November 21, 2019

Investment Strategy

2020 Market Outlook

Brian G. Belski
Chief Investment Strategist
BMO Capital Markets Corp.
212-885-4151
brian.belski@bmo.com

Nicholas Roccanova, CFA
Sr. Investment Strategist
BMO Capital Markets Corp.
212-885-4179
nicholas.roccanova@bmo.com

Ryan Bohren, CFA
Investment Strategist
BMO Nesbitt Burns Inc.
416-359-4993
ryan.bohren@bmo.com

Andrew Birstingl
Associate
BMO Capital Markets Corp.
212-885-4172
andrew.birstingl@bmo.com

BMO Capital Markets

2020 Market Outlook

S&P 500 Price Target: 3,400

S&P 500 EPS Target: $176

Neurotic Nirvana

Facts are what the facts are: the S&P 500 Index has posted positive returns 8 out of the past 11 years since this bull market began. While this period includes our assumption that stocks will hold onto their gains as 2019 concludes, it sure does not feel like US equities have been averaging roughly 15% annual returns since 2009. This "pain" and "doubt" is especially evident when considering the secular fee compression and poor performance facing institutional money managers. In addition, the months of May and August in 2019 clearly crippled investors into being controlled once again by rhetoric, fear, innuendo and momentum versus process, discipline, patience and common sense, in our view. Yet, the S&P 500 still managed to post several new record highs following those hiccups, while also helping to pace global equities more recently. To be sure, all-time highs have been wrestling with investor neurosis for the past 10 years – with no end in sight for either, in our view.

So as we have liked to say lately, welcome to the second half of the bull market.

We made a prediction in 2010, that US stocks were likely entering a 20-year secular bull market. We are sticking with that call. To be clear, we are not maintaining our longer-term bullish position to be stubborn. Rather, many of the same core principles remain in place – namely, US corporate superiority in terms of earnings stability, cash flow, innovation, product and services, and company management. Granted, a 15% annual return akin to the first 10 years of the bull will undoubtedly be more difficult to match considering that emerging markets, Europe and commodities will likely come into favor again at some point. However, we believe that a leadership shift that many investors have been hoping and praying for is at least a few years away. There just is not enough believability in the US yet – even after the performance of the past 10 years. Furthermore, as the market heads toward 2020, we believe there are at least three points that will only make the neurosis louder:

1. **Analysis paralysis** – We believe there remains too much focus on macro and quant investing.

    - Inverted yield curve mania defined pre-conceived negativity in 2019 – will the opposite (inflation concerns and/or higher rates) take over in 2020?

    - False signals in the ISM and PMI are more about crippled corporate psychology than a looming recession – especially since manufacturing is only 20% of the US economy and a presumed trade truce (or mini-deal) will significantly improve corporate and investor psyche, in our view. Furthermore, we believe the deep desire to define the investment cycle as early, mid, or late, is laced with academia practices that have largely not worked for the majority of the current bull market.

    - Overreliance on quant models have become a "defense mechanism" by many investors that would rather "blame the model" for being wrong relative to doing the work themselves, let alone default to good old-fashioned bottom up stock picking, in our view.

2. **Lack of Perspective** – We believe momentum and "short-termism" has taken over for longer-term patience and process as many investors guard against being wrong or "missing it."

- Reacting to tweets and bullet point headlines instead of just staying invested has hurt returns.

- Historically low earnings estimate dispersions is an issue and is hurting the efficacy of analysis (no differentiation).

- Limited "market veteran" analyst and portfolio manager tenures (i.e., those in the role for more than 10 years) means that many investment professionals began their careers during a once in every other generation event (2008 crisis) and are "programmed" to be negative, cynical, too macro and non-reliant on fundamentals, in our view.

3. **Election Focus** – Too much credit or negativity is being placed on politics.

    - There is no doubt that politics can either detract or enhance the underlying trend of the stock market and economy. However, fundamentals drive absolute performance. Granted, US Presidential election cycles are important and topical (see pages 28-29).

    - Prognostications of corrections exceeding 20% (which constitute a bear market) are more about creating headlines than reality, in our view.

    - The last time a US President was partially impeached was 1998 – when the S&P 500 Index was up 27%.

To mute this noise, here are three guideposts for 2020 that investors should consider:

1. **DDA = Dollar Denominated Assets**

    - Zero and negative rates around the world will continue to drive inflows in US bonds.

    - The US dollar remains the world's reserve currency, which has only been exasperated by Brexit (↓sterling) and negative rates (↓euro, ↓yen).

    - High single-digit, stable earnings growth during a period of continued low interest rates and 17-19x multiples relative to ever increasing volatile global equities make US stocks an admittedly reluctant destination for most global investors to be, in our view.

2. **1990s Hip Hop – The Notorious B.I.G., Tupac and Snoop and the 1995-1997 stock market**

    - Many believe the height of 1990s hip hop was 1995 to 1997, an era that helped define popular music and culture for years to come. We believe the same can be said to a large degree for equity markets:
        - ✓ The Federal Reserve's pivot in November 1994 (e.g., cut interest rates in 1995);
        - ✓ Ushered in a goldilocks period defined by low rates, steady growth and US large cap quality stock outperformance.
    - We believe a similar environment is currently under way:
        - ✓ The Federal Reserve's pivot in January 2019 ushered in three 25 bps cuts;
        - ✓ US large cap, high quality, brand name companies are setting the pace for global stock market performance once again.
    - 2020 Base Case – The Notorious Bull Market Continues:
        - ✓ With the Fed likely on hold through the election;
        - ✓ Phase one tariff deal eases investor strife;

- ✓ Investors seek stable earnings – therefore favoring the US.

3. **The Stock Market Is a Market of Stocks**

   - There remains too much focus on defining leadership – especially in terms of FANG, growth, value, early or late cycle; let alone having outsized sector bets.

   - Instead, we encourage investors to not try and time the market, but rather stick with their convictions and process.

   - In addition, we believe investors should focus on high quality dividends and stable growth opportunities given what we believe could be another year of unpredictability for investment decision making (see pages 26-27).

Old habits are hard to break. As such, the stock market's neurotic nature and dependence on negativity is not going away anytime soon. Therefore, what we like to call the most hated and mistrusted bull market in history rolls on to our campaign chant of "10 MORE YEARS!"

S&P Target Models

We rely on good old-fashioned analysis and historical perspective to establish our targets for the S&P 500. Indeed, we believe positive fundamental and macro forces remain in place. Earnings growth appears to be approaching a trough, and given the widespread negativity, is more likely to surprise to the upside than not. Despite struggles in manufacturing, the US consumer remains strong and continues to support further economic growth. Corporate balance sheets remain in excellent shape, while risk premiums have been relatively stable, trends that should propel stocks higher in the coming months, in our view. As such, we remain committed to our longer-term secular bull market stance and would encourage investors to use any potential periods of market weakness as an opportunity to increase exposure to favored positions.

Exhibit 1: 2020 S&P 500 Target Models

Scenario	Price	EPS	Rationale
Bull	3,675	$190	Substantial trade agreement between US and China reached, igniting corporate investment and propelling global growth: • EPS regains a double-digit growth pace • Risk premiums decline closer to average, while price multiples expand even further • Margin fears alleviated as potential tariff impact is not as damaging as expected
Base	3,400	$176	Stocks continue to grind higher, but with periods of elevated volatility in between as questions remain on the trade front: • Risk premiums remain largely static and path of interest rates grinds higher, but slower than expected • Margins prove to be sustainable despite interest rate and tariff challenges • EPS growth matches current expectations helping to support somewhat moderate price multiple expansion • Economic momentum continues while inflation remains in check
Bear	2,775	$160	Fundamental and economic momentum stall/contract leading to market consolidation: • Trade negotiations take a turn for the worse reigniting global recession fears • Ensuing tariffs take a bigger bite out of margins leading to disappointing earnings results • Price multiples contract faster than expected as investors begin pricing a recession

Source: BMO Capital Markets Investment Strategy Group.

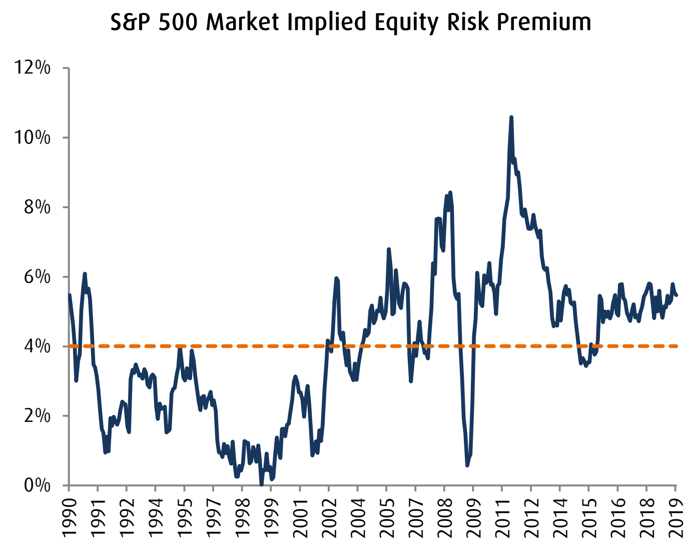
Our Valuation Work Suggests Continued Upside

We currently utilize three models to establish an S&P 500 price target: a multi-stage DDM, a fair value P/E model, and a top-down macro regression model (although we have developed other models that we do swap in from time to time based on market conditions). We developed this multifaceted approach because our experience has taught us that market performance is not solely determined by fundamentals, and sometimes factors such as macro conditions or sentiment play a bigger role. All three models suggest a higher close for the market during 2020 based on our 2019 year-end target of 3,000. As mentioned in the table above, we also “scenario tested” our models to establish what we believe could be potential upside to our target at 3,675 and potential downside at 2,775.

Dividend Discount Model

We use three stages for our dividend discount model (DDM). The first stage incorporates the current unreported and next two fiscal years (e.g. FY1, FY2, and FY3). Within this stage we use consensus estimates for EPS and DPS, while deriving the market implied cost of equity based on consensus forecasts for the 10-year Treasury note and CPI. The next stage is a seven-year transition period where we apply the current consensus LTG for the S&P 500 to determine the FY4 through FY10 EPS, and use linear interpolation to determine between FY3 and historical average to determine the payout ratio (and DPS) for each particular year in the stage. The final stage is simply the terminal value of all dividends from FY1 to FY10. Our discount rate for the transition and terminal periods is the sum of our assumptions for the equity risk premium (ERP), 10-year real Treasury yields and CPI. Our ERP is derived by subtracting the real 10-year Treasury yield from the S&P 500 forward earnings yield, and we sum our assumptions for 10-year real Treasury yields and CPI to arrive at our risk-free rate. Our DDM currently assumes a 510 bps risk premium, which is moderately above the long-term average of about 410 bps (Exhibit 2) but we are also assuming a 3.5% risk-free rate – well below historical norms. This implies a total cost of equity of 8.6%, which is slightly below longer-term averages. We believe this is appropriate given the interest rate outlook since ERP and interest rates have shown a relatively strong negative relationship (Exhibit 3). Exhibit 4 on the next page highlights all of the model's current assumptions. In addition, we also include a scenario analysis to provide additional context using various ERP and risk-free rate assumptions based on our framework in Exhibit 4.

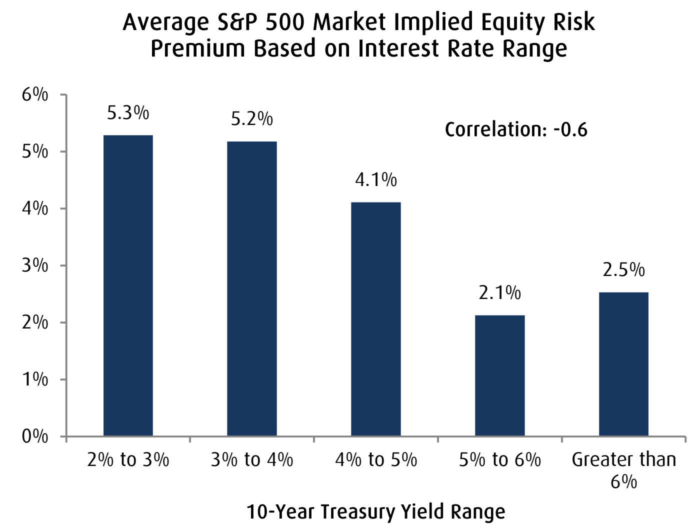
Exhibit 2: Risk Premiums Remain Elevated



Source: BMO Capital Markets Investment Strategy Group, Bloomberg, FRB, BLS.

Note: The equity risk premium is calculated by taking the forward earnings yield based less the yield on the constant maturity 10-year adjusted for the year-over-year change in the CPI index.

Exhibit 3: Lower Interest Rates Suggests High Risk Premiums



Source: BMO Capital Markets Investment Strategy Group, Bloomberg, FRB, BLS.

Exhibit 4: DDM Assumptions and Scenario Matrix

EPS and DPS Assumptions:

Year	EPS	EPS Growth	DPS	Payout Ratio
2019	$164.73	4.26%	$58.99	35.8%
2020	$181.58	10.23%	$63.00	34.7%
2021	$200.05	10.17%	$65.13	32.6%
LTG	7.6%			

Historical Average (1990-2018):

DPS Growth	6.3%
Payout Ratio	41.5%

Cost of Equity Assumptions:

ERP	5.1%
10-Year Treasury Yield	3.5%
Cost of Equity	8.6%

	Equity Risk Premium				
10Yr Trsry Rate	4.9%	5.0%	5.1%	5.2%	5.3%
3.3%	4,150	3,925	3,750	3,575	3,400
3.4%	3,925	3,750	3,575	3,400	3,275
3.5%	3,750	3,575	3,400	3,275	3,125
3.6%	3,575	3,400	3,275	3,125	3,000
3.7%	3,400	3,275	3,125	3,000	2,900

Source: BMO Capital Markets Investment Strategy Group.

Fair Value Interest Rate and Inflation Model

Our fair value interest rate and inflation model is a linear regression of the S&P 500 price-to-earnings ratio derived from the year-over-year change in CPI and 10-year Treasury yield. The model has reasonably predicted P/E levels (Exhibit 6: R^2 of 0.46 over the past 50 years). In order to arrive at our S&P 500 price target, we use the current consensus estimates for CPI and the 10-Year Treasury and multiply the predicted P/E by consensus estimates for EPS. In order to determine potential upside and downside for the model, we apply the standard error of the regression to the predicted P/E value. Based on current expectations, this model is producing the most optimistic scenario for the S&P 500 during 2020 given that interest rates and inflation are expected to remain low relative to historical norms.

Exhibit 5: Fair Value P/E Assumptions and Scenario Matrix

Model Details:

Equation	P/E = 22.8x – 0.3 * 10YR - CPI
R^2	0.46
Standard Error Term	3.8x

Model Assumptions:

10-Year Treasury	1.95%
CPI	2.0%
2020E Consensus EPS	$181.50

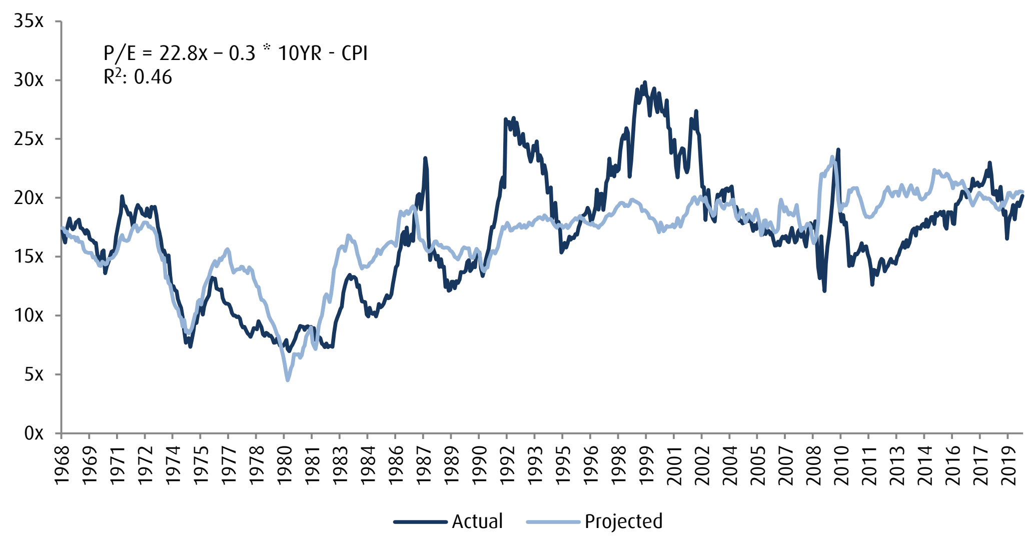
Model Results:

Case	P/E	Implied Target
Base	20.2x	3,675
Bull	24.0x	4,025
Bear	16.4x	3,325

	10-Year Treasury Rate				
CPI	1.65%	1.75%	1.95%	2.15%	2.35%
1.50%	20.8x	20.8x	20.7x	20.6x	20.6x
1.75%	20.5x	20.5x	20.4x	20.4x	20.3x
2.00%	20.3x	20.3x	20.2x	20.1x	20.1x
2.25%	20.1x	20.0x	20.0x	19.9x	19.8x
2.50%	19.8x	19.8x	19.7x	19.7x	19.6x

Source: BMO Capital Markets Investment Strategy Group. Note: All figures have been rounded to the nearest tenth, so values may not necessarily equal out.

Exhibit 6: S&P 500 Fair Value P/E Model: Actual vs. Predicted Values



Source: BMO Capital Markets Investment Strategy Group, Bloomberg.

Macroeconomic Price Target Regression Model

Our macroeconomic model is a multifactor regression of the S&P 500 price change to several economic variables: industrial production growth, change in Baa credit spreads, CPI, two-year Treasury note change and the unemployment rate. The model has predicted S&P 500 levels very well historically (Exhibit 8: R^2 of 0.62 since 1980). In order to arrive at an S&P 500 price target, we use current consensus economic forecasts for all the variables. In addition, we also consider the standard error of the model to calculate upside and downside scenarios for the predicted price target. Interestingly, this model has consistently represented the downside to our official target. However, this is not to suggest that market performance has gotten ahead of economic growth. Instead, as we have frequently mentioned, we believe the market has been shifting from a macro to a micro environment as correlation of individual stock performance has declined along with increased valuation dispersion. And since this is a trend that we expect to continue in the coming year, we believe macro factors will have much less influence on market returns. Exhibit 7 highlights all of the model's current assumptions.

Exhibit 7: Macroeconomic Regression Model Assumptions and Price Target

Model Details:

Equation	SPX % = IP * 1.7 – Baa * 9.2 + CPI * 1.4 – 2Yr * 3.1 – UR * 3.3
R^2	0.62
Standard Error Term	11.4%

Model Assumptions:

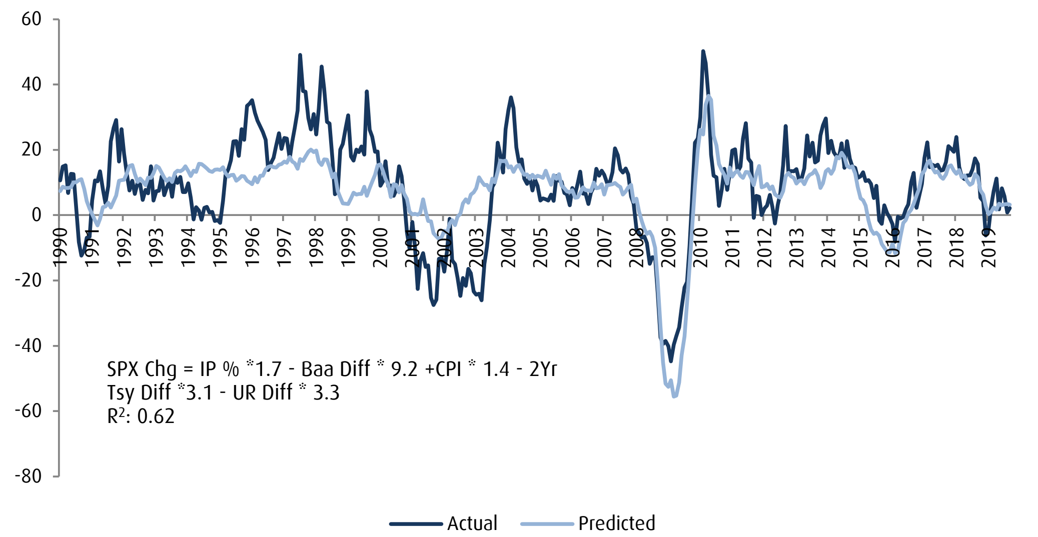
Industrial Production Growth	1.2%
Baa Spread Change	7 bps
CPI	2%
2Yr Treasury Note Change	11 bps
Unemployment Rate Change	0 bps

Model Results:

Case	Price Change	Implied Target*
Base	3.8%	3,125
Bull	15.2%	3,450
Bear	-7.6%	2,775

Source: BMO Capital Markets Investment Strategy Group, Bloomberg, FRB. *Note: the implied target is derived using the 2019E S&P 500 price target.

Exhibit 8: S&P 500 Macroeconomic Price Target Regression Model: Actual vs. Predicted Values



Source: BMO Capital Markets Investment Strategy Group, Bloomberg.

Our Earnings Work Suggests a Growth Recovery

Unlike our valuation analysis, we developed only one proprietary model to forecast index EPS, a top-down macro regression model, which we then compare to bottom up consensus expectations, as well as, normalized EPS growth rates based on historical log-linear trends. Based on our experience, this streamlined approach has served us well through the years since EPS forecasts tend to be smoother than price forecasts. Similar to our price forecast process, we scenario test our own model using standard error terms and compare these results to the bottom-up forecasts and normalized EPS to establish what we believe could be potential upside to our target at $190 and potential downside at $170.

Macroeconomic EPS Target Regression Model

Similar to our price target work, we use a multifactor macroeconomic regression model to forecast annual S&P 500 EPS growth. Our model uses the following economic variables: real GDP growth, the slope of yield curve between two-year and 10-year Treasury notes and the year-over-year change in the unemployment rate. The model has predicted S&P 500 EPS levels reasonably well historically (Exhibit 9: R^2 of 0.46 since 1988). In order to arrive at an S&P 500 EPS target, we use current consensus economic forecast GDP and unemployment, while the yield curve slope is a lagged value where current levels are used. In addition, we also consider the standard error of the model to calculate potential upside and downside scenarios for the predicted EPS target. Unlike our macroeconomic price target regression, this model has consistently represented our base case scenario over the past several years. By contrast, bottom-up consensus forecasts (Exhibit 11) have consistently overstated actual EPS levels (however, 2020 could be a different story, see page 13), while normalized EPS levels have consistently understated results (Exhibit 12). Exhibit 9 highlights all of the model's current assumptions.

Exhibit 9: Macroeconomic Regression Model Assumptions and EPS Target

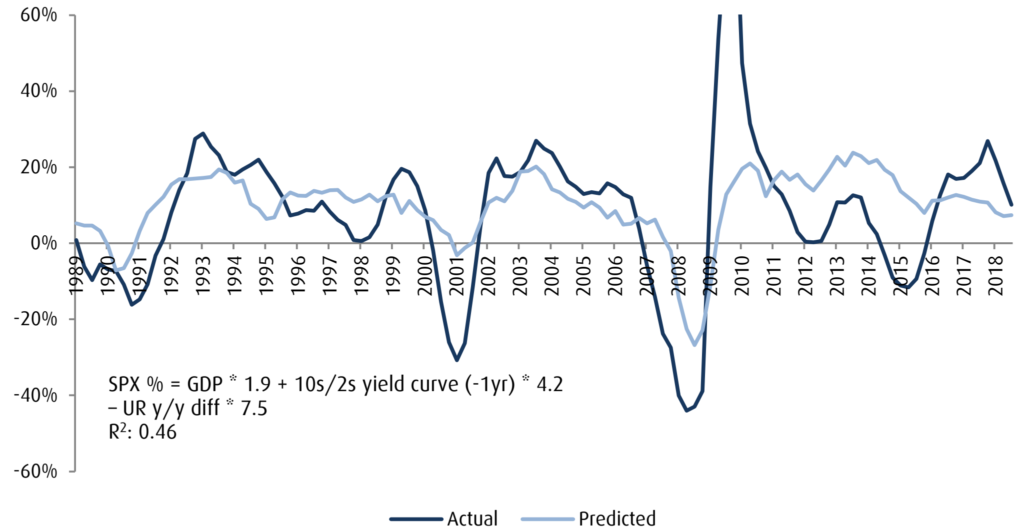
Model Details:		Model Assumptions:	
Equation	SPX % = GDP * 1.9 + 10s/2s yield curve (-1yr) * 4.2 – UR y/y diff * 7.5	Real GDP Growth	1.8%
R^2	0.46	10s/2s Yield Curve	25 bps
Standard Error Term	16.1%	Unemployment Rate Change	0 bps

Model Results:

Case	EPS Change	Implied Target*
Base	4.5%	$176
Bull	15.2%	$190
Bear	-11.6%	$150

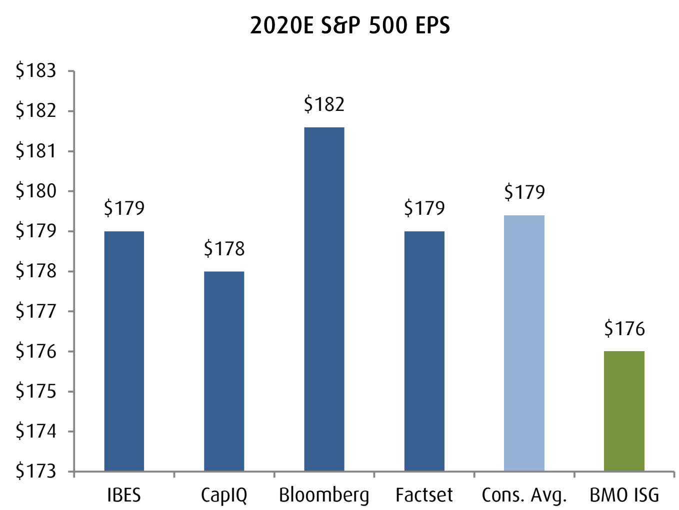
Source: BMO Capital Markets Investment Strategy Group, Bloomberg, FRB. *Note: the implied target is derived using the 2019E S&P 500 EPS target.

Exhibit 10: S&P 500 Macroeconomic EPS Target Regression Model: Actual vs. Predicted Values



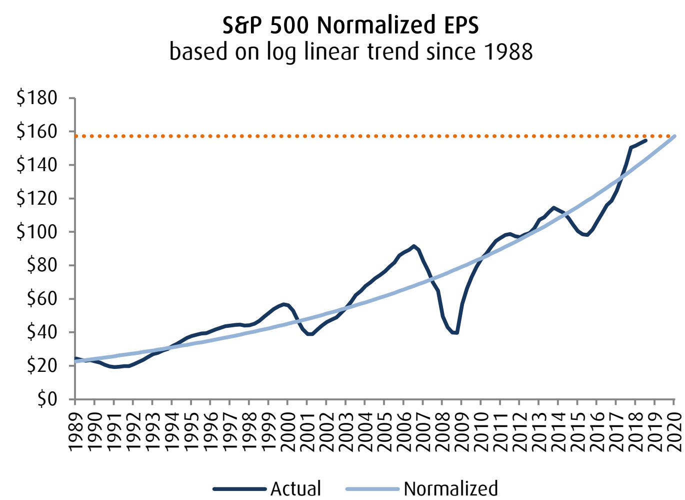
Source: BMO Capital Markets Investment Strategy Group, Bloomberg.

Exhibit 11: Bottom-Up Estimates Suggest Earnings Optimism



Source: BMO Capital Markets Investment Strategy Group.

Exhibit 12: Normalized Trends Suggest No Growth



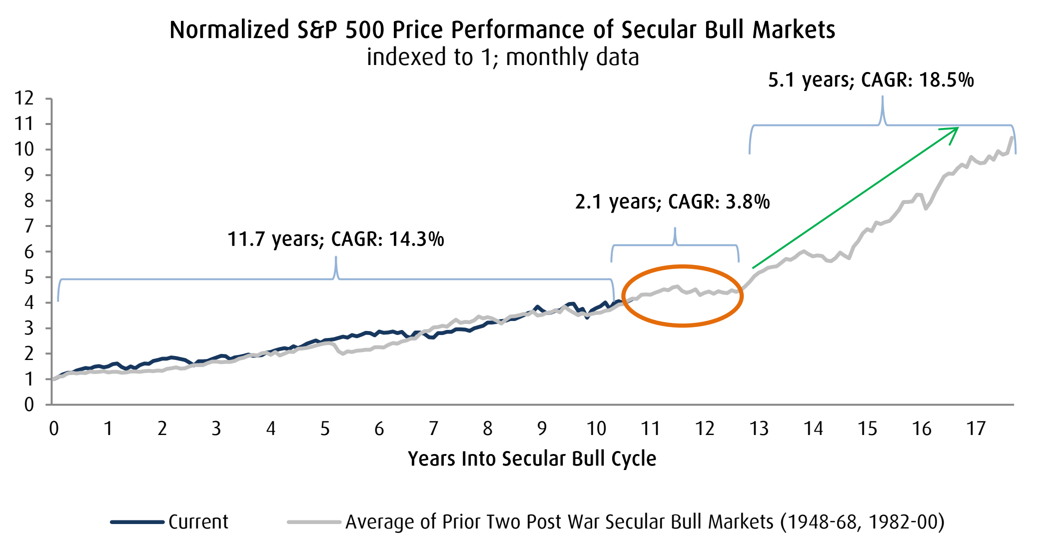
Source: BMO Capital Markets Investment Strategy Group.

The Secular Bull Keeps on Keeping On

Secular Bull Markets Typically Have Different Phases of Returns

We firmly believe that we are in the midst of a secular bull market. We made this prediction back in 2010 under intense skepticism from investors, and we remain steadfast in our call. With that being said, it is important to remember that stock prices do not just shoot up in a straight line throughout the duration of bull markets. A secular bull typically has various stages when it comes to degrees of price gains. The beginning years into a bull cycle have historically coincided with very strong price returns. For instance, looking back at the prior two post-war secular bull markets in 1948-68 and 1982-00, the S&P 500 index logged an average CAGR of 14.3% during the first 11+ years, essentially in line with the gains posted so far in this current bull market (14.2%). A period of stagnation and softening returns typically occurs between years 11 and 13, with the average CAGR for the S&P 500 dwindling to less than 4% for this 2+ year period (Exhibit 13). Following this stagnation stage, the subsequent five years coincide with the strongest price returns with the S&P 500 posting an average CAGR of 18.5% during this time.

Exhibit 13: Returns May Stagnate During Middle Phase of Secular Bulls Before Final Trek Higher

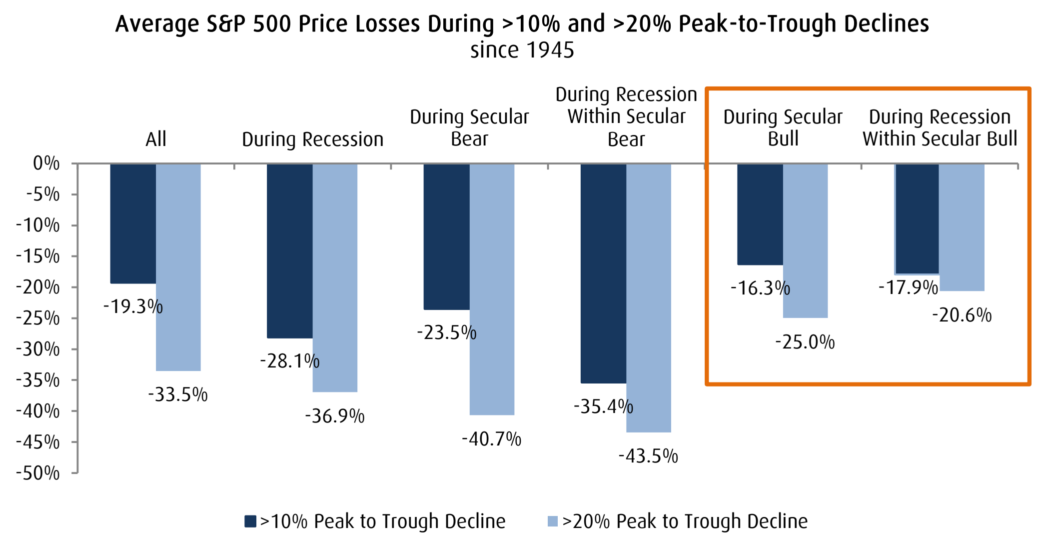


Source: BMO Capital Markets Investment Strategy Group, FactSet.

Price Declines During Secular Bull Markets Tend to Be Less Severe

Looking ahead to 2020, we are not ruling out the possibility of some sort of market pullback or correction. In fact, as we have stated many times in our previous reports, we expect that heightened uncertainty among investors is here to stay, and will lead to elevated levels of volatility in the upcoming year. However, we do not anticipate that this price drawdown – if it does in fact occur – will be as severe as many investors and market pundits appear to be portraying. It seems as if investors are in constant fear of an event like the 2007-08 financials crisis or the early 2000s tech bubble, and are investing in a similar fashion, which could significantly inhibit portfolio performance, in our view. Remember, not every market drawdown has to mirror these two events. In fact, our work shows that peak-to-trough price declines during secular bull markets are much less severe than those that occurred during secular bear markets and all other declines overall. For instance, looking at all S&P 500 peak-to-trough declines of more than 20% since 1945, we found that losses during secular bulls averaged 25%, compared to the 40.7% average loss during secular bears and 33.5% average loss for all declines overall (Exhibit 14). Even when the US economy was in a recession during secular bull markets, the declines were still not as severe as the overall average. Our work shows that the biggest peak-to-trough declines for US stocks tend to occur during recessions within secular bear markets (-43.5%).

Exhibit 14: Declines During Secular Bull Markets are Less Severe, Even Amid Recessions

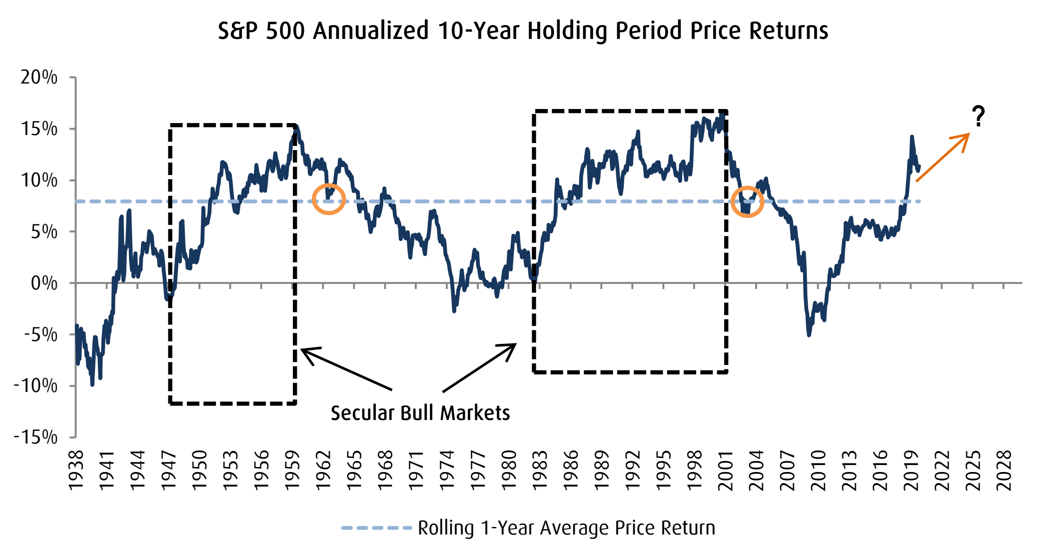


Source: BMO Capital Markets Investment Strategy Group, FactSet.

Secular Bull Performance Trends Painting a Positive Picture of Longer-Term Returns

During our recent conversations with clients, some have suggested that the run-up in US stocks over the past 10 years has greatly increased the chances that price performance will struggle in the next five to 10 years. While this may make sense intuitively to a degree, we disagree with this notion as our analysis suggests otherwise. When looking at current annualized 10-year holding period price returns for the S&P 500 index and comparing them to the prior two secular bull markets, historical performance trends suggest moderate returns in the coming years are more likely than negative returns. As shown in Exhibit 15, following the annualized 10-year return peak during secular bull markets, it takes roughly four years, on average, for the S&P 500 to even fall below its rolling one-year average price return of 8%. And keep in mind, this analysis assumes that 10-year returns have already peaked earlier this year, which is really going out on a limb since we already know that the tail end of secular bulls tend to see the strongest price returns.

Exhibit 15: Longer-Term Performance Trends Suggest Moderate Returns Are More Likely Than Negative Returns in Coming Years

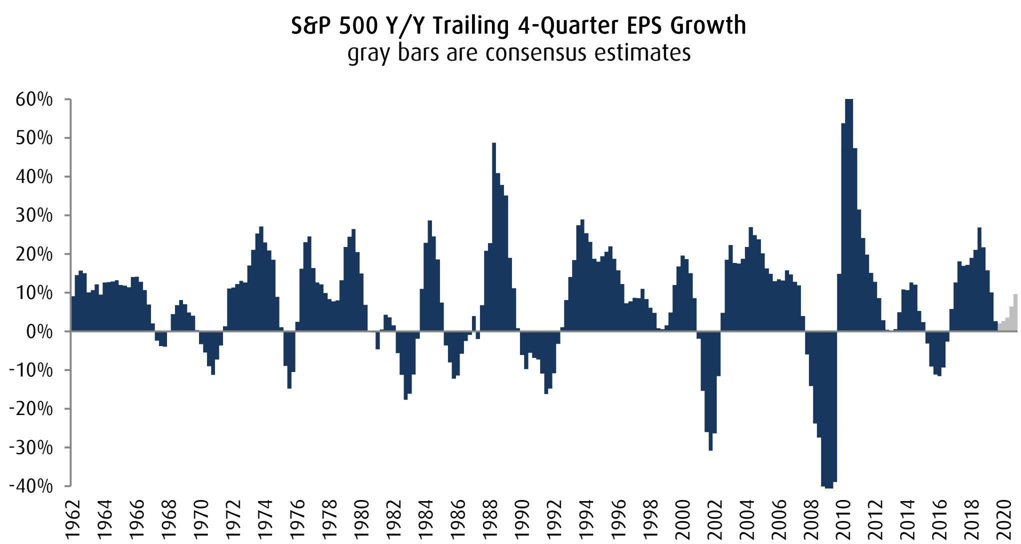


Source: BMO Capital Markets Investment Strategy Group, FactSet.

Trough in Earnings Growth Could Be on the Horizon

Heading into 2019, corporate earnings for US companies were one of the biggest fears brought up during our travels and meetings with clients, and this remains the case today. Slowing EPS growth and prospects of an earnings recession continue to be cited by the bears on the Street as evidence that the end of this bull market is near and a US recession is imminent. From our perspective, we do not view this deceleration in EPS growth as a bull market killer, especially at this point in the earnings cycle. Yes, growth has undoubtedly slowed from the elevated rates seen at the end of 2018, but tough y/y comps stemming from the tax reform bill played a big role in that. Nevertheless, quarterly earnings have largely come in better than feared throughout the year with S&P 500 companies posting positive y/y growth in Q1 and Q2, and tracking flat for Q3. Looking ahead, the earnings outlook in the coming quarters appears pretty solid with Q4 expected to mark the trough in EPS growth on a y/y trailing four-quarter basis, which should be a tailwind for US stocks, according to our work (Exhibit 16). For instance, we identified 13 trailing four-quarter earnings growth troughs for the S&P 500 going back to the early 1960s, and examined the index's performance in the subsequent months (Exhibits 17, 18). Our analysis shows that the S&P 500 posted price gains of 11.6%, on average, in the year following these earnings growth troughs, which was more than three percentage points higher than the average of all rolling one-year price returns. In addition, S&P 500 returns were positive roughly 85% of the time. As a result, if EPS growth does in fact trough next quarter, earnings could become a tailwind for US stock performance heading into 2020.

Exhibit 16: 2019 Expected to Represent a Trough in Earnings Growth



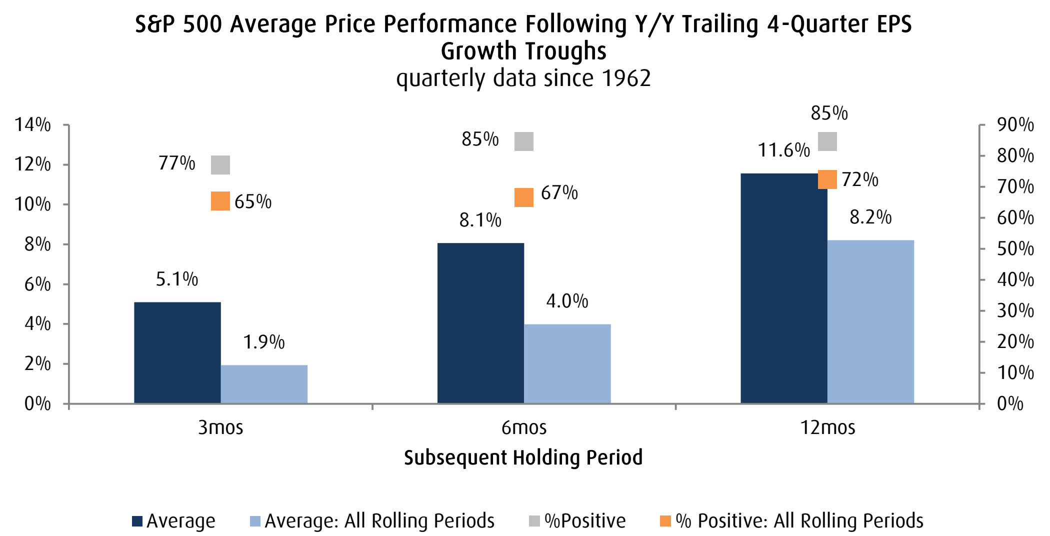
Source: BMO Capital Markets Investment Strategy Group, FactSet, Haver, IBES

Exhibit 17: S&P 500 Trailing One-Year EPS Growth Troughs and Subsequent Performance

		S&P 500 Subsequent Holding Period Performance		
Date of EPS Growth Trough	Trough EPS Growth Rate	3mos	6mos	12mos
Q4 1967	-4.0%	-6.5%	3.2%	8.6%
Q4 1970	-11.2%	9.0%	8.4%	10.8%
Q3 1975	-14.8%	7.0%	21.6%	25.5%
Q2 1978	7.8%	7.3%	0.6%	7.7%
Q1 1981	-4.6%	-3.5%	-14.6%	-17.7%
Q4 1982	-17.7%	8.8%	19.5%	17.3%
Q4 1985	-12.2%	13.1%	18.7%	14.6%
Q3 1991	-16.2%	7.0%	3.9%	7.7%
Q4 1998	0.6%	4.6%	11.7%	19.5%
Q4 2001	-30.8%	-0.1%	-13.8%	-23.4%
Q1 2009	-44.0%	15.2%	32.5%	46.6%
Q1 2013	0.2%	2.4%	7.8%	18.4%
Q1 2016	-11.6%	1.9%	5.3%	14.7%
Average	**-12.2%**	**5.1%**	**8.1%**	**11.6%**
Positive %		**76.9%**	**84.6%**	**84.6%**

Source: BMO Capital Markets Investment Strategy Group, FactSet, Haver, IBES

Exhibit 18: S&P 500 Has Logged Very Solid Returns Following Earnings Growth Troughs

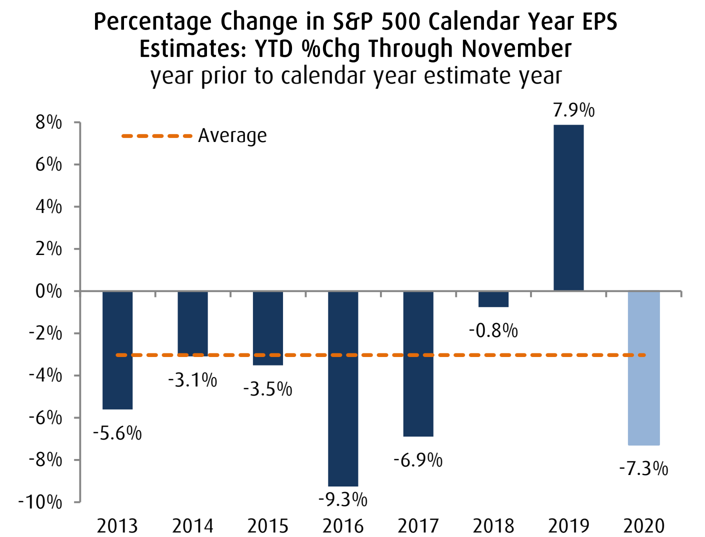


Source: BMO Capital Markets Investment Strategy Group, S&P, Haver, IBES.

Given Estimate Cuts Thus Far, Consensus EPS May Be More Achievable Heading Into 2020

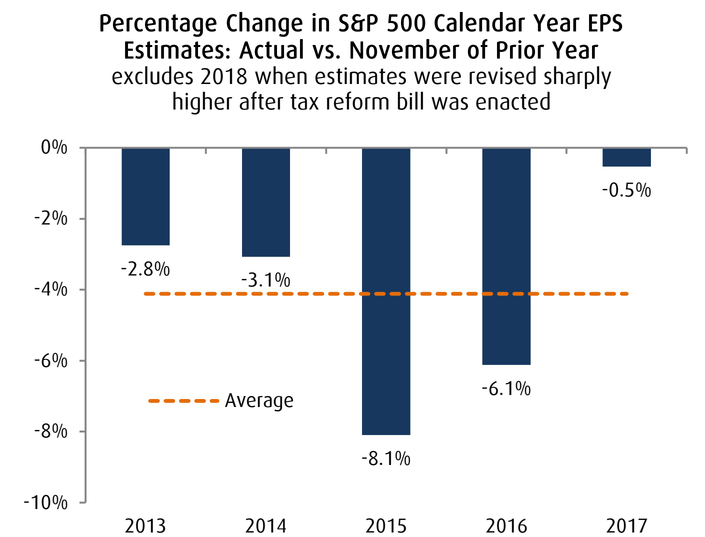
An interesting trend has been emerging recently as it relates to 2020 bottom-up consensus EPS forecasts for S&P 500 companies. As most readers already know, analysts' forward-looking EPS estimates start off at one level and then typically get lowered over time as the reporting period gets closer. However, 2020 EPS estimates for S&P 500 companies have already come down by more than 7% so far this year, which is more than double the average reduction in estimates in recent years, as shown in Exhibit 19 (3%). Even if 2019 is excluded from the average when analysts actually raised forecasts in the year prior to the estimate period, the reductions are still well-below average. Historically, actual earnings numbers for the year come in roughly 4% lower than the bottom-up analysts' forecasts as of the end of November of the prior year (Exhibit 20). However, given the severity of the 2020 EPS estimate cuts already this year, we believe actual calendar year EPS for the S&P 500 may come in a bit closer to current consensus (see Exhibit 11) this time around.

Exhibit 19: 2020 EPS Estimates for S&P 500 Companies Have Been Lowered More Than Average So Far This Year



Source: BMO Capital Markets Investment Strategy Group, FactSet, Haver, IBES

Exhibit 20: Historically, Actual Calendar Year EPS Numbers Come in 4% Below the Forecasted EPS as of the End of November



Source: BMO Capital Markets Investment Strategy Group, FactSet, Haver, IBES

Sectors, Size, and Style Recommendations

US Sector Opinions

Exhibit 21: US Sector Opinion Summary

Sector	Opinion	Index Weight	Target Weight	BMO Investment Strategy Group Headline
Communication Services	OW	10.5%	11%	One of the best combinations of growth and value within the US market
Consumer Discretionary	OW	9.8%	11%	Consumer remains strong; growth outlook for the group looks attractive; stock selection still key
Consumer Staples	UW	7.3%	5%	No longer defensive - overcapacity applying pressure on traditional earnings consistency
Energy	MW	4.3%	4.5%	Still waiting on fundamentals to substantially improve; trading opportunities will exist
Financials	OW	13.1%	15%	Ultimate contrarian sector; remains hated by consensus despite improving fundamentals
Health Care	MW	14%	14%	Valuations remain inexpensive, but "quality" characteristics have waned; rising debt levels a risk
Industrials	MW	9.4%	9.5%	Long-term market performer; outperformance in 2019 is an opportunity to scale back
Information Technology	OW	22.6%	23%	Focus on "staples" tech with strong balance sheets and steady cash flow, earnings and dividend growth
Materials	MW	2.7%	2.5%	US/China trade tensions have weighed on performance; focus on cash flow-heavy names
Real Estate	MW	3%	3%	FFO growth has improved, but dividend growth has eased; current rate environment a potential benefit
Utilities	UW	3.3%	1.5%	Valuations are expensive and cash flow growth is decelerating; tough to keep up with dividends

Source: BMO Capital Markets Investment Strategy Group.
Key: OW: Overweight, MW: Market Weight, UW: Underweight

Key Sector Changes

- **Consumer Discretionary to Overweight from Market Weight**
- **Health Care to Market Weight from Overweight**
- **Industrials to Market Weight from Overweight**
- **Real Estate to Market Weight from Underweight**

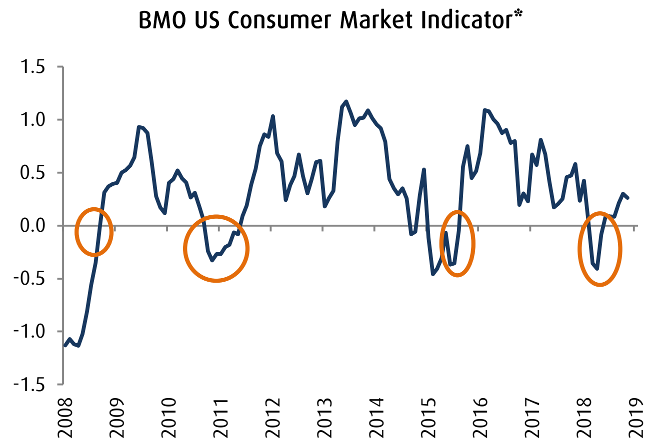
Exhibit 22: S&P 500 Annual Sector Performance

Year	COMSV	COND	CONS	ENRS	FINL	HLTH	INDU	INFT	MATR	RELS	UTIL	SPX
1990	-17.7%	-14.9%	12.4%	-1.4%	-42.1%	14.1%	-10.2%	0.3%	-13.9%		-7.3%	-6.6%
1991	7.9%	38.3%	38.4%	2.4%	43.8%	50.2%	26.0%	6.6%	21.5%		16.0%	26.3%
1992	11.0%	17.5%	3.0%	-2.3%	19.8%	-18.1%	6.8%	0.6%	7.2%		0.3%	4.5%
1993	10.8%	12.8%	-6.3%	11.2%	7.8%	-11.0%	15.8%	20.5%	10.5%		7.8%	7.1%
1994	-8.4%	-9.9%	6.8%	-0.4%	-6.4%	10.2%	-4.8%	19.1%	3.3%		-17.2%	-1.5%
1995	37.3%	18.2%	36.2%	26.0%	49.6%	54.5%	35.9%	38.8%	17.3%		25.2%	34.1%
1996	-2.2%	10.5%	23.2%	21.7%	31.9%	18.8%	22.7%	43.3%	13.4%		0.2%	20.3%
1997	37.1%	32.3%	30.5%	22.0%	45.4%	41.7%	25.0%	28.1%	6.3%		18.4%	31.0%
1998	49.3%	39.6%	13.9%	-2.0%	9.6%	42.3%	9.3%	77.6%	-8.0%		10.0%	26.7%
1999	17.4%	24.1%	-16.6%	16.0%	2.3%	-11.6%	19.9%	78.4%	23.0%		-12.8%	19.5%
2000	-39.7%	-20.7%	14.5%	13.2%	23.4%	35.5%	4.5%	-41.0%	-17.7%		51.7%	-10.1%
2001	-13.7%	1.9%	-8.3%	-12.3%	-10.5%	-12.9%	-7.0%	-26.0%	1.0%		-32.5%	-13.0%
2002	-35.9%	-24.4%	-6.3%	-13.3%	-16.4%	-20.0%	-27.6%	-37.6%	-7.7%	-15.1%	-33.0%	-23.4%
2003	3.3%	36.1%	9.2%	22.4%	27.9%	13.3%	29.7%	46.5%	34.8%	20.8%	21.1%	26.4%
2004	16.0%	12.1%	6.0%	28.8%	8.2%	0.2%	16.0%	2.1%	10.8%	21.9%	19.6%	9.0%
2005	-9.0%	-7.4%	1.3%	29.1%	3.7%	4.9%	0.4%	0.4%	2.2%	7.4%	12.8%	3.0%
2006	32.1%	17.2%	11.8%	22.2%	16.2%	5.8%	11.0%	7.7%	15.7%	36.8%	16.9%	13.6%
2007	8.5%	-14.3%	11.6%	32.4%	-20.8%	5.4%	9.8%	15.5%	20.0%	-20.5%	15.8%	3.5%
2008	-33.6%	-34.7%	-17.7%	-35.9%	-56.9%	-24.5%	-41.5%	-43.7%	-47.0%	-45.0%	-31.5%	-38.5%
2009	2.6%	38.8%	11.2%	11.3%	14.8%	17.1%	17.3%	59.9%	45.2%	20.8%	6.8%	23.5%
2010	12.3%	25.7%	10.7%	17.9%	10.8%	0.7%	23.9%	9.1%	19.9%	28.0%	0.9%	12.8%
2011	0.8%	4.4%	10.5%	2.8%	-18.4%	10.2%	-2.9%	1.3%	-11.6%	7.9%	14.8%	0.0%
2012	12.5%	21.9%	7.5%	2.3%	26.3%	15.2%	12.5%	13.1%	12.2%	16.2%	-2.9%	13.4%
2013	6.5%	41.0%	22.7%	22.3%	33.2%	38.7%	37.6%	26.2%	22.7%	-1.5%	8.8%	29.6%
2014	-1.9%	8.0%	12.9%	-10.0%	13.1%	23.3%	7.5%	18.2%	4.7%	26.1%	24.3%	11.4%
2015	-1.7%	8.4%	3.8%	-23.6%	-3.5%	5.2%	-4.7%	4.3%	-10.4%	1.2%	-8.4%	-0.7%
2016	17.8%	4.3%	2.6%	23.7%	20.1%	-4.4%	16.1%	12.0%	14.1%	0.0%	12.2%	9.5%
2017	-6.0%	21.2%	10.5%	-3.8%	20.0%	20.0%	18.5%	36.9%	21.4%	7.2%	8.3%	19.4%
2018	-16.4%	-0.5%	-11.2%	-20.5%	-14.7%	4.7%	-15.0%	-1.6%	-16.4%	-5.6%	0.5%	-6.2%
2019	27.0%	20.7%	21.1%	2.0%	24.3%	12.8%	26.2%	40.2%	17.4%	24.7%	19.0%	24.0%

Source: BMO Capital Markets Investment Strategy Group. Performance calculated through 11/20/19. REITs are used as a historical proxy for the Real Estate sector, which was officially established in Sept. 2016.

Consumer Discretionary: Upgrade to Overweight From Market Weight

Exhibit 23: US Consumer Market Conditions Remain Healthy



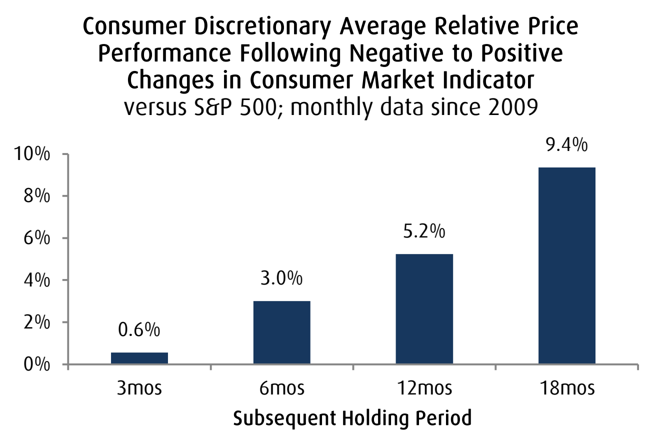
Source: BMO Capital Markets Investment Strategy Group, Bloomberg.

US Consumer Market Conditions Have Been Improving

- Our US Consumer Market Indicator is a model that attempts to characterize accommodativeness of consumer market conditions.
- After falling into negative territory earlier this year, our indicator appears to have troughed and now stands firmly above zero, a positive signal for future personal consumption growth, in our view.

**Levels above zero indicate accommodative conditions and signal future personal consumption growth, while levels below zero indicate restrictive conditions and potential deterioration in personal consumption growth. The model measures standardized changes over rolling one-year periods in the following metrics: disposable income, nonfarm payrolls, jobless claims, consumer confidence, consumer credit, oil prices, home prices, and stock prices.*

Exhibit 24: Positive Inflection Points in Consumer Market Conditions Can Benefit Consumer Discretionary Performance

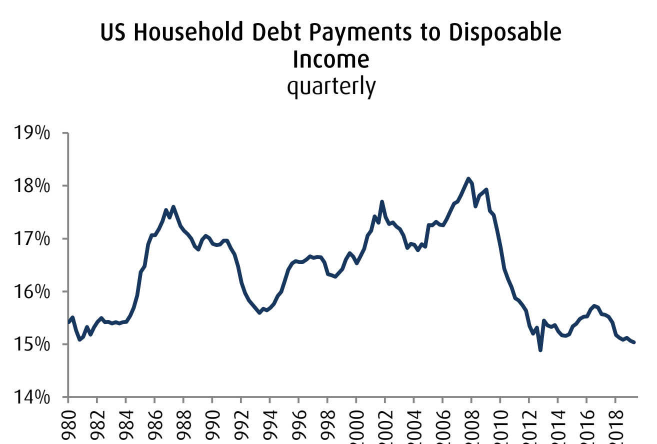


Source: BMO Capital Markets Investment Strategy Group, Bloomberg.

Consumer Discretionary Has Historically Outperformed Following Negative to Positive Changes in Our Consumer Market Indicator

- Our Consumer Market Indicator has firmly changed from negative to positive several times during this cycle as highlighted in Exhibit 23.
- Following these inflection points in consumer market conditions, the Consumer Discretionary sector outpaced the S&P 500 by 5.2%, on average, in the subsequent 12 months.

Exhibit 25: Financials Obligations Ratio Is Approaching Historic Lows

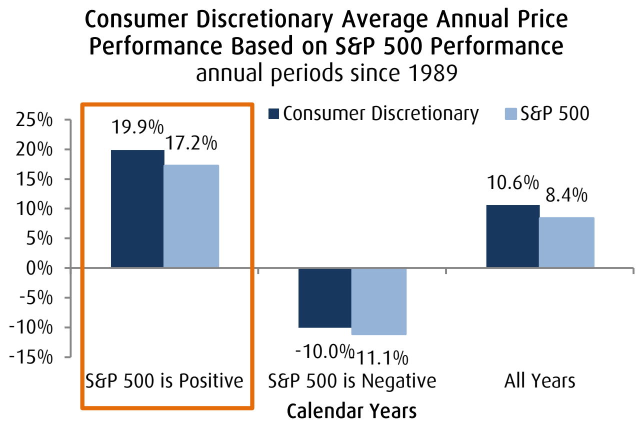


Source: BMO Capital Markets Investment Strategy Group, FRB, FactSet.

Amount of Household Income Being Spent on Repaying Debt Has Declined Significantly

- The financial obligations ratio has come down significantly since the 2007-08 financial crisis and is currently sitting near all-time lows, which should be a tailwind for consumer spending.

Exhibit 26: Annual Gains for the S&P 500 Tends to Coincide With Consumer Discretionary Outperformance

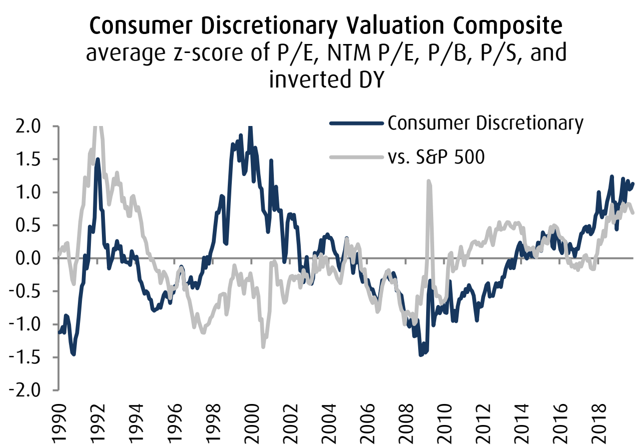


Source: BMO Capital Markets Investment Strategy Group, FactSet.

When the S&P 500 is in the Black, Consumer Discretionary Typically Outperforms

- Looking back at all calendar years since 1989, when the S&P 500 posts an annual gain, the Consumer Discretionary sector has historically outperformed the market by 2.7 percentage points, on average.

Exhibit 27: Valuation Still Looks Pretty Expensive…

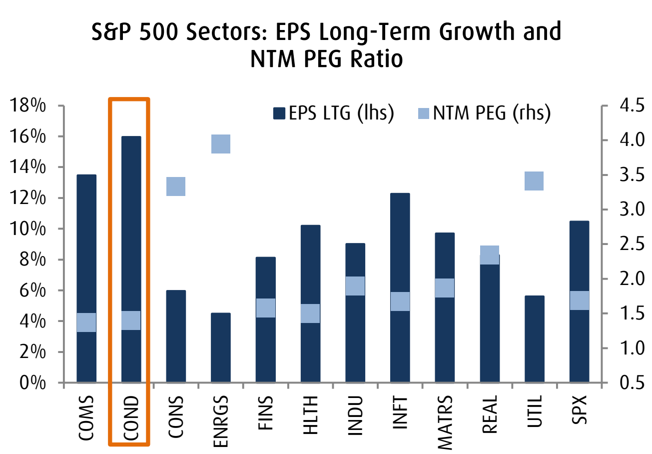


Source: BMO Capital Markets Investment Strategy Group, FactSet, IBES.

Consumer Discretionary Valuation Is Hovering Near Cycle Highs…

- Valuations for Consumer Discretionary look expensive on both an absolute basis and relative to the S&P 500, with our valuation composite for the group not far off cycle highs.

Exhibit 28: …However, When Factoring in Long-Term Growth, Consumer Discretionary Has One of the Lowest PEG Ratios



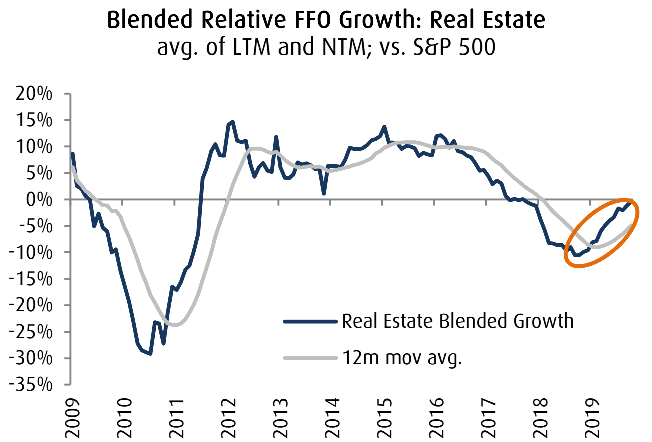
Source: BMO Capital Markets Investment Strategy Group, FactSet, IBES.

…BUT, the Sector Has the Highest Estimated Long-Term EPS Growth and Second Lowest PEG Ratio

- However, Consumer Discretionary, far and away, has the highest estimated long-term EPS growth expectations among S&P 500 sectors.
- When factoring in long-term growth, the group no longer looks that expensive, with a NTM PEG ratio lower than most other sectors.

Real Estate: Upgrade to Market Weight From Underweight

Exhibit 29: Real Estate FFO Growth in a Solid Uptrend

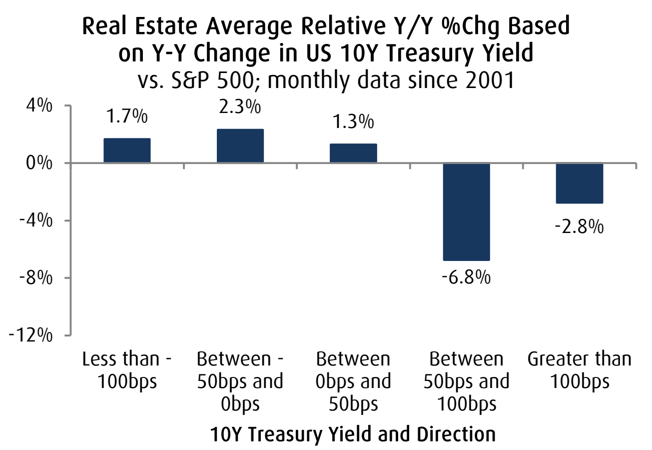


Source: BMO Capital Markets Investment Strategy Group, FactSet, IBES.

Blended Relative FFO Growth for Real Estate Has Been Improving Over the Past Year

- While S&P 500 earnings growth has slowed in the past 12 months, blended FFO growth for Real Estate has maintained a steady clip relative to the market, establishing a solid uptrend since the end of last year.
- FFO Growth for the sector has now firmly crossed above its 12-month moving average, which marks the first time this has occurred since mid-2016.

Exhibit 30: Real Estate Historically Outperforms When Y-Y Change in 10Y Yield is Flat or Either Slightly Higher/Lower

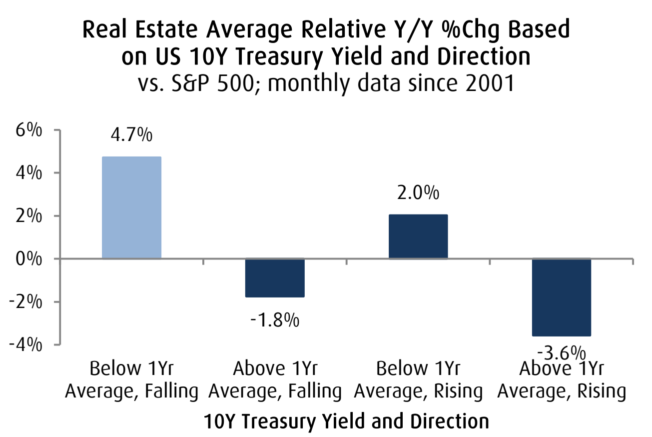


Source: BMO Capital Markets Investment Strategy Group, FactSet.

Barring a Breakout in Yields, the Current Interest Rate Environment Should Benefit Real Estate Performance

- The direction of interest rates will certainly play a role in performance trends of the Real Estate sector heading into 2020. With the Fed moving from monetary tightening to cutting rates three times in under a year, Real Estate stocks should benefit as long as the US 10Y Treasury yield doesn't break out significantly higher, which we are not anticipating.
- Our work shows that Real Estate has historically outperformed the market when the year-to-year change in the US 10Y Treasury yield is flat or either slightly higher or lower. It is when yields break out distinctly higher that Real Estate stocks tend to struggle.

Exhibit 31: Performance for Real Estate is Best When US 10Y Treasury Yield is Below Average and Falling

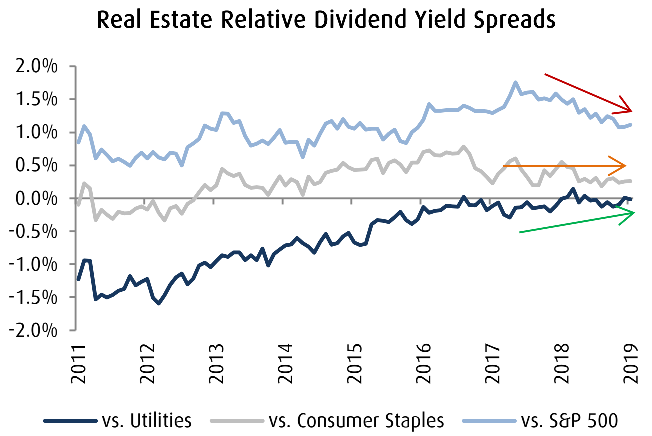


Source: BMO Capital Markets Investment Strategy Group, FactSet.

Level and Direction of Yields Matters for Real Estate Performance

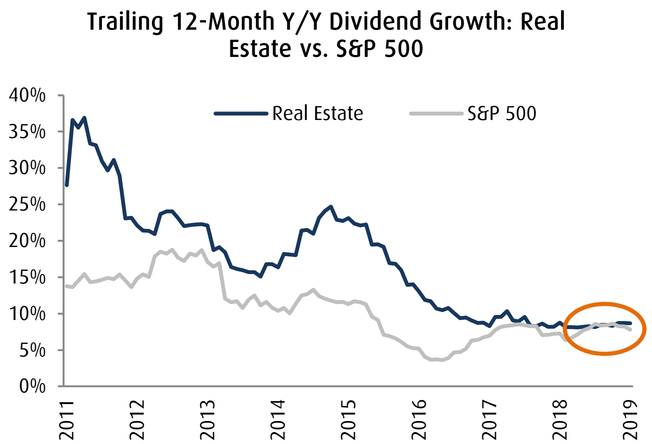
- Historically, Real Estate tends to perform the best when the US 10Y Treasury yield is below its one-year average, and falling on year-to-year basis, as it is now.
- With that said, even if yields increase y-y, Real Estate can still outperform the market if levels are below average.

Exhibit 32: Relative DY Spreads Producing Mixed Trends



Source: BMO Capital Markets Investment Strategy Group, FactSet.

Exhibit 33: Pace of Dividend Growth Has Notably Slowed



Source: BMO Capital Markets Investment Strategy Group, FactSet.

Real Estate Dividend Yield Still Attractive at Roughly 3%, but Its Spread Versus the S&P 500 Has Waned in Recent Years

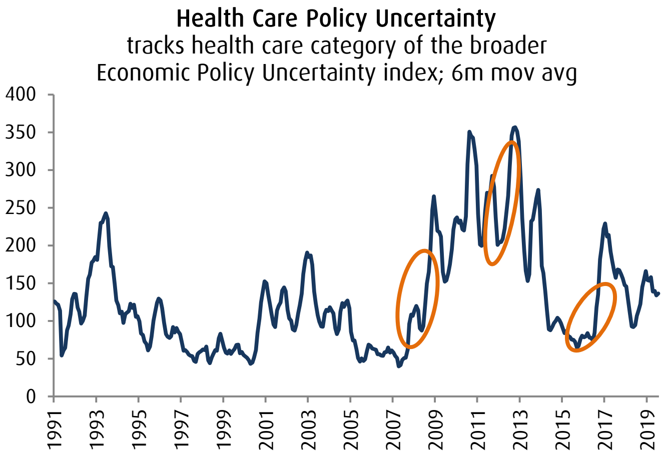
- Attractive dividend yields have been a longstanding attribute of Real Estate companies. However, when comparing the sector's dividend yield to the traditional defensive groups, like Utilities and Consumer Staples, as well as the overall market, the spreads have been showing mixed trends.
- For instance, the dividend yield for Real Estate has improved relative to Utilities in recent years, with the groups now paying out roughly the same yield, in aggregate. The yield spread versus the broader S&P 500, however, has waned since the start of 2018, given the consistent and stable dividend yield of the S&P 500 during this time frame.

Dividend Growth for Real Estate Barely Above S&P 500

- Real Estate firms are still growing dividends at a solid high single-digit clip, but this represents a notable downtick from the average 18% rate exhibited during 2014-16.
- Dividend growth for the sector is now only marginally above that of overall S&P 500 index.

Health Care: Downgrade to Market Weight From Overweight

Exhibit 34: Health Care Policy Uncertainty May Stay Elevated

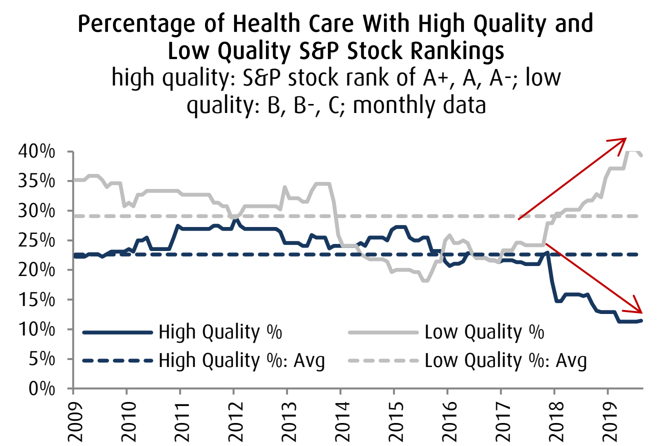


Source: BMO Capital Markets Investment Strategy Group, "Measuring Economic Policy Uncertainty"- Baker, Bloom, and Davis.

Uncertainty Over Health Care Policy Has Weighed Down Stock Performance in the Group

- Health care policy uncertainty has been a primary driver of the sector's underperformance so far this year, and will likely continue as we head into a presidential election year.
- The health care category of the broader Economic Policy Uncertainty index has typically exhibited a notable uptick during the previous three presidential election years.

Exhibit 35: Delta b/w Low Quality Stocks and High Quality Stocks Within Health Care Is Growing

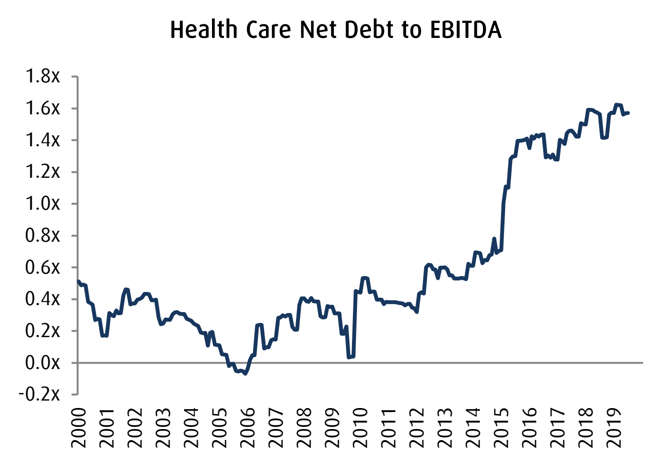


Source: BMO Capital Markets Investment Strategy Group, S&P, FactSet.

There are Now Many More Low Quality Stocks in the Health Care Sector Than High Quality

- Over the past 18 months, the percentage of stocks in the Health Care sector with high quality S&P stock rankings has declined while the percentage with low quality rankings has increased – not an attractive trend for the group.
- High quality stocks currently make up just over 11% of the sector, well below the 10-year average of 23%. Meanwhile, low quality stocks represent 39% of the group, compared to its average of 29%.

Exhibit 36: Health Care Leverage on the Rise

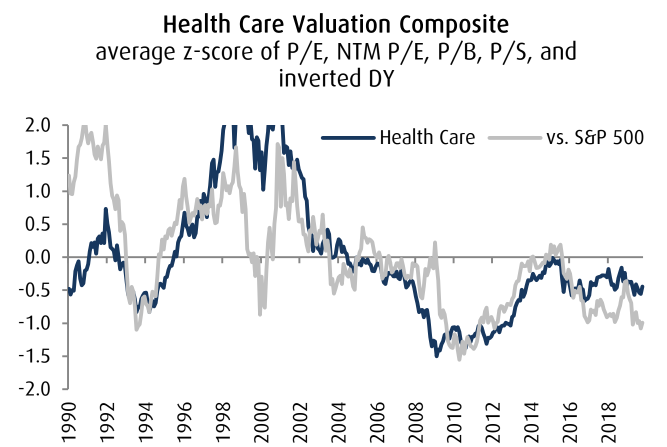


Source: BMO Capital Markets Investment Strategy Group, FactSet.

Net Debt to EBITDA Ratio for Health Care Close to All-Time High

- Debt levels in Health Care have been on the rise in recent years and currently close to record highs.
- Net debt to EBITDA for the sector stands at 1.6x, with M&A one of the main drivers of the increase in leverage over the years.

Exhibit 37: Health Care Valuations Remain Attractive

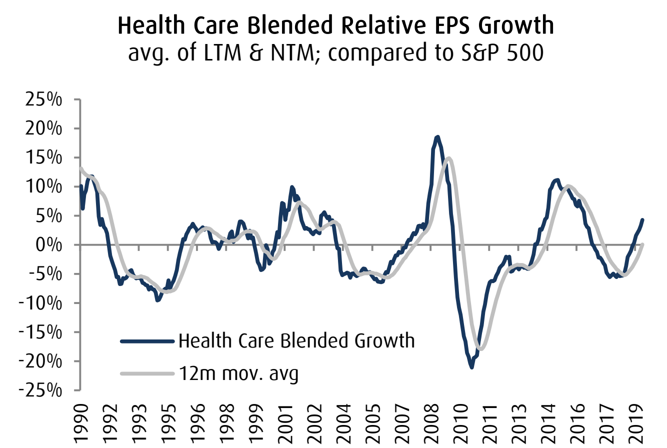


Source: BMO Capital Markets Investment Strategy Group, FactSet, IBES.

Health Care Valuations Below Historical Averages

- Valuations for the Health Care sector continue to look attractive on both an absolute and relative basis.
- Our Health Care relative valuation composite versus the S&P 500 stands at one standard deviation below its historical average going back to 1990 and is currently near a five-year low.

Exhibit 38: Blended Relative EPS Growth Has Established a Solid Uptrend

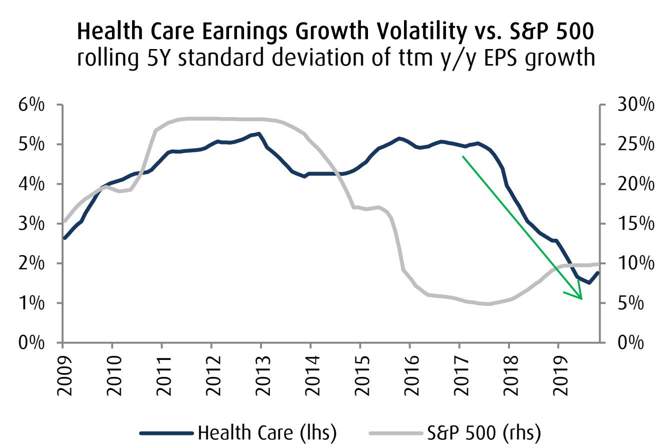


Source: BMO Capital Markets Investment Strategy Group, FactSet, IBES.

Blended EPS Growth for Health Care Continues to Outpace the Broader S&P 500

- Earnings growth has also been a positive for the sector.
- While EPS growth for the broader S&P 500 has decelerated over the past 12 months, Health Care earnings have been fairly stable with blended relative growth in a solid uptrend and firmly above its 12-month moving average.

Exhibit 39: Earnings Growth Volatility for Health Care Has Largely Been in a Downtrend



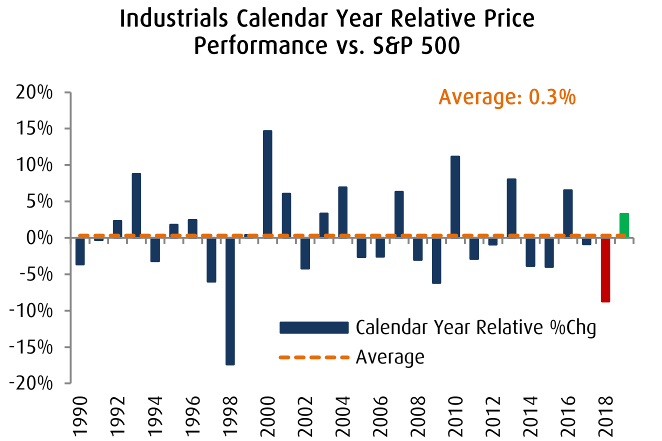
Source: BMO Capital Markets Investment Strategy Group, Bloomberg.

Earnings Stability Remains One of the Most Attractive Characteristics of Health Care

- Earnings growth stability has been and continues to be one of the most attractive characteristics of the Health Care sector.
- Rolling five-year standard deviation of trailing 12-month EPS growth for the group has trended downward in recent years, while the S&P 500 index has seen a slight uptick.

Industrials: Downgrade to Market Weight From Overweight

Exhibit 40: Industrials Performance Typically Follows the SPX

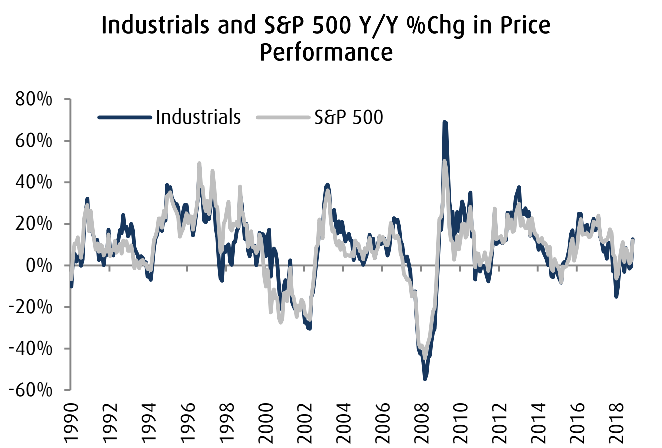


Source: BMO Capital Markets Investment Strategy Group, FactSet.

Average Annual Performance Spread Between Industrials and S&P 500 is Just 0.3%

- The performance of Industrials has largely followed that of the broader market through the years with the average calendar year performance spread versus the S&P 500 just 0.3%.
- Coming into 2018, we were bullish on Industrials, but severe headwinds in the form of tariffs and US/China trade tensions pushed outperformance to 2019, where the group has been among the best-performing sectors. History suggests Industrials will likely revert to the norm in 2020 and perform in line with the S&P 500.

Exhibit 41: Few Periods of Divergence b/w Industrials and SPX

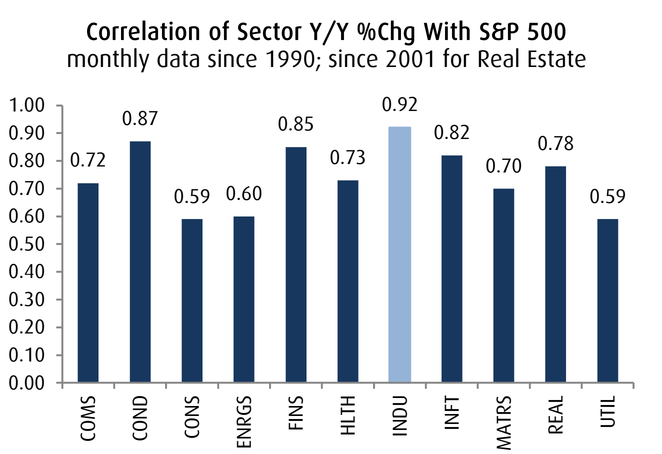


Source: BMO Capital Markets Investment Strategy Group, FactSet.

Industrials Have Been a Long-Term Market Performer

- Historically, y/y price performance of the Industrials sector has generally mimicked that of the S&P 500 with few protracted periods of divergence between the two.
- As such, we think Industrials performance will follow this long-term trend in 2020 and be a market performer.

Exhibit 42: Y/Y Price %Chg in Industrials and S&P 500 Have a Correlation Coefficient of 0.92

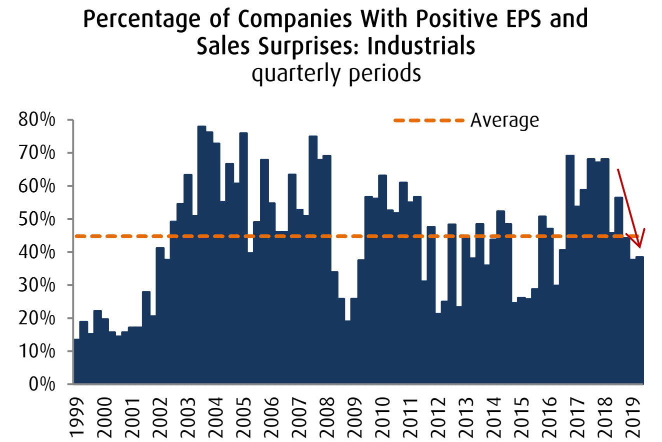


Source: BMO Capital Markets Investment Strategy Group, FactSet.

Industrials Sector Has the Highest Correlation to the S&P 500 in Terms of Y/Y Price Performance

- While other GICS sectors exhibit y/y price performance fairly similar to the market, Industrials tops them all with a 0.92 correlation to price movements for the S&P 500 going back to 1990.

Exhibit 43: Percentage of Industrials Topping EPS and Sales Forecasts Has Dropped Below Its Historical Average

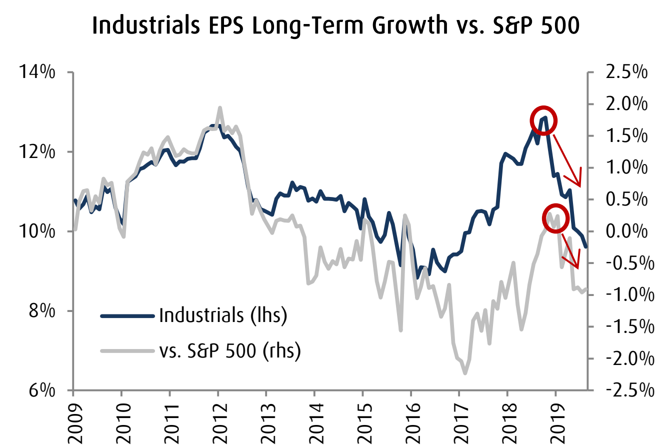


Source: BMO Capital Markets Investment Strategy Group, FactSet, IBES

Fewer Industrials Beating on Both the Top and Bottom Line in Recent Quarters

- Over the past 20 years, the average percentage of Industrials stocks beating quarterly EPS and sales estimates has been 45%.
- During both Q2 and Q3 of 2019, that number dropped below 40%, which marked the smallest percentage of companies in the Industrials sector posting positive EPS and sales surprise since 2016.

Exhibit 44: EPS LTG Expectations Have Fallen

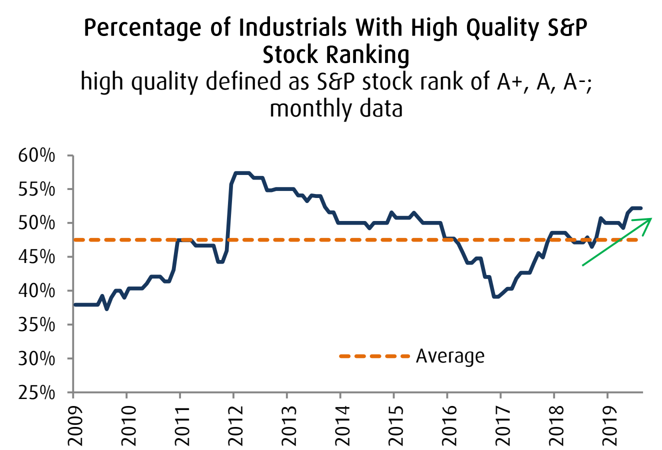


Source: BMO Capital Markets Investment Strategy Group, FactSet, IBES

Long-Term EPS Growth Forecasts for Industrials Have Been Declining Since the Start of the Year

- Upward trending long-term EPS growth forecasts were one of the reasons we were Overweight the Industrials group.
- However, these expectations have waned on both an absolute basis and relative to the S&P 500, with concerns and uncertainty over the lingering US/China trade spat likely one of the main drivers.

Exhibit 45: >50% of Stocks in INDU Are Ranked High Quality



Source: BMO Capital Markets Investment Strategy Group, S&P, FactSet.

High Quality Remains Key Attribute of Industrials

- High quality has been one of the most attractive characteristics of companies in the Industrials sector for quite some time, and this continues to be the case.
- The percentage of stocks in the Industrials group with high quality S&P stock rankings has been above 40% throughout much of this cycle, and this number has only gone up in the past year.
- Currently, about 52% of the Industrials sector comprise high quality stocks, more than any other S&P 500 sector, and above its 10-year average of 47%.

US Size and Style

Exhibit 46: US Size and Style Opinions

Sector	Opinion	Comments
Large cap	OW	Large cap continues to offer the most earnings stability, along with consistent cash flow and dividend growth
Mid cap	MW	Mid cap valuation discount vs. small cap has extended recently, while relative NTM EPS has accelerated
Small cap	MW	Small cap EPS growth expected to lead across sizes, but valuation stands at premium to both mid and large caps
Value	OW	Earnings growth expectations have improved, yet NTM P/E relative to Growth stands near lowest levels since early 2000s
Growth	MW	Increasingly difficult for outsized performance to continue; leadership within growth category likely set for a change

Source: BMO Capital Markets Investment Strategy Group.

Key: OW: Overweight, MW: Market Weight, UW: Underweight

Value Over Growth

- While the "growth concentration" in US portfolio is likely to continue in 2020, the composition of stocks could look different, in our view (e.g., transition to stable vs. momentum growth).
- However, fundamental investing is about identifying mispriced growth stocks, in our view, thereby increasing the odds of active investing strategies and value gaining momentum.
- Sectors like Financials (the largest portion of traditional value indices), should lead the way, with the value parts of Technology and Communication Services also providing a boost; Energy should also benefit as earnings start to improve.

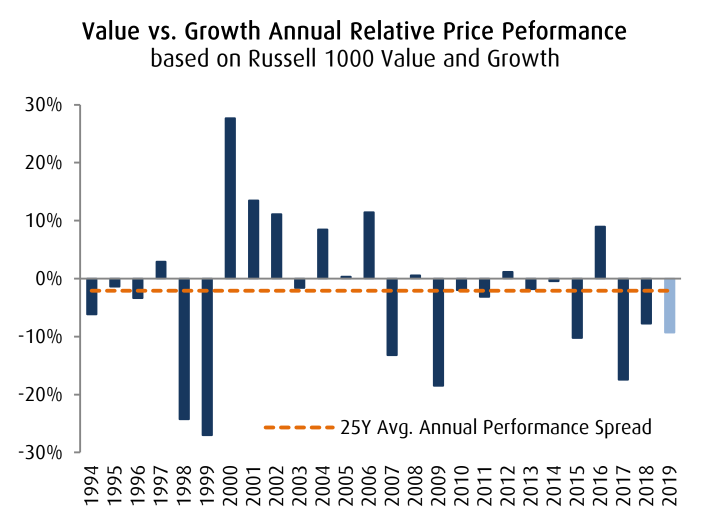
Bottom Line: Earnings growth for the broader market is slated to improve in 2020, which has historically benefitted value performance. Given the longer-term outperformance cycles of value relative to growth, we believe the market may soon be entering the very early stages of a "value cycle".

Large Cap Over Small Cap

- Strong cash flow and consistent earnings and dividend growth within large cap stocks will continue to be rewarded, in our view, as investors seek stability over momentum.
- Small and mid-cap stocks both stand at valuation premiums to large cap stocks on a NTM P/E basis; cuts to NTM EPS have also been steeper than their large cap counterparts.

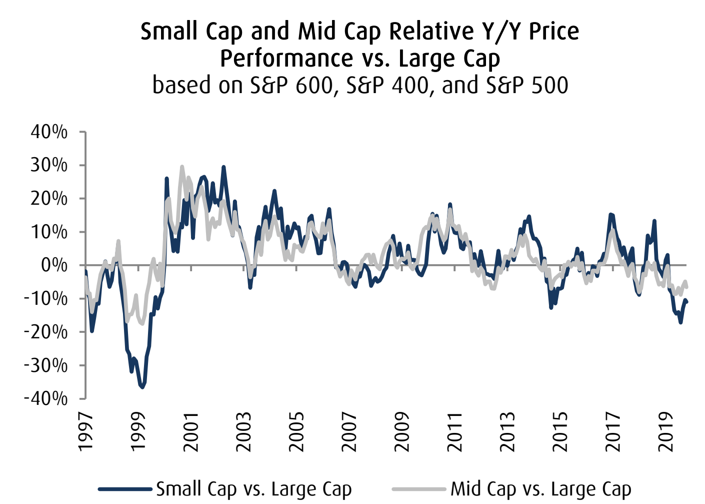
Bottom Line: While the sharp rebound in earnings growth for small and mid-caps are expected to eclipse that of large caps, we continue to believe large cap stocks offer more stable fundamentals overall especially given the increasingly volatile market enviornemnt.

Exhibit 47: **2019 Would Be the 16th Year of the Past 25 That Value Underperformed Growth and the 9th Year Since 2009**



Source: BMO Capital Markets Investment Strategy Group, FactSet.

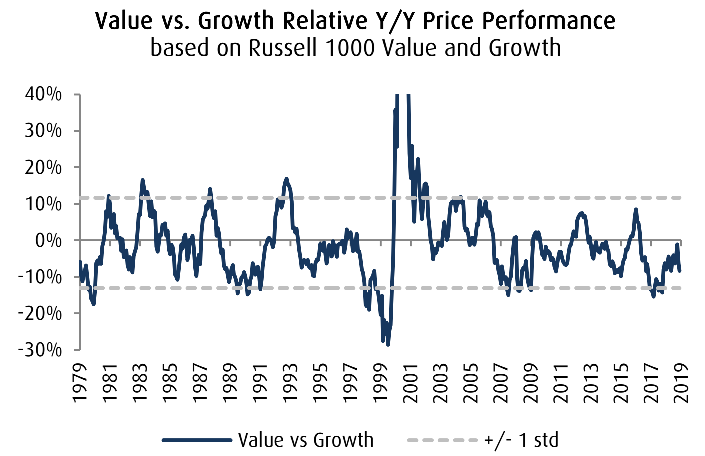
Exhibit 48: **Performance Trends Continue to Favor Large Caps**



Source: BMO Capital Markets Investment Strategy Group, FactSet.

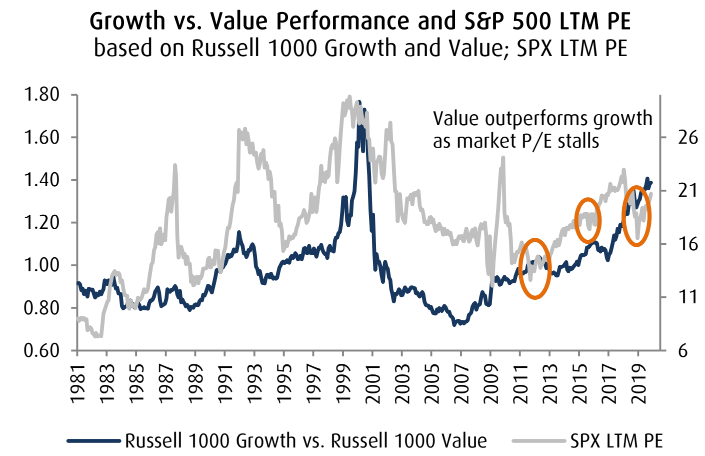
Value, Growth and Size Dynamics

Exhibit 49: **Value Performance Has Improved Since Y/Y %Chg Hit -1std Levels in Late 2017 and Again in 2018**



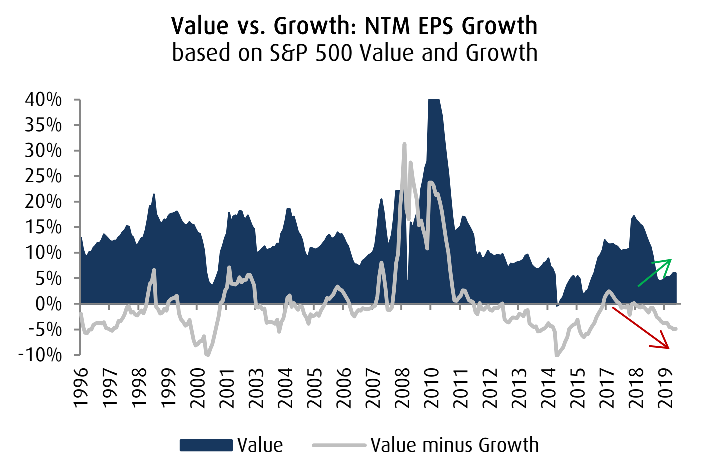
Source: BMO Capital Markets Investment Strategy Group, FactSet.

Exhibit 50: **Historically, Expansion in Market Valuation Has Supported Growth, While Valuation Contraction Has Helped Value**



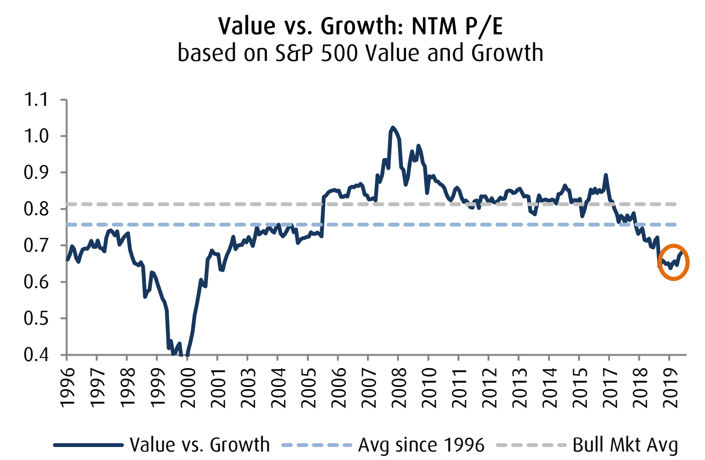
Source: BMO Capital Markets Investment Strategy Group, FactSet, Bloomberg.

Exhibit 51: **NTM EPS Growth for Value Has Increased, but the Spread vs. Growth Stocks Has Declined**



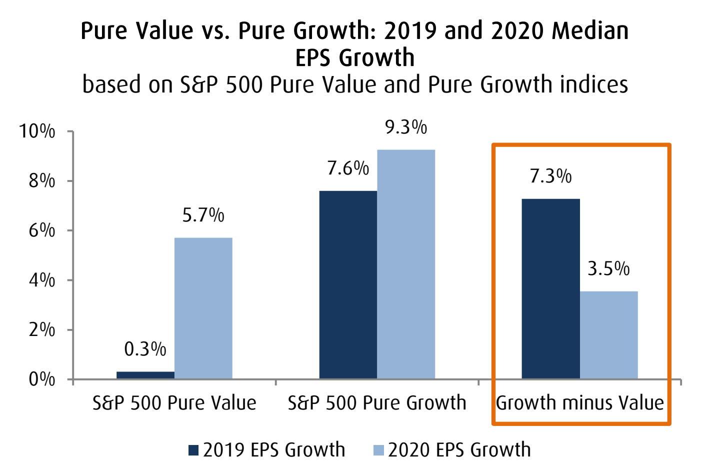
Source: BMO Capital Markets Investment Strategy Group, FactSet, Bloomberg.

Exhibit 52: **Value NTM P/E Relative to Growth Is Well Below Historical Average and Near Early 2000s Levels**



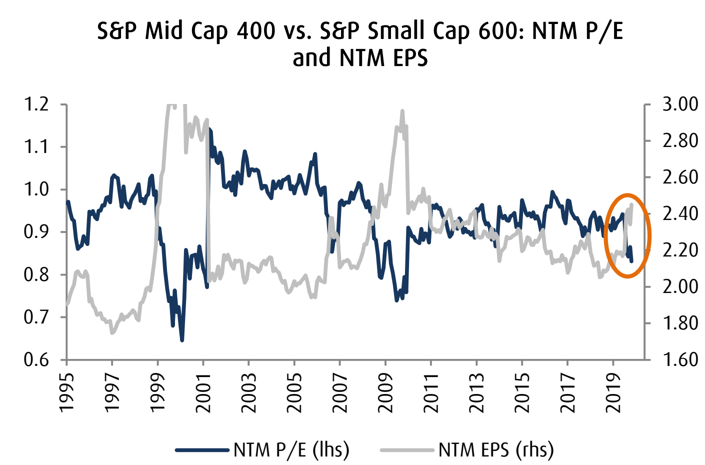
Source: BMO Capital Markets Investment Strategy Group, FactSet, Bloomberg.

Exhibit 53: **EPS Growth Differential Between Pure Growth and Pure Value Stocks Is Expected to Wane in 2020**



Source: BMO Capital Markets Investment Strategy Group, FactSet.

Exhibit 54: **Mid Cap Valuation Discount vs. Small Cap Has Extended While Relative NTM EPS Has Accelerated**



Source: BMO Capital Markets Investment Strategy Group, Bloomberg.

Use a Barbell Strategy to Combat Uncertainty

Although we do not envision any sort of major US market or economic meltdown in the coming months, we understand investor concerns. Therefore, as we mentioned above, we expect a heightened level of uncertainty to persist into 2020. However, that does not mean investors should abandon US stocks given their favorable fundamental properties, in our view. Rather, investment decisions should be strategic and disciplined based on market conditions. And while our outlook is relatively bullish in terms of calendar year return, we do expect the volatile trading patterns of the past two years to persist. As such, we believe a barbell approach to equity investing is warranted with high quality growth exposure on the "aggressive" side of the barbell and high quality dividend-paying stocks on the "defensive" side. For simplicity, we define each as follows and weight them equally for analytical purposes:

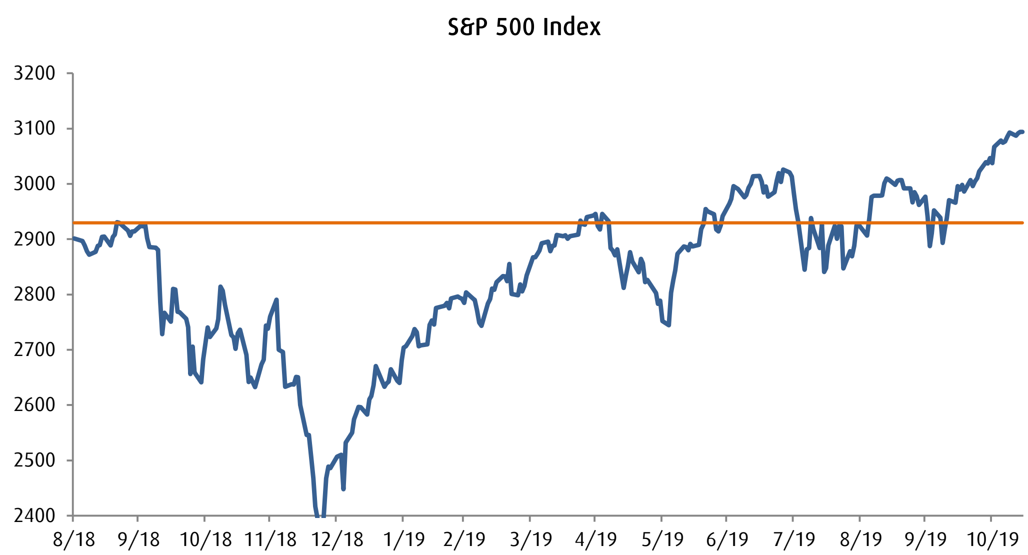
- High quality dividend stocks: A- or higher S&P stock rank and dividend yield higher than the S&P 500

- High quality growth stocks: A- or higher S&P stock rank and EPS long-term growth rate higher than the S&P 500

- Stocks are rescreened each month end based on these parameters for historical analysis purposes

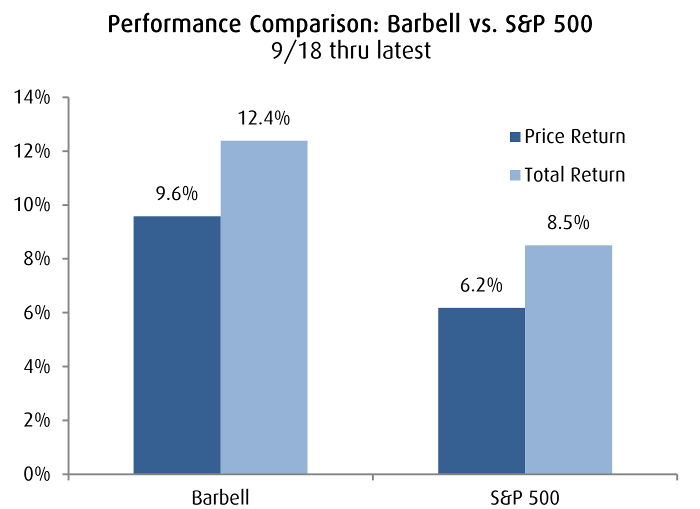
We understand that investment decisions would be based on many more factors, but our intent is to show, in the most straightforward way as possible, how such a strategy can benefit portfolios. From our perspective, this approach should help investors capitalize on periods of market strength, but also guard against any potential market pullbacks, in our view. To check this, we thought it would be instructive to analyze performance patterns within this strategy since September 2018, which for all intents and purposes, has been one big volatile trading range for US stocks overall (Exhibit 55), until recently. As shown in Exhibit 56, this strategy has considerably outperformed the S&P 500 over this time period, particularly when accounting for dividends. In addition, longer-term trends also appear favorable for the strategy as it not only has delivered higher returns, but has also done so with less risk based on the higher Sharpe ratio (Exhibit 57). It is for these reasons we recommend that investors consider these stocks in the current environment. For reference, Exhibit 58 lists all BMO Outperform-rated stocks that fit into each category.

Exhibit 55: The S&P 500 Had Been Stuck in Volatile Range Until Recently



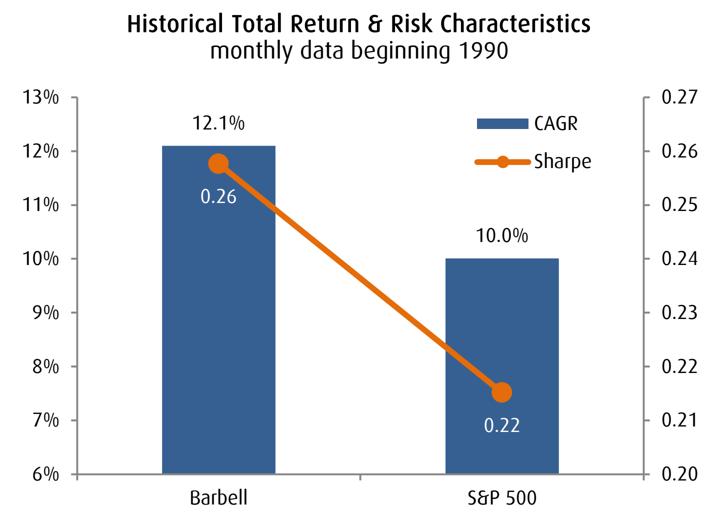
Source: BMO Capital Markets Investment Strategy Group, Bloomberg.

Exhibit 56: Barbell Approach Has Considerably Outperformed Over Past Year



Source: BMO Capital Markets Investment Strategy Group, FactSet.

Exhibit 57: Barbell Approach Has Also Delivered Attractive Longer-Term Results



Source: BMO Capital Markets Investment Strategy Group, FactSet.

Exhibit 58: BMO Outperform-Rated Stocks That Fit the Theme

Ticker	Company	Price	Rating	Screen
APD	Air Products and Chemicals, Inc.	$237.90	OP	High Quality Growth, High Quality Dividend
AVB	AvalonBay Communities, Inc.	$216.36	OP	High Quality Dividend
CI	Cigna Corporation	$199.91	OP	High Quality Growth
DG	Dollar General Corporation	$160.95	OP	High Quality Growth
FRT	Federal Realty Investment Trust	$130.96	OP	High Quality Dividend
LIN	Linde plc	$206.18	OP	High Quality Growth
MA	Mastercard Incorporated Class A	$285.38	OP	High Quality Growth
MCD	McDonald's Corporation	$194.13	OP	High Quality Dividend
RSG	Republic Services, Inc.	$87.71	OP	High Quality Growth
SPG	Simon Property Group, Inc.	$148.23	OP	High Quality Dividend
TXN	Texas Instruments Incorporated	$116.23	OP	High Quality Growth, High Quality Dividend
UNP**	Union Pacific Corporation	$174.09	OP	High Quality Growth, High Quality Dividend
V	Visa Inc. Class A	$181.66	OP	High Quality Growth
WELL	Welltower, Inc.	$84.84	OP	High Quality Dividend

Source: BMO Capital Markets Investment Strategy, FactSet. Screened constituents as of 10/31/2019. Prices as of 11/20/2019.

*Rating Key, according to BMO Capital Markets Equity Research: OP: Outperform, Mkt: Market Perform, Und: Underperform, NR: Not rated by BMO Capital Markets Equity Research.

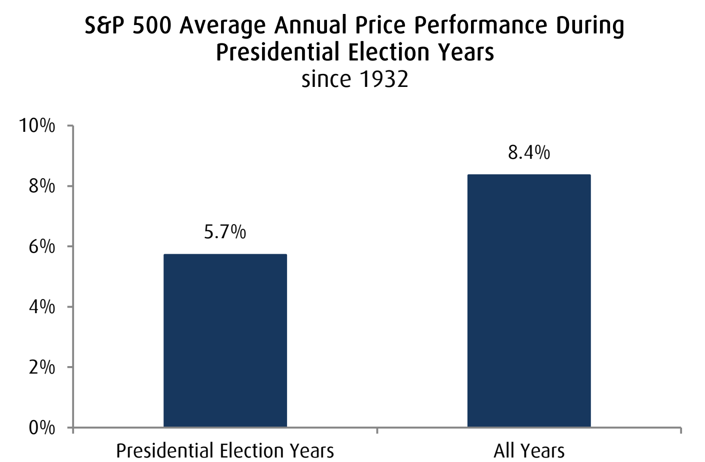
**Covered by our Canadian affiliate BMO Nesbitt Burns Inc.

US Presidential Elections and Stock Market Performance

The US presidential election will be held in November 2020, when voters will either elect a new president or re-elect the incumbent. Based on historical market data, this could have a profound impact on stock prices throughout the year. As such, we thought it would be useful to examine S&P 500 performance during and following presidential election years for various scenarios that we believe are relevant in the current environment. Our analysis is shown in Exhibits 59-68, and below are some key highlights from our perspective:

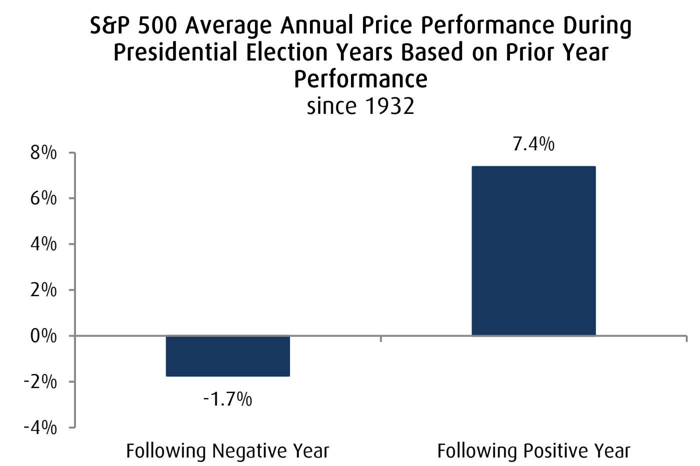
- S&P 500 performance during presidential election years is significantly better when prior year is positive (7.4% vs. -1.7%)
- Fourth year of a Republican typically coincides with low single-digit price returns (3.1%)
- When a Republican president wins a second term, S&P 500 posts an average gain of ~7% during the election year
- Democratic President + Republican-Controlled Congress has been the best combination for US stock performance during presidential election years (20.3%)
- When government stays in gridlock as opposed to changing to full party control, S&P 500 performance is significantly better (8% vs. -1.5%)

Exhibit 59: SPX Performance During Pres Election Yrs Is Below Avg



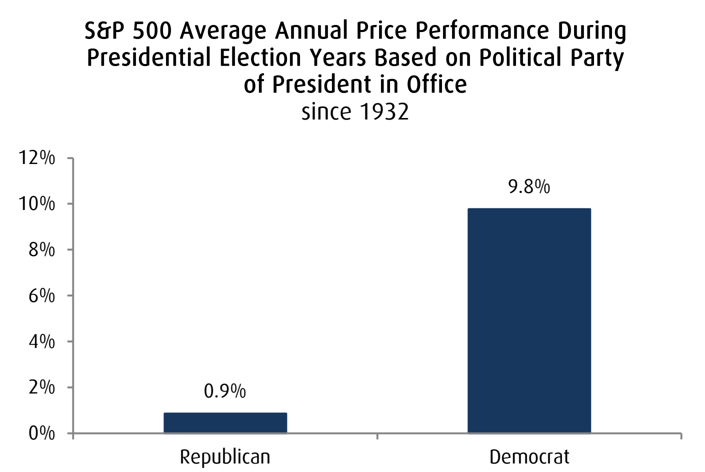
Source: BMO Capital Markets Investment Strategy Group, FactSet.

Exhibit 60: Pres Election Yr Performance Better After Positive Yrs



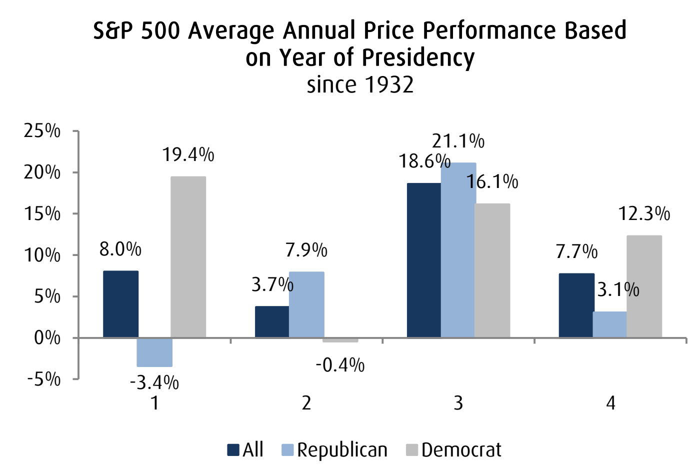
Source: BMO Capital Markets Investment Strategy Group, FactSet.

Exhibit 61: SPX Posts Higher Gains With Democrat in Office



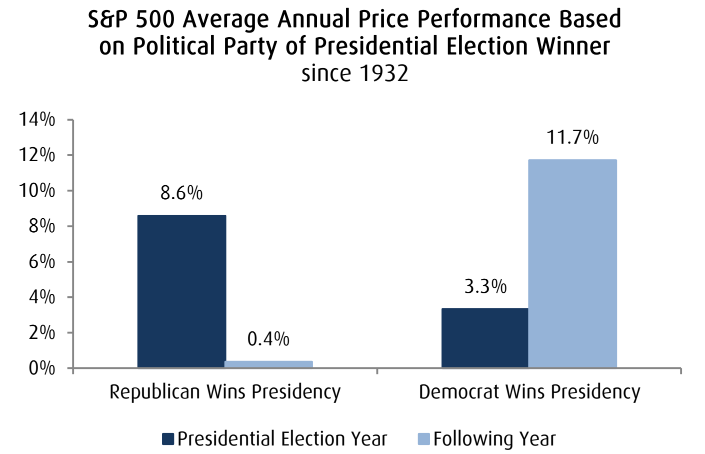
Source: BMO Capital Markets Investment Strategy Group, FactSet.

Exhibit 62: Low Single-Digit Gains During 4th Yr of Rep. Presidency



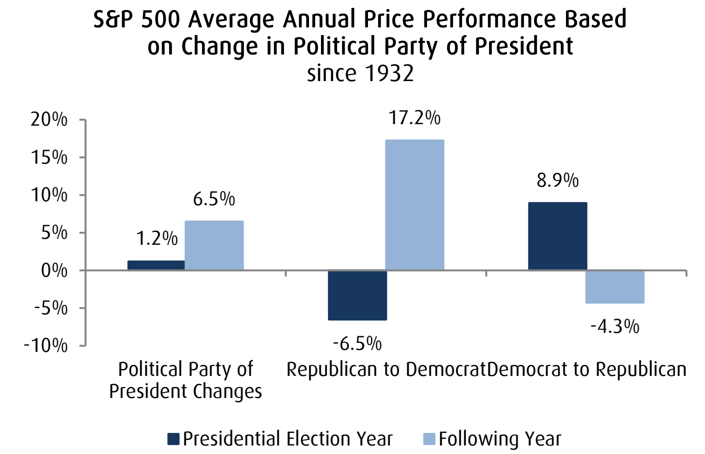
Source: BMO Capital Markets Investment Strategy Group, FactSet.

Exhibit 63: When Republican Wins Presidency, Election Year Gains are Higher vs. Democrat Winning



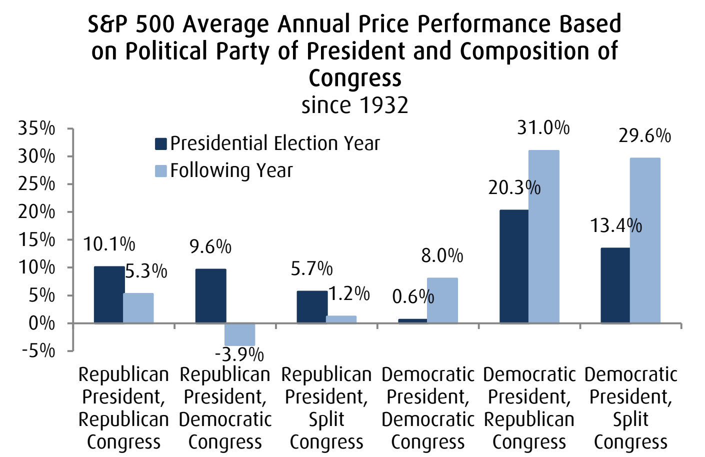
Source: BMO Capital Markets Investment Strategy Group, FactSet.

Exhibit 64: Change in Political Party of Pres. From Rep. to Dem. Coincides With Worst Returns During Presidential Election Years



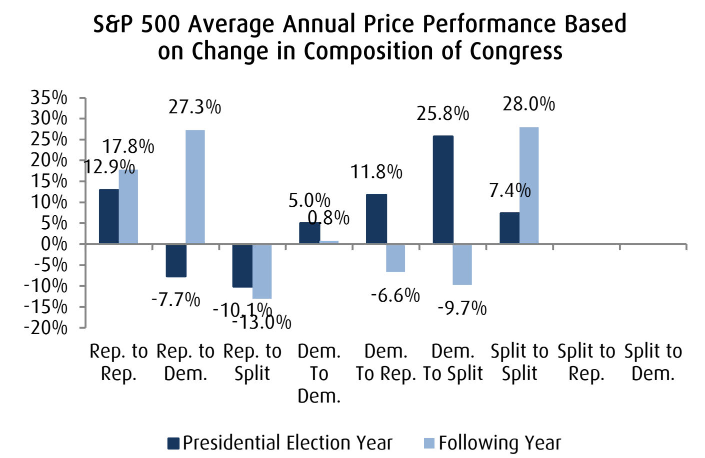
Source: BMO Capital Markets Investment Strategy Group, FactSet.

Exhibit 65: Dem. Pres + Rep. Congress Has Historically Been the Best Combination for US Stock Performance During Election Years



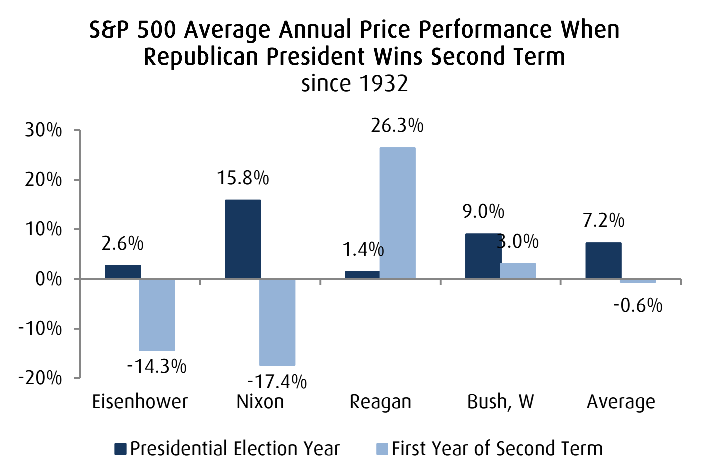
Source: BMO Capital Markets Investment Strategy Group, FactSet.

Exhibit 66: When Congress Remains Split, Election Year Performance Averages ~7%



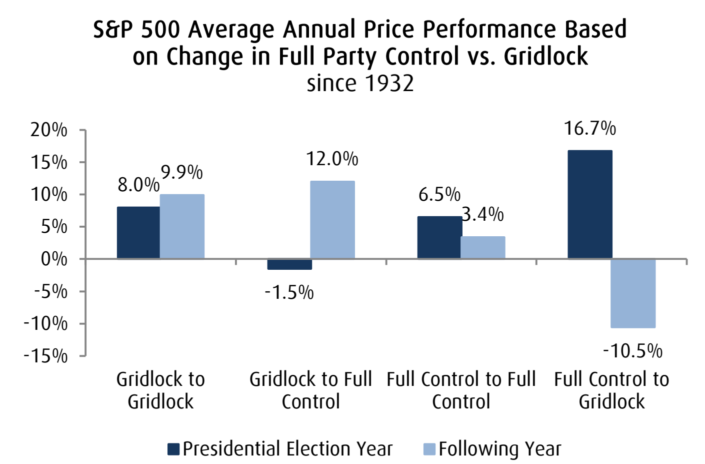
Source: BMO Capital Markets Investment Strategy Group, FactSet.

Exhibit 67: SPX Logs a ~7% Gain, on Average, During Pres. Election Years When Rep. Wins Second Term



Source: BMO Capital Markets Investment Strategy Group, FactSet.

Exhibit 68: Performance Is Much Better During Pres Election Yrs When Government Stays in Gridlock vs. Changing to Full Control



Source: BMO Capital Markets Investment Strategy Group, FactSet.

2020 Market Outlook - Canada

S&P/TSX Price Target: 18,200

S&P/TSX EPS Target: $1,140

Undiscovered Value Territory

With such intense focus on everything but facts and fundamentals, we believe the majority of equity investors missed the recovery in Canada if they blinked in 2019. In fact, the Canadian stock market finds itself high atop the leader board in terms of global equity performance as 2019 winds down (Exhibit 69).

Huh?

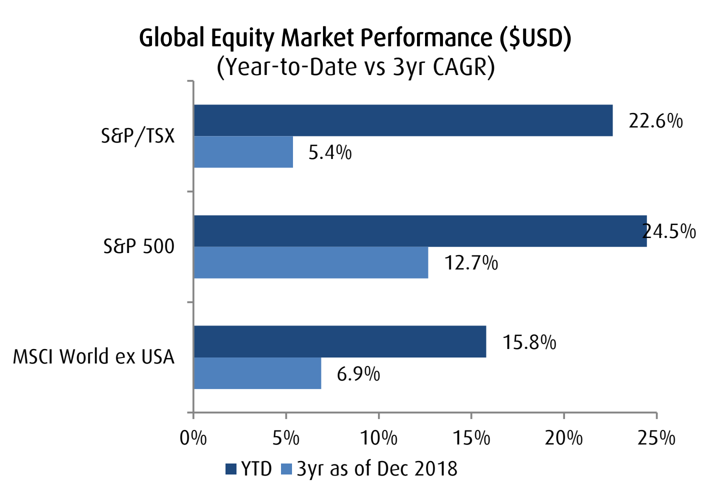
How is this possible with two out of the three big sectors (Energy and Materials) underperforming the broader market? How is this possible given a still yet to be officially ratified USMCA and continued tariff saber rattling taking place south of the boarder, let alone China? How is this possible given a federal election outcome that keeps the door wide open for more questions than answers?

For the past several years, our overriding theme for Canadian equities has been, "As America Goes, So Goes Canada." Granted, while we believe the US will continue its secular trend of outperforming Canada in 2020 (Exhibit 70), our overall theme for Canada relative to US positioning remains very much intact. However, we believe there is an increasingly attractive value proposition developing within Canadian equities with relatively high US revenue for those investors that would like to increase their US growth exposure.

Canada as a value play? We think the answer is a resounding "YES," especially when examining non-resource sectors (Exhibits 71).

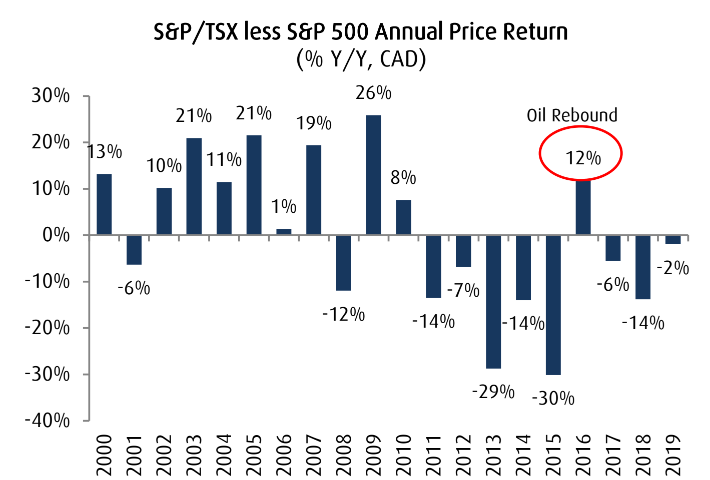
While we continue to favour those sectors with revenue, earnings and operational tilt toward the US, a majority of Canadian sectors are exhibiting a relative value proposition when examining more simplistic 12 months forward price to earnings ratio relative to their US counterparts (Exhibit 72).

Exhibit 69: TSX Posting Strongest Performance in Years



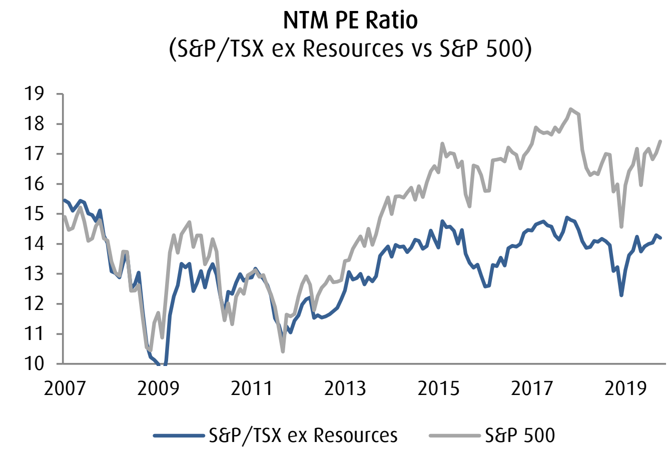
Source: BMO Capital Markets Investment Strategy Group, FactSet, MSCI.

Exhibit 70: TSX Has Underperformed US for 8 of Last 10 years



Source: BMO Capital Markets Investment Strategy Group, FactSet.

Exhibit 71: S&P/TSX Valuation Remains Attractive



Source: BMO Capital Markets Investment Strategy Group, FactSet, IBES.

Exhibit 72: Majority of Sectors Offer Value Relative to US

NTM PE by Sector

	S&P/TSX	S&P 500	Relative
Communication Services	16.6	17.9	-7%
Consumer Discretionary	13.6	21.6	-37%
Consumer Staples	17.6	19.8	-11%
Energy	16.4	16.7	-2%
Financials	10.8	12.5	-13%
Health Care	19.5	15.2	29%
Industrials	18.8	16.3	15%
Information Technology	33.1	20.0	66%
Materials	19.2	17.4	10%
Real Estate	15.8	20.2	-22%
Utilities	18.0	19.9	-10%

Source: BMO Capital Markets Investment Strategy Group, FactSet.

Regardless, as the Canadian stock market marches toward another new annual price high according to our 2020 forecast, there undoubtedly remain questions within an ever increasingly defensive and skeptical Canadian investor base.

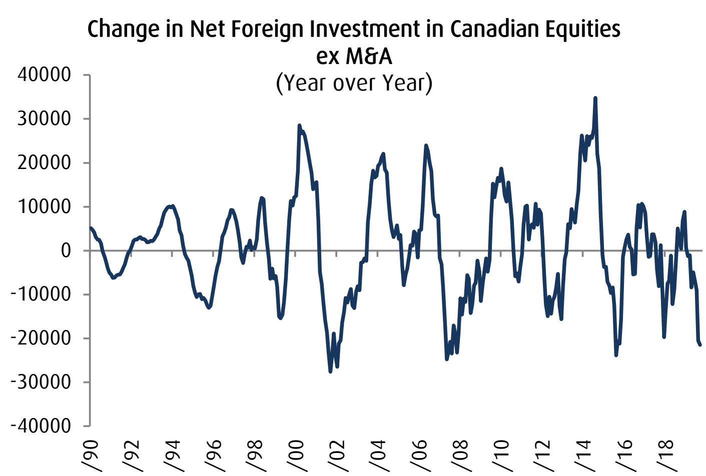
Here's our take on five of the livelier topics facing Canadian investors heading into 2020:

1. **Will Foreign Flows Return and Where Will the Money Go?**

Despite the strong price performance exhibited by the TSX in 2019, Canadian equities are likely to have their first net foreign outflow since 2008, with $3.8 billion net outflow year to date. From a longer-term perspective, 1990 and 1991 represented the only period since the 1980s that the TSX suffered two consecutive years of foreign outflows.

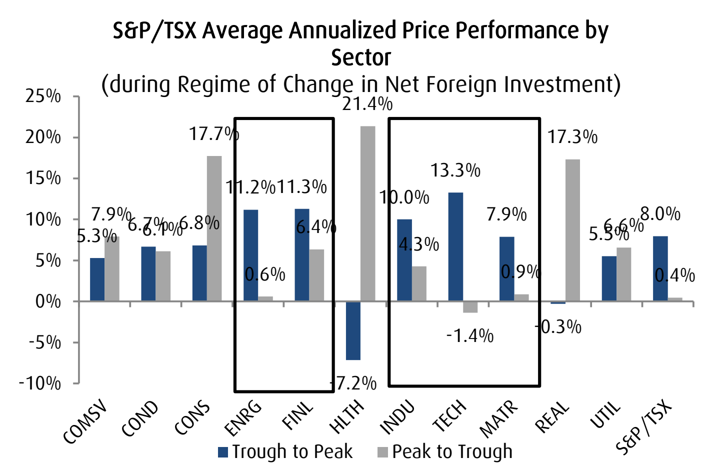
When looking at foreign flow momentum (as measured by the year-over-year change in net foreign investment in Canadian equities) flows are now at or near trough levels, suggesting to us that improvement is likely on the horizon (especially given our affinity for the US and Canada relative to other regions). Additionally, our work shows that the big three sectors (Energy, Financials and Materials) tend to be the biggest beneficiaries of returning flows, while Industrials and Technology also tend to benefit during periods of renewed foreign interest. As such, we believe it will be very difficult to be net underweight these areas heading into 2020.

Exhibit 73: Foreign Flows Reach Trough Levels



Source: BMO Capital Markets Investment Strategy Group, Haver Statscan.

Exhibit 74: Big Three Sectors Outperform Post Troughs in Flows

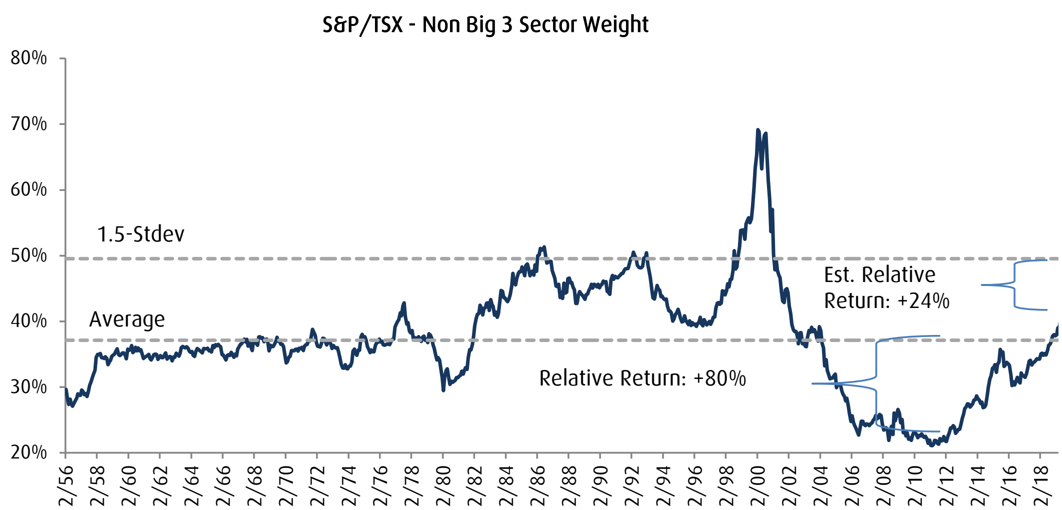


Source: BMO Capital Markets Investment Strategy Group, FactSet.

2. Can the Sectors Outside the Big Three Continue to Outperform?

Short answer: YES. Since 2011, the sectors outside of the big three (Energy, Financials and Materials) have been a key source of Canadian stock market strength. In fact, the weight of the other eight sectors has doubled from the 2011 trough of just over 20% to 40% - therefore now above the long-term average (Exhibit 75). Our work shows that if this weighting were to overshoot to one and half standard deviations – in other words near historical peaks- the sectors outside the big three sectors can likely continue to outperform by over 20%. Given the aforementioned "value proposition" that these sectors, in particular, offer investors that are in search of increased US exposure, we believe companies outside the big three sectors can continue to thrive in 2020. Please see page 54 for our "Anything But the Big 3" portfolio.

Exhibit 75: Non Big Three Sectors Have Been Key Area of Strength



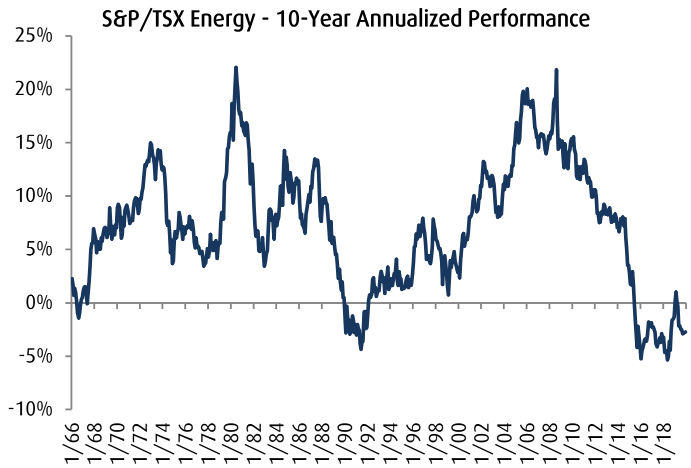
Source: BMO Capital Markets Investment Strategy Group, FactSet.

3. Will Energy's Losing Streak Continue?

Global Energy stocks have clearly suffered in recent years. In fact, Canadian Energy has underperformed the broader TSX for three consecutive years, representing its worst three-year period of relative performance since 1997 to 1999. Furthermore, the decade of the 2010s is shaping up to be the worst 10-year period for the Energy sector on record, down 3% annualized since 2009 and underperforming the TSX by 7% on an annualized basis - only matched by the 7.7% annualized underperformance during the 1980s. As we head into the new decade, can the losing streak continue?

Yes, we continue to believe WTI remains stuck in a longer-term range – a perceived negative for Canadian Energy stocks. However, when solely examining historical price performance trends, the decade of the 1980s is the only period when Energy stocks underperformed the TSX for more than three consecutive years. In fact, the average relative performance following three or more consecutive years of underperformance is +1.6%. Furthermore, when excluding the 1980s, Energy stocks exhibit an astounding +14.9% outperformance relative to the TSX. Therefore, given our continued Canadian Energy favoritism relative to US Energy (thanks to heightened cash flow, dividends and management prowess), we believe there is a very good chance that the sector can snap its string of negative performance in 2020.

Exhibit 76: Underperformance Streak Only Matched by the 80s



Source: BMO Capital Markets Investment Strategy Group, FactSet.

Exhibit 77: Rebounds Common After Extended Underperformance

Annual Performance for years After +3-year Underperformance Streaks in the Energy Sector

years underperformed	year	Energy	TSX	Relative
1980-86	1983	29.6%	30.3%	-0.7%
1980-86	1984	-13.5%	-6.0%	-7.6%
1980-86	1985	10.2%	20.8%	-10.7%
1980-86	1986	-9.4%	5.7%	-15.1%
1980-86	1987	5.1%	3.1%	2.0%
1997-99	2000	46.3%	6.2%	40.1%
2006-08	2009	35.0%	30.7%	4.3%
2010-12	2013	9.9%	9.6%	0.3%
2017-19	2020			
Average		**14.1%**	**12.6%**	**1.6%**
Average ex 80's		**30.4%**	**15.5%**	**14.9%**

Source: BMO Capital Markets Investment Strategy Group, FactSet.

4. PFP - Perpetual Financials Pessimism?

Canadians love their abbreviations and acronyms. So why not create one for what we view as the most hated and doubted sector of all based on our Canadian client interactions the past several years? PFP = Perpetual Financials Pessimism.

Consensus-based negativity toward Financials (especially the banks) has been a deeply rooted perpetual theme since 2008. While concerns surrounding slowing loan growth and housing debt have kept earnings estimates and results depressed for the past several years, declining interest rates and net interest margins only added to the dubious column in 2019 as concerns surrounding profitability mount. In fact, a great example of Financials negativity is analyst earnings revision trends since 2008. The percentage of FY2 upward earnings revisions are averaging only 51% since the end of 2009, well below the 58% average seen in the last economic cycle from 2002 to 2008. However, despite this relative pessimism Financials have outperformed for 9 of the 11 years since 2008. Furthermore, the average earnings surprise for the sector has averaged 3.7% compared to just 2.2% during the 2002 to 2008 period. Given the sector's outperformance, cash flow, earnings and dividend prowess, we remain quite frankly "mind-boggled" as to the overwhelming negativity encompassing the sector. As such, we remain overweight Canadian Financials and instead choose to focus on the adage of, "Don't let the non-facts get in the way of a good story."

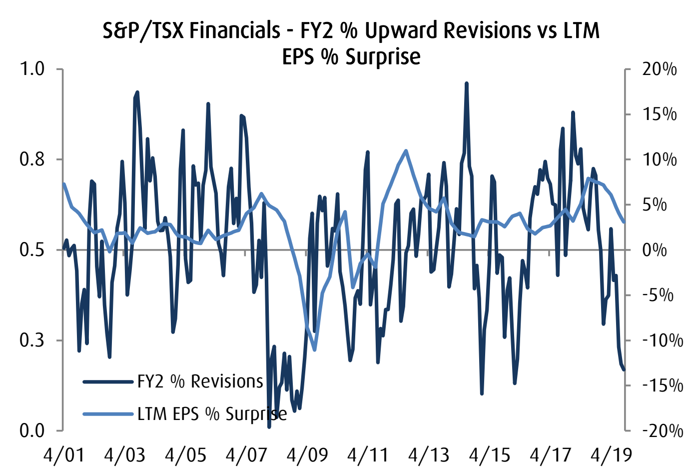
Exhibit 78: Yes, Financials Have Consistently Outperformed

Annual Price Performance

	Financials	S&P/TSX	Relative
2020Est			?
2019YTD	20.0%	18.7%	1.3%
2018	-12.6%	-11.6%	-1.0%
2017	9.4%	6.0%	3.4%
2016	19.3%	17.5%	1.8%
2015	-5.5%	-11.1%	5.6%
2014	9.8%	7.4%	2.3%
2013	19.1%	9.6%	9.5%
2012	12.8%	4.0%	8.8%
2011	-6.6%	-11.1%	4.5%
2010	6.3%	14.4%	-8.2%
2009	38.3%	30.7%	7.6%
2008	-39.0%	-35.0%	-3.9%

Source: BMO Capital Markets Investment Strategy Group, FactSet.

Exhibit 79: Perpetual Pessimism



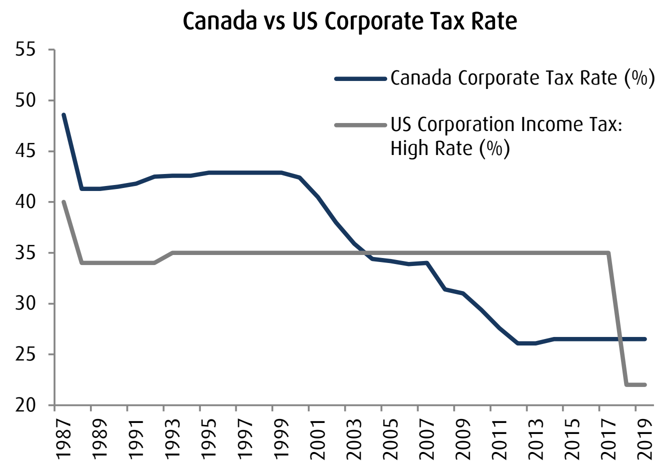
Source: BMO Capital Markets Investment Strategy Group, FactSet, Compustat.

5. Are Minority Governments Bad for Markets?

In the end, the polls were correct, with the Canadian federal elections resulting in a minority government. While concerns surrounding a less business-friendly government are certainly warranted, we believe much of the more significant concerns are already factored in – especially when we speak with investors outside of Canada.

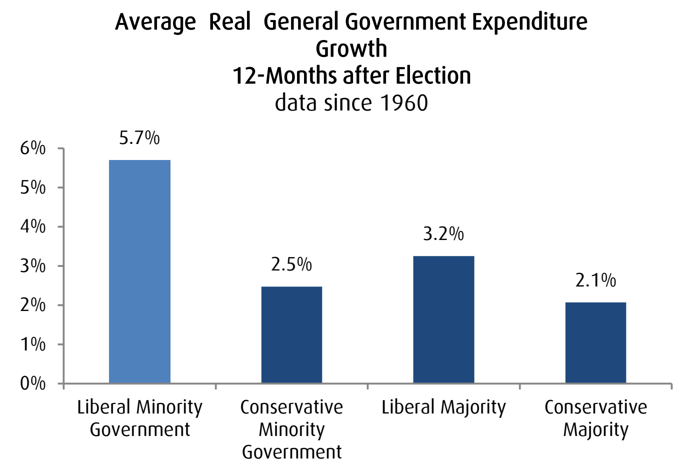
For instance, Canada's corporate tax rate advantage is non-existent and well publicized; pipelines have already been stalled; carbon taxes have been imposed; and higher pension and labour costs are already working their way through the system. Granted, each of these conundrums can and should likely be viewed as incrementally less business friendly. However, our work shows that Liberal minorities are in fact the most stimulative form of government. Therefore, if markets follow this historical precedent, the election impact is likely to be minimal and could result as a near-term positive in 2020.

Exhibit 80: Canada's Corporate Tax Advantage Is Already Gone



Source: BMO Capital Markets Investment Strategy Group, Haver.

Exhibit 81: Liberal Minorities Are Most Stimulative Form of Government



Source: BMO Capital Markets Investment Strategy Group, Haver, Statscan.

S&P/TSX Target Models

While Canadian fundamentals have softened through 2019 as analysts have trimmed forecasts, fundamentals remain resilient according to our models. In fact, despite the downtrend in earnings revisions heading into 2020, profitability remains near peak levels, cash flow is firmly above historical averages, dividends and buybacks continue to grow, and valuations are relatively attractive. As long as positive macro forces remain in place, particularly from the US, we believe Canadian equities offer an attractive relative value opportunity within North American markets. Furthermore, we believe earnings expectations remain cautious heading into 2020, leaving ample room for the TSX to under promise and over deliver with any upside compromise on trade, signs of positive life in commodities, or a rebound in growth.

Similar to the US, we currently utilize three models to establish an S&P/TSX price target: a multi-stage DDM, a fair value P/E model, and a top-down macro regression model. In fact, all three models suggest a higher close for the market during 2020 based on our 2019 year-end target of 17,000. As mentioned in the table below, we also "scenario tested" our models to establish what we believe could be potential upside to our target at 19,100 and potential downside at 14,900.

Exhibit 82: 2020 S&P/TSX Composite Target Scenarios

Scenario	Price	EPS	Rationale
Bull	19,100	$1,170	Substantial clear-cut trade agreement between US and China reached that will ignite corporate investment, propel global growth and quell consumer fears: • EPS hits double-digit growth pace, as oil prices break to the upside of recent range • Risk premiums decline closer to average, with price multiples expanding to historical averages or even premiums • Margin fears alleviated as potential tariff impact is not as damaging as expected
Base	18,200	$1,140	Stocks continue to grind higher, driven by continued US growth, while EM stabilizes • Valuations continue to trend slightly higher closer to long-term historical averages, but the TSX remains at a discount to the US • Margins prove to be sustainable despite interest rate and tariff challenges • Commodity prices remain largely range bound • US economic momentum continues
Bear	14,900	$1,020	Fundamental and economic momentum stall/contract leading to market consolidation: • Trade negotiations take a turn for the worse reigniting global recession fears • Oil prices test recent lows, igniting another round of negative sentiment toward Canada • Continued foreign investment outflows push price multiples lower, as recession gets priced in

Source: BMO Capital Markets Investment Strategy Group, Bloomberg.

Sectors, Size, and Style Recommendations

Canadian Sector Opinions

Exhibit 83: Canadian Sector Opinion Summary

Sector	Opinion	Index Weight	Target Weight	BMO Investment Strategy Group Headline
Communication Services	OW	5.6	6.5	Remains our favourite yield play given secular dividend growth, recent underperformance provides timely longer-term opportunity.
Consumer Discretionary	MW	4.3	4.5	Domestic consumer is stretched, overweight names with strong US growth exposure.
Consumer Staples	MW	3.9	3.5	Expensive sector but earnings growth remains. Be increasingly selective within US-focused names.
Energy	OW	16.5	17.5	Year 4 reversals represent traditional historical trend following three years of underperformance. However, we continue to favour higher quality large cap Energy stocks that have shown operational resilience in a range-bound oil price environment.
Financials	OW	33.2	36.0	Steadfastly maintaining holdings in the broader sector, however, we prefer those companies with strong US platforms – especially within in banks (commercial banking + wealth management).
Health Care	UW	1.3	0.0	Prefer the US.
Industrials	MW	11.3	11.5	Focus on the rails, select manufacturers and waste companies – especially those leveraged to the US
Information Technology	MW	5.0	4.5	Prefer the US; very select positions in Canada.
Materials	MW	10.8	10.5	Improved precious metal prices should support continued improving fundamentals, however, commodities remain volatile. Stay defensive and focused on cash flow.
Real Estate	MW	3.5	3.5	While valuations are rich, Real Estate is less interest sensitive then other high yield sectors and has greater US revenue exposure.
Utilities	UW	4.6	2.0	Rising yields, low organic growth and high payout ratios are a tough combination. Furthermore, Utilities rarely post back to back years of outperformance.

Source: BMO Capital Markets Investment Strategy Group.
Key: OW: Overweight, MW: Market Weight, UW: Underweight

Key Sector Changes

- **Real Estate to Market Weight From Underweight**

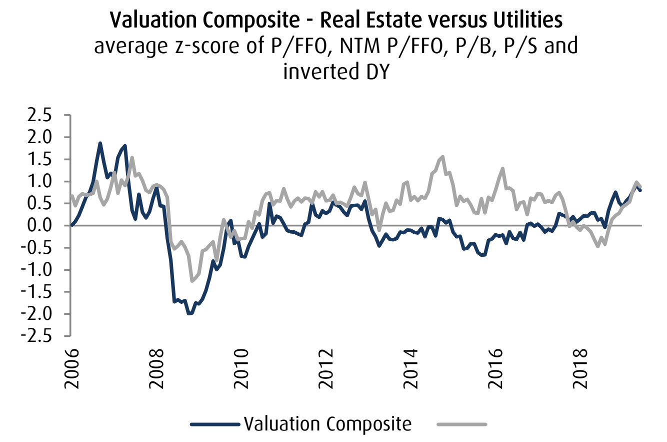
Exhibit 84: S&P/TSX Annual Sector Performance

Year	COMSV	COND	CONS	ENRS	FINL	HLTH	INDU	INFT	MATR	RELS	UTIL	S&P/TSX
1990	-12.6%	-25.1%	-11.4%	-10.5%	-21.7%	-21.3%	-24.3%	2.8%	-19.3%		-2.4%	-18.0%
1991	21.5%	14.0%	21.4%	-19.0%	21.1%	61.5%	-10.5%	55.9%	-3.6%		1.3%	7.8%
1992	-11.2%	-1.2%	0.9%	3.5%	-11.9%	-14.2%	-11.1%	20.0%	-1.5%		-4.4%	-4.6%
1993	16.4%	21.0%	4.0%	33.1%	27.8%	5.6%	27.6%	18.6%	56.8%		19.1%	29.0%
1994	-1.8%	-11.6%	-1.8%	-7.1%	-6.1%	13.4%	3.0%	-7.2%	4.1%		-9.6%	-2.5%
1995	2.7%	0.6%	19.4%	15.2%	14.1%	62.3%	13.7%	34.0%	7.6%		6.3%	11.9%
1996	30.9%	25.4%	15.2%	36.8%	49.9%	30.1%	30.4%	21.7%	9.7%		22.4%	25.7%
1997	39.2%	28.4%	16.2%	3.1%	49.8%	-11.1%	19.2%	40.1%	-26.2%		38.2%	13.0%
1998	21.1%	6.7%	23.6%	-30.4%	0.6%	-0.3%	-11.2%	7.6%	-12.3%		-4.0%	-3.2%
1999	85.0%	-0.5%	13.3%	26.2%	-13.0%	13.1%	4.1%	188.8%	12.4%		-30.6%	29.7%
2000	22.5%	9.5%	38.1%	46.3%	45.6%	3.8%	28.2%	-31.1%	-8.9%		42.6%	6.2%
2001	-29.6%	1.7%	27.4%	6.1%	1.3%	15.2%	5.5%	-62.1%	8.9%		6.4%	-13.9%
2002	-21.9%	-21.3%	0.9%	12.7%	-5.0%	-42.8%	-31.3%	-64.8%	5.5%		2.1%	-14.0%
2003	12.6%	19.5%	18.9%	23.6%	24.4%	1.3%	21.1%	67.0%	26.0%		19.9%	24.3%
2004	8.2%	8.3%	9.3%	28.7%	16.5%	-17.4%	0.2%	11.5%	5.7%	11.2%	5.0%	12.5%
2005	9.7%	8.6%	-2.2%	61.3%	20.5%	-3.5%	16.5%	-15.8%	13.9%	20.0%	33.1%	21.9%
2006	16.4%	13.2%	3.9%	3.2%	15.9%	-0.7%	12.7%	27.3%	38.0%	23.5%	2.1%	14.5%
2007	16.2%	1.8%	-6.8%	5.0%	-4.6%	-27.1%	8.6%	48.1%	29.1%	-11.6%	6.9%	7.2%
2008	-27.4%	-37.5%	-7.8%	-36.3%	-39.0%	-34.4%	-26.9%	-54.3%	-27.1%	-45.2%	-24.0%	-35.0%
2009	0.7%	11.1%	6.1%	35.0%	38.3%	28.6%	23.7%	44.3%	33.4%	35.0%	12.7%	30.7%
2010	16.2%	21.8%	8.3%	10.0%	6.3%	50.3%	14.4%	-11.6%	35.8%	26.4%	12.6%	14.4%
2011	19.0%	-17.9%	4.8%	-12.3%	-6.6%	49.6%	2.0%	-52.6%	-21.8%	1.1%	1.6%	-11.1%
2012	6.4%	18.7%	20.4%	-3.6%	12.8%	24.1%	12.7%	-3.2%	-6.9%	16.2%	-0.8%	4.0%
2013	8.1%	39.5%	21.4%	9.9%	19.1%	71.7%	34.9%	36.2%	-30.6%	0.5%	-8.6%	9.6%
2014	10.5%	26.4%	46.9%	-7.8%	9.8%	30.2%	20.0%	34.0%	-4.5%	18.0%	11.3%	7.4%
2015	-1.0%	-3.5%	11.0%	-25.7%	-5.5%	-15.8%	-12.5%	14.8%	-22.8%	3.1%	-7.8%	-11.1%
2016	9.9%	8.2%	6.1%	31.2%	19.3%	-78.6%	20.7%	4.4%	39.0%	4.1%	12.7%	17.5%
2017	9.9%	20.4%	6.4%	-10.0%	9.4%	32.7%	17.9%	16.2%	6.3%	5.8%	6.2%	6.0%
2018	-5.3%	-17.7%	0.6%	-21.5%	-12.6%	-16.6%	-3.9%	12.5%	-10.6%	-2.8%	-13.4%	-11.6%
2019	10.6%	14.9%	15.3%	10.8%	20.0%	-14.0%	23.5%	53.7%	17.9%	20.0%	32.5%	18.7%

Source: BMO Capital Markets Investment Strategy Group. Performance calculated through 11/20/19.
REITs are used as a historical proxy for the Real Estate sector which was officially established in Sept. 2016.

Real Estate: Upgrade to Market Weight From Underweight

Exhibit 85: Valuations Have Become Rich

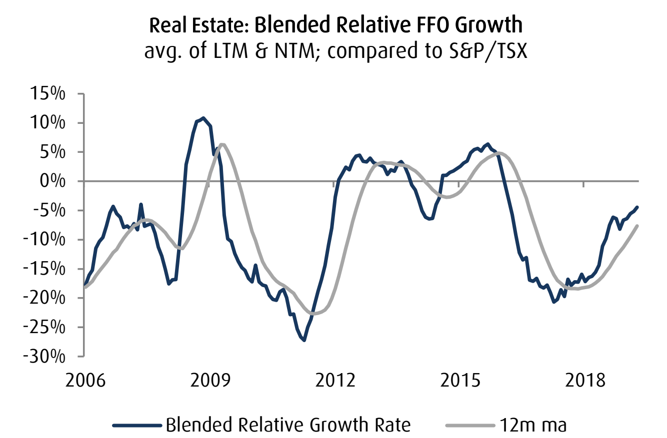


Source: BMO Capital Markets Investment Strategy Group, FactSet, IBES.

Yes, Valuations Have Become Rich

- Our valuation composite model shows that Real Estate valuations have become nearly as expensive as the Utilities sector over the last few years.
- While this certainly warrants caution on the sector, our work shows that REITs can post the best relative performance in more range-bound interest rate environments (especially among the interest rate sensitive sectors), like we currently expect.

Exhibit 86: Growth Continues to Improve

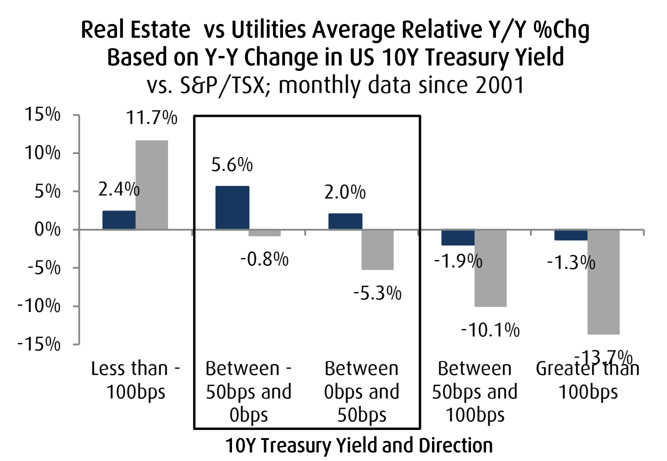


Source: BMO Capital Markets Investment Strategy Group, FactSet, IBES.

Earnings Continue to Rebound

- Despite high valuations, FFO growth continues to rebound from 2017 trough levels.
- In addition, only around 45% of the sector's 2018 revenue was from Canada, with over 40% derived from the US. As such, we believe the relatively high US revenue exposure will add another level of support to help outpace the more domestic-centric Utilities sector.

Exhibit 87: Real Estate > Utilities When Rates Are in a Range



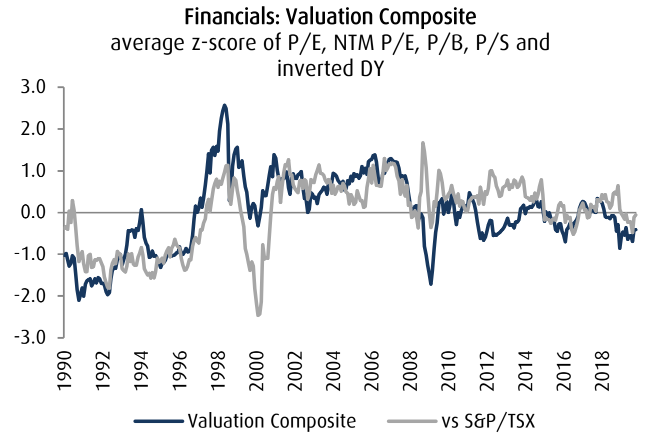
Source: BMO Capital Markets Investment Strategy Group, FactSet, IBES.

Range-Bound Rates Favour Real Estate Over Utilities

- The relationship between Real Estate and interest rates is more complicated compared with the more traditional high yield sectors given its less defensive and more economically sensitive operational composition.
- In fact, our work shows that although Real Estate does benefit from bond proxy characteristics, it has traditionally posted its best relative performance during moderate growth environments and range-bound interest rates.
- **BMO ISG Positioning:** Canadian REITs are all about the range and the US…While valuations are rich, REITs have proven to be less interest sensitive with greater US revenue exposure – especially relative to other high yield sectors.

Financials Overweight

Exhibit 88: Valuations Remain Relatively Attractive

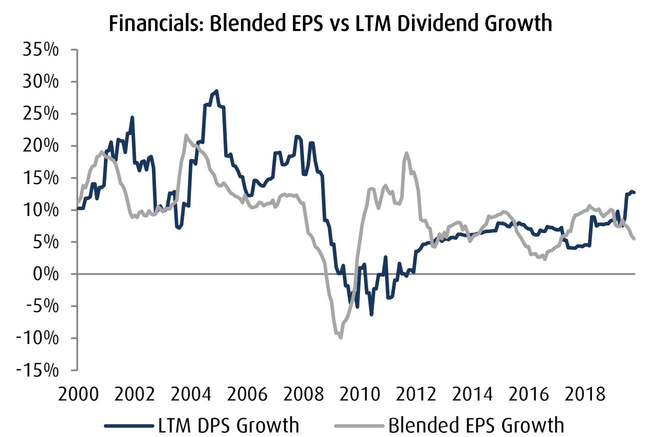


Source: BMO Capital Markets Investment Strategy Group, FactSet, IBES.

"Perpetual Pessimism" Has Kept Valuations Attractive

- Despite outperforming for 8 of the last 10 years, negativity surrounding Financials has been a consistent and overarching theme since 2008. In fact, our valuation composite has been consistently below the long-run average since 2008 and currently remains near cycle lows.
- As such, we believe any reversion to historical averages will represent a strong tailwind for the sector.

Exhibit 89: Earnings and Dividend Growth Remain Healthy

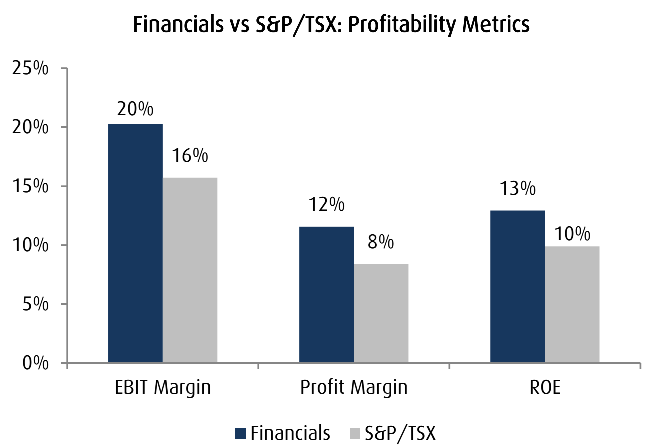


Source: BMO Capital Markets Investment Strategy Group, FactSet, IBES.

Growth Has Headwinds, but Remains Healthy

- While Financials remain amongst the highest dividend yielding sectors, it has the lowest average payout ratios and the highest five-year EPS growth rate within the major yield areas in Canada.
- Furthermore, Financials remain the proxy trade for Canadian equities. For instance, the sector tends to underperform when foreign interest wanes, but should significantly benefit if/when foreign interest returns.

Exhibit 90: Operating Metrics Are Strong



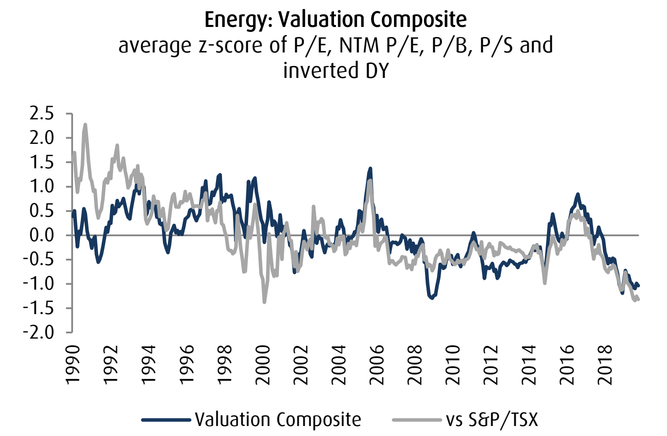
Source: BMO Capital Markets Investment Strategy Group, FactSet, IBES.

Operating Efficiency Is Strong and Stable

- Flat/inverted yield curve has many investors and analysts concerned about net interest margins compression. However, we believe many of the concerns are misplaced as the sector continues to display strong profitability, consistent earnings growth and dividend stability.
- Furthermore, foreign revenue exposure among banks has increased significantly over the last 10 years, providing additional channel to maintain and growth profitability.
- **BMO ISG Positioning:** While we are steadfastly maintaining holdings within the broader sector, we prefer those companies with stronger US platforms - especially within the banks (commercial banking + wealth management).

Energy Overweight

Exhibit 91: Record Low Valuations

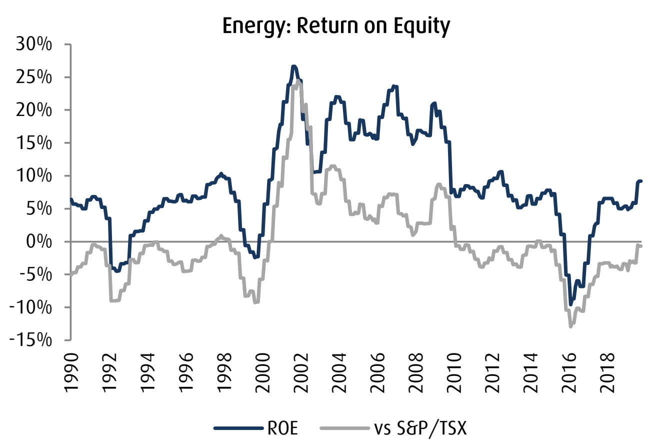


Source: BMO Capital Markets Investment Strategy Group, FactSet, IBES.

How Low Can Valuations Go?

- Energy stocks have been underperforming their fundamental underpinnings for some time with valuations at or near record lows on both an absolute basis and relative to the broader market. Given this extreme trough in valuations, we believe Energy stocks have significant room to rebound and outperform over the next several quarters.
- More importantly, our work shows fundamentals have significantly improved in recent years - valuations are at or near record lows, profitability is back to historical averages (even at current oil prices) and cash generation is strong.

Exhibit 92: Profitability Continues to Improve

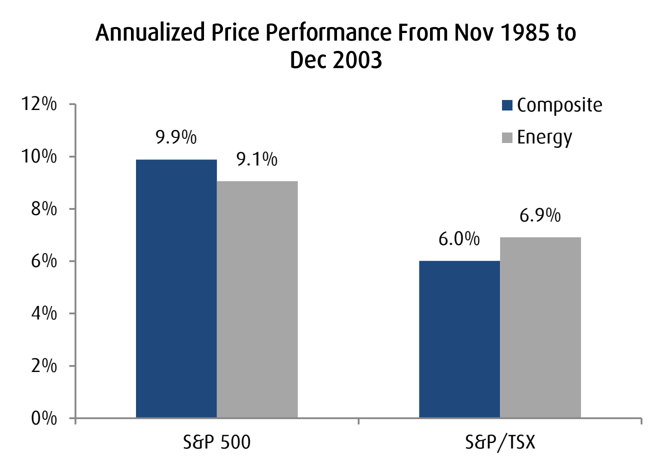


Source: BMO Capital Markets Investment Strategy Group, FactSet, IBES.

Fundamentals Have Adapted to Lower for Longer

- Canadian Energy appears to have largely addressed the lower for longer price environment, by restoring profitability even at these depressed prices, improving cash flow and returning cash to shareholders in the form of dividends and buybacks.
- As such, we believe the sector is now more capable of creating and maintaining shareholder value even in a more volatile and range-bound commodity price environment

Exhibit 93: Energy = Market Perform During Oil Price Ranges



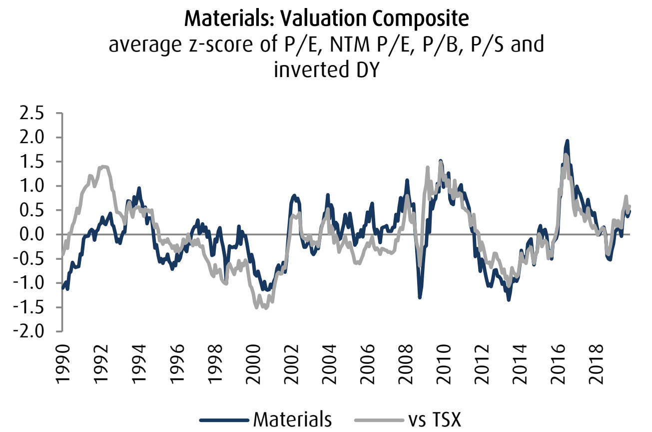
Source: BMO Capital Markets Investment Strategy Group, FactSet, IBES.

Energy Can Perform Well When Oil Is Range Bound

- While we continue to believe oil prices are likely stuck in a longer-term range similar to the 1980s and 1990s, our work suggests range-bound markets are not necessarily negative for Energy sector performance.
- In fact, from November 1985 to December 2003, the last extended range-bound period in WTI, the S&P/TSX energy sector was up 6.9% annualized slightly outperforming the broader S&P/TSX composite over this period.
- **BMO ISG Positioning:** Energy has historically produced a solid rebound after three years of underperformance. However, we continue to favour higher quality large cap Energy stocks that have shown traditionally exhibited operational resilience during range-bound oil price environments.

Materials Market Weight

Exhibit 94: Valuation Resurgence

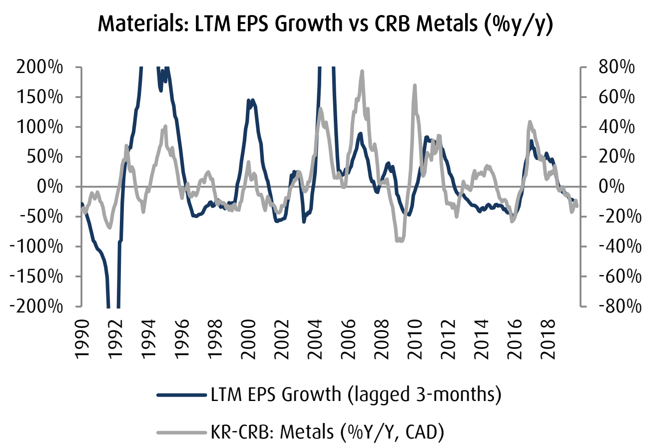


Source: BMO Capital Markets Investment Strategy Group, FactSet, IBES.

Valuations Rebounded in 2019

- No doubt, Materials' dramatic underperformance in 2018 likely set the stage for at least part of the sector's recovery in 2019. However, we believe global trade tensions (not fundamentals) were the primary driver of most of the sector's strength in 2019.
- Overall, our work shows caution is warranted when chasing extreme moves in gold price. After all the unpredictable nature of the US/China trade war makes timing very difficult – with momentum working both ways – as renewed trade optimism has set the tone for recent underperformance.

Exhibit 95: Commodity Headwinds Persist

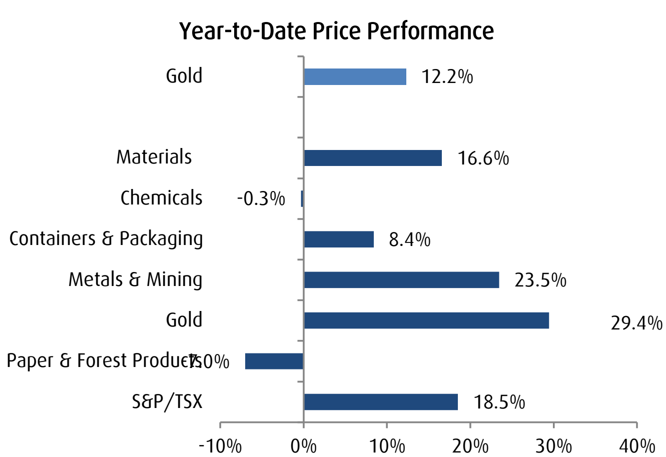


Source: BMO Capital Markets Investment Strategy Group, FactSet, IBES.

Indeed, Growth Challenges Remain

- While growth is likely to improve near term given the recent surge in gold prices, we believe many of the global growth headwinds still persist.
- CRB Metals Index which factors in a broader set of commodities remains weak. This indicates that Emerging Market growth remains a key challenge to persist outperformance of the Materials sector.

Exhibit 96: Gold Drove Materials Performance in 2019



Source: BMO Capital Markets Investment Strategy Group, FactSet, IBES.

Gold Unlikely to Repeat 2019

- Barring a breakdown in trade negotiations, we believe gold prices and gold stocks in particular are unlikely to post a repeat performance.
- In fact, not only did gold stocks single handedly drive 2019 performance, the stocks materially outpaced gold prices.
- Furthermore, our work shows gold stocks are highly coincidental with gold prices; as such any improvement in near-term earnings growth is likely fully priced in.
- **BMO ISG Positioning:** Improved precious metal prices should support continued improving fundamentals, however, commodities remain volatile. Stay defensive and focused on cash flow.

Canadian Size Opinions

Exhibit 97: Canadian Size Opinions

Sector	Opinion	Comments
Large cap	OW	Valuations now slightly more expensive than small cap, however, earnings growth remains positive and profitability is strong. Resource sectors display significantly higher quality metrics than small cap.
Small cap	MW	Relatively attractive valuations, but lower quality resource names adds risk. Meanwhile the non-resource small-cap names continue to display above trend earnings growth.

Source: BMO Capital Markets Investment Strategy Group.

Key: OW: Overweight, MW: Market Weight, UW: Underweight

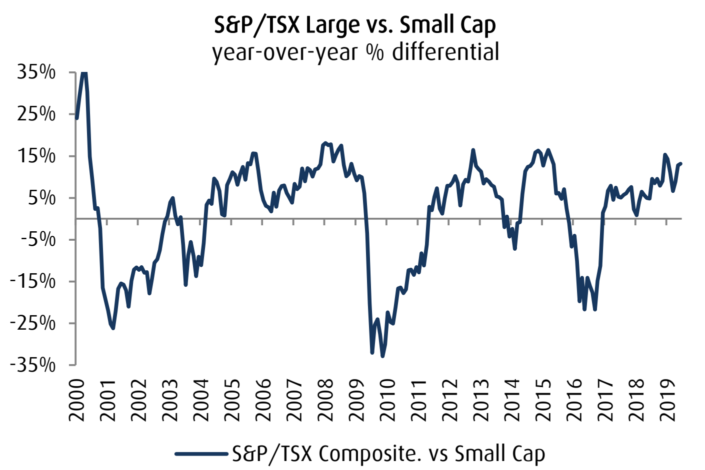
Large Cap Over Small Cap

- Even after outperforming over the last few years, large cap offers only slightly higher valuations; this is more than offset by the relatively strong cash flow, consistent earnings, and dividend growth.

- However, the non-resource small cap sector has strong valuations, combined with earnings growth that is in line with large cap, and profitability metrics have rebounded.

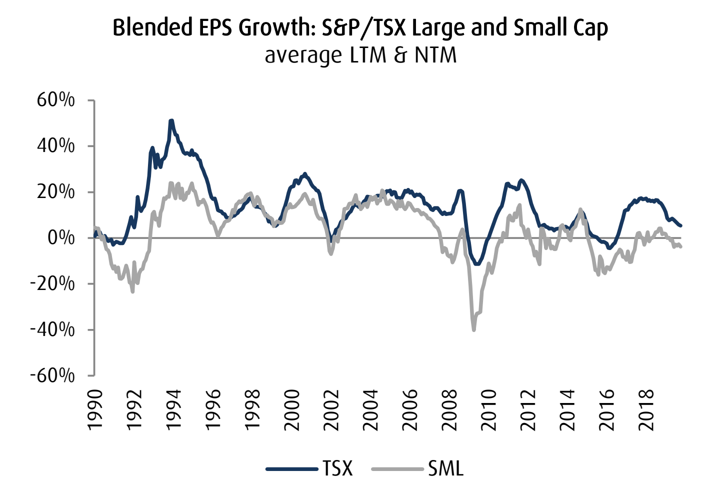
Bottom Line: While there continue to be many opportunities in the non-resource small cap sectors, we continue to believe large cap stocks offer more stable fundamentals considering an increasingly volatile market environment. Furthermore, any return in positive sentiment and foreign flows will likely reward the higher-quality, undervalued large cap stocks.

Exhibit 98: Large Cap Outperformance Continues



Source: BMO Capital Markets Investment Strategy Group, FactSet.

Exhibit 99: Large Cap Growth Stronger and More Consistent



Source: BMO Capital Markets Investment Strategy Group, FactSet.

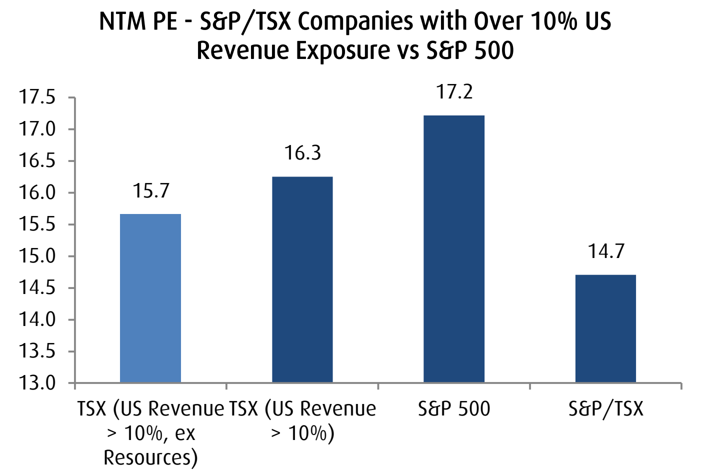
S&P/TSX – Undiscovered US-Centric Value

Our overriding theme for Canadian equities for the past several years has been, "As America Goes, so Goes Canada." While the US will likely continue its secular trend of outperforming Canada in 2020, we believe there is an increasingly attractive value proposition developing within Canadian equities with relatively high US revenue for those investors that would like to increase their US equity exposure.

Indeed, our work shows that of the S&P/TSX companies with US revenues greater than 10%, the weighted average forward earnings multiple is 16.3x, almost a full turn lower than the overall S&P 500. Furthermore, when we exclude the resource sectors, these companies with relatively high US revenue exposure have a weighted average forward multiple of 15.7x. In addition, these companies have forward growth expectations similar to the US and well ahead of the broader TSX – thereby providing better growth at lower costs.

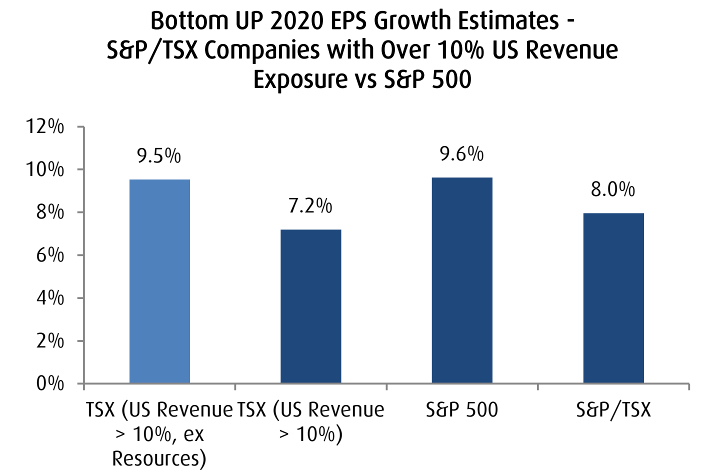
As such, heading into 2020 we believe investors should continue to favour those Canadian sectors with revenue, earnings and operational tilt toward the US.

Exhibit 100: Non-Resource S&P/TSX Companies With US Revenue Exposure Offer Relative Value



Source: BMO Capital Markets Investment Strategy Group, FactSet, IBES.

Exhibit 101: Additionally, These Companies Offer a Similar Growth Profile to the US



Source: BMO Capital Markets Investment Strategy Group, FactSet, IBES.

Exhibit 102: S&P/TSX Theme Screen: Potential Undiscovered Value With US Revenue Growth Exposure

S&P/TSX Composite companies; with 2018 US revenue greater than 10%; and NTM PEG ratio less than the S&P 500 Sector NTM PEG ratio.

Ticker	Company	Price	BMO Rating
AC	Air Canada	49.75	R
AFN	Ag Growth International Inc.	45.99	NR
AIF	Altus Group Limited	35.82	OP
ALA	AltaGas Ltd.	19.99	OP
AQN	Algonquin Power & Utilities Corp.	18.42	OP
ATA	ATS Automation Tooling Systems Inc.	19.88	NR
ATD.B	Alimentation Couche-Tard Inc. Class B	41.75	Mkt
ATZ	Aritzia, Inc.	18.49	OP
BAD	Badger Daylighting Ltd.	35.3	OP
BAM.A	Brookfield Asset Management Inc. Class A	76.25	OP
BCB*	Cott Corporation	17.12	OP
BHC*	Bausch Health Companies Inc.	36.88	Mkt
CIGI	Colliers International Group Inc.	94.8	OP
CSU	Constellation Software Inc.	1376.01	OP
DOO*	BRP, Inc.	62.11	OP
ECN	ECN Capital Corp.	4.28	OP
EFN	Element Fleet Management Corporation	11.55	OP
EIF	Exchange Income Corporation	43.4	NR
EMA	Emera Incorporated	55.03	Mkt
FSV	FirstService Corp	124.63	Mkt
FTS	Fortis Inc.	53.36	Mkt
GIL	Gildan Activewear Inc.	35.62	Mkt
GOOS	Canada Goose Holdings, Inc.	45.79	NR
GRT.UT	Granite Real Estate Investment Trust	68.26	OP
GWO	Great-West Lifeco Inc.	33.05	Mkt
IFC	Intact Financial Corporation	135.84	OP
MG	Magna International Inc.	72.25	Mkt
MRE	MARTINREA International Inc.	11.75	Mkt
PBH	Premium Brands Holdings Corporation	84.42	OP
POW	Power Corporation of Canada	31.96	OP
PWF	Power Financial Corporation	32.59	Mkt
RUS	Russel Metals Inc.	22.99	Mkt
SAP	Saputo Inc.	39.85	Mkt
SLF	Sun Life Financial Inc.	61.29	OP
STN	Stantec Inc	34.76	OP
TCN	Tricon Capital Group Inc.	10.98	OP
X	TMX Group Ltd.	113.99	OP

Source: BMO Capital Markets Investment Strategy. Prices as of 11/20/2019 closing price

*These stocks are covered by BMO Capital Markets Corp. **These stocks are covered by BMO Capital Markets Limited; all others covered by BMO Nesbitt Burns, Inc.

***Rating Key, according to BMO Capital Markets Equity Research: OP: Outperform, Mkt: Market Perform, Und: Underperform, R: Restricted, NR: Not rated by BMO Capital Markets Equity Research.

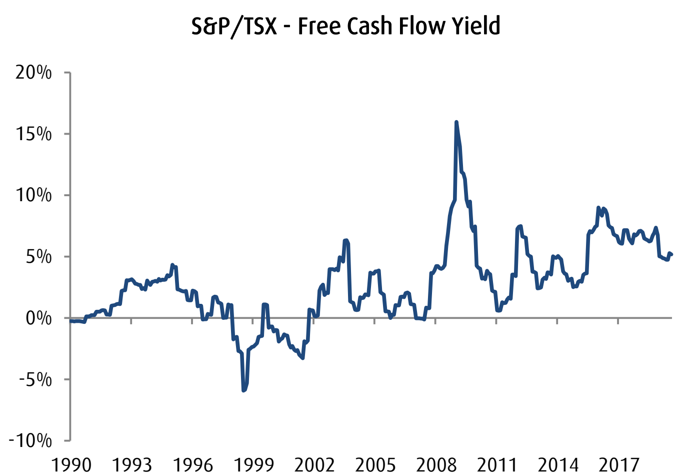
S&P/TSX – Uses of Cash to Be an Increasingly Important Theme in 2020

Undoubtedly, Canadian stocks have historically exhibited strong and consistent cash flow generation. Although free cash flow yield has trended lower over the last few years, overall free cash flow remains strong and well above the historical averages. However, despite this strong cash position companies have been reluctant to invest capital, instead focusing on share buybacks and dividends to add shareholder value. In fact, the S&P/TSX dividend plus buyback yield is now well over 4%, the highest level on record. Furthermore, since 2015 this trend has been broad based with almost all sectors showing an increase in the pace of buybacks.

When we examine the details of S&P/TSX cash flow statement, there has been a consistent downtrend in cash being deployed for investment activities since 2008, with the investment activities section normalized by market capitalization now firmly below funds from operations. Drilling down further shows this more conservative use of cash has been largely defined by a shift away from capital spending, particularly within Energy. However, S&P/TSX acquisition of businesses has shown a consistent increase over the last 10 years and is now near all-time highs.

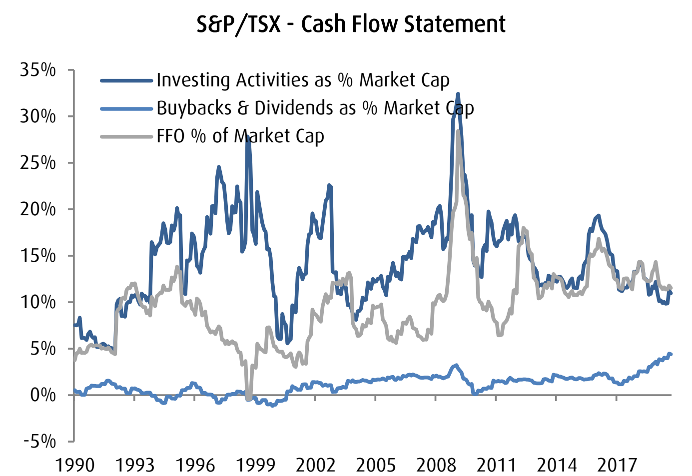
As such, the deployment of cash will remain a key theme with respect to Canadian stock performance in 2020.

Exhibit 103: Strong and Consistent Cash Flow Generation



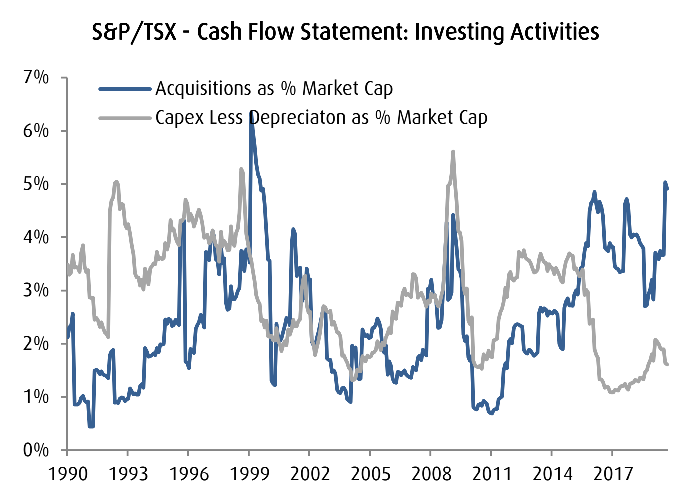
Source: BMO Capital Markets Investment Strategy Group, FactSet, Compustat.

Exhibit 104: Cash Flow Has Been Returned to Shareholders



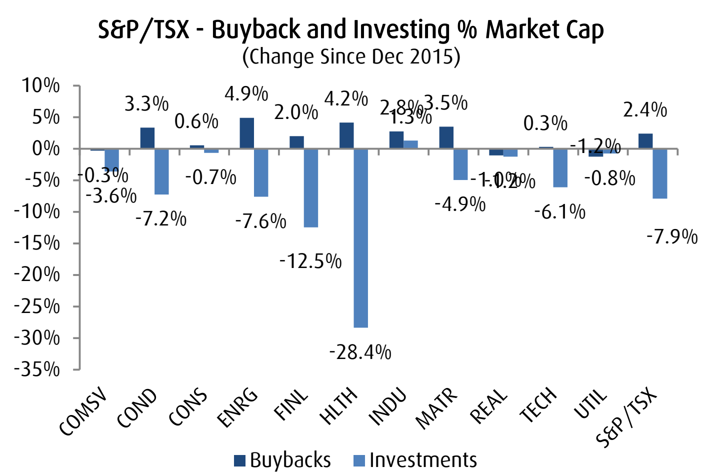
Source: BMO Capital Markets Investment Strategy Group, FactSet, Compustat.

Exhibit 105: Investment Activity Has Been Acquisitive



Source: BMO Capital Markets Investment Strategy Group, FactSet, Compustat.

Exhibit 106: Increase in Buybacks Have Been Broad Based

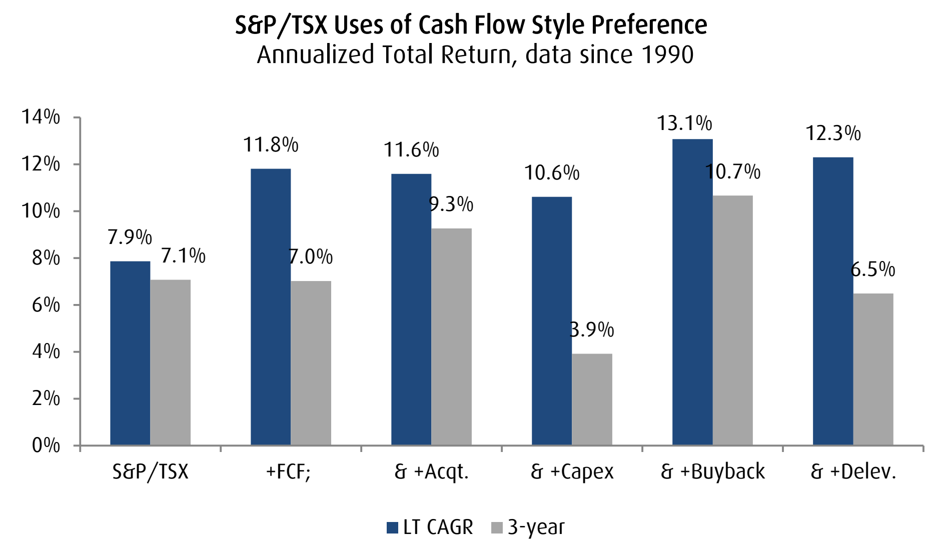


Source: BMO Capital Markets Investment Strategy Group, FactSet, Compustat.

According to our factor models, cash flow generation has historically been the best performing individual fundamental factors in the TSX. Since 1990, S&P/TSX companies with positive free cash flow yield have posted an average compounded annual growth rate (CAGR) of 11.8%, well ahead of the 7.9% CAGR for the broader TSX Index over the same time period. Of these companies with positive free cash flow, the market has primarily shown marginal long-term capital usage preferences. In fact, there has only been a slight long-term outperformance for companies that use excess cash for buybacks (+13.1% CAGR), and companies that pay back debt (+12.3% CAGR). However, while over the last three years companies with positive free cash flow yield have performed generally in line with the market, there has been a more clear preference within these companies toward share buybacks and acquisitive growth. In fact, companies with positive free cash flow and positive buybacks have posted a three-year annualized return of 10.7%, and companies with positive acquisition activity have posted 9.3% annualized return; well ahead of the 7.1% annualized return for the TSX. Meanwhile, companies using positive free cash flow on growth capex have posted a three-year annualized return of just 3.9%.

Despite the strong performance of buybacks and acquisitive growth over the last three years, we believe this strategy is likely to continue to be rewarded heading into 2020. Indeed, the low interest rate environment continues to favour debt over equity in the capital structure, and continued global growth uncertainty likely favours a more acquisitive growth strategy. As such, heading into 2020, we continue to like companies with positive free cash flow, strong buyback programs and companies that are making accretive growth investments.

Exhibit 107: Uses of Strong Cash Flow Have Favoured Buybacks & Acquisitions Recently



Source: BMO Capital Markets Investment Strategy Group, FactSet, Compustat.

Exhibit 108: S&P/TSX Theme Screen: Positive Cash Flow Companies Returning Cash to Shareholders That Have Also Shown Acquisitive Growth

S&P/TSX Composite companies; with Positive Free Cash Flow over last 12 months, Positive Net Share Buybacks over last 12 months; and positive Net Acquisitions over last 12 months.

Ticker	Company	Price	BMO Rating
AC	Air Canada	49.75	R
AIF	Altus Group Limited	35.82	OP
ATA	ATS Automation Tooling Systems Inc.	19.88	NR
ATD.B	Alimentation Couche-Tard Inc. Class B	41.75	Mkt
BAD	Badger Daylighting Ltd.	35.3	OP
BCB	Cott Corporation	17.12	OP
BNS	Bank of Nova Scotia	76.22	OP
CAE	CAE Inc.	35.51	Mkt
CAS	Cascades Inc.	12.67	NR
CCA	Cogeco Communications Inc.	118.43	Mkt
CIX	CI Financial Corp.	20.83	OP
CLS	Celestica Inc.	10.07	Mkt
CNQ	Canadian Natural Resources Limited	37.36	OP
CNR	Canadian National Railway Company	120.45	OP
DOO	BRP, Inc.	62.11	OP
ECN	ECN Capital Corp.	4.28	OP
EMP.A	Empire Co. Ltd. Class A	34.43	OP
FSV	FirstService Corp	124.63	Mkt
FTT	Finning International Inc.	24.37	Mkt
GIB.A	CGI Inc. Class A	108.78	OP
GOOS	Canada Goose Holdings, Inc.	45.79	NR
HBM	Hudbay Minerals Inc	4.61	Mkt
IAG	iA Financial Corporation Inc.	66.75	OP
LNR	Linamar Corporation	43.44	Mkt
MFI	Maple Leaf Foods Inc.	23.21	Mkt
MG	Magna International Inc.	72.25	Mkt
NFI	NFI Group Inc.	28.22	Mkt
NTR	Nutrien Ltd.	62.17	OP
PSI	Pason Systems Inc.	12.61	OP
QBR.B	Quebecor Inc. Class B	33.59	OP
RCH	Richelieu Hardware Ltd	26.28	NR
RCI.B	Rogers Communications Inc. Class B	63.24	OP
STN	Stantec Inc	34.76	OP
SU	Suncor Energy Inc.	41.72	OP
TA	TransAlta Corporation	8.7	Mkt
T	TELUS Corporation	50.12	Mkt
TD	Toronto-Dominion Bank	76.55	Mkt
TFII	TFI International Inc.	43.16	OP
WCN	Waste Connections, Inc.	119.62	OP

Source: BMO Capital Markets Investment Strategy. Prices as of 11/20/2019 closing price

*These stocks are covered by BMO Nesbitt Burns, Inc. **These stocks are covered by BMO Capital Markets Limited; all others covered by BMO Capital Markets Corp.

***Rating Key, according to BMO Capital Markets Equity Research: OP: Outperform, Mkt: Market Perform, Und: Underperform, NR: Not rated by BMO Capital Markets Equity Research.

Implementation Strategies:

Exhibit 109: Model Performance Statistics – Investment Strategy Portfolios

Portfolio	YTD	2018	3-yr	5-yr	7-yr	Incept.	Incept. Date
US Equity PLUS	26.2%	-7.9%	14.3%	10.1%		9.9%	11/2014
75% S&P 500 + 25% S&P/TSX	23.1%	-7.5%	13.1%	8.6%		8.5%	
CDN Equity PLUS ($CAD)	19.1%	-4.5%	12.1%	11.9%	13.9%	14.1%	11/2012*
2/3 S&P/TSX + 1/3 S&P 500 ($CAD)	18.3%	-4.6%	9.3%	8.5%	11.0%	11.2%	
US Large Cap Disciplined Value	22.7%	-12.3%	13.5%			11.5%	11/2015
Russell 1000 Value	19.5%	-8.3%	10.5%			9.3%	
North American Dividend Growth	26.2%	-9.2%	16.7%			15.9%	9/2016
60% S&P 500 + 40% S&P/TSX	23.0%	-9.3%	12.0%			10.7%	
CDN Anything but the Big 3 ($CAD)	21.6%	-5.5%				10.0%	3/2017
S&P/TSX ($CAD)	18.1%	-8.9%				5.2%	
S&P 500	23.2%	-4.4%	14.9%	10.8%	13.9%		
S&P/TSX ($CAD)	18.1%	-8.9%	6.8%	5.6%	7.3%		

Source: BMO Capital Markets Investment Strategy Group. Performance as of October 31, 2019. Performance is stated in USD, unless otherwise noted.

Please Note: The performance numbers listed above are derived from our model portfolios. As such, they are not AIMR compliant nor have they been properly audited and are gross of fees unless otherwise stated.
For further performance numbers please see our latest quarterly performance report.

* Prior to its live inception on 11/2012, CDN Equity Plus was a model portfolio with a publishing date that originated 02/2002. The official 5YR performance number for the CDN Equity Plus Portfolio is +14.7% (as of Q3-2018). Please reach out to our BMO Wealth Management representative for additional information.

Exhibit 110: Model Performance Statistics – US Strategy Portfolios

Portfolio	YTD	2018	Live Portfolio Launch	Model Portfolio Inception
US Tactical Equity	22.3%	-2.1%	13.4%	25.9%
US Dividend Growth	23.3%	-7.8%	9.7%	20.0%
Index				
S&P 500	23.2%	-4.4%	13.9%	22.7%
DVY	17.5%	-6.3%	11.2%	15.4%

Source: BMO Capital Markets Investment Strategy Group. Performance as of October 31, 2019.

Please Note: The performance numbers listed above are derived from our model portfolios. As such, they are not AIMR compliant nor have they been properly audited and are gross of fees unless otherwise stated.
For further performance numbers please see our latest quarterly performance report

The US Tactical Equity and US Dividend Growth "Model Portfolio Inception" performance was calculated from October 31, 2017, and "Live Portfolio Launch" performance was calculated from March 16, 2018.

Performance is stated in USD, unless otherwise noted.

Exhibit 111: US Equity PLUS Portfolio

This is an actively traded model designed to encapsulate our current US and Canadian Strategy opinions regarding the S&P 500 and S&P/TSX indices, sectors, and industries. Decision making inputs include Investment Strategy themes, BMO fundamental opinions and Investment Strategy quantitative analysis. See our monthly report Investment Strategy Portfolios for more details.

Ticker	Company	Price	BMO Rating
AAPL	Apple Inc.	$263.19	NR
ADBE	Adobe Inc.	$300.10	OP
AMZN	Amazon.com, Inc.	$1,745.53	OP
ATD.B	Alimentation Couche-Tard Inc. Class B*	$41.75	Mkt
BAC	Bank of America Corp	$32.69	OP
BCE	BCE Inc.*	$63.92	OP
BMO	Bank of Montreal	$101.46	NR
CMCSA	Comcast Corporation Class A	$44.22	NR
CNQ	Canadian Natural Resources Limited*	$37.36	OP
COST	Costco Wholesale Corporation	$300.57	OP
CP	Canadian Pacific Railway Limited*	$314.73	OP
CRM	salesforce.com, inc.	$164.20	OP
DIS	Walt Disney Company	$146.93	OP
DOL	Dollarama Inc.*	$47.54	Mkt
ECL	Ecolab Inc.	$186.22	Mkt
ENB	Enbridge Inc.*	$50.22	OP
FB	Facebook, Inc. Class A	$197.51	Mkt
FRC	First Republic Bank	$108.62	Mkt
GILD	Gilead Sciences, Inc.	$64.88	OP
GOOGL	Alphabet Inc. Class A	$1,301.86	Mkt
GS	Goldman Sachs Group, Inc.	$217.91	Mkt
INTC	Intel Corporation	$57.90	Mkt
IP	International Paper Company	$45.24	Mkt
IR	Ingersoll-Rand Plc	$129.84	OP
JNJ	Johnson & Johnson	$135.94	NR
JPM	JPMorgan Chase & Co.	$129.63	Mkt
LMT	Lockheed Martin Corporation	$392.70	NR
LULU	Lululemon Athletica Inc	$217.04	NR
MAR	Marriott International, Inc. Class A	$132.71	Mkt
MDT	Medtronic Plc	$111.79	NR
MFC	Manulife Financial Corporation*	$25.85	OP
MG	Magna International Inc.*	$72.25	Mkt
MMM	3M Company	$167.77	NR
MS	Morgan Stanley	$49.10	OP
MSFT	Microsoft Corporation	$149.62	OP
NFLX	Netflix, Inc.	$305.16	OP
PFE	Pfizer Inc.	$37.05	NR
PYPL	PayPal Holdings Inc	$104.09	OP
QSR	Restaurant Brands International Inc*	$87.78	OP
RCI.B	Rogers Communications Inc. Class B*	$63.24	OP
REI.UN	RioCan Real Estate Investment Trust*	$26.78	OP
RY	Royal Bank of Canada*	$108.84	Mkt
SU	Suncor Energy Inc.*	$41.72	OP
T	AT&T Inc.	$37.18	NR
TMO	Thermo Fisher Scientific Inc.	$307.33	NR
TROW	T. Rowe Price Group	$120.93	Mkt
TRP	TC Energy Corporation*	$67.91	OP
UNH	UnitedHealth Group Incorporated	$275.56	Mkt
V	Visa Inc. Class A	$181.66	OP
WM	Waste Management, Inc.	$112.57	OP
XOM	Exxon Mobil Corporation	$68.03	Mkt

Source: BMO Capital Markets Investment Strategy. Prices as of 11/20/2019 closing price

*These stocks are covered by BMO Nesbitt Burns, Inc. **These stocks are covered by BMO Capital Markets Limited; all others covered by BMO Capital Markets Corp.

***Rating Key, according to BMO Capital Markets Equity Research: OP: Outperform, Mkt: Market Perform, Und: Underperform, NR: Not rated by BMO Capital Markets Equity Research.

Exhibit 112: Large Cap Canadian PLUS Portfolio

This model portfolio contains a combination of Canadian and US equities. While usually the portfolio contains only Outperform-rated stocks, it is sometimes necessary to include stocks that are rated Market Perform or that may not be currently rated by BMO Capital Markets to keep the portfolio well diversified. Stocks included in this portfolio represent the most timely and fundamentally favoured ideas within the BMO Capital Markets equity research department.

This portfolio was initiated in June 2005, and due to its unique composition is benchmarked against a custom index comprising two-thirds of the total return in the S&P/TSX and one-third of the total return in the S&P 500. See our monthly report Investment Strategy Portfolios for more details.

Ticker	Company	Price	BMO Rating
AAPL	Apple Inc.	$263.19	NR
ADBE	Adobe Inc.*	$300.10	OP
AEM	Agnico Eagle Mines Limited	$80.63	OP
AMGN	Amgen Inc.*	$225.51	OP
AMZN	Amazon.com, Inc.*	$1,745.53	OP
ATD.B	Alimentation Couche-Tard Inc. Class B	$41.75	Mkt
ATVI	Activision Blizzard, Inc.*	$54.09	OP
BAC	Bank of America Corp*	$32.69	OP
BCE	BCE Inc.	$63.92	OP
BLL	Ball Corporation*	$67.44	Mkt
BNS	Bank of Nova Scotia	$76.22	OP
C	Citigroup Inc.*	$73.91	OP
CAT	Caterpillar Inc.*	$141.52	OP
CNQ	Canadian Natural Resources Limited	$37.36	OP
CNR	Canadian National Railway Company	$120.45	OP
COST	Costco Wholesale Corporation*	$300.57	OP
CP	Canadian Pacific Railway Limited	$314.73	OP
CRM	salesforce.com, inc.*	$164.20	OP
CTC.A	Canadian Tire Corporation, Limited Class A	$155.44	Mkt
CVX	Chevron Corporation*	$117.34	OP
DIS	Walt Disney Company*	$146.93	OP
DOL	Dollarama Inc.	$47.54	Mkt
ENB	Enbridge Inc.	$50.22	OP
GILD	Gilead Sciences, Inc.*	$64.88	OP
GOOGL	Alphabet Inc. Class A*	$1,301.86	Mkt
IP	International Paper Company*	$45.24	Mkt
IR	Ingersoll-Rand Plc*	$129.84	OP
JNJ	Johnson & Johnson	$135.94	NR
JPM	JPMorgan Chase & Co.*	$129.63	Mkt
MFC	Manulife Financial Corporation	$25.85	OP
MS	Morgan Stanley*	$49.10	OP
MSFT	Microsoft Corporation*	$149.62	OP
NFLX	Netflix, Inc.*	$305.16	OP
NTR	Nutrien Ltd.	$46.72	OP
PYPL	PayPal Holdings Inc*	$104.09	OP
QSR	Restaurant Brands International Inc	$87.78	OP
RCI.B	Rogers Communications Inc. Class B	$63.24	OP
REI.UN	RioCan Real Estate Investment Trust	$26.78	OP
RY	Royal Bank of Canada	$108.84	Mkt
SPG	Simon Property Group, Inc.*	$148.23	OP
SU	Suncor Energy Inc.	$41.72	OP
T	TELUS Corporation	$50.12	Mkt
TD	Toronto-Dominion Bank	$76.55	Mkt
TRP	TC Energy Corporation	$67.91	OP
TXN	Texas Instruments Incorporated*	$116.23	OP
UNH	UnitedHealth Group Incorporated*	$275.56	Mkt
V	Visa Inc. Class A*	$181.66	OP
WCN	Waste Connections, Inc.	$119.62	OP
WM	Waste Management, Inc.*	$112.57	OP

Source: BMO Capital Markets Investment Strategy. Prices as of 11/20/2019 closing price

*These stocks are covered by BMO Capital Markets Corp **These stocks are covered by BMO Capital Markets Limited; all others covered by BMO Nesbitt Burns, Inc.

***Rating Key, according to BMO Capital Markets Equity Research: OP: Outperform, Mkt: Market Perform, Und: Underperform, NR: Not rated by BMO Capital Markets Equity Research.

Exhibit 113: US Large Cap Disciplined Value Portfolio

This portfolio is an actively traded model designed to encapsulate our current US Large Cap Strategy opinions regarding fundamental themes and sector recommendations, with a focus on attractive relative value, historically low debt to equity, and proven earnings power. See our monthly report Investment Strategy Portfolios for more details.

Ticker	Company	Price	BMO Rating
AAL	American Airlines Group, Inc.	$28.23	NR
AAPL	Apple Inc.	$263.19	NR
AMGN	Amgen Inc.	$225.51	OP
AMP	Ameriprise Financial, Inc.	$158.38	NR
APA	Apache Corporation	$22.87	Mkt
BA	Boeing Company	$370.91	NR
BAC	Bank of America Corp	$32.69	OP
BRK.B	Berkshire Hathaway Inc. Class B	$217.48	NR
C	Citigroup Inc.	$73.91	OP
CMCSA	Comcast Corporation Class A	$44.22	NR
CSCO	Cisco Systems, Inc.	$45.08	NR
CVS	CVS Health Corporation	$74.92	Mkt
CVX	Chevron Corporation	$117.34	OP
DAL	Delta Air Lines, Inc.	$55.67	NR
DGX	Quest Diagnostics Incorporated	$104.88	NR
F	Ford Motor Company	$8.73	NR
FDX	FedEx Corporation*	$152.27	Mkt
GILD	Gilead Sciences, Inc.	$64.88	OP
HON	Honeywell International Inc.	$177.22	NR
HPE	Hewlett Packard Enterprise Co.	$17.12	NR
INTC	Intel Corporation	$57.90	Mkt
IP	International Paper Company	$45.24	Mkt
JNJ	Johnson & Johnson	$135.94	NR
JPM	JPMorgan Chase & Co.	$129.63	Mkt
LMT	Lockheed Martin Corporation	$392.70	NR
MET	MetLife, Inc.	$48.94	NR
MO	Altria Group Inc	$48.45	NR
MS	Morgan Stanley	$49.10	OP
MSFT	Microsoft Corporation	$149.62	OP
ORCL	Oracle Corporation	$56.24	Mkt
PFE	Pfizer Inc.	$37.05	NR
PHM	PulteGroup, Inc.	$39.64	NR
PNC	PNC Financial Services Group, Inc.	$151.78	Mkt
PSX	Phillips 66	$116.06	NR
SPG	Simon Property Group, Inc.	$148.23	OP
T	AT&T Inc.	$37.18	NR
TAP	Molson Coors Brewing Company Class B	$52.39	OP
TROW	T. Rowe Price Group	$120.93	Mkt
TXT	Textron Inc.	$45.99	NR
UNH	UnitedHealth Group Incorporated	$275.56	Mkt
USB	U.S. Bancorp	$59.11	NR
VLO	Valero Energy Corporation	$97.19	NR
VZ	Verizon Communications Inc.	$59.48	NR
WFC	Wells Fargo & Company	$53.54	Mkt
WMT	Walmart Inc.	$119.13	OP
XOM	Exxon Mobil Corporation	$68.03	Mkt

Source: BMO Capital Markets Investment Strategy. Prices as of 11/20/2019 closing price

*These stocks are covered by BMO Nesbitt Burns, Inc. **These stocks are covered by BMO Capital Markets Limited; all others covered by BMO Capital Markets Corp.

***Rating Key, according to BMO Capital Markets Equity Research: OP: Outperform, Mkt: Market Perform, Und: Underperform, NR: Not rated by BMO Capital Markets Equity Research.

Exhibit 114: North American Dividend Growth Portfolio

The portfolio is an actively traded model designed to encapsulate our dividend growth methodologies, with a particular focus on companies that offer attractive and quantifiable income and dividend growth characteristics. Decision-making inputs: U.S. and Canadian publicly traded companies that pay a dividend and that are actively listed within the S&P 500 and/or S&P/TSX Indices. 60%-70% of portfolio made up of core dividend names, 10-30% tactical weighting in high yield focus names, and 10-30% tactical weighting in dividend growth names. See our monthly report Investment Strategy Portfolios for more details.

Ticker	Company	Price	BMO Rating
AAPL	Apple Inc.	$263.19	NR
AMGN	Amgen Inc.	$225.51	OP
AMP	Ameriprise Financial, Inc.	$158.38	NR
AQN	Algonquin Power & Utilities Corp.*	$18.42	OP
BA	Boeing Company	$370.91	NR
BAC	Bank of America Corp	$32.69	OP
BCE	BCE Inc.*	$63.92	OP
BIP.UN	Brookfield Infrastructure Partners L.P.*	$70.15	OP
BLK	BlackRock, Inc.	$488.81	Mkt
BNS	Bank of Nova Scotia*	$76.22	OP
C	Citigroup Inc.	$73.91	OP
CMCSA	Comcast Corporation Class A	$44.22	NR
CNR	Canadian National Railway Company*	$120.45	OP
CSCO	Cisco Systems, Inc.	$45.08	NR
CTC.A	Canadian Tire Corporation, Limited Class A*	$155.44	Mkt
DAL	Delta Air Lines, Inc.	$55.67	NR
EMN	Eastman Chemical Company	$76.87	NR
ENB	Enbridge Inc.*	$50.22	OP
FTS	Fortis Inc.*	$53.36	Mkt
GILD	Gilead Sciences, Inc.	$64.88	OP
GS	Goldman Sachs Group, Inc.	$217.91	Mkt
IP	International Paper Company	$45.24	Mkt
JNJ	Johnson & Johnson	$135.94	NR
JPM	JPMorgan Chase & Co.	$129.63	Mkt
LMT	Lockheed Martin Corporation	$392.70	NR
LOW	Lowe's Companies, Inc.	$117.83	NR
MFC	Manulife Financial Corporation*	$25.85	OP
MRK	Merck & Co., Inc.	$85.27	NR
MS	Morgan Stanley	$49.10	OP
MSFT	Microsoft Corporation	$149.62	OP
PEP	PepsiCo, Inc.	$133.74	Mkt
PWF	Power Financial Corporation*	$32.59	Mkt
QSR	Restaurant Brands International Inc*	$87.78	OP
RY	Royal Bank of Canada*	$108.84	Mkt
SU	Suncor Energy Inc.*	$41.72	OP
T	TELUS Corporation*	$50.12	Mkt
T	AT&T Inc.	$37.18	NR
TD	Toronto-Dominion Bank*	$76.55	Mkt
TRP	TC Energy Corporation*	$67.91	OP
TXN	Texas Instruments Incorporated	$116.23	OP
UNH	UnitedHealth Group Incorporated	$275.56	Mkt
VZ	Verizon Communications Inc.	$59.48	NR

Source: BMO Capital Markets Investment Strategy. Prices as of 11/20/2019 closing price

*These stocks are covered by BMO Nesbitt Burns, Inc. **These stocks are covered by BMO Capital Markets Limited; all others covered by BMO Capital Markets Corp.

***Rating Key, according to BMO Capital Markets Equity Research: OP: Outperform, Mkt: Market Perform, Und: Underperform, NR: Not rated by BMO Capital Markets Equity Research.

Exhibit 115: US Tactical Equity Portfolio

The portfolio is an actively traded model designed to capture our thematic, strategic and fundamental conclusions regarding US equities with a focus on premiere fundamental "brands" that we believe should represent "core" equity holdings for US investors. The Portfolio is actively traded portfolio reflecting our current US Strategy opinions regarding the S&P 500, sectors, industries and investment styles. See our monthly report US Strategy Portfolios for more details.

Ticker	Company	Price	BMO Rating
AA	Alcoa Corp.	$20.37	OP
AAPL	Apple Inc.	$263.19	NR
ADBE	Adobe Inc.	$300.10	OP
AMG	Affiliated Managers Group, Inc.	$84.00	NR
AMZN	Amazon.com, Inc.	$1,745.53	OP
ATVI	Activision Blizzard, Inc.	$54.09	OP
BA	Boeing Company	$370.91	NR
BAC	Bank of America Corp	$32.69	OP
BRK.B	Berkshire Hathaway Inc. Class B	$217.48	NR
CAT	Caterpillar Inc.	$141.52	OP
CMCSA	Comcast Corporation Class A	$44.22	NR
COST	Costco Wholesale Corporation	$300.57	OP
CRM	salesforce.com, inc.	$164.20	OP
CSCO	Cisco Systems, Inc.	$45.08	NR
CVX	Chevron Corporation	$117.34	OP
DAL	Delta Air Lines, Inc.	$55.67	NR
DIS	Walt Disney Company	$146.93	OP
DLR	Digital Realty Trust, Inc.	$121.34	Mkt
DNKN	Dunkin' Brands Group, Inc.	$75.84	Mkt
ECL	Ecolab Inc.	$186.22	Mkt
ETR	Entergy Corporation	$117.06	NR
FB	Facebook, Inc. Class A	$197.51	Mkt
FRC	First Republic Bank	$108.62	Mkt
GILD	Gilead Sciences, Inc.	$64.88	OP
GOOGL	Alphabet Inc. Class A	$1,301.86	Mkt
GS	Goldman Sachs Group, Inc.	$217.91	Mkt
INTC	Intel Corporation	$57.90	Mkt
JNJ	Johnson & Johnson	$135.94	NR
LMT	Lockheed Martin Corporation	$392.70	NR
LOW	Lowe's Companies, Inc.	$117.83	NR
LULU	Lululemon Athletica Inc	$217.04	NR
MAR	Marriott International, Inc. Class A	$132.71	Mkt
MDT	Medtronic Plc	$111.79	NR
MS	Morgan Stanley	$49.10	OP
MSFT	Microsoft Corporation	$149.62	OP
NFLX	Netflix, Inc.	$305.16	OP
OKE	ONEOK, Inc.	$70.79	OP
PEP	PepsiCo, Inc.	$133.74	Mkt
PFE	Pfizer Inc.	$37.05	NR
PNC	PNC Financial Services Group, Inc.	$151.78	Mkt
PYPL	PayPal Holdings Inc	$104.09	OP
SLB	Schlumberger NV	$36.14	Mkt
SPG	Simon Property Group, Inc.	$148.23	OP
T	AT&T Inc.	$37.18	NR
TJX	TJX Companies Inc	$59.32	NR
TMO	Thermo Fisher Scientific Inc.	$307.33	NR
TROW	T. Rowe Price Group	$120.93	Mkt
UNH	UnitedHealth Group Incorporated	$275.56	Mkt
UNP	Union Pacific Corporation*	$174.09	OP
V	Visa Inc. Class A	$181.66	OP
WM	Waste Management, Inc.	$112.57	OP
XOM	Exxon Mobil Corporation	$68.03	Mkt

Source: BMO Capital Markets Investment Strategy. Prices as of 11/20/2019 closing price

*These stocks are covered by BMO Nesbitt Burns, Inc. **These stocks are covered by BMO Capital Markets Limited; all others covered by BMO Capital Markets Corp.

***Rating Key, according to BMO Capital Markets Equity Research: OP: Outperform, Mkt: Market Perform, Und: Underperform, NR: Not rated by BMO Capital Markets Equity Research.

Exhibit 116: US Dividend Growth Portfolio

The portfolio is an actively traded model designed to encapsulate our dividend growth methodologies, with a particular focus on companies that offer attractive and quantifiable income and dividend growth characteristics. Decision-making inputs: U.S. publicly traded companies that pay a dividend and that are actively listed within the S&P 500. 60%-70% of portfolio made up of core dividend names, 10-30% tactical weighting in high yield focus names, and 10-30% tactical weighting in dividend growth names. See our monthly report US Strategy Portfolios for more details.

Ticker	Company	Price	BMO Rating
CMCSA	Comcast Corporation Class A	$44.22	NR
T	AT&T Inc.	$37.18	NR
VZ	Verizon Communications Inc.	$59.48	NR
LOW	Lowe's Companies, Inc.	$117.83	NR
TGT	Target Corporation	$126.43	Mkt
MO	Altria Group Inc	$48.45	NR
PEP	PepsiCo, Inc.	$133.74	Mkt
CVX	Chevron Corporation	$117.34	OP
XOM	Exxon Mobil Corporation	$68.03	Mkt
AMP	Ameriprise Financial, Inc.	$158.38	NR
BAC	Bank of America Corp	$32.69	OP
BLK	BlackRock, Inc.	$488.81	Mkt
C	Citigroup Inc.	$73.91	OP
GS	Goldman Sachs Group, Inc.	$217.91	Mkt
MET	MetLife, Inc.	$48.94	NR
MS	Morgan Stanley	$49.10	OP
PNC	PNC Financial Services Group, Inc.	$151.78	Mkt
PRU	Prudential Financial, Inc.	$93.12	NR
STT	State Street Corporation	$73.01	NR
TRV	Travelers Companies, Inc.	$135.43	NR
USB	U.S. Bancorp	$59.11	NR
AMGN	Amgen Inc.	$225.51	OP
GILD	Gilead Sciences, Inc.	$64.88	OP
JNJ	Johnson & Johnson	$135.94	NR
MDT	Medtronic Plc	$111.79	NR
MRK	Merck & Co., Inc.	$85.27	NR
PFE	Pfizer Inc.	$37.05	NR
UNH	UnitedHealth Group Incorporated	$275.56	Mkt
BA	Boeing Company	$370.91	NR
DAL	Delta Air Lines, Inc.	$55.67	NR
ETN	Eaton Corp. Plc	$89.82	NR
LMT	Lockheed Martin Corporation	$392.70	NR
NOC	Northrop Grumman Corporation	$353.00	NR
WM	Waste Management, Inc.	$112.57	OP
AAPL	Apple Inc.	$263.19	NR
CSCO	Cisco Systems, Inc.	$45.08	NR
IBM	International Business Machines Corporation	$133.20	Mkt
INTC	Intel Corporation	$57.90	Mkt
MSFT	Microsoft Corporation	$149.62	OP
TXN	Texas Instruments Incorporated	$116.23	OP
EMN	Eastman Chemical Company	$76.87	NR
IP	International Paper Company	$45.24	Mkt
SPG	Simon Property Group, Inc.	$148.23	OP

Source: BMO Capital Markets Investment Strategy. Prices as of 11/20/2019 closing price

*These stocks are covered by BMO Nesbitt Burns, Inc. **These stocks are covered by BMO Capital Markets Limited; all others covered by BMO Capital Markets Corp.

***Rating Key, according to BMO Capital Markets Equity Research: OP: Outperform, Mkt: Market Perform, Und: Underperform, NR: Not rated by BMO Capital Markets Equity Research.

Exhibit 117: Canadian Anything but the Big 3 Portfolio

This model portfolio provides our Investment Strategy view of the best positioned companies over the next 12-24 months within the "Other 8, Non-Big 3" sectors within Canada. See our monthly report Canadian Chartbook for more details.

Ticker	Company	Price	BMO Rating
AC	Air Canada	$49.75	R
AQN	Algonquin Power & Utilities Corp.	$18.42	OP
ATD.B	Alimentation Couche-Tard Inc. Class B	$41.75	Mkt
ATZ	Aritzia, Inc.	$18.49	OP
BAD	Badger Daylighting Ltd.	$35.30	OP
BCE	BCE Inc.	$63.92	OP
BIP.UN	Brookfield Infrastructure Partners L.P.	$70.15	OP
BLX	Boralex Inc. Class A	$24.10	OP
BYD.UN	Boyd Group Income Fund	$197.64	OP
CAE	CAE Inc.	$35.51	Mkt
CNR	Canadian National Railway Company	$120.45	OP
CP	Canadian Pacific Railway Limited	$314.73	OP
CSH.UN	Chartwell Retirement Residences	$14.40	OP
CSU	Constellation Software Inc.	$1,376.01	OP
CTC.A	Canadian Tire Corporation, Limited Class A	$155.44	Mkt
DOL	Dollarama Inc.	$47.54	Mkt
DOO	BRP, Inc.*	$62.11	OP
FTT	Finning International Inc.	$24.37	Mkt
GIB.A	CGI Inc. Class A	$108.78	OP
GOOS	Canada Goose Holdings, Inc.	$45.79	NR
HR.UN	H&R Real Estate Investment Trust	$21.48	OP
IIP.UN	InterRent Real Estate Investment Trust	$16.26	OP
KXS	Kinaxis, Inc.	$105.12	OP
L	Loblaw Companies Limited	$70.47	OP
LNR	Linamar Corporation	$43.44	Mkt
LSPD	Lightspeed POS, Inc.	$30.60	OP
MG	Magna International Inc.	$72.25	Mkt
MRU	Metro Inc.	$55.98	OP
OTEX	Open Text Corporation	$57.48	OP
PBH	Premium Brands Holdings Corporation	$84.42	OP
QBR.B	Quebecor Inc. Class B	$33.59	OP
QSR	Restaurant Brands International Inc.	$87.78	OP
RCI.B	Rogers Communications Inc. Class B	$63.24	OP
REI.UN	RioCan Real Estate Investment Trust	$26.78	OP
SAP	Saputo Inc.	$39.85	Mkt
SHOP	Shopify, Inc. Class A	$421.76	NR
SJR.B	Shaw Communications Inc. Class B	$27.13	Mkt
STN	Stantec Inc.	$34.76	OP
T	TELUS Corporation	$50.12	Mkt
TIH	Toromont Industries Ltd.	$68.80	OP
WCN	Waste Connections, Inc.*^	$119.62	OP

Source: BMO Capital Markets Investment Strategy. Prices as of 11/20/2019 closing price | BMO Capital Markets is Restricted on Air Canada

*These stocks are covered by BMO Capital Markets Corp **These stocks are covered by BMO Capital Markets Limited; all others covered by BMO Nesbitt Burns, Inc. *^These stocks are co-covered by BMO Capital Markets Corp. and BMO Nesbitt Burns Inc.

***Rating Key, according to BMO Capital Markets Equity Research: OP: Outperform, Mkt: Market Perform, Und: Underperform, R: Restricted, NR: Not rated by BMO Capital Markets Equity Research.

IMPORTANT DISCLOSURES

Analyst's Certification

I, Brian G. Belski, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities or issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Analysts who prepared this report are compensated based upon (among other factors) the overall profitability of BMO Capital Markets and their affiliates, which includes the overall profitability of investment banking services. Compensation for research is based on effectiveness in generating new ideas and in communication of ideas to clients, performance of recommendations, accuracy of earnings estimates, and service to clients.

Analysts employed by BMO Nesbitt Burns Inc. and/or BMO Capital Markets Limited are not registered as research analysts with FINRA. These analysts may not be associated persons of BMO Capital Markets Corp. and therefore may not be subject to the FINRA Rule 2241 and 2242 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

Company Specific Disclosures

For Important Disclosures on the stocks discussed in this report, please go to https://researchglobal0.bmocapitalmarkets.com/public-disclosure/.

Distribution of Ratings (November 20, 2019)

Rating category	BMO rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	StarMine Universe~
Buy	Outperform	46.3 %	23.1 %	55.3 %	48.3 %	58.4 %	57.7%
Hold	Market Perform	49.5 %	16.7 %	42.7 %	48.3 %	40.9 %	37.5%
Sell	Underperform	4.1 %	9.1 %	1.9 %	3.2 %	0.8 %	4.8%

* 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.

**** Reflects rating distribution of all companies covered by BMO Capital Markets equity research analysts.

***** Reflects rating distribution of all companies from which BMO Capital Markets has received compensation for Investment Banking services as percentage of Investment Banking clients.

~ As of April 1, 2019.

Ratings Key (as of October 2016)

We use the following ratings system definitions:
OP = Outperform - Forecast to outperform the analyst’s coverage universe on a total return basis;
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;
Spd = Suspended - Coverage and rating suspended until coverage is reinstated;
NR = No Rated - No rating at this time; and
R = Restricted - Dissemination of research is currently restricted.

BMO Capital Markets' seven Top 15 lists guide investors to our best ideas according to different objectives (CDN Large Cap, CDN Small Cap, US Large Cap, US Small Cap, Income, CDN Quant, and US Quant have replaced the Top Pick rating).

Prior BMO Capital Markets Rating System

(April 2013 - October 2016)
http://researchglobal.bmocapitalmarkets.com/documents/2013/rating_key_2013_to_2016.pdf

(January 2010 - April 2013)
http://researchglobal.bmocapitalmarkets.com/documents/2013/prior_rating_system.pdf

Other Important Disclosures

For Important Disclosures on the stocks discussed in this report, please go to https://researchglobal0.bmocapitalmarkets.com/public-disclosure/ or write to Editorial Department, BMO Capital Markets, 3 Times Square, New York, NY 10036 or Editorial Department, BMO Capital Markets, 1 First Canadian Place, Toronto, Ontario, M5X 1H3.

Dissemination of Research

Dissemination of BMO Capital Markets Equity Research is available via our website https://researchglobal0.bmocapitalmarkets.com/ Institutional clients may also receive our research via Thomson Reuters, Bloomberg, FactSet, and Capital IQ. Research reports and other commentary are required to be simultaneously disseminated internally and externally to our clients. Research coverage of licensed cannabis producers and other cannabis-related companies is made available only to eligible approved North American, Australian, and EU-based BMO Nesbitt Burns Inc., BMO Capital Markets Limited, and BMO Capital Markets Corp. clients via email, our website and select third party platforms.

~ Research distribution and approval times are provided on the cover of each report. Times are approximations as system and distribution processes are not exact and can vary based on the sender and recipients' services. Unless otherwise noted, times are Eastern Standard and when two times are provided, the approval time precedes the distribution time.

BMO Capital Markets may use proprietary models in the preparation of reports. Material information about such models may be obtained by contacting the research analyst directly. There is no planned frequency of updates to this report.

For recommendations disseminated during the preceding 12-month period, please visit: https://researchglobal0.bmocapitalmarkets.com/public-disclosure/.

General Disclaimer

"BMO Capital Markets" is a trade name used by the BMO Investment Banking Group, which includes the wholesale arm of Bank of Montreal and its subsidiaries BMO Nesbitt Burns Inc., BMO Capital Markets Limited in the U.K., Bank of Montreal Europe Plc in Ireland and BMO Capital Markets Corp. in the U.S. BMO Nesbitt Burns Inc., BMO Capital Markets Limited, Bank of Montreal Europe Plc and BMO Capital Markets Corp are affiliates. Bank of Montreal or its subsidiaries ("BMO Financial Group") has lending arrangements with, or provide other remunerated services to, many issuers covered by BMO Capital Markets. The opinions, estimates and projections contained in this report are those of BMO Capital Markets as of the date of this report and are subject to change without notice. BMO Capital Markets endeavours to ensure that the contents have been compiled or derived from sources that we believe are reliable and contain information and opinions that are accurate and complete. However, BMO Capital Markets makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions contained herein and accepts no liability whatsoever for any loss arising from any use of, or reliance on, this report or its contents. Information may be available to BMO Capital Markets or its affiliates that is not reflected in this report. The information in this report is not intended to be used as the primary basis of investment decisions, and because of individual client objectives, should not be construed as advice designed to meet the particular investment needs of any investor. Nothing herein constitutes any investment, legal, tax or other advice nor is it to be relied on in any investment or decision. If you are in doubt about any of the contents of this document, the reader should obtain independent professional advice. This material is for information purposes only and is not an offer to sell or the solicitation of an offer to buy any security. BMO Capital Markets or its affiliates will buy from or sell to customers the securities of issuers mentioned in this report on a principal basis. BMO Capital Markets or its affiliates, officers, directors or employees have a long or short position in many of the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon. The reader should assume that BMO Capital Markets or its affiliates may have a conflict of interest and should not rely solely on this report in evaluating whether or not to buy or sell securities of issuers discussed herein.

Additional Matters

This report is directed only at entities or persons in jurisdictions or countries where access to and use of the information is not contrary to local laws or regulations. Its contents have not been reviewed by any regulatory authority. BMO Capital Markets does not represent that this report may be lawfully distributed or that any financial products may be lawfully offered or dealt with, in compliance with regulatory requirements in other jurisdictions, or pursuant to an exemption available thereunder.

To Australian residents: BMO Capital Markets Limited is exempt from the requirement to hold an Australian financial services licence under the Corporations Act and is regulated by the UK Financial Conduct Authority under UK laws, which differ from Australian laws. This document is only intended for wholesale clients (as defined in the Corporations Act 2001) and Eligible Counterparties or Professional Clients (as defined in Annex II to MiFID II).

To Canadian Residents: BMO Nesbitt Burns Inc. furnishes this report to Canadian residents and accepts responsibility for the contents herein subject to the terms set out above. Any Canadian person wishing to effect transactions in any of the securities included in this report should do so through BMO Nesbitt Burns Inc.

The following applies if this research was prepared in whole or in part by Colin Hamilton, Alexander Pearce, David Round or Edward Sterck: This research is not prepared subject to Canadian disclosure requirements. This research is prepared by BMO Capital Markets Limited and distributed by BMO Capital Markets Limited or Bank of Montreal Europe Plc and is subject to the regulations of the Financial Conduct Authority (FCA) in the United Kingdom and the Central Bank of Ireland (CBI) in Ireland. FCA and CBI regulations require that a firm providing research disclose its ownership interest in the issuer that is the subject of the research if it and its affiliates own 5% or more of the equity of the issuer. Canadian regulations require that a firm providing research disclose its ownership interest in the issuer that is the subject of the research if it and its affiliates own 1% or more of the equity of the issuer that is the subject of the research. Therefore each of BMO Capital Markets Limited and Bank of Montreal Europe Plc will disclose its and its affiliates' ownership interest in the subject issuer only if such ownership exceeds 5% of the equity of the issuer.

To E.U. Residents: In an E.U. Member State this document is issued and distributed by Bank of Montreal Europe plc which is authorised and regulated in Ireland and operates in the E.U. on a passported basis. This document is only intended for Eligible Counterparties or Professional Clients, as defined in Annex II to “Markets in Financial Instruments Directive” 2014/65/EU (“MiFID II”).

Singapore: This disclaimer applies to research reports distributed by the Private Banking unit of Bank of Montreal, Singapore Branch ("BMO SG"), an exempt financial adviser under the Financial Advisers Act (Cap. 110) of Singapore ("FAA") only. This research report is prepared by BMO Capital Markets and distributed by BMO SG pursuant to an arrangement under regulation 32C of the Financial Advisers Regulations of Singapore. This research report is distributed by BMO SG solely to persons who qualify as accredited investors as defined in the FAA only, and is not intended for and may not be circulated to the general public. This report and any information contained in this report shall not be disclosed to any other person. If you are not an accredited investor, please disregard this report. BMO SG does not accept legal responsibility for the contents of the report. Recipients should contact BMO SG at 65-6535 2323 for matters arising from, or in connection with the report.

To U.S. Residents: BMO Capital Markets Corp. furnishes this report to U.S. residents and accepts responsibility for the contents herein, except to the extent that it refers to securities of Bank of Montreal. Any U.S. person wishing to effect transactions in any security discussed herein should do so through BMO Capital Markets Corp.

To U.K. Residents: In the UK this document is published by BMO Capital Markets Limited which is authorised and regulated by the Financial Conduct Authority. The contents hereof are intended solely for the use of, and may only be issued or passed on to, (I) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (II) high net worth entities falling within Article 49(2)(a) to (d) of the Order (all such persons together referred to as "relevant persons"). The contents hereof are not intended for the use of and may not be issued or passed on to retail clients.

To Israeli residents: BMO Capital Markets is not licensed under the Israeli Law for the Regulation of Investment Advice, Investment Marketing and Portfolio Management of 1995 (the "Advice Law") nor does it carry insurance as required thereunder. This document is to be distributed solely to persons that are qualified clients (as defined under the Advice Law) and qualified investors under the Israeli Securities Law of 1968. This document represents the analysis of the analyst but there is no assurance that any assumption or estimation will materialize.

These documents are provided to you on the express understanding that they must be held in complete confidence and not republished, retransmitted, distributed, disclosed, or otherwise made available, in whole or in part, directly or indirectly, in hard or soft copy, through any means, to any person, except with the prior written consent of BMO Capital Markets.

Click here for data vendor disclosures when referenced within a BMO Capital Markets research document.

BMO Capital Markets

Equity Research Analysts

Director of Canadian Equity Research
Bert Powell, CFA 416-359-5301

Associate Director – Canada
Hari Sambasivam 416-359-8357

Director of US Equity Research
Carl Kirst, CFA 212-885-4113

Associate Director – US
Todd J. Jonasz 212-885-4051

ENERGY

Oil & Gas – Integrateds	
Randy Ollenberger	403-515-1502
Daniel Boyd, CFA	713-547-0812
Oil & Gas – E&P	
Phillip Jungwirth, CFA	303-436-1127
Ray Kwan, P.Eng.	403-515-1501
Mike Murphy, P.Geol.	403-515-1540
David Round, ACA	+44 (0)20 7664 8052
Oil & Gas – Oilfield Services	
Daniel Boyd, CFA	713-547-0812
Mike Mazar, CA, CFA	403-515-1538
Oil & Gas – Market Specialist	
Jared Dziuba, CFA	403-515-3672

MATERIALS

Commodity Strategy	
Colin Hamilton	+44 (0)20 7664 8172
Base Metals & Mining	
David Gagliano, CFA	212-885-4013
Alexander Pearce	+44 (0)20 7246 5435
Jackie Przybylowski, P.Eng., CFA	416-359-6388
Edward Sterck	+44 (0)20 7246 5421
Precious Metals & Minerals	
Andrew Kaip, P. Geo.	416-359-7224
Andrew Mikitchook, P.Eng., CFA	416-359-5782
Brian Quast, P. Eng., JD	416-359-6824
Ryan Thompson, CFA	416-359-6814
Fertilizers & Chemicals	
Joel Jackson, P.Eng., CFA	416-359-4250
US Chemicals	
John McNulty, CFA	212-885-4031
Packaging & Forest Products	
Mark Wilde, Ph.D.	212-883-5102
Ketan Mamtora	212-883-5121

INDUSTRIALS

Transportation & Aerospace	
Fadi Chamoun, CFA	416-359-6775
Diversified Industrials	
Devin Dodge, CFA	416-359-6774
Machinery	
Joel Tiss	212-883-5112
Business Services & Industrial Services	
Jeffrey M. Silber	212-885-4063

CONSUMER DISCRETIONARY

Retailing/Consumer	
Peter Sklar, CPA, CA	416-359-5188
Cannabis	
Tamy Chen, CFA	416-359-5501
Peter Sklar, CPA, CA	416-359-5188
Restaurants	
Andrew Strelzik	212-885-4015
Toys & Leisure	
Gerrick L. Johnson	212-883-5192
Auto Parts	
Peter Sklar, CPA, CA	416-359-5188
Education	
Jeffrey M. Silber	212-885-4063
Special Situations	
Stephen MacLeod, CFA	416-359-8069
Jonathan Lamers, CFA	416-359-5253

CONSUMER STAPLES

Food Retail	
Kelly Bania	212-885-4162
Food & Ag Products	
Kenneth B. Zaslow, CFA	212-885-4017
Food & Beverage	
Amit Sharma, CFA	212-885-4132

HEALTHCARE

Biotechnology	
George Farmer	212-885-4016
Do Kim	212-885-4091
Matthew Luchini	212-885-4119
Managed Care/Facilities	
Matthew Borsch, CFA	212-885-4094
Pharmaceuticals	
Gary Nachman	212-883-5113

FINANCIALS

Canadian Banks & Asset Managers	
Sohrab Movahedi	416-359-7157
US Large Cap Banks & Specialty Finance	
James Fotheringham	212-885-4180
US Banks	
Lana Chan	212-885-4109
Insurance/Diversified Financials (Canada)	
Tom MacKinnon, FSA, FCIA	416-359-4629
Diversified Financials (Canada)	
Nik Priebe, CFA	416-359-4293

REAL ESTATE

REITs (Canada)	
Jenny Ma, CFA	416-359-4955
Troy MacLean, CFA	416-359-8366
REITs (US)	
John P. Kim	212-885-4115
Ari Klein	212-885-4103
R. Jeremy Metz	212-885-4053

INFORMATION TECHNOLOGY

IT Services & Software	
Keith Bachman, CFA	212-885-4010
Information Technology	
Thanos Moschopoulos, CFA	416-359-5428
Semiconductors	
Ambrish Srivastava, Ph.D.	415-591-2116
Telecom/Media/Cable	
Tim Casey, CFA	416-359-4860
Internet and Media	
Daniel Salmon	212-885-4029

UTILITIES

Electric Utilities & Independent Power	
Ben Pham, CFA	416-359-4061
US Pipelines & MLPs	
Danilo Juvane, CFA	713-518-1267

MACRO

Investment Strategy	
Brian G. Belski	212-885-4151
	416-359-5761
Economics	
Douglas Porter, CFA	416-359-4887
Michael Gregory, CFA	312-845-5025
	416-359-4747
Earl Sweet	416-359-4407
Quantitative/Technical	
Mark Steele	416-359-4641
Jin Li	416-359-7689
Herbert Sun	416-359-6704
Exchange Traded Funds	
Jin Li	416-359-7689

SPECIAL PROJECTS

Special Projects	
Kimberly Berman	416-359-5611
Brandon Cheatham	212-885-4072
Gaurav Mathur	416-359-7072

BMO CAPITAL MARKETS
INVESTMENT STRATEGY: 2020 MARKET OUTLOOK

ABOUT BMO CAPITAL MARKETS

BMO Capital Markets is a leading, full-service North American-based financial services provider offering corporate, institutional and government clients access to a complete range of products and services. These include equity and debt underwriting, corporate lending and project financing, merger and acquisitions advisory services, securitization, treasury management, market risk management, debt and equity research and institutional sales and trading. With over 2,700 professionals in 33 locations around the world, including 19 offices in North America, BMO Capital Markets works proactively with clients to provide innovative and integrated financial solutions.

BMO Capital Markets is a member of BMO Financial Group (NYSE, TSX: BMO), one of the largest diversified financial services providers in North America with US$636 billion total assets and over 46,000 employees as at July 31, 2019. For more information, visit www.bmocm.com/.

www.bmocm.com

BMO Capital Markets