Group Selection

Priced as of February 1, 2019

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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14. Telecom
15. Utilities
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Sector View

Sector Relative Strength Profiles*

<table>
<thead>
<tr>
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<tr>
<td>Energy</td>
<td>26% / 30% / 33%</td>
<td>5% / 2% / -6%</td>
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<tr>
<td>Materials</td>
<td>34% / 35% / 38%</td>
<td>18% / 14% / 1%</td>
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<tr>
<td>Industrials</td>
<td>32% / 36% / 41%</td>
<td>11% / 8% / -3%</td>
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<tr>
<td>CMR Disc</td>
<td>34% / 36% / 41%</td>
<td>13% / 10% / -1%</td>
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<tr>
<td>CMR Stap</td>
<td>49% / 56% / 58%</td>
<td>-6% / -9% / -19%</td>
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<tr>
<td>Hlth Care</td>
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<td>3% / 1% / -8%</td>
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<td>Financials</td>
<td>36% / 41% / 45%</td>
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<tr>
<td>Info Tech</td>
<td>38% / 41% / 43%</td>
<td>20% / 15% / 6%</td>
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<tr>
<td>Comm Srv</td>
<td>49% / 51% / 53%</td>
<td>4% / 2% / -11%</td>
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<tr>
<td>Utilities</td>
<td>63% / 72% / 76%</td>
<td>2% / -2% / -12%</td>
<td></td>
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<tr>
<td>Real Estate</td>
<td>56% / 59% / 65%</td>
<td>18% / 14% / 1%</td>
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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.
<table>
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<tr>
<th>Sector</th>
<th>Momentum</th>
<th>Strength</th>
<th>Stocks</th>
<th>Market Cap</th>
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<td>GMrchStrs</td>
<td>13</td>
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<td>$168bn</td>
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<td>34</td>
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<td>$144bn</td>
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<td>InetDmRtl</td>
<td>38</td>
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<td>$1549bn</td>
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<td>Distib</td>
<td>8</td>
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<td>$144bn</td>
<td></td>
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<tr>
<td>HomeFurn</td>
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<td>HhldApl</td>
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<td>$65bn</td>
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<td>Cas&amp;Gam</td>
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<tr>
<td>AutoMfg</td>
<td>36</td>
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<td>LeisFcil</td>
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<td>Footwear</td>
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<td>$157bn</td>
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<td>Tire&amp;Rub</td>
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<td>CmpElRtl</td>
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<td>$35bn</td>
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<td>14</td>
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<td>15</td>
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<td>AutoRtl</td>
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<td>Htl&amp;Rrst</td>
<td>23</td>
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<td>$220bn</td>
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February 1, 2019

Utilities

Momentum

Strength

MultiUtil
34 stocks; $464bn

WaterUtil
21 stocks; $90bn

IPPTad
29 stocks; $119bn

ElecUtil
46 stocks; $120bn

GasUtil
26 stocks; $245bn

RenewElec
20 stocks; $57bn

IPPTrad
23 stocks; $119bn

Utilities

Mark Steele (416) 359-4641

BMO Capital Markets
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).
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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<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>
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<td>Hold</td>
<td>Market Perform</td>
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<td>13.1%</td>
<td>40.6%</td>
<td>52.6%</td>
<td>41.1%</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>
<td>5.5%</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.
*** Reflects rating distribution of all companies from which BMO Capital Markets Corp. has received compensation for Investment Banking services as percentage of Investment Banking clients.
**** Reflects rating distribution of all companies covered by BMO Capital Markets equity research analysts.
***** Reflects rating distribution of all companies from which BMO Capital Markets has received compensation for Investment Banking services as percentage of Investment Banking clients.
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Und = Underperform - Forecast to underperform the analyst’s coverage universe on a total return basis;
(S) = Speculative investment;
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