Group Selection

Priced as of September 25, 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 View

#### Sector Relative Strength Profiles*

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<thead>
<tr>
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<tbody>
<tr>
<td>Energy</td>
<td>44% / 56% / 54%</td>
<td>/ / /</td>
<td>3% / -2% / 5%</td>
</tr>
<tr>
<td>Materials</td>
<td>20% / 31% / 27%</td>
<td>/ / /</td>
<td>10% / 7% / 12%</td>
</tr>
<tr>
<td>Industrials</td>
<td>31% / 43% / 40%</td>
<td>/ / /</td>
<td>5% / 2% / 9%</td>
</tr>
<tr>
<td>CMR Disc</td>
<td>34% / 41% / 39%</td>
<td>/ / /</td>
<td>-6% / -9% / -1%</td>
</tr>
<tr>
<td>CMR Stap</td>
<td>30% / 40% / 37%</td>
<td>/ / /</td>
<td>-2% / -5% / 4%</td>
</tr>
<tr>
<td>Hlth Care</td>
<td>53% / 63% / 62%</td>
<td>/ / /</td>
<td>-2% / -6% / 1%</td>
</tr>
<tr>
<td>Financials</td>
<td>25% / 42% / 38%</td>
<td>/ / /</td>
<td>-2% / -7% / 7%</td>
</tr>
<tr>
<td>Info Tech</td>
<td>49% / 57% / 55%</td>
<td>/ / /</td>
<td>-4% / -5% / 0%</td>
</tr>
<tr>
<td>Comm Srv</td>
<td>31% / 40% / 37%</td>
<td>/ / /</td>
<td>8% / 5% / 13%</td>
</tr>
<tr>
<td>Utilities</td>
<td>28% / 46% / 42%</td>
<td>/ / /</td>
<td>-3% / -6% / 3%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>40% / 56% / 53%</td>
<td>/ / /</td>
<td>-13% / -22% / -7%</td>
</tr>
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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 ( / / / 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.
Consumer Staples

- **Momentum**
  - FdDistri: 11 stocks; $36.2bn
  - FdRetail: 35 stocks; $357bn
  - SprCntrs: 13 stocks; $54.1bn
- **Strength**
  - DrugRetail: 6 stocks; $39.6bn
  - AgriProd: 25 stocks; $109bn
  - Brewers: 14 stocks; $439bn
## Information Technology

**September 25, 2018**

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Strength</th>
<th>Momentum</th>
</tr>
</thead>
<tbody>
<tr>
<td>InetSrv&amp;In</td>
<td>12 stocks; $86bn</td>
<td></td>
</tr>
<tr>
<td>ComEquip</td>
<td>41 stocks; $443bn</td>
<td></td>
</tr>
<tr>
<td>ElecComp</td>
<td>36 stocks; $280bn</td>
<td></td>
</tr>
<tr>
<td>Semi</td>
<td>78 stocks; $1402bn</td>
<td></td>
</tr>
<tr>
<td>ApplicSwr</td>
<td>93 stocks; $974bn</td>
<td></td>
</tr>
<tr>
<td>ITConsult</td>
<td>52 stocks; $782bn</td>
<td></td>
</tr>
<tr>
<td>ElecInstr</td>
<td>44 stocks; $264bn</td>
<td></td>
</tr>
<tr>
<td>SemiEqp</td>
<td>45 stocks; $267bn</td>
<td></td>
</tr>
<tr>
<td>DataProc</td>
<td>47 stocks; $1115bn</td>
<td></td>
</tr>
<tr>
<td>TechDist</td>
<td>13 stocks; $48bn</td>
<td></td>
</tr>
<tr>
<td>SysmSwr</td>
<td>36 stocks; $1315bn</td>
<td></td>
</tr>
<tr>
<td>EMS</td>
<td>18 stocks; $128bn</td>
<td></td>
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<tr>
<td>HdwrSt&amp;P</td>
<td>42 stocks; $164bn</td>
<td></td>
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</table>
Momentum

Strength

Utilities

September 25, 2018

IPPTrad
23 stocks; $117bn

ElecUtil
88 stocks; $1144bn

GasUtil
36 stocks; $242bn

WaterUtil
22 stocks; $79bn

RenewElec
20 stocks; $53bn

MultiUtil
35 stocks; $432bn
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 groups members are outperforming
2. How consistant 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.
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).
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>
</tr>
<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>
</tr>
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* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.
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(S) = Speculative investment;
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