



# BMO Tactical Balanced ETF Fund Highlights

## Core Tactical/Strategic Portfolio Outlook/Adjustments

It's possible that our feature chart of the week is the most important one on the planet for the next few quarters. It's the zero coupon inflation swap. The inset is the YTD blown up. You can see that inflation expectations peaked with the recent spike in CPI and the market response was likely overdone. We should be able to get the S&P 500 back above 4000, but I would argue it will struggle to do better until we see the earnings impact of the recession we may already be in. All should know that earnings are the last shoe to drop and expectations still seem out-to-lunch. We added technology beta to the portfolio in the market carnage the past few weeks. Specifically, Robotics and AI (BOTZ), FinTech (FINX) and next gen innovation (ARKK). We also added to cloud (CLOU) and clean energy (ZCLN). We trimmed exposure to core EAFE. On the debt side, we added more duration near the 3.5% extreme for the long end. We also added to EMLC, though the EM currency exposure has not helped since Russia invaded Ukraine.

## 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. The FOMC is now telegraphing easing to offset. 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 more aggressive path has caught them up to the curve and the terminal rate is now expected in December. This suggests a fall earnings related selloff is a very good buying opportunity. That said, we do not expect higher highs (5000+) until after the 2024 elections. We can expect lots of volatility to remain as the global economy rebalances. Anyone suggesting a more bullish path, we'd like to debate. We look to re-establish a volatility buffer in the coming months.

## Top Holdings

Ticker	Name	Position
ZEA	BMO MSCI EAFE Index ETF	22.4%
EMLC	VanEck J. P. Morgan EM Local Currency Bond ETF	13.4%
ZEM	BMO MSCI Emerging Markets Index ETF	11.2%
TLT	iShares 20+ Year Treasury Bond ETF	10.1%
ZUE	BMO S&P 500 Hedged to CAD Index ETF	8.7%
ZQQ	BMO Nasdaq 100 Equity Hedged To CAD Index ETF	6.3%
VGK	Vanguard FTSE Europe ETF	4.9%
KWEB	KraneShares CSI China Internet ETF	3.1%
GDJ	VanEck Gold Miners ETF/USA	2.6%
URA	Global X Uranium ETF	1.8%
CIBR	First Trust NASDAQ Cybersecurity ETF	1.7%
ZCLN	BMO Clean Energy Index ETF	1.6%
ZMT	BMO Equal Weight Global Base Metals Hedged to CAD Index ETF	1.3%
MJ	ETFMG Alternative Harvest ETF	1.3%
FLIN	Franklin FTSE India ETF	0.9%
CLOU	Global X Cloud Computing ETF	0.7%
KBA	KraneShares Bosera MSCI China A 50 Connect Index ETF	0.7%
XBI	SPDR S&P Biotech ETF	0.6%
FLGB	Franklin FTSE United Kingdom ETF	0.6%
PAVE	Global X US Infrastructure Development ETF	0.6%

## Chart of the Week



## PRO-EYES - Berman's Call

Risk Level High

The core portfolio beta is 76.7%. 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.

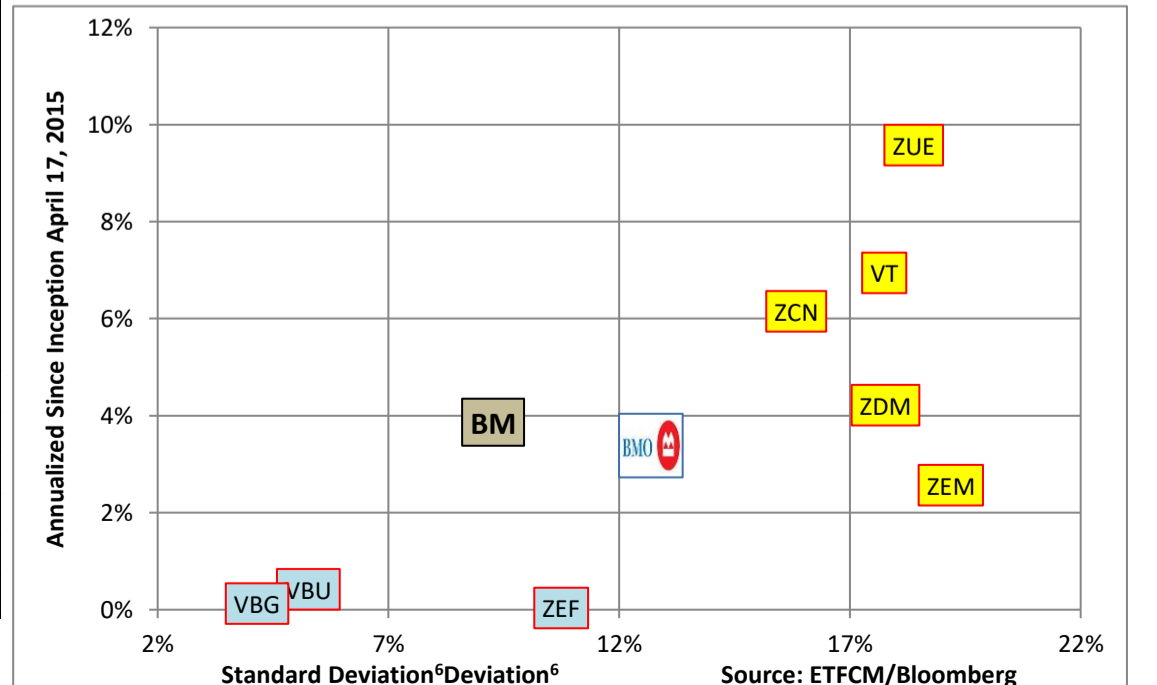
## Performance Metrics (A-Series) as of (06/24/22)

Total Return	Net	Gross	Up/Downside <sup>5</sup>	
YTD	-8.44%	-7.54%	Upside	15%
Prev. Month	-2.40%	-2.24%	Down	20%
Prev. Quarter	-7.93%	-7.45%	Mths Up	53
Prev. Year	-6.91%	-4.99%	Mths Dn	33
Ann. SI (04/17/15)	1.46%	3.38%		
Sharpe Ratio	0.27			
Fund Codes:	No Load Retail: BMO70222			

## Defense

Core Portfolio Beta: 76.7%

## Offense



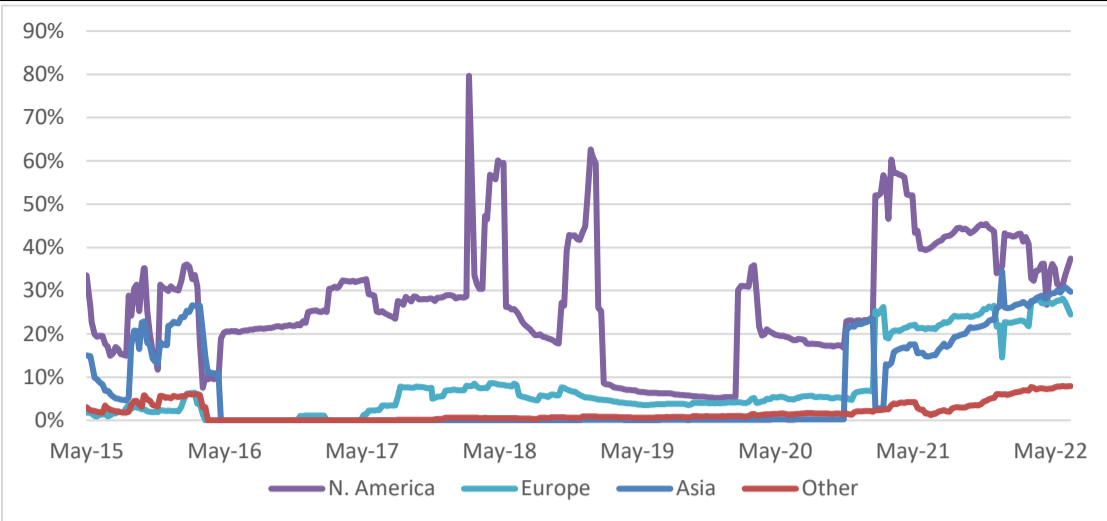
## Tactical Asset Allocation

Equity	N. America	Europe	Asia	Other
06/24/22	37.4%	24.4%	29.7%	7.9%
06/10/22	33.6%	27.3%	30.8%	7.8%
Change	3.8%	-2.9%	-1.1%	0.1%

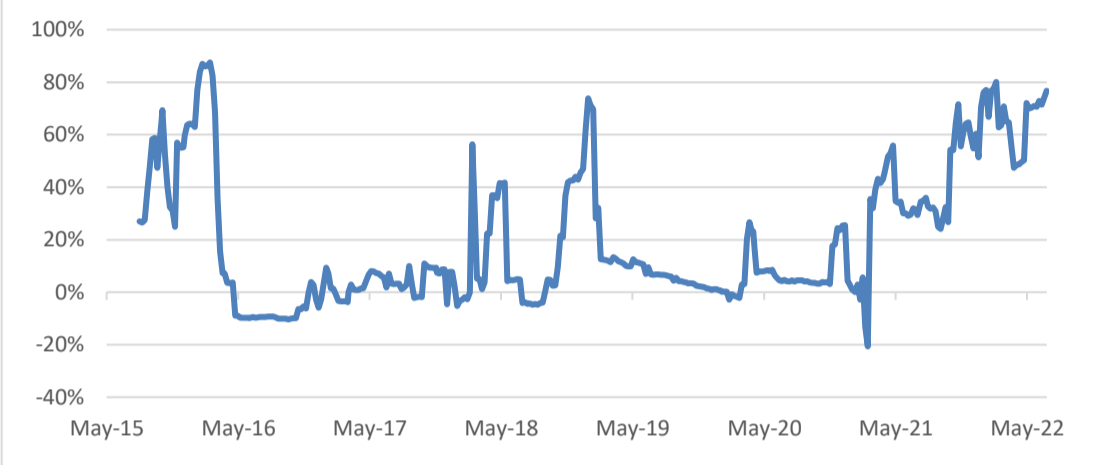
Bonds	Corp.	Govt.	Pref.	Cash
06/24/22	1.2%	24.1%	0.4%	0.5%
06/10/22	0.5%	21.3%	0.6%	0.5%
Change	0.7%	2.9%	-0.2%	0.0%

Bonds	Duration
06/24/22	9.83
06/10/22	9.94
Change	-0.10

Sector	06/24/22	06/10/22	Change	BM
Basic Materials	8.2%	9.5%	-1.3%	3.1%
Communications	9.4%	8.9%	0.6%	6.9%
Consumer, Cyclical	6.9%	7.3%	-0.4%	6.6%
Consumer, Non-cyclical	14.7%	14.6%	0.0%	13.1%
Energy	3.8%	4.4%	-0.6%	3.8%
Financial	11.0%	12.0%	-1.0%	16.9%
Government	23.5%	21.7%	1.8%	25.3%
Industrial	7.4%	8.1%	-0.8%	6.7%
Technology	12.0%	10.1%	1.9%	10.5%
Utilities	2.5%	2.7%	-0.2%	2.6%

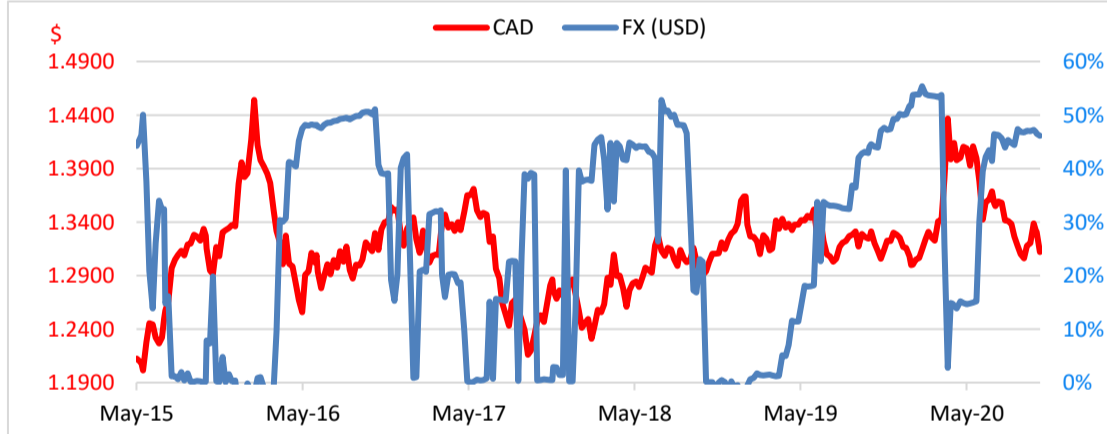


### Net Beta (Core - Protection): 76.7%



As of: 06/24/22	06/24/22	06/10/22	Change
FX (USD)	3.4%	5.3%	-1.9%
Beta <sup>2</sup>	76.7%	71.5%	5.3%
Protection	0.0%	0.0%	0.0%
Correlation	96.1%	91.8%	4.3%
Yield <sup>3</sup>	2.72%	2.78%	-0.06%
ETF Holdings	26	25	1
Volatility <sup>4</sup>	12.69%	12.16%	0.53%
CAD	1.2891	1.2776	0.9%

### Tactical FX Exposure (USD)



This commentary is intended for information purposes only. This update has been prepared by ETF Capital Management, the portfolio manager of BMO Tactical Balanced ETF Fund and represents their assessment at the time of publication. The views are subject to change without notice as markets change over time. The information contained herein is not, and should not be construed as, investment advice to any party. Investments should be evaluated relative to the individual's investment objectives and professional advice should be obtained with respect to any circumstance. Any statement that necessarily depends on future events may be a forward-looking statement. This material may contain forward-looking statements. "Forward-looking statements," can be identified by the use of forward-looking terminology such as "may", "should", "expect", "anticipate", "outlook", "project", "estimate", "intend", "continue" or "believe" or the negatives thereof, or variations thereon, or other comparable terminology. Investors are cautioned not to place undue reliance on such statements, as actual results could differ materially due to various risks and uncertainties.

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.

ETF Capital Management is a registered trade name of Quintessence Wealth, a Portfolio Manager, Investment Fund Manager and Exempt Market Dealer registered with the Canadian Securities Administrators. Commissions, trailing commissions (if applicable), management fees and expenses all may be associated with mutual fund investments. Please read the fund facts or prospectus of the relevant mutual fund before investing. The indicated rates of return are the historical annual compounded total returns for the period indicated including changes in unit value and reinvestment of all distributions and does not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Distributions are not guaranteed and are subject to change and/or elimination. For a summary of the risks of an investment in BMO Mutual Funds, please see the specific risks set out in the prospectus. BMO Mutual Funds are managed by BMO Investments Inc., which is an investment fund manager and a separate legal entity from Bank of Montreal. ®/™Registered trade-marks/trade-mark of Bank of Montreal, used under licence.

Advisor/Broker Use Only