Group Selection

Priced as of February 19, 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 View**

**Sector Relative Strength Profiles**

<table>
<thead>
<tr>
<th>Hyperlink</th>
<th>% Outperforming</th>
<th>Reward/Risk</th>
<th>Trend Psn</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US/GBL/CDA</td>
<td>US/GBL/CDA</td>
<td>US/GBL/CDA</td>
</tr>
<tr>
<td>Energy</td>
<td>32% / 38% / 46%</td>
<td>&lt; / &lt; / &lt;</td>
<td>9% / 6% / 3%</td>
</tr>
<tr>
<td>Materials</td>
<td>32% / 38% / 45%</td>
<td>&lt; / &lt; / &lt;</td>
<td>17% / 13% / 11%</td>
</tr>
<tr>
<td>Industrials</td>
<td>52% / 57% / 68%</td>
<td>&lt; / &lt; / &gt;</td>
<td>-4% / -8% / -11%</td>
</tr>
<tr>
<td>CMR Disc</td>
<td>49% / 54% / 63%</td>
<td>&lt; / &gt; / &gt;</td>
<td>-3% / -8% / -9%</td>
</tr>
<tr>
<td>CMR Stap</td>
<td>26% / 34% / 43%</td>
<td>&lt; / &gt; / &gt;</td>
<td>0% / -3% / -8%</td>
</tr>
<tr>
<td>Hlth Care</td>
<td>56% / 61% / 69%</td>
<td>&lt; / &gt; / &gt;</td>
<td>12% / 10% / 5%</td>
</tr>
<tr>
<td>Financials</td>
<td>39% / 47% / 60%</td>
<td>&lt; / &gt; / &gt;</td>
<td>0% / -3% / -9%</td>
</tr>
<tr>
<td>Info Tech</td>
<td>56% / 60% / 66%</td>
<td>&lt; / &gt; / &gt;</td>
<td>7% / 5% / 1%</td>
</tr>
<tr>
<td>Telecom</td>
<td>44% / 49% / 55%</td>
<td>&lt; / &gt; / &gt;</td>
<td>-2% / -5% / -9%</td>
</tr>
<tr>
<td>Utilities</td>
<td>28% / 36% / 50%</td>
<td>&lt; / &gt; / &gt;</td>
<td>15% / 10% / 5%</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.
Utilities

February 19, 2014

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Momentum

Strength

- **MultiUtil** 39 stocks; $477bn
- **WaterUtil** 20 stocks; $60bn
- **ElecUtil** 65 stocks; $875bn
- **GasUtil** 33 stocks; $184bn
- **IPPTrad** 44 stocks; $156bn
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>
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<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>
</tr>
</thead>
<tbody>
<tr>
<td>Buy</td>
<td>Outperform</td>
<td>38.0%</td>
<td>20.4%</td>
<td>49.0%</td>
<td>38.8%</td>
<td>50.4%</td>
<td>52.5%</td>
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<tr>
<td>Hold</td>
<td>Market Perform</td>
<td>56.1%</td>
<td>13.8%</td>
<td>49.0%</td>
<td>54.0%</td>
<td>46.5%</td>
<td>41.8%</td>
</tr>
<tr>
<td>Sell</td>
<td>Underperform</td>
<td>5.8%</td>
<td>5.6%</td>
<td>2.0%</td>
<td>7.2%</td>
<td>3.1%</td>
<td>5.7%</td>
</tr>
</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;
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