

Survey Summary

October 2013 Results Reach New Cyclical Highs, But We Are Not Seeing Big Bounce

Optimism over an improving airfreight market along with an overall positive outlook for the next six months resulted in the Stifel Logistics Confidence Index increasing sequentially by 1.6 points to 54.6. Prepared in conjunction with U.K.-based Transport Intelligence, the overall index is a survey-based measure of international air/ocean volumes 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. This is not only the ninth consecutive month the index registered above the 50 threshold, but it is now at its highest level since it first began in March 2012. We believe that these continuous improvements in freight volume confidence indicate a slow but sustained freight recovery that, barring significant maleffects from the U.S. shutdown or debt default, is indicative of a mildly stronger 4Q13.

- **Overall Logistics Confidence**—a composite of the current situation and the six-month outlook for both intercontinental modes—was **15.4% higher than last year's 47.3 reading, and 3.1% higher than last month's 53.0**. Breaking the results down into their elements, present volumes in Europe-based lanes were up 0.7 points sequentially, reaching their highest level since the index began in March 2012. Still, sentiment remains below normal seasonal expectations. Future expectations likewise achieved a new high, climbing 13.6% y/y, and 4.3% over the prior month. We continue to see improving results as an indication of positive momentum in the European economy.
- **Despite continued overcapacity and rate declines, the overall sea freight index recorded a 0.5 point increase to 54.6**. The present situation declined 1.3 points to 47.1, offset by an improvement in expectations for the next six months of 2.4 points to 62.1. For the present situation, all lanes except the Europe-to-U.S. lane posted declines, with the Europe-to-Asia lane reporting the biggest decline of 1.3 points to 48.5. The Europe-to-U.S. lane was the only lane to record a positive increase, with just a 0.2 point bump to a still weak 43.8. The six-month outlook was a bit more optimistic with all lanes expecting significant improvement.
- **The airfreight index posted strong gains for the month. The current situation improved sequentially by 2.8 points to reach 48.1. While still below the 50 "growth" threshold, this result reaches a new record for current airfreight volumes**. By trade lane, the Europe outbound lanes contributed the biggest increases with Europe-to-Asia lane increasing 4.1 points to 46.5 and the Europe-to-U.S. lane increasing 4.0 points to 51.9, thus now denoting market expansion. This strong outbound increase may be attributed to the fact that Eurozone export orders reached a 27-month high in August. In other lanes, Asia-to-Europe traffic increased a healthy 2.9 points to 48.5 thanks to improving economic conditions in Europe, but the U.S.-to-Europe lane dipped 0.3 points to 45.4.
- **In our question of the month, we asked survey participants if emerging markets are a part of their company's growth strategy. An overwhelming 83.9% majority of survey participants responded affirmatively, while 16.1% responded to the negative**. Among the positive responses, Africa, Brazil, China, Thailand, India and Turkey were the most commonly cited emerging markets growth prospects.
- **Investment Conclusions:** We began to see signs of strengthening in 2Q13, and upcoming 3Q13 results should see more consistently improved y/y volumes (although the expectation remains for low single-digit volume growth in air and ocean). The freight environment is by no means at record highs, in our view, but we seem now within range of benchmark levels. That said, current valuations are ahead of market improvement, in our view, so we maintain our Hold rating on common shares of the large European-based forwarders under coverage - Deutsche Post DHL (DPW, EUR 23.67, Hold), Kuehne + Nagel (KNIN-SIX, CHF 117.70, Hold), and Panalpina (PWTN-SIX, CHF 130.60, Hold). Despite

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improvements in core European trade lanes and the underlying economy, the lack of strength of the recovery, threat of U.S. sovereign default and lingering potential for structural product trade-down keep us on the sidelines.

Prices are U.S. market close, 10/14/2013.

- *** 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/StifelON13>**

STIFEL

Logistics Confidence Index

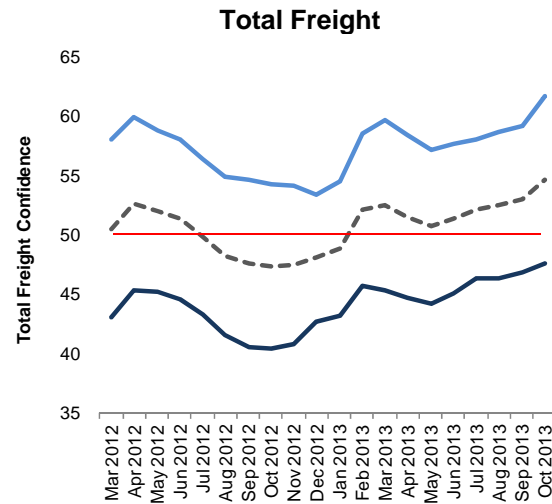
Overview – October 2013

Signs of improvement continue as both the current and six-month outlook register gains. This month's overall Logistics Confidence Index reached its highest point since its inception in March 2012.

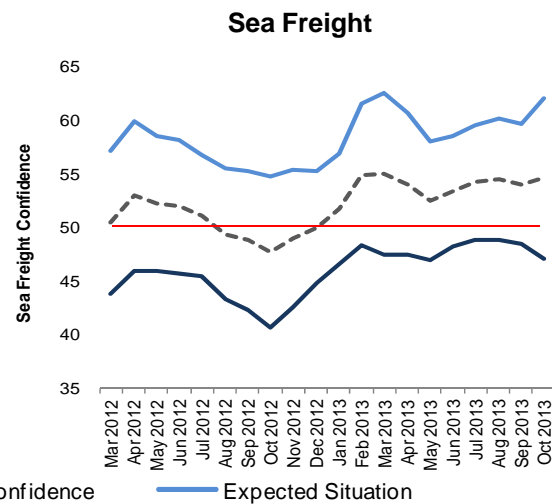
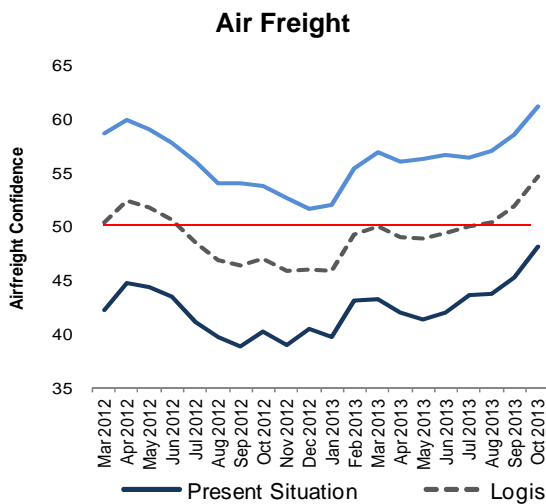
The overall Stifel Logistics Confidence Index increased 1.6 index points to 54.6 in October. The index remained above the significant 50-threshold, indicating growth, for the eighth consecutive month and is at the highest point since the index began in March 2012.

In terms of the present logistics situation, the overall index increased 0.7 points to 47.6 for October. The index for sea freight declined 1.3 from September to 47.1. Meanwhile, the index for air freight jumped 2.8 points to 48.1 for the month. At below 50, both indices continue to indicate slightly weaker volumes than normal for this time of year. Regarding the six-month outlook, the overall index improved by 2.6 index points to 61.7.

In this month's one off question, we asked survey participants if emerging markets are a part of their company's growth strategy. 83.9% of respondents stated that emerging markets were part of their company's growth strategy, while 16.1% suggested otherwise.



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	Oct 2013	Apr 2014	Average
Air Freight	48.1	61.2	54.7
Sea Freight	47.1	62.1	54.6
Total Freight	47.6	61.7	54.6

Source for all data and graphs: Stifel Logistics Confidence Index



Logistics Confidence Index

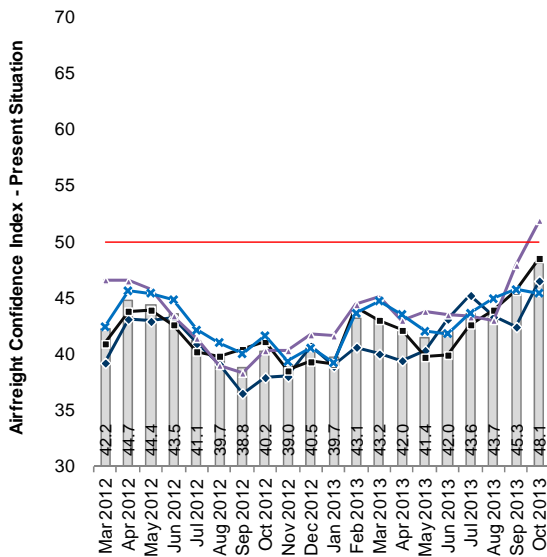
Air Freight Confidence Index

The overall index for air freight increased 2.8 points to 54.7 in October 2013. When compared with October 2012, the index was 7.7 points higher.

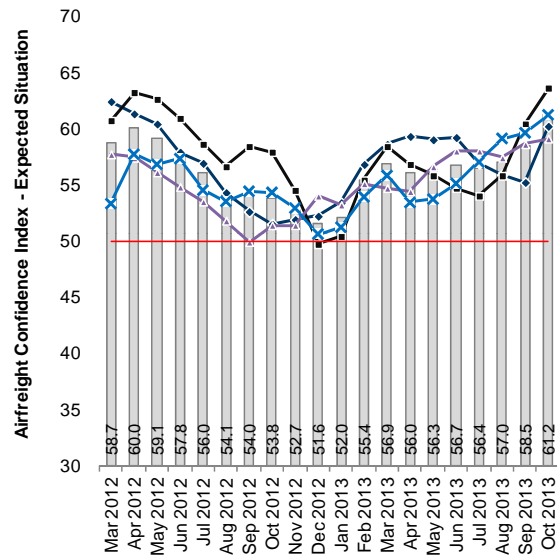
In terms of the current logistics situation, the index registered 48.1 for the month compared with 45.3 in September. Changes among the lanes were mostly positive. The Europe to Asia route increased 4.1 points to 46.5 in October, Asia to Europe increased 2.9 index points to 48.5 and the Europe to U.S. lane jumped 4.0 index points into expansion territory at 51.9. However, the U.S. to Europe lane dipped 0.3 index points to 45.4.

In terms of expectations for the next six months, the index increased 2.7 points to 61.2 in October. By lane, the index for Europe to Asia increased 5.0 points, to 60.2 for the month, the Asia to Europe lane increased 3.2 points to 63.6 and the Europe to U.S. noted a 0.5 point gain to 59.1. In addition, the U.S. to Europe increased 1.6 points to 61.2. 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.

Current Market



Six-Month Outlook



All Lanes
 Europe-Asia
 Asia-Europe
 Europe-U.S.
 U.S.-Europe

Trade Lane	Air Freight		
	Oct 2013	Apr 2014	Confidence
Europe-Asia	46.5	60.2	53.4
Asia-Europe	48.5	63.6	56.1
Europe-U.S.	51.9	59.1	55.5
U.S.-Europe	45.4	61.2	53.3
Total Index	48.1	61.2	54.7

Source for all data and graphs: Stifel Logistics Confidence Index



Logistics Confidence Index

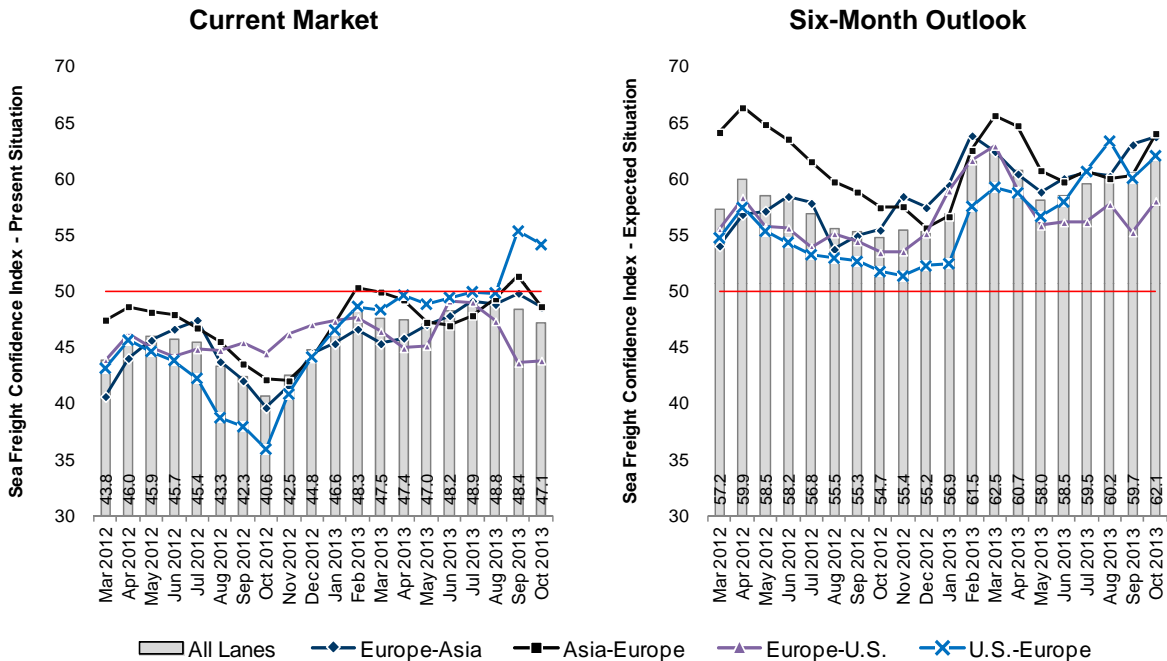
Sea Freight Confidence Index

For sea freight, the overall index increased 0.5 points to 54.6 in October. Compared with the same month in 2012, the index was 6.9 points higher.

For the present situation, the index continued to note mixed results among the lanes. The Europe to Asia lane registered a 1.3 decline to 48.5 and Asia to Europe slipped below the 50-level declining 2.7 points to 48.6. Meanwhile, the Europe to the U.S. route increased 0.2 index points to 43.8 and the U.S. to Europe declined 1.2 points to 54.1.

Sea forwarders were more positive on all lanes covered for the next six months. The index for logistics expectations increased 2.4 points to 62.1 in October.

The Europe to Asia lane increased 0.7 points to 63.7 for the month. Forwarders on the Asia to Europe noted an increase of 3.7 points to 64.0. Meanwhile, the U.S. to Europe lane increased 2.0 points to 62.0 and the Europe to US lane increased 2.8 points to 58.0.



Trade Lane	Sea Freight		
	Oct 2013	Apr 2014	Confidence
Europe-Asia	48.5	63.7	56.1
Asia-Europe	48.6	64.0	56.3
Europe-U.S.	43.8	58.0	50.9
U.S.-Europe	54.1	62.0	58.1
Total Index	47.1	62.1	54.6

Source for all data and graphs: Stifel Logistics Confidence Index



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

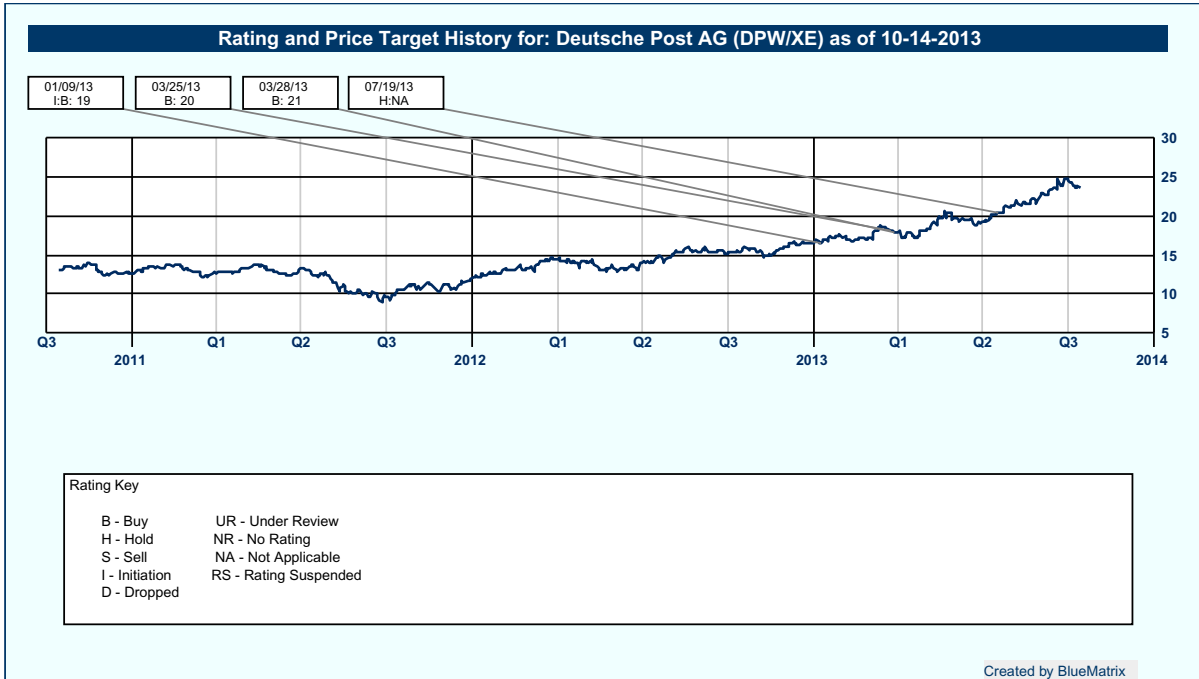
These trade lanes form four sub-indices, from which an overall index for both the air freight industry and sea freight industry is calculated. An index value of 50 indicates no change in the volumes of partaking logistics companies; above 50 indicates higher volumes, while below 50 indicates lower volumes.

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

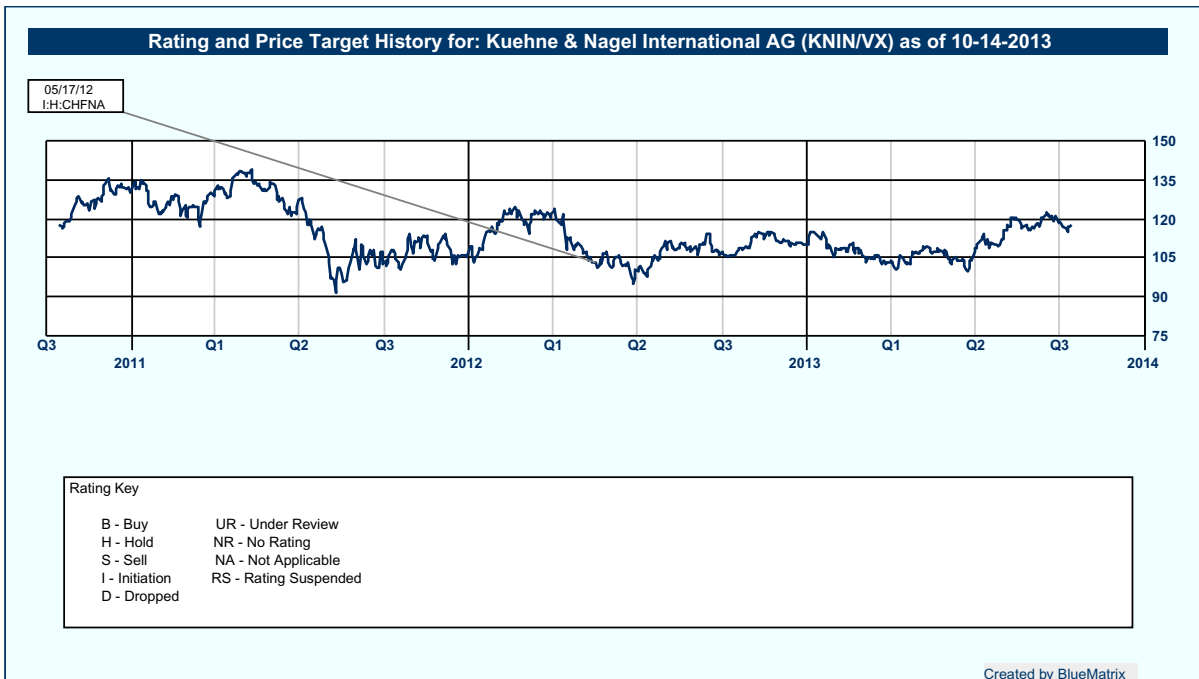
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Important Disclosures and Certifications

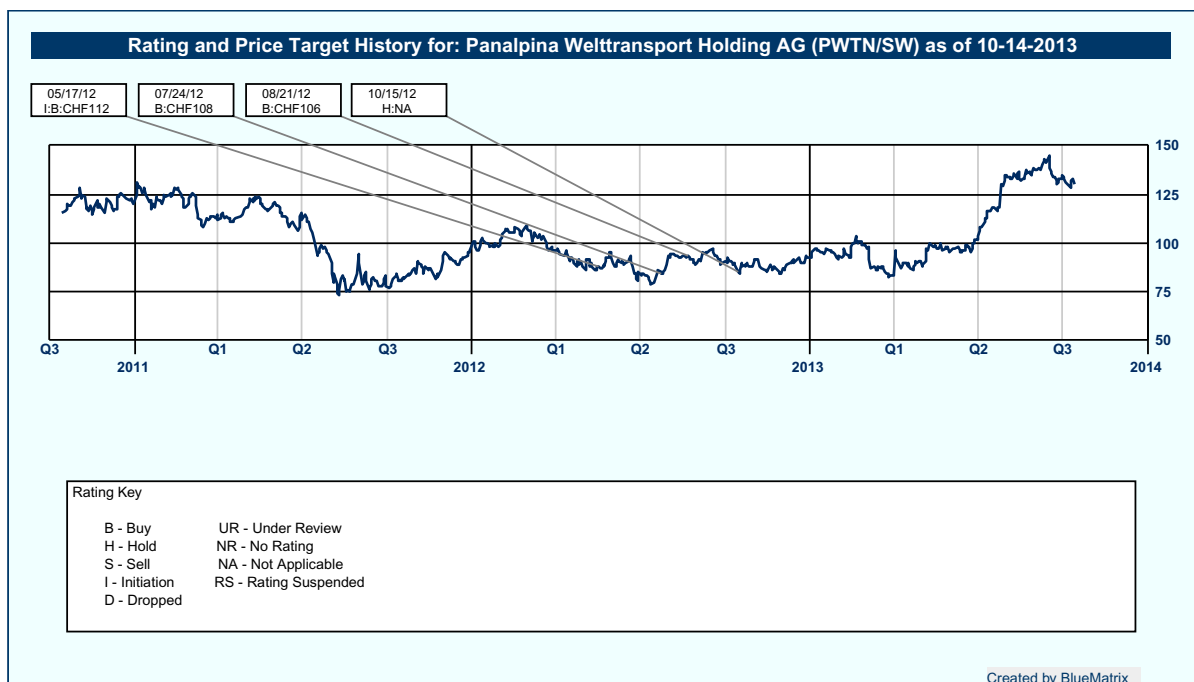
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