Group Selection

Priced as of September 2, 2016

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

**September 2, 2016**

**Mark Steele (416) 359-4641**

#### Sector Relative Strength Profiles*

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>56% / 58% / 48%</td>
<td>/ / /</td>
<td>3% / 0% / 2%</td>
</tr>
<tr>
<td>Materials</td>
<td>63% / 64% / 55%</td>
<td>/ / /</td>
<td>6% / 1% / 4%</td>
</tr>
<tr>
<td>Industrials</td>
<td>49% / 52% / 38%</td>
<td>/ / /</td>
<td>11% / 5% / 7%</td>
</tr>
<tr>
<td>CMR Disc</td>
<td>37% / 40% / 29%</td>
<td>/ / /</td>
<td>7% / 2% / 8%</td>
</tr>
<tr>
<td>CMR Stap</td>
<td>49% / 54% / 37%</td>
<td>/ / /</td>
<td>3% / -2% / 4%</td>
</tr>
<tr>
<td>Hlth Care</td>
<td>51% / 54% / 44%</td>
<td>/ / /</td>
<td>-2% / -6% / -1%</td>
</tr>
<tr>
<td>Financials</td>
<td>42% / 45% / 32%</td>
<td>/ / /</td>
<td>23% / 17% / 19%</td>
</tr>
<tr>
<td>Info Tech</td>
<td>53% / 55% / 43%</td>
<td>/ / /</td>
<td>15% / 9% / 11%</td>
</tr>
<tr>
<td>Telecom</td>
<td>41% / 46% / 32%</td>
<td>/ / /</td>
<td>-3% / -11% / -5%</td>
</tr>
<tr>
<td>Utilities</td>
<td>55% / 58% / 40%</td>
<td>/ / /</td>
<td>-3% / -5% / -1%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>69% / 70% / 54%</td>
<td>/ / /</td>
<td>0% / -4% / -2%</td>
</tr>
</tbody>
</table>

*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.
Strength Changes Last Session

September 2, 2016

Momentum

Strength

PaperPkg → REstDevl ≈ HmEntSwr → FrstPrd → Reinsuran → Advent
Coal&Uran → RsrcCslt → Aero&Def ≈ HomeBld ≈ AutoMfg → HhldPrdct → LeisPrd ≈ Alumin ≈ LifeHthIns ≈ PapProd → MtGlsCnt → Multi-LnIns
Sem → ComdChm ≈ DiversChm → Cabl&Sat → MarineSrv → ITConsult → REstDevl
RenewElec → RetailREIT ≈ HvyElecEq → PersPrdct ≈ Trucking → AsstMgmt ≈ MngHCare ≈ Biotech
CmciPrt ≈ Ind Mach ≈ DvrsMng → BldPrdcts → Steel → Hwy&Rail → DeptStrs → IndusGas
OG E&P → OG StTr ≈ HomeFurn → GasUtil → LfSciSrv → Hwy&Rail → MultiUtil → ElecInstr
Semi ≈ PersPrdct ≈ HhldApl → CnsMch&Tc ≈ Cns&Eng ≈ AgriProd → HotelREIT → Brewers
CstrMat → REstDvAct ≈ AirprtSrv ≈ CstrMat → CmrElec ≈ SprCntrs → Mov&Ent

DvrsMng ≈ BldPrdcts → Steel → InsurBrkrs → Tobacco → HCareTec
OG E&P → OG StTr ≈ HomeFurn → GasUtil → LfSciSrv → CnsMch&Tc
Semi ≈ PersPrdct ≈ HhldApl → CnsMch&Tc
CstrMat → REstDvAct ≈ AirprtSrv → CstrMat

Tire&Rub → Htl&Rsrt → HmFrnsh → Publishing

BMO Capital Markets
Mark Steele (416) 359-4641
September 2, 2016

Industrials

Momentum

Strength

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RsrcCslt 48 stocks; $259bn
Aero&Def 56 stocks; $685bn
IndCongl 39 stocks; $1009bn
TrdgDist 12 stocks; $51bn
OfficeServ 12 stocks; $29bn
Trucking 28 stocks; $80bn
Marine 18 stocks; $62bn

HwyElcEq 17 stocks; $77bn
EnviroServ 22 stocks; $104bn
CmclPrt 12 stocks; $27bn
Ind Mach 119 stocks; $565bn
Sec&Alm 8 stocks; $64bn

BldPrdcts 26 stocks; $88bn
CnstrMch&Tr 43 stocks; $235bn

Ag&Farm 12 stocks; $69bn
AirprtSrv 17 stocks; $114bn

DvSpSrv 26 stocks; $88bn
CnstrMch&Tr 43 stocks; $235bn
ElcCmpEq 37 stocks; $296bn

Hwy&Rail 14 stocks; $69bn
Cns&Eng 68 stocks; $282bn
AirFrght 22 stocks; $237bn

Railroads 25 stocks; $409bn
Sec&Alm 8 stocks; $64bn

HREmpl 23 stocks; $87bn
Airline 31 stocks; $213bn

BldPrdcts 26 stocks; $88bn
Hwy&Rail 14 stocks; $69bn

ElcCmpEq 37 stocks; $296bn
AirFrght 22 stocks; $237bn

48 stocks; $259bn
56 stocks; $685bn
39 stocks; $1009bn
12 stocks; $51bn
12 stocks; $29bn
28 stocks; $80bn
18 stocks; $62bn
17 stocks; $77bn
22 stocks; $104bn
12 stocks; $27bn
119 stocks; $565bn
8 stocks; $64bn
26 stocks; $88bn
43 stocks; $235bn
12 stocks; $69bn
17 stocks; $114bn

### Consumer Staples

#### September 2, 2016

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**Momentum**

**Strength**

- **HhldPrdct**
  - 18 stocks; $581bn

- **PersPrdct**
  - 28 stocks; $379bn

- **Dist&Vnt**
  - 12 stocks; $245bn

- **Tobacco**
  - 13 stocks; $699bn

- **FdDistri**
  - 12 stocks; $51bn

- **PkgFdMt**
  - 116 stocks; $1224bn

- **AgriProd**
  - 26 stocks; $108bn

- **SprCntrs**
  - 16 stocks; $443bn

- **FdRetail**
  - 37 stocks; $359bn

- **SoftDrnks**
  - 17 stocks; $483bn

- **DrugRetail**
  - 7 stocks; $207bn

- **Brewers**
  - 14 stocks; $552bn
September 2, 2016

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Utilities

Momentum

Strength

ElecUtil
24 stocks; $1036bn

RenewElec
24 stocks; $54bn

 IPPTrad
25 stocks; $99bn

WaterUtil
23 stocks; $84bn

GasUtil
36 stocks; $214bn

MultiUtil
37 stocks; $436bn

36 stocks; $214bn

23 stocks; $84bn

25 stocks; $99bn

24 stocks; $54bn

18 stocks; $1036bn
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 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).
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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<tr>
<th>Rating</th>
<th>BMO Rating</th>
<th>BMOCM US Universe*</th>
<th>BMOCM US IB Clients**</th>
<th>BMOCM US IB Clients***</th>
<th>BMOCM Universe****</th>
<th>BMOCM IB Clients*****</th>
<th>Starmine Universe</th>
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<td>Buy</td>
<td>Outperform</td>
<td>42.2%</td>
<td>18.6%</td>
<td>54.7%</td>
<td>44.3%</td>
<td>56.9%</td>
<td>56.3%</td>
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<tr>
<td>Hold</td>
<td>Market Perform</td>
<td>54.3%</td>
<td>11.3%</td>
<td>42.7%</td>
<td>51.8%</td>
<td>40.9%</td>
<td>38.7%</td>
</tr>
<tr>
<td>Sell</td>
<td>Underperform</td>
<td>3.5%</td>
<td>11.1%</td>
<td>2.7%</td>
<td>3.9%</td>
<td>2.2%</td>
<td>5.0%</td>
</tr>
</tbody>
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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.

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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;
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