

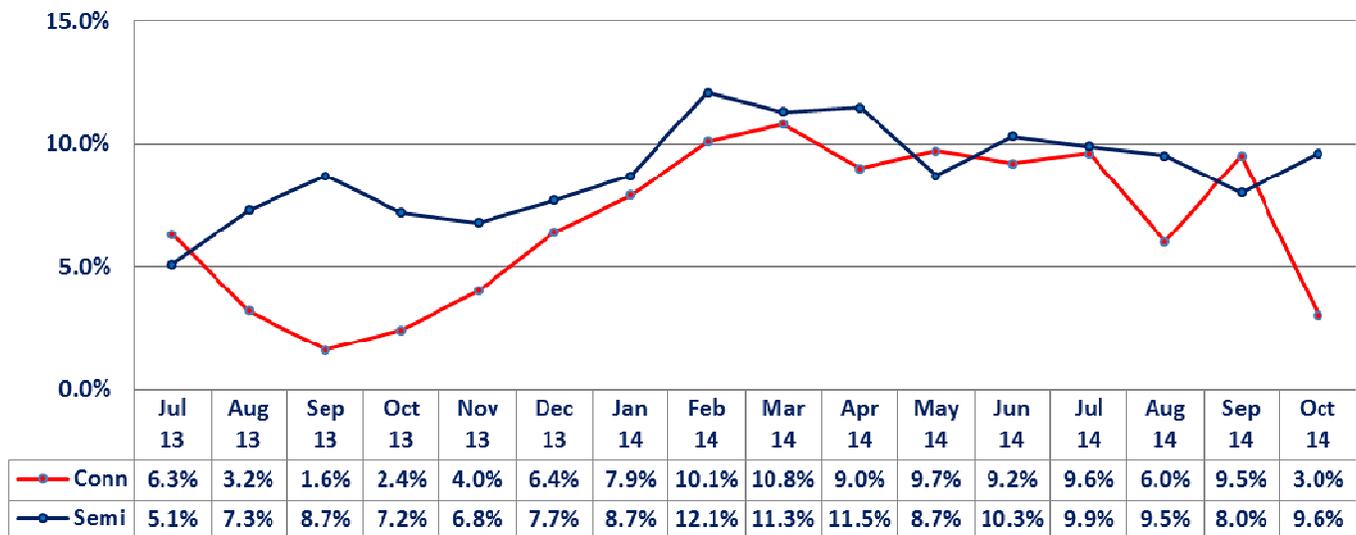
Semis Growth Strong in October While Connectors Weaken

The Semiconductor Industry Association (SIA) reported excellent growth in October 2014. Sales were \$29.7 billion, up +9.6% from October 2013 and up +1.5% sequentially from September. Year-to-date semiconductor sales are up +10.1% worldwide.

However, the connector industry cooled off in October. Sales were up only +3.0% year-over-year and down -8.5% sequentially. Connector sales were up +8.5%, year-to-date October.

The following graph compares semiconductor sales performance to the connector industry.

Monthly Sales Performance
Year-Over-Year



- October was the 18th consecutive month for growth in semiconductors and the 16th month for connectors. In 2014, YTD semiconductors are growing faster than forecast by the SIA. The connector industry is growing slightly more than forecast by Bishop & Associates.
- Semiconductor sales growth has been higher than connector sales growth in eight out of the ten months in 2014, besting connectors year to date sales growth by 1.6 points.

The following table displays year-to-date performance by geographic region for both components.

October Sales Performance Year-To-Date

	Semiconductors	Connectors
North America	12.6%	7.9%
Europe	9.6%	7.7%
Japan	0.8%	6.3%
China	NA	14.2%
Asia Pacific*	11.2%	6.4%
World	10.1%	8.5%

* Including China, Source SIA & Bishop

- As noted, sales growth for semiconductors has been slightly better than connectors. Semi sales were strong in October but weak for connectors.
- North America's semiconductor sales growth is still exceeding the connector sales growth by a substantial margin (+12.6% versus +7.9%).
- Japan's semiconductor sales are still lagging well behind connector sales (+0.8% versus +6.3%). There is no ready explanation for this significant difference in performance.
- Performance in both components is strong in Europe although connector growth appears to be slowing in Europe.
- As indicated by the connector growth in China, semiconductor growth is probably strongest in China versus the rest of Asia Pacific. Sales growth for both components for all of Asia is pretty close.

The slower October growth for connectors is concerning. A weak beginning to the fourth quarter is not a good sign because during a normal business cycle, 4Q will be the industry's best sales quarter.

Conversely, the strong October for semiconductors is encouraging because semi demand normally leads connector demand by a couple of months. So, strong connector demand should follow if semi demand continues to hold up as it did on October.

Right now, we are on the fence i.e. connector demand appears to be getting soft. Perhaps November 2014 results will give us a better understanding of the trend.