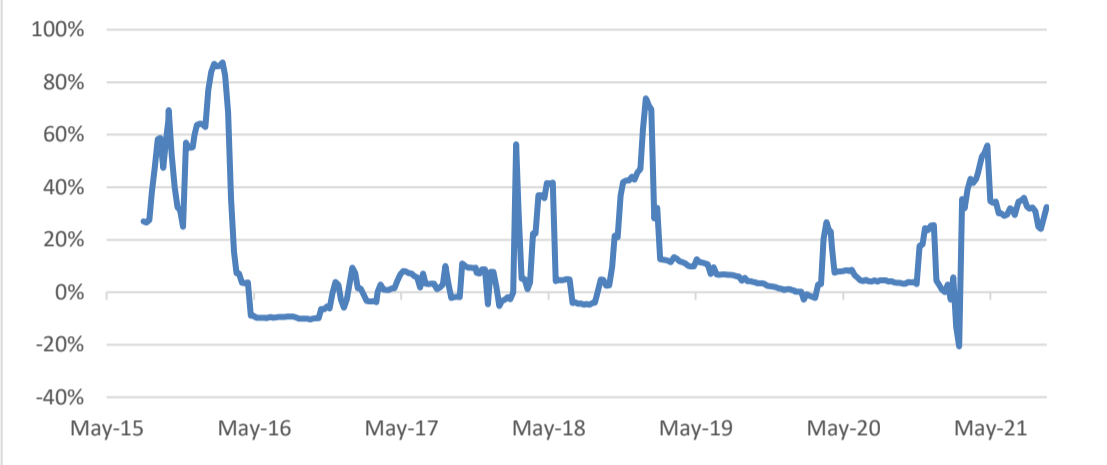
Bonds	Corp.	Govt.	Pref.	Cash
09/17/21	1.1%	5.3%	1.4%	9.3%
09/10/21	1.1%	5.3%	1.4%	10.0%
Change	0.0%	0.0%	0.0%	-0.7%

Bonds	Duration
09/17/21	2.17
09/10/21	2.09
Change	0.08

Sector	09/17/21	09/10/21	Change	BM
Basic Materials	9.9%	10.2%	-0.3%	2.9%
Communications	9.1%	9.1%	0.0%	8.6%
Consumer, Cyclical	8.2%	8.1%	0.1%	6.8%
Consumer, Non-cyclical	16.2%	16.2%	0.0%	13.0%
Energy	5.1%	4.9%	0.2%	2.6%
Financial	13.6%	13.6%	0.0%	16.2%
Government	5.8%	5.8%	0.0%	25.4%
Industrial	9.2%	9.1%	0.0%	7.0%
Technology	11.1%	11.0%	0.1%	10.8%
Utilities	3.0%	3.0%	0.0%	2.4%

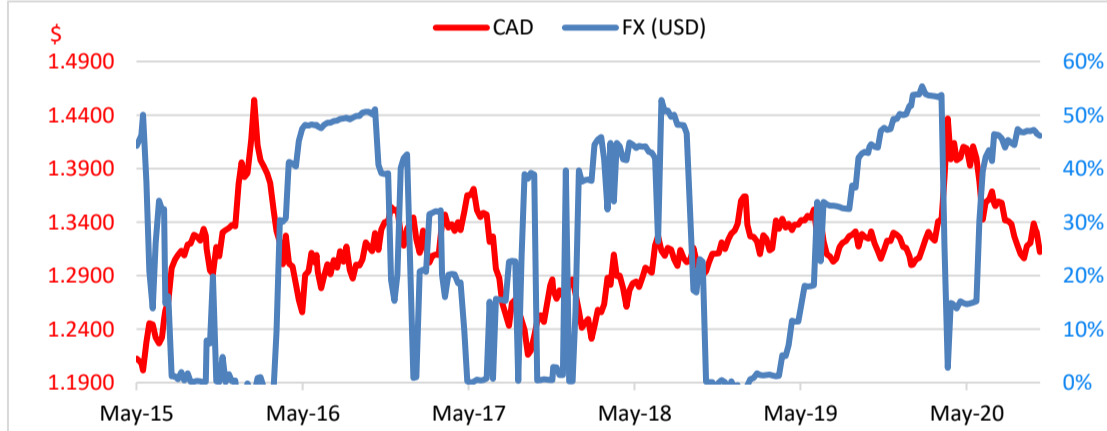


### Net Beta (Core - Protection): 32.5%



As of: 09/17/21	09/17/21	09/10/21	Change
FX (USD)	26.0%	26.2%	-0.1%
Beta <sup>2</sup>	71.0%	70.9%	0.1%
Protection	-38.6%	-42.7%	4.1%
Correlation	89.4%	88.6%	0.8%
Yield <sup>3</sup>	1.68%	1.67%	0.01%
ETF Holdings	23	23	0
Volatility <sup>4</sup>	7.20%	7.25%	-0.05%
CAD	1.2764	1.2692	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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