



## Lodging - US RevPAR -0.1% Y/Y Last Week; Halloween calendar shift impact

As expected, the Halloween calendar shift scared away business travel midweek

### What's Incremental To Our View

Overall U.S. RevPAR was -0.1% Y/Y for the week ending 11/3/2018, per STR, lower than the prior week's result of +5.2%. (2-year stacked RevPAR was -0.5% vs. +11.9% in the prior week.) Independent hotels (about 1/3rd of the data set) were +3.3% y/y. Midscale (+1.7%) was the strongest chain scale for branded hotels; Upscale was the weakest at -3.8%. Upper Midscale (-0.5%) modestly underperformed the industry average. Within Upper Upscale & Luxury class hotels, Group (-4.5% vs. +9.8% prior week) was softer than Transient (+0.5% vs. +3.1% prior week), driven by the Halloween calendar shift.

As expected, last week's results showed the reverse impact of the y/y Halloween calendar shift (Halloween moved to a Wednesday in 2018 vs. Tuesday y/y). The one-day shift to the center of the work week likely reduced corporate travel, both transient and group, for the week (not so dissimilar to what happened with this year's July 4 shift, though not as impactful).

- Day of week results indicated the impact of the calendar shift, with Monday RevPAR at +19.7%, Tuesday +6.2% and then negative results for Wednesday (-22.4%) and Thursday (-7.7%).
- Unsurprisingly, the weakest results were in the corporate oriented chain scales (especially Upper Upscale and Upscale).
- Many major markets had weak results including 2017 hurricane-impacted markets.

*As a rule of thumb when analyzing the weekly data, if Group results are abnormally strong or weak, which they were last week, there is a holiday shift going on.*

Due to the hurricane comparisons, we anticipate continued choppiness of the data for at least the next few weeks followed by a continued harder comp for the 2017 hurricane markets for the next several months.

For the month of October, we estimate that full-service branded domestic hotels (the typical Hilton [HLT, Buy], Hyatt [H, Hold], or Marriott [MAR, Hold] hotel) will finish at approximately +3% (our previous estimate was +2-3%). We estimate that the overall industry will finish approximately +3.5% (our previous estimate was +2.5-3.5%). Please note that reported monthly results include hotels that are not in the weekly data set.

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### What's Inside

Weekly STR results and analysis

**RevPAR details:**

- **Midscale was the strongest chain scale.** Upper Midscale underperformed by 220 bps: Luxury RevPAR (-2.1%), Upper Upscale (-2.6%), Upscale (-3.8%), Upper Midscale (-0.5%), Midscale (+1.7%), and Economy (+1.4%). Independent hotels (+3.3%) outperformed headline U.S. RevPAR.
- **Within Upper Upscale & Luxury class hotels, Group was softer than Transient:** Transient segment (individual business and leisure travelers) RevPAR was +0.5% (vs. +3.1% last week) and Group segment RevPAR was -4.5% (vs. +9.8% last week).
- **Boston (+18.6%) was the strongest of the top five markets:** Chicago (-0.1%), LA (-3.1%), NYC (-0.4%), and DC (-8.3%).
- **Other relevant markets:**
  - **San Francisco was soft:** RevPAR was -3.4% vs. +29.4% last week.
  - **Texas results were down (y/y hurricane comps):** Dallas RevPAR was -5.1% (vs. -3.0% last week). Houston RevPAR was -30.8% (vs. -23.0% last week).
  - **Hurricane-impacted markets in FL were down:** Miami (-3.3% vs. -5.5% last week); Orlando (-13.7% vs. -1.8% last week).

**The stocks: We continue to favor C-Corps over hotel REITs (we favored hotel REITs for the first half of this year). In an environment of low RevPAR growth combined with gradually increasing wages/margin pressures, returns for hotel owners is a major headwind to EBITDA growth.** Hotel stocks, but especially hotel REIT stocks, typically work best when there is a spark to RevPAR growth and at this moment we are not seeing such a spark like we did earlier in the year. **We are more favorable on other sectors at the moment, namely cruise lines.**

- For the C-Corps, HLT and [Playa Hotels](#) (PLYA, Buy) are among some of our favorites and for the hotel REITs, given its opportunities for self-help margin improvement, we prefer Buy-rated Park Hotels & Resorts (PK, Buy). For the rest of the hotel REITs, following the first half outperformance, we struggle to derive any material upside potential to the stocks even when running pro-forma targets with 5% higher EBITDA and giving valuation multiple expansion.
- The (relatively) good news for the hotel REITs is that historically 10 (or less) years into an economic cycle these were stocks that "crashed & burned". At this juncture in our RevPAR intelligence there is nothing to suggest a late cycle "crash & burn" scenario is on the horizon over the next year. Additionally for the hotel REITs, we do not see dividend cuts on the horizon and for 2019 many are heavily exposed to what will likely be the strongest market in the country (San Francisco).

## Weekly RevPAR Summary

YoY % change in RevPAR													
U.S.	Upper		Upper		Upper		Inde-	New	Boston	LA	Chicago	DC	
	Luxury	Upscale	Midscale	Midscale	Economy	Economy	pendent						
9/22/2018	-2.3%	-7.4%	-3.5%	-2.4%	-2.8%	-1.6%	0.0%	-1.7%	-18.7%	0.9%	-0.1%	3.5%	-6.2%
9/29/2018	9.1%	26.5%	10.6%	6.9%	3.4%	2.5%	3.5%	10.3%	31.3%	6.4%	9.5%	19.3%	7.6%
10/6/2018	1.5%	5.9%	1.6%	0.1%	-1.5%	-0.9%	0.7%	2.6%	11.7%	7.2%	-3.4%	3.3%	-0.7%
10/13/2018	0.8%	-1.2%	-0.2%	-0.4%	-0.4%	1.5%	1.4%	2.1%	3.4%	6.5%	3.2%	3.0%	-17.0%
10/20/2018	3.6%	4.8%	2.5%	2.2%	1.7%	2.9%	2.0%	5.3%	3.0%	8.8%	7.3%	11.6%	-9.2%
10/27/2018	5.2%	6.4%	4.4%	3.2%	3.0%	3.3%	3.8%	7.7%	5.9%	11.6%	1.6%	21.7%	0.3%
11/3/2018	-0.1%	-2.1%	-2.6%	-3.8%	-0.5%	1.7%	1.4%	3.3%	-0.4%	18.6%	-3.1%	-0.1%	-8.3%

Some corporate calendar shift due to Halloween

Midscale and Economy led the industry

Boston and Chicago led the Top 5 markets

1Q15	8.0%	6.3%	6.0%	7.0%	8.5%	8.8%	9.2%	8.9%	-4.3%	13.8%	7.7%	11.4%	6.3%	
2Q15	6.5%	5.5%	5.4%	5.9%	6.3%	6.6%	6.7%	7.1%	-1.8%	7.1%	7.4%	11.0%	11.7%	
3Q15	5.9%	4.4%	4.0%	5.7%	5.7%	6.4%	6.1%	6.8%	0.6%	7.1%	11.1%	5.1%	0.3%	
4Q15	4.8%	2.7%	3.8%	4.2%	4.9%	3.7%	4.4%	5.9%	-2.0%	5.3%	8.3%	1.4%	2.1%	
1Q16	2.7%	1.6%	1.9%	2.2%	2.0%	0.0%	1.8%	4.0%	-1.2%	-3.0%	16.6%	-4.8%	3.1%	
2Q16	3.5%	0.8%	2.9%	3.1%	3.2%	3.2%	3.0%	4.2%	-4.5%	1.5%	11.1%	-1.0%	3.5%	
3Q16	3.3%	1.5%	2.5%	2.0%	1.8%	2.5%	3.0%	5.1%	-2.5%	-0.5%	9.3%	1.2%	5.5%	
4Q16	3.2%	1.9%	0.6%	1.2%	2.2%	3.9%	4.4%	5.1%	0.9%	-1.6%	6.9%	3.3%	8.0%	
1Q17	3.4%	2.1%	3.0%	1.0%	2.4%	3.5%	2.6%	5.2%	-1.3%	-1.1%	-2.5%	1.5%	16.1%	
2Q17	2.7%	2.3%	0.6%	0.6%	1.2%	2.4%	3.7%	5.1%	0.2%	4.4%	3.6%	0.8%	0.8%	
3Q17	1.9%	0.5%	-0.7%	0.7%	1.8%	3.5%	2.9%	3.1%	-0.9%	-0.2%	-1.2%	-5.0%	-0.6%	
4Q17	4.2%	4.5%	3.2%	3.8%	3.9%	3.7%	3.7%	4.1%	0.8%	3.7%	4.2%	-2.5%	2.2%	
1Q18	3.5%	6.6%	0.9%	2.2%	3.0%	3.8%	5.3%	3.8%	7.1%	2.6%	2.7%	5.8%	-11.0%	
2Q18	4.0%	4.9%	3.4%	2.8%	3.0%	4.1%	3.1%	4.6%	4.2%	-1.2%	0.6%	4.0%	3.1%	
3Q18	1.7%	3.3%	1.9%	0.8%	-0.5%	0.1%	1.8%	2.2%	0.7%	2.8%	1.3%	7.5%	-3.4%	

	YoY % change in ADR													
	U.S.	Upper Luxury		Upscale	Upscale	Midscale	Midscale	Economy	Inde- pendent	New York	Boston	LA	Chicago	DC
9/22/2018	0.0%	-3.3%	-0.1%	0.5%	0.6%	0.8%	0.5%	0.0%	-15.8%	0.3%	0.7%	3.7%	-1.7%	
9/29/2018	7.3%	18.1%	8.1%	5.3%	3.5%	2.3%	2.6%	7.7%	25.5%	3.5%	5.6%	10.4%	4.0%	
10/6/2018	2.4%	4.7%	1.9%	1.7%	1.1%	0.9%	0.6%	2.9%	7.5%	3.0%	-1.1%	2.3%	-0.6%	
10/13/2018	1.6%	1.0%	1.8%	1.5%	1.2%	1.0%	0.7%	2.3%	2.9%	3.8%	3.6%	3.9%	-12.5%	
10/20/2018	3.2%	5.0%	3.2%	2.9%	2.2%	1.8%	1.1%	4.0%	2.9%	4.0%	4.6%	8.1%	-6.5%	
10/27/2018	4.0%	5.2%	4.9%	3.2%	2.5%	1.6%	2.0%	5.1%	4.3%	8.3%	1.2%	14.1%	-1.2%	
11/3/2018	0.7%	0.2%	0.3%	-0.8%	1.0%	1.2%	0.9%	2.3%	-0.9%	9.2%	-1.6%	0.8%	-3.8%	

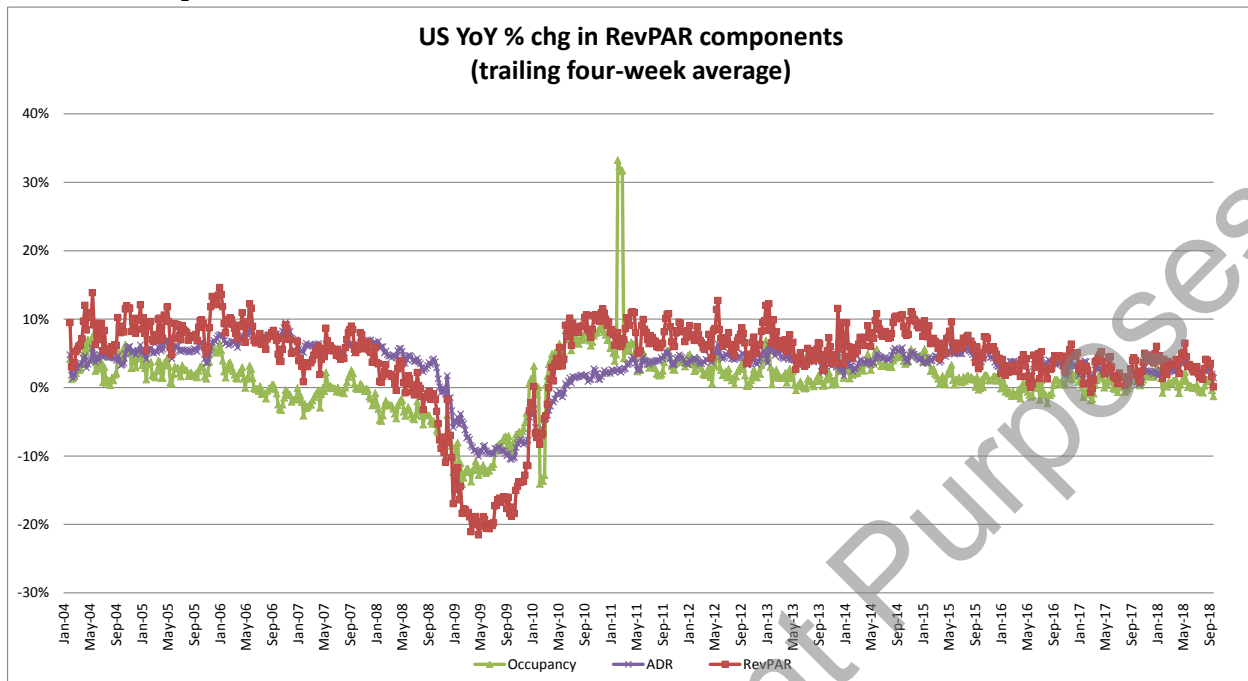
1Q15	4.7%	5.8%	4.7%	5.2%	4.7%	4.7%	5.5%	4.7%	-4.1%	7.3%	6.5%	7.1%	1.7%	
2Q15	4.8%	4.9%	4.8%	5.3%	4.6%	4.3%	5.4%	4.6%	-1.5%	6.8%	7.1%	9.2%	7.9%	
3Q15	4.5%	3.7%	3.6%	5.2%	4.4%	4.6%	5.0%	4.6%	0.3%	7.4%	9.6%	5.3%	-0.1%	
4Q15	3.6%	2.3%	3.0%	3.9%	3.5%	3.0%	4.2%	3.8%	-2.3%	3.9%	6.1%	2.3%	1.0%	
1Q16	3.2%	1.9%	2.7%	3.2%	2.6%	1.7%	3.3%	3.7%	-3.1%	1.4%	11.3%	-1.9%	1.1%	
2Q16	2.9%	1.5%	2.2%	2.9%	2.8%	2.7%	3.4%	3.0%	-3.1%	3.3%	9.4%	0.3%	2.1%	
3Q16	3.4%	1.5%	2.5%	2.7%	2.4%	3.1%	3.6%	4.4%	-2.7%	2.3%	7.5%	1.9%	3.5%	
4Q16	2.6%	2.1%	1.4%	2.2%	2.0%	2.2%	3.2%	3.8%	-1.2%	1.3%	5.8%	3.9%	4.1%	
1Q17	2.5%	2.3%	2.4%	1.3%	1.6%	1.8%	2.4%	3.5%	-2.2%	0.0%	-0.2%	1.7%	13.6%	
2Q17	2.2%	2.2%	1.2%	1.7%	1.5%	2.1%	2.3%	3.5%	-1.5%	4.1%	2.8%	1.5%	2.0%	
3Q17	1.4%	1.4%	0.2%	0.8%	1.2%	1.9%	2.4%	2.2%	-2.0%	0.8%	1.8%	-2.4%	0.0%	
4Q17	2.4%	2.2%	1.9%	1.8%	1.8%	2.5%	3.4%	2.1%	-0.2%	0.8%	4.6%	-2.0%	2.4%	
1Q18	2.5%	4.5%	1.0%	1.7%	2.0%	3.0%	4.0%	3.1%	3.5%	-1.0%	4.0%	1.4%	-9.4%	
2Q18	2.9%	3.5%	2.9%	2.4%	2.1%	2.6%	2.7%	3.1%	3.7%	-0.1%	2.1%	3.3%	2.4%	
3Q18	2.1%	3.3%	2.4%	1.8%	1.2%	1.3%	1.2%	1.9%	1.2%	1.9%	1.1%	6.7%	-0.8%	

	YoY % change in Occupancy														
U.S.	Luxury	Upper Upscale	Upscale	Upper Midscale	Midscale	Economy	Inde- pendent	New York	Boston	LA	Chicago	DC			
9/22/2018	-2.3%	-4.2%	-3.4%	-2.8%	-3.3%	-2.4%	-0.5%	-1.7%	-3.4%	0.6%	-0.8%	-0.1%	-4.5%		
9/29/2018	1.7%	7.1%	2.4%	1.6%	-0.1%	0.2%	0.8%	2.4%	4.7%	2.9%	3.8%	8.1%	3.5%		
10/6/2018	-0.9%	1.1%	-0.4%	-1.6%	-2.6%	-1.7%	0.2%	-0.3%	3.8%	4.1%	-2.3%	0.9%	-0.2%		
10/13/2018	-0.7%	-2.2%	-2.0%	-1.8%	-1.6%	0.5%	0.7%	-0.2%	0.5%	2.6%	-0.4%	-0.8%	-5.1%		
10/20/2018	0.4%	-0.1%	-0.7%	-0.6%	-0.5%	1.0%	0.9%	1.2%	0.1%	4.6%	2.6%	3.3%	-2.8%		
10/27/2018	1.2%	1.2%	-0.5%	0.1%	0.4%	1.6%	1.7%	2.5%	1.5%	3.0%	0.4%	6.7%	1.5%		
11/3/2018	-0.7%	-2.2%	-2.8%	-3.0%	-1.4%	0.6%	0.5%	0.9%	-99.0%	-98.9%	-99.0%	-99.0%	-99.0%		

1Q15	3.1%	0.5%	1.3%	1.7%	3.6%	3.9%	3.5%	4.0%	-0.2%	6.1%	1.1%	4.0%	4.6%	
2Q15	1.6%	0.6%	0.5%	0.6%	1.7%	2.2%	1.3%	2.3%	-0.3%	0.3%	0.3%	1.7%	3.5%	
3Q15	1.4%	0.6%	0.4%	0.5%	1.3%	1.8%	1.0%	2.1%	0.2%	-0.3%	1.3%	-0.1%	0.4%	
4Q15	1.2%	0.4%	0.8%	0.2%	1.3%	0.6%	0.2%	2.1%	0.3%	1.4%	2.0%	-0.9%	1.1%	
1Q16	-0.5%	-0.3%	-0.8%	-0.9%	-0.6%	-1.7%	-1.5%	0.3%	2.0%	-4.3%	4.7%	-3.0%	2.0%	
2Q16	0.6%	-0.7%	0.7%	0.2%	0.4%	0.5%	-0.4%	1.2%	-1.4%	-1.7%	1.5%	-1.4%	1.3%	
3Q16	0.0%	0.0%	-0.1%	-0.6%	-0.6%	-0.6%	-0.6%	0.7%	0.3%	-2.8%	1.7%	-0.7%	1.9%	
4Q16	0.6%	-0.2%	-0.8%	-1.0%	0.2%	1.7%	1.2%	1.2%	2.2%	-2.8%	1.0%	-0.5%	3.7%	
1Q17	0.9%	-0.2%	0.6%	-0.3%	0.7%	1.6%	0.2%	1.6%	1.0%	-1.1%	-2.4%	-0.2%	2.2%	
2Q17	0.5%	0.1%	-0.6%	-1.1%	-0.3%	0.4%	1.4%	1.6%	1.7%	0.3%	0.8%	-0.7%	-1.2%	
3Q17	0.5%	-0.9%	-0.9%	-0.1%	0.6%	1.6%	0.5%	0.9%	1.1%	-1.0%	-2.9%	-2.7%	-0.5%	
4Q17	1.8%	2.2%	1.3%	2.0%	2.1%	1.2%	0.3%	2.0%	1.0%	2.8%	-0.3%	-0.5%	-0.2%	
1Q18	0.9%	2.1%	0.0%	0.5%	1.1%	0.9%	1.3%	0.7%	3.5%	3.7%	-1.3%	4.4%	-1.8%	
2Q18	1.1%	1.3%	0.5%	0.4%	0.9%	1.5%	0.4%	1.5%	0.5%	-1.1%	-1.4%	0.7%	0.7%	
3Q18	-0.4%	0.0%	-0.5%	-1.0%	-1.7%	-1.1%	0.5%	0.3%	-0.5%	0.9%	0.2%	0.7%	-2.6%	

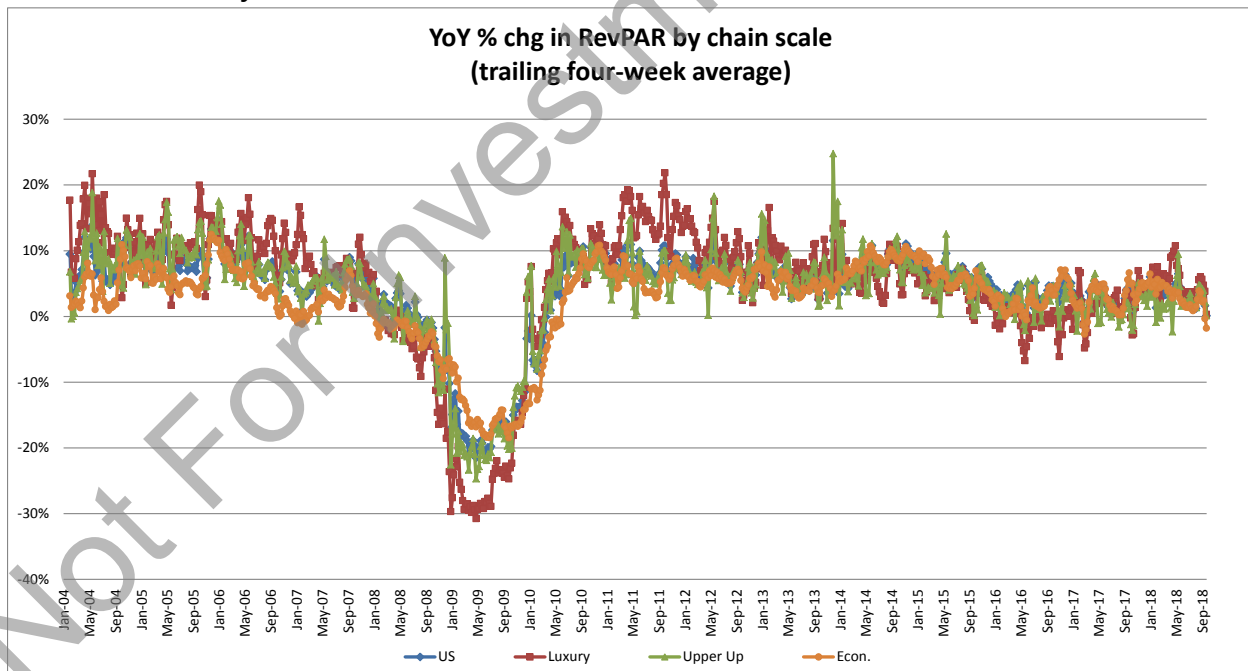
Source: STR data, STRH research

### RevPAR Component Trends



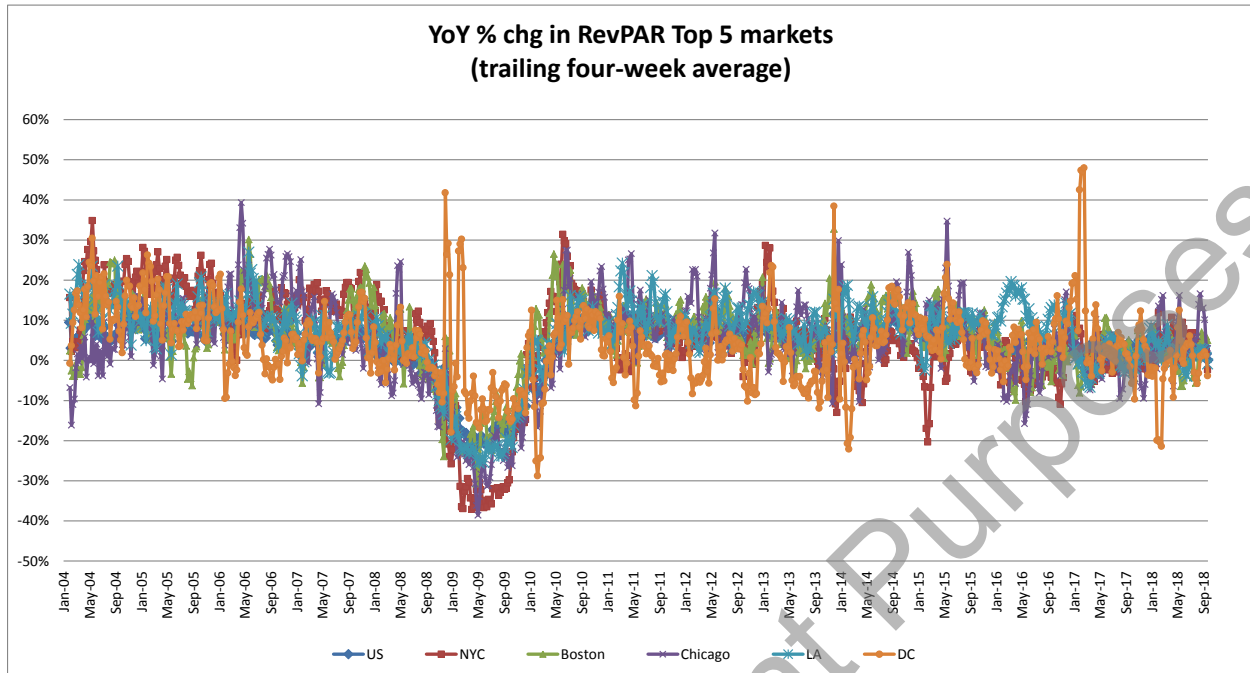
Source: STR data, STRH research

### RevPAR Trends by Chain Scale



Source: STR data, STRH research

## RevPAR Trends by Market



Source: STR data, STRH research

## Price Target/Risks Summary

Lodging	TKR	Price 11/6/18	Rating	PT*	% upside down- side	2019E EBITDA (\$M)	Target EV/EBITDA Multiple	Risks
Chesapeake Lodging Trust	CHSP	\$29.40	Hold	\$27	-8%	\$187	12.0X	Upside risk: improvement in NY and Chicago markets Downside risk: softening of RevPAR trends in Boston or SF. Slowdown in real estate lending.
Choice Hotels	CHH	\$75.60	Hold	\$86	14%	\$365	15.0X	Upside risk: conservative guidance. Downside risk: slowdown in development opportunities.
DiamondRock Hospitality	DRH	\$10.16	Hold	\$12	18%	\$267	12.0X	Upside risk: specific markets (esp. NYC) perform better than expected. Downside risk: company unable to locate properties to buy.
Host Hotels & Resorts	HST	\$18.50	Hold	\$21	14%	\$1,498	12.5X	Upside risk: the company increases dividends by more than expected; NYC outperforms or is sold down at attractive multiples. Downside risk: Group underperforms. NYC hotels underperform and asset sales do not happen.
Hyatt Hotels	H	\$70.16	Hold	\$78	11%	\$797	13.3X	Upside risk: Transient and group trends outperform expectations Downside risk: ongoing misexecution and volatility.
Bluegreen Vacations Corporation	BXG	\$11.84	Hold	\$18	52%	\$161	8.1X	Downside risk: 3rd party induced defaults worsen. Middle market customers underperform.
Hilton Grand Vacations	HGV	\$29.90	Buy	\$46	54%	\$476	11.4X	Downside risk: Disruption in a major market (HGV more concentrated than peers), issues with Japanese customer (HGV more exposed than peers), difficulty sourcing additional fee-for-service inventory deals
Hilton	HLT	\$70.59	Buy	\$88	25%	\$2,267	14.9X	Downside risk: overhang from remaining big sponsor ownership, slowing pipeline
LaSalle Hotel Properties	LHO	\$33.08	Hold	\$32	-3%	\$323	12.5X	Upside risk: ability to increase dividend. Downside risk: heavy D.C. exposure.
Marriott International	MAR	\$114.55	Hold	\$125	9%	\$0	14.9X	Upside Risk: Significant U.S. macroeconomic improvement results in large recovery in transient corporate demand (and consequential >400 bps RevPAR improvement). Owned assets sell for premium prices relative to MAR expectations. Downside Risk: 2018 is a recession year in the US. Geopolitical and policy risks negatively impact lodging demand.
Marriott Vacations	VAC	\$96.20	Buy	\$146	51%	\$789	11.2X	Downside risk: M&A story fades and multiples revert to historical levels
Park Hotels & Resorts	PK	\$29.65	Buy	\$34	15%	\$779	12.5X	Downside risk: Significant supply growth and macroeconomic challenges/shocks.
Playa Hotels & Resorts	PLYA	\$9.11	Buy	\$14	54%	\$178	11.5X	Downside risk: demand shock, hurricanes, inability to complete 2021 growth initiatives, country-specific risks (emerging market portfolio) Upside risk: RevPAR reaccelerates due to macroeconomic improvements, leading to estimate revisions and multiple expansion.
RLJ Lodging Trust	RLJ	\$19.22	Hold	\$21	9%	\$524	11.5X	Downside risk: Significant supply growth, struggle to source deals/lower leverage, macroeconomic challenges/demand shocks.
Ryman Hospitality Properties	RHP	\$74.08	Hold	\$78	5%	\$471	12.3X	Upside risk: recovering group demand better than expected, better margin recovery. Downside risk: booking issues stickier than expected.
Sunstone Hotel Investors	SHO	\$14.62	Hold	\$15	3%	\$320	12.0X	Upside risk: Recovery of corporate demand in SHO's markets. Above average group bookings in Orlando and Boston Park Plaza post-meeting space expansions. Downside risk: Weaker than expected demand trends following capital investment projects.
Wyndham Destinations	WYND	\$43.34	Buy	\$62	43%	\$1,003	9.3X	Downside risk: The timeshare business is especially vulnerable to economic softness. There are potential execution risks post the spin off.
Wyndham Hotels & Resorts	WH	\$48.23	Buy	\$66	37%	\$657	13.0X	Downside risk: Slowdown in development opportunities. La Quinta synergies below expectations.
* All of our Lodging price targets are derived by applying a target EV/EBITDA multiple to our estimate for 2019 EBITDA								
					% upside/ downside	Target		

Source: FactSet, STRH research

### Companies Mentioned in This Note

**Bluegreen Vacations Corporation** (BXG, \$11.84, Hold, )  
**Choice Hotels International, Inc.** (CHH, \$75.60, Hold, )  
**Chesapeake Lodging Trust** (CHSP, \$29.40, Hold, )  
**DiamondRock Hospitality Company** (DRH, \$10.16, Hold, )  
**Hyatt Hotels Corporation** (H, \$70.16, Hold, )  
**Hilton Grand Vacations Inc.** (HGV, \$29.90, Buy, )  
**Hilton Worldwide Holdings Inc.** (HLT, \$70.59, Buy, )  
**Host Hotels & Resorts, Inc.** (HST, \$18.50, Hold, )  
**LaSalle Hotel Properties** (LHO, \$33.08, Hold, )  
**Marriott International, Inc.** (MAR, \$114.55, Hold, )  
**Park Hotels & Resorts Inc.** (PK, \$29.65, Buy, )  
**Playa Hotels & Resorts N.V.** (PLYA, \$9.11, Buy, )  
**Ryman Hospitality Properties, Inc.** (RHP, \$74.08, Hold, )  
**RLJ Lodging Trust** (RLJ, \$19.22, Hold, )  
**Sunstone Hotel Investors, Inc.** (SHO, \$14.62, Hold, )  
**Marriott Vacations Worldwide Corporation** (VAC, \$96.20, Buy, )  
**Wyndham Hotels & Resorts, Inc.** (WH, \$48.23, Buy, )  
**Wyndham Destinations, Inc.** (WYND, \$43.34, Buy, )

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I, C. Patrick Scholes, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

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S = Sell

D = Drop Coverage

CS = Coverage Suspended

NR = Not Rated

I = Initiate Coverage

T = Transfer Coverage

**The prior rating system until Oct. 7, 2016:**

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· Buy – total return  $\geq$  15% (10% for low-Beta securities)\*\*\*

· Reduce – total return  $\leq$  negative 10% (5% for low Beta securities)

· Neutral – total return is within the bounds above

· NR – NOT RATED, STRH does not provide equity research coverage

· CS – Coverage Suspended

\*Total return (price appreciation + dividends); \*\*Price targets are within a 12-month period, unless otherwise noted; \*\*\*Low Beta defined as securities with an average Beta of 0.8 or less, using Bloomberg's 5-year average

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