Group Selection

Priced as of May 9, 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**

*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.

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**Energy**

- % Outperforming: 46% / 47% / 59%
- Reward/Risk: -
- Trend Psn: 25% / 27% / 12%

**Materials**

- % Outperforming: 45% / 46% / 64%
- Reward/Risk: -
- Trend Psn: 1% / 1% / 15%

**Industrials**

- % Outperforming: 44% / 44% / 65%
- Reward/Risk: -
- Trend Psn: 3% / 3% / 14%

**CMR Disc**

- % Outperforming: 51% / 53% / 66%
- Reward/Risk: -
- Trend Psn: 7% / 5% / 18%

**CMR Stap**

- % Outperforming: 47% / 48% / 61%
- Reward/Risk: -
- Trend Psn: 10% / 7% / 24%

**Health Care**

- % Outperforming: 54% / 55% / 66%
- Reward/Risk: -
- Trend Psn: 3% / 6% / 10%

**Financials**

- % Outperforming: 52% / 54% / 74%
- Reward/Risk: -
- Trend Psn: 0% / 4% / 13%

**Info Tech**

- % Outperforming: 55% / 54% / 67%
- Reward/Risk: -
- Trend Psn: 6% / 9% / 6%

**Telecom**

- % Outperforming: 35% / 36% / 54%
- Reward/Risk: -
- Trend Psn: 11% / 9% / 26%

**Utilities**

- % Outperforming: 27% / 28% / 48%
- Reward/Risk: -
- Trend Psn: 3% / 3% / 5%

**Real Estate**

- % Outperforming: 35% / 36% / 54%
- Reward/Risk: -
- Trend Psn: 18% / 23% / 5%

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*Dates can be edited by users*
Strength Changes Last Session

Momentum

Strength

Aero&Def ➔ InetStsSrvc ➔ HCareTec ➔ SemiEqp ➔ InetDmRtl ➔ AirFrgh ➔ OfficeSrvc ➔ TechDist ➔ Sec&Alm ➔
OG Drill ➔ Copper ➔ OfficeREIT ➔ Biotech ➔ MtlSecHld ➔ DvSpSrvc ➔ AutoParts ➔
ConsmrFin ➔ IndusREIT ➔ Coal&Uran ➔ HmEntSrwr ➔ Thrft&Mtg ➔ Silver ➔ HvyElcEq ➔
InvBnkBrk ➔ HCSrvrce ➔ Rstaurnt ➔ SpecChm ➔
FdDistri ➔ Publishing ➔ OG RfMkt ➔ PapProd ➔ InsurBrkrs ➔ Educat ➔ ComEquip ➔ SpecREIT ➔
PersPrdct ➔ LeisFcil ➔ DrugRetail ➔ ElecInstr ➔ CmpElRtl ➔
Brewers ➔ ITConsult ➔ RESTDevl ➔ FdRetail ➔ Footwear ➔ SpecStors ➔ DiversChm ➔ HCDistrib ➔
MngHCare ➔ AirprtSrvc ➔ SprCntrs ➔ DeptSrsv ➔ HmImpRtl ➔ HdwrtSt&P ➔ WlsTelSrsv ➔
Consumer Staples

Dist&Vnt
- 12 stocks; $377bn

PersPrdct
- 33 stocks; $514bn

Brewers
- 14 stocks; $496bn

FdDistri
- 11 stocks; $66bn

FdRetail
- 16 stocks; $953bn

Tobacco
- 13 stocks; $561bn

DrugRetail
- 7 stocks; $87bn

HhldPrdct
- 18 stocks; $507bn

PkgFdMt
- 122 stocks; $1183bn

SprCntrs
- 14 stocks; $483bn

SoftDrnks
- 18 stocks; $465bn

AgriProd
- 24 stocks; $106bn

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Telecommunication Services

Momentum

Strength

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AltCar
11 stocks; $56bn

IntgTelSrv
59 stocks; $125bn

WlsTelSrv
43 stocks; $899bn
May 9, 2018

Momentum

Strength

Real Estate

HotelREIT
19 stocks; $61bn

OfficeREIT
23 stocks; $156bn

DiversREIT
39 stocks; $160bn

HCareREIT
18 stocks; $91bn

RetailREIT
51 stocks; $305bn

IndusREIT
21 stocks; $172bn

ResidREIT
27 stocks; $160bn

SpecREIT
33 stocks; $334bn

REstDevl
34 stocks; $362bn

REstOpCo
35 stocks; $211bn

REstDvAct
33 stocks; $330bn

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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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<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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<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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