

## Pension Funds Outlook – March 2023

April 20, 2023

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- **The system's yield rebounded to 10-month highs.** The system's weighted return (rolling 36 months, excluding Additional) increased to 7.38% from 5.20% the previous month. March was characterized by high volatility in the financial markets triggered by the crisis in the banking sector. In the United States, Silicon Valley Bank and Signature Bank collapsed after a "bank run" –a massive withdrawal of deposits– while in Europe one of Switzerland's biggest banks, Credit Suisse, experienced a crisis of confidence that sent its shares tumbling. This situation generated strong fears of a contagion effect on the financial system, which also revived concerns of a global recession and a greater demand for safe-haven assets. The financial turbulence began to recede at the end of the month, following the extraordinary measures implemented by the authorities, which induced gains in the stock markets. On the monetary front, the FOMC hiked the reference rate by 25bps, in line with market expectations, to a 4.75%-5.00% range, accumulating +475bps since the start of the cycle. The communiqué, dot plot and the press conference showed a cautious and less hawkish tone. In economic data for the US, March's annual inflation drop sharply to 5.0% from 6.0%. Meanwhile, the employment report showed the addition of 236K jobs, from 326K the previous month, and unemployment rate passed to 3.5% from 3.6%. In Mexico, Banxico hiked the reference rate by 25bps to 11.25%, in line with consensus, in a unanimous decision. The tone in the communiqué was less hawkish and the forward guidance left the door open to an additional hike in the next decision. In economic data, annual inflation in March fell to 6.85% from 7.62%, and the core component dropped to 8.09% from 8.29%. Also, in February 10K jobs were lost, contrasting with the usual trend, while the unemployment rate stood at 2.72%, below consensus, from 3.00%
- **Assets under management (AUM) increased 3.3% vs February.** Resources managed by Pension Investment Companies stood at MXN 5.46 trillion, reaching a new 17-year high, from MXN 5.29 trillion (+5.4% y/y). This movement was driven by profits of MXN 135.8 billion from losses of MXN 152.0 billion the previous month, and bigger net inflows of MXN 38.4 billion compared to February's marginal advance flow of MXN 186 million
- **In government debt,** Afores increased their position to 54.1% (+44bps) of total AUM. In this sense, the increased appetite for CPI-linked bonds (Udibonos) and Other Debt (which includes repos) was fully diluted by a decline in the holdings of Mbonos and Cetes
- **As for equity,** in a context of risk appetite, which was reflected in main benchmarks advance, Siefores increased their stock positions, mainly in domestic ones
- **In the corporate debt market** (excluding banks), Afores' stake in these securities remained unchanged despite the market's dynamism in the month, staying at 12.0% of the invested amount

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## Analysis by Asset Class

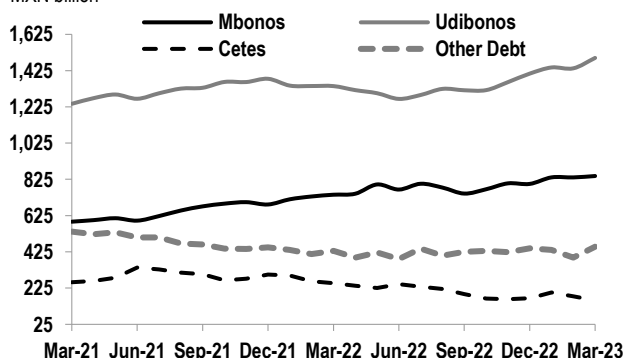
### Government Debt

During March, appetite for safe-haven assets increased in the face of uncertainty in the US and European banking sector. In this sense, sovereign bonds rallied, led by Treasuries. The 2-year Treasury yield declined rapidly to 5-month lows of 3.76% from historical highs of 5.08%. In Mexico, Mbonos' curve steepened as a result of further gains in the short-end of up to 90bps. Meanwhile, CPI-linked bonds (Udibonos) gained 20bps, except for the shorter maturities. In this context, Afores grew their stake in government debt to 54.1% of total AUM (+44bps), standing at MXN 2.94 trillion. The portfolio recorded an increase in the positions of Other Debt (which includes repos) and Udibonos' holdings. The first sub-class jumped to 8.3% from 3-year lows (+91bps), while the second moved to 27.4% (+32bps). This movements fully diluted the decrease in Cetes and Mbonos' holdings to 2.9% (-52bps) and 15.5% (-28bps) in the same order.

As of March 31<sup>st</sup>, foreign holdings in Mbonos stood at MXN 1.39 trillion (36.0% of the total issuance), decreasing 0.7% m/m and 0.1% year-to-date. Holdings by these investors in Cetes totaled MXN 178.4 billion (11.7% of the total), with a 15.5% monthly increase and 27.1% during 2023. Meanwhile, positions in Mbonos owned by Afores stood at MXN 883.6 billion (22.8% of the total issuance), decreasing 0.5% m/m. As for Cetes, holdings from these institutions observed a level of MXN 187.8 billion (12.3% of the total issued), falling 8.8% m/m.

**Net assets in Government Debt**

MXN billion



Source: CONSAR, Banorte

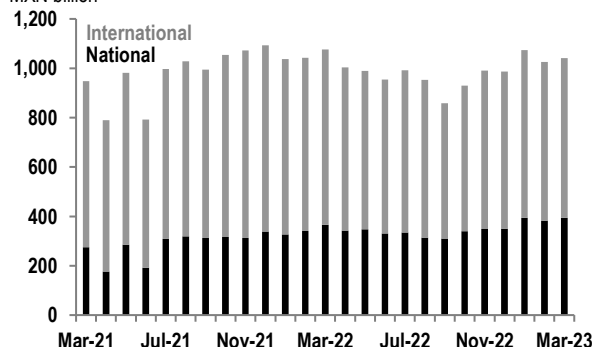
### Equity

March ended with almost generalized advances, despite the still complex scenario and periods of high volatility. In that sense, for the sample of 30 indices that we regularly follow, we observed an average increase in dollars of 2.0%. Performance was driven by technology stocks due to dip buying's, favored by the expectation of valuation gains and being considered as a safe-haven option in times of uncertainty. Meanwhile, although the risk associated with some banks in the US and Europe continued, the support and measures implemented by financial regulators helped to avoid a greater impact, mitigating fears among participants. On this occasion, the largest increases were observed in the Nasdaq (+6.7%), followed by the stock markets in Russia (+5.2%), Japan (+4.5%), the Euro Stoxx (+4.3%), Germany (+4.2%), and Mexico (+4.0%). The S&P500 rose 3.5% and the Dow Jones 1.9%. The only ones to show declines were Argentina (-6.3%), the United Kingdom (-1.1%), and Canada (-0.7%). Against this backdrop, investors continue to weigh possible adjustments in monetary policy, the evolution of inflation and risks to economic growth and earnings. Attention will continue to flow during April towards the 1Q23 earnings season. According to the Bloomberg consensus, S&P500 earnings are expected to fall by 8.0% vs. -2.9% in 4Q22.

Particularly, Siefores' equities positions increased 1.5% m/m to MXN 1.0 trillion, and thus, equity investments weighting against total assets fell 24bps m/m to 19.1%. Holdings of domestic securities were up to 3.2% m/m while foreign assets slid by 0.5%.

**Afores – Equity Investments**

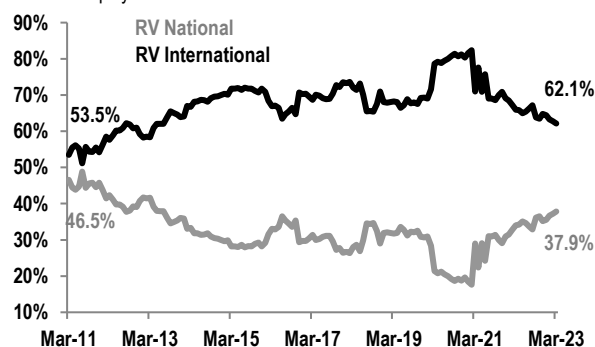
MXN billion



Source: CONSAR, Banorte

Assuming an indexed strategy to the S&P500 and the S&P BMV Mexbol, respectively, we observed that afores' managers decided to increase their domestic securities weightings by 1.1% m/m to stand at MXN 394.3 billion. In turn, they decided to reduce their international stocks exposure by 1.5% to MXN 647.2 billion. During the period, the Mexbol climbed 2.2% nominally, while the S&P500 in pesos rose 1.7%. Thus, the weighting of domestic assets was up 0.6pp to 37.9% and the corresponding to international equities adjusted by the same extent to 62.1% vs. total equity investments.

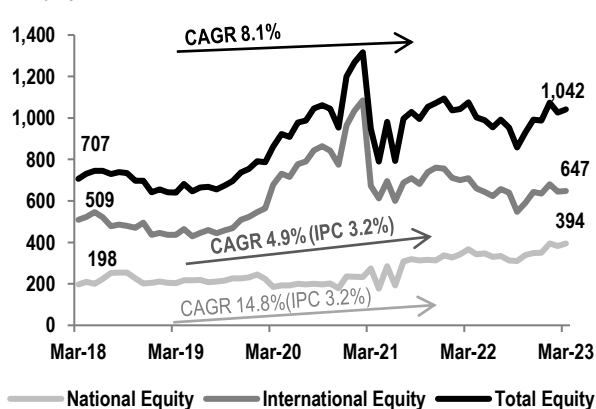
**Weighing of National and International Equity Investments**  
% of total equity investments



Source: CONSAR, Banorte

Regarding holding breakdown, domestic securities have grown in the last 5 years at a CAGR rate of 14.8%, which compares favorably with the Mexbol performance (3.2%). Meanwhile, international, and total equity positions have increased over the same period at a rate of 4.9% and 8.1%, respectively.

**Evolution – National, International and Total Equity Investments**  
MXN billion

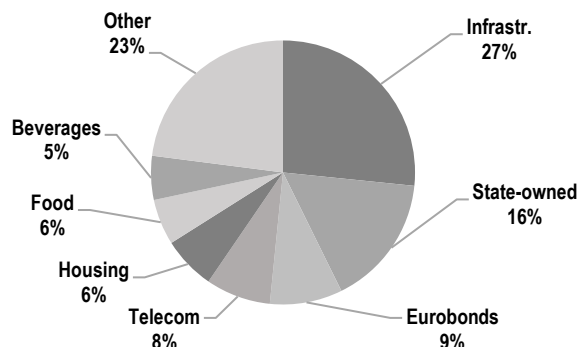


Source: CONSAR, Banorte

## Corporate Debt

In March of 2023, Afores stake in corporate debt notes remained unchanged, accounting for 12.0% of the total invested assets. Stands out that, despite the months' significant issued amount, mainly formed by issuers with high credit ratings and from low-risk sectors, Afores stake did not increase. We attribute it to the also large amount of long-term bonds' maturities, with new issuances being used to refinance the outstanding notes. Ahead, with a robust pipeline for 2Q23, we could observe small upwards movements in Afore's participation in debt securities in the following months. Top participant sectors are Infrastructure (26.6%), State-owned (16.1%), Eurobonds (8.1%), Telecom (7.9%) and Housing (6.5%).

**Afores – Private Debt Distribution by Sector**  
%



Source: CONSAR, Banorte

## Corporate Debt Structure

For classification by structure, a different source of information is considered, so the total differs from our figures. \*Information available as of March 2023.

In the first quarter of 2023, preference in placements was clear for unsecured bonds, with the whole of the issued amount. In the following months, we expect this preference to continue, although with a small presence of structured notes. Among these instruments, we mainly expect securitizations of collection rights of leasing and credit portfolios, which have been a viable financing alternative for non-bank financial institutions, given the sector's funding difficulties.

### Siefores investment composition by asset class

% (data as of March 2023)

Asset Class	SIEFORE Birth year	Pension SB	SB 55-59	SB 60-64	SB 64-69	SB 70-74	SB 75-79	SB 80-84	SB 85-89	SB 90-94	Initial SB	Additional SB	TOTAL
Equity	National	0.7%	3.0%	4.5%	5.8%	6.9%	7.7%	8.6%	9.4%	10.1%	10.3%	3.4%	7.2%
	International	1.8%	5.1%	9.7%	11.7%	12.1%	12.6%	12.7%	13.2%	13.5%	14.5%	8.7%	11.9%
Commodities		0.0%	0.0%	0.2%	0.3%	0.3%	0.3%	0.3%	0.2%	0.1%	0.1%	1.2%	0.3%
Corporate Debt	Banks	1.5%	3.1%	3.0%	3.3%	3.2%	3.0%	2.8%	2.8%	2.8%	2.7%	2.7%	3.0%
	State-owned	0.3%	2.2%	2.1%	1.8%	2.0%	2.0%	2.0%	2.1%	2.2%	2.4%	0.5%	1.9%
	Corporate	2.7%	11.6%	10.8%	10.2%	10.5%	9.9%	9.8%	10.2%	10.8%	11.1%	5.8%	10.1%
Structured		0.0%	1.4%	7.1%	7.2%	9.1%	9.3%	9.2%	8.4%	6.9%	4.4%	0.0%	7.7%
REITs		1.2%	3.0%	2.9%	2.7%	3.0%	2.9%	2.9%	3.0%	3.0%	2.6%	1.5%	2.8%
International Debt		1.5%	2.1%	1.5%	1.3%	1.2%	1.0%	0.8%	0.7%	0.6%	0.5%	0.4%	1.0%
Gov. Debt	Mbonos	16.6%	13.3%	14.1%	12.7%	14.6%	15.0%	16.2%	17.0%	16.8%	16.9%	26.3%	15.5%
	Cetes	2.8%	1.8%	1.2%	4.0%	2.5%	3.1%	2.6%	2.5%	2.6%	3.3%	6.9%	2.9%
	Udibono	59.7%	43.5%	36.1%	30.6%	26.7%	25.1%	23.9%	22.1%	21.3%	21.3%	35.7%	27.4%
	UMS	0.6%	0.5%	0.6%	0.7%	1.0%	1.2%	1.3%	1.3%	1.3%	1.1%	0.2%	1.0%
	Repos	5.2%	4.4%	2.7%	3.4%	3.3%	3.0%	3.2%	3.5%	4.3%	5.9%	5.2%	3.5%
	Other Gov.	5.5%	5.2%	3.5%	4.4%	3.8%	3.9%	3.8%	3.6%	3.6%	2.9%	1.5%	3.8%

Source: CONSAR, Banorte

### Siefores investment composition by asset class

Millions of pesos (data as of March 2023)

Asset Class	SIEFORE Birth year	Pension SB	SB 55-59	SB 60-64	SB 64-69	SB 70-74	SB 75-79	SB 80-84	SB 85-89	SB 90-94	Initial SB	Additional SB	TOTAL
Equity	National	551	3,975	20,131	44,466	64,297	69,742	71,460	57,969	37,818	17,779	6,159	394,345
	International	1,335	6,841	43,533	89,660	113,003	114,547	105,374	81,296	50,682	25,064	15,884	647,220
Commodities		19	57	925	1,934	2,635	3,032	2,130	1,205	424	127	2,190	14,678
Corporate Debt	Banks	1,148	4,137	13,695	25,619	29,595	27,301	22,967	17,098	10,393	4,708	4,887	161,547
	State-owned	205	2,933	9,308	13,784	18,232	17,865	16,437	13,018	8,231	4,154	965	105,131
	Corporate	2,040	15,573	48,858	78,710	98,026	90,158	81,687	63,007	40,564	19,155	10,499	548,279
Structured		-	1,833	32,206	55,078	84,647	84,798	76,086	51,489	25,865	7,571	50	419,623
REITs		889	4,035	12,949	21,055	27,585	26,404	23,980	18,622	11,158	4,548	2,733	153,958
International Debt		1,170	2,883	6,788	10,266	11,102	9,329	6,964	4,290	2,350	779	663	56,584
Gov. Debt	Mbonos	12,561	17,863	63,679	97,507	136,289	136,940	134,199	104,453	62,706	29,089	48,041	843,326
	Cetes	2,103	2,387	5,336	30,634	23,285	28,139	21,435	15,383	9,695	5,681	12,635	156,714
	Udibono	45,215	58,571	162,718	235,125	249,171	227,984	198,218	136,403	79,785	36,689	65,095	1,494,975
	UMS	438	661	2,590	5,448	9,800	11,184	10,822	8,199	5,015	1,857	421	56,433
	Repos	3,921	5,981	12,107	26,113	30,707	27,495	26,862	21,692	16,117	10,129	9,505	190,629
	Other Gov.	4,204	6,953	15,622	33,843	35,703	35,037	31,380	21,942	13,543	5,075	2,785	206,087
TOTAL		75,799	134,682	450,444	769,243	934,077	909,953	830,001	616,066	374,346	172,405	182,512	5,449,527
% Siefore		1.39%	2.47%	8.27%	14.12%	17.14%	16.70%	15.23%	11.30%	6.87%	3.16%	3.35%	

Source: CONSAR, Banorte

## Annex

### December 2019

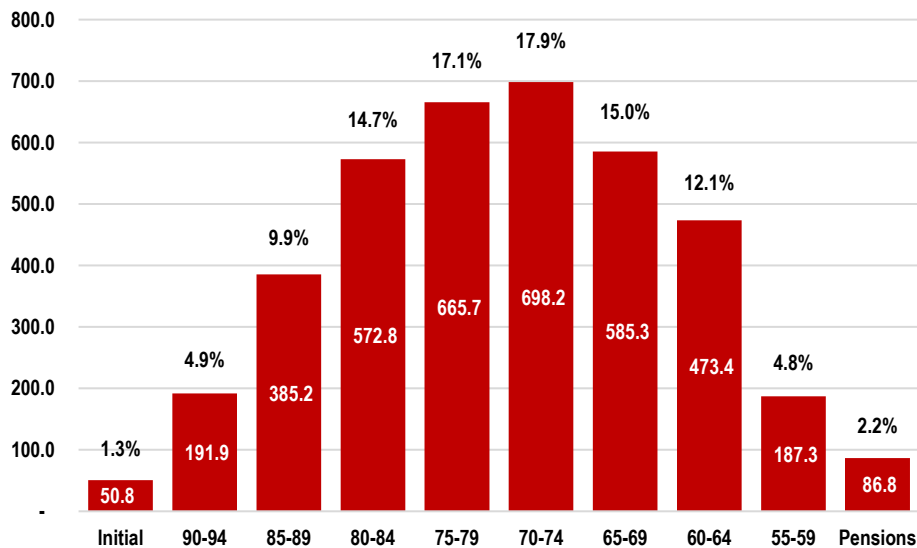
On December 13<sup>th</sup>, 2109, the migration to the new investment regime based on Target Date SIEFORES was concluded. Announced on May 31<sup>st</sup>, the main modification was the **transition to a Target Date Fund Scheme**.

Such transition transformed SIEFORE (multi pension funds) into Target Date Funds. Under this scheme, each worker's resources are assigned to the SIEFORE that is linked to his/her date of birth and are held there throughout his/her entire working life. By doing so, workers' resources do not have to be transferred from one SIEFORE to another when they turn a certain age, but rather, it is the fund's Investment Regime that which changes through time.

The new Target Date SIEFORES scheme was designed specifically to produce results in terms of revenue upon reaching retirement age. With this new scheme, the worker no longer changes SIEFORE as he/she advances to the next age group, which would allow them to make the most of long-term investment benefits, under a smoother and thereby more efficient transition in which the worker's resources are invested.

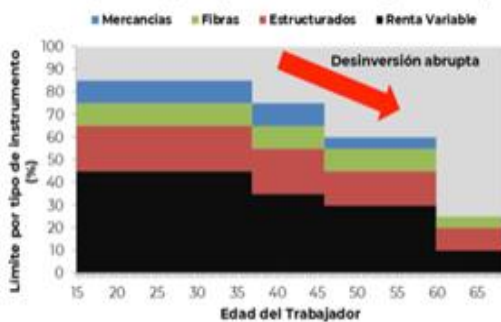
#### Assets managed by SIEFORE & percentage of total assets

MXN billions / %

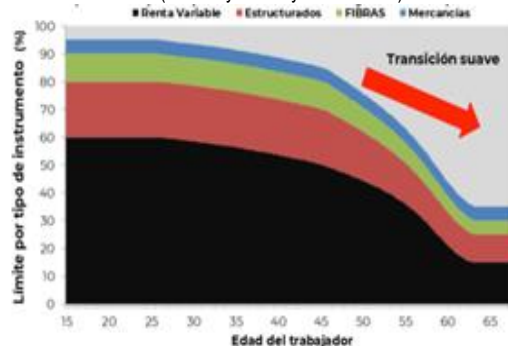


Source: CONSAR. As of December 2019, date of migration to Target Date Fund scheme

#### Current SIEFORES (Limits by security & SIEFORE)



#### Target Date SIEFORES (Limits by security & SIEFORE)



Source: CONSAR

Through this new regime, resources will be managed in 10 Target Date SIEFORES: i) 1 Initial SB; ii) 8 Target Date SIEFORES with five-year age groups; and iii) 1 Pension SB.

SIEFORE Date of Birth	Initial SB	SB 90-94	SB 85-89	SB 80-84	SB 75-79	SB 70-74	SB 65-69	SB 60-64	SB 55-59	Pension SB
Age of Worker	<25	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	≥65
SIEFORE	New	New	SB 4	New	SB 3	New	New	SB 2	SB 1	SB 0

Source: CONSAR

In addition, new 5-year Basic Pension Investment Companies will be created for the following generations of workers and pension beneficiaries, according to the following chart:

Basic Pension Investment Company	Date of Birth	Opening Date
Basic Pension Investment Company 95-99	Workers born between 1995 and 1999	January 1 <sup>st</sup> 2025
Basic Pension Investment Company 00-04	Workers born between 2000 and 2004	January 1 <sup>st</sup> 2030
Basic Pension Investment Company 05-09	Workers born between 2005 and 2009	January 1 <sup>st</sup> 2035
Basic Pension Investment Company 10-14	Workers born between 2010 and 2014	January 1 <sup>st</sup> 2040
Basic Pension Investment Company 15-19	Workers born between 2015 and 2019	January 1 <sup>st</sup> 2045

As for the **Investment Regime**, as of this change, investment limits are now classified into five instruments and will change on a quarterly basis in relation to the quarter of the life of the SB. So far from the date of the transition (December 16, 2019), the investment companies have been registered as follows:

Basic Investment Company	Initial Investment Regime (Quarter)
Basic Pension Investment Company	161
Basic Investment Company 55-59	141
Basic Investment Company 60-64	121
Basic Investment Company 65-69	101
Basic Investment Company 70-74	81
Basic Investment Company 75-79	61
Basic Investment Company 80-84	41
Basic Investment Company 85-89	21
Basic Investment Company 90-94	1
Initial Basic Investment Company	1

SBs will be able to invest: i) Up to 100% of the Pension Investment Company's Total Asset in Debt Instruments issued or guaranteed by the Federal Government, or in Debt Instruments issued by Banco de México, or in Debt Instruments that have Investment Grade; ii) in money deposits on demand in Banks; iii) in authorized trading transactions to guarantee Derivatives which are referred to in Provisions set by Banco de Mexico; iv) up to 20% of the Pension Investment Company's Total Asset, in Foreign Securities and Senior Bond Trusts of Investment Projects that are intended for the investment in or the refinancing of activities or projects outside the national territory.

Furthermore, Investment Companies may invest in Structured Securities, Merchandise, REITS and Real Estate Investment Vehicles, Equity and securitized Debt Instruments.

## Limits by Asset Class for Siefores

%		Initial SB	SB 90-94	SB 85-89	SB 80-84	SB 75-79	SB 70-74	SB 65-69	SB 60-64	SB 55-59	Pension SB
Quarter		1	1	21	41	61	81	101	121	141	161
Market and Liquidity Risks	Value-at-Risk <sup>/2</sup>									0.89%	0.70%
	Difference of the Conditional Value-at-Risk <sup>2</sup>	1.00%	1.00%	0.98%	0.96%	0.90%	0.79%	0.60%	0.40%	0.29%	0.25%
	Liquidity coverage Ratio <sup>3</sup>						80%				
	Tracking Error <sup>4</sup>						5%				
	Debt issued or endorsed by the Federal Gov.						100%				
Risk by issuer and/or counterparty <sup>5</sup>	Local. <sup>/6</sup> State-owned debt <sup>6</sup>						10% (mxBBB to mxAAA) (Foreign exchange BB to AAA)				5% (mxA- to mxAAA) (Foreign exchange BBB+ to AAA)
	Debt						5% (mxBBB to mxAAA) (Foreign exchange BB to AAA)				-
	Subordinated Debt						1% (mxBB+ to mxBBB-) (Foreign exchange BB to AAA)				-
	Hybrid Debt						2% (mxBB to mxBBB+) (Foreign exchange BB to BB+)				-
	Inter. Instrument Foreign from one issuer or counterparty <sup>7</sup>						5% (BBB- a AAA)				5% (BBB+ a AAA)
Asset Class Limits	Holdings of a single issuance <sup>8</sup>						Maximum {35%, MXN500 million}				
	Mexican REITs (FIBRAS) <sup>13</sup> and REITs						2%				
	Structured securities <sup>12</sup>						3%				
	Foreign Securities <sup>5</sup>						20%				
	Equity <sup>5/10</sup>	50%	50%	50%	50%	40%	35%	30%	30%	10%	0%
Asset Class Limits	Foreign Currency <sup>5</sup>						30%				
	Securitizations <sup>5/11</sup>	40%	40%	38%	36%	33%	30%	27%	23%	21%	20%
	Structured Securities <sup>5/12</sup>	20%	20%	20%	20%	20%	20%	17%	14%	11%	10%
	Mexican REITs (FIBRAS) <sup>13</sup> and REITs	10%	10%	10%	10%	10%	10%	9%	7%	6%	5%
	Inflation protected securities <sup>14</sup>					-					Min 51%
Vehicles and Derivatives	Commodities <sup>5</sup>						5%				
	Investment Mandates						Yes				
Conflicts of interest <sup>5</sup>	Derivatives						Yes				
	Securities by related entities						15%				
	Securities by entities with patrimonial affiliation with the AFORE <sup>15</sup>						5%				

Fuente: CONSAR



1. All limits represent maximum percentages, with the exception of the inflation protection limit.
2. As a percentage of SIEFORE assets under management (AUM), the limits for the Difference of the Conditional VaR may be adjusted by the Risk Analysis Committee when appropriate, which might be more rigorous than the limits established in the Investment Regimen guidelines.
3. As a percentage of the High Liquid Assets of the SIEFORE. It is defined as the ratio between the Value of the SIEFORE's reserves for derivatives exposure and the Value of High Liquid Assets.
4. Calculated in accordance with the methodology provided in the "Disposiciones de Carácter General en Materia Financiera de los Sistemas de Ahorro para el Retiro". The Tracking Error may have a range of modification determined by the Risk Analysis Committee. Being effective 180 calendar days after the creation date of the Target Date Funds.
5. As a percentage of SIEFORE AUM's, including the assets managed by Investment Mandates.
6. Rating of the medium- and long-term issuances, as well as the issuer and/or endorser, in the corresponding proportion. Repos and derivatives are computed in these limits, as well. SPE stands for State Productive Enterprises.
7. With the exception of the Basic Pension SIEFORE, investment in foreign instruments with a rating no less than BBB- are allowed, however the AFORE must comply with the "Disposiciones del Régimen de Inversión y en las Disposiciones en materia financiera".
8. 35% Applies to the asset holdings of all SIEFORE's managed by the same AFORE in Debt, Foreign Debt Securities, Securitized Instruments, ABS's and FIBRAS. In the case of Debt Instruments, Foreign Debt Securities and Securitized Instruments, Investment Companies may acquire the value that is greater between five hundred million Mexican pesos and 35% of the same issue. The investment in CKDs and CERPIs may exceed this limit, under certain conditions. The maximum amount will be updated in accordance with the "Disposiciones de Carácter General en Materia Financiera de los Sistemas de Ahorro para el Retiro".
9. With the exception of the Initial SIEFORE and the Basic Pension SIEFORE, the limits represent the Average Value of the maximum limit taken at the 10th quarter (2.5 years) of the glidepath. In case of the Initial and Basic Pension SIEFORE, this limit represents the maximum value that each asset will take throughout the glidepath.
10. Includes individual stocks, IPOs (with the exception of the Basic Pension SIEFORE), domestic and international equity indexes, and warrants.
11. Securitizations fulfilling criteria established in the Appendix R of the "Disposiciones de Carácter General en Materia Financiera de los Sistemas de Ahorro para el Retiro" are computed in these limits and are considered as being issued by an independent issuer.
12. Includes CKDs and CERPIs.
13. Includes Mexican REITs (FIBRAS) and FIBRA-E. The latter is an issuer trust whose resources will be allocated for direct or indirect investment in companies, projects or energy assets or infrastructure.
14. Minimum investment limit in securities that ensures a return equal or greater than the inflation rate in México.
15. The limits are written down in the Pension System Law, Art 48 / 10. In exceptional cases it could be increased up to 10%. In the case of financial entities with equity links, the limit is 0%.



## Analyst Certification

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Carlos Hernández García, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Paola Soto Leal, Daniel Sebastián Sosa Aguilar and Andrea Muñoz Sánchez, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V. for the provision of our services.

## Relevant statements.

In accordance with current laws and internal procedures manuals, analysts are allowed to hold long or short positions in shares or securities issued by companies that are listed on the Mexican Stock Exchange and may be the subject of this report; nonetheless, equity analysts have to adhere to certain rules that regulate their participation in the market in order to prevent, among other things, the use of private information for their benefit and to avoid conflicts of interest. Analysts shall refrain from investing and holding transactions with securities or derivative instruments directly or through an intermediary person, with Securities subject to research reports, from 30 calendar days prior to the issuance date of the report in question, and up to 10 calendar days after its distribution date.

## Compensation of Analysts.

Analysts' compensation is based on activities and services that are aimed at benefiting the investment clients of Casa de Bolsa Banorte Ixe and its subsidiaries. Such compensation is determined based on the general profitability of the Brokerage House and the Financial Group and on the individual performance of each analyst. However, investors should note that analysts do not receive direct payment or compensation for any specific transaction in investment banking or in other business areas.

## Last-twelve-month activities of the business areas.

**Grupo Financiero Banorte S.A.B. de C.V.**, through its business areas, provides services that include, among others, those corresponding to investment banking and corporate banking, to a large number of companies in Mexico and abroad. It may have provided, is providing or, in the future, will provide a service such as those mentioned to the companies or firms that are the subject of this report. Casa de Bolsa Banorte or its affiliates receive compensation from such corporations in consideration of the aforementioned services.

Over the course of the last twelve months, Grupo Financiero Banorte S.A.B. C.V., has not obtained compensation for services rendered by the investment bank or by any of its other business areas of the following companies or their subsidiaries, some of which could be analyzed within this report.

## Activities of the business areas during the next three months.

Casa de Bolsa Banorte, Grupo Financiero Banorte or its subsidiaries expect to receive or intend to obtain revenue from the services provided by investment banking or any other of its business areas, by issuers or their subsidiaries, some of which could be analyzed in this report.

## Securities holdings and other disclosures.

As of the end of last quarter, Grupo Financiero Banorte S.A.B. of C.V. has not held investments, directly or indirectly, in securities or derivative financial instruments, whose underlying securities are the subject of recommendations, representing 1% or more of its investment portfolio of outstanding securities or 1 % of the issuance or underlying of the securities issued.

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The Analysts of Grupo Financiero Banorte S.A.B. of C.V. do not maintain direct investments or through an intermediary person, in the securities or derivative instruments object of this analysis report.

## Guide for investment recommendations.

	<b>Reference</b>
<b>BUY</b>	When the share expected performance is greater than the MEXBOL estimated performance.
<b>HOLD</b>	When the share expected performance is similar to the MEXBOL estimated performance.
<b>SELL</b>	When the share expected performance is lower than the MEXBOL estimated performance.

Even though this document offers a general criterion of investment, we urge readers to seek advice from their own Consultants or Financial Advisors, in order to consider whether any of the values mentioned in this report are in line with their investment goals, risk and financial position.

## Determination of Target Prices

For the calculation of estimated target prices for securities, analysts use a combination of methodologies generally accepted among financial analysts, including, but not limited to, multiples analysis, discounted cash flows, sum-of-the-parts or any other method that could be applicable in each specific case according to the current regulation. No guarantee can be given that the target prices calculated for the securities will be achieved by the analysts of Grupo Financiero Banorte S.A.B. C.V. since this depends on a large number of various endogenous and exogenous factors that affect the performance of the issuing company, the environment in which it performs, along with the influence of trends of the stock market, in which it is listed. Moreover, the investor must consider that the price of the securities or instruments can fluctuate against their interest and cause the partial and even total loss of the invested capital.

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