1Q17 STRATEGY OUTLOOK

Illustrated With Equities

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Data as of 04 December 2016, 11 p.m. Paris time.

SOCIETE GENERALE
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KEY TAKEAWAYS

- We are pleased to share with you our selection of equities that illustrates SGPB Strategy calls on regions, sectors and thematics for the first quarter of 2017.

  - **Market Outlook**
    - **US:** Favour domestic value sectors.
    - **Eurozone:** Favour 1/Consumer Discretionary, 2/Technology and 3/other cyclical sectors like Industrials and Materials
    - **UK:** Large multinationals still offer upside potential.
    - **Japan:** Japanese equities will continue to benefit from economic reforms and improvement in corporate governance and company fundamentals.
    - **Emerging Markets:** Still favour Asia.

  - **Equity Themes**
    - **Theme #1:** US Value Stocks
    - **Theme #2:** Infrastructure: Building The Future

- This report shows investors how to play these outlooks and themes with single equities, for which we have provided our fundamental views and analysis.

- Each stock is presented with a brief investment case, along with price charts, market data and financial metrics.

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Illustrating Equity Markets Outlook

PART I – ILLUSTRATING EQUITY MARKETS OUTLOOK

UK

Large Multinationals

GlaxoSmithKline * (GSK-GB)
HSBC Holdings (HSBA-GB)
RELX Plc (REL-GB)
WPP Plc * (WPP-GB)

Emerging

Favour Asia

Baidu (BIDU-US)
Hyundai Mobis * (012330-KR)
Samsung Elect. * (SMSN-GB)
Tencent (700-HK)

Japan

Astellas Pharma * (4503-JP)
Bridgestone Corp * (5108-JP)
Japan Tobacco * (2914-JP)
Mitsubishi UFJ * (8306-JP)
Nissan Motor (7201-JP)

US

Domestic value sectors

AIG (AIG-US)
AT&T (T-US)
Boeing (BA-US)
Carnival (CCL-US)
Citigroup * (C-US)
Coca-Cola * (KO-US)
Lam Research (LRCX-US)
Pfizer * (PFE-US)
Prudential Financial (PRU-US)
Synchrony Financial (SYF-US)
Wells Fargo (WFC-US)

Europe

Consumer Discretionary
Technology
Industrials
Materials

ABB (ABBN-CH)
Accor (AC-FR)
Air Liquide (AI-FR)
Alstom (ALO-FR)
ASML (ASML-NL)
Atos * (ATO-FR)
BASF (BAS-DE)
Continental (CON-DE)
Daimler (DAI-DE)
Dufry (DUFN-CH)
Dürr (DUE-DE)
Eiffage (FGR-FR)
Inditex (ITX-ES)
Kering (KER-FR)
LVMH * (MC-FR)
Renault (RNO-FR)
Rio Tinto (RIO-GB)
Saint Gobain * (SGO-FR)
Schneider Electric* (SU-FR)
Solvay * (SOLB-BE)
ThyssenKrupp (TKA-DE)
TUI (TUI1-DE)
Vinci * (DG-FR)
Wirecard * (WDI-DE)

SOCIETE GENERALE
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** Conviction list members as of 05 December 2016*

PART II

Strategy Themes

#1	#2
US Value Stocks	*Infrastructure: Building The Future*

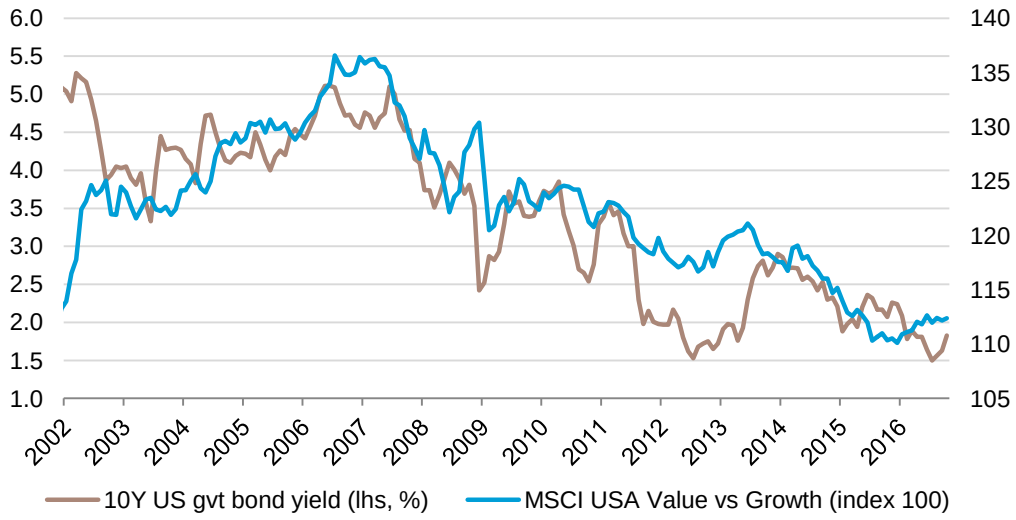
PART II – Strategy Themes

#1 US Value Stocks

One of 2016's political surprises was Donald Trump's election. If he delivers on his campaign promises, it will provide further support to US value stocks:

- US long-term interest rates bottomed out this summer, and we now expect the US Federal Reserve (Fed) to hike interest rates once in December this year and twice in 2017.
- Rising interest rates, a steeper yield curve and a stronger USD should support domestic value sectors, namely Financials and cheap Telecoms.
- US Financials should also benefit from regulatory relaxation, healthy credit growth and a decreasing number of non-performing loans.
- As far as Telecoms are concerned, the negative impact of higher rates should be counterbalanced by the sector's high domestic exposure, good earnings prospects and reasonable valuations.

Rising interest rates will help value stocks outperform



Sources: Societe Generale Private Banking, Datastream (data as of 25/11/2016)

PART II – Strategy Themes

#1 US Value Stocks

Company	Exposure to the theme: US Value
AIG	We have a positive long term view on AIG, given potential ROE expansion, gradual improvement in P&C margins and ongoing capital return to shareholders. We expect P&C margins to gradually expand, helped by price hikes and lower expenses. In Life & Retirement division, core spreads should be supported by potential uptick in interest rates.
AT&T	AT&T's attractive ~5% dividend, acquisition (DirectTV and possibly Tine Warner) led earnings growth, and NTM P/E of 13.2 (below 5 year average of 13.3x) makes us positive on the company.
Boeing	Boeing will benefit from higher expected Defense spending in the US as it is a major domestic supplier of air and space equipments and solutions. At current valuation level, FY18 EV/EBITDA of 8.9x and FY18 PE of 16.3x , Boeing's stock appears undervalued compared to peers' average of 10.3x and 18.4x respectively.
Carnival	Carnival offers an FY16E dividend yield of 2.6%, higher than its peer average of 2.4%. Its dividend payout ratio averaged 55.5% in 9M16, and the management targets a ratio of 40–50% over the medium term.
Citigroup	Citi is trading at an FY17E P/TBV of 0.7x, at a ~36% discount to its US large-cap peers. Recently, Citi received approval to increase its share buyback programme by USD 1.75 bn, resulting in cumulative planned capital actions of USD 12.15 bn for 2016.
Coca-Cola	Despite the apparent high valuation in terms of P/E and EV/EBITDA, the dividend yield is attractive, in particular as the cash flow generation should allow the company to maintain and grow the dividend and buy back shares.
Lam Research	Lam Research is trading at an FY17E P/E of 13.1x, lower than its peer average of 18.4x. It increased its DPS to USD 1.80 (+50% YoY) and initiated a share buyback programme of USD 1 bn.
Pfizer	At a P/E of ~12x FY17E PFE is undervalued. EPS growth should average ~9% in FY16E/18E. PFE has an attractive sustainable dividend yield of ~3.8%. It also has an active share buyback programme.
Prudential Financial	Prudential is expected to be a key beneficiary of (1) higher interest rate in US (upwards of 2% for first time since Jan 2016), and (2) potential for a favorable shift in regulation.
Synchrony Financial	SYF trades at an FY17E P/BV of 1.77x, at a ~11% discount to its peers. It commenced shareholder return in 3Q16 with quarterly dividend of USD 0.13/share and share repurchase of USD 238 mn (received approval in July for USD 952 mn over 3Q16–2Q17).
Wells Fargo	WFC's average dividend yield of 3.1% in FY16–18E is well above its US large-cap peers at 1.9%. It targets a net payout ratio of 55–75% for FY16 (61% in 3Q16).

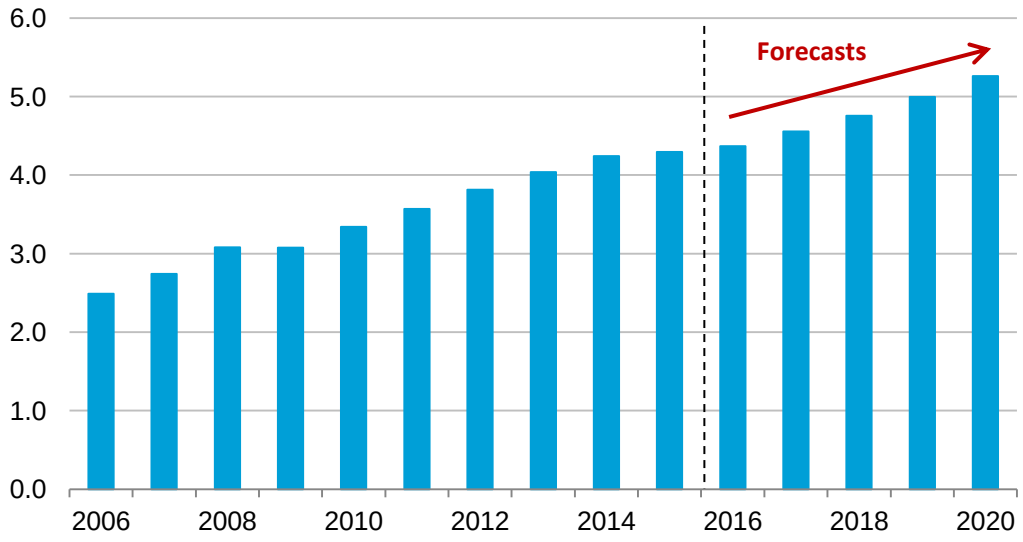
PART II – Strategy Themes

#2 Infrastructure: Building The Future

Long-term dynamics of population growth and urbanisation will drive global infrastructure spending:

- Global infrastructure spending is expected to total $24 trillion between 2016 and 2020, according to PwC estimates.
- Despite the slowdown in China, Asia Pacific would remain the strongest beneficiary, accounting for more than half of global infrastructure spending. India, where urbanisation is in full swing, should dominate the picture.
- Developed areas will also do their bit. In the US, investment is expected to pick-up under Trump's presidency.
- After years of austerity in Europe, the European Commission has shifted gears to allow modest fiscal expansion, which should help prop up infrastructure spending. "Juncker Investment Plan" might also offer a glimmer of hope.

Global infrastructure spending on the rise (USD tn)



Sources: Societe Generale Private Banking, PwC (data as in 2016)

PART II – Strategy Themes

#2 Infrastructure: Building The Future

Company	Exposure to the theme: Global Infra (US Exposure)
ABB	ABB has a diversified portfolio of electrification products and has presence in transportation (ship and railway), construction, and oil and gas market. The Americas contributed 30% of FY15 revenues.
ACS	ACS derives 42% of its revenue from the US and it is poised to capture large new projects under the potential Trump's infrastructure stimulus.
Alstom	Alstom should benefit from increased spending on transportation through its wide range of railway solutions (including high-speed trains, metros and tramways). The Americas contributed 15% of FY16 revenues (year ended March).
FedEx	Transportations companies are highly dependent on the quality of the infrastructure network. Any significant improvement in roads, rails and airports will reduce expenses and increase delivery efficiencies. Fedex is best positioned to take advantage of an investment plan in US infrastructure.
Ingersoll-Rand	Ingersoll-Rand provides a healthy exposure to the residential and non-residential construction end-markets (61% of FY15 revenues) with a majority of it derived from the US. It's brands like Trane air conditioning equipment and Ingersoll Rand compressors should benefit from increased construction spending in the US.
Rockwell Automation	We expect Rockwell Automation to be a key beneficiary of increased infrastructure spending in the US given its diverse automation and control offerings, as well as safety solutions. The US contributed 55% of revenue in FY16 (year ended September).
Schneider Electric	Schneider has a wide range of medium-voltage and grid-automation products and solutions catering to the infrastructure market. Hence, it would benefit significantly from the increased infrastructure spending in the US, which contributed 23% of FY15 revenues.
United Technologies	United Technologies runs two businesses directly related to infrastructure, which should benefit from higher government spending. 1) Otis, a leading elevator manufacturer and 2) CCS (Climate Controls and Security) which provides safety, security, heating and building automation solutions.

Company	Exposure to the theme: Global Infra (Non-US Exposure)
Eiffage	Eiffage is set to benefit from the surge in contracting activity, driven by the strong order intake witnessed in Europe's metallic construction and civil engineering markets.
Saint-Gobain	As Saint-Gobain derives ~67% of its revenues from Europe, it should gain from the increased activity in the region's residential and commercial real estate markets (driven by higher disposable incomes and attractive financing conditions).
Vinci	Vinci is capturing an upturn in the French residential construction sector and is targeting new projects in buoyant markets outside France, such as underground storage, wastewater treatment plants and sewer networks and systems.

PART III

Investment Cases

PART III – Investment Cases

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PART III – Investment Cases

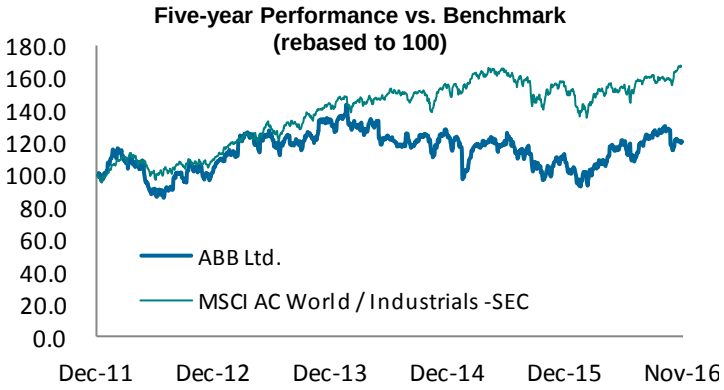
ABB Plc (ABBN-CH) – BUY – Target Price: CHF 24.10

We expect strong automation demand from US end-markets like food and beverages and automotives. ABB should also benefit from power transmission-related capex and strong demand for discrete automation (mainly robotics) from automotive companies in China and India. The company continues to strengthen its robotics portfolio with new offerings (Connected Services and SafeMove2).

The company is on track to complete stage 3 of its Next Level Strategy, in which it has 2017-end targets of achieving (a) USD 1.3 bn of white-collar productivity savings in addition to other ongoing cost-savings and (b) USD 2 bn reduction in working capital.

Under stage 3 of its Next Level Strategy, ABB has increased the target EBITA margin corridor for its Power Grids segment by 200 bps to 10–14% by 2018. It also announced a USD 3 bn buyback from 2017 to 2019.

ABB is trading at an FY17E P/E of 16.4x, below its peer average of 17.5x. Consensus expects an FY15–18E EPS CAGR of 12.0%.



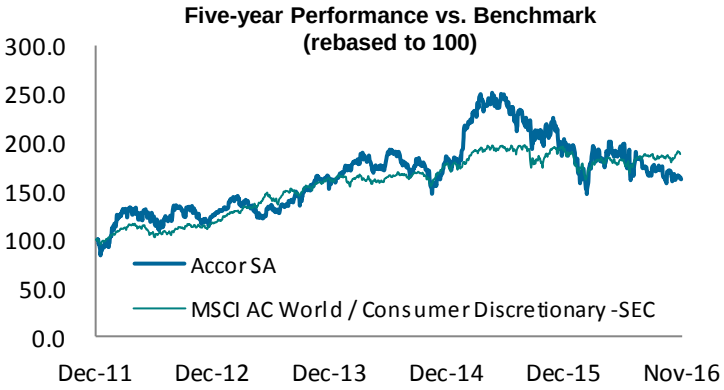
Source: FactSet

Accor SA (AC-FR) – BUY – Target Price: EUR 38.60

In our view, Accor's restructuring through the sale of its HotelInvest stake will reinforce its asset-light business model, which will improve margins and stabilise earnings in the long term. Further, the recent acquisitions of rental accommodation businesses ascertain Accor's commitment to explore high-growth markets globally. The management's focus on digital infrastructure (investments of EUR 225 mn planned over FY14–18) and emerging markets (particularly China) is expected to boost revenue growth.

The FY15 acquisition of Fairmont Raffles Hotels International (FRHI) is expected to support earnings for the luxury and upscale hotels segment through the well-recognised brands of Fairmont, Raffles and Swissotel and strengthen Accor's market share in North America.

We expect Accor to trade at a premium against peers, given its attractive dividend yield, higher earnings growth and better gearing. Our target price of EUR 38.60 reflects an FY17E P/E of 21.0x at a consensus FY17E EPS of EUR 1.84.



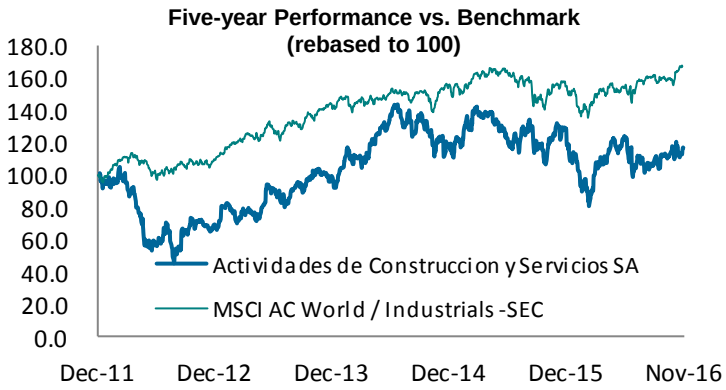
Source: FactSet

ACS SA (ACS-ES) – BUY – Target Price: EUR 34.00

The ongoing momentum in US construction sector with Trump's plan of boosting infrastructure spending offers significant tailwinds for ACS' construction business as it derives a major chunk of its revenues from the US. We also expect the company's future earnings to improve from strong performances at its subsidiary Hochtief. CIMIC is also poised to benefit from the Australian government's Economic Action Strategy, which is likely to generate opportunities in the infrastructure industry.

We believe ACS will benefit from its presence in the high-margin Industrial Services business (FY15 EBITDA margin of 10.5% vs. 6.9% for the group) with robust order intake of EPC projects. We also expect it to benefit from debt refinancing by leveraging low interest rates. ACS aims to achieve an investment-grade rating in 2017.

ACS shares offer a compelling upside given the discount to peer valuation (FY17E P/E of 11.5x, ~32% discount to the peer average). We revise our target price to EUR 34.00 from EUR 27.61 implying a 14.3x P/E on an FY17E consensus EPS of EUR 2.38.



Source: FactSet

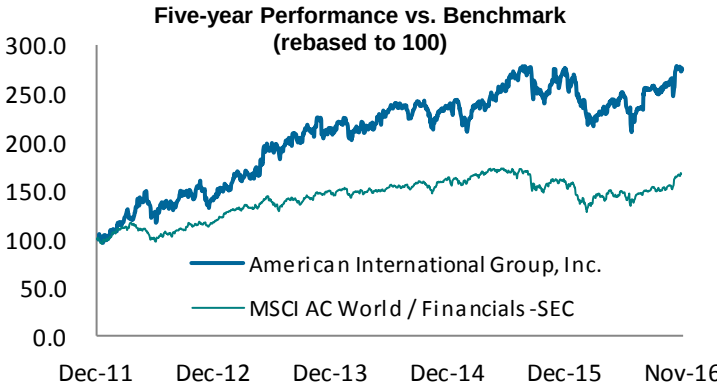
PART III – Investment Cases

AIG Inc (AIG-US) – BUY – Target Price: USD 65.00

AIG is undergoing major restructuring wherein it targets to improve profitability and simplify its complex business model. It aims to improve ROE to 9.0% by FY17 (from 6.8% in FY15) driven by (1) a USD 25 bn capital return over FY16–17 (~40% of market cap), (2) a USD 1.6 bn reduction in general operating expenses and (3) a 6-ppt improvement in commercial profitability. Further, it plans to simplify the organisation through the sale of non-core assets. We see these initiatives in positive light as they will transform AIG and reduce its exposure to loss-making activities.

The induction of John Paulson (of Paulson & Co) and Samuel Merksamer (Icahn-affiliated representative) to AIG's board reflects its commitment to work with activist investors. We are hopeful that their involvement would accelerate the ongoing restructuring and lead to more dramatic steps to improve profitability.

Our target price of USD 65.0 implies 0.67x P/BV (near the upper band of its five-year range) on an FY17E BV of USD 97/share

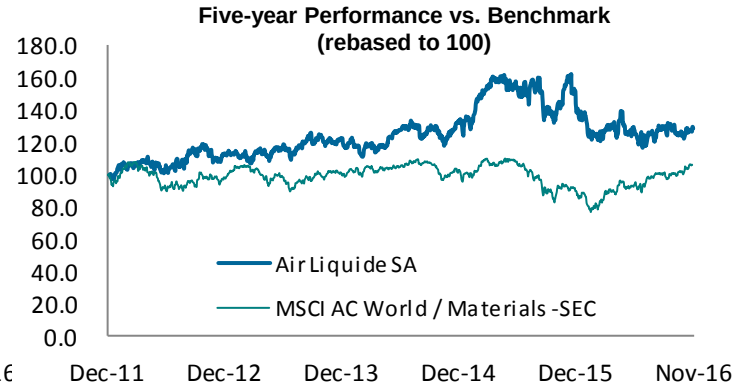


Source: FactSet

Air Liquide (AI-FR) – BUY – Target Price: EUR 103.00

The Airgas acquisition establishes AI as the leader in Large Industries (LI), Industrial Merchant (IM) and Electronics (#1 in China) and as a key player in Healthcare (1.3 mn patients, looking for growth in EM). The acquisition extends AI's customer base through a multi-channel distribution network and a nationwide presence in the US. In IM, Airgas is market leader in the US (online sales target of >EUR 1 bn by 2020). In LI, >EUR 30 bn of sales are ensured with 15-years take-or-pay contracts. Key growth drivers will be digitalisation (AI collects 1 bn datapoints daily) and innovation (cfr. the energy transition). AI's geographic sales exposure will be more balanced. The weight of the more cyclical, but less capital intensive Industrial Merchant division is expected to increase to nearly 50%.

The capital increase (EUR 3.3 bn @ EUR 76 p.s.) was well digested. Furthermore, Airgas might benefit from better market conditions in the US. We value the stock at an FY17E P/E of 18.6x, delivering a target price of EUR 103.00 based on strong EPS growth of 7.4% in FY17E and 9.1% in FY18E.



Source: FactSet

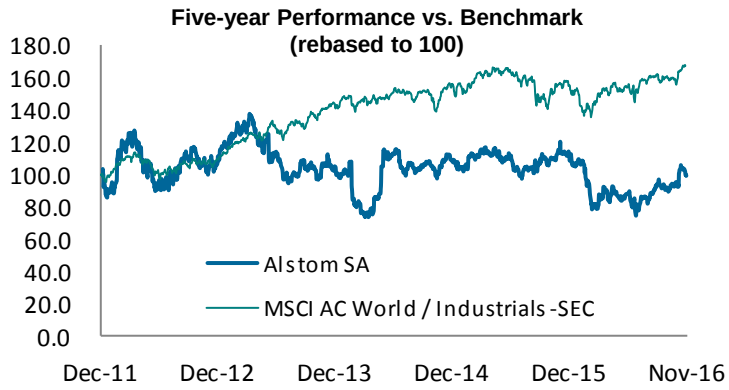
Alstom SA (ALO-FR) – BUY – Target Price: EUR 28.10

Rapid urbanisation in emerging economies and the need to modernise ageing fleets in developed economies indicate a healthy demand outlook for the rail transport market. As per the Union of European Rail Industries, the annual accessible global market is expected to grow at a CAGR of 2.8% over 2017 to 2019.

In our view, Alstom should outperform the market given its global reach, innovative product offerings and a robust order backlog of EUR 33.6 bn as of 1H17, which brings revenue visibility for more than four years.

The company is targeting an EBIT margin of 7.0% by 2020 vs. 5.3% in FY16. This could be achievable with increase in operational efficiency, commercial activity and a high-margin product mix.

Alstom is trading at an FY18E P/E of 18.1x vs. the peer average of 15.7x. In view of its strong earnings growth and margin expansion, we increase our target price to EUR 28.10 (at an FY18E P/E of 19x), from EUR 24.65.



Source: FactSet

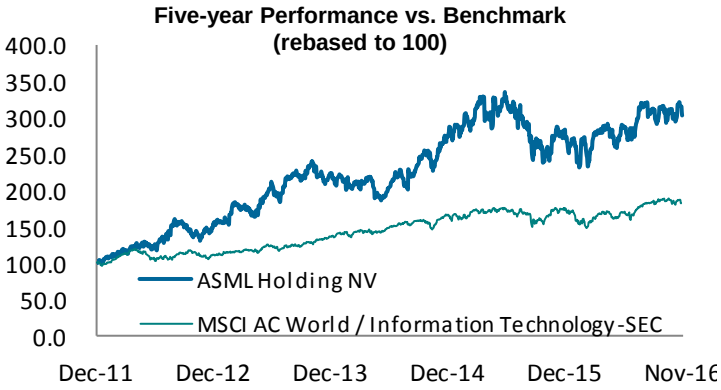
PART III – Investment Cases

ASML Holding Plc (ASML-NL) – BUY – Target Price: EUR 110.00

ASML benefits from the technology transition to advanced nodes and from capacity addition by the manufacturers of semiconductor memory and processor chips. We expect its equipment orders to benefit from higher lithography intensity in advanced nodes ≤10 nanometre (nm) in the medium to long term (management expects 30–40% increase for 10 nm).

ASML is the only manufacturer of extreme ultraviolet (EUV) lithography equipment, which provides a cost-effective way to increase the number of transistors in semiconductor chips (<10 nm nodes). It expects EUV shipments to increase to 50–60 units by 2020 (from 4 in 2016E). This should allow the company to achieve its 2020 revenue target of EUR 10 bn, implying a 2015–20E CAGR of 10%.

We value ASML at 26.4x its 2017E EPS. Given its monopoly in EUV lithography, we believe that a sooner-than-expected volume ramp up in EUV could lead to a potential re-rating of the stock.



Source: FactSet

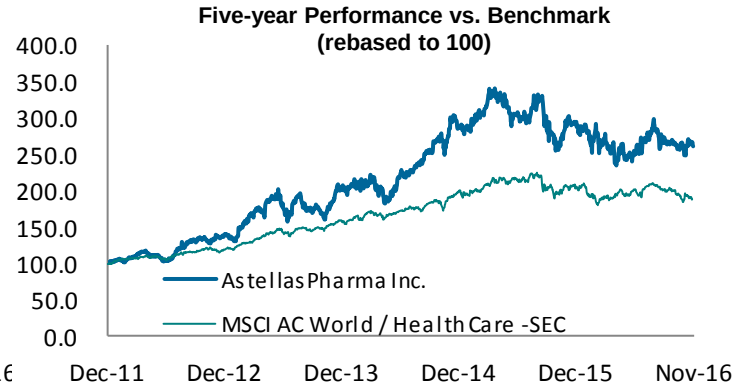
Astellas Pharma Inc (4503-JP) – BUY – Target Price: JPY 2210.00

Astellas' growth drivers continue to be its prostate cancer drug Xtandi and the overactive bladder drugs Vesicare and Myrbetriq/Betmiga, all of which are still being launched in various countries.

We remain confident on Xtandi sales growth in the coming quarters, led by indication expansion (various studies are underway to maximise the drug's value). We believe Xtandi has multibillion dollar sales potential, which will also help expand EBITDA margin.

Pipeline remains robust with urology, immunology and oncology products. The high-potential pipeline candidates are Gilteritinib for leukaemia and peficitinib for rheumatoid arthritis (both in phase 3). There are 18 new molecular entities in phases 2 and 3.

Astellas is trading at an attractive valuation of FY17E P/E of 15.3x vs. its peer average of 36.7x. Its FY17 EPS is expected to increase 5.7% vs. an 8.2% decline for peers.



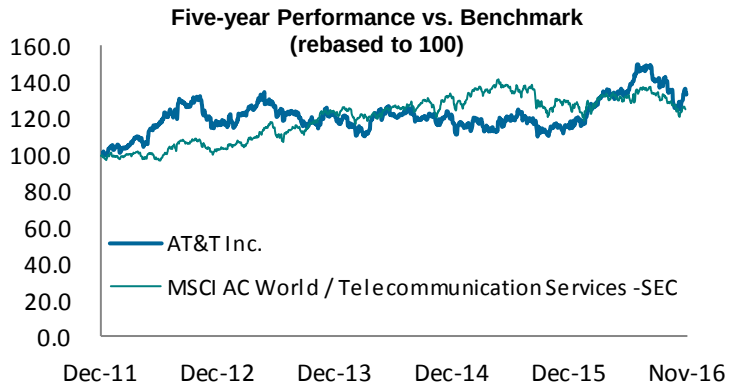
Source: FactSet

AT&T Inc (T-US) – BUY – Target Price: USD 40.00

AT&T's core driver remains its margin expansion and the resultant growth in FCF and dividend. Although organic revenue growth is likely to remain subdued on account of heightened competition from T-Mobile and Sprint in the US, we expect FY16 revenue growth to be strong on account of the DIRECTV acquisition in July 2015. If Time Warner Inc (TWX) deal is approved, the company expects EPS, FCF and dividend coverage improvement in the coming years. For FY16, the company expects mid-single digits earnings growth.

The TWX deal's cost synergy benefits are more than compensated by the premium that AT&T is paying. Any additional revenue synergies are likely to add value to earnings. AT&T expects faster innovation through content/distribution ownership, advertising monetisation and direct–to–consumer efforts to provide synergies.

We reduce our target price to USD 40.0 (from USD 46.0), taking into account integration risk arising out of the TWX acquisition. Our BUY rating remains due to 5.2% dividend yield support.



Source: FactSet

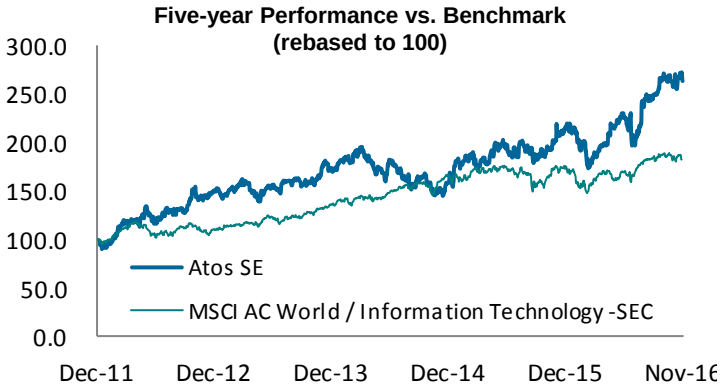
PART III – Investment Cases

Atos SE (ATO-FR) – BUY – Target Price: EUR 109.00

Atos is well-placed among European IT service-providers following its acquisition of (a) Bull, which offers high performance in-memory servers, optimisation and business applications for big-data analytics and (b) the Xerox IT outsourcing business, which is expected to help Atos generate strong FCF and add market share. Further, Atos' exposure to big data, cloud and mobile, as well as to e-payments through Worldline, should drive organic revenue growth and margin improvement in the long term.

Atos has a strong backlog of EUR 19.3 bn, providing revenue visibility of 1.7 years. It is expected to have solid margin progression through FY16 and FY17 owing to ongoing productivity synergies with Bull, Unify, Equens and Xerox IT outsourcing.

We are encouraged by the company's initiatives depicting higher visibility on FCF expansion and value addition expected from further M&A opportunities. We therefore upgrade our target price to EUR 109.00 (from EUR 101.00) at an FY17E P/E of 13.8x EPS of 7.92.



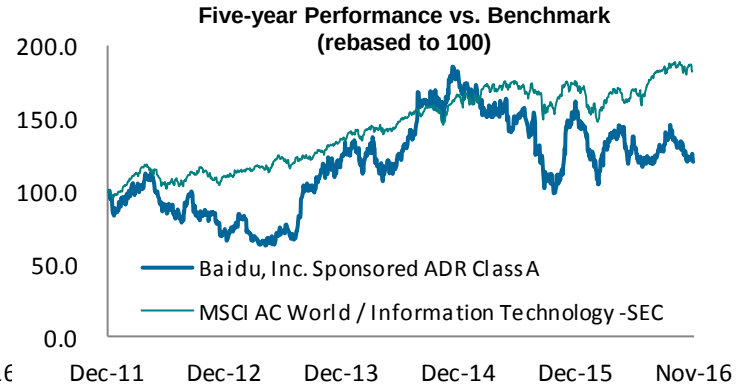
Source: FactSet

Baidu Inc (BIDU-US) – BUY – Target Price: USD 190.00

Baidu is facing a challenging time due to changes in the Chinese government's online advertising regulations. This has slowed down with the online marketing revenue felling 6.7% YoY in 3Q16 from 30% in 2Q15. However, we believe that this would be short-lived given the rising internet penetration/usage in China and the limited options advertisers have given Baidu's positioning in the segment.

The company is focusing on artificial intelligence (AI), which it expects to be the next growth driver for the internet. It is developing AI-based products and services (such as autonomous driving), which require high capex but open up a revenue stream where there is limited competition currently.

Baidu is trading at an FY17E P/E of 27.4x vs. its peer group average at 29.9x. While there are concerns of slowing growth, we believe the stock should trade in line with peers as its EPS growth resumes in FY17.



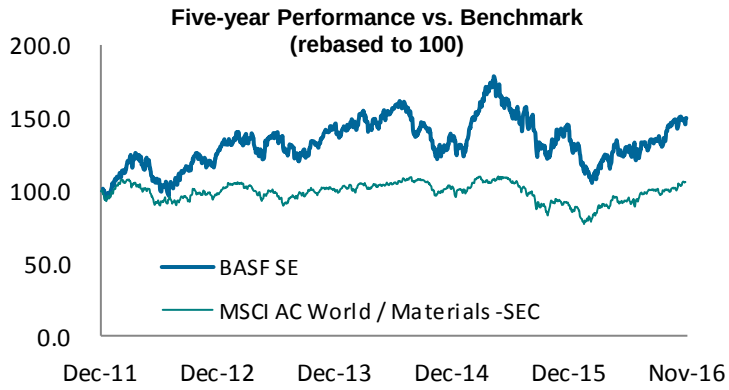
Source: FactSet

BASF (BAS-DE) – BUY – Target Price: EUR 78.00

BASF's scale and diversification make it resilient in an economic downturn. Its profit margin is supported by strict cost and expenditure discipline. A new savings plan should contribute EUR 1 bn to earnings annually from the end of 2018 onward.

BASF is a cost leader thanks to its deep vertical integration and its partnerships. It spends 3% of sales on R&D (~EUR 2 bn, a huge amount in the sector, involving 3 000 research projects, working with 15 leading universities around the world). BASF achieved ~EUR 10 bn in sales in 2015 from new and improved products and applications that have been on the market since 2011.

The key assumption for our investment case is that EPS should bottom out in FY16E (-5% after an 8% drop in 2015). Consensus counts on ~9% EPS growth in FY17E and ~10% in FY18E. We value the stock at an FY17E P/E of 15.0x, delivering a target price of EUR 78.00. The solid dividend is equally important for our positive stance.



Source: FactSet

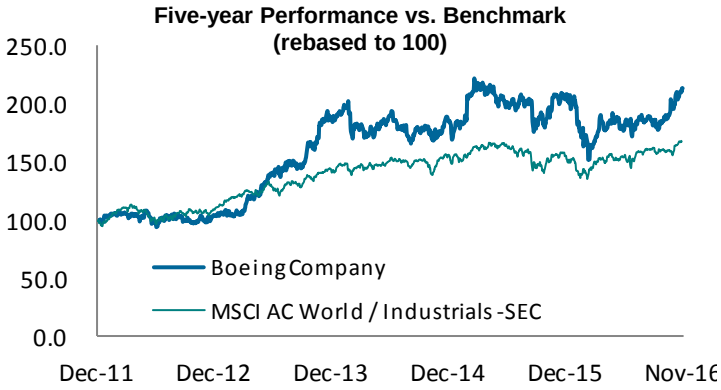
PART III – Investment Cases

Boeing (BA-US) – BUY – Target Price: USD 155.00

Boeing offers a mid- to long-term opportunity driven by its increase in aircraft production and deliveries, and the increase in sovereign defence (military and security) spending across the world. We believe these factors will enhance revenues, margins and FCF conversion.

Overconfidence in programmes created uncertainty until 1H16, during which the company recorded significant one-off charges. However, we expect the extent of these charges to decline in the coming years. The ramp-up of different new aircraft is on track, although some slots are still available from FY18E.

Boeing trades at an FY16/17E P/E of 20.0x/14.9x and EV/EBITDA of 11.4x/8.2x. It offers a 3.4% dividend yield and still has a large cash position at >USD 10.0 bn, which it could deploy for additional buyback or special dividend. We value the stock at an FY17E EV/EBITDA of 8.5x, implying a share price of USD 155.00.



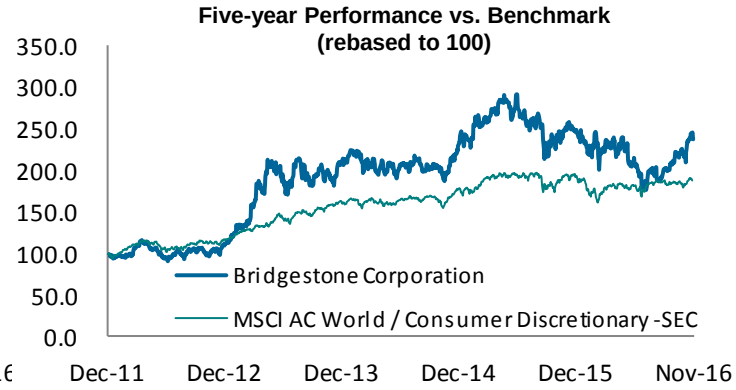
Source: FactSet

Bridgestone (5108-JP) – BUY – Target Price: JPY 4 500.00

Bridgestone should grow at least in line with the market and report superior margins, thanks to its multi-brand strategy and advanced technology. We see room for market share gains in emerging markets, where the replacement cycle should heighten demand in 2017, and in Europe, where the company is underrepresented. North America still carries significant margin potential, in our view.

Bridgestone 's ultimate goal is to become a truly global company by investing in the brand and innovation and by improving the company culture, structure and governance. The company's 2016 Mid-term Management Plan for 2017–21 aims for (1) growth exceeding industry average, (2) an operating margin of 10%, (3) an ROA of 6% and (4) an ROE of 12%.

Following Bridgestone's reassuring 3Q16 results, we increase our target price from JPY 4 000 to JPY 4 500 (P/E 17E 12.3x, EV/EBITDA 17E 5.1x, dividend yield 17E 3.2%).



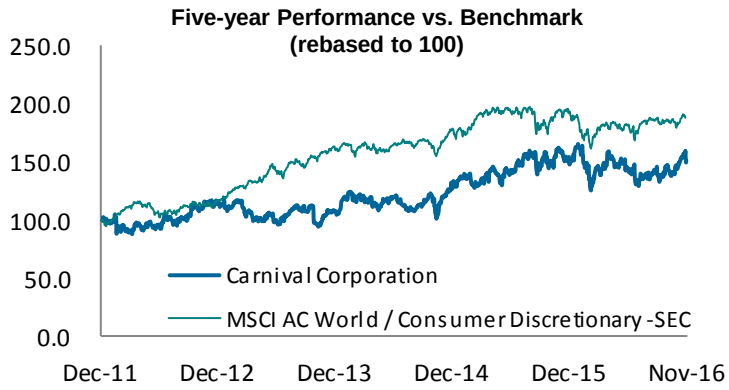
Source: FactSet

Carnival Corp (CCL-US) – BUY – Target Price: USD 58.50

Carnival commands an industry-leading position in the global cruise market (FY15 market share 42.2%). We believe its focus on increasing passenger capacity (FY15 average lower berth days growth of 1.7%) and aggressive expansion to growth markets such as China (four ships added in FY15) should lead to strong revenue growth in the medium term. China is poised to become world's second-largest cruise market by 2017 (as per the China Chamber of Commerce in The Netherlands), driven by an increase in disposable income and improving port infrastructure.

In our view, the management's target of maintaining a high ROIC (FY15: 7.5%) through cost optimisation (supported by low fuel costs) and capacity discipline should lead to sustainable margin expansion in the long term (FY15–17E operating margin growth of ~240 bps).

Given its higher FCF yield, leading margins, share buybacks and better sales growth, we expect Carnival to continue trading at a premium and estimate a FY17E P/E 15.6x leading to a target price of USD 58.50.



Source: FactSet

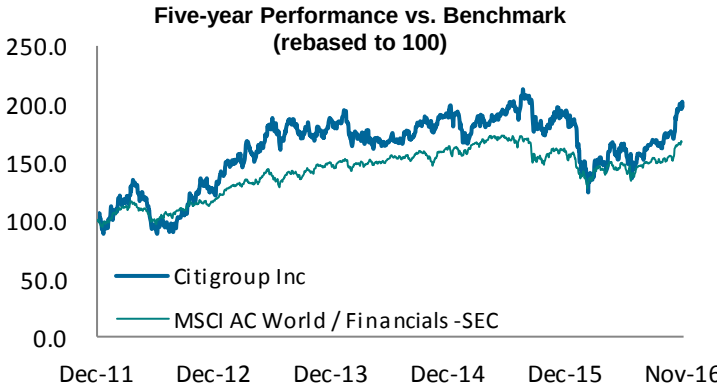
PART III – Investment Cases

Citigroup (C-US) – BUY – Target Price: USD 64.00

Citi's strengths are its (1) diversified business model, (2) significant exposure to the high-yielding credit card and personal loans segments in the US (~29% of 3Q16 revenues), (3) gearing to high-growth economies, especially Asia and Mexico and (4) superior capitalisation with 3Q16 Basel III CET I ratio of 12.6%.

We have a positive view on Citi considering its strengths, attractive valuation (FY17E P/TBV of 0.8x, trades at a ~34% discount to its peers), ongoing progress on its strategy of utilising deferred tax assets and reducing non-core assets (NCAs), focus on tight cost control and credit discipline, and solid shareholder return prospects.

Given its (1) solid 3Q16 results, (2) focus on improving return ratios and returning greater capital to shareholders (received approval to increase share repurchase by USD 1.75 bn in November), (3) sharp rise in US long-term bond yields and (4) expectations of a rate hike by the Fed in December, we increase our target price to USD 64.00 (from USD 57.00), valuing Citi at 0.9x (30% discount to its peers) FY17E TBV of USD 71.0/share.



Source: FactSet

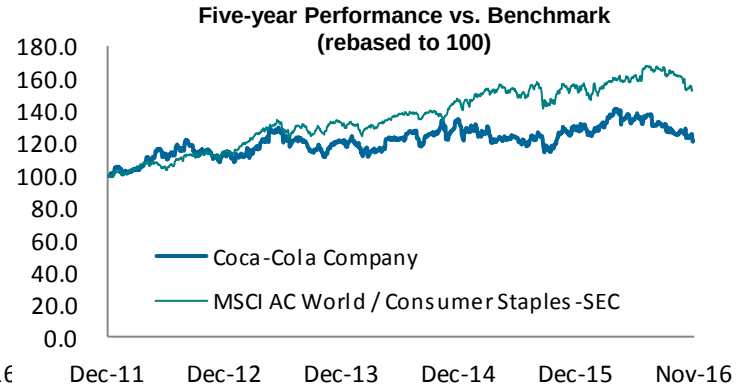
Coca-Cola (KO-US) – BUY – Target Price: USD 48.00

CEO–Chairman Muhtar Kent "continues to see incredible market potential ahead" as "the non-alcoholic ready-to-drink beverage industry has grown by nearly USD 200 bn since 2009 and is estimated to grow another USD 300 bn by 2020."

To capture growth, the group is adapting packaging and increasing its marketing spends and quality while reducing costs. We still see scope for improvement in the company's cost-reduction efforts.

We believe the group will be able to deliver on its long-term currency-neutral growth targets of mid-single digit for revenue, 6–8% for profit before tax and high-single digit for EPS. Moreover, it is highly cash-generative, allowing for dividends and share buybacks.

Due to short-term uncertainties, however, we reduce our target price from EUR 190.00 to EUR 180.00 (FY17E: P/E 11.1x, EV/EBITDA 5.6x and dividend yield 2.5%).



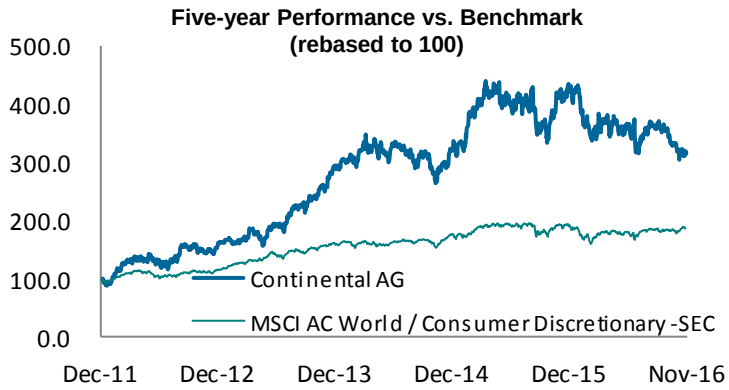
Source: FactSet

Continental (CON-DE) – BUY – Target Price: EUR 180.00

Despite the current weakness, we feel Automotive (47% of FY15 EBIT, margin 8.5%, with Interior 10.2%, Chassis & Safety 9.7%, Powertrain 6.1%) is well-placed to benefit from the long-term trends in the automotive sector. Continental will announce a strategic review of the Powertrain business in early FY17. Aligning it with changing OEMs' needs and providing clarity to investors could propel the stock price, in our view.

Stringent safety and fuel-efficiency requirements should also benefit the high-margin and cash-generative Rubber division (53% of FY15 EBIT, margin 14.4%, with Tyres 20.4%, ContiTech 10.4%). The most important swing factors are the currently subdued mining segment and the raw material price evolution (tailwind in FY16E, headwind in FY17E).

Due to short-term uncertainties, however, we reduce our target price from EUR 190.00 to EUR 180.00 (FY17E: P/E 11.1x, EV/EBITDA 5.6x and dividend yield 2.5%).



Source: FactSet

PART III – Investment Cases

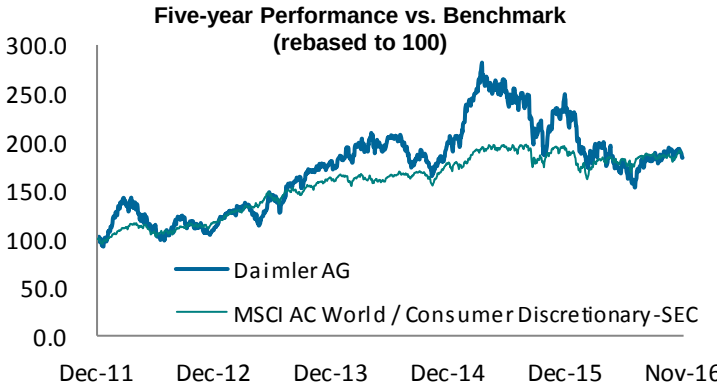
Daimler (DAI-DE) – BUY – Target Price: EUR 69.00

Daimler renewed, broadened and deepened its passenger car model range, while increasing efficiency and decreasing costs. While a lot has been done, we see room for further volume increases, revenue growth and margin expansion. By FY20, Daimler aims to be the number one premium car manufacturer with a sustainable 10% EBIT margin.

In the short term, adverse market conditions will weigh on truck sales and profitability. In the longer term, the management remains very ambitious for trucks with a FY20 target of 700 000 units and an over-the-cycle EBIT margin of 8%.

Daimler is taking the lead in implementing new technologies which it refers to as CASE (Connected, Autonomous, Shared & Services, Electrified). The new E-Class is a good example of this.

At our target price the shares would trade a FY17E P/E of 8.1x and at a FY17E dividend yield of 5.0%, below the 10Y median of resp. 9.6x and 5.0% as to account for the fading momentum.



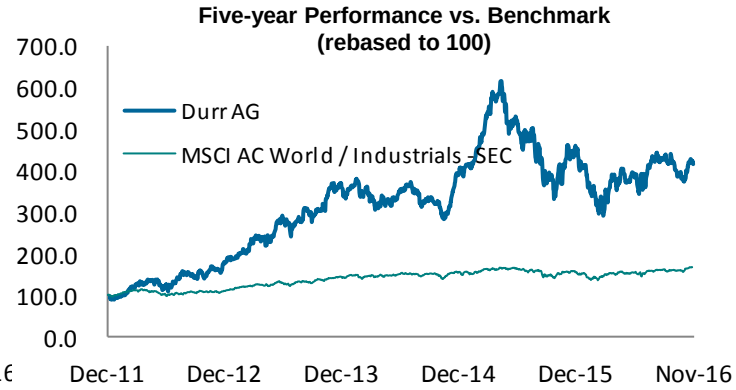
Source: FactSet

Dürr AG (DUE-DE) – BUY – Target Price: EUR 90.00

We expect Dürr's revenue from the automotive sector (60% of FY15 orders) to experience steady growth given its diversified customer base, exposure to high-growth emerging markets, increasing spending for new technologies like electric vehicles (especially in China), and the growing adoption of advanced robots for increased productivity through manufacturing floor automation by global automotive manufacturers.

Given Dürr's huge installed base of ageing paint shops and assembly lines, we expect its high-margin and less cyclical Services business (27.5% of 9M16 revenues, +9.9% YoY) to continue growing in the medium term and thus drive earnings.

We expect its margins to benefit from the expected divestiture of cleaning technology business by 4Q16 and the ongoing restructuring at Homag (FOCUS programme), where it is targeting an EBIT margin of 8–10% by 2020 (6.9% in 9M16). We value the stock at 16.3x its FY17E EPS, lower than its peer average of 19.5x.



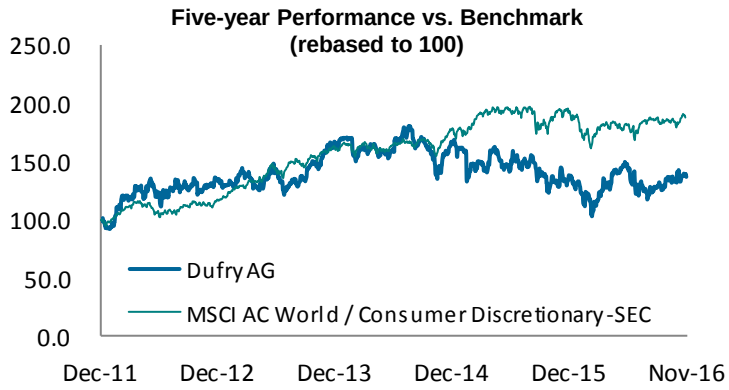
Source: FactSet

Dufry AG (DUFN-CH) – BUY – Target Price: CHF 140.00

Through strategic acquisitions, Dufry has become a market leader in the duty-free retail space. The management highlighted that the integration of its World Duty Free acquisition is progressing smoothly and will be completed by mid-2017 with synergies of EUR 100 mn.

The company has been investing in renovating (22 500 m² completed in 9M16), expanding sales spaces (27 100 m² of new space opened in 9M16, 26 800 m² in FY16/17E) and has a strong pipeline of potential new projects, which in our view should facilitate organic growth and increase FCF (FY16E FCF of CHF 509 mn, and a 7.4% FCF yield).

Given the company's strong market position, better supply chain, improved logistics, higher bargaining power and expected growth in global passenger traffic, we view valuation as attractive (2015–18E EPS CAGR of 39%). Reflecting the strong results and improving trend in organic growth we increase our target price to CHF 140.00 (from CHF 125.00) at an FY17E P/E of 15.0x EPS of CHF 9.33.



Source: FactSet

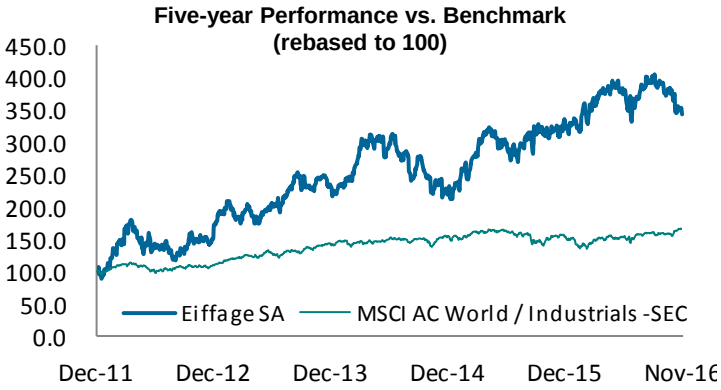
PART III – Investment Cases

Eiffage SA (FGR-FR) – BUY – Target Price: EUR 80.00

We are positive on management's strategy to increase its exposure to the high-margin Concessions business through the acquisition of a 23% stake in ADELAC (concessionaire until 2060 of the A41 North motorway linking Annecy to Geneva) through AREA (APRR subsidiary) for EUR 65 mn. This should provide a modest boost to earnings and margin prospects from 2017E. (In FY15, contribution of Concessions to group EBIT was 76%).

We expect the French construction sector to improve in FY16 with the government tendering large infrastructure projects like the extension of the Grand Paris project and the Canal Seine Nord Europe project.

Eiffage trades at an FY17E P/E of 14.1x, lower than its peer average of 17.9x. We increase our target price to EUR 80.00 (from EUR 76.60), implying 17.0x P/E on an FY17E consensus EPS of EUR 4.72, given the expected benefits from debt refinancing, strong Concessions growth and stable Contracting revenues.



Source: FactSet

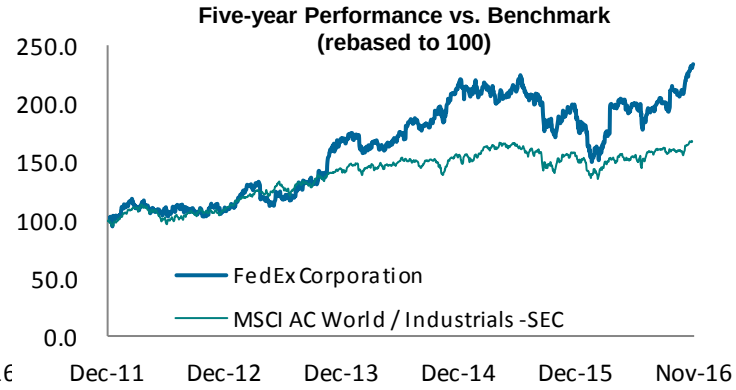
FedEx Corp (FDX-US) – BUY – Target Price: USD 190.00

FedEx's external growth strategy has proved to be effective in our view. Over 2009–14, it made ~11 acquisitions globally and achieved a CAGR of ~6%.

FedEx recently acquired the US-based Genco and Bongo International (in addition to the Netherlands-based TNT Express), which should enhance earnings growth and further strengthen its industry-leading position in the high-margin e-commerce business (the Ground segment commands a ~30% revenue share and has an EBIT margin of 15.2% vs. the group average of 9.1% in FY16).

FedEx shares are trading at an FY17/18E EV/EBITDA of 6.7x/6.3x at a significant discount to the peer average. Positives include (1) strong global presence enhanced by the TNT acquisition, (2) profit-–improvement initiatives at the Express segment. We believe these factors should boost overall growth in a flattish environment.

Following the positive surprise on the TNT integration, we increase our target price to USD 190.00 (from USD 174.00).



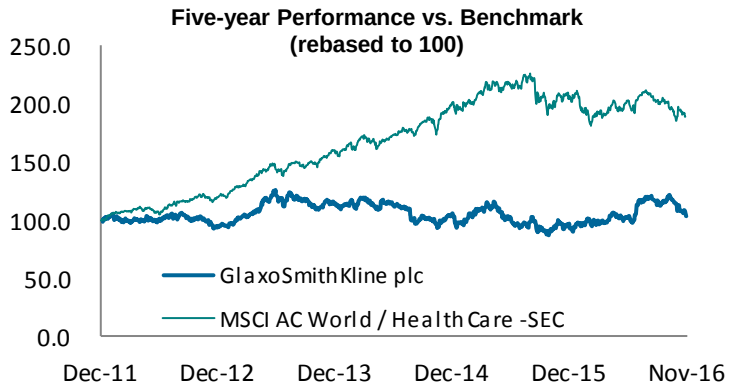
Source: FactSet

GlaxoSmithKline Plc (GSK-GB) – BUY – Target Price: GBP 18.60

All divisions are now in a growth trend. The HIV segment (led by the Tivicay and Triumeq drugs) has strong growth potential. The Vaccines business is expected to accelerate to mid-to-high single digit growth in 2017. The integration of Novartis Consumer Health Care is on track and will deliver a strong margin increase.

Management expects GBP 6 bn by 2018 from 11 new products (Rx: Breo, Anoro, Incruse, Arnuity, Tanzeum, Nucala, Tivicay, Triumeq; Vaccines: Menveo, Bexsero, Shingrix). It is confident that its pipeline of ±40 assets (80% potentially first-in-class) will deliver multiple development milestones in 2016/17 with 4 regulatory decisions and 10 phase 3 starts. Potential to file up to 20 assets by 2020.

The lower GBP has had a dramatic impact on earnings. FY16E EPS is now expected to increase by ~31% to GBP 0.99 (21% currency impact). The stock trades at a P/E of ~13.4x 2017E. At our target price of GBP 18.60 the stock would trade on ~17x 2017E EPS (GBP 1.09).



Source: FactSet

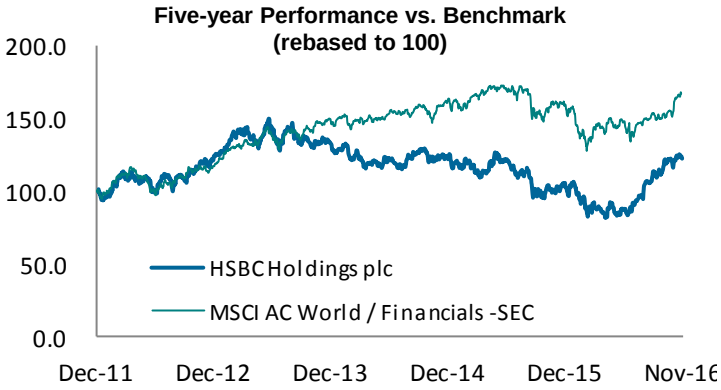
PART III – Investment Cases

HSBC Holdings Plc (HSBA-GB) – BUY – Target Price: GBP 6.78

HSBC's competitive advantages are its (1) diversified universal banking business model, (2) comfortable capitalisation with CRD IV CET I ratio of 13.9% (target of 12–13%), (3) conservative balance sheet with 3Q16 L/D ratio of ~68% and solid deposit base of ~USD 1.3 trn and (4) favourable gearing to an interest rate hike (mainly in the US and HK), as a 25 bps rise in interest rates would increase net interest income by ~USD 1.37 bn.

In our view, HSBC would continue to trade at a premium to its UK peers, considering its (1) competitive advantages, (2) healthy FY17E ROE of 6.6% (peers: 5.9%), (3) strict cost management, (4) significant progress on executing strategic actions and (5) high visibility over shareholder returns (dividend/share buyback). While the revenue backdrop remains difficult, we believe that HSBC's expense discipline and stable asset quality should support earnings growth.

Considering the healthy 3Q16 performance and marked improvement in capitalisation, we increase our target price to GBP 6.78 (from GBP 6.53), valuing HSBC at 1.1x FY17E TBV of GBP 6.17.



Source: FactSet

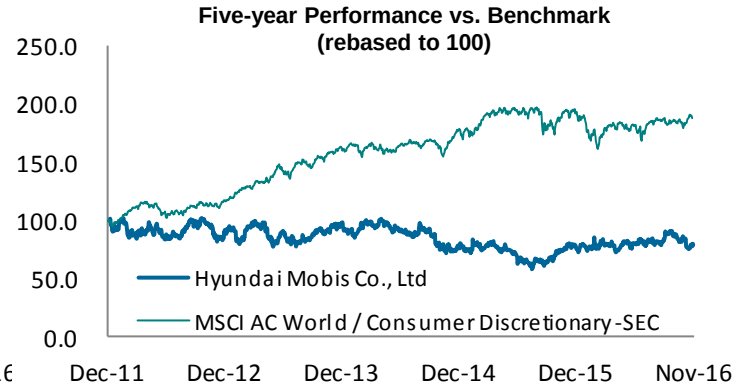
Hyundai Mobis (012330-KR) – BUY – Target Price: KRW 320 000

We expect the Advanced Driver Assistance Systems (ADAS) market to exhibit rapid growth in the next five years (>20% per annum). Currently, for Mobis, ADAS is small (~0.4% of Modules & Parts revenue in FY15) and loss-making due to heavy R&D, but the management expects significant growth from FY18 onwards (~7.0% in FY20E), which should contribute positively to Mobis' earnings.

Green car part sales too should grow rapidly (from ~1% of Modules & Parts Revenue in FY15 to ~5% in FY20E) as both HMC and KMC are expanding their green-vehicle line-up.

Although Mobis' fate is closely tied to HMC's and KMC's, it should be able to grow revenues slightly faster than the latter due to a higher SUV mix. Efficiency improvements and steady growth in the higher-margin aftermarket parts should allow for margin increase.

Growing non-HMC/KMC revenues, restructuring of the cross-shareholdings and an increasing dividend payout, should reduce the discount vs. peers



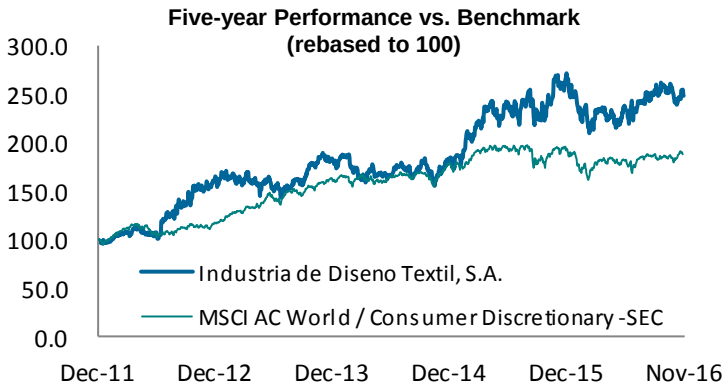
Source: FactSet

Inditex SA (ITX-ES) – BUY – Target Price: EUR 37.00

We are positive on Inditex given its wide geographic exposure with multi-format approach, low inventory model vs. peers and improving online offerings (online presence in 39 markets). Inditex has fully integrated its store and online sales platform, which should boost earnings in the long term, especially as its online platform is gaining good traction.

We believe the company's fast-fashion concept (delivery to market, more designs in smaller quantities) aids sales growth and supports margin expansion. Inditex continues to expand globally and has aggressively expanded in developing markets, which should propel growth and increase market share by converting new space to improved revenues.

Given Inditex's strong sales and EPS growth vs. peers in a highly competitive environment, we believe it warrants a premium valuation. We thus upgrade the target price to EUR 37.0 from EUR 34.0, valuing Inditex at P/E of 31.5x FY17E EPS of EUR 1.17.



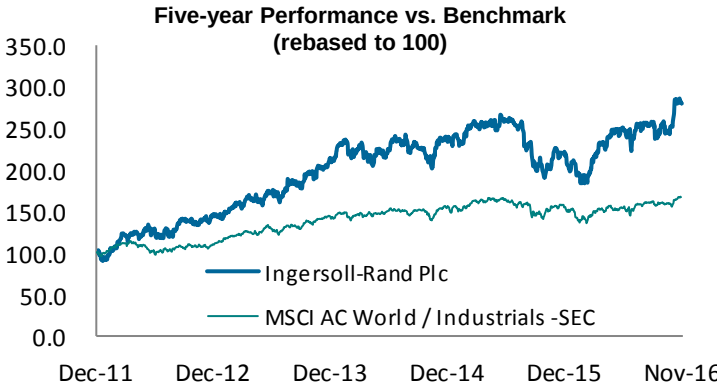
Source: FactSet

PART III – Investment Cases

Ingersoll-rand Plc (IR-US) – BUY – Target Price: USD 82.00

IR has significant revenue exposure to the healthy residential and non-residential construction end-markets (61% of FY15 revenues) with a majority of it derived from the US. We expect IR's Climate revenues to benefit from continued momentum in US construction sector in the medium term (average Architectural Billings Index for January–October is 50.9). Given its full suite of technologically superior offerings, including software and analytics support, we expect IR to gain market share from competitors in the Europe/US commercial and residential segments without lowering selling prices.

Despite weak end-markets for the Industrial segment, we believe that the management's focus on the more profitable aftermarket services and parts markets is a positive. Company-wide lean initiatives and productivity improvements from streamlining business operations should allow this segment to expand margins (+70 bps QoQ in 3Q16) and improve its bottom line. We increase the target price to USD 82.00 (from USD 72.00) valuing it at an FY17E P/E of 18.2x (in line with its peer average).



Source: FactSet

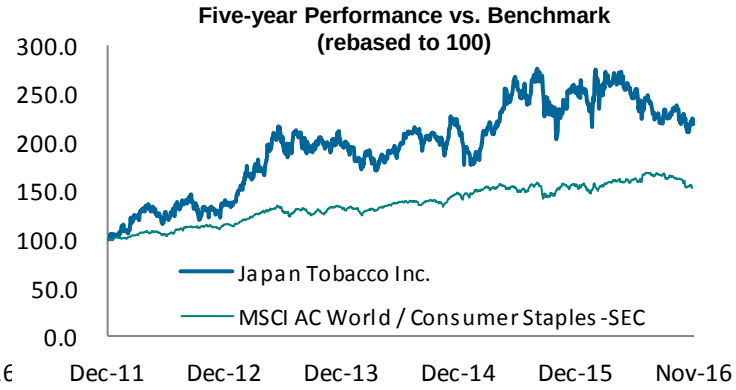
Japan Tobacco (2914-JP) – BUY – Target Price: JPY 4 500.00

We believe JT's revenue and profit breakdown makes it a well-balanced group. It is the undisputed market leader in Japan, the world's fourth-largest market (ex China, which is almost 100% operated by CNTC, a state monopoly).

JTI will remain JT's growth engine given the industry dynamics: lower volumes in developed markets (DM) have led to a decline in global volumes, but better price/mix in DM and emerging markets (EM) are leading to a worldwide uptick in value.

With its attractive and broad range of brands, launch of new/differentiated products (PloomTECH), intent and ability to seize acquisition opportunities, and with its solid cash-flow generation capacity, we believe JT should be able to combine profit growth with a generous shareholder remuneration policy.

Given the increased risk of higher interest rates and the lingering concerns on PloomTECH as well as the domestic and Russian markets, we lower our target price from JPY 4 650 to JPY 4 500.



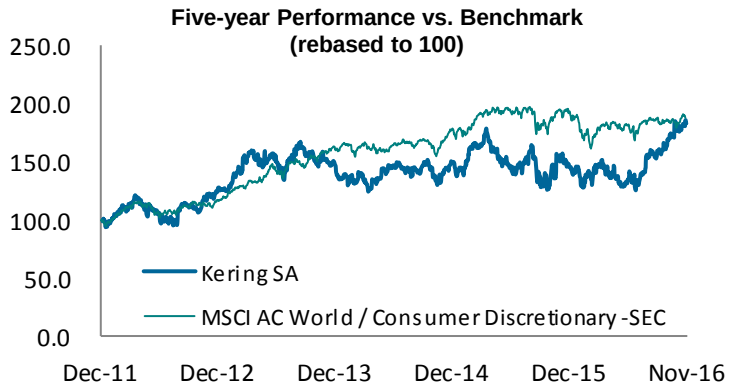
Source: FactSet

Kering (KER-FR) – BUY – Target Price: EUR 220.00

Since its first step into the luxury sector through the acquisition of an initial participation in Gucci in 1999, Kering has shed all of its retail activities. The group has a history of actively managing its portfolio of activities. Therefore, we do not rule out an exit from the sport and lifestyle segment (5% of FY15 recurring operating income) in the long term. This would be beneficial to valuation, in our view.

The repositioning of the Gucci brand (63% of FY15 recurring operating income) seems to be paying off and a recovery could be material given the brand strength. Momentum at YSL (10%) is solid, but Bottega Veneta (23%) may take time and effort to realise its potential. Brand momentum creates flexibility for productivity and pricing, and so Kering could be in the early stages of a virtuous cycle of increasing sales, profitability and FCF while reducing debt.

We therefore increase our target price from EUR 200.00 to EUR 220.00 at an FY17E P/E of 19.8x, EV/EBITDA of 12.9x and dividend yield of 2.2%.



Source: FactSet

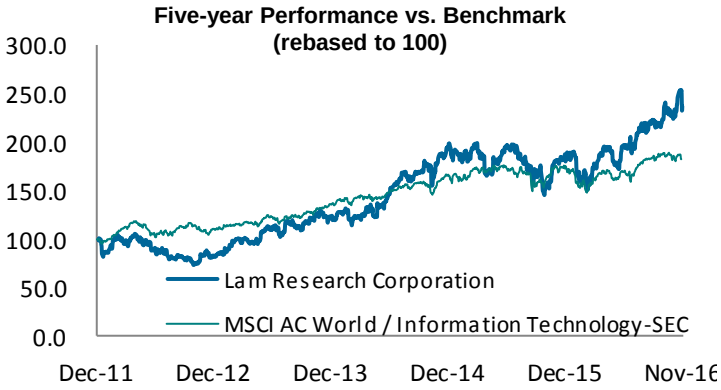
PART III – Investment Cases

Lam Research Corp (LRCX-US) – BUY – Target Price: USD 118.00

Lam is favourably exposed to the ongoing structural shift from 2D to 3D NAND (>50% market share) in the memory segment (56% of 1Q17 revenues) as 3D requires significantly higher etching and deposition (vs. 2D), where Lam is a market leader. The management expects global 3D NAND shipments to grow ~150% YoY in 2016 and further grow in 2017.

We expect higher capex from DRAM manufacturers in 2017 after a significant spending cut by DRAM manufacturers in 2016 (down 40% YoY) to benefit Lam. Continued capex by logic/foundry players for multi-patterning at 10 nanometre (nm) node chips and higher spending at new indigenous China fabs should be a tailwind for Lam's revenues in the medium term.

The cancellation of Lam's proposed merger with KLA-Tencor (announced on 5 October) leaves it with a solid net cash position that should allow it to continue share buybacks and dividend payments at a healthy pace. Given its exposure to multiple growth drivers, we expect its valuation discount vs. peers to narrow.



Source: FactSet

LVMH (MC-FR) – BUY – Target Price: EUR 190.00

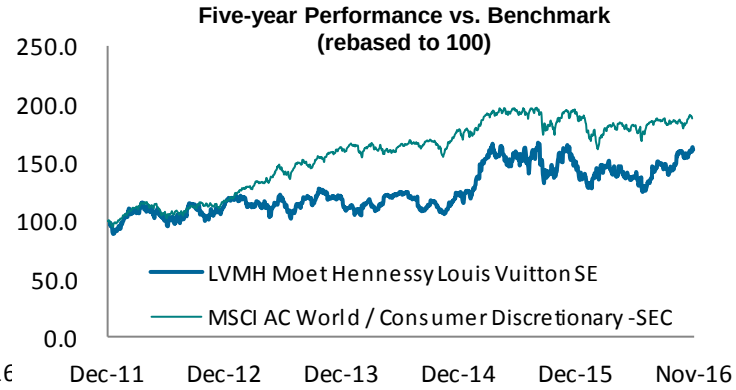
Thanks to its solid balance sheet and FCF generation, LVMH can spend large amounts on advertising and easily finance the expansion of the retail network, while keeping leeway for M&A.

The sale of Donna Karan (EV of USD 650 mn) increased the odds for a share buyback, but this now looks less likely in the short term as LVMH recently bought an 80% stake in Rimowa for EUR 640 mn.

The group's diversified revenue and profit base make it less vulnerable to a downturn in any particular market segment. While many brands in the portfolio are currently still small, we feel that some carry significant long-term potential.

The repositioning of Louis Vuitton seems to be a success: we expect it to support the brand's growth and profitability and also lead to an overall re-rating of LVMH shares.

We confirm our EUR 190.00 target price (FY18E P/E 20.4x).



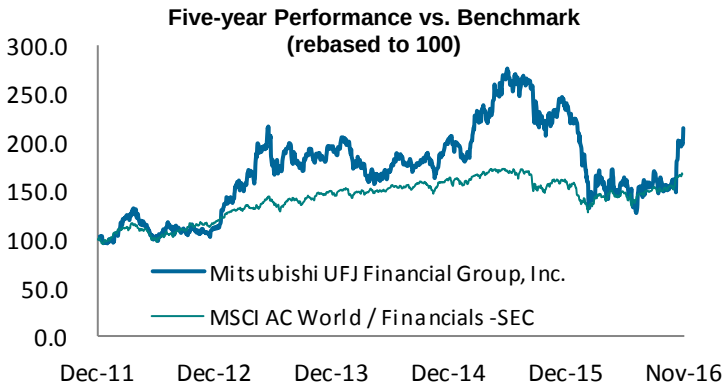
Source: FactSet

Mitsubishi UFJ Financial (8306-JP) – BUY – Target Price: JPY 800.00

MUFG's strengths are its (1) diversified business model, (2) growing overseas footprint, mainly in the US and Asia (the global business' share of operating profit increased to 38% in 1H17 from 24% in FY12), (3) strong capitalisation with an 1H17 CET I ratio of 12.5% vs. peers at 11.5% and (4) conservative lending standards as NPLs declined 5.5% QoQ to JPY 1.21 trn.

We expect factors such as (1) healthy 2Q17 overseas loan book growth (2) sharp depreciation of the JPY vs. USD (down 11.5% since 30 September) and (3) upgrade of FY17 credit costs guidance to JPY 150 bn (from JPY 210 bn) to bode well for 2H17 earnings growth. Further, MUFG's plan to repurchase shares of JPY 100 bn in 3Q17 illustrates its confidence on capitalisation.

We have a constructive view on MUFG considering its listed strengths, attractive valuation, focus on improving cost efficiency, steady asset quality and expectations of healthy shareholder returns. We increase our target price to JPY 800 (from JPY 720), valuing MUFG at 0.66x FY18E BV of JPY 1 220/share.



Source: FactSet

PART III – Investment Cases

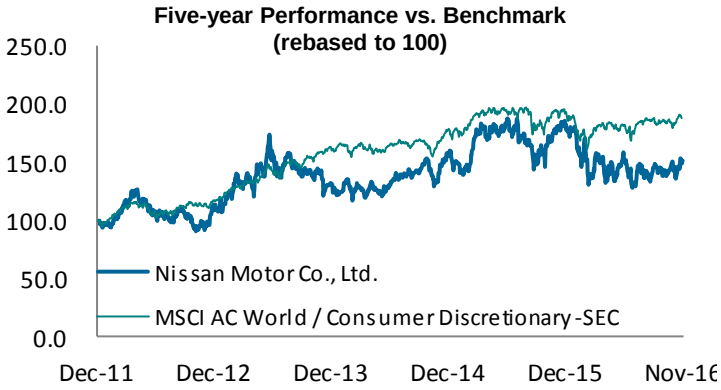
Nissan Motor Company (7201-JP) – BUY – Target Price: JPY 1 200.00

NMC's operating margin has recovered significantly since 2009 (operating loss) but is still well below the pre-crisis levels (>10%) and the company target (8%). Its market share too is still below the stated objective (8%). We believe this indicates scope to grow unit sales and revenues, while cost management should improve profitability.

While the North American market is very important, NMC has a sound exposure to emerging markets. Its product portfolio is well-diversified with attractive SUV/CUV offerings, which should improve the product mix.

Recently, NMC acquired a 34% stake in Mitsubishi Motors (MMC) for JPY 237.4 bn, which should yield broad-based synergies of ~JPY 50 bn/year, adding to those from the Renault–Nissan Alliance.

We increase our target price from JPY 1 050 to JPY 1 200, implying an FY16E P/E of 9.0x (FY17E: 8.1x), a dividend yield of 4.0% (4.2%) and a P/B of 1.0x (0.93x).



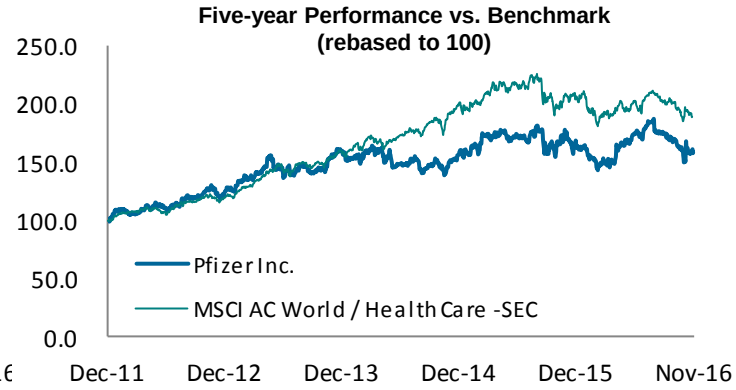
Source: FactSet

Pfizer (PFE-US) – BUY – Target Price: USD 42.00

2015 was the final year of consecutive declining sales due to patent expiries, starting with Lipitor in 2011. PFE lowered costs, rebuilt its pipeline and broadened its product range. It is now less vulnerable to patent expiries. PFE is a leader in vaccines, a market dominated by only four global players. The Prevnar 13 vaccine for pneumonia is its largest product with peak sales of ~USD 6.2 bn in FY16E and stable sales of ~USD 5.8 bn in the next five years.

A key driver is Ibrance, a first-to-market new class of oral drug for metastatic breast cancer (BC). Expansion into early BC would double its potential. The FactSet sales consensus for Ibrance is USD 5.2 bn in 2020 (without new indications). Other drivers are Eliquis, an anticoagulant, and Xeljanz for rheumatoid arthritis.

Ibrance is crucial for growth. At a P/E of ~12x FY17E, PFE is undervalued. EPS growth should average ~9% in FY16E/18E. We value the stock at a P/E of 16.0 x 2017E, delivering a target price of USD 42.00.



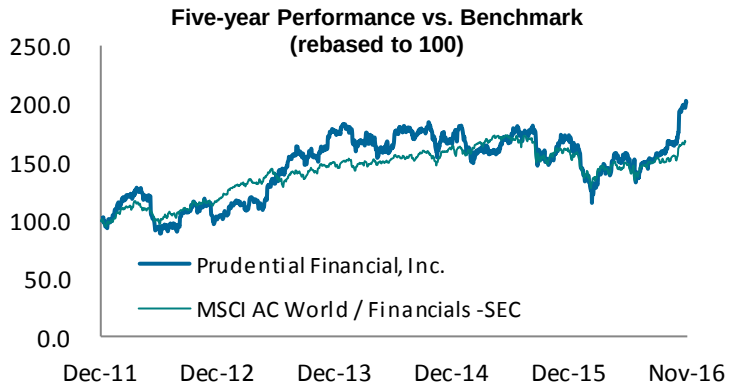
Source: FactSet

Prudential Financial (PRU-US) – BUY – Target Price: USD 95.80

PRU's earnings are more resilient than its peers thanks to a well-diversified business model and an attractive product mix. The company derives a significant portion of its earnings from the international business (mainly Japan), which is highly profitable as a result of its strong focus on high-margin death protection products. In the US, PRU's business is focused on high-return and less capital-intensive businesses such as asset management and retirement, which enable it to generate industry-leading margins.

The management expects greater financial flexibility with readily deployable capital from the restructuring of its closed-block business. It targets to generate FCF of 60% (as a % of operating profit; historical level of 50%) and an ROE of 13–14%, which bodes well for strong shareholder returns.

Our target price of USD 95.80 implies an FY17E P/E of 9.3x (in line with its peer average) on an FY17E EPS of USD 10.30, attractive in the context of its strong capitalisation, superior ROE and attractive shareholder returns (FY16E dividend yield of 3.4%).



Source: FactSet

PART III – Investment Cases

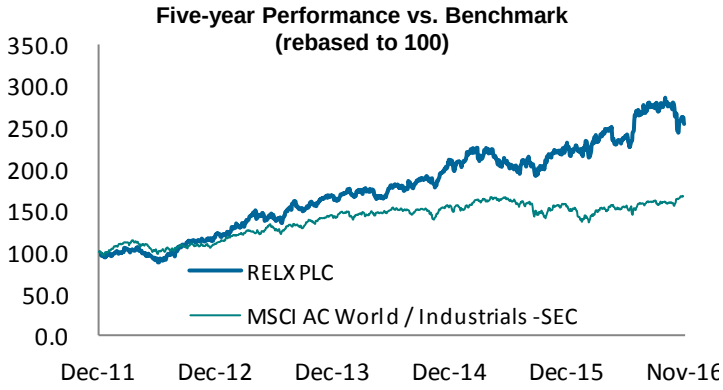
RELX (REL-GB) – BUY – Target Price: GBP 16.50

RELX's investments in data, content, and analytics and technology platforms should drive organic growth while it leverages its strong balance sheet to make bolt-on acquisitions.

STM growth is likely to be driven by increase in primary research subscriptions and growth in databases and tools (partially offset by decline in print). RBA growth is likely to be driven by demand from insurance companies and US state/federal agencies, in addition to demand for identity authentication, fraud detection solutions.

RELX has largely completed its transition from print to electronic (Print: 15% of FY15 revenue) and is now moving from electronic reference products (data search and retrieval) to electronic decision tools (data analysis). It is thus likely to benefit from up-selling and greater client volumes as it launches new products with electronic decision tools.

Given the strong RBA results, we increase our target price to GBP 16.5 (from GBP 16.0), implying 21.2x PE on FY17E EPS.



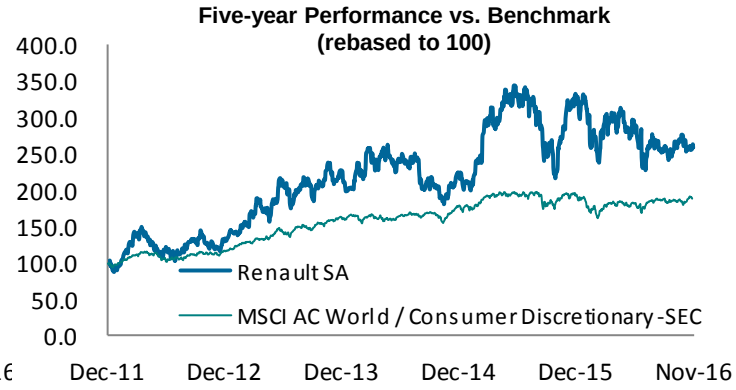
Source: FactSet

Renault (RNO-FR) – BUY – Target Price: EUR 85.00

We The Renault–Nissan Alliance brings significant synergies (>EUR 4.3 bn in FY15, EUR 5.5 bn in FY18E). Carlos Ghosn is President and CEO of Renault (Renault, Dacia, Renault Samsung Motors) and Nissan (Nissan, Infinity, Datsun) and Chairman of Avtovaz (Lada). The partnerships with Daimler (2010) and Bolloré Group (2014) should help increase economies of scale, accelerate growth in new regions and fund R&D.

Renault is launching models in attractive segments (SUV, CUV) and is renewing the Megane and Scenic, its bread-and-butter models. Next step will be the renewal of entry-range vehicles. All this should lead to a continuation of revenue and profit growth. Emerging markets (EMs) could surprise positively.

At current market value and exchange rates, the stakes in Nissan and Daimler are worth ~EUR 57 per share (ps) and ~EUR 3.6 ps resp. We value Automotive conservatively at 0.1x sales (~EUR 15 ps) and financial services at 1x book value (~EUR 12 ps).



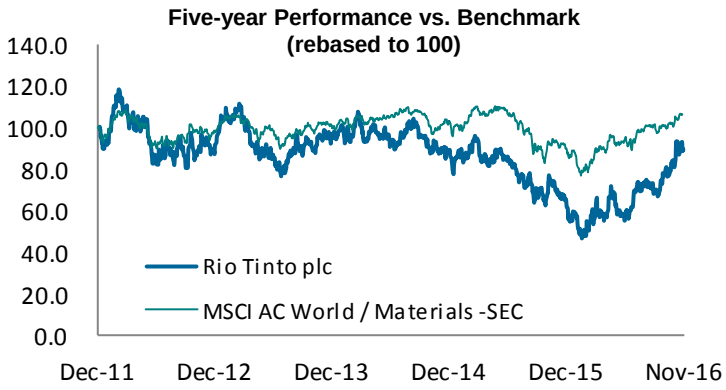
Source: FactSet

Rio Tinto (RIO-GB) – BUY – Target Price: GBP 28.20

RIO's competitive advantages are its (1) portfolio of Tier-I assets across its suite of commodities generating industry-leading operating margins, (2) strongest balance sheet in the industry (23% gearing as of 1H16, towards the lower end of its 20–30% target) and (3) strong cash flow profile due to high production growth, improving operational efficiencies and low capex requirements.

RIO's earnings are closely linked to the pricing environment of iron ore, its core commodity. We expect iron ore prices to remain stable in coming quarters due to strong demand from Chinese steel mills (in turn driven by improving property prices). Supply discipline from the Big-4 producers and high-cost capacity curtailment in and outside China should support prices in the long term.

At an FY17E P/E of 14.4x, it is trading at a ~25% discount to its peers which seems attractive given its robust balance sheet, strong FCF profile and superior dividend yield. We value it at an FY17E P/E of 15.2x and increase our target price to GBP 28.20 (from GBP 27.30).



Source: FactSet

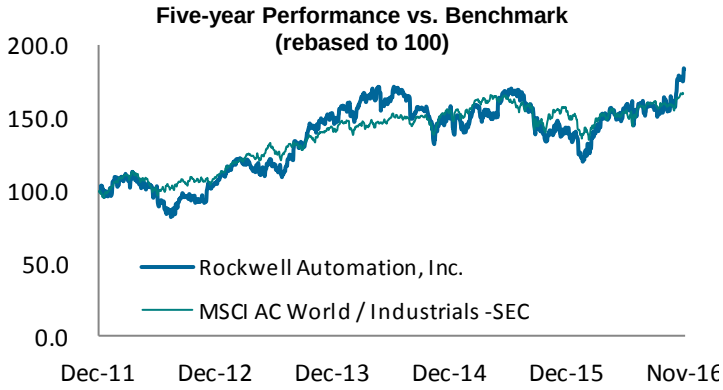
PART III – Investment Cases

Rockwell Automation (ROK-US) – BUY – Target Price: USD 139.00

Rockwell is witnessing a decline in revenues due to weakness in the heavy industries end-market. However, we expect automation demand from the automotive sector in the US and the global consumer goods industry (F&B and personal care) to offset the impact of low demand from the O&G and mining sectors.

The company has made significant technology investments in its Connected Enterprises business, and we expect demand in this domain to increase, led by the growing need to improve productivity, product quality and workplace safety in the manufacturing sector. The ongoing replacement of ageing industrial infrastructure in developed economies also indicates a healthy demand outlook.

Rockwell is trading at an FY17E P/E of 22.1x vs. the peer average of 18.0x, with both EBITDA margin and ROE much ahead of peers. Moreover, we expect earnings growth to accelerate from FY17. We thus increase our target price to USD 139.00 (FY17E P/E of 23x) from USD 127.00.



Source: FactSet

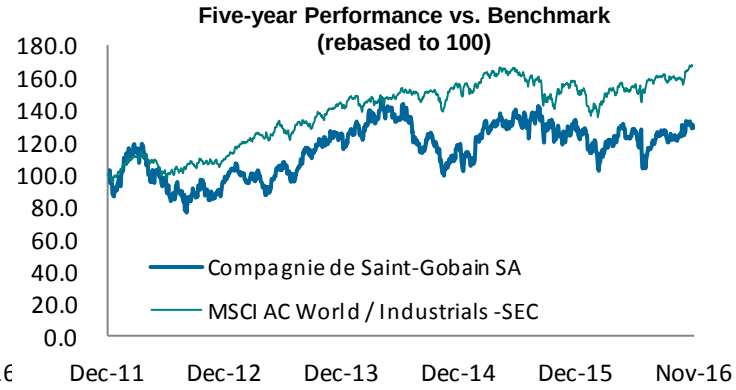
Saint-Gobain SA (SGO-FR) – BUY – Target Price: EUR 51.00

Saint-Gobain should fully benefit from the anticipated recovery in European residential and non-residential construction. Markit construction PMI data and the construction confidence index level indicate that FY16 construction activity should be better than FY15.

The company reported solid improvement in operational metrics and financial management in its FY15 results as well as 9M16 results. We find management's FY16 guidance to be encouraging.

Saint-Gobain is pursuing its plan to acquire a controlling interest in Sika (leading specialty chemicals player), which along with the sale of non-core businesses (Verallia in FY15) should help reposition its portfolio towards higher margin value-added segments. This bodes well for future margins and should enhance returns on investments.

Shares are trading at an FY17E EV/EBITDA of 6.1x, at ~50% discount to the peer group average, with a potential to re-rate higher as construction activity picks up and volumes improve.



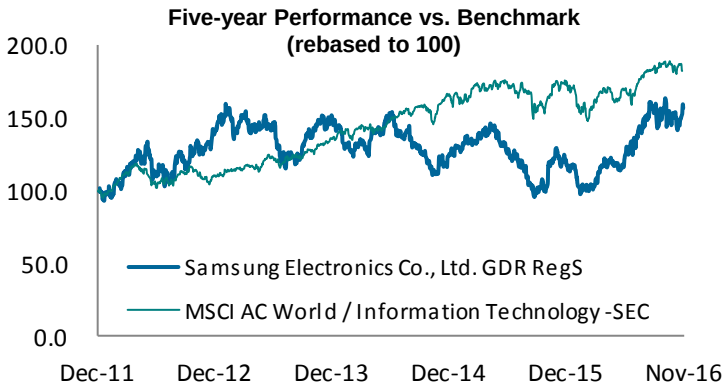
Source: FactSet

Samsung Electronics (SMSN-GB) – BUY – Target Price: USD 810.00

Investors have reset expectations based on the management's profit warning following the Note 7 discontinuation, and we expect a gradual recovery in the mobile segment, driven by stronger demand for Galaxy S7/S7 Edge followed by the 1Q17E launch of the flagship Galaxy S8. New product launches in the mid/low-end should help Samsung maintain its market share in the medium term.

Samsung's semiconductor business should benefit from better average selling prices in the near term due to a healthy supply–demand scenario for DRAM/NAND and solid demand for OLEDs. Semiconductor margins should benefit from yield improvements and an improved mix of high-margin products such as DDR4, LPDDR4 and 3D NAND.

The company is trading at an FY16E P/E of 11.7x, at a discount to its peer average of 13.9x. We expect this discount to narrow given its solid shareholder return policy and medium-term revenue/margin growth opportunities in the memory and mobile divisions. We value Samsung at 10.6x its FY17E EPS.



Source: FactSet

PART III – Investment Cases

Schneider Electric SE (SU-FR) – BUY – Target Price: EUR 73.00

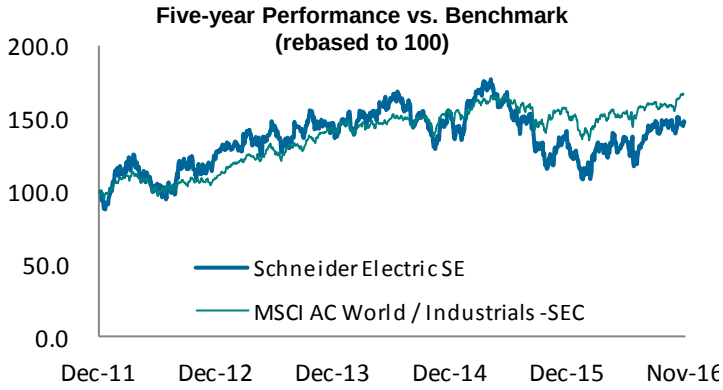
The strong construction market in the US and improvement in SU's Western Europe business (mainly the Building and Infrastructure segment) should, in our view, counter the negative impact of lower oil and gas prices. China's improving construction market and stabilising industrial market augurs well for Schneider.

The management is highly focused on project execution and cost-savings. We remain confident on margin expansion in 2016 although revenues may moderately decline due to preference for high-margin projects. The company is targeting average organic growth of ~3% over the next three years.

Integration with Invensys is on track and should enhance automation capabilities and increase SU's cross-selling opportunities. The company should also benefit from higher demand for industrial software and automation product .

launches new products with electronic decision tools.

Schneider is trading at a 2017E P/E of 15.4x, below its peer average of 16.4x. Consensus expects an FY15–18E EPS CAGR of 7.8%.



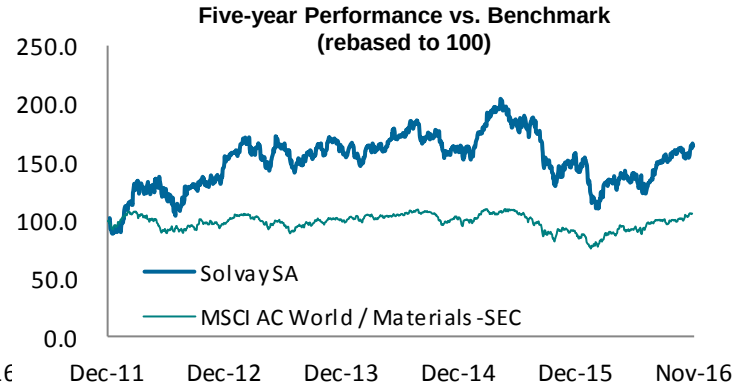
Source: FactSet

Solvay (SOLB-BE) – BUY – Target Price: EUR 108.00

Solvay is transforming into a less cyclical and less capital intensive group, as visible in the 2Q16 EBITDA margin of 22% (a new record). Sustainability (climate change) is high on the agenda. Highly diversified end-markets make Solvay more resilient.

Management is more confident in an acceleration of growth in 2H16, driven by specialty polymers (broadest portfolio in the sector, with new, lightweight materials). The integration of Cytec is progressing well (cost synergies). Now management wants to deliver on top-line synergies (higher sales in aerospace, automotive and mining), as it plans to illustrate during the Capital Markets Day on September 29. Solvay will focus on its two growth divisions Advanced Materials and Formulations.

The stock trades at a P/E of 10.9x 2017E. As we are confident the group will reach its ambitious objectives, we believe the market undervalues the stock. We set our target price at EUR 108.00 (~13x consensus EPS 2017E of EUR 8.36).

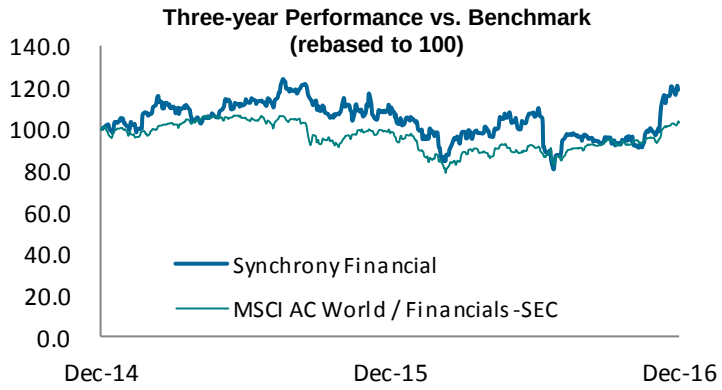


Source: FactSet

Synchrony Financial (SYF-US) – BUY – Target Price: USD 38.00

SYF is a key beneficiary of the increasing use of cards for the purchase of consumer goods and healthcare services. SYF's competitive advantages are its (1) extensive product offerings and presence across varied categories, (2) diverse partner base and longstanding relationships with well-known consumer brands (Walmart, Amazon, Lowe's etc.), (3) leadership position in the PLCC segment, (4) superior efficiency ratio of 31% in 9M16 vs. peers at 52.5%, (5) best-in-class capitalisation with a fully phased-in CET I ratio of 17.9% vs. peers at 12.5% and (6) solid deposit base (~USD 50 bn in 3Q16) and low cost structure of its online bank.

We have a constructive view on SYF given its (1) competitive advantages, (2) commencement of shareholder returns (in 3Q16, SYF paid a dividend of USD 0.13/share and repurchased shares worth USD 238 mn) and (3) expectations of healthy earnings growth (FY15–18E net income CAGR of 5.3% vs. peers at 0.7%). Given SYF's focus on driving operating leverage, we increase our target to USD 38.00 (from USD 31.60), valuing SYF at 2.0x (in line with peers) FY17E BV of USD 19.1/share.



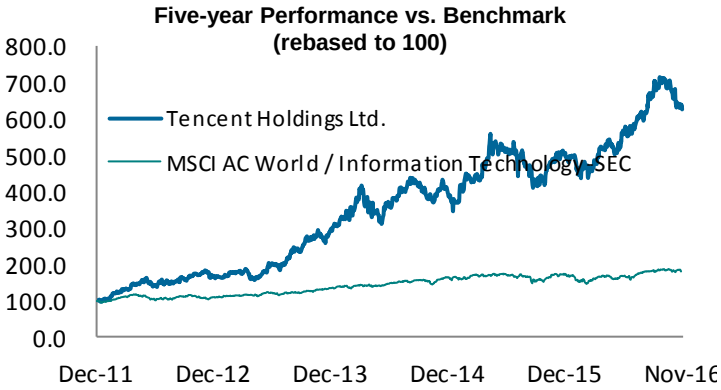
Source: FactSet

PART III – Investment Cases

Tencent Holdings Ltd (700-HK) – BUY – Target Price: HKD 222.00

Tencent has a strong presence in the Chinese gaming segment and leads the mobile gaming space. According to App Annie, an app-analytics company, Tencent held the top position for game downloads in May 2016. It is also adding lifestyle services, including shopping, restaurant deals and health monitoring to strengthen its user-connect. We believe that these initiatives should help improve its services offerings and result in strong user addition.

Tencent is focusing on the online-to-offline (O2O) segment, which it sees as a key growth driver as businesses move their offline processes to online platforms. The company also believes that O2O would help increase advertising revenues and the user base for mobile payments. In our view, Tencent is well-positioned to capture this opportunity through its mobile platforms, QQ and Weixin. Its strategy would also require lesser spending (as compared to Baidu), which will help protect margins.



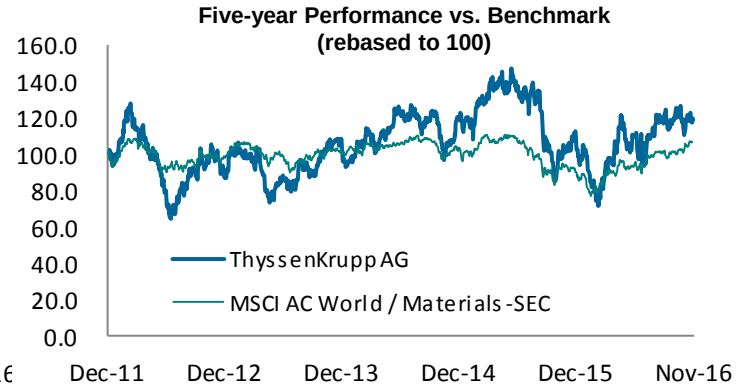
Source: FactSet

ThyssenKrupp (TKA-DE) – BUY – Target Price: EUR 23.30

TKA's earnings are more resilient than its steel peers thanks to its strong product and geographic diversification. Elevator Technology (ET), the single largest contributor to its EBIT and FCF, provides stable earnings visibility with a solid order backlog of >EUR 5.0 bn (as of 3Q16 excl. Services) with a near even split between new installations and services.

The potential consolidation of the European steel industry should serve as a medium term catalyst for the stock. In July, Tata Steel confirmed that it is considering a joint venture (JV) with TKA for their European steel operations. If successful, we believe this would be an important step for TKA to unlock value from its diversified portfolio. Beyond cost synergies, the combined entity should benefit from asset optimisation and productivity improvements.

We lower our target price to EUR 23.30 from EUR 24.50, valuing the stock at 16.0x its FY17E EPS of EUR 1.39. This values the company at a 5% discount to the blended peer group average to account for lower growth.



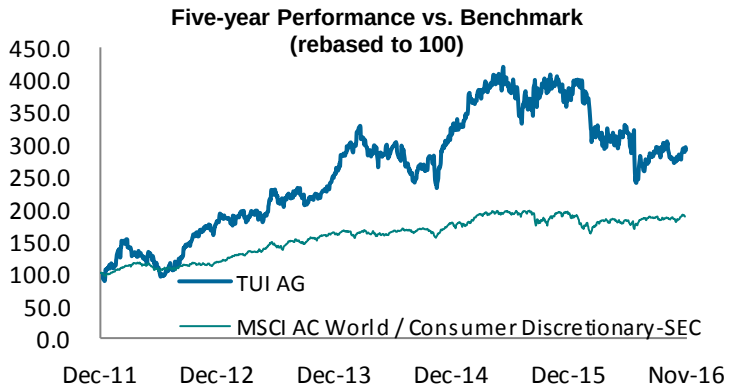
Source: FactSet

TUI-AG (TUI1-DE) – BUY – Target Price: EUR 15.20

TUI has demonstrated a resilient business model post-merger of TUI Travel, which has helped increase bookings despite adverse geopolitical conditions. In our view, the management's focus on tourism business and improving digital solutions in order to create better earning stability should enable TUI to achieve the underlying EBITA target of at least 10% CAGR over the next three years.

We expect the recent acquisition of Transat France to strengthen the company's market position. Germany and France (TUI's major source markets) feature among the top outbound markets for international tourism (as per ITB Berlin) and have a positive long-term outlook.

TUI is currently valued at a discount to its peer average of 13.7x at an FY17E P/E of 11.8x. Given the attractive dividend yield and strong balance sheet, we value TUI at an FY17E P/E of 12.4x to arrive at a target price of EUR 15.20 on an FY17E consensus EPS of EUR 1.23.



Source: FactSet

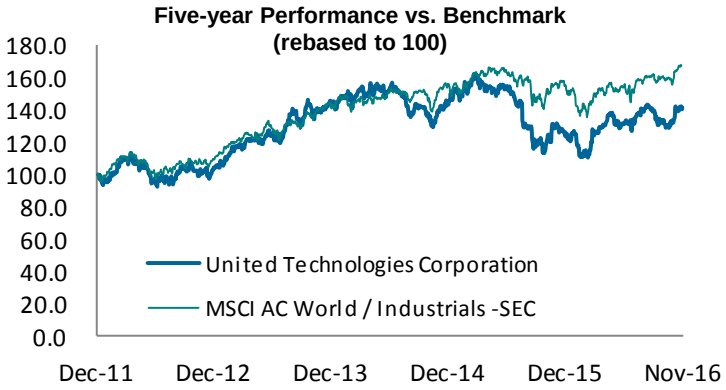
PART III – Investment Cases

United Technologies (UTX-US) – NEUTRAL – Target Price: USD 106.00

UTX's management has been driving business growth for years with a significant track record in both capital allocation and shareholder returns. With a medium/long-term buy-and-sell strategy, UTX divested the helicopter manufacturer Sikorsky in FY15 and used the proceeds to start a massive share buyback program to support the stock price (USD 10 bn in addition to an accelerated repurchase of USD 6 bn initiated in 4Q15).

UTX's geographic and business diversification is key strength. Otis' China exposure, which may impact it negatively as the economy slows, is offset by the high-margin business of aerospace aftermarket services and OEM (UTAS and Pratt & Whitney) as the aerospace and defence (A&D) cycle is attractive.

In light of the new risks and uncertainties weighing on earnings for 4Q16E and FY17E, we consider that the stock is fairly valued (at a discount to peers) at an FY16E PE of 15.6x (FY17E: 15.7x) and EV/EBITDA of at 9.5x (FY17E: 9.6x).



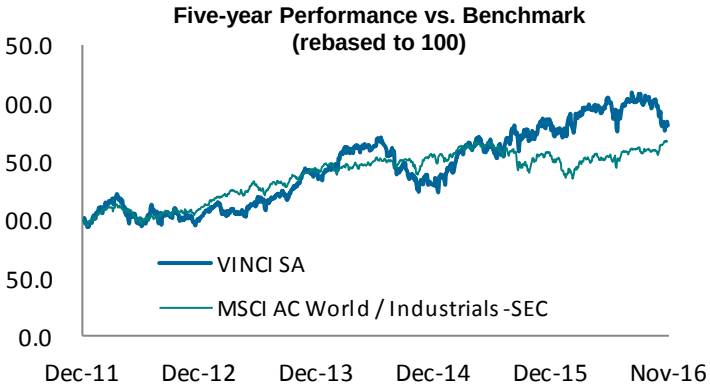
Source: FactSet

Vinci (DG-FR) – BUY – Target Price: EUR 77.00

We are positive on Vinci due to its strong presence in both domestic and international markets (42% of FY15 revenues outside France vs. 38% in FY14). Further, the company's strategy to increase its exposure to the high-growth and high-margin Concessions business is positive. This strategy should help improve margins (consensus expects FY16E EBITDA margin of 15.7%, up 100 bps YoY) and generate healthy cash flows (FY16E FCF of EUR 2.725 bn), which in turn should help Vinci to maintain its dividends.

In France, toll-road operators reached an agreement with the government in April 2015. In exchange for extending concessions contracts for approximately two to three years, toll-road operators agreed to invest EUR 3.2 bn in French motorways, of which Vinci will invest EUR 2 bn. In our view, this is positive and should support revenue growth.

Vinci trades at ~18.3% discount to peer average on FY17E P/E and we find the valuation attractive at these levels.



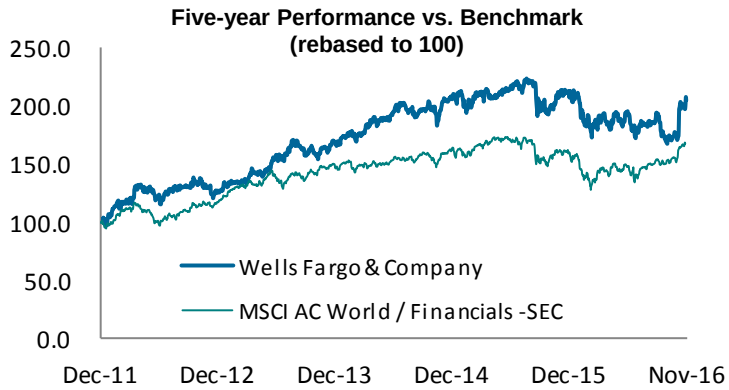
Source: FactSet

Wells Fargo (WFC-US) – BUY – Target Price: USD 55.00

WFC's strengths are its (1) diversified business model, (2) superior deposit base with a minimal 3Q16 deposit cost of 11 bps, (3) strong asset quality with net charge-off rate of 39 bps in 9M16 vs. peers at 72 bps and (4) high exposure to the US where it would benefit from a healthy economic outlook and a gradual rate hike.

Recently, WFC was rocked by unethical sales practice at its retail banking division, which led to the ouster of its CEO. However, the bank was quick to assuage investor concerns as it (1) appointed Tim Sloan as the new CEO (2) eliminated product sales goals for its retail bankers, (3) implemented process enhancements and (4) strengthened oversight mechanisms.

Though the retail sales practice issue could remain a near-term overhang on the stock (given uncertainty over EPS impact), we believe that the recent correction (down 9% since 8 September) has priced in the concerns. We reiterate our Buy rating on WFC considering its strengths, solid FY17E ROE of 11.3% (peers: 8.5%), consistent earnings stream and healthy shareholder returns.



Source: FactSet

PART III – Investment Cases

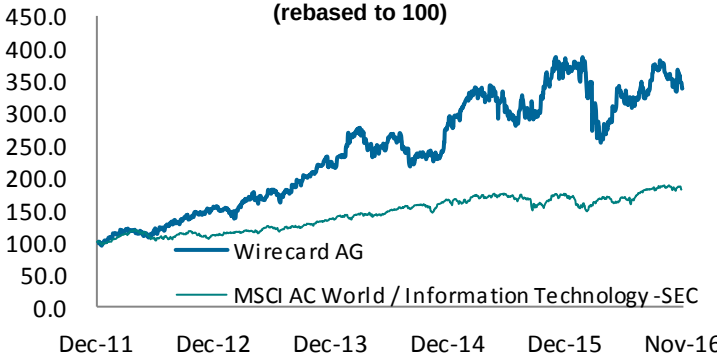
Wirecard AG (WDI-DE) – BUY – Target Price: EUR 50.00

Wirecard's platform is used by ~25 000 merchants globally and is present across multiple channels (online, offline, m-commerce), which in our view, should help strengthen its position and gain market share. In our view, the growing trend towards cashless transactions globally should create solid growth opportunity for the company.

We believe Wirecard's expansion plans (US and Asia, particularly India) and potential upside from growth in e-commerce/m-commerce should aid margin expansion and thereby result in better-than-expected earnings. As per Euromonitor and Statista, global e-commerce is expected to grow 16–17% and Asia/European e-commerce at 25%/12% in FY16.

We are also positive on Wirecard's recent acquisition Citi's prepaid Card Services as it would facilitate cross-selling and lead to EBITDA margin expansion. The stock is trading at an FY17E P/E of 20.4x with 2015–18E EPS CAGR of 32%. We believe it offers attractive risk reward.

Five-year Performance vs. Benchmark (rebased to 100)



Source: FactSet

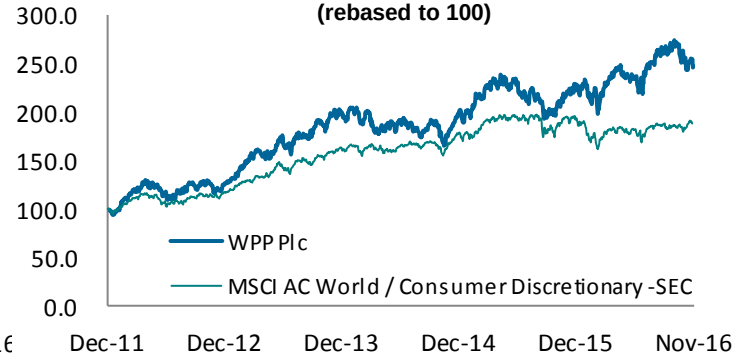
WPP Plc (WPP-GB) – BUY – Target Price: GBP 20.80

WPP is the largest agency player with a global footprint and is well-placed to cater to large clients on the rapidly growing digital media segment and traditional platforms. It has already successfully increased its presence in the fast-growing digital media segment with a revenue share of 37% in FY15 (FY06: 21%, FY20E: 40–45%).

With high correlation between media spend and economic growth, WPP has also focussed on increasing its exposure in new markets, with FY15 revenue share at 29% (FY06: 21%). To increase its digital and new markets revenue share, WPP is pursuing both organic and inorganic growth strategies with ~GBP 649 mn of acquisitions in FY15 (FY14: GBP 461 mn, 9M16: GBP 305 mn).

Our target price of GBP 20.80 implies a P/E of 16.6x on an FY17E EPS of GBP 1.19. With an expected 2015–17E EPS CAGR of 15.3%, FY16E/17E dividend yield of 3.1%/3.5%, we remain positive on the stock.

Five-year Performance vs. Benchmark (rebased to 100)



Source: FactSet

PART IV

Valuations and Market Data

PART IV – VALUATIONS (1/3)

Alphabetical Order

DESCRIPTION			VALUATION								GROWTH				PROFITABILITY		
Ticker	Company	Cap (m€)	P/BV		EV/Sales (e)		P/E (e)			Div. Yield	Sales Growth		EPS Growth		EBITDA Margin	Net Margin	ROE
			FY1x	10Yx	FY1x	FY2x	FY1x	FY2x	10Yx	FY1%	FY1%	FY2%	FY1%	FY2%	FY1%	FY1%	FY1%
ABBN-CH	ABB Ltd.	39 890	3.3	3.7	1.4	1.4	18.2	16.5	18.5	3.6	-3.5	0.5	13.6	9.2	13.7	6.1	18.0
AC-FR	Accor SA	9 416	2.1	3.1	1.9	1.7	21.1	18.1	54.1	2.8	1.3	7.1	-12.9	17.3	17.8	6.5	9.8
ACS-ES	Actividades de Construccion y Servi	8 793	2.3	2.6	0.3	0.3	12.3	12.0	9.8	4.2	-8.8	3.1	-1.1	0.8	6.6	2.6	18.8
AIG-US	American International Group, Inc.	61 423	0.7	3.8	1.9	2.0	16.8	11.7	15.2	2.0	-9.4	-6.9	71.4	46.8	11.8	8.2	4.4
AI-FR	Air Liquide SA	36 939	2.3	3.1	2.8	2.5	18.5	17.2	19.2	2.7	13.7	14.0	5.8	4.0	25.4	10.1	13.0
ALO-FR	Alstom SA	5 585	1.6	3.7	0.8	0.7	22.7	16.5	21.1	0.9	6.8	5.1	nm	31.6	7.5	3.3	7.0
ASML-NL	ASML Holding NV	40 481	4.6	4.3	6.1	5.3	29.1	22.8	18.6	1.1	5.6	13.7	0.6	27.7	29.2	20.6	15.4
4503-JP	Astellas Pharma Inc.	26 564	2.4	2.1	2.2	2.0	16.3	15.4	20.5	2.3	-5.1	5.5	5.6	5.6	25.3	15.3	14.9
T-US	AT&T Inc.	222 414	1.9	1.9	2.2	2.1	13.6	13.0	19.9	5.0	11.8	1.8	5.2	5.1	32.3	8.5	14.3
ATO-FR	Atos SE	9 884	2.4	1.7	0.8	0.7	13.4	11.9	31.6	1.3	9.6	4.6	18.4	12.8	11.9	6.3	17.4
BIDU-US	Baidu, Inc. Sponsored ADR Class A	41 247	4.2	20.1	5.0	4.0	34.8	27.2	71.0	0.0	0.2	21.1	-69.1	26.3	21.8	13.7	11.9
BAS-DE	BASF SE	74 406	2.4	2.3	1.6	1.5	17.1	15.6	13.5	3.6	-19.7	5.0	-5.0	9.2	18.0	7.2	14.1
BA-US	Boeing Company	88 142	38.7	20.6	1.0	1.0	21.6	16.3	19.4	2.8	-1.9	-0.7	-8.0	33.0	8.1	5.0	nm
5108-JP	Bridgestone Corporation	27 243	1.4	1.4	0.9	0.9	12.5	11.4	131.2	3.4	-11.2	2.5	-6.8	9.6	19.3	7.8	11.5
CCL-US	Carnival Corporation	36 265	1.6	1.4	2.9	2.8	15.0	13.4	18.6	2.7	4.2	4.7	24.4	11.9	29.1	15.5	10.9
C-US	Citigroup Inc	149 751	0.7	0.8	na	na	11.9	10.8	16.3	0.7	na	na	-11.8	10.2	na	na	6.3
KO-US	Coca-Cola Company	163 286	7.0	5.7	4.8	5.9	21.1	20.4	20.7	3.4	-5.8	-17.2	-4.5	3.7	28.2	20.1	33.1
CON-DE	Continental AG	33 141	2.3	2.4	0.9	0.8	11.7	10.2	13.7	2.4	3.2	4.9	1.7	16.6	15.0	6.9	19.3
DAI-DE	Daimler AG	66 830	1.2	1.4	0.4	0.4	7.6	7.4	11.6	5.2	2.2	2.8	0.8	4.3	12.0	5.7	15.6
DUE-DE	Durr AG	2 558	3.2	2.5	0.7	0.7	14.2	13.4	22.2	2.6	-4.2	1.0	10.8	6.1	9.8	5.0	22.4

P/BV: Price-to-book value
FY1: Current unrealised year, FY2: Next year
Sources: SGPB, FactSet

PART IV – VALUATIONS (2/3)

Alphabetical Order

DESCRIPTION			VALUATION								GROWTH				PROFITABILITY		
Ticker	Company	Cap (m€)	P/BV		EV/Sales (e)		P/E (e)			Div. Yield	Sales Growth		EPS Growth		EBITDA Margin	Net Margin	ROE
			FY1x	10Yx	FY1x	FY2x	FY1x	FY2x	10Yx	FY1%	FY1%	FY2%	FY1%	FY2%	FY1%	FY1%	FY1%
DUFN-CH	Dufry AG	6 159	2.1	2.8	1.3	1.2	17.9	13.3	32.3	0.0	27.4	3.2	69.4	34.6	11.9	0.2	11.5
FGR-FR	Eiffage SA	5 682	1.7	1.7	1.3	1.2	14.7	12.9	13.1	2.5	-0.5	1.8	25.0	11.7	16.7	2.8	11.3
FDX-US	FedEx Corporation	48 064	3.3	2.3	1.0	1.0	15.9	14.2	37.3	0.8	19.0	4.3	12.5	11.5	14.4	5.4	20.5
GSK-GB	GlaxoSmithKline plc	84 941	36.5	13.4	3.1	2.9	14.8	13.5	16.8	5.6	15.5	6.8	32.8	9.5	33.4	17.6	229.4
HSBA-GB	HSBC Holdings plc	147 363	0.9	1.2	na	na	13.2	12.5	15.4	6.3	na	na	9.2	5.0	na	na	6.9
012330-KR	Hyundai Mobis Co., Ltd	19 184	0.8	1.8	0.5	0.5	7.4	6.9	8.7	1.6	6.0	5.4	7.0	7.6	9.7	8.5	11.4
ITX-ES	Industria de Diseno Textil, S.A.	98 500	7.8	7.1	4.0	3.6	30.7	26.9	24.1	2.1	11.4	11.2	11.6	13.6	22.4	13.8	25.4
IR-US	Ingersoll-Rand Plc	18 053	2.8	2.1	1.6	1.5	17.7	16.5	20.5	1.8	1.5	2.4	12.7	7.0	14.6	8.2	16.3
2914-JP	Japan Tobacco Inc.	56 736	2.7	2.5	3.6	3.4	16.6	16.4	18.4	3.5	-4.5	2.6	-13.7	0.3	33.4	19.6	16.7
KER-FR	Kering SA	25 496	2.2	1.5	2.5	2.3	20.5	17.9	51.0	2.1	5.8	6.8	22.3	15.4	18.4	10.1	10.6
LRCX-US	Lam Research Corporation	15 349	2.4	2.5	1.8	1.6	12.3	12.7	21.4	1.3	21.2	1.9	29.0	-1.2	27.7	16.8	19.8
MC-FR	LVMH Moet Hennessy Louis Vuitton	85 025	3.3	3.0	2.4	2.3	21.3	19.6	18.6	2.2	4.4	5.6	11.4	10.6	23.1	10.8	15.1
8306-JP	Mitsubishi UFJ Financial Group, Inc.	83 235	0.6	0.8	na	na	11.0	10.5	11.6	2.6	na	na	-2.7	6.3	na	na	5.7
7201-JP	Nissan Motor Co., Ltd.	35 086	0.9	1.1	0.9	0.9	8.1	7.2	16.7	4.5	-7.2	3.9	4.1	12.2	11.6	4.7	11.4
PFE-US	Pfizer Inc.	180 050	3.1	2.3	4.0	3.7	13.1	12.1	19.3	3.8	8.4	4.2	9.8	8.1	38.5	28.2	25.6
PRU-US	Prudential Financial, Inc.	41 034	1.3	1.0	na	na	11.3	9.8	16.5	2.8	na	na	-10.5	15.2	na	na	10.5
REL-GB	RELX PLC	32 845	13.6	9.4	4.8	4.4	19.1	16.9	21.4	2.6	12.5	7.2	16.1	11.2	34.3	21.5	69.2
RNO-FR	Renault SA	21 776	0.7	0.7	0.4	0.3	6.1	5.4	8.9	3.7	11.7	8.0	18.8	14.1	11.4	6.7	11.1
RIO-GB	Rio Tinto plc	64 203	1.8	2.7	2.4	2.2	15.5	12.5	15.1	3.1	13.3	5.1	13.6	20.2	36.3	13.3	11.1
ROK-US	Rockwell Automation, Inc.	16 454	8.7	5.5	2.9	2.8	22.7	21.1	17.6	2.2	1.9	3.0	2.0	6.6	20.8	12.4	37.8

P/BV: Price-to-book value
FY1: Current unrealised year, FY2: Next year
Sources: SGPB, FactSet

PART IV – VALUATIONS (3/3)

Alphabetical Order

DESCRIPTION			VALUATION								GROWTH				PROFITABILITY		
Ticker	Company	Cap (m€)	P/BV		EV/Sales (e)		P/E (e)			Div. Yield	Sales Growth		EPS Growth		EBITDA Margin	Net Margin	ROE
			FY1x	10Yx	FY1x	FY2x	FY1x	FY2x	10Yx	FY1%	FY1%	FY2%	FY1%	FY2%	FY1%	FY1%	FY1%
SGO-FR	Compagnie de Saint-Gobain SA	22 236	1.2	1.1	0.7	0.7	16.9	14.5	24.2	3.1	-1.4	2.9	15.0	14.1	10.2	3.0	6.9
SMSN-GB	Samsung Electronics Co., Ltd. GDR R	166 972	1.4	1.4	1.0	0.9	11.7	9.6	10.5	1.6	0.1	5.3	17.7	22.6	24.7	10.7	11.9
SU-FR	Schneider Electric SE	35 562	1.7	1.8	1.7	1.6	17.4	15.8	16.2	3.2	-7.5	1.9	3.3	12.4	15.8	7.7	9.7
SOLB-BRU	Solvay SA	11 255	1.2	1.4	1.4	1.3	13.2	12.1	25.8	3.1	10.9	3.9	7.5	10.3	20.9	5.6	9.6
SYF-US	Synchrony Financial	26 706	2.0	2.2	na	na	12.9	11.3	11.1	0.8	na	na	1.3	13.6	na	na	15.5
700-HK	Tencent Holdings Ltd.	218 919	9.8	14.3	10.2	7.3	37.8	28.9	39.2	0.3	39.3	31.9	34.3	31.6	42.1	27.8	27.2
TKA-DE	ThyssenKrupp AG	12 043	4.3	2.4	0.4	0.4	15.3	12.0	22.9	1.2	3.7	1.8	180.6	25.8	7.2	1.9	26.0
TUI1-DE	TUI AG	7 185	3.4	2.1	0.4	0.4	13.0	11.5	26.8	5.0	-6.4	2.4	-5.1	15.8	7.6	2.9	23.4
UTX-US	United Technologies Corporation	83 588	3.2	3.2	1.8	1.8	16.4	16.4	19.5	2.4	2.2	3.2	4.8	0.0	18.6	9.5	19.4
DG-FR	VINCI SA	33 654	2.1	2.1	1.3	1.3	14.7	13.5	12.7	3.3	-2.1	1.8	10.8	7.5	15.7	6.1	14.4
WFC-US	Wells Fargo & Company	252 422	1.5	1.6	na	na	13.3	13.0	15.5	2.8	na	na	-2.9	2.4	na	na	11.2
WDI-DE	Wirecard AG	5 122	3.5	4.4	4.9	3.7	22.4	19.0	28.2	0.5	32.6	28.4	49.3	21.4	29.9	24.8	15.5
WPP-GB	WPP Plc	25 399	2.7	1.9	1.9	1.7	15.0	13.2	16.0	3.3	1.5	11.3	19.5	14.2	18.0	10.4	17.7
		Average	**4.2**	**3.7**	**2.2**	**2.0**	**16.6**	**14.6**	**23.4**	**2.6**	**4.5**	**5.3**	**18.6**	**13.3**	**19.8**	**10.3**	**20.5**

P/BV: Price-to-book value
FY1: Current unrealised year, FY2: Next year
Sources: SGPB, FactSet

PART IV – MARKET DATA (1/3)

Alphabetical Order

Ticker	Company	Ccy	Price	52 Weeks High	52 Weeks Low	Avg 6M Daily Turnover in (000)	Performance (%)					Risk	
							3m	6m	12m	Ytd	5y	Volatility	Beta
ABBN-CH	ABB Ltd.	CHF	20.84	22.5	15.9	121 374	-4.4	1.2	9.3	16.0	20.5	13.9	1.0
AC-FR	Accor SA	EUR	33.08	42.7	30.0	40 671	-7.0	-12.7	-20.4	-17.3	62.8	22.1	1.2
ACS-ES	Actividades de Construccion y Servicios S/	EUR	27.95	31.0	19.3	23 690	7.3	-5.7	-9.1	3.4	17.1	13.6	1.1
AIG-US	American International Group, Inc.	USD	63.75	64.7	48.4	361 796	6.5	10.2	0.4	2.9	175.0	10.7	1.3
AI-FR	Air Liquide SA	EUR	95.31	107.1	86.0	90 583	-1.1	0.9	-9.4	-5.6	28.9	11.5	0.8
ALO-FR	Alstom SA	EUR	25.49	29.1	19.0	19 522	5.3	13.3	-11.5	-9.5	-0.7	10.5	0.9
ASML-NL	ASML Holding NV	EUR	93.79	100.5	70.5	99 714	-3.1	5.2	6.9	13.6	203.7	2.6	1.4
4503-JP	Astellas Pharma Inc.	JPY	1 554.00	1 797.5	1 358.0	12 961 086	-4.6	4.8	-11.4	-10.3	161.1	9.7	0.7
T-US	AT&T Inc.	USD	38.61	43.9	33.0	915 247	-5.7	-0.6	15.0	12.2	33.3	12.1	0.5
ATO-FR	Atos SE	EUR	94.98	99.6	62.3	24 594	5.5	15.9	21.9	22.6	163.2	9.3	0.7
BIDU-US	Baidu, Inc. Sponsored ADR Class A	USD	161.67	215.2	139.6	470 407	-9.1	-8.0	-23.5	-14.5	20.6	9.6	1.5
BAS-DE	BASF SE	EUR	81.01	82.1	56.0	177 457	10.8	16.5	6.4	14.6	50.1	1.5	1.1
BA-US	Boeing Company	USD	152.25	153.1	102.1	487 858	16.1	20.0	3.6	5.3	113.5	5.3	1.0
5108-JP	Bridgestone Corporation	JPY	4 220.00	4 478.0	3 089.0	10 789 944	17.9	15.2	-4.2	1.1	138.0	7.1	1.0
CCL-US	Carnival Corporation	USD	50.40	55.8	40.5	212 825	8.6	4.3	-1.5	-7.5	50.8	14.8	0.9
C-US	Citigroup Inc	USD	56.02	57.6	34.5	974 692	17.9	19.3	3.5	8.3	98.9	2.7	1.9
KO-US	Coca-Cola Company	USD	40.36	47.1	39.9	531 860	-7.6	-9.7	-5.6	-6.1	21.6	1.2	0.5
CON-DE	Continental AG	EUR	165.70	230.6	158.2	77 927	-14.1	-13.2	-26.9	-26.2	216.4	43.5	0.9
DAI-DE	Daimler AG	EUR	62.47	83.9	50.8	228 749	-0.6	3.1	-24.6	-19.5	84.1	33.0	1.2
DUE-DE	Durr AG	EUR	73.94	82.1	49.5	10 007	-3.3	7.4	-8.4	0.5	318.0	16.4	1.4

Sources: SGPB, FactSet.
Na = Not available

PART IV – MARKET DATA (2/3)

Alphabetical Order

Ticker	Company	Ccy	Price	52 Weeks High	52 Weeks Low	Avg 6M Daily Turnover in (000)	Performance (%)					Risk	
							3m	6m	12m	Ytd	5y	Volatility	Beta
DUFN-CH	Dufry AG	CHF	123.50	136.9	92.3	21 088	6.1	-5.4	0.2	2.9	37.8	12.2	0.7
FGR-FR	Eiffage SA	EUR	60.83	72.8	55.2	19 912	-14.8	-9.5	3.0	2.2	243.9	33.1	0.7
FDX-US	FedEx Corporation	USD	192.80	193.9	119.7	254 696	16.5	17.0	22.1	29.4	134.7	24.5	1.4
GSK-GB	GlaxoSmithKline plc	GBP	14.67	17.5	12.8	145 347	-11.4	1.6	6.5	6.8	3.2	10.4	0.9
HSBA-GB	HSBC Holdings plc	GBP	6.27	6.5	3.9	188 967	8.0	40.6	16.0	17.0	22.8	21.9	1.2
012330-KR	Hyundai Mobis Co., Ltd	KRW	251 000.00	293 500.0	228 500.0	44 630 459	-4.7	-1.6	2.7	1.8	-20.9	1.0	0.6
ITX-ES	Industria de Diseno Textil, S.A.	EUR	31.64	35.4	26.6	145 508	-2.3	4.8	-8.5	-0.2	148.9	39.9	0.7
IR-US	Ingersoll-Rand Plc	USD	74.50	76.5	47.1	140 097	8.7	11.9	28.4	34.7	180.9	25.7	1.3
2914-JP	Japan Tobacco Inc.	JPY	3 844.00	4 850.0	3 627.0	17 564 221	-6.4	-11.6	-13.6	-14.0	118.7	24.0	0.6
KER-FR	Kering SA	EUR	201.95	207.0	136.6	40 243	14.8	35.9	25.7	27.9	84.0	19.8	0.9
LRCX-US	Lam Research Corporation	USD	100.49	108.2	63.1	244 374	6.5	20.2	27.8	26.5	137.9	22.8	1.4
MC-FR	LVMH Moet Hennessy Louis Vuitton SE	EUR	169.15	172.5	130.6	115 087	8.3	16.4	6.8	16.7	61.5	11.9	0.7
8306-JP	Mitsubishi UFJ Financial Group, Inc.	JPY	726.10	815.0	425.8	53 132 588	26.2	37.7	-10.2	-4.1	114.8	19.5	1.6
7201-JP	Nissan Motor Co., Ltd.	JPY	1 074.00	1 304.5	893.1	15 612 023	3.9	-0.6	-16.5	-16.1	51.5	22.9	1.2
PFE-US	Pfizer Inc.	USD	31.63	37.4	28.3	778 936	-9.0	-9.3	-3.9	-2.0	59.0	5.7	0.7
PRU-US	Prudential Financial, Inc.	USD	101.73	103.5	57.2	212 393	28.0	29.2	17.9	25.0	101.8	11.9	1.7
REL-GB	RELX PLC	GBP	13.37	15.1	6.3	42 878	-8.5	6.5	9.6	11.7	155.2	0.2	1.0
RNO-FR	Renault SA	EUR	74.28	96.5	63.6	70 370	0.1	-11.1	-21.6	-19.8	158.5	51.8	1.4
RIO-GB	Rio Tinto plc	GBP	30.06	32.2	15.6	117 376	29.2	61.1	37.3	51.8	-10.2	45.1	1.5
ROK-US	Rockwell Automation, Inc.	USD	136.79	138.8	87.5	106 460	16.8	16.4	29.9	33.3	83.3	27.5	1.4

Sources: SGPB, FactSet.
Na = Not available

PART IV – MARKET DATA (3/3)

Alphabetical Order

Ticker	Company	Ccy	Price	52 Weeks High	52 Weeks Low	Avg 6M Daily Turnover in (000)	Performance (%)					Risk	
							3m	6m	12m	Ytd	5y	Volatility	Beta
SGO-FR	**Compagnie de Saint-Gobain SA**	EUR	40.23	42.5	31.5	62 457	0.9	0.8	-2.6	1.0	28.6	10.8	1.1
SMSN-GB	**Samsung Electronics Co., Ltd. GDR RegS**	USD	731.50	765.0	452.5	22 950	2.2	28.3	30.7	37.6	57.7	24.6	0.7
SU-FR	**Schneider Electric SE**	EUR	62.56	64.9	45.3	87 446	-0.4	7.9	9.0	19.0	48.4	14.4	1.2
SOLB-BRU	**Solvay SA**	EUR	106.30	108.0	70.5	25 749	5.4	19.5	6.9	8.0	64.4	7.8	1.2
SYF-US	**Synchrony Financial**	USD	34.49	35.5	23.3	234 394	24.1	10.3	8.3	13.4	na	0.9	1.9
700-HK	**Tencent Holdings Ltd.**	HKD	191.00	220.8	132.1	3 057 666	-5.4	12.2	24.3	25.2	528.3	3.0	1.0
TKA-DE	**ThyssenKrupp AG**	EUR	21.28	23.0	12.6	43 409	-1.6	7.9	10.5	16.0	19.6	13.9	1.5
TUI1-DE	**TUI AG**	EUR	12.30	17.1	10.0	6 990	-1.3	-8.8	-24.7	-26.8	192.7	33.3	0.4
UTX-US	**United Technologies Corporation**	USD	108.22	110.0	83.4	361 530	1.2	7.4	13.6	12.6	41.4	18.9	1.0
DG-FR	**VINCI SA**	EUR	60.34	69.8	49.9	98 489	-13.0	-9.7	-1.1	2.0	81.1	28.7	0.8
WFC-US	**Wells Fargo & Company**	USD	53.58	56.2	43.6	1 194 125	6.0	4.8	-2.7	-1.4	105.5	3.0	1.4
WDI-DE	**Wirecard AG**	EUR	41.45	48.1	29.4	20 240	-9.6	5.3	-12.1	-10.9	240.0	34.3	0.5
WPP-GB	**WPP Plc**	GBP	16.70	18.8	13.3	64 327	-6.3	4.6	8.2	6.8	148.0	3.7	1.0

Sources: SGPB, FactSet.
Na = Not available

Financial Terms And Acronyms

BV (Book Value): is the total value of net assets of a company.

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.

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.

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.

COMBINED RATIO: It represents the total of acquisition and administrative expenses, and claims and insurance benefits incurred, divided by net premiums earned.

DIVIDEND YIELD: Dividend per share (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.

EBIT Margin: Ratio that expresses EBIT as a percentage of total sales (EBIT/Sales*100)

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).

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

EQUITY is the difference between the value of the assets and the cost of the liabilities.

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

FCF (Free Cash Flow): represents the difference between operating cash flow and capital expenditures.

FFO (Funds from Operations): measures a REIT's operating performance. It is net income plus gains (minus losses) from property sale and purchase. FFO per share is often used in place of earnings per share when analysing REITs.

FY0: Realised year, **FY1**: Current unrealised year, **FY2**: next year

GOODWILL: is an intangible asset that arises as a result of the acquisition of one company by another company for a premium value.

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.

LIKE FOR LIKE (LFL) GROWTH: is a measure of growth in sales, adjusted for new or divested businesses.

Loan-to-deposit (L/D) ratio: Loans/Deposits. This helps in assessing a bank's liquidity, lending capacity and balance sheet quality.

LTV (Loan-To-Value Ratio): is a financial term used to express the ratio of a loan to the value of an asset purchased.

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.

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.

NIM: Net Interest Margin

NON-PERFORMING LOANS (NPL) RATIO: NPLs/Loans. This indicates the percentage of the loans that are non-performing or are in stressed segments.

OPERATING MARGIN: See definition of EBIT Margin.

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.

P/BV (Price To Book Value): expresses the share price with regard to the accounting value of the company.

PAYOUT RATIO: is the proportion of earnings paid out as dividends to shareholders and typically expressed as a percentage.

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.

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.

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.

Appendix

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.

Termination Stock is subject to be deleted from the SGPB recommended universe and will no longer be followed. In this case, a coverage termination alert is issued.

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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 in 5 levels, 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.

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SG acted as co-manager in the disposal of AIG's stake in PICC Property.

SG acted as joint bookrunner in Air Liquide's bond issue (6y EUR).

SG acted as Joint Global Coordinator in Air Liquide's right issue.

SG acted dealer manager in Alstom's public share buy-back offer (OPRA)

SG acted as dealer manager in Alstom's public share buy-back offer (OPRA)

SG acted as sole structuring advisor and joint dealer manager in Alstom's tender offer (FR0010870949, FR0011531631, FR0010948240, FR0011342740, FR0010850701).

SG acted as sole structuring advisor and joint dealer manager in Alstom's tender offer (FR0010870949, FR0011531631, FR0010948240, FR0011342740, FR0010850701).

SG acted as co-manager in AT&T's bond issue (SEC 4 part senior note).

SG is acting as a lender to AT&T in relation to their potential acquisition of Time Warner Inc.

SG acted as co-manager in Boeing's bond issue (7yr, 10yr and 30yr).

SG acted as joint bookrunner in Carnival Corporation's bond issue (5yr, EUR).

SG acted as co-manager in Citigroup's bond issue SG acted as co-manager in Citigroup's bond issue (10y USD)

SG acted as co-manager in Citigroup Inc's bond issue (30y).

SG acted as co-manager in Citigroup's bond issue and a TAP (3 yr, 5yr TAP ISIN US172967KK69)

SG acted as co-manager in Citigroup's bond issuance (12y HG SEC reg).

SG acted as joint lead manager in Citigroup bond issue (EUR, 7-12yr)

SG is acting as co-manager in Citigroup's bond issue (5yr SEC sr).

SG acted as joint bookrunner in Coca Cola HBC's bond issue (EUR benchmark 8yr).

SG acted as Joint Dealer Manager in Coca Cola HBC's tender offer (XS0466300257).

SG acted as joint bookrunner in Daimler's bond issue (Senior, EUR, 3yr, 5yr, 8yr).

SG acted as Global Coordinator and Joint Bookrunner in the BPI's disposal of Eiffage Shares

SG acted as co-manager in HSBC Holding's bond issue (dual tranche).

SG acted as joint lead manager in HSBC's bond issue (5y USD)

SG acted as co-manager in Mitsubishi Financial Group's bond TAP issue (US606822AD62 / US606822AA24 / US606822AB07)

SG acted as co-manager in Mitsubishi UFJ's bond issue (USD, 5-7-10yr).

SG acted as co-manager in Nissan Motor Acceptance's bond issue (3y and 5y).

SG acted as Co-manager in Nissan Motor Acceptance's 3 part 144a Reg S offering

SG acted as joint bookrunner in RELX's bond issue (10y EUR benchmark).

SG acted as joint bookrunner in Saint Gobain's bond issue (EUR Benchmark, 3.5yr).

SG acted as joint bookrunner in Schneider Electric's bond issue (EUR Benchmark, 8yr).

SG acted as joint bookrunner in the diposal of BPI France's stake into Schneider Electric

SG acted as joint bookrunner in Thyssenkrupp's bond issue (5y EUR benchmark).

SG acted as joint bookrunner in Thyssenkrupp's tap bond issue (ISIN DE000A2AAPF1).

SG acted as joint bookrunner in TUI's High Yield Bond issuance (EUR, 5yr)

SG acted as senior co-manager on UTX's bond issue (EUR 2y, 5y, 10y).

SG actedas senior co-manager on UTX's bond issue (EUR 2y, 5y, 10y).

SG acted as co-manager in United Technologies' senior bond issue.

SG is acting as joint Global Coordinator in Cofiroute's bond issue (RegS, 10y or 8y+12y).

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Societe Generale S.A.
Share Capital: EUR 1,009,380,011.25 at 31 March 2016
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