

EQUITY IN A



Ignore dividend at your peril !

"Dividends represent 80% of equity returns worldwide". This statement comes from a report conducted by economists Elroy Dimson, Paul Marsh and Mike Staunton in 2009. They computed data from worldwide listed companies over a period of more than a century, from 1900 to 2009. This study highlighted an evidence: long-term investors can not ignore dividends when investing in equities. Weak interest rates periods awake investors' interest for such investment themes. While we fully understand the attractiveness of high-yield stocks, we recommend to have a careful approach to the dividend generation specifically. Indeed, the investor should take his time in answering to three key questions about dividend yield: Where does the high dividend yield come from? What is the risk on the dividend forecast? Is a high dividend always positive for long-term investment?

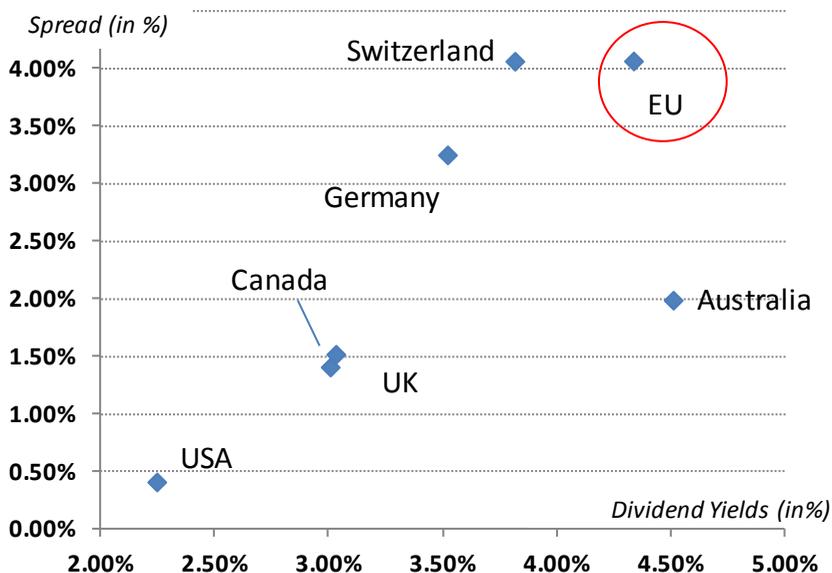
What is a dividend?

A dividend is usually a cash payment from a company's earnings to its shareholders. The ability to perceive this fraction of profit is part of the rights in possession of any shareholder which include: ownership in a portion of the company ; voting right on major issues which is a mean to participate in management decisions ; a pre-emption right which protects and gives the stockholder the ability to participate in capital increases and last but not least, an entitlement to dividends.

From another angle, dividends are the main way for investors to immediately profit from ownership of stocks without selling them. The board of a company defines the dividend policy and discloses it once a year when releasing its resolutions after the annual ordinary meeting.

The payment of the dividend can be once a year but it can also be fragmented in several payments, the most frequent being on a quarterly basis. Indeed, a firm can decide to decrease the amount of dividends, can interrupt the payment of them or can choose to pay them via equity rather than via cash. We detail below the four forms of dividends .

Yield Spread: Equity Market vs. Government Bond



Sources: SGPB, Factset.
Data as of Feb-2017.

A context for dividend strategy

Figure 1 demonstrates how attractive it can currently be to invest in companies that are paying dividends. As shown, the Euro area 10-year Government bond is currently returning a yield of 0.27% while the equity market dividend yield stands at 4.3%.

We remind that a dividend yield is the dividend per share divided by the share price of the company, expressed in percentage.

The 4.03% spread (or difference) between these yields is the highest in developed markets and shows that investing in equities is much more profitable than investing in Euro-zone debt, that is, if we assume stability in equity prices and dividends.

However, both fluctuate in practice, and thus it is highly important to understand three key factors when making investments in companies paying high dividend. These three factors are:

#1: Where do high dividend yields come from?

Before investing in a stock offering an attractive dividend yield, we need to examine whether this stems from a forecast or from a recent drop in the stock's share price. The former reflects solid fundamentals, and barring forecasting risks, it depicts the company's confidence in its cash-flow generation.

If the high yield is the result of a share price drop, one must assess the rationale for this move in share price. If there is no obvious reason, investors can make a gain both on dividend and on the invested capital. But if the drop in share price reflects factual elements, then investors must remain cautious.

#2: What are the risks regarding dividend payment?

Statistics studies were multiple to put into question consensus earnings forecasts accuracy. These studies also questioned the accuracy of dividend estimates which are key in selecting "high dividend yield" stocks.

A basic way to limit the risk is surely to select shares with low cyclicalities, with predictable earnings and cash-flow generation. We would then avoid investing in highly cyclical companies, based on the nature of their business or by the volatility of their past dividends.

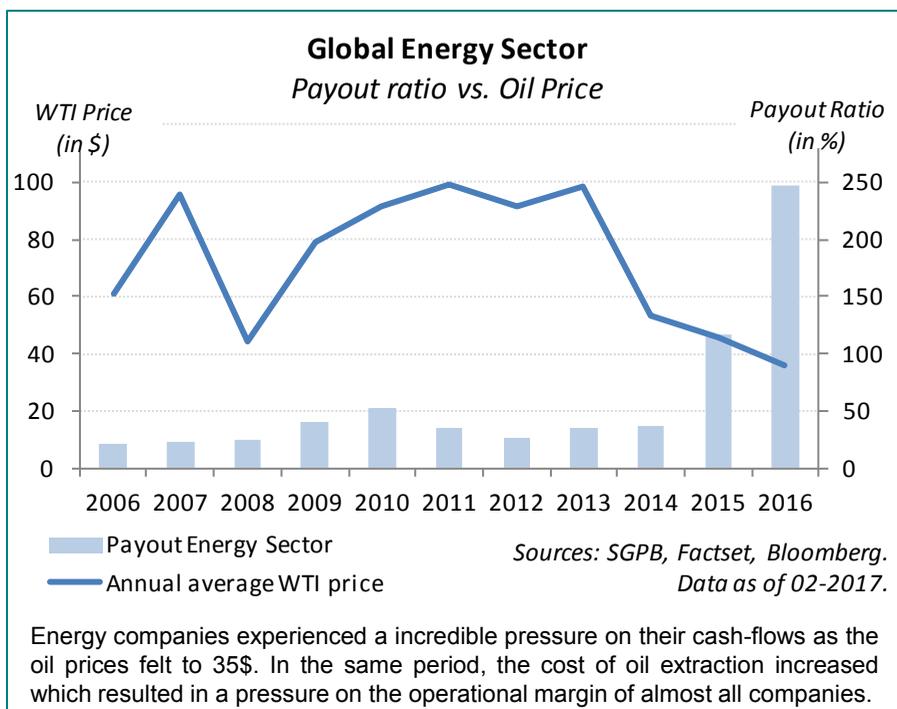
Another way to assess risk is through a company's dividend payout ratio.

Payout ratio is the proportion of earnings a company pays out as dividends to shareholders, typically expressed as a percentage. It can be also measured against cash flows.

Dividend payout ratio helps to determine the sustainability of dividend level in the long run. For instance, when the oil price collapsed in 2016 from 70\$ to 30\$, damaging the cash flow of global Oil and Gas companies, dividend cuts were to be expected. Indeed, payout ratios increased above 100% in 2016 meaning that some of these companies paid out more money than what they actually earned. Such level is rarely sustainable and warned accurately investors.

#3: Is high dividend always positive for long-term investments?

A dividend yield implies basically the payment of earnings to shareholders. Generally favoured by investors (more



particularly short-term investors), companies' cash out limits the available cash at yearend. Hence, some generous distribution policies can actually reduce a company's financial headroom for growth, either externally through acquisitions, or internally, through self-help strategies.

Furthermore, a generous dividend distribution policy reflects either a surplus of cash either a lack of operating investment opportunities to use the cash.

Long-term investors thus need to compare global dividend with the cash generated during the year.

Four forms of dividend:

A profitable and mature company may use the most common form of dividend to return part of its wealth to shareholders, namely the **Cash Dividend**. In some cases, when investments funding and/or business cycle hit the cash flow of the company, the board can decide to give a **Scrip Dividend**. That form usually offers the shareholders an opportunity to choose between a payment in cash or shares. Following our example, many firms from the Energy sector decided to pay **Stock Dividends** (without option) when they were in loss situation. These new shares are then issued and returned to the shareholders. A part from these 3 commonly used forms of dividend payments, corporate can also decide to issue **Property Dividends**. Property can revert the distribution of any asset from the company itself.

About Share Buyback:

It is now clear that dividends are an easy means for corporates to remunerate their shareholders. Is it the only way? The answer is no as firms can also decide to buy back their own shares in order to cancel them. This action results immediately in an accretion as the company's asset value is now contained in fewer shares. For more information on share buyback, we would recommend our readers to read the [Equity in a Nutshell #15](#) on that topic.

Tips

The "smart" investor should look beyond the dividend yield and analyse the components of the ratio. Defensive stocks should be favoured as they present a lower dividend forecasting risk. The long-term investor should also assess if the company has the ability to generate growth despite offering a generous dividend policy.

Think in Total Shareholder Return!

On the equity capital market, investors usually appreciate the performance of their holdings in computing only the capital gain returned by their holdings. Although this profit is key, paid-dividends have to be taken into account. The sum of the capital gain plus the dividends received generates a Total Shareholder Return. This gives a more precise picture of the return of any equity investment globally.

BUILDING TEAM SPIRIT TOGETHER

Contact Details



Jérôme Matt

Head of Equity Solutions, Paris
jerome.matt@socgen.com



Mathieu Balleron, CAIA

Equity Expert, Paris
mathieu.balleron@socgen.com



Danny Van Quaethem

Local Head of Equity Solutions, Belgium
danny.vanquaethem@sgpriv.be



Kristof De Graeve

Equity Expert, Belgium
kristof.degraeve@sgpriv.be



Shishir Malik

Local Head of Equity Solutions, India
shishir.malik@socgen.com

Rating System

Investment Rating Definitions:

Buy	Stock that is expected to outperform its MSCI sector index over a 12-month investment horizon.
Neutral	Stock that is expected to perform in line with its MSCI sector index over a 12-month investment horizon.
Sell	Stock that is expected to underperform its MSCI sector index over a 12-month investment horizon.
Restricted	Covered stock that is not rated or assigned a target price as the Societe Generale group has a capital market transaction with that company.

Product Risk Rating

The product category of single equity, stock, share is rated at '4'.

In order to draw the attention of potential investors to the risk linked to each investment solution, Societe Generale Private Banking has ranked each product according to its own specific risk scale from the lowest risk (class 0) to the highest risk (class 4). The risk classification is a Societe Generale Private Banking internal risk indicator. These internal indicators are based on the Value at Risk 95% 1 year (VaR). The VaR corresponds to the maximum amount that the portfolio being considered could lose in normal market conditions over a given period with a given probability (past performances and simulations of performance shall not be considered as a reliable indicator of future performance). If the VaR 95% 1 year is y%, this means that there is a 95% probability that the portfolio will not lose more than y% of its value in one year.

Risk Levels

Losses

0 - Lowest Risk	There is a 95% probability that the product will not depreciate in value in one year.
1 - Low Risk	There is a 95% probability that the product will not lose more than 5% of its value in one year.
2 - Medium Risk	There is a 95% probability that the product will not lose more than 15% of its value in one year.
3 - High Risk	There is a 95% probability that the product will not lose more than 30% of its value in one year.
4 - Highest Risk	There is a minimum of 5% probability that the product will lose more than 30% of its value in one year.

MSCI Disclaimer

The MSCI sourced information is the exclusive property of Morgan Stanley Capital International Inc. (MSCI). Without prior written permission of MSCI, this information and any other MSCI intellectual property may not be reproduced, disseminated or used to create any financial products, including any indices. This information is provided on an "as is" basis. The user assumes the entire risk of any use made of this information. MSCI, its affiliates and any third party involved in, or related to, computing or compiling the information hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of this information. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. MSCI, Morgan Stanley Capital International and the MSCI indexes are services marks of MSCI and its affiliates.

Glossary (1/2)

Societe Generale Private Banking Investment Universe

Societe Generale Private Banking defines and maintains an investment universe, aiming at ensuring the liquidity and the meaningful coverage of companies subject to potential investments. This investment universe complies with rules defined as follows:

- **Issuers are constituents of MSCI indices:** The constituents of the indices retained cover developed and emerging countries with increased precision (average market capitalisation) for Germany, Belgium, France, the UK and Switzerland.
- **Market Capitalisation:** To avoid the inclusion of securities whose market capitalisation could be too low in light of the potential investments by clients and/or managers, only securities whose market capitalisation is greater than €500 mn have been chosen.
- **Liquidity:** To ensure minimum liquidity for investments, only securities with a six-month average daily trading volume greater than EUR 300,000 are selected.
- **Reliable Financial Information:** Only securities tracked by at least three sell side financial analysts are included in the universe.
- **Social and Environmental Responsibility Policy of SG Group:** Societe Generale has defined a framework for Social and Environmental Responsibility. This framework sets out restrictions on listed securities identified by SG Group and deleted from the universe.

Societe Generale Private Banking Recommended Universe

The Recommended Universe is made of companies from the Investment Universe as defined by Societe Generale Private Banking guidelines. Members are chosen by Equity Solutions. There are no lower nor upper limits on the number of stocks in the Recommended Universe. There is no specific constraint in term of geographical or industry representation. A company from the recommended universe can be subject to a rating change, as decided by the Equity Solutions expert covering the company. When a stock is downgraded to a Sell rating, it is still followed for at least 3-month, after which Equity Solutions issues a coverage termination alert.

Financial Terms and Acronyms

ADR (American Depositary Receipt): is a negotiable certificate issued by a US bank representing a specified number of shares in a foreign stock that is traded on a US exchange. ADRs are denominated in US dollars, with the underlying security held by a US financial institution overseas.

BACKLOG: often refers to a company's sales orders waiting to be fulfilled. Even if it provides the revenue visibility, the companies usually try to avoid to have an extensive backlog because that creates the risk of unmet demand and thus can have negative impact on future earnings

BENCHMARK: is, generally, a broad market, market-segment stock or bond index that is used as a reference to evaluate the performance of a security, mutual fund or investment manager.

BV (Book Value): is the total value of net assets of a company. It consists of the firm's fixed assets plus its current assets, minus short-term liabilities, long-term creditors and any provisions.

BV/S (Book Value Per Share): is the total value of the net assets of a company divided by the total number of outstanding shares.

C/I (Cost Income Ratio): is used for valuing banks. It shows a company's costs in relation to its income. Formula: $(\text{Operating Costs}/\text{Operating Income}) \times 100$.

CAGR (Compound Annual Growth Rate): is a term used for the geometric progression ratio that provides a constant rate of return over a specific time period.

CAPEX (Capital Expenditure): is the fund used by the company to acquire or upgrade the physical assets such as property, industrial buildings or equipment. The most capital intensive industries include oil, telecom and utilities.

CAR (Capital Adequacy Ratio): is a measure of a bank's capital. It is expressed as a percentage of a bank's risk-weighted credit exposures. Formula: $(\text{Tier One Capital} + \text{Tier Two Capital})/\text{Risk Weighted Assets}$.

CET I (Common Equity Tier I Ratio) : is a measure of the bank's common equity capital as a percentage of risk-weighted assets. It is generally compared to a defined benchmark stipulated by the regulatory authority to determine whether a bank is sufficiently capitalised.

DIVIDEND YIELD: Dividend per share or DPS (total dividend paid out divided by the total number of shares) expressed as a percentage of current stock price.

EBIT (Earnings Before Interest and Taxes): profit before taking into account interest payments and income taxes. Also referred to as operating income, it is calculated as a company's gross income minus all its operating expenses.

Financial Terms and Acronyms (contd.)

EBIT Margin: Ratio that expresses EBIT as a percentage of total sales $(\text{EBIT}/\text{Sales} \times 100)$; also referred to as operating margin.

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation): profit before taking into account interest payments, income taxes and non-cash operating expenses (depreciation and amortisation). It is calculated as a company's gross income minus its cash operating expenses only.

EM (Emerging Market) : is a country that has some characteristics of a developed market, but does not meet standards to be a developed market. This includes countries that may become developed markets in the future or were in the past.

EPS (Earnings Per Share): is the division of total net profit by the number of shares.

EV (Enterprise Value) is a measure of a company's value, often used as an alternative to straightforward market capitalisation. It is calculated as $(\text{market cap} + \text{debt} + \text{minority interest} + \text{preferred shares}) - \text{total cash} - \text{cash equivalents}$.

EV/EBITDA: compares the total value of the company to its EBITDA.

EV/SALES: compares the total value of the company to its sales.

FCF (Free Cash Flow): represents the difference between operating cash flow and capital expenditures and shows the company's ability to generate shareholder's value after laying out the money required to maintain or expand its asset base. Without enough cash, it would be difficult for a company to develop new products, make acquisitions, pay dividends and reduce debt.

FFO (Funds from Operations): measures a REIT's operating performance. It is net income plus gains (minus losses) from property sale and purchase. Non-cash expenses like depreciation and amortisation are added back because value of real estate tends to rise over time rather than depreciating like other fixed assets and investments. FFO per share is often used in place of earnings per share when analysing REITs.

FY1 (Fiscal Year One): refers to the current fiscal year.

FY2 (Fiscal Year Two): refers to the next fiscal year.

FY16E: Fiscal year 2016 estimation, **FY17E:** Fiscal year 2017 estimation

GDP (Gross Domestic Product): is the monetary value of all the finished goods and services produced within a country's borders in a specific time period.

GDR (Global Depositary Receipt): is very similar to an ADR. It is a bank certificate issued in more than one country for shares in a foreign company. The shares are held by a foreign branch of an international bank. The shares trade as domestic shares, but are offered for sale globally through the various bank branches.

GOODWILL: is an intangible asset that arises as a result of the acquisition of one company by another company for a premium value and can have as origin the value of a company's brand name, solid customer base, good customer relations, good employee relations and any patents or proprietary technology.

GROSS INCOME: gross profit calculated as a company's total sales minus its cost of goods sold (COGS) that corresponds to labour and production costs.

GROSS MARGIN: expresses gross income as a percentage of total sales $(\text{Gross Income}/\text{Sales} \times 100)$.

IPO (Initial Public Offering): is the first sale of stock by a private company to the public to expand its growth or, sometimes, repay its debt.

LIKE FOR LIKE (LFL) GROWTH: is a measure of growth in sales, adjusted for new or divested businesses. This is a widely used indicator of retailers' performance. This adjustment is important in businesses that show a significant change through expansion, disposals or closures.

LTV (Loan-To-Value Ratio): is a financial term used to express the ratio of a loan to the value of an asset purchased. The term is commonly used by financial institutions and real estate companies to represent the ratio of the loan as a percentage of the total appraised value of real property.

NAV (Net Asset Value): is similar to book value and is also called per investment unit. NAV is the marked-to-market value of the company's property investments less liabilities.

ND (Net Debt): is calculated as a company's total debt minus cash and other similar liquid assets.

NET MARGIN: is a financial ratio which measures the profitability of the net income of a company. Formula: $\text{Net Profit}/\text{Sales}$.

NI (Net Income or Bottom Line): represents a company's total earnings (or profit) which is calculated by adjusting revenues for the costs, depreciation, interest, taxes and other expenses.

OPERATING MARGIN: See definition of EBIT Margin.

Glossary (2/2)

ORGANIC GROWTH: is the growth rate that a company can achieve by increasing its output and enhancing sales, excluding any profits or growth from takeovers or M&A activities.

P/E or PER (Price Earnings Ratio): reflects the trading price of a share in relation to the expected earnings. Formula: Share Price/Earnings Per Share.

P/TBVS (Price To Tangible Book Value): expresses the share price with regard to the accounting value of the company. Formula: Share Price/Tangible Book Value Per Share.

PAYOUT RATIO: is the proportion of earnings paid out as dividends to shareholders and typically expressed as a percentage. A lower payout ratio is generally preferable to a higher payout ratio. A ratio greater than 100% indicates the company is paying out more in dividends than it makes in net income.

PMI (Purchasing Managers Index): is an indicator of the economic health of the manufacturing sector. The PMI is based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment

PROFIT WARNING: is the announcement made by the company before its earnings release indicating the investors that its earnings would not meet the analysts' expectations.

RWA (Risk Weighted Assets): is a measure of the bank's assets, weighted according to their risk. It involves the risk weighting of both on and off-balance-sheet exposures. It is generally used to calculate risk-based capital ratio which is the ratio of a bank's capital to its risk weighted assets.

REVENUE GROWTH: Illustrates the growth of sales over a given period.

ROA (Return on assets): a financial ratio that is calculated as net income divided by total assets and shows how profitable a company is relative to its total assets

ROC (Return on invested capital): a profitability ratio which is calculated as net income minus dividends divided by total invested capital.

ROE (Return On Equity): The amount of net income returned as a percentage of shareholders' equity. Return on equity measures a corporation's profitability by disclosing how much profit a company generates with the money shareholders have invested.

SHARE BUYBACK (Share Repurchase): A program by which a company buys back its own shares from the marketplace, reducing the number of outstanding shares. It usually indicates that the company's shares are undervalued and pushes the share prices up. **SHAREHOLDER'S EQUITY:** is the amount of the funds contributed by the owners (the stockholders) plus the retained earnings (or losses).

STOCK SPLIT: is a corporate action in which the company divides its existing shares into multiple shares to make shares seem more affordable for small investors without changing the underlying value of the company.

TBV (Tangible Book Value): is the book value excluding intangible assets.

TBV/S (Tangible Book Value Per Share): allows to estimate the accounting value of a company by measuring its stockholders' equity per share. Formula: Re-valued Net Assets/Total Shares of Company.

WACC (Weighted Average Cost of Capital): also referred to as the firm's cost of capital, it is the rate that a company is expected to pay on an average to all its security holders to finance its assets.

WORKING CAPITAL: is the difference between a company's current assets and current liabilities and shows whether the company has sufficient short-term assets to cover its short-term debts.

Indices

MSCI AC WORLD: is a free float-adjusted market capitalisation weighted index that is designed to measure the equity market performance of developed markets. The MSCI World Index consists of the following 23 developed market country indexes: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the UK, and the US (as of 2 June 2014).

MSCI AC ASIA PACIFIC: is a free float-adjusted market capitalisation weighted index that is designed to measure the equity market performance of the developed and emerging markets in the Pacific region. The MSCI AC Pacific Free Index consists of the following 12 developed and emerging market countries: Australia, China, Hong Kong, Indonesia, Japan, Korea, Malaysia, New Zealand, the Philippines, Singapore, Taiwan, and Thailand (as of 2 June 2014).

MSCI EUROPE: is a free float-adjusted market capitalisation weighted index that is designed to measure the equity market performance of the developed markets in Europe. The MSCI Europe Index consists of the following 15 developed market country indexes: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the UK (as of 2 June 2014).

MSCI EMERGING MARKETS: is a free float-adjusted market capitalisation index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consists of the following 23 emerging market country indexes: Brazil, Chile, China, Colombia, the Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, the Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey* and the UAE (as of 2 June 2014).

MSCI WORLD HIGH DIVIDEND YIELD: is based on the MSCI World Index, its parent index, and includes large- and mid-cap stocks across 23 Developed Markets (DM) countries (as of 31 March 2014). The index is designed to reflect the performance of equities in the parent index (excluding REITs) with higher dividend income and quality characteristics than average dividend yields that are both sustainable and persistent.

MSCI WORLD VALUE: captures large- and mid-cap securities exhibiting overall value style characteristics across 23 Developed Markets countries (as of 31 March 2014). The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield. With 853 constituents, the index targets 50% coverage of the free float-adjusted market capitalisation of the MSCI World Index.

MSCI WORLD GROWTH: captures large- and mid-cap securities exhibiting overall growth style characteristics across 23 Developed Markets countries (as of 31 March 2014). The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend.

MSCI WORLD SMALL CAP: captures small cap representation across 23 Developed Markets (DM) countries (as of 31 March 2014). With 4,302 constituents, the index covers approximately 14% of the free float-adjusted market capitalisation in each country.

MSCI WORLD LARGE CAP: captures large-cap representation across 23 Developed Markets (DM) countries (as of 31 March 2014). With 737 constituents, the index covers approximately 70% of the free float-adjusted market capitalisation in each country.

MSCI EMEA: is a free float-adjusted market capitalisation weighted index that is designed to measure the equity market performance of the emerging market countries of Europe, the Middle East and Africa. The MSCI EM EMEA Index consists of the following 10 emerging market country indexes: the Czech Republic, Greece, Hungary, Poland, Russia, Turkey, Egypt, South Africa, Qatar and the UAE.

MSCI LATAM: captures large- and mid-cap representation across five emerging market (EM) countries (as of 31 March 2014) in Latin America. With 137 constituents, the index covers approximately 85% of the free float-adjusted market capitalisation in each country.

MSCI EMERGING ASIA: captures large and mid-cap representation across eight EM countries (as of 31 March 2014). With 537 constituents, the index covers approximately 85% of the free float-adjusted market capitalisation in each country.

MSCI RUSSIA: is designed to measure the performance of the large- and mid-cap segments of the Russian market. With 22 constituents, the index covers approximately 85% of the free float-adjusted market capitalisation in Russia.

MSCI BRAZIL: is designed to measure the performance of the large- and mid-cap segments of the Brazilian market. With 70 constituents, the index covers about 85% of the Brazilian equity universe.

MSCI INDIA: is designed to measure the performance of the large- and mid-cap segments of the Indian market. With 64 constituents, the index covers approximately 85% of the Indian equity universe.

Euro Stoxx 50: is the leading blue-chip index for the eurozone and provides a blue-chip representation of supersector leaders in the Eurozone. The index covers 50 stocks from 12 Eurozone countries. The Index is licensed to financial institutions to serve as underlying for a wide range of investment products such as Exchange Traded Funds (ETF), Futures and Options and structured products.

FTSE 100: comprises the 100 most highly capitalised blue chip companies, representing approximately 81% of the UK market. It is used extensively as a basis for investment products, such as derivatives and exchange-traded funds.

S&P 500: includes 500 leading companies in the leading industries of the US economy. It is a core component of the US indices that could be used as building blocks for portfolio construction. It is also the US component of S&P Global 1200.

Nikkei 225: is the leading index of Japanese stocks. It is a price-weighted index comprised of Japan's top 225 blue-chip companies on the Tokyo Stock Exchange. The Nikkei is equivalent to the Dow Jones Industrial Average Index in the US.

Important Disclaimer (1/2)

Société Générale Private Banking ("SGPB") is a division of the group Société Générale S.A. operating through its head office within Société Générale S.A. and its network (subsidiaries or branches or departments of Société Générale S.A.), located in various countries, hereinafter mentioned, acting under the "Société Générale Private Banking" brand, and distributors of the document.

Subject of the document

The present document has been prepared by the experts of the group Société Générale S.A. and more particularly of Société Générale Private Banking division, to provide you with information relating to some financial and economic data. The name and function of the people having prepared this document are indicated in the first pages of this document.

This document is non-independent research and is a marketing communication. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and the investment service provider is not subject to any prohibition on dealing ahead of the dissemination of investment research.

In order to read and understand the financial and economic information included in this document, you will need to have knowledge and experience of financial markets.

The content of this document only aims to provide simple information to help you to make your investments or disinvestments decisions, and it shall not constitute a personal recommendation. You keep the liability of your asset's management, and you remain free concerning your investment decisions.

Moreover, the document may mention financial products / asset classes that are not authorized / marketable in certain countries, and / or which might be reserved for certain categories of investors. Therefore, should you wish to make an investment, as the case may be and according to the applicable laws, your advisor within your Société Générale Private Banking entity will check whether this investment is possible within your jurisdiction and whether it corresponds to your investment profile.

Conflict of interest

This document contains the views of SGPB experts. Société Générale trading desks may trade, or have traded, as principal on the basis of the expert(s) views and reports. In addition, SGPB experts receive compensation based, in part, on the quality and accuracy of their analysis, client feedback, revenues of their entity of the Société Générale group and competitive factors.

As a general matter, entities within the Société Générale group may make a market or act as a principal trader in securities referred to in this report and can provide banking services to the companies mentioned in that document, and to their subsidiary. Entities within the Société Générale group may from time to time deal in, profit from trading on, hold on a principal basis, or act as advisers or brokers or bankers in relation to securities, or derivatives thereof, or asset class(es) mentioned in this document.

Entities within the Société Générale group may be represented on the supervisory board or on the executive board of such persons, firms or entities. Employees of the Société Générale group, or persons/entities connected to them, may from time to time have positions in or hold any of the investment products/ asset class(es) mentioned in this document.

Société Générale may acquire or liquidate from time to time positions in the securities and/or underlying assets (including derivatives thereof) referred to herein, if any, or in any other asset, and therefore any return to prospective investor(s) may directly or indirectly be affected.

Entities within the Société Générale group are under no obligation to disclose or take into account this document when advising or dealing with or on behalf of customers. In addition, Société Générale may issue other reports that are inconsistent with, and reach different conclusions from the information presented in this report and is under no obligation to ensure that such other reports are brought to the attention of any recipient of this report.

Société Générale group maintains and operates effective organisational and administrative arrangements taking all reasonable steps to identify, monitor and manage conflicts of interest. To help the Société Générale Private Banking Entities to do this, they have put in place a management of conflicts of interest policy designed to prevent conflicts of interest giving rise to a material risk of damage to the interests of SGPB clients. For further information, SGPB clients can refer to the management of conflicts of interest's policy, which was provided to them by the SGPB entity of which they are clients.

General Warning

This document is subject to modifications and is given for purely informative purposes; it does not constitute a contract. This material has been prepared for information purposes only and is not intended to provide investment advice nor any other investment service and the document does not constitute and under no circumstances should it be considered in whole or in part as an offer, a solicitation, advice, a personal recommendation, nor an invitation to invest in the investment products and/or in any class of assets mentioned herein from any of the Société Générale Private Banking entities.

The information indicated in this document shall not be considered as legal or tax or accounting advice. The analysis made in this document is made as a whole and cannot be dealt with separately.

You should be aware that the investment to which this material relates may involve numerous risks. The amount of risk may vary but can expose you to a significant risk of losing all of your capital, including a potential unlimited loss. Accordingly these products or services may be reserved only for a certain category of eligible investors such as those who are sophisticated and familiar with these types of investment and who understand the risks involved.

Accordingly, before making an investment decision, as the case may be and according to the applicable laws, the potential investor will be questioned by his advisor of his Société Générale Private Banking entity as to his eligibility for the envisaged investment, and the compatibility of the investment with his investment profile and objectives. He should also consult his own independent financial, legal and tax advisers to obtain all the financial, legal and tax information which will allow him to appraise the characteristics and the risks of the envisaged investment, as well as his tax treatment, in light of his own circumstances.

The full understanding and agreement to the related contractual and informative documentation including the documentation relating to the relevant risks is required from the potential investor prior to any investment. The potential investor has to remember that he should not base any investment decision and/or instructions solely on the basis of this document. Any investment may have tax consequences and it is important to bear in mind that the Société Générale Private Banking entities do not provide tax advice. A potential investor should consider seeking independent tax advice (where appropriate). The level of taxation depends on individual circumstances and such levels and bases of taxation can change.

The investment product(s)/asset class(es) described in this document may not be eligible for sale or subscription in all jurisdictions or to certain categories of investors. It is the responsibility of any person in possession of this document to inform to be aware of and to observe all applicable laws and regulations of relevant jurisdictions. This document is not intended to be distributed to a person or in a jurisdiction where such distribution would be restricted or illegal. This document is in no way intended to be distributed in or into the United States of America nor directly or indirectly to any U.S. person.

The price and value of investments and the income derived from them can go down as well as up. Changes in inflation, interest rates and exchange rates may have an adverse effect on the value, price and income of investments issued in a different currency from that of the client. The simulations and examples included in this document are provided only for informational and illustration purposes alone. The present information may change with market fluctuations and views reflected in this document may change.

The Société Générale Private Banking entities disclaim any responsibility to update or make any revisions to this document. The purpose of this document is to inform investors who shall make their investment decisions without overly relying on the document.

The Societe Generale Private Banking entities disclaim any responsibility for direct or indirect losses related to any use of this publication or its content. The Societe Generale Private Banking entities offer no implicit or explicit guarantees as to the accuracy or exhaustivity of the information or as to the profitability or performance of the asset classes, countries and relevant markets.

The investment product(s)/asset class(es) described herein may be issued by issuer(s) whose credit rating is provided by a rating agency and which can vary. The Société Générale Private Banking entities are not responsible for any risk in respect of such issuer(s) including but not limited to risk of default of such issuer(s).

This document does not purport to list or summarize all of the financial products' terms and conditions, nor to identify or define all or any of the risks that would be associated with the purchase or sale of the financial product(s)/asset class(es) described herein.

The historical data and information herein, including any quoted expression of opinion, have been obtained from, or are based upon, external sources that the Société Générale Private Banking entities believe to be reliable but have not been independently verified and are not guaranteed as to their accuracy or completeness. The Société Générale Private Banking entities shall not be liable for the accuracy, relevance or exhaustiveness of this information. Information about past performance is not a guide to future performance and may not be repeated. Investment value is not guaranteed and the value of investments may fluctuate. Estimates of future performance are based on assumptions that may not be realised, and should not be deemed an assurance or guarantee as to the expected results of investment in such investment products and/or asset class(es).

This document is confidential, intended exclusively to the person to whom it is given, and may not be communicated nor notified to any third party (with the exception of external advisors on the condition they themselves respect this confidentiality undertaking) and may not be copied in whole or in part, without the prior written consent of the relevant Société Générale Private Banking entity.

Potential risks in case of an investment

Risk of loss of the total amount invested, volatility risk, risk linked to small and mid capitalization, credit risk, counterparty risk, issuer's risk, liquidity risk, risk linked to discretionary management, change risk, market risk.

Important Disclaimer (2/2)

Specific warnings per jurisdiction (SGPB)

France: Unless otherwise expressly indicated, this document is issued and distributed by Societe Generale, a French bank authorised and supervised by the Autorité de Contrôle Prudentiel et de Résolution, located at 61, rue Taitbout, 75436 Paris Cedex 09 under the prudential supervision of the European Central Bank- ECB, and registered at ORIAS as an insurance intermediary under the number 07 022 493 orias.fr. Societe generale is a French Société Anonyme with its registered address at 29 boulevard Haussman, 75009 Paris, with a capital of EUR 1,009,380,011.25 at 31 March 2016 and unique identification number 552 120 222 R.C.S. Paris. Further details are available on request or can be found at [www.http://www.privatebanking.societegenerale.fr/.](http://www.privatebanking.societegenerale.fr/)

The Bahamas: This document has been distributed in The Bahamas to its private clients by Société Générale Private Banking (Bahamas) Ltd., an entity duly licensed and regulated by the Securities Commission of the Bahamas (the "Securities Commission"). This document is not intended for distribution to persons or entities that are Bahamian citizens or that have been designated as residents of The Bahamas under the Exchange Control Regulations, 1956 of The Bahamas. This document is not, is not intended to be, and under no circumstances is to be construed as a distribution of any securities in The Bahamas. Neither the Securities Commission nor any similar authority in The Bahamas has reviewed or in any way passed upon this document or the merits of the securities described, or any representations made herein.

Belgium: This document has been distributed in Belgium by Société Générale Private Banking SA/NV, a Belgian credit institution according to Belgian law and controlled and supervised by the National Bank of Belgium (NBB) and the Financial Services and Markets Authority (FSMA), and under the prudential supervision of the European Central Bank- ECB. Société Générale Private Banking SA/NV is registered as an insurance broker at the FSMA under the number 61033A. Société Générale Private Banking SA/NV has its registered address at 9000 Ghent, Kortrijksesteenweg 302, registered at the RPM Ghent, under the number VAT BE 0415.835.337. Further details are available on request or can be found at www.privatebanking.societegenerale.be.

Dubai: The present document has been distributed by Societe Generale, DIFC Branch (SG DIFC). Related financial products or services are only available to clients having signed a DIFC Client Agreement with SG DIFC and qualifying as professional clients with liquid assets of over \$1 million, and who have sufficient financial experience and understanding to participate in the relevant financial markets, according to the Dubai Financial Services Authority (DFSA) rules. SG DIFC is duly licensed and regulated by the DFSA to provide arranging and advisory services.. SG DIFC does not provide certain products and/or services (such as discretionary portfolio management, managed advisory services, Prime Market Access), but the branch's clients can if necessary have access to these products and/or services at the Societe Generale Private Banking entity holding the client's bank account. The DFSA has neither reviewed nor approved this document. Further details are available on request or can be found at www.privatebanking.societegenerale.ae

Luxembourg: This document has been distributed in Luxembourg by Societe Generale Bank and Trust ("SGBT"), a credit institution which is authorised and regulated by the Commission de Surveillance du Secteur Financier, under the prudential supervision of the European Central Bank- ECB, and whose head office is located at 11 avenue Emile Reuter – L 2420 Luxembourg. Further details are available on request or can be found at www.sgbt.lu. No investment decision whatsoever may result from solely reading this document. SGBT accepts no responsibility for the accuracy or otherwise of information contained in this document. SGBT accepts no liability or otherwise in respect of actions taken by recipients on the basis of this document only and SGBT does not hold itself out as providing any advice, particularly in relation to investment services. The opinions, views and forecasts expressed in this document (including any attachments thereto) reflect the personal views of the author(s) and do not reflect the views of any other person or SGBT unless otherwise mentioned. SGBT has neither verified nor independently analysed the information contained in this document. The Commission de Surveillance du Secteur Financier has neither verified nor analysed the information contained in this document.

Monaco: the present document is distributed in Monaco by Société Générale Private Banking (Monaco) S.A.M., located 13, 15 Bd des Moulins, 98000 Monaco, Principality of Monaco, governed by the 'Autorité de Contrôle Prudentiel et de Résolution' and the 'Commission de Contrôle des Activités Financières'. The Financial products marketed in Monaco can be reserved for qualified investors in accordance with Law No. 1339 of 07/09/2007 and Sovereign Ordinance No 1.285 of 10/09/2007. Further details are available upon request or on www.privatebanking.societegenerale.mc.

Switzerland: This document has been communicated in Switzerland by Société Générale Private Banking (Suisse) SA (« SGPBS »), whose head office is located at rue du Rhône 8, CP 5022, CH-1211 Geneva 11. SGPBS is a bank authorized by the Swiss Financial Market Supervisory Authority FINMA. Further details are available on request or can be found at www.privatebanking.societegenerale.ch. Unless it expressly appears from this document that it was drafted with the involvement of SGPBS, this document was issued outside of Switzerland for the « Private Banking » and is not the result of SGPBS' own financial analysis. The Directives of the Swiss Bankers Association (SBA) on the Independence of Financial Research (the « Directives ») do not apply to this document. SGPBS did not verify nor independently analyzed the information contained in this document. SGPBS accepts no responsibility for the accuracy or otherwise of information contained in this document. The opinions, views and forecasts expressed in this document reflect the personal views of the relevant author(s) and shall not engage SGPBS' liability. If it expressly appears from this document that it was drafted with the involvement of SGPBS, the Directives only apply if and to the extent this document includes an opinion or a recommendation about a company or a security. This document is not a prospectus within the meaning of articles 652a and 1156 of the Swiss Code of Obligations.

United Kingdom :This document has been distributed in the United Kingdom by SG Hambros Bank Limited, whose head office is located at 8 St. James's Square, London SW1Y 4JU ("SGPB Hambros"). SGPB Hambros is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. The availability of the products or services described in this document in the United Kingdom may be restricted by law. Further details are available on request.

Jersey : This document has been distributed in Jersey by SG Hambros Bank (Channel Islands) Limited ("SGH CI Limited"), whose registered office address is PO Box 78, SG Hambros House, 18 Esplanade, St Helier, Jersey JE4 8PR. This document has not been authorised or reviewed by the Jersey Financial Services Commission ("JFSC"). SGH CI Limited is authorised by the JFSC for the conduct of investment business.

Guernsey : This document has been distributed in or from within the Bailiwick of Guernsey by SG Hambros Bank (Channel Islands) Limited – Guernsey Branch, whose principal address in Guernsey is PO Box 6, Hambros House, St Julian's Avenue, St Peter Port, Guernsey, GY1 3AE. SG Hambros Bank (Channel Islands) Limited – Guernsey Branch is licensed under the Banking Supervision (Bailiwick of Guernsey) Law, 1994, and the Protection of Investors (Bailiwick of Guernsey) Law, 1987.

Gibraltar : This document has been distributed in Gibraltar by SG Hambros Bank (Gibraltar) Limited, whose head office is located at Hambros House, 32 Line Wall Road, Gibraltar ("SG Hambros Gibraltar"). SG Hambros Gibraltar is authorised and regulated by the Gibraltar Financial Services Commission for the conduct of banking, investment and insurance mediation business. The availability of the products or services described in the document in Gibraltar may be restricted by law. Further details are available on request.

Societe Generale Private Banking Hambros is part of the wealth management arm of the Societe Generale Group, Societe Generale Private Banking. Societe Generale is a French bank authorised in France by the Autorité de Contrôle Prudentiel et de Résolution, located at 61, rue Taitbout, 75436 Paris Cedex 09, and under the prudential supervision of the European Central Bank - ECB. It is also authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Further information on the SGPB Hambros Group including additional legal and regulatory details can be found on www.privatebanking.societegenerale.com/hambros.

<http://www.privatebanking.societegenerale.com>.

© Copyright the Société Générale group 2016. All rights reserved. Any unauthorized use, duplication, redistribution or disclosure in whole or in part is prohibited without the prior consent of Société Générale. The key symbols, Société Générale, Société Générale Private Banking are registered trademarks of SG. All rights reserved.

Equity Solutions Team:

Asia: Bangalore: Shishir Malik, Abhishek Iyer, Anirudh Srivastava, Jyotiraditya Sharma, Neeraj Mendiratta, Ravi Kumar, Saurabh Lohariwala, Shalinee G, Shekhar Kedia, Sriram Chellappa.

Europe: Jérôme Matt, Danny Van Quaethem, Kristof De Graeve, Mathieu Balleron.

Societe Generale Private Banking
Tour Alicante
17, Cours Valmy
92043 Paris La Défense Cedex
France

www.sgprivatebanking.com

BUILDING TEAM SPIRIT TOGETHER

 **SOCIETE GENERALE**
Private Banking

Societe Generale S.A.
Share Capital of: EUR 1,009,380,011.25 at 31 March 2016
Registered under # 552 120 222