Group Selection

Priced as of July 25, 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*

- **Energy**: 48% / 54% / 55%  
  -3% / -3% / -2%
- **Materials**: 36% / 41% / 43%  
  -11% / -7% / -6%
- **Industrials**: 37% / 43% / 45%  
  -10% / -4% / -3%
- **CMR Disc**: 43% / 48% / 47%  
  -19% / -14% / -10%
- **CMR Stap**: 42% / 46% / 47%  
  -11% / -6% / -5%
- **Hlth Care**: 56% / 60% / 59%  
  -6% / 0% / 1%
- **Financials**: 42% / 49% / 49%  
  -14% / -8% / -3%
- **Info Tech**: 54% / 59% / 61%  
  -9% / -2% / -2%
- **Telecom**: 18% / 27% / 33%  
  -8% / -4% / -4%
- **Utilities**: 38% / 48% / 47%  
  -7% / -2% / -3%
- **Real Estate**: 52% / 59% / 57%  
  -16% / -9% / -3%

**Notes**

- **% Outperforming**: What percentage of sector members is outperforming the market.
- **Reward/Risk**: How consistent is the median relative strength performance of the sector membership (ranking).
- **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

REstSrv → OG RfMkt
Railroads → REstOpCo
ConsmrFin → Sprntrs
Thrt&Mtg →

CMcIPrt → HmFrnsh
HmlImpRtl → MarineSrv

Steel → Trucking
ComdChm → RegionBnk

DiversBnk → REstDvAct
Copper →

Cns&Eng → IndCongl
Ind Mach →

SytlSwr → ResidREIT
InetDmRtl → HotelREIT
LeisFcil →

MortgREIT → HREmpl

ApplSwr → InetSftSr

IndusGas →

HFCFacility → Mov&Ent

ElcComp →

ElecInstr → RenewElec
Multi-LnIns →

BldPrdcts →

Educat →

HCFacility → EnviroServ

Cas&Gam → RsrcCslt
Aero&Def →

Reinsuran → OfficeREIT

DiversREIT →

FrstPrd →
Fert&Ag →

SpecREIT →

OG Drill →
FdRetail →

BMO Capital Markets
Mark Steele (416) 359-4641

July 25, 2018
Momentum

Strength

July 25, 2018

Mark Steele (416) 359-4641

Energy

OG RtMkt
42 stocks; $542bn

OG StTm
85 stocks; $703bn

Int O&G
30 stocks; $1904bn

OG E&P
114 stocks; $949bn

OG Drill
14 stocks; $32bn

OG Equip
60 stocks; $288bn

Coal&Uran
24 stocks; $84bn

OG Equip
July 25, 2018

Telecommunication Services

Momentum

Strength

AltCar
11 stocks; $56bn

WlsTelSrvt
44 stocks; $874bn

IntgTelSrvt
58 stocks; $1245bn

Telecommunication Services

Mark Steele
(416) 359-4641
### Real Estate

#### Momentum

<table>
<thead>
<tr>
<th>REstSrvc</th>
<th>REstOpCo</th>
<th>REstDvAct</th>
<th>RetailREIT</th>
<th>ResidREIT</th>
<th>HotelREIT</th>
<th>IndusREIT</th>
<th>OfficeREIT</th>
<th>SpecREIT</th>
<th>DiversREIT</th>
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<tbody>
<tr>
<td>12 stocks; $432bn</td>
<td>38 stocks; $242bn</td>
<td>34 stocks; $317bn</td>
<td>50 stocks; $226bn</td>
<td>27 stocks; $166bn</td>
<td>18 stocks; $59bn</td>
<td>23 stocks; $117bn</td>
<td>35 stocks; $163bn</td>
<td>33 stocks; $349bn</td>
<td>37 stocks; $158bn</td>
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</table>
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 they 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.
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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<td>43.2%</td>
<td>22.8%</td>
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<td>Hold</td>
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<td>13.1%</td>
<td>40.6%</td>
<td>52.6%</td>
<td>41.1%</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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