



Monthly perspective | August 13, 2018

## Hyperactive transition: mixed signals

### SUMMARY

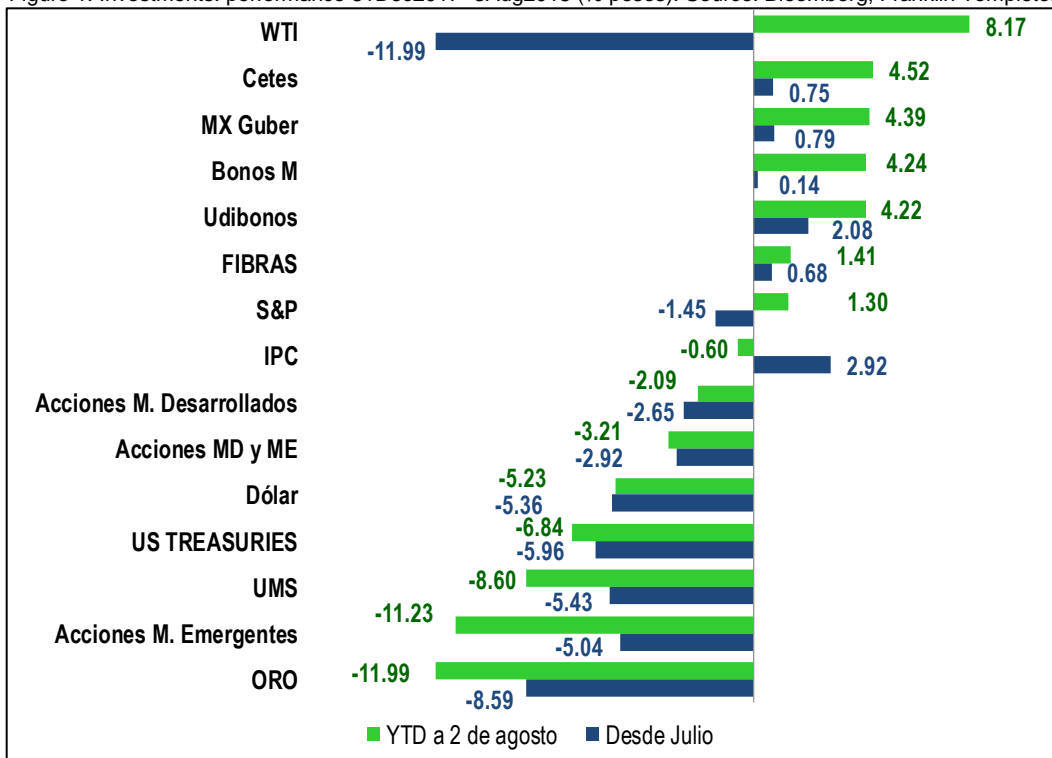
- Globally, investments negative owing to US rate hikes, trade disputes, and problems in Europe.
- In Mexico, investments positive owing to NAFTA speedup, and mixed transition.
- Global risks: US trade wars and migration, Europe, geopolitics, monetary politics, cryptocurrencies.
- Local risks: negative NAFTA negotiations, negative transition.
- Investment scenarios 2018, with probabilities: positive (30%), negative (30%), middle (40%).
- Overweight 1 to 3 year ILS, underweight stocks and REITs.

“If I turn out to be particularly clear, you’ve probably misunderstood what I’ve said.” – Alan Greenspan

### NAFTA speedup and presidential transition

Trade disputes continue to dominate the investment outlook, affecting forecasts of growth and risk investment returns. In the US, higher expected inflation pressures interest rates, but Trump decided to speed up NAFTA negotiations. This, together with a surprisingly positive, although mixed, transition, improved Mexican investments.

Figure 1. Investments: performance 31Dec2017- 3Aug2018 (% pesos). Source: Bloomberg, Franklin Templeton



**POLITICS****US****Trade****NAFTA**

In the first week of August, the US and Mexican negotiating teams met in Washington to continue NAFTA renegotiation. Expectations for an agreement this or next month have increased, owing to surprising remarks by President Trump, who is concerned about the effect of negative negotiations on Senate and Congressional elections scheduled for November 2018. Once the bilateral meeting is concluded, both sides agreed to prepare a trilateral meeting including Canada shortly. The Mexican Economy Minister, Ildefonso Guajardo, said that 10 more chapters had been completed, leaving just 20 to be completed, including the important chapters covering vehicles, where progress has been reported, and the “sunset clause” (renewal every five years), which is still unresolved.

**China**

China has responded to the imposition of tariffs on its products by the US government by applying equivalent tariffs on US products. Despite these measures, the Chinese government has sought to reopen dialogue with the Trump administration.

**Russia**

Despite Trump’s description of the Helsinki summit with Putin as a diplomatic triumph, neither man produced details of progress or improvement in relations between Russia and the US. The meeting was severely criticized in the US when Trump denied Russian interference in US elections, contradicting his own intelligence agencies. The next meeting is planned for early 2019.

**North Korea**

Despite satellite images that show North Korea (NK) dismantling missile motor testing sites, a report from the UN Security Council says that the NK regime is continuing its nuclear program and evading international sanctions. This complicates the negotiations to execute the agreement signed by Trump and Kim Jong-un in Singapore.

**MEXICO****Hyperactive transition**

Since the July 1 elections, the National Elections Institute (INE) has imposed sanctions on all political parties. Andrés Manuel López Obrador (AMLO), officially proclaimed President Elect on August 8, and his party Morena have been hyperactive, with appointments proposed for the incoming administration and diplomatic service, and proposals for 12 legislative priorities, 50 measures against corruption and for “republican austerity” and 25 priority economic projects, as well as inclusion of representatives in the NAFTA negotiations. The activity has been so unusual that media have commented that Mexico now has two presidents: AMLO and Enrique Peña Nieto, who has been conspicuously absent from the media since the elections.

**Politics***Morena fined by INE*

On July 18, the INE announced a fine against Morena of \$197mn. pesos due to the irregular activity of a trust (“*Por los demás*” – For Others) for victims of the September 19, 2017 quakes, citing evidence that neither the sources nor uses of funds deposited in the trust were transparent. AMLO defended Morena and challenged the decision with the Electoral Tribunal of the Federal Judiciary (TEPJF). The fine has not affected election results, a TEPJF decision is expected in September.

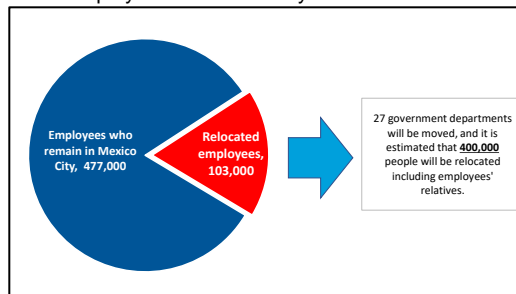
*State coordinators*

On July 11, in a move to cut costs, a plan was announced to reduce the number of federal delegates to states, which act as a link between state and federal governments (currently between 20 and 30 per state), and appoint a single state coordinator, as uniquely responsible for the state-federal relationship. Most of the 32 proposed coordinators have close ties to AMLO, 13 being losing candidates in federal elections and 7 state party leaders of Morena.

### Decentralization

On July 9, AMLO announced a plan to move 27 government departments and agencies from Mexico City to states to reduce the economic disparity between different regions. Total cost is estimated at \$127,830 mmn. over the whole 6 year period (*sexenio*). According to the National Project 2018-2024, this will be financed mainly by government, but some private sector participation, through REITs, may be considered (Figure 2).

Figure 2. Federal employees in Mexico City: relocation effect. Source: Morena



### Three basic documents

Since the elections three documents have been published, which reflect the new government's main objectives:

- 12 legislative priorities.
- 50 general guidelines for fighting corruption and applying a policy of republican austerity.
- 25 priority economic programs.

### Legislative priorities

On July 11, AMLO presented 12 legislative proposals to senators and deputies elect of the Morena coalition (Figure 3):

Figure 3. Legislative priorities. Source: Morena

1. A regulatory law which applies to the three branches of government Article 127 of the Constitution, which states that no government employees can earn more than the President.
2. Legal reform to create the Department of Public Security.
3. Modification of Article 108 of the Constitution so that the President can be accused corruption, and removing exemptions from criminal accusation for government employees.
4. Denomination as grave crimes, without right of freedom on bail: corruption, fuel theft, end electoral fraud of all kinds.
5. Drafting of the Income and Budget Law for 2019.
6. Transfer of the Presidential Security Staff (Estado Mayor) to Department of Defense.
7. Reversion of the "privatization" of water systems.
8. Revocation of Education reform, in coordination with the Department of Education.
9. Modification of Article 3 of the Constitution to establish the right to free public education at all levels.
10. A Law to establish a consultative mechanism for revoking the presidential mandate and facilitate referendums.
11. Analysis of the necessity of a reform to increase the minimum salary on the frontier with the US.
12. Changes in laws, regulations, decrees and agreements to adjust the government administrative structure to the plan of Republican Austerity, implying the merger of divisions, and elimination of undersecretaries, directors and other organisms, without retiring core personnel.

### General guidelines for fighting corruption and the application of a policy of republican austerity

Of the 50 guidelines announced on July 15, 3 of the most important against corruption are covered by legislative proposals 3 and 4. Most of the austerity guidelines are covered by legislative proposal 12. A relevant item in the document is where AMLO proposes a reduction in his own salary to a level at less than half the salary of the current President, estimated at \$109,000 pesos monthly. For more details, too extensive to cover in this document, see <https://lopezobrador.org.mx/2018/07/15/50-lineamientos-generales-para-el-combate-a-la-corrupcion-y-la-aplicacion-de-una-politica-de-austeridad-republicana/>.

### Priority economic projects

On August 6, in a meeting with the main engineers' associations, AMLO presented 25 priority economic projects for the *sexenio*, including infrastructure, agriculture, cities, energy, and social projects (Figure 4):

Figure 4. Priority economic projects. Source: Morena

1. Mexico City Airport.
2. Development of Tehuantepec Isthmus.
3. Maya train.
4. Rural roads.
5. Internet for whole country.
6. Reconstruction of zones affected by September 19, 2017 earthquakes.
7. Urban development program for poor suburbs.
8. Pension increase for adults.
9. Pension for poor handicapped people.
10. Planting of a million fruit and timber trees.
11. Program for Youth Constructing the Future.
12. Scholarships for all high school students.
13. Construction of 100 public universities.
14. Support for cultivation of basic crops to avoid purchasing corn, rice and beans abroad.
15. Renovation of fertilizer companies.
16. Basic food basket.
17. Cattle loans without guarantees.
18. Duty free zone on frontier with US.
19. Mining development.
20. Support for small and medium sized companies (Pymes).
21. Production of oil and gas.
22. Renovation of refineries.
23. Construction of refinery in Dos Bocas, Tabasco.
24. Development of alternative energies.
25. Free medical treatment and medicines.

## Foreign policy

On July 12, AMLO sent a letter to Trump, proposing a prompt conclusion of the NAFTA negotiations, and the inclusion of his own representatives in the talks. He also covered migration and his plans for economic development.

## Transition: considerations

In our previous Perspective (July, 2018), we outlined concerns about various issues arising from AMLO's political career and campaign promises. While in the transition period there has been some relief at the conciliatory tone of AMLO and his team, there continues to be concern in various areas:

### *Leadership*

AMLO defended Morena against the INE fine, calling it "vile revenge of the INE counsellors", proclaiming the impossibility of Morena being corrupt. This reminded observers of his authoritarian reaction when he was mayor of Mexico City and faced with a similar situation. The imposition of state coordinators appears to be a transparent attempt to undermine the power of state governors, centralizing power at the center, and to strengthen his party nationally. There is also concern of the populist implications of the facilitation of referendums.

### *Morena*

The appointment of Romero and Bartlett in key energy positions (Pemex and CFE), have been questioned as entirely political, as neither of them has experience in the sector, Romero being an agronomist and Bartlett a lawyer.

### *Macroeconomy*

Economic appointees have insisted several times on the importance of central bank autonomy and responsible monetary and fiscal policy. However macroeconomic policies stressing price control and food self-sufficiency, and the inefficient projects that have been proposed could endanger the goal of fiscal equilibrium. Even though it is meant to be spread over time, decentralization of government departments could lead to high costs and operating inefficiency. The salary reduction for top government officials has raised doubts about the ability of the government to retain and attract quality personnel, with suggestions that far from decreasing corruption, it will increase it.

### *Microeconomy*

Doubts have been raised about the quality and quantity of the many proposed projects, and the government's ability to finance them. His team have insinuated that the financing problem will be solved by private sector participation.

### *The Fourth Transformation*

AMLO compares his election to three critical events in Mexican history (Independence 1810, Reform 1857 and Revolution 1910). But commentators claim that none of his initiatives make it obvious what he means by it.

## ECONOMY

### GLOBAL

Global growth is expected to stagnate in 2019, and fall in 2020, compensated in both years by higher growth in emerging market (Figure 5).

Figure 5. Developed and emerging markets: estimated growth 2017- 2019 (Aug2018) Source: Bloomberg

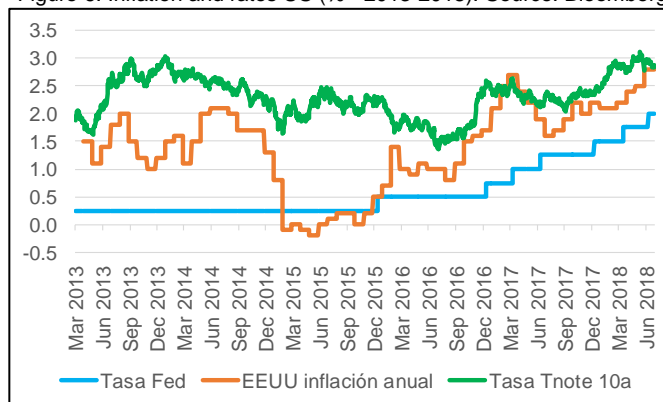
Developed markets				Emerging markets			
Growth(%)	Growth(%)			Growth(%)	Growth(%)		
	2020 E	2019 E	2018 E		2020 E	2019 E	2018 E
World	3.25	3.60	3.70	World	3.25	3.60	3.70
Developed	1.76	2.16	2.42	Emerging	5.10	5.02	4.79
US	1.80	2.50	2.90	China	6.10	6.30	6.60
Euro Area	1.65	1.90	2.20	India	7.60	7.35	6.60
Japan	0.60	1.00	1.10	Rusia	1.75	1.70	1.80
Britain	1.70	1.50	1.30	Brasil	2.60	2.50	1.80
Australia	2.80	2.80	2.80	México	2.10	2.30	2.28
Canada	1.75	1.85	2.00	Corea del sur	2.55	2.70	2.90
Germany	1.60	1.90	2.00	Indonesia	5.40	5.40	5.30
France	1.60	1.80	1.90	Turquia	3.85	3.48	4.10

## US

### Fed rates

The Fed decided unanimously to increase the reference rate 0.25% to a range of 1.75-2%. In expectation of slightly higher growth owing to fiscal stimulus, the Fed estimates 4 hikes in 2018. It retains its estimate of 3.4% for end-2020 (Figure 6).

Figure 6. Inflation and rates US (% - 2013-2018). Source: Bloomberg

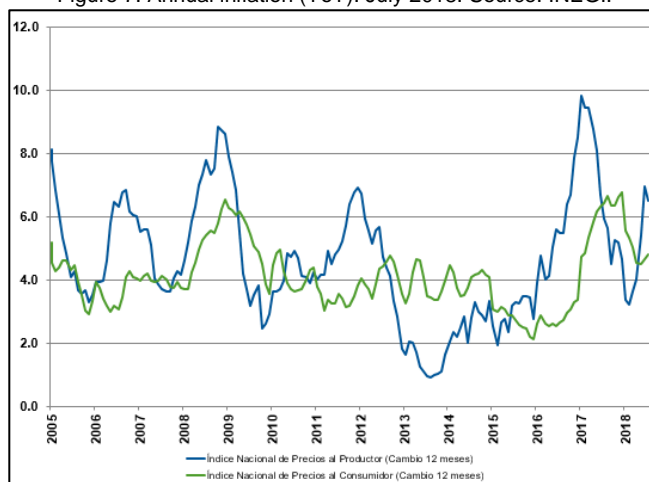


## MEXICO

### Inflation

In July, consumer inflation rose from 4.51% to 4.65%. Meanwhile producer inflation fell slightly from 6.95% to 6.51%, (Figure 7).

Figure 7. Annual inflation (YoY). July 2018. Source: INEGI.



## RISKS AND SCENARIOS FOR 2018

Taking account of foreseeable risks, we present three investment scenarios for the second half of 2018, where the objective is Mexican economic growth. In the positive scenarios, all risks turn out positive for Mexican growth, in the negative scenarios, negative, and in the middle scenario, there is a mix, (type, intensity and duration).

### RISKS

#### Global

- USA failure of progrowth initiatives, trade wars
- North America: NAFTA renegotiation.
- Geopolitics: Europe, Middle East, Russia, China, North Korea
- Global slowdown, monetary policy
- Bitcoin

#### Mexico

- Transition 2018
- Security
- Corruption
- Oil price
- Debt increase: debt rating

### SCENARIOS

#### Positive (30%)

- USA: tax reduction, deregulation, infrastructure Investment, no trade wars.
- NAFTA renegotiation in 2018: "win-win".
- Europe, China, Russia, Korea, Middle East: risks do not materialize.
- Synchronized global growth and successful monetary policy.
- Bitcoin: crash does not affect economy.
- Mexico: positive transition.

#### Negative (30%)

- USA: pro-growth measures fail, trade wars.
- NAFTA renegotiation fails.
- UK and EU collapse, risks in China, Russia, Korea and Middle East materialize.
- Global slowdown owing to politics, economics, or monetary policy.
- Bitcoin: crash affects economy.
- Mexico: negative transition.

#### Middle (40%)

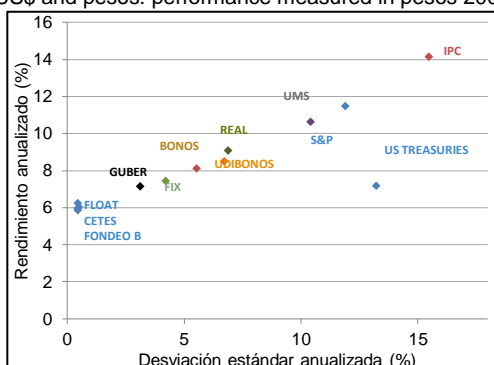
- USA: pro-growth measures work partially, some tariffs.
- NAFTA renegotiation with mixed results.
- Europe, China, Russia, Korea, Middle East; some risks materialize.
- Global growth continues, but less synchronized than 2017: monetary policy with varied success.
- Bitcoin: crash affects economy partially.
- México: uncertain transition.

## MARKETS

### Investments in US\$ and pesos: comparative performance

Despite peso depreciation, long term (2000-2018) investments denominated in pesos have outperformed US\$ investments denominated in US\$, converted to pesos (Figure 8).

Figure 8. Investments denominated in US\$ and pesos: performance measured in pesos 2000-Aug2018. Source: Franklin Templeton



## El US\$ y el peso

The US\$ has strengthened against most currencies owing to the expectation of higher rates from the Fed. Some capital flight from emerging markets is occurring. Owing to improved NAFTA prospects and a surprisingly positive transition the peso continued to strengthen after the election, appreciating 5.4% YTD (Figures 9 and 10).

Figure 9. Index US\$ y peso 2005-6Aug2018. Source: Bloomberg

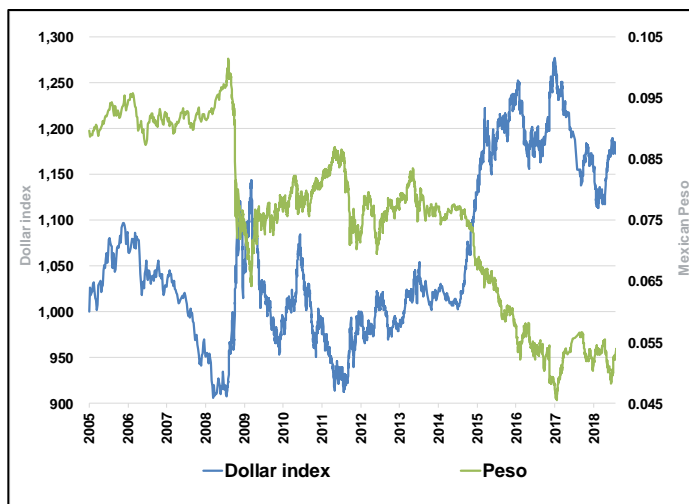
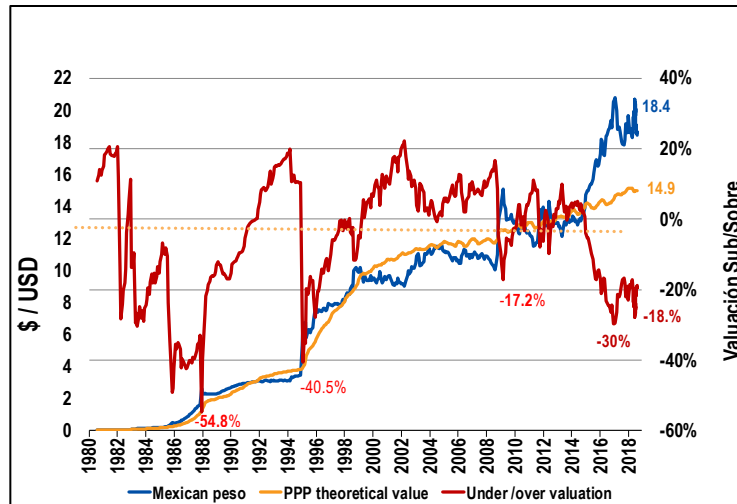


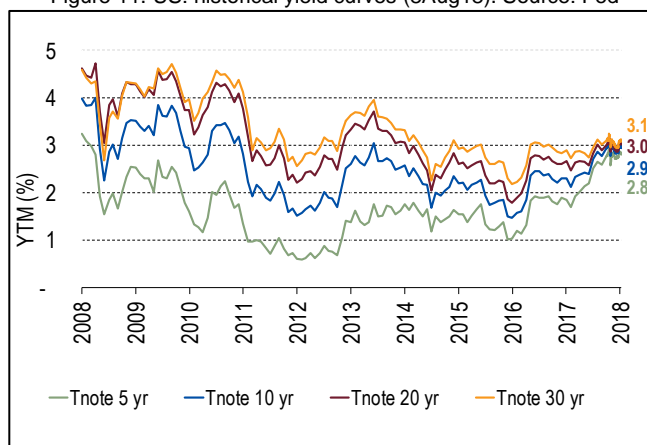
Figure 10. Peso vs. US\$: 1980-8Aug2018. Source: Franklin Templeton



## Debt

US rates rose during July over all terms. US rates are pressured by larger Treasury issues and Fed hikes, but this is offset by the escalation of trade disputes (Figure 11).

Figure 11. US: historical yield curves (8Aug18). Source: Fed



The market expects rates to rise in most developed markets, and to level off or fall in emerging markets (Figure 12).

Figure 12. Developed and emerging markets: 10 year rates estimated at end-2018 (8Aug2018). Source: Bloomberg, Franklin Templeton

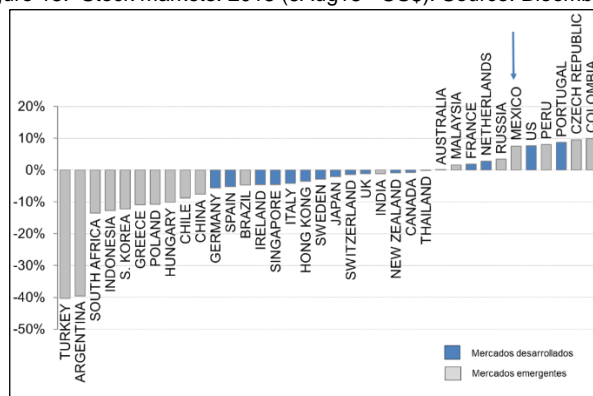
Developed				Emerging			
local 10y yields (%)				local 10y yields (%)			
	4Q18e	Actual	Aumento		4Q18e	Actual	Aumento
US	3.12	2.96	16	China	3.40	3.53	(13)
Euro Area	0.65	0.40	25	India	7.90	7.78	12
Japan	0.08	0.11	(3)	Rusia	7.70	7.85	(15)
Britain	1.65	1.31	34	Brasil	10.68	11.41	(73)
Australia	2.92	2.66	26	México	7.70	7.69	1
Canada	2.52	2.36	16	Corea del sur	2.73	2.56	18
Germany	0.65	0.40	25	Indonesia	7.26	7.71	(45)
France	0.96	0.73	23	Turquia	15.88	19.07	(319)



## Stocks

During 2018, following a strong 2017, stock market performance measured in US\$ has varied, with main global influences trade disputes, rate hikes and US\$ strength. The US market recovered owing to good 2Q reports, and the Mexican market recovered in US\$ terms on improved NAFTA outlook, and relatively positive transition (Figure 13).

Figure 13. Stock markets: 2018 (6Aug18 - US\$). Source: Bloomberg



In Mexico (Figure 14), and the US (Figure 15), in local currency terms, volatility has increased in recent years owing to political uncertainty.

Figure 14. Mexico stocks (IRT pesos, 1Jan17-6Aug18).

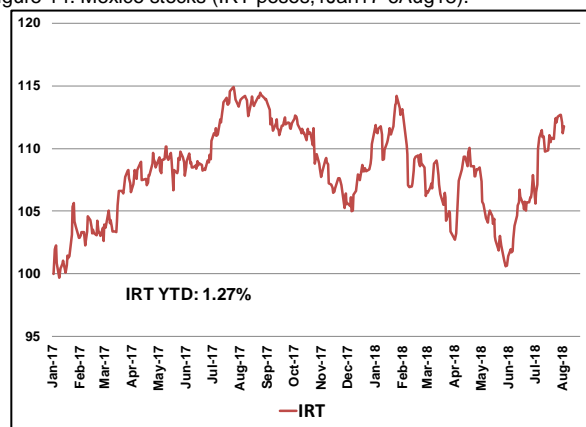
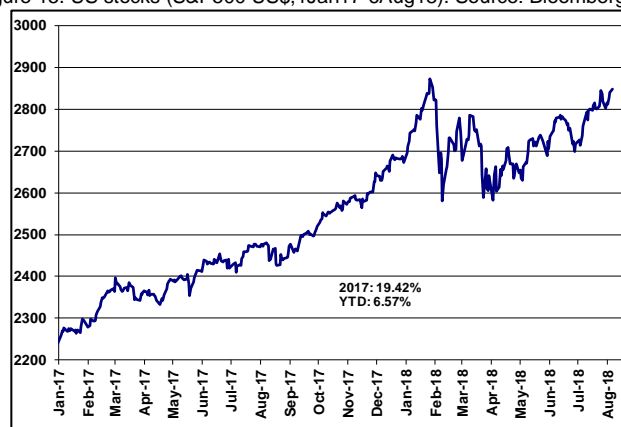
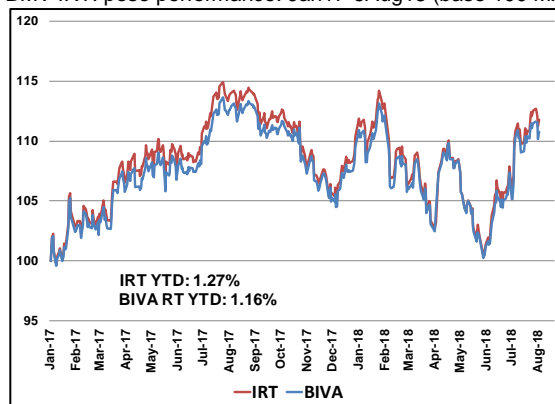


Figure 15. US stocks (S&P500 US\$, 1Jan17-6Aug18). Source: Bloomberg



BIVA, a second stock market in Mexico, began operations on July 25. The BIVA index, created in association with FTSE contains 57 issuers: 35 of the BMV IPC and 22 including 5 REITs (FUNO, DANHOS, FIBRAPL, TERRA, FIBRAMQ). Unlike the IPC, this includes stocks with varying market capitalizations (large, medium and small) maximum weighting capped at 15% by issue, and resets in March and December. Figure 16 shows comparative performance since 2017 on a total return basis.

Figure 16. BIVA RT vs. BMV IRT: peso performance. Jan17-6Aug18 (base 100 MXN\$). Source: Bloomberg





## REITs

Due to novelty, high dividends, and inflation protection, REITs (Fibras) have outperformed stocks since 2011. Since the Trump victory in November 2016, they were hit by NAFTA uncertainty, Mexican politics, and more recently by inflation fears. With the recent improvement in NAFTA prospects, they have recovered (Figures 17 and 18).

Figure 17. REITs vs. Mexican stocks in pesos (IRT) Mar2011-6Aug18 (base 100). Source: Bloomberg

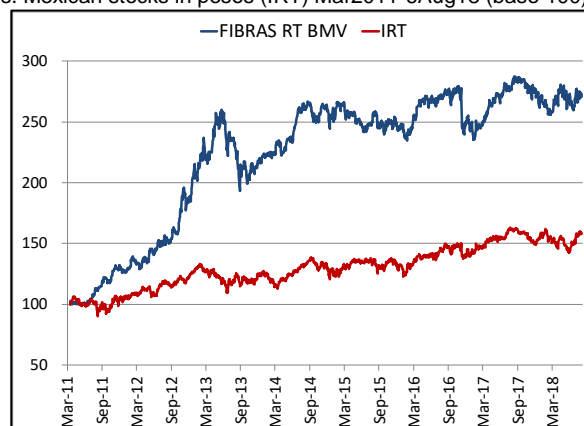


Figure 18. REITs: valuation and dividends (8Aug2018). Source: Franklin Templeton

	Mcap (M) (MXN)	Calendarized						
		2013	2014	2015	2016	2017	2018	2019
FUNO11 MM	102,084	7.1%	7.8%	7.7%	8.0%	8.3%	9.0%	9.7%
DANHOS13 MM	44,251	5.7%	6.3%	6.8%	5.7%	7.6%	8.0%	8.2%
FIBRAPL MM	22,980		4.6%	5.7%	6.2%	6.7%	7.2%	7.5%
TERRA13 MM	22,512	6.8%	6.9%	7.3%	8.6%	9.1%	9.2%	9.1%
FIBRAMQ MM	16,333	8.2%	7.6%	8.8%	7.5%	7.6%	8.0%	8.2%
FIHO12	10,330	7.0%	7.0%	7.6%	8.6%	9.5%	10.5%	11.7%
FHIPO	8,475		11.1%	11.2%	11.4%	11.6%	11.9%	12.1%
FMTY14 MM	7,641			8.0%		8.8%	9.0%	9.4%
FINN13 MM	6,438	6.4%	6.0%	7.3%	8.1%	8.1%	8.0%	8.5%
FSHOP13 MM	5,274	9.0%	10.1%	10.9%	9.9%	10.0%	9.4%	9.7%

New issues of Fibras could resume with the improvement in the political outlook and better valuations.

## Conclusion

The global economy has become more complex owing to rate rises and the uncertainty of trade disputes. The Mexican outlook has recently improved owing to better NAFTA prospects, and political prospects which are uncertain, but at least not obviously negative. For both global and Mexican investments volatility remains probable. For peso denominated portfolios, we are overweight ILS 1 to 3 year duration, and underweight stocks and REITs.

Octavio Martínez  
 Ramsé Gutiérrez  
 Luis Gonzalí  
 Jorge Marmolejo  
 Nadia Montes de Oca  
 Editor: Timothy Heyman  
 August 10, 20

**Main financial indicators: monthly at July 31, 2018**

In July in Mexico, the IPC rose 4.27%. Nominal rates rose over all terms except 1 year. Real rates fell over all terms. The US\$ fell 5.31% against the peso. In the US, DJ, S&P500 and NASDAQ rose. Nominal and real rates rose over all terms. In the Bank of Mexico business conditions survey optimism rose to 34% (16% previous), no change fell to 50% (58%), and pessimism fell to 16% (26%).

Mexico					
Stock market and oil					
	31-Jul-18	29-Jun-18	Month	YTD	2017
IPC	49,698.01	47,663.20	4.27%	0.70%	8.13%
Local currency (USD/MXN)	18.65	19.69	-5.31%	-5.17%	-4.64%
Mexican oil mix (USD/bl)	65.09	68.72	-5.28%	15.84%	21.36%
Nominal rates					
	31-Jul-18	29-Jun-18	Month	YTD	2017
CETES 28	8.02%	7.81%	21 bps	70 bps	148 bps
CETES 360	7.86%	7.91%	-5 bps	40 bps	103 bps
M5	7.74%	7.67%	7 bps	15 bps	38 bps
M10	7.76%	7.60%	16 bps	11 bps	15 bps
M30	7.87%	7.71%	16 bps	9 bps	-4 bps
Real rates					
	31-Jul-18	29-Jun-18	Month	YTD	2017
UDIBONO 10	3.54%	3.72%	-18 bps	4 bps	45 bps
UDIBONO 30	3.67%	3.77%	-10 bps	-3 bps	-9 bps
Commodities					
	31-Jul-18	29-Jun-18	Month	YTD	2017
Gold	1,224.15	1,252.60	-2.27%	-6.04%	12.48%
WTI (USD/bl)	65.09	68.72	-5.28%	15.84%	4.60%
UMS					
	31-Jul-18	29-Jun-18	Month	YTD	2017
UMS 10 years	4.16%	4.46%	-30 bps	53 bps	-64 bps
UMS 20 years	5.58%	5.20%	38 bps	105 bps	-74 bps
UMS 30 years	5.64%	5.08%	56 bps	100 bps	-62 bps
Stock markets (US\$)					
	31-Jul-18	29-Jun-18	Month	YTD	2017
MSCI Developed	8,798.94	8,530.35	3.15%	3.93%	23.07%
MSCI Emerging	2,411.56	2,357.69	2.28%	-4.37%	37.75%
MSCI Mexico	9,951.70	9,157.15	8.68%	5.87%	16.27%
MSCI Brazil	5,867.13	5,246.21	11.84%	-7.39%	24.48%

US					
Stock market					
	31-Jul-18	29-Jun-18	Month	YTD	2017
DJ	25,415.19	24,271.41	4.71%	2.82%	25.08%
S&P	2,816.29	2,718.37	3.60%	5.34%	19.42%
Nasdaq	7,671.79	7,510.30	2.15%	11.13%	28.24%
Nominal rates					
	31-Jul-18	29-Jun-18	Month	YTD	2017
Tbill 90	2.03%	1.93%	10 bps	76 bps	76 bps
Tnote 5	2.85%	2.73%	12 bps	71 bps	21 bps
Tnote 10	2.96%	2.85%	11 bps	54 bps	-3 bps
Tbond 30	3.08%	2.98%	10 bps	25 bps	-23 bps
Real rates					
	31-Jul-18	29-Jun-18	Month	YTD	2017
Tip 5	0.85%	0.67%	18 bps	59 bps	17 bps
Tip 10	0.84%	0.74%	10 bps	37 bps	-3 bps
Tip 30	0.94%	0.87%	7 bps	22 bps	-27 bps

Bank of Mexico survey		
Indicator	2018	2018 anterior
PIB	2.25%	2.29%
Inflation	4.23%	4.06%
Cetes 28	7.85%	7.79%
Local currency	19.11	19.62
Business conditions		
	31-Jul-18	29-Jun-18
Optimism	34%	16%
No change	50%	58%
Pessimism	16%	26%

Source: Bloomberg, Banco de Mexico

**IMPORTANT LEGAL INFORMATION**

The material has been prepared by Franklin Templeton Servicios de Asesoría Mexico, S. de R.L. de C.V. ("FTSAM" or the "Company") which has the folio inscription number 30045-001-(14127)-15/04/2016 in the Public Register of Investment Advisors assigned by the National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*) in terms of the Securities Market Law (*Ley del Mercado de Valores*). Registry does not imply compliance with the regulations applicable to the services that are provided, nor the precision or veracity of the information provided. The content of this document is for information purposes only. Past Performance is not a guarantee of future returns.

The material has been prepared by FTSAM solely for use in this document, and is intended to be of general interest only and does not constitute legal or tax advice nor is it an offer for shares or invitation to apply for shares of any kind. Nothing in this document should be construed as investment advice. This document may contain information obtained from various sources, and while it may be considered reliable, the Company makes no warranty or any statement on its fidelity, accuracy, scope or coverage, as the Company has not verified, validated or audited independently such information. The information is partial and, therefore, cannot be called complete. You agree to keep the contents of this document strictly private and confidential and it shall not be disclosed, copied, reproduced or redistributed (in whole or in part) to any person without the prior written consent of the Company.

This document may contain "forward looking statements" and results may vary from those expressed or implied are included in this document. Such forward-looking statements can be identified, among other words, by the use of terminology such as "expect", "anticipate", "believe", "continue", "could", "estimate", "predict", "try", "plan", "predict", "should" or other forward-looking terminology, or by the negative of these words or comparable terminology, including without limitation the plural form of these words. All forward-looking statements relate to the Company's current expectation regarding future events and are subject to a number of factors that could cause actual results to differ materially from those in respect of the forward-looking statements. One must be cautious of such statements and should not place undue reliance on any forward-looking statements.

This document includes no representation or warranty (express or implied) so it should not support the accuracy, fairness or completeness of the information presented or contained in this document. Neither the Company nor any of its affiliates, employees, advisers or representatives accepts any liability for any loss or damage caused by the information presented or contained in this document.

The information presented or contained in this document is current as of the date indicated and is subject to change without notice and its accuracy is not guaranteed. The information contained herein and the views, if any, expressed therein are issued on the date hereof and, therefore, are conditioned and / or subject to probable changes due to changes in applicable law, as well as the conditions and circumstances that may or may not be provided in this document, in addition to over time and other similar situations. Neither the Company, nor its affiliates, agents, employees nor advisers assume any responsibility or obligation to inform you or any other person regarding any changes to the information or opinions expressed herein resulting from matters, circumstances or events that may arise in the future or that may be brought to our attention after the date herein. This document should not be construed as legal, tax, investment or any other type of advice.

This document does not constitute an offer or invitation to purchase or subscribe shares or other securities and no part of this document or any information, opinion or statement contained herein shall be the basis of, or be referred to in connection with any contract or commitment. Any decision to purchase securities in any offering of securities should be made solely on the basis of information contained in the prospectus of the securities offered. By reading this document, you agree to be subject to the above limitations.

\*Timothy Heyman, President of FTSAM, founded Heyman y Asociados in 1985. In 2013, Franklin Templeton established FTSAM and merged it with Heyman y Asociados.

Copyright © 2017. Franklin Templeton Investments. All rights reserved. Valid only in the United States of Mexico.