

## Utes Are Doing Well; Now What?

### Summary

For the first trading week of 2016, utilities are up 600 bps relative to the S&P 500. This continues the trend that began in earnest beginning in early December and highlighted in our report *"Let's Not Miss the Forest though the Trees"* (pub. 12/01/15) reaffirming our relative Overweight sector view. We think the relative trend continues.

### Key Points

**Ute stock performance continues to impress:** Since December 1, 2015, the benchmark Philadelphia UTY Index has outperformed the S&P500 (SPX) by 990 bps. Following the Fed rate hike in mid-December, the UTY is up an impressive 800 bps relative to the SPX. On an absolute basis, the UTY is up fractionally over each period. Notable outliers since the Fed hike: EXC (+5.2%); ED (+3.4%), D (+2.9%) and AEP (+2.2%). Conversely, the California names, SRE, EIX, and PCG are the laggards, down 8.7%, 4.2%, and 4.0%, respectively. The ongoing Aliso Canyon methane leak, and the potential for still unquantifiable financial impact, is driving SRE performance. We note that only one utility stock, SRE, has underperformed the SPX. Further, all the IPPs have outperformed the SPX since the Fed hike.

**Can this relative Outperformance continue?** We believe the answer is Yes. More and more market prognosticators are now describing the economic situation as challenging, and some have gone so far as to predict recession. Our evaluation of utility performance heading into recessionary periods shows that the utility sector outperforms the broader market by upper teens/low 20s percentages beginning a year out. If we are headed that direction, recent utility share performance suggests there is still more room to run.

**How to play it?** We remain positively biased with Buy recommendations on AEP, NEE, PCG, and WEC, and while there isn't enough upside to warrant a Buy recommendation, ED, EIX, and ES are all worth a close look. Mega-caps DUK and SO will be turned to given their liquidity and 4.65% yields, but we caution that both have their various "puts" and "takes that investors need to remain cognizant of. And remember, with most utilities projecting 4-6% EPS growth and paying a roughly 4% yield, total return potential of approximately 8-10% is attractive, especially since one doesn't need to go out on the risk curve to produce such returns.

Company	Symbol	Price (1/08)	Rating			PT
			Prior	Curr	PT	
8point3 Energy Partners LP	CAFD	\$16.53	-	Buy	\$21.00	
American Electric Power Company, Inc.	AEP	\$58.26	-	Buy	\$65.00	
Consolidated Edison, Inc.	ED	\$66.43	-	Neutral	\$66.00	
Duke Energy	DUK	\$71.04	-	Neutral	\$75.00	
Edison International	EIX	\$58.28	-	Neutral	\$60.00	
Entergy Corp	ETR	\$67.52	-	Neutral	\$67.50	
Eversource Energy	ES	\$50.82	-	Neutral	\$52.00	
NextEra Energy, Inc.	NEE	\$105.17	-	Buy	\$125.00	
NextEra Energy Partners LP	NEP	\$28.08	-	Buy	\$47.00	
PG&E Corporation	PCG	\$52.06	-	Buy	\$56.00	
Pinnacle West Capital Corporation	PNW	\$64.02	-	Neutral	\$60.00	
SCANA Corporation	SCG	\$60.70	-	Neutral	\$56.00	
TECO Energy, Inc.	TE	\$26.68	-	Neutral	\$27.50	
The Southern Company	SO	\$46.62	-	Neutral	\$45.00	
WEC Energy Group	WEC	\$51.47	-	Buy	\$54.00	

Source: Bloomberg and Mizuho Securities USA

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## Price Performance – An Overview

The following Exhibit summarizes the price performance for the electric utility sector through Friday, January 8, 2016, and since November 30, 2015.

### Exhibit 1: Summary Performance, Dec 1 to present

Company Name	TKR	Closing Prices					2016 YTD	Since Fed Hike	Day Prior to Fed Hike	Since 11/30/2015
		1/8/2016	12/31/2015	12/16/2015	12/15/2015	11/30/2015				
Philadelphia UTY	UTY	547.09	547.09	543.40	529.47	534.93	0.0%	0.7%	3.3%	2.3%
Sector Spider ETF	XLU	43.11	43.28	43.40	42.33	42.82	-0.4%	-0.7%	1.8%	0.7%
S&P Electrics	S5ELUT	246.63	247.30	244.96	238.91	240.29	-0.3%	0.7%	3.2%	2.6%
S&P 500	SPX	1,922.03	2,043.94	2,073.07	2,043.41	2,080.41	-6.0%	-7.3%	-5.9%	-7.6%
<b>Relative Performance (UTY v SPX)</b>							<b>6.0%</b>	<b>8.0%</b>	<b>9.3%</b>	<b>9.9%</b>
<b>Select Metrics - Utilities only</b>										
Max							3.4%	10.0%	13.8%	21.3%
Min							-6.6%	-8.7%	-5.4%	-11.5%
Median							-0.7%	0.0%	2.7%	1.3%
Average							-0.7%	0.2%	2.6%	1.7%

Source: Bloomberg, Mizuho Securities USA Inc.

## How Utilities Perform in Defensive Environments

Our work indicates that Utilities outperform leading into recessions beginning one year prior to the start of recession and underperform as the economy recovers. While we're not one to predict, nor will we, that a recession is forthcoming, there are enough signs that there will be hiccups along the way, which augurs well for the sector.

### Exhibit 2: Utilities and Recessions

	Average of Past Three Recessions			Hypothetical Recession <sup>(1)</sup>		
	S&P Electrics	UTY Index	S&P 500	S&P Electrics	UTY Index	S&P 500
1-year prior	22.8%	18.3%	-5.4%	-5.9%	-6.6%	-1.1%
6 months prior	2.7%	1.5%	-4.4%	-1.5%	-2.9%	-3.0%
3 months prior	3.3%	2.1%	-2.8%	3.9%	1.8%	3.6%
1 month prior	1.1%	0.5%	-2.6%	0.8%	-0.7%	-1.7%
During	-15.0%	-13.9%	-11.3%			
1 month post	1.7%	2.5%	2.7%			
3 months post	-1.4%	0.5%	3.7%			
6 months post	5.6%	7.3%	6.1%			
1-year post	-6.4%	-5.0%	0.6%			

<sup>(1)</sup> Presumes recession began December 31, 2015

Source: Bloomberg, Mizuho Securities USA Inc.

**Exhibit 3: Price Performance - Alphabetical**

Company Name	TKR	Closing Prices					2016 YTD	Since Fed Hike	Day Prior to Fed Hike	Since 11/30/2015
		1/8/2016	12/31/2015	12/16/2015	12/15/2015	11/30/2015				
<b>IPPs</b>										
AES Corp	AES	\$9.13	\$9.57	\$9.37	\$9.25	\$9.99	-4.6%	-2.6%	-1.3%	-8.6%
Calpine	CPN	14.53	14.47	12.69	12.44	14.78	0.4%	14.5%	16.8%	-1.7%
Covanta	CVA	15.15	15.49	15.85	14.90	16.15	-2.2%	-4.4%	1.7%	-6.2%
Dynegy	DYN	13.09	13.40	10.29	10.37	16.12	-2.3%	27.2%	26.2%	-18.8%
NRG Energy	NRG	11.34	11.77	9.64	9.28	12.36	-3.7%	17.6%	22.2%	-8.3%
Talen Energy	TLN	6.34	6.23	6.19	6.01	7.79	1.8%	2.4%	5.5%	-18.6%
<b>Average</b>							<b>-1.8%</b>	<b>9.1%</b>	<b>11.8%</b>	<b>-10.4%</b>
<b>Median</b>							<b>-2.3%</b>	<b>8.5%</b>	<b>11.1%</b>	<b>-8.4%</b>
<b>Utilities (Regulated and Integrated)</b>										
Allele	ALE	\$49.86	\$50.83	\$50.49	\$49.63	\$50.95	-1.9%	-1.2%	0.5%	-2.1%
Alliant	LNT	61.96	62.45	60.76	59.31	60.19	-0.8%	2.0%	4.5%	2.9%
Ameren	AEE	43.51	43.23	43.00	41.94	43.76	0.6%	1.2%	3.7%	-0.6%
American Electric Power	AEP	58.26	58.27	57.01	56.04	56.01	0.0%	2.2%	4.0%	4.0%
Avista Corp	AVA	35.11	35.37	35.41	34.18	34.61	-0.7%	-0.8%	2.7%	1.4%
Black Hills	BKH	47.46	46.43	43.15	41.69	42.92	2.2%	10.0%	13.8%	10.6%
Centerpoint	CNP	17.81	18.36	17.60	16.89	16.95	-3.0%	1.2%	5.4%	5.1%
Cleco	CNL	51.84	52.21	51.84	51.77	50.11	-0.7%	0.0%	0.1%	3.5%
CMS Energy	CMS	36.10	36.08	36.23	35.22	35.02	0.1%	-0.4%	2.5%	3.1%
Consolidated Edison	ED	66.43	64.27	64.22	62.67	62.15	3.4%	3.4%	6.0%	6.9%
Dominion Resources	D	69.52	67.64	67.57	66.15	67.37	2.8%	2.9%	5.1%	3.2%
DTE Energy	DTE	78.38	80.19	80.89	79.12	80.49	-2.3%	-3.1%	-0.9%	-2.6%
Duke Energy	DUK	71.04	71.39	70.03	68.84	67.76	-0.5%	1.4%	3.2%	4.8%
Edison International	EIX	58.28	59.21	60.85	59.63	59.36	-1.6%	-4.2%	-2.3%	-1.8%
El Paso Electric	EE	38.22	38.50	37.28	36.59	38.65	-0.7%	2.5%	4.5%	-1.1%
Empire District Electric	EDE	27.61	28.07	26.70	25.97	22.77	-1.6%	3.4%	6.3%	21.3%
Entergy	ETR	67.52	68.36	67.13	65.22	66.63	-1.2%	0.6%	3.5%	1.3%
Eversource Energy	ES	50.82	51.07	51.15	49.72	50.95	-0.5%	-0.6%	2.2%	-0.3%
Exelon	EXC	27.82	27.77	26.44	25.65	27.31	0.2%	5.2%	8.5%	1.9%
First Energy	FE	31.59	31.73	31.64	31.13	31.39	-0.4%	-0.2%	1.5%	0.6%
Great Plains	GXP	27.00	27.31	27.06	26.43	26.99	-1.1%	-0.2%	2.2%	0.0%
Hawaiian Electric	HE	28.78	28.95	29.11	28.31	28.58	-0.6%	-1.1%	1.7%	0.7%
IdaCorp	IDA	67.28	68.00	68.97	67.55	68.04	-1.1%	-2.5%	-0.4%	-1.1%
ITC Holdings	ITC	39.69	39.25	37.85	37.62	36.88	1.1%	4.9%	5.5%	7.6%
Madison Gas & Electric	MGEE	45.72	46.40	45.30	44.17	43.47	-1.5%	0.9%	3.5%	5.2%
NextEra Energy, Inc.	NEE	105.17	103.89	103.65	98.72	99.86	1.2%	1.5%	6.5%	5.3%
NISource	NI	19.47	19.51	19.31	18.71	19.19	-0.2%	0.8%	4.1%	1.5%
Northwestern	NWE	52.81	54.25	54.88	53.49	54.53	-2.7%	-3.8%	-1.3%	-3.2%
OGE Corp	OGE	25.51	26.29	25.48	24.90	26.11	-3.0%	0.1%	2.4%	-2.3%
Otter Tail Power	OTTR	26.23	26.63	26.57	26.00	26.63	-1.5%	-1.3%	0.9%	-1.5%
Pepco Holdings	POM	25.75	26.01	26.45	26.25	25.67	-1.0%	-2.6%	-1.9%	0.3%
PG&E Corp	PCG	52.06	53.19	54.23	52.70	52.73	-2.1%	-4.0%	-1.2%	-1.3%
Pinnacle West	PNW	64.02	64.48	63.62	62.06	63.36	-0.7%	0.6%	3.2%	1.0%
PNM Resources	PNM	30.79	30.57	29.56	28.94	29.00	0.7%	4.2%	6.4%	6.2%
Portland General Electric	POR	35.94	36.37	37.28	36.59	36.92	-1.2%	-3.6%	-1.8%	-2.7%
PPL Corp	PPL	33.39	34.13	33.83	33.26	34.04	-2.2%	-1.3%	0.4%	-1.9%
Pub Svc Ent Group	PEG	38.42	38.69	38.30	37.11	39.10	-0.7%	0.3%	3.5%	-1.7%
Scana	SCG	60.70	60.49	61.10	59.38	59.14	0.3%	-0.7%	2.2%	2.6%
Sempra Energy	SRE	87.83	94.01	96.25	92.80	99.23	-6.6%	-8.7%	-5.4%	-11.5%
Southern Company	SO	46.62	46.79	46.33	45.41	44.54	-0.4%	0.6%	2.7%	4.7%
TECO Energy	TE	26.68	26.65	26.87	26.81	26.32	0.1%	-0.7%	-0.5%	1.4%
Vectren	VVC	41.88	42.42	42.03	40.68	42.57	-1.3%	-0.4%	2.9%	-1.6%
WEC Energy Group	WEC	51.47	51.31	51.22	49.92	49.32	0.3%	0.5%	3.1%	4.4%
Westar Energy	WR	42.09	42.41	42.24	41.23	42.68	-0.8%	-0.4%	2.1%	-1.4%
Xcel Energy	XEL	36.18	35.91	36.42	35.57	35.66	0.8%	-0.7%	1.7%	1.5%
<b>Average</b>							<b>-0.7%</b>	<b>0.2%</b>	<b>2.6%</b>	<b>1.7%</b>
<b>Median</b>							<b>-0.7%</b>	<b>0.0%</b>	<b>2.7%</b>	<b>1.3%</b>

Source: Company reports, Mizuho Securities USA Inc.

**Exhibit 4: Price Performance – Sorted (2016 YTD)**

Company Name	TKR	Closing Prices					2016 YTD	Since Fed Hike	Day Prior to Fed Hike	Since 11/30/2015
		1/8/2016	12/31/2015	12/16/2015	12/15/2015	11/30/2015				
<b>IPPs</b>										
Talen Energy	TLN	\$6.34	\$6.23	\$6.19	\$6.01	\$7.79	1.8%	2.4%	5.5%	-18.6%
Calpine	CPN	14.53	14.47	12.69	12.44	14.78	0.4%	14.5%	16.8%	-1.7%
Covanta	CVA	15.15	15.49	15.85	14.90	16.15	-2.2%	-4.4%	1.7%	-6.2%
Dynegy	DYN	13.09	13.40	10.29	10.37	16.12	-2.3%	27.2%	26.2%	-18.8%
NRG Energy	NRG	11.34	11.77	9.64	9.28	12.36	-3.7%	17.6%	22.2%	-8.3%
AES Corp	AES	9.13	9.57	9.37	9.25	9.99	-4.6%	-2.6%	-1.3%	-8.6%
<b>Average</b>							<b>-1.8%</b>	<b>9.1%</b>	<b>11.8%</b>	<b>-10.4%</b>
<b>Median</b>							<b>-2.3%</b>	<b>8.5%</b>	<b>11.1%</b>	<b>-8.4%</b>
<b>Utilities (Regulated and Integrated)</b>										
Consolidated Edison	ED	\$66.43	\$64.27	\$64.22	\$62.67	\$62.15	3.4%	3.4%	6.0%	6.9%
Dominion Resources	D	69.52	67.64	67.57	66.15	67.37	2.8%	2.9%	5.1%	3.2%
Black Hills	BKH	47.46	46.43	43.15	41.69	42.92	2.2%	10.0%	13.8%	10.6%
NextEra Energy, Inc.	NEE	105.17	103.89	103.65	98.72	99.86	1.2%	1.5%	6.5%	5.3%
ITC Holdings	ITC	39.69	39.25	37.85	37.62	36.88	1.1%	4.9%	5.5%	7.6%
Xcel Energy	XEL	36.18	35.91	36.42	35.57	35.66	0.8%	-0.7%	1.7%	1.5%
PNM Resources	PNM	30.79	30.57	29.56	28.94	29.00	0.7%	4.2%	6.4%	6.2%
Ameren	AEE	43.51	43.23	43.00	41.94	43.76	0.6%	1.2%	3.7%	-0.6%
Scana	SCG	60.70	60.49	61.10	59.38	59.14	0.3%	-0.7%	2.2%	2.6%
WEC Energy Group	WEC	51.47	51.31	51.22	49.92	49.32	0.3%	0.5%	3.1%	4.4%
Exelon	EXC	27.82	27.77	26.44	25.65	27.31	0.2%	5.2%	8.5%	1.9%
TECO Energy	TE	26.68	26.65	26.87	26.81	26.32	0.1%	-0.7%	-0.5%	1.4%
CMS Energy	CMS	36.10	36.08	36.23	35.22	35.02	0.1%	-0.4%	2.5%	3.1%
American Electric Power	AEP	58.26	58.27	57.01	56.04	56.01	0.0%	2.2%	4.0%	4.0%
NiSource	NI	19.47	19.51	19.31	18.71	19.19	-0.2%	0.8%	4.1%	1.5%
Southern Company	SO	46.62	46.79	46.33	45.41	44.54	-0.4%	0.6%	2.7%	4.7%
First Energy	FE	31.59	31.73	31.64	31.13	31.39	-0.4%	-0.2%	1.5%	0.6%
Eversource Energy	ES	50.82	51.07	51.15	49.72	50.95	-0.5%	-0.6%	2.2%	-0.3%
Duke Energy	DUK	71.04	71.39	70.03	68.84	67.76	-0.5%	1.4%	3.2%	4.8%
Hawaiian Electric	HE	28.78	28.95	29.11	28.31	28.58	-0.6%	-1.1%	1.7%	0.7%
Pub Svc Ent Group	PEG	38.42	38.69	38.30	37.11	39.10	-0.7%	0.3%	3.5%	-1.7%
Cleco	CNL	51.84	52.21	51.84	51.77	50.11	-0.7%	0.0%	0.1%	3.5%
Pinnacle West	PNW	64.02	64.48	63.62	62.06	63.36	-0.7%	0.6%	3.2%	1.0%
El Paso Electric	EE	38.22	38.50	37.28	36.59	38.65	-0.7%	2.5%	4.5%	-1.1%
Avista Corp	AVA	35.11	35.37	35.41	34.18	34.61	-0.7%	-0.8%	2.7%	1.4%
Westar Energy	WR	42.09	42.41	42.24	41.23	42.68	-0.8%	-0.4%	2.1%	-1.4%
Alliant	LNT	61.96	62.45	60.76	59.31	60.19	-0.8%	2.0%	4.5%	2.9%
Pepco Holdings	POM	25.75	26.01	26.45	26.25	25.67	-1.0%	-2.6%	-1.9%	0.3%
IdaCorp	IDA	67.28	68.00	68.97	67.55	68.04	-1.1%	-2.5%	-0.4%	-1.1%
Great Plains	GXP	27.00	27.31	27.06	26.43	26.99	-1.1%	-0.2%	2.2%	0.0%
Portland General Electric	POR	35.94	36.37	37.28	36.59	36.92	-1.2%	-3.6%	-1.8%	-2.7%
Entergy	ETR	67.52	68.36	67.13	65.22	66.63	-1.2%	0.6%	3.5%	1.3%
Vectren	VVC	41.88	42.42	42.03	40.68	42.57	-1.3%	-0.4%	2.9%	-1.6%
Madison Gas & Electric	MGEE	45.72	46.40	45.30	44.17	43.47	-1.5%	0.9%	3.5%	5.2%
Otter Tail Power	OTTR	26.23	26.63	26.57	26.00	26.63	-1.5%	-1.3%	0.9%	-1.5%
Edison International	EIX	58.28	59.21	60.85	59.63	59.36	-1.6%	-4.2%	-2.3%	-1.8%
Empire District Electric	EDE	27.61	28.07	26.70	25.97	22.77	-1.6%	3.4%	6.3%	21.3%
Allete	ALE	49.86	50.83	50.49	49.63	50.95	-1.9%	-1.2%	0.5%	-2.1%
PG&E Corp	PCG	52.06	53.19	54.23	52.70	52.73	-2.1%	-4.0%	-1.2%	-1.3%
PPL Corp	PPL	33.39	34.13	33.83	33.26	34.04	-2.2%	-1.3%	0.4%	-1.9%
DTE Energy	DTE	78.38	80.19	80.89	79.12	80.49	-2.3%	-3.1%	-0.9%	-2.6%
Northwestern	NWE	52.81	54.25	54.88	53.49	54.53	-2.7%	-3.8%	-1.3%	-3.2%
OGE Corp	OGE	25.51	26.29	25.48	24.90	26.11	-3.0%	0.1%	2.4%	-2.3%
Centerpoint	CNP	17.81	18.36	17.60	16.89	16.95	-3.0%	1.2%	5.4%	5.1%
Sempra Energy	SRE	87.83	94.01	96.25	92.80	99.23	-6.6%	-8.7%	-5.4%	-11.5%
<b>Average</b>							<b>-0.7%</b>	<b>0.2%</b>	<b>2.6%</b>	<b>1.7%</b>
<b>Median</b>							<b>-0.7%</b>	<b>0.0%</b>	<b>2.7%</b>	<b>1.3%</b>

Source: Company reports, Mizuho Securities USA Inc.

**Exhibit 5: Price Performance – Alphabetical (YieldCo's and Canadian Inc. Trusts)**

Company Name	TKR	Closing Prices					2016 YTD	Since Fed Hike	Day Prior to Fed Hike	Since 11/30/2015
		1/8/2016	12/31/2015	12/16/2015	12/15/2015	11/30/2015				
<b>YieldCos and Select Canadian Income Trusts</b>										
8point3 Energy Partners	CAFD	\$16.53	\$16.14	\$14.55	\$13.63	\$12.23	2.4%	13.6%	21.3%	35.2%
Atlantica Yield	ABY	17.65	19.29	17.03	15.99	14.48	-8.5%	3.6%	10.4%	21.9%
<i>Atlantic Power</i>	<i>AT</i>	<i>1.75</i>	<i>1.97</i>	<i>1.74</i>	<i>1.68</i>	<i>2.00</i>	<i>-11.2%</i>	<i>0.6%</i>	<i>4.2%</i>	<i>-12.5%</i>
Brookfield Renewables	BEP	23.59	26.18	24.73	23.41	25.10	-9.9%	-4.6%	0.8%	-6.0%
<i>Boralex</i>	<i>BLX CN</i>	<i>13.68</i>	<i>14.46</i>	<i>14.01</i>	<i>13.15</i>	<i>13.24</i>	<i>-5.4%</i>	<i>-2.4%</i>	<i>4.0%</i>	<i>3.3%</i>
<i>Enbridge Income Fund</i>	<i>ENF CN</i>	<i>27.17</i>	<i>28.03</i>	<i>28.03</i>	<i>27.33</i>	<i>29.28</i>	<i>-3.1%</i>	<i>-3.1%</i>	<i>-0.6%</i>	<i>-7.2%</i>
Hannon Armstrong	HASI	18.40	18.92	18.22	17.03	17.46	-2.7%	1.0%	8.0%	5.4%
<i>Innervex Renewable</i>	<i>INE CN</i>	<i>10.69</i>	<i>11.33</i>	<i>11.08</i>	<i>10.44</i>	<i>11.12</i>	<i>-5.6%</i>	<i>-3.5%</i>	<i>2.4%</i>	<i>-3.9%</i>
NextEra Energy Partners	NEP	28.08	29.85	28.87	26.75	25.86	-5.9%	-2.7%	5.0%	8.6%
<i>Northland Power</i>	<i>NPI CN</i>	<i>18.05</i>	<i>18.66</i>	<i>18.49</i>	<i>17.50</i>	<i>18.22</i>	<i>-3.3%</i>	<i>-2.4%</i>	<i>3.1%</i>	<i>-0.9%</i>
NRG Yield	NYLD/A	12.42	13.91	13.03	11.70	13.59	-10.7%	-4.7%	6.2%	-8.6%
Pattern Energy	PEGI	19.23	20.91	21.68	19.36	17.91	-8.0%	-11.3%	-0.7%	7.4%
TerraForm Power	TERP	10.52	12.58	13.20	12.39	6.90	-16.4%	-20.3%	-15.1%	52.5%
<i>Transalta Renewables</i>	<i>RNW CN</i>	<i>9.82</i>	<i>10.37</i>	<i>10.19</i>	<i>9.85</i>	<i>10.16</i>	<i>-5.3%</i>	<i>-3.6%</i>	<i>-0.3%</i>	<i>-3.3%</i>
<i>Italicized companies shown in Blue are Canadian Income Trusts</i>										
<b>Average</b>							<b>-6.7%</b>	<b>-2.8%</b>	<b>3.5%</b>	<b>6.5%</b>
<b>Median</b>							<b>-5.8%</b>	<b>-2.9%</b>	<b>3.6%</b>	<b>1.2%</b>

Source: Company reports, Mizuho Securities USA Inc.

**Exhibit 6: Comparable Valuation Analysis: Street Consensus**

Company Name	TKR	Price		Price/Earnings					EV/EBITDA			
		1/8/2016	Yield	2014A	2015E	2016E	2017E	2018E	2014A	2015E	2016E	2017E
<b>Large-Cap Regulated</b>												
Ameren	AEE	\$43.51	3.91%	18.4x	16.7x	16.0x	15.0x	14.1x	8.8x	8.3x	7.9x	7.6x
American Electric Power	AEP	58.26	3.84%	16.8	15.6	15.7	14.9	13.9	9.1	8.6	8.6	8.3
Consolidated Edison	ED	66.43	3.91%	17.2	16.6	16.3	15.9	15.4	9.6	9.2	8.7	8.3
Duke Energy	DUK	71.04	4.65%	15.5	15.5	15.1	14.4	13.6	10.2	9.8	9.5	9.0
Edison International	EIX	58.28	3.29%	13.5	15.4	15.5	14.3	13.5	7.9	7.9	7.3	6.8
Eversource Energy	ES	50.82	3.29%	19.1	17.9	16.8	15.9	14.9	10.8	10.4	9.9	9.4
PG&E Corp	PCG	52.06	3.50%	15.0	17.1	14.0	14.0	13.2	8.3	8.0	6.8	6.3
PPL Corp	PPL	33.39	4.52%	13.8	15.1	14.4	13.9	13.2	9.4	10.5	10.2	9.5
Southern Company	SO	46.62	4.65%	16.6	16.3	15.8	15.3	14.3	10.4	10.2	9.6	9.2
WEC Energy Group	WEC	51.47	3.56%	19.6	19.0	17.6	16.6	15.7	17.3	14.6	10.7	10.2
Xcel Energy	XEL	36.18	3.54%	18.2	17.3	16.3	15.5	14.7	10.4	9.6	9.1	8.7
<b>Mean</b>			<b>3.88%</b>	<b>16.7x</b>	<b>16.6x</b>	<b>15.8x</b>	<b>15.1x</b>	<b>14.2x</b>	<b>10.3x</b>	<b>9.9x</b>	<b>9.0x</b>	<b>8.6x</b>
<b>Median</b>			<b>3.70%</b>	<b>16.8x</b>	<b>16.6x</b>	<b>15.8x</b>	<b>15.0x</b>	<b>14.1x</b>	<b>9.9x</b>	<b>9.7x</b>	<b>9.3x</b>	<b>8.9x</b>
<b>Small and Mid-Cap Regulated</b>												
Alliant	LNT	\$61.96	3.55%	17.9x	17.2x	16.4x	15.4x	14.3x	11.7x	10.8x	10.1x	9.3x
Avista	AVA	35.11	3.76%	18.3	18.1	17.2	16.5	N/A	9.8	9.5	8.9	8.5
CMS Energy	CMS	36.10	3.21%	20.3	19.1	18.0	16.8	15.6	10.2	9.6	9.1	8.6
El Paso Electric	EE	38.22	3.09%	16.8	19.1	15.0	14.4	N/A	10.5	11.3	10.0	9.1
Great Plains	GXP	27.00	3.89%	17.1	19.2	15.4	14.7	13.8	9.6	9.6	8.6	8.2
IdaCorp	IDA	67.28	3.03%	17.9	17.4	17.3	16.7	N/A	11.9	11.7	N/A	N/A
ITC Holdings	ITC	39.69	1.89%	21.2	19.3	19.2	17.9	16.0	13.5	12.7	12.0	11.0
Northwestern Energy	NWE	52.81	3.64%	19.7	16.9	15.7	14.7	N/A	14.7	11.2	10.4	N/A
Pinnacle West	PNW	64.02	3.91%	17.3	16.9	16.0	15.3	14.7	8.7	8.3	8.0	7.5
PNM Resources	PNM	30.79	2.86%	20.9	19.4	18.9	16.1	14.8	9.8	9.3	8.6	7.7
Portland General	POR	35.94	3.34%	16.6	17.2	15.4	14.8	14.7	8.7	8.5	7.8	7.5
Scana	SCG	60.70	3.59%	16.0	15.9	15.3	14.5	13.8	10.7	10.6	10.2	10.2
TECO Energy	TE	26.68	3.37%	25.8	24.2	22.5	20.9	19.9	12.1	11.1	10.5	9.9
Westar Energy	WR	42.09	3.42%	17.5	19.1	17.2	16.4	15.7	10.0	9.9	8.9	8.6
<b>Mean (excl. ITC and TE, merger-related)</b>			<b>3.44%</b>	<b>18.0x</b>	<b>17.9x</b>	<b>16.5x</b>	<b>15.5x</b>	<b>15.3x</b>	<b>10.7x</b>	<b>10.2x</b>	<b>9.3x</b>	<b>8.7x</b>
<b>Median (excl. ITC and TE, merger-related)</b>			<b>3.49%</b>	<b>17.7x</b>	<b>17.7x</b>	<b>16.2x</b>	<b>15.4x</b>	<b>14.7x</b>	<b>10.3x</b>	<b>9.9x</b>	<b>9.2x</b>	<b>8.7x</b>
<b>Integrated</b>												
American Electric Power	AEP	\$58.26	3.84%	16.8x	15.6x	15.7x	14.9x	13.9x	9.1x	8.6x	8.6x	8.3x
Black Hills	BKH	47.46	3.41%	16.4	16.0	16.2	14.3	13.1	9.4	11.4	8.5	N/A
Centerpoint	CNP	17.81	5.56%	15.3	16.7	16.0	15.5	14.1	8.4	8.0	7.8	7.6
Dominion Resources	D	69.52	3.73%	20.3	19.0	18.0	17.3	15.3	13.4	12.6	11.6	11.0
DTE Energy	DTE	78.38	3.73%	17.5	16.3	15.8	14.8	14.0	9.2	9.3	8.8	8.2
Energy	ETR	67.52	5.04%	11.4	11.5	13.5	13.5	13.1	6.9	7.5	7.2	7.0
Exelon Corp	EXC	27.82	4.46%	11.6	11.0	10.9	10.3	9.7	7.5	6.9	6.5	6.1
FirstEnergy	FE	31.59	4.56%	12.6	11.7	11.1	11.9	11.7	8.9	8.3	7.9	7.9
NextEra Energy	NEE	105.17	2.93%	19.9	18.6	17.1	16.1	15.1	11.7	10.4	9.8	8.9
OGE Corp	OGE	25.51	4.31%	12.9	14.1	13.2	12.3	11.6	8.0	8.7	8.0	N/A
Pub Svc Ent Group	PEG	38.42	4.06%	14.0	13.2	13.1	13.5	12.8	7.5	6.9	6.9	6.8
Sempra Energy	SRE	87.83	3.19%	19.3	17.4	16.5	15.3	13.5	11.0	10.5	9.5	8.6
<b>Mean</b>			<b>4.07%</b>	<b>15.7x</b>	<b>15.1x</b>	<b>14.8x</b>	<b>14.2x</b>	<b>13.2x</b>	<b>9.2x</b>	<b>9.1x</b>	<b>8.4x</b>	<b>8.0x</b>
<b>Median</b>			<b>3.95%</b>	<b>15.8x</b>	<b>15.8x</b>	<b>15.8x</b>	<b>14.6x</b>	<b>13.3x</b>	<b>9.0x</b>	<b>8.7x</b>	<b>8.2x</b>	<b>8.1x</b>
<b>S&amp;P 500</b>	<b>SPX</b>	<b>1,922.03</b>	<b>2.16%</b>	<b>17.0x</b>	<b>15.5x</b>	<b>13.8x</b>						
<b>Philadelphia UTY</b>	<b>UTY</b>	<b>547.09</b>	<b>4.01%</b>	<b>16.5x</b>	<b>16.2x</b>	<b>15.5x</b>	<b>14.9x</b>					

Source: Mizuho Securities USA Inc., Bloomberg

Source: Bloomberg, Mizuho Securities USA Inc.

## Price Target Calculation and Key Risks

### *8point3 Energy Partners LP*

#### For CAFD:

**Our 12 month price target is \$21 per unit, reflecting a 5.25% targeted yield, or a 90 basis point discount to its three key peers**, on our 2017 DPU of \$1.11. The discount is assigned because CAFD doesn't expect to reach the high end of its distribution splits until 2019 whereas its competitors are intent on doing so much earlier. As CAFD executes over time, which we believe it will, the units should trade similarly to its peers and at today's 4.0% average yield; this implies \$28 per unit

**Key risks to the CAFD story include:** corporate governance and management rotation; limited operational experience; the tax status for renewables could change under Congressional directive; virtually all of the ROFO portfolio is not yet in commercial operation; 75% of the expected 2016 cash available for distribution (cafd) comes from three projects: Quinto (42%), Solar Gen (21%) and NorthStar (12%)

#### For NextEra Energy Partners:

Our price target takes the current market yield of 2.0% on the current payout and extrapolates that yield to the expected annualized distribution at year-end 2015. **Key risks to the NEP story include:** significant investor concentration and limited daily trading volumes; the tax status for renewables could change under Congressional directive; and currently, NEPs Genesis project produces 40-45% of the EBITDA from the initial portfolio

### *American Electric Power Company, Inc.*

We value AEP using several methodologies, including P/E, DDM and price to book value. We avoid using Sum of the Parts given the high likelihood (>70%) that the company sells its merchant generation fleet. DCF valuations are difficult given the capital intensive nature of the Power & Utility sector, especially regulated companies, and the lack of free cash flow generation, net of dividends. For triangulation purposes, we look at dividend discount models to see where the imputed price lies based on underlying dividend growth assumptions. We look principally towards a relative P/E approach. Our \$65 per share 12-month target assumes a 15.5x P/E multiple rolled forward on our 2018 EPS estimate of \$4.20 per share.

General economic conditions, changes in state and/or Federal regulation, environmental compliance, execution risk with new construction, weather, ongoing business operational risk, broader macroeconomic conditions, and interest rate movements are among the key risks to our rating and expected stock performance.

### *Consolidated Edison, Inc.*

Our 12-month \$64 per share price target for ED utilizes relative P/E multiples and we utilize a 7.5% premium to the underlying large cap P/E multiple on our 2017E. Our DDM methodology includes single stage and two stage approaches with the single stage under a baseline DPS growth rate. The two-stage uses various three year DPS growth expectations followed by a static long-term growth DPS growth rate. DCF methodologies are difficult given the limited free cash flow generation characteristics



found in regulated companies. All underlying figures use constant betas, equity risk premiums, and risk-free rates.

General economic conditions, changes in state and/or Federal regulation, environmental compliance, execution risk with new plant builds, weather, ongoing business operational risk, broader macroeconomic conditions, and interest rate movements are among the key risks to our rating and expected stock performance.

### ***Duke Energy***

We value DUK based on the arithmetic averages of P/E, P/Book, Single Stage DDM, and Yield support methodologies to arrive at our \$75 target. The relative P/E basis method is consistent with the valuation methodologies of its large-cap (>\$10.0 billion) peers. Premium valuations are ascribed for regulatory and better transparency when predicting earnings, while discounted valuations include heightened regulatory, construction, and operational/execution risks. Typically, businesses outside the core, in this case DUK's International unit, will tend to weigh more on the shares when trouble arises. This is known as the "dog wagging the tail" issue and DUK's International businesses consume a disproportionate amount of investor interest. We look at Yield support and Price to Book as indicators of future stock potential. DDM methodologies are highly dependent on underlying risk premiums, and DPS growth projections, which can swing valuations considerably.

The key risks for DUK include regulatory risk in six states, from rate regulation to operation of coal and nuclear units. Environmental regulation remains omnipresent and DUK's February 2014 coal ash spill at the Dan River facility has heightened regulatory risk around the company. DUK is active in building a renewables business and has done a good job doing so – nearly 2,000MW of owned and/or equity interest in both wind and solar. building regulatory General economic conditions, changes in state and/or Federal regulation, environmental compliance, execution risk with new plant builds, weather, ongoing business operational risk, broader macroeconomic conditions, and interest rate movements are among the key risks to our rating and expected stock performance.

### ***Edison International***

Our 12-month \$60 per share price target for EIX is primarily based on a relative P/E basis and we adjust our multiples accordingly based on the inherent growth and risk profile. We look at single-stage and two-stage dividend discount models for valuation triangulation purposes. A two-stage model may be a tough argument given the call by TURN. A sum of the parts analysis is problematic given the integrated model and lack of desire to spin out the FERC-regulated transmission business.

General economic conditions, changes in state and/or Federal regulation, environmental compliance, execution risk with new plant builds, weather, ongoing business operational risk, broader macroeconomic conditions, and interest rate movements are among the key risks to our rating and expected stock performance.

### ***Entergy Corp***

We value ETR using four valuation methodologies but rely primarily on P/E, and dividend discount models. We use sum of the parts, but the complicated tax structures and allocation among units makes its difficult to use with any sense of comfort. For triangulation purposes, we also look at price to book value. Our target is the arithmetic average of these methodologies.



General economic conditions, changes in state and/or Federal regulation, environmental compliance, execution risk with new plant builds, weather, ongoing business operational risk, broader macroeconomic conditions, and interest rate movements are among the key risks to our rating and expected stock performance.

***Eversource Energy***

We value Eversource on a P/E multiple based on a t+2 forward year analysis, consistent with valuation methodologies for regulated names. For triangulation purposes, we turn to dividend discount models (single- and two-stage) as well as price/book methodologies. Our \$52 per share, 12 month price target represents a 10% premium to the regulated group average P/E of 14.5x on our 2017E. ES is, in our view, one of the three premier companies in the space. Given the simplistic nature of its story, its proven track record, financial strength and integrity, coupled with its growth and dividend aspirations, ES has earned the right to trade at a premium. But, there isn't enough upside from current levels to warrant the Buy recommendation, hence our Neutral rating on the shares.

General economic conditions, changes in state and/or Federal regulation, environmental compliance, execution risk with new transmission and pipeline builds, ongoing business operational risk, broader macroeconomic conditions, and interest rate movements are among the key risks to our rating and expected stock performance.

***NextEra Energy, Inc.***

We value NEE utilizing five valuation methodologies but rely primarily on Sum of the Parts given its various businesses, all of which have scale. Our \$125 target price is the arithmetic average of the P/E, Sum of the Parts, and DDM valuation methodologies. We utilize group average multiples as the baseline and adjust up or down based on the specific business unit. This is key in SOP analysis. For example, the regulated business operates in one of the better jurisdictions, thus it receives a premium valuation, the highly contracted cash flows also receive a modest premium. We also assign small valuations on a \$/KW basis for the development pipeline. The Sum of the Parts methodology also captures pipeline development and the benefits of the company's considerable tax attributes. All valuation metrics are on 2017.

**The key risks for NEE** include potential changes at the state and/or Federal level related to environmental policy; potential changes in state regulation or assigning more punitive allowed returns than previously authorized; tax policy, especially at the Federal level as it relates to renewables; operational risk; M&A; and, weather, especially since weather influences renewable generation. Broader macro concerns regarding economic outlook, changes in underlying Treasury securities or expectations of the same are other key concerns and can influence the investment appeal of utilities in general, and NEE, in particular.

**Our NEP price target is \$47 per unit and reflects a 3% targeted yield, which is the 2015 current yield applied to our year-end 2016 DPU level.**

**Key risks to the NEP story include:** significant investor concentration and limited daily trading volumes; the tax status for renewables could change under Congressional directive; capital markets need to remain friendly in order to fund transactions at a low cost of capital. NEPs Genesis project produces 40-45% of the EBITDA from the initial portfolio.

### *NextEra Energy Partners LP*

Our price target is \$47 per unit reflects a 3% targeted yield, which is the 2015 current yield applied to our year-end 2016 DPU level. **Key risks to the NEP story include:** significant investor concentration and limited daily trading volumes; the tax status for renewables could change under Congressional directive; capital markets need to remain friendly in order to fund transactions at a low cost of capital. NEPs Genesis project produces 40-45% of the EBITDA from the initial portfolio.

### *PG&E Corporation*

We examine PCG on a relative P/E basis and adjust our multiples accordingly based on the inherent growth and risk profile. A sum of the parts analysis is tough given the integrated operational profile of its core utility and gas transmission. We look at single-stage and two-stage dividend discount models for triangulation purposes only, and see where value could go in the event the Board moves to reinstate dividend growth We've looked at P/Book over the prior five years and derived a reasonable range of multiples. A DCF is problematic given the negative free cash flow throughout the forecast period. Combined, our 12-month per share price target for PCG is \$56, equating to a 14.8x multiple on our 2017E, representing a modest, 7% premium to the large cap regulated peer universe.

General economic conditions, changes in state and/or Federal regulation, environmental compliance, execution risk with new plant builds, weather, ongoing business operational risk, broader macroeconomic conditions, and interest rate movements are among the key risks to our rating and expected stock performance.

### *Pinnacle West Capital Corporation*

Our 12-month \$60 per share price target is based on four valuation methodologies – P/E, DDM, DCF and Price to Book – but rely primarily on P/E given that its EPS stream is derived entirely from regulated activities. Our Neutral recommendation is premised on two factors: outstanding considerations with rate design and underlying customer growth, while still up, is not materializing in the manner PNW anticipates. The P/E methodology utilizes group average multiples as a Base Case and adjusts the multiples +/- 7% from the base. The DDM utilizes current 10 Year Treasury as the risk free rate and a 7% equity risk premium and utilizes either near-term dividend growth objectives (5%, in the single-stage approach) or a combination of N/T growth and long-term industry average DPS outlook for the two-stage approach. The DCF valuations are highly sensitive to underlying cost of capital expectations and presumed growth rates. The Price to Book methodology uses historical P/Book as a reasonable range of expectations.

General economic conditions, changes in state and/or Federal regulation, environmental compliance, execution risk with ongoing business operations, construction risk (both transmission build and generation plant upgrades), nuclear plant operations, weather, ongoing business operational risk, broader macroeconomic conditions, and interest rate movements are among the key risks to our rating and expected stock performance outlook.

### *SCANA Corporation*

Our 12-month \$56 per share price target is based on the arithmetic average of P/E and DDM valuation. We utilize a 14.5x P/E multiple on our 2017E and use current 10 year Treasury notes when calculating DDM. Key risks include execution risk with the

nuclear project; the cost of building the two new nuclear units is roughly equivalent to SCGs market cap today and once complete, will represent nearly one-half the earnings power and two-thirds of the cash flow. General risks include economic conditions, a changing regulatory environment, and changes in interest rates.

### ***TECO Energy, Inc.***

Our price target and investment recommendation reflects TECO acknowledging that it is "in play" and average of precedent transaction multiples to arrive at our \$24 PT. Key risks include regulatory changes at both the Federal and State level, execution risk associated with new plant build, general economic conditions. Additionally, utilities tend to have a high correlation with interest rate moves and any material upward move in underlying Treasuries could impact valuations for TE and the broader utility group. In addition, TECO may not be able to find an acceptable buyer at an acceptable price.

### ***The Southern Company***

Our \$45 price target is calculated as the arithmetic average of P/E and sum of the parts on our 2017 financial estimates. We utilize group multiples for the various components. Execution risk with the development of two large generating facilities is a key risk, as are potential changes in environmental compliance and regulation both the Federal and state levels. The moves in underlying Treasury securities is statistically significant with movement in utility share prices.

### ***WEC Energy Group***

Our \$50 per share 12 month price target utilizes relative P/E and DDM as the basis for our valuation methodology although we look at DCF and yield support for triangulation purposes. WEC shares are currently trading at 15.5x our 2017 EPS estimates and are priced to yield 3.6% (full year 2015 dividend expectations) compared with group averages of 13.7x and 4.1%, respectively.

General economic conditions, changes in state and/or Federal regulation, environmental compliance, execution risk with merger integration, weather, ongoing business operational risk, broader macroeconomic conditions, and interest rate movements are among the key risks to our rating and expected stock performance.

## IMPORTANT DISCLOSURES

The disclosures for the subject companies of this report as well as the disclosures for Mizuho Securities USA Inc. entire coverage universe can be found at <https://msusa.bluematrix.com/sellside/Disclosures.action> or obtained by contacting [EQSupervisoryAnalystUS@us.mizuho-sc.com](mailto:EQSupervisoryAnalystUS@us.mizuho-sc.com) or via postal mail at Equity Research Editorial Department, Mizuho Securities USA Inc., 320 Park Avenue, 12th Floor, New York NY, 10022.

### Ownership Disclosures and Material Conflicts of Interest or Position as Officer or Director

As of the date of this report, the research analyst listed on the cover page of this report or household member beneficially owns or has a financial interest in No of the 8point3 Energy Partners LP American Electric Power Company, Inc. Consolidated Edison, Inc. Duke Energy Edison International Entergy Corp Eversource Energy NextEra Energy, Inc. NextEra Energy Partners LPPG&E Corporation Pinnacle West Capital Corporation SCANA Corporation TECO Energy, Inc. The Southern Company WEC Energy Group.

### Receipt of Compensation

Mizuho Securities USA Inc. and or its affiliates makes a market in the following securities: 8point3 Energy Partners LP, American Electric Power Company, Inc., Consolidated Edison, Inc., Duke Energy, Edison International, Entergy Corp, NextEra Energy, Inc., PG&E Corporation, Pinnacle West Capital Corporation, SCANA Corporation, TECO Energy, Inc., The Southern Company and WEC Energy Group

Mizuho Securities USA Inc. and or its affiliates has received compensation for investment banking services for 8point3 Energy Partners LP, American Electric Power Company, Inc., Duke Energy, Edison International, Entergy Corp, Eversource Energy, NextEra Energy, Inc., NextEra Energy Partners LP, PG&E Corporation, Pinnacle West Capital Corporation, SCANA Corporation and The Southern Company in the past 12 months.

Mizuho Securities USA Inc. and or its affiliates has managed or co-managed a public offering of securities for 8point3 Energy Partners LP, American Electric Power Company, Inc., Duke Energy, Edison International, Entergy Corp, Eversource Energy, NextEra Energy, Inc., NextEra Energy Partners LP, PG&E Corporation, Pinnacle West Capital Corporation, SCANA Corporation and The Southern Company in the past 12 months.

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<b>Buy:</b>	Stocks for which the anticipated share price appreciation exceeds 10%.
<b>Neutral:</b>	Stocks for which the anticipated share price appreciation is within 10% of the share price.
<b>Underperform:</b>	Stocks for which the anticipated share price falls by 10% or more.
<b>RS:</b>	Rating Suspended - rating and price objective temporarily suspended.
<b>NR:</b>	No Rating - not covered, and therefore not assigned a rating.

### Rating Distribution

(As of 1/08 )	% of coverage	IB service past 12 mo
Buy (Buy)	47.19%	38.10%
Hold (Neutral)	52.25%	24.73%
Sell (Underperform)	0.56%	0.00%

For disclosure purposes only (NYSE and FINRA ratings distribution requirements), our Buy, Neutral and Underperform ratings are displayed as Buy, Hold and Sell, respectively.

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