Group Selection

Priced as of January 6, 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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**Sector Relative Strength Profiles**

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<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>64% / 66% / 65%</td>
<td>11% / 11% / 7%</td>
<td></td>
</tr>
<tr>
<td>Materials</td>
<td>57% / 57% / 58%</td>
<td>1% / 2% / -2%</td>
<td></td>
</tr>
<tr>
<td>Industrials</td>
<td>56% / 58% / 56%</td>
<td>-1% / 0% / -5%</td>
<td></td>
</tr>
<tr>
<td>CMR Disc</td>
<td>46% / 47% / 47%</td>
<td>-3% / -2% / -9%</td>
<td></td>
</tr>
<tr>
<td>CMR Stap</td>
<td>35% / 35% / 31%</td>
<td>-6% / -6% / -9%</td>
<td></td>
</tr>
<tr>
<td>Hlth Care</td>
<td>41% / 43% / 40%</td>
<td>2% / 2% / -3%</td>
<td></td>
</tr>
<tr>
<td>Financials</td>
<td>66% / 69% / 70%</td>
<td>5% / 6% / -3%</td>
<td></td>
</tr>
<tr>
<td>Info Tech</td>
<td>55% / 57% / 54%</td>
<td>-2% / -2% / -4%</td>
<td></td>
</tr>
<tr>
<td>Telecom</td>
<td>22% / 24% / 26%</td>
<td>16% / 17% / 7%</td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td>25% / 29% / 29%</td>
<td>1% / 0% / -2%</td>
<td></td>
</tr>
<tr>
<td>Real Estate</td>
<td>26% / 28% / 23%</td>
<td>9% / 17% / 6%</td>
<td></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.
January 6, 2017

Momentum

Strength

Energy

Coal&Uran 21 stocks; $73bn
OG Drill 18 stocks; $46bn
Int O&G 20 stocks; $166bn
OG StTr 20 stocks; $64bn
OG E&P 120 stocks; $876bn
OG Equip 54 stocks; $355bn
OG RfMkt 35 stocks; $384bn

OG Drill

OG StTr

OG Equip

OG RfMkt

Int O&G

OG E&P

Coal&Uran
Telecommunication Services

January 6, 2017

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WlsTelSrv
42 stocks, $877bn

IntgTelSrv
63 stocks, $1355bn

AltCar
11 stocks, $54bn
**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.
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).
**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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<th>Rating Category</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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<tbody>
<tr>
<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>
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<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>
</table>

* 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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