



Q3 Earnings – What Companies Are Saying

We have collated management commentary from over 120 earnings calls in the Q3 season from companies across the world. The key themes that emerge are below and a large sample of quotes is included in this report.

Wide divergences across companies

The wide divergences we noted in earnings results so far are more than evident in management commentary on earnings calls ([DB: Q3 Earnings Takes - Sharp Contrasts, Oct 2019](#)). Weakness in manufacturing and global industrial activity were widely cited but most companies stressed that the consumer was strong, especially in the US. As American Express' CFO put it, they see "caution in commercial spending trends relative to the strong and steady growth we see in consumer" and XPO highlighted that the "consumer is still strong, but the rest of the economy has not been so hot for quite a while." While Texas Instruments noted "weakness across all major customers, regions and technologies," Union Pacific in contrast sees a more mixed picture with the "economy looks stable right now, and there is sort of a mixed bag with it." Companies in markets with strong secular uptrends also continued to be optimistic, such as Atlassian which noted their "disruptive business model continues to win new customers, both large and small." Companies exposed to US housing were also uniformly upbeat.

Uncertainty driven by trade conflict and Brexit the most popular driver of weakness

Amongst companies that did see weakness, the most popular reasons for weakness cited were that customers were turning more cautious in the face of various uncertainties, primarily the trade conflict and Brexit. Apogee's CEO said "all of you see the same headlines I see, so it's hard to argue that there is not some uncertainty in the economy" while UPS said "trade uncertainty continues to create macro challenges for businesses." Some companies however pushed back with Amphenol's CEO saying he does not agree 100% that "trade conflict is really the root of all the problems," instead citing other factors. Declining auto sales, partly due to European regulations, were noted in particular by several other companies as well.

Companies by and large planning for a 2020 rebound

Those that are currently seeing weakness expect conditions to improve next year as headwinds recede, while the others expect strong growth to continue. A reduction in trade and Brexit tensions, inventory re-stocking after falling to low enough levels, stimulus in China and elsewhere, monetary easing and continued strong consumer

Binky Chadha

Chief Strategist
+1-212-250-4776

Matthew Barnard

Associate Director of Research
+1-212-250-7576

Parag Thatte

Strategist
+1-212-250-6605

Srineel Jalagani

Strategist
+1-212-250-4509

29 October 2019

Asset Allocation



demand were commonly cited as reasons for optimism. However companies noted the challenges in planning ahead in the current environment. As Broadcom's CEO noted, "We know we're pretty confident we're at the bottom. The question is there is no -- not much clarity or visibility yet or certainty that any sharp recovery is around the corner."

Past price increases have continued to support margins

As we have noted previously, companies have been raising pricing in response to tariffs and other cost escalations for the last few quarters. Those price increases have continued to support margins this quarter even as some of the cost pressures have in fact started abating. Nevertheless companies are also focused on reducing costs through restructuring and productivity improvements.

Capital deployment plans remain focused on buybacks and deleveraging

In light of growth uncertainty, companies have largely curtailed capex plans and instead continued to focus on reducing balance sheet leverage and returning cash to shareholders through buybacks. Micron captured it as "as market conditions evolved during the year, we curtailed our planned operating expenses and capital expenditures, allowing us to preserve margins and generate healthy free cash flow. We achieved our first corporate investment-grade rating, strengthened our balance sheet and meaningfully reduced our share count."

29 October 2019

Asset Allocation



What Companies Are Saying

Wide divergences across companies

[XPO Logistics, Inc., Industrials, US](#)

Brad Jacobs, CEO

We have been in an industrial recession for the last year. Consumer is still strong, but the rest of the economy has not been so hot for quite a while.

[Sonoco Products Co, Materials, US](#)

Rob Tiede, CEO

We are projecting a more pronounced **year-end slowdown in customer orders in several of our served markets due to continuing deteriorating global macroeconomic conditions**. We expect our customers will take a very conservative approach to managing their businesses and will destock inventories at year-end.

[Hilton Worldwide Holdings Inc, Consumer Discretionary, US](#)

Chris Nassetta, CEO

On the business transient, it was anemic. I mean it was positive but anemic. And that was just -- I'd love to have a more sophisticated answer, but I think it just had to do with broader weakness. We did see just a little bit of color, like if we -- if I -- if you look at business transient, you break it down by segment, small business, medium and big businesses, **we saw more impact in larger businesses**, which -- I mean, we have a theory on that. I mean they're sort of more tied in -- most of them are public. They're more tied into what's going on real time in the marketplace and maybe reacting to the uncertainty that is out there a little bit more rapidly than small or medium-sized businesses. That's the theory that we -- when we parsed it, we did see more impact in large accounts, but it was -- basically, the way to look at both of them is they're sort of round to flat. One's up a little, one's down a little.

[CSX Corp, Industrials, US](#)

James Foote, CEO

Freight demand is generally in line with the expectations set out at the end of last quarter when we adjusted our forecast to reflect what we felt was a realistic view of **softer underlying economic activity**. Nothing in the industrial economy has really changed since then. Despite the swing from a plus 1% to 2% growth environment to a down 1% to 2% environment, we are maintaining our full year operating ratio guidance of below 60%.

[Discover Financial Services, Financials, US](#)

Roger Hochschild, CEO

The U.S. consumer and the overall economy continue to look good, with unemployment at a 50-year low and consumer sentiment at a high level as we enter the holiday season.

29 October 2019

Asset Allocation



American Express Co, Financials, US

Jeff Campbell, CFO

The U.S. Consumer continues to show solid growth with even some modest acceleration as we have gone through 2019. Our commercial customers are lapping a particularly strong 2018 with spending trends that have diverged a bit from the consumer segment.

We first spoke last quarter about potential signs of **caution in commercial spending trends** relative to the strong and steady growth we see in consumer. **Over the last few months, the headlines in macro data would suggest that these trends continue**, particularly among the larger corporations within our customer base.

Stephen Squeri, Chairman & CEO

The trends we saw in the business remain consistent with an economy that continues to expand albeit at a more modest pace than last year.

Moving to U.S. consumer, which made up 33% of the company's billings in the third quarter, billings were up 8%. And taking the number out a decimal, actually a bit stronger than Q1 and Q2. This growth reflects continued strong acquisition performance and solid underlying spend growth from existing customers. These trends also highlight the continued strength of the consumer in the U.S.

JPMorgan Chase, Financials, US

Jennifer A. Piepszak, CFO

...the U.S. economy is on solid footing. And while global growth is slowing, the U.S. consumer remains healthy.

So on client sentiment, I think it's fair to say that perhaps the marginal investment is being impacted by trade fatigue in terms of the uncertainty. But broadly speaking, while it's slower growth, it's still growth. As I said, the **U.S. consumer is incredibly strong**. Consumer spending is strong. Sentiment is strong for the consumer, credit is good. And it is true that if you look at the ISM surveys, both manufacturing and nonmanufacturing, they were recently disappointing. **So I would say, no doubt, cautionary signs, but credit remains very good, and there's still very healthy business activity.**

United Parcel Service Inc, Industrials, US

David P. Abney, Chairman and CEO

Here in the **US, the consumer continues to drive the economy** with strong retail, healthcare and e-commerce sales bolstered by solid consumer economic conditions...Despite the slowdown in the industrial sector as evidenced by B2B volume growth in other sectors for the fourth consecutive quarter we are benefiting from improved SMB customer mix and expect it will continue as we prepare for a another record-peak season.

The global economy remains in growth mode. It's just at a slower pace and risks are more acute and global industrial production is lower. And we're watching closely to see these trade developments.

29 October 2019

Asset Allocation



The Coca-Cola Company, Consumer Staples, US

James Quincey, CEO

[On global macros] Firstly, yes, on a long-term basis, our business is correlated with GDP growth. So, in the long run that matters. Secondly, **there are some storm clouds in the sky, it's perhaps raining in a few places, but there's not a total problem here.**

Turning to Latin America, again, we're driving positive momentum despite a more challenging economic environment. Brazil has sustained strong performance even as the macros have slowed a little in the third quarter. Our business in Mexico has actively adjusted to a more challenging economic environment, shifting the portfolio towards affordability with a push on returnable packaging.

Honeywell International Inc, Industrials, US

Darius Adamczyk, CEO

Our long-cycle backlog was up approximately 8% year-over-year, driven by Defense and Space and UOP bookings, as well as the strong warehouse automation orders and HPS projects orders which each increased over 20% in the quarter, positioning us well for the remainder of the year and into 2020.

I think we had a relatively slow start in Europe, for month 1 and 2 of the quarter and we were a little bit concerned heading into September **but September actually was very, very robust and economies like Germany, France, the UK all did very, very well.** So although we were worried September was very, very robust, much better than sort of what the industrial GDP print would have you believe.

Union Pacific Corp, Industrials, US

Kenyatta G. Rocker, EVP Marketing & Sales

The economy looks stable right now, and there is sort of a mixed bag with it. **Industrial production is still on the positive side even though it was revised downward a little bit** and the uncertainty is around international trade. But overall, **we feel like it's a pretty stable economy for us to grow in.**

Kimberly-Clark Corp, Consumer Staples, US

Michael Hsu, CEO

Volume is better than our plan. We still feel good about where we are. I think the issue going forward is there may not be as much list pricing next year given on where the commodity environment is. We're not really seeing downward promotional pressure at this point and so I think the category remains relatively stable, robust, and consumer demand remains healthy.

Procter & Gamble CO, Consumer Staples, US

Jon Moeller, CFO

Across the board we're seeing continued consumer strength. And generally across the board, we're seeing the levels of healthy competition that you would generally expect. In China we were up 13% in the quarter. The consumer in China continues to respond to premium innovation that performs in categories where performance drives brand choice.

29 October 2019

Asset Allocation



We're **raising our outlook on each key metric**: organic sales growth, core earnings per share growth and free cash flow productivity. We're increasing our outlook for organic sales growth from a range of 3% to 4% to a range of 3% to 5%. The markets in which we compete are growing at a 3% to 3.5% pace, so the midpoint of the higher organic sales range implies continued market share growth.

Illinois Tool Works Inc, Industrials, US
Michael Larsen, CFO

By geography, North America was down 2% and international was down 1%, Europe declined 2% while Asia Pacific was up 2%. On a positive note, organic growth in China was plus 7%.

Microsoft Corp, Information Technology, US
Amy Hood, CFO

In Windows, the overall PC market was stronger than we anticipated driven by improved chip supply that met both unfulfilled Q2 commercial and **premium consumer demand as well as better-than-expected Q3 commercial demand**.

Texas Instruments Inc, Information Tech, US,
Dave Pahl, VP and Head of IR

There is an increasing number of reports of macroeconomic weakness with trade tensions as the primary contributor. Consistent with this, **the weakness we've seen in the third quarter was broad-based across all markets and most sectors**. Industrial, automotive and personal electronics all declined upper single digits from the year ago, as almost all 28 sectors within these markets declined. In communications equipment, revenue declined about 35% from the year-ago and 20% sequentially. We saw weakness across all major customers, regions and technologies. And lastly, enterprise systems declined from the year-ago quarter.

Silgan Holdings Inc, Materials, US
Tony Allott, CEO

Europe just probably feels a little weaker to us in kind of every one of our businesses and that's been happening over the course of the year, I wouldn't say anything abruptly occurred in this quarter, but that seems to be a trend we're watching carefully.

Fortive Corp, Industrials, US
James A. Lico, President, CEO

The revised annual guide reflects the headwinds faced by our Professional Instrumentation segment due to the **short-cycle slowing dynamics that became more pronounced in the third quarter** and which we expect to persist through the end of the year.

Allegion PLC, Industrials, US
David D. Petratis, Chairman, CEO

So we are solid, positive upbeat on the economy. As I look at the positive factors, consumer confidence, low unemployment, state and local tax revenues, which are a key for our business, low interest rates and tightness in the housing market. **I don't**

29 October 2019

Asset Allocation



know why you could not be positive about the view going forward.

Caterpillar Inc, Industrials, US

D. James Umpleby, Chairman & CEO

The primary factor impacting our third quarter results was **lower volume driven by reductions in dealer inventory and lower-than-expected demand from end users**. Sales and revenues declined 6% during the quarter mostly due to Construction Industries and Resource Industries. Although the retail sales data we released this morning reflected an increase of 6% for both machines and Energy & Transportation, we believe dealers reduced inventory due to uncertainty in the global economy resulting from trade tensions and other factors.

Atlassian Corporation PLC, Information Technology, US

James A. Beer, CFO

I wouldn't say we've seen any material change in customer buying patterns. We've been pleased by the results. The overall strength, right across the product sets and our different deployment options. So nothing material in that regard.

Scott Farquhar, CEO & Director

Our disruptive business model continues to win new customers, both large and small, and these new editions offer them more choice and capabilities. We wanted to be easier and less costly for teams to get started in the cloud and grow with us as their needs change and become more complex.

BASF SE, Materials, Europe

Martin Brudermüller, CEO & CTO

In Q3 2019, we basically saw a continuation of the second quarter's business development. The trade conflicts between the U.S. and China had a continued negative impact. In addition, the uncertainties associated with Brexit reinforced the underlying trend towards an economic slowdown.... Europe's export-oriented countries like Germany are particularly affected. However, the industrial growth in the U.S. is now also beginning to soften considerably. In China, industrial production continued to grow, albeit at a slower pace.

Daimler AG, Consumer Discretionary, Europe

Harald Wilhelm, CFO

If we look on the Trucks, on the sales, the NAFTA region and Brazil trended favorably, while some other key truck markets such as Europe, Germany, Turkey and Indonesia slowed down significantly.

Vicor Corp, Industrials, US

James A. Simms, CFO

Quarterly revenue from Brick Products has -- was unchanged sequentially as double-digit domestic growth was offset by tariff- and trade-related declines in China and Hong Kong as well as ongoing economic weakness in Europe. **Current booking patterns continue to reflect U.S.-China trade tariffs, micro uncertainty and weak demand visibility...** So all that we can do, first order, is rely on the forecasts that come from our customers and these forecasts, particularly, to your point, at the end

29 October 2019

Asset Allocation



of last year, suddenly changed and there was some positive feedback, some contraction brought about further contraction as the mood very quickly changed, I think, starting in August, September of last year.

RPM International INC, Materials, US
Frank C. Sullivan, President & CEO

But in general, the geographic situation has not changed. **The solid growth that we've been experiencing in North America for the last couple of years is still positive but slowing down.** So, we're seeing a little bit slowdown in the construction markets, especially big projects. Industrial capital spending seems to be slowing a little bit.

Fortune Brands Home & Secur, Consumer Discretionary, US
Christopher J. Klein, CEO & Director

Starting with our updated view of the U.S. home products market. As I mentioned, in the third quarter, the market continued to be slow, but began to pick up in September and is now improving in October. **Currently, we are seeing more sustained momentum from both new construction and repair and remodel markets.** The data is now pointing to the modest pickup in growth that we had expected earlier in the year with healthier order rates in September and into October that should continue.

NIBE Industrier AB, Industrials, Europe
Gerteric Lindquist, CEO, MD & Director

I think that the automotive industry is struggling with that question [demand trends] themselves. But I think **customers are hesitating buying a car at the moment.**

Telefonaktiebolaget LM Ericsson, Information Technology, Europe
E. Börje Ekholm, President, CEO & Director

We see very good growth in the regions with early 5G launches, that's really the U.S. and Northeast Asia. In Europe, we saw growth in Networks and Digital Services while Latin America saw declines following a strong 2018 tough comparable... **The geopolitical uncertainty has continued during the quarter. And as always, uncertainty is never good for investments.** So we see really no impact in our order books yet. But if anything, we see uncertainty among our customers. And actually, it's delaying investment decisions in certain parts of the world.

Pulte Group Inc, Consumer Discretionary, US
Ryan R. Marshall, CEO & Director

I'm pleased to report that **home buying activity remained strong and even accelerated in the third quarter.**

For the past several years, U.S. housing demand has been supported by an ongoing economic expansion, low unemployment and positive consumer confidence numbers. It will come as no surprise, however, when I say that the catalyst for this most recent rise in housing demand has likely been the decline in interest rates and its impact on the affordability equation.

29 October 2019

Asset Allocation



Chr Hansen Holding, Materials, Europe

Mauricio Graber, CEO, President & Member of Executive Board

There is no doubt that for a growth company like Chr. Hansen, a quarterly organic growth number of 2% is clearly not what we aspire for, nor what our investors expect from us. **Macroeconomic headwinds in emerging markets, raw materials price declines in natural color pigments and customer dynamics negatively impacted our performance** in the second half of the year.

Darden Restaurants Inc, Consumer Discretionary, US

Eugene I. Lee, CEO

Comparable same-restaurant sales for the industry continued to weaken during the quarter as the industry once again faced tougher comparisons. However, the industry comping negative is surprising considering unemployment remains at all-time low and there continues to be strong wage growth, which historically has been a positive for the industry.

J Front Retailing Co Ltd, Consumer Discretionary, Japan

Ryoichi Yamamoto, President, Representative Exec. Officer & Representative Director

Many **external, demand-oriented Japanese companies are already damaged**. If decrease in corporate earning expands, domestic consumption will be impacted eventually.

Delta Airlines, Industrials, US

Edward H. Bastian, CEO

Demand for our product has never been higher. Domestic lead with 8% revenue growth, offsetting a modest decline in international corporate revenue. In our most recent corporate travel survey, **86% of travel managers expect to maintain or increase their travel spend in 2020**. Leisure revenues remained healthy, growing 7% for the quarter with very strong demand during the peak summer travel season... **We are seeing solid corporate and leisure demand with revenue growth driven by premium products...** While still in the planning stages for 2020, the strong demand environment and our commercial initiatives and our relaunch to service India support our expectations for another year of revenue growth in excess of GDP.

Cadence Design Systems Inc, Information Technology, US

Lip-Bu Tan, CEO & Director

While global economy and geopolitical uncertainty continues, long-term trends such as AI, 5G, cloud and IoT continues to drive strong design activity.

Schlumberger NV, Energy, US

Olivier Le Peuch, CEO & Director

We were anticipating a year-end slowdown in North America similar to last year due to operator budget constraints. However, this year, the **activity reduction has started earlier than last, and we anticipate the sequential decline in Q4** to be more pronounced than last year.

29 October 2019

Asset Allocation



Infosys, Information Technology, India

U. B. Pravin Rao, COO

Retail segment performance was muted as clients spend cautious due to increase in perceived risks stemming from trade wars and geopolitical developments.

Citi Group, Financials, US

Mark A.L. Mason, CFO

It's a very different environment than I think we expected kind of coming into the year. **There's a fair amount of uncertainty that remains.** There'll be pressure from some of these uncertainty and parts of the business like Markets, there could be some positives as we see volatility persist. And so we really need to get through the budgeting process to both understand what we think that top line is likely to look like, understand what levers we have available to us to pull in order to continue to demonstrate progress, and see what we might be able to do to narrow that gap and deliver on our targets.

JB Hunt Transport Services Inc, Industrials, US

Shelley Simpson, Corporate Executive VP

... I would say the macro view from a capacity perspective, obviously, would change our view. We think that it's **sluggish in the market**, mostly from the supply side, demand is not as strong as anyone would like. I don't know how confident we are in that being that we've done budgets now for 20 years and we never hit our budget up or down from a capacity perspective. So I would say next year, first half of next year could be more sluggish similar to right now. Second half, I think macro will be more of an indicator.

Tata Consultancy Services Ltd, Information Technology, India

Rajesh Gopinathan, CEO, MD & Executive Director

While there's some amount of caution about the economy and geopolitical development, it was immensely energizing to interact with our customers and discover that their transformation initiatives are pretty much on track, and this is reflected in deal closures also, particularly in areas like core transformation, it continues to be quite strong....But looking at the macro headwind, where Brexit deadline is approaching, **looking at Germany, the GDP growth rate is challenging.**

Fastenal Co, Industrials, US

Daniel L. Florness, CEO

And so we're seeing a -- saw a little bit of a slowdown... and the business continues to grow in the low teens... I consider that (increased revenue per vending machine) a tremendous accomplishment in an **economy where things have weakened** and you would expect your revenue per machine to decrease a little bit.

Lennar Corp, Consumer Discretionary

Stuart A. Miller, Executive Chairman

The market for new homes has been improving from last year's pause as lower interest rates have stimulated demand and improved affordability, while the overall fundamentals of the economy have remained strong. We clearly saw traffic in sales continued to strengthen in the third quarter as a combination of lower interest rates,

29 October 2019

Asset Allocation



together with slower price appreciation and positively impacted affordability.

CRH PLC, Materials, Europe Albert Jude Manifold, CEO

We continue to experience **positive underlying momentum in construction activity** across our main markets in North America and in Continental Europe while in the U.K., construction activity continues to be impacted by ongoing political and Brexit-related uncertainty. In North America, despite a slower start to the year due to affordability and supplier-side constraints across the residential construction industry, **underlying demand remains solid and we've seen good growth in our more residentially focused businesses**. And on the nonresidential side, here, too, we are seeing good underlying demand and our order books are strong. Good momentum in U.S. infrastructure activity continues to be underpinned by federal and state-level funding initiatives.

Peoples United Financial, Financials, US John P. Barnes, CEO

Well, right now, we are expecting the economic activity to remain somewhat in the -- at the levels and in the zone it's in, if you will. So **there's nothing in the data that's telling us that GDP is going to slow or that unemployment is going to increase and the consumer's going to slow spending**. There is a piece of information like the manufacturing data, for instance, once in a while, but generally we feel that we're not on the verge of a recession.

Cintas Corp, Industrials, US J. Michael Hansen, CFO

We haven't heard much of a change from our customers, and our first quarter results would kind of show that. When we think about the economic picture, though, as we move in -- the last 2 quarters of our fiscal year are going into the mid-calendar '20. We do think about the noises around interest rates, the noises, the continued noises around trade and tariffs. And I would say, **we look today with a little bit more cautiousness than maybe earlier in the summer**. And while we haven't seen much change from our customers yet, we're keeping our eyes on it because there's just so much noise in the environment today.

Sandvik AB, Industrials, Europe Björn Klas Otto Rosengren, CEO

If we look at the (core business) demand, which I think is more adequate for the real conditions out in the market, we can see that Europe is about 10% down. Germany is even more, 13%. North America is for the first time negative. It's minus 4%. And Asia is around 13% down. So that gives a pretty good indication of how tough the market is.

Volvo AB, Industrials, Europe Martin Lundstedt, CEO

We see the anticipated correction coming in our main markets. We have been discussing that. We were already, last year, guiding for a little bit weaker market when it comes to Europe, but we see that this correction. We are guiding now for a correction of 15% in the total market.

29 October 2019

Asset Allocation



Uncertainty driven by trade conflict and Brexit the most popular driver of weakness

Texas Instruments Inc, Information Technology, US,
Dave Pahl, VP and Head of IR

But our sense is that **customers are just far more cautious** than they were certainly a year ago, but even 90 days ago. And many of them, when talk about their caution, they mention the trade tensions that we know have been happening and have been kind of accumulating over the last 3 or 4 quarters. And the consistency of that **breath of weakness supports that this is a macro situation** that is driving the further weakness that we're seeing.

Amphenol Corp, Information Technology, US
Richard Adam Norwitt, CEO

I mean, you refeed to the fact that the trade conflict is really the root of all the problems. I don't know if I would 100% agree with that. I mean you can have an academic argument over whether the instigation of the trade war ultimately led to uncertainty, which led to then other markets unrelated to the trade war to have some changes in their demand. I mean I don't know that the European automotive market, as one example or the industrial market in Europe, **I don't think that's directly related to the trade war**. Could it have a secondary or tertiary impact? I mean, sure. I mean trade wars have lots of impact that you don't normally anticipate at the time that you launch them, and that could very well be the case, but I don't know that those are directly correlated and linked to the U.S.-China trade situation or to other trade situations that exist. And thus, if there was sort of grand bargain, a grand deal that resolved everything, I don't know that, that is kind of going of the elixir that solves all the uncertainties in the world economy.

Illinois Tool Works Inc, Industrials, US
Scott Santi, CEO

Declines in auto production in North America and China impacted the demand environment across a broad cross section of our portfolio.

Sonoco Products Co, Materials, US
Rob Tiede, CEO

You've all read the growing amount of **troubling economic data**, which I believe has been and is pointing to a clear slowdown in global business activity. I'll highlight a few factors which I believe are relevant to our businesses. First, domestic ISM manufacturing PMI data for September showed the steepest month of contraction in the manufacturing sector since June 2009. Truckload capacity, which was tight throughout much of 2018, is down dramatically. New order surveys are declining sharply over the last several months and business confidence indexes are slumping. This data was clearly **reflected in our customers' order patterns** in the third quarter.

Micron Technology Inc, Information Technology, US
Sanjay Mehrotra, CEO

The DRAM and NAND industry demand growth in the second half of calendar 2019 compared to the first half is primarily being driven by a **normalization of inventories**

29 October 2019

Asset Allocation



at most customers and secular growth trends in various end markets. In recent months, we have seen increased demand from customers headquartered in Mainland China, some of whom could be making strategic decisions to build higher levels of inventory in the face of increased trade tensions between the U.S. and China as well as Japan and Korea.

Norfolk Southern, Industrials, US Jim Squire, CEO

Macroeconomic conditions, **tariff uncertainty** and global weakness continue to negatively influence business investment, manufacturing and exports.

Prologis, Real Estate, US Thomas S. Olinger, CFO

Customer sentiment remains positive, and we see **no meaningful impact on our business from uncertainties surrounding trade**. Our proprietary operating metrics reflect healthy demand, showing deal gestation, conversion rates are positive and in line with last quarter as our customers improve their supply chains in response to consumer demand for ever-faster delivery times. U.S. market fundamentals are strong...

...We are in the stock business. So actually uncertainty in the short term is extra demand for our space because when you don't know when that next good is going to get to you because of tariffs or at what cost, you're going to carry more inventory and more stock closer to the customers.

United Parcel Service, Industrials, US David P. Abney, CEO

As you are aware, **trade uncertainty continues to create macro challenges for businesses**. We're working closely with our customers to help them adjust while also making the most efficient use of our assets. Here in the U.S., the consumer continues to drive the economy with strong retail, health care and e-commerce sales, bolstered by solid consumer economic conditions. Our strategy is resonating with customers despite the slowdown in the industrial sector as evidenced by B2B volume growth in other sectors for the fourth consecutive quarter. We are benefiting from the improved SMB customer mix and expect it will continue as we prepare for another record peak season.

Hasbro Inc, Consumer Discretionary, US Brian D. Goldner, CEO

As you recall, since the administration began discussing tariffs, we have outlined the ripple effect they would have on our business. We've spoken about the **changing order patterns in the U.S., whether or not tariffs are ultimately enacted**. In the third quarter, the threat of and the implementation of tariffs in certain instances impacted our shipments and our ability to fully meet demand. Importantly, during Q3 alone, we saw multiple different dates for the enactment of List 4 tariffs come and be delayed, now scheduled for December 15, and yet the prospect had our retailers canceled major direct import program orders and rewrite many of those orders as domestic shipments.

29 October 2019

Asset Allocation



Fuller (HB) CO, Materials, US

James J. Owens, CEO

In the third quarter, we continued to execute despite a difficult macroeconomic environment. Unfortunately, these economic challenges have only intensified since June. Additional tariffs have been introduced. **Increased uncertainty from the tariffs and Brexit** has affected Europe and parts of Asia, and now certain end markets in the U.S. are showing signs of weakness.

Apogee, Industrials, US

Joseph F. Puishys, CEO

Looking at the conditions in the economy and our end markets, **all of you see the same headlines I see, so it's hard to argue that there is not some uncertainty in the economy**. In spite of the headlines, we still see reasonably healthy bidding activity. It continues to feel like we're **bumping along the top in environment** in which Apogee can continue to grow.

Bottom line is that the non-resi market appears to remain balanced. As U.S. economy continues to migrate from manufacturing to services, that mix works in our favor.

Alcoa Corp, Materials, US

Roy Harvey, CEO

This year's **trade tensions, low trade volumes** and the declining growth in manufacturing activity have lowered our expectations for this year's global aluminum demand. As such, we estimate that global primary aluminum consumption may be flat and possibly contract year-over-year in 2019. This is mostly driven by weak primary aluminum demand in the world ex-China where scrap use and Chinese imports have been rising, while reduced manufacturing activity has started to translate into lower product order volumes.

Tiffany & Co, Consumer Discretionary, US

Mark J. Erceg, CFO

Tourism patterns are volatile and the situation in Hong Kong remains very fluid. In addition, the Japanese government has announced its intentions to increase its sales consumption tax rate from 8% to 10% in October of this year, which is adding even more unpredictability to an already challenging macroeconomic environment. This is because in the past, business has significantly accelerated in Japan prior to consumer sales tax increases of this magnitude and then decelerated in the months thereafter. But whether or not the same phenomenon will occur this time around is very hard to predict.

Hewlett Packard Enterprise, Information Technology, US

Antonio Fabio Neri, CEO

We continue to see uneven demand due in part to **ongoing trade tensions, which impact market stability and customer confidence**. This is showing up in elongated sales cycles, particularly larger deals.

29 October 2019

Asset Allocation



Textron Inc, Industrials, US
Scott C. Donnelly, CEO

Well, Noah, look, I think -- I don't think it'll be a surprise that when you talk to customers and they look at the **uncertainty, you got trade deals, you got Brexit**, most of these guys can't feel good watching the **political stuff that's going on in D.C.** I mean that just creates a lot of uncertainty. And look, I think we see this reflected in business confidence numbers, right, the surveys. And we're not economists here, but we read all those numbers as well. And it's understandable that a lot of businesses, particularly small and midsize guys, which is our -- big part of our customer base are, in many cases, deferring CapEx investments in their business, be it business jets or otherwise, just because of uncertainties. And obviously, the trade kind of things and the Brexit things and the prospects, I mean I think concern over an administration that's anti-business is one that makes people pause.

UBS Group AG, Financials, Europe
Sergio P. Ermotti, CEO

Similar to prior quarters, business and market conditions were challenging with lingering questions over global GDP growth, outlook and **persisting geopolitical tensions**. Despite U.S. markets hitting all-time highs in the summer, volatility, volumes and fee pools remain muted. Many of these challenges were especially visible in our traditional areas of strength, Asia and Europe, affecting our overall relative performance in the institutional space. With low or negative rates looking increasingly permanent, we are taking actions to improve our profitability.

Union Pacific Corp, Industrials, US
Kenyatta G. Rocker, EVP of Marketing & Sales

International intermodal volume was down 12% during the quarter, reflecting weak market conditions related to **trade uncertainty, escalating tariffs** and challenging year-over-year comparisons driven by accelerated shipments seeking to avoid tariff in September 2018.

29 October 2019

Asset Allocation



Companies by and large planning for a 2020 rebound

Lam Research Corp, Information Technology, US

Tim Archer, CEO

We are beginning to see improvement in the memory market, led first by NAND. **NAND demand dynamics are improving and oversupply conditions should continue to abate** as we move through the December quarter. ...While the timing of the memory equipment spending recovery is always hard to predict, we are encouraged that customers continue to manage supply growth even as we're starting to see favorable end market demand indicators. This is a sign of a healthy industry and a good setup for increased NAND spending in 2020....On the DRAM front, inventories have remained elevated and we do not expect them to reach normalize levels until the second half of 2020. However, we see positive demand catalyst ahead in both the server and smartphone markets... We've seen strengthening in domestic China spend through the year. Anticipate that continuing and maybe the most important part of that story for Lam is that clearly a big portion of the new incremental spending in China is targeted towards the memory market.

Bank of America, Financials, US

Brian Thomas Moynihan, Chairman & CEO

Our annual customer outgoing payments on the consumer side of our company are nearly \$3 trillion, or about -- when compared to the U.S. economy, about 15%. Consumer payments year-to-date are up 6% compared to the same period in 2018 through the 9 months. For the third quarter, that pace was as solid or slightly increased from earlier in the year. This means the U.S. **consumer continues the benefit by strong employment prospects.**

This solid activity means the commercial customers continue to fare well. These are intangible examples that the U.S. economy is still in solid shape despite the worries and concerns about trade wars, capital investments slowdowns or other global macro conditions.

TransUnion, Industrials, US

Christopher Cartwright, CEO

Home prices are easing, interest rates are low and there could arguably be further downward pressures. That's always good for refinancing volume. We may get an uptick in new home purchases. In the future, all of that has been fairly slow.

The consumer and the economy is strong overall, certainly. But delinquencies remain well-below pre-recession levels.

There was nice growth in consumer lending. I think the marketing that we're seeing there the Fintech space, is more restrained than it has been in prior years, but it is still active. And a growth full category, probably expanding the lending pie and also capturing some share from traditional lenders.

ASML, Information Technology, Europe

Peter T. F. M. Wennink, CEO

We expect this weaker demand environment to continue through Q4 of this year, whereby the timing of the recovery still remains uncertain. We continue to expect

29 October 2019

Asset Allocation



low single-digit percentage increase in our installed base sales this year.

And although there is still some **short-term uncertainty around timing** and the degree of the Memory recovery, we are **optimistic on a medium-to long-term secular trend** which underpins the confidence we have in our 2025 growth scenarios.

Kansas City Southern, Industrials, US

Patrick J. Ottensmeyer, CEO

We still feel about **70% of our business units look to be positive for the remainder of the year**. And in spite of lots of concern about the state of the economy and the U.S. and Mexico and around the world, we still feel that there is a reason to be hopeful and see **signs of strength in a number of our business units**.

Crown Castle International Corp, Real Estate, US

Jay A. Brown, CEO

We are seeing a **significant acceleration in tower leasing** as our customers add capacity to their wireless networks in response to the rapid growth in mobile data traffic. The current demand environment is largely tied to our customers investing heavily in their 4G networks to keep pace with 30% to 40% annual data demand growth. As you can see in our outlook for 2020, we expect the elevated level of tower leasing to continue into next year.

Goldman Sachs, Financials, US

David Michael Solomon, Chairman & CEO

In my regular conversations with CEOs, there is considerable focus on the duration of the current economic cycle. While most CEOs remain focused on growing their businesses and capturing opportunities amid the disruptive forces of new technologies, geopolitical issues continue to give rise to some caution. That said, equity valuations remain relatively high. Financing markets are generally open and attractive to issuers, particularly given the low rate environment and historically low borrowing costs. **In addition to corporates, financial sponsors remain active with significant capital to deploy.**

Honeywell International Inc, Industrials, US

Darius E. Adamczyk, CEO & President

Kind of as we think about 2020, it's probably -- as Greg pointed out, it's probably a tougher economic environment in 2020 than it is in 2019. But on the flip side of that, **I don't see some fall off the cliff**. I don't -- as I look at our backlog, as I look at our growth rates in terms of the long-cycle businesses, the level of bookings we have for Defense & Space, the SPS pickup that we're expecting, reasonable comps for Aerospace, although tougher, but maybe not double digit, but still could grow, **we're certainly not -- we're far from planning 2020 right now based on what we see as doom and gloom kind of a year**. That's for sure. And if anything, hopefully, there'll be **some more positive outcomes**. Looks like Brexit may reach a positive conclusion based on news we're hearing this morning. Hopefully, there'll be more of that positive news to go here in Q4.

29 October 2019

Asset Allocation



PPG Industries Inc, Materials, US

Michael H. McGarry, CEO

Well, we have been talking about this all year, Dmitry, that the **Chinese consumer is still accruing buying power**. Employment rate there is no different than it was 3 or 4 years ago. They've moved to more of a saving economy. I think they're feeling -- they're apprehensive about the geopolitical environment. And our expectation, our hope is that gets somewhat resolved or some of that breaks free because they've moved to more of a consumption model and they've saved for, I'd say, well over of 9 months to a year now. And I think that they will be more comfortable spending next year. That's the biggest single item. If you look at the service economy, they're doing well. So again, I think there's still some good trades in that economy that would bode well for increased consumer spending.

MKS Instruments, Information Technology, US

Jerry Colella, CEO

While timing of a full market [semis] recovery remains uncertain, we are **seeing improving conditions** complemented by stronger execution and product differentiation as evidenced by recent design wins.

Nucor Corp, Materials, US

John J. Ferriola, CEO

Overstocking of inventories last year. The tough weather conditions at the beginning of this year. Destocking this year. These are all things that have contributed to a challenging steel market during this year. We see that ending. When we look at **MSCI inventories, we see them at -- I mean, they're at incredibly low levels** and lowest that we've seen in many, many years. And compared to last year, they're down at this time -- same time last year, they're down fairly significantly. So these are all things that we see driving our comments that we think that the **pricing as well as the volumes will increase as we go forward**.

Broadcom Inc, Information Technology, US

Hock E. Tan, CEO

Visibility continues to be very limited on the semiconductors side so we are managing the business with an expectation that we will continue to operate in a very low growth, uncertain macro environment for the foreseeable future. Fortunately, the fundamentals of our semiconductor business remain strong.... the U.S.-China trade dispute is turning into an extended affair with lots of twists and turns and uncertainties. And we're assuming things on the condition that environment is not going to change from what we see now. And if we make that assumption next year, you probably see a very uncertain 2020. .. But broadly, given our large portfolio and broad diversity and the fact that we are very fundamentally strong in each of those areas we are in, which we are saying -- what we are seeing and what we are saying here is that in the semiconductor macro market, which is where we are pretty well represented on average, we are not as strong as it was same time last year. .. **We know we're pretty confident we're at the bottom. The question is there is no -- not much clarity or visibility yet or certainty that any sharp recovery is around the corner.**

29 October 2019

Asset Allocation



United Rentals, Industrials, US

Matthew J. Flannery, CEO

... **We're viewing this as a temporary issue that we had to work through**, but nowhere near the impact that we had back in '15.

Teradyne Inc, Information Technology, US

Mark Jagiela, CEO

We're doing this in light of the fact that if you look at the macroeconomic indicators of industrial output in the US and Europe they're significantly weak and down... So the **real question is when will the industrial manufacturing sector in North America and Europe return to an expansive mode and that one, I think it's hard for us to call.**

29 October 2019

Asset Allocation



Past price increases have continued to support margins

Caterpillar Inc, Industrials, US

Andrew R. J. Bonfield, CFO

Our overall margin structure remains healthy. Although in absolute dollar terms both have moderated in the third quarter, **price realization continues to offset increases in manufacturing costs**. Obviously, pricing realization was lower as we lapped the midyear price increase in 2018, but equally we have seen the rate of growth in material and freight costs moderate as we've gone past the start of the significant changes in 2018.

Sherwin-Williams Co, Materials, US

John Morikis, CEO

We're still facing the significant raw material cost inflation we experienced in 2017 and '18.

Allen J. Mistysyn, CFO

We're seeing wage inflation. And if you look at it year-over-year, it has ticked up a little bit as unemployment has continued to decline. And we have seen freight increases and distribution increases. When we look at -- as well as health care. And when we look at our cost, we look at it as a total cost basket and try to determine where that's headed, what the impacts are. We obviously try to push back on that and get efficiencies to offset it. But absent getting those offset, we have to go to the market with price.

Allegion PLC, Industrials, US

David D. Petratis, CEO

Well, let me first maybe comment on a little bit more specifics on Q3 operating margin performance. So as indicated, really strong across the board, all regions showing fairly significant margin improvement. We did benefit if you kind of look at **the price productivity inflation dynamic, extremely favorable**. Inflation, you may recall last year, was at a peak in Q3. And so the comparisons were easier if you will and that gap was extremely favorable in the reported results in Q3 this year. We won't see that favorability as much reflected in Q4, and therefore, the margin profile expansion won't be as strong in Q3.

Fortive Vorp, Industrials, US

James A. Lico, CEO

Core operating margins decreased 180 basis points, reflecting a combination of slower revenue performance, the impact of tariffs and unfavorable foreign currency exchange.

Illinois Tool Works, Industrials, US

Michael M. Larsen, CFO

Price remains solid and well ahead of raw material inflation on a dollar basis. In addition, raw material cost pressures eased again this quarter, and price/cost margin impact was positive for the first time since 2016.

29 October 2019

Asset Allocation



RPM International Inc, Materials, US

Matthew T. Ratajczak, VP of Global Tax & Treasurer

Also contributing to the bottom line was a margin recovery resulting from last year's price increases.

Frank C. Sullivan, CEO

Initiatives that proved particularly beneficial included actions to rationalize our manufacturing and distribution footprint, improve production processes and strengthen our supplier relationships through center-led procurement. In particular, during the first quarter, we announced the closure of three additional plants, which brings our total to 15 out of 31, which are targeted for the total program. Additionally, **we continue to streamline our workforce with approximately 80 additional reductions, which brings our total over the course of our restructuring to slightly more than 600.**

Procter & Gamble Co, Consumer Staples, US

Jon R. Moeller, CFO

There are many things that can affect consumer confidence that are things we wouldn't even have the ability to anticipate today, certain geopolitical events, certain political developments within the country, et cetera. So your guess is as good as ours in terms of what market growth does going forward. **We have seen no signs of weakness. We have seen continued sequential improvement on the margin. But that can change pretty quickly,** as we've all witnessed during our lifetimes.

General Mills Inc, Consumer Staples, US

Donal Leo Mulligan, CFO

We still see inflation coming in around 5%. It may be a couple of basis points lower than when we started the year. But we're still seeing inflation in grains, packaging, other commodities. Logistics from a percentage standpoint is the biggest change. And then we're seeing higher inflation in our European business, which is trending higher than that 5% full year guidance, and we're really seeing it in dairy and vanilla.

Vicor Corp, Industrials, US

James A. Simms, CFO

The positive impact on absorption of the quarter's **increased production volume was offset by higher tariff charges, increased reserves and mix.** For the year-to-date period, our consolidated gross profit margin stands coincidentally at 46.6% compared to 48.3% for the 2018 9-month period, with the lower figure primarily attributable to lower absorption and higher tariffs.

Patrizio Vinciarelli, CEO

But going forward, again, we expect to see -- because of initiatives we've taken with respect to **alternate sources outside of China and so on and so forth, we expect to see the impact of tariffs mitigated** and more significantly the impact of increased production rates contributing to margins rising above 50% and well beyond that.

Pulte Group – Consumer Discretionary, US

29 October 2019

Asset Allocation



Robert T. O'Shaughnessy, CFO

Our adjusted gross margin was up 30 basis points from our second quarter reported gross margin of 23.1%, as we benefited from a stronger demand environment but was down 50 basis points compared to the third quarter of last year as profitability was impacted by higher land, labor and material costs and slight changes in product mix.

While demand dynamics are clearly better, we are being careful with our pricing actions as we believe affordability, though improved, is still an issue within particular markets and buyer segments. With that being said, **we do see the opportunity through cost controls and select pricing actions to continue generating high gross margins.**

Gentex Corp, Consumer Disc, US

Steven R. Downing, CEO

Additionally, our gross margin on a year-over-year basis was exceptional and increased by 10 basis points year-over-year despite a 50 basis point increase in the margin effect of tariffs.

Fuller (HB) Co, Materials, US

James J. Owens, CEO

We drove solid margin performance despite weakness in the industrial sector, which is impacting the volumes many manufacturers are experiencing. H.B. Fuller drove efficiencies and overall cost reductions in the quarter, while at the same time, we continued to make investments in portfolio adjustments that build our capabilities in more highly specified adhesives, which is fundamental to our growth strategy.

Paccar Inc, Industrials, US

R. Preston Feight, CEO & Director

If you just think about what this quarter was about, **we did have reasonable pricing influence and -- that more than offset costs.** So I think those are the things that drove our stronger margin performance for the quarter.

Whirlpool Corp, Consumer Discretionary, US

Marc Robert Bitzer, CEO

3 of our 4 regions delivered positive price/mix, resulting in margin expansion of approximately 150 basis points as **we continue to realize a carryover benefit of previously announced pricing actions.** We continue to expect margin benefit from price/mix through year-end, however, at a more moderated level as we compare against last year's fourth quarter cost-based pricing actions in the U.S. kitchen segment and Brazil. Additionally, we continue to see the benefit from our cost takeout initiative deliver a favorable impact across all regions, resulting in a margin expansion of 25 basis points.

Lastly, improving trends in raw materials outside of North America partially offset the continued tariff headwind, resulting in unfavorable margin of 25 basis points. The net impact of currency and hedging was neutral for the quarter. These margin benefits were partially offset by continuation of increased marketing and technolo-

29 October 2019

Asset Allocation



gy investments.

Peoples United Financial, Financials, US

John P. Barnes, CEO

It's also evident **margin compression will be a headwind in 2020** by the extent -- but the extent to which we'll largely be **dependent on potential changes in the federal reserve monetary policy**. However, we remain focused on managing what we can control to offset the effects of declining interest rates.

Alfa SAB, Industrials, Mexico

Roberto Olivares, CFO of Sigma

So during 3Q 2019, **we finished implementing price increases** in Europe. And with this, we saw a substantial margin improvement quarter-over-quarter. In fact, EBIT-DA margin increased by more than 200 basis points. We expect to continue improving the margins in the region with the actions that we have taken in order to keep mitigating the impact. What I can tell you is we're currently **working on a second wave of price increases** in order to mitigate some of the impacts of that we have had in the last quarter in some countries and channels.

International Business Machines Corp, Information Technology, US

James J. Kavanaugh, CFO

The 110 basis point margin expansion was driven by **continued mix shift to higher value offerings, yields on our delivery improvement, productivity and utilization initiatives**, and currency benefit from leveraging our global delivery resource footprint.

CRH PLC, Materials, Europe

Albert Jude Manifold, CEO

And while we've continued to experience some inflationary pressures in our businesses, the environment in Europe and North America continues to support further progress on pricing across our businesses. Pricing momentum continued to be strong with **good price increases achieved across all products during the first half of the year, more than offsetting higher input costs**.

PPG Industries Inc, Materials, US

Michael H. McGarry, CEO

This quarter, we accelerated our momentum in margin recovery, with segment margins up about 220 basis points versus last year. As we stated in the past, our overall objective is to return to the aggregated segment margins that we maintained prior to this recent inflationary cycle, and we believe this objective is achievable in 2020. Aggregate selling prices were 2.6% higher, marking the 10th consecutive quarter of improved selling -- year-over-year selling prices and our sixth consecutive quarter with selling price increases of at least 2%.

Honeywell International Inc, Industrials, US

Gregory Peter Lewis, CFO

So as we head into next year, I'm not expecting that we're going to hit a wall and not be able to **continue to get price in the marketplace**. And I said, the cost -- as markets

29 October 2019

Asset Allocation



are slowing down, we're also doubling down on our procurement team in terms of driving our **material cost deflation program** as well. So we're not going to keep **pushing hard on both of those levers** and expect that to be a net positive for us as we go into 2020.

Genuine Parts Co, Consumer Discretionary, US

Carol B. Yancey, CFO

Thus far, we have been **successful in passing on the price increases to our customers** to protect our gross margins. So we continue to believe that the current levels of inflation have been a net positive to our results, and we expect this to continue through the balance of 2019.

Lennar Corp, Consumer Discretionary, US

Diane J. Bessette, CFO

Q3 2019 gross margins were **impacted by lower average sales prices** as we strategically repositioned our product to target more first-time homebuyers and lower-priced homes. Gross margin was also impacted by an increase of 60 basis points in sales incentives year-over-year though incentive decreased sequentially by 30 basis points. Additionally, while construction costs were up 3% year-over-year, there was a decrease sequentially of 1.6% as we realized the benefits of our size and scale.

Micron Technology Inc, Information Technology, US

Sanjay Mehrotra, CEO

We believe that NAND industry margins, which are at the lowest levels in the last 10 years, should start increasing for the rest of the year.

Nike Inc, Consumer Discretionary, US

Andrew Campion, CFO

We now expect to deliver full year gross margin expansion within the 50 to 75 basis point range. That assumes that the negative impact of recently implemented tariffs remains in effect for the balance of our fiscal year. And again remember that our Q1 gross margin expansion was amplified by timing shifts and other discrete items.

Autozone Inc, Consumer Discretionary, US

William T. Giles, CFO

The decrease in gross margin was primarily attributable to the lower margin of goods sold primarily from the shift in mix of -- to more commercial business during the quarter.

Kroger Co, Consumer Staples, US

Gary Millerchip, CFO

So on gross margins, certainly, **we do continue to invest in price**. And as Rodney mentioned, there are significant offsets in the investments that we're making in the way that we're managing cost of goods in the team. And over time, we expect, as we've shared, as we reclassified alternative profit that will also become a tailwind that offsets investments and helps gross margin as well.

29 October 2019

Asset Allocation



Fedex Corp, Industrials, US

Alan B. Graf, CFO

In addition to the impact of macro uncertainty, FedEx Ground operating expenses are expected to be higher than our previous forecast due to volume mix, lower-than-planned delivery density, higher wage rates and ongoing investments to enhance our e-commerce capabilities, including our expansion of 7-day operations

Hewlett Packard Enterprise, Information Technology, US

Tarek A. Robbiati, CFO

We continued to deliver **significant gross margin expansion** as we focus on profitable growth in Hybrid IT, shifting our portfolio towards higher-value, higher gross margin offerings and commodity tailwinds. Gross margin of 33.9% was up 340 basis points year-over-year and up 170 basis points quarter-over-quarter, the sixth quarter of sequential expansion.

29 October 2019

Asset Allocation



Capital deployment plans remain focused on buybacks and deleveraging

Caterpillar Inc, Industrials, US

D. James Umpleby, CEO

We also repurchased \$1.2 billion of common stock in the third quarter. We continue to expect share repurchases during the second half of the year will be similar to the first half, which will reduce our total quarterly average diluted shares outstanding by about 9% since the first quarter of 2018.

BASF, Materials, Europe

Martin Brudermüller, CEO

First of all, on CapEx, we will be this year most probably a little bit lower than indicated. We always said that we look on CapEx, but also told you that there's limits in terms of reacting very quickly because you have other obligations from the projects you started. But certainly, I mean, with each and every single project we basically launch, we always look on the market expectation development. You can expect if some of the markets slowed down, there's also a latent need for additional capacity. So if this environment is slowing for a longer time, then this has also an impact on CapEx, and this is -- I think it's most probably that we are lower in CapEx than indicated in the previous time.

Daimler AG, Consumer Discretionary, Europe

Harald Wilhelm, CFO

I think we have a dividend policy out, i.e., payout ratio of 40% on reported net income. That's the policy under the control of my colleagues here. But clearly, I mean I will have a look into the free cash flow generated in 2019 to form a view. And I will also have a look into 2020 cash flow expectation when forming an articulated view on the dividend proposal, which obviously is to be discussed in the Board. That's all I can say at this stage.

Fuller (HB) Co, Materials, US

James J. Owens, CEO

yes, we've got a very aggressive view on what we needed to do in debt pay down. I think we've made a great acquisition in Royal. We levered higher than we would normally do. And our view is that's a key priority for us and for our investors. So you'll see in all kinds of environments us taking the steps necessary to drive debt pay down, not just along the commitments that we've just upped for this year but also we expect an aggressive pay down again in 2020.

Texas Instruments Inc, Information Tech, US

Rafael R. Lizardi, CFO

Yes, what I would tell you on that is take you back to our capital management strategy and our objective is to return all free cash flow to the owners of the company. And as you pointed out, we do that through buybacks and dividends. And on a trailing 12-month basis, which is a better way to look at all these things, to give you just a better train of what's going on, we have returned \$7.4 billion of cash and our free cash flow has been \$6 billion during that time. So we've returned 122% of free cash flow during that time. So pretty healthy amount. And in the last quarter, we return

29 October 2019

Asset Allocation



or we bought back \$456 million. As long as the stock price is below our assessment of intrinsic, we'll be buying back shares and we did buy back a healthy amount in third quarter.

Lennar Corp, Consumer Discretionary, US
Stuart A. Miller, Executive Chairman

Our strong cash flow and strong cash position enabled us to repay \$500 million of debt at the beginning of the quarter, while also opportunistically repurchasing another 6 million shares of stock at an average price of about \$48.5 a share through the quarter, and we will pay off another \$600 million of debt for cash flow, right at year-end.

Micron Technology Inc, Information Technology, US
David A. Zinsner, CFO

As market conditions evolved during the year, we curtailed our planned operating expenses and capital expenditures, allowing us to preserve margins and generate healthy free cash flow. We achieved our first corporate investment-grade rating, strengthened our balance sheet and meaningfully reduced our share count.

We expect our fiscal 2020 net CapEx to be in the range of \$7 billion to \$8 billion, down meaningfully from fiscal 2019. We expect that CapEx for buildings and back-end manufacturing will increase significantly from last year, while the front-end equipment CapEx will decline more than 30% year-on-year.

Accenture PLC, Information Technology, US
Julie T. Spellman Sweet, CEO

We generated outstanding free cash flow of \$6 billion. We returned \$4.6 billion in cash to shareholders through share repurchases and dividends, and we just announced our first quarterly cash dividend of \$0.80 per share, which reflects a 10% increase over the equivalent quarterly rate last year.

Fedex Corp, Industrials, US
Rajesh Subramaniam, President & COO

In addition, we're looking at every opportunity to reduce capital spending.

Alan B. Graf, CFO

As far as CapEx, trust me, FY '21 would be a lot higher than \$5.9 billion had we not started cutting already. I think there are 2 things that are really important to understand. And number one is we have to continue to modernize the fleet. The profound impact of the lower costs and high reliability of the new twins is just remarkable. And we're going to continue to do that.

Cintas Corp, Industrials, US
J. Michael Hansen, CFO

So from an M&A perspective, we love M&A in our -- in the businesses that we're currently in, certainly. Anything from a tuck-in in our fire, first-aid and uniform rental businesses to something larger. We certainly -- if there were any M&A opportunities in our space, we certainly want to be involved and would have a great interest in

29 October 2019

Asset Allocation



pursuing that at the right value. We certainly like -- from a geographic standpoint, it's easier to capture synergies, for example, with acquisitions in the U.S. and Canada because we have a presence here and it allows us to get density in markets to combine capacity if there's -- opportunities present themselves. So would prefer acquisitions where we can capture better synergies.

Broadcom Inc, Information Technology, US

Thomas H. Krause, CFO

That being said, maintaining our core and capital allocation strategy of dividends and M&A while pursuing meaningful buybacks in parallel has caused us to increase our leverage and leverage multiples pretty substantially. Especially in light of the weak macro environment we are seeing today, we are conscious of the risk that a more levered balance sheet creates and are very focused on managing those risks. As a result, we have started to transition our focus to deleveraging the balance sheet following the recent Symantec acquisition announcement.

PPG Industries Inc, Materials, US

Vincent J. Morales, CFO

Year-to-date, we've got about \$1.5 billion on the balance sheet. We do have some term debt coming due in Q4, so some of that cash will be applied to the term debt coming due. But besides that, we do have a strong balance sheet, and we're still looking at a variety of acquisitions. The acquisition pipeline is still rich. We are not immune to doing share repo. We haven't done any to date based on just the acquisition pipeline. But if the acquisition pipeline lessens or we think there's a need to do share repo for different reasons, we'll do so.

Right now, as Michael said, the acquisition pipeline is active, and we'd still like to keep some dry powder until some of the things get out there. But we're not immune to giving it. We're not immune to not giving it. It just depends on what we see going forward and what we feel shareholders want to hear from us.

United Rentals Inc, Industrials, US

Jessica T. Graziano, CFO

Here's a quick update on our share repurchase program. We purchased \$210 million of stock in the third quarter on our current \$1.25 billion program, which puts us at \$1.05 billion purchased to date. We still expect to complete this program by year-end, and I'll also note that our total share count at the end of the third quarter was down about 7% year-over-year.

Honeywell International Inc, Industrials, US

Darius E. Adamczyk, CEO

During the quarter, we've repurchased \$1 billion of Honeywell shares and announced a 10% increase in our dividend, our 10th consecutive double-digit increase. We also closed 3 Honeywell venture investments and completed the acquisition of TruTrak Flight Systems, a leader in autopilots for the experimental, light sport and certified aircraft.

29 October 2019

Asset Allocation



Appendix 1

Important Disclosures

*Other information available upon request

*Prices are current as of the end of the previous trading session unless otherwise indicated and are sourced from local exchanges via Reuters, Bloomberg and other vendors. Other information is sourced from Deutsche Bank, subject companies, and other sources. For disclosures pertaining to recommendations or estimates made on securities other than the primary subject of this research, please see the most recently published company report or visit our global disclosure look-up page on our website at <https://research.db.com/Research/Disclosures/CompanySearch>. Aside from within this report, important risk and conflict disclosures can also be found at <https://research.db.com/Research/Topics/Equities?topicId=RB0002>. Investors are strongly encouraged to review this information before investing.

Analyst Certification

The views expressed in this report accurately reflect the personal views of the undersigned lead analyst(s). In addition, the undersigned lead analyst(s) has not and will not receive any compensation for providing a specific recommendation or view in this report. Binky Chadha, Matthew Barnard, Parag Thatte, Srineel Jalagani.

Equity Rating Key

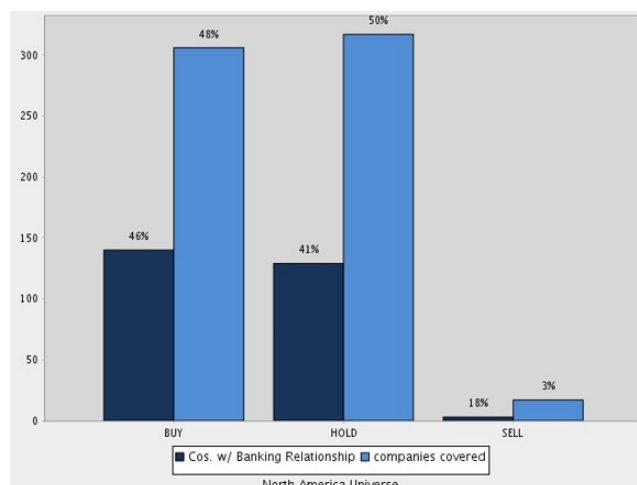
Buy: Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield), we recommend that investors buy the stock.

Sell: Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock.

Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

Newly issued research recommendations and target prices supersede previously published research.

Equity rating dispersion and banking relationships



29 October 2019

Asset Allocation



Additional Information

The information and opinions in this report were prepared by Deutsche Bank AG or one of its affiliates (collectively 'Deutsche Bank'). Though the information herein is believed to be reliable and has been obtained from public sources believed to be reliable, Deutsche Bank makes no representation as to its accuracy or completeness. Hyperlinks to third-party websites in this report are provided for reader convenience only. Deutsche Bank neither endorses the content nor is responsible for the accuracy or security controls of those websites.

If you use the services of Deutsche Bank in connection with a purchase or sale of a security that is discussed in this report, or is included or discussed in another communication (oral or written) from a Deutsche Bank analyst, Deutsche Bank may act as principal for its own account or as agent for another person.

Deutsche Bank may consider this report in deciding to trade as principal. It may also engage in transactions, for its own account or with customers, in a manner inconsistent with the views taken in this research report. Others within Deutsche Bank, including strategists, sales staff and other analysts, may take views that are inconsistent with those taken in this research report. Deutsche Bank issues a variety of research products, including fundamental analysis, equity-linked analysis, quantitative analysis and trade ideas. Recommendations contained in one type of communication may differ from recommendations contained in others, whether as a result of differing time horizons, methodologies, perspectives or otherwise. Deutsche Bank and/or its affiliates may also be holding debt or equity securities of the issuers it writes on. Analysts are paid in part based on the profitability of Deutsche Bank AG and its affiliates, which includes investment banking, trading and principal trading revenues.

Opinions, estimates and projections constitute the current judgment of the author as of the date of this report. They do not necessarily reflect the opinions of Deutsche Bank and are subject to change without notice. Deutsche Bank provides liquidity for buyers and sellers of securities issued by the companies it covers. Deutsche Bank research analysts sometimes have shorter-term trade ideas that may be inconsistent with Deutsche Bank's existing longer-term ratings. Some trade ideas for equities are listed as Catalyst Calls on the Research Website (<https://research.db.com/Research/>), and can be found on the general coverage list and also on the covered company's page. A Catalyst Call represents a high-conviction belief by an analyst that a stock will outperform or underperform the market and/or a specified sector over a time frame of no less than two weeks and no more than three months. In addition to Catalyst Calls, analysts may occasionally discuss with our clients, and with Deutsche Bank salespersons and traders, trading strategies or ideas that reference catalysts or events that may have a near-term or medium-term impact on the market price of the securities discussed in this report, which impact may be directionally counter to the analysts' current 12-month view of total return or investment return as described herein. Deutsche Bank has no obligation to update, modify or amend this report or to otherwise notify a recipient thereof if an opinion, forecast or estimate changes or becomes inaccurate. Coverage and the frequency of changes in market conditions and in both general and company-specific economic prospects make it difficult to update research at defined intervals. Updates are at the sole discretion of the coverage analyst or of the Research Department Management, and the majority of reports are published at irregular intervals. This report is provided for informational purposes only and does not take into account the particular investment objectives, financial situations, or needs of individual clients. It is not an offer or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy. Target prices are inherently imprecise and a product of the analyst's judgment. The financial instruments discussed in this report may not be suitable for all investors, and investors must make their own informed investment decisions. Prices and availability of financial instruments are subject to change without notice, and investment transactions can lead to losses as a result of price fluctuations and other factors. If a financial instrument is denominated in a currency other than an investor's currency, a change in exchange rates may adversely affect the investment. Past performance is not necessarily indicative of future results. Performance calculations exclude transaction costs, unless otherwise indicated. Unless otherwise indicated, prices are current as of the end of the previous trading session and are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is also sourced from Deutsche Bank, subject companies, and other parties.

The Deutsche Bank Research Department is independent of other business divisions of the Bank. Details regarding our organizational arrangements and information barriers we have to prevent and avoid conflicts of interest with respect to our research are available on our website (<https://research.db.com/Research/>) under Disclaimer.

Macroeconomic fluctuations often account for most of the risks associated with exposures to instruments that promise to pay fixed or variable interest rates. For an investor who is long fixed-rate instruments (thus receiving these cash flows), increases in interest rates naturally lift the discount factors applied to the expected cash flows and thus cause a loss. The longer the maturity of a certain cash flow and the higher the move in the discount factor, the higher will be the loss. Upside surprises in inflation, fiscal funding needs, and FX depreciation rates are among the most common adverse macroeconomic shocks to receivers. But counterparty exposure, issuer creditworthiness, client segmentation, regulation (including changes in assets holding limits for different types of investors), changes in tax policies, currency convertibility (which may constrain currency conversion, repatriation of profits and/or liquidation of positions), and settlement issues related to local clearing houses are also important risk factors. The sensitivity of fixed-income instruments to macroeconomic shocks may be mitigated by indexing the contracted cash flows to inflation, to FX depreciation, or to specified interest rates – these are common in emerging markets. The index fixings may – by construction – lag or mis-measure the actual move in the underlying variables they are intended to track. The choice of the proper fixing (or metric) is particularly important in swaps markets, where floating coupon rates (i.e., coupons indexed to a typically short-dated interest rate reference index) are exchanged for fixed coupons. Funding in a currency that differs from the currency in which coupons are denominated carries FX risk. Options on swaps (swaptions) the risks typical to options in addition to the risks related to rates movements.

Derivative transactions involve numerous risks including market, counterparty default and illiquidity risk. The appropriateness

29 October 2019

Asset Allocation



of these products for use by investors depends on the investors' own circumstances, including their tax position, their regulatory environment and the nature of their other assets and liabilities; as such, investors should take expert legal and financial advice before entering into any transaction similar to or inspired by the contents of this publication. The risk of loss in futures trading and options, foreign or domestic, can be substantial. As a result of the high degree of leverage obtainable in futures and options trading, losses may be incurred that are greater than the amount of funds initially deposited – up to theoretically unlimited losses. Trading in options involves risk and is not suitable for all investors. Prior to buying or selling an option, investors must review the "Characteristics and Risks of Standardized Options", at <http://www.optionsclearing.com/about/publications/character-risks.jsp>. If you are unable to access the website, please contact your Deutsche Bank representative for a copy of this important document.

Participants in foreign exchange transactions may incur risks arising from several factors, including the following: (i) exchange rates can be volatile and are subject to large fluctuations; (ii) the value of currencies may be affected by numerous market factors, including world and national economic, political and regulatory events, events in equity and debt markets and changes in interest rates; and (iii) currencies may be subject to devaluation or government-imposed exchange controls, which could affect the value of the currency. Investors in securities such as ADRs, whose values are affected by the currency of an underlying security, effectively assume currency risk.

Unless governing law provides otherwise, all transactions should be executed through the Deutsche Bank entity in the investor's home jurisdiction. Aside from within this report, important conflict disclosures can also be found at <https://research.db.com/Research/> on each company's research page. Investors are strongly encouraged to review this information before investing.

Deutsche Bank (which includes Deutsche Bank AG, its branches and affiliated companies) is not acting as a financial adviser, consultant or fiduciary to you or any of your agents (collectively, "You" or "Your") with respect to any information provided in this report. Deutsche Bank does not provide investment, legal, tax or accounting advice, Deutsche Bank is not acting as your impartial adviser, and does not express any opinion or recommendation whatsoever as to any strategies, products or any other information presented in the materials. Information contained herein is being provided solely on the basis that the recipient will make an independent assessment of the merits of any investment decision, and it does not constitute a recommendation of, or express an opinion on, any product or service or any trading strategy.

The information presented is general in nature and is not directed to retirement accounts or any specific person or account type, and is therefore provided to You on the express basis that it is not advice, and You may not rely upon it in making Your decision. The information we provide is being directed only to persons we believe to be financially sophisticated, who are capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies, and who understand that Deutsche Bank has financial interests in the offering of its products and services. If this is not the case, or if You are an IRA or other retail investor receiving this directly from us, we ask that you inform us immediately.

In July 2018, Deutsche Bank revised its rating system for short term ideas whereby the branding has been changed to Catalyst Calls ("CC") from SOLAR ideas; the rating categories for Catalyst Calls originated in the Americas region have been made consistent with the categories used by Analysts globally; and the effective time period for CCs has been reduced from a maximum of 180 days to 90 days.

United States: Approved and/or distributed by Deutsche Bank Securities Incorporated, a member of FINRA, NFA and SIPC. Analysts located outside of the United States are employed by non-US affiliates that are not subject to FINRA regulations.

Germany: Approved and/or distributed by Deutsche Bank AG, a joint stock corporation with limited liability incorporated in the Federal Republic of Germany with its principal office in Frankfurt am Main. Deutsche Bank AG is authorized under German Banking Law and is subject to supervision by the European Central Bank and by BaFin, Germany's Federal Financial Supervisory Authority.

United Kingdom: Approved and/or distributed by Deutsche Bank AG acting through its London Branch at Winchester House, 1 Great Winchester Street, London EC2N 2DB. Deutsche Bank AG in the United Kingdom is authorised by the Prudential Regulation Authority and is subject to limited regulation by the Prudential Regulation Authority and Financial Conduct Authority. Details about the extent of our authorisation and regulation are available on request.

Hong Kong SAR: Distributed by Deutsche Bank AG, Hong Kong Branch except for any research content relating to futures contracts within the meaning of the Hong Kong Securities and Futures Ordinance Cap. 571 which shall be distributed by Deutsche Securities Asia Limited. The provisions set out above in the 'Additional Information' section shall apply to the fullest extent permissible by local laws and regulations, including without limitation the Code of Conduct for Persons Licensed or Registered with the Securities and Futures Commission. This report is intended for distribution only to 'professional investors' as defined in Part 1 of Schedule of the SFO. This document must not be acted or relied on by persons who are not professional investors. Any investment or investment activity to which this document relates is only available to professional investors and will be engaged only with professional investors.

India: Prepared by Deutsche Equities India Private Limited (DEIPL) having CIN: U65990MH2002PTC137431 and registered office at 14th Floor, The Capital, C-70, G Block, Bandra Kurla Complex Mumbai (India) 400051. Tel: + 91 22 7180 4444. It is registered by the Securities and Exchange Board of India (SEBI) as a Stock broker bearing registration no.: INZ000252437; Merchant Banker bearing SEBI Registration no.: INM000010833 and Research Analyst bearing SEBI Registration no.: INH000001741. DEIPL may have received administrative warnings from the SEBI for breaches of Indian regulations. Deutsche

29 October 2019

Asset Allocation



Bank and/or its affiliate(s) may have debt holdings or positions in the subject company. With regard to information on associates, please refer to the "Shareholdings" section in the Annual Report at: <https://www.db.com/ir/en/annual-reports.htm>.

Japan: Approved and/or distributed by Deutsche Securities Inc.(DSI). Registration number - Registered as a financial instruments dealer by the Head of the Kanto Local Finance Bureau (Kinsho) No. 117. Member of associations: JSDA, Type II Financial Instruments Firms Association and The Financial Futures Association of Japan. Commissions and risks involved in stock transactions - for stock transactions, we charge stock commissions and consumption tax by multiplying the transaction amount by the commission rate agreed with each customer. Stock transactions can lead to losses as a result of share price fluctuations and other factors. Transactions in foreign stocks can lead to additional losses stemming from foreign exchange fluctuations. We may also charge commissions and fees for certain categories of investment advice, products and services. Recommended investment strategies, products and services carry the risk of losses to principal and other losses as a result of changes in market and/or economic trends, and/or fluctuations in market value. Before deciding on the purchase of financial products and/or services, customers should carefully read the relevant disclosures, prospectuses and other documentation. 'Moody's', 'Standard Poor's', and 'Fitch' mentioned in this report are not registered credit rating agencies in Japan unless Japan or 'Nippon' is specifically designated in the name of the entity. Reports on Japanese listed companies not written by analysts of DSI are written by Deutsche Bank Group's analysts with the coverage companies specified by DSI. Some of the foreign securities stated on this report are not disclosed according to the Financial Instruments and Exchange Law of Japan. Target prices set by Deutsche Bank's equity analysts are based on a 12-month forecast period.

Korea: Distributed by Deutsche Securities Korea Co.

South Africa: Deutsche Bank AG Johannesburg is incorporated in the Federal Republic of Germany (Branch Register Number in South Africa: 1998/003298/10).

Singapore: This report is issued by Deutsche Bank AG, Singapore Branch (One Raffles Quay #18-00 South Tower Singapore 048583, 65 6423 8001), which may be contacted in respect of any matters arising from, or in connection with, this report. Where this report is issued or promulgated by Deutsche Bank in Singapore to a person who is not an accredited investor, expert investor or institutional investor (as defined in the applicable Singapore laws and regulations), they accept legal responsibility to such person for its contents.

Taiwan: Information on securities/investments that trade in Taiwan is for your reference only. Readers should independently evaluate investment risks and are solely responsible for their investment decisions. Deutsche Bank research may not be distributed to the Taiwan public media or quoted or used by the Taiwan public media without written consent. Information on securities/instruments that do not trade in Taiwan is for informational purposes only and is not to be construed as a recommendation to trade in such securities/instruments. Deutsche Securities Asia Limited, Taipei Branch may not execute transactions for clients in these securities/instruments.

Qatar: Deutsche Bank AG in the Qatar Financial Centre (registered no. 00032) is regulated by the Qatar Financial Centre Regulatory Authority. Deutsche Bank AG - QFC Branch may undertake only the financial services activities that fall within the scope of its existing QFCRA license. Its principal place of business in the QFC: Qatar Financial Centre, Tower, West Bay, Level 5, PO Box 14928, Doha, Qatar. This information has been distributed by Deutsche Bank AG. Related financial products or services are only available only to Business Customers, as defined by the Qatar Financial Centre Regulatory Authority.

Russia: The information, interpretation and opinions submitted herein are not in the context of, and do not constitute, any appraisal or evaluation activity requiring a license in the Russian Federation.

Kingdom of Saudi Arabia: Deutsche Securities Saudi Arabia LLC Company (registered no. 07073-37) is regulated by the Capital Market Authority. Deutsche Securities Saudi Arabia may undertake only the financial services activities that fall within the scope of its existing CMA license. Its principal place of business in Saudi Arabia: King Fahad Road, Al Olaya District, P.O. Box 301809, Faisaliah Tower - 17th Floor, 11372 Riyadh, Saudi Arabia.

United Arab Emirates: Deutsche Bank AG in the Dubai International Financial Centre (registered no. 00045) is regulated by the Dubai Financial Services Authority. Deutsche Bank AG - DIFC Branch may only undertake the financial services activities that fall within the scope of its existing DFSA license. Principal place of business in the DIFC: Dubai International Financial Centre, The Gate Village, Building 5, PO Box 504902, Dubai, U.A.E. This information has been distributed by Deutsche Bank AG. Related financial products or services are available only to Professional Clients, as defined by the Dubai Financial Services Authority.

Australia and New Zealand: This research is intended only for 'wholesale clients' within the meaning of the Australian Corporations Act and New Zealand Financial Advisors Act, respectively. Please refer to Australia-specific research disclosures and related information at <https://australia.db.com/australia/content/research-information.html> Where research refers to any particular financial product recipients of the research should consider any product disclosure statement, prospectus or other applicable disclosure document before making any decision about whether to acquire the product. In preparing this report, the primary analyst or an individual who assisted in the preparation of this report has likely been in contact with the company that is the subject of this research for confirmation/clarification of data, facts, statements, permission to use company-sourced material in the report, and/or site-visit attendance. Without prior approval from Research Management, analysts may not accept from current or potential Banking clients the costs of travel, accommodations, or other expenses incurred by analysts attending site visits, conferences, social events, and the like. Similarly, without prior approval from Research Management and

29 October 2019



Asset Allocation

Anti-Bribery and Corruption ("ABC") team, analysts may not accept perks or other items of value for their personal use from issuers they cover.

Additional information relative to securities, other financial products or issuers discussed in this report is available upon request. This report may not be reproduced, distributed or published without Deutsche Bank's prior written consent. Copyright © 2019 Deutsche Bank AG



David Folkerts-Landau

Group Chief Economist and Global Head of Research

Pam Finelli
Global Chief Operating Officer
Research

Michael Spencer
Head of APAC Research
Global Head of Economics

Steve Pollard
Head of Americas Research
Global Head of Equity Research

Anthony Klarman
Global Head of
Debt Research

Gerry Gallagher
Head of EMEA
Equity Research

Andreas Neubauer
Head of Research - Germany

Joe Liew
Head of APAC
Equity Research

Jim Reid
Global Head of
Thematic Research

Francis Yared
Global Head of Rates Research

George Saravelos
Head of FX Research

Peter Hooper
Global Head of
Economic Research

International Production Locations

Deutsche Bank AG

Deutsche Bank Place
Level 16
Corner of Hunter & Phillip Streets
Sydney, NSW 2000
Australia
Tel: (61) 2 8258 1234

Deutsche Bank AG

Equity Research
Mainzer Landstrasse 11-17
60329 Frankfurt am Main
Germany
Tel: (49) 69 910 00

Deutsche Bank AG

Filiale Hongkong
International Commerce Centre,
1 Austin Road West, Kowloon,
Hong Kong
Tel: (852) 2203 8888

Deutsche Securities Inc.

2-11-1 Nagatacho
Sanno Park Tower
Chiyoda-ku, Tokyo 100-6171
Japan
Tel: (81) 3 5156 6000

Deutsche Bank AG London

1 Great Winchester Street
London EC2N 2EQ
United Kingdom
Tel: (44) 20 7545 8000

Deutsche Bank Securities Inc.

60 Wall Street
New York, NY 10005
United States of America
Tel: (1) 212 250 2500