

Market Overview:

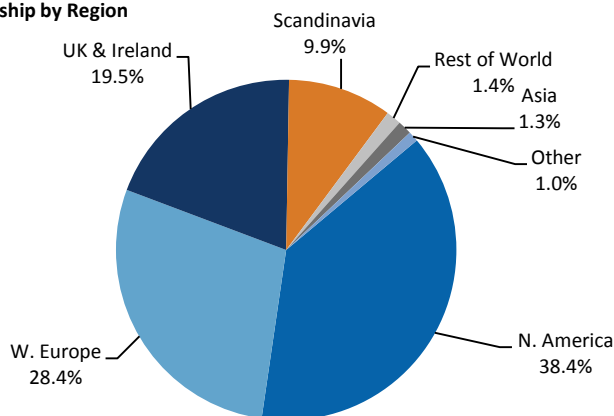
- Global stocks declined on a quarterly basis for the first time since 2012, weighed down by economic troubles in Europe and uncertainty in emerging markets. The MSCI World fell -2.2%, driven by the MSCI Europe which decreased -7.0% (in dollar terms). Most European equity markets fell over the quarter, with Germany particularly weak. Weak European economic growth, mounting deflationary pressures and a rapidly depreciating euro troubled global investors. These conditions led the European Central Bank to cut its primary lending rate in September and began its announced asset-buying program with a view to boosting the euro-zone economy. This market correction was promptly followed in early October by a broad buy-back which has now led US market to reach new historical highs and European markets to climb almost back to their pre-correction levels.
- It has been a very disappointing year so far for the luxury goods sector with most luxury stocks underperforming the market. Weakness was driven by slowing earnings momentum, concern over emerging market growth and greater China slowing with Hong Kong expected to slow further in Q4 given the impact of the protests around the Golden Week holiday at the start of October. The situation in Hong Kong, the world's biggest market for Swiss watches, provoked Luca Solca, a luxury analyst at Exane BNP Paribas, to declare in November that "there seems to be a perfect storm closing in on the luxury goods sector." Barclays Equity research team indicated in their October broker report that investors can now see pockets of value appearing in the sector; Kering trades broadly in line with the market whilst LVMH is now at just a 10% premium.

Ownership Results:

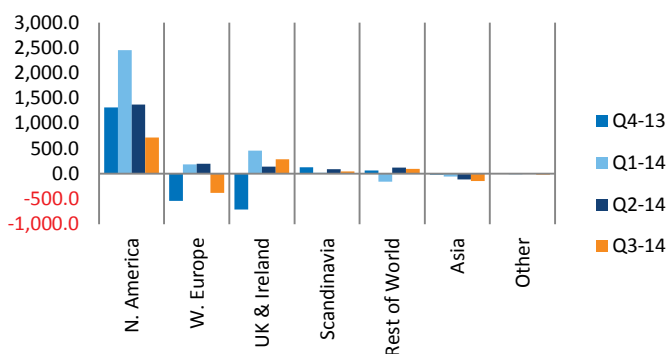
- For this report, Ipreo focused its analyses on a specific group of stocks, which we believe provide a fair representation of Europe's traditional luxury goods companies (clothing, cosmetics and jewelry). These include: (1) Burberry; (2) Christian Dior; (3) Compagnie Financiere Richemont SA; (4) Hermès International; (5) Hugo Boss AG; (6) Kering; (7) L'Oreal; (8) Luxottica; (9) LVMH Moët Hennessy Louis Vuitton SA; (10) Pandora A/S; (11) Prada; (12) Safilo; (13) The Swatch Group; and (14) Tod's. For the purpose of this report, Ipreo will refer to these companies as "The Luxury Group" going forward. The holding information for each company was analyzed using FactSet data from publically available information, and therefore, is not an exhaustive analysis of all investors.
- Global investors' appetite for The Luxury Group slowed during Q3 - investors bought a net \$637M in The Luxury Group, after adding \$2.8B and \$1.8B during Q1 and Q2 respectively.
- North American investors maintain their position as the largest investor base in The Luxury Group, holding 38.4% of institutional shares identified, in line with the previous quarters. Despite a relatively unattractive economic environment in Europe, North American investors still see value in companies that stand to benefit from emerging market demand. George Evans, CIO of US-based OppenheimerFunds (a top holder and top buyer in The Luxury Group), is "optimistic about the long-term growth in demand for luxury goods from the emerging market consumer. Given that the customers are located elsewhere, recent slowing in the Eurozone has little impact on this trend, and some of the fears around a broader slowdown in demand from the emerging world have proved unfounded, especially in China. Companies like LVMH and Prada remain a compelling opportunity for us regardless of the macroeconomic environment and fit with our strategy of durable, long-term growth businesses".
- Value investors were the largest buyers of The Luxury Group, with a net inflow of \$1.5B, compared to \$117M in Q2. This inflow was largely driven by purchases from Northern Cross (+\$514M), Harris Associates (+\$459M) and Capital World Investors (+\$348M). David Herro, Chief Investment Officer of international equities at Harris Associates mentioned in a ValueWalk interview (Oct-14) that you can buy companies in developed markets selling at much better values, with exposure to structural growth in emerging markets like: (1) Kering, the owner of Balenciaga and other luxury brands; (2) Richemont, with Cartier as its major brand; and (3) that Prada is attractive at its current price.

Institutional Investment Flow

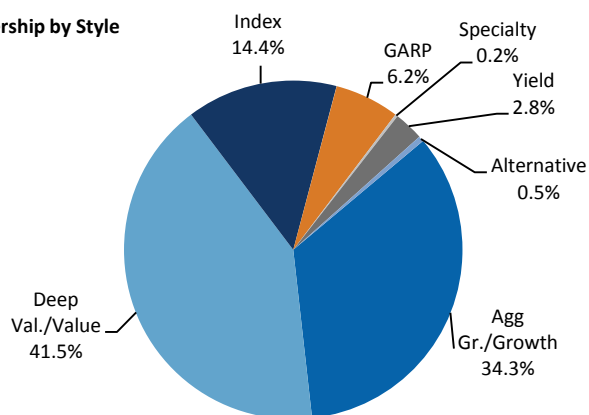
Ownership by Region



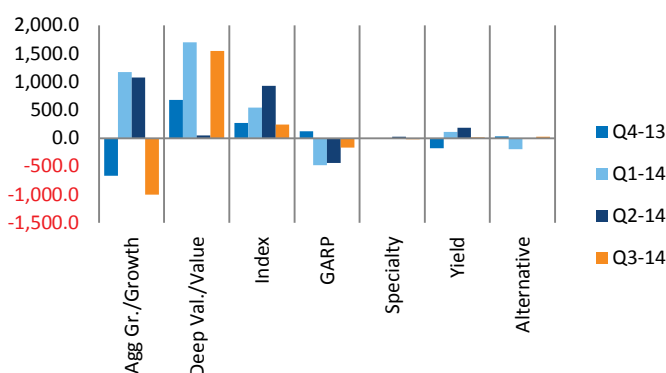
Net Change (\$M Value) by Region



Ownership by Style



Net Change (\$M Value) by Style



Top Holders, Buyers & Sellers

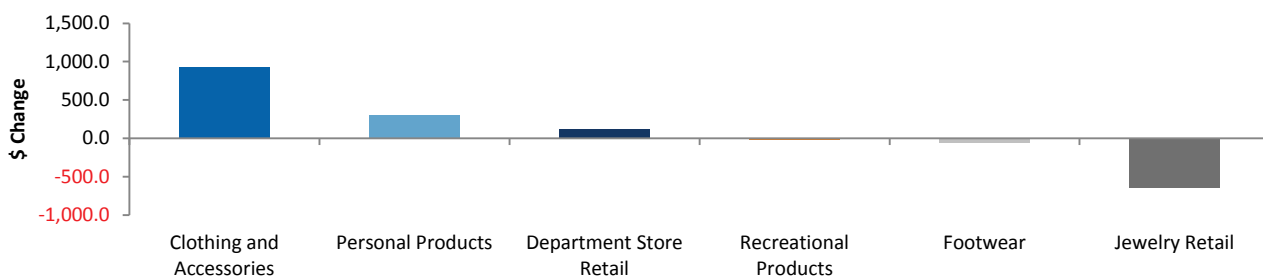
TOP HOLDERS	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Portfolio	% Portfolio Chg
Norges Bank Investment Management (Norway)	Norway	Value	Low	507 568.3	5 675.5	64.5	1.1	1.1
OppenheimerFunds, Inc.	United States	Growth	Medium	143 823.0	4 060.5	249.8	2.8	6.6
Harris Associates, L.P.	United States	Value	Medium	101 204.6	3 318.9	459.6	3.3	16.1
Capital World Investors (U.S.)	United States	Value	Low	549 978.7	2 785.8	348.1	0.5	14.3
Northern Cross, LLC	United States	Value	Low	48 066.4	2 752.4	514.4	5.7	23.0
Natixis Asset Management	France	Value	Medium	56 657.5	2 431.1	-6.4	4.3	-0.3
MFS Investment Management	United States	Value	Low	243 560.1	2 186.9	57.4	0.9	2.7
Baillie Gifford & Company, LTD	United Kingdom	Growth	Low	93 891.9	2 127.7	102.5	2.3	5.1
Fidelity Management & Research Company	United States	Growth	Medium	796 001.1	1 480.1	-213.2	0.2	-12.6
Amundi Asset Management	France	Value	Medium	64 699.0	1 402.9	25.6	2.2	1.9
					28 222.0	1 602.3		

TOP BUYERS	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Portfolio	% Portfolio Chg
Northern Cross, LLC	United States	Value	Low	48 066.4	2 752.4	514.4	5.7	23.0
Harris Associates, L.P.	United States	Value	Medium	101 204.6	3 318.9	459.6	3.3	16.1
Capital World Investors (U.S.)	United States	Value	Low	549 978.7	2 785.8	348.1	0.5	14.3
Allianz Global Investors Europe GmbH	Germany	Growth	Medium	53 926.1	1 245.6	286.7	2.3	29.9
OppenheimerFunds, Inc.	United States	Growth	Medium	143 823.0	4 060.5	249.8	2.8	6.6
Baillie Gifford & Company, LTD	United Kingdom	Growth	Low	93 891.9	2 127.7	102.5	2.3	5.1
Capital Research Global Investors (U.S.)	United States	GARP	Low	397 907.9	743.3	95.9	0.2	14.8
BlackRock International, LTD	United Kingdom	Value	High	22 898.6	456.4	80.5	2.0	21.4
Lindsell Train, LTD	United Kingdom	Value	Low	5 363.1	224.4	77.8	4.2	53.0
Coronation Asset Management Pty., LTD	South Africa	Value	Medium	16 770.1	275.4	74.5	1.6	37.1
					17 990.5	2 289.9		

TOP SELLERS	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Portfolio	% Portfolio Chg
Carmignac Gestion	France	Growth	Medium	24 434.0	655.7	-296.8	2.7	-31.2
Jennison Associates, LLC	United States	Growth	Medium	109 902.8	420.5	-284.0	0.4	-40.3
Fidelity Management & Research Company	United States	Growth	Medium	796 001.1	1 480.1	-213.2	0.2	-12.6
William Blair & Company, LLC (Asset Management)	United States	Aggressive Growth	Medium	58 322.8	28.1	-173.3	0.0	-86.1
Thornburg Investment Management, Inc.	United States	GARP	Medium	50 018.3	893.6	-171.7	1.8	-16.1
Scout Investments, Inc.	United States	Growth	Medium	11 854.1	122.2	-115.0	1.0	-48.5
BlackRock Investment Management (U.K.), LTD	United Kingdom	Growth	Low	311 884.5	606.0	-102.3	0.2	-14.4
Morgan Stanley Investment Management Inc.	United States	Growth	Medium	68 392.0	328.4	-99.5	0.5	-23.3
Kleinwort Benson Investors Dublin, LTD	Ireland	Growth	High	6 018.8	20.9	-97.6	0.3	-82.3
Credit Suisse AG (Asset Management)	Switzerland	Value	Low	68 653.5	891.8	-76.8	1.3	-7.9
					5 447.5	-1 630.1		

Includes Investors with EUM greater than \$100M; Excludes Passive/Index Investors

Most Bought & Sold Sectors/Stocks



BOUGHT Securities	Country	Change \$M	SOLD Securities	Country	Change \$M
Burberry Group Plc.	United Kingdom	539.7	The Swatch Group, LTD	Switzerland	-479.8
Hugo Boss AG	Germany	534.5	Christian Dior S.A.	France	-184.6
L'Oreal SA	France	300.2	Pandora A/S	Denmark	-171.7
Prada S.p.A.	Italy	186.6	Luxottica Group S.p.A.	Italy	-83.4
Kering S.A.	France	127.0	LVMH Moet Hennessy Louis Vuitton	France	-71.7
		1 688.0			-991.1