

Pension Funds Outlook – June 2023

July 20, 2023

[@Analisis_fundam](http://www.banorte.com/analisiseconomico)

- **The system's yield decreased for the third month in a row.** The system's weighted return (rolling 36 months, excluding Additional) moved to 4.75% from 5.19% the previous month. The month closed with more restrictive monetary policies in developed economies due to a less than expected fall in inflation, but without a global recession. In this sense, the Fed kept its reference rate unchanged in a 5.00%-5.25% range in a unanimous decision; however, with a hawkish tone in the communiqué. In economic data for the US, June's annual inflation decreased to 3.0% from 4.0%, while the core component also decreased to 4.8% from 5.3%. The employment report showed the addition of 209K jobs, below the consensus and the previous number (304K), and the unemployment rate decreased to 3.6% from 3.7%. In Mexico, Banxico released the minutes of its May meeting, where they kept the reference rate unchanged at 11.25%, reaffirming the less hawkish tone of the press release and the 1Q23 Quarterly Report. After that, in the June meeting, Banxico's Board of Governors kept the reference rate unchanged again, in line with consensus, in a unanimous decision, with a very similar tone to the previous meeting, despite the downward revision in the central bank's inflation path. In economic data, annual inflation decreased in June to 5.06% from 5.84%, reaching its lowest level since March 2021, while the core component fell to 6.89% from 7.39%. In May, 648.3K jobs were eliminated, the second negative month in a row, and unemployment rate increased to 2.93%, above consensus and the previous number of 2.82%. Fitch Ratings affirmed Mexico's sovereign rating at 'BBB-' with Stable outlook. The rating remains supported by a prudent macroeconomic stance, robust external finances, and a stable path of debt over GDP ratio
- **Assets under management (AUM) reached new all-time highs, increasing 6.5% year-to-date.** Resources managed by Pension Investment Companies stood at MXN 5.568 trillion from MXN 5.487 trillion (+12.1% y/y). This movement was the result of gains of MXN 86.1 billion that offset net outflows of MXN 5.1 billion. This increase in AUM was higher than the previous month of MXN 19.8 billion because of net inflows of MXN 42 billion and losses of MXN 22.3 billion
- **In government debt,** Afores maintained their position virtually unchanged at 54.9% of total AUM from 55% the previous month, because of a marginal reduction in Mbonos and CPI-linked bonds (Udibonos) holdings
- **As for equity,** appetite for risk assets prevailed, reflecting an almost generalized advance in the benchmarks. The Siefors increased their positions in domestic equities
- **In the corporate debt market** (excluding banks), Afores' stake in these securities increased by 7bps, representing 11.7% of the invested amount

Alejandro Padilla Santana
Chief Economist and Head of Research
alejandro.padilla@banorte.com

Manuel Jiménez Zaldivar
Director of Market Strategy
manuel.jimenez@banorte.com

Leslie Thalía Orozco Vélez
Senior Strategist, Fixed Income and FX
leslie.orozco.velez@banorte.com

Isaías Rodríguez Sobrino
Strategist, Fixed Income and FX
isaias.rodriguez.sobrino@banorte.com

Marissa Garza Ostos
Director of Equity Strategy
marissa.garza@banorte.com

Carlos Hernández García
Senior Strategist, Equity
carlos.hernandez.garcia@banorte.com

Gerardo Daniel Valle Trujillo
Analyst, Corporate Debt
gerardo.valle.trujillo@banorte.com



Winners of the 2023 award for best Mexico economic forecasters, granted by Focus Economics

Document for distribution among public

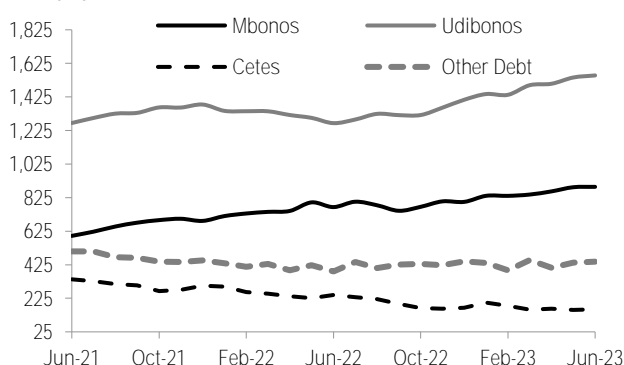
Analysis by Asset Class

Government Debt

During June, Mbonos outperformed their US peers, driven by positive surprises in inflation. The yield curve flattened because of higher gains at the long-end of up to 20bps. Conversely, the Treasuries' curve steepened with losses of 50bps at the short-end due to a more restrictive stance by the Federal Reserve. Following these movements, the local risk premium that we calculate as the spread between the 10-year bonds between Mexico and the US fell to its lowest since April 2021 at 483bps. On the other hand, the Cetes gained 10bps, while the Udibonos advanced around 15bps. In this context, Afores marginally moderated their exposure in government debt to 54.9% of total AUM (-16bps), standing at MXN 3.05 trillion. Thus, investments in Other Debt and in Cetes remained virtually unchanged at 7.9% (+2bps) and 2.9% (+3bps), respectively. Meanwhile, holdings of Mbonos and Udibonos decreased to 16.0% (-13bps) and 27.9% (-7bps) in the same order.

As of June 30th, foreign holdings in Mbonos stood at MXN 1.37 trillion (33.5% of the total issuance), increasing 2.6% m/m, but falling 2.0% year-to-date. Holdings by these investors in Cetes totaled MXN 181.6 billion (13.8% of the total), with a 1.5% monthly decrease but it remains with an increase of 29.3% during 2023. Meanwhile, positions in Mbonos owned by Afores stood at MXN 953.9 billion (23.3% of the total issuance), increasing 3.1% m/m. As for Cetes, holdings from these institutions observed a level of MXN 188.4 billion (14.4% of the total issued), advancing 7.6% m/m.

Net assets in Government Debt
MXN billion



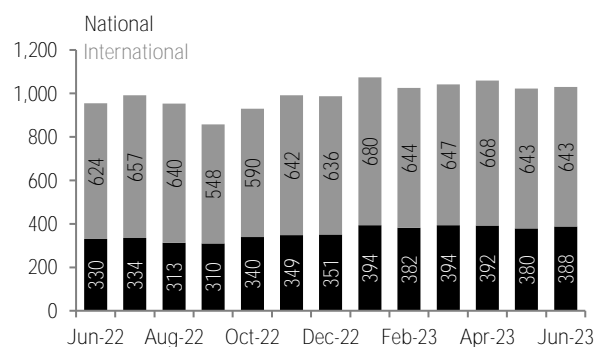
Source: CONSAR, Banorte

Equity

The middle of the year closed with the return of appetite for risk assets among investors, reflecting an important boost for stock markets. In the sample of 30 indices that we regularly follow, there was an average advance in dollars of 5.7% after the 2.9% drop observed during May. This resulted in a cumulative average gain of 12.6% for the year as of June. The dynamics of equities have been clearly determined by the evolution of inflation, monetary policy decisions and risks to growth. However, the balance sheet appears to remain healthy with solid economic data and resilient earnings. Considering the above, the biggest advances were registered in the Argentinean stock exchange (+45.6%), the Nasdaq (+31.7%) and the Mexbol Index (+25.7%). It is important to remember that, in the US, particularly the Nasdaq and the S&P500 ended June at highest levels not posted since April 2022, supported by artificial intelligence and semiconductor companies. Meanwhile, in Mexico, the strength of the peso has been an important trigger for the Mexbol Index's performance in dollars, although the nominal gain of 10.4% in the year was not to be ignored. The only stock exchanges with accumulated declines in dollar terms were China (-1.4%) and Hong Kong (-4.8%). During July, attention will be focused on the monetary policy decisions of different central banks and the 2Q23 earnings season.

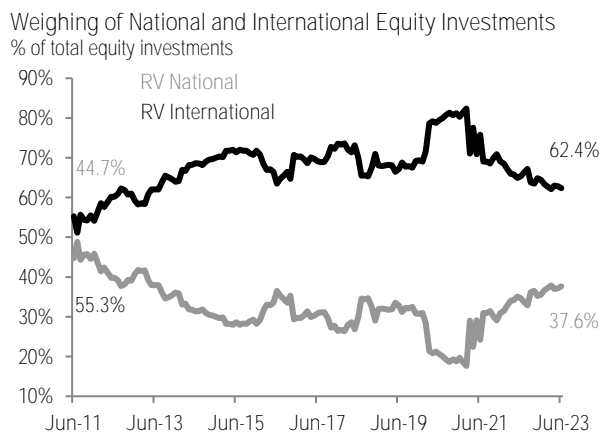
Particularly, Siefores' equities positions increased 0.8% m/m to MXN 1.0 trillion, and thus, equity investments weighting against total assets dropped 5 bps m/m to 18.6%. Holdings of domestic securities jumped by 2.2% m/m while foreign assets remained unchanged.

Afores – Equity Investments
MXN billion



Source: CONSAR, Banorte

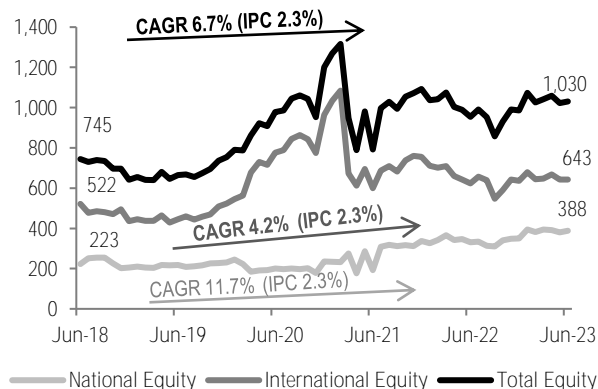
Assuming an indexed strategy to the S&P500 and the S&P BMV Mexbol, respectively, we observed that afores increased their domestic securities weightings by 0.7% m/m to stand at MXN 388.0 billion. In turn, they decided to reduce their international stocks exposure by 3.1% to MXN 642.6 billion. During the period, the Mexbol jumped 1.5% nominally, while the S&P500 in pesos rose 2.9%. Thus, the weighting of domestic assets was up 0.5pp to 37.6% and the corresponding to international equities slipped by the same extent to 62.4% vs. total equity investments.



Source: CONSAR, Banorte

Regarding holding breakdown, domestic securities have grown in the last 5 years at a CAGR rate of 11.7%, which compares favorably with the Mexbol performance (2.3%). Meanwhile, international, and total equity positions have increased over the same period at a rate of 4.2% and 6.7%, respectively.

Evolution – National, International and Total Equity Investments
MXN billion

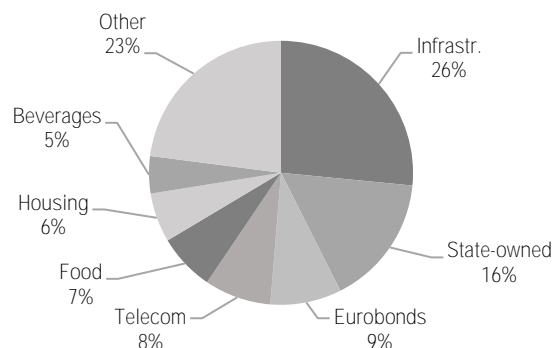


Source: CONSAR, Banorte

Corporate Debt

In June 2023, Afores stake in corporate debt notes increased by 7bps, accounting for 11.7% of the total invested assets. The former is explained by the high activity in placements on the month, with 13 long-term issued bonds for MXN 29.4 billion, the largest monthly amount in 1H23. Ahead, we expect the dynamism to remain in the next months, so we could observe small upwards movements in Afore's participation in debt securities in the following months. Top participant sectors are Infrastructure (26.5%), State-owned Companies (16.0%), Eurobonds (8.7%), Telecom (8.2%) and Food (7.0%).

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 June 2023.

In the first half of 2023, preference in placements in the market was clear for unsecured bonds, with 96.0% of the issued amount. In the following months, we expect this preference to continue, although with a small presence of structured notes. Among these securities, 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. Additionally, in July we expect the first structured bonds backed by Future Flows from toll roads, and from state institutions.

Siefores investment composition by asset class
% (data as of June 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%	2.5%	4.3%	5.5%	6.7%	7.4%	8.3%	9.0%	9.7%	9.8%	3.2%	7.0%
	International	1.7%	5.0%	9.5%	11.3%	11.7%	12.2%	12.3%	12.9%	13.3%	14.0%	9.0%	11.6%
Commodities		0.0%	0.0%	0.1%	0.2%	0.3%	0.3%	0.2%	0.2%	0.1%	0.1%	1.1%	0.2%
Corporate Debt	Banks	1.5%	2.9%	3.0%	3.3%	3.1%	3.0%	2.8%	2.8%	2.8%	2.7%	2.7%	3.0%
	State-owned	0.3%	2.2%	2.1%	1.8%	1.9%	1.9%	1.9%	2.0%	2.1%	2.3%	0.5%	1.9%
	Corporate	3.0%	11.1%	10.7%	10.0%	10.2%	9.7%	9.7%	10.0%	10.6%	10.7%	5.9%	9.9%
Structured		0.0%	1.2%	7.2%	7.2%	9.0%	9.3%	9.1%	8.3%	6.9%	4.3%	0.0%	7.7%
REITs		1.3%	3.2%	3.1%	2.8%	3.0%	3.0%	3.0%	3.1%	3.0%	2.8%	1.5%	2.9%
International Debt		1.5%	2.1%	1.6%	1.4%	1.3%	1.0%	0.8%	0.6%	0.6%	0.5%	0.3%	1.0%
Gov. Debt	Mbonos	18.0%	14.3%	14.6%	13.3%	15.1%	15.5%	16.7%	17.7%	17.5%	16.4%	25.8%	16.0%
	Cetes	2.7%	1.9%	1.5%	4.0%	2.4%	2.7%	2.4%	2.3%	2.9%	3.6%	8.3%	2.9%
	Udibono	59.9%	43.8%	36.0%	31.4%	27.8%	26.1%	24.3%	22.4%	22.0%	22.1%	35.2%	28.0%
	UMS	0.6%	0.5%	0.6%	0.7%	1.0%	1.2%	1.3%	1.3%	1.3%	1.0%	0.2%	1.0%
	Repos	4.0%	4.3%	2.5%	3.3%	3.0%	3.1%	3.5%	3.6%	3.8%	7.0%	5.0%	3.5%
	Other Gov.	4.8%	5.0%	3.3%	3.7%	3.4%	3.7%	3.7%	3.5%	3.5%	2.7%	1.3%	3.5%

Source: CONSAR, Banorte

Siefores investment composition by asset class
Millions of pesos (data as of June 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	522	3,296	18,782	43,101	63,297	69,149	70,722	57,380	37,580	18,131	5,987	387,948
	International	1,275	6,496	41,839	88,050	110,960	112,992	104,758	81,904	51,595	25,808	16,875	642,550
Commodities		17	51	637	1,753	2,383	2,737	1,929	1,093	386	114	1,982	13,082
Corporate Debt	Banks	1,097	3,740	13,136	25,807	29,906	27,685	23,646	17,861	10,950	5,042	5,071	163,941
	State-owned	204	2,869	9,235	13,703	18,146	17,767	16,365	12,946	8,207	4,176	948	104,564
	Corporate	2,265	14,502	46,985	78,549	97,378	89,984	82,076	63,514	41,155	19,699	11,201	547,308
Structured		-	1,567	31,630	56,495	86,004	86,723	77,708	52,882	26,769	7,979	49	427,807
REITs		954	4,239	13,419	21,910	28,889	27,576	25,148	19,675	11,788	5,223	2,746	161,567
International Debt		1,135	2,809	6,862	11,012	12,031	9,352	6,506	4,082	2,189	975	645	57,598
Gov. Debt	Mbonos	13,411	18,694	63,858	104,151	143,575	143,662	142,313	112,542	67,994	30,388	48,633	889,220
	Cetes	2,000	2,447	6,384	31,335	23,266	24,938	20,076	14,867	11,180	6,638	15,682	158,814
	Udibono	44,617	57,368	157,622	245,609	263,910	242,367	206,587	142,262	85,720	40,801	66,248	1,553,110
	UMS	418	629	2,551	5,293	9,608	11,058	10,824	8,246	5,075	1,869	408	55,978
	Repos	3,016	5,607	10,934	25,837	28,629	28,416	29,654	22,630	14,909	12,906	9,477	192,015
	Other Gov.	3,613	6,544	14,416	29,055	32,730	34,203	31,324	22,198	13,805	5,063	2,493	195,445
TOTAL		74,545	130,856	438,290	781,660	950,713	928,608	849,635	634,081	389,302	184,811	188,444	5,550,945
% Siefore		1.34%	2.36%	7.90%	14.08%	17.13%	16.73%	15.31%	11.42%	7.01%	3.33%	3.39%	

Source: CONSAR, Banorte

Annex

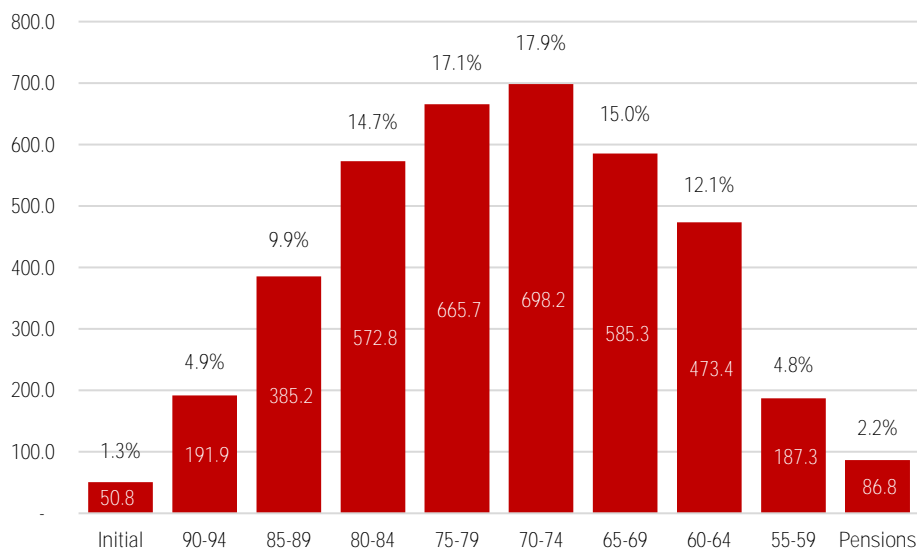
December 2019

On December 13th, 2109, the migration to the new investment regime based on Target Date SIEFORES was concluded. Announced on May 31st, 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.

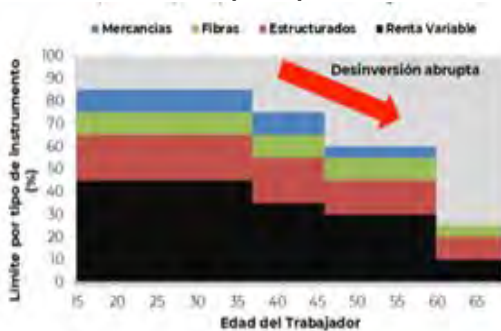
The new Target Date SIEFORES scheme was designed specifically to produce results in terms of revenue upon reaching retirement age. With this new scheme, the worker no longer changes SIEFORE as he/she advances to the next age group, which would allow them to make the most of long-term investment benefits, 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 / %

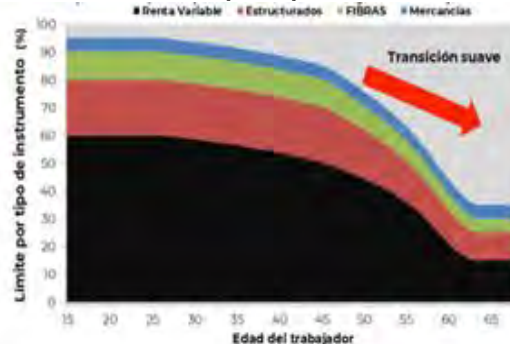


Source: CONSAR. As of December 2019, date of migration to Target Date Fund scheme

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 st 2025
Basic Pension Investment Company 00-04	Workers born between 2000 and 2004	January 1 st 2030
Basic Pension Investment Company 05-09	Workers born between 2005 and 2009	January 1 st 2035
Basic Pension Investment Company 10-14	Workers born between 2010 and 2014	January 1 st 2040
Basic Pension Investment Company 15-19	Workers born between 2015 and 2019	January 1 st 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 ^{1/2}									0.89%	0.70%
	Difference of the Conditional Value-at-Risk ²	1.00%	1.00%	0.98%	0.96%	0.90%	0.79%	0.60%	0.40%	0.29%	0.25%
	Liquidity coverage Ratio ³						80%				
	Tracking Error ⁴						5%				
Risk by issuer and/or counterparty ⁵	Debt issued or endorsed by the Federal Gov.						100%				
	State-owned debt ⁶				10% (mxBBB to mxAAA) (Foreign exchange BB to AAA)						
	Local. ^{1/6} Debt			5% (mxBBB to mxAAA) (Foreign exchange BB to AAA)						5% (mxA- to mxAAA) (Foreign exchange BBB+ 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 ⁷				5% (BBB- a AAA)						5% (BBB+ a AAA)
	Holdings of a single issuance ⁸				Maximum {35%, MXN500 million}						
	Mexican REITs (FIBRAS) ¹³ and REITs						2%				
	Structured securities ¹²						3%				
	Foreign Securities ⁵						20%				
Asset Class Limits	Equity ^{5/10}	50%	50%	50%	50%	40%	35%	30%	30%	10%	0%
	Foreign Currency ⁵						30%				
	Securitizations ^{5/11}	40%	40%	38%	36%	33%	30%	27%	23%	21%	20%
	Structured Securities ^{5/12}	20%	20%	20%	20%	20%	20%	17%	14%	11%	10%
	Mexican REITs (FIBRAS) ¹³ and REITs	10%	10%	10%	10%	10%	10%	9%	7%	6%	5%
	Inflation protected securities ¹⁴					-					Min 51%
	Commodities ⁵						5%				
Vehicles and Derivatives	Investment Mandates						Yes				
	Derivatives						Yes				
Conflicts of interest ⁵	Securities by related entities						15%				
	Securities by entities with patrimonial affiliation with the AFORE ¹⁵						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, Juan Carlos Mercado Garduño, Daniel Sebastián Sosa Aguilar, Jazmin Daniela Cuautencos Mora 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.

None of the members of the Board of Grupo Financiero Banorte and Casa de Bolsa Banorte, along general managers and executives of an immediately below level, have any charges in the issuers that may be analyzed in this document.

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.

	Reference
BUY	When the share expected performance is greater than the MEXBOL estimated performance.
HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
SELL	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.

The information contained hereby has been obtained from sources that we consider to be reliable, but we make no representation as to its accuracy or completeness. The information, estimations and recommendations included in this document are valid as of the issue date, but are subject to modifications and changes without prior notice; Grupo Financiero Banorte S.A.B. of C.V. does not commit to communicate the changes and also to keep the content of this document updated. Grupo Financiero Banorte S.A.B. of C.V. takes no responsibility for any loss arising from the use of this report or its content. This document may not be photocopied, quoted, disclosed, used, or reproduced in whole or in part without prior written authorization from Grupo Financiero Banorte S.A.B. of C.V.

GRUPO FINANCIERO BANORTE S.A.B. de C.V.

Research and Strategy			
Alejandro Padilla Santana	Chief Economist and Head of Research	alejandro.padilla@banorte.com	(55) 1103 - 4043
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611
Maria Fernanda Vargas Santoyo	Analyst	maria.vargas.santoyo@banorte.com	(55) 1103 - 4000
Economic Research			
Juan Carlos Alderete Macal, CFA	Executive Director of Economic Research and Financial Markets Strategy	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Director of Economic Research, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katia Celina Goya Ostos	Director of Economic Research, Global	katia.goya@banorte.com	(55) 1670 - 1821
Yazmín Selene Pérez Enríquez	Senior Economist, Mexico	yazmin.perez.enriquez@banorte.com	(55) 5268 - 1694
Cintia Gisela Nava Roa	Senior Economist, Mexico	cintia.nava.roa@banorte.com	(55) 1103 - 4000
Luis Leopoldo López Salinas	Manager Global Economist	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707
Market Strategy			
Manuel Jiménez Zaldívar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
Fixed income and FX Strategy			
Leslie Thalía Orozco Vélez	Senior Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 5268 - 1698
Isaías Rodríguez Sobrino	Strategist, Fixed Income, FX and Commodities	isaias.rodriguez.sobrino@banorte.com	(55) 1670 - 2144
Equity Strategy			
Marissa Garza Ostos	Director of Equity Strategy	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Senior Strategist, Equity	jose.espitia@banorte.com	(55) 1670 - 2249
Carlos Hernández García	Senior Strategist, Equity	carlos.hernandez.garcia@banorte.com	(55) 1670 - 2250
Víctor Hugo Cortes Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Juan Carlos Mercado Garduño	Strategist, Equity	juan.mercado.garduno@banorte.com	(55) 1103 - 4000 x 1746
Corporate Debt			
Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248
Quantitative Analysis			
Alejandro Cervantes Llamas	Executive Director of Quantitative Analysis	alejandro.cervantes@banorte.com	(55) 1670 - 2972
José Luis García Casales	Director of Quantitative Analysis	jose.garcia.casales@banorte.com	(55) 8510 - 4608
Miguel Alejandro Calvo Domínguez	Senior Analyst, Quantitative Analysis	miguel.calvo@banorte.com	(55) 1670 - 2220
José De Jesús Ramírez Martínez	Senior Analyst, Quantitative Analysis	jose.ramirez.martinez@banorte.com	(55) 1103 - 4000
Daniel Sebastián Sosa Aguilar	Senior Analyst, Quantitative Analysis	daniel.sosa@banorte.com	(55) 1103 - 4000
Jazmín Daniela Cuautencos Mora	Strategist, Quantitative Analysis	jazmin.cuautencos.mora@banorte.com	(55) 1103 - 4000
Andrea Muñoz Sánchez	Analyst, Quantitative Analysis	andrea.munoz.sanchez@banorte.com	(55) 1103 - 4000
Wholesale Banking			
Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5004 - 1282
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandro.frigolet.vazquezvela@banorte.com	(55) 5268 - 1656
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 5140
Carlos Alberto Arciniega Navarro	Head of Treasury Services	carlos.arciniega@banorte.com	(81) 1103 - 4091
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8173 - 9127
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5249 - 6423
Lizza Velarde Torres	Executive Director of Wholesale Banking	lizza.velarde@banorte.com	(55) 4433 - 4676
Osvaldo Brondo Menchaca	Head of Specialized Banking Services	osvaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	alejandro.arauzo@banorte.com	(55) 5261 - 4910
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5004 - 1051
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldán Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 1670 - 1899