Group Selection

Priced as of June 8, 2018

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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<tbody>
<tr>
<td>Energy</td>
<td>46% / 47% / 56%</td>
<td>/ / /</td>
<td>0% / 5% / -3%</td>
</tr>
<tr>
<td>Materials</td>
<td>44% / 46% / 55%</td>
<td>/ / /</td>
<td>-7% / -1% / -8%</td>
</tr>
<tr>
<td>Industrials</td>
<td>44% / 45% / 57%</td>
<td>/ / /</td>
<td>-6% / 3% / -6%</td>
</tr>
<tr>
<td>CMR Disc</td>
<td>46% / 47% / 55%</td>
<td>/ / /</td>
<td>1% / 9% / 1%</td>
</tr>
<tr>
<td>CMR Stap</td>
<td>39% / 42% / 48%</td>
<td>/ / /</td>
<td>-10% / -1% / -7%</td>
</tr>
<tr>
<td>Health Care</td>
<td>55% / 57% / 63%</td>
<td>/ / /</td>
<td>3% / 13% / 3%</td>
</tr>
<tr>
<td>Financials</td>
<td>48% / 48% / 63%</td>
<td>/ / /</td>
<td>-11% / 0% / -10%</td>
</tr>
<tr>
<td>Info Tech</td>
<td>55% / 56% / 64%</td>
<td>/ / /</td>
<td>-1% / 8% / -2%</td>
</tr>
<tr>
<td>Telecom</td>
<td>23% / 28% / 43%</td>
<td>/ / /</td>
<td>-21% / -14% / -20%</td>
</tr>
<tr>
<td>Utilities</td>
<td>25% / 25% / 42%</td>
<td>/ / /</td>
<td>-15% / -12% / -16%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>33% / 34% / 49%</td>
<td>/ / /</td>
<td>10% / 19% / 13%</td>
</tr>
</tbody>
</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 are 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

Strength

Copper → HmFnrnsh ← SpecStors → REstSrv → ElecComp ← EMS → Sec&Alm →

HCareTec ← OG Drill → Int O&G → DvSpSrv → AutoRtl ← Advert ← ElcCmpEq ← HhlApl ←

SpecChm ← Steel → SpecialFin ← DrugRetail ← Cabl&Sat ←

Footwear ← HotelREIT ← Alumin ← Rstaurnt ← Semi ←

Educat ← InsurBrkrs ← HREmpl ← InetDmRtl ← SoftDrnks ← AsstMgmt ←

Railroads ← FdDistri ← Pharma ← REstOpCo ← HomeBld ← MarineSrv ←

HCFacility ← ResidREIT ← HCareREIT ← PkgFdMt ← PaperPkg ←

HCService ← GMrchStrs ← ComdChm ← Marine ← Airline ←

Trucking ← SpCmsrv ← Silver ← DiversChm ← Gold ← OG Equip ←
Momentum

Strength

Resources

Copper → 16 stocks; $123bn
IndusGas ↑ 14 stocks; $154bn
OG Drill → 14 stocks; $34bn
Int O&G ↑ 40 stocks; $190bn
SpecChm ↑ 70 stocks; $72bn
Steel ↑ 60 stocks; $459bn
Coal&Uran ↑ 4 stocks; $92bn
Alumin ↓ 60 stocks; $498bn
PapProd ↓ 24 stocks; $115bn
OG RfMkt ↓ 43 stocks; $541bn
FrstPrd ↓ 11 stocks; $33bn
OG E&P → 115 stocks; $923bn
Fert&Ag → 28 stocks; $109bn
Silver → 11 stocks; $21bn
OG StTr → 91 stocks; $680bn
MtGlsCnt ↓ 7 stocks; $57bn
DiversChm ↑ 45 stocks; $539bn
ComdChm → 52 stocks; $557bn
Gold ↑ 74 stocks; $192bn
DvrsMng ↓ 37 stocks; $466bn
CstrMat ↓ 28 stocks; $255bn
PrecMet ↓ 13 stocks; $44bn
PaperPkg ↑ 17 stocks; $126bn
OG StTr ↓ 91 stocks; $680bn
OG Equip ↑ 61 stocks; $305bn
June 8, 2018

**Momentum**

**Strength**

- **OG Drill** 4 stocks; $34bn
- **Int O&G** 30 stocks; $190bn
- **Coal & Uran** 24 stocks; $92bn
- **OG RFMkt** 23 stocks; $541bn
- **OG StTr** 91 stocks; $680bn
- **OG E&P** 115 stocks; $923bn
- **OG Equip** 61 stocks; $305bn

**Energy**

- **OG StTr** 91 stocks; $680bn

**BMO Capital Markets**

Mark Steele (416) 359-4641
Information Technology

Momentum

Strength

DataProc, 46 stocks; $280bn
ITConsult, 60 stocks; $278bn

InetSftSrv, 96 stocks; $240bn
TechDist, 14 stocks; $49bn

ApplicSwr, 66 stocks; $831bn
SystmSwr, 34 stocks; $119bn

HmEntSwr, 12 stocks; $222bn

EMS, 17 stocks; $149bn

ElecComp, 36 stocks; $294bn

46 stocks; $294bn

ComEquip, 40 stocks; $401bn

Semi, 80 stocks; $148bn

ElecInstr, 43 stocks; $268bn

43 stocks; $268bn

SemiEquip, 45 stocks; $325bn

HdwrSt&P, 42 stocks; $155bn
Telecommunication Services

AltCar
11 stocks; $56bn

IntgTelSrv
58 stocks; $1240bn

WlsTelSrv
43 stocks; $870bn
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 are 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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<td>Buy</td>
<td>Outperform</td>
<td>43.2%</td>
<td>22.8%</td>
<td>57.4%</td>
<td>44.1%</td>
<td>57.0%</td>
<td>52.8%</td>
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<tr>
<td>Hold</td>
<td>Market Perform</td>
<td>53.2%</td>
<td>13.1%</td>
<td>40.6%</td>
<td>52.6%</td>
<td>41.1%</td>
<td>41.6%</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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