



# BMO Tactical Balanced ETF Fund Highlights

## Core Tactical/Strategic Portfolio Outlook/Adjustments

While technology (and the more oversold stocks led the recovery last week, we see more short covering than new money seeking growth. It's way, way, way too early for that thinking. But Bullard's walk back on the FOMC over doing it and the potential for a pause in rate hikes later this year, has pacified the bears for now. What brings the bulls back. The death of inflation pressures and the continuation of growth. Way, way, way too early to make that bet. But many of the growth sectors in technology are no longer extremely over valued and our buying into tech during the May carnage should payoff. We made no additional equity trades this week. On the bond side, we trimmed duration into bond market strength. We continue to actively trade duration in the bond portfolio as interest rate volatility is likely to remain elevated. There is significant value added in very active duration management during an inflation cycle.

## 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 FOMC hawkish walk back by Bullard putting rate cuts on the table for 2023/24 now reflects the shape of the money market curves. The Fed put is still there, but sticky inflation will be the challenge. For the next few months, the mathematics of rates-of-change should pacify inflation fears. Longer-term inflation expectations (seen in the chart of the week 5-year, 5-year breakeven swap) are elevated, but anchored.

## Top Holdings

Ticker	Name	Position
ZEA	BMO MSCI EAFE Index ETF	27.7%
EMLC	VanEck J. P. Morgan EM Local Currency Bond ETF	12.7%
ZEM	BMO MSCI Emerging Markets Index ETF	10.5%
ZUE	BMO S&P 500 Hedged to CAD Index ETF	8.6%
ZQQ	BMO Nasdaq 100 Equity Hedged To CAD Index ETF	6.1%
TLT	iShares 20+ Year Treasury Bond 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	1.9%
ZMT	BMO Equal Weight Global Base Metals Hedged to CAD Index ETF	1.5%
PAVE	Global X US Infrastructure Development ETF	1.5%
ZCLN	BMO Clean Energy Index ETF	1.5%
MJ	ETFMG Alternative Harvest ETF	1.3%
KBA	KraneShares Bosera MSCI China A 50 Connect Index ETF	1.2%
FLGB	Franklin FTSE United Kingdom ETF	0.9%
FLIN	Franklin FTSE India ETF	0.9%
FLBR	Franklin FTSE Brazil ETF	0.7%
CLOU	Global X Cloud Computing ETF	0.6%
CIBR	First Trust NASDAQ Cybersecurity ETF	0.6%

## Chart of the Week



## PRO-EYES - Berman's Call

Risk Level **High**

The core portfolio beta is 70.7%. The degree of delta protection is 0% while the value of beta protection is 0%.

The tactical PRO-EYES factor suggests more dip buying opportunity exists than not. However, the trend of liquidity in business conditions is likely to get worse before it improves. The fact the FOMC has now talked about 2023/24 rate cuts, markets should stabilize. Valuation metrics have yet to reflect a recession and that is the overriding risk. This likely means there will be more two-way opportunities in assets until the inflation cycle is under control. We expect it will be stickier than the market believes and the FOMC will have difficulty with a soft landing scenario.

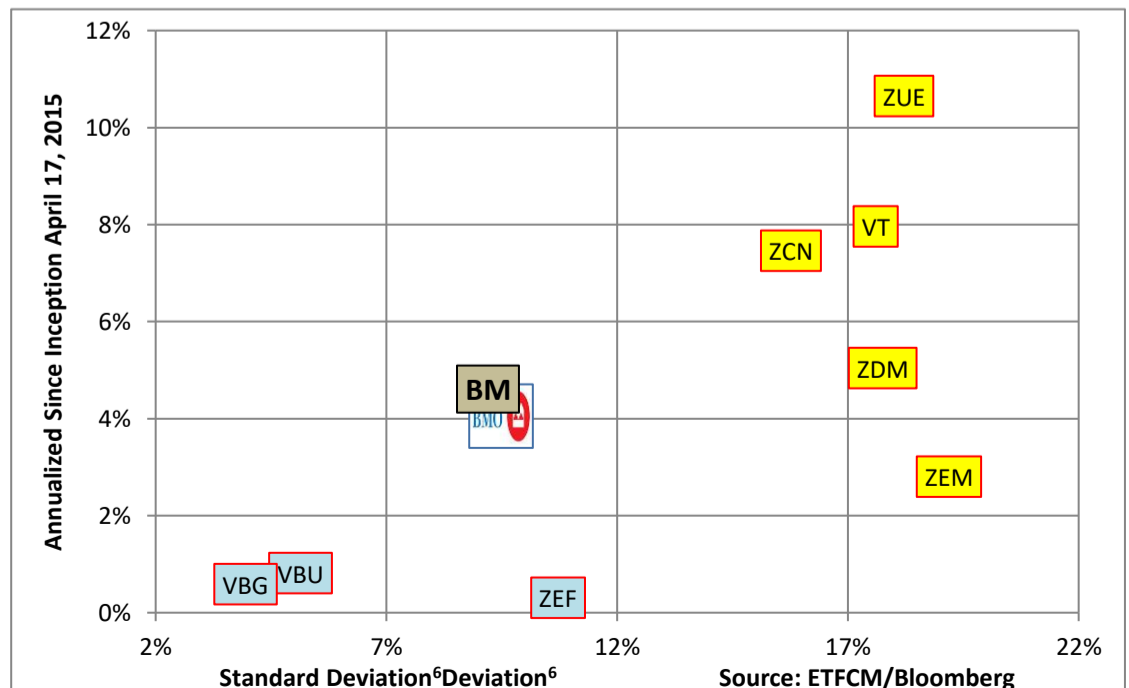
## Performance Metrics (A-Series) as of (05/27/22)

Total Return	Net	Gross	Up/Downside <sup>5</sup>	
YTD	-4.13%	-3.38%	Upside	15%
Prev. Month	0.67%	0.83%	Down	20%
Prev. Quarter	-3.19%	-2.71%	Mths Up	52
Prev. Year	-0.68%	1.24%	Mths Dn	33
Ann. SI (04/17/15)	2.13%	4.05%		
Sharpe Ratio	0.43			
Fund Codes:	No Load Retail: BMO70222			

## Defense

Core Portfolio Beta: 70.7%

## Offense



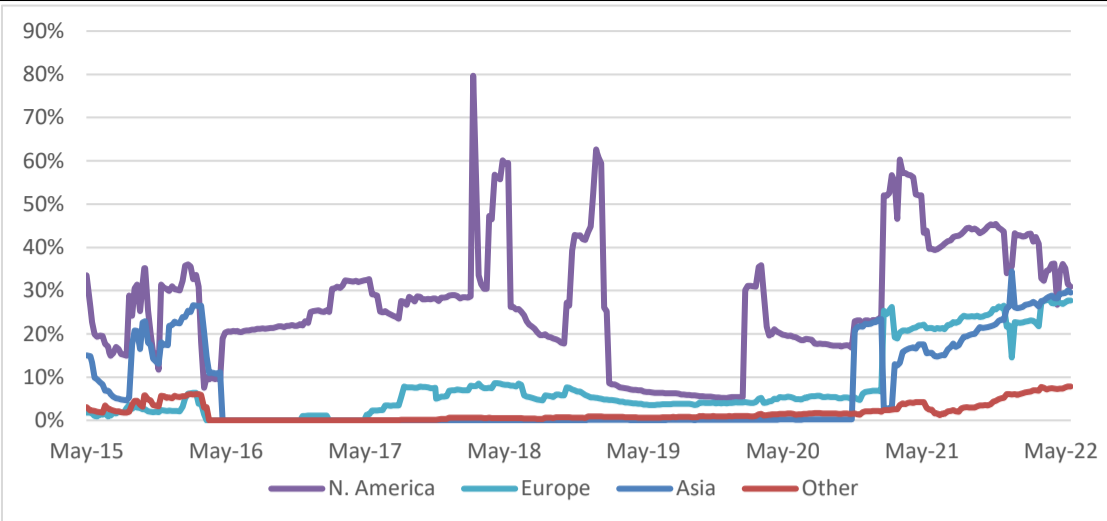
## Tactical Asset Allocation

Equity	N. America	Europe	Asia	Other
05/27/22	30.9%	27.7%	29.6%	7.8%
05/20/22	31.5%	27.7%	30.0%	7.8%
Change	-0.7%	0.1%	-0.4%	0.0%

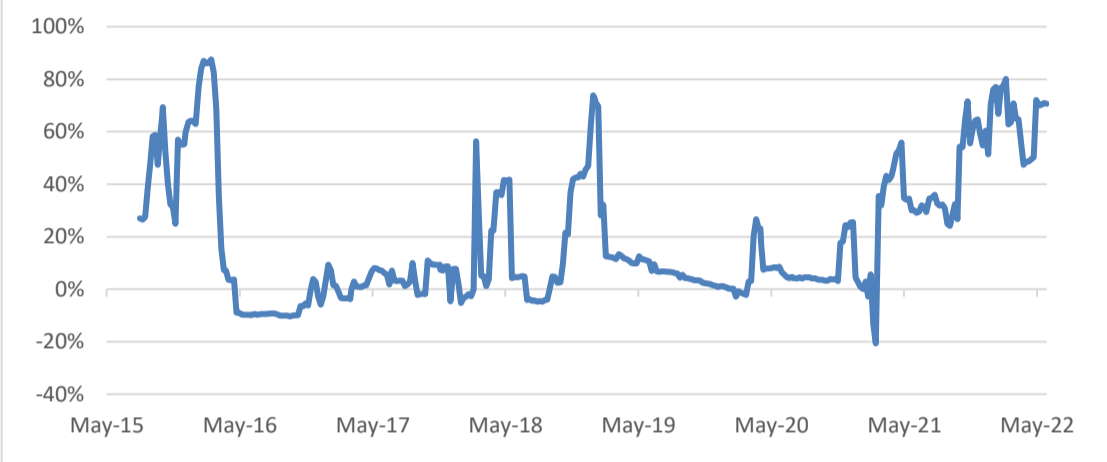
Bonds	Corp.	Govt.	Pref.	Cash
05/27/22	0.4%	18.2%	0.6%	4.0%
05/20/22	0.5%	19.6%	0.5%	3.0%
Change	0.0%	-1.4%	0.0%	1.1%

Bonds	Duration
05/27/22	7.42
05/20/22	8.30
Change	-0.88

Sector	05/27/22	05/20/22	Change	BM
Basic Materials	9.3%	9.2%	0.1%	3.1%
Communications	8.2%	8.3%	0.0%	7.0%
Consumer, Cyclical	7.2%	7.3%	-0.1%	6.8%
Consumer, Non-cyclical	15.1%	15.1%	0.0%	13.3%
Energy	4.2%	4.1%	0.2%	3.5%
Financial	12.2%	12.1%	0.0%	17.3%
Government	18.5%	20.0%	-1.4%	27.7%
Industrial	8.1%	8.1%	0.0%	6.7%
Technology	10.2%	10.0%	0.2%	10.6%
Utilities	2.8%	2.7%	0.1%	2.6%

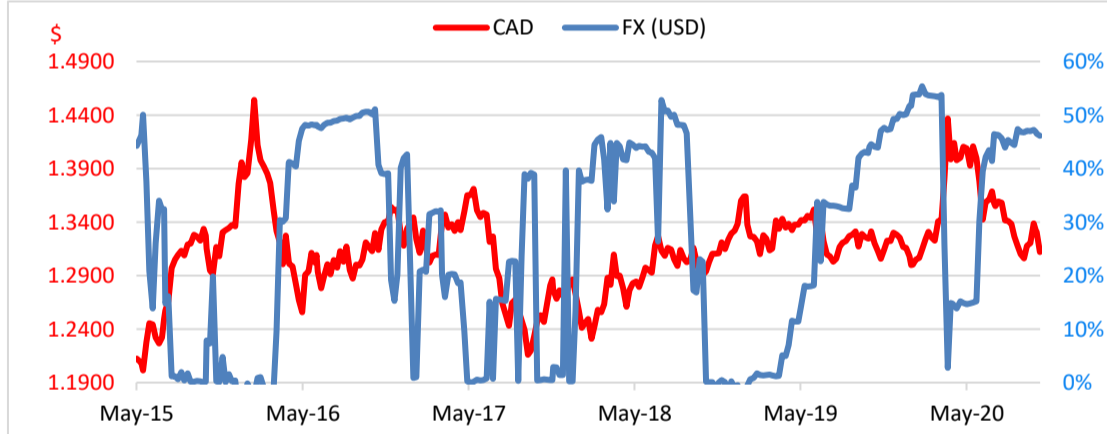


### Net Beta (Core - Protection): 70.7%



As of: 05/27/22	05/27/22	05/20/22	Change
FX (USD)	6.2%	5.3%	0.9%
Beta <sup>2</sup>	70.7%	70.9%	-0.2%
Protection	0.0%	0.0%	0.0%
Correlation	90.4%	91.6%	-1.2%
Yield <sup>3</sup>	2.67%	2.75%	-0.08%
ETF Holdings	24	24	0
Volatility <sup>4</sup>	9.49%	11.37%	-1.88%
CAD	1.2724	1.2840	-0.9%

### 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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