



# BMO Tactical Balanced ETF Fund Highlights

## Core Tactical/Strategic Portfolio Outlook/Adjustments

Upside capture in November was 133% of the global balanced benchmark. This underscores the nature of grabbing more upside capture when we have no volatility protection in place, which we did not for most of the past few months. Even as we added the protection at an average collar of about 3930 (we added a permanent descriptor of the cap, collar, and floor levels below), we did not give up much upside capture. After digesting the Powell comments and US employment and inflation numbers, we conclude the FOMC's job is next to impossible for a soft landing scenario, which makes earnings/markets even more vulnerable forward P/Es at 20x are out to lunch versus our 200 EPS guestimate for 2023. Tis the season to guess what will happen to the economy next year. We made no trades last week. We are looking to trim up some higher beta exposure that is getting a bit overbought on this rally replacing it with some lower cyclical risk exposure. We also cut duration in the bond portfolio as we expect QT and Treasury issuance to weigh on markets in the coming months now that yields have declined. It's clear that the curve inversion is highly predictive of the economic pain coming to EPS and Mian Street.

## 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) has caught them up to the curve and the terminal rate is now expected in q1/23 around 4.75-5.00%. We have a strong probability of a recession in 2023. The odds that we see EPS growth in a recession is close to zero. Base don history of the post WW2 period, we can expect a decline in earnings of about 10%. So we are working off a \$200 EPS number for 2023 and with a 16x multiple, a test of 3200 seems likely at some point. We are prudently protecting risk to this point in our options protection for 2023.

## PRO-EYES - Berman's Call

Risk Level **Low**

The core portfolio beta is 79.0%. The degree of delta protection is -42% while the value of beta protection is 53%. The weighted average cap is: 4400. The weighted average collar is: 3931. The weighted average floor is: 3200.

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 is well set up for a Q4 rally. This suggests that the tactical protection will become a very important part of managing volatility in the coming quarters. Correlations themselves are increasingly volatile.

## Performance Metrics (A-Series) as of (12/02/22)

Total Return	Net	Gross	Up/Downside <sup>5</sup>	
YTD	-3.79%	-2.07%	Upside	20%
Prev. Month	10.91%	11.07%	Down	38%
Prev. Quarter	6.54%	7.02%	Mths Up	56
Prev. Year	-2.99%	-1.07%	Mths Dn	36
Ann. SI (04/17/15)	2.03%	3.95%		
Sharpe Ratio	0.48			
Fund Codes:	Advisor BMO99222; F-Class BMO95222			

## Top Holdings

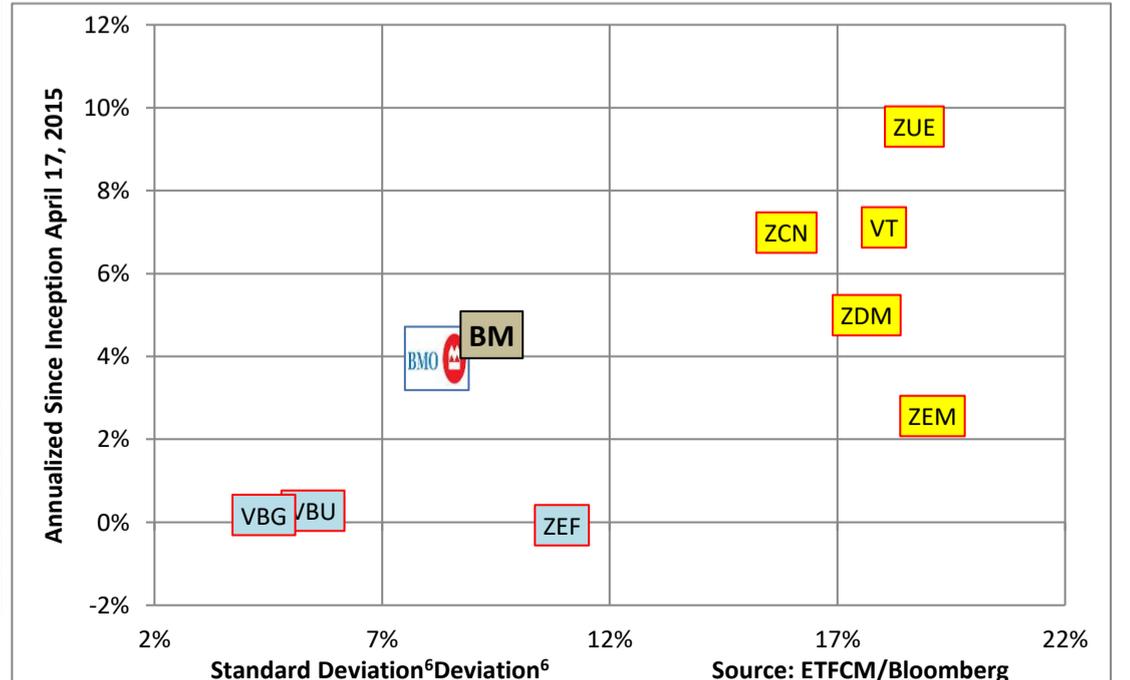
Ticker	Name	Position
ZUE	BMO S&P 500 Hedged to CAD Index ETF	13.3%
ZEM	BMO MSCI Emerging Markets Index ETF	12.1%
ZEA	BMO MSCI EAFE Index ETF	11.1%
ZDM	BMO MSCI EAFE Hedged to CAD Index ETF	10.8%
TLT	iShares 20+ Year Treasury Bond ETF	9.0%
EMLC	VanEck J. P. Morgan EM Local Currency Bond ETF	6.1%
VGK	Vanguard FTSE Europe ETF	5.7%
GDX	VanEck Gold Miners ETF/USA	3.9%
KWEB	KraneShares CSI China Internet ETF	3.1%
ZMT	BMO Equal Weight Global Base Metals Hedged to CAD Index ETF	2.5%
MJ	ETFMG Alternative Harvest ETF	2.4%
URA	Global X Uranium ETF	2.2%
SMH	VanEck Semiconductor ETF	2.1%
ZCLN	BMO Clean Energy Index ETF	1.9%
CIBR	First Trust NASDAQ Cybersecurity ETF	1.9%
XLP	Consumer Staples Select Sector SPDR Fund	1.7%
FLIN	Franklin FTSE India ETF	1.2%
BOTZ	Global X Robotics & Artificial Intelligence ETF	1.2%
FINX	Global X FinTech ETF	1.1%
PAVE	Global X US Infrastructure Development ETF	0.8%

## Chart of the Week



SPX Index (S&P 500 INDEX) SPX vs. EPS Daily 03JAN2022-03DEC2022 Copyright© 2022 Bloomberg Finance L.P. 03-Dec-2022 11:54:31

Defense **Core Portfolio Beta: 79.0%** Offense



Source: ETFCM/Bloomberg

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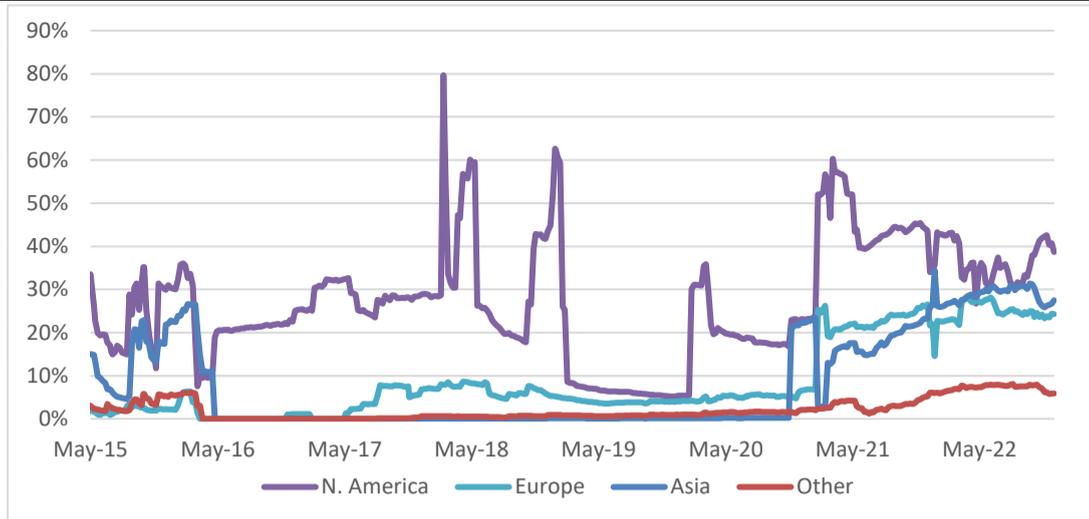
## Tactical Asset Allocation

Equity	N. America	Europe	Asia	Other
12/02/22	38.7%	24.3%	27.5%	5.9%
11/25/22	40.7%	24.4%	26.7%	5.9%
Change	-2.0%	-0.1%	0.8%	0.0%

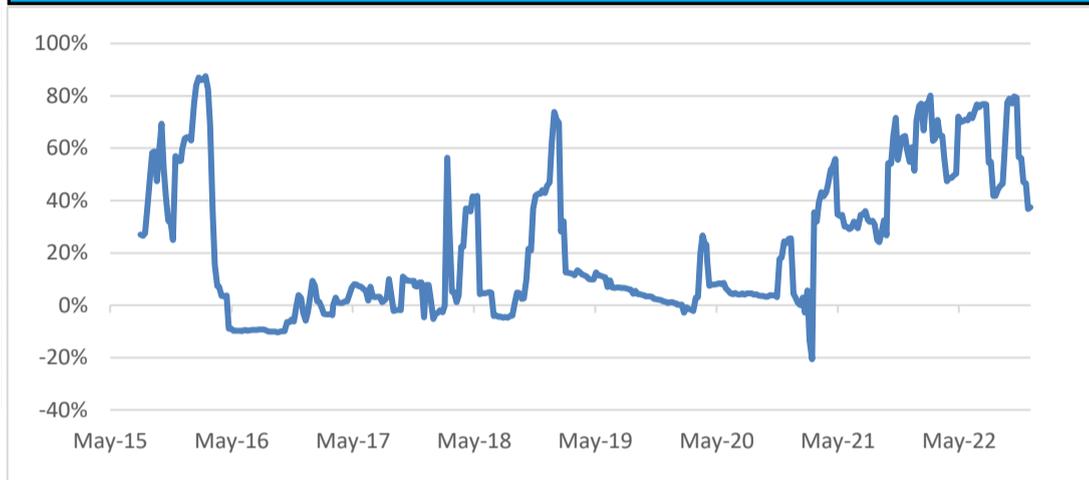
Bonds	Corp.	Govt.	Pref.	Cash
12/02/22	0.9%	16.1%	0.4%	4.8%
11/25/22	0.9%	18.1%	0.4%	3.5%
Change	0.0%	-2.0%	0.0%	1.2%

Bonds	Duration
12/02/22	9.02
11/25/22	10.14
Change	-1.13

Sector	12/02/22	11/25/22	Change	BM
Basic Materials	11.3%	11.1%	0.2%	2.8%
Communications	7.7%	7.2%	0.5%	6.8%
Consumer, Cyclical	7.0%	6.9%	0.1%	6.8%
Consumer, Non-cyclical	16.3%	16.3%	0.1%	13.8%
Energy	4.4%	4.4%	0.0%	3.7%
Financial	11.9%	12.0%	0.0%	17.0%
Government	15.4%	17.3%	-2.0%	24.9%
Industrial	8.1%	8.1%	0.0%	6.6%
Technology	11.4%	11.4%	0.0%	10.2%
Utilities	2.8%	2.8%	0.0%	2.6%

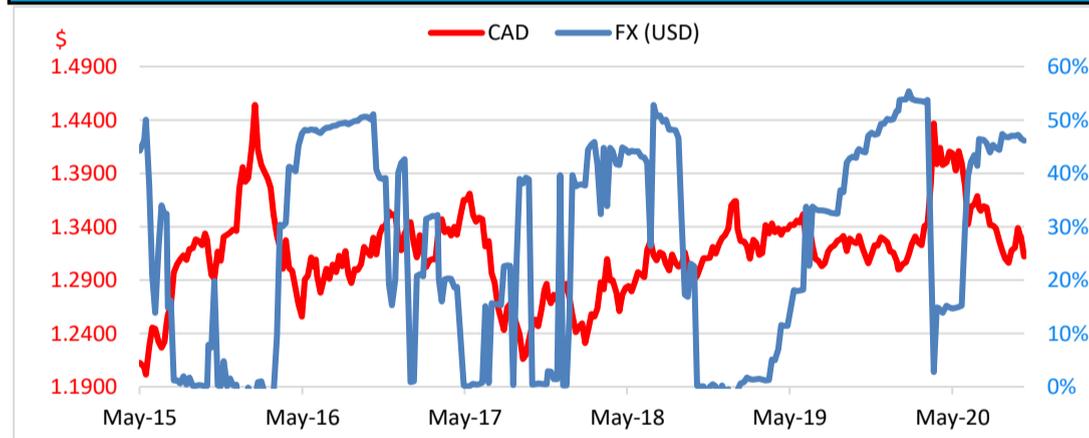


### Net Beta (Core - Protection): 37.3%



As of: 12/02/22	12/02/22	11/25/22	Change
FX (USD)	1.1%	-0.6%	1.8%
Beta <sup>2</sup>	79.0%	78.9%	0.1%
Protection	-41.7%	-42.2%	0.5%
Correlation	95.2%	97.0%	-1.8%
Yield <sup>3</sup>	2.91%	2.98%	-0.07%
ETF Holdings	24	24	0
Volatility <sup>4</sup>	8.21%	8.18%	0.03%
CAD	1.3468	1.3380	0.7%

### 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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