



# BMO Tactical Balanced ETF Fund Highlights

## Core Tactical/Strategic Portfolio Outlook/Adjustments

Strong evidence is building that we are close to a tradable bottom, but once again markets in the US made lower lows. We did not see this in EAFE or EM benchmarks, which is often another hallmark of a bottom process. The stocks that broke supports last week are the quality big tech names and the safety money in staples. We are far from "the" low point of this recessionary cycle, but we should stabilize and recover in the coming months with peak inflation expectations developing. Bullard actually talked about easing in 2023/24. These FOMC guys are plain NUTS! The bond curve is sensing recession, but not until bill rates are above the 10-year is a recession imminent. Some think we are in a technical recession now, given Q1 GDP. Bond curve does not confirm that. Stagflation is real. Janet Yellen touted about it this week. Several former central bankers are now speaking what they could not when holding these offices. Check out Poloz's new book. Has Stagflation all over it.

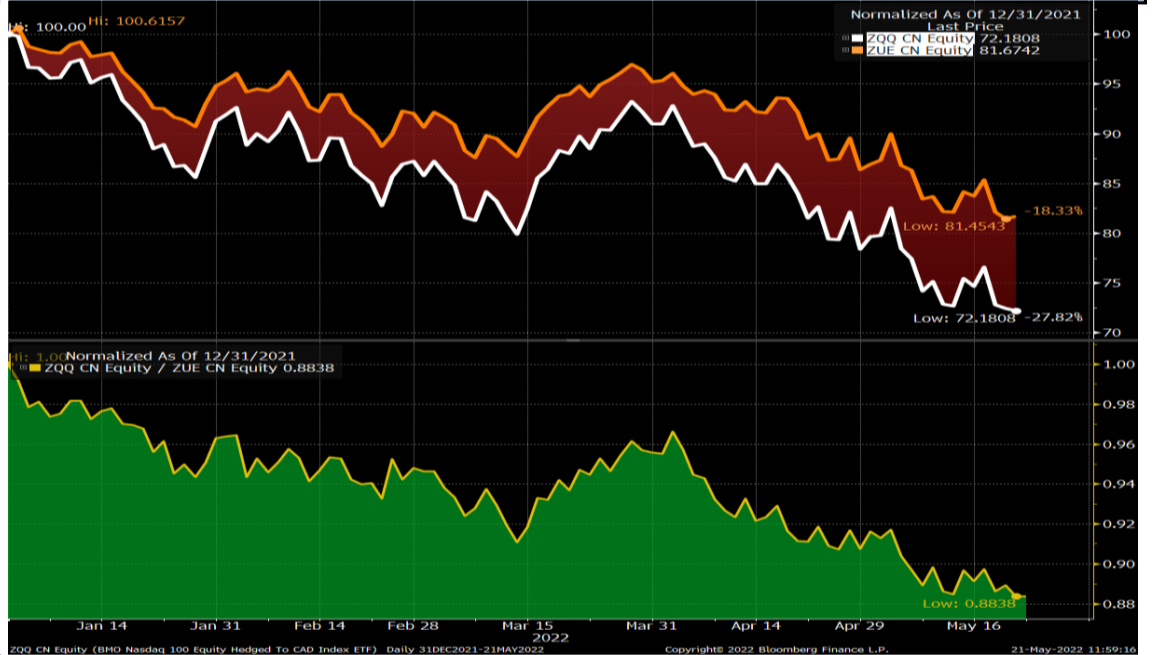
## Macro Market Strategy

We think this is a very two-way market for the next few quarters with a bearish tilt. Better than expected tax receipts should push the negative funding pressure from QT into 2023. Once QT starts, to have an impact, we would be more concerned that equity risk premiums will rise and multiples will contract. The risk of a policy mistake is significant. The Street narrative has turned very hawkish recognizing how far the FOMC is behind the curve. Most FOMC members have confirmed the more aggressive path of tightening. The most aggressive since the early 1980s. 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, though it is getting priced in in recent weeks. The current FOMC update should clarify the policy path. FOMC's Bullard talked about easing in 2023/24, which is NUTS given how far they are behind the curve.

## Top Holdings

Ticker	Name	Position
ZEA	BMO MSCI EAFE Index ETF	27.7%
EMLC	VanEck J. P. Morgan EM Local Currency Bond ETF	13.0%
ZEM	BMO MSCI Emerging Markets Index ETF	10.6%
ZUE	BMO S&P 500 Hedged to CAD Index ETF	8.2%
TLT	iShares 20+ Year Treasury Bond ETF	7.1%
ZQQ	BMO Nasdaq 100 Equity Hedged To CAD Index ETF	5.9%
VGK	Vanguard FTSE Europe ETF	4.9%
GDX	VanEck Gold Miners ETF/USA	2.6%
KWEB	KraneShares CSI China Internet ETF	2.4%
URA	Global X Uranium ETF	1.8%
ZMT	BMO Equal Weight Global Base Metals Hedged to CAD Index ETF	1.5%
ZCLN	BMO Clean Energy Index ETF	1.4%
PAVE	Global X US Infrastructure Development ETF	1.4%
MJ	ETFMG Alternative Harvest ETF	1.4%
KBA	KraneShares Bosera MSCI China A 50 Connect Index ETF	1.3%
FLGB	Franklin FTSE United Kingdom ETF	0.9%
FLIN	Franklin FTSE India ETF	0.9%
FLBR	Franklin FTSE Brazil ETF	0.6%
CLOU	Global X Cloud Computing ETF	0.6%
FLKR	Franklin FTSE South Korea ETF	0.6%

## Chart of the Week



## PRO-EYES - Berman's Call

Risk Level High

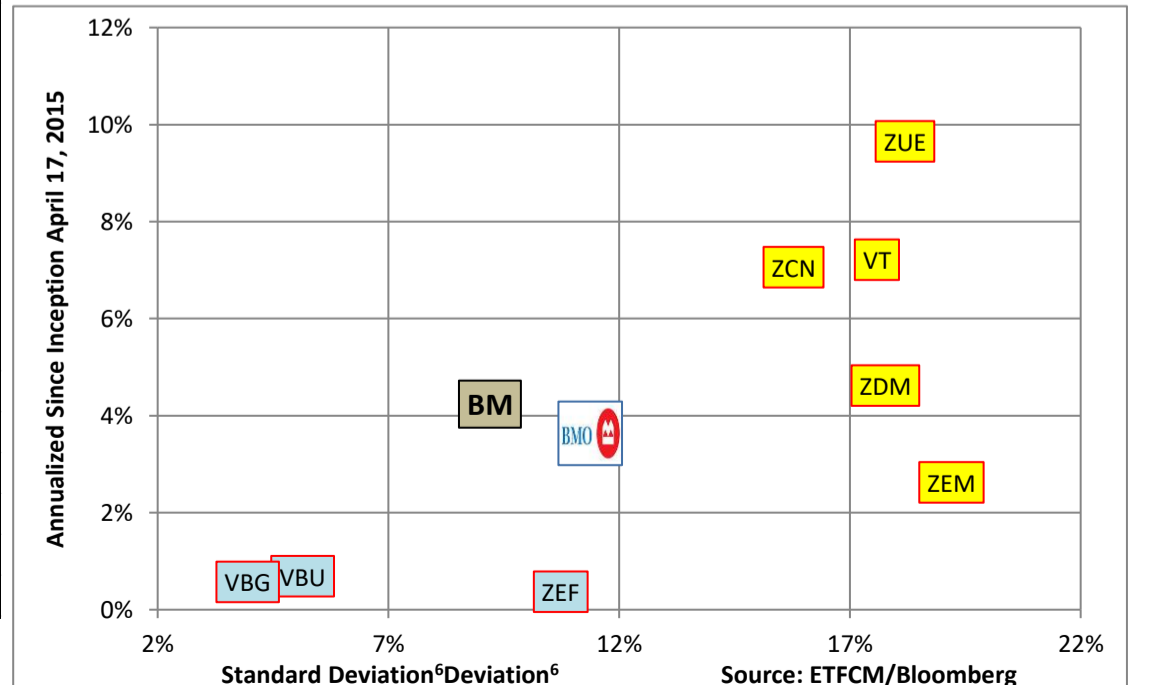
The core portfolio beta is 70.9%. The degree of delta protection is 0% while the value of beta protection is 0%.

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 (05/20/22)

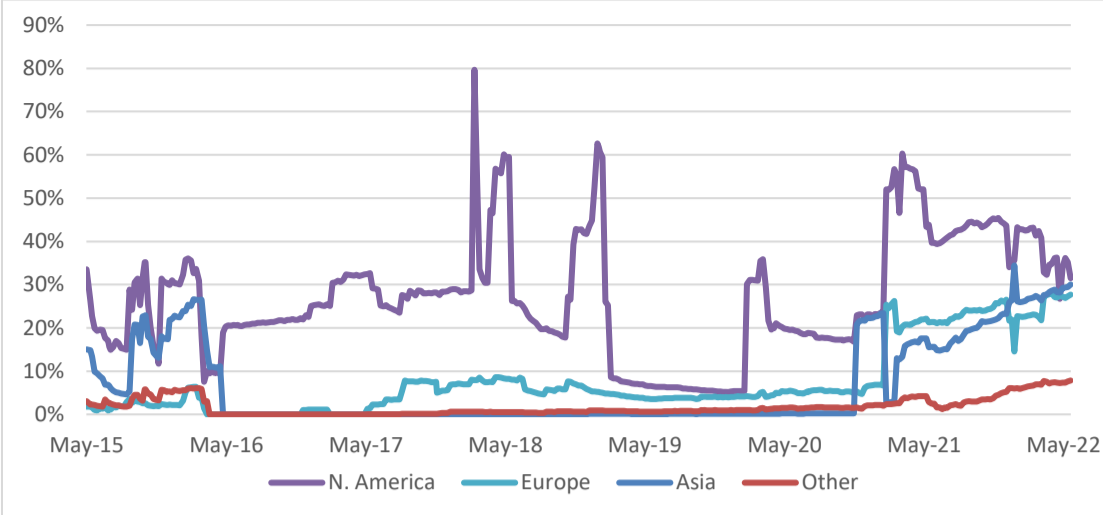
Total Return	Net	Gross	Up/Downside <sup>5</sup>	
YTD	-6.91%	-6.19%	Upside	15%
Prev. Month	-5.35%	-5.19%	Down	20%
Prev. Quarter	-6.32%	-5.84%	Mths Up	52
Prev. Year	-3.03%	-1.11%	Mths Dn	33
Ann. SI (04/17/15)	1.71%	3.63%		
Sharpe Ratio	0.32			
Fund Codes:	No Load Retail: BMO70222			

## Defense Core Portfolio Beta: 70.9% Offense



## Tactical Asset Allocation

Equity	N. America	Europe	Asia	Other
05/20/22	31.5%	27.7%	30.0%	7.8%
05/13/22	35.2%	27.3%	29.4%	7.6%
Change	-3.7%	0.4%	0.6%	0.2%

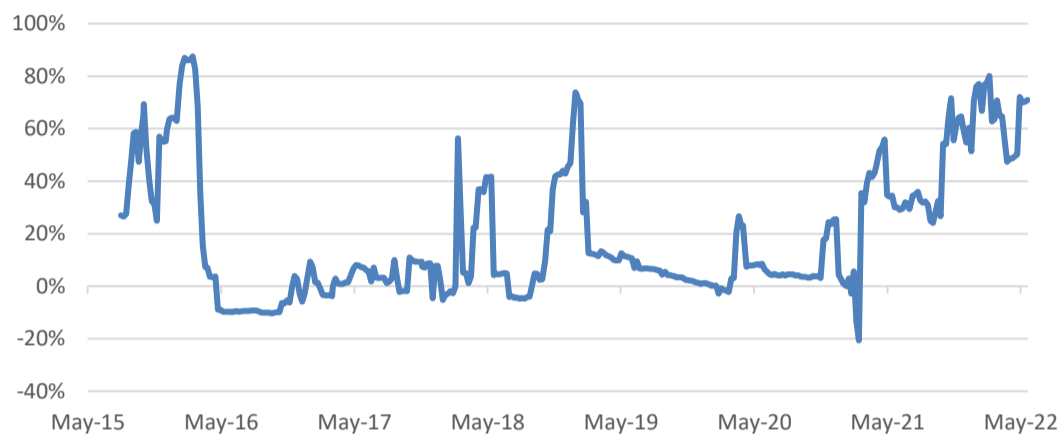


Bonds	Corp.	Govt.	Pref.	Cash
05/20/22	0.5%	19.6%	0.5%	3.0%
05/13/22	0.4%	22.8%	0.5%	0.5%
Change	0.0%	-3.2%	0.0%	2.5%

Bonds	Duration
05/20/22	8.30
05/13/22	10.61
Change	-2.31

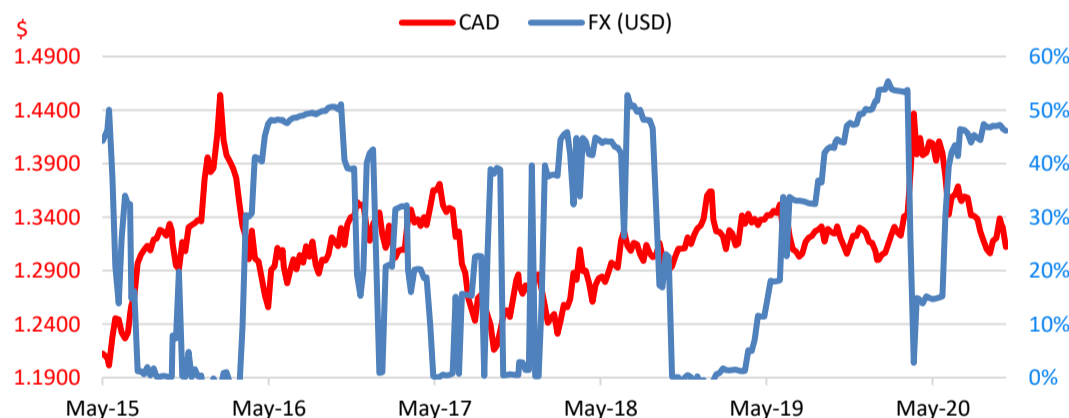
Sector	05/20/22	05/13/22	Change	BM
Basic Materials	9.2%	9.1%	0.2%	2.8%
Communications	8.3%	7.8%	0.4%	7.7%
Consumer, Cyclical	7.3%	7.2%	0.1%	7.0%
Consumer, Non-cyclical	15.1%	15.3%	-0.2%	12.5%
Energy	4.1%	4.1%	0.0%	3.1%
Financial	12.1%	12.5%	-0.3%	16.8%
Government	20.0%	23.1%	-3.2%	25.3%
Industrial	8.1%	8.2%	-0.1%	6.7%
Technology	10.0%	9.3%	0.6%	11.1%
Utilities	2.7%	2.7%	0.0%	2.4%

### Net Beta (Core - Protection): 70.9%



As of: 05/20/22	05/20/22	05/13/22	Change
FX (USD)	5.3%	6.3%	-1.1%
Beta <sup>2</sup>	70.9%	70.4%	0.5%
Protection	0.0%	0.0%	0.0%
Correlation	91.6%	92.6%	-1.0%
Yield <sup>3</sup>	2.75%	2.81%	-0.05%
ETF Holdings	24	24	0
Volatility <sup>4</sup>	11.37%	11.86%	-0.49%
CAD	1.2840	1.2929	-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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