Group Selection

Priced as of August 20, 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 (\(\frac{r}{\sigma}\)), 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.

See Help Pages for further details.
Momentum
Strength

Energy

OG StTr
91 stocks; $773bn

OG RfMkt
50 stocks; $387bn

Int O&G
35 stocks; $225bn

OG E&P
35 stocks; $225bn

OG Equip
86 stocks; $522bn

OG Drill
13 stocks; $124bn

Coal&Uran
31 stocks; $111bn
Consumer Staples

- **Momentum**
  - SoftDrinks: 5 stocks, $421bn
  - Dist&Vnt: 13 stocks, $205bn
  - SprCntrs: 17 stocks, $485bn
  - DrugRetail: 9 stocks, $171bn
  - HhldPrdct: 18 stocks, $529bn
  - PkgFdMt: 122 stocks, $1088bn
  - FdDistri: 11 stocks, $43bn
  - FdRetail: 42 stocks, $375bn
  - AgriProd: 23 stocks, $366bn

- **Strength**
  - PersPrdct: 25 stocks, $2355bn
  - Brewers: 15 stocks, $2514bn
  - SoftDrinks: 5 stocks, $421bn
  - Dist&Vnt: 13 stocks, $205bn
  - SprCntrs: 17 stocks, $485bn
  - DrugRetail: 9 stocks, $171bn
  - HhldPrdct: 18 stocks, $529bn
  - PkgFdMt: 122 stocks, $1088bn
  - FdDistri: 11 stocks, $43bn
  - FdRetail: 42 stocks, $375bn
  - AgriProd: 23 stocks, $366bn

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Momentum
Strength

August 20, 2014

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Financials

HCareREIT
17 stocks; $87bn

OthrDivFS
1 stocks; $128bn

P&C Insur
66 stocks; $409bn

Reinsuran
36 stocks; $123bn

InvBnkBrk
30 stocks; $322bn

OfficeREIT
30 stocks; $129bn

HotelREIT
16 stocks; $50bn

Reinsuran
16 stocks; $123bn

InvBnkBrk
36 stocks; $322bn

RetailREIT
40 stocks; $120bn

66 stocks; $409bn

OfficeREIT
30 stocks; $129bn

HotelREIT
16 stocks; $50bn

RetailREIT
40 stocks; $120bn

16 stocks; $123bn

36 stocks; $322bn

OfficeREIT
30 stocks; $129bn

HotelREIT
16 stocks; $50bn

RetailREIT
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Information Technology

Momentum

Strength

August 20, 2014

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Information Technology

ElecInstr
44 stocks; $161bn

HmEntSwr
20 stocks; $80bn

DataProc
49 stocks; $472bn

Semi
113 stocks; $967bn

ElecComp
43 stocks; $236bn

SemiEqp
42 stocks; $165bn

HdwrSt&P
49 stocks; $1038bn

ComEquip
62 stocks; $419bn

InetSftSrv
110 stocks; $941bn

SystmSwr
37 stocks; $685bn

EMS
24 stocks; $115bn

ApplicSwr
79 stocks; $399bn

TechDist
16 stocks; $41bn
Telecommunication Services

Strength

Momentum

WlsTelSrv

46 stocks; $1029bn

IntgTelSrv

65 stocks; $1369bn

AltCar

15 stocks; $57bn

August 20, 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 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.
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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Company Specific Disclosures
For Important Disclosures on the stocks discussed in this report, please go to http://researchglobal.bmocapitalmarkets.com/Public/Company_Disclosure_Public.aspx

Distribution of Ratings (March 31, 2014)

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<td>Buy</td>
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<td>Hold</td>
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<td>5.2%</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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We use the following ratings system definitions:

OP = Outperform - Forecast to outperform the analyst's coverage universe on a total return basis;
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;
NR = No rating at this time; and
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