

Pension Funds Outlook - November 2023

- The system's yield rose 64bps, curbing seven months with a downward trend.** The system's weighted return (rolling 36 months, excluding Additional) moved to 3.43% from unprecedented lows of 2.79%. November stood out by the optimism in the markets, following a few months with losses in most financial assets. The shift in the trend was associated with the perception that the rate hikes have ended, and that rate cuts could come before what was previously expected. The Fed kept unchanged the Fed Funds range at 5.25%-5.50%, although the communiqué and the minutes showed a hawkish tone. In economic data, annual inflation in November marginally decreased again to 3.1% from 3.2%, while the core component stayed at 4.0%; meanwhile, the employment report showed the addition of 199K jobs, above expectations (185K), and the unemployment rate surprisingly declined to 3.7% from 3.9%. In Mexico, Banxico kept its reference rate unchanged at 11.25% unanimously, with a less hawkish tone, and the minutes showed a similar tone. Also, the central bank released its Quarterly Report for 3Q23, where it revised its GDP estimates for 2023 to 3.3% from 3.0% and for 2024 to 3.0% from 2.1%; inflation estimates remained unchanged. In economic figures, final GDP for 3Q23 grew 3.3% (+1bps vs. preliminary), annual inflation in November increased to 4.32% from 4.26%, while core inflation kept receding, resulting in 5.30% from 5.50% the previous month. In October, 321.5K jobs were added, and unemployment rate decreased to 2.75% from 2.88%
- Assets under management (AUM) rallied to fresh highs.** Resources managed by Pension Investment Companies stood at MXN 5.78 trillion from MXN 5.45 trillion, equivalent to the highest monthly increase of 6.1% since December 2008 (+13.4%). AUM have maintained a growing trend throughout the year, accumulating an advance of 10.6%
- In government debt,** Afores rose their position to 55.4% of total AUM from 54.6% the previous month. A strong appetite for Other Government Debt (a class that includes repos) stood out, which completely diluted the little interest in CPI-linked bonds (Udibonos)
- As for equity,** appetite for risk assets prevailed, reflecting one of the most important rises of the year in the benchmark indexes. The Siefors increased their positions in international equities
- In the corporate debt market** (excluding banks), Afores' stake in these securities decreased by 42bps, representing 11.4% of the total invested amount

System's weighted return (rolling 36 months, excluding Additional)

%



Source: CONSAR, Banorte



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



Manuel Jiménez Zaldívar
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, FX and Commodities
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



www.banorte.com/analisiseconomico
@analisis_fundam

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



Document for distribution among public

Analysis by Asset Class

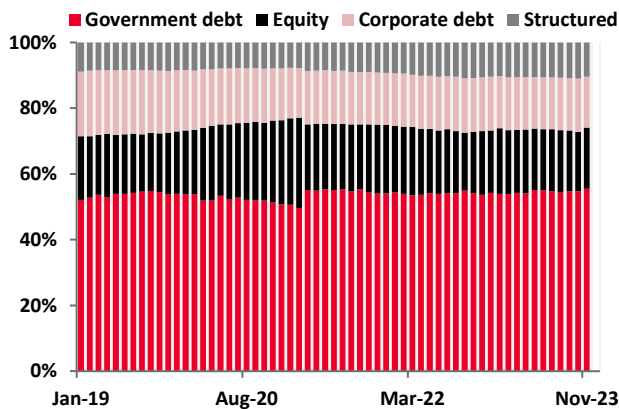
Government Debt

Long-term sovereign bonds recorded their best monthly performance since 2008, mainly in developed economies. The Treasuries curve marked a bull flattening move because of a 60bps rally at the long-end. Gains intensified after less restrictive comments from Fed officials, better GDP growth expectations, and a further slowdown in inflation. Locally, Mbonos rallied 72bps, on average, given their high correlation with their US peers. The 10-year benchmark, May'33, advanced 81bps, with a yield at a 3-month low of 9.38%. At the shortest-end of the curve, the 1-year (-52bps) and 2-year (-79bps) Cetes benefited the most. Similarly, Udibonos averaged gains of 55bps. In this context, Afores increased their exposure in government debt to 55.4% of total AUM (+79bps), reaching MXN 3.20 trillion. Within the portfolio, an increase of 110bps in the holding of Other Debt stood out, reaching 4-month highs of 7.91%. Meanwhile, appetite for Cetes and Mbonos rose modestly to 2.4% (+13bps) and 16.7% (+2bps), respectively. However, investments in Udibonos plummeted 45bps to 28.4%.

As of November 30th, foreign holdings in Mbonos stood at MXN 1.33 trillion (31.0% of the total issuance), decreasing 0.5% m/m and 4.7% year-to-date. Holdings by these investors in Cetes totaled MXN 201.9 billion (13.9% of the total), with an 2.4% monthly increase and a 43.8% rally so far this year. Meanwhile, positions in Mbonos owned by Afores stood at MXN 1.022 trillion (23.8% of the total issuance), adjusting +5.0% m/m and +22.0% during 2023. As for Cetes, holdings from these institutions rose 12.4% during the month to MXN 174.8 billion (12.0% of the total issued); however, they accumulate an 8.4% drop this year.

Investment weighting by asset class

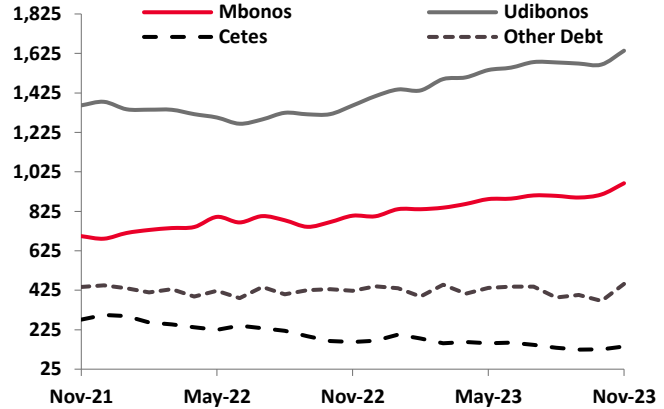
% of total investments



Source: CONSAR, Banorte

Net assets in Government Debt

MXN billion



Source: CONSAR, Banorte

Equity

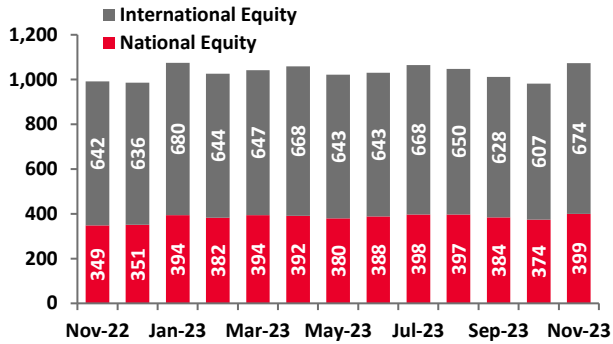
November was characterized by a notable appetite for risk assets, which led to generalized rise in stock indexes. In addition, participants' confidence was boosted by solid sales on Cyber Monday and Black Friday in the US, contributing to maintain favorable growth in consumption. In this context, the month registered the most important rally in the year and the sample of 30 indices that we routinely follow saw an average dollar increase of 10.2%, breaking the streak of 3 months with losses (vs -3.3% in October vs -4.0% in September and -4.4% in August). Based on the above, the largest raises were recorded in Argentina (+36.4%), Korea (+15.7%), Brazil (+15.3%), Spain (+14.9%), and Sweden (+14.7%). Meanwhile, only Hong Kong declined marginally (-0.2%). In the US, the most relevant advance was that of the Nasdaq with 10.7%, followed by the S&P500 with 8.9% and the Dow Jones with 8.8%.

Finally, in Mexico, the Mexbol Index rose 14.3% in dollar terms and 10.2% in nominal terms to 54,060 points. We maintain our expectation of [60,200pts for 2024](#), which would represent a gain of 11.4% over the end of November.

Particularly, Siefores' equities positions increased 9.4% m/m to MXN 1.1 trillion, and thus, equity investments weighting against total assets climbed 56bps m/m to 18.6%. Holdings of domestic securities jumped by 6.9% m/m while foreign assets were up to 11.0%.

Equity Investments

MXN billion



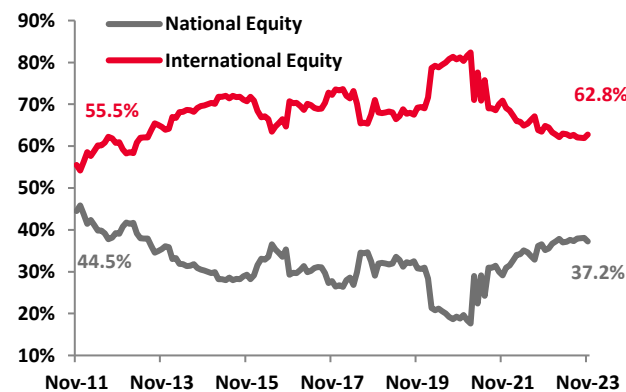
Source: CONSAR, Banorte

Assuming an indexed strategy to the S&P500 and the S&P BMV Mexbol, respectively, we observed that afores' managers decided to reduce their domestic securities weightings by 3.3% m/m to stand at MXN 399.5 billion. In turn, they decided to increase their international stocks exposure by 6.1% to MXN 674.1 billion. During the period, the Mexbol climbed 10.2% nominally, while the S&P500 in pesos jumped 5.0%. Thus, the weighting of domestic assets was down 0.9pp to 37.2% and the corresponding to international equities expanded by the same extent to 62.8% vs. total equity investments.

Regarding holding breakdown, domestic securities have grown in the last 5 years at a CAGR rate of 14.6%, which compares favorably with the Mexbol performance (+5.3%). Meanwhile, international, and total equity positions have increased over the same period at a rate of 6.4% and 9.0%, respectively.

Weighing of National and International Equity Investments

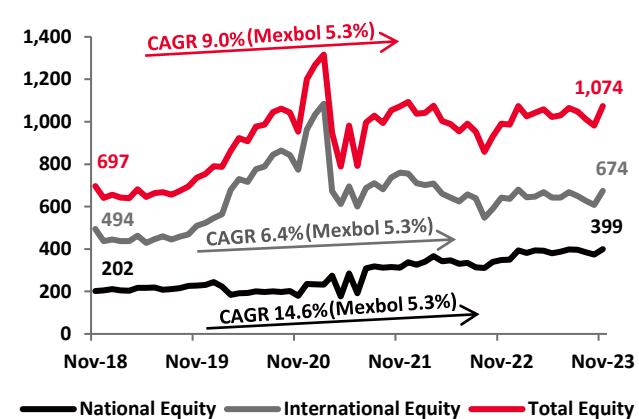
% of total equity investments



Source: CONSAR, Banorte

National, International and Total Equity Investments

MXN billion



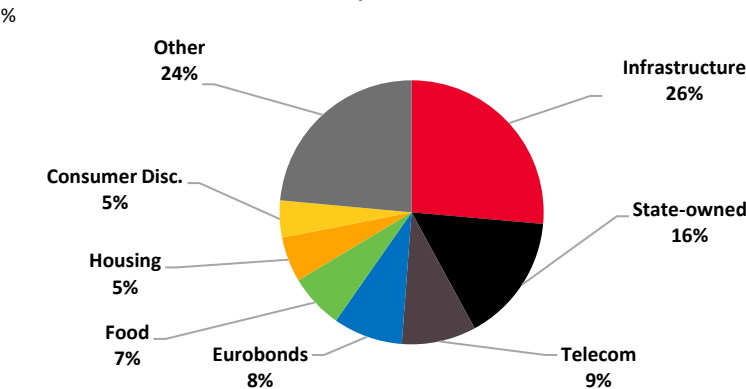
Source: CONSAR, Banorte

Corporate Debt

In November 2023, Afores' stake in corporate debt notes decreased by 42bps, accounting for 11.4% of the total invested assets. We consider that this downward movement follows the lower-than-expected placements observed in the month, along with the large maturities.

Ahead, after the dynamism in the first half of December, we expect auction activity to plummet and remain low until, at least, the end of January. Therefore, we anticipate a light rebound in Afore's participation in debt securities, followed by a new fall in the first months of 2024. Top participant sectors are Infrastructure (26.4%), State-owned Companies (15.7%), Telecom (9.1%), Eurobonds (8.5%), and Food (6.7%).

Afores – Private Debt Distribution by Sector



Source: CONSAR, Banorte

In the eleven months passed of 2023, preference in placements in the market was clear for unsecured bonds, with 91.0% of the issued amount and, with the small share of these securities in the pipeline, we expect this ratio to continue for the rest of the year. The lower appetite for risky debt assets, as well as the difficulty to find financing sources by Non-Bank Financial Institutions, and the lack of placements from Fovissste since 2021, have hurdled the growth of structured bonds.

Siefores investment composition by asset class

% (data as of November 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%	4.1%	5.4%	6.6%	7.4%	8.3%	8.8%	9.2%	8.9%	3.2%	6.9%
	International	1.7%	4.9%	9.2%	11.0%	11.7%	12.4%	12.5%	13.0%	13.3%	13.9%	9.4%	11.7%
Commodities		0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.3%	0.1%
Corporate Debt	Banks	1.4%	2.9%	3.1%	3.4%	3.3%	3.1%	2.9%	2.9%	2.9%	2.6%	2.6%	3.1%
	State-owned	0.3%	2.1%	2.0%	1.7%	1.8%	1.8%	1.8%	1.9%	1.9%	1.8%	0.6%	1.8%
	Corporate	3.0%	10.6%	10.9%	9.9%	10.1%	9.5%	9.4%	9.7%	10.1%	9.4%	5.4%	9.6%
Structured		0.0%	1.1%	7.3%	7.2%	8.8%	9.2%	9.0%	8.3%	6.8%	4.1%	0.0%	7.6%
REITs		1.3%	3.2%	3.1%	2.8%	3.0%	2.9%	2.9%	2.9%	2.8%	2.4%	1.4%	2.8%
International Debt		1.8%	2.2%	1.7%	1.5%	1.4%	1.1%	0.8%	0.6%	0.5%	0.4%	0.2%	1.1%
	Mbonos	19.8%	15.0%	14.8%	13.5%	15.6%	16.1%	17.6%	18.4%	18.2%	16.4%	29.6%	16.7%
Gov. Debt	Cetes	2.5%	1.4%	1.4%	3.0%	1.7%	1.7%	1.6%	2.1%	2.7%	6.1%	9.9%	2.4%
	Udibono	60.3%	44.8%	35.9%	32.7%	28.6%	27.2%	25.0%	23.1%	22.8%	22.3%	28.8%	28.4%
	UMS	0.5%	0.4%	0.5%	0.5%	0.9%	1.1%	1.2%	1.3%	1.3%	0.9%	0.2%	0.9%
	Repos	3.2%	5.1%	3.1%	3.9%	3.0%	3.0%	3.6%	3.7%	4.2%	8.3%	6.8%	3.8%
	Other Gov	3.4%	3.8%	2.9%	3.3%	3.3%	3.3%	3.4%	3.3%	3.3%	2.5%	1.5%	3.2%

Source: Consar

Siefores investment composition by asset class

Millions of pesos (data as of November 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	534	3,198	17,205	43,815	65,098	71,550	73,138	58,864	39,213	20,259	6,612	399,487
	International	1,273	6,278	38,622	89,008	114,647	118,960	110,634	87,394	56,431	31,509	19,354	674,109
Commodities		-	20	125	424	614	835	515	225	46	49	682	3,535
Corporate Debt	Banks	1,060	3,636	12,806	27,604	32,631	30,066	25,729	19,622	12,436	5,923	5,297	176,809
	State-owned	194	2,614	8,467	13,556	18,117	17,716	16,312	12,855	8,135	4,165	1,153	103,282
	Corporate	2,269	13,393	45,377	79,677	99,122	91,683	83,621	65,227	42,918	21,286	11,181	555,754
Structured		-	1,452	30,662	57,830	86,413	87,974	80,058	55,848	29,082	9,323	48	438,691
REITs		965	4,065	13,071	22,401	29,150	28,001	25,357	19,660	11,857	5,369	2,920	162,815
International Debt		1,364	2,794	7,097	12,108	13,575	10,226	7,045	3,829	2,283	886	330	61,536
	Mbonos	14,762	18,969	61,705	108,811	153,328	155,131	155,538	123,477	77,530	37,245	60,731	967,228
Gov. Debt	Cetes	1,873	1,756	6,006	24,496	16,365	16,021	14,382	14,025	11,635	13,954	20,315	140,828
	Udibono	44,877	56,841	149,880	263,195	279,988	261,199	221,305	154,665	96,982	50,758	59,147	1,638,836
	UMS	355	571	2,044	4,420	9,065	10,593	10,503	8,448	5,324	1,953	391	53,666
	Repos	2,398	6,420	12,770	31,773	29,525	28,800	31,651	24,725	17,701	18,806	13,977	218,547
	Other Gov	2,559	4,846	12,046	26,890	32,152	32,118	29,704	21,920	13,897	5,686	3,068	184,886
TOTAL		74,484	126,854	417,884	806,008	979,790	960,873	885,491	670,783	425,468	227,169	205,205	5,780,009
% Siefore		1.3%	2.2%	7.2%	13.9%	17.0%	16.6%	15.3%	11.6%	7.4%	3.9%	3.6%	

Source: Consar

Annex

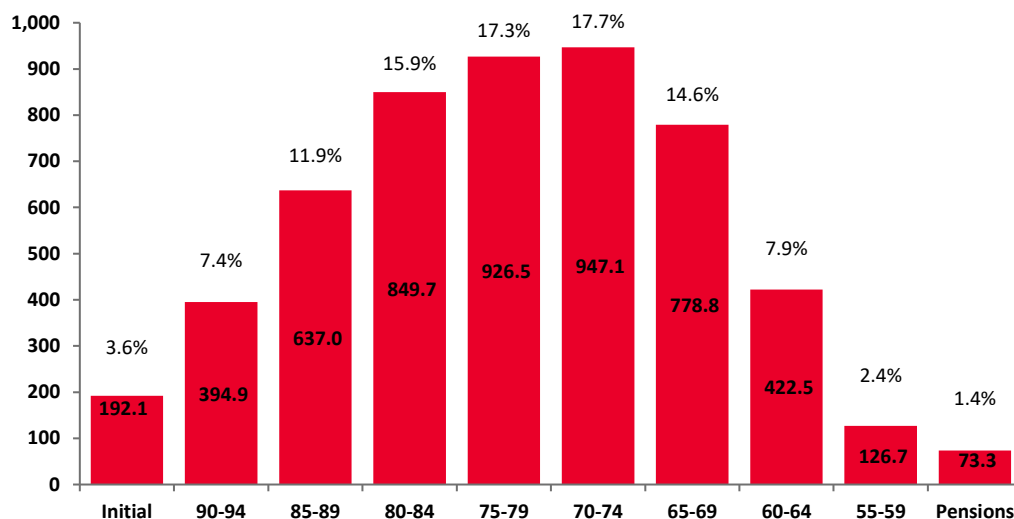
December 2019. On December 13th, 2109, the migration to the new investment regime based on Target Date SIEFORES was concluded. Announced on May 31st, the main modification was the **transition to a Target Date Fund Scheme**.

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 and percentage of total assets

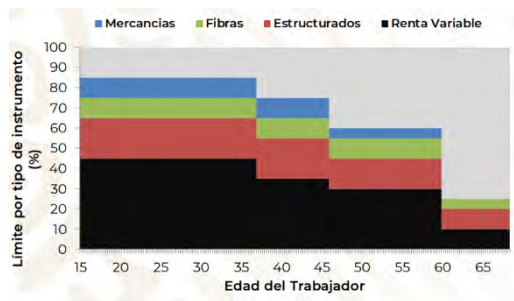
MXN billions / %



Source: CONSAR. As of August 2023

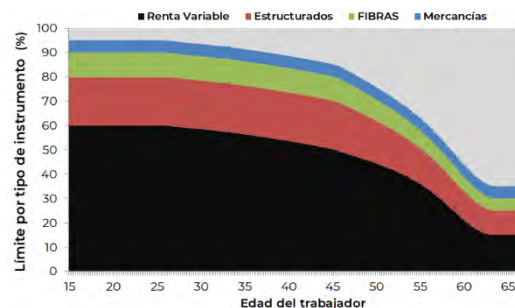
Previous SIEFORES

(Limits by security & SIEFORE)



Previous 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	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
Worker's Age	<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

Fuente: Consar. (2019)

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, 2025
Basic Pension Investment Company 00-04	Workers born between 2000 and 2004	January 1, 2030
Basic Pension Investment Company 05-09	Workers born between 2005 and 2009	January 1, 2035
Basic Pension Investment Company 10-14	Workers born between 2010 and 2014	January 1, 2040
Basic Pension Investment Company 15-19	Workers born between 2015 and 2019	January 1, 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 were 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 securitised Debt Investments.

Limits by Asset Class by 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	15	35	55	75	95	115	135	155	161
Market and Liquidity Risks	Value-at-Risk ^{/2}								1.03%	0.70%	0.70%
	Difference of the Conditional Value Risk ^{/2}	1.00%	0.99%	0.97%	0.92%	0.83%	0.67%	0.46%	0.31%	0.25%	0.25%
	Liquidity coverage ratio ^{/3}						80%				
	Tracking Error ^{/4}						5%				
Risk by issuer/ counterparty or concentration ^{/5}	Debt issued or endorsed by the Federal Government						100%				
	SPE ^{/6} Debt						10% (mxBBB to mxAAA) (Foreign exchange BB to AAA)				
	Local ^{/6} Debt						5% (mxBBB to mxAAA) (Foreign exchange BB to AAA)				5% (mxA- to mxAAA) (Foreign exchange BBB+ a AAA)
	Subordinated Debt						1% (mxBB+ to mxBBB-) (Foreign exchange BB to AAA)				-
	Hybrid Debt						2% (mxBBB to mxBBB+) (Foreign exchange BB to BB+)				-
	Inter. Foreign instrument from one issuer or counterparty ^{/7}						5% (BBB- to AAA)				5% (BBB+ to AAA)
	Holdings of a single issue ^{/8}						---Maximum {35%, MXN 500 million}---				
	Mexican REITs (FIBRAS) ^{/13} and REITs						2%				
	Structured securities ^{/12}						3%				
	Foreign Securities ^{/5}						20%				
Asset Class limits ^{/9}	Equity ^{/5/10}	60%	59%	57%	54%	51%	45%	38%	23%	15%	15%
	Foreign Currency ^{/5}						30%				
	Securitizations ^{/5/11}	40%	39%	37%	34%	31%	28%	24%	21%	20%	20%
	Structured securities ^{/5/12}	20%	20%	20%	20%	20%	18%	15%	12%	10%	10%
	Mexican REITs (FIBRAS) ^{/13} and REITs	10%	10%	10%	10%	10%	9%	8%	6%	5%	5%
	Inflation protected securities ^{/14}						-				Minimum 51%
	Commodities ^{/5}						5%				
	Investment Mandates						Yes				
Vehicles and Derivatives	Derivatives						Yes				
Conflicts of interest ^{/5}	Securities by related entities						15%				
	Securities by entities with patrimonial affiliation with the AFORE ^{/15}						5%				

Source: Consar as of July 2023

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.
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. 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, Mutual Funds, Vehicles 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. The limits represent the maximum limit that each asset will take during the trajectory.
10. Includes individual stocks, IPOs, domestic and international equity indexes, and warrants. The Basic Pension SIEFORE's must comply with the provisions of the Investment System Provisions and the Financial Provisions.
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 Thalia 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, Paula Lozoya Valadez, Daniel Sebastián Sosa Aguilar, Jazmin Daniela Cautencos 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 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.

Directory

Research and Strategy



Raquel Vázquez Godínez
Assistant
raquel.vazquez@banorte.com
(55) 1670 - 2967



María Fernanda Vargas Santoyo
Analyst
maria.vargas.santoyo@banorte.com
(55) 1103 - 4000 x 2586

Economic Research



Juan Carlos Alderete Macal, CFA
Executive Director of Economic Research and Market Strategy
juan.alderete.macal@banorte.com
(55) 1103 - 4046



Yazmín Selene Pérez Enríquez
Senior Economist, Mexico
yazmin.perez.enriquez@banorte.com
(55) 5268 - 1694

Market Strategy



Manuel Jiménez Zaldívar
Director of Market Strategy
manuel.jimenez@banorte.com
(55) 5268 - 1671



José Itzamna Espitia Hernández
Senior Strategist, Equity
jose.espitia@banorte.com
(55) 1670 - 2249



Leslie Thalía Orozco Vélez
Senior Strategist, Fixed Income and FX
leslie.orozco.velez@banorte.com
(55) 5268 - 1698



Juan Carlos Mercado Garduño
Strategist, Equity
juan.mercado.garduno@banorte.com
(55) 1103 - 4000 x 1746

Quantitative Analysis



Alejandro Cervantes Llamas
Executive Director of Quantitative Analysis
alejandro.cervantes@banorte.com
(55) 1670 - 2972



José De Jesús Ramírez Martínez
Senior Analyst, Quantitative Analysis
jose.ramirez.martinez@banorte.com
(55) 1103 - 4000



Andrea Muñoz Sánchez
Analyst, Quantitative Analysis
andrea.muñoz.sanchez@banorte.com
(55) 1103 - 4000



Alejandro Padilla Santana
Chief Economist and Head of Research
alejandro.padilla@banorte.com
(55) 1103 - 4043



Itzel Martínez Rojas
Analyst
itzel.martinez.rojas@banorte.com
(55) 1670 - 2251



Francisco José Flores Serrano
Director of Economic Research, Mexico
francisco.flores.serrano@banorte.com
(55) 1670 - 2957



Cintia Gisela Nava Roa
Senior Economist, Mexico
cintia.nava.roa@banorte.com
(55) 1103 - 4000



Marissa Garza Ostos
Director of Equity Strategy
marissa.garza@banorte.com
(55) 1670 - 1719



Carlos Hernández García
Senior Strategist, Equity
carlos.hernandez.garcia@banorte.com (55) 1670 - 2250



Isaías Rodríguez Sobrino
Analyst, Fixed Income, FX and Commodities
isaias.rodriguez.sobrino@banorte.com
(55) 1670 - 2144



Paula Lozoya Valadez
Analyst, Equity
paula.lozoya.valadez@banorte.com
(55) 1103 - 4000



José Luis García Casales
Director of Quantitative Analysis
jose.garcia.casales@banorte.com
(55) 8510 - 4608



Daniel Sebastián Sosa Aguilar
Senior Analyst, Quantitative Analysis
daniel.sosa@banorte.com
(55) 1103 - 4000 x 2124



Lourdes Calvo Fernández
Analyst (Edition)
lourdes.calvo@banorte.com
(55) 1103 - 4000 x 2611



Katia Celina Goya Ostos
Director of Economic Research, Global
katia.goya@banorte.com
(55) 1670 - 1821



Luis Leopoldo López Salinas
Economist, Global Internacional
luis.lopez.salinas@banorte.com
(55) 1103 - 4000 x 2707



Víctor Hugo Cortes Castro
Senior Strategist, Technical
victorh.cortes@banorte.com
(55) 1670 - 1800



Hugo Armando Gómez Solís
Senior Analyst, Corporate Debt
hugoa.gomez@banorte.com
(55) 1670 - 2247



Gerardo Daniel Valle Trujillo
Analyst, Corporate Debt
gerardo.valle.trujillo@banorte.com
(55) 1670 - 2248



Miguel Alejandro Calvo Domínguez
Senior Analyst, Quantitative Analysis
miguel.calvo@banorte.com
(55) 1670 - 2220



Jazmin Daniela Cuautencos Mora
Strategist, Quantitative Analysis
jazmin.cuautencos.mora@banorte.com
(55) 1103 - 4000