



# BMO Tactical Balanced ETF Fund Highlights

## Core Tactical/Strategic Portfolio Outlook/Adjustments

Looking into 2024 and reflecting on 2023, the markets are now even more overbought and the inevitable recession keeps getting kicked out. The FOMC told us last week they probably have reached nirvana where the most aggressive rate hike cycle in history will end with a Goldilocks outcome. We will continue to bet on the hard landing at the end of a business cycle like history tells us is prudent. That said, we rolled the portfolio protection for 2024 with a cap at 5200 and protection below 4700. The best value is in EM and in small caps, though neither, historically, line up well with a recession outcome. Within EM, China is increasingly a challenge. We will use rallies in China to reduce exposure and feed proceeds into country specific EM exposures. India is far more attractive longer-term. Other areas of strong performance like Uranium and cyber security have had good alpha, but we will look to trim exposure. Clean energy has been frustrating, but we have long-term conviction. We will maintain a strategic exposure around 5%. Bond duration has helped in recent weeks, and we see possible extension of the rally for several more weeks. We will return duration back to money market exposure before the next QRA (Jan 31) where we expect Yellen will use more duration issuance pushing yields back up.

## Macro Market Strategy

The FOMC believes they have accomplished their mission. The market believes a soft landing is likely. The market is fully priced for this outcome. What could go wrong with expectations so perfect? The geopolitical risk has rarely been higher and the market could care less. Crude oil tells us a recession is coming and geopolitical risks are negligible, but equities are priced for perfection. What could go wrong? Demographics suggests that labour markets remain tight for the next decade, yet inflation will get back to 2%. What could go wrong? Deficit expectations are catastrophic for decades. Bond yields are crashing lower. What could go wrong? 2024 will not likely be meet current expectations.

## Top Holdings

Ticker	Name	Position
ZEM	BMO MSCI Emerging Markets Index ETF	13.9%
RSP	Invesco S&P 500 Equal Weight ETF	13.6%
ZTL/U	BMO Long-Term US Treasury Bond Index ETF	10.5%
ZMMK	BMO Money Market Fund ETF Series	9.7%
ZUE	BMO S&P 500 Hedged to CAD Index ETF	9.3%
ZEA	BMO MSCI EAFE Index ETF	6.0%
ZDM	BMO MSCI EAFE Hedged to CAD Index ETF	6.0%
ZCLN	BMO Clean Energy Index ETF	3.9%
CIBR	First Trust NASDAQ Cybersecurity ETF	3.7%
KWEB	KraneShares CSI China Internet ETF	3.7%
XBI	SPDR S&P Biotech ETF	2.8%
FINX	Global X FinTech ETF	2.1%
XLP	Consumer Staples Select Sector SPDR Fund	2.0%
BOTZ	Global X Robotics & Artificial Intelligence ETF	1.9%
FLKR	Franklin FTSE South Korea ETF	1.9%
KBA	KraneShares Boser MSCI China A 50 Connect Index ETF	1.9%
FLIN	Franklin FTSE India ETF	1.7%
MJ	ETFMG Alternative Harvest ETF	1.5%
URA	Global X Uranium ETF	1.3%
XLI	Industrial Select Sector SPDR Fund	1.2%

## Chart of the Week



## PRO-EYES - Berman's Call

Risk Level **Low**

The core portfolio beta is 81.4%. The degree of delta protection is -35% while the value of beta protection is 48% of the portfolio. The weighted average cap is: 5200. The weighted average collar is: 4700. The weighted average floor is: 0.

The overall PRO-EYES factors suggest that we are in a very high risk position and we should have maximum defense in portfolios.

Defense

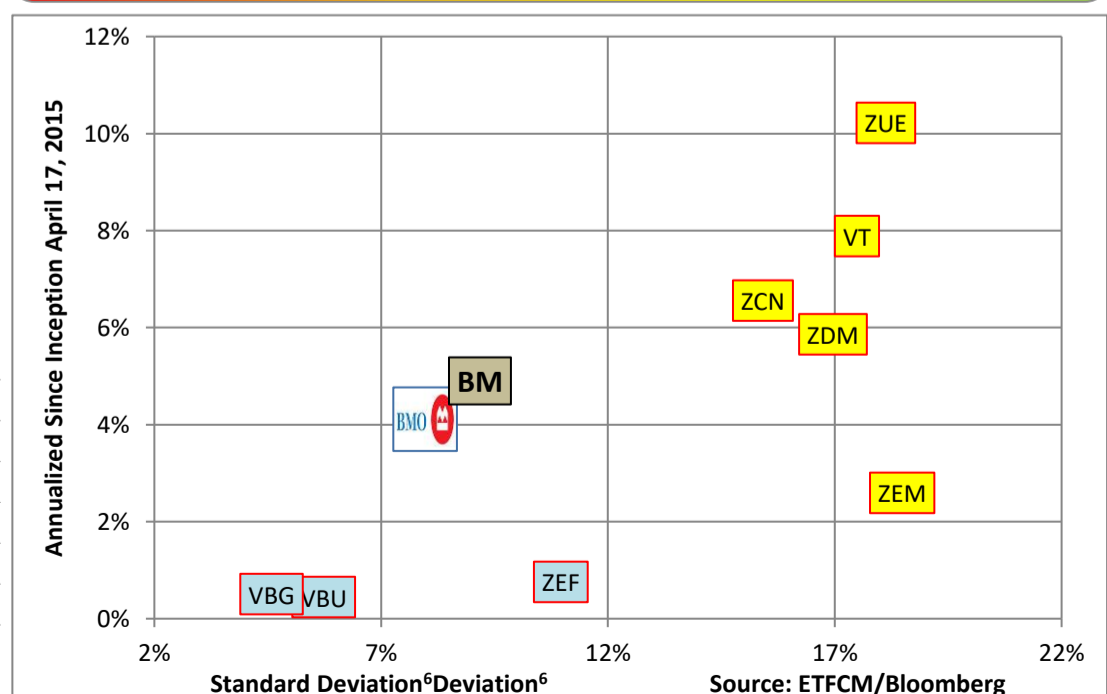
Core Portfolio Beta: **81.4%**

Offense



## Performance Metrics (A-Series) as of (12/15/23)

Total Return	Net	Gross	Up/Downside <sup>5</sup>	
YTD	5.40%	7.19%	Upside	21%
Prev. Month	3.26%	3.42%	Down	41%
Prev. Quarter	3.08%	3.56%	Mths Up	62
Prev. Year	4.86%	6.78%	Mths Dn	42
Ann. SI (04/17/15)	2.18%	4.10%		
Sharpe Ratio	0.51			
Fund Codes:	Advisor BMO99222; F-Class BMO95222			



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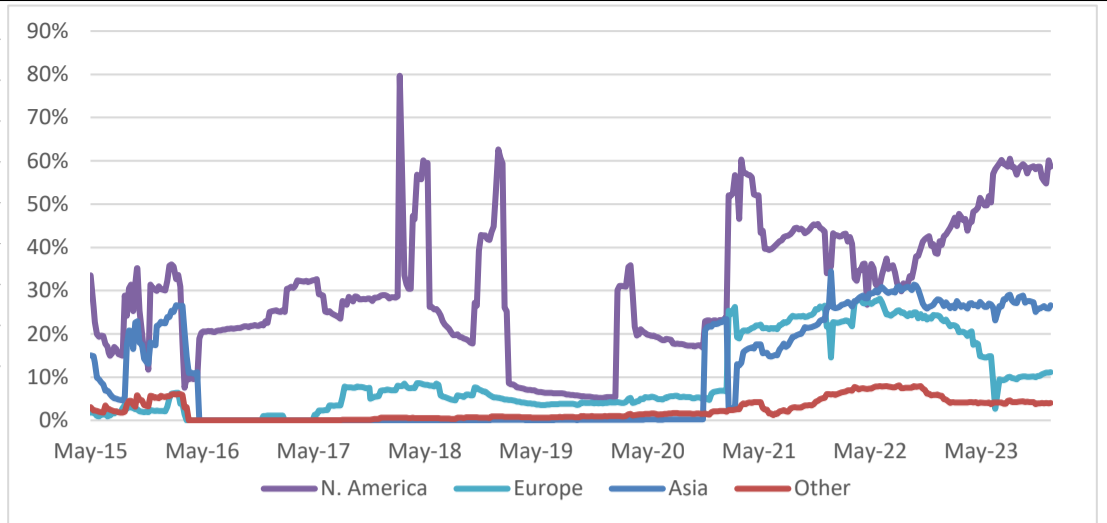
## Tactical Asset Allocation

Equity	N. America	Europe	Asia	Other
12/15/23	58.6%	11.1%	26.6%	4.0%
12/08/23	60.1%	11.1%	25.9%	4.0%
Change	-1.4%	0.0%	0.8%	0.1%

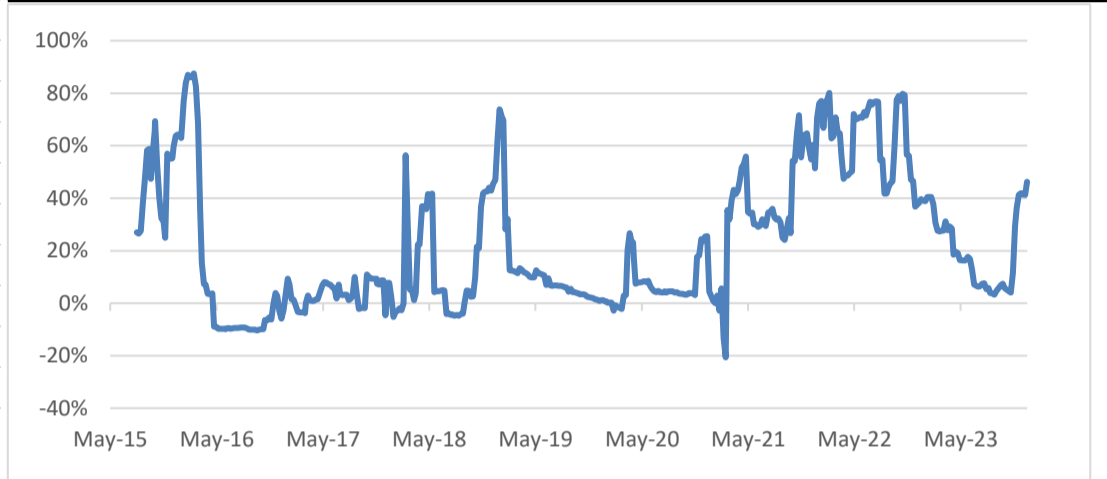
Bonds	Corp.	Govt.	Pref.	Cash
12/15/23	11.9%	11.7%	0.7%	-1.2%
12/08/23	11.3%	11.4%	0.7%	1.0%
Change	0.6%	0.3%	0.0%	-2.2%

Bonds	Duration
12/15/23	8.73
12/08/23	7.66
Change	1.07

Sector	12/15/23	12/08/23	Change	BM
Basic Materials	4.5%	4.5%	-0.1%	2.7%
Communications	8.9%	9.0%	-0.1%	7.1%
Consumer, Cyclical	7.4%	7.6%	-0.2%	6.8%
Consumer, Non-cyclical	16.7%	17.3%	-0.5%	12.7%
Energy	5.0%	5.0%	0.0%	3.7%
Financial	11.9%	12.3%	-0.4%	16.8%
Government	20.7%	20.0%	0.7%	26.1%
Industrial	8.7%	8.9%	-0.2%	6.8%
Technology	13.0%	12.8%	0.2%	11.9%
Utilities	3.5%	3.6%	-0.1%	1.6%

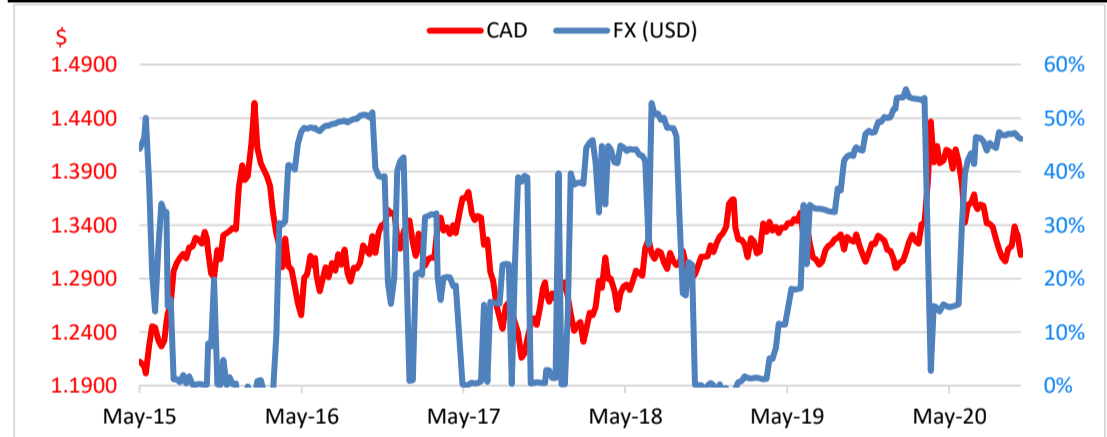


### Net Beta (Core - Protection): 46.3%



As of: 12/15/23	12/15/23	12/08/23	Change
FX (USD)	12.1%	9.8%	2.4%
Beta <sup>2</sup>	81.4%	82.9%	-1.5%
Protection	-35.1%	-41.6%	6.5%
Correlation	102.0%	104.0%	-2.1%
Yield <sup>3</sup>	2.18%	2.80%	-0.62%
ETF Holdings	23	22	1
Volatility <sup>4</sup>	7.98%	8.00%	-0.03%
CAD	1.3380	1.3583	-1.5%

### 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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