Group Selection

Priced as of September 18, 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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*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 (\(\text{Reward/Risk} = \frac{\text{Outperforming}}{\text{Reward}}\)), 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.

See Help Pages for further details.
Momentum

September 18, 2014

Mark Steele (416) 359-4641

Energy

Int O&G
35 stocks; $220bn

OG E&P
219 stocks; $126bn

OG StTr
91 stocks; $778bn

OG Drill
33 stocks; $113bn

OG RfMkt
50 stocks; $777bn

Coal&Uran
31 stocks; $104bn

OG Equip
86 stocks; $502bn

OG Drill
33 stocks; $113bn
September 18, 2014

Industrials

Mark Steele (416) 359-4641

Sec&Alm
8 stocks; $55bn

Aero&Def
59 stocks; $792bn

Airline
22 stocks; $234bn

AirFrght
21 stocks; $229bn

Trucking
32 stocks; $93bn

TrdgDist
51 stocks; $309bn

Ind Mach
115 stocks; $595bn

Railroads
22 stocks; $424bn

Ag&Farm
12 stocks; $73bn

Hwy&Rail
3 stocks; $84bn

Enviroserv
39 stocks; $254bn

HwyElcEq
24 stocks; $140bn

OffceServ
12 stocks; $24bn

DvSpSrv
24 stocks; $71bn

MarineSrv
14 stocks; $64bn

ErCmpEq
3 stocks; $24bn

HvyElcEq
24 stocks; $140bn

Cns&Eng
76 stocks; $293bn

CnstMch&
14 stocks; $238bn

BldPrdcts
12 stocks; $24bn

RsrcCslt
28 stocks; $126bn

Marine
29 stocks; $99bn

HREmpl
22 stocks; $75bn

MarineSrv
14 stocks; $64bn

CnctPrt
14 stocks; $24bn

HvyElcEq
24 stocks; $140bn

RsrcCslt
28 stocks; $126bn

Marine
29 stocks; $99bn
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<thead>
<tr>
<th>Category</th>
<th>Stocks</th>
<th>Market Value</th>
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<td>Consumer Finance</td>
<td>23</td>
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<td>Reinsurers</td>
<td>16</td>
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<td>Dividend Market</td>
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<tr>
<td>Spec REIT</td>
<td>15</td>
<td>$148 bn</td>
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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 group 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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For Important Disclosures on the stocks discussed in this report, please go to http://researchglobal.bmocapitalmarkets.com/Public/Company_Disclosure_Public.aspx

Distribution of Ratings (March 31, 2014)

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<th>Rating Category</th>
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<th>BMOCM US IB Clients**</th>
<th>BMOCM US IB Clients***</th>
<th>BMOCM Universe****</th>
<th>BMOCM Clients*****</th>
<th>Starnes Universe</th>
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<td>Outperform</td>
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<td>21.5%</td>
<td>60.7%</td>
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<td>Hold</td>
<td>Market Perform</td>
<td>53.2%</td>
<td>10.8%</td>
<td>38.2%</td>
<td>32.8%</td>
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<tr>
<td>Sell</td>
<td>Underperform</td>
<td>5.2%</td>
<td>3.2%</td>
<td>1.1%</td>
<td>6.3%</td>
<td>2.7%</td>
<td>5.6%</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.
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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;
NR = No rating at this time; and
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