

BUY, Hold, and Reduce recommendations are based on Expected Fair Value Spread (FV - i.e. relative performance compared with those of peers or index with similar risk profiles in 6 months investment horizon) and on the degree of risk associated with the stock according to the matrix shown in the table below.

The level of risk is a function of the rating and the duration of the security analyzed. Due to the fluctuations of the bonds, the FV spread can temporarily fall outside the ranges proposed in the table.

FV SPREAD COMPRESSION VS PEERS/INDEX OF THE VARIOUS CATEGORIES OF RECOMMENDATION AND RISK PROFILE

RECOMMENDATION/RATING	Low Risk	Medium Risk	High Risk
BUY	FV SPREAD \geq 30 bps	FV SPREAD \geq 50 bps	FV SPREAD \geq 80 bps
HOLD	0 bps < FV SPREAD < 30 bps	0 bps < FV SPREAD < 50 bps	0 bps < FV SPREAD < 80 bps
REDUCE	FV SPREAD \leq 0 bps	FV SPREAD \leq 0 bps	FV SPREAD \leq 0 bps