INSIDE THE BUY-SIDE®

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The first Fed rate hike in nearly a decade, sluggish global economic growth and continued pressure on oil and commodity prices led the agenda in the final quarter of 2015. Overall, stocks rallied after a turbulent third quarter, but oil continued its precipitous decline and uncertainty about China weighed heavily on investors. The specter of uncertainty lingered into the New Year as 2016 opened with the S&P 500 falling 5.97% in the first week of trading – the worst five-day start to a trading year ever.

The massive New Year's hangover is in part the result of lingering market volatility, which returned with a vengeance in 2015. Driven by global growth fears, terrorism, the divergence of Central Bank policies and other anxieties, the DJIA posted 10 moves of 2.0% or more (6 of which were to the downside) in 2015, the most since 2011, according to data from S&P. Volatility is likely to continue as uncertainty about oil prices and China, combined with geopolitical tension in the Middle East, contribute to a growing acknowledgement of a significant global slowdown.

While the global economy appears to be slowing, the U.S. economy continues to chug along. Employment grew in the fourth quarter and the unemployment rate declined to 5.0%. Against this backdrop, the U.S. Federal Reserve raised rates on December 16 for the first time since 2006, increasing its key interest rate to a range of 0.25% to 0.5%. The Fed action, known as "liftoff," is expected to be the first of several rate increases anticipated for 2016 and 2017.

For the fourth quarter, the Dow was up 7.0%, while the NASDAQ, S&P and Russell 2000 rose 8.4%, 6.5% and 3.2%, respectively. The increases were welcome news after a third quarter haircut but 4Q earnings sentiment is notably bearish.

In our ongoing effort to track changes in institutional investor sentiment and provide insights heading into earnings season, we surveyed 73 investors globally representing over $1.8 trillion in managed assets.

Survey findings show continued pessimism with a majority of investors taking a bearish stance.

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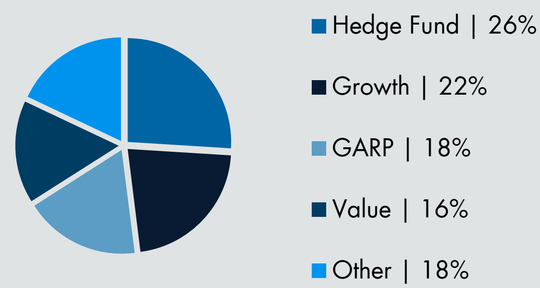
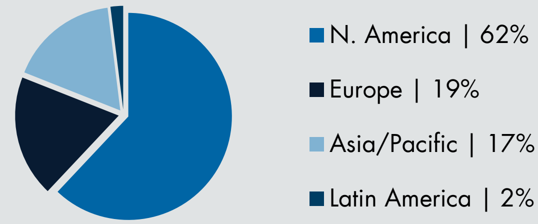
Market Performance

	4Q15	2015
DJIA	7.0%	(2.2%)
NASDAQ	8.4%	5.7%
S&P 500	6.5%	(0.7%)
Russell 2000	3.2%	(5.7%)

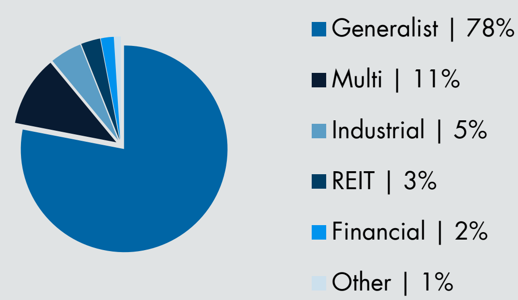
Investment Style



Geography



Sector



Key Trends

Wall Of Worry Continues To Grow

- Heading into earnings season, 57% of institutional investors polled expect 4Q earnings to be worse than expected, registering the highest level of bearish sentiment over the past three years
  - Vast majority of Asia-based investors, 84%, are bracing for further deterioration in 4Q earnings
- Nearly 60% of survey group expect 2016 annual guidance to come in lower than consensus estimates
- 61% expect 4Q organic growth to have worsened and more than half see margin expansion and EPS growth dipping; free cash flow generation is largely expected to remain consistent with last quarter
- Investors describing outlooks as *cautiously optimistic*, which peaked at 75% in December 2014, declined for the third consecutive quarter; those describing views as *neutral to bearish* climbed to 36% from 19% last quarter
  - Investors describing management tone as *bearish* more than doubled from last quarter to 11% while 27% report executive tone is *more negative*
- The global economy is a concern in the first half of 2016
  - 62% say China GDP is likely to deteriorate further
  - 51% expect global capex spending to slip
  - 46% believe the U.S. dollar will continue to strengthen and, thus, pressure multinationals' earnings
- The U.S. consumer remains a bright spot; 48% expect U.S. retail sales to rise over the next six months and 47% see an increase in consumer spending
- Still, 70% expect a U.S. recession to occur in the next three years with the lion's share targeting 2017
- Investors favor Tech and Financials while Materials, Energy and Industrials remain out-of-favor
- IR Topic: Investors are keen on companies providing both quarterly and annual guidance; leading metrics of interest are organic growth, operating margin and capex

Corbin Perception

Proven Methodology, Proven Results

Corbin Perception assists public companies with systematically understanding and positively influencing critical institutional investor sentiment. We provide senior level executives and IR professionals with company-specific quantitative and qualitative feedback from investors and analysts and then draw upon our firm's considerable expertise to guide management teams in shaping those perceptions and maximizing valuation. Our clients range from mega-caps to micro-caps worldwide across diverse industries. Our quarterly investor research report, Inside The Buy-side®, which tracks changes in global institutional investor sentiment, is covered by news affiliates worldwide and featured regularly on CNBC's *Squawk on the Street*.

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Sentiment Continues To Sour…

Our survey, which launched prior to the New Year meltdown, reveals continued erosion in investor sentiment, with an overwhelming 69% of respondents describing themselves as *neutral* to *bearish*. While outright bears declined from 24% to 13%, those with bearish leanings increased to 49%, up from 43% last quarter.

<u>**Key Drivers of Downbeat Sentiment**</u>

- 56% | Oil and gas headwinds
- 48% | China contagion
- 34% | Strengthening U.S. dollar
- 31% | Emerging market growth concerns
- 31% | Expectations of growth disappointment

Survey respondents who are *cautiously optimistic* or *bullish,* largely North America-based, point to an improving U.S. economy and job strength [despite muted wages], as well as overly pessimistic investor sentiment.

Management tone remains subdued but marginally improved, with fewer participants classifying executive views as some shade of bearish, down to 39% from 49% last quarter. Of note, those that classify management outlooks as more positive also describe themselves as *bullish.*

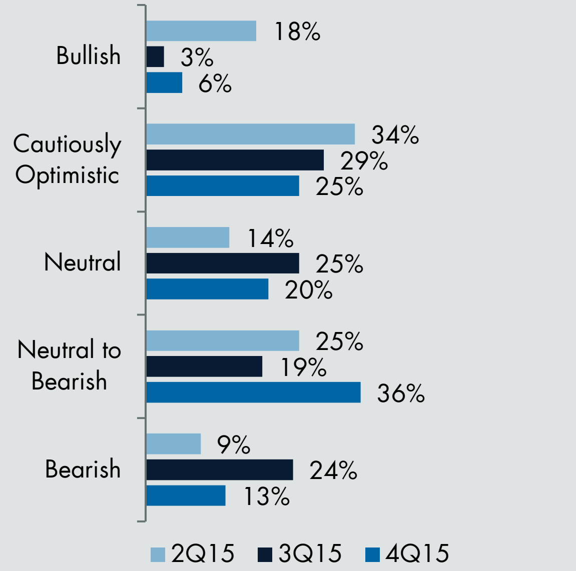
"The most bullish people today call themselves cautiously optimistic and sentiment is terrible across the board." ***Hedge Fund, Generalist | North America***

"The economy appears to be weakening, spreading out from Energy into Materials and Industrials. Most of our clients in those areas are characterizing 2015 as a year of increased struggle. They say it is taking 3x as much effort to just stay even." ***Core Growth, Generalist | North America***

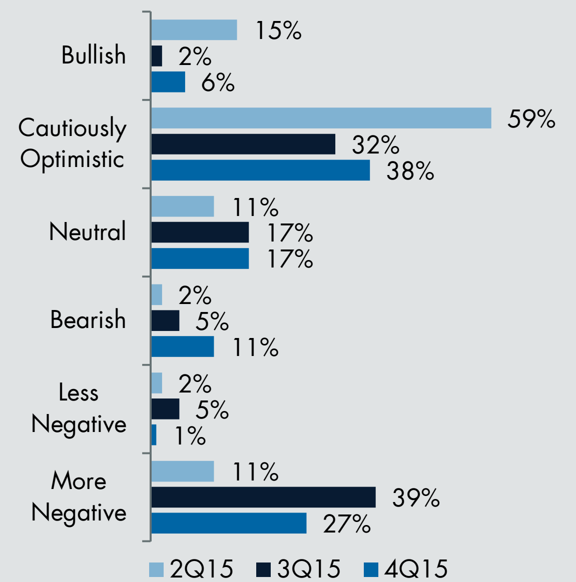
"Corporate earnings will rise slightly and the tone of investors is bearish so I think the market is ripe for a move higher." ***Core Value, Generalist | North America***

"I don't see any material changes in the economic environment." ***Core Growth, Generalist | North America***

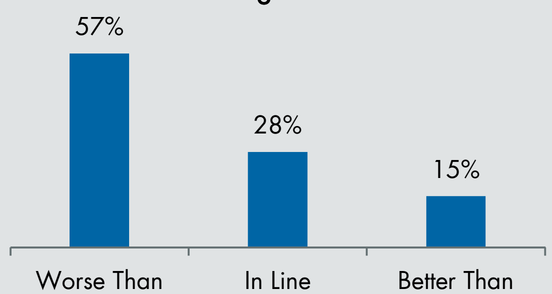
How Would You Describe Your Sentiment?



How Would You Describe Executive Tone?



What Are Your Expectations For 4Q15 Earnings Results?



…As Investors Brace For Weakening Results…

As 4Q earnings season gets underway, the majority of survey respondents across the globe, 57%, expect results to come in *worse than* expectations, the most downbeat sentiment we have registered in the past three years.

North America, which remains a region of optimism globally, is experiencing less enthusiasm quarter-over-quarter, with 57% of respondents indicating they expect companies to report *worse than* expectations, up from 32% last quarter.

Sentiment in Europe rebounded from last quarter and is tracking largely neutral, with 43% expecting earnings to come *in line* with expectations compared to 26% last quarter. While concerns about the macro economy exist, management tone is likely playing a major part in the measured sentiment, with 79% of Europe-based respondents characterizing executive tone as *neutral* to *bullish*.

Asia's forecast is dark, with the slowdown in China casting a pall over the entire region. To be clear, Asia-based investors remain downright bearish, with 84% anticipating companies in the region will post *worse than* expected results. According to our channel check, we first identified growing malaise in April and this heightened pessimism has continued to grow, foreshadowing the extreme market volatility that began in earnest in August.

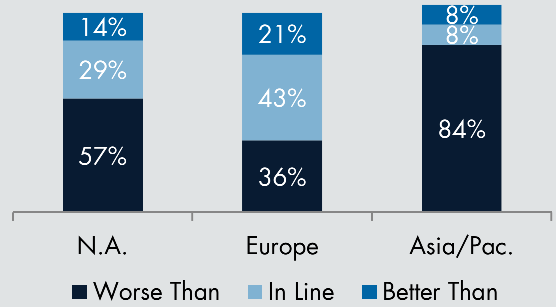
Latin America, specifically Brazil, continues to see headwinds associated with high inflation, severe currency devaluation and a political crisis.

There are pockets of contrarian views globally that consider sentiment too bearish with 15% anticipating earnings will be better than consensus. Still, this is down from 25% last quarter with the most positivity coming out of Europe.

…And Guidance Is Anticipated To Be In Check (Compared To Relatively Rosy Outlooks In The New Year)

With 2015 in the rearview, investor focus is squarely centered on 2016 outlooks. Unlike the more typical upbeat views at the start of the year, 59% believe annual guidance will come in lower than consensus. Notwithstanding "overly optimistic" sell side views on growth, rationale largely centers on:

4Q15 Earnings Expectations By Region



Selected Quotes on Earnings Expectations

Better Than

"General market sentiment and talking to management." ***Hedge Fund, Generalist | North America***

"Pessimism is everywhere in the markets right now." ***GARP, Generalist | North America***

"There is an overreaction to themes such as China and capex." ***Other, Multi | Europe***

In Line

"The input costs are generally down." ***Core Value, Generalist | North America***

"Further cost cutting initiated in Q3." ***GARP, Generalist | North America***

Worse Than

"There are slowdowns everywhere; the U.S. consumer, China and Europe." ***GARP, Generalist | North America***

"There is a global slowdown and a strong U.S. dollar." ***GARP, Generalist | North America***

"There are low energy prices, rising finance cost and increased security risks, which are leading to additional operational costs." ***Core Value, Generalist | Asia***

"The sell side has completely failed to call the peak and soft downturn in most sectors. Our house estimates for FY16 are 5%-15% below consensus and we are in the process of revising numbers down more." ***Other, Generalist | Asia***

- Slowing demand resulting in destocking and muted capex
- Lower oil prices
- Strengthening U.S. dollar
- Management cautiousness following U.S. rate hike

"2016 guidance will be somewhat lower than consensus; companies will be cautious following the first interest rate raise since 2006, the continued decline in the price of oil, and global macro concerns." ***Hedge Fund, Multi | North America***

"The consensus is just too low. Management won't get too far out front but the economy is growing nicely." ***Hedge Fund, Generalist | North America***

"2015 was slightly lower than expected, initiatives are in place to allow 2016 to handle pressuring margins." ***GARP, Generalist | North America***

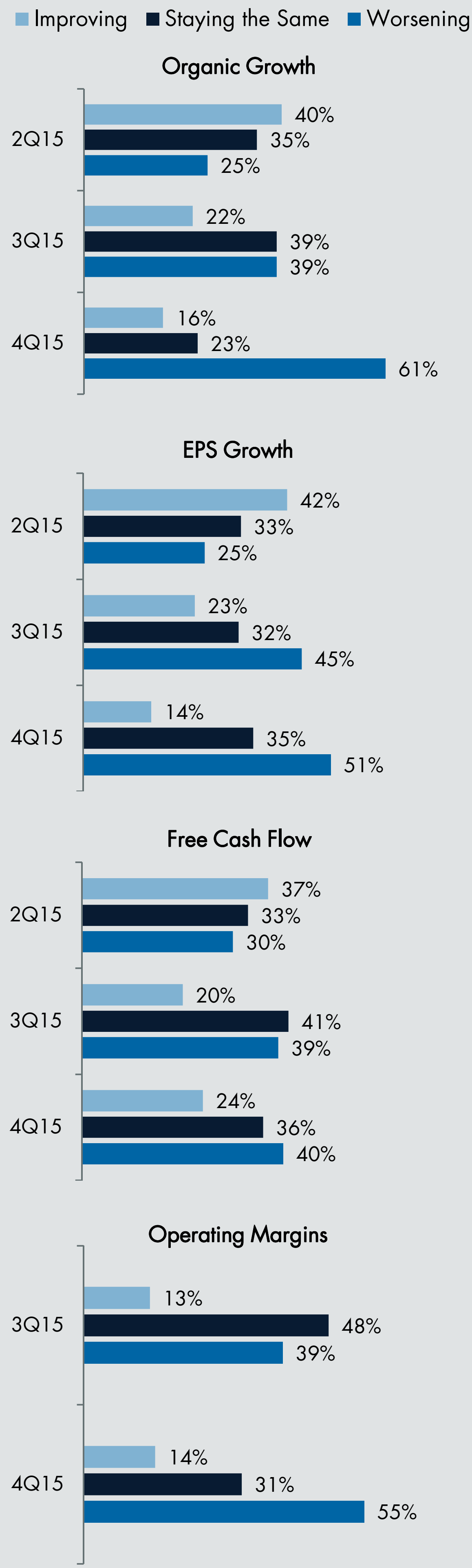
"There are too many unknowns for management to step up even though there's more confidence than they'll say." ***Hedge Fund, Generalist | North America***

Deterioration Across Key Performance Metrics Though Free Cash Flow Should Hold Up…For Now

For the third consecutive quarter, surveyed investors expect key performance metrics (e.g., Organic Growth, EPS Growth and Free Cash Flow) to worsen, with the most significant degradation predicted in organic growth numbers.

Notable trends:

- All regions are expecting growth to worsen with North America (64%) and Asia (62%) respondents decidedly pessimistic on organic growth
- Those expecting organic growth to worsen hold the same view across all metrics with 72% also anticipating EPS contraction; they are most bearish on Materials, Industrials and Energy
- The minority expecting an improvement cite management confidence for 2016, the low interest rate environment and the U.S. consumer
  - This group is most bullish on Technology, Building Products/Homebuilding and Financials



"There are low energy prices, rising finance costs and increased security risks, which are leading to additional operational costs." **Core Value, Generalist | Asia**

"Consumer spending is down, business investing likely paused given lead-ins into Fed announcement." **Hedge Fund, Generalist | North America**

Fed Policy…A Day Late And A Dollar Short

The largely anticipated and anti-climactic U.S. Fed interest rate hike of 25 bps was taken in stride and is, thankfully, now behind us. Nearly 70% of surveyed investors expect at most two rate hikes while 40% predict increases to total 50 bps by the end of 2016. Still, the majority, 67%, assert that the net impact will be neutral on the U.S. economy.

In fact, an easy money policy remains a leading driver of positive sentiment for those surveyed, especially in Europe with its quantitative easing, as 46% cite the low interest rate environment as a driver for their positive sentiment.

The "R" Word

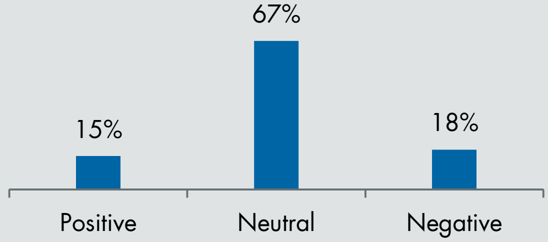
The dire outlook has culminated in the view that the U.S. will enter a recession. An overwhelming 70% of surveyed investors globally anticipate a contraction occurring sometime within the next three years, with over 40% pegging it to 2017. Participants are preparing for a slowdown with 88% reporting they are placing more emphasis on balance sheet strength when making investment decisions, up from 53% in October.

"There is a mature economic cycle in the U.S. and probably near the peak also in Europe and Asia. Emerging markets are already in a slowdown phase." **Core Growth, Generalist | Europe**

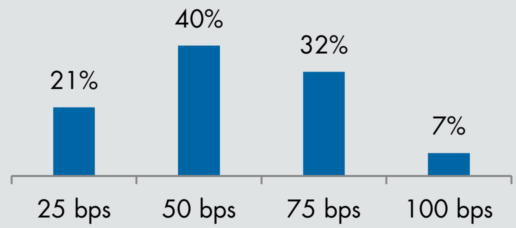
"FX headwinds will abate and global growth is going to accelerate." **Hedge Fund, Generalist | North America**

"It will be slightly worse. Companies will face receivables problems and incremental finance costs. Hence EPS will be hampered in the first two quarters. Revenue slowdown will occur if the trend continues." **Core Value, Generalist | Asia**

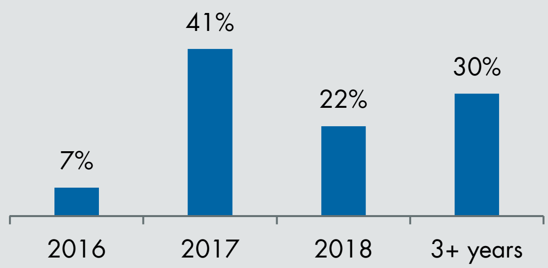
What Do You Think The Impact Of The Fed Policy Is Going To Be On The U.S. Economy In 2016?



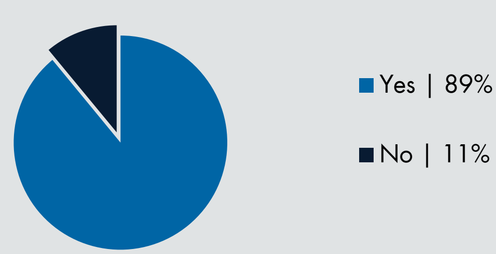
At The End of 2016, How Many Bps WIll The Fed Have Raised Rates In Total?



When Do You Think The U.S. Will Have Its Next Recession?



Are You Placing More Weight On Balance Sheet Strength?



Inside The Buy-Side®

Where Is The Survey Group Placing Their Bets? Same Ole, Same Ole…

In an era of slowing growth and prolonged downturns in certain industries, the Tech sector remains a perceived safe harbor. Financials, boosted by the gradual rate rises, saw a slight uptick in positive sentiment while Healthcare saw continued erosion in bullish sentiment for the second straight quarter.

Sentiment on Consumer Staples is mixed to positive as investors weigh its defensive nature against lofty valuations.

Despite the view that U.S. consumer spending and retail sales will improve over the next six months, which 50% of the group holds, bullish views on Consumer Discretionary are limited.

Materials and Energy remain depressed but bearishness on the latter is not as severe as the previous quarter, while 70% believe Industrials in general are in a recession, though pockets of strength exist, most notably in building products and residential construction.

Bulls

"Slightly higher rates help financials. Tech and Biotech are where the growth is. Low rates and low fuel costs help the consumer." ***Core Value, Generalist | North America***

"Core sectors and Consumer Discretionary should continue to benefit from the low oil prices. Rental yields should stay put for this year." ***Core Value, Generalist | Asia***

"The consumer still spends, buying cars and houses. Tech produces productivity." ***Core Value, Generalist | North America***

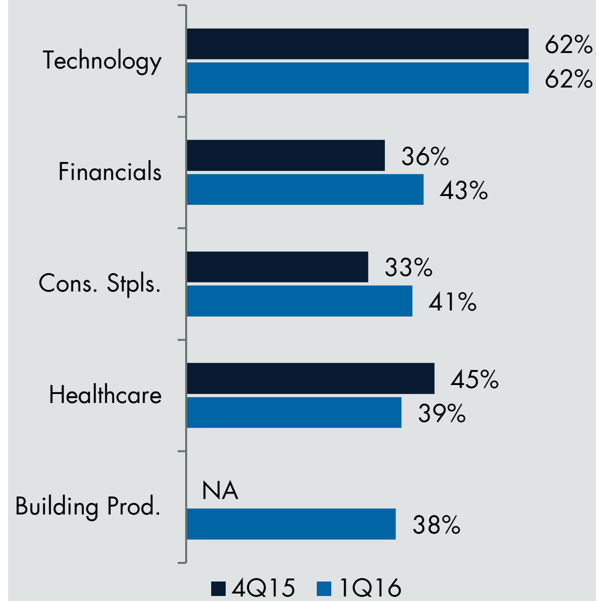
Bears

"Severe supply/demand imbalance for Materials persists, though we're beginning to see significant capacity reductions." ***Core Growth, Generalist | North America***

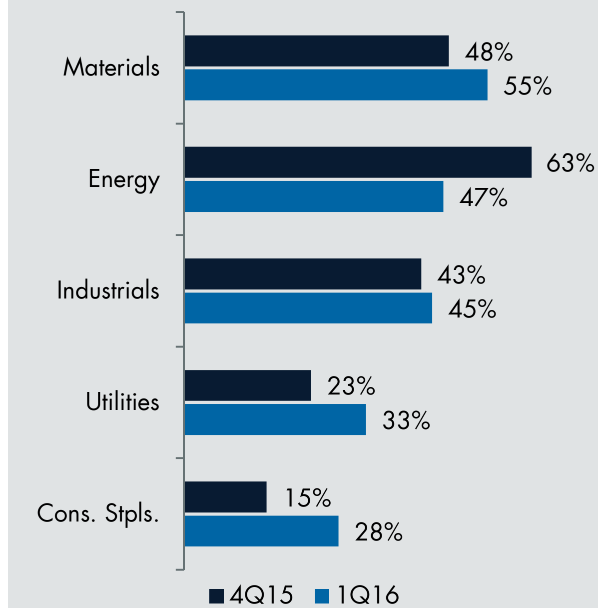
"Non-resi will slow bringing more pain to Materials." ***GARP, Generalist | North America***

"Resource is a secular bear with spill over into Industrials." ***GARP, Generalist | North America***

On What Sectors Are You Most Bullish?



On What Sectors Are You Most Bearish?



IR Topic: Guidance

As companies begin reporting 4Q results, investor focus will be on company guidance and outlooks for 2016. Ongoing Corbin research on guidance preferences reveals that the buy side, when given a choice, prefers both quarterly and annual guidance. That said, nearly an equal number prefer quarterly or annual only while a minority prefer companies not give guidance.

Companies providing guidance on these metrics can and do stand to capture greater mindshare, all the while keeping investors focused on the longer-term. Further, qualitative color is just as important, especially as we head into a year of uncertainty driven by China deceleration and a rising interest rate environment.

To that end, investors want management to address:

- 61% | Views on different geographies
- 59% | Scenario planning (for economic recession)
- 54% | Leverage
- 52% | Balance sheet
- 52% | Global growth outlook

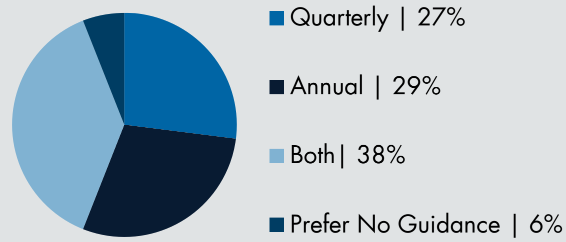
Best Practice: Scenario Planning For Economic Recession

Consider providing scenario analysis utilizing the following methodology:

- Analyze your historical revenue sensitivity to Global/U.S. GDP
- Understand your cyclicality
- Construct scenario analyses for use if conditions weaken dramatically
  - Plans for 3 different organic growth scenarios
  - Actions you would take
  - Triggers
  - Impact on cash flow, income statement and leverage

Important to note, contingencies should be factored into income planning.

What Is Your Preferred Cadence For Guidance?



What Guidance Metrics Are Most Important To You?