

Companies Featured

[AUTN.L](#), [DAST.PA](#), [ENRC.L](#), [EXXJ.J](#), [HIK.L](#), [IDR.MC](#), [KCOGn.DE](#), [KIOJ.J](#), [LXSG.DE](#), [SHP.L](#), [TERI.PA](#)

November 19, 2009

Morgan Stanley: Today's Research

Today's Changes

Stock Rating Changes - Upgrades

Ticker	Company	Stock Rating		Price Target		ModelWare Estimate		Consensus*
		From	To	From	To	From	To (FY)	
BLND.L	British Land (495.20p)	E	O	370p	480p			
HIK.L	Hikma Pharmaceuticals	E	O	467p	600p			

Stock Rating Changes - Downgrades

COR.AS	Corio (€50)	O	E	€35	€39			
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Estimates/Price Target Changes - Up

CAST.ST	Castellum (SKr69.25)	--	U	SKr34	SKr42			
DLN.L	Derwent London (1384p)	--	O	1,120p	1,330p			
ENRC.L	Eurasian Natural Resources Corp.	--	O	1,112p	1,124p			
EXXJ.J	Exxaro Resources Limited	--	O	ZAc9,900	ZAc10,600			
FABG.ST	Fabege (SKr41.60)	--	U	SKr24	SKr29			
GFCP.PA	Gecina (€80)	--	U	€43	€54			
GPOR.L	Great Portland Estates (290p)	--	O	245p	280p			
HMSO.L	Hammerson (451.90p)	--	E	320p	400p			
ICAD.PA	Icade (€72.50)	--	O	€60	€72			
LOIM.PA	Klépierre (€28.56)	--	U	€15	€22			
LAND.L	Land Securities (713p)	--	O	560p	700p			
LXSG.DE	LANXESS	--	O	€28.00	€30.00			
LII.L	Liberty International (507.50p)	--	E	420p	440p			
SGRO.L	SEGRO (375p)	--	O	330p	410			
SHP.L	Shire PLC	--	O	1,214p	1,296p			
UNBP.PA	Unibail-Rodamco (€159.70)	--	E	€96	€129			

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Estimates/Price Target Changes - Down

KIOJ.J	Kumba Iron Ore	--	E	ZAc25,600	ZAc24,600		
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Estimates/Price Target Changes - Up/Down

KCOGn.DE	Kloeckner & Co. S.E.	--	O	--	€19.50	€(1.64) €0.75 €1.70	€(3.60)(12/09) €1.32(12/10) €1.79(12/11)	€(3.12) €0.91 €1.60
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* First Call consensus estimate

Highlights

The Morning Call**Property** — *Prefer UK to the continent* / Buckle Up for a Rollercoaster Ride in 2010**Hikma Pharmaceuticals Plc** — *Upgrade to OW* / One to watch for 2010 Overweight**ENRC** — *26% upside* / CAMEC: More than 2x Optionality Overweight**Exxaro Resources Limited** — *Stay OW* / Digging into the Export Thermal Coal Business Overweight**LANXESS** — *Key OW* / Tyre Makers Starting to Put Prices Up Overweight**Shire PLC** — *Top pick; OW* / Intuniv: An Underappreciated Asset Overweight**Kumba Iron Ore** — *Strong attractions, fully valued* / Cash on Balance Sheet Equal-weight**Company/Industry Analysis****Autonomy (United Kingdom)** / Key Takeaways from our TMT Conference Equal-weight**Dassault Systemes SA (France)** / Key Takeaways from our TMT Conference Underweight**Indra (Spain)** / Key Takeaways from our TMT Conference Equal-weight**Kloeckner & Co. S.E. (Germany)** / 2H09 Hiccup, but Promising M&A Theme Remains Intact Overweight**Steria (France)** / Key Takeaways from our TMT Conference Overweight

The Morning Call

SGRO.L, Property — *Prefer UK to the continent* / **Buckle Up for a Rollercoaster Ride in 2010**

Property: Cautious

Morgan Stanley & Co. International plc

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We reiterate our preference for the UK over the continent and upgrade **British Land** to OW (PT 480p) as we bring forward to 4Q09 (from 2010) our assumed 10% bounce in UK property values. We also assume property values rise another 4% early 2010, taking our total assumed UK yield compression to 100bp. Our preferred plays remain **Segro** (for its earnings growth) and the West End plays (for their asset exposure), and we reiterate our OW on **Land Securities**. UK property stocks look fairly valued, but we think we are set for a period of volatility with potentially strong share price performance short term followed by a sell-off later in 2010. If UK property prices and

property stocks rise too far too fast, we think the scope for a painful hangover rises.

UK could be choppy in 2010: UK direct property prices are being squeezed up by rising institutional allocations to commercial property while availability of stock in the investment market remains limited. We think there is a risk that property values rise more and for longer than in a typical mean-reversion scenario, exposing this asset class to a subsequent correction as the tightening phase commences and owners start selling into strength. We are cautious on the continental stocks, as we think most will report pedestrian NAV and earnings growth medium term, which is not reflected in valuations. **Icade** remains our preferred continental play (ahead of the portfolio rebalance and special dividend), and we are downgrading **Corio** to EW on valuation.

HIK.L, Hikma Pharmaceuticals — *Upgrade to OW* /One to Watch for 2010

Morgan Stanley & Co. International plc

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We upgrade Hikma to OW and raise our PT 28% to 600p (21% implied upside) as we believe the shares can outperform through 2010 on the back of a base business set to deliver +10% revenue growth. We see scope for surprise in the strength of recovery in US Generics short term and in a higher dividend payout as cash flow improves. Furthermore, Hikma's acquisition track record gives us confidence it can execute on 3-4 acquisitions in the region in 1H10. We reflect this in our forecasts (\$300mn of spend for \$75mn of revenues at a 20% operating margin), which takes us +7% above consensus from 2011. The company is considering assets that deliver product, manufacturing and distribution, with a geographic focus on Egypt, Morocco, Tunisia and Turkey.

Rating: Overweight
Pharmaceuticals: Attractive
Share price: 497p
Target: 600p
52-Week Range: 524-225p
Mkt. Cap(mn): US\$1,619
ModelWare EPS: 0.40US\$ (FY 12/09), 0.49 (FY 12/10)

ENRC.L, ENRC — *26% upside* /CAMEC: More than 2x Optionality

Morgan Stanley & Co. International plc

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We reiterate our Overweight on ENRC and raise our price target to 1,124p (26% implied upside) having incorporated the impact of the CAMEC acquisition into our numbers. We attempt to pin down the optionality value of CAMEC using an options probability tree. Based on this, our mid case is that CAMEC is worth c.71p/share to ENRC (more than twice what it paid). This implies ENRC effectively paid 20p for the Luita copper-cobalt operations, and got the rest for free. We believe ENRC has the balance sheet to support all possible growth options, and, importantly, an investor base that is used to the geographic risk profile of CAMEC. Furthermore, we think CAMEC's SABOT logistics system de-risks these projects and enhances the option value.

Rating: Overweight
EMEA - Metals & Mining: In-Line
Share Price: 890p
Target: 1,124p
52-Week Range: 965-183
Mkt. Cap(mn): US\$19,269
ModelWare EPS: 0.71US\$ (FY 12/09), 1.02US\$ (FY 12/10)

EXXJ.J, Exxaro — *Stay OW* /Digging Into the Export Thermal Coal Business

RMB Morgan Stanley (Proprietary) Limited

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Our new coal cost analysis reinforces our OW view on Exxaro (price target increased 7% to R106 – 13% implied upside). We expect export thermal coal to be the largest EBITDA earner in the division, a position it probably already occupied in 2008. Increased exposure to global market prices introduces much greater price volatility into the valuation of the coal business, which could provide very attractive upside from current low export prices. Investor concerns over logistical capacity appear overdone to us. While logistical challenges will limit exports, our valuation is fairly insensitive to volumes as not all export tonnes are equally value accretive. We assume Exxaro will focus on delivery from its lowest cost assets (on a combined mining and transport basis).

Rating: Overweight
EMEA - Metals & Mining: In-Line
Share Price: ZAc9,410
Target: ZAc10,600
52-Week Range: ZAc9,600-5,503
Mkt. Cap(mn): ZAR35,162
ModelWare EPS: ZAc668 (FY 12/09), ZAc902 (FY 12/10)

LXSG.DE, LANXESS — *Key OW* /Tyre Makers Starting to Put Prices Up

Morgan Stanley & Co. International plc

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Lanxess remains a key Overweight following a strong Q3 performance – we see 24% upside to

Rating: Overweight
Chemicals: In-Line
Share price: €23.60
Target: €30.00
52-Week Range: €25.65-10.28
Mkt. Cap(mn): €1,964

November 19, 2009

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our new price target of €30 (up from €28 as a result of increasing our EBITDA estimates by 3-5% for 2009-11e). We continue to have more aggressive recovery expectations vs. consensus within the Performance Polymers division, based on our view that the deferral of replacement tyre demand has a finite term. We forecast sales growth of 5% and 8%, respectively, for 2010 and 2011, and expect divisional EBITDA margin to recover more than 300bp over the period following a trough of 9.0% in 2009. On our new estimates, Lanxess is trading on a 2010 EV/EBITDA of 5.4x and a P/E of 13.5x, a discount to the peer group of 13% and 9%, respectively.

ModelWare EPS: €0.74 (FY 12/09), €1.74 (FY 12/10)

SHP.L, Shire PLC — *Top pick; OW* /Intuniv: An Underappreciated Asset

Morgan Stanley & Co. International plc

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We remain Overweight Shire and raise our price target 7% (to 1,296p – 15% implied upside) having increased our earnings estimates for 2010 and beyond based on expected upside from Intuniv, Velaglugerace and Replagal. We believe Intuniv represents a significant, underappreciated earnings driver, and this makes Shire the top pick within our coverage universe. We are increasing our peak sales estimate for the drug in 2015 from \$173mn to \$460mn. However, our bull case scenario (1,512p) which models greater use across the broader ADHD space arrives at a peak sales estimate of \$919mn in 2015. We have also remodelled opportunities for Velaglugerace and Replagal, which we believe will be additional revenue drivers from 2010.

Rating: Overweight

Pharmaceuticals: Attractive

Share Price: 1,125p

Target: 1,296p

52-Week Range: 1,195-764

Mkt. Cap(mn): US\$10,316

ModelWare EPS: 0.70US\$ (FY 12/09), 0.84US\$ (FY 12/10)

KIOJ.J, Kumba Iron Ore — *Strong attractions, fully valued* /Cash on Balance Sheet

RMB Morgan Stanley (Proprietary) Limited

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We think EW-rated Kumba has strong attractions such as its dividend yield and robust medium-term growth profile but that valuation is full (we reduce our PT 4% to R246). Commodity prices and the rand are the key drivers, with a catalyst in the potential 2010 return of European iron ore demand. In the longer term, key catalysts include bringing Sishen South into production and positive news on logistical capacity growth. The low level of net debt in our base case is apparent when compared with FCF or implied cash holdings. We make no assumptions about intentions for these cash holdings and leave them on the balance sheet. However, our analysis indicates Kumba could pay out a special dividend of up to R21 per share, although most likely only in 2011.

Rating: Equal-weight

EMEA - Metals & Mining: In-Line

Share Price: ZAc25,900

Target: ZAc24,600

52-Week Range: ZAc28,025-12,600

Mkt. Cap(mn): ZAR82,823

ModelWare EPS: ZAc1,812 (FY 12/09), ZAc1,735 (FY 12/10)

Company/Industry Analysis

COMPANY ANALYSIS

AUTN.L, Autonomy (1,454p) /Key Takeaways from our TMT Conference

Morgan Stanley & Co. International plc

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Quick comment: Autonomy's CEO Mike Lynch has spoken at our TMT conf in Barcelona. Here are our key takeaways:

Leaning towards demand conditions thawing: AUTN remained bullish about their own prospects. While they did not see a big likelihood of a major return of demand for the overall Software industry, they were leaning to the scenario of a thawing in industry conditions, rather than continued weakness. While good news, it probably also means AUTN investing ahead of the opportunity.

Want to see resumption of previous growth levels longer term: AUTN feel growth can return

Rating: Equal-weight

Technology - Software & Services:

In-Line

Target: 1,570p

52-Week Range: 1,687-790

Mkt. Cap(mn): US\$5,273

ModelWare EPS: 1.03US\$ (FY 12/09), 1.28US\$ (FY 12/10)

to prior levels when markets normalise – meaning the 30-40% organic growth rates achieved then, vs. the 15-20% they expect this year. They think compliance can still be a part of this, as regulation won't go away in a post crisis world.

Meaning-based Marketing can benefit from the cycle: A by-product of the IWOV deal, AUTN seem upbeat about the prospects for Optimost, its automated marketing solution – it automatically collects data and feedback from customers to optimize websites, and should sell well in a recovery.

SPE another growth engine, but further out: The company is encouraged by the response to the SPE (Structured Probability Engine), and will see revenues start to pick up in 2010, but it will take a little longer to reach scale and become relevant to investors. They see it as a powerful add-on to the \$18bn relational database market, rather than an alternative to it.

AUTN will invest ahead of their opportunity: Although they said that the 3Q cost build associated with the SPE was somewhat one-off in nature, they were also keen to highlight that they will invest to make the most of any improvement in demand. This applies to capex too, where they recently added significant data centre capacity – the 3Q level (\$19m) is not sustainable, but we feel capex will be a little higher than the past.

DAST.PA, Dassault Systemes SA (€39.17) /Key Takeaways from our TMT Conference

Morgan Stanley & Co. International plc

Patrick.Standaert@morganstanley.com, James.Dawson, Guillaume.Charton, Ashish.Sinha

Dassault's CFO Thibault de Tersant has just spoken at our TMT conf in Barcelona. Here are our key takeaways:

Confident on long-term perspectives... Dassault's CFO continues to believe they have the capacity to outgrow the PLM market, which is expected to grow c8% in the coming years, slightly above our 6% forecast. Although they already represent c50% of the transactions signed today, the "new verticals" (life sciences, consumer goods and electronics) should continue to drive growth. Dassault's channel could handle this without too much investment if it manages to retool its sale force accordingly. In terms of margins, Dassault reiterated there were no structural hurdles to bring margins to 30% but taking them above this level could hamper its growth perspectives. The CFO mentioned that G&A alone could add c1 margin point.

... But looked more cautious near term: 4Q is seen below normal seasonality mainly due to the mid market, with deals remaining small in size, suggesting guidance is not too conservative (down up to 10% in 4Q vs. MSe -9%). Although it was still too early to commit for 2010, Dassault's CFO mentioned he felt "relatively optimistic" about new licenses (MSe +4%), which could be offset by another decline in recurrent revenue in 1H10 (c65% of total revenue). As such, 2010 could be another slow growing year (MSe +4% at c/c), making it hard to commit for 100bp margin expansion (MSe 130bp), and this is the main rationale for our cautious view on the name.

IBM PLM integration risks seen as minor: Although the variable comp from IBM is slightly higher than it is for Dassault's employees, Dassault's CFO commented that aligning HR issues was significantly easier than integrating software products, which we agree with. Although downplaying it, Thibault de Tersant recognized the risk of contract renegotiation during the migration period.

Rating: Underweight
Technology - Software & Services:
 In-Line
Target: €38.00
52-Week Range: €41.73-24.50
Mkt. Cap(mn): €4,658
ModelWare EPS: €1.73 (FY 12/'09), €1.89 (FY 12/'10)

IDR.MC, Indra (€16.35) /Key Takeaways from our TMT Conference

Morgan Stanley & Co. International plc

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Quick comment: Indra's CFO Juan Carlos Baena has just spoken at our TMT conf in Barcelona.

Rating: Equal-weight
Technology - Software & Services:
 In-Line
Target: €19.00
52-Week Range: €18.20-13.25
Mkt. Cap(mn): €2,647
ModelWare EPS: €1.23 (FY 12/'09), €1.27

Here are our key takeaways:

(FY 12/10)

Defensive but slow grower in 2010: With limited upside expected to come from margins next year, earnings growth will have to come from the top line again. Spain (c63% of sales) and Defense & Security particularly (c22% of sales) could remain difficult in 2010 despite having its biggest pipeline ever. As a result, we see little room for Indra to beat our 5% revenue growth estimate despite double-digit International growth. Nevertheless, we also see limited downside risk to our estimate since 40% of it is already covered by its backlog, supporting Indra's favourable defensive attributes. Indra mentioned it could chase more aggressive growth in the public sector, but this would affect margins negatively.

Financial Services the 2010 growth driver: Indra's CFO said its Financial Services (c15% of sales) could see some growth acceleration in 2010 from c10% in 2009, above our 8.5% estimate. Telecom (c12% of sales) and Transport & Traffic (c22% of sales) were also seen as remaining robust next year (MSe 6.5% and 10% respectively), while defense and public sector should continue to lag. Within Defense, Indra also clarified that the issue was project delays rather than cancellations.

Working capital will be flat at best near term: Indra does not expect its working capital to improve next year and even talked about a potential further outflow considering some strategic customers were asking for better payment terms and lower down-payments could continue to affect. Although this strategy should ensure Indra continues to win market share, we think the lack of cash conversion could provide ammunition to bears.

M&A still high on the agenda: Telvent discussions were confirmed as being closed with top priorities being to reinforce Indra's presence in Brazil, Italy and the UK.

KCOGn.DE, Kloeckner & Co. S.E. (€16.55) /2H09 Hiccup, but Promising M&A Theme Remains Intact

Morgan Stanley & Co. International plc

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Rating: Overweight

Steel: In-Line

Target: €19.50

52-Week Range: €19.13-4.82

Mkt. Cap(mn): €1,175

ModelWare EPS: €(3.60) (FY 12/09), €1.32 (FY 12/10)

Third-quarter earnings were shy of expectations ...We lower 4Q and FY09 EBITDA forecasts to -€9 million and -€160 million, respectively, after Klöckner's 3Q release. Klöckner reported 3Q EBITDA of €11 million and guided for breakeven EBITDA in 4Q. Both numbers were light of our and consensus expectations. However, we stick to our view that the market should look through '09 and instead focus on the potential growth. With 3Q net debt (after pensions) of just €31 million, Klöckner has the firepower to become more aggressive.

... But good execution on M&A supports our thesis. Klöckner's acquisition of Becker Stahl-Service Group at 4-5x EBITDA could create additional value for investors of around €1.5 per Klöckner share, according to our calculations. Additionally, the scope for increasing margins through better than expected synergies should more than offset near-term earnings weakness.

Acquisitions remain on the agenda, which could lead to positive news flow in the coming months. We are encouraged by Klöckner's statement that it will consider further acquisitions. The company does not intend to call a halt despite having achieved its acquisition sales target of €500-600 million via Becker Group. Hence, we expect the market focus to remain on value accretive acquisitions. We do not share concerns that Klöckner could overstretch its balance sheet again. Instead, we see opportunities for the company once we see a sustained steel volume and price recovery, hence our above consensus earnings forecasts for 2010-11.

Increasing margins through synergies is now key to future success. M&A builds the basis for an increase in Group margin. To achieve its target EBITDA margin of more than 6%, we think Klöckner now has to prove that synergies will enable it to lift the normalised group EBITDA margin by 100-150 basis points. If successful, the stock could double from here (our bull case).

November 19, 2009

Morgan Stanley: Today's Research

TERI.PA, Steria (€20.44) /Key Takeaways from our TMT Conference

Morgan Stanley & Co. International plc

James.Dawson@morganstanley.com, Patrick.Standaert, Guillaume.Charton, Ashish.Sinha

Quick comment: Steria's CEO Francis Enaud spoke at our TMT conf today in Barcelona. Here are our key takeaways:

Near-term environment has not changed... Echoing comments from 3Q results last week, the CEO mentioned that the environment should remain difficult for the rest of the year, implying no major budget flush. However, Germany and the UK should grow in 4Q, as part of the revenue slippage observed in 3Q is now recovered. These are also well positioned to grow going into 2010.

... but Steria could grow faster than the market in 2010... :While staying away from giving a market direction for 2010 given the overall uncertainty, the CEO remains confident Steria could outgrow the IT Services market, benefiting from its BPO and Outsourcing exposure, where order entry growth remained solid. Outlook for Consulting & SI was however more prudent.

... and margins sustained even if top line declines slightly: The CEO mentioned he was confident Steria could protect margins even if top line was to decline slightly (-1% to -2%) next year. This is mainly due to Xansa and Group cost savings from its transformation program (of which a large part are still to flow through). This gives us confidence on Steria's potential margin leverage if the market was to return to growth in 2010.

BPO – Best in class in the UK / Offshore adoption slower in continental Europe: Steria's recognized BPO practice is clearly enjoying good momentum in the UK and Steria sees further opportunities in local governments capitalizing on the NHS success. Things are moving more slowly in continental Europe though, even if the SFR deal shows the relevance of their blended delivery model (offshore / onshore).

No major risks on existing portfolio: CEO currently sees any significant risk coming from contract renewals, having already renewed their major contracts. Re-internalization is not seen as a major threat.

Rating: Overweight

Technology - Software & Services:

In-Line

Target: €28.00

52-Week Range: €25.29-7.30

Mkt. Cap(mn): €655

ModelWare EPS: €1.83 (FY 12/'09), €1.96 (FY 12/'10)

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(as of October 31, 2009)

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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)		
	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight/Buy	875	37%	277	40%	32%

Equal-weight/Hold	1082	46%	318	46%	29%
Not-Rated/Hold	26	1%	3	0%	12%
Underweight/Sell	392	17%	87	13%	22%
Total	2,375		685		

Data include common stock and ADRs currently assigned ratings. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations. Investment Banking Clients are companies from whom Morgan Stanley or an affiliate received investment banking compensation in the last 12 months.

Analyst Stock Ratings

Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index.

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