Group Selection

Priced as of May 23, 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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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

- SoftDrinks ← Tobacco → ITConsult ← Copper → LeisFcil ← MarineSrv → REstDevl
- SprCntrs ← AltCar → FnlExchDt
- Multi-LnIns ← SpecREIT → REstDvAct
- Brewers ← ElecUtil ← Alumin → AsstMgmt
- HCEquip ← MltSecHld ← ElecComp
- MngHCare ← REstSrv ← Airline
- Ind Mach ← SystmSwr<br>
May 23, 2017

Consumer Staples

- **Momentum**
  - SoftDrinks: 17 stocks, $501bn
  - Tobacco: 14 stocks, $704bn
  - SprCntrs: 16 stocks, $468bn
  - PkgFdMt: 123 stocks, $1249bn
  - DrugRetail: 8 stocks, $190bn
  - AgriProd: 8 stocks, $190bn
  - FdDistri: 12 stocks, $50bn
  - HhldPrdct: 18 stocks, $579bn
  - Brewers: 13 stocks, $502bn
  - Dist&Vnt: 12 stocks, $287bn
  - PersPrdct: 29 stocks, $435bn

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  - PersPrdct: 29 stocks, $435bn
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Health Care

Momentum

Strength

HCDistrib
19 stocks; $132bn

LfSciSrv
32 stocks; $252bn

HCareTec
18 stocks; $64bn

HCareTec
18 stocks; $64bn

HCEquip
72 stocks; $767bn

MngHCare
12 stocks; $358bn

Pharma
102 stocks; $2466bn

Biotech
126 stocks; $937bn

HCFacility
28 stocks; $106bn

HCSupplls
27 stocks; $141bn

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BMO Capital Markets
Mark Steele (416) 359-4641
### Telecommunication Services

**IntgTelSrv**
- 53 stocks
- $1352bn

**WisTelSrv**
- 42 stocks
- $841bn

**AltCar**
- 70 stocks
- $58bn

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**Momentum**

**Strength**

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May 23, 2017
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.
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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<td>Buy</td>
<td>Outperform</td>
<td>43.2%</td>
<td>22.8%</td>
<td>57.4%</td>
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<td>Hold</td>
<td>Market Perform</td>
<td>53.2%</td>
<td>13.1%</td>
<td>40.6%</td>
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<tr>
<td>Sell</td>
<td>Underperform</td>
<td>3.7%</td>
<td>9.5%</td>
<td>2.0%</td>
<td>3.2%</td>
<td>1.6%</td>
<td>5.5%</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.
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Und = Underperform - Forecast to underperform the analyst’s coverage universe on a total return basis;
(S) = Speculative investment;
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