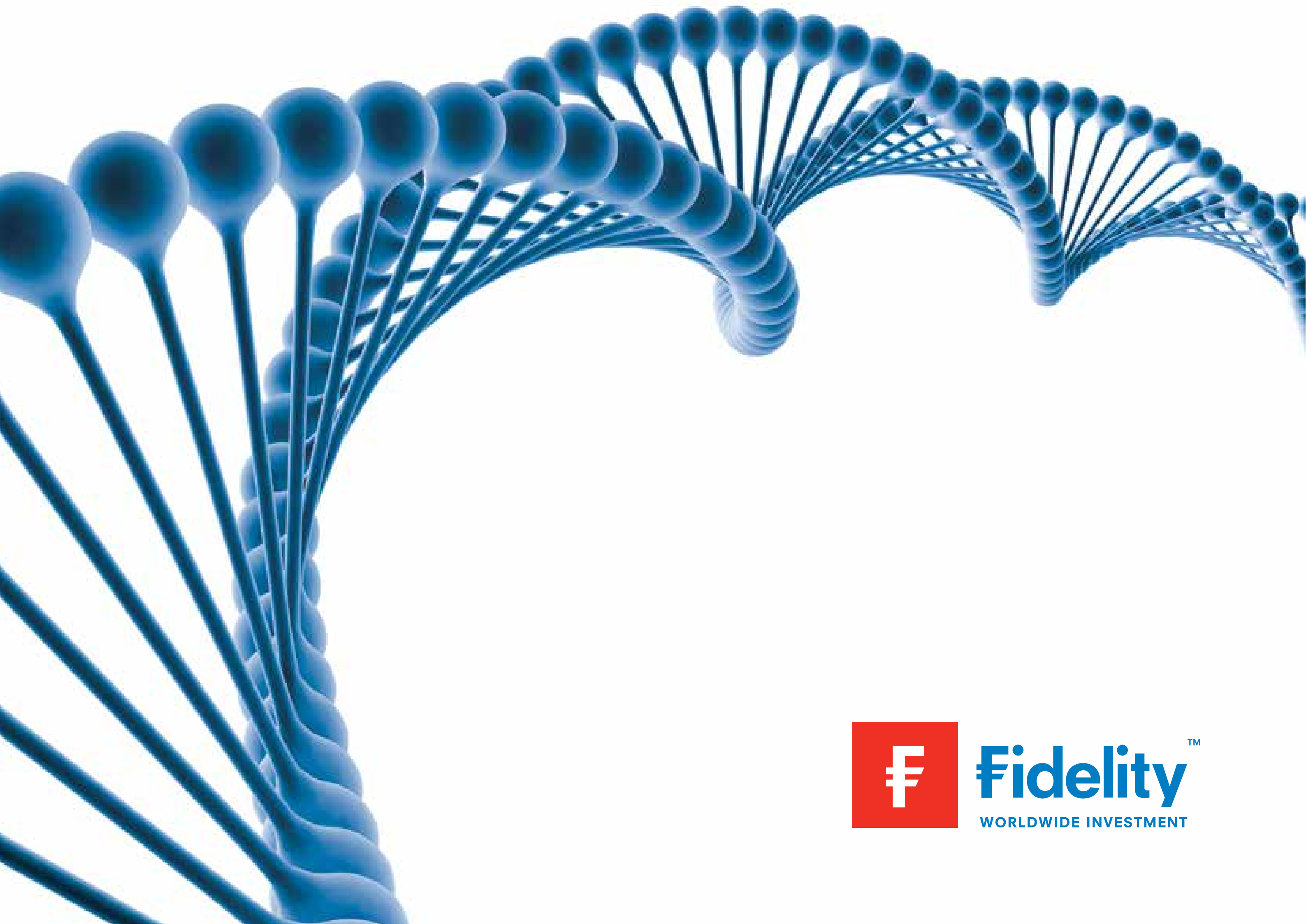
FOR PROFESSIONAL INVESTORS ONLY

FIDELITY
ANALYST
SURVEY
2014

A return of animal spirits, a return to fundamentals



Fidelity™
WORLDWIDE INVESTMENT

Introduction

Fidelity operates one of the largest buy-side investment research teams in the world. Our research analysts are committed to carrying out fundamental, bottom-up research by analysing every angle of the thousands of companies we visit every year.

This research relies heavily on the quality and calibre of our analysts. They must be strong and independent thinkers, show a commitment to unearthing new and exciting investment opportunities, and work as a team with our portfolio managers to buy and sell stocks at the right time, and at the right value. While analysts may promote their stock recommendations internally, there is no 'house view' and there are no house-wide 'buy' and 'sell' lists imposed on our portfolio managers; rather they are afforded flexibility to manage their portfolios in their own individual styles.

At Fidelity, we embrace and value a diversity of opinion. Our analysts are in a unique position to gain insights into some of the world's leading companies, about their plans for the future, their perspective on current trends, and their intentions towards business investment and expansion.

Contents

About Fidelity 3

Key findings 6

Executive summary 8

What our survey says 13

1. Investment and capex plans paint 'cautiously optimistic picture' 14
2. Robust dividend payouts show no sign of letting up 17
3. Industry fundamentals favour developed markets at this stage 19
4. Profit expectations rise in IT sector, fall in out-of-favour materials 20
5. M&A to pick-up 21
6. Inflation pressures generally subdued – some hot-spots 22
7. Wage increases driving outsourcing in China 24
8. Balance sheets repaired, not yet deployed in earnest 25
9. Ageing a boon for some sectors and countries, a burden for others 28

Appendix: the results in full 30

This survey was compiled by Fidelity's corporate and investment writing teams in Asia Pacific and Europe. For further enquiries, please contact series editors Gareth Nicholson (gareth.nicholson@fil.com) and Nick Armet (nick.armet@fil.com).

About Fidelity

Fidelity Worldwide Investment is a leader in asset management, providing global coverage of investment markets, products and services to individuals and institutions in the UK, continental Europe, the Middle East, Latin America and Asia Pacific. Established in 1969, the company has over 6,600 staff and manages or administers client assets in excess of US$340 billion.* We have over five million customer holdings and manage more than 660 equity, fixed income, real estate and asset allocation funds. Fidelity Worldwide Investment is the brand name of FIL Limited, an independent asset management company which is privately owned.

Fundamentals-driven research

Fidelity pursues an active investment style based on the deep and comprehensive bottom-up research undertaken by our investment teams. Our objective is to deliver superior investment performance by developing a rich and detailed understanding of the anticipated financial evolution of all of the companies which we consider for investment. Our global research network comprises over 395 investment professionals based in a range of locations internationally, including London, Paris, Frankfurt, Milan, Mumbai, Singapore, Hong Kong, Shanghai, Seoul, Sydney, Tokyo and Sao Paulo.

Our portfolio managers are supported by a broad, dedicated team of investment analysts who cover specific sectors and markets. The analysts are responsible for maintaining investment recommendations based on our own fundamental research. We do not impose top-down investment views on our portfolio managers, who are responsible for their own investment decisions. At the same time, they have access to extensive macro-economic analysis and market cycle insight to inform portfolio construction.

Henk-Jan Rikkerink
Head of Equity Research – Europe, US, EMEA & Latin America

"This year's survey suggests company managements are more prepared to put capital to work after a period of protracted caution. As a result, we are moving into a more discriminating environment in which stock-specific drivers are likely to explain a larger part of investment returns. We expect market leadership to refocus on quality franchises, particularly those in the intellectual property sectors, such as pharmaceuticals and technology. Our research process helps us to identify a range of long-term winners with strong fundamentals; these are the types of stocks that tend to be rewarded when investors look beyond macroeconomic factors."

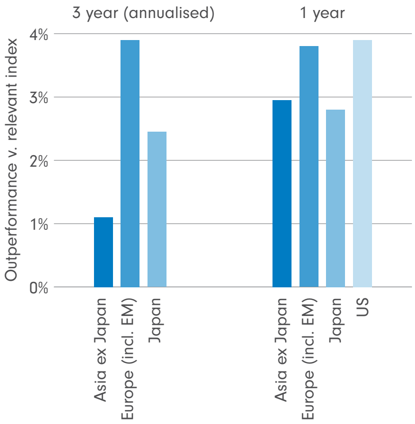
*Data as at 31 December 2013. Assets and resources are those of FIL Limited.

The value added by FIL's research analysts

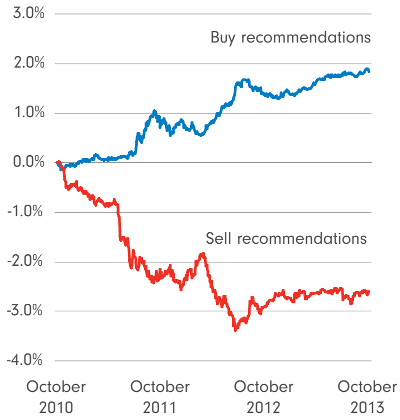
At Fidelity, we have an integrated business model in which our global team of analysts and portfolio managers work in co-operation with each other. Our analysts provide proprietary views on each security within their coverage area. Insights are discussed across our global investment team, with portfolio managers ultimately responsible for any decisions made to buy, hold or sell any security.

The charts below show the relative return created by analyst ratings versus the relevant indices, weighted by market capitalisation so ratings on larger stocks carry more weight.

Value added by equity analysts



Value added by credit analysts



Equity Source: Fidelity Worldwide Investment. Equity data as of 31 December 2013, using ARM system. 3 year data has been annualised. Europe data includes EMEA and Latin America. Fixed Income data is based on DTS Adjusted Investment Grade performance relative to sector from 29 October 2013 to 31 October 2013.

Leon Tucker
Head of Equity Research, Asia Pacific

The diversity within Asian markets is a key takeaway from this year's survey; it is clear that there are some divergences building within the region and within sectors which firmly support the use of an active management approach. Specifically, we've seen sharp political and financial developments in markets like Thailand, India, and Indonesia in recent months. Fidelity's impressive global research footprint helps investors to preserve and grow their capital in dynamic market conditions. The fact that we have one of the largest buy-side research teams in Asia gives us the ability to develop long-term relationships with the senior managements of the companies we cover, and to be abreast of changes afoot. These relationships allow us to develop a deep understanding of corporate spending plans and strategic initiatives that informs our proprietary stock views on a timely basis.

Research Methodology

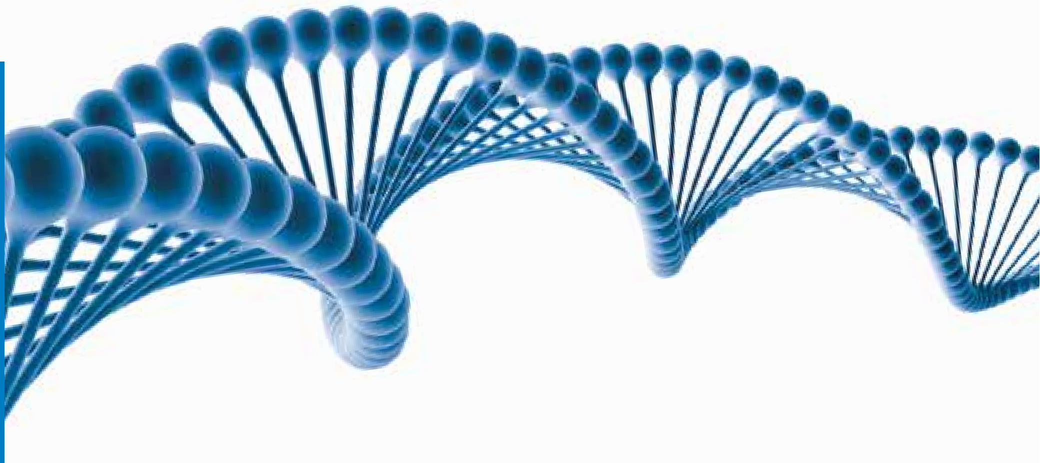
Equity analysts work in regionally organised industry teams, and typically develop minimum three-year financial projections for individual securities. The aim is for them to build a deep and specialised knowledge of their covered industry by attending company meetings, undertaking industry and stock analysis, building financial models, appraising valuations and undertaking risk assessments and scenario analysis. Analysts within industry teams work closely with counterparts in other parts of the world to build strong insights on global sector trends. Their ideas are communicated to portfolio managers, and research notes are written regularly, in addition to one-to-one and group discussions. Most of our analysts rotate to cover a new industry sector on a three-year basis to keep things fresh and to challenge established thinking while, at the same time, we retain a backbone of career analysts and core knowledge.

Our fixed income analysts specialise in either credit or quantitative research. Credit analysts are organised as industry specialists, and provide the portfolio managers with fundamental analysis on the credit-worthiness of issuers and the relative value of their bonds. The credit analysts work very closely with their equity colleagues to improve each other's overall level of understanding of company and industry fundamentals. We believe this gives us a distinct competitive edge. Within the fixed income team, we also have sovereign research specialists who provide invaluable insight into credit risk at the country level. Finally, the research team includes quantitative analysts whose role is three-fold: to use proprietary mathematical models to unearth potentially mispriced bonds and markets; to continuously improve our portfolio risk management systems; and to assist the portfolio managers in optimising portfolio structures.

Olivier Szwarcberg
Head of Credit and Structured Research

Credit fundamentals have deteriorated in recent years with company management teams increasingly acting in the interest of equity holders, often at the expense of bond investors. While credit spreads compensate for some further weakness in fundamentals, I expect 'event risk' to be a dominant theme in credit markets over the next 12 months. This will create both winners and losers, requiring credit analysts to identify those issuers most susceptible to M&A, leveraged buyouts or changes in dividend policy.

Key findings



This survey of Fidelity's equity and credit analysts presents a temperature check of corporate confidence as well as an indication of some interesting investment opportunities identified by our research team. The survey garnered responses from 128 analysts covering all regions and sectors, who were asked to comment on a range of topics including capital expenditure and corporate activity plans, energy and wage costs, balance sheet management, regulation and corporate governance. It was complemented by a number of discussions with heads of research to verify trends and themes across countries, sectors and asset classes.

The survey is not exhaustive by any means; rather it is designed to shed light on some of the key issues affecting investment decisions at the time of writing. Our analysts are continually checking the health of companies they cover and will update their recommendations accordingly, a key strength of Fidelity's active investment approach.

> "The outlook is best classified as 'cautiously optimistic'"

Growing management confidence, shareholder-friendly actions

- A higher proportion of companies are confident about the year ahead, reflecting the strength of the recovery to date as well as a return to 'normal' conditions and early signs of animal spirits after a period of protracted uncertainty and management caution. There are encouraging signs of a capex recovery from a historically low base, but the timing is not clear (this year or next) and it is likely to be relatively modest at first. Capex is still largely being used for maintenance rather than growth.

- M&A is expected to be a strong feature of both equity and bond markets, while an expectation for growth in dividend payouts was also a key takeaway, with financials and healthcare stocks expected to lead the way.

- For corporate bond investors, the credit cycle is maturing with fundamentals deteriorating and valuations getting tighter. 'Event risk' will become an increasingly dominant feature – presenting both positive and negative consequences for the companies involved.

- The outlook is best classified as 'cautiously optimistic'. While cash is coming off balance sheets, at present, it is largely being focused on shareholder-friendly, bolt-on M&A and increases in dividend payouts rather than aggressive capex growth.

Developed beats emerging, knowledge economy dominates hard assets, US the standout

- Fundamentals strongly favour developed over emerging markets. The US comes out as the strongest geography overall, topping the survey findings for business confidence, capex outlook, dividend growth and balance sheet health. Valuations between certain developed and emerging markets now partly reflect a divergent outlook.

- Japan leads the way in terms of return on capital growth expectations, with Abenomics reforms expected to exert a positive influence on company management teams and increase ROC rates that have historically lagged other developed markets. Japan is also notable in terms of capex use, since capex is being focused more predominantly on growth rather than maintenance in Japanese companies.

- Intellectual property sectors such as healthcare and technology – which are well represented in developed markets – come out more strongly than materials and energy sectors. The pharmaceuticals and IT sectors are expected to boost returns on capital, while energy and materials are expected to see declines.

- Developing economies are looking for a new growth model now that the commodities supercycle has faded and Chinese growth has moderated. This has meant the underlying heterogeneity of emerging markets has re-established itself and domestic and regional industry and stock drivers will be more critical. China is still a robust story, moving to a structural reform and domestic consumption narrative from an export growth play.

Research will be critical in a more discriminating environment

- Policy uncertainty and market volatility have fallen back to more stable, historically normal levels over the last 18 months, a factor that has facilitated a sustained recovery in stock markets. However, there is a new normal in many areas in the shape of greater regulatory and government scrutiny, which may be a headwind in some sectors.

- Company managements are no longer as concerned about some of the big tail risks that once cast a cloud over their decision making, such as financial systemic risk and contagion.

- This is encouraging managements to allocate capital again, albeit slowly, and this will help to create a more discriminating fundamentally-driven environment in which bottom-up research can provide an edge to investors.

- The equity market will revert to rewarding the best allocators of capital as it more clearly discriminates between winners and losers in terms of companies that create shareholder value.

- From a fixed income perspective, the credit cycle is maturing as leverage creeps higher and valuations tighten. Event risk will be the dominant theme for credit investors over the next 12 months, which creates both winners and losers in the bond market.

- As companies increasingly focus on shareholder-friendly activity, to be effective, credit analysts will increasingly leverage equity analysis to identify credits most susceptible to M&A, LBO and dividend events.

Equities view

Executive summary

Overall, from an equities point of view, our analyst survey paints a generally positive picture with moderate optimism around business confidence and a capex recovery, strong anticipation of mergers and acquisition activity, as well as an expectation for either maintained or improved dividend payouts. At this stage of the cycle, this is a positive vote of confidence for equity markets.

> **Going forward, fundamental factors will mostly drive stocks rather than large swings in sentiment**

A re-emergence of animal spirits

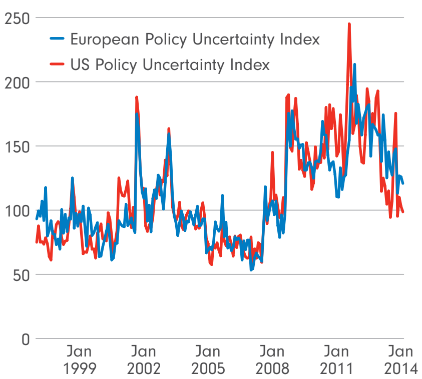
After an extended period of uncertainty and corporate caution, we are seeing a return of management confidence and animal spirits to economies and stock markets. This is consistent with the consolidating recovery in developed economies and uptrend in stock markets, led principally by the US. Going forward, fundamental factors will mostly drive stocks rather than large swings in sentiment caused by macro uncertainty and risk-on: risk-off (RoRo) appetite that was strongly associated with the post financial crisis environment. That said, RoRo is not gone for good and we are likely to see regional flare ups that could have broader confidence effects for asset classes and geographies.

However, the mood is perhaps best described as 'cautiously optimistic'. The capex recovery is only modest and cash is largely being focused on less risky, shareholder-friendly activities. For example, there is a marked preference for bolt-on acquisitions rather than strategic mega-mergers. Managements would also rather pay higher dividends, distributing excess cash to shareholders than take the risk associated with large increases in capex, since most projects will take at least three years to pay off.

A key takeaway is that company management teams are less worried 'the world will end'; the big tail risks of financial system collapse or contagion have become progressively less likely. Managements are starting to rebuild confidence in their businesses and go back to the job of allocating capital and using the cash on their balance sheets; this return to normality will encourage sharper differentiation of winners versus losers over the next three to five years than has been present over the past several years.

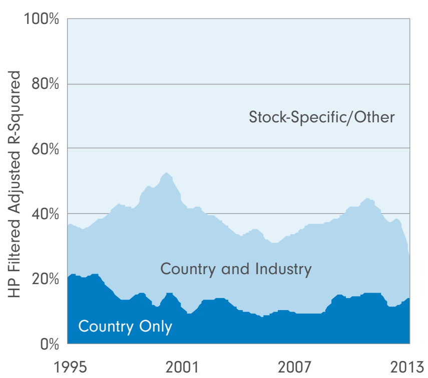
Falling policy uncertainty has been accompanied by rising returns

Policy uncertainty falling back



Source: www.Policyuncertainty.com.

Rises explained by stock-specific factors



Source: Citi, February 2014

While we are likely to see some capital expenditure recovery from historically low levels, the magnitude and pace looks likely to be more muted than consensus believe. Two of the largest historic contributors to capex in absolute terms have been energy and materials, yet these are two of the sectors where our analysts have the most negative outlooks. The latter was the key sector in which capex reductions are expected due to the supply overhang that resulted from overzealous assumptions made during the commodities supercycle. Healthcare and consumer discretionary, on the other hand, are the sectors which lead the way in terms of our analysts' expectations of capex increases.

A preference for developed markets and intellectual property sectors

In terms of geographies, there is a marked divide between developed and emerging markets. This is unsurprising, given the current environment of a stronger dollar and fall-off in commodities demand. The US came out strongest in terms of business confidence, capex outlook, dividend growth potential and balance sheet health.

In terms of sectors, a related divide was also prominent; the knowledge economy sectors of pharmaceuticals and technology plus financials and consumer come out more positively. This underlines the current preference at Fidelity for developed equities over emerging markets and intellectual property-led sectors over hard commodities.

In the US, companies are enjoying healthy levels of profitability and returns on capital. While managements have started to increase investment, profits have also been returned to shareholders via greater use of share buybacks as well as dividends. Corporate activity is picking up, reflecting the growing confidence of management but also the very low rates of interest earned on cash. The housing market has continued to strengthen, which is a bellwether for the broader activity while the development of shale energy in the US is encouraging an expansion in infrastructure and a manufacturing renaissance. Areas of relatively weaker activity including non-residential construction and investment are now showing signs of recovery and often lag the housing recovery by up to two years. This suggests that companies are confident enough to invest capex in growing capacity in anticipation of continuing improvements in demand.

Japan was a standout economy in terms of expectations for capex being focused on growth rather than maintenance – thanks to the reflationary policies of Prime Minister Shinzo Abe. Within Japan, machinery companies are seeing a recovery in capital investment as automobiles and components companies benefit from stronger sales at home and in the US. On the flip side, a weaker yen has put pressure on the current account position and exposed Japan to rising energy costs.

> **A related divide is prominent; the knowledge economy sectors of pharmaceuticals and technology plus financials and consumer come out more positively**

> **Capex recovery is modest and cash is largely being focused on shareholder-friendly activities**

The current environment is less favourable to a 'rising tide floats all boats scenario' and, in particular, the individual challenges facing emerging markets have come back to the fore in the light of China's transition to a consumer-driven growth model. In a more discriminating, divergent environment with fewer risk-on:risk off moves, passive equity strategies based on market capitalisation indices – which implicitly allocate more heavily to yesterday's winners – may face challenges precisely at a time when a growing number of investors have been persuaded by the numbers generated during a period when markets were unusually driven by macroeconomic factors. Interestingly, at the end of 2013 we saw increasing flows to active strategies, particularly US investors allocating to Europe, suggesting that many investors recognise shifting conditions and, in light of this, continue to see the value of an active, stock-picking approach to investment.

A focus on shareholder-friendly activities – dividends and M&A

One of the strongest answers in the survey was around dividends, with analysts reporting that a large majority of their companies are likely to maintain (54%) or increase (40%) dividends. Perhaps unsurprisingly, financials (post the 2008/9 financial crisis) and healthcare companies are most bullish about dividend increases. Again, this underlines the more positive outlook for companies with significant intellectual property now that the commodities supercycle is over. In the healthcare sector, we are set for some major therapeutic breakthroughs in areas such as oncology; and the IT sector is set for another leap forward with new internet technologies and the productivity increases that will flow from 'big data'.

Japan and the US are the regions that are most expected to increase payouts although this may be partly a function of the fact that the total dividend level is lower in these markets than is traditionally the case in the UK and Europe, so there is more scope for dividends to grow in these geographies.

In another strong response, 85% of analysts say M&A is a priority looking ahead. Most analysts expect a moderate amount of M&A, 15% a large amount, and only a small minority see M&A as a huge strategic priority. Telecoms figures among those sectors most likely to see large deals, and this is not surprising given the likely positive response of regulators to any consolidation of the current fragmented landscape. Again, this is very supportive for stock markets. The type of M&A most favoured though is bolt-on-acquisitions – this is the most straightforward, organic (and often the cheapest) type of M&A with the lowest risks – underlining that most management teams are not yet ready to engage in major acquisitions and would prefer to stick with core strategies. Geographically, a high degree of activity is expected in China, which may signal that a period of consolidation is coming to many of the fast-growth sectors of the past decade.

Executive summary

Fixed Income View

For fixed income investors, the survey underscores the fact that the credit cycle is clearly maturing. Our credit analysts are increasingly finding companies with tight valuations and deteriorating balance sheet fundamentals. Companies are also shifting their focus away from debt investors, instead favouring shareholders. While leverage is not yet over-extended, signs of this deterioration continuing are evident.

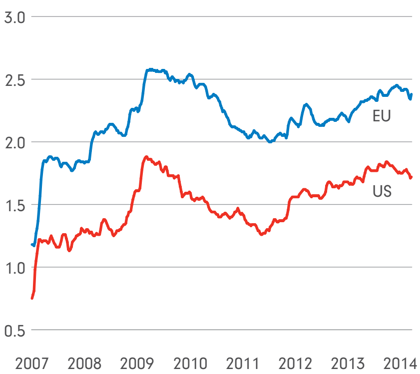
The good news is that credit fundamentals have a solid starting point. Only 26% of analysts surveyed reported balance sheets as being stretched. This is consistent with our aggregated numbers on balance sheets – as a proportion of total market capitalisation, debt has trended sideways in recent years, and debt over earnings is below previous cycle peaks. Companies are also far from being outright bullish and the capex recovery still looks muted with a significant focus on capital maintenance rather than growth.

Rising event risk to create more winners and losers

The survey suggests a clear trend of companies moving cash off balance sheets, so bond investors need to be cautious. In common with the findings from equity analysts, our credit analysts see evidence of animal spirits rekindling, albeit in a qualified way. Management teams have been predominantly credit-defensive in recent years, concentrating efforts on preserving ratings and curtailing funding costs. This is now changing. A conducive economic backdrop fused with better corporate fundamentals has triggered a bout of share buybacks, leveraged buyouts and M&A activity – creating clear winners and losers across the credit spectrum.

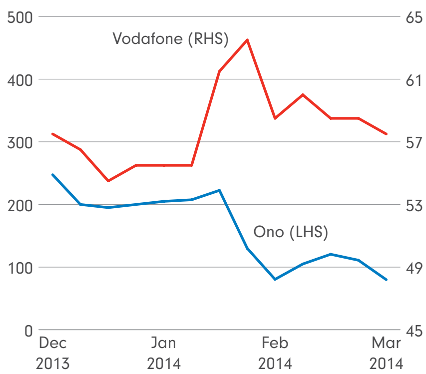
The credit cycle is 'maturing'

Ratio of net debt to earnings is rising



Source: FIL Limited, February 2014. Earnings reflect EBITDA (earnings before interest, taxes, depreciation and amortization). Reflects sample of investment grade issuers.

A sign of the times – event risk is creating clear winners and losers in credit markets



Source: Bloomberg, shows basis point spreads on 5 year senior EUR credit default swaps, to 17 March 2013.

"

It is clear the credit cycle is at a mature phase...companies are shifting their focus towards pleasing shareholders rather than bond holders

"

Asia...shows weaker credit fundamentals versus developed counterparts, yet Asian valuations are recognised as providing ample compensation for the risks

At its most simple, M&A typically benefits smaller high yield issuers that are most susceptible to takeover. On the other hand, M&A is typically negative for larger investment grade issuers that may be willing to sacrifice rating notches in pursuit of a takeover to unlock greater earnings growth potential. Analysts are facing these event risks on a weekly basis. For example, Vodafone's decision to buy the high yield Spanish cable company Ono is the latest in a long line of events in the telecoms space. For credit analysts at this point in the cycle, equity research becomes increasingly valuable as uncovering signs of event risk is as much about understanding upside earnings growth potential. The response from credit analysts within the survey highlighted this as a predominant risk.

Asian fundamentals weaker, financials in the regulatory firing line

On a regional basis, our analysts anecdotally highlight divergences between Europe and US credit trends, with re-leveraging activity most prevalent (and expected to continue) in the US relative to Europe. Asia also shows weaker credit fundamentals versus developed counterparts, yet Asian valuations are recognised as providing ample compensation for the risks. China comes out as a key geography in terms of having weaker balance sheets, consistent with reported signs of credit expansion in the economy. Within China, the property sector has leveraged balance sheets and is exposed to tightening of policy. Having borrowed to buy land for development, a rise in borrowing costs could force companies to be more proactive in their liability management – both for budgeting for future debt repayments and shoring up funding in advance of a more challenging new issues market.

In terms of sectors, utilities, energy and financial companies have the heaviest financing needs, but while gross issuance is expected to stay strong, net issuance should be more muted. Utilities face ongoing pressures to recycle cash back to equity investors, alongside being naturally highly levered given their stable cash flows, capital intensity and regulatory barriers. Energy companies are also capital-intensive and were recognised as having heavier funding requirements, particularly to support US shale gas exploration.

In financials, the sector has faced stringent capital requirements post the financial crisis and 63% highlights a significant regulatory impact so balance sheet deflation in the financial sector looks set to continue. Interestingly, 71% report healthier balance sheets for financials versus three years ago, yet 80% see more capital-raising ahead. While issuance presents a downside risk for the sector, the trend towards safer banks and reduced systemic risks is expected to underscore solid demand for new securities.

Finally on the macro side, the majority expectation among analysts is for wage pressures to increase. This is particularly interesting in light of the finding that only 33% of companies are seen to have pricing power. This combination points to pressure on earnings margins, which remain wide. There are small divergences across regions and in Europe 53% point to moderate wage increases – so potentially a lower likelihood of consumer price index (CPI) deflation in the Eurozone.

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What our survey says

The following commentary shines a light on the key findings from our survey, cross-referenced against specific questions. For the full results, please see the appendix.

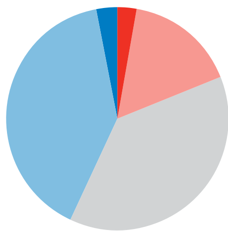
1

Investment and capex plans paint 'cautiously optimistic picture'

What is the confidence level of management teams in your industry sector to invest in their businesses versus 12 months ago?

The positive showing for company managements being ready to invest in their businesses indicates that the overall investment climate is improving and there is growing confidence in gradual economic recovery. It also augurs well for a gradual improvement in earnings. Analysts covering developed markets are generally more optimistic than analysts covering emerging markets. Analysts covering financial, industrial and consumer discretionary stocks are the most confident about managements investing in their businesses in the year ahead. Consumer staples, energy and telecoms companies fell into the middle 'about the same' category. Notably, analysts covering the materials sector are the least confident about investment in the next 12 months, reflecting perhaps the end of the so-called 'commodities supercycle' and lower prices within the sector in the past year amid a cooling of China's economy and in the face a stronger US dollar.

Confidence levels



A lot less confident	3%
Less confident	16%
About the same	38%
More confident	40%
A lot more confident	3%

Source: FIL Limited

Analysts covering financial, industrial and consumer discretionary stocks are the most confident about managements investing in their businesses in the year ahead

The end of the commodities supercycle

Synchronised growth in emerging economies and stock markets from 2003-2008 was unprecedented in its strength and breadth. Emerging markets benefited from a flood of debt-fuelled liquidity while double-digit Chinese growth supported commodities demand. Without a continued supply of 'easy money', growth in emerging markets is likely to ease back to historical averages and we can expect more volatility in business cycles. Chinese growth is widely expected to slow to around 7% pa as activity rebalances towards the consumer sector.

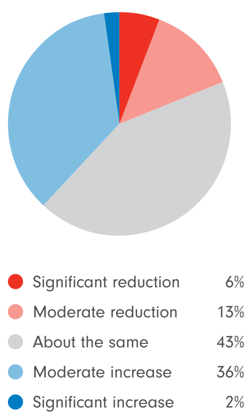
China's appetite for industrial commodities created significant 'China dependency' for many exporters. The economy's rebalancing towards consumption is now curbing appetite for industrial commodities. The difficulty in many materials sectors has been the expansion of capacity on the supply side during the good times. Some projects are being shelved but many were already under way and producers are being pressured to manage capacity now in order to defend pricing. This combination of weaker marginal demand and industry oversupply is having negative consequences for the materials sector, among others. The knock-on effects of this process are manifold and require careful research. Commodity importers will benefit from falling prices. However, iron ore exporters in Brazil, for example, will face a more challenging outlook, while exporters of food-stuffs, such as sugar and soybeans, could benefit from increasing Chinese consumption.

How do capex plans for your companies over next 12 months vary versus last 12 months?

Most analysts expect capex either to be maintained or moderately increased in 2014, pointing to a cautiously optimistic mood among companies. This is a key finding – capital allocation plans at this stage of the cycle indicate modest capex increases with a bias towards increased M&A activity and sustained dividend payouts. There was a more positive response on capex in the US and Europe (where capex is coming off historical lows) relative to Asia, reflecting some of the current headwinds facing the region's emerging economies amid QE tapering. In the US, corporate profitability is high with companies enjoying stronger margins and robust returns on capital versus historical norms. Companies appear confident enough to invest capex in growing capacity in anticipation of continuing improvements in demand. However, cash is also being returned to shareholders in the form of buybacks and somewhat higher dividends.

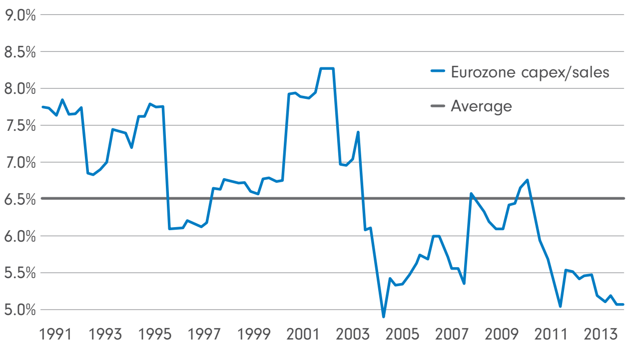
However, only in Japan (where Prime Minister Abe is engaged in aggressive stimulus to help the country escape decades of deflation) is capex expected to be focused heavily on growth.

Capex plans



Source: FIL Limited

Eurozone corporate capex-to-sales is at 2003 lows



Source: Eurozone Stats, 31 December 2013

The materials sector is the only one where a significant proportion of analysts expect a clear reduction in capex, underlining some of the cyclical concerns weighing upon the sector

In terms of sectors, consumer discretionary and healthcare had the greatest proportion of analysts expecting an increase in capex, albeit modest. In the consumer area, this can be explained by improving fundamentals in developed economies, combined with the ongoing trend for increased consumption in many emerging markets (expected to remain as a structural factor despite current headwinds). In the healthcare sector, we are seeing the end of patent cliff, improved pipelines and new breakthroughs in the treatment of serious illness. The materials sector is the only one where a significant proportion of analysts expect a clear reduction in capex, underlining some of the cyclical concerns weighing upon the sector.

Within global sub-sectors, Fidelity analysts expect capex to expand the most in heavy electrical equipment, fertilisers, trading companies and distributors, internet retail and IT companies along with healthcare and footwear companies. Sectors where capex will come under pressure are expected to include oil and gas (and related storage and transport sub-sectors), metals and mining, metal and glass containers, marine and port services along with telecoms.

2

Robust dividend payouts show no sign of letting up

94%

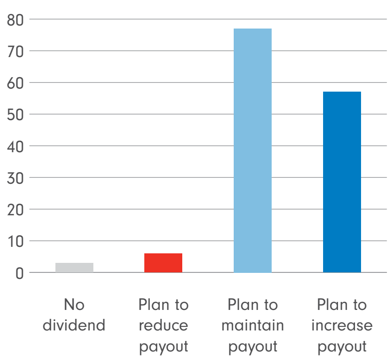
of analysts expect the companies they cover to either maintain or increase dividends

What is the likely dividend policy of your companies in the next 12 months?

One of strongest messages from this year's survey is the overall favourable assessment of Fidelity analysts regarding expected dividend payments. A large majority (94%) of analysts on a cross-sector basis say they expect the companies they cover to either maintain (54%) or increase (40%) dividend payments to shareholders. Only a very small minority say they expect dividends to be cut by the companies they covered. In terms of sector breakdowns, the most stand-out stories from the Analyst Survey are the favourable expectation for dividend payments in the banks and healthcare sectors, the only two sectors where more than half of analysts expect dividend payments to be boosted in the next 12 months.

On a regional basis, relatively more US and European analysts are optimistic on dividend increases than their Asian counterparts, where the majority expect dividends to be maintained. This could reflect the general economic environment, in which many emerging Asian economies are expected to face headwinds driven by the tapering of QE liquidity, a stronger dollar, fiscal deficits and political uncertainty in the months ahead. The US on the other hand is being supported by improving structural and cyclical factors, such as improving deficits, cheaper energy and a more stable currency.

Dividend payouts – number of responses



Source: FIL Limited

"On a regional basis, relatively more US and European analysts are optimistic on dividend increases than their Asian counterparts, where the majority expect dividends to be maintained"

The importance of dividends

With dividends at the core of many traditional company valuation methodologies such as the Gordon Growth Model, it is well established that increasing payouts should be both valuation and share price positive. There is also a school of thought that dividends and especially rising dividends serve as one the strongest available positive indicators of management confidence in the sustainability of future earnings. Conversely of course, dividend cuts have just the opposite effect. Finally, there are also 'clientele effects' to consider – for example, retirees are traditionally thought of as preferring high dividend-paying stocks because of the income they provide. In the unusually low interest rate environment of the last few years, and due to the compounding effects of reinvested dividends, it is little surprise then that dividend-focused strategies have grown in popularity.

As a result of the financial crisis, most European banks were infamously forced to suspend their dividend payments. However, with balance sheets strengthened and a return to profitability, many banks are now in a position to re-start or increase their dividend payments. Indeed, Bloomberg consensus estimates suggest that the European banking sector is likely to outstrip all other sectors in terms of dividend growth over 2013-2015. Within Asia, many markets currently sit within a dividend sweet spot as corporate cash flows are growing together with more modest capital expenditure and gearing levels. Many companies have matured from the 'high-growth, high-investment' mentality of the 1980s and 1990s to a management philosophy that understands the importance of rewarding shareholders with regular and robust payouts.

Expectations for dividend payouts are most favourable in the banking and healthcare sectors, the only two areas where more than half of analysts expect dividend payments to be increased in the next 12 months. This is another strong indication that intellectual property-type stocks are expected to prosper. Pharmaceutical companies in particular are expected to boost payouts as the impact of the patent cliff fades. Encouragingly, companies are making a number of impressive drug discoveries and finding promising new revenue sources for treatments in key areas such as oncology, respiratory disease and diabetes.

"Expectations for dividend payouts are most favourable in the banking and healthcare sectors, the only two areas where more than half of analysts expect dividend payments to be increased in the next 12 months"

3

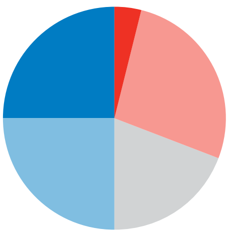
Industry fundamentals favour developed markets at this stage

What stage of the cycle is your industry currently in?

The survey findings indicate that overall industry fundamentals are sound with responses showing a bias towards a stable/recovery/expansion stage of the economic cycle (almost 70% of analyst responses). A majority of our analysts covering the US and Japan report expansion, which is also reflected in the current appeal of developed markets over emerging markets on the part of investors.

Within Asia, 50% of analysts covering China see a recovery and 20% an expansion, indicating that China is still a relatively positive story – bucking the generally bearish trend in emerging markets. At the sector level, analysts are most bullish on healthcare and IT. This also chimes with the resurgence we have seen for developed economies recently and the view that it is intellectual property-led sectors, as opposed to hard commodities, that are likely to outperform going forward

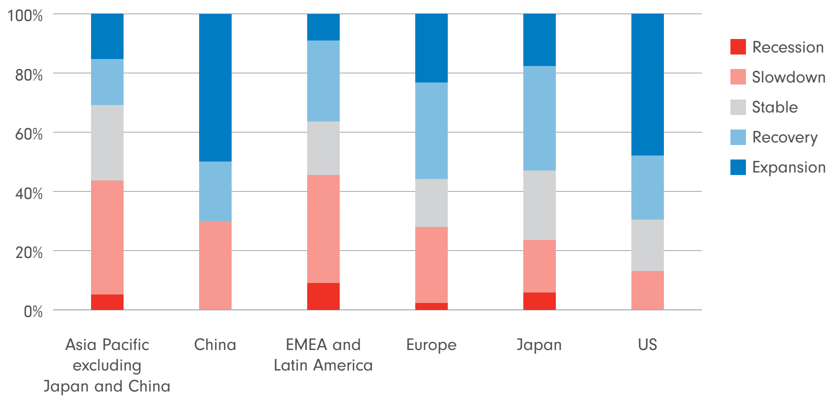
Stage of the industry cycle



Recession	4%
Slowdown	27%
Stable	19%
Recovery	25%
Expansion	25%

Source: FIL Limited

Industry cycle by region



Source: FIL Limited

What is the outlook for overall returns on capital in your industry/sector for the next 12 months versus the last 12 months?

A majority of analysts polled expect either an increase in returns on capital (ROC) or roughly the same in the next 12 months, serving as a solid foundation for value creation, cash flows and, ultimately, profitability. For those analysts forecasting a decline in ROC, the vast majority ascribed this to either weaker demand or a lack of pricing power.

Most analysts covering Japan expect increased ROC ratios across most sectors, reflecting the broad-based growth expectations on the back of Abe's expansionist policies. Within Europe, financials and IT are the most positive sectors for ROC, while ROC within consumer staples and consumer discretionary is expected to remain broadly stable. Notably, the third of respondents expecting a decline in ROC was heavily biased towards emerging markets.

4 Profit expectations rise in IT sector, fall in out-of-favour materials

Where returns are increasing, what is the main cause?

Based on the survey findings, those companies and countries with an innovative edge in the IT sector, combined with strong global marketing and branding capabilities, look well placed for growth. Analysts covering the industrials and IT sectors are the most bullish on profitability. Some of the thematic drivers here include the 'Internet of Things' (the global ecosystem of interconnected physical objects that can sense, process and communicate data), the phenomenon of big data (the processing and analysis of huge amounts of data at an ever faster rate), the ongoing rise of smartphone technology and cloud computing.

Where returns are declining, what is the principal cause?

On the flip side, a majority of analysts covering energy and roughly half of analysts covering materials expect a decline in returns, which is also connected to the fading of the commodities supercycle. In the last couple of years, the broad picture of global commodity markets has been negative. From the peak in early 2011, both the Dow Jones-UBS Commodity Index and the Thomson Reuters/Jefferies CRB index have declined by more than 20%.

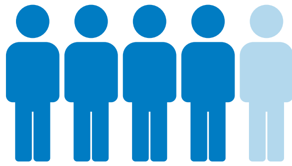
The Internet of Things

The Internet of Things (IoT) is the name given to the growing range of internet-connected objects with embedded sensors that can process and share complex information without human involvement. The benefits include physical objects accurately sensing their environment and communicating this information to improve overall efficiency. The IoT is being enabled by the convergence of a number of key technology themes: internet-enabled smartphones; 'always on' connectivity; remote storage in the 'cloud', and the fact hardware prices have continued to decline.

IoT will create 'horizontal' winners in the technology area – companies that make the hardware that makes the IoT possible like STMicroelectronics, a leading maker of MEMS sensors, which allow devices to collect a wealth of data. However, the potentially bigger long-term opportunities are to be found in second-order beneficiaries in other industries, such as industrials, agriculture and health and fitness. For example, companies such as Rolls Royce, Monsanto and Nike are already embracing the IoT concept.

5

M&A to pick up



About four-fifths of respondents expect a moderate-to-large amount of M&A activity

To what extent are your companies focusing on M&A activity to achieve growth in the next one-two years?

In a key finding, about four-fifths of respondents expect a moderate-to-large amount of mergers and acquisitions activity in the next 12 months, with 20% expecting none. This reinforces the general view that company managements are gaining in confidence to expand amid a gradual economic recovery. In a follow-up question, just over half of respondents say that where they do expect M&A, it will come in the form of bolt-on acquisitions.

Where you are seeing M&A, what type of M&A is it mostly?

This confirms the general picture of 'cautious optimism' among company managements. Despite the pressure to deploy large piles of cash and the challenges of organic growth in an overall 'low growth' environment, it seems that many company managements are still reluctant to make big deals, preferring instead to pursue smaller core acquisitions where it makes commercial sense, to make modest organic investments or to return cash to shareholders. However, the survey clearly indicates that M&A appetite is returning. M&A activity has picked up in the US in particular (see the merger of American Airlines Inc. and US Airways in December 2013 as an example) reflecting increasing management confidence but also perhaps the very low rates of return currently earned on cash balances.

"Many company managements are still reluctant to make big deals, preferring instead to pursue smaller core acquisitions, to make modest organic investments or to return cash to shareholders"

6

Inflation pressures generally subdued – some hot-spots

To what extent will input cost inflation be a problem for your companies over the next 24 months versus the last 24 months?

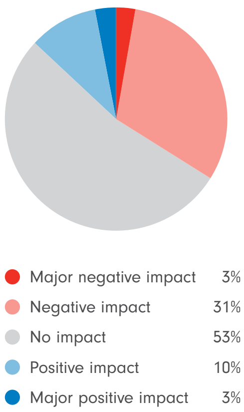
Amid ongoing austerity policies in Europe, a gradual recovery in the US, cyclical headwinds for many emerging markets, falling commodity prices and slowing growth in China, inflation pressures generally remain subdued. However, there are pockets of concern and analysts are evenly split between those who see no input cost inflation, those who expect companies to be able to pass on increased prices to customers and those who expect rising costs to pose a problem.

Amid a complex global picture, three key drivers are worth noting, a strong US dollar in contrast with weakening local currencies in emerging markets, structural change in the global energy consumption landscape and a gradual shift in the world's low-end production base triggered by wage increases in China.

What impact will energy prices have on the profit margins of your companies in the next three years?

Against the backdrop of a rising US dollar, the inflationary trouble spots include those countries and companies which need to import large quantities of oil and those emerging markets where there are food supply bottlenecks amid growing demand for meat and dairy products. At the sector level, analysts covering the energy and materials sectors give a resounding warning that they expect cost input inflation to be a problem in the next two years due to lack of pricing power.

Impact energy prices will have on profit margins over the next three years



Source: FIL Limited

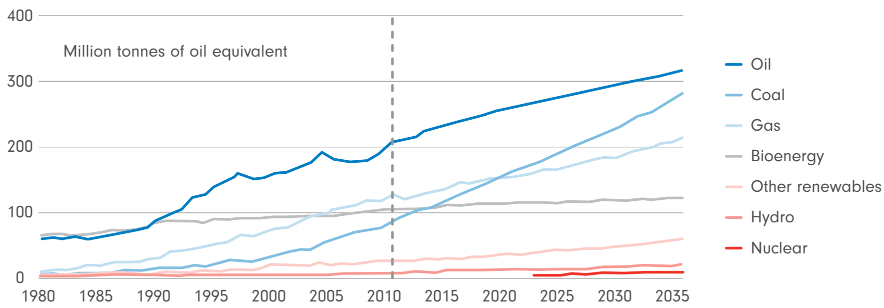
"Inflationary troublespots include emerging markets with food supply bottlenecks given rising food demand"

Amid ongoing austerity policies, many European markets are also facing the risk of deflation

On the flip side, countries such as Japan are trying to escape a vicious cycle of deflation and low growth, so stimulus is being added to inflate prices. Amid ongoing austerity policies and a rigid stance by Germany against expanding the ECB's balance sheet, many European markets are also facing the risk of deflation. The recent correction in Japanese stocks can be attributed to global risk aversion, stemming from concerns about China and emerging economies, and a recent pick-up in the yen (reversing the weaker trend of the past 12 months). However, we believe Japan's recovery continues to proceed steadily and the reflation theme remains on course. One negative side effect of a weaker yen is higher energy costs for Japan, with the domestic nuclear power industry shuttered in the wake of the Fukushima disaster.

On the other hand, the US, the largest consumer of crude oil, has seen net imports of crude continue to decline thanks to the commercial exploitation of the country's shale and gas reserves. Beneficiaries of the shale boom in the US include oil and gas companies, such as EOG Resources, and some basic materials companies, such as Dow Chemical. The shale boom should also result in cheaper energy for a wide range of US manufacturers, helping to give them a competitive edge.

Asean energy demand is set to rise



Source: Southeast Asia Energy Outlook 2013

7 Wage increases driving outsourcing in China

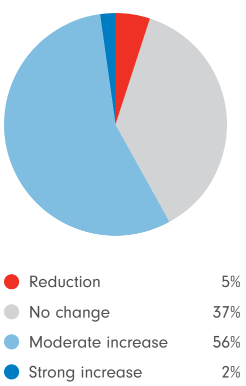
Wage costs in China have been increasing rapidly

What is the industry outlook for wage cost inflation over the next 12 months versus last 12 months?

Moving away from energy costs and looking at wages – around two-thirds of analysts polled expect the companies they cover would moderately increase wages over the next 12 months. By sector, industrials and consumer (staples and discretionary) scored the highest for expected wage increases, while telecoms and utilities scored the lowest. On a regional basis, a greater percentage of analysts covering Asia expected a moderate increase in wages than those analysts covering Europe.

Wage costs in China have been increasing rapidly amid a growing economy, increased urbanisation and tight labour markets. Though the growth rate of average urban wages slowed down to 11.9% in 2012 from 14.4% in 2011, it is likely to remain above 10% in 2014. This may accelerate the trend of outsourcing low-end manufacturing jobs from China to lower cost Southeast Asian countries. Any signs of broader inflationary pressures will have to be watched by investors and could prompt a move into inflation-protection assets.

Wage costs over the next 12 months



Source: FIL Limited

Urban wages in China are rising

Source: China National Bureau of Statistics, 2014

8

Balance sheets repaired, not yet deployed in earnest

Inflation protection

While the causes of inflation vary, the effect of inflation is always the same – it erodes the purchasing power of money over time. For investors, protecting a portfolio from inflation requires farsightedness however. Inflation protection is not about what inflation is doing today, rather what it could be doing in the future. This means investment objectives should be set in real terms with market-based expectations of future inflation factored in. Consider what $1,000 might be worth in five, 10 or 20 years' time in real terms. The decline in purchasing power needs to be offset over the investor's time horizon.

Inflation-linked bonds offer one of the best ways to protect against inflation because they can provide a precise hedge against consumer price indices. Now could be a good time to invest because markets are preoccupied with low current levels of inflation meaning valuations look cheap on a medium-term view.

How strong on average are the balance sheets of the companies you cover now compared with three years ago?

The majority of analysts polled say they believe balance sheets for the companies they cover are healthier now compared with three years ago. A larger proportion of analysts covering Europe relative to Asia say balance sheets are considerably healthier, indicating that many companies in this region have worked hard to repair the damage done by the financial crisis.

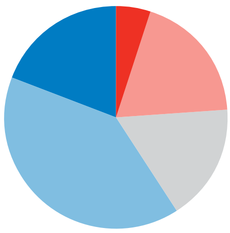
However, as seen with responses to other sections such as capex plans and M&A activity, there is little sign yet that this cash will be deployed aggressively. More companies seem inclined to return cash to shareholders at this stage – a trend in place for the past few years and helping to explain the continued attraction of equity income strategies. Although any signs that companies are re-leveraging would be taken as a positive signal by equity markets, it would likely be viewed very cautiously by fixed income investors.

> **Balance sheets are healthier yet few signs cash will be deployed aggressively**

Telecoms, financials and utilities face the most regulatory change

Within Asia, 40% of analysts covering China say balance sheets are weaker than three years ago, 30% the same and 30% healthier. This indicates that the credit bubble of recent years has weakened balance sheets at many companies. At the sector level, analysts covering consumer staples, consumer discretionary, financials, industrials and IT see stronger balance sheets – with a heavy positive response for financials in particular. Most analysts expect increased use of bond issuance if funding costs rise. Of those companies that need to raise capital in the next 12 months, the majority of analysts covering the financials, energy and utilities sectors say 50% or more of their companies would need to raise finance in the capital markets.

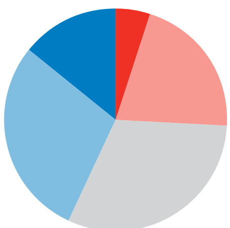
The extent companies are focusing on M&A to achieve growth over the next two years



Considerably weaker	5%
Weaker	19%
About the same	17%
Healthier	40%
Considerably healthier	19%

Source: FIL Limited

The degree of balance sheet efficiency



Too stretched	5%
Modestly stretched	21%
About right	31%
Modestly cautious	29%
Very safe and cautious	14%

Source: FIL Limited

How much of an impact do you expect regulation to have on your industry/sector over the next two years?

A significant majority (66%) of analysts expect regulation to have at least some impact (significant to moderate) on the affairs of the companies they cover. Perhaps of greater significance though, among those analysts expecting regulation to have at least some impact, 69% feel that this is 'not fully reflected' in company valuations. Specifically, 59% of analysts judge that regulation is 'only partly reflected' in current valuations, while 10% believe that the regulatory effects are 'largely not priced in'.

The three sectors where Fidelity analysts expect the biggest regulatory impact are: telecoms, financials and utilities. While significant regulatory impact in the telecoms and healthcare sectors can be considered to some extent a structural feature of those industries (for example, getting approval for new drugs is always onerous from a regulatory perspective), in the financial sector, the regulatory overdrive over the past few years appears largely to be a response to the recent financial crisis. In particular, key ongoing regulatory concerns in the financial industry are related to Basel III rules on tier-1 bank capital in Europe and the Dodd-Frank legislation in the US.

At a regional level, more analysts within Asia expect regulation to have a moderate-to-significant impact than their European counterparts. Within emerging Asian markets, it is notable that there now appears to be a high-level policy drive in China to improve environmental standards. The wider region has also seen some protectionist policies come into effect to defend certain strategic industries amid the commodities slowdown. A notable recent example of this was the banning of raw mineral exports from Indonesia, aimed ostensibly at boosting domestic refining efforts and capacity.

Within the broad area of corporate governance, which issue is being most scrutinised at your companies?

In terms of corporate governance, the area highlighted by the majority (51%) of analysts as most susceptible to regulatory scrutiny is financial transparency and accounting. The second-most 'popular' area for attracting scrutiny is executive compensation.

These responses partly reflect the two headline areas in global corporate governance in recent times – the financial accounting scandals that periodically still arise (as seen with some US-listed China firms) and secondly, the increasingly hot topic of executive compensation in many European markets.

In particular, against a backdrop of tougher economic conditions, rising global income inequality and increasing capacity for social unrest, the high bonuses in the financial industry and the very high compensation level of some CEOs continue to attract significant media and regulatory interest.

In response, some collective investors have been taking a more active approach in seeking fairer compensation models for senior executives that are more closely linked to corporate performance, particularly long-term financial and share price performance.

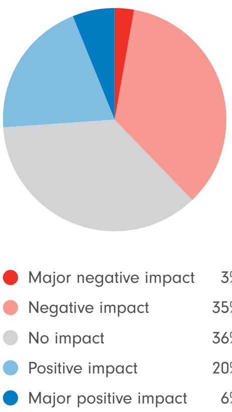
Word cloud: there are a number of concerns common to many of our analysts

9

Ageing a boon for some sectors and countries, a burden for others

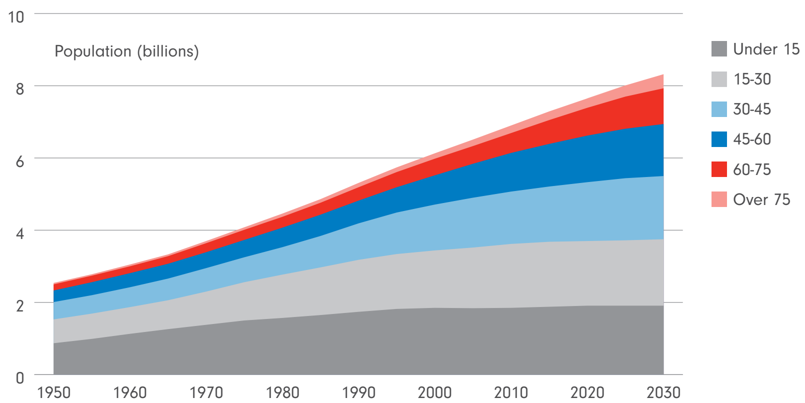
What impact will an ageing population have on your companies in the next 10 years?

Impact ageing populations will have on companies



Source: FIL Limited

Populations are ageing quickly



Source: United Nations Population Division

"Ageing populations a positive driver for healthcare sector"

The standout finding here is that most healthcare analysts believe that an ageing population will have a strong positive impact on their sector over the next 10 years. Clearly healthcare companies will receive a boost as people age and require more treatments throughout their extended lives, including everything from spectacles to hearing aids to advanced therapies for serious illnesses such as cancer. Companies that have benefited from this secular trend include Novo Nordisk in Europe, which has pioneered treatments for the rising incidence of diabetes globally, the world leader in corrective lenses Essilor and Zimmer in the US, which makes the eponymous walking frames for elderly people.

In terms of sectors, consumer staples and financials also polled positively. This is likely to be a reflection of increased consumption of staple foods, including items such as meat, dairy and sugar. On a regional basis, the majority of analysts covering China and Japan see ageing demographics as having a significant negative impact. For those countries such as India and Indonesia with a favourable ratio of young-to-old people, often referred to as a demographic sweet-spot, the demographic profile is considered a tailwind – driving a rising middle class, increased consumption and relatively higher growth rates for years to come. The US also has a youthful demographic profile, thanks in large part to immigration flows.

Greying populations

> The majority of analysts covering China and Japan see ageing demographics as a significant negative

On the flip side, those countries with a higher ratio of old-to-young people may face structural financial problems as a dwindling pool of tax receipts is used to finance pensions and services for a growing pool of elderly citizens. This will place a particular strain on those countries with high ratios of public-to-private provision of these services, such as Japan and Korea (and even China, which recently announced steps to relax its one-child policy amid a looming demographic imbalance between young and old).

The global population passed the seven billion mark in 2011, having grown by a full billion since 1999; future growth is expected to take numbers to nine billion by 2050. Within that, the number of older people (above 60) in developed markets has almost tripled since 1950 and now exceeds the number of children (under 15).

One example of a company that serves the ageing trend would be Essilor, the world leader for corrective lenses. Basic population growth increases the pool of people requiring vision correction. Ageing not only means that people are more likely to need corrective lenses, it also means they are likely to replace their lenses more times. The emerging middle class should drive strong demand growth in developing countries. Changing lifestyles, with a greater emphasis on computer work, are also likely to support demand for vision correction.

Appendix: The results in full

1. Are you an equity or a fixed income analyst?
Equity (108)
Fixed Income (35)

2. Are you based in Europe or Asia?
Europe (66)
Asia (77)

3. What region do you cover?
Europe (43)
US (23)
China (10)
Asia Pacific excluding Japan and China (39)
Japan (17)
EMEA/Latin America (11)

4. What industry sector are your companies in?
Energy (12)
Materials (16)
Industrials (20)
Consumer discretionary (19)
Consumer staples (12)
Healthcare (9)
Information technology (11)
Telecoms (9)
Utilities (8)

5. What is the confidence level of the management teams in your industry sector to invest in their businesses versus 12 months ago?
A lot more confident (4)
More confident (57)
About the same (55)
Less confident (23)
A lot less confident (4)

6. How do capex plans for your companies over next 12 months vary vs. last 12 months?
Significant reduction (9)
Moderate reduction (18)
About the same (62)
Moderate increase (52)
Substantial increase (2)

Give a percentage split of capex between growth (question 7) and maintenance (question 8) for the next 12 months.
7. Growth: (averaged Response 48%)
8. Maintenance: (averaged Response 50%)

9. How does this split of capex compare to the previous 12 months?
More focus on Growth (42)
More focus of Maintenance (32)
Same as before (69)

10. How will working capital requirements change in the next 12 months for your companies?
Increase (40)
Same (88)
Decrease (40)

11. What is the likely dividend policy of your companies in next 12 months?
Plan to increase payout (57)
Plan to maintain payout (77)
Plan to reduce payout (6)
No dividend (3)

12. To what extent are your companies focusing on M&A activity to achieve growth in the next 1-2 years?
Not at all (28)
Moderate amount (87)
To a large extent (21)
M&A activity is a huge strategic priority (7)

13. Where you are seeing M&A, what type of M&A is it mostly?
Major strategic M&A (23)
Bolt-on acquisition (64)
New markets directed (18)
New products directed (10)

14. What stage of the cycle is your industry currently in?
Recovery (36)
Expansion (38)
Slowdown (39)
Recession (5)

15. What is the outlook for overall returns on capital in your industry/sector for the next 12 months versus the last 12 months?
Better/Increasing returns on capital (64)
Worse/declining returns on capital (34)
Same/stable returns on capital (45)

16. If Industry returns are increasing, what is the principal cause?
Higher/faster end demand growth (56)
Presence of pricing power (9)
Cost reduction (22)
Industry consolidation/players leaving market/less competition
(9)Positive regulatory changes (3)
New technology/new products (10)

17. If Industry returns are declining, what is the principal cause?
lower/slower-end demand growth (47)
Lack of pricing power (34)
Costs increasing (27)
New market entrants/more competition (20)
Positive regulatory changes (8)
Disruptive technology/products (7)

18. On a scale on one to five, where do you think your industry/sector is today versus your idea of fair value?
1 – undervalued (4)
2 (32)
3 – fair value (64)
4 (38)
5 – expensive (5)

19. What do the CEOs in your industry sector see as the main source of earnings growth for their companies?

Market growth/end-demand growth (75)
Market share growth (15)
Cost reduction/efficiency (28)
New markets/new products (25)

20. To what extent will input cost inflation be a problem for your companies over the next 24 months versus the last 24 months?

Not a problem as no rises are expected (52)
Not a problem, rises expected but offset by pricing power (47)
This will be a problem, rises expected and there is no pricing power (44)

21. What impact will energy prices have on the profit margins of your companies in the next 3 years?

Major negative impact (5)
Moderate negative impact (44)
No impact (76)
Positive impact (14)
Major positive impact (4)

22. What is the industry outlook for wage cost inflation over the next 12 months versus last 12 months?

Strong increase (3)
Moderate increase (80)
No change (53)
Reduction (7)
Strong reduction (0)

23. Are your companies planning an increase or reduction in marketing spend over the next 12 months?

Significant reduction (2)
Moderate reduction (8)
About the same (102)
Moderate increase (30)
Substantial increase (1)

24: Are your companies planning an increase or reduction in IT spend over the next 12 months?

Significant reduction (0)
Moderate reduction (5)
About the same (108)
Moderate increase (28)
Substantial increase (2)

25: To what extent are your companies focusing on M&A activity to achieve growth in the next 1-2 years?

Considerably weaker (7)
Weaker (27)
About the same (24)
Healthier (57)
Considerably healthier (28)

26. How would you characterise the efficiency of the overall balance sheet in your industry/sector?

Vary safe and cautious (20)
Modestly cautious (42)
About right (44)
Modestly stretched (30)
Too stretched (7)

27. Assuming no base rate changes, how will funding costs likely change in the next 12 months for your companies based on credit quality?

Increase (31)
Same (85)
Decrease (27)

28. If an increase in funding costs is expected, how are your companies dealing with this greater cost of funding?

Reliance on traditional bank funding at higher rates (10)
Increased use of bond issuance (16)
Increased use of equity issuance (5)

29. What percentage of your companies will need to raise capital in next 12 months, via the equity or bond markets?

None (28)
0-25% (72)
25-50% (18)
More than 50% (25)

30. How many of your companies are planning to expand their headcount in the next 12 months?

More than 20% (25)
Between 0 and 20% (35)
Plan to maintain staff levels (61)
Between 0 and 20% are planning to lay off staff (9)
More than 20% plan to cut staff levels (13)

31. How much of an impact do you expect regulation to have on your industry/sector over the next 2 years?

Significant impact (47)
Moderate impact (48)
Low impact (40)
No impact (8)

32. Regulation: where there is an impact, is this already reflected in valuations?

Fully reflected (42)
Only partly reflected (79)
Largely not priced in (14)

33. Within the broad area of corporate governance, which issue is being most scrutinised at your companies?

Financial transparency and accounting (74)
Executive compensation (33)
Sustainability and socially responsible investment (12)
Environmental/ethical (24)
Charitable and political donations (0)

34. What impact will an ageing population have on your companies in the next 10 years?

Major negative impact (5)
Moderate negative impact (50)
No impact (51)
Positive impact (29)
Major positive impact (8)

35. What is the biggest risk factor to the fundamentals of your industry/sector?

Key words: prices, commodity, competition, demand, economy, growth, risk, regulation, China, slowdown