



# BMO Tactical Global Growth ETF Fund

## Core Tactical/Strategic Portfolio Outlook/Adjustments

As we write, the 20th Chinese Party Congress (seventh plenum) is underway. Since the last Congress in 2017, the complexity of the world order has changed. Chinese handling of COVID and credit issues have shown major cracks. We said that China needs the US more than the US needs China and that's why our China tech position was a good longer-term position, but for now the position is still under stress. We have studied the longer-term dynamics and have concluded that China's rise has been deflated. Simply put, the demographic outlook is dire and while there will be many tradable rallies, the overweight position needed adjusting. This week we cut the position back (KBA) to market weight with a focus in tech and rotated the exposure into semiconductors (SMH). The new US policy on semis is yet the latest tech war move that will make it tougher on China. Initial feedback from Xi seems that the military option regarding Taiwan has been tabled. The apprehension has always been around semis and now they possibly have the need to take it by force. This is obviously measured in years, but seems the benefit accrues to the ROW in this battle. Seasonality soon starts to look good for the oversold equity markets and tech will likely lead a rally as we get closer to pricing in peak fed funds rate.

## Macro Market Strategy

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 quarters. 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.

## PRO-EYES Indicators

**Risk Level**
**Medium**

The core portfolio beta is 94.1%. 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.

## Performance Metrics (A-Series) as of (10/14/22)

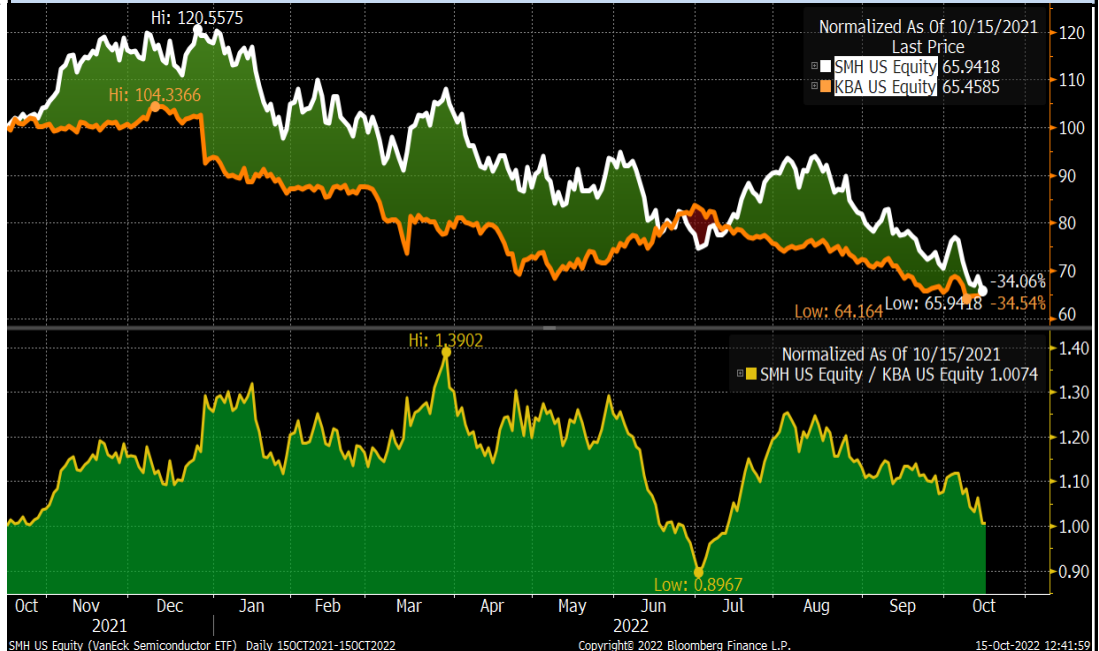
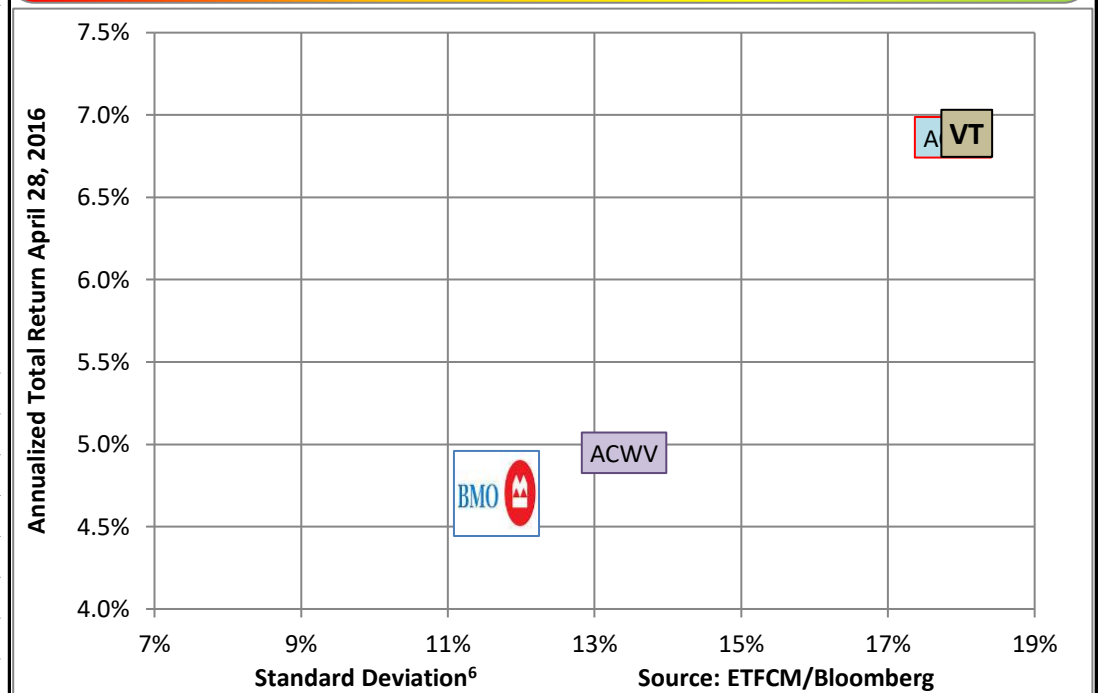
Total Return	Net	Gross	Upside/Downside <sup>5</sup>	
<b>YTD</b>	-13.87%	-12.42%	Upside	20%
<b>Prev. Qtr.</b>	-4.35%	-3.87%	Downside	46%
<b>Prev. Year</b>	-13.59%	-11.67%	Months Up	53
<b>Since Inception</b>	19.49%	31.33%	Months Dn	23
<b>Ann. SI (04/28/16)</b>	2.78%	4.70%		
<b>Sharpe Ratio</b>		0.40		

**Fund Codes:** Advisor BMO99762; F-Class BMO95762

## Top Holdings

Ticker	Name	Position
<b>ZEA</b>	BMO MSCI EAFE Index ETF	20.6%
<b>ZUE</b>	BMO S&P 500 Hedged to CAD Index ETF	19.9%
<b>ZEM</b>	BMO MSCI Emerging Markets Index ETF	10.6%
<b>GDX</b>	VanEck Gold Miners ETF/USA	5.4%
<b>FLGB</b>	Franklin FTSE United Kingdom ETF	3.9%
<b>KWEB</b>	KraneShares CSI China Internet ETF	3.7%
<b>ZMT</b>	BMO Equal Weight Global Base Metals Hedged to CAD Index ETF	3.2%
<b>FLJH</b>	Franklin FTSE Japan Hedged ETF	3.2%
<b>URA</b>	Global X Uranium ETF	3.1%
<b>XLP</b>	Consumer Staples Select Sector SPDR Fund	2.8%
<b>SMH</b>	VanEck Semiconductor ETF	2.8%
<b>CIBR</b>	First Trust NASDAQ Cybersecurity ETF	2.7%
<b>ZCLN</b>	BMO Clean Energy Index ETF	2.5%
<b>MJ</b>	ETFMG Alternative Harvest ETF	2.5%
<b>FLIN</b>	Franklin FTSE India ETF	2.4%
<b>VNM</b>	VanEck Vietnam ETF	1.7%
<b>FLBR</b>	Franklin FTSE Brazil ETF	1.7%
<b>FINX</b>	Global X FinTech ETF	1.6%
<b>BOTZ</b>	Global X Robotics & Artificial Intelligence ETF	1.4%
<b>PAVE</b>	Global X US Infrastructure Development ETF	1.1%

## Chart of the Week


**Defense**
**Core Portfolio Beta: 94.1%**
**Offense**


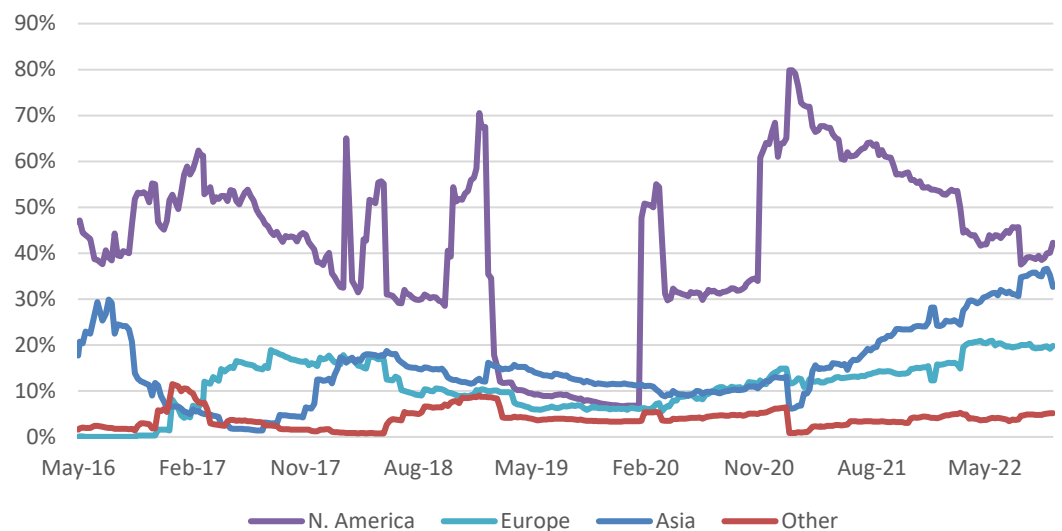
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## Tactical Asset Allocation

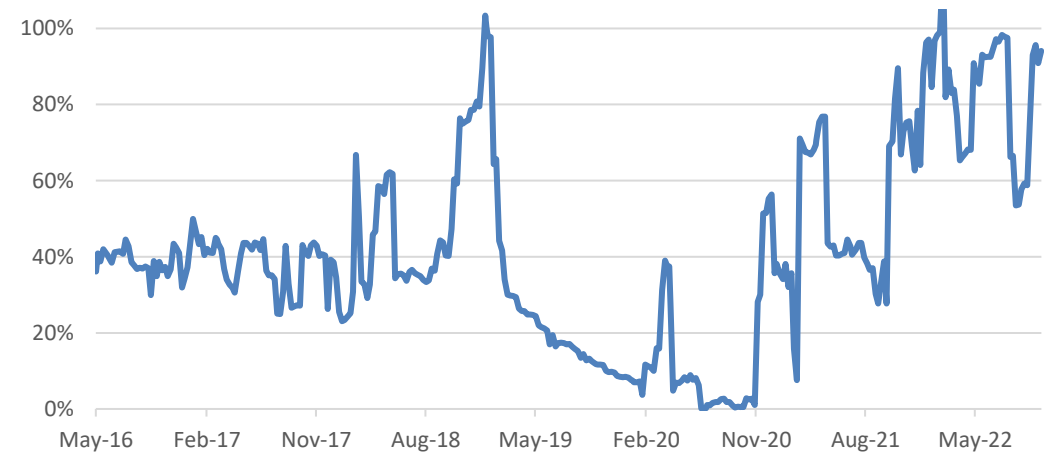
Equity	N. America	Europe	Asia	Other
10/14/22	42.3%	19.8%	32.6%	5.1%
10/07/22	40.1%	19.2%	35.2%	5.2%
Change	2.2%	0.7%	-2.6%	0.0%

Sector	10/14/22	10/07/22	Change	BM
Basic Materials	14.50%	14.94%	-0.4%	4.3%
Communications	9.36%	9.69%	-0.3%	10.6%
Consumer, Cyclical	8.67%	9.01%	-0.3%	10.5%
Consumer, Non-cyclical	19.74%	20.24%	-0.5%	20.3%
Energy	5.81%	5.94%	-0.1%	5.4%
Financial	14.66%	14.99%	-0.3%	18.5%
Government	0.31%	0.30%	0.0%	18.5%
Industrial	9.63%	9.88%	-0.2%	10.2%
Technology	14.05%	11.42%	2.6%	16.8%
Utilities	3.13%	3.22%	-0.1%	3.2%

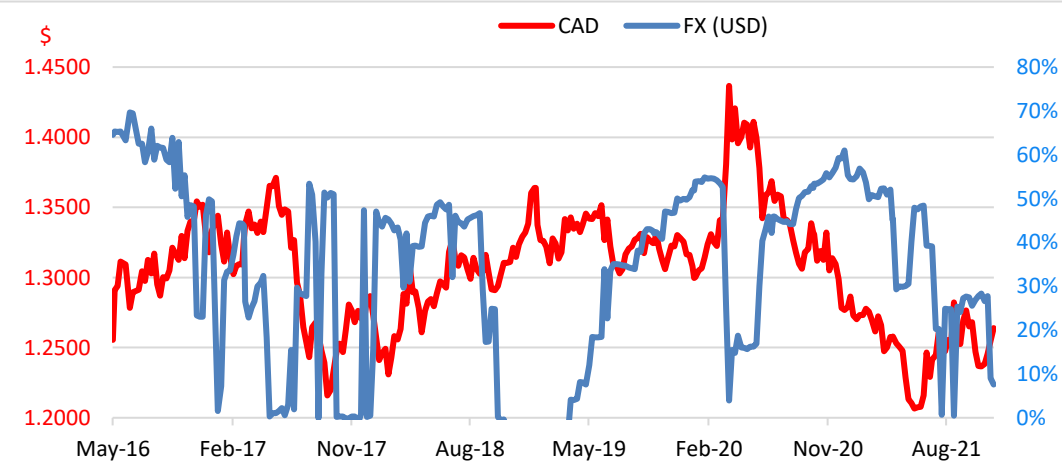
As of: Oct 14 2022	10/14/22	10/07/22	Change
FX (USD)	-0.8%	1.5%	-2.3%
Beta <sup>2</sup>	94.1%	90.9%	3.2%
Protection (Delta)	0.0%	0.0%	0.0%
Correlation	75.7%	54.8%	20.9%
Yield <sup>3</sup>	3.01%	3.28%	-0.27%
ETF Holdings	24	24	0
Volatility <sup>4</sup>	11.66%	10.88%	0.78%
CAD	1.3885	1.3739	1.1%



**Net Beta (Core - Protection): 94.1%**



## Tactical FX Exposure (USD)



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