



# BMO Tactical Balanced ETF Fund Highlights

## Core Tactical/Strategic Portfolio Outlook/Adjustments

We rolled 5% downside protection to Dec 31 with no upside covered call for now. Seasonality is strongest in Q4, so corrections could be modest and dips will likely be bought. The beginning of Fed tapering should begin to weigh on markets in 2022 and the strength of earnings points to a melt-up potential into yearend. We are not bullish, but the risk-on desire remains strong. We reduced gold exposure GDV. The weakness in Emerging Markets is still seen as a buying opportunity and we are getting closer to adding in Brazil, China and India. We added to EM Debt (EMLC) last week that remains the most compelling yield story in global debt markets.

## Top Holdings

Ticker	Name	Position
ZEA	BMO MSCI EAFE Index ETF	31.6%
ZSP	BMO S&P 500 Index ETF	24.2%
ZUE	BMO S&P 500 Hedged to CAD Index ETF	7.9%
EMLC	VanEck J. P. Morgan EM Local Currency Bond ETF	7.8%
GDV	VanEck Gold Miners ETF/USA	4.7%
ZEM	BMO MSCI Emerging Markets Index ETF	3.2%
XLE	Energy Select Sector SPDR Fund	2.2%
KWEB	KraneShares CSI China Internet ETF	1.6%
ZCLN	BMO Clean Energy Index ETF	1.5%
KBA	KraneShares Boser MSCI China A ETF	1.4%
ZMT	BMO Equal Weight Global Base Metals Hedged to CAD Index ETF	1.3%
PAVE	Global X US Infrastructure Development ETF	1.2%
URA	Global X Uranium ETF	1.2%
HMMJ	Horizons Marijuana Life Sciences Index ETF	1.0%
ZPR	BMO Laddered Preferred Share Index ETF	1.0%
ZUS/U	BMO Ultra Short-Term US Bond ETF	0.9%
FLIN	Franklin FTSE India ETF	0.8%
ZUP	BMO US Preferred Share Index ETF	0.5%
CIBR	First Trust NASDAQ Cybersecurity ETF	0.4%
ZRR	BMO Real Return Bond Index ETF	0.4%

## Macro Market Strategy

The FOMC will most likely start the taper in November and it is targeted to end by mid 2022. We see more than \$1T of new debt that needs to be funded in fiscal 2022 for the US Treasury. This should push bond yields up and the equity risk premium higher. That should lower the forward multiple by 1-2x or 200-400 S&P points. That would wipe out any EPS growth in 2022. So the fair value of the market is about where it sits today for the end of 2022. This does not rule out a test of 5000 and a dip below 4000 in the middle. Inflation is a huge wildcard if it proves more than transitory, which is where we are leaning to more of a stagflation outcome. The Treasury General Account will run out of money around October 18th according to the recent update. Refunding of the Treasury should put upward pressure on yields at the same time.

## Chart of the Week



## PRO-EYES - Berman's Call

Risk Level **High**

The current core portfolio beta is 74.3% The current degree of delta protection is about -19%.

When the PRO EYES indicator is at elevated levels (above 75%), as it recently hit, we will have higher degree of beta protection on the portfolio. Historically, corrections that follow have a median of 7.3% and an average of 11.1% over the past 20 years. The recent correction has reduced the high caution levels and we accordingly modified the hedge position. We have put protection in place through Dec 3129 from 4600 to 4300 or a test of the rising 200-day average. For details of the [PRO-EYES-Berman's Call](#) Tactical Risk Models click link above.

## Defense

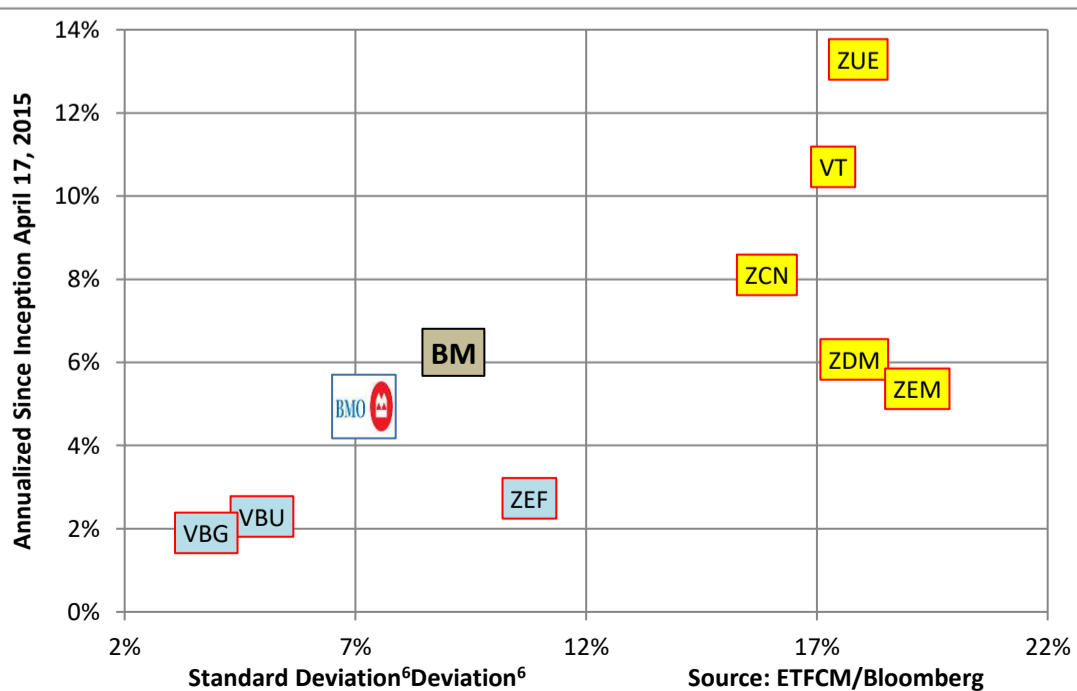
Core Beta: 74.3%

## Offense



## Performance Metrics (A-Series) as of (10/29/21)

Total Return	Net	Gross	Up/Downside <sup>5</sup>	
YTD	3.80%	5.34%	Upside	15%
Prev. Month	1.00%	1.17%	Down	10%
Prev. Quarter	1.33%	1.81%	Mths Up	51
Prev. Year	5.54%	7.46%	Mths Dn	28
Ann. SI (04/17/15)	3.02%	4.94%		
Sharpe Ratio	0.69			
Fund Codes:	Advisor BMO99222; F-Class BMO95222			



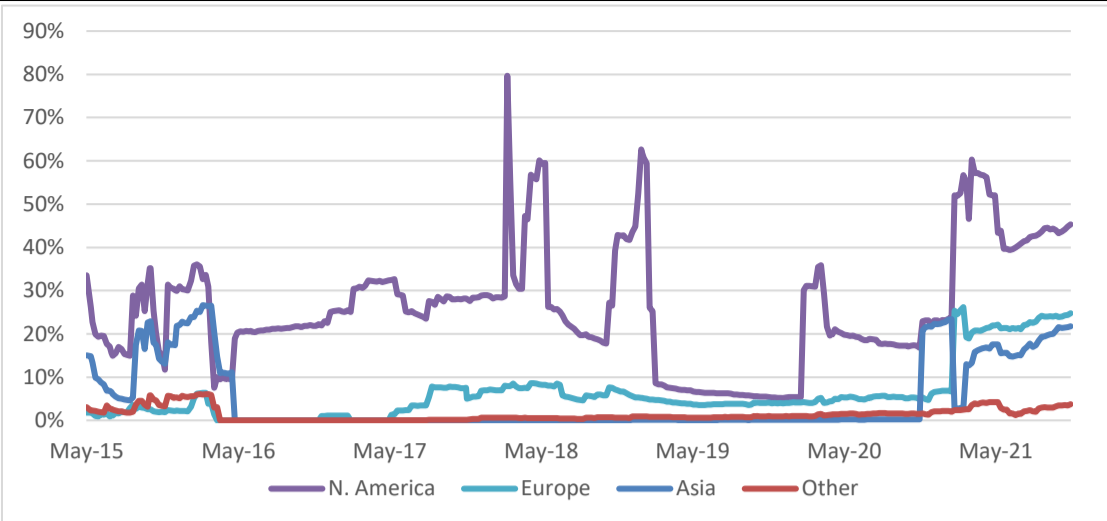
## Tactical Asset Allocation

Equity	N. America	Europe	Asia	Other
10/29/21	45.3%	24.8%	21.7%	3.7%
10/22/21	44.8%	24.4%	21.5%	3.5%
Change	0.5%	0.4%	0.2%	0.2%

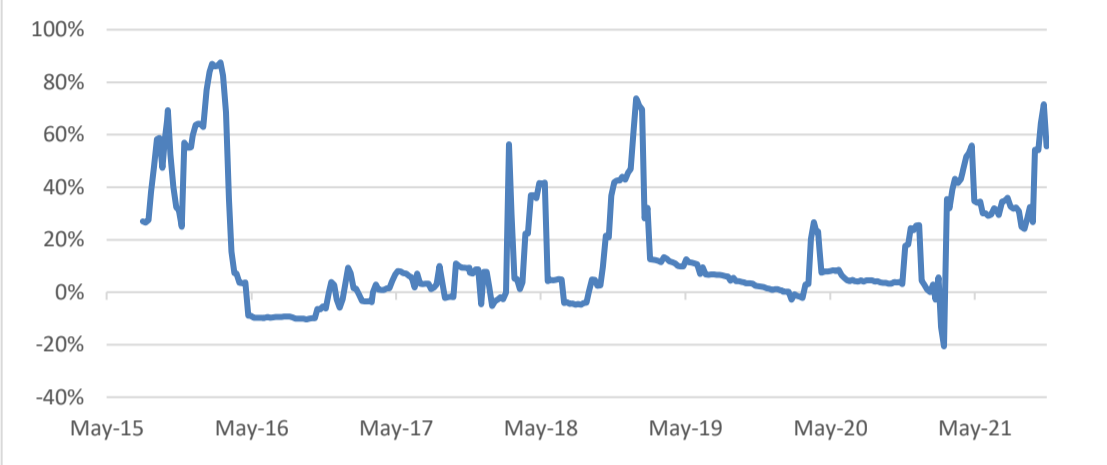
Bonds	Corp.	Govt.	Pref.	Cash
10/29/21	1.2%	7.9%	1.4%	3.7%
10/22/21	1.2%	7.0%	1.4%	5.9%
Change	0.0%	0.9%	0.0%	-2.2%

Bonds	Duration
10/29/21	3.69
10/22/21	3.03
Change	0.67

Sector	10/29/21	10/22/21	Change	BM
Basic Materials	10.1%	10.4%	-0.2%	2.9%
Communications	8.9%	8.9%	0.0%	8.6%
Consumer, Cyclical	8.6%	8.4%	0.2%	6.8%
Consumer, Non-cyclical	16.2%	16.1%	0.1%	13.0%
Energy	5.9%	5.9%	0.1%	2.6%
Financial	14.0%	14.1%	-0.1%	16.3%
Government	8.5%	7.5%	1.0%	25.2%
Industrial	9.1%	9.0%	0.0%	7.0%
Technology	11.2%	11.0%	0.3%	10.8%
Utilities	2.9%	2.9%	0.0%	2.4%

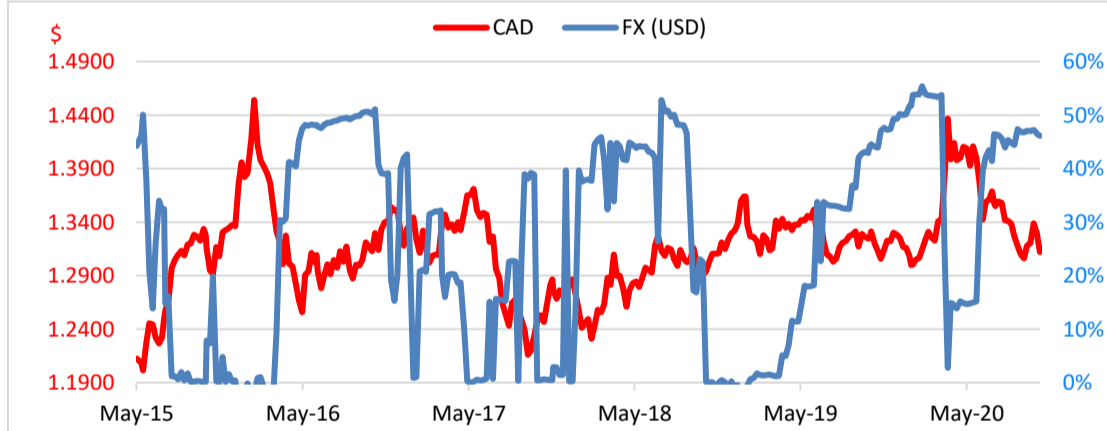


### Net Beta (Core - Protection): 55.5%



As of: 10/29/21	10/29/21	10/22/21	Change
FX (USD)	26.6%	26.8%	-0.2%
Beta <sup>2</sup>	74.3%	73.3%	1.0%
Protection	-18.8%	-1.7%	-17.1%
Correlation	99.7%	96.8%	3.0%
Yield <sup>3</sup>	1.76%	1.74%	0.02%
ETF Holdings	23	23	0
Volatility <sup>4</sup>	7.19%	7.24%	-0.05%
CAD	1.2388	1.2366	0.2%

### 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