Group Selection

Priced as of July 27, 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
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**Sector Relative Strength Profiles**

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</thead>
<tbody>
<tr>
<td>Energy</td>
<td>59% / 61% / 46%</td>
<td>-13% / -16% / -6%</td>
<td></td>
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<tr>
<td>Materials</td>
<td>63% / 65% / 50%</td>
<td>5% / 3% / 15%</td>
<td></td>
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<tr>
<td>Industrials</td>
<td>50% / 53% / 29%</td>
<td>3% / 2% / 17%</td>
<td></td>
</tr>
<tr>
<td>CMR Disc</td>
<td>38% / 42% / 22%</td>
<td>7% / 5% / 20%</td>
<td></td>
</tr>
<tr>
<td>CMR Stap</td>
<td>52% / 58% / 28%</td>
<td>-9% / -9% / 8%</td>
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</tr>
<tr>
<td>Hlth Care</td>
<td>48% / 51% / 31%</td>
<td>8% / 6% / 21%</td>
<td></td>
</tr>
<tr>
<td>Financials</td>
<td>47% / 51% / 27%</td>
<td>3% / 1% / 16%</td>
<td></td>
</tr>
<tr>
<td>Info Tech</td>
<td>48% / 51% / 30%</td>
<td>12% / 11% / 25%</td>
<td></td>
</tr>
<tr>
<td>Telecom</td>
<td>45% / 47% / 29%</td>
<td>3% / 3% / 16%</td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td>63% / 64% / 35%</td>
<td>0% / -2% / 14%</td>
<td></td>
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</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.
Consumer Staples

- **Brewers**: 14 stocks, $539bn
- **FdRetail**: 37 stocks, $348bn
- **Dist&Vnt**: 12 stocks, $242bn, 17 stocks, $484bn
- **SoftDrnks**: 17 stocks, $484bn
- **AgriProd**: 28 stocks, $107bn
- **SprCntrs**: 17 stocks, $456bn
- **PkgFdMt**: 177 stocks, $1219bn
- **PersPrdct**: 28 stocks, $376bn
- **HhldPrdct**: 18 stocks, $567bn
- **DrugRetail**: 7 stocks, $905bn
- **Tobacco**: 13 stocks, $682bn

July 27, 2016

Mark Steele (416) 359-4641
Telecommunication Services

Momentum

Strength

July 27, 2016

Mark Steele (416) 359-4641

IntgTelSrv
61 stocks; $1412bn

WlsTelSrv
42 stocks; $927bn

AltCar
12 stocks; $52bn
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 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”
- 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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<tr>
<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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<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.
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(S) = Speculative investment;
NR = No rating at this time; and
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