

Risks

- **ABB – ABBN.S:** Key downside risks include continued M&A at high multiples, accelerated Chinese competition in T&D in overseas markets and prolonged macro weakness.
- **ArcelorMittal - MT.AS:** Key risks are related to macro, steel prices, raw material costs, project development and FX rates. Should the improving leading indicators not translate into a recovery in economic performance as expected by DB, this provides a risk to demand for steel. Deviating commodity prices and/or a steel price shock provide further risks to margins assumptions. Also, the rising protectionism could cause disruptive changes to steel markets, depending on the outcome. Lastly, ArcelorMittal has a large growth appetite, and a stronger-than-expected ramp up of the capex budget, ability to deliver on projects or M&A provide further risks.
- **Aroundtown Properties – AT1.DE:** 1/ Corporate governance; the change of the domicile from Cyprus to Luxembourg could serve as a catalyst; we also see key man risk. 2/ Capex backlog. The company is pursuing a "light" capex model despite the value add character of their business model. 3/ Dilutive equity issues to fund external growth 4/ Non-accretive acquisitions diluting shareholder returns
- **AXA - AXAF.PA:** Like most European life insurers, the shares are sensitive to investment markets in both directions with an above average exposure in AXA's case to sovereign spreads. Sentiment, earnings and economic solvency are negatively impacted by lower US and European bond yields and vice versa. Other downside risks include execution risk around M&A strategy; regulatory risk surrounding GSII (Globally Systematically Important Insurers) capital requirements; and failure to deliver on its five-year targets.
- **AstraZeneca - AZN.L:** Risks include lower sales from the growth platforms given pressure on respiratory/diabetes, failure of key pipeline drugs and failure to deliver expected margin improvements from new launches.
- **B&M - BMEB.L:** Downside risks relate to B&M's ability to open profitable new stores, eg rising rents and success in the relatively untested Southern England. Other risks include a response from grocers to a loss of price-leadership, which could impact B&M's margins, and negative leverage from slowing LFLs. CD&R owns 11% of shares and may reduce its stake in the future.
- **BAE Systems Plc - BAES.L:** A key downside risk would be if the UK government halted arms sales to Saudi Arabia. A second key risk would be a change in the UK government, as this might see a change in direction when it comes to the current equipment plan. The direction of defence budgets globally offers both upside and downside risks. FX (USD/GBP) fluctuations.
- **Banco Santander - SAN.MC:** Key downside risks include: 1) a weaker capital build-up than expected; 2) macroeconomic deterioration in the bank's core markets, particularly Brazil, the UK or Spain; 3) a potentially stricter regulatory stance. 4) Adverse movement in interest rates; 5) Adverse exchange rates movements in the bank's core markets.
- **British American Tobacco - BATS.L:** Investing in tobacco carries sector-specific risks regulation, duty increases, volume declines in high-margin markets, etc). In addition to these general sector downside risks, BAT is potentially exposed to adverse currency movements, unexpected adverse US and Canadian litigation developments and possible overpayment for an acquisition.