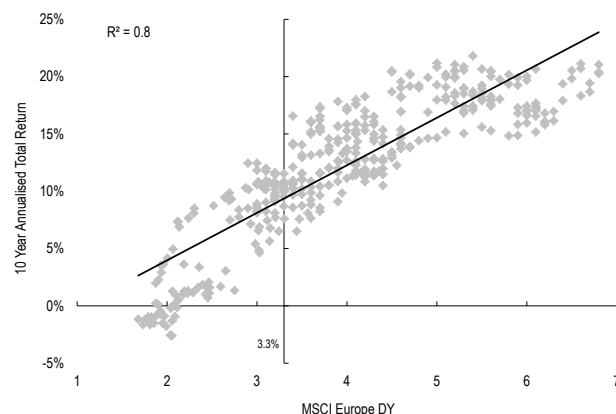


The Citi Income Report

Yields Lower, Growth More Important

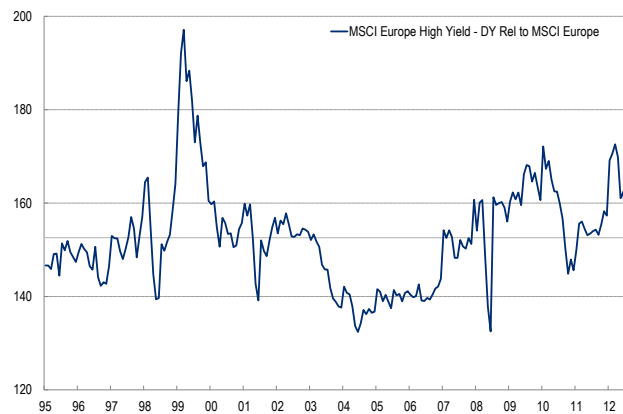
- **Risk on** — The recent rally in risk assets has seen European equities return c15%-20% [since the June lows](#). The re-rating means European equity yields are now below average. History points to decent future returns from current yield levels.
- **Value in value?** — Rally has driven a value re-rating. The MSCI Europe High Yield index is now yielding below average versus the broader index. Cheap is not as cheap as it once was. With DYs lower, growth = more important (eg Figure 52).
- **Country convergence** — Over the past year, the yield spread between the cheapest & most expensive countries has tightened. Spain is yielding below the 5yr average relative level & is the cheapest European country on an absolute basis.
- **Kings** — Over 20 stocks feature in at least 3 or more screens. We also highlight Telenor (one of the few Telco operators with growth) & Siemens (Citi Focus List). We highlight two financial recovery plays (Allianz and SEB) as well.

Figure 1. Current DYs Suggest Decent Future Returns for Equities



Source: DataStream and Citi Research

Figure 2. MSCI European High Yield Rel to MSCI Europe



Source: Datastream and Citi Research

Anna Esposito

+44-20-7986-4039
anna.z.esposito@citi.com

Jonathan Stubbs

+44-20-7986-4218
jonathan.stubbs@citi.com

Ayush Tambi

+91-22-4277-5153
ayush.tambi@citi.com

Quantitative Research

Chris Montagu

chris.montagu@citi.com

Matthew J Burgess

matt.burgess@citi.com

See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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Stocks in Focus

- Telenor remains one of the few European telecoms operators with growth. There is a risk of more competition in Norway mobile, but this is offset by upside from areas such as transitioning to a licence model in Thailand. Management is also confident on India reaching breakeven by the end of 2013. An attractive dividend is supported by a c.8% equity FCF yield '13E and '14E. Leverage is also low.
- Siemens is in the Citi Focus List. Siemens's B/S remains strong & we expect Siemens to generate surplus free cash flow. New management is also likely to focus the portfolio on core assets and as such there could be potential upside to cash from proceeds of disposals. Siemens recently announced a €4bn buyback.

Figure 3. Telenor — Organic Revenue Growth

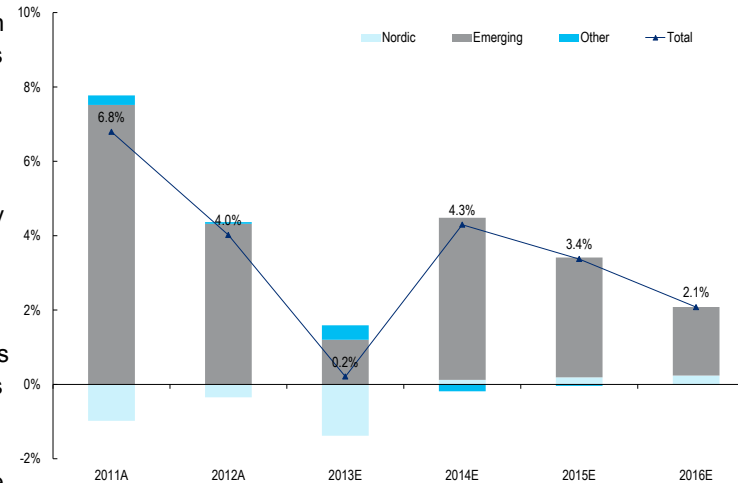


Figure 4. Siemens — FCF Yield

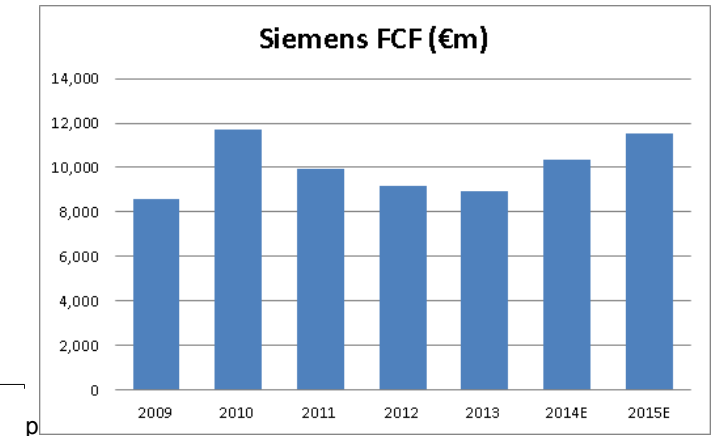
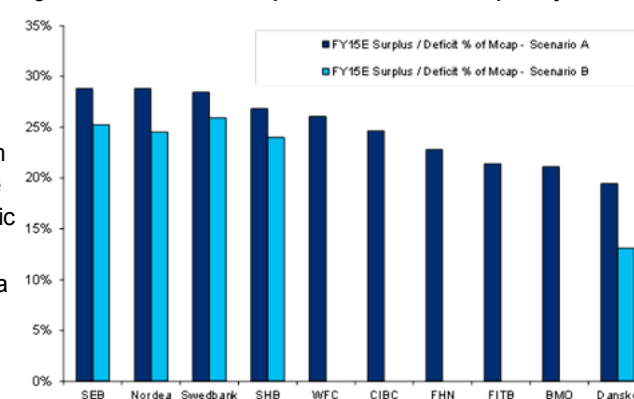
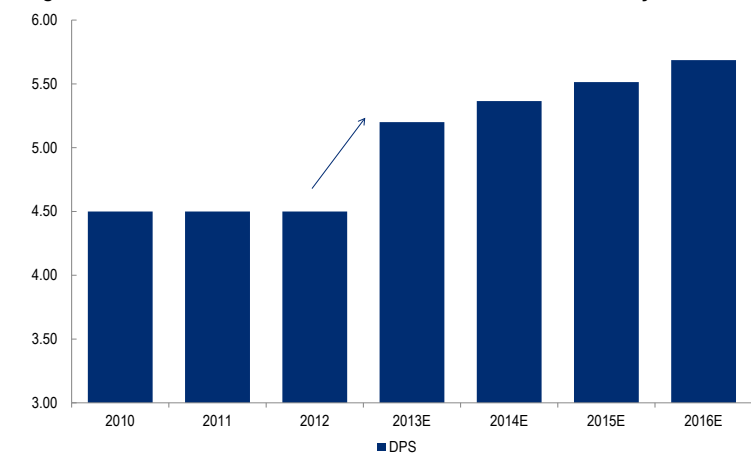


Figure 5. SEB — FY15E Surplus/Deficit B3 CET1 Capital by Bank



- Swedish banks have the highest surplus capital relative to regulatory minimums among DM banks globally, with SEB one of the best in class. They also have high return on capital with SEB benefitting from strong consensus earnings upgrades due to strength in Corporate Banking and Baltic recovery.
- For Allianz, our analysts continue see a substantial SOTP upside, given its exposure to the asset management business.

Figure 6. Allianz — Citi Forecasts Increase in DPS for First Time in 3yrs



Source: Company Reports, Datastream, Citi Research estimates

Stock Summary

Figure 7. Stocks Featured in At Least Three Screens (Yield Screen)

Stock	RIC	# of Mentions	Resilient Div	DY*G	EM DY*G	Big Gun or EM Big Gun	Low CDS	CDS & FCF Cover	CDS & DY*G	Diamonds	Credit vs Equity	Dividend Surprises
Sanofi	SASY.PA	10	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Centrica	CNA.L	6	Y				Y	Y	Y		Y	Y
Siemens	SIEGn.DE	5			Y	Y		Y	Y		Y	
British American Tobacco	BATS.L	4				Y	Y	Y	Y			
GlaxoSmithKline	GSK.L	4				Y	Y	Y	Y			
Michelin	MICP.PA	4			Y			Y	Y			Y
Nestle R	NESN.VX	4				Y		Y	Y		Y	
Roche	ROG.VX	4				Y			Y	Y	Y	
Telenor	TEL.OL	4			Y		Y	Y	Y			
Unilever Certs.	UNC.AS	4				Y	Y	Y	Y			
AstraZeneca	AZN.L	3	Y			Y	Y					
BAE Systems	BAES.L	3	Y				Y				Y	
BASF	BASFn.DE	3	Y			Y					Y	
BHP Billiton	BLT.L	3	Y			Y					Y	
BP	BP.L	3				Y	Y				Y	
Imperial Tobacco Gp.	IMT.L	3						Y	Y		Y	
Novartis R	NOVN.VX	3				Y					Y	Y
Royal Dutch Shell A	RDSa.L	3	Y			Y					Y	
SES Fdr	SESFd.PA	3					Y	Y	Y			
Total	TOTF.PA	3				Y	Y				Y	
Nordea Bank	NDA.ST	3		Y			Y		Y			
BSKyB	BSY.L	3						Y	Y			Y

Source: Citi Research

Change of Stocks in Screens

Additions - Europe

Resilient Dividends	DY*G	EM*DYG	Big Guns & EM Big Guns	Low CDS Adjusted Dividends	CDS, Growth & FCF Cover
BASF BHP Billiton Centrica Cez	Legal & General SEB A		Telefonica	BAE Systems Daimler EDF GDF Suez Unilever Certs. Vodafone Group	Delhaize Group Pearson Rexam Tate & Lyle

Deletions - Europe

Resilient Dividends	DY*G	EM*DYG	Big Guns & EM Big Guns	Low CDS Adjusted Dividends	CDS, Growth & FCF Cover
ABB AMEC BSKyB Casino Guichard K + S Ladbroke's Nokian Renkaat Siemens Tui Travel Vivendi	Aberdeen Asset Man. ACS AXA BMW BNP Paribas Credit Agricole HSBC Holdings Marine Harvest Siemens	Bayer Rio Tinto	Diageo Telefonica	Atlas Copco A BASF BMW BSKyB Royal Dutch Shell A Siemens	Roche Scania B SKF B Swedish Match

Additions - Europe

CDS & DY*G	High CDS Adjusted Dividends	Dividend Diamonds	Potentially Risky	Credit Vs Equity	Dividend Surprises
Ahold Kon. Delhaize Group Rexam SEB A Swedbank A Unibail-Rodamco Wolters Kluwer		Casino Guichard Diageo	Balfour Beatty K + S Tesco Vivendi	Vinci	Amadeus It Holding Deutsche Post Ericsson B RWE Travis Perkins Valeo

Deletions - Europe

CDS & DY*G	High CDS Adjusted Dividends	Dividend Diamonds	Potentially Risky	Credit Vs Equity	Dividend Surprises
Atlas Copco A Compass Group Muenchener Rueckver Scor Se	Banco Popular Espanol Stora Enso R Telecom Italia UPM-Kymmene	Coloplast 'B' Imperial Tobacco Gp. Novozymes Unilever (UK)	BASF Berkeley Group BHP Billiton Daimler GDF Suez Portugal Telecom R RWE	Carrefour Vivendi	Adidas Aggreko Delhaize Group Lafarge Rolls-Royce Holdings Schindler P



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Pan Europe

Why Dividends Matter

- Falling macro risk & rising economic optimism have provided a springboard for an aggressive risk rally since late June. The Stoxx index has returned c18% since then and is now within 2% of all-time highs.
- Figure 9 breaks down the total return of the index over five decades. Dividends have been the consistent bedrock of total returns.

Figure 8. Stoxx — Total Return & Price Index, 1986-

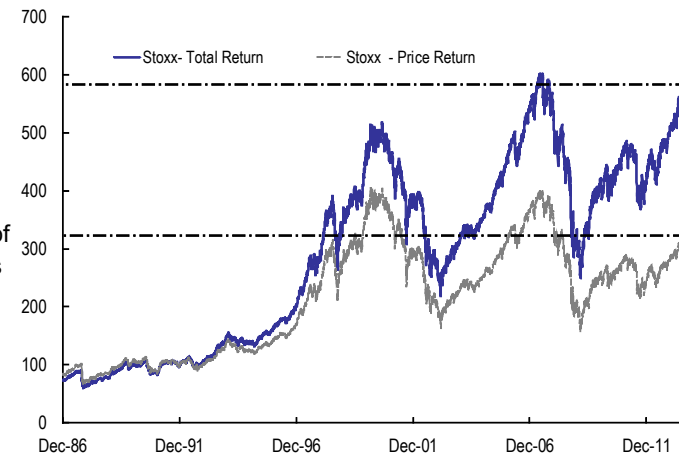


Figure 9. Return Composition — MSCI Europe, 1969-Now

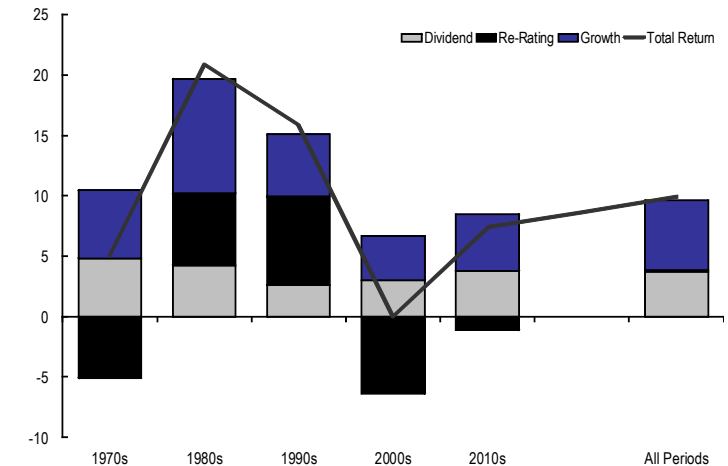
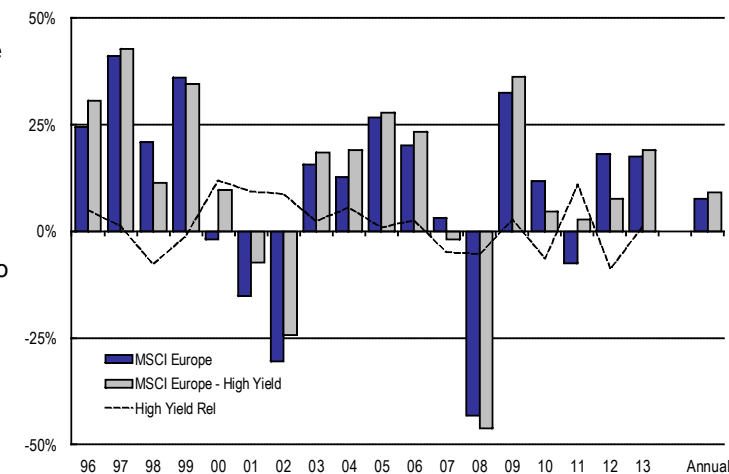


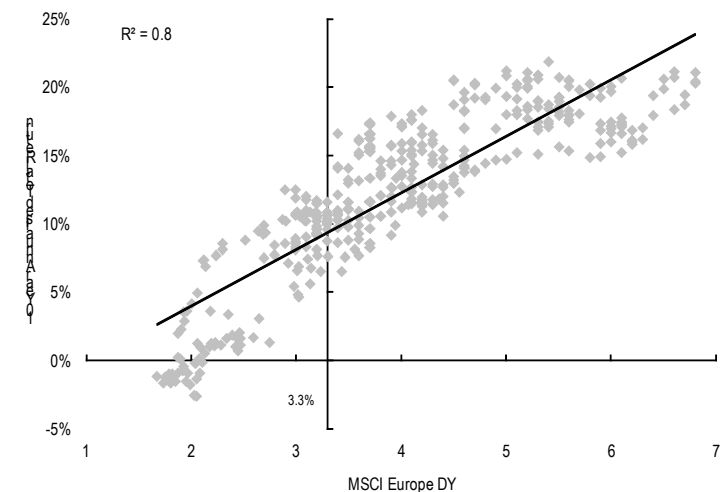
Figure 10. MSCI Europe – Performance of High Yield Equities, 1996-

- Year to date the MSCI Europe High Yield index has outperformed (just) the broader index. Continuation of current trends could see the best returns for High Yield since the turning point in 2009.
- Valuation gives a clear signal of future returns. Current dividend yield points to decent (double-digit) compound future returns.



Source: Datastream and Citi Research

Figure 11. DY vs 10y Annual Returns (Pan Europe), 1974-Now



European Equities — Trends

- The recent re-rating is clear. The market is now yielding around 3% for the first time since 1Q 2011. Dividend cover, whilst slightly below the average, remains supportive (at >2x).
- European equities are still amongst the cheapest regionally. Japan is the most expensive on this basis, its equity market is up c40% YTD (in local terms) vs 15-20% for European equities.

Figure 12. Europe ex-UK Dividend Yields

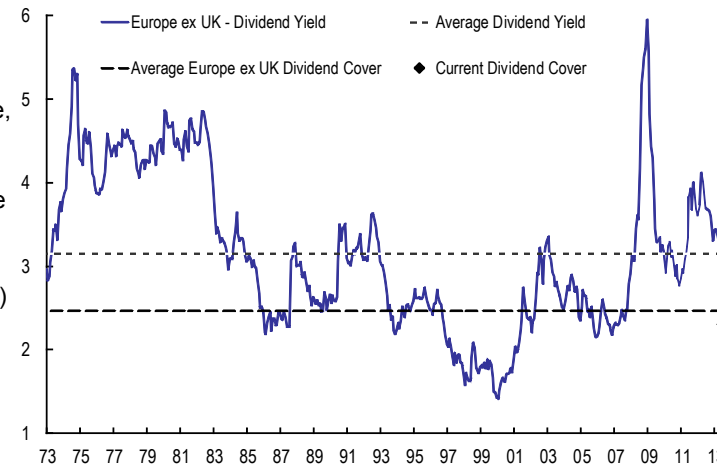


Figure 13. Regional Dividend Yield, 2013E

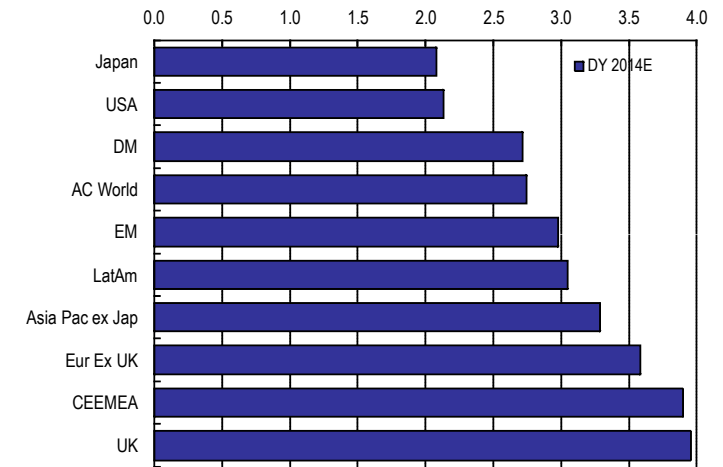
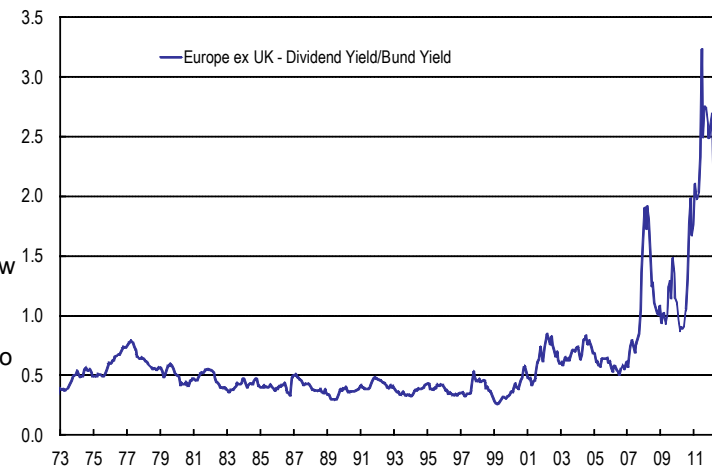


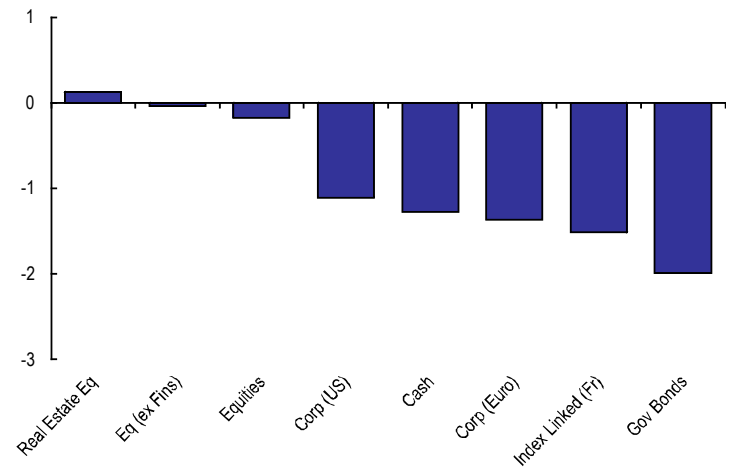
Figure 14. Europe ex-UK Dividend Yield Ratio (Vs Government Bonds)

- The spread between bond and equity yields has come in from the very stretched levels seen a year ago when it was double current levels.
- Using the standard deviation of yields over the past decade shows equities looking cheap relative to other asset classes. In absolute terms, equities now look fair value on this basis.
- Government bonds still look around two standard deviation points expensive.



Source: Datastream and Citi Research

Figure 15. Standard Deviation from 10yr Average Yields — Equities Cheapest



Performance of Various Asset Classes

- We look at the performance of various asset classes. We show 10- and 5-year annualised returns plus 1yr, ytd and 1m actual returns for each of our chosen groups. The bar indicates the range of performance *between* the groups.
- European equities are *top of the pops* over the past one month as they have outperformed all our asset classes. Year to date, equities also lead.

Figure 16. MSCI High Yield & MSCI Europe (vs Other Asset Classes)

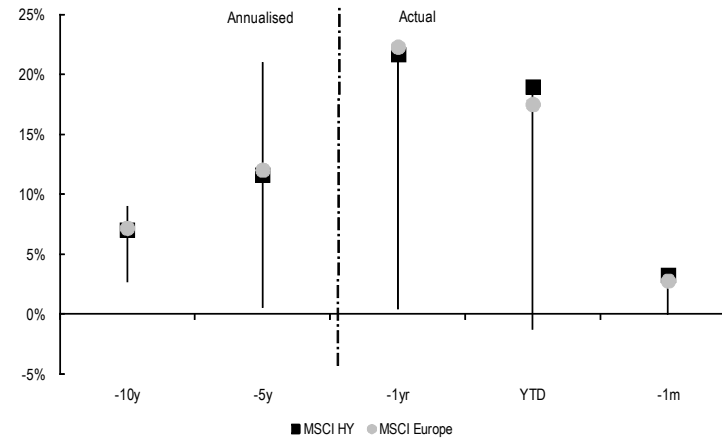


Figure 17. Europe Investment Grade vs High Yield (vs Other Asset Classes)

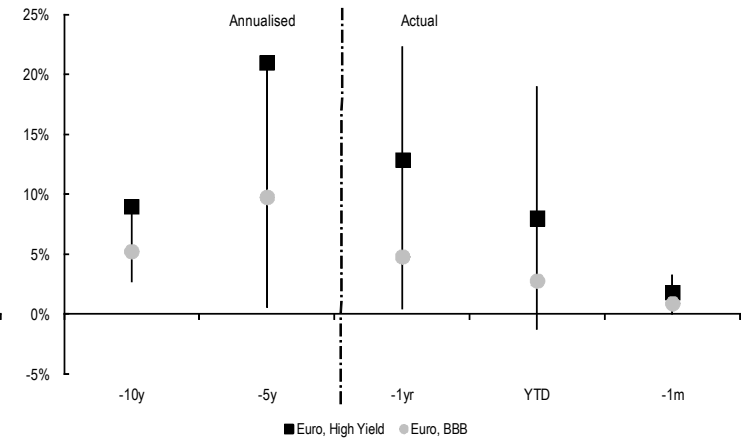


Figure 18. UK Cash & German Bunds (vs Other Asset Classes)

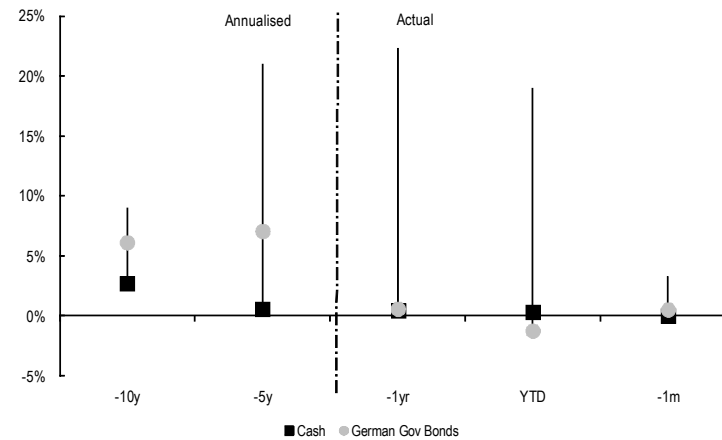
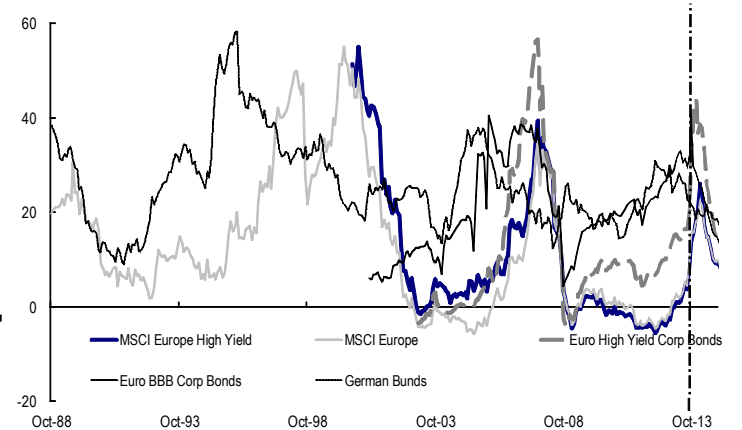


Figure 19. 5 Year Risk Adjusted Returns



Source: Datastream and Citi Research

Pan Europe — General Trends

- European equities have re-rated from a prospective yield of 5% a year ago to 3.5-4% range now.
- The median dividend yield, which neutralises the effect of (cheap) mega-caps shows European equities just higher than average levels. This suggests that equities are not expensive unless dividends fall sharply.

Figure 20. Market 12m Forward Dividend Yield

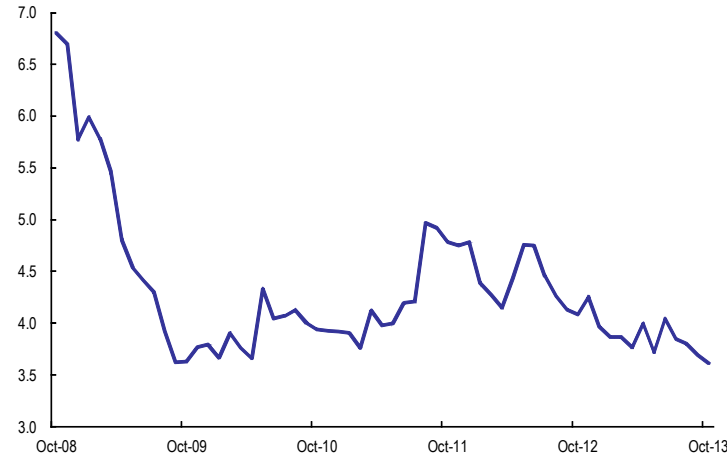


Figure 21. Median Dividend Yield

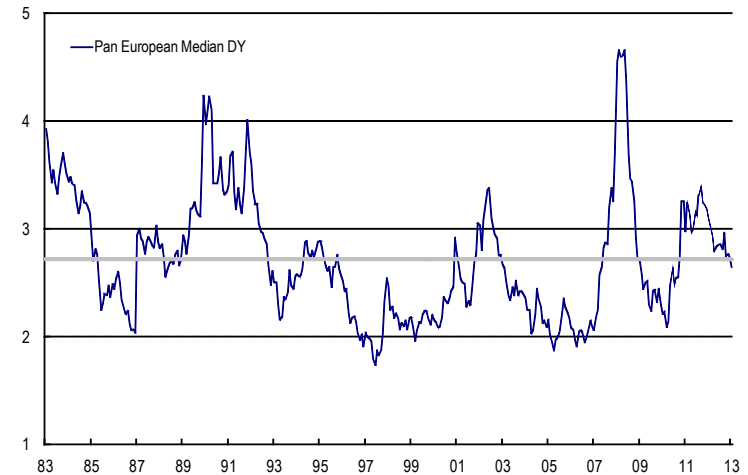
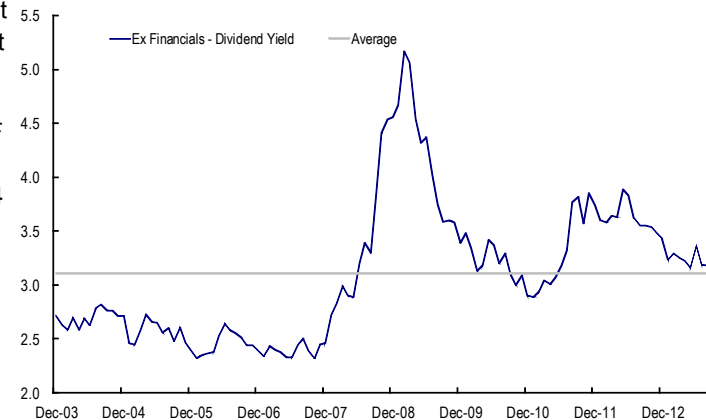


Figure 22. Ex-Financials Dividend Yield

- Ex-financials, the re-rating over the past 12-18 months now sees them trading at levels below the 10-year average.
- Omens for dividends remain good. FCF cover of the dividend is vital for the sustainability of the payments. On 2014 forecasts, most sectors look unstretched on this basis. Oils, Utilities and Autos have the weakest coverage.



Source: Datastream and Citi Research

Figure 23. Dividend Paid as % of FCF

	2011	2012E	2013E	2014E	2015E
Automobiles & Parts	137	170	nm	105	82
Basic Resources	57	nm	78	62	35
Chemicals	64	89	77	73	65
Construction & Materials	52	80	93	56	51
Food & Beverage	67	56	72	66	64
Health Care	56	55	51	52	51
Industrial Goods & Services	77	70	70	53	50
Media	65	68	56	60	59
Oil & Gas	nm	nm	nm	123	101
Personal & Household Goods	56	53	52	49	49
Retail	95	86	118	63	64
Technology	52	71	51	34	34
Telecommunications	83	70	107	76	68
Travel & Leisure	126	95	80	54	36
Utilities	nm	nm	166	119	99

Market — Change to Forecasts

- The 12m forward dividend index, which reflects dividend momentum, has seen a significant uptick over the past few months. This has been led by the Banks sector which enjoys one of the highest dividend momentum rankings within DAM (see Figure 36).
- Current year dividend growth expectations have become even more conservative vs 2012, 14E & 15E.

Figure 24. Market — 12m Forward Dividend & Price Index

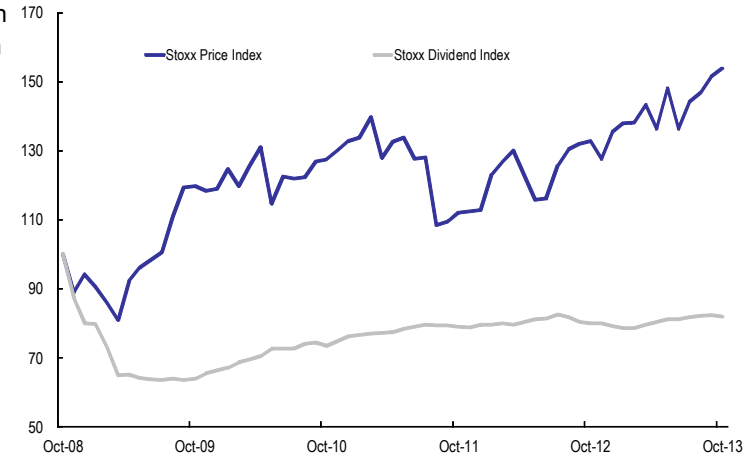


Figure 25. Change to Citi Dividend Growth Forecasts

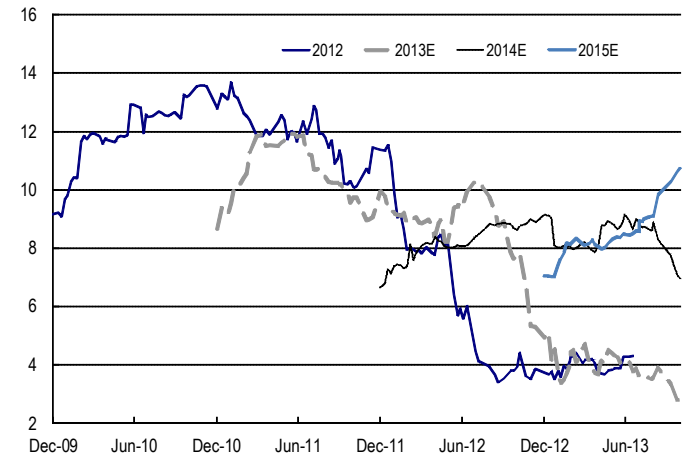


Figure 26. Dividend Swap Curve vs Bottom Up Forecasts

- Since the start of 2012, around €25bn has been taken off the market dividend base for 2013. More sectors have seen dividend downgrades rather than upgrades. Telecoms has taken the biggest hit, with over €10bn wiped off.
- Year to date the picture is more mixed. Overall the dividend base is up around €2bn, with the Banks sector being the best positive contributor to this.

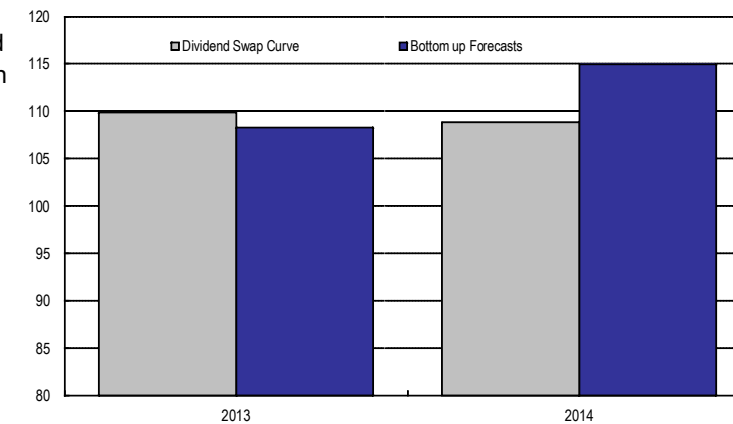
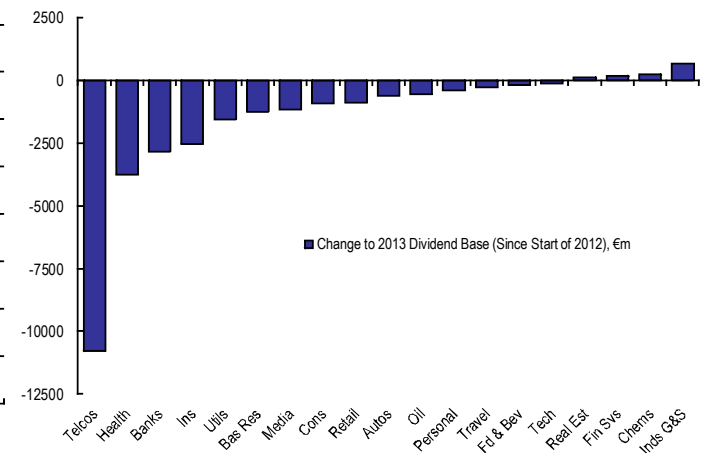


Figure 27. Change in Dividend Base, By Sector and Cumulative



Source: Bloomberg, Datastream and Citi Research

Market — One Month Change to Forecasts (Please see Figure 86 and Figure 87 for UK List)

Figure 28. One Month — Biggest Upgraders to Year 1 Estimates (Complete List From Stoxx ex-UK)

■ Lots of representation from the financials here.

Stock	RIC	1m Change Yr1 (€m)	1m Change Yr2 (€m)	Stock	RIC	1m Change Yr1 (%)	1m Change Yr2 (%)
Swiss Re	SRENH.VX	76	-14	Saipem	SPMI.MI	47	-1
Kone B	KNEBV.HE	67	1	Gjensidige Forsikring	GJFS.OL	44	6
Gjensidige Forsikring	GJFS.OL	59	9	Fiat	FIA.MI	30	-8
Telenet Group Holding	TNET.BR	47	18	Kone B	KNEBV.HE	18	0
Nordea Bank	NDA.ST	38	78	Sydbank	SYDB.CO	12	15
Daimler	DAIGn.DE	35	47	Neste Oil	NESIV.HE	8	7
Orange	ORAN.PA	31	46	Swiss Re	SRENH.VX	6	-1
Swedbank A	SWEDa.ST	29	28	Ageas (Ex-Fortis)	AGES.BR	5	3
Glanbia	GL9.I	25	0	Ebro Foods	EBRO.MC	5	4
SEB A	SEBa.ST	25	64	Unicredit	CRDI.MI	5	-2
Unicredit	CRDI.MI	22	-11	Hochtief	HOTG.DE	5	0
GDF Suez	GSZ.PA	20	24	Elisa	ELI1V.HE	4	4
Ageas (Ex-Fortis)	AGES.BR	18	8	SEB A	SEBa.ST	4	10
AXA	AXAF.PA	18	14	Arcelormittal	ISPA.AS	4	4
Allianz	ALVG.DE	17	26	Aker Solutions	AKSO.OL	4	-1

Figure 29. One Month — Biggest Downgraders to Year 1 Estimates (Complete List From Stoxx ex-UK)

Stock	RIC	1m Change Yr1 (€m)	1m Change Yr2 (€m)	Stock	RIC	1m Change Yr1 (%)	1m Change Yr2 (%)
RWE	RWEG.DE	-298	-122	Dufry R	DUFN.VX	-100	1
Nestle R	NESN.VX	-120	-141	KBC Groupe	KBC.BR	-100	6
BBV Argentaria	BBVA.MC	-97	-202	RWE	RWEG.DE	-34	-17
Vivendi	VIV.PA	-88	-145	Portugal Telecom R	PTC.LS	-31	-47
Intesa Sanpaolo	ISP.MI	-56	42	Mediaset	MS.MI	-30	-3
Roche	ROG.VX	-49	-67	Banco Popular Espanol	POP.MC	-20	1
Novartis R	NOVN.VX	-43	-65	Opap	OPAr.AT	-18	-15
Portugal Telecom R	PTC.LS	-39	-56	Banco De Sabadell	SABE.MC	-15	-15
Volvo B	VOLVb.ST	-34	-81	Metro	MEOG.DE	-14	-1
Credit Suisse R	CSGN.VX	-30	3	Ryanair Holdings	RYA.I	-14	38
ABB	ABBN.VX	-29	-23	Hellenic Telecom.Org.	OTEr.AT	-14	16
E.On	EONGn.DE	-24	-56	Rheinmetall	RHMG.DE	-12	-4
Telecom Italia	TLIT.MI	-21	-10	Bankinter 'R'	BKT.MC	-10	-2
Air Liquide	AIRP.PA	-20	-23	Banca Pop. Milano	PMII.MI	-10	60
Anheuser-Busch Inbev	ABI.BR	-20	-29	TNT Express	TNTE.AS	-9	2

Source: Datastream and Citi Research

Market — Six Month Change to Forecasts (Please see Figure 88 and Figure 89 for UK List)

Figure 30. Six Month — Biggest Upgraders (Complete List From Stoxx ex-UK)

- Again a number of Financials appear in this longer-term dividend upgraders screen. Banco Santander tops the list.

Stock	RIC	6m Change Yr1 (€m)	6m Change Yr2 (€m)	Stock	RIC	6m Change Yr1 (%)	6m Change Yr2 (%)
Banco Santander	SAN.MC	433	-299	ASM International	ASMI.AS	846	-13
ASM International	ASMI.AS	174	-3	Ryanair Holdings	RYA.I	245	520
Roche	ROG.VX	137	-5	Glanbia	GL9.I	144	-2
Swiss Re	SRENH.VX	137	59	Hellenic Telecom.Org.	OTEr.AT	73	16
Daimler	DAIGn.DE	134	126	Sydbank	SYDB.CO	60	30
Allianz	ALVG.DE	125	161	Coloplast 'B'	COLOb.CO	38	35
Nordea Bank	NDA.ST	124	222	Gjensidige Forsikring	GJFS.OL	34	0
Richemont N	CFR.VX	121	138	Ageas (Ex-Fortis)	AGES.BR	34	6
Telefonica	TEF.MC	115	-203	Richemont N	CFR.VX	32	31
Ageas (Ex-Fortis)	AGES.BR	92	17	Elektro B	EKTA.B.ST	31	22
Kone B	KNEBV.HE	88	25	Natixis	CNAT.PA	28	7
Telecom Italia	TLIT.MI	83	93	Telecom Italia	TLIT.MI	27	30
AXA	AXAF.PA	80	76	Kone B	KNEBV.HE	25	7
Ryanair Holdings	RYA.I	70	148	STMicroelectronics	STM.PA	22	6
SEB A	SEBa.ST	57	95	MAN	MANG.DE	21	14

Figure 31. Six Month — Biggest Downgraders (Complete List From Stoxx ex-UK)

Stock	RIC	6m Change Yr1 (€m)	6m Change Yr2 (€m)	Stock	RIC	6m Change Yr1 (%)	6m Change Yr2 (%)
RWE	RWEG.DE	-381	-313	Aixtron	AIXGn.DE	-100	-72
Novartis R	NOVN.VX	-190	-302	ING Groep	ING.AS	-100	-51
Nestle R	NESN.VX	-188	-103	KBC Groupe	KBC.BR	-100	56
Sanofi	SASY.PA	-174	-306	Nokia	NOK1V.HE	-100	-46
Vivendi	VIV.PA	-164	-234	KPN	KPN.AS	-90	-15
Portugal Telecom R	PTC.LS	-119	-130	Saipem	SPMI.MI	-76	-28
Nokia	NOK1V.HE	-112	-86	Finmeccanica	SIFI.MI	-73	-27
E.On	EONGn.DE	-104	-216	Fiat	FIA.MI	-68	-54
BBV Argentario	BBVA.MC	-97	-343	Portugal Telecom R	PTC.LS	-58	-67
Volvo B	VOLVb.ST	-85	-150	Banca Ppo.Emilia Romagna	EMII.MI	-54	-14
Zurich Financial Services	ZURN.VX	-78	-105	Boliden	BOL.ST	-49	-43
ING Groep	ING.AS	-77	-336	Rheinmetall	RHMG.DE	-49	-19
ABB	ABB.VX	-73	-88	Endesa	ELE.MC	-49	-45
Saipem	SPMI.MI	-68	-39	Banco De Sabadell	SABE.MC	-43	-51
BASF	BASFn.DE	-66	-53	RWE	RWEG.DE	-39	-35

Source: Datastream and Citi Research

Countries — In Focus

Figure 32. Current 12m Forward Dividend Yield Relative vs 5yr Range (ex-Gre) Figure 33. Country — DY*G vs Balance Sheet

- The spread between the cheapest and most expensive countries on a yield basis has tightened this year. Spain has shifted from the left hand side of the chart to the right hand side as it now trades below the 5yr average level.
- Comparing country balance sheet strength and DY*G shows that non-euro countries have the strongest combination.

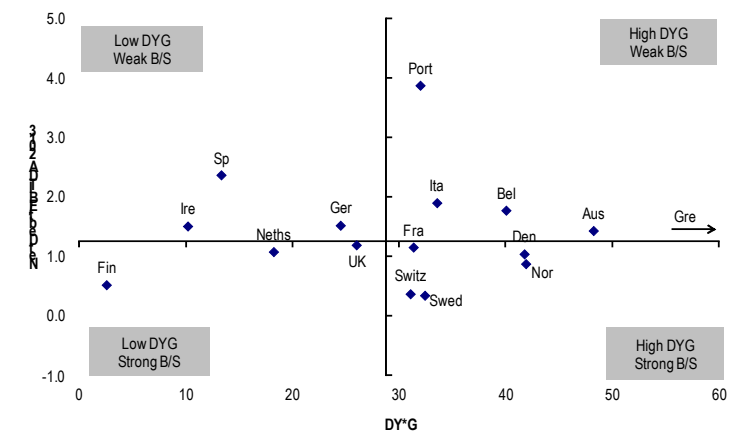
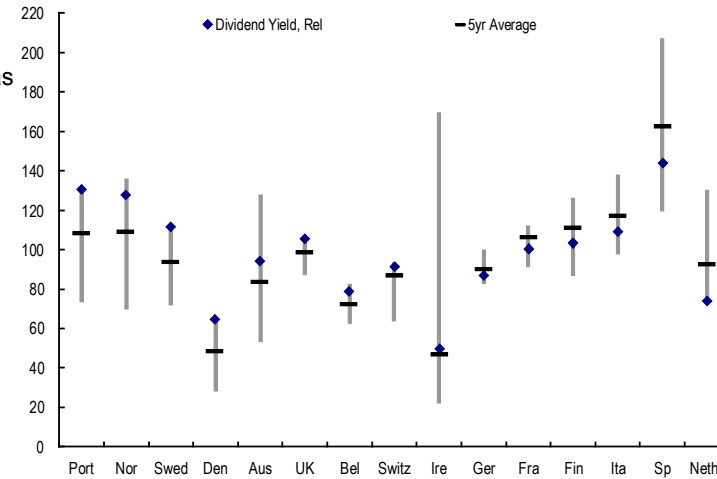
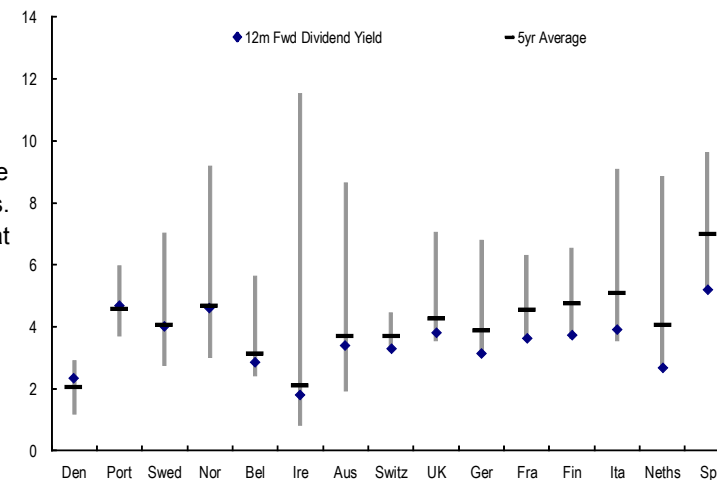


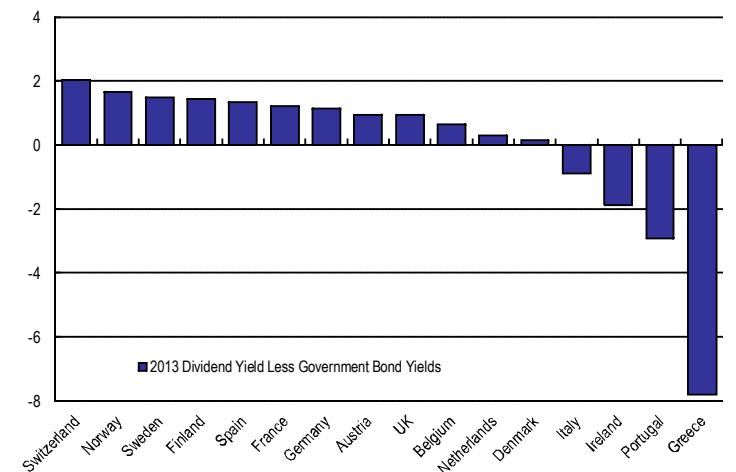
Figure 34. Current 12m Forward Dividend Yield vs 5yr Range (ex-Greece)

- Absolute yields show that almost all markets are trading at, or below their own 5yr dividend yield average. Denmark is the exception.
- Greece, Portugal Ireland and Italy have bond yields higher than dividend yields. Switzerland, Norway and Finland are at the other end of the spectrum. Spain has shifted from the right hand side of this chart in June towards the left now.



Source: Datastream and Citi Research

Figure 35. Country — Current DY vs Bond Spread



Sectors — Dividend Attribution Model

Figure 36. Dividend Attribution Model (DAM)

- Our dividend attribution model assesses a broad range of factors to see which sectors are the most attractive for an income investor. The model ranks all sectors on a consistent basis for every factor. We then weight each to provide an overall sector rank.
- Personal & Household Goods, Banks and Autos achieve the best overall rank. Banks' dividends are normalising and the sector scores increasingly well on various income approaches. Its second place position is supported by strong dividend momentum and growth.

	DY	DY vs Avg	Adj DY (For Cover)	Adj Div (For CDS)	2Yr Annual Growth	FCF-DY	Dividend Mo	Balance Sheet	Overall Rank
Factor Weight	15%	10%	5%	10%	15%	20%	10%	15%	100%
Personal & Household Goods	16	3	14	8	3	2	6	3	6.1
Banks	6	6	6	16	1		1		6.5
Automobiles & Parts	12	2	2	13	2	13	2	6	7.4
Industrial Goods & Services	15	8	11	10	4	5	7	4	7.5
Health Care	11	12	9	1	10	1	15	6	7.5
Insurance	5	17	1	11	13		4		8.8
Food & Beverage	14	5	16	3	6	6	14	11	8.9
Oil & Gas	3	4	3	2	17	15	18	2	8.9
Financial Services	8	11	8	18	7		8		9.2
Real Estate	4	16	18	9	15		9		10.0
Telecommunications	2	19	5	6	14	7	13	14	10.0
Retail	13	10	15	12	11	11	5	5	10.0
Travel & Leisure	18	7	17	14	5	9	3	10	10.0
Media	7	18	12	7	16	3	12	12	10.2
Chemicals	17	9	10	5	8	10	16	9	10.6
Technology	19	13	19	19	12	4	11	1	10.9
Construction & Materials	10	15	13	15	9	8	10	13	11.1
Utilities	1	14	4	4	19	14	17	14	11.6
Basic Resources	9	1	7	17	18	12	19	8	11.7

Factors

DY: Current Year End Citi Forecast. Highest DY achieves the best rank.

DY vs Avg: Current 12m Fwd DY vs 5 Year Average. Cheapest Relative to History achieves the best rank.

Adjusted DY (for cover): Current Year End Citi Forecast adjusted for market dividend cover. Highest adjusted DY achieves the best rank.

Adjusted Div (for CDS): Trailing DY*100/CDS. Highest Adjusted DY achieves best rank.

2Yr Annual Growth: Current yields and 2yr out dividend forecasts. Highest growth achieves best rank.

FCF-DY: Average 2012-2014 FCF yield less average 2012-2014 dividend yield forecasts. Highest FCF>DY achieves the best rank.

Dividend Mo: Relative 3m Dividend Momentum, using IBES consensus data. Strongest momentum achieves the best rank.

Balance Sheet: Strongest balance sheets achieve the best ranking. Financials achieve a median rank.

Source: Datastream and Citi Research

Stocks — Dividend Attribution Model

- We run the dividend attribution model on a stock basis and feature the top and bottom 30 companies (ranked alphabetically).

Figure 37. Stock Dividend Attribution Model (St - DAM)

Top 30					
Ahold Kon.	AHLN.AS	Continental	CONG.DE	Sage Group	SGE.L
AMEC	AMEC.L	Delhaize Group	DELB.BR	Sanofi	SASY.PA
AstraZeneca	AZN.L	Easyjet	EZJ.L	SEB A	SEBa.ST
Barclays	BARC.L	Imperial Tobacco Gp.	IMT.L	Serco Group	SRP.L
Barratt Developments	BDEV.L	Kuehne+Nagel Intl.	KNIN.VX	Shire	SHP.L
Berkeley Group	BKGH.L	Lonza Group	LONN.VX	Siemens	SIEGn.DE
BSKyB	BSY.L	Michelin	MICP.PA	Swedbank A	SWEDa.ST
Centrica	CNA.L	Nordea Bank	NDA.ST	TNT Express	TNTE.AS
Cobham	COB.L	Roche	ROG.VX	Volkswagen Pref.	VOWG.DE
Colruyt	COLR.BR	Ryanair Holdings	RYA.I	Yara International	YAR.OL
Bottom 30					
Alcatel-Lucent	ALUA.PA	Enel Green Power	EGPW.MI	Nokia	NOK1V.HE
Arcelormittal	ISPA.AS	Fiat	FIA.MI	Pernod-Ricard	PERP.PA
Banco De Sabadell	SABE.MC	Fresnillo	FRES.L	Randgold Resources	RRS.L
BBV Argentaria	BBVA.MC	Glencore Xstrata	GLEN.L	Royal Bank Of Sctl.Gp.	RBS.L
Boliden	BOL.ST	IAG	ICAG.L	RWE	RWEG.DE
Carnival	CCL.L*	ING Groep	ING.AS	Terna Rete Elettrica Naz	TRN.MI
Carrefour	CARR.PA	Inmarsat	ISA.L	ThyssenKrupp	TKAG.DE
CRH	CRH.L	Lanxess	LXSG.DE	Tullow Oil	TLW.L
E.On	EONGn.DE	Melrose Industries	MRON.L	UCB	UCB.BR
Enel	ENEL.MI	Metro	MEOG.DE	Veolia Environnement	VIE.PA

*IBES consensus forecasts used in all factors Source: Datastream and Citi Research

Sector Dividend Yields

Figure 38. Current 12m Forward Dividend Yield Relative vs 5yr Range

- Utilities and Telecoms are the cheapest two sectors on a relative basis. Utilities, is trading towards the top end of its relative valuation history. Telecoms is trading below average and closing in on the dividend yield for the Oil sector.
- Across the sectors, the match between the highest yielders and lower growers is close. Banks is a notable standout; enjoying high dividend yields and 2yr annualised dividend growth prospects.

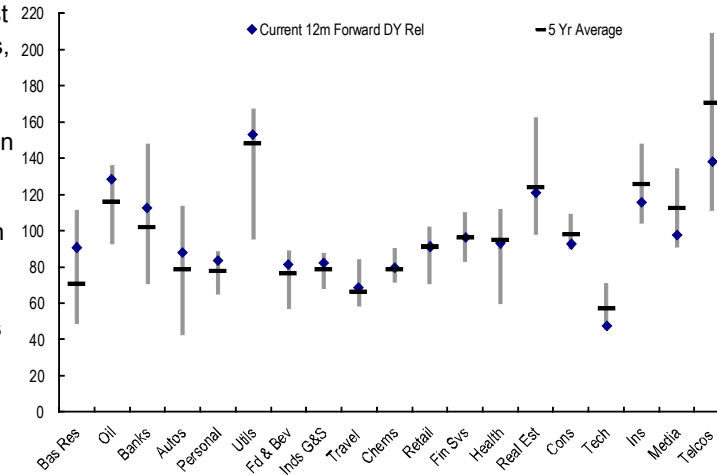


Figure 39. Sector — Yield vs Growth

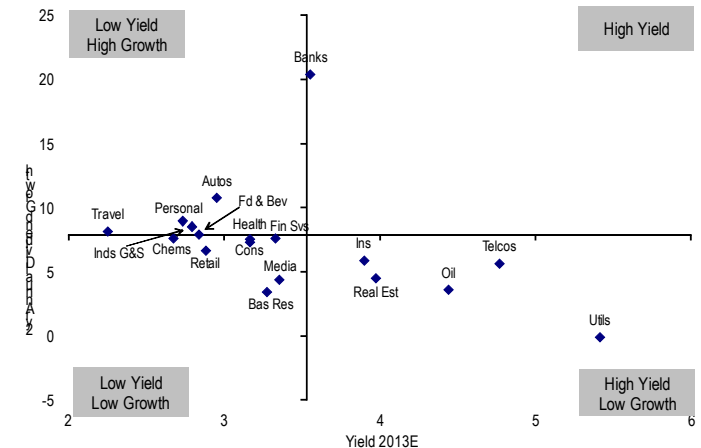
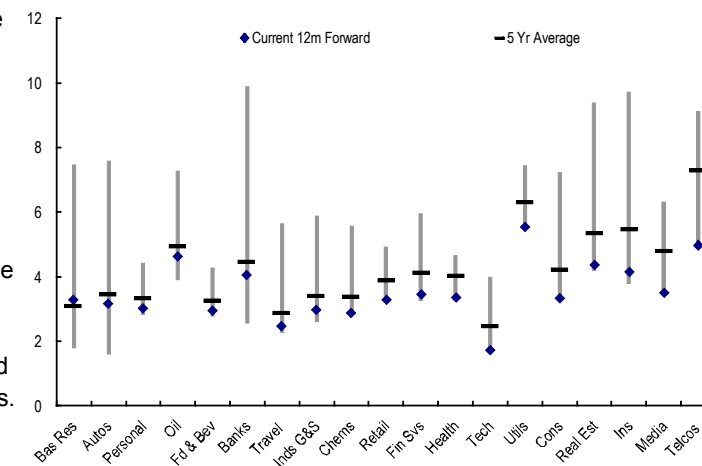


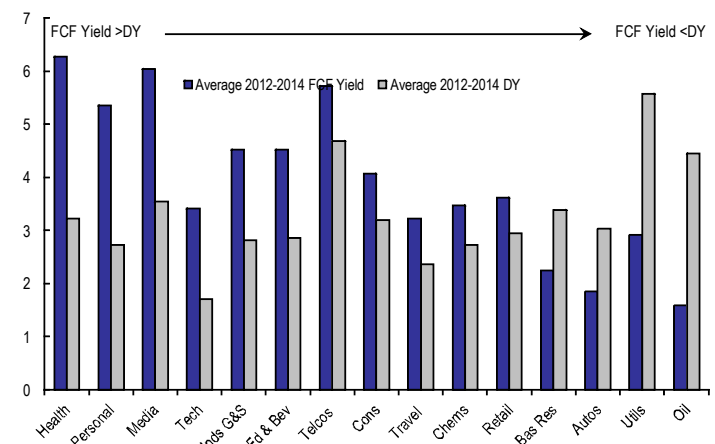
Figure 40. Current 12m Forward Dividend Yield vs 5yr Range

- Only Basic Resources is trading above the 5-year average level (the sector also looks cheap on a relative basis (see top chart)). A number of sectors look expensive on this basis. But then again, the last five years have been exceptional in many ways.
- FCF cover of the dividend is vital for the sustainability of the payments. Our forecasts suggest that most sectors look unstretched on this basis. Oils and Utilities are the most obvious exceptions. Health Care now top on this basis.



Source: Datastream and Citi Research

Figure 41. Sector — FCF Yield – Dividend Yield (Average 2012-2014E)



Themes — Resilient Dividends with 3 Year FCF above Dividend Paid

Figure 42. Resilient Dividends Screen (Stoxx Non Financials Under Coverage)

- With income a rare commodity across the financial markets, we look to make sure it is secure. We screen for dividend yield to be covered by free cash flow over a three-year period.

- Given the market moves since inception of this product, we now look for a dividend yield threshold of 3.5%. This is broadly in line with the benchmark.

Stock	RIC	>€2bn Market Cap, €m	New	DY 2012	>3.5% DY 2013E	DY 2014E	FCF Yield 2012	FCF Yield 2013E	FCF Yield 2014E	Average FCFY- DY	>0 >1.6 Div Cover	<2 ND/EBITDA 2013E	Rel Perf YTD
Cez	CEZP.PR	3488	New	7.52	7.34	5.93	4.42	9.75	7.51	0.30	1.8	1.76	-31
AstraZeneca	AZN.L	48266		5.64	5.45	5.27	10.26	11.75	8.52	4.72	1.8	-0.13	-6
Royal Dutch Shell A	RDSa.L	96089		5.29	5.35	5.29	7.06	4.14	5.54	0.27	2.0	0.74	-15
Yara International	YAR.OL	5646		5.47	5.27	5.05	14.53	9.22	9.93	5.96	2.1	0.27	-26
Centrica	CNA.L	21901	New	4.81	4.85	5.11	9.21	7.78	9.94	4.05	1.6	1.35	-11
BAE Systems	BAES.L	17268		4.54	4.45	4.56	17.37	-5.13	7.81	2.16	2.2	0.61	11
BHP Billiton	BLT.L	48553	New	3.82	3.98	4.17	2.08	2.87	7.67	0.22	2.1	0.87	-24
OMV	OMVV.VI	4966		3.45	3.59	3.74	14.84	17.86	7.12	9.68	3.2	1.15	13
BASF	BASFn.DE	69890	New	3.42	3.55	3.68	3.70	3.12	4.41	0.19	2.1	1.31	-7
Sanofi	SASY.PA	91226		3.66	3.54	4.18	7.60	8.67	7.89	4.26	2.0	0.39	-5

Source: Datastream and Citi Research

Themes — Growth Adjusted Dividend Yields

Figure 43. Non Financials DY*G Screen (Complete List From Stoxx Universe)

- While yield is important, we also believe that growth in the dividend is also a key part of the return.
- In order to qualify, stocks need to have yields greater than 3.5% with 2-year annualised dividend growth in excess of 8%.

Stock	RIC	Market Cap, €m	New?	>3.5% DY 2013E	2y Annual Dividend Growth	>8% DY*G	>40 Div Cover	>1.5 ND/EBITDA 2013E	<2
Berkeley Group	BKGH.L	3853		3.79	47	163	1.7	-0.28	
Neste Oil	NES1V.HE	1886		4.41	24	99	2.4	1.85	
Petroleum Geo Services	PGS.OL	1999		4.16	18	68	2.5	0.83	
Boskalis Westminster	BOSN.AS	2758		3.63	15	53	2.0	1.62	
Sanofi	SASY.PA	91226		3.54	14	51	2.0	0.39	

Figure 44. Financials DY*G Screen (Complete List from the Stoxx Universe)

Stock	RIC	Market Cap, €m	New?	>3.5% DY 2013E	2y Annual Dividend Growth	>8% DY*G	>40 Div Cover	>1.5
Nordea Bank	NDA.ST	27572		5.24	24	121	1.6	
Natixis	CNAT.PA	3377		4.22	18	71	2.0	
Legal & General	LGEN.L	14718	New	4.29	15	62	1.7	
SEB A	SEBa.ST	14161	New	4.19	14	59	2.0	
Aegon	AEGN.AS	10430		4.08	12	48	1.9	
Direct Line In.Group	DLGD.L	2035		5.27	8	41	1.9	

Source: Datastream and Citi Research

Themes — EM and Growth Adjusted Dividend Yields

Figure 45. EM*DYG Screen (Stoxx Universe Where We Have Data)

- We extend the previous screen to show stocks with exposure to the emerging markets.

Stock	RIC	New?	>20 EM Exposure	>300 Div 2013E	DY 2013E	2yr Annual Growth	>30 DY*G	>1.3 Div Cover 2013E	<2 ND/EBITDA 13E	EM*DYG
Telenor	TEL.OL		51	565	4.51	14	60	1.46	1.25	3093
EADS	EAD.PA		46	627	2.19	33	68	2.49	-1.78	3093
Volvo B	VOLVb.ST		38	520	3.60	13	48	1.37	-1.41	1842
Renault	RENA.PA		36	342	2.58	18	48	2.36	-0.41	1740
Siemens	SIEGn.DE		33	2683	3.42	15	51	2.00	0.76	1681
Sanofi	SASY.PA		31	3233	3.54	14	51	1.96	0.39	1559
Michelin	MICP.PA		29	408	2.84	18	53	3.35	0.37	1539
Adidas	ADSGn.DE		35	341	1.96	20	38	2.44	-0.39	1329
Kering	PRTP.PA		31	303	2.40	14	34	2.55	0.88	1065
BMW	BMWG.DE		21	836	3.16	14	43	3.02	-1.09	916

Figure 46. Financials EM*DYG Screen (Stoxx Universe Where we Have Data)

Stock	RIC	New?	>20 EM Exposure	>300 Div 2013E, €m	DY 2013E	2yr Annual Growth	>30 DY*G	>1.3 Div Cover 2013E	EM*DYG
Barclays	BARC.L		31	1061	2.27	67	154	4.43	4726
Credit Suisse R	CSGN.VX		21	911	2.66	58	155	2.88	3225
Old Mutual	OML.L		70	459	3.95	10	40	2.35	2755
HSBC Holdings	HSBA.L		55	6720	4.51	8	37	2.09	2042

Source: Datastream, Company Report & Accounts, and Citi Research

Themes — Big Guns

Figure 47. Contribution to 2013 Dividend Base

■ Broad sector:

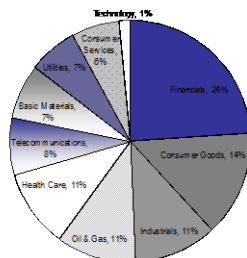


Figure 48. Big Guns Screen (Stoxx Universe – Top 20)

Stock	RIC	Div 2013E	DY 2013E	DY*G	Div Cover 2013E	ND/EBITDA 13E
HSBC Holdings	HSBA.L	6720	4.51	37	2.09	
Banco Santander	SAN.MC	6655	9.24	-19	0.82	
Vodafone Group	VOD.L	6135	4.85	19	1.45	1.96
Nestle R	NESN.VX	5620	3.27	14	1.60	0.99
Total	TOTF.PA	5306	5.23	8	2.15	0.69
BP	BP.L	5223	4.99	6	2.02	0.63
Royal Dutch Shell	RDSA.L	5139	5.35	2	2.05	0.74
Novartis R	NOVN.VX	5131	3.31	5	2.05	0.34
Roche	ROG.VX	4582	3.23	40	1.91	0.27
GlaxoSmithKline	GSK.L	4495	4.82	26	1.41	1.96
Sanofi	SASY.PA	3233	3.54	51	1.96	0.39
BAT	BATS.L	3204	4.15	25	1.54	1.45
Telefonica	TEF.MC	2985	5.78	46	1.54	2.39
ENI	ENI.MI	2943	6.07	11	1.09	0.54
Siemens	SIEGn.DE	2683	3.42	51	2.00	0.76
AstraZeneca	AZN.L	2630	5.45	-10	1.82	-0.13
BASF	BASFn.DE	2482	3.55	13	2.07	1.31
BBV Argentina	BBVA.MC	2404	4.84	-7	0.63	
Allianz	ALVG.DE	2352	4.20	16	2.63	
GDF Suez	GSZ.PA	2290	8.20	0	0.94	2.21

Figure 49. EM Big Guns Screen (Stoxx Universe – Top 20)

Stock	RIC	EM Exp	Div 2013E	DY 2013E	DY*G	Div Cover 2013E	ND/EBITDA 13E
HSBC Holdings	HSBA.L	55	6720	4.51	37	2.09	
Banco Santander	SAN.MC	52	6655	9.24	-19	0.82	
Vodafone Group	VOD.L	34	6135	4.85	19	1.45	1.96
Nestle R	NESN.VX	32	5620	3.27	14	1.60	0.99
Sanofi	SASY.PA	31	3233	3.54	51	1.96	0.39
BAT	BATS.L	67	3204	4.15	25	1.54	1.45
Telefonica	TEF.MC	50	2985	5.78	46	1.54	2.39
Siemens	SIEGn.DE	33	2683	3.42	51	2.00	0.76
AstraZeneca	AZN.L	34	2630	5.45	-10	1.82	-0.13
BBV Argentina	BBVA.MC	49	2404	4.84	-7	0.63	
BHP Billiton	BLT.L	57	1932	3.98	23	2.13	0.87
Rio Tinto	RIO.L	50	1745	3.73	26	2.94	0.95
AB Inbev	ABI.BR	50	1698	3.02	57	1.59	2.16
Bayer	BAYGn.DE	35	1685	2.21	30	2.86	0.73
Unilever Certs.	UNc.AS	47	1600	3.48	20	1.50	0.64
Diageo	DGE.L	47	1475	2.49	21	2.11	2.10
ABB	ABBN.VX	45	1375	3.19	7	1.74	0.20
Std Chartered	STAN.L	91	1317	3.72	26	2.54	
Unilever (UK)	ULVR.L	47	1306	3.42	20	1.50	0.64
Glencore Xstrata	GLEN.L	45	1201	3.03	-4	1.71	4.33

Source: Datastream and Citi Research

Themes — Risk Adjusted Dividends Using CDS (Safer)

Figure 50. European Stocks: Low CDS Screen (Stoxx Universe Where We Have Data)

- The second way we look to risk adjust dividends is to use the companies' own CDS. This brings both a balance sheet and sovereign risk measurement to the screen. Hence little representation from the periphery.

- We limit the stock number in this screen to 25 names.

Stock	RIC	>€5bn Mkt Cap	New	Low CDS	>3.5 Trailing Dividend Yield	CDS Adjusted Dividend Score
Total	TOTF.PA	101482		36	5.23	14.52
Statoil	STL.OL	18889		36	4.72	13.11
Unilever Certs.	UNc.AS	45989	New	27	3.50	12.97
TeliaSonera	TLSN.ST	13672		42	5.25	12.50
Swisscom R	SCMN.VX	8369		39	4.74	12.16
GDF Suez	GSZ.PA	27919	New	69	8.20	11.93
AstraZeneca	AZN.L	48266		47	5.22	11.06
GlaxoSmithKline	GSK.L	93301		44	4.64	10.58
Fortum	FUM1V.HE	7231		57	6.03	10.53
National Grid	NG.L	34626		52	5.18	9.91
Sanofi	SASY.PA	91226		37	3.66	9.84
Telenor	TEL.OL	12536		42	3.98	9.60
Deutsche Telekom	DTEGn.DE	35833		64	5.94	9.33
British American Tobacco	BATS.L	77266		45	3.99	8.80
Centrica	CNA.L	21901		57	4.63	8.12
Muenchener Rueckver	MUVGn.DE	24790		60	4.55	7.61
BP	BP.L	104572		63	4.66	7.45
Vodafone Group	VOD.L	126575	New	62	4.50	7.32
EDF	EDF.PA	7269	New	66	4.82	7.31
SES Fdr	SESFd.PA	6877		64	4.50	7.03
BAE Systems	BAES.L	17268	New	68	4.29	6.33
Svenska Handbkn	SHBa.ST	16442		60	3.66	6.14
Daimler	DAIGn.DE	58747	New	62	3.68	5.92
Nordea Bank	NDA.ST	27572		60	3.53	5.88
Allianz	ALVG.DE	55978		64	3.64	5.68

Source: Bloomberg, Factset

Themes — CDS Adjusted Dividend Scores with Growth and FCF Cover

Figure 51. CDS Adjusted Dividend Scores with Growth and FCF Cover Screen

- The previous screen is purposefully simple in that it adds nothing about growth in the dividend or the cash generation capability of the company to pay the dividend.

- In Figure 51 we try to address this ([original screen can be seen in our recent note](#)). Here we screen for those companies with a CDS of less than the European median level. We then look for companies with a dividend yield greater than 3%. To bring growth and safety into this we screen for forecast two-year annualised dividend growth of 4% or more combined with a dividend that is forecast to be covered by FCF over the 2012-2014E period.

Stock	RIC	Mkt Cap	New	<Median (90) CDS	> (3%) Trailing Dividend Yield	CDS Adjusted Dividend Score	>4% 2yr Ann. Div Growth	>0 Average 2012-2014E FCF Less Average 2012-2014E DY
Rexam	REX.L	4793	New	87	3.05	3.51	11.83	19.3
Delhaize Group	DELB.BR	4728	New	75	3.00	4.00	8.10	9.7
Sanofi	SASY.PA	91226		37	3.66	9.84	14.34	4.3
Centrica	CNA.L	21901		57	4.63	8.12	5.31	4.1
Wolters Kluwer	WLSNc.AS	6047		67	3.44	5.14	5.84	3.8
BSkyB	BSY.L	10476		56	3.23	5.77	8.92	3.2
Ahold Kon.	AHLN.AS	13483		76	3.14	4.15	8.06	3.0
Schneider Electric	SCHN.PA	34197		70	3.04	4.31	6.18	2.9
Michelin	MICP.PA	14372		84	3.13	3.71	18.38	2.9
BAT	BATS.L	77266		45	3.99	8.80	6.00	2.6
Imperial Tobacco Gp.	IMT.L	26531		75	4.68	6.28	6.86	2.2
Unilever Certs.	UNc.AS	45989		27	3.50	12.97	5.90	2.2
Atlas Copco A	ATCOa.ST	13280		60	3.04	5.07	4.65	2.0
Siemens	SIEGn.DE	78426		41	3.18	7.78	15.03	1.7
Tate & Lyle	TATE.L	4342	New	82	3.28	4.00	4.05	1.6
Pearson	PERSON.L	13006	New	57	3.37	5.91	4.14	1.3
SES Fdr	SESFd.PA	6877		64	4.50	7.03	10.00	1.0
Nestle R	NESN.VX	171833		25	3.11	12.36	4.23	0.9
GlaxoSmithKline	GSK.L	93301		44	4.64	10.58	5.30	0.2
Telenor	TEL.OL	12536		42	3.98	9.60	13.52	0.0

Source: Bloomberg, Factset, Datastream, Citi Research

Themes — CDS Adjusted DY*G

Figure 52. CDS Adjusted DY*G Screen

- To add financials, we make one further adjustment to this screen. The [original screen can be seen in our recent note](#).
- Here, we continue to look for stocks with a CDS below the market median. We lower the dividend yield threshold to 2.5%. All non-financial stocks have an average FCF yield for 2012-2014E above average dividend yield for the same period. Last, we screen for stocks with a high DY*G score relative to their CDS.
- This screen looks for stocks that may offer a combination of income, income growth and low risk.

Stock	RIC	Mkt Cap	New	<Median (90) CDS	>2.5% Trailing DY	>4% CDS Adj Dividend Score	>4% 2yr Ann. Div Growth	>0 or Fin Average 2012-2014E FCF Less Average 2012-2014E DY	DY*G	>0.3 DY*G/CDS
Nordea Bank	NDA.ST	27572		60	3.53	5.88	24.47	Fin	121	2.02
Telenor	TEL.OL	12536		42	3.98	9.60	13.52	0.0	60	1.46
Sanofi	SASY.PA	91226		37	3.66	9.84	14.34	4.3	51	1.37
Siemens	SIEGn.DE	78426		41	3.18	7.78	15.03	1.7	51	1.25
BT Group	BT.L	35124		64	2.57	4.04	25.53	3.5	73	1.14
Roche	ROG.VX	141961		37	2.94	8.06	12.43	2.5	40	1.09
SES Fdr	SESFd.PA	6877		64	4.50	7.03	10.00	1.0	49	0.76
Unilever Certs.	UNc.AS	45989		27	3.50	12.97	5.90	2.2	20	0.76
SEB A	SEBa.ST	14161	New	80	3.48	4.35	14.37	Fin	59	0.73
Michelin	MICP.PA	14372		84	3.13	3.71	18.38	2.9	53	0.63
Syngenta	SYNN.VX	27748		40	2.58	6.42	11.80	0.7	25	0.63
GlaxoSmithKline	GSK.L	93301		44	4.64	10.58	5.30	0.2	26	0.58
BAT	BATS.L	77266		45	3.99	8.80	6.00	2.6	25	0.55
Nestle R	NESN.VX	171833		25	3.11	12.36	4.23	0.9	14	0.55
BSKyB	BSY.L	10476		56	3.23	5.77	8.92	3.2	29	0.52
Swedbank A	SWEDa.ST	18142	New	85	5.80	6.83	7.38	Fin	44	0.52
Reed Elsevier	REL.L	11970		48	2.71	5.71	7.99	5.1	23	0.48
Imperial Tobacco Gp.	IMT.L	26531		75	4.68	6.28	6.86	2.2	35	0.47
Centrica	CNA.L	21901		57	4.63	8.12	5.31	4.1	26	0.45
Rexam	REX.L	4793	New	87	3.05	3.51	11.83	19.3	37	0.42
Svenska Handbkn	SHBa.ST	16442		60	3.66	6.14	6.40	Fin	25	0.42
Unibail-Rodamco	UNBP.AS	19101	New	86	4.28	4.99	7.77	Fin	34	0.40
Ahold Kon.	AHLN.AS	13483	New	76	3.14	4.15	8.06	3.0	26	0.34
Delhaize Group	DELB.BR	4728	New	75	3.00	4.00	8.10	9.7	26	0.34
Wolters Kluwer	WLSNc.AS	6047	New	67	3.44	5.14	5.84	3.8	20	0.30

Source: Bloomberg, Factset, Citi Research, Datastream

Themes — Risk Adjusted Dividends Using CDS (Riskier)

Figure 53. European Stocks: CDS More Than 250 Screen (Stoxx Universe Where We Have Data)

- This screen is the opposite risk adjustment of the first CDS and looks for those companies with high CDS and dividend yield.

Stock	RIC	Mkt Cap	New	>250 CDS	>5<12 Trailing Dividend Yield	CDS Adjusted Dividend Score
Portugal Telecom R	PTC.LS	1951		310	9.49	3.07
EDP Energias De Portugal	EDP.LS	6410		277	6.93	2.51

- Only two stocks remain on this list.

Source: Bloomberg, Factset

Themes — Dividend Diamonds

Figure 54. Companies Which Have Not Cut Their Dividends Since 2000, Decent 2yr Annualised Dividend Growth Screen

- These stocks have a reputation for not cutting their dividends over a prolonged period. They are also forecast to enjoy decent 2-year annualised dividend growth.
- On average, these companies have market-beating balance sheets and dividend cover.

Stock	RIC	New?	>€3bn Market Cap, Em	>8% 2yr Annual Dividend Growth	Net Debt/EBITDA 2013E	Dividend Cover 2013E
Aggreko	AGGK.L		4941	9	0.70	3.47
Air Liquide	AIRP.PA		31671	8	1.49	2.02
AMEC	AMEC.L		4155	14	-0.10	2.11
Assa Abloy B	ASSAb.ST		11913	12	0.96	2.52
Assd. Brit. Foods	ABF.L		9223	10	0.58	3.07
Babcock Intl.	BAB.L		5306	8	1.27	2.55
Capita	CPI.L		7702	9	1.92	2.21
Casino Guichard	CASP.PA	New	4717	8	2.01	1.65
Cobham	COB.L		3531	9	1.23	2.25
Dassault Systemes	DAST.PA		5677	11	-1.74	3.89
Diageo	DGE.L		59127	9	2.10	2.11
Essilor Intl.	ESSI.PA		16949	11	0.15	3.22
Givaudan N	GIVN.VX		7651	9	0.92	1.45
Henkel Pref.	HNKG_p.DE		14137	9	0.55	3.89
Johnson Matthey	JMAT.L		7352	9	1.38	2.63
Kerry Group A	KYGa.I		6989	12	1.53	6.56
Koninklijke DSM	DSMN.AS		9361	11	1.72	2.26
L'Oreal	OREP.PA		30691	10	-0.62	1.99
Lindt & Sprungli R	LISN.S		3995	9	-1.41	2.04
LVMH	LVMH.PA		37465	13	0.78	2.34
Meggitt	MGGT.L		5154	9	1.13	3.02
Next	NXT.L		9560	8	0.54	2.77
Novo Nordisk B	NOVOB.CO		54329	15	-0.43	2.22
Roche	ROG.VX		141961	12	0.27	1.91
Rolls-Royce Holdings	RR.L		25353	9	0.15	3.23
Sanofi	SASY.PA		91226	14	0.39	1.96
Schroders	SDR.L		4004	25		2.79
Serco Group	SRP.L		3196	29	1.43	3.70
Sika B	SIK.VX		4679	11	0.21	2.30
Spectris	SXS.L		3160	9	0.27	3.41
Technip	TECF.PA		9432	28	0.03	2.50
WPP	WPP.L		20678	12	0.92	2.40

Source: Datastream and Citi Research

Themes — Potentially Risky Dividends – Weak Cash Flow Dividend Cover

Figure 55. Potentially Risky Dividend Screen (Stoxx Constituents Under Coverage)

- High yields are of little use if they prove to be illusory. The following screen looks for those companies where the dividend is on average not covered by FCF.
- To qualify, stocks must have market caps > €2bn, dividend yield expectations for the current year >4% and dividend cover less than 2.5x. YTD relative performance is displayed for information purposes.

Stock	RIC	Market Cap, €m	New?	DY 2012E	DY 2013E	DY 2014E	FCF Yield 2012E	FCF Yield 2013E	FCF Yield 2014E	Average FCFY-DY	Div Cover	ND/EBITDA 2013E	Rel Perf YTD
Veolia Environnement	VIE.PA	5434		5.63	5.63	5.63	-20.23	-6.31	2.01	-13.81	0.3	4.25	20
Pennon Group	PNN.L	2963		4.18	4.39	4.65	-9.99	-10.49	-4.67	-12.79	1.4	5.50	-9
Balfour Beatty	BALF.L	2275	New	5.21	4.96	4.94	-15.50	-9.18	4.76	-11.68	1.6	0.89	-13
Seadrill	SDRL.OL	12007		8.05	8.00	7.89	-0.60	-4.82	1.42	-9.31	0.9	4.37	7
Telenet Group Holding	TNET.BR	2280		19.62	11.18	9.94	5.47	5.53	5.92	-7.94	0.2	4.51	-3
National Grid	NG.L	34626		5.33	5.40	5.51	-0.68	-1.53	-2.35	-6.93	1.2	4.35	-8
EDF	EDF.PA	7269		4.43	4.43	4.62	-7.37	1.38	1.39	-6.03	1.6	3.14	61
Snam	SRG.MI	7906		6.57	6.57	5.26	-3.97	3.00	2.08	-5.77	1.1	4.96	-6
Terna Rete Elettrica	TRN.MI	5079		5.52	5.24	5.24	-0.06	-1.45	1.19	-5.44	1.3	4.58	4
BP	BP.L	104572		4.75	4.99	5.02	-2.53	-1.62	3.85	-5.02	2.0	0.63	-6
Morrison (Wm)	MRW.L	7833		4.30	4.46	4.59	1.33	-3.51	1.99	-4.51	1.9	2.17	-10
K + S	SDFGn.DE	3278	New	7.37	4.57	1.84	4.31	-2.78	0.40	-3.95	2.4	0.69	-53
Sainsbury (J)	SBRY.L	6472		4.32	4.39	4.43	-0.87	0.56	1.77	-3.89	1.8	1.78	-4
Metso	MEO1V.HE	3865		6.40	6.40	6.54	3.83	2.37	1.58	-3.85	1.1	1.07	-21
Inmarsat	ISAL	3837		4.04	4.10	4.16	2.07	-2.97	2.07	-3.71	1.3	2.91	3
EDP Energias De Port	EDP.LS	6410		6.93	6.93	6.93	-4.89	5.78	9.08	-3.61	1.4	4.85	2
United Utilities Group	UU.L	5709		4.88	5.03	5.23	0.06	3.04	1.28	-3.59	1.2	6.33	-12
Total	TOTF.PA	101482		5.18	5.23	5.32	2.44	-1.98	4.90	-3.45	2.1	0.69	1
SSE	SSE.L	16105		5.99	6.06	6.15	1.16	3.07	3.89	-3.36	1.4	2.30	-17
Enagas	ENAG.MC	4015		5.63	6.59	6.71	-1.40	1.15	10.12	-3.02	1.3	3.77	6
Vodafone Group	VOD.L	126575		5.04	4.85	5.05	1.57	1.69	3.03	-2.88	1.4	1.96	21
E.On	EONGn.DE	27284		8.07	4.40	4.39	3.25	-0.90	5.96	-2.85	2.0	2.09	-16
Belgacom	BCOM.BR	2964		11.50	8.77	8.31	10.28	4.11	6.60	-2.53	0.9	1.30	-19
Red Electrica Corpn.	REE.MC	5011		5.11	6.08	6.90	-0.28	4.07	6.93	-2.45	1.3	3.78	8
Eutelsat	ETL.PA	2852		4.73	5.15	5.67	1.60	2.30	4.49	-2.39	1.4	2.78	-19
Repsol Ypf	REP.MC	15763		4.99	5.14	5.38	-4.04	9.10	3.79	-2.22	1.6	1.03	14
Statoil	STL.OL	18889		5.12	5.11	5.08	3.72	-0.92	6.51	-2.00	2.2	0.26	-20
Prosieben Sat 1	PSMGn.DE	5102		16.30	4.22	4.68	8.83	4.81	5.58	-1.99	1.3	1.46	42
Severn Trent	SVT.L	5234		4.10	4.27	4.48	1.95	2.48	2.61	-1.94	1.1	5.43	-2
ENI	ENI.MI	48460		5.96	6.07	6.18	4.09	1.70	7.17	-1.75	1.1	0.54	-13
Tesco	TSCO.L	34544	New	4.18	4.05	4.01	-0.19	2.74	4.73	-1.65	2.0	1.82	-9
Tele2 'B'	TEL2b.ST	2746		9.08	5.68	5.06	11.63	-0.11	3.48	-1.61	1.0	1.41	-23
Ziggo	ZIGGO.AS	4524		4.58	5.50	11.43	6.70	5.19	4.84	-1.59	1.0	3.30	10
Fortum	FUM1V.HE	7231		6.04	6.04	6.04	3.57	4.06	5.84	-1.55	1.2	3.30	2
Elisa	ELI1V.HE	2577		7.03	7.03	7.03	5.30	6.33	7.50	-0.65	1.0	1.89	-4
Atlantia	ATL.MI	5236		4.55	4.78	5.02	9.06	2.53	1.26	-0.50	1.1	4.58	3
Vivendi	VIV.PA	23870	New	5.33	5.33	5.33	8.00	2.56	4.47	-0.32	1.1	1.23	-5
TeliaSonera	TLSN.ST	13672		5.29	5.53	5.16	4.82	5.09	5.79	-0.10	1.4	1.44	4

Source: Datastream and Citi Research

Themes — Credit vs Equity

- One of the most simple value screens is to look for companies whose equity yields more than their own bonds. We also add a dividend cover feature.

Figure 56. Credit vs Equity Screen (Stoxx Constituents Where We Have Data)

Stock	RIC	New	>€7bn Market Cap	Ry >5Yr Dur	DY 13E	+ve DY 13E - RY	2Y Annual Div Growth (E)	>1.6 Dividend Cover 2013E
Nestle R	NESN.VX		160984	2.0	3.50	1.52	5	1.6
Novartis R	NOVN.VX		148097	2.7	3.46	0.78	2	2.1
Roche	ROG.VX		134854	2.0	3.45	1.49	13	1.9
Total	TOTF.PA		96637	2.6	5.49	2.89	2	2.1
BP	BP.L		96476	1.9	5.43	3.55	2	2.1
Royal Dutch Shell A	RDSa.L		89974	3.5	5.73	2.22	1	2.0
Sanofi	SASY.PA		88647	2.5	3.76	1.26	14	2.0
Siemens	SIEGn.DE		74450	2.7	3.60	0.94	15	2.1
BASF	BASFn.DE		64384	1.8	3.85	2.02	4	1.9
Daimler	DAIGn.DE		56751	2.7	3.81	1.15	-2	2.3
Anheuser-Busch Inbev	ABI.BR		52845	2.6	3.12	0.53	20	1.6
BHP Billiton	BLT.L		44751	2.9	4.34	1.41	6	2.1
Rio Tinto	RIO.L		44229	3.7	3.95	0.26	8	2.8
ABB	ABBN.VX		39648	2.9	3.48	0.60	3	1.7
LVMH	LVMH.PA		38561	1.5	2.22	0.73	13	2.3
SABMiller	SAB.L		35676	2.0	2.19	0.21	7	2.3
Tesco	TSCO.L		34271	3.3	4.10	0.81	0	2.0
Deutsche Telekom	DTEGn.DE		33872	3.4	4.49	1.08	-3	1.8
Schneider Electric	SCHN.PA		33797	1.9	3.20	1.26	6	2.1
Danone	DANO.PA		31563	1.9	2.68	0.80	8	2.1
Air Liquide	AIRP.PA		31124	2.0	2.64	0.66	8	2.0
EADS	EAD.PA		28448	1.4	2.31	0.87	33	2.5
E.On	EONGn.DE		27754	3.4	4.74	1.36	-13	1.8
Linde	LING.DE		26751	1.9	2.02	0.07	8	2.9
Imperial Tobacco Gp.	IMT.L		25400	3.5	5.38	1.90	7	1.8
BMW	BMWG.DE		25274	1.9	3.31	1.43	14	3.0
Anglo American	AAL.L		24373	3.0	3.78	0.78	3	2.1
Vinci	SGEF.PA	New	23177	2.2	4.03	1.80	5	1.9
Deutsche Post	DPWGn.DE		22637	2.6	3.14	0.50	7	2.1
Centrica	CNA.L		22357	3.9	4.76	0.91	6	1.6
Enel	ENEL.MI		19284	4.6	4.82	0.23	-3	2.9
Orange	ORAN.PA		18674	3.6	6.22	2.67	10	1.6
Compass Group	CPG.L		17939	1.9	2.94	1.04	11	2.0
Statoil	STL.OL		17632	3.3	5.47	2.15	1	2.2
BAE Systems	BAES.L		17274	3.8	4.46	0.70	3	2.1
Repsol Ypf	REP.MC		14741	3.4	5.49	2.04	4	1.6
Atlas Copco A	ATCOa.ST		13813	2.1	3.25	1.18	5	1.8

Source: Datastream, Bloomberg, Yieldbook and Citi Research

Themes — Credit vs Equity (Continued)

- One of the most simple value screens is to look for companies whose equity yields more than their own bonds. We also add a dividend cover feature.

Figure 57. Credit vs Equity Screen Continued (Stoxx Constituents Where We Have Data)

Stock	RIC	New	>€7bn Market Cap	RY >5Yr Dur	DY 13E	+ve DY 13E - RY	2Y Annual Div Growth (E)	Dividend Cover 2013E
RWE	RWEG.DE		13248	3.4	3.69	0.27	1	4.0
Kering	PRTP.PA		12173	2.2	2.49	0.31	14	2.6
Akzo Nobel	AKZO.AS		11492	2.3	3.05	0.76	7	2.4
SCA B	SCAb.ST		11086	2.7	3.07	0.39	10	1.8
Reed Elsevier (Ams)	ELSN.AS		10097	2.3	3.03	0.76	7	2.2
Porsche Pref.	PSHG_p.DE		9805	2.0	3.12	1.11	2	6.1
Morrison (Wm) Supermarkets	MRW.L		7612	3.1	4.60	1.46	4	1.9
SKF B	SKFb.ST		7570	1.9	3.30	1.37	4	1.6

Source: Datastream, Bloomberg, Yieldbook & Citi Research

Themes — Dividend Surprises

- We want better-than-sector balance sheets but below-sector-average payout ratios. We also want the companies to have cash cover for the dividend payout.
- Some of these companies could surprise by paying out higher dividends.

Figure 58. Stocks With Better Than Industry Balance Sheet & Payout Potential (vs Industry) and Decent Cashflow Screen

Stock	RIC	Market Cap	Industry	New?	Stock - ND/EBITDA 2013E	Sector - ND/EBITDA 2013E	Stk B/S > SectB/S	Stock - Payout 2013E	Sector - Payout 2013E	Stk Payout > Sect Payout	FCF/Div
Michelin	MICP.PA	14372	Autos & Parts		0.37	1.62	Y	0.30	0.31	N	142
Continental	CONG.DE	13124	Autos & Parts		0.96	1.62	Y	0.26	0.31	N	154
GKN	GKN.L	7037	Autos & Parts		0.87	1.62	Y	0.29	0.31	N	216
Valeo	VLOF.PA	5228	Autos & Parts	New	0.38	1.62	Y	0.27	0.31	N	163
SABMiller	SAB.L	38676	Beverages		2.17	2.32	Y	0.43	0.46	N	142
Carlsberg B	CARLb.CO	7946	Beverages		2.10	2.32	Y	0.19	0.46	N	476
Bayer	BAYGn.DE	76327	Chemicals		0.73	1.17	Y	0.35	0.43	N	248
Syngenta	SYNN.VX	27748	Chemicals		0.49	1.17	Y	0.43	0.43	N	157
Assa Abloy B	ASSAb.ST	11913	Construction		0.96	2.14	Y	0.40	0.56	N	327
BT Group	BT.L	35124	Fixed Line Telecoms		1.18	2.28	Y	0.41	0.59	N	215
Assd. Brit. Foods	ABF.L	9223	Food Producers		0.58	0.89	Y	0.33	0.59	N	160
Centrica	CNA.L	21901	Gas, Water		1.35	2.77	Y	0.62	0.71	N	160
RWE	RWEG.DE	13446	Gas, Water	New	1.63	2.77	Y	0.25	0.71	N	109
Smiths Group	SMIN.L	6465	General Industrials		0.88	0.99	Y	0.40	0.48	N	204
Kingfisher	KGF.L	10327	General Retailers		-0.16	0.27	Y	0.43	0.54	N	149
IMI	IMI.L	5551	Industrial Eng		0.24	0.34	Y	0.40	0.54	N	201
Alfa Laval	ALFA.ST	5383	Industrial Eng		0.25	0.34	Y	0.48	0.54	N	239
Deutsche Post	DPWGn.DE	23548	Industrial Transport	New	0.51	1.78	Y	0.47	0.50	N	137
WPP	WPP.L	20678	Media		0.92	1.50	Y	0.42	0.58	N	252
Reed Elsevier	REL.L	11970	Media		1.47	1.50	Y	0.45	0.58	N	273
BSkyB	BSY.L	10476	Media		0.78	1.50	Y	0.50	0.58	N	197
Reed Elsevier	ELSN.AS	10053	Media		1.48	1.50	Y	0.45	0.58	N	273
ITV	ITV.L	8118	Media		0.09	1.50	Y	0.40	0.58	N	179
Richemont N	CFR.VX	39126	Personal Goods		-1.30	-0.37	Y	0.22	0.38	N	341
Swatch B	UHR.VX	14276	Personal Goods		-0.67	-0.37	Y	0.24	0.38	N	295
Beiersdorf	BEIG.DE	6989	Personal Goods		-2.79	-0.37	Y	0.34	0.38	N	230
Novartis R	NOVN.VX	155249	Pharma & Biotech		0.34	0.46	Y	0.49	0.52	N	207
Sanofi	SASY.PA	91226	Pharma & Biotech		0.39	0.46	Y	0.51	0.52	N	245
Novo Nordisk B	NOVOB.CO	54329	Pharma & Biotech		-0.43	0.46	Y	0.45	0.52	N	209
Shire	SHP.L	18106	Pharma & Biotech		-0.88	0.46	Y	0.07	0.52	N	1067
Merck KGAA	MRCG.DE	7910	Pharma & Biotech		0.21	0.46	Y	0.21	0.52	N	469
Dassault Systemes	DAST.PA	5677	Software		-1.74	-0.01	Y	0.26	0.27	N	320
Amadeus It	AMA.MC	11499	Support Services	New	1.15	1.19	Y	0.40	0.46	N	193
Intertek Group	ITRK.L	6178	Support Services		1.09	1.19	Y	0.31	0.46	N	249
Travis Perkins	TPK.L	5154	Support Services	New	0.82	1.19	Y	0.31	0.46	N	183
Ericsson B	ERICb.ST	27044	Tech Hardware	New	-1.27	-1.22	Y	0.66	0.87	N	232
ARM Holdings	ARM.L	16142	Tech Hardware		-1.56	-1.22	Y	0.32	0.87	N	229
Infineon	IFXGn.DE	7704	Tech Hardware		-2.15	-1.22	Y	0.50	0.87	N	113

Source: Datastream, Citi Research

Quant Corner — Searching for Alpha: Digging for Dividends (QUARI)¹

Figure 59. QUARI — Stock Selection & Portfolio Construction

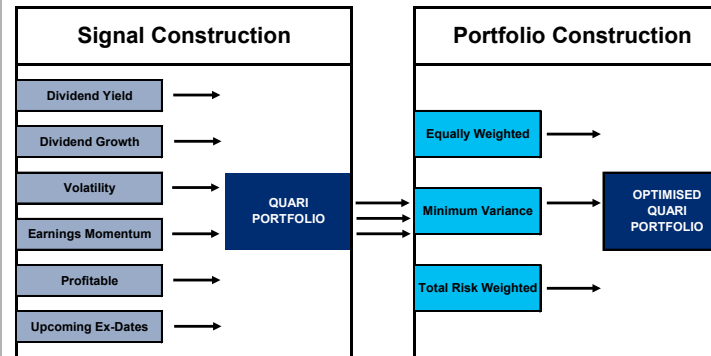


Figure 60. QUARI Minimum Variance Statistics

QUARI (minimum variance)	Price Return	Income (not reinvested)	Total Return (not reinvested)	Total Return (reinvested)
Annualised Returns	11.0%	6.8%	12.8%	15.7%
Annualised Volatility	12.9%		10.5%	13.0%
Sharpe Ratio	0.85		1.22	1.21
Hit Rate	69%		71%	71%

Chris Montagu
chris.montagu@citi.com

Matthew J Burgess
matt.burgess@citi.com

Figure 61. Return Breakdown (Annualised)

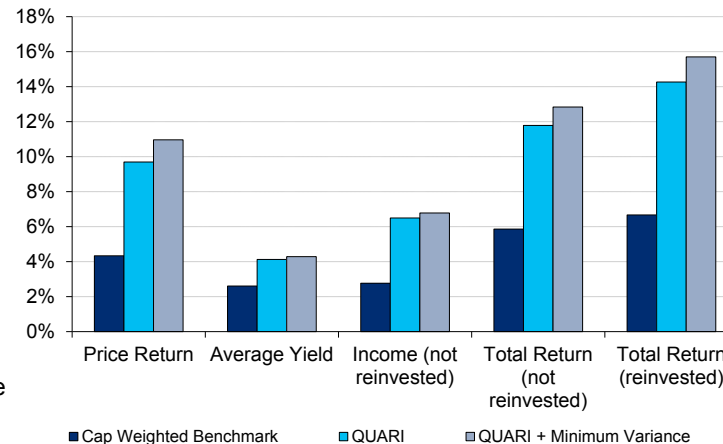
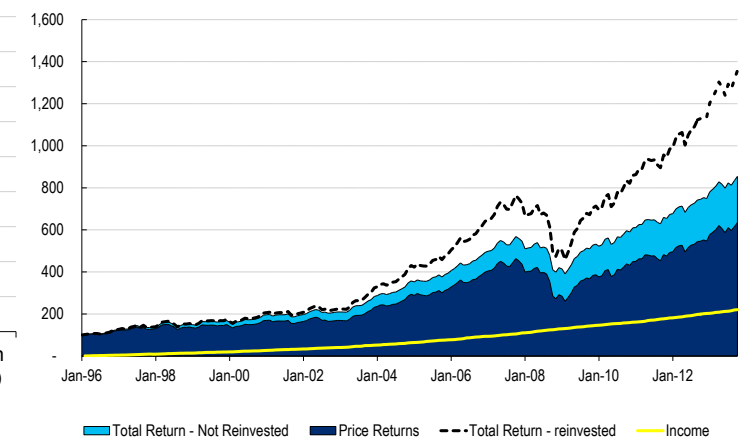


Figure 62. QUARI Portfolio Returns (Minimum Variance)



- **QUARI – Quality with A Reliable Income.**
- QUARI aims to offer enhanced income and capital gains with low levels of absolute risk.
- Yield alone is not enough, capital protection is key to ensure a consistent pool from which to draw income.
- QUARI uses six signal construction steps to achieve a more optimal income stream and incorporates Minimum Variance optimisation for more risk efficient portfolio construction.

Source: Citi Research

¹See [Searching For Alpha: Digging For Dividends: QUARI – Quality with A Reliable Income, Citi Research, 2 July 2013](#), for further information on the QUARI model.

Quant Corner — Searching for Alpha: Digging for Dividends (QUARI)

Our backtesting shows:

- Above benchmark yield with low correlation to generic DY strategies.
- 36bps per month/6.8% annualised income outperforms both bonds and the global equity benchmark irrespective of capital gains.
- 15.7% annualised total return (reinvested) with a Sharpe Ratio of 1.2.
- Positive returns in 17 out of 18 years of our empirical study, significantly beating benchmark in the other (2008).
- N.B., past performance does not guarantee future performance.

Figure 63. Yield, QUARI vs Benchmark vs Treasuries

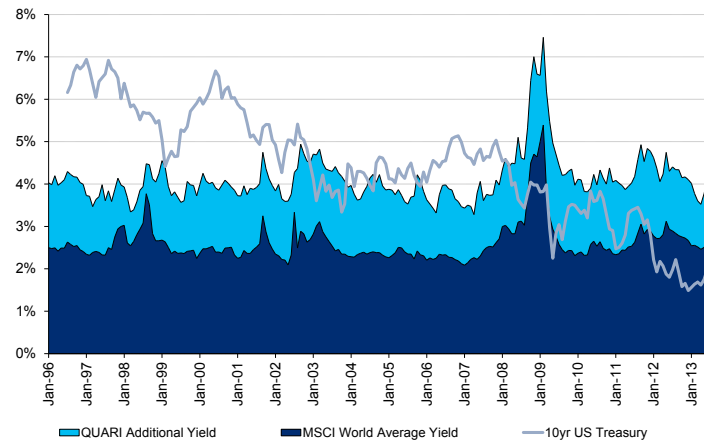


Figure 64. Cumulative Income, QUARI vs Benchmark & US Treasuries

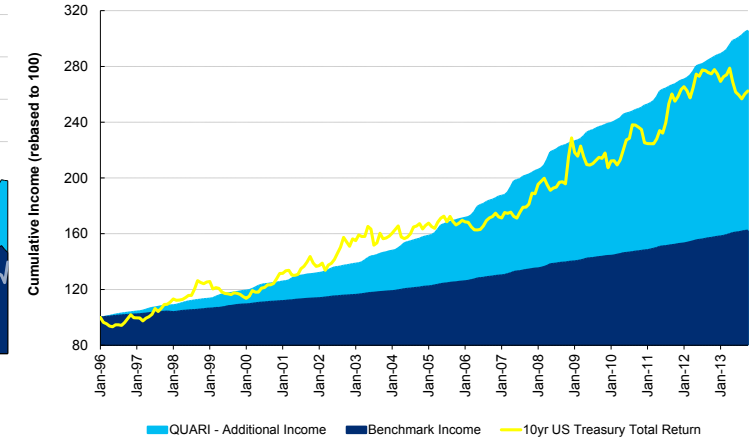


Figure 65. QUARI, Performance Statistics Pre/Post Transaction Costs

- High turnover but, after conservative transaction costs (40bps), it achieves 13.4% annualised total return (reinvested) with a Sharpe Ratio of 1.0.
- Quality and Low-Risk bias, favouring expensive stocks with higher mo.
- Targets long-term benefits of income investing rather than cyclical yield opportunities.
- Low correlation to 'pure' Dividend Yield strategies despite income focus.

	Benchmark	QUARI Pre T-Costs	QUARI Post-T-Costs
Annualised Total Return (reinvested)	6.7%	15.7%	13.4%
Annualised Volatility	15.8%	13.0%	13.0%
Sharpe Ratio	0.42	1.21	1.02

Figure 66. Style Correlation (Calculated using Long Style Portfolio Rel Ret)

	QUARI	Value	Price Mom	Est. Mom	Low Risk	Size	Quality	Div Yield
QUARI	-	-0.37	0.52	0.42	0.79	0.22	0.67	0.14
Value		-	-0.63	-0.61	-0.54	-0.62	-0.54	0.62
Price Mo			-	0.77	0.62	0.55	0.54	-0.25
Estimates Mo				-	0.48	0.42	0.48	-0.39
Low Risk					-	0.37	0.80	-0.04
Size						-	0.52	-0.27
Quality							-	-0.09
Dividend Yield								-

Source: Citi Research

Quant Corner — Searching for Alpha: Digging for Dividends (QUARI)

Figure 67. QUARI Screen, MSCI Europe (greater than Eur10billion)

- [Using the same methodology as the global QARI model](#), we present the latest QUARI screen for MSCI Europe.

Name	RIC	Sector	Country
BELGACOM	BCOM.BR	Telecommunication Services	BELGIUM
SWISS RE	SRENH.VX	Financials	SWITZERLAND
ADMIRAL GROUP	ADML.L	Financials	UNITED KINGDOM
FERROVIAL	FER.MC	Industrials	SPAIN
SEADRILL	SDRL.OL	Energy	NORWAY
TELENET GROUP HOLDING	TNET.BR	Consumer Discretionary	BELGIUM
TRYG	TRYG.CO	Financials	DENMARK
EUTELSAT COMMUNICATIONS	ETL.PA	Consumer Discretionary	FRANCE
DIRECT LINE IN.GROUP	DLGD.L	Financials	UNITED KINGDOM
NATIONAL GRID	NG.L	Utilities	UNITED KINGDOM
ABERTIS INFRAESTRUCTURAS	ABE.MC	Industrials	SPAIN
BAE SYSTEMS	BAES.L	Industrials	UNITED KINGDOM
HANNOVER RUCK.	HNRGn.DE	Financials	GERMANY
TELENOR	TEL.OL	Telecommunication Services	NORWAY
SEB 'A'	SEBa.ST	Financials	SWEDEN
SWEDBANK 'A'	SWEDa.ST	Financials	SWEDEN
TDC	TDC.CO	Telecommunication Services	DENMARK
DAIMLER	DAIGn.DE	Consumer Discretionary	GERMANY
SAMPO 'A'	SAMAS.HE	Financials	FINLAND
NORDEA BANK	NDA.ST	Financials	SWEDEN
SWISSCOM 'R'	SCMN.VX	Telecommunication Services	SWITZERLAND
POHJOLA PANKKI A	POH1S.HE	Financials	FINLAND
INVESTOR 'B'	INVEb.ST	Financials	SWEDEN
IMMOFINANZ	IMFI.VI	Financials	AUSTRIA
SVENSKA HANDBKN.'A'	SHBa.ST	Financials	SWEDEN
BOSS (HUGO)	BOSSn.DE	Consumer Discretionary	GERMANY
BMW PREF.	BMWG.DE	Consumer Discretionary	GERMANY
KONE 'B'	KNEBV.HE	Industrials	FINLAND
IMPERIAL TOBACCO GP.	IMT.L	Consumer Staples	UNITED KINGDOM
BHP BILLITON	BLT.L	Materials	UNITED KINGDOM
LEGAL & GENERAL	LGEN.L	Financials	UNITED KINGDOM
CENTRICA	CNA.L	Utilities	UNITED KINGDOM
UNITED UTILITIES GROUP	UU.L	Utilities	UNITED KINGDOM
GJENSIDIGE FORSIKRING	GJFS.OL	Financials	NORWAY
PEARSON	PSO.N.L	Consumer Discretionary	UNITED KINGDOM
AGEAS (EX-FORTIS)	AGES.BR	Financials	BELGIUM
ENAGAS	ENAG.MC	Utilities	SPAIN
SSE	SSE.L	Utilities	UNITED KINGDOM

Source: Citi Research.

Stocks — Top 20 Yielders

Figure 68. Top 20 Stocks on Dividend Yield, Trailing Dividend Yield Relative to Market ex-Financials, Dividend Cover, Adjusted Dividend Yield to Ave.Cover, Abs 12m Fwd DY Relative to 5yr History

	RIC	2013 DY		RIC	Trailing DY Rel to Market ex Fins		RIC	2013 Div Cover		RIC	Adj 2013 Yield (for Cover)		RIC	Abs 12m Fwd DY Rel to History
Banco Santander	SAN.MC	9.24	Prosieben Sat 1	PSMGn.DE	548	Premier Oil	PMO.L	670	Porsche Pref.	PSHG_p.DE	9.47	Berkeley Group	BKGH.L	6
Belgacom	BCOM.BR	8.77	GDF Suez	GSZ.PA	275	Shire	SHP.L	13	RWE	RWEG.DE	7.17	Tgs-Nopec .	TGS.OL	3
GDF Suez	GSZ.PA	8.20	E.On	EONGn.DE	271	Lloyds	LLOY.L	12	3i Group	III.L	6.94	Persimmon	PSN.L	3
Seadrill	SDRL.OL	8.00	Seadrill	SDRL.OL	258	Iliad	ILD.PA	12	Enel	ENEI.MI	6.38	Petrol Geo Svs	PGS.OL	3
Admiral Group	ADML.L	7.92	TDC	TDC.CO	254	Gemalto	GTO.AS	9	Volkswagen .	VOWG.DE	6.35	Swedbank A	SWEDa.ST	2
Orange	ORAN.PA	7.71	Belgacom	BCOM.BR	253	Randgold	RRS.L	7	Swiss Life	SLHN.VX	6.14	STMicro	STM.PA	2
TDC	TDC.CO	7.38	K + S	SDFGn.DE	247	Aryzta N	ARYN.S	7	Alstom	ALSO.PA	6.09	Nokian Renkaat	NRE1V.HE	1
Elisa	ELI1V.HE	7.03	Elisa	ELI1V.HE	236	Mediobanca	MDBI.MI	7	OMV	OMVV.VI	5.81	arratt	BDEV.L	1
EDP Ene De Pt	EDP.LS	6.93	EDP En De Pt	EDP.LS	233	Kerry Group A	KYGa.I	7	Hannover Ruck.	HNRGn.DE	5.80	Admiral Group	ADML.L	1
Corio	COR.AS	6.82	Tele2 'B'	TEL2b.ST	224	DSV B	DSV.CO	6	Credit Agricole	CAGR.PA	5.75	Eutelsat	ETL.PA	1
Zurich Financial	ZURN.VX	6.82	Snam	SRG.MI	220	Atos	ATOS.PA	6	AXA	AXAF.PA	5.70	Nordea Bank	NDA.ST	1
Enagas	ENAG.MC	6.59	Metso	MEO1V.HE	215	3i Group	III.L	6	Statoil	STL.OL	5.63	Easyjet	EZJ.L	1
Snam	SRG.MI	6.57	Iberdrola	IBE.MC	210	Porsche Pref.	PSHG_p.DE	6	Total	TOTF.PA	5.59	Yara International	YAR.OL	1
Metso	MEO1V.HE	6.40	Fortum	FUM1V.HE	203	Carlsberg B	CARLb.CO	5	Yara	YAR.OL	5.50	Anglo American	AAL.L	1
Red Electrica .	REE.MC	6.08	ENI	ENI.MI	202	Fresenius	FREG.DE	5	Allianz	ALVG.DE	5.49	Premier Oil	PMO.L	1
ENI	ENI.MI	6.07	DT	DTEGn.DE	199	Barratt	BDEV.L	5	Amlin	AML.L	5.49	Metso	MEO1V.HE	1
Resolution	RSL.L	6.07	SSE	SSE.L	196	Grifols Ord Cl A	GRLS.MC	5	Scor Se	SCOR.PA	5.48	UBS R	UBSN.VX	1
SSE	SSE.L	6.06	Veolia	VIE.PA	189	Volkswagen	VOWG.DE	5	Rio Tinto	RIO.L	5.46	Morrison (Wm)	MRW.L	1
Fortum	FUM1V.HE	6.04	Enagas	ENAG.MC	189	UBS R	UBSN.VX	5	RD Shell A	RDSa.L	5.45	Ryanair Holdings	RYA.I	1
Persimmon	PSN.L	6.01	AstraZeneca	AZN.L	187	Merck KGAA	MRCG.DE	5	K + S	SDFGn.DE	5.42	Serco Group	SRP.L	1

Source: Datastream and Citi Research

Valuation Tables

Figure 69. Valuation Tables

	<u>Net Dividend Yield</u>				<u>Dividend Growth, %</u>			<u>Dividends, €m</u>			
	2012	2013E	2014E	2015E	2013E	2014E	2015E	2012	2013E	2014E	2015E
Oil & Gas	4.69	4.77	4.97	5.18	2	4	4	23336	23758	24722	25760
Chemicals	2.80	2.88	3.09	3.38	3	7	9	8565	8821	9466	10358
Basic Resources	3.65	3.49	3.66	3.93	-5	5	7	8021	7660	8045	8622
Construction & Materials	3.26	3.37	3.61	3.91	4	7	8	4506	4668	5001	5415
Industrial G&S	2.74	2.95	3.20	3.50	7	9	9	18473	19850	21576	23570
Automobiles & Parts	3.03	3.15	3.42	3.89	4	9	14	5395	5615	6096	6930
Food & Beverage	2.66	2.86	3.13	3.42	8	10	9	14350	15444	16929	18459
Personal & H'hold Goods	2.57	2.81	3.03	3.39	9	8	12	9480	10371	11188	12521
Health Care	3.15	3.25	3.55	3.82	3	9	8	22754	23525	25672	27645
Retail	3.09	3.06	3.23	3.48	-1	6	8	6424	6377	6731	7241
Media	3.82	3.54	3.78	4.00	-7	7	6	6009	5565	5946	6287
Travel & Leisure	2.42	2.28	2.44	2.77	-6	7	13	2242	2113	2267	2573
Telecommunications	5.01	5.34	5.57	5.99	7	4	8	15410	16415	17120	18413
Utilities	6.37	6.03	5.92	5.83	-5	-2	-2	15881	15026	14757	14536
Banks	3.31	3.70	4.60	5.45	12	24	18	26806	29982	37291	44171
Insurance	3.86	4.02	4.27	4.54	4	6	6	14504	15097	16011	17043
Real Estate	4.11	4.18	4.37	4.56	2	5	5	3456	3509	3668	3834
Financial Services	3.74	3.60	3.94	4.25	-4	9	8	3049	2934	3210	3468
Technology	1.91	1.68	1.82	2.00	-12	9	10	3804	3352	3640	3988
Stoxx - Pan Europe	3.42	3.54	3.85	4.20	4	9	9	212463	220083	239338	260832
Pan Euro - Large Cap	3.52	3.68	4.00	4.35	5	8	9	177470	185596	201271	219344
Pan Euro - Mid Cap	3.01	2.93	3.26	3.55	-3	11	9	24670	23987	26666	29045
Pan Euro - Small Cap	2.91	2.96	3.21	3.50	2	9	9	10323	10500	11401	12442

Source: Datastream and Citi Research

UK

Why Dividends Matter

- The grind higher continues with the All Share index hovering around all-time highs on both measures (return and prices).
- Over time, total returns from UK equities have come from dividends and growth, not rerating.

Figure 70. All Share— Total Return & Price Index

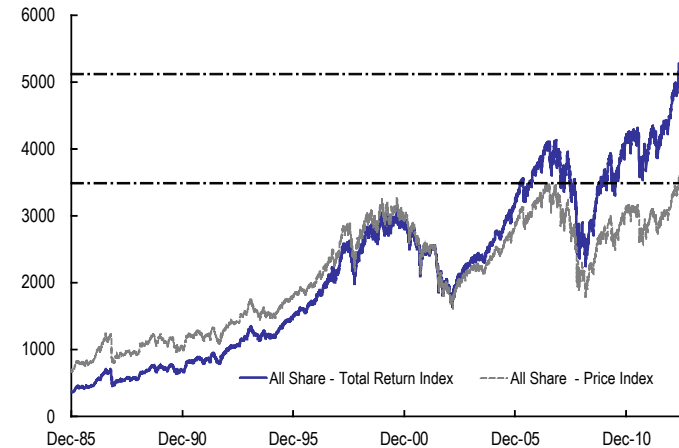


Figure 71. Return Composition — MSCI UK

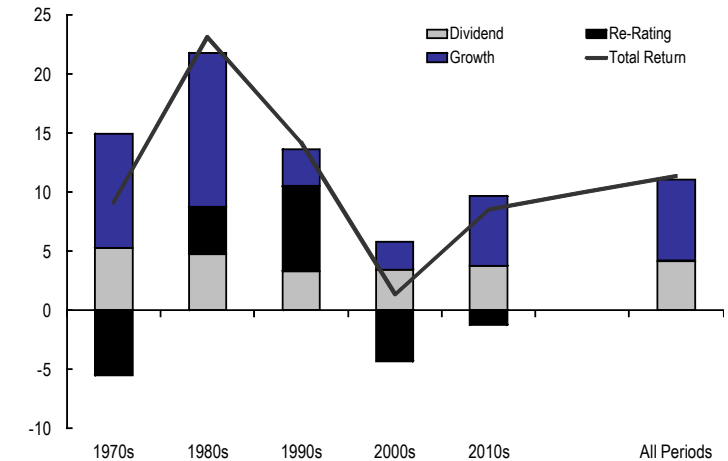
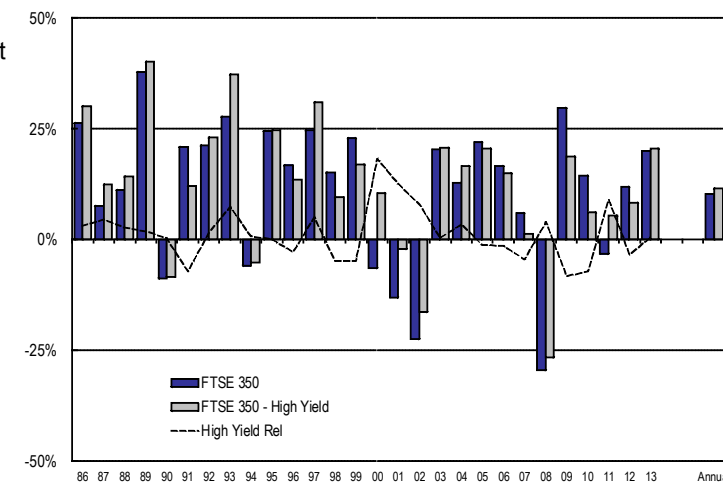


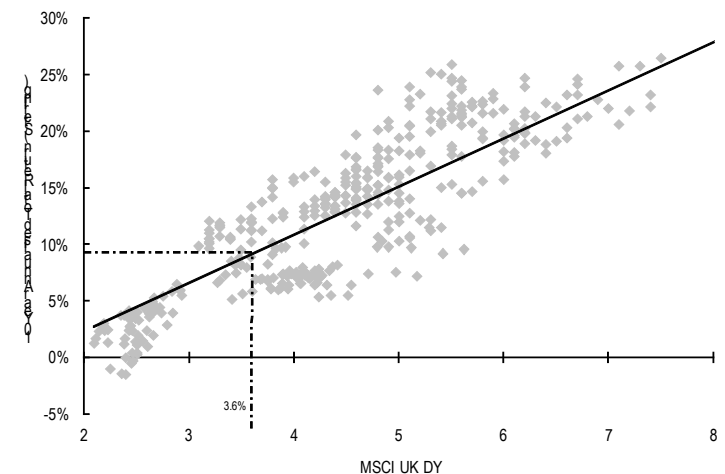
Figure 72. FTSE 350 – Performance of High Yield Equities

- High Yield is leading the broader market in 2013. Continuation of current trends could see the best returns for High Yield since the turning point in 2009.
- Valuation gives a clear signal of future returns. Current dividend yield levels continue to point to decent (c10%) compound future returns.



Source: Datastream and Citi Research

Figure 73. DY vs 10y Annual Returns (UK)



UK Equities — OK Value

- The UK has historically been the home of the income investor.
- The UK yield premium to the rest of the world has been eroded, although it is one of the highest-yielding major markets in the world. Yield convergence.

Figure 74. UK Dividend Yield

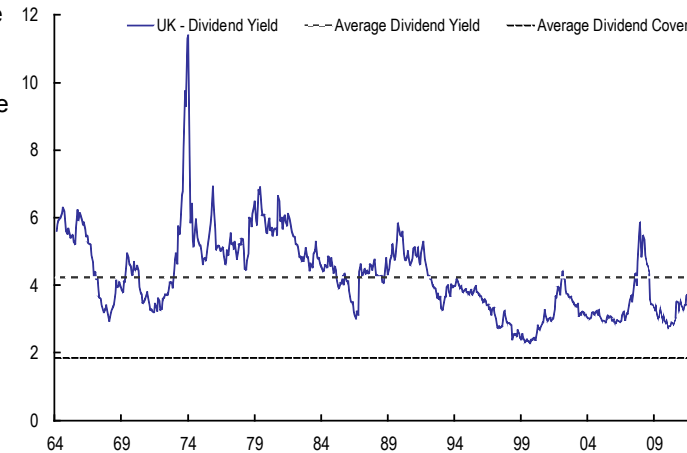


Figure 75. UK Dividend Yield Relative to World

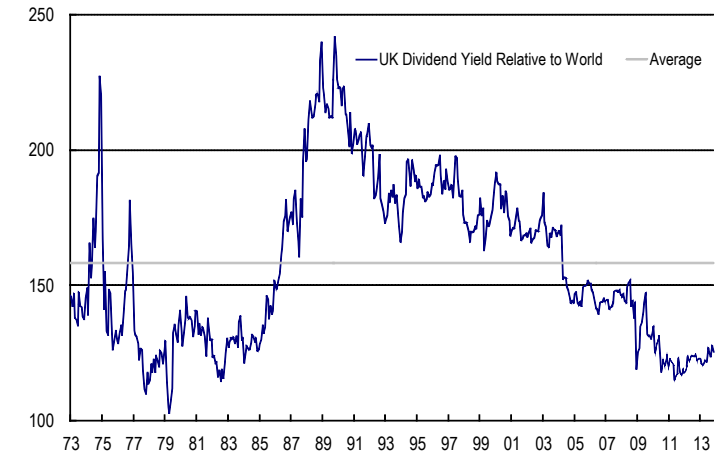
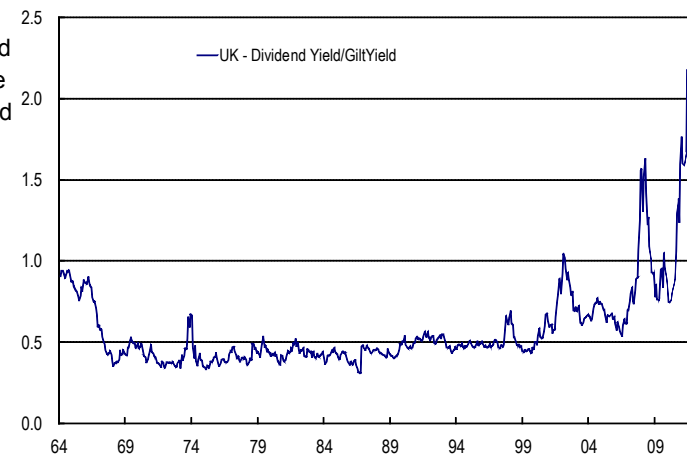
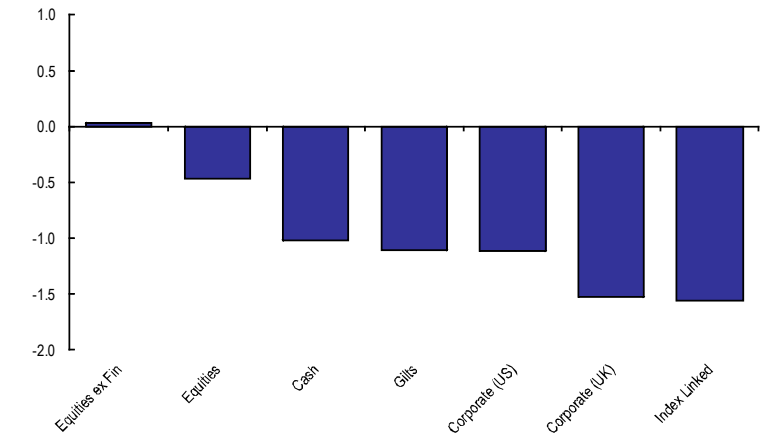


Figure 76. Dividend Yield Ratio (Vs Government Bonds)



- Rising bond yields has seen an aggressive tightening of the equity yield vs gilt yield relationship (down by halve since the peak). Still extreme compared to the 50-year relationship.
- Government bonds are around 1-1.5 standard deviation points expensive. Equities now appear around fair value on an absolute basis but look cheaper against other asset classes.

Figure 77. Standard Deviation from 10yr Average Yields — Equities Cheap



Source: Datastream and Citi Research

UK Market — General Trends

- Using 12m forward dividend yield forecasts, the market has been trading at around 4%-4.5% levels over the past couple of years. The recent re-rating since has seen them fall below 4%.
- Median dividend yield, which reduces the (cheap) mega-cap effect, shows UK equities in a more expensive light. The current level matches those seen in the late 1980s and 2003-2007 bull market.

Figure 78. FTSE 350 — 12m Forward Dividend Yield

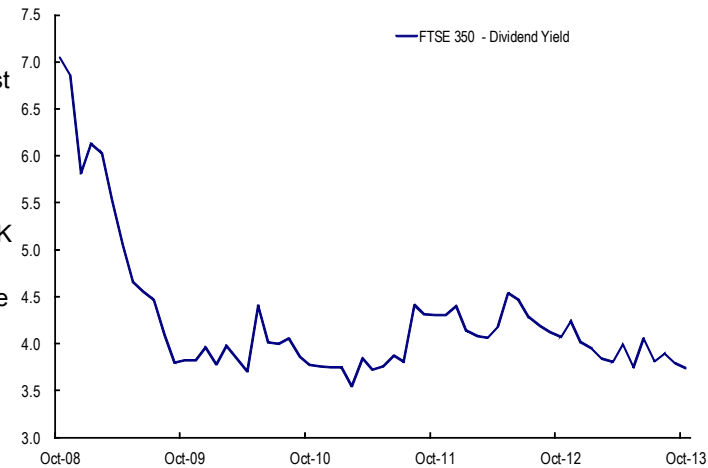
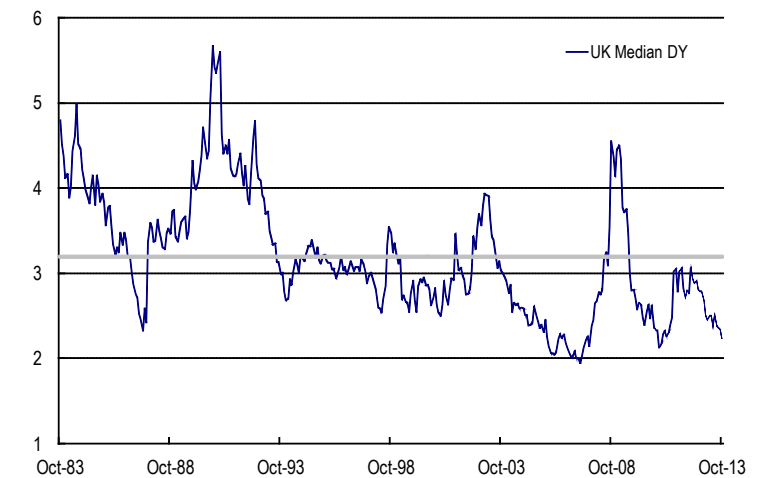


Figure 79. Median Dividend Yield



- Ex-financials, UK equity yields are within a whisker of the 10-year average.
- Only around 50% of the largest companies yield more than gilts; owing to rising bond yields. Still extreme relative to the 50-year trend.

Figure 80. UK Ex-Financials Dividend Yield

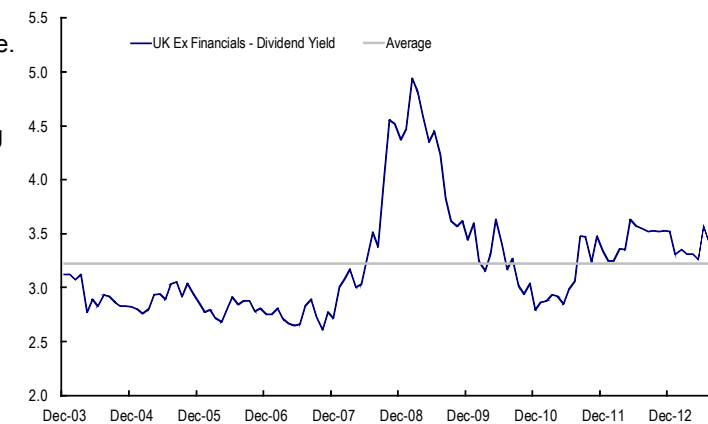
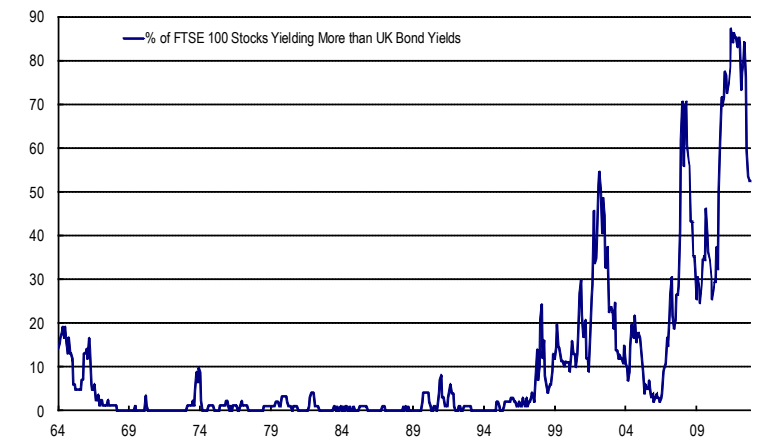


Figure 81. Proportion of FTSE 100 Stocks Yielding More than Gilts



Source: Datastream and Citi Research

UK Market — General Trends

- Consensus has been in net upgrade territory for most of the past six months. Lately, it has been downgrading. European analysts have been downgrading throughout.
- The 12m forward dividend index has benefitted from these upgrades. It has been rising since summer 2009.

Figure 82. Net Upgrades — Year 1 Dividends

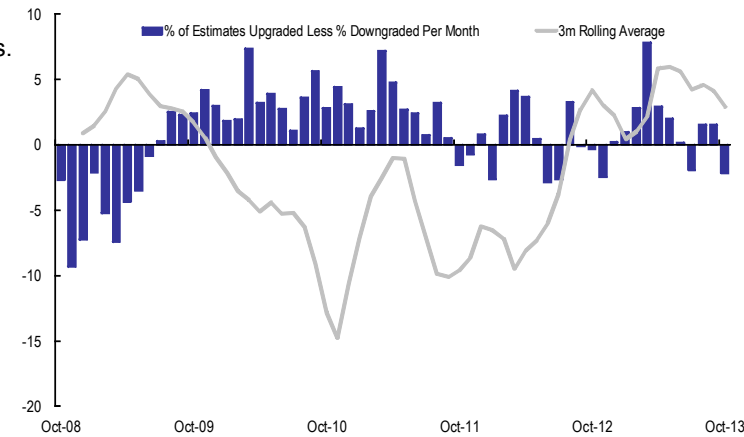


Figure 83. FTSE 350 — 12m Forward Dividend & Price Index

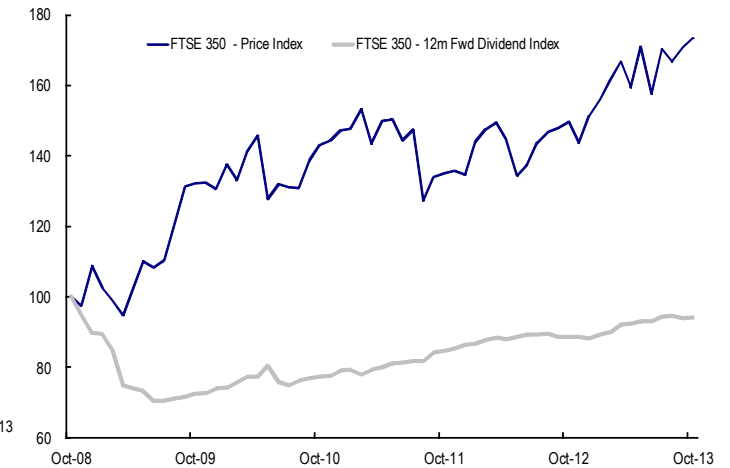


Figure 84. Change to Citi Dividend Growth Forecasts

- Citi analysts expect dividend growth this year to beat last year's.
- FCF is needed to pay sustainable dividends. On 2014 estimates, Utilities, Oil & Gas and Telcos look most stretched on this basis.

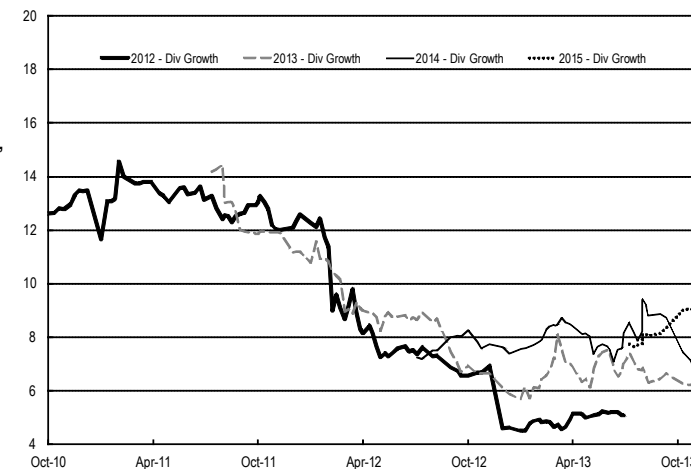


Figure 85. Dividend Paid as % of FCF

	2011	2012E	2013E	2014E	2015E
Basic Resources	48	nm	91	65	37
Chemicals	61	84	90	74	72
Construction & Materials	142	287	237	99	76
Food & Beverage	61	63	70	67	63
Health Care	64	77	63	63	63
Industrial Gds & Services	61	44	66	43	41
Media	49	49	48	45	45
Oil & Gas	183	267	1121	144	104
Personal & Household Gds	63	65	61	59	58
Retail	115	153	125	75	64
Technology	44	55	50	41	42
Telecommunications	165	189	178	118	77
Travel & Leisure	76	106	92	61	40
Utilities	203	263	330	238	199

Source: Datastream and Citi Research

Market — One Month Change to Forecasts

Figure 86. One Month — Biggest Upgraders (Complete List Of FTSE 350 ex-Investment Trusts)

- Figure 86 shows the largest absolute and percentage upgrades to dividend estimates over the last month.

Stock Name	RIC	1m Change Yr1 (£m)	1m Change Yr2 (£m)	Stock Name	RIC	1m Change Yr1 (%)	1m Change Yr2 (£m)
BP	BP.L	64	54	Entertainment One (Di)	ETO.L	25	32
HSBC Holdings	HSBA.L	47	-31	Evraz	EVRE.L	25	10
GlaxoSmithKline	GSK.L	34	-10	Bellway	BWY.L	14	19
Glencore Xstrata	GLEN.L	22	-32	Lonmin	LMI.L	10	-16
Unilever (UK)	ULVR.L	16	-2	Nmc Health	NMC.L	10	12
Standard Life	SL.L	15	-1	Soco International	SIA.L	10	2
BG Group	BG.L	15	11	AZ Electronic Mats.(Di)	AZEM.L	6	1
CRH	CRH.L	7	5	Elementis	ELM.L	6	0
BHP Billiton	BLT.L	6	13	Coca-Cola Hbc (Cdi)	CCH.L	5	0
Bellway	BWY.L	6	9	Barratt Developments	BDEV.L	5	8
Legal & General	LGEN.L	5	10	Standard Life	SL.L	4	0
IAG	ICAG.L	5	23	easyJet	EZJ.L	4	4
Soco International	SIA.L	5	1	Savills	SVS.L	4	18
Imperial Tobacco Gp.	IMT.L	3	3	St. James Place	SJP.L	4	5
Rio Tinto	RIO.L	3	-23	Shire	SHP.L	4	12

Figure 87. One Month — Biggest Downgraders (Complete List Of FTSE 350 ex-Investment Trusts)

- Figure 87 shows the largest absolute and percentage reductions to dividend forecasts over the past month.

Stock Name	RIC	1m Change Yr1 (£m)	1m Change Yr2 (£m)	Stock Name	RIC	1m Change Yr1 (%)	1m Change Yr2 (£m)
Lloyds Banking Group	LLOY.L	-40	24	Dixons Retail	DXNS.L	-100	1
Brit. American Tobacco	BATS.L	-33	-55	African Barrick Gold	ABGL.L	-55	-28
AstraZeneca	AZN.L	-26	-20	Kazakhmys	KAZ.L	-52	-35
Tesco	TSCO.L	-21	-22	Lloyds Banking Group	LLOY.L	-37	2
Lancashire Holdings	LRE.L	-16	-6	Hochschild Mining	HOCM.L	-20	-15
Diageo	DGE.L	-14	-13	Carpetright	CATVU.L	-19	-16
Vodafone Group	VOD.L	-14	47	Spirent Comms	SPT.L	-16	-3
Persimmon	PSN.L	-14	-39	Polymetal International	POLYP.L	-12	-14
Berkeley Gp. Hdg.	BKGH.L	-10	-14	Lancashire Holdings	LRE.L	-12	-5
Barclays	BARC.L	-8	-65	Chemring Group	CHG.L	-10	-14
Wolseley	WOS.L	-8	-13	Berkeley Gp. Hdg.	BKGH.L	-7	-4
Royal Dutch Shell	RDSb.L	-7	32	Fresnillo	FRES.L	-7	-17
Anglo American	AAL.L	-5	0	Persimmon	PSN.L	-6	-16
Investec	INVP.L	-5	-10	Redrow	RDW.L	-6	-2
Carnival	CCL.L	-5	-11	Pace	PIC.L	-6	-5

Source: Datastream and Citi Research

Market — Six Month Change to Forecasts

Figure 88. Six Month — Biggest Upgraders (Complete List Of FTSE 350 ex-Investment Trusts)

■ We repeat the above exercise over six months.

Stock Name	RIC	6m Change Yr1 (£m)	6m Change Yr2 (£m)	Stock Name	RIC	6m Change Yr1 (%)	6m Change Yr2 (%)
Berkeley Gp. Hdq.	BKGH.L	61	-116	Moneysupermarket.com	MONY.L	178	-4
Soco International	SIA.L	53	29	Berkeley Gp. Hdq.	BKGH.L	91	-27
Moneysupermarket.com	MONY.L	45	-1	Ashtead Group	AHT.L	45	46
Legal & General	LGEN.L	41	65	Xaar	XAR.L	36	30
Unilever (UK)	ULVR.L	35	5	Barratt Developments	BDEV.L	32	48
Prudential	PRU.L	28	30	Betfair Group	BETF.L	31	26
Standard Life	SL.L	27	31	easyJet	EZJ.L	22	26
ITV	ITV.L	21	18	Playtech	PTEC.L	20	26
National Grid	NG.L	15	16	Bellway	BWY.L	19	25
BT Group	BT.L	15	20	ITV	ITV.L	18	13
Ashtead Group	AHT.L	14	18	UK Commercial Prop	UKCM.L	14	14
Barratt Developments	BDEV.L	14	32	St. James Place	SJP.L	14	18
easyJet	EZJ.L	14	18	Hikma Pharma	HIK.L	14	1
Lancashire Holdings	LRE.L	13	17	Lancashire Holdings	LRE.L	12	18
WPP	WPP.L	13	24	Premier Oil	PMO.L	12	25

Figure 89. Six Month — Biggest Downgraders (Complete List FTSE 350 ex-Investment Trusts)

Stock Name	RIC	6m Change Yr1 (£m)	6m Change Yr2 (£m)	Stock Name	RIC	6m Change Yr1 (%)	6m Change Yr2 (%)
Vodafone Group	VOD.L	-350	-177	Dixons Retail	DXNS.L	-100	114
Glencore Xstrata	GLEN.L	-201	-321	Mitchells & Butlers	MAB.L	-100	-13
HSBC Holdings	HSBA.L	-192	-183	Ryl. Bk. of Sctl.	RBS.L	-100	-74
AstraZeneca	AZN.L	-146	-157	Kazakhmys	KAZ.L	-83	-69
Royal Dutch Shell	RDSb.L	-129	-176	African Barrick Gold	ABGL.L	-78	-73
Brit. American Tobacco	BATS.L	-114	-195	FirstGroup	FGP.L	-69	-61
BP	BP.L	-107	-10	Evraz	EVRE.L	-60	-65
BHP Billiton	BLT.L	-99	-137	Supergroup	SGP.L	-57	29
Std. Chartered	STAN.L	-93	-111	Fresnillo	FRES.L	-54	-55
FirstGroup	FGP.L	-83	-77	Polymetal International	POLYP.L	-48	-51
Barclays	BARC.L	-79	382	Carpetright	CATVU.L	-41	-19
Aviva	AV.L	-76	-61	Halfords Group	HFD.L	-36	-37
Rio Tinto	RIO.L	-53	-108	Hochschild Mining	HOCM.L	-36	-53
SABMiller	SAB.L	-52	-63	Sports Direct Intl.	SPD.L	-32	37
Anglo American	AAL.L	-50	-63	Man Group	EMG.L	-30	-4

Source: Datastream and Citi Research

Themes — Resilient Dividends with 3 Year FCF above Dividend Paid

Figure 90. Resilient Dividends Screen (All Share Non Financials Under Coverage)

- A high yield is only useful if the dividend is secure. We screen for those companies where the 3-year average FCF is above the dividend yield.
- Given the market moves since inception of this product, we recently decreased the dividend yield threshold to 3.5% from 4%.

Stock	RIC	>£500m Market Cap, £m	New	DY 2012E	>3.5% DY 2013E	DY 2014E	FCF Yield 2012E	FCF Yield 2013E	FCF Yield 2014E	>0 Average FCFY-DY	>1.6 Div Cover	<2 ND/EBITDA 2013E	Rel Perf YTD
AstraZeneca	AZN.L	41322		5.33	5.42	5.27	9.70	11.68	8.51	4.62	1.8	-0.13	-2
Royal Dutch Shell	RDSb.L	139309		4.79	5.09	5.06	6.40	3.94	5.30	0.23	2.0	0.75	-11
Homeserve	HSV.L	639		4.84	4.91	5.10	8.60	4.18	7.09	1.67	1.7	0.55	-15
Centrica	CNA.L	18583	New	4.55	4.82	5.11	8.71	7.73	9.93	3.96	1.6	1.36	-7
Go-Ahead Group	GOG.L	741	New	4.66	4.66	4.66	8.83	9.03	7.58	3.82	1.6	0.52	17
BAE Systems	BAES.L	14728		4.30	4.42	4.56	16.43	-5.10	7.80	1.95	2.2	0.61	16
BHP Billiton	BLT.L	41164	New	3.71	3.90	4.16	2.05	2.87	7.65	0.27	2.1	0.89	-22
Vedanta	VED.L	1088	New	3.38	3.62	3.84	14.27	12.44	33.03	16.30	1.7	1.88	-20
Halfords Group	HFD.L	823		4.44	3.58	3.39	9.12	2.53	3.25	1.16	1.7	1.40	7
WH Smith	SMWH.L	1066		3.13	3.58	4.11	6.34	7.15	7.50	3.39	2.1	-0.20	15

Source: Datastream and Citi Research

Themes — Growth Adjusted Dividend Yields

Figure 91. DY*G Screen(Universe for Screens on This Page All Share ex-Investment Trusts)

- This screen looks for above 3.5% yields (again reduced from 4%) and above 8% compound growth.

Stock	RIC	>£100m Market Cap, €m	New	>3.5% DY 2013E	>8% 2y Annual Dividend Growth	>30 DY*G	>1.5 Div Cover	<2 ND/EBITDA 2013E
Berkeley Gp. Hdq.	BKGH.L	2991		3.73	48	165	1.7	-0.3
Galliford Try	GFRD.L	938		3.53	27	93	1.9	0.6
WH Smith	SMWH.L	1066		3.58	15	52	2.1	-0.2
KCOM Group	KCOM.L	520		4.66	9	43	1.6	1.1

Figure 92. DY*G Screen For Financials

Stock	RIC	>£100m Market Cap, €m	New	>3.5% DY 2013E	>8% 2y Annual Dividend Growth	>30 DY*G	>1.5 Div Cover
Legal & General	LGEN.L	12620		4.26	15	64	1.7
Aberdeen Asset Man.	ADN.L	4247		3.69	14	49	1.9
Direct Line In.Group	DLGD.L	2373		5.24	9	44	1.9
Investec	INVP.L	2191		4.47	10	43	2.1
Intm. Capital Group	ICP.L	1984		4.34	10	42	2.0
Ashmore Group	ASHM.L	1625		3.92	11	42	1.7
HSBC Holdings	HSBA.L	127894		4.48	9	40	2.1
Old Mutual	OML.L	10009		3.95	10	40	2.4
Novae Group	NVA.L	333		3.97	9	35	2.1

Source: Citi Research

Source: Datastream and Citi Research

Themes — Growth and EM Adjusted Dividend Yields

Figure 93. EM*DY*G Screen (All Share Where We Have Data)

- To focus even more on growth we add an EM filter as well.

Stock	>£100m Market Cap	RIC	New	>20 EM Exposure	Div £m 2013E	DY 2013E	2yr Annual Dividend Growth	>30 DY*G	>1.3 Div Cover 2013E	<2 ND/EBITDA 13E	EM*DYG	
Petrofac	3800	PFC.L		90	104	2.75		15	41	3.02	0.36	3676
Polymetal International	1224	POLYP.L	New	66	19	1.56		29	53	4.17	1.75	3496
Mondi	4065	MNDI.L	New	49	95	2.33		20	46	3.05	1.53	2250
Coca-Cola Hbc (Cdi)	3549	CCH.L	New	63	57	1.61		23	31	2.41	1.90	1970
Fenner	789	FENR.L		45	23	2.92		11	31	2.53	1.00	1394
Rexam	4104	REX.L		26	128	3.11		13	39	2.25	1.94	996

Figure 94. Financials EM*DY*G Screen (All Share Where We Have Data)

		>£100m		>20				>30		>1.3	
Stock	RIC	Market Cap	New	EM Exposure	Div 2013E	DY 2013E	2yr Annual Dividend Growth	DY*G	Div Cover 2013E	EM*DYG	
Barclays	BARC.L	42770		31	965	2.26		68	154	4.43	4757
Intnl Psnl. Fin.	IPF.L	1468		100	25	1.68		23	37	3.75	3679
Old Mutual	OML.L	10009		70	395	3.95		10	40	2.35	2755
HSBC Holdings	HSBA.L	127894		55	5728	4.48		9	40	2.09	2174
Man Group	EMG.L	1489	New	22	38	2.53		14	65	2.33	1455
Schroders	SDR.L	3026		30	54	1.78		26	45	2.79	1349
Aberdeen Asset Man.	ADN.L	4247		24	157	3.69		14	49	1.93	1154

Source: Citi Research

Source: Datastream and Citi Research

Themes — Big Guns

Figure 95. Big Guns Screen (All Share Universe – Top 15)

- These are the biggest dividend payers and dominate the UK's total distribution.

Stock	RIC	New	Top 15 Div 2013E	DY 2013E	DY*G	Div Cover 2013E	ND/EBITD A 13E
Royal Dutch Shell	RDSb.L		7095	5.09	6	2.05	0.75
HSBC Holdings	HSBA.L		5728	4.48	40	2.09	
Vodafone Group	VOD.L		5259	4.77	23	1.45	1.98
BP	BP.L		4468	4.97	9	2.02	0.63
GlaxoSmithKline	GSK.L		3862	4.79	28	1.41	1.97
BAT	BATS.L		2728	4.12	27	1.54	1.45
AstraZeneca	AZN.L		2238	5.42	-7	1.82	-0.13
BHP Billiton	BLT.L		1604	3.90	27	2.14	0.89
National Grid	NG.L		1562	5.31	18	1.25	4.40
Rio Tinto	RIO.L		1479	3.71	28	2.94	0.95
Diageo	DGE.L		1248	2.44	23	2.11	2.14
Tesco	TSCO.L		1186	4.00	0	2.05	1.84
Imperial Tobacco	IMT.L		1148	5.05	39	1.79	2.52
Std. Chartered	STAN.L		1127	3.69	28	2.54	
Unilever (UK)	ULVR.L		1046	3.40	22	1.50	0.65

Figure 96. EM Big Guns Screen (All Share Universe – Top 15)

Stock	RIC	New	>30 EM Exp	Top 15 Div 2013E	DY 2013E	DY*G	Div Cover 2012	ND/EBITD A 13E
HSBC Holdings	HSBA.L		55	5728	4.48	40	2.09	
Vodafone Group	VOD.L		34	5259	4.77	23	1.45	1.98
BAT	BATS.L		67	2728	4.12	27	1.54	1.45
AstraZeneca	AZN.L		34	2238	5.42	-7	1.82	-0.13
BHP Billiton	BLT.L		57	1604	3.90	27	2.14	0.89
Rio Tinto	RIO.L		50	1479	3.71	28	2.94	0.95
Diageo	DGE.L		47	1248	2.44	23	2.11	2.14
Std. Chartered	STAN.L		91	1127	3.69	28	2.54	
Unilever (UK)	ULVR.L		47	1046	3.40	22	1.50	0.65
Glencore Xstrata	GLEN.L		45	990	3.01	-2	1.71	4.35
Barclays	BARC.L		31	965	2.26	154	4.43	
Reckitt Benckiser	RB.L		36	865	2.76	10	1.98	0.52
Anglo American	AAL.L		44	728	3.67	11	2.26	1.09
SABMiller	SAB.L		81	621	2.00	15	2.32	2.20
BG Group	BG.L		42	616	1.45	9	4.44	0.95

Figure 97. Big Gun — Contribution to Dividend Base, 1998-2014E

- Around half of the UK dividend base comes from 10 companies and 25 make up nearly three-quarters of the payout.

Source: Datastream and Citi Research

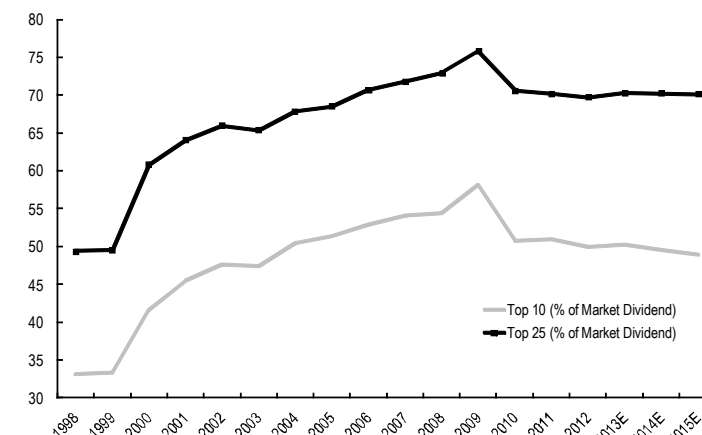
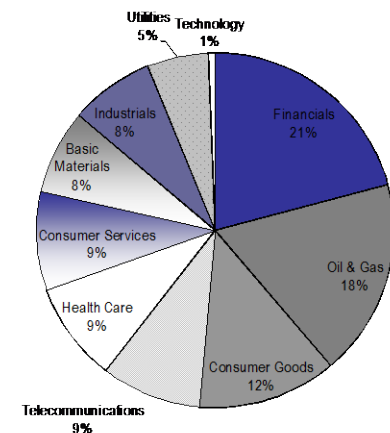


Figure 98. Contribution to 2013 Dividend Base



Themes — Potentially Risky Dividends – Weak Cash Flow Dividend Cover

Figure 99. Risky Dividend Screen (All Share Non Financials Under Coverage)

- These companies on average don't generate enough FCF to cover their dividend.

Stock	RIC	>£100m Market Cap, £m	New?	DY 2012E	>4% DY 2013E	DY 2014E	FCF Yield 2012E	FCF Yield 2013E	FCF Yield 2014E	<0 Average FCFY-DY	<2 Div Cover	>1.5x ND/EBITDA 2013E	Rel Perf YTD
Pennon Group	PNN.L	2516		4.03	4.32	4.65	-9.52	-10.30	-4.65	-12.49	1.4	5.57	-5
National Grid	NG.L	29392		5.13	5.31	5.50	-0.64	-1.51	-2.34	-6.81	1.2	4.40	-4
Morrison (Wm)	MRW.L	6201	New	4.09	4.42	4.59	1.27	-3.50	1.99	-4.45	1.9	2.19	-7
Sainsbury (J)	SBRY.L	5559		4.16	4.32	4.42	-0.85	0.56	1.76	-3.81	1.8	1.80	-1
Inmarsat	ISA.L	3121		3.82	4.07	4.16	1.96	-2.95	2.07	-3.66	1.3	2.93	8
United Utilities	UU.L	4899		4.69	4.95	5.22	0.07	3.03	1.28	-3.50	1.2	6.40	-9
SSE	SSE.L	13810		5.76	5.96	6.14	1.08	3.03	3.88	-3.29	1.4	2.33	-13
Vodafone Group	VOD.L	110219		4.87	4.77	5.04	1.53	1.67	3.03	-2.82	1.4	1.98	26
FirstGroup	FGP.L	1415		20.10	7.67	3.86	9.90	6.63	7.18	-2.64	1.6	2.37	-41
Severn Trent	SVT.L	4488		3.95	4.20	4.47	1.90	2.45	2.61	-1.89	1.1	5.49	3

Source: Datastream and Citi Research

Valuation Tables

Figure 100. Valuation Tables

	Net Dividend Yield				Dividend Growth, %			Dividends, £m				
	2012E	2013E	2014E	2015E	2013E	2014E	2015E	2011	2012E	2013E	2014E	2015E
OIL & GAS	3.86	4.18	4.21	4.31	8	1	2	10,744	11,693	12,646	12,740	13,056
Oil & Gas Producers	3.92	4.24	4.26	4.35	8	0	2	10,467	11,390	12,318	12,351	12,626
Oil Equip, Serv and Distrib	2.40	2.60	3.09	3.41	8	19	11	276	302	326	388	429
Alternative Energy	0.95	1.10	1.18	1.29	16	7	10	1	1	1	1	1
BASIC MATERIALS	3.15	3.20	3.33	3.58	2	4	8	4,997	5,365	5,450	5,679	6,108
Chemicals	2.09	2.26	2.44	2.73	8	8	12	287	308	333	359	402
Forestry & Paper	2.05	2.33	3.27	3.30	13	40	1	83	83	95	133	134
Industrial Metals & Mining	1.16	0.59	1.01	2.05	-49	72	102	124	12	6	10	21
Mining	3.30	3.33	3.44	3.69	1	3	7	4,503	4,962	5,016	5,177	5,551
INDUSTRIALS	2.52	2.62	2.73	2.95	4	4	8	4,672	5,187	5,398	5,632	6,084
Construction & Materials	3.43	3.59	3.69	3.86	5	3	5	607	590	617	634	664
Aerospace	2.64	2.80	2.98	3.18	6	6	6	1,193	1,275	1,356	1,442	1,535
General Industrials	2.68	2.86	3.16	3.39	7	11	7	361	396	424	468	502
Electronic & Electrical Equip	1.95	2.11	2.28	2.48	8	8	9	174	187	202	218	237
Industrial Engineering	1.99	2.12	2.27	2.43	7	7	7	388	425	453	485	518
Industrial Transportation	2.39	2.56	2.65	2.80	7	4	5	58	61	66	68	72
Support Services	2.44	2.48	2.51	2.77	1	2	10	1,890	2,252	2,281	2,316	2,556
CONSUMER GOODS	2.79	3.12	3.29	3.67	12	6	11	7,336	7,972	8,898	9,394	10,469
Automobiles & Parts	1.98	2.28	2.62	3.01	15	15	15	98	117	135	155	178
Beverages	2.04	2.26	2.45	2.70	11	9	10	1,634	1,783	1,978	2,148	2,364
Food Producers	2.77	3.03	3.18	3.46	9	5	9	1,199	1,256	1,372	1,439	1,566
Household Goods & Home Const	2.08	2.78	2.80	3.42	34	1	22	894	1,020	1,364	1,377	1,679
Personal Goods	1.74	1.99	2.27	2.55	14	14	12	132	152	174	198	223
Tobacco	4.10	4.36	4.58	5.01	6	5	9	3,379	3,643	3,875	4,076	4,458
HEALTH CARE	4.03	4.23	4.38	4.56	5	3	4	6,070	6,070	6,374	6,594	6,869
Health Care Equip & Services	2.00	2.01	2.14	2.35	1	6	10	115	167	168	179	197
Pharmaceuticals & Biotech	4.15	4.36	4.51	4.69	5	3	4	5,956	5,903	6,205	6,416	6,672

Source: Datastream and Citi Research

Valuation Tables

Figure 101. Valuation Tables (Continued)

	Net Dividend Yield				Dividend Growth, %			Dividends, £m				
	2012E	2013E	2014E	2015E	2013E	2014E	2015E	2011	2012E	2013E	2014E	2015E
CONSUMER SERVICES	2.73	2.86	2.99	3.19	5	5	7	5,752	6,057	6,338	6,630	7,067
Food & Drug Retailers	3.74	3.81	3.86	3.90	2	1	1	1,702	1,746	1,778	1,799	1,818
General Retailers	2.31	2.49	2.67	2.90	8	7	9	901	930	1,003	1,076	1,168
Media	2.48	2.86	3.03	3.32	15	6	10	1,494	1,666	1,922	2,034	2,230
Travel & Leisure	2.53	2.41	2.54	2.73	-5	5	8	1,656	1,714	1,635	1,721	1,850
TELECOMMUNICATIONS	4.35	4.35	4.65	5.14	0	7	11	6,970	6,380	6,381	6,819	7,542
Fixed-Line Telecoms	2.68	2.99	3.40	4.71	12	14	39	840	893	995	1,131	1,569
Mobile Telecoms	4.84	4.75	5.02	5.27	-2	6	5	6,129	5,488	5,386	5,688	5,974
UTILITIES	4.92	5.07	5.31	5.59	3	5	5	3,572	3,760	3,875	4,054	4,268
Electricity	5.44	5.32	5.55	5.99	-2	4	8	867	897	878	915	989
Gas, Water & Multi-Utilities	4.78	5.01	5.24	5.48	5	5	4	2,705	2,862	2,997	3,138	3,279
TECHNOLOGY	1.19	1.38	1.62	1.88	16	17	16	328	381	441	518	602
Software & Computer Serv	1.83	2.00	2.21	2.42	9	11	9	223	256	280	310	338
Technology Hardware & Equip	0.69	0.90	1.16	1.47	29	29	27	105	125	161	208	264
TOTAL NON-FINANCIAL	3.32	3.50	3.65	3.90	6	4	7	50,441	52,865	55,801	58,060	62,064
FINANCIALS	3.09	3.37	4.07	4.72	9	21	16	12,636	13,454	14,710	17,736	20,580
Banks	2.77	3.27	4.27	5.20	18	31	22	6,342	6,846	8,077	10,547	12,858
Non-Life Insurance	5.42	4.80	5.04	5.29	-11	5	5	980	1,083	959	1,007	1,058
Life Insurance	3.35	3.54	3.86	4.17	6	9	8	2,850	2,885	3,050	3,327	3,598
Real Estate Inv. Servs	1.95	2.10	2.26	2.36	8	7	5	166	176	189	203	213
REITS	3.27	3.39	3.52	3.67	4	4	4	981	1,040	1,081	1,120	1,170
Financial Services	3.38	3.21	3.63	3.99	-5	13	10	1,317	1,423	1,354	1,532	1,683
FTSE ALL SHARE	3.27	3.48	3.74	4.07	6	7	9	63,077	66,319	70,511	75,796	82,644
FTSE 100	3.39	3.62	3.89	4.24	7	7	9	56,282	59,187	63,345	67,939	74,091
Mid 250	2.57	2.58	2.84	3.09	0	10	9	6,240	6,579	6,602	7,248	7,894
Small Cap	2.27	2.32	2.50	2.70	2	8	8	589	591	604	651	703

Source: Datastream and Citi Research

Pan Europe XD Dates

Figure 102. XD Dates

Stock	RIC	Country	XD Date	Payment Date	Dividend Type	Next DPS	Next Yld%	2013 DY
Inditex	ITX.MC	Spain	04/11/2013	04/11/2013	Interim	€0.87	0.76	2.0
Ashmore Group	ASHM.L	UK	06/11/2013	06/12/2013	Interim	£0.1175	2.96	4.0
Bunzl	BNZL.L	UK	06/11/2013	02/01/2014	Final	£0.1	0.75	2.2
Hunting	HTG.L	UK	06/11/2013	26/11/2013	Final	£0.0475	0.59	2.2
Telefonica	TEF.MC	Spain	06/11/2013	06/11/2013	Final	€0.28	2.16	5.8
Unilever Certs.	UNc.AS	Netherlands	06/11/2013	11/12/2013	Interim	€0.27	0.96	3.5
Vinci	SGEF.PA	France	11/11/2013	14/11/2013	Final	€0.55	1.19	3.7
Pernod-Ricard	PERP.PA	France	12/11/2013	15/11/2013	Interim	€0.85	0.96	1.9
BSkyB	BSY.L	UK	13/11/2013	06/12/2013	Interim	£0.19	2.16	3.3
GDF Suez	GSZ.PA	France	15/11/2013	20/11/2013	Final	€0.83	4.29	8.2
Eutelsat Communications	ETL.PA	France	18/11/2013	21/11/2013	Yearly	€1.08	4.98	5.2
Carnival	CCLL	UK	20/11/2013	13/12/2013	Quarterly	US\$0	0.01	2.8
Next	NXT.L	UK	20/11/2013	02/01/2014	Final	£0.36	0.70	2.3
AMEC	AMEC.L	UK	27/11/2013	03/01/2014	Final	£0.135	1.23	3.5
Christian Dior	DIOR.PA	France	28/11/2013	03/12/2013	Interim	€1.8	1.28	2.3
LVMH	LVMH.PA	France	28/11/2013	03/12/2013	Final	€1.2	0.87	2.2
National Grid	NG.L	UK	04/12/2013	22/01/2014	Final	£0.1449	1.93	5.4
Orange	ORAN.PA	France	06/12/2013	11/12/2013	Final	€0.3	2.87	7.7
Ageas (Ex-Fortis)	AGES.BR	Netherlands	10/12/2013	13/12/2013	Yearly	€1	3.14	4.2
Ebro Foods	EBRO.MC	Spain	10/12/2013	10/12/2013	Final	€0.09	0.56	3.4
Thales	TCFP.PA	France	10/12/2013	13/12/2013	Final	€0.27	0.62	2.2
Bellway	BWY.L	UK	11/12/2013	15/01/2014	Interim	£0.21	1.42	2.2
Total	TOTF.PA	France	16/12/2013	19/12/2013	Interim	€0.59	1.33	5.2
Aryzta N	ARYN.S	Switzerland	29/01/2014	03/02/2014	Capital Repayment	SF0.67	1.05	1.0
STMicroelectronics	STM.PA	Italy	24/03/2014	27/03/2014	Interim	US\$0.09	0.95	5.2
RWE	RWEG.DE	Germany	17/04/2014	17/04/2014	Yearly	€1	3.65	3.6

Source: Datastream

Figure 10303. Stocks Mentioned In The Report

Stock Name	RIC	Price	Rating	Currency	Stock Name	RIC	Price	Rating	Currency	Stock Name	RIC	Price	Rating	Currency
3i Group	III.L	3.77	1	GBP	ENI	ENI.MI	18.21	2	EUR	Polymetal International	POLYP.L	5.83	2	GBP
AB Inbev	ABI.BR	76.58	1	EUR	Entertainment One (Di)	ETO.L	2.43		GBP	Porsche Pref.	PSHG_p.DE	69.82	2H	EUR
ABB	ABB.VX	23.03	2	CHF	Ericsson B	ERICb.ST	79.80	1	SEK	Portugal Telecom R	PTC.LS	3.36	2	EUR
Aberdeen Asset Man.	ADN.L	4.39	2	GBP	Essilor Intl.	ESSI.PA	76.23	1	EUR	Premier Oil	PMO.L	3.49	1	GBP
Abertis	ABE.MC	15.30		EUR	Eutelsat	ETL.PA	23.96	1	EUR	Prosieben Sat 1	PSMGn.DE	34.43	2	EUR
ACS	ACS.MC	24.23		EUR	Evraz	EVRE.L	1.25	2H	GBP	Prudential	PRU.L	12.55	1	GBP
Adidas	ADSGn.DE	85.32	1	EUR	Fenner	FENR.L	4.04	1	GBP	Randgold	RRS.L	48.28	3	GBP
ADMIRAL GROUP	ADML.L	12.71	2	GBP	FERROVIAL	FER.MC	14.11	1	EUR	RD Shell A	RDSa.L	20.83	2	GBP
Aegon	AEGN.AS	5.96	2	EUR	Fiat	FIA.MI	5.69	3	EUR	Reckitt Benckiser	RB.L	48.11	1	GBP
African Barrick Gold	ABGL.L	2.06	3	GBP	Finmeccanica	SIFI.MI	5.53	2	EUR	Red Electrica Corpn.	REE.MC	46.34	1	EUR
Ageas (Ex-Fortis)	AGES.BR	31.50	2	EUR	FirstGroup	FGP.L	1.22	2	GBP	Redrow	RDW.L	2.65	1	GBP
Aggreko	AGGK.L	15.52	1	GBP	Fortum	FUM1V.HE	16.74	3	EUR	Reed Elsevier PLC	REL.L	8.74	1	GBP
Ahold Kon.	AHLN.AS	14.07	1	EUR	Fresenius	FREG.DE	96.40	1	EUR	Reed Elsevier (Ams)	ELSN.AS	15.19	1	EUR
Air Liquide	AIRP.PA	100.15	2	EUR	Fresnillo	FRES.L	9.90	3	GBP	Renault	RENA.PA	60.71	1	EUR
Aixtron	AIXGn.DE	10.48		EUR	Galliford Try	GFRD.L	11.05		GBP	Repsol Ypf	REP.MC	19.47	1	EUR
Aker Solutions	AKSO.OL	90.75	1H	NOK	GDF Suez	GSZ.PA	18.86	2	EUR	Resolution	RSL.L	3.51	2	GBP
Akzo Nobel	AKZO.AS	54.92	2	EUR	Gemalto	GTO.AS	80.76		EUR	Rexam	REX.L	5.22	1	GBP
Alcatel-Lucent	ALUA.PA	3.06	2H	EUR	Givaudan N	GIVN.VX	1,291.00	2	CHF	Rheinmetall	RHMG.DE	46.35	3	EUR
Alfa Laval	ALFA.ST	147.80	2	SEK	Gjensidige Forsikring	GJFS.OL	111.80		NOK	Richemont N	CFR.VX	92.60	1	CHF
Allianz	ALVG.DE	123.30	1	EUR	GKN	GKN.L	3.72	1	GBP	Rio Tinto	RIO.L	33.17	1	GBP
Alstom	ALSO.PA	29.00	1	EUR	Glanbia	GL9.I	10.46		EUR	Roche	ROG.VX	252.10	1	CHF
Amadeus It	AMA.MC	26.92	1	EUR	GlaxoSmithKline	GSK.L	16.48	2	GBP	Rolls-Royce Holdings	RR.L	11.52	1	GBP
AMEC	AMEC.L	11.90	2	GBP	Glencore Xstrata	GLEN.L	3.38	1	GBP	Royal Bank Of Sctl.Gp.	RBS.L	3.28	3H	GBP
Amlyn	AML.L	4.28	2	GBP	Go-Ahead Group	GOG.L	16.12	1	GBP	Royal Dutch Shell	RDSb.L	21.69	2	GBP
Anglo American	AAL.L	15.54	2	GBP	Grifols Ord Cl A	GRLS.MC	30.75	1	EUR	Royal Dutch Shell A	RDSa.L	20.83	2	GBP
Anheuser-Busch Inbev	ABI.BR	76.58	1	EUR	Halfords Group	HFD.L	4.58	1	GBP	RWE	RWEG.DE	27.40	3	EUR
Arcelormittal	ISPA.AS	12.44	1	EUR	HANNOVER RUCK.	HNRGn.DE	60.37	2	EUR	Ryanair Holdings	RYA.I	5.69	1	EUR
ARM Holdings	ARM.L	9.80	1	GBP	Hellenic Telecom.Org.	OTEr.AT	8.82	1	EUR	Ryl. Bk. of Sctl.	RBS.L	3.28	3H	GBP
Aryzta N	ARYN.S	67.50		CHF	Henkel Pref.	HNKG_p.DE	81.00	2	EUR	SABMiller	SAB.L	32.21	2	GBP
Ashmore Group	ASHM.L	3.93	2	GBP	Hikma Pharma	HIK.L	12.19	1	GBP	Sage Group	SGE.L	3.47	1	GBP
Ashtead Group	AHT.L	6.71	1	GBP	Hochschild Mining	HOCM.L	1.68	3	GBP	Sainsbury (J)	SBRY.L	3.97	2	GBP
ASM International	ASMI.AS	24.48		EUR	Hochtief	HOTG.DE	67.97		EUR	Saipem	SPMI.MI	18.32	1H	EUR
Assa Abloy B	ASSAb.ST	321.10	3	SEK	Homeserve	HSV.L	2.34	2	GBP	SAMPO 'A'	SAMAS.HE	35.12	2	EUR
Assd. Brit. Foods	ABF.L	22.62	2	GBP	HSBC Holdings	HSBA.L	6.90	1	GBP	Sanofi	SASY.PA	78.85	1	EUR
AstraZeneca	AZN.L	32.87	2	GBP	Hunting	HTG.L	8.98		GBP	Savills	SVS.L	6.48		GBP
Atlantia	ATL.MI	16.17	3	EUR	IAG	ICAG.L	3.51	1	GBP	SCA B	SCAb.ST	185.10		SEK
Atlas Copco A	ATCOa.ST	182.70	3	SEK	Iberdrola	IBE.MC	4.69	1	EUR	Scania B	SCVb.ST	130.30	3	SEK
Atos	ATOS.PA	64.74	1	EUR	Iliad	ILD.PA	166.40		EUR	Schindler P	SCHN.S	129.00	2	CHF
Aviva	AV.L	4.44	1	GBP	IMI	IMI.L	15.62	1	GBP	Schneider Electric	SCHN.PA	62.03	2	EUR
AXA	AXAF.PA	18.15	1	EUR	IMMOFINANZ	IMFI.VI	3.30		EUR	Schroders	SDR.L	25.51	1	GBP
AZ Electronic Mats.(Di)	AZEM.L	2.70		GBP	Imperial Tobacco Gp.	IMT.L	23.62	2	GBP	Scor Se	SCOR.PA	25.81	1	EUR
Babcock Intl.	BAB.L	12.75	1	GBP	Inditex	ITX.MC	118.85	1	EUR	Seadrill	SDRL.OL	279.00	1	NOK
BAE Systems	BAES.L	4.57	2	GBP	Infineon	IFXGn.DE	7.19	1	EUR	SEB	SEBa.ST	78.40	1	SEK
Balfour Beatty	BALF.L	2.81	2	GBP	ING Groep	ING.AS	9.61	1	EUR	Serco Group	SRP.L	5.40	1	GBP

Banca Pop. Milano	PMIL.MI	0.47	2	EUR	Inmarsat	ISA.L	6.52	3	GBP	SES Fdr	SESFd.PA	21.59	1	EUR
Banca Ppo.Emilia Roma.	EMIL.MI	6.89		EUR	Intertek Group	ITRK.L	31.81	1	GBP	Severn Trent	SVT.L	17.76	2	GBP
Banco De Sabadell	SABE.MC	1.86	3H	EUR	Intesa Sanpaolo	ISP.MI	1.78	3H	EUR	Shire	SHP.L	28.39	1	GBP
Banco Popular Espanol	POP.MC	4.18	3H	EUR	Intm. Capital Group	ICP.L	4.67	2	GBP	Siemens	SIEGn.DE	94.65	1	EUR
Banco Santander	SAN.MC	6.48	2H	EUR	Intl Psnl. Fin.	IPF.L	5.73	2	GBP	Sika B	SIK.VX	2,867.00		CHF
Bankinter 'R'	BKT.MC	4.52	2	EUR	Investec	INVP.L	4.31	1	GBP	SKF B	SKFb.ST	174.60	3	SEK
Barclays	BARC.L	2.55	1	GBP	INVESTOR 'B'	INVEb.ST	206.70		SEK	Smiths Group	SMIN.L	14.32	3	GBP
Barratt	BDEV.L	3.10	2H	GBP	ITV	ITV.L	1.93	1	GBP	Snam	SRG.MI	3.77	3	EUR
BASF	BASFn.DE	75.63	2	EUR	Johnson Matthey	JMAT.L	29.87	2	GBP	Soco International	SIA.L	4.01	1	GBP
BAT	BATS.L	34.40	1	GBP	K + S	SDFGn.DE	20.32	2	EUR	Spectris	SXS.L	23.03	1	GBP
Bayer	BAYGn.DE	93.23	1	EUR	Kazakhmys	KAZ.L	2.75	2	GBP	Spirent Comms	SPT.L	1.10	1	GBP
BBV Argentaria	BBVA.MC	8.49	2H	EUR	KBC Groupe	KBC.BR	39.70	1	EUR	Sports Direct Intl.	SPD.L	7.01	1	GBP
Beiersdorf	BEIG.DE	73.96	1	EUR	KCOM Group	KCOM.L	1.01		GBP	SSE	SSE.L	14.03	3	GBP
Belgacom	BCOM.BR	20.70	1	EUR	Kering	PRTp.PA	165.00	1	EUR	St. James Place	SJP.L	6.59		GBP
Bellway	BWY.L	14.57	1	GBP	Kerry Group A	KYGa.I	46.95		EUR	Standard Life	SL.L	3.50	2	GBP
Berkeley Group	BKGH.L	22.61	2	GBP	Kingfisher	KGF.L	3.79	1	GBP	Statoil	STL.OL	141.70	2	NOK
Betfair Group	BETF.L	10.17	1	GBP	Kone B	KNEBV.HE	66.50	3	EUR	Std Chartered	STAN.L	14.87	1	GBP
BG Group	BG.L	12.74	1	GBP	Koninklijke DSM	DSMN.AS	57.95	1	EUR	STMicroelectronics	STM.PA	5.65	2	EUR
BHP Billiton	BLT.L	19.67	2	GBP	KPN	KPN.AS	2.45	2	EUR	Stora Enso R	STERV.HE	7.15		EUR
BMW	BMWG.DE	82.00	2	EUR	Kuehne+Nagel Intl.	KNIN.VX	113.00	1	CHF	Supergroup	SGP.L	12.36		GBP
BNP Paribas	BNPP.PA	53.50	1	EUR	Ladbroke	LAD.L	1.94	3	GBP	Svenska Handbkn	SHBa.ST	296.20	2	SEK
Boliden	BOL.ST	94.95	3	SEK	Lafarge	LAFF.PA	53.14	1	EUR	Swatch B	UHR.VX	571.00	2	CHF
Boskalis Westminster	BOSN.AS	35.72		EUR	Lancashire Holdings	LRE.L	8.02	1	GBP	Swedbank A	SWEDa.ST	168.50	2	SEK
BOSS (HUGO)	BOSSn.DE	96.74	1	EUR	Lanxess	LXSG.DE	52.80	3	EUR	Swedish Match	SWMA.ST	212.00	2	SEK
BP	BP.L	4.85	2	GBP	Legal & General	LGEn.L	2.09	2	GBP	Swiss Life	SLHN.VX	175.60		CHF
British American Tobacco	BATS.L	34.40	1	GBP	Linde	LING.DE	140.70	1	EUR	Swiss Re	SRENH.VX	81.60	2	CHF
BSkyB	BSY.L	9.38	1	GBP	Lindt & Sprungli R	LISN.S	45,930.00	2	CHF	Swisscom R	SCMN.VX	472.20	1	CHF
BT Group	BT.L	3.72	1	GBP	Lloyds	LLOY.L	0.74	2	GBP	Sydbank	SYDB.CO	159.40		DKK
Bunzl	BNZL.L	13.73	1	GBP	Lonmin	LMI.L	3.34	1	GBP	Syngenta	SYNN.VX	361.90	2	CHF
Capita	CPI.L	9.76	2	GBP	Lonza Group	LONN.VX	83.40	2	CHF	Tate & Lyle	TATE.L	7.99	1	GBP
Carlsberg B	CARLb.CO	552.50	2	DKK	L'Oreal	OREP.PA	123.90	2	EUR	TDC	TDC.CO	49.71	2	DKK
Carnival	CCL.L	23.07		GBP	LVMH	LVMH.PA	140.05	1	EUR	Technip	TECF.PA	77.60	1	EUR
Carpetright	CATVU.L	6.32		GBP	MAN	MANG.DE	89.15	2	EUR	Tele2 'B'	TEL2b.ST	78.25	1	SEK
Carrefour	CARR.PA	27.29	2	EUR	Man Group	EMG.L	0.88	2H	GBP	Telecom Italia	TLIT.MI	0.74	3	EUR
Casino Guichard	CASP.PA	85.18	2	EUR	Marine Harvest	MHG.OL	7.00	1H	NOK	Telefonica	TEF.MC	12.51	3	EUR
Centrica	CNA.L	3.54	2	GBP	Mediaset	MS.MI	3.78	3	EUR	Telenet Group Holding	TNET.BR	40.60	1	EUR
Cez	CEZP.PR	568.20	2	CZK	Mediobanca	MDBI.MI	6.41	1H	EUR	Telenor	TEL.OL	146.60	2	NOK
Chemring Group	CHG.L	2.19	2	GBP	Meggitt	MGGT.L	5.06	2	GBP	TeliaSonera	TLSN.ST	53.30	2	SEK
Christian Dior	DIOR.PA	141.35		EUR	Melrose Industries	MRON.L	3.19	2	GBP	Terna Rete Elettrica	TRN.MI	3.68	3	EUR
Cobham	COB.L	2.84	2	GBP	Merck KGAA	MRCG.DE	123.20	2	EUR	Tesco	TSCO.L	3.64	2	GBP
Coca-Cola Hbc (Cdi)	CCH.L	17.19	2	GBP	Metro	MEOG.DE	34.60	3	EUR	Tgs-Nopec .	TGS.OL	165.00		NOK
Coloplast 'B'	COLOb.CO	358.50	1	DKK	Metso	MEO1V.HE	29.82	3	EUR	Thales	TCFP.PA	45.56	1	EUR
Colruyt	COLR.BR	41.87	1	EUR	Michelin	MICP.PA	77.41	1	EUR	ThyssenKrupp	TKAG.DE	19.15	2	EUR
Compass Group	CPG.L	9.04	1	GBP	Mitchells & Butlers	MAB.L	4.11	2	GBP	TNT Express	TNTE.AS	6.66	2	EUR
Continental	CONG.DE	139.40	1	EUR	Mondi	MNDI.L	10.66	2	GBP	Total	TOTF.PA	44.38	2	EUR
Corio	COR.AS	32.24		EUR	Moneysupermarket.com	MONY.L	1.78	1	GBP	Travis Perkins	TPK.L	17.69	1	GBP
Credit Agricole	CAGR.PA	9.08	1	EUR	Morrison (Wm)	MRW.L	2.80	3	GBP	TRYG	TRYG.CO	503.50		DKK

Credit Suisse R	CSGN.VX	27.08	1	CHF	Muenchener Rueckver	MUVGn.DE	151.60	2	EUR	Tui Travel	TT.L	3.83	2	GBP
CRH	CRH.L	15.60	3	GBP	National Grid	NG.L	7.83	2	GBP	Tullow Oil	TLW.L	9.29	2	GBP
Daimler	DAIGn.DE	59.40	2	EUR	Natixis	CNAT.PA	4.09	2	EUR	UBS R	UBSN.VX	16.68	1	CHF
Danone	DANO.PA	53.62	2	EUR	Neste Oil	NES1V.HE	15.56	2	EUR	UCB	UCB.BR	48.66	2	EUR
Dassault Systemes	DAST.PA	87.20	1	EUR	Nestle R	NESN.VX	66.25	1	CHF	UK Commercial Prop	UKCM.L	0.76		GBP
Delhaize Group	DELB.BR	48.16	1	EUR	Next	NXT.L	55.50	1	GBP	Unibail-Rodamco	UNBP.AS	191.90		EUR
Deutsche Post	DPWGn.DE	24.55	1	EUR	Nmc Health	NMC.L	3.59		GBP	Unicredit	CRDI.MI	5.51	2H	EUR
Deutsche Telekom	DTEGn.DE	11.47	2	EUR	Nokia	NOK1V.HE	5.88	2H	EUR	Unilever (UK)	ULVR.L	24.80	2	GBP
Diageo	DGE.L	19.95	1	GBP	Nokian Renkaat	NRE1V.HE	38.19	3	EUR	Unilever Certs.	UNc.AS	28.81	2	EUR
Direct Line In.Group	DLGD.L	2.27	2	GBP	Nordea Bank	NDA.ST	81.70	1	SEK	United Utilities	UU.L	6.90	2	GBP
Dixons Retail	DXNS.L	0.47	1	GBP	Novae Group	NVA.L	5.55		GBP	UPM-Kymmene	UPM1V.HE	12.41		EUR
DSV B	DSV.CO	161.80		DKK	Novartis R	NOVN.VX	70.75	1	CHF	Valeo	VLOF.PA	73.14	1	EUR
DT	DTEGn.DE	11.47	2	EUR	Novo Nordisk B	NOVOB.CO	938.00	1	DKK	Vedanta	VED.L	10.85	2	GBP
Dufry R	DUFN.VX	148.70	2	CHF	Novozymes	NZYMb.CO	218.40	3	DKK	Veolia	VIE.PA	13.00	1	EUR
E.On	EONGn.DE	13.65	3	EUR	Old Mutual	OML.L	2.02		GBP	Vinci	SGEF.PA	47.53		EUR
EADS	EAD.PA	53.65	1	EUR	OMV	OMVV.VI	36.74	2	EUR	Vivendi	VIV.PA	18.77	2	EUR
Easyjet	EZJ.L	12.16	1	GBP	Opap	OPAr.AT	9.43	3H	EUR	Vodafone Group	VOD.L	2.30	1	GBP
Ebro Foods	EBRO.MC	16.23		EUR	Orange	ORAN.PA	9.76	3	EUR	Volkswagen	VOWG.DE	182.95	1	EUR
EDF	EDF.PA	26.23	2	EUR	Pace	PIC.L	3.04		GBP	Volvo B	VOLVb.ST	83.65	2	SEK
EDP Energias De Portugal	EDP.LS	2.72	2	EUR	Pearson	PERSON.L	13.01	2	GBP	WH Smith	SMWH.L	9.63	1	GBP
Elektro B	EKTA.B.ST	94.05		SEK	Pennon Group	PNN.L	6.58	1	GBP	Wolseley	WOS.L	32.98	1	GBP
Elementis	ELM.L	2.56		GBP	Pernod-Ricard	PERP.PA	86.55	2	EUR	Wolters Kluwer	WLSNc.AS	20.10	2	EUR
Elisa	ELI1V.HE	18.45	2	EUR	Persimmon	PSN.L	11.81	1	GBP	WPP	WPP.L	13.59	2	GBP
Enagas	ENAG.MC	19.58	1	EUR	Petrofac	PFC.L	14.52	1	GBP	Xaar	XAR.L	8.26		GBP
Endesa	ELE.MC	21.72	1	EUR	Petroleum Geo Services	PGS.OL	74.25	2	NOK	Yara	YAR.OL	263.50	1	NOK
Enel	ENEI.MI	3.19	1	EUR	Playtech	PTEC.L	7.32		GBP	Ziggo	ZIGGO.AS	31.85	2	EUR
Enel Green Power	EGPW.MI	1.78	3	EUR	POHJOLA PANKKI A	POH1S.HE	14.25		EUR	Zurich Financial	ZURN.VX	250.20	2	CHF

Additional stocks mentioned: Bank of Montreal (BMO.TO; C\$73.16; 1); CIBC (CM.TO; C\$88.96; 2); Danske Bank A/S (DANSKE.CO; Dkr127.10; 1); First Horizon National Corp (FHN.N; US\$11.09; 2); Fifth Third Bancorp (FITB.O; US\$19.24; 2); Wells Fargo & Co (WFC.N; US\$42.50; 2) Source: Citi Research. *Prices as of 6th November 2013



Notes

Citi Research



Notes

Citi Research

Appendix A-1

Analyst Certification

The research analyst(s) primarily responsible for the preparation and content of this research report are named in bold text in the author block at the front of the product except for those sections where an analyst's name appears in bold alongside content which is attributable to that analyst. Each of these analyst(s) certify, with respect to the section(s) of the report for which they are responsible, that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc and its affiliates. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this report.

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An employee of Citigroup Global Markets or its affiliates is the Non-Executive Chairman of the Legal & General Group PLC.

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Bank of Montreal

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Credit Agricole SA

Citi is providing fairness opinion to Sesa Goa Limited on in the proposed merger of Sterlite Industries and other Vedanta Resources PLC group companies. Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Vedanta Resources PLC

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Vodafone Group PLC

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Nordea Bank AB

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of ArcelorMittal

Citigroup Global Markets Ltd is currently acting as advisor to Allianz SE in relation to the recent announcement of Allianz SE's acquisition of Yapi Kredi Sigorta AS.

The Chairman of Citi serves as a director of Roche Holding AG.

Citigroup Global Markets Limited is currently acting as advisor to Assicurazioni Generali Spa (the company) in the announced sale of the company's US Life Reinsurance Business (Generali U.S.) to Scor SE.

Citigroup Global Markets Ltd is currently mandated as Joint Corporate Broker to IMI Plc, and has been mandated as Joint Financial Advisor to IMI Plc on the announced disposal of their Beverage Dispense and Merchandising divisions to The Marmon Group LLC and the proposed return of cash.

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Statoil ASA

An employee of Citigroup Global Markets or its affiliates is a Member of the Audit Committee and a Board member of France Telecom SA. Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Orange SA

Citigroup Global Markets is acting as Bookrunner in the announced convertible bond issuance for ALCATEL LUCENT SA and as Joint Dealer Manager in the announced repurchase of ALCATEL LUCENT SA's existing 2015 OCEANE Bonds from current holders. Citigroup Global Markets is acting as Joint Bookrunner in the announced rights offering for ALCATEL LUCENT SA.

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Standard Chartered PLC

One or more members of the board of directors of one of the subsidiaries of Citigroup Holdings are members of the board of directors of Fresnillo PLC

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of BNP Paribas SA Citigroup Global Markets Limited is currently mandated as sole global co-ordinator in relation to the recently announced re-IPO of BNP Paribas SA's polish subsidiary, BNP Paribas Bank Polska.

Citigroup Global Markets Ltd is acting financial advisor to TNT Express NV in connection with the announced intention of the company to divest its Brazilian business.

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of HSBC Holdings PLC

Citigroup Global Markets Limited acted as advisor to Telefonica SA in the announced acquisition of E-Plus Service GmbH & Co by Telefonica Deutschland GmbH from Koninklijke KPN NV. Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Koninklijke KPN NV

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Canadian Imperial Bank of Commerce

Citigroup Global Markets Limited is currently mandated as advisor to Energias De Portugal ('EDP') in relation to the announced sale of equity shareholdings and outstanding shareholder loans in EDP Renovavies Portugal S.A. ('EDPR PT'), a fully owned subsidiary of Energias De Portugal Renovaveis SA ('EDPR'), to China Three Gorges Corporation.

Citigroup Global Markets Ltd is currently mandated as advisor to Seven Trent Plc in relation to the announced take private attempt by consortium made up of Borealis Infrastructure Management Inc., the Kuwait Investment Office and Universities Superannuation Scheme Limited. Consequently, Citi is restricted from offering any view, opinion, rating or target price on Severn Trent Plc.

Citigroup Global Markets Limited is currently mandated as advisor to Lloyds Banking Group Plc in relation to the announced disposal of the Groups UK bank branches.

Citigroup Global Markets Limited is acting as financial advisor to Fortum Oyj on its announced assessment of the future alternatives, including potential divestment, of its electricity distribution business.

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Wells Fargo & Co

An employee of Citigroup Global Markets or its affiliates is chairman of the audit committee and Non-Executive Director of Smiths Group.

Citigroup Global Markets Limited acted as advisor to Telefonica SA in the announced acquisition of E-Plus Service GmbH & Co by Telefonica Deutschland GmbH & Co. from Koninklijke KPN NV. Citibank NA is acting as a debt underwriter to PPF Investment Limited to support its acquisition of a stake in Telefonica Czech Republic.

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Svenska Handelsbanken AB

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Pernod Ricard SA

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Skandinaviska Enskilda Banken AB

Citigroup is acting as Bookrunner in relation to Dixons Retail plc's announced offering of sterling - denominated fixed rate guaranteed notes with expected maturity 2017. Citigroup is also acting as Dealer Manager in the announced Tender Offer for existing notes.

Citigroup Global Markets Ltd is currently mandated as advisor to OPAP SA in relation to OPAP's announced bid for the Greek State lotteries and Instant Tickets franchise currently being privatised and overseen by the Hellenic Republic Asset Development Fund.

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Swedbank AB

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Sanofi SA

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Intesa Sanpaolo SpA

Citi Group Global Markets Ltd is mandated as financial advisor to Cosmote Mobile Telecommunications SA and Germanos Industrial & Commercial Company of Electronic Telecommunication Material and Supply of Telecommunication Services S.A., wholly owned subsidiaries of OTE SA, on the announced sale of their respective 100% stakes in Cosmo Bulgaria Mobile EAD (Globul) and Germanos Telecom Bulgaria (Germanos) respectively to Telenor ASA. Consequently, Citigroup is restricted from offering any view, rating or opinion on OTE SA (Hellenic Telecommunications Organization SA).

An employee of Citigroup Global Markets or its affiliates is a Chairman of the Audit Committee and a Board member of L'Oreal SA.

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Danske Bank A/S.

Citigroup Global Markets Limited ('Citi') provided a fairness opinion to Thyssenkrupp AG ('TK') in respect of the sale of Thyssenkrupp's Tailored Banks business to Wuhan Iron & Steel Corporation ('WISCO'). Consequently Citi had been restricted from offering any view, recommendation, rating or opinion on Thyssenkrupp AG from 28th September 2012.

Interbank Offered Rates-Related Litigation and Other Matters: Government agencies in the U.S., including the Department of Justice, the Commodity Futures Trading Commission and the Securities and Exchange Commission, as well as agencies in other jurisdictions, including the European Commission, the U.K. Financial Services Authority, the Japanese Financial Services Agency (JFSA) and the Canadian Competition Bureau, are conducting investigations or making inquiries regarding submissions made by panel banks to bodies that publish various interbank offered rates. As members of a number of such panels, Citigroup subsidiaries have received requests for information and documents. Citigroup is cooperating with the investigations and inquiries and is responding to the requests. Consequently Citi Research is not commenting on the quantum or likelihood of any potential LIBOR related claims or settlements.

The Chairman of Citi serves as a director of Diageo plc. Citigroup Global Markets Ltd is currently mandated as advisor to United Breweries Holdings in relation to the announced ongoing discussions between United Spirits Limited and Diageo plc in relation to Diageo plc's potential acquisition of an interest in United Spirits Limited. Consequently Citigroup is prohibited from offering any view, rating, or recommendation on Diageo Plc, United Breweries Holdings and United Spirits Limited.

Citigroup Global Markets Limited is acting as advisor to Balfour Beatty PLC in the announced sale of its UK Facilities Management business to GDF Suez.

An employee of Citigroup Global Markets or its affiliates is a non - executive director of Anglo American Plc.

Citigroup Global Markets Limited is acting as financial advisor to GDF Suez on the recently announced sale by GDF Suez and E.ON of their 49% indirect stake in Slovenský Plynárenský Priemysel a.s. ('SPP'), to Energetický a Průmyslový Holding ('EPH').

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Nokia Oyj

Citigroup Global Markets Ltd is currently mandated as advisor to Banco Sabadell in relation to the announced acquisition of Banco Gallego from Fondo de Reestructuración Ordenada Bancaria.

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Bp PLC.

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of BAE Systems PLC

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Fifth Third Bancorp

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Randgold Resources Ltd

An employee of Citigroup Global Markets or its affiliates is a Sales Consultant of Next Retail Ltd.

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Centrica PLC

Thomas Dorner, Analyst, holds a long position in the securities of Resolution, Lancashire Holdings.

Adrian Cattley, Strategist, holds a long position in the securities of Prudential Plc.

Henry Hall, Analyst, holds a long position in the securities of Barclays PLC, Vivendi, Credit Suisse.

Matthew J Burgess, Strategist, holds a long position in the securities of British American Tobacco PLC.

Dominik Frauendienst, Analyst, holds a long position in the securities of Infineon Technologies.

A member of the household of Adrian Cattley, Strategist, holds a long position in the securities of Royal Bank of Scotland Group PLC.

Citigroup Global Markets Inc. or its affiliates beneficially owns 1% or more of any class of common equity securities of Glencore Xstrata PLC, Grifols S.A., K+S AG, Nokia Oyj. This position reflects information available as of the prior business day.

Within the past 12 months, Citigroup Global Markets Inc. or its affiliates has acted as manager or co-manager of an offering of securities of Fiat SpA, Porsche Automobil Holding SE, Royal Bank of Scotland Group PLC, Bankinter SA, Volvo AB, BT Group PLC, Bank of Montreal, Credit Agricole SA, Imperial Tobacco Group PLC, Prudential Plc, Vedanta Resources Plc, Aberdeen Asset Management, Aggreko PLC, Nordea, Snam SpA, Siemens, Continental AG, Allianz SE, Aegon NV, Direct Line, Alcatel-Lucent, International Consolidated Airlines Group, S.A., BNP Paribas SA, MAN SE, Aviva PLC, BMW AG, Reckitt Benckiser, EADS, KPN NV, CIBC, Volkswagen AG, ProSiebenSat.1 Media, Danone, Energias de Portugal, Electricite de France, Wells Fargo & Co, Carrefour, Atlantia, Deutsche Post, Telefonica SA, Skandinaviska Enskilda Banken AB, Tesco, Enel Green Power, Casino Guichard Perachon, Novartis AG, Swedbank AB, Nestle, Sanofi SA, Intesa Sanpaolo, National Grid PLC, OTE, GlaxoSmithKline PLC, AB SKF, Ferrovial, S.A., Red Electrica de Espana SA, Danske Bank A/S, ThyssenKrupp AG, Total, Barclays PLC, African Barrick Gold Plc, Credit Suisse, Banco Bilbao Vizcaya Argentaria SA, British American Tobacco PLC, ENEL SpA, Linde AG, Daimler AG, First Horizon National Corp, Carlsberg, Natixis, Renault SA, Telecom Italia SpA, ING Groep NV, UniCredit Group, Endesa SA, SABMiller, GDF Suez, Banco Santander, Lonmin PLC, Finmeccanica, Fresenius SE, Nokia Oyj, Unilever PLC, Swiss Re, Iberdrola, Thales, AXA SA, BP, Fifth Third Bancorp, Atlas Copco, Centrica PLC.

Citigroup Global Markets Inc. or its affiliates has received compensation for investment banking services provided within the past 12 months from WPP PLC, Fiat SpA, Travis Perkins PLC, Pearson PLC, Porsche Automobil Holding SE, Associated British Foods PLC, Lafarge SA, International Personal Finance Plc, Royal Bank of Scotland Group PLC, Legal & General, RWE AG, Evraz Group, Veolia Environnement, Neste Oil, CRH PLC, EasyJet, Bankinter SA, Volvo AB, BT Group PLC, Man Group PLC, Essilor, BG Group, Schroders PLC, AB-InBev, Amadeus, Bank of Montreal, Credit Agricole SA, Imperial Tobacco Group PLC, Prudential Plc, E.ON AG, Vedanta Resources Plc, Vodafone Group PLC, Aberdeen Asset Management, Wolters Kluwer NV, Nordea, Glencore Xstrata PLC, Snam SpA, Siemens, ArcelorMittal, Ryanair, Henkel, Continental AG, Allianz SE, Aegon NV, adidas Group, Hochtief, Roche Holding AG, SCOR, IMI, Statoil, Orange, Moneysupermarket, Standard Life PLC, Scania AB, Alcatel-Lucent, Rexam PLC, Metro AG, Rolls Royce, Lanxess, Standard Chartered PLC, International Consolidated Airlines Group, S.A., BNP Paribas SA, MAN SE, Aviva PLC, KBC, BMW AG, Unilever NV, Reckitt Benckiser, HSBC Holdings PLC, EADS,

KPN NV, CIBC, Alstom, Reed Elsevier NV, GKN Plc, Zurich Insurance Group, Volkswagen AG, Saipem, Ageas SA/NV, Technip, Danone, Energias de Portugal, Mediobanca, Lonza Group AG, Resolution, Electricite de France, TeliaSonera AB, Eni, Severn Trent PLC, Ashtead Group Plc, Lloyds Banking Group PLC, Fortum Oyj, Wolseley PLC, Ashmore Group, Wells Fargo & Co, Carrefour, Atlantia, Portugal Telecom, Deutsche Telekom AG, Smiths Group, Akzo Nobel NV, Deutsche Post, Telefonica SA, Svenska Handelsbanken AB, Yara International, Pernod-Ricard, Banco Popular Espanol, 3i Group Plc, Skandinaviska Enskilda Banken AB, Tesco, Dixons Retail PLC, Enel Green Power, Casino Guichard Perachon, Elisa Oyj, Petrofac, OPAP SA, Novartis AG, Repsol, Swedbank AB, Bayer AG, Sage Group PLC, Nestle, UBS, Sanofi SA, Intesa Sanpaolo, Enagas SA, National Grid PLC, CEZ, OTE, GlaxoSmithKline PLC, AB SKF, Ferrovial, S.A., Valeo SA, Hikma Pharmaceuticals, Red Electrica de Espana SA, Compass Group, L'Oréal, Rio Tinto PLC, Danske Bank A/S, ThyssenKrupp AG, Royal Dutch Shell, Total, STMicroelectronics, Barclays PLC, African Barrick Gold Plc, OMV AG, Michelin, Munich Re, Credit Suisse, Capita Group PLC, Banco Bilbao Vizcaya Argentaria SA, Tate and Lyle, Vivendi, British American Tobacco PLC, ENEL SpA, Diageo, Balfour Beatty, LVMH, Linde AG, Assa Abloy, L'Air Liquide SA, Banca Popolare di Milano, Daimler AG, Belgacom SA, Infineon Technologies, First Horizon National Corp, Sampo Oyj, Carlsberg, Natixis, Renault SA, Telecom Italia SpA, Shire Pharmaceuticals, Coca Cola HBC AG, Reed Elsevier PLC, ING Groep NV, UniCredit Group, Hannover Ruckversicherungs AG, Anglo American PLC, Novozymes, Endesa SA, SABMiller, GDF Suez, Banco Santander, Lonmin PLC, Finmeccanica, Fresenius SE, ABB, Nokia Oyj, Unilever PLC, Intermediate Capital Group, DSM NV, Seadrill, Swiss Re, Banco de Sabadell SA, Aker Solutions, Iberdrola, Givaudan AG, Thales, AXA SA, Metso Oyj, Investec PLC, BASF SE, Swisscom AG, Mondi Plc, Merck KGaA, Kazakhmys Plc, BP, BHP Billiton PLC, BAE Systems, Fifth Third Bancorp, TUI Travel Plc, Atlas Copco, Syngenta AG, Telenor ASA, Centrica PLC.

Citigroup Global Markets Inc. or its affiliates expects to receive or intends to seek, within the next three months, compensation for investment banking services from WPP PLC, Fiat SpA, Porsche Automobil Holding SE, International Personal Finance Plc, Royal Bank of Scotland Group PLC, Neste Oil, Volvo AB, BT Group PLC, BG Group, AB-InBev, Bank of Montreal, E.ON AG, Glencore Xstrata PLC, Snam SpA, Siemens, ArcelorMittal, Henkel, Allianz SE, Aegon NV, IMI, Statoil, Alcatel-Lucent, Fresnillo Plc, BNP Paribas SA, MAN SE, BMW AG, TNT Express, HSBC Holdings PLC, CIBC, GKN Plc, Zurich Insurance Group, Volkswagen AG, Saipem, Ageas SA/NV, Energias de Portugal, Lonza Group AG, Electricite de France, Eni, Ashtead Group Plc, Lloyds Banking Group PLC, Fortum Oyj, Wells Fargo & Co, Telefonica SA, Banco Popular Espanol, Skandinaviska Enskilda Banken AB, Tesco, Enel Green Power, OPAP SA, Sage Group PLC, Nestle, UBS, Sanofi SA, CEZ, GlaxoSmithKline PLC, ThyssenKrupp AG, African Barrick Gold Plc, Schneider Electric, ENEL SpA, Balfour Beatty, L'Air Liquide SA, Natixis, Telecom Italia SpA, UniCredit Group, Anglo American PLC, Endesa SA, Banco Santander, Finmeccanica, Seadrill, Banco de Sabadell SA, Iberdrola, Kazakhmys Plc, BP, TUI Travel Plc, Telenor ASA.

Citigroup Global Markets Inc. or an affiliate received compensation for products and services other than investment banking services from WPP PLC, Fiat SpA, Travis Perkins PLC, SSE PLC, Dufry AG, Pearson PLC, Porsche Automobil Holding SE, Associated British Foods PLC, Lafarge SA, International Personal Finance Plc, Royal Bank of Scotland Group PLC, Legal & General, RWE AG, Morrison (Wm), Evraz Group, Veolia Environnement, Neste Oil, CRH PLC, EasyJet, Bankinter SA, Volvo AB, BT Group PLC, Man Group PLC, Essilor, BG Group, Schroders PLC, AB-InBev, Amadeus, Bank of Montreal, Credit Agricole SA, Imperial Tobacco Group PLC, Prudential Plc, E.ON AG, Vedanta Resources Plc, Vodafone Group PLC, Aberdeen Asset Management, Melrose, Aggreko PLC, Wolters Kluwer NV, Nordea, Glencore Xstrata PLC, Snam SpA, Siemens, ArcelorMittal, Grifols S.A., Ryanair, Henkel, Continental AG, Allianz SE, Ahold, Aegon NV, Cobham, adidas Group, Hochtief, TERNAL SpA, Roche Holding AG, SCOR, IMI, Direct Line, British Sky Broadcasting Group PLC, Statoil, Orange, Standard Life PLC, Scania AB, Inditex, Alcatel-Lucent, Rexam PLC, Metro AG, Rolls Royce, Lanxess, Standard Chartered PLC, Fresnillo Plc, International Consolidated Airlines Group, S.A., BNP Paribas SA, MAN SE, Aviva PLC, KBC, BMW AG, Unilever NV, Reckitt Benckiser, TNT Express, Amlin Plc, Coloplast, HSBC Holdings PLC, Chemring Group, EADS, Delhaize, KPN NV, CIBC, Alstom, Reed Elsevier NV, Kering, GKN Plc, Zurich Insurance Group, Volkswagen AG, Saipem, Hugo Boss Group, ProSiebenSat.1 Media, Ageas SA/NV, Technip, Danone, Energias de Portugal, Mediobanca, Lonza Group AG, Resolution, Electricite de France, TeliaSonera AB, Schindler, Firstgroup PLC, Eni, Severn Trent PLC, Ashtead Group Plc, Spectris, Lloyds Banking Group PLC, Fortum Oyj, Intertek, Novo Nordisk A/S, ATOS, Wolseley PLC, PGS, Ashmore Group, Wells Fargo & Co, Carrefour, Atlantia, Swatch Group AG, Portugal Telecom, Lindt & Sprungli, Deutsche Telekom AG, Lancashire Holdings, Smiths Group, Akzo Nobel NV, Deutsche Post, Telefonica SA, K+S AG, Svenska Handelsbanken AB, Yara International, Pernod-Ricard, Banco Popular Espanol, 3i Group Plc, Bunzl PLC, Skandinaviska Enskilda Banken AB, Tesco, Dixons Retail PLC, Enel Green Power, Casino Guichard Perachon, Richemont, Petrofac, Pennon Group PLC, Kone, OPAP SA, Novartis AG, Spirent Communications Plc, Repsol, Swedbank AB, Bayer AG, Halfords Group Plc, Sage Group PLC, Nestle, UBS, Sanofi SA, Intesa Sanpaolo, Enagas SA, National Grid PLC, CEZ, OTE, GlaxoSmithKline PLC, AB SKF, Ferrovial, S.A., Valeo SA, Hikma Pharmaceuticals, Red Electrica de Espana SA, Compass Group, L'Oréal, Rio Tinto PLC, Danske Bank A/S, ThyssenKrupp AG, Royal Dutch Shell, Total, STMicroelectronics, Barclays PLC, African Barrick Gold Plc, Tullow Oil, Alfa Laval, OMV AG, Michelin, Munich Re, Beiersdorf, Credit Suisse, Dassault Systemes SA, Capita Group PLC, Banco Bilbao Vizcaya Argentaria SA, Tate and Lyle, Vivendi, Schneider Electric, Admiral Group, ITV PLC, British American Tobacco PLC, AstraZeneca PLC, ENEL SpA, Diageo, Balfour Beatty, LVMH, Linde AG, Johnson Matthey PLC, Assa Abloy, L'Air Liquide SA, Banca Popolare di Milano, Daimler AG, Belgacom SA, Infineon Technologies, First Horizon National Corp, Sampo Oyj, Carlsberg, Soco International, Natixis, Renault SA, Telecom Italia SpA, Shire Pharmaceuticals, Coca Cola HBC AG, Reed Elsevier PLC, Nokian Tyres plc, ING Groep NV, UniCredit Group, Hannover Ruckversicherungs AG, Anglo American PLC, Novozymes, Endesa SA, SABMiller, GDF Suez, Ericsson LM, Banco Santander, Lonmin PLC, AMEC, Finmeccanica, Fresenius SE, ABB, Nokia Oyj, UCB SA, Unilever PLC, Premier Oil, Intermediate Capital Group, DSM NV, Ziggo N.V., Seadrill, Swiss Re, Banco de Sabadell SA, Marine Harvest, Aker Solutions, Iberdrola, Givaudan AG, Thales, Sainsbury, Kuehne & Nagel International, AXA SA, Eutelsat Communications, Serco, Metso Oyj, Investec PLC, BASF SE, Swisscom AG, Mondi Plc, Merck KGaA, Kazakhmys Plc, BP, BHP Billiton PLC, BAE Systems, ARM Holdings PLC, Fifth Third Bancorp, TUI Travel Plc, Randgold Resources Ltd, Atlas Copco, Syngenta AG, Next Group PLC, Telenor ASA, Centrica PLC in the past 12 months.

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AG, Allianz SE, Aegon NV, adidas Group, Hochtief, SCOR, IMI, Statoil, Orange, Moneysupermarket, Standard Life PLC, Scania AB, Alcatel-Lucent, Rexam PLC, Metro AG, Rolls Royce, Lanxess, Standard Chartered PLC, Fresnillo Plc, International Consolidated Airlines Group, S.A., BNP Paribas SA, MAN SE, Aviva PLC, BMW AG, Unilever NV, Reckitt Benckiser, TNT Express, EADS, KPN NV, CIBC, Alstom, Reed Elsevier NV, GKN Plc, Zurich Insurance Group, Volkswagen AG, Saipem, Ageas SA/NV, Technip, Danone, Mediobanca, Resolution, Electricite de France, TeliaSonera AB, Eni, Ashtead Group Plc, Lloyds Banking Group PLC, Wolseley PLC, Ashmore Group, Wells Fargo & Co, Carrefour, Atlantia, Portugal Telecom, Deutsche Telekom AG, Smiths Group, Akzo Nobel NV, Telefonica SA, Svenska Handelsbanken AB, Yara International, Pernod-Ricard, Banco Popular Espanol, 3i Group Plc, Skandinaviska Enskilda Banken AB, Tesco, Enel Green Power, Casino Guichard Perachon, Elisa Oyj, Petrofac, OPAP SA, Novartis AG, Repsol, Swedbank AB, Bayer AG, Sage Group PLC, Nestle, UBS, Sanofi SA, Intesa Sanpaolo, Enagas SA, National Grid PLC, CEZ, OTE, GlaxoSmithKline PLC, AB SKF, Ferrovial, S.A., Valeo SA, Hikma Pharmaceuticals, Red Electrica de Espana SA, Compass Group, L'Oréal, Rio Tinto PLC, Danske Bank A/S, ThyssenKrupp AG, Royal Dutch Shell, Total, STMicroelectronics, African Barrick Gold Plc, OMV AG, Michelin, Munich Re, Credit Suisse, Capita Group PLC, Banco Bilbao Vizcaya Argentaria SA, Tate and Lyle, Vivendi, Schneider Electric, British American Tobacco PLC, ENEL SpA, Balfour Beatty, LVMH, Assa Abloy, L'Air Liquide SA, Banca Popolare di Milano, Daimler AG, Belgacom SA, Infineon Technologies, First Horizon National Corp, Sampo Oyj, Carlsberg, Natixis, Renault SA, Telecom Italia SpA, Shire Pharmaceuticals, Coca Cola HBC AG, Reed Elsevier PLC, UniCredit Group, Hannover Ruckversicherungs AG, Anglo American PLC, Novozymes, Endesa SA, SABMiller, GDF Suez, Banco Santander, Lonmin PLC, Finmeccanica, Fresenius SE, ABB, Nokia Oyj, Unilever PLC, Intermediate Capital Group, Seadrill, Swiss Re, Banco de Sabadell SA, Aker Solutions, Iberdrola, Givaudan AG, Thales, AXA SA, Metso Oyj, Investec PLC, BASF SE, Swisscom AG, Mondi Plc, Merck KGaA, Kazakhmys Plc, BP, BHP Billiton PLC, BAE Systems, Fifth Third Bancorp, TUI Travel Plc, Atlas Copco, Syngenta AG, Telenor ASA, Centrica PLC.

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