

The Citi Income Report

Vodafone Proceeds Looking for a Home

- **Record highs** — Dividends help drive European equities above 2007 peaks to all-time highs (total return index). UK equities got there first, overtaking 2007 highs in late-2010. Dividends = 37% of European equity total return since 1969.
- **£50bn+ deal** — [Vodafone will return £50bn+ in Verizon shares \(£37bn\) & cash \(£15bn\) to shareholders](#) from the proceeds of the sale of its stake in Verizon Wireless Vodafone. We consider re-investment opportunities in UK income stocks.
- **Re-investment opportunities** — Vodafone has been, and will be post-Verizon, a high income stock. We see several interesting UK re-investment opportunities: 1) new Vodafone, 2) Big-cap DY, 3) Miners, 4) FTSE 100 High Yields.
- **Looking for UK income** — VOD could benefit from pent-up demand release & fresh liquidity. Big-cap DY & FTSE HY screens = value (Figure 1/Figure 2). Rio Tinto and BHP Billiton back on a DY premium to UK market, income plays again.

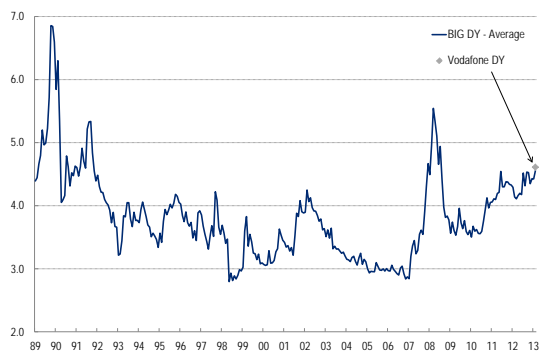
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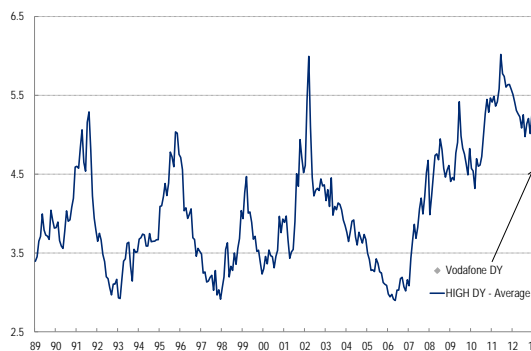
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Figure 1. Cheap #1: Big FTSE 100 Stocks @ High DY in 20Y ex-08/09 Figure 2. Cheap #2: FTSE 100 High DY Stocks = Cheap vs 25 Years



Source: Citi Research. Note: £20bn+ mkt cap FTSE 100 stocks with DY >3%.



Source: Citi Research. Note: FTSE 100 Stocks with DY > VOD DY.

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

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Vodafone Re-investment Opportunities

- Vodafone is returning £50bn+ in cash and Verizon shares to shareholders. We suspect much of this will be re-invested in equity markets; much back into the UK.
- Vodafone ex-event should benefit, [according to Simon Weeden](#), our Telecoms analyst, from release of pent-up demand and fresh liquidity to buyers of the shares. Vodafone ex-event will remain a strong income stock (Figure 3).
- £20bn+ mkt cap FTSE 100 stocks with a DY >3% offer an alternative income opportunity. Average DY = c4.5%. 14 stocks including: HSBC, BP, GSK, BAT.

Figure 3. Vodafone — DPS (p) and Net DY (%)

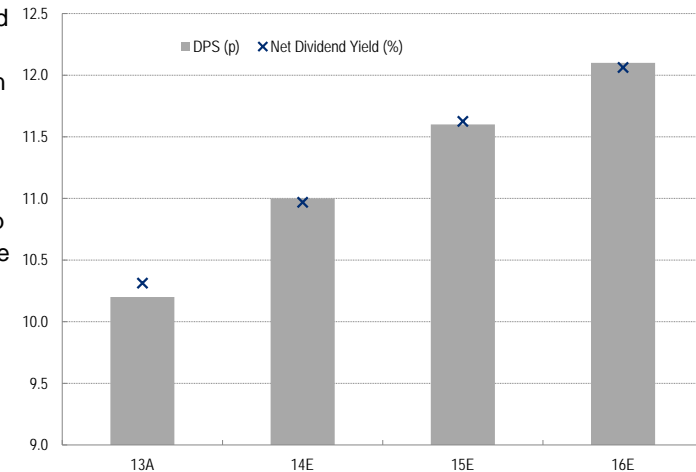


Figure 4. FTSE 100 Big DY — Average DY

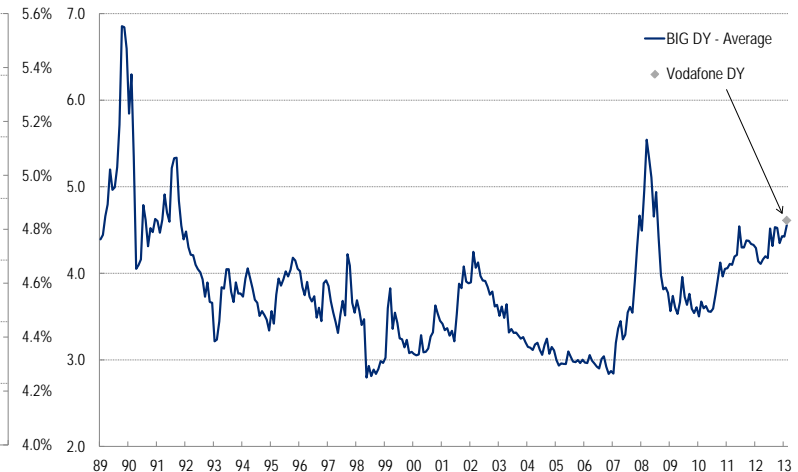
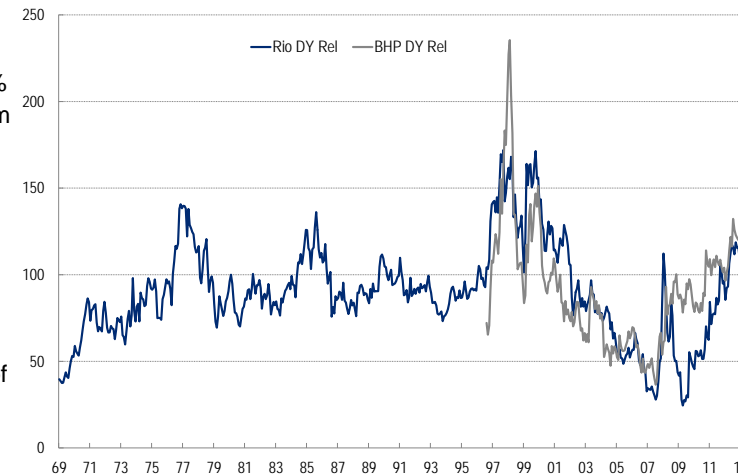
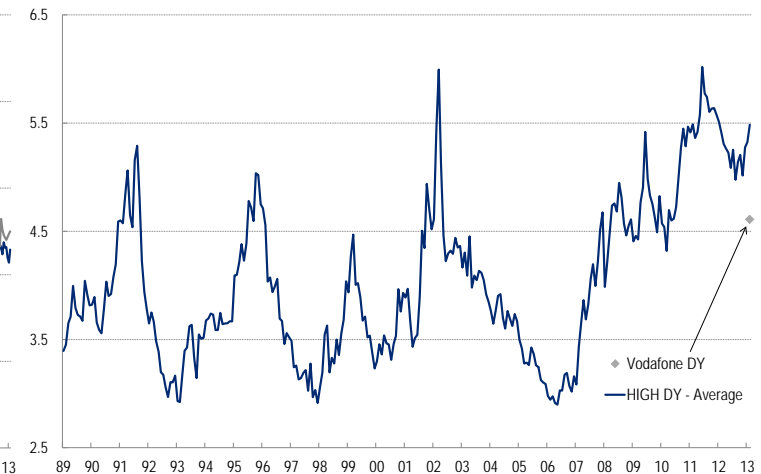


Figure 5. Rio Tinto & BHP Billiton — DY vs UK Market DY



- UK Miners have become the new income story in the past 12-18 months. From historic DY relative lows in 2009-10 (c75% DY discount to UK market) to DY premium in a few years. Stocks now look cheap on DY. Need FCF to cover dividends. [Heath Jansen, our mining analyst, is confident that this will happen.](#)
- Figure 6 brings together the 10 FTSE 100 stocks with a DY higher than Vodafone, eg RSA, Centrica, RDS, SSE. These 10 stocks trade on a DY of c5.5% and have only been cheaper twice in the last 25 years.

Figure 6. FTSE 100 High DY — Average DY



Source: Company Reports, Datastream, Citi Research

Stock Summary

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

Stock	RIC	# of Mentions	Resilient Div	DY*G	EM DY*G	Big Gun or EM Big Gun	Low CDS	CDS & FCF Cover	CDS & DY*G	Diamonds	Credit vs Equity	Dividend Surprises
Siemens	SIEGn.DE	7	Y	Y	Y	Y		Y	Y		Y	
Sanofi	SASY.PA	6	Y			Y	Y	Y	Y		Y	
British American Tobacco	BATS.L	5			Y	Y	Y	Y	Y			
Daimler	DAIGn.DE	5				Y	Y	Y	Y		Y	
Telenor	TEL.OL	5			Y		Y	Y	Y			Y
BSkyB	BSY.L	5	Y				Y	Y	Y			Y
AstraZeneca	AZN.L	4	Y			Y	Y				Y	
Bayer	BAYGn.DE	4			Y	Y					Y	Y
GlaxoSmithKline	GSK.L	4				Y	Y	Y	Y			
Imperial Tobacco Gp.	IMT.L	4						Y	Y	Y	Y	
Nestle R	NESN.VX	4				Y		Y	Y		Y	
Roche	ROG.VX	4				Y			Y	Y	Y	
Unilever Certs.	UNc.AS	4				Y	Y	Y	Y			
Volvo B	VOLVb.ST	4	Y	Y	Y							Y
AMEC	AMEC.L	3	Y	Y						Y		
Atlas Copco A	ATCOa.ST	3						Y	Y	Y		
Barclays	BARC.L	3			Y	Y						
BMW	BMWG.DE	3		Y	Y						Y	
BNP Paribas	BNPP.PA	3		Y		Y			Y			
BP	BP.L	3				Y	Y				Y	
Centrica	CNA.L	3						Y	Y			Y
Diageo	DGE.L	3				Y			Y	Y		
Novartis R	NOVN.VX	3				Y	Y					Y
Rio Tinto	RIO.L	3	Y			Y						Y
Total	TOTF.PA	3				Y	Y				Y	
WPP	WPP.L	3								Y	Y	Y
Pearson	PSOn.L	3					Y	Y	Y			
Yara International	YAR.OL	3	Y	Y								Y

Source: Citi Research

Change of Stocks in Screens

Additions - Europe					
Resilient Dividends	DY*G	EM*DYG	Big Guns & EM Big Guns	Low CDS Adjusted Dividends	CDS, Growth & FCF Cover
AMEC	Aberdeen Asset Man.	Bayer	Barclays	BSKYB	Daimler
BSKYB	ACS	British American Tobacco	BNP Paribas	Novartis R	
Cobham	AMEC	EADS	Daimler	Pearson	
Infoma	Barclays	Prudential			
Mondi	BMW	Standard Chartered			
Rio Tinto	BNP Paribas				
RWE	Deutsche Lufthansa				
Siemens	Intermediate Capital Gp.				
Subsea 7	Investec				
Tate & Lyle	Mondi				
Volvo B	Old Mutual				
William Hill	RSA Insurance Group				
	Siemens				
	Subsea 7				
	Swiss Re				
	Volvo B				
	Yara International				
Deletions - Europe					
Resilient Dividends	DY*G	EM*DYG	Big Guns & EM Big Guns	Low CDS Adjusted Dividends	CDS, Growth & FCF Cover
BAE Systems	Berkeley Group	Sanofi	GDF Suez	BAE Systems	Delhaize Group
BASF	Direct Line In.Group		Glencore Xstrata	Centrica	Michelin
Centrica	Sanofi			BMW	Schneider Electric
Royal Dutch Shell A				SES Fdr	
Additions - Europe					
CDS & DY*G	High CDS Adjusted Dividends	Dividend Diamonds	Potentially Risky	Credit Vs Equity	Dividend Surprises
Atlas Copco A		Atlas Copco A	BAE Systems	AstraZeneca	A P Moller - Maersk B
BNP Paribas		Coloplast 'B'	Berkeley Group	Bayer	Aggreko
Compass Group		Daily Mail A	Electrolux B	Carrefour	Ahold Kon.
Daimler		Fresenius	Royal Dutch Shell A	Continental	Babcock Intl.
Danone		Hennes & Mauritz B		EDF	E.On
Deutsche Post		Imperial Tobacco Gp.		Merck KGAA	Essilor Intl.
Diageo		Sage Group		Telefonica	Gas Natural Sdg
Hammerson		StJames'S Place		WPP	GEA Group
Legal & General					Henkel Pref.
Pearson					Novozymes
Porsche Pref.					Persimmon
Solvay					Philips Electronics
					Randgold Resources
					Randstad Holding
					Rio Tinto
					Rolls-Royce Holdings
					Schindler P
					Telenor
					Volvo B
					Whitbread
					Wolseley
					Yara International
Deletions - Europe					
CDS & DY*G	High CDS Adjusted Dividends	Dividend Diamonds	Potentially Risky	Credit Vs Equity	Dividend Surprises
Ahold Kon.	EDP Energias De Portugal	Koninklijke DSM	E.On	Akzo Nobel	Amadeus It Holding
BT Group		Sanofi	EDP Energias De Port.	Anheuser-Busch Inbev	ARM Holdings
Wolters Kluwer		Serco Group	Elisa	Atlas Copco A	Carlsberg B
			Enagas	BHP Billiton	Deutsche Post
			Fortum	Centrica	Ericsson B
			K + S	Compass Group	Infineon Technologies
			Prosieben Sat 1 Pf.	Deutsche Telekom	Michelin
			TeliaSonera	Enel	SABMiller
				Morrison (Wm) Supermarkets	Sanofi
				Novartis R	Syngenta
				Orange	
				Repsol Ypf	
				Rio Tinto	
				Royal Dutch Shell A	
				RWE	
				SABMiller	
				SCA B	
				SKF B	



Pan Europe

Why Dividends Matter

- Record highs — European total return index at all-time highs. European equities have returned c25% over the past year. Macro risk has fallen and equity has enjoyed strong re-rating.

- Figure 9 breaks down the total return of the index over five decades. Dividends have been the consistent bedrock of total returns.

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

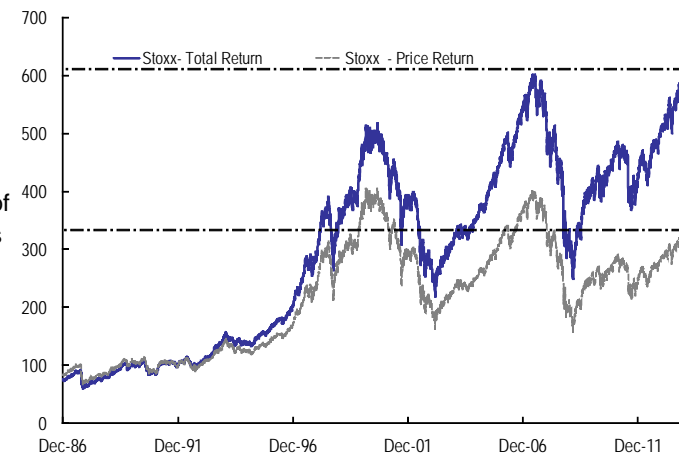


Figure 9. Return Composition — MSCI Europe, 1969–Now

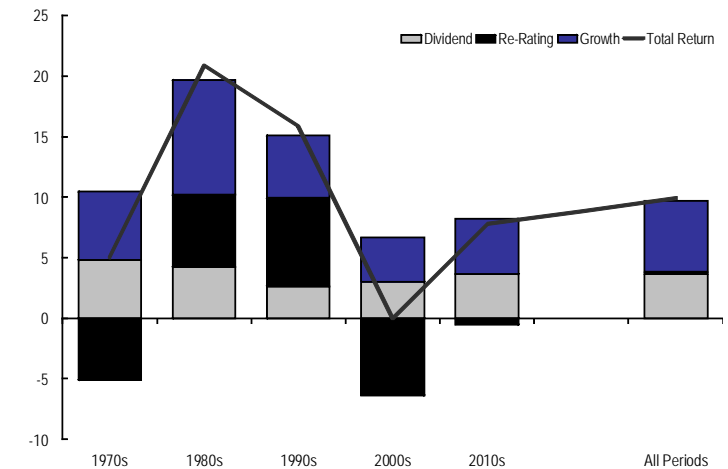


Figure 10. MSCI Europe – Performance of High Yield Equities, 1996–Now

- High Yield index returns edge those from broader market since 1996. High Yield marginally ahead YTD.
- Valuation gives a clear signal of future returns. Current dividend yield points to decent (c9%) compound future returns.

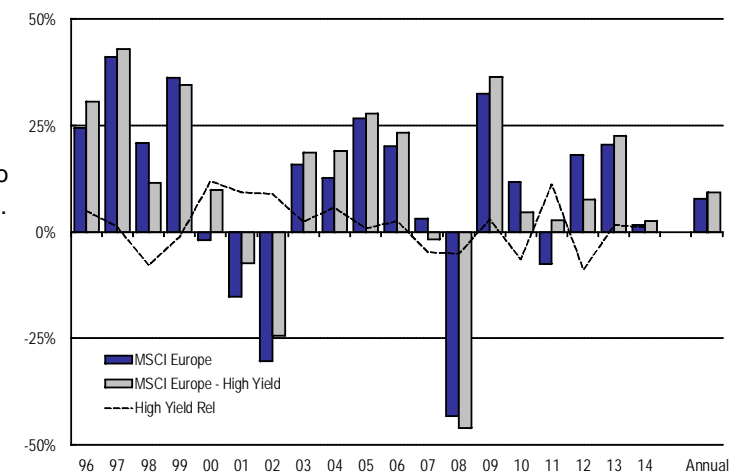
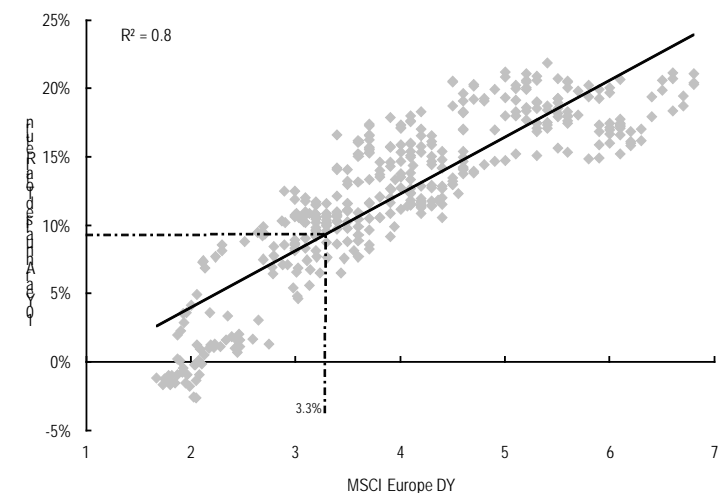


Figure 11. DY vs 10y Annual Returns (Pan Europe), 1974–Now



Source: Datastream and Citi Research

European Equities — Trends

- The recent re-rating is clear. The market now yields c3%. Dividend cover, whilst slightly below the average, remains supportive (at >2x).
- European equities still look cheap vs other regions on DY. US most expensive, but plenty of buybacks. CEEMEA cheapest DY region.

Figure 12. Europe ex-UK Dividend Yields

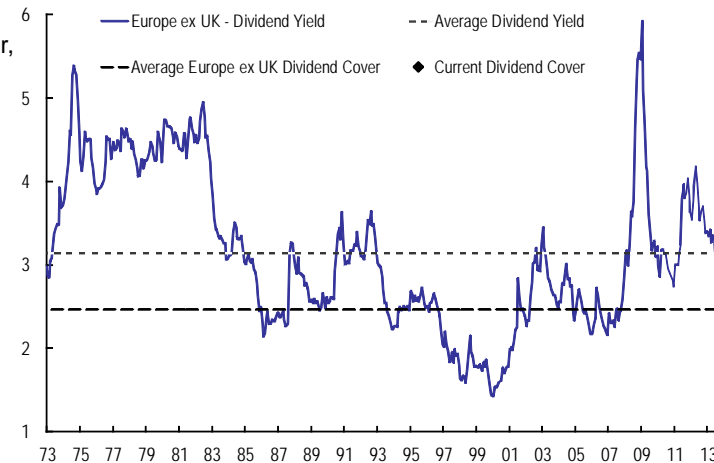


Figure 13. Regional Dividend Yield, 2013E

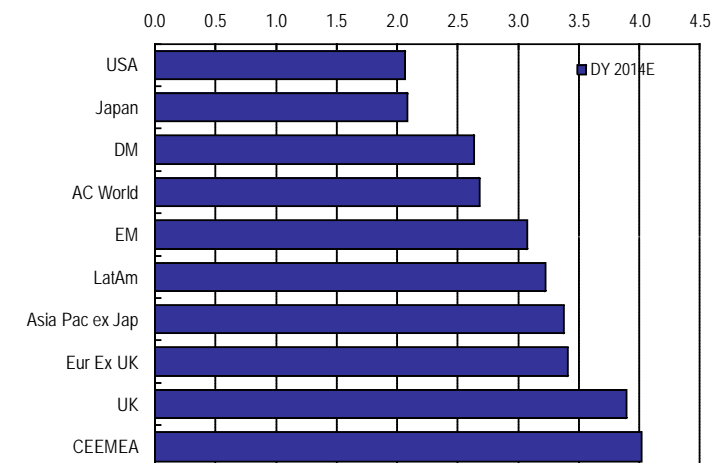
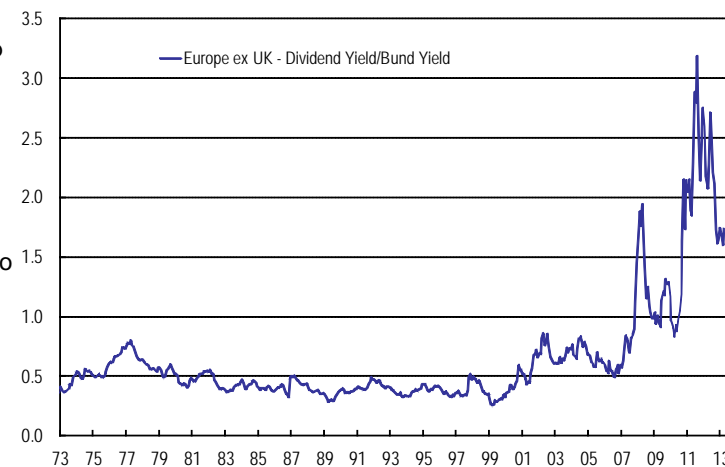
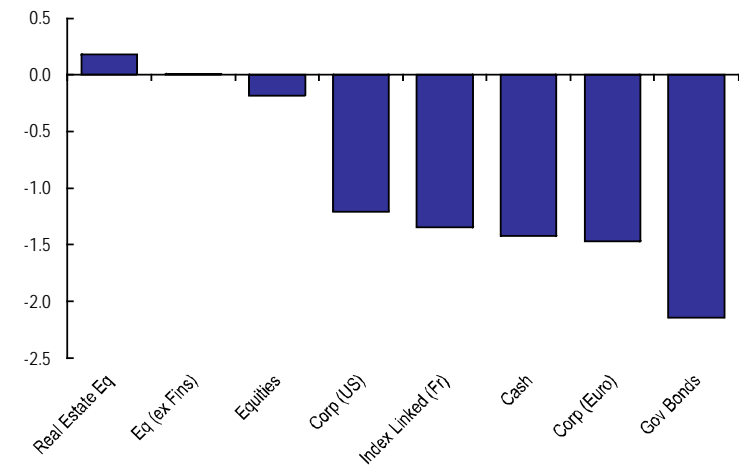


Figure 14. Europe ex-UK Dividend Yield Ratio (Vs Government Bonds)



- Equities still look cheap vs bonds compared to last 40 years. Less cheap than 1-2 years ago.
- Equities cheapest asset class vs 10-year yield average. But, cheap relative not absolute.
- Government bonds still look around two standard deviation points expensive.

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



Source: Datastream and Citi Research

Performance of Various Asset Classes

- We look at the performance of various asset classes. We show 10- and 5-year annualised returns plus 1yr, ytd and 1m actual returns for each of our chosen groups. The bar indicates the range of performance *between* the groups.
- High Yield (Equity) is best performer over past 12-months, followed by European equity. High Yield (Credit) is the best performer over past 5- and 10-years.

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

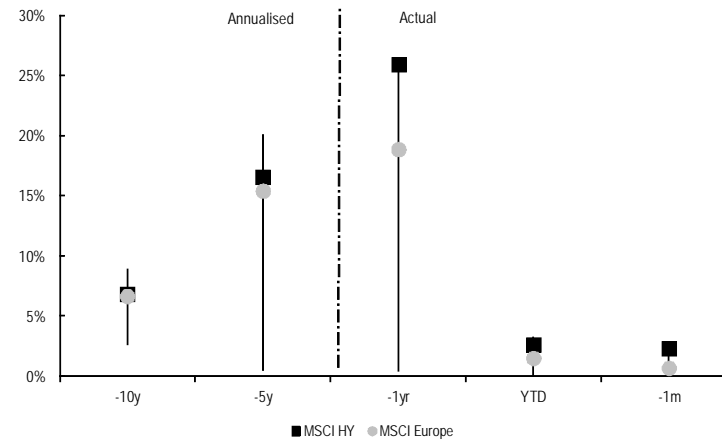


Figure 17. Europe Investment Grade vs High Yield (vs Other Asset Classes)

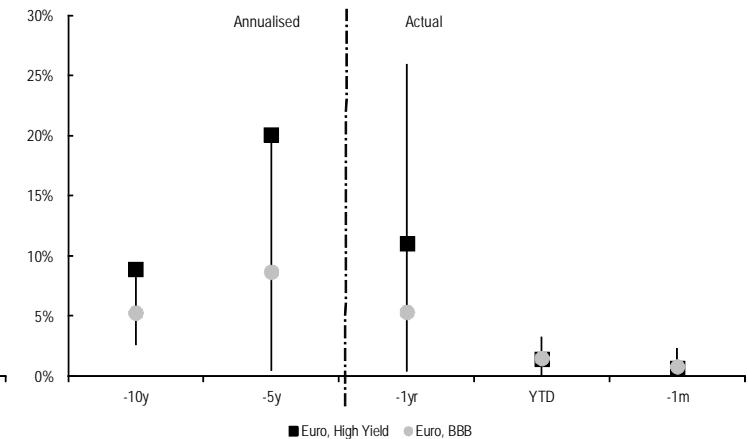


Figure 18. UK Cash & German Bunds (vs Other Asset Classes)

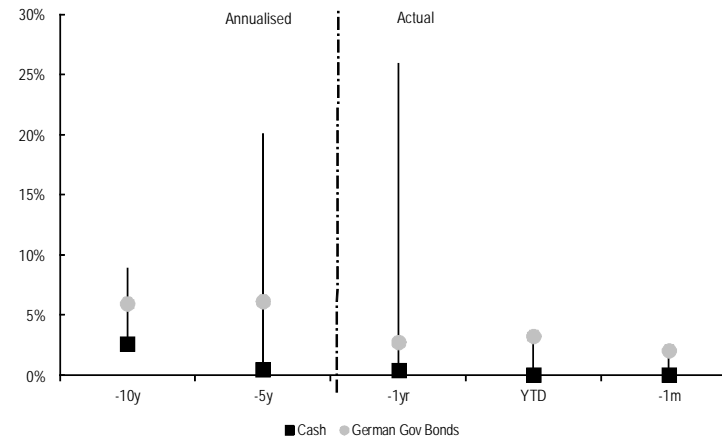
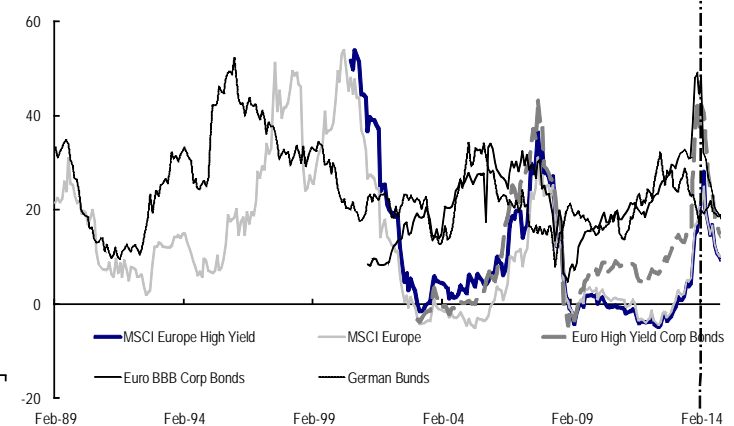


Figure 19. 5 Year Risk Adjusted Returns



- German bonds behind all asset classes bar cash over last 12-month and 5-years. YTD, bonds have done well so far.
- Figure 19 shows 5-year rolling risk adjusted returns. High 'sharpe ratios' tend to attract capital flows. Equities have become competitive again with other asset classes, hence recent inflows.

Source: Datastream and Citi Research

Pan Europe — General Trends

- The 12-month forward DY is now around 5-year lows. Less cheap.
- The median dividend yield, which neutralises the effect of (cheap) mega-caps, is just below average. Not cheap, but some way from expensive levels unless dividends fall sharply.

Figure 20. Market 12m Forward Dividend Yield

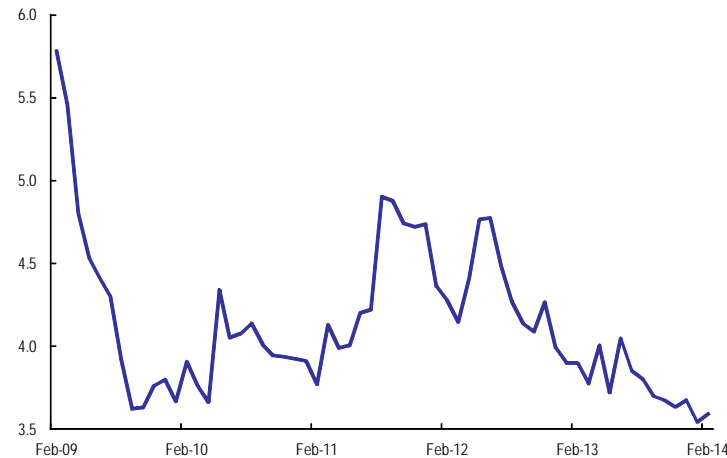


Figure 21. Median Dividend Yield

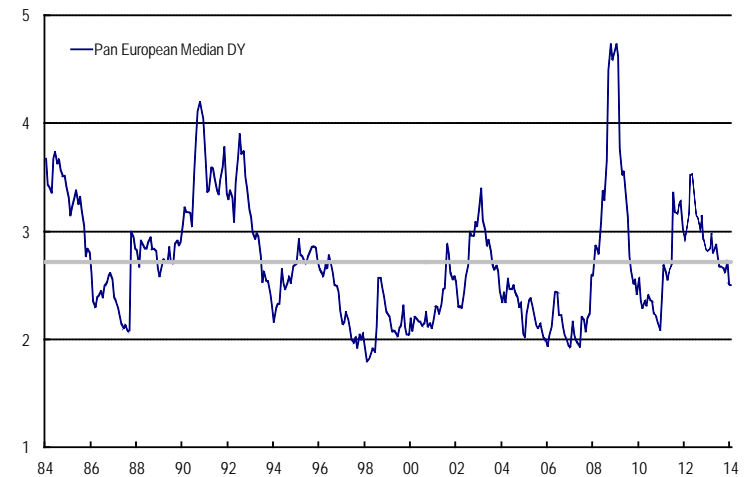


Figure 22. Ex-Financials Dividend Yield

- Ex-financials are trading at 5-year DY lows but around (just below) 10-year DY average levels.
- FCF cover is vital for sustainability of dividend payments. On 2014 forecasts, most sectors look unstretched on this basis.

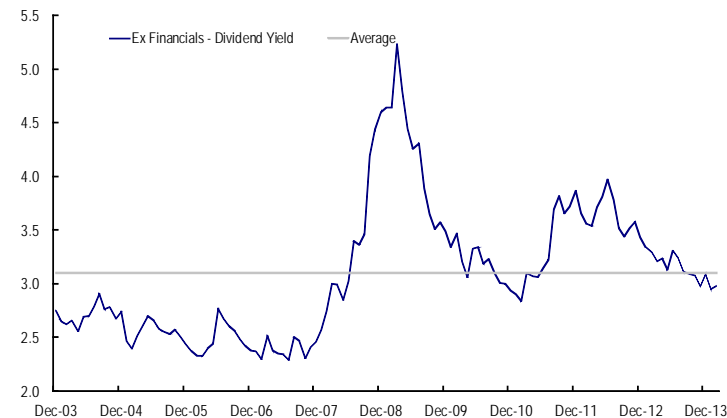


Figure 23. Dividend Paid as % of FCF

	2012	2013E	2014E	2015E	2016E
Automobiles & Parts	133	nm	97	88	82
Basic Resources	nm	75	57	42	36
Chemicals	89	73	77	68	62
Construction & Materials	81	96	62	54	55
Food & Beverage	56	72	64	63	62
Health Care	57	54	57	53	51
Industrial Goods & Services	71	100	59	54	55
Media	71	56	62	60	59
Oil & Gas	nm	nm	nm	180	98
Personal & Household Goods	53	54	52	51	50
Retail	89	107	68	70	73
Technology	72	54	38	36	32
Telecommunications	62	95	94	75	59
Travel & Leisure	95	70	57	40	41
Utilities	nm	194	107	96	88

Source: Datastream and Citi Research

Market — Change to Forecasts

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

- The 12m forward dividend index, which reflects dividend momentum, has seen a significant uptick over the past few months. This has been led by the Banks sector which enjoys one of the highest dividend momentum rankings within DAM (see Figure 36).
- Downgrades to dividend growth expectations continue. 2014 growth estimates have fallen from c9% to c6% in the last 6 months.

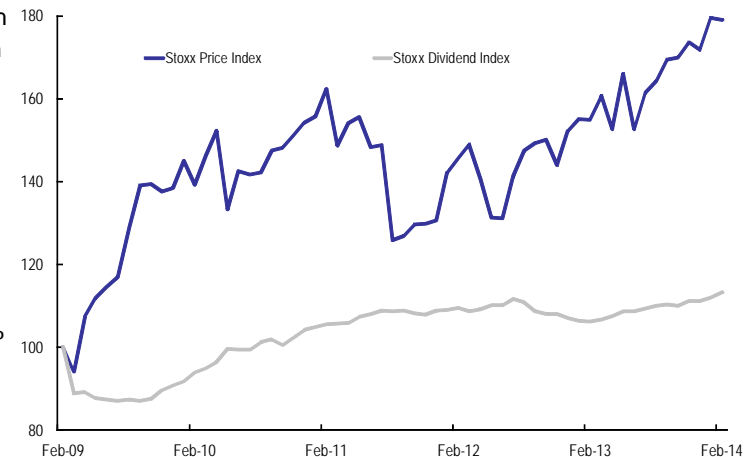


Figure 25. Change to Citi Dividend Growth Forecasts

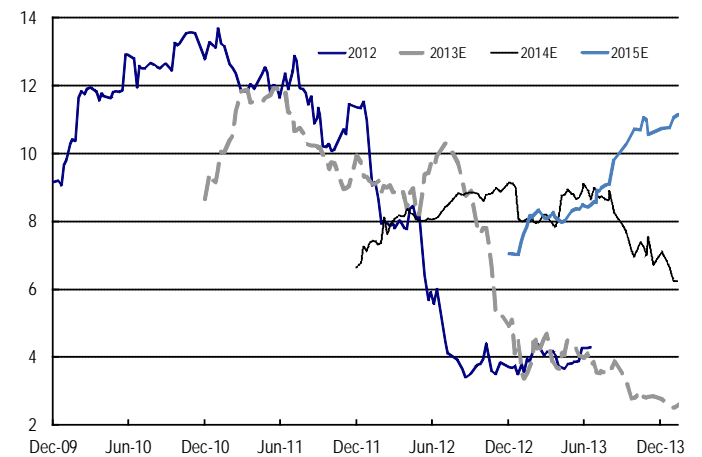


Figure 26. Dividend Swap Curve vs Bottom Up Forecasts

- Big gap between dividend swap curve and bottom-up analyst dividend expectations, 2014-15E.
- Since start-2013, Financials have seen biggest uplift to dividend expectations. Utilities, Health Care and Basic Resources have seen the biggest falls.

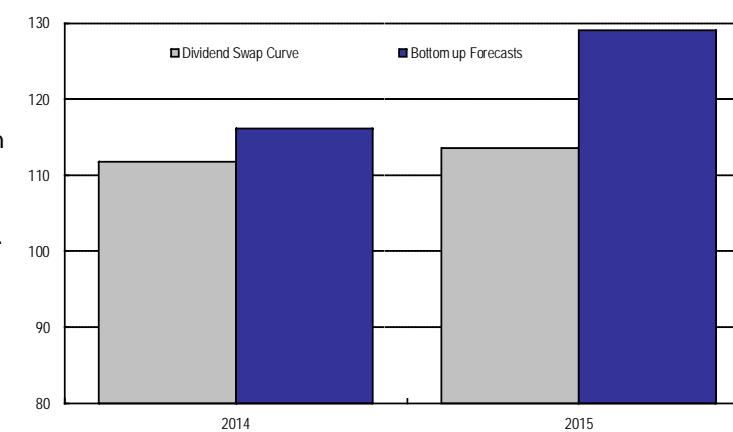
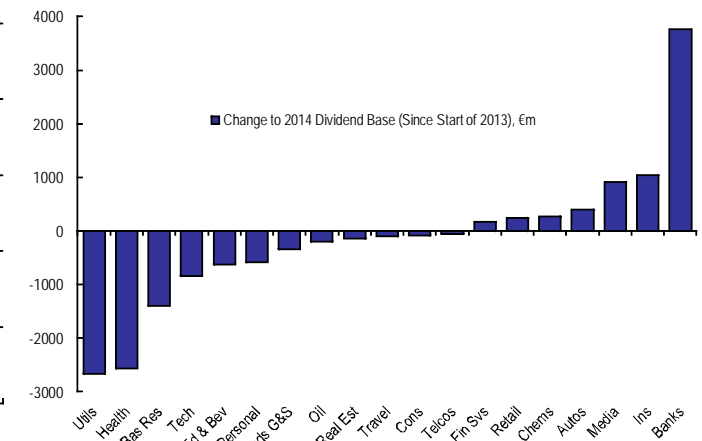


Figure 27. Change in Dividend Base, By Sector and Cumulative



Source: Bloomberg, Datastream and Citi Research

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

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

- Banks have seen the biggest dividend upgrades in the last month. Novartis and KPN also in the top 5 upgraders.

Stock	RIC	1m Change Yr1 (€m)	1m Change Yr2 (€m)	Stock	RIC	1m Change Yr1 (%)	1m Change Yr2 (%)
Banco Santander	SAN.MC	499	249	Telenet Group Holding	TNET.BR	315	378
Novartis R	NOVN.VX	129	122	KPN	KPN.AS	123	53
KBC Groupe	KBC.BR	119	26	KBC Groupe	KBC.BR	57	9
KPN	KPN.AS	112	97	Telecom Italia	TLIT.MI	50	40
UBS R	UBSN.VX	86	-130	Ryanair Holdings	RYA.I	44	12
Svenska Handbkn	SHBa.ST	75	82	Coloplast 'B'	COLOb.CO	36	26
Societe Generale	SOGN.PA	71	62				
Intesa Sanpaolo	ISP.MI	70	0	Banca Ppo.Emilia Romagna	EMII.MI	20	-6
SEB A	SEBa.ST	62	75	Intesa Sanpaolo	ISP.MI	13	0
BNP Paribas	BNPP.PA	62	160	Osram Licht (Xet)	OSRn.DE	12	4
Statoil	STL.OL	62	10	Neste Oil	NES1V.HE	12	5
Telenet Group Holding	TNET.BR	53	53	Chr Hansen Holding	CHRH.CO	12	-4
Telecom Italia	TLIT.MI	52	83	Ica Gruppen	ICAA.ST	11	3
Coloplast 'B'	COLOb.CO	52	41	A P Moller - Maersk B	MAERSKb.CO	11	2
Swiss Re	SRENH.VX	37	-2	Svenska Handbkn	SHBa.ST	11	11

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

- More mixed on the dividend downgraders. Two Health Care stocks and two Swiss stocks in the top 3.

Stock	RIC	1m Change Yr1 (€m)	1m Change Yr2 (€m)	Stock	RIC	1m Change Yr1 (%)	1m Change Yr2 (%)
Sanofi	SASY.PA	-182	-284	Banco Popolare	BAPO.MI	-100	7
Credit Suisse R	CSGN.VX	-117	-147	ThyssenKrupp	TKAG.DE	-73	-13
Roche	ROG.VX	-83	-136	Sydbank	SYDB.CO	-56	-1
Alstom	ALSO.PA	-56	-35	Mediaset	MS.MI	-40	10
Syngenta	SYNN.VX	-55	-50	SBM Offshore	SBMO.AS	-38	-39
Hennes & Mauritz B	HMb.ST	-47	-47	Alstom	ALSO.PA	-32	-19
SAP	SAPG.DE	-46	-51	Banca Pop. Milano	PMII.MI	-30	-30
ENI	ENI.MI	-40	-19	Hellenic Telecom.Org.	OTEr.AT	-28	5
Ziggo	ZIGGO.AS	-39	-17	Pohjola Pankki A	POH1S.HE	-26	-27
Telefonica	TEF.MC	-36	-52	Saipem	SPMI.MI	-25	-18
Banco Popular Espanol	POP.MC	-36	-27	Banco Popular Espanol	POP.MC	-22	-10
SBM Offshore	SBMO.AS	-33	-39	Outotec	OTE1V.HE	-20	-12
Pohjola Pankki A	POH1S.HE	-32	-36	Storebrand	STB.OL	-20	-7
Cnh Industrial	CNHI.MI	-31	-45	Cnh Industrial	CNHI.MI	-18	-21
ABB	ABB.VX	-30	-28	Andritz	ANDR.VI	-17	-2

Source: Datastream and Citi Research

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

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

- Again a number of Financials appear in the 6-month dividend upgraders screen. Nokia tops the list.

Stock	RIC	6m Change Yr1 (€m)	6m Change Yr2 (€m)	Stock	RIC	6m Change Yr1 (%)	6m Change Yr2 (%)
Nokia	NOK1V.HE	536	315	Nokia	NOK1V.HE	715	168
Swiss Re	SRENH.VX	331	69	KPN	KPN.AS	570	53
KPN	KPN.AS	172	97	Coloplast 'B'	COLOb.CO	137	70
Banco Santander	SAN.MC	159	-91	Endesa	ELE.MC	98	49
KBC Groupe	KBC.BR	155	84	KBC Groupe	KBC.BR	90	35
Banco Comr.Portugues 'R'	BCP.LS	151	167	Swiss Re	SRENH.VX	27	6
Societe Generale	SOGN.PA	135	134	Neste Oil	NES1V.HE	21	21
SEB A	SEBa.ST	127	166	SEB A	SEBa.ST	20	25
Coloplast 'B'	COLOb.CO	112	83	Ryanair Holdings	RYA.I	20	107
Novartis R	NOVN.VX	101	67	A P Moller - Maersk B	MAERSKb.CO	19	6
Nordea Bank	NDA.ST	98	289	Rtl Group (Xet)	RRTL.DE	17	29
Daimler	DAIGn.DE	88	162	Marine Harvest	MHG.OL	16	14
Svenska Handbkn	SHBa.ST	85	112	Grifols Ord Cl A	GRLS.MC	16	9
Telenet Group Holding	TNET.BR	70	67	Kaba	KABN.S	15	21
				Ica Gruppen	ICAA.ST	15	13

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

- More of a mixed bag again in the downgraders with Financials, Utilities, Health Care and Telecoms all well represented.

Stock	RIC	6m Change Yr1 (€m)	6m Change Yr2 (€m)	Stock	RIC	6m Change Yr1 (%)	6m Change Yr2 (%)
RWE	RWEG.DE	-413	-262	Banco Popolare	BAPO.MI	-100	-20
Sanofi	SASY.PA	-302	-477	Dufry R	DUFN.VX	-100	-77
ING Groep	ING.AS	-297	490	ThyssenKrupp	TKAG.DE	-97	-35
Telecom Italia	TLIT.MI	-259	-125	Banco Espirito Santo R	BES.LS	-90	-5
BBV Argentario	BBVA.MC	-243	-302	Commerzbank	CBKG.DE	-80	-23
Credit Suisse R	CSGN.VX	-225	-194	Telecom Italia	TLIT.MI	-63	-30
Deutsche Bank	DBKGn.DE	-175	-223	Portugal Telecom R	PTC.LS	-61	-67
UBS R	UBSN.VX	-174	-649	Sydbank	SYDB.CO	-60	55
ThyssenKrupp	TKAG.DE	-135	-64	ING Groep	ING.AS	-55	49
Portugal Telecom R	PTC.LS	-126	-130	Hellenic Telecom.Org.	OTEr.AT	-55	61
Roche	ROG.VX	-123	-181	RWE	RWEG.DE	-44	-35
E.On	EONGn.DE	-120	-278	Mediaset	MS.MI	-40	-8
Telefonica	TEF.MC	-115	-171	Alstom	ALSO.PA	-39	-30
Volvo B	VOLVb.ST	-113	-104	Saipem	SPMI.MI	-38	-22
Nestle R	NESN.VX	-110	-88	Metso	MEO1V.HE	-38	-36

Source: Datastream and Citi Research

Countries — In Focus

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

- The spread between the cheapest and most expensive countries on a yield basis has tightened in the past couple of years. Spain now trades furthest below its 5-year DY relative range with Italy not far behind. Norway, Portugal and Sweden look more attractive on this basis vs their 5-year range.
- Norway, Sweden, UK and Switzerland have best combination of strong balance sheets and high DY*G score.

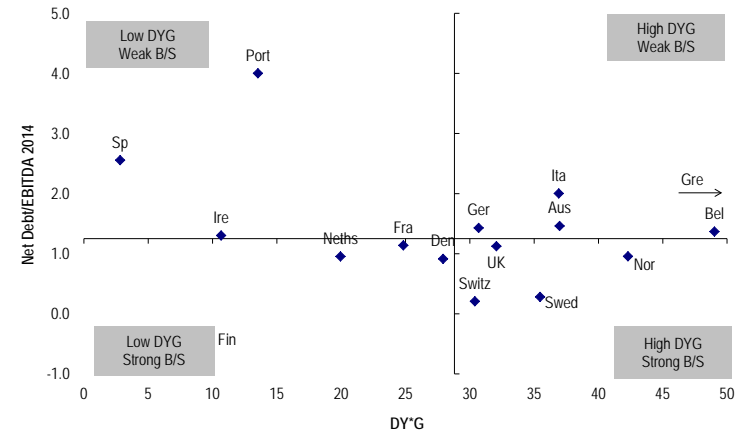
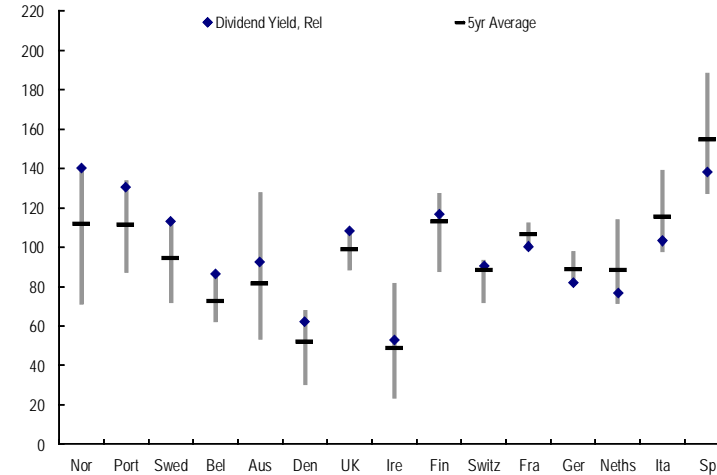


Figure 34. Current 12m Forward Dividend Yield vs 5yr Range (ex-Greece)

- Most countries now trade at or below their 5-year average DY. Norway is the exception.
- Greece, Portugal Ireland and Italy have bond yields higher than dividend yields. Switzerland, Norway and Sweden are at the other end of the spectrum. Spain has shifted from the right hand side of this chart in June towards the middle of the pack.

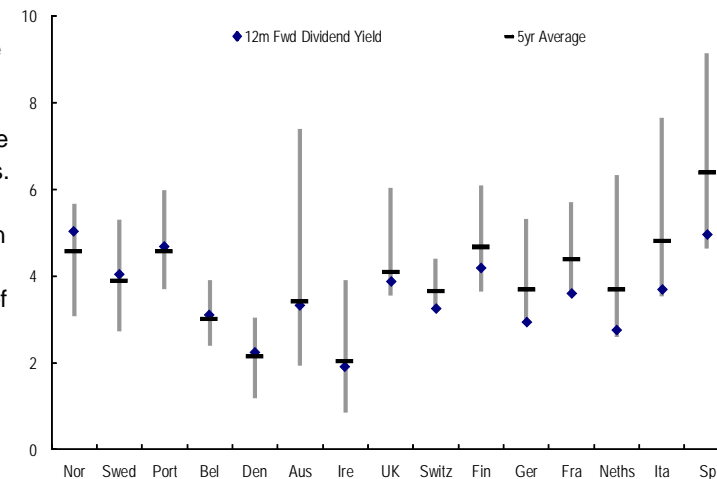
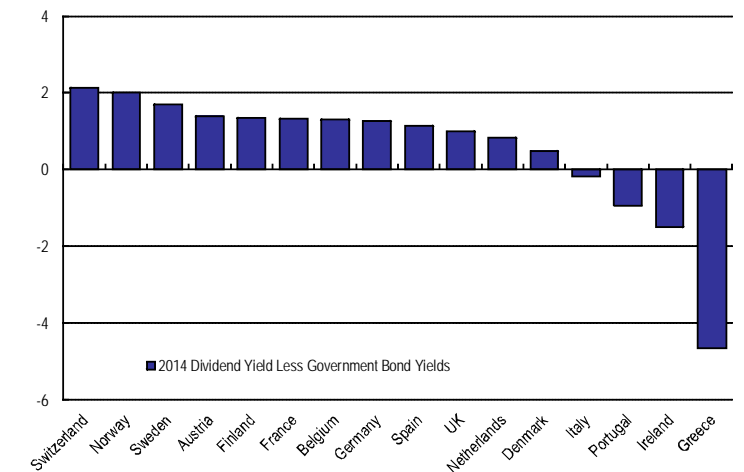


Figure 35. Country — Current DY vs Bond Spread



Source: Datastream and Citi Research

Sectors — Dividend Attribution Model

Figure 36. Dividend Attribution Model (DAM)

- Our dividend attribution model assesses a broad range of factors to see which sectors are the most attractive for an income investor. The model ranks all sectors on a consistent basis for every factor. We then weight each to provide an overall sector rank.

- Banks, Personal & Household Goods and Autos achieve the best overall rank. Utilities and Construction score poorly.

	DY	DY vs Avg	Adj DY (For Cover)	Adj Div (For CDS)	2Yr Annual Growth	FCF-DY	Dividend Mo	Balance Sheet	Overall Rank
Factor Weight	15%	10%	5%	10%	15%	20%	10%	15%	100%
Banks	6	2	3	14	1		3		5.9
Personal & Household Goods	15	4	13	10	5	1	8	3	6.5
Automobiles & Parts	14	6	1	12	3	13	4	4	8.0
Financial Services	7	11	7	18	6		2		8.2
Insurance	5	17	2	8	11		6		8.4
Health Care	11	14	11	2	15	2	9	7	8.4
Oil & Gas	3	3	4	1	18	15	16	2	8.7
Industrial Goods & Services	16	7	8	11	4	8	15	4	8.9
Basic Resources	9	1	5	17	13	3	18	8	9.0
Technology	19	10	19	19	7	5	1	1	9.0
Travel & Leisure	18	9	14	15	2	6	5	10	9.3
Food & Beverage	13	5	17	4	9	7	13	11	9.4
Retail	12	8	12	13	10	11	7	6	9.8
Real Estate	4	13	18	9	16		10		9.9
Chemicals	17	12	9	6	8	10	14	8	10.6
Media	8	18	16	7	14	4	17	12	10.9
Telecommunications	2	19	15	5	17	12	11	14	11.6
Construction & Materials	10	15	10	16	12	9	12	13	11.9
Utilities	1	16	6	3	19	14	19	14	12.0

Factors

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

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

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

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

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

FCF-DY: Average 2013-2015 FCF yield less average 2013-2015 dividend yield forecasts. Highest FCF>DY achieves the best rank.

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

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

Source: Datastream and Citi Research

Stocks — Dividend Attribution Model

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

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

Top 30					
Aberdeen Asset Man.	ADN.L	Imperial Tobacco Gp.	IMT.L	Smurfit Kappa Group	SKG.I
AMEC	AMEC.L	Kuehne+Nagel Intl.	KNIN.VX	Svenska Handbkn	SHBa.ST
Anheuser-Busch Inbev	ABI.BR	Michelin	MICP.PA	Swedbank A	SWEDa.ST
Barclays	BARC.L	Mondi	MNDI.L	Taylor Wimpey	TW.L
BSKyB	BSY.L	Nordea Bank	NDA.ST	Telenor	TEL.OL
Burberry Group	BRBY.L	Pandora	PNDORA.CO	TNT Express	TNTE.AS
Centrica	CNA.L	Rio Tinto	RIO.L	UBS R	UBSN.VX
Danske Bank	DANSKE.CO	SEB A	SEBa.ST	Unilever Certs.	UNc.AS
Delhaize Group	DELB.BR	Shire	SHP.L	Volvo B	VOLVb.ST
Ericsson B	ERICb.ST	Siemens	SIEGn.DE	Yara International	YAR.OL
Bottom 30					
Akzo Nobel	AKZO.AS	Glencore Xstrata	GLEN.L	Schibsted	SBST.OL
Alcatel-Lucent	ALUA.PA	Inmarsat	ISA.L	Serco Group	SRP.L
Atlantia	ATL.MI	K + S	SDFGn.DE	Snam	SRG.MI
BBV Argentario	BBVA.MC	KPN	KPN.AS	Telecom Italia	TLIT.MI
Carrefour	CARR.PA	Lanxess	LXSG.DE	Terna Rete Elettrica Naz	TRN.MI
CRH	CRH.L	Lundin Petroleum	LUPE.ST	ThyssenKrupp	TKAG.DE
E.On	EONGn.DE	MAN	MANG.DE	Tullow Oil	TLW.L
Enel	ENEI.MI	Metro	MEOG.DE	Veolia Environnement	VIE.PA
Enel Green Power	EGPW.MI	Randgold Resources	RRS.L	Vivendi	VIV.PA
Ferrovial	FER.MC	RWE	RWEG.DE	Ziggo	ZIGGO.AS

Source: Datastream and Citi Research

Sector Dividend Yields

- Utilities and Telecoms are the cheapest two sectors on a DY relative basis. But, Resources, Oil & Gas and Banks trading most above their 5-year DY relative average.
- Banks stands out as only sector offering high DY and high dividend growth. Health Care looks less attractive on both.

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

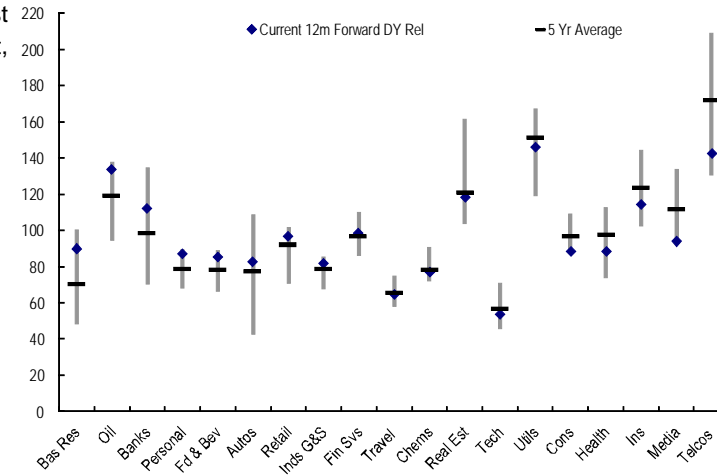


Figure 39. Sector — Yield vs Growth

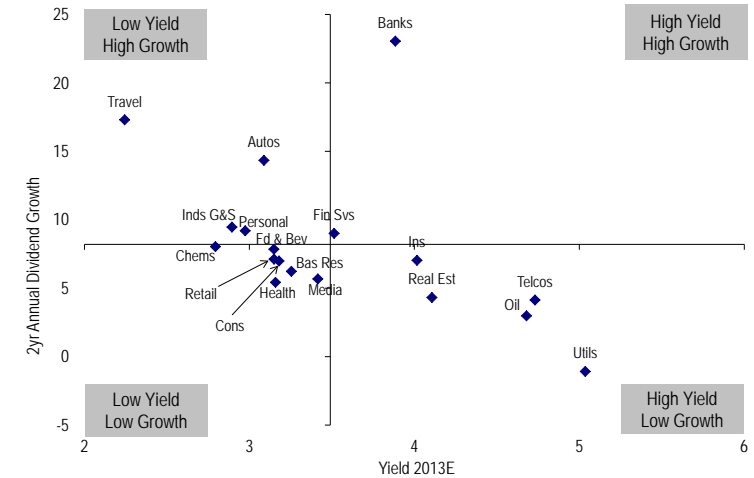


Figure 40. Current 12m Forward Dividend Yield vs 5yr Range

- Only Basic Resources is trading above the 5-year average level (the sector is also cheapest on a relative basis vs its average (see top chart)).
- Most sectors score well on FCF cover. Basic Resources has moved from right to left-hand side of Figure 41. Oil & Gas continues to look less attractive on this basis. Utilities seeing gap closing between FCFY and DY.

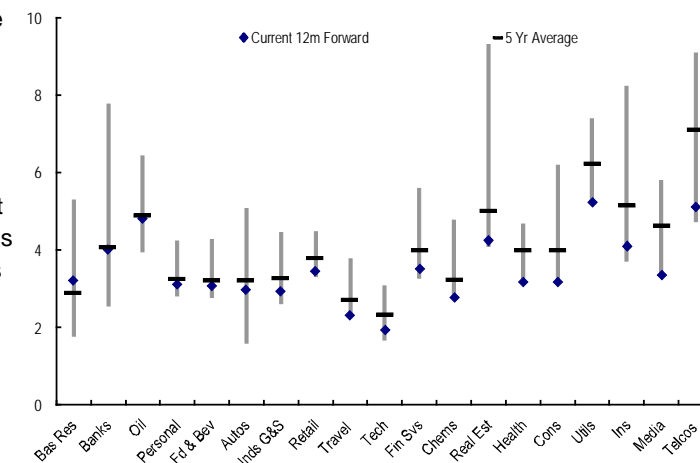
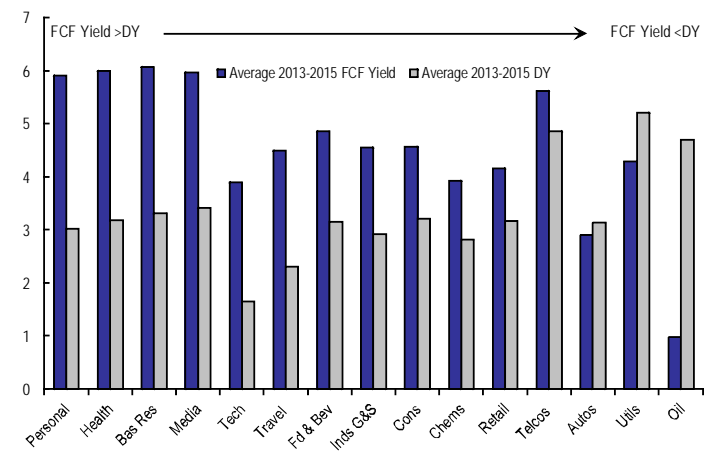


Figure 41. Sector — FCF Yield – Dividend Yield (Average 2012-2014E)



Source: Datastream and Citi Research

Themes — Resilient Dividends with 3 Year FCF above Dividend Paid

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

- We look for >3.5% 2014E DY, surplus FCF, dividend cover >1.6x and net debt/EBITDA <2x.

- Plenty of new stocks on this screen including Rio Tinto, BSKyB and RWE.

Stock	RIC	>€2bn	New	>3.5%			FCF Yield 2013E	FCF Yield 2014E	FCF Yield 2015E	>0	>1.6	<2	Rel Perf YTD
		Market Cap, €m		DY 2013E	DY 2014E	DY 2015E				Average FCFY- DY	Div Cover	ND/EBITDA 2014E	
Cez	CEZP.PR	3034		8.37	6.45	5.57	11.68	8.05	7.40	2.24	1.7	1.76	5
AMEC	AMEC.L	4081	New	3.57	4.31	4.80	7.24	9.16	10.04	4.59	2.1	-0.10	1
AstraZeneca	AZN.L	59852		4.40	4.29	4.29	8.47	7.33	7.12	3.31	1.6	-0.13	11
BHP Billiton	BLT.L	47605		4.07	4.28	4.61	2.40	6.93	8.80	1.73	2.1	0.87	4
Subsea 7	SUBC.OL	3672	New	2.19	4.13	5.51	2.75	4.20	7.48	0.87	2.5	0.40	-8
OMV	OMVV.VI	4717		3.78	3.93	4.08	14.68	1.83	-0.23	1.50	2.8	1.15	-7
Sanofi	SASY.PA	86815		3.89	3.93	4.29	7.91	5.62	6.52	2.65	1.8	0.39	-7
Volvo B	VOLVb.ST	16670	New	3.34	3.88	4.39	1.70	6.00	7.41	1.17	2.3	-1.41	7
Siemens	SIEGn.DE	78260	New	3.27	3.77	4.76	5.55	6.71	7.26	2.58	2.0	0.76	-6
Yara International	YAR.OL	5698		4.00	3.73	5.04	9.69	9.11	9.89	5.31	2.8	0.27	-9
Informa	INF.L	3864	New	3.56	3.67	3.99	6.30	6.49	6.88	2.82	2.1	1.98	-8
Tate & Lyle	TATE.L	4420	New	3.43	3.62	3.82	6.71	6.82	7.60	3.42	2.1	0.79	-21
RWE	RWEG.DE	13443	New	3.59	3.59	3.59	0.00	4.55	7.03	0.27	2.4	1.63	9
Mondi	MNDI.L	4329	New	2.57	3.58	3.62	8.90	10.23	10.24	6.53	2.5	1.52	0
BSKyB	BSY.L	10500	New	3.33	3.58	4.08	6.58	6.31	7.53	3.14	2.0	0.78	8
William Hill	WMH.L	3682	New	3.13	3.52	3.52	5.67	7.52	7.37	3.46	2.2	1.74	-15
Rio Tinto	RIO.L	52312	New	3.34	3.52	3.87	1.91	8.68	11.57	3.81	3.0	0.95	5
Cobham	COB.L	3948	New	3.11	3.51	3.86	4.46	5.63	5.81	1.81	2.0	1.23	6

Source: Datastream and Citi Research

Themes — Growth Adjusted Dividend Yields

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

- Growth is becoming more important for income investors, in our view.
- We look for 2014E DY >3.5% and 2-year dividend CAGR >8%, as well as decent dividend cover and balance sheets.
- Siemens, BMW and Volvo all screen from big-caps.
- Plenty of financials also meet these criteria (Figure 44)

Stock	RIC	Market Cap, €m	New?	>3.5% DY 2014E	>8% 2y Annual Dividend Growth	>40 DY*G	>1.5 Div Cover	<2 ND/EBITDA 2014E
Deutsche Lufthansa	LHAG.DE	4124	New	4.16	221	154	3.1	0.99
Subsea 7	SUBC.OL	3672	New	4.13	50	125	2.5	0.40
Petroleum Geo Services	PGS.OL	1733		4.82	18	86	2.5	0.83
Siemens	SIEGn.DE	78260	New	3.77	20	69	2.0	0.76
Neste Oil	NES1V.HE	1995		4.15	16	66	2.0	1.85
AMEC	AMEC.L	4081	New	4.31	16	60	2.1	-0.10
Boskalis Westminster	BOSN.AS	2813		3.81	16	57	2.0	1.24
Yara International	YAR.OL	5698	New	3.73	13	53	2.8	0.27
Volvo B	VOLVb.ST	16670	New	3.88	14	47	2.3	-1.41
Mondi	MNDI.L	4329	New	3.58	16	43	2.5	1.52
ACS	ACS.MC	4631	New	4.44	10	43	2.0	1.29
BMW	BMWG.DE	27148	New	3.55	13	43	2.8	-1.09

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

Stock	RIC	Market Cap, €m	New?	>3.5% DY 2014E	>8% 2y Annual Dividend Growth	>40 DY*G	>1.5 Div Cover
Barclays	BARC.L	48053	New	4.73	62	173	2.7
RSA Insurance Group	RSA.L	4367	New	6.56	53	157	1.8
Natixis	CNAT.PA	3954		4.19	33	106	2.0
Nordea Bank	NDA.ST	32465		5.37	23	106	1.6
BNP Paribas	BNPP.PA	63849	New	4.07	20	70	2.2
Investec	INVP.L	2630	New	4.99	16	69	1.9
Legal & General	LGEM.L	16081		4.64	15	62	1.7
Aegon	AEGN.AS	12094		4.03	15	54	2.7
SEB A	SEBa.ST	15459		4.35	13	53	1.9
Intermediate Capital Gp.	ICP.L	2063	New	5.53	10	52	1.6
Aberdeen Asset Man.	ADN.L	6153	New	4.35	12	48	1.8
Old Mutual	OML.L	10623	New	4.83	9	42	2.2
Swiss Re	SRENH.VX	22953	New	4.85	10	42	1.7

Source: Datastream and Citi Research

Themes — EM and Growth Adjusted Dividend Yields

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

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

Stock	RIC	New?	>20 EM Exposure	>300 Div 2014E	DY 2014E	2yr Annual Growth	>30 DY*G	>1.3 Div Cover 2014E	<2 ND/EBITDA 14E	EM*DYG
Telenor	TEL.OL		51	685	5.99		11 59	1.44	1.25	3031
Siemens	SIEGn.DE		33	2953	3.77		20 69	2.01	0.76	2261
British American Tobacco	BATS.L	New	67	3207	4.70		7 31	1.54	1.45	2088
Volvo B	VOLVb.ST		38	647	3.88		14 47	2.28	-1.41	1785
EADS	AIR.PA		46	730	2.35		18 38	2.50	-1.78	1738
Renault	RENA.PA		36	435	3.23		18 48	4.36	-0.41	1736
Michelin	MICP.PA		29	548	3.50		15 47	2.87	0.37	1374
Bayer	BAYGn.DE	New	35	2004	2.45		16 34	2.70	0.73	1181
Adidas	ADSGn.DE		35	387	2.16		18 33	2.49	-0.39	1157
Kering	PRTP.PA		31	342	2.93		13 34	2.33	0.88	1060
BMW	BMWG.DE		21	964	3.55		13 43	2.81	-1.09	912

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

Stock	RIC	New?	>20 EM Exposure	>300 Div 2014E	DY 2014E	2yr Annual Growth	>30 DY*G	>1.3 Div Cover 2014E	EM*DYG
Barclays	BARC.L		31	2271	4.73		62 173	2.67	5330
Credit Suisse R	CSGN.VX		21	916	2.73		65 178	3.26	3699
Old Mutual	OML.L		70	514	4.83		9 42	2.22	2929
Standard Chartered	STAN.L	New	91	1388	4.60		7 31	2.30	2783
HSBC Holdings	HSBA.L		55	7239	5.08		8 37	1.85	2046
Prudential	PRU.L	New	21	991	2.46		13 31	2.67	643

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

Themes — Big Guns

Figure 47. Contribution to 2013 Dividend Base

Broad sector:

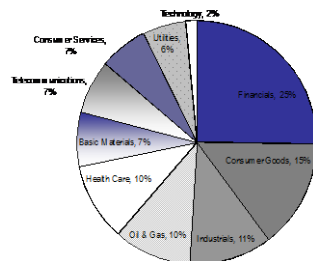


Figure 48. Big Guns Screen (Stoxx Universe – Top 20)

Stock	RIC	New?	Div 2014E	DY 2014E	DY*G	Div Cover 2014E	ND/EBITDA 14E
HSBC Holdings	HSBA.L		7239	5.08	37	1.85	
Vodafone Group	VOD.L		6575	5.13	30	0.91	1.96
Nestle R	NESN.VX		5925	3.36	16	1.58	0.99
Total	TOTF.PA		5704	5.51	9	1.88	0.69
Santander	SAN.MC		5667	7.65	13	1.19	
Royal Dutch Shell	RDSa.L		5323	5.34	5	1.58	0.74
BP	BP.L		5289	4.75	6	2.19	0.63
Novartis R	NOVN.VX		5140	3.22	2	2.16	0.34
GlaxoSmithKline	GSK.L		4893	5.06	33	1.33	1.96
Roche	ROG.VX		4848	3.29	25	1.81	0.27
Sanofi	SASY.PA		3410	3.93	22	1.82	0.39
BAT	BATS.L		3207	4.70	31	1.54	1.45
ENI	ENI.MI		2997	6.67	13	1.11	0.54
Siemens	SIEGn.DE		2953	3.77	69	2.01	0.76
BNP Paribas	BNPP.PA	New	2599	4.07	70	2.22	
BASF	BASFn.DE		2574	3.50	12	1.94	1.31
AstraZeneca	AZN.L		2566	4.29	-5	1.63	-0.13
Barclays	BARC.L	New	2271	4.73	173	2.67	
Daimler	DAIGn.DE	New	2211	3.43	21	2.45	0.61

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

Stock	RIC	New?	EM Exp	Div 2014E	DY 2014E	DY*G	Div Cover 2014E	ND/EBITDA 14E
HSBC Holdings	HSBA.L		55	7239	5.08	37	1.85	
Vodafone Group	VOD.L		34	6575	5.13	30	0.91	1.96
Nestle R	NESN.VX		32	5925	3.36	16	1.58	0.99
Santander	SAN.MC		52	5667	7.65	13	1.19	
Sanofi	SASY.PA		31	3410	3.93	22	1.82	0.39
BAT	BATS.L		67	3207	4.70	31	1.54	1.45
Siemens	SIEGn.DE		33	2953	3.77	69	2.01	0.76
AstraZeneca	AZN.L		34	2566	4.29	-5	1.63	-0.13
Barclays	BARC.L	New	31	2271	4.73	173	2.67	
BBV Argentaria	BBVA.MC		49	2141	4.09	0	1.29	
AB Inbev	ABI.BR		50	2075	3.83	57	1.46	2.16
BHP Billiton	BLT.L		57	2036	4.28	25	2.10	0.87
Bayer	BAYGn.DE		35	2004	2.45	34	2.70	0.73
Telefonica	TEF.MC		50	1990	4.41	-100	1.58	2.39
Rio Tinto	RIO.L		50	1840	3.52	28	2.97	0.95
Unilever Certs.	UNC.AS		47	1769	4.02	25	1.40	0.64
Diageo	DGE.L		47	1612	2.89	23	1.92	2.10
Unilever (UK)	ULVR.L		47	1443	3.89	24	1.40	0.64
ABB	ABBN.VX		45	1431	3.27	7	1.85	0.20
Std Chartered	STAN.L		91	1388	4.60	31	2.30	

Source: Datastream and Citi Research

Themes — Risk Adjusted Dividends Using CDS (Safer)

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

	Stock	RIC	>€5bn Mkt Cap	New	Low CDS	Trailing Dividend Yield	>3.3	CDS Adjusted Dividend Score
■ Plenty of companies offer investors an attractive yield with low CDS.	Total	TOTF.PA	103590		31	5.31		17.04
	TeliaSonera	TLSN.ST	12731		38	6.1		16.0
■ We limit the stock number in this screen to 25 names.	Novartis R	NOVN.VX	159806	New	21	3.34		15.90
	Unilever Certs.	UNc.AS	44047		25	3.81		15.47
	GDF Suez	GSZ.PA	25958		58	8.63		14.80
■ More financials are starting to appear in this screen, which shows how far we have progressed since the financial crisis.	Statoil	STL.OL	20110		32	4.2		13.3
	Telenor	TEL.OL	11424		36	4.5		12.5
	Swisscom R	SCMN.VX	9179		38	4.27		11.23
	Sanofi	SASY.PA	86815		34	3.78		11.02
	British American Tobacco	BATS.L	68262		40	4.38		10.96
	GlaxoSmithKline	GSK.L	96751		44	4.55		10.46
	Muenchener Rueckver	MUVGn.DE	25056		44	4.4		10.1
	Deutsche Telekom	DTEGn.DE	35833		58	5.73		9.90
	National Grid	NG.L	37791		50	4.95		9.87
	AstraZeneca	AZN.L	59852		42	4.16		9.84
	BP	BP.L	111301		46	4.49		9.72
	Fortum	FUM1V.HE	7489		63	5.72		9.15
	Nordea Bank	NDA.ST	32465		50	4.26		8.53
	Vodafone Group	VOD.L	128041		57	4.67		8.21
	EDF	EDF.PA	7267		58	4.49		7.70
	Daimler	DAIGn.DE	64408		50	3.30		6.55
	Pearson	PSO.N.L	11127	New	64	4.14		6.51
	Svenska Handbkn	SHBa.ST	18202		53	3.36		6.40
	BSKyB	BSY.L	10500	New	54	3.40		6.29

Source: Bloomberg, Factset

Themes — CDS Adjusted Dividend Scores with Growth and FCF Cover

Figure 51. CDS Adjusted Dividend Scores with Growth and FCF Cover Screen (Stoxx Universe Where We Have Data)

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

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

Stock	RIC	Mkt Cap	New	<Median (83) CDS	>3% Trailing Dividend Yield	CDS Adjusted Dividend Score	>4% 2yr Ann. Div Growth	>0 Average 2013E-2015E FCF Less Average 2013E-2015E DY
Centrica	CNA.L	19629		73	5.31	7.33	6.03	4.2
BAT	BATS.L	68262		40	4.38	10.96	6.73	3.5
Tate & Lyle	TATE.L	4420		74	4.13	5.60	5.48	3.4
Ahold Kon.	AHLN.AS	11629		82	3.31	4.04	4.22	3.4
Wolters Kluwer	WLSNc.AS	6419		64	3.19	5.01	5.38	3.4
BSkyB	BSY.L	10500		54	3.40	6.29	10.58	3.1
Unilever Certs.	UNc.AS	44047		25	3.81	15.47	6.50	3.1
Sanofi	SASY.PA	86815		34	3.78	11.02	5.77	2.6
Siemens	SIEGn.DE	78260		37	3.17	8.52	20.44	2.6
Atlas Copco A	ATCOa.ST	13145		58	3.11	5.36	7.80	2.3
Imperial Tobacco Gp.	IMT.L	26420		75	4.84	6.50	10.51	1.9
Rexam	REX.L	4835		82	3.03	3.70	8.48	1.9
SES Fdr	SESFd.PA	8029		66	3.85	5.83	10.00	1.2
Telenor	TEL.OL	11424		36	4.51	12.52	11.30	1.1
GlaxoSmithKline	GSK.L	96751		44	4.55	10.46	6.95	0.9
Nestle R	NESN.VX	176593		23	3.12	13.58	5.06	0.6
Pearson	PSON.L	11127		64	4.14	6.51	6.22	0.6
Daimler	DAIGn.DE	64408	New	50	3.30	6.55	6.11	0.2

Source: Bloomberg, Factset, Datastream, Citi Research

Themes — CDS Adjusted DY*G

Figure 52. CDS Adjusted DY*G Screen (Stoxx Universe Where We Have Data)

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

Stock	RIC	Mkt Cap	New	<Median (83) CDS	>2.5% Trailing DY	CDS Adj Dividend Score	>4% 2yr Ann. Div Growth	>0 or Fin Average 2013E-2015E FCF Less Average 2013E-2015E DY	DY*G	>0.3 DY*G/CDS
Nordea Bank	NDA.ST	32465		50	4.26	8.53	23.20	Fin	106	2.11
Siemens	SIEGn.DE	78260		37	3.17	8.52	20.44	2.6	69	1.84
Telenor	TEL.OL	11424		36	4.51	12.52	11.30	1.1	59	1.65
Unilever Certs.	UNc.AS	44047		25	3.81	15.47	6.50	3.1	25	1.02
BNP Paribas	BNPP.PA	63849	New	83	2.57	3.11	20.22	Fin	70	0.84
Roche	ROG.VX	147288		31	2.76	8.91	8.11	2.4	25	0.82
Legal & General	LGEn.L	16081	New	77	3.38	4.39	15.26	Fin	62	0.80
BAT	BATS.L	68262		40	4.38	10.96	6.73	3.5	31	0.77
SEB A	SEBa.ST	15459		68	3.21	4.72	13.44	Fin	53	0.77
Porsche Pref.	PSHG_p.DE	12008	New	55	2.51	4.57	15.59	0.2	42	0.76
Imperial Tobacco Gp.	IMT.L	26420		75	4.84	6.50	10.51	1.9	56	0.75
GlaxoSmithKline	GSK.L	96751		44	4.55	10.46	6.95	0.9	33	0.75
Nestle R	NESN.VX	176593		23	3.12	13.58	5.06	0.6	16	0.71
Michelin	MICP.PA	15662		68	2.78	4.11	15.42	2.6	47	0.70
BSKyB	BSY.L	10500		54	3.40	6.29	10.58	3.1	36	0.66
Sanofi	SASY.PA	86815		34	3.78	11.02	5.77	2.6	22	0.65
SES Fdr	SESFd.PA	8029		66	3.85	5.83	10.00	1.2	43	0.65
Swedbank A	SWEDa.ST	18670		75	5.79	7.72	8.19	Fin	48	0.64
Deutsche Post	DPWGn.DE	24510	New	36	2.63	7.32	6.40	1.9	19	0.52
Compass Group	CPG.L	19658	New	40	2.58	6.39	7.56	1.5	20	0.50
Centrica	CNA.L	19629		73	5.31	7.33	6.03	4.2	33	0.46
Svenska Handbkn	SHBa.ST	18202		53	3.36	6.40	6.63	Fin	24	0.46
Syngenta	SYNN.VX	24813		41	2.89	7.07	6.38	0.6	18	0.44
Diageo	DGE.L	55712	New	52	2.62	5.00	8.36	0.6	23	0.43
Atlas Copco A	ATCOa.ST	13145	New	58	3.11	5.36	7.80	2.3	25	0.43
Daimler	DAIGn.DE	64408	New	50	3.30	6.55	6.11	0.2	21	0.42
Unibail-Rodamco	UNBP.AS	18148		74	4.44	5.97	6.33	Fin	30	0.41
Pearson	PERSON.L	11127	New	64	4.14	6.51	6.22	0.6	26	0.41
Reed Elsevier	REL.L	12709		50	2.56	5.11	7.14	5.0	19	0.38
Delhaize Group	DELB.BR	4795		71	2.81	3.96	7.66	7.2	25	0.35
Hammerson	HMSO.L	4639	New	80	3.24	4.05	7.26	Fin	26	0.32
Solvay	SOLB.BR	6530	New	80	2.97	3.69	7.82	0.2	25	0.31
Danone	DANO.PA	29400	New	49	2.88	5.89	5.08	2.1	15	0.31
Rexam	REX.L	4835		82	3.03	3.70	8.48	1.9	25	0.31

Source: Bloomberg, Factset, Citi Research, Datastream

Themes — Risk Adjusted Dividends Using CDS (Riskier)

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

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

- Only one stock remains on this list.

Stock	RIC	Mkt Cap	New	>250 CDS	>5<12 Trailing Dividend Yield	CDS Adjusted Dividend Score
Portugal Telecom R	PTC.LS	2112		296	9.56	3.23

Source: Bloomberg, Factset

Themes — Dividend Diamonds

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

Figure 54. Companies Which Have Not Cut Their Dividends Since 2000, Decent 2yr Annualised Dividend Growth Screen (Complete List From Stoxx Universe)

Stock	RIC	New?	>€3bn Market Cap, Em	>8% 2yr Annual Dividend Growth	Net Debt/EBITDA 2013E	Dividend Cover 2013E
Aggreko	AGGK.L		5116	11	0.70	3.04
Air Liquide	AIRP.PA		30827	8	1.49	1.98
AMEC	AMEC.L		4081	16	-0.10	2.10
Assa Abloy B	ASSAb.ST		12754	12	0.96	2.50
Assd. Brit. Foods	ABF.L		12175	10	0.58	3.03
Atlas Copco A	ATCOa.ST	New	13145	8	0.09	1.55
Babcock Intl.	BAB.L		6057	9	1.27	2.49
Capita	CPI.L		8245	11	1.92	2.22
Casino Guichard	CASP.PA		4350	9	2.01	1.65
Cobham	COB.L		3948	11	1.23	2.00
Coloplast 'B'	COLOb.CO	New	6618	15	-0.64	1.15
Daily Mail A	DMGOa.L	New	3617	9	1.81	2.56
Dassault Systemes	DAST.PA		5345	10	-1.74	3.90
Diageo	DGE.L		55712	8	2.10	1.92
Essilor Intl.	ESSI.PA		16600	9	0.15	3.34
Fresenius	FREG.DE	New	15015	8	2.22	5.22
Givaudan N	GIVN.VX		8273	9	0.92	1.24
Henkel Pref.	HNKG_p.DE		14825	8	0.55	3.89
Hennes & Mauritz B	HMb.ST	New	31118	9	-0.50	1.20
Imperial Tobacco Gp.	IMT.L	New	26420	11	2.53	1.60
Johnson Matthey	JMAT.L		8327	11	1.38	2.69
Kerry Group A	KYGa.I		7869	11	0.97	6.56
L'Oreal	OREP.PA		29749	10	-0.62	1.88
Lindt & Sprungli R	LISN.S		4418	9	-1.41	2.04
LVMH	LVMH.PA		35942	11	0.78	2.30
Meggitt	MGGT.L		5087	11	1.13	2.81
Next	NXT.L		11884	11	0.54	2.69
Novo Nordisk 'B'	NOVOb.CO	New	63958	11	-0.08	2.07
Roche	ROG.VX		147288	8	0.27	1.81
Rolls-Royce Holdings	RR.L		27219	11	0.15	3.25
Sage Group	SGE.L	New	5749	11	1.03	2.01
Schroders	SDR.L		3969	24		2.59
Sika B	SIK.VX		5468	12	0.34	2.34
Spectris	SXS.L		3384	11	0.27	3.29
St.James'S Place	SJP.L	New	3784	18		1.85
Technip	TECF.PA		6970	28	0.03	2.50
WPP	WPP.L		21483	11	0.92	2.33

Source: Datastream and Citi Research

Themes — Potentially Risky Dividends – Weak Cash Flow Dividend Cover

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

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

Stock	RIC	>€2bn Market Cap, €m	New?	DY 2012E	>4% DY 2013E	DY 2014E	FCF Yield 2012E	FCF Yield 2013E	FCF Yield 2014E	<0 Average FCFY-DY	<2.5 Div Cover	ND/EBITDA 2013E	Rel Perf YTD
Seadrill	SDRL.OL	9561		10.28	10.31	11.40	-3.29	1.56	-10.07	-14.60	1.0	4.37	-13
Veolia Environnement	VIE.PA	5308		5.76	5.76	5.76	-15.52	0.08	2.06	-10.22	0.8	4.25	2
Pennon Group	PNN.L	3099		4.31	4.65	4.90	-10.28	-4.63	1.50	-9.09	1.4	5.50	7
National Grid	NG.L	37791		5.07	5.24	5.44	-0.28	-0.75	-1.62	-6.13	1.3	4.35	5
Metso	MEO1V.HE	3034		8.15	8.33	8.50	3.02	2.01	2.55	-5.80	1.0	1.07	-8
Morrison (Wm)	MRW.L	6702		5.24	4.79	4.19	-4.69	0.36	3.41	-5.05	1.8	2.17	-7
StatOil	STL.OL	20110		4.78	4.62	4.78	-2.56	0.77	1.56	-4.80	1.9	0.26	8
EDF	EDF.PA	7267		4.43	4.43	4.43	1.92	0.49	-2.74	-4.54	1.7	3.14	7
Total	TOTF.PA	103590		5.41	5.51	5.60	-1.34	2.41	2.89	-4.19	1.9	0.69	-2
Telenet Group Holding	TNET.BR	2219		10.91	8.73	6.55	4.95	5.00	4.17	-4.02	0.3	4.51	1
Inmarsat	ISA.L	3808		4.13	4.23	4.44	-2.97	-1.62	5.46	-3.98	0.9	2.91	-9
Terna Rete Elettrica	TRN.MI	5154		5.16	5.16	5.16	-1.47	0.46	4.74	-3.92	1.3	4.58	0
United Utilities Group	UU.L	6180		4.69	4.97	5.26	2.85	1.21	-0.28	-3.72	1.2	6.33	13
Balfour Beatty	BALF.L	2545		4.45	4.56	4.69	-8.24	4.39	6.87	-3.56	2.0	0.89	8
BP	BP.L	111301		4.70	4.75	4.81	-2.52	2.90	3.44	-3.48	2.2	0.63	0
Snam	SRG.MI	8484		6.12	4.90	4.90	3.15	2.21	0.24	-3.44	1.4	4.96	-2
ENI	ENI.MI	44954		6.55	6.67	6.80	-0.81	5.57	5.70	-3.18	1.1	0.54	-3
Tele2 'B'	TEL2b.ST	2554		6.08	6.40	7.52	-0.08	3.36	7.60	-3.04	0.8	1.41	2
Sainsbury (J)	SBRY.L	5863		4.94	5.27	5.49	0.88	2.49	3.47	-2.96	1.9	1.78	-6
Royal Dutch Shell	RDSa.L	99605	New	5.25	5.34	5.34	0.52	3.26	3.44	-2.91	1.6	0.74	0
Atlantia	ATL.MI	5819		4.46	4.69	4.92	2.37	1.18	2.36	-2.72	1.3	4.58	10
Repsol Ypf	REP.MC	14232		5.51	5.51	5.62	3.28	2.61	3.09	-2.55	1.2	1.03	-6
Ziggo	ZIGGO.AS	4642		4.33	11.13	5.21	4.68	4.71	4.53	-2.25	0.4	3.30	-1
Severn Trent	SVT.L	5090		4.43	4.74	5.06	2.57	2.76	3.23	-1.89	1.1	5.43	4
Vodafone Group	VOD.L	128041		4.84	5.13	5.41	3.78	2.07	4.23	-1.77	0.9	1.96	-7
Belgacom	BCOM.BR	2909		8.94	8.47	8.00	6.44	6.76	7.13	-1.69	0.9	1.30	3
Eutelsat	ETL.PA	3005		4.89	5.38	5.92	2.11	4.10	5.92	-1.36	1.2	2.78	0
Vivendi	VIV.PA	25441		5.00	5.00	5.00	2.72	4.30	4.49	-1.16	1.0	1.23	7
BAE Systems	BAES.L	17135	New	4.50	4.75	4.89	-5.19	8.13	8.63	-0.86	2.1	0.61	-1
SSE	SSE.L	15767		6.29	6.57	6.86	4.89	5.96	6.51	-0.79	1.4	2.30	1
Berkeley Group	BKGH.L	4268	New	5.46	6.83	5.84	2.98	5.41	8.09	-0.55	1.0	-0.28	0
Electrolux B	ELUXb.ST	3766	New	4.70	4.62	4.63	2.31	5.40	5.51	-0.24	1.2	0.86	-17
Tesco	TSCO.L	30826		4.57	4.62	4.63	3.04	5.23	5.16	-0.13	1.9	1.82	0
Red Electrica Corpn.	REE.MC	5731		5.54	6.31	6.42	5.33	6.38	6.45	-0.04	1.2	3.78	10

Source: Datastream and Citi Research

Themes — Credit vs Equity

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

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

Stock	RIC	New	>€7bn Market Cap	Ry >5Yr Dur	DY 14E	+ve DY 14E - RY	2Y Annual Div Growth (E)	>1.6 Dividend Cover 2014E
Nestle R	NESN.VX		176593	1.9	3.36	1.50	5	1.6
Roche	ROG.VX		147288	1.8	3.29	1.51	8	1.8
BP	BP.L		111301	2.9	4.75	1.81	1	2.2
Total	TOTF.PA		103590	2.7	5.51	2.76	2	1.9
Sanofi	SASY.PA		86815	2.2	3.93	1.72	6	1.8
Bayer	BAYGn.DE	New	81868	1.8	2.45	0.67	16	2.7
Siemens	SIEGn.DE		78260	2.6	3.77	1.20	20	2.0
BASF	BASFn.DE		73566	2.0	3.50	1.48	4	1.9
Daimler	DAIGn.DE		64408	2.4	3.43	1.06	6	2.4
AstraZeneca	AZN.L	New	59852	4.2	4.29	0.12	-1	1.6
Telefonica	TEF.MC	New	45151	3.8	4.41	0.66	-16	1.6
ABB	ABBn.VX		43741	2.6	3.27	0.63	2	1.8
LVMH	LVMH.PA		35942	1.6	2.57	0.99	11	2.3
Schneider Electric	SCHN.PA		34608	2.0	3.37	1.39	6	2.0
Air Liquide	AIRP.PA		30827	1.8	2.88	1.10	8	2.0
Tesco	TSCO.L		30826	3.7	4.62	0.95	1	1.9
Danone	DANO.PA		29400	1.9	3.00	1.14	5	1.9
E.On	EONGn.DE		27424	3.6	3.79	0.23	-4	1.8
Vinci	SGEF.PA		27393	2.1	3.54	1.42	6	2.0
BMW	BMWG.DE		27148	2.0	3.55	1.55	13	2.8
Linde	LING.DE		26908	2.0	2.07	0.10	11	2.9
Imperial Tobacco Gp.	IMT.L		26420	3.6	5.83	2.28	11	1.6
Anglo American	AAL.L		25850	2.7	3.39	0.66	-1	1.9
Deutsche Post	DPWGn.DE		24510	2.4	3.10	0.71	6	2.0
WPP	WPP.L	New	21483	2.7	2.78	0.03	11	2.3
Statoil	STL.OL		20110	3.2	4.62	1.46	1	1.9
Continental	CONG.DE	New	17678	2.2	2.29	0.09	16	3.6
BAE Systems	BAES.L		17135	3.8	4.75	0.96	4	2.1
Carrefour	CARR.PA	New	16689	2.0	2.36	0.40	11	2.2
Porsche Pref.	PSHG_p.DE		12008	2.1	3.44	1.31	16	4.6
Kering	PRTF.PA		11689	1.9	2.93	1.07	13	2.3
Reed Elsevier (Ams)	ELSN.AS		10650	2.1	3.17	1.11	8	2.2
Merck KGAA	MRCG.DE	New	7738	1.7	1.70	0.02	7	4.4
EDF	EDF.PA	New	7267	3.4	4.43	1.08	1	1.7

Source: Datastream, Bloomberg, Yieldbook & Citi Research

Themes — Dividend Surprises

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

Figure 57. Stocks With Better Than Industry Balance Sheet & Payout Potential (vs Industry) and Decent Cashflow Screen (Stoxx Universe Where We Have Data)

Stock	RIC	>€5bn Market Cap	Industry	New?	Stock - ND/EBITDA 2014E	Sector - ND/EBITDA 2014E	Y Stk B/S > SectB/S	Stock - Payout 2014E	Sector - Payout 2014E	Stk Payout > Sect Payout	N FCF/Div	>100
Rolls-Royce	RR.L	27219	Aerospace	New	-0.06	-0.02	Y	0.31	0.37	N	215	
Continental	CONG.DE	17678	Autos & Parts		0.64	1.61	Y	0.28	0.32	N	256	
GKN	GKN.L	8164	Autos & Parts		0.55	1.61	Y	0.29	0.32	N	232	
Valeo	VLOF.PA	6279	Autos & Parts		0.28	1.61	Y	0.25	0.32	N	233	
Bayer	BAYGn.DE	81868	Chemicals		0.37	1.05	Y	0.37	0.45	N	177	
Yara International	YAR.OL	5698	Chemicals	New	0.07	1.05	Y	0.36	0.45	N	244	
Assa Abloy B	ASSAb.ST	12754	Construction		0.50	1.98	Y	0.40	0.51	N	250	
BT Group	BT.L	38865	Fixed Line Telecoms		0.91	2.32	Y	0.40	0.61	N	254	
Ahold Kon.	AHLN.AS	11629	Food Retailers	New	0.66	1.42	Y	0.47	0.50	N	212	
Assd. Brit. Foods	ABF.L	12175	Food Producers		0.27	0.94	Y	0.33	0.61	N	197	
E.On	EONGn.DE	27424	Gas, Water	New	2.19	2.93	Y	0.55	0.70	N	166	
Centrica	CNA.L	19629	Gas, Water		1.30	2.93	Y	0.68	0.70	N	177	
RWE	RWEG.DE	13443	Gas, Water		2.07	2.93	Y	0.42	0.70	N	127	
Gas Natural Sdg	GAS.MC	5837	Gas, Water	New	2.63	2.93	Y	0.62	0.70	N	196	
Philips Electronics	PHG.AS	24478	General Industrials	New	0.20	0.80	Y	0.43	0.46	N	194	
Smiths Group	SMIN.L	6573	General Industrials		0.61	0.80	Y	0.40	0.46	N	217	
Kingfisher	KGF.L	10721	General Retailers		-0.30	0.23	Y	0.43	0.54	N	161	
Essilor Intl.	ESSI.PA	16600	Health Care Equip	New	-0.19	1.43	Y	0.30	0.32	N	399	
Henkel Pref.	HNKG_p.DE	14825	Household Goods	New	0.16	0.17	Y	0.26	0.44	N	969	
Persimmon	PSN.L	5230	Household Goods	New	-0.84	0.17	Y	0.24	0.44	N	162	
Volvo B	VOLVb.ST	16670	Industrial Eng	New	-1.06	0.31	Y	0.44	0.49	N	155	
Alfa Laval	ALFA.ST	6018	Industrial Eng		-0.13	0.31	Y	0.47	0.49	N	226	
GEA Group	G1AG.DE	5872	Industrial Eng	New	0.14	0.31	Y	0.31	0.49	N	156	
Schindler P	SCHN.S	5027	Industrial Eng	New	-2.09	0.31	Y	0.44	0.49	N	214	
A P Moller - Maersk	MAERSKb.CO	12798	Ind Transport	New	1.47	1.57	Y	0.22	0.44	N	141	
WPP	WPP.L	21483	Media		0.60	1.34	Y	0.43	0.60	N	254	
Reed Elsevier	REL.L	12709	Media		1.10	1.34	Y	0.45	0.60	N	278	
Reed (Ams)	ELSN.AS	10650	Media		1.10	1.34	Y	0.45	0.60	N	278	
BSKyB	BSY.L	10500	Media		0.73	1.34	Y	0.50	0.60	N	176	
ITV	ITV.L	9245	Media		-0.18	1.34	Y	0.40	0.60	N	197	
Rio Tinto	RIO.L	52312	Mining	New	0.57	1.08	Y	0.34	0.42	N	247	
Randgold Resources	RRS.L	5217	Mining	New	-0.20	1.08	Y	0.10	0.42	N	335	
Telenor	TEL.OL	11424	Mobile Telecoms	New	1.12	1.43	Y	0.70	0.95	N	111	
Richemont N	CFR.VX	37971	Personal Goods		-1.45	-0.57	Y	0.24	0.39	N	336	
Swatch B	UHR.VX	14670	Personal Goods		-0.97	-0.57	Y	0.25	0.39	N	243	
Beiersdorf	BEIG.DE	7456	Personal Goods		-2.92	-0.57	Y	0.34	0.39	N	293	

Source: Datastream, Citi Research

Themes — Dividend Surprises (Continued)

Figure 58. Stocks With Better Than Industry Balance Sheet & Payout Potential (vs Industry) and Decent Cashflow Screen (Stoxx Universe Where We Have Data)

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

Stock	RIC	>€5bn Market Cap	Industry	New?	Stock - ND/EBITD A 2014E	Sector - ND/EBITDA 2014E	Y Stk B/S > SectB/S	Stock - Payout 2014E	Sector - Payout 2014E	N Stk Payout > Sect Payout	>100 FCF/Div
Novartis R	NOVN.VX	159806	Pharma & Biotech		0.13	0.47	Y	0.46	0.53	N	211
Novo Nordisk 'B'	NOVOB.CO	63958	Pharma & Biotech		-0.36	0.47	Y	0.48	0.53	N	196
Shire	SHP.L	21345	Pharma & Biotech		0.45	0.47	Y	0.09	0.53	N	994
Merck KGAA	MRCG.DE	7738	Pharma & Biotech		-0.27	0.47	Y	0.23	0.53	N	473
Novozymes	NZYMb.CO	6829	Pharma & Biotech	New	0.46	0.47	Y	0.35	0.53	N	233
Dassault Systemes	DAST.PA	5345	Software		-1.99	-0.25	Y	0.26	0.28	N	351
Wolseley	WOS.L	10701	Support Services	New	0.55	1.16	Y	0.40	0.43	N	193
Babcock Intl.	BAB.L	6057	Support Services	New	0.78	1.16	Y	0.40	0.43	N	280
Intertek Group	ITRK.L	5702	Support Services		0.99	1.16	Y	0.33	0.43	N	266
Travis Perkins	TPK.L	5530	Support Services		0.75	1.16	Y	0.33	0.43	N	168
Randstad	RAND.AS	5509	Support Services	New	0.94	1.16	Y	0.40	0.43	N	164
Aggreko	AGGK.L	5116	Support Services	New	0.36	1.16	Y	0.33	0.43	N	297
Whitbread	WTB.L	8723	Travel & Leisure	New	0.63	1.05	Y	0.35	0.37	N	115

Source: Datastream, Citi Research

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

Figure 59. QUARI — Stock Selection & Portfolio Construction

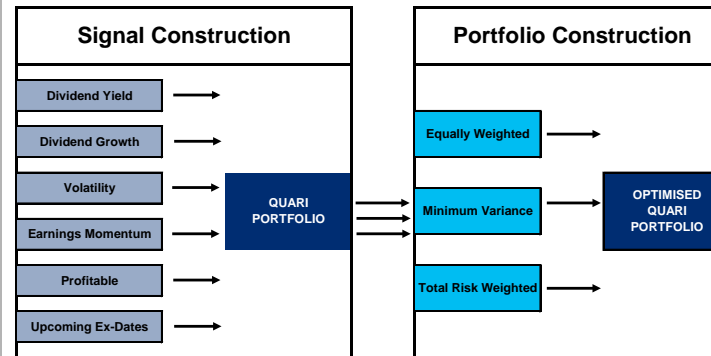


Figure 60. QUARI Minimum Variance Statistics

QUARI (minimum variance)	Price Return	Income (not reinvested)	Total Return (not reinvested)	Total Return (reinvested)
Annualised Returns	10.8%	6.8%	12.7%	15.7%
Annualised Volatility	12.8%		10.4%	13.0%
Sharpe Ratio	0.84		1.21	1.21
Hit Rate	69%		71%	71%

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Figure 61. Return Breakdown (Annualised)

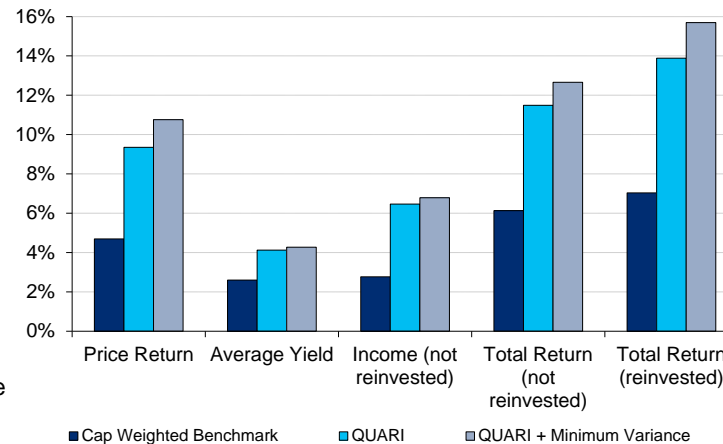
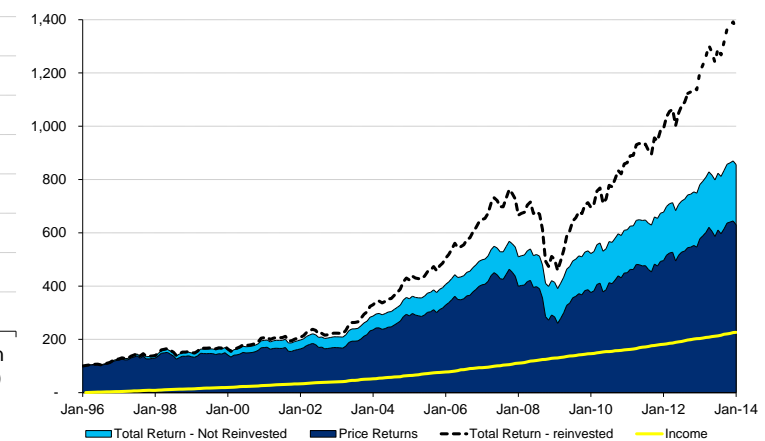


Figure 62. QUARI Portfolio Returns (Minimum Variance)



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

Source: Citi Research

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

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

Our backtesting shows:

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

Figure 63. Yield, QUARI vs Benchmark vs Treasuries

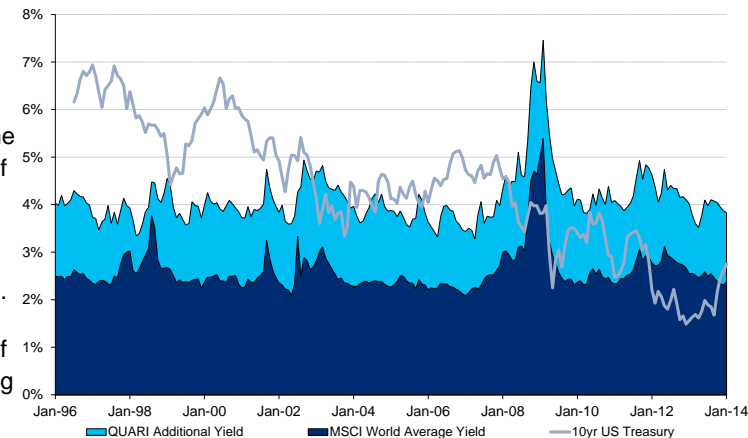


Figure 64. Cumulative Income, QUARI vs Benchmark & US Treasuries

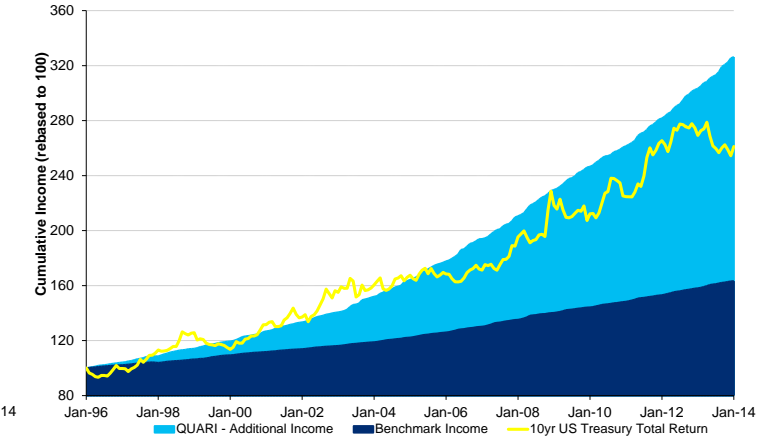


Figure 65. QUARI, Performance Statistics Pre/Post Transaction Costs

- High turnover but, after conservative transaction costs (40bps), it achieves 13.2% annualised total return (reinvested) with a Sharpe Ratio of 1.0.
- Quality and Low-Risk bias, favouring expensive stocks with higher mo.
- Targets long term benefits of income investing rather than cyclical yield opportunities.
- Low correlation to 'pure' Dividend Yield strategies despite income focus.

	Benchmark	QUARI Pre-T-Costs	QUARI Post-T-Costs
Annualised Total Return (reinvested)	7.0%	15.7%	13.2%
Annualised Volatility	15.7%	13.0%	13.0%
Sharpe Ratio	0.45	1.21	1.02

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

	QUARI	Value	Price Mo	Estimates Mo	Low Risk	Size	Quality	Div Yield
QUARI	-	-0.37	0.52	0.41	0.79	0.22	0.66	0.14
Value		-	-0.62	-0.61	-0.54	-0.61	-0.55	0.62
Price Mo			-	0.76	0.61	0.55	0.54	-0.25
Estimates Mo				-	0.48	0.40	0.48	-0.38
Low Risk					-	0.36	0.79	-0.04
Size						-	0.52	-0.27
Quality							-	-0.10
Dividend Yield								-

Source: Citi Research

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

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

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

Name	RIC	Sector	Country
ABERTIS INFRAESTRUCTURAS	ABE.MC	Industrials	SPAIN
BAE SYSTEMS	BAES.L	Industrials	UNITED KINGDOM
SWISSCOM 'R'	SCMN.VX	Telecommunication Services	SWITZERLAND
RTL GROUP	RRTL.DE	Consumer Discretionary	GERMANY
GAS NATURAL SDG	GAS.MC	Utilities	SPAIN
POHJOLA PANKKI A	POH1S.HE	Financials	FINLAND
INVESTOR 'B'	INVEb.ST	Financials	SWEDEN
IMMOFINANZ	IMFI.VI	Financials	AUSTRIA
SVENSKA HANDBKN.'A'	SHBa.ST	Financials	SWEDEN
RED ELECTRICA CORPN.	REE.MC	Utilities	SPAIN
BMW PREF.	BMWG.DE	Consumer Discretionary	GERMANY
KONE 'B'	KNEBV.HE	Industrials	FINLAND
AEGON	AEGN.AS	Financials	NETHERLANDS
IMPERIAL TOBACCO GP.	IMT.L	Consumer Staples	UNITED KINGDOM
BHP BILLITON	BLT.L	Materials	UNITED KINGDOM
LEGAL & GENERAL	LGEN.L	Financials	UNITED KINGDOM
UNITED UTILITIES GROUP	UU.L	Utilities	UNITED KINGDOM
GJENSIDIGE FORSIKRING	GJFS.OL	Financials	NORWAY
BELGACOM	BCOM.BR	Telecommunication Services	BELGIUM
AGEAS (EX-FORTIS)	AGES.BR	Financials	BELGIUM
ENAGAS	ENAG.MC	Utilities	SPAIN
SWISS RE	SRENH.VX	Financials	SWITZERLAND
ADMIRAL GROUP	ADML.L	Financials	UNITED KINGDOM
FERROVIAL	FER.MC	Industrials	SPAIN
BRITISH SKY BCAST.GROUP	BSY.L	Consumer Discretionary	UNITED KINGDOM
TELENOR	TEL.OL	Telecommunication Services	NORWAY
SEB 'A'	SEBa.ST	Financials	SWEDEN
SWEDBANK 'A'	SWEDa.ST	Financials	SWEDEN
TDC	TDC.CO	Telecommunication Services	DENMARK
AMEC	AMEC.L	Energy	UNITED KINGDOM
DAIMLER	DAIGn.DE	Consumer Discretionary	GERMANY
SAMPO 'A'	SAMAS.HE	Financials	FINLAND
MUENCHENER RUCK.	MUVGn.DE	Financials	GERMANY
NORDEA BANK	NDA.ST	Financials	SWEDEN
NATIONAL GRID	NG.L	Utilities	UNITED KINGDOM
AHOLD KON.	AHLN.AS	Consumer Staples	NETHERLANDS
TELENET GROUP HOLDING	TNET.BR	Consumer Discretionary	BELGIUM
TRYG	TRYG.CO	Financials	DENMARK
STANDARD LIFE	SL.L	Financials	UNITED KINGDOM
HANNOVER RUCK.	HNRGn.DE	Financials	GERMANY
ZIGGO	ZIGGO.AS	Telecommunication Services	NETHERLANDS

Source: Datastream, Citi Research

Stocks — Top 20 Yielders

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

	RIC	2014 DY		RIC	Trailing DY Rel to Market ex Fins		RIC	2014 Div Cover		RIC	Adj 2014 Yield (for Cover)		RIC	Abs 12m Fwd DY Rel to History
Ziggo	ZIGGO.AS	11.13	Prosieben Sat 1	PSMGn.DE	546	Ashtead Group	AHT.L	14	Deutsche Bank	DBKGn.DE	8.06	Berkeley Group	BKGH.L	6
Seadrill	SDRL.OL	10.31	Seadrill	SDRL.OL	357	Iliad	ILD.PA	13	Porsche Pref.	PSHG_p.DE	7.83	Seadrill	SDRL.OL	3
Belgacom	BCOM.BR	8.47	GDF Suez	GSZ.PA	292	Shire	SHP.L	11	Alstom	ALSO.PA	7.38	Swedbank A	SWEDa.ST	2
Metso	MEO1V.HE	8.33	E.On	EONGn.DE	266	Randgold	RRS.L	10	SBM Offshore	SBMO.AS	7.29	Nokian Renkaat	NRE1V.HE	2
Banco Santander	SAN.MC	7.65	Cez	CEZP.PR	248				Renault	RENA.PA	6.96	Morrison (Wm)	MRW.L	1
TDC	TDC.CO	7.11	Belgacom	BCOM.BR	243	Gemalto	GTO.AS	9	Deutsche Lufthansa	LHAG.DE	6.45	Barratt	BDEV.L	1
Berkeley Group	BKGH.L	6.83	TDC	TDC.CO	240	Deutsche Bank	DBKGn.DE	8	Barclays	BARC.L	6.23	Nordea Bank	NDA.ST	1
ENI	ENI.MI	6.67	Elisa	ELI1V.HE	217	ThyssenKrupp	TKAG.DE	8	Volkswagen Pref.	VOWG.DE	6.22	Taylor Wimpey	TW.L	1
Admiral Group	ADML.L	6.61	ENI	ENI.MI	216	Aryzta N	ARYN.S	7	3i Group	III.L	6.04	SEB A	SEBa.ST	1
Orange	ORAN.PA	6.59	EDP Energias De Port	EDP.LS	215	Kerry Group A	KYGa.I	7	RSA Insurance	RSA.L	5.67	Subsea 7	SUBC.OL	1
Elisa	ELI1V.HE	6.57	Fortum	FUM1V.HE	213	DSV B	DSV.CO	6	Scor Se	SCOR.PA	5.55	Lloyds Banking	LLOY.L	1
SSE	SSE.L	6.57	Snam	SRG.MI	209	Atos	ATOS.PA	6	Hannover Ruck.	HNRGn.DE	5.53	Persimmon	PSN.L	1
RSA Insurance	RSA.L	6.56	SSE	SSE.L	206	3i Group	III.L	6	OMV	OMVV.VI	5.53	Yara International	YAR.OL	1
Enagas	ENAG.MC	6.55	TeliaSonera	TLSN.ST	206	Fresenius	FREG.DE	5	Aviva	AV.L	5.53	Immofinanz	IMFI.VI	1
Swedbank A	SWEDa.ST	6.48	K + S	SDFGn.DE	199	Lloyds Banking	LLOY.L	5	AXA	AXAF.PA	5.51	UBS R	UBSN.VX	1
Cez	CEZP.PR	6.45	Tele2 'B'	TEL2b.ST	197	Mediobanca Bc.Fin	MDBI.MI	5	Swiss Life Holding	SLHN.VX	5.50	Telenor	TEL.OL	1
Fortum	FUM1V.HE	6.41	ACS	ACS.MC	197	ASML Hldg	ASML.AS	5	Aegon	AEGN.AS	5.46	Barclays	BARC.L	1
Tele2 'B'	TEL2b.ST	6.40	Enagas	ENAG.MC	196	A P Moller - Maersk	MAERSKb.CO	5	Cez	CEZP.PR	5.31	Coloplast 'B'	COLOb.CO	1
EDP Energias De Port	EDP.LS	6.36	Deutsche Telekom	DTEGn.DE	194	Porsche Pref.	PSHG_p.DE	5	Old Mutual	OML.L	5.30	Serco Group	SRP.L	1
Zurich Financial	ZURN.VX	6.34	Iberdrola	IBE.MC	193	DNB	DNB.OL	5	Seadrill	SDRL.OL	5.28	AMEC	AMEC.L	1

Source: Datastream and Citi Research

Valuation Tables

Figure 69. Valuation Tables

	<u>Net Dividend Yield</u>				<u>Dividend Growth, %</u>			<u>Dividends, €m</u>			
	2012	2013E	2014E	2015E	2013E	2014E	2015E	2012	2013E	2014E	2015E
Oil & Gas	4.52	4.57	4.68	4.84	1	2	3	24001	24560	25401	26302
Chemicals	2.56	2.61	2.79	3.06	2	7	10	8803	9431	10335	10698
Basic Resources	3.39	3.16	3.25	3.53	-7	3	9	7417	7644	8293	9007
Construction & Materials	2.79	3.02	3.18	3.45	8	5	9	4736	4990	5414	5742
Industrial G&S	2.54	2.67	2.89	3.20	5	8	11	19821	21465	23734	25795
Automobiles & Parts	2.57	2.72	3.09	3.60	6	13	16	5776	6554	7630	8172
Food & Beverage	2.71	2.91	3.15	3.38	7	8	7	15373	16646	17873	19393
Personal & H'hold Goods	2.54	2.79	2.97	3.32	10	7	12	10376	11056	12337	13345
Health Care	2.94	3.03	3.16	3.35	3	4	6	23565	24536	25992	28245
Retail	2.93	2.95	3.15	3.39	1	7	8	6492	6923	7451	7932
Media	3.75	3.24	3.42	3.62	-14	6	6	5807	6128	6491	6810
Travel & Leisure	2.10	1.96	2.24	2.71	-7	14	21	2016	2308	2782	3134
Telecommunications	4.38	4.77	4.73	5.08	9	-1	7	16922	16775	18023	19824
Utilities	5.91	5.40	5.04	5.18	-9	-7	3	14796	13792	14189	14929
Banks	3.05	3.35	3.88	5.13	10	16	32	30685	35603	46970	51361
Insurance	3.60	3.71	4.02	4.27	3	8	6	15619	16922	17978	18960
Real Estate	3.81	3.94	4.11	4.29	3	4	4	3564	3710	3873	4063
Financial Services	3.32	3.20	3.51	3.83	-4	10	9	3071	3369	3671	3893
Technology	1.88	1.51	1.65	1.78	-20	9	8	3255	3552	3838	4129
Sloxx - Pan Europe	3.20	3.29	3.49	3.88	3	6	11	222095	235963	262275	281733
Pan Euro - Large Cap	3.29	3.43	3.61	4.03	4	6	11	186697	196968	219477	235247
Pan Euro - Mid Cap	2.81	2.72	3.01	3.29	-3	10	9	24301	26841	29322	31979
Pan Euro - Small Cap	2.87	2.69	2.94	3.26	-6	10	11	11097	12155	13476	14506

Source: Datastream and Citi Research.

UK

Why Dividends Matter

- UK equities at all-time highs, in price only and in total return terms
- Over time, total returns from UK equities have come from dividends and growth, not rerating.

Figure 70. All Share— Total Return & Price Index

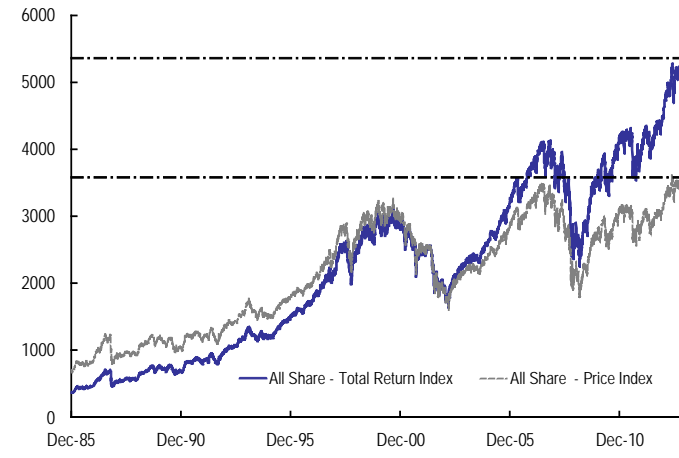


Figure 71. Return Composition — MSCI UK

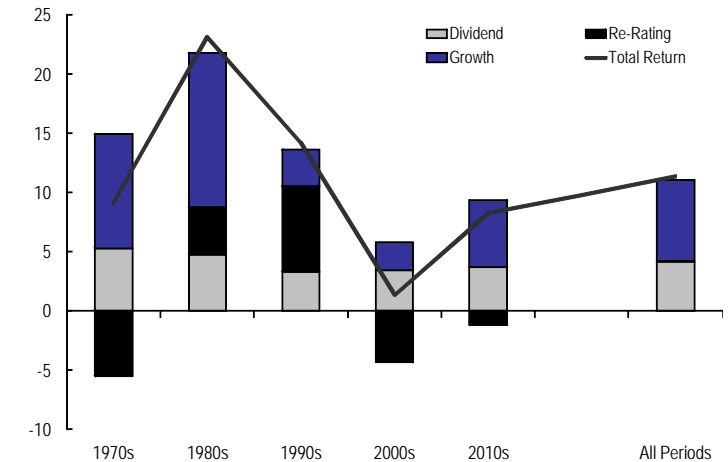
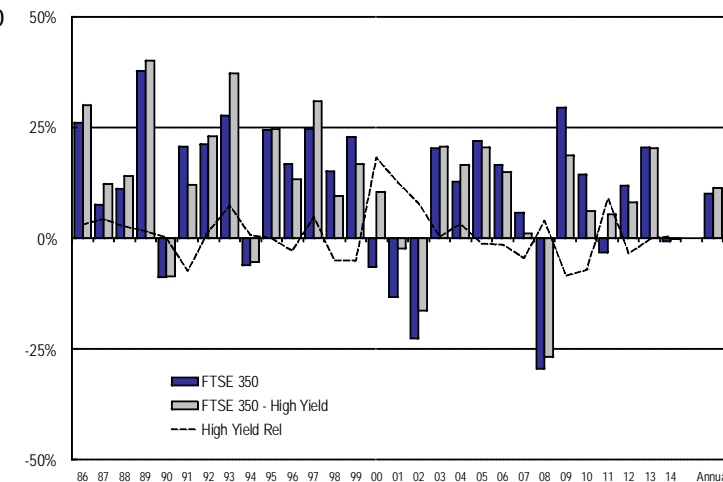


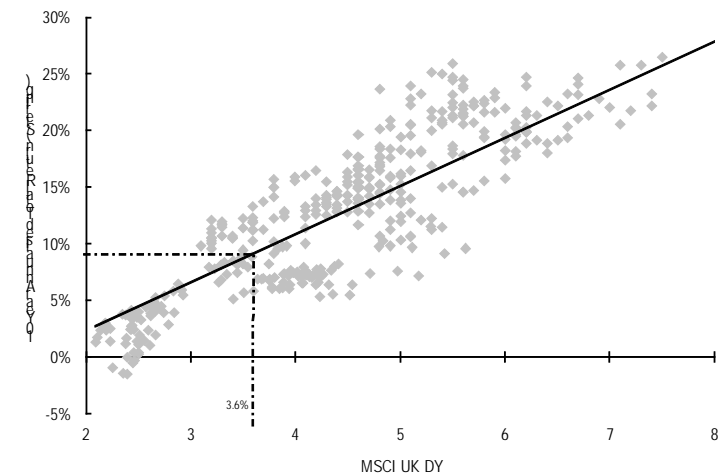
Figure 72. FTSE 350 – Performance of High Yield Equities

- High yield has slight lead on FTSE 350 since 1986.
- Valuation gives a clear signal of future returns. Current dividend yield levels continue to point to decent (c9%) compound future returns.



Source: Datastream and Citi Research

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



UK Equities — OK Value

- The UK has historically been the home of the income investor.
- But, UK now looks less attractive in absolute DY terms and vs World DY.

Figure 74. UK Dividend Yield

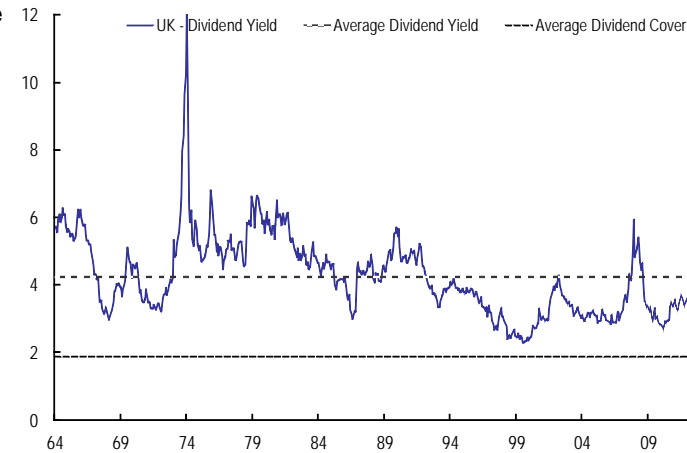


Figure 75. UK Dividend Yield Relative to World

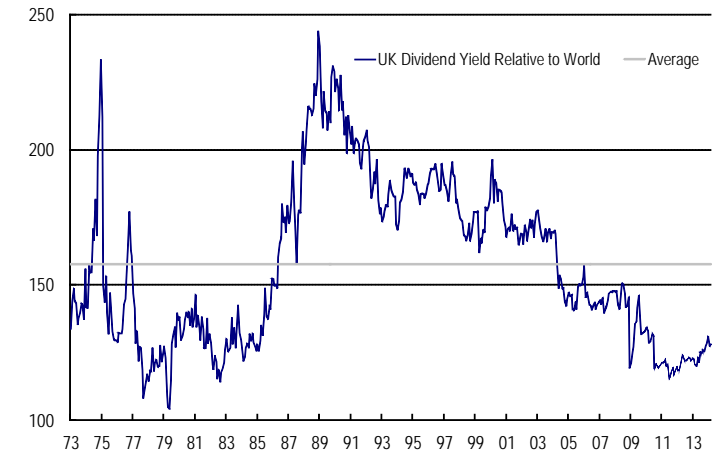


Figure 76. Dividend Yield Ratio (Vs Government Bonds)

- Equity/bond valuations have moved dramatically in the last few years. Continue to 'normalise'.
- Ex-financial equities trade above 10-year average yield = cheapest asset on this basis.
- Cash, credit and government bonds do not look attractive relative to their 10-year yield histories.

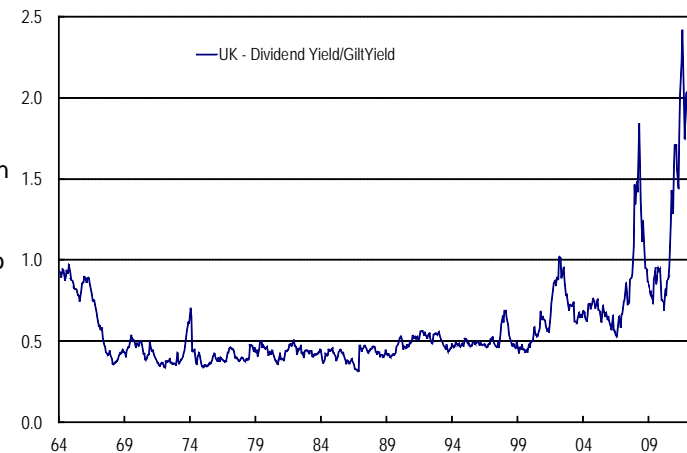
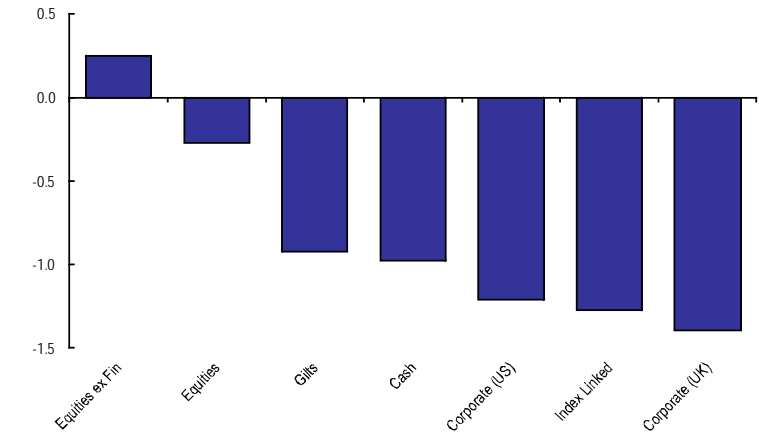


Figure 77. Standard Deviation from 10yr Average Yields — Equities Cheap



Source: Datastream and Citi Research

UK Market — General Trends

- Using 12m forward dividend yield forecasts, the market has been trading at around 4%-4.5% levels over the past couple of years. Now, sub-4%.
- The UK median DY is back towards record low levels. Equities looking expensive on this basis. Not priced for dividend disappointment.

Figure 78. FTSE 350 — 12m Forward Dividend Yield

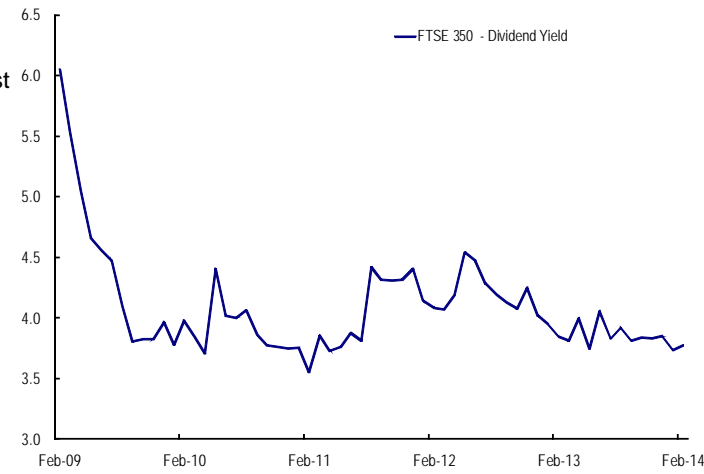


Figure 79. Median Dividend Yield

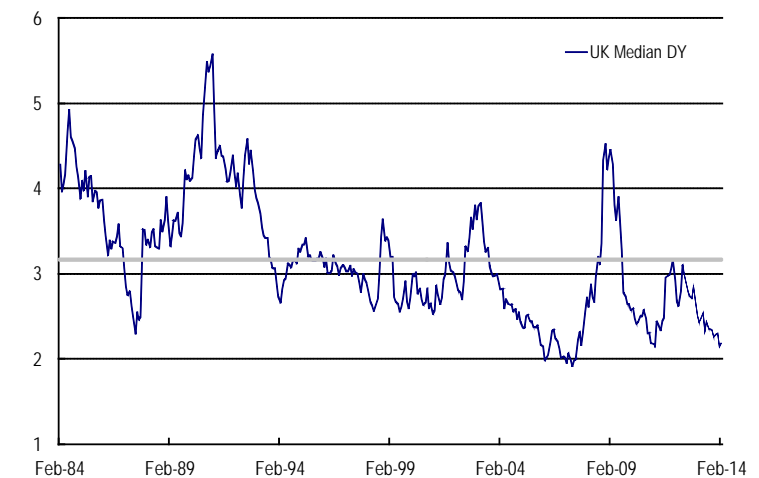


Figure 80. UK Ex-Financials Dividend Yield

- Ex-financials close to 10-year DY average, thanks to higher yielding UK mega-caps.
- Not so long ago, over 80% of FTSE 100 stocks yielded more than gilts. Now, c40%, and falling fast.

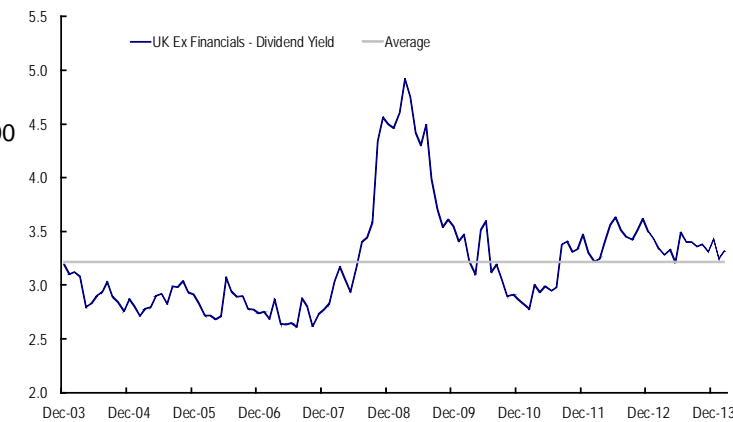
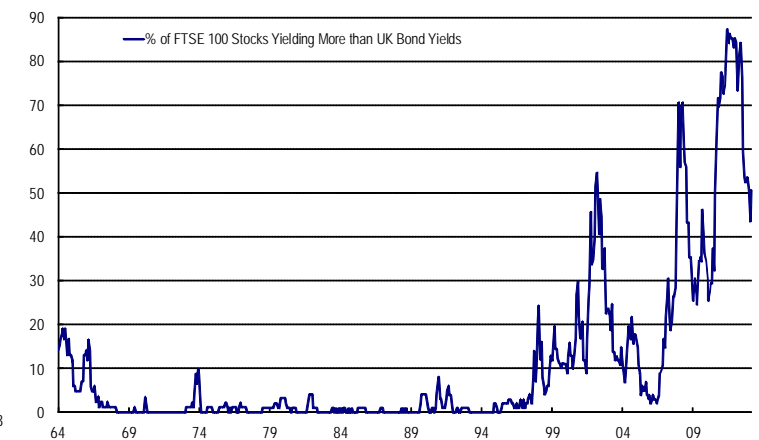


Figure 81. Proportion of FTSE 100 Stocks Yielding More than Gilts



Source: Datastream and Citi Research

UK Market — General Trends

- Net downgrades have continued over last four months.

Figure 82. Net Upgrades — Year 1 Dividends

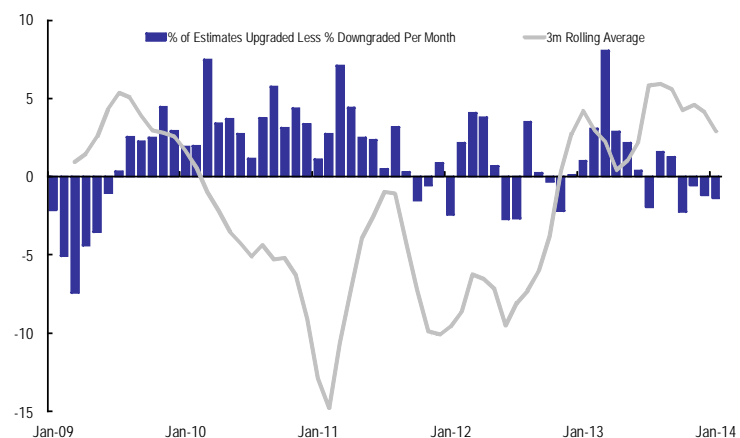


Figure 83. FTSE 350 — 12m Forward Dividend & Price Index

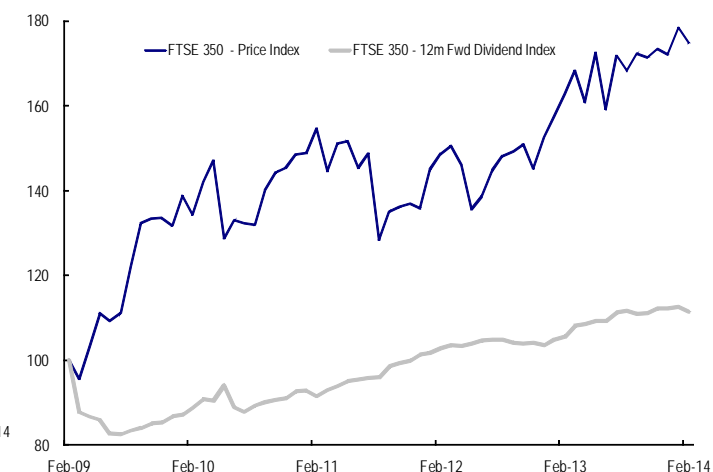


Figure 84. Change to Citi Dividend Growth Forecasts

- 2014E dividend growth estimates have come down over last few quarters.
- FCF cover generally looks reasonable for most sectors. Utilities stands out as exception over next 2-3 years.

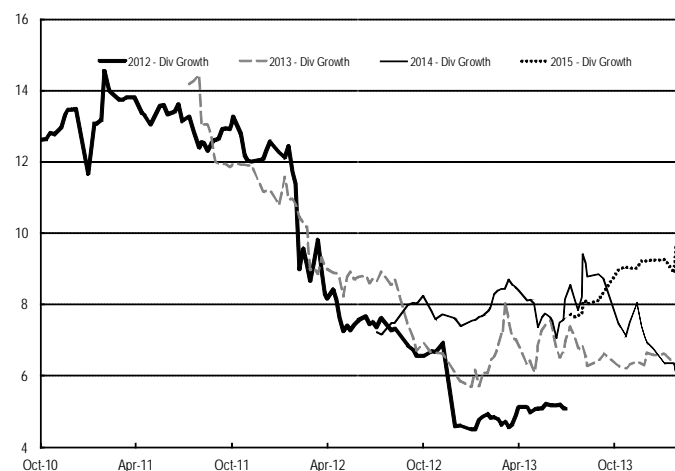


Figure 85. Dividend Paid as % of FCF

	2012	2013E	2014E	2015E	2016E
Basic Resources	nm	83	62	43	36
Chemicals	88	75	70	67	66
Construction & Materials	287	214	101	78	nm
Food & Beverage	62	70	65	61	60
Health Care	77	67	66	64	60
Industrial Gds & Services	43	80	49	46	124
Media	49	48	47	47	65
Oil & Gas	264	nm	383	175	99
Personal & Household Gds	65	63	61	59	61
Retail	147	121	77	67	73
Technology	50	45	41	39	46
Telecommunications	109	105	144	98	55
Travel & Leisure	107	69	69	46	51
Utilities	251	229	179	171	159

Source: Datastream and Citi Research

Market — One Month Change to Forecasts

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

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

Stock Name	RIC	1m Change Yr1 (£m)	1m Change Yr2 (£m)	Stock Name	RIC	1m Change Yr1 (%)	1m Change Yr2 (£m)
Vodafone Group	VOD.L	94	330	Lancashire Holdings	LRE.L	52	59
Lancashire Holdings	LRE.L	53	58	Crest Nicholson Holdings	CRST.L	44	38
Rio Tinto	RIO.L	30	35	Evraz	EVRE.L	28	-18
Hiscox	HSX.L	13	4	Hiscox	HSX.L	18	5
Soco International	SIA.L	9	3	Soco International	SIA.L	18	8
Coca-Cola Hbc (Cdi)	CCH.L	9	10	Coca-Cola Hbc (Cdi)	CCH.L	16	14
Direct Line In.Group	DLGD.L	9	3	Redrow	RDW.L	14	12
Berkeley Gp. Hdg.	BKGH.L	8	-2	African Barrick Gold	ABGL.L	13	23
CRH	CRH.L	7	3	Lonmin	LMI.L	13	-10
Next	NXT.L	7	47	Beazley	BEZG.L	12	0
Beazley	BEZG.L	6	0	Taylor Wimpey	TW.L	8	11
ITV	ITV.L	6	3	Man Group	EMG.L	6	-5
Crest Nicholson Holdings	CRST.L	6	6	Direct Line In.Group	DLGD.L	6	2
Smiths Group	SMIN.L	6	0	Telecity Group	TCY.L	6	7
Legal & General	LGEN.L	5	9	Spirent Comms	SPT.L	5	2

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

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

Stock Name	RIC	1m Change Yr1 (£m)	1m Change Yr2 (£m)	Stock Name	RIC	1m Change Yr1 (%)	1m Change Yr2 (£m)
Royal Dutch Shell	RDSb.L	-419	169	Lloyds Banking Group	LLOY.L	-31	-11
Lloyds Banking Group	LLOY.L	-367	-214	Fidessa Group	FDSA.L	-14	-8
Barclays	BARC.L	-161	-199	RSA Insurance Gp	RSA.L	-12	-4
HSBC Holdings	HSBA.L	-134	-86	Pace	PIC.L	-11	-6
BP	BP.L	-80	-72	Ferrexpo	FXPO.L	-11	-7
Diageo	DGE.L	-47	-95	Millennium & Cop. Htlis	MLC.L	-10	0
AstraZeneca	AZN.L	-44	-26	Barclays	BARC.L	-10	-9
BHP Billiton	BLT.L	-33	-40	Nmc Health	NMC.L	-7	-4
Reckitt Benckiser	RB.L	-28	-41	Cable & Wireless Comms.	CWC.L	-6	-6
Std. Chartered	STAN.L	-20	-24	Royal Dutch Shell	RDSb.L	-6	2
Aviva	AV.L	-15	-12	Wood Group (John)	WG.L	-5	-2
RSA Insurance Gp	RSA.L	-15	-8	Kazakhmys	KAZ.L	-5	-34
SABMiller	SAB.L	-11	-22	Grainger	GRI.L	-4	-5
Rolls-Royce Holdings	RR.L	-6	-8	Diageo	DGE.L	-4	-7
Brit. American Tobacco	BATS.L	-6	-35	Tullow Oil	TLW.L	-4	0

Source: Datastream and Citi Research

Market — Six Month Change to Forecasts

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

■ We repeat the above exercise over six months.

Stock Name	RIC	6m Change Yr1 (£m)	6m Change Yr2 (£m)	Stock Name	RIC	6m Change Yr1 (%)	6m Change Yr2 (%)
Vodafone Group	VOD.L	124	135	Berkeley Gp. Hdq.	BKGH.L	68	-22
Berkeley Gp. Hdq.	BKGH.L	74	-77	Crest Nicholson Holdings	CRST.L	53	55
Soco International	SIA.L	63	40	Xaar	XAR.L	44	36
Next	NXT.L	50	108	3I Group	III.L	32	22
Lancashire Holdings	LRE.L	35	41	Premier Oil	PMO.L	29	4
3I Group	III.L	26	18	Lancashire Holdings	LRE.L	29	36
Legal & General	LGEM.L	25	40	Next	NXT.L	29	56
Direct Line In.Group	DLGD.L	20	-2	Bellway	BWY.L	27	33
Glencore Xstrata	GLEN.L	19	-114	Brewin Dolphin	BRW.L	22	31
Standard Life	SL.L	16	1	Barratt Developments	BDEV.L	21	29
ITV	ITV.L	15	12	Northgate	NTG.L	19	10
Hiscox	HSX.L	14	4	Hiscox	HSX.L	19	6
Bellway	BWY.L	11	16	Ashtead Group	AHT.L	16	26
Barratt Developments	BDEV.L	11	24	Beazley	BEZG.L	15	0
easyJet	EZJ.L	9	18	Direct Line In.Group	DLGD.L	15	-2

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

Stock Name	RIC	6m Change Yr1 (£m)	6m Change Yr2 (£m)	Stock Name	RIC	6m Change Yr1 (%)	6m Change Yr2 (%)
Royal Dutch Shell	RDSb.L	-692	-98	Dixons Retail	DXNS.L	-100	34
HSBC Holdings	HSBA.L	-565	-668	Ryl. Bk. of Sctl.	RBS.L	-100	-100
BP	BP.L	-202	-206	Sports Direct Intl.	SPD.L	-100	-42
Shire	SHP.L	-187	20	Supergroup	SGP.L	-100	34
AstraZeneca	AZN.L	-174	-188	Shire	SHP.L	-67	23
Lloyds Banking Group	LLOY.L	-159	61	Kazakhmys	KAZ.L	-66	-69
BHP Billiton	BLT.L	-143	-156	RSA Insurance Gp	RSA.L	-53	-18
Std. Chartered	STAN.L	-126	-160	Lonmin	LMI.L	-28	29
RSA Insurance Gp	RSA.L	-121	-42	African Barrick Gold	ABGL.L	-28	-22
Diageo	DGE.L	-108	-126	Polymetal International	POLYP.L	-28	-52
Barclays	BARC.L	-97	-151	Evraz	EVRE.L	-19	-42
Anglo American	AAL.L	-73	-87	Lloyds Banking Group	LLOY.L	-17	4
Brit. American Tobacco	BATS.L	-65	-205	Ferrexpo	FXPO.L	-16	3
Rio Tinto	RIO.L	-56	-25	Pace	PIC.L	-16	-11
SABMiller	SAB.L	-44	-77	Fidessa Group	FDSA.L	-14	-8

Source: Datastream and Citi Research

Themes — Resilient Dividends with 3 Year FCF above Dividend Paid

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

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

Stock	RIC	>£500m Market Cap, £m	New	DY 2013E	>3.5% DY 2014E	DY 2015E	FCF Yield 2013E	FCF Yield 2014E	FCF Yield 2015E	>0 Average FCFY-DY	>1.6 Div Cover	<2 ND/EBITDA 2014E	Rel Perf YTD
Debenhams	DEB.L	952	New	4.37	4.37	4.37	5.57	4.61	7.66	1.58	2.1	1.72	2
AMEC	AMEC.L	3303	New	3.65	4.30	4.80	7.41	9.16	10.03	4.62	2.1	-0.29	1
BHP Billiton	BLT.L	39052		4.08	4.30	4.60	2.43	6.95	8.79	1.73	2.1	0.63	3
AstraZeneca	AZN.L	49580		4.51	4.28	4.28	8.67	7.32	7.12	3.34	1.6	0.02	13
Micro Focus Intl.	MCRO.L	1025	New	3.68	4.05	4.45	8.87	10.27	11.27	6.08	2.1	1.54	3
Go-Ahead Group	GOG.L	861		4.01	4.01	4.01	7.86	6.61	4.77	2.40	1.7	0.51	19
Marks & Spencer	MKS.L	7803	New	3.50	3.73	4.04	3.26	6.30	7.69	1.99	1.9	1.84	14
Informa	INF.L	3206	New	3.64	3.67	3.99	6.45	6.48	6.88	2.84	2.1	1.68	-9
Tate & Lyle	TATE.L	3663	New	3.46	3.63	3.81	6.79	6.85	7.60	3.45	2.1	0.45	-21
Greggs	GRG.L	514	New	3.62	3.62	3.63	4.07	4.10	7.29	1.53	1.8	-0.28	18
Brit. Sky Bcast.	BSY.L	8755	New	3.33	3.59	4.08	6.58	6.34	7.52	3.14	2.0	0.72	7
Mondi	MNDI.L	3592	New	2.63	3.58	3.62	9.11	10.22	10.23	6.58	2.5	1.12	-2
William Hill	WMH.L	3046	New	3.20	3.52	3.52	5.80	7.51	7.37	3.48	2.2	1.36	-15
Mitie Group	MTO.L	1191	New	3.32	3.52	3.73	5.34	5.96	6.79	2.51	2.2	1.03	5
Royal Mail	RMG.L	3698	New	1.67	3.51	4.53	5.48	6.30	8.53	3.53	1.9	0.63	4
Rio Tinto	RIO.L	43168	New	3.42	3.51	3.87	1.95	8.68	11.57	3.80	3.0	0.57	4
Morgan Adv. Mat.	MGAMM.L	893	New	3.35	3.51	3.67	4.18	4.82	5.93	1.47	2.3	1.08	3
Cobham	COB.L	3279	New	3.18	3.50	3.85	4.57	5.62	5.81	1.82	2.0	1.05	7

Source: Datastream and Citi Research

Themes — Growth Adjusted Dividend Yields

- This screen looks for above 3.5% yields (again reduced from 4%) and above 8% compound growth.
- Screen shrinking as market yields reduce.
- More financials than non-financials to choose from.

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

Stock	RIC	>£100m Market Cap, €m	New	>3.5% DY 2014E	>8% 2y Annual Dividend Growth	>30 DY*G	>1.5 Div Cover	<2 ND/EBITDA 2014E
Royal Mail	RMG.L	3698	New	3.51	53	105	1.9	0.6
Galliford Try	GFRD.L	938		4.35	26	94	1.8	0.6
AMEC	AMEC.L	3303	New	4.30	15	57	2.1	-0.3
Mondi	MNDI.L	3592	New	3.58	15	41	2.5	1.1
Micro Focus Intl.	MCRO.L	1025	New	4.05	10	36	2.1	1.5
Brit. Sky Bcast.	BSY.L	8755	New	3.59	10	35	2.0	0.7
Laird	LRD.L	813	New	4.26	9	35	1.6	1.0
Cobham	COB.L	3279	New	3.50	10	31	2.0	1.0

Figure 92. DY*G Screen For Financials

Stock	RIC	>£100m Market Cap, €m	New	>3.5% DY 2014E	>8% 2y Annual Dividend Growth	>30 DY*G	>1.5 Div Cover
Barclays	BARC.L	42553	New	4.72	61	172	2.7
RSA Insurance Gp	RSA.L	3622	New	6.55	52	156	1.8
Brewin Dolphin	BRW.L	831	New	3.56	23	68	1.5
Investec	INVP.L	2109		5.00	15	67	1.9
Savills	SVS.L	782	New	3.66	21	63	2.0
Legal & General	LGDN.L	13341		4.64	14	59	1.7
Intm. Capital Group	ICP.L	1710		5.54	10	50	1.6
Aberdeen Asset Man.	ADN.L	4036		4.35	12	47	1.8
Old Mutual	OML.L	8851		4.83	9	42	2.2
Novae Group	NVA.L	348		4.15	8	32	2.0

Source: Citi Research

Source: Datastream and Citi Research

Themes — Growth and EM Adjusted Dividend Yields

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

- EM-adjusted DY*G scores double weight growth.

- EM growth risks could be downside, as well as upside, as seen in ongoing GDP growth downgrades.

	>£100m			>20					>30		>1.3		<2
Stock	Market Cap	RIC	New	EM Exposure	Div £m 2014E	DY 2014E	2yr Annual Dividend Growth	DY*G	Div Cover	2014E	ND/EBITDA	14E	EM*DYG
Lamprell	246	LAM.L	New	100	7	2.77		196	91		2.42		0.27
Petrofac	3264	PFC.L		90	110	3.36		15	47		2.78		0.57
Polymetal International	1251	POLYP.L		66	27	2.12		39	63		3.18		1.19
Mondi	3592	MNDI.L		49	129	3.58		15	41		2.50		1.12
Fenner	795	FENR.L		45	25	3.12		11	30		2.30		0.73
Micro Focus Intl.	1025	MCRO.L	New	20	42	4.05		10	36		2.05		1.54

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

		>£100m		>20				>30		>1.3	
Stock	RIC	Market Cap	New	EM Exposure	Div 2014E	DY 2014E	2yr Annual Dividend Growth	DY*G	Div Cover	2014E	EM*DYG
Barclays	BARC.L	42553		31	2009	4.72		61	172	2.67	5297
Intl Psnl. Fin.	IPF.L	1166		100	29	2.48		22	47	3.32	4658
Man Group	EMG.L	1383		22	80	5.75		42	137	1.44	3049
Old Mutual	OML.L	8851		70	428	4.83		9	42	2.22	2930
HSBC Holdings	HSBA.L	119641		55	6067	5.07		7	33	1.85	1802
Schroders	SDR.L	2902		30	76	2.61		23	45	2.59	1368
Aberdeen Asset Man.	ADN.L	4036		24	176	4.35		12	47	1.84	1108

Source: Datastream and Citi Research

Themes — Big Guns

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

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

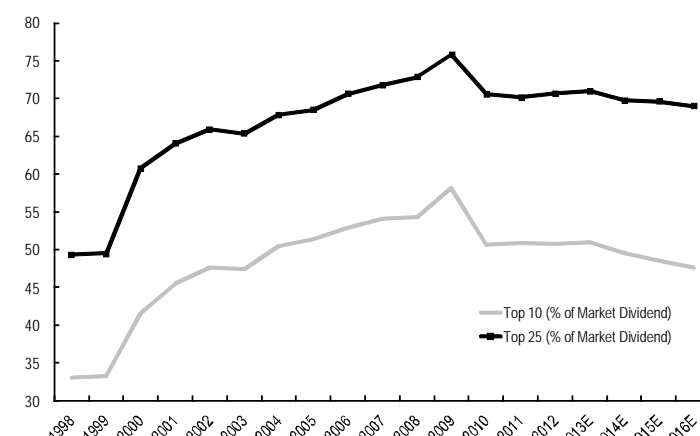
Stock	RIC	New	Top 15				
			Div 2014E	DY 2014E	DY*G	Div Cover 2014E	ND/EBITD A 14E
Royal Dutch Shell	RDSb.L		6993	5.02	-1	1.58	0.72
HSBC Holdings	HSBA.L		6067	5.07	33	1.85	
Vodafone Group	VOD.L		5558	5.15	28	0.91	0.79
BP	BP.L		4355	4.75	1	2.19	0.84
GlaxoSmithKline	GSK.L		4036	5.05	28	1.33	2.23
BAT	BATS.L		2655	4.69	27	1.54	1.55
AstraZeneca	AZN.L		2123	4.28	-9	1.63	0.02
Barclays	BARC.L	New	2009	4.72	172	2.67	
BHP Billiton	BLT.L		1678	4.30	25	2.10	0.63
National Grid	NG.L		1594	5.25	16	1.28	4.32
Rio Tinto	RIO.L		1517	3.51	24	2.97	0.57
Diageo	DGE.L		1353	2.91	22	1.92	2.13
Imperial Tobacco	IMT.L		1279	5.84	54	1.60	2.83
Tesco	TSCO.L		1186	4.63	2	1.91	1.89
Std. Chartered	STAN.L		1155	4.60	26	2.30	

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

Stock	RIC	New	>30 EM Exp	Top 15				
				Div 2014E	DY 2014E	DY*G	Div Cover 2014E	ND/EBITD A 14E
HSBC Holdings	HSBA.L		55	6067	5.07	33	1.85	
Vodafone Group	VOD.L		34	5558	5.15	28	0.91	0.79
BAT	BATS.L		67	2655	4.69	27	1.54	1.55
AstraZeneca	AZN.L		34	2123	4.28	-9	1.63	0.02
Barclays	BARC.L		31	2009	4.72	172	2.67	
BHP Billiton	BLT.L		57	1678	4.30	25	2.10	0.63
Rio Tinto	RIO.L		50	1517	3.51	24	2.97	0.57
Diageo	DGE.L		46	1353	2.91	22	1.92	2.13
Std. Chartered	STAN.L		91	1155	4.60	26	2.30	
Unilever (UK)	ULVR.L		47	1125	3.89	21	1.40	0.89
Glencore Xstrata	GLEN.L		45	947	2.96	-5	2.19	3.55
Reckitt Benckiser	RB.L		36	873	2.80	11	1.98	0.15
Anglo American	AAL.L		44	675	3.39	-6	1.94	1.34
BG Group	BG.L		42	631	1.74	11	3.46	1.80
SABMiller	SAB.L		80	607	2.31	14	2.32	2.29

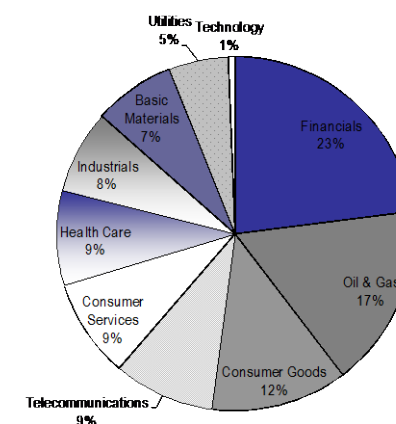
Figure 97. Big Gun —Contribution to Dividend Base, 1998-2014E

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



Source: Datastream and Citi Research

Figure 98. Contribution to 2013 Dividend Base



Themes — Potentially Risky Dividends – Weak Cash Flow Dividend Cover

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

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

Stock	RIC	>£100m Market Cap, £m	New?	DY 2013E	>4% DY 2014E	DY 2015E	FCF Yield 2013E	FCF Yield 2014E	FCF Yield 2015E	<0 Average FCFY-DY	<2 Div Cover	>1.5x ND/EBITDA 2014E	Rel Perf YTD
Marstons	MARS.L	904	New	4.27	4.31	4.50	-6.01	-4.04	-5.36	-9.49	1.9	5.49	3
Pennon Group	PNN.L	2562		4.34	4.67	4.89	-10.35	-4.67	1.50	-9.14	1.4	5.60	7
National Grid	NG.L	30343		5.11	5.25	5.43	-0.27	-0.74	-1.62	-6.15	1.3	4.32	4
Morrison (Wm).	MRW.L	5134		5.34	4.80	4.19	-4.80	0.35	3.41	-5.13	1.8	2.62	-12
Inmarsat	ISA.L	2998		4.23	4.22	4.43	-3.04	-1.62	5.46	-4.03	0.9	3.72	-8
United Utilities	UU.L	5131		4.73	4.99	5.26	2.90	1.22	-0.28	-3.71	1.2	6.37	12
Sainsbury (J)	SBRY.L	4873		4.98	5.29	5.48	0.90	2.49	3.47	-2.97	1.9	1.74	-6
Severn Trent	SVT.L	4223		4.46	4.75	5.06	2.60	2.77	3.23	-1.89	1.1	5.44	4
SSE	SSE.L	13082		6.34	6.59	6.86	4.94	5.98	6.51	-0.79	1.4	2.25	1
Tesco	TSCO.L	25606	New	4.63	4.63	4.63	3.10	5.24	5.16	-0.13	1.9	1.89	-2

Source: Datastream and Citi Research

Valuation Tables

Figure 100. Valuation Tables

	Net Dividend Yield				Dividend Growth, %			Dividends, £m				
	2012	2013E	2014E	2015E	2013	2014E	2015E	2012	2013E	2014E	2015E	2016E
OIL & GAS	3.93	4.24	4.23	4.28	8	0	1	11,614	12,528	12,476	12,646	13,027
Oil & Gas Producers	3.98	4.30	4.26	4.31	8	-1	1	11,313	12,206	12,108	12,226	12,538
Oil Equip. Serv and Distrib	2.65	2.84	3.25	3.71	7	15	14	301	322	369	421	490
Alternative Energy	-	-	-	-	-	-	-	0	0	0	0	0
BASIC MATERIALS	3.15	3.18	3.24	3.43	1	2	6	5,370	5,432	5,526	5,862	6,238
Chemicals	1.94	2.14	2.29	2.54	10	7	11	309	341	365	405	431
Forestry & Paper	2.32	2.63	3.58	3.62	13	36	1	83	94	129	130	138
Industrial Metals	1.53	0.77	1.30	2.63	-49	68	102	12	6	10	20	6
Mining	3.30	3.32	3.34	3.53	1	1	6	4,966	4,991	5,023	5,307	5,664
INDUSTRIALS	2.43	2.55	2.67	2.90	5	5	8	5,183	5,429	5,690	6,164	6,602
Construction & Materials	3.17	3.31	3.35	3.49	4	1	4	590	616	623	650	695
Aerospace	2.61	2.76	2.94	3.13	6	6	6	1,276	1,352	1,438	1,532	1,648
General Industrials	2.64	2.76	2.99	3.20	5	8	7	396	415	450	481	510
Electronic & Electrical Equip	1.81	1.95	2.10	2.28	8	8	8	186	201	216	235	250
Industrial Engineering	2.11	2.25	2.40	2.57	6	7	7	424	451	482	515	547
Industrial Transportation	0.98	2.02	3.12	3.77	107	54	21	62	128	198	239	269
Support Services	2.40	2.42	2.44	2.68	1	1	10	2,249	2,265	2,284	2,513	2,684
CONSUMER GOODS	2.94	3.32	3.43	3.80	13	3	11	7,953	8,964	9,275	10,268	11,165
Automobiles & Parts	1.77	2.03	2.33	2.68	15	15	15	117	135	155	178	189
Beverages	2.28	2.51	2.65	2.89	10	6	9	1,783	1,963	2,074	2,256	2,464
Food Producers	2.74	3.11	3.21	3.46	14	3	8	1,258	1,431	1,473	1,590	1,718
Household Gds & Home Cons	1.97	2.77	2.76	3.24	41	0	17	1,021	1,439	1,435	1,682	1,800
Personal Goods	1.71	1.95	2.22	2.52	14	14	13	153	174	198	224	241
Tobacco	4.59	4.86	5.01	5.51	6	3	10	3,604	3,816	3,933	4,325	4,739
HEALTH CARE	3.71	3.89	3.99	4.17	5	3	4	6,023	6,315	6,481	6,768	7,012
Health Care Equip & Services	1.71	1.74	1.81	1.95	2	4	8	167	170	177	191	206
Pharmaceuticals & Biotech	3.84	4.03	4.13	4.31	5	3	4	5,856	6,145	6,304	6,577	6,806

Source: Datastream and Citi Research

Valuation Tables

Figure 101. Valuation Tables (Continued)

	Net Dividend Yield				Dividend Growth, %			Dividends, £m				
	2012	2013E	2014E	2015E	2013	2014E	2015E	2012	2013E	2014E	2015E	2016E
CONSUMER SERVICES	2.66	2.81	2.99	3.21	6	6	7	6,021	6,371	6,775	7,261	7,742
Food & Drug Retailers	4.20	4.28	4.27	4.23	2	0	-1	1,746	1,781	1,775	1,762	1,850
General Retailers	2.19	2.36	2.54	2.76	7	8	9	946	1,016	1,095	1,191	1,268
Media	2.51	2.92	3.04	3.33	16	4	10	1,665	1,938	2,016	2,210	2,347
Travel & Leisure	2.21	2.17	2.51	2.78	-2	16	11	1,663	1,635	1,890	2,098	2,277
TELECOMMUNICATIONS	4.34	4.34	4.64	5.11	0	7	10	6,383	6,384	6,818	7,516	8,309
Fixed-Line Telecoms	2.48	2.77	3.14	4.29	11	13	36	896	999	1,133	1,546	1,813
Mobile Telecoms	4.95	4.86	5.13	5.38	-2	6	5	5,488	5,386	5,685	5,970	6,496
UTILITIES	5.04	5.19	5.42	5.68	3	4	5	3,762	3,880	4,048	4,245	4,493
Electricity	5.50	5.46	5.74	6.12	-1	5	7	897	891	937	1,000	1,099
Gas, Water & Multi-Utilities	4.91	5.12	5.33	5.56	4	4	4	2,865	2,989	3,110	3,245	3,395
TECHNOLOGY	1.20	1.36	1.56	1.82	13	15	17	349	395	452	530	620
Software & Computer Serv	1.94	2.13	2.34	2.59	9	10	11	225	247	271	301	326
Technology Hardware & Equip	0.71	0.85	1.04	1.31	20	22	26	124	148	182	229	294
TOTAL NON-FINANCIAL	3.31	3.51	3.62	3.86	6	3	6	52,658	55,698	57,544	61,260	65,210
FINANCIALS	3.12	3.36	3.98	4.87	8	18	22	13,488	14,507	17,182	21,054	22,452
Banks	2.93	3.39	4.24	5.57	16	25	31	6,899	7,976	9,972	13,111	13,907
Non-Life Insurance	4.86	4.09	5.10	5.39	-16	25	6	1,005	845	1,054	1,114	1,246
Life Insurance	3.26	3.39	3.67	4.18	4	8	14	2,908	3,023	3,268	3,722	3,975
Real Estate Investment Svs	1.81	1.95	2.13	2.22	8	9	4	174	189	205	214	229
REITS	3.14	3.27	3.39	3.55	4	4	5	1,069	1,112	1,152	1,205	1,275
Financial Services	3.31	3.15	3.54	3.90	-5	12	10	1,432	1,363	1,531	1,688	1,820
FTSE ALL SHARE	3.27	3.48	3.70	4.07	6	6	10	66,146	70,205	74,726	82,314	87,662
FTSE 100	3.42	3.64	3.87	4.27	7	6	10	58,911	62,748	66,636	73,514	78,148
Mid 250	2.46	2.54	2.76	3.01	3	9	9	6,581	6,811	7,398	8,059	8,716
Small Cap	2.27	2.26	2.41	2.58	-1	7	7	691	686	734	785	845

Source: Datastream and Citi Research

Pan Europe XD Dates

Figure 102. XD Dates

Stock	RIC	Country	XD Date	Payment Date	Dividend Type	Next DPS	Next Yld%	2014 DY
Hermes Intl.	HRMS.PA	France	25/02/2014	28/02/2014	Final	€1.5	0.63	1.4
Kone B	KNEBV.HE	Finland	25/02/2014	06/03/2014	Additional Dividends	€1	3.15	3.0
Barry Callebaut	BARN.S	Switzerland	26/02/2014	03/03/2014	Capital Repayment	SF14.5	1.34	1.6
Diageo	DGE.L	UK	26/02/2014	07/04/2014	Final	£0.197	1.05	2.9
Easyjet	EZJ.L	UK	26/02/2014	21/03/2014	Final	£0.776	4.43	2.1
Aurubis	NAFG.DE	Germany	27/02/2014	27/02/2014	Yearly	€1.1	2.61	3.1
Novartis R	NOVN.VX	Switzerland	27/02/2014	04/03/2014	Yearly	SF2.45	3.34	3.2
Novozymes	NZYMb.CO	Denmark	27/02/2014	04/03/2014	Yearly	DK2.5	1.00	1.0
BHP Billiton	BLT.L	UK	05/03/2014	26/03/2014	Final	US\$0.59	1.81	4.3
Rio Tinto	RIO.L	UK	05/03/2014	10/04/2014	Interim	£0.6582	1.84	3.5
Shire	SHP.L	UK	05/03/2014	08/04/2014	Interim	£0.1021	0.31	0.6
Telecity Group	TCY.L	UK	05/03/2014	11/04/2014	Interim	£0.07	1.05	1.4
Tui Travel	TT.L	UK	05/03/2014	09/04/2014	Interim	£0.0975	2.17	3.4
Roche	ROG.VX	Switzerland	06/03/2014	11/03/2014	Yearly	SF7.8	2.93	3.3
Amer Sports 'A'	AMEAS.HE	Finland	07/03/2014	03/04/2014	Yearly	€0.4	2.44	3.0
TDC	TDC.CO	Denmark	07/03/2014	12/03/2014	Interim	DK2.2	4.22	7.1
Wartsila B	WRT1V.HE	Finland	07/03/2014	18/03/2014	Yearly	€1.05	2.48	2.7
Hammerson	HMSO.L	UK	12/03/2014	25/04/2014	Interim	£0.108	1.91	3.7
Hargreaves Lansdown	HRGV.L	UK	12/03/2014	11/04/2014	Combination	£0.07	0.52	2.6
Land Securities Group	LAND.L	UK	12/03/2014	11/04/2014	Interim	£0.076	0.70	3.0
Randgold Resources	RRS.L	UK	12/03/2014	30/05/2014	Final	US\$0.5	0.63	0.4
DSV B	DSV.CO	Denmark	17/03/2014	20/03/2014	Yearly	DK1.5	0.89	1.0
SGS N	SGSN.VX	Switzerland	17/03/2014	20/03/2014	Combination	SF65	2.96	3.0
Anglo American	AALL	UK	19/03/2014	29/04/2014	Interim	US\$0.53	2.00	3.4
British Land	BLND.L	UK	19/03/2014	02/05/2014	Interim	£0.0675	0.98	4.1
Danske Bank	DANSKE.CO	Denmark	19/03/2014	24/03/2014	Yearly	DK2	1.44	2.9
Intl. Htls. Gp.	IHG.L	UK	19/03/2014	09/05/2014	Combination	£0.281	1.42	2.4
Lancashire Holdings	LRE.L	UK	19/03/2014	16/04/2014	Extraordinary payment	US\$0.3	2.45	7.6
Pandora	PNDORA.CO	Denmark	20/03/2014	25/03/2014	Yearly	DK6.5	2.00	2.5
Swedbank A	SWEDa.ST	Sweden	20/03/2014	27/03/2014	Yearly	SK10.1	5.79	6.5
Carlsberg B	CARLb.CO	Denmark	21/03/2014	26/03/2014	Yearly	DK8	1.47	1.7
Castellum	CAST.ST	Sweden	21/03/2014	28/03/2014	Yearly	SK4.25	3.83	4.0
Getinge	GETIb.ST	Sweden	21/03/2014	28/03/2014	Yearly	SK4.15	1.83	1.9
Hufvudstaden 'A'	HUFVa.ST	Sweden	21/03/2014	28/03/2014	Yearly	SK2.75	2.94	3.3
Nordea Bank	NDA.ST	Sweden	21/03/2014	01/04/2014	Yearly	€0.43	4.31	5.4
Novo Nordisk 'B'	NOVOb.CO	Denmark	21/03/2014	26/03/2014	Yearly	DK4.5	1.89	2.1
Pohjola Pankki A	POH1S.HE	Finland	21/03/2014	03/04/2014	Yearly	€0.67	3.99	3.1
GN Store Nord	GN.CO	Denmark	24/03/2014	27/03/2014	Yearly	DK0.84	0.62	1.0
STMicroelectronics	STM.PA	Italy	24/03/2014	27/03/2014	Interim	US\$0.09	0.99	4.7
Kemira	KRA1V.HE	Finland	25/03/2014	03/04/2014	Yearly	€0.53	4.79	5.1
BSkyB	BSY.L	UK	26/03/2014	22/04/2014	Final	£0.12	1.32	3.6
Orion B	ORNBV.HE	Finland	26/03/2014	04/04/2014	Yearly	€1.25	5.58	5.4
SEB A	SEBa.ST	Sweden	26/03/2014	02/04/2014	Yearly	SK4	4.67	4.3
Electrolux B	ELUXb.ST	Sweden	27/03/2014	03/04/2014	Yearly	SK6.5	4.56	4.6
Metso	MEO1V.HE	Finland	27/03/2014	08/04/2014	Yearly	€1	4.41	8.3
Svenska Handbkn	SHBa.ST	Sweden	27/03/2014	03/04/2014	Yearly	SK16.5	5.16	3.8
Fislmith & Company B	FLS.CO	Denmark	28/03/2014	02/04/2014	Yearly	DK2	0.70	3.1
Konecranes	KCR1V.HE	Finland	28/03/2014	09/04/2014	Yearly	€1.05	4.15	4.3
Nutreco	NUO.AS	Netherlands	31/03/2014	22/04/2014	Interim	€0.7	2.19	3.9
SKF B	SKFb.ST	Sweden	31/03/2014	07/04/2014	Yearly	SK5.5	3.20	3.5

Source: DataStream

Figure 103. Stocks Mentioned In The Report

Stock Name	RIC	Price	Rating	Currency	Stock Name	RIC	Price	Rating	Currency
3i Group	III.L	4.03	1	GBP	Koninklijke DSM	DSMN.AS	48.03	1	EUR
A P Moller - Maersk	MAERSKb.CO	64,500.00	2	DKK	KPN	KPN.AS	2.67	1	EUR
AB Inbev	ABI.BR	73.26	1	EUR	Kuehne+Nagel Intl.	KNIN.VX	122.20	1	CHF
ABB	ABB.VX	22.18	2	CHF	Laird	LRD.L	3.23		GBP
Aberdeen Asset Man.	ADN.L	3.82	2	GBP	Lamprell	LAM.L	1.43	2H	GBP
ABERTIS INFRASTRUCTURAS	ABE.MC	16.92		EUR	Lancashire Holdings	LRE.L	7.26	1	GBP
ACS	ACS.MC	26.09		EUR	Land Securities Group	LAND.L	10.83		GBP
Adidas	ADSGn.DE	84.18	1	EUR	Lanxess	LXSG.DE	53.13	3	EUR
Admiral Group	ADML.L	14.70	2	GBP	Legal & General	LGEN.L	2.36	2	GBP
Aegon	AEGN.AS	6.31	2	EUR	Linde	LING.DE	146.95	1	EUR
African Barrick Gold	ABGL.L	2.67	3	GBP	Lindt & Sprungli R	LISN.S	48,800.00	2	CHF
AGEAS (EX-FORTIS)	AGES.BR	31.57	2	EUR	Lloyds Banking Group	LLOY.L	0.80	2	GBP
Aggreko	AGGK.L	16.16	1	GBP	Lonmin	LMI.L	3.11	1	GBP
Ahold Kon.	AHLN.AS	13.31	1	EUR	L'Oreal	OREP.PA	121.85	2	EUR
Air Liquide	AIRP.PA	97.98	2	EUR	Lundin Petroleum	LUPE.ST	126.00	1	SEK
Akzo Nobel	AKZO.AS	59.31	1	EUR	LVMH	LVMH.PA	135.85	1	EUR
Alcatel-Lucent	ALUA.PA	3.07	1	EUR	MAN	MANG.DE	93.11	2	EUR
Alfa Laval	ALFA.ST	171.60	2	SEK	Man Group	EMG.L	0.82	2H	GBP
Alstom	ALSO.PA	19.50	1	EUR	Marine Harvest	MHG.OL	65.95	2H	NOK
Amadeus It Holding	AMA.MC	31.35	1	EUR	Marks & Spencer	MKS.L	4.98	1	GBP
AMEC	AMEC.L	11.11	2	GBP	Marstons	MARS.L	1.48	3	GBP
Amer Sports 'A'	AMEAS.HE	16.37	1	EUR	Mediaset	MS.MI	4.08	3	EUR
Andritz	ANDR.VI	43.29	1	EUR	Mediobanca Bc.Fin	MDBI.MI	7.20	1H	EUR
Anglo American	AAL.L	15.32	2	GBP	Meggitt	MGGT.L	5.15	2	GBP
Anheuser-Busch Inbev	ABI.BR	73.26	1	EUR	Merck KGAA	MRCG.DE	122.65	2	EUR
ARM Holdings	ARM.L	9.36	1	GBP	Metro	MEOG.DE	31.27	2	EUR
Aryzta N	ARYN.S	72.30		CHF	Metso	MEOTV.HE	22.94	3	EUR
Ashtead Group	AHT.L	8.41	1	GBP	Michelin	MICP.PA	87.13	1	EUR
ASML Hldg	ASML.AS	64.46	1	EUR	Micro Focus Intl.	MCRO.L	7.99	2	GBP
Assa Abloy B	ASSAb.ST	333.10	3	SEK	Millennium & Cop. Htls	MLC.L	5.67		GBP
Assd. Brit. Foods	ABF.L	29.42	2	GBP	Mitie Group	MTOL	3.33	2	GBP
AstraZeneca	AZN.L	39.90	2	GBP	Mondi	MNDI.L	10.29	2	GBP
Atlantia	ATL.MI	18.00	3	EUR	Morgan Adv. Mat.	MGAMM.L	3.32	1	GBP
Atlas Copco A	ATCOa.ST	179.50	3	SEK	Morrison (Wm)	MRW.L	2.40	2	GBP
Atos	ATOS.PA	66.65	1	EUR	Muenchener Rueckver	MUVGn.DE	156.45	2	EUR
Aurubis	NAFG.DE	41.24		EUR	National Grid	NG.L	8.28	2	GBP
Aviva	AV.L	4.64	1	GBP	Natixis	CNAT.PA	4.88	2	EUR
AXA	AXAF.PA	19.42	1	EUR	Neste Oil	NES1V.HE	15.09	3	EUR
Babcock Intl.	BAB.L	14.25	1	GBP	Nestle R	NESN.VX	65.75	1	CHF
BAE Systems	BAES.L	4.01	2	GBP	Next	NXT.L	64.69	1	GBP

Balfour Beatty	BALF.L	3.08	2	GBP	Nmc Health	NMC.L	4.58		GBP
Banca Pop. Milano	PMII.MI	0.51	2	EUR	Nokia	NOK1V.HE	5.30	1	EUR
Banca Ppo.Emilia Romagna	EMII.MI	8.10		EUR	Nokian Renkaat	NRE1V.HE	33.07	3	EUR
Banco Comr.Portugues 'R'	BCP.LS	0.19		EUR	Nordea Bank	NDA.ST	89.35	1	SEK
Banco Espirito Santo R	BES.LS	1.32	1H	EUR	Northgate	NTG.L	5.72		GBP
Banco Popolare	BAPO.MI	1.43	2	EUR	Novae Group	NVA.L	5.71		GBP
Banco Popular Espanol	POP.MC	5.04	3H	EUR	Novartis R	NOVN.VX	72.70	1	CHF
Banco Santander	SAN.MC	6.43	2H	EUR	Novo Nordisk 'B'	NOVOB.CO	240.00	1	DKK
Barclays	BARC.L	2.55	1	GBP	Novozymes	NZYMb.CO	250.30	3	DKK
Barratt Developments	BDEV.L	4.21	1	GBP	Nutreco	NUO.AS	32.71		EUR
Barry Callebaut	BARN.S	1,080.00		CHF	Old Mutual	OML.L	1.82		GBP
BASF	BASFn.DE	81.38	2	EUR	OMV	OMVV.VI	33.50	2	EUR
BAT	BATS.L	31.31	1	GBP	Orange	ORAN.PA	9.30	3	EUR
Bayer	BAYGn.DE	100.30	1	EUR	Orion B	ORNBV.HE	22.74		EUR
BBV Argentaria	BBVA.MC	8.80	2H	EUR	Osram Licht (Xet)	OSRn.DE	47.76		EUR
Beazley	BEZG.L	2.75		GBP	Outotec	OTE1V.HE	6.84		EUR
Beiersdorf	BEIG.DE	73.27	1	EUR	Pace	PIC.L	4.22		GBP
Belgacom	BCOM.BR	22.32	1	EUR	Pandora	PNDORA.CO	338.30	1	DKK
Bellway	BWY.L	16.05	1	GBP	Pearson	PERSON.L	11.08	1	GBP
Berkeley Group	BKGH.L	26.66	2	GBP	Pennon Group	PNN.L	7.14	1	GBP
BG Group	BG.L	10.88	1	GBP	Persimmon	PSN.L	14.03	1	GBP
BHP Billiton	BLT.L	19.56	1	GBP	Petrofac	PFC.L	13.56	1	GBP
BMW	BMWG.DE	83.39	2	EUR	Petroleum Geo Services	PGS.OL	63.50	2	NOK
BNP Paribas	BNPP.PA	57.63	1	EUR	Philips Electronics	PHG.AS	25.67	1	EUR
Boskalis Westminster	BOSN.AS	34.21		EUR	Pohjola Pankki A	POH1S.HE	16.80		EUR
BP	BP.L	4.99	2	GBP	Polymetal International	POLYP.L	6.34	3	GBP
Brewin Dolphin	BRW.L	3.33		GBP	Porsche Pref.	PSHG_p.DE	78.31	2H	EUR
Brit. American Tobacco	BATS.L	31.31	1	GBP	Portugal Telecom R	PTC.LS	3.18	2	EUR
Brit. Sky Bcast.	BSY.L	9.13	1	GBP	Premier Oil	PMO.L	2.96	1	GBP
British American Tobacco	BATS.L	31.31	1	GBP	Prosieben Sat 1	PSMGn.DE	34.51	3	EUR
British Land	BLND.L	6.90		GBP	Prudential	PRU.L	13.39	1	GBP
BSkyB	BSY.L	9.13	1	GBP	Randgold Resources	RRS.L	47.28	2	GBP
BT Group	BT.L	4.14	1	GBP	Randstad Holding	RAND.AS	44.50	3	EUR
Burberry Group	BRBY.L	15.06	2	GBP	Reckitt Benckiser	RB.L	49.32	1	GBP
Cable & Wireless Comms.	CWC.L	0.56	2	GBP	Red Electrica Corpn.	REE.MC	54.35	1	EUR
Capita	CPI.L	10.75	2	GBP	Redrow	RDW.L	3.40	2	GBP
Carlsberg B	CARLb.CO	585.00	2	DKK	Reed Elsevier	REL.L	9.10	1	GBP
Carrefour	CARR.PA	26.06	2	EUR	Reed Elsevier (Ams)	ELSN.AS	15.79	1	EUR
Casino Guichard	CASP.PA	82.27	2	EUR	Renault	RENA.PA	72.22	1	EUR
Castellum	CAST.ST	111.80		SEK	Repsol Ypf	REP.MC	17.92	1	EUR
Centrica	CNA.L	3.19	2	GBP	Rexam	REX.L	5.05	1	GBP
Cez	CEZP.PR	562.00	2	CZK	Richemont N	CFR.VX	87.00	1	CHF
Chr Hansen Holding	CHRH.CO	220.00		DKK	Rio Tinto	RIO.L	35.52	1	GBP
Cnh Industrial	CNHI.MI	8.12		EUR	Roche	ROG.VX	264.20	1	CHF
Cobham	COB.L	2.85	2	GBP	Rolls-Royce	RR.L	10.07	2	GBP

Coca-Cola Hbc (Cdi)	CCH.L	15.90	2	GBP	Royal Dutch Shell	RDSa.L	21.85	2	GBP
Coloplast 'B'	COLOb.CO	435.30	1	DKK	Royal Mail	RMG.L	6.03	3	GBP
Commerzbank	CBKG.DE	12.75	2H	EUR	RSA Insurance	RSA.L	0.99	2	GBP
Compass Group	CPG.L	9.16	2	GBP	Rtl Group (Xet)	RRTL.DE	93.89	2	EUR
Continental	CONG.DE	166.15	1	EUR	RWE	RWEG.DE	29.73	3	EUR
Credit Suisse R	CSGN.VX	27.93	1	CHF	Ryanair Holdings	RYA.I	7.26	1	EUR
Crest Nicholson Holdings	CRST.L	3.80		GBP	Ryl. Bk. of Sctf.	RBS.L	3.55	3H	GBP
CRH	CRH.L	16.30	2	GBP	SABMiller	SAB.L	27.63	2	GBP
Daily Mail A	DMGOa.L	10.56	1	GBP	Sage Group	SGE.L	4.20	1	GBP
Daimler	DAIGn.DE	65.37	2	EUR	Sainsbury (J)	SBRY.L	3.50	1	GBP
Danone	DANO.PA	51.83	2	EUR	Saipem	SPMI.MI	16.90	1H	EUR
Danske Bank	DANSKE.CO	139.00	1	DKK	SAMPO 'A'	SAMAS.HE	36.82	2	EUR
Dassault Systemes	DAST.PA	83.33	1	EUR	Sanofi	SASY.PA	73.00	2	EUR
Debenhams	DEB.L	0.75	2	GBP	Santander	SAN.MC	6.43	2H	EUR
Delhaize Group	DELB.BR	50.45	1	EUR	SAP	SAPG.DE	57.74	2	EUR
Deutsche Bank	DBKGn.DE	34.91	1	EUR	Savills	SVS.L	6.28		GBP
Deutsche Lufthansa	LHAG.DE	18.25	1	EUR	SBM Offshore	SBMO.AS	11.17		EUR
Deutsche Post	DPWGn.DE	26.02	1	EUR	SCA B	SCVb.ST	144.90	3	SEK
Deutsche Telekom	DTEGn.DE	12.10	2	EUR	Schibsted	SBST.OL	378.70	2	NOK
Diageo	DGE.L	18.88	1	GBP	Schindler P	SCHN.S	133.60	2	CHF
Direct Line In.Group	DLGD.L	2.57	2	GBP	Schneider Electric	SCHN.PA	65.55	2	EUR
Dixons Retail	DXNS.L	0.48	1	GBP	Schroders	SDR.L	25.92	1	GBP
DNB	DNB.OL	106.30	2	NOK	Scor Se	SCOR.PA	24.93	1	EUR
DSV B	DSV.CO	168.70		DKK	Seadrill	SDRL.OL	221.10	1	NOK
Dufry R	DUFN.VX	146.80	3	CHF	SEB A	SEBa.ST	86.80	1	SEK
E.On	EONGn.DE	14.11	3	EUR	Serco Group	SRP.L	3.97	1	GBP
EADS	AIR.PA	51.99	1	EUR	SES Fdr	SESFd.PA	25.04	1	EUR
easyJet	EZJ.L	17.29	2	GBP	Severn Trent	SVT.L	18.17	2	GBP
EDF	EDF.PA	28.07	2	EUR	SGS N	SGSN.VX	2,181.00	1	CHF
EDP Energias De Port	EDP.LS	2.92	2	EUR	Shire	SHP.L	33.08	1	GBP
Electrolux B	ELUXb.ST	144.00	1	SEK	Siemens	SIEGn.DE	94.28	1	EUR
Elisa	ELI1V.HE	20.38	2	EUR	Sika B	SIK.VX	3,205.00		CHF
Enagas	ENAG.MC	20.60	1	EUR	SKF B	SKFb.ST	172.00	2	SEK
Endesa	ELE.MC	23.32	1	EUR	Smiths Group	SMIN.L	14.02	3	GBP
Enel	ENEI.MI	3.77	1	EUR	Smurfit Kappa Group	SKG.I	19.87	1	EUR
Enel Green Power	EGPW.MI	1.99	3	EUR	Snam	SRG.MI	4.09	3	EUR
ENI	ENI.MI	17.28	2	EUR	Societe Generale	SOGN.PA	46.10	1	EUR
Ericsson B	ERICb.ST	81.90	2	SEK	Soco International	SIA.L	4.39	2	GBP
Essilor Intl.	ESSI.PA	76.55	1	EUR	Solvay	SOLB.BR	111.75	3	EUR
Eutelsat	ETL.PA	22.84	1	EUR	Spectris	SXS.L	23.74	1	GBP
Evraz	EVRE.L	0.78	2H	GBP	Spirent Comms	SPT.L	1.00	1	GBP
Fenner	FENR.L	4.26	1	GBP	Sports Direct Intl.	SPD.L	7.71	1	GBP
Ferrexpo	FXPO.L	1.57	1	GBP	SSE	SSE.L	14.05	3	GBP
Ferrovial	FER.MC	14.21	1	EUR	St.James'S Place	SJP.L	7.87		GBP
Fidessa Group	FDSA.L	24.21	2	GBP	Standard Chartered	STAN.L	13.15	1	GBP
Flsmidth & Company B	FLS.CO	287.50	1	DKK	Standard Life	SL.L	3.85	2	GBP
Fortum	FUM1V.HE	17.65	3	EUR	Statoil	STL.OL	161.00	2	NOK

Fresenius	FREG.DE	119.00	1	EUR	Std Chartered	STAN.L	13.15	1	GBP
Galliford Try	GFRD.L	12.09		GBP	STMicroelectronics	STM.PA	6.05	2	EUR
Gas Natural Sdg	GAS.MC	18.49	2	EUR	Storebrand	STB.OL	36.16		NOK
GDF Suez	GSZ.PA	17.77	2	EUR	Subsea 7	SUBC.OL	112.40	1	NOK
GEA Group	G1AG.DE	33.93	1	EUR	Supergroup	SGP.L	15.99		GBP
Gemalto	GTO.AS	77.49		EUR	Svenska Handbkn	SHBa.ST	326.10	2	SEK
Getinge	GETib.ST	229.00		SEK	Swatch B	UHR.VX	578.00	2	CHF
Givaudan N	GIVN.VX	1,374.00	2	CHF	Swedbank A	SWEDa.ST	176.60	2	SEK
GJENSIDIGE FORSIKRING	GJFS.OL	123.60		NOK	Swiss Life Holding	SLHN.VX	197.80		CHF
GKN	GKN.L	4.06	1	GBP	Swiss Re	SRENH.VX	82.20	2	CHF
GlaxoSmithKline	GSK.L	16.82	2	GBP	Swisscom R	SCMN.VX	515.50	1	CHF
Glencore Xstrata	GLEN.L	3.38	1	GBP	Sydbank	SYDB.CO	143.50		DKK
GN Store Nord	GN.CO	133.60	1	DKK	Syngenta	SYNN.VX	325.80	2	CHF
Go-Ahead Group	GOG.L	20.86	1	GBP	Tate & Lyle	TATE.L	6.47	1	GBP
Grainger	GRI.L	2.38		GBP	Taylor Wimpey	TW.L	1.26	2	GBP
Greggs	GRG.L	5.18	2	GBP	TDC	TDC.CO	52.30	2	DKK
Grifols Ord CI A	GRLS.MC	38.61	1	EUR	Technip	TECF.PA	69.49	1	EUR
Hammerson	HMSO.L	5.72		GBP	Tele2 'B'	TEL2b.ST	76.70	1	SEK
Hannover Ruck.	HNRGn.DE	60.84	2	EUR	Telecity Group	TCY.L	6.75	1	GBP
Hargreaves Lansdown	HRGV.L	13.24	3	GBP	Telecom Italia	TLIT.MI	0.86	3	EUR
Hellenic Telecom.Org.	OTEr.AT	12.07	1	EUR	Telefonica	TEF.MC	11.25	3	EUR
Henkel Pref.	HNKG_p.DE	81.09	2	EUR	Telenet Group Holding	TNET.BR	44.50	1	EUR
Hennes & Mauritz B	HMb.ST	283.80	1	SEK	Telenor	TEL.OL	133.00	2	NOK
Hermes Intl.	HRMS.PA	236.80		EUR	TeliaSonera	TLSN.ST	49.50	2	SEK
Hiscox	HSX.L	6.54	2	GBP	Terna Rete Elettrica	TRN.MI	3.74	3	EUR
HSBC Holdings	HSBA.L	6.50	1	GBP	Tesco	TSCO.L	3.35	2	GBP
Hufvudstaden 'A'	HUFVa.ST	94.50		SEK	ThyssenKrupp	TKAG.DE	19.89	3	EUR
Iberdrola	IBE.MC	4.67	1	EUR	TNT Express	TNTE.AS	6.78	2	EUR
Ica Gruppen	ICAA.ST	219.90		SEK	Total	TOTF.PA	44.64	1	EUR
IctI.HtIs.Gp.	IHG.L	19.70	1	GBP	TRYG	TRYG.CO	517.00		DKK
Iliad	ILD.PA	182.60		EUR	Tui Travel	TT.L	4.39	2	GBP
Immofinanz	IMFI.VI	3.61		EUR	Tullow Oil	TLW.L	7.76	2	GBP
Imperial Tobacco Gp.	IMT.L	23.59	2	GBP	UBS R	UBSN.VX	18.40	1	CHF
Infineon Technologies	IFXGn.DE	7.70	1	EUR	Unibail-Rodamco	UNBP.AS	190.05		EUR
Informa	INF.L	5.14	2	GBP	Unilever (UK)	ULVR.L	24.19	2	GBP
ING Groep	ING.AS	10.38	1	EUR	Unilever Certs.	UNC.AS	28.28	2	EUR
Immarsat	ISA.L	6.94	3	GBP	United Utilities	UU.L	7.69	2	GBP
Intermediate Capital Gp.	ICP.L	4.36	2	GBP	Valeo	VLOF.PA	87.01	1	EUR
Intesa Sanpaolo	ISP.MI	2.23	2H	EUR	Veolia Environnement	VIE.PA	12.44	2	EUR
Intm. Capital Group	ICP.L	4.36	2	GBP	Vinci	SGEF.PA	51.71		EUR
Intnl Psnl. Fin.	IPF.L	4.86	1	GBP	Vivendi	VIV.PA	20.70	2	EUR
Investec	INVP.L	4.30	1	GBP	Vodafone Group	VOD.L	2.28	1	GBP
INVESTOR 'B'	INVEb.ST	220.40		SEK	Volkswagen Pref.	VOWG.DE	190.65	1	EUR
ITV	ITV.L	2.05	3	GBP	Volvo B	VOLVb.ST	92.95	2	SEK
Johnson Matthey	JMAT.L	32.77	2	GBP	Wartsila B	WRT1V.HE	42.56		EUR

K + S	SDFGn.DE	23.55	2	EUR	Whitbread	WTB.L	41.34	2	GBP
Kaba	KABN.S	421.00		CHF	William Hill	WMH.L	3.54	1	GBP
Kazakhmys	KAZ.L	2.26	2	GBP	Wolseley	WOS.L	32.98	1	GBP
KBC Groupe	KBC.BR	44.20	1	EUR	Wolters Kluwer	WLSNc.AS	19.99	2	EUR
Kemira	KRA1V.HE	11.28		EUR	Wood Group (John)	WG.L	7.37		GBP
Kering	P RTP.PA	151.05	1	EUR	WPP	WPP.L	13.46	2	GBP
Kerry Group A	KYGa.I	51.26		EUR	Xaar	XAR.L	10.97		GBP
Kingfisher	KGF.L	3.92	1	GBP	Yara International	YAR.OL	246.20	1	NOK
KONE 'B'	KNEBV.HE	31.70	3	EUR	Ziggo	ZIGGO.AS	33.51	2	EUR
Konecranes	KCR1V.HE	25.30		EUR	Zurich Financial	ZURN.VX	264.90	2	CHF

Source: Citi Research *Prices as of 19th Feb 2014



Notes

Appendix A-1

Analyst Certification

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

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Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Nordea Bank AB
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Citigroup Global Markets Limited acted as advisor to Telefonica SA in the announced acquisition of E-Plus Service GmbH & Co by Telefonica Deutschland GmbH from Koninklijke KPN NV.
Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Societe Generale
Citigroup Global Markets Limited is currently mandated as advisor to Energias De Portugal ('EDP') in relation to the announced sale of equity shareholdings and outstanding shareholder loans in EDP Renovavies Portugal S.A. ('EDPR PT'), a fully owned subsidiary of Energias De Portugal Renovaveis SA ('EDPR'), to China Three Gorges Corporation.
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Citigroup Global Markets Limited acted as advisor to Telefonica SA in the announced acquisition of E-Plus Service GmbH & Co by Telefonica Deutschland GmbH & Co. from Koninklijke KPN NV. Citibank NA is acting as a debt underwriter to PPF Investment Limited to support its acquisition of a stake in Telefonica Czech Republic.

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

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

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

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

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

Interbank Offered Rates-Related Litigation and Other Matters: Government agencies in the U.S., including the Department of Justice, the Commodity Futures Trading Commission and the Securities and Exchange Commission, as well as agencies in other jurisdictions, including the European Commission, the U.K. Financial Services Authority, the Japanese Financial Services Agency (JFSA) and the Canadian Competition Bureau, are conducting investigations or making inquiries regarding submissions made by panel banks to bodies that publish various interbank offered rates. As members of a number of such panels, Citigroup subsidiaries have received requests for information and documents. Citigroup is cooperating with the investigations and inquiries and is responding to the requests. Consequently Citi Research is not commenting on the quantum or likelihood of any potential LIBOR related claims or settlements. Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Barclays PLC

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Credit Suisse Group AG

Citigroup Global Markets Limited is mandated as Joint Structuring Advisor and Joint Bookrunner on BBVA SA's recently announced issuance of Contingent Convertible Perpetual Preferred Tier 1 Securities

Citigroup Global Markets Limited is currently acting as Joint Global Coordinator to Vivendi SA in the announced demerger of the company's SFR unit

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

A director of Citi serves as Chairman of Diageo plc.

Citigroup Global Markets Limited has provided certain advisory services to Telecom Italia Group in relation to the announced sale of Telecom Italia's entire controlling interest in Telecom Argentina

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

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

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

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

Citigroup Global Markets Limited acted as Lead Financial Advisor and Joint Broker to William Hill Plc in the recently completed acquisition of the Sportingbet Plc Australian Business and certain other assets from the Sportingbet Group, including a call option over the Sportingbet Plc Spanish Business. Citigroup Global Markets Limited is also acting as Financial Adviser, Sole Sponsor, Joint Global Coordinator and Joint Bookrunner in the announced rights offering for William Hill Plc.

Due to Citi's involvement in the Kazakhmys Plc announced sale of its remaining 50 per cent interest in Ekibastuz LLP to Samruk-Energo including its interest in Ekibastuz GRES-1, Citi Research restricted publication of new research reports, and suspended its rating and target price on the 7th of February 2013 (the Suspension Date*). Please note that the Company price chart that appears in this report and available on Citi Research's disclosure website does not reflect that Citi Research did not have a rating or target price between the Suspension Date and 4th of February 2014 when Citi Research resumed full coverage.

Citigroup Global Markets Limited had acted as advisor to Bahrain Telecommunications Co on the previously announced acquisition of Cable & Wireless Communications Plc's Monaco & Islands business unit.

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Citigroup Global Markets Ltd is currently mandated as advisor to Centrica Plc in relation to the announcement by the Irish Government that consortium comprising Centrica plc, Brookfield Renewable Power Inc and iCON Infrastructure has now been selected as preferred bidder for Bord Gáis Energy.

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

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

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

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

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

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

A member of the household of Ehud Gelblum, Ph.D, Analyst, holds a long position in the securities of Alcatel-Lucent.

Citigroup Global Markets Inc. or its affiliates beneficially owns 1% or more of any class of common equity securities of Man Group PLC, Glencore Xstrata PLC, K+S AG, Banco Popular Espanol, Enagas SA, Nokia Oyj, Smurfit Kappa Group. This position reflects information available as of the prior business day.

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