Group Selection

Priced as of December 27, 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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**Sector View**

**Sector Relative Strength Profiles**

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<thead>
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<tbody>
<tr>
<td>Energy</td>
<td>42% / 44% / 44%</td>
<td>15% / 16% / 17%</td>
<td></td>
</tr>
<tr>
<td>Materials</td>
<td>53% / 51% / 52%</td>
<td>4% / 7% / 8%</td>
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<tr>
<td>Industrials</td>
<td>51% / 50% / 52%</td>
<td>5% / 6% / 4%</td>
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<tr>
<td>CMR Disc</td>
<td>48% / 48% / 47%</td>
<td>7% / 9% / 7%</td>
<td></td>
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<tr>
<td>CMR Stap</td>
<td>34% / 33% / 32%</td>
<td>11% / 13% / 9%</td>
<td></td>
</tr>
<tr>
<td>Hlth Care</td>
<td>44% / 44% / 43%</td>
<td>3% / 5% / 4%</td>
<td></td>
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<tr>
<td>Financials</td>
<td>41% / 40% / 38%</td>
<td>-1% / 2% / 0%</td>
<td></td>
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<tr>
<td>Info Tech</td>
<td>56% / 54% / 56%</td>
<td>-11% / -10% / -10%</td>
<td></td>
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<tr>
<td>Telecom</td>
<td>32% / 33% / 29%</td>
<td>-1% / 0% / 3%</td>
<td></td>
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<tr>
<td>Utilities</td>
<td>39% / 36% / 33%</td>
<td>-25% / -21% / -18%</td>
<td></td>
</tr>
<tr>
<td>Real Estate</td>
<td>39% / 37% / 36%</td>
<td>0% / 3% / 1%</td>
<td></td>
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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

Strength

OG E&P → OthrDivFS ←
Ind Mach Steel →
Biotech → BldPrdcts ←
AltCar ← Enviroserv ↓
ConsmrFin ↑ MotcyMfg
ComdChm ← REstSrvc
SemiEqp ← InvBnkBrk

Gold ← SpecStors →
HvyElcEq ← Airline ↓
IPPTrad ← PrecMet
Marine ← Cabl&Sat
InetDmRtl

Semi ← LeisFcil ↓
AgriProd ← CrmElec → HCareTec → LeisPrd

FrstPrd ← REstDevl
AutoRtl ← SpecREIT
PersPrdct ← PaperPkg
Publishing → DataProc
SpCmSrvc ← Educat

RetailREIT ← DiversREIT ← Advert →
CmpEIRtl ← DiversREIT ← Advert →
DivCpMkt ← RegionBnk
AirprtSrvc

OG StTr ← RegnBnk
Industrials

December 27, 2017
Mark Steele (416) 359-4641

Momentum

Strength

ElcCmpEq
- 37 stocks; $339bn

Ind Mach
- 174 stocks; $794bn

CnstrMch&T
- 42 stocks; $374bn

Ag&Farm
- 11 stocks; $111bn

OfficeServ
- 19 stocks; $20bn

Aero&Def
- 45 stocks; $956bn

HREmpl
- 23 stocks; $125bn

BldPrdcts
- 46 stocks; $293bn

EnviroServ
- 25 stocks; $135bn

HvyElcEq
- 16 stocks; $67bn

Airline
- 37 stocks; $310bn

Hwy&Rail
- 16 stocks; $114bn

TrdgDist
- 50 stocks; $355bn

RsrcCslt
- 29 stocks; $252bn

Trucking
- 28 stocks; $107bn

AirFrght
- 23 stocks; $504bn

DvSpSrv
- 23 stocks; $632bn

Railroads
- 25 stocks; $521bn

CnstMch&Tr
- 46 stocks; $374bn

EnviroServ
- 25 stocks; $135bn

CnstMch&Tr
- 46 stocks; $374bn

Ind Congl
- 42 stocks; $1006bn

CmlPrt
- 11 stocks; $25bn

Sec&Alm
- 28 stocks; $138bn

Marine
- 15 stocks; $61bn

MarineSrv
- 15 stocks; $71bn

AirprtSrv
- 18 stocks; $156bn

Railroads
- 25 stocks; $521bn

Ind Congl
<table>
<thead>
<tr>
<th>Sector</th>
<th>Momentum</th>
<th>Strength</th>
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<tbody>
<tr>
<td>Biotech</td>
<td>$1048bn</td>
<td></td>
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<tr>
<td>Pharma</td>
<td>$2527bn</td>
<td></td>
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<tr>
<td>MngHCare</td>
<td>$455bn</td>
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<tr>
<td>HCFacility</td>
<td>$111bn</td>
<td></td>
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<tr>
<td>HCareTec</td>
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<tr>
<td>HCDistrib</td>
<td>$125bn</td>
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<tr>
<td>HCSuppls</td>
<td>$155bn</td>
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<tr>
<td>LfSciSrv</td>
<td>$280bn</td>
<td></td>
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<tr>
<td>HCEquip</td>
<td>$891bn</td>
<td></td>
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<tr>
<td>HCService</td>
<td>$206bn</td>
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</tbody>
</table>

**Health Care**

December 27, 2017

Mark Steele (416) 359-4641
December 27, 2017

Real Estate

Mark Steele (416) 359-4641

Momentum

Strength

RestSrvc
11 stocks; $37bn

RestOpCo
32 stocks; $209bn

RestDev
34 stocks; $332bn

SpecREIT
31 stocks; $333bn

IndusREIT
20 stocks; $163bn

RetailREIT
50 stocks; $333bn

ReStDvAct
33 stocks; $335bn

HotelREIT
18 stocks; $66bn

DiversREIT
42 stocks; $210bn

OfficereIT
32 stocks; $157bn

ResidREIT
26 stocks; $163bn

HCareREIT
18 stocks; $99bn
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 groups members are outperforming
2. How consistant 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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(S) = Speculative investment;
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