Group Selection
Priced as of October 26, 2012

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 = S&P Global 1200; CDA = S&P/TSX Composite)

(a) % Outperforming - what percentage of sector members is outperforming the market,
(b) Reward/Risk - how consistent the median relative strength performance of the sector membership (ranking), and
(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.
October 26, 2012

**Industrials**

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- **BldPrdcts**
  - 30 stocks; $95bn

- **MarineSrv**
  - 14 stocks; $53bn

- **EnviroServ**
  - 31 stocks; $69bn

- **OfficeServ**
  - 14 stocks; $21bn

- **ElcCmpEq**
  - 41 stocks; $183bn

- **Airline**
  - 35 stocks; $115bn

- **Marine**
  - 29 stocks; $69bn

- **Sec&Alm**
  - 9 stocks; $33bn

- **DvSpSrv**
  - 30 stocks; $37bn

- **CmclPrt**
  - 13 stocks; $16bn

- **Hwyz&Rail**
  - 9 stocks; $58bn

- **TrdgDist**
  - 48 stocks; $23bn

- **CnstFmM**
  - 65 stocks; $39bn

- **AirprtSrv**
  - 10 stocks; $33bn

- **IndCongl**
  - 35 stocks; $74bn

- **Aero&Def**
  - 54 stocks; $48bn

- **HvyElcEq**
  - 19 stocks; $103bn

- **Trucking**
  - 32 stocks; $53bn

- **Ind Mach**
  - 106 stocks; $436bn

- **Cns&Eng**
  - 72 stocks; $237bn

- **RsncSlwt**
  - 30 stocks; $700bn
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October 26, 2012

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Consumer Discretionary

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Consumer Discretionary
October 26, 2012

Health Care

Momentum

Strength

HCDistrib 14 stocks; $73bn
HCareTec 12 stocks; $24bn
MngHCare 15 stocks; $141bn
LiSciSrv 32 stocks; $94bn

HCFacility 30 stocks; $55bn
HCService 33 stocks; $163bn
Pharma 92 stocks; $1880bn

HCSupps 24 stocks; $58bn
HCEquip 79 stocks; $338bn
Biotech 109 stocks; $347bn

Health Care

BMO Capital Markets
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October 26, 2012

Telecommunication Services

Momentum

Strength

WlsTelSrv →
45 stocks; $906bn

AltCar ←
14 stocks; $32bn

IntgTelSrv
64 stocks; $1117bn
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 are the 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 deviations from the trend. Our process is flexible, thorough, and because it is run daily, timely.

The Dataset:
- Over 5,000 securities.
- Groups have a:
  ...Median depth of 25
  ...Average depth of 35

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 of 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”
Each group is hyperlinked to a chart that shows the relative strength decile as a function of time, and the 5-day and 20-day moving averages (momentum).

Each chart is hyperlinked to the group membership, in our RS Filter Toolkit.
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<th>Rating Category</th>
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<th>BMOCM US IB Clients**</th>
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<td>Underperform</td>
<td>2.0%</td>
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<td>2.1%</td>
<td>3.2%</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.
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(S) = speculative investment;
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