Deutsche Bank
Markets Research

Europe

Periodical
European Equity Strategy

Date
15 December 2014

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Outlook 2015: Opportunity in an overly defensive market

Staying positive on European equities: Target 365 for the Stoxx600 by end '15

Although we've seen the multiple re-rate to above-average levels, we continue to see this as justified on the back of low risk-free rates. We keep our 14.3x 12m fwd target for next year, basically in line with current levels.

EPS growth of 8% and 9% in 2015E-16E will drive the return. We expect this outcome based on modest (c10bps) acceleration in global GDP growth in each year from the current run-rate of 3.5% (seen since 1Q13). We also see FX contributing to EPS growth (c3ppts) after being a drag in 2013/14E.

Don't get down on domestic

Low but slightly better than trend (1%) Euro area GDP growth will likely remain with us, but within this, the strength of the domestic growth picture should not be ignored. Consumption growth has been better than expected this year, was back to the 2010 peak in Q3, and should accelerate further in 2015.

Investment growth suddenly slowed in 2014 as sanction fears increased, but this has now eased and there are early signs of a recovery in investment-related indicators. We see private demand growth of c1.5%, similar to 2010.

Behind this is a significant and underappreciated support in the form of negative but rising credit growth – a positive credit impulse. We continue to see a positive credit impulse next year on back of the consistent improvement in credit growth seen already this year, strong lending surveys and a reduced regulatory headwind.

Time will tell if the ECB can improve the credit picture further. In addition to this in 2015, a lower oil price should support domestic growth – boosting disposable income but also furthering the QE debate by pushing inflation down – and the fiscal picture is no longer a drag on growth, unlike 2011-13.

How to position in 2015: Tilted towards cyclical exposure (and 'value')

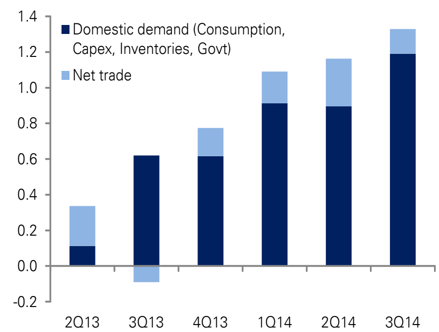
Based on this top-down view, we see strong reason to maintain an o/w-cyclical and u/w-defensive sector stance. The rotation into defensives seen this year has moved to extreme levels relative to the softening in Euro area PMIs, suggesting a pricing of much deeper concerns around growth. We think this is unwarranted (middle right chart).

In light of public QE, which our economists expect at the end of 1Q15, we expect investors to rotate away from over-valued defensives towards a more cyclical, credit-linked oriented sector stance. Sectors that we overweight into 2015 that should benefit from this include Autos & Parts, Banks and Insurance.

Post a potential announcement of public QE by the ECB, we think keeping track of domestic cyclicals (in particular Construction, Consumer and selected Industrial sub-sectors with a high revenue exposure to Europe) should be preferred in light of strengthening domestic demand in the Euro area.

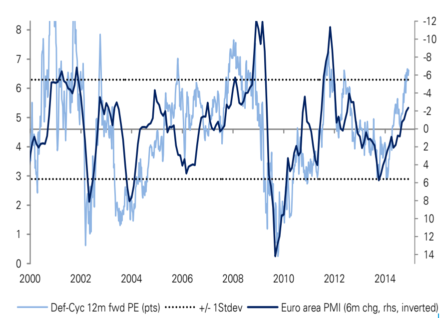
We also remain pro-'value'. Market expectations seem to have decoupled from underlying fundamentals for many 'growth' stocks and they look unattractive from a risk-reward perspective, we think. Against the backdrop of a European (domestic) recovery gaining pace, 'value' should outperform 'growth' again.

Contributions to rise in Euro area GDP since the 1Q-2013 trough (ppts)



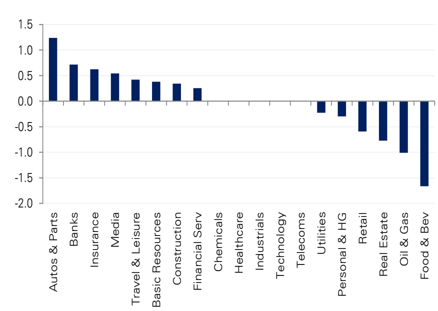
Source: National accounts, EC, Deutsche Bank

Market concern over PMI deterioration is overdone



Source: IBES, DataStream, Deutsche Bank

European sector stance (pp delta from benchmark, Stoxx600)



Source: Deutsche Bank

Equity strategy snapshot

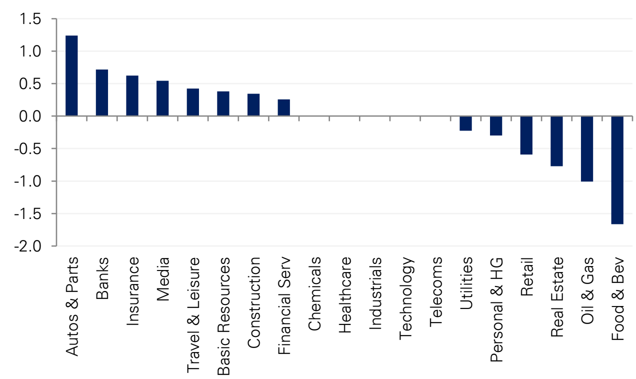
Figure 1: DB Index targets (and IBES cons forecasts)

Index	Price 11/12	EPS (ipts.) 15E	EPS (ipts.) 16E	Growth (YoY,%) 15E	Growth (YoY,%) 16E	P/E ratio (x) 15E	P/E ratio (x) 16E	Div. yield (%) 15E	Div. yield (%) 16E
MSCI AC World	414	29	32	10	11	14.3	12.8	2.7	2.9
MSCI World	416	28	31	10	11	14.9	13.4	2.6	2.9
MSCI EM	946	92	103	11	11	10.3	9.2	3.3	3.7
Stoxx 600	339	25	27	12	11	13.8	12.4	3.7	4.1
S&P 500	2,035	128	143	10	12	15.9	14.2	2.1	2.2
TOPIX	1,397	100	109	13	9	13.9	12.8	2.0	2.1

Index	2015e	u/s (%)
Stoxx 600	365	7.6
Dax 30	11,000	11.5
FTSE 100	6,800	5.2

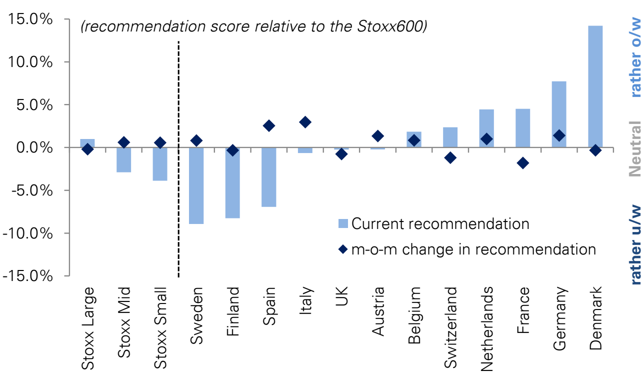
Source: IBES, DataStream, Deutsche Bank

Figure 2: European sector stance (pp Δ from benchmark)



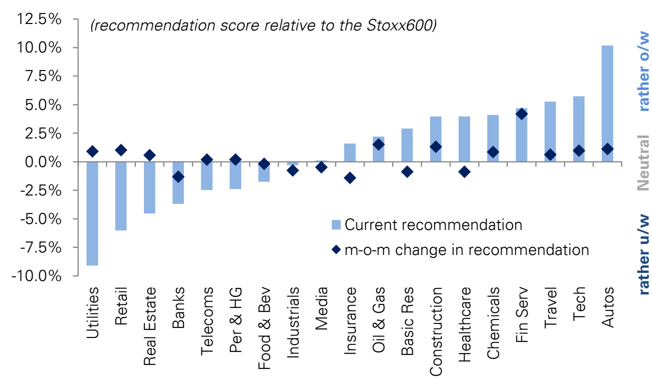
Source: DataStream, Deutsche Bank

Figure 3: Current consensus recommendation (countries)



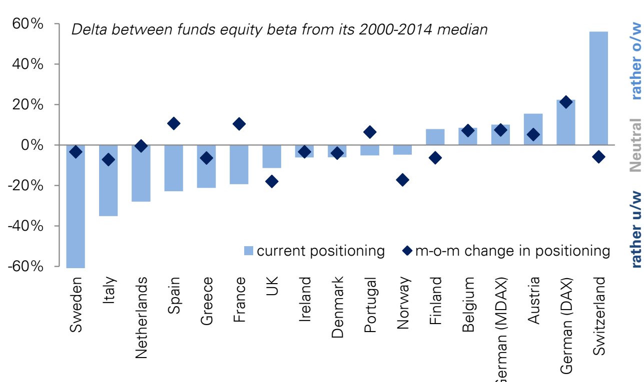
Note: Consensus Recommendation between 1-1.5 is Strong Buy,1.5-2.5 is Buy,2.5-3.5 is Hold,3.5 to 4.5 is underperform and above 4.5 is Sell. Bottom-up aggregates are based on market cap-weights.
Source: IBES, DataStream, Deutsche Bank

Figure 4: Current consensus recommendation (sectors)



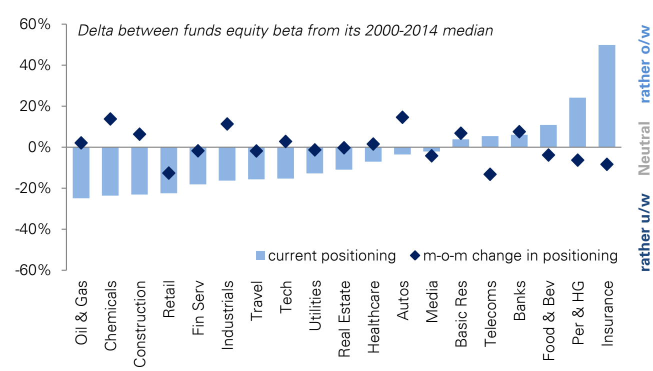
Note: Consensus Recommendation between 1-1.5 is Strong Buy,1.5-2.5 is Buy,2.5-3.5 is Hold,3.5 to 4.5 is underperform and above 4.5 is Sell. Bottom-up aggregates are based on market cap-weights.
Source: IBES, DataStream, Deutsche Bank

Figure 5: Current investor positioning (countries)



Note: Current positioning level: 60-days correlation coefficient of 1) country benchmark excess returns (vs. the Stoxx600) and 2) European funds' excess returns (vs. the Stoxx600).
Source: Bloomberg Finance LP, DataStream, Deutsche Bank

Figure 6: Current investor positioning (sectors)



Note: Current positioning level: 60-days correlation coefficient of 1) sector benchmark excess returns (vs. the Stoxx600) and 2) European funds' excess returns (vs. the Stoxx600).
Source: Bloomberg Finance LP, DataStream, Deutsche Bank

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Executive summary

Equity outlook 2015: Recovery, interrupted

Euro area GDP growth issues this year have been external rather than domestic

Firstly, global GDP growth has been revised lower, which has weighed on prospects for export growth. Secondly, a geopolitical shock with an overhanging threat of sanctions has weighed on business sentiment and investment growth.

The largest component of GDP – consumption - which is the most domestic and least sensitive to the external environment has seen an acceleration in growth that has consistently beaten expectations with the result that forecasts have been revised up.

In our view, this does not fit with concerns that the growth outlook has dimmed this year as a result of the commonly cited concerns of high unemployment, high debt levels, low wage growth, institutional rigidities that hinder monetary and fiscal policy and a slow pace of structural reform.

Sure, the level of growth in the Euro area would likely be higher if these things were in place, but these issues were around at the start of 2013 too, and do little to explain the cyclical recovery in growth momentum going into 2014 (hence why they were largely ignored from discussions during this period). Equally, they do not explain the deterioration in growth momentum this year.

Underpinning domestic spending growth is the significant and overlooked support from credit growth that is negative but rising - a positive credit impulse. As long as this support from a positive credit impulse remains, we will have confidence that Euro area growth is not about to collapse (as was the growing fear this year, particularly by the middle of October thanks to a batch of acutely weak German IP and trade data).

Domestic spending growth outlook has strengthened

On the credit side, we have evidence of a rising trend in credit growth for the last 8 months now, strong lending surveys, a regulatory headwind that is past the worst, and we have also yet to get the first signs of whether the existing ECB actions can help to accelerate credit growth. On the fiscal side, the sizeable headwinds from fiscal tightening - cutting spending, raising taxes or some combination of both - seen in 2011-13 have moved to neutral.

We should also see some benefit from lower oil prices. Firstly through a boost to consumption through higher real disposable incomes, but we should also not ignore the fact that the fall in the oil price is weighing on headline inflation and inflation expectations, which is pushing the ECB into further action (public QE is expected by the end of 1Q15). In our view, this policy push has already driven a significant wedge between the oil price and inflation expectations (Figure 40).

Meanwhile, the intensity of the sanction uncertainty that has dampened investment growth this year has abated in our view, and there are early signs of a recovery in some investment-related indicators. We would expect investment growth to be strong in a positive credit impulse environment – as we were seeing up until Q2 this year - since the measure includes credit to businesses. However, this does require close monitoring since the issue is technically unresolved.

GDP growth just above trend of 1% in 2015, with domestic growth outperforming

With stronger domestic demand growth comes higher imports. Although we see global growth that marginally above trend in 2015 (3.6%), in our view this isn't enough to deliver export growth high enough to deliver a positive contribution from net trade to GDP growth next year, even accounting for some (small) benefit from a weaker Euro.

Adding it all up, we do not expect upside from current consensus forecasts of 1.2% GDP growth for the Euro area next year. Upside risks are that global growth is better than we are expecting (perhaps due to a boost from the oil price), or if we are underestimating the impact from a weaker Euro on export growth.

Key downside risks are a worsening in credit conditions, a weakening in global growth expectations, absolutely no feed-through from a weaker Euro into better export growth, a flare-up in the Russia / Ukraine geopolitical crisis and re-entry into a sanctions spiral, a worse than expected impact of low inflation / deflation on growth, and finally, political risks associated with rising popularity of nationalist / populist parties in most large European countries.

Modest global growth acceleration, FX benefit and <1PE pt re-rating drives 9.5% upside

Our new 2015 year-end target of 365 for the Stoxx 600 is based on 8%/9% EPS growth for 2015E/16E and a target 12m fwd PE of 14.3x, We expect this outcome based on modest (c10bps) acceleration in global GDP growth in each year from the current run-rate of 3.5% (seen since 1Q13). We also see FX contributing to EPS growth (c3ppts) after being a drag in 2013/14E. This implies 9.5% upside for SXXP from current levels in price return, and around 13% total shareholder return assuming a 3.5% dividend yield.

Counties - overweight IBEX / DAX, neutral FTSE MIB / CAC 40, underweight UK

Spain and Italy are strong positive credit impulse cases. We prefer Spain and wait to see evidence of a turn in inventories in Italy. We are also overweight the DAX based on the global growth outlook and a strong fit with our cyclical sector preferences. We are underweight the UK on the basis of the Mortgage Market Review leading to a sharp reversal in mortgage approvals. This will feed into net mortgage lending and likely push the credit impulse into negative territory in 1H15 (Figure 80, Figure 83). We see a recovery later on in 2015 but for now prefer to be underweight the FTSE 250 and also the FTSE100 (commodities headwind).

How to position in 2015: Tilted towards cyclicals (and 'value')

Extensive defensives

Based on this top-down view, we see strong reasons to maintain an overweight-cyclicals, underweight-defensives stance, which has been painful to have this year. We believe that the rotation into defensives seen this year has now moved to extreme levels relative to the softening in Euro area growth, and is suggesting a pricing of much deeper concerns around growth that is unwarranted, in our view. If our top-down outlook is correct, we see big performance potential from going long cyclicals and short defensives.

How to position in early 2015: Prefer credit-linked cyclical sectors in light of a public QE

The main elements that matter to our sector view in European equities going into 2015 are public QE first of all, which our economists expect for end 1Q15. We think key beneficiaries from this could be those closely linked to the credit cycle (Autos & Parts, Banks, Financial Services), followed by other cyclical peers (for example Construction, Industrials, Travel & Leisure, Basic Resources, Chemicals, Media).

Shifting focus to (consumer, capex-oriented) domestic cyclicals going from 1H > 2H15

Post a potential announcement of public QE by the ECB in 1Q15, we think keeping track of domestic cyclicals (in particular Construction, Consumer and selected Industrial sub-sectors with a high revenue exposure to Europe) should be preferred in light of strengthening domestic demand in the Euro area.[1]

The hope is that public QE leads the Euro lower, helping export growth to strengthen, which, in turn, should spur economic activity and put upward pressure on inflation. If successful, 'capex receivers' should be on people's lists.

Considering sustained lower oil prices until year-end 2015

However, given weakness in oil prices, we recommend avoiding energy capex-related stocks. Nevertheless, lower oil prices should be a strong support for many others.

Sectors that should benefit from lower oil prices include Autos & Parts, Construction, Media, Personal & Household Goods, Retail, Travel & Leisure and to a lesser extent also Chemicals as well as Food & Beverage. Those who suffer include Oil & Gas and Utilities and to a lesser extent Basic Resources and Industrials.

A view on moderately rising rates and a declining Euro need to be taken into account

Other elements affecting our sector stance in 2015 include views on how rates and the Euro potentially develop until year-end 2015. We stress however, that these views are not essential to our call to prefer cyclicals over defensives in Europe, but certainly help strengthening the case for it.

Public QE should further contribute to a decline in the Euro currency and send the EUR/USD pair to a level of 1.15 until year-end 2015, as estimated by DB FX strategists. Our rates strategists expect sovereign benchmark interest yields ('rates' hereafter) can rise moderately in the Euro area, expecting Bunds and sovereign GDP-weighted EMU benchmark yields to rise moderately to 1.1% and 1.9%, respectively by year-end 2015.

For given standard deviation move in Bund yields and EUR/USD, we find that moves in Bund yields are more powerful for sector relative performance than moves in EUR/USD. Rising rates are indicative of a pickup in economic activity which can make previously unsustainable dividends (often the highest yielders) become more sustainable.

An environment where interest rates rise is generally supportive for a preference of 'value' over 'growth' which ties in with a preference for low rather than high equity duration, the sensitivity of share prices to changes in rates. With Bund yields close to Japanese levels, we doubt that there is still much to be captured within the 'growth' camp, which appears unattractive form a risk-reward perspective. Against the backdrop of a European (domestic) recovery gaining pace, we think 'value' can resume its outperformance over 'growth' it began in 2012.

To better recap key findings in our report, we provide a thematic matrix and highlight those sectors ticking the respective boxes (Figure 140). We reflect this against results from our work on investors' positioning, analysts' recommendations and directors' dealings to the right of this. To conclude, we favor a pro-cyclical (pro-value and low duration) sector stance where key overweight positions are also supported from a public QE announcement, sustained lower oil prices, and where valuation appears attractive.

[1] In the appendix section A, we include a detailed overview about regional sales exposure of more than 800 European companies (exposure by sales, assets and capex), sorted by sectors and country benchmarks.

Figure 7: Thematic sector matrix – a qualitative assessment (scale ranges from "++" over "Neutral" to "– –")

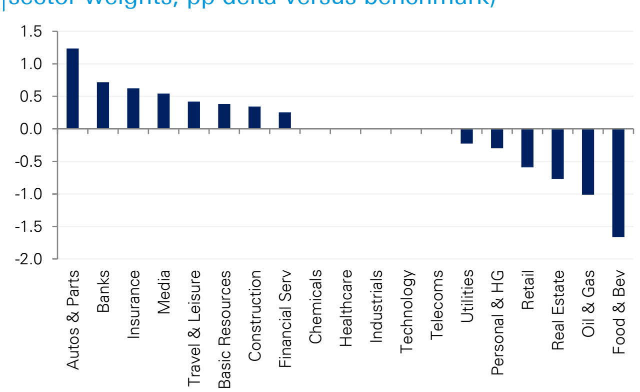
		Thematic analyses						Market positioning			Sales, EPS growth, PE multiple		
STOXX sectors	Rec	o/p with + EMU macro surprise[1]	Gaining from lower oil prices[2]	o/p with QE[3]	o/p with weaker EUR/USD[4]	Rather value-not-growth[5]	Low equity duration[6]	Investors' positioning (o/w = +)[7]	IBES cons analsts' rec. (o/w = +)[8]	High % of insider buys[9]	% of 2013 sales in Europe (%)	EPS growth 15E (%)	P/E multiple 15E (x)
Autos & Parts	o/w	++	+	++	-	N	N	N	++	++	48	14.1	9.3
Banks	o/w	++	N	++	- -	++	++	N	-	++	66	26.8	10.5
Basic Resources	o/w	++	-	+	n/a	+	+	+	+	+	36	8.0	10.8
Chemicals	-	N	+	+	-	-	- -	-	+	++	47	10.9	15.7
Construction	o/w	++	+	++	n/a	N	N	-	+	- -	57	16.1	14.9
Financial Serv	o/w	++	N	++	n/a	+	+	-	++	N	33	10.0	15.6
Food & Bev	u/w	- -	+	N	++	-	- -	++	-	+	37	8.8	19.1
Healthcare	-	- -	N	N	++	- -	- -	N	+	-	30	6.7	17.7
Industrials	-	++	-	++	n/a	N	-	-	N	N	48	14.3	14.6
Insurance	o/w	+	N	N	-	+	++	++	N	-	68	4.7	10.7
Media	o/w	- -	+	+	+	-	N	N	N	- -	66	12.4	17.9
Oil & Gas	u/w	-	- -	- -	n/a	N	++	- -	+	+	43	2.5	9.5
Personal & HG	u/w	-	+	- -	+	-	-	++	-	N	44	11.7	16.5
Real Estate	u/w	+	N	N	- -	N	+	-	-	N	97	6.8	20.7
Retail	u/w	-	+	N	n/a	-	N	-	- -	N	77	9.5	15.7
Technology	-	-	N	N	n/a	-	- -	-	++	- -	37	22.3	18.1
Telecoms	-	- -	N	- -	n/a	+	++	+	-	- -	75	7.1	17.8
Travel & Leisure	o/w	N	++	+	++	N	- -	-	++	- -	58	25.6	15.7
Utilities	u/w	-	- -	- -	n/a	+	++	-	- -	- -	86	4.5	14.5

1) Correlations between the Economic Surprise Index (ESI) for the Euro area (EMU) and q/q STOXX600 sector performance relatives (vs. the STOXX600 market). The analysis is based on data from 2003-2014.
2) Based on qualitative discussions with DB analysts, we identified sectors that benefit, are not exposed to or suffer from lower oil/commodity prices.
3) Average sector performance relatives (based on observations from the US, Japan and the UK) 3-months post QE announcements. Median values are taken across events within a given regional equity market.
4) Correlations between y/y changes in the EUR/USD (or EUR trade weighted index) and y/y changes in the sector performance relative (vs. the STOXX600 market). The analysis is based on data from 2009-2014.
5) Measures the delta between 'value' and 'growth' scores based on metrics presented in section 4.1.
6) Equity duration (or ED, measured in yrs) relates to the length of time investors need to wait for the equity to fully pay out, following the equation: ED = P0 / (B1 x PO x RoE1).
7) Delta between 1) 60 days rolling correlations of a) funds' excess returns over the MSCI AC World and b) regional benchmark excess returns over the MSCI AC World versus 2) their respective 2000-14 medians.
8) Consensus recommendation between 1-1.5 is Strong Buy,1.5-2.5 is Buy,2.5-3.5 is Hold,3.5 to 4.5 is underperform and above 4.5 is Sell. Market cap-weighted sector scores are benchmarked vs. the Stoxx600 score.
9) Measures % of stocks in the Stoxx600 with Directors' Buying in the past 1-month relative to all sector-companies.
Note: CROCI metrics are not considered for this overview, since data is only available for industrial sectors (i.e. excluding financials).

Source: DataStream, Bloomberg finance LP, Deutsche Bank

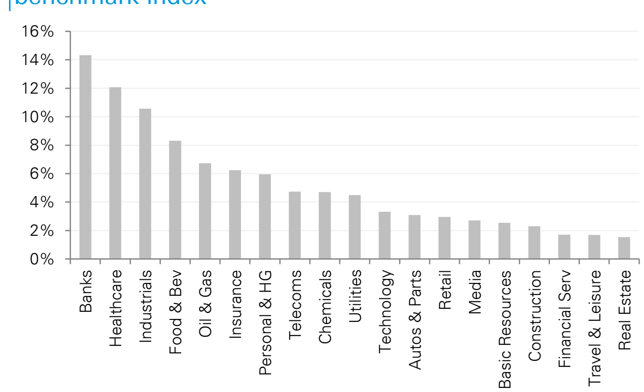
Considering the above for our view in 2015, we recommend overweighting Autos & Parts, Banks, Insurance, Media, Travel & Leisure, Basic Resources, Construction and Financial Services. We fund these overweight positions out of Food & Beverage, Oil & Gas, Real Estate, Retail, Personal & HG and Utilities, which we underweight.

Figure 8: How we recommend to position in 2015 (active sector weights, pp delta versus benchmark)



Source: Datastream, Deutsche Bank

Figure 9: Neutral market cap weights in the Stoxx600 benchmark index



Note: Data relates to 09 December 2014.
Source: DataStream, Deutsche Bank

1. Equity outlook 2015: Recovery, interrupted

1.1 What did we think going into this year?

We were positive on European equities going into this year, based on the expectation that the recovery in Euro area growth seen in 2013 would prove to be durable and would end up better than trend of 1% for the year as a whole. We expected the PMIs would average between 53-54 and we believed there was still scope for upside surprise in the Euro area after seeing upside surprise for much of 2H13, and this would act as a tailwind for equity performance.

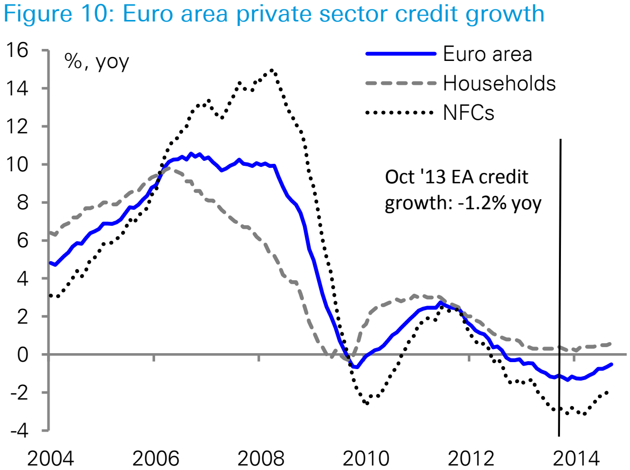
The view was predicated on a domestic growth recovery, driven by the credit cycle. We look at the relationship between credit and private sector spending growth in a different way to the consensus. The consensus believes that it is the level of credit growth that matters for spending growth, with negative credit growth acting as a drag on growth. In our view though, it is the credit impulse that matters.

The credit impulse argument says it's the change in credit growth that matters for spending growth – the second derivative of credit.

Our view was that after falling since the middle of 2011, creating a negative credit impulse which dragged heavily on private sector demand growth, credit growth could rise in 2014, creating a positive credit impulse which would drive growth that was above trend.

The key risk to this view therefore was that credit growth would not rise as we expected, potentially because of the upcoming hurdle of the AQR/stress test. This would have significantly increased the likelihood that growth would disappoint relative to our expectations, and also consensus expectations, which at the time were for 1% GDP growth.

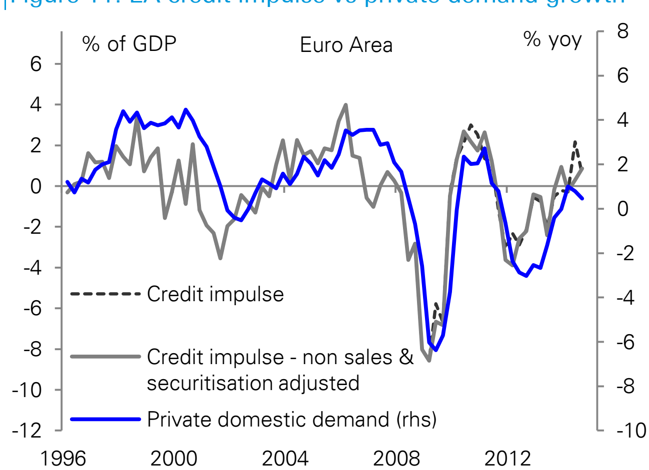
Figure 10: Euro area private sector credit growth



NB. Sales & securitisation adjusted series used from Jan 2010 onwards

Source: Deutsche Bank, ECB

Figure 11: EA credit impulse vs private demand growth



Source: Deutsche Bank, ECB, Eurostat

1.2 What happened?

Our expectation of credit growth rising and a positive credit impulse did not disappoint, but GDP growth did. Figure 12 shows how after being revised up initially during February from 1% to 1.1%, expectations for GDP growth in 2014 were then revised back down in July, only to be cut aggressively in the middle of September to 0.8%. Expectations for 2015 followed a similar path.

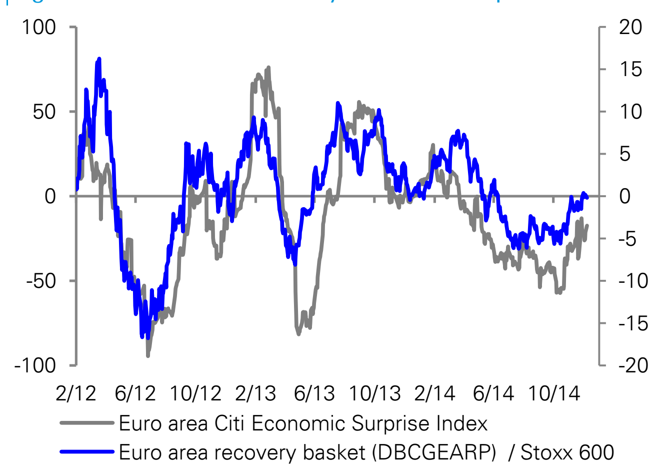
This downward revision to GDP growth reflects a disappointment in Euro area data, as shown by the Euro area Citi Economic Surprise Index in Figure 13. After spending much of the first 3 months of the year in mildly positive territory, data surprises turned negative in April and continued to get more negative through to the middle of October.

Alongside the disappointments in overall Euro area data and the downward revisions to GDP, our Euro area recovery basket has suffered the longest period of underperformance since we initiated it back in October 2012 (Figure 13). Since the start of April it has underperformed by 6.5%. And against a broader basket of cyclicals it has underperformed by 4.5% since early June.

Figure 12: GDP growth expectations have dome down

Source: Deutsche Bank, Bloomberg Finance LP

Figure 13: Euro area recovery basket has u/performed



Source: Deutsche Bank, Bloomberg Finance LP

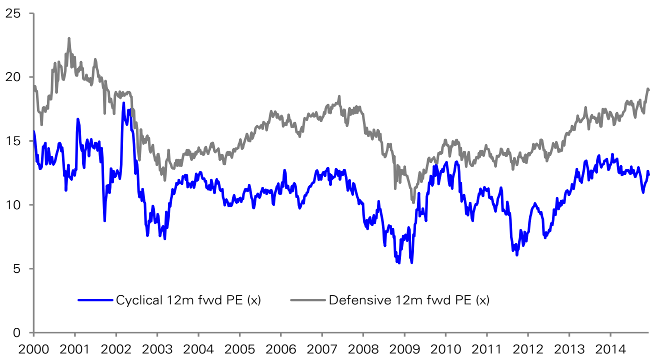
The pricing of the growth disappointment and the potential for this to continue can also be clearly seen in the valuations of cyclicals versus defensives. Figure 14 shows the median 12m fwd PE of a group of cyclicals and of defensives[2].

While cyclicals have seen a sharp de-rating since the start of the year from 14x to 12.4x, defensives have re-rated by a more significant degree, from around 16x to 19x. These current valuations make for an interesting historical comparison – simply put, defensives are slightly more expensive (3%) than in August 2007 when BNP Paribas became the first bank to acknowledge the risk of exposure to sub-prime mortgages, but cyclicals are about 2% cheaper.

[2] Cyclicals: *Daimler, Renault, BNP Paribas, Credit Suisse, ING Groep, ArcelorMittal, Boliden, Lafarge, Adecco, Volvo, Aegon, ProSiebensat 1 Media, WPP, Barratt Developments, Marks & Spencer Group, ASML Holding, Accor, Air-France KLM*

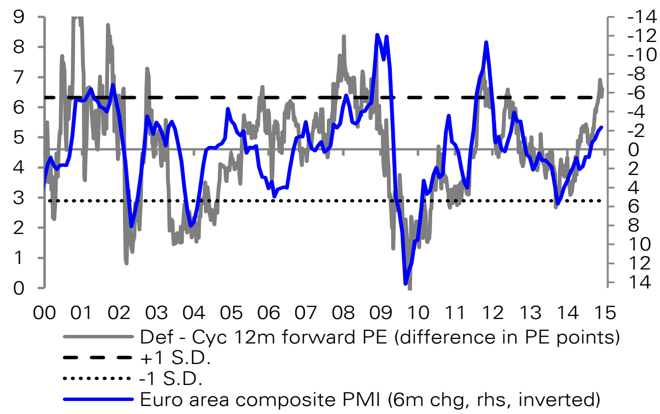
Defensives: *Danone, Diageo, Heineken Holding, Nestle, Remy Cointreau, Fresenius Medical Care, GlaxoSmithKline, Novartis, Novo Nordisk, G4S, Reed Elsevier, Beiersdorf, Hermes, Richemont, Unilever, WM Morrison, Compass Group, National Grid*

Figure 14: Notable cyclical de-rating/defensive re-rating



Source: Deutsche Bank, DataStream, IBES

Figure 15: Def. vs. cyclical valuations are overextended



Source: Deutsche Bank, DataStream, IBES, Markit

The gap between the rating of these cyclicals and defensives has tended to trade in a range of 1.5 to 6.5 PE points over the past 15 years or so, and the moves seen this year has pushed this gap to an extreme of 6.6 PE points.

This means that we are well into the realms of pricing a significant further slowdown in growth on this basis. Figure 15 shows this valuation gap versus the 6 month change in the Euro area composite PMI. Over time, the two series have been extremely well related but since April the premium of defensives over cyclicals has been running ahead of the changes in the PMI.

The current valuation gap of 6.6 PE points appears to be consistent with a 6 point decline in the Euro area PMI. One does not even have to remotely positive view on Euro area growth to assess that this premium of defensives versus cyclicals is overextended to a large degree.

We discuss the implications of this chart later on in the note.

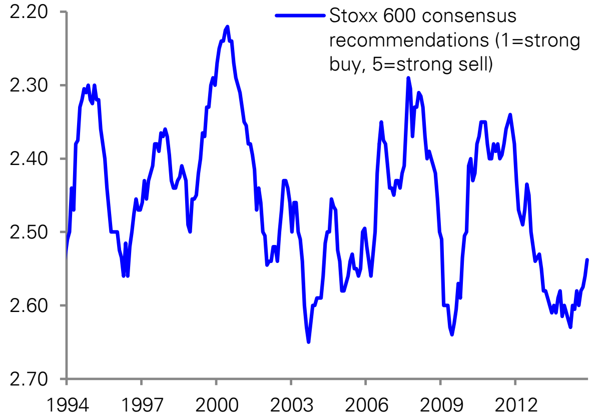
As well as the pricing of defensives relative to cyclicals implying a very bearish outcome for the Euro area, analyst recommendations remain pessimistic for the Stoxx 600 overall. Figure 16 shows the median recommendation of companies across the Stoxx 600, and it remains far below the positive recommendations found in the heady days of 2010, or 2006/07 for example.

There has been an improvement however - overall recommendations are becoming more and more geared towards buys, and it appears that part of this is being driven by more favourable recommendations towards European exposure.

Figure 17 shows how recommendations for companies with high revenue exposure to Europe have improved sharply recently, while recommendations to those with low European exposure has been worsening. This has led to the gap in recommendations between these two groups becoming the widest in at least 10 years. Note we have removed any sector bias in these two groups.

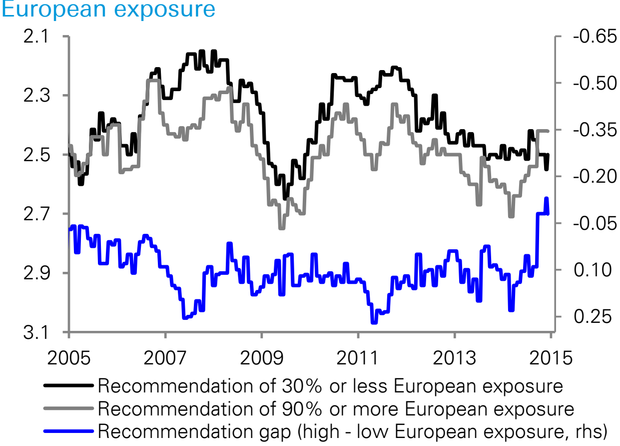
Becoming more bearish towards global exposure in terms of analyst recommendations ties in with the fact that it has not only been Euro area growth forecasts that have been cut this year.

Figure 16: Analysts remain cautious overall



Source: Deutsche Bank, IBES

Figure 17: But becoming relatively more positive on European exposure

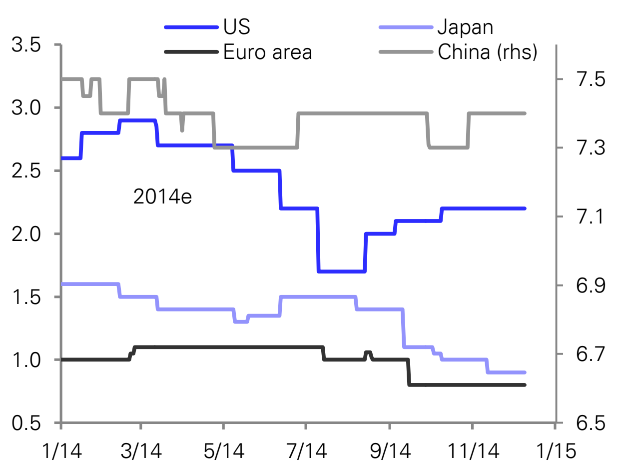


Source: Deutsche Bank, IBES

In fact, while 2014 Euro area consensus forecasts have moved from 1% at the start of the year to 0.8% currently, consensus global growth forecasts have moved from 3.5% to 3.05%.

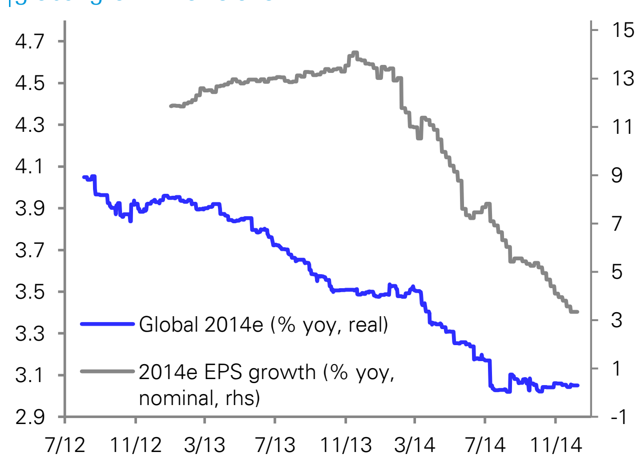
Excluding the contribution to these downgrades of the Euro area, downward revisions to global growth have been over twice as large as that for the Euro area.

Figure 18: 2014 revisions in 2014 not just in Euro area



Source: Deutsche Bank, Bloomberg Finance LP

Figure 19: 2014 EPS expectations down along with global growth revisions



Source: Deutsche Bank, Bloomberg Finance LP, IBES

With downward global growth revisions come cuts in EPS growth expectations (Figure 19). In our view this could fall further.

On our global growth, FX and EPS growth framework discussed in more depth in the earnings section, we think that 1% EPS growth is a reasonable expectation for 2014 versus current expectations for 3.3%.

1.3 Why?

It would be easy to fit this all into the narrative seen over the past years – misplaced optimism around growth going into the year that has been proven wrong because of the bigger issues that we face in the post-global financial crisis, post-sov. crisis era.

For the EMU in particular these are all too apparent. We commonly hear complaints around a lack of progress on structural reform, an inability to implement strong enough monetary or fiscal stimulus given institutional rigidities and government budget constraints, and a persistent lack of demand given high debt levels, high unemployment, low wages and low capacity utilization.

On top of all this, credit growth remains negative, so there is little hope of strong lending supporting any recovery in spending.

All of these factors combine to form the argument around why the Euro area has not seen anything better than stagnating growth this year (0.3 / 0.1 / 0.2 % qoq for Q1 / 2 / 3 respectively), and form the basis of thinking why one should be deeply skeptical about hoping for anything better.

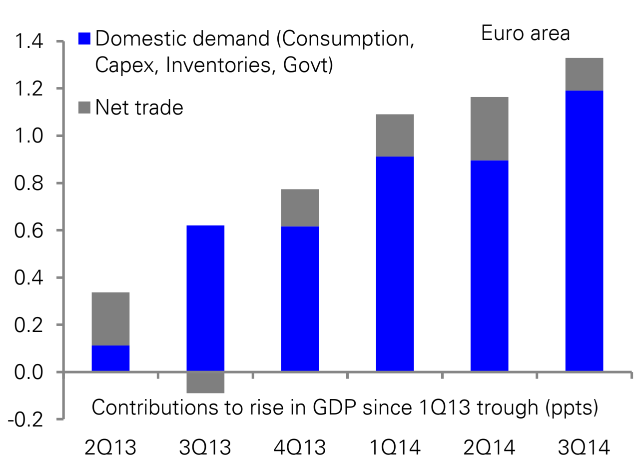
Our problem with this line of thinking is that these issues were all too apparent at the end of 2012 / beginning of 2013 too, perhaps more so, and yet the PMIs were able to rise from a low of 46 to a 3 year high of 54 back in April this year.

In our view, while these arguments are undoubtedly part of the reason why growth could in theory be higher, they help very little to explain the sudden rise in the PMIs, and equally, they help very little to explain the disappointment in growth this year.

What's clear is that the Euro area's growth problem has not been because of the domestic factors, to which many of the concerns above relate to.

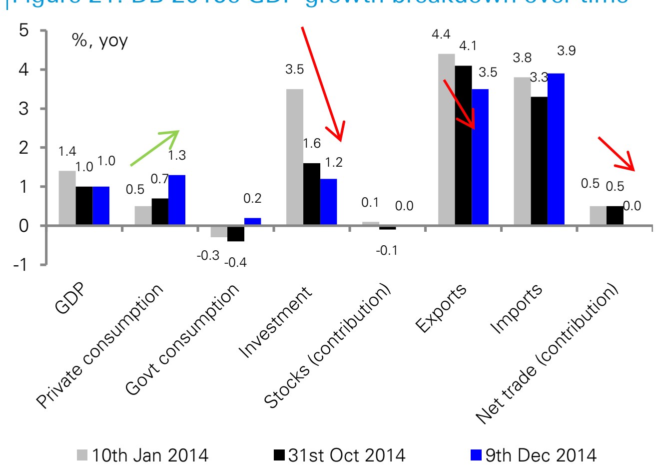
During the rise in GDP seen since the 1Q13 trough, 90% of it has been driven by domestic demand (consumption, investment and government spending) rather than the rest of the world dragging it out of recession through purchasing its goods and services (Figure 20).

Figure 20: GDP has risen because of domestic demand



Source: Deutsche Bank, Eurostat

Figure 21: DB 2015e GDP growth breakdown over time



Source: Deutsche Bank

The same features are true of the GDP revisions seen this year. Rather than the domestic components of GDP seeing disappointment, some have been revised up (Figure 21). Most notably, DB's expectation for private consumption growth in 2015, which accounts for around 55% of GDP, has more than doubled from 0.5% to 1.3% vs a long-run average of 1.0%. Government consumption is also expected to see 0.2% growth rather than a 0.3% decline.

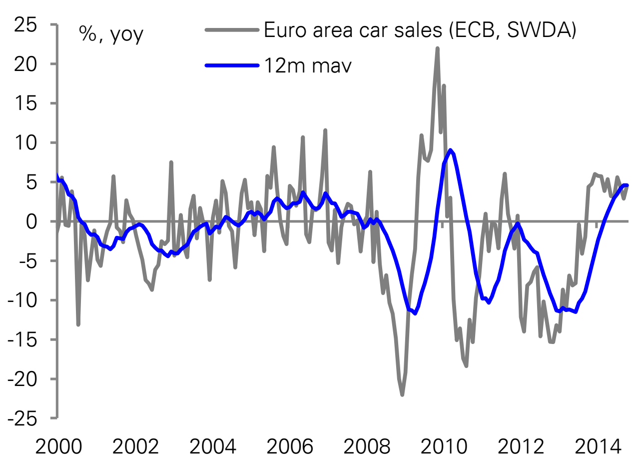
We can see clear evidence of the strength and resilience of consumer spending growth from looking at car sales and retail sales in the Euro area.

Throughout 2014 so far, car sales have maintained a strong pace of growth. In October they were up 4.5% yoy, in line with the average over the past 12 months. Since the turn of this century, the 12 month run rate has only been higher during 1H10, and for the first two months of the year 2000.

The retail sales numbers are volatile, but looking at the 3 month moving average of yoy growth, we have seen an acceleration from 0.7% at the start of the year to 1.1% in September, which was down from 1.5% in August. Nevertheless, this is a picture of accelerating growth rather than stagnation at low levels.

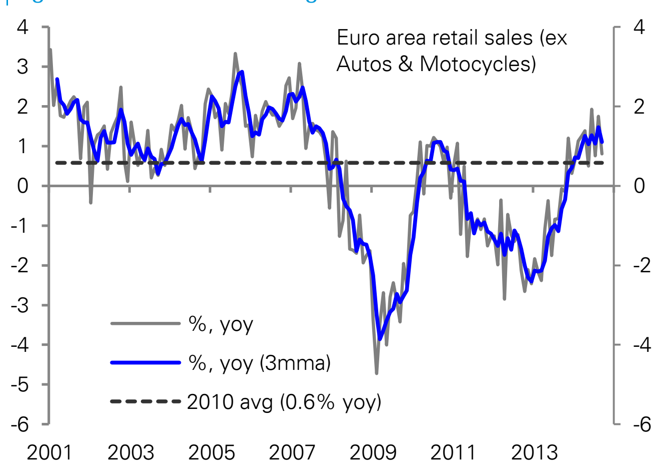
We ascribe these observations around strength in consumer spending to a supportive credit environment – a mildly positive credit impulse that has been seen so far this year on average. See the 'what now' section for a more in depth discussion of credit impulse developments and outlook.

Figure 22: Credit impulse driving strong car sales growth



Source: Deutsche Bank, ECB

Figure 23: and retail sales growth



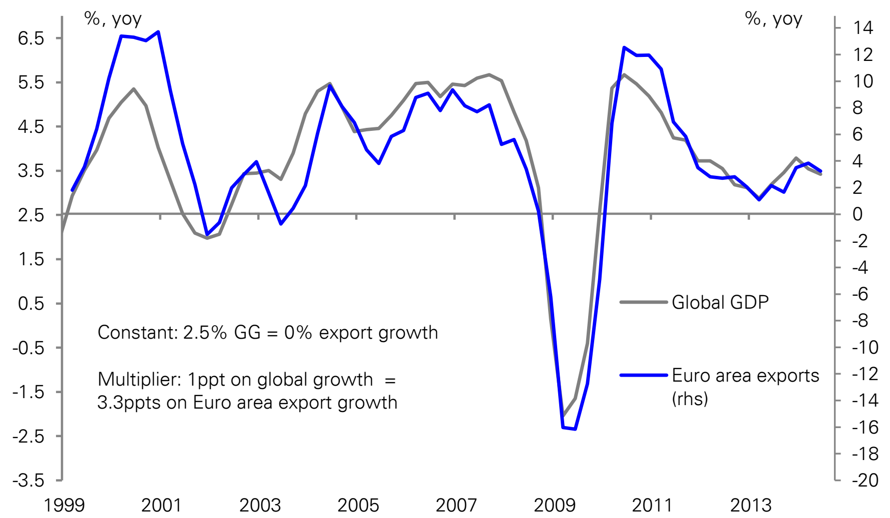
Source: Deutsche Bank, Eurostat

So where has the disappointment come from? Figure 21 shows expectations have been revised down for investment and trade. We would link both to developments in the external environment that the Euro area has faced this year.

The 50bps downward revision of the net trade contribution to growth is obvious. If exports have disappointed relative to expectations, then it is likely that expectations of global growth were too high. This is something that the Euro area could not have prevented.

2015 global growth expectations are down from around 3.75% at the start of the year to 3.4% currently. Based on the sensitivity of Figure 24 below, this would cost about 1.1-1.2% on Euro area export growth. DB's expectations have declined from 4.4% at the start of the year to 3.5% currently.

Figure 24: Tight fit between global growth and Euro area export growth



Source: Deutsche Bank, Haver, Eurostat

Investment is less clear cut. With a credit impulse that's turning positive we would typically expect investment growth to be accelerating and surprising to the upside along with consumption growth.

However, if one thinks about it in terms of uncertainty and business sentiment, external events such as a geopolitical crisis have the potential to have a negative impact should they threaten to reduce future business through sanctions. We think the eruption of the Russia / Ukraine crisis in the early months of this year is why we have seen the sudden change in momentum of investment growth going from Q1 into Q2 as shown in Figure 25.

Trying to map the development of the crisis, and its peaks and troughs in intensity is of course difficult to do with any precision. Nevertheless we believe it's worthwhile if we want to think about how investment growth might recover, or get worse from here.

In Figure 26 we show a measure that's likely to be as good as any. What the chart shows is the peak number of daily mentions of the word "sanctions" in articles on Bloomberg in any given month versus changes and surprises in the Euro area Manufacturing PMI with a 1 month lag.

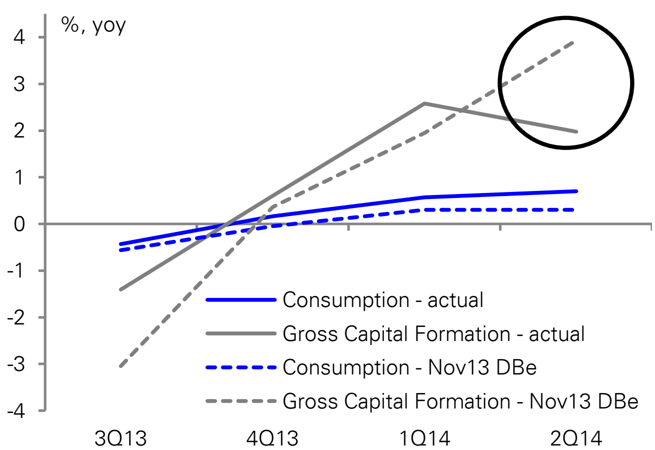
This chart suggests the peak months of 'intensity' of the crisis in terms of potential implications for Euro area businesses through sanctions were in March / April, and July / August.

In each of the following months except for April, the earliest month of impact, we saw a decline in the Mfg PMI and a downside surprise. In the months when the intensity lessened, the declines and negative surprises from the PMI in the following month were less severe.

Obviously, one shouldn't get too religious about this chart, and if it showed less of a relationship we would still believe that business uncertainty arising from a geopolitical crisis is going to have some economic effects. In addition, one can never have the ability to call the future progression or outcome of the crisis, since this is known to only a handful of people, maybe just one.

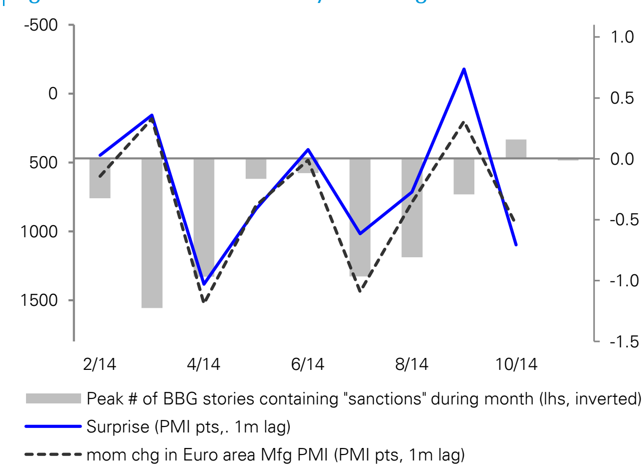
Nevertheless, in terms of having the ability to monitor the situation and anticipate how this might have an effect on the data, we still find it useful. It is also interesting to see that if we back out the moves in the PMI since the flare up of the crisis in March, the average for the year so far would stand at just over 54 – consistent with above-trend GDP growth.

Figure 25: Sudden shock to investment



Source: Deutsche Bank, Eurostat

Figure 26: Sanction intensity and Mfg PMIs



Source: Deutsche Bank, Bloomberg Finance LP. NB. 0 change in PMI aligned to average mentions of sanctions in 2013 (i.e. a neutral level)

The key conclusion from this review of the year is that focusing just on the downgrades to headline GDP growth is misleading - Euro area growth has disappointed through very little fault of its own. Global growth has not lived up to expectations, and an unforeseen geopolitical crisis on the regions doorstep has effectively meant this is a recovery, interrupted.

The bigger issues for longer-term sustainability of growth such as slow structural reform and institutional rigidities are still with us as they were 2 years ago, but they are not to blame for the change in growth momentum which has furthered the view of Euro area stagnation as seen so clearly in the valuation of cyclicals and defensives.

The drivers for better growth from a cyclical point of view, namely the credit and fiscal impulses have remained in place this year and it looks likely that they will stay in place next year, as we shall discuss in the following section. On top of this we can look forward to a potential benefit from the weaker Euro and the drop in oil prices.

1.4 What now?

The case for credit and domestic growth

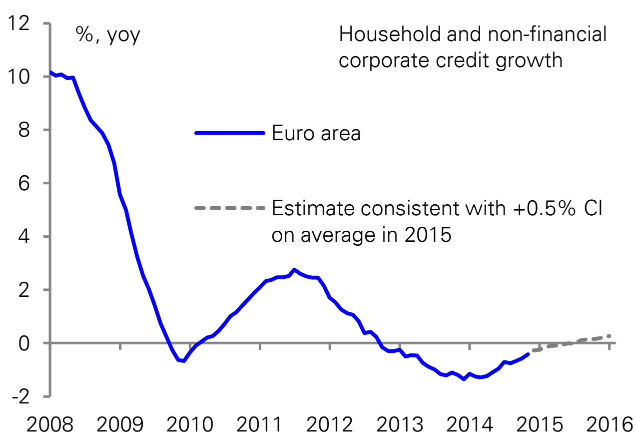
Euro area growth has a continuing and underappreciated support in the form of a positive credit impulse. Given credit growth remains negative, the potential for it to continue to rise and produce a persistent positive credit impulse for the coming years on average appears good.

In this sense, the Euro area has a decent case for durability of growth driven by credit, despite what one may read from the decline in GDP growth expectations this year.

The data on credit so far this year is very encouraging. There are two forms, i) the actual credit data reported on a monthly basis by the ECB and ii) the quarterly lending survey data which gives us an indication of the credit impulse in the current and following quarter.

On the actual credit data, credit growth has risen from a low of -1.3% yoy in February to -0.4% yoy in October. This rise of 90bps in 8 months is around half the pace of what was seen during 2010, but still around twice as much as what's needed to deliver a positive credit next year of +0.5% of GDP. Under this scenario (Figure 27 and Figure 28), credit growth would only need to rise 70bps more to just +0.3% yoy by the end of 2015.

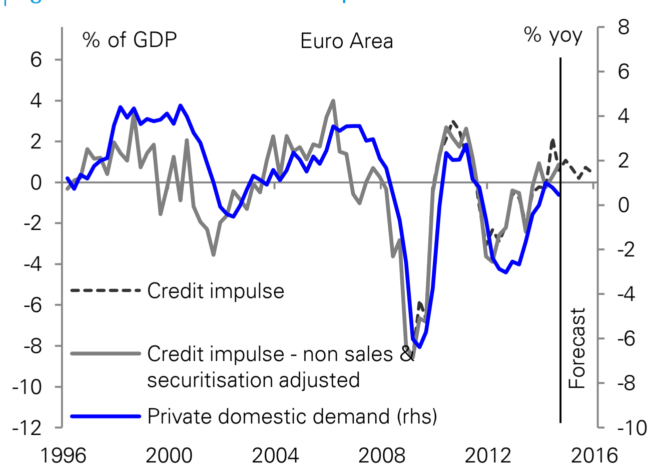
Figure 27: Euro area private sector credit growth



NB. Sales & securitisation adjusted series used from Jan 2010 onwards

Source: Deutsche Bank, ECB

Figure 28: Euro area credit impulse



Source: Deutsche Bank, ECB, Eurostat

Given the rising trend in credit growth we have seen so far this year, which has yet to show any potential improvement resulting from the AQR/stress tests having ended (we get this data at the end of December) our view is that we can see more than a +0.5% credit impulse on average next year.

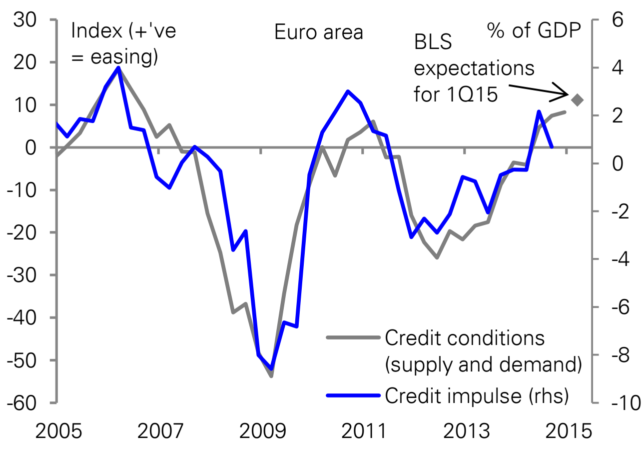
The lending survey data supports this. Figure 29 shows a measure of overall credit conditions (supply and demand) vs the credit impulse and the most recent surveys have been consistent with a credit impulse of around +2% of GDP. The expectations component is consistent with something a little higher.

Also, regulatory risk to credit growth in terms of new lending being held back to improve capital ratios looks significantly reduced going forward.

This was a key concern of ours going into 2014 with the upcoming AQR / stress test. In very broad terms, DB's banks team thinks we are looking at a further 20% increase in aggregate required capital vs an effective 150% increase during the 2007-14 period. In their view, the worst has been seen already.

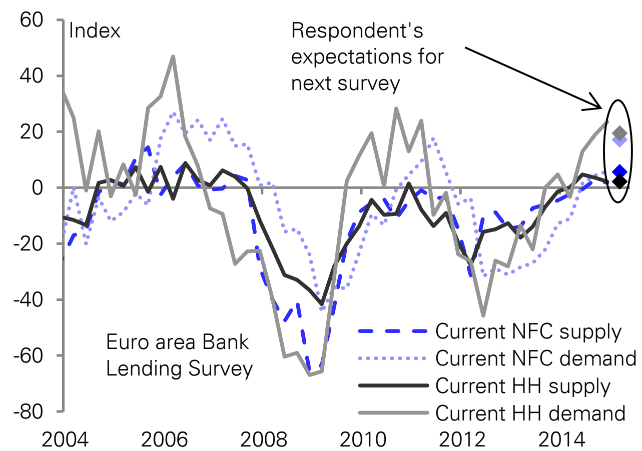
Given all this, we expect a positive credit impulse of 1% on average in 2015, with risks to the upside. Given Figure 28 this would translate into private demand growth accelerating to 1.75-2.0% on average. We assume that the geopolitical headwind stays muted and investment growth accelerates from here, as discussed later in this section. Consumption growth should also be boosted by the lower oil price.

Figure 29: EA credit conditions vs credit impulse



Source: Deutsche Bank, ECB, Eurostat

Figure 30: Breakdown of supply and demand



Source: Deutsche Bank, ECB

The lending surveys in our view contain a wealth of information that goes overlooked by the market, whether it be because the results are difficult to use within a growth framework without the credit impulse analysis, or that it is just very long and quite dull.

In any case, there are a few messages coming out of it from the most recent survey done in late September / early October that are worth mentioning.

- Credit conditions are easing the most since 2006

  This was a strong survey, and a slight improvement versus the previous survey back in July. This is shown by the credit conditions index in Figure 29 which correlates very well with the credit impulse. The index is simply an average of the underlying supply and demand components in Figure 30.

- Demand contributing more than supply

  There is little to suggest that demand is acting as a constraint on the economic recovery from a credit perspective, something we believe the market has a large concern over.

  Indeed the October survey, as well as the past 2 surveys, has suggested that demand is rising. Household demand accelerated and is rising just as much as it was in 2010, and demand growth from corporates also accelerated as is currently at better levels than was seen during much of the 2004/05 period (Figure 30).

We believe the concern around a lack of demand, whether it be due to the fact credit growth is still negative, or that debt levels are still high, is misplaced. Demand may still be weak in absolute terms, but it will only be a drag on the recovery if it is falling. This is not what the lending survey is telling us. Rather, demand is rising, which should translate into a rising flow of credit and a positive credit impulse, supporting growth.

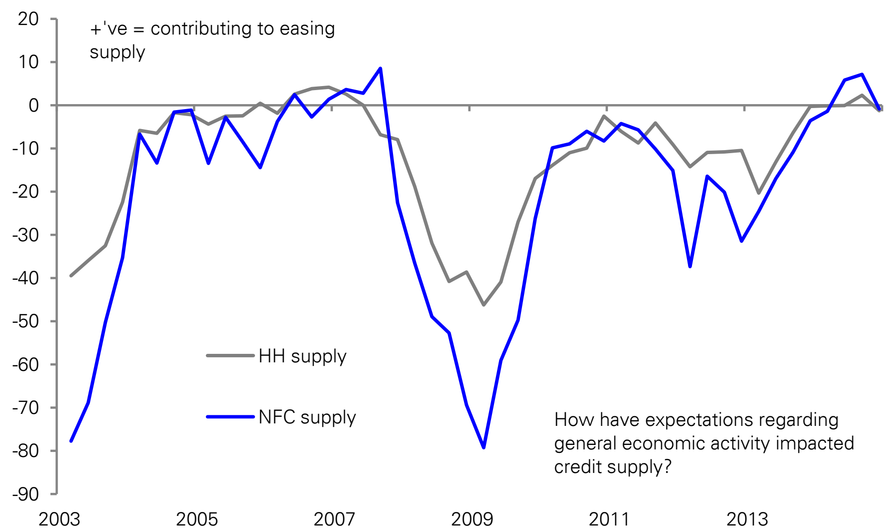
- Bank perceptions of the economic outlook were resilient

Despite a number of confidence and sentiment indicators suffering sharp declines in the run up to when the survey was done, banks remained optimistic on the economic outlook. This is important because their economic outlook feeds directly into lending standards and the credit impulse.

Figure 31 shows that expectations did moderate a little, but nevertheless remain better than at any stage during 2010, indeed, better than at any point over the last decade apart from in 2006/07.

This suggests it will take a significant amount more than what we saw over the last few months for banks to tighten their lending standards to the extent that it would disrupt the support to growth from credit.

Figure 31: Lenders are not worried about the economic outlook



Source: Deutsche Bank, ECB

Geopolitical headwind and the investment cycle

As we wrote about in our note *'A peaceful recovery' (24/9/14)* we see Euro area growth as being hindered by the geopolitical situation in Russia / Ukraine and the threat of sanctions. This has fed in through heightened uncertainty, causing a decline in business sentiment and investment.

As the situation calmed from the start of September with the signing of a truce (subsequently violated numerous times), we hoped that the downside surprises to Euro area data could improve. Looking at the rise in the Citi Economic Surprise index (CESIEUR Index) over the period since then, this view has been playing out well.

With the outlook for private demand growth, which includes investment, looking decent from a credit perspective next year, the question is to what extent can this happen given the geopolitical risk? Answering this in terms of what the final outcome for Russia / Ukraine is obviously tricky. What we can do however is monitor the situation, assess how bad it is and look for any signs of improvement /deterioration in the data in this context.

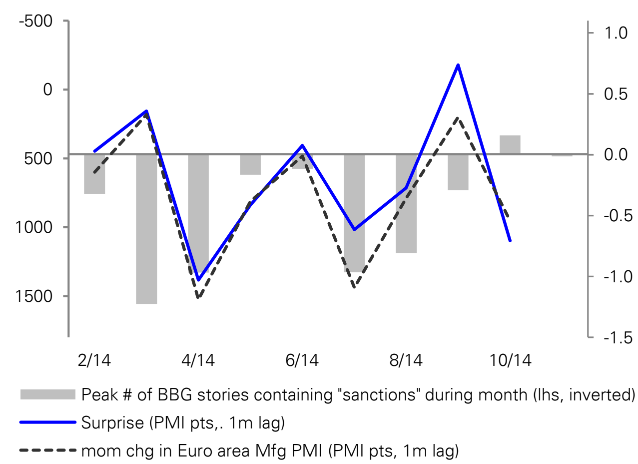
We have discussed Figure 32 in the 'why' section, and what it is suggesting is that the sanction threat is low and that investment growth can now pick-up. What's the evidence so far? We see early signs of a turn in a number of indicators.

Firstly, there was a decent improvement in the Euro area Mfg PMI in October for the first time April. Clearly, we were disappointed by the reversal in November.

Secondly, we have seen a sharp pick-up in commercial vehicle registrations in October, +17.1% mom. Even assuming a 10% decline in November and a flat December, Q4 appears to be shaping up to be one of the strongest quarters for growth on record (Figure 33).

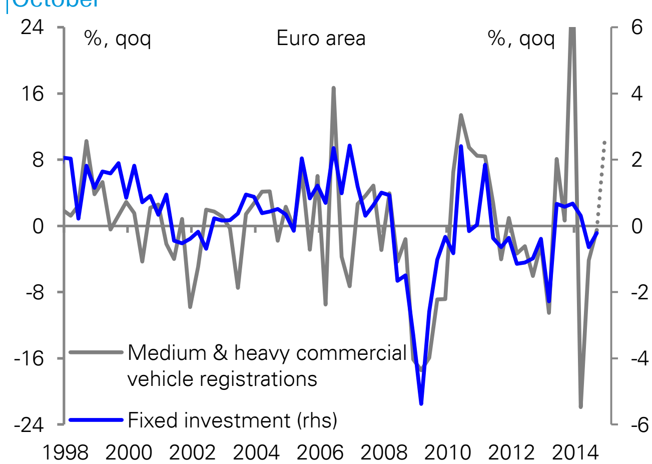
In times of no distortion due to emission regulation changes (which was behind the volatility during 4Q13/1Q14), this commercial vehicle data relates well to Euro area fixed investment, and has done well at anticipating the inflexion in qoq fixed investment growth we saw in Q3.

Figure 32: Sanctions threat has moderated



Source: Deutsche Bank, Markit, Bloomberg NB. 0 change in PMI aligned to average mentions of sanctions in 2013 (i.e. a neutral level)

Figure 33: Surge in commercial vehicle registrations in October

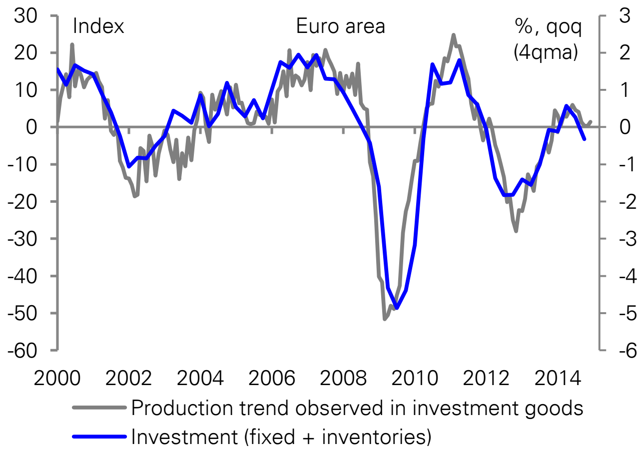


Source: Deutsche Bank, ACEA, Eurostat

Thirdly, production trends for investment goods has bottomed and in November rose from +0.3 to +1.4, marking the first gain in 6 months and the highest level since July. This series relates well to investment trends in GDP (Figure 33).

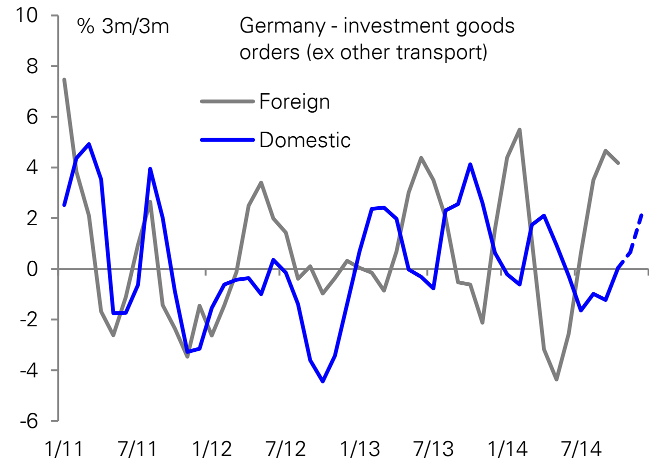
Finally, one of the weakest spots in the investment picture this year has been Germany. However, we have seen a sharp improvement in the factory order data over the past couple of months. Figure 35 shows domestic and foreign orders for (core) investment goods and given a pick-up of 5.5% mom in October in domestic orders (the strongest since June 2011), even assuming a 2% payback in November, then a flat December, domestic order growth would have rebounded to the strongest % 3m/3m growth since November last year.

Figure 34: Production trends in investment goods turning



Source: Deutsche Bank, European Commission, Eurostat

Figure 35: German factory order data has improved



Source: Deutsche Bank, Deutsche Bundesbank/Statistisches Bundesamt

In our view, all of these indicators hint at the early signs of a re-acceleration in investment growth as the geopolitical headwind has faded. We discuss how to gain exposure to this theme (in the 'How to position in 2015' section).

All this being said, this strategy needs to be flexible in response to a flare-up in geopolitical tensions. If and when this happens we strongly consider reducing exposure to this theme once again

Fiscal, QE, exports and oil

There are a number of other favourable developments that are happening for Euro area growth that we think the market will be likely begin to focus on, improving sentiment towards the Euro area next year.

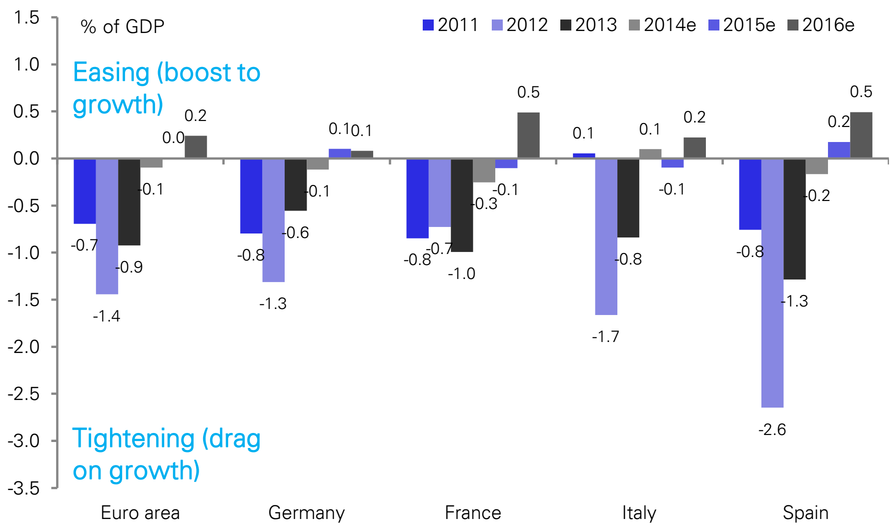
- Fiscal

  2011 to 2013 were tough years from a fiscal point of view, by this we mean that governments were either cutting back on spending or raising taxes in order to reduce their budget deficits. These actions have a negative impact on domestic demand growth.

  We should also remember that 2011 to 2013 was a period in which the credit impulse was deeply negative on average. As such, domestic growth was facing a headwind from both of these drivers.

  2014 was the first year where the fiscal headwind faded from a drag back to neutral and based on European Commission estimates, this neutral picture is set to continue in 2015. In 2016 there is expected to be a slight fiscal easing, a tailwind to growth.

Figure 36: Fiscal headwind has eased and should remain neutral



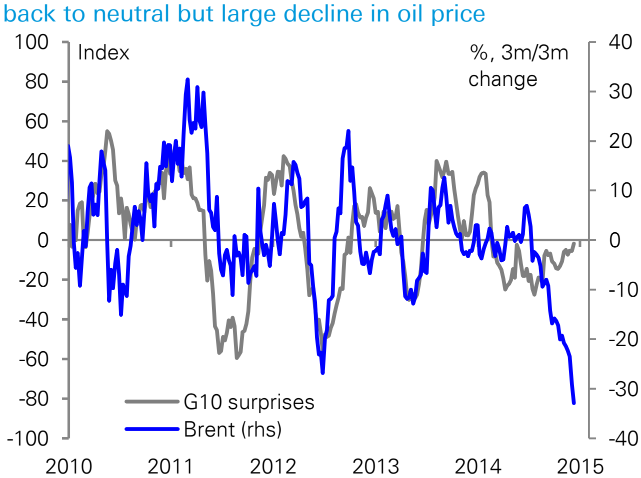
Source: Deutsche Bank, European Commission

- Oil

We've had two significant shocks this year. The first one, as we have discussed in depth, has been a geopolitical shock with the threat of sanctions which has led to rising uncertainty, falling business sentiment and a slowdown in investment growth.

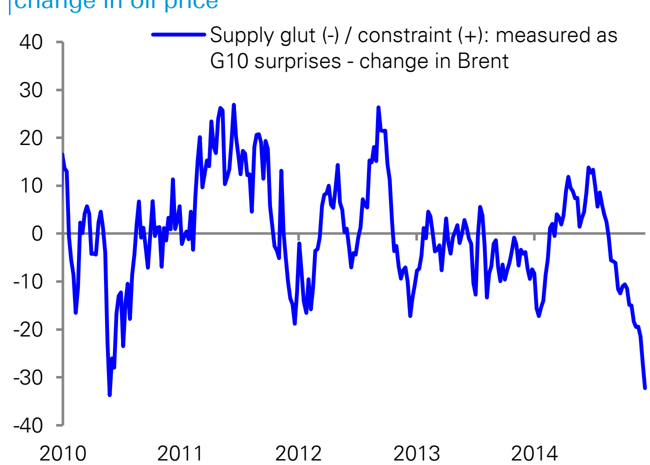
The second has been an oil shock, with the price of Brent by around 40% since mid-June. The benefit this should have in terms of growth (higher consumption through higher disposable income, and higher investment through a fall in firms input costs) should be positive since DB sees this as a supply shock rather than a decline driven by demand. We find the two charts below intuitive as to why this is the case.

Figure 37: Macro surprises and the oil price – surprises back to neutral but large decline in oil price



Source: Deutsche Bank, Bloomberg Finance LP, Datastream

Figure 38: Oil supply measure: macro surprises less change in oil price



Source: Deutsche Bank, Bloomberg Finance LP, Datastream

In Figure 37 we show the change in the price of oil relative to the Citi G10 economic surprise index. If surprises are positive, implying that economic news in general has been better than expected, then oil tends to rise. If surprises are negative, oil tends to fall.

The relationship between the two series is very close, but gaps do tend to appear. Figure 38 shows these gaps, which can be seen as the impact of supply on the oil price. If oil prices are rising faster than macro surprises would imply, this implies a supply constraint issue, which is a positive reading on the chart.

One can see this was the state going into the middle of 2011, when Arab Spring tensions were rising. We can also see that going into June, when ISIL were making their way into key towns in Iraq, the oil price was also reflecting supply constraint fears. However, since then the oil price has been dramatically below where macro surprises would suggest it should be, implying that this is much more an issue to do with oversupply in the oil market.

DB expects a similar picture going forward: While the supply growth in the US will slow down at current prices, the expected world demand growth in 2015E-16E will still be exceeded by the growth in non-OPEC-supply. OPEC's decision to leave production rates unchanged creates the largest supply overhang since 1998. Average growth rates for 2010-15E supply of 1.8% p.a. will outpace average growth in demand of 1.1% for the same period. A turning point in supply growth is not expected before 2017E.

As well as supporting domestic demand growth alongside the positive credit picture, and neutral impact from the fiscal side in 2015, falling oil prices also suppress inflation and weigh on inflation expectations, warranting an easier monetary policy stance.

With all the fears around deflation in the Euro area, we can't help wonder how much worse the situation would be if there was a large negative supply shock to oil. This would leave us with significantly higher oil prices, lower real disposable incomes, higher input costs and the possibility that inflation would be moving swiftly back to the ECB's target such that there would be little reason to move into the deeper realms of unconventional monetary policy.

The benefit of the fall in oil prices in spurring further action on the monetary policy front is already clear in our view. Figure 39 shows a very close relationship between changes in the 5Y5Y inflation expectations and changes in the oil price.

The 5Y5Y measure rose in prominence after it was mentioned by Draghi in his Jackson Hole speech on 22nd August as "the metric that we usually use for defining medium term inflation". Inadvertently, the ECB President had pointed out a very oil-sensitive index to the market that could be used as a real-time measure of whether the ECB were succeeding in their inflation mandate, just before a precipitous fall in the price of oil took place.

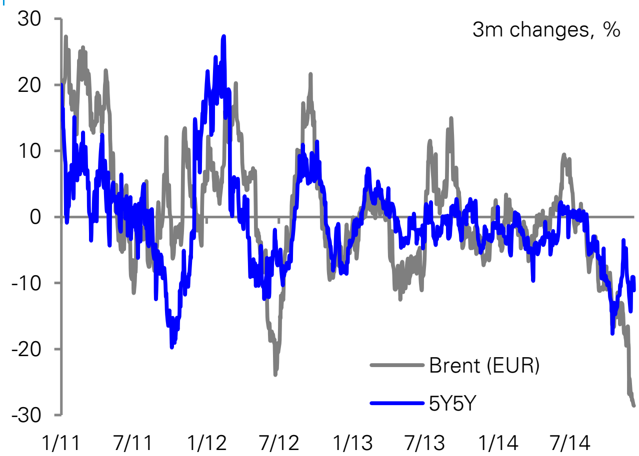
Nevertheless, with the 5Y5Y falling, this led to calls the ECB was losing its grip on inflation, thereby increasing pressure on the ECB to act further. Taking the oil price effect out of the 5Y5Y (simply by subtracting one series away from the other) we can get a clearer picture of how inflation expectations have moved as a result of events going on other than the fall in Brent.

What we can see is that for much of the second half of the year - since the ECB stepped up policy measures in June with announcement of TLTROs - inflation expectations have actually been outperforming the fall in Brent (Figure 40).

Since November, when public QE was suggested to be more on the agenda, inflation expectations have suddenly been outperforming Brent by a large degree. In our view, this wedge that Draghi has driven between inflation expectations and oil has the implication that inflation expectations could rise if oil stabilizes, as DB expects.

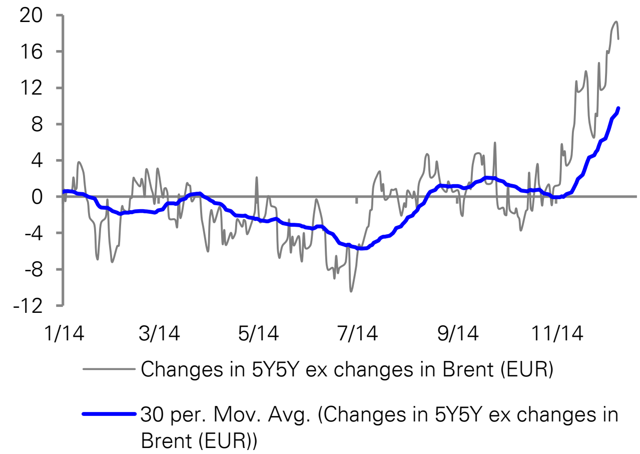
To our mind, the ECB being pushed towards further easing as a result of a global oversupply in oil is a significantly less worrying picture than one where the ECB is having to react to a fall in inflation expectations because of a negative shock from within the Euro area.

Figure 39: Inflation expectations pulled down by oil price



Source: Deutsche Bank, Bloomberg Finance LP, Datasteam

Figure 40: But a large gap has been driven between the two since the November ECB meeting



Source: Deutsche Bank, Bloomberg Finance LP, Datasteam

The fall in the oil price adds to our confidence that private demand growth in the Euro area can accelerate towards the levels 1.75-2.0% yoy rates that are implied by our credit impulse expectations. There is also upside risk to our current EPS growth forecasts from the potential for global growth to accelerate by more than expected on the back of lower oil prices. We discuss our earnings expectations in the 'earnings' section.

- QE

As mentioned above, declining oil prices are helping to push the ECB towards public QE. DB's official view is that it happens towards the end of 1Q15. We find this a particularly interesting possibility since we have not yet had the opportunity to assess the impact on the credit data of the existing ECB initiatives such as the ending of the comprehensive assessment, the TLTROs, or private QE. The first opportunity to do this will be the end of December with the November credit data. We will also get the next lending survey at the end of January.

Given we already see a very decent outlook for the credit impulse based on what we have seen so far this year, we would view signs of any further acceleration as extremely encouraging. We discuss implications for sectors from QE in the 'How to Position in 2015' section.

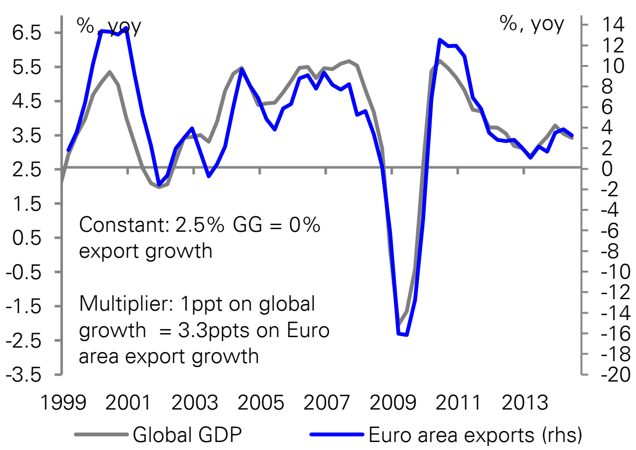
- Exports

It's hoped that the expansion of the balance sheet will allow the Euro to depreciate by enough to boost export growth by a significant degree. Based on assumptions of 3.6% for global growth next year, a fall of 7% in the Euro trade-weighted index (derived from DB's FX forecasts) we can use Figure 41 and Figure 42 below to derive an export growth assumption for next year.

Figure 41 shows a very tight relationship between Euro area exports and global growth over time. With a 3.6% global growth expectation next year, we anticipate 3.5% in Euro area export growth.

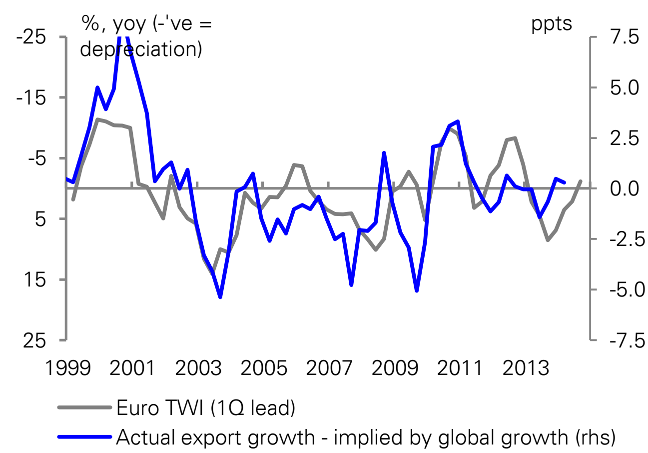
We take the error term between global growth and export growth and plot this against the Euro TWI in Figure 42. The rule of thumb from this chart would be for every 10% depreciation in Euro TWI it would add 3% to export growth, over and above what global growth suggests.

Figure 41: Tight relationship of global growth with Euro area exports



Source: Deutsche Bank, Haver, Eurostat

Figure 42: Euro TWI relationship with error term is as tight



Source: Deutsche Bank, ECB

DB's FX forecasts imply a substantial (c8% yoy) decline in Euro TWI by the middle of next year. Given the poor relationship between the error term and Euro TWI in Figure 42 however, we only factor around ¼ of the potential benefit from this and see export growth of 4.1% next year.

We do not expect this export outlook to offset strong growth in imports that should come with the expected acceleration in domestic demand growth we see for this year. As such we see a trade contribution of 0% to GDP growth next year.

Euro area growth summary

In our view, the outlook for domestic spending growth has strengthened during the course of this year, and in 2015 we expect outperformance of domestic growth vs GDP growth.

On the credit side, we have evidence of a rising trend in credit growth for the last 8 months now, strong lending surveys, a regulatory headwind that is past the worst, and we have also yet to get the first signs of whether the existing ECB actions - comprehensive assessment is finished, private QE has begun, TLTROs are yet to come - can help to accelerate credit growth.

On the fiscal side, the sizeable headwinds from fiscal tightening - cutting spending, raising taxes or some combination of both - seen in 2011-13 have moved to neutral.

We should also see some benefit from lower oil prices. Firstly through a boost to consumption through higher real disposable incomes, but we should also not ignore the fact that the fall in the oil price is weighing on headline inflation and inflation expectations, which is pushing the ECB into further action (public QE is expected by the end of 1Q15).

Meanwhile, the intensity of the sanction uncertainty that has dampened investment growth this year has abated in our view, and there are early signs of a recovery in some investment-related indicators. We would expect investment growth to be strong in a positive credit impulse environment – as we were seeing up until Q2 this year - since the measure includes credit to businesses. However, this does require close monitoring since the issue is technically unresolved.

With stronger domestic demand growth comes higher imports however. Although we see global growth that is marginally above trend in 2015 (3.6%), in our view this is not enough to deliver export growth substantial enough to deliver a positive contribution from net trade to GDP growth next year, even accounting for some (small) benefit from a weaker Euro.

Adding it all up, we do not expect upside from current consensus forecasts of 1.2% GDP growth for the Euro area next year. Upside risks to GDP growth are from global growth coming in better than we are expecting (perhaps due to a boost from the oil price), or if we are underestimating the impact from a weaker Euro on export growth.

1.5 Risks

Deflation

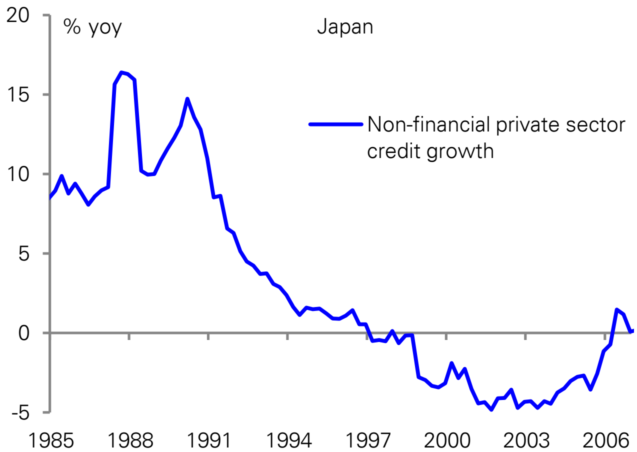
The market's sensitivity to this issue is high, and with the falling oil price, low / negative inflation will likely be a point of debate for some time yet. This raises the threat of bouts of volatility in equities.

We are more concerned about this market sensitivity of inflation headlines than the threat of inflation to the Euro area growth outlook. We find that given few examples throughout history with which to draw parallels, Japan is often used and this of cause raises the prospects for a very grim outlook indeed. We do not see Japan as a comparable however.

There are two key differentiating factors between the Euro area and Japan that in our view are not recognized as widely as they should be. Firstly, from a credit perspective the two are very different. After the bursting of the property bubble in the early 1990s, banks were not forced to recognize the poor state of their balance sheets, and were instead encouraged to carry on lending.

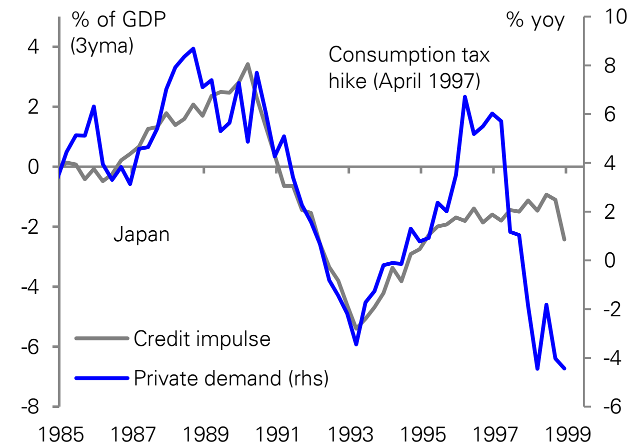
Because of this, credit growth took around 7 years before it even turned negative, and only began to level out in 2001 (Figure 43). Therefore Japan's "lost decade" had the characteristic of seeing a decade-long fall in credit growth, a negative credit impulse, which acted as a persistent drag to private demand growth. The lack of ability to generate domestic growth given the large credit headwind will likely have been a key factor behind the weakness in core inflation in Japan.

Figure 43: Credit growth falling for a decade



Source: Deutsche Bank, BoJ

Figure 44: Causing a persistent –'ve credit impulse



Source: Deutsche Bank, BoJ, CAO

The Euro area is in a very different place however since credit growth is already negative, and already rising, generating a positive credit impulse and a support for private demand growth. This in turn should help to support core inflation in the Euro area, which over the last year has been broadly stable in a range of 0.7-1.0% after falling from a peak of 1.7% in the middle of 2012.

The other factor that separates the Euro area and Japan is the policy response. Whatever one's view about how far behind the curve the ECB might be, compared to the BoJ, they have been extremely reactive to the threat of deflation.

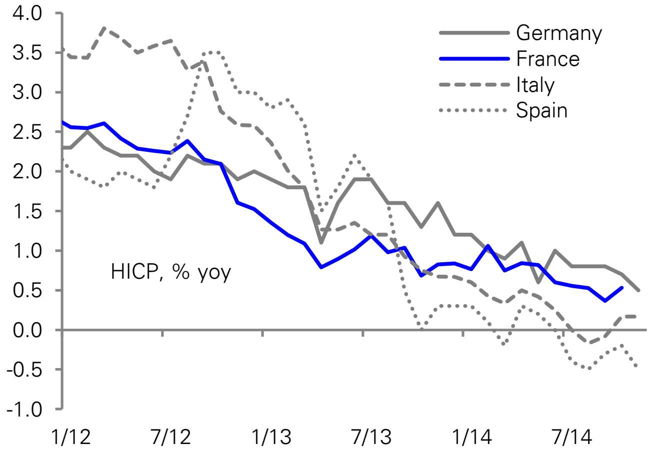
In March 2001, the BoJ cut rates back from 0.25% to 0% after raising them half a year earlier and also initiated their first QE program, which we estimate equated to 0.2% of GDP (vs about 5% of GDP that might be expected out of the ECB next year). At this point core CPI was -1.1% and had not seen a positive reading for about 2 and a half years, and had also not been above the level that the Euro area is currently seeing for about 6 years (not counting readings distorted by the April 1997 consumption tax hike).

There are also aspects of the inflation debate that we think are being ignored that are closer to home, and time period. Much of the concern around deflation is that it will have a pronounced negative effect on consumption and investment because households and businesses will delay their spending since prices will be cheaper in the future. If this is true then one of the first places that we should see private domestic demand (consumption and investment) growth suffering is in Spain.

Spain saw CPI reach 0% back in October last year (-0.1% on the national rather than harmonized numbers), and since July, prices have been falling year over year. Since Q3 last year however, private demand growth has accelerated by 350bps from -0.4% yoy to +3.1% yoy in 3Q14. This growth in Q3 private demand in Q3 was better than in the US.

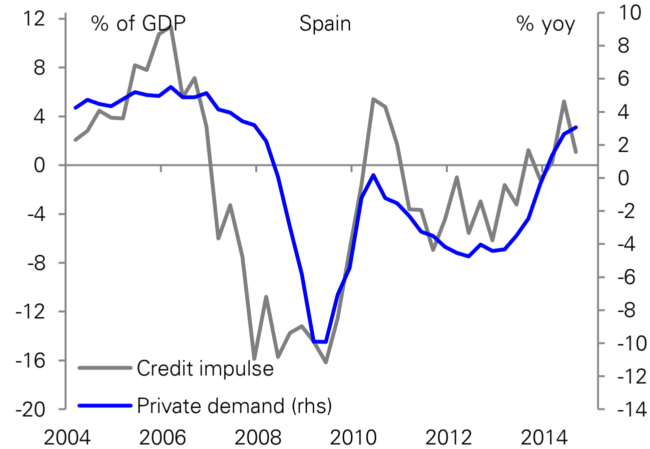
Clearly, one could frame an argument for this around there being a rebound from a very weak base, but since the yoy rate of private demand growth has risen in every one of the last 7 quarters, we don't think this can be put down to base effects. Instead we believe that it can be attributed to the support that private demand growth has from credit growth, which deeply negative but rising in Spain, producing a positive credit impulse.

Figure 45: Spanish inflation close to 0 / negative since Q3 last year



Source: Deutsche Bank, INE

Figure 46: Seeing strong acceleration in private demand however



Source: Deutsche Bank, ECB, Eurostat

Nevertheless, we must of course be watchful any signs that this is weakening, and the November Spanish PMIs, which showed a large deterioration in the more domestically linked services survey (albeit from strong levels) does increase our concern around deflation risk.

Essentially though, the picture for the Euro area is similar, credit growth is negative and rising, producing a positive credit impulse that has been supporting private demand growth despite falling inflation and a geopolitical headwind. This domestic growth should be helping to support inflation.

The concerns is weak inflation will drive stagnation in growth due to a delay in spending, but one must recognize that the weakness in inflation is to a large extent a function of the weakness of growth 12 months ago.

With all this in mind, we are more optimistic that deflation can be less of an issue for growth than many believe. The big risk to this view is that should the support from a positive credit impulse fade, or if inflation itself makes the credit support fade through rising real interest rates, then we believe this would place us in a much more dangerous situation. We do not yet see evidence of either however.

Geopolitics and politics

For now, geopolitical and sanctions risks appear to have moderated, but in the event of a flaring-up we would expect prospects for a re-acceleration investment growth to be dimmed once again. We suggest this is best monitored via Bloomberg news trends for "sanctions", as discussed earlier.

We are also aware of the rise in new or existing nationalist / populist political groups in many countries within the Euro area - UKIP in the UK, Podemos in Spain, Syriza in Greece, AfD in Germany, 5 Star Movement in Italy, National Front in France. Upcoming events in 2015 with the potential for tension include the Greek Presidential Election in February, the UK General Election in May and the Spanish Municipal / General Elections in May / December.

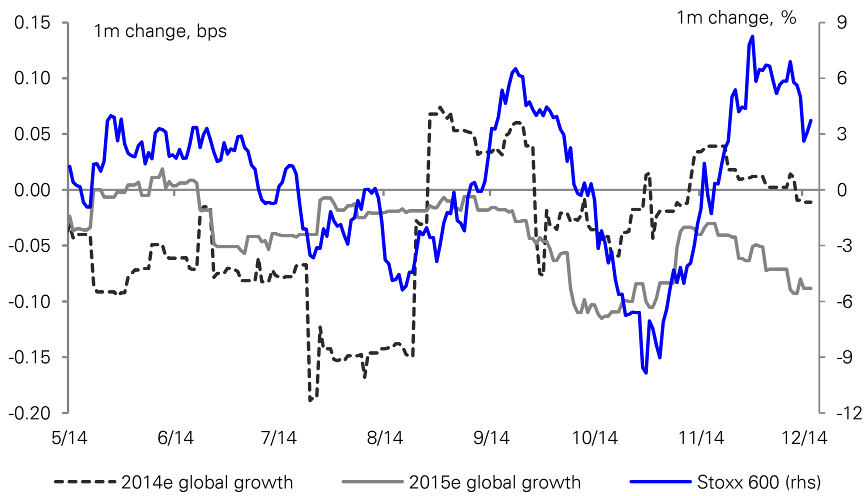
While we have no strong view on the likelihood of these political parties actually causing an upset to the balance of the European Union and a period of market stress, this is an issue one has to be aware of.

More global growth scares

We think the corrections seen in European equities this year (c7% from early July to early August, c11% mid September to mid October) can be largely traced back to a deterioration in global growth expectations.

Figure 47 below shows the 1m performance of the Stoxx 600 vs 1m change in consensus expectations for global GDP growth for 2014e/15e. We can see that before July, while global growth expectations were being revised down, there was no sharp drop. However, in early July, 2014e fell sharply (thanks to the US). During this period of decline, equity performance was negative, but recovered to positive territory as 2014e was revised back up.

Figure 47: Global growth revisions and SXXP performance



Source: Deutsche Bank, Bloomberg Finance LP, Datastream

In the middle of September the same thing happened again. 2014e began to be revised down (this time thanks to Euro area / Japan), and going into the back of September, 2015e began to be revised down more aggressively (mostly China post weak August monthly data, but Euro area too). Stoxx 600 performance subsequently entered sell-off territory.

In hindsight, we should have been more sensitive to these revisions in global growth expectations. Moderate downward revisions to initially high expectations is more the norm rather than anything to get too concerned about, but this suggests that in the event of sudden and sharp deteriorations, we should strongly consider adopting a more cautious stance, particularly given when valuations are looking full (as we shall discuss in the multiple section).

In highlighting the risks of these sudden deteriorations in growth expectations for equities, we should also highlight that post the downgrade momentum, these would have been very attractive entry opportunities if one's view was that the downgrades represented a short-term move rather than signaling a further collapse in global growth.

As we shall discuss in the earnings section, we think the risks of this happening are more limited and that in the event of another growth scare one should look to be buying on weakness.

2. YE'15 index target (Stoxx600)

2.1 Earnings forecast

European earnings are a global growth story, and we model our expectation for EPS growth based on our expectations for global growth and also FX. Global growth plays a bigger role in the equation, with a 1 standard deviation move in global growth (1.3%) translating into around 11% for EPS growth, but a 1 standard deviation move in FX (4%) translating into around 3% for EPS growth based on the sensitivities in Figure 48 below.

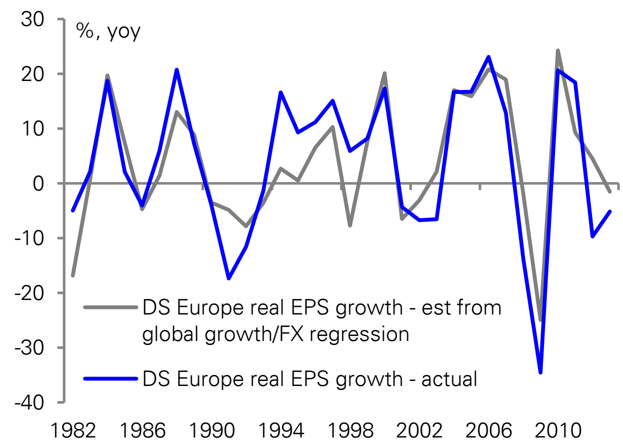
Notably, when we add the yoy change in the oil price into this regression, it doesn't register as statistically significant for EPS growth. We therefore believe that the impact to overall EPS growth from oil feeds off of the benefit or headwind that it will have on global growth.

Figure 48: DB Equity Strategy EPS growth model

Regression	Coefficient	t-statistic
Intercept term	-27.8	-6.9
Global GDP growth	8.8	8.4
Weighted avg EUR TWI and GDP TWI	-0.8	-2.4
Adjusted R-squared	0.69	

Source: Deutsche Bank

Figure 49: European EPS growth and DB model



Source: Deutsche Bank, Datastream

For both 2015 and 2016 global growth we use current DB expectations of 3.6% and 3.7%. We derive our FX assumption from DB's forecasts of 1.19 / 1.05 on EURUSD, and 1.59 / 1.50 for GBPUSD for 2015 and 2016 respectively.

We note that although the 2016 expectation for EURUSD appears aggressive, this is being offset to some degree in the way that we are taking GBP earnings into account. A weaker Euro vs Sterling offsets the weakness vs the Dollar to some degree.

Overall for FX, we are building in a 4% depreciation assumption for 2015 and a 3.5% depreciation for 2016. This is equal to or less than a 1 standard deviation move in the FX index we are using in our model over time, and therefore don't see the assumption as overly aggressive.

We model FX as adding about 3.5% and 3.0% to EPS growth in 2015 / 16 on the back of all this, which when added to the benefit from global growth we reach 7% / 8% *real* EPS growth, to which we add 1% from inflation.

Overall therefore, we expect 8% EPS growth in 2015 and 9% EPS growth in 2016 (nominal terms).

We are also cutting our 2014 EPS growth expectation to 1% based on global growth of 3.3% for 2014 and an FX headwind that take should take 1.5% from EPS growth. This implies further d/side to current consensus expectations of 3.2% currently (Figure 50).

Current 2014 global growth expectations are for 3.1% / 3.2% for consensus / DB. However, these look marginally too low based on the latest data.

Figure 51 shows the global composite PMI, which is an excellent indicator for global growth (qoq annualized). While it has moderated over the past 3 months it has been from a high level.

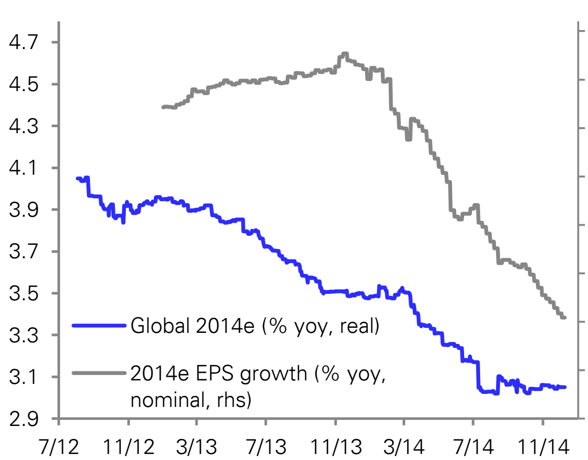
From June through to August the PMI had been running above 55, levels not seen since 2010. In November it fell 0.3pts to 53.2, but this is still consistent with global GDP growth of slightly above 3.5%.

As it stands (subject to revisions in GDP data), Q3 global growth is 3.6% after 3.6% in Q2, and a disappointing but US weather constrained 2.1% in Q1.

In order for global growth to come in at 3.1% in 2014 as whole, Q4 growth would need to collapse to 0%, and to get to 3.0% for 2014 (consensus), would have to turn negative.

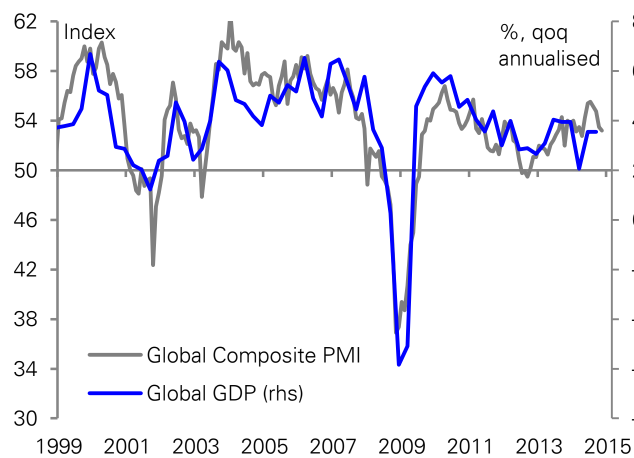
Given the readings in the global PMI, despite their softening in recent months, we see this as unlikely, and we therefore use 3.3% in deriving our 2014 EPS growth assumption.

Figure 50: 2014e global growth vs EPS growth



Source: Deutsche Bank, Bloomberg Finance LP, IBES

Figure 51: Global PMI vs global GDP



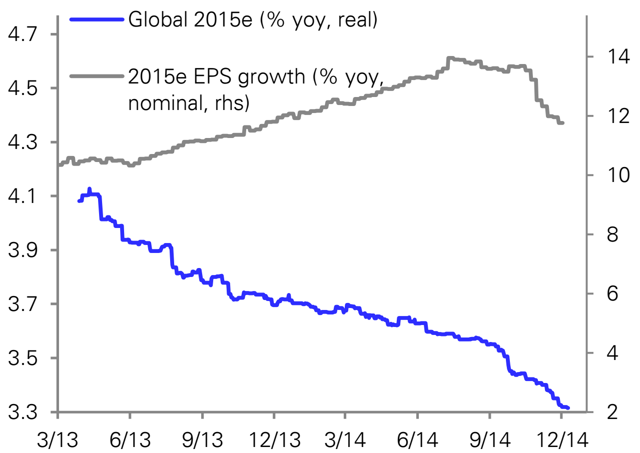
Source: Deutsche Bank, Haver, Markit

How do these assumptions for 2015 / 16 stack up relative to consensus? Well if one was hoping for an end to the EPS expectation downgrade cycle, we don't think that we'll be seeing it over the next year.

The charts below show global growth expectations against EPS growth expectations for the Stoxx 600. We have aligned the axes such that the translation between the two is according to the estimates of our EPS model.

Based on our expectations for 8% and 9% for 2015 / 16, we think EPS growth still has to come down a further c3.5% for 2015 and c2% for 2016.

Figure 52: 2015e global growth vs EPS growth



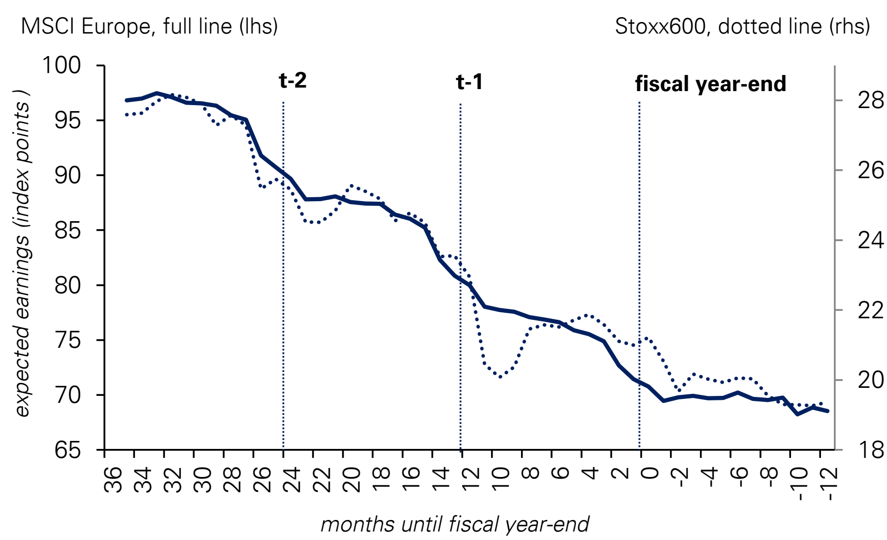
Source: Deutsche Bank, Bloomberg Finance LP, IBES

Figure 53: 2016e global growth vs EPS growth

Source: Deutsche Bank, Bloomberg Finance LP, IBES

A continuation of earnings downgrades is no reason to take a bearish stance on equities in our view. As we can see form the chart below, downgrades to EPS growth estimates are the norm on average, and clearly, over the past few years if one had refrained from buying because revisions were negative, they would have missed out on significant returns.

Figure 54: EPS downgrades are the norm over time



Source: Deutsche Bank, IBES, Datastream

What does matter is whether 1yr fwd EPS expectations are at the level we expect by the end of next year, and whether we are correct about the multiple the market places on these expected earnings. Whether EPS growth expectations are currently too high (or indeed, too low) relative to these expectations is neither here nor there in our view.

Evaluating expectations

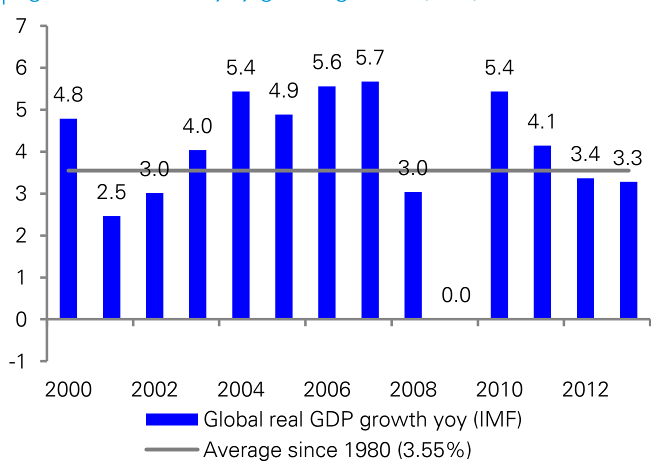
In our view, the expectations for global growth and EPS growth outlined above are very reasonable. We explain why below.

- **The current state of global growth is underappreciated**

  We often hear that the current state of global growth is weak and fragile. Whatever the issues may be in the various regions globally - China growth facing a hard landing, weak Euro area growth, Japan growth that has failed to see sustained acceleration - it's important to note that global growth has been running at trend (3.5%) for since the start of 2013 on average, and the latest composite PMI data at 53.2 does not suggest we should be looking for any change to this (see Figure 51).

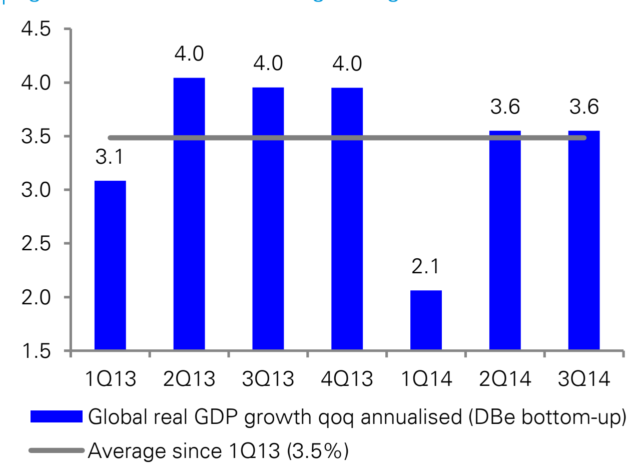
  To say that global growth is weak recently, to us at least, implies that it has been worse than average, but this has not been the case. The way that we think about our expected global growth improvement next year is that it is just 10bps better than the run rate seen since the start of 2013, and for 2016 we are only looking for a further 10bps improvement. This is not a dramatic improvement relative to the status quo.

Figure 55: Annual yoy global growth (IMF)



Source: Deutsche Bank, IMF

Figure 56: QoQ annualized global growth since 1Q13



Source: Deutsche Bank, Haver

Perhaps a better explanation for the consistent downbeat view on global growth is that it has failed to live up to expectations. However, placing ourselves in year ahead outlook writing periods (i.e. end of November) over the past couple of years shows 1yr forward expectations that are actually consistent with the 3.5% run rate that we have seen since the start of 2013 (Figure 57).

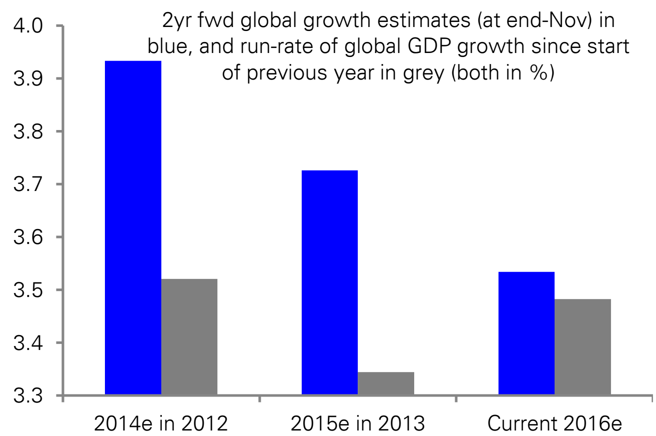
Where recent global growth has been disappointing however has been relative to the 2yr fwd expectations (Figure 58). At the back end of 2012, expectations for 2014e were 3.9% with a run rate since the start of 2011 of 3.5%. At the back end of 2013, expectations for 2015e were 3.7%, compared with a run rate of 3.3% since the start of 2011.

This rebasing of optimistic expectations has continued, with cons expectations for 2016 at 3.5%, compared to the run rate of growth since the start of 2013 of 3.5%. We would therefore argue that consensus expectations appear to be significantly more reasonable than they have been in past years, and this increases the chances for upside surprise.

Figure 57: 1yr forward global growth expectations

Source: Deutsche Bank, Bloomberg Finance LP

Figure 58: 2yr forward global growth expectations vs prevailing run rate



Source: Deutsche Bank, Bloomberg Finance LP, Haver

- Boost to global growth from oil

  DB's House View is that the fall in the oil price could boost global growth by 0.2-0.4%. Since the start of October, when the sell-off in oil began to accelerate, neither DB's global growth expectations nor consensus growth expectations have shown any upward revision. We anticipate there could be upside to global growth expectations when the effects from lower oil are fed into forecasts, thereby presenting an upside to our EPS growth forecasts

- Stickiness of EPS expectations

  The final upside is more technical than fundamental in nature, but nevertheless we still see it as an upside risk. As we can see back in Figure 54, EPS growth expectations have a tendency to be too high, even until past the end of the fiscal year. Even if we are eventually right on our EPS growth expectations, if see this pattern of overestimation persist, the earnings level on which the market is valued may end up higher than our own expectations.

2.2 Multiple forecast

The re-rating in European equities has been significant over the past 3 years, rising from around 9x 12m fwd to just over 14x currently.

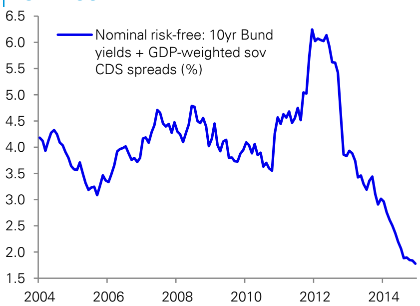
The driver of this re-rating has primarily been the dramatic fall in the risk-free rate in Europe, which we define as the 10yr Bund yield plus GDP-weighted sovereign CDS spread. From a peak of 6.2% in December 2011 it has fallen to 1.8% currently (Figure 59).

Prior to this year, the fall in the risk-free was mostly because of a re-pricing of sovereign risk as the fears of a Euro area sovereign crisis and potential break-up dissipated (Figure 60).

In 2014 however, the fall has mostly been down to the decline in Bund yields, which have moved from close to 2% at the start of the year to about 0.75% currently. The price of protecting Europe's sovereign debt against default has been broadly stable relative to the start of the year, given it has started to move upwards over recent months. CDS levels remain around where they were in 2010.

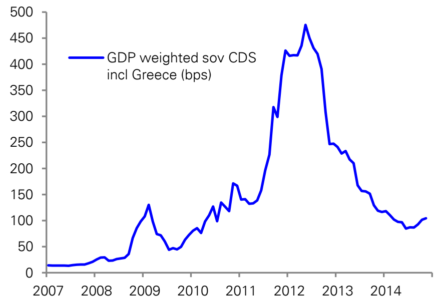
The fall in the nominal risk-free rate this year has been offset somewhat by the decline in inflation expectations, which on the 5Y5Y measure we build into our model has fallen from around 2.2% to 1.8% currently. Falling inflation expectations over the past few months means that the real-risk free rate has been broadly stable around 0% since June (Figure 61).

Figure 59: Massive fall in nominal risk-free



Source: Deutsche Bank, Datastream, Bloomberg Finance LP

Figure 60: CDS around 2010 levels



Source: Deutsche Bank, Bloomberg Finance LP

Figure 61: Real-risk free at 0%

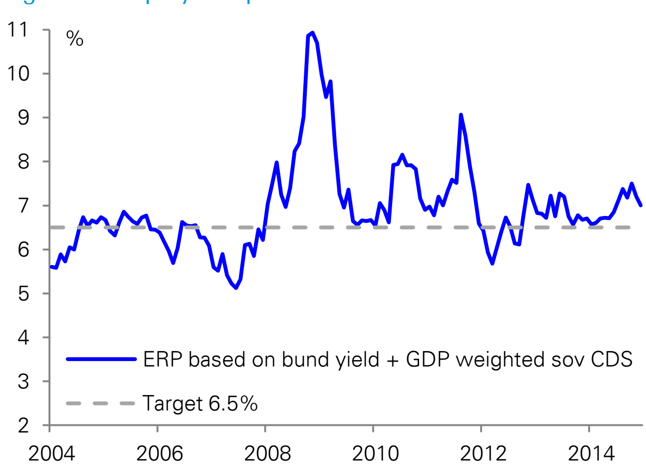
Source: Deutsche Bank, Bloomberg Finance LP, Datastream

From this real risk-free rate in Figure 61 we can estimate the level of risk that the equity market is pricing in by subtracting it from the fwd earnings yield (i.e. the inverted fwd PE) of the Stoxx 600. This is the equity risk premium (ERP) shown in Figure 62.

What we can see from this chart is that rather than equities being priced with a low level of implied risk, the valuation currently reflects a still elevated level of risk since the ERP is still around 7% versus what we would consider a normal level of 6.5%.

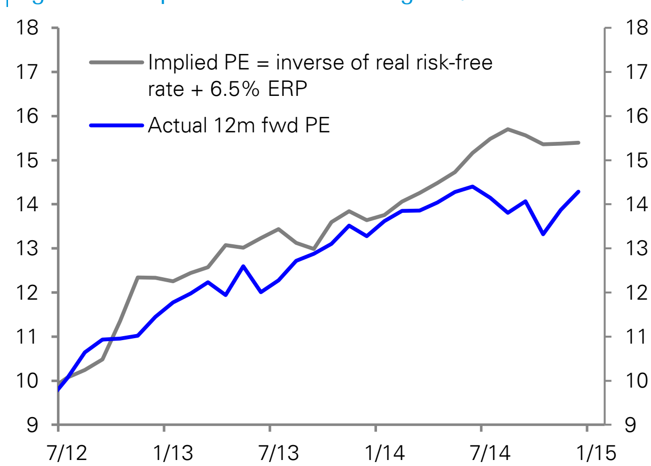
If the Stoxx 600 were to price this more normal 6.5% ERP level now, the fwd PE should be at 15.2x vs the 14.3x that it currently sits on (Figure 63).

Figure 62: Equity risk premium remains elevated



Source: Deutsche Bank, Bloomberg Finance LP, Datastream, IBES

Figure 63: Implied fwd PE assuming 6.5% ERP



Source: Deutsche Bank, Bloomberg Finance LP, Datastream, IBES

We find this way of looking at the level of risk that equities are pricing in very helpful, particularly during sell-offs like the ones we saw in early August and the middle of October.

In early August the ERP had risen to around 7.6% and in the middle of October with the Stoxx 600 down to a low of 303 the ERP had shot up to about 8.1% (these are not visible in Figure 62 since this shows the monthly averages). This told us that the level of risk being priced in European equities was significantly above the levels seen for most of the past 3yrs, and was more consistent with what we were seeing during late 2010 / late 2011 when fears around the Euro area sovereign crisis and potential break-up were at their highest.

Against these historical benchmarks we could assess the prevailing macro environment, and despite the signs of deterioration in the Euro area, it seemed a lot more supportive then it was in late 2010 / 11 (supportive credit picture in the Euro area, global PMI significantly above where it had been over the past few years).

To us this was a significant reason to remain positive on equities, and in future sell-offs we will continue to rely on this method of sense-checking.

So what about next year? In an environment where we see potential for macro improvements in the Euro area, solid growth environment for global GDP growth at slightly above trend rates, and the possibility for sovereign QE early on in the year, we think that moves in ERP should be down from here, Bund yields up from here, sovereign CDS up marginally from here to account for heightened political risk and inflation expectations slightly better than current levels (which would benefit if declines in the oil price abate).

We therefore use DB's expected Bund yield of 1.1% by the end of next year, a GDP-weighted sovereign CDS spread of 140bps and inflation expectations of 2% to get a real-risk free rate of 0.5%. We then add a 6.5% ERP (in line with long-run normal levels) to get a 7% fwd earnings yield target, which inverted is a 14.3x (12m) fwd PE.

We will be very cognizant of the level of the ERP next year. In the same way that we found it very informative when it was very high during the sell-offs in August / October, we will recognize when it is in line with our 6.5% target and react accordingly. With headline forward valuations high against history and susceptible to volatility in macro data as we have discussed in this section, we would strongly consider taking the opportunity to pull back from a positive stance in the event that risk in equities appears to be fairly priced.

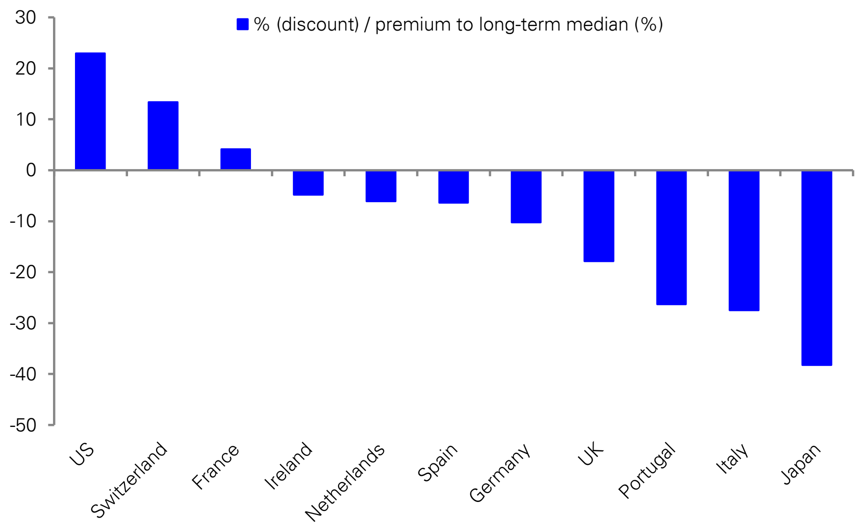
CAPEs

While not especially relevant to the shorter-terms views on the market, it is nevertheless reassuring that on a more fundamental basis, most European equities markets look cheap relative to their history.

Figure 64 shows the cyclically adjusted PE (CAPE) for various markets globally, which looks at the inflation adjusted price of the market in relation to the 10yr average, inflation adjusted earnings. Adjusting for inflation makes the measure more comparable across various markets, and using 10yr average earnings helps to smooth out the effects of the cycle.

With the exception of Switzerland and France, all major European markets are sitting at a discount to their long-run median CAPE. The UK, Portugal and Italy in particular are on steep discounts to their history. Spain is still at a discount but the discount has narrowed sharply over the past couple of years.

Figure 64: CAPEs below historic medians in most European countries



Source: Deutsche Bank, Datastream

2.3 Deriving our index target for year-end 2015

Summing up all of the assumption gets us to a target of 365 for the Stoxx 600 next year, which at current levels would deliver a 9.5% price return or 13% in total shareholder returns, assuming a dividend yield of 3.5%.

Clearly, the re-rating that we have seen since the market low in the middle of October has eaten into a significant amount of the return potential that we see. With the market rating currently more or less in line with our target multiple for the end of next year, we rely on the earnings recovery, which is a function of global growth and FX, to deliver the returns for next year.

Figure 65: SXXP year-end 2015 target summary

	2013	2014E	2015E	2016E
Global GDP growth	3.3%	3.3%	3.6%	3.7%
FX tailwind / (headwind), ppts	-2.7	-1.5	3.3	2.9
Implied DB top-down EPS targets (index points)	21.2	21.5	23.3	25.5
Consensus bottom-up	*21.2*	*22.0*	*24.5*	*27.2*
Above (+) / Below (-) consensus		*-2%*	*-5%*	*-6%*
DB top-down EPS growth		1%	8%	9%
Consensus bottom-up (%)		*3%*	*12%*	*11%*
Target 12m forward PE (x)		14.3	14.3	
Stoxx 600 index target		**335**	**365**	
DAX index target			11000	
FTSE 100 index target			6800	
Target multiple assumptions				
10yr Bund yield			1.1%	
(+) GDP-weighted sovereign CDS spread (bps)			140	
(=) Nominal risk-free rate			2.5%	
(-) Inflation expectations			2.0%	
(=) Real risk-free rate			0.5%	
(+) Equity risk premium			6.5%	
(=) Target fwd earning yield			7.0%	
(inverted =) Target fwd PE (x)			**14.3**	

Source: Deutsche Bank

3. Global outlook / EU countries

3.1 Introduction

We believe that US growth should continue to be well supported by a positive credit impulse and a receding fiscal drag, and we use DB's house view of 3.5%. China is facing a headwind from a negative credit impulse which is weighing on investment growth. There are also risks around the property sector, which continues to see declining prices. However, we believe that domestic demand growth in US / Euro area should be supportive of decent export growth and signs from the increasingly important services sector have been encouraging. We also use DB's forecast of 7%.

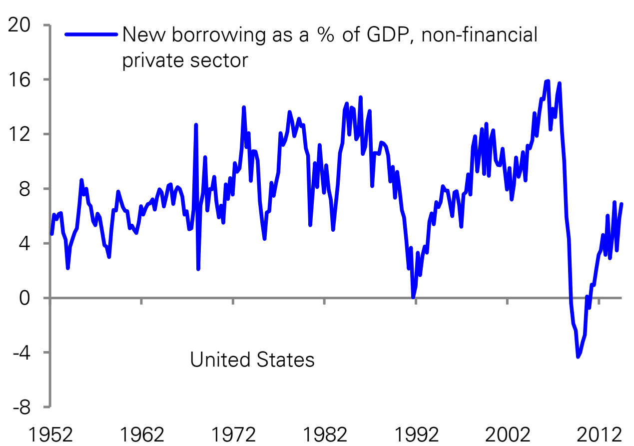
From a credit impulse perspective, the picture continues to look difficult in Asia ex-China / ex-Japan, and Latam, where credit growth continues to fall and the credit impulse is negative. This does not suggest significant further downside to growth from current levels however. In EMEA the fall in credit growth has been more moderate.

3.2 US

As we show towards the beginning of this report, the fiscal drag is expected to ease further in 2015, by about 0.7% of GDP after easing by around 1.5% in 2014. This is supportive for an improvement in domestic demand growth in addition to the backdrop of a positive credit impulse.

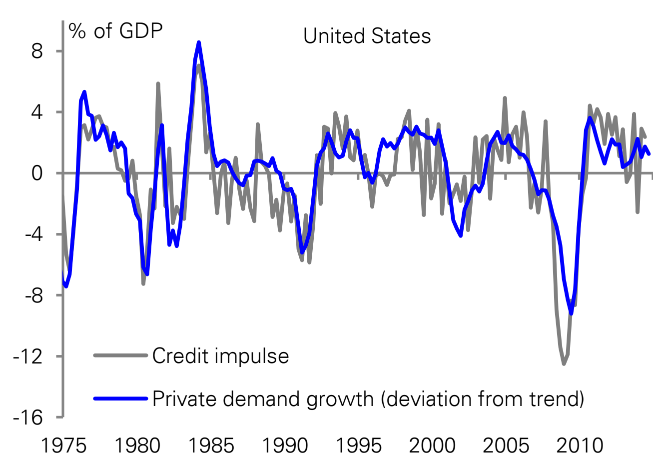
The US credit impulse has been positive on average for a number of years now, which has helped to drive solid private demand growth that on average has been slightly higher than during 2002-07. Since new borrowing as a % of GDP still looks relatively moderate versus history (Figure 66), and that credit conditions continue to ease overall according the most recent Senior Loan Officers Survey, we continue to expect a positive credit impulse next year around the 1-1.5% of GDP level.

Figure 66: US new borrowing as % of GDP still moderate



Source: Deutsche Bank, BEA, FRB

Figure 67: US credit impulse vs private demand growth



Source: Deutsche Bank, BEA, FRB

3.3 China

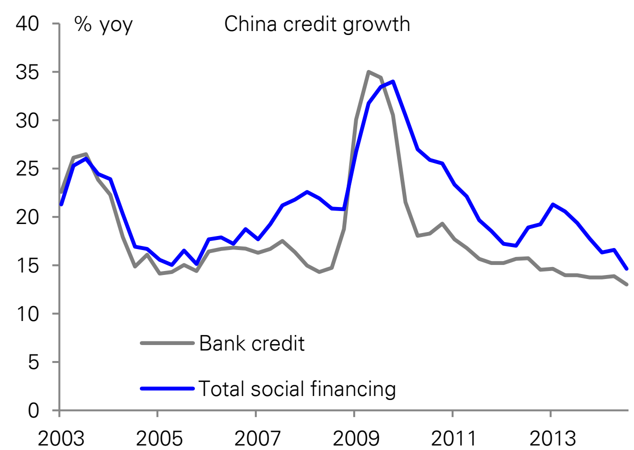
China is an uncertain yet important variable within the global growth picture (it accounts for around 45% of the contribution to global GDP growth in 2015). Our assumption is that China continues to see a slowdown, but no collapse in growth. We use DBe of 7% yoy for 2015, which is in line with consensus expectations.

China is facing an ongoing headwind from credit as the excess credit growth resulting from the government stimulus and expansion of the shadow banking system unwinds.

A significant amount has been done already. Both bank credit growth and total social financing growth (i.e. bank lending plus shadow bank lending) have fallen to the lowest in at least a decade (Figure 68), and this negative credit impulse is acting as a drag on fixed asset investment (Figure 69).

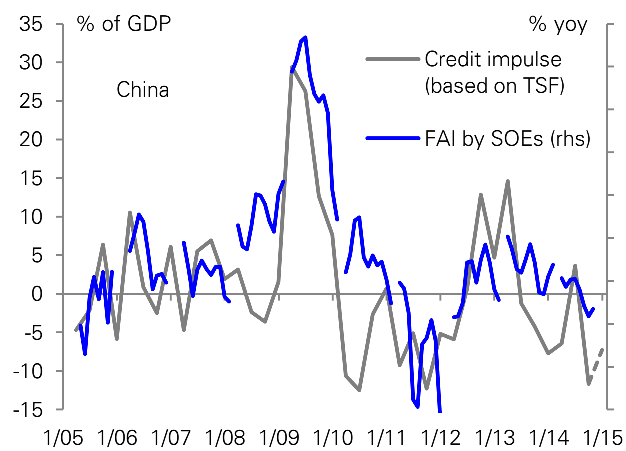
We suspect that credit may continue to be a drag on the economy, but to the extent that a negative credit impulse has been the norm since the middle of 2013 and we have not seen a collapse in growth yet, we think that this could remain the case over 2015.

Figure 68: China credit growth down to lowest in at least a decade



Source: Deutsche Bank, PBoC

Figure 69: Negative credit impulse continuing to drag on investment growth



Source: Deutsche Bank, PBoC, CNBS

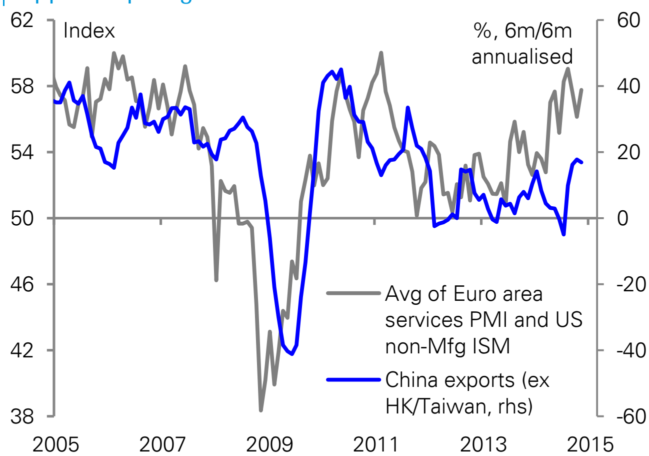
Of course, there are big risks with China, particularly around the property sector. Prices are falling and property investment is dragging on growth. DB's China economist's view is that this won't likely start to pick up until sometime in 1H15 at the earliest, despite the recent cuts in the policy rate for the first time since 2012.

But we see support from the domestic growth picture in both the US and Euro area, which should feed through to decent export performance for China. Figure 70 below shows the average of the Euro area services PMI and the US non-Mfg ISM in order to reflect the strength of the domestic economies for those two regions. We can see that, although far from perfect, the relationship is adequate.

Despite the recent softening in the Euro area services PMI, the US non-Mfg ISM has strengthened materially and the average of the two over the past few months has on average been running at the levels in the years before the financial crisis. Based on this one would hope to see some acceleration in China export growth ahead of us.

Note we exclude Hong Kong and Taiwan from our measure of China exports in order to adjust for the over-invoicing issue that has been occurring on and off since the start of 2013 and has artificially boosted exports to those areas artificially to some degree.

Figure 70: US / Euro area domestic strength should support export growth



Source: Deutsche Bank, Haver

Figure 71: Services PMI has become more important for growth and is strengthening

Source: Deutsche Bank, Haver, CNBS, Markit

While a lot attention is paid to the manufacturing PMI as a barometer of health for the Chinese economy, one should also look at the services side of the economy.

The service industry overtook the secondary (manufacturing / mining / construction) industry in size at the end of 2012 and the gap has been widening since growth rates have been higher in services (between 10-15% yoy) than in secondary (between 5-7% yoy). This means that in terms of contributions to GDP growth, services is close to 2x more important than secondary (Figure 72).

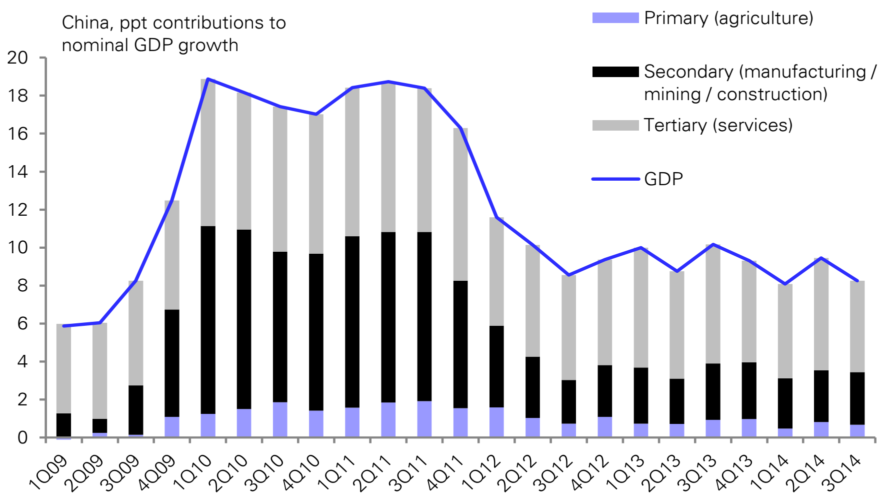
This significantly raises the importance of the services PMI. Figure 71 above shows that the new business component of the services PMI has, at least in the context of China data, a very decent relationship with service industry growth in the GDP numbers. What was interesting about the November batch of global PMIs was that this series saw an improvement to the best level since May 2012.

If we see services growth accelerate in line with the PMI, this would be a significant tailwind to growth. Roughly speaking, an acceleration from 10% yoy growth to 15% growth would add just over 2% to the yoy rate of nominal GDP growth given that services now makes up about 47% of GDP.

We do not see a potential rise in service sector growth as being expected given that consensus GDP growth forecasts are for 7.3% yoy in 4Q14 and 7.2% yoy in 1Q15.

A final note on China is that since it is a net importer of oil it stands to benefit from the fall in the oil price.

Figure 72: China GDP growth breakdown by industries



Source: Deutsche Bank, PBoC, Haver

3.4 EMs

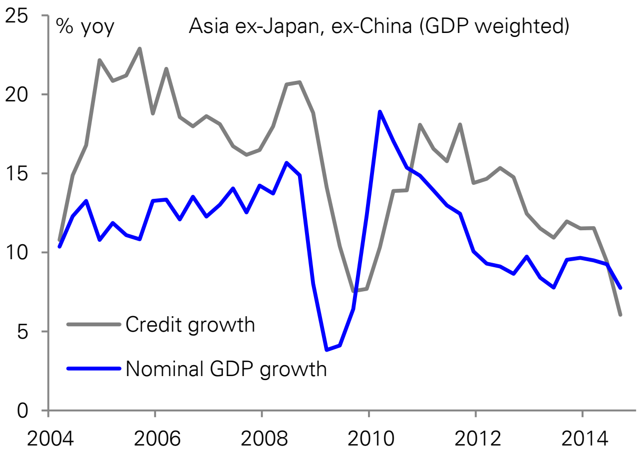
Here we take a look at the credit impulse picture for the various regions in EM. In all cases the credit impulse is negative / neutral and implies no imminent pick-up in growth. However, in Latam and particularly in Asia ex-Japan, ex-China after the recent sharp decline, credit growth is looking low relative to its history.

We continue to look for signs of stabilization in credit growth in these regions, which would return the credit impulse back to neutral, supporting growth, but as of yet, see little evidence of this.

The implication for global growth from this is quite limited. In none of the regions does the credit impulse imply material downside to current levels of growth, and even if we continue to see some deterioration, with very little pick up in growth anticipated for these regions next year, it implies limited downside risk to overall global growth expectations.

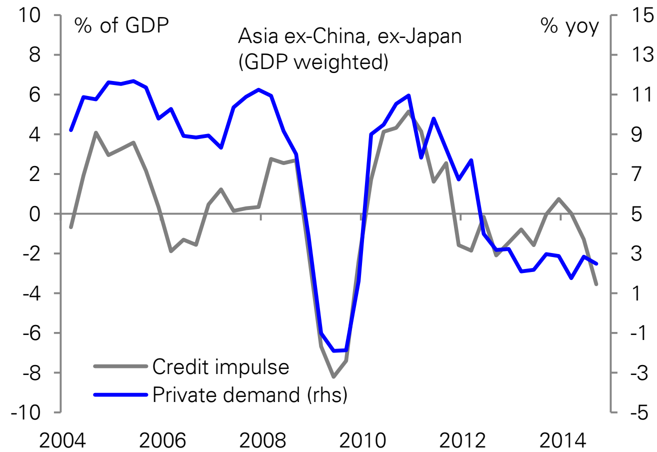
A turn in the credit picture, which has been a drag for nearly three years now in Latam, and Asia ex-Japan / ex-China, may offer some specific opportunities within the European equity space in the future, but not at this stage in our view.

Figure 73: Asia ex-Japan / ex-China credit growth



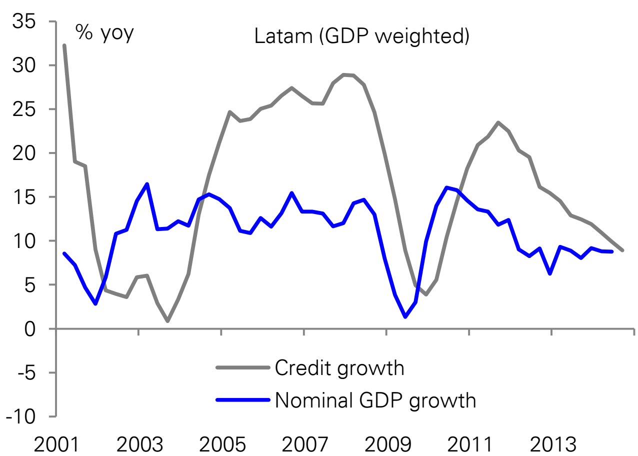
Source: Deutsche Bank, Haver

Figure 74: Asia ex-Japan / ex-China credit impulse



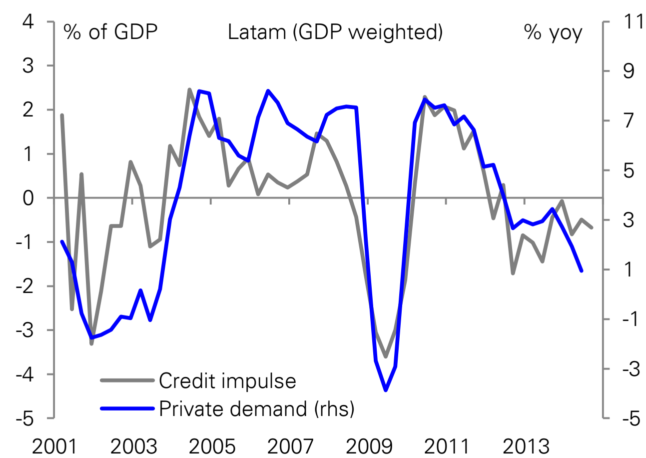
Source: Deutsche Bank, Haver

Figure 75: Latam credit growth



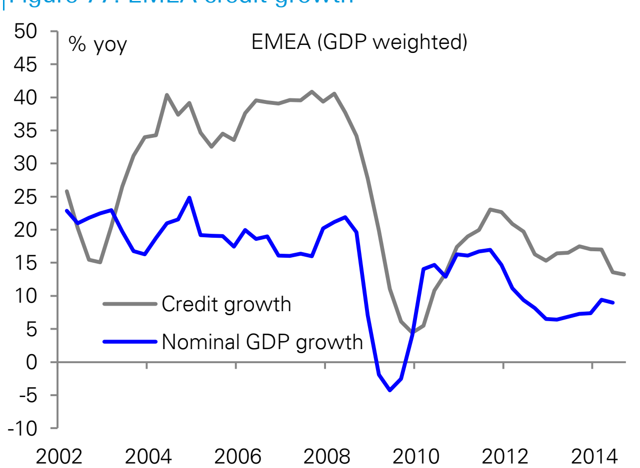
Source: Deutsche Bank, Haver

Figure 76: Latam credit impulse



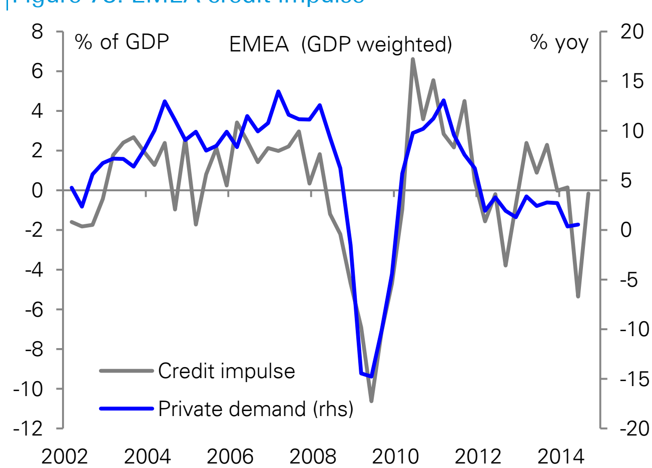
Source: Deutsche Bank, Haver

Figure 77: EMEA credit growth



Source: Deutsche Bank, Haver

Figure 78: EMEA credit impulse



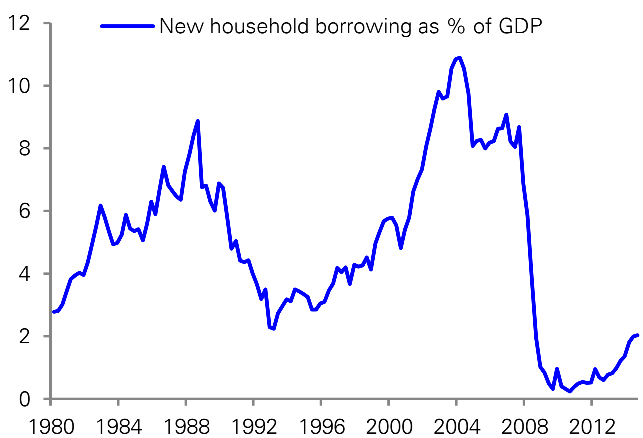
Source: Deutsche Bank, Haver

3.5 European countries

UK

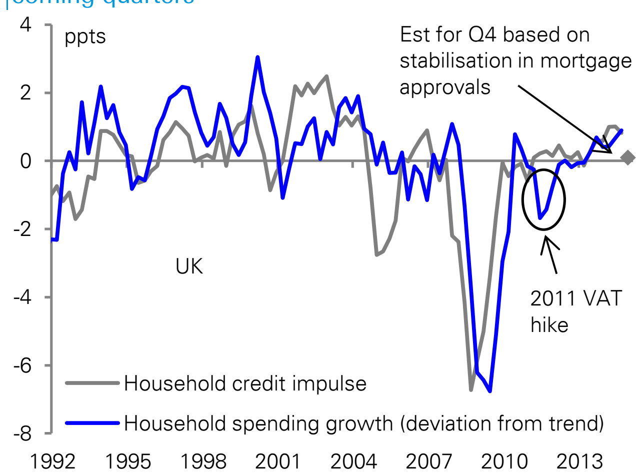
We believe that strong growth in the UK economy has been driven to a large extent by new household borrowing (mortgages and credit cards) that's still very low in historical context, but has been rising (Figure 79). This positive credit impulse has driven real household spending growth (c65% of GDP) up to 2.8% yoy in Q3 (vs trend growth of 1.9% according to the OECD).

Figure 79: UK new household borrowing still very low



Source: Deutsche Bank, ONS, BoE

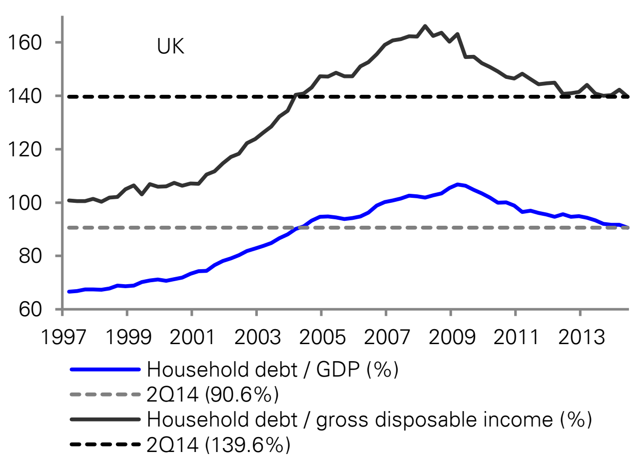
Figure 80: UK credit impulse - downside risks over coming quarters



Source: Deutsche Bank, ONS, BoE

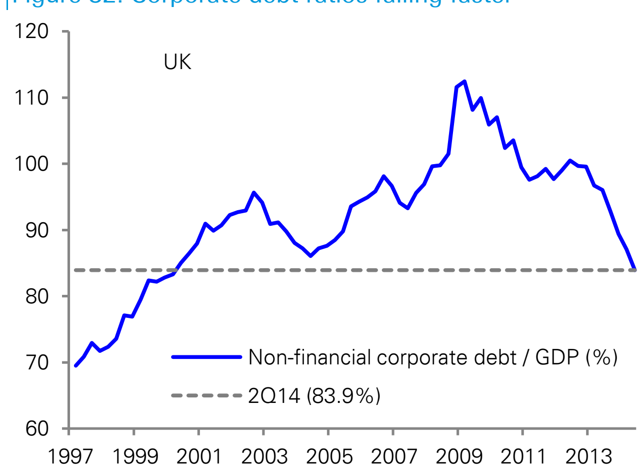
These low but rising levels of new household borrowing which have generated decent levels of growth has meant that debt ratios have already seen substantial declines. Household debt to GDP and debt to gross disposable income ratios are the lowest since the start of 2004 (Figure 81). Given an even slower recovery in non-financial corporate new borrowing, the decline in the debt to GDP ratio has been even more dramatic, with the level currently the lowest since early 2000 (Figure 82).

Figure 81: Household debt ratios falling



Source: Deutsche Bank, ONS, Haver

Figure 82: Corporate debt ratios falling faster



Source: Deutsche Bank, ONS, Haver

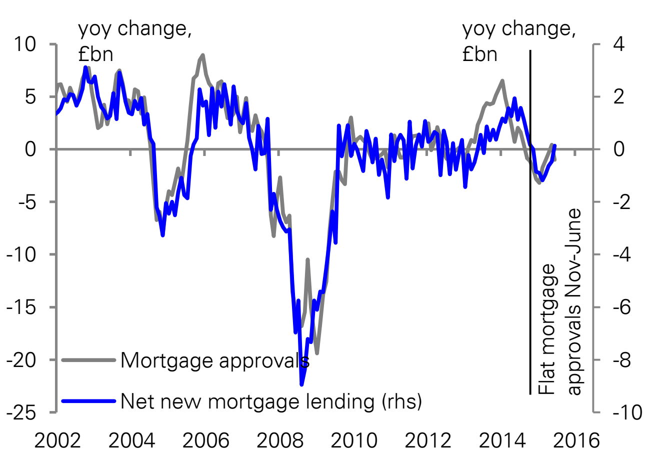
We see downside risk to growth from a credit perspective however. While longer term the UK is a strong positive case given the scope for new borrowing to rise further and still be low relative to historical levels, a headwind to mortgage lending has come from the implementation of the Mortgage Market Review back in April.

The new rules have increased the rigor of the mortgage application process, and the effect of this has been clear in the way that mortgage approvals have turned around from rising strongly yoy at the start of the year, to falling yoy as of September. Mortgage approvals have been declining month over month since February. As Figure 83 shows, there is a strong link between mortgage approvals and changes in net mortgage lending, which feeds directly into the credit impulse.

If mortgage approvals fail to pick up from current levels, the credit impulse will likely head back to neutral in Q4 from positive in Q3, and possibly dip into slightly negative territory at the start of 2015. The relationship between the credit impulse and household spending growth (Figure 80) has been extremely good over recent quarters, and because of this we see risks of a slowing in growth.

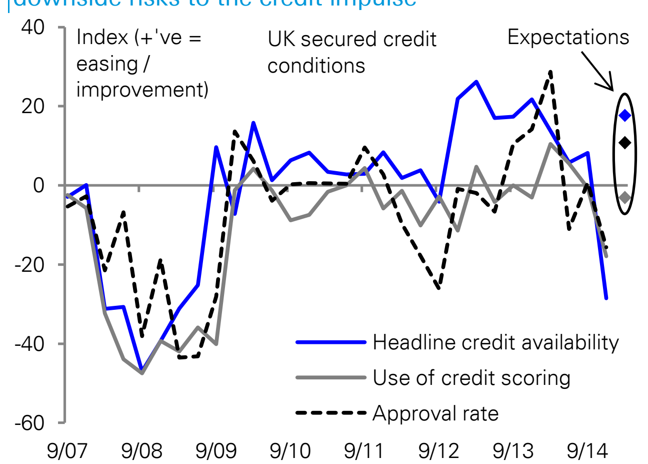
This is expected to some degree with Bloomberg consensus GDP forecasts of 3% / 2.8% / 2.7% yoy in 4Q14 / 1Q15 / 2Q15 respectively, but the credit impulse picture would suggest there is potential to slow more than currently expected. The fall may be offset to some extent by falling inflation and the boost to real disposable incomes coming from a fall in the price of oil but nevertheless, we would prefer to avoid this potential risk.

Figure 83: Reversal in mortgage approvals



Source: Deutsche Bank, BoE

Figure 84: Expected pick up again, but presents downside risks to the credit impulse



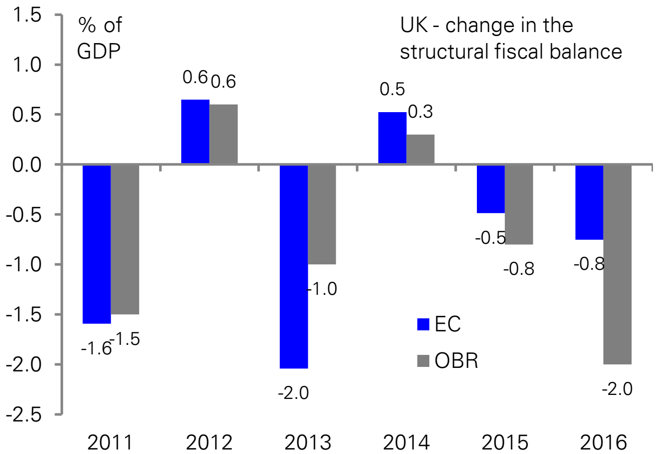
Source: Deutsche Bank, BoE

How long might this last for? Signs from the latest BoE credit conditions survey back in early October were encouraging that we could see some turnaround in mortgage approvals, and mortgage lending. After the survey showing a sharp deterioration in the approval rate, the banks are now expecting a decent improvement (Figure 84). This suggests the dip in approvals and lending would only be temporary and that the credit impulse picture could pick up once again in 2H15.

The downside risk to growth from the credit picture is compounded by the fiscal picture. After seeing a large degree of tightening in 2013, this moved to a slight degree of easing in 2014 should be beneficial for an improvement in growth.

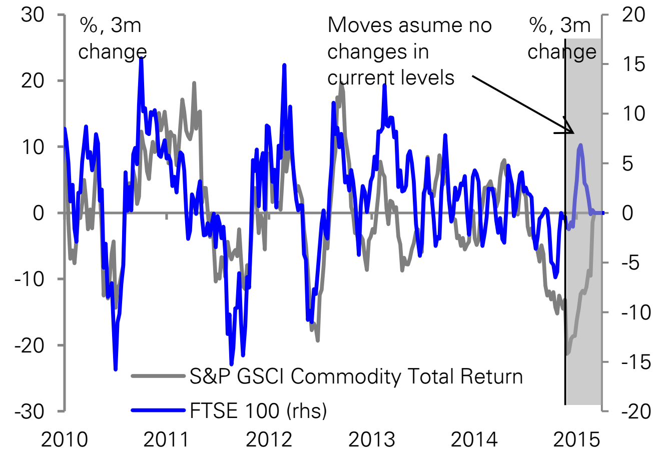
However, estimates from both the EC and the OBR show a move back down into tightening in 2015 and further into 2016 (Figure 85). This fiscal drag is likely to weigh on growth over the next couple of years, and is in contrast to what we are seeing in both the Euro area and the US.

Figure 85: Fiscal drag increasing in 2015/16



Source: Deutsche Bank, European Commission, OBR

Figure 86: Commodity sensitivity of the FTSE 100



Source: Deutsche Bank, Datastream

Against the backdrop of a headwind to growth from both the credit and the fiscal side in 2015, the UK also faces political risk next year with the General Election in May. With the introduction of UKIP into the political mix, there is potential for more uncertainty to come out of this election than what we have seen before.

With risks to growth and also political risk next year we position to be underweight the domestic FTSE 250 index relative to the Euro Stoxx.

The negative UK growth story is less likely to weigh on the more global FTSE 100 index, but we also see some continued downside risk on the back of commodities over the coming months.

Figure 86 shows that large swings in commodities prices (measured here by the S&P Goldman Sachs commodities index) are very well correlated with large swings in the FTSE 100 index, which has around 22% market cap exposure to the Oil & Gas and Basic Resources sectors.

Assuming a stabilization in commodities prices at current levels would suggest an ongoing headwind to FTSE 100 performance over the coming three months. However, with the recent move up in the index, there appears to be a pricing of a decent upswing in commodities prices. With this being a large source of uncertainty to our minds, we would also be underweight the FTSE 100 relative to the Stoxx 600 this year.

We target 6,800 on the FTSE 100 for the end of 2015.

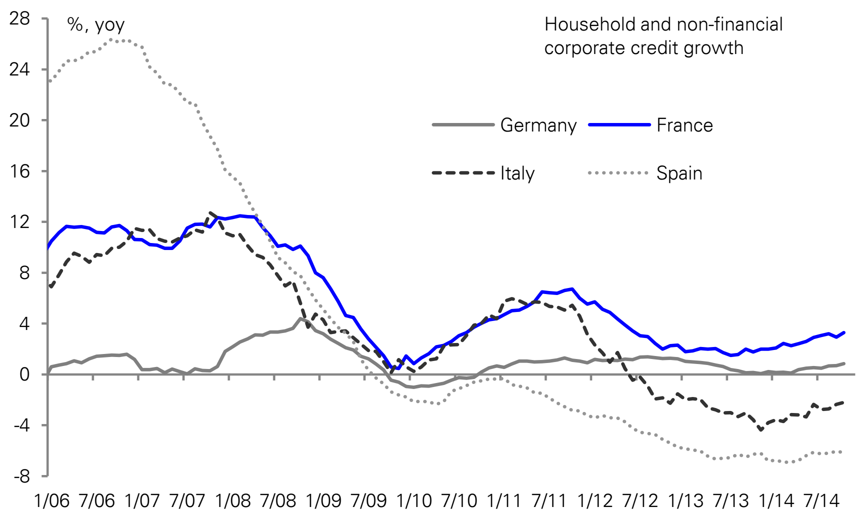
Big 4 Euro area economies (Germany, France, Italy, Spain)

As with all our macro views, the credit impulse outlook is the first and most important consideration. The most positive outlooks from this perspective are Spain and Italy.

Figure 87 below shows the level of credit growth in each of the Big 4 economies and what we can see is that in both Spain and Italy it is still deeply negative (-6.2% yoy and -2.2% yoy respectively).

In both cases, the level of credit growth is rising, generating a positive credit impulse, and supporting private domestic demand growth, and taking the more extreme case of Spain, this has the potential to go on for a while. If we assume that the level of credit growth can rise by 1ppt per year there will be over 6 years of a positive credit impulse in Spain before we see lending growth turn positive.

Figure 87: Credit growth negative / low and rising in all Big 4 Euro area countries

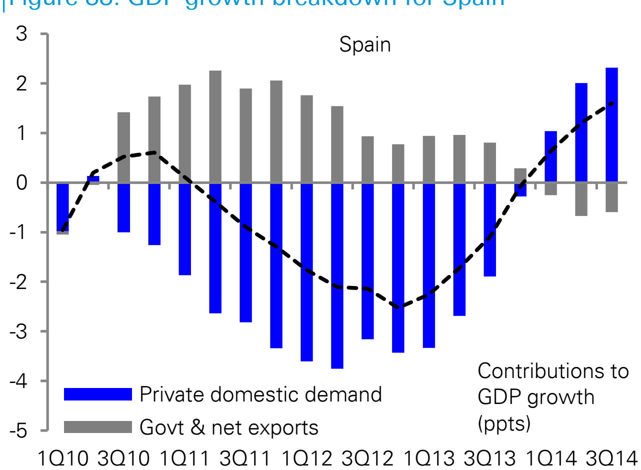


Source: Deutsche Bank, ECB

The improvement in Spanish growth has been clear to see this year with the rate of GDP accelerating from -1.1% yoy in 3Q13 to +1.6% yoy in 3Q14. This turnaround in Spanish growth has been driven by private demand, which has gone from being a 4.5ppt drag to GDP growth to contributing 2.5ppt in 3Q14.

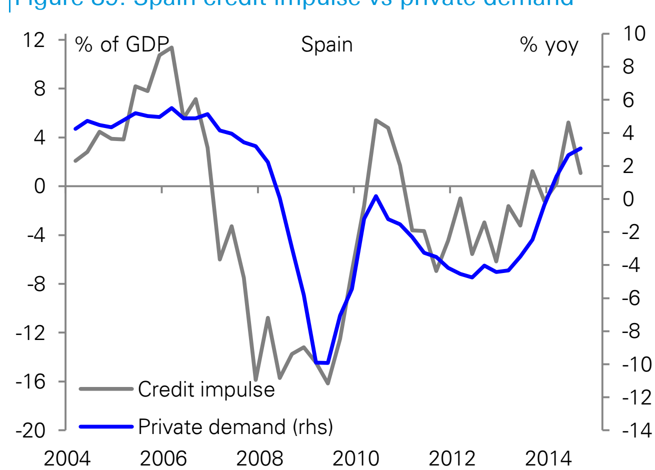
What has been dragging on GDP growth in recent quarters has been net exports. Export growth has picked up, but given the strength of domestic demand, imports have surged (8.2% yoy in Q3), taking the trade contribution down to -0.8 ppts in each of the past 2 quarters (Figure 88). The acceleration in private demand growth has been nicely in line with what the credit impulse has been suggesting (Figure 89).

Figure 88: GDP growth breakdown for Spain



Source: Deutsche Bank, Eurostat

Figure 89: Spain credit impulse vs private demand



Source: Deutsche Bank, ECB, Eurostat

With the recent lending surveys still supportive of a positive credit impulse ahead of us in the coming quarters, we continue to prefer the IBEX within our country preference, despite the high (c15x) multiples it is currently trading on.

Italy on the other hand has clearly disappointed expectations on growth, and this has led to a de-rating of the FTSE MIB vs the IBEX such that the PE relative is at the lows seen over the past 5 years (Figure 90).

For now, we would be neutral on Italy but look to turn positive on the back of signs of better data coming through given we see potential for an ongoing positive credit impulse on average over time just like in Spain, and the bank lending surveys remain indicative of a positive credit impulse ahead (also just like in Spain).

Private demand growth has been underperforming where the credit impulse suggests it should be (Figure 91) but this is not a reason for us to think that the argument just does not work for Italy.

We can clearly see that the credit impulse has helped in an improvement private demand growth since 2012, just like in Spain, and over time there has been a decent relationship.

The gap between the credit impulse and private demand growth over the past few quarters is therefore still not enough to convince us that there has been some fundamental breakdown in the relationship over the past few quarters.

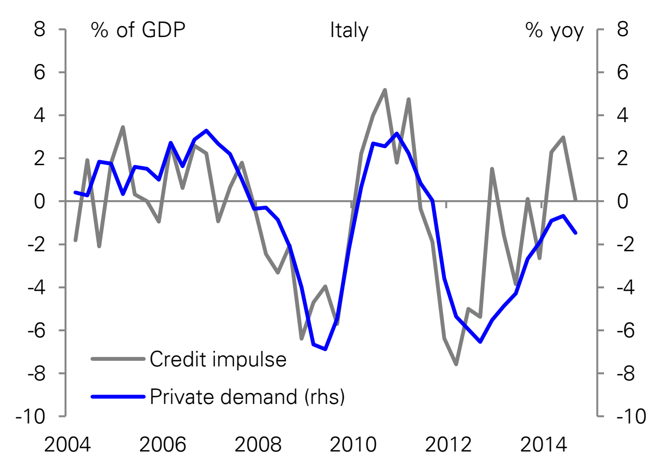
There may be some uncertainty at this point whether the trend rate of growth may actually be lower than 0% (which is what we line a neutral, 0%, credit impulse up to in all cases) and that this could explain the underperformance. However, at this stage we are not in a position to make that call, and while structural reform - which can improve the rate of trend growth - has been slow, to the best of our knowledge it has not gone into reverse.

Given an ongoing positive credit impulse, we would therefore still expect private demand growth to improve from current levels and this could come as a surprise to expectations.

Figure 90: De-rating of FTSE MIB vs IBEX

Source: Deutsche Bank, IBES, Datastream

Figure 91: Italy credit impulse vs private demand growth



Source: Deutsche Bank, ECB, Eurostat

What's a slightly clearer part of the issue is that inventories have been an unexpectedly large drag on growth. Inventories is a component of private demand in Figure 91 and so we would normally not expect inventories to be going in such a different direction to what a positive credit impulse environment would suggest, but nevertheless, the pace of destocking has been accelerating through 2014, and is now close to where it was in the middle of the financial crisis (Figure 92, blue line)

Remember, like the credit impulse, it is the change in the pace of destocking / restocking that matters for GDP growth. Like credit, inventories are a stock, so it is the change in the flow that matters for growth.

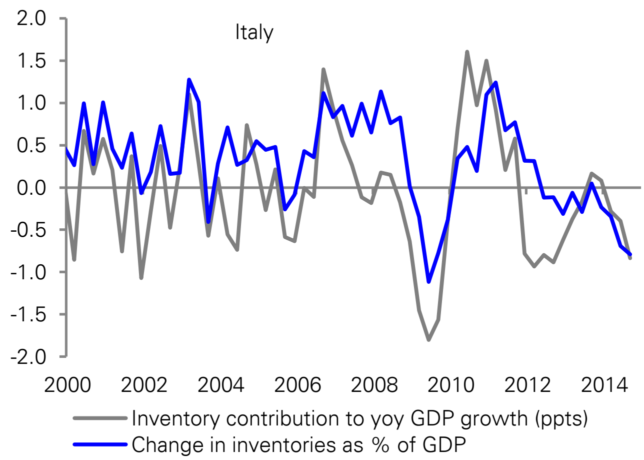
This deterioration in the inventory cycle is difficult to explain in certain terms, but nevertheless we believe that the size of the headwind to growth at least might not be getting worse from here.

This is based on Figure 93 which shows the change in inventory sentiment. A rising sentiment index (lhs axis is inverted), implies that companies are feeling increasingly comfortable with the level of inventories that they have on hand. As a result, they are likely to be slowing the pace of re-stocking, or accelerating the pace of de-stocking, which is a drag on growth.

After seeing a sudden shift in direction as of Q3, which to us suggests some kind of shock to business sentiment, the index currently suggests that inventories may become less of a drag on yoy GDP growth than the large -0.8ppt drag it was in Q3. Note that without this drag from inventories in Q3, GDP growth would have been slightly positive (+0.3% yoy).

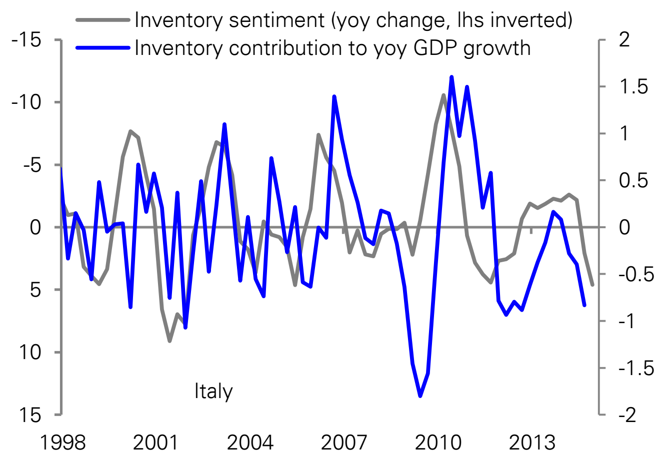
We consider this index on inventory sentiment a key indicator to watch for the Italian growth story. This inventory aspect combined with a continuing positive credit impulse outlook and the fact that the fwd PE valuation vs Spain, another strong credit impulse candidate, has reached 5yr lows suggests that the conditions would be right to look to overweight at some point in 2015.

Figure 92: Inventories a -0.8ppt drag on yoy GDP growth



Source: Deutsche Bank, Eurostat

Figure 93: Watch for reversal of inventory sentiment



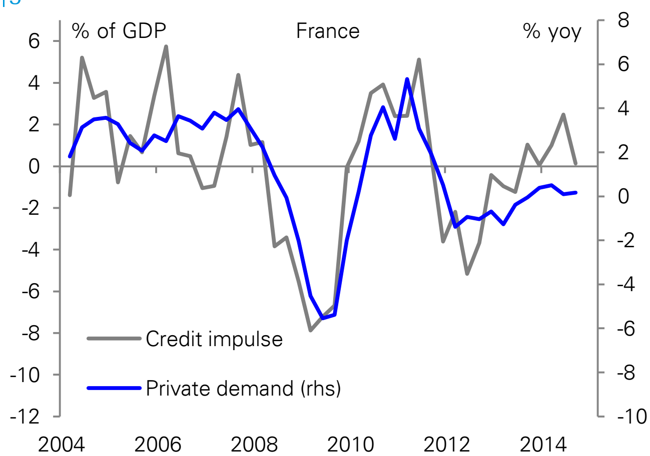
Source: Deutsche Bank, European Commission, Eurostat

Like Italy, France has seen an underperformance of private demand growth relative to the credit impulse (Figure 94). Unlike Italy however, the underperformance has now become quite sustained – around 2 years now. While the general direction of growth has been up since over the period, in line with a rising credit impulse, the underperformance suggests that trend growth may be lower than the 1.4% yoy that the OECD is estimating.

While growth may be low, to us there is little reason to expect it to slow dramatically. The rising trend in credit growth has been decent but there may be a noticeable acceleration in the coming quarters.

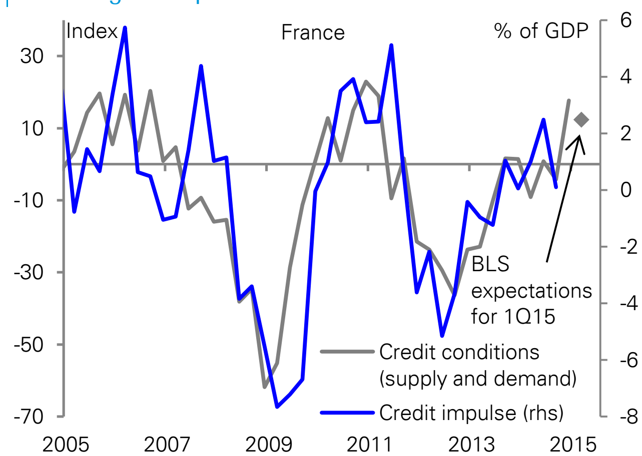
One of the standout results from the recent October bank lending surveys was the sharp improvement in overall credit conditions in France, which points to a strengthening credit impulse in coming quarters (Figure 95). The improvement was broad across both demand and supply from both households and businesses.

Figure 94: France credit impulse vs private demand growth



Source: Deutsche Bank, Eurostat, ECB

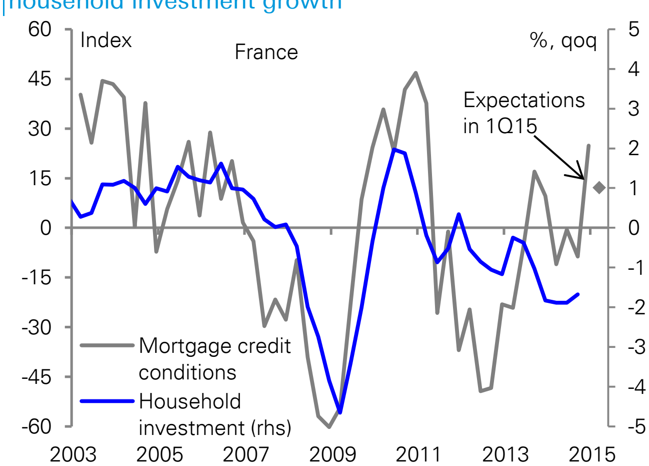
Figure 95: Lending survey points to credit impulse becoming more positive



Source: Deutsche Bank, ECB, Eurostat

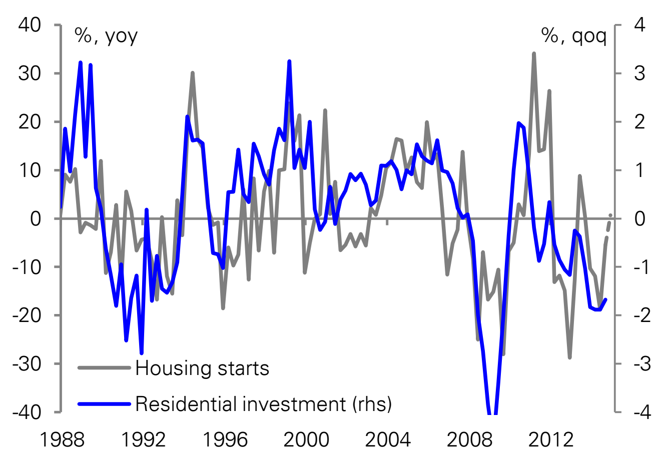
The sharp rise improvement in both mortgage supply and demand bodes well for a recovery in household investment in particular (Figure 96). Although this is only a small part of GDP (c5%), given the size of the declines it has been having a non-negligible effect on headline GDP growth. In Q3 this year it was a drag of 0.4% to yoy growth.

Figure 96: French mortgage credit conditions vs household investment growth



Source: Deutsche Bank, ECB, INSEE

Figure 97: Housing starts showing signs of picking up



Source: Deutsche Bank, INSEE, MEEDDM

Although the relationship between household investment and housing starts is not fantastic, we still think it is informative, and it's interesting that the change in housing starts improved sharply in Q3 and early signs for Q4 are also encouraging (Figure 97).

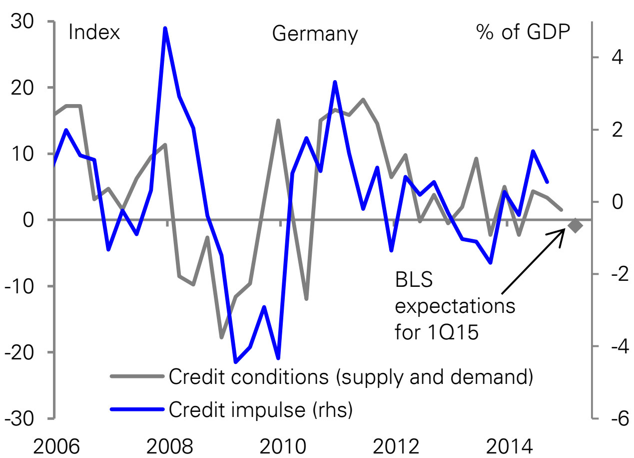
Germany has borne the brunt of what we see as being the issues weighing on Euro area growth forecasts this year, a reduction in global growth expectations, and a geopolitical headwind. Going into this year, Germany had the largest (goods) export share to Russia / Ukraine out of the Big 4 Euro area economies, of about 3.5%.

The effects of these have been clear in the softening in the German Mfg PMI from 56.5 in January to a low of 49.5 in November. The fall of 7pts is the largest out of the Big 4 Euro area economies. Given our expectation that global growth could pick up modestly from 3.3% this year to 3.6% next year this should help, and to the extent that the geopolitical risk / threat of sanctions remains low, we also expect to see investment growth picking up again. Factory orders data has been very encouraging over the past couple of months.

One concern for us regarding Germany is that the lending survey looks relatively soft, unlike the other Big 4 economies. Credit growth is still low relative to history and is rising, generating a positive credit impulse. However, the Oct survey suggested that credit impulse could move to neutral and a little negative if expectations prove correct.

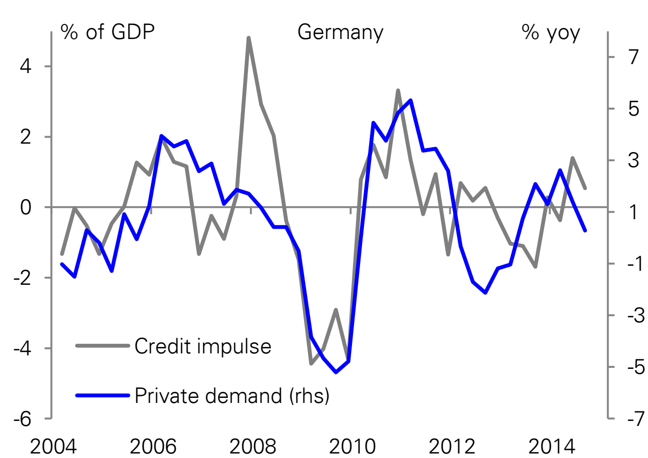
We are cautious to read too much into this as of yet however since this decline was driven primarily by a fall in expectations for business demand, which is exactly where one would expect some softening as a result of increased business uncertainty. To the extent that this headwind may be fading, we will be closely looking at this index in the next survey in January for any signs of improvement.

Figure 98: Germany lending survey is soft



Source: Deutsche Bank, ECB, Eurostat

Figure 99: Germany credit impulse vs private demand



Source: Deutsche Bank, ECB, Eurostat

On balance we are positive on a recovery in growth in Germany next year. On top of this, the DAX fits our sector preferences and we expect the index can slightly outperform in Europe. We target 11,000 on the DAX 30 for the end of 2015, based on 5% and 10% EPS growth y-o-y in 2015E-16E (2016E index earnings at 820, i.e. 4.5% below consensus) and a forward target multiple of 13.5x.

4. How to position in 2015

4.1 Setting the stage for 2015: The sequence of themes matters

The key elements that matter to our sector view in European equities going into 2015 are public QE first of all, which our economists expect for end 1Q15, followed by positively surprising domestic growth in the Euro area from 1H15 into 2H15.

Public QE should help anchor mid-/ (2-yrs) and long-term (5-yrs) inflation expectations back at the ECB's policy target of close to 2% over the coming years. The ECB has made clear that lower oil prices need to be considered in their policy response to falling inflation and we think this adds to the bank's stance to rather act sooner than later to make sure inflation expectations do not fall beyond current levels.

We discuss in the oil section of the top-down view that the ECB's actions are already having an effect on inflation expectations once we exclude the effect of the fall in oil. Our commodity strategists expect the oil price to stabilize at current levels until year-end 2015 with WTI reaching 70 and Brent 75 USD/bbl.

Public QE should further contribute to a decline in the Euro currency and send the EUR/USD pair to a level of 1.15 until year-end 2015, as estimated by DB FX strategists. Our rates strategists expect sovereign benchmark interest yields ('rates' hereafter) can rise moderately in the Euro area, expecting Bunds and sovereign GDP-weighted EMU benchmark yields to rise moderately to 1.1% and 1.9%, respectively by year-end 2015.

In the end, the hope is that public QE leads the Euro lower, helping export growth to strengthen, which, in turn, should spur economic activity and put upward pressure on inflation. If successful, 'capex receivers' (ex energy-related 'capex-receivers)[3] should be on people's lists.

Once financial cyclicals have played their role in early 2015, we think keeping track of domestic cyclicals (from Consumer, Construction & selectively from Industrial sub-sectors) with a high share of their revenues exposed to Europe should be preferred in light of strengthening domestic demand in the Euro area going from 1H15 into 2H15.

Extensive defensives

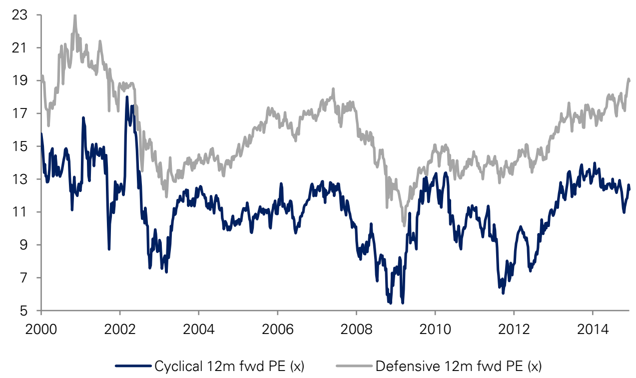
Before we separate our preferences for early 2015 and the transition from 1H into 2H15, we stress that the case for cyclicals over defensives looks appealing as of today.

2014 has been a year of significant defensive re-rating. Our basket of defensive stocks recently hit a 19x fwd PE, the highest for 13 years. Cyclicals on the other hand have seen a de-rating from a peak of 14x in January down to just over 12x today (Figure 100).

This puts the premium of defensives to cyclicals (6.5 PE points) at an extreme level. More importantly, this puts the premium at a level that is consistent with a much more significant deterioration in growth than we have actually seen, as measured by the 6m change in the Euro area PMI (Figure 101). Note the defensive premium moves to price changes in the rate of growth (change in the PMIs) rather than the rate of growth itself.

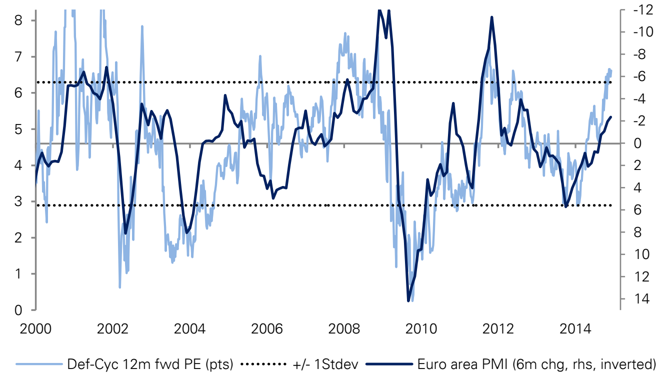
[3] See "Capital Goods (28 Nov 2014): Lower oil, cold turkey", for details (https://ger.gm.cib.intranet.db.com/ger/document/pdf/0900b8c089082402.pdf)

Figure 100: Defensive re-rating reaching highest in over a decade



Source: IBES, DataStream, Deutsche Bank

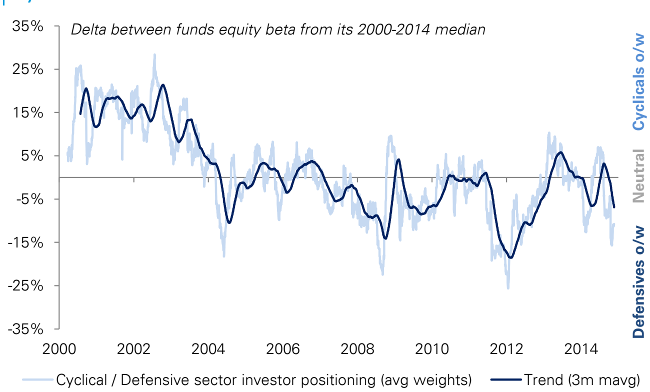
Figure 101: Defensive PE premium to cyclicals not reflecting economic reality



Source: IBES, DataStream, Deutsche Bank

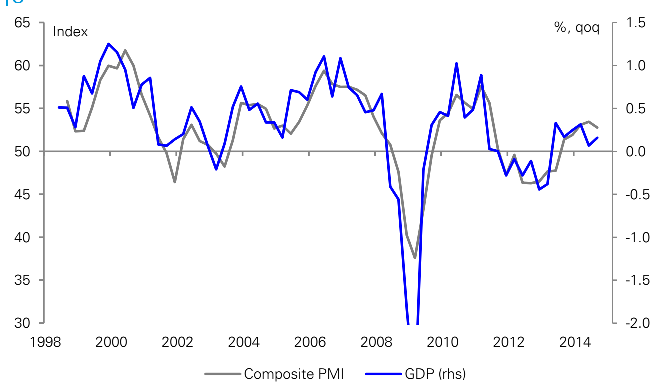
Typically, a defensive premium of 6.5 PE points is seen when there has been a fall of 6 points in the PMI. Current pricing of cyclicals and defensives is therefore consistent with a Euro area PMI of 47.5 (May's level of 53.5 minus 6 points), not far off the low of 46 in the middle of 2012. In November the PMI was 51.1 however. This current overextension of defensives is also reflected in the investor positioning data as shown in Figure 102.

Figure 102: Investor positioning in Europe among Cyclical and Defensive sectors



Source: Bloomberg Finance LP, DataStream, Deutsche Bank

Figure 103: Every 1pt above 50 on the PMI = 0.1% qoq growth



Source: Eurostat, Markit, Deutsche Bank

Given the overextension we've now seen, cyclicals are in a strong position relative to defensives, even in a disappointing growth outlook. Every 1pt on the PMI over 50 is equivalent to 0.1% qoq on quarterly GDP growth (Figure 103). If we see PMI's stabilize at current levels of 51.1, this is equivalent to seeing 0.1% qoq in every quarter next year, or 0.4% for 2015 as a whole.

Under this flat PMI scenario, (which compares to DBe / consensus of 1.2% GDP growth next year), the defensive premium should move from 6.5 PE points currently to 4.5 PE points (Figure 101).

If, however, we see PMIs improve from here towards a PMI of 53 over the course of the coming months (consistent with a run-rate of Euro area GDP of slightly above 1% trend, more consistent with growth expectations), we could see a closing of the defensive PE premium to around 4 points.

The tables below show the relative performance of cyclicals vs. defensives that's needed to close the valuation gap to these two different levels, under non-aggressive assumptions around earnings. We assume a 15% cut in current 2yr fwd EPS levels for cyclicals (vs the 10% seen this year) and a 6.5% cut in current 2yr fwd EPS for defensives (the same as what was seen this year).

Figure 104: Move to 4.5 PE point defensive premium (flat PMIs)

Cyclicals PE \ Defensives PE	16.5	17.0	17.5	18.0	18.5	19.0
12.0	3.7%					
12.5		4.5%				
13.0			5.9%			
13.5				7.0%		
14.0					7.8%	
14.5						8.9%

Source: IBES, DataStream, Deutsche Bank

Figure 105: Move to 4 PE point defensive premium (PMIs up 0.3-0.4pts/month over the coming months)

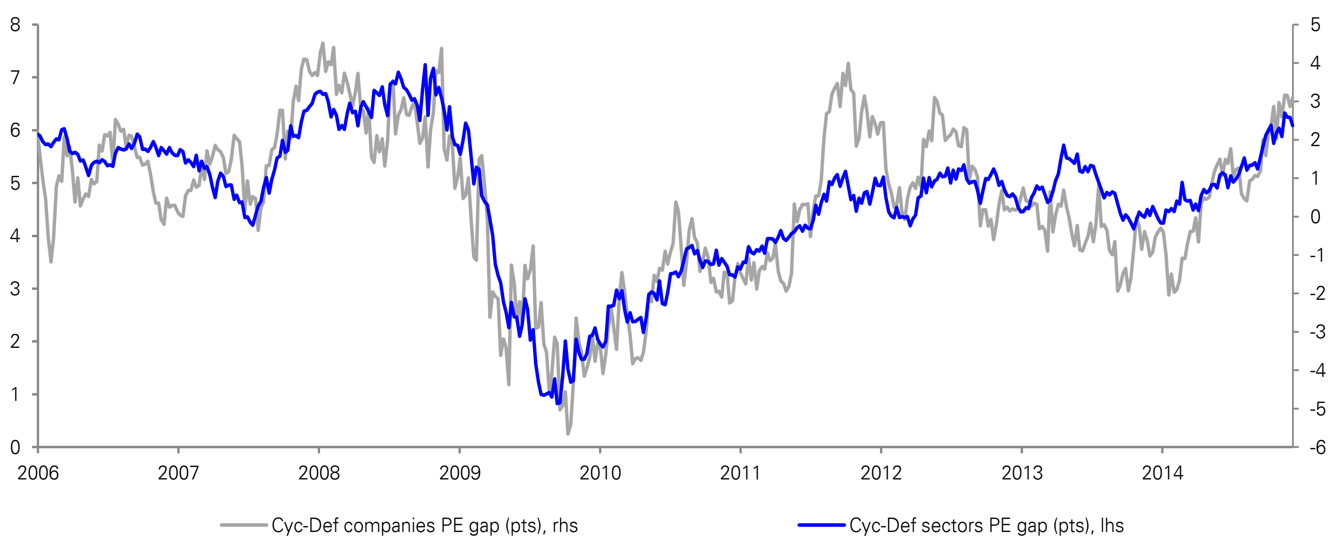
Cyclicals PE \ Defensives PE	16.5	17.0	17.5	18.0	18.5	19.0
12.5	8.1%					
13.0		8.8%				
13.5			10.0%			
14.0				10.9%		
14.5					11.6%	
15.0						12.7%

Source: IBES, DataStream, Deutsche Bank

Even under the scenario in which 1) the PMI remains flat at current levels (i.e. 0.4% Euro area GDP growth in 2015), 2) cyclicals suffer a 15% decline in 12m fwd EPS expectations from current levels, and also 3) defensives see a 2.5 PE point de-rating from 19x currently, then cyclicals are still set to outperform defensives (Figure 104) if the PE gap normalizes to reflect the actual growth picture.

We see this as strong supportive evidence as to why we should not think the defensive outperformance of cyclicals seen this year is likely to be repeated, and that 2015 is a year in which a pro-cyclical bias should be preferred. This analysis at a company level also converts itself into a sector level as well, as shown in Figure 106.

Figure 106: Mapping of cyclical sectors and companies



Source: DataStream, IBES, Deutsche Bank
Cyclical sectors: Autos, Banks, Basic Resources, Chemicals, Construction, Industrial Goods & Services, Media, Tech
Defensive sectors: Food & Bev, Healthcare, Personal & Household Goods, Telecom, Utilities

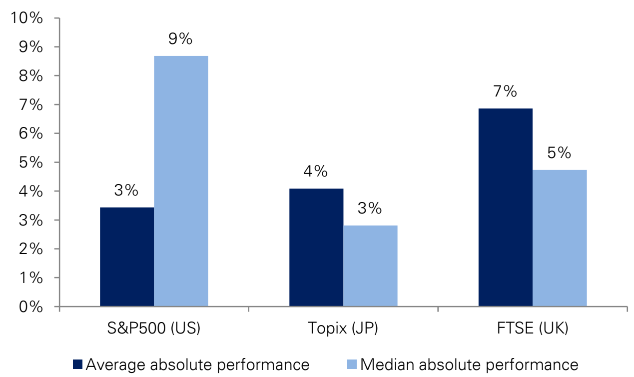
How to position in early 2015: Prefer credit-linked cyclical sectors in light of a public QE

Post the December meeting, DB's economists think a call for the ECB to implement a broad-based asset purchasing plan in 1Q15, probably later in 1Q, remains valid.

The impression is Draghi is willing to live with some dissent in a QE vote in order to ease the policy stance further and deliver on the ECB's primary legal mandate. Draghi is willing to wait a little longer, to gain as broad a consensus as possible on the Council.

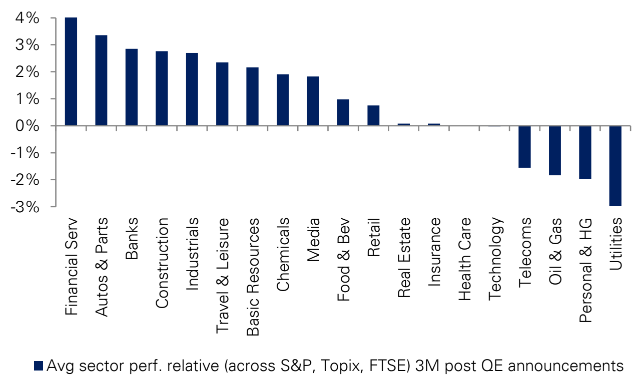
To get an idea which sectors tend to benefit from public QE, we reviewed sector performance relatives in the US, Japan and the UK in the 3 months after QE announcements or extensions of the programs in the respective equity markets based on a sample of more than 20 events (Figure 107, Figure 108). Aside from Oil & Gas, QE laggards are dominated by defensives, like Utilities, Personal & HG and Telecoms.

Figure 107: Absolute performance of US, Japanese, UK equity benchmarks 3 months post QE announcements



Note: Average and median values are used across events for each equity region.
Source: DataStream, Deutsche Bank

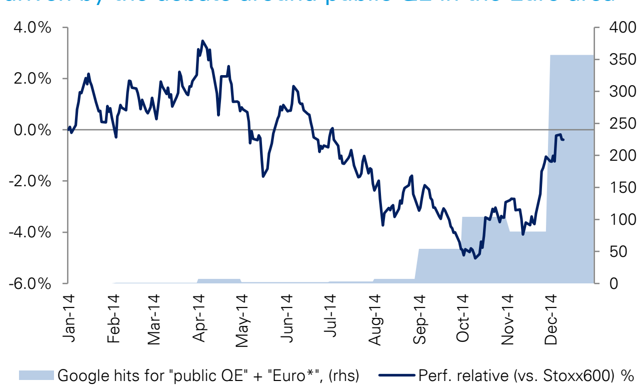
Figure 108: QE sensitivity (avg. sector alpha across the US, Japan, and the UK 3M post QE announcements



Note: Median values are used across events for each equity region.
Source: DataStream, Deutsche Bank

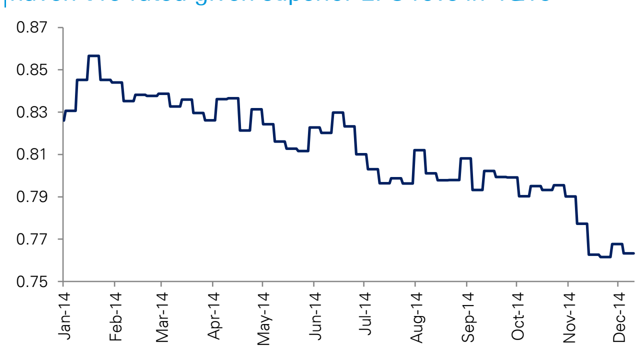
The beneficiaries are those sectors with a strong link to the credit cycle (Autos, Banks, Financial Services), followed by other cyclical peers. The performance relative of these three sectors over the Stoxx600 clearly reveals that speculation around public QE accounted for a dominant share of the alpha recently (Figure 109). However, a re-rating has not really occurred, and we think they are attractive on 12m fwd PEs (Figure 110).

Figure 109: Credit-linked sectors (Autos, Banks, FS) seem driven by the debate around public QE in the Euro area



Source: Google, IBES, DataStream, Deutsche Bank

Figure 110: Credit-linked sectors (Autos, Banks, FS) haven't re-rated given superior EPS revs in 4Q15



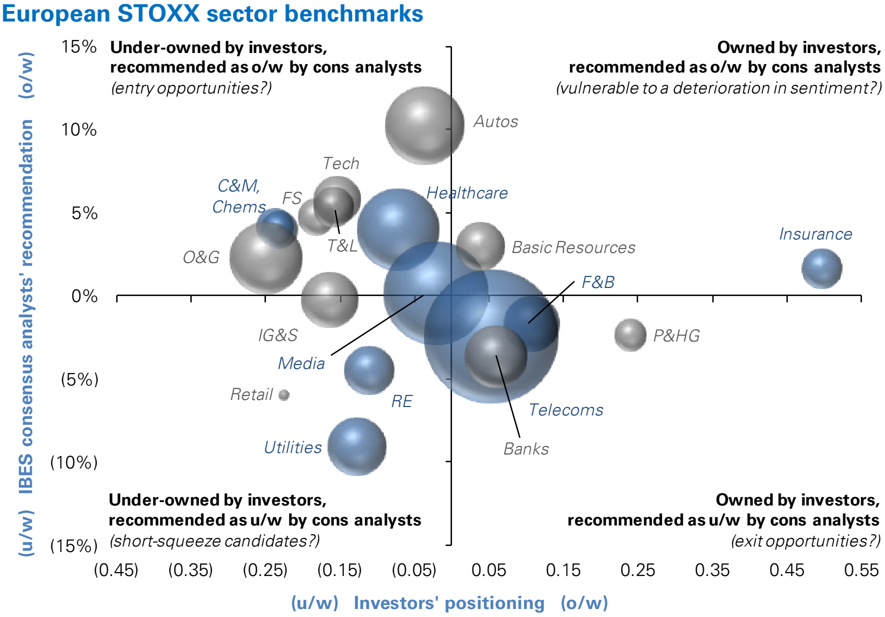
Source: IBES, DataStream, Deutsche Bank

Based on our work below, we check whether this is still a non-consensual call to make. Hence, we review how investors are positioned within European equities, what consensus analysts recommend and where views match or differ.

We reflect this against current 12-month forward P/Es, which we put relative to their own historic deltas vs. the market (Stoxx600) to see if they appear as rich/cheap on this adjusted basis – a much fairer approach given the fact that sectors trade on different absolute P/E levels for industry specific reasons (Figure 111).

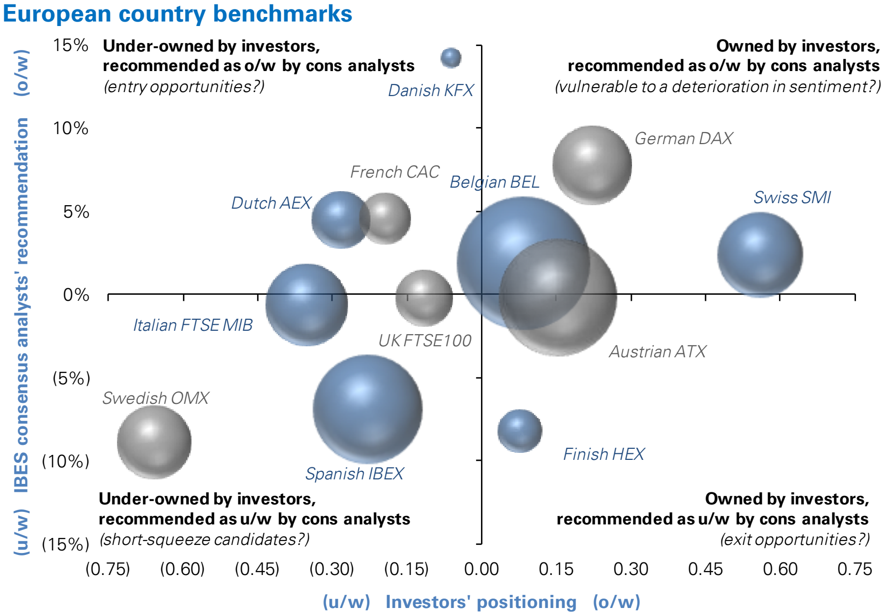
Figure 111: IBES cons recommendation (y-axis) v investor positioning (x-axis) and 12m fwd P/E valuation (bubble size)

European STOXX sector benchmarks



Sector	Ibes rec [1] (y-axis)	Inv. pos. [2] (x-axis)	Pre/Disc [3] (size)
Autos	10%	(0.04)	(14%)
Banks	(4%)	0.06	(9%)
Basic Res	3%	0.04	(5%)
Chemicals	4%	(0.24)	3%
Construction	4%	(0.23)	3%
Fin Serv	5%	(0.18)	(3%)
Food & Bev	(2%)	0.11	7%
Healthcare	4%	(0.07)	15%
Industrials	(0%)	(0.16)	(7%)
Insurance	2%	0.50	4%
Media	0%	(0.02)	25%
Oil & Gas	2%	(0.25)	(12%)
Per & HG	(2%)	0.24	(2%)
Real Estate	(5%)	(0.11)	5%
Retail	(6%)	(0.22)	(0%)
Tech	6%	(0.15)	(5%)
Telecoms	(2%)	0.05	41%
Travel	5%	(0.16)	(4%)
Utilities	(9%)	(0.13)	8%

European country benchmarks



Sector	Ibes rec [1] (y-axis)	Inv. pos. [2] (x-axis)	Pre/Disc [3] (size)
France	5%	(0.19)	(2%)
Germany	8%	0.22	(5%)
Italy	(1%)	(0.35)	5%
Spain	(7%)	(0.23)	9%
Switzerland	2%	0.56	5%
UK	(0%)	(0.11)	(2%)
Austria	(0%)	0.15	(10%)
Belgium	2%	0.08	13%
Denmark	14%	(0.06)	0%
Finland	(8%)	0.08	1%
Netherlands	4%	(0.28)	2%
Sweden	(9%)	(0.66)	(4%)

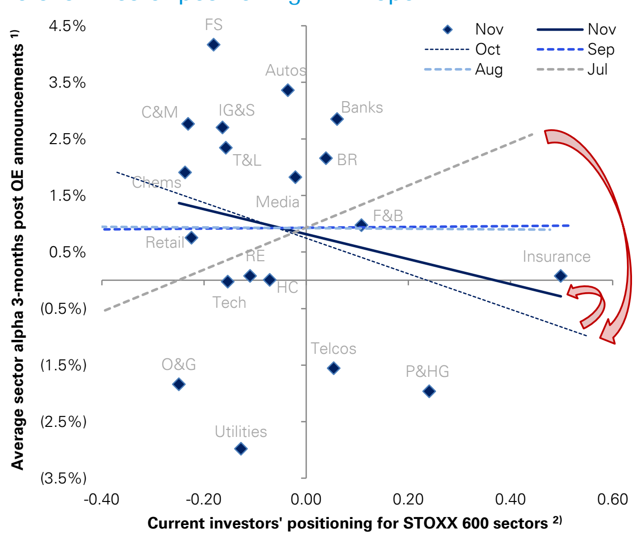
Note 1) IBES cons recommendation score: A score between 1-1.5 is Strong Buy,1.5-2.5 is Buy,2.5-3.5 is Hold,3.5 to 4.5 is under-perform and above 4.5 is Sell. Values are presented in relative terms over the Stoxx600.
Note 2) Investor positioning (the more positive, the stronger the o/w position): Delta between 1) 60 days rolling correlations of a) funds' excess returns and b) sector excess returns versus 2) their 2000-14 median.
Note3) Valuation: Blue (grey) shaded bubbles indicate a 12m fwd P/E premium (discount) relative to their historic premium/discount over the Stoxx600. The bubble size indicates the degree of a P/E premium/discount.
Source: IBES, DataStream, Bloomberg Finance LP, 2iQ Research, Deutsche Bank

Kicking off with what consensus analysts recommend, we observe they suggest a cyclical bias with Autos, Technology and Travel & leisure as their strongest overweight positions. While only Healthcare ranks within the upper third of the sector spectrum, the lower third is clearly dominated by defensive sectors where underweight recommendations are led by Utilities, Telecoms, Personal & HG and Food & Beverage.

Investors however seem to be crowded in few defensive spots such as Personal & Household Goods, Food & Beverage and Telecoms (aside from Basic Resources and Insurance).

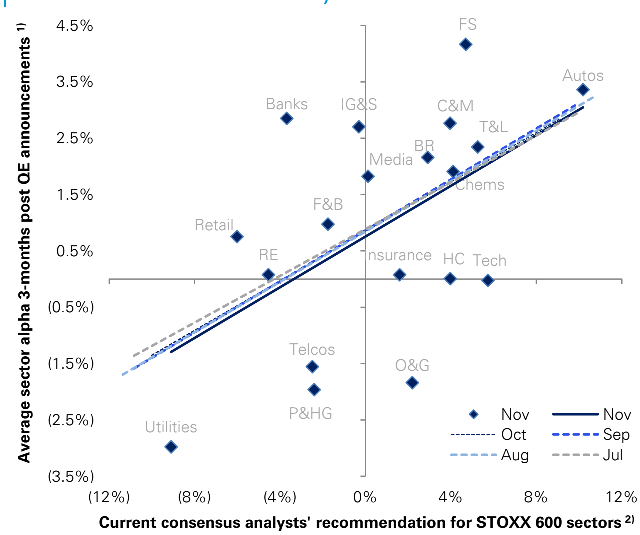
We can show that investors agreed with consensus analysts' cyclical bias till July'14, before concerns over global growth took over (Figure 112). In contrast, consensus analysts stayed committed to their cyclical bias all the way along (Figure 113). However, when macro data in Europe began to stabilize, accompanied with 1) a positively surprising Q3'14 reporting season, 2) the evolving insight that lower oil prices are rather a result of supply-side issues, 3) better economic data in the US as well as 4) "dovish" central bank rhetoric globally, then investors' sentiment towards the more-cyclical spectrum improved a little.

Figure 112: Sector alpha 3M post QE announcements versus investor positioning in Europe



Note 1): Average relative sector performance across the S&P500 (US), Topix (Japan) and FTSE (UK) 3 months post QE announcements; median values are used across events for each equity region.
Note 2: Delta between 60-day rolling correlation of equity funds' returns and regional benchmark returns (i.e. the composite fund equity beta) from its long-term median (2000-2014).
Source: Bloomberg Finance LP, DataStream, Deutsche Bank

Figure 113: Sector alpha 3M post QE announcements versus IBES consensus analysts' recommendation

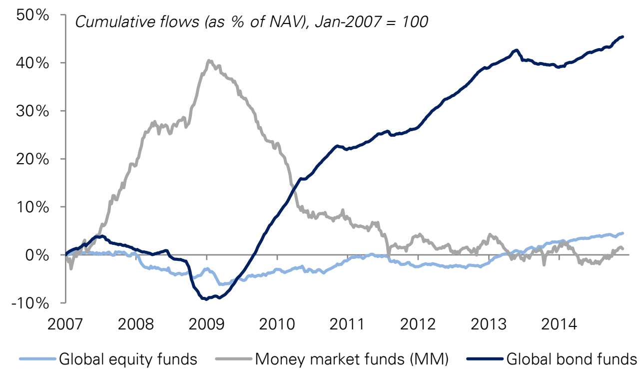


Note 1): Average relative sector performance across the S&P500 (US), Topix (Japan) and FTSE (UK) 3 months post QE announcements; median values are used across events for each equity region.
Note 2: Consensus Recommendation between 1-1.5 is Strong Buy, 1.5-2.5 is Buy, 2.5-3.5 is Hold, 3.5 to 4.5 is underperform and above 4.5 is Sell. Bottom-up aggregates are based on market cap-weights.
Source: IBES, DataStream, Deutsche Bank

Interestingly, most sectors in which investors are still overweight are also recognized as 'bond-proxies' in the equity space. This is important to note because when expecting rates to rise (albeit moderately) over the course of the year, arguments to favor bond-proxies become less attractive since the yield delta gets compressed. Anecdotal evidence from the financial press suggests especially Food & Beverage stocks fall into this category, like Nestlé, Unilever and SABMiller.

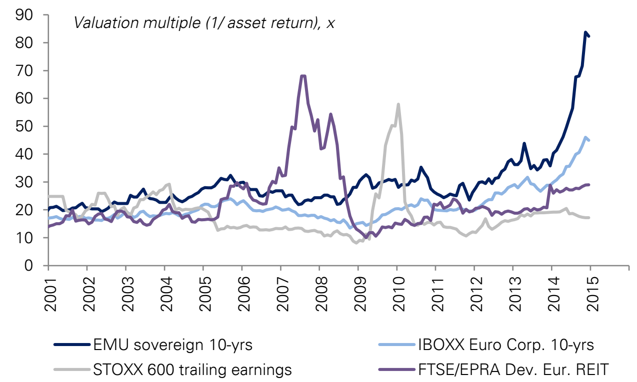
Bond-proxies as a theme in the equity market evolved as a prominent one ever since major central banks lowered their respective policy rates post the great financial crisis in 2008/09. When bond yields trended lower and lower as a result of a 'hunt for yield' in a low interest rate environment, especially cross asset investors started looking for investment grade (IG)-rated stocks which provide steady income in the form of a comparably high and stable dividend, which usually exceeds yields on company debt.

Figure 114: Global fund flow (mainly bond funds gained from MM outflows; to a lesser extent also equity funds)



Source: EPFR Global, Deutsche Bank

Figure 115: Price/asset return in Europe (if you think equities are expensive, ask bond investors how they feel)



Source: Bloomberg Finance LP, DataStream, Deutsche Bank

However, with public QE around the corner and a view that global growth should stay above trend (i.e. >3.5% p.a. in 2015E-16E), we expect rates can rise from here (just the spread trade within Europe vs. Bunds is left to be captured) and this bodes well for a cyclical bias and a rotation among investors away from the defensive, bond-proxy-like spectrum towards a more cyclical, credit-linked oriented sector stance, in our view.

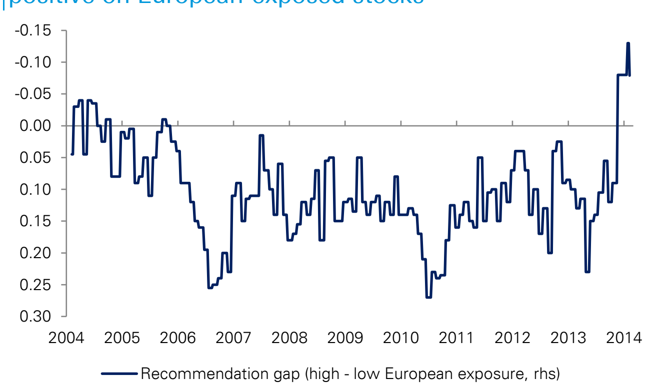
Shifting focus to (consumer, capex-oriented) domestic cyclicals going from 1H > 2H15

Going from 1H into 2H15, the Euro area's domestic growth picture should surprise to the upside and broaden the cyclical outperformance to the domestic-oriented consumer discretionary and Industrial sectors (high share of their revenues exposed to Europe).

When measuring analysts' stock recommendations, we can see how much more positive they have become recently on the domestic-focused ones (Figure 116) relative to global exposure. This is accompanied by the way US equity investors view Europe as an investment target overall (Figure 117), which we think has strengthened recently.

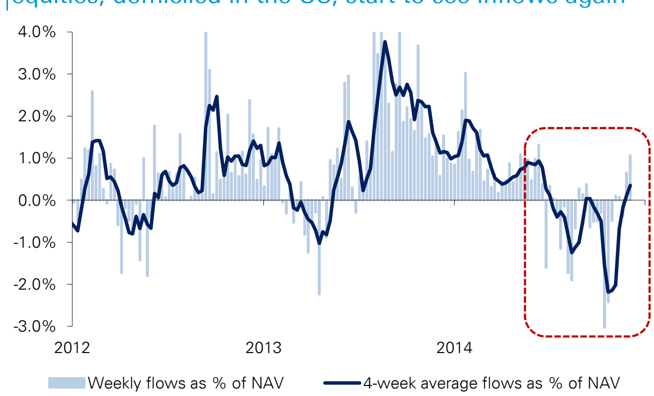
In this regard, we can show that equity funds with the mandate to invest in Europe and are domiciled in the US have seen inflows again after 5 months of outflows (despite an extreme EUR short positioning in FX). This is still small vs. the outflows we've seen recently, yet it might be an early indication that the US investor is returning to Europe.

Figure 116: Consensus analysts are becoming more positive on European-exposed stocks



Source: IBES, DataStream, Deutsche Bank

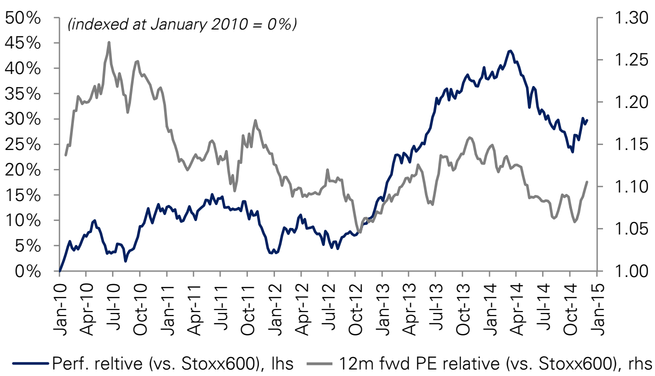
Figure 117: Funds with the mandate to invest European equities, domiciled in the US, start to see inflows again



Source: EPFR, Deutsche Bank

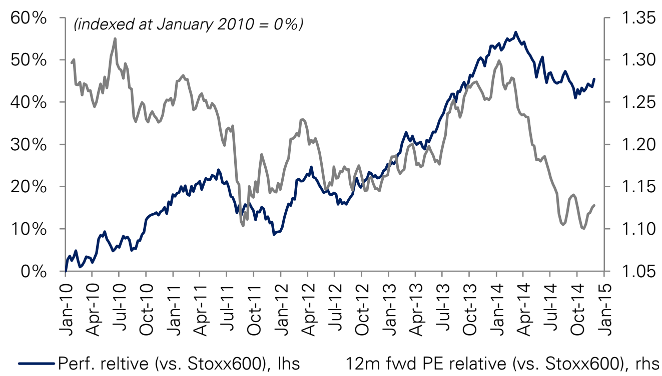
Since consensus conviction towards the domestic story is low, we think reviewing it today offers interesting entry opportunities given that the credit impulse picture is positive for 2015. Consumption growth is already decent and should accelerate, and we think that we are seeing early signs of a recovery in investment indicators on the back of the geopolitical headwind having eased.

Figure 118: Domestic-oriented consumer discretionary stocks (Europe sales exposure >50%)



Note: Sub-sectors included: Airlines, Apparel Retailers, Auto Parts, Broadcast & Entertain, Broadline Retailers, Drug Retailers, Food Retail & Wholesale, Gambling, Home Improvement Ret., Hotels, Specialty Retailers and Travel & Tourism
Source: IBES, DataStream, Deutsche Bank

Figure 119: Domestic-oriented Industrial stocks (Europe sales exposure >50%)



Note: Sub-sectors included: Bus Bus.Train & Employmnt, Containers & Package, Delivery Services, Financial Admin., Industrial Suppliers, Railroads, Transport Services and Trucking.

Source: IBES, DataStream, Deutsche Bank

As discussed in the top-down view, indications for a renewed pick up are encouraging:

- Strong pick up in commercial vehicle data for October. Even if we see strong payback in November, this bodes very well for fixed investment growth in Q4. If strength in these numbers is seen to continue, DB's truck analysts think that, all market players will have to upgrade their estimates for 2015.

- A turn in German factory orders data for October (including pick-up in orders for core investment goods): New orders rose well above expectations in October (+2.5% mom vs. +0.5% Reuters). This positive message was reinforced by upward revisions to September (+1.1% vs. +0.8%).

  Most importantly, the increase was driven by core orders (excluding volatile heavy transport equipment; +2.2% vs. +1.2% prev.), which have a better track record with regard to near-term industrial production growth prospects.

  Additionally, initial results of the Ifo Investment Survey of German Manufacturing businesses late November 2014 revealed small and medium-sized companies in particular intend to increase their expenditure on new construction and equipment in 2015 (while large companies are planning smaller increases).

- Finally, the broad improvement from August-October this year in the number of manufacturing PMIs less disappointing relative to expectations. We recognize that November PMI data was clear disappointment however.

Given weakness in oil prices, we recommend avoiding energy capex-related stocks. Nevertheless, lower oil prices should be a strong support for many others (see below).

Considering sustained lower oil prices until year-end 2015

DB commodity strategists expect oil prices to remain at current levels until end-15 (WTI at 70, Brent at 75 USD/bbl). To get a feeling for the effect of lower oil prices on sectors, we surveyed DB analysts for their views.

Cases where lower oil/commodity prices affect sector fundamentals **positively** include:

- **Automobile & Parts (+):** The sector should benefit in a way that cars become more affordable (higher disposable household income on lower energy bill) and utilization rates of cars rise (thereby increasing wear which in turn is positive for aftermarket sales). OEMs would benefit over-proportionally to other sub-sectors. In total, this should be positive for sales (better volumes, pricing) and support sector margins.

- **Chemicals, net + driven by specialty chemicals (65% sector weight), while commodity chemicals (35%) struggle to benefit:** Oil is a key raw material for the sector, but in the upstream commodity like business most benefits are passed onto customers within one month (commodity chemicals). The most downstream names (with value-added pricing) should be able to retain some of the benefits. Small benefits could be seen in agrochemicals, fertilizers, fragrances, and Industrial gases. Yet, growth in shale gas business and associated petrochemical investments in the US are threatened if oil price remains below $70/bbl. Businesses servicing the exploration & production sector are impacted negatively most directly.

- **Construction & Material (+):** The sector is highly sensitive to GDP and benefits from a general boost to economic growth from sustained lower oil prices. At the same time lower oil prices mean lower transportation costs.

- **Food & Beverage (marginally +):** Put in simple writing, higher household income on a lower energy bill increases spending potential on Food & Beverage products.

- **Media (+):** Media benefits indirectly from higher household income, which leads to higher consumer spending and businesses' intentions to increase advertising of their products. This benefits pricing for ad agencies, publishing and broadcasters.

- **Personal & Household Goods (+):** In many cases higher disposable income does not necessarily translate into higher sales of goods which we regularly consume in everyday life. E.g., we do not brush our teeth or clean our houses more often when disposable income rises (this applies for durable, non-durable household/personal products, tobacco). For others rising disposable income means we can not only afford to buy more, but also at a higher quality. This applies to clothing & accessories, footwear, home construction and recreational products.

- **Retail (+):** As for P&HG, retailers' gain from higher disposable household income depends on the nature of goods sold. Beneficiaries include those selling apparel, home improvement or other goods sensible to higher disposable income (broad-line retailers, specialty retailers as well as those benefitting indirectly like airports).

- **Travel & Leisure (+):** Airlines benefit from lower input costs (to some extent held back by a depreciating EUR/USD since oil is traded in USD) and higher end-customer demand (cheaper tickets + higher disposable household income). Other sub-sectors (gambling, hotels, recreational services, restaurants & bars, and travel & tourism) gain from higher disposable household income, which is further backed by a weaker EUR since services become more affordable for non-EUR customers where their respective currencies appreciate in value versus the EUR).

Cases where lower oil/commodity prices affect sector fundamentals **negatively** include:

- **Basic Resources (– overall due to index heavyweights, but + for Aluminum, Steel businesses):** The few winners in this sector are found in the energy intense businesses (e.g. Aluminum, Steel business). Steel business in Europe so far managed to delay passing lower variable costs to consumers; Aluminum is one of the few exceptions with prices up y/y. The heavy weights in this sector try to counter the lower commodity prices by cutting capex/costs to gather cash.

  Compared to oil majors, B/Ss of the basic resources heavyweights are un-geared and cash returns sufficient to cover 2015E dividends. Furthermore the exacerbated perception of a weak China, the oil driven outflow of commodity funds should vanish and global growth should accelerate in 2015 vs. 2013-14. The lower oil price will impact the oil producers (BHP, GLEN) negatively, but the impact on other miners should be positive with lower oil prices feeding through to lower fuel costs.

- **Industrial Goods (–) & Services (+), net negative:** The effect of a lower oil price in the sector is mixed, but net negative. The impact on Cap Goods is clearly negative as a massive cut to investments by energy companies weighs heavily, accounting for ~1/3rd of global capex. Furthermore, the indirect impact might be even greater: The IRR of more energy efficient equipment falls when energy prices are lower, reducing the incentive to invest in e.g. engines, compressors, motors etc.

  Also be aware of negative surprises from companies directly exposed to the Oil & Gas sector like industry machinery names. Indirect effects of a much lower oil price might affect the Aerospace sector as well, namely subdued drive for fuel efficiency at any cost. Clear winners of a lower oil price are those sub-sectors benefiting from higher consumption driven growth, e.g. delivery services, transportation, containers & packing and companies closely linked to end-consumers.

- **Oil & Gas (–):** The lack of transparency around the price at which supply breaks and speed/scale of a non-OPEC response leaves oil equities facing a period of uncertainty. US tight oil becomes the focal point as the most visible short-duration source of crude supply; DB analysts suggest sustained sub-$70/bbl WTI is needed to draw a meaningful response in this sector. In the current setting, a massive supply overhang going into 2015 seems irreversible.

  For now, the recovering cash cycle, that has been the lynch-pin of a positive view on Euro IOCs, looks uncomfortable at <$70/bbl. Holding capex flat just 25% of the 2015 dividend would be funded from FCF. Thus the risk/return relation seems unfavorable at current oil price. Stocks with a strong B/S are preferred in the sector.

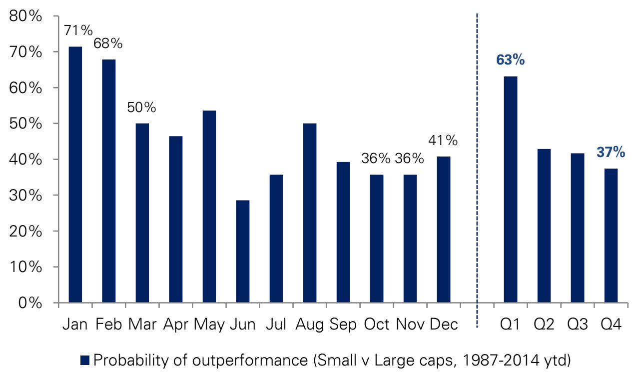
- **Utilities (–):** The direct effect of lower oil prices will be lower revenues in the sector's upstream O&G production. But if current market prices are sustained, the oil price will also push oil-linked European gas contracts below current market gas prices. A lower gas price, in turn, has a negative effect on earnings in power markets in the UK and (to some extend) Spain/Italy.

  DB analysts suggest that a lower gas price drags down margins on Coal/ Nuclear/ Renewables generation as gas is price setting in these markets. Especially utility names with UK coal plants should be avoided as a substantial drop in gas prices together with the UK carbon tax could push out coal generation in favor of gas. On the positive side, in Germany, the costs of switching from coal to gas to meet carbon dioxide targets would be reduced.

Further, it seems worth considering small caps in particular as a tactical idea for 1Q15
The phenomenon of seasonality in returns among European size-classes might serve as an interesting additional layer ahead of 1Q15 from a tactical point of view – not necessarily until year-end 2015 (Figure 120 and Figure 121).

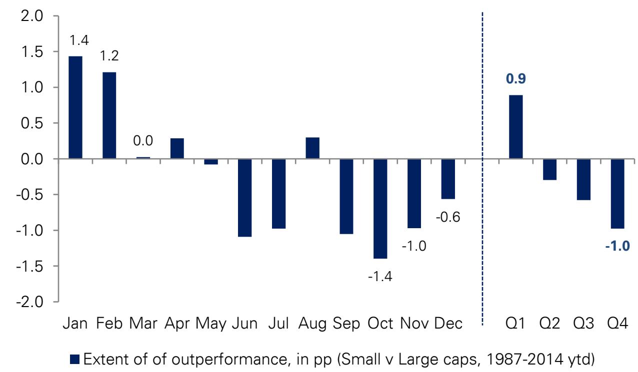
Our analysis reveals there is a high probability that small caps outperform large caps in Europe during Q1, which reverses in Q4 (based on data from 1987-2014 year-to-date). The wider the market cap gap difference, the stronger the effect.

Figure 120: Probability that small caps outperform large caps in Europe is the highest in Q1 and the lowest in Q4



Source: DataStream, Deutsche Bank

Figure 121: The extent to which small caps outperform large caps is the highest in Q1, but negative in Q2-Q4

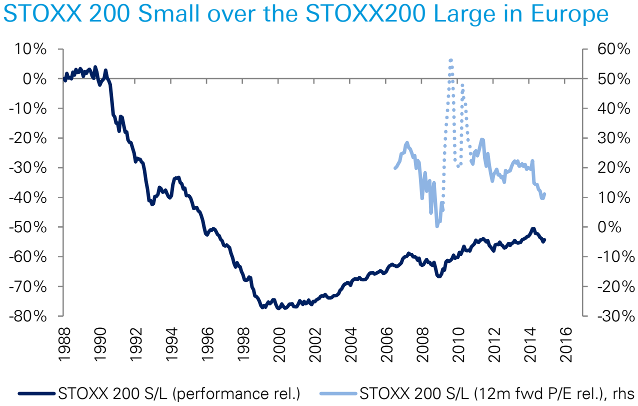


Source: DataStream, Deutsche Bank

This pattern can be explained via investors' seasonal preference for the more liquid, large caps towards the end of a year to minimize portfolio risks to sudden market sell-offs shortly ahead of annual performance reviews (Q4) and their subsequent higher beginning-of-year risk appetite when annual reviews are still far away. Also, research like this report dedicated to this phenomenon amplify market awareness for the theme and in themselves increase the likelihood of this to materialize.

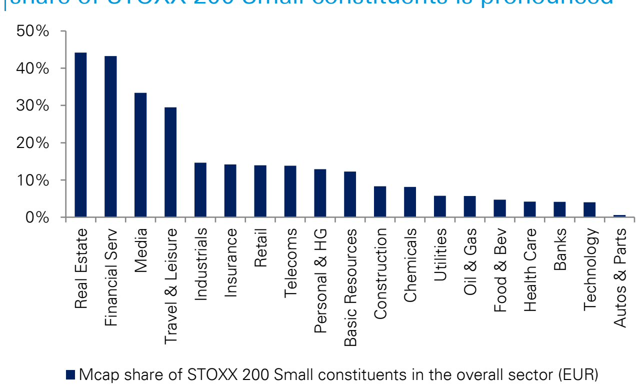
Implementation-wise, one could have a preference for those sectors where the market cap share coming from small caps (STOXX 200 small) is pronounced (Figure 123).

Figure 122: Performance and valuation relatives of the STOXX 200 Small over the STOXX200 Large in Europe



Source: IBES, DataStream, Deutsche Bank

Figure 123: STOXX Europe sectors where the market cap share of STOXX 200 Small constituents is pronounced



Source: DataStream, Deutsche Bank

A view on moderately rising rates and a declining Euro need to be taken into account

Views on how rates and the Euro potentially develop until year-end 2015 are not essential to our call to prefer cyclical over defensive sectors in Europe, but certainly help strengthening the case for it.

To find out whether changes in rates and the EUR/USD are statistically significant to explain changes in sector performance relatives versus the Stoxx600 over the past 5 years, we prepared regression analyses using both metrics in a combined model ('model A') and each metric in two separate models (models 'B.1' and 'B.2') to double check results from the combined model (Figure 124). We follow the below rules:

- If t-stats from both input factors (Bunds, EUR/USD) in model A AND in models B.1/B.2 are all statistically significant (t-stats >1.96x at the 95% level), we consider results from model A on magnitudes of the effects on sector performance relatives as a credible finding.

- If one metric delivers t-stats < 1.96x in model A, we take out results for model A completely, but consider metrics in either models B.1 or B.2 if they show statistically significant results.

Under consideration of our rates and FX strategists' views that Bunds arrive at 1.1% and the EUR/USD potentially reaches 1.15 until year-end 2015, we calculate what effect this would have on the sector's performance relative on a rolling 3 month change basis.

For given standard deviation move in Bund yields and EUR/USD, we find that moves in Bund yields are more powerful for sector relative performance than moves in EUR/USD, as displayed in the last row of model A.

Figure 124: Regressing Bund yields, EUR/USD on sector performance relatives (vs. the Stoxx600), a 5-year history

		Autos	Banks	Basic Resources	Chemicals	Construction	Financial Serv	Food & Beverage	Health Care	Industrials	Insurance	Media	Oil & Gas	Personal & HG	Real Estate	Retail	Technology	Telecoms	Travel & Leisure	Utilities
	5-year correlation of 3-month changes in (x_i versus sector performance relatives), %																			
	x_1: Bund yld.	47%	37%	26%	16%	57%	38%	-64%	-64%	41%	46%	5%	12%	-54%	-46%	-19%	29%	-24%	-9%	-26%
	x_2: EUR/USD	30%	37%	16%	33%	33%	25%	-48%	-43%	0%	30%	-29%	1%	-39%	22%	-14%	-3%	-6%	-43%	4%
Model A	**t-stats: regression of x_1, x_2 combined on y (sector performance relatives); highlighted in light blue when statistically significant at the 95% level (t-stat greater -/+ 1.9)**																			
Model A	x_1: Bund yld.	6.8	4.1	na	na	na	na	-10.4	-10.5	na	6.5	na	na	-7.7	-12.8	na	na	na	na	na
Model A	x_2: EUR/USD	1.9	4.1	na	na	na	na	-4.8	-3.6	na	2.1	na	na	-3.4	9.7	na	na	na	na	na
Model A	**Magnitude of change in (x_i) on sector performance relatives, calculated as average 3-month change in (x_1, x_2 till YE'15) * regression (x_1, x_2) coefficient**																			
Model A	x_1: Bund yld., [%]	1.6	0.7	na	na	na	na	-1.2	-1.2	na	0.8	na	na	-0.8	-1.3	na	na	na	na	na
Model A	x_2: EUR/USD, [%]	-0.4	-0.7	na	na	na	na	0.5	0.4	na	-0.2	na	na	0.3	-0.9	na	na	na	na	na
Model A	Bund yld. (x_1) / EUR USD (x_2), [x]	3.7	1.1	na	na	na	na	2.3	3.1	na	3.3	na	na	2.5	1.4	na	na	na	na	na
Model B.1	**t-stats: regression of x_1 on y (sector performance relatives); highlighted in light blue when statistically significant at the 95% level (t-stat greater -/+ 1.9)**																			
Model B.1	x_1: Bund yld.	na	na	4.1	na	11.0	6.4	na	na	7.0	na	na	na	na	na	-3.1	4.8	-3.9	na	-4.2
Model B.1	Magnitude of change in x_1	na	na	0.8	na	1.2	0.6	na	na	0.6	na	na	na	na	na	-0.3	0.6	-0.6	na	-0.4
Model B.2	**t-stats: regression of x_2 on y (sector performance relatives); highlighted in light blue when statistically significant at the 95% level (t-stat greater -/+ 1.9)**																			
Model B.2	x_2: EUR/USD	na	na	na	5.4	na	na	na	na	na	na	-4.8	na	na	na	na	na	na	-7.5	na
Model B.2	Magnitude of change in x_2	na	na	na	-0.5	na	na	na	na	na	na	0.3	na	na	na	na	na	na	0.7	na

Note: The analysis is based on data from December 2009 - December 2014. Source: DataStream, Deutsche Bank

Let's take Health Care as an example, where model A delivers statistically significant results for Bunds and EUR/USD (in light blue). Correlations over the past 5 years between changes in Bunds, the EUR/USD on the one hand side and the sector's performance relative on the other hand side indicate there is a negative relationship, i.e. when Bunds rise and the EUR/USD declines (in-line with our rates and FX strategists' views), the sector tends to suffer from rising rates and benefit from a falling EUR/USD.

The net effect would be negative since the positive effect from a lower EUR/USD (+0.4pp, or +1.6pp annualized) would be overcompensated by a negative impact of rising rates (-1.2pp, or -4.8pp annualized), and hence lead to an underperformance vs the Stoxx 600 of around 3.2pp until year-end 2015, based on this simple model.

As a final example we review implications for Media, where one metric (x1) in model A does not deliver statistically significant results, but those for the other metric (x2) are relevant. This is backed-up by statistically significant results obtained in model B.2 for the same metric (x2). In other words, we cannot derive a statement for Media on back of where Bunds trend (since regression results are not statistically significant), but we can for changes in the EUR/USD.

Changes in the EUR/USD are positively correlated with the sector's performance relative. In case the EUR/USD declines to a level of 1.15, this could lead to an outperformance of 0.3pp on a 3-month basis (or 1.2pp annualized).

Other key findings from Figure 124 above are summarized below:

- Sectors for which model A delivers statistically significant results and that might benefit from a weaker EUR/USD, but where the negative effect of rising Bunds would clearly outweigh the positive effect from FX, include Food & Beverage, Healthcare and Personal & Household Goods – all defensive sectors with a relatively high duration and screening as growth-not-value.

- For Real Estate both metrics have negative signs, hence a double negative for the sector performance relative if Bunds rise and the EUR/USD falls at the same time.

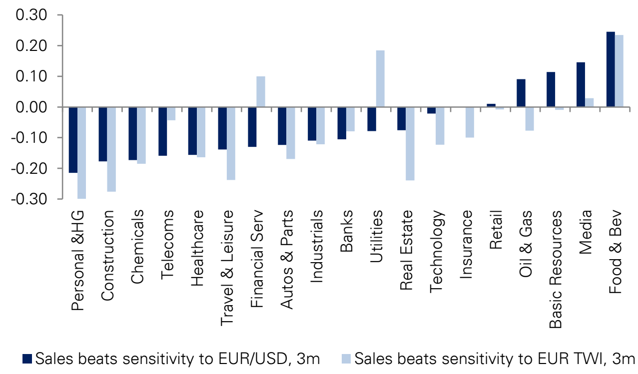
- While a positive effect from rising Bunds on Banks would be offset by a negative effect from a falling EUR, Insurance could outperform since the small drag from FX would be overcompensated by a positive effect from rising Bunds.

- Sectors where only regressions of Bunds on sector performance relatives deliver statistically significant results and where rising yields indicate outperformance include Basic Resources, Construction, Financial Services, Industrials, Oil & Gas, and Technology while those negatively affected include Retail, Telecoms and Utilities.

- Sectors where only regressions of the EUR/USD on sector performance relatives deliver statistically significant results and where a falling EUR/USD indicates outperformance include Travel & Leisure (aside from Media, as discussed above) while Chemicals would be negatively affected.

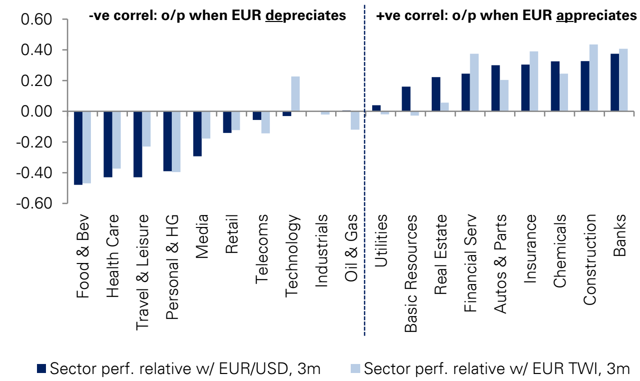
To round up implications from FX on the sector level, we note that investors should pay attention to differentiating outcomes for sector sensitivities to currency changes when considering 1) the impact on revenue estimates during quarterly results seasons (Figure 125) and 2) sector performance relatives (Figure 126).

Figure 125: Fundamental sensitivity to changes in FX (correlation between quarterly sales beats and the EUR)



Note: The analysis is based on data from Q1-2009 till Q3-2014.
Source: Worldscope, IBES, DataStream, Deutsche Bank

Figure 126: Performance sensitivity to changes in FX (correlation between sector alpha and the EUR)



Note: The analysis is based on data from Q1-2009 till Q3-2014.
Source: Worldscope, IBES, DataStream, Deutsche Bank

Based on Figure 125 and Figure 126, the low R^2 metric (0.00) for sensitivities to the EUR/USD between 1) the impact on revenue estimates during quarterly results seasons and 2) sector performance relatives indicates the relationship is loose. Key reasons for the differences are hedging and translation effects. Hence, one should not use 1) as a proxy for 2) to screen for beneficiaries from a weaker EUR.

For example, sectors with significant sales exposure outside of Europe like Chemicals or Construction are sensitive to a depreciating EUR when it comes to positive surprises on the sales level during quarterly reporting seasons, but the sectors' performance relatives over the Stoxx600 seem driven by other factors than changes in FX.

An environment where rates rise moderately demands a preference for 'value' over 'growth' (which ties in with low equity duration)

From here, we move on to the discussion around style investing (value versus growth) and show how investors should position in light of expectations for moderately rising rates over the year and a depreciating Euro until year-end 2015.

As shown above, rising rates are indicative of a pickup in economic activity which can make previously unsustainable dividends (often the highest yielders) become more sustainable. Hence, we need to check sectors for their sensitivities to rates and their level of dividend yield. Generally speaking, an environment where interest rates rise is supportive for a preference of 'value' over 'growth'.

The problem with style investing is that when surveying 100 investors about what they understand under 'value', one receives 100 different answers. Hence, we kick-off from a common starting point by following the established MSCI concept and then refine the same to arrive at one which consists of the MSCI essentials without its drawbacks of double counting stocks (as several names appear in both 'value' and 'growth' baskets).

Hence, we need to identify 'pure value' (value-not-growth) and 'pure growth' (growth-not-value) to get around these drawbacks. Therefore, we rely on 6 criteria (as in the MSCI's framework) based on IBES consensus analysts' data (Figure 127).

For each stock, we standardize these criteria using Z-scores (subtracting the cross-sectional mcap-weighted mean from a given value and dividing by the cross-sectional standard deviation of the respective variable). Company specific value and growth scores are then obtained by synthesizing the 6 standardized values (equally-weighted).

Figure 127: Assigning 'value' and 'growth' scores to STOXX 600 sectors (sorted by the delta score in Value-Growth)

	Value metrics							Growth metrics							
Sectors	**12m fwd P/B**	**12m fwd P/E**	**12m P/E rel. to 5Y med**	**12m fwd DY**	**DPS CAGR 13-15E**	**12m fwd Price/Sales**	**Value Score**	**EPS CAGR 13-15E**	**EPS CAGR 09-13**	**SPS CAGR 13-15E**	**SPS CAGR 09-13**	**12m fwd ROE**	**12m fwd Capex/Sales**	**Growth Score**	**Delta (Val-Grwth)**
Banks	1.3	12.2	0.8	4.8	34.9	3.7	**8**	11.8	9.2	3.1	(8.2)	11.1	0.0	**(9)**	**17**
Utilities	1.4	14.5	1.4	4.8	-4.3	1.5	**4**	(3.8)	(4.3)	0.7	3.1	10.2	14.4	**(8)**	**12**
Basic Res	1.3	13.0	1.1	3.4	20.1	1.1	**6**	28.1	1.4	4.8	1.9	10.6	10.6	**(6)**	**11**
Insurance	1.8	11.9	1.3	4.6	9.5	1.3	**7**	3.9	10.6	3.6	3.6	14.8	2.6	**(3)**	**10**
Telecoms	4.2	16.2	1.5	5.0	5.4	1.8	**2**	6.7	(0.4)	2.0	(0.0)	19.9	16.2	**(7)**	**9**
Fin Serv	1.7	26.6	1.5	3.6	5.8	8.3	**(3)**	6.6	1.1	(30.1)	4.9	7.7	1.4	**(10)**	**7**
Autos	1.4	9.9	1.0	3.2	20.3	0.5	**10**	12.5	38.0	5.0	4.9	14.7	6.5	**6**	**4**
Real Estate	1.4	22.6	1.1	4.0	5.7	9.5	**(2)**	5.9	13.6	3.9	(2.7)	9.3	24.3	**(4)**	**2**
Travel	2.7	16.7	1.2	2.5	27.0	1.4	**3**	18.1	3.7	6.9	6.4	25.9	8.0	**1**	**2**
Construction	2.8	17.6	1.2	3.0	13.0	1.4	**0**	15.0	8.8	5.4	3.5	16.2	3.3	**(1)**	**1**
Oil & Gas	1.2	11.2	1.2	5.1	-0.8	2.8	**9**	12.6	10.1	3.0	8.5	11.6	74.5	**9**	**0**
Industrials	3.0	15.7	1.1	3.2	11.8	1.3	**(1)**	15.6	10.9	4.8	4.0	19.7	5.3	**0**	**(1)**
Food & Bev	3.0	19.0	1.3	3.0	7.9	2.5	**(8)**	8.9	9.6	4.3	2.5	16.3	5.9	**(2)**	**(6)**
Chemicals	2.9	15.9	1.3	2.9	7.7	1.6	**(4)**	9.7	20.4	3.8	7.8	17.5	6.5	**3**	**(8)**
Media	5.3	14.5	3.4	2.9	6.5	2.6	**1**	161.4	31.2	5.9	0.9	24.0	7.4	**10**	**(9)**
Tech	2.8	17.9	1.3	2.8	8.8	2.4	**(7)**	22.1	21.9	6.1	5.2	15.3	3.6	**2**	**(9)**
Per & HG	4.1	18.2	1.2	2.9	10.9	2.6	**(9)**	11.7	9.6	6.6	6.2	33.4	4.3	**4**	**(13)**
Retail	7.3	21.5	1.2	3.3	10.2	2.2	**(6)**	10.8	8.0	9.9	12.0	35.6	5.3	**8**	**(13)**
Healthcare	8.9	21.0	1.4	2.5	10.8	4.7	**(10)**	12.9	11.8	6.6	7.9	41.7	5.2	**7**	**(17)**

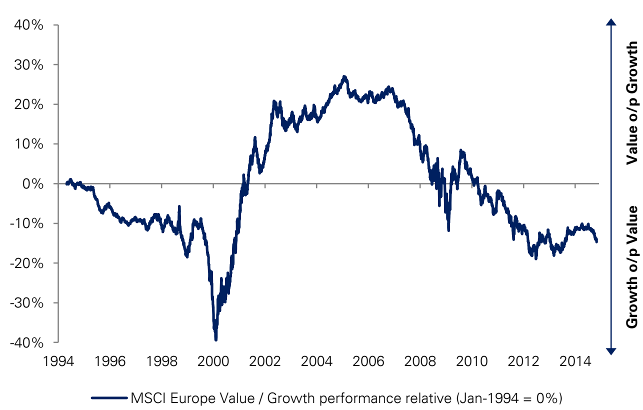
Source: Bloomberg Finance LP, DataStream, Deutsche Bank

In order to screen for value-not-growth and growth-not-value, we assign standardized ranks for both scores (ranging from +10 to -10) and calculate the delta between them to get around constituents appearing in both value and growth screens.

According to this methodology, Autos, Oil & Gas, Banks, Insurance and Basic Resources rank highest as 'value', while Media, Retail and Healthcare lead the 'growth' camp (aside from Oil & Gas and Autos, which rank high in both camps).

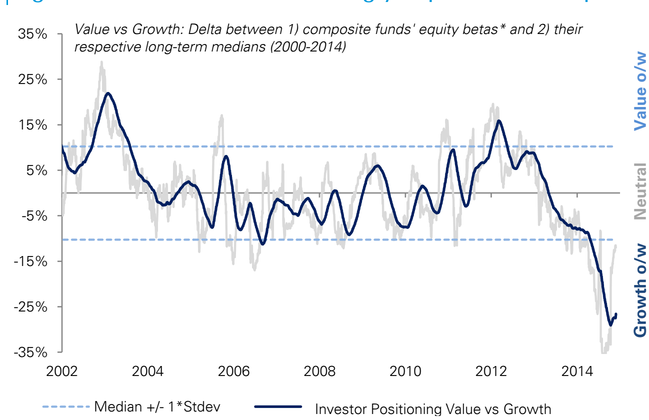
The cleaner differentiation however would be to follow 'pure value' (value-not-growth) and 'pure growth' (growth-not-value) instead. From this perspective, by far the purest value play would be Banks. On the other hand, sectors ranking high as 'pure growth' are Healthcare and to a lesser extent also Retail and Personal & Household Goods.

Figure 128: MSCI Europe Value versus Growth



Source: Bloomberg Finance LP, DataStream, Deutsche Bank

Figure 129: Growth funds strongly exposed to Europe



Note: Investor positioning (the more positive, the stronger the o/w position): Delta between 1) 60 days rolling correlations of a) funds' excess returns over the MSCI AC World and b) regional benchmark excess returns over the MSCI AC World versus 2) their respective 2000-14 medians.
Source: Bloomberg Finance LP, DataStream, Deutsche Bank

With Bund yields close to Japanese levels, we doubt that there is still much to be captured within the 'growth' space and rather unattractive from a risk-reward perspective. Against the backdrop of a European (domestic) recovery gaining pace, presumably ahead of consensus expectations next year, we think 'value' can resume its outperformance over 'growth' it began in late 2012 (Figure 128).

In terms of investors' positioning we observe that relative to value funds' positioning, growth funds are strongly European-focused (Figure 129) – a constellation that seems extreme and has proven unsustainable for a longer period of time in the past. Only in an environment where bond yields decline from current levels, 'growth' stocks could see their valuation multiples inflated further, which is not our base case.

Figure 130: The concept of equity duration

Equity duration (measured in yrs) relates to the length of time investors need to wait for the equity to fully pay out.

For example a duration of 10 years means that the price should fall by 10% for every 1% increase in the interest rate. Basically, to derive an expression for equity duration we first take the definition of the share price (P) from the Gordon Growth Model (GGM) and then apply the same technique used in calculating modified duration for a bond. There are a few academic papers one can look at on this subject like Leibowitz, Financial Analysts Journal, 1989. From the GGM,

$$P_0 = D_1 / (k - g) \qquad \dots (1)$$
$$= (D_0 (1+g)) / (k - g)$$

Where D_1 *= forthcoming dividend (t=1), k = cost of equity and g = long term growth rate in those dividends. It's based on the fact that the cost of equity and the return that investors demand are equivalent, and the return is the sum of the dividend yield and the dividend growth. Another way of writing this in natural logarithms is as follows:*

$$\ln P_0 = \ln D_0 + \ln (1+g) - \ln (k-g)$$

The modified duration is the change in the price relative to the change in the interest rate. So we differentiate this with respect to k (the CoE changes primarily because of the change in the interest rate). The derivative has a negative sign because prices and interest rates are inversely related, such that:

$$\text{Duration} = - d (\ln P_0) / dk$$
$$= 1 / (k - g)$$

For those who cannot remember their o'level calculus, the derivative of the ln(a) with respect to a is 1/a. We are assuming that g is not itself a function of k. We can also play with it in the following way, by substituting back in equation (1):

$$\text{Duration} = P_0 / D_1$$

This is of course the reciprocal of the forward dividend yield so we could stop there, but it might be a little more instructive to expand it further as follows:

$$= P_0 / (E_1 \times P_O)$$

Where P_O *= dividend payout ratio, and* E_1 *is the earnings per share in t=1, leading us to the following expression:*

Equity duration (ED) = $\boldsymbol{P_0 / (B_1 \times P_O \times RoE_1)}$

Where B_1 *is the book value per share and RoE is the return on equity.*

Source: Deutsche Bank

Following 'pure value' (rather than 'pure growth') ties in with a preference for low *equity duration*, the sensitivity of share prices to changes in rates. For those who are interested, we show the detailed calculus for this concept in Figure 130 above as it can be derived from a Gordon Growth Model (GGM). The final formula is given below:

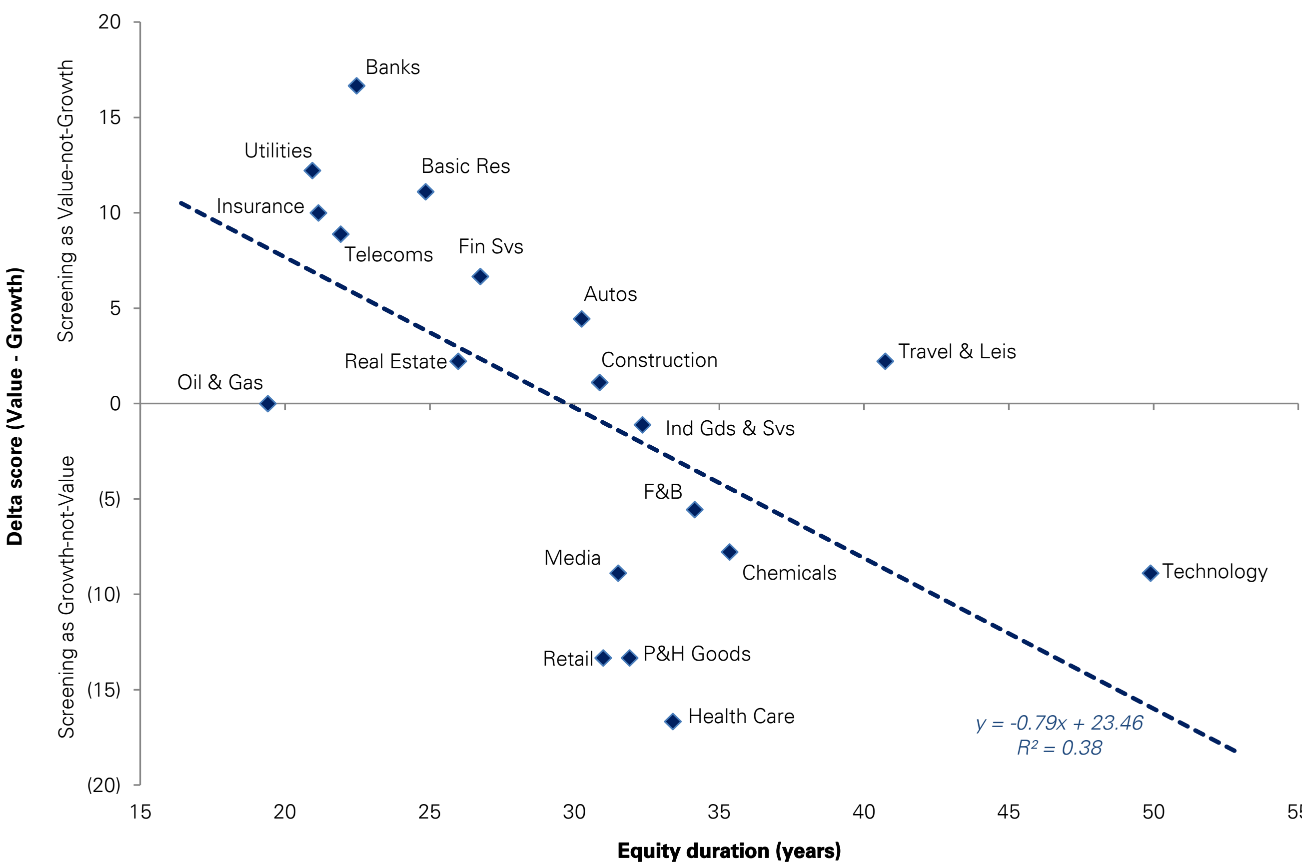
Equity duration (ED) = P_0 / (B_1 x P_O x RoE_1) ***... (1)***

By expressing it this way we can see how valuation links with duration. It tells us that stocks with low price-to-book ratios have a low duration (or 'short' if you prefer), and therefore are less sensitive to rises in interest rates compared to more expensive stocks which have comparatively higher duration.

Given their common characteristics of '(pure) value' and equity duration, we suggest one should stay away from sectors with a high duration and low yield (typically classified as 'growth') when bond yields rise. Instead, one should look out for sectors with low duration and high yield (typically classified as 'value').

Output from this concept correlate inversely with results obtained from equity duration, where a high 'pure value' score is accompanied with comparably low equity duration.

Figure 131: 'Value' and 'growth' are inversely correlated with equity duration



Source: DataStream, Deutsche Bank

Considering CROCI (where available) as an additional layer for valuation[4]

Adding the CROCI (cash returns on capital invested) view as an additional layer to this analysis helps understand why especially Food & Beverage and Retail have become increasingly unattractive valuation-wise in Europe as a direct result of this.

Generally speaking, CROCI can be used to identify which sectors (covered by CROCI, ex financials) manage to earn market implied cost of capital and which are struggling (Figure 132). We can show that Oil & Gas, Telecoms and Utilities struggle to earn market implied cost of capital.

Since CROCI considers Autos' financial services business as well, numbers for the sector are distorted and are not directly comparable with other industrial peers.

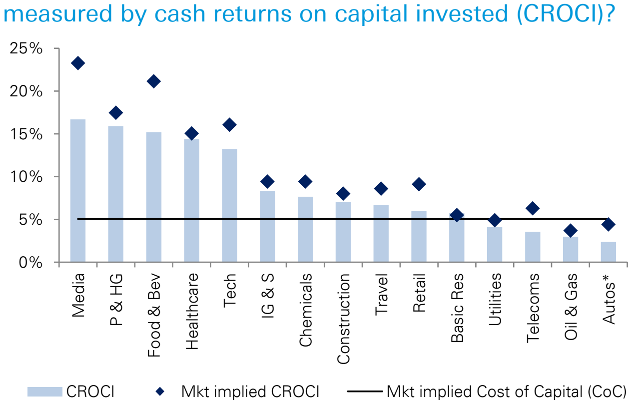
With the help of "value" (enterprise value / net capital invested) and "return" metrics (CROCI/COC), the CROCI framework helps identifying those sectors where market expectations differ or match bottom-up consensus analysts' estimates (Figure 133).

Sectors where market prices imply significantly higher levels of cash returns further include Retail, Media and Food & Beverage. Sectors where market expectations match consensus analysts' views include Basic Resources, Healthcare, Personal & Household Goods, Industrial Goods & Services and Construction & Materials.

It's important to note that for those sectors where markets' expectations strongly exceed bottom-up consensus analysts' estimates on economic earnings should not necessarily be taken as a negative per se.

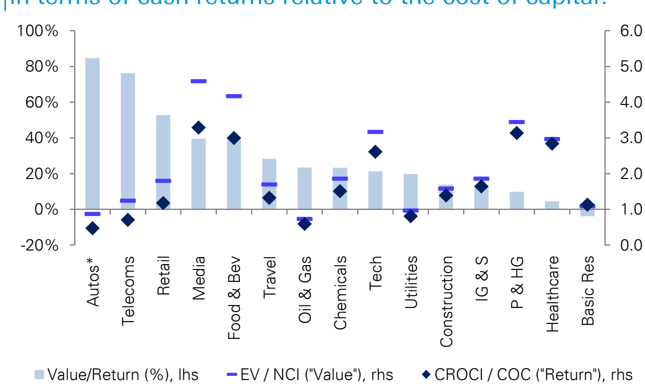
However, it becomes an issue if one believes market implied levels are too high and analysts will be reluctant to upgrade their estimates any time soon to match market expectations, or even downgrade them. This might result in a de-rating when investor patience reached a subjective tipping-point.

Figure 132: Who is earnings his cost of capital, measured by cash returns on capital invested (CROCI)?



*CROCI data for Autos includes Financial Services business, which biases the analysis for this sector.
Note: Data relates to 12-month forward IBES consensus estimates.
Source: CROCI, a product of Deutsche Asset & Wealth Management

Figure 133: CROCI valuation – What is the market pricing in terms of cash returns relative to the cost of capital?



*CROCI data for Autos includes Financial Services business, which biases the analysis for this sector.
Note: Data relates to 12-month forward IBES consensus estimates.
Source: CROCI, a product of Deutsche Asset & Wealth Management

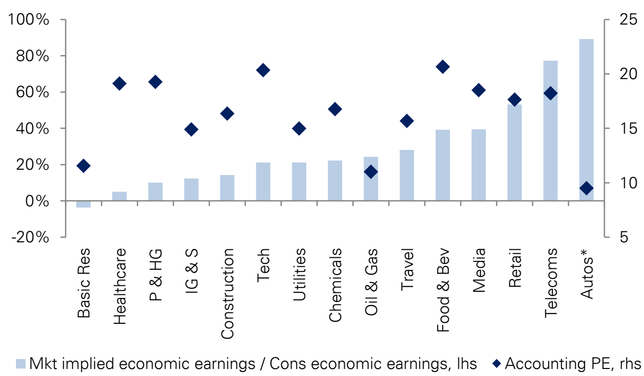
[4] Statements derived from CROCI data (a product of Deutsche Asset & Wealth Management) used in this report represent views of the European equity strategy team within Deutsche Bank CB&S and not those of DeAM.

Further, these findings help to better understand what plain accounting P/E multiples actually incorporate. For example, despite the fact that Healthcare and Personal & Household Goods trade at high P/Es relative to other sectors, we can say that these levels are backed by CROCI economic earnings, unlike for Telecoms, Retail, Media or Food & Beverage (Figure 134) as of today, when following:

Economic Earnings (EE) = CROCI x Net Capital Invested ***... (2)***

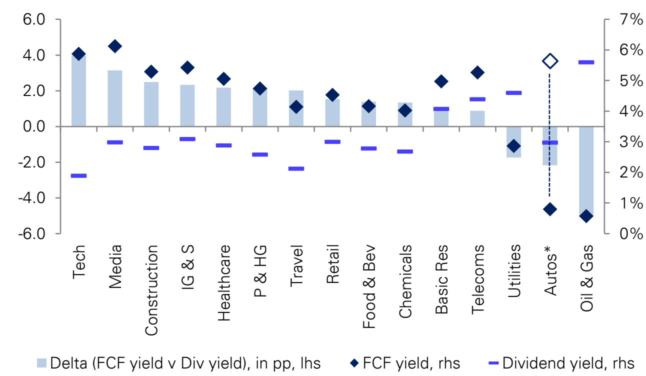
On dividends, CROCI is useful to standardize free cash flow yields and helps reflect them against dividend yields to get a better understanding for which sectors cash returns to shareholders might be subject to up-/ or downside risks (Figure 135). Free cash flow yields range below dividend yields for Oil & Gas and Utilities. Telecoms still seem to cover their DPS. Autos again should not be considered here. Based on DB analysts' estimates, Auto's free cash flow yield is 5.5% (white diamond in Figure 135).

Figure 134: Looking through plain accounting PEs – What is the market pricing in terms of economic earnings?



*CROCI data for Autos includes Financial Services business, which biases the analysis for this sector.
Note: Data relates to 12-month forward IBES consensus estimates.
Source: CROCI, a product of Deutsche Asset & Wealth Management

Figure 135: Where do estimated free cash flows exceed dividends?



*CROCI data for Autos includes Financial Services business, which biases the analysis for this sector.
Note: Data relates to 12-month forward IBES consensus estimates.
Source: CROCI, a product of Deutsche Asset & Wealth Management

Finally, one can check where market expectations differ from what consensus analysts have in their models under consideration of the cost of capital in equation (2), following:

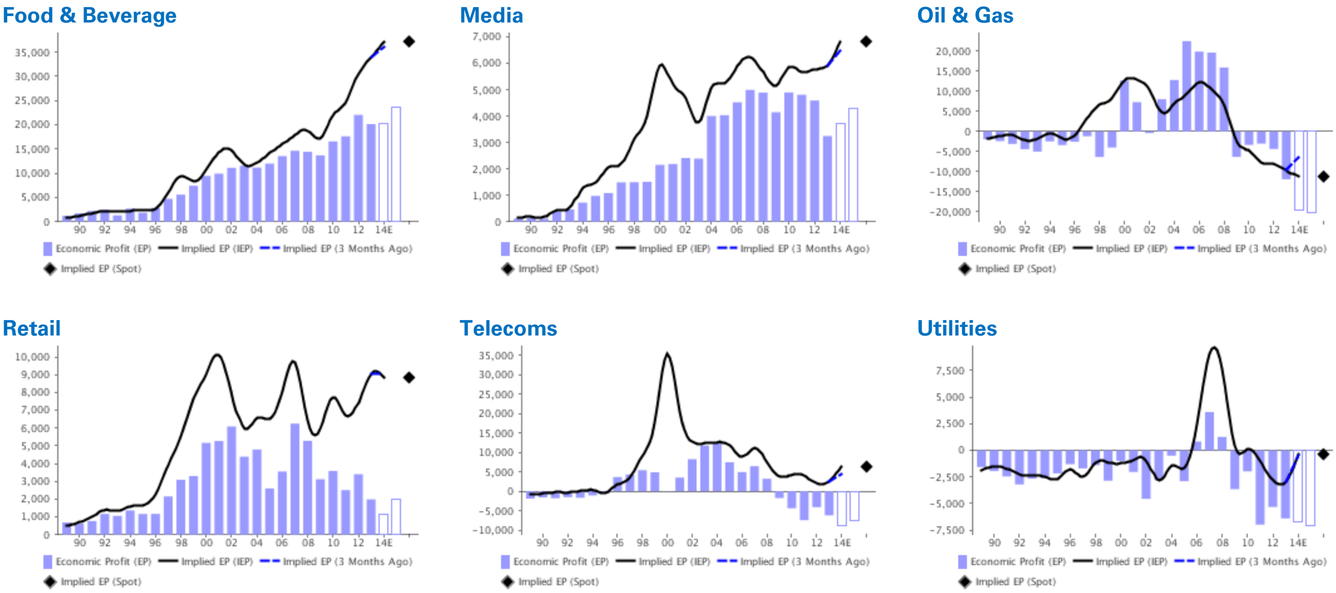
Economic Profits (EP) = (CROCI – COC) x Net Capital Invested ***... (3)***

By definition, a company destroys economic profits by any unit of additional net capital invested, when it does not manage to generate cash returns on its capital invested (CROCI) ahead of its cost of capital (CoC). Measuring the gaps between markets' implied economic profit and bottom-up consensus analysts' estimates results in the same order as presented in Figure 134 above (merely the absolute level in EUR terms would change due to a base effect when considering cost of capital as well).

When looking at economic profits implied by markets in a direct comparison with stated and estimated economic profits over time, we observe that for some sectors the market is making a strong assumption on the level of economic profits ahead of what consensus analysts have in their models.

The tricky part is to identify those sectors where market prices do not necessarily reflect expectations for significant analyst upgrades, but are rather a result of an escape from low yields on the respective corporate bonds where equities are used as a bond-proxy.

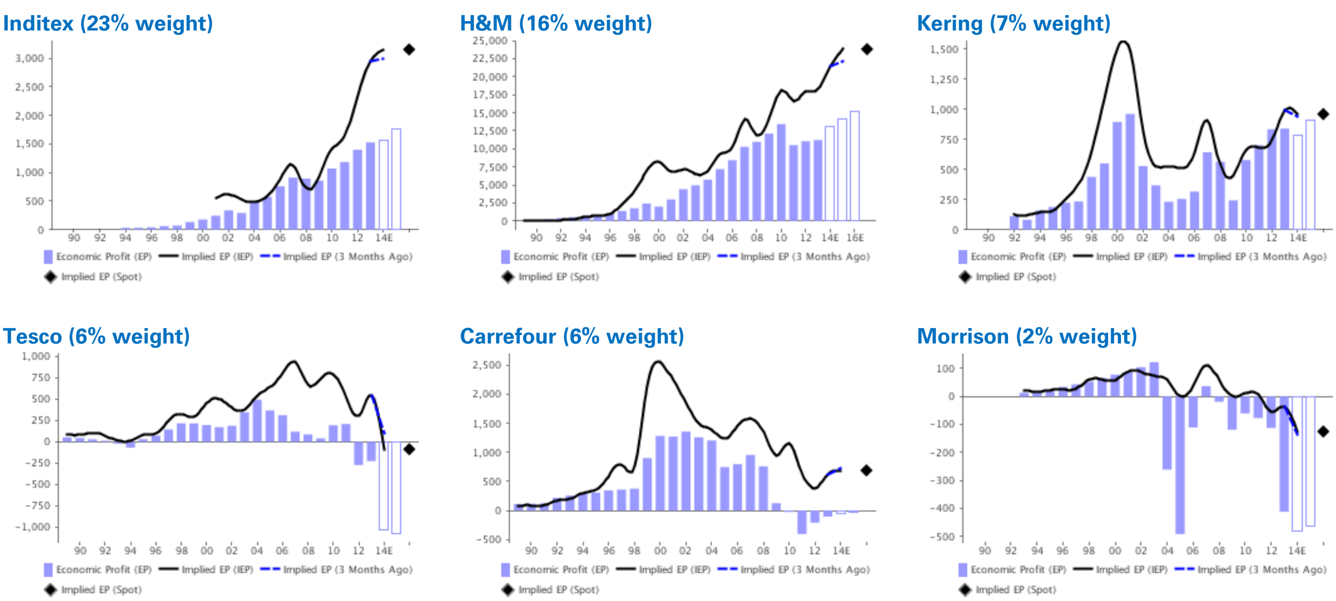
Figure 136: European sectors for which market implied economic profits exceed bottom-up consensus estimates



Source: CROCI, a product of Deutsche Asset & Wealth Management

For Retail, this seems to be driven by the index heavyweights Inditex and H&M, aside from structural weakness among food retailers (Figure 137).

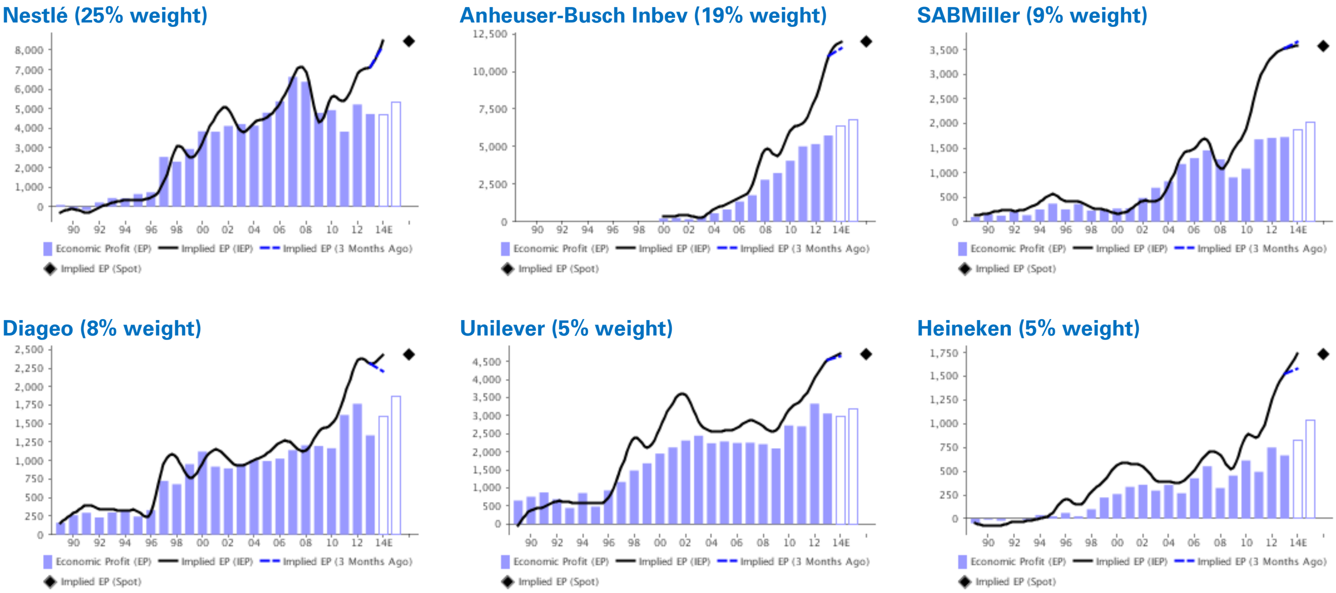
Figure 137: Market implied economic profits versus bottom-up analysts' estimates for major Retail stocks



Source: CROCI, a product of Deutsche Asset & Wealth Management

Food & Beverage (Figure 138), however, serves as an impressive example where we can show that inflated market expectations are a broad-based phenomenon when reviewing top constituents, not necessarily subject to few heavyweights as for Retail. In case of Food & Beverage, the market is either making a strong assumption on analysts estimate upgrades or just buys into these names for other reasons than fundamentals, such as a relatively higher dividend yield relative to a company's respective bond yield.

Figure 138: Market implied economic profits versus bottom-up analysts' estimates for major Food & Beverage stocks

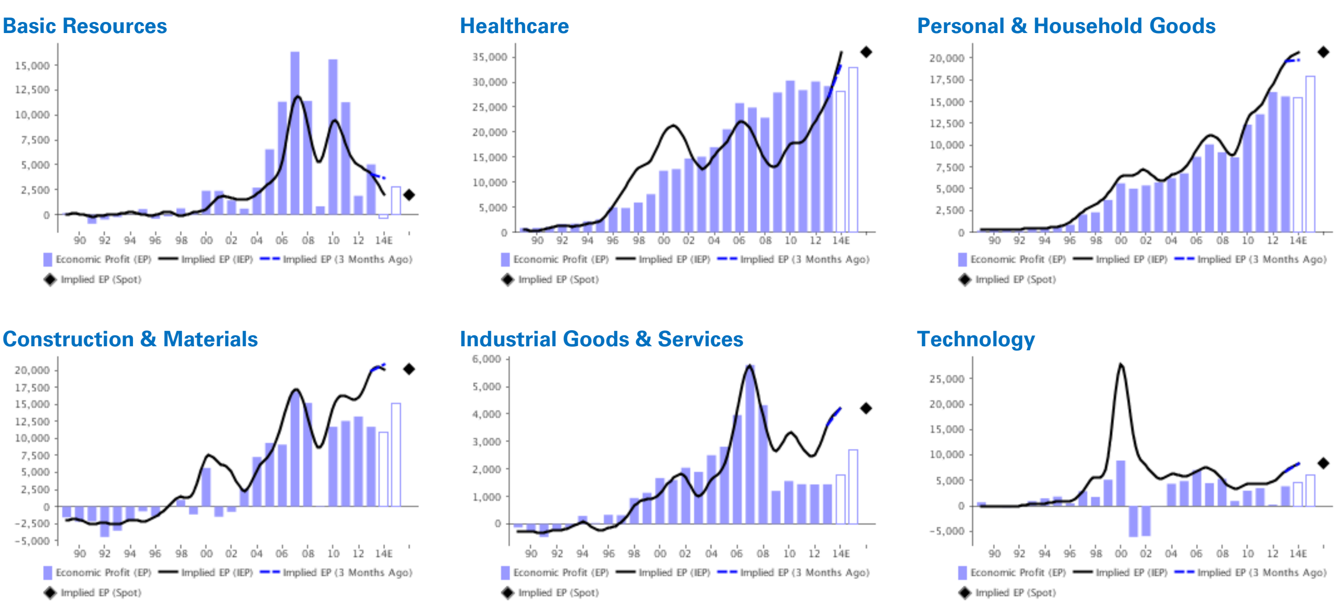


Source: CROCI, a product of Deutsche Asset & Wealth Management

Sectors, where market expectations match underlying consensus analysts' estimates, include Basic Resources Healthcare and Personal & Household Goods. For these sectors we think de-rating potential should be rather limited.

To a lesser extent this also applies to Construction & Materials, Industrial Goods & Services and Technology, for which we notice just a small gap between market expectations and what analysts have in their models, but see analysts' estimates catching up (Figure 139).

Figure 139: European sectors for which market implied economic profits match bottom-up consensus estimates



Source: CROCI, a product of Deutsche Asset & Wealth Management

4.2 European sector stance: Tilted towards cyclicals (and 'value')

What have we learned?

We provide a thematic matrix and highlight those sectors ticking the respective boxes for themes included in section 4.1 (Figure 140). We reflect this against results from our work on investors' positioning, analysts' recommendations and directors' dealings.

Figure 140: Thematic sector matrix – a qualitative assessment (scale ranges from "++" over "Neutral" to "– –")

	Thematic analyses							Market positioning			Sales, EPS growth, PE multiple		
STOXX sectors	**Rec**	**o/p with + EMU macro surprise[1]**	**Gaining from lower oil prices[2]**	**o/p with QE[3]**	**o/p with weaker EUR/USD[4]**	**Rather value-not-growth[5]**	**Low equity duration[6]**	**Investors' positioning (o/w = +)[7]**	**IBES cons analsts' rec. (o/w = +)[8]**	**High % of insider buys[9]**	**% of 2013 sales in Europe (%)**	**EPS growth 15E (%)**	**P/E multiple 15E (x)**
Autos & Parts	o/w	++	+	++	-	N	N	N	++	++	48	14.1	9.3
Banks	o/w	++	N	++	- -	++	++	N	-	++	66	26.8	10.5
Basic Resources	o/w	++	-	+	n/a	+	+	+	+	+	36	8.0	10.8
Chemicals	-	N	+	+	-	-	- -	-	+	++	47	10.9	15.7
Construction	o/w	++	+	++	n/a	N	N	-	+	- -	57	16.1	14.9
Financial Serv	o/w	++	N	++	n/a	+	+	-	++	N	33	10.0	15.6
Food & Bev	u/w	- -	+	N	++	-	- -	++	-	+	37	8.8	19.1
Healthcare	-	- -	N	N	++	- -	- -	N	+	-	30	6.7	17.7
Industrials	-	++	-	++	n/a	N	-	-	N	N	48	14.3	14.6
Insurance	o/w	+	N	N	-	+	++	++	N	-	68	4.7	10.7
Media	o/w	- -	+	+	+	-	N	N	N	- -	66	12.4	17.9
Oil & Gas	u/w	-	- -	- -	n/a	N	++	- -	+	+	43	2.5	9.5
Personal & HG	u/w	-	+	- -	+	-	-	++	-	N	44	11.7	16.5
Real Estate	u/w	+	N	N	- -	N	+	-	-	N	97	6.8	20.7
Retail	u/w	-	+	N	n/a	-	N	-	- -	N	77	9.5	15.7
Technology	-	-	N	N	n/a	-	- -	-	++	- -	37	22.3	18.1
Telecoms	-	- -	N	- -	n/a	+	++	+	-	- -	75	7.1	17.8
Travel & Leisure	o/w	N	++	+	++	N	- -	-	++	- -	58	25.6	15.7
Utilities	u/w	-	- -	- -	n/a	+	++	-	- -	- -	86	4.5	14.5

1) Correlations between the Economic Surprise Index (ESI) for the Euro area (EMU) and q/q STOXX600 sector performance relatives (vs. the STOXX600 market). The analysis is based on data from 2003-2014.
2) Based on qualitative discussions with DB analysts, we identified sectors that benefit, are not exposed to or suffer from lower oil/commodity prices.
3) Average sector performance relatives (based on observations from the US, Japan and the UK) 3-months post QE announcements. Median values are taken across events within a given regional equity market.
4) Correlations between y/y changes in the EUR/USD (or EUR trade weighted index) and y/y changes in the sector performance relative (vs. the STOXX600 market). The analysis is based on data from 2009-2014.
5) Measures the delta between 'value' and 'growth' scores based on metrics presented in section 4.1.
6) Equity duration (or ED, measured in yrs) relates to the length of time investors need to wait for the equity to fully pay out, following the equation: ED = P0 / (B1 x PO x RoE1).
7) Delta between 1) 60 days rolling correlations of a) funds' excess returns over the MSCI AC World and b) regional benchmark excess returns over the MSCI AC World versus 2) their respective 2000-14 medians.
8) Consensus recommendation between 1-1.5 is Strong Buy, 1.5-2.5 is Buy, 2.5-3.5 is Hold, 3.5 to 4.5 is underperform and above 4.5 is Sell. Market cap-weighted sector scores are benchmarked vs. the Stoxx600 score.
9) Measures % of stocks in the Stoxx600 with Directors' Buying in the past 1-month relative to all sector-companies.
Note: CROCI metrics are not considered for this overview, since data is only available for industrial sectors (i.e. excluding financials).

Source: DataStream, Bloomberg finance LP, Deutsche Bank

European sector stance: Implementing a pro-cyclical, pro-value (and low duration) view

As outlined in detail above, we think investors should consider these themes in 2015 to build a view around how to position among European STOXX sectors. The key elements that matter to our sector view in European equities going into 2015 are public QE first of all, which our economists expect for end 1Q15, followed by positively surprising domestic growth in the Euro area from 1H15 into 2H15.

Aside from DB views across asset classes, we consider DB economists' estimates for economic growth (Figure 141). DB's view that global GDP can grow modestly ahead of trend (>3.5%) 2015E-16E adds to our view to favor a pro-cyclical, pro-value (and low equity duration) sector stance next year, where key overweight positions are supported by sustained lower oil prices, potentially benefitting from a public QE announcement, and where valuation appears attractive.

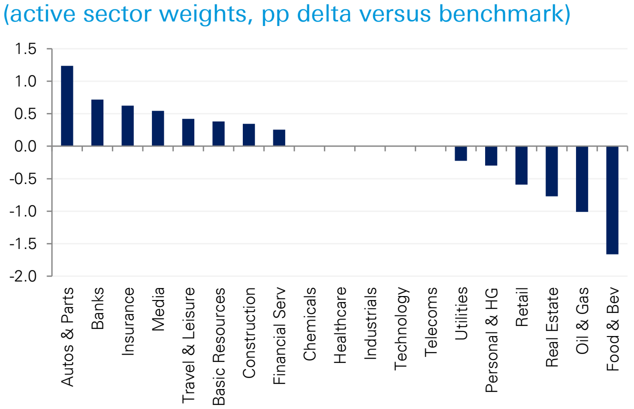
Figure 141: Deutsche Bank macro economic forecasts

	Real GDP % growth[b]			CPI % growth[c]			Current a/c % GDP[d]			Fiscal balance % GDP		
	2014F	2015F	2016F	2014F	2015F	2016F	2014F	2015F	2016F	2014F	2015F	2016F
Euroland (top-down)	0.7	0.8	1.2	0.5	0.8	1.4	2.2	2.5	2.4	-2.6	-2.5	-2.4
Germany[b]	1.4	0.8	1.2	0.9	1.2	1.7	7.2	6.4	6.2	0.1	-0.5	-0.7
France	0.4	0.7	1.4	0.6	0.8	1.3	-1.8	-1.8	-1.5	-4.4	-4.2	-3.9
Italy	-0.4	0.3	0.8	0.2	0.6	1.1	1.6	1.3	1.2	-3.0	-2.9	-2.7
Spain	1.2	1.7	1.7	-0.1	0.7	1.4	0.5	0.7	1.1	-5.6	-4.6	-4.0
Netherlands	0.7	1.7	1.1	0.4	0.8	1.4	10.9	11.4	11.5	-2.5	-2.0	-1.9
Belgium	0.9	0.7	1.3	0.6	1.0	1.5	1.0	0.7	0.4	-2.8	-2.9	-2.7
Austria	0.7	0.7	1.3	1.5	1.5	1.7	1.5	1.8	2.4	-3.0	-1.9	-1.2
Finland	-0.4	0.4	1.1	1.3	1.3	1.5	-1.9	-1.7	-1.3	-2.9	-2.9	-2.3
Greece	0.4	2.5	2.9	-1.1	0.0	1.0	0.0	0.5	1.0	-1.6	0.2	1.6
Portugal	1.0	1.0	1.5	-0.1	0.8	1.3	0.5	0.8	1.0	-4.7	-3.7	-3.4
Ireland	3.7	2.7	3.0	0.3	0.8	1.6	5.5	5.5	5.0	-3.8	-3.1	-2.9
UK	3.1	2.5	2.3	1.7	1.9	2.0	-4.0	-3.2	-3.0	-4.6	-3.5	-2.1
Sweden	2.2	2.6	2.5	0.2	1.5	2.0	6.0	5.5	5.0	-1.5	-1.0	-0.5
Denmark	1.0	2.0	1.8	1.0	1.5	2.0	6.7	6.4	6.0	0.0	-1.0	-2.0
Norway	2.4	2.5	2.5	1.8	2.2	2.0	11.0	10.5	10.0	7.0	6.7	6.5
Switzerland	1.3	1.8	2.0	0.0	0.3	0.6	12.0	11.0	10.5	0.0	0.2	0.5
Poland	3.3	3.3	3.5	0.1	0.9	1.7	-2.6	-2.9	-3.1	-3.4	-2.9	-2.7
Hungary	3.4	2.4	2.3	-0.1	1.9	3.1	3.8	3.7	3.6	-2.9	-2.7	-2.4
Czech Republic	2.4	2.5	2.7	0.4	1.5	1.9	-1.0	-0.8	-0.6	-1.6	-2.1	-2.2
US	2.3	3.5	3.1	1.7	1.3	2.4	-2.5	-2.4	-2.5	-2.9	-2.5	-2.9
China	7.3	7.0	6.7	2.2	2.6	3.0	3.1	3.4	3.3	-2.1	-2.5	-3.0
Japan	0.5	1.4	1.6	2.9	1.4	1.0	0.4	1.9	2.4	-7.2	-6.4	-5.4
World[e]	3.2	3.6	3.8	3.7	3.8	3.9						

Note: (a) Euro Area and the Big 4 forecasts are frozen as of 07/11/14. All smaller euro area country forecasts are as of 07/11/14. Bold figures signal upward revisions. Bold, underlined figures signal downward revisions. (b) Annual German GDP is not adjusted for working days. (c) HICP figures for euro-area countries/UK (d) Current account figures for euro area countries include intra regional transactions. (e) The world aggregate has been calculated based on the IMF weights released in October 2014; also Nigeria has been included (as part of EMEA) in the aggregation from the week starting December 5, 2014.
Sources: National statistics, national central banks, DB forecasts

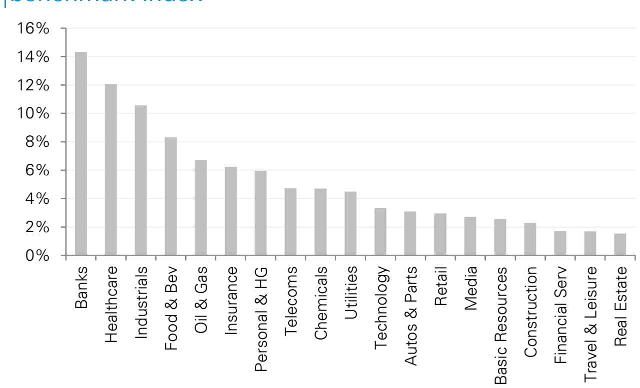
Our recommended sector stance is presented in Figure 142 left to the overview of neutral sector weights in the Stoxx600 in Figure 143. The rationale for this is presented in Figure 144 (overweight positions) and in Figure 145 (underweight positions).

Figure 142: How we recommend to position in 2015 (active sector weights, pp delta versus benchmark)



Source: Datastream, Deutsche Bank

Figure 143: Neutral market cap weights in the Stoxx600 benchmark index



Note: Data relates to 09 December 2014.
Source: DataStream, Deutsche Bank

Figure 144: European sector stance – Overweight (o/w) positions, rational

Sector	Rational
Automobile & Parts	The sector perfectly fits into our top-down concept (high conviction o/w). Underlying fundamentals are strong, positive surprises to domestic growth should help the sector strengthen its earnings profile as we see scope for margin improvement. Aside from Banks and Financial Services, Autos further has a link to the credit-cycle which should help the sector outperform in Europe in case public QE gets announced by the ECB. At 9.4x 2015E the sector's P/E trades significantly below its long-run 10-yr median vs. the Stoxx600 – the cheapest sector in the universe by this metric. Yet, earnings revisions to consensus estimates over the past months have been clearly superior in Europe. Falling oil prices are beneficial as well. Moreover, insider buying picked up notably for Autos as their confidence increases along with a strong Chinese market, a strengthening US market and an ongoing domestic recovery in Europe. Investors are still neutral on Autos. We disagree and recommend an o/w position.
Banks	We think Banks deserve an o/w as well based on our findings above. Public QE should help sentiment towards banks which benefit from a decline in the implied cost of equity. This should be further supported by a strengthening credit cycle that generates better domestic growth. The sector screens as the strongest 'pure value' play (rather value-no-growth) in the European universe and, as in the case for Autos, insider buying picked-up notable over the past 1-2 months. However, given the weaker growth environment, and the need for absolute cost discipline, any extra hits to the P&L will be painful. We have some concerns that NII forecasts are too high – we will be in a lower for longer rate environment in 2015, hedge bond portfolios will be decaying, and loan books will price down, eating into deposit gains that the banks have generated. Hence we attach a slight o/w to the sector.
Basic Resources	The sector benefits when rates rise, seems sensitive to QE announcements, screens as 'pure value' with a relatively low duration and is cheap based on 2015E at 11.1x when compared to its historic 10-yr median versus the European universe (5% discount). CROCI metrics underpin that current market expectations are fairly in-line with bottom-up consensus analysts' estimates. Hence, we see risks for a de-rating from here as rather unlikely. Commodity prices have corrected substantially already, and we find the sector attractive from a risk-reward perspective. Furthermore, insiders buying ahead of the European level could be interpreted as a positive signal since insiders buy into current share price levels despite market fears over China's economic cycle. In this regard, we find it interesting to observe that property prices in this economy appear to bottom-out (post PBOC intervention at a similar scale as in the 2009 and 2012 troughs), a key concern for many when thinking about owning Basic Resources. We attach a slight o/w to it.
Construction	The sector belongs to the strongest u/w positions among investors. We disagree based on our views across asset classes. Construction is highly sensitive to positive macro surprises and should be an o/w position in a world where Bunds rise, FX turns into a tailwind, and sustained lower oil process add a couple of pts to world GDP growth. Based on CROCI metrics we find that market expectations are not too far off where consensus analysts estimate sector economic profits. Hence, at 14.9x P/E 2015E, i.e. a slight 3% premium to its historic delta versus the market, it still seems like an attractive entry point given that the market prices for a significant deterioration in PMIs which we think is overdone. Should public QE get announced, we think Construction should benefit as well.
Financial Serv	Financial Services is a diverse sector, determined by many different business models. However, for the sake of completeness, we attach an o/w to the sector, since it seems like a key beneficiary from public QE announcements and should benefit from rising rates. We think especially asset managers could benefit from money flow returning to Europe in 2015 (as indicated by returning flows to US domiciled funds with the mandate to invest European equities). Investors seems strongly underweight the sector, which might be difficult to defend when public QE gets announed. At 15.6x P/E on 2015E, the sector still trades at a discount to its historic delta versus the Stoxx600.
Media	Media should be a beneficiary form a positively surprising domestic demand picture in Europe (2/3rd of the sector's revenues are exposed to Europe). Higher disposable household income means people can spend more on consumption. This should support pricing (and margins) for all companies involved in ads businesses since consumer goods companies could feel inclined to spend more money on commercials. Furthermore, Media is a key beneficiary of a weaker EUR/USD which seems well reflected in the sector's performance relative over the Stoxx600. The sector has the strongest free cash flow yield (far above its dividend yield), boding well for potential cash returns. Moreover, evidence from the US, Japan, UK indicate Media potentially benefits over-proportionally from a public QE announcement. Despite trading at 17.8x P/E on 2015E, we attach a slight o/w to the sector.
Insurance	Despite the sector's outperformance in 2014 year-to-date, we think there is more to come when rates rise. The sector screens as 'pure value' with a relatively low equity duration. Trading at 10.6x P/E 2015E, the sector is still among the cheapest in the universe. Given superior revisions to consensus' estimates on earnings and especially on dividends per share in Europe, we think a c5% dividend yield remains highly attractive.
Travel & Leisure	The sector is one of the strongest plays on a weaker EUR/USD, is a key element to a domestic European recovery and seems sensitive to public QE announcements at the same time. Yet, investors are underweight. We disagree and attach an o/w to the sector, as it trades at a 4% discount to its historic delta versus the market (15.7x P/E on 2015E).

Source: Deutsche Bank

Figure 145: European sector stance – Underweight (o/w) positions, rational

Sector	Rational
Food & Beverage	The sector is our strongest u/w position. We think market expectations got severely inflated on back of this low interest rate environment and decoupled from underlying fundamentals when looking through the CROCI lens. Despite the fact that the sector tends to outperform on back of a weaker EUR/USD, we can show that negative effects from rising rates would clearly overcompensate gains from FX. Slight tailwinds from higher disposable household income (on a lower oil bill) should not be enough to justify current valuation levels. Trading at 19.1x 2015E and offering one of the lowest free cash flow yields in the universe, we think the sector is unattractive from a risk-reward perspective and deserves an u/w position, in contrast to investors' o/w.
Oil & Gas	This is not just an u/w position because oil prices have fallen, of which a lot is priced by now. It's more a structural view expressing the doubt that there are many catalysts to help the sector outperform in Europe. Based on our thematic screening we find few reasons why to o/w the sector or keep it as a neutral. The sector by far has the lowest free cash flow yield in the universe, but still the highest dividend yield – this seems unsustainable. Based on CROCI metrics, market prices still expect a significantly higher level of economic profits, which seems unlikely with oil prices trending lower and lower. Despite relatively low P/Es of 9.7x on 2015E, we recommend an u/w position – in-line with investors' current stance on the sector.
Personal & HG	Key positives for the sector, i.e. benefitting from a weaker EUR/USD and higher disposable household income (on lower oil bill) seem to be too weak in magnitude to justify an o/w position, in our view. Overall, the negatives highlighted in our screening outweigh the positives when compared to other sectors in the universe. If interest rates rise, the sector performance relative could be hit severely, similar to Health Care and Food & Beverage. At 16.6x P/E on 2015, we think other sectors offer superior risk-reward, and hence we attach a slight u/w to the sector.
Real Estate	On back of lower Bunds and recent consolidation in the sector, Real Estate had a great run in 2014. Our analysis however reveals how dependent a call on Real Estate is on further falling Bunds. Since our base case is Bunds can rise and the EUR potentially declines further, Real Estate should be considered an underweight position on which both investors and consensus analysts seem to agree upon. Only in a scenario where Bunds trend lower from here or consolidation efforts pick-up, Real Estate stands a chance to continue its outperformance. While there might be potential left short-term (especially into Q1-2015 (strongly exposed to small caps as shown above), we underweight the sector based on a 12-month view.
Retail	The sector might be a beneficiary of a positive surprise from domestic demand in Europe but we think valuation decoupled from fundamentals for many heavyweights in the index when looking at stocks through the CROCI lens. Market prices imply a tremendous pick-up in revisions to the underlying economic earnings which is sharply contrasted by severe downgrades ahead of the European level over the past months, thereby making it worse and worse. The sector may benefit from higher disposable household income, but our analysts' recommendations do not imply much upside from here. Insider buying remains subdued as well. Finally, Retail screens as 'pure growth' which should be an underweight position in an environment where rates are expected to rise. We do not see much value at 15.6x P/E on 2015E.
Utilities	Our work shows that Utilities have not been a beneficiary in an environment when yields rise, despite screening as 'pure value' with a relatively low duration. We think the high dividend yield should not be taken as an argument to o/w the sector, since the free cash flow yield ranges below the dividend yield and high leverage does not bode well for this to be a sustainable dividend yield. Apart from screening as 'pure value' our analysis across themes for 2015 does not highlight Utilities elsewhere. Hence, on 14.6x P/E 2015E, the sector trades at a premium to its historic delta versus the market, unattractive from a risk-reward perspective, in our view. This seems backed-up when considering CROCI as an additional layer to valuation, where market expectations seem too high relative to bottom-up consensus analysts' estimates on economic profits. In addition to this, sustained lower oil prices pose a burden on sector earnings.

Source: Deutsche Bank

Figure 146: IBES consensus earnings estimates, revisions and valuation (STOXX Europe 600)

	Price	Rel. rec. score (%)	Earnings (index points) Revisions 1m/3m/6m (%)			Growth (YoY, %) Uncertainty (%)			P/E ratio (x)			12m fwd. company revision 12m fwd. analyst revision	
	11/12/14		2014e	2015e	2016e	14e	15e	16e	14e	15e	16e	(total/up/down)	ratio
Stoxx 50	2992.0	2.1	210.9	228.0	251.5	-0.2	8.1	10.3	14.2	13.1	11.9	(50/11/39)	-0.56
			-1.1/-2.1/-3.9	-3.3/-4.8/-6.8	-2.6/-3.8/-5.4	8.2	9.2	10.2				(1403/281/613)	-0.24
Stoxx 200 Large	353.1	0.8	23.6	26.0	28.7	3.0	9.9	10.6	14.9	13.6	12.3	(200/63/137)	-0.37
			-0.8/-1.9/-3.9	-2.6/-4.0/-6.0	-2.2/-3.4/-5.1	8.3	9.1	10.0				(5124/1085/1903)	-0.16
Stoxx 200 Mid	358.3	-2.1	19.7	24.4	27.4	12.8	23.7	12.5	18.2	14.7	13.1	(198/80/115)	-0.18
			-1.4/-2.6/-8.4	-1.0/-2.0/-4.9	-1.8/-2.9/-6.0	12.1	10.2	11.7				(3540/744/1014)	-0.08
Stoxx 200 Small	225.7	-3.9	12.5	14.9	17.0	-4.8	19.8	13.9	18.0	15.1	13.3	(194/60/129)	-0.36
			-2.8/-5.9/-8.0	-2.2/-4.2/-6.5	-2.1/-3.7/-5.7	14.8	13.1	13.5				(2585/434/765)	-0.13
Stoxx 600	339.3	-	22.0	24.6	27.3	3.6	12.0	11.0	15.5	13.8	12.4	(592/203/381)	-0.30
			-1.0/-2.2/-4.7	-2.4/-3.8/-5.9	-2.1/-3.3/-5.2	9.0	9.4	10.4				(11249/2263/3682)	-0.13
Automobile	498.0	10.8	46.8	53.4	59.9	15.9	14.1	12.2	10.6	9.3	8.3	(14/3/11)	-0.57
			+1.7/+1.0/-0.8	-1.2/-2.2/-3.9	-1.1/-2.5/-1.9	10.0	8.0	9.0				(321/57/138)	-0.25
Banks	191.2	-3.9	14.3	18.2	21.0	22.8	26.8	15.9	13.4	10.5	9.1	(45/17/28)	-0.24
			-1.3/-2.3/-8.1	-2.0/-2.5/-7.2	-1.6/-2.0/-5.9	16.2	12.0	11.5				(1060/273/361)	-0.08
Basic Resources	358.1	1.5	30.8	33.3	39.6	11.1	8.0	18.9	11.6	10.8	9.0	(19/5/14)	-0.47
			-2.4/-3.8/-9.8	-6.3/-11.9/-15.1	-4.3/-9.3/-10.5	10.4	15.7	17.3				(357/90/125)	-0.10
Chemicals	784.2	4.3	45.1	50.1	55.5	3.7	10.9	10.8	17.4	15.7	14.1	(25/9/16)	-0.28
			-0.5/-1.7/-3.9	-2.1/-3.3/-5.6	-2.2/-3.1/-5.3	5.5	6.6	7.6				(548/117/220)	-0.19
Construction & Materials	324.3	4.1	18.7	21.7	25.1	6.1	16.1	15.5	17.3	14.9	12.9	(20/4/16)	-0.60
			-0.7/-3.4/-6.2	-3.0/-5.3/-7.8	-2.6/-5.4/-8.0	10.2	10.1	11.8				(368/63/140)	-0.21
Financial Services	366.7	4.5	21.4	23.5	25.8	-18.7	10.0	9.8	17.1	15.6	14.2	(31/10/19)	-0.29
			+2.3/+2.2/+2.2	-0.4/-1.0/-1.4	-0.9/-1.1/-4.1	15.7	11.8	12.3				(336/66/74)	-0.02
Food & Beverage	547.6	-1.6	26.3	28.7	31.2	2.9	8.8	8.8	20.8	19.1	17.6	(27/6/20)	-0.52
			-0.8/-1.6/-1.9	-1.2/-1.9/-2.4	-1.2/-1.8/-2.4	4.2	4.9	5.5				(482/71/198)	-0.26
Health Care	702.7	3.6	37.2	39.7	42.9	0.6	6.7	7.9	18.9	17.7	16.4	(35/13/22)	-0.26
			+0.5/+0.1/-1.0	-0.7/-1.1/-2.8	-0.8/-1.1/-2.6	4.0	5.1	7.3				(661/182/243)	-0.09
Industrial Goods & Services	395.9	-0.4	23.8	27.2	29.9	4.3	14.3	10.1	16.7	14.6	13.2	(108/30/77)	-0.44
			-1.1/-2.5/-6.3	-2.1/-3.5/-6.6	-3.3/-4.5/-7.4	6.6	7.5	9.0				(1837/348/632)	-0.15
Insurance	248.1	1.4	22.2	23.2	24.4	2.9	4.7	4.9	11.2	10.7	10.2	(37/14/23)	-0.24
			+0.2/+0.3/+0.5	-0.4/-1.5/-2.0	-0.4/-1.3/-2.1	8.0	8.2	9.5				(725/120/183)	-0.09
Media	266.1	-0.7	13.5	14.9	16.4	-6.4	12.4	10.0	19.8	17.9	16.3	(28/11/17)	-0.21
			-2.2/-3.1/-9.8	-1.5/-2.3/-7.8	-1.9/-2.5/-7.9	4.8	6.7	7.4				(526/123/159)	-0.07
Oil & Gas	276.9	3.2	28.4	29.1	32.5	0.0	2.5	11.5	9.7	9.5	8.5	(32/4/28)	-0.75
			-4.4/-7.2/-6.4	-10.1/-13.1/-11.2	-7.6/-9.8/-7.8	9.0	14.7	15.7				(721/86/383)	-0.41
Personal & Household Goods	626.5	-2.4	34.1	38.0	41.7	2.7	11.7	9.5	18.4	16.5	15.0	(28/13/15)	-0.07
			-0.2/-1.4/-4.0	-0.5/-1.5/-3.8	-0.4/-1.6/-4.0	3.3	4.9	5.8				(573/141/163)	-0.04
Real Estate	159.2	-4.1	7.2	7.7	8.1	6.3	6.8	5.0	22.1	20.7	19.7	(25/11/12)	-0.04
			-0.2/-1.3/-2.1	+0.2/-0.9/-1.1	+0.1/-0.6/-1.3	9.6	9.2	8.6				(275/33/25)	0.03
Retail	298.8	-5.4	17.4	19.0	20.9	-10.4	9.5	10.1	17.2	15.7	14.3	(27/6/20)	-0.52
			-3.3/-7.8/-12.0	-3.6/-8.6/-12.3	-3.4/-7.7/-11.2	7.3	9.0	9.2				(541/75/188)	-0.21
Technology	303.6	5.7	13.7	16.8	19.3	35.5	22.3	14.8	22.1	18.1	15.8	(21/12/9)	0.14
			+0.5/+0.4/-0.9	-0.3/+0.1/-0.6	-1.0/-0.9/-1.6	10.4	12.0	12.4				(463/136/130)	0.01
Telecommunications	323.5	-2.9	16.9	18.1	20.0	-22.0	7.1	10.1	19.1	17.8	16.2	(23/14/9)	0.22
			-0.3/-1.0/-5.0	+0.7/-0.8/-4.5	+0.6/-1.1/-6.0	15.9	16.5	18.4				(512/130/108)	0.04
Travel & Leisure	213.4	4.8	10.8	13.6	15.9	16.8	25.6	17.2	19.8	15.7	13.4	(22/11/10)	0.05
			-1.9/-4.4/-10.1	-0.4/-1.9/-5.8	+0.8/+0.2/-3.5	9.3	7.6	8.8				(398/89/92)	-0.01
Utilities	315.4	-7.3	20.8	21.7	22.6	-15.5	4.5	4.0	15.2	14.5	14.0	(25/10/15)	-0.20
			-0.5/-1.2/-1.8	-0.8/-1.7/-2.1	-1.1/-1.4/-2.0	6.8	8.0	9.9				(545/63/120)	-0.10

Source: IBES, DataStream, Deutsche Bank

Figure 147: IBES consensus dividend estimates, revisions and yield (STOXX Europe 600)

	Price	Rel. rec. score (%)	Dividends (index points) / Revisions 1m/3m/6m (%)			Growth (YoY, %) / Uncertainty (%)			Dividend yield (%) / Payout Ratio (%)			12m fwd. company revision / 12m fwd. analyst revision	
	11/12/14		2014e	2015e	2016e	14e	15e	16e	14e	15e	16e	(total/up/down)	ratio
Stoxx 50	2992.0	2.1	115.3	125.8	135.5	4.8	9.1	7.7	3.9	4.2	4.5	(50/12/38)	-0.52
			-0.1/-0.6/-0.7	-0.5/-1.1/-1.2	-1.0/-1.7/-1.3	6.0	9.7	10.7	54.7	55.2	53.9	(1317/151/281)	-0.10
Stoxx 200 Large	353.1	0.8	12.6	13.6	14.8	5.2	8.3	8.8	3.6	3.9	4.2	(200/77/121)	-0.22
			-0.1/-0.9/-0.3	-0.5/-1.3/-1.7	-0.9/-1.6/-1.6	7.9	10.7	11.5	53.2	52.4	51.6	(4859/572/814)	-0.05
Stoxx 200 Mid	358.3	-2.1	10.4	11.8	13.0	6.2	13.2	9.8	2.9	3.3	3.6	(198/74/108)	-0.17
			-0.4/-0.7/-1.6	+1.6/+1.7/+0.9	+2.1/+1.7/+0.5	10.0	22.2	27.3	52.9	48.5	47.3	(3429/373/466)	-0.03
Stoxx 200 Small	225.7	-3.9	7.2	7.1	7.9	10.8	0.3	10.5	3.2	3.2	3.5	(194/62/106)	-0.23
			+1.7/+6.5/+6.0	-1.4/-2.4/-2.1	-2.2/-1.9/-1.2	14.3	15.3	17.6	57.2	48.0	46.5	(2499/212/359)	-0.06
Stoxx 600	339.3	-	11.7	12.7	13.8	5.6	8.4	9.0	3.5	3.7	4.1	(592/213/335)	-0.21
			0.0/-0.5/-0.1	-0.3/-1.0/-1.4	-0.6/-1.3/-1.4	8.4	12.3	13.7	53.4	51.7	50.7	(10787/1157/1639)	-0.04
Automobile	498.0	10.8	14.4	16.4	18.3	9.9	13.6	11.4	2.9	3.3	3.7	(14/4/9)	-0.36
			0.0/-0.6/-1.1	-1.0/-1.8/-2.9	-1.1/-2.2/-2.9	8.3	12.4	12.5	30.9	30.7	30.5	(304/27/63)	-0.12
Banks	191.2	-3.9	7.0	8.8	10.6	12.8	26.0	20.5	3.6	4.6	5.5	(45/14/25)	-0.24
			+0.1/-0.7/-3.2	-0.4/-0.8/-2.9	-0.5/-0.6/-1.1	11.9	18.3	21.1	48.6	48.3	50.2	(1018/149/189)	-0.04
Basic Resources	358.1	1.5	14.5	15.7	17.2	3.3	7.8	9.8	4.1	4.4	4.8	(19/3/13)	-0.53
			-0.2/0.0/+1.6	-0.4/-0.2/-0.1	-0.6/-0.7/+1.5	6.9	10.4	14.9	47.2	47.1	43.4	(356/33/33)	0.00
Chemicals	784.2	4.3	20.8	22.4	24.3	5.6	7.6	8.5	2.7	2.9	3.1	(25/9/15)	-0.24
			-0.2/-0.7/-1.0	-0.7/-1.3/-1.8	-0.7/-1.3/-2.6	5.0	6.8	8.5	46.1	44.7	43.8	(536/62/91)	-0.05
Construction & Materials	324.3	4.1	10.3	10.8	11.8	9.9	5.0	8.4	3.2	3.3	3.6	(20/8/11)	-0.15
			-1.2/-1.4/+0.1	-1.1/-2.1/-3.6	-2.0/-2.9/-3.1	8.8	9.5	13.9	55.2	49.9	46.8	(347/25/57)	-0.09
Financial Services	366.7	4.5	12.7	13.8	14.6	6.0	8.4	6.2	3.5	3.8	4.0	(31/16/13)	0.10
			-0.1/+0.3/+3.3	+0.2/-0.1/+2.2	-3.2/+0.7/+4.7	6.4	8.6	11.9	59.4	58.6	56.6	(355/33/27)	0.02
Food & Beverage	547.6	-1.6	15.1	16.1	17.4	5.1	6.9	7.8	2.8	2.9	3.2	(27/6/18)	-0.44
			-0.7/-0.6/-0.8	-1.1/-1.1/-1.2	-0.9/-1.0/-1.2	7.0	7.6	8.1	57.2	56.2	55.7	(461/54/118)	-0.14
Health Care	702.7	3.6	19.8	20.9	22.1	2.0	5.3	6.0	2.8	3.0	3.1	(35/12/19)	-0.20
			-0.5/-0.7/-0.4	-1.3/-1.3/-1.3	-1.9/-2.3/-2.6	5.4	6.9	8.5	53.3	52.6	51.6	(603/102/125)	-0.04
Industrial Goods & Services	395.9	-0.4	11.6	12.6	13.8	2.0	9.0	8.9	2.9	3.2	3.5	(108/40/63)	-0.21
			-0.7/-0.8/-1.7	-0.9/-1.4/-2.5	-1.9/-2.6/-4.4	7.5	9.0	12.2	48.8	46.5	46.0	(1778/191/278)	-0.05
Insurance	248.1	1.4	11.2	11.6	12.3	4.3	4.0	5.7	4.5	4.7	5.0	(37/16/20)	-0.11
			+1.9/+2.3/+4.6	+0.5/+1.0/+3.0	+0.3/+0.3/+2.6	9.8	10.3	9.3	50.5	50.1	50.5	(707/84/70)	0.02
Media	266.1	-0.7	8.6	8.8	9.0	-6.5	3.2	3.1	3.2	3.3	3.4	(28/12/16)	-0.14
			+2.9/-1.0/-1.6	+2.9/+2.2/-1.2	-0.9/-2.3/-7.9	26.2	24.9	13.9	64.0	59.0	55.3	(496/57/71)	-0.03
Oil & Gas	276.9	3.2	16.5	16.4	16.8	10.4	-0.2	2.3	6.0	5.9	6.1	(32/6/21)	-0.47
			-0.3/-1.8/+3.7	-0.9/-3.1/-1.1	-1.4/-3.9/-2.1	4.1	10.2	6.7	58.0	56.4	51.8	(649/37/138)	-0.16
Personal & Household Goods	626.5	-2.4	17.7	19.8	21.7	10.1	11.9	9.2	2.8	3.2	3.5	(28/16/12)	0.14
			+0.2/+0.2/-0.7	+0.1/+0.4/+1.1	+0.3/+0.7/+1.6	6.7	8.0	10.1	52.1	52.1	52.0	(537/93/87)	0.01
Real Estate	159.2	-4.1	5.9	6.1	6.4	7.6	4.8	4.1	3.7	3.9	4.0	(25/12/10)	0.08
			-0.1/-0.2/+0.4	0.0/-0.1/+0.8	+0.1/-0.1/+1.0	2.8	4.0	4.9	81.3	79.8	79.1	(321/16/15)	0.00
Retail	298.8	-5.4	9.0	9.8	10.6	-6.5	7.9	8.5	3.0	3.3	3.5	(27/7/16)	-0.33
			-4.5/-15.3/-15.9	-4.2/-14.5/-15.5	-3.8/-13.3/-14.5	14.3	15.6	15.5	52.0	51.3	50.5	(499/54/100)	-0.09
Technology	303.6	5.7	5.6	6.0	6.6	16.9	6.7	9.7	1.9	2.0	2.2	(21/9/10)	-0.05
			-0.2/+1.7/+4.3	+1.0/+1.7/+3.0	+0.3/+1.2/+2.9	17.1	13.7	16.9	41.2	35.9	34.3	(412/48/39)	0.02
Telecommunications	323.5	-2.9	14.1	14.7	15.3	0.4	4.1	3.7	4.4	4.5	4.7	(23/8/13)	-0.22
			-0.4/-0.9/-2.3	-0.2/-1.1/-3.2	-0.9/-2.0/-3.4	8.5	9.3	11.4	83.4	81.1	76.4	(496/19/35)	-0.03
Travel & Leisure	213.4	4.8	4.9	6.3	7.7	24.2	27.6	22.5	2.3	2.9	3.6	(22/9/12)	-0.14
			+0.1/+0.9/+0.4	+25.0/+25.1/+20.7	+33.0/+36.7/+35.6	20.7	116.6	120.7	45.7	46.4	48.5	(375/53/53)	0.00
Utilities	315.4	-7.3	15.8	15.2	15.7	-0.1	-3.5	3.3	5.0	4.8	5.0	(25/6/19)	-0.52
			+2.1/+6.8/+6.8	-0.6/-0.7/-0.6	-0.4/+0.3/-0.1	5.4	5.4	6.7	75.9	70.1	69.7	(537/20/50)	-0.06

Source: IBES, DataStream, Deutsche Bank

Appendix A: Regional exposure of European companies (FY 2013)

Overview

Based on FY 2013 data we analyze the regional breakdown of more than 800 European companies (exposure by sales, assets and capex). Each company breaks the world into different regions depending on their exposure. We standardize the regional breakdown into the categories “Home Country”, “Rest of Europe”, “Americas”, “Asia/Pacific” and “Rest of World/Unspecified”. This standardization allows ranking European companies for any given region outside of Europe.

Figure 148: Europe' regional exposure by STOXX sectors, countries, country benchmarks and size-classes (FY 2013)

Stoxx 600 sectors	No. of comps.	Sales 2013 (Eur, bn)	% Sales Europe	% Sales in 2013: Home country	Rest of Europe	Americas	Asia/ Pacific	RoW/ Unspeci.	Change in Sales(2013-2012,%pts): Home country	Rest of Europe	Americas	Asia/ Pacific	RoW/ Unspeci.
Industrials													
Automobiles & Parts	22	687	48	12	36	29	14	8	-0.6	+0.8	+0.5	-0.3	-0.4
Basic Resources	36	509	36	4	32	22	30	12	-0.7	-4.6	+0.4	+4.0	+1.0
Chemicals	30	294	47	8	39	26	19	7	+0.7	-1.9	+2.2	-0.4	-0.6
Construction & Materials	36	373	57	29	28	21	15	7	-0.8	+1.5	+1.5	-0.4	-1.8
Food & Beverage	29	359	37	7	30	32	10	22	0.0	+0.8	-2.1	+1.5	-0.2
Health Care	46	277	30	5	25	38	11	21	-0.1	+0.5	+0.9	-1.8	+0.5
Industrial Goods & Services	147	992	48	16	32	24	15	13	-0.7	+0.3	+1.7	+0.5	-1.7
Media	36	123	66	45	22	21	3	10	-1.1	+0.8	+0.2	0.0	+0.2
Oil & Gas	43	1,266	44	17	26	21	2	33	+0.8	-2.9	-0.1	+0.4	+1.8
Personal & Household Goods	42	258	44	12	32	24	23	8	+0.9	+1.0	-0.2	-0.2	-1.5
Retail	43	571	77	52	25	15	6	1	0.0	-0.1	+0.5	-0.1	-0.2
Technology	38	135	37	14	23	26	19	18	+3.6	+0.9	+1.9	-1.0	-5.4
Telecommunications	27	336	74	40	35	16	2	8	+3.5	-3.3	-1.3	-0.3	+1.4
Travel & Leisure	41	230	58	28	29	21	4	17	+0.1	-4.1	+1.3	-0.1	+2.8
Utilities	33	709	85	48	38	10	0	5	+0.3	-0.6	+0.1	-0.1	+0.3
Financials													
Banks	59	716	66	40	26	17	9	8	-0.1	+0.1	-3.5	+0.6	+2.9
Financial Services	32	153	33	16	17	59	4	5	+0.6	-2.1	+11.2	+0.4	-10.1
Insurance	43	959	68	34	34	19	5	8	0.0	-1.9	+0.9	-0.5	+1.5
Real Estate	33	19	98	67	30	0	0	2	-1.4	-0.2	0.0	0.0	+1.6

Countries / *Benchmark indices*	No. of comps.	Sales 2013 (Eur, bn)	% Sales Europe	% Sales in 2013: Home country	Rest of Europe	Americas	Asia/ Pacific	RoW/ Unspeci.	Change in Sales(2013-2012,%pts): Home country	Rest of Europe	Americas	Asia/ Pacific	RoW/ Unspeci.
Austria	26	134	86	29	57	4	3	7	+0.5	-1.0	-0.2	+0.4	+0.3
Belgium	14	122	52	28	24	38	8	2	+0.7	-3.1	+2.2	+0.7	-0.5
Denmark	19	104	50	17	33	16	11	23	-4.7	+5.3	+1.7	+1.7	-4.0
Finland	20	111	62	20	41	13	11	15	-0.2	+4.0	+1.1	-0.9	-4.0
France	84	1,589	62	30	33	18	8	12	0.0	-1.3	+0.3	0.0	+1.0
CAC 40	*40*	*1,292*	*62*	*27*	*35*	*18*	*9*	*12*	*+0.6*	*-1.0*	*-0.4*	*-0.2*	*+0.9*
Germany	151	1,755	63	22	41	19	12	6	-0.4	+0.2	+0.2	-0.2	+0.1
DAX 30	*30*	*1,341*	*61*	*18*	*43*	*21*	*13*	*5*	*-0.7*	*+0.3*	*+0.3*	*0.0*	*+0.2*
Greece	8	25	97	76	21	2	0	2	+2.6	-2.6	+0.1	0.0	-0.1
Ireland	9	44	79	12	66	12	2	7	+0.6	-1.6	+0.6	+0.1	+0.3
Italy	45	720	57	29	28	27	4	12	-2.5	-1.1	+3.3	+0.2	+0.1
FTSE MIB 40	*38*	*721*	*56*	*28*	*28*	*28*	*5*	*11*	*-2.6*	*-1.2*	*+3.3*	*+0.3*	*+0.3*
Netherlands	32	706	43	8	35	27	8	22	0.0	+0.1	-1.8	+0.9	+0.8
Norway	16	146	71	50	20	15	7	7	-4.1	+2.0	+3.0	+0.4	-1.3
Portugal	6	60	57	30	27	25	0	17	-0.3	+3.3	-1.2	+0.1	-1.8
Spain	42	448	54	26	28	32	5	8	+6.1	-9.0	+1.0	+0.1	+1.7
IBEX 35	*35*	*481*	*52*	*25*	*27*	*32*	*5*	*11*	*+5.9*	*-8.4*	*+0.9*	*+0.1*	*+1.6*
Sweden	40	259	58	20	38	21	9	12	+1.6	+2.1	+0.9	-1.7	-3.0
Switzerland	52	543	41	12	29	29	13	17	-1.1	+1.1	+1.0	-0.2	-0.9
SMI 20	*19*	*417*	*35*	*9*	*25*	*33*	*13*	*19*	*-1.4*	*+0.9*	*+0.9*	*-0.1*	*-0.2*
United Kingdom	218	2,026	46	29	17	22	13	18	+1.6	-1.3	-0.5	+0.5	-0.2
FTSE 100	*97*	*2,186*	*43*	*22*	*21*	*24*	*12*	*22*	*+1.8*	*-2.0*	*-0.5*	*+0.7*	*0.0*
European benchmarks and Stoxx 600 size classes													
Stoxx 600	581	8,396	55	24	31	23	10	13	+0.3	-1.0	+0.4	+0.3	+0.1
Stoxx 50	47	2,932	42	10	31	26	13	19	-0.1	-0.9	-0.6	+0.8	+0.8
Eurostoxx 50	50	2,693	63	23	40	19	10	9	+0.5	-1.6	-0.8	+0.3	+1.7
Stoxx large 200	196	6,115	52	21	31	23	11	14	+0.2	-1.2	-0.1	+0.4	+0.7
Stoxx mid 200	195	1,479	61	31	30	22	7	10	0.0	+0.6	+1.5	0.0	-2.1
Stoxx small 200	192	878	61	31	29	25	5	10	+1.0	-2.5	+1.6	0.0	-0.1

Source: Bloomberg Finance LP, DataStream, Company Data, Deutsche Bank

Figure 149: Europe's regional exposure, STOXX 600 (sub-) sectors

Stoxx Supersectors / Sub-sectors	No. of comps.	Sales 2013 (Eur, bn)	% Sales Europe	% Sales in 2013: Home country	Rest of Europe	Americas	Asia/ Pacific	RoW/ Un-specified
Automobiles & Parts	**22**	**687**	**48**	**12**	**36**	**29**	**14**	**8**
Auto Parts	9	51	50	10	41	27	14	9
Automobiles	8	574	48	12	37	29	14	8
Tires	5	62	47	17	31	28	11	13
Banks	**59**	**716**	**66**	**40**	**26**	**17**	**9**	**8**
Banks	59	716	66	40	26	17	9	8
Basic Resources	**36**	**509**	**36**	**4**	**32**	**22**	**30**	**12**
Aluminum	1	8	77	6	71	9	14	0
Coal	2	2	97	59	38	0	0	3
General Mining	9	316	24	1	23	20	44	11
Gold Mining	3	3	8	0	8	0	14	78
Iron & Steel	12	128	53	6	47	33	4	10
Nonferrous Metals	3	21	69	22	47	9	18	4
Paper	4	29	64	8	56	5	7	24
Platinum & Precious Metals	2	2	15	0	15	63	15	7
Chemicals	**30**	**294**	**47**	**8**	**39**	**26**	**19**	**7**
Commodity Chemicals	4	112	52	1	51	22	20	7
Specialty Chemicals	26	182	44	12	32	29	19	8
Construction & Materials	**36**	**373**	**57**	**29**	**28**	**21**	**15**	**7**
Building Materials & Fixtures	19	138	51	12	39	25	12	11
Heavy Construction	17	235	60	39	21	18	17	5
Financial Services	**32**	**153**	**33**	**16**	**17**	**59**	**4**	**5**
Asset Managers	10	8	76	52	24	6	11	8
Consumer Finance	2	2	92	59	33	8	0	0
Equity Investment Instruments	1	0	75	31	44	25	0	0
Investment Services	9	10	72	42	30	10	3	15
Mortgage Finance	1	1	44	44	0	0	0	56
Specialty Finance	9	131	26	10	15	68	3	3
Food & Beverage	**29**	**359**	**37**	**7**	**30**	**32**	**10**	**22**
Brewers	4	102	28	0	28	45	13	14
Distillers & Vintners	5	25	28	4	24	38	9	25
Farm Fish Plantation	4	24	71	33	38	8	2	19
Food Products	14	200	36	7	29	28	10	26
Soft Drinks	2	8	93	13	80	0	0	7
Health Care	**46**	**277**	**30**	**5**	**25**	**38**	**11**	**21**
Biotechnology	10	11	33	3	30	50	7	9
Health Care Providers	6	37	41	12	29	48	9	1
Medical Equipment	10	15	34	5	29	36	9	21
Medical Supplies	5	9	44	6	39	34	11	11
Pharmaceuticals	15	205	26	3	23	36	12	26
Industrial Goods & Services	**147**	**992**	**48**	**16**	**32**	**24**	**15**	**13**
Aerospace	7	104	36	7	28	32	24	8
Business Support Services	25	96	46	30	17	24	13	17
Business Training & Employment Agencies	4	42	61	11	51	18	6	14
Commercial Vehicles & Trucks	9	83	43	10	33	31	9	17
Containers & Packaging	6	23	60	7	53	22	2	16
Defense	5	53	48	23	25	26	17	9
Delivery Services	6	86	69	37	32	13	13	5
Diversified Industrials	6	148	50	13	37	27	16	8
Electrical Components & Equipment	8	55	37	6	31	26	18	19
Electronic Equipment	6	5	41	10	30	29	22	8
Financial Administration	3	5	57	8	49	21	10	12
Industrial Machinery	39	163	40	5	34	27	23	11
Industrial Suppliers	8	43	68	27	41	24	0	8
Marine Transportation	3	51	28	6	22	16	13	43
Railroads	2	2	85	27	58	0	0	15
Transportation Services	9	27	71	54	16	15	4	10
Trucking	1	6	80	0	80	7	13	0

Stoxx Supersectors / Sub-sectors	No. of comps.	Sales 2013 (Eur, bn)	% Sales Europe	% Sales in 2013: Home country	Rest of Europe	Americas	Asia/ Pacific	RoW/ Un-specified
Insurance	**43**	**959**	**68**	**34**	**34**	**19**	**5**	**8**
Full Line Insurance	12	432	70	20	51	18	4	8
Insurance Brokers	1	1	95	90	5	5	0	0
Life Insurance	15	346	71	54	16	16	4	9
Property & Casualty Insurance	10	37	91	72	19	5	0	4
Reinsurance	5	143	49	19	29	33	11	7
Media	**36**	**123**	**66**	**45**	**22**	**21**	**3**	**10**
Broadcasting & Entertainment	19	63	86	69	17	8	0	6
Media Agencies	7	27	42	12	30	35	6	17
Publishing	10	34	49	25	24	34	5	12
Oil & Gas	**43**	**1,266**	**44**	**17**	**26**	**21**	**2**	**33**
Exploration & Production	7	6	21	7	14	0	27	52
Integrated Oil & Gas	12	1,176	45	18	27	20	2	33
Oil Equipment & Services	17	65	21	11	10	30	13	36
Renewable Energy Equipment	7	19	44	10	34	38	10	9
Personal & Household Goods	**42**	**258**	**44**	**12**	**32**	**24**	**23**	**8**
Clothing & Accessories	15	98	32	11	22	24	36	8
Durable Household Products	6	27	43	9	34	35	12	11
Footwear	4	19	42	3	39	32	25	1
Home Construction	7	13	100	100	0	0	0	0
Nondurable Household Products	3	30	46	3	43	31	15	8
Personal Products	3	39	51	4	47	23	15	11
Recreational Products	1	2	48	0	48	39	13	0
Tobacco	3	29	52	7	45	18	17	13
Real Estate	**33**	**19**	**98**	**67**	**30**	**0**	**0**	**2**
Industrial & Office REITs	8	5	93	84	9	0	0	7
Real Estate Holding & Development	16	8	98	77	21	0	0	2
Real Estate Services	1	1	100	0	100	0	0	0
Retail REITs	8	5	100	50	50	0	0	0
Retail	**43**	**571**	**77**	**52**	**25**	**15**	**6**	**1**
Apparel Retailers	6	40	79	29	50	10	7	4
Broadline Retailers	5	36	79	67	12	7	10	4
Drug Retailers	2	24	92	27	65	8	0	0
Food Retailers & Wholesalers	15	421	76	56	20	18	6	1
Home Improvement Retailers	3	15	97	44	52	0	3	0
Spec.Consumer Service	1	1	48	48	0	0	0	52
Specialty Retailers	11	33	78	45	32	8	9	6
Technology	**38**	**135**	**37**	**14**	**23**	**26**	**19**	**18**
Computer Services	7	27	61	20	41	16	0	24
Computer Hardware	1	1	52	0	52	23	18	8
Electronic Office Equipment	1	1	54	0	54	39	7	0
Internet	4	7	95	95	0	0	0	5
Semiconductors	9	18	26	6	20	13	59	2
Software	9	25	47	13	33	35	14	4
Telecommunications Equipment	7	55	16	4	12	34	21	29
Telecommunications	**27**	**336**	**74**	**40**	**35**	**16**	**2**	**8**
Fixed Line Telecommunications	19	196	73	49	24	17	0	10
Mobile Telecommunications	8	140	76	26	50	15	4	5
Travel & Leisure	**41**	**230**	**58**	**28**	**29**	**21**	**4**	**17**
Airlines	6	88	56	24	32	15	8	22
Gambling	10	12	80	67	13	9	2	9
Hotels	4	10	69	28	41	17	9	5
Recreational Services	2	13	38	4	34	47	12	3
Restaurants & Bars	11	55	38	22	16	39	0	24
Travel & Tourism	8	51	81	40	40	11	0	9
Utilities	**33**	**709**	**85**	**48**	**38**	**10**	**0**	**5**
Conventional Electricity	15	297	86	48	38	9	0	5
Gas Distribution	5	65	68	62	6	28	0	4
Multiutilities	5	285	90	42	47	7	0	4
Water	5	43	78	52	26	4	5	13
Alternative Electricity	3	20	85	54	31	15	0	0

Source: Bloomberg Finance LP, DataStream, Company Data, Deutsche Bank

A.1 Regional sales exposure by European benchmarks

Figure 150: EureoStoxx50 – Regional exposure by company

Company	Sector	Mcap. (Eur bn)	Rec.	Curr. Price 11-Dec-14 (local curr.)	Targ. Price	Up-side Pote-ntial %	Sales 2013 (Eur, bn)	Home country	Rest of Europe	Americas	Asia/ Pacific	RoW/ Unspecified	% Sales in 2013 Major sales destinations abroad	Outside Europe^ 2013 Assets%	Outside Europe^ 2013 Capex%
Eurostoxx 50 companies															
Air Liquide	Chemicals	34.1	Buy	99	111	12.2	15.2	na	51	23	23	3	Americas(23.3%); APAC(23.0%); Africa, Mid-East(2.7%)	49	54
Airbus Group NV	Ind. Gds. & Ser.	32.4	Buy	41	54	30.7	59.3	na	36	21	33	11	APAC(33.0%); N. America(14.8%); Mid-East(9.2%); France(7.8%); Germany(7.6%); LatAm(6.0%)	0	0
Allianz	Insurance	63.0	Buy	138	145	5.3	101.4	na	80	6	na	14	South & W. Europe(29.0%); Iberia, LatAm(9.1%); USA(5.8%)	na	na
Anheuser-Busch InBev	Food & Bev.	147.0	Hold	91	85	-7.0	32.5	na	12	80	8	0	N. America(38.7%); LatAm - North(26.3%); W. Europe(8.8%); APAC(8.1%); LatAm - South(7.9%); Mexico(6.7%)	94	87
ASML	Technology	38.1	Buy	87	100	15.0	5.2	0	4	14	82	0	Taiwan(42.4%); Korea(24.5%); USA(13.7%); Other Asia(9.1%); Japan(3.8%); Singapore(2.7%)	20	na
AXA	Insurance	46.6	Buy	19	23	18.0	125.7	23	33	27	11	7	Mediterranean, LatAm(14.2%); Germany(14.1%); Swiss(12.5%); USA(12.4%); Japan(6.5%); Belgium(5.2%)	41	na
Banco Santander	Banks	88.2	Hold	7	7	4.1	42.9	16	25	59	0	0	LatAm(48.0%); Continental Europe(29.0%); UK(11.0%); USA(11.0%)	29	na
BASF	Chemicals	66.9	Buy	72	89	22.9	74.0	na	56	19	17	8	N. America(19.3%); APAC(16.8%); S. America, Africa, Mid-East(8.2%)	na	na
Bayer AG	Chemicals	95.7	Buy	116	125	7.9	40.2	12	25	24	21	17	N. America(24.1%); APAC(21.5%)	36	41
BBVA	Banks	50.7	Buy	8	11	27.8	21.4	27	na	65	na	8	Mexico(29.0%); S. America(26.0%); USA(10.0%); Turkey/China(8.0%)	35	na
BMW	Autos	54.5	Buy	90	110	21.8	76.1	16	30	21	20	14	China(20.2%); USA(20.8%)	28	na
BNP Paribas	Banks	61.6	Hold	49	57	15.3	38.8	32	45	10	7	6	Europe(77.0%); N. America(9.9%); APAC(6.8%)	19	na
Carrefour	Retail	17.4	Hold	24	26	11.7	74.9	47	26	18	9	0	Brazil(14.5%); Spain(10.4%); China(6.7%); Italy(6.4%); Belgium(5.3%); Argentina(3.9%)	26	34
CRH	Const. & Mat.	14.0	Hold	1491	1420	-4.8	18.0	na	48	52	0	0	Europe(47.6%)	43	54
Daimler	Autos	73.1	Buy	68	79	15.6	118.0	na	35	33	21	12	W. Europe(34.9%); USA(24.2%); Asia(20.7%)	32	na
Danone	Food & Bev.	35.7	Hold	55	52	-6.2	21.3	na	51	24	16	9		na	na
Deutsche Post DHL	Ind. Gds. & Ser.	32.4	Hold	27	26	-4.8	55.1	31	32	17	15	4	Europe Ex. Germany(32.0%); Americas(17.4%); APAC(15.5%)	33	20
Deutsche Telekom	Telecoms	59.0		13	na	na	60.1	41	25	34	0	0	USA(34.0%); Europe Ex. Germany(25.0%)	37	na
E.ON	Utilities	29.2	Hold	15	15	2.8	122.5	39	60	na	na	1	UK(30.9%); Sweden(3.1%)	0	na
Enel	Utilities	35.5	Hold	4	4	11.4	79.6	42	44	13	na	1	LatAm(12.6%)	na	na
ENI	Oil & Gas	52.3	Hold	14	19	28.7	114.7	28	38	7	16	12	Asia(16.2%); Africa(10.5%); Americas(6.7%)	24	26
Essilor Intl	Health Care	19.2		89	na	na	5.1	na	33	51	17	0	N. America(43.4%); Asia, Oceania(16.8%); LatAm(7.2%)	77	na
GDF Suez	Utilities	46.9	Buy	19	21	8.0	89.3	39	41	10	na	10	Belgium(12.2%); N. America(5.2%); S. America(4.8%)	na	na
Generali Ass.	Insurance	26.4	Buy	17	19	13.4	79.9	30	65	2	2	1	Germany(28.6%); France(15.4%); Central & E. Europe(5.4%); EMEA(5.1%); Austria(3.9%); Spain(3.5%)	0	na
Iberdrola	Utilities	36.2	Buy	6	6	8.6	32.8	na	77	22	na	1	Spain, Portugal(40.3%); UK(29.8%); USA(9.8%); Brazil(8.4%); N. America(3.9%)	34	41
Inditex	Retail	na	Hold	23	25	5.2	16.7	21	48	14	12	5	Asia, RoW(17%); USA(14%)	11	na
ING	Banks	43.2	Buy	11	13	15.1	26.3	48	45	2	5	0	Belgium(15.1%); Asia(3.4%); N. America(2.1%)	22	na
Intesa SanPaolo	Banks	39.6	Buy	3	3	12.0	24.6	2	0	na	na	98		na	na
L'Oreal	Per. & Hhld. Gds.	75.6	Hold	135	120	-11.4	23.0	na	43	34	21	2	N. America(25.5%); W. Europe(24.6%)	27	28

Source: Bloomberg Finance LP, DataStream, Company Data, Deutsche Bank ^Outside Europe refers to exposure specific to Americas and Asia-Pacific

Figure 150: EureoStoxx50 – Regional exposure by company (Contd.)

Company	Sector	Mcap. (Eur bn)	Rec.	Curr. Price 11-Dec-14 (local curr.)	Targ. Price 11-Dec-14 (local curr.)	Up-side Pote-ntial %	Sales 2013 (Eur, bn)	% Sales in 2013: Home country	Rest of Europe	Americas	Asia/ Pacific	RoW/ Unspecified	Major sales destinations abroad	Outside Europe^ Assets% 2013	Outside Europe^ Capex% 2013
Eurostoxx 50 companies															
LVMH	Per. & Hhld. Gds.	71.6	Buy	141	150	6.4	29.1	11	19	23	37	11	Asia ex. Japan(29.7%); USA(22.8%); Europe ex. France(18.9%); Japan(7.1%)	na	na
Munich Re	Insurance	28.5	Hold	164	160	-2.6	63.5	27	25	37	10	2	USA(18.2%); Canada(15.3%); UK(8.5%); Australia(3.1%); LatAm(3.0%); China(2.7%)	15	na
Orange SA	Telecoms	37.0	Hold	14	13	-10.6	41.0	55	20	na	na	25	Spain(11.5%); Poland(8.7%)	na	na
Philips	Ind. Gds. & Ser.	22.3	Buy	24	27	13.1	23.3	3	13	28	17	40	USA(27.6%); China(12.6%); Germany(5.8%); Japan(4.3%); France(3.9%); UK(3.0%)	70	na
Repsol	Oil & Gas	23.2	Hold	17	21	22.1	56.5	53	10	na	na	37		11	40
RWE	Utilities	16.2	Hold	28	28	-0.3	51.4	55	44	na	na	1	UK(19.1%)	0	na
Saint Gobain	Const. & Mat.	18.5	Buy	33	44	33.5	42.0	27	44	14	6	9	US(14.3%); Germany(10.6%); UK(8.9%)	11	28
Sanofi	Health Care	99.8	Hold	75	78	3.8	33.3	8	24	33	na	35	USA(31.7%)	na	na
Schneider Electric	Ind. Gds. & Ser.	35.9	Hold	62	63	2.3	23.6	na	28	25	27	19	W. Europe(28.1%); APAC(27.4%); N. America(25.0%)	28	na
Societe Generale	Banks	29.4	Buy	37	48	31.5	22.4	46	38	5	6	5	Russia(6.0%); Americas(5.5%); Asia(6%); Africa(4.9%)	10	na
Total SA	Oil & Gas	101.3	Buy	43	49	15.1	171.7	23	51	9	na	17	Africa(9.2%); N. America(8.9%)	16	12
Unibail Rodamco	Real Estate	20.1	Sell	205	152	-26.0	1.6	60	40	na	na	0	Spain(10.3%); C. Europe(8.1%); Nordic(7.8%); Austria(7.5%); Netherlands(5.9%)	na	na
Unicredit	Banks	33.1	Hold	6	6	11.5	37.3	42	57	1	0	0	Central & E. Europe(28.4%); Germany(15.3%); Austria(8.1%); W. Europe(4.9%)	1	na
Unilever	Food & Bev.	50.8	Buy	33	34	4.2	49.8	4	29	33	24	11	Asia, Africa(40.3%); W. Europe(27.1%)	na	na
Vinci	Const. & Mat.	26.1		44	na	na	40.7	62	25	5	4	5	Germany(6.4%); UK(6.4%); Africa(4.5%); E. Europe(4.4%); Asia(4.2%); Benelux(4.1%)	na	na
Volkswagen AG	Autos	53.9	Buy	182	210	15.1	197.0	20	40	23	18	0	APAC(17.6%); N. America(13.0%); S. America(9.5%)	13	na
Eurostoxx 50							2693	23	40	19	10	9			

Source: Bloomberg Finance LP, DataStream, Company Data, Deutsche Bank ^Outside Europe refers to exposure specific to Americas and Asia-Pacific

Figure 151: Other Stoxx50 companies – Regional exposure by company

Company	Sector	Mcap. (Eur bn)	Rec.	Curr. Price 11-Dec-14 (local curr.)	Targ. Price 11-Dec-14 (local curr.)	Up-side Pote-ntial %	Sales 2013 (Eur, bn)	% Sales in 2013: Home country	Rest of Europe	Americas	Asia/ Pacific	RoW/ Unspecified	Major sales destinations abroad	Outside Europe^ 2013 Assets%	Outside Europe^ 2013 Capex%
Other Stoxx 50 companies															
ABB	Ind. Gds. & Ser.	39.7	Sell	21	20	-5.3	31.5	na	34	29	27	10	Asia(26.8%); Africa, Mid-East(9.8%)	37	na
AstraZeneca	Health Care	75.1	Hold	4688	4350	-7.2	19.7	7	20	41	17	16	USA(39.7%); Italy, Other(12.2%); Japan(9.3%); China(7.1%); France(5.1%); Australia(3.2%)	0	0
Barclays	Banks	49.6	Buy	237	295	24.3	43.5	41	14	25	5	15	USA(25.1%); Africa(14.7%); Asia(4.6%)	na	na
BHP Billiton	Basic Res.	36.4	Buy	1361	2400	76.3	50.5	3	10	15	69	4	China(29.4%); Other Asia(20.7%); N. America(12.8%); Japan(11.8%); Australia(6.9%); S. America(2.7%)	94	na
BP	Oil & Gas	92.2	Buy	399	480	20.4	290.9	na	na	34	na	66	USA(34.0%)	na	na
Credit Suisse Group	Banks	34.1	Buy	25	29	13.9	30.2	31	18	42	9	0	Americas(41.8%); EMEA(18.3%); APAC(8.8%)	55	na
Diageo	Food & Bev.	59.8	Buy	1878	2050	9.2	13.7	na	19	45	15	21	N. America(32.7%); W. Europe(19.4%); APAC(14.6%); LatAm, Caribbean(12.7%)	22	22
Ericsson	Technology	30.2	Buy	93	95	2.5	25.7	2	8	36	19	35	USA(26.0%); LatAm(9.7%); W. & C. Europe(8.1%); Mid-East(7.7%); Southeast Asia, Oceania(6.9%); China, N. Asia(6.9%)	40	na
GlaxoSmithKline	Health Care	85.9	Hold	1393	1390	-0.2	31.9	na	20	27	24	29		na	na
Glencore	Basic Res.	49.2	Buy	295	399	35.3	178.5	na	34	23	32	11	Asia(29.2%); Africa(11.0%); Oceania(2.5%)	64	na
HSBC Holdings Plc	Banks	149.9	Hold	76	80	5.5	75.5	na	31	28	37	4	Hongkong(19.4%); Rest of APAC(17.6%); LatAm(15.5%); N. America(12.9%); Mid-East, N. Africa(3.7%)	24	62
National Grid PLC	Utilities	42.9	Hold	901	880	-2.3	18.8	46	0	54	0	0	USA(54.4%)	na	37
Nestle	Food & Bev.	192.5	Hold	72	68	-5.9	75.2	2	15	30	na	53	Americas(30.4%); Europe(16.3%)	45	33
Novartis	Health Care	207.5	Hold	92	87	-5.5	44.4	1	12	33	8	46	USA(32.7%); Japan(7.8%); Germany(7.1%); France(5.1%)	36	na
Richemont	Per. & Hhld. Gds.	38.6	Hold	89	88	-1.0	10.7	5	32	15	48	0	Hong Kong, China(24.1%); Other Asia(15.7%); USA(11.9%); Japan(8.4%)	15	na
Rio Tinto	Basic Res.	49.3	Buy	2748	4660	69.6	39.3	1	na	18	81	0	China(41.5%); Japan(18.8%); Other Asia(17.9%); USA(15.3%); Canada(2.7%); Australia(2.4%)	95	na
Roche	Health Care	171.3	Buy	293	295	0.7	38.2	1	30	46	19	3	N. America(38.9%); EMEA(31.2%); Asia(19.4%); LatAm(7.2%); Africa, Australia, Oceania(3.3%)	na	48
Royal Dutch Shell plc	Oil & Gas	101.5	Hold	2045	2425	18.6	346.2	na	39	26	na	35	Asia, Oceania, Africa(34.9%); USA(16.1%)	41	na
Standard Chartered	Banks	29.0	Hold	927	1085	17.1	19.6	na	na	na	67	33	Hong Kong(19.8%); Rest of APAC(18.5%); Mid-East, S. Asia(11.8%); Singapore(11.4%); Africa(9.3%); India(9.0%)	64	90
Tesco PLC	Retail	17.6	Hold	171	180	5.1	75.8	69	15	0	16	0	South Korea(8.5%); Thailand(6.0%); Republic of Ireland(3.6%); Poland(3.5%)	21	31
UBS	Banks	54.9	Buy	17	21	22.4	28.4	39	8	34	16	4	USA(32.5%); APAC(15.6%); UK(7.9%)	49	na
Vodafone Group Plc	Telecoms	74.9	Buy	223	250	12.1	48.6	na	97	na	na	3		0	0
Zurich Insurance Group	Insurance	38.1	Hold	306	305	-0.2	54.3	10	40	41	7	2	US & Canada(28.7%); Germany(11.8%); UK(11.5%); Brazil(5.4%); Italy(4.6%); Spain(4.4%)	34	na
Stoxx 50							2932	10	31	26	13	19			

Source: Bloomberg Finance LP, DataStream, Company Data, Deutsche Bank ^Outside Europe refers to exposure specific to Americas and Asia-Pacific

Figure 152: CAC40 (France) – Regional exposure by company

Company	Sector	Mcap. (Eur bn)	Rec.	Curr. Price 11-Dec-14 (local curr.)	Targ. Price 11-Dec-14 (local curr.)	Up-side Pote-ntial %	Sales 2013 (Eur, bn)	% Sales in 2013: Home country	Rest of Europe	Americas	Asia/ Pacific	Unspecifi RoW/	Major sales destinations abroad	Outside Europe^ 2013 Assets	Outside Europe^ 2013 Capex
Accor SA	Travel & Leisure	8.2	Hold	36	39	7.5	5.5	34	43	8	11	5	Europe ex. France(42.7%); APAC(11.3%); LatAm(7.7%)	21	na
Air Liquide	Chemicals	34.1	Buy	99	111	12.2	15.2	na	51	23	23	3	Americas(23.3%); APAC(23.0%); Africa, Mid-East(2.7%)	49	54
Airbus Group NV	Ind. Gds. & Ser.	32.4	Buy	41	54	30.7	59.3	na	36	21	33	11	APAC(33.0%); N. America(14.8%); Mid-East(9.2%); France(7.8%); Germany(7.6%); LatAm(6.0%)	0	0
Alcatel-Lucent	Technology	7.9	Hold	3	3	-3.2	14.4	7	19	51	17	7	USA(41.9%); Other W. European(16.1%); Rest of APAC(8.9%); China(7.8%)	na	na
ArcelorMittal	Basic Res.	15.2	Hold	9	12	26.0	59.7	na	47	39	na	14	USA(19.7%); Germany(8.6%); Brazil(8.3%); France(6.0%); Spain(4.9%)	78	na
AXA	Insurance	46.6	Buy	19	23	18.0	125.7	23	33	27	11	7	Mediterranean, LatAm(14.2%); Germany(14.1%); Swiss(12.5%); USA(12.4%); Japan(6.5%); Belgium(5.2%)	41	na
BNP Paribas	Banks	61.6	Hold	49	57	15.3	38.8	32	45	10	7	6	Europe(77.0%); N. America(9.9%); APAC(6.8%)	19	na
Bouygues	Const. & Mat.	10.0		30	na	na	33.3	66	14	9	6	5	EU(10.5%); USA, Canada(8.1%); APAC(5.4%); Africa(4.0%)	na	9
CapGemini	Technology	9.2	Sell	58	52	-10.3	10.1	22	44	21	na	14	N. America(20.6%); UK(19.9%); Benelux(10.7%); Nordic(7.0%); Germany, C.	26	32

Source: Bloomberg Finance LP, DataStream, Company Data, Deutsche Bank ^Outside Europe refers to exposure specific to Americas and Asia-Pacific

Figure 153: DAX30 (Germany) – Regional exposure by company

Company	Sector	Mcap. (Eur bn)	Rec.	Curr. Price 11-Dec-14 (local curr.)	Targ. Price	Up-side Pote-ntial %	Sales 2013 (Eur, bn)	% Sales in 2013: Home country	Rest of Europe	Americas	Asia/ Pacific	RoW/ Unspecified	Major sales destinations abroad	Outside Europe^ 2013 Assets%	2013 Capex%
Adidas AG	Per. & Hhld. Gds.	12.3	Sell	58	57	-2.4	14.5	na	39	34	27	0	W. Europe(26.2%); N. America(23.2%); Other Asia(15.2%); Emerging Europe(13.1%); China(11.4%); LatAm(10.9%)	na	42
Allianz	Insurance	63.0	Buy	138	145	5.3	101.4	na	80	6	na	14	South & W. Europe(29.0%); Iberia, LatAm(9.1%); USA(5.8%)	na	na
BASF	Chemicals	66.9	Buy	72	89	22.9	74.0	na	56	19	17	8	N. America(19.3%); APAC(16.8%); S. America, Africa, Mid-East(8.2%)	na	na
Bayer AG	Chemicals	95.7	Buy	116	125	7.9	40.2	12	25	24	21	17	N. America(24.1%); APAC(21.5%)	36	41
Beiersdorf	Per. & Hhld. Gds.	17.5	Buy	69	80	16.0	6.1	14	41	18	21	6	APAC(21.3%); Americas(17.8%)	na	24
BMW	Autos	54.5	Buy	90	110	21.8	76.1	16	30	21	20	14	China(20.2%); USA(20.8%)	28	na
Commerzbank	Banks	13.2	Hold	12	13	7.3	17.4	76	22	1	1	0	Europe Ex. Germany(21.8%)	na	na
Continental AG	Autos	34.6	Buy	173	195	12.9	33.3	24	30	22	19	5	N. America(21.8%); Asia(19.3%)	32	37
Daimler	Autos	73.1	Buy	68	79	15.6	118.0	na	35	33	21	12	W. Europe(34.9%); USA(24.2%); Asia(20.7%)	32	na
Deutsche Boerse	Financial Ser.	11.3	Hold	59	55	-6.5	2.2	26	55	15	4	0	UK(24.8%); USA(14.4%); APAC(4.2%)	40	6
Deutsche Lufthansa AG	Travel & Leisure	6.5	Hold	14	15	6.3	30.0	na	61	20	13	5	N. America(16.4%); APAC(13.4%); LatAm(3.6%); Mid-East(3.2%); Africa(2.1%)	2	2
Deutsche Post DHL	Ind. Gds. & Ser.	32.4	Hold	27	26	-4.8	55.1	31	32	17	15	4	Europe Ex. Germany(32.0%); Americas(17.4%); APAC(15.5%)	33	20
Deutsche Telekom	Telecoms	59.0		13	na	na	60.1	41	25	34	0	0	USA(34.0%); Europe Ex. Germany(25.0%)	37	na
E.ON	Utilities	29.2	Hold	15	15	2.8	122.5	39	60	na	na	1	UK(30.9%); Sweden(3.1%)	0	na
Fresenius	Health Care	22.0	Buy	43	47	8.6	20.3	na	40	48	10	2	N. America(42.4%); APAC(9.6%); S. America(5.8%)	59	50
Fresenius Medical Care	Health Care	18.8	Hold	60	55	-9.0	11.0	na	21	72	8	0	N. America(65.9%)	77	na
Henkel	Per. & Hhld. Gds.	20.8	Buy	80	100	24.7	16.4	na	53	25	16	7	W. Europe(34.1%); E. Europe(18.6%); N. America(17.9%); APAC(15.4%); Africa, Mid-East(6.6%); LatAm(6.5%)	na	na
Infineon Technologies	Technology	9.6	Hold	9	8	-9.6	3.8	21	20	13	47	0	APAC(40.6%); N. America(12.7%); Japan(5.9%)	33	na
K+S	Chemicals	4.5	Sell	24	20	-15.7	4.0	na	44	44	9	2	N. America(30.3%); S. America(13.9%); Asia(9.2%); Africa, Oceania(2.5%)	65	na
Lanxess	Chemicals	3.5	Hold	38	46	19.8	8.3	18	29	28	26	0	EMEA ex. Germany(29.0%); APAC(25.8%); N. America(16.0%); LatAm(11.6%)	49	46
Linde	Chemicals	28.2	Buy	152	167	10.0	16.7	na	39	28	30	4	APAC(29.9%); N. America(23.4%); S. America(4.4%); Africa(3.8%)	56	61
Merck	Health Care	10.3	Buy	79	85	6.9	11.1	8	30	19	na	43	USA(17.9%); France(6.3%)	13	na
Munich Re	Insurance	28.5	Hold	164	160	-2.6	63.5	27	25	37	10	2	USA(18.2%); Canada(15.3%); UK(8.5%); Australia(3.1%); LatAm(3.0%); China(2.7%)	15	na
RWE	Utilities	16.2	Hold	28	28	-0.3	51.4	55	44	na	na	1	UK(19.1%)	0	na
ThyssenKrupp	Ind. Gds. & Ser.	11.9	Hold	21	20	-4.8	38.6	31	28	26	13	2	Rest of EU(28.3%); North, Central America(21.0%); Asia(12.7%); S. America(5.2%); Africa(2.2%)	33	na
Volkswagen AG	Autos	53.9	Buy	182	210	15.1	197.0	20	40	23	18	0	APAC(17.6%); N. America(13.0%); S. America(9.5%)	13	na
Dax 30							1341	18	43	21	13	5			

Source: Bloomberg Finance LP, DataStream, Company Data, Deutsche Bank ^Outside Europe refers to exposure specific to Americas and Asia-Pacific

Figure 154: FTSE MIB (Italy) – Regional exposure by company

Company	Sector	Mcap. (Eur bn)	Rec.	Curr. Price 11-Dec-14 (local curr.)	Targ. Price 11-Dec-14 (local curr.)	Up-side Pote-ntial %	Sales 2013 (Eur, bn)	% Sales in 2013: Home country	Rest of Europe	Americas	Asia/ Pacific	Unspecifi RoW/	Major sales destinations abroad	Outside Europe^ Assets 2013	Outside Europe^ Capex 2013
Atlantia	Ind. Gds. & Ser.	15.9	Hold	19	20	1.1	4.4	81	7	12	0	0	Brazil(6.8%); France(5.8%); Chile(4.6%)	13	na
Autogrill	Travel & Leisure	1.6	Hold	6	7	14.7	4.5	37	20	42	na	1	N. America(42.2%)	na	na
Azimut	Financial Ser.	2.5	Buy	18	25	42.8	0.5	100	0	0	0	0		0	0
Banca Monte Paschi Siena	Banks	3.0		1	na	na	8.1	100	0	0	0	0		0	0
Banca Popolare Emilia Ron	Banks	2.6		5	na	na	3.0	99	0	na	na	1		0	na
Banca Popolare Milano	Banks	2.4	Hold	1	1	9.3	2.3	100	0	0	0	0		0	0
Banco Popolare	Banks	3.8	Buy	10	16	53.8	5.3	100	0	0	0	0		0	na
Buzzi Unicem	Const. & Mat.	1.8	Buy	11	15	32.9	2.8	16	50	35	0	0	C. Europe(28.1%); USA(26.2%); E. Europe(21.7%); Mexico(8.4%)	na	37
Campari Group	Food & Bev.	3.1	Hold	5	6	11.8	1.5	25	24	41	na	10	Americas(40.9%)	na	na
Cnh Industrial	Ind. Gds. & Ser.	8.5		6	na	na	25.8	8	17	45	3	27	USA(23.1%); Brazil(13.8%); France(9.0%); Germany(5.1%); Canada(5.1%); Australia(3.0%)	43	na

Source: Bloomberg Finance LP, DataStream, Company Data, Deutsche Bank ^Outside Europe refers to exposure specific to Americas and Asia-Pacific

Figure 155: IBESX35 (Spain) – Regional exposure by company

Company	Sector	Mcap. (Eur bn)	Rec.	Curr. Price 11-Dec-14 (local curr.)	Targ. Price	Up-side Pote-ntial %	Sales 2013 (Eur, bn)	% Sales in 2013: Home country	Rest of Europe	Americas	Asia/ Pacific	RoW/ Unspecified	Major sales destinations abroad	Outside Europe^ 2013 Assets%	2013 Capex%
Abengoa	Oil & Gas	0.2	NR	2	na	na	7.4	16	12	57	5	11	USA, Canada(28%); Europe Ex. Spain(12%); Brazil(11%)	0	na
Abertis	Ind. Gds. & Ser.	14.6	Buy	16	18	12.2	4.5	38	34	26	na	2	France(34%); Brazil(19%); Chile(7%)	na	76
Acciona	Const. & Mat.	3.3	Hold	57	60	5.8	6.6	60	5	25	na	10		0	na
ACS	Const. & Mat.	8.6		27	na	na	38.4	5	12	33	50	0	Europe (ex Spain)(12.1%); Americas(33%); APAC(50.2%)	76	na
Amadeus	Ind. Gds. & Ser.	14.1	Buy	32	34	7.7	3.1	na	59	15	14	12	W. Europe(49.7%); APAC(14.2%); Africa, Mid-East(12.1%); C.Europe, E.Europe & S. Europe(9.0%); N. America(7.6%); LatAm(7.4%)	na	na
ArcelorMittal	Basic Res.	15.2	Hold	9	12	26.0	59.7	na	47	39	na	14	USA(19.7%); Germany(8.6%); Brazil(8.3%); France(6.0%); Spain(4.9%)	78	na
Banco Popular	Banks	9.0	Hold	4	5	12.3	3.7	93	7	0	0	0	Portugal(6.7%)	na	na
Banco Sabadell	Banks	8.9	Buy	2	3	27.2	4.9	96	1	na	na	3	OECD(2.8%)	na	na
Banco Santander	Banks	88.2	Hold	7	7	4.1	42.9	16	25	59	0	0	LatAm(48.0%); Continental Europe(29.0%); UK(11.0%); USA(11.0%)	29	na
Bankia	Banks	15.2	Hold	1	2	14.1	3.6	99	0	na	na	1		na	na
Bankinter	Banks	6.5	Buy	7	7	0.3	1.4	100	0	0	0	0		0	0
BBVA	Banks	50.7	Buy	8	11	27.8	21.4	27	na	65	na	8	Mexico(29.0%); S. America(26.0%); USA(10.0%); Turkey/China(8.0%)	35	na
Bolsas y Mercados Espanc	Financial Ser.	2.7		32	na	na	0.3	100	0	0	0	0		0	0
CaixaBank	Banks	24.7	Hold	4	4	1.8	6.6	98	0	na	na	2		na	na
DIA	Retail	3.5		5	na	na	10.0	46	27	25	2	0	France(19.3%); Brazil(14.6%); Argentina(10.7%); Portugal(8.0%)	0	0
Enagas	Utilities	6.2	Hold	26	25	-3.4	1.3	100	0	0	0	0		0	0
FCC	Const. & Mat.	3.0		11	na	na	6.7	58	22	16	na	3	E. Europe(22.3%); LatAm(13.4%); USA(3.0%)	na	na
Ferrovial	Const. & Mat.	12.0		16	na	na	8.1	32	46	16	na	6	UK(32.0%); USA(16.4%); Poland(13.9%)	37	na
Gamesa	Oil & Gas	2.2		8	na	na	2.3	9	11	44	20	16	Mexico(23.7%); India(20.0%); Brazil(18.2%); USA(2.1%)	37	22
Gas Natural	Utilities	21.2	Hold	21	22	5.0	25.2	56	9	30	na	5	LatAm(29.9%)	na	37
Grifols	Health Care	6.6	Hold	31	37	19.0	2.7	8	13	63	na	16	USA, Canada(63.2%); EU(13.4%)	77	58
Iberdrola	Utilities	36.2	Buy	6	6	8.6	32.8	na	77	22	na	1	Spain, Portugal(40.3%); UK(29.8%); USA(9.8%); Brazil(8.4%); N. America(3.9%)	34	41
Inditex	Retail	na	Hold	23	25	5.2	16.7	21	48	14	12	5	Asia, RoW(17%); USA(14%)	11	na
Indra Sistemas	Technology	1.3		8	na	na	3.0	na	na	46	na	54	LatAm(46.4%); Africa, Asia, Australia(21.3%)	61	na
Intnl Airlines Group (IAG)	Travel & Leisure	11.9	Buy	462	480	3.9	18.7	33	15	14	na	38	Spain(15.3%); USA(14.4%)	0	na
Jazztel	Telecoms	3.2		13	na	na	1.0	100	0	0	0	0		0	0
Mapfre S.A.	Insurance	9.1		3	na	na	20.9	34	3	48	na	15	Brazil(24.0%); USA(8.3%); Venezuela(4.7%); Colombia(3.7%); Mexico(3.7%); Turkey(3.1%)	na	na
Mediaset Espana	Media	4.2	Hold	10	10	-2.9	0.8	100	0	0	0	0		na	na
OHL	Const. & Mat.	1.9		19	na	na	3.7	25	13	na	na	61	OECD(40.7%); EU(13.4%)	na	na
Red Electrica	Utilities	9.7	Buy	72	78	8.5	1.8	97	1	na	na	1		na	na
Repsol	Oil & Gas	23.2	Hold	17	21	22.1	56.5	53	10	na	na	37		11	40
Sacyr-Vallehermoso	Const. & Mat.	1.6		3	na	na	3.1	48	12	26	1	13	Panama(13.4%); Chile(11.9%); Angola(7.7%); Portugal(7.3%); Italy(3.5%)	4	12
Tecnicas Reunidas	Oil & Gas	2.0		35	na	na	2.8	3	17	35	11	34	Mid-East(34.0%); Mediterranean(17.8%); USA(17.1%); Asia(11.1%)	32	15
Viscofan	Food & Bev.	2.1		45	na	na	0.8	27	na	40	na	33	Rest of Europe, Asia(32.7%); N. America(26.5%); S. America(13.3%)	23	43
IBEX 35							481	25	27	32	5	11			

Source: Bloomberg Finance LP, DataStream, Company Data, Deutsche Bank ^Outside Europe refers to exposure specific to Americas and Asia-Pacific

Figure 156: SMI20 (Switzerland) – Regional exposure by company

Company	Sector	Mcap. (Eur bn)	Rec.	Curr. Price 11-Dec-14 (local curr.)	Targ. Price 11-Dec-14 (local curr.)	Up-side Pote-ntial %	Sales 2013 (Eur, bn)	% Sales in 2013: Home country	Rest of Europe	Americas	Asia/ Pacific	RoW/ Unspecified	Major sales destinations abroad	Outside Europe^ 2013 Assets%	2013 Capex%
ABB	Ind. Gds. & Ser.	39.7	Sell	21	20	-5.3	31.5	na	34	29	27	10	Asia(26.8%); Africa, Mid-East(9.8%)	37	na
Actelion	Health Care	11.0	Buy	115	130	12.7	1.5	2	35	43	na	20	USA(43.0%)	8	na
Adecco	Ind. Gds. & Ser.	9.9	Sell	66	47	-28.9	19.6	na	52	19	6	23	France(24.3%); N. America(19.1%); UK(9.8%); Germany, Austria(8.3%); Japan(5.7%); Italy(4.9%)	25	31
Credit Suisse Group	Banks	34.1	Buy	25	29	13.9	30.2	31	18	42	9	0	Americas(41.8%); EMEA(18.3%); APAC(8.8%)	55	na
Geberit	Const. & Mat.	10.6		338	na	na	1.6	13	75	3	na	9	Germany(36.8%); Benelux(7.8%); Italy(7.6%); Central & E. Europe(6.8%); Austria(6.7%); Nordic(5.1%)	na	na
Givaudan	Chemicals	13.7	Buy	1787	1900	6.3	3.6	1	37	35	27	0	APAC(27.0%); USA, Canada(21.9%); LatAm(13.2%); EMEA(7.6%)	38	na
Holcim	Const. & Mat.	18.8	Buy	69	76	10.0	16.1	2	26	32	36	4	APAC(35.9%); LatAm(16.5%); N. America(15.6%); Africa, Mid-East(4.4%)	61	na
Julius Baer	Banks	8.3	Buy	45	46	2.9	2.0	71	12	4	na	13	Europe Ex. Switzerland(11.7%); USA(3.6%)	1	0
Nestle	Food & Bev.	192.5	Hold	72	68	-5.9	75.2	2	15	30	na	53	Americas(30.4%); Europe(16.3%)	45	33
Novartis	Health Care	207.5	Hold	92	87	-5.5	44.4	1	12	33	8	46	USA(32.7%); Japan(7.8%); Germany(7.1%); France(5.1%)	36	na
Richemont	Per. & Hhld. Gds.	38.6	Hold	89	88	-1.0	10.7	5	32	15	48	0	Hong Kong, China(24.1%); Other Asia(15.7%); USA(11.9%); Japan(8.4%)	15	na
Roche	Health Care	171.3	Buy	293	295	0.7	38.2	1	30	46	19	3	N. America(38.9%); EMEA(31.2%); Asia(19.4%); LatAm(7.2%); Africa, Australia, Oceania(3.3%)	na	48
SGS	Ind. Gds. & Ser.	12.8	Hold	1961	2100	7.1	4.8	na	46	25	29	0	EMEA(46.2%); APAC(29.0%); Americas(24.8%)	na	na
Swatch Group	Per. & Hhld. Gds.	11.6	Buy	453	570	25.8	6.9	13	21	8	57	1	China(37.9%); Other Asia(18.1%); USA(8.4%)	20	na
Swiss Re	Insurance	25.8	Buy	84	83	-0.4	27.6	na	29	36	17	18	USA(31.5%); UK(12.0%); Australia(7.1%); China(7.1%); France(5.6%); Canada(4.8%)	na	na
Swisscom	Telecoms	25.0	Hold	579	594	2.7	9.3	82	18	na	na	0	Italy(17.7%)	0	na
Syngenta	Chemicals	23.9	Buy	308	380	23.3	11.1	na	30	56	14	0	Europe(30.3%); LatAm(28.9%); N. America(26.9%); APAC(14.0%)	na	na
UBS	Banks	54.9	Buy	17	21	22.4	28.4	39	8	34	16	4	USA(32.5%); APAC(15.6%); UK(7.9%)	49	na
Zurich Insurance Group	Insurance	38.1	Hold	306	305	-0.2	54.3	10	40	41	7	2	US & Canada(28.7%); Germany(11.8%); UK(11.5%); Brazil(5.4%); Italy(4.6%); Spain(4.4%)	34	na
SMI 20							417	9	25	33	13	19			

Source: Bloomberg Finance LP, DataStream, Company Data, Deutsche Bank ^Outside Europe refers to exposure specific to Americas and Asia-Pacific

Figure 157: FTSE100 UK (United Kingdom) – Regional exposure by company

Company	Sector	Mcap. (Eur bn)	Rec.	Curr. Price 11-Dec-14 (local curr.)	Targ. Price	Up-side Pote-ntial %	Sales 2013 (Eur, bn)	% Sales in 2013: Home country	Rest of Europe	Americas	Asia/ Pacific	RoW/ Unspecified	Major sales destinations abroad	Outside Europe^: Assets% 2013	Capex% 2013
3i Group	Financial Ser.	5.4		435	na	na	0.3	31	44	25	na	0	Continental Europe(44.4%)	21	38
A B Foods	Food & Bev.	31.6	Hold	3151	3000	-4.8	16.0	43	28	10	19	0	EMEA(28.5%); APAC(18.7%)	28	25
Aberdeen Asset Managem	Financial Ser.	7.2		424	na	na	1.3	40	15	9	36	0	Singapore(26.5%); Other Asia(10.0%); Americas(8.8%)	23	na
Admiral	Insurance	4.5	Hold	1262	1220	-3.3	1.1	90	5	5	0	0		0	0
Aggreko	Ind. Gds. & Ser.	4.7		1445	na	na	1.9	na	40	41	19	0	Americas(41.0%); EMEA(39.7%); Asia, Australia(19.3%)	62	70
Anglo American	Basic Res.	20.8	Buy	1173	2100	79.0	22.5	na	6	24	13	56	S. Africa(42.7%); S. America(21.7%); Rest of Africa(13.7%); Australia, Asia(12.9%); N. America(2.7%)	50	na
Antofagasta PLC	Basic Res.	8.9	Hold	714	830	16.3	4.6	0	12	19	69	0	Japan(31.5%); China(22.6%); Other Asia(14.9%); Chile(6.0%); N. America(5.1%); N. America(5.1%)	0	0
ARM Holdings	Technology	17.1	Hold	959	900	-6.2	0.9	na	99	1	0	0		7	na
Ashtead Group	Ind. Gds. & Ser.	7.5		1172	na	na	1.6	15	0	85	0	0	N. America(84.9%)	87	88
AstraZeneca	Health Care	75.1	Hold	4688	4350	-7.2	19.7	7	20	41	17	16	USA(39.7%); Italy, Other(12.2%); Japan(9.3%); China(7.1%); France(5.1%); Australia(3.2%)	0	0
Aviva Plc	Insurance	18.2	Buy	487	620	27.3	41.5	48	43	7	2	0	France(26.5%); Canada(6.6%); Poland(2.1%)	3	na
Babcock International Grou	Ind. Gds. & Ser.	6.9		1079	na	na	4.2	84	na	4	na	12	Africa(8.1%); N. America(4.1%)	2	1
BAE Systems Plc	Ind. Gds. & Ser.	18.2	Hold	455	480	5.5	20.3	20	13	37	27	2	USA(36.8%); Saudi Arabia(19.6%); Australia(4.5%); APAC(3.4%)	73	na
Barclays	Banks	49.6	Buy	237	295	24.3	43.5	41	14	25	5	15	USA(25.1%); Africa(14.7%); Asia(4.6%)	na	na
Barratt Developments	Per. & Hhld. Gds.	5.7	Buy	452	506	11.9	3.1	100	0	0	0	0		0	0
BHP Billiton	Basic Res.	36.4	Buy	1361	2400	76.3	50.5	3	10	15	69	4	China(29.4%); Other Asia(20.7%); N. America(12.8%); Japan(11.8%); Australia(6.9%); S. America(2.7%)	94	na
BP	Oil & Gas	92.2	Buy	399	480	20.4	290.9	na	na	34	na	66	USA(34.0%)	na	na
British Land	Real Estate	9.8	Sell	758	600	-20.8	0.5	100	0	0	0	0		0	0
BT Group PLC	Telecoms	42.4	Hold	411	410	-0.3	23.2	77	14	6	3	0	EMEA ex. UK(14.1%); Americas(5.9%); APAC(3.0%)	3	na
Bunzl	Ind. Gds. & Ser.	7.5	Hold	1760	1624	-7.7	7.3	na	19	56	na	25	N. America(55.8%)	34	42
Burberry Group	Per. & Hhld. Gds.	9.1	Hold	1621	1580	-2.5	3.0	9	26	24	37	3	APAC(37.4%); Americas(24.4%)	na	na
Capita Group	Ind. Gds. & Ser.	8.6	Hold	1029	1100	6.9	4.6	96	4	0	0	0		0	0
Carnival	Travel & Leisure	6.5	Buy	2789	2830	1.5	11.7	na	35	50	11	3	N. America(50.1%); Australia, Asia(11.5%)	na	na
Centrica	Utilities	17.3	Hold	274	290	5.7	31.9	66	3	28	na	3	N. America(28.3%); Norway(2.6%)	24	na
Coca-Cola Hellenic	Food & Bev.	6.1	Buy	1328	1500	13.0	6.9	na	92	na	na	8		na	0
Compass Group	Travel & Leisure	22.5		1062	na	na	21.1	na	na	57	na	43	N. America(57.4%); Europe, Japan(42.6%)	50	70
CRH	Const. & Mat.	14.0	Hold	1491	1420	-4.8	18.0	na	48	52	0	0	Europe(47.6%)	43	54
Diageo	Food & Bev.	59.8	Buy	1878	2050	9.2	13.7	na	19	45	15	21	N. America(32.7%); W. Europe(19.4%); APAC(14.6%); LatAm, Caribbean(12.7%)	22	22
easyJet	Travel & Leisure	8.4	Buy	1668	1830	9.7	5.1	46	52	na	na	1	S. Europe(32.7%); N. Europe(19.6%)	na	na
Experian	Ind. Gds. & Ser.	12.9	Buy	1028	1150	11.9	3.8	20	na	70	na	10	N. America(50.4%); LatAm(19.4%); EMEA, APAC(10.5%)	66	65
Friends Life	Insurance	6.6	Hold	367	335	-8.8	13.2	88	na	na	na	12		na	na
G4S Plc	Ind. Gds. & Ser.	5.5	Sell	279	220	-21.2	8.9	22	22	28	na	28	Continental Europe(22.2%); N. America(18.3%); LatAm, Caribbean(9.7%); Africa(6.5%)	26	12

Source: Bloomberg Finance LP, DataStream, Company Data, Deutsche Bank ^Outside Europe refers to exposure specific to Americas and Asia-Pacific

Figure 157: FTSE100 UK (United Kingdom) – Regional exposure by company (Contd.)

Company	Sector	Mcap. (Eur bn)	Rec.	Curr. Price 11-Dec-14 (local curr.)	Targ. Price 11-Dec-14 (local curr.)	Up-side Pote-ntial %	Sales 2013 (Eur, bn)	% Sales in 2013: Home country	Rest of Europe	Americas	Asia/ Pacific	RoW/ Unspecified	Major sales destinations abroad	Outside Europe^ 2013 Assets%	Outside Europe^ 2013 Capex%
GKN	Autos	7.0		336	na	na	8.6	13	13	30	na	44	Americas(29.8%); Germany(13.4%)	25	na
GlaxoSmithKline	Health Care	85.9	Hold	1393	1390	-0.2	31.9	na	20	27	24	29		na	na
Glencore	Basic Res.	49.2	Buy	295	399	35.3	178.5	na	34	23	32	11	Asia(29.2%); Africa(11.0%); Oceania(2.5%)	64	na
Hammerson	Real Estate	6.0	Hold	604	530	-12.3	0.4	77	23	0	0	0	France(22.5%)	na	0
Hargreaves Lansdown	Financial Ser.	5.7		953	na	na	0.4	100	0	0	0	0		0	0
HSBC Holdings Plc	Banks	149.9	Hold	76	80	5.5	75.5	na	31	28	37	4	Hongkong(19.4%); Rest of APAC(17.6%); LatAm(15.5%); N. America(12.9%); Mid-East, N. Africa(3.7%)	24	62
IMI	Ind. Gds. & Ser.	4.2		1213	na	na	2.1	6	39	19	29	6	APAC(28.9%); USA(18.0%); Germany(14.2%)	30	30
InterContinental Hotels Grc	Travel & Leisure	7.6		2527	na	na	1.5	na	22	51	13	13	Americas(51.4%); China(13.2%); Asia, Mid-East, Africa(12.9%)	62	70
Intertek Group	Ind. Gds. & Ser.	4.5	Buy	2220	2450	10.4	2.6	na	33	32	35	0	Asia(35.2%); EMEA(32.5%); Americas(32.2%)	na	na
Intnl Airlines Group (IAG)	Travel & Leisure	11.9	Buy	462	480	3.9	18.7	33	15	14	na	38	Spain(15.3%); USA(14.4%)	0	na
Intu Properties	Real Estate	5.6	Hold	335	280	-16.4	0.6	99	1	0	0	0		2	na
ITV PLC	Media	10.6	Hold	208	205	-1.6	2.8	85	na	na	na	15		na	na
Johnson Matthey Plc	Chemicals	8.5	Buy	3283	3850	17.3	14.1	27	21	23	24	4	USA(22.1%); Hong Kong, China(15.6%); Other Asia(8.4%); Germany(8.2%)	32	na
Kingfisher	Retail	9.6	Hold	322	340	5.5	14.1	39	57	0	4	0	France(39.8%); Poland(10.0%)	0	0
Land Securities	Real Estate	11.5	Sell	1146	870	-24.1	0.9	100	0	0	0	0		0	0
Legal & General	Insurance	18.6	Buy	247	260	5.4	46.9	76	18	na	na	6	France(10.7%); Netherlands(6.8%)	na	na
London Stock Exchange Gr	Financial Ser.	9.5		2155	na	na	1.5	61	34	na	na	5	Italy(26.0%); France(8.0%)	0	na
Marks & Spencer Group	Retail	9.9	Buy	478	550	15.2	13.1	89	0	na	na	11		0	0
Meggitt	Ind. Gds. & Ser.	5.0	Hold	491	445	-9.4	2.0	10	22	50	na	18	N. America(49.6%)	68	na
Mondi	Basic Res.	5.0	Buy	1067	1260	18.1	6.5	4	70	5	10	11	S. Africa(6.7%); Other Africa(3.6%); Austria(2.5%); Germany(15.5%); Other W.Europe(21.5%); Emerging Europe(21%); Russia(9.4%); N.America(5.4%); Asia/Australia(9.8%)	5	na
National Grid PLC	Utilities	42.9	Hold	901	880	-2.3	18.8	46	0	54	0	0	USA(54.4%)	na	37
NEXT	Retail	12.7	Hold	6545	6700	2.4	4.7	92	5	na	1	2		5	na
Old Mutual PLC	Insurance	11.6	NR	187	na	na	23.8	25	4	2	na	68	S. Africa(68.3%); USA(2.2%)	na	na
Pearson	Media	12.2	Sell	1170	875	-25.2	6.0	13	7	60	12	8	USA(57.5%); APAC(12.3%); Canada(2.5%)	80	na
Persimmon	Per. & Hhld. Gds.	6.1	Hold	1573	1533	-2.5	2.5	100	0	0	0	0		0	0
Petrofac	Oil & Gas	3.2	Hold	724	800	10.5	4.9	26	na	na	32	42	Algeria(11.3%); UAE(10.7%); Malaysia(8.8%); Saudi Arabia(6.2%); Iraq(6.1%)	70	na
Prudential	Insurance	48.9	Buy	1502	1680	11.9	63.0	32	0	50	19	0	US(49.7%); Asia pacific(18.6%)	49	na
Randgold	Basic Res.	5.0	Buy	4261	5180	21.6	0.9	na	0	na	na	100	West, East Africa(100.0%)	0	0
Reed Elsevier (UK)	Media	15.5	Buy	1079	960	-11.0	7.1	7	21	51	na	21	N. America(51.1%); Netherlands(2.8%)	0	na
Rexam	Ind. Gds. & Ser.	4.1		455	na	na	4.7	4	22	49	na	24	USA(32.8%); Brazil(16.7%); Austria(8.5%); Russia(6.1%); Spain(5.4%)	33	na
Rio Tinto	Basic Res.	49.3	Buy	2748	4660	69.6	39.3	1	na	18	81	0	China(41.5%); Japan(18.8%); Other Asia(17.9%); USA(15.3%); Canada(2.7%); Australia(2.4%)	95	na
Rolls-Royce Group PLC	Ind. Gds. & Ser.	19.9	Sell	832	645	-22.4	18.6	12	20	55	14	0	Canada, Others(29.1%); USA(25.6%); China(7.0%); Germany(6.3%); Swiss(5.6%); Singapore(3.6%)	0	na

Source: Bloomberg Finance LP, DataStream, Company Data, Deutsche Bank ^Outside Europe refers to exposure specific to Americas and Asia-Pacific

Figure 157: FTSE100 UK (United Kingdom) – Regional exposure by company (Contd.)

Company	Sector	Mcap. (Eur bn)	Rec.	Curr. Price 11-Dec-14 (local curr.)	Targ. Price	Up-side Pote-ntial %	Sales 2013 (Eur, bn)	% Sales in 2013: Home country	Rest of Europe	Americas	Asia/ Pacific	RoW/ Unspecified	Major sales destinations abroad	Outside Europe^: 2013 Assets%	2013 Capex%
Royal Bank of Scotland Grc	Banks	30.9	Hold	383	380	-0.8	31.1	61	11	21	na	8	USA(20.8%)	19	24
Royal Dutch Shell plc	Oil & Gas	101.5	Hold	2045	2425	18.6	346.2	na	39	26	na	35	Asia, Oceania, Africa(34.9%); USA(16.1%)	41	na
Royal Mail	Ind. Gds. & Ser.	5.0	Hold	398	400	0.5	12.0	83	17	0	0	0		0	na
RSA Insurance Group PLC	Insurance	5.6	Hold	437	500	14.4	11.1	40	24	20	na	16	Canada(20.0%); Developing markets(16.0%)	25	na
SABMiller	Food & Bev.	68.4	Hold	3347	3500	4.6	41.5	1	16	38	17	29	LatAm(22.7%); S. Africa(18.6%); Asia(16.5%); Africa(10%)	na	36
Sage Group	Technology	6.0		439	na	na	1.7	na	56	33	na	11	N. America(32.6%)	na	na
Sainsbury	Retail	5.5	Hold	226	275	21.5	28.4	100	0	0	0	0		0	0
Schroders	Financial Ser.	7.6		2643	na	na	2.2	38	16	8	16	22	USA(8.4%); Swiss(7.1%); Australia(6.8%); Italy(5.7%); Hongkong(5.7%); Japan(3.1%)	16	na
Severn Trent	Utilities	5.8	Buy	1915	2200	14.9	2.4	87	0	8	na	5	USA(7.9%)	1	na
Sky plc	Media	20.0	Hold	918	1000	8.9	9.1	100	0	0	0	0		na	na
Smith & Nephew	Health Care	11.9	Buy	1050	1225	16.7	3.3	7	na	43	na	50	USA(42.8%); Developed markets(43.1%)	86	na
Smiths Group	Ind. Gds. & Ser.	5.3	Hold	1058	1300	22.9	3.7	4	19	50	7	20	USA(45.0%); Germany(5.0%); Canada(3.9%); Japan(3.7%); China(3.2%); France(3.0%)	68	na
Sports Direct International	Retail	5.1		666	na	na	2.6	84	na	na	na	16	RoW ex. UK(15.7%)	0	0
SSE	Utilities	20.3	Hold	1620	1340	-17.3	38.7	97	3	0	0	0		na	na
St James's Place	Insurance	5.3	Buy	806	895	11.1	8.2	100	0	0	0	0		0	0
Standard Chartered	Banks	29.0	Hold	927	1085	17.1	19.6	na	na	na	67	33	Hong Kong(19.8%); Rest of APAC(18.5%); Mid-East, S. Asia(11.8%); Singapore(11.4%); Africa(9.3%); India(9.0%)	64	90
Standard Life	Insurance	12.3	Buy	406	445	9.6	25.9	90	5	na	na	5		na	na
Tesco PLC	Retail	17.6	Hold	171	180	5.1	75.8	69	15	0	16	0	South Korea(8.5%); Thailand(6.0%); Republic of Ireland(3.6%); Poland(3.5%)	21	31
Travis Perkins	Ind. Gds. & Ser.	5.6	Hold	1786	1880	5.3	6.2	100	0	0	0	0		0	0
Tullow Oil	Oil & Gas	4.3	Hold	373	575	54.2	2.0	na	na	na	na	100	Africa(84.9%)	0	0
Unilever	Food & Bev.	50.8	Buy	33	34	4.2	49.8	4	29	33	24	11	Asia, Africa(40.3%); W. Europe(27.1%)	na	na
United Utilities	Utilities	7.5	Buy	872	1030	18.1	2.2	100	0	0	0	0		0	na
Vodafone Group Plc	Telecoms	74.9	Buy	223	250	12.1	48.6	na	97	na	na	3		0	0
Weir	Ind. Gds. & Ser.	4.6		1695	na	na	2.9	4	10	53	19	14	USA(30.6%); Africa, Mid-East(14.0%); S. America(12.7%); Canada(9.7%); APAC(9.5%); Australia(9.2%)	83	na
Whitbread	Travel & Leisure	10.6	Hold	4605	4600	-0.1	2.7	96	0	na	na	4	RoW ex. UK(3.6%)	0	na
William Morrison	Retail	5.2	Hold	175	190	8.7	20.8	100	0	0	0	0		0	0
Wolseley	Ind. Gds. & Ser.	11.9	Buy	3608	3612	0.1	15.8	13	28	58	0	0	USA(51.6%); Nordic(14.6%); France(6.9%); C. Europe(6.8%); Canada(6.7%)	50	41
WPP Group	Media	22.1	Buy	1320	1470	11.4	13.0	13	24	34	na	30	N. America(34.0%); Western Continental Europe(23.5%)	39	na
FTSE 100							2186	22	21	24	12	22			

Source: Bloomberg Finance LP, DataStream, Company Data, Deutsche Bank ^Outside Europe refers to exposure specific to Americas and Asia-Pacific

A.2 Regional exposure of all European companies (by sector)

Figure 158: Regional exposure by company

Company	Ctry. Code	Mcap. (Eur bn)	Rec.	Curr. Price 11-Dec-14 (local curr.)	Targ. Price	Up-side Pote-ntial %	Sales 2013 (Eur, bn)	% Sales Europe	% Sales in 2013: Home country	Rest of Europe	Americas	Asia/ Pacific	RoW/ Unspecified	Major sales destinations abroad	Outside Europe^ 2013 Assets%	2013 Capex%
Automobiles & Parts																
BMW	DE	54.5	Buy	90	110	21.8	76.1	45	16	30	21	20	14	China(20.2%); USA(20.8%)	28	na
Continental AG	DE	34.6	Buy	173	195	12.9	33.3	54	24	30	22	19	5	N. America(21.8%); Asia(19.3%)	32	37
Daimler	DE	73.1	Buy	68	79	15.6	118.0	na	na	35	33	21	12	W. Europe(34.9%); USA(24.2%); Asia(20.7%)	32	na
Delticom AG	DE	0.2	Hold	17	20	14.6	0.5	na	na	76	na	na	24	EU(75.9%)	na	na
ElringKlinger AG	DE	1.7	Hold	27	26	-4.2	1.2	61	31	31	23	16	0	N. America(17.1%); Asia, Australia(16.1%)	25	36
Faurecia	FR	3.7	Buy	30	36	20.3	18.0	na	na	54	31	14	1	N. America(26%); S. America(4.8%)	42	52
GKN	GB	7.0		336	na	na	8.6	26	13	13	30	na	44	Americas(29.8%); Germany(13.4%)	25	na
Michelin	FR	13.6	Buy	73	100	36.2	20.2	41	10	31	35	na	25	N. America(34.7%)	21	32
Nokian Tyres	FI	2.9	Hold	22	24	9.2	1.5	52	10	42	8	na	40	Russia, CIS(39.0%); Sweden(9.0%); Norway(8.0%); N. America(8.0%); Eastern & C Europe(25.0%)	4	0
Norma Group SE	DE	1.2	Buy	37	42	12.4	0.6	61	30	31	30	9	0	EMEA(31.4%); Americas(30.1%); APAC(8.8%)	33	52
Peugeot SA	FR	7.9	Hold	10	11	9.3	54.1	na	na	66	10	8	17	LatAm(10.1%); Asia(7.6%); Russia(3.3%)	5	na
Piaggio	IT	0.9	Buy	2	3	10.3	1.2	na	na	na	na	42	58	EMEA, Americas(57.7%); India(26.4%); Asia(15.9%)	na	29
Pirelli & C	IT	5.4	Hold	11	12	6.8	6.1	33	6	27	47	8	12	LatAm(35.6%); N. America(11.2%); Mid-East, Africa(8.1%); APAC(7.9%); Russia(4.2%)	41	na
Plastic Omnium	FR	3.2	Hold	21	25	18.7	5.1	52	14	38	31	16	1	N. America(26.9%); Asia(15.7%); Germany(11.9%); Spain(6.9%); UK(5.5%); S. America(4.3%)	33	46
Porsche	DE	10.4	Buy	68	68	-0.3	0.0	100	100	0	0	0	0		0	na
Renault SA	FR	18.3	Buy	62	80	29.3	40.9	69	24	45	14	9	7	Americas(14.5%); Asia pacific(9.2%); Eurasia(7.2%)	na	na
Rheinmetall	DE	1.3	Hold	34	32	-5.1	4.6	67	28	39	11	14	9	Asia(13.7%); N. America(10.8%)	9	na
SAF Holland SA	DE	0.5	Buy	11	15	37.4	0.9	na	na	52	40	na	8	N. America(39.6%)	42	na
SHW	DE	0.2	Buy	36	52	44.4	0.4	99	64	35	1	na	0		2	na
Valeo SA	FR	7.8	Buy	98	105	7.0	12.1	52	10	43	23	25	0	Asia(25.2%); N. America(17.7%); S. America(5.0%)	44	na
Volkswagen AG	DE	53.9	Buy	182	210	15.1	197.0	60	20	40	23	18	0	APAC(17.6%); N. America(13.0%); S. America(9.5%)	13	na
Banks																
Alior Bank	PL	1.3	Buy	78	102	30.8	0.5	100	100	0	0	0	0		0	0
Alpha Bank SA	GR	5.9	Buy	0	1	94.8	2.4	98	80	18	na	na	2	Cyprus(6.8%); Romania(6.4%); Serbia(2.1%)	0	na
Banca Monte Paschi Siena	IT	3.0		1	na	na	8.1	100	100	0	0	0	0		0	0
Banca Popolare Emilia Romagna	IT	2.6		5	na	na	3.0	99	99	0	na	na	1		0	na
Banca Popolare Milano	IT	2.4	Hold	1	1	9.3	2.3	100	100	0	0	0	0		0	0
Banca Popolare Sondrio	IT	1.4		3	na	na	1.5	100	88	12	0	0	0	Swiss(11.8%)	na	na
Banco Espirito Santo	PT	0.7		0	na	na	5.2	na	na	59	13	5	23	UK(44.7%); Angola(21.2%); France, Luxembourg(14.0%); Brazil(9.2%); China(5.0%); USA(3.9%)	5	2
Banco Popolare	IT	3.8	Buy	10	16	53.8	5.3	100	100	0	0	0	0		0	na
Banco Popular	ES	9.0	Hold	4	5	12.3	3.7	100	93	7	0	0	0	Portugal(6.7%)	na	na
Banco Sabadell	ES	8.9	Buy	2	3	27.2	4.9	97	96	1	na	na	3	OECD(2.8%)	na	na

Source: Bloomberg Finance LP, DataStream, Company Data, Deutsche Bank ^Outside Europe refers to exposure specific to Americas and Asia-Pacific

Figure 158: Regional exposure by company (Contd.)

Company	Ctry. Code	Mcap. (Eur bn)	Rec.	Curr. Price 11-Dec-14 (local curr.)	Targ. Price 11-Dec-14 (local curr.)	Up-side Pote-ntial %	Sales 2013 (Eur, bn)	% Sales Europe	% Sales in 2013: Home country	Rest of Europe	Americas	Asia/ Pacific	RoW/ Unspecified	Major sales destinations abroad	Outside Europe^ 2013 Assets%	Outside Europe^ 2013 Capex%
Banks																
Banco Santander	ES	88.2	Hold	7	7	4.1	42.9	41	16	25	59	0	0	LatAm(48.0%); Continental Europe(29.0%); UK(11.0%); USA(11.0%)	29	na
Bank Handlowy	PL	3.4	Hold	108	103	-4.3	0.7	100	100	0	0	0	0		0	0
Bank Millennium	PL	2.3	Hold	8	8	-3.6	0.9	100	100	0	0	0	0		0	0
Bank of Ireland	IE	10.8	Hold	0	0	-14.4	5.8	99	73	26	na	na	1	UK(26.1%)	0	0
Bank Pekao	PL	11.6	Hold	185	170	-8.1	2.4	100	100	0	0	0	0		0	0
Bank Zachodni WBK	PL	8.5	Buy	378	440	16.6	2.0	100	100	0	0	0	0		0	na
Bankia	ES	15.2	Hold	1	2	14.1	3.6	99	99	0	na	na	1		na	na
Bankinter	ES	6.5	Buy	7	7	0.3	1.4	100	100	0	0	0	0		0	0
Barclays	GB	49.6	Buy	237	295	24.3	43.5	55	41	14	25	5	15	USA(25.1%); Africa(14.7%); Asia(4.6%)	na	na
BBVA	ES	50.7	Buy	8	11	27.8	21.4	na	27	na	65	na	8	Mexico(29.0%); S. America(26.0%); USA(10.0%); Turkey/China(8.0%)	35	na
BCP	PT	4.2	Hold	0	0	15.1	3.9	89	66	22	na	na	11	Poland(22.4%); Mozambique(6.5%); Angola(3.2%)	0	na
BNP Paribas	FR	61.6	Hold	49	57	15.3	38.8	77	32	45	10	7	6	Europe(77.0%); N. America(9.9%); APAC(6.8%)	19	na
CaixaBank	ES	24.7	Hold	4	4	1.8	6.6	98	98	0	na	na	2		na	na
Cembra Money Bank	CH	1.3	Hold	53	58	8.6	0.3	100	100	0	0	0	0		na	na
Commerzbank	DE	13.2	Hold	12	13	7.3	17.4	98	76	22	1	1	0	Europe Ex. Germany(21.8%)	na	na
Credem	IT	2.1	Buy	6	7	13.4	1.9	100	100	0	0	0	0		0	0
Credit Agricole SA	FR	27.6	Buy	11	13	21.3	15.7	88	51	37	5	4	3	N. America(5.0%); Asia, Oceania(4.2%)	8	na
Credit Suisse Group	CH	34.1	Buy	25	29	13.9	30.2	49	31	18	42	9	0	Americas(41.8%); EMEA(18.3%); APAC(8.8%)	55	na
Danske Bank	DK	22.8	Buy	168	188	11.6	15.7	97	51	45	na	na	3	Sweden(13.9%); Norway(12.2%); Finland(11.9%); UK(4.9%); Ireland(2.5%)	na	na
DNB	NO	20.5	Hold	114	134	18.0	9.3	85	80	4	na	na	15	Poland & Baltic states(4.3%)	0	na
EFG International	CH	1.4	Hold	11	12	6.2	0.8	66	25	41	15	19	0	UK(25.6%); Asia(18.6%)	0	na
Erste Group	AT	9.1	Hold	21	22	4.2	10.3	91	36	55	na	na	9	Czech Republic(22.5%); Romania(12.1%); Slovakia(8.3%); Hungary(6.2%); Croatia(4.9%)	na	na
Eurobank Ergasias S.A	GR	3.2	Buy	0	1	na	1.6	100	66	34	0	0	0	Romania(12.7%); Bulgaria(9.6%);Serbia(5.4%);Cyprus(4.2%); Luxembourg(2.1%)	0	na
HSBC Holdings Plc	GB	149.9	Hold	76	80	5.5	75.5	na	na	31	28	37	4	Hongkong(19.4%); Rest of APAC(17.6%); LatAm(15.5%); N. America(12.9%); Mid-East, N. Africa(3.7%)	24	62
ING	NL	43.2	Buy	11	13	15.1	26.3	93	48	45	2	5	0	Belgium(15.1%); Asia(3.4%); N. America(2.1%)	22	na
ING Bank Slaski	PL	4.4	Sell	142	134	-5.6	1.2	100	100	0	0	0	0		0	0
Intesa SanPaolo	IT	39.6	Buy	3	3	12.0	24.6	2	2	0	na	na	98		na	na
Julius Baer	CH	8.3	Buy	45	46	2.9	2.0	83	71	12	4	na	13	Europe Ex. Switzerland(11.7%); USA(3.6%)	1	0
Jyske Bank	DK	3.9		307	na	na	1.3	100	99	1	0	0	0		0	na
KBC Group	BE	19.0	Buy	45	53	16.7	7.1	100	67	33	0	0	0	Czech Republic(19.4%); Hungary(7.5%); Slovakia(4.4%)	0	0

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Figure 158: Regional exposure by company (Contd.)

Company	Ctry. Code	Mcap. (Eur bn)	Rec.	Curr. Price 11-Dec-14 (local curr.)	Targ. Price	Up-side Pote-ntial %	Sales 2013 (Eur, bn)	% Sales Europe	% Sales in 2013: Home country	Rest of Europe	Americas	Asia/ Pacific	RoW/ Unspecified	Major sales destinations abroad	Outside Europe^ 2013 Assets%	2013 Capex%
Banks																
mBank	PL	5.0	Sell	497	440	-11.4	1.3	100	97	3	0	0	0		0	na
Mediobanca	IT	5.9		7	na	na	3.5	100	91	9	0	0	0		na	na
National Bank of Greece	GR	5.1	Buy	1	4	na	3.8	98	43	55	na	na	2	Turkey(46.2%); S.E. Europe(9.0%)	na	0
Natixis	FR	17.3		6	na	na	15.9	68	54	15	27	na	5	N. America(26.7%)	11	na
Nordea	SE	40.3	Sell	93	7	na	14.6	94	21	73	na	na	6	Denmark(32.5%); Norway(20.1%); Finland(16.2%)	0	na
Piraeus Bank S.A.	GR	5.7		1	na	na	2.1	99	81	17	na	na	1	Egypt(1.4%)	na	na
PKO Bank Polski	PL	11.0	Buy	37	42	14.0	3.7	100	99	1	0	0	0		0	na
Raiffeisen Bank Intl.	AT	4.3	Hold	15	18	22.0	8.2	na	na	88	na	na	12	C. Europe(30.1%); South East Europe(23.6%); Russia(21.9%); Austria, W.Europe(12.0%)	0	na
Royal Bank of Scotland Group	GB	30.9	Hold	383	380	-0.8	31.1	72	61	11	21	na	8	USA(20.8%)	19	24
SEB	SE	23.0	Buy	99	102	3.1	9.6	93	63	29	na	na	7	Germany(8.3%); Norway(7.1%); Denmark(4.9%); Finland(3.4%); Lithuania(2.5%)	0	0
Societe Generale	FR	29.4	Buy	37	48	31.5	22.4	84	46	38	5	6	5	Russia(6.0%); Americas(5.5%); Asia(6%); Africa(4.9%)	10	na
Standard Chartered	GB	29.0	Hold	927	1085	17.1	19.6	na	na	na	na	67	33	Hong Kong(19.8%); Rest of APAC(18.5%); Mid-East, S. Asia(11.8%); Singapore(11.4%); Africa(9.3%); India(9.0%)	64	90
Sv. Handelsbanken	SE	24.7	Hold	371	330	-11.0	7.5	100	64	36	0	0	0	Norway(14.0%); UK(10.3%); Denmark(5.9%); Finland(4.8%)	0	na
Swedbank AB	SE	23.8	Hold	196	195	-0.7	7.1	97	75	23	na	na	3	Estonia(7.3%); Latvia(5.8%); Norway(5.2%); Lithuania(4.3%)	0	na
Sydbank	DK	1.9		188	na	na	0.7	96	96	0	na	na	4		0	na
UBI Banca	IT	5.5	Hold	6	6	2.1	5.0	100	100	0	0	0	0		0	0
UBS	CH	54.9	Buy	17	21	22.4	28.4	47	39	8	34	16	4	USA(32.5%); APAC(15.6%); UK(7.9%)	49	na
Unicredit	IT	33.1	Hold	6	6	11.5	37.3	99	42	57	1	0	0	Central & E. Europe(28.4%); Germany(15.3%); Austria(8.1%); W. Europe(4.9%)	1	na
Basic Resources																
Acacia Mining plc	GB	1.3	Buy	253	290	14.6	0.7	na	na	36	0	64	0	India(43.5%); Swiss(27.8%); China(12.6%); Japan(8.3%); Germany(7.9%)	na	na
Acerinox SA	ES	3.1	Hold	12	12	1.4	4.0	37	9	28	49	8	6	USA(48.9%); Asia(8.2%); Africa(5.5%)	52	54
Anglo American	GB	20.8	Buy	1173	2100	79.0	22.5	na	na	6	24	13	56	S. Africa(42.7%); S. America(21.7%); Rest of Africa(13.7%); Australia, Asia(12.9%); N. America(2.7%)	50	na
Antofagasta PLC	GB	8.9	Hold	714	830	16.3	4.6	12	0	12	19	69	0	Japan(31.5%); China(22.6%); Other Asia(14.9%); Chile(6.0%); N. America(5.1%); N. America(5.1%)	0	0
Aperam	LU	1.9	Buy	24	39	64.7	3.8	na	na	61	31	na	8	Europe(60.7%); Americas(31.2%)	35	na
ArcelorMittal	LU	15.2	Hold	9	12	26.0	59.7	na	na	47	39	na	14	USA(19.7%); Germany(8.6%); Brazil(8.3%); France(6.0%); Spain(4.9%)	78	na
Aurubis	DE	2.0	Hold	44	40	-8.5	12.3	74	26	48	8	15	4	Asia(14.7%); USA(7.8%)	2	4
BHP Billiton	GB	36.4	Buy	1361	2400	76.3	50.5	12	3	10	15	69	4	China(29.4%); Other Asia(20.7%); N. America(12.8%); Japan(11.8%); Australia(6.9%); S. America(2.7%)	94	na
BillerudKorsnas	SE	2.4		110	na	na	2.2	74	13	62	na	na	26	Germany(13.7%); Italy(10.5%); France(6.3%); UK(5.2%); Spain(4.1%)	na	na
Boliden AB	SE	3.6	Hold	122	115	-5.7	3.9	99	18	82	0	na	0	Germany(34.2%); UK(20.1%); Rest of Scandinavia(12.4%)	0	0
Evraz	GB	2.6	Hold	134	123	-8.3	11.1	na	na	65	22	6	7	Russia(42.6%); Turkey, Other(18.6%); USA(13.5%); Canada(8.6%); Taiwan(3.8%); Ukraine(3.4%)	30	na

Source: Bloomberg Finance LP, DataStream, Company Data, Deutsche Bank ^Outside Europe refers to exposure specific to Americas and Asia-Pacific

Figure 158: Regional exposure by company (Contd.)

Company	Ctry. Code	Mcap. (Eur bn)	Rec.	Curr. Price 11-Dec-14 (local curr.)	Targ. Price	Up-side Pote-ntial %	Sales 2013 (Eur, bn)	% Sales Europe	% Sales in 2013: Home country	Rest of Europe	Americas	Asia/ Pacific	RoW/ Unspecified	Major sales destinations abroad	Outside Europe^ 2013 Assets%	2013 Capex%
Basic Resources																
Ferrexpo Plc	GB	0.4	Buy	57	286	na	1.2	na	na	58	na	37	6	China(28.1%); Austria(24.6%); Turkey(11.9%); Japan(8.4%); Slovakia(8.2%); Czech Republic(8.0%)	na	na
Glencore	GB	49.2	Buy	295	399	35.3	178.5	na	na	34	23	32	11	Asia(29.2%); Africa(11.0%); Oceania(2.5%)	64	na
Imerys	FR	4.5		59	na	na	3.7	57	19	38	25	13	5	N. America(25.4%); Asia pacific(13.3%)	na	na
JSW	PL	0.5	Sell	19	24	23.9	1.8	96	49	47	na	na	4	EU(45.9%)	na	na
KAZ Minerals	GB	1.4	Hold	249	350	40.6	2.4	na	na	18	na	61	21	China(60.5%); Kazakhstan(21.1%)	na	na
KGHM	PL	5.4	Buy	113	155	37.3	5.7	69	20	49	10	15	6	Germany(17.9%); China(14.0%); UK(10.7%); Czech Republic(6.4%); Canada(5.0%); USA(4.7%)	na	na
Kloeckner & Co.	DE	0.9	Buy	9	12	35.4	6.4	62	21	41	37	0	1	EU excl. Germany(27.0%); Rest of Europe(13.8%); N.America(35%); C&S.America(2.0%); Asia/Australia (0.4%); Africa (0.8%)	52	42
Lonmin Plc	GB	1.2	Buy	160	330	na	1.2	na	na	30	27	30	13	Asia(30.3%); S. Africa(13.0%)	0	na
LW Bogdanka	PL	0.9	Buy	105	130	23.5	0.5	100	100	0	0	0	0		na	na
Mondi	GB	5.0	Buy	1067	1260	18.1	6.5	74	4	70	5	10	11	S. Africa(6.7%); Other Africa(3.6%); Austria(2.5%); Germany(15.5%); Other W.Europe(21.5%); Emerging Europe(21%); Russia(9.4%); N.America(5.4%); Asia/Australia(9.8%)	5	na
Norsk Hydro	NO	9.3	Hold	40	38	-6.1	7.8	77	6	71	9	14	0	Italy, Other(30.8%); Germany(16.2%); USA(8.7%); Asia(8.1%); Swiss(6.7%); Japan(6.0%)	0	1
Nyrstar NV	BE	1.0	Hold	3	2	-23.0	2.8	44	6	38	13	42	1	Australia(28.3%); Asia(13.2%); Americas(13.1%)	64	na
Outokumpu	FI	1.9	Buy	4	8	67.6	6.7	66	3	63	19	14	1	Germany(23.7%); N. America(19.2%); Asia, Australia(14.1%); UK(7.0%); Sweden(3.1%)	29	na
Polyus Gold	GB	7.1	Hold	184	178	-3.3	1.7	na	na	0	na	na	100	Kazakhstan(100.0%)	0	0
Randgold	GB	5.0	Buy	4261	5180	21.6	0.9	na	na	0	na	na	100	West, East Africa(100.0%)	0	0
Rautaruukki	FI	1.6		11	na	na	2.4	93	25	68	na	na	7	Other Nordic(30.7%); C&E.Europe(15.2%); Russia, Ukraine(9.7%)	0	na
Rio Tinto	GB	49.3	Buy	2748	4660	69.6	39.3	na	1	na	18	81	0	China(41.5%); Japan(18.8%); Other Asia(17.9%); USA(15.3%); Canada(2.7%); Australia(2.4%)	95	na
Salzgitter	DE	1.4	Buy	23	31	34.1	9.2	67	42	24	13	11	10	USA(13.0%); Asia(10.7%); Africa(9.7%)	na	na
SSAB	SE	1.5	Hold	45	66	47.8	4.0	51	20	31	40	5	5	N. America(39.5%); Europe Ex. Sweden(30.5%); Asia(5.2%)	74	31
Stora Enso	FI	4.4		7	na	na	10.5	55	7	47	na	5	40	Germany(13.9%); Sweden(9.9%); UK(6.0%); China(5.4%); France(5.4%); Mid-East(4.0%)	5	3
Tenaris S.A.	LU	14.6		12	na	na	8.0	na	na	9	66	5	20	N. America(41.6%); S. America(24.4%); Mid-East, Africa(20.0%); APAC, Oceania(4.9%)	79	79
UPM-Kymmene	FI	7.1		13	na	na	10.1	66	10	56	12	7	15	Germany(17.8%); USA(10.7%); UK(9.1%); China(7.1%); France(4.5%)	19	12
Vedanta Resources	GB	2.1	Buy	619	1100	77.7	10.3	4	0	4	na	88	7	India(65.6%); China(13.9%); Far East(8.0%); Mid-East(5.8%)	88	86
Voestalpine	AT	5.7	Hold	33	32	-3.1	11.2	78	10	68	12	7	3		0	0

Source: Bloomberg Finance LP, DataStream, Company Data, Deutsche Bank ^Outside Europe refers to exposure specific to Americas and Asia-Pacific

Figure 158: Regional exposure by company (Contd.)

Company	Ctry. Code	Mcap. (Eur bn)	Rec.	Curr. Price 11-Dec-14 (local curr.)	Targ. Price	Up-side Pote-ntial %	Sales 2013 (Eur, bn)	% Sales Europe	% Sales in 2013: Home country	Rest of Europe	Americas	Asia/ Pacific	RoW/ Unspecified	Major sales destinations abroad	Outside Europe^ 2013 Assets%	Outside Europe^ 2013 Capex%
Chemicals																
Air Liquide	FR	34.1	Buy	99	111	12.2	15.2	na	na	51	23	23	3	Americas(23.3%); APAC(23.0%); Africa, Mid-East(2.7%)	49	54
AkzoNobel	NL	13.5	Buy	56	67	20.5	14.6	44	5	38	25	21	10	USA, Canada(14.8%); China(11.3%); Other Asia(9.5%); Germany(8.1%); Brazil(6.3%); UK(6.1%)	na	41
BASF	DE	66.9	Buy	72	89	22.9	74.0	na	na	56	19	17	8	N. America(19.3%); APAC(16.8%); S. America, Africa, Mid-East(8.2%)	na	na
Bayer AG	DE	95.7	Buy	116	125	7.9	40.2	38	12	25	24	21	17	N. America(24.1%); APAC(21.5%)	36	41
Brenntag	DE	6.9	Buy	45	44	-2.0	9.8	na	na	47	41	8	5	N. America(32.2%); LatAm(8.7%); APAC(7.6%)	na	41
Clariant	CH	4.6	Hold	17	18	8.6	5.0	38	1	37	30	21	11	USA(14.5%); Germany(14.2%); APAC(12.7%); LatAm(8.3%); China(8.0%); Mid-East, Africa(7.4%)	32	na
Croda	GB	4.4	Buy	2554	2800	9.6	1.3	16	5	11	23	na	61	USA(23.3%); Germany(10.9%)	0	na
DSM NV	NL	9.4	Hold	52	47	-9.4	9.1	59	33	26	25	16	0	W. Europe(25.1%); N. America(18.9%); China(11.5%); LatAm(6.4%); Asia(2.6%)	49	46
Elementis	GB	1.5		256	na	na	0.6	30	4	26	35	na	35	N. America(35.3%)	74	68
Ems Chemie	CH	7.6		388	na	na	1.5	na	na	55	13	28	4	Asia(28.4%); N. America(13.3%)	25	na
Evonik Industries	DE	12.5	Hold	27	29	7.6	12.9	55	24	31	25	18	2	N. America(18.3%); APAC(17.9%); LatAm(6.3%); Africa, Mid-East(2.5%)	20	62
Fuchs Petrolub SE	DE	2.3	Hold	34	31	-7.6	1.8	na	na	52	17	na	31	South & N. America(17.1%)	23	25
Givaudan	CH	13.7	Buy	1787	1900	6.3	3.6	38	1	37	35	27	0	APAC(27.0%); USA, Canada(21.9%); LatAm(13.2%); EMEA(7.6%)	38	na
Hexpol AB	SE	2.5		702	na	na	0.9	na	na	31	63	5	0	USA(63.3%); Asia(5.4%)	na	na
Johnson Matthey Plc	GB	8.5	Buy	3283	3850	17.3	14.1	48	27	21	23	24	4	USA(22.1%); Hong Kong, China(15.6%); Other Asia(8.4%); Germany(8.2%)	32	na
K+S	DE	4.5	Sell	24	20	-15.7	4.0	na	na	44	44	9	2	N. America(30.3%); S. America(13.9%); Asia(9.2%); Africa, Oceania(2.5%)	65	na
Kemira	FI	1.5	Hold	10	11	11.7	2.2	57	15	42	37	6	0	EMEA(42.3%); N. America(30.3%); S. America(6.8%); APAC(5.8%)	29	na
Lanxess	DE	3.5	Hold	38	46	19.8	8.3	47	18	29	28	26	0	EMEA ex. Germany(29.0%); APAC(25.8%); N. America(16.0%); LatAm(11.6%)	49	46
Lenzing AG	AT	1.4	Hold	53	49	-8.4	1.9	41	9	32	8	49	2	Europe incl. Turkey(exc. Austria)(31.9%); Asia(48.8%); Americas(8.3%); Others(1.8%)	38	16
Linde	DE	28.2	Buy	152	167	10.0	16.7	na	na	39	28	30	4	APAC(29.9%); N. America(23.4%); S. America(4.4%); Africa(3.8%)	56	61
Solvay	BE	9.5	Hold	112	110	-1.8	10.4	29	1	28	29	34	8	Thailand, Other(27.0%); USA(20.2%); Germany(9.0%); Brazil(8.5%); APAC, RoW(8.1%); France(7.8%)	na	77
Symrise	DE	6.5	Buy	50	54	7.6	1.8	na	na	45	32	23	0	EMEA(45.3%); APAC(22.9%); N. America(19.1%); S. America(12.7%)	na	73
Syngenta	CH	23.9	Buy	308	380	23.3	11.1	na	na	30	56	14	0	Europe(30.3%); LatAm(28.9%); N. America(26.9%); APAC(14.0%)	na	na
Synthomer	GB	1.0	Buy	226	260	15.3	1.2	na	na	59	4	28	10	W. Europe(54.5%); Asia(27.6%); Africa, Mid-East(9.1%); E. Europe(4.7%); N. America(3.6%)	0	0
Synthos	PL	1.3	Hold	4	5	15.8	1.3	na	49	na	na	na	51		0	0
Umicore	BE	3.6	Sell	32	27	-16.4	9.8	70	3	67	14	15	2	APAC(14.8%); N. America(9.7%); S. America(3.9%)	39	40
Victrex	GB	2.1	Buy	1961	2350	19.8	0.3	47	3	45	34	19	0	EMEA(44.7%); Americas(34.1%); APAC(18.6%)	na	na
Wacker Chemie AG	DE	4.8	Hold	91	105	14.8	4.5	72	70	3	14	14	0	Asia(14.0%); USA(13.6%)	24	62
Yara International ASA	NO	9.4	Sell	308	280	-9.0	10.2	27	2	25	51	15	6	Brazil(27.0%); N. America(17.7%); Asia(15.1%); France(10.2%); UK(7.4%); Germany(7.1%)	60	64

Source: Bloomberg Finance LP, DataStream, Company Data, Deutsche Bank ^Outside Europe refers to exposure specific to Americas and Asia-Pacific

Figure 158: Regional exposure by company (Contd.)

Company	Ctry. Code	Mcap. (Eur bn)	Rec.	Curr. Price 11-Dec-14 (local curr.)	Targ. Price	Up-side Pote-ntial %	Sales 2013 (Eur, bn)	% Sales Europe	% Sales in 2013: Home country	Rest of Europe	Americas	Asia/ Pacific	RoW/ Unspecified	Major sales destinations abroad	Outside Europe^: 2013 Assets%	2013 Capex%
Construction & Materials																
Acciona	ES	3.3	Hold	57	60	5.8	6.6	65	60	5	25	na	10		0	na
ACS	ES	8.6		27	na	na	38.4	17	5	12	33	50	0	Europe (ex Spain)(12.1%); Americas(33%); APAC(50.2%)	76	na
Assa Abloy	SE	15.4		408	na	na	5.5	56	6	50	30	13	0	Norway, Other(30.7%); USA(26.7%); China(9.9%); France(6.1%); Germany(5.1%); UK(4.8%)	na	53
Balfour Beatty	GB	1.7		189	na	na	10.1	46	46	0	39	na	16	USA(38.7%)	39	na
Bauer AG	DE	0.2	Hold	14	16	17.6	1.4	49	27	21	12	35	4	Far East(25.4%); USA(12.2%); Africa(3.7%)	28	na
Boskalis Westminster	NL	5.6		45	na	na	3.6	38	19	20	18	22	22	Australia, Asia(22.1%); South & N. America(17.6%); Africa(12.3%); Mid-East(9.5%)	na	na
Bouygues	FR	10.0		30	na	na	33.3	80	66	14	9	6	5	EU(10.5%); USA, Canada(8.1%); APAC(5.4%); Africa(4.0%)	na	9
Buzzi Unicem	IT	1.8	Buy	11	15	32.9	2.8	65	16	50	35	0	0	C. Europe(28.1%); USA(26.2%); E. Europe(21.7%); Mexico(8.4%)	na	37
CRH	GB	14.0	Hold	1491	1420	-4.8	18.0	na	na	48	52	0	0	Europe(47.6%)	43	54
Eiffage	FR	3.6		39	na	na	14.3	98	84	13	na	na	2	Benelux(5.2%); Germany(4.5%)	na	na
FCC	ES	3.0		11	na	na	6.7	80	58	22	16	na	3	E. Europe(22.3%); LatAm(13.4%); USA(3.0%)	na	na
Ferrovial	ES	12.0		16	na	na	8.1	78	32	46	16	na	6	UK(32.0%); USA(16.4%); Poland(13.9%)	37	na
FLSmidth & Co.	DK	1.8		264	na	na	3.6	na	na	16	38	32	14	Asia(24.7%); S. America(20.0%); N. America(17.9%); Africa(13.8%); Australia(7.2%)	60	na
Geberit	CH	10.6		338	na	na	1.6	88	13	75	3	na	9	Germany(36.8%); Benelux(7.8%); Italy(7.6%); Central & E. Europe(6.8%); Austria(6.7%); Nordic(5.1%)	na	na
HOCHTIEF	DE	4.0	Hold	57	na	na	25.7	11	8	3	32	58	0	Australia(46.6%); USA(31.7%); Asia(11.2%)	73	na
Holcim	CH	18.8	Buy	69	76	10.0	16.1	28	2	26	32	36	4	APAC(35.9%); LatAm(16.5%); N. America(15.6%); Africa, Mid-East(4.4%)	61	na
Italcementi	IT	1.6	Hold	5	5	12.7	4.2	53	15	38	10	11	25	France, Belgium(34.8%); Egypt(11.8%); N. America(10.1%); Morocco(7.7%); Thailand(6.4%); India(5.0%)	na	na
Kingspan Group	IE	2.4		14	na	na	1.8	na	na	77	13	na	10	UK(33.5%); Americas(13.0%); Ireland(4.0%)	17	11
Lafarge	FR	16.1	Buy	56	63	12.3	15.2	29	13	16	26	18	27	Mid-East, Africa(27.0%); W. Europe(21.7%); N. America(20.2%); APAC(18.0%); Central & E. Europe(7.4%); LatAm(5.6%)	34	30
NCC	SE	2.1		234	na	na	6.5	100	53	47	0	0	0	Norway(17.6%); Finland(14.1%); Denmark(9.8%); Germany(4.3%)	na	na
OCI N.V	NL	6.3	Buy	30	40	32.7	4.6	na	na	37	24	11	28	Mid-East(25.7%); N. America(20.9%); Asia, Oceania(11.1%); S. America(3.0%); Africa(2.3%)	15	na
OHL	ES	1.9		19	na	na	3.7	39	25	13	na	na	61	OECD(40.7%); EU(13.4%)	na	na
Polypipe	GB	0.6	Hold	247	301	21.9	0.4	96	75	20	na	na	4		0	na
Sacyr-Vallehermoso	ES	1.6		3	na	na	3.1	60	48	12	26	1	13	Panama(13.4%); Chile(11.9%); Angola(7.7%); Portugal(7.3%); Italy(3.5%)	4	12
Saint Gobain	FR	18.5	Buy	33	44	33.5	42.0	71	27	44	14	6	9	US(14.3%); Germany(10.6%); UK(8.9%)	11	28
Sika Fin	CH	4.9		2750	na	na	4.2	na	na	48	26	19	7	EMEA(48.0%); APAC(18.9%); N. America(13.8%); LatAm(12.1%)	na	41
Skanska	SE	7.0		163	na	na	15.4	59	23	36	41	0	0	US(23.4%); Norway(11.2%); UK(9.7%); Poland(6.8%); LatAm(6.7%); Finland(4.7%)	na	na
STRABAG	AT	2.0	Hold	18	19	6.6	12.5	96	17	79	na	na	4	Germany(45.8%); Rest of Europe(33.2%); Others(3.8%)	na	0
Tarkett	FR	1.3	Hold	20	25	24.1	2.5	na	na	0	21	na	79	N. America(20.6%)	na	na

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Figure 158: Regional exposure by company (Contd.)

Company	Ctry. Code	Mcap. (Eur bn)	Rec.	Curr. Price 11-Dec-14 (local curr.)	Targ. Price	Up-side Pote-ntial %	Sales 2013 (Eur, bn)	% Sales Europe	Home country	Rest of Europe	Americas	Asia/ Pacific	RoW/ Unspecified	% Sales in 2013: Major sales destinations abroad	Outside Europe^ 2013 Assets%	2013 Capex%
Construction & Materials																
Titan Cement	GR	1.4	Hold	19	20	4.0	1.2	na	na	40	35	na	25	N. America(35.0%); Greece, EU(21.2%); South East Europe(18.3%)	15	27
Uponor	FI	0.8		11	na	na	0.9	56	14	43	19	na	25	Germany(15.9%); USA(15.1%); Sweden(10.1%); Norway(4.6%); Canada(3.8%)	28	64
Villeroy & Boch	DE	0.2	Hold	12	13	3.3	0.7	84	29	55	6	10	0	Scandinavia(14.1%); W. Europe(11.5%); APAC(10.3%); France(8.9%); E. Europe(8.9%); Benelux(7.2%)	0	0
Vinci	FR	26.1		44	na	na	40.7	87	62	25	5	4	5	Germany(6.4%); UK(6.4%); Africa(4.5%); E. Europe(4.4%); Asia(4.2%); Benelux(4.1%)	na	na
Wienerberger	AT	1.3	Hold	11	11	0.5	2.7	93	7	86	8	0	0	Poland(6.9%); Russia(3.0%); Germany(11.3%); Benelux(19.9%); France(8.8%); UK(7.2%); Sweden(3.2%); Norway(4.5%); Finland(1.9%); US(7.5%);	na	na
Zumtobel	AT	0.8	Hold	17	na	na	1.2	80	28	53	3	16	1	Eastern Europe(5.1%); Western Europe(31.0%); Northern Europe(8.4%); Southern Europe(8.3%); Asia(9.8%); Australia/New Zealand(6.3%); America(2.8%)	12	0
Financial Services																
3i Group	GB	5.4		435	na	na	0.3	75	31	44	25	na	0	Continental Europe(44.4%)	21	38
Aareal Bank	DE	2.1	Hold	34	35	2.5	1.1	na	44	na	na	na	56		na	na
Aberdeen Asset Management	GB	7.2		424	na	na	1.3	55	40	15	9	36	0	Singapore(26.5%); Other Asia(10.0%); Americas(8.8%)	23	na
Ackermans & Van Haaren	BE	3.3		98	na	na	0.5	na	na	100	0	0	0	Benelux(100.0%)	0	0
Ashmore Group	GB	2.6		284	na	na	0.4	100	100	0	0	0	0		0	0
Azimut	IT	2.5	Buy	18	25	42.8	0.5	100	100	0	0	0	0		0	0
Bolsas y Mercados Espanoles	ES	2.7		32	na	na	0.3	100	100	0	0	0	0		0	0
Close Brothers Group	GB	2.9		1507	na	na	0.9	100	100	0	0	0	0		0	0
comdirect	DE	1.2	Buy	8	9	10.2	0.6	100	100	0	0	0	0		0	0
DAB bank	DE	0.4	Hold	5	5	-0.2	0.2	100	82	18	0	0	0	Austria(17.8%)	0	0
Deutsche Boerse	DE	11.3	Hold	59	55	-6.5	2.2	81	26	55	15	4	0	UK(24.8%); USA(14.4%); APAC(4.2%)	40	6
Exor	IT	8.3		34	na	na	113.7	19	8	11	76	4	2	Canada, Others(59.2%); Brazil(10.1%); USA(6.3%); China(3.9%); Germany(3.8%); France(3.6%)	72	na
GAM Holdings	CH	2.4		17	na	na	0.9	90	30	61	7	2	0	Americas(7.1%)	0	na
Groupe Bruxelles Lambert	BE	11.4		70	na	na	4.4	45	6	40	30	na	24	Europe (excluding Belgium)(39.9%); N. America(30.2%)	30	na
Hargreaves Lansdown	GB	5.7		953	na	na	0.4	100	100	0	0	0	0		0	0
Henderson Group	GB	3.0		207	na	na	0.7	91	77	14	8	1	1	Luxembourg(14.4%); USA(7.6%)	0	na
ICAP	GB	3.5		420	na	na	1.8	na	34	na	37	na	29	USA(37.1%)	na	na
IG Group Holdings	GB	3.1		674	na	na	0.5	71	52	20	na	20	9	Australia(15.5%); Japan(4.4%)	na	na
Industrivarden AB	SE	4.1		142	na	na	1.5	na	na	100	0	0	0	Scandinavia(100.0%)	0	na
Intermediate Capital Group	GB	2.2		440	na	na	0.5	na	89	na	2	8	0	APAC(8.4%); USA(2.4%)	na	na
International Personal Finance	GB	1.3		451	na	na	0.9	na	na	81	19	0	0	Poland(39.6%); Mexico(19.3%); Czech Republic, Slovakia(19.1%); Hungary(13.1%); Romania(8.9%)	17	9

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Figure 158: Regional exposure by company (Contd.)

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Financial Services																
Intrum Justitia	SE	1.9		230	na	na	0.5	na	na	100	0	0	0	N. Europe(47.7%); W. Europe(28.5%); C. Europe(23.8%)	0	0
Investec Plc	GB	4.1	Buy	530	570	7.6	2.3	na	na	53	na	7	40	S. Africa(40.4%); Australia(6.6%)	6	na
Investor	SE	13.5		278	na	na	2.8	79	28	51	17	3	1	EMEA (excluding Scandinavia)(31.4%); Scandinavia(19.7%); USA(15.2%)	na	na
Jupiter Fund Management	GB	2.1		359	na	na	0.5	98	91	8	na	na	2	Continental Europe(7.5%)	na	na
London Stock Exchange Group	GB	9.5		2155	na	na	1.5	95	61	34	na	na	5	Italy(26.0%); France(8.0%)	0	na
Man Group	GB	3.3		149	na	na	0.9	81	17	64	2	8	9	Cayman Islands(30.6%); Ireland(19.2%); Bermuda(13.7%); Cook Islands(8.2%); USA(2.1%)	80	na
Pargesa Holding	CH	4.9		76	na	na	3.9	53	1	52	23	na	24	N. America(23.3%)	7	na
Partners Group AG	CH	6.1		276	na	na	0.5	84	45	39	10	na	6	UK(31.4%); N. America(9.8%)	na	na
Provident Financial	GB	4.5		2426	na	na	1.3	100	100	0	0	0	0		0	0
Ratos	SE	1.2		46	na	na	2.9	100	100	0	0	0	0		0	0
Schroders	GB	7.6		2643	na	na	2.2	54	38	16	8	16	22	USA(8.4%); Swiss(7.1%); Australia(6.8%); Italy(5.7%); Hongkong(5.7%); Japan(3.1%)	16	na
Food & Beverages																
A B Foods	GB	31.6	Hold	3151	3000	-4.8	16.0	71	43	28	10	19	0	EMEA(28.5%); APAC(18.7%)	28	25
Anheuser-Busch InBev	BE	147.0	Hold	91	85	-7.0	32.5	na	na	12	80	8	0	N. America(38.7%); LatAm - North(26.3%); W. Europe(8.8%); APAC(8.1%); LatAm - South(7.9%); Mexico(6.7%)	94	87
Aryzta	CH	5.9		77	na	na	4.5	na	na	62	32	na	5	N. America(32.4%)	41	22
Barry Callebaut	CH	4.7		1035	na	na	4.0	na	na	39	23	na	38	USA(18.0%); Belgium(9.0%); Germany(8.4%); UK(8.0%); France(7.9%); Italy(5.7%)	56	62
BayWa	DE	1.0	Hold	29	33	14.4	16.2	73	46	27	na	na	27	Austria(16.7%); Netherlands(10.2%)	0	na
Britvic	GB	2.1		672	na	na	1.6	100	71	29	0	0	0	France(20.5%); Ireland(8.4%)	0	na
C&C Group	IE	1.2		4	na	na	0.6	na	na	90	9	na	1	UK(49.3%); Ireland(38.3%); N. America(8.9%)	26	na
Campari Group	IT	3.1	Hold	5	6	11.8	1.5	49	25	24	41	na	10	Americas(40.9%)	na	na
Carlsberg	DK	8.1	Sell	505	475	-5.9	8.9	na	na	85	0	15	0	W. Europe(58.4%); E. Europe(26.7%); Asia(14.9%)	17	32
Coca-Cola Hellenic	CH	6.1	Buy	1328	1500	13.0	6.9	na	na	92	na	na	8		na	0
Danone	FR	35.7	Hold	55	52	-6.2	21.3	na	na	51	24	16	9		na	na
Diageo	GB	59.8	Buy	1878	2050	9.2	13.7	na	na	19	45	15	21	N. America(32.7%); W. Europe(19.4%); APAC(14.6%); LatAm, Caribbean(12.7%)	22	22
Ebro Foods	ES	2.2		14	na	na	2.0	54	7	47	40	na	5	Rest of EU(47.4%)	16	na
Glanbia	IE	3.7		12	na	na	2.4	37	24	13	50	na	13	USA(50.3%); UK(5.9%)	79	na
Heineken	NL	34.8	Buy	60	65	7.5	19.2	na	na	52	24	11	13	W. Europe(35.9%); Central & E. Europe(16.3%); Africa, Mid-East(13.5%); APAC(10.7%)	46	31
Kerry Group	IE	10.3		58	na	na	5.8	na	na	55	32	13	0	Americas(32.2%); APAC(13.1%)	37	44
KWS Saat	DE	1.8	Hold	265	260	-2.1	1.1	57	19	38	38	na	5	South & N. America(38.0%); Europe (excluding Germany)(37.8%)	39	37

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Figure 158: Regional exposure by company (Contd.)

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Food & Beverages																
Lindt & Spruengli	CH	6.4		56675	na	na	2.4	na	na	57	30	na	12	N. America(30.1%)	14	17
Marine Harvest	NO	4.5		99	na	na	2.3	73	5	68	17	9	1	Europe ex. Norway(68.3%); USA(16.6%); Asia(9.4%)	na	na
Nestle	CH	192.5	Hold	72	68	-5.9	75.2	16	2	15	30	na	53	Americas(30.4%); Europe(16.3%)	45	33
Nutreco	NL	3.3		47	na	na	3.9	67	2	64	29	4	0	Italy, Other(30.4%); Norway(21.0%); Canada(15.1%); Chile(9.1%); USA(5.3%); UK(5.0%)	33	19
Orkla	NO	5.7		50	na	na	4.0	90	33	57	2	8	0	Sweden(20.0%); E. Europe(14.0%); Denmark(8.8%); W. Europe(8.0%); Asia(7.7%); Finland, Iceland(5.9%)	na	7
Pernod-Ricard	FR	24.7	Sell	93	80	-14.1	8.6	33	8	25	27	na	40	Asia, Rest of the world(40.0%); Americas(27.0%)	25	14
Remy Cointreau	FR	2.8	Hold	58	57	-3.0	1.0	na	na	27	33	40	0	Americas(33.1%); EMEA(27.1%); APAC(39.9%)	14	12
SABMiller	GB	68.4	Hold	3347	3500	4.6	41.5	17	1	16	38	17	29	LatAm(22.7%); S. Africa(18.6%); Asia(16.5%); Africa(10%)	na	36
Suedzucker	DE	2.5	Hold	12	10	-18.1	7.7	83	26	58	na	na	17		0	0
Tate & Lyle	GB	3.4	Buy	574	750	30.8	4.0	18	1	17	73	na	9	USA(72.5%)	61	na
Unilever	NL	50.8	Buy	33	34	4.2	49.8	33	4	29	33	24	11	Asia, Africa(40.3%); W. Europe(27.1%)	na	na
Viscofan	ES	2.1		45	na	na	0.8	na	27	na	40	na	33	Rest of Europe, Asia(32.7%); N. America(26.5%); S. America(13.3%)	23	43
Healthcare																
Actelion	CH	11.0	Buy	115	130	12.7	1.5	37	2	35	43	na	20	USA(43.0%)	8	na
Al Noor Hospitals	GB	1.4	Hold	950	1162	22.3	0.3	0	0	0	0	100	0	UAE(100.0%)	0	0
Amplifon	IT	1.1	Hold	5	na	na	0.8	68	27	40	17	15	0	N. America(16.7%); France(11.9%); Australia(10.8%); Netherlands(8.1%); Germany(5.0%); UK(4.4%)	22	na
AstraZeneca	GB	75.1	Hold	4688	4350	-7.2	19.7	27	7	20	41	17	16	USA(39.7%); Italy, Other(12.2%); Japan(9.3%); China(7.1%); France(5.1%); Australia(3.2%)	0	0
BTG plc	GB	3.9	Buy	800	1000	25.0	0.4	9	5	4	88	na	3	USA(88.2%); Europe ex. UK(4.1%)	na	na
Carl Zeiss Meditec	DE	1.7	Hold	21	22	7.1	0.9	na	NA	34	36	30	0	USA(29.0%)	16	na
Chr. Hansen	DK	4.9		268	na	na	0.7	na	na	49	37	13	0	EMEA(49.3%); Americas(37.4%); APAC(13.3%)	16	na
Coloplast	DK	14.0	Buy	516	600	16.3	1.6	na	na	67	na	na	33	Europe(66.6%); Developing markets(12.8%)	na	na
Draegerwerk AG	DE	0.6	Buy	83	86	4.1	2.4	55	20	35	19	18	8	Americas(19.4%); APAC(17.9%)	24	28
Elekta	SE	3.1		78	na	na	1.2	na	na	39	31	29	0	Europe, Mid-East, Africa(39.5%); South & N. America(31.1%); Asia(29.4%)	0	na
Essilor Intl	FR	19.2		89	na	na	5.1	na	na	33	51	17	0	N. America(43.4%); Asia, Oceania(16.8%); LatAm(7.2%)	77	na
Evotec	DE	0.5	Hold	4	na	na	0.1	na	na	60	38	na	2	Americas(38.0%)	na	na
Fresenius	DE	22.0	Buy	43	47	8.6	20.3	na	na	40	48	10	2	N. America(42.4%); APAC(9.6%); S. America(5.8%)	59	50
Fresenius Medical Care	DE	18.8	Hold	60	55	-9.0	11.0	na	na	21	72	8	0	N. America(65.9%)	77	na
Genmab	DK	2.6	Buy	342	340	-0.5	0.1	100	100	0	0	0	0		0	na
Gerresheimer	DE	1.4	Hold	44	46	4.4	1.3	58	23	35	22	na	20	Americas(22.3%); Europe Ex. Germany(35.2%); Developing markets(17.2%)	10	na
Getinge	SE	4.1		170	na	na	2.9	na	na	36	34	na	30	W. Europe(36.2%); USA, Canada(33.9%)	na	na
GlaxoSmithKline	GB	85.9	Hold	1393	1390	-0.2	31.9	na	na	20	27	24	29		na	na
GN STORE NORD	DK	3.0	Buy	134	145	8.1	0.9	38	3	35	40	na	21	N. America(40.5%)	na	na

Source: Bloomberg Finance LP, DataStream, Company Data, Deutsche Bank ^Outside Europe refers to exposure specific to Americas and Asia-Pacific

Figure 158: Regional exposure by company (Contd.)

Company	Ctry. Code	Mcap. (Eur bn)	Rec.	Curr. Price 11-Dec-14 (local curr.)	Targ. Price	Up-side Pote-ntial %	Sales 2013 (Eur, bn)	% Sales Europe	% Sales in 2013: Home country	Rest of Europe	Americas	Asia/ Pacific	RoW/ Unspecified	Major sales destinations abroad	Outside Europe^ 2013 Assets%	2013 Capex%
Healthcare																
Grifols	ES	6.6	Hold	31	37	19.0	2.7	21	8	13	63	na	16	USA, Canada(63.2%); EU(13.4%)	77	58
Hikma Pharmaceuticals	GB	5.1		2028	na	na	1.0	na	1	na	46	na	53	Africa, Mid-East(46.7%); USA(46.2%); Europe, RoW(6.5%)	23	na
Lonza	CH	4.9		110	na	na	2.9	na	na	36	49	13	2	N. America(44.9%); Europe(35.9%); Asia(12.2%); LatAm(3.7%)	60	na
Lundbeck	DK	3.4	Buy	127	175	38.0	2.0	na	na	51	19	na	30	USA(19.1%)	na	na
Meda	SE	4.2		108	na	na	1.5	na	na	68	18	na	14	W. Europe(68.0%); USA(17.8%)	na	na
Merck	DE	10.3	Buy	79	85	6.9	11.1	37	8	30	19	na	43	USA(17.9%); France(6.3%)	13	na
Morphosys	DE	2.3	Buy	87	88	1.7	0.1	na	na	na	11	na	89	Europe, Asia(88.7%); USA, Canada(11.3%)	0	0
Nobel Biocare	CH	1.8	Hold	17	16	-6.4	0.6	na	na	41	41	18	0	EMEA(41.0%); Americas(40.6%); APAC(18.4%)	31	na
Novartis	CH	207.5	Hold	92	87	-5.5	44.4	13	1	12	33	8	46	USA(32.7%); Japan(7.8%); Germany(7.1%); France(5.1%)	36	na
Novo-Nordisk	DK	78.3		276	na	na	11.2	na	na	32	51	18	0	N. America(50.6%); China(12.0%); Japan, Korea(5.8%)	na	na
Novozymes	DK	9.5		265	na	na	1.6	37	1	36	44	19	0	Rest of Europe, Mid-East, Africa(36.1%); N. America(32.9%); APAC(19.0%); LatAm(10.8%)	52	54
Orion	FI	2.7		27	na	na	1.0	73	27	46	14	na	13	N. America(14.5%); Scandinavia(13.0%)	0	0
ORPEA	FR	2.9		52	na	na	1.6	100	83	17	0	0	0	Belgium(9.8%); Spain(3.1%); Italy(2.4%)	0	na
Qiagen	NL	4.5	Buy	23	28	20.5	1.0	na	na	37	46	na	17	USA(40.9%)	30	na
Roche	CH	171.3	Buy	293	295	0.7	38.2	31	1	30	46	19	3	N. America(38.9%); EMEA(31.2%); Asia(19.4%); LatAm(7.2%); Africa, Australia, Oceania(3.3%)	na	48
Sanofi	FR	99.8	Hold	75	78	3.8	33.3	32	8	24	33	na	35	USA(31.7%)	na	na
Smith & Nephew	GB	11.9	Buy	1050	1225	16.7	3.3	na	7	na	43	na	50	USA(42.8%); Developed markets(43.1%)	86	na
Sonova Holdings AG	CH	7.9	Hold	141	133	-5.4	1.6	41	1	39	49	11	0	EMEA(ex. Switzerland)(39.4%); USA(37.2%); Americas(ex USA)(11.5%); APAC(10.5%)	0	na
Stada Arzneimittel AG	DE	1.6	Buy	26	36	36.4	2.0	96	23	74	0	4	0	Russia(20.8%); Italy(8.4%); Belgium(7.3%); Spain(5.3%)	0	na
Stratec	DE	0.6	Hold	48	40	-16.1	0.1	61	19	42	15	2	22	Belgium(15.1%); USA(13.4%); Italy(6.7%); UK(6.5%)	na	na
Straumann	CH	3.3	Buy	253	250	-1.2	0.6	25	5	20	23	na	52	USA(23.4%); Germany(19.8%)	47	68
Swedish Orphan Biovitrum	SE	2.2	Buy	77	115	50.3	0.2	na	na	73	26	na	1	N. America(25.9%)	na	na
UCB	BE	12.8	Buy	66	79	19.8	3.4	29	1	28	47	8	15	N. America(46.9%); Japan(8.4%); Germany(8.4%); France(5.7%); Italy(5.3%); Spain(4.6%)	na	na
William Demant Holding	DK	3.4	Sell	440	420	-4.5	1.2	38	1	37	41	7	13	N. America(40.8%); Pacific Rim(9.3%); Asia(7.4%)	54	0

Source: Bloomberg Finance LP, DataStream, Company Data, Deutsche Bank ^Outside Europe refers to exposure specific to Americas and Asia-Pacific

Figure 158: Regional exposure by company (Contd.)

Company	Ctry. Code	Mcap. (Eur bn)	Rec.	Curr. Price 11-Dec-14 (local curr.)	Targ. Price	Up-side Pote-ntial %	Sales 2013 (Eur, bn)	% Sales Europe	% Sales in 2013: Home country	Rest of Europe	Americas	Asia/ Pacific	RoW/ Unspecified	Major sales destinations abroad	Outside Europe^ 2013 Assets%	2013 Capex%
Industrial Goods & Services																
A.P. Moller - Maersk	DK	16.1	Buy	10890	53800	na	35.7	14	7	6	14	14	59	USA(10.9%); Qatar(8.4%); UK(6.3%); Hong Kong, China(4.4%); Brazil(2.9%); Algeria(2.8%)	36	na
Aalberts Industries	NL	2.6		24	na	na	2.0	na	na	68	20	na	12	USA(19.7%); Germany(17.8%); Benelux(13.3%); France(10.6%); E. Europe(10.5%); UK(9.1%)	16	12
ABB	CH	39.7	Sell	21	20	-5.3	31.5	na	na	34	29	27	10	Asia(26.8%); Africa, Mid-East(9.8%)	37	na
Abertis	ES	14.6	Buy	16	18	12.2	4.5	72	38	34	26	na	2	France(34%); Brazil(19%); Chile(7%)	na	76
Adecco	CH	9.9	Sell	66	47	-28.9	19.6	na	na	52	19	6	23	France(24.3%); N. America(19.1%); UK(9.8%); Germany, Austria(8.3%); Japan(5.7%); Italy(4.9%)	25	31
Aggreko	GB	4.7		1445	na	na	1.9	na	na	40	41	19	0	Americas(41.0%); EMEA(39.7%); Asia, Australia(19.3%)	62	70
Airbus Group NV	NL	32.4	Buy	41	54	30.7	59.3	na	na	36	21	33	11	APAC(33.0%); N. America(14.8%); Mid-East(9.2%); France(7.8%); Germany(7.6%); LatAm(6.0%)	0	0
Alfa Laval	SE	6.4	Sell	142	130	-8.4	3.4	33	3	30	29	37	1	Asia(24.4%); USA(17.8%); China(11.0%); LatAm(6.6%); N. America(4.1%)	38	37
Amadeus	ES	14.1	Buy	32	34	7.7	3.1	na	na	59	15	14	12	W. Europe(49.7%); APAC(14.2%); Africa, Mid-East(12.1%); C.Europe, E.Europe & S. Europe(9.0%); N. America(7.6%); LatAm(7.4%)	na	na
Andritz	AT	4.7	Buy	45	50	11.4	5.7	na	na	43	29	24	4	Europe(43.0%); N.America(16.0%); S. America(13.0%); China(13.0%); Asia ex China(11.0%)	9	23
Ashtead Group	GB	7.5		1172	na	na	1.6	15	15	0	85	0	0	N. America(84.9%)	87	88
AT&S	AT	0.4	Hold	9	10	11.8	0.6	37	3	34	10	53	0	Asia(52.7%); Germany(21.4%); Canada(10.0%)	na	na
Atkins (WS)	GB	1.7		1327	na	na	2.2	na	54	na	21	6	20	N. America(20.9%); Mid-East(9.8%); APAC(5.5%)	32	43
Atlantia	IT	15.9	Hold	19	20	1.1	4.4	88	81	7	12	0	0	Brazil(6.8%); France(5.8%); Chile(4.6%)	13	na
Atlas Copco	SE	19.3	Buy	215	240	11.9	9.5	na	na	30	30	28	11	Asia, Australia(28.3%); N. America(19.9%); Africa, Mid-East(11.3%); S. America(10.2%)	33	na
Babcock International Group	GB	6.9		1079	na	na	4.2	na	84	na	4	na	12	Africa(8.1%); N. America(4.1%)	2	1
BAE Systems Plc	GB	18.2	Hold	455	480	5.5	20.3	33	20	13	37	27	2	USA(36.8%); Saudi Arabia(19.6%); Australia(4.5%); APAC(3.4%)	73	na
BBA Aviation	GB	2.0		343	na	na	1.7	21	19	2	78	na	1	N. America(78.5%)	82	78
Berendsen	GB	2.3		1054	na	na	1.3	93	37	56	na	na	7	Sweden(15.5%); Germany(13.3%); Denmark(12.9%); Holland(8.4%); Norway(5.9%)	0	na
Bertrandt AG	DE	1.2	Sell	116	90	-22.1	0.8	93	93	0	na	na	7		0	na
Bilfinger SE	DE	2.0	Hold	43	50	16.0	8.4	82	39	43	11	5	3	Europe Ex. Germany(42.9%); USA(10.6%); Asia(4.8%); Africa(2.9%)	12	5
Bollore	FR	10.8		4	na	na	10.8	62	44	18	10	7	21	Africa(21.2%); Europe Ex. France(17.8%); Americas(9.6%); Asia, Oceania(7.4%)	na	11
Bunzl	GB	7.5	Hold	1760	1624	-7.7	7.3	na	na	19	56	na	25	N. America(55.8%)	34	42
Bureau Veritas	FR	8.0	Hold	18	19	7.3	3.9	na	na	35	24	27	14	EMEA(35.0%); Asia pacific(27.0%); Americas(24.0%); Africa, Mid-East(14.0%)	na	na
Capita Group	GB	8.6	Hold	1029	1100	6.9	4.6	100	96	4	0	0	0		0	0
Carillion	GB	1.9		344	na	na	4.9	74	74	0	17	na	9	Canada(16.5%); Mid-East(8.4%)	9	na
Cnh Industrial	IT	8.5		6	na	na	25.8	25	8	17	45	3	27	USA(23.1%); Brazil(13.8%); France(9.0%); Germany(5.1%); Canada(5.1%); Australia(3.0%)	43	na
Cobham	GB	4.5	Hold	310	305	-1.6	2.2	29	13	15	45	21	5	USA(45.4%); Australia(14.0%); Asia(7.4%)	45	na
CTS Eventim AG	DE	2.2	Hold	23	21	-9.7	0.6	92	75	17	na	na	8	Italy(7.3%); Austria(5.0%); Swiss(4.7%)	0	na

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Figure 158: Regional exposure by company (Contd.)

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Industrial Goods & Services																
DCC	IE	3.6		3369	na	na	13.4	na	na	83	na	na	17	UK(74.7%); Ireland(8.1%)	0	0
Deutsche Post DHL	DE	32.4	Hold	27	26	-4.8	55.1	63	31	32	17	15	4	Europe Ex. Germany(32.0%); Americas(17.4%); APAC(15.5%)	33	20
Deutz AG	DE	0.5	Hold	4	3	-16.5	1.5	75	18	57	13	7	5		0	na
DKSH	CH	4.0	Hold	74	64	-13.7	7.8	na	na	na	na	85	15	Thailand(36.5%); China(27.4%); Malaysia, Singapore(20.7%)	28	na
DMG Mori Seiki	DE	1.7	Buy	21	26	22.2	2.1	68	33	35	4	17	11		4	na
DSV	DK	4.4	Hold	184	176	-4.2	6.1	na	na	80	7	13	0	Nordic(26.7%); S. Europe(16.2%); Asia pacific(13.3%); N. America, Lat Am(6.7%)	na	na
Duerr	DE	2.5	Hold	72	60	-16.5	2.4	43	16	27	18	na	39	Asia, Africa, Australia(38.7%); Central & N. America(13.2%); S. America(5.2%)	15	9
Edenred	FR	5.5	Hold	24	24	-1.8	1.0	47	15	32	47	na	6	LatAm, Caribbean(47.4%); Europe Ex. France(32.1%)	42	na
Electrocomponents	GB	1.2		209	na	na	1.6	66	29	36	22	12	0	N. America(22.1%); APAC(12.3%)	na	12
Eurazeo	FR	3.9		56	na	na	5.3	100	100	0	0	0	0		0	0
Experian	GB	12.9	Buy	1028	1150	11.9	3.8	na	20	na	70	na	10	N. America(50.4%); LatAm(19.4%); EMEA, APAC(10.5%)	66	65
Finmeccanica	IT	4.4	Hold	8	8	-1.1	16.0	57	18	39	23	na	20	N. America(22.7%); UK(10.1%)	19	na
Fischer (Georg)	CH	2.1		603	na	na	3.1	61	5	56	14	21	4	Germany(31.2%); Asia(20.8%); Americas(13.9%); Austria(2.6%)	24	na
Flughafen Zurich	CH	3.3		639	na	na	0.8	100	100	0	0	0	0		0	0
Fraport AG	DE	4.5	Buy	49	60	23.6	2.6	84	80	4	na	7	9	Asia(7.2%)	9	1
G4S Plc	GB	5.5	Sell	279	220	-21.2	8.9	44	22	22	28	na	28	Continental Europe(22.2%); N. America(18.3%); LatAm, Caribbean(9.7%); Africa(6.5%)	26	12
Grenkeleasing	DE	1.3	Hold	88	84	-4.1	0.3	72	34	38	na	na	28	France(23.4%); Italy(14.9%)	0	na
Groupe Eurotunnel	FR	5.8	Hold	11	10	-2.8	1.1	na	na	100	0	0	0	France, UK(100.0%)	0	0
Halma	GB	3.2		666	na	na	0.9	43	19	24	32	16	9	USA(31.7%); APAC(16.5%); Africa, Mid-East(4.9%)	13	na
Hays	GB	2.5	Hold	141	120	-14.9	4.4	71	31	40	0	29	0	APAC(29.5%)	na	na
Heidelberger Druck	DE	0.5	Buy	2	3	52.3	2.4	47	14	33	19	34	0	EMEA(21.5%); China(17.0%); Rest of APAC(16.8%); N. America(14.4%); E. Europe(11.7%); LatAm(4.8%)	na	0
Hexagon	SE	8.5		235	na	na	2.4	na	na	42	32	26	0	EMEA(41.6%); Americas(32.1%); Asia(26.4%)	58	na
HHLA	DE	1.3	Hold	18	18	0.6	1.2	96	74	22	na	na	4		0	0
Howden Joinery Group	GB	3.3		397	na	na	1.1	100	98	2	0	0	0		0	0
Huhtamaki	FI	2.3		21	na	na	2.3	na	na	33	32	17	18	USA(32.1%); Germany(22.2%); India(5.8%); UK(4.7%); China(4.3%); Russia(3.4%)	53	na
IMI	GB	4.2		1213	na	na	2.1	45	6	39	19	29	6	APAC(28.9%); USA(18.0%); Germany(14.2%)	30	30
INDUS	DE	1.0	Hold	39	39	-0.7	1.2	73	51	21	na	na	27		0	na
Intertek Group	GB	4.5	Buy	2220	2450	10.4	2.6	na	na	33	32	35	0	Asia(35.2%); EMEA(32.5%); Americas(32.2%)	na	na
Jenoptik	DE	0.5	Hold	9	10	2.5	0.6	63	38	25	20	10	7	N. America(19.5%); APAC, Oceania(10.0%); Africa, Mid-East(7.3%)	6	na
Jungheinrich	DE	0.8	Buy	52	54	2.9	2.3	92	27	65	na	na	8	France(11.8%); Italy(9.9%); UK(7.1%)	0	na
Kaba Holding Ag	CH	1.6		497	na	na	0.8	25	14	11	29	12	34	Americas(29.2%); APAC(11.7%); Germany(10.7%)	64	26
Kapsch TrafficCom AG	AT	0.3	Hold	19	42	na	0.5	69	7	62	18	na	13	Rest of Europe(ex. Austria)(62.0%); Americas(18.0%)	na	na
Kion	DE	3.0	Buy	31	37	21.0	4.5	80	26	54	6	10	4	W. Europe(71.7%); Asia(10.1%); Eastern Europe(8.2%); Americas(6.2%)	5	13
Koenig & Bauer AG	DE	0.2	Hold	10	13	31.3	1.1	48	18	30	13	27	12	Rest of APAC(15.1%); N. America(12.8%); China(12.3%); Africa, LatAm(11.8%)	4	2

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Figure 158: Regional exposure by company (Contd.)

Company	Ctry. Code	Mcap. (Eur bn)	Rec.	Curr. Price 11-Dec-14 (local curr.)	Targ. Price	Up-side Pote-ntial %	Sales 2013 (Eur, bn)	% Sales Europe	% Sales in 2013: Home country	Rest of Europe	Americas	Asia/ Pacific	RoW/ Unspecified	Major sales destinations abroad	Outside Europe^: 2013 Assets%	2013 Capex%
Industrial Goods & Services																
Kone	FI	16.5		37	na	na	6.9	na	na	46	16	38	0	EMEA(45.5%); APAC(38.3%); Americas(16.1%)	na	na
Kontron AG	DE	0.3	Hold	5	5	-10.2	0.4	na	19	na	32	14	36	USA(31.9%); China(13.7%)	43	na
Krones	DE	2.5	Buy	79	80	0.9	2.8	36	10	26	na	na	64		0	0
Kuehne+Nagel	CH	13.2	Hold	132	120	-8.8	14.0	na	na	61	22	11	6	Americas(22.2%); APAC(10.7%)	25	21
Legrand	FR	11.2	Hold	42	37	-12.8	4.5	53	24	30	17	na	29	USA, Canada(17.3%); Italy(11.7%)	na	8
LEONI	DE	1.6	Hold	48	48	-0.1	3.9	66	28	38	13	na	21	BRIC countries(17.9%); Americas(13.2%)	8	na
LPKF	DE	0.2		11	na	na	0.1	23	9	14	16	60	1	Asia(59.6%); N. America(16.4%)	15	1
MAN	DE	13.0	Hold	92	82	-10.9	15.7	58	21	37	na	na	42		0	0
Mayr-Melnhof	AT	1.7	Buy	84	95	12.8	2.0	86	3	82	5	5	5	Germany(20.1%); UK(10%); France(7.9%); Other W.Europe(16.7%); E.Europe(27.5%); Asia(4.6%); Latin America(5.1%); Others(4.8%)	15	7
Medion	DE	0.8	Hold	16	na	na	1.3	na	74	na	na	na	26		na	na
Meggitt	GB	5.0	Hold	491	445	-9.4	2.0	32	10	22	50	na	18	N. America(49.6%)	68	na
Melrose Industries	GB	3.5		256	na	na	2.1	45	12	33	31	na	23	N. America(31.2%)	27	na
Metso	FI	3.7		25	na	na	3.9	27	4	23	40	23	9	Central & S. America(21.7%); N. America(18.6%); APAC(15.5%); Africa, Mid-East(9.0%); China(7.8%)	24	63
MITIE Group	GB	1.3		279	na	na	2.7	97	97	0	na	na	3		na	na
MTU	DE	3.5	Hold	68	64	-5.7	3.7	20	12	8	68	7	5	N. America(67.8%); Asia(6.9%)	2	2
OC Oerlikon Corp AG	CH	3.4		12	na	na	2.4	na	na	61	13	24	1	APAC(23.9%); N. America(13.5%)	19	36
Oesterreichische Post AG	AT	2.6	Hold	38	32	-16.0	2.4	100	73	27	0	0	0	Germany(21.9%); CEE(5.2%)	0	na
Outotec	FI	0.8		4	na	na	1.9	38	1	37	27	19	16	S. America(21.6%); Africa(15.9%); Australia(10.0%); Asia(9.1%); N. America(5.0%)	27	31
PageGroup	GB	1.6	Hold	397	420	5.7	1.2	70	30	40	11	19	0	EMEA(40.5%); Australia, New Zealand(11.0%); Americas(11.0%); Asia(7.8%)	28	na
Palfinger	AT	0.8	Hold	20	19	-5.0	1.0	na	na	61	29	na	10	EU(50.8%); Rest of Europe(9.7%); N.America(20.2%); S.America(9.2%); Middle & Near East(2.8%); Far East(7.3%)	23	0
Panalpina	CH	2.6	Hold	132	130	-1.5	5.5	na	na	39	34	19	8	Europe(38.6%); Americas(34.2%); APAC(18.7%)	50	na
Pfeiffer Vacuum	DE	0.7	Sell	68	63	-7.3	0.4	54	26	28	20	27	0	Europe Ex. France, Germany(19.9%); USA(19.6%); S. Korea(15.1%); Asia ex. S Korea(11.4%); France(8.4%)	33	13
Philips	NL	22.3	Buy	24	27	13.1	23.3	16	3	13	28	17	40	USA(27.6%); China(12.6%); Germany(5.8%); Japan(4.3%); France(3.9%); UK(3.0%)	70	na
PostNL	NL	1.4		3	na	na	4.3	100	62	38	na	na	0	UK(17.6%); Germany(13.0%); Italy(5.3%)	0	na
Premier Farnell	GB	0.8		165	na	na	1.2	na	24	na	47	na	29	Americas(46.6%); Europe, APAC(29.2%)	29	na
Prosegur	ES	3.0	Hold	5	5	3.3	3.7	38	23	14	61	1	0	Brazil(29.1%); Argentina(16.9%)	69	na
Prysmian	IT	3.2		15	na	na	7.3	na	14	na	22	15	49	Europe, Africa(49.2%); Asia, Oceania(14.8%); N. America(13.4%); LatAm(8.4%)	na	na
Qinetiq Group	GB	1.5		188	na	na	1.5	49	49	0	42	na	9	N. America(42.3%)	0	na

Source: Bloomberg Finance LP, DataStream, Company Data, Deutsche Bank ^Outside Europe refers to exposure specific to Americas and Asia-Pacific

Figure 158: Regional exposure by company (Contd.)

Company	Ctry. Code	Mcap. (Eur bn)	Rec.	Curr. Price 11-Dec-14 (local curr.)	Targ. Price	Up-side Pote-ntial %	Sales 2013 (Eur, bn)	% Sales Europe	% Sales in 2013: Home country	Rest of Europe	Americas	Asia/ Pacific	RoW/ Unspecified	Major sales destinations abroad	Outside Europe^ 2013 Assets%	2013 Capex%
Industrial Goods & Services																
Randstad	NL	6.9	Sell	38	27	-29.4	16.6	69	17	53	22	na	9	N. America(22.3%); France(17.1%); Germany(11.3%); Belgium, Luxembourg(7.5%); Iberia(5.4%); UK(4.6%)	18	na
Rational AG	DE	2.8	Hold	256	250	-2.2	0.5	63	13	50	18	13	5	Europe Ex. Germany(50.2%); USA(17.8%); Asia(13.3%)	na	na
Rentokil Initial	GB	2.7	Hold	115	115	-0.2	2.8	56	10	46	19	6	19	France(20.6%); N. America(19.5%); Benelux(13.8%); Germany(11.3%); Pacific(8.0%); Asia(5.8%)	na	na
Rexam	GB	4.1		455	na	na	4.7	26	4	22	49	na	24	USA(32.8%); Brazil(16.7%); Austria(8.5%); Russia(6.1%); Spain(5.4%)	33	na
Rexel	FR	4.2	Hold	15	16	6.7	13.0	na	na	54	36	9	0	N. America(34.1%); APAC(9.2%); LatAm(2.3%)	na	46
RHI	AT	0.7	Hold	18	22	20.1	1.8	na	na	36	27	18	19	W.Europe(29.0%); E.Europe(7.0%); N.America(13.0%); S.America(14.0%); Asia(18.0%); M.East & Africa(13.0%); CIS(5.0%); Australia & Japan(1.0%)	42	na
Rolls-Royce Group PLC	GB	19.9	Sell	832	645	-22.4	18.6	31	12	20	55	14	0	Canada, Others(29.1%); USA(25.6%); China(7.0%); Germany(6.3%); Swiss(5.6%); Singapore(3.6%)	0	na
Rotork	GB	2.5		2266	na	na	0.7	37	5	31	31	na	33	Americas(20.3%)	34	na
Royal Mail	GB	5.0	Hold	398	400	0.5	12.0	100	83	17	0	0	0		0	na
RPC Group	GB	1.4	Buy	605	680	12.4	1.3	81	13	69	na	na	19	Germany(17.1%); France(7.9%)	0	na
SAFRAN	FR	21.1	Hold	51	50	-1.0	14.5	44	22	22	32	17	7	N. America(31.5%); Asia(17.0%)	19	na
Sandvik	SE	10.2	Hold	76	80	5.3	9.9	na	na	38	26	27	9	Asia(18.6%); N. America(17.8%); Africa, Mid-East(9.3%); Australia(8.4%); S. America(8.2%)	26	na
Sartorius	DE	0.9	Buy	94	47	-50.1	0.9	51	12	39	21	24	4	APAC(23.7%); N. America(21.4%)	7	na
Schaltbau Holding Ag	DE	0.3	Hold	41	40	-2.9	0.4	77	43	34	5	13	5	Rest of EU(25.0%); Hong Kong, China(13.3%); N. America(5.3%)	18	6
Schindler Holding	CH	5.2		139	na	na	6.9	45	10	35	28	na	27	Americas(28.3%); Asia, Africa, Australia(26.5%)	22	26
Schneider Electric	FR	35.9	Hold	62	63	2.3	23.6	na	na	28	25	27	19	W. Europe(28.1%); APAC(27.4%); N. America(25.0%)	28	na
Securitas	SE	3.4	Sell	91	77	-14.9	7.4	na	6	na	31	na	63	USA(31.0%)	33	na
Semperit	AT	0.8	Hold	38	42	10.1	0.9	62	4	58	22	14	3	EU excl Austria(49.2%); Rest of Europe(8.3%); Americas(21.6%); Asia(14.1%); Rest of World(2.5%)	70	51
Serco	GB	1.1	Hold	164	204	24.2	5.2	na	48	na	16	20	15	Australia(20.3%); USA(16.5%)	33	na
SGL Group SE	DE	1.2	Hold	14	16	18.5	1.5	76	31	44	19	5	0	Europe ex. Germany(44.5%); N. America(19.4%); Asia(5.1%)	44	28
SGS	CH	12.8	Hold	1961	2100	7.1	4.8	na	na	46	25	29	0	EMEA(46.2%); APAC(29.0%); Americas(24.8%)	na	na
SIG	GB	1.2	Hold	162	152	-6.1	3.1	95	43	52	na	na	5	France(22.9%); Germany, Austria(16.1%); Benelux(5.7%); Poland(4.6%); Ireland(2.4%)	0	0
Singulus Technologies	DE	0.0	Hold	1	3	na	0.1	42	13	29	41	10	7	Americas(40.8%); Asia(10.2%)	7	na
SKF	SE	7.1	Hold	158	155	-1.8	7.2	42	3	40	31	24	3	Europe (excluding Sweden)(39.7%); APAC(24.2%); N. America(24.0%); LatAm(6.5%); Mid-East, Africa(2.7%)	61	na
Smith (DS)	GB	3.7		310	na	na	5.1	66	23	43	na	na	34	France(17.1%); Germany(15.2%); Italy(10.7%)	na	na
Smiths Group	GB	5.3	Hold	1058	1300	22.9	3.7	24	4	19	50	7	20	USA(45.0%); Germany(5.0%); Canada(3.9%); Japan(3.7%); China(3.2%); France(3.0%)	68	na
Smurfit Kappa	IE	4.3	Buy	19	23	24.3	8.0	75	1	74	25	0	0	France(12.2%); Germany(15.2); Other Europe(46.2%); America(25.0%)	23	19
Spectris	GB	3.0		1986	na	na	1.4	32	3	29	31	36	0	USA(28.1%); China(13.3%); Germany(10.4%); S. Korea(9.5%); Rest of APAC(8.5%); Japan(5.2%)	54	na

Source: Bloomberg Finance LP, DataStream, Company Data, Deutsche Bank ^Outside Europe refers to exposure specific to Americas and Asia-Pacific

Figure 158: Regional exposure by company (Contd.)

Company	Ctry. Code	Mcap. (Eur bn)	Rec.	Curr. Price 11-Dec-14 (local curr.)	Targ. Price	Up-side Pote-ntial %	Sales 2013 (Eur, bn)	% Sales Europe	% Sales in 2013: Home country	Rest of Europe	Americas	Asia/ Pacific	RoW/ Unspecified	Major sales destinations abroad	Outside Europe^ 2013 Assets%	Outside Europe^ 2013 Capex%
Industrial Goods & Services																
Spirax-Sarco Engineering	GB	2.8		2861	na	na	0.8	na	na	44	24	33	0	EMEA(43.7%); Asia(32.7%)	51	56
Suess Microtec AG	DE	0.1	Buy	5	9	97.8	0.1	na	na	31	17	53	0	Other Asia(48.7%); N. America(16.8%); Japan(3.9%)	20	2
Sulzer AG	CH	2.9		100	na	na	2.7	43	1	42	35	22	0	USA(21.4%); China(10.9%); APAC(10.2%); Americas(8.8%); UK(7.0%); Germany(5.2%)	33	38
Teleperformance	FR	3.1		55	na	na	2.4	na	na	30	na	na	70	APAC & Other(38.9%); Iberia, LatAm(31.3%); Continental Europe, Mid-East, Africa(29.8%)	na	0
Thales SA	FR	8.9	Buy	43	53	22.8	14.2	59	29	30	10	26	4	Asia(14.4%); UK(10.5%); N. America(10.5%); Saudi Arabia, Middle east(6.5%); Australia, New Zealand(5.0%)	na	na
ThyssenKrupp	DE	11.9	Hold	21	20	-4.8	38.6	59	31	28	26	13	2	Rest of EU(28.3%); North, Central America(21.0%); Asia(12.7%); S. America(5.2%); Africa(2.2%)	33	na
TNT Express	NL	2.9		5	na	na	6.7	55	7	48	na	23	22	UK(13.4%); Germany(11.5%); France(11.3%); Australia(9.9%); Italy(8.9%); China, Taiwan(7.8%)	0	0
Travis Perkins	GB	5.6	Hold	1786	1880	5.3	6.2	100	100	0	0	0	0		0	0
Trelleborg	SE	3.2		124	na	na	2.4	40	5	35	17	4	39	USA(16.9%); Germany(12.3%); France(6.3%); UK(6.3%); Italy(4.0%); China(3.6%)	14	13
Ultra Electronics	GB	1.5	Hold	1701	1800	5.8	0.9	41	33	8	44	na	15	USA(42.1%); Continental Europe(8.3%); Canada(2.3%)	39	31
Vallourec	FR	3.0		23	na	na	5.6	na	na	na	67	26	7	S. America(26.2%); Asia(26.2%); Brazil(21.2%); N. America, Mexico(19.1%)	na	71
Vienna Int. Airport	AT	1.7	Hold	79	na	na	0.6	100	100	0	0	0	0	Austria(99.9%); Malta(0.1%)	0	na
Volvo	SE	14.4	Hold	84	80	-4.3	30.8	39	3	35	42	20	0	W. Europe(27.3%); USA(18.2%); S. America(10.9%); Asia(8.6%); France(8.0%); Brazil(7.7%)	na	na
Vopak	NL	5.3	Hold	41	36	-13.3	1.3	54	34	19	19	28	0	Asia(27.8%); EMEA(19.3%); Americas(18.6%)	45	38
Vossloh	DE	0.7	Hold	49	45	-7.6	1.3	na	na	63	9	26	2	Asia(23.8%); USA(9.3%); Australia(2.5%)	13	na
VTG AG	DE	0.4	Hold	19	16	-15.1	0.8	na	65	na	na	na	35		na	0
Wacker Neuson SE	DE	1.2	Hold	17	17	-0.5	1.2	na	na	71	26	3	0	Americas(25.6%); Asia(3.1%)	na	na
Wartsila	FI	7.0		35	na	na	4.7	29	1	28	23	38	11	Asia(37.8%); Americas(22.9%)	10	na
Weir	GB	4.6		1695	na	na	2.9	14	4	10	53	19	14	USA(30.6%); Africa, Mid-East(14.0%); S. America(12.7%); Canada(9.7%); APAC(9.5%); Australia(9.2%)	83	na
Wirecard	DE	4.3	Hold	35	30	-13.9	0.5	72	46	26	na	na	28		0	na
Wolseley	GB	11.9	Buy	3608	3612	0.1	15.8	42	13	28	58	0	0	USA(51.6%); Nordic(14.6%); France(6.9%); C. Europe(6.8%); Canada(6.7%)	50	41
Zardoya Otis	ES	3.7		8	na	na	0.8	98	90	8	na	na	2	Portugal(7.7%)	0	0
Zodiac	FR	7.5	Hold	26	25	-4.2	3.9	49	32	17	48	na	3	USA(44.9%); USA(2.8%)	na	na

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Figure 158: Regional exposure by company (Contd.)

Company	Ctry. Code	Mcap. (Eur bn)	Rec.	Curr. Price 11-Dec-14 (local curr.)	Targ. Price	Up-side Pote-ntial %	Sales 2013 (Eur, bn)	% Sales Europe	Home country	Rest of Europe	Americas	Asia/ Pacific	RoW/ Unspecified	% Sales in 2013: Major sales destinations abroad	Outside Europe^ 2013 Assets%	2013 Capex%
Insurance																
Admiral	GB	4.5	Hold	1262	1220	-3.3	1.1	95	90	5	5	0	0		0	0
Aegon	NL	13.1	Buy	6	7	17.6	45.4	50	22	28	41	na	9	Americas(40.6%); UK(27.9%)	50	na
Ageas	BE	6.6		29	na	na	13.6	95	61	34	na	4	1	UK(17.7%); Continental Europe(16.7%); Asia(4.1%)	4	na
Allianz	DE	63.0	Buy	138	145	5.3	101.4	na	na	80	6	na	14	South & W. Europe(29.0%); Iberia, LatAm(9.1%); USA(5.8%)	na	na
Amlin	GB	2.9	Sell	456	429	-5.9	2.7	52	24	27	39	na	10	N. America(38.8%)	na	na
Aviva Plc	GB	18.2	Buy	487	620	27.3	41.5	92	48	43	7	2	0	France(26.5%); Canada(6.6%); Poland(2.1%)	3	na
AXA	FR	46.6	Buy	19	23	18.0	125.7	56	23	33	27	11	7	Mediterranean, LatAm(14.2%); Germany(14.1%); Swiss(12.5%); USA(12.4%); Japan(6.5%); Belgium(5.2%)	41	na
Baloise	CH	5.3		126	na	na	7.8	93	53	40	na	na	7	Germany(23.1%); Belgium(13.6%); Luxembourg(3.7%)	0	na
Catlin	GB	2.7	Buy	587	585	-0.3	2.9	59	46	12	22	na	20	USA(21.7%); Bermuda(12.3%)	na	na
Cnp Assurance	FR	10.1		15	na	na	39.1	79	69	10	10	na	11	Brazil(9.9%); Italy(8.4%)	na	na
Delta Lloyd	NL	3.9		19	na	na	6.0	100	77	23	0	0	0	Belgium(17.2%); Germany(6.0%)	0	na
Direct Line Group	GB	5.5	Buy	289	320	10.8	4.7	100	90	10	0	0	0		0	0
esure Group	GB	1.1	Buy	199	275	38.2	0.7	100	100	0	0	0	0		0	0
Friends Life	GB	6.6	Hold	367	335	-8.8	13.2	na	88	na	na	na	12		na	na
Generali Ass.	IT	26.4	Buy	17	19	13.4	79.9	95	30	65	2	2	1	Germany(28.6%); France(15.4%); Central & E. Europe(5.4%); EMEA(5.1%); Austria(3.9%); Spain(3.5%)	0	na
Gjensidige Forsikring ASA	NO	6.7		120	na	na	2.8	na	na	100	0	0	0		0	na
Hannover Re	DE	9.0	Hold	75	70	-6.3	13.6	44	9	35	29	17	10	USA(24.1%); UK(18.8%); Asia(11.7%); Australia(5.6%); Rest of N. America(4.9%); France(4.1%)	na	na
Helvetia Holding AG	CH	3.8		467	na	na	6.9	91	61	30	na	na	9	Italy(13.1%); Germany(11.7%); Spain(5.2%)	0	0
Hiscox	GB	2.9	Hold	706	667	-5.5	1.6	na	na	73	na	na	27		0	0
Just Retirement	GB	0.9	Buy	142	180	27.2	1.2	100	100	0	0	0	0		0	0
Lancashire	GB	1.3	Hold	524	665	27.0	0.5	na	na	7	19	11	63	US, Canada(19.2%); Far East(7.5%); Middle east(3.2%)	na	na
Legal & General	GB	18.6	Buy	247	260	5.4	46.9	94	76	18	na	na	6	France(10.7%); Netherlands(6.8%)	na	na
Mapfre S.A.	ES	9.1		3	na	na	20.9	37	34	3	48	na	15	Brazil(24.0%); USA(8.3%); Venezuela(4.7%); Colombia(3.7%); Mexico(3.7%); Turkey(3.1%)	na	na
Mediolanum	IT	3.9	Buy	5	8	53.4	1.8	100	92	8	0	0	0	Spain(6.4%)	na	na
Munich Re	DE	28.5	Hold	164	160	-2.6	63.5	52	27	25	37	10	2	USA(18.2%); Canada(15.3%); UK(8.5%); Australia(3.1%); LatAm(3.0%); China(2.7%)	15	na
Old Mutual PLC	GB	11.6	NR	187	na	na	23.8	30	25	4	2	na	68	S. Africa(68.3%); USA(2.2%)	na	na
Partnership	GB	0.6	Hold	108	115	6.5	0.7	100	100	0	0	0	0		0	0
Prudential	GB	48.9	Buy	1502	1680	11.9	63.0	32	32	0	50	19	0	US(49.7%); Asia pacific(18.6%)	49	na
PZU	PL	9.8		476	na	na	4.5	100	97	3	0	0	0		na	na
RSA Insurance Group PLC	GB	5.6	Hold	437	500	14.4	11.1	64	40	24	20	na	16	Canada(20.0%); Developing markets(16.0%)	25	na
Sampo	FI	22.0	Hold	39	37	-5.3	6.4	100	37	63	0	0	0	Norway(28.8%); Sweden(24.4%); Denmark(7.1%); Baltic(2.6%)	0	na
SCOR	FR	4.7	Buy	25	28	13.3	10.6	na	na	41	39	na	20	Americas(39.1%); APAC, RoW(19.8%)	13	na
St James's Place	GB	5.3	Buy	806	895	11.1	8.2	100	100	0	0	0	0		0	0

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Figure 158: Regional exposure by company (Contd.)

Company	Ctry. Code	Mcap. (Eur bn)	Rec.	Curr. Price 11-Dec-14 (local curr.)	Targ. Price	Up-side Pote-ntial %	Sales 2013 (Eur, bn)	% Sales Europe	% Sales in 2013: Home country	Rest of Europe	Americas	Asia/ Pacific	RoW/ Unspecified	Major sales destinations abroad	Outside Europe^ 2013 Assets%	2013 Capex%
Insurance																
Standard Life	GB	12.3	Buy	406	445	9.6	25.9	95	90	5	na	na	5		na	na
Storebrand	NO	1.4		29	na	na	5.2	na	na	100	0	0	0	Norway, Sweden(100.0%)	0	na
Swiss Life	CH	6.2		232	na	na	15.6	99	64	36	na	na	1	France(19.4%); Germany(15.2%)	0	na
Swiss Re	CH	25.8	Buy	84	83	-0.4	27.6	na	na	29	36	17	18	USA(31.5%); UK(12.0%); Australia(7.1%); China(7.1%); France(5.6%); Canada(4.8%)	na	na
Talanx	DE	6.3	Hold	25	25	0.0	27.5	66	33	33	23	9	2	USA(12.9%); UK(9.8%); Asia, Australia(9.2%); Central & Eastern Europe(8.6%); LatAm(7.4%); Rest of N. America(2.4%)	20	na
Topdanmark As Regd.	DK	3.0		196	na	na	2.0	100	100	0	0	0	0		0	0
UnipolSai	IT	5.2		2	na	na	11.4	100	100	0	0	0	0		0	0
UNIQA	AT	2.5	Hold	8	10	21.1	5.7	97	67	30	na	na	3	Swiss(13.6%); Poland(7.0%); Bosnia(3.4%); Czech Republic(2.4%)	na	na
Vienna Insurance	AT	4.9	Sell	38	38	-1.6	9.9	77	39	37	na	na	23	Czech Republic(16.9%); Poland(11.1%); Slovakia(7.3%); Romania(2.0%)	na	na
Zurich Insurance Group	CH	38.1	Hold	306	305	-0.2	54.3	50	10	40	41	7	2	US & Canada(28.7%); Germany(11.8%); UK(11.5%); Brazil(5.4%); Italy(4.6%); Spain(4.4%)	34	na
Media																
Atresmedia	ES	2.4	Hold	11	11	1.8	0.8	100	100	0	na	na	0		na	na
Axel Springer	DE	4.8	Hold	48	46	-4.7	2.8	na	58	na	na	na	42		0	na
Constantin Medien AG	DE	0.1	Hold	1	2	27.1	0.5	na	na	94	na	na	6	Germany, Switzerland & Austria(59.6%)	0	na
Cyfrowy Polsat	PL	3.8	Hold	25	28	12.0	0.7	100	100	0	0	0	0		0	0
Daily Mail & GT	GB	3.6	Sell	812	640	-21.1	2.1	62	58	4	32	1	5	N. America(31.9%)	na	na
Eutelsat Communications	FR	6.0	Hold	26	18	-32.0	1.3	64	11	53	16	15	6	Italy(15.4%); Americas(15.6%); Mid-East(12.6%); UK(7.8%); Africa(5.5%)	na	na
GfK	DE	1.2	Hold	32	36	12.5	1.5	na	na	67	22	10	0	N. Europe(40.7%); West & S. Europe(18.2%); N. America(17.8%); APAC(10.3%); Central & E. Europe(8.5%); LatAm(4.5%)	30	na
Havas	FR	2.8		7	na	na	1.8	51	20	31	41	na	8	N. America(31.7%); UK(11.7%); LatAm(9.4%); APAC, Africa(7.9%)	27	68
Informa	GB	3.9		468	na	na	1.4	36	14	22	34	na	29	USA(34.2%); Continental Europe(22.4%)	36	na
ITV PLC	GB	10.6	Hold	208	205	-1.6	2.8	na	85	na	na	na	15		na	na
JCDecaux	FR	6.0	Buy	27	37	37.3	2.7	62	23	39	7	23	8	APAC(22.9%); UK(11.6%); N. America(6.7%)	15	na
Kabel Deutschland	DE	9.9		111	na	na	1.9	100	100	0	0	0	0		na	na
Lagardere	FR	2.9		22	na	na	7.6	81	37	44	11	7	2	USA, Canada(10.5%); APAC(6.6%)	19	24
M6	FR	1.9	Hold	15	15	-1.6	1.3	100	100	0	0	0	0		0	0
Mediaset	IT	4.1	Buy	3	5	28.9	3.4	100	76	24	0	0	0	Spain(24.2%)	0	0
Mediaset Espana	ES	4.2	Hold	10	10	-2.9	0.8	100	100	0	0	0	0		na	na
Modern Times Group	SE	1.6		245	na	na	1.6	99	33	66	na	na	1	Denmark(21.7%); Norway(18.8%); Baltic, Czech Republic, Bulgaria(9.4%)	0	na
Pearson	GB	12.2	Sell	1170	875	-25.2	6.0	20	13	7	60	12	8	USA(57.5%); APAC(12.3%); Canada(2.5%)	80	na
ProSiebenSat.1	DE	7.4	Buy	34	38	12.4	2.6	96	87	9	2	na	1	Austria & Switzerland(8.0%); USA(2.3%)	2	0
Publicis	FR	13.1	Hold	59	63	5.6	7.0	na	na	31	54	12	3	N. America(47.5%); APAC(12.0%); LatAm(6.7%); Africa, Mid-East(2.8%)	na	49
Reed Elsevier (UK)	GB	15.5	Buy	1079	960	-11.0	7.1	28	7	21	51	na	21	N. America(51.1%); Netherlands(2.8%)	0	na
Rightmove	GB	2.7	Hold	2160	2700	25.0	0.2	99	99	0	na	na	1		na	0

Source: Bloomberg Finance LP, DataStream, Company Data, Deutsche Bank ^Outside Europe refers to exposure specific to Americas and Asia-Pacific

Figure 158: Regional exposure by company (Contd.)

Company	Ctry. Code	Mcap. (Eur bn)	Rec.	Curr. Price 11-Dec-14 (local curr.)	Targ. Price	Up-side Pote-ntial %	Sales 2013 (Eur, bn)	% Sales Europe	% Sales in 2013: Home country	Rest of Europe	Americas	Asia/ Pacific	RoW/ Unspecified	Major sales destinations abroad	Outside Europe^ 2013 Assets%	Outside Europe^ 2013 Capex%
Media																
RTL Group	LU	12.4	Buy	80	100	24.8	5.9	77	35	42	10	na	12	France(26.2%); USA(10.3%); Netherlands(7.9%); UK(4.0%); Belgium(3.9%)	13	3
Schibsted	NO	5.5	Sell	460	235	-49.0	2.0	99	51	48	na	na	1	Sweden(31.1%); France(7.7%); Spain(5.3%); Baltic(2.5%)	0	na
SES	LU	12.0	Sell	29	18	-38.9	1.9	50	2	48	21	na	28	Americas(21.4%); Germany(18.1%); UK(16.0%); France(5.3%)	34	na
Sky Deutschland	DE	6.2	Hold	7	7	0.6	1.5	na	na	100	0	0	0	Germany, Austria(100.0%)	0	0
Sky plc	GB	20.0	Hold	918	1000	8.9	9.1	100	100	0	0	0	0		na	na
Stroeer	DE	1.1	Buy	23	16	-33.1	0.6	92	75	17	na	na	8	Turkey(17.0%)	0	na
Telenet	BE	5.4	Buy	46	51	10.2	1.6	100	100	0	0	0	0		0	0
TF1	FR	2.6	Hold	12	12	-2.2	2.5	na	84	na	na	na	16		0	0
Tomorrow Focus	DE	0.2	Hold	4	4	6.0	0.2	100	40	60	na	na	0	Swiss(39.2%); France(13.7%); Netherlands(7.4%)	0	na
TVN	PL	1.3	Hold	16	17	4.5	0.4	100	100	0	0	0	0		0	0
UBM Plc	GB	2.6	Buy	459	840	82.8	0.9	21	11	10	47	22	10	USA(47.5%); China(22.0%); Other EM(7.8%)	55	na
Wolters Kluwer NV	NL	7.3	Hold	24	17	-29.2	3.6	39	5	34	54	6	1	N. America(54.0%); APAC(5.8%)	62	na
WPP Group	GB	22.1	Buy	1320	1470	11.4	13.0	36	13	24	34	na	30	N. America(34.0%); Western Continental Europe(23.5%)	39	na
Oil & Gas																
Abengoa	ES	0.2	NR	2	na	na	7.4	28	16	12	57	5	11	USA, Canada(28%); Europe Ex. Spain(12%); Brazil(11%)	0	na
Afren	GB	0.5	Hold	36	105	na	1.3	na	na	0	na	na	100	Nigeria(100.0%)	0	0
Aker Solutions	NO	0.5	Hold	18	42	na	5.1	57	49	8	13	23	6	Asia(18.9%); N. America(7.4%); S. America(5.7%); Australia(4.3%)	na	36
Amec Foster Wheeler PLC	GB	4.1	Hold	840	1015	20.9	4.8	na	na	35	65	0	0	Americas(64.7%)	na	na
BP	GB	92.2	Buy	399	480	20.4	290.9	na	na	na	34	na	66	USA(34.0%)	na	na
CGG	FR	1.3		7	na	na	2.8	na	na	44	31	24	0	EMEA(44.2%); APAC(24.4%); N. America(23.2%); LatAm(8.2%)	na	na
DNO	NO	1.7	Hold	15	21	43.0	0.4	0	0	0	0	100	0	Kurdistan(54.9%); Oman(26.6%); Yemen(18.5%)	94	79
ENI	IT	52.3	Hold	14	19	28.7	114.7	65	28	38	7	16	12	Asia(16.2%); Africa(10.5%); Americas(6.7%)	24	26
Fugro Cert	NL	1.4		16	na	na	2.4	na	na	47	22	29	2	Americas(21.9%); Asia, Australia(21.1%); India(7.9%); Africa(2.1%)	44	na
Galp Energia	PT	6.6	Buy	9	13	52.5	19.8	na	na	0	58	na	42	LatAm(57.8%); Africa(42.2%)	64	70
Gamesa	ES	2.2		8	na	na	2.3	20	9	11	44	20	16	Mexico(23.7%); India(20.0%); Brazil(18.2%); USA(2.1%)	37	22
Genel Energy	GB	2.2	Buy	635	1000	57.6	0.3	0	0	0	0	100	0	Kurdistan(100.0%)	82	0
Grupa Lotos	PL	1.2	Hold	26	30	15.6	6.9	100	65	35	0	0	0		na	na
Hunting	GB	1.0	Hold	507	700	38.1	1.0	13	11	2	66	16	5	USA(59.9%); Singapore(10.8%); Canada(5.6%); APAC(5.4%)	89	na
Lundin Petroleum	SE	3.2	Buy	96	125	30.1	0.9	na	na	98	na	1	1	Norway(79.1%); France(9.4%); Russia(5.3%); Netherlands(4.2%)	7	na
Manz AG	DE	0.3		60	na	na	0.3	22	5	16	3	75	1	China(66.1%); Taiwan(5.7%); USA(3.0%); Other Asia(2.8%)	35	na
Neste Oil	FI	5.0		19	na	na	17.5	83	39	44	15	na	1	South & N. America(15.2%); Other Nordic(13.8%); Baltic, Russia, Poland(9.9%)	0	0
Nordex	DE	1.2	Buy	15	17	13.3	1.4	na	na	92	6	3	0	USA(5.6%); Asia(2.8%)	na	1
OMV	AT	6.9	Hold	21	28	33.3	42.4	94	35	59	na	na	6	Germany(17.5%); Turkey(15.8%); Romania(9.8%); Central & Eastern Europe(9.5%)	0	na

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Figure 158: Regional exposure by company (Contd.)

Company	Ctry. Code	Mcap. (Eur bn)	Rec.	Curr. Price 11-Dec-14 (local curr.)	Targ. Price	Up-side Pote-ntial %	Sales 2013 (Eur, bn)	% Sales Europe	% Sales in 2013: Home country	Rest of Europe	Americas	Asia/ Pacific	RoW/ Unspecified	Major sales destinations abroad	Outside Europe^ 2013 Assets%	2013 Capex%
Oil & Gas																
Petrofac	GB	3.2	Hold	724	800	10.5	4.9	na	26	na	na	32	42	Algeria(11.3%); UAE(10.7%); Malaysia(8.8%); Saudi Arabia(6.2%); Iraq(6.1%)	70	na
Petroleum Geo	NO	1.0		39	na	na	1.1	31	13	17	35	11	23	Americas(26.2%); Angola(11.9%); APAC(11.5%); Africa(11.0%); Brazil(8.9%); UK(8.8%)	17	na
PGNiG	PL	6.5	Hold	5	5	4.3	7.7	na	85	na	na	na	15		na	na
PKN Orlen	PL	5.0	Hold	48	41	-15.3	27.4	100	65	35	0	0	0		3	na
Premier Oil Plc	GB	1.1	Buy	169	330	95.4	1.2	38	38	0	0	62	0	Vietnam(31.2%); Indonesia(19.7%); Pakistan, Middle east(11.0%)	34	30
Repsol	ES	23.2	Hold	17	21	22.1	56.5	63	53	10	na	na	37		11	40
Royal Dutch Shell plc	NL	101.5	Hold	2045	2425	18.6	346.2	na	na	39	26	na	35	Asia, Oceania, Africa(34.9%); USA(16.1%)	41	na
Saipem	IT	3.8	Sell	9	8	-7.9	12.4	13	6	7	19	10	58	Mid-East(22.2%); W. Africa(19.5%); Americas(19.3%); Far East(9.9%); N. Africa(5.7%)	52	47
SBM Offshore	NL	2.0		9	na	na	3.6	na	na	na	58	11	31	Brazil(50.7%); Angola(16.7%); Australia(7.2%); Malaysia(4.2%); Equitorial Guinea(2.9%)	72	na
Schoeller-Bleckmann	AT	0.9	Hold	57	74	29.2	0.5	12	1	11	55	na	33	Great Britain(10.5%); North America(55%); Others(33.4%)	43	26
Seadrill	NO	4.5	Hold	11	17	51.7	3.8	na	23	na	16	na	62	Brazil(15.6%); Angola(13.9%)	40	na
SMA	DE	0.5	Sell	15	16	6.5	0.9	49	29	20	na	na	51	EU(19.6%)	na	na
Solarworld AG	DE	0.2	Buy	12	20	61.3	0.5	55	29	26	34	6	5	USA(34.0%); Asia(5.7%)	na	na
Statoil	NO	43.7	Hold	124	160	29.4	74.1	81	75	6	15	na	4	USA(14.8%); Denmark(3.4%); Sweden(2.7%)	38	na
Subsea 7	NO	2.5	Sell	67	60	-10.3	4.7	na	na	na	53	na	47	Canada, North Sea(40.0%); Brazil(13.0%)	na	na
Tecnicas Reunidas	ES	2.0		35	na	na	2.8	20	3	17	35	11	34	Mid-East(34.0%); Mediterranean(17.8%); USA(17.1%); Asia(11.1%)	32	15
Tgs Nopec Geo	NO	1.7		151	na	na	0.6	na	na	32	49	na	20	South & N. America(48.7%); Europe & Russia(31.6%)	na	na
Total SA	FR	101.3	Buy	43	49	15.1	171.7	74	23	51	9	na	17	Africa(9.2%); N. America(8.9%)	16	12
Tullow Oil	GB	4.3	Hold	373	575	54.2	2.0	na	na	na	na	na	100	Africa(84.9%)	0	0
Vestas Wind Systems	DK	6.8		226	na	na	6.1	na	na	61	28	11	0	USA(27.6%); APAC(11.4%)	32	na
Wood Group	GB	2.7	Buy	569	750	31.8	4.9	na	31	na	24	na	45	USA(24.5%)	37	na
Personal & Household Goods																
Adidas AG	DE	12.3	Sell	58	57	-2.4	14.5	na	na	39	34	27	0	W. Europe(26.2%); N. America(23.2%); Other Asia(15.2%); Emerging Europe(13.1%); China(11.4%); LatAm(10.9%)	na	42
Amer Sports	FI	1.9		16	na	na	2.1	na	na	48	39	13	0	EMEA(48.0%); Americas(39.3%); APAC(12.7%)	50	40
Barratt Developments	GB	5.7	Buy	452	506	11.9	3.1	100	100	0	0	0	0		0	0
Beiersdorf	DE	17.5	Buy	69	80	16.0	6.1	55	14	41	18	21	6	APAC(21.3%); Americas(17.8%)	na	24
Bellway	GB	2.9	Hold	1892	1760	-7.0	1.3	100	100	0	0	0	0		0	0
Berkeley Group Hldgs	GB	4.3	Hold	2511	2877	14.6	2.1	100	100	0	0	0	0		0	0
BIC	FR	5.1		108	na	na	1.9	26	9	18	43	na	31	N. America(42.5%); Developing markets(31.3%); Europe Ex. France(17.6%)	28	na
Bijou Brigitte	DE	0.4	Hold	52	65	23.8	0.4	78	47	31	na	na	22	Spain(15.0%); Italy(12.1%); Portugal(3.6%)	na	0
Bovis Homes	GB	1.5	Buy	879	1063	20.9	0.7	100	100	0	0	0	0		0	0
Brunello Cucinelli	IT	1.3	Hold	19	19	-0.1	0.3	54	21	33	34	5	7	N. America(33.8%); China(4.9%)	na	na

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Figure 158: Regional exposure by company (Contd.)

Company	Ctry. Code	Mcap. (Eur bn)	Rec.	Curr. Price 11-Dec-14 (local curr.)	Targ. Price	Up-side Pote-ntial %	Sales 2013 (Eur, bn)	% Sales Europe	Home country	Rest of Europe	Americas	Asia/ Pacific	RoW/ Unspecified	% Sales in 2013: Major sales destinations abroad	Outside Europe^ 2013 Assets%	2013 Capex%
Personal & Household Goods																
Burberry Group	GB	9.1	Hold	1621	1580	-2.5	3.0	35	9	26	24	37	3	APAC(37.4%); Americas(24.4%)	na	na
Christian Dior	FR	27.0		149	na	na	28.6	30	12	19	23	36	11	Other Asia(28.9%); USA(23.1%); Japan(7.2%)	na	47
De Longhi	IT	2.4		16	na	na	1.6	na	na	68	na	na	32		na	na
Geox SpA	IT	0.7	Hold	3	3	8.6	0.8	75	32	44	7	na	17	USA(7.1%)	2	na
Gerry Weber	DE	1.4	Buy	32	34	7.9	0.9	na	61	na	na	na	39		0	0
Henkel	DE	20.8	Buy	80	100	24.7	16.4	na	na	53	25	16	7	W. Europe(34.1%); E. Europe(18.6%); N. America(17.9%); APAC(15.4%); Africa, Mid-East(6.6%); LatAm(6.5%)	na	na
Hermes	FR	31.0	Hold	293	240	-18.2	3.8	36	16	20	17	46	2	APAC(33.2%); Americas(16.7%); Japan(12.3%)	36	na
Hugo Boss	DE	7.3	Buy	105	120	13.8	2.4	60	17	43	23	14	2	USA(18.4%); China(8.7%)	15	39
Husqvarna AB	SE	2.7		55	na	na	3.4	na	na	na	41	na	59	Europe, Asia pacific(49.3%); Americas(40.8%)	23	25
L'Oreal	FR	75.6	Hold	135	120	-11.4	23.0	na	na	43	34	21	2	N. America(25.5%); W. Europe(24.6%)	27	28
Luxottica	IT	21.2	Hold	44	44	0.0	7.3	na	na	20	56	13	11	N. America(56.4%); APAC(12.6%)	67	na
LVMH	FR	71.6	Buy	141	150	6.4	29.1	30	11	19	23	37	11	Asia ex. Japan(29.7%); USA(22.8%); Europe ex. France(18.9%); Japan(7.1%)	na	na
Moncler	IT	2.7	Buy	11	14	31.3	0.6	57	23	35	12	31	0	Asia, Japan(31.3%); USA(11.6%)	na	na
OSRAM	DE	3.3	Buy	31	44	39.8	5.3	43	14	29	33	24	0	EMEA (excluding Germany)(28.5%); APAC(23.8%); USA(23.5%); America (ex US)(9.9%)	39	37
Pandora A/S	DK	9.0		521	na	na	1.2	42	0	41	46	12	0	USA(35.5%); UK(12.9%); Australia(7.6%); Germany(6.0%); Rest of APAC(4.6%)	na	na
Persimmon	GB	6.1	Hold	1573	1533	-2.5	2.5	100	100	0	0	0	0		0	0
PUMA SE	DE	2.5	Hold	170	190	11.8	3.0	na	na	42	36	22	0	EMEA(42.4%); USA(35.9%); APAC(21.7%)	na	54
Redrow	GB	1.3	Hold	283	327	15.4	0.7	100	100	0	0	0	0		0	0
Richemont	CH	38.6	Hold	89	88	-1.0	10.7	37	5	32	15	48	0	Hong Kong, China(24.1%); Other Asia(15.7%); USA(11.9%); Japan(8.4%)	15	na
Safilo Group	IT	0.6	Buy	10	17	60.7	1.1	45	20	24	41	15	0	Americas(40.8%); Europe ex. Italy(24.5%); Asia, Australia(14.7%)	58	na
Salvatore Ferragamo	IT	3.4	Hold	20	21	1.0	1.3	na	na	26	28	46	0	APAC(37.1%); N. America(23.1%); Japan(9.2%); LatAm(4.7%)	na	na
SCA	SE	11.5		173	na	na	10.1	65	6	58	na	na	35	Europe (excluding Sweden)(58.4%)	na	na
SEB Group	FR	3.2		65	na	na	4.2	40	24	15	16	34	11	Asia(33.6%); N. America(8.0%); S. America(7.6%)	58	38
Swatch Group	CH	11.6	Buy	453	570	25.8	6.9	34	13	21	8	57	1	China(37.9%); Other Asia(18.1%); USA(8.4%)	20	na
Swedish Match	SE	5.2	Sell	243	215	-11.5	1.4	na	56	na	28	na	16	USA(27.9%)	na	na
Taylor Wimpey Plc	GB	5.5	Buy	134	165	23.6	2.8	100	99	1	0	0	0		0	0
TOD's Spa	IT	2.1	Hold	67	82	22.6	1.0	55	33	21	9	25	11	China(24.5%); N. America(9.3%)	na	na
Zooplus AG	DE	0.5	Hold	63	60	-5.3	0.4	100	35	65	0	0	0	France(15.9%); Finland, Other(10.7%); Netherlands(8.8%); UK(6.8%); Italy(6.7%); Spain(5.0%)	na	na

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Figure 158: Regional exposure by company (Contd.)

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Real Estate																
British Land	GB	9.8	Sell	758	600	-20.8	0.5	100	100	0	0	0	0		0	0
CA Immo	AT	1.5	Buy	16	17	5.6	0.4	100	14	86	0	0	0	East, South-east Europe(48.3%); Germany(38.0%)	0	0
Capital & Counties	GB	3.7	Sell	353	230	-34.9	0.1	100	100	0	0	0	0		0	0
Castellum	SE	2.2		122	na	na	0.4	77	57	19	na	na	23	Oresund(23.4%); Sweden(19.2%)	0	na
Cofinimmo	BE	1.6		93	na	na	0.2	100	78	22	0	0	0	France(16.8%); Netherlands(5.0%)	0	na
Conwert	AT	0.8	Hold	10	10	-0.2	0.5	100	42	58	0	0	0	Germany(55.1%); Central & E. Europe(2.8%)	0	0
Derwent London	GB	3.8	Hold	2940	2380	-19.0	0.2	100	100	0	0	0	0		0	0
Deutsche EuroShop	DE	1.9	Hold	36	33	-8.1	0.2	92	92	0	na	na	8		0	na
Deutsche Wohnen	DE	5.5	Hold	19	18	-6.8	0.6	100	100	0	0	0	0		0	0
Echo	PL	0.7	Hold	7	7	6.4	0.1	100	100	0	0	0	0		0	0
Fonciere Des Regions	FR	4.8		76	na	na	0.8	60	32	28	na	na	40	Italy(27.8%)	0	na
Gecina	FR	6.6		105	na	na	0.6	100	100	0	0	0	0		0	0
Grand City Properties	LU	1.4	Buy	13	11	-12.1	0.2	100	100	0	0	0	0		0	0
Great Portland	GB	3.1	Sell	711	530	-25.5	0.1	100	100	0	0	0	0		0	0
GTC	PL	0.5	Hold	6	6	8.7	0.1	na	na	78	na	na	22	Poland, Hungary(53.7%); Romania & Bulgaria(24.3%)	0	0
Hammerson	GB	6.0	Hold	604	530	-12.3	0.4	100	77	23	0	0	0	France(22.5%)	na	0
Icade	FR	4.8		65	na	na	1.6	100	99	1	0	0	0		0	na
Immofinanz	AT	2.5	Hold	2	3	42.7	0.7	100	17	83	0	0	0	Russia(28.0%); Poland(12.2%); Romania(10.4%); Germany(7.5%); Czech Republic(7.4%); Hungary(6.1%); Slovakia(4.7%)	0	0
Intu Properties	GB	5.6	Hold	335	280	-16.4	0.6	100	99	1	0	0	0		2	na
JM	SE	2.0		241	na	na	1.4	100	79	21	0	0	0	Norway(18.2%)	na	na
Klepierre	FR	7.0		35	na	na	1.5	na	na	100	0	0	0	France, Belgium(47.3%); Norway, Sweden & Denmark(23.2%); Italy(12.5%); Spain, Portugal(8.8%); Hungary, Poland & Czech Republic(7.8%)	0	na
Land Securities	GB	11.5	Sell	1146	870	-24.1	0.9	100	100	0	0	0	0		0	0
LEG	DE	3.5	Buy	61	62	2.2	0.5	100	100	0	0	0	0		0	0
PSP	CH	3.2	Hold	83	86	4.1	0.3	100	100	0	0	0	0		0	0
Segro	GB	3.5	Sell	376	270	-28.2	0.3	100	59	41	0	0	0	France, S. Europe(16.9%); Germany, N. Europe(14.9%); Poland, C. Europe(8.9%)	0	0
Shaftesbury	GB	2.7		774	na	na	0.1	100	100	0	0	0	0		0	0
Swiss Prime Site	CH	3.7		73	na	na	0.6	100	100	0	0	0	0		0	0
TAG Immobilien AG	DE	1.2		9	na	na	0.3	100	100	0	0	0	0		0	0
Unibail Rodamco	FR	20.1	Sell	205	152	-26.0	1.6	100	60	40	na	na	0	Spain(10.3%); C. Europe(8.1%); Nordic(7.8%); Austria(7.5%); Netherlands(5.9%)	na	na
Wereldhave	NL	1.9		53	na	na	0.1	100	31	69	0	0	0	Belgium(30.6%); Finland(22.4%); France(9.7%); Spain(6.2%)	0	0

Source: Bloomberg Finance LP, DataStream, Company Data, Deutsche Bank ^Outside Europe refers to exposure specific to Americas and Asia-Pacific

Figure 158: Regional exposure by company (Contd.)

Company	Ctry. Code	Mcap. (Eur bn)	Rec.	Curr. Price 11-Dec-14 (local curr.)	Targ. Price	Up-side Pote-ntial %	Sales 2013 (Eur, bn)	% Sales Europe	% Sales in 2013: Home country	Rest of Europe	Americas	Asia/ Pacific	RoW/ Unspecified	Major sales destinations abroad	Outside Europe^ 2013 Assets%	Outside Europe^ 2013 Capex%
Retail																
Ahold	NL	12.7	Hold	14	13	-6.3	32.6	40	35	4	60	0	0	USA(60.3%); Czech Republic(4.4%)	64	na
Carpetright	GB	0.3	Hold	313	365	16.6	0.6	100	84	16	0	0	0		0	0
Carrefour	FR	17.4	Hold	24	26	11.7	74.9	73	47	26	18	9	0	Brazil(14.5%); Spain(10.4%); China(6.7%); Italy(6.4%); Belgium(5.3%); Argentina(3.9%)	26	34
Celesio	DE	5.3	Hold	26	24	-10.1	21.4	92	19	72	8	0	0	France(29.1%); UK(21.2%); Brazil(8.2%)	0	na
CEWE KGaA	DE	0.4	Buy	50	68	35.8	0.5	na	48	na	na	na	52		0	na
Colruyt	BE	5.9	Hold	38	37	-2.0	8.7	100	88	12	na	na	0	France(12.2%)	0	0
Debenhams	GB	1.2	Hold	74	78	5.9	2.7	96	83	13	na	na	4	Denmark(6.9%); Ireland(5.9%)	0	0
Delhaize	BE	5.9	Hold	57	59	2.6	20.9	38	24	14	62	0	0	USA(61.5%)	60	49
DIA	ES	3.5		5	na	na	10.0	73	46	27	25	2	0	France(19.3%); Brazil(14.6%); Argentina(10.7%); Portugal(8.0%)	0	0
Dixons Carphone	GB	6.4	Buy	436	465	6.7	3.3	92	54	38	na	na	8	Germany(15.3%); Spain(15.0%); Netherlands(4.9%); France(2.8%)	0	na
DUFRY	CH	4.5	Hold	152	170	12.1	2.9	na	3	na	65	na	32	Asia, EMEA(31.6%); USA, Canada(24.5%);Other Americas(50.9%)	56	75
Dunelm Group	GB	2.3	Hold	887	945	6.6	0.8	100	100	0	0	0	0		0	0
Eurocash	PL	1.3	Hold	39	38	-2.1	4.0	100	100	0	0	0	0		0	0
Fielmann	DE	4.7	Hold	56	53	-4.7	1.2	98	80	18	na	na	2	Swiss(11.8%); Austria(5.9%)	0	0
Galenica	CH	4.5	Buy	827	1020	23.3	2.7	95	87	9	3	na	1	USA(3.4%)	11	na
Halfords	GB	1.2	Hold	474	460	-2.9	1.2	100	100	0	0	0	0		0	0
Hawesko	DE	0.4	Hold	42	39	-7.1	0.5	99	88	11	na	na	1	Europe ex. Germany(11.3%)	0	0
Hennes & Mauritz	SE	50.1	Hold	321	325	1.3	14.5	85	5	80	10	5	0	Italy, Other(33.7%); Germany(20.4%); USA(10.1%); France(6.9%); UK(6.9%); China(4.6%)	na	na
Home Retail Group	GB	2.0	Buy	191	225	17.6	7.2	100	100	0	0	0	0		0	0
Hornbach Holding	DE	0.6	Buy	71	78	10.6	3.4	100	63	37	0	0	0		0	0
ICA Gruppen AB	SE	4.0		312	na	na	8.8	100	73	27	na	na	0	Norway(16.4%); Finland, Baltics(10.4%)	na	0
Inchcape	GB	4.1	Buy	715	800	12.0	7.8	64	32	31	0	36	0	Australasia(23.0%); Russia(11.0%); North Asia(8.2%); S. Asia(5.3%)	29	19
Inditex	ES	na	Hold	23	25	5.2	16.7	69	21	48	14	12	5	Asia, RoW(17%); USA(14%)	11	na
Jeronimo Martins	PT	5.0		8	na	na	11.8	99	34	65	1	0	0	Poland(65.1%)	0	0
Kering	FR	20.1	Hold	159	160	0.7	9.7	39	10	29	26	35	0	W. Europe(31.4%); APAC(25.3%); N. America(20.9%); Japan(10.1%); E. Europe(7.4%); S. America(4.9%)	na	na
Kesko	FI	2.1		31	na	na	9.3	na	82	na	na	na	18		na	na
Kingfisher	GB	9.6	Hold	322	340	5.5	14.1	96	39	57	0	4	0	France(39.8%); Poland(10.0%)	0	0
Marks & Spencer Group	GB	9.9	Buy	478	550	15.2	13.1	89	89	0	na	na	11		0	0
Metro Group	DE	8.0	Hold	25	29	17.2	65.7	94	39	55	na	6	0	Russia(8.8%); France(6.2%); Italy(6.0%); Poland(5.4%); Spain(4.2%)	0	0
NEXT	GB	12.7	Hold	6545	6700	2.4	4.7	97	92	5	na	1	2		5	na
Ocado	GB	2.6	Hold	355	330	-7.1	0.9	100	100	0	0	0	0		0	0
Sainsbury	GB	5.5	Hold	226	275	21.5	28.4	100	100	0	0	0	0		0	0
Sixt AG	DE	1.0	Hold	33	30	-8.3	1.7	na	68	na	na	na	32		0	0
Sports Direct International	GB	5.1		666	na	na	2.6	na	84	na	na	na	16	RoW ex. UK(15.7%)	0	0
Takkt	DE	0.9	Hold	13	15	12.8	1.0	55	26	30	42	na	3	N. America(41.7%)	39	na

Source: Bloomberg Finance LP, DataStream, Company Data, Deutsche Bank ^Outside Europe refers to exposure specific to Americas and Asia-Pacific

Figure 158: Regional exposure by company (Contd.)

Company	Ctry. Code	Mcap. (Eur bn)	Rec.	Curr. Price 11-Dec-14 (local curr.)	Targ. Price 11-Dec-14 (local curr.)	Up-side Pote-ntial %	Sales 2013 (Eur, bn)	% Sales Europe	% Sales in 2013: Home country	Rest of Europe	Americas	Asia/ Pacific	RoW/ Unspecified	Major sales destinations abroad	Outside Europe^ 2013 Assets%	Outside Europe^ 2013 Capex%
Retail																
Tesco PLC	GB	17.6	Hold	171	180	5.1	75.8	84	69	15	0	16	0	South Korea(8.5%); Thailand(6.0%); Republic of Ireland(3.6%); Poland(3.5%)	21	31
Tom Tailor	DE	0.3	Hold	11	14	23.1	0.9	na	65	na	na	na	35		0	na
WH Smith	GB	2.0	Buy	1310	1400	6.9	1.4	100	100	0	0	0	0		0	0
William Morrison	GB	5.2	Hold	175	190	8.7	20.8	100	100	0	0	0	0		0	0
World Duty Free	IT	1.9	Buy	8	11	44.4	2.1	na	na	77	16	na	8	UK(46.9%); Americas(15.5%); Asia, Mid-East(7.7%)	9	na
Yoox	IT	1.2	Buy	19	25	33.5	0.5	65	16	49	23	8	5	Europe ex. Italy(48.8%); N. America(22.9%); Japan(7.7%)	2	na
Technology																
ADVA	DE	0.1	Hold	3	4	27.9	0.3	66	23	43	28	6	0	Rest of EMEA(43.1%); Americas(28.4%); APAC(5.5%)	12	na
Aixtron	DE	1.0	Hold	9	11	19.6	0.2	na	na	13	9	78	0	Asia(77.5%); USA(9.2%)	5	na
Alcatel-Lucent	FR	7.9	Hold	3	3	-3.2	14.4	25	7	19	51	17	7	USA(41.9%); Other W. European(16.1%); Rest of APAC(8.9%); China(7.8%)	na	na
ARM Holdings	GB	17.1	Hold	959	900	-6.2	0.9	na	na	99	1	0	0		7	na
Asm Intl	NL	2.1		34	na	na	0.6	na	na	16	24	60	0	South East Asia(54.0%); USA(24.0%); Japan(6.0%)	93	78
ASML	NL	38.1	Buy	87	100	15.0	5.2	4	0	4	14	82	0	Taiwan(42.4%); Korea(24.5%); USA(13.7%); Other Asia(9.1%); Japan(3.8%); Singapore(2.7%)	20	na
Atos	FR	5.9	Hold	58	59	1.2	8.6	73	12	61	7	na	20	Germany(19.3%); UK(19.1%); Benelux(12.6%); CEE(10.1%); N. America(7.0%); Spain,S. America(3.8%)	3	6
Aveva Group	GB	1.1		1356	na	na	0.3	na	na	47	16	na	37	UK, EMEA(47.2%); APAC, Mid-East(36.6%); Americas(16.2%)	na	na
Bechtle	DE	1.3	Hold	62	55	-10.8	2.3	na	69	na	na	na	31		0	0
Cancom	DE	0.5	Hold	33	13	-60.5	0.6	na	na	na	na	na	100		0	na
CapGemini	FR	9.2	Sell	58	52	-10.3	10.1	66	22	44	21	na	14	N. America(20.6%); UK(19.9%); Benelux(10.7%); Nordic(7.0%); Germany, C. Europe(6.5%); S. Europe, Latam(4.8%)	26	32
Compugroup Medical AG	DE	1.1	Buy	20	24	19.9	0.5	na	na	92	8	na	0	C. Europe(46.9%); CEE(18.7%); N. Europe(18.0%); S. Europe(8.3%); N. America(7.8%)	11	na
Dassault Systemes	FR	12.6		49	na	na	2.1	39	22	16	38	23	0	USA(35.7%); Japan(17.1%); Germany(7.7%); Asia(6.1%)	38	61
Dialog Semiconductor	DE	2.0	Hold	28	14	-50.9	0.7	na	na	7	0	93	0	China(83.0%); Other Asia(9.8%)	41	6
Elmos	DE	0.3	Hold	15	15	-0.1	0.2	62	35	27	8	23	7	APAC(23.4%); USA(7.9%)	3	na
Ericsson	SE	30.2	Buy	93	95	2.5	25.7	10	2	8	36	19	35	USA(26.0%); LatAm(9.7%); W. & C. Europe(8.1%); Mid-East(7.7%); Southeast Asia, Oceania(6.9%); China, N. Asia(6.9%)	40	na
Iliad Group	FR	11.0	Buy	189	200	5.9	3.7	100	100	0	0	0	0		0	0
Imagination	GB	0.7	Hold	205	200	-2.3	0.2	21	14	6	57	21	1	USA(56.2%); Asia(21.5%)	na	na
Indra Sistemas	ES	1.3		8	na	na	3.0	na	na	na	46	na	54	LatAm(46.4%); Africa, Asia, Australia(21.3%)	61	na
Infineon Technologies	DE	9.6	Hold	9	8	-9.6	3.8	41	21	20	13	47	0	APAC(40.6%); N. America(12.7%); Japan(5.9%)	33	na
Ingenico	FR	4.8		85	na	na	1.4	na	na	52	23	18	8	S. Europe(43.2%); APAC(17.6%); LatAm(13.8%); N. America(9.0%); C. Europe, Mid-East, Africa(8.8%)	23	12
Nemetschek AG	DE	0.8		80	na	na	0.2	na	41	na	na	na	59		0	0
Neopost	FR	1.6		46	na	na	1.1	na	na	54	39	7	0	N. America(39.3%); Asia pacific(6.7%)	na	na
Nokia	FI	24.5	Hold	7	6	-8.3	12.7	13	5	8	16	26	45	USA(12.1%); Japan(10.9%); China(7.1%); India(5.2%); Germany(4.8%); Brazil(4.0%)	83	na

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Figure 158: Regional exposure by company (Contd.)

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Technology																
PSI AG	DE	0.2	Hold	12	13	6.8	0.2	na	47	na	na	na	53		na	na
QSC AG	DE	0.2	Hold	1	2	26.1	0.5	100	100	0	0	0	0		0	0
Sage Group	GB	6.0		439	na	na	1.7	na	na	56	33	na	11	N. America(32.6%)	na	na
Software AG	DE	1.8	Hold	20	23	12.7	1.0	na	18	na	26	na	56	USA(25.9%)	49	na
Spirent	GB	0.6	Hold	71	105	47.5	0.3	12	2	10	52	na	36	USA(52.2%)	96	na
STMicroelectronics	FR	5.5	Sell	6	5	-25.6	6.1	28	4	24	13	53	7	Singapore(47.8%); Netherlands(23.0%); USA(12.9%); Japan(5.2%)	na	na
TelecityGroup	GB	2.0		791	na	na	0.4	100	44	56	0	0	0		0	0
TomTom	NL	1.2	Sell	5	3	-41.1	1.0	na	na	74	18	na	8	USA(18.4%)	na	na
United Internet	DE	7.5	Buy	37	39	6.5	2.7	na	89	na	na	na	11		na	na
Wincor Nixdorf	DE	1.3	Buy	39	48	23.3	2.5	72	23	49	11	na	17	Europe (excluding Germany)(49.3%); Americas(10.7%)	9	0
XING AG	DE	0.5	Buy	91	110	20.4	0.1	na	na	na	na	na	100		na	na
Telecommunications																
Belgacom	BE	10.5	Sell	31	24	-23.1	6.3	100	100	0	0	0	0		0	0
BT Group PLC	GB	42.4	Hold	411	410	-0.3	23.2	91	77	14	6	3	0	EMEA ex. UK(14.1%); Americas(5.9%); APAC(3.0%)	3	na
Cable & Wireless Communications	GB	1.7	Hold	49	53	8.5	1.5	na	na	13	87	0	0	Caribbean(55.8%); Panama(31.6%); Monaco(12.7%)	na	90
Deutsche Telekom	DE	59.0		13	na	na	60.1	66	41	25	34	0	0	USA(34.0%); Europe Ex. Germany(25.0%)	37	na
Drillisch Group	DE	1.6		29	na	na	0.3	100	100	0	0	0	0		0	0
Elisa Corporation	FI	4.0	Hold	24	19	-22.6	1.5	100	92	7	na	na	0		0	na
Freenet AG	DE	3.0	Hold	23	20	-14.7	3.2	100	100	0	0	0	0		0	0
Hellenic Telecom	GR	4.1		8	na	na	4.1	100	73	27	na	na	0	Romania(25.1%)	0	na
Inmarsat	GB	4.5		785	na	na	1.0	41	7	34	35	20	4	N. America(34.7%); APAC(20.2%)	50	na
Jazztel	ES	3.2		13	na	na	1.0	100	100	0	0	0	0		0	0
KPN	NL	10.9	Buy	3	3	17.2	8.5	93	58	34	7	na	0	Germany(28.1%); Belgium(6.3%)	0	na
Netia	PL	0.5	Hold	6	6	-2.6	0.5	100	100	0	0	0	0		0	0
Orange Polska SA	PL	2.8	Hold	9	10	13.0	3.1	100	100	0	0	0	0		0	0
Orange SA	FR	37.0	Hold	14	13	-10.6	41.0	75	55	20	na	na	25	Spain(11.5%); Poland(8.7%)	na	na
Portugal Telecom	PT	1.0		1	na	na	2.9	na	89	na	na	na	11		22	0
Swisscom	CH	25.0	Hold	579	594	2.7	9.3	100	82	18	na	na	0	Italy(17.7%)	0	na
TalkTalk Telecom Group	GB	3.7		306	na	na	2.2	100	100	0	0	0	0		na	na
TDC	DK	5.2	Hold	47	52	9.7	3.3	na	84	na	na	na	16		0	na
Tele2	SE	4.3	Hold	94	84	-11.1	3.4	93	42	51	na	na	7	Netherlands(18.2%); Norway(13.8%); Croatia(4.7%); Kazakhstan(4.5%); Lithuania(4.3%); Austria(4.2%)	0	0
Telecom Italia	IT	12.7	Buy	1	1	6.1	23.4	na	69	na	na	na	31		0	na
Telekom Austria	AT	3.6	Hold	5	6	13.7	4.2	89	63	26	na	na	11	Bulgaria(9.5%); Croatia(9.0%); Belarus(7.9%)	0	0
Telenor ASA	NO	25.0	Buy	150	164	9.3	12.4	53	27	26	na	45	2	Thailand(17.0%); Other Asia(15.7%); Sweden(12.1%); Malaysia(11.9%); C. Europe(8.3%); Other Nordic(5.6%)	29	na
TeliaSonera	SE	24.1	Hold	52	46	-11.7	11.5	54	35	19	na	na	46	Finland(12.1%); Norway(6.9%)	0	na
Vodafone Group Plc	GB	74.9	Buy	223	250	12.1	48.6	na	na	97	na	na	3		0	0
Ziggo N.V.	NL	7.7		39	na	na	1.6	100	100	0	0	0	0		0	0

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Travel & Leisure																
888 Holdings Plc	GB	0.6	Hold	142	160	13.1	0.3	81	41	40	12	na	7	Europe ex. UK(40.4%); Americas(11.6%)	8	33
Accor SA	FR	8.2	Hold	36	39	7.5	5.5	76	34	43	8	11	5	Europe ex. France(42.7%); APAC(11.3%); LatAm(7.7%)	21	na
Air Berlin	DE	0.1	Sell	1	1	25.0	4.1	100	100	0	0	0	0		0	0
Air France-KLM	FR	2.4	Hold	8	7	-10.3	25.5	na	31	na	16	11	42	Americas(16.4%); Asia(11.0%); Africa, Mid-East(6.3%)	na	na
Autogrill	IT	1.6	Hold	6	7	14.7	4.5	57	37	20	42	na	1	N. America(42.2%)	na	na
Betfair	GB	2.0	Hold	1497	1499	0.1	0.5	63	63	0	12	na	26	US(11.6%); ROW(25.8%)	na	na
Carnival	GB	6.5	Buy	2789	2830	1.5	11.7	na	na	35	50	11	3	N. America(50.1%); Australia, Asia(11.5%)	na	na
Compass Group	GB	22.5		1062	na	na	21.1	na	na	na	57	na	43	N. America(57.4%); Europe, Japan(42.6%)	50	70
Deutsche Lufthansa AG	DE	6.5	Hold	14	15	6.3	30.0	na	na	61	20	13	5	N. America(16.4%); APAC(13.4%); LatAm(3.6%); Mid-East(3.2%); Africa(2.1%)	2	2
easyJet	GB	8.4	Buy	1668	1830	9.7	5.1	99	46	52	na	na	1	S. Europe(32.7%); N. Europe(19.6%)	na	na
eDreams ODIGEO	ES	0.2	Hold	1	3	na	0.4	na	na	100	0	0	0	France(45.1%); UK, Nordics(23.1%); S. Europe(18.5%); Germany, Austria(13.3%)	na	na
Enterprise Inns	GB	0.7	Buy	103	205	99.4	0.8	100	100	0	0	0	0		0	0
FirstGroup	GB	1.6	Hold	107	130	21.3	8.0	57	57	0	43	0	0	USA(35.9%); Canada(7.3%)	67	61
Go-Ahead	GB	1.3	Buy	2448	2790	14.0	3.1	100	100	0	0	0	0		0	0
GTECH	IT	3.1	Buy	18	22	23.5	3.1	59	57	2	29	na	12	USA(23.5%); Canada(3.8%); UK(2.2%)	61	na
InterContinental Hotels Group	GB	7.6		2527	na	na	1.5	na	na	22	51	13	13	Americas(51.4%); China(13.2%); Asia, Mid-East, Africa(12.9%)	62	70
Intnl Airlines Group (IAG)	GB	11.9	Buy	462	480	3.9	18.7	48	33	15	14	na	38	Spain(15.3%); USA(14.4%)	0	na
Kuoni Reisen Holding	CH	0.9	Buy	291	375	28.9	4.6	na	13	na	na	na	87		0	na
Ladbrokes PLC	GB	1.3	Buy	113	165	45.8	1.3	na	86	na	na	na	14		0	na
Marston's PLC	GB	1.1	Hold	145	170	17.2	0.9	100	100	0	0	0	0		0	0
Melia Hotels International	ES	1.6	Buy	9	10	17.9	1.4	64	38	26	31	0	5	Americas(31.0%); Europe exSpain(26%)	30	na
Merlin Entertainments	GB	4.9	Buy	382	440	15.2	1.4	65	39	26	21	14	0	Continental Europe(25.8%); N. America(20.7%); APAC(14.4%)	30	na
Mitchells & Butlers PLC	GB	1.8	Buy	353	540	53.0	2.2	100	97	3	0	0	0	Germany(3.1%)	0	na
National Express	GB	1.6	Hold	248	240	-3.3	2.2	66	36	30	34	0	0	N. America(34.1%); Spain(29.9%)	36	19
NH Hoteles SA	ES	1.3	Hold	4	4	7.2	1.3	94	25	69	6	0	0	Germany(22.5%); Benelux(23.0%); Italy(16.0%); LatAm(6.0%)	10	11
Paddy Power	IE	3.1	Hold	63	65	2.5	0.7	na	na	76	0	24	0	UK(47.9%); Ireland, Other(28.0%); Australia(24.1%)	28	na
Playtech	GB	2.5	Buy	658	750	14.0	0.4	42	11	31	31	15	12	Gibraltar(24.2%); Antigua(23.5%); Philippines(15.2%); Curacao(7.6%); Alderney(10.7%); Italy(3.9%); Malta(3.2%)	0	na
Ryanair	IE	13.3	Buy	10	8	-21.0	5.0	100	11	89	0	0	0	UK(24.9%)	na	na
Sodexo	FR	12.4	Buy	79	86	8.7	18.4	na	na	41	38	na	21	USA(38%)	43	na
Stagecoach	GB	2.8	Buy	378	470	24.2	3.5	85	85	0	15	0	0	N. America(14.6%)	24	0
The Restaurant Group	GB	1.6	Hold	631	675	7.0	0.7	100	100	0	0	0	0		0	0
Thomas Cook Group	GB	2.2		117	na	na	11.2	100	35	65	0	0	0	C. Europe(50.0%); N. Europe(14.8%)	0	0
Tipp24	DE	0.3	Buy	38	65	69.5	0.1	100	0	100	0	0	0		0	0
Wetherspoon (J.D.) Plc	GB	1.2	Hold	791	700	-11.5	0.7	100	100	0	0	0	0		0	0
Whitbread	GB	10.6	Hold	4605	4600	-0.1	2.7	96	96	0	na	na	4	RoW ex. UK(3.6%)	0	na
William Hill	GB	3.9	Buy	347	415	19.8	1.7	na	85	na	na	na	15		0	0

Source: Bloomberg Finance LP, DataStream, Company Data, Deutsche Bank ^Outside Europe refers to exposure specific to Americas and Asia-Pacific

Figure 158: Regional exposure by company (Contd.)

Company	Ctry. Code	Mcap. (Eur bn)	Rec.	Curr. Price 11-Dec-14 (local curr.)	Targ. Price 11-Dec-14 (local curr.)	Up-side Pote-ntial %	Sales 2013 (Eur, bn)	% Sales Europe	% Sales in 2013: Home country	Rest of Europe	Americas	Asia/ Pacific	Unspecified/ RoW	Major sales destinations abroad	Outside Europe^ 2013 Assets%	Outside Europe^ 2013 Capex%
Utilities																
Centrica	GB	17.3	Hold	274	290	5.7	31.9	68	66	3	28	na	3	N. America(28.3%); Norway(2.6%)	24	na
Drax Group Plc	GB	2.9	Hold	565	650	15.1	2.5	100	100	0	0	0	0		0	0
E.ON	DE	29.2	Hold	15	15	2.8	122.5	99	39	60	na	na	1	UK(30.9%); Sweden(3.1%)	0	na
EDF	FR	43.9	Sell	24	18	-23.7	75.6	83	53	30	na	na	17	Italy(17.0%); UK(12.9%)	0	0
Enagas	ES	6.2	Hold	26	25	-3.4	1.3	100	100	0	0	0	0		0	0
Endesa	ES	16.3		15	na	na	31.2	na	na	69	31	0	0	Spain, Portugal(68.9%); LatAm(31.1%)	39	58
ENEA	PL	1.8	Hold	17	17	2.5	2.2	100	100	0	0	0	0		0	0
Enel	IT	35.5	Hold	4	4	11.4	79.6	87	42	44	13	na	1	LatAm(12.6%)	na	na
Energa	PL	2.3	Buy	24	29	22.9	2.7	100	100	0	0	0	0		0	0
Energias de Portugal	PT	10.2	Hold	3	3	-6.1	16.1	82	53	29	18	0	0	Spain(28.9%); Brazil(15.8%); USA(2.3%)	na	na
EVN	AT	1.8	Hold	10	11	7.9	2.8	98	58	40	na	na	2	Bulgaria(21.6%); Macedonia(15.0%); Germany(3.3%)	na	na
Fortum	FI	17.1	Hold	19	17	-14.3	6.1	na	na	100	0	0	0	Other Nordic(73.7%); Russia(18.5%); Poland(3.4%)	0	0
Gas Natural	ES	21.2	Hold	21	22	5.0	25.2	65	56	9	30	na	5	LatAm(29.9%)	na	37
GDF Suez	FR	46.9	Buy	19	21	8.0	89.3	80	39	41	10	na	10	Belgium(12.2%); N. America(5.2%); S. America(4.8%)	na	na
Iberdrola	ES	36.2	Buy	6	6	8.6	32.8	na	na	77	22	na	1	Spain, Portugal(40.3%); UK(29.8%); USA(9.8%); Brazil(8.4%); N. America(3.9%)	34	41
Infinis Energy	GB	0.9	Hold	223	230	3.3	0.3	100	100	0	0	0	0		0	0
MVV Energie AG	DE	1.6	Hold	24	25	3.8	4.0	97	97	0	na	na	3		na	na
National Grid PLC	GB	42.9	Hold	901	880	-2.3	18.8	46	46	0	54	0	0	USA(54.4%)	na	37
Pennon Group	GB	4.4	Hold	874	850	-2.7	1.7	97	96	1	na	3	1	China(2.7%)	0	0
PGE	PL	8.8	Hold	20	23	16.5	7.2	100	97	3	na	na	0		0	na
Public Power Corp	GR	1.3	Hold	5	10	83.2	6.0	100	100	0	0	0	0		0	na
Red Electrica	ES	9.7	Buy	72	78	8.5	1.8	99	97	1	na	na	1		na	na
Rubis	FR	1.8		46	na	na	2.8	na	na	32	62	na	6	Caribbean(62.3%); Africa(6.0%)	32	29
RWE	DE	16.2	Hold	28	28	-0.3	51.4	99	55	44	na	na	1	UK(19.1%)	0	na
Severn Trent	GB	5.8	Buy	1915	2200	14.9	2.4	87	87	0	8	na	5	USA(7.9%)	1	na
Snam	IT	13.8	Hold	4	4	-2.0	3.8	100	100	0	0	0	0		0	0
SSE	GB	20.3	Hold	1620	1340	-17.3	38.7	100	97	3	0	0	0		na	na
Suez Environnement	FR	7.8	Hold	14	14	-2.8	14.6	71	36	34	na	na	29		na	na
Tauron	PL	2.2	Hold	5	6	8.9	4.6	97	97	0	na	na	3		na	na
Terna S.p.A.	IT	7.6	Hold	4	4	-1.6	1.8	100	100	0	0	0	0		0	0
United Utilities	GB	7.5	Buy	872	1030	18.1	2.2	100	100	0	0	0	0		0	na
Veolia Environnement	FR	8.1	Hold	14	14	-2.8	22.3	77	51	27	8	9	6	UK(8.9%); Germany(8.8%); USA(7.6%); C. Europe(5.4%); Asia(4.8%); Oceania(4.3%)	22	na
Verbund	AT	2.7	Sell	16	12	-24.4	3.2	100	53	47	na	na	0	Germany(41.1%); France(4.4%)	0	na

Source: Bloomberg Finance LP, DataStream, Company Data, Deutsche Bank ^Outside Europe refers to exposure specific to Americas and Asia-Pacific

Appendix B: Methodology

B.1 Investor positioning

To help the reader understand investor positioning in the European equity market and also to track their potential over-/ and underweight position across European sectors (Stoxx600 super sectors methodology), we prepared a bottom-up analysis of the fund universe available in Bloomberg. For the purpose of our analysis, we consider funds meeting the following criteria:

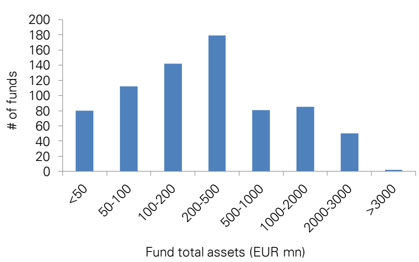
Status: *Active*
Fund Type: *Closed-end and Open-end funds*
Geographic Focus: *Europe*
Asset Class: *Equity*

We measure the degree by how invested European-focused equity funds are by computing rolling 60-day (approximately 2 months) beta of daily returns related to a custom fund index versus the Stoxx600 index. The custom fund index is created by weighting daily performance of individual funds (by using daily NAV) by its total assets.

The obtained beta reflects the sensitivity of European focused funds to the European equity market and, thus, reflects their overall investment position. We compare the current beta level to its 2000-2014 median to determine whether they are rather over-/underweight equities in a historical context.

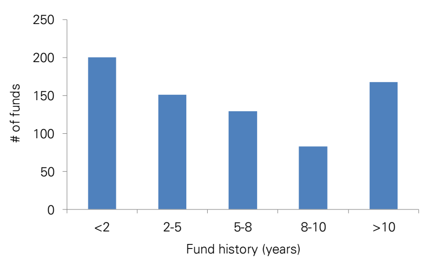
A similar analysis is also done for various sub-groups of the fund universe to see if the trend is similar or different across the various groups. We have positioning (fund betas) computed based on 1) domicile, 2) management style and 3) market cap styles.

Figure 159: Funds by assets



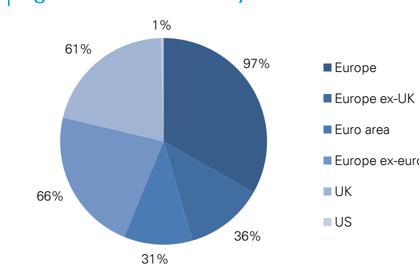
Source: Bloomberg Finance LP, Deutsche Bank

Figure 160: Funds by NAV history



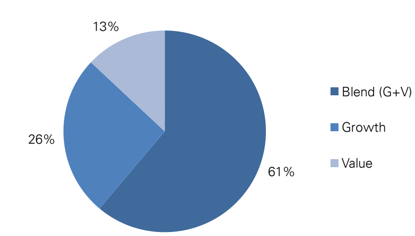
Source: Bloomberg Finance LP, Deutsche Bank

Figure 161: Funds by domicile



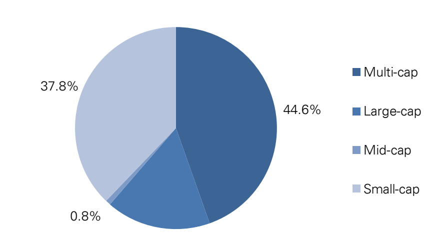
Source: Bloomberg Finance LP, Deutsche Bank

Figure 162: Funds by mgmt. style



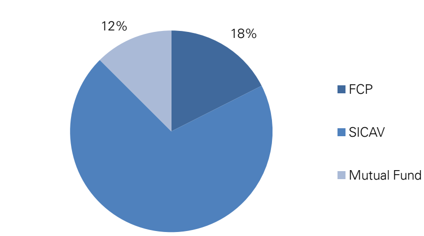
Source: Bloomberg Finance LP, Deutsche Bank

Figure 163: Funds by cap focus



Source: Bloomberg Finance LP, Deutsche Bank

Figure 164: Funds by fund type



Source: Bloomberg Finance LP, Deutsche Bank

B.2 Directors' dealings

Transaction type: We consider plain buy/sell transactions for our research. We exclude the following transactions Exercise, Award, Initial, Subscribe, Transfer, Holdings Disclosure, Awards, etc. Buy/sell transactions are further classified based on secondary information, and the following categories are excluded

- Back to company / Equity or Employee Options (capital decrease)
- Self-Invested Personal Pension (SIPP)
- Remuneration, Compensation: In lieu of salaries, director gets shares instead of cash as part of the remuneration – sort of an award
- Intention to sell, planned transaction or a commitment, guaranteed for a transaction
- Capital increase, seasoned equity offering
- Offer to take an interest (stake) in the company, no merger
- Initial transactions - first buy within 3 months after appointment
- Private neutral transaction, not completely neutral
- Debt redemption: delivered to debtor (e.g. insider is selling shares to pay off debt)
- After resignation or retirement from the company
- Forced transaction, margin call
- Contribution of shares from external 3rd-party resulting in an increase in holdings.
- Related to share plans, discounted shares, monthly plans
- NEUTRAL, no change in beneficial holdings
- Automated transaction (10b5-1 transaction)
- Option or award related
- Merger, takeover, buyout
- Reverse merger, spinoff or split of company
- Dividend reinvestment, scrip dividend
- IPO-related transaction
- Tax liability related transaction (usually sell transaction)

Security Types: We consider securities with voting rights like Common Shares, Registered Shares, Ordinary Shares, and Preference Shares. We also include depository receipts. However, we exclude the following types of securities: Employee option, Subscription right, Convertible bond, Right, Warrant, Put, Call, Total return swap, Participation Right, Share right, Forward, Equity Swap, Contract for difference, Put (short), Bond Certificate, Call (short), Capital share, Voting Right, Participation certificate, Employee Share, Nil paid right, Subordinated capital security, Dividend-right certificate, Discount certificate, Stock option and Saving share.

Finally all the companies with cumulative transaction volumes of less than EUR 10,000 in the observation period are not shown in the report. And the companies with both buy and sell transactions in the observed period of comparable volume, are not highlighted in report.

Apart from the above rules we also follow innumerable small rules to enhance the value content of the report.

Directors' dealings barometers: The 50-day (c3M) volume represents cumulative 50 trading day directors' buy/sell volume where each transaction is capped at EUR 1m to avoid skew.

B.3 Cash Return on Capital Invested (CROCI)

CROCI is a cash flow based valuation metric developed by Deutsche Bank's Asset & Wealth Management Group. Its purpose is to improve stock selection for Industrials (ex Financials). CROCI focuses on economic returns as the main driver of share prices.

Cash Return on Capital Invested (Figure 165, left chart): CROCI is the real inflation adjusted economic return on a company's assets that is real economic profitability. The bars show the level of CROCI calculated according to three assumptions of asset lives. The line is the real cost of capital (CoC). A CROCI above the line illustrates that the company is creating value for shareholders; below the line implies value destruction. 'Returns Ex Goodwill' can be defined as "operating" CROCI. Goodwill paid on acquisitions is excluded so that the underlying operating return can be analysed. In addition to identifying if the company is generating real economic returns the actual shape of the CROCI profile is of great interest. As industries or businesses mature, excess returns will tend to regress to the cost of capital.

Net Capital Invested (NCI): NCI is a measure of the total investment that has been made to generate the economic returns including tangible fixed and intangible assets. In contrast to accounts data NCI sets out to capture all the cash spent on creating the company's asset base while making adjustments for inflation on that asset base.

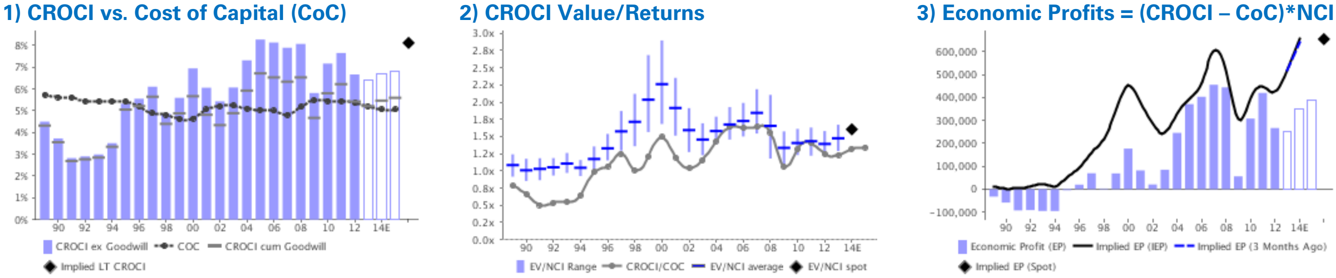
CROCI 'Value/Returns' (Figure 165, middle chart): *Value* is given by the asset multiple, Enterprise Value divided by Net Capital Invested, the *Return* is the CROCI as compared to the Cost of Capital. The blue shaded Value area is bounded by the peak and trough asset multiples (Enterprise Value / Net Capital Invested) in each fiscal year, effectively an adjusted price-to-book ratio based on the highest and lowest share price. This asset multiple represents what the market has been and is prepared to pay per unit of the company's net capital invested. The blue dot is the current asset multiple – (EV/NCI).

The Enterprise Value is preferred to the market capitalisation since it considers the value of the company independently of how it is funded. The dark grey line is the ratio of CROCI to the cost of capital. The trend in the valuation should reflect the trend in the profitability (i.e. returns) of the company. In a steady state company with no capital growth, value and return should be in line.

Economic Profits (Figure 165, right chart): A company can grow its economic profit by either increasing returns or compounding its assets. The Economic Profit bar shows the annual economic profit created by the company. The Implied Economic Profit line is the level of annual economic profit implied by the market. The gap between the bars and the line therefore represents one measure of market expectations.

Figure 165: Example – Global equities (MSCI All Countries World, ex Financials)

1) CROCI vs. Cost of Capital (CoC) **2) CROCI Value/Returns** **3) Economic Profits = (CROCI – CoC)*NCI**



Note: Data as of September 2014. Economic Profits are displayed in USD millions.
Source: CROCI, a product of Deutsche Asset & Wealth Management (https://croci.db.com/croci/index.jsp)

The authors of this report wish to acknowledge the contribution made by ***Ashutosh Rajgarhia, Guruprasad Jambunathan, Mohan Rajkumar*** *and* ***Rohit Mehboobani****, employees of Irevna, a division of CRISIL Limited, a third-party provider to Deutsche Bank of offshore research support services.*

Appendix 1

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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 pro-jected dividend yield) , we recommend that investors buy the stock.
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Notes:

1. Newly issued research recommendations and target prices always supersede previously published research.
2. Ratings definitions prior to 27 January, 2007 were:

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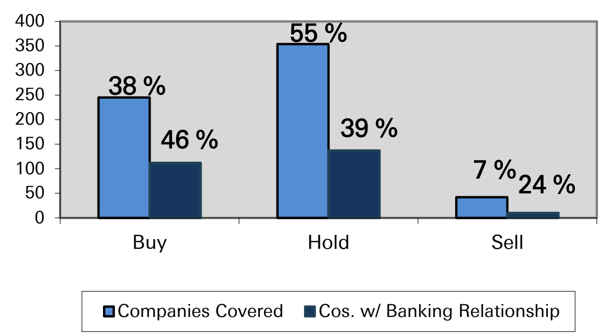

European Universe

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