Group Selection

Priced as of April 27, 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 View**

**Sector Relative Strength Profiles**

*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

- InsurBrkrs
  - Railroads
  - LeisFcll
  - LifeHthIns
  - OfficeREIT
  - WlsTelSrv

- Reinsuran
  - HmImpRtl
  - ComEquip
  - REstOpCo
  - Marine
  - MltSecHld

- GMrchStrs
  - Steel
  - Coal&Uran
  - OG Drill
  - Htl&Rsr
  - ElecUtil
  - HvyElcEq

- IndusREIT
  - DrugRetail
  - SpCmSrv
  - DiversBnk
  - DvrsMng
  - Ag&Farm
  - EnviroServ
  - REstDvAct
  - Broadcast
  - CstrMat

- Cas&Gam
  - Rstaurnt
  - REstDevl
  - SpecREIT
  - DataProc
  - DiversREIT
  - HCareREIT
  - RetailREIT
  - Biotech
  - CmclPrt

- Footwear
  - AltCar
  - HCFacility
  - Hwty&Rail
  - Copper
  - Cns&Eng
  - ElecInstr
  - DiversChm
  - Tobacco
  - PaperPkg

- InvBnkBrk
  - HREml
  - Aero&Def
  - HotelREIT
  - TrdgDist
  - LfSciSrv
  - InetSftSrv
  - Trucking
  - CmpEIRl
  - SemiEqp
  - OfficeServ
  - CmrElec

- SystmSwr
  - HctServ
  - Apln
  - HREml
  - LfSciSrv
  - InetSftSrv
  - HomeBld
  - REstSrv
  - ComdChm
  - AirFrght
Energy

Coal & Uran: 24 stocks, $85bn
OG Drill: 14 stocks, $34bn
OG E&P: 118 stocks, $915bn
OG StTr: 90 stocks, $646bn
OG RfMkt: 43 stocks, $532bn
OG Equip: 60 stocks, $304bn

Int O&G: 60 stocks, $189bn
Momentum | Strength
---|---
MngHCare | 12 stocks; $477bn
HCEquip | 78 stocks; $963bn
HCFacility | 31 stocks; $134bn
HCSuppls | 27 stocks; $166bn
HCServ | 27 stocks; $206bn
LSciSrv | 30 stocks; $322bn
Pharma | 112 stocks; $249bn
HCDistrib | 18 stocks; $127bn
Biotech | 125 stocks; $1034bn
HCareTec | 19 stocks; $70bn
Utilities

Momentum

Strength

April 27, 2018

Mark Steele (416) 359-4641

WaterUtil
24 stocks; $86bn

GasUtil
33 stocks; $221bn

MultiUtil
35 stocks; $495bn

ElecUtil
89 stocks; $1174bn

RenewElec
22 stocks; $58bn

IPPTrad
25 stocks; $123bn
<table>
<thead>
<tr>
<th>REIT Type</th>
<th>Momentum</th>
<th>Strength</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OfficeREIT</strong></td>
<td>33 stocks; $153bn</td>
<td>Up</td>
<td></td>
</tr>
<tr>
<td><strong>REstOpCo</strong></td>
<td>35 stocks; $207bn</td>
<td>Up</td>
<td></td>
</tr>
<tr>
<td><strong>IndusREIT</strong></td>
<td>27 stocks; $108bn</td>
<td>Down</td>
<td></td>
</tr>
<tr>
<td><strong>ResidREIT</strong></td>
<td>27 stocks; $158bn</td>
<td>Up</td>
<td></td>
</tr>
<tr>
<td><strong>REstDvAct</strong></td>
<td>33 stocks; $335bn</td>
<td>Down</td>
<td></td>
</tr>
<tr>
<td><strong>SpecREIT</strong></td>
<td>33 stocks; $332bn</td>
<td>Down</td>
<td></td>
</tr>
<tr>
<td><strong>REstDevl</strong></td>
<td>34 stocks; $6202bn</td>
<td>Down</td>
<td></td>
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<tr>
<td><strong>HotelREIT</strong></td>
<td>19 stocks; $59bn</td>
<td>Down</td>
<td></td>
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<tr>
<td><strong>DiversREIT</strong></td>
<td>41 stocks; $166bn</td>
<td>Up</td>
<td></td>
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<tr>
<td><strong>HCareREIT</strong></td>
<td>18 stocks; $67bn</td>
<td>Up</td>
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<tr>
<td><strong>RetailREIT</strong></td>
<td>51 stocks; $303bn</td>
<td>Up</td>
<td></td>
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<tr>
<td><strong>REstSrv</strong></td>
<td>12 stocks; $40bn</td>
<td>Down</td>
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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 group's members are 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>
</tr>
<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.
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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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