Group Selection
Priced as of August 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
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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 (Up/Down 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.
<table>
<thead>
<tr>
<th>Sector</th>
<th>Stocks</th>
<th>Market Cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ag&amp;Farm</td>
<td>12</td>
<td>$69bn</td>
</tr>
<tr>
<td>DvSpSrv</td>
<td>27</td>
<td>$89bn</td>
</tr>
<tr>
<td>BldPrdcts</td>
<td>41</td>
<td>$208bn</td>
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<tr>
<td>EnviroServ</td>
<td>22</td>
<td>$103bn</td>
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<tr>
<td>Hwy&amp;Rail</td>
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<td>$85bn</td>
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<tr>
<td>AirprtSrv</td>
<td>18</td>
<td>$117bn</td>
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<tr>
<td>CnstMch&amp;</td>
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<td>$235bn</td>
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<tr>
<td>Cns&amp;Eng</td>
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<tr>
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<tr>
<td>Sec&amp;Alm</td>
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<td>Ind Mach</td>
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<td>Aero&amp;Def</td>
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<td>Trucking</td>
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<td>IndCongl</td>
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<td>$916bn</td>
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<tr>
<td>MarineSrv</td>
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<td>Railroads</td>
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<td>Ind Mach</td>
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</tr>
<tr>
<td>Ind Mach</td>
<td>119</td>
<td>$565bn</td>
</tr>
</tbody>
</table>
August 25, 2016

Health Care

Momentum

Strength

HCDistrib → 18 stocks; $138bn
MngHCare ↓ 13 stocks; $291bn

LfSciSrv ↓ 30 stocks; $205bn
Pharma → 94 stocks; $244bn
Biotech ↓ 130 stocks; $922bn

HCFacility → 33 stocks; $132bn
HCSuppls 30 stocks; $131bn
HCEquip ↑ 71 stocks; $174bn

HCService → 33 stocks; $196bn

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### Information Technology

#### Strength

- **ElecComp**: 39 stocks; $213bn
- **EMS**: 18 stocks; $117bn
- **ApplicSwr**: 72 stocks; $503bn
- **SemiEqp**: 39 stocks; $170bn
- **ComEquip**: 47 stocks; $336bn
- **SystmSwr**: 38 stocks; $753bn
- **TechDist**: 15 stocks; $38bn
- **EMS**: 18 stocks; $117bn

#### Momentum

- **HdwrSt&P**: 40 stocks; $111bn
- **SystmSwr**: 38 stocks; $753bn
- **ElecInstr**: 42 stocks; $168bn
- **ElecInstr**: 42 stocks; $168bn

#### Equity Sector

- **ITConsult**: 41 stocks; $602bn
- **ITConsult**: 41 stocks; $602bn
- **InetSftSrv**: 97 stocks; $1402bn
- **InetSftSrv**: 97 stocks; $1402bn

#### COMPOSITION

- **ElecComp**: 39 stocks; $213bn
- **SemiEqp**: 39 stocks; $170bn
- **Semi**: 22 stocks; $907bn
- **TechDist**: 15 stocks; $38bn
- **ApplicSwr**: 72 stocks; $503bn
- **EMSS**: 18 stocks; $117bn
- **ComEquip**: 47 stocks; $336bn
- **SystmSwr**: 38 stocks; $753bn
- **HdwrSt&P**: 18 stocks; $111bn
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Telecommunication Services

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- AltCar: 11 stocks, $50bn
- IntgTelSrv: 61 stocks, $138.3bn
- WlsTelSrv: 42 stocks, $93.8bn
Utilities

- GasUtil: 36 stocks; $216bn
- MultiUtil: 37 stocks; $439bn
- RenewElec: 24 stocks; $53bn
- ElecUtil: 88 stocks; $1036bn
- WaterUtil: 22 stocks; $84bn
- IPPTrad: 25 stocks; $58bn

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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 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.
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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<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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<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>
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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>
</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.
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