

Deinstitutionalization and deceleration

Portfolio Management team



Timothy Heyman, CBE
President



Ramsé Gutierrez, CFA
VP / Portfolio manager



Luis Gonzalí, CFA
Portfolio manager



Jorge Marmolejo, CFA
Portfolio manager



Nadia Montes de Oca, CFA
Portfolio Manager

Franklin Templeton Advisory Services Mexico (FTSAM)*

- Established 2013.
- Subsidiary of Franklin Templeton Investments.
- Investment solutions for our clients taking into account their needs and the global and local environment.
- Portfolio management team with more than 20 years' experience.
- Pioneers in Mexican investments.

Franklin Templeton Culture and Values

- Put clients first.
- Build relationships.
- Achieve quality results.
- Work with integrity.

SUMMARY

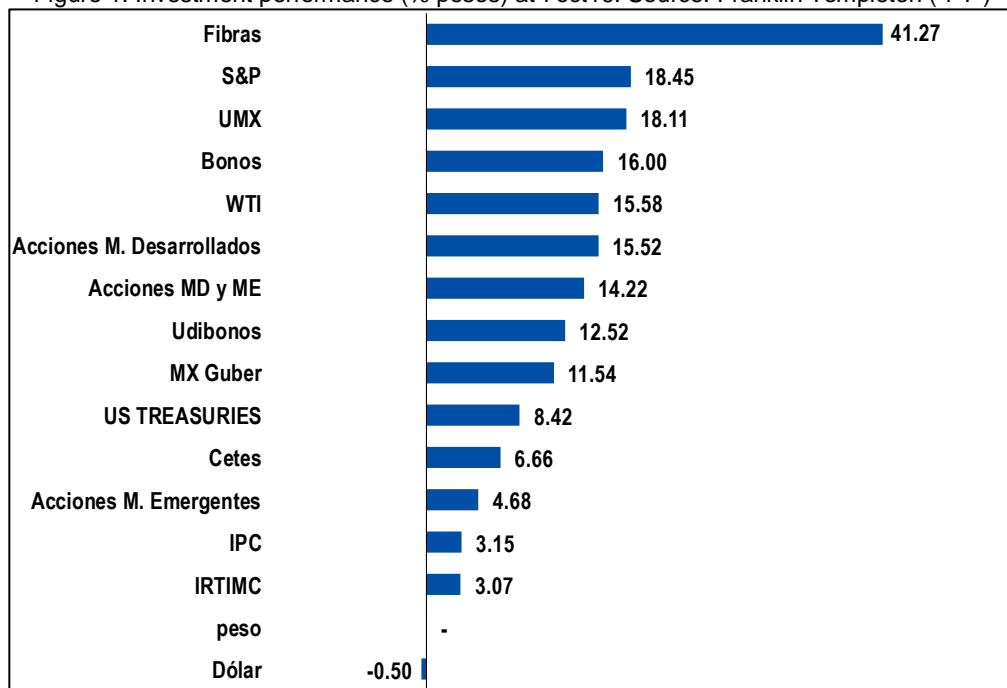
- Global. Global slowdown. Trade dispute under negotiation. Oil prices in new normal. Likely short/medium-term rate cuts. Trump impeachment possible. Brexit uncertain.
- Mexico. TMEC possible in 2019. Growth 2020 greater than 2019. Insecurity continues to deteriorate. Expectations of more rate cuts by Banxico.
- Global risks: sharp slowdown, trade wars, geopolitics, Brexit/Europe, monetary policy, emerging markets.
- Local risks: dysfunctional government, TMEC non-ratification in the US, loss of investment grade, capital flight.
- Investment scenarios with probabilities: positive (10%), negative (50%), middle (40%).
- For portfolios in pesos, overweight liquidity and ILS with duration 1 to 3 years, underweight stocks, REITs benchmark weight.

"Institutions have no other function than to contribute to human freedom". – Charles Horton Cooley

Monetary policy sustains markets vs. populism

Risk assets were sustained by monetary policy as economies decelerated (Figure 1). Populism in the US and the United Kingdom is beginning to face resistance from democratic institutions. Meanwhile global risks continue to accumulate and the alternative to Trump and Johnson's right-wing populism seems to be more left-wing populism, such as Sanders, Warren and Corbyn. It seems unlikely that positive risk asset performance we have seen in 2019 will continue much longer.

Figure 1. Investment performance (% pesos) at 7oct19. Source: Franklin Templeton ("FT")



POLITICS

US

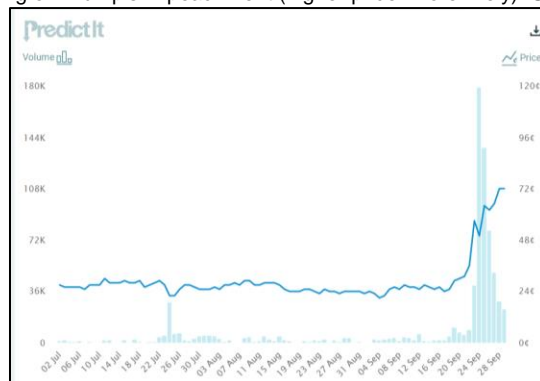
China

Negotiations between China and the US resumed on 10 October after 5 months without dialogue and amid a 15-month conflict. No resolution is expected in a conflict that covers areas beyond trade: regulation of technology companies, political unrest in Hong Kong, human rights/freedom of expression, and has come as far as sports (NBA). Negotiations have restarted with a threat from the US of an additional tariff hike of 25 to 30% on products of US\$250bn. which would come into force on 15 October and has already been extended once in a sign of goodwill. In the best scenario, a temporary cessation of hostilities is expected. As trade with China was one of the main issues of his 2016 campaign, Trump is under pressure to reach agreement before the 2020 elections.

Democrats attempt to impeach Trump

In September the Democrats called for an investigation towards the impeachment of Trump. It focuses on a phone call with Ukraine President Volodymyr Zelensky, where he conditions the delivery of \$400mn. in aid on the provision of damaging information on the son of Joe Biden, his Democrat rival. The White House declined to participate in the investigation. The order to provide documents was issued by the chairmen of the House Oversight, Intelligence and Foreign Affairs committees. If the investigation leads to impeachment the Senate would to conduct the process and it would take two-thirds of the Senate to find him guilty, unlikely given the current Republican majority. Bill Clinton (1998-1999) and Andrew Johnson (1868) are the only Presidents to have been impeached, and both were acquitted. Richard Nixon resigned in 1974 to avoid impeachment. Impeachment is dangerous move for Democrats, as it could strengthen Trump in the 2020 elections if he is acquitted although the charges could be much more serious than in previous cases.

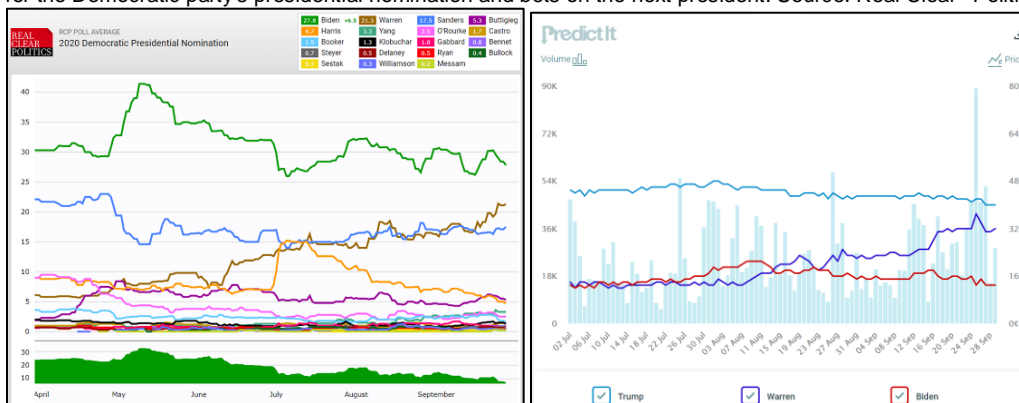
Figure 2. Betting on Trump's impeachment (higher price=more likely). Source: Predictit



Elections 2020

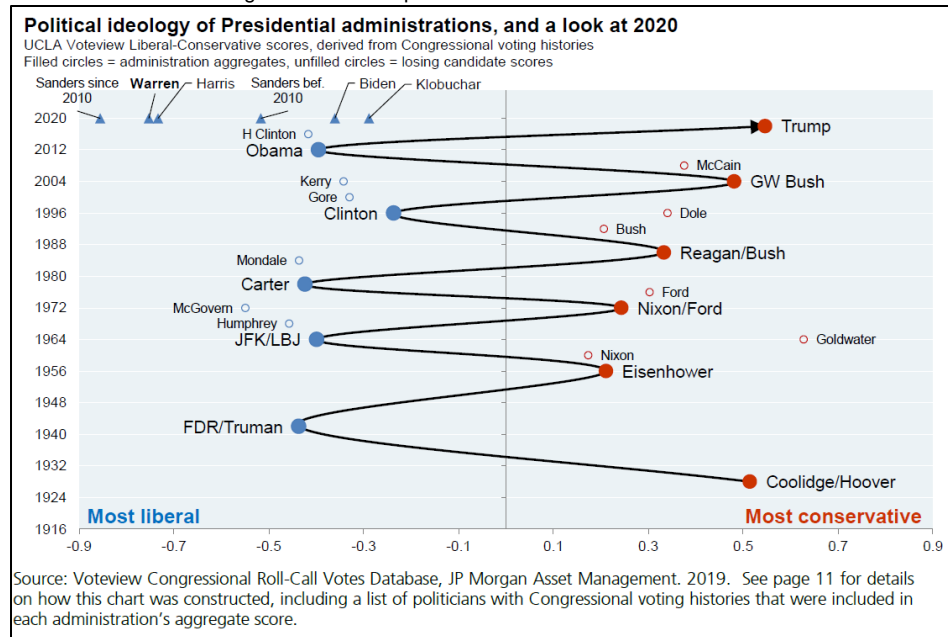
Three candidates stand out from all the Democratic nominees for the presidential election: Biden, Warren, and Sanders. Biden still leads the polls despite recent negative press related to his son in Ukraine. Betting suggest Warren can take the nomination if Sanders pulls out of the contest, which seems more likely after suffering a recent heart attack. According to the polls, the three leaders could win the popular vote against Trump, but no necessarily in the electoral college. Betting continues to favor Trump, but much depends on the impeachment issue (Figure 3).

Figure 3: Surveys for the Democratic party's presidential nomination and bets on the next president. Source: Real Clear Politics & Predictit, 7oct19



Warren's electoral platform is liberal: it favors tax increases, more environmental and financial regulation, minimum wage, student debt forgiveness, and universal health among others. This agenda seems a clear reaction to the policies of the current administration, with the same intention of attracting the middle-class vote and fiscally difficult. An election victory would imply Trump's right-wing populism swinging to left-wing populism (pendulum Figure 4).

Figure 4: Political pendulum 1920-2019. Source: JPM



EUROPE

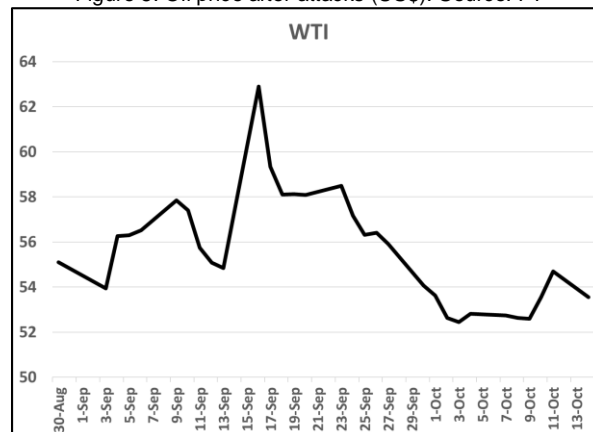
Brexit

Brexit negotiations between the UK and the European Union (EU) resumed in mid-October, after Boris Johnson suffered setbacks in the supreme court, parliament and within his own party. Some in the EU see Johnson's proposal as better than expected, and there is the chance of an agreement before the deadline (31 October). The main problem is the "Irish backstop", which would avoid a "hard" frontier between Northern Ireland and the Republic of Ireland, but Johnson's proposed solution seems unworkable. The most likely outcome still seems to be another postponement to January 2020, UK elections before the end of 2019, and possibly a second referendum.

Attacks on Saudi Arabia

On 14 September, there were attacks on the Abqaiq refining plant and Khurais oilfield, affecting 5% of the world's crude oil production and raising the price by more than 10% (Figure 5). Iran was blamed for the attacks as well as for those on oil tankers in the Hormuz Straits. The recent escalation of tensions between the US and Iran has made authoritarian rule more aggressive in its nuclear programs and against its regional enemies.

Figure 5: Oil price after attacks (US\$). Source: FT



MEXICO

Supreme court resignation

On October 8, the Senate approved Judge Eduardo Medina Mora's surprise resignation from the Supreme Court of Mexico with 111 votes in favor, 13 against and five abstentions: the "serious causes" that are the legal reasons for a judge to resign before fulfilling the 15-year statutory term (in this case, after only 4½ years) were not explained. The Senate can choose the next judge from three candidates proposed by AMLO, the third judge to be appointed by AMLO in 10 months. It looks like another attempt to increase his control over an independent institution.

Austerity Act

The Chamber of Deputies sent the Republican Austerity Act to the executive branch. The law prohibits public servants for 10 years after leaving office from holding positions in companies they have supervised, regulated or of which they have privileged information in the exercise of their office. The Act eliminates pensions, private medical insurance, drivers, private secretaries and limitations for the recruitment of consultants and collaborators. It also centralizes in the Treasury and the Anticorruption Ministry the acquisition of goods and services. This, on top of the salary cap at \$109,000 pesos monthly is causing a brain drain from the government, which is causing concern about its efficiency.

Education

On September 30, secondary laws on education passed by the Morena majority in the Legislative were published. These laws eliminate the National Institute for Educational Assessment (INEE), guarantee places to graduates of rural teachers' schools and include trade unions in decision-making to hand out teaching jobs, among other clear concessions to the teachers at the expense of educational quality.

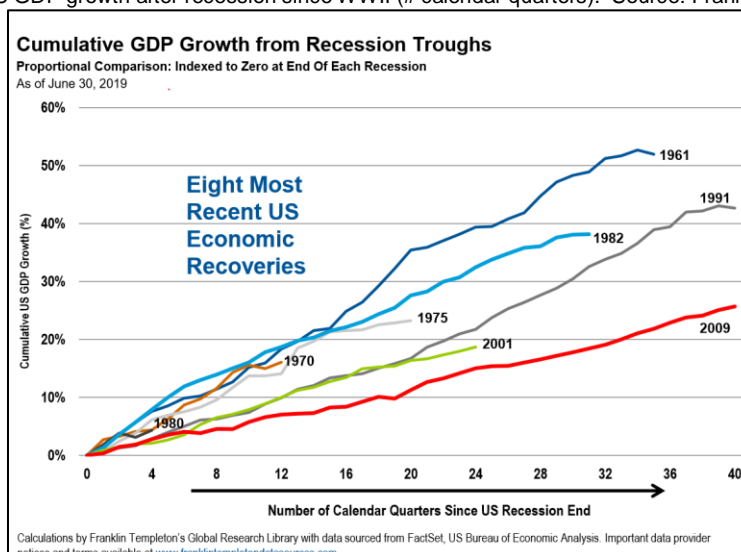
ECONOMICS

US

Recovery cycles since WWII

The recovery after the 2008-9 financial crash has already been confirmed as the longest and shallowest after World War II, due to the severity of the crash. There is a fear that, because of the normal recession-investment-overcapacity cycle, it may slow down, despite the Fed's efforts to sustain it (Figure 6).

Figure 6: US GDP growth after recession since WWII (# calendar quarters). Source: Franklin Templeton



Fed second cut

On September 18, the Fed cut its benchmark rate again by 25 bps to bring it to a range of 1.75 to 2% as expected. The decision was split: one member voted to cut it 50 basis points and two members to leave it unchanged. According to the official statement only 5 members expect a further cut for the rest of the year.

MEXICO

International Monetary Fund (IMF)

The IMF lowered its growth estimate for Mexico to 0.4% for 2019 (from 0.9%) and 1.6% for 2020 (1.9%). While it recognized its conservative macroeconomic policies, it warned that tax income and the brake on reforms would affect private investment and employment.

Second Banxico Cut

On September 26, clearly following the monetary policy of the US Federal Reserve Banxico announced a rate cut of 25 bps to 7.75%. Two members voted to lower the rate to 7.5%. With inflation at its lowest level over the last three years the 10-year rate after inflation reaches a premium of 500 bps vs. the American and German rate, a peak since 2006. This spread implies that carry trade remains attractive and Banxico could be more aggressive than the Fed in cutting rates, especially if the growth outlook for 2020 continues to deteriorate (Figures 7 and 8).

Figure 7. Banxico and Fed monetary policy 2008-2019

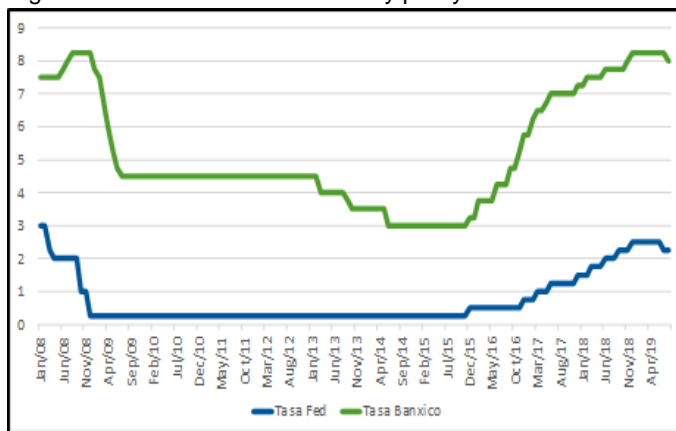


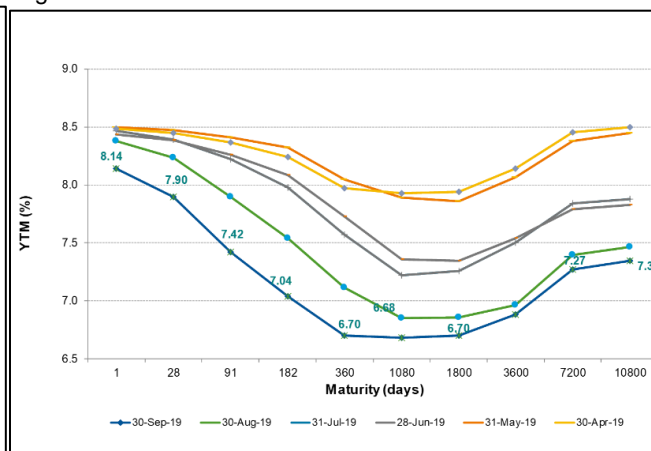
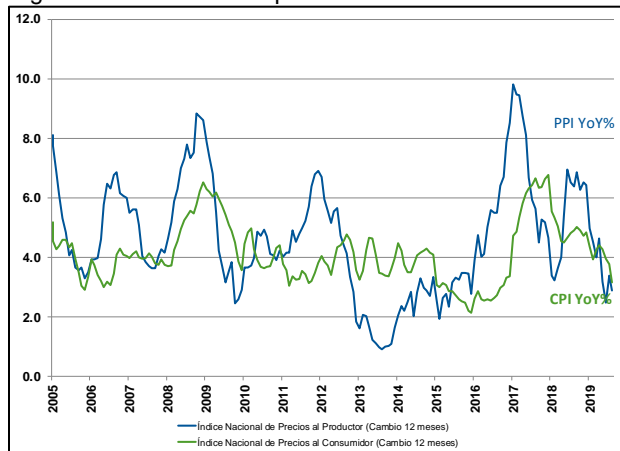
Figure 8. Estimated growth 2020. Source: Bloomberg



Inflation

Inflation reached Banxico's target of 3% (Figure 9). With a reduction in public spending, a local and global economic slowdown this trend could continue to make it more likely that Banxico will overtake the Fed in monetary policy as the reversal of the nominal curve seems to be discounted (Figure 10).

Figure 9. Consumer and producer inflation. Source: INEGI Figure 10. Nominal curve last 6 months. Source: PiP



Income Act 2020

The CCE (Council of Businessmen), AMB (Mexican Bankers' Association) and CEESP (Private Sector Economic Studies Center) have noted that the draft Revenue Bill presented as part of the 2020 Budget proposes an aggressive new tax policy with the economy at a slowdown phase locally and globally. The main criticism is that it reduces public investment in favor of social programs and the president's massive projects. It also discourages private investment by criminalizing the taxpayer, establishing a cap on interest deductions and weakening limited liability. This last, along with the new Law of Property Ownership, which permits government expropriation under certain circumstances, seems to undermine the institutional bases of capitalism.

RISKS AND SCENARIOS

The objective is Mexican economic growth. In the positive scenario, all risks turn out favorable for growth, in the negative, unfavorable, and in the middle, mixed. Estimates for each scenario are given in Figure 11.

| RISKS | |
|-------------------------|--|
| <i>Global</i> | <ul style="list-style-type: none"> US: monetary policy, recession, dispute between executive and legislative branch Global: trade wars Geopolitics: Europe, Middle East, Russia, China, North Korea, Venezuela EM: crisis and contagion |
| <i>Mexican</i> | <ul style="list-style-type: none"> Gthevernment Security Corruption Oil Debt rating |
| SCENARIOS | |
| <i>Positive (10%)</i> | <ul style="list-style-type: none"> US: expansion continues, trade disputes but no major consequences Monetary policy does not derail cycle. Rapid ratification USMCA. Geopolitical risks do not materialize. Global growth. EM: no crisis or contagion. Mexico: government functions, spending drives infrastructure/consumption, measures anticorruption and antiviolence work, ratings upgrade. |
| <i>Nandgative (50%)</i> | <ul style="list-style-type: none"> US: expansion stops, trade wars affect global commerce. Monetary policy derails cycle. USMCA not ratified, elimination threatened. Geopolitical risks materialize. Global recession. EM: crisis and contagion. Mexico: government dysfunctional, spending out of control, anticorruption and violence measures backfire, ratings downgrade. |
| <i>Middle (40%)</i> | <ul style="list-style-type: none"> US: slow expansion continues, rhetorical trade disputes. Adequate monetary policy, but uncertain. USMCA approved late, with changes. Geopolitical: risks materialize partially. Global slowdown, unsynchronized. EM: crisis and some contagion from vulnerable countries. Mexico: government partially functional, continued mixed signals, ratings stable. |

Figure 11. Estimates for scenarios 2019-2020 Source: FT

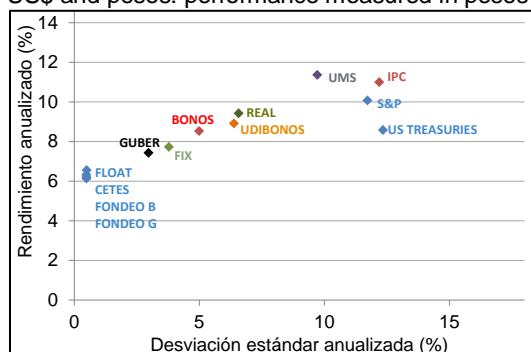
| | Escenarios para 2019 | | | 2020 |
|--------------------------|----------------------|-----------|-------|-------------|
| | Alto | Bajo | Base | Pronósticos |
| Probabilidad | 10% | 50% | 40% | |
| EU | | | | |
| Crecimiento PIB | > 2.30% | < 2.30% | 2.30% | 1.80% |
| Inflación | > 1.80% | < 1.80% | 1.80% | 2.00% |
| Déficit fiscal | < 4.40% | > 4.40% | 4.40% | 4.70% |
| Déficit cuenta corriente | < 2.50% | > 2.50% | 2.50% | 2.60% |
| Tasa T-Bills | > 1.95% | < 1.95% | 1.95% | 1.80% |
| TNote 10 US | > 1.98% | < 1.98% | 1.98% | 2.13% |
| Petróleo (WTI) | > \$54.19 | < \$54.19 | 54.19 | 54.69 |
| México | | | | |
| Crecimiento PIB | > 0.50% | < 0.50% | 0.50% | 1.39% |
| Inflación | > 3.31% | < 3.31% | 3.31% | 3.54% |
| Déficit fiscal | < 2.50% | > 2.50% | 2.50% | 2.50% |
| Déficit cuenta corriente | < 1.50% | > 1.50% | 1.50% | 1.80% |
| Cetes28 (fin de año) | > 7.60% | < 7.60% | 7.60% | 7.12% |
| Peso/US\$ (fin de año) | < \$19.91 | > \$19.91 | 19.91 | 20.38 |

MARKETS

Investments in US\$ and pesos: comparative performance

Following the depreciation of the peso since Trump, in the long run (2000-2019) the gap between peso investment and US\$, both converted to pesos, has narrowed. However, investments in pesos have outperformed US\$ denominated investments (Figure 12).

Figure 12. Investments in US\$ and pesos: performance measured in pesos 2000-sep2019. Source: FT



The US\$ and the peso

The peso had a complicated August due to trade tensions between the US and China. However, in September it regained much of the ground it lost during August: the improvement in the outlook for TMEC approval in 2019 may also have had an effect (Figure 13). Sentiment measured by Banxico improved slightly, as 31% of respondents believe that the economy will deteriorate in the next 6 months (vs. 46% the previous month) (Figure 14).

Figure 13. Peso vs. US\$: 1980-oct2019. Source: FT

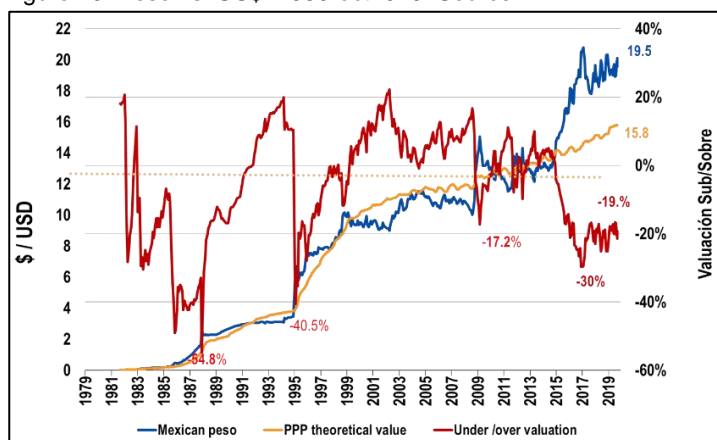
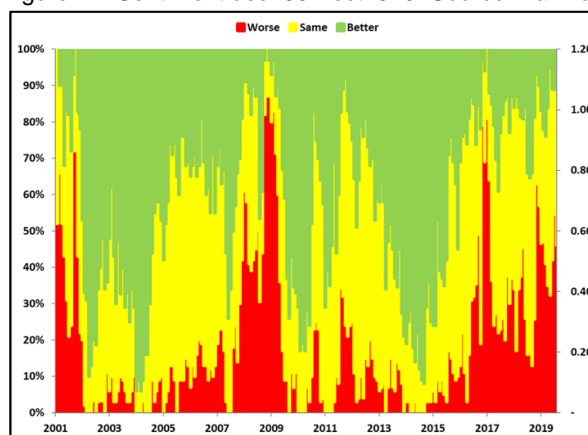


Figure 14. Sentiment dec2001-oct2019. Source: Banxico



Debt

Rates are expected by 2020 to rise in most DMs but only in Mexico, South Korea in EMs (Figure 15). During the month, the slope of the Treasuries curve of ten years less than two years became negative. This, along with the slope of the ten-year curve minus three months (negative since December) are relevant indicators of recession for the US economy.

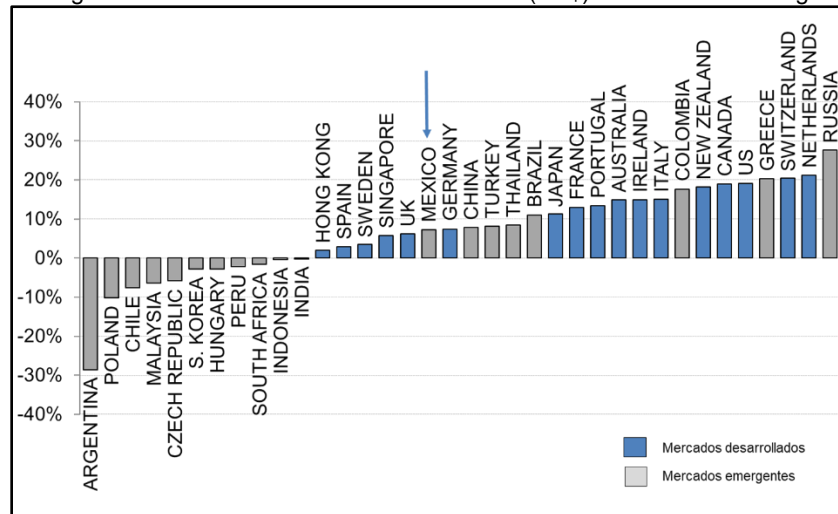
Figure 15. Developed and emerging markets: nominal rates 10 years estimated at June 2020 (sep19). Source: Bloomberg, FT

| Developed | | | | Emerging | | | |
|----------------------|--------|--------|-------|----------------------|-------|--------|-------|
| local 10y yields (%) | | | | local 10y yields (%) | | | |
| | 2Q20e | Actual | (bps) | | 2Q20e | Actual | (bps) |
| US | 1.82 | 1.62 | 19.68 | China | 2.81 | 3.14 | -33.1 |
| Euro Area | (0.47) | (0.54) | 6.5 | India | 6.40 | 6.66 | -26.4 |
| Japan | (0.16) | (0.17) | 1 | Rusia | 6.70 | 6.94 | -23.8 |
| Britain | 0.88 | 0.51 | 36.7 | Brasil | 6.60 | 6.99 | -39.3 |
| Australia | 0.98 | 0.96 | 1.6 | México | 7.36 | 6.90 | 46.1 |
| Canada | 1.49 | 1.33 | 16.2 | Corea del sur | 1.39 | 1.50 | -10.7 |
| Germany | (0.47) | (0.54) | 6.5 | Indonesia | 7.04 | 7.28 | -24.3 |
| France | (0.32) | (0.24) | -8.4 | Turquia | 13.27 | 13.85 | -58 |

Stocks

In 2019, there is a marked difference between EM and DM performance. Most EMs are on negative ground so far this year, while all DMs have had positive returns. The clear loser is Argentina, because of the prospect of a Macri defeat in the October elections (Figure 16).

Figure 16. Shares: DM and EM YTD 7oct19 (US\$). Source: Bloomberg



REITs (Fibras)

Since inception, Fibras have outperformed stocks since 2011 (Figures 17 and 18). During 2019 Fibras have been the best local asset class following global REITs: both have benefited from lower global rates and trade frictions especially between the US and China. Performance has varied between different sectors, favoring industrial Fibras as trade tensions have shifted to China. On the other hand, many Fibras linked to the local economy have performed worse reflecting the weaker economic outlook. Even with the recent price rise, dividends are still interesting and many Fibras continue to trade below their NAV (Figure 19). Yields are expected to follow the dynamics of rates and advances in USMCA's approval in the US. The current administration plans to withdraw the tax benefit for unlisted Fibras but recognizes the benefits of listed Fibras so we do not see foreseeable political risk.

Figure 17. Fibras vs. IRT mar2011(-100)-07oct19

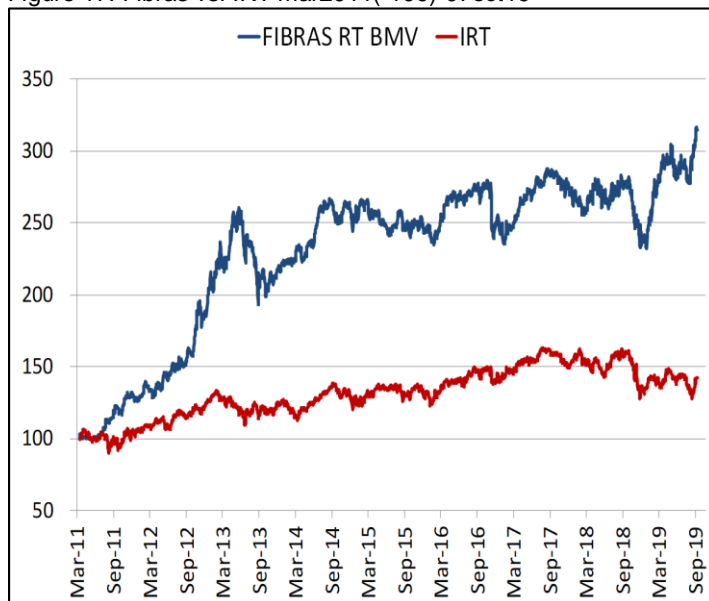


Figure 18. Fibras vs. IRT jan18-07oct19. Source: Bloomberg

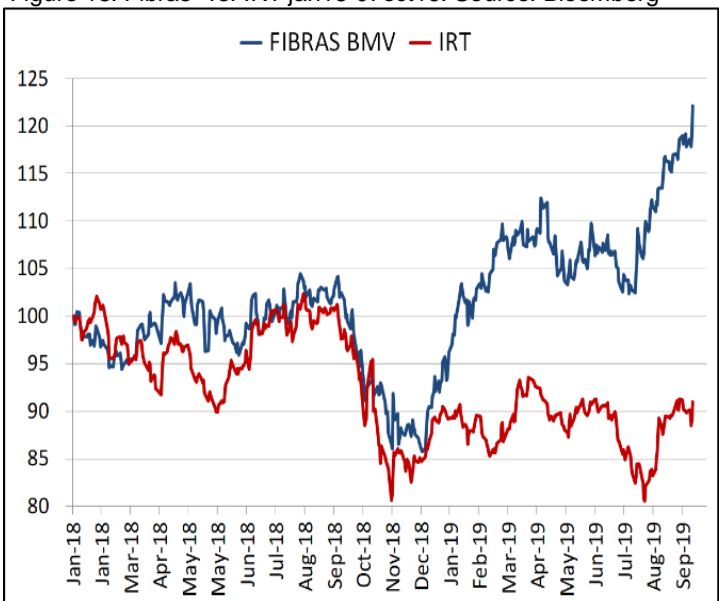


Figure 19. Fibras: valuation and dividends (oct2019). Source: BTG

| | Price | Market Cap | Dividend Yield % | | | | Price / NAV | | |
|-----------------------|---------|------------|------------------|-------|-------|-------|-------------|-------|-------|
| | (Local) | (US\$m) | Current | 2018 | 2019E | 2020E | 2018 | 2019E | 2020E |
| Mexican FIBRAS | | | | | | | | | |
| Fibra Uno | 30.43 | 6,121 | 7.7% | 7.0% | 7.7% | 7.9% | 0.76 | 0.74 | 0.74 |
| Fibra MQ | 25.57 | 1,017 | 7.0% | 6.1% | 6.8% | 7.8% | 0.75 | 0.69 | 0.69 |
| Fibra Shop | 8.37 | 216 | 10.3% | 12.3% | 10.5% | 9.1% | 0.39 | 0.40 | 0.39 |
| Fibra Terrafina | 31.42 | 1,274 | 7.7% | 8.4% | 8.2% | 8.3% | 0.87 | 0.89 | 0.88 |
| Fibra Danhos | 28.04 | 1,988 | 8.7% | 8.3% | 8.3% | 9.0% | 0.72 | 0.69 | 0.72 |
| Fibra Prologis | 40.33 | 1,320 | 5.8% | 6.1% | 6.0% | 6.3% | 0.90 | 0.91 | 0.91 |
| Fibra Hotelera | 9.70 | 401 | 9.3% | 10.6% | 9.8% | 10.0% | 0.58 | 0.58 | 0.58 |
| Fibra Inn | 7.60 | 203 | 3.9% | 13.2% | 13.2% | 13.4% | 0.38 | 0.38 | 0.37 |
| Fibra Monterrey | 12.38 | 404 | 9.4% | 8.5% | 8.5% | 8.7% | 0.81 | 0.81 | 0.80 |

Conclusion

Despite the intensification of US trade wars against China, global markets have recovered significantly in 2019. However, global economies are decelerating, and global and local risks remain. We advise caution for portfolios denominated in pesos, overweight liquidity and debt of 1 to 3 years, underweight stocks and invest in Fibras according to benchmark.

Jorge Marmolejo
Luis Gonzalí
Ramsé Gutierrez
Nadia Montes de Oca
Editor: Timothy Heyman
October 15, 2019

Key financial variables: performance as of September 30, 2019

During September, in Mexico, the IRT rose 0.96% and FIBRAS RT 4.48%. Nominal and real rates fell over all terms. The US\$ weakened 1.67% against the peso. In the US: DJ, S&P500 and Nasdaq rose. Nominal and real rates rose, except for Tbill90. WTI price fell 1.87%. Regarding the business climate according to Banxico, optimism rose to 23% (previous 11%), unchanged rose to 46% (43%), and pessimism fell to 31% (46%).

| Mexico | | | | | |
|--------------------------|-----------|-----------|---------|----------|---------|
| Stock market and oil | | | | | |
| | 30-Sep-19 | 30-Aug-19 | Month | YTD | 2018 |
| IRT | 60,057.28 | 59,487.86 | 0.96% | 5.79% | -13.62% |
| FIBRAS BMV RT | 321.07 | 307.30 | 4.48% | 37.77% | -12.67% |
| Local currency (USD/MXN) | 19.73 | 20.07 | -1.67% | 0.42% | -0.06% |
| Mexican oil mix (USD/bl) | 54.85 | 49.54 | 10.72% | 22.73% | -20.47% |
| Nominal rates | | | | | |
| | 30-Sep-19 | 30-Aug-19 | Month | YTD | 2018 |
| CETES 28 | 7.90% | 8.24% | -34 bps | -52 bps | 110 bps |
| CETES 360 | 6.70% | 7.11% | -41 bps | -179 bps | 103 bps |
| M5 | 6.70% | 6.86% | -16 bps | -182 bps | 93 bps |
| M10 | 6.88% | 6.97% | -9 bps | -178 bps | 101 bps |
| M30 | 7.35% | 7.47% | -12 bps | -154 bps | 111 bps |
| Real rates | | | | | |
| | 30-Sep-19 | 30-Aug-19 | Month | YTD | 2018 |
| UDIBONO 10 | 3.21% | 3.22% | -1 bps | -90 bps | 61 bps |
| UDIBONO 30 | 3.40% | 3.47% | -7 bps | -72 bps | 42 bps |
| Commodities | | | | | |
| | 30-Sep-19 | 30-Aug-19 | Month | YTD | 2018 |
| Gold | 1,472.86 | 1,524.90 | -3.41% | 15.00% | -1.70% |
| WTI (USD/bl) | 54.07 | 55.1 | -1.87% | 20.99% | -20.47% |
| UMS | | | | | |
| | 30-Sep-19 | 30-Aug-19 | Month | YTD | 2018 |
| UMS 10 years | 3.42% | 3.38% | 4 bps | -150 bps | 129 bps |
| UMS 20 years | 4.41% | 4.26% | 15 bps | -137 bps | 125 bps |
| UMS 30 years | 4.52% | 4.78% | -26 bps | -132 bps | 120 bps |
| Stock markets (US\$) | | | | | |
| | 30-Sep-19 | 30-Aug-19 | Month | YTD | 2018 |
| MSCI Developed | 9,182.17 | 8,986.64 | 2.18% | 18.15% | -8.20% |
| MSCI Emerging | 2,297.20 | 2,253.44 | 1.94% | 6.23% | -14.25% |
| MSCI Mexico | 8,371.69 | 8,157.39 | 2.63% | 5.14% | -15.29% |
| MSCI Brazil | 7,005.93 | 6,833.99 | 2.52% | 10.76% | -0.15% |

| US | | | | | |
|---------------|-----------|-----------|---------|----------|---------|
| Stock market | | | | | |
| | 30-Sep-19 | 30-Aug-19 | Month | YTD | 2018 |
| DJ | 26,916.83 | 26,403.28 | 1.95% | 15.39% | 18.04% |
| S&P | 2,976.74 | 2,926.46 | 1.72% | 18.74% | 11.97% |
| Nasdaq | 7,999.34 | 7,962.88 | 0.46% | 20.56% | 23.26% |
| Nominal rates | | | | | |
| | 30-Sep-19 | 30-Aug-19 | Month | YTD | 2018 |
| Tbill 90 | 1.88% | 1.99% | -11 bps | -57 bps | 194 bps |
| Tnote 5 | 1.55% | 1.39% | 16 bps | -96 bps | 58 bps |
| Tnote 10 | 1.68% | 1.50% | 18 bps | -101 bps | 24 bps |
| Tbond 30 | 2.12% | 1.96% | 16 bps | -86 bps | -8 bps |
| Real rates | | | | | |
| | 30-Sep-19 | 30-Aug-19 | Month | YTD | 2018 |
| Tip 5 | 0.20% | 0.04% | 16 bps | -80 bps | 91 bps |
| Tip 10 | 0.15% | -0.05% | 20 bps | -83 bps | 48 bps |
| Tip 30 | 0.53% | 0.35% | 18 bps | -68 bps | 22 bps |

| Bank of Mexico survey | | |
|-----------------------|-----------|---------------|
| Indicator | 2019 | 2019 anterior |
| PIB | 0.43% | 0.50% |
| Inflation | 3.08% | 3.31% |
| Cetes 28 | 7.47% | 7.60% |
| Local currency | 19.88 | 19.91 |
| Business conditions | | |
| | 30-Sep-19 | 30-Aug-19 |
| Optimism | 23% | 11% |
| No change | 46% | 43% |
| Pessimism | 31% | 46% |

Source: Bloomberg, Bank of 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", "pre dict", "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 © 2019. Franklin Templeton Investments. All rights reserved. Valid only in the United States of Mexico.