



BMO Tactical Balanced ETF Fund Highlights

Core Tactical/Strategic Portfolio Outlook/Adjustments

We cut duration (EMLC) again this week and we are close to selling the balance of our credit exposure in prefs. We see a risk-off event in the coming months lead by massive debt issuance at a time the Fed will start to talk taper. The Jackson Hole event at the end of August is the likely catalyst. The (transitory) inflation debate is raging. We are deflationists to be sure, BUT we DO see policy shifting to address inequality issues and that means stronger unions and higher wages, which is the essence of core inflation. Too much money printing has mostly caused inequality to worsen as the inflation has hit asset prices, which the bottom half of the "K" has far less of a benefit. Tax and redistribution and support for workers have to come at the expense of corporate margins (and maybe some jobs). This will lead to more productivity enhancing investment too, which is a good thing. Frankly, we need less financial engineering of stock buybacks and more support for labour. Get back to business capital investment. In the long run a better mix for society and not so much for profit margins. Not advocating, just observing the shift. So as it pertains to bonds, we have a Battle Royal coming, which ends in YCC and monetization. There is no other way out as we see it. We are buyers of duration at higher yields (2% 10s?), but need to see how supply is digested.

Macro Market Strategy

Our feature chart this week is the US Dollar index (DXY) going back to the end of the gold standard. We have highlighted 2 currency regimes in the past 20 years. The long dotted white line is the average of the entire 50 years. Recall, this is for developed markets that make up about 90% of the world market cap of debt/equity (and heavily weighted to Europe). From this perspective, those arguing for the US to get weaker might be misguided. The weak US dollar policies of the tech bubble bursting and the wake of 9-11 was interest rates. The strong dollar move from 2013-2016 was more about the US doing much better than Europe. The question of what the catalyst pushing the dollar weaker now is currency debasement of MMT. Should the US playing catch up on socialism make the dollar much weaker. I would argue NO. I do see weakness versus developing markets though. No doubt the fiscal challenges are bad, but they are worse in Japan and Europe. DXY around 90 seems about neutral. the 50-year average is around 97.

PRO-EYES - Berman's Call

Risk Level **High**

The current core portfolio beta is 55.0% The current degree of beta protection is about -26%.

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 our downside hedge on the S&P 500 in place from 4200-3750 with a covered call at 4400 through Sept 30th. 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.

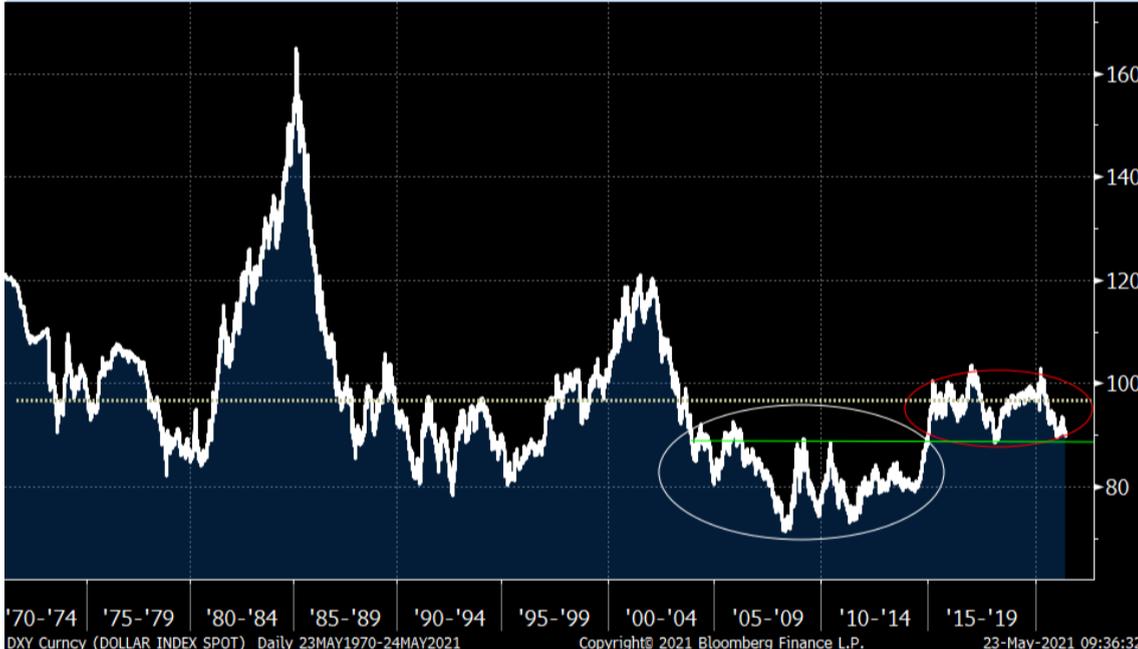
Performance Metrics (A-Series) as of (05/28/21)

Total Return	Net	Gross	Up/Downside ⁵	
YTD	0.34%	1.10%	Upside	12%
Prev. Month	1.00%	1.16%	Down	7%
Prev. Quarter	4.36%	4.84%	Mths Up	47
Prev. Year	1.37%	3.29%	Mths Dn	27
Ann. SI (04/17/15)	2.66%	4.58%		
Sharpe Ratio	0.69			
Fund Codes:	Advisor BMO99222; F-Class BMO95222; No Load Retail: BMO70222			

Top Holdings

Ticker	Name	Position
ZEA	BMO MSCI EAFE Index ETF	29.4%
ZSP	BMO S&P 500 Index ETF	28.8%
ZGD	BMO Equal Weight Global Gold Index ETF	5.7%
ZEM	BMO MSCI Emerging Markets Index ETF	3.1%
ZMT	BMO Equal Weight Global Base Metals Hedged to CAD Index ETF	1.5%
ZCLN	BMO Clean Energy Index ETF	1.2%
XLE	Energy Select Sector SPDR Fund	1.2%
HMMJ	Horizons Marijuana Life Sciences Index ETF	0.9%
ZUS/U	BMO Ultra Short-Term US Bond ETF	0.9%
ZPR	BMO Laddered Preferred Share Index ETF	0.9%
KBA	KraneShares Boser MSCI China A ETF	0.7%
INDA	iShares MSCI India 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	0.3%
EWZ	iShares MSCI Brazil ETF	0.3%
EWU	iShares MSCI United Kingdom ETF	0.1%

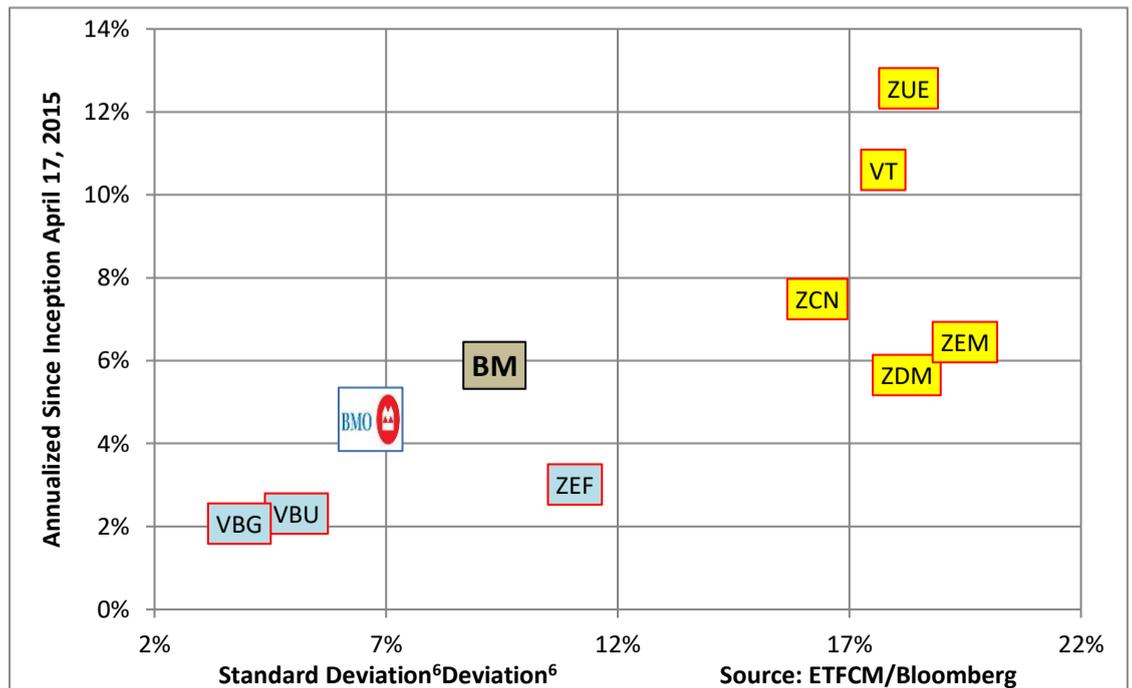
Chart of the Week



Defense

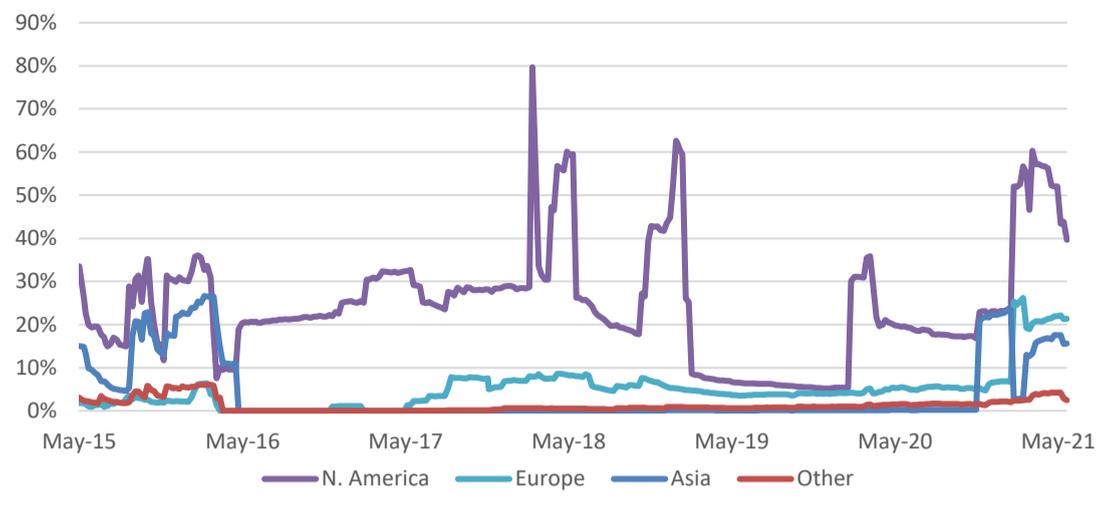
Core Beta: 55.0%

Offense



Tactical Asset Allocation

Equity	N. America	Europe	Asia	Other
05/28/21	39.4%	20.8%	14.7%	1.6%
05/14/21	43.8%	21.3%	15.5%	2.8%
Change	-4.5%	-0.5%	-0.8%	-1.2%



Bonds	Corp.	Govt.	Pref.	Cash
05/28/21	0.9%	0.4%	1.3%	23.0%
05/14/21	1.0%	3.2%	1.3%	15.8%
Change	-0.1%	-2.8%	0.0%	7.3%

Bonds	Duration
05/28/21	0.28
05/14/21	1.13
Change	-0.85

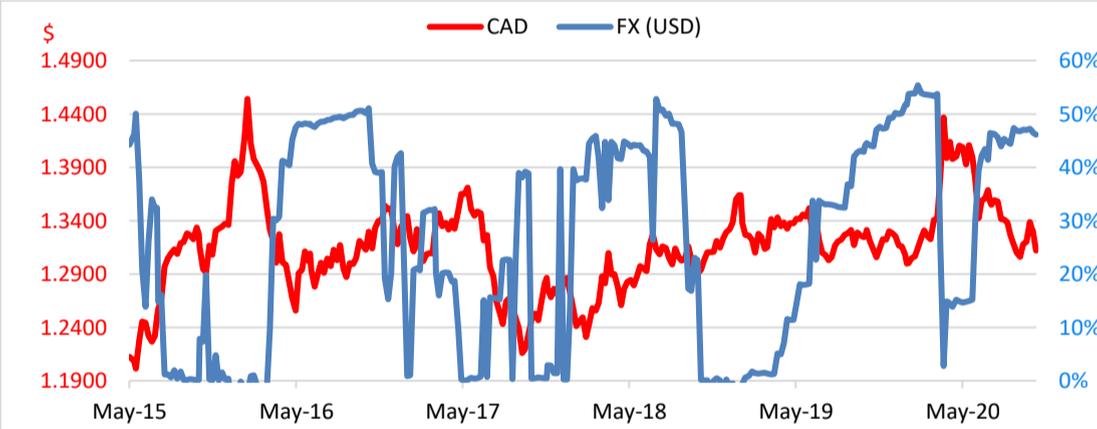
Sector	05/28/21	05/14/21	Change	BM
Basic Materials	10.2%	14.4%	-4.2%	2.8%
Communications	7.3%	7.3%	0.0%	7.6%
Consumer, Cyclical	7.5%	7.3%	0.2%	6.6%
Consumer, Non-cyclical	14.7%	14.7%	0.0%	13.6%
Energy	4.1%	4.2%	-0.1%	3.7%
Financial	13.0%	12.9%	0.1%	18.3%
Government	0.4%	3.2%	-2.8%	26.0%
Industrial	7.3%	7.2%	0.1%	7.2%
Technology	9.2%	9.2%	0.0%	7.9%
Utilities	2.8%	2.8%	0.0%	4.1%

Net Beta (Core - Protection): 28.9%



As of: 05/28/21	05/28/21	05/14/21	Change
FX (USD)	56.2%	37.6%	18.6%
Beta ²	55.0%	60.4%	-5.4%
Protection	-26.1%	-25.9%	-0.2%
Correlation	50.3%	57.2%	-6.9%
Yield ³	1.78%	1.79%	-0.01%
ETF Holdings	17	19	-2
Volatility ⁴	6.67%	6.61%	0.06%
CAD	1.2076	1.2104	-0.2%

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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