Group Selection
Priced as of September 11, 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 (stable / 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 11, 2017

- **Momentum**
  - DrugRetail → PapProd
  - PaperPkg → MultiUtil
  - Trucking → RsrcCslt
  - GMrchStrs → HmImpRtl
  - HCareREIT → Mov&Ent
  - Ag&Farm → SemiEqp
  - SpecChm → CmrElec
  - HCareTec → BldPrdcts
  - REstDevl → REstOpCo
  - Airline → Biotech
  - ElcCmpEq → CmpElRtl
  - REstDvAct → HotelREIT
  - SpecREIT → Silver
  - HmEntSwr → IPPTrad
  - InetSftSrv → April&Gds
  - ComdChm → EnviroServ
  - InetDmRtl → Coal&Uran
  - ApplicSwr → HhldApl
  - Aero&Def → Ht&Rsrt
  - PersPrdct → Multi-LnIns
  - Ht&Rsrt → FnlExchDl
  - ElecComp → DataProc
  - Copper → SpCmSrv
  - AsstMgmt → IndusGas
  - ITConsult → ITConsult
  - SpecREIT → LeisFcil
  - Thrft&Mtg → Tobacco
  - PrecMet → Broadcast
  - IntgTelSrv → InvBnkBrk
  - MortgREIT → REstSrv
  - InvBnkBrk → ComEquip
September 11, 2017

Financials

- InsurBrkers
  - 7 stocks; $120bn
- MitSecHld
  - 25 stocks; $401bn
- Multi-LnIns
  - 30 stocks; $542bn
- DiversBnk
  - 158 stocks; $526bn
- FnlExchDt
  - 23 stocks; $355bn
- AsstMgmt
  - 80 stocks; $558bn
- DivCpMkt
  - 9 stocks; $200bn
- OthrDivFS
  - 9 stocks; $105bn
- MortgREIT
  - 25 stocks; $62bn
- LifeHthIns
  - 45 stocks; $83bn
- InvBnkBrk
  - 35 stocks; $365bn
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<thead>
<tr>
<th>Sector</th>
<th>Stocks</th>
<th>Market Cap (bn)</th>
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<tr>
<td>System Software</td>
<td>95</td>
<td>3974bn</td>
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<tr>
<td>Semi Equipment</td>
<td>40</td>
<td>261bn</td>
</tr>
<tr>
<td>Home Entertainment Software</td>
<td>14</td>
<td>169bn</td>
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<tr>
<td>Electron Devices</td>
<td>49</td>
<td>236bn</td>
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<tr>
<td>Application Software</td>
<td>39</td>
<td>364bn</td>
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<tr>
<td>Semiconductors</td>
<td>44</td>
<td>792bn</td>
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<tr>
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<td>95</td>
<td>2016bn</td>
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<tr>
<td>Electronic Components</td>
<td>38</td>
<td>294bn</td>
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<tr>
<td>Data Processing</td>
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<td>50</td>
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<td>353bn</td>
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</tr>
<tr>
<td>EMS</td>
<td>16</td>
<td>139bn</td>
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</tbody>
</table>

September 11, 2017

Mark Steele (416) 359-4641

Information Technology

BMO Capital Markets
Telecommunication Services

Momentum

Strength

AltCar
10 stocks; $57bn

IntgTelSrv
62 stocks; $1347bn

WlsTelSrv
42 stocks; $940bn

September 11, 2017

Mark Steele (416) 359-4641

Telecommunication Services

Momentum

Strength

AltCar
10 stocks; $57bn

IntgTelSrv
62 stocks; $1347bn

WlsTelSrv
42 stocks; $940bn

September 11, 2017

Mark Steele (416) 359-4641
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”
- 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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<td>Buy</td>
<td>Outperform</td>
<td>43.2%</td>
<td>22.8%</td>
<td>57.4%</td>
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<td>53.2%</td>
<td>13.1%</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>
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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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(S) = Speculative investment;
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