Group Selection

Priced as of July 27, 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
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 (ending 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.
Strength Changes Last Session

Momentum

P&C Insur  ➔  EnviroServ  ➔  Steel  ➔  DivCpMkt  ➔  REstDvAct
OG RfMkt

Int O&G  ➔  REstOpCo

SpecChm  ➔  DrugRetail  ➔  OG E&P  ➔  PkgFdMt  ➔  AsstMgmt  ➔  MortgREIT

MultiUtil

HmEntSwr  ➔  SpCmSrv  ➔  PapProd  ➔  CmrElec

LeisFcil  ➔  DvSpSrv  ➔  Thrt&Mtg  ➔  AirFrght  ➔  InetDmRtl  ➔  ApplicSwr

InsurBrkrs  ➔  HCEquip  ➔  IndusREIT  ➔  OG Drill  ➔  HldPrdct  ➔  HotelREIT

DataProc  ➔  SystmSwr  ➔  InetSftSrv  ➔  Aprl&Gds  ➔  FnlExchDt  ➔  MngHCare

ApplcSwr  ➔  FdRetail  ➔  Trucking  ➔  Rstaunrt  ➔  AutoParts  ➔  Fert&Ag

HCEquip  ➔  ElecEqp  ➔  PaperPkg  ➔  Copper  ➔  BioTech

HCFacility  ➔  Dist&Vnt  ➔  Ols&Eng  ➔  ElecComp  ➔  ElecInstr  ➔  SpecChm

DivCpMkt  ➔  DivCpMkt  ➔  Cns&Eng  ➔  PaperPkg  ➔  PkgFdMt  ➔  FdRetail

REstDvAct  ➔  REstDvAct  ➔  Alumin  ➔  Copper  ➔  ElecComp  ➔  HCEquip

OG StTr  ➔  OG StTr  ➔  Alumin  ➔  Copper  ➔  HCFacility  ➔  Dist&Vnt

LifeHthIns  ➔  LifeHthIns  ➔  REstDev  ➔  SpecChm  ➔  Int O&G  ➔  Int O&G

CmplPrt

OG RfMkt  ➔  OG RfMkt  ➔  REstDvAct  ➔  REstDvAct  ➔  REstDvAct

HCFacility  ➔  Dist&Vnt  ➔  REstDvAct  ➔  REstDvAct  ➔  REstDvAct

LifeHthIns  ➔  LifeHthIns  ➔  REstDev  ➔  REstDev  ➔  REstDev

CmplPrt  ➔  CmplPrt  ➔  REstDev  ➔  REstDev  ➔  REstDev

HCFacility  ➔  Dist&Vnt  ➔  REstDev  ➔  REstDev  ➔  REstDev
July 27, 2018

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OG RfMkt
43 stocks; $551bn

Int O&G
30 stocks; $1900bn

OG StTr
84 stocks; $693bn

OG E&P
114 stocks; $942bn

OG Drill
14 stocks; $33bn

OG Equip
60 stocks; $297bn

Coal&Uran
24 stocks; $85bn

Momentum

Strength

Energy
Consumer Discretionary

- **Momentum**
  - SpCmSrv: 8 stocks, $32bn
  - Mov&Ent: 22 stocks, $95bn
  - Educat: 15 stocks, $63bn
  - CmrElec: 12 stocks, $152bn
  - HmFrnsh: 11 stocks, $37bn

- **Strength**
  - Distrib: 9 stocks, $52bn
  - Tire&Rub: 11 stocks, $94bn
  - DeptStrs: 19 stocks, $101bn
  - AutoMfg: 26 stocks, $1014bn
  - LeisFcil: 9 stocks, $71bn
  - LeisPrd: 12 stocks, $152bn
  - Appr&Gds: 11 stocks, $754bn
  - InetDmRtl: 29 stocks, $1318bn
  - HhldApl: 14 stocks, $76bn

- **Other**
  - Footwear: 14 stocks, $152bn
  - Aprl&Gds: 22 stocks, $1318bn
  - PublShng: 24 stocks, $198bn
  - Rstaurnt: 56 stocks, $427bn
  - SpecStors: 24 stocks, $198bn
  - CmpElRtl: 8 stocks, $45bn
  - Cabl&Sat: 24 stocks, $502bn
  - GMrchStrs: 12 stocks, $146bn
  - Cas&Gam: 35 stocks, $944bn
  - AutoParts: 50 stocks, $367bn
  - Hl&Rst: 23 stocks, $240bn
  - Advert: 17 stocks, $115bn
  - MotcyMfg: 4 stocks, $37bn
  - HomeFurn: 8 stocks, $27bn
  - HomeBld: 36 stocks, $156bn
  - AutoRtl: 16 stocks, $94bn

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<table>
<thead>
<tr>
<th>Sector</th>
<th>Momentum</th>
<th>Strength</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>SoftDrinks</td>
<td></td>
<td></td>
<td>19 stocks; $534bn</td>
</tr>
<tr>
<td>SprCntrs</td>
<td></td>
<td></td>
<td>13 stocks; $516bn</td>
</tr>
<tr>
<td>Dist&amp;Vnt</td>
<td></td>
<td></td>
<td>12 stocks; $372bn</td>
</tr>
<tr>
<td>DrugRetail</td>
<td></td>
<td></td>
<td>6 stocks; $96bn</td>
</tr>
<tr>
<td>PkgFdMt</td>
<td></td>
<td></td>
<td>123 stocks; $724bn</td>
</tr>
<tr>
<td>Brewing</td>
<td></td>
<td></td>
<td>14 stocks; $489bn</td>
</tr>
<tr>
<td>Tobacco</td>
<td></td>
<td></td>
<td>13 stocks; $582bn</td>
</tr>
<tr>
<td>AgriProd</td>
<td></td>
<td></td>
<td>25 stocks; $108bn</td>
</tr>
<tr>
<td>HhldPrdct</td>
<td></td>
<td></td>
<td>17 stocks; $547bn</td>
</tr>
<tr>
<td>PersPrdct</td>
<td></td>
<td></td>
<td>33 stocks; $514bn</td>
</tr>
<tr>
<td>FdRetail</td>
<td></td>
<td></td>
<td>36 stocks; $366bn</td>
</tr>
<tr>
<td>FdDistri</td>
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<td></td>
<td>71 stocks; $665bn</td>
</tr>
</tbody>
</table>
Telecommunication Services

July 27, 2018

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WlsTelSrv
44 stocks; $876bn

IntgTelSrv
58 stocks; $1259bn

AltCar
11 stocks; $58bn

Momentum

Strength
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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<tbody>
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<td>Buy</td>
<td>Outperform</td>
<td>43.2%</td>
<td>22.8%</td>
<td>57.4%</td>
<td>44.1%</td>
<td>57.0%</td>
<td>52.8%</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 from which BMO Capital Markets Corp. has received compensation for Investment Banking services as percentage within ratings category.
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