Group Selection

Priced as of January 25, 2016

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
Table of Contents

3. Sector View
4. Strength Changes Last Session
5. Resource Summary
6. Energy
7. Materials
8. Industrials
9. Consumer Discretionary
10. Consumer Staples
11. Health Care
12. Financials
13. Information Technology
14. Telecom
15. Utilities
16. User Guide
'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.
Strength Changes Last Session

Momentum

January 25, 2016

Mark Steele (416) 359-4641
Int O&G
34 stocks; $1247bn

OG StTr
37 stocks; $399bn

Coal&Uran
22 stocks; $49bn

OG Drill
20 stocks; $24bn

OG Equip
69 stocks; $228bn

OG E&P
139 stocks; $499bn

OG RfMkt
46 stocks; $332bn

Energy

January 25, 2016

Mark Steele (416) 359-4641

Momentum

Strength
<table>
<thead>
<tr>
<th>Sector</th>
<th>Momentum</th>
<th>Strength</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airline</td>
<td>24 stocks; $246bn</td>
<td>23 stocks; $248bn</td>
</tr>
<tr>
<td>Enviroserv</td>
<td>24 stocks; $84bn</td>
<td>24 stocks; $88bn</td>
</tr>
<tr>
<td>Sec&amp;Alm</td>
<td>33 stocks; $46bn</td>
<td>24 stocks; $84bn</td>
</tr>
<tr>
<td>RsrcCslt</td>
<td>27 stocks; $124bn</td>
<td>24 stocks; $88bn</td>
</tr>
<tr>
<td>AirprtSrv</td>
<td>18 stocks; $86bn</td>
<td>24 stocks; $88bn</td>
</tr>
<tr>
<td>BldPrdcts</td>
<td>42 stocks; $169bn</td>
<td>24 stocks; $88bn</td>
</tr>
<tr>
<td>DvSpSrv</td>
<td>27 stocks; $68bn</td>
<td>24 stocks; $88bn</td>
</tr>
<tr>
<td>HREmpl</td>
<td>24 stocks; $64bn</td>
<td>24 stocks; $84bn</td>
</tr>
<tr>
<td>MarineSrv</td>
<td>24 stocks; $84bn</td>
<td>24 stocks; $88bn</td>
</tr>
<tr>
<td>IndCongl</td>
<td>37 stocks; $829bn</td>
<td>48 stocks; $192bn</td>
</tr>
<tr>
<td>CnstMch&amp;Tr</td>
<td>47 stocks; $192bn</td>
<td>27 stocks; $64bn</td>
</tr>
<tr>
<td>Trucking</td>
<td>27 stocks; $64bn</td>
<td>24 stocks; $88bn</td>
</tr>
<tr>
<td>ElcCmpEq</td>
<td>15 stocks; $226bn</td>
<td>24 stocks; $88bn</td>
</tr>
<tr>
<td>AirFrght</td>
<td>15 stocks; $192bn</td>
<td>24 stocks; $88bn</td>
</tr>
<tr>
<td>CmclPrt</td>
<td>42 stocks; $169bn</td>
<td>24 stocks; $88bn</td>
</tr>
<tr>
<td>Aero&amp;Def</td>
<td>27 stocks; $68bn</td>
<td>24 stocks; $88bn</td>
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<tr>
<td>Ag&amp;Farm</td>
<td>12 stocks; $59bn</td>
<td>24 stocks; $88bn</td>
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<tr>
<td>Ind Mach</td>
<td>114 stocks; $449bn</td>
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<tr>
<td>HvyElcEq</td>
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<td>24 stocks; $88bn</td>
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<tr>
<td>Hwy&amp;Rail</td>
<td>9 stocks; $67bn</td>
<td>24 stocks; $88bn</td>
</tr>
<tr>
<td>Cns&amp;Eng</td>
<td>68 stocks; $246bn</td>
<td>24 stocks; $88bn</td>
</tr>
<tr>
<td>TrdgDist</td>
<td>45 stocks; $210bn</td>
<td>24 stocks; $88bn</td>
</tr>
</tbody>
</table>

January 25, 2016

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BMO Capital Markets

Industrials
Telecommunication Services

AltCar
14 stocks; $53bn

IntgTelSrv
59 stocks; $1221bn

WlsTelSrv
44 stocks; $799bn
January 25, 2016

Utilities

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WaterUtil
23 stocks; $72bn

GasUtil
37 stocks; $194bn

MultiUtil
39 stocks; $433bn

ElecUtil
88 stocks; $862bn

IPPTrad
26 stocks; $94bn

RenewElec
24 stocks; $48bn
**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 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 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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Distribution of Ratings (September 30, 2015)

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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>
</tr>
</thead>
<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>
</tr>
<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>
</tr>
<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.
*** 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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***** 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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