Group Selection

Priced as of April 11, 2019

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 are outperforming the market,
(b) Reward/Risk - how consistent is the median relative strength performance of the sector membership (% outranking / outranking 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.
<table>
<thead>
<tr>
<th>Sector</th>
<th>Stocks</th>
<th>Market Cap ($bn)</th>
</tr>
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<tbody>
<tr>
<td>Industrials</td>
<td>132</td>
<td>$747bn</td>
</tr>
<tr>
<td>ElcCmpEq</td>
<td>45</td>
<td>$460bn</td>
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<tr>
<td>CnstMch&amp;Eqt</td>
<td>49</td>
<td>$381bn</td>
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<tr>
<td>Marine</td>
<td>14</td>
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<td>MarineSrv</td>
<td>16</td>
<td>$89bn</td>
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<tr>
<td>BldPrdcts</td>
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<td>$269bn</td>
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<tr>
<td>Ind Mach</td>
<td>132</td>
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<tr>
<td>Airline</td>
<td>36</td>
<td>$268bn</td>
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<tr>
<td>DvSpSrv</td>
<td>22</td>
<td>$113bn</td>
</tr>
<tr>
<td>RsrCslt</td>
<td>27</td>
<td>$290bn</td>
</tr>
<tr>
<td>Aero&amp;Def</td>
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<td>$50bn</td>
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<td>$298bn</td>
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<td>$165bn</td>
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<td>CmclPrt</td>
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<tr>
<td>IndCongl</td>
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<td>Railroads</td>
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</tr>
<tr>
<td>Hwy&amp;ElecEq</td>
<td>17</td>
<td>$105bn</td>
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Consumer Discretionary

- **AutoParts**: 53 stocks, $323bn
- **AutoMfg**: 38 stocks, $962bn
- **HmFrnsh**: 10 stocks, $52bn
- **LeisPrd**: 20 stocks, $62bn
- **SpCmSrv**: 7 stocks, $23bn
- **Htl&Rsrt**: 24 stocks, $249bn
- **CmrElec**: 11 stocks, $131bn
- **Tire&Rub**: 11 stocks, $88bn
- **MotcyMfg**: 11 stocks, $42bn
- **CmrElec**: 11 stocks, $131bn
- **Tire&Rub**: 11 stocks, $88bn
- **MotcyMfg**: 11 stocks, $42bn
- **HomeBld**: 95 stocks, $154bn
- **HhldApl**: 35 stocks, $189bn
- **AutoRtl**: 16 stocks, $122bn
- **Footwear**: 14 stocks, $166bn
- **InetDmRtl**: 42 stocks, $189bn
- **SpecStors**: 22 stocks, $99bn
- **Rstaurnt**: 49 stocks, $506bn
- **GMrchStrs**: 42 stocks, $780bn
- **April&Gds**: 42 stocks, $780bn
- **DeptStrs**: 17 stocks, $92bn
April 11, 2019

**Health Care**

- **Momentum**
  - **HCareTec** → 78 stocks; $90bn
  - **LiSciSrv** → 31 stocks; $411bn
  - **MngHCare** → 10 stocks; $387bn

- **Strength**
  - **HCEquip** → 75 stocks; $1151bn
  - **Biotech** → 121 stocks; $993bn
  - **HCFacility** → 34 stocks; $116bn
  - **HCSuppls** ← 27 stocks; $153bn
  - **Pharma** ← 121 stocks; $2676bn
  - **HCDistrib** ← 17 stocks; $100bn

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**BMO Capital Markets**
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 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).
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>43.2%</td>
<td>22.8%</td>
<td>57.4%</td>
<td>44.1%</td>
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<tr>
<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 covered by BMO Capital Markets Corp. equity research analysts.
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