Group Selection

Priced as of August 21, 2018

Note: Group tickers incorporate hyperlinks to decile charts, and then a link to our Toolkit of the group members.

See back pages for user guide and disclaimer.
Sources for all charts: BMO Capital Markets
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**Sector View**

**Sector Relative Strength Profiles***

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<tbody>
<tr>
<td>Energy</td>
<td>51% / 57% / 57%</td>
<td>/ / /</td>
<td>-4% / 1% / 2%</td>
</tr>
<tr>
<td>Materials</td>
<td>29% / 35% / 32%</td>
<td>/ / /</td>
<td>-14% / -10% / -10%</td>
</tr>
<tr>
<td>Industrials</td>
<td>35% / 43% / 41%</td>
<td>/ / /</td>
<td>3% / 9% / 10%</td>
</tr>
<tr>
<td>CMR Disc</td>
<td>39% / 47% / 42%</td>
<td>/ / /</td>
<td>-5% / -1% / 4%</td>
</tr>
<tr>
<td>CMR Stap</td>
<td>38% / 44% / 42%</td>
<td>/ / /</td>
<td>-10% / 0% / 1%</td>
</tr>
<tr>
<td>Hlth Care</td>
<td>54% / 61% / 58%</td>
<td>/ / /</td>
<td>-2% / 2% / 6%</td>
</tr>
<tr>
<td>Financials</td>
<td>36% / 48% / 39%</td>
<td>/ / /</td>
<td>-2% / 5% / 11%</td>
</tr>
<tr>
<td>Info Tech</td>
<td>50% / 58% / 54%</td>
<td>/ / /</td>
<td>-8% / -3% / 1%</td>
</tr>
<tr>
<td>Telecom</td>
<td>21% / 30% / 26%</td>
<td>/ / /</td>
<td>5% / 14% / 14%</td>
</tr>
<tr>
<td>Utilities</td>
<td>37% / 51% / 42%</td>
<td>/ / /</td>
<td>-6% / 1% / 4%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>50% / 64% / 52%</td>
<td>/ / /</td>
<td>-6% / 0% / 10%</td>
</tr>
</tbody>
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*Three terms define the relative performance Z-Score rating versus the markets (US = S&P 500; GBL = MSCI AC World; CDA = S&P/TSX Composite)
(a) % Outperforming - what percentage of sector members is outperforming the market,
(b) Reward/Risk - how consistent is the median relative strength performance of the sector membership ( / / ranking),
(c) Trend Psn - what is the net percentage of the sector members which are breaking above/below relative strength channels.
The strength z-Score is weighted 60% towards the trend parameters (% outperforming and reward/risk ratios) and 40% towards the trend positions (reversals of trends). Gridlines are placed at 0.5 increments.

See Help Pages for further details
Consumer Staples

August 21, 2018

Mark Steele (416) 359-4641

Momentum vs. Strength

- HhldPrdct: 17 stocks; $558bn
- AgriProd: 25 stocks; $110bn
- PkgFdMt: 123 stocks; $1173bn
- SoftDrnks: 19 stocks; $530bn
- Tobacco: 13 stocks; $581bn
- PersPrdct: 33 stocks; $502bn
- FdRetail: 36 stocks; $357bn
- Brewers: 14 stocks; $464bn
- DrugRetail: 8 stocks; $350bn
- Dist&Vnt: 12 stocks; $352bn
- FdDistri: 11 stocks; $54bn
- SprCntrs: 13 stocks; $541bn

Total Market Capitalization: $558bn + $110bn + $1173bn = $1841bn
**User Guide 1 - Definitions & Dataset**

**Group Strength**
Our Global Group analysis is based on bottom-up equity relative strength analysis as opposed to industry group (index) relative strength analysis.

**Strength Decile Defined By**
1. What percentage of a groups members are outperforming
2. How consistent that outperformance is
3. How the are members positioned (above/below) vs. their trend channels.

**Momentum Decile**
Rate of change of strength (change in 5-day moving average)

**The Underlying Equity Relative Strength Analysis**
Each day, for every equity we cover, our relative strength system assesses the best fit trend from a spectrum which covers a minimum trend duration of six months, and a maximum of 4-years. The "best fit" is the trend which maximizes duration, and minimizes deviation from the trend. Our process is flexible, thorough, and because it is run daily, timely.

**The Dataset:**
- Over 5,700 securities.
- Groups have a:
  - Median depth of 28
  - Average depth of 36

**Heat Map Colour and Symbol Guide**
- Strength is highlighted by the background of the group title
  - Bright green = best (1st decile) transitions towards...
  - Bright red = worst (10th decile)
- Momentum is highlighted in the border of the group title
  - Colour map for momentum is the same as strength
- Symbols to the right of the group ticker show where a group moved from in the previous session. Below the group symbol we highlight the number and total market capitalization of the members in a group. Clicking on the group, which brings up the chart via a hyperlink, will help to clarify the moves.
User Guide 2 - Momentum

Our Goals:
- To buy outperforming stocks in favoured groups
- To avoid underperforming stocks in unfavoured groups
- To be alerted of and act on the changes

#1 Rule of Momentum: You can use it only if it exists

- In stable/trending markets, one can buy stocks with high strength and momentum and hold them as long as momentum does not turn negative (trend following).

- In very rotational markets (e.g., where credit, currency, commodity conditions are choppy/changing):
  - Buying high strength and high momentum may be dangerous (buying yesterday’s winners).
  - One is better off buying stocks with moderate strength and high momentum (bottom fishing).
User Guide 3 - Buy/Hold/Sell

Buy

- Groups with high strength and high positive momentum (top left) - “In Favour”
- Groups with moderate strength and high positive momentum - “Transitioning to Positive”
- Groups with mediocre strength and high positive momentum - “Gaining Favour”

Buy/Hold

- Groups with high strength and neutral momentum (middle left) - “Maintaining Favour”

Sell

- Groups with low strength and high negative momentum (bottom right) - “Out of Favour”
- Groups with moderately negative strength and high negative momentum - “Transitioning to Negative”
- Groups with mediocre strength and high negative momentum - “Losing Favour”
User Guide 4 - Hyperlinks To Decile Charts & Stock Selection

- Each group is hyperlinked to a chart that shows the relative strength decile as a function of time, and the moving average (momentum).

- Each chart is hyperlinked to the group membership, in our RS Filter Toolkit.
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<td>Buy</td>
<td>Outperform</td>
<td>43.2%</td>
<td>22.8%</td>
<td>57.4%</td>
<td>44.1%</td>
<td>57.0%</td>
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<td>Hold</td>
<td>Market Perform</td>
<td>53.2%</td>
<td>13.1%</td>
<td>40.6%</td>
<td>52.6%</td>
<td>41.1%</td>
<td>41.6%</td>
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<tr>
<td>Sell</td>
<td>Underperform</td>
<td>3.7%</td>
<td>9.5%</td>
<td>2.0%</td>
<td>3.2%</td>
<td>1.6%</td>
<td>5.5%</td>
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(S) = Speculative investment;
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