Group Selection

Priced as of January 26, 2015

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 = 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 (green/red 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.
Materials

January 26, 2015

Mark Steele (416) 359-4641

IndusGas
10 stocks; $164bn

CstrMat
29 stocks; $197bn

Alumin
12 stocks; $62bn

ComdChm
15 stocks; $269bn

PapProd
29 stocks; $96bn

Fert&Ag
35 stocks; $245bn

PrecMet
22 stocks; $55bn

FrstPrd
12 stocks; $20bn

DiversChm
18 stocks; $277bn

DtvsMng
71 stocks; $443bn

PaperPkg
17 stocks; $48bn

Gold
74 stocks; $154bn

Steel
67 stocks; $313bn

SpecChm
66 stocks; $413bn

Silver
13 stocks; $10bn

MtGlsCnt
16 stocks; $47bn
# Consumer Discretionary

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January 26, 2015

Financials

**Momentum**

- Reinsuran
  - 16 stocks; $123bn
- IndusREIT
  - 16 stocks; $59bn
- HotelREIT
  - 16 stocks; $59bn
- OfficeREIT
  - 26 stocks; $166bn
- HCareREIT
  - 16 stocks; $103bn
- ResidREIT
  - 27 stocks; $147bn
- RetailREIT
  - 50 stocks; $359bn
- SpecREIT
  - 19 stocks; $187bn
- MortgREIT
  - 31 stocks; $64bn
- InvsBrnBrk
  - 35 stocks; $324bn
- SpecialFin
  - 28 stocks; $228bn

**Strength**

- Multi-LnIns
  - 30 stocks; $518bn
- RegionBnk
  - 138 stocks; $414bn
- InvBnkBrk
  - 35 stocks; $324bn
- LifeHthIns
  - 48 stocks; $714bn
- InsurBrkrs
  - 7 stocks; $81bn
- Thrfit&Mtg
  - 47 stocks; $119bn

**AsstMgmt**

- AsstMgmt
  - 82 stocks; $471bn

**REstOpCo**

- REstOpCo
  - 28 stocks; $147bn

**DivCpMkt**

- DivCpMkt
  - 10 stocks; $183bn

**Multi-Fnlns**

- Multi-LnIns (Alternative)
  - 30 stocks; $518bn
- RegionBnk (Alternative)
  - 138 stocks; $414bn
- InvBnkBrk (Alternative)
  - 35 stocks; $324bn
- LifeHthIns (Alternative)
  - 48 stocks; $714bn
- InsurBrkrs (Alternative)
  - 7 stocks; $81bn
- Thrfit&Mtg (Alternative)
  - 47 stocks; $119bn

**REstDvAct**

- REstDvAct
  - 31 stocks; $336bn

**REstSrv**

- REstSrv
  - 11 stocks; $34bn
- OthrDivFS
  - 5 stocks; $88bn
- ConsmrFin
  - 23 stocks; $222bn
- MltSecHld
  - 23 stocks; $310bn

**DivCpMkt**

- DivCpMkt (Alternative)
  - 10 stocks; $183bn

**OthrDivFS**

- OthrDivFS (Alternative)
  - 5 stocks; $88bn
- ConsmrFin (Alternative)
  - 23 stocks; $222bn
- MltSecHld (Alternative)
  - 23 stocks; $310bn
Momentum

Utilities

WaterUtil
18 stocks; $67bn

ElecUtil
65 stocks; $933bn

MultiUtil
38 stocks; $498bn

GasUtil
36 stocks; $210bn

RenewElec
22 stocks; $53bn

GasTrad
23 stocks; $118bn

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Utilities

BMO Capital Markets

Strength

Momentum
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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Distribution of Ratings (March 31, 2014)

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<th>Rating Category</th>
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<th>BMOCM US Universe*</th>
<th>BMOCM US IB Clients**</th>
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<td>21.3%</td>
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<td>5.2%</td>
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<td>1.1%</td>
<td>6.3%</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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Mkt = Market Perform - Forecast to perform roughly in line with the analyst’s coverage universe on a total return basis;
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(S) = Speculative investment;
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