

Survey Summary

Results Continue To Improve Through 2H13; Majority Of Forwarders Expect A Peak

The Stifel Logistics Confidence Index rose for a fourth, consecutive month in September, climbing 0.6 points on mounting positive sentiment. The most recent reading marked the eighth consecutive month above the 50.0 baseline reading, which signifies growth. Prepared in conjunction with U.K.-based Transport Intelligence, the overall index is a survey-based measure of freight forwarding volumes in 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 month's reading was a 1% improvement over last month's 52.4, reaching its highest level since the Index's inception in March 2012. In our view, these results support the existence of a gradual recovery from a protracted inverted plateau in the overall European freight forwarding market. We believe that airfreight volumes in particular continue to show improvement, and that Europe-based freight should continue to strengthen into 2H13 as downside volume risks taper away.

- **Overall Logistics Confidence—a composite of the current situation and the six-month outlook for both intercontinental modes—was 11.3% higher than last year's 47.6 reading, and 1.0% higher than last month's 52.4.** Looking at the constituent pieces, present volumes in Europe-based lanes were up 0.6 points sequentially. Despite the improvement, market sentiment remains below normal seasonal volumes. On the other hand, future expectations remain sanguine, up 8.1%/y/y, and 0.9% over the prior month. We continue to see improving results as an indication of improving market trends in the European forwarding market.
- **The overall Seafreight Index stepped backward by 0.4 points, reversing last month's sequential improvement. The modest downward sequential tick was mirrored across both the current situation and future outlook, although year-over-year comparisons were in the high-single-digit-to-low-double-digit range.** Sequential declines may be due to rate implementations and announcements for additional rate adjustments, effective September 1. U.S. trade lanes were negatively affected in both present and future expectations, with Asia lanes seeing mixed results.
- **Blended airfreight results eclipsed the 50.0 benchmark for a third consecutive month, after an almost uninterrupted 12 month period of contraction.** The present situation continues to register below normal seasonal levels, but improved a substantial 1.6 index points over last month and 16.8% over September 2012 levels. Future expectations also ticked higher, with a sequential hike of 1.5 index points, representing an 8.3% y/y gain. Results by lane were almost uniformly positive, except on the Europe to Asia Route.
- **In this month's one-off question, we asked survey participants if they expect a peak season to materialize in 2013. 42.4% indicated yes, 36.7% said no, and the remaining 20.9% were unsure.** These results compare favorably to last year, where the proportion of forwarders expecting a peak season was weighted equally with those expecting no peak. Unlike last year, 2H Logistics Confidence has been building up through September, and we believe the current picture is indicative of a more robust peak season relative to 2012.
- **Investment Conclusions:** We continue to believe that downside risks for both the airfreight market and the European trades have moderated. Results over the past several months suggest that European import/export volumes should continue to improve as the year wears on, and this month's index readings seem to corroborate that story. Still, current absolute volumes remain below benchmark, and both airfreight and seafreight activity must continue to get better before the market returns to normalized levels. As this process happens, Kuehne + Nagel (KNIN-SIX, CHF 120.20, Hold), Panalpina (PWTN-SIX, CHF 142.00, Hold), and to a lesser extent, Deutsche Post DHL (DPW-XE, €23.26, Hold)

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may trade up on momentum in their core trade lanes, but we remain on the sidelines and maintain our Hold ratings due to valuation.

Prices are U.S. market close, 9/12/2013.

- *** 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/LogisticsconfidenceJ>**



Logistics Confidence Index

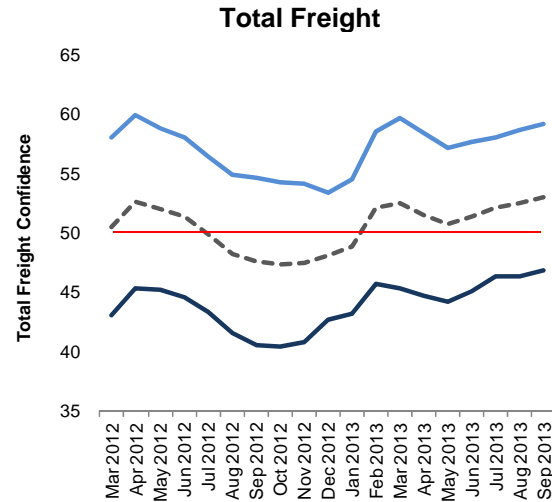
Overview – September 2013

Index increases due to improving outlook for next six months marking the eighth consecutive month the overall index is above the significant 50-level.

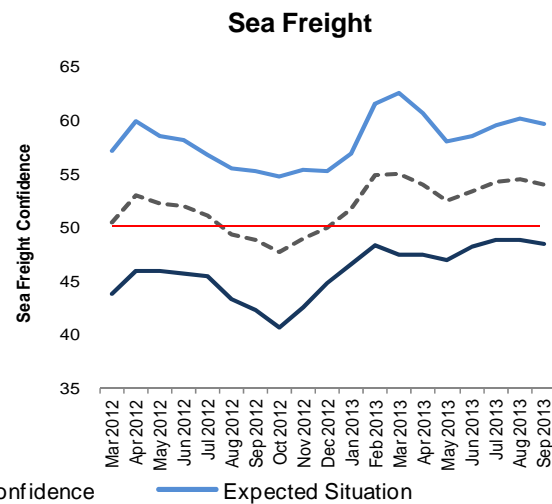
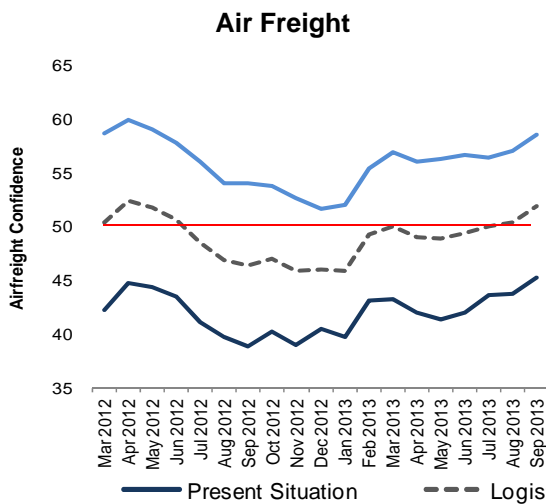
The overall Stifel Logistics Confidence Index increased 0.6 index points to 53.0 in September. The index remained above the significant 50 mark, indicating growth, for the eighth consecutive month.

In terms of the present logistics situation, the overall index increased 0.6 points to 46.9 for September. The index for sea freight declined 0.4 from August to 48.4. The index for air freight jumped 1.6 points to 45.3 for the month. At below 50, both indices continue to indicate that volumes are weaker than normal seasonal expectations. Regarding the six-month outlook, the overall index improved by 0.5 index points to 59.1.

In this month's one off question, we asked survey participants if they believe there will be a peak season in 2013. 42.4% indicated yes while 36.7% said no and 20.9% were uncertain.



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	Sep 2013	Mar 2014	Average
Air Freight	45.3	58.5	51.9
Sea Freight	48.4	59.7	54.1
Total Freight	46.9	59.1	53.0

Source for all data and graphs: Stifel Logistics Confidence Index



Logistics Confidence Index

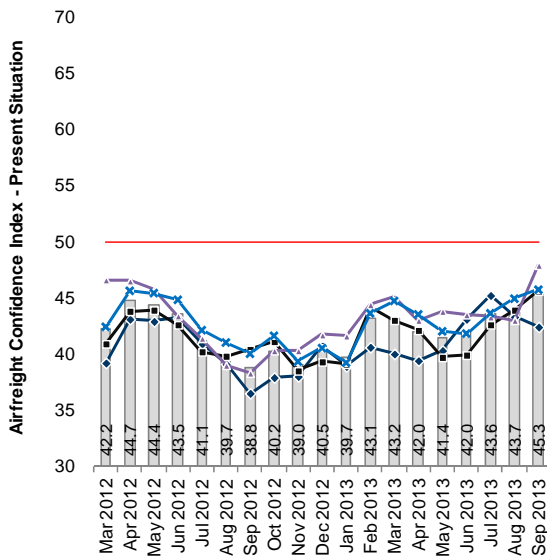
Air Freight Confidence Index

The overall index for air freight increased 1.5 index points to 51.9 in September 2013. When compared with September 2012, the index was 5.5 points higher.

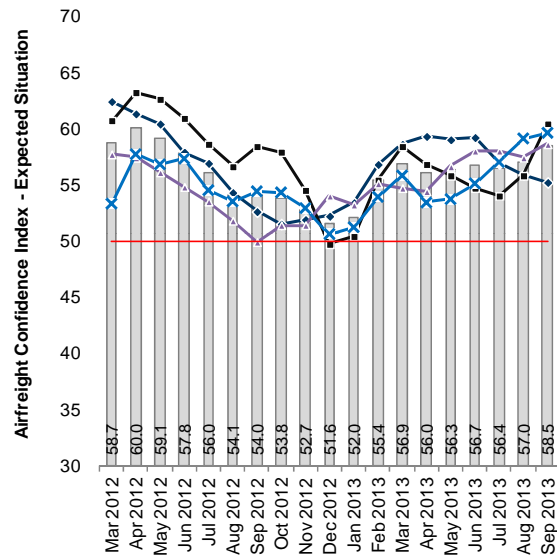
In terms of the current logistics situation, the index registered 45.3 for the month compared with 43.7 in August. Changes among the lanes were mostly positive. The Europe to Asia route declined 0.9 points to 42.4 in September. This makes for the second consecutive month of decline for this lane. Asia to Europe increased 1.7 index points to 45.6. After three months of declines, the Europe to US lane jumped 4.9 index points to 47.9 and the US to Europe lane increased 0.8 index points to 45.7.

In terms of expectations for the next six months, the index increased 1.5 points to 58.5 in September. By lane, the index for Europe to Asia declined 0.7 points, to 55.2 for the month. The Asia to Europe lane noted a big gain of 4.6 points to 60.4. Europe to US noted a 1.2 gain to 58.6 and US to Europe increased 0.5 points to 59.6. 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



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

Air Freight			
Trade Lane	Sep 2013	Mar 2014	Confidence
Europe-Asia	42.4	55.2	48.8
Asia-Europe	45.6	60.4	53.0
Europe-U.S.	47.9	58.6	53.3
U.S.-Europe	45.7	59.6	52.7
Total Index	45.3	58.5	51.9

Source for all data and graphs: Stifel Logistics Confidence Index



Logistics Confidence Index

Sea Freight Confidence Index

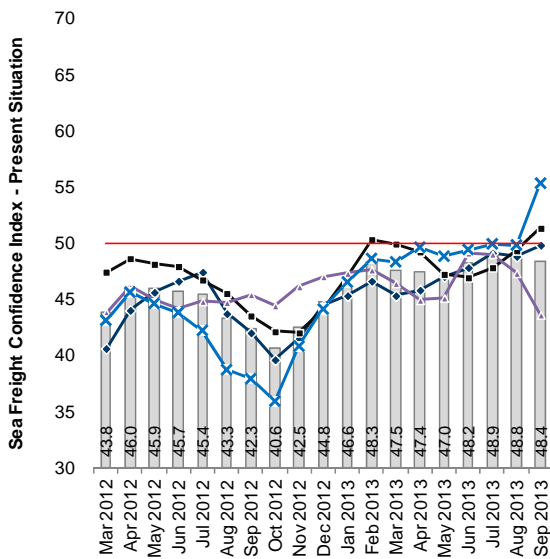
For sea freight, the overall index slipped 0.4 points to 54.1 in September. However, compared with the same month in 2012, the index was 5.3 points higher.

For the present situation, the index noted mixed results among the lanes. The Europe to Asia lane registered a 1.0 increase to 49.8. The Asia to Europe increased 2.0 points to 51.3. Meanwhile, Europe to the US route declined 3.7 index points to 43.6 while the US to Europe jumped 5.5 points to 55.3.

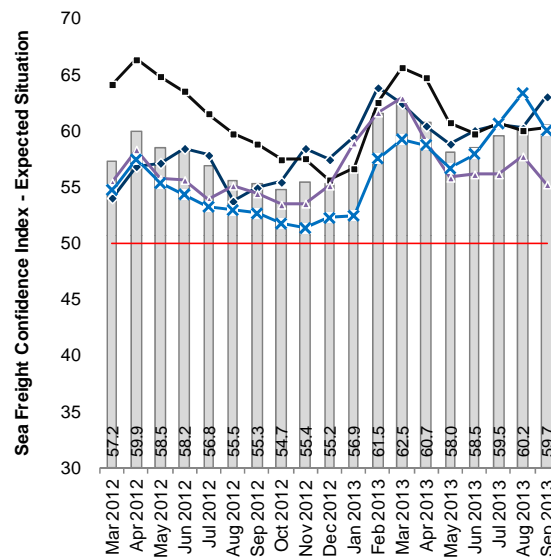
Sea forwarders were more positive on the Europe-Asia lanes versus the Europe-US lanes for the next six months. The index for logistics expectations declined 0.5 points to 59.7 in September.

The Europe to Asia lane increased 2.8 points to 63.0 for the month. Forwarders on the Asia to Europe noted an increase of 0.3 points to 60.3. Meanwhile, US to Europe lane declined 3.3 points to 60.0 while the Europe to US lane declined 2.5 points to 55.2.

Current Market



Six-Month Outlook



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

Trade Lane	Sea Freight		
	Sep 2013	Mar 2014	Confidence
Europe-Asia	49.8	63.0	56.4
Asia-Europe	51.3	60.3	55.8
Europe-U.S.	43.6	55.2	49.4
U.S.-Europe	55.3	60.0	57.7
Total Index	48.4	59.7	54.1

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

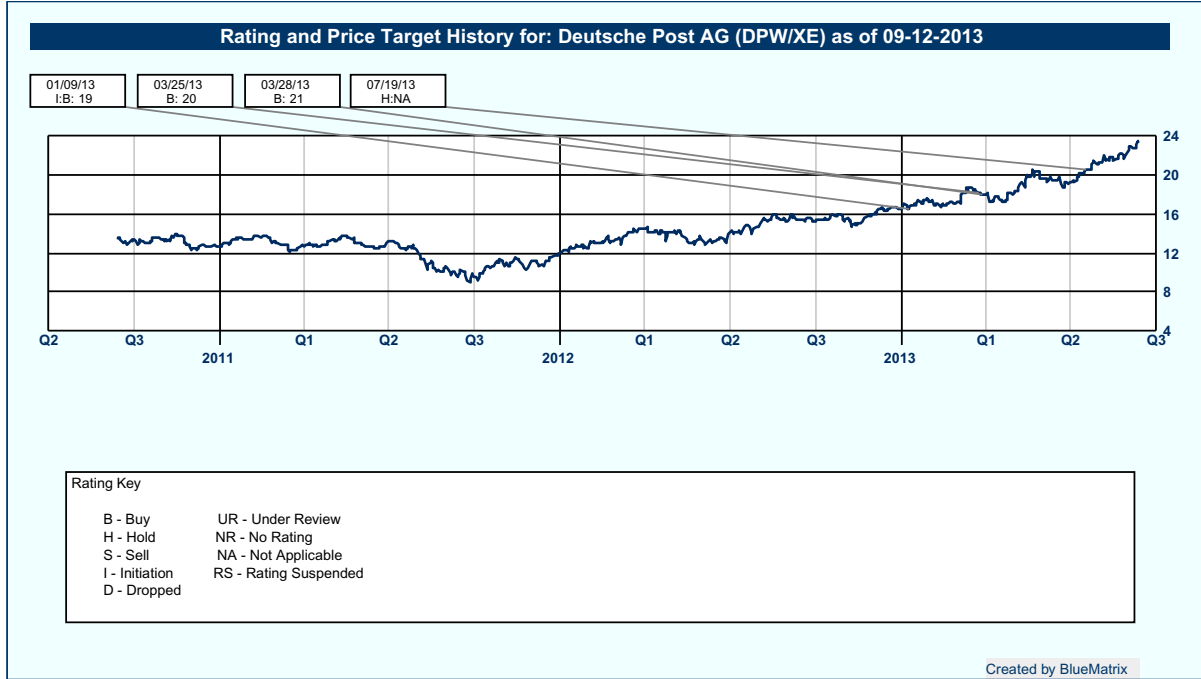
These trade lanes form four sub-indices, from which an overall index for both the air freight industry and sea freight industry is calculated. An index value of 50 indicates no change in the volumes of partaking logistics companies; above 50 indicates higher volumes, while below 50 indicates lower volumes.

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

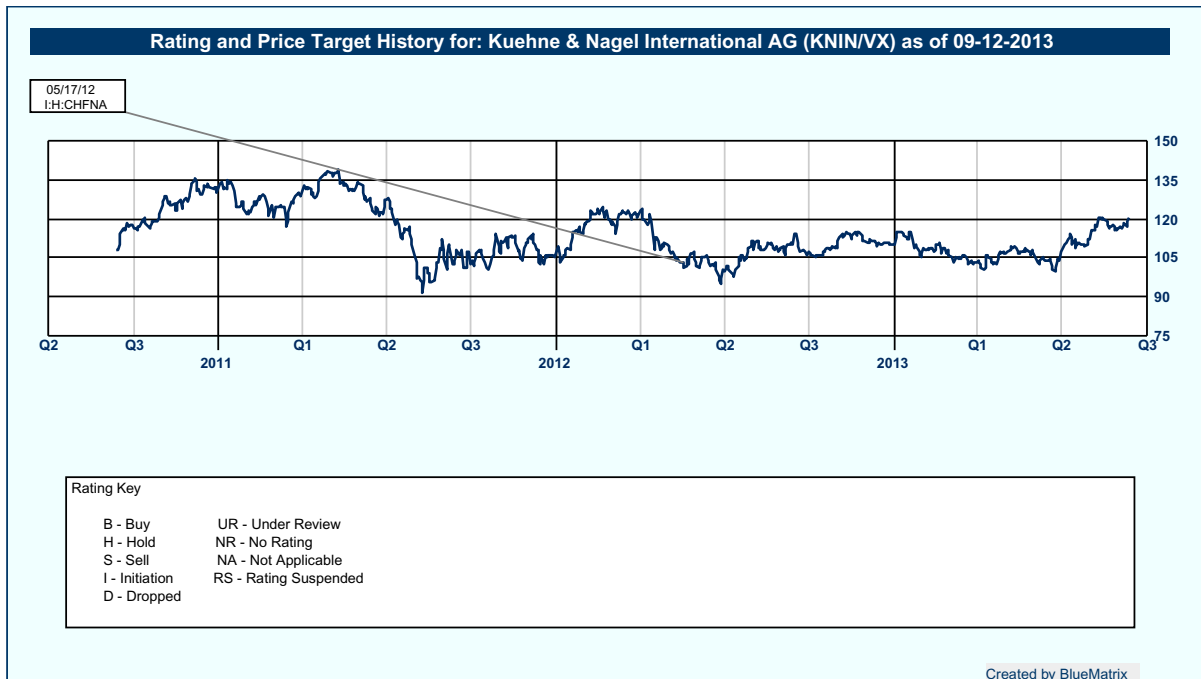
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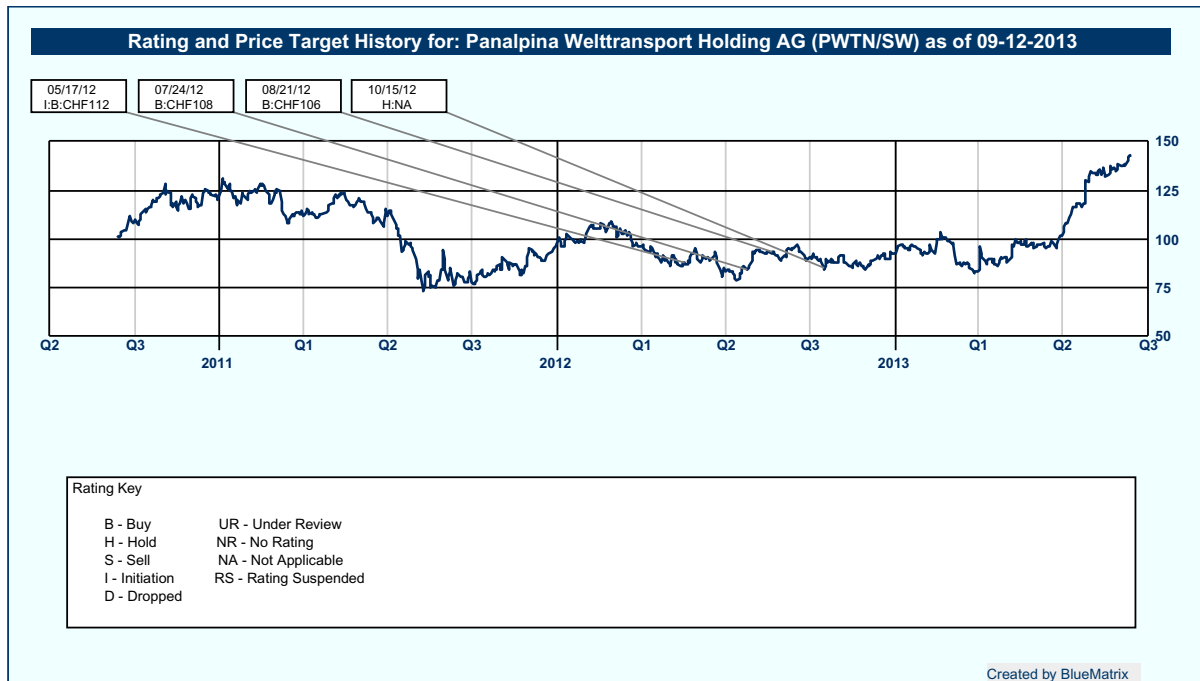
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Index. For other non-U.S. securities we expect the stock to perform within 10% (plus or minus) of the MSCI World Index. A Hold rating is also used for yield-sensitive securities where we are comfortable with the safety of the dividend, but believe that upside in the share price is limited.

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