Group Selection

Priced as of February 12, 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.
Consumer Staples

PersPrdct
33 stocks; $462bn

FdRetail
36 stocks; $357bn

AgriProd
25 stocks; $109bn

DrugRetail
8 stocks; $164bn

PkgFdMt
124 stocks; $1242bn

HhldPrdct
18 stocks; $554bn

Tobacco
12 stocks; $650bn

Dist&Vnt
12 stocks; $368bn

SprCntrs
14 stocks; $524bn

FdDistri
12 stocks; $66bn

Brewers
14 stocks; $505bn

SoftDrinks
18 stocks; $506bn

February 12, 2018

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Consumer Staples

BMO Capital Markets
Telecommunication Services

Momentum

Strength

February 12, 2018

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Telecommunication Services

WisTelSrv
42 stocks; $912bn

IntgTelSrv
59 stocks; $1260bn

AltCar
11 stocks; $55bn

42 stocks; $912bn

59 stocks; $1260bn

11 stocks; $55bn
February 12, 2018

Real Estate

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Momentum vs. Strength

- **RESTSrV** 12 stocks; $38bn (green)
- **SpecREIT** 32 stocks; $313bn (red)
- **ResidREIT** 27 stocks; $148bn (red)
- **HCareREIT** 18 stocks; $86bn (red)
- **RetailREIT** 61 stocks; $305bn (red)
- **DiversREIT** 41 stocks; $165bn (red)
- **OfficeREIT** 33 stocks; $146bn (red)
- **HotelREIT** 19 stocks; $58bn (red)
- **RESTDevl** 34 stocks; $337bn (green)
- **RESTDvAct** 33 stocks; $295bn (green)
- **IndusREIT** 20 stocks; $98bn (green)
- **RESTOpCo** 35 stocks; $207bn (green)
**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.
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 moving average (momentum).

- Each chart is hyperlinked to the group membership, in our RS Filter Toolkit.
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<td>Underperform</td>
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<td>9.5%</td>
<td>2.0%</td>
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<td>1.6%</td>
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