Group Selection

Priced as of July 13, 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 Relative Strength Profiles*

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<tbody>
<tr>
<td>Energy</td>
<td>47% / 51% / 55%</td>
<td>-1% / 4% / -3%</td>
<td></td>
</tr>
<tr>
<td>Materials</td>
<td>39% / 43% / 45%</td>
<td>-20% / -15% / -23%</td>
<td></td>
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<tr>
<td>Industrials</td>
<td>39% / 44% / 48%</td>
<td>-11% / -5% / -14%</td>
<td></td>
</tr>
<tr>
<td>CMR Disc</td>
<td>44% / 48% / 49%</td>
<td>-13% / -5% / -9%</td>
<td></td>
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<tr>
<td>CMR Stap</td>
<td>41% / 46% / 47%</td>
<td>-6% / 2% / -11%</td>
<td></td>
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<tr>
<td>Hlth Care</td>
<td>57% / 60% / 61%</td>
<td>-3% / 6% / -3%</td>
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<tr>
<td>Financials</td>
<td>45% / 50% / 53%</td>
<td>-29% / -18% / -24%</td>
<td></td>
</tr>
<tr>
<td>Info Tech</td>
<td>55% / 57% / 63%</td>
<td>-5% / 1% / -7%</td>
<td></td>
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<tr>
<td>Telecom</td>
<td>19% / 28% / 36%</td>
<td>-13% / -5% / -16%</td>
<td></td>
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<tr>
<td>Utilities</td>
<td>36% / 43% / 47%</td>
<td>-6% / 0% / -8%</td>
<td></td>
</tr>
<tr>
<td>Real Estate</td>
<td>51% / 55% / 61%</td>
<td>-11% / -1% / -11%</td>
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*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
July 13, 2018

**Telecommunication Services**

- **Momentum**
- **Strength**

AltCar: 11 stocks; $59bn
IntgTelSrv: 39 stocks; $725bn
WlsTelSrv: 44 stocks; $869bn
Utilities

Momentum vs. Strength

- GasUtil: 36 stocks; $244bn
- IPPTrad: 24 stocks; $114bn
- MultiUtil: 24 stocks; $82bn
- WaterUtil: 23 stocks; $52bn
- RenewElec: 20 stocks; $55bn
- ElecUtil: 69 stocks; $1156bn

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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 are 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 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.
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”
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>
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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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* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.
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**** Reflects rating distribution of all companies covered by BMO Capital Markets equity research analysts.
***** Reflects rating distribution of all companies from which BMO Capital Markets 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 analyst’s coverage universe on a total return basis;

**Und** = Underperform - Forecast to underperform the analyst’s coverage universe on a total return basis;

**(S)** = Speculative investment;

**Spd** = Suspended - Coverage and rating suspended until coverage is reinstated;

**NR** = No Rated - No rating at this time; and

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(January 2010 - April 2013)


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