STRATEGY NOTE

EQUITY RESEARCH

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Euro zone

Strategy

Investment styles: the grass is greener elsewhere

Strategy Analysts

Benoît Peloille (33 1) 58 55 03 07
benoit.peloille@natixis.com

Sylvain Goyon (33 1) 58 55 04 62
sylvain.goyon@natixis.com

Stephen Ausseur (33 1) 58 55 05 35
stephen.ausseur@natixis.com

- Over the past year, equity markets have played an aggressive geographic arbitrage in favour of the recovery in Europe, relative to the slowdown in emerging countries amid a forex crisis. **We are convinced that this arbitrage play will, sooner or later, come up against the failure of growth to pick up pace in Europe and a gradual stabilisation in emerging countries**. **This has led us to give preference to a Growth theme and seek international exposure versus more domestic Value stocks.**

- **A macroeconomic scenario less favourable to domestic themes.** If the Euro zone has managed to exit recession and the cycle has stabilised, this is essentially due to budgetary consolidation targets being pushed back and to transient deflationary effects. Yet, budgetary consolidation is a long way off and still weighs on the European cycle, preventing growth from picking up pace. Recently, earnings outlook revisions tend to show a wider divergence between Europe and the rest of the world. Moreover, a more favourable emerging country forex climate should also fuel the performance of international growth stocks, which are first in line to capitalise on the positive comparative base, after a tough year.

- **The relative premium of growth stocks has deflated**. It looks difficult to find growth stocks with attractive valuations in absolute terms. However, the picture looks very different in relative terms. For proof of this, one has only to examine the change in the premium (in terms of PE and P/B) of Growth stocks vs. Value stocks based on the MSCI Europe Growth and Value indices. After reaching an all-time high in March 2013 (around 50%), this premium has fallen below its 10-year average and now stands at around 33% (a level that had not been seen since April 2011).

- **Investment opportunities could thus be sought in Growth sectors offering broad exposure to the international cycle (emerging countries and US).** Amongst sectors offering these trends, Food/Beverages and Consumer goods (Luxury, Tobacco, Cosmetics) and industrials stand out as having substantially corrected the valuation premium built up over the last two years. Since the last highs (March 2013), their premium to Value themes has contracted by 24% for Consumer goods, 20% for Food/Beverages and 15% for industrials.

- **Assuming the ECB adopts QE, our scenario would remain intact**. QE would penalise bond yields even more and add weight to the view that growth will remain persistently weak, thereby justifying a persistent valuation premium for Growth sectors. Meanwhile, the downward effect on the euro would also contribute to the outperformance of sectors with international exposure.

Equity Markets equity.natixis.com

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Contents

1. **Overview** 3
   - Early signs of a rotation in favour of Growth? 3
   - Cheap growth stocks? Really? 3
   - Earnings outlook: Europe vs. the rest of the world 5
   - Stabilisation of emerging currencies 7
   - Decorrelation between yields and investment styles 8
   - Performance of Natixis themed portfolios 9
2. **Emerging Growth portfolio** 11
   - Methodology 11
   - Composition of the Emerging growth portfolio 12
   - Sector breakdown for the Emerging Growth portfolio 13
3. **International Growth portfolio** 14
   - Methodology 14
   - Composition of the International Growth portfolio 15
   - Sector breakdown of the International Growth portfolio 16
4. **GARP portfolio** 17
   - Methodology 17
   - Composition of the GARP portfolio 18
   - Sector breakdown for the GARP portfolio 19
5. **Long Growth & Dividend Masters** 20
   - Methodology 20
   - Composition of the Growth & Dividend Masters portfolio 22
   - Sector breakdown for the Growth & Dividend Masters portfolio 23
6. **Deep Value portfolio** 24
   - Methodology 24
   - Composition of the Deep Value portfolio 25
   - Sector breakdown for the Deep Value portfolio 25
7. **Value portfolio** 26
   - Methodology 26
   - Composition of the Value portfolio 27

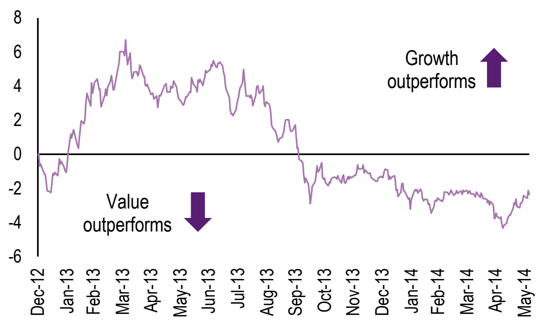
1. Overview

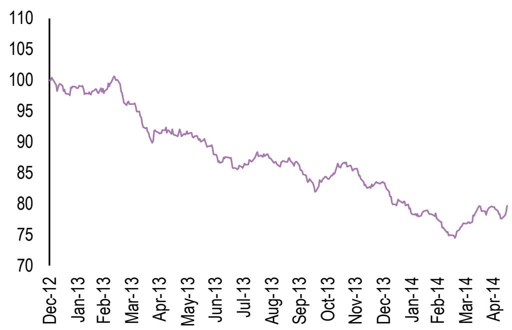
Since the start of the year, growth stocks have underperformed Value themes (MSCI Europe Growth: +5.3% vs. MSCI Europe Value: +6.2%) YTD. This Value cycle, which has been underway for almost 12 months (end-March 2013), has now lifted the outperformance of the MSCI Europe Value to 13% compared with the MSCI Europe Growth.

Early signs of a rotation in favour of Growth?

For over a year, markets have preferred Domestic Value themes and the last reporting season proved them right with further nasty surprises on the forex front in emerging countries. Nevertheless, over the past few weeks, growth stocks have stabilised and we have seen the first signs of recovery in sectors exposed to international growth, such as Food & Beverages and Consumer goods.

Chart 1 : MSCI Growth vs. Value (%) and performance of international vs. domestic stocks on the DJ Stoxx[1] since 31/12/2013





Sources: Bloomberg, FactSet, Natixis

There are several reasons for this rotation: 1/ growth stocks have regained their appeal in terms of relative valuations; 2/ the downward revisions of the earnings outlook on international stocks appears to be behind us; 3/ emerging currencies have started to recover and 4/ macro indicators are showing further evidence of the weak growth in Europe compared with the rest of the world.

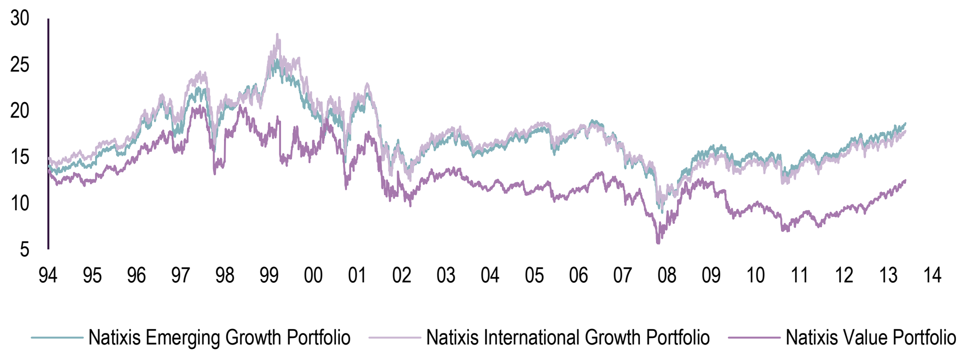
Cheap growth stocks? Really?

Weak growth combined with the rise of equity markets has resulted in a steady expansion of multiples over the past two years and more. The 12-month forward PE of the DJ Stoxx 600 has risen from 9.2x at the end of September 2011 to nearly 15x today. This expansion in multiples has concerned all the Growth and Value themes, Large caps and Mid-caps.

In reality, this trend masks the relative erosion of certain growth sectors relative to the market, sectors that have suffered over the last year from the appetite for Value and domestic themes in the face of the exchange rate crisis in emerging countries. This represents an opportunity as the driving force underpinning the appeal of the value theme in Europe (exit from recession, return of growth) showed shown signs of weakness in Q1 (GDP growth +0.2%).

[1] Index comparing the performance of the 50 companies in the DJ Stoxx 600 the least exposed to Europe (as a % of sales) and that of the most domestic stocks (base 100: 2009).

Chart 2 : PE 12 month forward of the Natixis thematic portfolios since 1994 (x)

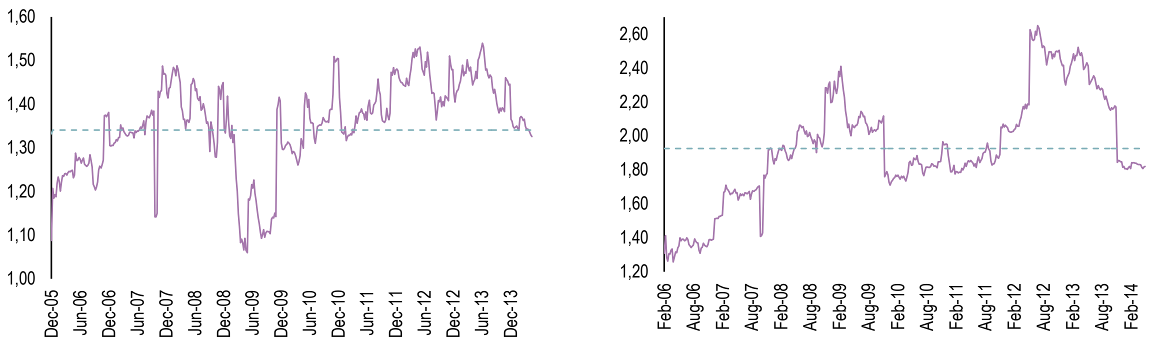


Sources: FactSet, Natixis

Admittedly, it looks difficult to find growth stocks with attractive valuations in absolute terms. **However, the picture looks very different in relative terms.** The forward 12-month PE of our International Growth portfolio works out at 18.4x vs. 19x for our Emerging Growth portfolio and 14x for our Value portfolio. But despite the still significant gap, the increase in multiples has mainly concerned Value themes, and this trend has continued since the start of 2014. Therefore the conclusion is more qualified and the valuation of growth stocks no longer looks so prohibitive

For proof of this, one has only to examine the change in the premium (in terms of PE and P/B) of Growth stocks vs. Value stocks After reaching an all-time high in July 2013 (around 50%), this premium has fallen below its 10-year average and now stands at around 33% (a level that had not been seen since April 2011.)

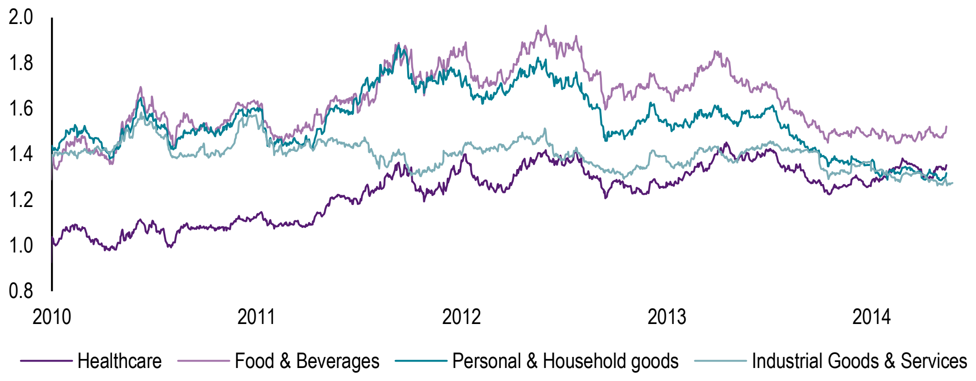
Chart 3: Growth premium (PE and P/B) MSCI Europe Growth vs Value indices (x)



Sources: Bloomberg, Natixis

While stopping short of a de-rating, the market has thus nonetheless penalised the stocks of growth groups with broad international exposure, owing to the risks hanging over emerging countries. This return of the growth premium below its long-term average offers a tactical opportunity that should be exploited, at a time when a gamble on a clear improvement in the European macro picture, and hence EPS, looks undermined by the Q1 GDP growth numbers. Therefore, we do not believe in a continuation of the relative erosion for growth sectors. In a climate of emerging country exchange rate stabilisation, the latter should recover all or part of their privileged status thanks to clearer visibility on their earnings growth.

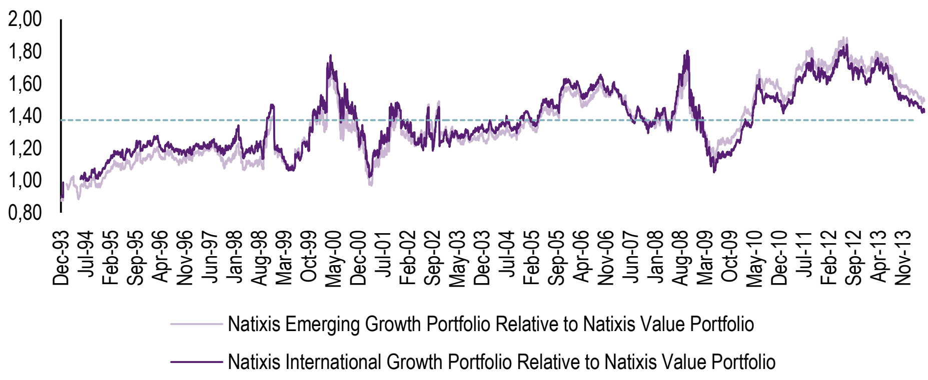
Chart 4 : Growth premium (relative PE vs. Value index)



Sources: FactSet, Natixis

Investment opportunities could thus be sought in Growth sectors offering broad exposure to the international cycle (emerging countries and US). Amongst sectors incarnating these trends, Food/Beverages and Consumer goods (Luxury, Tobacco, Cosmetics) and industrials stand out as having substantially corrected the valuation premium built up over the last two years. Since the last highs (2012), their premium to Value themes has contracted by 24% for Consumer goods, 20% for Food/Beverages and 15% for industrials.

Chart 5 : Growth premium (relative PE vs Value index) – Natixis investment style portfolios



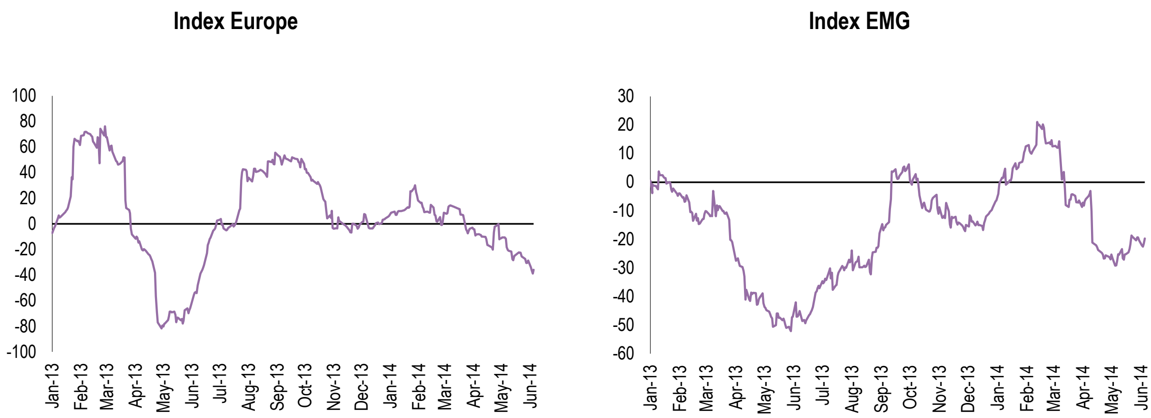
Sources: FactSet, Natixis

Earnings outlook: Europe vs. the rest of the world

Over the past year, equity markets have played an aggressive geographic arbitrage in favour of the recovery in Europe, related to the slowdown in emerging countries amid a forex crisis. **We are convinced that this arbitrage play will, sooner or later, come up against the failure of growth to pick up pace in Europe and a gradual stabilisation in emerging countries**. This has led us to give preference to a Growth theme and seek international exposure versus more domestic Value stocks.

But while the latest macroeconomic readings from emerging countries seem to confirm a stabilisation or perhaps even a cycle recovery (cf China's PMI indices are starting to show signs of stabilising, a slight rebound in India), it is difficult to envisage the European recovering continuing, which is so hoped-for by the market.

Chart 6 : Macroeconomic surprise indicators



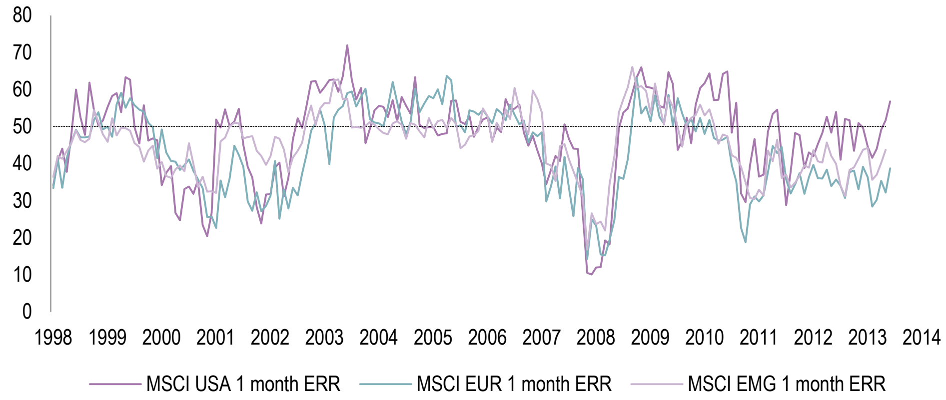
Sources: Bloomberg

If the Euro zone has managed to exit recession and the cycle has stabilised, this is essentially due to budgetary consolidation targets being pushed back and to transient deflationary effects. Yet, budgetary consolidation is a long way off and still weighs on the European cycle, preventing growth from picking up pace. The latest macroeconomic readings seem to confirm this scenario of persistently weak growth, owing to deficit issues.

Although a positive turning point seems to be emerging in Spain with further evidence of a timorous recovery in consumer spending, weakness in France and Italy has a knock-on effect on the entire Euro zone, even Germany. Recent PMI indices show stagnating growth and a decline in industry: the German manufacturing PMI came out at 52.9 vs. 54.1 in April and contracted again in France (49.3 vs. 50.9 previously).

Recently, earnings outlook revisions trends have shown an increasingly wider divergence between Europe and the rest of the world. In the USA, analysts have regained a certain level of optimism (Earning Revision Ratio > 50 points). In emerging countries, although we are still below the 50-point mark, there is an increasing number of upward revisions, while in Europe, the decline continues.

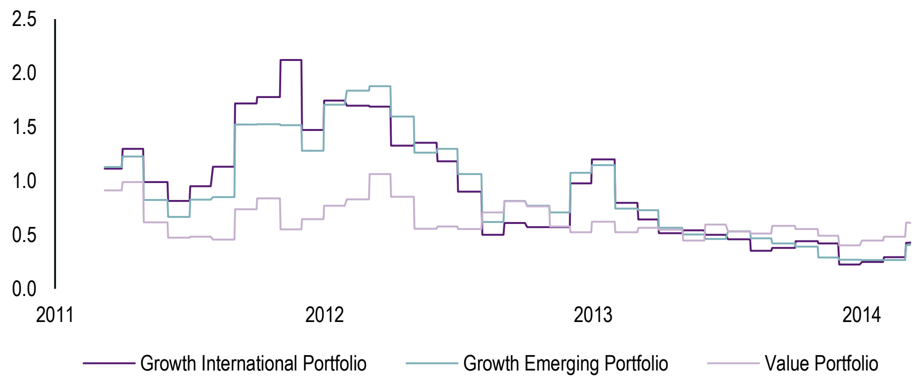
Chart 7 : Earnings Revisions Ratio = EPS revisions on the increase/ total revisions (%)



Sources: Datastream, Natixis

This is what the earnings outlook revisions in our themed portfolio seem to confirm.

Chart 8 : Upward EPS revisions/downward revisions (Natixis themed portfolios)



Sources: FactSet, Natixis

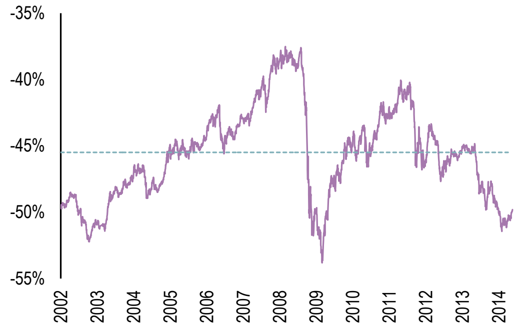
Whereas our Value portfolio has been relatively spared by downward revisions over the last year, our Growth portfolios have, on the whole, been very hard hit, penalised by their exposure to emerging countries. In light of the comparative base resulting from the numerous profit warnings tied to the forex effect, clearly the leverage on the earnings outlook is to be found on Growth themes exposed to emerging countries, assuming that a stable forex scenario.

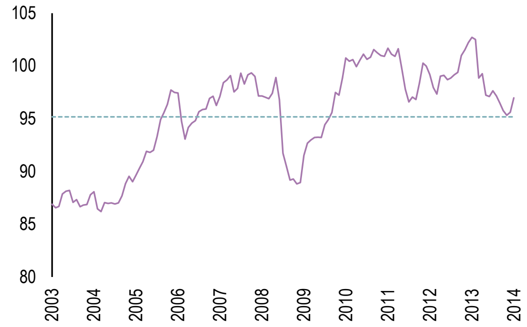
Stabilisation of emerging currencies

In our year-start strategy, we highlighted the indirect stimulating impact the Asian currency crisis at the end of the 1990s had on the GDP of emerging countries. Equity markets in Europe and the USA did not wait to see the benefits of depreciation on emerging exports to play a rotation in favour of stocks with strong exposure to the international cycle.

We now believe that the beginning of a recovery in emerging country currencies is the prelude to a more general rotation in favour of assets that depend on the international cycle. **A more favourable emerging country forex climate should also fuel the performance of international growth stocks, which are first in line to capitalise on the positive comparative base, after a tough year.**

Chart 9 : Composite basket of 14 emerging currencies[2] vs. PPA (left) and vs. Real Effective Exchange Rate (right)





Sources: Bloomberg, Natixis

Chart 10 : Composite basket of 14 emerging currencies vs. €

Sources: Bloomberg, Natixis

Decorrelation between yields and investment styles

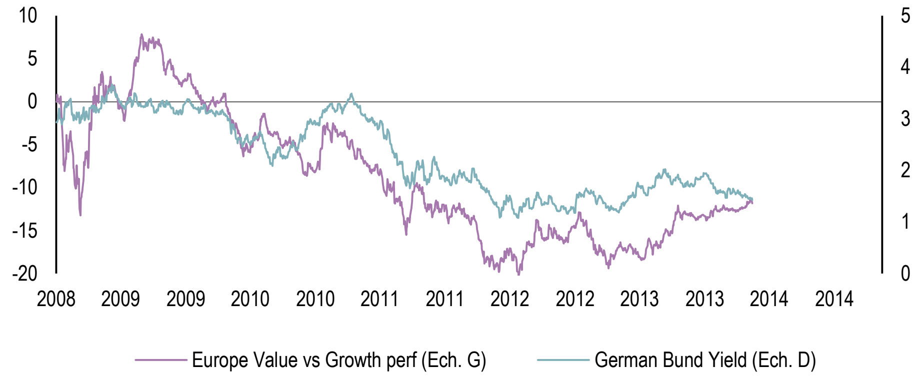
Historically, the relationship between bond yields and investment style performance has been quite stable. **Higher bond yields usually benefit Value themes rather than Growth themes, and vice versa**. In theory, if future growth projections are discounted at a higher rate, this takes a heavier toll on the valuations of Growth stocks. In recent years, persistently weak growth in Europe has prompted investors to allocate an almost-structural valuation premium to Growth stocks against a backdrop of shrinking bond yields.

Assuming the ECB adopts QE, our scenario whereby investors will switch to Growth sectors exposed to international growth (Food/Beverages, Luxury, Consumer Goods, Pharmaceuticals, etc.) **would remain intact**. QE would penalise bond yields even more and add weight to the view that growth will remain persistently weak, thereby justifying a persistent valuation premium for Growth sectors. Meanwhile, the downward effect on the euro would also contribute to the outperformance of sectors with international exposure.

This rotation makes all the more sense because the equity markets have, in recent months, continued to play the Value and domestic themes aggressively, despite a more cautious message as regards bond yields.

[2] Basket of 14 equally-weighted emerging country currencies: Brazil, India, Russia, China, Indonesia, Malaysia, Philippines, South Korea, Thailand, Chile, Mexico, Venezuela, South Africa, Turkey.

Chart 11 : Risk-free rate and relative Value vs Growth performance (Europe)

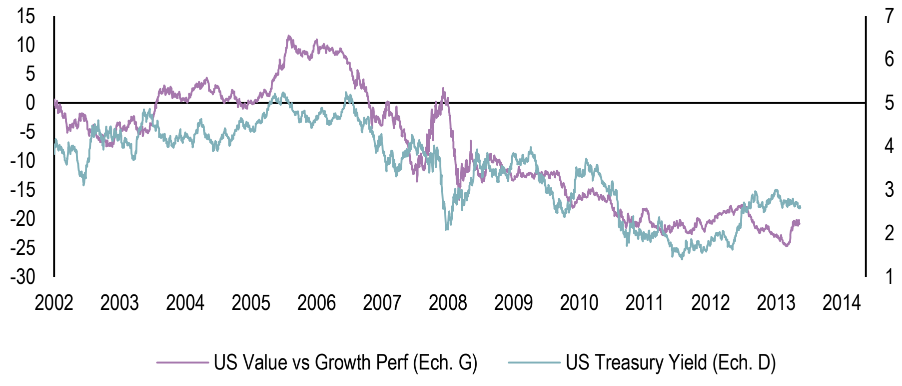


Sources: Bloomberg, FactSet, Natixis

Equity markets will function normally again, and Value themes will outperform again, only after the market has been convinced about the positive impact of monetary policy on growth, as evidenced by rising bond yields. The series of QE programmes in the USA appears to underpin this conclusion: Growth stocks outperformed throughout the duration of the QE programmes and investors have switched to Value stocks only recently, while bond yields have settled at higher levels.

But since yields have stabilised at high levels, thus validating a scenario for more optimistic growth and justifying the interest of tapering, the market is once again giving preference to the Value theme.

Chart 12 : Risk-free rate and relative Value vs. Growth performance (USA)



Sources: Bloomberg, FactSet, Natixis

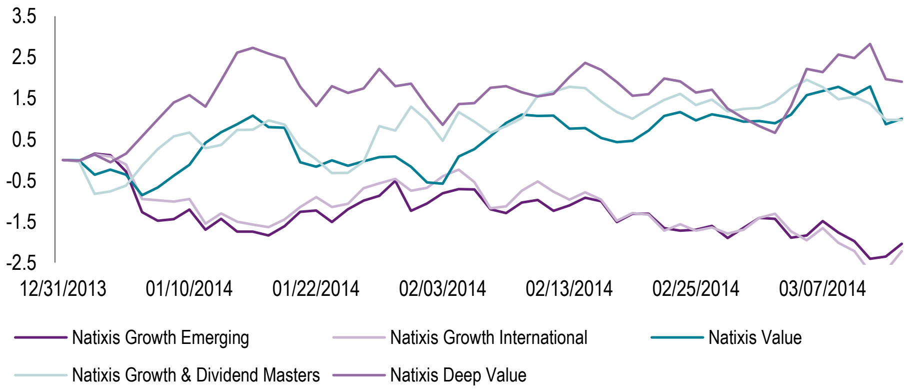
To sum up, as we see it, in Europe, the message being sent by bond yields is a cautious one which has not been priced in by Equity markets and which is probably paving the way for a phase of volatility, combined with a recovery in Growth themes.

Performance of Natixis themed portfolios

The under-performance of international growth stocks has been perceptible in our themed portfolios YTD. Our Growth portfolio under-performed the Stoxx 600 (-3.4% for the Emerging Growth portfolio and -1.7% for the International Growth portfolio) victims of fears on the cycle in emerging. Conversely, our Value portfolio profits from this renewed appeal for domestic themes (+1.2% vs

Stoxx 600). The strongest performance since the start of year is for our Growth & Dividend Masters portfolio (+2.4%, in relative terms).

Chart 13 : Performance of our portfolios vs. DJ Stoxx (base: end 2012) (%)



Sources: Bloomberg, Natixis

Chart 14 : Performances of our portfolios vs. DJ Stoxx

%	Performances vs. Stoxx 600 at 06/11			
	1 month	6 month	YTD	Since its creation
Natixis Emerging Growth Portfolio	-0.6	-2.7	-3.4	+2.3
Natixis International Growth Portfolio	+0.3	-1.5	-1.7	+5.2
Natixis Value Portfolio	-1.7	+0.6	+1.2	+4.7
Natixis Deep Value Portfolio	+0.2	+2	+0.2	-2.3
Natixis GARP portfolio	-0.3	+2.7	+2.7	+1.6
Natixis Growth & Dividend Masters	+0.3	+4.4	+2.8	+13

Sources: Bloomberg, Natixis

2. Emerging Growth portfolio

Our Emerging Growth portfolio gains in cyclicality with a now sizeable weight of industrial stocks (34%) and in particular Aerospace/Defence (Airbus group, Safran, Zodiac) and also groups such as Schneider, ABB and Intertek. We also note a large number of Consumer goods stocks and above all, Luxury Goods with Richemont and LVMH, in addition to BIC. Last, we note the weight of Healthcare (Roche, Novo Nordisk) and Beverages (Heineken, ABInbev).

Methodology

Our benchmark universe comprises all of the component stocks in the Stoxx 600 excluding financials. We conducted a quantitative screening based on valuation multiples (PE, P/BV, P/CF) but also on their historically documented capacity to generate growth (historical change in EBIT, growth in EPS). An exhaustive list of the criteria used is given in the table below. We only include groups that meet at least 8 of our 9 criteria

Table 1: Selection criteria for the Emerging Growth portfolio

Emerging Growth portfolio
PE 14e > Stoxx 600 (13.7x)
P/BV 14e > Stoxx 600 (1.7x)
P/CF 14e > Stoxx 600 (8.3x)
ROE 14e > Stoxx 600 (12%)
Pay out < 60%
CAGR EBIT 10y > 8%
EPS growth 10y > 8%
Capitalisation > €3bn
Exposure emerging countries > 20% of sales

Source: Natixis

Table 2 : Entries and exits in the Emerging Growth portfolio

In	Out
Linde	Antofagasta
Nutreco	ARM Holdings
Viscofan	Scania AB
Wartsila	Ingenico
SKF	Informa
Rolls-Royce	SGS
Informa	InterContinental Hotels
UBM	Tenaris
Swedish Match	Air Liquide
BIC	Paddy Power
Gemalto	Essilor International
	Publicis Groupe
	Croda International
	Associated British Foods

Source: Natixis

Composition of the Emerging growth portfolio

Table 3 : Emerging growth list

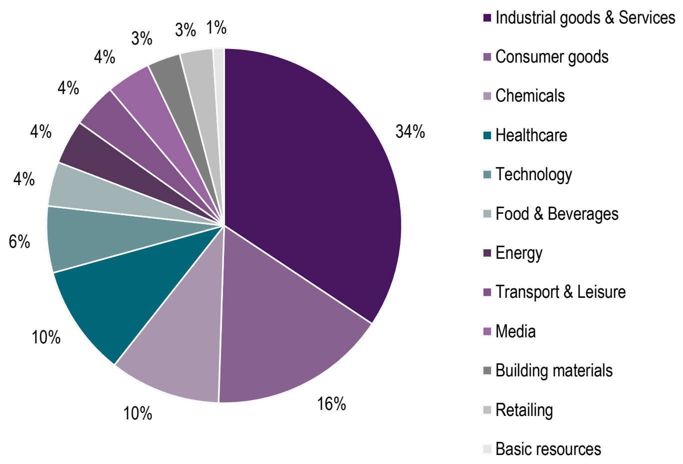
%	Sectors	Capitalisation (€m)	P/B 14e (x)	ROE 14e (%)	10y EBIT CAGR	10yr EPS CAGR	Emergings exposure as % of sales (esp. Asia Latam and Eastern Europe)
Sika	Building materials	7,490	3.9	17	11	14	31
ASSA ABLOY	Building materials	13,676	3.8	19	17	13	21
Syngenta	Chemicals	26,347	3.5	19	8	14	41
Bayer	Chemicals	87,160	3.8	22	nm	65	38
Linde	Chemicals	28,627	2.1	11	16	13	34
Johnson Matthey	Chemicals	8,114	3.7	21	8	8	27
Swedish Match	Consumer goods	5,082	nm	nm	4	9	100
Swatch Group	Consumer goods	23,575	2.7	17	14	15	57
adidas	Consumer goods	16,319	2.7	14	10	9	51
Richemont	Consumer goods	43,880	3.2	17	21	18	50
Hermes International	Consumer goods	27,374	8.0	25	14	14	47
Burberry Group	Consumer goods	8,353	4.8	25	13	15	43
LVMH	Consumer goods	73,725	2.5	13	11	12	42
TOD'S	Consumer goods	3,043	3.5	16	15	16	36
BIC	Consumer goods	4,505	2.7	16	5	9	31
British American Tobacco	Consumer goods	82,154	9.9	60	9	12	28
Henkel	Consumer goods	34,781	3.3	17	13	11	22
Hennes & Mauritz	Distribution	51,817	9.6	39	9	10	42
Inditex	Distribution	66,291	6.4	25	17	18	26
John Wood	Energy	3,644	1.8	14	18	18	45
Technip	Energy	8,848	2.0	12	17	17	31
Anheuser-Busch Inbev	Food & Beverages	129,608	3.3	16	28	14	50
Heineken	Food & Beverages	29,722	2.4	14	8	5	40
Nutreco	Food & Beverages	2,255	2.1	15	16	11	37
Viscofan	Food & Beverages	1,939	3.3	17	15	15	21
Elekta AB	Healthcare	3,683	4.7	21	19	18	32
Novozymes	Healthcare	11,454	7.3	21	11	13	30
Shire	Healthcare	25,102	5.0	28	18	17	27
Roche Holding.	Healthcare	188,125	9.2	51	12	13	27
Novo Nordisk	Healthcare	82,904	14.2	61	17	21	23
GN Store Nord	Healthcare	3,311	4.6	18	22	8	21
Coloplast	Healthcare	14,160	15.9	46	15	19	21
Royal Philips	Industrial goods & Services	21,894	1.9	12	14	9	53
Atlas Copco	Industrial goods & Services	25,789	5.2	28	12	16	49
Airbus Group	Industrial goods & Services	41,285	3.2	19	9	10	48
Schneider Electric	Industrial goods & Services	40,192	2.1	12	13	11	47
Weir Group	Industrial goods & Services	6,781	3.3	18	23	21	45
Alfa Laval	Industrial goods & Services	8,079	4.1	19	14	18	40
Kone	Industrial goods & Services	15,668	7.7	40	9	14	38
Wartsila	Industrial goods & Services	7,797	3.8	20	36	67	38
ANDRITZ	Industrial goods & Services	4,508	4.2	22	7	9	37
Spectris	Industrial goods & Services	3,351	3.0	18	15	15	36
Royal Vopak	Industrial goods & Services	4,858	2.4	14	10	12	35
IMI	Industrial goods & Services	5,290	7.6	41	8	10	35
Intertek Group	Industrial goods & Services	5,713	5.3	26	16	17	35
Rotork	Industrial goods & Services	2,806	5.9	29	18	18	33
SKF	Industrial goods & Services	8,437	3.4	23	6	9	31
Zodiac Aerospace	Industrial goods & Services	7,493	2.8	15	11	13	27
Rolls-Royce	Industrial goods & Services	24,481	2.8	18	18	22	27

%	Sectors	Capitalisation (€m)	P/B 14e (x)	ROE 14e (%)	10y EBIT CAGR	10yr EPS CAGR	Emergings exposure as % of sales (esp. Asia Latam and Eastern Europe)
ABB	Industrial goods & Services	39,945	2.7	16	18		27
Spirax-Sarco Engineering	Industrial goods & Services	2,675	4.7	23	13	13	27
Hexagon	Industrial goods & Services	8,272	2.6	13	27	22	26
Cobham	Industrial goods & Services	4,468	3.1	20	8	9	26
Safran	Industrial goods & Services	20,753	2.7	16	27	15	24
Informa	Media	3,808	2.5	20	22	12	29
UBM	Media	1,989	6.3	46	10	8	24
AVEVA	Technology	1,758	6.9	31	29	26	33
Dassault Systemes	Technology	11,760	4.1	15	12	11	23
Gemalto	Technology	7,069	2.9	13	27	23	20
Sodexo	Travel & Leisure	12,421	3.8	17	7	10	20

Sources: FactSet, Natixis

Sector breakdown for the Emerging Growth portfolio

Chart 15 : Sector breakdown for the Emerging Growth portfolio



Source: Natixis

3. International Growth portfolio

Our International Growth portfolio includes growth stocks offering broad international exposure, but especially to the USA (> 20% of sales exposed to the USA).

This portfolio is highly **exposed to industrial stocks (36%)** with groups such as Schneider, Safran, Zodiac and even Philips making it possible to play the reindustrialisation theme in the US. Healthcare is also over-represented in this portfolio, accounting for 18% with, among others, Novo Nordisk, Roche and Essilor.

Methodology

Our benchmark universe is comprised of all of the component stocks of the Stoxx 600 excluding financials. We conduct a quantitative screening based on valuation multiples (PE, P/B, P/CF), and also the historically proven ability to generate growth (historical change in EBIT, EPS growth). We only include groups that meet at least 8 of our 9 criteria.

Table 4 : Selection criteria for the International Growth portfolio

International Growth portfolio
PE 14e > Stoxx 600 (13.7x)
P/BV 14e > Stoxx 600 (1.7x)
P/CF 14e > Stoxx 600 (8.3x)
ROE 14e > Stoxx 600 (12%)
Pay out < 60%
CAGR EBIT 10y > 8%
EPS growth 10y > 8%
Capitalisation > €3bn
US + emerging exposure > 40% du sales o/w 20% of sales exposed to US

Source: Natixis

Table 5 : Entries and exits in the International Growth portfolio

In	Out
Linde	Meggitt
Aryzta	Tenaris
Nutreco	InterContinental Hotels Group
Actelion	Publicis Groupe
AstraZeneca	QIAGEN
Sonova Holding	ARM Holdings
Getinge	Victrex
Aggreko	Croda International
Halma	Informa
Schindler Holding	Swedish Match
SKF AB	IMI
Wartsila	SGS
WS Atkins	Spirax-Sarco Engineering
Randstad	Air Liquide
Kuhne & Nagel	
Trelleborg	
UBM	
Informa	
WPP	

Source: Natixis

Composition of the International Growth portfolio

Table 6 : Composition of the International Growth portfolio

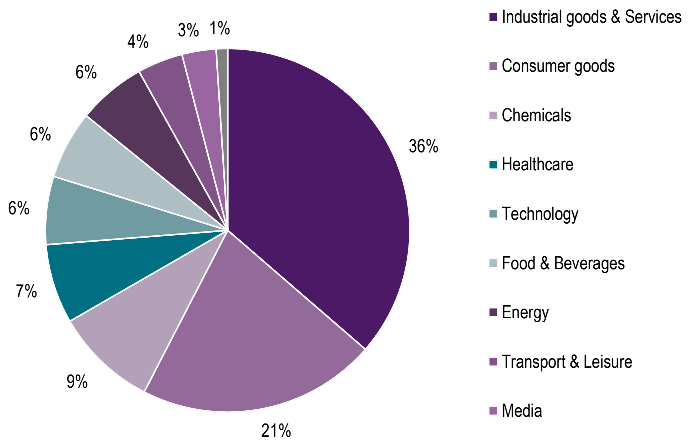
%	Sectors	Capitalisation (€m)	P/BV 14e (x)	ROE 14e	CAGR EBIT 10 yr	CAGR EPS 10 yr	US exposure as % of sales
ASSA ABLOY	Building materials	13,676	3.8	19	17	13	51
Johnson Matthey	Chemicals	8,114	3.7	21	8	8	56
Syngenta	Chemicals	26,347	3.5	19	8	14	67
Bayer	Chemicals	87,160	3.8	22	nm	65	62
Linde	Chemicals	28,627	2.1	11	16	13	58
Luxottica Group	Consumer goods	19,881	4.3	15	9	7	56
adidas	Consumer goods	16,319	2.7	14	10	9	74
Burberry Group	Consumer goods	8,353	4.8	25	13	15	66
British American Tobacco	Consumer goods	82,154	9.9	60	9	12	49
LVMH	Consumer goods	73,725	2.5	13	11	12	63
AMEC	Energy	4,428	2.8	20	9	13	70
Technip	Energy	8,848	2.0	12	17	17	62
John Wood Group	Energy	3,644	1.8	14	18	18	69
Vestas Wind	Energy	8,526	3.9	14	8	0	33
Glanbia	Food & Beverages	3,370	4.4	23	17	11	70
Anheuser-Busch Inbev	Food & Beverages	129,608	3.3	16	28	14	87
Aryzta	Food & Beverages	6,238	2.4	14	14	10	38
Kerry Group	Food & Beverages	9,771	4.2	21	9	9	45
Lindt	Food & Beverages	9,410	4.9	14	8	9	43
Nutreco	Food & Beverages	2,255	2.1	15	16	11	58
Shire	Healthcare	25,102	5.0	28	18	17	96
Fresenius Medical	Healthcare	15,441	1.9	11	10	11	66
Novo Nordisk	Healthcare	82,904	14.2	61	17	21	70
Actelion	Healthcare	8,753	5.3	26	50	43	52
Smith & Nephew	Healthcare	11,303	3.6	18	10	10	43
Fresenius SE	Healthcare	20,500	2.1	12	15	20	58
William Demant Holding	Healthcare	3,712	4.7	24	8	10	52
GN Store Nord	Healthcare	3,311	4.6	18	22	8	62
AstraZeneca	Healthcare	67,477	3.9	23	8	12	47
Roche Holding .	Healthcare	188,125	9.2	51	12	13	65
Sonova Holding	Healthcare	7,429	4.5	19	16	17	48
Essilor International	Healthcare	16,454	3.8	15	9	10	42
Getinge	Healthcare	4,546	2.4	15	12	10	34
Novozymes	Healthcare	11,454	7.3	21	11	13	63
Ashtead Group	Industrial goods & Services	5,509	4.4	26	25	nm	85
Bunzl	Industrial goods & Services	6,886	5.4	27	7	10	64
Cobham	Industrial goods & Services	4,468	3.1	20	8	9	71
Aggreko	Industrial goods & Services	5,216	3.7	18	23	24	41
Weir Group	Industrial goods & Services	6,781	3.3	18	23	21	86
BAE Systems	Industrial goods & Services	16,500	3.7	34	8	10	45
Intertek Group	Industrial goods & Services	5,713	5.3	26	16	17	67
Hexagon	Industrial goods & Services	8,272	2.6	13	27	22	58
Safran	Industrial goods & Services	20,753	2.7	16	27	15	56
Zodiac Aerospace	Industrial goods & Services	7,493	2.8	15	11	13	59
Halma	Industrial goods & Services	2,795	4.2	21	12	12	36
Spectris	Industrial goods & Services	3,351	3.0	18	15	15	68
Rotork	Industrial goods & Services	2,806	5.9	29	18	18	63
Rolls-Royce Holdings	Industrial goods & Services	24,481	2.8	18	18	22	56
Schindler Holding	Industrial goods & Services	12,760	5.4	24	8	9	28
Royal Philips	Industrial goods & Services	21,894	1.9	12	14	9	80

%	Sectors	Capitalisation (€m)	P/BV 14e (x)	ROE 14e	CAGR EBIT 10 yr	CAGR EPS 10 yr	US exposure as % of sales
Schneider Electric	Industrial goods & Services	40,192	2.1	12	13	11	72
SKF	Industrial goods & Services	8,437	3.4	23	6	9	55
Wartsila	Industrial goods & Services	7,797	3.8	20	36	67	61
WS Atkins	Industrial goods & Services	1,610	5.2	36	26	18	32
Randstad Holding	Industrial goods & Services	7,748	2.4	15	17	13	31
Kuhne & Nagel	Industrial goods & Services	11,867	5.7	26	10	11	33
Trelleborg	Industrial goods & Services	4,281	2.4	15	9	5	33
Atlas Copco	Industrial goods & Services	25,789	5.2	28	12	16	70
UBM	Media	1,989	6.3	46	10	8	71
Informa	Media	3,808	2.5	20	22	12	64
WPP	Media	21,005	2.1	14	13	11	34
Dassault Systemes	Technology	11,760	4.1	15	12	11	61
SAP	Technology	68,784	3.7	23	12	14	53
Sage Group	Technology	5,542	4.5	25	9	10	44
Cap Gemini	Technology	8,694	1.8	12	21	69	30
Compass Group	Travel & Leisure	21,858	7.1	35	7	9	46
Sodexo	Travel & Leisure	12,421	3.8	17	7	10	57

Sources: FactSet, Natixis

Sector breakdown of the International Growth portfolio

Chart 16 : Sector breakdown of the International growth portfolio



Source: Natixis

4. GARP portfolio

The very gradual character of the European recovery argues for a transition strategy which still seeks growth but no longer at any price. This is why we launched our GARP portfolio, at end-September 2013.

In this portfolio, two sectors stand out: **Oil** (29% of the portfolio), with in particular Subsea 7 and Petrofac and **Automotive (13%)**, with **Volkswagen**, **Daimler** and **BMW**.

Methodology

Our benchmark universe comprises all of the component stocks in the Stoxx 600 excluding financials. We conducted a quantitative screening based on valuation multiples (PE, P/BV, P/CF) but also on their historically documented capacity to generate growth by the consensus. The aim is to identify groups whose growth prospects have still not been correctly priced in by the analyst consensus. We have selected only those groups that meet at least 6 of our 8 criteria

Table 7 : Selection criteria for the GARP portfolio

GARP portfolio
PE 14e < Stoxx 600 (13.7x)
P/BV 14e < Stoxx 600 (1.7x)
P/CF 14e < Stoxx 600 (8.3x)
ROE 12/15e > Stoxx 600 (12%)
12/15e sales growth > Stoxx 600 (2.2%)
12/15e EPS growth > Stoxx 600 (6.5%)
12/15e EBITDA growth > Stoxx 600 (9.6%)
Capitalisation >€3bn

Source: Natixis

Table 8 : Entries and exits in the GARP portfolio

In	Out
voestalpine	CNH Industrial
Ackermans & van Haaren	AXA
Scor	Red Electrica
Amlin	Morrison Supermarkets
Eutelsat Communications	
BP	
Royal Dutch Shell	
TGS-NOPEC Geophysical Company	
Total	
Berkeley Group Holdings	
Christian Dior	
Imperial Tobacco Group	
Casino Guichard-Perrachon	
Tesco	
ICA Gruppen	
Enagas	
CEZ	

Source: Natixis

Composition of the GARP portfolio

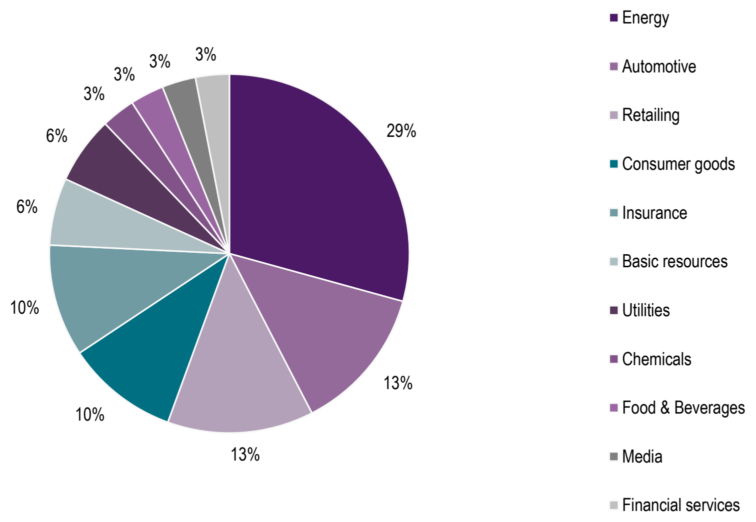
Table 9 : Composition of the GARP portfolio

%	Sectors	Capitalisation (€m)	PE 14e (x)	P/BV 14e (x)	Chg. EPS 12/15e	Chg. Sales 12/15e	Average ROE 12/15e
voestalpine	Basic resources	5 714	11.2	1.1	7.7	nm	11.3
BHP Billiton	Basic resources	123 268	11.9	2.1	10.2	10.7	26.0
Yara International	Chemicals	9 488	11.7	1.3	5.6	3.7	20.9
Berkeley Group	Consumer goods	3 767	10.3	2.1	10.4	6.9	13.0
Christian Dior	Consumer goods	26 709	17.0	2.4	15.1	11.8	14.7
Imperial Tobacco	Consumer goods	31 571	12.9	4.6	10.5	3.4	16.6
J Sainsbury	Distribution	7 689	11.0	1.0	12.3	3.4	11.7
Casino	Distribution	10 431	17.0	1.3	13.7	12.3	10.1
Tesco	Distribution	29 308	11.1	1.5	-30.8	3.1	14.3
ICA Gruppen	Distribution	4 909	21.5	1.7	56.4	80.4	14.3
Statoil	Energy	70 644	11.7	1.6	13.1	3.7	18.7
Petrofac Limited	Energy	5 235	11.9	3.0	21.7	18.1	51.8
Premier Oil	Energy	2 231	11.3	1.4	19.2	16.7	13.6
Subsea 7	Energy	4 935	10.6	1.0	-1.8	9.3	15.1
Neste Oil	Energy	3 825	13.6	1.3	22.2	6.5	10.4
BP	Energy	112 893	10.4	1.2	1.2	7.3	13.4
Royal Dutch Shell	Energy	183 615	10.8	1.4	2.5	6.7	13.4
TGS-NOPEC Geophysical	Energy	2 343	12.0	2.3	18.9	13.0	21.3
Total	Energy	114 769	10.8	1.4	-1.1	5.5	16.2
Ackermans & van Haaren	Financial Services	3 046	16.3	1.3	18.3	3.3	9.9
Sudzucker	Food & Beverages	2 974	34.0	0.8	18.6	6.0	12.7
Munich Reinsurance	Insurance	27 492	9.3	1.0	13.1	11.6	10.2
Scor	Insurance	4 666	9.6	0.9	7.9	9.4	9.6
Amlin	Insurance	2 882	11.2	1.4	13.7	14.7	14.4
BMW	Insurance	59 896	10.6	1.5	99.1	9.4	13.9
Volkswagen	Insurance	89 702	8.9	1.0	40.3	10.0	18.5
Daimler	Insurance	74 148	11.6	1.6	29.7	4.3	10.0
Michelin	Insurance	16 958	11.7	1.7	42.8	1.6	13.4
Eutelsat Communications	Media	5 436	17.7	2.8	14.1	8.2	19.6
Enagas	Utilities	5 136	12.9	2.3	9.1	9.3	19.9
CEZ	Utilities	11 459	11.2	1.2	-5.8	3.8	19.9

Sources: FactSet, IBES, Natixis

Sector breakdown for the GARP portfolio

Chart 17 : Sector breakdown for the GARP portfolio



Source: Natixis

5. Long Growth & Dividend Masters

Since its launch, on 20/09/12, our Growth & Dividend Masters portfolio has gained 13.4% vs DJ Stoxx 600. **The combination of sustainably at-risk growth (deleveraging process) and abundant liquidity (necessary stabilisation of markets via central banks), should continue to fuel the temptation to hunt for yields.**

Europe will continue to suffer from austerity measures and the adjustment of public deficits (growth expected at 1% in 2014e). The US, even though it is committed to a re-industrialisation process, is also suffering but to a lesser extent, from necessary deleveraging, preventing a rapid return to potential growth (our economists expect GDP expansion of 2.2% in 2014e). Moreover, emerging countries are still slowing, China particularly, suffering from stagnating world trade and the failure of salary hike policy which has boosted household savings and hence with a weak impact on consumption. **In the end, growth will remain rare, justifying in the long term a still higher premium for growth stocks (Super Cycle Growth).**

Methodology

In order to play this scenario of soft growth and an environment of abundant liquidity, we created a portfolio combining the Growth and Yield themes via exposure to groups capable of raising their dividends steadily over the long term.

To identify these groups, we sought out stocks with low leverage (ND/Shareholders' equity < gearing of the Stoxx 600), a good history of dividend and earnings growth, higher future growth (dividends and earnings) than the market, higher dividend yields than the market and payout rates below 50%.

We thus end up with a list of 30 names fulfilling at least 9 of the 12 criteria examined. In particular, it includes the Insurance and financial services sector (each with 16.7% of the portfolio), banks (13.3%), Basic Resources and Consumer goods (10% each).

Table 10 : Selection criteria for the Growth & Dividend Masters portfolio

Growth & Dividend Masters portfolio
Growth EPS 14e and 15e > Stoxx 600
Growth DPS 14e and 15e > Stoxx 600
CAGR EPS 08/13 > Stoxx 600
CAGR DPS 08/13 > Stoxx 600
Yield 14e and 15e > Stoxx 600
Payout 14e and 15e < 50%
Gearing 14e and 15e < Stoxx 600

Source: Natixis

Table 11 : Entries and exits in the Growth & Dividend Masters portfolio

In	Out
Wincor Nixdorf	Aker Solutions
TUI Travel	BASF
Statoil	Credit Suisse Group
Rio Tinto	Deutsche Lufthansa
IG Group Holdings	Elementis
Henderson Group	Fugro
Givaudan	Hennes & Mauritz
Close Brothers Group	Modern Times Group
BP	Royal DSM
Bellway	RSA Insurance Group
Allianz	SKF AB
	GAM Holding
	LM Ericsson Telefon
	MITIE Group
	Old Mutual
	OMV
	Scor

Source: Natixis

Composition of the Growth & Dividend Masters portfolio

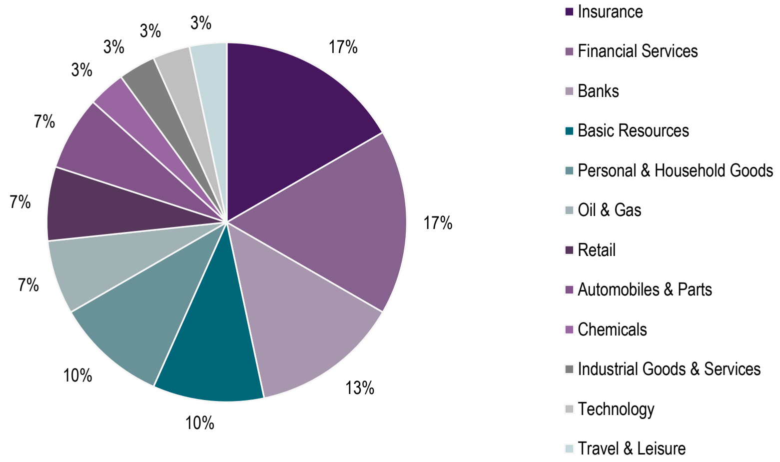
Table 12 : Growth & Dividend Masters list - sorted by decreasing number of criteria

En %	Sectors	Growth for EPS		CAGR EPS	Growth doe DPS		CAGR DPS	Yield		Pay out		Gearing		No. criteria
		14e	15e	08/13	14e	15e	08/13	14e	15e	14e	15e	14e	15e	met
Bellway.	Personal & Household Goods	71.7	21.8	-0.2	71.3	22.0	7.7	3.3	4.0	33.7	33.7	1.4	0.5	12
Daimler	Automobiles & Parts	-8.6	16.1	31.1	6.2	11.5	30.3	3.4	3.8	40.9	39.2	-33.6	-32.8	11
BHP Billiton	Basic Resources	22.1	0.2	-1.0	6.6	6.6	14.9	3.8	4.1	45.6	48.5	32.4	25.6	10
Bilfinger	Industrial Goods & Services	12.4	10.4	1.7	3.3	7.4	10.2	3.5	3.8	48.9	47.6	-8.1	-11.5	10
BNP Paribas	Banks	15.3	20.0	6.0	28.4	29.8	9.1	3.7	4.8	40.5	43.8	nm	nm	10
HUGO BOSS	Personal & Household Goods	12.6	13.6	24.1	13.0	15.0	19.3	3.6	4.1	70.3	71.1	-4.7	-13.9	10
Legal & General	Insurance	14.2	10.3	10.4	18.3	13.9	21.6	4.5	5.2	64.1	66.2	-17.2	-17.0	10
Nokian Renkaat	Automobiles & Parts	45.8	18.9	5.0	6.9	16.1	29.4	5.1	5.9	76.4	74.6	-8.8	-10.7	10
Partners Group Holding	Financial Services	10.9	16.1	10.6	10.9	12.5	15.5	3.3	3.7	65.7	63.7	-17.6	-25.4	10
Rio Tinto	Basic Resources	-0.6	14.2	-3.4	10.9	6.7	11.5	3.9	4.2	38.7	36.2	30.6	19.1	10
TUI Travel	Travel & Leisure	8.4	9.0	11.5	10.4	9.5	10.1	3.5	3.9	45.8	46.0	-14.0	-34.0	10
Wincor Nixdorf	Technology	16.7	14.5	-6.4	16.9	12.7	-7.0	3.7	4.1	50.6	49.8	20.2	11.1	10
Aberdeen Asset Management	Financial Services	-4.3	16.8	33.2	12.4	14.3	26.2	3.8	4.4	57.8	56.6	-34.8	-42.4	9
Allianz	Insurance	2.5	2.7	8.4	5.8	4.1	8.7	4.5	4.7	41.6	42.1	26.4	24.8	9
Assicurazioni Generali	Insurance	14.0	12.8	15.0	22.2	14.4	-5.8	3.3	3.8	39.0	39.6	48.7	45.6	9
AXA	Insurance	6.8	5.3	5.5	6.2	7.0	15.7	4.6	4.9	41.5	42.2	19.6	19.0	9
Barclays	Banks	14.9	21.2	-0.0	26.5	42.2	-6.6	3.3	4.6	32.5	38.1	nm	nm	9
BP	Oil & Gas	15.1	6.5	-12.5	8.2	3.8	-7.5	4.7	4.8	49.0	47.8	21.2	20.8	9
Close Brothers Group	Financial Services	26.6	14.2	8.4	13.2	9.7	5.8	3.6	4.0	47.9	46.0	nm	nm	9
Credit Agricole	Banks	12.0	20.5	14.5	14.3	62.5	-4.9	3.3	5.4	35.7	48.1	nm	nm	9
Givaudan	Chemicals	7.2	10.6	8.4	6.9	9.6	24.2	3.4	3.7	77.0	76.4	17.1	10.7	9
Henderson Group	Financial Services	3.5	14.0	11.6	12.0	11.1	8.8	3.4	3.8	58.1	56.6	-27.5	-34.6	9
Holmen AB	Basic Resources	58.0	5.6	0.7	8.3	10.0	4.4	4.0	4.4	69.2	72.1	25.7	22.4	9
IG Group Holdings	Financial Services	8.2	10.6	13.5	9.1	8.6	13.2	4.3	4.7	60.5	59.4	-37.3	-39.7	9
Royal Ahold	Retail	8.8	12.4	3.2	6.9	5.0	21.2	3.7	3.9	54.9	51.3	24.6	17.0	9
Mapfre	Insurance	14.4	7.6	-4.6	7.7	7.1	-2.7	4.6	4.9	47.1	46.9	18.3	17.8	9
Persimmon	Personal & Household Goods	33.8	26.8	22.7	-4.1	35.7	77.7	5.3	7.2	65.0	69.5	-9.4	-9.3	9
Societe Generale	Banks	32.1	26.5	-2.0	55.0	47.6	-2.5	3.5	5.1	37.7	44.0	nm	nm	9
Statoil	Oil & Gas	10.6	-0.4	-1.1	6.7	3.4	2.4	3.9	4.1	46.3	48.0	20.5	21.7	9
ICA Gruppen	Retail	5.2	20.4	60.3	9.7	11.1	16.2	4.0	4.5	88.3	81.4	28.2	24.1	9
Stoxx 600		**7.1**	**9.7**	**-14.6**	**5.7**	**9.8**	**3.0**	**3.2**	**3.4**	**50.7**	**49.1**	**33.6**	**28.4**	
Median list		**12.5**	**13.8**	**7.2**	**10.0**	**11.1**	**10.2**	**3.7**	**4.3**	**48.4**	**48.1**	**17.1**	**10.7**	

Sources: FactSet, Natixis

Sector breakdown for the Growth & Dividend Masters portfolio

Chart 18: Sector breakdown for the Growth & Dividend Masters portfolio



Source: Natixis

6. Deep Value portfolio

Designed to take advantage of the first signs of positive inflexion for the market in the euro zone, our Deep Value portfolio is high exposed to risk via financials and sectors closely correlated with the banking cycle. Given its heavy weighting in financials (Banks: 56%, Insurance: 19%), preference should be given to this portfolio to play the ECB's intervention in the form of a massive asset buying programme.

Methodology

With our Deep Value portfolio we attempted to identify stocks with particularly depressed valuations and (P/Book <1x, EV/Sales <0.8x) which are most likely to rebound on good news on the cycle.

Table 13 : Selection criteria for the Deep Value portfolio

Deep Value portfolio
PE 14e < Stoxx 600 (13.7x)
P/B 14e < 1x
VE/sales 14e < 0.8x

Source: Natixis

Table 14 : Entries and exits in the Deep Value portfolio

In	Out
None	Aurubis
	Catlin Group
	E.ON
	Fiat S
	Repsol
	RSA Insurance
	Swiss Life Holding
	Vienna Insurance
	Morrison Supermarkets
	Banca Popolare dell'Emilia Romagna
	Banca Popolare di Milano
	Banco Popolare Societa Cooperativa
	Banco Santander
	Erste Group Bank
	Mediobanca
	Royal Bank of Scotland

Source: Natixis

Composition of the Deep Value portfolio

Table 15 : Deep Value list ex banks

x	Sectors	Capitalisation (€m)	PE 14e	P/B 14e	VE/sales 14e	Perf. YTD (%)
Renault	Automobiles & Parts	20,360	9.5	0.8	0.4	17.79
Volkswagen	Automobiles & Parts	88,753	8.8	1.0	0.4	-5.56
AXA	Insurance	43,717	8.8	0.8	0.6	-10.66
CNP Assurances	Insurance	10,893	10.2	0.8	0.7	6.48
Scor	Insurance	4,831	9.5	0.9	0.6	-5.27
OMV	Oil & Gas	9,818	8.1	0.8	0.4	-13.77
Delhaize Group	Retail	5,253	12.4	1.0	0.3	18.68

Sources: FactSet, Natixis

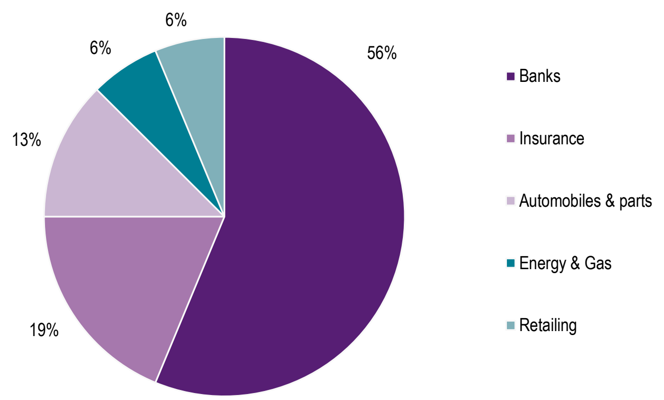
Table 16 : Deep Value banking list

x	Capitalisation (€m)	PE 14e	P/B 14e	Perf. YTD (%)
Barclays	48,981	10.0	0.7	-8.62
BNP Paribas	64,126	11.9	0.8	-9.09
Credit Agricole	28,893	10.3	0.7	24.13
Credit Suisse	35,165	13.5	1.0	-0.99
Danske Bank	20,866	12.7	1.0	24.07
Deutsche Bank	30,294	10.5	0.5	-14.30
Société Générale	33,573	10.2	0.7	-0.60
Sydbank	1,463	13.0	1.0	2.11

Sources: FactSet, Natixis

Sector breakdown for the Deep Value portfolio

Chart 19: Sector breakdown for the Deep Value portfolio



Source: Natixis

7. Value portfolio

Continuation of the Domestic Value rotation will depend on the market's hopes as to normalisation of the cycle in the euro zone. The gradual return to potential growth levels is important to revert to normal functioning of markets based on valuation as the discriminating criterion. **If the Euro zone has managed to exit recession and the cycle has stabilised, this is essentially due to budgetary consolidation targets being pushed back and to transient deflationary effects. Yet, budgetary consolidation is a long way off and still weighs on the European cycle, preventing growth from picking up pace.** This is why we are convinced that market performance leverage is no longer to be found among Value themes and we prefer our Growth portfolios.

Methodology

Our Value portfolio is a play on the markets returning to 'business as usual' (exiting the Growth Super Cycle theme) via exposure to groups trading at a valuation discount relative to the market average. This portfolio should outperform when growth prospects return to normal (a return to potential growth in developed countries).

Table 17 : Selection criteria in the Value portfolio

Value portfolio
PE 14e < Stoxx 600 (13.7x)
P/BV 14e < Stoxx 600 (1.7x)
P/CF 14e < Stoxx 600 (8.3x)
ND/EBITDA 14e < 2.5x
ND/Capitalisation < 50%
Gearing < 70%
Capitalisation > €3bn

Source: Natixis

Table 18 : Entries and exits in the Value portfolio

In	Out
Peugeot	Rheinmetall
OSRAM Licht	Boliden
Barratt Developments	Stora Enso
TUI	Royal DSM
CEZ	Kemira
	Royal Boskalis Westminster
	Saint-Gobain
	HOCHTIEF
	Sudzucker
	Carlsberg
	CNH Industrial
	Pearson
	Vivendi
	Aker Solutions
	BG Group
	Debenhams
	Morrison Supermarkets
	Kering
	Inchcape
	GDF SUEZ

Source: Natixis

This Value portfolio is thus more diversified from a sector point of view. Among the strongest weightings, we find the energy stock, in particular the **oil** sector (BP, Total, ENI, Repsol), **basic resources** (Rio Tinto, Anglo American) and **retailing** (Tesco, Delhaize). Last, we note the presence of all the European car makers (Volkswagen, BMW, Renault, Daimler, Peugeot) which still, despite their performances, offer very appealing valuations.

Composition of the Value portfolio

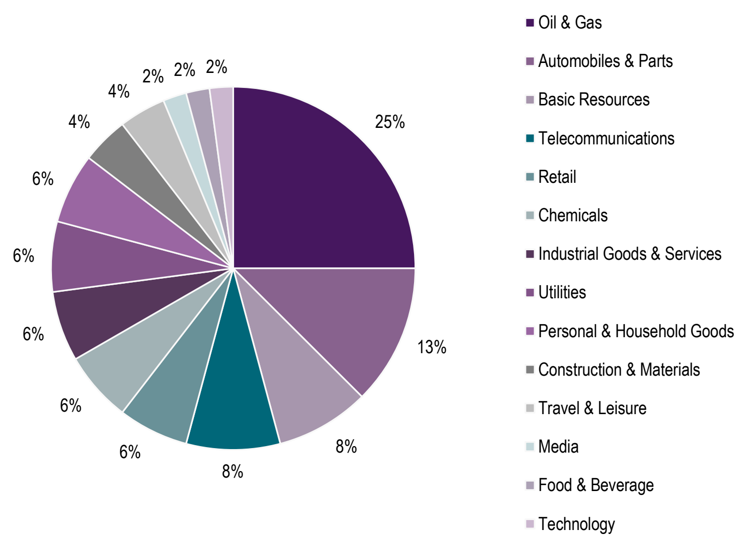
Table 19 : Value list

x	Sector	PE 14e	P/CF 14e	P/B 14e	Gearing 14e (%)	Debt/Capi (%)	Capitalisation (€m)
Volkswagen	Automobiles & parts	8.8	4.4	1.0	-18	-19	88,753
BMW	Automobiles & parts	10.5	5.8	1.5	-31	-20	58,775
Michelin	Automobiles & parts	11.4	6.4	1.6	0	0	16,961
Renault	Automobiles & parts	9.5	4.9	0.8	-8	-10	20,360
Daimler	Automobiles & parts	11.4	7.0	1.6	-33	-21	74,150
Peugeot	Automobiles & parts	nm	3.3	0.8	20	25	7,818
UPM-Kymmene	Basic resources	12.7	6.5	0.9	36	41	6,875
Anglo American	Basic resources	13.5	5.1	1.0	38	39	25,096
Rio Tinto	Basic resources	9.8	6.3	1.8	31	17	54,410
voestalpine	Basic resources	10.9	4.9	1.1	59	50	5,715
Bouygues	Building materials	17.2	5.5	1.3	50	36	11,075
Holcim	Building materials	18.3	8.3	1.5	51	33	21,487
Yara International	Chemicals	11.6	6.9	1.3	11	9	9,538
Arkema	Chemicals	12.3	6.8	1.9	39	21	4,752
Solvay	Chemicals	17.2	7.8	1.4	15	11	10,109
OSRAM Licht	Consumer goods	15.6	8.2	1.7	-13	-8	3,803
Barratt Developments	Consumer goods	12.3	17.7	1.2	0	0	4,341
Taylor Wimpey	Consumer goods	10.6	15.7	1.4	-5	-4	4,318
J Sainsbury	Distribution	11.1	5.7	1.0	38	38	7,689
Delhaize Group	Distribution	12.5	5.0	1.0	23	24	5,253
Tesco	Distribution	11.0	6.3	1.5	42	28	29,308
BP	Energy	10.3	5.0	1.2	21	19	112,893
Neste Oil	Energy	13.5	6.4	1.3	38	30	3,828
Total	Energy	10.6	5.6	1.4	24	16	120,263
OMV	Energy	8.1	2.6	0.8	39	50	9,818
Subsea 7	Energy	10.6	6.3	1.0	5	6	5,199
Royal Dutch Shell	Energy	10.7	5.8	1.4	18	14	186,714
Statoil	Energy	11.6	4.4	1.6	21	13	70,860
Fugro	Energy	14.9	7.9	1.6	31	19	3,554
Eni	Energy	14.4	4.6	1.2	29	26	67,669
Petroleum Geo-Services	Energy	9.2	3.1	1.0	39	38	1,700
Repsol	Energy	14.7	6.5	1.0	19	20	26,636
Afren	Energy	12.5	3.7	1.4	42	31	2,045
Marine Harvest	Food & Beverages	9.2	7.0	1.9	50	26	3,613
A.P. Moller - Marsk	Industrial goods & Services	12.7	6.0	1.3	21	16	40,521
Vallourec	Industrial goods & Services	16.4	7.9	1.0	34	32	5,098
Alstom	Industrial goods & Services	12.5	8.9	1.5	41	27	8,947
Lagardère	Media	15.5	8.3	1.5	26	17	3,289
STMicroelectronics	Technology	50.9	8.1	1.5	-14	-9	6,450
Tele2	Telecommunications	21.1	7.4	1.6	42	25	3,887
Telefonica Deutschland	Telecommunications		6.0	1.1	15	13	6,340
Teliasonera	Telecommunications	12.0	7.3	1.9	48	25	23,338
Vodafone Group	Telecommunications	28.0	5.9	0.8	27	34	66,702
Deutsche Lufthansa	Travel & Leisure	10.5	3.6	1.4	32	23	9,079

x	Sector	PE 14e	P/CF 14e	P/B 14e	Gearing 14e (%)	Debt/Capi (%)	Capitalisation (€m)
TUI	Travel & Leisure	17.4	6.1	1.5	3	2	3,431
E.ON	Utilities	15.4	4.5	0.8	31	39	28,624
Endesa	Utilities	17.3	5.9	1.4	16	11	29,402
CEZ	Utilities	11.1	5.1	1.2	65	55	11,542

Sources: FactSet, Natixis

Chart 20 : Sector breakdown of the Value portfolio



Source: Natixis

This document may mention valuation methods, which are defined as follows:

1/ Peer comparison method: valuation multiples for the company in question are compared with those of a sample of companies in the same sector, or with a similar financial profile. The sample average acts as a valuation benchmark, to which the analyst can, where necessary, apply discounts or premiums resulting from his/her perception of the company's specific features (legal status, growth outlook, profitability, etc.).
2/ NAV method: Net asset value is an assessment of the market value of the assets on a company's balance sheet using the method that the analyst deems most relevant.
3/ Sum of the parts method: this method involves valuing each of the company's businesses separately using the most appropriate valuation methods for each, and then adding them together.
4/ DCF method: the discounted cash flow method involves assessing the current value of cash that a company will generate in the future. The analyst draws up cash flow projections based on his/her assumptions and models. The discount rate used is the average weighted cost of capital, which equates to the company's cost of debt and the theoretical cost of equity as estimated by the analyst, and weighted by the proportion of each of these two components in the company's financing.
5/ Method based on transaction multiples: with this valuation method, the company's multiples are compared with those seen in transactions involving groups with a similar business profile.
6/ Dividend discount method: with this method, the analyst establishes the present value of dividends to be paid to shareholders by the company, using a projection of dividend payments and an appropriate discount rate (generally the economic cost of equity).
7/ EVA method: with the Economic Value Added method, the analyst determines the additional level of profitability generated annually by a company on its assets relative to its cost of capital (difference also known as value creation). This additional profitability can then be discounted over the coming years using a rate corresponding to the weighted average cost of capital, and the resulting amount is added to the net asset value.

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Natixis

Paris	Office address	Postal address
30 avenue Pierre Mendès France	**47 quai d'Austerlitz**	**BP 4**
75013 Paris	**75013 Paris**	**75060 Paris Cedex 02**
France	**France**	**France**

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542 044 524 RCS Paris

Natixis Securities Americas LLC.

New York

1251 avenue of the americas
New York, NY 10020
USA
Member of the NASD and SIPC

Fabrice Weill
Tel. +1 212 891 1850
Fabrice.Weill@us.natixis.com

Natixis

London

Natixis London Branch LTD
Cannon Bridge House
25 Dowgate Hill
London EC4R 2YA
UK

Chris Thompson
Tel. (44 203) 216 9565
chris.thompson@uk.natixis.com

Head of Equity Research
Sixte de Gastines
Tel. (33 1) 58 55 06 87
sixte.degastines@natixis.com

Head of Sector Research
François Digard
Tel. (33 1) 58 55 03 40
francois.digard@natixis.com

Head of Equity Sales Continental Europe
Philippe Denoyelle
Tel. (33 1) 58 55 05 91
philippe.denoyelle@natixis.com

Head of Equity Sales UK and US
Chris Thompson
Tel. (44 203) 216 9565
chris.thompson@uk.natixis.com

Head of Sales trading
Christophe Pallard
Tel. (33 1) 58 55 90 71
christophe.pallard@natixis.com

Head of Corporate broking
Cédric Richard
Tel. (33 1) 58 55 90 60
cedric.richard@natixis.com