



BMO Tactical Balanced ETF Fund Highlights

Core Tactical/Strategic Portfolio Outlook/Adjustments

We added to EM debt (EMLC) again below 30.50 and almost fully replaced the exposure we sold above 32 earlier this year. We still see EM debt as the most attractive real yield globally and will add more below on additional weakness. We still do not like the duration risk in US Treasuries or Canadas. Credit risk remains high. We used weakness in energy market to add to XLE, URA this week. We also added to EM (KWEB). While adding to some equity exposure, we also added to the hedge with protection from 4400-4175 paid for with a covered call at 4550 through October. Timing of the taper talk should be well protected in the coming months. We also hedged US dollar exposure on recent strength backed by weaker oil prices.

Macro Market Strategy

From a macro perspective, our risk indicators are elevated. This is not a time to chase equities. However, we do not see much more than a normal course 5-10% correction (closer to 10%) in Q3. Unless the Fed makes a major policy mistake and inflation is not transitory. This would add a new dynamic the markets are not priced for. UST 10s probably test closer to 2.00% as the Fed tapers. This should negative influence the equity risk premium and reduce the market multiple. For 2022, a 219 EPS for the S&P 500 puts a 20x at 4340. Dips should be well supported. If a 2% 10-year yield is not defended by the FOMC, a 3% 10-year puts the multiple closer to 18x and the 3700-3800 range offers the strongest support on a correction in 2022.

Top Holdings

Ticker	Name	Position
ZUE	BMO S&P 500 Hedged to CAD Index ETF	32.4%
ZEA	BMO MSCI EAFE Index ETF	31.7%
EMLC	VanEck Vectors J.P. Morgan EM Local Currency Bond ETF	5.1%
ZGD	BMO Equal Weight Global Gold Index ETF	4.5%
ZEM	BMO MSCI Emerging Markets Index ETF	3.1%
XLE	Energy Select Sector SPDR Fund	1.7%
URA	Global X Uranium ETF	1.5%
KWEB	KraneShares CSI China Internet ETF	1.5%
ZCLN	BMO Clean Energy Index ETF	1.3%
ZMT	BMO Equal Weight Global Base Metals Hedged to CAD Index ETF	1.2%
ZUS/U	BMO Ultra Short-Term US Bond ETF	1.0%
ZPR	BMO Laddered Preferred Share Index ETF	0.9%
HMMJ	Horizons Marijuana Life Sciences Index ETF	0.8%
INDA	iShares MSCI India ETF	0.8%
KBA	KraneShares Bosera MSCI China A ETF	0.7%
ZUP	BMO US Preferred Share Index ETF	0.5%
ZRR	BMO Real Return Bond Index ETF	0.4%
CIBR	First Trust NASDAQ Cybersecurity ETF	0.4%
EWZ	iShares MSCI Brazil ETF	0.3%
THD	iShares MSCI Thailand ETF	0.3%

Chart of the Week



PRO-EYES - Berman's Call

Risk Level **High**

The current core portfolio beta is 73.0% The current degree of beta protection is about -42%.

When the PRO EYES indicator is at elevated levels (above 75%), as it is 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. We have two downside risk buffers on the S&P 500 in place. Sept 30: 4200-3750 with a covered call at 4400. Oct 29: 4400-4175 with a covered call at 4550. This is a tactical hedge and is actively adjusted as opportunities develop. For details of the [PRO-EYES-Berman's Call](#) Tactical Risk Models click link above.

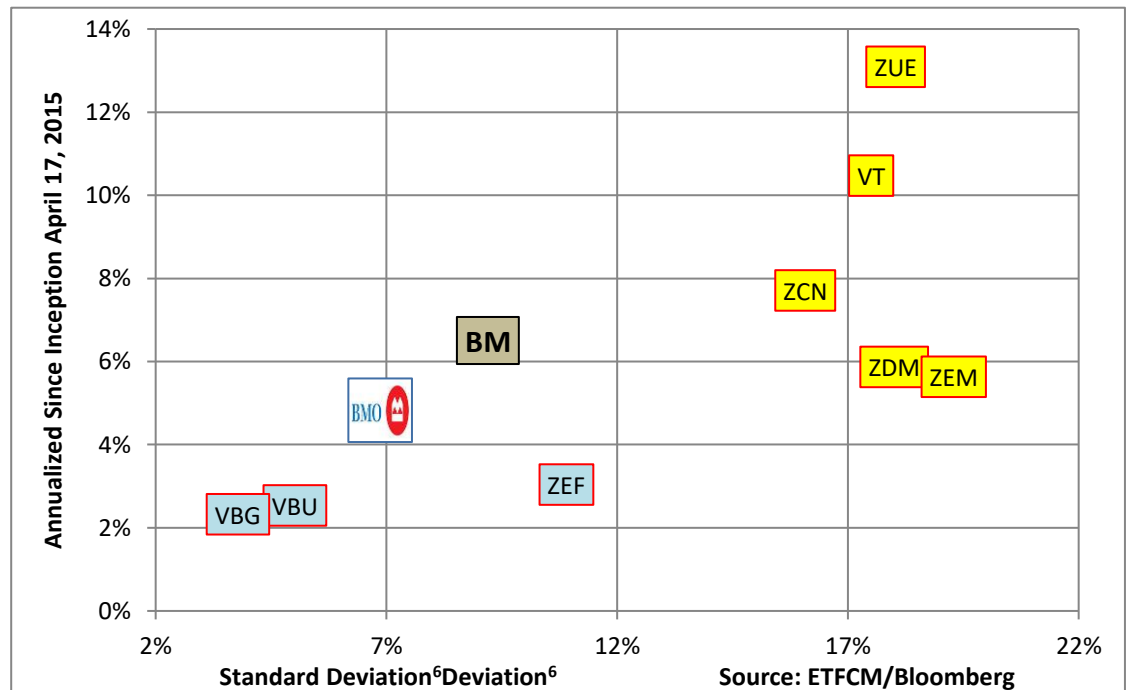
Performance Metrics (A-Series) as of (08/20/21)

Total Return	Net	Gross	Up/Downside ⁵	
YTD	2.44%	3.63%	Upside	14%
Prev. Month	0.01%	0.17%	Down	7%
Prev. Quarter	3.10%	3.58%	Mths Up	49
Prev. Year	3.20%	5.12%	Mths Dn	27
Ann. SI (04/17/15)	2.90%	4.82%		
Sharpe Ratio	0.70			

Defense

Core Beta: 73.0%

Offense



Source: ETFCM/Bloomberg

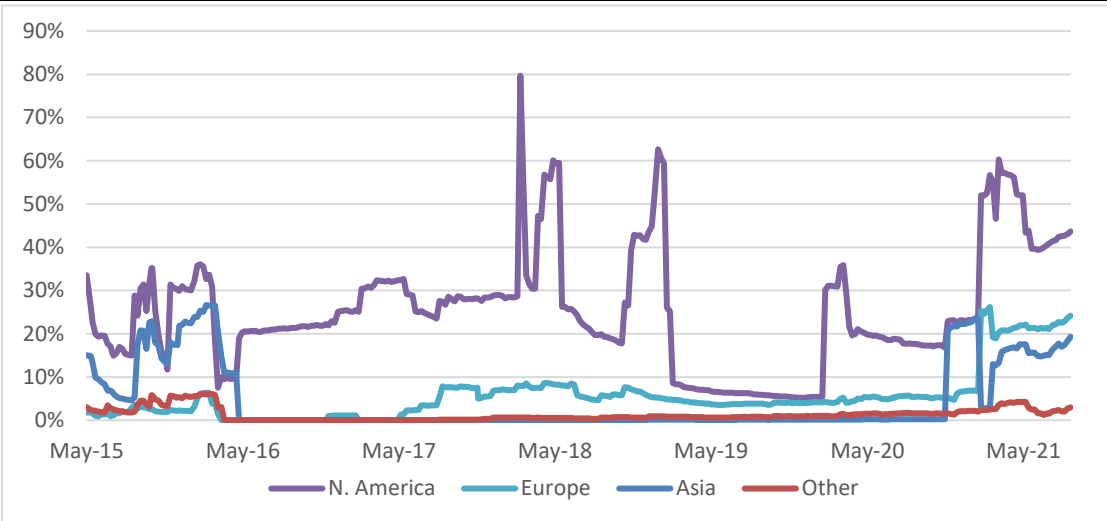
Tactical Asset Allocation

Equity	N. America	Europe	Asia	Other
08/20/21	43.7%	24.2%	19.3%	3.0%
08/13/21	43.0%	23.7%	18.4%	2.8%
Change	0.6%	0.5%	0.9%	0.2%

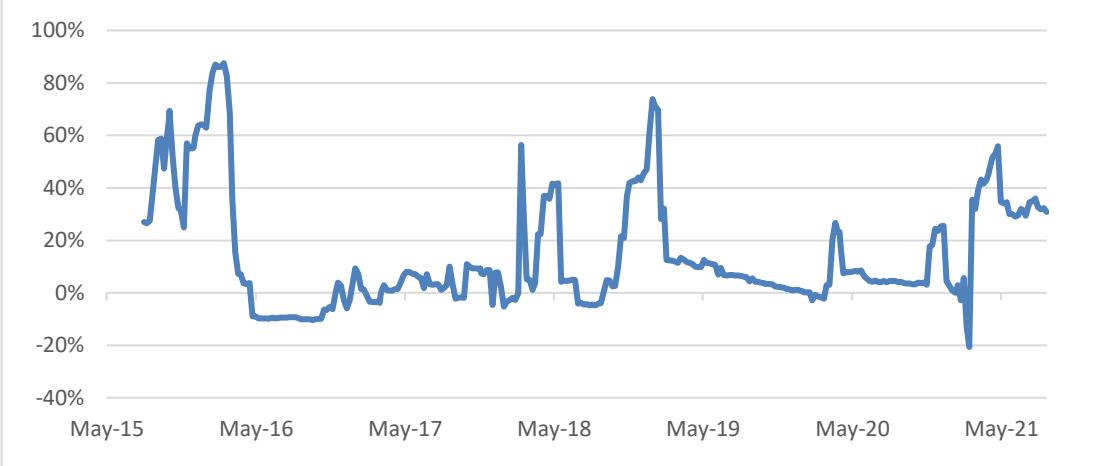
Bonds	Corp.	Govt.	Pref.	Cash
08/20/21	1.1%	5.3%	1.4%	10.6%
08/13/21	1.1%	4.6%	1.4%	12.9%
Change	0.1%	0.7%	0.0%	-2.3%

Bonds	Duration
08/20/21	2.00
08/13/21	1.63
Change	0.37

Sector	08/20/21	08/13/21	Change	BM
Basic Materials	9.9%	10.1%	-0.2%	3.0%
Communications	8.8%	8.5%	0.3%	8.5%
Consumer, Cyclical	8.1%	8.2%	-0.2%	7.0%
Consumer, Non-cyclical	16.4%	15.9%	0.5%	13.1%
Energy	4.8%	4.3%	0.5%	2.6%
Financial	13.9%	13.8%	0.1%	16.1%
Government	5.8%	5.1%	0.7%	25.4%
Industrial	8.3%	8.2%	0.1%	7.0%
Technology	11.0%	10.8%	0.2%	10.7%
Utilities	3.1%	3.0%	0.1%	2.4%

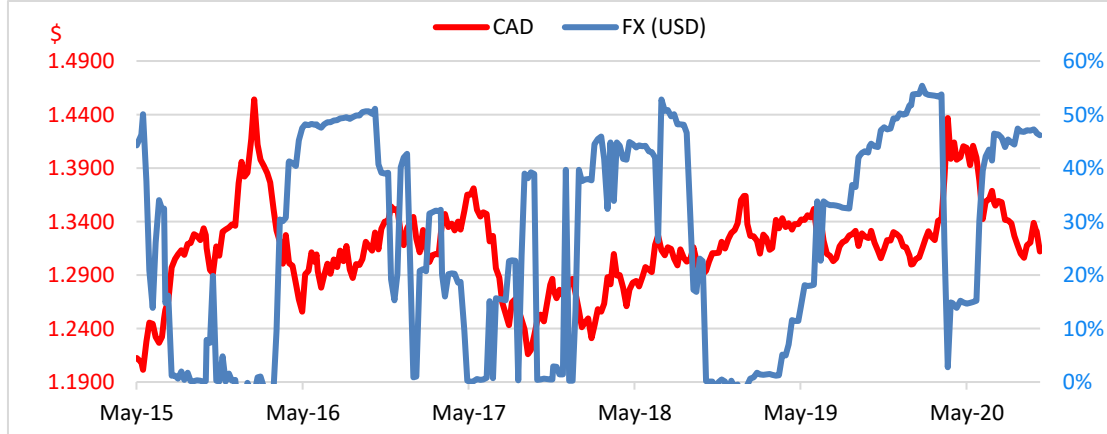


Net Beta (Core - Protection): 30.9%



As of: 08/20/21	08/20/21	08/13/21	Change
FX (USD)	1.8%	24.5%	-22.7%
Beta ²	73.0%	67.9%	5.1%
Protection	-42.1%	-35.5%	-6.5%
Correlation	89.3%	72.2%	17.2%
Yield ³	1.69%	1.79%	-0.10%
ETF Holdings	21	22	-1
Volatility ⁴	6.87%	6.99%	-0.12%
CAD	1.2821	1.2515	2.4%

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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