



# BMO Tactical Balanced ETF Fund Highlights

## Core Tactical/Strategic Portfolio Outlook/Adjustments

The failure of large cap tech to resume leadership and the continued strength in commodities suggests a value shift is still underpinning the market. Powell sounded very hawkish last week and as we approach the dual headwind of less accommodation and governmental backlash on big-tech should play out into 2022. Meanwhile, concerns over China's new scrutiny over their tech space is moderating and our exposure there is beginning play out. EM remains one of the best risk-adjusted regions looking forward. On that score, weakness in Brazil is seen as a longer-term opportunity to build exposure as well. Though India remains a top pick in addition to other emerging Asian countries. Relative to the conservative balanced benchmark we continue to gain ground from our weaker performance from Q3/20-Q1/21. It took some time, but we are starting to see much better relative performance over the past 2 quarters. We are now in line with a 50/50 portfolio, with much less volatility.

## Macro Market Strategy

The FOMC will most likely start the taper in November and it is targeted to end by mid 2022. We see more than \$1T of new debt that needs to be funded in fiscal 2022 for the US Treasury. This should push bond yields up and the equity risk premium higher. That should lower the forward multiple by 1-2x or 200-400 S&P points. That would wipe out any EPS growth in 2022. So the fair value of the market is about where it sits today for the end of 2022. This does not rule out a test of 5000 and a dip below 4000 in the middle. Inflation is a huge wildcard if it proves more than transitory, which is where we are leaning to more of a stagflation outcome. The Treasury General Account will run out of money around October 18th according to the recent update. Refunding of the Treasury should put upward pressure on yields at the same time.

## Top Holdings

Ticker	Name	Position
ZEA	BMO MSCI EAFE Index ETF	31.4%
ZSP	BMO S&P 500 Index ETF	23.8%
ZUE	BMO S&P 500 Hedged to CAD Index ETF	7.8%
EMLC	VanEck J. P. Morgan EM Local Currency Bond ETF	6.8%
GDX	VanEck Gold Miners ETF/USA	4.8%
ZEM	BMO MSCI Emerging Markets Index ETF	3.2%
XLE	Energy Select Sector SPDR Fund	2.2%
KWEB	KraneShares CSI China Internet ETF	1.7%
KBA	KraneShares Bosera MSCI China A ETF	1.4%
ZMT	BMO Equal Weight Global Base Metals Hedged to CAD Index ETF	1.4%
ZCLN	BMO Clean Energy Index ETF	1.4%
URA	Global X Uranium ETF	1.2%
PAVE	Global X US Infrastructure Development ETF	1.2%
HMMJ	Horizons Marijuana Life Sciences Index ETF	1.1%
ZPR	BMO Laddered Preferred Share Index ETF	0.9%
ZUS/U	BMO Ultra Short-Term US Bond ETF	0.9%
FLIN	Franklin FTSE India ETF	0.8%
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%

## Chart of the Week



## PRO-EYES - Berman's Call

Risk Level **High**

The current core portfolio beta is 73.3% The current degree of delta protection is about -2%.

When the PRO EYES indicator is at elevated levels (above 75%), as it 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. The recent correction has reduced the high caution levels and we accordingly modified the hedge position. We have put protection in place through Oct 29 from 4325 to 4100 or a 10% peak-to-trough correction. For details of the [PRO-EYES-Berman's Call](#) Tactical Risk Models click link above.

## Defense

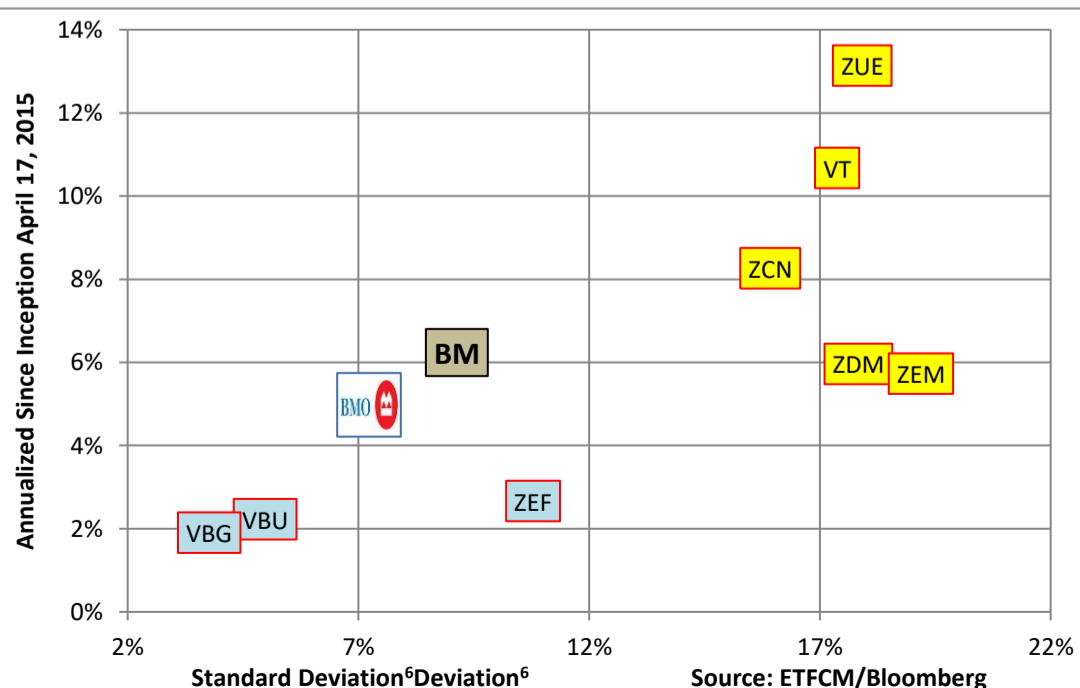
Core Beta: 73.3%

## Offense



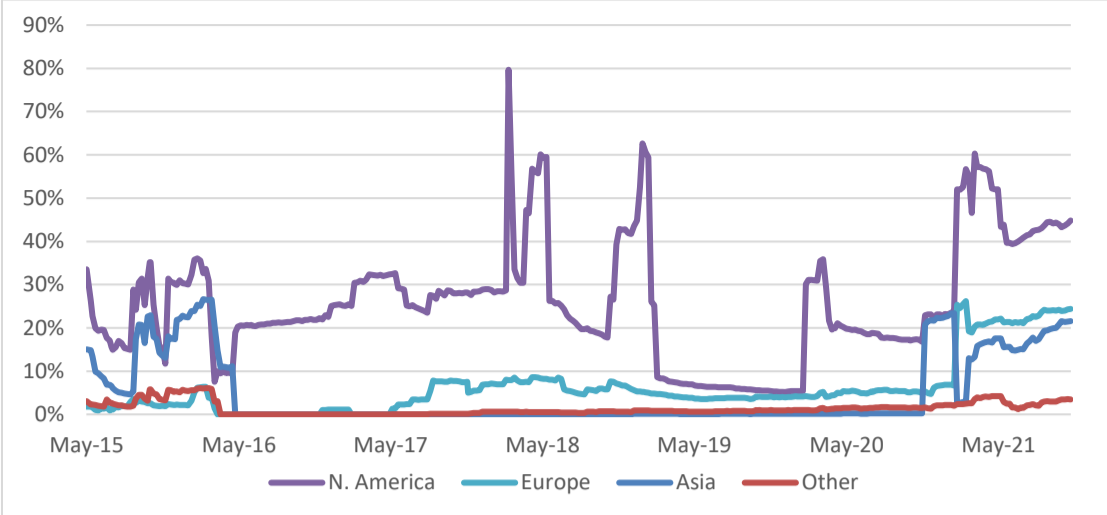
## Performance Metrics (A-Series) as of (10/22/21)

Total Return	Net	Gross	Up/Downside <sup>5</sup>	
YTD	3.95%	5.45%	Upside	14%
Prev. Month	-0.04%	0.12%	Down	10%
Prev. Quarter	1.50%	1.98%	Mths Up	50
Prev. Year	5.67%	7.59%	Mths Dn	28
Ann. SI (04/17/15)	3.05%	4.97%		
Sharpe Ratio	0.69			
Fund Codes:	No Load Retail: BMO70222			



## Tactical Asset Allocation

Equity	N. America	Europe	Asia	Other
10/22/21	44.8%	24.4%	21.5%	3.5%
10/15/21	44.2%	24.2%	21.5%	3.5%
Change	0.6%	0.1%	0.0%	-0.1%



Bonds	Corp.	Govt.	Pref.	Cash
10/22/21	1.2%	7.0%	1.4%	5.9%
10/15/21	1.2%	7.1%	1.4%	6.4%
Change	0.0%	-0.1%	0.0%	-0.5%

Bonds	Duration
10/22/21	3.03
10/15/21	2.97
Change	0.05

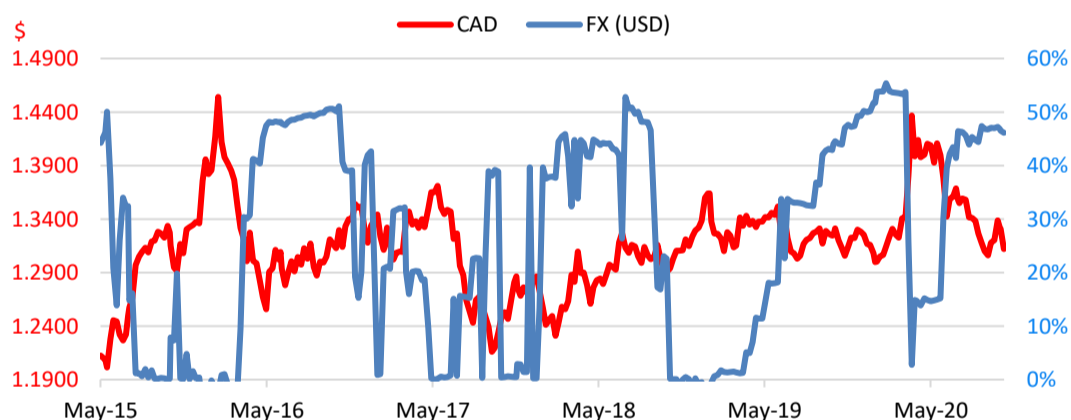
Sector	10/22/21	10/15/21	Change	BM
Basic Materials	10.4%	10.4%	0.0%	2.9%
Communications	8.9%	8.9%	0.0%	8.6%
Consumer, Cyclical	8.4%	8.3%	0.0%	6.8%
Consumer, Non-cyclical	16.1%	16.0%	0.1%	13.0%
Energy	5.9%	5.7%	0.1%	2.6%
Financial	14.1%	13.9%	0.2%	16.3%
Government	7.5%	7.6%	-0.1%	25.2%
Industrial	9.0%	8.9%	0.1%	7.0%
Technology	11.0%	10.7%	0.2%	10.8%
Utilities	2.9%	2.9%	-0.1%	2.4%

### Net Beta (Core - Protection): 71.6%



As of: 10/22/21	10/22/21	10/15/21	Change
FX (USD)	26.8%	26.5%	0.3%
Beta <sup>2</sup>	73.3%	72.7%	0.6%
Protection	-1.7%	-8.3%	6.6%
Correlation	96.8%	96.3%	0.5%
Yield <sup>3</sup>	1.74%	1.75%	-0.01%
ETF Holdings	23	23	0
Volatility <sup>4</sup>	7.24%	7.06%	0.18%
CAD	1.2366	1.2368	0.0%

### 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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