



BMO Tactical Balanced ETF Fund Highlights

Core Tactical/Strategic Portfolio Outlook/Adjustments

We are expecting bond yields to drift higher in the coming months as an estimate \$540B in supply is needed next quarter with about 75% of it funded with coupons. We will get the details of the fiscal need on Aug 2. This should push long bonds towards 4.25%. We expect to be max duration on fixed income around 4.50%. Until we get there, duration will be a good asset class to trade and add some alpha. We do not expect a rate cut until the economy breaks and a hard landing scenario plays out. Last week we added duration as long UST yields broke above 4% again. The trend in long rates is clearly grinding higher. We expect this week's QRA should break yields towards the 2022 extremes. Recall that equity valuations at the 2022 yield extremes were much lower. We took profits in technology (RSPT) and added to clean energy (ZCLN).

Macro Market Strategy

Our macro indicators suggest a high degree of caution. We believe the message in the yield curve is a hard landing. However, market positioning is very different. While central banks have tried to tighten financial conditions, equity indexes are significantly offsetting. Debt financing is being done in the Bills market, which is favourable for risk premiums. While the behaviour of the tape is encouraging as breadth improves, the leadership stocks remain at extreme valuations. We expect central banks' message of higher for longer should eventually cause a hard landing. The end of the business cycle is a process not an event. We maintain a high degree of protection in the portfolio, which has been a negative in Q2. The market is looking forward to an easing cycle and we believe inflation trends will limit the ability to stimulate compared to past cycles (post 1980s).

Top Holdings

Ticker	Name	Position
ZEM	BMO MSCI Emerging Markets Index ETF	16.9%
RSP	Invesco S&P 500 Equal Weight ETF	16.0%
TLT	iShares 20+ Year Treasury Bond ETF	11.7%
ZDM	BMO MSCI EAFE Hedged to CAD Index ETF	10.9%
ZUE	BMO S&P 500 Hedged to CAD Index ETF	8.9%
ZST	BMO Ultra Short-Term Bond ETF	7.2%
KWEB	KraneShares CSI China Internet ETF	3.9%
CIBR	First Trust NASDAQ Cybersecurity ETF	2.9%
URA	Global X Uranium ETF	2.7%
XBI	SPDR S&P Biotech ETF	2.5%
ZCLN	BMO Clean Energy Index ETF	2.3%
KBA	KraneShares Boser MSCI China A 50 Connect Index ETF	2.1%
XLP	Consumer Staples Select Sector SPDR Fund	2.0%
FINX	Global X FinTech ETF	1.9%
FLKR	Franklin FTSE South Korea ETF	1.9%
BOTZ	Global X Robotics & Artificial Intelligence ETF	1.8%
MJ	ETFMG Alternative Harvest ETF	1.4%
FLIN	Franklin FTSE India ETF	1.4%
GDX	VanEck Gold Miners ETF/USA	1.2%
XLI	Industrial Select Sector SPDR Fund	1.0%

Chart of the Week



PRO-EYES - Berman's Call

Risk Level **Low**

The core portfolio beta is 77.0%. The degree of delta protection is -72% while the value of beta protection is 75% of the portfolio. The weighted average cap is: 4400. The weighted average collar is: 4300. The weighted average floor is: 0.

The overall PRO-EYES factors suggest that we are in a period of very high caution. Tactically, we are seeing some extreme overbought readings that suggest a high probability of a correction of more than 11% is likely.

Defense

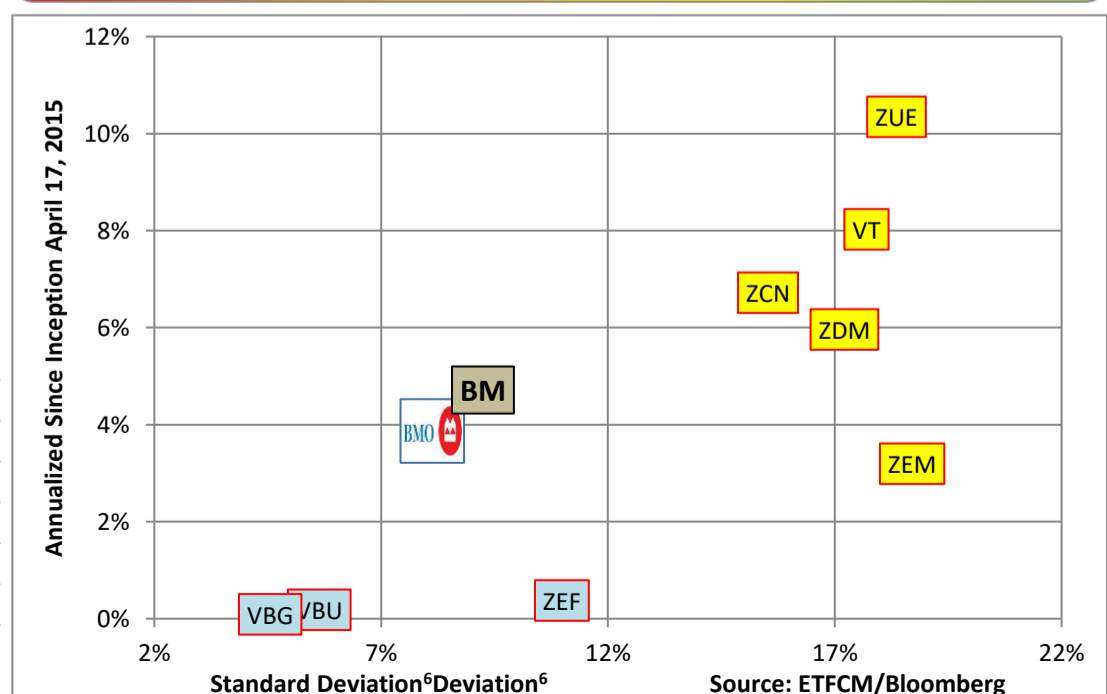
Core Portfolio Beta: **77.0%**

Offense



Performance Metrics (A-Series) as of (07/28/23)

Total Return	Net	Gross	Up/Downside ⁵	
YTD	2.49%	3.56%	Upside	21%
Prev. Month	0.53%	0.69%	Down	41%
Prev. Quarter	-1.18%	-0.70%	Mths Up	60
Prev. Year	5.02%	6.94%	Mths Dn	39
Ann. SI (04/17/15)	1.94%	3.86%		
Sharpe Ratio	0.47			
Fund Codes:	Advisor BMO99222; F-Class BMO95222			



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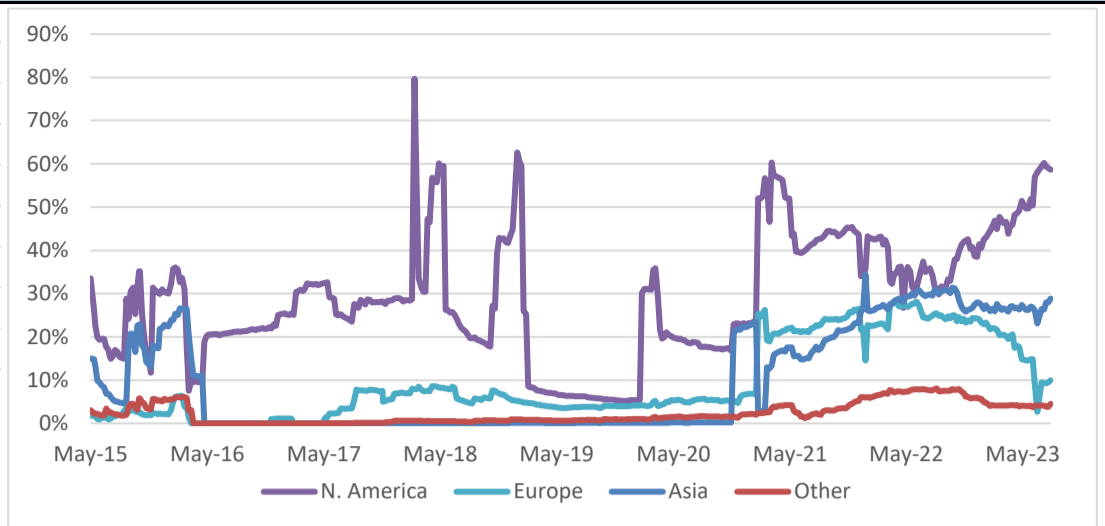
Tactical Asset Allocation

Equity	N. America	Europe	Asia	Other
07/28/23	58.6%	10.0%	28.9%	4.6%
07/21/23	59.0%	9.5%	28.0%	3.9%
Change	-0.4%	0.5%	0.9%	0.7%

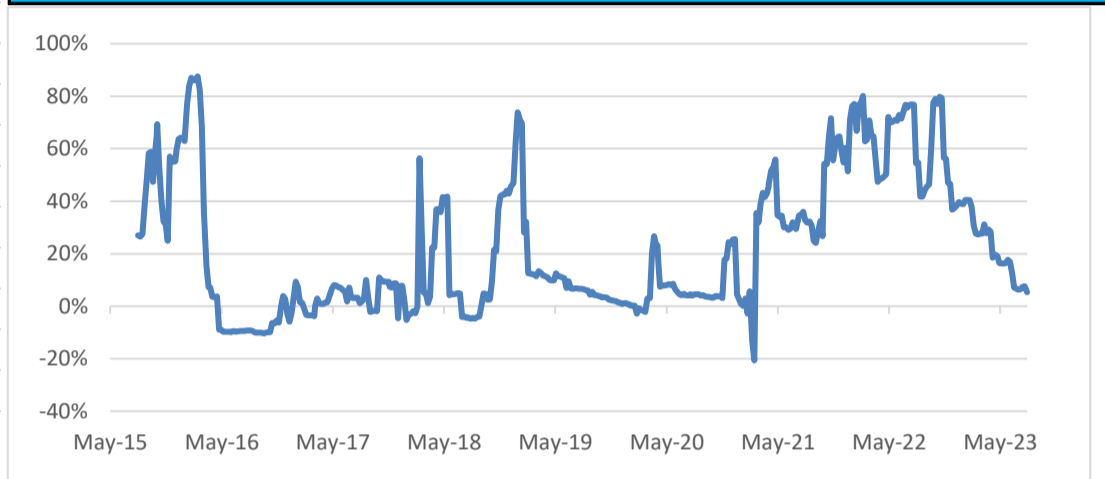
Bonds	Corp.	Govt.	Pref.	Cash
07/28/23	8.5%	13.5%	0.6%	2.7%
07/21/23	9.1%	11.5%	0.6%	3.3%
Change	-0.6%	2.1%	0.0%	-0.6%

Bonds	Duration
07/28/23	8.77
07/21/23	7.60
Change	1.17

Sector	07/28/23	07/21/23	Change	BM
Basic Materials	6.5%	6.1%	0.3%	2.7%
Communications	9.8%	9.8%	0.1%	6.9%
Consumer, Cyclical	8.6%	8.6%	-0.1%	7.1%
Consumer, Non-cyclical	16.8%	16.5%	0.4%	13.0%
Energy	5.1%	4.9%	0.1%	3.4%
Financial	17.2%	16.9%	0.3%	16.1%
Government	12.7%	10.0%	2.7%	25.7%
Industrial	9.5%	9.4%	0.1%	7.0%
Technology	12.5%	15.1%	-2.5%	12.3%
Utilities	3.2%	3.0%	0.2%	2.5%

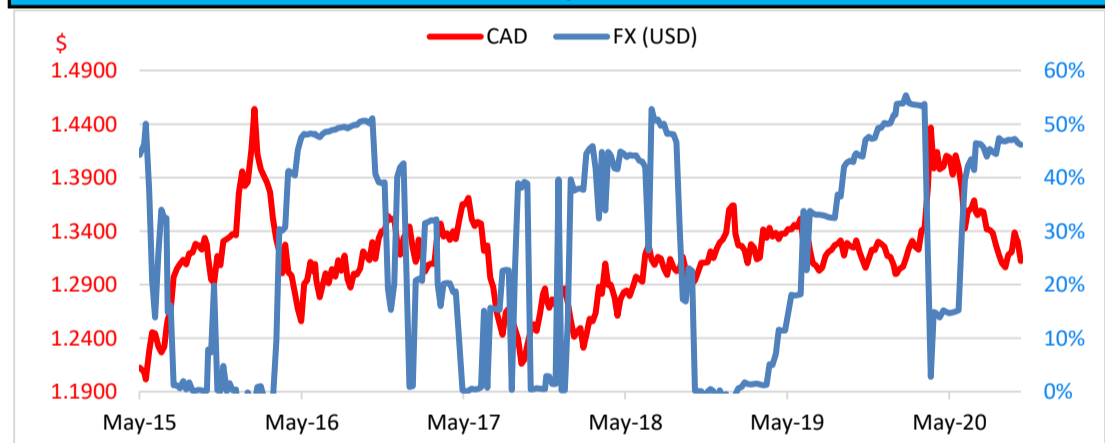


Net Beta (Core - Protection): 5.4%



As of: 07/28/23	07/28/23	07/21/23	Change
FX (USD)	24.0%	25.2%	-1.2%
Beta ²	77.0%	78.0%	-1.0%
Protection	-71.7%	-70.4%	-1.3%
Correlation	86.9%	86.9%	0.0%
Yield ³	2.67%	2.65%	0.02%
ETF Holdings	22	23	-1
Volatility ⁴	8.14%	8.20%	-0.07%
CAD	1.3237	1.3224	0.1%

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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