

# Tactical Investing

## For rising, sideways, and declining markets

### Use ETFs to dynamically adjust sector, country, asset class, and currency exposures

Tactical investing involves using active management in order to enhance risk-adjusted returns. Dynamically adjusting portfolio exposures is at the heart of this approach and while it is beneficial over a complete investment horizon, it can also produce medium term advantages in times of market turbulence – **with lower beta, greater downside protection, and reduced volatility.**

### The Tactical Advantages

- 1 Unconstrained Opportunities**  
 Tactical mandates have a **wider range of asset classes and strategies at their disposal.** This ability is especially indispensable at times where more traditional asset classes are highly correlated, unpredictable, and severely dislocated from their true values.
- 2 Thoughtful Risk Management**  
 With a focus on risk-adjusted returns, tactical funds have the flexibility to rapidly take advantage of short-term market movements to **help manage the downside risk while still capturing growth.**
- 3 Alternative Return Stream**  
 Dynamic tactical adjustments through use of innovative approaches produce **strategies that can adjust to be either more defensive, or offensive,** depending on the markets. Historically, this has resulted in differentiated return streams and lower correlations.

Markets change rapidly and in different environments the winning and losing asset classes can quickly change. **Tactical investing is designed to gain exposure to winners ahead of time and to reduce exposure to declining asset classes before the market moves.**

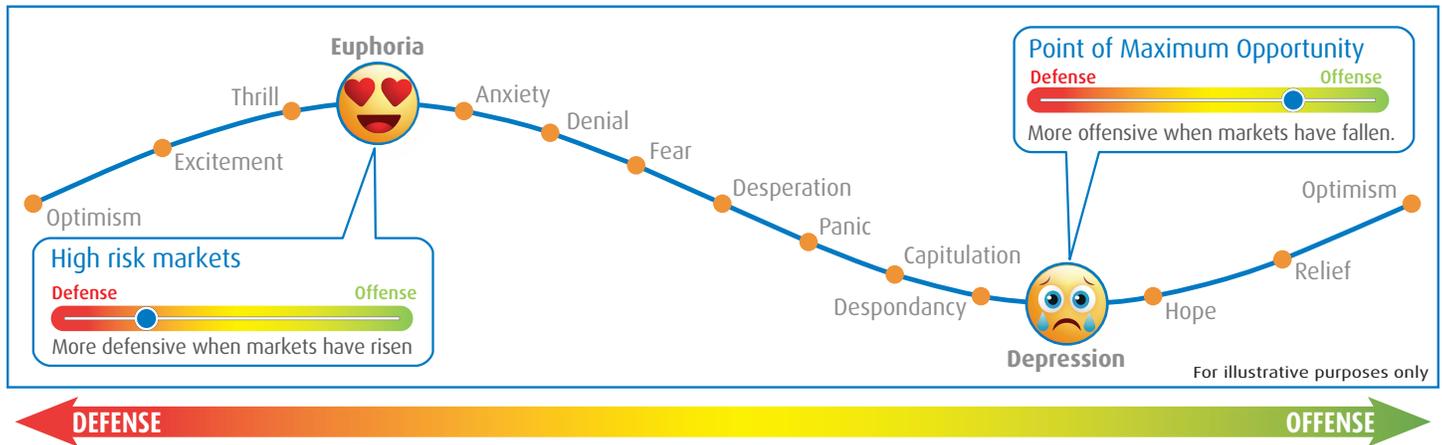
### Annual Asset Class Performance (%)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	Legend
Winners	35.2	7.7	28.2	21.1	19.5	15.0	38.3	15.9	10.2	29.7	57.5	31.1	Canadian Equities
	31.6	5.0	19.4	17.5	16.1	13.4	35.9	15.6	8.3	17.6	43.9	9.0	Crude Oil
	28.9	0.1	15.0	9.5	5.7	11.4	29.6	14.0	4.4	16.9	35.1	5.5	Global Bonds
	22.9	-2.1	13.7	8.6	2.8	10.6	13.0	13.4	0.7	15.2	24.0	-25.4	Gold
	21.9	-2.3	9.1	7.5	-0.7	9.7	7.4	7.2	0.0	12.8	23.5	-26.4	Tech stocks
Losers	18.9	-3.9	7.5	6.7	-4.6	8.4	6.8	7.0	-1.8	6.5	11.1	-33.0	U.S. Dollar
	14.4	-6.2	4.1	4.4	-8.3	2.5	3.9	2.0	-2.7	3.7	4.2	-38.5	U.S. Equities
	1.4	-8.9	0.3	4.4	-10.5	-1.5	2.8	-1.4	-3.7	0.0	-6.7	-40.5	U.S. High Yield
	-0.7	-22.0	-7.0	-1.4	-44.4	-41.7	-28.3	-11.8	-8.7	-1.3	-9.2	-53.9	World equities

Source: Morningstar Direct. Data are all in local currencies, as at December 31<sup>st</sup> 2019, data accessed March 18<sup>th</sup> 2020.

BMO Global Management has partnered with the leading tactical managers in Canada. Their solutions utilize their expertise in, and the cost efficiency of, ETFs to quickly execute tactical allocation decisions across a wide range of asset classes.

- **SIA Wealth Management:** use a rules-based approach to evaluate the relative strength of asset classes, producing specific guidelines on when to buy, sell, or hold an investment.
- **ETF Capital Management:** reduce and increase portfolio sensitivity by anticipating where markets are heading, and using ETFs to effectively gain exposure.



Strategies managed by SIA Wealth Management	Strategies managed by Larry Berman at ETF Capital Management
<p><b>BMO Tactical Global Bond ETF Fund</b>                      Risk Rating: Low to Medium   Sr. F MER: 0.84%   Sr. F: BMO95220   Front End: BMO99220                      3 year beta: 0.79   3 year std. dev.: 6.31   Correlation to bonds: 0.41   Correlation to Equities: 0.27</p>	<p><b>BMO Tactical Balanced ETF Fund</b>                      Risk Rating: Low to Medium   Sr. F MER: 0.72%   Sr. F: BMO95222   Front End: BMO99222                      3 year beta: 0.24   3 year std. dev.: 4.04   Correlation to bonds: 0.73   Correlation to Equities: 0.60</p>
<p><b>BMO Tactical Global Asset Allocation ETF Fund</b>                      Risk Rating: Low to Medium   Sr. F MER: 0.75%   Sr. F: BMO95763   Front End: BMO99763                      3 year beta: 0.85   3 year std. dev.: 7.23   Correlation to bonds: 0.64   Correlation to Equities: 0.86</p>	<p><b>BMO Tactical Dividend ETF Fund</b>                      Risk Rating: Low to Medium   Sr. F MER: 0.76%   Sr. F: BMO95734   Front End: BMO99734                      3 year beta: 0.45   3 year std. dev.: 6.33   Correlation to bonds: 0.68   Correlation to Equities: 0.62</p>
<p><b>BMO Tactical Global Equity ETF Fund</b>                      Risk Rating: Medium   Sr. F MER: 0.94%   Sr. F: BMO95217   Front End: BMO99217                      3 year beta: 0.91   3 year std. dev.: 10.17   Correlation to bonds: 0.59   Correlation to Equities: 0.95</p>	<p><b>BMO Tactical Global Growth ETF Fund</b>                      Risk Rating: Medium   Sr. F MER: 0.67%   Sr. F: BMO95762   Front End: BMO99762                      3 year beta: 0.40   3 year std. dev.: 6.05   Correlation to bonds: 0.78   Correlation to Equities: 0.69</p>
<p><b>BMO SIA Focused Canadian Equity Fund</b>                      Risk Rating: Medium   Sr. F MER: 0.75%   Sr. F: BMO95257   Front End: BMO99257                      3 year beta: N/A   3 year std. dev.: N/A   Correlation to bonds: N/A   Correlation to Equities: N/A</p>	
<p><b>BMO SIA Focused North American Equity Fund</b>                      Risk Rating: Medium   Sr. F MER: 0.80%   Sr. F: BMO95258   Front End: BMO99258                      3 year beta: N/A   3 year std. dev.: N/A   Correlation to bonds: N/A   Correlation to Equities: N/A</p>	

All volatility ratios calculated relative to the Morningstar-assigned benchmark to each Fund. Correlations calculated relative to the S&P/TSX Composite TR Index (for equities) and the FTSE Canada Universe Index (for bonds).



Any statement that necessarily depends on future events may be a forward-looking statement. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Although such statements are based on assumptions that are believed to be reasonable, there can be no assurance that actual results will not differ materially from expectations. Investors are cautioned not to rely unduly on any forward-looking statements. In connection with any forward-looking statements, investors should carefully consider the areas of risk described in the most recent simplified prospectus.

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Individuals should seek the advice of professionals, as appropriate, regarding any particular investment. Commissions, management fees and expenses (if applicable) may be associated with investments in mutual funds and exchange traded funds (ETFs). Trailing commissions may be associated with investments in mutual funds. Please read the fund facts, ETF Facts or prospectus before investing. Mutual funds and ETFs are not guaranteed, their values change frequently and past performance may not be repeated.

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