Group Selection

Priced as of February 5, 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*

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<tr>
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</thead>
<tbody>
<tr>
<td>Energy</td>
<td>48% / 51% / 55%</td>
<td>/ / /</td>
<td>4% / -7% / 7%</td>
</tr>
<tr>
<td>Materials</td>
<td>49% / 49% / 58%</td>
<td>/ / /</td>
<td>8% / 1% / 16%</td>
</tr>
<tr>
<td>Industrials</td>
<td>48% / 50% / 59%</td>
<td>/ / /</td>
<td>9% / -3% / 15%</td>
</tr>
<tr>
<td>CMR Disc</td>
<td>47% / 49% / 55%</td>
<td>/ / /</td>
<td>16% / 3% / 22%</td>
</tr>
<tr>
<td>CMR Stap</td>
<td>33% / 35% / 42%</td>
<td>/ / /</td>
<td>22% / 12% / 32%</td>
</tr>
<tr>
<td>Hlth Care</td>
<td>41% / 43% / 48%</td>
<td>/ / /</td>
<td>9% / 2% / 14%</td>
</tr>
<tr>
<td>Financials</td>
<td>39% / 42% / 49%</td>
<td>/ / /</td>
<td>24% / 12% / 31%</td>
</tr>
<tr>
<td>Info Tech</td>
<td>53% / 54% / 61%</td>
<td>/ / /</td>
<td>4% / -6% / 9%</td>
</tr>
<tr>
<td>Telecom</td>
<td>22% / 24% / 29%</td>
<td>/ / /</td>
<td>27% / 11% / 35%</td>
</tr>
<tr>
<td>Utilities</td>
<td>19% / 18% / 27%</td>
<td>/ / /</td>
<td>18% / 4% / 26%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>31% / 30% / 36%</td>
<td>/ / /</td>
<td>6% / -10% / 12%</td>
</tr>
</tbody>
</table>

*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
February 5, 2018

Momentum

Strength

Energy

OG Drill
14 stocks; $32bn

Int O&G
29 stocks; $177bn

Coal&Uran
44 stocks; $96bn

OG RefMkt
44 stocks; $521bn

OG E&P
118 stocks; $843bn

OG StTr
89 stocks; $659bn

OG Equip
60 stocks; $296bn

OG

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February 5, 2018

Real Estate

Momentum

Strength

IndusREIT ▶
20 stocks; $100bn

REstOpCo ▲
35 stocks; $215bn

REstDevl
34 stocks; $392bn

REstSrv
12 stocks; $37bn

REstDvAct ▶
31 stocks; $345bn

OfficeREIT ▶
33 stocks; $160bn

HCareREIT
18 stocks; $68bn

ResidREIT
67 stocks; $148bn

RetailREIT
97 stocks; $310bn

DiversREIT
71 stocks; $168bn

SpecREIT ▲
11 stocks; $319bn

HotelREIT ▶
19 stocks; $57bn

20 stocks; $100bn

35 stocks; $215bn

34 stocks; $392bn

12 stocks; $37bn

31 stocks; $345bn

33 stocks; $160bn

18 stocks; $68bn

67 stocks; $148bn

97 stocks; $310bn

71 stocks; $168bn

11 stocks; $319bn

19 stocks; $57bn

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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 the 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).
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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<tr>
<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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</tbody>
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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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