BMO | Mutual Funds

BMO Tactical Balanced ETF Fund Highlights

ETF CAPITAL MANAGEMENT

Core Tactical/Strategic Portfolio Outlook/Adjustments

We made no changes last week and we are well positioned for any shock that Powell delivers this week. We expect a very hawkish tone. We think he needs to price out rate cuts for 2023. Longer-term inflation expectations are anchored, but a dovish pivot could change that. There is no reason for it now. Data dependency in a few months could warrant, but for now, they need to fight sticky inflation. It will be relatively easy to get 9% inflation down to 6% by mid 2023, but that is still 6%!!!!! The fed simply can't cut rates until inflation is under 3%. That could take several years. No doubt longer-term debt, demographics and innovation will reassert their dominance, but it will likely take several years for global supply chains to rebalance. It's just the way it is. That does not mean go out and buy energy exposure by the way. That's a lousy hedge. Real assets are a good hedge, but gold need rate cuts to move and it could stay undervalued still. Volatility as an asset class will likely become more important in the coming years too as the best hedge. It's going to be essential if we could be in a period were risk assets have very little net returns. Not 1970s, but maybe a bit like 1970s stagflation. On the bond side, the duration cut last week is paying off. With a recession very likely, will be back very long duration in the coming weeks/months as yields rise with a hawkish FOMC.

Top Holdings

Ticker	Name	Position
ZEA	BMO MSCI EAFE Index ETF	23.5%
ZEM	BMO MSCI Emerging Markets Index ETF	11.4%
EMLC	VanEck J. P. Morgan EM Local Currency Bond ETF	11.1%
ZUE	BMO S&P 500 Hedged to CAD Index ETF	9.6%
TLT	iShares 20+ Year Treasury Bond ETF	5.2%
VGK	Vanguard FTSE Europe ETF	5.0%
RSP	Invesco S&P 500 Equal Weight ETF	3.2%
GDX	VanEck Gold Miners ETF/USA	3.0%
KWEB	KraneShares CSI China Internet ETF	2.6%
ZMT	BMO Equal Weight Global Base Metals Hedged to CAD Index ETF	2.1%
MJ	ETFMG Alternative Harvest ETF	2.1%
KBA	KraneShares Bosera MSCI China A 50 Connect Index ETF	2.0%
URA	Global X Uranium ETF	1.9%
ZCLN	BMO Clean Energy Index ETF	1.9%
CIBR	First Trust NASDAQ Cybersecurity ETF	1.9%
XLP	Consumer Staples Select Sector SPDR Fund	1.6%
FINX	Global X FinTech ETF	1.2%
BOTZ	Global X Robotics & Artificial Intelligence ETF	1.1%
FLIN	Franklin FTSE India ETF	1.0%
PAVE	Global X US Infrastructure Development ETF	0.7%

Macro Market Strategy

We think this is a very two-way market for the next few quarters with a bearish tilt. QT should start to weigh on risk premiums going forward, but there is massive cash balances sitting in the RRP to offset a significant impact. We think the skinny Bills Congress passed will add slightly to funding pressure. The FOMC's more aggressive path has caught them up to the curve and the terminal rate is now expected in December. We do expect the Powell to try and talk out rate cuts in 2023 at Jackson Hole, which would be decidedly more hawkish than the market is currently pricing. 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.

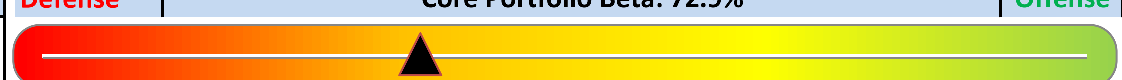
Chart of the Week

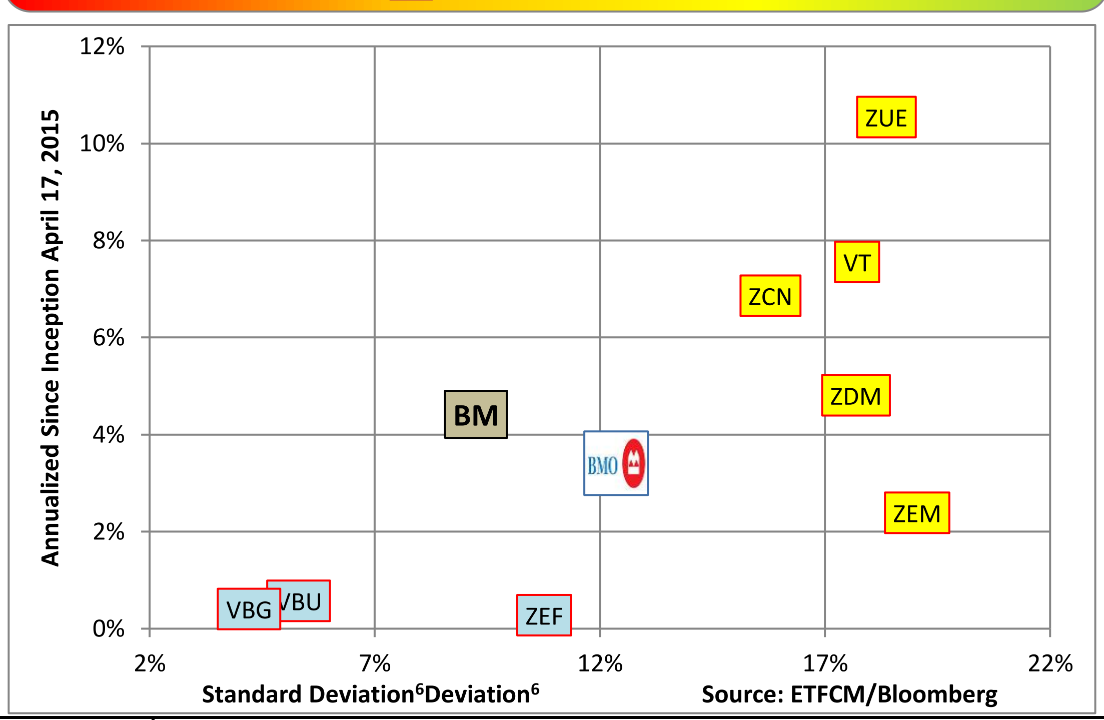
PRO-EYES - Berman's Call	Risk Level	High

The core portfolio beta is 72.9%. The degree of delta protection is -31% while the value of beta protection is 41%.

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.

Defense	Core Portfolio Beta: 72.9%	Offense





Performance Metrics (A-Series) as of (08/19/22)

Total Return	Net	Gross	Up/Downside[5]	
YTD	-8.04%	-6.86%	Upside	16%
Prev. Month	1.88%	2.04%	Down	29%
Prev. Quarter	-1.21%	-0.73%	Mths Up	54
Prev. Year	-6.96%	-5.04%	Mths Dn	34
Ann. SI (04/17/15)	1.49%	3.41%		
Sharpe Ratio	0.28			
Fund Codes:	No Load Retail: BMO70222			

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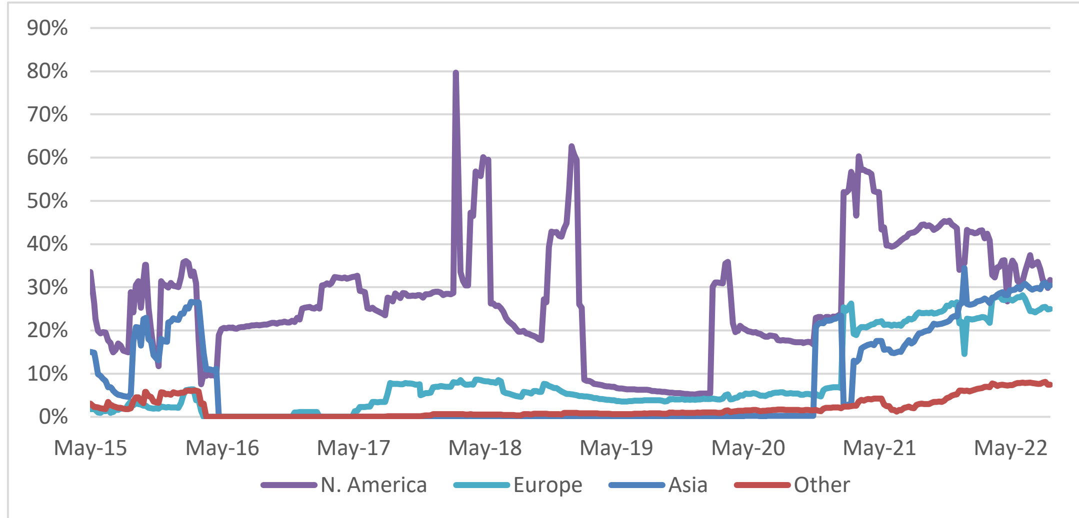
Tactical Asset Allocation

Equity	N. America	Europe	Asia	Other
08/19/22	31.7%	25.0%	30.5%	7.4%
08/12/22	29.8%	24.9%	30.0%	7.4%
Change	1.8%	0.1%	0.4%	0.0%

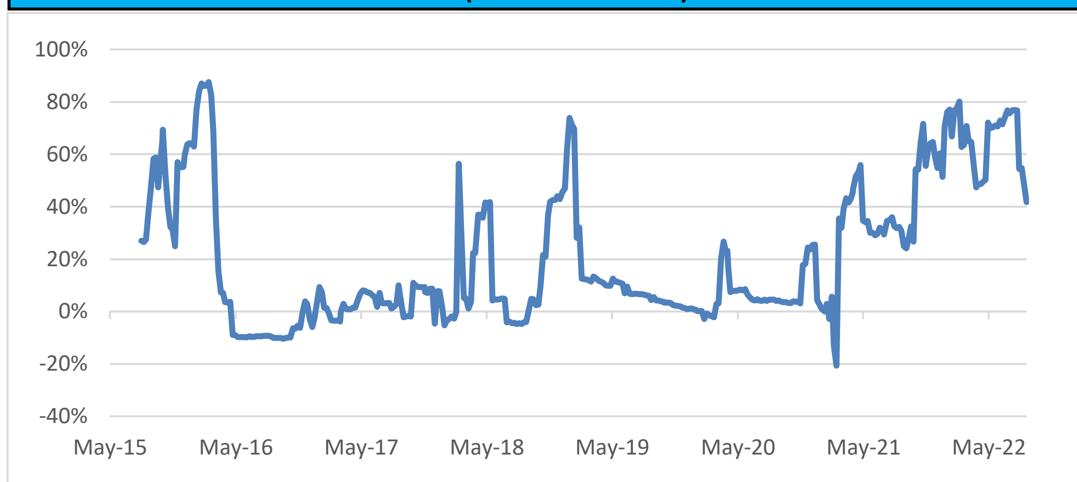


Bonds	Corp.	Govt.	Pref.	Cash
08/19/22	1.2%	17.0%	0.4%	5.8%
08/12/22	1.2%	16.9%	0.4%	6.8%
Change	0.0%	0.2%	0.0%	-1.1%

Bonds	Duration
08/19/22	6.33
08/12/22	6.08
Change	0.25

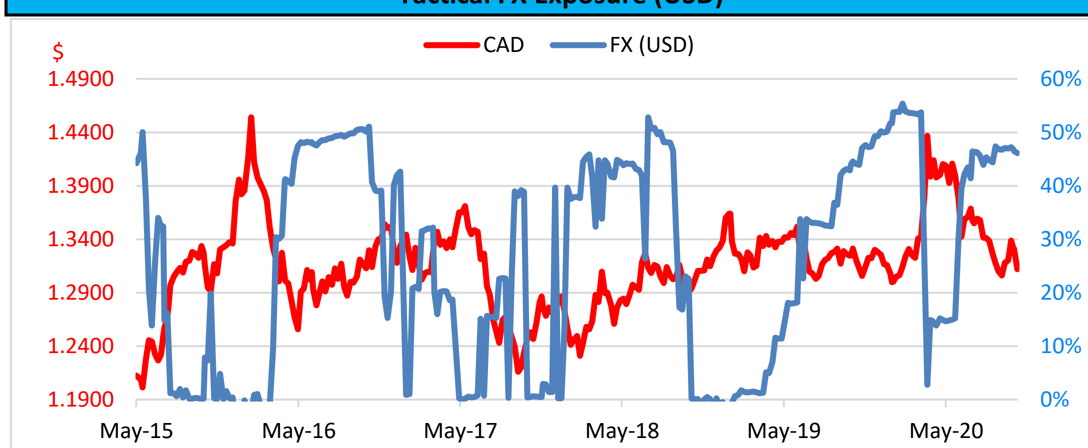
Sector	08/19/22	08/12/22	Change	BM
Basic Materials	9.7%	9.9%	-0.2%	2.8%
Communications	7.3%	7.3%	0.0%	6.9%
Consumer, Cyclical	7.4%	7.1%	0.4%	6.8%
Consumer, Non-cyclical	16.5%	15.0%	1.5%	13.4%
Energy	4.5%	4.4%	0.1%	3.6%
Financial	12.1%	12.0%	0.1%	16.8%
Government	16.3%	16.1%	0.2%	25.6%
Industrial	8.6%	8.5%	0.1%	6.8%
Technology	9.1%	9.0%	0.1%	10.7%
Utilities	2.8%	2.7%	0.1%	2.6%

Net Beta (Core - Protection): 41.7%



As of: 08/19/22	08/19/22	08/12/22	Change
FX (USD)	1.2%	2.7%	-1.5%
Beta[2]	72.9%	71.3%	1.6%
Protection	-31.2%	#N/A	#N/A
Correlation	97.3%	94.0%	3.3%
Yield[3]	2.84%	2.76%	0.08%
ETF Holdings	24	24	0
Volatility[4]	12.36%	11.01%	1.36%
CAD	1.2994	1.2782	1.7%

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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