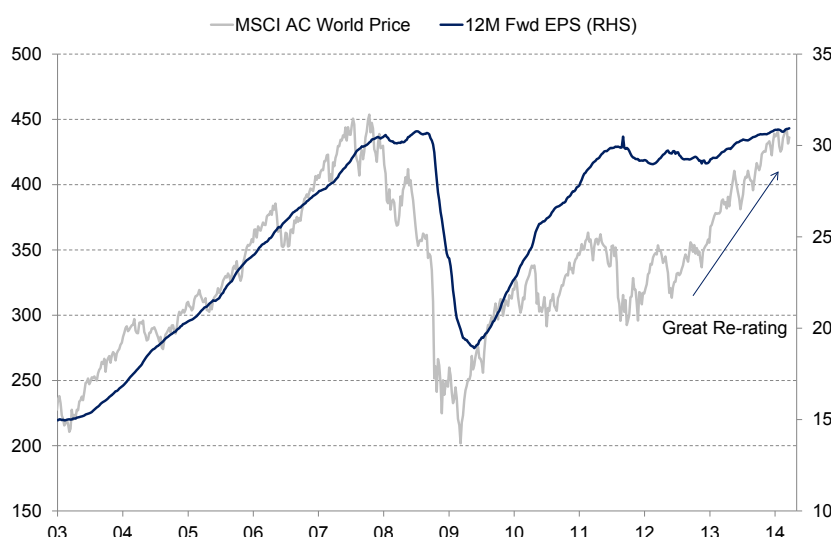


Global Equity Strategist

It's All About Earnings

- **Earnings Matter** — Over the long term, earnings matter for the direction of the stock market. The great re-rating of the last two and a half years means that we now need to see progress on earnings for share prices to rise further, in our view.
- **Downgrade Concerns** — After almost 100 consecutive weeks of net downgrades, we're still expecting more. We believe consensus bottom-up analysts' forecasts of 10.4% global EPS growth for 2014 still look a bit high. Our top-down forecast is 9%.
- **Regional and Sector Differences** — Flattish global earnings over the last two years hides regional differences. The US and Japan led the way up, while Europe (especially the UK) has been weakest. EM has recently shown signs of stabilization. Within sectors, cyclicals led the way over defensives.
- **The Weakest Link** — The only regions which are still disappointing on earnings delivery are Continental Europe and the UK. However, a pick-up in economic activity and signs that companies are addressing some earnings drags make a decent case for future improvements.
- **What Next?** — Investors looking for a combination of positive earnings momentum and cheap valuations should consider EM, Japan, Financials and Materials. Stocks which rank best include BNP, SocGen, Honda, Hitachi, Hon Hai, Oracle.

Figure 1. Global Stock Price vs. 12m Forward EPS



Source: Citi Research, Factset

Global Strategy Team

Robert Buckland

+44-20-7986-3947
robert.buckland@citi.com

Mert C Genc

+44-207-986-4087
mert.genc@citi.com

Beata M Manthey, PhD

+44-20-7986-4349
beata.manthey@citi.com

Cosimo Recchia

+44-20-7986-4449
cosimo.recchia@citi.com

Jonathan Stubbs

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

Ayush Tambi

+44-20-7986-7078
ayush.tambi@citi.com

Regional Strategists

US

Tobias M Levkovich

Scott T Chronert

Europe

Jonathan Stubbs

Japan

Kenji Abe, PhD

GEMs/Asia ex Japan

Markus Rosgen

Australia & New Zealand

Tony Brennan

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

Citi Research is a division of Citigroup Global Markets Inc. (the "Firm"), which does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Certain products (not inconsistent with the author's published research) are available only on Citi's portals.

Contents

It's All About Earnings	3
Earnings Matter	3
Downgrade Concerns	4
Regional Differences	4
Recent Trends – Signs of Delivery	5
The Weakest Link: Europe	6
What Next?	8
Global Stock Screen	10
Strategy Outlook	10
Global Market Intelligence	11
Appendix A-1	16

It's All About Earnings

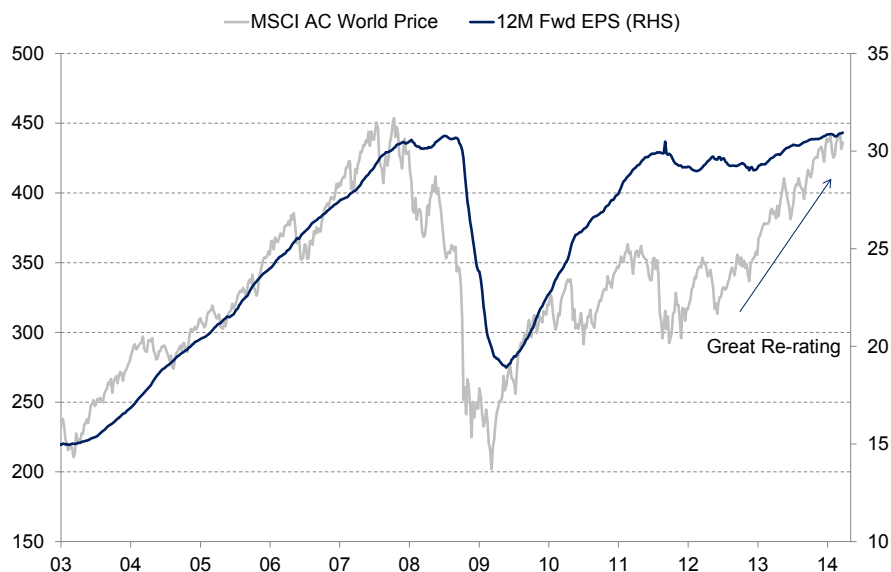
We're increasingly being asked by investors about the sustainability of earnings. [The great re-rating](#) over the last two and a half years means that for global share prices to rise further, we need progress on the earnings front. In 2014, we expect global earnings to grow by 9% and prices by 10% implying no further re-rating. Current concerns are focused on the UK and Continental Europe, where earnings momentum has been negative. Earnings momentum in Japan and the US looks robust, while in EM it has recently stabilized. Within sectors, cyclicals lead the way over defensives. Investors looking for a combination of positive earnings momentum and cheap valuations should consider EM, Japan, Financials and Materials.

Earnings Matter

The historical relationship between earnings and prices has been strong

Over the long term, earnings matter for the direction of the stock market. Earnings can be measured in different ways including trailing, 12m forward bottom-up from stock analysts or strategists' top-down forecasts. In this report, we focus on 12m Forward EPS measured by consensus bottom-up analyst expectations. We aggregate this for different markets and sectors around the world. The historical relationship between earnings and prices has been strong (Figure 2). However, over the last two and a half years, equity prices have risen sharply, while earnings have lagged. Global equities have rallied 47% since September 2011. It's been mostly a re-rating driven rally (44% rerating based on 12m forward PE). Forward earnings have only shown recent signs of recovery, up 4% since end 2012.

Figure 2. Global Stock Price vs. 12m Forward EPS



Source: Citi Research, Factset

In 2014 we expect global earnings to grow by 9% and prices by 10%, implying no further re-rating

After the great re-rating, we now need to see more progress on the earnings front. This year we do expect global earnings to grow by 9% (top-down forecast aggregated from Citi's regional strategists) and prices by 10%. This implies future equities gains almost entirely driven by EPS gains, as opposed to the recent past which has been mostly about PE gains.

Downgrade Concerns

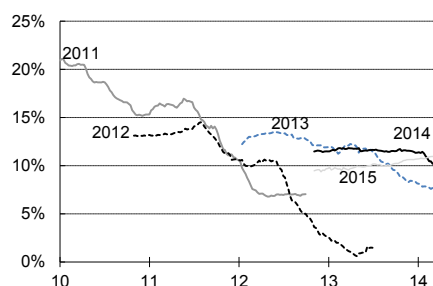
After almost 100 weeks of continuous net downgrades, we're still expecting more, but their impact should be muted

Concerns about this earnings delivery are understandable given analyst downgrades over the last two years. After almost 100 weeks of continuous net downgrades, we're still expecting more. We believe consensus bottom-up analysts' forecasts of 10.4% global EPS growth for 2014 still look a bit high. Our top-down forecast is 9%. At least this is the narrowest gap between our top down and analysts' bottom-up expectations over the last few years. Also, recent history shows that [downgrades are not necessarily bad news for the equity markets](#) (Figure 3). Global EPS growth expectations were revised down by almost 10ppt for 2012 (from 11% to 2%), but the equity benchmark still rose by 13%. In 2013, downgrades have reduced global EPS growth by 5ppt (from 12% to 7%), but the market was up 23%. We expect a muted impact of downgrades this year.

Japan is a standout among the major regions: we expect earnings upgrades

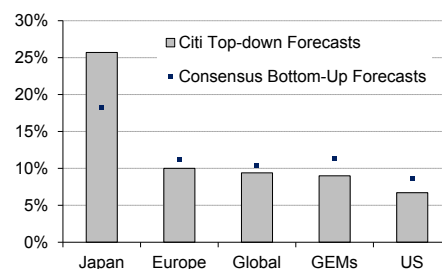
Downgrades are not the norm across all the regions. Japan is a standout. Kenji Abe, our Japanese strategist, expects upgrades (Figure 4). He thinks [analysts have not fully reflected the impact of a corporate tax rate cut](#) from next fiscal year and further depreciation of the yen in their numbers. For EM, Markus Rosgen highlights that [2014 earnings forecasts are more realistic than usual](#) which suggests earnings downgrades should be muted in EM.

Figure 3. Consensus Global EPS Growth



Source: Citi Research, Factset

Figure 4. Top Down EPS Growth 2014e



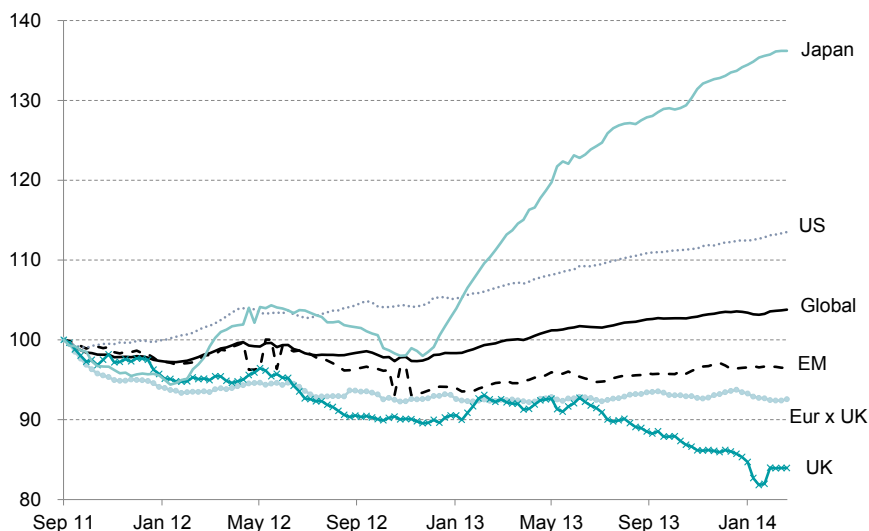
Source: Citi Research, Factset

Regional Differences

Flattish earnings momentum globally hides regional differences

Flattish global forward earnings hide regional differences. Since the recovery of global forward earnings at the end of 2012, two consistent leaders, the US and Japan, have emerged. After an initial downward trend, Japanese earnings have turned, surging almost 40%. US earnings have also improved, up 14% since the start of the rally. At the same time 12m forward earnings for Emerging Markets and Europe have drifted down. EM EPS are still 3% below September 2011 levels, while continental Europe is 7% below and the UK 16% below (Figure 5).

Figure 5. Regional 12M Forward EPS



Source: Citi Research, Factset

Recent Trends – Signs of Delivery

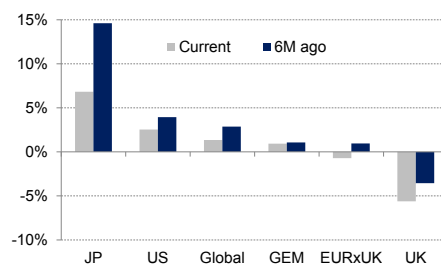
Japan and the US continue to deliver strong earnings momentum while Europe (especially the UK) has been lagging

We also look at recent earnings trends to see which parts of the world show clearer signs of earnings delivery. Figure 6 ranks major regions by earnings momentum (measured by 6-month change in 12m forward EPS). Japan and the US continue to deliver strong momentum while Europe (especially the UK) has been lagging. Emerging Markets' earnings momentum has been surprisingly resilient despite the ongoing macro concerns.

Stronger earnings momentum from cyclicals

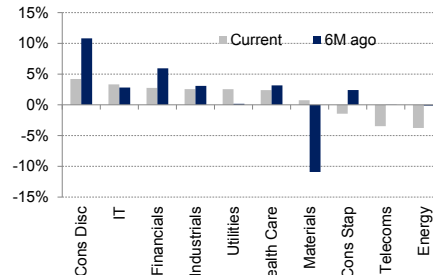
Amongst global sectors, we see stronger earnings momentum from cyclicals while defensives seem to be lagging (Figure 7). Consumer Discretionary (especially Autos), IT and Financials have the strongest earnings momentum at the moment. At the other end of the scale, Energy, Telecoms and Consumer Staples rank poorly.

Figure 6. Regions Earnings Momentum*



Source: Citi Research, Factset *6M change in 12M Fwd EPS

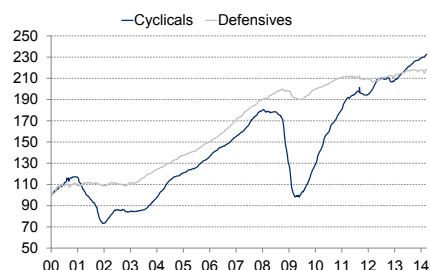
Figure 7. Sectors Earnings Momentum*



Source: Citi Research, Factset *6M change in 12M Fwd EPS

To check whether there has been any change in the trends, we also show forward earnings momentum as of 6 months ago. Figure 6 shows that global 12m forward EPS is still rising but at a slower pace than 6 months ago. The slow-down is consistent across regions. Earnings momentum for Japan has slowed down the most, but it is still the strongest amongst major markets.

Figure 8. Cyclical vs Defensive 12M Fwd EPS



Source: Citi Research, Factset.

Cyclicals = Cons Disc, Industrials, IT.

Defensives = Cons Stap, Health Care, Telcos, Utilities

Within sectors, the most striking improvement in earnings trends has been in global Materials (Figure 7). The sector had the worst earnings momentum by a wide margin 6 months ago but has now moved into positive territory. Global IT and Utilities are the other two sectors which show better earnings momentum now compared to 6 months ago. EMo for Consumer Discretionary (especially Autos and Media) deteriorated the most. Nonetheless, it still ranks as the strongest sector.

Overall, it seems like the acceleration in the global economy has started to support global earnings trends. Cyclical sectors' 12m forward EPS have started to accelerate at a faster rate than the defensives (Figure 8). We expect this trend to continue. Citi economists are forecasting [Global GDP growth to accelerate in 2014 and 2015](#).

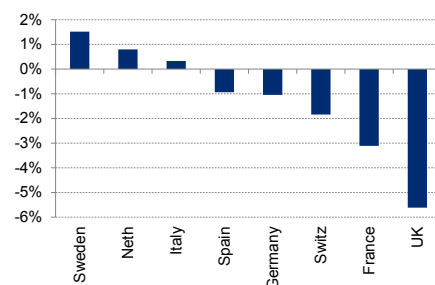
The Weakest Link: Europe

Earnings delivery has been a concern throughout this cycle. In 2011 investors worried about another earnings recession, while now they focus on a lack of earnings growth. In the last few years, concerns have also shifted from Japan, Financials, and Emerging Markets to Commodity stocks and Europe. Earnings in Japan and Financials sector inflected back in 2012. EM and Mining stocks have recently started to show signs of stabilization. The only regions which are still disappointing on earnings delivery are continental Europe and the UK.

So where does the weakness come from? In Continental Europe France, Switzerland and Germany have been the most disappointing, while Sweden and the Netherlands have been more robust (Figure 9). On a sector level the weakness has mostly come from Energy and defensives such as Telecoms and Consumer Staples (Figure 10). Cyclical sectors' earnings trends have improved as the economic recovery has accelerated.

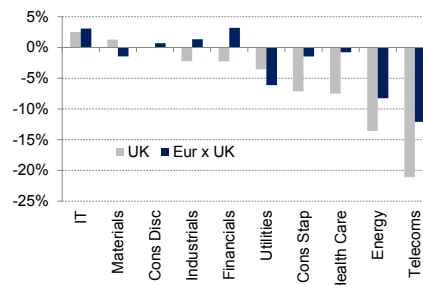
European weakness comes mostly from defensives and Energy

Figure 9. Countries Earnings Momentum



Source: Citi Research, Factset *6M change in 12M Fwd EPS

Figure 10. Sectors Earnings Momentum

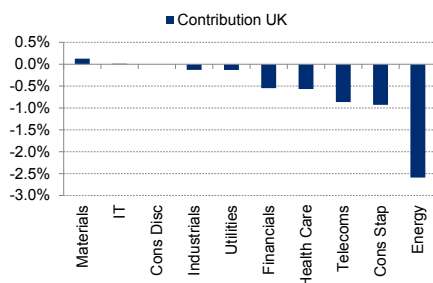


Source: Citi Research, Factset *6M change in 12M Fwd EPS

Half of the UK earnings weakness comes from the Energy sector while Materials was the only net positive contributor

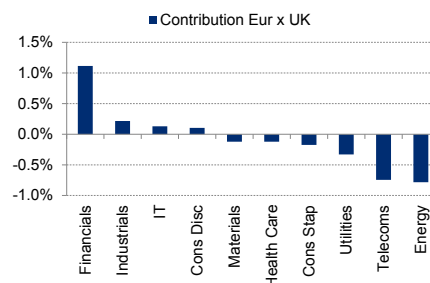
In the UK, despite the surprisingly strong economic recovery, earnings trends have been weak. However, UK corporate profits are not that geared to the domestic economy. Over 70% of sales come from abroad, with 30% alone coming from the multinational commodity stocks. As shown in Figure 11, almost half of the UK earnings disappointment in the last 6 months has come from the Energy sector. This is a function of both the size of the downgrades and the importance of the sector's earnings within UK stock market. Interestingly, the UK Materials sector has been the only one with a positive net contribution, showing signs of potential change underway.

Figure 11. Contribution: UK EMO



Source: Citi Research, Factset

Figure 12. Contribution: EurxUK EMO



Source: Citi Research, Factset

Contribution towards Continental European earnings looks more balanced

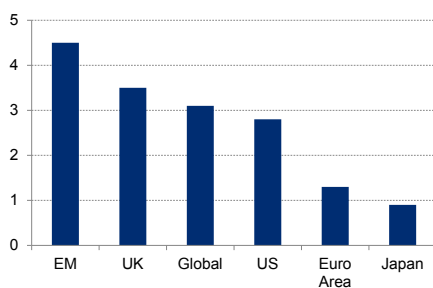
The contribution towards Continental European earnings trends looks more balanced than in the UK. Financials have been the strongest net contributors, and the defensive sectors and Energy the weakest (Figure 12).

Winds of Change

Continental Europe and the UK leaders on the economic recovery front

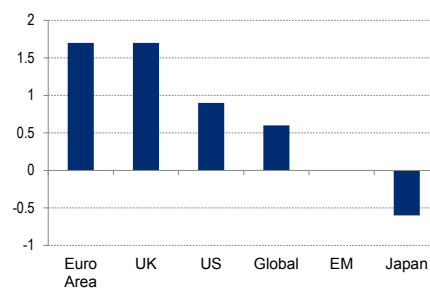
While Continental Europe and the UK have been the most disappointing regions on the earnings front, they showed improving economic performance. In the UK our economist has recently upgraded his forecasts and now expects [GDP growth of 3.5% this year](#), the strongest of all the developed markets (Figure 13). One of the reasons for the upgrade is broadening of the recovery to business investment. In the Eurozone our economists have recently upgraded their forecasts as well, but expectations are more modest (1.3% growth in 2014). However, the delta between 2013 and 2014 forecasts is equally large in Eurozone and in the UK (1.7%) and the highest of all regions/countries (Figure 14). Furthermore, our economists highlight [risks to the upside in 2Q](#). The positive outlook is also supported by a [recovery in the equipment investment in the Eurozone](#), estimated to grow at 3.5% pa in 2014 and 2015, in line with the 2000-07 average.

Figure 13. Citi 2014 GDP Forecasts



Source: Citi Research.

Figure 14. Citi GDP Forecasts Delta (2013-14)*



Source: Citi Research.*Difference between 2014 & 2013

Signs of companies addressing some of the earnings drags

We've recently started to see signs of companies addressing some of the earnings drags of the region. The European Mining Sector is leading the way. Mining companies [have delivered better than expected cost performance, which in Citi analysts' view will be maintained in 2014](#). Additionally, [corporates have also started to cut capex](#). This should result in higher free cash flow which could be distributed via buybacks, which in turn would boost EPS.

What Next?

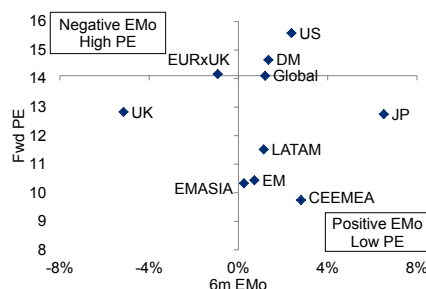
Balanced strategy of positive earnings momentum and cheap valuation most appropriate

EM and Japan look most attractive

As global economic recovery continues, we believe earnings growth should resume as well. We think sectors with positive earnings momentum should outperform. In a world where [value is hard to find](#), we think that a balanced strategy of earnings momentum and relatively cheap valuation is most appropriate.

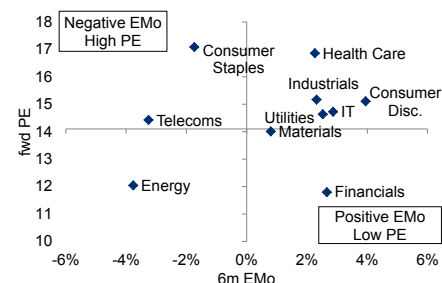
Figure 15 - Figure 17 show 12m fwd PE against average earnings momentum over the last 6 months for global regions, sectors and industries. Amongst the regions, Emerging Markets (particularly CEEMEA) look to be the most attractive, followed by Japan, which has recently de-rated despite delivering the strongest earnings momentum out of all the regions. Continental Europe looks most at risk, as earnings trends fail to improve, and a 60% re-rating means it's no longer cheap. UK earnings momentum is the worst, but at least low valuations reflect this. The US looks expensive, but justifiably so.

Figure 15. 6m EMO vs. Fwd PE- Regions



Source: Citi Research, Factset

Figure 16. 6m EMO vs. Fwd PE – Sectors

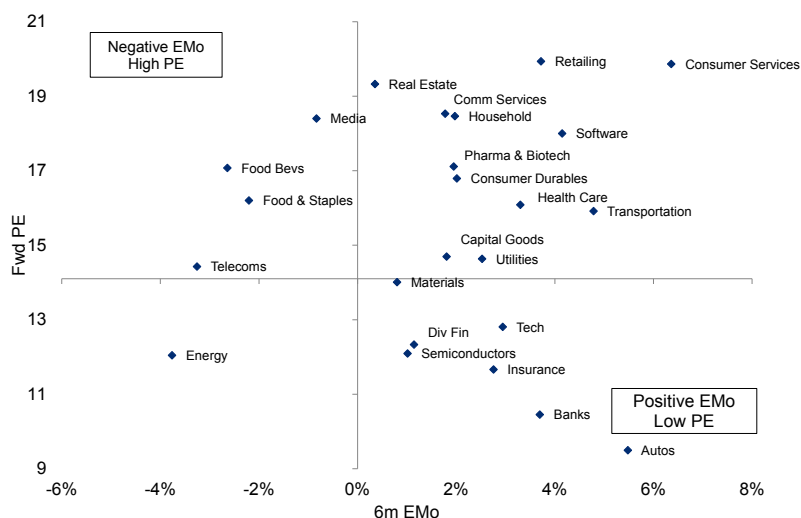


Source: Citi Research, Factset

Financials, Materials, Tech and Autos most attractive sectors

From a sector perspective, Financials (Insurance and Bank, not Real Estate) and Materials, Tech and Autos look most attractively priced given positive earnings trends. Sectors with negative earnings momentum but higher valuations include Consumer Staples (Food & Staples and Food, Beverage & Tobacco), Telcos and Media. So a clear preference for cyclicals over defensives. This is broadly in line with our current sector recommendations.

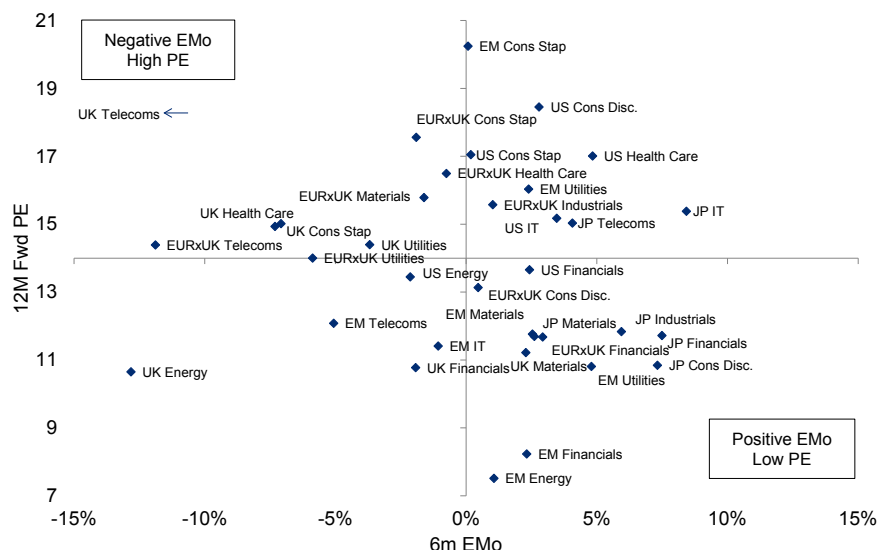
Figure 17. 6m EMO vs. Fwd PE-Global Industries



Source: Citi Research, Factset

We also check which regional sectors seem best positioned (bottom right of Figure 18). Financials look attractive across most regions (especially in EM), with the exception of the UK. Consumer Discretionary (Autos) in Europe and Japan also rank well in addition to Japanese Industrials and UK and EM Materials and EM Energy.

Figure 18. 6m EMo vs. Fwd PE – Regional Sectors



Source: Citi Research, Factset

Defensives the least attractive

Regional sectors with negative earnings momentum and expensive valuations feature in top left of the chart. The least attractive are defensives in the worst earnings momentum regions: continental Europe and the UK. They include European and UK Telcos and Utilities and UK Consumer Staples and Health Care. Energy is the only US sector showing negative earnings momentum but the price reflects this. All the other US sectors (except Financials) seem to have already priced in positive earnings momentum.

Global Stock Screen

Finally, we take this analysis down to a stock level. We screen for companies within the MSCI AC World index with strong earnings momentum, cheap valuation and are also Buy rated by Citi analysts (Figure 19). Japanese and Financial stocks feature strongly.

Figure 19. Global Stock Screen: Largest stocks with strong earnings momentum and cheap valuation

RIC	Name	Country	Mcap (\$mn)	Sector	> 4% 6M E Mo	< 12x 12m Fwd Pe	Citi Rating	Price	Currency
SOGN.PA	Societe Generale	France	44,288	Financials	14%	9.7	1	44.17	EUR
BNPP.PA	BNP Paribas	France	78,185	Financials	5%	10.6	1	55.69	EUR
NDA.ST	Nordea Bank	Sweden	42,296	Financials	5%	11.4	1	88.8	SEK
8316.T	Sumitomo Mitsui Fin. Grp	Japan	52,457	Financials	7%	8.3	1	4140	JPY
7203.T	Toyota Motor Corp	Japan	146,164	Cons Disc	8%	8.5	1	5731	JPY
8306.T	Mitsubishi UFJ Fin Grp	Japan	67,983	Financials	9%	8.6	1	541	JPY
7267.T	Honda Motor Co	Japan	56,307	Cons Disc	9%	8.8	1	3533	JPY
6501.T	Hitachi	Japan	34,370	IT	16%	11.2	1	748	JPY
9433.T	KDDI	Japan	30,179	Telecoms	9%	11.7	1	5832	JPY
CM.TO	Canadian Imperial Bank	Canada	34,265	Financials	5%	10.7	1	93.9	CAD
VLO.N	Valero Energy Corp	US	29,023	Energy	39%	8.6	1	53.17	USD
PRU.N	Prudential Financial	US	40,033	Financials	5%	9.2	1	84.18	USD
NOV.N	National Oilwell Varco	US	31,881	Energy	5%	11.8	1	74.93	USD
LYB.N	Lyondellbasell Inds A	US	42,321	Materials	11%	11.9	1	89.22	USD
DTV.O	Directv Group	US	36,909	Cons Disc	13%	12.0	1	76.65	USD
ORCL.K	Oracle Corp	US	136,724	IT	5%	12.0	1	38.98	USD
SOLJ.J	Sasol	S Africa	28,920	Energy	12%	9.8	1	597.3	ZAR
ITUB4.SA	Itau Unibanco Pn	Brazil	33,900	Financials	12%	8.4	1	33.6	BRL
GAZP.MM	Gazprom (Rub)	Russia	40,738	Energy	14%	2.6	1	130.8	RUB
2317.TW	Hon Hai Precision Ind	Taiwan	30,894	IT	17%	9.5	1	86.3	TWD

Source: Citi Research, Factset

Strategy Outlook

The great re-rating over the last two years means that for global share prices to rise further, we need progress on earnings in our view. In 2014, we expect global EPS to grow by 9% and prices by 10%, implying no further re-rating. Europe is the focus of current concerns. Earnings momentum in Japan and US looks robust, while in EM it has recently stabilized. Investors looking for a combination of positive earnings momentum and cheap valuations should consider EM, Japan, Financials and Materials.

Global Market Intelligence

Figure 20. Global Market Intelligence by Region

21 Mar 14	Free MC US\$bn	Wgt %	P/E			EPS YoY %			P/B	ROE	Div Yld	CAPE 10Yr	Perf % (local)		Perf % (USD)	
			13E	14E	15E	13E	14E	15E					Weekly	YTD	Weekly	YTD
Global	35,347	100	16.0	14.4	12.9	7.5	10.4	11.2	1.9	13.0	2.7	20.2	1.1	-1.0	0.7	-1.0
Developed World	31,758	89.8	16.7	15.1	13.5	7.5	10.3	11.3	2.0	13.1	2.6	20.8	1.1	-0.5	0.7	-0.5
Emerging World	3,589	10.2	11.4	10.3	9.3	7.0	11.3	10.6	1.3	12.7	3.1	15.9	0.9	-4.5	0.8	-5.8
North America	18,872	53.4	17.6	16.1	14.4	6.8	8.9	11.5	2.4	15.2	2.1	24.7	1.3	1.3	1.2	1.0
USA	17,560	49.7	17.6	16.1	14.4	7.6	8.6	11.5	2.5	15.5	2.0	25.2	1.3	1.1	1.3	1.1
Canada	1,313	3.7	17.5	15.6	13.9	-3.6	12.5	11.7	1.8	11.8	2.9	20.8	0.8	5.0	-0.1	-0.3
Europe	8,750	24.8	15.6	14.1	12.6	-0.3	11.2	12.0	1.7	12.0	3.6	15.6	1.8	-0.4	0.7	-0.4
United Kingdom	2,736	7.7	14.1	13.1	12.0	-6.7	7.7	8.4	1.8	13.5	3.9	14.5	0.5	-3.1	-0.4	-3.5
Europe ex UK	6,014	17.0	16.5	14.6	12.8	3.4	13.1	13.9	1.7	11.3	3.4	16.4	2.4	0.9	1.3	1.0
France	1,352	3.8	16.2	14.0	12.4	0.9	15.6	12.9	1.4	10.2	3.5	15.5	2.8	1.4	1.8	1.5
Germany	1,224	3.5	14.8	13.2	11.7	-5.2	12.0	13.1	1.6	12.1	3.0	18.4	3.0	-2.7	1.9	-2.7
Switzerland	1,205	3.4	16.8	15.8	14.3	15.0	6.1	10.7	2.4	15.4	3.3	22.0	2.1	1.2	0.7	1.9
Spain	455	1.3	17.2	15.0	12.6	30.1	14.7	18.7	1.3	8.9	5.2	11.7	2.2	1.3	1.1	1.3
Sweden	434	1.2	15.1	16.2	14.1	16.1	-6.6	14.8	2.2	13.5	3.9	20.3	1.7	1.3	0.8	1.1
Netherlands	353	1.0	16.8	14.6	12.6	6.2	15.4	15.3	1.8	12.0	2.7	16.2	1.9	-2.4	0.8	-2.4
Italy	332	0.9	22.0	14.2	11.7	-27.1	54.7	21.8	1.0	7.2	3.4	10.7	3.5	10.8	2.4	10.9
Denmark	173	0.5	20.7	17.6	15.4	10.1	17.8	14.1	2.8	15.7	2.4	31.8	-0.6	11.1	-1.6	11.0
Belgium	158	0.4	19.3	16.6	14.9	-6.6	15.9	11.7	1.9	11.6	3.3	14.7	2.9	0.4	1.9	0.4
Finland	117	0.3	18.5	15.9	14.6	29.1	16.6	9.3	1.9	12.1	4.1	14.4	-0.5	-3.4	-1.5	-3.4
Norway	107	0.3	12.7	11.6	10.6	-2.0	9.6	9.3	1.4	12.3	5.1	13.8	2.6	-0.6	0.8	-0.4
Ireland	42	0.1	85.7	22.8	16.1	372.8	276.4	41.2	1.8	7.7	1.8	10.6	0.1	10.7	-1.0	10.8
Austria	37	0.1	16.1	11.9	9.6	-25.8	34.6	24.8	0.9	7.9	3.1	9.3	4.3	-4.7	3.3	-4.7
Portugal	25	0.1	22.6	20.3	14.9	-24.8	11.1	36.0	1.5	7.4	3.5	11.2	1.7	7.3	0.7	7.3
Japan	2,503	7.1	15.6	12.9	11.8	65.2	18.2	9.7	1.1	8.9	2.2	22.3	-1.6	-12.4	-2.5	-10.1
Asia Pac ex Jp	3,849	10.9	13.0	11.8	10.6	7.2	10.9	10.4	1.5	12.4	3.4	18.0	-0.2	-3.2	-0.3	-3.3
Pacific ex Jp	1,564	4.4	15.3	14.2	13.2	3.7	7.7	7.7	1.6	11.3	4.3	18.7	0.0	-2.0	0.3	-1.1
Australia	1,008	2.9	15.6	14.3	13.5	6.0	8.5	6.4	1.9	13.4	4.8	18.9	0.1	-0.2	0.7	1.4
Hong Kong	355	1.0	14.8	14.1	12.8	6.7	5.4	9.9	1.2	8.5	3.2	21.0	-0.4	-5.7	-0.3	-5.8
Singapore	184	0.5	14.4	13.4	12.1	-11.1	7.6	10.5	1.3	9.7	3.8	15.1	0.4	-4.5	-0.3	-5.3
New Zealand	17	0.0	20.0	18.8	17.0	7.6	6.7	10.5	2.0	10.9	4.2	16.9	-0.3	8.4	-0.3	12.5
Em Asia	2,284	6.5	11.8	10.5	9.4	9.2	12.6	11.7	1.4	13.1	2.7	17.3	-0.3	-4.0	-0.7	-4.7
China	685	1.9	8.9	8.4	7.5	14.6	6.4	11.4	1.2	14.3	3.7	15.5	0.4	-9.8	0.5	-9.8
Korea	567	1.6	10.9	8.8	7.9	-2.8	23.2	12.2	1.0	11.2	1.4	14.7	0.5	-5.4	-0.2	-7.6
Taiwan	431	1.2	16.0	14.4	12.9	27.9	11.6	10.6	1.7	11.7	3.3	18.9	-1.5	-0.3	-2.4	-2.9
India	241	0.7	17.2	14.9	13.0	8.2	15.2	14.8	2.4	15.9	1.7	26.5	-0.1	1.0	0.1	2.3
Malaysia	142	0.4	16.8	15.7	14.4	-0.2	7.2	9.3	2.0	12.8	3.1	22.8	0.9	-2.9	0.0	-3.9
Indonesia	99	0.3	15.7	14.2	12.5	7.3	10.5	13.5	2.9	20.5	2.7	26.5	-5.0	11.3	-5.5	18.6
Thailand	84	0.2	13.0	11.9	10.7	7.1	9.8	10.3	1.8	15.6	3.7	17.7	-0.8	3.3	-1.0	4.8
Philippines	35	0.1	20.2	18.5	16.1	8.1	9.2	14.9	2.7	14.4	2.3	29.3	-1.1	8.1	-2.4	5.9
Latin America	682	1.9	13.5	11.9	10.6	8.2	13.1	13.1	1.5	12.1	3.3	15.3	4.3	-6.5	5.6	-6.6
Brazil	381	1.1	10.9	9.8	8.8	14.2	11.5	11.9	1.2	12.1	4.3	12.2	5.2	-8.2	6.9	-6.7
Mexico	189	0.5	20.9	18.0	15.5	-4.9	16.4	16.3	2.4	13.6	1.6	25.8	5.1	-6.3	5.1	-7.2
Chile	56	0.2	18.8	15.1	12.9	16.1	24.9	16.4	1.5	10.1	2.8	21.1	0.2	-2.0	2.0	-8.3
Colombia	40	0.1	15.9	14.5	13.2	-1.0	9.6	10.1	1.4	10.2	3.5	27.7	0.7	0.7	3.1	-2.3
Peru	16	0.0	14.4	12.5	10.6	-30.3	14.7	18.9	1.9	15.0	1.9	15.4	-1.9	-2.1	-1.9	-2.1
CEEMEA	623	1.8	8.8	8.3	7.9	0.5	6.6	5.4	1.0	12.4	4.2	13.6	1.7	-4.2	1.2	-8.5
South Africa	275	0.8	15.9	14.1	12.7	8.4	13.0	10.7	2.3	16.2	3.5	26.3	-0.2	1.1	-1.6	-2.6
Russia	184	0.5	4.6	4.4	4.5	2.7	5.0	-0.6	0.5	11.8	5.4	7.1	4.3	-14.4	5.3	-20.9
Poland	64	0.2	13.7	13.5	12.0	-24.5	1.3	12.6	1.2	9.1	4.4	11.9	1.0	-0.6	0.8	-1.6
Turkey	53	0.1	9.4	9.5	7.9	3.4	-1.3	19.5	1.2	12.5	3.7	13.8	2.2	-4.4	1.9	-8.0
Greece	21	0.1	26.6	19.1	14.6	-40.8	39.0	31.1	1.4	7.5	2.2	4.3	0.9	18.4	-0.1	18.5
Czech Republic	10	0.0	10.7	12.2	12.9	-10.3	-12.1	-6.1	1.4	11.5	6.2	11.3	5.4	5.9	3.9	5.6
Egypt	9	0.0	17.6	12.0	10.1	-7.4	47.5	17.9	1.7	14.1	2.6	20.5	4.0	16.7	4.0	16.5
Hungary	8	0.0	9.9	9.7	8.0	-10.8	1.8	21.7	0.8	7.9	3.3	7.1	5.3	-11.0	4.0	-15.6
Israel	68	0.2	10.4	11.0	10.7	-7.7	-6.2	2.9	1.5	14.1	2.7	15.1	2.9	15.2	2.4	14.9

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

Figure 21. Global Market Intelligence by Sector

21 Mar 14	Free MC US\$bn	Wgt %	P/E			EPS YoY %			P/B	ROE	Div Yld	CAPE	Perf % (local)		Perf % (USD)	
			13E	14E	15E	13E	14E	15E	14E	14E	14E	10Yr	Weekly	YTD	Weekly	YTD
Global	35,347	100	16.0	14.4	12.9	7.5	10.4	11.2	1.9	13.0	2.7	20.2	1.1	-1.0	0.7	-1.0

Sectors - Level 1

Energy	3,369	9.5	12.9	11.8	11.0	-8.8	9.8	6.7	1.4	11.7	3.3	13.5	1.5	-1.7	1.2	-2.5
Materials	2,156	6.1	16.4	14.5	12.7	2.2	13.1	14.3	1.7	11.5	2.7	16.0	0.8	-1.5	0.4	-1.8
Industrials	3,816	10.8	17.6	15.6	13.8	5.7	12.9	12.6	2.2	14.2	2.4	22.4	1.2	-2.7	0.8	-2.5
Consumer Disc.	4,159	11.8	18.2	15.8	13.6	21.5	12.1	15.6	2.5	16.0	1.9	28.8	0.2	-2.9	-0.2	-2.7
Consumer Staples	3,393	9.6	18.5	17.4	15.9	4.7	6.1	9.7	3.2	18.6	2.9	26.1	0.5	-2.7	0.2	-2.7
Health Care	3,804	10.8	18.5	17.4	15.6	2.7	6.7	11.4	3.4	19.4	2.1	29.0	0.6	4.5	0.3	4.6
Financials	7,584	21.5	13.5	12.1	10.8	14.9	11.7	11.6	1.2	9.8	3.2	14.3	1.6	-1.8	1.3	-1.9
IT	4,537	12.8	17.2	15.3	13.7	9.5	12.5	11.3	2.8	18.5	1.7	28.9	1.6	1.2	1.4	1.1
Telecoms	1,374	3.9	15.0	14.3	13.5	2.3	5.0	6.5	2.0	13.7	4.5	17.7	1.9	-4.2	1.4	-4.2
Utilities	1,155	3.3	16.1	14.7	13.7	20.2	5.3	6.7	1.4	9.3	4.0	16.0	0.5	4.9	0.2	4.8

Sectors - Level 2

Energy	3,369	9.5	12.9	11.8	11.0	-8.8	9.8	6.7	1.4	11.7	3.3	13.5	1.5	-1.7	1.2	-2.5
Materials	2,156	6.1	16.4	14.5	12.7	2.2	13.1	14.3	1.7	11.5	2.7	16.0	0.8	-1.5	0.4	-1.8
Capital Goods	2,779	7.9	16.9	15.1	13.5	3.2	12.2	11.8	2.1	14.2	2.5	21.6	1.5	-2.9	1.1	-2.7
Comm Svc & Supp	298	0.8	20.7	19.1	17.1	8.2	8.3	11.6	3.0	16.2	2.2	24.3	0.9	-3.3	0.5	-3.0
Transport	739	2.1	19.4	16.4	14.1	16.6	17.9	16.3	2.2	13.6	2.1	25.6	0.3	-1.4	0.0	-1.4
Autos	1,033	2.9	11.3	9.9	8.6	14.9	13.5	14.7	1.4	13.9	2.5	21.2	0.7	-4.2	0.0	-3.4
Consumer Durables	590	1.7	21.1	17.4	14.8	137.3	21.0	17.5	2.3	13.3	1.9	28.4	0.4	-4.9	-0.2	-4.6
Consumer Services	555	1.6	23.2	20.5	17.9	8.5	13.2	14.5	4.3	20.9	2.3	31.7	0.0	0.0	-0.1	-0.1
Media	955	2.7	22.5	19.1	16.4	19.9	1.3	15.8	3.2	17.4	1.6	35.0	-0.3	-1.4	-0.6	-1.7
Retailing	1,026	2.9	24.4	21.2	18.2	8.9	15.3	16.4	4.5	21.3	1.4	32.5	0.1	-3.2	-0.1	-3.3
Food & Staples	768	2.2	17.7	16.5	15.0	2.6	7.3	10.6	2.3	14.1	2.6	24.8	1.0	-2.1	0.8	-2.2
Food Bev & Tobac.	2,044	5.8	18.4	17.4	15.9	5.0	5.4	9.5	3.5	20.5	3.1	26.2	0.7	-2.5	0.2	-2.4
Household Products	581	1.6	20.2	18.8	17.2	6.5	7.1	9.2	4.0	20.7	2.7	28.1	-0.5	-4.3	-0.8	-4.2
Health Care	945	2.7	17.8	16.6	14.9	6.4	7.7	11.3	2.7	16.2	1.2	28.1	1.5	3.4	1.3	3.4
Pharma & Biotech	2,859	8.1	18.8	17.7	15.8	1.5	6.4	11.5	3.7	20.9	2.4	29.2	0.4	4.9	-0.1	5.0
Banks	3,826	10.8	12.3	10.7	9.6	9.4	14.9	11.9	1.1	10.2	3.6	12.1	2.2	-0.8	1.8	-1.1
Div Financials	1,365	3.9	15.8	14.2	12.4	33.0	10.7	15.0	1.3	9.5	2.0	15.6	2.3	-1.9	2.0	-1.9
Insurance	1,418	4.0	12.1	11.4	10.5	20.2	5.5	8.9	1.2	10.6	3.1	16.0	1.0	-4.1	0.5	-4.3
Real Estate	975	2.8	21.5	20.0	18.1	11.1	7.7	10.2	1.3	6.9	3.6	22.8	-0.4	-1.2	-0.7	-0.9
Software & Services	2,270	6.4	20.8	18.6	16.4	8.4	12.1	13.5	4.1	22.2	1.1	37.5	1.4	2.4	1.3	2.5
Tech	1,478	4.2	14.9	13.2	12.0	5.7	12.7	10.0	2.2	16.4	2.3	24.1	1.8	-1.0	1.6	-0.8
Semi & Semi Equip	788	2.2	14.0	12.4	11.3	19.5	12.9	9.4	2.1	16.7	2.1	24.1	1.6	2.1	1.2	1.2
Telecom	1,374	3.9	15.0	14.3	13.5	2.3	5.0	6.5	2.0	13.7	4.5	17.7	1.9	-4.2	1.4	-4.2
Utilities	1,155	3.3	16.1	14.7	13.7	20.2	5.3	6.7	1.4	9.3	4.0	16.0	0.5	4.9	0.2	4.8

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

Figure 22. 2014 P/E Estimates by Region & Sector

21 Mar 14

P/E 14E	Global	DM	GEM	US	Eur ex UK	UK	Jap	Dev Asia	Em Asia	Lat Am	CEEMEA
Region	14.4	15.1	10.3	16.1	14.6	13.1	12.9	14.2	10.5	11.9	8.3

Sectors - Level 1

Energy	11.8	13.3	6.2	13.9	11.3	10.8	9.5	15.8	8.9	8.1	4.3
Materials	14.5	15.0	12.1	17.1	16.4	11.5	12.2	12.0	12.7	10.6	13.8
Industrials	15.6	15.6	14.5	16.7	16.0	15.4	12.0	16.1	14.2	17.9	11.4
Consumer Disc.	15.8	16.3	11.5	19.5	13.6	16.3	11.1	18.9	9.3	18.7	20.3
Consumer Staples	17.4	17.2	20.9	17.4	17.9	15.2	17.9	17.0	22.1	20.1	19.6
Health Care	17.4	17.3	20.5	17.7	16.8	15.1	21.7	22.3	21.7	20.2	18.5
Financials	12.1	12.9	8.3	14.2	12.2	11.0	11.6	13.2	7.8	10.2	8.8
IT	15.3	16.0	11.7	15.6	19.2	31.2	16.7	18.4	11.6	17.9	
Telecom Services	14.3	14.9	12.3	14.5	14.5	17.0	15.1	15.1	12.8	11.4	12.0
Utilities	14.7	15.3	11.0	16.0	14.2	14.5	14.8	15.7	12.1	10.2	9.0

Sectors - Level 2

Energy	11.8	13.3	6.2	13.9	11.3	10.8	9.5	15.8	8.9	8.1	4.3
Materials	14.5	15.0	12.1	17.1	16.4	11.5	12.2	12.0	12.7	10.6	13.8
Capital Goods	15.1	15.2	13.6	16.4	15.9	14.6	11.4	12.5	13.2	18.8	12.2
Comm Svc & Supp	19.1	19.0	26.0	19.2	18.7	17.8	19.8	21.1	26.0		
Transport	16.4	16.4	17.0	16.9	15.5	13.9	13.4	21.9	18.5	16.9	8.7
Autos & Components	9.9	10.4	7.8	13.2	10.2	13.8	9.1		7.7		10.7
Consumer Durables	17.4	17.8	13.1	18.9	16.5	14.5	19.0	16.5	16.0	6.1	10.8
Consumer Services	20.5	20.6	17.9	21.3	21.6	18.4	21.9	19.6	17.1	18.2	21.7
Media	19.1	18.6	29.3	19.1	17.9	15.2	24.6	22.8	20.6	26.9	33.1
Retailing	21.2	21.8	14.4	22.2	24.5	17.1	20.9	13.4	12.8	19.5	13.4
Food & Staples Retailing	16.5	16.2	20.7	17.2	15.5	10.3	16.8	17.7	20.1	21.1	20.8
Food Bev & Tobacco	17.4	17.2	20.5	17.2	18.1	15.9	17.2	14.0	21.7	19.7	16.5
Household Products	18.8	18.6	24.1	18.1	19.3	18.5	23.2		25.5	20.6	
Health Care Equip & Svc	16.6	16.5	20.1	15.9	20.1	18.0	21.8	22.8	22.4	24.5	16.5
Pharma & Biotech	17.7	17.6	20.7	18.7	16.5	15.0	21.7	22.0	21.4	15.9	20.3
Banks	10.7	11.7	7.6	11.8	13.4	10.0	8.9	12.9	7.0	9.3	7.8
Div Financials	14.2	14.4	12.1	15.5	12.5	13.1	11.3	17.7	11.6	17.5	10.7
Insurance	11.4	11.3	12.7	11.4	9.9	12.1	12.9	14.4	12.6	13.9	12.6
Real Estate	20.0	22.7	8.3	35.9	16.7	22.5	24.2	12.7	7.1	17.6	11.9
Software & Services	18.6	18.2	25.1	18.3	17.3	18.2	21.2	17.9	25.9	17.9	
Tech Hardware & Equip	13.2	13.2	13.3	12.4	21.0		15.2		13.3		
Semi & Semi Equip	12.4	17.2	8.7	15.8	22.3	41.2	31.8	20.0	8.7		
Telecom	14.3	14.9	12.3	14.5	14.5	17.0	15.1	15.1	12.8	11.4	12.0
Utilities	14.7	15.3	11.0	16.0	14.2	14.5	14.8	15.7	12.1	10.2	9.0

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

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.

IMPORTANT DISCLOSURES

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

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

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Mitsubishi UFJ Financial Group Inc

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

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

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

Due to Citigroup Global Market Inc.'s involvement in connection with the announced public tender offer by Itaú Unibanco Holding S.A. ('Itaú') to acquire the outstanding ordinary shares of Redecard not held by Itaú or its affiliates, Citi Research restricted publication of new research reports, and suspended its rating and target price for Itaú on February 29, 2012 (the 'Suspension Date'). Please note that Itaú's price chart available on Citi Research's disclosure website does not reflect that Citi Research did not have a rating or target price between the Suspension date and June 4, 2012 when Citi Research resumed full coverage.

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

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

Citigroup Global Markets Inc. or its affiliates beneficially owns 1% or more of any class of common equity securities of Prudential Financial Inc.. This position reflects information available as of the prior business day.

Within the past 12 months, Citigroup Global Markets Inc. or its affiliates has acted as manager or co-manager of an offering of securities of BNP Paribas SA, LyondellBasell Industries, Mitsubishi UFJ Financial Group, Societe Generale, Prudential Financial Inc., Honda Motor, Valero Energy Corp, Toyota Motor, CIBC, Sumitomo Mitsui Financial Group, Nordea, Oracle Corporation.

Citigroup Global Markets Inc. or its affiliates has received compensation for investment banking services provided within the past 12 months from BNP Paribas SA, DIRECTV GROUP INC, LyondellBasell Industries, National Oilwell Varco Inc, Mitsubishi UFJ Financial Group, Societe Generale, Hitachi, Prudential Financial Inc., Honda Motor, Gazprom, Valero Energy Corp, Toyota Motor, CIBC, Sumitomo Mitsui Financial Group, Hon Hai Precision, Itaú Unibanco, Nordea, Oracle Corporation.

Citigroup Global Markets Inc. or its affiliates expects to receive or intends to seek, within the next three months, compensation for investment banking services from LyondellBasell Industries, Gazprom, Valero Energy Corp, Sumitomo Mitsui Financial Group, Itaú Unibanco.

Citigroup Global Markets Inc. or an affiliate received compensation for products and services other than investment banking services from BNP Paribas SA, DIRECTV GROUP INC, LyondellBasell Industries, National Oilwell Varco Inc, Mitsubishi UFJ Financial Group, Sasol Ltd, Societe Generale, KDDI, Hitachi, Prudential Financial Inc., Honda Motor, Gazprom, Valero Energy Corp, Toyota Motor, CIBC, Sumitomo Mitsui Financial Group, Hon Hai Precision, Itaú Unibanco, Nordea, Oracle Corporation in the past 12 months.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as investment banking client(s): BNP Paribas SA, DIRECTV GROUP INC, LyondellBasell Industries, National Oilwell Varco Inc, Mitsubishi UFJ Financial Group, Societe Generale, Hitachi, Prudential Financial Inc., Honda Motor, Gazprom, Valero Energy Corp, Toyota Motor, CIBC, Sumitomo Mitsui Financial Group, Hon Hai Precision, Itaú Unibanco, Nordea, Oracle Corporation.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as clients, and the services provided were non-investment-banking, securities-related: Oracle Corporation, BNP Paribas SA, DIRECTV GROUP INC, LyondellBasell Industries, National Oilwell Varco Inc, Mitsubishi UFJ Financial Group, Sasol Ltd, Societe Generale, KDDI, Hitachi, Prudential Financial Inc., Honda Motor, Gazprom, Valero Energy Corp, Toyota Motor, CIBC, Sumitomo Mitsui Financial Group, Hon Hai Precision, Itaú Unibanco, Nordea.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as clients, and the services provided were non-investment-banking, non-securities-related: BNP Paribas SA, DIRECTV GROUP INC, LyondellBasell Industries, National Oilwell Varco Inc, Mitsubishi UFJ Financial Group, Sasol Ltd, Societe Generale, KDDI, Hitachi, Prudential Financial Inc., Honda Motor, Gazprom, Valero Energy Corp, Toyota Motor, CIBC, Sumitomo Mitsui Financial Group, Hon Hai Precision, Itaú Unibanco, Nordea, Oracle Corporation.

Analysts' compensation is determined based upon activities and services intended to benefit the investor clients of Citigroup Global Markets Inc. and its affiliates ("the Firm"). Like all Firm employees, analysts receive compensation that is impacted by overall firm profitability which includes investment banking revenues.

The Firm is a market maker in the publicly traded equity securities of BNP Paribas SA, Societe Generale, KDDI, Gazprom, Oracle Corporation.

For important disclosures (including copies of historical disclosures) regarding the companies that are the subject of this Citi Research product ("the Product"), please contact Citi Research, 388 Greenwich Street, 28th Floor, New York, NY, 10013, Attention: Legal/Compliance [E6WYB6412478]. In addition, the same important disclosures, with the exception of the Valuation and Risk assessments and historical disclosures, are contained on the Firm's disclosure website at https://www.citivelocity.com/cvr/eppublic/citi_research_disclosures. Valuation and Risk assessments can be found in the text of the most recent research note/report regarding the subject company. Historical disclosures (for up to the past three years) will be provided upon request.

Citi Research Equity Ratings Distribution

<i>Data current as of 31 Dec 2013</i>	12 Month Rating			Relative Rating		
	Buy	Hold	Sell	Buy	Hold	Sell
Citi Research Global Fundamental Coverage	49%	40%	12%	6%	88%	6%
% of companies in each rating category that are investment banking clients	55%	52%	44%	62%	52%	49%

Guide to Citi Research Fundamental Research Investment Ratings:

Citi Research stock recommendations include an investment rating and an optional risk rating to highlight high risk stocks.

Risk rating takes into account both price volatility and fundamental criteria. Stocks will either have no risk rating or a High risk rating assigned.

Investment Ratings: Citi Research investment ratings are Buy, Neutral and Sell. Our ratings are a function of analyst expectations of expected total return ("ETR") and risk. ETR is the sum of the forecast price appreciation (or depreciation) plus the dividend yield for a stock within the next 12 months. The Investment rating definitions are: Buy (1) ETR of 15% or more or 25% or more for High risk stocks; and Sell (3) for negative ETR. Any covered stock not assigned a Buy or a Sell is a Neutral (2). For stocks rated Neutral (2), if an analyst believes that there are insufficient valuation drivers and/or investment catalysts to derive a positive or negative investment view, they may elect with the approval of Citi Research management not to assign a target price and, thus, not derive an ETR. Analysts may place covered stocks "Under Review" in response to exceptional circumstances (e.g. lack of information critical to the analyst's thesis) affecting the company and / or trading in the company's securities (e.g. trading suspension). As soon as practically possible, the analyst will publish a note re-establishing a rating and investment thesis. To satisfy regulatory requirements, we correspond Under Review and Neutral to Hold in our ratings distribution table for our 12-month fundamental rating system. However, we reiterate that we do not consider Under Review to be a recommendation.

Relative three-month ratings: Citi Research may also assign a three-month relative call (or rating) to a stock to highlight expected out-performance (most preferred) or under-performance (least preferred) versus the geographic and industry sector over a 3 month period. The relative call may highlight a specific near-term catalyst or event impacting the company or the market that is anticipated to have a short-term price impact on the equity securities of the company. Absent any specific catalyst the analyst(s) will indicate the most and least preferred stocks in the universe of stocks under consideration, explaining the basis for this short-term view. This three-month view may be different from and does not affect a stock's fundamental equity rating, which reflects a longer-term total absolute return expectation. For purposes of NASD/NYSE ratings-distribution-disclosure rules, most preferred calls correspond to a buy recommendation and least preferred calls correspond to a sell recommendation. Any stock not assigned to a most preferred or least preferred call is considered non-relative-rated (NRR). For purposes of NASD/NYSE ratings-distribution-disclosure rules we correspond NRR to Hold in our ratings distribution table for our 3-month relative rating system. However, we reiterate that we do not consider NRR to be a recommendation.

Prior to October 8, 2011, the firm's stock recommendation system included a risk rating and an investment rating. **Risk ratings**, which took into account both price volatility and fundamental criteria, were: Low (L), Medium (M), High (H), and Speculative (S). **Investment Ratings** of Buy, Hold and Sell were a function of the Citi Research expectation of total return (forecast price appreciation and dividend yield within the next 12 months) and risk rating. Additionally, analysts could have placed covered stocks "Under Review" in response to exceptional circumstances (e.g. lack of information critical to the analyst's thesis) affecting the company and/or trading in the company's securities (e.g. trading suspension). Stocks placed "Under Review" were monitored daily by management and as practically possible, the analyst published a note re-establishing a rating and investment thesis. For securities in developed markets (US, UK, Europe, Japan, and Australia/New Zealand), investment ratings were: Buy (1) (expected total return of 10% or more for Low-Risk stocks, 15% or more for Medium-Risk stocks, 20% or more for High-Risk stocks, and 35% or more for Speculative stocks); Hold (2) (0%-10% for Low-Risk stocks, 0%-15% for Medium-Risk stocks, 0%-20% for High-Risk stocks, and 0%-35% for Speculative stocks); and Sell (3) (negative total return). For securities in emerging markets (Asia Pacific, Emerging Europe/Middle East/Africa, and Latin America), investment ratings were: Buy (1) (expected total return of 15% or more for Low-Risk stocks, 20% or more for Medium-Risk stocks, 30% or more for High-Risk stocks, and 40% or more for Speculative stocks); Hold (2) (5%-15% for Low-Risk stocks, 10%-20% for Medium-Risk stocks, 15%-30% for High-Risk stocks, and 20%-40% for Speculative stocks); and Sell (3) (5% or less for Low-Risk stocks, 10% or less for Medium-Risk stocks, 15% or less for High-Risk stocks, and 20% or less for Speculative stocks).

Investment ratings are determined by the ranges described above at the time of initiation of coverage, a change in investment and/or risk rating, or a change in target price (subject to limited management discretion). At other times, the expected total returns may fall outside of these ranges because of market price movements and/or other short-term volatility or trading patterns. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. Your decision to buy or sell a security should be based upon your personal investment objectives and should be made only after evaluating the stock's expected performance and risk.

NON-US RESEARCH ANALYST DISCLOSURES

Non-US research analysts who have prepared this report (i.e., all research analysts listed below other than those identified as employed by Citigroup Global Markets Inc.) are not registered/qualified as research analysts with FINRA. Such research analysts may not be associated persons of the member organization and therefore may not be subject to the NYSE Rule 472 and NASD Rule 2711 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account. The legal entities employing the authors of this report are listed below:

Citigroup Global Markets Ltd	Robert Buckland; Mert C Genc; Beata M Manthey, PhD; Cosimo Recchia; Jonathan Stubbs; Ayush Tambi; Ronit Ghose; Kinner Lakhani; Stefan Nedialkov
Citigroup Global Markets Inc	Tobias M Levkovich; Scott T Chronert; P.J. Juvekar; Erik J. Bass, CFA; Robin Shoemaker; Daniel A. Abut; Walter H Pritchard, CFA; Faisal Khan, CFA; Jason B Bazinet
Citigroup Global Markets Japan Inc.	Kenji Abe, PhD; Hironari Nozaki, CFA; Kota Ezawa; Arifumi Yoshida; Hideki Takoh
Citigroup Global Markets Asia	Markus Rosgen

Citigroup Global Markets Australia Pty Limited	Tony Brennan
ZAO Citibank	Ronald Paul Smith
Citigroup Global Markets (Pty) Ltd	Tassin Meyer
Citigroup Global Markets Taiwan Securities Co. Limited	Wei Chen

OTHER DISCLOSURES

Citigroup Global Markets Inc. and/or its affiliates has a significant financial interest in relation to BNP Paribas SA, LyondellBasell Industries, National Oilwell Varco Inc, Prudential Financial Inc., Gazprom, Valero Energy Corp, Toyota Motor, CIBC, Hon Hai Precision, Oracle Corporation. (For an explanation of the determination of significant financial interest, please refer to the policy for managing conflicts of interest which can be found at www.citiVelocity.com.)

For securities recommended in the Product in which the Firm is not a market maker, the Firm is a liquidity provider in the issuers' financial instruments and may act as principal in connection with such transactions. The Firm is a regular issuer of traded financial instruments linked to securities that may have been recommended in the Product. The Firm regularly trades in the securities of the issuer(s) discussed in the Product. The Firm may engage in securities transactions in a manner inconsistent with the Product and, with respect to securities covered by the Product, will buy or sell from customers on a principal basis.

Securities recommended, offered, or sold by the Firm: (i) are not insured by the Federal Deposit Insurance Corporation; (ii) are not deposits or other obligations of any insured depository institution (including Citibank); and (iii) are subject to investment risks, including the possible loss of the principal amount invested. Although information has been obtained from and is based upon sources that the Firm believes to be reliable, we do not guarantee its accuracy and it may be incomplete and condensed. Note, however, that the Firm has taken all reasonable steps to determine the accuracy and completeness of the disclosures made in the Important Disclosures section of the Product. The Firm's research department has received assistance from the subject company(ies) referred to in this Product including, but not limited to, discussions with management of the subject company(ies). Firm policy prohibits research analysts from sending draft research to subject companies. However, it should be presumed that the author of the Product has had discussions with the subject company to ensure factual accuracy prior to publication. All opinions, projections and estimates constitute the judgment of the author as of the date of the Product and these, plus any other information contained in the Product, are subject to change without notice. Prices and availability of financial instruments also are subject to change without notice. Notwithstanding other departments within the Firm advising the companies discussed in this Product, information obtained in such role is not used in the preparation of the Product. Although Citi Research does not set a predetermined frequency for publication, if the Product is a fundamental research report, it is the intention of Citi Research to provide research coverage of the/those issuer(s) mentioned therein, including in response to news affecting this issuer, subject to applicable quiet periods and capacity constraints. The Product is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security. Any decision to purchase securities mentioned in the Product must take into account existing public information on such security or any registered prospectus.

Investing in non-U.S. securities, including ADRs, may entail certain risks. The securities of non-U.S. issuers may not be registered with, nor be subject to the reporting requirements of the U.S. Securities and Exchange Commission. There may be limited information available on foreign securities. Foreign companies are generally not subject to uniform audit and reporting standards, practices and requirements comparable to those in the U.S. Securities of some foreign companies may be less liquid and their prices more volatile than securities of comparable U.S. companies. In addition, exchange rate movements may have an adverse effect on the value of an investment in a foreign stock and its corresponding dividend payment for U.S. investors. Net dividends to ADR investors are estimated, using withholding tax rates conventions, deemed accurate, but investors are urged to consult their tax advisor for exact dividend computations. Investors who have received the Product from the Firm may be prohibited in certain states or other jurisdictions from purchasing securities mentioned in the Product from the Firm. Please ask your Financial Consultant for additional details. Citigroup Global Markets Inc. takes responsibility for the Product in the United States. Any orders by US investors resulting from the information contained in the Product may be placed only through Citigroup Global Markets Inc.

Important Disclosures for Bell Potter Customers: Bell Potter is making this Product available to its clients pursuant to an agreement with Citigroup Global Markets Australia Pty Limited. Neither Citigroup Global Markets Australia Pty Limited nor any of its affiliates has made any determination as to the suitability of the information provided herein and clients should consult with their Bell Potter financial advisor before making any investment decision.

The Citigroup legal entity that takes responsibility for the production of the Product is the legal entity which the first named author is employed by. The Product is made available in **Australia** through Citigroup Global Markets Australia Pty Limited. (ABN 64 003 114 832 and AFSL No. 240992), participant of the ASX Group and regulated by the Australian Securities & Investments Commission. Citigroup Centre, 2 Park Street, Sydney, NSW 2000. The Product is made available in **Australia** to Private Banking wholesale clients through Citigroup Pty Limited (ABN 88 004 325 080 and AFSL 238098). Citigroup Pty Limited provides all financial product advice to Australian Private Banking wholesale clients through bankers and relationship managers. If there is any doubt about the suitability of investments held in Citigroup Private Bank accounts, investors should contact the Citigroup Private Bank in Australia. Citigroup companies may compensate affiliates and their representatives for providing products and services to clients. The Product is made available in **Brazil** by Citigroup Global Markets Brasil - CCTVM SA, which is regulated by CVM - Comissão de Valores Mobiliários, BACEN - Brazilian Central Bank, APIMEC - Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais and ANBID - Associação Nacional dos Bancos de Investimento. Av. Paulista, 1111 - 11º andar - CEP. 01311920 - São Paulo - SP. If the Product is being made available in certain provinces of **Canada** by Citigroup Global Markets (Canada) Inc. ("CGM Canada"), CGM Canada has approved the Product. Citigroup Place, 123 Front Street West, Suite 1100, Toronto, Ontario M5J 2M3. This product is available in **Chile** through Banchile Corredores de Bolsa S.A., an indirect subsidiary of Citigroup Inc., which is regulated by the Superintendencia de Valores y Seguros. Agustinas 975, piso 2, Santiago, Chile. The Product is distributed in **Germany** by Citigroup Global Markets Deutschland AG ("CGMD"), which is regulated by Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin). CGMD, Reuterweg 16, 60323 Frankfurt am Main. Research which relates to "securities" (as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)) is issued in **Hong Kong** by, or on behalf of, Citigroup Global Markets Asia Limited which takes full responsibility for its content. Citigroup Global Markets Asia Ltd. is regulated by Hong Kong Securities and Futures Commission. If the Research is made available through Citibank, N.A., Hong Kong Branch, for its clients in Citi Private Bank, it is made available by Citibank N.A., Citibank Tower, Citibank Plaza, 3 Garden Road, Hong Kong. Citibank N.A. is regulated by the Hong Kong Monetary Authority. Please contact your Private Banker in Citibank N.A., Hong Kong, Branch if you have any queries on or any matters

arising from or in connection with this document. The Product is made available in **India** by Citigroup Global Markets India Private Limited, which is regulated by Securities and Exchange Board of India. Bakhtawar, Nariman Point, Mumbai 400-021. The Product is made available in **Indonesia** through PT Citigroup Securities Indonesia. 5/F, Citibank Tower, Bapindo Plaza, Jl. Jend. Sudirman Kav. 54-55, Jakarta 12190. Neither this Product nor any copy hereof may be distributed in Indonesia or to any Indonesian citizens wherever they are domiciled or to Indonesian residents except in compliance with applicable capital market laws and regulations. This Product is not an offer of securities in Indonesia. The securities referred to in this Product have not been registered with the Capital Market and Financial Institutions Supervisory Agency (BAPEPAM-LK) pursuant to relevant capital market laws and regulations, and may not be offered or sold within the territory of the Republic of Indonesia or to Indonesian citizens through a public offering or in circumstances which constitute an offer within the meaning of the Indonesian capital market laws and regulations. The Product is made available in **Israel** through Citibank NA, regulated by the Bank of Israel and the Israeli Securities Authority. Citibank, N.A. Platinum Building, 21 Ha'arba'ah St, Tel Aviv, Israel. The Product is made available in **Italy** by Citigroup Global Markets Limited, which is authorised by the PRA and regulated by the FCA and the PRA. Via dei Mercanti, 12, Milan, 20121, Italy. The Product is made available in **Japan** by Citigroup Global Markets Japan Inc. ("CGMJ"), which is regulated by Financial Services Agency, Securities and Exchange Surveillance Commission, Japan Securities Dealers Association, Tokyo Stock Exchange and Osaka Securities Exchange. Shin-Marunouchi Building, 1-5-1 Marunouchi, Chiyoda-ku, Tokyo 100-6520 Japan. If the Product was distributed by SMBC Nikko Securities Inc. it is being so distributed under license. In the event that an error is found in an CGMJ research report, a revised version will be posted on the Firm's Citi Velocity website. If you have questions regarding Citi Velocity, please call (81 3) 6270-3019 for help. The Product is made available in **Korea** by Citigroup Global Markets Korea Securities Ltd., which is regulated by the Financial Services Commission, the Financial Supervisory Service and the Korea Financial Investment Association (KOFIA). Citibank Building, 39 Da-dong, Jung-gu, Seoul 100-180, Korea. KOFIA makes available registration information of research analysts on its website. Please visit the following website if you wish to find KOFIA registration information on research analysts of Citigroup Global Markets Korea Securities Ltd. <http://dis.kofia.or.kr/fs/dis2/fundMgr/DISFundMgrAnalystPop.jsp?companyCd2=A03030&pageDiv=02>. The Product is made available in Korea by Citibank Korea Inc., which is regulated by the Financial Services Commission and the Financial Supervisory Service. Address is Citibank Building, 39 Da-dong, Jung-gu, Seoul 100-180, Korea. The Product is made available in **Malaysia** by Citigroup Global Markets Malaysia Sdn Bhd (Company No. 460819-D) ("CGMM") to its clients and CGMM takes responsibility for its contents. CGMM is regulated by the Securities Commission of Malaysia. Please contact CGMM at Level 43 Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur, Malaysia in respect of any matters arising from, or in connection with, the Product. The Product is made available in **Mexico** by Acciones y Valores Banamex, S.A. De C. V., Casa de Bolsa, Integrante del Grupo Financiero Banamex ("Accival") which is a wholly owned subsidiary of Citigroup Inc. and is regulated by Comision Nacional Bancaria y de Valores. Reforma 398, Col. Juarez, 06600 Mexico, D.F. In **New Zealand** the Product is made available to 'wholesale clients' only as defined by s5C(1) of the Financial Advisers Act 2008 ('FAA') through Citigroup Global Markets Australia Pty Ltd (ABN 64 003 114 832 and AFSL No. 240992), an overseas financial adviser as defined by the FAA, participant of the ASX Group and regulated by the Australian Securities & Investments Commission. Citigroup Centre, 2 Park Street, Sydney, NSW 2000. The Product is made available in **Pakistan** by Citibank N.A. Pakistan branch, which is regulated by the State Bank of Pakistan and Securities Exchange Commission, Pakistan. AWT Plaza, 1.1. Chundrigar Road, P.O. Box 4889, Karachi-74200. The Product is made available in the **Philippines** through Citicorp Financial Services and Insurance Brokerage Philippines, Inc., which is regulated by the Philippines Securities and Exchange Commission. 20th Floor Citibank Square Bldg. The Product is made available in the Philippines through Citibank NA Philippines branch, Citibank Tower, 8741 Paseo De Roxas, Makati City, Manila. Citibank NA Philippines NA is regulated by The Bangko Sentral ng Pilipinas. The Product is made available in **Poland** by Dom Maklerski Banku Handlowego SA an indirect subsidiary of Citigroup Inc., which is regulated by Komisja Nadzoru Finansowego. Dom Maklerski Banku Handlowego S.A. ul.Senatorska 16, 00-923 Warszawa. The Product is made available in the **Russian Federation** through ZAO Citibank, which is licensed to carry out banking activities in the Russian Federation in accordance with the general banking license issued by the Central Bank of the Russian Federation and brokerage activities in accordance with the license issued by the Federal Service for Financial Markets. Neither the Product nor any information contained in the Product shall be considered as advertising the securities mentioned in this report within the territory of the Russian Federation or outside the Russian Federation. The Product does not constitute an appraisal within the meaning of the Federal Law of the Russian Federation of 29 July 1998 No. 135-FZ (as amended) On Appraisal Activities in the Russian Federation. 8-10 Gasheka Street, 125047 Moscow. The Product is made available in **Singapore** through Citigroup Global Markets Singapore Pte. Ltd. ("CGMSPL"), a capital markets services license holder, and regulated by Monetary Authority of Singapore. Please contact CGMSPL at 8 Marina View, 21st Floor Asia Square Tower 1, Singapore 018960, in respect of any matters arising from, or in connection with, the analysis of this document. This report is intended for recipients who are accredited, expert and institutional investors as defined under the Securities and Futures Act (Cap. 289). The Product is made available by The Citigroup Private Bank in Singapore through Citibank, N.A., Singapore Branch, a licensed bank in Singapore that is regulated by Monetary Authority of Singapore. Please contact your Private Banker in Citibank N.A., Singapore Branch if you have any queries on or any matters arising from or in connection with this document. This report is intended for recipients who are accredited, expert and institutional investors as defined under the Securities and Futures Act (Cap. 289). This report is distributed in Singapore by Citibank Singapore Ltd ("CSL") to selected Citigold/Citigold Private Clients. CSL provides no independent research or analysis of the substance or in preparation of this report. Please contact your Citigold/Citigold Private Client Relationship Manager in CSL if you have any queries on or any matters arising from or in connection with this report. This report is intended for recipients who are accredited investors as defined under the Securities and Futures Act (Cap. 289). Citigroup Global Markets (Pty) Ltd. is incorporated in the **Republic of South Africa** (company registration number 2000/025866/07) and its registered office is at 145 West Street, Sandton, 2196, Saxonwold. Citigroup Global Markets (Pty) Ltd. is regulated by JSE Securities Exchange South Africa, South African Reserve Bank and the Financial Services Board. The investments and services contained herein are not available to private customers in South Africa. The Product is made available in the **Republic of China** through Citigroup Global Markets Taiwan Securities Company Ltd. ("CGMTS"), 14 and 15F, No. 1, Songzhi Road, Taipei 110, Taiwan and/or through Citibank Securities (Taiwan) Company Limited ("CSTL"), 14 and 15F, No. 1, Songzhi Road, Taipei 110, Taiwan, subject to the respective license scope of each entity and the applicable laws and regulations in the Republic of China. CGMTS and CSTL are both regulated by the Securities and Futures Bureau of the Financial Supervisory Commission of Taiwan, the Republic of China. No portion of the Product may be reproduced or quoted in the Republic of China by the press or any third parties [without the written authorization of CGMTS and CSTL]. If the Product covers securities which are not allowed to be offered or traded in the Republic of China, neither the Product nor any information contained in the Product shall be considered as advertising the securities or making recommendation of the securities in the Republic of China. The Product is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security or financial products. Any decision to purchase securities or financial products mentioned in the Product must take into account existing public information on such security or the financial products or any registered prospectus. The Product is made available in **Thailand** through Citicorp Securities (Thailand) Ltd., which is regulated by the Securities and Exchange Commission of Thailand. 18/F, 22/F and 29/F, 82 North Sathorn Road, Silom, Bangrak, Bangkok 10500, Thailand. The Product is

made available in **Turkey** through Citibank AS which is regulated by Capital Markets Board. Tekfen Tower, Eski Büyükdere Caddesi # 209 Kat 2B, 23294 Levent, Istanbul, Turkey. In the **U.A.E**, these materials (the "Materials") are communicated by Citigroup Global Markets Limited, DIFC branch ("CGML"), an entity registered in the Dubai International Financial Center ("DIFC") and licensed and regulated by the Dubai Financial Services Authority ("DFSA") to Professional Clients and Market Counterparties only and should not be relied upon or distributed to Retail Clients. A distribution of the different Citi Research ratings distribution, in percentage terms for Investments in each sector covered is made available on request. Financial products and/or services to which the Materials relate will only be made available to Professional Clients and Market Counterparties. The Product is made available in **United Kingdom** by Citigroup Global Markets Limited, which is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA. This material may relate to investments or services of a person outside of the UK or to other matters which are not authorised by the PRA nor regulated by the FCA and the PRA and further details as to where this may be the case are available upon request in respect of this material. Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB. The Product is made available in **United States** by Citigroup Global Markets Inc, which is a member of FINRA and registered with the US Securities and Exchange Commission. 388 Greenwich Street, New York, NY 10013. Unless specified to the contrary, within EU Member States, the Product is made available by Citigroup Global Markets Limited, which is authorised by the PRA and regulated by the FCA and the PRA.

Pursuant to Comissão de Valores Mobiliários Rule 483, Citi is required to disclose whether a Citi related company or business has a commercial relationship with the subject company. Considering that Citi operates multiple businesses in more than 100 countries around the world, it is likely that Citi has a commercial relationship with the subject company.

Many European regulators require that a firm must establish, implement and make available a policy for managing conflicts of interest arising as a result of publication or distribution of investment research. The policy applicable to Citi Research's Products can be found at https://www.citivelocity.com/cvr/eppublic/citi_research_disclosures.

Compensation of equity research analysts is determined by equity research management and Citigroup's senior management and is not linked to specific transactions or recommendations.

The Product is not to be construed as providing investment services in any jurisdiction where the provision of such services would not be permitted.

Subject to the nature and contents of the Product, the investments described therein are subject to fluctuations in price and/or value and investors may get back less than originally invested. Certain high-volatility investments can be subject to sudden and large falls in value that could equal or exceed the amount invested. Certain investments contained in the Product may have tax implications for private customers whereby levels and basis of taxation may be subject to change. If in doubt, investors should seek advice from a tax adviser. The Product does not purport to identify the nature of the specific market or other risks associated with a particular transaction. Advice in the Product is general and should not be construed as personal advice given it has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Accordingly, investors should, before acting on the advice, consider the appropriateness of the advice, having regard to their objectives, financial situation and needs. Prior to acquiring any financial product, it is the client's responsibility to obtain the relevant offer document for the product and consider it before making a decision as to whether to purchase the product. Citi Research generally disseminates its research to the Firm's global institutional and retail clients via both proprietary (e.g., Citi Velocity and Citi Personal Wealth Management) and non-proprietary electronic distribution platforms. Certain research may be disseminated only via Citi's proprietary distribution platforms; however such research will not contain changes to earnings forecasts, target price, investment or risk rating or investment thesis or be otherwise inconsistent with the author's previously published research. Certain research is made available only to institutional investors to satisfy regulatory requirements. Individual Citi Research analysts may also opt to circulate published research to one or more clients by email; such email distribution is discretionary and is done only after the research has been disseminated.

The level and types of services provided by Citi Research analysts to clients may vary depending on various factors such as the client's individual preferences as to the frequency and manner of receiving communications from analysts, the client's risk profile and investment focus and perspective (e.g. market-wide, sector specific, long term, short-term etc.), the size and scope of the overall client relationship with Citi and legal and regulatory constraints. Citi Research product may source data from dataCentral. dataCentral is a Citi Research proprietary database, which includes Citi estimates, data from company reports and feeds from Thomson Reuters.

© 2014 Citigroup Global Markets Inc. Citi Research is a division of Citigroup Global Markets Inc. Citi and Citi with Arc Design are trademarks and service marks of Citigroup Inc. and its affiliates and are used and registered throughout the world. All rights reserved. Any unauthorized use, duplication, redistribution or disclosure of this report (the "Product"), including, but not limited to, redistribution of the Product by electronic mail, posting of the Product on a website or page, and/or providing to a third party a link to the Product, is prohibited by law and will result in prosecution. The information contained in the Product is intended solely for the recipient and may not be further distributed by the recipient to any third party. Where included in this report, MSCI sourced information is the exclusive property of Morgan Stanley Capital International Inc. (MSCI). Without prior written permission of MSCI, this information and any other MSCI intellectual property may not be reproduced, redisseminated or used to create any financial products, including any indices. This information is provided on an "as is" basis. The user assumes the entire risk of any use made of this information. MSCI, its affiliates and any third party involved in, or related to, computing or compiling the information hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of this information. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. MSCI, Morgan Stanley Capital International and the MSCI indexes are services marks of MSCI and its affiliates. The Firm accepts no liability whatsoever for the actions of third parties. The Product may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the Product refers to website material of the Firm, the Firm has not reviewed the linked site. Equally, except to the extent to which the Product refers to website material of the Firm, the Firm takes no responsibility for, and makes no representations or warranties whatsoever as to, the data and information contained therein. Such address or hyperlink (including addresses or hyperlinks to website material of the Firm) is provided solely for your convenience and information and the content of the linked site does not in anyway form part of this document. Accessing such website or following such link through the Product or the website of the Firm shall be at your own risk and the Firm shall have no liability arising out of, or in connection with, any such referenced website.

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST