Group Selection

Priced as of January 22, 2014

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 = 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.
Strength Changes Last Session

**Momentum**
- Sec&Alm ➔ Pharma ➔ Mov&Ent ➔ LeisFcil ➔ DrugRetail ➔ Steel ➔ Dist ➔ RetailREIT ➔ Tobacco ➔ REstOpCo
- ITConsult ➔ ElecInstr ➔ FdDistri ➔ OffElectr ➔ CmpElRtl ➔ AutoRtl
- DataProc ➔ IntgTelSvc ➔ Reinsuran ➔ HhldPrdct ➔ OthrDivFS ➔ GMrchStrs
- PapProd ➔ CstrMat ➔ Dist&Vnt ➔ OthrDivFS ➔ Dist&Vnt ➔ OthrDivFS
- AltCar ➔ Airline ➔ SemiEqp ➔ ElecComp ➔ HmEntSwr ➔ MngHCare

**Strength**
- Marine ➔ GasUtil ➔ EMS ➔ SpCmSvc ➔ Coal&Uran ➔ Gold ➔ PrecMet ➔ DvrsMng
- Trucking ➔ CompHdwr ➔ TechDist ➔ LifeHthIns ➔ PkgFdMt ➔ TrdgDist ➔ MarineSrv
- HvyElcEq ➔ AutoParts ➔ Semi ➔ Cas&Gam ➔ Cns&Eng ➔ MarineSrv
- DvSpSvc ➔ SpCmSrv ➔ Gold ➔ PrecMet ➔ TrdgDist ➔ DvrsMng
- Trucking ➔ CompHdwr ➔ TechDist ➔ LifeHthIns ➔ PkgFdMt ➔ TrdgDist ➔ DvrsMng
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- DvSpSvc ➔ SpCmSrv ➔ Gold ➔ PrecMet ➔ TrdgDist ➔ DvrsMng
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<td>OG StTr</td>
<td>77</td>
<td>$596bn</td>
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<td>OG E&amp;P</td>
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<td>$1137bn</td>
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<td>$47bn</td>
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<td>34</td>
<td>$245bn</td>
</tr>
</tbody>
</table>

BMO Capital Markets
Mark Steele (416) 359-4641
OG StTr 77 stocks; $396bn
OG E&P 228 stocks; $1131bn
Coal & Uran 36 stocks; $96bn

OG Equip 66 stocks; $469bn
Int O&G 34 stocks; $2176bn
OG RfMkt 49 stocks; $339bn
OG Drill 31 stocks; $1250bn
Telecommunication Services

Momentum

Strength

January 22, 2014

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IntgTelSrv
65 stocks; $1236bn

WlsTelSrv
47 stocks; $1103bn

AltCar
15 stocks; $55bn
Utilities

Momentum

Strength

GasUtil
34 stocks; $199bn

IPPTrad
46 stocks; $156bn

MultiUtil
39 stocks; $459bn

WaterUtil
21 stocks; $59bn

ElecUtil
83 stocks; $844bn

January 22, 2014

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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 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.
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 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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Distribution of Ratings (September 30, 2013)

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<td>35.8%</td>
<td>20.3%</td>
<td>47.8%</td>
<td>36.7%</td>
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<td>Market Perform</td>
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<td>13.1%</td>
<td>51.1%</td>
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<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>
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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.

Market performance is measured by a benchmark index such as the S&P/TSX Composite Index, S&P 500, Nasdaq Composite, as appropriate for each company. BMO Capital Markets eight Top 15 lists guide investors to our best ideas according to different objectives (Canadian large, small, growth, value, income, quantitative; and US large, US small) have replaced the Top Pick rating.

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