Group Selection

Priced as of January 5, 2012

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 = S&P Global 1200; CDA = S&P/TSX Composite)

(a) % Outperforming - what percentage of sector members is outperforming the market,
(b) Reward/Risk - how consistent the median relative strength performance of the sector membership ( ranking), and
(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.
Strength Changes Last Session

Momentum

January 5, 2012
January 5, 2012

**Momentum**

**Strength**

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<thead>
<tr>
<th>Sector</th>
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<td>DiversChm</td>
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<td>$227bn</td>
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<td>ComdChm</td>
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<td>SpecChm</td>
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<td>$211bn</td>
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<td>IndusGas</td>
<td>10</td>
<td>$124bn</td>
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<tr>
<td>PaperPkg</td>
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<td>$43bn</td>
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<tr>
<td>OG StTr</td>
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<td>$403bn</td>
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January 5, 2012

**Energy**

- **OG E&P** 70 stocks; $991bn
- **Int O&G** 27 stocks; $2309bn
- **OG Equip** 77 stocks; $391bn
- **OG StTr** 70 stocks; $403bn

**Coal&Uran** 53 stocks; $152bn
**OG Drill** 29 stocks; $97bn
**OG RfMkt** 25 stocks; $224bn
January 5, 2012

Consumer Staples

Momentum

Strength

- FdRetail
  - 38 stocks
  - $295bn
- SprCntrs
  - 14 stocks
  - $392bn
- AgriProd
  - 26 stocks
  - $122bn
- PkgFdMt
  - 83 stocks
  - $725bn
- Brewers
  - 16 stocks
  - $304bn
- Tobacco
  - 17 stocks
  - $499bn
- DrugRetail
  - 10 stocks
  - $102bn
- SoftDrnks
  - 16 stocks
  - $327bn
- FdDistri
  - 10 stocks
  - $30bn
- Dist&Vnt
  - 15 stocks
  - $155bn
- HhldPrdct
  - 17 stocks
  - $379bn
- PersPrdct
  - 25 stocks
  - $169bn

BMO Capital Markets
Mark Steele (416) 359-4641
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 are the 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 deviations from the trend. Our process is flexible, thorough, and because it is run daily, timely.

The Dataset:
- Over 5,000 securities.
- Groups have a:
  ...Median depth of 25
  ...Average depth of 35

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 of 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 5-day and 20-day moving averages (momentum).

- Each chart is hyperlinked to the group membership, in our RS Filter Toolkit.
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<th>Rating Category</th>
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<td>Buy</td>
<td>Outperform</td>
<td>35.8%</td>
<td>11.9%</td>
<td>31.8%</td>
<td>40.7%</td>
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<td>Hold</td>
<td>Market Perform</td>
<td>62.2%</td>
<td>14.7%</td>
<td>68.2%</td>
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<td>Sell</td>
<td>Underperform</td>
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<td>0.0%</td>
<td>0.0%</td>
<td>3.0%</td>
<td>1.3%</td>
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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.
*** Reflects rating distribution of all companies from which BMO Capital Markets Corp. has received compensation for Investment Banking services as percentage of Investment Banking clients.
**** Reflects rating distribution of all companies covered by BMO Capital Markets equity research analysts.
***** Reflects rating distribution of all companies from which BMO Capital Markets has received compensation for Investment Banking services as percentage of Investment Banking clients.
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Und = Underperform - Forecast to underperform the market;
(S) = speculative investment;
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