Group Selection

Priced as of January 3, 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 Relative Strength Profiles**

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<tbody>
<tr>
<td>Energy</td>
<td>43% / 46% / 44%</td>
<td>24% / 24% / 23%</td>
<td></td>
</tr>
<tr>
<td>Materials</td>
<td>51% / 50% / 52%</td>
<td>10% / 11% / 9%</td>
<td></td>
</tr>
<tr>
<td>Industrials</td>
<td>51% / 51% / 51%</td>
<td>4% / 4% / -1%</td>
<td></td>
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<tr>
<td>CMR Disc</td>
<td>49% / 48% / 48%</td>
<td>7% / 7% / 3%</td>
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</tr>
<tr>
<td>CMR Stap</td>
<td>34% / 35% / 34%</td>
<td>4% / 5% / 1%</td>
<td></td>
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<tr>
<td>Hlth Care</td>
<td>43% / 43% / 43%</td>
<td>7% / 7% / 3%</td>
<td></td>
</tr>
<tr>
<td>Financials</td>
<td>39% / 40% / 38%</td>
<td>-4% / -1% / -7%</td>
<td></td>
</tr>
<tr>
<td>Info Tech</td>
<td>56% / 54% / 57%</td>
<td>-4% / -5% / -7%</td>
<td></td>
</tr>
<tr>
<td>Telecom</td>
<td>28% / 31% / 29%</td>
<td>-2% / 1% / -5%</td>
<td></td>
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<tr>
<td>Utilities</td>
<td>37% / 35% / 31%</td>
<td>-24% / -23% / -23%</td>
<td></td>
</tr>
<tr>
<td>Real Estate</td>
<td>39% / 38% / 37%</td>
<td>-5% / -7% / -12%</td>
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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
January 3, 2018

Mark Steele (416) 359-4641

OG E&P
118 stocks; $883bn

OG Drill
14 stocks; $33bn

OG Equip
20 stocks; $305bn

OG StTr
89 stocks; $701bn

Int O&G
29 stocks; $181bn

Coal&Uran
24 stocks; $87bn

OG RfMkt
43 stocks; $532bn
BMO Capital Markets
Mark Steele (416) 359-4641

January 3, 2018

Industrials

Momentum

Strength

CnstMch&T
60 stocks; $372bn

OfficeServ
10 stocks; $20bn

Cns&Eng
70 stocks; $371bn

HvyElcEq
15 stocks; $88bn

IndCongl
42 stocks; $101bn

Hwy&Rail
16 stocks; $115bn

AirprtSrv
18 stocks; $160bn

Marine
15 stocks; $72bn

DvSpSrv
23 stocks; $104bn

MarineSrv
15 stocks; $62bn

TrdgDist
56 stocks; $357bn

RsrcCslt
28 stocks; $233bn

BldPrdcts
46 stocks; $297bn

CmclPrt
11 stocks; $25bn

Sec&Alm
5 stocks; $38bn

Trucking
28 stocks; $109bn

Ind Mach
124 stocks; $800bn

HREmpl
23 stocks; $125bn

CmclPrt
11 stocks; $25bn

AirFrght
19 stocks; $303bn

ElcCmpEq
36 stocks; $385bn

ElcCmpEq
36 stocks; $385bn

Ag&Farm
11 stocks; $112bn

Aero&Def
56 stocks; $978bn

Railroads
25 stocks; $525bn

Airline
31 stocks; $313bn

EnviroServ
25 stocks; $135bn
January 3, 2018

Health Care

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Momentum

Strength

Biotech
121 stocks; $1078bn

Pharma
102 stocks; $2560bn

HCFacility
29 stocks; $112bn

HCSuppls
26 stocks; $156bn

MngHCare
12 stocks; $461bn

LfsSciSrv
28 stocks; $288bn

HCDistrib
18 stocks; $126bn

HCEquip
76 stocks; $890bn

HCService
27 stocks; $204bn

HCTec
19 stocks; $71bn
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”
- 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>
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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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** 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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Und = Underperform - Forecast to underperform the analyst’s coverage universe on a total return basis;
(S) = Speculative investment;
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