

INSIDE THE BUY-SIDE®

TECH SECTOR SENTIMENT SURVEY | ISSUE DATE: OCTOBER 22, 2015

"Tech valuations are moderately extended, stock selection is key and guidance critical."

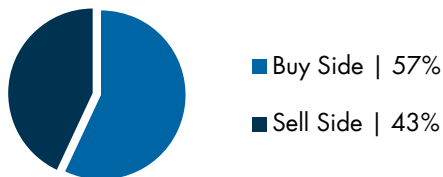
In the second installment of Corbin Perception's Tech Sector Sentiment Survey, we pulsed investor and analyst views heading into the third quarter earnings season.

Our survey², comprising input from 35 investors and analysts globally who follow the sector, reveals some softening sentiment in Tech after relative strong performance year-to-date. And while Tech remains a haven for investors overall, especially in higher growth verticals like software, creeping macro concerns and burgeoning technology shifts are a cause for pause. Tech will become the barometer of economic health and stability over the next two weeks as many companies report quarterly earnings.

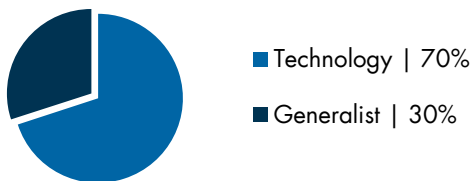
Participant Stats

Contributing buy side firms manage \$824 billion in total assets and have \$57.2 billion invested in technology as of June 30, 2015³.

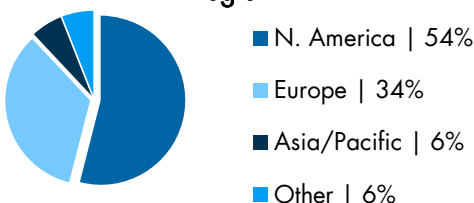
Role



Sector Focus



Region



¹ As of October 16, 2015

² Timeframe: October 2 - 14, 2015

³ Source: Thomson Reuters

	Price Performance ¹	
	S&P Technology	S&P 500
Month-to-date	6.3%	5.9%
Year-to-date	1.5%	(1.3%)
One-year	12.1%	9.2%

About Corbin Perception

Corbin Perception is a leading investor research and integrated IR advisory firm assisting public companies with creating long-term shareholder value.

We leverage our broad company and industry experience, knowledge of best practices and benchmarking capabilities to provide research-driven counsel that enables our clients, mega-caps to micro-caps worldwide across diverse sectors, to differentiate their company as an investment.

Our industry-leading research, Inside The Buy-side®, which tracks changes in investor sentiment, is covered by news affiliates worldwide and featured regularly on CNBC's Squawk on the Street.

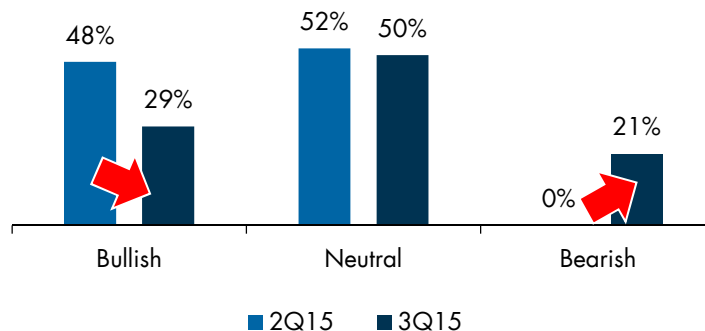
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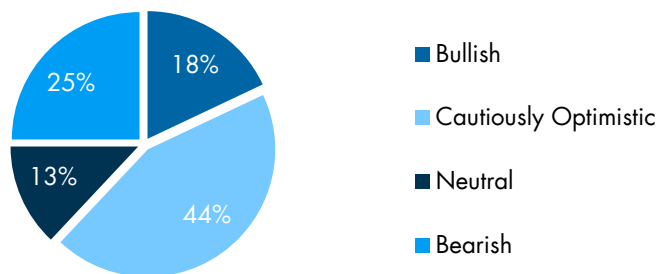
Our Survey Yields Four Key Tech Sector Findings:

#1: Tech Sentiment Softens Amid Slowing Global Growth; Enter Bears

How Would You Characterize Your General Sentiment Toward The Tech Sector?



How Would You Describe Management Tone Quarter-To-Quarter?



- While Tech has benefited from inflows amid a dearth of growth elsewhere, the glow dims somewhat as the number of bulls decline and bears emerge this quarter
- Regional differences are pronounced, with 37% of North America participants bullish about Tech compared to only 20% in the Eurozone
- Notably, 25% describe management tone as *more bearish*

Representative Quotes

Bullish

"There are two kinds of Tech stocks: high growth and dinosaurs. The high growth stocks are too expensive for me. The dinosaurs are too cheap." Buy Side | N. A.

"Too much innovation being applied to needed areas to be bearish." Buy Side | N. A.

Neutral

"Some valuations look attractive but catalysts are lacking." Sell Side | N. A.

"More innovative apps are expected in 2016 (e.g., biometric sensors and big data)." Sell Side | Europe

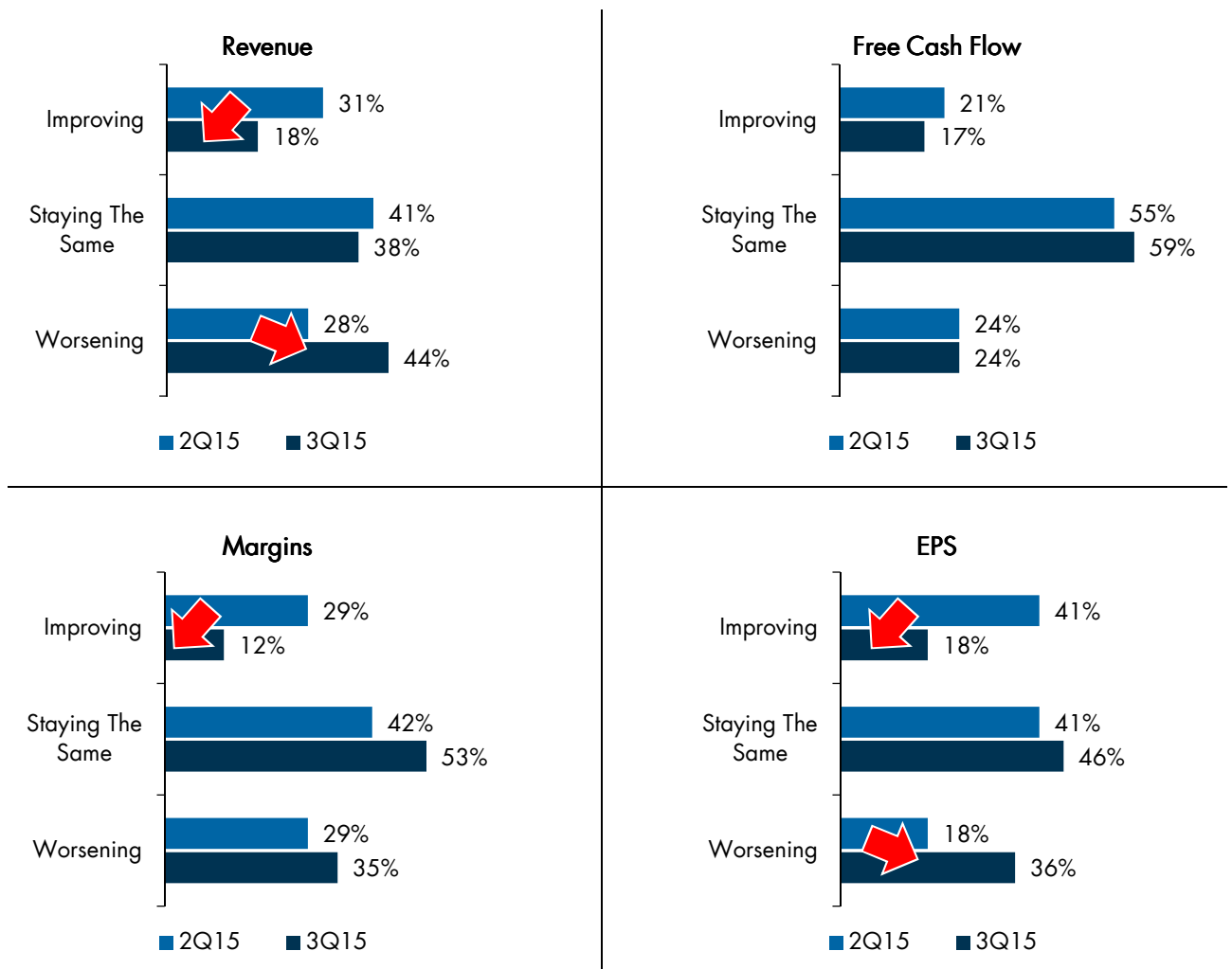
"Valuations are moderately extended; stock selection is key and guidance critical." Buy Side | N. A.

Bearish

"Except for old Tech companies, the sector is vastly overvalued, particularly everything remotely connected with the sharing economy and companies with new business models, which would not have been assigned that name a few years ago." Sell Side | Europe

#2: An Earnings Recession Priced And Expectations Are Seemingly Calibrated

Do You See Key Performance Metrics Improving, Staying The Same Or Worsening?



- While all key performance metrics are expected to deteriorate, the most significant negative shift quarter-to-quarter is in EPS while margins are also seen as coming under pressure; free cash flow generation is expected to remain intact
- China risk contagion is weighing on sentiment, with 91% of the survey group indicating they are *Moderately to Very Concerned*

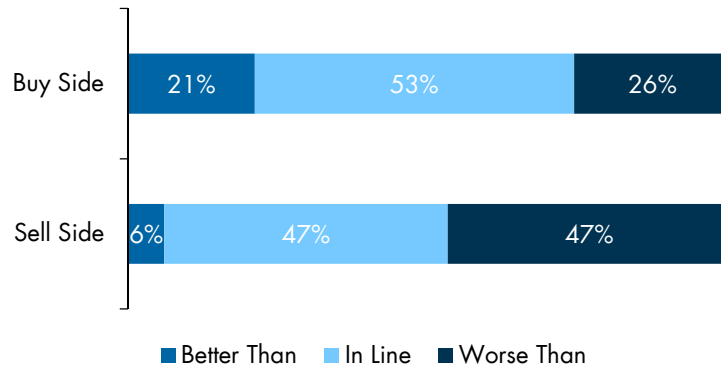
Representative Quotes

"Revenue growth is challenged given the macro but companies are conserving cash to maintain margins and profitability." N. A. | Sell Side

"Less innovation and higher price competitiveness are weighing on margin development." Sell Side | Europe

"Decreasing demand from China and other emerging and commodity-based nations." Europe | Sell Side

What Do You Expect From Techs For 3Q15 Earnings?



- As companies reported 2Q15 results, pockets of weakness emerged, disappointing 35% of survey participants; the majority expect *in line* or *worse than* consensus results this time around

Representative Quotes

Better than

"Investors are too negative." Buy Side | N. A.

"It's an overreaction of estimates to a slightly weaker than expected second quarter." Buy Side | N. A.

In Line

"Recent market volatility has already toned down high expectations." Buy Side | N. A.

"I have low expectations." Buy Side | N. A.

"Foreign exchange and slow global economic growth." Buy Side | Europe

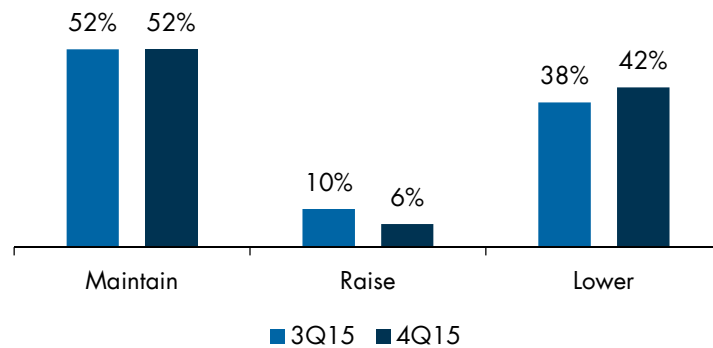
Worse Than

"There are China setbacks and a saturation of the smartphone market." Sell Side | Europe

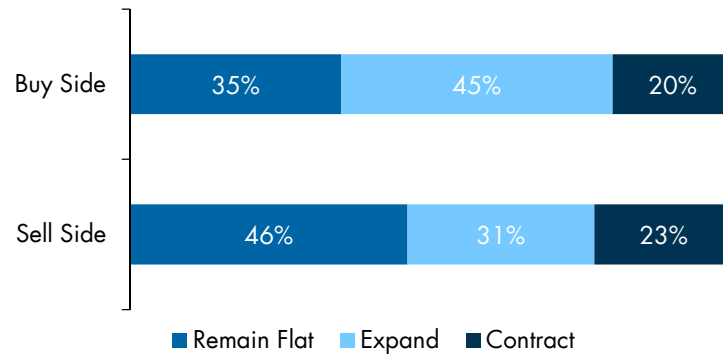
"Weakening global economy and subtle collapse of debt-fueled consumption." Sell Side | Europe

"There is weak enterprise spending." Buy Side | N. A.

Regarding 2015 Guidance Updates, What Do You Expect The Bias To Be?



For The Remainder Of 2015, What Do You Expect Tech Valuations To Do?



- Divergent views on sector performance for the remainder of 2015 exist between the buy side and sell side, with investors exhibiting more optimism despite slowing global growth
- Regional differences are stark; 58% of North America participants expect stocks to rise while European counterparts are cautious, with 33% anticipating a contraction

Representative Quotes

Expand

"Looking for some improvement in 2016." **Sell Side | N. A.**

"Improving market sentiment and recognition of Tech's attractive valuation." **Buy Side | N. A.**

"Q4 seasonal strength combined with weak Q3 earnings will stretch valuations." **Buy Side | N. A.**

Remain Flat

"No reason to expand multiples in a challenging macro environment." **Sell Side | N. A.**

"The key will be company guidance." **Buy Side | N. A.**

Contract

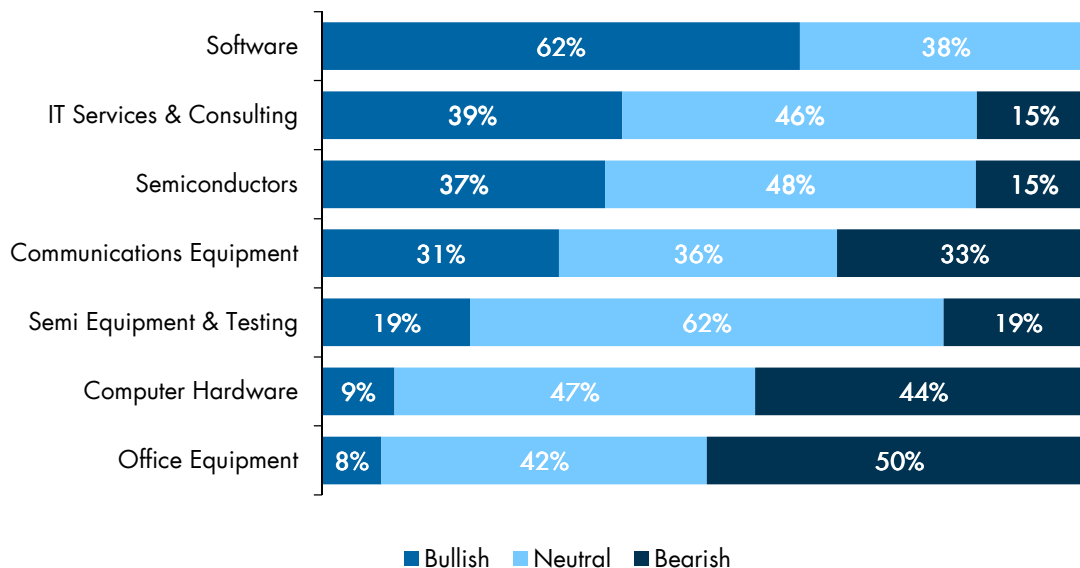
"Currently, Tech is overvalued." **Sell Side | Europe**

"I think valuations are high and debt will only get tighter." Buy Side | Europe

"Bubble." Sell Side | Europe

#3: "Software Is Eating The World", Interesting Shifts In Sentiment Occur, Investors Flock To New Line Companies And GOOG Is The Alpha Bet

How Would You Characterize Your Sentiment On The Following Tech Industries?



- Software continues to capture investor mindshare with little change quarter-to-quarter in sentiment; it is the only vertical boasting no bears
- Semiconductors witness the largest positive shift in sentiment this quarter, with the bulls increasing to 36% from 23% and the bears retracting more than 50% to just 15%
- Computer Hardware sees the biggest negative swing, going from 42% bullish to just 9% while the bears remain largely constant

Representative Quotes

Software

"Software will be ubiquitous." Buy Side | N. A.

"Cloud is dominating, apps are good, and legacy is bad." Buy Side | Asia

IT Services & Consulting

"Public and the finance sector will drive demand." Sell Side | Europe

Communications Equipment

"I'm bullish on optical communications equipment, a little more cautious on other areas." N. A. | Sell Side

Semiconductors

"I see pockets of opportunities while some areas look challenged." **Sell Side | N. A.**

"Enhanced price pressure limits growth." **Sell Side | Europe**

"Unduly beaten up with recent market volatility." **Buy Side | N. A.**

Office Equipment

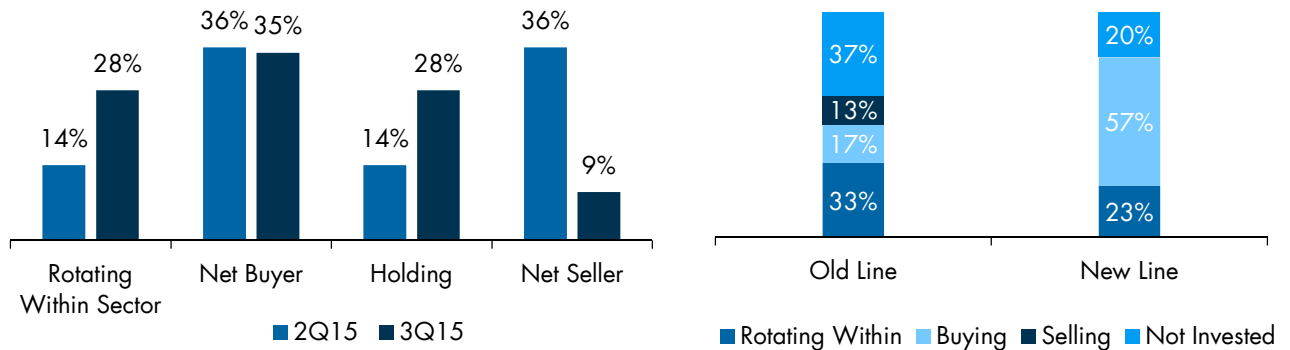
"No big CapEx driver." **Buy Side | Asia**

"People are using offices differently." **Buy Side | N. A.**

Semi Equipment & Testing

"Negative CapEx trends out of Intel, Samsung and TSMC." **Sell Side | N. A.**

How Would You Describe Your Recent Investment Activity?



- The late summer sell-off provided an opportunity for those bullish on tech with 32% of participants citing compelling valuations as a driver for their positive views, up from 11%
- While superior innovation remains the main driver behind investor sentiment (holding steady at 74% QoQ), fewer participants point to "outsized organic growth" as a catalyst (24% vs. 39%)
- The recent mega-merger between Dell and EMC, the biggest ever in Technology, is an illustration of the sector's attractiveness, as 59% find continued consolidation a driving force for their positive outlook and investment thesis, up from 43% last quarter

Representative Quotes

Holding

"Re-ignition of growth in 2016." **Sell Side | Europe**

Net Buyer

"Better growth." **Buy Side | N. A.**

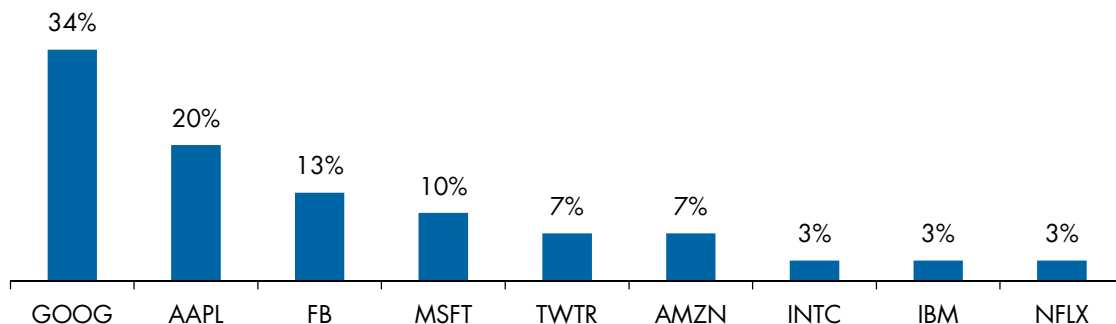
"U.S. exposure with ability to grow EPS in a slow economic environment." **Buy Side | N. A.**

Old Vs. New Line

"Growth stories are great but old tech is awful." **Buy Side | N. A.**

"Old has margin pressures and lacks economies of massive scale." **Buy Side | N. A.**

Which Heavyweights Do You Expect To Outperform On A Relative Basis Through 2015?



- Google's creation of Alphabet appears to be exactly that – a bet on alpha – as the majority see it outperforming other tech heavyweights through year-end; 87% of surveyed contributors characterize their reaction to the organizational announcement *neutral* or *positive*

Representative Quotes

On Apple

"Current sentiment is too bearish." **Sell Side | N. A.**

"Apple has continued with new product launches mostly through 2015 and also have been able to hold overheads nearly constant." **Buy Side | Asia**

"Good growth and attractive valuation." **Buy Side | N. A.**

On Microsoft

"Valuation mildly attractive, new products." **Sell Side | Europe**

On Twitter

"Think people will get excited about initiatives communicated by the new CEO." **Sell Side | N. A.**

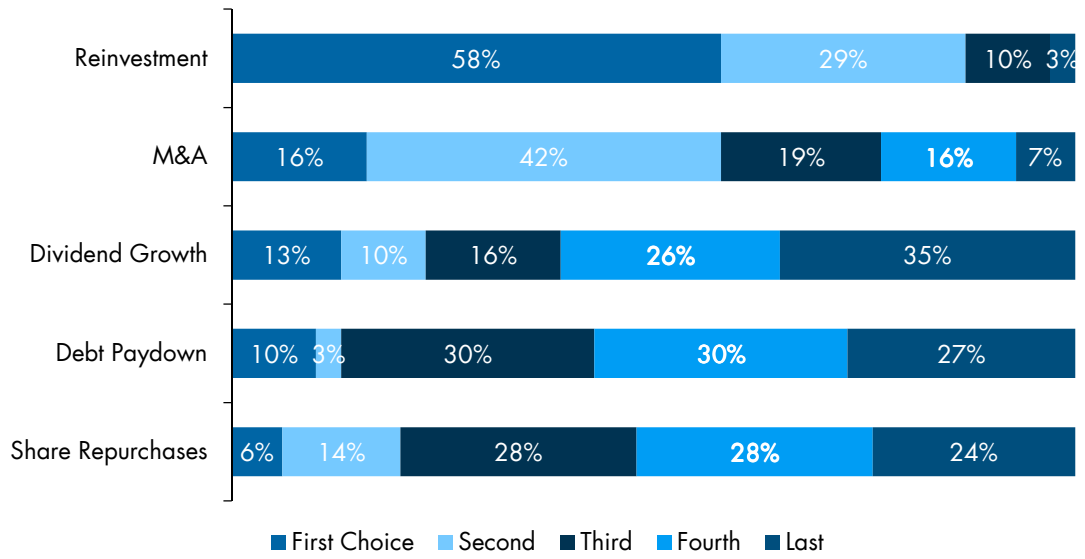
"Sentiment is far too low for an iconic brand." **Buy Side | N. A.**

On IBM

"It's the most oversold name." **Buy Side | N. A.**

#4: Preference For Companies To Generate Or Buy Growth Remains Intact

For Tech Generally, What Is Your Preferred Use Of Excess Cash?



- Reinvestment and M&A activities remain the preferred uses of free cash flow deployment with reinvestment cited as a “Top 3” choice by 97% of the survey group