



BMO Tactical Balanced ETF Fund Highlights

Core Tactical/Strategic Portfolio Outlook/Adjustments

The very oversold nature of the market combined with the high volatility readings, suggest a short covering rally is likely. We are set up for a bounce, but will be looking to shift back to a defensive bias in the coming weeks. When volatility is high, there is significant tactical alpha opportunity. This week, we took profits on the equal weight S&P 500 (RSP) and rolled back into ZUE, which effectively adds large cap tech exposure and lowers the value tilt. This is only for a tactical trade. Our chart of the week shows RSP/SPX is back to pre-COVID levels implying that large cap tech is likely close to a relative normal versus the COVID stay at home tech surge. We look to go back to this trade at some point given tech is still somewhat overvalued. On the bond side, we can see that the since inception numbers of the benchmarks are close to negative since 2015!!! That's not a typo. Conventional passive fixed income has offered investors close to zero nominal returns in 7 years. On a real basis, it's been brutal. We added duration to the portfolio again this week as long Treasuries are no close to 3.25% setting up for the pending recession the FOMC is trying to navigate.

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. The current FOMC update should clarify the policy path. The soft Q1 GDP likely walks back some of the hawkishness. We also could see peak inflation prints in May.

Top Holdings

Ticker	Name	Position
ZEA	BMO MSCI EAFE Index ETF	27.0%
ZUE	BMO S&P 500 Hedged to CAD Index ETF	17.9%
EMLC	VanEck J. P. Morgan EM Local Currency Bond ETF	12.5%
ZEM	BMO MSCI Emerging Markets Index ETF	10.6%
TLT	iShares 20+ Year Treasury Bond ETF	10.5%
VGK	Vanguard FTSE Europe ETF	4.8%
KWEB	KraneShares CSI China Internet ETF	2.4%
GDX	VanEck Gold Miners ETF/USA	2.1%
URA	Global X Uranium ETF	2.0%
PAVE	Global X US Infrastructure Development ETF	1.5%
MJ	ETFMG Alternative Harvest ETF	1.5%
ZCLN	BMO Clean Energy Index ETF	1.4%
KBA	KraneShares Bosera MSCI China A 50 Connect Index ETF	1.2%
FLIN	Franklin FTSE India ETF	0.9%
FLGB	Franklin FTSE United Kingdom ETF	0.9%
ZMT	BMO Equal Weight Global Base Metals Hedged to CAD Index ETF	0.6%
FLBR	Franklin FTSE Brazil ETF	0.6%
FLKR	Franklin FTSE South Korea ETF	0.6%
XBI	SPDR S&P Biotech ETF	0.6%
ZUP	BMO US Preferred Share Index ETF	0.5%

Chart of the Week



PRO-EYES - Berman's Call

Risk Level **High**

The core portfolio beta is 70.0%. 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.

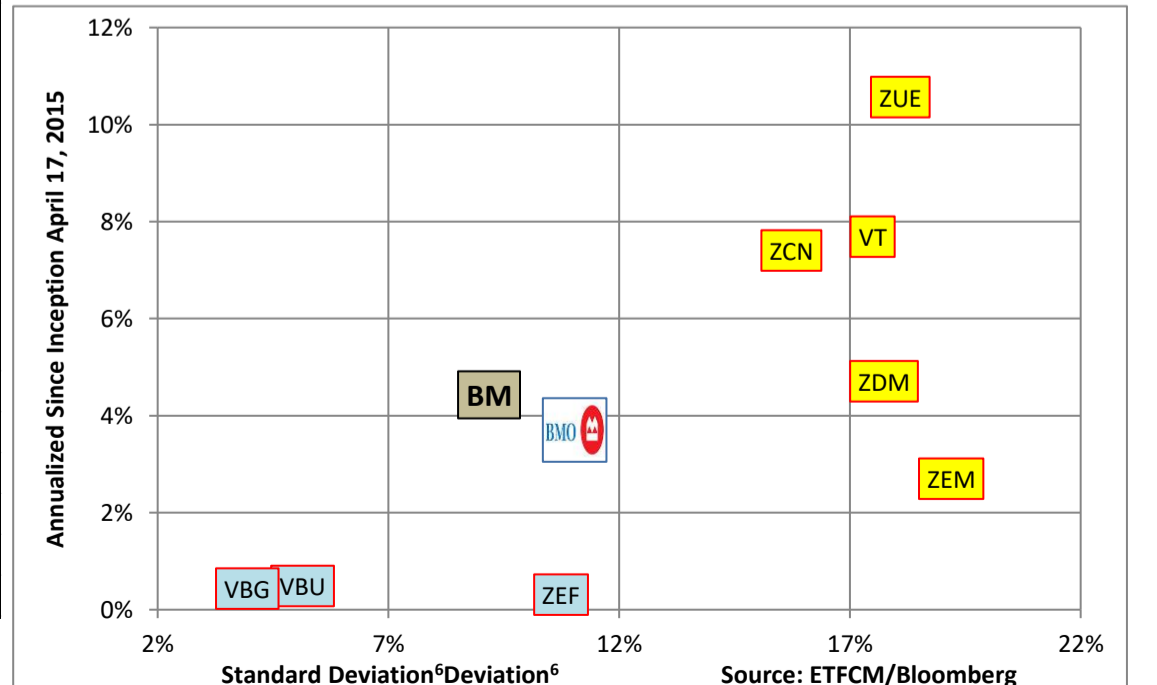
Performance Metrics (A-Series) as of (05/06/22)

Total Return	Net	Gross	Up/Downside ⁵	
YTD	-6.55%	-5.91%	Upside	15%
Prev. Month	-5.65%	-5.49%	Down	20%
Prev. Quarter	-5.06%	-4.58%	Mths Up	52
Prev. Year	-2.55%	-0.63%	Mths Dn	33
Ann. SI (04/17/15)	1.78%	3.70%		
Sharpe Ratio	0.34			
Fund Codes:	No Load Retail: BMO70222			

Defense

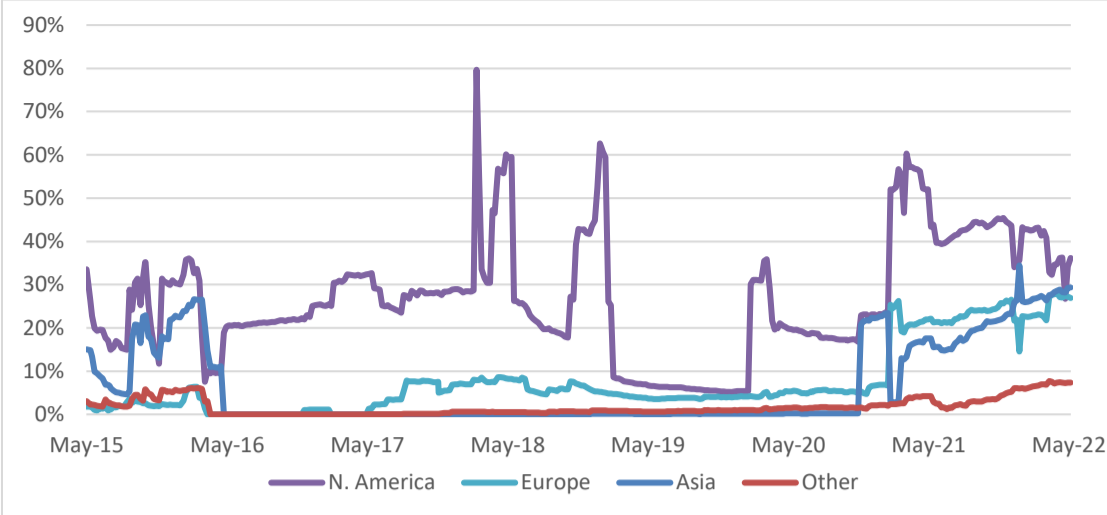
Core Portfolio Beta: 70.0%

Offense



Tactical Asset Allocation

Equity	N. America	Europe	Asia	Other
05/06/22	36.1%	27.0%	29.3%	7.4%
04/29/22	34.2%	27.2%	29.3%	7.3%
Change	1.9%	-0.3%	0.0%	0.0%



Bonds	Corp.	Govt.	Pref.	Cash
05/06/22	0.4%	22.4%	0.5%	-0.5%
04/29/22	1.6%	18.3%	1.6%	1.4%
Change	-1.2%	4.1%	-1.0%	-1.8%

Bonds	Duration
05/06/22	10.90
04/29/22	8.21
Change	2.69

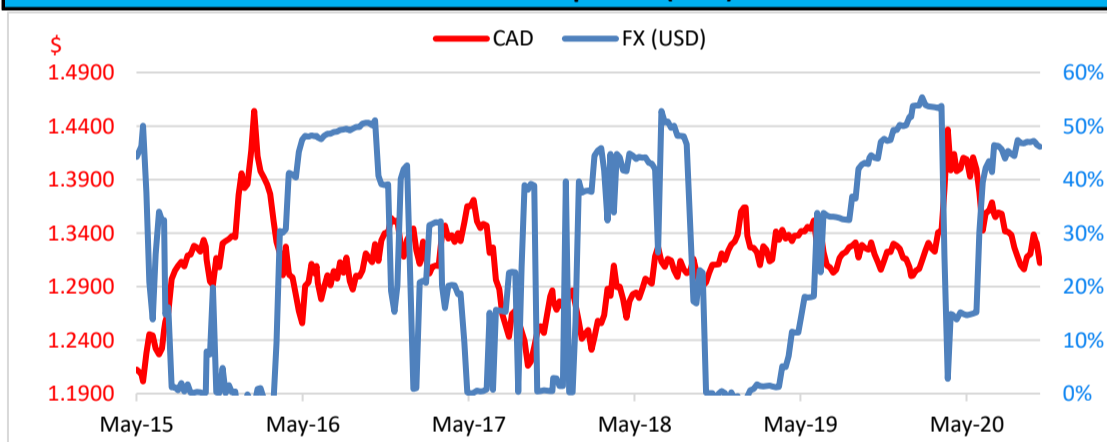
Sector	05/06/22	04/29/22	Change	BM
Basic Materials	8.3%	8.6%	-0.2%	2.8%
Communications	7.6%	7.0%	0.5%	7.7%
Consumer, Cyclical	7.5%	8.0%	-0.5%	7.0%
Consumer, Non-cyclical	15.6%	15.9%	-0.3%	12.5%
Energy	4.5%	4.6%	-0.1%	3.1%
Financial	13.3%	14.6%	-1.3%	16.8%
Government	22.9%	19.5%	3.5%	25.4%
Industrial	8.4%	9.0%	-0.5%	6.7%
Technology	8.7%	7.6%	1.1%	11.1%
Utilities	2.8%	3.3%	-0.5%	2.4%

Net Beta (Core - Protection): 70.0%



As of: 05/06/22	05/06/22	04/29/22	Change
FX (USD)	4.5%	5.3%	-0.8%
Beta ²	70.0%	72.1%	-2.0%
Protection	0.0%	0.0%	0.0%
Correlation	95.1%	100.9%	-5.9%
Yield ³	2.81%	2.70%	0.11%
ETF Holdings	21	24	-3
Volatility ⁴	11.04%	9.53%	1.50%
CAD	1.2875	1.2848	0.2%

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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