Julius Bär

RESEARCH WEEKLY
ALOHA FROM DOHA

CONTENT

Stories of the week

Ideas of the week

Number of the week

70

Days of tears – the Swiss Market Index recently ended a stretch of trading below its 55-day moving average for all of 2016. Further advances are ahead.

Finance Talk

NEXT GENERATION

Click on image to access video stream
www.juliusbaer.com/podcasts

EDITORIAL

- The price collapse since 2014 shows the desperate need of an oil cartel but the Doha talks indicate there will be none.
- The beneficiaries are middle-class consumers: we buy 'affordable luxury' franchises. On top, we add to Swiss laggards such as Swiss Re and Roche. And: Argentina is back.

Only historians remember the oil cartel that drove prices up from below USD 5 to over USD 11 (USD 55 in today's money) by 1974. A scary bunch back then that spread mayhem in mature economies. Whether there ever was a proper cartel is a matter of debate, but one thing is for sure today: a cartel in oil is nowhere near of materialising. This may be due to the fact that OPEC only controls 40% of output, but more importantly new joiners in the market, like Iran, could not care less about pumping discipline. Our take: oil prices will remain well below USD 50 per barrel in the years ahead.

Who benefits sustainably from lower energy costs? A well-kept secret: it is the middle-class consumer. Exactly, the one that everyone talks about being under pressure, not having seen wage increases forever and what have you. Now very much against common perception, the shift in purchasing power is in full swing. In fact it has created a USD 1,400 check per household per year in the US alone. Similar trends are visible for Europe and Japan. And believe me: they are spending. One in five dollars goes to paying back debt – which still leaves USD 1,100+ to spend on what middle-class consumers really like: affordable luxury – in fashion, food or tech gadgets. We have compiled a whole list of companies delivering there – and enjoying a sustained uplift in demand for their goods over the past two years. Hard numbers – not hot air.

The other big thing is happening in Latin America: Argentina is back on the radar in the fixed-income space. We upgraded our issuer rating to Buy. This could be the blueprint for every economic restructuring in emerging markets for decades to come. We hope the speed and efficiency in transforming the economy will be held up by the Macri government. If so, both Argentina and investors will benefit big time in the years ahead. Any chances of Brazil becoming the next Argentina anytime soon? Not yet. But new elections and a shift in leadership could open similar dynamics in 2017.

Christian Gattiker, CFA, CAIA

KEY DATES

19 April
Germany: ZEW survey
Economic sentiment among analysts and institutional investors could bring a mixed result: while the assessment of current sentiment could drop, due to upcoming risks surrounding the Brexit and Greece talks, future expectations look for some improvement from rather downbeat levels.

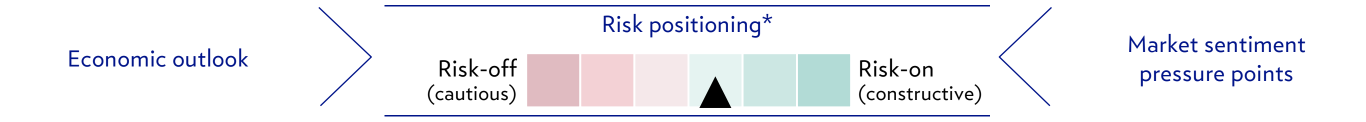
19-22 April
US: Macro data
Housing data (Tuesday and Wednesday) are expected broadly stable, while leading indicators could draw a mixed picture: The leading index (Wednesday) and flash purchasing managers' index (Friday) could indicate a further pickup in activity and the Philly Fed index some softening.

21 April
Sweden: Riksbank policy meeting
With the Swedish central bank focussing on preventing currency strength, extensions to asset purchases could be envisaged, while changes to the inflation target measurement are in discussion.

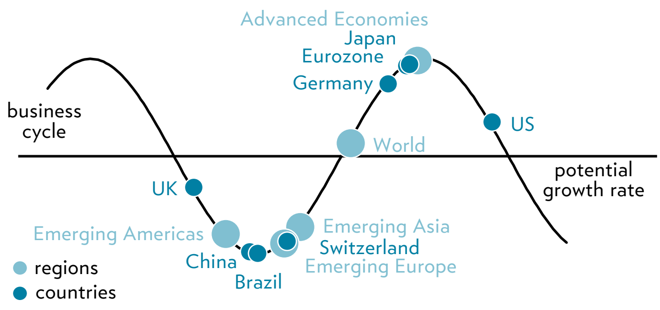
21 April
Eurozone: ECB policy meeting
After introducing a negative deposit rate, the prospects of normalising headline inflation rates will likely prevent the European Central Bank (ECB) from implementing further stimulus measures in the next months.

22 April
Flash PMIs
Preliminary purchasing managers' indices (PMIs) are expected to show further stabilisation in the manufacturing sector. The bottoming-out of industrial activity, following a collapse in early 2016, looks more sustainable.

MATTERS OF DEBATE



Economic cycle



Source: Julius Baer

- Leading indicators continue to point to sluggish and fragile global economic momentum during 2016.
- The downtrend of industrial activity is coming to a halt in the US, but prevails among many emerging markets and major commodity producers.
- Markets are forced to correct their perception: disappointments are receding in the US, but intensifying in the eurozone.
- With better US data, the debate on further rate hikes is intensifying, despite overall moderate economic growth.
- Europe's recovery expected for early 2016 is waning, prompting additional European Central Bank monetary policy easing.
- China's intensified fiscal and monetary measures have not yet brought a cyclical bottoming. However, a 'soft landing' remains warranted.
- After a difficult 2015, Switzerland is shrugging off continued franc strength. An overall recession is off the table.
- The risks of a UK 'Brexit' are at 25%-40%; the non-negligible downside risks require consideration up to 23 June.
- Weak commodity prices and overcapacities keep global deflation risks elevated. Accommodative monetary policies continue to prevail as rate hike expectations remain scaled back.

David A. Meier

Forecasts	Real growth			Inflation		
(year-on-year, %)	2015	2016	2017	2015	2016	2017
World	3.1	2.9	3.2	2.8	2.8	3.0
United States	2.4	1.6	1.8	0.1	1.3	2.2
Eurozone	1.5	1.6	1.3	0.0	0.5	1.6
Germany	1.7	1.6	0.9	0.1	0.8	2.1
United Kingdom	2.2	1.7	1.7	0.1	0.7	1.7
Switzerland	0.9	1.1	1.5	-1.1	-0.6	0.2
Japan	0.5	0.7	0.9	0.8	0.0	1.6
China	6.9	6.2	6.3	1.4	1.8	1.9
Brazil	-3.8	-4.0	0.0	9.3	7.0	6.0

Source: Julius Baer

* The risk positioning illustrates our general stance towards risk assets such as equities and corporate bonds within an investment portfolio based on our assessment of the economic outlook and market sentiment.

Brexit risks

The countdown to the Brexit referendum on 23 June, when the UK electorate will vote on independence from the European Union, is intensifying. Financial markets are becoming more and more jumpy on political news that has the potential to influence the voting intentions. The behaviour of the EU up to the referendum will play an important role in the outcome, as recent policies have intensified EU scepticism across Europe rather than helped improve EU acceptance. Voting intention polls continue to indicate a very close and narrowing lead of the 'stay' camp. Our base case remains a 'no' to the Brexit, but the probability is solidifying at a non-negligible 30%-40%.
David A. Meier

Central bank exit strategies

Against all odds the US Federal Reserve (Fed) continues to show a bias towards normalising rates. Comforted by stabilising financial conditions and a pickup in inflation, the Fed will try to guide market expectations towards additional rate hikes this year. Other major central banks, however, are going to keep an accommodative stance for longer. The Bank of England has been backpedalling, as inflation and growth expectations got gloomier. Markets now expect no rate increases before 2018. The European Central Bank and the Bank of Japan are doing the best they can to even add stimuli. Negative interest rates in the eurozone, Japan and Switzerland suggest that any exit from loose monetary policy is moving farther away.
David Kohl

Chinese growth and reforms

Reforms and deleveraging in China's financial sector have led to a slowdown in economic growth, dragged down by weakness in the property sector and manufacturing lately. While China reached its growth target of almost 7% in 2015, the envisioned 6.5% yearly growth over the next five years looks very ambitious and increases the risk of a higher debt burden. Reaching 6.5%-7% growth next year will require more monetary and fiscal easing as headwinds will only start to lessen later in the year. Structural reform momentum remains high, particularly in the areas of financial liberalisation and the internationalisation of the renminbi, financial regulation and consolidation of state-owned enterprises.
Susan Joho

Middle East and diminishing petrodollar flows

While 2015 was the year of consumers enjoying lower commodity prices, 2016 might become the year when producer pain reaches a critical boiling point in certain segments. Especially the Middle East seems ill-prepared to adjust for a new normal of low oil prices for longer. The governments' responses to the running dry of petrodollars are so far only homeopathic economic reforms insufficient to rein in on the ballooning budget deficits. Financial markets should not only eye the despair of the American shale industry but the Middle East's growing struggles to maintain social welfare for a growing young population.
Norbert Rücker

STORIES OF THE WEEK

Oil: Doha's failure runs deep

- Oil tumbles after leading producers failed to agree on a supply deal. Prices should remain under pressure in the near term.
- Doha's failure is a blow to OPEC's relevance, which so far primarily relayed on its credibility to manage oil policy.

Oil prices have tumbled after leading oil producers failed to agree on a supply deal at the meeting in Doha over the weekend. There had been a big hype in the run-up to the Doha talks, although most market observers, including us, had warned that there was more room for disappointment than surprise. The deal's stumbling blocks were many, including that most petro-nations are starving for cash and that their incentives are set for higher rather than lower production. Also, freezing instead of curbing production at today's record levels would have only marginally reined in the supply glut. Market sentiment became overly bullish in recent weeks with hedge funds and other speculators holding large bets on rising prices. These positions are likely to be unwound over the coming days which should keep oil prices under pressure.

Doha's failure is a blow to OPEC.

The consequences of the Doha talks run deeper. Although this was no official meeting of the Organization of the Petroleum Exporting Countries (OPEC), the organisation has seen a blow to its perceived powerfulness over the weekend. Saudi Arabia is doing OPEC no favour with its tough stance against Iran. While Russia, Saudi Arabia and most others have been producing close to record levels lately, Iran is ramping up exports following the lifting of sanctions earlier this year. Tehran rejected to join an agreement, which would have demanded to freeze its production at today's below-historical level. We have long argued that OPEC is a broken cartel that influences prices rather by market psychology than supply action. Doha also reveals the increasing influence of Saudi's young deputy crown prince in the country's oil policy at the expense of the respected oil minister. Picking OPEC as a battleground for political tensions between Riyadh and Tehran will strain the organisation's oil policy and weaken its relevance.

Doha aside, the oil market remains oversupplied with a large overhang in stocks. The rebalancing is underway with US shale oil production declining, although much slower than anticipated, and global demand holding up strongly. Supply outages induced by Kuwait's oil worker strike and pipeline disruptions in Nigeria and Northern Iraq are fundamentally price supportive and accelerated the clearing of excess supplies. Beyond the near-term pressure on oil prices, we maintain our neutral view and see no sustained price recovery. Cheap and abundant shale oil supplies are key to our low-for-longer view, where we see prices anchored around USD 45 to USD 50 per barrel over the years to come. The running dry of petrodollars means the Middle East should brace for tough economic and social challenges in the years ahead. That's the story line underneath this weekend's news on the failed Doha talks and Kuwait's oil worker strike.

Norbert Rücker

Brazil: Going down Argentina's path? Just not yet

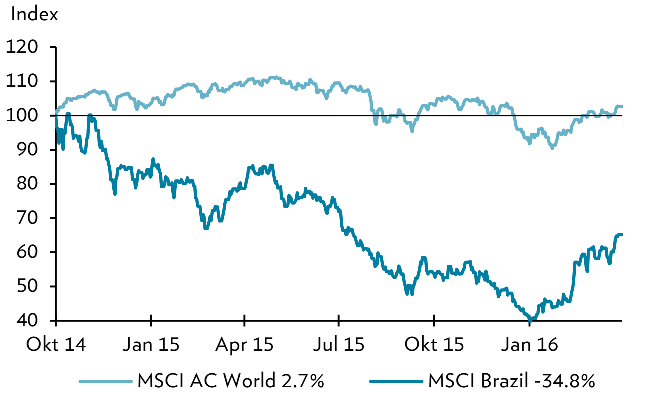
- For once, Argentina is one step ahead of Brazil with its pro-market policies. Brazil remains in the midst of a political and economic crisis. The turnaround will take time.
- The market is too optimistic and underestimates the difficulties a potential post-Rousseff administration will be faced with. We recommend investors stay underweight Brazil.

There may be some similarities one can draw between Argentina and Brazil, be it the slide in the currency, corruption scandals or politics. With the Macri government in Argentina coming to power, the macro outlook has brightened. The same is needed in Brazil but first we need to face reality. With Sunday's positive vote in the lower house the impeachment process is authorised to move on to the Senate. In the Senate a simple majority is needed, most likely in May, to try Rousseff. She will then have to step down for up to 180 days for legislators to arrive at a final conclusion. In the meantime, vice President Temer will take over and form a government. The question is whether Temer will be the leader with the mandate needed to put Brazil back on track. He as well will have to deal with a high number of coalition partners with ideological differences and will have to share power.
In the meantime the headwinds remain the same: Brazil is still trapped in a deep recession, the budget deficit is enormous, distrust of politicians is deep-seated and the corruption scandal is far from over. In addition, Rousseff has not given in yet and may challenge any final decision in court.

Since we assigned our underweight rating in October 2014, the MSCI Brazil is still down 35%, even after the recent strong rebound. We do not jump on the bandwagon and recommend investors stay underweight the MSCI Brazil. First, we do not believe in a smooth political transition; second, the market is way ahead of valuations and third, we already now try to prepare for the next weakness in emerging markets. First, the deleveraging process in emerging markets is still in full swing and commodities' supply/demand picture is still negative. Second, with global equity markets having stabilised, the US Federal Reserve is likely to become more hawkish again, leading to a stronger US dollar and weaker emerging markets.

Heinz Rüttimann, CAIA

MSCI Brazil: Since our underweight rating in October 2014



Source: Bloomberg Finance L.P., Julius Baer; AC = All Country

Argentina: The beginning of a new era

- The resolution of the conflict with holdout creditors has reached the final stage and the end of the default is imminent.
- We upgraded our recommendation on Argentina to Buy as we believe bonds offer attractive yields and exposure to a country with improving economic fundamentals.

The outlook for Argentina (Buy/Speculative) continues to improve. After the early introduction of essential adjustments by the new government, such as liberalising the currency, reducing export taxes and eliminating import restrictions, authorities have focused almost entirely on solving the conflict with holdout creditors. The commitment to normalise relationships with the financial community was well received by investors, but uncertainties for bond holders had remained until now, given the number of different stages required to solve the conflict (negotiating with creditors, getting approval from domestic lawmakers and convincing US courts to lift injunctions against Argentina).

However, the end of the conflict is now imminent. A US court confirmed on Wednesday last week that it will lift the injunctions on Argentina once the country pays the negotiated amount to creditors. Thus, Argentina is now set to issue up to USD15bn in bonds with maturities of 5, 10 and 30 years, and to use the proceeds to make the corresponding payments to creditors. That will automatically lift the injunctions and Argentina will be out of the default, resuming payments on the international restructured debt (including past-due interest). Argentina's sovereign rating is expected to be upgraded by one or two notches. At the macroeconomic level, the end of the conflict will help the government to reduce its dependence on central bank financing, bring down inflation and boost growth. Real GDP growth is likely to be flat in 2016, increasing to 1%-2% in 2017.

We consider that the latest developments have significantly reduced the legal uncertainties for investors.

In that context, we have upgraded our recommendation on Argentina from Hold to Buy/Speculative. We consider that the latest developments have significantly reduced the legal uncertainties for investors and bonds now offer exposure to a country with improving fundamentals and still attractive yields. Despite the strong performance of Argentinean sovereign bonds in the last year, yields still compare favourably against peers in the region, and we would expect them to decline over time as the government continues to make positive economic adjustments.

Alejandro Hardziej

China: Temporary cyclical stabilisation in 2016

- Chinese growth showed a slowing deceleration in the first quarter thanks to earlier fiscal measures and better industry activity. That could lead to a stabilisation in the second quarter.
- However, for the second half, we expect slowing momentum to resume modestly, accompanied by monetary easing, as headwinds from overcapacity in manufacturing still remain strong.

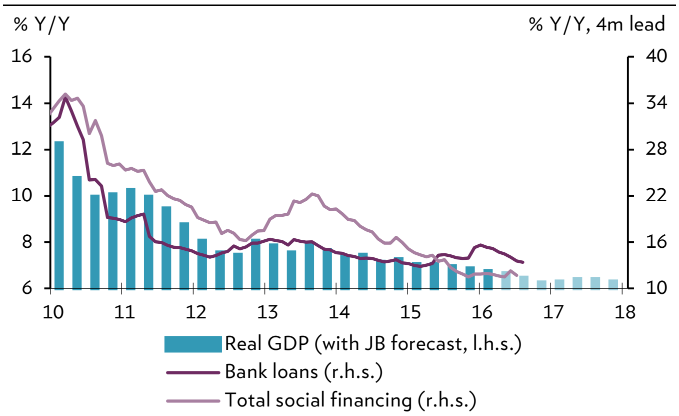
Last week's Chinese data brought relief to investors, when signals increased that the world's largest economy is stabilising. First quarter GDP edged down to 6.7% y/y from 6.8% in the previous quarter and monthly key macroeconomic indicators for March all pointed upwards. Especially the export, industrial production, fixed asset investment and credit supply data surprised very positively. What we are seeing at the moment are stabilising effects of earlier easing measures, as well as a rebound in manufacturing. However, this rebound in manufacturing is to a large part attributable to seasonal and base effects and does not look sustainable. The headwind from oversupply in the manufacturing sector is too strong for that.

Reform momentum could gain traction again as the focus is shifting away from fears of a hard landing.

We thus expect Chinese growth rates to resume their slowing in the second half of the year, after a stable second quarter. Growth rates should come down in the second half towards or even slightly below the lower band of the 6.5%-7% GDP target for 2016. This will likely be accompanied by one or two rate cuts. However, we expect the government not to further step up the easing, as it is aware of its negative effects on an already large domestic debt pile. Rather, we expect reform momentum to gain traction again from now on, as the focus is shifting away from fears of a hard landing towards worries about large debt and towards the need for reforms to spur the Chinese economy's transformation.

Susan Joho

Chinese growth: Slowing while the economy matures



Source: People's Bank of China, National Bureau of Statistics China, Julius Baer

Terrorism: European peace dividend ends here

- European countries will most likely devise a number of security measures and reverse the trend of declining defence and security spending. Spending patterns should address the new threats and focus less on 'traditional' defence spending.
- The related industries will benefit immensely from this U-turn. As terrorist threats increase, the need for national security and the military will rise.

On 22 March, Europe suffered another round of major terrorist attacks – barely half a year after the attacks in Paris. If what happened in Paris had seemed merely an isolated incident, sentiment after the Brussels attacks reflects that Europe will have to live with the possibility of further attacks. Terror attacks targeting civilians are becoming more frequent and affecting more places around the globe. The distribution of terrorist targets has actually shifted: since the beginning of the 21st century, there has been a nine-fold increase in the number of attacks on private citizens.

One of many concerns is the increasing prevalence of foreign fighters joining armed groups. Nearly 30,000 foreign individuals have travelled to Iraq and Syria, where 21% of all foreign fighters are from Europe. At the core of concerns are foreign fighters who have returned to their home countries in Europe. There are well over 1,200 returnees within the EU's borders and that poses a major threat in Europe. Over the past decades, almost all attacks in Europe have been planned and organised locally. On April 6, the European Commission proposed to establish an entry-exit system for the Schengen area. European countries are looking to introduce a new automated border control system that will log travellers' photos and fingerprints when they visit for business or leisure. The system is expected to come into effect by 2020, and data would be stored in a centralised system for five years. In this context the identification technology is expected to be immensely profitable – with governments introducing biometric identification programmes and corporations integrating increasingly high-tech, high-status security systems into their products.

A strong and active military force is vital in case of terror or natural disasters. Enhancing defence capabilities has historically been a priority for nations across the globe, even in times of peace. But defence spending in most European countries has suffered noticeable budget cuts over the past decade, as a result of the economic crisis and with Europe enjoying a regional peace dividend after the war on the Balkans in the 1990s. The trend now seems to be reversing, as European economies are on a recovery path and the threat of domestic terrorism is on the rise.

Companies in the defence industry like Boeing, BAE Systems and Rolls-Royce Holdings as well as companies offering biometrics technology and manufacturing capabilities like Honeywell International and Ingersoll-Rand PLC will benefit.
Sanja Tesic

Corporate Rating Summary:
Boeing (Hold, Price/Target: USD131.13/123),
BAE Systems (Hold, Price/Target: GBp509.5/510),
Rolls-Royce Holdings (Hold, Price/Target: 664.5/600)
Honeywell International (Buy, Price/Target: USD114.63/119)
Ingersoll-Rand PLC (Buy, Price/Target: USD63.77/62)

Affordable luxury: The rise of the premium consumer

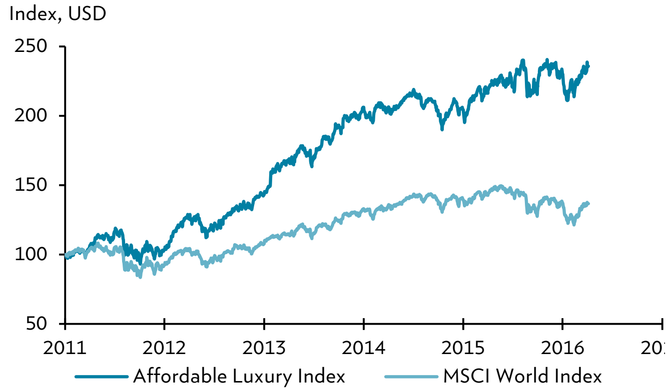
- The exponentially growing middle class, fuelled by lower oil prices, coupled with globalisation and technological changes, boost the consumption of premium goods and services.
- Both established and new companies with an appealing image should profit from these developments through even greater brand awareness and sales.

Consumption of premium goods and services has been and will be growing. This can be shown based on the clear positive correlation between disposable income and consumer expenditure. The two key drivers are; 1) the exponentially growing middle class whose consumption evolution will be a game changer and 2) the lower oil prices that further fuel this process. Households spend about 80% of the windfall originating from lower fuel prices on goods and services.

These drivers, coupled with globalisation and technological changes, which will amplify the changing consumer behaviour, will ultimately result in convergence thanks to greater awareness. The middle class will have more disposable income, will start trading up, requiring more and more branded products, and we will witness the rise of the premium consumer. Companies such as Starbucks, Estée Lauder, Comcast, H&M, Adidas, L'Oreal, Heineken, Pernod Ricard, Reckitt-Benckiser, British American Tobacco, and Lindt & Sprüngli would be prime examples of beneficiaries. Going forward, this affordable luxury sector will generate above-average growth in our view, which in times of growth scarcity, like now, should be a valuable feature for investors.

Bence Boldvai, Patrik Lang, CFA

Affordable luxury on the loose



Source: Datastream, Julius Baer

Corporate rating summary
Starbucks (Buy, Price/Target: USD60.51/66.00), Estée Lauder (Buy, Price/Target: USD94.95/96.00), Comcast (Buy, Price/Target: USD61.97/70.00), H&M (Buy, Price/Target: SEK295.1/310.00), Adidas (Buy, Price/Target: EUR104.35/110.00), L'Oreal (Buy, Price/Target: EUR158.65/195.00), Heineken (Buy, Price/Target: EUR81.44/83.00), Pernod Ricard (Buy, Price/Target: EUR100.05/105.00), Reckitt-Benckiser (Buy, Price/Target: GBp6'735/7'000), British American Tobacco (Buy, Price/Target: GBp4'232/4'400), Lindt & Sprüngli (Buy, Price/Target: CHF6'100/6'500)

NEXT GENERATION Idea initiation: January 2016

Shifting Lifestyles: Digital Health
Throughout the world, a significant and growing portion of GDP is spent on healthcare. Some of many drivers of this relentless growth in spending come from the mounting occurrence of chronic diseases and shift to ageing demographic triggering increased demand for healthcare. Digital health, though still in early stages of development, has the potential to wedge itself into a static system that has been averse to change potentially improving the quality of medical care while reducing costs. We see tangible growth potential in the fields of healthcare IT, remote patient monitoring, telehealth and genomics applications.
Fabiano Vallesi

NEXT GENERATION Idea initiation: August 2013

Digital Disruption: 3D printing (Sell)
3D printing technology has made big steps forward over the last years from facilitating prototype building to enabling direct manufacturing of parts. However, expectations for rapid and sustained growth coming from the increased penetration of 3D printing in manufacturing have not matched reality since 2014. A recent sign of growth stabilisation has led to a rebound in performance. Nevertheless, we do not recommend entering the 3D printing theme, but rather prefer to wait for growth to recover before reconsidering investments. In addition, there are signs of growing risks, especially in terms of the still immature technology and rising competition in the prototyping business. We favour the 3D printing software segment over hardware and materials.
Fabiano Vallesi

NEXT GENERATION Idea initiation: October 2015

Arising Asia: Healthy China
China is aiming to more than double its healthcare market taking it to USD 1.3 trillion by the turn of the decade. Rising wealth and an ageing population are driving the overhaul of the Chinese healthcare system, creating immense opportunity in the drug, hospital and medical technology space. In particular, backed by progressive reforms, the private sector in China is thriving. We suggest seeking out innovative companies with a strong pipeline and leading pharmaceutical distributors that are also retail pharmacies well positioned to benefit from a partially digitalised healthcare system going forward.
Amanda Kayne

NEXT GENERATION Idea initiation: August 2015

Arising Asia: Beauty & personal care
We believe that the emerging middle class and the ageing population are driving the worldwide cosmetics market, which is estimated to double by 2025. The Asian cosmetics sector looks set to expand 4.5% every year until 2019, over one-and-a-half times faster than the global market, outpacing Europe and North America. To illustrate the massive growth potential of this sector, annual cosmetics consumption per capita in China is USD 35 – a mere one-eighth of Japan's. We believe that fragrant suppliers and luxury cosmetic houses with exposure to Asia and in particular international brands acquiring local names should fare well.
Amanda Kayne

NEXT GENERATION Idea initiation: September 2015

Digital Disruption: Cybersecurity
Cybersecurity is one of the top global risks today, as our daily life is increasingly more connected and digitised. Unsurprisingly governments and corporations recognise the growing importance of data protection, as data breaches and cyberattacks are surging. We expect cybersecurity to continue to experience above-average growth on the back of factors such as: cloud penetration, increased connectivity (Internet of Things, smart cars etc.), regulation and growing complexity and impact of cyberattacks. We recommend a diversified approach to the theme.
Fabiano Vallesi

NEXT GENERATION Idea initiation: June 2015

Shifting Lifestyles: Health & Wellness
Obesity is a global problem with epidemic reach, as it now impacts countries at all economic levels, bringing with it a wave of enormous social and economic costs. Governments are slowly stepping up regulation and measures to increase prevention. At the same time, consumer awareness for the benefits of a healthy diet and more regular physical activity is growing. We believe that treatment and prevention are two key pillars to overcome the global obesity epidemic and we see many attractive investment opportunities arising along these two pillars. On the treatment side, we see winners in the pharma, healthcare and medical technology space; in prevention, healthy food and nutrition supplements as well as fitness-related providers will benefit.
Fabiano Vallesi

NEXT GENERATION Idea initiation: March 2015

Digital Disruption: Mobile payments

We believe the increased penetration of payment-enabled mobile devices such as smartphones and wearables along with a technology-savvy generation will be the basis for a mobile payments boom in the coming years. Due to technological developments, the payment industry has become a competitive space where non-financials are increasingly challenging incumbents. We recommend focusing on payment networks as well as leading technology enablers such as near-field communication chip suppliers, point-of-sale terminal manufacturers and selected security and data solution providers which will benefit from the growth.

Fabiano Vallesi

NEXT GENERATION Idea initiation: February 2015

Digital Disruption: Wearable technology

The wearable technology trend is here to stay and we see it as longer-term accretive drivers for silicon consumption, but only when applications support their utility. We note the new hype around virtual and augmented reality but actually see little incremental upside for this segment to support wearables this year – rather from next year onwards. Smart watches and fitness trackers remain the main drivers for the time being. We expect to see a continued rise of connectivity and sensors content in everyday objects, which will benefit leading-edge semiconductors in the long term, as well as device platform operators.

Fabiano Vallesi

IMPORTANT LEGAL INFORMATION

This publication has been produced by Bank Julius Baer & Co. Ltd., Zurich, which is authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA). This publication series is issued regularly. Information on financial instruments and issuers is updated irregularly or in response to important events.

IMPRINT

Authors

Christian Gattiker, Head of Research, christian.gattiker@juliusbaer.com 1)
Susan Joho, Economic Research, susan.joho@juliusbaer.com 1)
David Kohl, Head of Currency Research, david.kohl@juliusbaer.com 2)
David A. Meier, Economic Research, davidalexander.meier@juliusbaer.com 1)
Christoph Riniker, Head of Strategy Research, christoph.riniker@juliusbaer.com 1)
Amanda Kayne, Strategy Research & Next Generation, amanda.kayne@juliusbaer.com 1)
Heinz Rüttimann, Strategy Research, heinz.ruettimann@juliusbaer.com 1)
Fabiano Vallesi, Strategy Research & Next Generation, fabiano.vallesi@juliusbaer.com 1)
Roman Canziani, Fixed Income Research, roman.canziani@juliusbaer.com 1)
Alejandro Hardziej, Fixed Income Research, alejandro.hardziej@juliusbaer.com 1)
Patrik Lang, Head of Equity Research, patrik.lang@juliusbaer.com 1)
Bence Boldvai, Equity Research, bence.boldvai@juliusbaer.com 1)
Philipp Lienhardt, Equity Research, philipp.lienhardt@juliusbaer.com 1)
Terence McManus, Equity Research, terence.mcmanus@juliusbaer.com 1)
Britta Simon, Equity Research, britta.simon@juliusbaer.com 1)
Norbert Rücker, Head of Commodity Research, norbert.ruecker@juliusbaer.com 1)
Mensur Pocinci, Head of Technical Analysis, mensur.pocinci@juliusbaer.com 1)
Sanja Tesic, Cross Asset Analysis, sanja.tesic@juliusbaer.com 1)

1) This analyst is employed by Bank Julius Baer & Co. Ltd., Zurich, which is authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA).
2) This analyst is employed by Bank Julius Bär Europe AG, which is authorised and regulated by the German Federal Supervisory Authority (BaFin).

APPENDIX

Analyst certification

The analysts hereby certify that views about the companies discussed in this report accurately reflect their personal view about the companies and securities. They further certify that no part of their compensation was, is, or will be directly or indirectly linked to the specific recommendations or views in this report.

Please refer to the following link for more information on the research methodology used by Julius Baer analysts:
www.juliusbaer.com/research-methodology

References in this publication to Julius Baer include its subsidiaries and affiliates. For additional information on our structure, please refer to the following link:
www.juliusbaer.com/structure

Price information

Unless otherwise stated, the price information reflects the closing price of the previous trading day.

Disclosure

No specific disclosures

Equity research

Frequently used abbreviations

CAGR	Compound annual growth rate	EPS	Earnings per share	P/B	Price-to-book value
DCF	Discounted cash flow	EV	Enterprise value	P/E	Price-to-earnings ratio
EBIT	Earnings before interest and taxes	FCF	Free cash flow	PEG	P/E divided by year-on-year EPS growth
EBITDA	Earnings before interest, taxes, depreciation and amortisation	MV	Market value	ROE	Return on equity

Consensus rating	Consensus rating indicates the analysts' opinions on the security. It shows the number of analysts covering the security and the breakdown between Buy, Hold and Sell ratings.	Consensus target	The consensus target is the average price to which analysts expect the security to rise.	FY	Fiscal year

Equity rating allocation as of 18/04/2016

Buy	33.5%	Hold	63.7%	Reduce	2.8%

Proportion of equity ratings published during the last quarter (ending 31/03/2016)

Buy	35.7%	Hold	62.0%	Reduce	2.3%

To view a quarterly history of the proportion of equity ratings published, please refer to the following link:
www.juliusbaer.com/research-rating-history

Julius Baer does not provide investment banking services to the companies covered by Research.

Equity rating history as of 18/04/2016

Company	Rating	History
Adidas	Buy	Since 18/08/2015
	Buy (initiation of coverage)	Since 13/06/2014
Adobe Systems	Buy	Since 11/12/2015
	Buy (initiation of coverage)	Since 19/12/2012
Affiliated Managers Group	Buy	Since 29/07/2015
	Buy (initiation of coverage)	Since 24/04/2015
AIA Group	Buy	Since 19/03/2013
Akamai Technologies	Buy	Since 15/03/2016
	Hold	Since 29/07/2015
	Hold (initiation of coverage)	Since 23/02/2015
Alphabet Inc.	Buy	Since 18/10/2010
American Water Works	Buy	Since 26/02/2016
	Buy (initiation of coverage)	Since 21/12/2015
Anthem	Buy (initiation of coverage)	Since 12/04/2016
Assa Abloy	Buy	Since 17/07/2015
	Hold (initiation of coverage)	Since 30/06/2014
Associated British Foods	Buy	Since 04/11/2015
	Buy (initiation of coverage)	Since 19/09/2012
BAE Systems	Hold	Since 17/02/2012
Baidu	Buy	Since 29/07/2015
	Buy (initiation of coverage)	Since 13/12/2013
Beijing Enterprises Water	Buy	Since 05/11/2015
	Buy (initiation of coverage)	Since 06/04/2015
Boeing	Hold	Since 09/10/2008
British American Tobacco	Buy	Since 30/07/2015
	Buy (initiation of coverage)	Since 09/10/2014
Broadcom Limited	Buy	Since 27/08/2015
	Buy (initiation of coverage)	Since 26/06/2014
Celgene	Buy	Since 15/07/2015
	Buy (initiation of coverage)	Since 06/02/2012
China Everbright International	Buy	Since 01/03/2016
	Buy (initiation of coverage)	Since 31/03/2014
China Longyuan Power	Buy	Since 28/10/2015
	Hold (initiation of coverage)	Since 13/10/2015
China Mobile	Buy	Since 21/08/2015
	Hold	Since 15/08/2014
China Resources Gas	Buy	Since 19/04/2013
China State Construction International	Buy	Since 23/03/2016
	Buy (initiation of coverage)	Since 18/12/2015
CK Hutchison	Buy	Since 05/08/2014
Cognizant Technology Solutions	Buy	Since 05/11/2015
	Buy (initiation of coverage)	Since 23/06/2014
Comcast	Buy	Since 28/10/2015
	Buy (initiation of coverage)	Since 01/04/2015
Compass Group	Buy	Since 26/11/2015
	Buy (initiation of coverage)	Since 01/10/2015
Constellation Brands	Buy (initiation of coverage)	Since 14/04/2016

Ctrip.com	Buy	Since 06/08/2015
	Buy (initiation of coverage)	Since 15/12/2013
CVS Health Corporation	Buy	Since 18/02/2015
Danaher	Buy	Since 14/01/2014
Deutsche Telekom	Buy	Since 18/11/2014
Estée Lauder	Buy	Since 04/11/2015
	Buy (initiation of coverage)	Since 26/03/2015
Express Scripts Holding Company	Hold	Since 18/02/2016
	Hold (initiation of coverage)	Since 25/09/2015
Exxon Mobil	Buy	Since 04/05/2015
	Hold	Since 27/07/2012
Forbo	Buy	Since 19/08/2015
	Buy (initiation of coverage)	Since 20/04/2015
Fresenius Medical Care	Buy	Since 02/11/2015
	Buy (initiation of coverage)	Since 24/02/2006
Geberit	Buy	Since 14/01/2016
	Hold	Since 07/12/2010
Georg Fischer	Buy	Since 02/03/2016
	Buy (initiation of coverage)	Since 14/03/2005
Gilead Sciences	Buy	Since 29/07/2015
	Buy (initiation of coverage)	Since 02/12/2014
Givaudan	Buy	Since 10/10/2013
H&M	Buy	Since 27/09/2013
Heineken	Buy	Since 29/10/2015
	Buy (initiation of coverage)	Since 21/11/2014
Helvetia	Buy	Since 15/03/2016
	Buy (initiation of coverage)	Since 26/09/2007
Hengan International	Buy	Since 29/09/2015
	Buy (initiation of coverage)	Since 28/11/2012
Home Depot	Buy	Since 25/02/2010
Honeywell	Buy	Since 20/10/2014
Ingersoll-Rand	Buy	Since 10/02/2016
	Buy (initiation of coverage)	Since 25/09/2015
Kroger	Buy	Since 07/03/2016
	Buy (initiation of coverage)	Since 07/12/2015
Lindt & Sprüngli	Buy	Since 20/01/2015
L'Oreal	Buy	Since 15/02/2012
Mastercard	Buy	Since 30/10/2015
	Buy (initiation of coverage)	Since 04/05/2011
Medtronic	Buy	Since 08/09/2014
Munich Re	Buy	Since 19/11/2013
Nestlé	Buy	Since 20/08/2015
	Hold	Since 18/04/2013
Orange	Buy	Since 29/04/2015
	Hold	Since 07/03/2014
PepsiCo	Buy	Since 17/02/2016
	Buy (initiation of coverage)	Since 09/12/2014
Pernod Ricard	Buy	Since 28/04/2015
	Hold	Since 13/02/2015
Pfizer	Buy	Since 18/09/2008
Ping An Insurance-H	Buy	Since 07/09/2015
	Hold	Since 03/10/2013
PPG Industries	Buy	Since 16/10/2015
	Buy (initiation of coverage)	Since 28/04/2015
Reckitt-Benckiser	Buy	Since 11/12/2015
	Hold	Since 15/02/2011
Roche	Buy	Since 27/06/2013
Rolls-Royce Holdings plc	Hold	Since 05/08/2015
	Hold (initiation of coverage)	Since 25/05/2015
Royal Dutch Shell	Buy	Since 05/02/2013
SAP	Buy	Since 06/01/2006
Schneider Electric	Buy	Since 30/10/2015
	Hold	Since 24/05/2013
Shanghai Fosun Pharmaceuticals-H	Buy	Since 01/12/2015
	Buy (initiation of coverage)	Since 27/03/2014
Sherwin-Williams Company	Buy	Since 17/07/2015
	Hold (initiation of coverage)	Since 06/05/2015

Simon Property	Buy	Since 28/07/2015
	Buy (initiation of coverage)	Since 08/10/2012
Smurfit Kappa	Buy	Since 11/02/2016
	Buy (initiation of coverage)	Since 24/12/2015
Societe Generale	Buy	Since 19/12/2012
Sony Corporation	Buy	Since 04/08/2015
	Buy (initiation of coverage)	Since 17/12/2014
Stanley Black & Decker	Buy	Since 29/01/2016
	Buy (initiation of coverage)	Since 11/11/2015
Starbucks	Buy	Since 06/11/2012
Stockland	Buy (initiation of coverage)	Since 30/12/2015
SUEZ	Buy	Since 30/07/2015
	Buy (initiation of coverage)	Since 19/12/2014
Tencent Holdings	Buy	Since 27/09/2013
Toray Industries	Buy (initiation of coverage)	Since 22/01/2016
UBS	Buy	Since 05/02/2013
Unibail-Rodamco	Buy	Since 24/07/2015
	Buy (initiation of coverage)	Since 28/06/2010
United Technologies	Buy	Since 23/09/2009
Visa	Buy	Since 12/11/2015
	Buy (initiation of coverage)	Since 02/12/2014
Wells Fargo	Buy	Since 27/10/2010
WestRock	Buy	Since 01/02/2016
	Buy (initiation of coverage)	Since 16/12/2015
Zimmer Biomet	Buy	Since 29/01/2016
	Hold (initiation of coverage)	Since 30/12/2015

Rating system for global equity research (stock rating)

Buy	Expected to outperform the regional industry group by at least 5% in the coming 9-12 months, unless otherwise stated.
Hold	Expected to perform in line (±5%) with the regional industry group in the coming 9-12 months, unless otherwise stated.
Reduce	Expected to underperform the regional industry group by at least 5% in the coming 9-12 months, unless otherwise stated.

Risk rating system for global equity research

The risk rating (High/Medium/Low) is a measure of a stock's expected volatility and risk of losses in case of negative news flow. This non-quantitative rating is based on criteria such as historical volatility, industry, earnings risk, valuation and balance sheet strength.

MSCI ESG Rating

MSCI ESG Research provides in-depth research, ratings and analyses to support companies' and government's efforts in terms of environmental, social and corporate governance (ESG). **MSCI ESG Research Intangible Value Assessment (IVA) Rating** (MSCI ESG Rating) provides ratings of companies' investment risk and opportunities which are not generally detected by traditional research methods. There are three steps to the method: 1) identification of key issues for each sector 2) evaluation of risks and how they are handled within the company 3) drawing up ratings to qualify the ESG risks not identified. The MSCI ESG Rating is expressed on a seven-point scale and they range from CCC (worst) to AAA (best).

Strategy research

Countries, sectors and investment styles are rated "overweight", "neutral" or "underweight". These ratings are based on our expectations for relative performance versus regional and global benchmark indices.

Overweight	Expected to outperform regional or global benchmark indices in the coming 9-12 months, unless otherwise stated.
Neutral	Expected to perform in line with regional or global benchmark indices in the coming 9-12 months, unless otherwise stated.
Underweight	Expected to underperform regional or global benchmark indices in the coming 9-12 months, unless otherwise stated.

Equity investments are divided into three different risk segments. Risk here is defined as the historical five-year volatility based on monthly returns in CHF. Based on the data of all segments considered (developed markets, emerging markets, global sectors, investment styles) the following distinction is made:

Conservative	Investments whose historical volatility is in the bottom quartile of the universe described above.
Medium	Investments whose historical volatility is in the middle two quartiles of the universe described above.
Opportunistic	Investments whose historical volatility is in the top quartile of the universe described above.

Fixed income research

Frequently used abbreviations

FCF	Free cash flow	CFI	Cash flow from investing	EBIT	Earnings before interest and taxes
CFO	Cash flow from operation	FFO	Funds from operation	EBITDA	Earnings before interest, taxes, depreciation and amortisation

CFF	Cash flow from financing	RCF	Retained cash flow	EM	Emerging Markets

Proportion of issuer ratings published during the last quarter (ending 31/03/2016)

Buy	59.5%	Hold	39.2%	Sell	1.3%

To view a quarterly history of the proportion of issuer ratings published, please refer to the following link:
www.juliusbaer.com/research-rating-history

Julius Baer does not provide investment banking services to the companies covered by Research.

Issuer rating history as of 18/04/2016

Issuer	Rating	History
Peugeot	Buy	Since 10/03/2015
	Sell	Since 21/09/2012
BBVA	Buy	Since 23/01/2013
Deutsche Bank	Hold (initiation of coverage)	Since 17/04/2015
Brazil	Hold	Since 23/09/2014
Indonesia	Hold (initiation of coverage)	Since 30/07/2015
Mexico	Buy (initiation of coverage)	Since 04/06/2015
Russia	Hold	Since 25/01/2012

Rating system for fixed income research

Buy	Within its risk category, the issuer is highly recommended due to its financial and business condition (strong balance sheet, income statement, cash flow and good position in the industry). Debt instruments of the issuer are regarded as an attractive investment from a risk/return perspective.
Hold	Maintain position based on stable credit fundamentals and/or average expected return characteristics within peer group.
Sell	The rating is changed to Sell, depending on a significant deterioration in the fundamental data of the issuer in relation to the industry peers. The investment is no longer justified from a risk/return perspective for the relevant category.

Fixed income market segment ratings

Attractive	Segments that are expected to yield a return that is above the ten-year historical average.
Neutral	Segments that are expected to yield a return that is in line with the ten-year historical average.
Unattractive	Segments that are expected to yield a return that is below the ten-year historical average.

Risk categories for fixed income research

Conservative	Supranational issuers, top-rated sovereign issuers and bodies that are directly and fully guaranteed by these institutions. These issuers are most likely to preserve their top rating throughout the business cycle.
Quality	Sovereigns and corporate issuers that are very likely to service and repay debt within a five-year credit scenario. They are likely to preserve their investment-grade rating throughout a normal business cycle.
Opportunistic	Issuers that are quite likely to service and repay debt within the five-year credit scenario. Such issuers have an attractive risk/return profile in the current credit scenario but are subject to rating downgrade risk and, thus, might be exchanged periodically.
Speculative	Sub-investment-grade issuers in Europe and the USA as well as local issuers in emerging markets. Issuers are likely to service and repay debt in the current credit scenario. Investors must note that these issuers are subject to a higher downgrade and default frequency and that an active management of these positions is crucial.

Credit rating definition

Credit ratings used in our publications follow the definitions and systematic of Moody's (www.moodys.com).

	Moody's	Standard & Poor's	Fitch/IBCA	Credit rating definition
Investment-grade	Aaa	AAA	AAA	Obligations rated Aaa are judged to be of the highest quality, with minimal credit risk.
	Aa1 Aa2 Aa3	AA+ AA AA-	AA AA-	Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.
	A1 A2 A3	A+ A A-	A+ A A-	Obligations rated A are considered upper-medium grade and are subject to low credit risk.
	Baa1 Baa2 Baa3	BBB+ BBB BBB-	BBB+ BBB BBB-	Obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics.
Non-	Ba1 Ba2 Ba3	BB+ BB BB-	BB+ BB BB-	Obligations rated Ba are judged to have speculative elements and are subject to substantial credit risk.
	B1 B2 B3	B+ B B-	B+ B B-	Obligations rated B are considered speculative and are subject to high credit risk.

investment-grade	Caa1 Caa2 Caa3	CCC+ CCC CCC-	CCC+ CCC CCC-	Obligations rated Caa are judged to be of poor standing and are subject to very high credit risk.
	Ca	CC C	CC+ CC CC-	Obligations rated Ca are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
	C	D	DDD	Obligations rated C are the lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest.

Technical analysis

The information and opinions expressed were produced by Julius Baer Technical Analysis as of date of writing and are subject to change without notice. Julius Baer conducts primary technical analysis aimed at creating value through investment recommendations. Technical Analysis uses historic market prices in order to assess market conditions. The historic data is analysed by chart reading i.e. by following chart patterns and interpreting indicators calculated from historic price movements. **Technical Analysis may be inconsistent with and reach different conclusions to fundamental analysis**. **It may vary at any time** due to the different tools used to assess market conditions and recommendations. Besides individual investment recommendations, Technical Analysis also publishes technical indicator readings, which are mechanically calculated and only provide additional information to large sets of data, and are not intended as investment recommendations. These tables show current trends on an absolute price or relative basis using up, flat and downward pointing arrows. At the same time, support and resistance levels might be displayed which are calculated using Bollinger Bands.

Frequently used abbreviations

C	Closing price	H	High price	L	Low price
ST	Short-term (2-8 weeks)	MT	Medium-term (8-26 weeks)	LT	Long-term (> 26 weeks)
MAV	Moving average				
Bollinger-band	The middle Bollinger band is a 20 day simple moving average, the higher and lower bands are calculated as a 20-day simple moving average plus or minus two standard deviations on a 20-day period.				
Momentum	Momentum is derived from different rate of change calculations based on the underlying instrument.				
RSI	Relative strength index is a leading momentum indicator of prices, showing the strength of a stock by monitoring changes in closing prices in a 9-day period.				

Rating system for global technical analysis (absolute)

Buy	Expected to advance by at least 10% in the coming 3-12 months, unless otherwise stated.
Hold	Expected to perform in line (±5%) in the coming 3-12 months, unless otherwise stated.
Reduce	Expected to decline by at least 10% in the coming 3-12 months, unless otherwise stated.

Rating system for global technical analysis (relative)

Overweight	Expected to outperform its benchmark by at least 5% in the coming 3-12 months, unless otherwise stated.
Neutral	Expected to perform in line (±5%) against its benchmark in the coming 3-12 months, unless otherwise stated.
Underweight	Expected to underperform its benchmark by at least 5% in the coming 3-12 months, unless otherwise stated.

For the history of Technical Analysis equity recommendations over the previous 12 months please view the document at:
http://www.juliusbaer.com/tech-analysis-recom-history

DISCLAIMER

General: The information and opinions expressed in this publication were produced as of the date of writing and are subject to change without notice. This publication is intended for information purposes only and does not constitute an offer or an invitation by, or on behalf of, Julius Baer to buy or sell any securities or related financial instruments or to participate in any particular trading strategy in any jurisdiction. Opinions and comments of the authors reflect their current views, but not necessarily of other Julius Baer entities or any other third party. Other Julius Baer entities may have issued, and may in the future issue, other publications that are inconsistent with, and reach different conclusions from, the information presented in this publication. Julius Baer assumes no obligation to ensure that such other publications are brought to the attention of any recipient of this publication.
Suitability: Investments in the asset classes mentioned in this publication may not be suitable for all recipients. This publication has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Before entering into any transaction, investors should consider the suitability of the transaction to individual circumstances and objectives. Any investment or trading or other decision should only be made by the client after a thorough reading of the relevant product term sheet, subscription agreement, information memorandum, prospectus or other offering document relating to the issue of the securities or other financial instruments. This publication should not be read in isolation without reference to the full research report (if available) which may be provided upon request. Nothing in this publication constitutes investment, legal, accounting or tax advice, or a representation that any investment or strategy is suitable or appropriate to individual circumstances, or otherwise constitutes a personal recommendation to any specific investor. Any references to a particular tax treatment depend on the individual circumstances of each investor and may be subject to change in the future. Julius Baer recommends that investors independently assess, with a professional advisor, the specific financial risks as well as legal, regulatory, credit, tax and accounting consequences.

Information / forecasts referred to: Although the information and data herein are obtained from sources believed to be reliable, no representation is made that the information is accurate or complete. In particular, the information provided in this publication may not cover all material information on the financial instruments or issuers of such instruments. Bank Julius Baer & Co. Ltd., its subsidiaries and affiliated companies do not accept liability for any loss arising from the use of this publication. Important sources for the production of this publication are e.g. national and international media, information services (e.g. Thomson Reuters, Bloomberg Finance L.P.), publicly available databases, economic journals and newspapers (e.g. Financial Times, Wall Street Journal), publicly available company information, publications of rating agencies. Ratings and appraisals contained in this publication are clearly marked as such. All information and data used for this publication relate to past or present circumstances and may change at any time without prior notice. Statements contained in this publication regarding financial instruments or issuers of financial instruments relate to the time of the production of this publication. Such statements are based on a multitude of factors which are subject to continuous change. A statement contained in this publication may, thus, become inaccurate without this being published. Potential risk regarding statements and expectations expressed in this publication may result from issuer specific and general (e.g. political, economic, market, etc.) developments.
Risk: The price and value of, and income from investments in any asset class mentioned in this publication may fall as well as rise and investors may not get back the amount invested. Risks involved in any asset class mentioned in this publication may include but are not necessarily limited to market risks, credit risks, currency risks, political risks and economic risks. Investments in emerging markets are speculative and may be considerably more volatile than investments in established markets. **Past performance is not a reliable indicator of future results. Performance forecasts are not a reliable indicator of future performance. The Julius Baer fixed-income ratings apply exclusively to bonds of the specific issuer ranked senior unsecured or higher. They are therefore not valid for debentures junior to the mentioned ranking unless mentioned explicitly.** Particular risks in connection with specific investments featured in this publication are disclosed prominently hereinabove in the text of this publication. Any investment should only be made after a thorough reading of the current prospectuses and/or other documentation/information available.
Miscellaneous: We are required to disclose important information about our interests and potential conflicts. In order to prevent conflicts of interest from adversely affecting the interests of its clients, Julius Baer has implemented the necessary organisational and administrative arrangements to manage conflicts of interests. Julius Baer's arrangements include putting in place information barriers that ensure the separation of its research departments from other areas of the business so that no other area of the business will know the contents of any planned research until the research has been distributed to clients. Adherence to these procedures is monitored by the Julius Baer Compliance Department. Unless explicitly stated in this publication, its information and analysis has not been disclosed to the issuer of the securities referred to herein or a Julius Baer entity before the publication has been published or disseminated.
A Julius Baer entity may, to the extent permitted by law, participate or invest in other financing transactions with the issuer of the securities referred to herein, perform services or solicit business from such issuers, have a position or effect transactions in the securities or options thereof, have any other significant financial interest regarding the issuers of the securities referred to herein and/or may have done so in the past. For further information about our interest in the investments featured in this publication, see the company-specific disclosures above.

Important distribution information

This publication may only be distributed in countries where its distribution is legally permitted. This information is not directed to any person in any jurisdiction where (by reason of that person's nationality, residence or otherwise) such publications are prohibited.

External Asset Managers/External Financial Advisors: In case this research publication is provided to an External Asset Manager or an External Financial Advisor, Julius Baer expressly prohibits that it is redistributed by the External Asset Manager or the External Financial Advisor and is made available to their clients and/or third parties. By receiving any research publication the External Asset Managers or the External Financial Advisors confirm that they will make their own independent analysis and investment decisions.

Austria: Julius Baer Investment Advisory GesmbH, authorised and regulated by the Austrian Financial Market Authority (FMA), distributes research to its clients.
Chile: This publication is for the intended recipient only.
Dubai International Financial Centre: This publication has been distributed by Julius Baer (Middle East) Ltd. It may not be relied upon by or distributed to Retail Clients. Please note that Julius Baer (Middle East) Ltd. offers financial products or services only to Professional Clients who have sufficient financial experience and understanding of financial markets, products or transactions and any associated risks. The products or services mentioned will be available only to Professional Clients in line with the definition of the DFSA Conduct of Business Module. Julius Baer (Middle East) Ltd. is duly licensed and regulated by Dubai Financial Services Authority (DFSA).
Germany: Bank Julius Bär Europe AG, authorised and regulated by the German Federal Financial Supervisory Authority (BaFin), disseminates research to its clients.
Guernsey: This publication is distributed by Bank Julius Baer & Co Ltd., Guernsey Branch, which is licensed in Guernsey to provide banking and investment services and is regulated by the Guernsey Financial Services Commission.
Hong Kong: This publication is distributed in Hong Kong by and on behalf of, and is attributable to, Bank Julius Baer & Co. Ltd., Hong Kong branch, which holds a full banking licence issued by the Hong Kong Monetary Authority under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong SAR). The Bank is also a registered institution under the Securities and Futures Ordinance (SFO) (Chapter 571 of the Laws of Hong Kong SAR) to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities with Central Entity number AUR302. This document must not be issued, circulated or distributed in Hong Kong other than to 'professional investors' as defined in the SFO. The contents of this publication have not been reviewed by any regulatory authority. If you have any queries concerning this publication, please contact your Hong Kong relationship manager. Bank Julius Baer & Co. Ltd. is incorporated in Switzerland with limited liability.
India: This publication has been produced by Bank Julius Baer & Co. Ltd. (Julius Baer), a company incorporated in Switzerland with limited liability. Please note that Julius Baer does not have a banking licence with the Reserve Bank of India. This publication is for the intended recipients only. Julius Baer Wealth advisors (India) Private Ltd., a group company of Julius Baer, is a registered stock broker, investment advisor and a depository participant registered with Securities and Exchange Board of India. The content of this publication has not been reviewed by any regulatory authority in India and there is no intention to file it with any regulatory authority in India. This publication does not constitute a prospectus or communications for the purposes of the Companies Act, 2013 and the relevant regulations framed by Securities and Exchange Board of India.
Ireland: Julius Baer International Limited – Ireland Branch is authorised by the Financial Conduct Authority in the UK and regulated by the Central Bank of Ireland for conduct of business rules and disseminates research to its clients.

Israel: This publication is distributed by Julius Baer Financial Services (Israel) Ltd. (JBFS), licensed by the Israel Securities Authority to provide investment marketing and portfolio management services. Pursuant to Israeli law, "Investment Marketing" is the provision of advice to clients concerning the merit of an investment, holding, purchase or sale of securities or financial instruments, when the provider of such advice has an affiliation to the security or financial instrument. Due to its affiliation to Bank Julius Baer & Co. Ltd., JBFS is considered to be affiliated to certain securities and financial instruments that may be connected to the services JBFS provides, and therefore any use of the term "investment advice" or any variation thereof, in this publication should be understood as Investment Marketing, as explained above.
A Julius Baer entity, including JBFS, may have an affiliation with certain financial instruments and/or other financial products. It should be noted that with respect to these financial instruments or products, a Julius Baer entity and/or JBFS may receive a financial or other benefit as a result of the client's investment, and JBFS may give preference to these financial instruments or products in connection with the services it provides its clients. For further information about our interest in the investments featured in this publication, please contact your relationship manager.
Kingdom of Bahrain: Julius Baer (Bahrain) B.S.C.(c), an investment business firm, which is licensed and regulated by the Central Bank of Bahrain (CBB), distributes this publication to its expert and accredited investor clients. Please note that Julius Baer (Bahrain) B.S.C.(c) offers financial products or services only to expert and accredited investor clients in line with the definition of the CBB's rulebook that contains regulations, directives and rules pursuant to the CBB rulemaking powers under the CBB law. This publication may not be relied upon by or distributed to retail clients. The CBB does not take any responsibility for the accuracy of the statements and information contained in this publication nor shall it have any liability to any person for any damage or loss resulting from reliance on any statement or information contained herein.
Lebanon: This publication has been distributed by Julius Baer (Lebanon) S.A.L., which is a duly licensed financial intermediation institution, supervised by the Lebanon Capital Markets Authority (CMA). It has not been approved or licensed by the Lebanon CMA or any other relevant authority in Lebanon. It is strictly private and confidential and is being issued to a limited number of individual and institutional investors upon their request and must not be provided to, or relied upon, by any other person. The information contained herein is as of the date referenced and Julius Baer (Lebanon) S.A.L. shall not be liable to periodically update said information. The quotes and values provided herein are for indicative purpose only and shall in no way refer to tradable levels.
Luxembourg: Julius Baer Investment Services S.à r.l., authorised and regulated by the Commission de Surveillance du Secteur Financier (CSSF), disseminates research to its clients. This publication has not been authorised or reviewed by the CSSF and it is not intended to file it with the CSSF.
Monaco: Bank Julius Baer (Monaco) S.A.M., an institution approved by the Minister of State for Monaco and the Bank of France, distributes this publication to its clients. Julius Baer Wealth Management (Monaco) S.A.M., an asset management company authorised in Monaco, is distributing to its clients this publication.
Netherlands: Julius Baer (Netherlands) B.V., authorised and regulated by the Netherlands Authority for the Financial Markets (AFM) and authorised to (i) receive and transfer orders from clients; and (ii) provide investment advice, disseminates this publication to its clients. Bank Julius Bär Europe AG is authorised and regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) and authorised to provide banking and certain investment services in the Netherlands on a passported basis. This publication has been produced by Bank Julius Baer & Co., which is not authorised to provide regulated services in the Netherlands. Requirements regarding (i) the independence of investment research and (ii) the prohibition of trading prior to the announcement of financial analysis are not applicable.
Panama: The relevant services and/or products mentioned in this publication shall only be provided in Panama by a Julius Baer entity authorised to provide such services/products in Panama. This publication is for the intended recipient only. Financial instruments mentioned in this publication are neither registered with nor under the supervision of the Superintendence of the Securities Market (formerly the National Securities Commission). The exemption from registration is based on Article 129 of Decree Law 1 of 8 July 1999 as amended and organised into a single text by Title II of Law 67 of 2011 (the "Securities Law"). In consequence, the tax treatment established in Articles 334 to 336 of the Securities Law does not apply to them.
Singapore: This publication is available from Bank Julius Baer & Co. Ltd., Singapore branch, for accredited investors only. As Bank Julius Baer & Co. Ltd., Singapore branch, has a Unit exemption under Section 100(2) of the Financial Advisers Act, Cap. 110 of Singapore (the FAA), it is exempted from many of the requirements of the FAA, amongst others, the requirement to disclose any interest in, or any interest in the acquisition or disposal of, any securities or financial instruments that may be referred to in this publication. Further details of these exemptions are available on request. This publication has not been reviewed by and is not endorsed by the Monetary Authority of Singapore (MAS). Any document or material relating to the offer or sale, or invitation for subscription or purchase, of securities or investment funds (i.e. collective investment schemes) may not be circulated or distributed, nor may such securities or investment funds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 or 304 respectively of the Securities and Futures Act, Cap. 289 of Singapore (the SFA), (ii) to a relevant person (which includes an accredited investor), or any person pursuant to Section 275(1A) or 305(2) respectively, and in accordance with the conditions, specified in Section 275 or 305 respectively of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. In particular, for investment funds that are not authorised or recognised by the MAS, units in such funds are not allowed to be offered to the retail public; any written material issued to persons as aforementioned in connection with an offer is not a prospectus as defined in the SFA and, accordingly, statutory liability under the SFA in relation to the content of prospectuses does not apply, and investors should consider carefully whether the investment is suitable for them. Please contact a representative of Bank Julius Baer & Co. Ltd., Singapore branch, with respect to any inquiries concerning this publication. Bank Julius Baer & Co. Ltd. is incorporated in Switzerland.
Spain: Julius Baer Agencia de Valores, S.A.U. and Julius Baer Gestión S.G.I.I.C, S.A., both authorised and regulated by the Comisión Nacional del Mercado de Valores (CNMV), disseminate research to their clients.
Switzerland: This publication is distributed by Bank Julius Baer & Co. Ltd., Zurich, authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA).
The Bahamas: This publication has been distributed by Julius Baer Bank & Trust (Bahamas) Ltd., an entity licensed by the Central Bank of The Bahamas and also regulated by the Securities Commission of The Bahamas. This publication does not constitute a prospectus or a communication for the purposes of the Securities Industry Act, 2011 or the Securities Industry Regulations, 2012. In addition, it is only intended for persons who are designated or who are deemed "non-resident" for the purposes of Bahamian Exchange Control Regulations and rules.
United Arab Emirates: This publication has not been approved or licensed by the UAE Central Bank, the UAE Securities and Commodities Authority or any other relevant authority in the UAE. It is strictly private and confidential and is being issued to a limited number of sophisticated individual and institutional investors upon their request and must not be provided to, or relied upon, by any other person.
United Kingdom: This publication is a financial promotion for the purposes of Section 21 of the Financial Services and Markets Act 2000 (FSMA) and has been approved for distribution in the United Kingdom by Julius Baer International Limited, which is authorised and regulated by the Financial Conduct Authority (FCA). Rules made by the FCA under the FSMA for the protection of retail clients do not apply to services provided by members of the Julius Baer Group outside the UK and the Financial Services Compensation Scheme will not apply.

Uruguay: In the case this publication is construed as an offer, recommendation or solicitation for the sale or purchase of any securities or other financial instruments, the same are being placed relying on a private placement exemption ("oferta privada") pursuant to Section 2 of Law No°18,627 and are not and will not be registered with the Financial Services Superintendence of the Central Bank of Uruguay to be publicly offered in Uruguay. In the case of any closed-ended or private equity funds, the relevant securities are not investment funds regulated by Uruguayan Law No.°16,774 dated September 27, 1996, as amended. If you are located in Uruguay, you confirm that you fully understand the language in which this publication and all documents referred to herein are drafted and you have no need for any document whatsoever to be provided in Spanish or any other language.

United States: NEITHER THIS PUBLICATION NOR ANY COPY THEREOF MAY BE SENT, TAKEN INTO OR DISTRIBUTED IN THE UNITED STATES OR TO ANY US PERSON.

This publication may contain information obtained from third parties, including ratings from rating agencies such as Standard & Poor's, Moody's, Fitch and other similar rating agencies, and research from research providers such as MSCI ESG Research (MSCI ESG Research is produced by Institutional Shareholder Services, Inc. ("ISS") or its subsidiaries. Issuers mentioned or included in any MSCI ESG Research materials may be a client of or affiliated with a client of MSCI Inc. ("MSCI"), ISS, or another MSCI subsidiary, including ISS Corporate Services, Inc., which provides tools and services to issuers). Reproduction and distribution of third-party content in any form is prohibited except with the prior written permission of the related third party. Third-party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings or research, and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. Third-party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Third-party content providers shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including lost income or profits and opportunity costs) in connection with any use of their content, including ratings or research. Credit and/or research ratings are statements of opinions and are not statements of fact or recommendations to purchase, hold or sell securities. They do not address the market value of securities or the suitability of securities for investment purposes and should not be relied on as investment advice.