



# BMO Tactical Balanced ETF Fund Highlights

## Core Tactical/Strategic Portfolio Outlook/Adjustments

The eurodollar curve shows aggressive tightening into mid 2023 followed by an easing cycle. This means the money market sees a recession. The stock market multiple clearly does not. Which market is correct? Another 100 bps of tightening has been priced into money market curve over the past month and the curve has flattened. At the same time the stock market has ripped higher. Seems one says recession and other says no worries. We did not make any sector/factor trades last week as we are already positioned towards value and late cycle exposure. The fixed-income bet needs to inch towards recession and we added to duration last week (TLT) is now 2.9% and we look to take it to 10% (or 25% of the bond exposure) as yields rise. We trimmed exposure to Europe (VGK) as it was growing too large after the recent bounce back in equities.

## Macro Market Strategy

The rally back up to resistance zones has us adding back some volatility protection to the portfolio. We look to add more on strength and reduce on weakness. We think this is a very two-way market for the next few months. Once QT starts, we would be more concerned that equity risk premiums will rise and multiples will contract. For now, the FOMC tells us they have the tools to navigate a soft landing and the market believes them. The risk of a policy mistake is significant. But positions got very defensive and so market was capable of recovering some of the damage. The Street narrative has turned very hawkish recognizing how far the FOMC is behind the curve. The eurodollar curve shows aggressive tightening into mid 2023 followed by an easing cycle. This means the money market sees a recession. The stock market multiple clearly does not. Which market is correct?

## Top Holdings

Ticker	Name	Position
ZEA	BMO MSCI EAFE Index ETF	26.7%
EMLC	VanEck J. P. Morgan EM Local Currency Bond ETF	12.2%
ZEM	BMO MSCI Emerging Markets Index ETF	10.4%
RSP	Invesco S&P 500 Equal Weight ETF	9.8%
ZUE	BMO S&P 500 Hedged to CAD Index ETF	8.3%
VGK	Vanguard FTSE Europe ETF	4.7%
ZMMK	BMO Money Market Fund ETF Series	3.7%
GDX	VanEck Gold Miners ETF/USA	3.4%
TLT	iShares 20+ Year Treasury Bond ETF	2.9%
KWEB	KraneShares CSI China Internet ETF	2.3%
URA	Global X Uranium ETF	2.2%
MJ	ETFMG Alternative Harvest ETF	1.6%
ZCLN	BMO Clean Energy Index ETF	1.4%
PAVE	Global X US Infrastructure Development ETF	1.4%
KBA	KraneShares Bosera MSCI China A 50 Connect Index ETF	1.3%
ZUS/U	BMO Ultra Short-Term US Bond ETF	1.1%
ZPR	BMO Laddered Preferred Share Index ETF	1.0%
ZMT	BMO Equal Weight Global Base Metals Hedged to CAD Index ETF	0.9%
FLIN	Franklin FTSE India ETF	0.9%
FLGB	Franklin FTSE United Kingdom ETF	0.9%

## Chart of the Week



## PRO-EYES - Berman's Call

Risk Level **High**

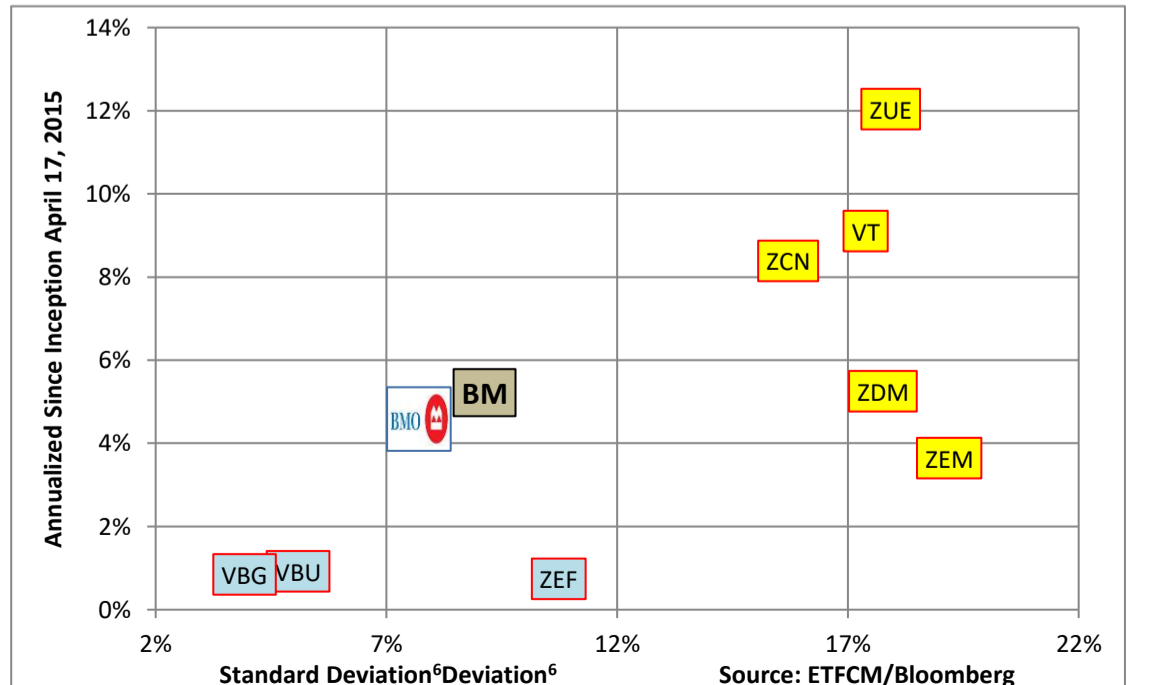
The core portfolio beta is 73.4%. The degree of delta protection is -25% while the value of beta protection is 46%.

The tactical PRO-EYES factor remains the most oversold since the extremes of COVID, but the big picture suggests end of cycle risks which means rallies should be sold and the market can offer good two-way trade opportunities. Increase the tactical focus and bring out the end of cycle playbook until inflation cools and there is visibility to the end of the rate hike cycle. Forward money market curves suggest easing in 2024 and beyond. The next year or two will likely be extremely choppy.

## Performance Metrics (A-Series) as of (04/08/22)

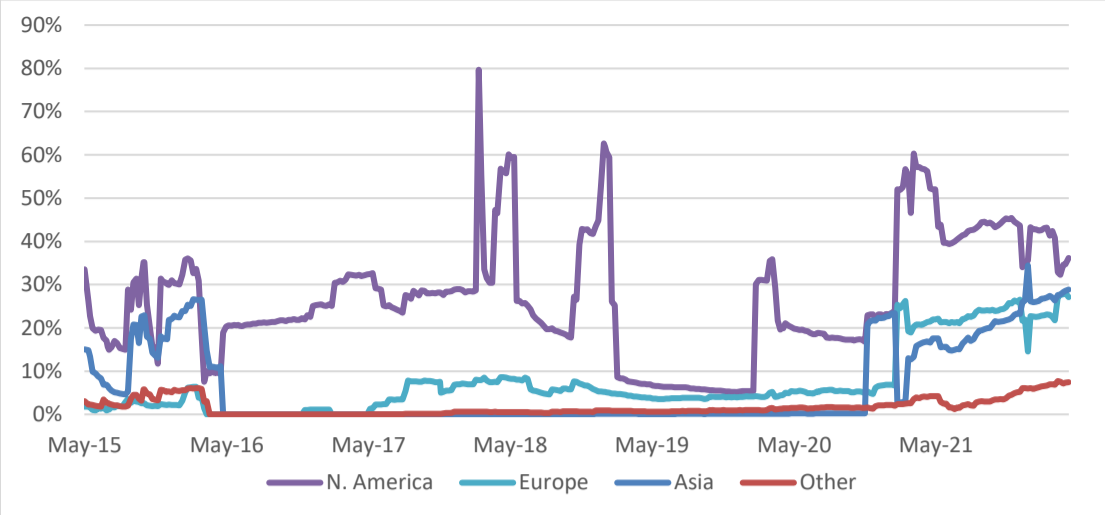
Total Return	Net	Gross	Up/Downside <sup>5</sup>	
YTD	-0.85%	-0.34%	Upside	15%
Prev. Month	2.60%	2.76%	Down	13%
Prev. Quarter	-0.30%	0.18%	Mths Up	52
Prev. Year	3.75%	5.67%	Mths Dn	32
Ann. SI (04/17/15)	2.66%	4.58%		
Sharpe Ratio	0.59			
Fund Codes:	No Load Retail: BMO70222			

Defense **Core Portfolio Beta: 73.4%** Offense



## Tactical Asset Allocation

Equity	N. America	Europe	Asia	Other
04/08/22	36.2%	27.1%	28.8%	7.4%
03/31/22	34.7%	28.1%	28.5%	7.3%
Change	1.5%	-1.0%	0.3%	0.1%



Bonds	Corp.	Govt.	Pref.	Cash
04/08/22	1.5%	18.4%	1.5%	0.7%
03/31/22	1.5%	17.3%	1.5%	1.3%
Change	0.0%	1.1%	0.0%	-0.6%

Bonds	Duration
04/08/22	6.05
03/31/22	8.18
Change	-2.13

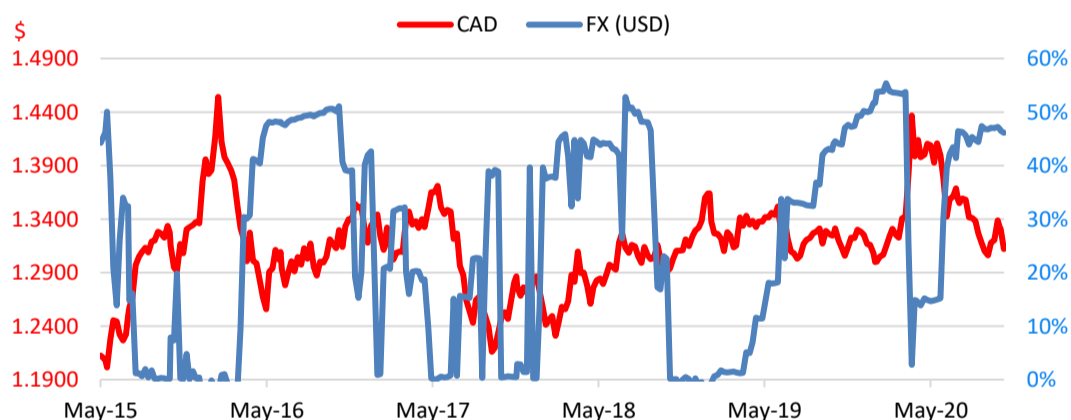
Sector	04/08/22	03/31/22	Change	BM
Basic Materials	10.2%	10.0%	0.2%	2.9%
Communications	7.2%	7.2%	0.0%	7.7%
Consumer, Cyclical	7.9%	7.9%	-0.1%	7.0%
Consumer, Non-cyclical	15.5%	15.7%	-0.2%	12.5%
Energy	4.3%	4.4%	0.0%	3.1%
Financial	14.4%	14.6%	-0.1%	16.9%
Government	19.6%	18.3%	1.2%	25.3%
Industrial	9.1%	9.2%	-0.1%	6.7%
Technology	7.8%	7.9%	-0.1%	11.1%
Utilities	3.3%	3.3%	0.0%	2.4%

### Net Beta (Core - Protection): 48.4%



As of: 04/08/22	04/08/22	03/31/22	Change
FX (USD)	10.4%	11.0%	-0.6%
Beta <sup>2</sup>	73.4%	73.3%	0.1%
Protection	-25.0%	-24.9%	-0.1%
Correlation	95.7%	98.1%	-2.4%
Yield <sup>3</sup>	2.52%	2.49%	0.03%
ETF Holdings	24	24	0
Volatility <sup>4</sup>	7.71%	7.61%	0.10%
CAD	1.2572	1.2522	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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