



## BMO Tactical Balanced ETF Fund Highlights

## Core Tactical/Strategic Portfolio Outlook/Adjustments

We did not make any equity trades last week. We are positioned in maximum defensive positioning as we expect the recessionary phase of the business cycle to play out in the coming quarters. Jamie Dimon said last week that it's a virtual certainty, but the timing may be pushed back a bit. It seems higher for longer and restrictive financial conditions is the playbook despite the fact that the market still see considerable easing and a soft landing. Hard to believe the fastest tightening cycle in decades ends in anything but a recession. It's clear by looking at equal weight versus cap weighted indexes that international and emerging markets are performing well compared to the US where the average stock is up very little as we can see by the sharp differences between the world equal weight index and the US equal weight indexes. The weakness in unprofitable small caps speaks volumes. The strength in a handful of large cap tech stocks is providing a very misleading picture. On the bond side, we cut the duration we added early in the week on a small decline in yields. The fact that US tax week saw a massive miss in expected revenue (see chart of the week), pulls forward the debt ceiling issue and likely stresses coupon issuance once they can replenish the TGA. It will now likely run out sooner than the Treasury expected. This should also negatively impact ERP.

## 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. The FOMC's more aggressive path (higher for longer) is now facing some systemic risks as the rapid rate hikes that have impacted bank balance sheets have tightened financial conditions. We expect the FOMC to raise rates 25 bps at the May meeting and suggest more may be needed and that they remain data dependent. There are indications that the economy is weakening and the FOMC's own staff believe a recession is likely later in 2023. This does not mean they will ease until financial conditions tighten enough to remove the risk of inflation expectations increasing. We think this means economic pain in the labour markets, which we have not seen yet. "Gradually and then suddenly." Hemingway 1926.

## PRO-EYES - Berman's Call

Risk Level Low

The core portfolio beta is 72.6%. The degree of delta protection is -54% while the value of beta protection is 5%. The weighted average cap is: 4400. The weighted average collar is: 4100. The weighted average floor is: 0.

The tactical PRO-EYES factor suggests that while some caution is still warranted on business cycle and valuation and that we are likely in a bear market cycle, the tactical component suggests lots of two-way opportunity is likely. The February and March weakness has moved the tactical component to oversold levels.

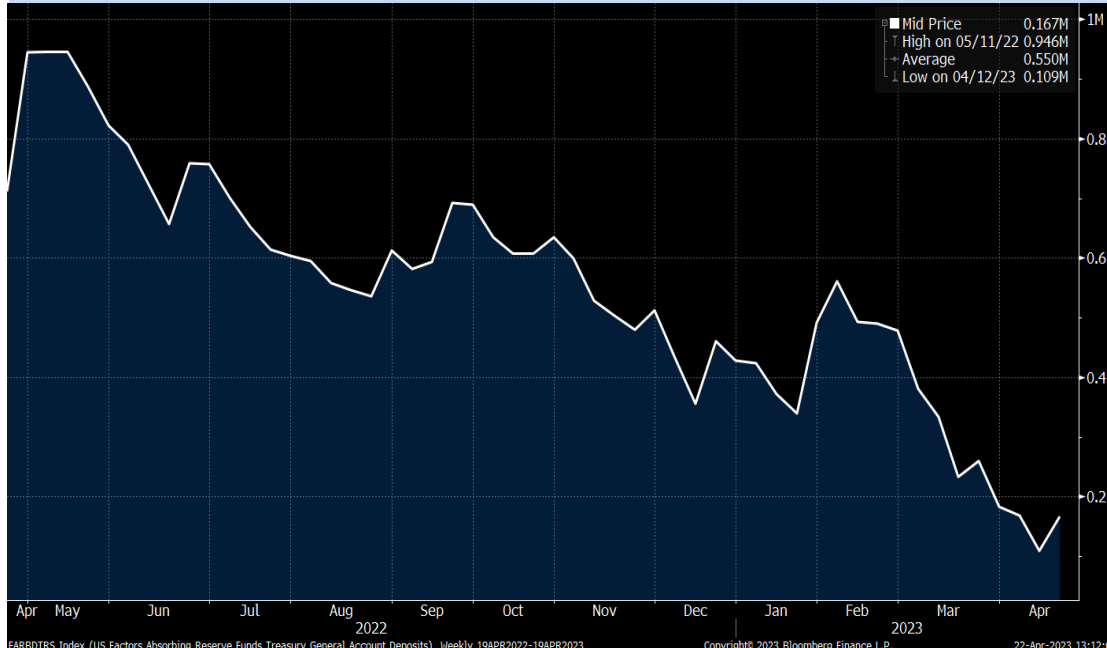
## Performance Metrics (A-Series) as of (04/21/23)

Total Return	Net	Gross	Up/Downside <sup>5</sup>	
YTD	3.87%	4.44%	Upside	22%
Prev. Month	1.00%	1.16%	Down	40%
Prev. Quarter	-1.66%	-1.18%	Mths Up	58
Prev. Year	0.61%	2.53%	Mths Dn	38
Ann. SI (04/17/15)	2.18%	4.10%		
Sharpe Ratio	0.50			
Fund Codes:	Advisor BMO99222; F-Class BMO95222			

## Top Holdings

Ticker	Name	Position
ZDM	BMO MSCI EAFE Hedged to CAD Index ETF	18.2%
ZUE	BMO S&P 500 Hedged to CAD Index ETF	14.6%
ZEM	BMO MSCI Emerging Markets Index ETF	12.8%
TLT	iShares 20+ Year Treasury Bond ETF	10.2%
ZST	BMO Ultra Short-Term Bond ETF	9.1%
VGK	Vanguard FTSE Europe ETF	3.4%
KWEB	KraneShares CSI China Internet ETF	3.2%
RYT	Invesco S&P 500 Equal Weight Technology ETF	2.5%
CIBR	First Trust NASDAQ Cybersecurity ETF	2.4%
XBI	SPDR S&P Biotech ETF	2.2%
URA	Global X Uranium ETF	2.2%
KBA	KraneShares Bosera MSCI China A 50 Connect Index ETF	2.0%
ZCLN	BMO Clean Energy Index ETF	1.9%
XLP	Consumer Staples Select Sector SPDR Fund	1.8%
FINX	Global X FinTech ETF	1.5%
BOTZ	Global X Robotics & Artificial Intelligence ETF	1.4%
MJ	ETFMG Alternative Harvest ETF	1.3%
EMLC	VanEck J. P. Morgan EM Local Currency Bond ETF	1.3%
GDX	VanEck Gold Miners ETF/USA	1.2%
FLIN	Franklin FTSE India ETF	1.1%

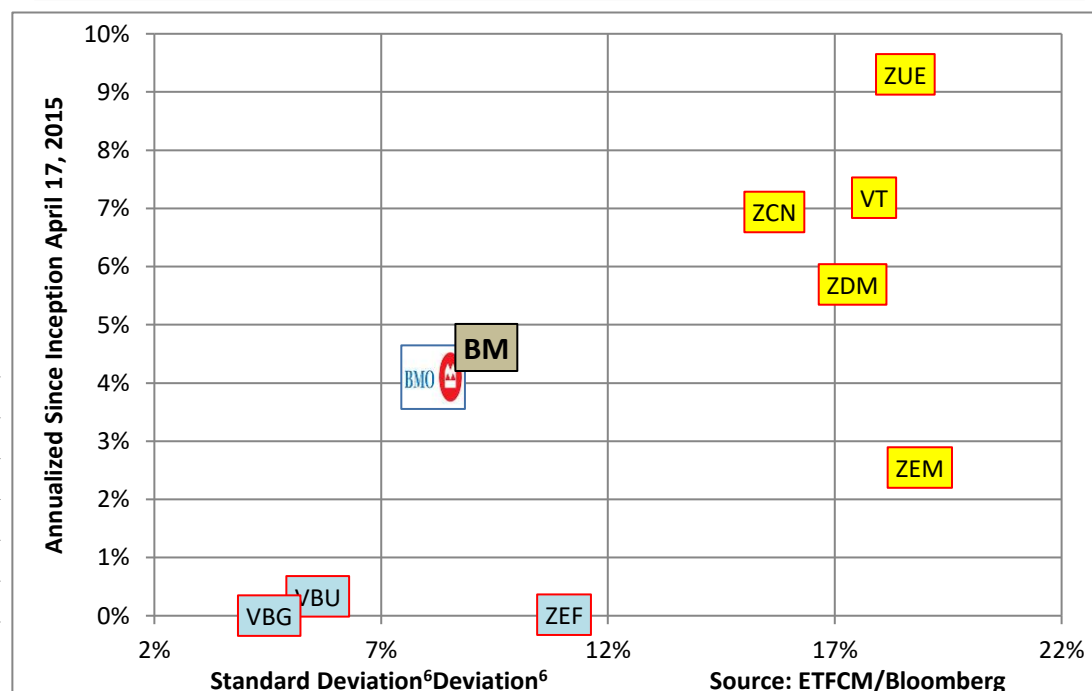
## Chart of the Week



## Defense

Core Portfolio Beta: 72.6%

## Offense



Advisor/Broker Use Only

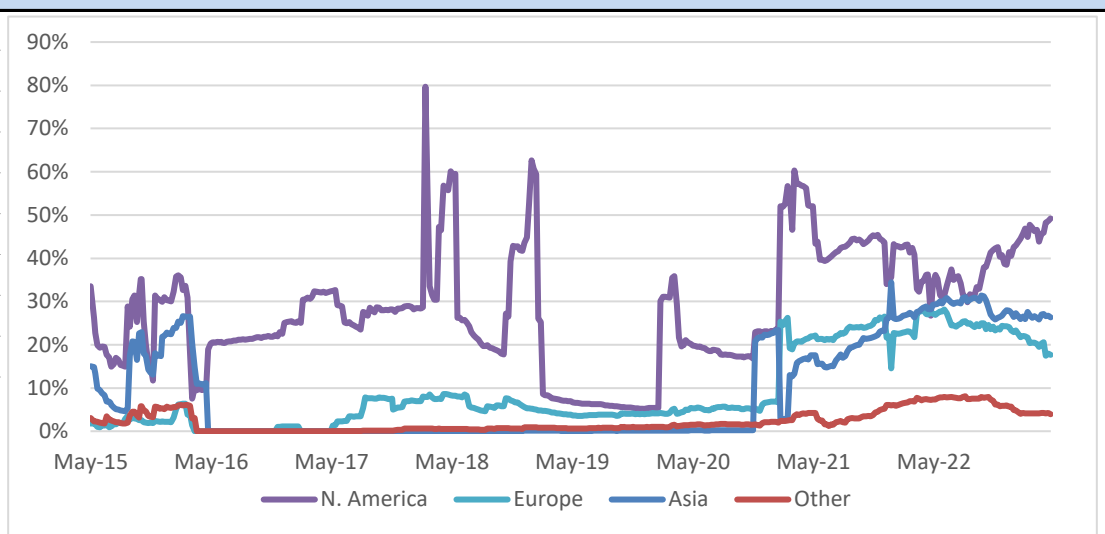
## Tactical Asset Allocation

Equity	N. America	Europe	Asia	Other
04/21/23	49.2%	17.7%	26.3%	4.0%
04/14/23	48.7%	18.0%	26.7%	4.3%
Change	0.5%	-0.3%	-0.4%	-0.3%

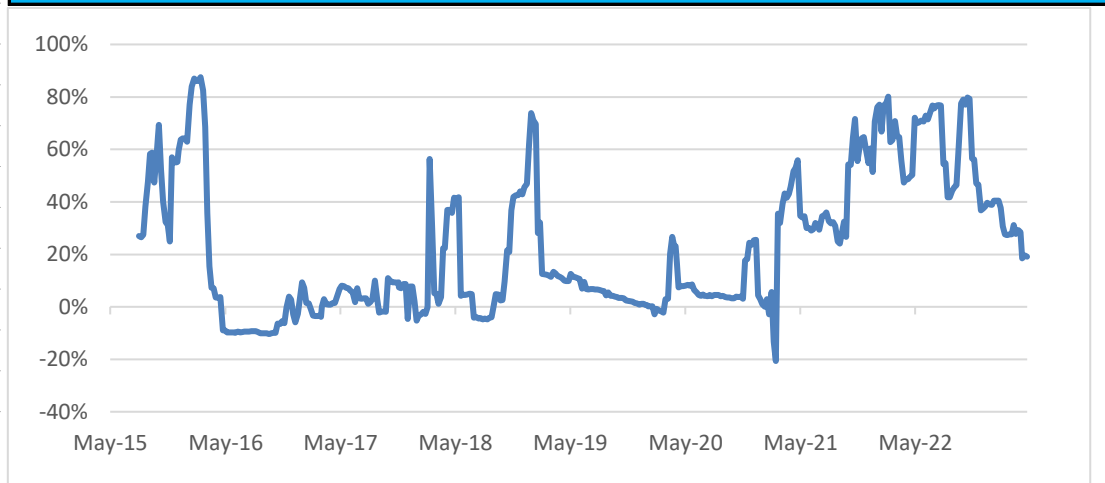
Bonds	Corp.	Govt.	Pref.	Cash
04/21/23	10.1%	12.9%	0.5%	2.1%
04/14/23	10.1%	13.7%	0.5%	1.6%
Change	0.1%	-0.7%	0.0%	0.5%

Bonds	Duration
04/21/23	7.84
04/14/23	7.88
Change	-0.03

Sector	04/21/23	04/14/23	Change	BM
Basic Materials	5.8%	5.9%	-0.1%	2.9%
Communications	8.7%	8.7%	0.0%	6.8%
Consumer, Cyclical	7.7%	7.7%	0.0%	6.9%
Consumer, Non-cyclical	16.7%	16.4%	0.2%	13.4%
Energy	5.0%	4.9%	0.1%	3.7%
Financial	16.5%	16.6%	-0.2%	17.1%
Government	12.8%	13.4%	-0.6%	27.4%
Industrial	8.4%	8.4%	0.0%	7.1%
Technology	12.3%	12.3%	0.0%	11.1%
Utilities	3.2%	3.2%	0.0%	2.7%

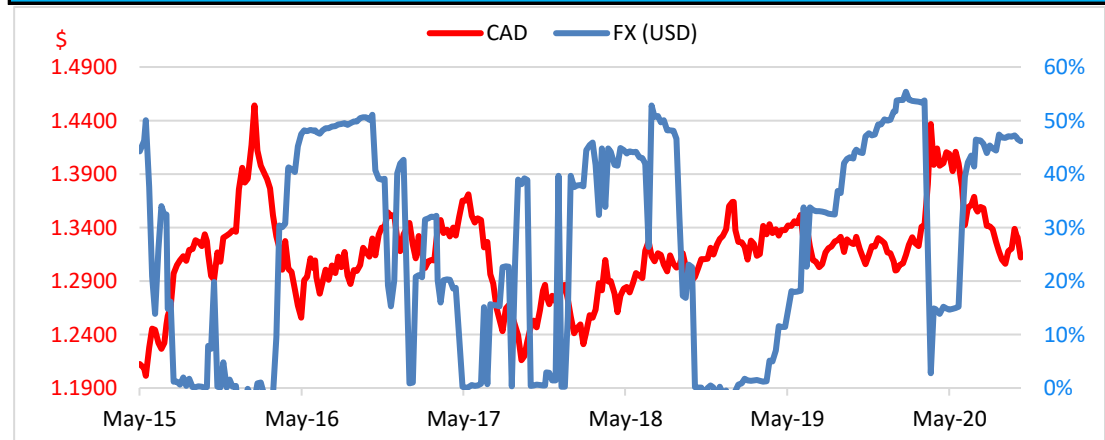


### Net Beta (Core - Protection): 19.1%



As of: 04/21/23	04/21/23	04/14/23	Change
FX (USD)	4.6%	4.9%	-0.4%
Beta <sup>2</sup>	72.6%	72.7%	0.0%
Protection	-53.5%	-53.1%	-0.4%
Correlation	88.2%	88.9%	-0.7%
Yield <sup>3</sup>	2.77%	2.79%	-0.02%
ETF Holdings	24	24	0
Volatility <sup>4</sup>	8.16%	8.15%	0.00%
CAD	1.3537	1.3374	1.2%

### 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