Group Selection

Priced as of July 24, 2012

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
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.
## Resources

### Momentum
- **FrstPrd** 13 stocks; $12bn
- **DiversChm** 17 stocks; $227bn
- **OG Drill** 32 stocks; $104bn
- **OG Equip** 79 stocks; $371bn
- **OG RfMkt** 45 stocks; $224bn

### Strength
- **OG StTr** 69 stocks; $418bn
- **CstrMat** 26 stocks; $727bn
- **SpecChm** 59 stocks; $224bn
- **ComdChm** 30 stocks; $213bn
- **Int O&G** 36 stocks; $194bn
- **Gold** 132 stocks; $259bn

### Other
- **DvrsMng** 145 stocks; $607bn
- **Alumin** 13 stocks; $39bn
- **DvrsMng** 145 stocks; $607bn
- **PrecMet** 69 stocks; $700bn
- **IndusGas** 10 stocks; $119bn
- **PapProd** 44 stocks; $85bn
- **Steel** 75 stocks; $369bn

### Total
- **OG Drill** 229 stocks; $970bn
- **OG Equip** 79 stocks; $371bn
- **OG RfMkt** 45 stocks; $224bn
- **ComdChm** 30 stocks; $213bn
- **Int O&G** 36 stocks; $194bn
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Momentum

Strength

July 24, 2012

Mark Steele (416) 359-4641

Consumer Staples

PersPrdct → 25 stocks; $177bn

AgriProd → 25 stocks; $109bn

Dist&Vnt ↑ 15 stocks; $196bn

DrugRetail ↑ 10 stocks; $107bn

Brewers ↑ 15 stocks; $342bn

Tobacco ↑ 17 stocks; $560bn

HhldPrdct ↓ 17 stocks; $394bn

SprCntrs ↓ 16 stocks; $434bn

SoftDrnks ↑ 14 stocks; $358bn

PkgFdMt ↓ 84 stocks; $709bn

FdRetail ← 38 stocks; $293bn

FdDistri ↑ 11 stocks; $29bn

BMO Capital Markets

31 stocks; $177bn

25 stocks; $109bn

15 stocks; $186bn

10 stocks; $107bn

15 stocks; $342bn

17 stocks; $560bn

17 stocks; $394bn

16 stocks; $434bn

14 stocks; $358bn

84 stocks; $709bn

38 stocks; $293bn

11 stocks; $29bn
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<th>Count</th>
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<td>Biotech</td>
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<td>HCEquip</td>
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<td>MngHCare</td>
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<td>HCFacility</td>
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<td>HCSuppls</td>
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<td>HCService</td>
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<tr>
<td>LfSciSrv</td>
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<tr>
<td>HCService</td>
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July 24, 2012

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<table>
<thead>
<tr>
<th>Category</th>
<th>Momentum</th>
<th>Strength</th>
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<tbody>
<tr>
<td>REstOpCo</td>
<td>↑</td>
<td></td>
</tr>
<tr>
<td>- 18 stocks</td>
<td>$91bn</td>
<td></td>
</tr>
<tr>
<td>P&amp;C Insur</td>
<td>↑</td>
<td></td>
</tr>
<tr>
<td>- 40 stocks</td>
<td>$456bn</td>
<td></td>
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<tr>
<td>RetailREIT</td>
<td></td>
<td>↑</td>
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<tr>
<td>- 44 stocks</td>
<td>$230bn</td>
<td></td>
</tr>
<tr>
<td>SpecREIT</td>
<td></td>
<td>↑</td>
</tr>
<tr>
<td>- 98 stocks</td>
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<td></td>
</tr>
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<td>DiversREIT</td>
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<td>- 30 stocks</td>
<td>$96bn</td>
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<tr>
<td>IndusREIT</td>
<td></td>
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<tr>
<td>- 14 stocks</td>
<td>$355bn</td>
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<tr>
<td>REstDvAct</td>
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<tr>
<td>- 27 stocks</td>
<td>$252bn</td>
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<tr>
<td>OfficeREIT</td>
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<tr>
<td>- 27 stocks</td>
<td>$81bn</td>
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<tr>
<td>MortgREIT</td>
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<tr>
<td>- 35 stocks</td>
<td>$255bn</td>
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<tr>
<td>REstSrv</td>
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<tr>
<td>- 10 stocks</td>
<td>$14bn</td>
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<tr>
<td>AsstMgmt</td>
<td>↑</td>
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<tr>
<td>- 78 stocks</td>
<td>$257bn</td>
<td></td>
</tr>
<tr>
<td>DiversBnk</td>
<td></td>
<td>↓</td>
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<tr>
<td>- 165 stocks</td>
<td>$2942bn</td>
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<tr>
<td>Multi-LnIns</td>
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<tr>
<td>- 25 stocks</td>
<td>$276bn</td>
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<tr>
<td>OthrDivFS</td>
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<tr>
<td>- 39 stocks</td>
<td>$364bn</td>
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<tr>
<td>InvBnkBrk</td>
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<tr>
<td>- 35 stocks</td>
<td>$1782bn</td>
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<td>LifeHthIns</td>
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<tr>
<td>- 43 stocks</td>
<td>$414bn</td>
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<tr>
<td>DivCpMkt</td>
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<td>- 17 stocks</td>
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</table>

**Financials**

- **REstOpCo**: 18 stocks, $91bn
- **P&C Insur**: 40 stocks, $456bn
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- **DivCpMkt**: 17 stocks, $96bn
July 24, 2012

Telecommunication Services

Momentum

Strength

AltCar - 13 stocks; $12bn

IntgTelSrv - 65 stocks; $197bn

WlsTelSrv - 43 stocks; $87bn

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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.
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 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>BMOCM US IB Clients**</th>
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<th>BMOCM Universe****</th>
<th>BMOCM IB Clients*****</th>
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<td>12.1%</td>
<td>52.1%</td>
<td>39.2%</td>
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<td>Hold</td>
<td>Market Perform</td>
<td>60.0%</td>
<td>7.0%</td>
<td>47.9%</td>
<td>57.6%</td>
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<td>Sell</td>
<td>Underperform</td>
<td>2.4%</td>
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<td>0.0%</td>
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<td>0.7%</td>
<td>5.3%</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.
*** Reflects rating distribution of all companies from which BMO Capital Markets Corp. has received compensation for Investment Banking services as percentage of Investment Banking clients.
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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;
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