

Survey Summary

Present Volumes Recover Into Positive Territory, But Still Not Seeing Big Bounce

For the month of November, the Stifel Logistics Confidence Index continued its gradual recovery, reaching its highest level so far after emerging from negative territory in February 2013. Prepared in conjunction with U.K.-based Transport Intelligence, the overall index is a survey-based measure of activity in major European import and export trade lanes. Results are a blended indicator of present conditions and six-month expectations in both airfreight and ocean freight volumes. While near-term sentiment had been trending positively since early in the year, November's results market the first time since the inception of the index in March 2012 that present volumes in air and ocean freight have met or exceeded normal seasonal levels. While these results suggest that forwarding activity in Europe-based trade lanes may have finally emerged after a slow climb from contraction, plenty of capacity and the low level of growth continue to make it a challenging market for forwarders, in our view.

- **Overall Logistics Confidence—a composite of the current situation and the six-month outlook for both intercontinental modes—was 20.4% higher than last year's 47.4 reading, and 4.4% higher than last month's 54.6.** For the current situation, volumes in Europe-based lanes were up a healthy 4.7 points sequentially, crossing into positive territory for the first time since index began in March 2012, signifying that a slow European economic recovery over the past several months has finally brought the market back in line with normal, seasonal volume expectations. We expect continued modest growth near-term out of and into Europe.
- **Although many forwarders reported significant volatility in underlying ocean rates, volumes continued to improve, reaching normal to slightly-above-normal levels on all lanes.** Current sentiment in the Europe-to-Asia lane climbed 7.2 index points to 55.7 and the Asia-to-Europe lane rose 3.8 index points to 52.4. The Europe-U.S. lane gained 8.4 points to hit 52.2, while the U.S.-Europe lane recorded the smallest increase, up only 0.2 index points to 54.3 (but that lane was also the only lane to have remained above the 50.0 threshold value for the last three months). Optimism for the six-month outlook accelerated for Asia-based lanes, and decelerated slightly for U.S.-based ones.
- **Airfreight volumes increased in all lanes but U.S.-to-Europe, which was also the only lane this month to report weaker-than-normal volumes.** Both the outbound lane to Asia and inbound lane from Asia saw nice growth, increasing by 5.3 and 4.7 points, respectively, on a sequential basis, and broaching positive volume territory for the first time since the index began. The Europe-to-U.S. lane also improved but rose only 1.8 index points, as it had already surpassed the 50.0 benchmark last month.
- **In our unique question of the month, we asked survey participants if they believed sea freight rates had bottomed. Indicative of the oversupply we've become accustomed to in sea freight, 42.3% answered they believe rates have not bottomed, while only 24.6% felt they had.** The remaining 33.1% were unsure. Some respondents commented that the P3 alliance (if it clears anti-competitive review by the European Commission), set to begin in 2Q14, would likely play a major role in rates and capacity. Others specified that while rates on established trades appeared to have bottomed, those on "new" or emerging lanes continue to remain high.
- **Investment Conclusions:** Reported 3Q13 volumes improved for many forwarders, and the slow recovery, especially in air, has finally pulled the market out from below-average volumes. These results are encouraging, but the freight environment is by no means booming, in our view. A peak in ocean freight failed to materialize, and expectations for an airfreight peak are likewise muted. While we expect stable but modest growth from here, we continue to believe that equity valuations remain largely ahead of the underlying market. As such, we maintain our Hold rating on common

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shares of the large European-based forwarders under our coverage: Deutsche Post DHL (DPW, EUR 24.80, Hold), Kuehne + Nagel (KNIN-SIX, CHF 111.80, Hold), and Panalpina (PWTN-SIX, CHF 140.70, Hold).

Prices are U.S. market close, 11/14/2013.

- *** To participate in next month's survey, and in order to receive an advanced copy of the results, please use the following link: <https://www.surveymonkey.com/s/stifeInd13>**

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Logistics Confidence Index

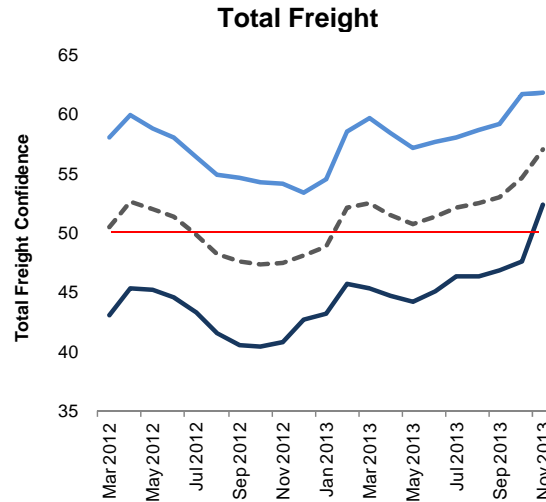
Overview – November 2013

Optimism continues as the current logistics situation is now above the 50-level for both Air and Sea. This month's overall Logistics Confidence Index continues to climb and is at the highest point since the index began in March 2012.

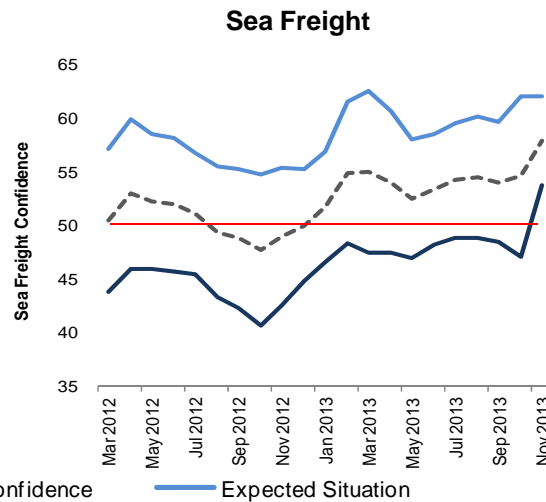
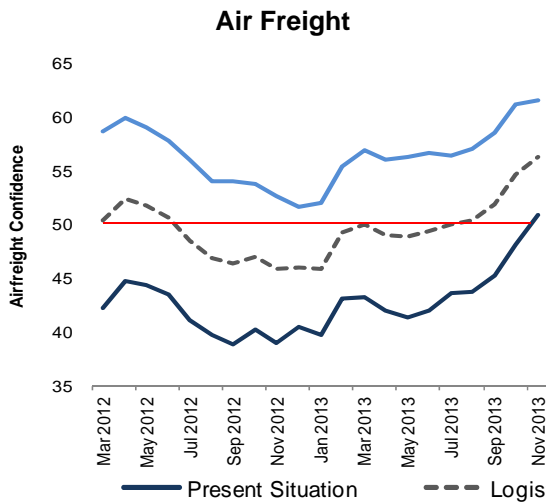
The overall Stifel Logistics Confidence Index increased 2.5 index points to 57.1 in November. The index has remained above the significant 50-mark since February 2013 and is at the highest point since the index began in March 2012.

In terms of the present logistics situation, the overall index jumped 4.7 points to 52.3 for November. The index for sea freight climbed 6.6 points from October to 53.7. Meanwhile, the index for air freight increased 2.8 points to 50.9 for the month. Regarding the six-month outlook, the overall index remained roughly flat, increasing only 0.1 index points to 61.8.

In this month's one off question, we asked survey participants if they believed sea freight rates had reached a bottom. Among respondents, 42.3% indicated rates had not had bottomed out, while 24.6% indicated they had. 33.1% of respondents were unsure.



The logistics situation index illustrates current condition faced by forwarders, while the logistics expectations index shows how the situation is expected to develop over the next six months. The logistics confidence index, an average of both the present situation and expected situation indices, expresses overall confidence in the market.



	Present Situation	Expected Situation	Confidence
Mode	Nov 2013	May 2014	Average
Air Freight	50.9	61.6	56.3
Sea Freight	53.7	62.0	57.9
Total Freight	52.3	61.8	57.1

Source for all data and graphs: Stifel Logistics Confidence Index



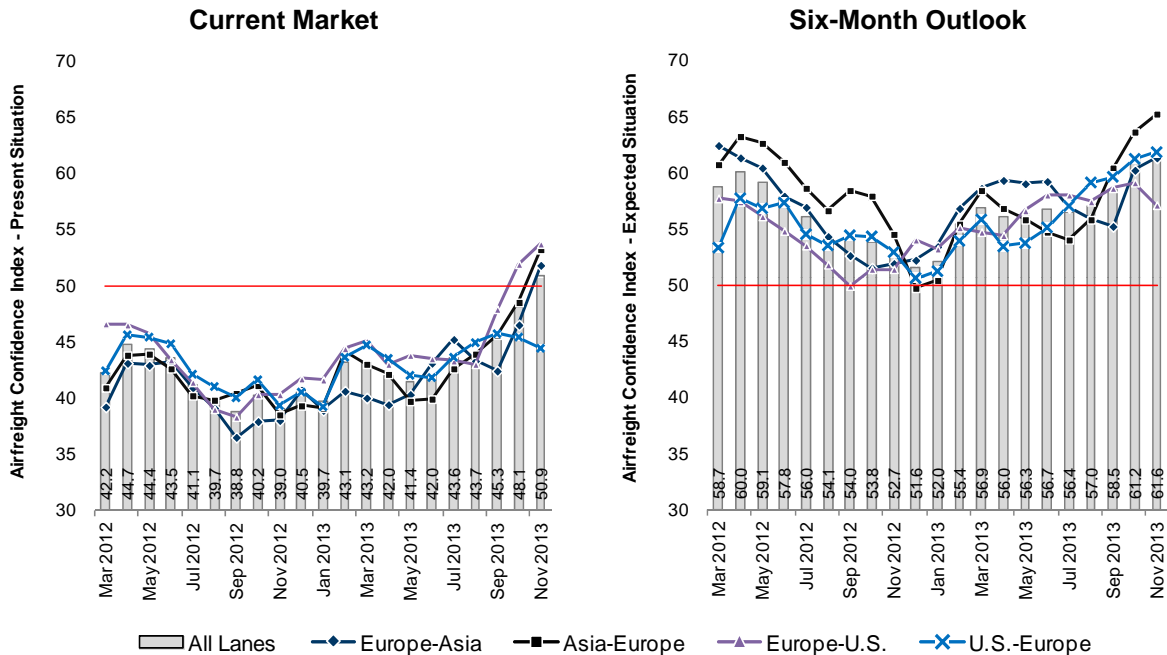
Logistics Confidence Index

Air Freight Confidence Index

The overall index for air freight increased 1.6 points to 56.3 in November 2013. When compared with November 2012, the index was 10.4 points higher.

In terms of the current logistics situation, the index registered 50.1 for the month compared with 48.1 in October. Changes among the lanes were positive except for the U.S. to Europe lane which slipped 1.0 points to 44.4. The Europe to Asia route jumped 5.3 points to 51.8 in November, Asia to Europe increased 4.7 index points to 53.2 and the Europe to U.S. lane increased 1.8 index points to 53.7.

In terms of expectations for the next six months, the index increased 0.4 points to 61.6 in November. By lane, the index for Europe to Asia increased 1.1 points, to 61.3 for the month, the Asia to Europe lane increased 1.6 points to 65.2. The Europe to U.S. lane posted a 2.0 point decline to 57.1 while the U.S. to Europe lane increased 0.6 points to 61.8. The index for all lanes remained above the 50 mark indicating that forwarders' continue to be optimistic for an improving airfreight market over the next six months.



Air Freight			
Trade Lane	Nov 2013	May 2014	Confidence
Europe-Asia	51.8	61.3	56.6
Asia-Europe	53.2	65.2	59.2
Europe-U.S.	53.7	57.1	55.4
U.S.-Europe	44.4	61.8	53.1
Total Index	50.9	61.6	56.3

Source for all data and graphs: Stifel Logistics Confidence Index



Logistics Confidence Index

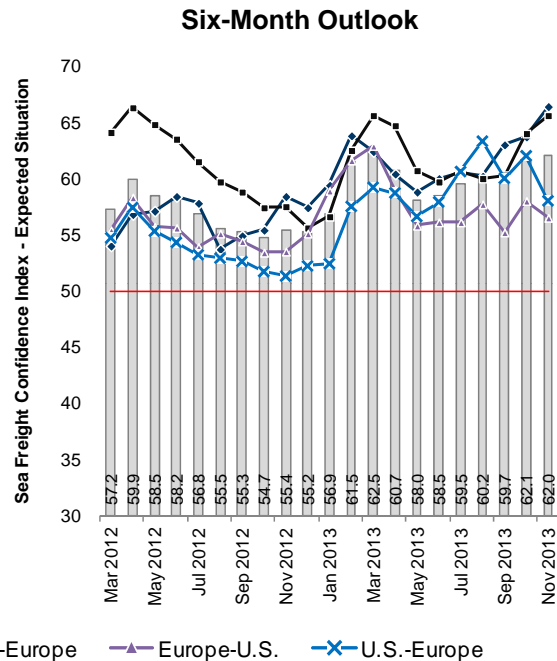
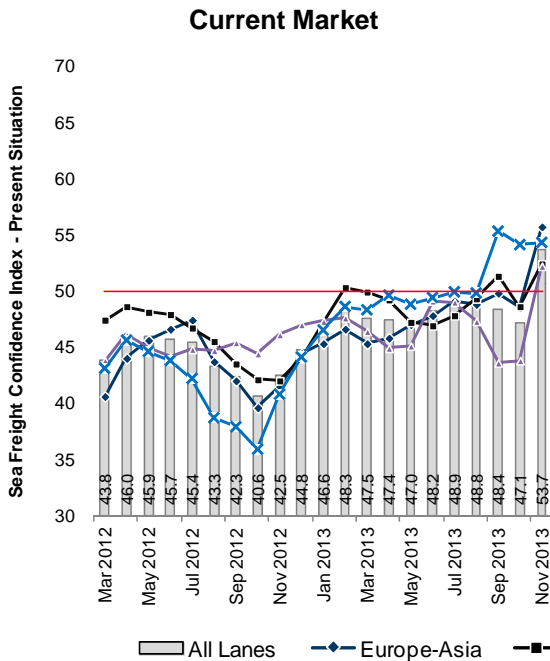
Sea Freight Confidence Index

For sea freight, the overall index increased 3.3 points to 57.9 in November. Compared with the same month in 2012, the index was 8.9 points higher.

For the present situation, the index registered strong increases in most lanes. The Europe to Asia lane saw a 7.2 increase to 55.7 and Asia to Europe climbed 3.8 points to 52.4. Meanwhile, the Europe to the U.S. route increased 8.4 index points to 52.2 while the U.S. to Europe increased 0.2 points to 54.3

Sea forwarders were mixed on all lanes covered for the next six months. The index for logistics expectations declined 0.1 points to 62.0 in November.

The Europe to Asia lane increased 2.7 points to 66.4 for the month. Forwarders on the Asia to Europe noted an increase of 1.6 points to 65.6. Meanwhile, the U.S. to Europe lane declined 4.0 points to 58.0 and the Europe to U.S. lane declined 1.5 points to 56.5.



Legend: All Lanes (grey bar), Europe-Asia (black diamond), Asia-Europe (black square), Europe-U.S. (purple triangle), U.S.-Europe (blue cross)

Trade Lane	Sea Freight		
	Nov 2013	May 2014	Confidence
Europe-Asia	55.7	66.4	61.1
Asia-Europe	52.4	65.6	59.0
Europe-U.S.	52.2	56.5	54.4
U.S.-Europe	54.3	58.0	56.2
Total Index	53.7	62.0	57.9

Source for all data and graphs: Stifel Logistics Confidence Index

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Logistics Confidence Index

Methodology

The Stifel Logistics Confidence Index is calculated based on responses from a monthly survey, completed by a number of logistics professionals. The survey questions participants as to volumes that they are currently experiencing, relative to the time of year, as well as how they expect volumes to develop over the next six months. The total index covers four European based trade lanes, including:

- Europe to Asia
- Asia to Europe
- Europe to U.S.
- U.S. to Europe

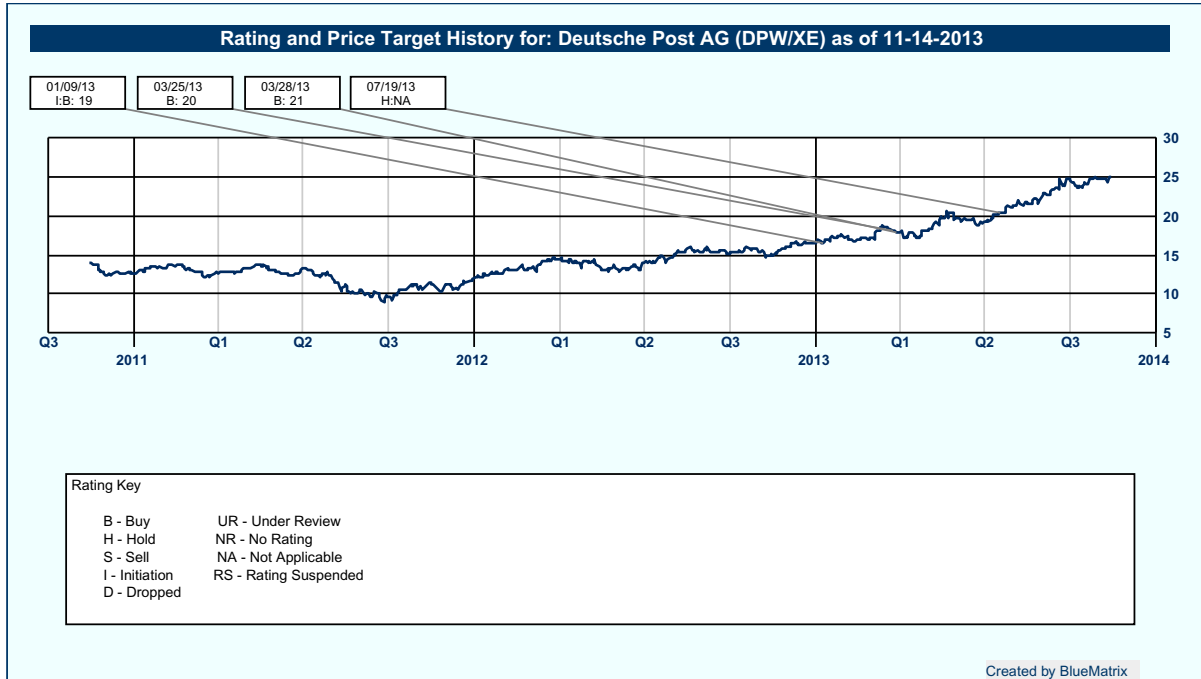
These trade lanes form four sub-indices, from which an overall index for both the air freight industry and sea freight industry is calculated. An index value of 50 indicates no change in the volumes of partaking logistics companies; above 50 indicates higher volumes, while below 50 indicates lower volumes.

To participate in next month's survey, and in order to receive an advanced copy of the results, please use the following link:

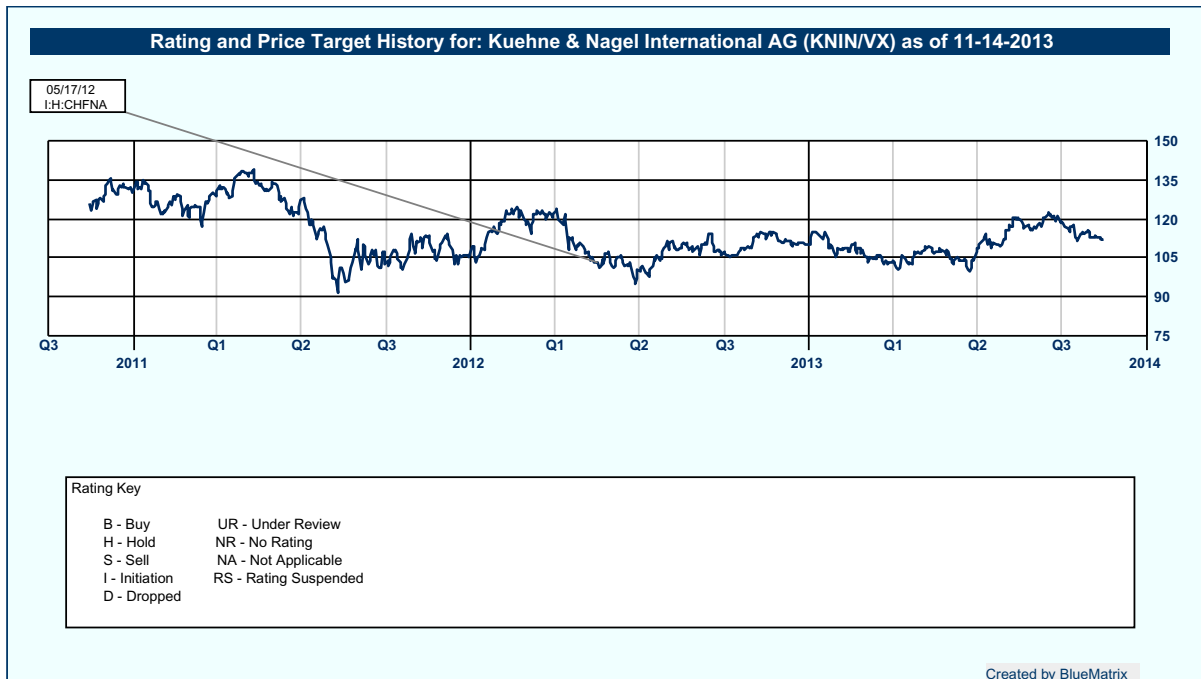
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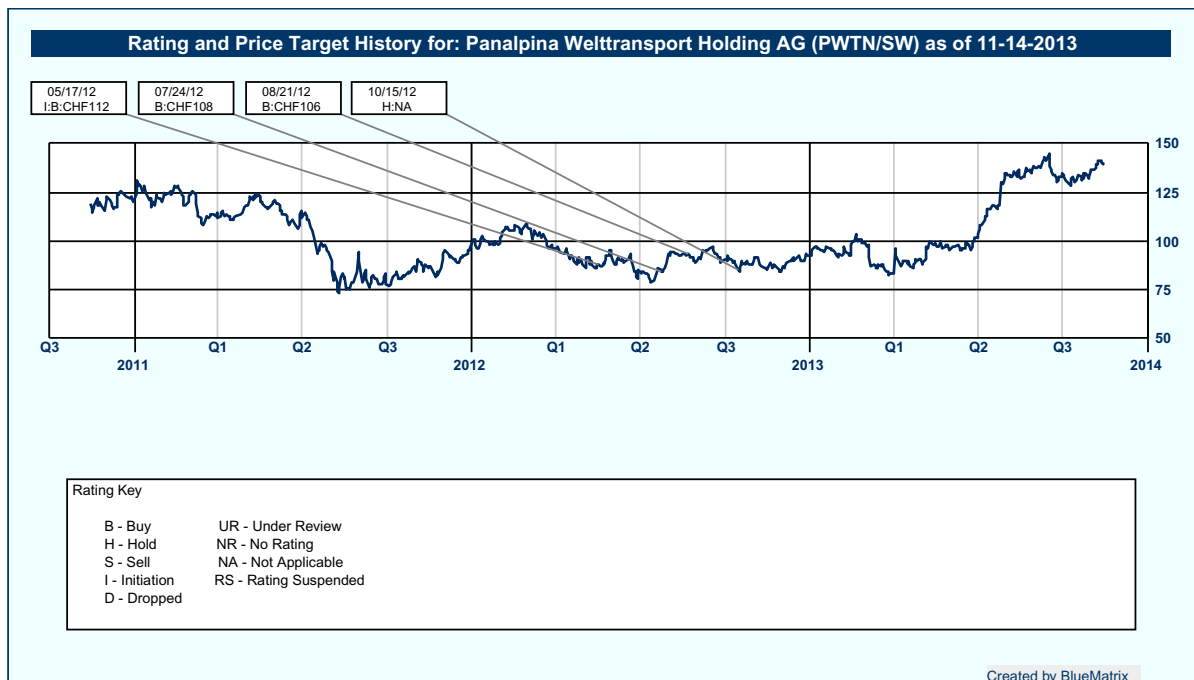
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