Group Selection

Priced as of January 21, 2014

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*

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>35% / 38% / 46%</td>
<td>/ / /</td>
<td>1% / 2% / 3%</td>
</tr>
<tr>
<td>Materials</td>
<td>34% / 37% / 45%</td>
<td>/ / /</td>
<td>9% / 8% / 10%</td>
</tr>
<tr>
<td>Industrials</td>
<td>58% / 61% / 70%</td>
<td>/ / /</td>
<td>3% / 5% / 8%</td>
</tr>
<tr>
<td>CMR Disc</td>
<td>56% / 58% / 66%</td>
<td>/ / /</td>
<td>-11% / -9% / -5%</td>
</tr>
<tr>
<td>CMR Stap</td>
<td>29% / 34% / 43%</td>
<td>/ / /</td>
<td>-7% / -7% / -3%</td>
</tr>
<tr>
<td>Hlth Care</td>
<td>55% / 59% / 68%</td>
<td>/ / /</td>
<td>21% / 22% / 24%</td>
</tr>
<tr>
<td>Financials</td>
<td>42% / 48% / 58%</td>
<td>/ / /</td>
<td>2% / 3% / 6%</td>
</tr>
<tr>
<td>Info Tech</td>
<td>55% / 59% / 64%</td>
<td>/ / /</td>
<td>8% / 9% / 12%</td>
</tr>
<tr>
<td>Telecom</td>
<td>47% / 54% / 60%</td>
<td>/ / /</td>
<td>-7% / -3% / 1%</td>
</tr>
<tr>
<td>Utilities</td>
<td>26% / 30% / 39%</td>
<td>/ / /</td>
<td>5% / 5% / 10%</td>
</tr>
</tbody>
</table>

*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.
January 21, 2014

Energy

Momentum  

Strength

- OG StTr  
  77 stocks; $594bn

- OG E&P  
  228 stocks; $1121bn

- Coal&Uran
  26 stocks; $96bn

- OG Equip
  86 stocks; $468bn

- Int O&G
  34 stocks; $2176bn

- OG RfMkt
  49 stocks; $340bn

- OG Drill
  31 stocks; $124bn
January 21, 2014

**Consumer Staples**

**Drug Retail**
- 10 stocks
- $165bn

**Packaged Food & Meat**
- 115 stocks
- $991bn

**Food Distribution**
- 12 stocks
- $41bn

**Discount & Variety**
- 14 stocks
- $209bn

**Fast Retail**
- 92 stocks
- $418bn

**Dist & Vent**
- 42 stocks
- $370bn

**Sprouts & Centres**
- 17 stocks
- $407bn

**Tobacco**
- 16 stocks
- $539bn

**Holding Products**
- 18 stocks
- $509bn

**Brewers**
- 16 stocks
- $503bn

**Agriculture Products**
- 34 stocks
- $127bn

**Soft Drinks**
- 15 stocks
- $400bn

**Personal Products**
- 27 stocks
- $309bn
January 21, 2014

Telecommunication Services

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Momentum

Strength

AltCar
15 stocks; $55bn

IntgTelSrv
65 stocks; $123bn

WisTelSrv
47 stocks; $1102bn

WlsTelSrv
47 stocks; $1102bn

15 stocks; $55bn

65 stocks; $123bn
January 21, 2014

Mark Steele (416) 359-4641

Utilities

Momentum

Strength

GasUtil
34 stocks; $199bn

MultiUtil
39 stocks; $457bn

WaterUtil
21 stocks; $59bn

IPPTrad
46 stocks; $156bn

ElecUtil
43 stocks; $890bn
**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.
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 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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<table>
<thead>
<tr>
<th>Rating Category</th>
<th>BMO Rating</th>
<th>BMOCM US Universe*</th>
<th>BMOCM US IB Clients**</th>
<th>BMOCM US IB Clients***</th>
<th>BMOCM Universe****</th>
<th>BMOCM IB Clients*****</th>
<th>Stamine Universe</th>
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<td>Buy</td>
<td>Outperform</td>
<td>35.8%</td>
<td>20.3%</td>
<td>47.8%</td>
<td>36.7%</td>
<td>48.3%</td>
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<tr>
<td>Hold</td>
<td>Market Perform</td>
<td>59.4%</td>
<td>13.1%</td>
<td>51.1%</td>
<td>56.9%</td>
<td>50.2%</td>
<td>41.1%</td>
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<tr>
<td>Sell</td>
<td>Underperform</td>
<td>4.9%</td>
<td>3.4%</td>
<td>1.1%</td>
<td>6.4%</td>
<td>1.5%</td>
<td>5.6%</td>
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</tbody>
</table>
Ratings and Sector Key
We use the following ratings system definitions:

OP = Outperform - Forecast to outperform the market;
Mkt = Market Perform - Forecast to perform roughly in line with the market;
Und = Underperform - Forecast to underperform the market;
(S) = speculative investment;
NR = No rating at this time;
R = Restricted - Dissemination of research is currently restricted.

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