Group Selection

Priced as of October 22, 2019

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*

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<tr>
<td>Energy</td>
<td>17% / 19% / 17%</td>
<td>/ / /</td>
<td>/ 11% / 6% / 11%</td>
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<tr>
<td>Materials</td>
<td>33% / 35% / 34%</td>
<td>/ / /</td>
<td>/ 8% / 6% / 12%</td>
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<tr>
<td>Industrials</td>
<td>37% / 42% / 39%</td>
<td>/ / /</td>
<td>/ 18% / 14% / 20%</td>
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<tr>
<td>CMR Disc</td>
<td>34% / 39% / 36%</td>
<td>/ / /</td>
<td>/ 19% / 14% / 22%</td>
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<tr>
<td>CMR Stap</td>
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<td>/ / /</td>
<td>/ 1% / -3% / 2%</td>
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<tr>
<td>Hlth Care</td>
<td>35% / 38% / 36%</td>
<td>/ / /</td>
<td>/ 1% / -2% / 3%</td>
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<tr>
<td>Financials</td>
<td>34% / 41% / 36%</td>
<td>/ / /</td>
<td>/ 20% / 13% / 24%</td>
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<tr>
<td>Info Tech</td>
<td>47% / 52% / 50%</td>
<td>/ / /</td>
<td>/ -2% / -5% / 1%</td>
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<tr>
<td>Comm Srv</td>
<td>34% / 40% / 35%</td>
<td>/ / /</td>
<td>/ 6% / 3% / 9%</td>
</tr>
<tr>
<td>Utilities</td>
<td>52% / 58% / 55%</td>
<td>/ / /</td>
<td>/ 7% / 3% / 8%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>52% / 58% / 54%</td>
<td>/ / /</td>
<td>/ 17% / 12% / 20%</td>
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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.
Momentum

Strength

Health Care

October 22, 2019

Mark Steele (416) 359-4641

HCService
25 stocks; $285bn

MngHCare
10 stocks; $392bn

Pharma
135 stocks; $2654bn

Biotech
121 stocks; $985bn

HCEquip
78 stocks; $1251bn

HCFacility
53 stocks; $178bn

HCSuppls
27 stocks; $107bn

HCareTec
18 stocks; $92bn

HCDistrib
17 stocks; $107bn

LfSciSrv
32 stocks; $406bn

25 stocks; $285bn

10 stocks; $392bn

135 stocks; $2654bn

121 stocks; $985bn

78 stocks; $1251bn

53 stocks; $178bn

27 stocks; $107bn

18 stocks; $92bn

17 stocks; $107bn

32 stocks; $406bn
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<tr>
<th>Category</th>
<th>Stocks</th>
<th>Value</th>
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<tr>
<td>Reinsuran</td>
<td>9</td>
<td>$146bn</td>
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<tr>
<td>OthrDivFS</td>
<td>7</td>
<td>$79bn</td>
</tr>
<tr>
<td>RegionBnk</td>
<td>153</td>
<td>$683bn</td>
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<tr>
<td>AsstMgmt</td>
<td>79</td>
<td>$557bn</td>
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<tr>
<td>DivCpMkt</td>
<td>3</td>
<td>$152bn</td>
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<tr>
<td>DiversBnk</td>
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<tr>
<td>LifeHthIns</td>
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<tr>
<td>InvBnkBrk</td>
<td>39</td>
<td>$404bn</td>
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<tr>
<td>SpecialFin</td>
<td>8</td>
<td>$24bn</td>
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<tr>
<td>ConsmrFin</td>
<td>30</td>
<td>$302bn</td>
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<tr>
<td>InsurBrkrs</td>
<td>7</td>
<td>$150bn</td>
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<tr>
<td>P&amp;C Insur</td>
<td>55</td>
<td>$542bn</td>
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<tr>
<td>MitSecHld</td>
<td>21</td>
<td>$422bn</td>
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<tr>
<td>Thrft&amp;Mtg</td>
<td>42</td>
<td>$167bn</td>
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<tr>
<td>FnlExchDt</td>
<td>23</td>
<td>$482bn</td>
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<tr>
<td>Multi-LnIns</td>
<td>30</td>
<td>$526bn</td>
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<tr>
<td>MortgREIT</td>
<td>22</td>
<td>$66bn</td>
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<tr>
<td>MltSecHld</td>
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<td>$422bn</td>
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<tr>
<td>MortgREIT</td>
<td>22</td>
<td>$66bn</td>
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### Real Estate

<table>
<thead>
<tr>
<th>Sector</th>
<th>Stocks</th>
<th>Market Cap (bn)</th>
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<tr>
<td>SpecREIT</td>
<td>31</td>
<td>$438bn</td>
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<tr>
<td>RetailREIT</td>
<td>52</td>
<td>$296bn</td>
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<tr>
<td>HCareREIT</td>
<td>17</td>
<td>$135bn</td>
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<tr>
<td>DiversREIT</td>
<td>35</td>
<td>$178bn</td>
</tr>
<tr>
<td>ResidREIT</td>
<td>28</td>
<td>$221bn</td>
</tr>
<tr>
<td>OfficeREIT</td>
<td>34</td>
<td>$200bn</td>
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<tr>
<td>IndusREIT</td>
<td>27</td>
<td>$171bn</td>
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<tr>
<td>REstDev</td>
<td>39</td>
<td>$264bn</td>
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<td>REstOpCo</td>
<td>37</td>
<td>$247bn</td>
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<tr>
<td>REstSrv</td>
<td>12</td>
<td>$44bn</td>
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</table>

### Summary

- **34 stocks:** $324bn
- **32 stocks:** $296bn
- **18 stocks:** $51bn
- **39 stocks:** $364bn
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 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 runs 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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<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.
*** 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;
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(January 2010 - April 2013)

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