Group Selection
Priced as of May 7, 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
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**Sector Relative Strength Profiles**

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<tbody>
<tr>
<td>Energy</td>
<td>45% / 46% / 59%</td>
<td>/ /</td>
<td>19% / 20% / 9%</td>
</tr>
<tr>
<td>Materials</td>
<td>45% / 46% / 64%</td>
<td>/ /</td>
<td>1% / 1% / -11%</td>
</tr>
<tr>
<td>Industrials</td>
<td>44% / 45% / 65%</td>
<td>/ /</td>
<td>4% / 4% / -11%</td>
</tr>
<tr>
<td>CMR Disc</td>
<td>52% / 52% / 66%</td>
<td>/ /</td>
<td>3% / 3% / -12%</td>
</tr>
<tr>
<td>CMR Stap</td>
<td>46% / 47% / 62%</td>
<td>/ /</td>
<td>-2% / -4% / -18%</td>
</tr>
<tr>
<td>Hlth Care</td>
<td>54% / 54% / 66%</td>
<td>/ /</td>
<td>8% / 9% / -3%</td>
</tr>
<tr>
<td>Financials</td>
<td>52% / 52% / 75%</td>
<td>/ /</td>
<td>2% / 3% / -12%</td>
</tr>
<tr>
<td>Info Tech</td>
<td>55% / 55% / 68%</td>
<td>/ /</td>
<td>8% / 9% / -5%</td>
</tr>
<tr>
<td>Telecom</td>
<td>35% / 36% / 56%</td>
<td>/ /</td>
<td>-4% / -5% / -21%</td>
</tr>
<tr>
<td>Utilities</td>
<td>26% / 28% / 48%</td>
<td>/ /</td>
<td>16% / 16% / 7%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>34% / 36% / 54%</td>
<td>/ /</td>
<td>27% / 28% / 13%</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.
May 7, 2018

Industrials

Environmental Services
- 25 stocks, $135bn

Trading Distribution
- 57 stocks, $356bn

Healthcare
- 24 stocks, $127bn

Airfreight
- 21 stocks, $268bn

Cns & Alm
- 6 stocks, $46bn

Marine Services
- 15 stocks, $65bn

Trucking
- 26 stocks, $106bn

DvSpSrv
- 23 stocks, $106bn

Office Services
- 74 stocks, $368bn

Marine
- 15 stocks, $56bn

Electrical Components
- 38 stocks, $368bn

Railroads
- 26 stocks, $520bn

BldPrdcts
- 46 stocks, $376bn

Hwy & Rail
- 15 stocks, $110bn

Railroads
- 26 stocks, $520bn

Vntg
- 10 stocks, $168bn

Marine
- 15 stocks, $56bn

Elc Cmp Eq
- 38 stocks, $368bn

Aero & Defense
- 19 stocks, $165bn

Airports Services
- 19 stocks, $165bn

Construction Machinery
- 128 stocks, $755bn

Aero & Defense
- 46 stocks, $1026bn

Real Estate
- 17 stocks, $155bn

Construction Materials
- 11 stocks, $99bn

Railroads
- 26 stocks, $520bn

Construction
- 128 stocks, $755bn

Agriculture & Farming
- 17 stocks, $99bn

CMC
**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 are 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).
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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<tr>
<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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(S) = Speculative investment;
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