Group Selection

Priced as of August 9, 2017

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 = 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.
<table>
<thead>
<tr>
<th>Category</th>
<th>Strength</th>
<th>Momentum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Int O&amp;G</td>
<td>29 stocks; $158.3bn</td>
<td></td>
</tr>
<tr>
<td>Coal&amp;Uran</td>
<td></td>
<td>22 stocks; $76bn</td>
</tr>
<tr>
<td>Og Rfmkt</td>
<td></td>
<td>44 stocks; $449bn</td>
</tr>
<tr>
<td>Og Equip</td>
<td></td>
<td>59 stocks; $267bn</td>
</tr>
<tr>
<td>Og Drill</td>
<td></td>
<td>16 stocks; $24bn</td>
</tr>
<tr>
<td>Og StTr</td>
<td></td>
<td>89 stocks; $661bn</td>
</tr>
<tr>
<td>Og E&amp;P</td>
<td></td>
<td>116 stocks; $715bn</td>
</tr>
</tbody>
</table>
**Consumer Discretionary**

- **HmImpRtl**: 7 stocks, $265bn
- **MotcyMfg**: 4 stocks, $43bn
- **April & Gds**: 4 stocks, $563bn
- **Footwear**: 14 stocks, $126bn
- **SpCmSrv**: 8 stocks, $27bn
- **HldApl**: 15 stocks, $77bn
- **Cas & Gam**: 17 stocks, $395bn
- **HomeBld**: 20 stocks, $150bn
- **CmpElRtl**: 18 stocks, $43bn
- **AutoMfg**: 16 stocks, $990bn
- **Cable & Sat**: 22 stocks, $553bn
- **InetDmRtl**: 31 stocks, $836bn
- **LeisPrd**: 26 stocks, $170bn
- **Rstaurnt**: 26 stocks, $237bn
- **Tire & Rub**: 10 stocks, $99bn
- **Dept Strs**: 20 stocks, $99bn
- **Broadcast**: 22 stocks, $147bn
- **Mov & Ent**: 18 stocks, $351bn
- **Publishing**: 16 stocks, $54bn
- **HmFnrsh**: 10 stocks, $34bn
- **Edvct**: 17 stocks, $55bn
- **Spec Stors**: 26 stocks, $99bn
- **Home Furn**: 8 stocks, $56bn
- **Distrib**: 35 stocks, $331bn
- **Apparel Rtl**: 15 stocks, $178bn
- **Advert**: 15 stocks, $178bn
- **Auto Rtl**: 15 stocks, $178bn
- **Leis Fcils**: 20 stocks, $99bn
- **Auto Parts**: 46 stocks, $355bn
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**August 9, 2017**

Mark Steele (416) 359-4641
Health Care

Mgmt HCare
12 stocks; $405bn

HC Supplis
25 stocks; $143bn

HCEquip
74 stocks; $788bn

HCareTec
70 stocks; $664bn

Health Sci Svcs
29 stocks; $252bn

Biotech
128 stocks; $1003bn

HCServices
29 stocks; $194bn

HCFacility
28 stocks; $104bn

HCDistrib
19 stocks; $125bn

Pharma
102 stocks; $244bn

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8/9/17

Health Care

Strength

Momentum
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).
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>
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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.
** 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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