Group Selection

Priced as of April 17, 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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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.
<table>
<thead>
<tr>
<th>Sector</th>
<th>Momentum</th>
<th>Strength</th>
<th>Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alumin</td>
<td></td>
<td></td>
<td>10 stocks; $51bn</td>
</tr>
<tr>
<td>OG E&amp;P</td>
<td></td>
<td></td>
<td>118 stocks; $694bn</td>
</tr>
<tr>
<td>ComdChm</td>
<td></td>
<td></td>
<td>45 stocks; $466bn</td>
</tr>
<tr>
<td>OG Drill</td>
<td></td>
<td></td>
<td>14 stocks; $34bn</td>
</tr>
<tr>
<td>SpecChm</td>
<td></td>
<td></td>
<td>70 stocks; $582bn</td>
</tr>
<tr>
<td>OG Equip</td>
<td></td>
<td></td>
<td>60 stocks; $297bn</td>
</tr>
<tr>
<td>Silver</td>
<td></td>
<td></td>
<td>10 stocks; $20bn</td>
</tr>
<tr>
<td>Gold</td>
<td></td>
<td></td>
<td>69 stocks; $191bn</td>
</tr>
<tr>
<td>MtGlsCnt</td>
<td></td>
<td></td>
<td>14 stocks; $62bn</td>
</tr>
<tr>
<td>OG StTr</td>
<td></td>
<td></td>
<td>90 stocks; $659bn</td>
</tr>
<tr>
<td>PapProd</td>
<td></td>
<td></td>
<td>24 stocks; $114bn</td>
</tr>
<tr>
<td>OG RfMkt</td>
<td></td>
<td></td>
<td>43 stocks; $527bn</td>
</tr>
<tr>
<td>DiversChm</td>
<td></td>
<td></td>
<td>22 stocks; $412bn</td>
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<tr>
<td>DvrsMng</td>
<td></td>
<td></td>
<td>64 stocks; $451bn</td>
</tr>
<tr>
<td>PrecMet</td>
<td></td>
<td></td>
<td>21 stocks; $51bn</td>
</tr>
<tr>
<td>Int O&amp;G</td>
<td></td>
<td></td>
<td>90 stocks; $1646bn</td>
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<tr>
<td>FrstPrd</td>
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<td></td>
<td>11 stocks; $33bn</td>
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<tr>
<td>Steel</td>
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<td></td>
<td>59 stocks; $446bn</td>
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<td>PaperPkg</td>
<td></td>
<td></td>
<td>17 stocks; $130bn</td>
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<tr>
<td>Coal&amp;Uran</td>
<td></td>
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<td>24 stocks; $97bn</td>
</tr>
<tr>
<td>Copper</td>
<td></td>
<td></td>
<td>17 stocks; $123bn</td>
</tr>
<tr>
<td>CstrMat</td>
<td></td>
<td></td>
<td>29 stocks; $290bn</td>
</tr>
<tr>
<td>IndusGas</td>
<td></td>
<td></td>
<td>8 stocks; $151bn</td>
</tr>
<tr>
<td>Fert&amp;Ag</td>
<td></td>
<td></td>
<td>29 stocks; $171bn</td>
</tr>
</tbody>
</table>
Utilities

April 17, 2018

Mark Steele (416) 359-4641

RenewElec
22 stocks; $58bn

IPPTrad
24 stocks; $117bn

GasUtil
33 stocks; $218bn

ElecUtil
89 stocks; $1167bn

WaterUtil
24 stocks; $84bn

MultiUtil
35 stocks; $464bn
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 group’s members are outperforming
2. How consistent that outperformance is
3. How the members are 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.
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>
<td>52.8%</td>
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<tr>
<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>
</tr>
</tbody>
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* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.
** Reflects rating distribution of all companies from which BMO Capital Markets Corp. has received compensation for Investment Banking services as percentage within ratings category.
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(S) = Speculative investment;
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(January 2010 - April 2013)

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