Group Selection
Priced as of August 23, 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 (% outperforming and reward/risk ratios).

(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>Sector</th>
<th>Stocks</th>
<th>Market Cap (bn)</th>
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<td>SpecChm</td>
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<td>571</td>
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<td>ComdChm</td>
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<tr>
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<tr>
<td>Fert&amp;Ag</td>
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*August 23, 2018*
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<tr>
<th>Industry</th>
<th>Momentum</th>
<th>Strength</th>
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<tbody>
<tr>
<td>AirFrght</td>
<td>21 stocks; $295bn</td>
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<tr>
<td>Ind Mach</td>
<td>130 stocks; $742bn</td>
<td></td>
</tr>
<tr>
<td>Sec&amp;Alm</td>
<td>7 stocks; $47bn</td>
<td></td>
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<tr>
<td>CnstMch&amp;Tr</td>
<td>46 stocks; $317bn</td>
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<td>DvSpSrv</td>
<td>24 stocks; $117bn</td>
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<tr>
<td>TrdgDist</td>
<td>58 stocks; $385bn</td>
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<tr>
<td>RsrcCslt</td>
<td>22 stocks; $265bn</td>
<td></td>
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<tr>
<td>Trucking</td>
<td>27 stocks; $171bn</td>
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<tr>
<td>OfficeServ</td>
<td>10 stocks; $19bn</td>
<td></td>
</tr>
<tr>
<td>EnviroServ</td>
<td>28 stocks; $149bn</td>
<td></td>
</tr>
<tr>
<td>CmclPrt</td>
<td>12 stocks; $27bn</td>
<td></td>
</tr>
<tr>
<td>Cns&amp;Eng</td>
<td>73 stocks; $351bn</td>
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<tr>
<td>Marine</td>
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<td>AirprtSrv</td>
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<tr>
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<td>45 stocks; $269bn</td>
<td></td>
</tr>
<tr>
<td>RsrcCslt</td>
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<tr>
<td>CmclPrt</td>
<td>12 stocks; $27bn</td>
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</tbody>
</table>
**August 23, 2018**

**Consumer Staples**

- **Momentum**
  - **HhdlPrdct** (17 stocks; $556bn)
  - **SoftDrnks** (19 stocks; $525bn)
  - **PersPrdct** (33 stocks; $506bn)
  - **Tobacco** (13 stocks; $572bn)
  - **FdRetail** (36 stocks; $356bn)
  - **Brewers** (14 stocks; $457bn)
  - **DrugRetail** (6 stocks; $89bn)
  - **PkgFdMt** (123 stocks; $1172bn)
  - **FdDistri** (14 stocks; $655bn)
  - **Dist&Vnt** (12 stocks; $350bn)
  - **SprCntrs** (13 stocks; $539bn)

- **Strength**
  - **AgriProd** (25 stocks; $110bn)
  - **PersPrdct** (13 stocks; $506bn)
  - **Tobacco** (13 stocks; $572bn)
  - **FdRetail** (36 stocks; $356bn)
  - **Brewers** (14 stocks; $457bn)
  - **DrugRetail** (6 stocks; $89bn)
  - **PkgFdMt** (123 stocks; $1172bn)
  - **FdDistri** (14 stocks; $655bn)
  - **Dist&Vnt** (12 stocks; $350bn)
  - **SprCntrs** (13 stocks; $539bn)
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<tr>
<th>Segment</th>
<th>Description</th>
<th>Stocks</th>
<th>Market Cap (bn)</th>
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<td>Gas Util</td>
<td></td>
<td>36</td>
<td>$242bn</td>
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<tr>
<td>IPP Trad</td>
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<td>23</td>
<td>$114bn</td>
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<tr>
<td>Multi Util</td>
<td></td>
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<td>$55bn</td>
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<tr>
<td>Renew Elec</td>
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<td>20</td>
<td>$55bn</td>
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<tr>
<td>Water Util</td>
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<td>23</td>
<td>$80bn</td>
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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>22.8%</td>
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<td>1.6%</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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Und = Underperform - Forecast to underperform the analyst's coverage universe on a total return basis;
(S) = Speculative investment;
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(January 2010 - April 2013)

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