Group Selection

Priced as of December 24, 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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Sector View

**Sector Relative Strength Profiles**

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Energy</strong></td>
<td>45% / 41% / 36%</td>
<td>/ / /</td>
<td>2% / -2% / 3%</td>
</tr>
<tr>
<td><strong>Materials</strong></td>
<td>47% / 42% / 36%</td>
<td>/ / /</td>
<td>11% / 8% / 13%</td>
</tr>
<tr>
<td><strong>Industrials</strong></td>
<td>56% / 52% / 46%</td>
<td>/ / /</td>
<td>20% / 15% / 20%</td>
</tr>
<tr>
<td><strong>CMR Disc</strong></td>
<td>55% / 52% / 47%</td>
<td>/ / /</td>
<td>11% / 5% / 12%</td>
</tr>
<tr>
<td><strong>CMR Stap</strong></td>
<td>54% / 49% / 45%</td>
<td>/ / /</td>
<td>6% / 2% / 7%</td>
</tr>
<tr>
<td><strong>Hlth Care</strong></td>
<td>48% / 47% / 41%</td>
<td>/ / /</td>
<td>1% / -3% / 3%</td>
</tr>
<tr>
<td><strong>Financials</strong></td>
<td>60% / 55% / 49%</td>
<td>/ / /</td>
<td>15% / 9% / 14%</td>
</tr>
<tr>
<td><strong>Info Tech</strong></td>
<td>36% / 35% / 31%</td>
<td>/ / /</td>
<td>19% / 12% / 18%</td>
</tr>
<tr>
<td><strong>Telecom</strong></td>
<td>51% / 50% / 45%</td>
<td>/ / /</td>
<td>7% / -1% / 4%</td>
</tr>
<tr>
<td><strong>Utilities</strong></td>
<td>37% / 35% / 28%</td>
<td>/ / /</td>
<td>11% / 8% / 12%</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 (rankings), 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.
December 24, 2012

Mark Steele (416) 359-4641

**Resources**

- **Momentum**
  - **PapProd**: 12 stocks, $92bn
  - **OG RfMkt**: 47 stocks, $326bn
  - **DiversChm**: 17 stocks, $265bn
  - **SpecChm**: 61 stocks, $271bn
  - **OG Drill**: 31 stocks, $113bn
  - **OG StTr**: 29 stocks, $136bn
  - **PaperPkg**: 17 stocks, $48bn

- **Strength**
  - **MtGlsCnt**: 13 stocks, $38bn
  - **OG Equip**: 67 stocks, $384bn
  - **Steal**: 74 stocks, $437bn
  - **OG StTr**: 29 stocks, $113bn
  - **ComdChm**: 30 stocks, $229bn
  - **OG E&P**: 214 stocks, $1024bn
  - **CstrMat**: 26 stocks, $166bn
  - **FrstPrd**: 13 stocks, $168bn
  - **Int O&G**: 36 stocks, $214bn
  - **Gold**: 123 stocks, $299bn
  - **Fert&Ag**: 42 stocks, $289bn
  - **PrecMet**: 57 stocks, $129bn
  - **Alumin**: 12 stocks, $45bn
  - **Coal&Uran**: 42 stocks, $136bn
  - **DvrsMng**: 128 stocks, $715bn

**Key Points**

- **PapProd**: 12 stocks, $92bn
- **OG RfMkt**: 47 stocks, $326bn
- **DiversChm**: 17 stocks, $265bn
- **SpecChm**: 61 stocks, $271bn
- **OG Drill**: 31 stocks, $113bn
- **OG StTr**: 29 stocks, $136bn
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- **MtGlsCnt**: 13 stocks, $38bn
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- **Gold**: 123 stocks, $299bn
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**Notes**

- **Markets**
  - **Momentum**
  - **Strength**

**Financial Data**

- **Stocks**: Number of stocks in each sector.
- **Market Capitalization**: Total market capitalization in billions of dollars.

**Conclusion**

This image provides a visual representation of the market sectors, their momentum, and strength, along with their respective number of stocks and market capitalization.
December 24, 2012

Momentum

Strength

OG RfMkt ➔ 47 stocks; $326bn

OG Drill ➔ 31 stocks; $113bn

OG StTr ➔ 69 stocks; $442bn

OG Equip ➔ 69 stocks; $394bn

OG E&P ➔ 214 stocks; $1024bn

Coal&Uran ➔ 42 stocks; $136bn

Int O&G ➔ 36 stocks; $2149bn

Energy

Momentum

Strength

BMO Capital Markets
Mark Steele (416) 359-4641
<table>
<thead>
<tr>
<th>Industry</th>
<th>Strength</th>
<th>Momentum</th>
<th>Number of Stocks</th>
<th>Market Cap (bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SprCntrs</td>
<td>16 stocks</td>
<td>16 stocks</td>
<td>16 stocks</td>
<td>$449bn</td>
</tr>
<tr>
<td>Brewers</td>
<td>16 stocks</td>
<td>16 stocks</td>
<td>16 stocks</td>
<td>$391bn</td>
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<tr>
<td>Dist&amp;Vnt</td>
<td>13 stocks</td>
<td>13 stocks</td>
<td>13 stocks</td>
<td>$192bn</td>
</tr>
<tr>
<td>FdDistri</td>
<td>12 stocks</td>
<td>12 stocks</td>
<td>12 stocks</td>
<td>$32bn</td>
</tr>
<tr>
<td>AgriProd</td>
<td>31 stocks</td>
<td>31 stocks</td>
<td>31 stocks</td>
<td>$326bn</td>
</tr>
<tr>
<td>PkgFdMt</td>
<td>115 stocks</td>
<td>115 stocks</td>
<td>115 stocks</td>
<td>$827bn</td>
</tr>
<tr>
<td>FdRetail</td>
<td>39 stocks</td>
<td>39 stocks</td>
<td>39 stocks</td>
<td>$326bn</td>
</tr>
<tr>
<td>HhldPrdct</td>
<td>10 stocks</td>
<td>10 stocks</td>
<td>10 stocks</td>
<td>$32bn</td>
</tr>
<tr>
<td>PersPrdct</td>
<td>23 stocks</td>
<td>23 stocks</td>
<td>23 stocks</td>
<td>$198bn</td>
</tr>
<tr>
<td>SoftDrnks</td>
<td>14 stocks</td>
<td>14 stocks</td>
<td>14 stocks</td>
<td>$356bn</td>
</tr>
<tr>
<td>Tobacco</td>
<td>17 stocks</td>
<td>17 stocks</td>
<td>17 stocks</td>
<td>$535bn</td>
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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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</tr>
</thead>
<tbody>
<tr>
<td>Buy</td>
<td>Outperform</td>
<td>39.2%</td>
<td>14.2%</td>
<td>66.0%</td>
<td>39.7%</td>
<td>49.1%</td>
<td>55.7%</td>
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<tr>
<td>Hold</td>
<td>Market Perform</td>
<td>58.8%</td>
<td>4.6%</td>
<td>31.9%</td>
<td>57.1%</td>
<td>48.6%</td>
<td>39.3%</td>
</tr>
<tr>
<td>Sell</td>
<td>Underperform</td>
<td>2.0%</td>
<td>9.1%</td>
<td>2.1%</td>
<td>3.2%</td>
<td>2.3%</td>
<td>5.0%</td>
</tr>
</tbody>
</table>

* 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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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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