Weekly **Trader**

Upcoming Market Opportunities and Events

CANTOR Fitzgerald

Monday, 15th May 2017

Key Themes this Week

Core Portfolio - Outperformance Update

Cantor's Core Portfolio continues to outperform its benchmark posting returns of 10.13% vs 7.58% year to date. This strong performance has been driven by several factors. Our initial decision to favour European equities versus their US counterparts since early February has paid off as Europe has outperformed the US. It should be noted that this decision came approx. 2-3 months before the majority of houses signalled their rotation out of the US and into Europe. Secondly, our thesis regarding the pro-cyclical sectors namely US Tech and Financials has also paid off handsomely with our Tech names at all-time highs and Financials having undergone a sustained rally. Lastly our individual stock selection has also worked well with the majority of our names outperforming their underlying sector. All three driver have combined to produce a very good first half of the year so far for our Core Portfolio.

Earnings - A Stellar Season

On both sides of the Atlantic this quarter's earnings season has knocked it out of the park. In Europe 80% of Stoxx 600 firms have reported so far. 64% have beaten EPS expectations and 69% beat on revenue. This means Europe is on track for the best earnings season on record. Additionally, this quarter has seen only 7 profit warnings, which is the lowest number in 3 years. In Europe the best sectors for EPS beats are Banks (86%), Personal and Household Goods (82%) and Utilities (80%). The worst performing sectors have been Food & Beverages (20%), Retail (22%) and Travel & Leisure (33%). In the US it is pretty much the same picture. With 92% of S&P companies having reported, overall Q1 EPS is coming in at 4.5% above consensus expectations. Earnings growth of +13% is the highest in 5 years and the proportion of EPS (66%) and sales (62%) beats is at a 13 year high. Forward guidance has also excelled with the best EPS guidance in 2.5 years. It should be noted that this season has set a high bar for quarterly comparisons for the remainder of the year.

Upcoming AIB IPO

As reported in the media, the Government are likely to offer certain AIB shares, in a secondary market offering or IPO, to potential investors and certain stockbrokers will be appointed as registered intermediaries to the government and Cantor Fitzgerald is hopeful of being appointed. We understand a minimum allocation amount of €10,000 may apply. Commissions will be payable by the State and not by the client applying. For existing clients any such orders could be processed via your existing account and new clients can opt to set up accounts online. We will let you know progress and related information closer to the time of any possible offering.

The Park Collection, Carrickmines:

Cantor Fitzgerald recently launched a commercial property investment opportunity to acquire a direct interest in The Park Collection, comprising of four office blocks located in the suburb of Carrickmines, Dublin 18.

Anticipated term: 5 Years
Anticipated exit mechanism: Property Sale
Total Forecast IRR / Times Money Return Forecast: 13.5% / 1.8x.
Min Investment : 100,000. Please contact your broker if you are interested in reviewing this opportunity.

Stock Coverage

In this weeks trader we highlight our current views on Vodafone, Allianz, ICG, Amazon and DCC.

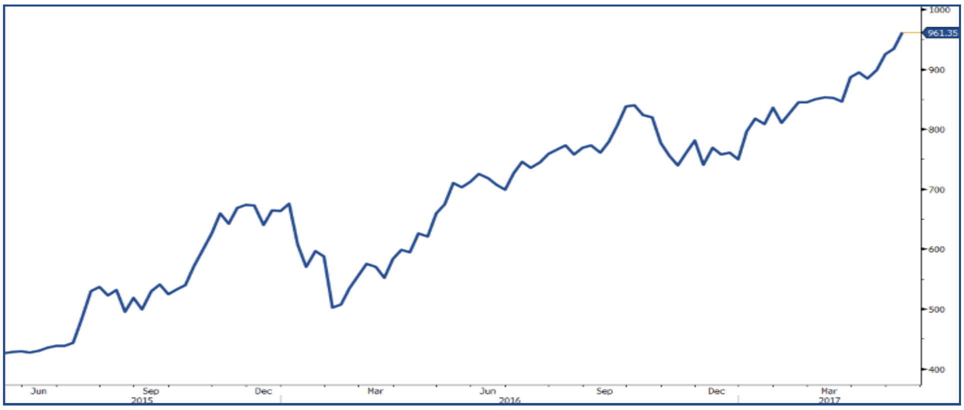
Major Markets Last Week

	Value	Change	% Move
Dow	20897	-110.33	-0.53%
S&P	2391	-8.39	-0.35%
Nasdaq	6121	20.47	0.34%
UK Index	7446	145.00	1.99%
DAX	12785	90.89	0.72%
ISEQ	7049	-57.08	-0.80%
Nikkei	19,870	-25.85	-0.13%
H.Seng	25,368	789.74	3.21%
STOXX600	396	1.91	0.48%
Brent Oil	52	2.66	5.39%
Crude Oil	48.95	2.52	5.43%
Gold	1231	4.29	0.35%
Silver	16.5955	0.36	2.25%
Copper	253.8	4.45	1.78%
CRB Index	426.78	-0.61	-0.14%
Euro/USD	1.0944	0.00	0.18%
Euro/GBP	0.8467	0.00	0.30%
GBP/USD	1.2926	0.00	-0.11%

	Value	Change
German 10 Year	0.404	-0.01
UK 10 Year	1.113	-0.03
US 10 Year	2.338	-0.05
Irish 10 Year	0.876	0.00
Spain 10 Year	1.662	0.07
Italy 10 Year	2.275	0.03
BoE	0.25	0.00
ECB	0.00	0.00
Fed	1.00	0.00

Amazon – Online to see benefits of street decline Closing Price: $961.35

Will Heffernan | Investment Analyst



Key Metrics	2017e	2018e	2019e
Revenue ($'bn)	166	200.46	238.39
EPS ($)	12.57	18.49	26.33
Price/ Book	18.03	12.76	9.17
FCF ($ 'bn)	11.89	17.38	21.51

Share Price Return	1 Mth	3 Mth	YTD
Amazon	5.71%	12.33%	23.8%

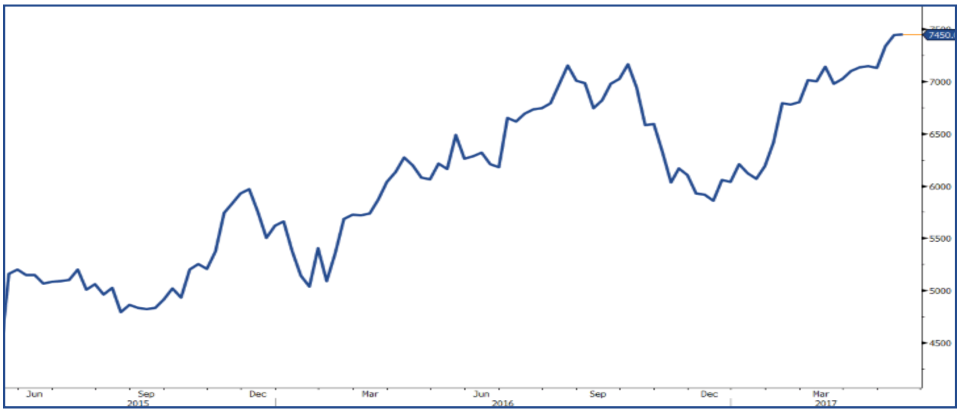
Source: Bloomberg

Last week was US retailers faced a bloodbath as same store sales declined across the board. For example JC Penney's same store sales declined by 3.5% versus an estimated of 0.6%. This is in part due to a slowdown in consumer spending and some seasonal effects. However, the trend of bricks and mortar retailers suffering quarter on quarter sales decline is now a well-established trend going back a few years. The major driver of this has been the secular shift by US consumers to online purchasing. The average US consumer is now much more comfortable with purchasing the majority of their shopping online. This is a trend we expect to continue and in fact accelerate.

We are positive on Amazon as the company poised to be the major beneficiary of this trend. Recent results showed a strong increase in sales and higher operating profit than expected. Headline revenue came in 1.1% ahead of expectations at $35.7bn while operating income was 7.9% ahead at $1.01bn. The main driver of this was the influx of inline shoppers. At the same time Amazon is continually attempting to reduce delivery costs further increasing the attractiveness of shopping online. Amazon is the leading online retailer and we expect it to maintain its dominant position far into the future.

DCC - Management continue to excel in M&A Closing Price: GBp 7445

Will Heffernan | Investment Analyst



Key Metrics	2017e	2018e	2019e
Revenue (£'bn)	12.06	13.1	13.71
EPS (£)	2.98	3.21	3.623
Price/ Earnings	24.2x	22.5x	20.1x
Div Yield	1.53%	1.68%	1.86%

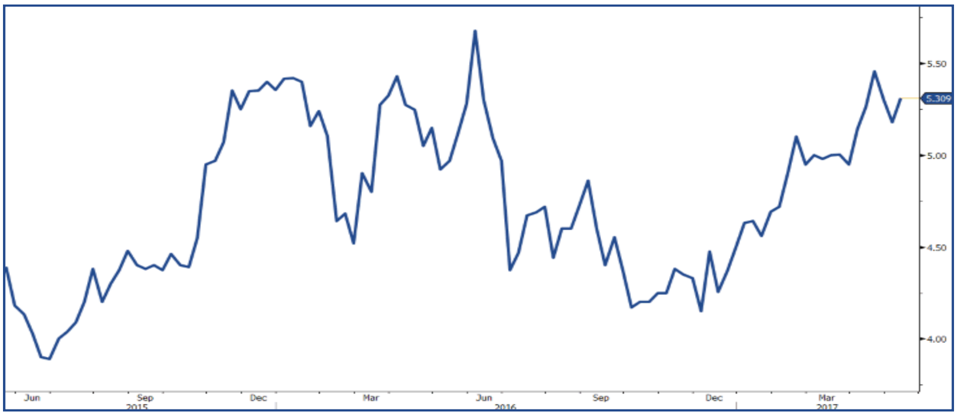
Share Price Return	1 Mth	3 Mth	YTD
DCC	1.49%	11.49%	23.3%

Source: Bloomberg

DCC recently announced the divestment of its Environmental business for £219m. This was a sale that DCC had in the works for a while and we believe it will benefit the business going forward as the Environmental division was traditionally an underperforming business relative to the others. At the same time management also announced the acquisition of Shell's LPG business in Hong Kong and Macau for approx. £120mn. This follows on from the previous acquisition of Esso's retail business in Norway. This continues the growth trajectory that has brought DCC from being a UK and Irish based operation to a company that is a substantial European player. The acquisition in Hong Kong will also give it a decent platform for expansion in Emerging Markets which in our opinion will be the growth engine of the future. Management has always historically been excellent and execution and integration of M&A, resulting in consistent earnings upgrades for the past few years and last led to double digit operating profit growth over the past 5 years which is well ahead of its peers. DCC has a very strong balance sheet with 0.5x net debt to EBITDA so we would expect this acquisitive trend to continue. It is currently up 20% year to date but the technicals indicate positive price momentum. We maintain our Outperform.

ICG – Q1/17 Trading Update Closing Price: €5.309

Stephen Hall, CFA | Investment Analyst



SX7PEX Key Metrics	2017e	2018e	2019e
Revenue (€'Mn)	332.33	342.67	356.5
EPS (€)	0.31	0.34	0.36
Price/ Book	5.56	4.55	3.86
Div Yield	2.24	2.42	2.42

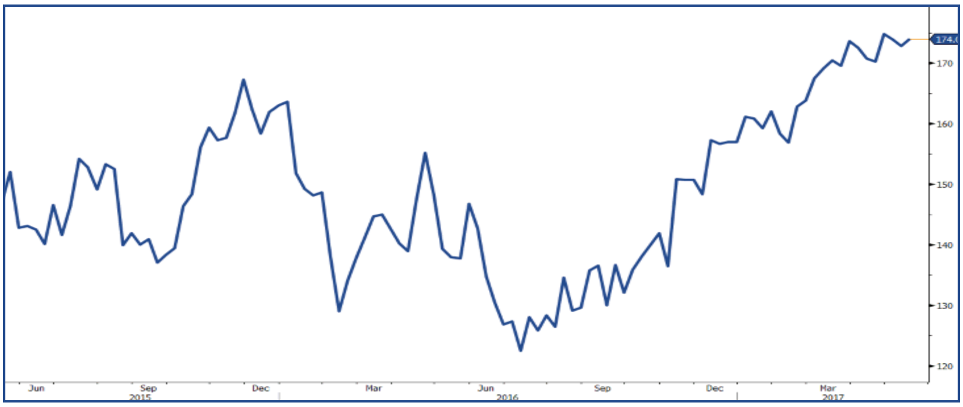
Share Price Return	1 Mth	3 Mth	YTD
ICG	7.07%	12.29%	18%

Source: Bloomberg

Irish Continental Group is due to release a trading update covering the first 4 months of 2017 on the 17th May 2017 and will host its AGM the same day. The market will likely pay close attention to YoY volume growth changes in cars, passengers, RoRo freight carried and the number of terminal lifts, however YoY growth comparisons will likely be difficult for the period. Q1/17 is a seasonally weaker period for tourism between Ireland and the UK. We will be keeping a close eye on its Net Debt, which was €37.9m at December 2016, and whether the time table for the delivery of its new ferry remains unchanged for May 2018. We remain bullish on the underlying fundamentals of the business as the Irish economy remains resilient and once the new ferry is delivered in May 2018, EBITDA growth should be sustained for several years as capacity on this ferry gradually fills supporting operating margins. It is the largest operator within a duopoly and has taken market share off its biggest competitor, Stena Line in recent years. The biggest risk to the stock are signs of a slowing economic in the UK, and further evidence of negotiating difficulties between Theresa May and European Commission President, Juncker which could ultimately impact economic growth rates in the UK. Key resistance in the stock comes in at €5.60, the high from June 2017 and €5.62, the pre-Brexit closing level. Oil prices are 10% lower on the year, which is a boon for ICG's un-hedged oil costs. The stock currently trades at 17.3x FY17e earnings and offers a dividend yield of 2.26%.

Allianz– Strong performance backed up yields Closing Price: €172.8

Will Heffernan | Investment Analyst



Key Metrics	2017e	2018e	2019e
Revenue (€'bn)	120.94	124.47	124.81
EPS (€)	15.56	16.42	16.98
Price/ Book	1.12	1.07	1.02
Div Yield	4.55	4.78	4.98

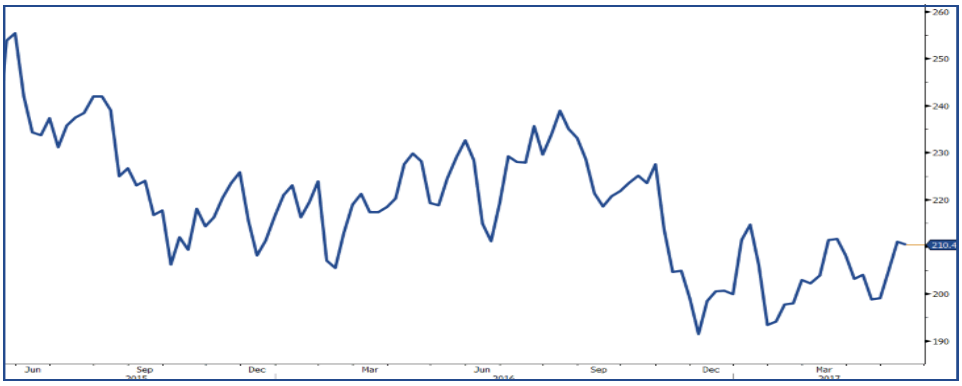
Share Price Return	1 Mth	3 Mth	YTD
Allianz	0.60%	11.48%	15.75

Source: Bloomberg

Allianz released full Q1/17 results on Friday of last week. Management had already pre-released some of the numbers on the 3rd of May but this release provided more granular detail. Q1 revenue came in at €36.2bn, ahead of market expectations of €35.87bn. Q1 operating profit was €2.93bn which was ahead of consensus expectations of €2.77bn. The major beats were in its Life & Health division which was 16% ahead of expectations and asset management which came in 2% ahead of expectation. Corporate and other charges were much lower than expected at -57% vs estimates. One key positive was the continuing turnaround in the asset management arm Pimco, who saw €20.5bn worth of inflows in the quarter. These were a solid set if results with L&H particularly strong. The bulk of the beat comes from the investment margin which continues to be well supported by capital gains and was helped by lower policy shareholding. The fee and expense margins were also better than expected. Pimco, which had gone through turbulent times following its former CEO Bill Gross's departure, has continued to recover and is now regarded as one of the premium fixed income managers again. Solvency 2 ratio increased to 212% 209% last quarter. from There were some negatives with the major one being the Property and Casualty coming in below consensus expectations. These were solid results coming at a time when the environment is generally supportive of European financials. We maintain our Outperform.

Vodafone – India clarity welcomed by markets Closing Price: GBp211.05

Will Heffernan | Investment Analyst



Key Metrics	2017e	2018e	2019e
Revenue (€'bn)	53.97	50.99	51.55
EPS (€)	0.062	0.074	0.102
Price/ Book	0.9	0.92	0.94
Div Yield	5.89%	5.89%	5.97%

Share Price Return	1 Mth	3 Mth	YTD
VOD	-4.35%	2.42%	5.6%

Source: Bloomberg

Vodafone reports FY17 results this coming Tuesday and we expect results and guidance to be a positive catalyst. The stock has traded in a range between £1.90 and £2.20 recently due to some deterioration in top line trends. The recent announcement of a merger between Vodafone's and Idea's Indian operation has also dominated headlines. If you strip out India, UK declines and some Mobile Termination Revenue the picture is actually quite good. European mobile has grown or the last 3 quarters despite German MTRs. FCF outlook has also improved which should continue to support the dividend into the future. There is also greater certainty regarding their strategy in India, something which has been a drag on the stock in recent past.

UK revenue is still likely to be impacted due to softening economic data and reduced European roaming charges should also be expected. Handset revenue growth is also expected to be weaker as consumers continue to move towards buying their handsets directly from the likes of Apple & Samsung. However from an overall perspective we remain positive on the stock as we think the clarification regarding Indian operations has removed a good deal of uncertainty regarding the stock and the dividend remains attractive at 5.87% estimate for 2017 . Revenue expectations are for €53.98bn and EPS to be €0.06. It is currently trading just at £2.11 which is at the 200 DMA and should hold at that level. If these results are positive we believe it will push on further into the £2.19 – £2.27 range.

From the News - Monday Headlines

- **Global** Governments warn of fresh cyber attacks
- **Europe** Merkel deliver blow to SPD by winning important regional election
- **US** Democrats slam Sessions over FBI director interivews
- **UK** May vows to expand workers' rights
- **Oil** OPEC faces tough challenge reducing oil inventory
- **Ireland** IMF warns help to buy scheme is adding to property market pressures
- **Dublin** JPM to buy Dublin office block with up 500 jobs on the way
- **INM** Key report on INM's Celtic Media deal sent to Minister

Current Stock Trading News

From a market trading perspective we are long Daimler, Green REIT, Royal Dutch Shell and Kingspan and the positions remain in the money.

This Weeks Market Events

Monday	Tuesday	Wednesday	Thursday	Friday
Corporate	**Corporate**	**Corporate**	**Corporate**	**Corporate**
NA	Vodafone Prelims, DCC FY.	Paddy Power Betfair AGM, Cisco Q3, Amazon AGM.	Burberry Prelims, Prudential AGM, Next AGM, Deutsche Bank AGM.	NA
Economic	**Economic**	**Economic**	**Economic**	**Economic**
CN Retail Sales YoY US Empire Manf.	FR CPI YoY UK House Price Index US Housing Starts	EC CPI US Mortgage Applications	CN Property Prices UK Retail Sales US Philly Fed Index	GE PPI EC Consumer Confidence

Upcoming Events

22/05/2017 NA	22/05/2017 NA
23/05/2017 Hibernia REIT. Greencore. RD Shell.	23/05/2017 US New Home Sales
24/05/2017 M&S. Glencore. Paypal AGM.	24/05/2017 GE PMI, US PMI, US FOMC Minutes
25/05/2017 ICG	25/05/2017 UK GDP, US Kansas City Fed Activity
26/05/2017 NA	26/05/2017 US Durable Goods

Cantor in The Media

- CNBC Online: Alphabet profit soars on strong ad sales - Colin Gillis
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- The Guardian: Soaring tech stocks send Nasdaq to record high - Colin Gillis
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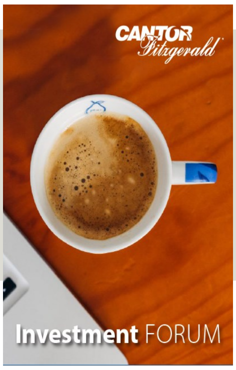

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Regulatory Information

Issuer Descriptions: (Source: Bloomberg)

Vodafone: Vodafone Group PLC is a mobile telecommunications company providing a range of services, including voice and data communications

Amazon: Amazon.com, Inc. is an online retailer that offers a wide range of products. The Company's products include books, music, videotapes, computers, electronics, home and garden, and numerous other products. Amazon offers personalized shopping services, Web-based credit card payment, and direct shipping to customers.

DCC: DCC is a sales, marketing, distribution and business support services Group. The Group operates in the following sectors, energy, IT entertainment products, healthcare, and environmental services. DCC's strategy is to grow a sustainable, diversified business.

Allianz: Allianz SE, through subsidiaries, offers insurance and financial services. The Company offers property and casualty, life and health, credit, motor vehicle and travel insurance, and fund management services.

ICG: Irish Continental Group plc markets holiday packages and provides passenger transport, roll-on and roll-off freight transport, and container lift on and lift-off freight services between Ireland, the United Kingdom and Continental Europe.

Historical Record of recommendation

Vodafone: We have been positive on Vodafone"s outlook since 04/02/14 and no changes have been made to this recommendation in the last 12 months

Amazon: We have an Outperform recommendation for Amazon since 26/07/13, and no changes have been made since then.

DCC: We have an Outperform on DCC as of 17/8/15 changing to Outperform from Not Rated.

Allianz: We have been positive on Core Portfolio stock, Allianz since 24/04/14 and no changes have been made to the recommendation since then

ICG: We have been positive on ICG's outlook, since 07/03/13 and no change has been made to our recommendation since then.

None of the above recommendations have been disclosed to the relevant issuer prior to dissemination of this Research.

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