Group Selection

Priced as of December 30, 2013

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

Mark Steele
(416) 359-4641
mark.steele@bmo.com
Tiberiu Stoichita
(416) 359-4684
tiberiu.stoichita@bmo.com
Rahul Muralidhar
(416) 359-7689
rahul.muralidhar@bmo.com
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*Three terms define the relative performance Z-Score rating versus the markets (US = S&P 500; GBL = S&P Global 1200; CDA = S&P/TSX Composite)

(a) % Outperforming - what percentage of sector members is outperforming the market,
(b) Reward/Risk - how consistent the median relative strength performance of the sector membership (ranking), and
(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.
<table>
<thead>
<tr>
<th>Sector</th>
<th>Momentum</th>
<th>Strength</th>
<th>Stocks</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alumin</td>
<td></td>
<td></td>
<td>11</td>
<td>$39bn</td>
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<tr>
<td>IndusGas</td>
<td></td>
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<td>77</td>
<td>$589bn</td>
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<td>DiversChm</td>
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<td>ComdChm</td>
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<td>MtGlsCnt</td>
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<td>FrstPrd</td>
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<td>12</td>
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<tr>
<td>OG StTr</td>
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<td></td>
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<tr>
<td>OG Drill</td>
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<td></td>
<td>31</td>
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<td>$101bn</td>
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<tr>
<td>PaperPkg</td>
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<td>$342bn</td>
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<tr>
<td>OG Equip</td>
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<td></td>
<td>26</td>
<td>$348bn</td>
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<tr>
<td>Gold</td>
<td></td>
<td></td>
<td>27</td>
<td>$145bn</td>
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<tr>
<td>OG E&amp;P</td>
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<td>PrecMet</td>
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<td>$80bn</td>
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<tr>
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</tr>
<tr>
<td>Gold</td>
<td></td>
<td></td>
<td>27</td>
<td>$145bn</td>
</tr>
</tbody>
</table>
Momentum

Strength

December 30, 2013

Mark Steele (416) 359-4641

Energy

OG StTr →
77 stocks; $589bn

OG Drill →
31 stocks; $126bn

Coal & Uran →
36 stocks; $101bn

Int O&G →
34 stocks; $221bn

OG E&P →
228 stocks; $114bn

OG Equip →
86 stocks; $468bn

OG RfMkt →
50 stocks; $343bn
Telecommunication Services

Momentum

Strength

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IntgTelSrv
65 stocks; $124.5bn

WlsTelSrv
46 stocks; $109.7bn

AltCar
15 stocks; $53bn
Utilities

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Momentum

Strength

Utilities

WaterUtil
21 stocks; $60bn

ElecUtil
82 stocks; $843bn

IPPTrad
46 stocks; $156bn

GasUtil
34 stocks; $197bn

MultiUtil
39 stocks; $455bn
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 deviations from the trend. Our process is flexible, thorough, and because it is run daily, timely.

The Dataset:
- Over 5,000 securities.
- Groups have a:
  ...Median depth of 25
  ...Average depth of 35

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 of 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 5-day and 20-day moving averages (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>Stamina Universe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buy</td>
<td>Outperform</td>
<td>35.8%</td>
<td>20.3%</td>
<td>47.8%</td>
<td>36.7%</td>
<td>48.3%</td>
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<tr>
<td>Hold</td>
<td>Market Perform</td>
<td>59.4%</td>
<td>13.1%</td>
<td>51.1%</td>
<td>56.9%</td>
<td>50.2%</td>
<td>41.1%</td>
</tr>
<tr>
<td>Sell</td>
<td>Underperform</td>
<td>4.9%</td>
<td>3.4%</td>
<td>1.1%</td>
<td>6.4%</td>
<td>1.5%</td>
<td>5.6%</td>
</tr>
</tbody>
</table>
Ratings and Sector Key
We use the following ratings system definitions:
OP = Outperform - Forecast to outperform the market;
Mkt = Market Perform - Forecast to perform roughly in line with the market;
Und = Underperform - Forecast to underperform the market;
(S) = speculative investment;
NR = No rating at this time;
R = Restricted - Dissemination of research is currently restricted.

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