

# Global Road Ahead: Mid-Year Outlook

## Cheap, But Earnings Risk Rising

- **The Bad News** — Company analysts still forecast 9% global EPS growth in 2012 and 13% in 2013. This looks too optimistic given the current slowdown in the global economy. Citi strategists now forecast 6% global EPS growth for 2012 and 6% for 2013. But even these less bullish earnings estimates may be too high.
- **The Good News** — Sentiment and valuations are already depressed. The MSCI AC World now trades on a cyclically-adjusted PE (CAPE) of 17x, well below the long-run average of 25x. European equities, where the EPS risks are greatest, trade on a CAPE of just 12x.
- **Global Equities Expected To Rise 9% in 2H12** — Citi's equity strategists expect the good news on valuations to outweigh the bad news on EPS. Our index targets suggest a 9% rise in global equities in 2H12. The key risk is that cheap valuations are not enough to offset further EPS disappointments.
- **Regions** — We are Overweight Japan, Australia and Asia Pac ex Japan. Asian markets benefit from a relatively solid EPS/GDP outlook and trade on attractive valuations. We upgrade the US to Neutral from Underweight. We are Neutral the UK and downgrade Continental Europe to Underweight, where EPS/GDP risks are greatest.
- **Sectors** — We favour Japanese Autos, CEEMEA and Asian Energy, GEMs and Japanese Financials, Asia ex Japan and US IT and European Pharmaceuticals. We would avoid European Construction, GEMs Consumer Staples, US Retailing, European and GEMs Telecoms and Utilities in Europe and Japan.

Figure 1. Regional And Sector Recommendations

| Overweight               | Neutral                 | Underweight             |
|--------------------------|-------------------------|-------------------------|
| Asia Pac ex Japan        | Global Emerging Markets | Europe ex UK ↓          |
| Australia ↑              | UK                      |                         |
| Japan                    | US ↑                    |                         |
| <b>Overweight</b>        |                         | <b>Underweight</b>      |
| Japan - Autos            |                         | US - Capital Goods      |
| Australia - Energy       |                         | Europe - Construction   |
| CEEMEA - Energy          |                         | GEMs - Consumer Staples |
| Asia ex Japan - Energy   |                         | US - Materials          |
| GEMs - Financials        |                         | Europe - Media          |
| Japan - Financials       |                         | US - Retailing          |
| US - Telecoms            |                         | Europe - Telecoms       |
| Asia ex Japan - IT       |                         | GEMs - Telecoms         |
| US - IT                  |                         | Europe - Utilities      |
| Europe - Pharmaceuticals |                         | Japan - Utilities       |

Source: Citi Research



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| United Kingdom                               |           |
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| Capital Goods                                |           |
| Commercial Services                          |           |
| Transportation                               |           |
| Autos & Components                           |           |
| Consumer Durables                            |           |
| Consumer Services                            |           |
| Media  |           |
| Retailing                                    |           |
| Food & Staples Retailing                     |           |
| Food Beverage & Tobacco                      |           |
| Household & Personal                         |           |

Health Care Equipment & Services

Pharma & Biotech

Banks

Diversified Financials

Insurance

Real Estate

Software & Services

Tech Hardware

Semiconductors

Telecom Services

Utilities

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## Cheap, But Earnings Risks Rising

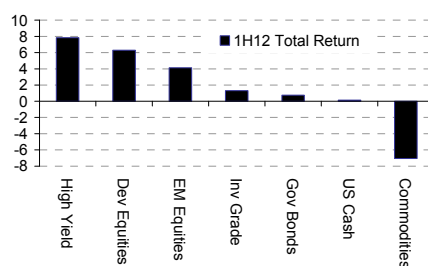
Despite a difficult second quarter, global equities were still up 4% in 1H12. From here, a slowing global economy means that EPS risks are rising. However, Citi equity strategists think that future downgrades are already largely reflected in cheap valuations. We forecast a 9% gain in the MSCI AC World benchmark by year-end. Resilient EPS momentum means that we are Overweight Asian equities. Worsening EPS momentum means that we cut Europe ex UK to Underweight. We raise US equities to Neutral.

## 1H12: Up 4%

### Global equities up 4% in 1H12

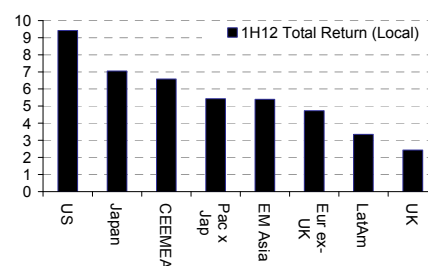
The MSCI AC World benchmark rose by a reasonable 4% in 1H2012. Performance feels worse because the index was up 11% at the end of the first quarter. That still leaves global equities down 13% from the May 2011 high and 27% below the October 2007 all-time peak.

Figure 2. Global Asset Returns 1H12 (%USD)



Source: Citi Research, Datastream

Figure 3. Equity Region Returns 1H12 (%Loc)



Source: Citi Research, Datastream

Despite the switch away from riskier assets in 2Q, equities and high yield bonds have outperformed more defensive government and investment grade bonds in 2012 (Figure 2). The performance of commodities has been disappointing.

DM equities (6% return in USD) beat EM equities (4%) in 1H12. The US (9%) was the best-performing major country/region in local terms. The UK (2%) was the worst. Global sector performance has been mixed. The two best were cyclical IT (10% return) and Consumer Discretionary (10%). The two worst were also cyclical: Energy (-4% return) and Materials (-1%).

## Global Economic Outlook

### Forecast 2.6% global GDP growth in 2012

Citi's key economic forecasts are outlined in Figure 4. These suggest 2.6% global real GDP growth in 2012, down from 3.0% in 2011. This would represent a meaningful slowdown, if not a double-dip (a global recession is usually defined as 2% growth or below). Our 2012 growth forecast is still well ahead of the -1.9% outcome seen in 2009. We currently forecast a similar rate of 2.7% global growth in 2013.

Figure 4. Citi Research Key Economic Forecasts

| Region                 | Real GDP Growth (%) |       |       | CPI Inflation (%) |       |       |
|------------------------|---------------------|-------|-------|-------------------|-------|-------|
|                        | 2011F               | 2012F | 2013F | 2011F             | 2012F | 2013F |
| Global                 | 3.0                 | 2.6   | 2.7   | 3.7               | 2.8   | 2.7   |
| Industrial Countries   | 1.3                 | 1.2   | 1.0   | 2.3               | 1.7   | 1.3   |
| Emerging Markets       | 6.0                 | 4.9   | 5.5   | 6.1               | 4.7   | 4.8   |
| US                     | 1.7                 | 2.1   | 2.0   | 2.5               | 1.7   | 1.5   |
| Japan                  | -0.7                | 2.7   | 1.4   | -0.3              | 0.2   | -0.1  |
| Euro Zone              | 1.5                 | -0.7  | -0.8  | 2.7               | 2.3   | 1.6   |
| Germany                | 3.1                 | 1.2   | 0.9   | 2.3               | 1.9   | 2.1   |
| France                 | 1.7                 | -0.1  | -0.2  | 2.3               | 2.1   | 0.8   |
| Italy                  | 0.5                 | -2.6  | -2.0  | 2.9               | 3.1   | 1.0   |
| Spain                  | 0.7                 | -2.1  | -3.1  | 3.1               | 1.5   | 0.3   |
| UK                     | 0.6                 | -0.4  | 0.6   | 4.5               | 2.6   | 1.8   |
| Sweden                 | 4.0                 | 0.7   | 1.9   | 2.9               | 1.2   | 1.9   |
| Asia                   | 7.2                 | 6.4   | 6.8   | 5.7               | 3.7   | 3.8   |
| Latin America          | 3.9                 | 3.1   | 4.1   | 6.8               | 5.8   | 6.1   |
| Central/Eastern Europe | 5.0                 | 2.8   | 3.6   | 6.7               | 5.4   | 5.7   |
| Australia              | 2.0                 | 3.7   | 3.4   | 3.4               | 1.8   | 3.2   |
| China                  | 9.2                 | 7.8   | 7.9   | 5.4               | 2.9   | 3.1   |

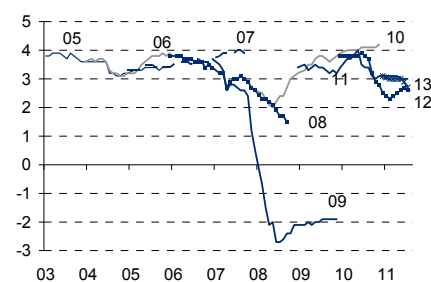
Source: Citi Research

#### EMU crisis to rumble on

Outside Germany, all the major Eurozone economies are expected to fall back into recession in 2012. The EMU sovereign debt crisis seems likely to continue. Citi economists put the probability of Greece leaving EMU at 50-75%. They also expect Spain and Italy to enter some form of Troika bailout for the sovereign by the end of this year. Weak Eurozone economies and ongoing austerity measures should remain significant drags on the UK economy over the next 12 months.

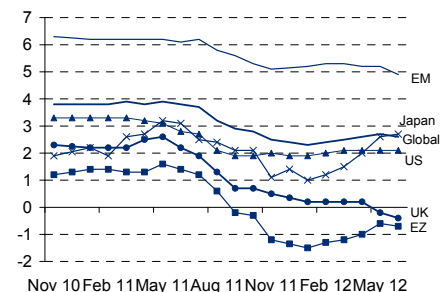
While we do not expect the US to re-enter recession, economic growth should be lacklustre. We forecast 2.1% real GDP growth in 2012, followed by 2.0% in 2013. We expect 4.9% EM growth in 2012, down from 6.0% in 2011. EM are not immune to problems in the developed world. We now forecast 2012 China growth of 7.8%, down from 9.2% in 2011.

Figure 5. Global GDP Growth Forecasts (%)



Source: Citi Research

Figure 6. 2012 Global GDP Growth F'casts (%)



Source: Citi Research

Our 2012 global GDP growth forecast was 3.8% a year ago. It is now down at 2.6%, still a long way from the -1.9% outcome seen in 2009 (Figure 5). The biggest downgrades have been in Europe. Forecasts in EM, Japan and the US have been more resilient (Figure 6).

#### Falling inflation

Slowing growth should help to lower inflation. Citi economists expect global inflation to fall from 3.7% in 2011 to 2.8% in 2012 and 2.7% 2013. This would be welcome in EM, where inflation is expected to drop from 6.1% in 2011 to 4.8% by 2013.

## Rates, FX and Credit

### Ultra-low rates here to stay

Slowing growth and lower inflation forecasts mean that we expect a long period of ultra-low interest rates in the major industrial countries, with the first rate hike forecast for 2014 in the US and 2016 in the UK and Euro Area. In addition, all are likely to use unconventional methods to ease monetary conditions further. This should provide some support for risk assets such as equities. Elsewhere, 2011 rate hikes are being reversed as inflationary pressures abate and economies slow. We expect Australian rates (currently 3.5%) to be 3.25% by year-end. Brazilian rates are forecast to fall from 8.5% to 7.25% and Indian rates from 8.0% to 7.25%. We expect more China RRR cuts over 2012. Inflationary concerns and associated higher rates were a clear headwind for EM equities in 2011. We expect them to become a tailwind in 2012-13.

Away from areas of sovereign distress, easy monetary policy is likely to keep government bond yields low. Citi rate strategists forecast 10-year bund yields (currently 1.5%) of 1.25% at the end of 2012. US treasury yields (now 1.6%) are expected to rise to 1.8%. JGB yields (currently 0.8%) are expected to be 1.1%. Gilt yields are forecast to stay around 1.7% for the rest of the year. Within the Eurozone, French bonds are forecast to stay at 2.5%. Concerns about bailouts mean that we expect Spanish and Italian bond yields to trade around the 7-8% level towards year-end. The ongoing EMU crisis should remain a drag on the global equity markets for some time yet.

### Strong US\$

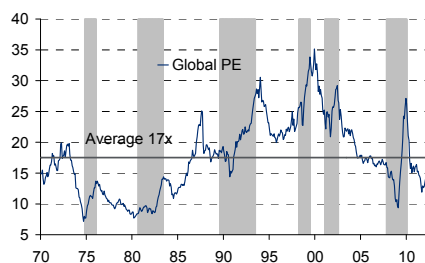
Citi FX strategists remain optimistic on the US\$. They expect the US\$/euro cross (currently \$1.25) to hit \$1.21 by the end of the year. The yen is expected to move sideways against this strong US\$ profile. Sterling is forecast to weaken in line with the euro. Lower inflation has given EM policymakers the opportunity to ease policy and this is likely to prove a drag on their collective currencies. Citi FX strategists now expect the best currency performance from LatAm and the worst from CEEMEA, with Asia somewhere in-between.

Citi credit strategists are concerned about the fundamental backdrop, especially in Europe. But they also recognise that credit spreads offer decent value at current levels and that investor demand for the asset class remains strong. So they expect their markets to stay range-bound and choppy.

## The Good News: Valuation

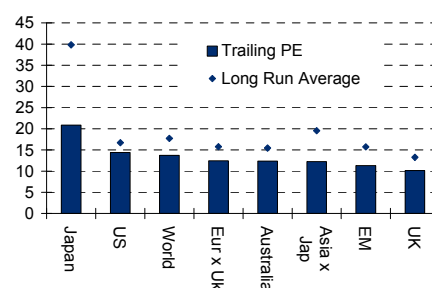
The MSCI AC World trailing PE is 13x, below the 17x long-run average. Valuations look cheap, but not extreme. This measure fell to 10x in November 2008 and 8x in the 1970s bear market (Figure 7). Rising share prices and earthquake-weakened EPS mean that Japan currently trades on the highest trailing multiple (21x) of the major regions. Elsewhere, the US trades on 14x. UK and EM trade around 10-11x.

Figure 7. MSCI World Trailing PE



Source: Citi Research, Factset. Grey bars are EPS contractions

Figure 8. MSCI Regional Trailing PE

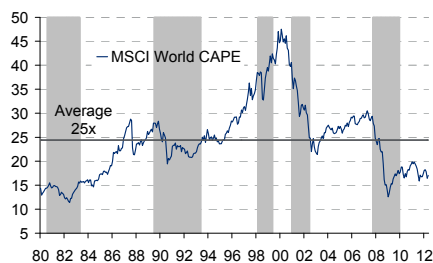


Source: Citi Research, Factset. Average excludes periods of negative EPS

### Global CAPE 17x

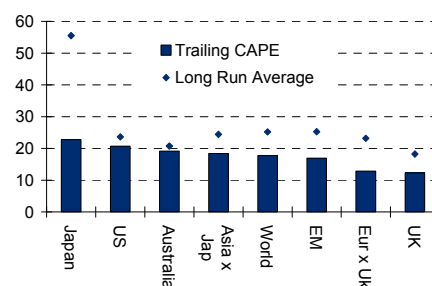
Economic volatility means that many investors are suspicious of spot PEs, whether based on trailing or forecast EPS. They may prefer to look at valuations based on trend EPS. We calculate a cyclically-adjusted PE (CAPE) that compares current share prices to average EPS over the previous ten years. This also makes the MSCI World index look cheap. The current 17x CAPE compares favourably to the long-run average of 25x. Like spot PEs, CAPEs make European equities look cheaper than Japan and the US.

Figure 9. MSCI World CAPE



Source: Citi Research, Factset. Grey bars are EPS contractions

Figure 10. MSCI Regional CAPE

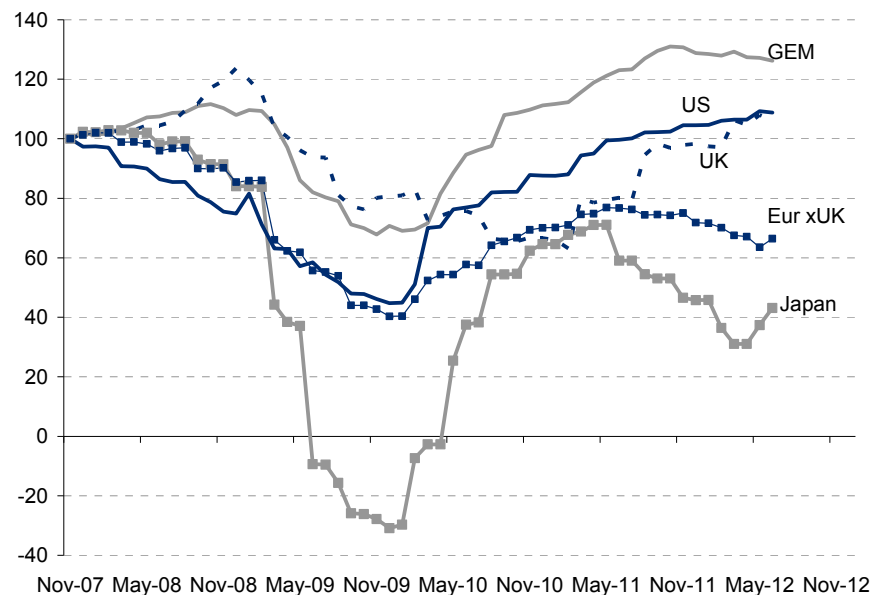


Source: Citi Research, Factset

## The Bad News: EPS

A slowing global economy is reflected in slowing global EPS. Figure 11 shows trailing EPS since the global peak in November 2007. Only the US and EM have regained their previous highs. UK EPS have been surprisingly strong given the weakness of the domestic economy. The Eurozone crisis has dragged Europe ex-UK EPS back down to 30% below highs. The earthquake clearly hit Japan's EPS hard, but there are recent signs of recovery.

Figure 11. Trailing EPS Since November 2007



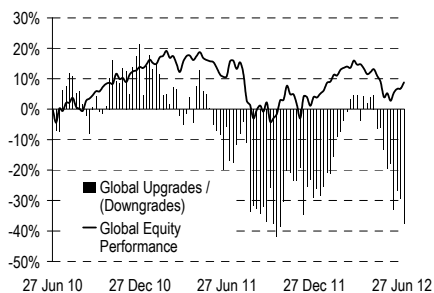
Source: Citi Research, Factset

A slowing world economy will likely prove a drag upon EPS across the world. An aggregation of Citi strategists' top-down forecasts suggests 6% EPS growth in 2012 followed by 6% in 2013. This is now well below the aggregation of bottom-up analysts consensus forecasts of 9% in 2012 and 13% in 2013.

#### Analyst forecasts look too high

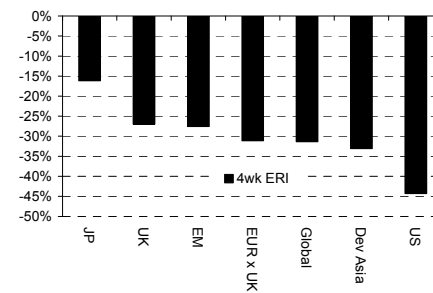
So Citi strategists are not forecasting a contraction in global EPS, but they are less optimistic than analysts. This suggests more EPS downgrades are coming. Indeed, we suspect that the risks to global EPS may be even greater. While we can see a post-earthquake rebound in Japan, the scope for further EPS growth in the US is limited by already-high margins and a slowing economy. With heavy weightings in the Energy and Materials sectors, the UK is vulnerable to lower commodity prices. EMU recession is likely to prove a continued drag on Europe ex UK EPS. Geoffrey Dennis is increasingly frustrated with the failure of Emerging Market companies to turn premium GDP into premium EPS. Overall, we would expect global earnings revision indices to remain in negative territory, which has traditionally been unhelpful for equity markets (Figure 12 and Figure 13)

Figure 12. Global ERI



Source: Citi Research, Factset, Datstream

Figure 13. Regional ERI (4 Week)



Source: Citi Research, Factset

## Equity Index Targets

Figure 14 brings together Citi equity strategists' index targets for the end of this year. All remain positive on the prospects for their markets. Our Asia-based strategists are generally more bullish than their US and Europe-located colleagues.

Figure 14. Citi Strategists' Index Targets

| Region       | Index                | End 1H12 Level | End 2012 Target | Expected Gain (%) |
|--------------|----------------------|----------------|-----------------|-------------------|
| US           | S&P 500              | 1362           | 1425            | 5%                |
| Pan Euro     | DJ Stoxx600          | 251            | 285             | 13%               |
| UK           | FTSE 100             | 5571           | 6200            | 11%               |
| Japan        | Topix                | 770            | 960             | 25%               |
| Asia x Japan | MSCI Asia x J        | 479            | 585             | 22%               |
| Australia    | S&P/ASX 200          | 4095           | 4450            | 9%                |
| GEMs         | MSCI EM              | 937            | 1100            | 17%               |
| LATAM        | MSCI Latam           | 3521           | 4300            | 22%               |
| CEEMEA       | MSCI EM EMEA         | 315            | 350             | 11%               |
| <b>World</b> | <b>MSCI AC World</b> | <b>312</b>     | <b>340</b>      | <b>9%</b>         |

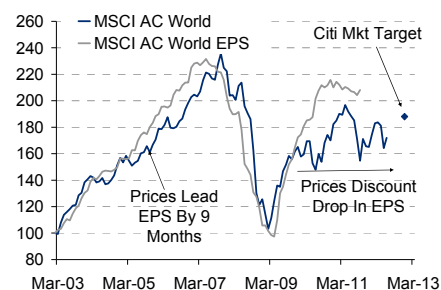
Source: Citi Research

These market targets suggest a 9% gain for global equities over 2H12. This would imply the MSCI AC World index ending the year at 340 compared to the end-June level of 312. This represents a healthy gain for the year, if below our previous 360 target.

### Sentiment already bearish

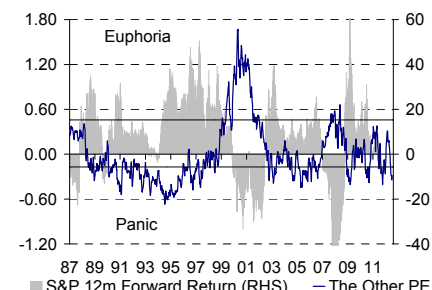
Slowing economies and optimistic analyst profit forecasts suggest global EPS risks from here. However, Citi strategists suggest that there is already much bad news priced in. Figure 15 shows the relationship between global share prices and the trailing EPS index lagged by 9 months. Between 2003 and 2010, prices led EPS. Since then, this relationship suggests that prices have started to discount a contraction in global EPS. While the evidence is mounting that this may be imminent, we would argue that share prices are already there. Indeed, if global EPS do grow over the next 12-18 months, then our market targets may end up being too conservative. Bearish sentiment is also reflected in Tobias Levkovich's Panic/Euphoria model. This remains in Panic territory (Figure 16), suggesting a good chance of a higher S&P index over the next 12 months.

Figure 15. MSCI World Price & EPS (Lag 9m)



Source: Citi Research

Figure 16. US Panic/Euphoria Model



Source: Citi Research

## Regional and Global Sector Allocation

Our regional and global sector views incorporate top-down thoughts from our regional strategists, bottom-up from our sector analysts and the results of our more quantitative global allocation models. Our latest recommendations are summarised in Figure 17. Our regional recommendations are made in local currency terms. An explanation of our more quantitative model is provided further below.

**Figure 17. Regional And Global Sector Recommendations (Arrows show latest changes)**

|  |   |   |
|--|---|---|
| <b>Overweight</b><br>Asia Pac ex Japan<br>Australia ↑<br>Japan   | <b>Neutral</b><br>Global Emerging Markets<br>UK<br>US ↑                     | <b>Underweight</b><br>Europe ex UK ↓  |
| <b>Overweight</b><br>Energy ↑<br>Health Care ↑<br>IT   | <b>Neutral</b><br>Consumer Staples<br>Financials<br>Materials<br>Telecoms ↑ | <b>Underweight</b><br>Consumer Discretionary<br>Industrials ↓<br>Utilities ↓  |
| <b>Overweight</b><br>Japan - Autos<br>Australia - Energy<br>CEEMEA - Energy<br>Asia ex Japan - Energy<br>GEMs - Financials<br>Japan - Financials<br>US - Telecoms<br>Asia ex Japan - IT<br>US - IT<br>Europe - Pharmaceuticals |   | <b>Underweight</b><br>US - Capital Goods<br>Europe - Construction<br>GEMs - Consumer Staples<br>US - Materials<br>Europe - Media<br>US - Retailing<br>Europe - Telecoms<br>GEMs - Telecoms<br>Europe - Utilities<br>Japan - Utilities |

Source: Citi Research

### Upgrade the US

Lower global GDP forecasts mean that those areas generating some growth should be valued more highly. In line with this view, we are increasing our exposure to those equity regions with solid EPS and GDP trends, while at the same time lowering the importance of valuation in our allocation. We therefore upgrade the US from Underweight to Neutral. US GDP growth, while not stellar, has remained stable over the last 18 months while other regions have fallen back into recession. This has helped support corporate earnings in the US. [Profit margins in the US have proven to be more resilient](#) than elsewhere. Tobias Levkovich [believes a number of indicators support gains in US equities in the second half](#). While US equity valuations are amongst the most expensive in the world, they are not extreme enough to offset the positives of superior EPS and GDP, in our view. Tobias remains a buyer of US IT as earnings remain solid and Telecoms as valuations are appealing.

### Downgrade Continental Europe

By comparison, the Eurozone economy is only part way through a contraction, which continues to be a considerable drag on corporate profits. Our economists expect the recession to continue until the end of 2013. This is a reason why our European Strategists expect to see further [analyst earnings downgrades and forecast sluggish growth for 2012 and 2013](#). Although Continental European equities trade on relatively low valuations, we downgrade the region to Underweight from Neutral given the uninspiring EPS outlook. There will be a time when Continental Europe closes its valuation gap with the US, but this is more likely to be closer to the end of the current recession. Within Europe, our strategists are most cautious on some of the domestic-focused sectors like Construction, Telecoms and Utilities. They are buyers of Pharmaceuticals where the patent concerns seem discounted and balance sheets are healthy.

### Prefer UK within Europe

Within Europe, we are more positive on the UK, where we have a Neutral allocation. The UK economy is also contracting but as our strategists often note, 70-80% of FTSE 100 sales comes from outside of the UK, much of this directly from Emerging Markets. Large international exposure means that UK profits are very sensitive to moves in a currency which is now being depressed by unconventional monetary policy. The Bank of England has just announced its third round of QE. By the end of this the central bank will own £375bn worth of gilts — equivalent to 25% of GDP. Michael Saunders, [our UK economist, forecasts a further £125bn of QE by the end of 2013](#) (33% of GDP). Sterling has already depreciated by 5% against the USD over the last 2-3 months.

### Neutral GEMs

We are also Neutral Global Emerging Markets. While the asset class has underperformed in 1H, we [expect better performance in 2H supported by a moderate rebound in Chinese GDP](#) and easier monetary policy. Geoffrey Dennis notes that valuations in EM continue to look attractive with lower than rest of world price to book but higher RoEs. Within EM, Geoffrey is most positive on Asia, which we discuss below. He is more cautious on CEEMEA where Andrew Howell [worries about the fallout from Euro crisis](#). In LatAm, he is Neutral where [Jason Press highlights EPS growth is slowing but policy is being eased](#).

### Overweight markets in Asia

Our preferred equity markets right now are all in Asia. This includes Japan and Australia where we are Overweight. Unlike Europe, Asia is not suffering a recession. By contrast, Japan is experiencing a rebound in GDP and EPS following the earthquake last year. [Kenji Abe believes EPS growth](#) will be close to 20% for 2013. This compares with our top-down forecasts for the US and Europe of close to 5%. In Japan, Kenji is a buyer of the Consumer Discretionary sector, including Autos. He is also a buyer of the Financials, which trade close to European Bank valuations but without the intertwined sovereign risks.

While declining margins and dilution have meant Asia Pac ex Japan EPS underperformed revenues and GDP, profits continue to grow at a faster rate than in Europe. Markus Rosgen notes there may be near-term weakness in EPS revisions, but our economists' GDP forecasts suggest this will be short-lived. He also notes that sentiment is as depressed as in 2008 when he looks at the performance of risk vs quality equity styles. In the past, [valuations in Asia ex Japan have risen as Asian central banks have expanded their balance sheets](#). This could occur again in 2H 2012. Markus is a buyer of Energy, which trades on depressed valuations and IT, which benefits from solid EPS momentum.

In Australia, Tony Brennan's expectation is for a rebound in EPS expectations from depressed levels, supported by easier monetary policy and a more stable exchange rate. The central bank has recently cut, leaving real policy rates at +1.5%. This compares to our forecast of real GDP growth of +3.5% for both 2013 and 2014. The spread between real policy rates and real GDP growth suggests Australian monetary policy is amongst the easiest in the world. Like Asia Pac ex Japan, Australia also benefits from relatively attractive valuations. The dividend yield is the highest in the world at more than 5%. These are all reasons why we have upgraded Australia to Overweight. Today Tony cuts his ASX All Ordinaries year-end target to 4450 from 4750 which still implies healthy gains. Within Australia, Tony is a buyer of the Energy sector, where companies are helping to develop the considerable gas fields off the Australian coast.

In Figure 18 we highlight our regional strategists' sector recommendations. There is a clear preference for Financials in all regions outside of Europe and Australia. Eurozone Banks are the most leveraged in the world, whereas the balance sheets for the Australian Banks are amongst the strongest. While Financials is the most favoured sector, the least favoured is Utilities.

**Figure 18. Citi Research Regional Strategists' Sector Positions**

O = Overweight, N = Neutral, U = Underweight.

| Sector Allocations     | Global | US | Pan-Europe | UK | Japan | Asia ex Japan | Australia | GEMs |
|------------------------|--------|----|------------|----|-------|---------------|-----------|------|
| Energy                 | O      | N  | N          | N  | N     | O             | O         | N    |
| Materials              | N      | U  | O          | O  | N     | U             | O         | O    |
| Industrials            | U      | U  | N          | O  | N     | O             | N         | N    |
| Consumer Discretionary | U      | U  | U          | N  | O     | U             | N         | O    |
| Consumer Staples       | N      | O  | O          | N  | U     | U             | U         | U    |
| Health Care            | O      | N  | O          | O  | U     | n.a           | O         | U    |
| Financials             | N      | O  | N          | N  | O     | O             | N         | O    |
| IT                     | O      | O  | N          | U  | N     | O             | N         | N    |
| Telecoms               | N      | O  | U          | N  | U     | U             | U         | U    |
| Utilities              | U      | O  | U          | U  | U     | U             | U         | U    |

Source: Citi Research

## Regional and Sector Allocation Model

### How our model works

In Figure 19, we highlight our Global Regional and Sector allocation model. This ranks regions/sectors based on factors we believe will be important drivers of equities in the next 1-4 quarters. This is just one input into our regional and global sector recommendations. We also consider the inputs of CIRA strategists and analysts. Below, we describe the factors currently in the model.

**Figure 19. Regional and Sector Allocation Model (1 is Best)**

|                   | Earnings |     | Momentum + Valn |    |      | De-eq | Macro |         |      | Result |
|-------------------|----------|-----|-----------------|----|------|-------|-------|---------|------|--------|
|                   | E Mom    | ERI | P Mom           | DY | CAPE | De-eq | GDP   | Real IR | CESI |        |
| Region Weight (%) | 25       | 10  | 10              | 5  | 5    | 15    | 10    | 10      | 10   | 100    |
| Sector Weight (%) | 35       | 15  | 10              | 5  | 15   | 20    | 0     | 0       | 0    | 100    |
| <b>Regions</b>    |          |     |                 |    |      |       |       |         |      |        |
| Japan             | 1        | 5   | 2               | 6  | 3    | 3     | 3     | 2       | 4    | 1      |
| US                | 2        | 7   | 1               | 7  | 7    | 2     | 5     | 4       | 3    | 2      |
| Dev Asia          | 7        | 2   | 6               | 1  | 4    | 5     | 2     | 1       | 2    | 3      |
| UK                | 5        | 1   | 3               | 3  | 2    | 1     | 7     | 5       | 5    | 4      |
| Eur ex UK         | 4        | 6   | 5               | 2  | 1    | 4     | 6     | 7       | 1    | 5      |
| GEM               | 3        | 4   | 4               | 4  | 5    | 7     | 1     | 3       | 6    | 6      |
| Canada            | 6        | 3   | 7               | 5  | 6    | 6     | 4     | 6       | 7    | 7      |

### Global Sectors

|                  |    |    |    |    |    |    |  |  |  |    |
|------------------|----|----|----|----|----|----|--|--|--|----|
| IT               | 1  | 8  | 1  | 10 | 10 | 4  |  |  |  | 1  |
| Financials       | 6  | 6  | 7  | 5  | 1  | 10 |  |  |  | 2  |
| Health Care      | 4  | 4  | 4  | 8  | 7  | 1  |  |  |  | 3  |
| Consumer Staples | 5  | 5  | 3  | 7  | 9  | 6  |  |  |  | 4  |
| Energy           | 8  | 2  | 6  | 4  | 2  | 7  |  |  |  | 5  |
| Industrials      | 3  | 9  | 5  | 6  | 6  | 3  |  |  |  | 6  |
| Materials        | 10 | 3  | 9  | 3  | 4  | 5  |  |  |  | 7  |
| Telecoms         | 7  | 1  | 10 | 1  | 5  | 2  |  |  |  | 8  |
| Utilities        | 9  | 7  | 8  | 2  | 3  | 8  |  |  |  | 9  |
| Consumer Disc.   | 2  | 10 | 2  | 9  | 8  | 9  |  |  |  | 10 |

Source: Citi Research

**EPS Momentum** — This is a measure of the change in 12-month forward earnings estimates. Those regions and sectors with rising estimates rank highly on this factor.

**ERI** — This is a high-frequency measure of analyst earnings revisions. We find that analyst revisions (the net number of upgrades) tend to lead EPS momentum. However ERI is much more volatile. Those regions with low but improving analyst earnings revisions rank highest on this factor.

Dividend Yield and CAPE — We have simplified the valuation measures we use to two. Over the long term, we have found that dividend yields and cyclically-adjusted PE ratios have provided the best signal on future performance.

Price Momentum — Our price momentum factor helps identify contrarian opportunities, which tend to work earlier in the year. It simply measures the performance of regions/sectors over the last 12 months. Those areas of the market that rank highly here have performed poorly in 2011, and vice versa.

De-equitisation — Here we measure the change in share count over the last 12 months. Those regions and sectors that have shrunk their share count via buybacks or cash financed M&A rate highly.

GDP — This is a macro factor only relevant for regions. Those that rank highly here are forecast to benefit from the fastest GDP growth over the next 4 quarters and the strongest GDP revisions over the last three months.

CESI — Here we use the Citigroup Economic Surprise Index, as developed by our FX team, for each region. We use this as a contrarian indicator as we find that a low CESI tends to lead stronger returns in the quarter ahead.

Real Rates — This is a macro factor that measures the easiness of monetary policy conditions and is only relevant for regions. The regions that rank highly here have benefitted from declining real rates and have the lowest real rates when compared to expected GDP growth.

## Global Favoured Stock List

### 20 Global Favoured Stocks

Finally, with the help of our regional strategists, we draw together a global stock list in Figure 20. These are important Buy recommendations from Citi Research analysts around the world. The list broadly reflects our region and sector preferences.

Figure 20. Most Favoured Stocks From Our Regional Strategists

| Stock         | Sector   | Price     | Rating | Currency   | Country            | Comments  |
|---------------|--|-----------|--------|------------|--------------------|---|
| ABInBev       | Food Beverage & Tobacco                        | 63.31     | 1      | EUR        | Belgium            | <ul style="list-style-type: none"> <li>• Forecast c11% EPS CAGR 2011-15</li> <li>• Pricing power in 2 key mkts (US and Brazil)</li> <li>• Highly cash generative</li> </ul>   |
| America Movil | Telecommunication Services                     | 25.83     | 1      | USD        | Mexico             | <ul style="list-style-type: none"> <li>• Negative impact from regulatory changes priced-in</li> <li>• Forecast 40% of mkt cap to be returned to shareholders in 5-years</li> <li>• Strong balance sheets will be maintained even after capital returns</li> </ul> |
| BHP Billiton  | Materials                                      | 18.113 75 | 1      | GBP<br>AUD | UK<br>Australia    | <ul style="list-style-type: none"> <li>• H2 recovery in China</li> <li>• Potential for further capital returns</li> <li>• +3% dividend yield</li> </ul>   |
| CNOOC         | Energy   | 15.38     | 1      | HKD        | Hong Kong          | <ul style="list-style-type: none"> <li>• 7% p.a production growth to 2015</li> <li>• Good track record of dividend growth</li> <li>• Focus on cost control</li> </ul>   |
| Covidien      | Health Care Equipment & Services               | 53.06     | 1      | USD        | Bermuda            | <ul style="list-style-type: none"> <li>• Steady margin expansion</li> <li>• Geared to high growth businesses</li> <li>• Spin-off provides value opportunity</li> </ul>  |
| Credicorp     | Banks  | 122.13    | 1      | USD        | Bermuda            | <ul style="list-style-type: none"> <li>• Dominant position in deposits and loans</li> <li>• Funding cost advantages</li> <li>• Strong growth in Peruvian banking</li> </ul>   |
| CVS           | Food & Staples Retailing                       | 46.93     | 1      | USD        | United States      | <ul style="list-style-type: none"> <li>• Market share gains in retail</li> <li>• Cost cutting to support margins</li> <li>• Able to maintain leading position</li> </ul>  |
| Denso         | Automobiles & Components                       | 2585      | 1      | JPY        | Japan              | <ul style="list-style-type: none"> <li>• Leader in fuel saving technology</li> <li>• Good exposure to fast growing Asia</li> <li>• Sound balance sheet</li> </ul>   |
| Fanuc         | Capital Goods                                  | 12510     | 1      | JPY        | Japan              | <ul style="list-style-type: none"> <li>• Leveraged to strgon demand from rest of Asia</li> <li>• Focus on cost cutting</li> <li>• Net cash on balance sheet</li> </ul>  |
| Gazprom       | Energy   | 153.38    | 1      | RUB        | Russian Federation | <ul style="list-style-type: none"> <li>• World leader in gas reserves</li> <li>• c6% dividend yield</li> <li>• Resolved domestic gas tax and price issues</li> </ul>  |
| Lam Research  | Semiconductors & Semiconductor Equipment       | 34.74     | 1      | USD        | United States      | <ul style="list-style-type: none"> <li>• Growth in operating margin</li> <li>• Leveraged to rebound in memory demand</li> <li>• Cheapest company in US semi's</li> </ul>  |
| MUFG          | Banks  | 386       | 1      | JPY        | Japan              | <ul style="list-style-type: none"> <li>• Valuations imply mediocre profitability to continue</li> <li>• Diversified financial services provider</li> <li>• Benefits from upside in US investment banking</li> </ul>   |
| OCBC          | Banks  | 9.02      | 1      | SGD        | Singapore          | <ul style="list-style-type: none"> <li>• Strong bank in sound economy</li> <li>• Expect rebound in 2013 GDP</li> <li>• 4% dividend yield</li> </ul>   |
| Prudential    | Insurance                                      | 7.495     | 1      | GBP        | United Kingdom     | <ul style="list-style-type: none"> <li>• Large and growing Asian business</li> <li>• Generating increasing amounts of free cash</li> <li>• c 4% dividend yield</li> </ul>   |
| Qualcomm Inc  | Technology Hardware & Equipment                | 55.17     | 1      | USD        | United States      | <ul style="list-style-type: none"> <li>• Beneficiary of smartphgone adoption</li> <li>• High and sustainable margins</li> <li>• Large cash pile</li> </ul>  |
| Samsung Elec  | Semiconductors & Semiconductor Equipment       | 11180 00  | 1      | KRW        | South Korea        | <ul style="list-style-type: none"> <li>• Better than industry margins</li> <li>• Diversified revenue stream</li> <li>• 6x fwd EPS</li> </ul>  |
| Sanofi        | Pharmaceuticals, Biotechnology & Life Sciences | 60.24     | 1      | EUR        | France             | <ul style="list-style-type: none"> <li>• c5% div yield and annual sales growth</li> <li>• Last major patent expiry in 2012</li> <li>• Return to sustainable growth in 2013</li> </ul>   |
| Santos        | Energy   | 10.52     | 1      | AUD        | Australia          | <ul style="list-style-type: none"> <li>• c50% upside to target price</li> <li>• Relatively stable Australian gas price</li> <li>• Sound balance sheet</li> </ul>  |
| The AES Corp  | Utilities                                      | 12.65     | 1      | USD        | United States      | <ul style="list-style-type: none"> <li>• EM focus</li> <li>• Cash flows returned to shareholders</li> <li>• Benefits from declining bond yields</li> </ul>  |
| TSMC          | Semiconductors & Semiconductor Equipment       | 78.1      | 1      | TWD        | Taiwan             | <ul style="list-style-type: none"> <li>• Foundry leader with c50% market share</li> <li>• Strong balance</li> <li>• High and sustainable EBIT margins</li> </ul>  |

Source: Citi Research, \*Prices as of 11 July 2012

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# Regions

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**Please refer to pages 95 and 96 for how to read this section**

**Data in Charts and Tables as of 30th of June 2012**

**Stock recommendations as of 11th of July 2012**

## AC World

Market Cap (US\$) 26,934 Bn

### Region Weight Breakdown

|                |       |
|----------------|-------|
| USA            | 47.5% |
| Europe ex UK   | 14.5% |
| Emerging World | 12.5% |
| United Kingdom | 8.3%  |
| Japan          | 7.8%  |
| Pacific ex Jp  | 4.9%  |

Global equities rose by 4% in 1H2012. That still leaves global equities down 13% from the May 2011 high and 27% from the October 2007 all-time peak. DM equities (6% total return in USD) beat EM equities (4%) in 1H12. The US (9%) was the best-performing major country/region in local terms. The UK (2%) was the worst. Global sector performance has been mixed. The two best were cyclicals: IT (10% total return in USD) and Consumer Discretionary (10%). The two worst were also cyclicals: Energy (-4% return) and Materials (-1%). The MSCI AC World trailing PE is 13x, below the 17x long-run average. Valuations look cheap, but not extreme. The measure fell to 10x in November 2008 low. A slowing world economy will likely prove a drag upon EPS across the world. While we can see the scope for a post-earthquake rebound in Japan, the potential for further EPS growth in other parts of the world is limited, in our view. Our MSCI AC World year-end target is 340, suggesting 9% upside from end 2Q levels. This represents a healthy gain for the year, if below our previous 360 target. The main risks to our outlook are escalation in the EMU crisis with potential secondary consequences for global growth and hard landing in China.

(Strategists: Robert Buckland, Hasan Tevfik)

### Strategists' Views

#### Overweight

Energy  
Health Care  
IT

#### Neutral

Materials  
Consumer Staples  
Financials  
Telecoms

#### Underweight

Industrials  
Consumer Disc.  
Utilities

MSCI ACWI(\$ Target end 2012: 340

Level at end of 2Q12: 312

Expected Gain: 9%

Japan  
Asia Pac ex Japan  
Australia

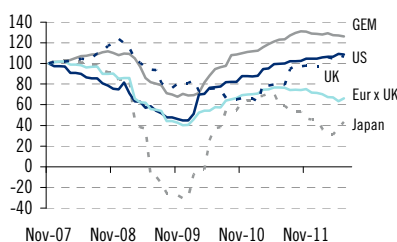
US  
GEM  
UK

Eur ex UK

### Performance

EPS stalling in Europe/GEMs, recovering in Japan

Regional EPS (rebased at Nov-07 global peak)



Source: Citi Research, MSCI

Price Performance (Loc)



Source: Citi Research, MSCI, Factset

### Global Context

Fwd PE at 11x

12Mth Forward PE



Source: Citi Research, MSCI, Factset

Dividend Yield



Source: Citi Research, MSCI, Factset

## Key Metrics

|               | PE   |      |      | EPS YoY |     |      | EV /   | EV /  | Fwd |
|---------------|------|------|------|---------|-----|------|--------|-------|-----|
|               | 11E  | 12E  | 13E  | 11E     | 12E | 13E  | EBITDA | Sales | DY  |
| MSCI AC World | 12.9 | 11.9 | 10.5 | 6.9     | 9.0 | 13.4 | 7.2    | 1.5   | 2.8 |

|               | US\$ Perf. |     |      | Loc. Perf. |     |      | ROE  | P / BV | Trail |
|---------------|------------|-----|------|------------|-----|------|------|--------|-------|
|               | 3m         | 6m  | 12m  | 3m         | 6m  | 12m  |      |        | DY    |
| MSCI AC World | -6.4       | 4.2 | -8.7 | -5.2       | 4.8 | -5.1 | 12.4 | 1.7    | 2.9   |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

## PBV and RoE

Global RoE recovery has stalled

### Return on Equity



### Price to Book



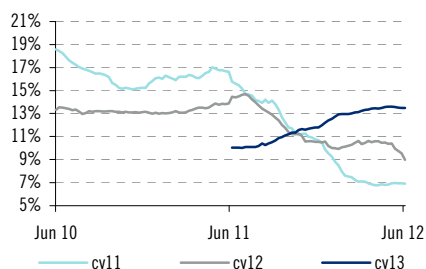
Source: Citi Research, MSCI, Factset

Source: Citi Research, MSCI, Factset

## Earnings

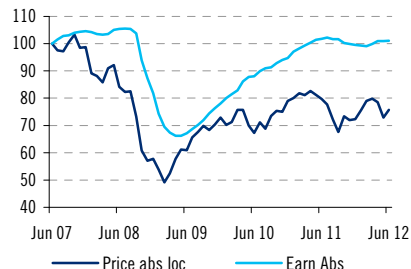
2012 EPS growth forecasts coming down

### Growth Forecast Trends



Source: Citi Research, Factset Consensus

### Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

## Largest Companies

| Top 1 - 10       |       |     |     |     |      | Top 11 - 20      |       |     |     |     |      |
|------------------|-------|-----|-----|-----|------|------------------|-------|-----|-----|-----|------|
|                  | Cntry | Rtg | Wgt | MC  | PE   |                  | Cntry | Rtg | Wgt | MC  | PE   |
| Apple Inc        | US    |     | 2.0 | 545 | 11.2 | Procter & Gamble | US    | 1   | 0.6 | 169 | 14.9 |
| ExxonMobil       | US    | 1   | 1.5 | 403 | 10.2 | Wells Fargo      | US    | 2   | 0.6 | 168 | 9.6  |
| Microsoft        | US    | 1   | 0.9 | 231 | 9.9  | Coca-Cola Co     | US    | 1   | 0.6 | 159 | 18.3 |
| General Electric | US    | 1   | 0.8 | 221 | 12.6 | HSBC             | GB    | 1   | 0.6 | 158 | 9.1  |
| IBM              | US    |     | 0.8 | 215 | 12.3 | Philip Morris    | US    | 2   | 0.6 | 150 | 15.8 |
| AT&T             | US    | 1   | 0.8 | 211 | 14.4 | Google           | US    | 1   | 0.6 | 150 | 12.4 |
| Chevron          | US    | 1   | 0.8 | 209 | 8.0  | Vodafone         | GB    | 1   | 0.5 | 140 | 11.0 |
| Nestle           | CH    | 2   | 0.7 | 197 | 16.4 | JP Morgan Chase  | US    | 1   | 0.5 | 136 | 7.4  |
| Johnson&Johnson  | US    | 1   | 0.7 | 185 | 12.7 | Intel            | US    | 1   | 0.5 | 133 | 10.3 |
| Pfizer Inc       | US    | 2   | 0.6 | 173 | 10.1 | Wal Mart         | US    | 1   | 0.5 | 131 | 13.7 |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

# USA

# Neutral

**Weight in MSCI AC World** 47.5%  
**Market Cap (US\$)** 12,800 Bn

**Country Weight Breakdown**  
United States 100.0%

US equities provide a new rally opportunity for 2H12 given that the Panic/Euphoria Model is in “panic” and normalized weekly earnings yield gaps are now two-to-three standard deviations below their 40-year average. Both metrics argue for a better than 90% probability of S&P 500 gains by year-end. Also the current level of the global Citi Economic Surprise Index is consistent with prior lows excluding the credit collapse of 2008. The one clear restraint is optimistic earnings expectations in the face of slowing global economic growth and FX hits due to dollar strength. We expect more cuts to analysts' estimates but revision momentum is already at non-recession lows, consistent with market troughs. Current industry group Overweights include Insurance, Semis, Tech H/ware as well as some defensives including Utilities, Telecoms and H/hold Products. Underweights encompass Capital Goods, Materials and a number of Discretionary Consumer groups. Note that the political uncertainty emanating from the upcoming November presidential elections will keep fiscal cliff worries in the mindset of investors and thus one should not expect a 30% rally as was the case coming off the late September 2011 lows, but a year-end S&P 500 target of 1,425 still seems reasonable though a pro-business outcome could take markets even higher. **(Strategist: Tobias Levkovich)**

## Strategists' Views

### Overweight

Consumer Staples  
Financials  
IT  
Telecoms  
Utilities

### Neutral

Energy  
Health Care

### Underweight

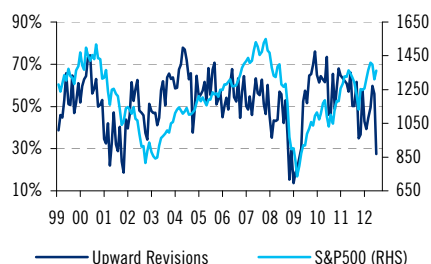
Materials  
Industrials  
Consumer Disc.

**S&P 500 Target end 2012:** 1425  
**Level at end of 2Q12:** 1362  
**Expected Gain:** 5%

## Strategists' Favourite Chart

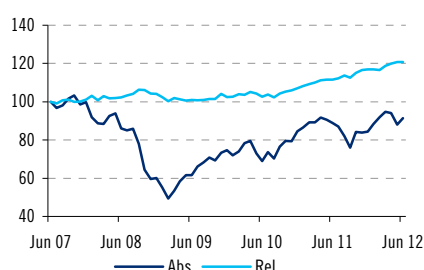
Depressed earnings revisions,  
positive for future returns

**S&P 500: Upward Revisions as a % of Total**



Source: Citi Research, Factset

**Price Performance Abs & Relative (Loc)**

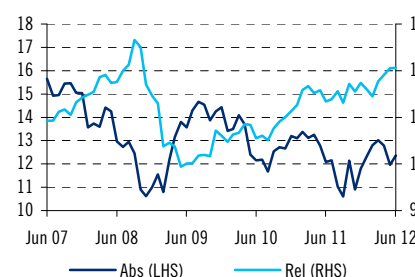


Source: Citi Research, MSCI, Factset

## Valuation

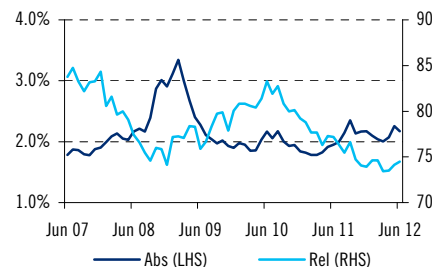
Premium valuations

**12Mth Forward PE**



Source: Citi Research, MSCI, Factset

**Dividend Yield**



Source: Citi Research, MSCI, Factset

## Key Metrics

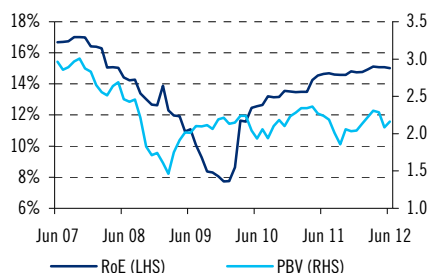
|               | PE         |      |      | EPS YoY    |     |      | EV /<br>EBITDA | EV /<br>Sales | Fwd<br>DY   |
|---------------|------------|------|------|------------|-----|------|----------------|---------------|-------------|
|               | 11E        | 12E  | 13E  | 11E        | 12E | 13E  |                |               |             |
| Region        | 14.2       | 13.2 | 11.7 | 14.7       | 8.1 | 12.8 | 7.9            | 1.7           | 1.9         |
| MSCI AC World | 12.9       | 11.9 | 10.5 | 6.9        | 9.0 | 13.4 | 7.2            | 1.5           | 2.8         |
|               | US\$ Perf. |      |      | Loc. Perf. |     |      | ROE            | P / BV        | Trail<br>DY |
|               | 3m         | 6m   | 12m  | 3m         | 6m  | 12m  |                |               |             |
| Region        | -3.6       | 8.3  | 2.8  | -3.6       | 8.3 | 2.8  | 15.0           | 2.2           | 2.2         |
| MSCI AC World | -6.4       | 4.2  | -8.7 | -5.2       | 4.8 | -5.1 | 12.4           | 1.7           | 2.9         |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

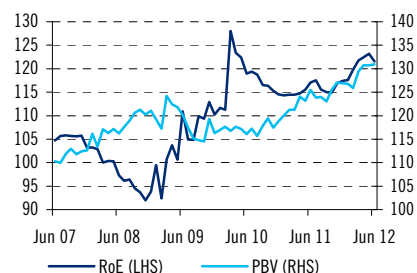
## PBV and RoE

30% P/BV premium

### RoE and PBV - Absolute



### RoE and PBV - Relative



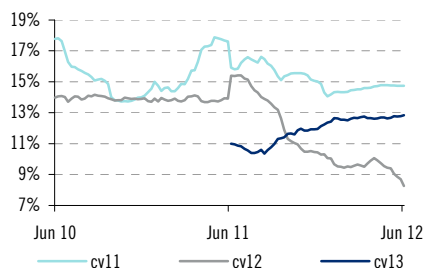
Source: Citi Research, MSCI, Factset

Source: Citi Research, MSCI, Factset

## Earnings

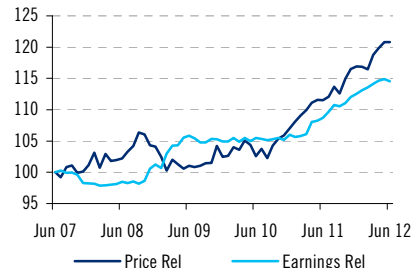
Strong relative earnings momentum in-line with strong performance

### Growth Forecast Trends



Source: Citi Research, Factset Consensus

### Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

## Largest Companies

| Top 1 - 10       | Rtg | Wgt | MC  | PE   | Top 11 - 20     | Rtg | Wgt | MC  | PE   |
|------------------|-----|-----|-----|------|-----------------|-----|-----|-----|------|
| Apple Inc        |     | 4.3 | 545 | 11.2 | Wells Fargo     | 2   | 1.3 | 168 | 9.6  |
| ExxonMobil       | 1   | 3.2 | 403 | 10.2 | Coca-Cola Co    | 1   | 1.2 | 159 | 18.3 |
| Microsoft        | 1   | 1.8 | 231 | 9.9  | Philip Morris   | 2   | 1.2 | 150 | 15.8 |
| General Electric | 1   | 1.7 | 221 | 12.6 | Google          | 1   | 1.2 | 150 | 12.4 |
| IBM              |     | 1.7 | 215 | 12.3 | JP Morgan Chase | 1   | 1.1 | 136 | 7.4  |
| AT&T             | 1   | 1.7 | 211 | 14.4 | Intel           | 1   | 1.0 | 133 | 10.3 |
| Chevron          | 1   | 1.6 | 209 | 8.0  | Wal Mart        | 1   | 1.0 | 131 | 13.7 |
| Johnson&Johnson  | 1   | 1.4 | 185 | 12.7 | Merck           | 2   | 1.0 | 127 | 11.1 |
| Pfizer Inc       | 2   | 1.4 | 173 | 10.1 | Verizon Comms   | 2   | 1.0 | 126 | 16.8 |
| Procter & Gamble | 1   | 1.3 | 169 | 14.9 | Oracle Corp     | 1   | 0.9 | 119 | 11.1 |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

## Europe ex UK

## Underweight

**Weight in MSCI AC World** 14.5%  
**Market Cap (US\$)** 3,918 Bn

### Country Weight Breakdown

|             |       |
|-------------|-------|
| France      | 22.5% |
| Switzerland | 20.9% |
| Germany     | 19.6% |
| Sweden      | 7.7%  |
| Spain       | 6.6%  |
| Netherlands | 5.8%  |
| Italy       | 5.3%  |
| Denmark     | 2.8%  |
| Belgium     | 2.7%  |
| Norway      | 2.3%  |

Despite a backdrop of sovereign/banking crisis and recession Europe ex UK equities have delivered positive local returns in 1H12. While lagging the US, the benefit of a low multiple and global exposure have helped overall performance. As we enter 1H12 reporting season we expect downgrades to dominate as the slowdown in global growth is felt by the corporate sector. Bottom up forecasts for 2012 are for c8% earnings growth while top down we forecast 0%. However a trailing PE of 11x already prices in double digit earnings declines, in our view. The consequence of financial crisis is a decade of sub-par growth due to deleveraging. This supports a number of our key themes. In a low growth world the winners carry on winning. We therefore back World Champions and Defensive Growth. Neither has been absolutely re-rated. Low growth means low policy rates and the higher yield of equity compared to credit drives two further structural themes; the attraction of safer dividend income and de-equitisation. Investors also need to navigate risk on/off stages. This will be driven by the 4Ps of policy, politics, price and positioning. The recent rally makes us less keen on adding risk and we lean more heavily towards growth and quality. (Strategists: Jonathan Stubbs, Adrian Cattley)

### Strategists' Views

#### Overweight

Materials  
Consumer Staples  
Health Care

#### Neutral

Energy  
Industrials  
Financials  
IT

#### Underweight

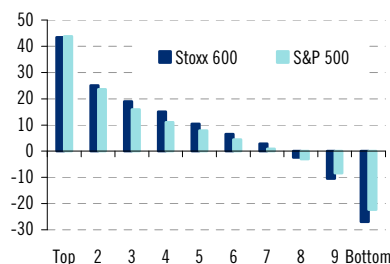
Consumer Disc.  
Telecoms  
Utilities

**STOXX 600 Target end 2012:** 285  
**Level at end of 2Q12:** 251  
**Expected Gain:** 13%

### Strategists' Favourite Chart

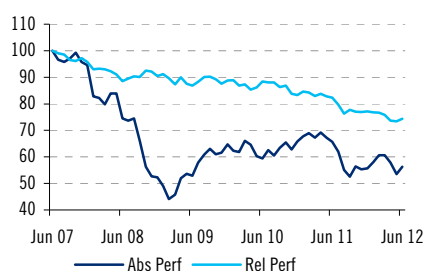
European equity returns better than the US in 7 of the top 8 performance deciles

YTD Decile Performance of Stoxx 600 and S&P 500



Source: Citi Research, Datastream

Price Performance Abs & Relative (Loc)

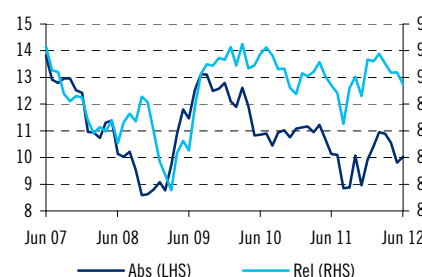


Source: Citi Research, MSCI, Factset

### Valuation

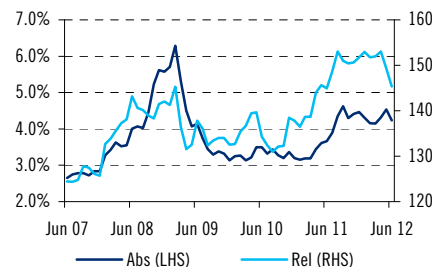
Cheap on Fwd PE, but not at extreme levels seen in the last 5 years

12Mth Forward PE



Source: Citi Research, MSCI, Factset

Dividend Yield



Source: Citi Research, MSCI, Factset

## Key Metrics

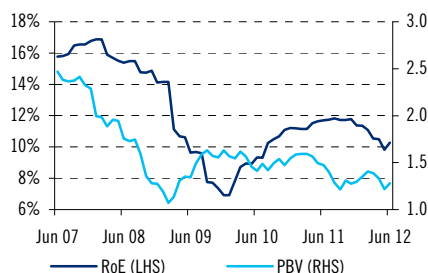
|               | PE         |      |       | EPS YoY    |     |       | EV /<br>EBITDA | EV /<br>Sales | Fwd<br>DY   |
|---------------|------------|------|-------|------------|-----|-------|----------------|---------------|-------------|
|               | 11E        | 12E  | 13E   | 11E        | 12E | 13E   |                |               |             |
| Region        | 11.5       | 10.7 | 9.4   | -9.1       | 7.6 | 13.6  | 6.8            | 1.3           | 4.3         |
| MSCI AC World | 12.9       | 11.9 | 10.5  | 6.9        | 9.0 | 13.4  | 7.2            | 1.5           | 2.8         |
|               | US\$ Perf. |      |       | Loc. Perf. |     |       | ROE            | P / BV        | Trail<br>DY |
|               | 3m         | 6m   | 12m   | 3m         | 6m  | 12m   |                |               |             |
| Region        | -11.3      | -0.8 | -24.5 | -7.0       | 1.1 | -14.2 | 10.3           | 1.3           | 4.2         |
| MSCI AC World | -6.4       | 4.2  | -8.7  | -5.2       | 4.8 | -5.1  | 12.4           | 1.7           | 2.9         |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

## PBV and RoE

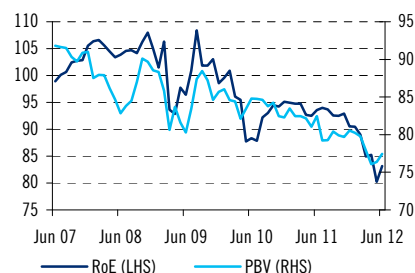
More than 20% discount on  
P/BV

### RoE and PBV - Absolute



Source: Citi Research, MSCI, Factset

### RoE and PBV - Relative

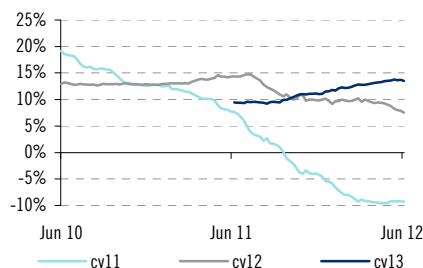


Source: Citi Research, MSCI, Factset

## Earnings

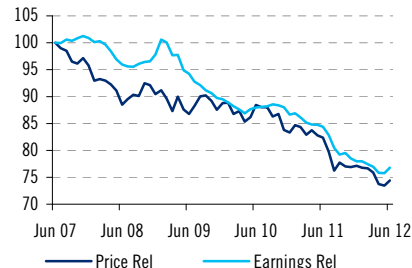
Underperformance in-line with  
weak rel earnings momentum

### Growth Forecast Trends



Source: Citi Research, Factset Consensus

### Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

## Largest Companies

| Top 1 - 10     | Cntry | Rtg | Wgt | MC  | PE   | Top 11 - 20  | Cntry | Rtg | Wgt | MC | PE   |
|----------------|-------|-----|-----|-----|------|--------------|-------|-----|-----|----|------|
| Nestle         | CH    | 2   | 5.0 | 197 | 16.4 | Novo-Nordisk | DK    | 1   | 1.5 | 59 | 21.9 |
| Novartis       | CH    | 2   | 3.3 | 129 | 10.1 | Unilever NV  | NL    | 2   | 1.4 | 55 | 15.6 |
| Roche          | CH    | 2   | 3.1 | 121 | 11.6 | SAP AG       | DE    | 1   | 1.4 | 54 | 14.3 |
| Total          | FR    | 3   | 2.4 | 96  | 6.5  | Telefonica   | ES    | 2   | 1.4 | 54 | 7.8  |
| Sanofi-Aventis | FR    | 1   | 2.3 | 91  | 9.9  | ENI          | IT    | 1   | 1.3 | 51 | 7.2  |
| Siemens AG     | DE    | 1   | 1.8 | 69  | 9.6  | Allianz      | DE    | 1   | 1.2 | 46 | 6.8  |
| BASF           | DE    | 2   | 1.6 | 64  | 8.9  | UBS          | CH    | 1   | 1.1 | 42 | 8.1  |
| InBev          | BE    | 1   | 1.6 | 62  | 16.5 | Daimler      | DE    | 1   | 1.0 | 41 | 6.2  |
| Santander      | ES    | 2H  | 1.6 | 62  | 7.5  | E.ON         | DE    | 2   | 1.0 | 39 | 10.5 |
| Bayer          | DE    | 1   | 1.5 | 60  | 10.8 | LVMH         | FR    | 1   | 1.0 | 39 | 15.6 |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

# United Kingdom

Neutral

Weight in MSCI AC World 8.3%  
Market Cap (US\$) 2,231 Bn

Country Weight Breakdown  
United Kingdom 100.0%

The UK market has taken its cue from a mix of Europe and EM. Overall this has seen positive returns in 1H12 but only just. The commodity heavy (30%) nature of the index has lagged along with slowing Chinese growth. The EU and UK exposed parts have been impacted as both economies slowed. However, the global exposures in the rest of the market have delivered steady outperformance. The slowing of the global economy will see analysts' earnings growth expectations fall to 0% this year from the 2% currently, in our view. However, this is already priced into a market on 10x trailing earnings. As we are confident that global recession is going to be avoided we believe the market will be re-rated to our year end target of 6200. Divergent growth and deleveraging continue to drive our preference for growth and quality as key themes. These have not been absolutely rerated although they have on a relative basis. We believe the world champions in the UK will outperform because their earnings will. De-equitisation will continue to be important as it provides the key marginal buyer of equities while income strategies, such as CDS adjusted dividends, highlight the importance of safe and higher yields in a low interest rate world. (Strategists: Jonathan Stubbs, Adrian Cattley)

## Strategists' Views

### Overweight

### Neutral

### Underweight

FTSE100 Target end 2012: 6200  
Level at end of 2Q12: 5571  
Expected Gain: 11%

Materials  
Industrials  
Health Care

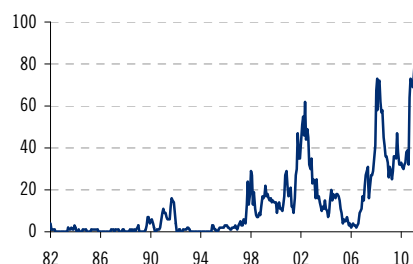
Energy  
Consumer Disc.  
Consumer Staples  
Financials  
Telecoms

IT  
Utilities

## Strategists' Favourite Chart

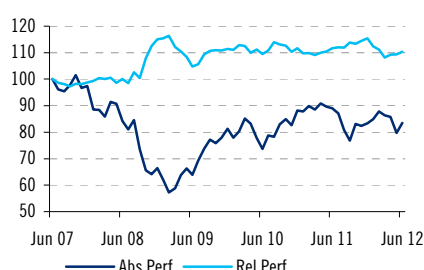
More than 80 stocks in FTSE 100  
yield more than Gilts

### # of FTSE 100 Stocks Yielding more than Gilts



Source: Citi Research

### Price Performance Abs & Relative (Loc)

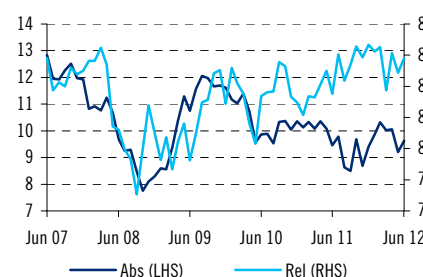


Source: Citi Research, MSCI, Factset

## Valuation

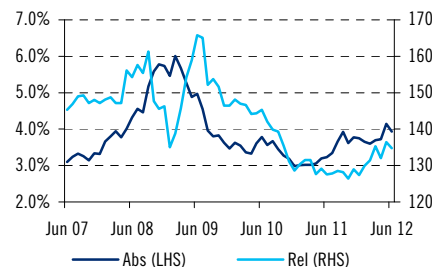
15% discount on 12m Fwd PE

### 12Mth Forward PE



Source: Citi Research, MSCI, Factset

### Dividend Yield



Source: Citi Research, MSCI, Factset

## Key Metrics

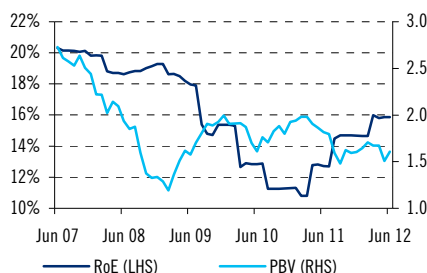
|               | PE         |      |      | EPS YoY    |     |      | EV /<br>EBITDA | EV /<br>Sales | Fwd<br>DY   |
|---------------|------------|------|------|------------|-----|------|----------------|---------------|-------------|
|               | 11E        | 12E  | 13E  | 11E        | 12E | 13E  |                |               |             |
| Region        | 10.3       | 10.1 | 9.2  | 12.9       | 2.4 | 9.8  | 6.7            | 1.3           | 4.0         |
| MSCI AC World | 12.9       | 11.9 | 10.5 | 6.9        | 9.0 | 13.4 | 7.2            | 1.5           | 2.8         |
|               | US\$ Perf. |      |      | Loc. Perf. |     |      | ROE            | P / BV        | Trail<br>DY |
|               | 3m         | 6m   | 12m  | 3m         | 6m  | 12m  |                |               |             |
| Region        | -5.1       | 1.1  | -8.4 | -3.3       | 0.1 | -6.2 | 15.9           | 1.6           | 3.9         |
| MSCI AC World | -6.4       | 4.2  | -8.7 | -5.2       | 4.8 | -5.1 | 12.4           | 1.7           | 2.9         |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

## PBV and RoE

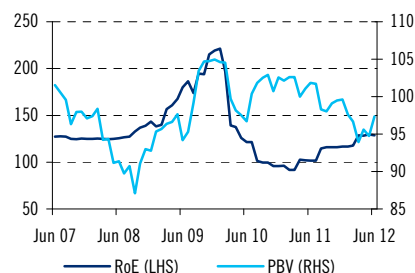
RoE has been improving

RoE and PBV - Absolute



Source: Citi Research, MSCI, Factset

RoE and PBV - Relative

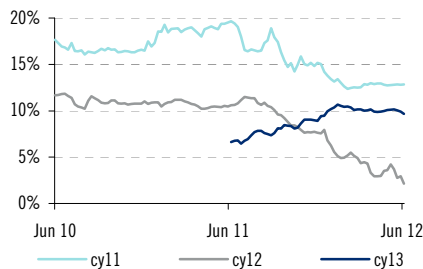


Source: Citi Research, MSCI, Factset

## Earnings

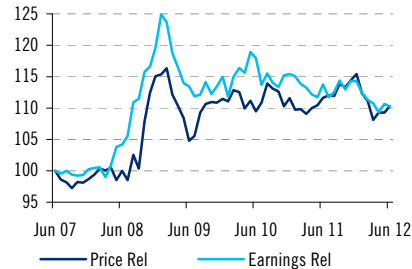
2012 EPS growth forecasts have been weakening

Growth Forecast Trends



Source: Citi Research, Factset Consensus

Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

## Largest Companies

| Top 1 - 10       |     |     |     |      | Top 11 - 20       |     |     |    |      |
|------------------|-----|-----|-----|------|-------------------|-----|-----|----|------|
|                  | Rtg | Wgt | MC  | PE   |                   | Rtg | Wgt | MC | PE   |
| HSBC             | 1   | 7.1 | 158 | 9.1  | BHP Billiton      | 1   | 2.7 | 60 | 7.4  |
| Vodafone         | 1   | 6.3 | 140 | 11.0 | Restricted        |     | 2.6 | 57 | 7.3  |
| BP               | 2   | 5.6 | 126 | 6.1  | Standard Chart    | 1   | 2.3 | 52 | 9.7  |
| RD Shell Class A | 2   | 5.5 | 124 | 7.2  | Anglo American    | 2   | 1.9 | 43 | 6.9  |
| GlaxoSmithKline  | 1   | 5.1 | 115 | 11.4 | Unilever          | 2   | 1.9 | 43 | 15.8 |
| Brit Am Tobacco  | 1   | 4.5 | 100 | 14.6 | Tesco             | 3   | 1.8 | 39 | 8.8  |
| RD Shell Class B | 2   | 4.2 | 93  | 7.5  | Imperial Tobacco  | 1   | 1.7 | 39 | 11.4 |
| BG               | 1   | 3.1 | 69  | 13.3 | SABMiller         | 1   | 1.7 | 38 | 16.4 |
| Diageo           | 2   | 2.9 | 64  | 16.1 | National Grid     | 2   | 1.7 | 38 | 12.3 |
| Rio Tinto        | 1   | 2.9 | 64  | 6.1  | Reckitt Benckiser | 1   | 1.6 | 35 | 13.5 |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

# Japan

# Overweight

**Weight in MSCI AC World** 7.8%  
**Market Cap (US\$)** 2,095 Bn

**Country Weight Breakdown**  
Japan 100.0%

We believe the risk for Japanese equities is to the upside in the second half of 2012 on the assumption that the financial crisis will be avoided in Europe and a solid domestic earnings rebound. The TOPIX hit a new post Lehman shock low in June, pricing in substantial risk of financial crisis in Europe, in our view. As proper policy actions are taken in Europe, there exists a chance of a further recovery reflecting better fundamentals. We expect TOPIX EPS to rise by about 30% for 2012 and 19% in 2013. This should be considerably higher than other parts of the world and is partly due to reconstruction demand. The BOJ is likely to face larger pressure from the government and politicians to ease monetary conditions further. We expect the first rate hike by the BOJ to come later than the first rate hike by the Fed which markets are pricing in Q1 2015. The yen is likely to depreciate against the USD as the first rate hike by the Fed gets closer. The depreciation is likely to be slow, but should help support both earnings and share price performances of Japanese companies. **(Strategist: Kenji Abe)**

## Strategists' Views

### Overweight

Consumer Disc.  
Financials

### Neutral

Energy  
Materials  
Industrials  
IT

### Underweight

Consumer Staples  
Health Care  
Telecoms  
Utilities

**TOPIX Target end 2012:** 960  
**Level at end of 2Q12:** 770  
**Expected Gain:** 25%

## Strategists' Favourite Chart

P/B close to 10-year low, pricing in substantial risk of financial crisis in Europe, in our view

The TOPIX P/B



Source: Citi Research, Datastream

Price Performance Abs & Relative (Loc)

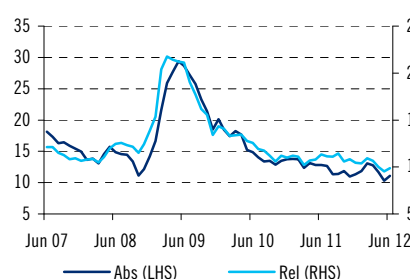


Source: Citi Research, MSCI, Factset

## Valuation

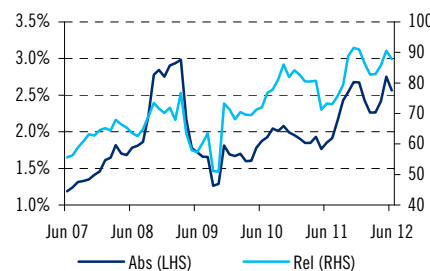
Fwd PE in-line with the market

12Mth Forward PE



Source: Citi Research, MSCI, Factset

Dividend Yield



Source: Citi Research, MSCI, Factset

## Key Metrics

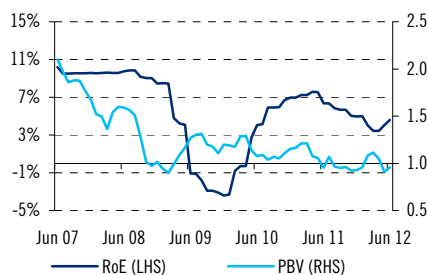
|               | PE         |      |      | EPS YoY    |      |       | EV /<br>EBITDA | EV /<br>Sales | Fwd<br>DY   |
|---------------|------------|------|------|------------|------|-------|----------------|---------------|-------------|
|               | 11E        | 12E  | 13E  | 11E        | 12E  | 13E   |                |               |             |
| Region        | 17.4       | 13.1 | 10.6 | -16.2      | 43.5 | 26.8  | 7.3            | 1.0           | 2.5         |
| MSCI AC World | 12.9       | 11.9 | 10.5 | 6.9        | 9.0  | 13.4  | 7.2            | 1.5           | 2.8         |
|               | US\$ Perf. |      |      | Loc. Perf. |      |       | ROE            | P / BV        | Trail<br>DY |
|               | 3m         | 6m   | 12m  | 3m         | 6m   | 12m   |                |               |             |
| Region        | -7.4       | 2.0  | -9.3 | -10.3      | 5.7  | -10.4 | 4.6            | 1.0           | 2.6         |
| MSCI AC World | -6.4       | 4.2  | -8.7 | -5.2       | 4.8  | -5.1  | 12.4           | 1.7           | 2.9         |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

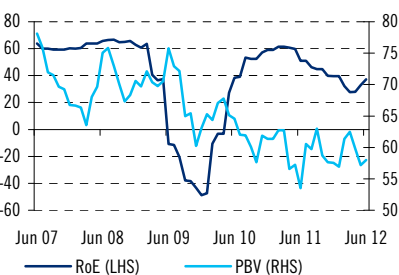
## PBV and RoE

Discount on P/BV and weak  
RoE

RoE and PBV - Absolute



RoE and PBV - Relative



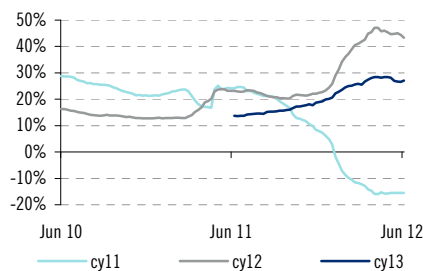
Source: Citi Research, MSCI, Factset

Source: Citi Research, MSCI, Factset

## Earnings

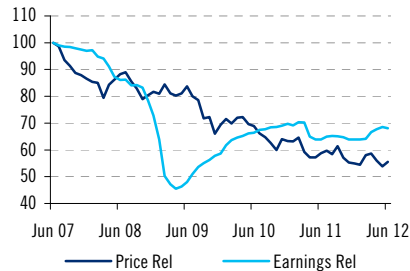
Solid EPS growth expected in  
2012 and 2013

Growth Forecast Trends



Source: Citi Research, Factset Consensus

Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

## Largest Companies

| Top 1 - 10         | Rtg | Wgt | MC  | PE   |
|--------------------|-----|-----|-----|------|
| Toyota Motor       | 2   | 5.3 | 110 | 10.6 |
| Mitsubishi UFJ FG  | 1   | 2.9 | 60  | 7.9  |
| Honda Motor        | 1   | 2.7 | 56  | 8.9  |
| Canon Inc          | 1   | 2.1 | 45  | 11.8 |
| SMFG               | 1   | 2.1 | 44  | 7.3  |
| Mizuho Financial   | 1   | 1.8 | 38  | 7.5  |
| Takeda Chem        | 1   | 1.7 | 36  | 17.7 |
| SoftBank           | 2H  | 1.6 | 33  | 10.0 |
| Fanuc Ltd          | 1   | 1.5 | 31  | 16.0 |
| Mitsubishi Corp    |     | 1.3 | 28  | 5.4  |
| Top 11 - 20        | Rtg | Wgt | MC  | PE   |
| Hitachi Ltd        | 1   | 1.3 | 28  | 9.2  |
| Japan Tobacco      | 1   | 1.3 | 27  | 13.0 |
| Mitsui & Co Ltd    |     | 1.2 | 26  | 5.0  |
| NTT DoCoMo         | 2   | 1.2 | 25  | 9.9  |
| Nissan Motor       | 1   | 1.1 | 23  | 7.1  |
| Seven & I Hldgs    | 1   | 1.1 | 23  | 13.0 |
| Shin Etsu Chemical | 1   | 1.1 | 22  | 15.2 |
| Mitsubishi Est     | 1   | 1.1 | 22  | 34.8 |
| Komatsu            | 1   | 1.0 | 22  | 9.1  |
| East Japan Rail    | 1   | 1.0 | 21  | 11.0 |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

# Australia

# Overweight

Weight in MSCI AC World 3.1%  
Market Cap (US\$) 840 Bn

Country Weight Breakdown  
Australia 100.0%

The Australian market fell by 5% in 2Q12, similar to declines in other markets, and erasing most of the gains made earlier in the year. The fall has taken down the PE multiple to 11x one year forward consensus earnings estimates, particularly modest given the environment of low interest rates. The dividend yield is well above the 10 year bond yield and equivalent to interest rates on term deposits. This hasn't previously been the case since the early 1960s. Valuations imply little confidence in earnings growth. Though global risks remain heightened, we still feel that market earnings growth could be reasonable in FY 2013, potentially in the order of 5-10%. Developments in Europe look like continuing to be a source of volatility, but governments at least seem committed to preventing a complete breakdown. In China, policy easing has the potential to stabilise growth, which would support commodity prices and resource sector earnings in Australia. Elsewhere, lower domestic interest rates over the past nine months and the more stable exchange rate seem to be alleviating some of the pressure on earnings seen in recent years. We expect stronger EPS growth to also drive a moderate re-rating. We forecast the ASX200 to reach 4450 by end 2012, implying a rise of around 10 per cent from the current level, but a reduction from our previous forecast of 4750. **(Strategist: Tony Brennan)**

## Strategists' Views

### Overweight

### Neutral

### Underweight

ASX200 Target end 2012: 4450  
Level at end of 2Q12: 4095  
Expected Gain: 9%

Energy  
Materials  
Health Care

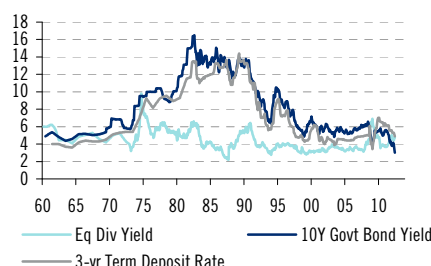
Industrials  
Consumer Disc.  
Financials  
IT

Consumer Staples  
Telecoms  
Utilities

## Strategists' Favourite Chart

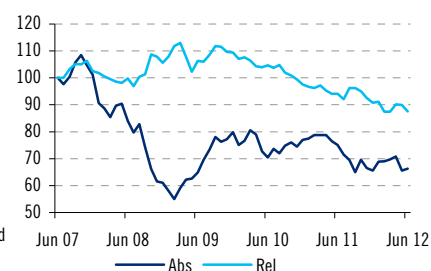
Dividend Yield well above the 10-year Govt Bond Yield and equivalent to term deposit rate

Dividend Yield vs Interest Rates



Source: RBA, Citi Research

Price Performance Abs & Relative (Loc)

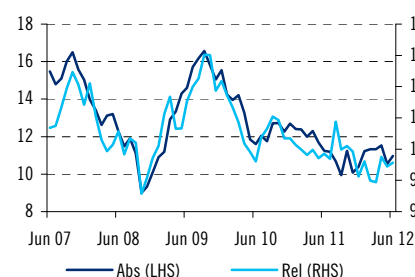


Source: Citi Research, MSCI, Factset

## Valuation

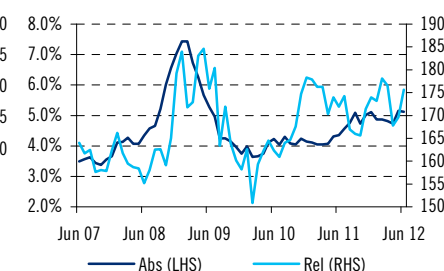
Over 5% dividend yield

12Mth Forward PE



Source: Citi Research, MSCI, Factset

Dividend Yield



Source: Citi Research, MSCI, Factset

## Key Metrics

|               | PE   |      |      | EPS YoY |     |      | EV / EBITDA | EV / Sales | Fwd DY |
|---------------|------|------|------|---------|-----|------|-------------|------------|--------|
|               | 11E  | 12E  | 13E  | 11E     | 12E | 13E  |             |            |        |
| Region        | 12.3 | 11.5 | 10.5 | 7.6     | 6.6 | 9.8  | 8.1         | 2.0        | 5.1    |
| MSCI AC World | 12.9 | 11.9 | 10.5 | 6.9     | 9.0 | 13.4 | 7.2         | 1.5        | 2.8    |

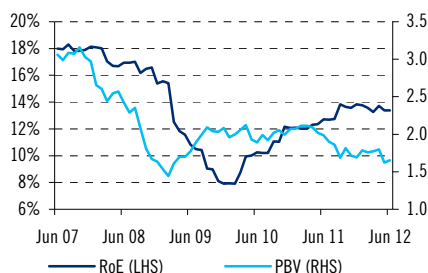
|               | US\$ Perf. |     |       | Loc. Perf. |     |       | ROE  | P / BV | Trail DY |
|---------------|------------|-----|-------|------------|-----|-------|------|--------|----------|
|               | 3m         | 6m  | 12m   | 3m         | 6m  | 12m   |      |        |          |
| Region        | -6.0       | 1.1 | -15.4 | -5.0       | 1.1 | -11.7 | 13.4 | 1.7    | 5.1      |
| MSCI AC World | -6.4       | 4.2 | -8.7  | -5.2       | 4.8 | -5.1  | 12.4 | 1.7    | 2.9      |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

## PBV and RoE

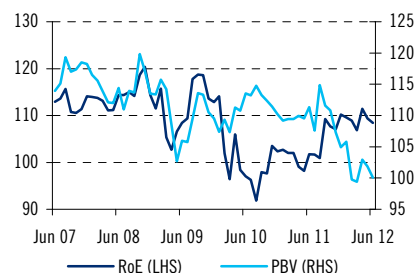
No P/BV premium anymore

### RoE and PBV - Absolute



Source: Citi Research, MSCI, Factset

### RoE and PBV - Relative

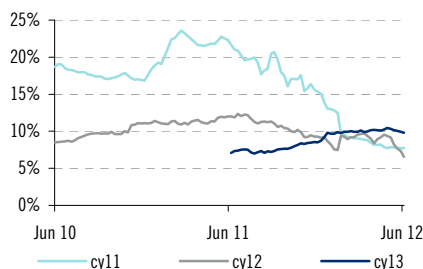


Source: Citi Research, MSCI, Factset

## Earnings

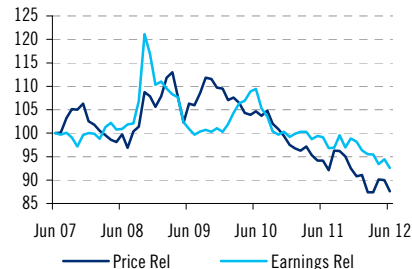
Weakening rel earnings momentum

### Growth Forecast Trends



Source: Citi Research, Factset Consensus

### Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

## Largest Companies

| Top 1 - 10      |       |     |      |     |      | Top 11 - 20     |       |     |     |    |      |
|-----------------|-------|-----|------|-----|------|-----------------|-------|-----|-----|----|------|
|                 | Cntry | Rtg | Wgt  | MC  | PE   |                 | Cntry | Rtg | Wgt | MC | PE   |
| BHP Billiton    | AU    | 1   | 12.4 | 104 | 8.3  | Restricted      | AU    |     | 2.4 | 20 | 11.7 |
| Comm Bk of Aus  | AU    | 2   | 10.3 | 86  | 11.7 | Newcrest Mining | AU    | 1   | 2.1 | 18 | 12.0 |
| Westpac         | AU    | 2   | 7.9  | 66  | 10.0 | Telstra Corp    | AU    | 2   | 2.0 | 16 | 12.3 |
| ANZ Banking Grp | AU    | 2   | 7.2  | 61  | 9.7  | QBE Insurance   | AU    | 1   | 1.9 | 16 | 10.1 |
| NAB             | AU    | 1   | 6.4  | 54  | 8.9  | Origin Energy   | AU    | 1   | 1.6 | 14 | 14.3 |
| Woolworths Ltd  | AU    | 1   | 4.0  | 34  | 13.9 | AMP Ltd         | AU    | 2   | 1.3 | 11 | 11.4 |
| Wesfarmers Ltd  | AU    | 2   | 3.7  | 31  | 14.4 | Suncorp Metway  | AU    | 1   | 1.3 | 11 | 9.9  |
| Rio Tinto       | AU    | 1   | 3.0  | 25  | 7.6  | Santos          | AU    | 1   | 1.2 | 10 | 15.8 |
| Westfield Group | AU    | 1   | 2.5  | 21  | 14.0 | Brambles        | AU    |     | 1.2 | 10 | 13.7 |
| CSL Ltd         | AU    | 2   | 2.5  | 21  | 17.8 | Orica           | AU    | 1   | 1.1 | 9  | 11.8 |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

## Emerging Markets

Neutral

Weight in MSCI AC World 12.5%  
Market Cap (US\$) 3,368 Bn

### Country Weight Breakdown (top 10)

|              |       |
|--------------|-------|
| China        | 17.8% |
| Korea        | 15.2% |
| Brazil       | 13.1% |
| Taiwan       | 11.0% |
| South Africa | 8.0%  |
| India        | 6.5%  |
| Russia       | 6.0%  |
| Mexico       | 5.0%  |
| Malaysia     | 3.6%  |
| Indonesia    | 2.7%  |

After only modest gains at mid-year (+2.3%), we expect a stronger performance for EM equities in the second half of 2012. However, our most recent view (since mid-May) is to expect only an in-line performance versus global markets as a whole; our year-end target for MSCI GEMs remains 1100, a gain of 17% from end 2Q levels. The key second half driver should be a modest rebound in the Chinese economy (to around 8% in H2), which will allay fears of a hard landing and should benefit high-beta stocks and sectors especially Materials. With rate cuts in EM not keeping up with falling inflation (real rates are rising, therefore), there is room for considerably more monetary easing after mid-year. This should support risky assets. EM valuations are very attractive (around 15-20% below long-term averages): for example, 11.3x trailing earnings and 1.5x book value. We retain our Overweight in Asia, which should be supported by a better Chinese economy in the second half and a Neutral in Latin America, where Brazil should be a leading beneficiary of Chinese events. We have a high-beta bias to our sector allocation with Overweights in Consumer Discretionary, Financials and Materials (preferred to Energy).  
(Strategist: Geoffrey Dennis)

### Strategists' Views

MSCI EM(\$)

|                       |      |
|-----------------------|------|
| Target end 2012:      | 1100 |
| Level at end of 2Q12: | 937  |
| Expected Gain:        | 17%  |

### Overweight

Materials  
Consumer Disc.  
Financials

Asia

### Neutral

Energy  
Industrials  
IT

Latin America

### Underweight

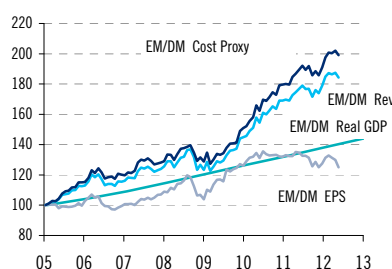
Consumer Staples  
Health Care  
Telecoms  
Utilities

CEEMEA

### Strategists' Favourite Chart

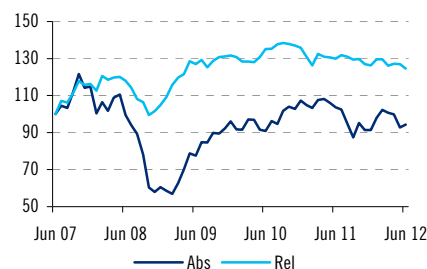
EM Companies struggling to convert premium top-line growth into premium EPS growth

#### EM/DM: GDP, Revenue, Cost, EPS



Source: Citi Research, MSCI, Datastream, IBES

#### Price Performance Abs & Relative (Loc)

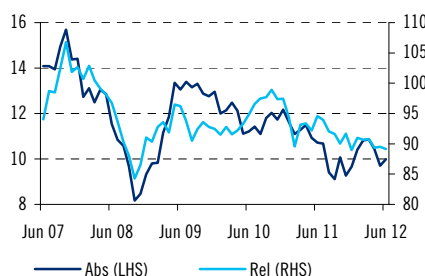


Source: Citi Research, MSCI, Factset

### Global Context

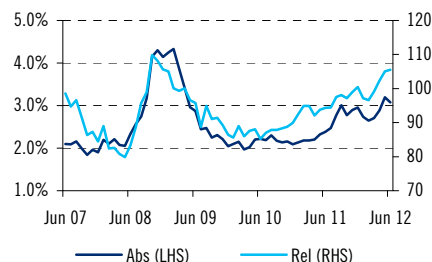
Fwd PE at 10% discount

#### 12Mth Forward PE



Source: Citi Research, MSCI, Factset

#### Dividend Yield



Source: Citi Research, MSCI, Factset

## Key Metrics

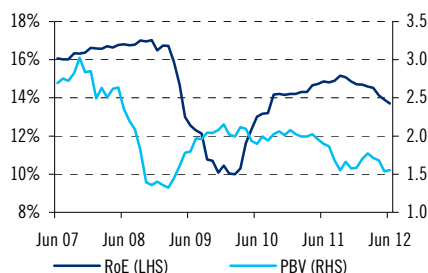
|               | PE         |      |       | EPS YoY    |     |      | EV /<br>EBITDA | EV /<br>Sales | Fwd<br>DY   |
|---------------|------------|------|-------|------------|-----|------|----------------|---------------|-------------|
|               | 11E        | 12E  | 13E   | 11E        | 12E | 13E  |                |               |             |
| Region        | 10.9       | 10.1 | 9.0   | 9.3        | 9.3 | 12.4 | 6.2            | 1.4           | 3.0         |
| MSCI AC World | 12.9       | 11.9 | 10.5  | 6.9        | 9.0 | 13.4 | 7.2            | 1.5           | 2.8         |
|               | US\$ Perf. |      |       | Loc. Perf. |     |      | ROE            | P / BV        | Trail<br>DY |
|               | 3m         | 6m   | 12m   | 3m         | 6m  | 12m  |                |               |             |
| Region        | -10.0      | 2.3  | -18.2 | -6.4       | 3.2 | -9.1 | 13.7           | 1.6           | 3.1         |
| MSCI AC World | -6.4       | 4.2  | -8.7  | -5.2       | 4.8 | -5.1 | 12.4           | 1.7           | 2.9         |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

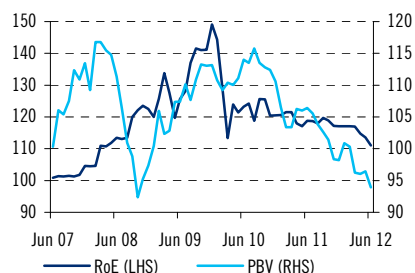
## PBV and RoE

P/BV rel close to 2008-09 low

RoE and PBV - Absolute



RoE and PBV - Relative



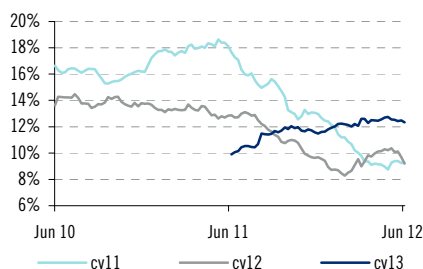
Source: Citi Research, MSCI, Factset

Source: Citi Research, MSCI, Factset

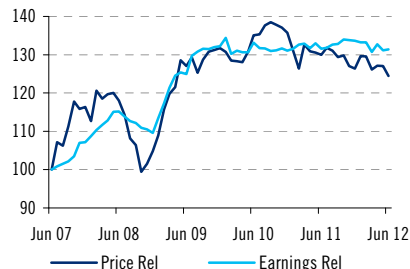
## Earnings

2012 EPS growth forecasts have been weakening

Growth Forecast Trends



Relative Earnings/Price Momentum



Source: Citi Research, Factset Consensus

Source: Citi Research, MSCI, Factset

## Largest Companies

| Top 1 - 10    | Cntry | Rtg | Wgt | MC  | PE   | Top 11 - 20       | Cntry | Rtg | Wgt | MC | PE   |
|---------------|-------|-----|-----|-----|------|-------------------|-------|-----|-----|----|------|
| Samsung Elec  | KR    | 1   | 3.4 | 116 | 7.7  | Itaú Unibanco     | BR    | 1   | 0.9 | 32 | 7.9  |
| TSMC          | TW    | 1   | 2.0 | 67  | 12.5 | Hyundai Motor     | KR    | 1   | 0.9 | 31 | 6.5  |
| China Mobile  | CN    | 1   | 2.0 | 66  | 10.7 | Tencent           | CN    | 1   | 0.9 | 29 | 23.2 |
| America Movil | MX    | 1   | 1.5 | 51  | 11.4 | MTN Group Ltd     | ZA    | 1   | 0.9 | 29 | 10.8 |
| Gazprom       | RU    | 1   | 1.5 | 50  | 2.6  | AmBev             | BR    |     | 0.9 | 29 | 22.2 |
| CCB           | CN    | 1   | 1.5 | 49  | 5.6  | BoC               | CN    | 1   | 0.8 | 29 | 5.0  |
| Vale (Pref)   | BR    | 1   | 1.2 | 39  | 5.4  | Bradesco          | BR    | 1   | 0.8 | 28 | 8.9  |
| Petrobras-A   | BR    | 1   | 1.1 | 38  | 6.5  | Lukoil            | RU    | 1   | 0.8 | 28 | 3.9  |
| ICBC          | CN    | 2   | 1.1 | 36  | 5.1  | Petrobras         | BR    | 1   | 0.8 | 28 | 6.5  |
| CNOOC         | CN    | 1   | 1.1 | 35  | 7.9  | Hon Hai Precision | TW    | 1   | 0.8 | 27 | 9.7  |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

## Asia Pacific ex Japan

## Overweight

**Weight in MSCI AC World** 12.4%  
**Market Cap (US\$)** 3,336 Bn

### Country Weight Breakdown

|             |       |
|-------------|-------|
| China       | 18.0% |
| Korea       | 15.3% |
| Taiwan      | 11.1% |
| Hong Kong   | 8.6%  |
| India       | 6.5%  |
| Singapore   | 5.4%  |
| Malaysia    | 3.6%  |
| Indonesia   | 2.7%  |
| Thailand    | 2.2%  |
| Philippines | 0.9%  |

Three things to keep an eye on in Asia ex Japan in H2: First, Asian Central Bank balance sheets (asset side) continue to show growth deceleration. Valuation multiples don't expand when this occurs. Growth rates are fast approaching levels seen in 97/98, 9/11 and in 2008. A pick up in exports and/or a weaker US\$ will lead to an expansion of balance sheets. The year on year comps in H2 are also easier than in H1, a positive. Second, EPS revisions. Aug /Sept are traditionally the worst months for revisions. Given that bottom-up consensus forecasts are at c15% EPS growth we will likely witness downward revisions. Markets find it hard to rally when expectations are cut. Third, positioning. Sentiment is back to Nov 2011 levels but the relative price performance of quality (good balance sheet & strong cashflow) vs risky stocks (high beta & volatility) is now beyond where it was in 2008. To profit being long quality vs risk now requires either a 9/11 type event or a re-run of 1997/98 which we see as unlikely for Asia ex Japan. We would use the summer to position out of defensives towards a more pro risk portfolio given cheaper valuations, the ending of downward revisions and negative positioning towards risk. **(Strategist: Markus Rosgen)**

### Strategists' Views

**MSCI AC AsiaJP(\$)** Target end 2012: 585  
**Level at end of 2Q12:** 479  
**Expected Gain:** 22%

### Overweight

Energy  
Industrials  
Financials  
IT  
  
Hong Kong  
Singapore  
South Korea  
Taiwan

### Neutral

### Underweight

Materials  
Consumer Disc.  
Consumer Staples  
Health Care  
Telecoms, Utilities  
  
China, Philippines  
India, Thailand  
Indonesia  
Malaysia

### Strategists' Favourite Chart

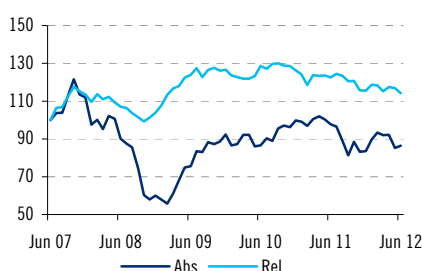
To profit being long quality vs risk now requires either a 9/11 type event or re-run of 1997/98, which we see as unlikely

#### Asia Risk rel to Quality



Source: Citi Research, Bloomberg

#### Price Performance Abs & Relative (Loc)

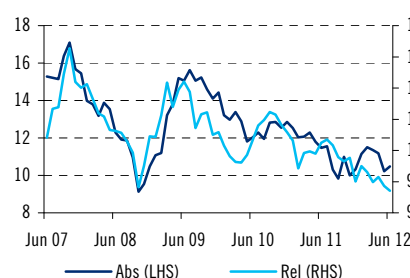


Source: Citi Research, MSCI, Factset

### Valuation

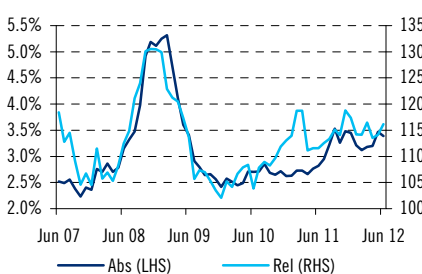
Rel Fwd PE at 5-year low

#### 12Mth Forward PE



Source: Citi Research, MSCI, Factset

#### Dividend Yield



Source: Citi Research, MSCI, Factset

## Key Metrics

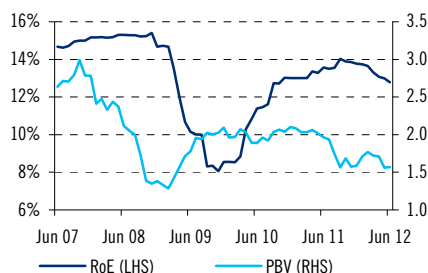
|               | PE         |      |       | EPS YoY    |      |       | EV /<br>EBITDA | EV /<br>Sales | Fwd<br>DY   |
|---------------|------------|------|-------|------------|------|-------|----------------|---------------|-------------|
|               | 11E        | 12E  | 13E   | 11E        | 12E  | 13E   |                |               |             |
| Region        | 12.1       | 11.2 | 9.9   | 3.8        | 10.2 | 13.3  | 7.0            | 1.4           | 3.4         |
| MSCI AC World | 12.9       | 11.9 | 10.5  | 6.9        | 9.0  | 13.4  | 7.2            | 1.5           | 2.8         |
|               | US\$ Perf. |      |       | Loc. Perf. |      |       | ROE            | P / BV        | Trail<br>DY |
|               | 3m         | 6m   | 12m   | 3m         | 6m   | 12m   |                |               |             |
| Region        | -7.4       | 3.6  | -15.5 | -6.1       | 3.6  | -11.5 | 12.8           | 1.6           | 3.4         |
| MSCI AC World | -6.4       | 4.2  | -8.7  | -5.2       | 4.8  | -5.1  | 12.4           | 1.7           | 2.9         |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

## PBV and RoE

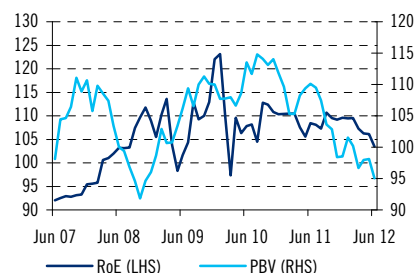
Discount on P/BV, premium on  
RoE

### RoE and PBV - Absolute



Source: Citi Research, MSCI, Factset

### RoE and PBV - Relative

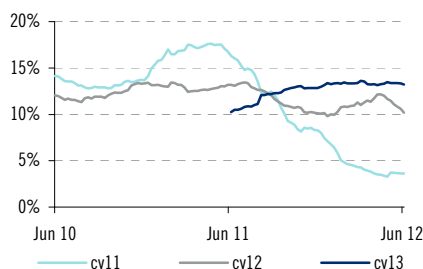


Source: Citi Research, MSCI, Factset

## Earnings

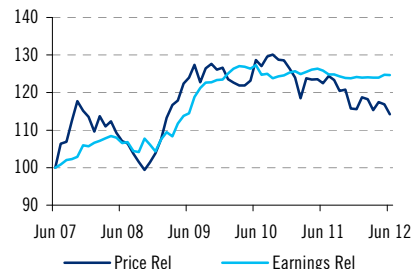
Relative earnings momentum  
stable

### Growth Forecast Trends



Source: Citi Research, Factset Consensus

### Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

## Largest Companies

| Top 1 - 10    |       |     |     |     |      | Top 11 - 20       |       |     |     |    |      |
|---------------|-------|-----|-----|-----|------|-------------------|-------|-----|-----|----|------|
|               | Cntry | Rtg | Wgt | MC  | PE   |                   | Cntry | Rtg | Wgt | MC | PE   |
| Samsung Elec  | KR    | 1   | 3.5 | 116 | 7.7  | Hon Hai Precision | TW    | 1   | 0.8 | 27 | 9.7  |
| TSMC          | TW    | 1   | 2.0 | 67  | 12.5 | PetroChina        | CN    | 2   | 0.8 | 27 | 9.0  |
| China Mobile  | CN    | 1   | 2.0 | 66  | 10.7 | SingTel           | SG    | 2   | 0.6 | 21 | 13.0 |
| CCB           | CN    | 1   | 1.5 | 49  | 5.6  | POSCO             | KR    | 1   | 0.6 | 21 | 8.3  |
| ICBC          | CN    | 2   | 1.1 | 36  | 5.1  | Restricted        | SG    |     | 0.6 | 20 | 10.2 |
| CNOOC         | CN    | 1   | 1.1 | 35  | 7.9  | Infosys Tech      | IN    | 1   | 0.6 | 19 | 14.8 |
| AIA Grp       | HK    | 1   | 1.0 | 35  | 15.0 | China Life        | CN    | 2   | 0.6 | 19 | 14.2 |
| Hyundai Motor | KR    | 1   | 0.9 | 31  | 6.5  | UOB               | SG    | 3   | 0.6 | 19 | 11.5 |
| Tencent       | CN    | 1   | 0.9 | 29  | 23.2 | SHK Props         | HK    | 2   | 0.6 | 18 | 11.2 |
| BoC           | CN    | 1   | 0.9 | 29  | 5.0  | Hutchison Wham    | HK    | 2   | 0.5 | 18 | 11.4 |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

# Latin America

# Neutral

**Weight in MSCI AC World** 2.8%  
**Market Cap (US\$)** 743 Bn

## Country Weight Breakdown

|          |       |
|----------|-------|
| Brazil   | 59.4% |
| Mexico   | 22.6% |
| Chile    | 9.0%  |
| Colombia | 5.8%  |
| Peru     | 3.2%  |

Fundamentals globally and within Latin America are generally weaker than they were at the start of the year. However, equities reflect this gloomier outlook. Valuations in Brazil are comparable to where they were during the Great Recession (late 2008). Unless catastrophe looms, which our global economists attribute “only” a 20% likelihood, this could be a very good time to be building equity exposure in high beta markets in the region. We believe that the market is over-penalizing Brazil for state intervention, and thus we are Overweight. Expectations of reform in Mexico following the PRI election victory are more than priced in – the market is now among the most expensive within EM. Policy flexibility throughout Latin America implies that the region can weather the European economic slowdown. Our economists expect target rate cuts from several central banks — we expect the SELIC rate to be cut to 7.25%, which is below consensus. One exception is likely to be Mexico; we see Banxico remaining on hold. We expect further downgrades to consensus earnings forecasts in the next couple of months. Regional 2012E EPS growth of 0-5% seems attainable. We expect a return to upward EPS revisions after the 2Q reporting season, when comps get easier, FX has stabilized and regional economies begin to reaccelerate.

(Strategist: Jason Press)

## Strategists' Views

**MSCI EM LATAM(\$)** Target end 2012: 4300  
**Level at end of 2Q12:** 3521  
**Expected Gain:** 22%

## Overweight

Consumer Disc.  
Financials  
Telecoms

Brazil  
Peru

## Neutral

Energy  
Materials  
Industrials  
Health Care  
IT

Chile

## Underweight

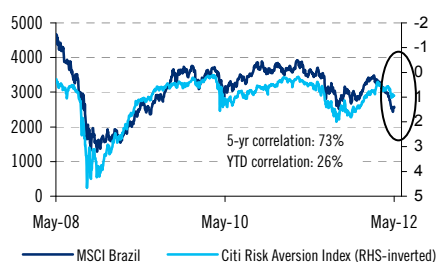
Consumer Staples  
Utilities

Colombia  
Mexico

## Strategists' Favourite Chart

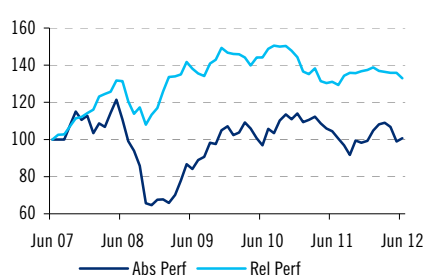
Market is over-penalizing Brazil for state intervention in our view

MSCI Brazil and Citi Global Risk Aversion Index



Source: Citi Research, MSCI, Bloomberg

Price Performance Abs & Relative (Loc)

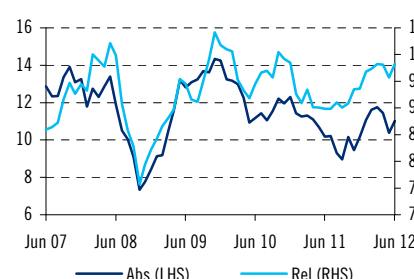


Source: Citi Research, MSCI, Factset

## Valuation

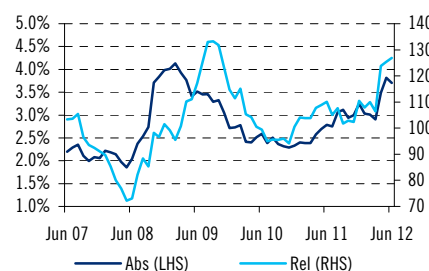
Fwd PE discount has been narrowing

12Mth Forward PE



Source: Citi Research, MSCI, Factset

Dividend Yield



Source: Citi Research, MSCI, Factset

## Key Metrics

|               | PE   |      |      | EPS YoY |     |      | EV /<br>EBITDA | EV /<br>Sales | Fwd<br>DY |
|---------------|------|------|------|---------|-----|------|----------------|---------------|-----------|
|               | 11E  | 12E  | 13E  | 11E     | 12E | 13E  |                |               |           |
| Region        | 12.2 | 11.7 | 10.5 | 8.4     | 4.4 | 11.3 | 6.8            | 1.9           | 3.4       |
| MSCI AC World | 12.9 | 11.9 | 10.5 | 6.9     | 9.0 | 13.4 | 7.2            | 1.5           | 2.8       |

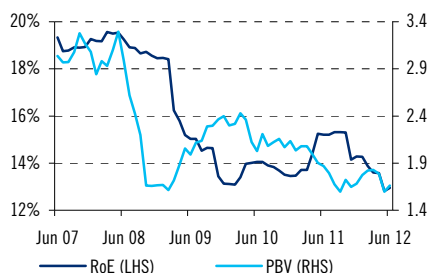
|               | US\$ Perf. |      |       | Loc. Perf. |     |      | ROE  | P / BV | Trail<br>DY |
|---------------|------------|------|-------|------------|-----|------|------|--------|-------------|
|               | 3m         | 6m   | 12m   | 3m         | 6m  | 12m  |      |        |             |
| Region        | -14.3      | -2.2 | -21.1 | -7.6       | 1.4 | -3.7 | 13.0 | 1.7    | 3.7         |
| MSCI AC World | -6.4       | 4.2  | -8.7  | -5.2       | 4.8 | -5.1 | 12.4 | 1.7    | 2.9         |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

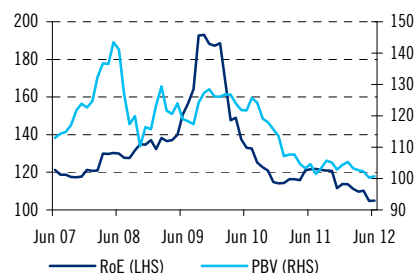
## PBV and RoE

Premium on P/BV and RoE  
have been waning

RoE and PBV - Absolute



RoE and PBV - Relative



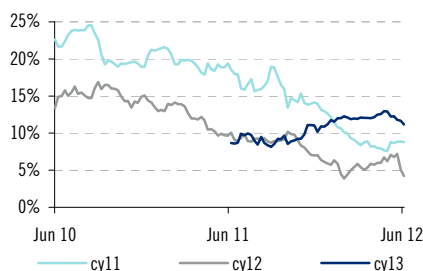
Source: Citi Research, MSCI, Factset

Source: Citi Research, MSCI, Factset

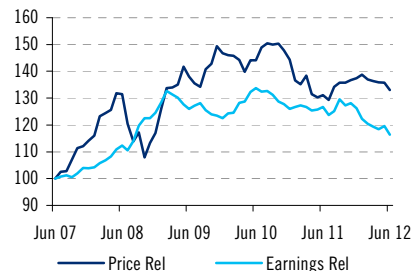
## Earnings

Relative earnings momentum  
weakening

Growth Forecast Trends



Relative Earnings/Price Momentum



Source: Citi Research, Factset Consensus

Source: Citi Research, MSCI, Factset

## Largest Companies

| Top 1 - 10      |       |     |     |    |      | Top 11 - 20     |       |     |     |    |      |
|-----------------|-------|-----|-----|----|------|-----------------|-------|-----|-----|----|------|
|                 | Cntry | Rtg | Wgt | MC | PE   |                 | Cntry | Rtg | Wgt | MC | PE   |
| America Movil   | MX    | 1   | 6.9 | 51 | 11.4 | Ecopetrol       | CO    | 3   | 1.9 | 14 | 7.8  |
| Vale (Pref)     | BR    | 1   | 5.2 | 39 | 5.4  | Grupo Mexico    | MX    | 2   | 1.5 | 11 | 9.4  |
| Petrobras-A     | BR    | 1   | 5.1 | 38 | 6.5  | Grupo Televisa  | MX    | 1   | 1.5 | 11 | 18.5 |
| Itaú Unibanco   | BR    | 1   | 4.3 | 32 | 7.9  | Itaúsa Inv Itaú | BR    |     | 1.5 | 11 | 7.1  |
| AmBev           | BR    |     | 3.9 | 29 | 22.2 | Perdigao SA     | BR    |     | 1.3 | 10 | 13.9 |
| Bradesco        | BR    | 1   | 3.8 | 28 | 8.9  | Grp Fin Banorte | MX    | 2   | 1.3 | 10 | 13.3 |
| Petrobras       | BR    | 1   | 3.8 | 28 | 6.5  | BMF Bovespa     | BR    |     | 1.2 | 9  | 11.6 |
| Vale            | BR    | 1   | 3.5 | 26 | 6.0  | CEMIG           | BR    | 2   | 1.2 | 9  | 12.0 |
| FEMSA           | MX    |     | 2.3 | 17 | 22.4 | Cielo           | BR    | 2   | 1.2 | 9  | 16.9 |
| Wal-Mart Mexico | MX    |     | 1.9 | 14 | 23.2 | Credicorp       | PE    | 1   | 1.1 | 9  | 12.0 |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

## CEEMEA

## Underweight

**Weight in MSCI AC World** 2.3%  
**Market Cap (US\$)** 608 Bn

### Country Weight Breakdown

|                |       |
|----------------|-------|
| South Africa   | 44.1% |
| Russia         | 33.0% |
| Turkey         | 9.3%  |
| Poland         | 7.9%  |
| Egypt          | 1.9%  |
| Czech Republic | 1.7%  |
| Hungary        | 1.6%  |
| Morocco        | 0.5%  |

In the first half of the year, CEEMEA has delivered modest USD returns of 4%, driven especially by Egypt and Turkey while Russia gave back nearly all of its gains in the second quarter as a function of the oil price and, arguably, a lack of new political direction under the new Putin administration. By contrast, the rally in Turkey was driven more by improved liquidity conditions and the benefit of lower oil prices. Volatile Egypt saw a rebound amid swings in sentiment associated with elections and political uncertainty. Looking forward, there is reason for continued caution on the outlook across CEEMEA. Weaker GDP growth prospects compared with EM, higher exposure to the Eurozone, and weaker earnings growth could all weigh on the outlook. Balancing this is valuation: the region remains attractively valued relative to other EM regions as well as to its own history, with dividend yield looking particularly appealing. Key will be commodity price trends and risk appetite towards peripheral European markets. Our preferred market is South Africa thanks largely to its strong and resilient earnings growth outlook. We have a Neutral view on Russia due to oil price risks. We are also Neutral on Egypt; and we are Underweight CE3 markets Hungary, Poland and Czech Republic, as well as Turkey. **(Strategist: Andrew Howell)**

### Strategists' Views

**MSCI EM EMEA(\$)** Target end 2012: 350  
**Level at end of 2Q12:** 315  
**Expected Gain:** 11%

#### Overweight

Energy  
Consumer Disc.  
Consumer Staples

#### Neutral

Industrials  
Health Care  
IT  
Telecoms

#### Underweight

Materials  
Financials  
Utilities

South Africa

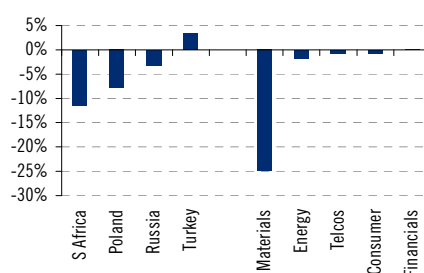
Russia  
Egypt

Turkey  
Poland  
Czech Rep., Hungary

### Strategists' Favourite Chart

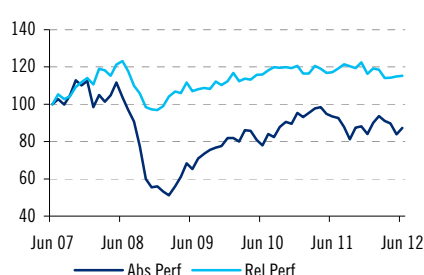
Large downgrades in Materials while Financials have been resilient

Change in 2012 EPS forecast since Jan-12



Source: Citi Research, Datastream

Price Performance Abs & Relative (Loc)

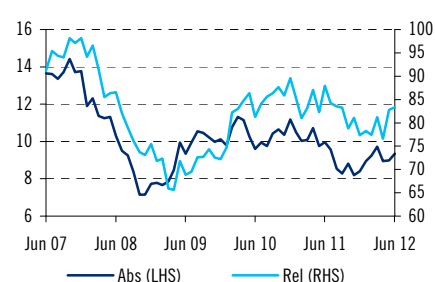


Source: Citi Research, MSCI, Factset

### Valuation

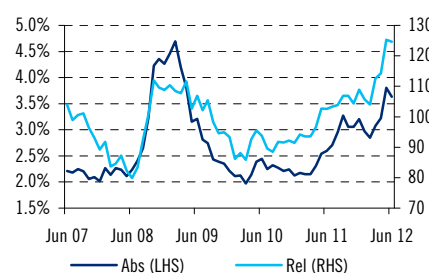
Dividend yield rel above 5-yr high

12Mth Forward PE



Source: Citi Research, MSCI, Factset

Dividend Yield



Source: Citi Research, MSCI, Factset

## Key Metrics

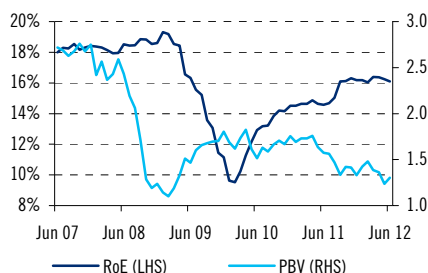
|               | PE         |      |       | EPS YoY    |     |      | EV /   | EV /   | Fwd   |
|---------------|------------|------|-------|------------|-----|------|--------|--------|-------|
|               | 11E        | 12E  | 13E   | 11E        | 12E | 13E  | EBITDA | Sales  | DY    |
| Region        | 7.8        | 7.8  | 7.3   | 31.2       | 0.3 | 6.8  | 4.3    | 1.2    | 3.6   |
| MSCI AC World | 12.9       | 11.9 | 10.5  | 6.9        | 9.0 | 13.4 | 7.2    | 1.5    | 2.8   |
|               | US\$ Perf. |      |       | Loc. Perf. |     |      | ROE    | P / BV | Trail |
|               | 3m         | 6m   | 12m   | 3m         | 6m  | 12m  |        |        | DY    |
| Region        | -10.1      | 3.8  | -20.1 | -4.1       | 3.9 | -6.6 | 16.1   | 1.3    | 3.6   |
| MSCI AC World | -6.4       | 4.2  | -8.7  | -5.2       | 4.8 | -5.1 | 12.4   | 1.7    | 2.9   |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

## PBV and RoE

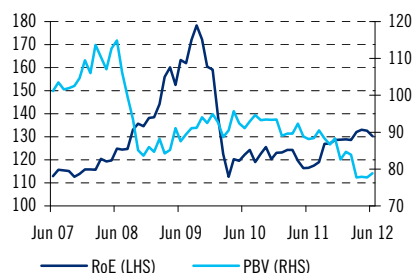
Large discount on P/BV

RoE and PBV - Absolute



Source: Citi Research, MSCI, Factset

RoE and PBV - Relative

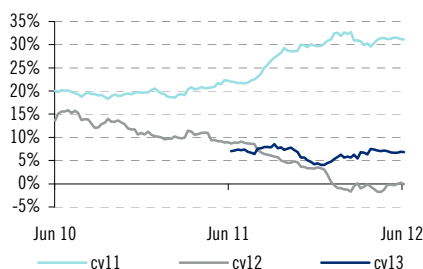


Source: Citi Research, MSCI, Factset

## Earnings

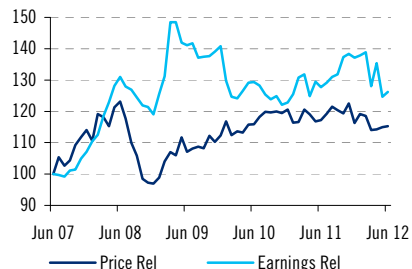
Uninspiring growth prospects for 2012 and 2013

Growth Forecast Trends



Source: Citi Research, Factset Consensus

Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

## Largest Companies

| Top 1 - 10        | Cntry | Rtg | Wgt | MC | PE   | Top 11 - 20        | Cntry | Rtg | Wgt | MC | PE   |
|-------------------|-------|-----|-----|----|------|--------------------|-------|-----|-----|----|------|
| Gazprom           | RU    | 1   | 8.3 | 50 | 2.6  | Novatek            | RU    | 1   | 1.6 | 10 | 12.2 |
| MTN Group Ltd     | ZA    | 1   | 4.8 | 29 | 10.8 | Gold Fields        | ZA    | 3   | 1.5 | 9  | 6.9  |
| Lukoil            | RU    | 1   | 4.7 | 28 | 3.9  | Garanti Bankasi    | TR    | 2   | 1.5 | 9  | 9.0  |
| Sberbank          | RU    | 1   | 3.8 | 23 | 5.6  | Mobile Telesystems | RU    | 1   | 1.5 | 9  | 9.1  |
| Sasol             | ZA    | 1   | 3.8 | 23 | 7.0  | Impala Platinum    | ZA    | 1   | 1.5 | 9  | 12.6 |
| Naspers           | ZA    | 1   | 3.4 | 21 | 18.2 | Rosneft            | RU    | 1   | 1.3 | 8  | 5.5  |
| Standard Bank     | ZA    | 2   | 2.6 | 16 | 10.5 | Magnit             | RU    | 1   | 1.3 | 8  | 23.1 |
| AngloGold Ashanti | ZA    | 2   | 2.1 | 13 | 7.6  | Norilsk            | RU    | 1   | 1.3 | 8  | 6.8  |
| Uralkali          | RU    | 2   | 1.8 | 11 | 11.0 | Shoprite Hldgs     | ZA    | 1   | 1.3 | 8  | 20.5 |
| FirstRand         | ZA    | 1   | 1.6 | 10 | 10.7 | Tatneft            | RU    | 2   | 1.3 | 8  | 5.9  |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

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## Sectors – Level 1

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**Please refer to pages 95 and 96 for how to read this section**

**Data in Charts and Tables as of 30th of June 2012**

**Stock recommendations as of 11th of July 2012**

## Energy

## Overweight

Weight in MSCI AC World 10.8%  
Market Cap (US\$) 2,918 Bn

### Regional Weight Breakdown

US 47.5%  
UK 15.2%  
Emerging Markets 14.5%  
Europe x UK 9.4%  
Dev Asia 1.8%  
Japan 1.1%

### Industry Group Weight Breakdown

Energy 100.0%

Oil's status as the worst performing sector YTD globally has much to do with the 15-20% drop in oil prices since the start of the year. Valuations look to offer some support as the sector is trading at 15-20% discount on P/B and 2012E PE. We are not in the camp that suggests further precipitous declines in the commodity. Rather we think that the future holds neither broad-based deflation nor inflation, but price 'stability' around US\$90/bbl (real) Brent which is a figure that we think the global economy can both support and bear. But within that picture, we continue to see sharp price volatility, a mechanism that is needed to continue to ration away the marginal demand barrel. That price volatility was a key feature in 1H12 and should be a stark reminder to equity investors of the need of being well-invested on the global cost-curve at this point in the cycle. Globally this pushes us into well-protected US shale oil plays and many of the prolific deepwater basins. We see Apache, BG, Anadarko, Inpex, Gazprom, Saipem, Seadrill and Santos as companies whose plans for growth look economically supported at the low-end of that global cost-curve. (Sector Analyst: Alastair Syme)

## Performance

Worst performing sector YTD

### Price Performance (US\$)



Source: Citi Research, MSCI, Factset

### Relative Price Performance (US\$)

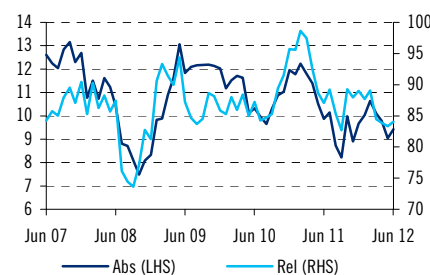


Source: Citi Research, MSCI, Factset

## Valuation

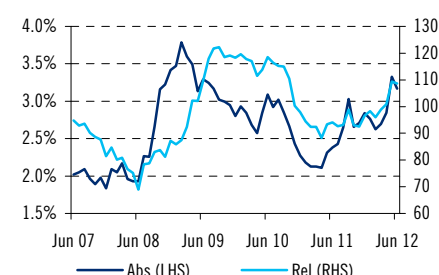
c15% discount on Fwd PE

### 12Mth Forward PE



Source: Citi Research, Factset Consensus

### Dividend Yield

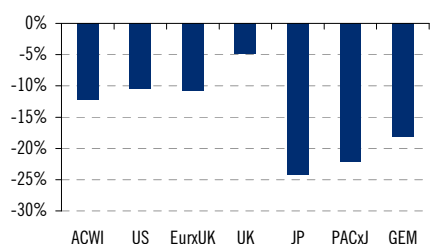


Source: Citi Research, MSCI, Factset

## Regional Breakdown

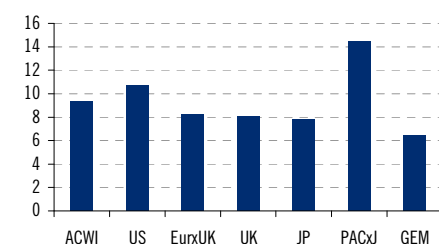
GEMs the cheapest

### 12Mth Performance (Loc)



Source: Citi Research, MSCI, Factset

### 2012 Forward PE



Source: Citi Research, Factset Consensus

## Key Metrics

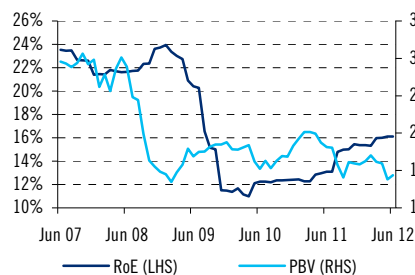
|               | PE         |      |       | EPS YoY    |      |       | EV /<br>EBITDA | EV /<br>Sales | Fwd<br>DY   |
|---------------|------------|------|-------|------------|------|-------|----------------|---------------|-------------|
|               | 11E        | 12E  | 13E   | 11E        | 12E  | 13E   |                |               |             |
| Sector        | 9.2        | 9.4  | 8.6   | 26.6       | -1.5 | 9.0   | 5.1            | 1.2           | 3.0         |
| MSCI AC World | 12.9       | 11.9 | 10.5  | 6.9        | 9.0  | 13.4  | 7.2            | 1.5           | 2.8         |
|               | US\$ Perf. |      |       | Loc. Perf. |      |       | ROE            | P / BV        | Trail<br>DY |
|               | 3m         | 6m   | 12m   | 3m         | 6m   | 12m   |                |               |             |
| Sector        | -9.9       | -5.8 | -15.9 | -8.3       | -5.4 | -12.2 | 16.1           | 1.4           | 3.2         |
| MSCI AC World | -6.4       | 4.2  | -8.7  | -5.2       | 4.8  | -5.1  | 12.4           | 1.7           | 2.9         |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

## PBV and RoE

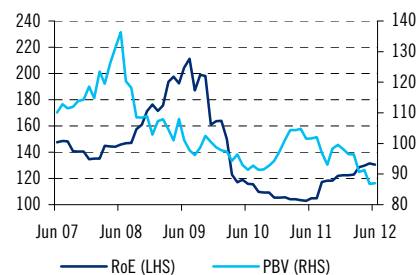
Relative RoE going up, P/BV coming down

### RoE and PBV - Absolute



Source: Citi Research, MSCI, Factset

### RoE and PBV - Relative

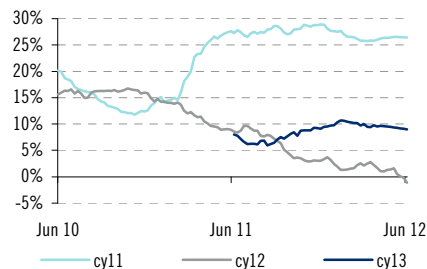


Source: Citi Research, MSCI, Factset

## Earnings

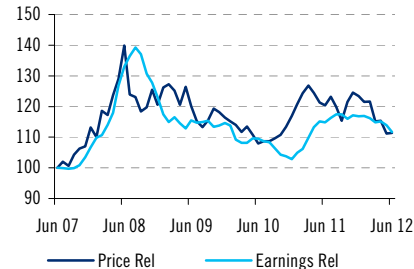
Weakening rel earnings momentum

### Growth Forecast Trends



Source: Citi Research, Factset Consensus

### Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

## Largest Companies

| Top 1 - 10       | Cntry | Rtg | Wgt  | MC  | PE   | Top 11 - 20    | Cntry | Rtg | Wgt | MC | PE   |
|------------------|-------|-----|------|-----|------|----------------|-------|-----|-----|----|------|
| ExxonMobil       | US    | 1   | 13.8 | 403 | 10.2 | ENI            | IT    | 1   | 1.8 | 51 | 7.2  |
| Chevron          | US    | 1   | 7.1  | 209 | 8.0  | Gazprom        | RU    | 1   | 1.7 | 50 | 2.6  |
| BP               | GB    | 2   | 4.3  | 126 | 6.1  | Suncor Energy  | CA    |     | 1.6 | 45 | 8.3  |
| RD Shell Class A | GB    | 2   | 4.2  | 124 | 7.2  | Petrobras-A    | BR    | 1   | 1.3 | 38 | 6.5  |
| Total            | FR    | 3   | 3.3  | 96  | 6.5  | CNOOC          | CN    | 1   | 1.2 | 35 | 7.9  |
| RD Shell Class B | GB    | 2   | 3.2  | 93  | 7.5  | Apache         | US    | 1   | 1.2 | 34 | 7.0  |
| Schlumberger Ltd | US    | 1   | 3.0  | 87  | 13.7 | Anadarko Petro | US    | 1   | 1.1 | 33 | 14.6 |
| Occidental       | US    | 2   | 2.4  | 70  | 10.1 | Enbridge       | CA    | 2   | 1.0 | 30 | 23.0 |
| BG               | GB    | 1   | 2.4  | 69  | 13.3 | TransCanada    | CA    | 2   | 1.0 | 29 | 17.8 |
| ConocoPhillips   | US    | 1   | 2.3  | 68  | 8.6  | Canadian Nat'l | CA    | 1   | 1.0 | 29 | 9.2  |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

# Materials

# Neutral

Weight in MSCI AC World 7.5%  
Market Cap (US\$) 2,013 Bn

## Regional Weight Breakdown

US 22.4%  
Emerging Markets 20.8%  
Europe x UK 16.5%  
UK 12.2%  
Dev Asia 9.8%  
Japan 7.1%

## Industry Group Weight Breakdown

Materials 100.0%

The global Materials sector is comprised of Mining and Chemical companies. In Mining, we are sitting on the fence for the next six months and waiting for trigger points to turn more bearish or bullish. We expect near term negative earnings from mark to market downgrades, which will leave the sector being fairly priced against the market. The sector faces headwinds of higher inflation, oil prices, operating costs, taxation, royalties and capex which are likely to result in falling margins and returns. Our key global picks are BHP Billiton and Rio Tinto. In chemicals, lower oil prices have unleashed a round of destocking in anticipation of lower petrochemical prices, which will impact 2Q and 3Q results. The good news for US commodity chemical producers is that ethylene margins have held up due to a collapse in NGL prices, and polyethylene inventories are low globally. Specialty chemical shares have begun to outperform commodities supported by improved end markets, like housing and aerospace, and lower raw material inflation. Finally, drought conditions in the US are increasing the risk to crop yields, which could incentivize buyers to stock up on fertilizers later this year. Our key global picks in chemicals are Albemarle, Potash, Linde, Johnson Matthey and LG Chem. (Sector Analysts: PJ Juvekar, Heath Jansen)

## Performance

Worst performing sector in 2Q12

### Price Performance (US\$)



Source: Citi Research, MSCI, Factset

### Relative Price Performance (US\$)

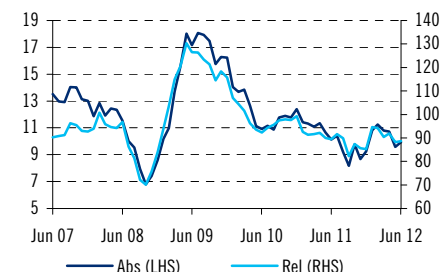


Source: Citi Research, MSCI, Factset

## Valuation

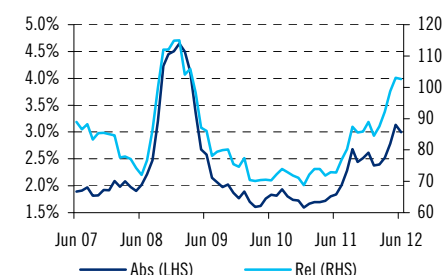
10% discount on Fwd PE

### 12Mth Forward PE



Source: Citi Research, Factset Consensus

### Dividend Yield

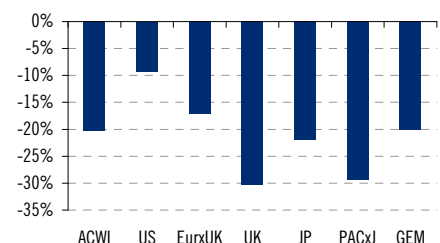


Source: Citi Research, MSCI, Factset

## Regional Breakdown

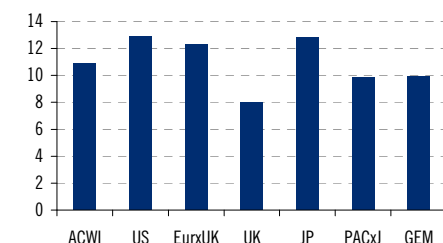
UK the cheapest

### 12Mth Performance (Loc)



Source: Citi Research, MSCI, Factset

### 2012 Forward PE



Source: Citi Research, Factset Consensus

## Key Metrics

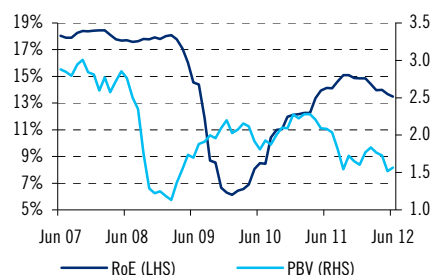
|               | PE         |      |       | EPS YoY    |      |       | EV / EBITDA | EV / Sales | Fwd DY   |
|---------------|------------|------|-------|------------|------|-------|-------------|------------|----------|
|               | 11E        | 12E  | 13E   | 11E        | 12E  | 13E   |             |            |          |
| Sector        | 10.8       | 10.9 | 9.2   | 17.7       | -0.9 | 18.5  | 6.9         | 1.5        | 2.8      |
| MSCI AC World | 12.9       | 11.9 | 10.5  | 6.9        | 9.0  | 13.4  | 7.2         | 1.5        | 2.8      |
|               | US\$ Perf. |      |       | Loc. Perf. |      |       | ROE         | P / BV     | Trail DY |
|               | 3m         | 6m   | 12m   | 3m         | 6m   | 12m   |             |            |          |
| Sector        | -11.5      | -2.8 | -25.2 | -9.6       | -2.1 | -20.3 | 13.5        | 1.6        | 3.0      |
| MSCI AC World | -6.4       | 4.2  | -8.7  | -5.2       | 4.8  | -5.1  | 12.4        | 1.7        | 2.9      |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

## PBV and RoE

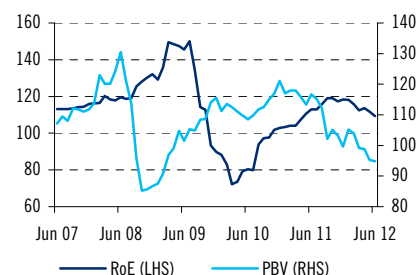
Higher RoE, lower P/BV

RoE and PBV - Absolute



Source: Citi Research, MSCI, Factset

RoE and PBV - Relative

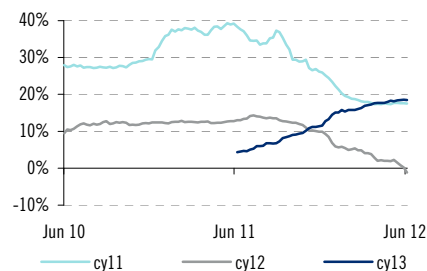


Source: Citi Research, MSCI, Factset

## Earnings

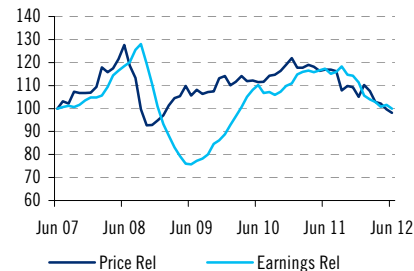
Weak relative earnings momentum

Growth Forecast Trends



Source: Citi Research, Factset Consensus

Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

## Largest Companies

| Top 1 - 10          | Cntry | Rtg | Wgt | MC  | PE   | Top 11 - 20      | Cntry | Rtg | Wgt | MC | PE   |
|---------------------|-------|-----|-----|-----|------|------------------|-------|-----|-----|----|------|
| BHP Billiton        | AU    | 1   | 5.2 | 104 | 8.3  | Dow Chemical     | US    | 1   | 1.9 | 37 | 10.8 |
| BASF                | DE    | 2   | 3.2 | 64  | 8.9  | Air Liquide      | FR    | 2   | 1.8 | 36 | 16.2 |
| Rio Tinto           | GB    | 1   | 3.2 | 64  | 6.1  | Praxair          | US    | 1   | 1.6 | 32 | 17.5 |
| BHP Billiton        | GB    | 1   | 3.0 | 60  | 7.4  | Syngenta         | CH    | 2   | 1.6 | 32 | 14.9 |
| DuPont              | US    | 2   | 2.3 | 47  | 11.2 | Freeport McMoran | US    | 1   | 1.6 | 32 | 7.4  |
| Monsanto            | US    | 1   | 2.2 | 44  | 19.8 | Goldcorp         | CA    | 2   | 1.5 | 30 | 13.6 |
| Anglo American      | GB    | 2   | 2.2 | 43  | 6.9  | Linde            | DE    | 1   | 1.3 | 27 | 14.5 |
| Vale (Pref)         | BR    | 1   | 1.9 | 39  | 5.4  | Restricted       | GB    |     | 1.3 | 26 | 6.9  |
| Barrick Gold        | CA    | 1   | 1.9 | 38  | 7.3  | Vale             | BR    | 1   | 1.3 | 26 | 6.0  |
| Potash Saskatchewan | CA    | 1   | 1.9 | 37  | 12.0 | Rio Tinto        | AU    | 1   | 1.3 | 25 | 7.6  |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

## Industrials

## Underweight

**Weight in MSCI AC World** **10.4%**  
**Market Cap (US\$)** **2,804 Bn**

### Regional Weight Breakdown

|                  |       |
|------------------|-------|
| US               | 46.5% |
| Europe x UK      | 18.6% |
| Japan            | 15.2% |
| Emerging Markets | 8.2%  |
| UK               | 4.9%  |
| Dev Asia         | 4.1%  |

### Industry Group Weight Breakdown

|                     |       |
|---------------------|-------|
| Capital Goods       | 73.3% |
| Commercial Services | 7.1%  |
| Transportation      | 19.6% |

Industrials have modestly lagged the global benchmark year-to-date, increasing 3.3% vs the 4.2% increase in the benchmark, with 2Q12 wiping out most of the 12% increase in 1Q12. Performance has moderated across all regions, with developed markets up just 3.2% year-to-date including 6.4% increase in the US and a moderate 1.4% decline in Continental Europe. The performance has been driven by moderating growth expectations across developed and developing markets, continued debt and macro angst in Europe, and a secular and seasonal shift towards a risk-off positioning after the strong 1Q12 returns. Balance sheets remain strong across the sector, a differentiator from the prior recession and a potential offset to any downside risk. The earnings growth outlook for the sector is still above the global benchmark's with expectations for an 11.3% increase in 2012 and a 14.0% increase in 2013, though we see risks to both of these forecasts if macro conditions continue to weaken. The sector trades roughly inline with the global benchmark on both 2012 and 2013 PE and a 10% premium on price-to-book. Our analysts like Danaher, Siemens, Boeing, Bombardier, EADS, and Komatsu. **(Sector Analyst: Deane Dray)**

## Performance

Underperformer in 2Q12

Price Performance (US\$)



Source: Citi Research, MSCI, Factset

Relative Price Performance (US\$)

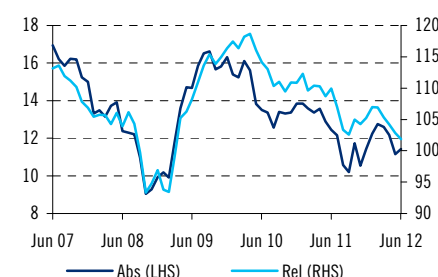


Source: Citi Research, MSCI, Factset

## Valuation

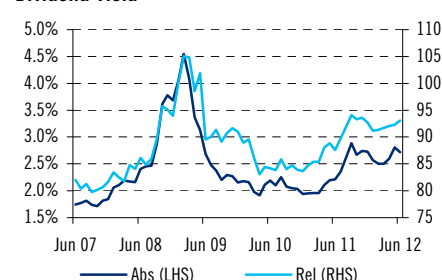
Fwd PE premium disappearing

12Mth Forward PE



Source: Citi Research, Factset Consensus

Dividend Yield

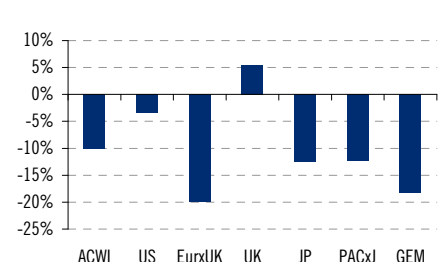


Source: Citi Research, MSCI, Factset

## Regional Breakdown

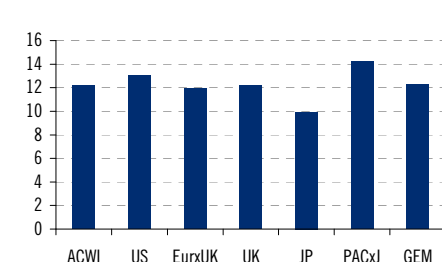
Japan the cheapest

12Mth Performance (Loc)



Source: Citi Research, MSCI, Factset

2012 Forward PE



Source: Citi Research, Factset Consensus

## Key Metrics

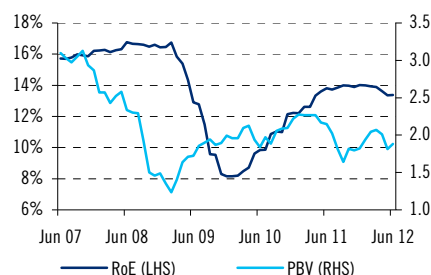
|               | PE         |      |       | EPS YoY    |      |       | EV /<br>EBITDA | EV /<br>Sales | Fwd<br>DY   |
|---------------|------------|------|-------|------------|------|-------|----------------|---------------|-------------|
|               | 11E        | 12E  | 13E   | 11E        | 12E  | 13E   |                |               |             |
| Sector        | 13.6       | 12.2 | 10.7  | 11.1       | 11.3 | 14.0  | 8.2            | 1.3           | 2.6         |
| MSCI AC World | 12.9       | 11.9 | 10.5  | 6.9        | 9.0  | 13.4  | 7.2            | 1.5           | 2.8         |
|               | US\$ Perf. |      |       | Loc. Perf. |      |       | ROE            | P / BV        | Trail<br>DY |
|               | 3m         | 6m   | 12m   | 3m         | 6m   | 12m   |                |               |             |
| Sector        | -7.5       | 3.3  | -12.9 | -6.8       | 4.2  | -10.0 | 13.4           | 1.9           | 2.7         |
| MSCI AC World | -6.4       | 4.2  | -8.7  | -5.2       | 4.8  | -5.1  | 12.4           | 1.7           | 2.9         |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

## PBV and RoE

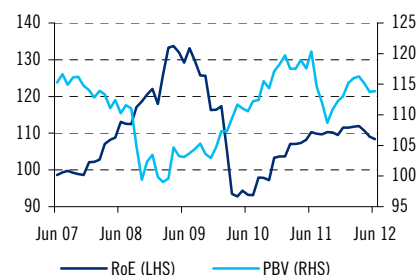
15% P/BV premium

RoE and PBV - Absolute



Source: Citi Research, MSCI, Factset

RoE and PBV - Relative

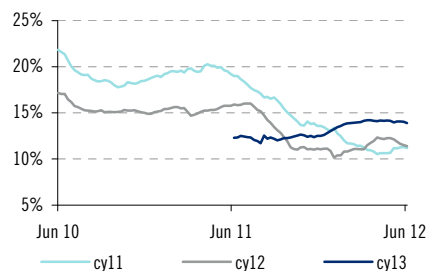


Source: Citi Research, MSCI, Factset

## Earnings

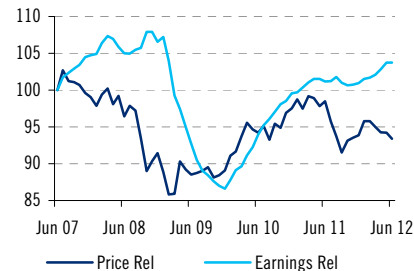
Relative earnings momentum  
has been improving

Growth Forecast Trends



Source: Citi Research, Factset Consensus

Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

## Largest Companies

| Top 1 - 10       |       |     |     |     |      | Top 11 - 20      |       |     |     |    |      |
|------------------|-------|-----|-----|-----|------|------------------|-------|-----|-----|----|------|
|                  | Cntry | Rtg | Wgt | MC  | PE   |                  | Cntry | Rtg | Wgt | MC | PE   |
| General Electric | US    | 1   | 7.9 | 221 | 12.6 | ABB              | CH    | 1   | 1.3 | 36 | 10.5 |
| Siemens AG       | DE    | 1   | 2.5 | 69  | 9.6  | Emerson Electric | US    | 1   | 1.2 | 34 | 12.3 |
| United Tech      | US    | 2   | 2.3 | 65  | 12.4 | Fanuc Ltd        | JP    | 1   | 1.1 | 31 | 16.0 |
| 3M Co            | US    | 2   | 2.1 | 59  | 13.4 | Deere and Co     | US    | 1   | 1.1 | 31 | 9.5  |
| Union Pacific    | US    | 1   | 2.0 | 57  | 13.7 | Danaher Corp     | US    | 1   | 1.1 | 31 | 14.8 |
| United Parcel    | US    | 1   | 2.0 | 57  | 15.2 | Schneider Elec   | FR    | 3   | 1.0 | 29 | 10.4 |
| Caterpillar Inc  | US    | 2   | 2.0 | 55  | 8.0  | Mitsubishi Corp  | JP    |     | 1.0 | 28 | 5.4  |
| The Boeing Co    | US    | 1   | 1.9 | 53  | 14.5 | Fedex Corp       | US    | 1   | 1.0 | 27 | 12.2 |
| Honeywell Intl   | US    | 1   | 1.5 | 41  | 11.7 | Mitsui & Co Ltd  | JP    |     | 0.9 | 26 | 5.0  |
| Canadian Nat Rly | CA    | 2   | 1.3 | 37  | 14.7 | Rolls-Royce      | GB    | 1   | 0.9 | 25 | 14.4 |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

# Consumer Discretionary Underweight

**Weight in MSCI AC World** 10.4%  
**Market Cap (US\$)** 2,814 Bn

## Regional Weight Breakdown

|                  |       |
|------------------|-------|
| US               | 52.9% |
| Japan            | 14.9% |
| Europe x UK      | 13.8% |
| Emerging Markets | 9.4%  |
| UK               | 4.9%  |
| Dev Asia         | 2.5%  |

## Industry Group Weight Breakdown

|                    |       |
|--------------------|-------|
| Autos & Components | 23.5% |
| Consumer Durables  | 13.1% |
| Consumer Services  | 14.3% |
| Media              | 22.3% |
| Retailing          | 26.9% |

Consumer Discretionary was the second best performing sector YTD (+9%), outperforming the global benchmark by 4%. The US and UK outperformed the broad sector. Media and Retailing were the best performing industries. Consumer Discretionary EPS is expected to grow by 24% this year and 20% next year. However, strong performance has made the sector among the most expensive on a P/E basis following Consumer Staples and Utilities. We have a cautious view on the sector for 2H12 and expect a slower pace of consumer spending, driven by a soft US macro environment, weakness in Europe (including the drag on tourism to the US), uncertainty around the presidential election, and declining consumer confidence. We believe that the slowdown is being led by high-income consumers, who account for approximately 50% of spending, own approximately 90% of U.S. equities and are most impacted by stock market volatility. That has a direct negative connotation for luxury goods companies and retailers that target high-end consumers. **(Sector Analyst: Deborah Weinswig)**

## Performance

Best cyclical in 2Q12

Price Performance (US\$)



Source: Citi Research, MSCI, Factset

Relative Price Performance (US\$)

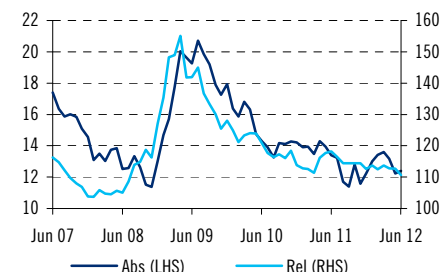


Source: Citi Research, MSCI, Factset

## Valuation

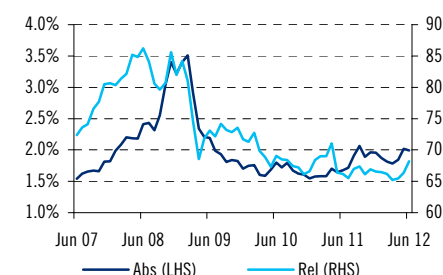
10% premium on Fwd PE

12Mth Forward PE



Source: Citi Research, Factset Consensus

Dividend Yield

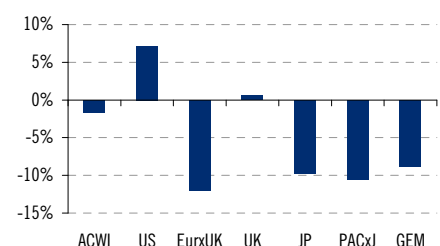


Source: Citi Research, MSCI, Factset

## Regional Breakdown

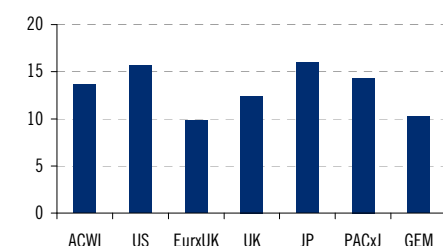
Europe & GEMs the cheapest on fwd PE

12Mth Performance (Loc)



Source: Citi Research, MSCI, Factset

2012 Forward PE



Source: Citi Research, Factset Consensus

## Key Metrics

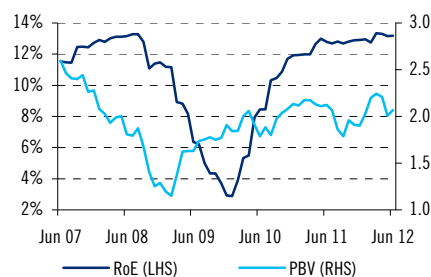
|               | PE         |      |      | EPS YoY    |      |      | EV / EBITDA | EV / Sales | Fwd DY   |
|---------------|------------|------|------|------------|------|------|-------------|------------|----------|
|               | 11E        | 12E  | 13E  | 11E        | 12E  | 13E  |             |            |          |
| Sector        | 16.5       | 13.6 | 11.4 | 6.6        | 24.0 | 20.5 | 7.5         | 1.3        | 1.8      |
| MSCI AC World | 12.9       | 11.9 | 10.5 | 6.9        | 9.0  | 13.4 | 7.2         | 1.5        | 2.8      |
|               | US\$ Perf. |      |      | Loc. Perf. |      |      | ROE         | P / BV     | Trail DY |
|               | 3m         | 6m   | 12m  | 3m         | 6m   | 12m  |             |            |          |
| Sector        | -7.1       | 8.6  | -4.5 | -6.4       | 9.5  | -1.7 | 13.2        | 2.1        | 2.0      |
| MSCI AC World | -6.4       | 4.2  | -8.7 | -5.2       | 4.8  | -5.1 | 12.4        | 1.7        | 2.9      |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

## PBV and RoE

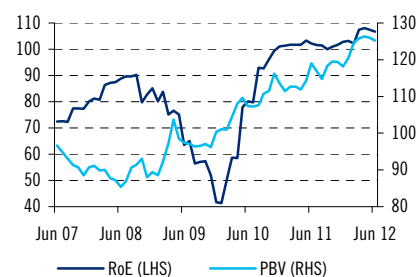
P/BV premium keeps widening

RoE and PBV - Absolute



Source: Citi Research, MSCI, Factset

RoE and PBV - Relative

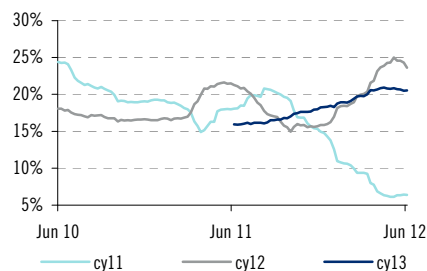


Source: Citi Research, MSCI, Factset

## Earnings

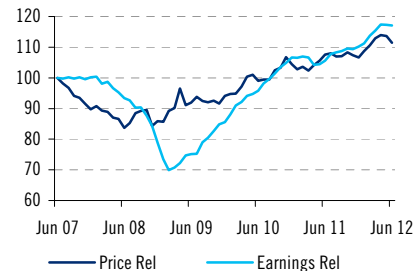
Strong rel earnings momentum

Growth Forecast Trends



Source: Citi Research, Factset Consensus

Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

## Largest Companies

| Top 1 - 10     |       |     |     |     |       | Top 11 - 20      |       |     |     |    |      |
|----------------|-------|-----|-----|-----|-------|------------------|-------|-----|-----|----|------|
|                | Cntry | Rtg | Wgt | MC  | PE    |                  | Cntry | Rtg | Wgt | MC | PE   |
| Toyota Motor   | JP    | 2   | 3.9 | 110 | 10.6  | News Corp        | US    | 2   | 1.3 | 37 | 13.1 |
| McDonald's     | US    | 2   | 3.2 | 90  | 15.1  | Time Warner      | US    | 1   | 1.3 | 37 | 11.3 |
| Amazon.com Inc | US    | 1   | 3.0 | 83  | 119.9 | Target Corp      | US    | 1   | 1.3 | 37 | 12.8 |
| Walt Disney Co | US    | 2   | 2.9 | 83  | 14.5  | Lowe's           | US    | 2   | 1.3 | 35 | 14.3 |
| Home Depot Inc | US    | 1   | 2.9 | 82  | 17.2  | Hennes & Mauritz | SE    | 1   | 1.2 | 34 | 21.1 |
| Comcast A      | US    | 1   | 2.4 | 67  | 15.6  | Ford Motor       | US    | 1H  | 1.2 | 34 | 6.0  |
| Honda Motor    | JP    | 1   | 2.0 | 56  | 8.9   | Priceline.Com    | US    | 1   | 1.2 | 33 | 18.7 |
| Daimler        | DE    | 1   | 1.4 | 41  | 6.2   | DirecTV          | US    | 1   | 1.2 | 33 | 10.1 |
| Starbucks      | US    | 1   | 1.4 | 40  | 24.3  | Nike Inc         | US    | 1   | 1.2 | 32 | 15.0 |
| LVMH           | FR    | 1   | 1.4 | 39  | 15.6  | TJX Cos Inc      | US    |     | 1.2 | 32 | 16.9 |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

# Consumer Staples

Neutral

**Weight in MSCI AC World** 10.7%  
**Market Cap (US\$)** 2,886 Bn

## Regional Weight Breakdown

|                  |       |
|------------------|-------|
| US               | 49.1% |
| Europe x UK      | 18.5% |
| UK               | 13.4% |
| Emerging Markets | 9.9%  |
| Japan            | 4.8%  |
| Dev Asia         | 3.0%  |

## Industry Group Weight Breakdown

|                          |       |
|--------------------------|-------|
| Food & Staples Retailing | 21.5% |
| Food Beverage & Tobacco  | 62.8% |
| Household & Personal     | 15.6% |

The global Consumer Staples group has appreciated by 6% in 1H12, outperforming the broader market by 2%. Stocks in Emerging Markets have performed better than the Developed Market stocks. CEEMEA names have been strongest followed by Latin America while Europe and Asia ex-Japan underperformed. While the group has modestly outperformed, the sector remains the most expensive on a PE basis at 15.9x current year EPS and EPS is expected to grow 9% and 10% this year and next, respectively. We attribute this relatively lofty valuation partly to the fact that while reported EPS growth is expected to be depressed for many of the companies given the stronger U.S. dollar, underlying EPS growth for the group should be relatively solid, given generally moderating commodity prices and still-solid consumer spending globally. While heightened competitive activity persists, both in developed and emerging markets (most notably, Brazil, China and India), as more companies fight for market share in those regions, strong balance sheets and share repurchases and/or healthy dividend payments should continue to help returns for the Staples group over the long-term. (Sector Analysts: Deborah Weinswig, Wendy Nicholson)

## Performance

Outperformer in 2Q12

Price Performance (US\$)



Source: Citi Research, MSCI, Factset

Relative Price Performance (US\$)

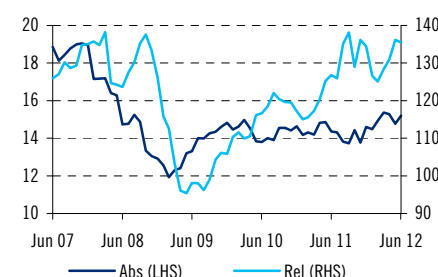


Source: Citi Research, MSCI, Factset

## Valuation

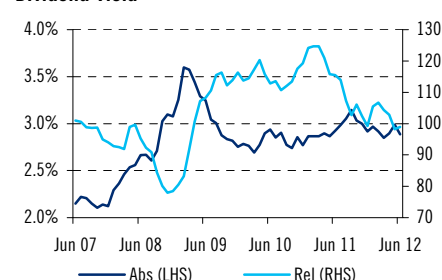
Fwd PE premium close to 5-year highs

12Mth Forward PE



Source: Citi Research, Factset Consensus

Dividend Yield

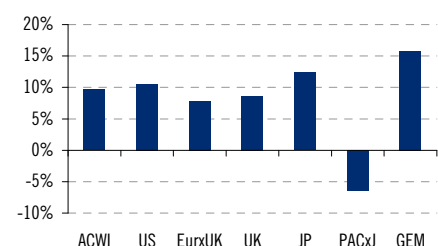


Source: Citi Research, MSCI, Factset

## Regional Breakdown

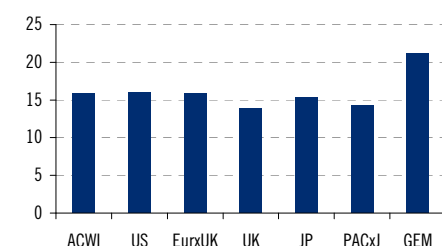
UK the cheapest

12Mth Performance (Loc)



Source: Citi Research, MSCI, Factset

2012 Forward PE



Source: Citi Research, Factset Consensus

## Key Metrics

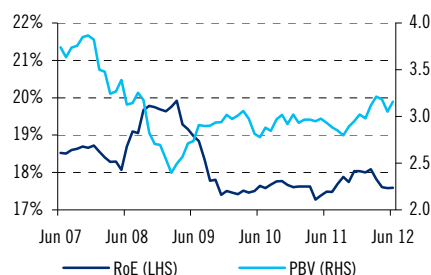
|               | PE         |      |      | EPS YoY    |     |      | EV / EBITDA | EV / Sales | Fwd DY   |
|---------------|------------|------|------|------------|-----|------|-------------|------------|----------|
|               | 11E        | 12E  | 13E  | 11E        | 12E | 13E  |             |            |          |
| Sector        | 17.3       | 15.9 | 14.5 | 6.7        | 8.5 | 9.9  | 9.9         | 1.5        | 2.8      |
| MSCI AC World | 12.9       | 11.9 | 10.5 | 6.9        | 9.0 | 13.4 | 7.2         | 1.5        | 2.8      |
|               | US\$ Perf. |      |      | Loc. Perf. |     |      | ROE         | P / BV     | Trail DY |
|               | 3m         | 6m   | 12m  | 3m         | 6m  | 12m  |             |            |          |
| Sector        | -0.7       | 5.9  | 5.2  | 0.8        | 6.4 | 9.7  | 17.6        | 3.2        | 2.9      |
| MSCI AC World | -6.4       | 4.2  | -8.7 | -5.2       | 4.8 | -5.1 | 12.4        | 1.7        | 2.9      |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

## PBV and RoE

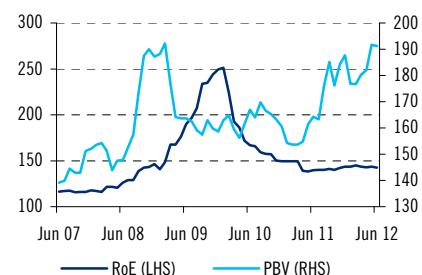
P/BV premium at 5-year high

### RoE and PBV - Absolute



Source: Citi Research, MSCI, Factset

### RoE and PBV - Relative

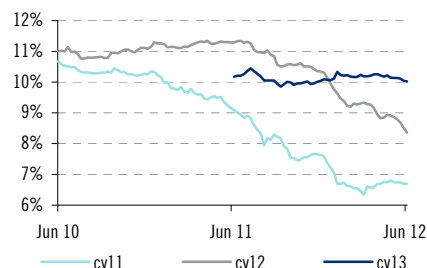


Source: Citi Research, MSCI, Factset

## Earnings

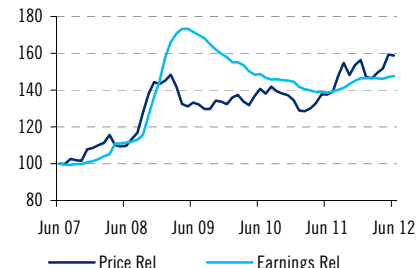
Relative earnings momentum has been stable

### Growth Forecast Trends



Source: Citi Research, Factset Consensus

### Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

## Largest Companies

| Top 1 - 10       |       |     |     |     |      | Top 11 - 20      |       |     |     |    |      |
|------------------|-------|-----|-----|-----|------|------------------|-------|-----|-----|----|------|
|                  | Cntry | Rtg | Wgt | MC  | PE   |                  | Cntry | Rtg | Wgt | MC | PE   |
| Nestle           | CH    | 2   | 6.8 | 197 | 16.4 | InBev            | BE    | 1   | 2.2 | 62 | 16.5 |
| Procter & Gamble | US    | 1   | 5.8 | 169 | 14.9 | CVS              | US    | 1   | 2.1 | 61 | 13.3 |
| Coca-Cola Co     | US    | 1   | 5.5 | 159 | 18.3 | Unilever NV      | NL    | 2   | 1.9 | 55 | 15.6 |
| Philip Morris    | US    | 2   | 5.2 | 150 | 15.8 | Colgate          | US    | 2   | 1.7 | 50 | 18.4 |
| Wal Mart         | US    | 1   | 4.6 | 131 | 13.7 | Unilever         | GB    | 2   | 1.5 | 43 | 15.8 |
| Pepsico Inc      | US    | 2   | 3.8 | 111 | 16.6 | Costco           | US    | 2   | 1.4 | 41 | 22.0 |
| Brit Am Tobacco  | GB    | 1   | 3.5 | 100 | 14.6 | Tesco            | GB    | 3   | 1.4 | 39 | 8.8  |
| Altria Group Inc | US    | 2   | 2.4 | 71  | 15.1 | Imperial Tobacco | GB    | 1   | 1.3 | 39 | 11.4 |
| Kraft Foods Inc  | US    | 1   | 2.2 | 65  | 14.5 | SABMiller        | GB    | 1   | 1.3 | 38 | 16.4 |
| Diageo           | GB    | 2   | 2.2 | 64  | 16.1 | Danone           | FR    | 1   | 1.2 | 36 | 14.5 |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

## Health Care

## Overweight

**Weight in MSCI AC World** **9.5%**  
Market Cap (US\$) 2,551 Bn

### Regional Weight Breakdown

|                  |       |
|------------------|-------|
| US               | 59.6% |
| Europe x UK      | 22.2% |
| UK               | 7.7%  |
| Japan            | 5.6%  |
| Emerging Markets | 1.5%  |
| Dev Asia         | 1.3%  |

### Industry Group Weight Breakdown

|                                  |       |
|----------------------------------|-------|
| Health Care Equipment & Services | 24.9% |
| Pharma & Biotech                 | 75.1% |

The outlook for Global Health Care continues to be a mixed bag for 2012 and has changed little since the start of the year. We are positive on Biotechnology and increasingly optimistic for Pharmaceuticals but hold a more cautious view for Medical Tech and Life Science Tools and Diagnostics. For US focused industries, we remain bullish on Managed Care, CROs, and HCIT in the US and cautious on Facilities. Our optimism for Biotechnology and Pharmaceuticals in the face of rising reimbursement pressure is driven by the dual forces of much improved capital allocation in R&D coupled with increased cash distribution and a more predictable FDA. This change should be enough to offset further downward pressure on reimbursement levels for novel drugs in the EU. For Medical Tech and Life Science Tools & Diagnostics, economic pressures and tighter government spending in developed markets (especially the EU) are the primary headwinds. US trends for managed care (lower utilization) and HCIT (technology capex) are expected to remain positive drivers. Globally, our favoured names are AET, BAY, CERN, MDT, CSL, HOLX and Astellas. **(Sector Analyst: Andrew Baum)**

## Performance

Best performing sector in 2Q12

### Price Performance (US\$)



Source: Citi Research, MSCI, Factset

### Relative Price Performance (US\$)

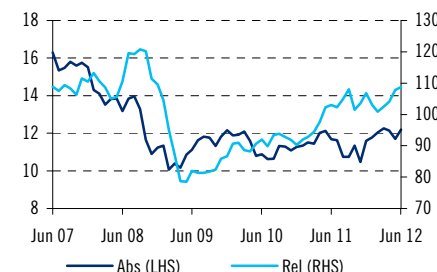


Source: Citi Research, MSCI, Factset

## Valuation

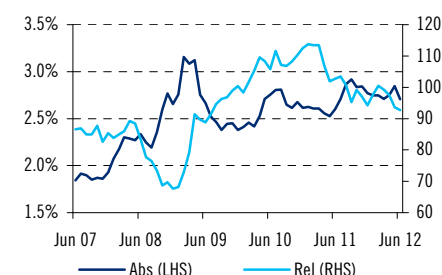
10% premium on Fwd PE

### 12Mth Forward PE



Source: Citi Research, Factset Consensus

### Dividend Yield

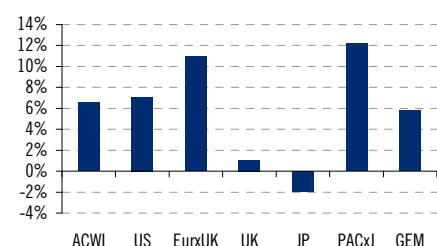


Source: Citi Research, MSCI, Factset

## Regional Breakdown

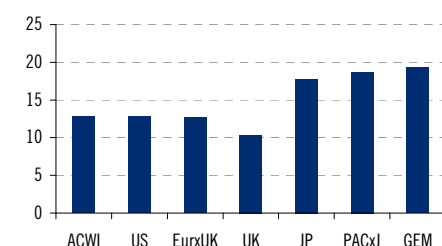
UK the cheapest

### 12Mth Performance (Loc)



Source: Citi Research, MSCI, Factset

### 2012 Forward PE



Source: Citi Research, Factset Consensus

## Key Metrics

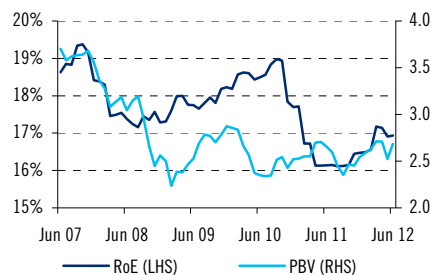
|               | PE         |      |      | EPS YoY    |     |      | EV / EBITDA | EV / Sales | Fwd DY   |
|---------------|------------|------|------|------------|-----|------|-------------|------------|----------|
|               | 11E        | 12E  | 13E  | 11E        | 12E | 13E  |             |            |          |
| Sector        | 13.2       | 12.8 | 11.8 | 8.6        | 3.5 | 8.6  | 8.7         | 2.0        | 2.5      |
| MSCI AC World | 12.9       | 11.9 | 10.5 | 6.9        | 9.0 | 13.4 | 7.2         | 1.5        | 2.8      |
|               | US\$ Perf. |      |      | Loc. Perf. |     |      | ROE         | P / BV     | Trail DY |
|               | 3m         | 6m   | 12m  | 3m         | 6m  | 12m  |             |            |          |
| Sector        | 0.6        | 7.4  | 2.9  | 1.8        | 8.0 | 6.6  | 16.9        | 2.7        | 2.7      |
| MSCI AC World | -6.4       | 4.2  | -8.7 | -5.2       | 4.8 | -5.1 | 12.4        | 1.7        | 2.9      |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

## PBV and RoE

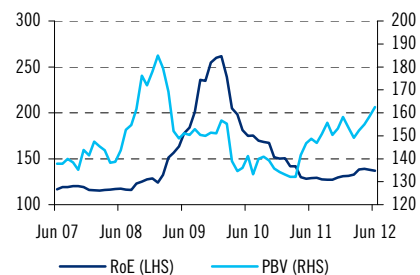
P/BV premium has been widening

### RoE and PBV - Absolute



Source: Citi Research, MSCI, Factset

### RoE and PBV - Relative

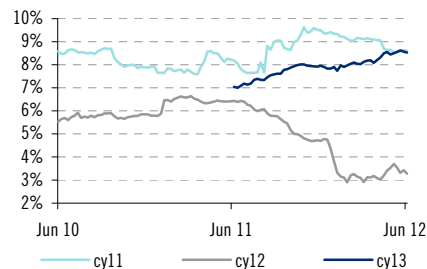


Source: Citi Research, MSCI, Factset

## Earnings

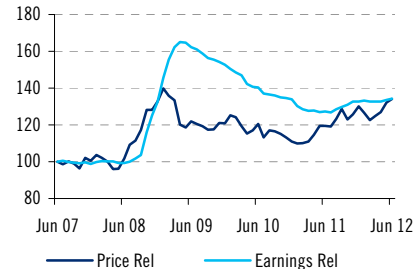
Uninspiring EPS growth for 2012

### Growth Forecast Trends



Source: Citi Research, Factset Consensus

### Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

## Largest Companies

| Top 1 - 10       | Cntry | Rtg | Wgt | MC  | PE   | Top 11 - 20      | Cntry | Rtg | Wgt | MC | PE   |
|------------------|-------|-----|-----|-----|------|------------------|-------|-----|-----|----|------|
| Johnson&Johnson  | US    | 1   | 7.3 | 185 | 12.7 | Bayer            | DE    | 1   | 2.3 | 60 | 10.8 |
| Pfizer Inc       | US    | 2   | 6.8 | 173 | 10.1 | Novo-Nordisk     | DK    | 1   | 2.3 | 59 | 21.9 |
| Novartis         | CH    | 2   | 5.0 | 129 | 10.1 | Amgen Inc        | US    | 1   | 2.3 | 58 | 11.3 |
| Merck            | US    | 2   | 5.0 | 127 | 11.1 | Restricted       | GB    |     | 2.2 | 57 | 7.3  |
| Roche            | CH    | 2   | 4.8 | 121 | 11.6 | Eli Lilly and Co | US    | 2   | 1.8 | 45 | 12.3 |
| GlaxoSmithKline  | GB    | 1   | 4.5 | 115 | 11.4 | Express Scripts  | US    | 2   | 1.7 | 45 | 14.1 |
| Abbott Labs      | US    | 3   | 4.0 | 101 | 12.4 | Medtronic Inc    | US    | 1   | 1.6 | 41 | 10.5 |
| Sanofi-Aventis   | FR    | 1   | 3.6 | 91  | 9.9  | Gilead Sciences  | US    | 1   | 1.5 | 39 | 12.5 |
| UnitedHealth Grp | US    | 1   | 2.4 | 61  | 11.1 | Teva             | IL    | 1   | 1.4 | 37 | 6.8  |
| Restricted       | US    |     | 2.4 | 61  | 18.5 | Takeda Chem      | JP    | 1   | 1.4 | 36 | 17.7 |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

## Financials

## Neutral

**Weight in MSCI AC World** **19.4%**  
**Market Cap (US\$)** **5,219 Bn**

### Regional Weight Breakdown

|                  |       |
|------------------|-------|
| US               | 34.8% |
| Emerging Markets | 16.0% |
| Europe x UK      | 13.9% |
| Dev Asia         | 12.6% |
| UK               | 7.7%  |
| Japan            | 7.3%  |

### Industry Group Weight Breakdown

|                        |       |
|------------------------|-------|
| Banks                  | 45.4% |
| Diversified Financials | 20.5% |
| Insurance              | 19.1% |
| Real Estate            | 15.0% |

Signs are emerging that EU policy makers are working in the right direction to break the vicious circle between weak banks and sovereigns via the creation of a European Banking Union, which would be positive for Euro Area and global bank shares. However, progress to deliver a EBU will be slow and difficult. While risk premiums remain high, earnings revisions for Euro Area banks remain negative due to difficult capital markets, weak economic growth and low interest rates. We continue to prefer UK over Euro Area banks as they offer both value and the growth options (EM focused plays). Japanese banks remain one of our preferred regions as they have benefitted from lower credit-loss driven earnings upgrades – an unusual characteristic in global banks ytd. We are slightly more cautious on Asia ex Japan where Euro crisis contagion may play out through slowing local economies and availability of USD liquidity and also valuations could be somewhat capped by the low multiples in EU and US banks. Lastly, we are cautious on US large cap and regional banks due to low interest rates, cyclical weakness and regulatory overhangs – we expect cuts to consensus US bank EPS estimates. **(Sector Analyst: Ronit Ghose)**

## Performance

Underperformer in 2Q12

Price Performance (US\$)



Source: Citi Research, MSCI, Factset

Relative Price Performance (US\$)

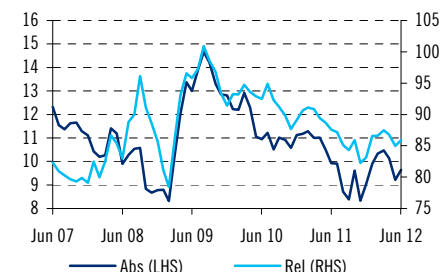


Source: Citi Research, MSCI, Factset

## Valuation

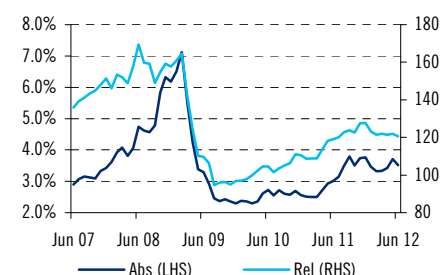
15% discount on Fwd PE

12Mth Forward PE



Source: Citi Research, Factset Consensus

Dividend Yield

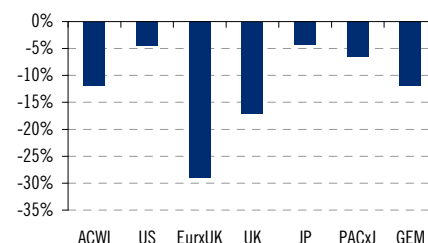


Source: Citi Research, MSCI, Factset

## Regional Breakdown

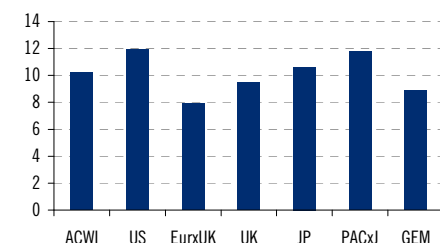
Continental Europe the cheapest

12Mth Performance (Loc)



Source: Citi Research, MSCI, Factset

2012 Forward PE



Source: Citi Research, Factset Consensus

## Key Metrics

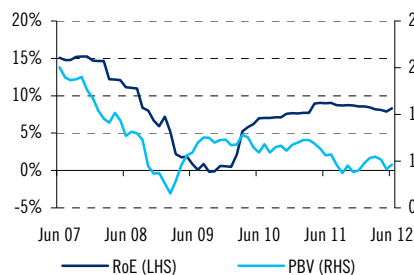
|               | PE         |      |       | EPS YoY    |      |       | EV / EBITDA | EV / Sales | Fwd DY   |
|---------------|------------|------|-------|------------|------|-------|-------------|------------|----------|
|               | 11E        | 12E  | 13E   | 11E        | 12E  | 13E   |             |            |          |
| Sector        | 11.7       | 10.2 | 9.1   | -3.4       | 14.5 | 13.0  |             |            | 3.4      |
| MSCI AC World | 12.9       | 11.9 | 10.5  | 6.9        | 9.0  | 13.4  | 7.2         | 1.5        | 2.8      |
|               | US\$ Perf. |      |       | Loc. Perf. |      |       | ROE         | P / BV     | Trail DY |
|               | 3m         | 6m   | 12m   | 3m         | 6m   | 12m   |             |            |          |
| Sector        | -8.3       | 7.1  | -15.7 | -6.9       | 7.7  | -11.9 | 8.3         | 1.0        | 3.5      |
| MSCI AC World | -6.4       | 4.2  | -8.7  | -5.2       | 4.8  | -5.1  | 12.4        | 1.7        | 2.9      |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

## PBV and RoE

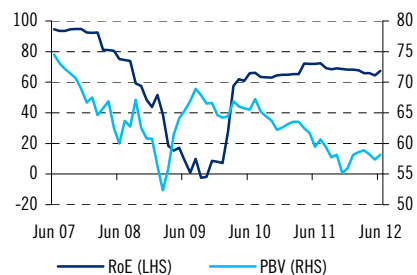
Large P/BV discount

### RoE and PBV - Absolute



Source: Citi Research, MSCI, Factset

### RoE and PBV - Relative

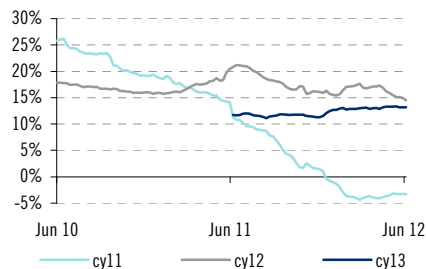


Source: Citi Research, MSCI, Factset

## Earnings

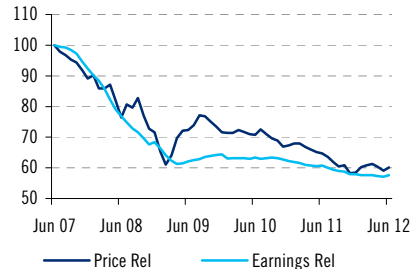
c15% EPS growth expected for 2012

### Growth Forecast Trends



Source: Citi Research, Factset Consensus

### Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

## Largest Companies

| Top 1 - 10       | Cntry | Rtg | Wgt | MC  | PE   | Top 11 - 20       | Cntry | Rtg | Wgt | MC | PE   |
|------------------|-------|-----|-----|-----|------|-------------------|-------|-----|-----|----|------|
| Wells Fargo      | US    | 2   | 3.2 | 168 | 9.6  | Santander         | ES    | 2H  | 1.2 | 62 | 7.5  |
| HSBC             | GB    | 1   | 3.0 | 158 | 9.1  | US Bancorp        | US    | 2   | 1.2 | 61 | 11.1 |
| JP Morgan Chase  | US    | 1   | 2.6 | 136 | 7.4  | American Express  | US    | 1   | 1.2 | 61 | 12.8 |
| Bank of America  | US    | 2   | 1.7 | 88  | 10.2 | ANZ Banking Grp   | AU    | 2   | 1.2 | 61 | 9.7  |
| Comm Bk of Aus   | AU    | 2   | 1.6 | 86  | 11.7 | Mitsubishi UFJ FG | JP    | 1   | 1.2 | 60 | 7.9  |
| Restricted       | US    |     | 1.5 | 80  | 6.3  | Bank Nova Scotia  | CA    |     | 1.1 | 57 | 10.6 |
| Berkshire Hathaw | US    |     | 1.5 | 76  | 16.1 | NAB               | AU    | 1   | 1.0 | 54 | 8.9  |
| Royal Bk Canada  | CA    |     | 1.4 | 74  | 10.3 | Standard Chart    | GB    | 1   | 1.0 | 52 | 9.7  |
| Toronto Dominion | CA    |     | 1.4 | 71  | 10.3 | CCB               | CN    | 1   | 0.9 | 49 | 5.6  |
| Westpac          | AU    | 2   | 1.3 | 66  | 10.0 | Simon Prop Grp    | US    | 2   | 0.9 | 46 | 33.4 |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

# IT

# Overweight

**Weight in MSCI AC World** 12.8%  
**Market Cap (US\$)** 3,443 Bn

## Regional Weight Breakdown

|                  |       |
|------------------|-------|
| US               | 73.6% |
| Emerging Markets | 13.5% |
| Japan            | 7.2%  |
| Europe x UK      | 4.6%  |
| UK               | 0.5%  |
| Dev Asia         | 0.2%  |

## Industry Group Weight Breakdown

|                     |       |
|---------------------|-------|
| Software & Services | 42.8% |
| Tech Hardware       | 39.5% |
| Semiconductors      | 17.7% |

As is typical, for technology the second half of this year depends greatly on consumer outcomes. Unfortunately, mid-year trends, impacted by uncertain macro conditions, foreshadow some weakness in the coming months. In this regard, several of our analysts have reduced estimates (semiconductors, software, supply chain) and several already forecast sub-seasonal growth (PC supply chain). That said, all is not so dour as we remain optimistic about Apple's product cycles for iPhone5 & iPad Mini. Meanwhile, our team in Asia continues to view low-end smartphone as a significant growth area. We also view the memory cycle favorably given the Elpida consolidation. We add that our enthusiasm around Microsoft's Windows 8/RT has softened somewhat from a lack of widespread win8 touch hardware and as our concern over macro impact has grown. From a broader stock standpoint, despite forthcoming cuts, we now recommend investors buy weakness in chip stocks. In other sectors we remain more selective. Our analysts' top picks are BRCM, QCOM, MU, AVGO, MXIM, ARM.L, TSMC (2330.TW), UMC (2303.TW), Murata (6981.JP), Taiyo Yuden (6976.JP), Catcher (2474.TW), TPK (3673.TW), Hon Hai (2317.TW), Samsung Electronics (005930.KS), Panasonic (6752.JP), TEL, China Unicom (762.HK), CTXS, SAPG.DE, and ATOS.FR. **(Sector Analysts: Glen Yeung, Richard Gardner)**

## Performance

Underperformer in 2Q12, but still the best performing sector in 1H12

Price Performance (US\$)



Source: Citi Research, MSCI, Factset

Relative Price Performance (US\$)

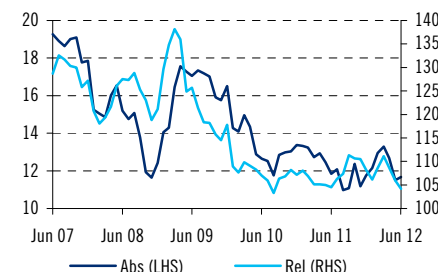


Source: Citi Research, MSCI, Factset

## Valuation

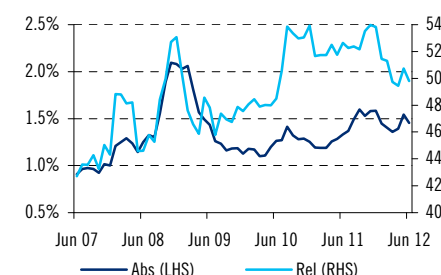
5% premium on Fwd PE

12Mth Forward PE



Source: Citi Research, Factset Consensus

Dividend Yield

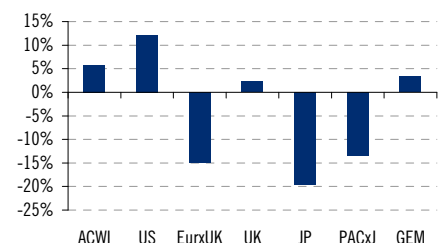


Source: Citi Research, MSCI, Factset

## Regional Breakdown

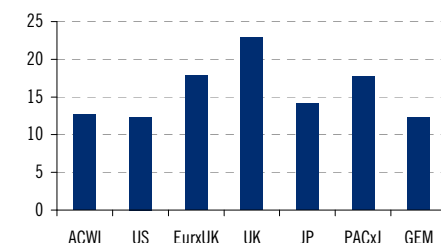
US Tech the best performer over 12M

12Mth Performance (Loc)



Source: Citi Research, MSCI, Factset

2012 Forward PE



Source: Citi Research, Factset Consensus

## Key Metrics

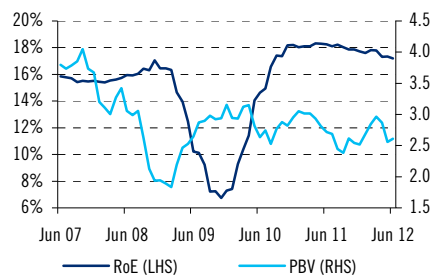
|               | PE         |      |      | EPS YoY    |      |      | EV / EBITDA | EV / Sales | Fwd DY   |
|---------------|------------|------|------|------------|------|------|-------------|------------|----------|
|               | 11E        | 12E  | 13E  | 11E        | 12E  | 13E  |             |            |          |
| Sector        | 14.5       | 12.7 | 10.9 | 8.0        | 15.0 | 16.1 | 7.4         | 1.7        | 1.3      |
| MSCI AC World | 12.9       | 11.9 | 10.5 | 6.9        | 9.0  | 13.4 | 7.2         | 1.5        | 2.8      |
|               | US\$ Perf. |      |      | Loc. Perf. |      |      | ROE         | P / BV     | Trail DY |
|               | 3m         | 6m   | 12m  | 3m         | 6m   | 12m  |             |            |          |
| Sector        | -8.5       | 9.7  | 4.2  | -8.2       | 10.1 | 5.8  | 17.2        | 2.6        | 1.5      |
| MSCI AC World | -6.4       | 4.2  | -8.7 | -5.2       | 4.8  | -5.1 | 12.4        | 1.7        | 2.9      |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

## PBV and RoE

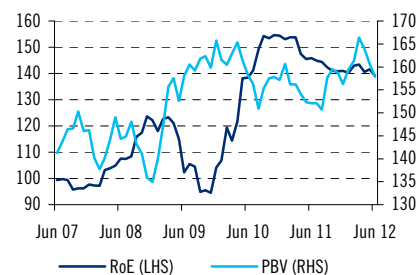
RoE has been slightly coming down

### RoE and PBV - Absolute



Source: Citi Research, MSCI, Factset

### RoE and PBV - Relative

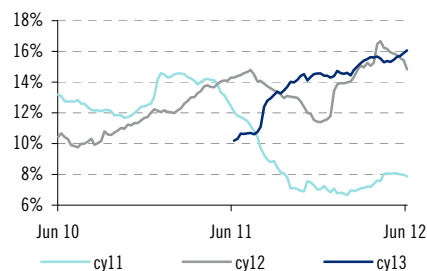


Source: Citi Research, MSCI, Factset

## Earnings

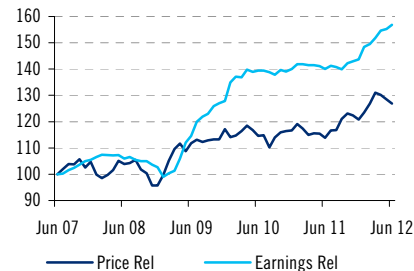
Strong relative earnings momentum

### Growth Forecast Trends



Source: Citi Research, Factset Consensus

### Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

## Largest Companies

| Top 1 - 10    | Cntry | Rtg | Wgt  | MC  | PE   | Top 11 - 20      | Cntry | Rtg | Wgt | MC | PE   |
|---------------|-------|-----|------|-----|------|------------------|-------|-----|-----|----|------|
| Apple Inc     | US    |     | 15.8 | 545 | 11.2 | Visa             | US    | 2   | 1.9 | 65 | 18.1 |
| Microsoft     | US    | 1   | 6.7  | 231 | 9.9  | SAP AG           | DE    | 1   | 1.6 | 54 | 14.3 |
| IBM           | US    |     | 6.3  | 215 | 12.3 | EMC Corp         | US    |     | 1.5 | 53 | 13.7 |
| Google        | US    | 1   | 4.3  | 150 | 12.4 | eBay Inc         | US    | 2   | 1.4 | 49 | 16.5 |
| Intel         | US    | 1   | 3.9  | 133 | 10.3 | MasterCard       | US    | 2   | 1.4 | 47 | 17.9 |
| Oracle Corp   | US    | 1   | 3.5  | 119 | 11.1 | Canon Inc        | JP    | 1   | 1.3 | 45 | 11.8 |
| Samsung Elec  | KR    | 1   | 3.4  | 116 | 7.7  | Hewlett-Packard  | US    |     | 1.2 | 40 | 4.7  |
| Qualcomm Inc  | US    | 1   | 2.7  | 94  | 13.7 | Accenture        | US    | 1   | 1.1 | 39 | 14.4 |
| Cisco Systems | US    | 1   | 2.7  | 92  | 9.0  | Texas Instrument | US    | 1   | 1.0 | 33 | 13.9 |
| TSMC          | TW    | 1   | 1.9  | 67  | 12.5 | Tencent          | CN    | 1   | 0.9 | 29 | 23.2 |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

# Telecom Services

Neutral

Weight in MSCI AC World 4.7%  
Market Cap (US\$) 1,268 Bn

## Regional Weight Breakdown

US 32.4%  
Emerging Markets 21.8%  
Europe x UK 18.2%  
UK 13.4%  
Japan 7.6%  
Dev Asia 3.5%

## Industry Group Weight Breakdown

Telecom Services 100.0%

Telecoms have outperformed by 7% in 2Q12, with US performing the best (+12% abs) and Continental Europe the weakest (-12% abs). Themes for 2012 include smartphones and tablets, faster broadband, LTE deployment and cannibalisation risks. Sub US\$100 smartphones should boost take-up in emerging markets and we may see increased data contributions materialising alongside growing momentum in mobile payments. The main risks lie with voice substitution in emerging markets given smaller wallets and text cannibalisation in developed markets; Verizon's recent pricing overhaul to charge for data and devices rather than voice and text being a sign of more to come. European operators are seeking to push down handset subsidies to ease the expensive replacement cycle. We expect US telecoms growth to slow and attribute declines in TV ratings partly to growth in on-line Subscription Video on Demand. 3G is likely to remain the main driver of mobile growth outside the US with many operators, notably in Japan, racing to keep up with demand. Over the next 24 months we expect deployment of LTE (4G) to start in more countries with China Mobile set to bring its 9 city field trial of TD-LTE to pre-commercial standard by end-2012. We also think that China Mobile will get the LTE iPhone in due course.

(Sector Analyst: Simon Weeden)

## Performance

Outperformer in 2Q12

Price Performance (US\$)



Source: Citi Research, MSCI, Factset

Relative Price Performance (US\$)

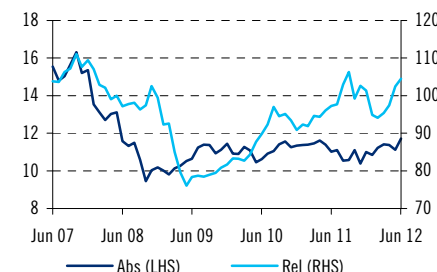


Source: Citi Research, MSCI, Factset

## Valuation

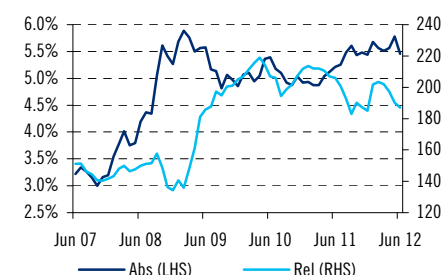
Moved to Fwd PE premium during 2Q12

12Mth Forward PE



Source: Citi Research, Factset Consensus

Dividend Yield

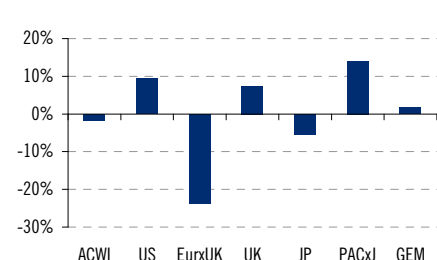


Source: Citi Research, MSCI, Factset

## Regional Breakdown

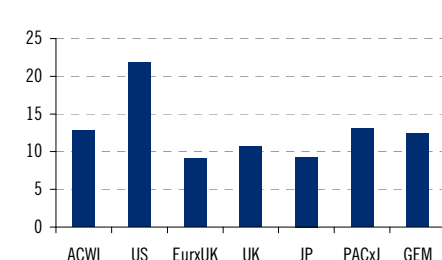
US most expensive

12Mth Performance (Loc)



Source: Citi Research, MSCI, Factset

2012 Forward PE



Source: Citi Research, Factset Consensus

## Key Metrics

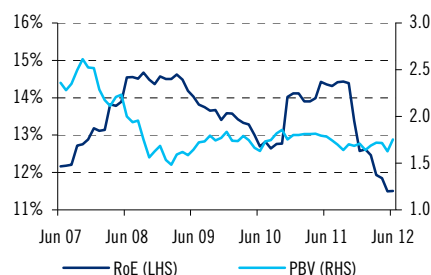
|               | PE         |      |      | EPS YoY    |     |      | EV / EBITDA | EV / Sales | Fwd DY   |
|---------------|------------|------|------|------------|-----|------|-------------|------------|----------|
|               | 11E        | 12E  | 13E  | 11E        | 12E | 13E  |             |            |          |
| Sector        | 13.3       | 12.8 | 11.8 | -2.8       | 3.8 | 8.3  | 6.0         | 1.8        | 5.5      |
| MSCI AC World | 12.9       | 11.9 | 10.5 | 6.9        | 9.0 | 13.4 | 7.2         | 1.5        | 2.8      |
|               | US\$ Perf. |      |      | Loc. Perf. |     |      | ROE         | P / BV     | Trail DY |
|               | 3m         | 6m   | 12m  | 3m         | 6m  | 12m  |             |            |          |
| Sector        | 0.5        | 2.3  | -6.8 | 2.3        | 2.8 | -1.8 | 11.5        | 1.8        | 5.5      |
| MSCI AC World | -6.4       | 4.2  | -8.7 | -5.2       | 4.8 | -5.1 | 12.4        | 1.7        | 2.9      |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

## PBV and RoE

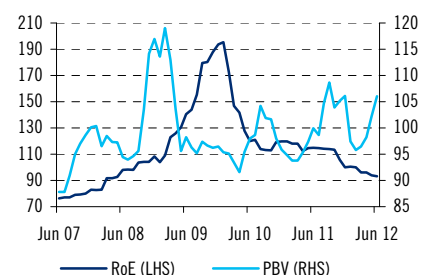
RoE has been coming down

### RoE and PBV - Absolute



Source: Citi Research, MSCI, Factset

### RoE and PBV - Relative

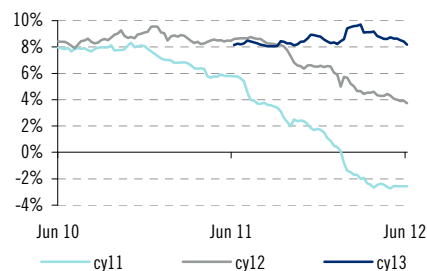


Source: Citi Research, MSCI, Factset

## Earnings

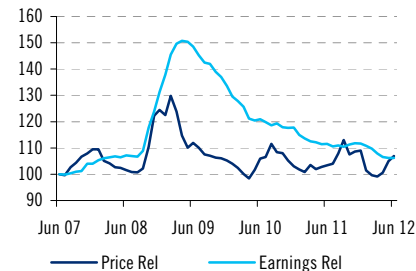
Downgrades for 2012 EPS growth continuing

### Growth Forecast Trends



Source: Citi Research, Factset Consensus

### Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

## Largest Companies

| Top 1 - 10    | Cntry | Rtg | Wgt  | MC  | PE   | Top 11 - 20    | Cntry | Rtg | Wgt | MC | PE   |
|---------------|-------|-----|------|-----|------|----------------|-------|-----|-----|----|------|
| AT&T          | US    | 1   | 16.7 | 211 | 14.4 | NTT DoCoMo     | JP    | 2   | 2.0 | 25 | 9.9  |
| Vodafone      | GB    | 1   | 11.0 | 140 | 11.0 | CenturyLink    | US    | 1H  | 1.9 | 24 | 16.0 |
| Verizon Comms | US    | 2   | 9.9  | 126 | 16.8 | France Telecom | FR    | 3   | 1.9 | 24 | 7.9  |
| China Mobile  | CN    | 1   | 5.2  | 66  | 10.7 | Restricted     | FR    |     | 1.9 | 24 | 7.3  |
| Telefonica    | ES    | 2   | 4.3  | 54  | 7.8  | SingTel        | SG    | 2   | 1.6 | 21 | 13.0 |
| America Movil | MX    | 1   | 4.0  | 51  | 11.4 | NTT            | JP    | 1   | 1.6 | 20 | 7.7  |
| SoftBank      | JP    | 2H  | 2.6  | 33  | 10.0 | KDDI           | JP    | 1   | 1.4 | 17 | 7.5  |
| Deutsche Tele | DE    | 1   | 2.4  | 31  | 12.7 | Crown Castle   | US    | 2   | 1.3 | 17 | 63.1 |
| MTN Group Ltd | ZA    | 1   | 2.3  | 29  | 10.8 | Telstra Corp   | AU    | 2   | 1.3 | 16 | 12.3 |
| BT Group      | GB    | 2   | 2.0  | 26  | 8.5  | Rogers Coms    | CA    |     | 1.1 | 14 | 11.5 |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

## Utilities

## Underweight

**Weight in MSCI AC World** 3.8%  
**Market Cap (US\$)** 1,019 Bn

### Regional Weight Breakdown

US 45.7%  
Europe x UK 18.2%  
Emerging Markets 12.9%  
UK 9.6%  
Japan 7.0%  
Dev Asia 5.3%

### Industry Group Weight Breakdown

Utilities 100.0%

For 2Q12, Utilities outperformed the global stock market. US Utilities were up 5.2%, European utility stocks were down 7.4%, and Emerging Markets Utilities were down 8.3%. Heavy regional variance matched our 2012 Road Ahead outlook, in which we signalled regional performances will continue to vary considerably. For the US, we continue to prefer US regulated names over commodity-sensitive peers given falling bond yields and risk of still-lower natural gas prices. For Pan-Europe, ongoing political risk in the form of deficit-driven tariffs and shifting renewable policy remains high. In East Asia, we favor Chinese independent power producers given cost savings from falling coal prices, while in Japan we have recently upgraded electric power companies and believe nuclear and political risk is now overly priced into share valuations. India electric infrastructure plays appear attractive despite recent capacity additions due to rising in unscheduled power outages. In Latin America, we prefer generation over distribution names and hold a more cautious stance given outperformance YTD. Globally, our favorite Electric Utilities include Southern Company (US), J-Power (Japan), and Tractebel (Latin America). **(Sector Analyst: Brian Chin)**

## Performance

Outperformer in 2Q12

Price Performance (US\$)



Source: Citi Research, MSCI, Factset

Relative Price Performance (US\$)

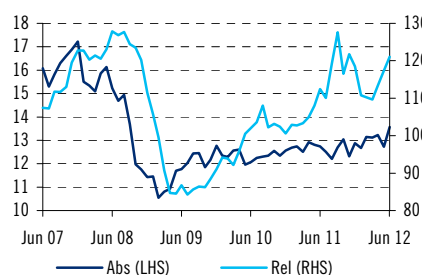


Source: Citi Research, MSCI, Factset

## Valuation

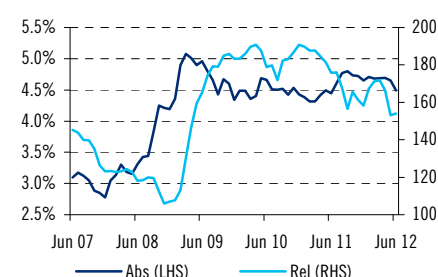
20% premium on Fwd PE

12Mth Forward PE



Source: Citi Research, Factset Consensus

Dividend Yield

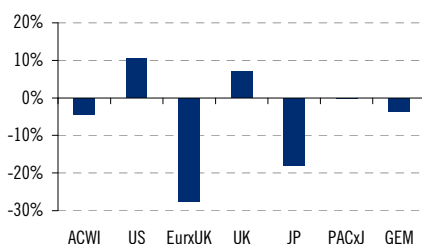


Source: Citi Research, MSCI, Factset

## Regional Breakdown

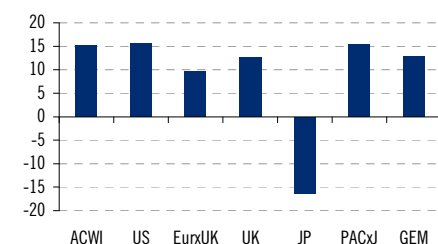
Continental Europe the worst performer over 12M

12Mth Performance (Loc)



Source: Citi Research, MSCI, Factset

2012 Forward PE



Source: Citi Research, Factset Consensus

## Key Metrics

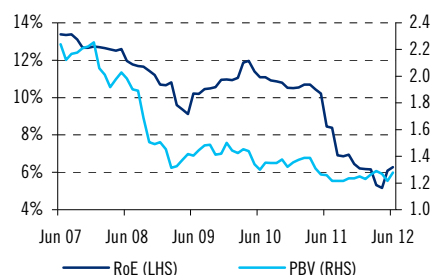
|               | PE         |      |      | EPS YoY    |     |      | EV / EBITDA | EV / Sales | Fwd DY   |
|---------------|------------|------|------|------------|-----|------|-------------|------------|----------|
|               | 11E        | 12E  | 13E  | 11E        | 12E | 13E  |             |            |          |
| Sector        | 15.5       | 15.2 | 13.6 | -22.6      | 8.7 | 21.6 | 8.2         | 1.6        | 4.6      |
| MSCI AC World | 12.9       | 11.9 | 10.5 | 6.9        | 9.0 | 13.4 | 7.2         | 1.5        | 2.8      |
|               | US\$ Perf. |      |      | Loc. Perf. |     |      | ROE         | P / BV     | Trail DY |
|               | 3m         | 6m   | 12m  | 3m         | 6m  | 12m  |             |            |          |
| Sector        | -2.2       | 0.1  | -8.9 | -0.6       | 0.9 | -4.6 | 6.3         | 1.3        | 4.5      |
| MSCI AC World | -6.4       | 4.2  | -8.7 | -5.2       | 4.8 | -5.1 | 12.4        | 1.7        | 2.9      |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

## PBV and RoE

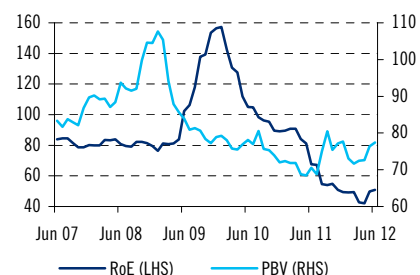
Rel RoE at weakest levels seen during last 5 years

### RoE and PBV - Absolute



Source: Citi Research, MSCI, Factset

### RoE and PBV - Relative

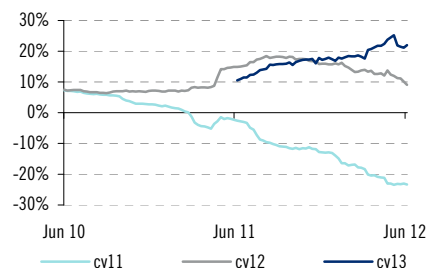


Source: Citi Research, MSCI, Factset

## Earnings

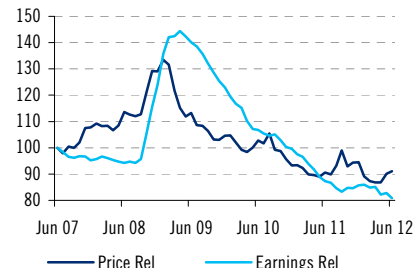
2012 EPS growth forecasts weakening

### Growth Forecast Trends



Source: Citi Research, Factset Consensus

### Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

## Largest Companies

| Top 1 - 10         |       |     |     |    |      | Top 11 - 20      |       |     |     |    |      |
|--------------------|-------|-----|-----|----|------|------------------|-------|-----|-----|----|------|
|                    | Cntry | Rtg | Wgt | MC | PE   |                  | Cntry | Rtg | Wgt | MC | PE   |
| Southern Co        | US    | 1   | 3.9 | 40 | 16.9 | FirstEnergy Corp | US    | 2   | 2.0 | 21 | 14.9 |
| E.ON               | DE    | 2   | 3.8 | 39 | 10.5 | Scot & Sth Enrgy | GB    | 2   | 2.0 | 20 | 11.6 |
| National Grid      | GB    | 2   | 3.7 | 38 | 12.3 | RWE              | DE    | 3   | 2.0 | 20 | 8.0  |
| Exelon Corp        | US    | 2   | 3.1 | 32 | 13.2 | Amer Elec Pwr    | US    | 2   | 1.9 | 19 | 12.8 |
| Duke Energy        | US    | 2   | 3.0 | 31 | 15.8 | PG&E             | US    | 1   | 1.8 | 19 | 14.4 |
| Dominion Rsc       | US    | 2   | 3.0 | 31 | 16.2 | Iberdrola        | ES    | 1   | 1.8 | 18 | 7.9  |
| GDF Suez           | FR    | 1   | 2.9 | 29 | 11.1 | Consol Edison    | US    | 2   | 1.8 | 18 | 16.4 |
| NextEra Energy Inc | US    | 2   | 2.7 | 27 | 14.5 | Progress Energy  | US    |     | 1.7 | 18 | 18.6 |
| Centrica           | GB    | 2   | 2.5 | 26 | 11.2 | Public Srvc Ent  | US    | 1   | 1.6 | 16 | 13.4 |
| Enel               | IT    | 1   | 2.1 | 21 | 6.8  | PPL Corp         | US    | 2   | 1.6 | 16 | 11.8 |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

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## Sectors – Level 2

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**Please refer to pages 95 and 96 for how to read this section**

**Data in Charts and Tables as of 30th of June 2012**

**Stock recommendations as of 11th of July 2012**

# Energy

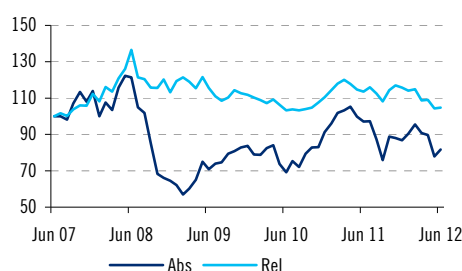
| Weight in MSCI AC World   | 10.8%    | Key Metrics   |            |      |       |            |      |       |             |            |          |
|---------------------------|----------|---------------|------------|------|-------|------------|------|-------|-------------|------------|----------|
| Market Cap (US\$)         | 2,918 Bn |               | PE         |      |       | EPS YoY    |      |       | EV / EBITDA | EV / Sales | Fwd DY   |
|                           |          |               | 11E        | 12E  | 13E   | 11E        | 12E  | 13E   |             |            |          |
| Regional Weight Breakdown |          | Sector        | 9.2        | 9.4  | 8.6   | 26.6       | -1.5 | 9.0   | 5.1         | 1.2        | 3.0      |
| US                        | 47.5%    | MSCI AC World | 12.9       | 11.9 | 10.5  | 6.9        | 9.0  | 13.4  | 7.2         | 1.5        | 2.8      |
| UK                        | 15.2%    |               |            |      |       |            |      |       |             |            |          |
| Emerging Markets          | 14.5%    |               | US\$ Perf. |      |       | Loc. Perf. |      |       |             |            | Trail DY |
| Europe x UK               | 9.4%     |               | 3m         | 6m   | 12m   | 3m         | 6m   | 12m   | ROE         | P / BV     |          |
| Dev Asia                  | 1.8%     |               |            |      |       |            |      |       |             |            |          |
| Japan                     | 1.1%     | Sector        | -9.9       | -5.8 | -15.9 | -8.3       | -5.4 | -12.2 | 16.1        | 1.4        | 3.2      |
|                           |          | MSCI AC World | -6.4       | 4.2  | -8.7  | -5.2       | 4.8  | -5.1  | 12.4        | 1.7        | 2.9      |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

## Performance/Valuation

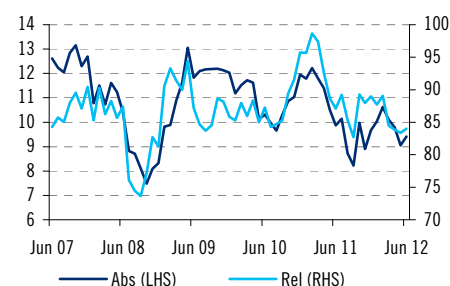
15% Fwd PE discount

### Price Performance (US\$)



Source: Citi Research, MSCI, Factset

### 12Mth Forward PE

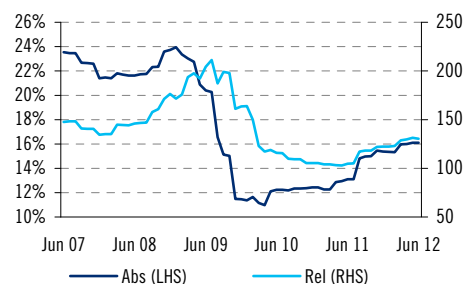


Source: Citi Research, Factset Consensus

## Profitability/Earnings

Relative earnings momentum weakening

### Return on Equity



Source: Citi Research, MSCI, Factset

### Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

## Largest Companies

| Top 1 - 10       | Cntry | Rtg | Wgt  | MC  | PE   |
|------------------|-------|-----|------|-----|------|
| ExxonMobil       | US    | 1   | 13.8 | 403 | 10.2 |
| Chevron          | US    | 1   | 7.1  | 209 | 8.0  |
| BP               | GB    | 2   | 4.3  | 126 | 6.1  |
| RD Shell Class A | GB    | 2   | 4.2  | 124 | 7.2  |
| Total            | FR    | 3   | 3.3  | 96  | 6.5  |
| RD Shell Class B | GB    | 2   | 3.2  | 93  | 7.5  |
| Schlumberger Ltd | US    | 1   | 3.0  | 87  | 13.7 |
| Occidental       | US    | 2   | 2.4  | 70  | 10.1 |
| BG               | GB    | 1   | 2.4  | 69  | 13.3 |
| ConocoPhillips   | US    | 1   | 2.3  | 68  | 8.6  |

Source: Citi Research, MSCI, IBES

| Top 11 - 20    | Cntry | Rtg | Wgt | MC | PE   |
|----------------|-------|-----|-----|----|------|
| ENI            | IT    | 1   | 1.8 | 51 | 7.2  |
| Gazprom        | RU    | 1   | 1.7 | 50 | 2.6  |
| Suncor Energy  | CA    |     | 1.6 | 45 | 8.3  |
| Petrobras-A    | BR    | 1   | 1.3 | 38 | 6.5  |
| CNOOC          | CN    | 1   | 1.2 | 35 | 7.9  |
| Apache         | US    | 1   | 1.2 | 34 | 7.0  |
| Anadarko Petro | US    | 1   | 1.1 | 33 | 14.6 |
| Enbridge       | CA    | 2   | 1.0 | 30 | 23.0 |
| TransCanada    | CA    | 2   | 1.0 | 29 | 17.8 |
| Canadian Nat'l | CA    | 1   | 1.0 | 29 | 9.2  |

Source: Citi Research, MSCI, IBES

## Materials

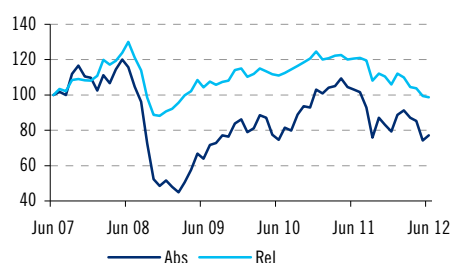
| Weight in MSCI AC World   |  | 7.5%     |  | Key Metrics   |  |  | PE    |  |  | EPS YoY |  |  | EV /  |  | EV / |        | Fwd |       |      |    |  |       |  |  |      |  |     |  |     |  |
|---------------------------|--|----------|--|---------------|--|--|-------|--|--|---------|--|--|-------|--|------|--------|-----|-------|------|----|--|-------|--|--|------|--|-----|--|-----|--|
| Market Cap (US\$)         |  | 2,013 Bn |  |               |  |  | 11E   |  |  | 12E     |  |  | 13E   |  |      | EBITDA |     | Sales |      | DY |  |       |  |  |      |  |     |  |     |  |
| Regional Weight Breakdown |  |          |  | Sector        |  |  | 10.8  |  |  | 10.9    |  |  | 9.2   |  |      | 17.7   |     |       | -0.9 |    |  | 18.5  |  |  | 6.9  |  | 1.5 |  | 2.8 |  |
| US                        |  | 22.4%    |  | MSCI AC World |  |  | 12.9  |  |  | 11.9    |  |  | 10.5  |  |      | 6.9    |     |       | 9.0  |    |  | 13.4  |  |  | 7.2  |  | 1.5 |  | 2.8 |  |
| Emerging Markets          |  | 20.8%    |  |               |  |  |       |  |  |         |  |  |       |  |      |        |     |       |      |    |  |       |  |  |      |  |     |  |     |  |
| Europe x UK               |  | 16.5%    |  |               |  |  |       |  |  |         |  |  |       |  |      |        |     |       |      |    |  |       |  |  |      |  |     |  |     |  |
| UK                        |  | 12.2%    |  |               |  |  |       |  |  |         |  |  |       |  |      |        |     |       |      |    |  |       |  |  |      |  |     |  |     |  |
| Dev Asia                  |  | 9.8%     |  |               |  |  |       |  |  |         |  |  |       |  |      |        |     |       |      |    |  |       |  |  |      |  |     |  |     |  |
| Japan                     |  | 7.1%     |  |               |  |  |       |  |  |         |  |  |       |  |      |        |     |       |      |    |  |       |  |  |      |  |     |  |     |  |
|                           |  |          |  | Sector        |  |  | -11.5 |  |  | -2.8    |  |  | -25.2 |  |      | -9.6   |     |       | -2.1 |    |  | -20.3 |  |  | 13.5 |  | 1.6 |  | 3.0 |  |
|                           |  |          |  | MSCI AC World |  |  | -6.4  |  |  | 4.2     |  |  | -8.7  |  |      | -5.2   |     |       | 4.8  |    |  | -5.1  |  |  | 12.4 |  | 1.7 |  | 2.9 |  |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

### Performance/Valuation

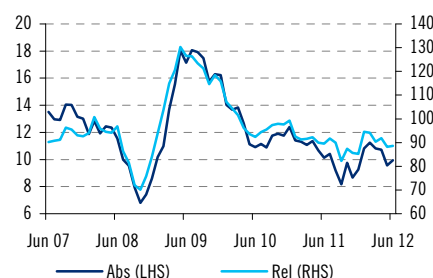
10% discount on Fwd PE

#### Price Performance (US\$)



Source: Citi Research, MSCI, Factset

#### 12Mth Forward PE

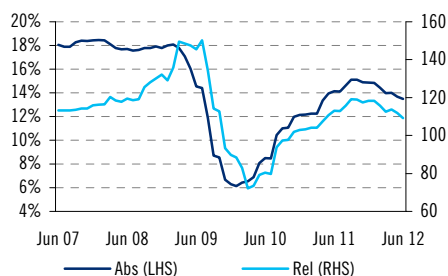


Source: Citi Research, Factset Consensus

### Profitability/Earnings

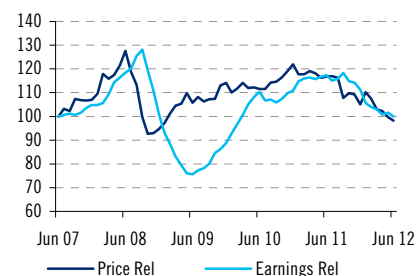
Relative earnings momentum weakening

#### Return on Equity



Source: Citi Research, MSCI, Factset

#### Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

### Largest Companies

| <b>Top 1 - 10</b>   |       |     |     |     |      | <b>Top 11 - 20</b> |       |     |     |    |      |
|---------------------|-------|-----|-----|-----|------|--------------------|-------|-----|-----|----|------|
|                     | Cntry | Rtg | Wgt | MC  | PE   |                    | Cntry | Rtg | Wgt | MC | PE   |
| BHP Billiton        | AU    | 1   | 5.2 | 104 | 8.3  | Dow Chemical       | US    | 1   | 1.9 | 37 | 10.8 |
| BASF                | DE    | 2   | 3.2 | 64  | 8.9  | Air Liquide        | FR    | 2   | 1.8 | 36 | 16.2 |
| Rio Tinto           | GB    | 1   | 3.2 | 64  | 6.1  | Praxair            | US    | 1   | 1.6 | 32 | 17.5 |
| BHP Billiton        | GB    | 1   | 3.0 | 60  | 7.4  | Syngenta           | CH    | 2   | 1.6 | 32 | 14.9 |
| DuPont              | US    | 2   | 2.3 | 47  | 11.2 | Freeport McMoran   | US    | 1   | 1.6 | 32 | 7.4  |
| Monsanto            | US    | 1   | 2.2 | 44  | 19.8 | Goldcorp           | CA    | 2   | 1.5 | 30 | 13.6 |
| Anglo American      | GB    | 2   | 2.2 | 43  | 6.9  | Linde              | DE    | 1   | 1.3 | 27 | 14.5 |
| Vale (Pref)         | BR    | 1   | 1.9 | 39  | 5.4  | Restricted         | GB    |     | 1.3 | 26 | 6.9  |
| Barrick Gold        | CA    | 1   | 1.9 | 38  | 7.3  | Vale               | BR    | 1   | 1.3 | 26 | 6.0  |
| Potash Saskatchewan | CA    | 1   | 1.9 | 37  | 12.0 | Rio Tinto          | AU    | 1   | 1.3 | 25 | 7.6  |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

## Capital Goods

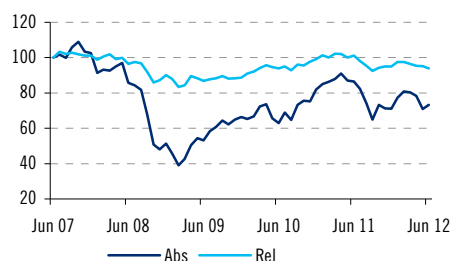
| Weight in MSCI AC World   |  | 7.6%     |  | Key Metrics   |  |  | PE   |  |  | EPS YoY |  |  | EV /  |  | EV / |        | Fwd |       |     |    |  |       |  |  |      |  |  |     |  |  |     |  |  |
|---------------------------|--|----------|--|---------------|--|--|------|--|--|---------|--|--|-------|--|------|--------|-----|-------|-----|----|--|-------|--|--|------|--|--|-----|--|--|-----|--|--|
| Market Cap (US\$)         |  | 2,055 Bn |  |               |  |  | 11E  |  |  | 12E     |  |  | 13E   |  |      | EBITDA |     | Sales |     | DY |  |       |  |  |      |  |  |     |  |  |     |  |  |
| Regional Weight Breakdown |  |          |  | Sector        |  |  | 12.3 |  |  | 11.4    |  |  | 10.1  |  |      | 17.2   |     |       | 9.1 |    |  | 12.7  |  |  | 8.1  |  |  | 1.2 |  |  | 2.7 |  |  |
| US                        |  | 48.6%    |  | MSCI AC World |  |  | 12.9 |  |  | 11.9    |  |  | 10.5  |  |      | 6.9    |     |       | 9.0 |    |  | 13.4  |  |  | 7.2  |  |  | 1.5 |  |  | 2.8 |  |  |
| Europe x UK               |  | 20.3%    |  |               |  |  |      |  |  |         |  |  |       |  |      |        |     |       |     |    |  |       |  |  |      |  |  |     |  |  |     |  |  |
| Japan                     |  | 14.8%    |  |               |  |  |      |  |  |         |  |  |       |  |      |        |     |       |     |    |  |       |  |  |      |  |  |     |  |  |     |  |  |
| Emerging Markets          |  | 8.4%     |  |               |  |  |      |  |  |         |  |  |       |  |      |        |     |       |     |    |  |       |  |  |      |  |  |     |  |  |     |  |  |
| UK                        |  | 4.2%     |  |               |  |  |      |  |  |         |  |  |       |  |      |        |     |       |     |    |  |       |  |  |      |  |  |     |  |  |     |  |  |
| Dev Asia                  |  | 2.8%     |  |               |  |  |      |  |  |         |  |  |       |  |      |        |     |       |     |    |  |       |  |  |      |  |  |     |  |  |     |  |  |
|                           |  |          |  | Sector        |  |  | -8.8 |  |  | 3.0     |  |  | -15.2 |  |      | -8.1   |     |       | 3.8 |    |  | -12.4 |  |  | 14.5 |  |  | 1.8 |  |  | 2.8 |  |  |
|                           |  |          |  | MSCI AC World |  |  | -6.4 |  |  | 4.2     |  |  | -8.7  |  |      | -5.2   |     |       | 4.8 |    |  | -5.1  |  |  | 12.4 |  |  | 1.7 |  |  | 2.9 |  |  |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

### Performance/Valuation

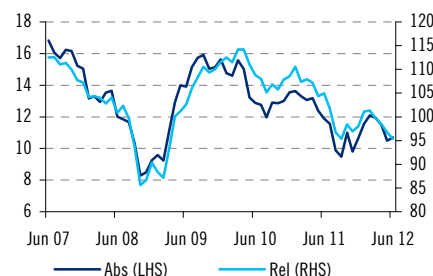
Back to Fwd PE discount

#### Price Performance (US\$)



Source: Citi Research, MSCI, Factset

#### 12Mth Forward PE

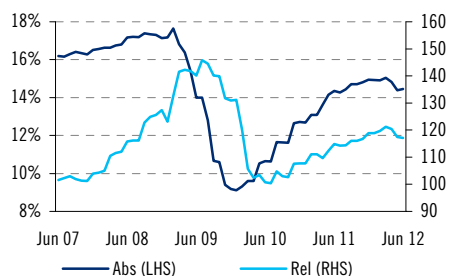


Source: Citi Research, Factset Consensus

### Profitability/Earnings

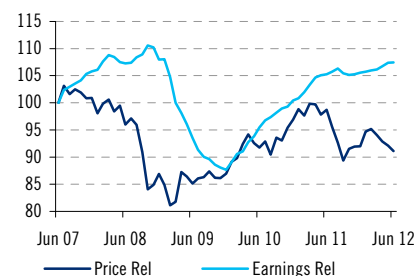
Strong relative earnings momentum

#### Return on Equity



Source: Citi Research, MSCI, Factset

#### Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

### Largest Companies

| <b>Top 1 - 10</b> |       |     |      |     |      | <b>Top 11 - 20</b> |       |     |     |    |      |
|-------------------|-------|-----|------|-----|------|--------------------|-------|-----|-----|----|------|
|                   | Cntry | Rtg | Wgt  | MC  | PE   |                    | Cntry | Rtg | Wgt | MC | PE   |
| General Electric  | US    | 1   | 10.7 | 221 | 12.6 | Deere and Co       | US    | 1   | 1.5 | 31 | 9.5  |
| Siemens AG        | DE    | 1   | 3.4  | 69  | 9.6  | Danaher Corp       | US    | 1   | 1.5 | 31 | 14.8 |
| United Tech       | US    | 2   | 3.2  | 65  | 12.4 | Schneider Elec     | FR    | 3   | 1.4 | 29 | 10.4 |
| 3M Co             | US    | 2   | 2.9  | 59  | 13.4 | Mitsubishi Corp    | JP    |     | 1.4 | 28 | 5.4  |
| Caterpillar Inc   | US    | 2   | 2.7  | 55  | 8.0  | Mitsui & Co Ltd    | JP    |     | 1.2 | 26 | 5.0  |
| The Boeing Co     | US    | 1   | 2.6  | 53  | 14.5 | Rolls-Royce        | GB    | 1   | 1.2 | 25 | 14.4 |
| Honeywell Intl    | US    | 1   | 2.0  | 41  | 11.7 | Tyco Intl          | US    | 2   | 1.2 | 24 | 13.0 |
| ABB               | CH    | 1   | 1.7  | 36  | 10.5 | Lockheed Martin    | US    | 1   | 1.2 | 24 | 10.7 |
| Emerson Electric  | US    | 1   | 1.7  | 34  | 12.3 | Precision Cast     | US    | 1   | 1.2 | 24 | 15.7 |
| Fanuc Ltd         | JP    | 1   | 1.5  | 31  | 16.0 | Illinois Tool      | US    | 2   | 1.1 | 23 | 11.8 |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

## Commercial Services

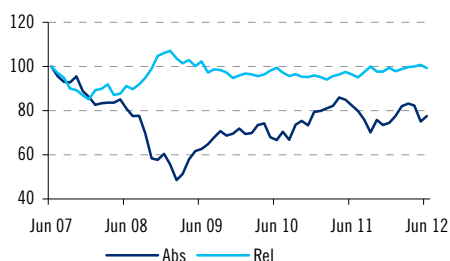
| Weight in MSCI AC World   | 0.7%   | Key Metrics   |            |      | PE   |            |      | EPS YoY |  |        | EV /   | EV /  | Fwd |
|---------------------------|--------|---------------|------------|------|------|------------|------|---------|--|--------|--------|-------|-----|
| Market Cap (US\$)         | 199 Bn |               | 11E        | 12E  | 13E  | 11E        | 12E  | 13E     |  | EBITDA | Sales  | DY    |     |
| Regional Weight Breakdown |        | Sector        | 17.9       | 16.0 | 14.0 | 5.0        | 11.7 | 14.2    |  | 9.2    | 1.6    | 2.7   |     |
| US                        | 38.9%  | MSCI AC World | 12.9       | 11.9 | 10.5 | 6.9        | 9.0  | 13.4    |  | 7.2    | 1.5    | 2.8   |     |
| UK                        | 25.9%  |               |            |      |      |            |      |         |  |        |        |       |     |
| Europe x UK               | 17.5%  |               | US\$ Perf. |      |      | Loc. Perf. |      |         |  |        |        | Trail |     |
| Japan                     | 8.9%   |               | 3m         | 6m   | 12m  | 3m         | 6m   | 12m     |  | ROE    | P / BV | DY    |     |
| Dev Asia                  | 6.8%   |               |            |      |      |            |      |         |  |        |        |       |     |
| Emerging Markets          | 1.0%   | Sector        | -6.7       | 4.1  | -5.9 | -5.6       | 4.6  | -3.1    |  | 13.6   | 2.6    | 2.7   |     |
|                           |        | MSCI AC World | -6.4       | 4.2  | -8.7 | -5.2       | 4.8  | -5.1    |  | 12.4   | 1.7    | 2.9   |     |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

### Performance/Valuation

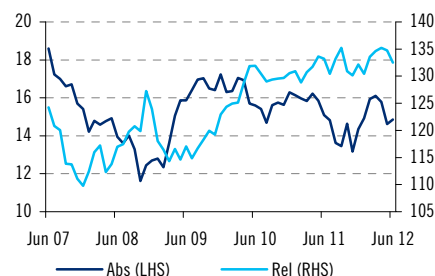
In-line performance

#### Price Performance (US\$)



Source: Citi Research, MSCI, Factset

#### 12Mth Forward PE

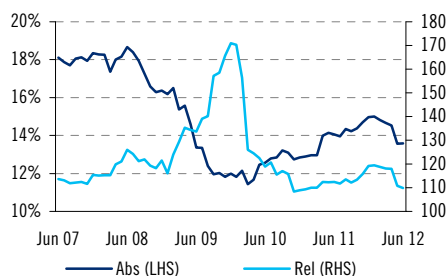


Source: Citi Research, Factset Consensus

### Profitability/Earnings

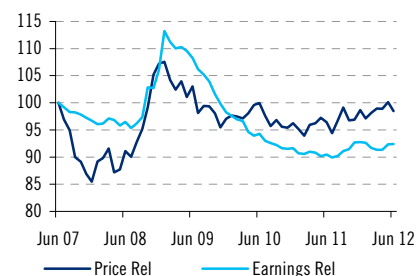
RoE has weakened recently

#### Return on Equity



Source: Citi Research, MSCI, Factset

#### Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

### Largest Companies

| <b>Top 1 - 10</b> |       |     |     |    |      | <b>Top 11 - 20</b> |       |     |     |    |      |
|-------------------|-------|-----|-----|----|------|--------------------|-------|-----|-----|----|------|
|                   | Cntry | Rtg | Wgt | MC | PE   |                    | Cntry | Rtg | Wgt | MC | PE   |
| Waste Management  | US    |     | 7.4 | 15 | 14.2 | Intertek Group     | GB    | 1   | 3.4 | 7  | 19.9 |
| Experian Group    | GB    | 1   | 7.1 | 14 | 15.8 | Group 4 Securicor  | GB    | 1   | 3.1 | 6  | 10.7 |
| SGS               | CH    | 2   | 5.2 | 10 | 19.8 | IHS, Inc.          | US    |     | 3.0 | 6  | 24.2 |
| Brambles          | AU    |     | 4.9 | 10 | 13.7 | Adecco             | CH    | 2   | 3.0 | 6  | 11.5 |
| Secom             | JP    |     | 4.8 | 10 | 12.3 | Equifax            | US    |     | 2.8 | 6  | 15.2 |
| Aggreko           | GB    | 1   | 4.4 | 9  | 18.3 | Bureau Veritas     | FR    | 2   | 2.4 | 5  | 18.0 |
| Republic Svcs     | US    |     | 4.2 | 8  | 13.3 | Babcock            | GB    | 1   | 2.4 | 5  | 12.2 |
| Stericycle        | US    |     | 3.9 | 8  | 26.5 | Edenred            | FR    | 1   | 2.4 | 5  | 21.6 |
| Verisk Analytics  | US    |     | 3.5 | 7  | 23.4 | Cintas Corp        | US    | 1   | 2.3 | 5  | 15.1 |
| Capita Group      | GB    | 1   | 3.4 | 7  | 12.2 | Dai Nippon Print   | JP    |     | 2.2 | 4  | 20.6 |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

# Transportation

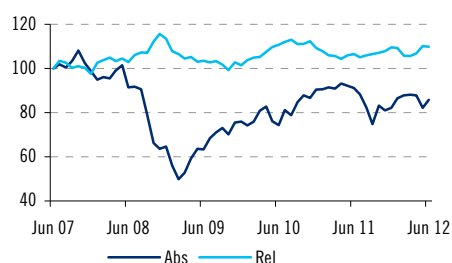
| Weight in MSCI AC World   | 2.0%   | Key Metrics   |            |      | PE   |            |      | EPS YoY |        |        | EV /  | EV / | Fwd |
|---------------------------|--------|---------------|------------|------|------|------------|------|---------|--------|--------|-------|------|-----|
| Market Cap (US\$)         | 551 Bn |               | 11E        | 12E  | 13E  | 11E        | 12E  | 13E     | EBITDA | Sales  | DY    |      |     |
| Regional Weight Breakdown |        | Sector        | 19.0       | 15.2 | 12.6 | -12.8      | 24.3 | 20.6    | 8.3    | 1.6    | 2.2   |      |     |
| US                        | 41.6%  | MSCI AC World | 12.9       | 11.9 | 10.5 | 6.9        | 9.0  | 13.4    | 7.2    | 1.5    | 2.8   |      |     |
| Japan                     | 19.0%  |               |            |      |      |            |      |         |        |        |       |      |     |
| Europe x UK               | 12.5%  |               | US\$ Perf. |      |      | Loc. Perf. |      |         |        |        | Trail |      |     |
| Emerging Markets          | 9.8%   |               | 3m         | 6m   | 12m  | 3m         | 6m   | 12m     | ROE    | P / BV | DY    |      |     |
| Dev Asia                  | 8.0%   |               |            |      |      |            |      |         |        |        |       |      |     |
| UK                        | 0.0%   | Sector        | -2.7       | 4.4  | -5.9 | -1.9       | 5.7  | -2.5    | 9.4    | 1.8    | 2.2   |      |     |
|                           |        | MSCI AC World | -6.4       | 4.2  | -8.7 | -5.2       | 4.8  | -5.1    | 12.4   | 1.7    | 2.9   |      |     |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

## Performance/Valuation

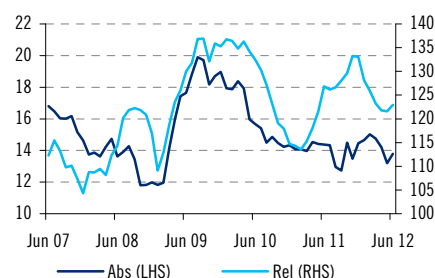
20% Fwd PE premium

### Price Performance (US\$)



Source: Citi Research, MSCI, Factset

### 12Mth Forward PE

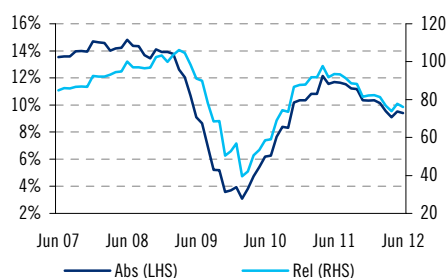


Source: Citi Research, Factset Consensus

## Profitability/Earnings

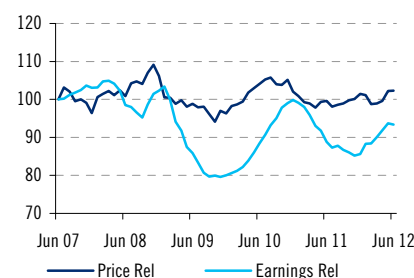
Strong relative earnings momentum

### Return on Equity



Source: Citi Research, MSCI, Factset

### Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

## Largest Companies

| <b>Top 1 - 10</b>  |       |     |      |    |      | <b>Top 11 - 20</b> |       |     |     |    |      |
|--------------------|-------|-----|------|----|------|--------------------|-------|-----|-----|----|------|
|                    | Cntry | Rtg | Wgt  | MC | PE   |                    | Cntry | Rtg | Wgt | MC | PE   |
| Union Pacific      | US    | 1   | 10.4 | 57 | 13.7 | CH Robinson WW     | US    | 2   | 1.7 | 10 | 19.0 |
| United Parcel      | US    | 1   | 10.3 | 57 | 15.2 | APM Maersk         | DK    | 2   | 1.6 | 9  | 8.6  |
| Canadian Nat Rly   | CA    | 2   | 6.8  | 37 | 14.7 | Expeditors         | US    |     | 1.5 | 8  | 19.7 |
| Fedex Corp         | US    | 1   | 5.0  | 27 | 12.2 | Transurban Group   | AU    | 2   | 1.4 | 8  | 33.7 |
| Norfolk Southern   | US    | 1   | 4.3  | 24 | 11.5 | Kansas City Sthn   | US    | 1   | 1.4 | 8  | 18.2 |
| CSX                | US    | 1   | 4.3  | 24 | 11.5 | Comp Conc Rodo     | BR    | 2   | 1.3 | 7  | 20.3 |
| East Japan Rail    | JP    | 1   | 3.9  | 21 | 11.0 | West Japan Ry      | JP    | 1   | 1.3 | 7  | 11.2 |
| Deutsche Post      | DE    | 1   | 2.7  | 15 | 10.6 | LAN Airlines       | CL    | 1   | 1.3 | 7  | 19.6 |
| Can Pacific Rly    | CA    | 1   | 2.3  | 12 | 15.1 | Kintetsu           | JP    |     | 1.2 | 6  | 29.4 |
| Central Japan Rail | JP    | 2   | 2.1  | 12 | 7.0  | Odakyu Elec Ry     | JP    | 2   | 1.1 | 6  | 29.5 |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

## Autos & Components

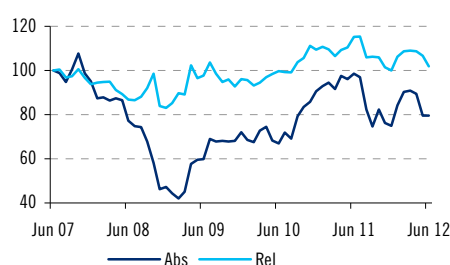
| Weight in MSCI AC World   | 2.5%   | Key Metrics   |            |      |       |            |      |       |        |        |       |
|---------------------------|--------|---------------|------------|------|-------|------------|------|-------|--------|--------|-------|
| Market Cap (US\$)         | 660 Bn |               | PE         |      |       | EPS YoY    |      |       | EV /   | EV /   | Fwd   |
|                           |        |               | 11E        | 12E  | 13E   | 11E        | 12E  | 13E   | EBITDA | Sales  | DY    |
| Regional Weight Breakdown |        | Sector        | 10.1       | 8.6  | 7.3   | 14.8       | 18.3 | 19.5  | 6.3    | 0.9    | 2.0   |
| Japan                     | 42.1%  | MSCI AC World | 12.9       | 11.9 | 10.5  | 6.9        | 9.0  | 13.4  | 7.2    | 1.5    | 2.8   |
| Europe x UK               | 21.4%  |               |            |      |       |            |      |       |        |        |       |
| Emerging Markets          | 19.3%  |               |            |      |       |            |      |       |        |        |       |
| US                        | 15.2%  |               | US\$ Perf. |      |       | Loc. Perf. |      |       |        |        | Trail |
| UK                        | 0.7%   |               | 3m         | 6m   | 12m   | 3m         | 6m   | 12m   | ROE    | P / BV | DY    |
| Dev Asia                  | 0.0%   | Sector        | -12.3      | 6.3  | -19.3 | -12.1      | 8.4  | -15.9 | 14.2   | 1.2    | 2.2   |
|                           |        | MSCI AC World | -6.4       | 4.2  | -8.7  | -5.2       | 4.8  | -5.1  | 12.4   | 1.7    | 2.9   |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

### Performance/Valuation

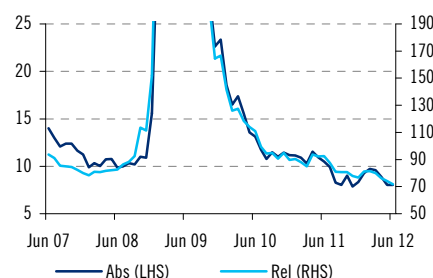
Underperformer in 2Q12

#### Price Performance (US\$)



Source: Citi Research, MSCI, Factset

#### 12Mth Forward PE

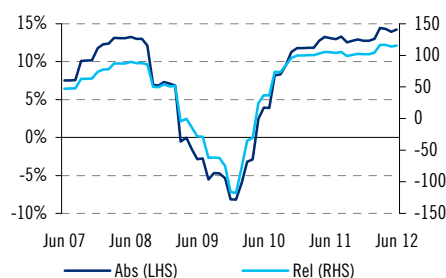


Source: Citi Research, Factset Consensus

### Profitability/Earnings

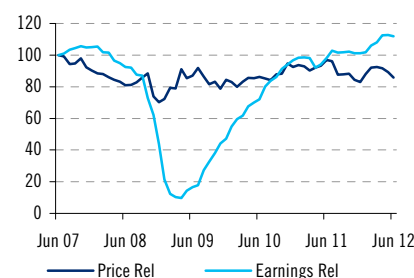
RoE has stabilized

#### Return on Equity



Source: Citi Research, MSCI, Factset

#### Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

### Largest Companies

| <b>Top 1 - 10</b> |       |     |      |     |      | <b>Top 11 - 20</b> |       |     |     |    |      |
|-------------------|-------|-----|------|-----|------|--------------------|-------|-----|-----|----|------|
|                   | Cntry | Rtg | Wgt  | MC  | PE   |                    | Cntry | Rtg | Wgt | MC | PE   |
| Toyota Motor      | JP    | 2   | 16.7 | 110 | 10.6 | Denso Corp         | JP    | 1   | 2.5 | 16 | 12.5 |
| Honda Motor       | JP    | 1   | 8.5  | 56  | 8.9  | Hyundai Mobis      | KR    | 2   | 2.5 | 16 | 7.2  |
| Daimler           | DE    | 1   | 6.2  | 41  | 6.2  | General Motors Co  | US    | 1H  | 2.3 | 15 | 4.9  |
| Ford Motor        | US    | 1H  | 5.1  | 34  | 6.0  | Bridgestone Corp   | JP    | 2   | 2.2 | 15 | 7.8  |
| Hyundai Motor     | KR    | 1   | 4.7  | 31  | 6.5  | Astra Intl         | ID    | 2   | 2.2 | 15 | 13.3 |
| BMW               | DE    | 2   | 3.6  | 24  | 7.0  | Michelin           | FR    | 1   | 1.8 | 12 | 6.4  |
| Nissan Motor      | JP    | 1   | 3.5  | 23  | 7.1  | Harley Davidson    | US    | 1   | 1.6 | 11 | 14.3 |
| Volkswagen        | DE    | 2   | 3.5  | 23  | 5.3  | Magna Intl         | CA    | 3H  | 1.3 | 9  | 7.5  |
| Johnson Controls  | US    | 2   | 2.9  | 19  | 8.8  | Renault            | FR    | 1   | 1.2 | 8  | 3.6  |
| Kia Motors        | KR    | 1   | 2.6  | 17  | 6.5  | Porsche            | DE    | 3H  | 1.2 | 8  | 3.7  |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

## Consumer Durables

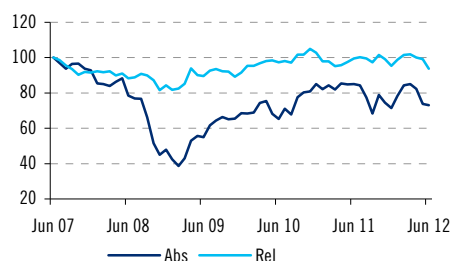
| Weight in MSCI AC World   | 1.4%   | Key Metrics   |            |      | PE    |            |       | EPS YoY |        |        | EV / | EV /  | Fwd |
|---------------------------|--------|---------------|------------|------|-------|------------|-------|---------|--------|--------|------|-------|-----|
| Market Cap (US\$)         | 368 Bn |               | 11E        | 12E  | 13E   | 11E        | 12E   | 13E     | EBITDA | Sales  |      | DY    |     |
| Regional Weight Breakdown |        | Sector        | 52.7       | 19.9 | 12.7  | -75.8      | 385.4 | 57.4    | 7.7    | 1.3    |      | 1.9   |     |
| US                        | 35.6%  | MSCI AC World | 12.9       | 11.9 | 10.5  | 6.9        | 9.0   | 13.4    | 7.2    | 1.5    |      | 2.8   |     |
| Europe x UK               | 32.1%  |               |            |      |       |            |       |         |        |        |      |       |     |
| Japan                     | 21.0%  |               |            |      |       |            |       |         |        |        |      |       |     |
| Emerging Markets          | 7.3%   |               |            |      |       |            |       |         |        |        |      |       |     |
| UK                        | 2.5%   |               |            |      |       |            |       |         |        |        |      |       |     |
| Dev Asia                  | 0.6%   |               |            |      |       |            |       |         |        |        |      |       |     |
|                           |        |               | US\$ Perf. |      |       | Loc. Perf. |       |         |        |        |      | Trail |     |
|                           |        |               | 3m         | 6m   | 12m   | 3m         | 6m    | 12m     | ROE    | P / BV |      | DY    |     |
|                           |        | Sector        | -13.9      | 2.3  | -14.0 | -12.8      | 3.7   | -9.9    | 0.2    | 1.8    |      | 2.0   |     |
|                           |        | MSCI AC World | -6.4       | 4.2  | -8.7  | -5.2       | 4.8   | -5.1    | 12.4   | 1.7    |      | 2.9   |     |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

### Performance/Valuation

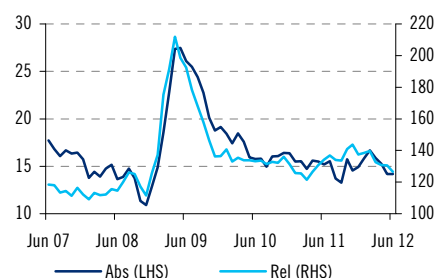
Underperformer in 2Q12

#### Price Performance (US\$)



Source: Citi Research, MSCI, Factset

#### 12Mth Forward PE

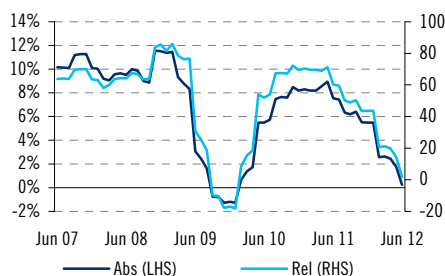


Source: Citi Research, Factset Consensus

### Profitability/Earnings

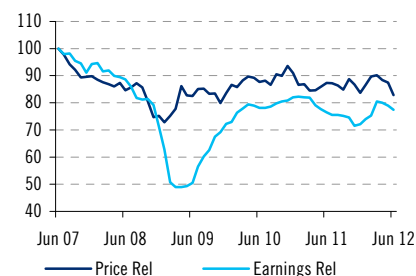
Relative earnings momentum weakening recently

#### Return on Equity



Source: Citi Research, MSCI, Factset

#### Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

### Largest Companies

| <b>Top 1 - 10</b> |       |     |      |    |      | <b>Top 11 - 20</b> |       |     |     |    |      |
|-------------------|-------|-----|------|----|------|--------------------|-------|-----|-----|----|------|
|                   | Cntry | Rtg | Wgt  | MC | PE   |                    | Cntry | Rtg | Wgt | MC | PE   |
| LVMH              | FR    | 1   | 10.5 | 39 | 15.6 | Nikon Corp         | JP    | 2   | 2.8 | 10 | 13.9 |
| Nike Inc          | US    | 1   | 8.8  | 32 | 15.0 | Burberry Group     | GB    | 2   | 2.5 | 9  | 17.5 |
| Richemont         | CH    | 1   | 7.8  | 29 | 13.1 | Ralph Lauren       | US    | 1   | 2.3 | 9  | 16.9 |
| Panasonic         | JP    | 1   | 4.8  | 18 | 18.7 | Christian Dior     | FR    |     | 2.0 | 7  | 12.3 |
| Coach             | US    |     | 4.6  | 17 | 14.1 | Lululemon          | US    |     | 1.6 | 6  | 33.0 |
| Adidas-Salomon    | DE    | 1   | 4.1  | 15 | 13.6 | LGE                | KR    | 1   | 1.5 | 6  | 8.7  |
| Sony              | JP    | 1   | 3.8  | 14 | 23.2 | PVH                | US    | 1   | 1.5 | 5  | 11.7 |
| Swatch Group      | CH    | 1   | 3.3  | 12 | 13.2 | D R Horton Inc     | US    | 1   | 1.4 | 5  | 21.6 |
| VF                | US    | 1   | 3.2  | 12 | 13.1 | Newell Rubber      | US    | 1   | 1.4 | 5  | 10.4 |
| Mattel            | US    | 1   | 3.0  | 11 | 12.9 | Sekisui House      | JP    | 1   | 1.4 | 5  | 10.7 |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

## Consumer Services

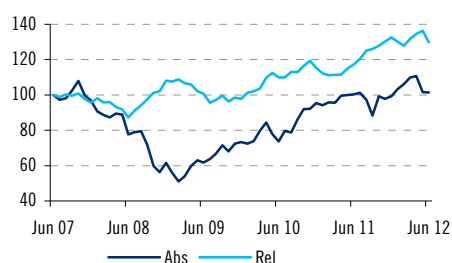
| Weight in MSCI AC World   | 1.5%   | Key Metrics   |            |      |      |            |     |      |        |        |       |
|---------------------------|--------|---------------|------------|------|------|------------|-----|------|--------|--------|-------|
| Market Cap (US\$)         | 402 Bn |               | PE         |      |      | EPS YoY    |     |      | EV /   | EV /   | Fwd   |
|                           |        |               | 11E        | 12E  | 13E  | 11E        | 12E | 13E  | EBITDA | Sales  | DY    |
| Regional Weight Breakdown |        | Sector        | 18.5       | 17.3 | 15.1 | 17.6       | 7.2 | 14.6 | 9.5    | 2.0    | 2.3   |
| US                        | 67.1%  | MSCI AC World | 12.9       | 11.9 | 10.5 | 6.9        | 9.0 | 13.4 | 7.2    | 1.5    | 2.8   |
| Dev Asia                  | 10.9%  |               |            |      |      |            |     |      |        |        |       |
| UK                        | 9.9%   |               | US\$ Perf. |      |      | Loc. Perf. |     |      |        |        | Trail |
| Emerging Markets          | 3.8%   |               | 3m         | 6m   | 12m  | 3m         | 6m  | 12m  | ROE    | P / BV | DY    |
| Europe x UK               | 3.6%   |               |            |      |      |            |     |      |        |        |       |
| Japan                     | 2.6%   | Sector        | -7.7       | 2.1  | 1.1  | -7.2       | 2.2 | 2.5  | 20.6   | 3.5    | 2.4   |
|                           |        | MSCI AC World | -6.4       | 4.2  | -8.7 | -5.2       | 4.8 | -5.1 | 12.4   | 1.7    | 2.9   |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

### Performance/Valuation

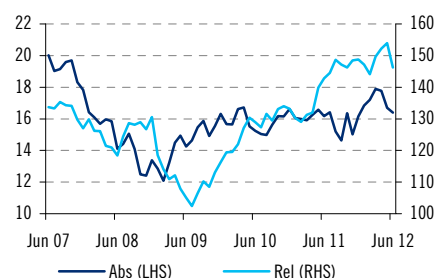
#### Price Performance (US\$)

Large premium on Fwd PE



Source: Citi Research, MSCI, Factset

#### 12Mth Forward PE

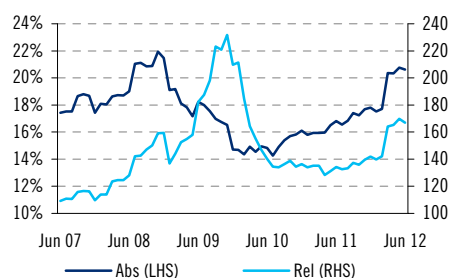


Source: Citi Research, Factset Consensus

### Profitability/Earnings

#### Return on Equity

Improving RoE



Source: Citi Research, MSCI, Factset

#### Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

### Largest Companies

| <b>Top 1 - 10</b> |       |     |      |    |      | <b>Top 11 - 20</b> |       |     |     |    |      |
|-------------------|-------|-----|------|----|------|--------------------|-------|-----|-----|----|------|
|                   | Cntry | Rtg | Wgt  | MC | PE   |                    | Cntry | Rtg | Wgt | MC | PE   |
| McDonald's        | US    | 2   | 22.4 | 90 | 15.1 | Tim Hortons        | CA    |     | 2.1 | 8  | 18.6 |
| Starbucks         | US    | 1   | 10.0 | 40 | 24.3 | Wyndham World      | US    |     | 1.9 | 8  | 15.6 |
| YUM! BRANDS       | US    | 2   | 7.4  | 30 | 18.1 | Sands China        | HK    | 1   | 1.9 | 8  | 13.7 |
| Compass Group     | GB    | 1   | 4.9  | 20 | 14.7 | Sodexo             | FR    | 2   | 1.8 | 7  | 17.2 |
| Las Vegas Snds    | US    | 1   | 4.4  | 18 | 15.0 | Intercont Hotels   | GB    | 1   | 1.7 | 7  | 17.5 |
| Carnival Corp     | US    | 1   | 3.8  | 15 | 15.5 | Genting Intl       | SG    | 3   | 1.7 | 7  | 15.0 |
| Chipotle Mexican  | US    | 2   | 3.0  | 12 | 38.0 | Darden Restaurnt   | US    | 1   | 1.6 | 7  | 12.3 |
| Marriott Intl     | US    | 1   | 2.6  | 10 | 21.4 | Carnival Plc       | GB    |     | 1.5 | 6  | 15.6 |
| Starwood Hotels   | US    | 1   | 2.6  | 10 | 20.6 | Genting            | MY    | 3   | 1.5 | 6  | 11.8 |
| Wynn Resorts LTD  | US    | 2   | 2.1  | 8  | 15.9 | Oriental Land      | JP    |     | 1.4 | 6  | 17.2 |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

## Media

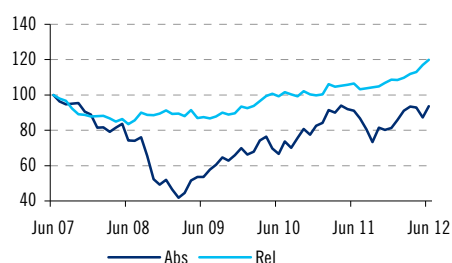
| Weight in MSCI AC World   | 2.3%   | Key Metrics   |            |      |      |            |      |      |        |        |       |
|---------------------------|--------|---------------|------------|------|------|------------|------|------|--------|--------|-------|
| Market Cap (US\$)         | 627 Bn |               | PE         |      |      | EPS YoY    |      |      | EV /   | EV /   | Fwd   |
|                           |        |               | 11E        | 12E  | 13E  | 11E        | 12E  | 13E  | EBITDA | Sales  | DY    |
| Regional Weight Breakdown |        | Sector        | 16.9       | 14.4 | 12.4 | 19.0       | 17.5 | 15.6 | 7.4    | 2.0    | 1.7   |
| US                        | 71.9%  | MSCI AC World | 12.9       | 11.9 | 10.5 | 6.9        | 9.0  | 13.4 | 7.2    | 1.5    | 2.8   |
| UK                        | 9.2%   |               |            |      |      |            |      |      |        |        |       |
| Europe x UK               | 7.6%   |               | US\$ Perf. |      |      | Loc. Perf. |      |      |        |        | Trail |
| Emerging Markets          | 5.7%   |               | 3m         | 6m   | 12m  | 3m         | 6m   | 12m  | ROE    | P / BV | DY    |
| Japan                     | 1.7%   |               |            |      |      |            |      |      |        |        |       |
| Dev Asia                  | 1.0%   | Sector        | 0.3        | 15.1 | 2.8  | 1.2        | 15.3 | 5.7  | 14.2   | 2.5    | 1.9   |
|                           |        | MSCI AC World | -6.4       | 4.2  | -8.7 | -5.2       | 4.8  | -5.1 | 12.4   | 1.7    | 2.9   |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

### Performance/Valuation

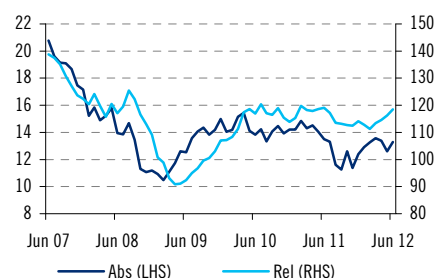
20% Fwd PE premium

#### Price Performance (US\$)



Source: Citi Research, MSCI, Factset

#### 12Mth Forward PE

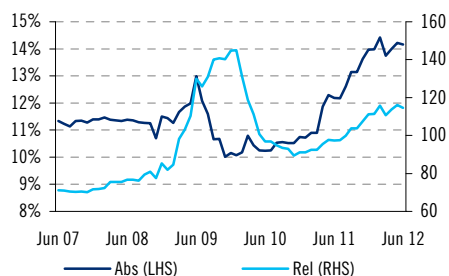


Source: Citi Research, Factset Consensus

### Profitability/Earnings

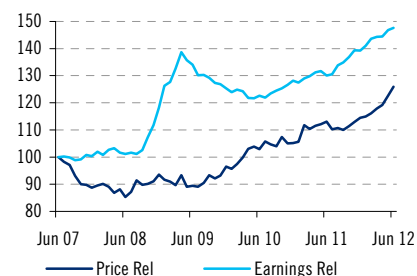
Stellar relative earnings momentum

#### Return on Equity



Source: Citi Research, MSCI, Factset

#### Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

### Largest Companies

| <b>Top 1 - 10</b> |       |     |      |    |      | <b>Top 11 - 20</b> |       |     |     |    |      |
|-------------------|-------|-----|------|----|------|--------------------|-------|-----|-----|----|------|
|                   | Cntry | Rtg | Wgt  | MC | PE   |                    | Cntry | Rtg | Wgt | MC | PE   |
| Walt Disney Co    | US    | 2   | 13.2 | 83 | 14.5 | Pearson            | GB    | 1   | 2.6 | 16 | 14.3 |
| Comcast A         | US    | 1   | 10.7 | 67 | 15.6 | WPP                | GB    | 2   | 2.4 | 15 | 10.0 |
| News Corp         | US    | 2   | 6.0  | 37 | 13.1 | Omnicom Group      | US    | 1   | 2.1 | 13 | 12.5 |
| Time Warner       | US    | 1   | 6.0  | 37 | 11.3 | B Sky B            | GB    | 1   | 1.9 | 12 | 12.6 |
| DirectTV          | US    | 1   | 5.3  | 33 | 10.1 | McGraw-Hill Inc    | US    |     | 1.8 | 11 | 12.8 |
| Time Warner       | US    | 1   | 4.1  | 26 | 13.1 | Grupo Televisa     | MX    | 1   | 1.8 | 11 | 18.5 |
| Viacom            | US    | 1   | 3.7  | 23 | 9.7  | Thomson Corp       | CA    | 2   | 1.7 | 11 | 13.5 |
| Naspers           | ZA    | 1   | 3.3  | 21 | 18.2 | News Corp          | US    | 2   | 1.6 | 10 | 13.1 |
| CBS               | US    | 2   | 3.2  | 20 | 12.4 | Reed Elsevier      | GB    | 2   | 1.6 | 10 | 10.1 |
| Comcast A Spec    | US    | 1   | 3.0  | 19 | 15.6 | Liberty Media      | US    | 2   | 1.5 | 9  | 27.6 |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

## Retailing

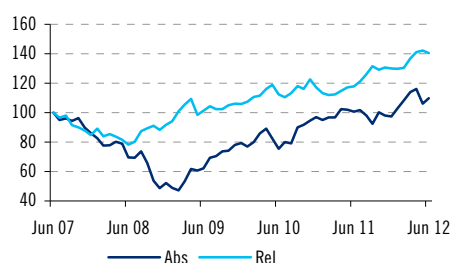
| Weight in MSCI AC World   | 2.8%   | Key Metrics   |            |      |      |            |      |      |        |        |       |
|---------------------------|--------|---------------|------------|------|------|------------|------|------|--------|--------|-------|
| Market Cap (US\$)         | 757 Bn |               | PE         |      |      | EPS YoY    |      |      | EV /   | EV /   | Fwd   |
|                           |        |               | 11E        | 12E  | 13E  | 11E        | 12E  | 13E  | EBITDA | Sales  | DY    |
| Regional Weight Breakdown |        | Sector        | 19.5       | 17.1 | 14.9 | 13.9       | 13.7 | 14.9 | 9.0    | 1.1    | 1.5   |
| US                        | 71.1%  | MSCI AC World | 12.9       | 11.9 | 10.5 | 6.9        | 9.0  | 13.4 | 7.2    | 1.5    | 2.8   |
| Europe x UK               | 8.9%   |               |            |      |      |            |      |      |        |        |       |
| Emerging Markets          | 7.8%   |               |            |      |      |            |      |      |        |        |       |
| Japan                     | 5.7%   |               | US\$ Perf. |      |      | Loc. Perf. |      |      |        |        | Trail |
| UK                        | 3.6%   |               | 3m         | 6m   | 12m  | 3m         | 6m   | 12m  | ROE    | P / BV | DY    |
| Dev Asia                  | 2.2%   | Sector        | -3.7       | 12.7 | 8.9  | -3.1       | 13.0 | 11.2 | 17.3   | 3.4    | 1.6   |
|                           |        | MSCI AC World | -6.4       | 4.2  | -8.7 | -5.2       | 4.8  | -5.1 | 12.4   | 1.7    | 2.9   |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

### Performance/Valuation

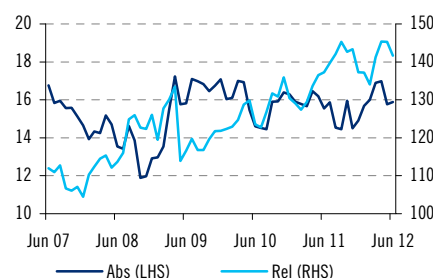
40% Fwd PE premium

#### Price Performance (US\$)



Source: Citi Research, MSCI, Factset

#### 12Mth Forward PE

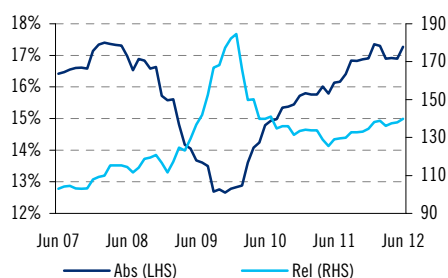


Source: Citi Research, Factset Consensus

### Profitability/Earnings

Strong relative earnings momentum

#### Return on Equity



Source: Citi Research, MSCI, Factset

#### Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

### Largest Companies

| <b>Top 1 - 10</b> |       |     |      |    |       | <b>Top 11 - 20</b> |       |     |     |    |      |
|-------------------|-------|-----|------|----|-------|--------------------|-------|-----|-----|----|------|
|                   | Cntry | Rtg | Wgt  | MC | PE    |                    | Cntry | Rtg | Wgt | MC | PE   |
| Amazon.com Inc    | US    | 1   | 11.0 | 83 | 119.9 | Macy's             | US    | 2   | 1.9 | 14 | 9.7  |
| Home Depot Inc    | US    | 1   | 10.8 | 82 | 17.2  | AutoZone Inc       | US    | 1   | 1.7 | 13 | 13.9 |
| Target Corp       | US    | 1   | 4.9  | 37 | 12.8  | Dollar Tree        | US    |     | 1.7 | 13 | 20.4 |
| Lowe's            | US    | 2   | 4.7  | 35 | 14.3  | Dollar General     | US    | 1   | 1.6 | 12 | 18.1 |
| Hennes & Mauritz  | SE    | 1   | 4.5  | 34 | 21.1  | Kohls              | US    | 1   | 1.4 | 11 | 9.3  |
| Priceline.Com     | US    | 1   | 4.4  | 33 | 18.7  | Li & Fung          | HK    | 1   | 1.4 | 11 | 16.5 |
| TJX Cos Inc       | US    |     | 4.3  | 32 | 16.9  | PPR                | FR    | 1   | 1.4 | 11 | 11.0 |
| Inditex           | ES    | 1   | 3.0  | 23 | 21.2  | Limited Brands     | US    |     | 1.4 | 11 | 14.3 |
| Bed Bath Bynd     | US    | 2   | 2.0  | 15 | 12.9  | Kingfisher         | GB    | 2   | 1.4 | 11 | 10.6 |
| Ross Stores Inc   | US    |     | 1.9  | 14 | 17.5  | O'Reilly Auto      | US    | 2   | 1.4 | 11 | 16.7 |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

## Food & Staples Retailing

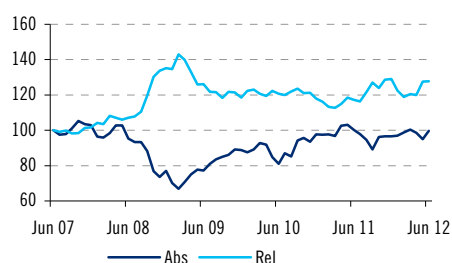
| Weight in MSCI AC World   | 2.3%   | Key Metrics   |            |      |      |            |      |      |        |        |       |
|---------------------------|--------|---------------|------------|------|------|------------|------|------|--------|--------|-------|
| Market Cap (US\$)         | 621 Bn |               | PE         |      |      | EPS YoY    |      |      | EV /   | EV /   | Fwd   |
|                           |        |               | 11E        | 12E  | 13E  | 11E        | 12E  | 13E  | EBITDA | Sales  | DY    |
| Regional Weight Breakdown |        | Sector        | 15.4       | 14.0 | 12.7 | 5.6        | 10.2 | 10.4 | 7.5    | 0.7    | 2.6   |
| US                        | 50.0%  | MSCI AC World | 12.9       | 11.9 | 10.5 | 6.9        | 9.0  | 13.4 | 7.2    | 1.5    | 2.8   |
| Emerging Markets          | 12.0%  |               |            |      |      |            |      |      |        |        |       |
| Dev Asia                  | 11.2%  |               | US\$ Perf. |      |      | Loc. Perf. |      |      |        |        | Trail |
| UK                        | 8.8%   |               | 3m         | 6m   | 12m  | 3m         | 6m   | 12m  | ROE    | P / BV | DY    |
| Europe x UK               | 7.7%   |               |            |      |      |            |      |      |        |        |       |
| Japan                     | 6.0%   | Sector        | -0.7       | 3.2  | -0.6 | 0.4        | 3.5  | 3.0  | 12.6   | 2.1    | 2.7   |
|                           |        | MSCI AC World | -6.4       | 4.2  | -8.7 | -5.2       | 4.8  | -5.1 | 12.4   | 1.7    | 2.9   |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

### Performance/Valuation

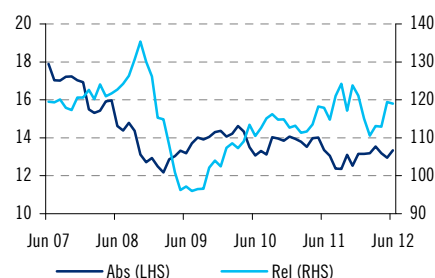
Outperformer in 2Q12

#### Price Performance (US\$)



Source: Citi Research, MSCI, Factset

#### 12Mth Forward PE

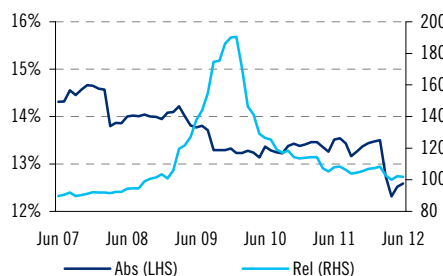


Source: Citi Research, Factset Consensus

### Profitability/Earnings

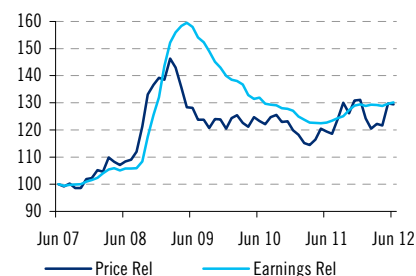
EPS momentum flattening out

#### Return on Equity



Source: Citi Research, MSCI, Factset

#### Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

### Largest Companies

| <b>Top 1 - 10</b> |       |     |      |     |      | <b>Top 11 - 20</b> |       |     |     |    |      |
|-------------------|-------|-----|------|-----|------|--------------------|-------|-----|-----|----|------|
|                   | Cntry | Rtg | Wgt  | MC  | PE   |                    | Cntry | Rtg | Wgt | MC | PE   |
| Wal Mart          | US    | 1   | 21.1 | 131 | 13.7 | Wal-Mart Mexico    | MX    |     | 2.3 | 14 | 23.2 |
| CVS               | US    | 1   | 9.8  | 61  | 13.3 | Ahold              | NL    | 1   | 2.1 | 13 | 9.6  |
| Costco            | US    | 2   | 6.7  | 41  | 22.0 | Kroger             | US    | 1   | 2.0 | 13 | 9.5  |
| Tesco             | GB    | 3   | 6.3  | 39  | 8.8  | Carrefour          | FR    | 3   | 1.7 | 11 | 9.6  |
| Woolworths Ltd    | AU    | 1   | 5.4  | 34  | 13.9 | Morrison Supermkts | GB    | 2   | 1.6 | 10 | 9.1  |
| Wesfarmers Ltd    | AU    | 2   | 5.0  | 31  | 14.4 | Shoppers Drug      | CA    |     | 1.4 | 9  | 13.6 |
| Walgreen          | US    | 3   | 4.2  | 26  | 10.3 | Magnit             | RU    | 1   | 1.3 | 8  | 23.1 |
| Seven & I Hldgs   | JP    | 1   | 3.6  | 23  | 13.0 | Shoprite Hldgs     | ZA    | 1   | 1.3 | 8  | 20.5 |
| Sysco             | US    | 2   | 2.8  | 17  | 14.9 | Aeon Co Ltd        | JP    | 2   | 1.2 | 7  | 10.1 |
| Whole Foods       | US    | 2   | 2.7  | 17  | 34.8 | Sainsbury          | GB    | 2   | 0.9 | 6  | 10.2 |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

## Food Beverage & Tobacco

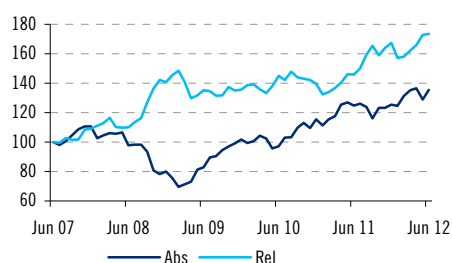
| Weight in MSCI AC World   | 6.7%     | Key Metrics   |            |      |      |            |     |      |        |        |       |
|---------------------------|----------|---------------|------------|------|------|------------|-----|------|--------|--------|-------|
| Market Cap (US\$)         | 1,814 Bn |               | PE         |      |      | EPS YoY    |     |      | EV /   | EV /   | Fwd   |
|                           |          |               | 11E        | 12E  | 13E  | 11E        | 12E | 13E  | EBITDA | Sales  | DY    |
| Regional Weight Breakdown |          | Sector        | 17.8       | 16.4 | 14.9 | 8.6        | 8.6 | 10.3 | 10.9   | 2.2    | 2.8   |
| US                        | 44.6%    | MSCI AC World | 12.9       | 11.9 | 10.5 | 6.9        | 9.0 | 13.4 | 7.2    | 1.5    | 2.8   |
| Europe x UK               | 23.9%    |               |            |      |      |            |     |      |        |        |       |
| UK                        | 16.3%    |               | US\$ Perf. |      |      | Loc. Perf. |     |      |        |        | Trail |
| Emerging Markets          | 9.5%     |               | 3m         | 6m   | 12m  | 3m         | 6m  | 12m  | ROE    | P / BV | DY    |
| Japan                     | 4.1%     |               |            |      |      |            |     |      |        |        |       |
| Dev Asia                  | 0.9%     | Sector        | 0.2        | 8.0  | 8.5  | 2.1        | 8.6 | 13.9 | 19.9   | 3.6    | 2.9   |
|                           |          | MSCI AC World | -6.4       | 4.2  | -8.7 | -5.2       | 4.8 | -5.1 | 12.4   | 1.7    | 2.9   |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

### Performance/Valuation

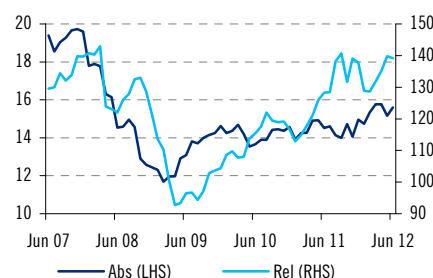
40% Fwd PE premium

#### Price Performance (US\$)



Source: Citi Research, MSCI, Factset

#### 12Mth Forward PE

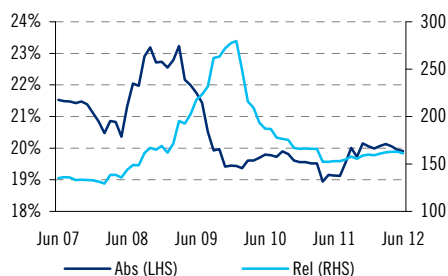


Source: Citi Research, Factset Consensus

### Profitability/Earnings

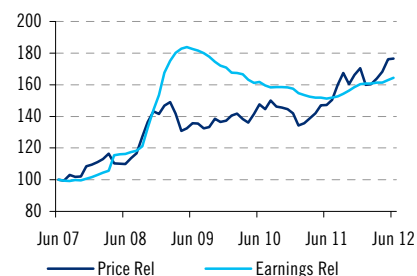
High RoE

#### Return on Equity



Source: Citi Research, MSCI, Factset

#### Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

### Largest Companies

| <b>Top 1 - 10</b> |       |     |      |     |      | <b>Top 11 - 20</b> |       |     |     |    |      |
|-------------------|-------|-----|------|-----|------|--------------------|-------|-----|-----|----|------|
|                   | Cntry | Rtg | Wgt  | MC  | PE   |                    | Cntry | Rtg | Wgt | MC | PE   |
| Nestle            | CH    | 2   | 10.9 | 197 | 16.4 | Unilever           | GB    | 2   | 2.4 | 43 | 15.8 |
| Coca-Cola Co      | US    | 1   | 8.8  | 159 | 18.3 | Imperial Tobacco   | GB    | 1   | 2.1 | 39 | 11.4 |
| Philip Morris     | US    | 2   | 8.3  | 150 | 15.8 | SABMiller          | GB    | 1   | 2.1 | 38 | 16.4 |
| Pepsico Inc       | US    | 2   | 6.1  | 111 | 16.6 | Danone             | FR    | 1   | 2.0 | 36 | 14.5 |
| Brit Am Tobacco   | GB    | 1   | 5.5  | 100 | 14.6 | AmBev              | BR    |     | 1.6 | 29 | 22.2 |
| Altria Group Inc  | US    | 2   | 3.9  | 71  | 15.1 | Japan Tobacco      | JP    | 1   | 1.5 | 27 | 13.0 |
| Kraft Foods Inc   | US    | 1   | 3.6  | 65  | 14.5 | General Mills      | US    | 1   | 1.4 | 25 | 13.9 |
| Diageo            | GB    | 2   | 3.6  | 64  | 16.1 | Pernod-Ricard SA   | FR    | 1   | 1.2 | 23 | 16.1 |
| InBev             | BE    | 1   | 3.4  | 62  | 16.5 | Archer Daniels     | US    | 2   | 1.1 | 20 | 9.6  |
| Unilever NV       | NL    | 2   | 3.0  | 55  | 15.6 | Lorillard          | US    | 1   | 1.0 | 17 | 14.4 |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

## Household & Personal

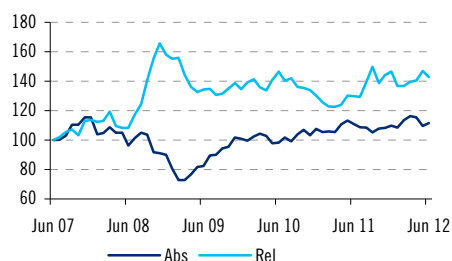
| Weight in MSCI AC World   | 1.7%   | Key Metrics   |            |      |      |            |     |      |        |        |       |
|---------------------------|--------|---------------|------------|------|------|------------|-----|------|--------|--------|-------|
| Market Cap (US\$)         | 451 Bn |               | PE         |      |      | EPS YoY    |     |      | EV /   | EV /   | Fwd   |
|                           |        |               | 11E        | 12E  | 13E  | 11E        | 12E | 13E  | EBITDA | Sales  | DY    |
| Regional Weight Breakdown |        | Sector        | 18.0       | 17.1 | 15.9 | 1.4        | 5.3 | 7.5  | 10.8   | 2.1    | 2.7   |
| US                        | 66.2%  | MSCI AC World | 12.9       | 11.9 | 10.5 | 6.9        | 9.0 | 13.4 | 7.2    | 1.5    | 2.8   |
| Europe x UK               | 11.9%  |               |            |      |      |            |     |      |        |        |       |
| Emerging Markets          | 8.3%   |               |            |      |      |            |     |      |        |        |       |
| UK                        | 7.7%   |               | US\$ Perf. |      |      | Loc. Perf. |     |      |        |        | Trail |
| Japan                     | 5.9%   |               | 3m         | 6m   | 12m  | 3m         | 6m  | 12m  | ROE    | P / BV | DY    |
| Dev Asia                  | 0.0%   | Sector        | -4.2       | 1.6  | 0.5  | -3.3       | 2.2 | 3.2  | 20.1   | 3.6    | 2.9   |
|                           |        | MSCI AC World | -6.4       | 4.2  | -8.7 | -5.2       | 4.8 | -5.1 | 12.4   | 1.7    | 2.9   |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

### Performance/Valuation

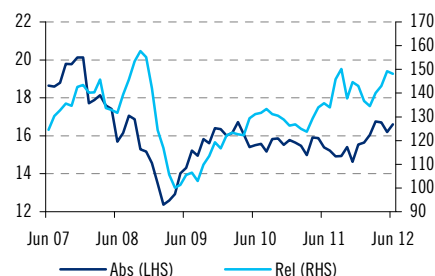
Fwd PE premium close to 5-year high

#### Price Performance (US\$)



Source: Citi Research, MSCI, Factset

#### 12Mth Forward PE

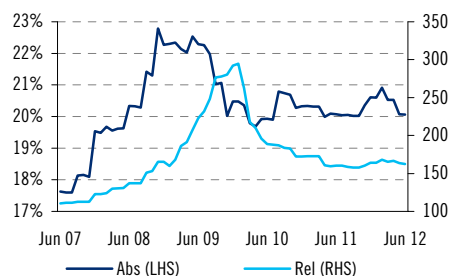


Source: Citi Research, Factset Consensus

### Profitability/Earnings

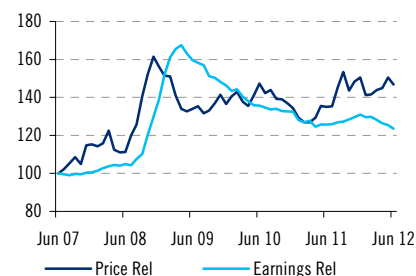
Relative earnings momentum weakening

#### Return on Equity



Source: Citi Research, MSCI, Factset

#### Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

### Largest Companies

| <b>Top 1 - 10</b> |       |     |      |     |      | <b>Top 11 - 20</b> |       |     |     |    |      |
|-------------------|-------|-----|------|-----|------|--------------------|-------|-----|-----|----|------|
|                   | Cntry | Rtg | Wgt  | MC  | PE   |                    | Cntry | Rtg | Wgt | MC | PE   |
| Procter & Gamble  | US    | 1   | 37.4 | 169 | 14.9 | Henkel             | DE    | 2   | 1.6 | 7  | 13.8 |
| Colgate           | US    | 2   | 11.1 | 50  | 18.4 | Hindustan Unilev   | IN    | 3   | 1.6 | 7  | 30.3 |
| Reckitt Benckiser | GB    | 1   | 7.7  | 35  | 13.5 | Hengan Intl        | CN    | 1   | 1.6 | 7  | 23.1 |
| Kimberly Clark    | US    | 2   | 7.3  | 33  | 15.7 | Avon Prods         | US    | 1   | 1.5 | 7  | 15.1 |
| L'Oreal           | FR    | 2   | 6.2  | 28  | 18.8 | Beiersdorf         | DE    | 3   | 1.5 | 7  | 23.6 |
| Kao Corp          | JP    | 1   | 3.2  | 14  |      | Uni-Charm Corp     | JP    |     | 1.4 | 6  | 24.9 |
| Estee Lauder Inc  | US    | 2   | 2.8  | 13  | 20.9 | Shiseido Co Ltd    | JP    | 3   | 1.3 | 6  | 21.1 |
| Henkel            | DE    | 2   | 2.6  | 12  | 13.8 | Herbalife          | US    |     | 1.2 | 6  | 11.9 |
| Clorox Co         | US    | 1   | 2.0  | 9   | 17.0 | LG Household       | KR    | 2   | 1.1 | 5  | 27.0 |
| Church Dwight Co  | US    | 2   | 1.8  | 8   | 21.8 | Energizer Hldgs    | US    | 1   | 1.1 | 5  | 11.5 |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

## Health Care Equipment & Services

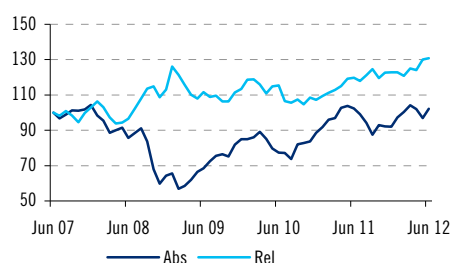
| Weight in MSCI AC World   | 2.4%   | Key Metrics   |            |      | PE   |            |      | EPS YoY |        |        | EV /  | EV / | Fwd |
|---------------------------|--------|---------------|------------|------|------|------------|------|---------|--------|--------|-------|------|-----|
| Market Cap (US\$)         | 635 Bn |               | 11E        | 12E  | 13E  | 11E        | 12E  | 13E     | EBITDA | Sales  | DY    |      |     |
| Regional Weight Breakdown |        | Sector        | 15.0       | 13.6 | 12.2 | 10.2       | 9.9  | 11.9    | 8.1    | 1.2    | 1.1   |      |     |
| US                        | 79.2%  | MSCI AC World | 12.9       | 11.9 | 10.5 | 6.9        | 9.0  | 13.4    | 7.2    | 1.5    | 2.8   |      |     |
| Europe x UK               | 11.0%  |               |            |      |      |            |      |         |        |        |       |      |     |
| Japan                     | 3.4%   |               | US\$ Perf. |      |      | Loc. Perf. |      |         |        |        | Trail |      |     |
| Emerging Markets          | 2.2%   |               | 3m         | 6m   | 12m  | 3m         | 6m   | 12m     | ROE    | P / BV | DY    |      |     |
| Dev Asia                  | 1.8%   |               |            |      |      |            |      |         |        |        |       |      |     |
| UK                        | 1.4%   | Sector        | -2.0       | 11.0 | -0.2 | -1.5       | 11.4 | 1.6     | 16.6   | 2.5    | 1.3   |      |     |
|                           |        | MSCI AC World | -6.4       | 4.2  | -8.7 | -5.2       | 4.8  | -5.1    | 12.4   | 1.7    | 2.9   |      |     |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

### Performance/Valuation

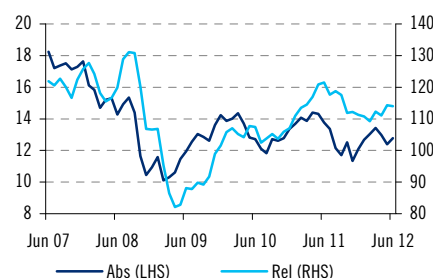
Outperformer in 2Q12

#### Price Performance (US\$)



Source: Citi Research, MSCI, Factset

#### 12Mth Forward PE

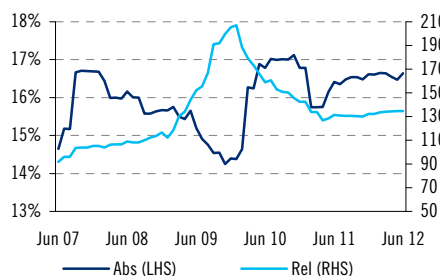


Source: Citi Research, Factset Consensus

### Profitability/Earnings

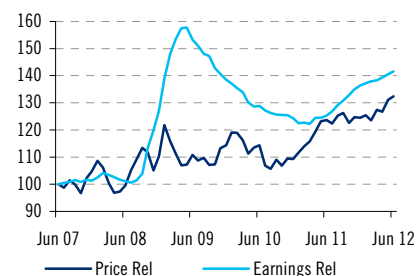
Strong relative earnings momentum

#### Return on Equity



Source: Citi Research, MSCI, Factset

#### Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

### Largest Companies

| <b>Top 1 - 10</b> |       |     |     |    |      | <b>Top 11 - 20</b> |       |     |     |    |      |
|-------------------|-------|-----|-----|----|------|--------------------|-------|-----|-----|----|------|
|                   | Cntry | Rtg | Wgt | MC | PE   |                    | Cntry | Rtg | Wgt | MC | PE   |
| UnitedHealth Grp  | US    | 1   | 9.6 | 61 | 11.1 | Becton Dickinson   | US    | 2   | 2.5 | 16 | 12.3 |
| Express Scripts   | US    | 2   | 7.0 | 45 | 14.1 | Fresenius Med      | DE    | 2   | 2.3 | 15 | 17.5 |
| Medtronic Inc     | US    | 1   | 6.4 | 41 | 10.5 | Cardinal Health    | US    | 1   | 2.3 | 15 | 11.8 |
| Baxter Intl       | US    | 2   | 4.7 | 30 | 11.3 | Aetna              | US    | 1   | 2.1 | 14 | 7.3  |
| Covidien          | US    | 1   | 4.1 | 26 | 11.8 | Fresenius SE       | DE    | 1   | 2.0 | 13 | 14.6 |
| McKesson          | US    | 1   | 3.6 | 23 | 12.6 | St Jude Medical    | US    | 3   | 2.0 | 13 | 11.1 |
| Intuitive Srgcal  | US    |     | 3.4 | 22 | 34.5 | Humana Inc         | US    | 1   | 2.0 | 13 | 9.3  |
| WellPoint         | US    | 1   | 3.4 | 21 | 7.8  | CIGNA Corp         | US    | 1   | 2.0 | 13 | 7.6  |
| Essilor           | FR    | 2   | 3.0 | 19 | 24.7 | Cerner             | US    | 1   | 1.9 | 12 | 32.4 |
| Stryker Corp      | US    | 2   | 2.6 | 17 | 12.8 | Edwards Lifesci    | US    | 1   | 1.9 | 12 | 33.9 |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

## Pharma & Biotech

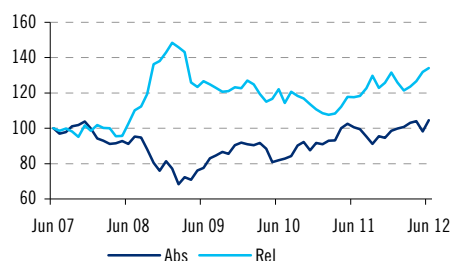
| Weight in MSCI AC World   | 7.1%     | Key Metrics   |            |      |      |            |     |      |        |        |       |
|---------------------------|----------|---------------|------------|------|------|------------|-----|------|--------|--------|-------|
| Market Cap (US\$)         | 1,916 Bn |               | PE         |      |      | EPS YoY    |     |      | EV /   | EV /   | Fwd   |
|                           |          |               | 11E        | 12E  | 13E  | 11E        | 12E | 13E  | EBITDA | Sales  | DY    |
| Regional Weight Breakdown |          | Sector        | 12.7       | 12.5 | 11.6 | 8.1        | 1.6 | 7.6  | 8.9    | 2.6    | 3.0   |
| US                        | 53.1%    | MSCI AC World | 12.9       | 11.9 | 10.5 | 6.9        | 9.0 | 13.4 | 7.2    | 1.5    | 2.8   |
| Europe x UK               | 25.9%    |               |            |      |      |            |     |      |        |        |       |
| UK                        | 9.8%     |               | US\$ Perf. |      |      | Loc. Perf. |     |      |        |        | Trail |
| Japan                     | 6.3%     |               | 3m         | 6m   | 12m  | 3m         | 6m  | 12m  | ROE    | P / BV | DY    |
| Emerging Markets          | 1.3%     |               |            |      |      |            |     |      |        |        |       |
| Dev Asia                  | 1.1%     | Sector        | 1.5        | 6.2  | 4.0  | 3.0        | 6.8 | 8.3  | 17.0   | 2.8    | 3.2   |
|                           |          | MSCI AC World | -6.4       | 4.2  | -8.7 | -5.2       | 4.8 | -5.1 | 12.4   | 1.7    | 2.9   |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

### Performance/Valuation

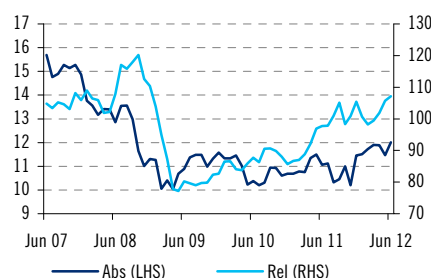
Outperformer in 2Q12

#### Price Performance (US\$)



Source: Citi Research, MSCI, Factset

#### 12Mth Forward PE

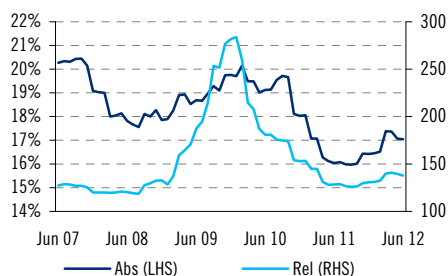


Source: Citi Research, Factset Consensus

### Profitability/Earnings

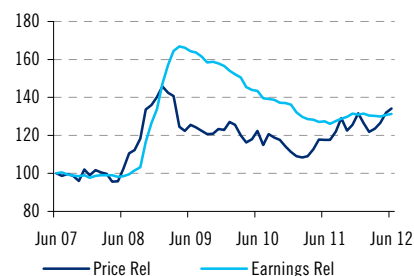
Stable relative earnings momentum

#### Return on Equity



Source: Citi Research, MSCI, Factset

#### Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

### Largest Companies

| Top 1 - 10      |       |     |     |     |      | Top 11 - 20      |       |     |     |    |      |
|-----------------|-------|-----|-----|-----|------|------------------|-------|-----|-----|----|------|
|                 | Cntry | Rtg | Wgt | MC  | PE   |                  | Cntry | Rtg | Wgt | MC | PE   |
| Johnson&Johnson | US    | 1   | 9.7 | 185 | 12.7 | Novo-Nordisk     | DK    | 1   | 3.1 | 59 | 21.9 |
| Pfizer Inc      | US    | 2   | 9.0 | 173 | 10.1 | Amgen Inc        | US    | 1   | 3.0 | 58 | 11.3 |
| Novartis        | CH    | 2   | 6.7 | 129 | 10.1 | Restricted       | GB    |     | 3.0 | 57 | 7.3  |
| Merck           | US    | 2   | 6.6 | 127 | 11.1 | Eli Lilly and Co | US    | 2   | 2.3 | 45 | 12.3 |
| Roche           | CH    | 2   | 6.3 | 121 | 11.6 | Gilead Sciences  | US    | 1   | 2.0 | 39 | 12.5 |
| GlaxoSmithKline | GB    | 1   | 6.0 | 115 | 11.4 | Teva             | IL    | 1   | 1.9 | 37 | 6.8  |
| Abbott Labs     | US    | 3   | 5.3 | 101 | 12.4 | Takeda Chem      | JP    | 1   | 1.9 | 36 | 17.7 |
| Sanofi-Aventis  | FR    | 1   | 4.8 | 91  | 9.9  | Biogen Idec      | US    | 2   | 1.7 | 33 | 21.5 |
| Restricted      | US    |     | 3.2 | 61  | 18.5 | Allergan         | US    | 1   | 1.5 | 28 | 20.6 |
| Bayer           | DE    | 1   | 3.1 | 60  | 10.8 | Celgene Corp     | US    | 1   | 1.5 | 28 | 12.3 |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

## Banks

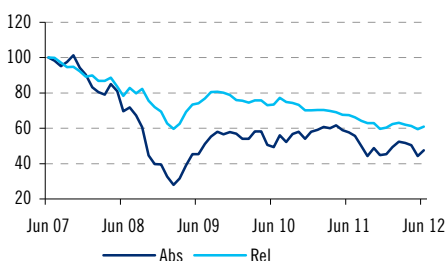
| Weight in MSCI AC World   |       | 8.8%     | Key Metrics   |            |      | PE    |  |            | EPS YoY |       |  | EV /   | EV /   | Fwd   |
|---------------------------|-------|----------|---------------|------------|------|-------|--|------------|---------|-------|--|--------|--------|-------|
| Market Cap (US\$)         |       | 2,368 Bn |               | 11E        | 12E  | 13E   |  | 11E        | 12E     | 13E   |  | EBITDA | Sales  | DY    |
| Regional Weight Breakdown |       |          | Sector        | 9.8        | 9.1  | 8.2   |  | 6.1        | 7.2     | 11.6  |  |        |        | 3.9   |
| Emerging Markets          | 25.2% |          | MSCI AC World | 12.9       | 11.9 | 10.5  |  | 6.9        | 9.0     | 13.4  |  | 7.2    | 1.5    | 2.8   |
| US                        | 15.3% |          |               |            |      |       |  |            |         |       |  |        |        |       |
| Dev Asia                  | 15.0% |          |               | US\$ Perf. |      |       |  | Loc. Perf. |         |       |  |        |        | Trail |
| Europe x UK               | 12.7% |          |               | 3m         | 6m   | 12m   |  | 3m         | 6m      | 12m   |  | ROE    | P / BV | DY    |
| UK                        | 11.3% |          |               |            |      |       |  |            |         |       |  |        |        |       |
| Japan                     | 8.5%  |          | Sector        | -8.0       | 5.0  | -17.6 |  | -6.2       | 5.6     | -12.6 |  | 10.0   | 1.0    | 4.1   |
|                           |       |          | MSCI AC World | -6.4       | 4.2  | -8.7  |  | -5.2       | 4.8     | -5.1  |  | 12.4   | 1.7    | 2.9   |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

### Performance/Valuation

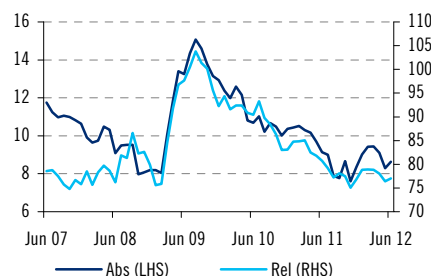
#### Price Performance (US\$)

c20% Fwd PE discount



Source: Citi Research, MSCI, Factset

#### 12Mth Forward PE

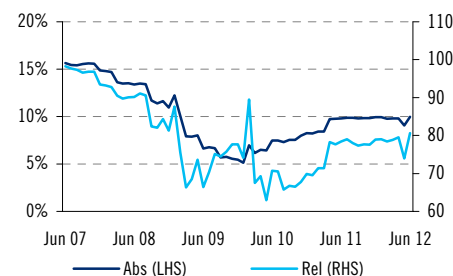


Source: Citi Research, Factset Consensus

### Profitability/Earnings

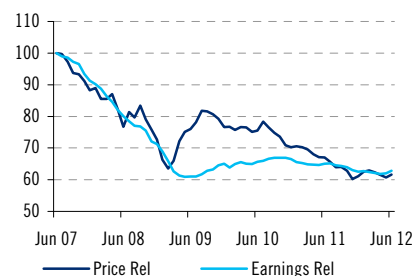
#### Return on Equity

Weak relative earnings momentum



Source: Citi Research, MSCI, Factset

#### Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

### Largest Companies

| <b>Top 1 - 10</b> |       |     |     |     |      | <b>Top 11 - 20</b> |       |     |     |    |      |
|-------------------|-------|-----|-----|-----|------|--------------------|-------|-----|-----|----|------|
|                   | Cntry | Rtg | Wgt | MC  | PE   |                    | Cntry | Rtg | Wgt | MC | PE   |
| Wells Fargo       | US    | 2   | 7.1 | 168 | 9.6  | Bank Nova Scotia   | CA    |     | 2.4 | 57 | 10.6 |
| HSBC              | GB    | 1   | 6.7 | 158 | 9.1  | NAB                | AU    | 1   | 2.3 | 54 | 8.9  |
| Comm Bk of Aus    | AU    | 2   | 3.6 | 86  | 11.7 | Standard Chart     | GB    | 1   | 2.2 | 52 | 9.7  |
| Royal Bk Canada   | CA    |     | 3.1 | 74  | 10.3 | CCB                | CN    | 1   | 2.1 | 49 | 5.6  |
| Toronto Dominion  | CA    |     | 3.0 | 71  | 10.3 | SMFG               | JP    | 1   | 1.9 | 44 | 7.3  |
| Westpac           | AU    | 2   | 2.8 | 66  | 10.0 | Mizuho Financial   | JP    | 1   | 1.6 | 38 | 7.5  |
| Santander         | ES    | 2H  | 2.6 | 62  | 7.5  | BNP Paribas        | FR    | 1   | 1.6 | 37 | 5.4  |
| US Bancorp        | US    | 2   | 2.6 | 61  | 11.1 | ICBC               | CN    | 2   | 1.5 | 36 | 5.1  |
| ANZ Banking Grp   | AU    | 2   | 2.6 | 61  | 9.7  | Bank of Montreal   | CA    |     | 1.5 | 35 | 9.6  |
| Mitsubishi UFJ FG | JP    | 1   | 2.5 | 60  | 7.9  | BBVA               | ES    | 2H  | 1.4 | 34 | 8.0  |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

## Diversified Financials

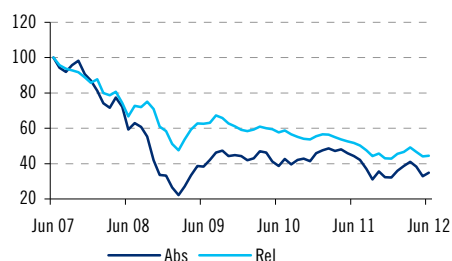
| Weight in MSCI AC World   | 4.0%     | Key Metrics   |            |      | PE    |            |      | EPS YoY |      |        | EV /  | EV /  | Fwd |
|---------------------------|----------|---------------|------------|------|-------|------------|------|---------|------|--------|-------|-------|-----|
| Market Cap (US\$)         | 1,071 Bn |               | 11E        | 12E  | 13E   | 11E        | 12E  | 13E     |      | EBITDA | Sales | DY    |     |
| Regional Weight Breakdown |          | Sector        | 11.9       | 10.0 | 8.3   | -17.8      | 17.6 | 20.7    |      |        |       | 2.0   |     |
| US                        | 65.4%    | MSCI AC World | 12.9       | 11.9 | 10.5  | 6.9        | 9.0  | 13.4    | 7.2  | 1.5    |       | 2.8   |     |
| Europe x UK               | 16.6%    |               |            |      |       |            |      |         |      |        |       |       |     |
| Emerging Markets          | 8.0%     |               | US\$ Perf. |      |       | Loc. Perf. |      |         |      |        |       | Trail |     |
| Japan                     | 3.6%     |               | 3m         | 6m   | 12m   | 3m         | 6m   | 12m     | ROE  | P / BV |       | DY    |     |
| Dev Asia                  | 3.3%     |               |            |      |       |            |      |         |      |        |       |       |     |
| UK                        | 1.9%     | Sector        | -15.3      | 8.3  | -21.4 | -14.3      | 8.8  | -18.6   | 6.6  | 0.8    |       | 2.2   |     |
|                           |          | MSCI AC World | -6.4       | 4.2  | -8.7  | -5.2       | 4.8  | -5.1    | 12.4 | 1.7    |       | 2.9   |     |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

### Performance/Valuation

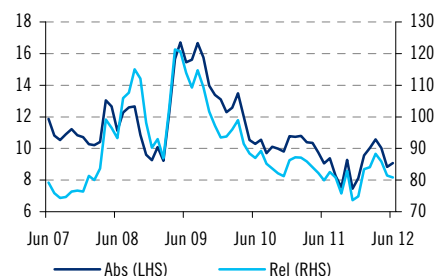
The worst performing industry in 2Q12

#### Price Performance (US\$)



Source: Citi Research, MSCI, Factset

#### 12Mth Forward PE

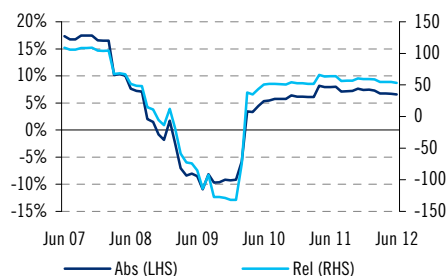


Source: Citi Research, Factset Consensus

### Profitability/Earnings

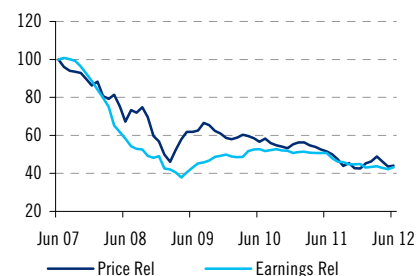
Uninspiring earnings

#### Return on Equity



Source: Citi Research, MSCI, Factset

#### Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

### Largest Companies

| <b>Top 1 - 10</b> |       |     |      |     |      | <b>Top 11 - 20</b> |       |     |     |    |      |
|-------------------|-------|-----|------|-----|------|--------------------|-------|-----|-----|----|------|
|                   | Cntry | Rtg | Wgt  | MC  | PE   |                    | Cntry | Rtg | Wgt | MC | PE   |
| JP Morgan Chase   | US    | 1   | 12.7 | 136 | 7.4  | BlackRock          | US    | 2   | 2.1 | 22 | 12.1 |
| Bank of America   | US    | 2   | 8.2  | 88  | 10.2 | State Street       | US    |     | 2.0 | 22 | 10.6 |
| Restricted        | US    |     | 7.5  | 80  | 6.3  | Morgan Stanley     | US    | 2   | 2.0 | 22 | 8.0  |
| American Express  | US    | 1   | 5.7  | 61  | 12.8 | Credit Suisse      | CH    | 1   | 2.0 | 21 | 5.9  |
| Goldman Sachs     | US    | 1   | 4.2  | 45  | 7.9  | Discover Fincl     | US    | 2   | 1.7 | 18 | 8.5  |
| UBS               | CH    | 1   | 4.0  | 42  | 8.1  | CME Group Inc      | US    | 1   | 1.6 | 17 | 15.1 |
| Deutsche Bank     | DE    | 2   | 3.1  | 34  | 5.6  | Franklin Rsc       | US    | 2   | 1.6 | 17 | 11.8 |
| Capital One Fncl  | US    | 1   | 2.5  | 27  | 8.2  | T Rowe Price Gp    | US    | 3   | 1.5 | 16 | 17.6 |
| Bank of NY Melln  | US    |     | 2.5  | 26  | 9.3  | HK Exch.           | HK    | 1   | 1.4 | 15 | 22.3 |
| ING               | NL    | 1H  | 2.4  | 26  | 4.1  | Charles Schwab     | US    | 2   | 1.3 | 14 | 17.5 |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

# Insurance

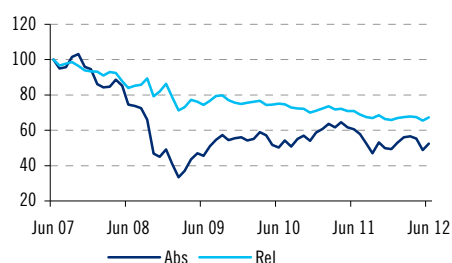
| Weight in MSCI AC World   |  | 3.7%   |  | Key Metrics   |  |  | PE         |  |  | EPS YoY    |  |  | EV /  |  | EV / |        | Fwd |       |        |       |  |      |  |  |      |  |     |     |     |  |     |  |  |
|---------------------------|--|--------|--|---------------|--|--|------------|--|--|------------|--|--|-------|--|------|--------|-----|-------|--------|-------|--|------|--|--|------|--|-----|-----|-----|--|-----|--|--|
| Market Cap (US\$)         |  | 998 Bn |  |               |  |  | 11E        |  |  | 12E        |  |  | 13E   |  |      | EBITDA |     | Sales |        | DY    |  |      |  |  |      |  |     |     |     |  |     |  |  |
| Regional Weight Breakdown |  |        |  | Sector        |  |  | 14.4       |  |  | 9.9        |  |  | 8.9   |  |      |        |     |       | 3.7    |       |  |      |  |  |      |  |     |     |     |  |     |  |  |
| US                        |  | 40.3%  |  | MSCI AC World |  |  | 12.9       |  |  | 11.9       |  |  | 10.5  |  |      | 6.9    |     |       | 9.0    |       |  | 13.4 |  |  | 7.2  |  | 1.5 |     | 2.8 |  |     |  |  |
| Europe x UK               |  | 21.3%  |  |               |  |  |            |  |  |            |  |  |       |  |      |        |     |       |        |       |  |      |  |  |      |  |     |     |     |  |     |  |  |
| Emerging Markets          |  | 9.1%   |  |               |  |  |            |  |  |            |  |  |       |  |      |        |     |       |        |       |  |      |  |  |      |  |     |     |     |  |     |  |  |
| UK                        |  | 8.8%   |  |               |  |  |            |  |  |            |  |  |       |  |      |        |     |       |        |       |  |      |  |  |      |  |     |     |     |  |     |  |  |
| Dev Asia                  |  | 8.0%   |  |               |  |  |            |  |  |            |  |  |       |  |      |        |     |       |        |       |  |      |  |  |      |  |     |     |     |  |     |  |  |
| Japan                     |  | 5.3%   |  |               |  |  |            |  |  |            |  |  |       |  |      |        |     |       |        |       |  |      |  |  |      |  |     |     |     |  |     |  |  |
|                           |  |        |  |               |  |  | US\$ Perf. |  |  | Loc. Perf. |  |  |       |  |      |        |     |       |        | Trail |  |      |  |  |      |  |     |     |     |  |     |  |  |
|                           |  |        |  |               |  |  | 3m         |  |  | 6m         |  |  | 12m   |  |      | ROE    |     |       | P / BV |       |  | DY   |  |  |      |  |     |     |     |  |     |  |  |
|                           |  |        |  | Sector        |  |  | -7.3       |  |  | 6.2        |  |  | -13.5 |  |      | -6.0   |     |       | 6.7    |       |  | -9.9 |  |  | 7.5  |  |     | 1.0 |     |  | 3.4 |  |  |
|                           |  |        |  | MSCI AC World |  |  | -6.4       |  |  | 4.2        |  |  | -8.7  |  |      | -5.2   |     |       | 4.8    |       |  | -5.1 |  |  | 12.4 |  |     | 1.7 |     |  | 2.9 |  |  |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

## Performance/Valuation

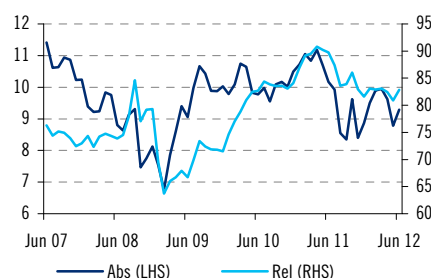
c15% Fwd PE discount

### Price Performance (US\$)



Source: Citi Research, MSCI, Factset

### 12Mth Forward PE

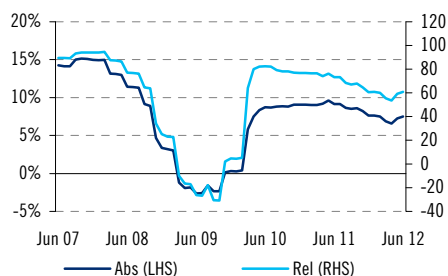


Source: Citi Research, Factset Consensus

## Profitability/Earnings

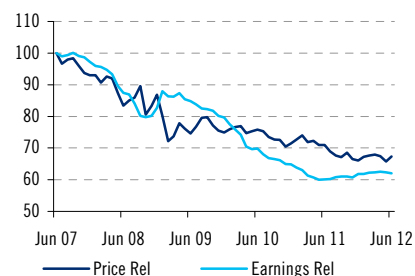
Relative earnings momentum has been stable

### Return on Equity



Source: Citi Research, MSCI, Factset

### Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

## Largest Companies

| <b>Top 1 - 10</b> |       |     |     |    |      | <b>Top 11 - 20</b> |       |     |     |    |      |
|-------------------|-------|-----|-----|----|------|--------------------|-------|-----|-----|----|------|
|                   | Cntry | Rtg | Wgt | MC | PE   |                    | Cntry | Rtg | Wgt | MC | PE   |
| Berkshire Hathaw  | US    |     | 7.6 | 76 | 16.1 | Prudential Finl    | US    |     | 2.3 | 23 | 6.8  |
| Allianz           | DE    | 1   | 4.6 | 46 | 6.8  | Swiss Re           | CH    | 1   | 2.2 | 22 | 9.0  |
| AIA Grp           | HK    | 1   | 3.5 | 35 | 15.0 | AFLAC Inc          | US    |     | 2.0 | 20 | 6.3  |
| Zurich            | CH    | 1   | 3.3 | 33 | 7.7  | Chubb Corp         | US    | 2   | 2.0 | 20 | 12.2 |
| Prudential        | GB    | 1   | 3.0 | 29 | 10.2 | Manulife Finl      | CA    |     | 2.0 | 20 | 9.1  |
| MetLife Inc       | US    |     | 2.6 | 26 | 5.7  | Amer Intl Group    | US    | 2   | 1.9 | 19 | 9.3  |
| Munich Re         | DE    | 2   | 2.5 | 25 | 7.4  | China Life         | CN    | 2   | 1.9 | 19 | 14.2 |
| Travlr            | US    | 2   | 2.5 | 25 | 10.0 | Tokio Marine       | JP    | 1   | 1.8 | 18 | 12.3 |
| Ace Ltd           | US    | 1   | 2.5 | 25 | 9.6  | Marsh & McLennan   | US    | 1   | 1.8 | 18 | 14.1 |
| Axa SA            | FR    | 2H  | 2.4 | 24 | 5.4  | Allstate Corp      | US    | 2   | 1.8 | 17 | 8.3  |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

## Real Estate

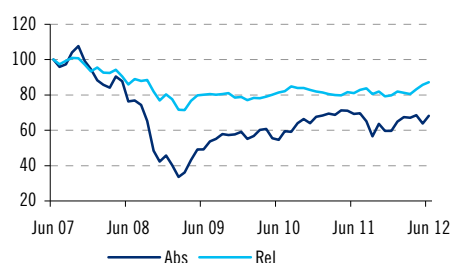
| Weight in MSCI AC World   | 2.9%   | Key Metrics   |      |      |      |         |      |      |        |       |     |
|---------------------------|--------|---------------|------|------|------|---------|------|------|--------|-------|-----|
| Market Cap (US\$)         | 782 Bn |               | PE   |      |      | EPS YoY |      |      | EV /   | EV /  | Fwd |
|                           |        |               | 11E  | 12E  | 13E  | 11E     | 12E  | 13E  | EBITDA | Sales | DY  |
| Regional Weight Breakdown |        | Sector        | 18.6 | 19.0 | 17.6 | 9.3     | -2.4 | 8.1  |        |       | 3.6 |
| US                        | 45.1%  | MSCI AC World | 12.9 | 11.9 | 10.5 | 6.9     | 9.0  | 13.4 | 7.2    | 1.5   | 2.8 |
| Dev Asia                  | 24.2%  |               |      |      |      |         |      |      |        |       |     |
| Japan                     | 11.0%  |               |      |      |      |         |      |      |        |       |     |
| Emerging Markets          | 8.2%   |               |      |      |      |         |      |      |        |       |     |
| Europe x UK               | 4.5%   |               |      |      |      |         |      |      |        |       |     |
| UK                        | 3.3%   |               |      |      |      |         |      |      |        |       |     |
|                           |        | Sector        | 1.6  | 14.1 | -1.7 | 1.9     | 14.6 | 0.1  | 7.1    | 1.4   | 3.7 |
|                           |        | MSCI AC World | -6.4 | 4.2  | -8.7 | -5.2    | 4.8  | -5.1 | 12.4   | 1.7   | 2.9 |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

### Performance/Valuation

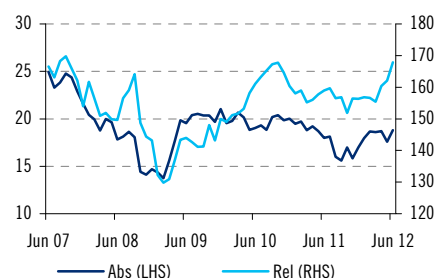
The best performing industry in 2Q12

#### Price Performance (US\$)



Source: Citi Research, MSCI, Factset

#### 12Mth Forward PE

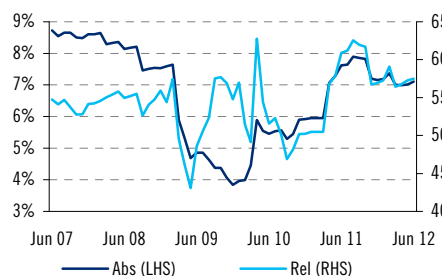


Source: Citi Research, Factset Consensus

### Profitability/Earnings

Flat relative earnings momentum

#### Return on Equity



Source: Citi Research, MSCI, Factset

#### Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

### Largest Companies

| Top 1 - 10      |       |     |     |    |      | Top 11 - 20      |       |     |     |    |      |
|-----------------|-------|-----|-----|----|------|------------------|-------|-----|-----|----|------|
|                 | Cntry | Rtg | Wgt | MC | PE   |                  | Cntry | Rtg | Wgt | MC | PE   |
| Simon Prop Grp  | US    | 2   | 5.9 | 46 | 33.4 | Cheung Kong      | HK    | 1   | 2.2 | 17 | 9.0  |
| American Tower  | US    | 1   | 3.5 | 28 | 36.6 | Unibail          | FR    |     | 2.2 | 17 | 14.9 |
| Mitsubishi Est  | JP    | 1   | 2.8 | 22 | 34.8 | Annaly Capital   | US    | 2   | 2.1 | 16 | 8.3  |
| Westfield Group | AU    | 1   | 2.7 | 21 | 14.0 | Boston Ppty      | US    | 2   | 2.1 | 16 | 61.9 |
| Public Storage  | US    | 2   | 2.7 | 21 | 34.2 | Mitsui Fudosan   | JP    | 1   | 2.1 | 16 | 22.5 |
| Equity Resident | US    | 2   | 2.4 | 19 | 48.8 | Prologis         | US    | 2   | 2.0 | 15 | nm   |
| Brookfield Asst | CA    |     | 2.4 | 19 | 31.5 | Vornado Realty   | US    | 2   | 1.8 | 14 | 47.2 |
| SHK Props       | HK    | 2   | 2.4 | 18 | 11.2 | AvalonBay Comm   | US    | 3   | 1.7 | 13 | 43.4 |
| Ventas          | US    | 1   | 2.3 | 18 | 44.5 | Health Care REIT | US    |     | 1.6 | 12 | 33.2 |
| HCP             | US    | 2   | 2.3 | 18 | 23.3 | Weyerhaeuser Co  | US    | 2   | 1.5 | 12 | 36.1 |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

## Software & Services

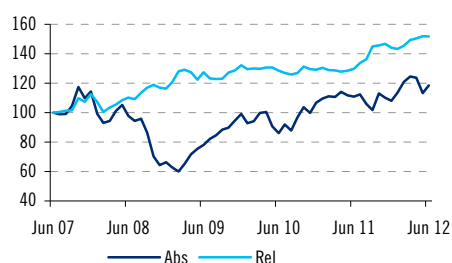
| Weight in MSCI AC World   | 5.5%     | Key Metrics   |            |      |      |            |      |      |        |        |       |
|---------------------------|----------|---------------|------------|------|------|------------|------|------|--------|--------|-------|
| Market Cap (US\$)         | 1,473 Bn |               | PE         |      |      | EPS YoY    |      |      | EV /   | EV /   | Fwd   |
|                           |          |               | 11E        | 12E  | 13E  | 11E        | 12E  | 13E  | EBITDA | Sales  | DY    |
| Regional Weight Breakdown |          | Sector        | 16.1       | 14.4 | 12.7 | 14.4       | 12.3 | 13.1 | 9.1    | 2.7    | 1.1   |
| US                        | 84.1%    | MSCI AC World | 12.9       | 11.9 | 10.5 | 6.9        | 9.0  | 13.4 | 7.2    | 1.5    | 2.8   |
| Emerging Markets          | 6.6%     |               |            |      |      |            |      |      |        |        |       |
| Europe x UK               | 5.2%     |               | US\$ Perf. |      |      | Loc. Perf. |      |      |        |        | Trail |
| Japan                     | 2.7%     |               | 3m         | 6m   | 12m  | 3m         | 6m   | 12m  | ROE    | P / BV | DY    |
| UK                        | 0.4%     |               |            |      |      |            |      |      |        |        |       |
| Dev Asia                  | 0.2%     | Sector        | -4.9       | 9.7  | 6.8  | -4.3       | 10.2 | 8.7  | 23.0   | 4.0    | 1.3   |
|                           |          | MSCI AC World | -6.4       | 4.2  | -8.7 | -5.2       | 4.8  | -5.1 | 12.4   | 1.7    | 2.9   |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

### Performance/Valuation

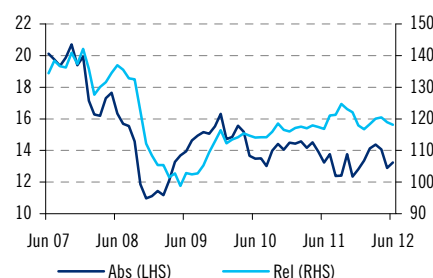
#### Price Performance (US\$)

Outperformer in 2Q12



Source: Citi Research, MSCI, Factset

#### 12Mth Forward PE

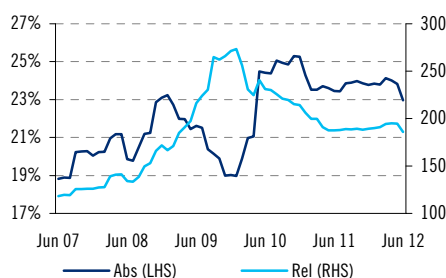


Source: Citi Research, Factset Consensus

### Profitability/Earnings

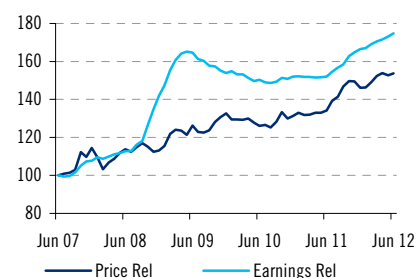
#### Return on Equity

Strong earnings momentum



Source: Citi Research, MSCI, Factset

#### Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

### Largest Companies

| <b>Top 1 - 10</b> |       |     |      |     |      | <b>Top 11 - 20</b> |       |     |     |    |      |
|-------------------|-------|-----|------|-----|------|--------------------|-------|-----|-----|----|------|
|                   | Cntry | Rtg | Wgt  | MC  | PE   |                    | Cntry | Rtg | Wgt | MC | PE   |
| Microsoft         | US    | 1   | 15.7 | 231 | 9.9  | Automatic Data     | US    | 2   | 1.9 | 27 | 18.6 |
| IBM               | US    |     | 14.6 | 215 | 12.3 | Infosys Tech       | IN    | 1   | 1.3 | 19 | 14.8 |
| Google            | US    | 1   | 10.2 | 150 | 12.4 | Yahoo              | US    | 2   | 1.2 | 18 | 15.1 |
| Oracle Corp       | US    | 1   | 8.1  | 119 | 11.1 | Cognizant Tech     | US    | 1   | 1.2 | 18 | 16.3 |
| Visa              | US    | 2   | 4.4  | 65  | 18.1 | salesforce com     | US    | 1   | 1.2 | 18 | 81.4 |
| SAP AG            | DE    | 1   | 3.7  | 54  | 14.3 | Intuit Inc         | US    | 1   | 1.1 | 17 | 17.8 |
| eBay Inc          | US    | 2   | 3.3  | 49  | 16.5 | Adobe Sys          | US    | 1   | 1.1 | 16 | 12.5 |
| MasterCard        | US    | 2   | 3.2  | 47  | 17.9 | Citrix Sy          | US    | 1   | 1.1 | 16 | 28.0 |
| Accenture         | US    | 1   | 2.6  | 39  | 14.4 | Facebook           | US    | 2   | 0.9 | 14 | 51.8 |
| Tencent           | CN    | 1   | 2.0  | 29  | 23.2 | Nintendo Co Ltd    | JP    | 2   | 0.8 | 12 | 35.5 |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

## Tech Hardware

Weight in MSCI AC World 5.1%  
Market Cap (US\$) 1,360 Bn

### Key Metrics

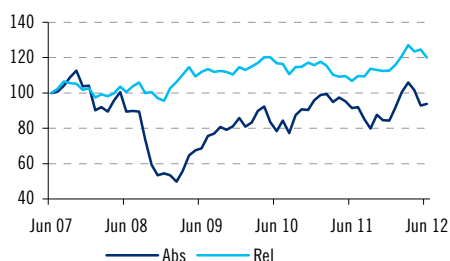
|               | PE         |      |      | EPS YoY    |      |      | EV / EBITDA | EV / Sales | Fwd DY   |
|---------------|------------|------|------|------------|------|------|-------------|------------|----------|
|               | 11E        | 12E  | 13E  | 11E        | 12E  | 13E  |             |            |          |
| Sector        | 13.3       | 11.5 | 9.9  | 13.3       | 17.1 | 16.7 | 6.9         | 1.3        | 1.2      |
| MSCI AC World | 12.9       | 11.9 | 10.5 | 6.9        | 9.0  | 13.4 | 7.2         | 1.5        | 2.8      |
|               | US\$ Perf. |      |      | Loc. Perf. |      |      | ROE         | P / BV     | Trail DY |
|               | 3m         | 6m   | 12m  | 3m         | 6m   | 12m  |             |            |          |
| Sector        | -11.6      | 11.2 | 2.6  | -11.7      | 11.6 | 3.2  | 15.0        | 2.0        | 1.3      |
| MSCI AC World | -6.4       | 4.2  | -8.7 | -5.2       | 4.8  | -5.1 | 12.4        | 1.7        | 2.9      |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

### Performance/Valuation

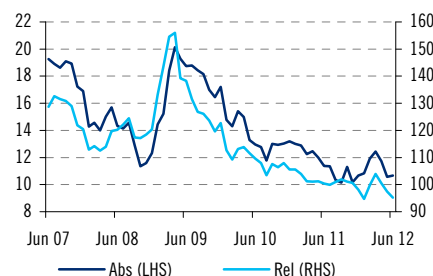
Underperformer in 2Q12

#### Price Performance (US\$)



Source: Citi Research, MSCI, Factset

#### 12Mth Forward PE

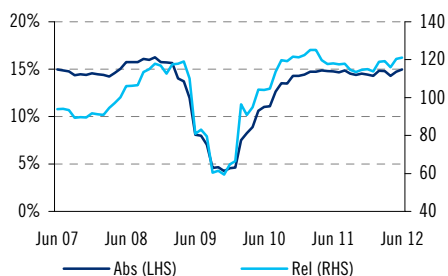


Source: Citi Research, Factset Consensus

### Profitability/Earnings

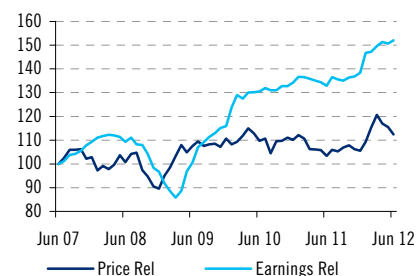
Poor relative performance despite strong earnings momentum

#### Return on Equity



Source: Citi Research, MSCI, Factset

#### Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

### Largest Companies

| Top 1 - 10        |       |     |      |     |      | Top 11 - 20        |       |     |     |    |      |
|-------------------|-------|-----|------|-----|------|--------------------|-------|-----|-----|----|------|
|                   | Cntry | Rtg | Wgt  | MC  | PE   |                    | Cntry | Rtg | Wgt | MC | PE   |
| Apple Inc         | US    |     | 40.0 | 545 | 11.2 | Dell Inc           | US    |     | 1.4 | 19 | 6.3  |
| Qualcomm Inc      | US    | 1   | 6.9  | 94  | 13.7 | Toshiba            | JP    | 1   | 1.1 | 15 | 9.2  |
| Cisco Systems     | US    | 1   | 6.8  | 92  | 9.0  | TE Connectivity    | US    | 1   | 1.0 | 14 | 9.4  |
| EMC Corp          | US    |     | 3.9  | 53  | 13.7 | Kyocera            | JP    | 2   | 1.0 | 13 | 13.5 |
| Canon Inc         | JP    | 1   | 3.3  | 45  | 11.8 | Motorola Solutions | US    | 2   | 1.0 | 13 | 14.7 |
| Hewlett-Packard   | US    |     | 2.9  | 40  | 4.7  | Netwk Appliance    | US    |     | 0.8 | 11 | 14.9 |
| Hitachi Ltd       | JP    | 1   | 2.0  | 28  | 9.2  | Keyence Corp       | JP    | 3   | 0.8 | 11 | 18.3 |
| Ericsson          | SE    | 1   | 2.0  | 28  | 12.5 | Murata             | JP    | 2   | 0.8 | 11 | 16.5 |
| Hon Hai Precision | TW    | 1   | 2.0  | 27  | 9.7  | Xerox Corp         | US    |     | 0.8 | 10 | 6.7  |
| Corning Inc       | US    | 2   | 1.4  | 20  | 9.0  | Seagate Tech       | US    | 1   | 0.7 | 10 | 2.6  |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

# Semiconductors

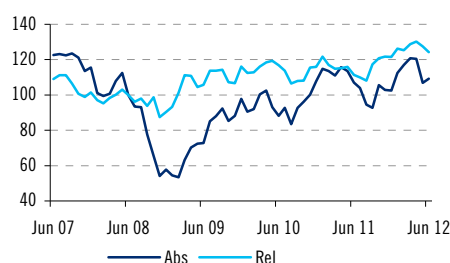
| Weight in MSCI AC World   | 2.3%   | Key Metrics   |            |      |      |            |      |      |             |            |        |
|---------------------------|--------|---------------|------------|------|------|------------|------|------|-------------|------------|--------|
| Market Cap (US\$)         | 610 Bn |               | PE         |      |      | EPS YoY    |      |      | EV / EBITDA | EV / Sales | Fwd DY |
|                           |        |               | 11E        | 12E  | 13E  | 11E        | 12E  | 13E  |             |            |        |
| Regional Weight Breakdown |        | Sector        | 13.8       | 12.0 | 9.9  | -11.8      | 15.5 | 20.8 | 5.8         | 1.6        | 2.1    |
| US                        | 49.7%  | MSCI AC World | 12.9       | 11.9 | 10.5 | 6.9        | 9.0  | 13.4 | 7.2         | 1.5        | 2.8    |
| Emerging Markets          | 40.3%  |               |            |      |      |            |      |      |             |            |        |
| Europe x UK               | 5.3%   |               | US\$ Perf. |      |      | Loc. Perf. |      |      |             |            | Trail  |
| Japan                     | 2.5%   |               | 3m         | 6m   | 12m  | 3m         | 6m   | 12m  | ROE         | P / BV     | DY     |
| UK                        | 1.8%   |               |            |      |      |            |      |      |             |            |        |
| Dev Asia                  | 0.4%   | Sector        | -9.6       | 6.5  | 2.0  | -9.0       | 6.4  | 4.7  | 14.9        | 2.2        | 2.2    |
|                           |        | MSCI AC World | -6.4       | 4.2  | -8.7 | -5.2       | 4.8  | -5.1 | 12.4        | 1.7        | 2.9    |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

## Performance/Valuation

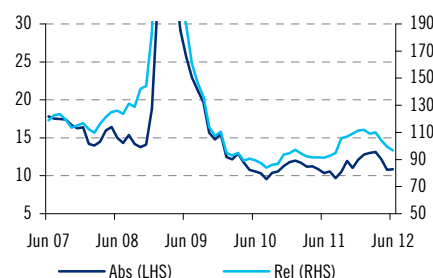
Fwd PE in-line with the market

Price Performance (US\$)



Source: Citi Research, MSCI, Factset

12Mth Forward PE

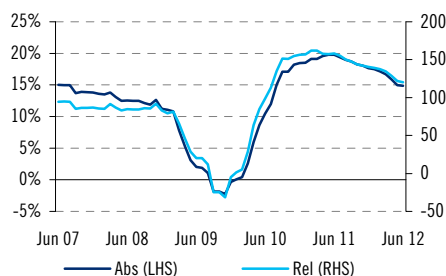


Source: Citi Research, Factset Consensus

## Profitability/Earnings

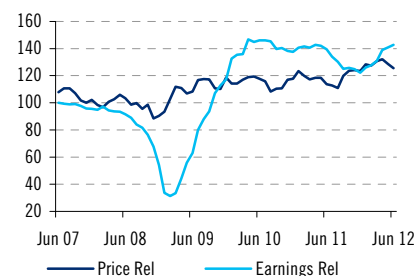
EPS momentum has improved recently

Return on Equity



Source: Citi Research, MSCI, Factset

Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

## Largest Companies

| Top 1 - 10       |       |     |      |     |      | Top 11 - 20      |       |     |     |    |      |
|------------------|-------|-----|------|-----|------|------------------|-------|-----|-----|----|------|
|                  | Cntry | Rtg | Wgt  | MC  | PE   |                  | Cntry | Rtg | Wgt | MC | PE   |
| Intel            | US    | 1   | 21.8 | 133 | 10.3 | ARM Holdings     | GB    | 1   | 1.8 | 11 | 32.6 |
| Samsung Elec     | KR    | 1   | 19.0 | 116 | 7.7  | Hynix            | KR    | 1   | 1.8 | 11 | 12.4 |
| TSMC             | TW    | 1   | 11.0 | 67  | 12.5 | Restricted       | TW    |     | 1.5 | 9  | 19.5 |
| Texas Instrument | US    | 1   | 5.4  | 33  | 13.9 | Xilinx Inc       | US    | 2   | 1.4 | 9  | 16.0 |
| ASML Holding     | NL    | 2   | 3.5  | 21  | 13.1 | NVIDIA           | US    | 2H  | 1.4 | 8  | 17.1 |
| Broadcom Corp    | US    | 1   | 2.7  | 17  | 11.0 | Avago Tech       | US    | 1   | 1.4 | 8  | 13.0 |
| Applied Material | US    | 2   | 2.4  | 15  | 10.5 | KLA Tencor       | US    | 1   | 1.3 | 8  | 10.1 |
| Samsung Elec P   | KR    | 1   | 2.2  | 13  | 7.7  | Tokyo Electron   | JP    | 2   | 1.3 | 8  | 15.9 |
| Analog Devices   | US    | 1   | 1.8  | 11  | 15.0 | Lam Research     | US    | 1   | 1.2 | 8  | 10.8 |
| Altera Corp      | US    | 2   | 1.8  | 11  | 17.5 | Maxim Integrated | US    | 1   | 1.2 | 7  | 14.0 |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

## Telecom Services

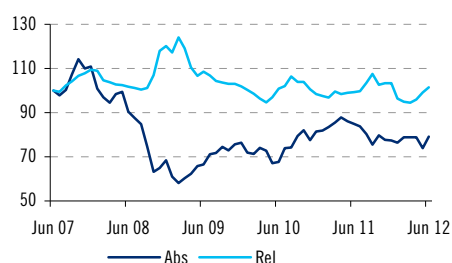
| Weight in MSCI AC World   | 4.7%     | Key Metrics   |            |      |      |            |     |      |        |        |       |
|---------------------------|----------|---------------|------------|------|------|------------|-----|------|--------|--------|-------|
| Market Cap (US\$)         | 1,268 Bn |               | PE         |      |      | EPS YoY    |     |      | EV /   | EV /   | Fwd   |
|                           |          |               | 11E        | 12E  | 13E  | 11E        | 12E | 13E  | EBITDA | Sales  | DY    |
| Regional Weight Breakdown |          | Sector        | 13.3       | 12.8 | 11.8 | -2.8       | 3.8 | 8.3  | 6.0    | 1.8    | 5.5   |
| US                        | 32.4%    | MSCI AC World | 12.9       | 11.9 | 10.5 | 6.9        | 9.0 | 13.4 | 7.2    | 1.5    | 2.8   |
| Emerging Markets          | 21.8%    |               |            |      |      |            |     |      |        |        |       |
| Europe x UK               | 18.2%    |               |            |      |      |            |     |      |        |        |       |
| UK                        | 13.4%    |               |            |      |      |            |     |      |        |        |       |
| Japan                     | 7.6%     |               |            |      |      |            |     |      |        |        |       |
| Dev Asia                  | 3.5%     |               |            |      |      |            |     |      |        |        |       |
|                           |          |               | US\$ Perf. |      |      | Loc. Perf. |     |      |        |        | Trail |
|                           |          |               | 3m         | 6m   | 12m  | 3m         | 6m  | 12m  | ROE    | P / BV | DY    |
|                           |          | Sector        | 0.5        | 2.3  | -6.8 | 2.3        | 2.8 | -1.8 | 11.5   | 1.8    | 5.5   |
|                           |          | MSCI AC World | -6.4       | 4.2  | -8.7 | -5.2       | 4.8 | -5.1 | 12.4   | 1.7    | 2.9   |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

### Performance/Valuation

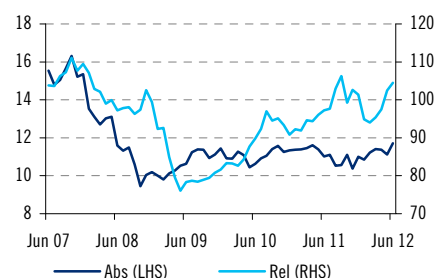
#### Price Performance (US\$)

Outperformer in 2Q12



Source: Citi Research, MSCI, Factset

#### 12Mth Forward PE

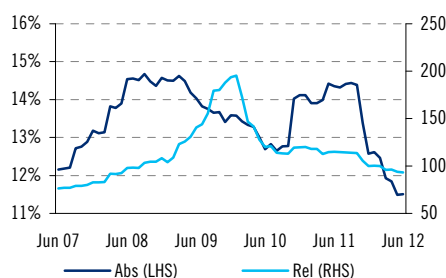


Source: Citi Research, Factset Consensus

### Profitability/Earnings

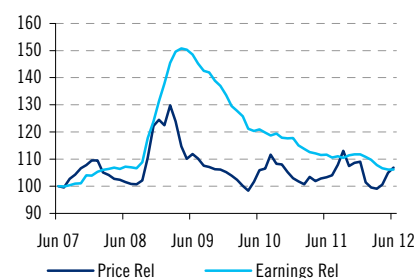
#### Return on Equity

Uninspiring earnings



Source: Citi Research, MSCI, Factset

#### Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

### Largest Companies

| Top 1 - 10    |       |     |      |     |      | Top 11 - 20    |       |     |     |    |      |
|---------------|-------|-----|------|-----|------|----------------|-------|-----|-----|----|------|
|               | Cntry | Rtg | Wgt  | MC  | PE   |                | Cntry | Rtg | Wgt | MC | PE   |
| AT&T          | US    | 1   | 16.7 | 211 | 14.4 | NTT DoCoMo     | JP    | 2   | 2.0 | 25 | 9.9  |
| Vodafone      | GB    | 1   | 11.0 | 140 | 11.0 | CenturyLink    | US    | 1H  | 1.9 | 24 | 16.0 |
| Verizon Comms | US    | 2   | 9.9  | 126 | 16.8 | France Telecom | FR    | 3   | 1.9 | 24 | 7.9  |
| China Mobile  | CN    | 1   | 5.2  | 66  | 10.7 | Restricted     | FR    |     | 1.9 | 24 | 7.3  |
| Telefonica    | ES    | 2   | 4.3  | 54  | 7.8  | SingTel        | SG    | 2   | 1.6 | 21 | 13.0 |
| America Movil | MX    | 1   | 4.0  | 51  | 11.4 | NTT            | JP    | 1   | 1.6 | 20 | 7.7  |
| SoftBank      | JP    | 2H  | 2.6  | 33  | 10.0 | KDDI           | JP    | 1   | 1.4 | 17 | 7.5  |
| Deutsche Tele | DE    | 1   | 2.4  | 31  | 12.7 | Crown Castle   | US    | 2   | 1.3 | 17 | 63.1 |
| MTN Group Ltd | ZA    | 1   | 2.3  | 29  | 10.8 | Telstra Corp   | AU    | 2   | 1.3 | 16 | 12.3 |
| BT Group      | GB    | 2   | 2.0  | 26  | 8.5  | Rogers Coms    | CA    |     | 1.1 | 14 | 11.5 |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

## Utilities

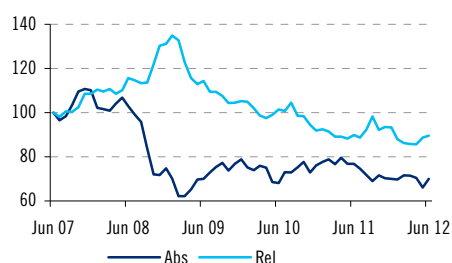
| Weight in MSCI AC World   | 3.8%     | Key Metrics   |            |      |      |            |     |      |        |        |       |
|---------------------------|----------|---------------|------------|------|------|------------|-----|------|--------|--------|-------|
| Market Cap (US\$)         | 1,019 Bn |               | PE         |      |      | EPS YoY    |     |      | EV /   | EV /   | Fwd   |
|                           |          |               | 11E        | 12E  | 13E  | 11E        | 12E | 13E  | EBITDA | Sales  | DY    |
| Regional Weight Breakdown |          | Sector        | 15.5       | 15.2 | 13.6 | -22.6      | 8.7 | 21.6 | 8.2    | 1.6    | 4.6   |
| US                        | 45.7%    | MSCI AC World | 12.9       | 11.9 | 10.5 | 6.9        | 9.0 | 13.4 | 7.2    | 1.5    | 2.8   |
| Europe x UK               | 18.2%    |               |            |      |      |            |     |      |        |        |       |
| Emerging Markets          | 12.9%    |               |            |      |      |            |     |      |        |        |       |
| UK                        | 9.6%     |               | US\$ Perf. |      |      | Loc. Perf. |     |      |        |        | Trail |
| Japan                     | 7.0%     |               | 3m         | 6m   | 12m  | 3m         | 6m  | 12m  | ROE    | P / BV | DY    |
| Dev Asia                  | 5.3%     | Sector        | -2.2       | 0.1  | -8.9 | -0.6       | 0.9 | -4.6 | 6.3    | 1.3    | 4.5   |
|                           |          | MSCI AC World | -6.4       | 4.2  | -8.7 | -5.2       | 4.8 | -5.1 | 12.4   | 1.7    | 2.9   |

Source: Citi Research, Worldscope, MSCI, Factset Consensus

### Performance/Valuation

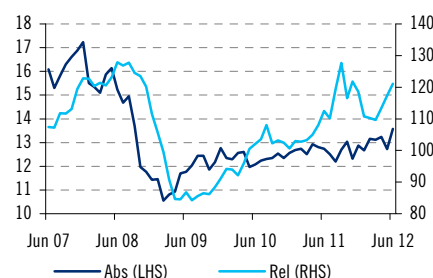
20% PE premium

#### Price Performance (US\$)



Source: Citi Research, MSCI, Factset

#### 12Mth Forward PE

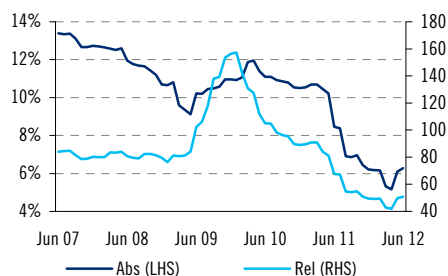


Source: Citi Research, Factset Consensus

### Profitability/Earnings

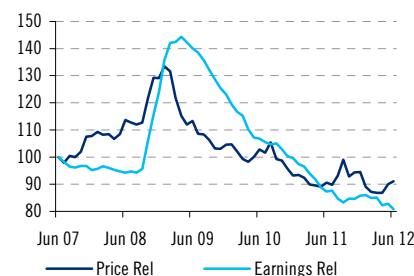
RoE has picked up recently

#### Return on Equity



Source: Citi Research, MSCI, Factset

#### Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

### Largest Companies

| <b>Top 1 - 10</b>  |       |     |     |    |      | <b>Top 11 - 20</b> |       |     |     |    |      |
|--------------------|-------|-----|-----|----|------|--------------------|-------|-----|-----|----|------|
|                    | Cntry | Rtg | Wgt | MC | PE   |                    | Cntry | Rtg | Wgt | MC | PE   |
| Southern Co        | US    | 1   | 3.9 | 40 | 16.9 | FirstEnergy Corp   | US    | 2   | 2.0 | 21 | 14.9 |
| E.ON               | DE    | 2   | 3.8 | 39 | 10.5 | Scot & Sth Enrgy   | GB    | 2   | 2.0 | 20 | 11.6 |
| National Grid      | GB    | 2   | 3.7 | 38 | 12.3 | RWE                | DE    | 3   | 2.0 | 20 | 8.0  |
| Exelon Corp        | US    | 2   | 3.1 | 32 | 13.2 | Amer Elec Pwr      | US    | 2   | 1.9 | 19 | 12.8 |
| Duke Energy        | US    | 2   | 3.0 | 31 | 15.8 | PG&E               | US    | 1   | 1.8 | 19 | 14.4 |
| Dominion Rsc       | US    | 2   | 3.0 | 31 | 16.2 | Iberdrola          | ES    | 1   | 1.8 | 18 | 7.9  |
| GDF Suez           | FR    | 1   | 2.9 | 29 | 11.1 | Consol Edison      | US    | 2   | 1.8 | 18 | 16.4 |
| NextEra Energy Inc | US    | 2   | 2.7 | 27 | 14.5 | Progress Energy    | US    |     | 1.7 | 18 | 18.6 |
| Centrica           | GB    | 2   | 2.5 | 26 | 11.2 | Public Srvce Ent   | US    | 1   | 1.6 | 16 | 13.4 |
| Enel               | IT    | 1   | 2.1 | 21 | 6.8  | PPL Corp           | US    | 2   | 1.6 | 16 | 11.8 |

Source: Citi Research, MSCI, IBES

Source: Citi Research, MSCI, IBES

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## Global Market Intelligence

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Figure 21. Global Market Intelligence by Region

| 29 Jun 12             | Free MC       | Wgt         | P/E         |             |             | EPS YoY %    |             |             | P/B        | ROE         | Div Yld    | EV/<br>Sales | EV/<br>EBITDA | CAPE Perf % (local) |            |             |
|-----------------------|---------------|-------------|-------------|-------------|-------------|--------------|-------------|-------------|------------|-------------|------------|--------------|---------------|---------------------|------------|-------------|
|                       | US\$bn        | %           | 11E         | 12E         | 13E         | 11E          | 12E         | 13E         | 12E        | 12E         | 12E        | 11           | 11            | 10Yr                | Weekly     | YTD         |
| <b>Global</b>         | <b>26,934</b> | <b>100</b>  | <b>12.9</b> | <b>11.9</b> | <b>10.5</b> | <b>6.9</b>   | <b>9.0</b>  | <b>13.4</b> | <b>1.6</b> | <b>13.1</b> | <b>3.0</b> | <b>1.5</b>   | <b>7.2</b>    | <b>17.1</b>         | <b>1.9</b> | <b>4.8</b>  |
| Developed World       | 23,566        | 87.5        | 13.3        | 12.2        | 10.8        | 6.5          | 8.9         | 13.6        | 1.6        | 12.9        | 3.0        | 1.5          | 7.4           | 17.1                | 2.0        | 5.0         |
| Emerging World        | 3,368         | 12.5        | 10.9        | 10.1        | 9.0         | 9.3          | 9.3         | 12.4        | 1.4        | 14.2        | 3.1        | 1.4          | 6.2           | 17.4                | 1.0        | 3.2         |
| <b>North America</b>  | <b>13,947</b> | <b>51.8</b> | <b>14.2</b> | <b>13.1</b> | <b>11.6</b> | <b>15.1</b>  | <b>7.9</b>  | <b>12.9</b> | <b>2.0</b> | <b>15.1</b> | <b>2.3</b> | <b>1.7</b>   | <b>7.9</b>    | <b>20.5</b>         | <b>2.0</b> | <b>7.2</b>  |
| USA                   | 12,800        | 47.5        | 14.2        | 13.2        | 11.7        | 14.7         | 8.1         | 12.8        | 2.0        | 15.4        | 2.2        | 1.7          | 7.9           | 20.8                | 2.0        | 8.3         |
| Canada                | 1,147         | 4.3         | 13.6        | 12.6        | 11.0        | 20.3         | 5.3         | 14.6        | 1.6        | 12.6        | 3.1        | 2.4          | 7.7           | 18.6                | 1.5        | -2.8        |
| <b>Europe</b>         | <b>6,149</b>  | <b>22.8</b> | <b>11.0</b> | <b>10.5</b> | <b>9.3</b>  | <b>-1.7</b>  | <b>5.6</b>  | <b>12.2</b> | <b>1.3</b> | <b>12.6</b> | <b>4.4</b> | <b>1.3</b>   | <b>6.7</b>    | <b>12.9</b>         | <b>2.0</b> | <b>0.7</b>  |
| United Kingdom        | 2,231         | 8.3         | 10.3        | 10.1        | 9.2         | 12.9         | 2.4         | 9.8         | 1.5        | 15.0        | 4.3        | 1.3          | 6.7           | 13.5                | 1.0        | 0.1         |
| Europe ex UK          | 3,918         | 14.5        | 11.5        | 10.7        | 9.4         | -9.1         | 7.6         | 13.6        | 1.3        | 11.6        | 4.4        | 1.3          | 6.8           | 12.8                | 2.6        | 1.1         |
| France                | 881           | 3.3         | 10.2        | 10.0        | 9.0         | -2.0         | 1.8         | 11.4        | 1.1        | 10.4        | 4.5        | 1.1          | 5.9           | 12.6                | 3.4        | 2.0         |
| Switzerland           | 819           | 3.0         | 13.9        | 12.5        | 11.0        | -9.7         | 11.2        | 13.6        | 1.9        | 15.1        | 3.8        | 2.3          | 10.4          | 17.6                | 1.3        | 2.0         |
| Germany               | 769           | 2.9         | 10.7        | 9.5         | 8.5         | -5.5         | 12.4        | 11.9        | 1.2        | 12.5        | 4.1        | 1.0          | 6.2           | 15.3                | 2.3        | 5.3         |
| Sweden                | 300           | 1.1         | 13.3        | 11.8        | 10.9        | -11.2        | 12.2        | 8.2         | 1.7        | 14.5        | 4.4        | 1.5          | 8.1           | 17.9                | 0.8        | 2.9         |
| Spain                 | 260           | 1.0         | 8.7         | 10.2        | 8.1         | -18.6        | -15.2       | 25.5        | 1.0        | 9.2         | 7.9        | 1.7          | 6.9           | 8.3                 | 3.4        | -16.8       |
| Netherlands           | 229           | 0.8         | 11.0        | 10.3        | 9.1         | -6.7         | 6.7         | 14.2        | 1.3        | 12.3        | 3.9        | 1.3          | 8.4           | 12.3                | 3.2        | 1.0         |
| Italy                 | 209           | 0.8         | 10.0        | 8.3         | 7.3         | -26.1        | 26.6        | 13.9        | 0.7        | 8.2         | 4.7        | 1.4          | 5.9           | 7.7                 | 4.7        | -4.7        |
| Denmark               | 110           | 0.4         | 21.2        | 16.8        | 13.6        | -9.6         | 26.3        | 23.0        | 2.2        | 13.0        | 2.1        | 1.7          | 6.7           | 24.9                | 2.1        | 15.5        |
| Belgium               | 108           | 0.4         | 18.9        | 13.5        | 12.3        | -11.5        | 39.6        | 10.4        | 1.5        | 11.4        | 3.6        | 2.9          | 8.2           | 10.8                | 7.5        | 19.5        |
| Norway                | 89            | 0.3         | 10.4        | 9.6         | 8.7         | 12.7         | 8.1         | 10.3        | 1.3        | 14.0        | 5.2        | 1.2          | 3.7           | 13.2                | 5.4        | -0.5        |
| Finland               | 69            | 0.3         | 10.7        | 15.9        | 11.5        | -18.7        | -32.9       | 38.2        | 1.2        | 7.7         | 5.5        | 1.6          | 7.7           | 8.9                 | -0.5       | -9.8        |
| Ireland               | 29            | 0.1         | 22.4        | 20.9        | 17.1        | 31.4         | 7.0         | 22.1        | 1.7        | 7.9         | 2.3        | 1.1          | 11.2          | 6.1                 | 5.9        | 5.5         |
| Austria               | 26            | 0.1         | 16.9        | 8.9         | 7.6         | -46.7        | 89.9        | 16.4        | 0.8        | 9.3         | 4.2        | 0.8          | 5.8           | 8.5                 | 3.6        | -0.8        |
| Portugal              | 15            | 0.1         | 12.0        | 10.1        | 9.0         | -32.9        | 19.2        | 12.2        | 1.0        | 9.7         | 6.4        | 1.5          | 7.1           | 8.5                 | -1.8       | -18.3       |
| Greece                | 5             | 0.0         | 7.2         | 8.2         | 7.8         | -17.8        | -12.2       | 4.2         | 1.6        | 20.1        | 4.8        | 0.8          | 5.3           | 2.0                 | 2.4        | -19.7       |
| <b>Japan</b>          | <b>2,095</b>  | <b>7.8</b>  | <b>17.4</b> | <b>13.1</b> | <b>10.6</b> | <b>-16.2</b> | <b>43.5</b> | <b>26.8</b> | <b>0.9</b> | <b>7.0</b>  | <b>2.6</b> | <b>1.0</b>   | <b>7.3</b>    | <b>17.7</b>         | <b>2.5</b> | <b>5.7</b>  |
| <b>Asia Pac ex Jp</b> | <b>3,336</b>  | <b>12.4</b> | <b>12.1</b> | <b>11.2</b> | <b>9.9</b>  | <b>3.8</b>   | <b>10.2</b> | <b>13.3</b> | <b>1.5</b> | <b>13.2</b> | <b>3.5</b> | <b>1.4</b>   | <b>7.0</b>    | <b>17.8</b>         | <b>1.3</b> | <b>3.6</b>  |
| <b>Pacific ex Jp</b>  | <b>1,319</b>  | <b>4.9</b>  | <b>12.5</b> | <b>12.2</b> | <b>11.1</b> | <b>7.2</b>   | <b>2.1</b>  | <b>10.2</b> | <b>1.4</b> | <b>11.7</b> | <b>4.7</b> | <b>1.9</b>   | <b>8.3</b>    | <b>16.5</b>         | <b>1.5</b> | <b>3.2</b>  |
| Australia             | 840           | 3.1         | 12.3        | 11.5        | 10.5        | 7.6          | 6.6         | 9.8         | 1.6        | 13.6        | 5.4        | 2.0          | 8.1           | 15.6                | 1.1        | 1.1         |
| Hong Kong             | 288           | 1.1         | 12.6        | 14.2        | 12.7        | 9.3          | -11.2       | 11.9        | 1.2        | 8.2         | 3.3        | 2.1          | 9.9           | 20.1                | 2.2        | 5.7         |
| Singapore             | 180           | 0.7         | 13.3        | 13.1        | 11.9        | 2.5          | 1.6         | 9.3         | 1.4        | 10.5        | 3.8        | 1.6          | 8.2           | 16.6                | 2.1        | 10.1        |
| New Zealand           | 12            | 0.0         | 14.3        | 14.3        | 12.5        | -3.0         | 0.2         | 14.4        | 1.4        | 10.2        | 5.9        | 1.5          | 7.7           | 13.8                | -1.1       | 1.5         |
| <b>Em Asia</b>        | <b>2,017</b>  | <b>7.5</b>  | <b>11.9</b> | <b>10.6</b> | <b>9.2</b>  | <b>1.7</b>   | <b>15.4</b> | <b>15.0</b> | <b>1.5</b> | <b>14.2</b> | <b>2.8</b> | <b>1.3</b>   | <b>6.6</b>    | <b>18.5</b>         | <b>1.2</b> | <b>3.9</b>  |
| China                 | 601           | 2.2         | 9.4         | 8.8         | 7.8         | 16.2         | 7.3         | 12.1        | 1.4        | 15.8        | 3.6        | 1.4          | 6.0           | 18.2                | 1.6        | 1.3         |
| Korea                 | 511           | 1.9         | 11.0        | 8.7         | 7.7         | -3.9         | 27.3        | 15.9        | 1.1        | 13.0        | 1.3        | 0.9          | 6.4           | 16.7                | 0.4        | 3.8         |
| Taiwan                | 370           | 1.4         | 15.0        | 15.1        | 12.2        | -28.2        | 16.1        | 23.8        | 1.6        | 10.9        | 3.7        | 1.7          | 7.7           | 18.0                | 1.2        | 2.2         |
| India                 | 218           | 0.8         | 15.6        | 13.8        | 12.2        | 13.6         | 13.0        | 13.1        | 2.2        | 16.1        | 1.7        | 1.6          | 8.3           | 26.6                | 2.5        | 13.1        |
| Malaysia              | 120           | 0.4         | 16.9        | 14.7        | 13.3        | 7.5          | 14.9        | 10.9        | 2.0        | 13.9        | 3.4        | 2.2          | 9.3           | 23.2                | -0.3       | 3.1         |
| Indonesia             | 92            | 0.3         | 14.7        | 13.2        | 11.5        | 21.0         | 10.9        | 14.9        | 3.1        | 23.2        | 3.0        | 2.3          | 7.9           | 27.8                | 1.7        | -1.8        |
| Thailand              | 73            | 0.3         | 13.5        | 11.3        | 9.8         | 17.1         | 19.2        | 15.6        | 2.1        | 18.1        | 3.7        | 1.1          | 6.9           | 19.9                | 2.3        | 13.2        |
| Philippines           | 32            | 0.1         | 19.1        | 17.3        | 15.1        | 1.0          | 10.6        | 14.3        | 2.7        | 15.6        | 2.4        | 2.4          | 9.7           | 27.6                | 2.0        | 19.3        |
| <b>Latin America</b>  | <b>743</b>    | <b>2.8</b>  | <b>12.2</b> | <b>11.7</b> | <b>10.5</b> | <b>8.4</b>   | <b>4.4</b>  | <b>11.3</b> | <b>1.6</b> | <b>13.4</b> | <b>3.4</b> | <b>1.9</b>   | <b>6.8</b>    | <b>18.5</b>         | <b>0.4</b> | <b>1.4</b>  |
| Brazil                | 441           | 1.6         | 9.7         | 9.8         | 8.8         | 8.7          | -1.1        | 10.9        | 1.3        | 12.9        | 4.2        | 1.8          | 6.2           | 14.6                | -0.6       | -2.1        |
| Mexico                | 168           | 0.6         | 23.5        | 17.2        | 15.2        | 2.1          | 36.5        | 13.6        | 2.7        | 15.8        | 1.7        | 2.1          | 8.4           | 29.8                | 2.7        | 8.9         |
| Chile                 | 67            | 0.2         | 18.0        | 16.8        | 14.8        | -1.5         | 7.7         | 13.5        | 2.3        | 13.4        | 2.7        | 2.2          | 10.3          | 30.4                | 1.1        | 2.0         |
| Colombia              | 43            | 0.2         | 16.9        | 15.7        | 14.2        | 31.3         | 7.2         | 10.6        | 1.8        | 11.3        | 3.0        | 3.0          | 8.6           | 36.5                | 0.5        | 5.7         |
| Peru                  | 23            | 0.1         | 12.2        | 11.3        | 10.7        | 23.3         | 7.7         | 5.7         | 2.9        | 25.0        | 3.3        | 4.7          | 8.7           | 26.6                | 0.7        | 6.8         |
| <b>CEEMEA</b>         | <b>608</b>    | <b>2.3</b>  | <b>7.8</b>  | <b>7.8</b>  | <b>7.3</b>  | <b>31.2</b>  | <b>0.3</b>  | <b>6.8</b>  | <b>1.2</b> | <b>14.9</b> | <b>4.1</b> | <b>1.2</b>   | <b>4.3</b>    | <b>14.8</b>         | <b>0.7</b> | <b>3.9</b>  |
| South Africa          | 268           | 1.0         | 13.6        | 11.6        | 10.1        | 21.5         | 17.4        | 14.2        | 2.0        | 17.6        | 4.0        | 1.7          | 7.1           | 23.0                | -2.0       | 4.4         |
| Russia                | 201           | 0.7         | 4.7         | 5.0         | 4.8         | 44.3         | -6.2        | 2.3         | 0.7        | 14.4        | 3.9        | 1.0          | 3.0           | 9.3                 | 2.9        | -0.7        |
| Turkey                | 56            | 0.2         | 10.9        | 10.0        | 8.9         | -2.0         | 8.2         | 12.2        | 1.5        | 15.1        | 3.1        | 1.2          | 7.9           | 16.5                | 4.1        | 20.1        |
| Poland                | 48            | 0.2         | 7.8         | 10.1        | 10.2        | 45.3         | -22.8       | -0.6        | 1.2        | 11.6        | 5.3        | 1.3          | 3.5           | 13.4                | 1.6        | 6.0         |
| Egypt                 | 12            | 0.0         | 10.8        | 8.8         | 7.7         | -0.8         | 22.4        | 16.7        | 1.1        | 12.3        | 4.2        | 1.7          | 5.2           | 15.1                | 15.8       | 32.6        |
| Czech Republic        | 10            | 0.0         | 10.9        | 10.0        | 9.8         | -17.9        | 8.7         | 2.8         | 1.6        | 15.9        | 7.3        | 2.6          | 6.2           | 13.7                | -2.5       | -5.2        |
| Hungary               | 10            | 0.0         | 9.8         | 8.5         | 7.0         | -11.9        | 15.1        | 20.4        | 0.8        | 9.8         | 4.4        | 0.8          | 5.9           | 8.8                 | 0.8        | 2.1         |
| Morocco               | 3             | 0.0         | 12.6        | 11.4        | 10.0        | -1.7         | 11.4        | 13.6        | 3.2        | 24.8        | 4.7        | 4.2          | 7.8           | 19.1                | -1.0       | -12.6       |
| <b>Israel</b>         | <b>56</b>     | <b>0.2</b>  | <b>7.8</b>  | <b>7.5</b>  | <b>6.9</b>  | <b>15.8</b>  | <b>2.7</b>  | <b>9.1</b>  | <b>1.3</b> | <b>17.0</b> | <b>2.4</b> | <b>2.5</b>   | <b>9.3</b>    | <b>16.4</b>         | <b>1.7</b> | <b>-5.6</b> |

Source: Citi Research, MSCI, Worldscope, Factset Consensus Estimates

Figure 22. Global Market Intelligence by Sector

| 29 Jun 12               | Free MC | Wgt  | P/E  |      |      | EPS YoY % |       |      | P/B | ROE  | Div Yld | EV/<br>Sales | EV/<br>EBITDA | CAPE | Perf % (local) |      |
|-------------------------|---------|------|------|------|------|-----------|-------|------|-----|------|---------|--------------|---------------|------|----------------|------|
|                         | US\$bn  | %    | 11E  | 12E  | 13E  | 11E       | 12E   | 13E  | 12E | 12E  | 12E     | 11           | 11            | 10Yr | Weekly         | YTD  |
| Global                  | 26,934  | 100  | 12.9 | 11.9 | 10.5 | 6.9       | 9.0   | 13.4 | 1.6 | 13.1 | 3.0     | 1.5          | 7.2           | 17.1 | 1.9            | 4.8  |
| <u>Sectors- Level 1</u> |         |      |      |      |      |           |       |      |     |      |         |              |               |      |                |      |
| Energy                  | 2,918   | 10.8 | 9.2  | 9.4  | 8.6  | 26.6      | -1.5  | 9.0  | 1.3 | 13.8 | 3.2     | 1.2          | 5.1           | 13.4 | 3.5            | -5.4 |
| Materials               | 2,013   | 7.5  | 10.8 | 10.9 | 9.2  | 17.7      | -0.9  | 18.5 | 1.4 | 13.3 | 2.9     | 1.5          | 6.9           | 16.3 | 1.4            | -2.1 |
| Industrials             | 2,804   | 10.4 | 13.6 | 12.2 | 10.7 | 11.1      | 11.3  | 14.0 | 1.8 | 14.5 | 2.8     | 1.3          | 8.2           | 18.0 | 2.2            | 4.2  |
| Consumer Disc.          | 2,814   | 10.4 | 16.5 | 13.6 | 11.4 | 6.6       | 24.0  | 20.5 | 1.9 | 14.2 | 2.1     | 1.3          | 7.5           | 22.6 | 1.0            | 9.5  |
| Consumer Staples        | 2,886   | 10.7 | 17.3 | 15.9 | 14.5 | 6.7       | 8.5   | 9.9  | 3.0 | 18.6 | 3.0     | 1.5          | 9.9           | 24.5 | 2.4            | 6.4  |
| Health Care             | 2,551   | 9.5  | 13.2 | 12.8 | 11.8 | 8.6       | 3.5   | 8.6  | 2.4 | 19.1 | 2.7     | 2.0          | 8.7           | 21.5 | 1.7            | 8.0  |
| Financials              | 5,219   | 19.4 | 11.7 | 10.2 | 9.1  | -3.4      | 14.5  | 13.0 | 0.9 | 9.2  | 3.7     | NA           | NA            | 10.6 | 1.9            | 7.7  |
| IT                      | 3,443   | 12.8 | 14.5 | 12.7 | 10.9 | 8.0       | 15.0  | 16.1 | 2.4 | 18.7 | 1.5     | 1.7          | 7.4           | 27.9 | 0.7            | 10.1 |
| Telecoms                | 1,268   | 4.7  | 13.3 | 12.8 | 11.8 | -2.8      | 3.8   | 8.3  | 1.7 | 13.5 | 5.5     | 1.8          | 6.0           | 17.2 | 2.2            | 2.8  |
| Utilities               | 1,019   | 3.8  | 15.5 | 15.2 | 13.6 | -22.6     | 8.7   | 21.6 | 1.3 | 8.0  | 4.6     | 1.6          | 8.2           | 14.4 | 2.5            | 0.9  |
| <u>Sectors- Level 2</u> |         |      |      |      |      |           |       |      |     |      |         |              |               |      |                |      |
| Energy                  | 2,918   | 10.8 | 9.2  | 9.4  | 8.6  | 26.6      | -1.5  | 9.0  | 1.3 | 13.8 | 3.2     | 1.2          | 5.1           | 13.4 | 3.5            | -5.4 |
| Materials               | 2,013   | 7.5  | 10.8 | 10.9 | 9.2  | 17.7      | -0.9  | 18.5 | 1.4 | 13.3 | 2.9     | 1.5          | 6.9           | 16.3 | 1.4            | -2.1 |
| Capital Goods           | 2,055   | 7.6  | 12.3 | 11.4 | 10.1 | 17.2      | 9.1   | 12.7 | 1.7 | 15.3 | 2.9     | 1.2          | 8.1           | 17.5 | 2.4            | 3.8  |
| Comm Svc & Supp         | 199     | 0.7  | 17.9 | 16.0 | 14.0 | 5.0       | 11.7  | 14.2 | 2.4 | 14.8 | 2.8     | 1.6          | 9.2           | 19.0 | 1.8            | 4.6  |
| Transport               | 551     | 2.0  | 19.0 | 15.2 | 12.6 | -12.8     | 24.3  | 20.6 | 1.7 | 11.3 | 2.3     | 1.6          | 8.3           | 20.2 | 1.9            | 5.7  |
| Autos                   | 660     | 2.5  | 10.1 | 8.6  | 7.3  | 14.8      | 18.3  | 19.5 | 1.1 | 12.6 | 2.5     | 0.9          | 6.3           | 16.4 | 0.6            | 8.4  |
| Consumer Durables       | 368     | 1.4  | 52.7 | 19.9 | 12.7 | -75.8     | 385.4 | 57.4 | 1.7 | 8.6  | 2.1     | 1.3          | 7.7           | 20.2 | -0.8           | 3.7  |
| Consumer Services       | 402     | 1.5  | 18.5 | 17.3 | 15.1 | 17.6      | 7.2   | 14.6 | 3.3 | 19.1 | 2.5     | 2.0          | 9.5           | 25.8 | -0.1           | 2.2  |
| Media                   | 627     | 2.3  | 16.9 | 14.4 | 12.4 | 19.0      | 17.5  | 15.6 | 2.2 | 16.2 | 2.0     | 2.0          | 7.4           | 28.0 | 2.9            | 15.3 |
| Retailing               | 757     | 2.8  | 19.5 | 17.1 | 14.9 | 13.9      | 13.7  | 14.9 | 3.2 | 18.6 | 1.7     | 1.1          | 9.0           | 25.4 | 1.3            | 13.0 |
| Food & Staples          | 621     | 2.3  | 15.4 | 14.0 | 12.7 | 5.6       | 10.2  | 10.4 | 2.0 | 14.2 | 2.8     | 0.7          | 7.5           | 20.7 | 2.1            | 3.5  |
| Food Bev & Tobac.       | 1,814   | 6.7  | 17.8 | 16.4 | 14.9 | 8.6       | 8.6   | 10.3 | 3.4 | 20.8 | 3.1     | 2.2          | 10.9          | 26.0 | 2.5            | 8.6  |
| Household Products      | 451     | 1.7  | 18.0 | 17.1 | 15.9 | 1.4       | 5.3   | 7.5  | 3.5 | 20.3 | 3.0     | 2.1          | 10.8          | 24.7 | 2.2            | 2.2  |
| Health Care             | 635     | 2.4  | 15.0 | 13.6 | 12.2 | 10.2      | 9.9   | 11.9 | 2.1 | 15.8 | 1.2     | 1.2          | 8.1           | 23.3 | 1.1            | 11.4 |
| Pharma & Biotech        | 1,916   | 7.1  | 12.7 | 12.5 | 11.6 | 8.1       | 1.6   | 7.6  | 2.6 | 20.4 | 3.2     | 2.6          | 8.9           | 20.8 | 1.9            | 6.8  |
| Banks                   | 2,368   | 8.8  | 9.8  | 9.1  | 8.2  | 6.1       | 7.2   | 11.6 | 1.0 | 10.6 | 4.3     | NA           | NA            | 9.4  | 1.4            | 5.6  |
| Div Financials          | 1,071   | 4.0  | 11.9 | 10.0 | 8.3  | -17.8     | 17.6  | 20.7 | 0.8 | 7.5  | 2.3     | NA           | NA            | 9.4  | 1.2            | 8.8  |
| Insurance               | 998     | 3.7  | 14.4 | 9.9  | 8.9  | -16.7     | 46.2  | 10.6 | 0.9 | 9.5  | 3.7     | NA           | NA            | 11.8 | 2.7            | 6.7  |
| Real Estate             | 782     | 2.9  | 18.6 | 19.0 | 17.6 | 9.3       | -2.4  | 8.1  | 1.3 | 6.9  | 3.7     | NA           | NA            | 21.5 | 3.3            | 14.6 |
| Software & Services     | 1,473   | 5.5  | 16.1 | 14.4 | 12.7 | 14.4      | 12.3  | 13.1 | 3.5 | 24.2 | 1.3     | 2.7          | 9.1           | 31.2 | 1.3            | 10.2 |
| Tech                    | 1,360   | 5.1  | 13.3 | 11.5 | 9.9  | 13.3      | 17.1  | 16.7 | 1.9 | 16.3 | 1.5     | 1.3          | 6.9           | 26.4 | 0.1            | 11.6 |
| Semi & Semi Equip       | 610     | 2.3  | 13.8 | 12.0 | 9.9  | -11.8     | 15.5  | 20.8 | 2.0 | 16.7 | 2.2     | 1.6          | 5.8           | 23.9 | 0.6            | 6.4  |
| Telecom                 | 1,268   | 4.7  | 13.3 | 12.8 | 11.8 | -2.8      | 3.8   | 8.3  | 1.7 | 13.5 | 5.5     | 1.8          | 6.0           | 17.2 | 2.2            | 2.8  |
| Utilities               | 1,019   | 3.8  | 15.5 | 15.2 | 13.6 | -22.6     | 8.7   | 21.6 | 1.3 | 8.0  | 4.6     | 1.6          | 8.2           | 14.4 | 2.5            | 0.9  |

Source: Citi Research, MSCI, Worldscope, Factset Consensus Estimates

Figure 23. 2012 P/E Estimates by Region and Sector

29 Jun 12

| P/E 12E | Global | DM   | GEM  | US   | Eur ex UK | UK   | Jap  | Dev Asia | Em Asia | Lat Am | CEEMEA |
|---------|--------|------|------|------|-----------|------|------|----------|---------|--------|--------|
| Region  | 11.9   | 12.2 | 10.1 | 13.2 | 10.7      | 10.1 | 13.1 | 12.2     | 10.6    | 11.7   | 7.8    |

**Sectors- Level 1**

|                  |      |      |      |      |      |      |       |      |      |      |      |
|------------------|------|------|------|------|------|------|-------|------|------|------|------|
| Energy           | 9.4  | 10.2 | 6.4  | 10.7 | 8.2  | 8.1  | 7.8   | 14.4 | 8.7  | 8.3  | 4.4  |
| Materials        | 10.9 | 11.1 | 9.9  | 12.9 | 12.3 | 8.0  | 12.8  | 9.8  | 11.2 | 8.9  | 9.5  |
| Industrials      | 12.2 | 12.2 | 12.3 | 13.1 | 11.9 | 12.2 | 10.0  | 14.3 | 11.5 | 19.0 | 11.0 |
| Consumer Disc.   | 13.6 | 14.1 | 10.3 | 15.6 | 9.8  | 12.4 | 15.9  | 14.3 | 9.0  | 15.2 | 15.6 |
| Consumer Staples | 15.9 | 15.5 | 21.2 | 16.0 | 15.8 | 13.9 | 15.3  | 14.3 | 19.8 | 23.2 | 20.5 |
| Health Care      | 12.8 | 12.7 | 19.4 | 12.9 | 12.7 | 10.4 | 17.8  | 18.7 | 20.7 | 22.9 | 16.4 |
| Financials       | 10.2 | 10.6 | 8.9  | 11.9 | 7.9  | 9.5  | 10.6  | 11.8 | 8.4  | 10.5 | 9.0  |
| IT               | 12.7 | 12.7 | 12.3 | 12.3 | 17.9 | 22.9 | 14.2  | 17.7 | 12.2 | 16.6 | 10.6 |
| Telecom Services | 12.8 | 12.9 | 12.4 | 21.8 | 9.1  | 10.7 | 9.3   | 13.1 | 13.3 | 12.7 | 10.7 |
| Utilities        | 15.2 | 15.6 | 12.8 | 15.6 | 9.6  | 12.7 | -16.4 | 15.3 | 15.6 | 12.9 | 8.4  |

**Sectors- Level 2**

|                          |      |      |      |      |      |      |       |      |      |      |      |
|--------------------------|------|------|------|------|------|------|-------|------|------|------|------|
| Energy                   | 9.4  | 10.2 | 6.4  | 10.7 | 8.2  | 8.1  | 7.8   | 14.4 | 8.7  | 8.3  | 4.4  |
| Materials                | 10.9 | 11.1 | 9.9  | 12.9 | 12.3 | 8.0  | 12.8  | 9.8  | 11.2 | 8.9  | 9.5  |
| Capital Goods            | 11.4 | 11.4 | 10.9 | 12.7 | 11.5 | 10.9 | 8.7   | 11.8 | 10.5 | 15.9 | 10.8 |
| Comm Svc & Supp          | 16.0 | 16.0 | 21.0 | 16.3 | 15.6 | 15.1 | 19.2  | 14.5 | 15.0 | 30.2 |      |
| Transport                | 15.2 | 14.8 | 19.9 | 14.1 | 13.8 |      | 15.3  | 19.3 | 19.1 | 21.9 | 14.2 |
| Autos & Components       | 8.6  | 8.8  | 8.0  | 7.8  | 6.2  | 7.1  | 11.8  |      | 7.9  |      | 8.7  |
| Consumer Durables        | 19.9 | 21.7 | 9.6  | 15.8 | 14.7 | 18.9 | -50.9 | 9.6  | 11.7 | 7.1  | 8.1  |
| Consumer Services        | 17.3 | 17.4 | 14.3 | 18.6 | 13.1 | 15.3 | 18.2  | 14.7 | 13.7 | 23.3 |      |
| Media                    | 14.4 | 14.1 | 20.2 | 14.9 | 11.4 | 11.7 | 18.0  | 12.4 | 22.1 | 18.2 | 21.0 |
| Retailing                | 17.1 | 17.4 | 14.6 | 18.2 | 19.7 | 10.8 | 13.6  | 15.2 | 12.0 | 20.9 | 15.3 |
| Food & Staples Retailing | 14.0 | 13.3 | 23.1 | 14.8 | 10.8 | 9.2  | 13.3  | 14.4 | 20.1 | 24.1 | 24.5 |
| Food Bev & Tobacco       | 16.4 | 16.1 | 19.7 | 16.3 | 16.5 | 15.4 | 15.4  | 13.6 | 17.8 | 23.0 | 13.9 |
| Household Products       | 17.1 | 16.5 | 27.1 | 16.6 | 17.3 | 13.7 | 19.1  |      | 28.8 | 23.0 |      |
| Health Care Equip & Svc  | 13.6 | 13.5 | 19.6 | 12.7 | 18.8 | 13.0 | 22.5  | 18.0 | 20.2 | 22.9 | 17.2 |
| Pharma & Biotech         | 12.5 | 12.5 | 19.3 | 13.0 | 12.2 | 10.3 | 17.1  | 19.1 | 20.9 |      | 15.9 |
| Banks                    | 9.1  | 9.5  | 8.1  | 11.1 | 8.2  | 9.1  | 7.6   | 10.7 | 7.6  | 9.7  | 8.1  |
| Div Financials           | 10.0 | 9.9  | 11.9 | 10.3 | 7.4  | 12.7 | 14.4  | 15.6 | 11.5 | 16.6 | 10.6 |
| Insurance                | 9.9  | 9.6  | 13.1 | 9.8  | 7.5  | 8.8  | 25.9  | 12.9 | 14.0 | 8.9  | 11.3 |
| Real Estate              | 19.0 | 20.5 | 10.5 | 32.3 | 14.2 | 18.5 | 19.7  | 13.2 | 9.1  | 23.2 | 12.8 |
| Software & Services      | 14.4 | 14.1 | 18.8 | 14.0 | 15.0 | 13.4 | 17.9  | 14.5 | 19.5 | 16.6 | 10.6 |
| Tech Hardware & Equip    | 11.5 | 11.3 | 14.8 | 10.6 | 29.6 |      | 13.1  | 41.5 | 14.8 |      |      |
| Semi & Semi Equip        | 12.0 | 13.8 | 10.1 | 13.0 | 15.7 | 36.0 | 27.3  | 20.2 | 10.1 |      |      |
| Telecom                  | 12.8 | 12.9 | 12.4 | 21.8 | 9.1  | 10.7 | 9.3   | 13.1 | 13.3 | 12.7 | 10.7 |
| Utilities                | 15.2 | 15.6 | 12.8 | 15.6 | 9.6  | 12.7 | -16.4 | 15.3 | 15.6 | 12.9 | 8.4  |

Source: Citi Research, MSCI, Worldscope, Factset Consensus Estimates

Figure 24. Current Prices & Ratings For Stocks Mentioned In This Report\*

| RIC        | Stock Name                                  | Price*  | Rating | Currency | RIC       | Stock Name                     | Price*  | Rating | Currency |
|------------|---|---------|--------|----------|-----------|--------------------------------|---------|--------|----------|
| MMM.N      | 3M Company                                  | 88.25   | 2      | USD      | 9433.T    | KDDI                           | 533000  | 1      | JPY      |
| ABBN.VX    | ABB Ltd                                     | 15.74   | 1      | CHF      | 6861.T    | Keyence                        | 19080   | 3      | JPY      |
| ABT.N      | Abbott Laboratories                         | 65.67   | 3      | USD      | 000270.KS | Kia Motors                     | 73200   | 1      | KRW      |
| ABI.BR     | AB-InBev                                    | 63.7    | 1      | EUR      | KMB.N     | Kimberly-Clark                 | 84.77   | 2      | USD      |
| ACN.N      | Accenture Ltd                               | 56.98   | 1      | USD      | KGF.L     | Kingfisher PLC                 | 2.712   | 2      | GBP      |
| ACE.N      | ACE Ltd                                     | 71.26   | 1      | USD      | 9041.T    | Kintetsu Corp                  | 312     |        | JPY      |
| ADEN.VX    | Adecco                                      | 41.69   | 2      | CHF      | KLAC.O    | KLA Tencor Corp                | 45.49   | 1      | USD      |
| ADSGn.DE   | adidas Group                                | 58.3    | 1      | EUR      | KSS.N     | Kohl's Corp                    | 47.95   | 1      | USD      |
| ADBE.O     | Adobe Systems Inc.                          | 30.44   | 1      | USD      | 6301.T    | Komatsu                        | 1801    | 1      | JPY      |
| 8267.T     | Aeon  | 980     | 2      | JPY      | KFT.O     | Kraft Foods Inc                | 39.41   | 1      | USD      |
| AET.N      | Aetna                                       | 37.69   | 1      | USD      | KR.N      | Kroger Co                      | 22.58   | 1      | USD      |
| AFL.N      | AFLAC Inc                                   | 42.29   |        | USD      | 6971.T    | Kyocera                        | 6660    | 2      | JPY      |
| AGGK.L     | Aggreko PLC                                 | 20.355  | 1      | GBP      | AIRP.PA   | L'Air Liquide SA               | 87.05   | 2      | EUR      |
| AHLN.AS    | Ahold                                       | 9.674   | 1      | EUR      | LRCX.O    | Lam Research Corp              | 34.74   | 1      | USD      |
| 1299.HK    | Alia Group                                  | 27.6    | 1      | HKD      | LVS.N     | Las Vegas Sands                | 41.2    | 1      | USD      |
| ALB.N      | Albemarle Corp                              | 58.88   | 1      | USD      | LFL.N     | LATAM Airlines Group SA        | 24.91   | 1      | USD      |
| AGN.N      | Allergan Inc                                | 90.6    | 1      | USD      | 051910.KS | LG Chem                        | 304500  | 1      | KRW      |
| ALVG.DE    | Allianz SE                                  | 78.49   | 1      | EUR      | 066570.KS | LG Electronics                 | 60100   | 1      | KRW      |
| ALL.N      | Allstate Corp                               | 34.24   | 2      | USD      | 051900.KS | LG Household & Health Care     | 625000  | 2      | KRW      |
| ALTR.O     | Altera Corp                                 | 31.8    | 2      | USD      | 0494.HK   | Li&Fung                        | 14.46   | 1      | HKD      |
| MO.N       | Altria Group Inc                            | 35.43   | 2      | USD      | LMCA.O    | Liberty Media                  | 90.75   | 2      | USD      |
| AMZN.O     | Amazon.com Inc                              | 219.5   | 1      | USD      | LTD.N     | Limited Brands Inc.            | 45.41   |        | USD      |
| ABV.N      | AmBev                                       | 37.24   |        | USD      | LING.DE   | Linde AG                       | 114.2   | 1      | EUR      |
| AMX.N      | América Móvil SA de CV                      | 25.83   | 1      | USD      | LMT.N     | Lockheed Martin Corp.          | 87.02   | 1      | USD      |
| AEP.N      | American Electric Power Co Inc              | 41.03   | 2      | USD      | OREP.PA   | L'Oréal                        | 92.68   | 2      | EUR      |
| AXP.N      | American Express Co.                        | 58.39   | 1      | USD      | LO.N      | Lorillard Inc.                 | 136.01  | 1      | USD      |
| AIG.N      | American International Group Inc            | 30.97   | 2      | USD      | LOW.N     | Lowe's Cos Inc                 | 27.17   | 2      | USD      |
| AMT.N      | American Tower Corp                         | 69.9    | 1      | USD      | LKOH.MM   | Lukoil                         | 1796    | 1      | RUB      |
| AMGN.O     | Amgen Inc                                   | 74.93   | 1      | USD      | LULU.O    | lululemon athletica inc.       | 57.95   |        | USD      |
| AMP.AX     | AMP Ltd                                     | 3.76    | 2      | AUD      | LVMH.PA   | LVMH                           | 117.3   | 1      | EUR      |
| APC.N      | Anadarko Petroleum Corp                     | 64.77   | 1      | USD      | M.N       | Macys Inc                      | 34.59   | 2      | USD      |
| ADI.O      | Analog Devices                              | 36.12   | 1      | USD      | MGA.N     | Magna International Inc        | 39.15   | 3H     | USD      |
| AAL.L      | Anglo American PLC                          | 20.35   | 2      | GBP      | MGNTq.L   | Magnit                         | 28.56   | 1      | USD      |
| NLY.N      | Annaly Capital Management                   | 16.79   | 2      | USD      | MFC.TO    | Manulife Financial Corp        | 10.96   |        | CAD      |
| MAERSKb.CO | AP Moller Maersk A/S                        | 39300   | 2      | DKK      | MAR.N     | Marriott International         | 38.17   | 1      | USD      |
| APA.N      | Apache Corp                                 | 83.68   | 1      | USD      | MMC.N     | Marsh & McLennan Companies Inc | 32.06   | 1      | USD      |
| AAPL.O     | Apple Inc                                   | 608.21  |        | USD      | MA.N      | MasterCard Inc.                | 420.25  | 2      | USD      |
| AMAT.O     | Applied Materials Inc                       | 10.71   | 2      | USD      | MAT.O     | Mattel Inc                     | 31.58   | 1      | USD      |
| ADM.N      | Archer-Daniels-Midland Company              | 27.57   | 2      | USD      | MXIM.O    | Maxim Integrated               | 24.82   | 1      | USD      |
| ARM.L      | ARM Holdings PLC                            | 4.814   | 1      | GBP      | MCD.N     | McDonald's Corp                | 90.25   | 2      | USD      |
| ASML.AS    | ASML Holding NV                             | 43.085  | 2      | EUR      | MHP.N     | McGraw-Hill Companies Inc      | 44.7    |        | USD      |
| 4503.T     | Astellas Pharma                             | 3570    | 1      | JPY      | MCK.N     | McKesson Corp                  | 93.3    | 1      | USD      |
| ASII.JK    | Astra International                         | 6800    | 2      | IDR      | MDT.N     | Medtronic Inc                  | 38      | 1      | USD      |
| T.N        | AT&T Inc                                    | 35.44   | 1      | USD      | MRK.N     | Merck                          | 41.37   | 2      | USD      |
| ATOS.PA    | ATOS  | 47.08   | 1      | EUR      | MET.N     | MetLife Inc                    | 30.09   |        | USD      |
| ANZ.AX     | Australia and New Zealand Banking Group Ltd | 22.44   | 2      | AUD      | MICP.PA   | Michelin                       | 50.32   | 1      | EUR      |
| ADP.O      | Automatic Data Processing Inc               | 55.42   | 2      | USD      | MU.O      | Micron Technology Inc          | 6.16    | 1H     | USD      |
| AZO.N      | AutoZone Inc.                               | 366.47  | 1      | USD      | MSFT.O    | Microsoft Corp.                | 29.74   | 1      | USD      |
| AVGO.O     | Avago Technologies                          | 33.43   | 1      | USD      | 8058.T    | Mitsubishi                     | 1614    |        | JPY      |
| AVB.N      | AvalonBay Communities, Inc                  | 142.74  | 3      | USD      | 8802.T    | Mitsubishi Estate              | 1386    | 1      | JPY      |
| AVP.N      | Avon Products Inc                           | 15.81   | 1      | USD      | 8306.T    | Mitsubishi UFJ Financial Group | 386     | 1      | JPY      |
| AXAF.PA    | AXA SA                                      | 9.976   | 2H     | EUR      | 8031.T    | Mitsui                         | 1193    |        | JPY      |
| BAB.L      | Babcock                                     | 8.73735 | 1      | GBP      | 8801.T    | Mitsui Fudosan                 | 1494    | 1      | JPY      |
| BBVA.MC    | Banco Bilbao Vizcaya Argentaria SA          | 5.09    | 2H     | EUR      | 8411.T    | Mizuho Financial Group         | 130     | 1      | JPY      |
| SAN.MC     | Banco Santander                             | 4.783   | 2H     | EUR      | MON.N     | Monsanto Co                    | 81.88   | 1      | USD      |
| BAC.N      | Bank of America Corp                        | 7.48    | 2      | USD      | MS.N      | Morgan Stanley                 | 13.71   | 2      | USD      |
| 3988.HK    | Bank of China                               | 2.83    | 1      | HKD      | MRW.L     | Morrison (Wm)                  | 2.68045 | 2      | GBP      |
| BMO.TO     | Bank of Montreal                            | 57.17   |        | CAD      | MSI.N     | Motorola Solutions Inc         | 45.94   | 2      | USD      |
| BK.N       | Bank of New York Mellon Corp                | 21.33   |        | USD      | MTNJ.J    | MTN Group Limited              | 145.78  | 1      | ZAR      |
| BNS.TO     | Bank of Nova Scotia                         | 52.5    |        | CAD      | MUVGn.DE  | Munich Re                      | 112.2   | 2      | EUR      |
| ABX.N      | Barrick Gold                                | 35.63   | 1      | USD      | 6981.OS   | Murata                         | 4030    | 2      | JPY      |
| BASFn.DE   | BASF SE                                     | 55.38   | 2      | EUR      | NPNJn.J   | Naspers Limited                | 440.63  | 1      | ZAR      |

|          |                                    |         |    |     |           |                                     |           |    |     |
|----------|------------------------------------|---------|----|-----|-----------|-------------------------------------|-----------|----|-----|
| BAX.N    | Baxter International Inc           | 53.8    | 2  | USD | NAB.AX    | National Australia Bank Ltd         | 23.59     | 1  | AUD |
| BAYGn.DE | Bayer AG                           | 57.41   | 1  | EUR | NG.L      | National Grid PLC                   | 6.825     | 2  | GBP |
| BDX.N    | Becton, Dickinson and Company      | 74.81   | 2  | USD | NESN.VX   | Nestle                              | 59        | 2  | CHF |
| BBBY.O   | Bed Bath & Beyond Inc              | 61.32   | 2  | USD | NTAP.O    | NetApp, Inc.                        | 28.83     |    | USD |
| BEIG.DE  | Beiersdorf                         | 53.17   | 3  | EUR | NCM.AX    | Newcrest Mining Ltd                 | 22.49     | 1  | AUD |
| BRKa.N   | Berkshire Hathaway Inc             | 124985  |    | USD | NWL.N     | Newell Rubbermaid Inc               | 17.7      | 1  | USD |
| BG.L     | BG Group                           | 12.9438 | 1  | GBP | NWSA.O    | News Corp                           | 21.86     | 2  | USD |
|          |                                    | 09      |    |     |           |                                     |           |    |     |
| BHP.AX   | BHP Billiton Ltd                   | 31.05   | 1  | AUD | NEE.N     | NextEra Energy Inc                  | 68.53     | 2  | USD |
| BLT.L    | BHP Billiton PLC                   | 18.025  | 1  | GBP | NKE.N     | Nike Inc                            | 91.29     | 1  | USD |
| BIIB.O   | Biogen Idec Inc                    | 143.75  | 2  | USD | 7731.T    | Nikon                               | 2350      | 2  | JPY |
| BLK.N    | BlackRock Inc                      | 173.51  | 2  | USD | 7974.OS   | Nintendo                            | 9280      | 2  | JPY |
| BMWG.DE  | BMW AG                             | 57.25   | 2  | EUR | 9432.T    | Nippon Telegraph and Telephone      | 3735      | 1  | JPY |
| BNPP.PA  | BNP Paribas SA                     | 29.54   | 1  | EUR | 7201.T    | Nissan Motor                        | 723       | 1  | JPY |
| BA.N     | Boeing Co.                         | 73.22   | 1  | USD | NSC.N     | Norfolk Southern Corp.              | 70.99     | 1  | USD |
| BBDb.TO  | BOMBARDIER                         | 4.04    | 1  | CAD | NOVN.VX   | Novartis AG                         | 54.35     | 2  | CHF |
| BXP.N    | Boston Properties Inc              | 108.45  | 2  | USD | NOVOB.CO  | Novo Nordisk A/S                    | 896       | 1  | DKK |
| BP.L     | BP                                 | 4.26176 | 2  | GBP | 9437.T    | NTT DoCoMo                          | 133900    | 2  | JPY |
| BBDC4.SA | Bradesco                           | 30.1    | 1  | BRL | NVDA.O    | NVIDIA Corp                         | 12.82     | 2H | USD |
| BXB.AX   | Brambles Ltd                       | 6.05    |    | AUD | OCBC.SI   | OCBC                                | 9.02      | 1  | SGD |
| 5108.T   | Bridgestone                        | 1839    | 2  | JPY | OXY.N     | Occidental Petroleum Corp           | 83.24     | 2  | USD |
| BATS.L   | British American Tobacco PLC       | 33.78   | 1  | GBP | 9007.T    | Odakyu Electric Railway             | 796       | 2  | JPY |
| BSY.L    | British Sky Broadcasting Group PLC | 6.92327 | 1  | GBP | OMC.N     | Omnicom                             | 47.61     | 1  | USD |
|          |                                    | 5       |    |     |           |                                     |           |    |     |
| BRCM.O   | Broadcom Corporation               | 31.53   | 1  | USD | ORCL.O    | Oracle Corporation                  | 29.05     | 1  | USD |
| BAMa.TO  | Brookfield Asset Management Inc    | 33.81   |    | CAD | ORLY.O    | O'Reilly Automotive Inc             | 87.22     | 2  | USD |
| BT.L     | BT Group PLC                       | 2.174   | 2  | GBP | ORL.AX    | Orica Limited                       | 24.86     | 1  | AUD |
| BRBY.L   | Burberry Group PLC                 | 12.2    | 2  | GBP | 4661.T    | Oriental Land Co Ltd                | 9180      |    | JPY |
| BVI.PA   | Bureau Veritas                     | 71.5    | 2  | EUR | ORG.AX    | Origin Energy Ltd                   | 12.05     | 1  | AUD |
| CHRW.O   | C.H. Robinson Worldwide Inc.       | 59.91   | 2  | USD | 6752.T    | Panasonic                           | 582       | 1  | JPY |
| CNI.N    | Canadian National Railway Company  | 83.93   | 2  | USD | PERSON.L  | Pearson PLC                         | 12.4      | 2  | GBP |
| CNQ.N    | Canadian Natural Resources Ltd     | 25.28   | 1  | USD | PEP.N     | PepsiCo                             | 69.87     | 2  | USD |
| CP.N     | Canadian Pacific Railway Limited   | 72.73   | 1  | USD | PERP.PA   | Pernod-Ricard                       | 83.45     | 1  | EUR |
| 7751.T   | Canon                              | 3025    | 1  | JPY | PBR.N     | Petrobras                           | 18.68     | 1  | USD |
| CPI.L    | Capita Group PLC                   | 6.81    | 1  | GBP | 0857.HK   | PetroChina                          | 9.48      | 2  | HKD |
| COF.N    | Capital One Financial Corp.        | 53.55   | 1  | USD | PFE.N     | Pfizer                              | 22.44     | 2  | USD |
| CAH.N    | Cardinal Health Inc                | 42.68   | 1  | USD | PCG.N     | PG&E Corp                           | 44.93     | 1  | USD |
| CSL.N    | Carlisle Companies Inc.            | 53.49   | 2  | USD | PM.N      | Philip Morris International         | 90.7      | 2  | USD |
| CCL.N    | Carnival Corp.                     | 32.94   | 1  | USD | PSHG_p.DE | Porsche Automobil Holding SE        | 39.795    | 3H | EUR |
| CCL.L    | Carnival PLC                       | 21.53   |    | GBP | 005490.KS | POSCO                               | 368500    | 1  | KRW |
| CARR.PA  | Carrefour                          | 12.91   | 3  | EUR | POT.N     | Potash Corp of Saskatchewan Inc     | 44.08     | 1  | USD |
| 2474.TW  | Catcher Technology                 | 177.5   | 1H | TWD | PPL.N     | PPL Corp                            | 27.99     | 2  | USD |
| CAT.N    | Caterpillar Inc.                   | 80.27   | 2  | USD | PRTP.PA   | PPR                                 | 111.4     | 1  | EUR |
| CBS.N    | CBS Corp                           | 31.58   | 2  | USD | PX.N      | Praxair Inc                         | 107.66    | 1  | USD |
| CCRO3.SA | CCR                                | 16.6    | 2  | BRL | PCP.N     | Precision Castparts Corp.           | 163.19    | 1  | USD |
| CELG.O   | Celgene Corp                       | 64.08   | 1  | USD | PCLN.O    | Priceline.Com Inc                   | 648.65    | 1  | USD |
| 9022.T   | Central Japan Railway              | 646000  | 2  | JPY | PG.N      | Procter & Gamble Co                 | 61.73     | 1  | USD |
| CNA.L    | Centrica PLC                       | 3.16849 | 2  | GBP | PGN.N^G12 | Progress Energy Inc                 | 60.82     |    | USD |
| CTL.N    | CenturyLink                        | 39.37   | 1H | USD | PLD.N     | Prologis Inc                        | 32.35     | 2  | USD |
| CERN.O   | Cerner Corporation                 | 81.82   | 1  | USD | PRU.N     | Prudential Financial Inc            | 47.04     |    | USD |
| 0001.HK  | Cheung Kong                        | 97.8    | 1  | HKD | PRU.L     | Prudential Plc                      | 7.47      | 1  | GBP |
| CVX.N    | Chevron                            | 103.88  | 1  | USD | PEG.N     | Public Service Enterprise Group Inc | 32.1      | 1  | USD |
| 0939.HK  | China Construction Bank            | 4.93    | 1  | HKD | PSA.N     | Public Storage Inc                  | 144.15    | 2  | USD |
| 2628.HK  | China Life Insurance               | 21.1    | 2  | HKD | PVH.N     | PVH Corp.                           | 78.62     | 1  | USD |
| 0941.HK  | China Mobile                       | 86.7    | 1  | HKD | QBE.AX    | QBE Insurance Group Ltd             | 13.33     | 1  | AUD |
| 0762.HK  | China Unicom                       | 10.1    | 1  | HKD | QCOM.O    | Qualcomm Inc                        | 55.17     | 1  | USD |
| CMG.N    | Chipotle Mexican Grill, Inc.       | 379.89  | 2  | USD | RL.N      | Ralph Lauren Corporation            | 143.7     | 1  | USD |
| DIOR.PA  | Christian Dior SA                  | 107.1   |    | EUR | RB.L      | Reckitt Benckiser                   | 35.42     | 1  | GBP |
| CB.N     | Chubb Corp                         | 71.64   | 2  | USD | RELL      | Reed Elsevier PLC                   | 5.175     | 1  | GBP |
| CHD.N    | Church & Dwight Co Inc             | 57.29   | 2  | USD | RENA.PA   | Renault SA                          | 32.31     | 1  | EUR |
| Ci.N     | CIGNA                              | 42.89   | 1  | USD | RSG.N     | Republic Services Inc               | 26.39     |    | USD |
| CTAS.O   | Cintas Corp                        | 39.27   | 1  | USD | CFR.VX    | Richemont                           | 52.3      | 1  | CHF |
| CSCO.O   | Cisco Systems Inc.                 | 16.41   | 1  | USD | RIO.AX    | Rio Tinto Ltd                       | 55.65     | 1  | AUD |
| CTXS.O   | Citrix Systems, Inc.               | 76.14   | 1  | USD | RIO.L     | Rio Tinto PLC                       | 29.970818 | 1  | GBP |
| CME.O    | CME Group Inc                      | 258.91  | 1  | USD | ROG.VX    | Roche Holding AG                    | 167.2     | 2  | CHF |
| 0883.HK  | CNOOC                              | 15.38   | 1  | HKD | RCib.TO   | Rogers Communications Inc           | 37.51     |    | CAD |

|          |  |        |   |     |           |                                     |           |    |     |
|----------|--|--------|---|-----|-----------|-------------------------------------|-----------|----|-----|
| COH.N    | Coach Inc.                                 | 56.92  |   | USD | RR.L      | Rolls Royce                         | 8.81      | 1  | GBP |
| CTSH.O   | Cognizant                                  | 56.19  | 1 | USD | ROST.O    | Ross Stores Inc.                    | 66.88     |    | USD |
| CL.N     | Colgate-Palmolive Co                       | 103.9  | 2 | USD | RY.TO     | Royal Bank of Canada                | 52.48     |    | CAD |
| CMCSA.O  | Comcast Corp                               | 31.35  | 1 | USD | RDSa.L    | Royal Dutch Shell                   | 21.665    | 2  | GBP |
| CBA.AX   | Commonwealth Bank of Australia             | 53.6   | 2 | AUD | RDSb.L    | Royal Dutch Shell(CL B)             | 22.495    | 2  | GBP |
| CPG.L    | Compass Group                              | 6.55   | 1 | GBP | RWEG.DE   | RWE AG                              | 33.135    | 3  | EUR |
| COP.N    | ConocoPhillips                             | 53.48  | 1 | USD | SAB.L     | SABMiller                           | 26.4      | 1  | GBP |
| ED.N     | Consolidated Edison Inc                    | 62.53  | 2 | USD | SBRY.L    | Sainsbury                           | 3.102     | 2  | GBP |
| GLW.N    | Corning Incorporated                       | 12.54  | 2 | USD | SPMI.MI   | Saipem                              | 34.87     | 1  | EUR |
| COST.O   | Costco Wholesale Corp                      | 93.8   | 2 | USD | CRM.N     | salesforce.com, inc.                | 128.87    | 1  | USD |
| COV.N    | Covidien Ltd                               | 53.06  | 1 | USD | 005930.KS | Samsung Electronics                 | 1118000   | 1  | KRW |
| BAP.N    | Credicorp                                  | 122.13 | 1 | USD | 1928.HK   | Sands China                         | 23.1      | 1  | HKD |
| CSGN.VX  | Credit Suisse                              | 17.18  | 1 | CHF | SASY.PA   | Sanofi SA                           | 60        | 1  | EUR |
| CCI.N    | Crown Castle International Corp            | 59.36  | 2 | USD | STO.AX    | Santos Ltd                          | 10.52     | 1  | AUD |
| CSL.AX   | CSL Ltd                                    | 38.5   | 2 | AUD | SAPG.DE   | SAP AG                              | 45.35     | 1  | EUR |
| CSX.N    | CSX Corp.                                  | 22.22  | 1 | USD | SLB.N     | Schlumberger Ltd                    | 64.97     | 1  | USD |
| CVS.N    | CVS Caremark Corp                          | 46.93  | 1 | USD | SCHN.PA   | Schneider Electric SA               | 42.61     | 3  | EUR |
| DHI.N    | D.R. Horton                                | 18.24  | 1 | USD | SDRL.OL   | Seadrill                            | 220.8     | 1  | NOK |
| 7912.T   | Dai Nippon Printing Co Ltd                 | 631    |   | JPY | STX.O     | Seagate Technology                  | 25.35     | 1  | USD |
| DAIGn.DE | Daimler AG                                 | 35.61  | 1 | EUR | 9735.T    | Secom                               | 3765      |    | JPY |
| DHR.N    | Danaher Corporation                        | 50.89  | 1 | USD | 1928.T    | Sekisui House                       | 767       | 1  | JPY |
| DANO.PA  | Danone                                     | 49.905 | 1 | EUR | 3382.T    | Seven & i Holdings                  | 2517      | 1  | JPY |
| DRI.N    | Darden Restaurants Inc.                    | 50.66  | 1 | USD | SGSN.VX   | SGS                                 | 1884      | 2  | CHF |
| DE.N     | Deere & Company                            | 78.6   | 1 | USD | 4063.T    | Shin-Etsu Chemical                  | 4325      | 1  | JPY |
| DELL.O   | Dell Inc                                   | 12.3   |   | USD | 4911.T    | Shiseido                            | 1219      | 3  | JPY |
| 6902.T   | Denso                                      | 2585   | 1 | JPY | 0016.HK   | SHK Props                           | 96.15     | 2  | HKD |
| DBGn.DE  | Deutsche Bank                              | 26.8   | 2 | EUR | SC.TO     | Shoppers Drug Mart Corp             | 41.53     |    | CAD |
| DPWgN.DE | Deutsche Post                              | 14.28  | 1 | EUR | SHPJ.J    | Shoprite Holdings                   | 159.09    | 1  | ZAR |
| DTEGn.DE | Deutsche Telekom AG                        | 8.581  | 1 | EUR | SIEGn.DE  | Siemens AG                          | 66.95     | 1  | EUR |
| DGE.L    | Diageo                                     | 16.565 | 2 | GBP | SPG.N     | Simon Property Group Inc            | 156.74    | 2  | USD |
| DTV.O    | DIRECTV Group Inc                          | 48.69  | 1 | USD | STEL.SI   | SingTel                             | 3.43      | 2  | SGD |
| DFS.N    | Discover Financial Services                | 34.24  | 2 | USD | 000660.KS | SK Hynix                            | 22950     | 1  | KRW |
| DG.N     | Dollar General Corp.                       | 55.6   | 1 | USD | EXHO.PA   | Sodexo                              | 58.62     | 2  | EUR |
| DLTR.OQ  | Dollar Tree Inc                            | 52.83  |   | USD | 9984.T    | SoftBank                            | 2975      | 2H | JPY |
| D.N      | Dominion Resources Inc                     | 53.7   | 2 | USD | 6758.T    | Sony                                | 1023      | 2  | JPY |
| DOW.N    | Dow Chemical Co                            | 30.56  | 1 | USD | SO.N      | Southern Company Inc                | 46.94     | 1  | USD |
| DUK.N    | Duke Energy Corp                           | 66.14  | 2 | USD | SSE.L     | SSE PLC                             | 14.326648 | 2  | GBP |
| DD.N     | E I du Pont de Nemours and Co              | 47.65  | 2 | USD | STJ.N     | St Jude Medical Inc                 | 39.14     | 3  | USD |
| EONGn.DE | E.ON AG                                    | 17.16  | 3 | EUR | STAN.L    | Standard Chartered PLC              | 14.48     | 1  | GBP |
| EAD.PA   | EADS                                       | 27.505 | 1 | EUR | SBUX.O    | Starbucks Corp                      | 52.34     | 1  | USD |
| 9020.T   | East Japan Railway                         | 5070   | 1 | JPY | HOT.N     | Starwood Hotels & Resorts           | 51.39     | 1  | USD |
| EBAY.O   | eBay Inc                                   | 39.68  | 2 | USD | STT.N     | State Street Corp                   | 43.18     |    | USD |
| EDEN.PA  | Edenred                                    | 22.075 | 1 | EUR | SRCL.O    | Stericycle Inc                      | 93.42     |    | USD |
| EW.N     | Edwards Lifesciences Corp                  | 101.43 | 1 | USD | SYK.N     | Stryker Corp                        | 53.06     | 2  | USD |
| 9513.T   | Electric Power Development                 | 2102   | 1 | JPY | 8316.T    | Sumitomo Mitsui Financial Group     | 2600      | 1  | JPY |
| LLY.N    | Eli Lilly                                  | 42.86  | 2 | USD | SU.N      | Suncor Energy Inc                   | 28.08     |    | USD |
| EMC.N    | EMC Corporation                            | 23.56  |   | USD | SUN.AX    | Suncorp Group Ltd                   | 8.03      | 1  | AUD |
| EMR.N    | Emerson Electric Co.                       | 44.65  | 1 | USD | UHR.VX    | Swatch Group AG                     | 367.5     | 1  | CHF |
| ENB.TO   | Enbridge Inc.                              | 40.18  | 2 | CAD | SRENH.VX  | Swiss Re                            | 59.6      | 1  | CHF |
| ENEI.MI  | ENEL SpA                                   | 2.428  | 1 | EUR | SYNN.VX   | Syngenta AG                         | 325       | 2  | CHF |
| ENR.N    | Energizer Holdings Inc                     | 75.66  | 1 | USD | SYN.N     | Sysco Corp                          | 29.21     | 2  | USD |
| ENI.MI   | Eni  | 16.83  | 1 | EUR | TROW.O    | T Rowe Price Group Inc              | 60.32     | 3  | USD |
| EFX.N    | Equifax Inc                                | 47.3   |   | USD | 6976.T    | Taiyo Yuden                         | 723       | 1  | JPY |
| EQR.N    | Equity Residential                         | 62.55  | 2 | USD | 4502.T    | Takeda Pharmaceutical               | 3605      | 1  | JPY |
| ERICb.ST | Ericsson LM                                | 62.2   | 1 | SEK | TGT.N     | Target Corp                         | 59.23     | 1  | USD |
| ESSI.PA  | Essilor                                    | 73.12  | 2 | EUR | TEL.N     | TE Connectivity Ltd.                | 30.64     | 1  | USD |
| EL.N     | Estee Lauder Inc                           | 51.51  | 2 | USD | TEF.MC    | Telefonica SA                       | 9.92      | 2  | EUR |
| EXC.N    | Exelon Corp                                | 37.15  | 2 | USD | TLS.AX    | Telstra Corp Ltd                    | 3.86      | 2  | AUD |
| EXPD.O   | Expeditors International of Washington Inc | 37.18  |   | USD | 0700.HK   | Tencent Holdings                    | 227.2     | 1  | HKD |
| EXP.N.L  | Experian                                   | 9.685  | 1 | GBP | TSCO.L    | Tesco                               | 3.19865   | 3  | GBP |
| ESRX.O   | Express Scripts Inc                        | 55.34  | 2 | USD | TEVA.N    | Teva Pharmaceutical Industries Ltd. | 39.29     | 1  | USD |
| XOM.N    | Exxon Mobil Corp                           | 83.11  | 1 | USD | TXN.O     | Texas Instruments Inc               | 27.39     | 1  | USD |
| FB.O     | Facebook Inc                               | 31.47  | 2 | USD | AES.N     | The AES Corp                        | 12.65     | 1  | USD |
| 6954.T   | Fanuc                                      | 12510  | 1 | JPY | SCHW.N    | The Charles Schwab Corporation      | 12.41     | 2  | USD |
| FDX.N    | FedEx Corp.                                | 90.48  | 1 | USD | CLX.N     | The Clorox Co                       | 72.33     | 1  | USD |
| FE.N     | FirstEnergy Corp                           | 48.89  | 2 | USD | KO.N      | The Coca-Cola Company               | 77.98     | 1  | USD |

|           |                                       |        |    |     |            |                                 |          |   |     |
|-----------|---------------------------------------|--------|----|-----|------------|---------------------------------|----------|---|-----|
| F.N       | Ford Motor Co                         | 9.35   | 1H | USD | TRI.N      | Thomson Reuters Corp            | 28.33    | 2 | USD |
| FTE.PA    | France Telecom                        | 10.27  | 3  | EUR | THI.TO     | Tim Hortons Inc                 | 53.99    |   | CAD |
| BEN.N     | Franklin Resources Inc                | 109.65 | 2  | USD | TWC.N      | Time Warner Cable Inc           | 81.85    | 1 | USD |
| FCX.N     | Freeport-McMoRan Copper & Gold Inc.   | 33.09  | 1  | USD | TWX.N      | Time Warner Inc                 | 37.73    | 1 | USD |
| FMEG.DE   | Fresenius Medical Care                | 56.62  | 2  | EUR | TJX.N      | TJX Companies                   | 44       |   | USD |
| FREG.DE   | Fresenius SE                          | 84.39  | 1  | EUR | 8766.T     | Tokio Marine Holdings           | 1915     | 1 | JPY |
| GFS.L     | G4S                                   | 2.88   | 1  | GBP | 8035.T     | Tokyo Electron                  | 3510     | 2 | JPY |
| GAZP.MM   | Gazprom                               | 153.9  | 1  | RUB | TD.TO      | Toronto Dominion Bank           | 79.53    |   | CAD |
| GSZ.PA    | GDF Suez                              | 17.99  | 1  | EUR | 6502.T     | Toshiba                         | 290      | 1 | JPY |
| GE.N      | General Electric Company              | 19.62  | 1  | USD | TOTF.PA    | Total                           | 35.795   | 3 | EUR |
| GIS.N     | General Mills Inc                     | 38.65  | 1  | USD | 7203.T     | Toyota Motor                    | 3080     | 2 | JPY |
| GM.N      | General Motors Company                | 19.8   | 1H | USD | 3673.TW    | TPK                             | 330      | 1 | TWD |
| GENT.KL   | Genting                               | 9.76   | 3  | MYR | TBLE3.SA   | TRACTEBEL                       | 35.24    | 1 | BRL |
| GENS.SI   | Genting Singapore                     | 1.385  | 3  | SGD | TRP.TO     | TransCanada Corp                | 43.15    | 2 | CAD |
| GILD.O    | Gilead Sciences Inc                   | 51.6   | 1  | USD | TCL.AX     | Transurban                      | 5.68     | 2 | AUD |
| GSK.L     | GlaxoSmithKline PLC                   | 14.545 | 1  | GBP | TRV.N      | Travelers Companies, Inc        | 63.21    | 2 | USD |
| GG.N      | Goldcorp Inc                          | 36.75  | 2  | USD | 2330.TW    | TSMC                            | 78.1     | 1 | TWD |
| GS.N      | Goldman Sachs Group, Inc.             | 94.25  | 1  | USD | TYC.N      | Tyco International Ltd.         | 52.12    | 2 | USD |
| GOOG.O    | Google Inc                            | 581.7  | 1  | USD | UBSN.VX    | UBS                             | 10.59    | 1 | CHF |
| TV.N      | Grupo Televisa                        | 21.29  | 1  | USD | 2303.TW    | UMC                             | 12.35    | 1 | TWD |
| HOG.N     | Harley-Davidson Inc                   | 47.09  | 1  | USD | UNBP.PA    | Unibail Rodamco                 | 148.85   |   | EUR |
| HCP.N     | HCP Inc                               | 43.83  | 2  | USD | 8113.T     | Unicharm Corp                   | 4500     |   | JPY |
| HCN.N     | Health Care REIT Inc                  | 58.65  |    | USD | UNc.AS     | Unilever NV                     | 26.76    | 2 | EUR |
| 1044.HK   | Hengan International                  | 77.35  | 1  | HKD | ULVR.L     | Unilever PLC                    | 21.51515 | 2 | GBP |
| HNKG_p.DE | Henkel                                | 55.35  | 2  | EUR | UNP.N      | Union Pacific Corp.             | 116.46   | 1 | USD |
| HMB.ST    | Hennes & Mauritz AB                   | 243.8  | 1  | SEK | UPS.N      | United Parcel Service Inc.      | 78.58    | 1 | USD |
| HLF.N     | Herbalife Ltd                         | 49.34  |    | USD | UTX.N      | United Technologies Corporation | 74.15    | 2 | USD |
| HPQ.N     | Hewlett-Packard Co                    | 19.11  |    | USD | UNH.N      | UnitedHealth                    | 55.7     | 1 | USD |
| HLL.BO    | Hindustan Unilever                    | 441.3  | 3  | INR | UOBH.SI    | UOB                             | 19.49    | 3 | SGD |
| 6501.T    | Hitachi                               | 471    | 1  | JPY | USB.N      | US Bancorp                      | 31.9     | 2 | USD |
| HOLX.O    | Hologic Inc                           | 18.32  | 1  | USD | VALEp.N    | Vale (Preferred)                | 19.05    | 1 | USD |
| HD.N      | Home Depot Inc                        | 52.22  | 1  | USD | VTR.N      | Ventas Inc                      | 62.93    | 1 | USD |
| 2317.TW   | Hon Hai Precision                     | 89.9   | 1  | TWD | VRSK.OQ    | Verisk Analytics Inc            | 49.83    |   | USD |
| 7267.T    | Honda Motor                           | 2580   | 1  | JPY | VZ.N       | Verizon Communications Inc      | 44.7     | 2 | USD |
| HON.N     | Honeywell International Inc.          | 53.71  | 1  | USD | VFC.N      | VF Corp                         | 137.24   | 1 | USD |
| 0388.HK   | Hong Kong Exchanges & Clearing        | 106.6  | 1  | HKD | VIAB.O     | Viacom Inc                      | 46.86    | 1 | USD |
| HSBA.L    | HSBC Holdings PLC                     | 5.637  | 1  | GBP | V.N        | Visa Inc.                       | 122.28   | 2 | USD |
| HUM.N     | Humana                                | 75.84  | 1  | USD | VOD.L      | Vodafone Group PLC              | 1.816    | 1 | GBP |
| 0013.HK   | Hutchison Whampoa                     | 69.1   | 2  | HKD | VOWG.DE    | Volkswagen AG                   | 127.2    | 2 | EUR |
| 012330.KS | Hyundai Mobis                         | 274000 | 2  | KRW | VNO.N      | Vornado Realty Trust            | 83.71    | 2 | USD |
| 005380.KS | Hyundai Motor                         | 225500 | 1  | KRW | WALMEXV.MX | Wal Mart de Mexico SAB de CV    | 35.44    |   | MXN |
| IBE.MC    | Iberdrola SA                          | 3.279  | 1  | EUR | WAG.N      | Walgreen Co                     | 29.92    | 3 | USD |
| IHS.N     | IHS Inc                               | 104.29 |    | USD | WMT.N      | Wal-Mart Stores Inc             | 72.11    | 1 | USD |
| ITW.N     | Illinois Tool Works Inc.              | 51.23  | 2  | USD | DIS.N      | Walt Disney Co                  | 47.36    | 2 | USD |
| IMT.L     | Imperial Tobacco Group PLC            | 25.95  | 1  | GBP | WM.N       | Waste Management Inc            | 33.07    |   | USD |
| ITX.MC    | Inditex                               | 79.26  | 1  | EUR | WLP.N      | WellPoint                       | 61.14    | 1 | USD |
| 1398.HK   | Industrial & Commercial Bank of China | 4.09   | 2  | HKD | WFC.N      | Wells Fargo & Co                | 32.97    | 2 | USD |
| INFY.BO   | Infosys Ltd                           | 2485   | 1  | INR | WES.AX     | Wesfarmers Ltd                  | 30.28    | 2 | AUD |
| ING.AS    | ING Groep NV                          | 5.041  | 1H | EUR | 9021.T     | West Japan Railway              | 3410     | 1 | JPY |
| 1605.T    | Impex                                 | 437000 | 1  | JPY | WDC.AX     | Westfield Group                 | 9.57     | 1 | AUD |
| INTC.O    | Intel Corp                            | 25.56  | 1  | USD | WBC.AX     | Westpac Banking Corp            | 21.82    | 2 | AUD |
| IHG.L     | Intercontinental Hotels Group Plc     | 15.46  | 1  | GBP | WY.N       | Weyerhaeuser Co                 | 22.16    | 1 | USD |
| IBM.N     | International Business Machines Corp  | 186.26 |    | USD | WFM.O      | Whole Foods Market Inc          | 95.12    | 2 | USD |
| ITRK.L    | Intertek                              | 26.94  | 1  | GBP | WPL.AX     | Woodside Petroleum Ltd          | 30.42    | 1 | AUD |
| INTU.O    | Intuit Inc.                           | 57.45  | 1  | USD | WOW.AX     | Woolworths Ltd                  | 27       | 2 | AUD |
| ISRG.OQ   | Intuitive Surgical Inc                | 531.77 |    | USD | WPP.L      | WPP PLC                         | 8.025    | 2 | GBP |
| ITUB4.SA  | Itaú Unibanco                         | 27.94  | 1  | BRL | WYN.N      | Wyndham Worldwide Corp          | 52.14    |   | USD |
| 2914.T    | Japan Tobacco                         | 2336   | 1  | JPY | WYNN.O     | Wynn Resorts                    | 100.23   | 2 | USD |
| JNJ.N     | Johnson & Johnson Inc                 | 67.88  | 1  | USD | XRX.N      | Xerox Corp                      | 7.57     |   | USD |
| JCI.N     | Johnson Controls Inc                  | 26.77  | 2  | USD | XLNX.O     | Xilinx Inc                      | 31.93    | 2 | USD |
| JMAT.L    | Johnson Matthey PLC                   | 20.88  | 1  | GBP | YHOO.O     | Yahoo! Inc                      | 15.82    | 2 | USD |
| JPM.N     | JP Morgan Chase & Co                  | 34.25  | 1  | USD | YUM.N      | YUM! Brands Inc.                | 63.05    | 2 | USD |
| KSU.N     | Kansas City Southern                  | 69.4   | 1  | USD | ZURN.VX    | Zurich Insurance Group          | 214.1    | 1 | CHF |
| 4452.T    | Kao                                   | 2205   | 1  | JPY |            |                                 |          |   |     |

Source: Citi Research, \*Prices sourced from Datacentral as of 11<sup>th</sup> July 2012

## How to read

This page does not necessarily represent the current view nor freshest market data.

Citi Ratings are driven by our regional and sectoral allocation model.

MSCI All Country World Region or Sector Index

USA

Underweight

Weight in MSCI AC World  
Market Cap (US\$)

44.4%

10,715 Bn

Country Weight Breakdown

United States

100.0%

The US equity market has been buffeted primarily by news out of Europe and most recently from China on manufacturing trends, though the impact also has been seen in commodities and currencies, with feedback effects on specific stocks. The good news for investors is that sentiment is in "panic" territory on our proprietary metrics which provides high probabilities for equity market gains over the next 6 and 12 months. EPS revision momentum has tumbled with roughly 65% of all estimate changes to the downside, versus 60% to the upside seven weeks ago. In addition, valuation is signalling opportunity, with the (trailing) earnings yield gap at more than two standard deviations below its 40-year average – a condition that has generated one-year stock index appreciation in every one of the 59 weekly instances since 1970. Due to volatility, group trading trends are sometimes swinging wildly, but we continue to like the Div. Financials, Insurance, Food, Beverage & Tobacco, Semiconductor and Tech Hardware groups as well as Telecom Services, while avoiding, Materials, Capital Goods, Autos, Health Care, Media and Retailing. Catalysts for market strength could include funding to smooth over European sovereign credit woes at least for the near term, a bipartisan jobs program in the US, better earnings and the lack of an American recession. (Strategist: Tobias Levkovich)

Regional Strategists' index target  
& sector recommendation

Strategist's Views

S&P 500 Target end 2011: 1325  
S&P 500 Target end 2012: 1375  
Level at end of 3Q11: 1131

Overweight

Neutral

Underweight

Consumer Staples  
Financials  
IT  
Telecoms

Energy  
Utilities

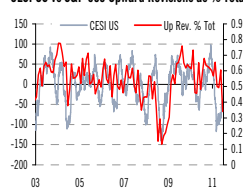
Materials  
Industrials  
Consumer Disc.  
Health Care

LHS: Regional Strategists' Favourite  
chart

Strategist's Favourite Chart

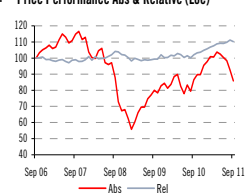
EPS revision momentum has  
tumbled against recovering CESI

CESI US vs S&P 500 Upward Revisions as % Total



Source: CIRIA, Bloomberg, Factset

Price Performance Abs & Relative (Loc)



Source: CIRIA, MSCI, Factset

LHS: Factset Consensus 12m  
forward PE (left axis) and relative to  
world (right axis).

Valuation

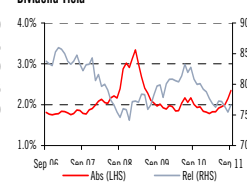
Premium valuations

12Mth Forward PE



Source: CIRIA, MSCI, Factset

Dividend Yield



Source: CIRIA, MSCI, Factset

RHS: Trailing dividend yield (left  
axis) and relative to world (right  
axis).

## Key Metrics

Compiled based on constituents of the MSCI AC World Index. PE, EPS Growth, Forward DY are aggregated from FactSet consensus estimates (calendarized to December year end) with current prices. ROE is calculated using trailing book value and trailing earnings. Trailing DY is calculated using current price. The last full EV/Sales and EV/EBITDA are aggregated from Worldscope data (EV uses current market capitalisation, EBITDA and Sales use last reported year).

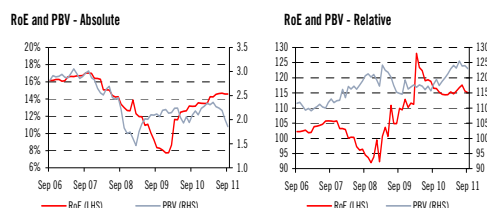
### Key Metrics

|               | PE         |       |      | EPS YoY    |       |      | EV / EBITDA | EV / Sales | Fwd DY   |
|---------------|------------|-------|------|------------|-------|------|-------------|------------|----------|
|               | 11E        | 12E   | 13E  | 11E        | 12E   | 13E  |             |            |          |
| Region        | 11.7       | 10.3  | 9.3  | 15.7       | 13.5  | 10.7 | 8.4         | 1.8        | 2.3      |
| MSCI AC World | 10.8       | 9.6   | 8.7  | 13.9       | 12.8  | 10.5 | 7.7         | 1.5        | 3.2      |
|               | US\$ Perf. |       |      | Loc. Perf. |       |      | ROE         | P / BV     | Trail DY |
|               | 3m         | 6m    | 12m  | 3m         | 6m    | 12m  |             |            |          |
| Region        | -14.5      | -14.7 | -0.7 | -14.5      | -14.7 | -0.7 | 14.6        | 1.9        | 2.3      |
| MSCI AC World | -17.9      | -18.3 | -8.0 | -15.3      | -16.7 | -8.0 | 12.7        | 1.5        | 3.1      |

Source: CIRIA, Worldscope, MSCI, Factset Consensus

### PBV and RoE

25% P/BV premium

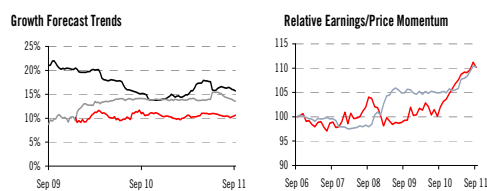


Source: CIRIA, MSCI, Factset

Source: CIRIA, MSCI, Factset

### Earnings

Rel earnings momentum improving



Source: CIRIA, Factset Consensus

Source: CIRIA, MSCI, Factset

### Largest Companies

| Top 1 - 10        |     |     |     |      | Top 11 - 20     |     |     |     |      |
|-------------------|-----|-----|-----|------|-----------------|-----|-----|-----|------|
|                   | Rtg | Wgt | MC  | PE   |                 | Rtg | Wgt | MC  | PE   |
| ExxonMobil        | 1   | 3.3 | 358 | 8.2  | Coca-Cola Co    | 1   | 1.3 | 139 | 16.1 |
| Apple Inc         | 1   | 3.3 | 352 | 11.7 | Google          | 2   | 1.2 | 130 | 12.7 |
| IBM               | 1   | 2.0 | 212 | 12.1 | Wells Fargo     | 2   | 1.1 | 121 | 7.5  |
| Microsoft         | 1   | 1.8 | 189 | 8.5  | JP Morgan Chase | 1   | 1.1 | 120 | 5.8  |
| Chevron           | 1   | 1.7 | 186 | 6.9  | Oracle Corp     | 1   | 1.1 | 116 | 11.5 |
| Procter & Gamble  | 1   | 1.6 | 176 | 14.6 | Intel           | 1   | 1.1 | 113 | 8.8  |
| Johnson & Johnson | 1   | 1.6 | 175 | 12.2 | Philip Morris   | 2   | 1.0 | 111 | 12.2 |
| AT&T              | 1   | 1.6 | 169 | 11.4 | Verizon Comms   | 2   | 1.0 | 104 | 14.7 |
| General Electric  | 1   | 1.5 | 162 | 9.9  | Merck           | 2   | 0.9 | 101 | 8.6  |
| Pfizer Inc        | 2   | 1.3 | 140 | 7.8  | Wal Mart        | 1   | 0.9 | 99  | 10.9 |

Source: CIRIA, MSCI, IBES

Source: CIRIA, MSCI, IBES

LHS: Trailing Return on Equity (left axis) and trailing PBV (right axis).

RHS: Relative trailing Return on Equity (left axis) and relative trailing PBV (right axis).

LHS: Revisions to calendarized year-on-year EPS growth. Based on Facset Estimates.

RHS: Relative 12 month forward earnings and relative price performance.

### Key Companies

The top 20 companies by market cap.

**Rtg** - Citi investment rating: 1 is Buy, 2 is Hold, 3 is Sell. When no data shows, data is restricted or company is not covered by Citi.

**Wgt** - Company weighting in region/sector index shown in percent.

**MC** - Index market capitalization. Index market capitalizations represent the value of the company that is included in the index and are displayed in billions of US\$. The market capitalization are free-float foreign-investable adjusted.

**PE** - 12 month forward IBES consensus PE. When no data shows, data is restricted or company's not covered by IBES.

**Cntry** - Country code of inclusion in MSCI index.

## 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.

### IMPORTANT DISCLOSURES

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

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A director of America Movil S.A.B de C.V. is a member of the board of directors of an affiliate of Citigroup Global Markets Inc.

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A director of Citi serves on the board of Comcast Corporation.

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Citigroup Global Markets Ltd is currently mandated as Joint Bookrunner on the recently announced equity placing of ordinary shares for Capita Group Plc.

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Citigroup Global Markets Australia Pty Limited is acting as buy-back broker for CSL's on-market buy-back.

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Thelma M Bardouille, Research Assistant, holds a long position in the shares of Chevron Corp.

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Citigroup Global Markets Inc. is acting as a joint bookrunning manager on the announced senior notes offering of Dollar General.

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The Chairman of Citi serves as a director of Diageo plc.

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A director of Citi serves on the board of General Mills Inc.

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Citigroup Global Markets Inc. acted as a sole underwriter in HCP Inc.'s sale of its common stock to Citigroup in an underwritten public offering.

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Citigroup Global Markets Inc. has been retained by Redecard S.A. ("Redecard"), for the purpose of compliance with Item 4.8 of the Novo Mercado listing rules, to render a fairness opinion to the board of directors of Redecard in connection with the announced public tender offer by Itaú Unibanco Holding S.A. ("Itaú") to acquire the outstanding ordinary shares of Redecard not held by Itaú or its affiliates (the "Public Tender Offer") and subsequent cancellation of Redecard's listing as a publicly traded company on the Novo Mercado pursuant to applicable law and the Novo Mercado listing rules. Due to Citigroup Global Market Inc.'s involvement in the Public Tender Offer, CIRA restricted publication of new research reports, and suspended its rating and target price for Itaú on February 29, 2012 (the Suspension Date). Please note that Itaú's price chart available on CIRA's disclosure website does not reflect that CIRA did not have a rating or target price between the Suspension date and today when CIRA resumed full coverage. Nothing herein is intended as, or constitutes, a recommendation to any shareholder or any other person as to how such shareholder or other person should vote or act with respect to any matter relating to the announced Public Tender Offer or any related transaction. A member of the household of Marcelo Inoue is employed in an operational capacity at Itaú Unibanco Holding SA.

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Citigroup Global Markets Ltd is currently mandated as Co-Lead Manager in relation to the recently announced accelerated equity offering by Linde AG.

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Morgan Stanley may be deemed to control Morgan Stanley Smith Barney LLC due to ownership, board membership, or other relationships. Morgan Stanley Smith Barney LLC may participate in, or otherwise have a financial interest in, the primary or secondary distribution of securities issued by Morgan Stanley or an affiliate of Morgan Stanley that is controlled by or under common control with Morgan Stanley Smith Barney LLC. An officer of Citi serves on the board of Morgan Stanley Smith Barney Holdings LLC, subsidiary of Morgan Stanley.

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Citigroup Global Markets, Inc. is a sales agent in PG&E Corporation's continuous offering program.

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A director of Citi serves on the board of Procter & Gamble Company.

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

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Citigroup Global Markets Inc. acted as a joint bookrunner in the announced notes offering for Target Corp. An employee of Citigroup Global Markets or its affiliates is a trustee of Target Corp.

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An officer or director of Grupo Televisa, S.A. serves as a director on Citi's board. One or more directors of Grupo Televisa, S.A. are members of the board of directors of an affiliate of Citigroup Global Markets Inc.

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Due to Citi's involvement as an advisor to Goodrich Corp. on the announced pending sale to United Technologies Corp, CIRA suspended its rating and target price on United Technologies Corp. on September 21, 2011 (the 'Suspension Date'). Please note that the Company price chart that appears in this report and available on CIRA's disclosure website does not reflect that CIRA did not have a rating or target price between the Suspension Date and March 18, 2012 when CIRA resumed full coverage. Citigroup Global Markets Inc. is acting as a joint bookrunner on United Technologies Inc.'s announced offering of equity units as component of financing for the Goodrich acquisition.

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Citigroup Global Markets Limited is a connected advisor (for the purposes of the UK Takeover Code) to Vodafone Group Plc in their previously announced evaluation of the merits of a potential offer for Cable & Wireless Worldwide plc. Consequently, Citigroup Global Markets Limited is restricted from offering any view, rating or opinion on Cable & Wireless Worldwide plc.

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Citigroup Global Markets Ltd is currently mandated as advisor to Volkswagen AG in relation to the announced acquisition of Porsche AG.

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An employee of Citi serves on the board of WPP Group PLC.

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Graeme McDonald, Analyst, holds a long position in the securities of HSBC Holdings PLC.

Timm Schneider, Analyst, holds a long position in the securities of Dow Chemical Co, Altria Group Inc, General Electric Company.

Josh Levin, CFA, Analyst, holds a long position in the securities of Time Warner Inc, Time Warner Cable Inc.

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

Tobias M Levkovich, Strategist, holds a long position in the securities of Travelers Companies, Inc.

Peter Atherton, Analyst, holds a long position in the securities of National Grid PLC.

Craig Williams, Analyst, holds a long position in the securities of Australia and New Zealand Banking Group Ltd.

Tony Brennan, Strategist, holds a long position in the securities of Deutsche Bank.

Leo Kulp, CFA, Analyst, holds a long position in the securities of Wal-Mart Stores Inc, The Coca-Cola Company, Morgan Stanley.

Nigel Pittaway, Analyst, holds a long position in the securities of AMP Ltd.

Robert S Morris, Analyst, holds a long position in the securities of Canadian Natural Resources Ltd.

A member of the household of Keith Horowitz, CFA, Analyst, holds a long position in the securities of Bank of New York Mellon Corp, JP Morgan Chase & Co.

A member of the household of Tobias M Levkovich, Strategist, holds a long position in the securities of CBS Corp, Walt Disney Co, Intel Corp, Motorola Solutions Inc, Microsoft Corp., Travelers Companies, Inc.

Tony Brennan, Strategist, received compensation from Deutsche Bank in the past 12 months.

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