



## BMO Tactical Dividend ETF Fund Highlights

**Core Tactical/Strategic Portfolio Outlook/Adjustments** Lael Brainard opened the door last week to a more balanced FOMC as it pertains to inflation hark versus financial conditions. This matters for the timing of a pause/pivot, which is needed for markets to stabilize. The National Financial Conditions Index (NFCI - Chart of the week) is constructed to have an average value of zero and a standard deviation of one over a sample period extending back to 1973. Positive values of the NFCI indicate financial conditions that are tighter than on average, while negative values indicate financial conditions that are looser than on average. They are still loser than average. I hope they are not looking at the 2-3 Std Dev tights we saw in the 1970s. We have a long way to go. She seemed to indicate that they are now looking at both, but this view is no where close to restrictive. We do not think the economy can handle any tight conditions at all. In any case, for our Europe and EM thesis to pay off, we need a pivot. It's likely a 2023 Q1 story, but we did see the market start to price cuts back in to the market after pricing them out over Powell's Hawkishness. We made no trades this week.

Top Holdings						
Ticker	Name	Position				
ZDI	BMO International Dividend ETF	30.0%				
ZWP	BMO Europe High Dividend Covered Call ETF	21.4%				
ZWH	BMO US High Dividend Covered Call ETF	10.9%				
ZWU	BMO Covered Call Utilities ETF	10.5%				
DEM	WisdomTree Emerging Markets High Dividend Fund	9.7%				
EDIV	SPDR S&P Emerging Markets Dividend ETF	9.4%				
DGS	Wisdom Tree Trust - WisdomTree Emerging Markets SmallCap Divide	3.7%				
DVYE	iShares Emerging Markets Dividend ETF	3.1%				
	Chart of the Week					

Downside capture in September was less than 50% with the protection

in the portfolios doing very well.

We think this is a very two-way market for the next few quarters with a bearish tilt. QT should start to weigh on risk premiums going forward, but there is massive cash balances sitting in the RRP to offset a significant impact. The FOMC's more aggressive path (higher for longer) has caught them up to the curve and the terminal rate is now expected in q1/23 around 4.5%. Powell could not have been more HAWKISH at Jackson Hole and since in follow up speeches. No doubt, the speech will go down in the history books as a Draghi like "pain" trade--and believe me, it will be. Not Volcker like, but a more modern day version. The higher for longer speech is most certainly going to cause some pain on Main Street. Forward EPS needs to come down for the next few guarters. This will cap most rally attempts with the FOMC unable to pivot until inflation is under 3% and holding. This could easily take 2 years or more. Brainard may have just introduced some balance by talking about financial conditions last week.

			Ch	art of th	e Week					
ı									5.0	0000000
	1.								4.0	0000000
						,			-3.0	0000000
1 1	V								-2.0	0000000
M M	$M \setminus V$	٨				M			1.0	0000000
	$\int_{0}^{\infty} \int_{0}^{\infty} \int_{0$	Nhh	$\Lambda$	٨.	ΛΑ	,"' \	\1 M.		0.0	0000000
v V	. ,	M	My M	~~~\\	MAY	~~~	M WW	m		
			· · · · · · · · · · · · · · · · · · ·						-1.	.0000000
1971-1974 1975-1 NFCIINDX Index (Chicago Fed Nationa	979 1980-1984   Financial Conditions Index) Weekly	1985-1989 23SEP1970-23SEP2022	1990-1994	1995-1999	2000-2004 Copyright® 2022	2005-2009 Bloomberg Finance L.P.	2010-2014	2015-2019	2020-2024 02-0ct-20	022 15:31:34
Defense			С	ore Beta	: 64.8%				Offen	ise

PRO-EYES - Berman's Call

**Risk Level** 

The core portfolio beta is 64.8%. The degree of delta protection is 0% while the value of beta protection is 0%.

The tactical PRO-EYEs factor suggests that while some caution is still warranted and that we are likely in a bear market cycle, that there will be good two way tradable moves. This suggests that the tactical protection will become a very important part of managing volatility in the coming months and quarters. Correlations themselves are increasingly volatile.

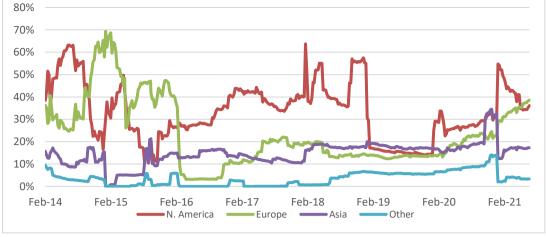
_									
	10% -								
Annualized Return Since Inception Aug 12, 2013	8% -						US Div		
Since Inceptio	6% -						Ca Globa	al Div (C\$)	_
Return (	4% -			вмо 😩			al al Dia		_
alized	2% -					GI	obal Div		
A P	Z/0 -								_
	0% -					EAFE D	iv		_
		%	8%	10%	12%	14%	16%	18%	20%
				Stan	dard Deviation	n <sup>6</sup>			

Advisor/Broker Use Only

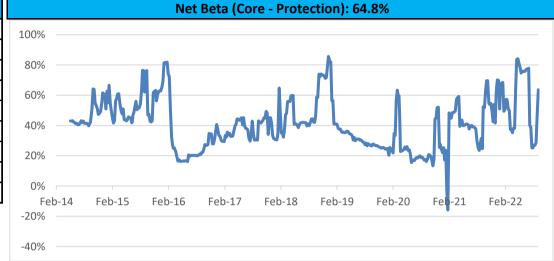
Performance N	vietrics (A-Se	ries) as of (	09/30/22)

Total Return	Net	Gross	oss Upside/Downside		<del>2</del>	
YTD	-12.72%	-11.33%	Upside	17%	Annualized	
Previous Quarter	-2.94%	-2.46%	Downside	48%	l iii	2% -
Previous Year	-10.77%	-8.85%	Months Up	67	4	
3-Year	-6.23%	-4.31%	Months Dn	42		0% -
5-Year	-2.46%	-0.54%				6'
Ann. SI (08/12/13)	1.80%	3.72%	Sharpe Ratio	0.27		
Fund Codes:	Advisor BMC	99734; F-C	class BMO9573	4; F6 BN	/1036	5734;

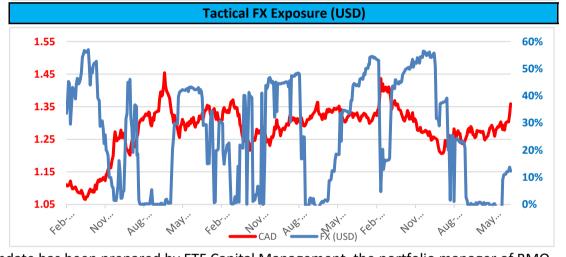
			•	Tactic	al Asset Allocation
Equity	N. America	Europe	Asia	Other	80%
09/30/22	21.9%	43.8%	26.4%	6.6%	70%
09/16/22	21.4%	43.7%	25.9%	6.3%	60%
Change	0.5%	0.2%	0.6%	0.3%	50%
Benchmark	71.8%	12.8%	11.6%	3.8%	40%



Sector	9/30/22	9/16/22	Change	BM
Basic Materials	7.69%	7.47%	0.2%	8.5%
Communications	8.41%	8.20%	0.2%	6.5%
Consumer, Cyclical	10.99%	10.73%	0.3%	5.3%
Consumer, Non-cyclical	21.17%	20.90%	0.3%	9.6%
Energy	7.37%	7.22%	0.2%	9.9%
Financial	17.20%	16.93%	0.3%	28.6%
Industrial	8.37%	8.38%	0.0%	0.0%
Technology	5.03%	4.99%	0.0%	2.3%
Utilities	10.63%	10.49%	0.1%	0.0%



As of: 09/30/22	09/30/22	09/16/22	Change
FX (USD)	10.3%	13.7%	-3.4%
Beta <sup>2</sup>	64.8%	61.9%	2.9%
Protection	0.0%	-15.8%	15.8%
Correlation	92.0%	88.0%	4.0%
Yield <sup>3</sup>	6.56%	5.74%	0.82%
ETF Holdings	8	8	0
<b>Volatility</b> <sup>4</sup>	10.08%	14.42%	-4.35%
CAD	1.3829	1.3264	4.3%



This commentary is intended for information purposes only. This update has been prepared by ETF Capital Management, the portfolio manager of BMO Tactical Dividend 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. "Forwardlooking 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 The benchmark is the return of the targeted portfolio. As of Jan 1, 2017, the target portfolio is 80% (CYH) and 20% (ZDV); 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 downmarkets. 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