Group Selection
Priced as of September 24, 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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Sector View

Strength

Momentum

2014-09-24

Sector Relative Strength Profiles*

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>43% / 48% / 40%</td>
<td>❌ / ❌ / ❌</td>
<td>-36% / -27% / -11%</td>
</tr>
<tr>
<td>Materials</td>
<td>37% / 41% / 33%</td>
<td>❌ / ❌ / ❌</td>
<td>-24% / -15% / 0%</td>
</tr>
<tr>
<td>Industrials</td>
<td>31% / 35% / 26%</td>
<td>❌ / ❌ / ❌</td>
<td>-18% / -7% / 10%</td>
</tr>
<tr>
<td>CMR Disc</td>
<td>30% / 35% / 26%</td>
<td>❌ / ❌ / ❌</td>
<td>-10% / 0% / 17%</td>
</tr>
<tr>
<td>CMR Stap</td>
<td>36% / 43% / 32%</td>
<td>❌ / ❌ / ❌</td>
<td>-10% / 1% / 20%</td>
</tr>
<tr>
<td>Hlth Care</td>
<td>41% / 47% / 38%</td>
<td>❌ / ❌ / ❌</td>
<td>-2% / 5% / 19%</td>
</tr>
<tr>
<td>Financials</td>
<td>36% / 44% / 27%</td>
<td>❌ / ❌ / ❌</td>
<td>-21% / -9% / 18%</td>
</tr>
<tr>
<td>Info Tech</td>
<td>37% / 43% / 33%</td>
<td>❌ / ❌ / ❌</td>
<td>-7% / 0% / 14%</td>
</tr>
<tr>
<td>Telecom</td>
<td>43% / 46% / 35%</td>
<td>❌ / ❌ / ❌</td>
<td>-6% / 1% / 17%</td>
</tr>
<tr>
<td>Utilities</td>
<td>40% / 46% / 31%</td>
<td>❌ / ❌ / ❌</td>
<td>-21% / -9% / 12%</td>
</tr>
</tbody>
</table>

*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
**Consumer Staples**

- **Tobacco**: 16 stocks, $591bn
- **PkgFdMt**: 121 stocks, $1051bn
- **Dist&Vnt**: 13 stocks, $203bn
- **PersPrdct**: 25 stocks, $226bn
- **HhldPrdct**: 18 stocks, $538bn
- **Brewers**: 15 stocks, $516bn
- **SoftDrinks**: 15 stocks, $426bn
- **DrugRetail**: 9 stocks, $170bn
- **FdDistri**: 11 stocks, $42bn
- **FdRetail**: 47 stocks, $352bn
- **AgriProd**: 33 stocks, $133bn
- **SprCntrs**: 17 stocks, $484bn
- **DrugRetail**: 9 stocks, $170bn

**Momentum**

**Strength**
September 24, 2014

Telecommunication Services

Mark Steele (416) 359-4641

AltCar
16 stocks; $67bn

IntgTelSrv  ➔
59 stocks; $137bn

WlsTelSrv  ➔
46 stocks; $103bn
**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 members are 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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Distribution of Ratings (March 31, 2014)

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<tr>
<th>Rating Category</th>
<th>BMO Rating</th>
<th>BMOCM US Universe*</th>
<th>BMOCM US IB Clients**</th>
<th>BMOCM US IB Clients***</th>
<th>BMOCM Universe****</th>
<th>BMOCM IB Clients*****</th>
<th>Sanford Universe</th>
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</thead>
<tbody>
<tr>
<td>Buy</td>
<td>Outperform</td>
<td>42.0%</td>
<td>21.5%</td>
<td>60.7%</td>
<td>40.8%</td>
<td>53.6%</td>
<td>53.6%</td>
</tr>
<tr>
<td>Hold</td>
<td>Market Perform</td>
<td>52.8%</td>
<td>10.8%</td>
<td>38.2%</td>
<td>52.8%</td>
<td>43.8%</td>
<td>40.3%</td>
</tr>
<tr>
<td>Sell</td>
<td>Underperform</td>
<td>5.2%</td>
<td>3.2%</td>
<td>1.1%</td>
<td>6.3%</td>
<td>2.7%</td>
<td>5.6%</td>
</tr>
</tbody>
</table>

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