Group Selection

Priced as of May 9, 2017

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
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<th>Sector</th>
<th>O&amp;G Stocks</th>
<th>O&amp;G Market Value</th>
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<td>14 stocks; $117bn</td>
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Consumer Staples

- Dist&Vnt: 12 stocks, $268bn
- Brewers: 3 stocks, $496bn
- PersPrdct: 29 stocks, $422bn
- Tobacco: 14 stocks, $762bn
- SprCntrs: 15 stocks, $462bn
- HhldPrdct: 18 stocks, $569bn
- FdRetail: 37 stocks, $362bn
- PkgFdMt: 123 stocks, $1214bn
- DrugRetail: 8 stocks, $199bn
- SoftDrnks: 17 stocks, $489bn
- FdDistri: 17 stocks, $586bn
- AgriProd: 25 stocks, $105bn

May 9, 2017

Mark Steele (416) 359-4641

[Chart showing the distribution of stocks across various sectors with corresponding market capitalization values.]

BMO Capital Markets
Telecommunication Services

Momentum

Strength

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IntgTelSrv
63 stocks; $1324bn

WlsTelSrv
42 stocks; $917bn

AltCar
10 stocks; $58bn
Utilities

ElecUtil  ➷  30 stocks; $110bn
MultiUtil  ➷  27 stocks; $458bn
RenewElec  ➷  24 stocks; $54bn
IPPTrad  ◄  25 stocks; $99bn
WaterUtil  ◄  24 stocks; $85bn
GasUtil  ➷  32 stocks; $193bn
Momentum

Strength

May 9, 2017

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Real Estate

REstOpCo
31 stocks; $191bn

REstSrv
11 stocks; $32bn

IndusREIT
20 stocks; $39bn

HCareREIT
19 stocks; $104bn

REstDvAct
34 stocks; $329bn

SpecREIT
31 stocks; $303bn

REstDevI
31 stocks; $208bn

OfficeREIT
23 stocks; $155bn

DiversREIT
41 stocks; $156bn

HotelREIT
18 stocks; $49bn

31 stocks; $191bn

26 stocks; $151bn

11 stocks; $32bn

19 stocks; $104bn

34 stocks; $329bn

31 stocks; $303bn

31 stocks; $208bn

23 stocks; $155bn

41 stocks; $156bn

18 stocks; $49bn

ResidREIT
26 stocks; $151bn

à

31 stocks; $191bn

26 stocks; $151bn

11 stocks; $32bn

19 stocks; $104bn

34 stocks; $329bn

31 stocks; $303bn

31 stocks; $208bn

23 stocks; $155bn

41 stocks; $156bn

18 stocks; $49bn
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.
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.
Disclosures

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<td>1.1%</td>
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<td>1.6%</td>
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* 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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We use the following ratings system definitions:
OP = Outperform - Forecast to outperform the analyst’s coverage universe on a total return basis;
Mkt = Market Perform - Forecast to perform roughly in line with the analyst’s coverage universe on a total return basis;
Und = Underperform - Forecast to underperform the analyst’s coverage universe on a total return basis;
(S) = Speculative investment;
Spd = Suspended - Coverage and rating suspended until coverage is reinstated;
NR = No Rated - No rating at this time; and
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(April 2013 – October 2016)  

(January 2010 – April 2013)  

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