



# BMO Tactical Balanced ETF Fund Highlights

## Core Tactical/Strategic Portfolio Outlook/Adjustments

Last week we took profits on some of our EAFE currency exposure moving back to a fully hedged position. When hedging a currency with a lower interest rate, the cost of hedging is net contribution to returns. The EURCAD rate hit out 1.50 target that triggers the shift. The chart of the week shows the value added to the portfolio. We picked up 350bps on about a 5.8% position, which added about 20 bps to the portfolio. We will look to unhedged that exposure when oil prices rally again. If the market believes in the soft landing scenario and the rebuilding of the SPR is starting, WTI should be closer to \$90 than \$70 by mid 2024. EURCAD should be aback below 1.45 where we put the trade on in late September. On the bond side, we cut duration again as the US 30-year tested 4.50%. Despite the recent bond rally, the inevitability of massive coupon supply in 2024 should limit the markets ability to rally. When the recession actually hits, bonds will likely rally more, but supply will likely limit upside for 30s to something above 4.00% and 10s to about 3.75%. While yield above 5% are seen as very attractive risk premia.

## Macro Market Strategy

While it appears now that we are much closer to the terminal rate, we do not see an easing until the market and Main Street feels more pain. The FOMC does not expect inflation to return to target until 2025, which suggests that higher for longer is here well into 2024. Main street has felt no pain yet given the employment situation is still relatively strong. Historically, we do not see the bottom is in until Main Street feels the recession. It does not have to be deep, but no cycle in history has ever bottomed at full employment. Inflation is unlikely to get back towards the Feds target without some labour market pain that the FOMC is willing to endure to make sure inflation expectations are grounded. A soft landing is an extremely low probability that is fully priced in.

## Top Holdings

| Ticker | Name   | Position |
|--------|--|----------|
| RSP    | Invesco S&P 500 Equal Weight ETF                     | 16.7%    |
| ZEM    | BMO MSCI Emerging Markets Index ETF                  | 13.7%    |
| ZDM    | BMO MSCI EAFE Hedged to CAD Index ETF                | 11.7%    |
| ZTL/U  | BMO Long-Term US Treasury Bond Index ETF             | 10.8%    |
| ZUE    | BMO S&P 500 Hedged to CAD Index ETF                  | 8.9%     |
| TLT    | iShares 20+ Year Treasury Bond ETF                   | 4.9%     |
| KWEB   | KraneShares CSI China Internet ETF                   | 3.8%     |
| ZCLN   | BMO Clean Energy Index ETF                           | 3.5%     |
| CIBR   | First Trust NASDAQ Cybersecurity ETF                 | 3.3%     |
| XBI    | SPDR S&P Biotech ETF                                 | 2.4%     |
| XLP    | Consumer Staples Select Sector SPDR Fund             | 2.0%     |
| KBA    | KraneShares Bosera MSCI China A 50 Connect Index ETF | 2.0%     |
| FLKR   | Franklin FTSE South Korea ETF                        | 1.9%     |
| FINX   | Global X FinTech ETF                                 | 1.9%     |
| BOTZ   | Global X Robotics & Artificial Intelligence ETF      | 1.8%     |
| FLIN   | Franklin FTSE India ETF                              | 1.6%     |
| MJ     | ETFMG Alternative Harvest ETF                        | 1.5%     |
| URA    | Global X Uranium ETF                                 | 1.3%     |
| XLI    | Industrial Select Sector SPDR Fund                   | 1.1%     |
| FLBR   | Franklin FTSE Brazil ETF                             | 0.9%     |

## Chart of the Week



## PRO-EYES - Berman's Call

Risk Level **Low**

The core portfolio beta is 83.1%. The degree of delta protection is -41% while the value of beta protection is 82% of the portfolio. The weighted average cap is: 4400. The weighted average collar is: 4300. The weighted average floor is: 3800.

The overall PRO-EYES factors suggest that we are in a neutral period with longer-term caution concerns. The recent oversold condition as been neutralized in 3 trading days.

Defense

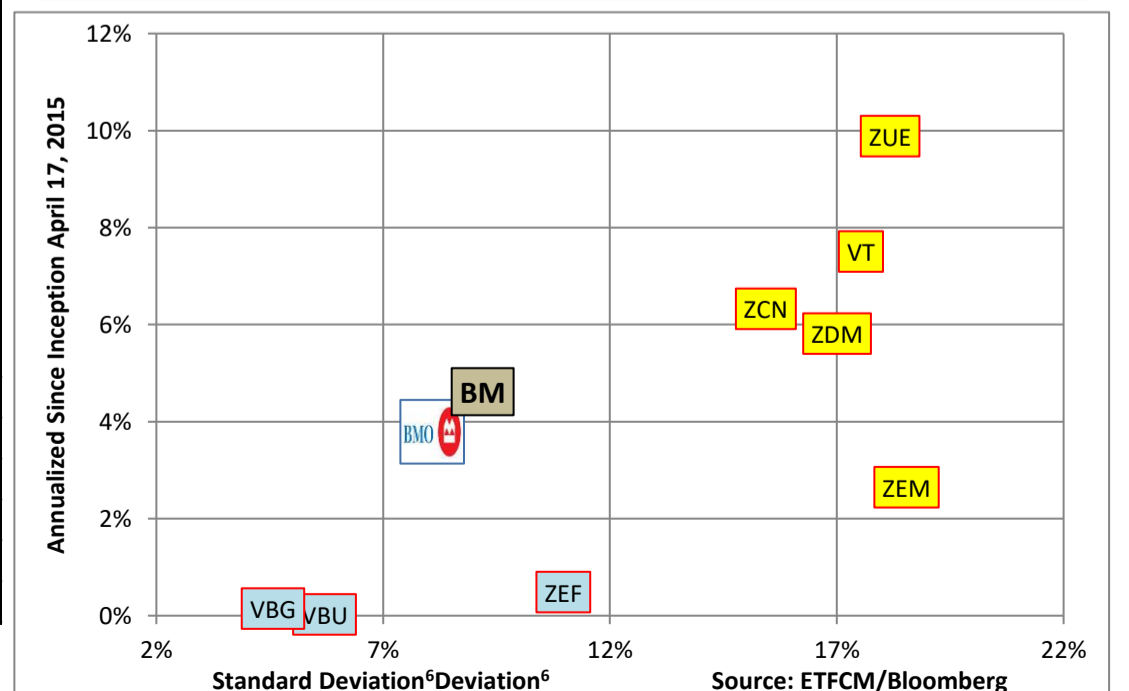
Core Portfolio Beta: 83.1%

Offense



## Performance Metrics (A-Series) as of (11/24/23)

| Total Return       | Net                                | Gross | Up/Downside <sup>5</sup> |     |
|--------------------|------------------------------------|-------|--------------------------|-----|
| YTD                | 2.47%                              | 4.15% | Upside                   | 21% |
| Prev. Month        | 3.43%                              | 3.59% | Down                     | 41% |
| Prev. Quarter      | 1.05%                              | 1.53% | Mths Up                  | 61  |
| Prev. Year         | 2.92%                              | 4.84% | Mths Dn                  | 42  |
| Ann. SI (04/17/15) | 1.87%                              | 3.79% |                          |     |
| Sharpe Ratio       | 0.47                               |       |                          |     |
| Fund Codes:        | Advisor BMO99222; F-Class BMO95222 |       |                          |     |



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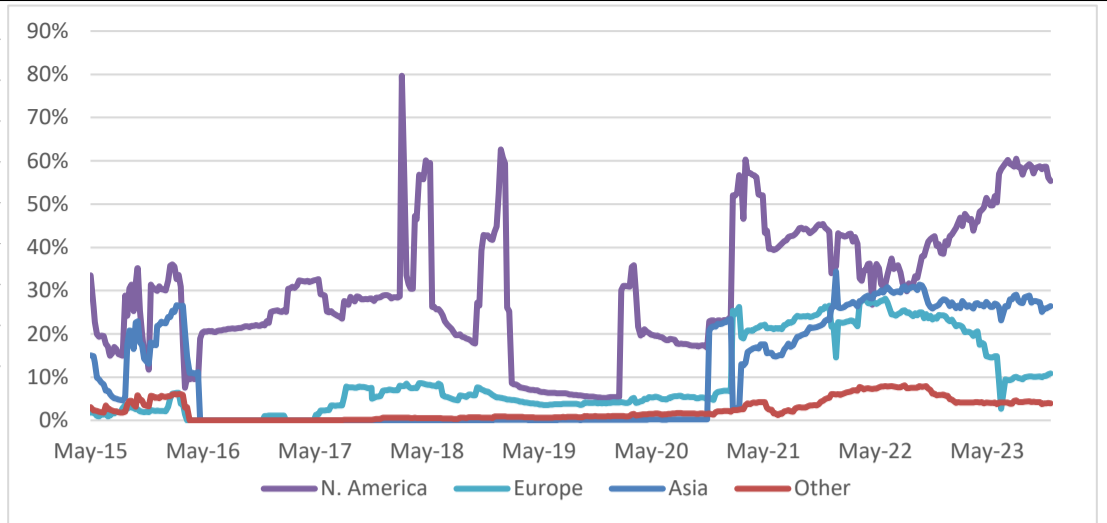
## Tactical Asset Allocation

| Equity   | N. America | Europe | Asia  | Other |
|----------|------------|--------|-------|-------|
| 11/24/23 | 55.3%      | 10.9%  | 26.4% | 4.0%  |
| 11/17/23 | 56.2%      | 10.7%  | 26.1% | 4.0%  |
| Change   | -0.9%      | 0.2%   | 0.3%  | -0.1% |

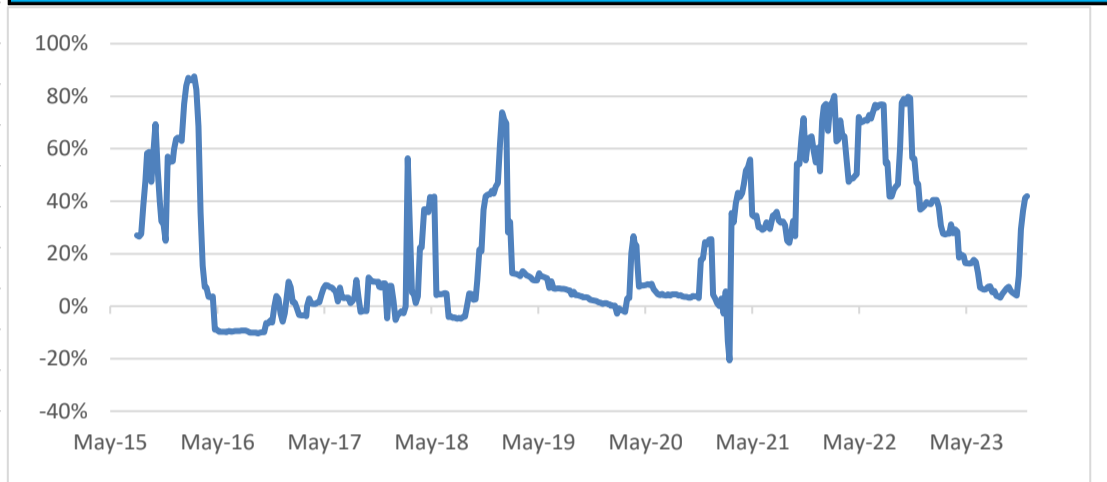
| Bonds    | Corp. | Govt. | Pref. | Cash |
|----------|-------|-------|-------|------|
| 11/24/23 | 12.0% | 6.7%  | 0.6%  | 5.1% |
| 11/17/23 | 12.0% | 8.0%  | 0.6%  | 4.2% |
| Change   | 0.0%  | -1.3% | 0.0%  | 0.9% |

| Bonds    | Duration |
|----------|----------|
| 11/24/23 | 11.47    |
| 11/17/23 | 12.22    |
| Change   | -0.75    |

| Sector                 | 11/24/23 | 11/17/23 | Change | BM    |
|------------------------|----------|----------|--------|-------|
| Basic Materials        | 4.5%     | 4.5%     | 0.0%   | 2.7%  |
| Communications         | 9.1%     | 8.9%     | 0.2%   | 7.2%  |
| Consumer, Cyclical     | 7.6%     | 7.5%     | 0.1%   | 6.8%  |
| Consumer, Non-cyclical | 16.9%    | 16.7%    | 0.2%   | 12.7% |
| Energy                 | 5.0%     | 5.0%     | 0.0%   | 3.7%  |
| Financial              | 12.2%    | 12.1%    | 0.1%   | 16.9% |
| Government             | 16.2%    | 17.5%    | -1.3%  | 26.1% |
| Industrial             | 8.7%     | 8.7%     | 0.1%   | 6.8%  |
| Technology             | 12.6%    | 12.6%    | 0.1%   | 12.0% |
| Utilities              | 3.6%     | 3.6%     | 0.0%   | 1.6%  |

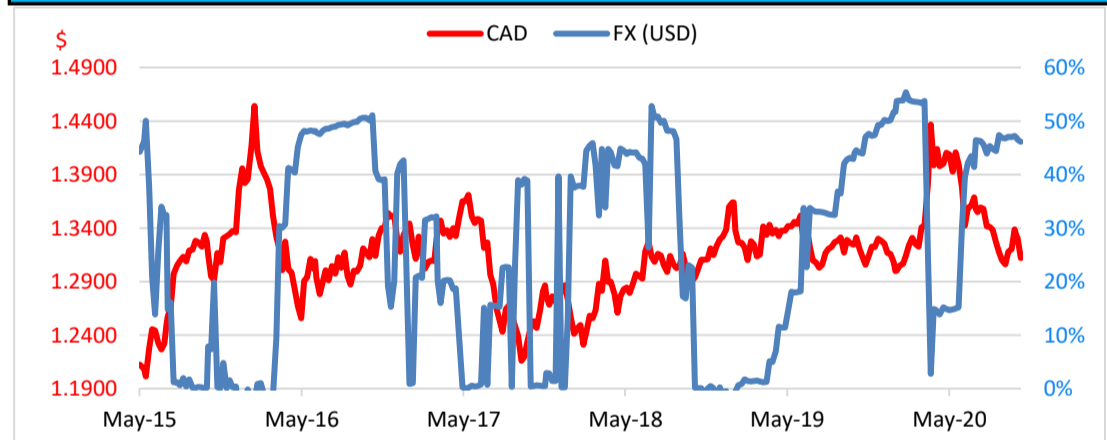


### Net Beta (Core - Protection): 41.9%



| As of: 11/24/23         | 11/24/23 | 11/17/23 | Change |
|-------------------------|----------|----------|--------|
| FX (USD)                | 3.2%     | 3.0%     | 0.2%   |
| Beta <sup>2</sup>       | 83.1%    | 82.4%    | 0.7%   |
| Protection              | -41.1%   | -41.2%   | 0.1%   |
| Correlation             | 107.6%   | 108.2%   | -0.7%  |
| Yield <sup>3</sup>      | 2.69%    | 2.70%    | -0.02% |
| ETF Holdings            | 22       | 23       | -1     |
| Volatility <sup>4</sup> | 8.09%    | 8.11%    | -0.02% |
| CAD                     | 1.3636   | 1.3723   | -0.6%  |

### 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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