

Research

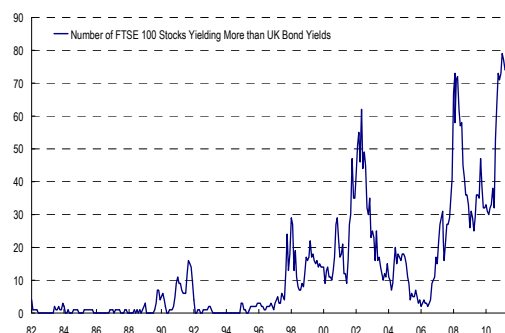
19 April 2012 | 64 pages

The Citi Income Report

Yield On Offer

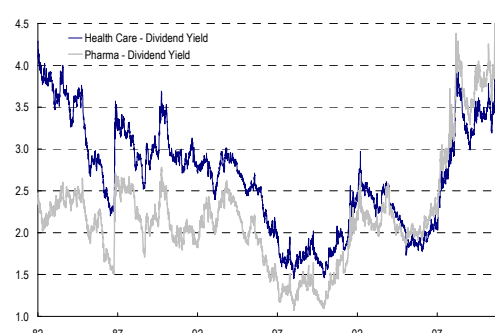
- **Attractive yields and prospective returns** — Across most key valuation measures European equity markets are offering above average yields and look especially attractively valued against fixed income. 80% of the FTSE 100 yields above Gilts.
- **Security of dividends** — We use 3 year cash flow dividend cover, low CDS and a decade's worth of consistent dividends as different ways to look for that security. Sanofi is the most mentioned company followed by ABB and Novartis.
- **More yield on offer** — We have added a number of new screens this month including a stock version of our Sector dividend ranking model and a range of Top 20 yielding stocks. 58 stocks have entered the screens compared to last month, 20% more.
- **ABB, BHP, BSKyB and Sanofi key picks** — The first three are new entrants to two or three of the key screens we use to look for attractive dividends. Sanofi is the Pharma team's preferred yield stock.

Figure 1. % of FTSE 100 Yielding More Than Gilts



Source: DataStream and CIRA

Figure 2. Health Care Dividend Yield



Source: DataStream

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

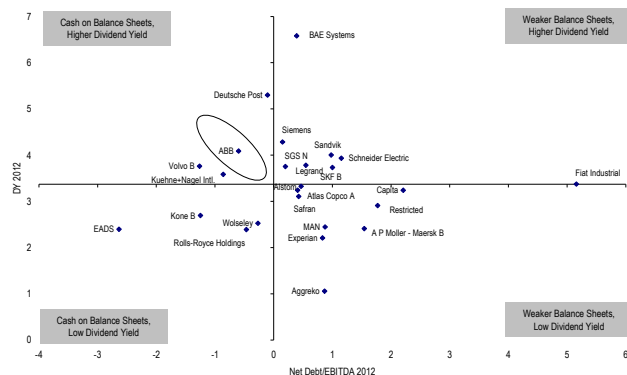
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European Equity Strategy — Yield On Offer

- **Income product** — This is the second dedicated income product we have produced and they will be produced monthly from now on. The aim of the analysis is to help investors who are looking for yield. We have added some more screens and data compared to the last publication and thank all those who provided feedback. As ever, if there are ways the product could be improved please let us know.
- **Income marked time** — Over the last month the market has had a pull-back and within that the high-yield index has slightly lagged the market as sectors such as Financials and Utilities have underperformed.
- **Top 20s** — We have a range of Top 20 screens looking at those stocks with the highest yield and cover. We run a screen looking for those stocks that would have the highest yield if their dividend cover was adjusted to the market level.
- **Sector and country** — At the sector level our preferred sectors remain a mix of EM exposure, classic defensives and Financials. At the other end, our least preferred sectors continue to be those with weaker balance sheets and more European exposure. At the country level Iberia offers the highest yields relative to both the market and its own history. The Nordics offer higher yields than their 5-year averages, as do Switzerland and Austria.
- **More stock opportunities** — The market pull-back has increased the number of stocks with attractive yields. Of those that now screen positively, there is a growth and robust balance sheet angle to most. ABB has a combination of cash on the balance sheet and above-market yield. BHP is our analyst's preferred miner and its dividend yield relative is back to a market yield premium for the first time in a decade. BSKyB not only has an above-market yield but also an ongoing buyback program.

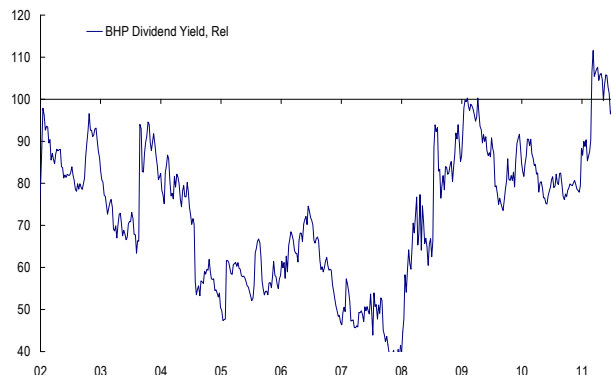
Note: Source for all forward-looking data in this note are CIRA estimates for covered stocks (see Stocks Mentioned), consensus from DataStream for non-covered stocks

Figure 3. ABB, Net Cash and High Dividend Yielder



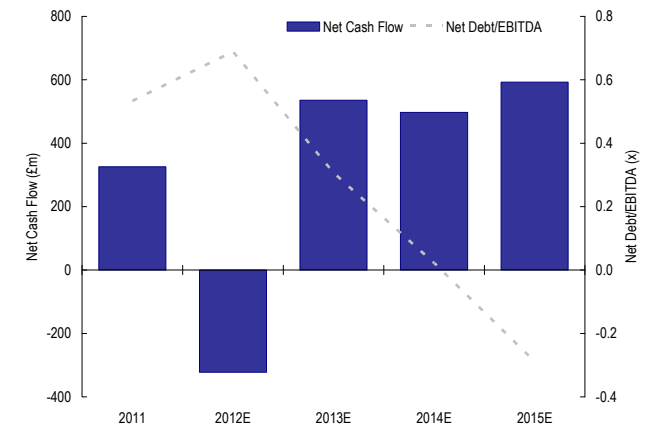
Source: Datastream & CIRA

Figure 4. BHP — Dividend Yield Relative to All Share



Source: Datastream & CIRA

Figure 5. BSKyB — Net Cash Flow & Leverage (Year-end June, £m)



Source: Datastream & CIRA



Change of Stocks in Screens

Changes in the screens — The fall in the equity market has increased the yield on many stocks. This has seen 58 new European stocks now listed in the screens using identical factors*. This a c20% increase. 8 European stocks no longer reach the screening factors. In the UK, there have been 18 new stocks & 4 stocks removed.

Additions - Europe

Resilient Dividends	DY*G - Non Financials	DY*G - Financials	EM*DYG	Low CDS Adjusted Dividends	High CDS Adjusted Dividends	Potentially Risky	Credit Vs Equity
ABB	ABB	Banca Pop. Milano	Old Mutual	ABB	Bankinter R	Arcelormittal	Atlas Copco A
Ahold Kon.	Ahold Kon.	Bankinter R		E.On	Enel	CRH	Carrefour
BHP Billiton	Amer Sports 'A'	BNP Paribas		Nestle R	Gas Natural Sdg	E.On	Diageo
British Sky Broadcasting	BMW	Generali		Pearson	Iberdrola	H&M	LVMH
Coca Cola Hellenic Bottling	British Sky Broadcasting	Kinnevik B		Schneider Electric	Nokia	Severn Trent	Marks & Spencer Group
Delhaize Group	Chemring Group	Mediobanca		SKF B	Repsol Ypf		Morrison (Wm) Supermarkets
Metso	Coca Cola Hellenic Bottling	Nordea Bank		Unilever Certs.			Tesco
Saint Gobain	Homeserve	Old Mutual					
Sandvik	Sainsbury (J)	Raiffeisen Bank Intl.					
Siemens	Saint Gobain	Scor Se					
Valeo		Unicredit					

Deletions - Europe

Resilient Dividends	DY*G - Non Financials	DY*G - Financials	EM*DYG	Low CDS Adjusted Dividends	High CDS Adjusted Dividends	Potentially Risky	Credit Vs Equity
BMW				United Utilities Group	Finmeccanica	Belgacom	Koninklijke DSM
Swisscom R					Man Group	Philips	

Additions - UK

Resilient Dividends	DY*G - Non Financials	DY*G - Financials	EM*DYG	Big Guns	Potentially Risky
Atkins (WS)	BHP Billiton	Henderson Group	JKX Oil & Gas	Unilever (UK)	CRH
BHP Billiton	Brit. Sky Bcast.	Phoenix Group Hdg. (Lon)	Intl Psnl. Fin.		Severn Trent
Brit. Sky Bcast.	Greggs	Savills			
Greggs	Low & Bonar				
	RPC Group				
	UTV Media				

Deletions -UK

Resilient Dividends	DY*G - Non Financials	DY*G - Financials	EM*DYG	Big Guns	Potentially Risky
Brown (N) Group	St. Ives*	RSM Tenon Group*	Kazakhmys	BT Group	
Go-Ahead Group	Centaur Media*				
	Creston*				
	Harvey Nash Group*				
	Hilton Food Group*				

Source: Citi Investment Research. *Note: These stocks were removed as they no longer fit our tightened market cap criteria of £100m.



Pan Europe

Why Dividends Matter

- While the European price index is a third off all-time highs total returns are around 20% off the highs.
- Figure 7 breaks down the total return over the 5 decades. Dividends are the consistent bedrock of total returns. Overall they contribute around 40% of total returns.

Figure 6. Stoxx — Total Return & Price Index, 1986-2012



Figure 7. Return Composition — MSCI Europe, 1969-2012

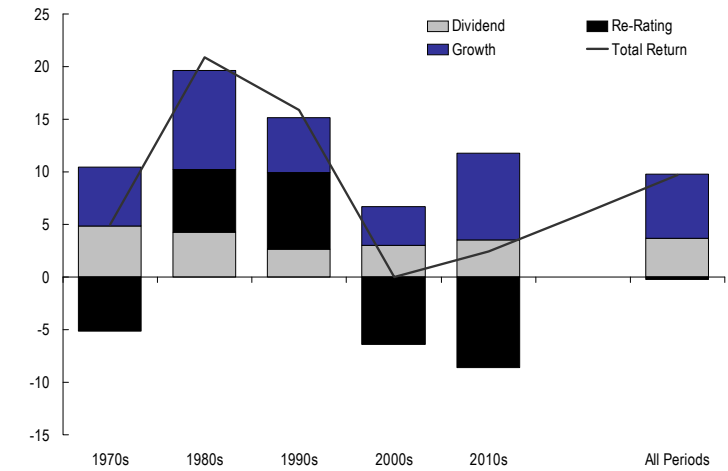
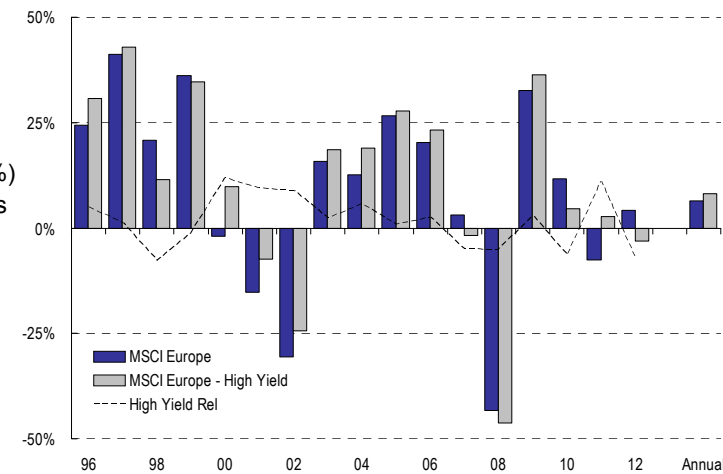


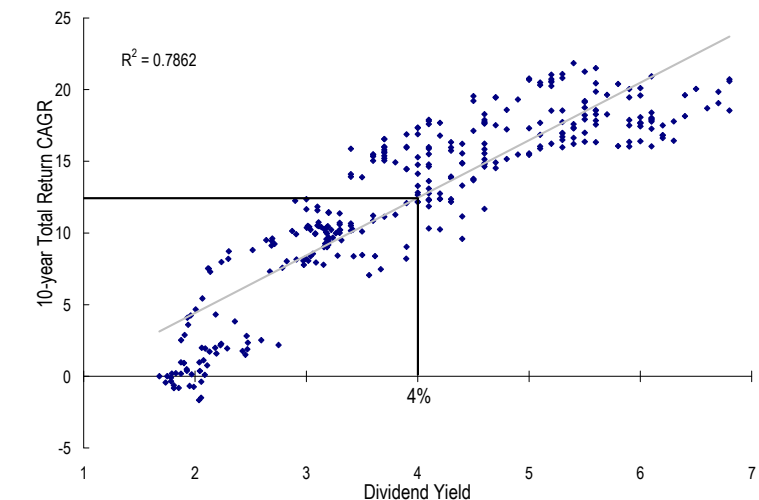
Figure 8. MSCI Europe – Performance of High Yield Equities, 1996-2012

- Over the last 15 years the higher dividend yield index has outperformed the broad market index despite the travails of the financial crisis.
- Current levels of the dividend yield (4%) in the past 40 years have seen equities deliver double-digit compound returns over the following decade.



Source: Datastream & CIRA

Figure 9. DY vs 10y Annual Returns (Pan Europe), 1974-2012



European Equities — Cheap

- Current dividend yields are above average whilst dividend cover is around long-term average levels (2.3x). This provides further support to the dividend.
- Europe ex the UK is the highest dividend yielding equity market globally on 2012E.

Figure 10. Europe ex UK Dividend Yields

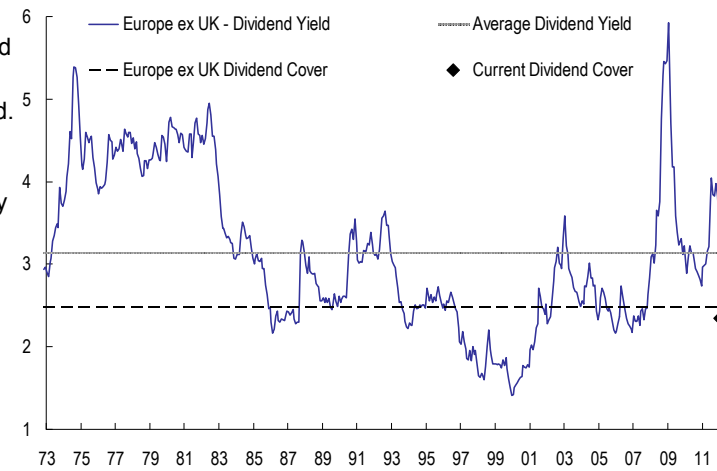
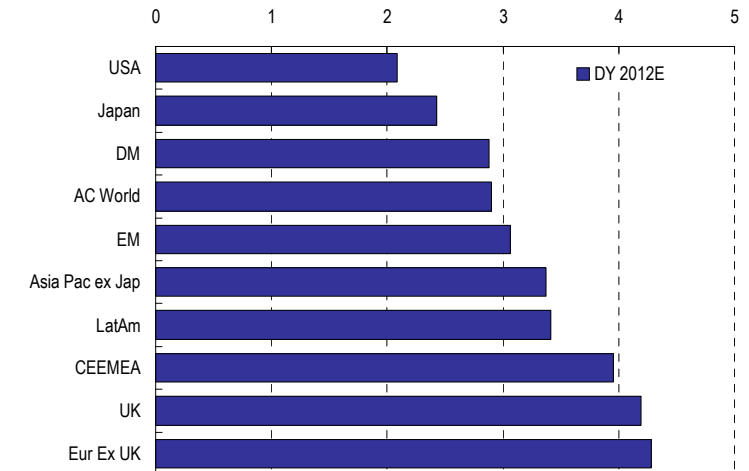
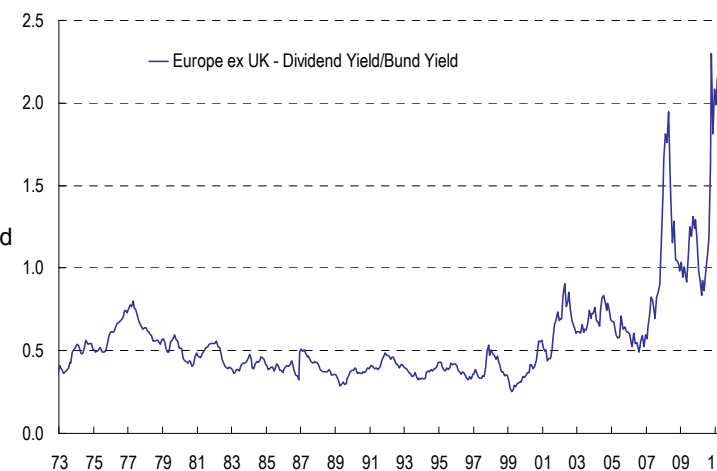


Figure 11. Regional Dividend Yield, 2012E



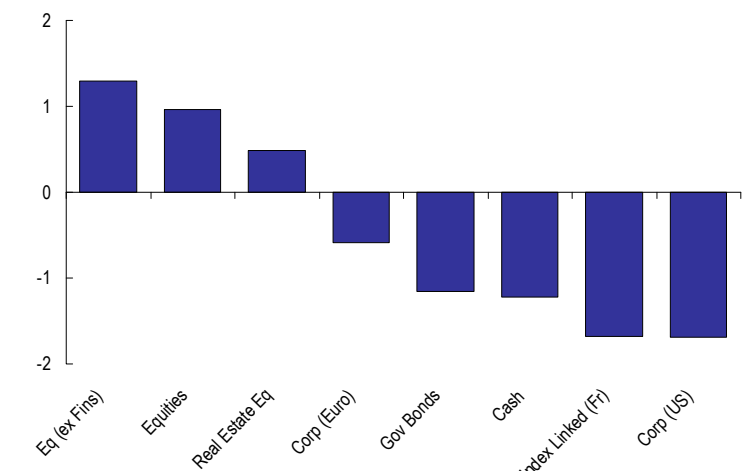
- European equities look especially cheap relative to government bonds. While much of this reflects very low bond yields, equities are still close to record wides.
- Relative to 10 year average yields equities are 1 SD cheap and bonds and cash over 1 SD expensive.

Figure 12. Europe ex UK Dividend Yield Ratio (Vs Government Bonds)



Source: Datastream & CIRA

Figure 13. Standard Deviation from 10yr Average Yields — Equities Cheapest



Performance of Various Asset Classes

- We look at the performance of various asset classes. We show 10- and 5- year annualized returns plus 1 year, ytd and 1m actual performance for each of our chosen asset class groups. The bars indicate the range of performance *between* the various groups.

- Equities (be they MSCI HY or MSCI Europe) have underperformed the other asset classes over most of the past 10yrs. However, ytd MSCI Europe has been one of the better performing asset classes. High DY has lagged ytd.

Figure 14. MSCI High Yield & MSCI Europe (vs Other Asset Classes)

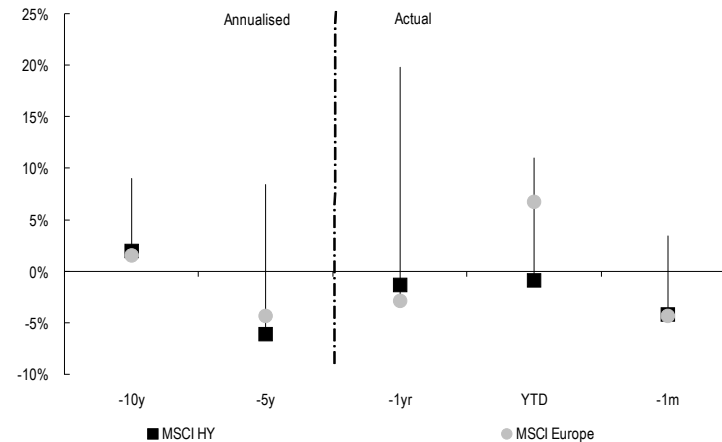


Figure 15. Europe Investment Grade vs High Yield (vs Other Asset Classes)

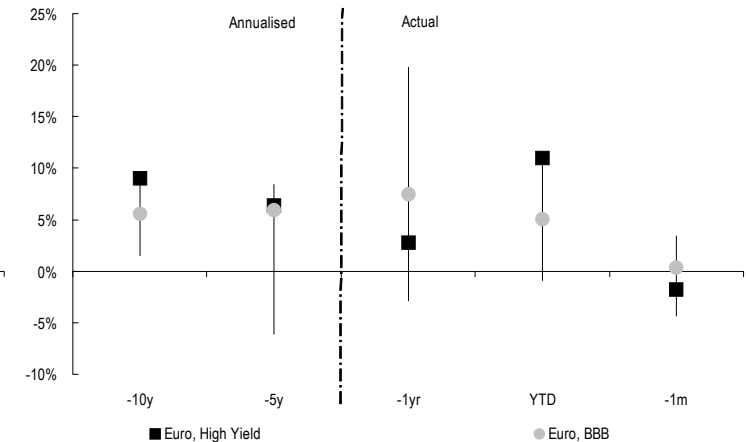
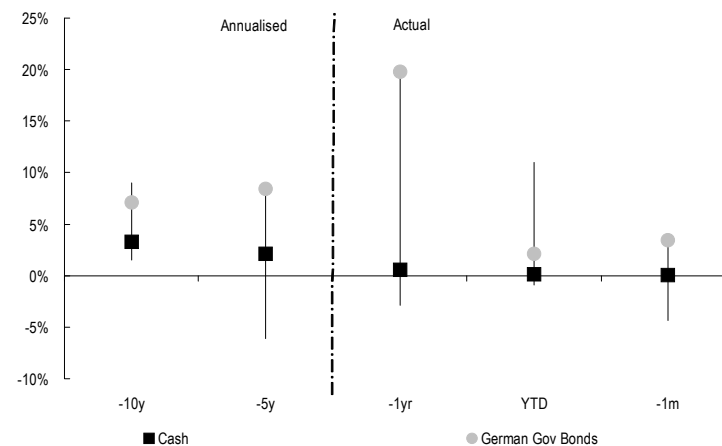


Figure 16. UK Cash & German Bunds (vs Other Asset Classes)

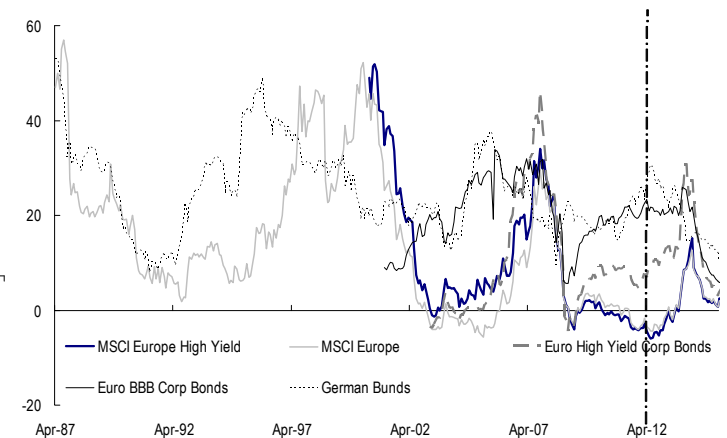


Source: Datastream & CIRA

- In contrast, investing in German bunds has consistently produced some of the best returns over the past 5- and 10- year period. However, ytd the performance of bunds has been poor when compared to the other groups.

- On a rolling 5-year risk-adjusted basis, equities are lagging, as they were in the early 2000s.

Figure 17. 5 YR Risk Adjusted Returns



Pan Europe — General Trends

- Using 12 month forward dividend forecasts the re-rating of the market since the October lows is clear. Absolute yields are still attractive.
- This is also shown in the median dividend yield, which is still above average but by less than the market overall.

Figure 18. Market 12m Forward Dividend Yield

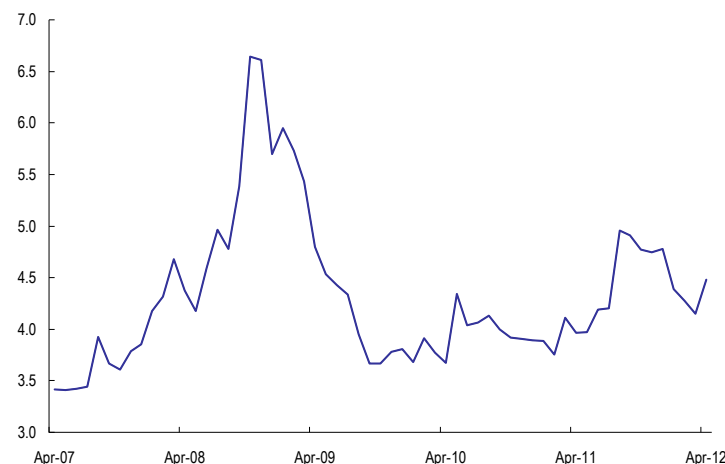


Figure 19. Median Dividend Yield

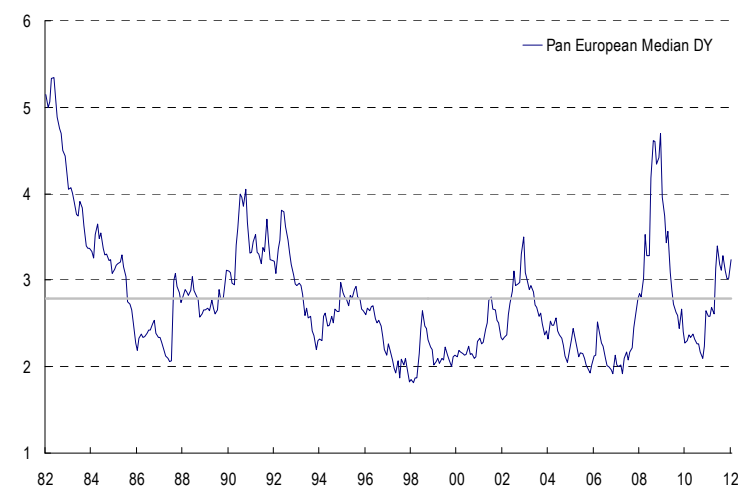
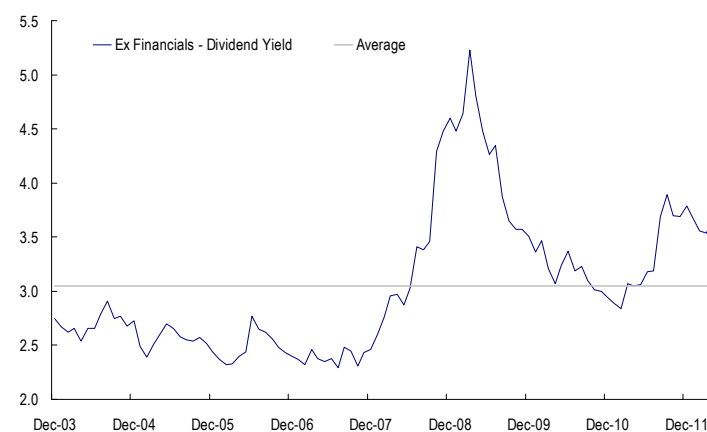


Figure 20. Ex Financials Dividend Yield



- Ex financials the dividend yield is also still above the shorter-term average. Again this provides valuation support to the market and shows there is still plenty of yield available in the market.
- FCF dividend cover is reasonable for most sectors. Oil, Utilities and Travel are among the sectors with the most stretched cover.

Figure 21. Dividend Paid as % of FCF

	2010	2011	2012	2013	2014
Automobiles & Parts	10	59	83	81	70
Basic Resources	29	46	105	35	26
Chemicals	51	66	52	53	51
Construction & Materials	40	85	53	49	46
Food & Beverage	52	68	68	64	63
Health Care	45	51	50	49	47
Industrial Goods & Services	44	66	64	54	54
Media	41	80	49	48	46
Oil & Gas	nm	nm	101	82	98
Personal & Household Goods	38	53	48	47	46
Retail	81	109	97	83	80
Technology	37	67	77	31	33
Telecommunications	63	71	73	69	65
Travel & Leisure	59	117	110	56	48
Utilities	156	226	158	103	105

Source: Datastream & CIRA

Market — Change to Forecasts

- Despite downgrades having dominated for the last six months the dividend base has continued to grind up.
- The fall in the forecast growth rate for 2011-13 is clear from Figure 23. However, growth is still expected to be positive for all three years.

Figure 22. Market — 12m Forward Dividend & Price Index

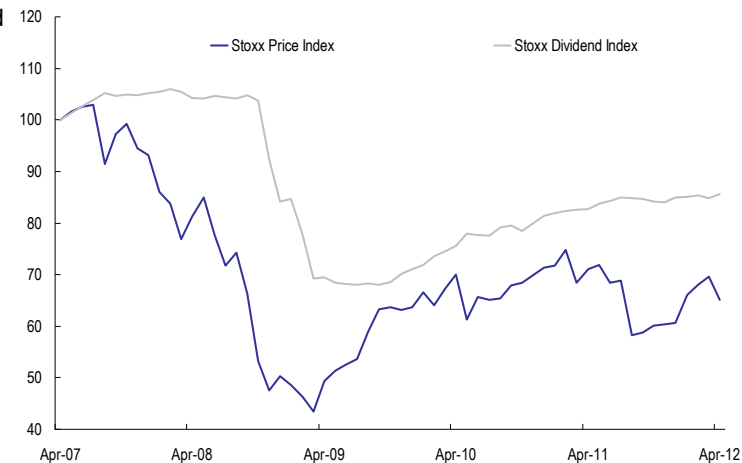


Figure 23. Change to Citi Dividend Growth Forecasts

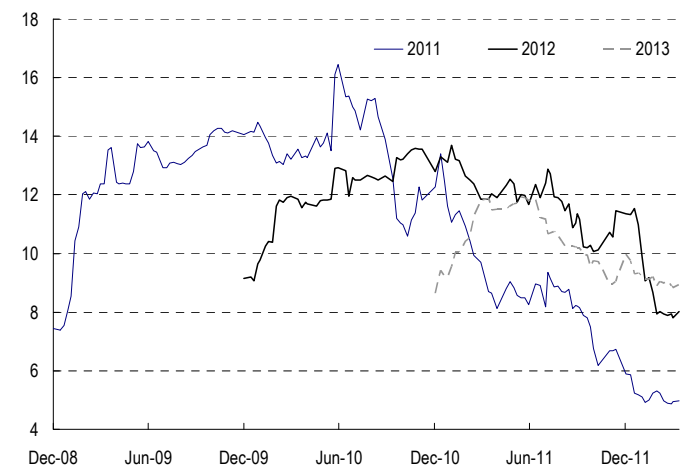


Figure 24. Dividend Swap Curve vs Bottom Up Forecasts

- The dividend swap market says the Euro Stoxx 50 dividend base is set to fall by over 25%. Bottom up analysts say limited (>5%) growth.
- The sector contribution to these changes shows Banks and Insurance as the biggest cutters of dividends and Food & Bev the biggest raisers.

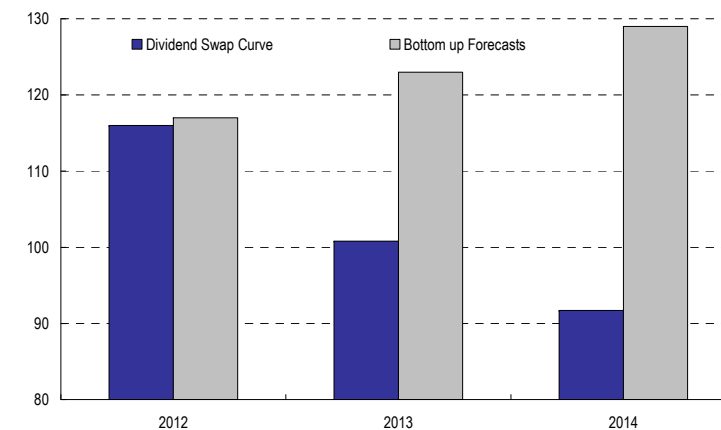
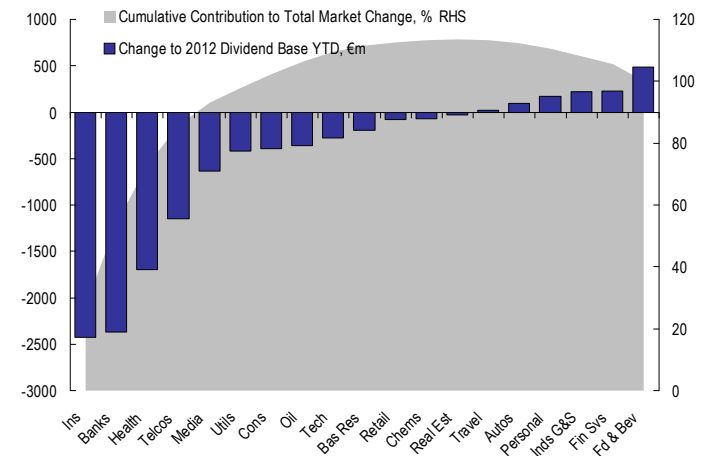


Figure 25. Year to Date Change in Dividend Base, By Sector and Cumulative



Source: Datastream & CIRA

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

Figure 26. One Month — Biggest Upgraders to Year 1 Estimates (Complete List From Stoxx ex UK)

■ Figure 26 shows the largest absolute and percentage increases to dividends over the last month.	Stock	1m Change Yr1 (€m)	1m Change Yr2 (€m)	Stock	1m Change Yr1 (%)	1m Change Yr2 (%)
	Anheuser-Busch Inbev	109	110	SGL Carbon	182	37
■ Upgrades are mixed across the sectors with both defensives and cyclicals seeing upgrades.	BASF	108	128	Subsea 7	157	118
	Roche	105	1	Grifols	90	5
	EADS	79	77	Continental	55	34
	SAP	67	66	EADS	55	40
	Subsea 7	61	66	JC Decaux	43	40
	Continental	49	43	Adecco R	35	37
	Banco Santander	48	-111	DSV B	34	52
	UBS R	46	123	Ingenico	29	34
	Adecco R	43	52	Valiant R	28	8
	Zurich Financial Service	40	23	Distrib. Intrac.De Alim.	25	13
	Total	40	36	Kuehne+Nagel Intl.	18	19
	Schneider Electric	29	35	Teleperformance	17	17
	Seadrill	29	29	Aker Solutions	16	13
	Volkswagen Pref.	28	39	Restricted	14	20

Figure 27. One Month — Biggest Downgraders to Year 1 Estimates (Complete List From Stoxx ex UK)

■ Figure 27 looks at the downgraders rather than upgraders.	Stock	1m Change Yr1 (€m)	1m Change Yr2 (€m)	Stock	1m Change Yr1 (%)	1m Change Yr2 (%)
	Enel	-727	-758	Alcatel-Lucent	-90	-70
■ There is more of a sector bias here with Telcos, Financials and Utilities the main cutters.	Restricted	-493	-522	Aixtron	-44	-22
	Telefonica	-326	-187	Enel	-42	-43
	Intesa Sanpaolo	-210	-168	Peugeot	-42	-32
	Telecom Italia	-208	-187	Banco Popular Espanol	-41	-12
	France Telecom	-187	-113	Bankia	-34	-21
	Societe Generale	-137	-164	Banco De Sabadell	-33	6
	Nokia	-94	-139	Mediaset	-33	-27
	Generali	-88	-111	Telecom Italia	-29	-26
	Iberdrola	-71	-59	GN Store Nord	-28	34
	ING Groep	-70	-104	Hochtief	-27	-11
	Credit Agricole	-68	-54	Restricted	-27	-28
	Nestle R	-67	-96	Finmeccanica	-26	-14
	Banco Popular Espanol	-62	-24	Lafarge	-25	-16
	Carrefour	-58	-79	Credit Agricole	-24	-13

Source: Datastream & CIRA

Market — Six Month Change to Forecasts (Please see Figure 90 & Figure 91 for UK List)

Figure 28. Six Month — Biggest Upgraders (Complete List From Stoxx ex UK)

- Figure 28 extends the time period for upgraded dividends to six months from one.
- The biggest upgrades are from defensive and growth companies. This is one of the reasons these stocks have been steady outperformers.

Stock	6m Change Yr1 (€m)	6m Change Yr2 (€m)	Stock	6m Change Yr1 (%)	6m Change Yr2 (%)
Anheuser-Busch Inbev	271	328	SGL Carbon	745	
Tele2 B	214	165	Subsea 7	154	112
Nestle R	151	134	Continental	83	29
UBS R	147	7	Tele2 B	82	57
Novo Nordisk B	143	197	Porsche Pref.	72	96
SAP	95	93	JC Decaux	48	21
Ryanair Holdings	82	0	EADS	44	35
Seadrill	76	79	DSV B	43	50
Sanofi	74	188	Pirelli	35	35
EADS	68	70	Nokian Renkaat	35	27
Continental	63	38	Anheuser-Busch Inbev	33	36
Ahold Kon.	63	72	UBS R	32	1
Telenor	62	75	Chr Hansen Holding	30	25
Subsea 7	60	64	Tgs-NOPEC Geophys.	27	17
Syngenta	42	20	Ingenico	26	21

Figure 29. Six Month — Biggest Downgraders (Complete List From Stoxx ex UK)

- Downgrades are much more focused in Telcos, Financials and Utilities.
- In total the biggest downgrades have exceeded upgrades by 6x over the last 6 months.

Stock	6m Change Yr1 (€m)	6m Change Yr2 (€m)	Stock	6m Change Yr1 (%)	6m Change Yr2 (%)
Telefonica	-1679	-1739	Dufry R	-100	-6
Unicredit	-1277	-1342	Alcatel-Lucent	-90	-90
Societe Generale	-999	-839	Marine Harvest	-85	-45
BNP Paribas	-991	-904	Aixtron	-79	-65
ING Groep	-958	-838	Peugeot	-77	-60
Enel	-854	-886	Finmeccanica	-76	-51
Restricted	-530	-584	Banco Espirito Santo R	-75	-65
Credit Agricole	-432	-396	ING Groep	-73	-43
Credit Suisse R	-403	-461	Unicredit	-70	-60
Intesa Sanpaolo	-349	-447	KBC Groupe	-68	-54
Telecom Italia	-311	-394	Banca Pop. Milano	-67	-47
France Telecom	-282	-342	Credit Agricole	-66	-53
Deutsche Bank	-281	-436	Commerzbank	-66	-35
Nordea Bank	-265	-335	Societe Generale	-62	-47
BBV Argentario	-226	-348	Banco Popular Espanol	-62	-44

Source: Datastream & CIRA

Countries — In Focus

Figure 30. Current 12m Forward Dividend Yield Relative vs 5yr Range

- Spain and Portugal are the two markets yielding well above their relative average levels. Three Nordic markets do as well but with lower absolute yields.
- Ranking markets by DY*G and balance sheet strength puts the non Euro markets as the more attractive.

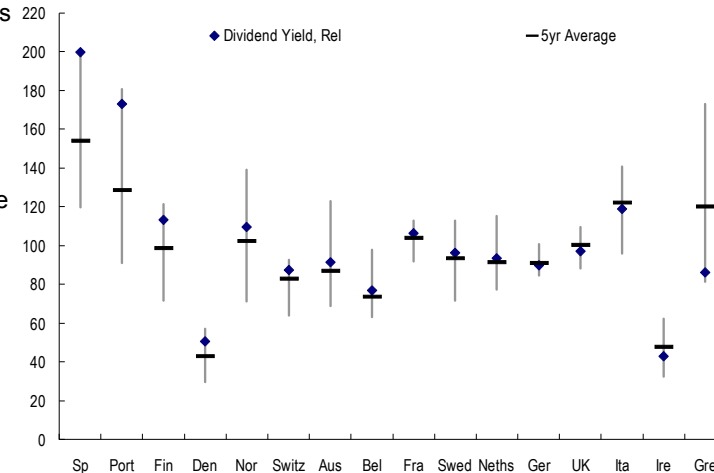


Figure 31. Country — DY*G vs Balance Sheet

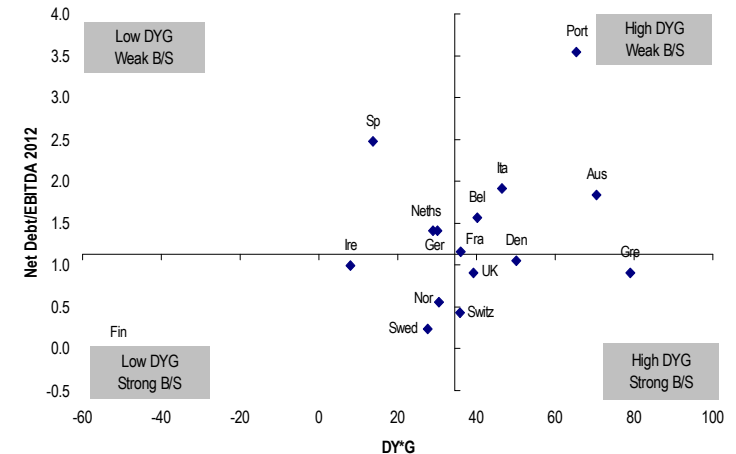


Figure 32. Current 12m Forward Dividend Yield vs 5yr Range

- Most European markets are yielding around 4%. Spain and Portugal are the higher-yielding outliers and Ireland and Denmark the low-yielding markets.
- Compared to the last five years again only the Iberian markets are well above average, the rest are much closer to average.
- Relative to their country's own bonds, most equity markets are still yielding more. The periphery and Denmark do not.

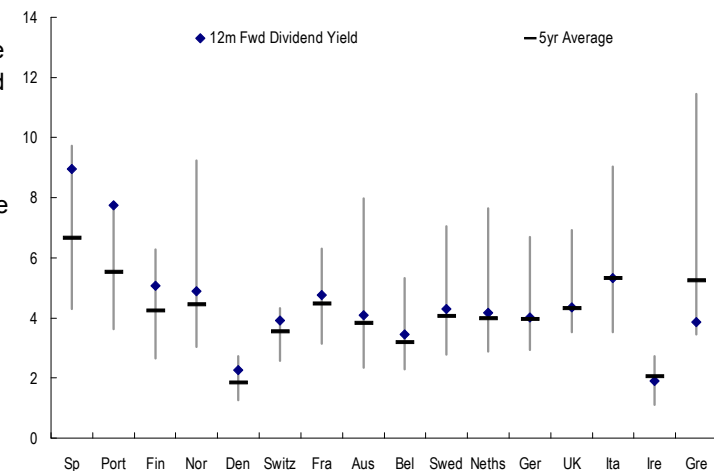
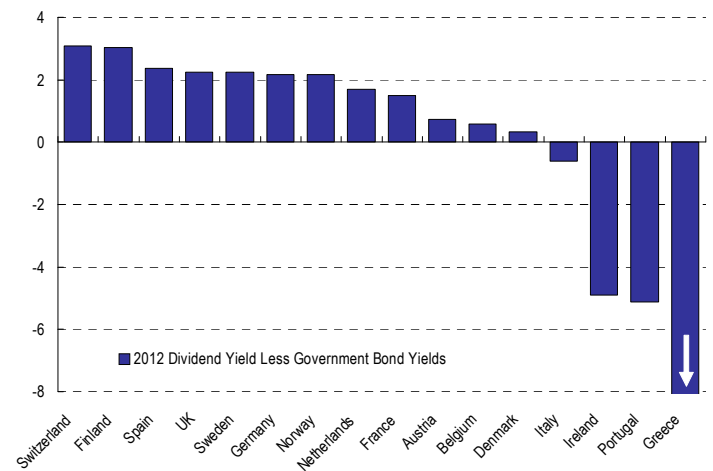


Figure 33. Country — Current DY vs Bond Spread



Source: Datastream & CIRA

Sectors — Dividend Attribution Model

Figure 34. Dividend Attribution Model (DAM)

- We run a weighting model for sector strategy which we adapt for dividends. We rank the sectors on dividend yield, dividend cover, dividend growth and balance sheet strength.
- In our sector strategy we are overweight the top two sectors and underweight three of the bottom five.
- Tech has fallen to the bottom of the pile.

	DY	DY vs Avg	Adj DY (For Cover)	Adj DY (For CDS)	2Yr Annual Growth	FCF-DY	Dividend Mo	Balance Sheet	Overall Rank
Factor Weight	15%	10%	5%	10%	15%	20%	10%	15%	100%
Health Care	11	8	9	1	6	1	9	9	6.4
Automobiles & Parts	9	3	2	15	1	11	1	7	6.8
Telecommunications	1	1	6	3	17	2	13	14	7.2
Insurance	3	5	1	9	10		11		7.3
Basic Resources	15	6	4	17	5	3	7	4	7.4
Personal & Household Goods	16	18	15	7	4	4	4	5	8.2
Industrial Goods & Services	13	9	13	10	12	7	3	3	8.5
Oil & Gas	7	13	3	6	14	14	2	2	8.5
Financial Services	5	4	11	18	9		10		8.7
Food & Beverage	14	12	17	2	3	10	6	10	8.9
Banks	8	15	5	16	2		16		9.3
Chemicals	18	16	12	5	11	6	5	8	10.0
Real Estate	4	14	18	11	16		8		10.0
Media	6	11	8	8	15	5	19	12	10.2
Retail	12	7	14	12	7	13	14	5	10.2
Utilities	2	2	7	4	18	15	18	15	11.0
Construction & Materials	10	10	10	14	13	8	12	13	11.1
Travel & Leisure	17	19	16	13	8	12	17	10	13.4
Technology	19	17	19	19	19	9	15	1	13.7

Factors

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

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

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

Adjusted DY (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 2011-2013 FCF yield less average 2011-2013 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 & CIRA

Stocks — Dividend Attribution Model

Figure 35. Stock Dividend Attribution Model, St – DAM (Stoxx Large & Mid Caps)

- We run the Dividend Attribution Model on a stock basis. For the balance sheet factor we use Tier 1 for banks.
- The top 30 stocks are a blend of defensives, EM exposure and growth.
- The bottom 30 already includes 6 stocks that pay no dividend. The rest are a mix of low yielders and poor cash coverage of the dividends.

Top 30

AstraZeneca
EADS
Rio Tinto
Cobham
Sanofi
AMEC
Daimler
ABB
Novartis R
WPP

Thales
Valeo
Ahold Kon.
British Sky Broadcasting
Petrofac
Yara International
Alstom
Legal & General
ITV
Anheuser-Busch Inbev

Mondi
Swiss Re
Aegon
Restricted
Metro
Gas Natural Sdg
Volkswagen Pref.
Admiral Group
BMW
Edenred

Bottom 30

Banco De Sabadell
Banco Popular Espanol
Enel Green Power
Intl.Cons.Airl.Gp.(Cdi)
Alcatel-Lucent
Fresenius Med. Care
Kazakhmys
MAN
Accor
Enel

ING Groep
National Bank of Greece
Arcelormittal
Akzo Nobel
Lloyds Banking Group
Royal Bank Of Scotland
Terna
Eurasian Natres.Corp.
Fresnillo
BG Group

Luxottica
Aggreko
Vestas Wind Systems
Mediaset
Fiat
Lagardere Groupe
Pennon Group
Deutsche Lufthansa
Holcim R
Premier Oil

Source: Datastream & CIRA

Sector Dividend Yields

- Telcos sector is the highest yielding sector in the market at over 8%. This is twice the market level. It is followed by Utilities and Insurance.
- Financial Services and Insurance appear to have the most attractive combination of growth and yield.

Figure 36. Current 12m Forward Dividend Yield Relative vs 5yr Range

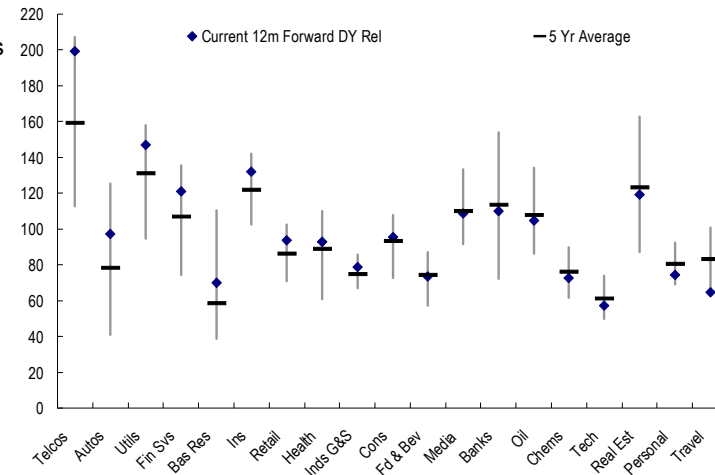


Figure 37. Sector — Yield vs Growth

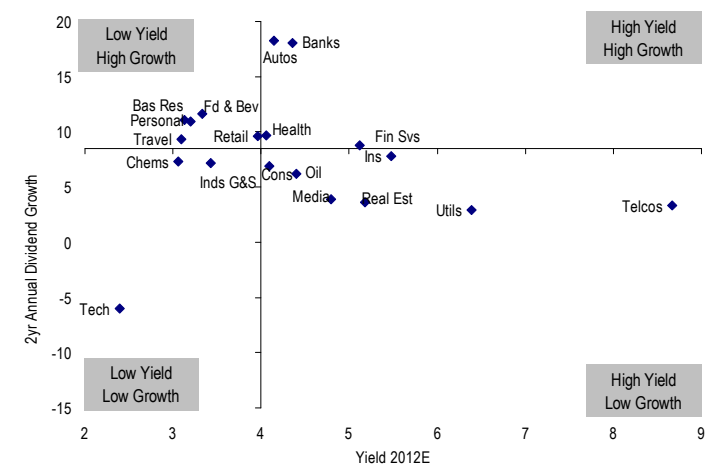
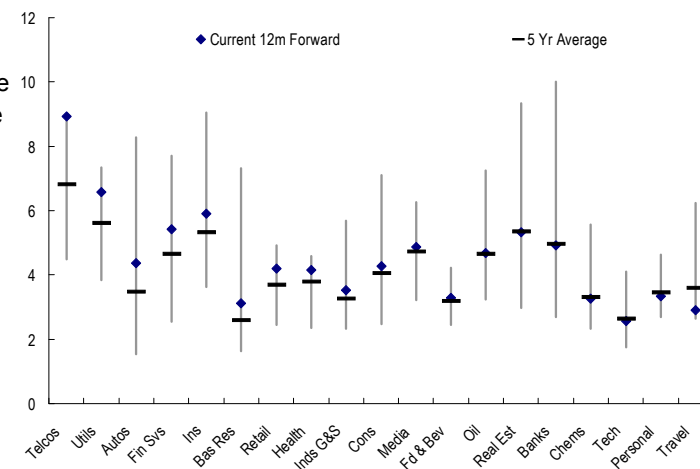


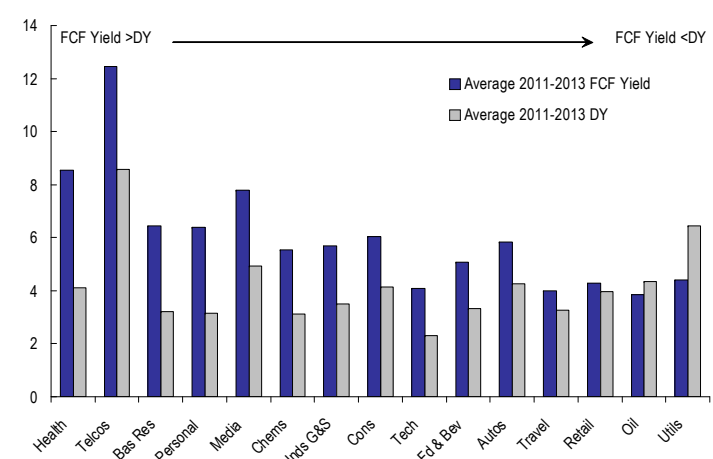
Figure 38. Current 12m Forward Dividend Yield vs 5yr Range

- Compared to the sectors' own 5-year averages Telcos, Autos, Utilities and Financial Services have above-average yields. Travel is furthest below average levels.
- Healthcare and Telcos have some of the widest free cash flow coverage of the dividend. Utilities and Oils the lowest level of coverage.



Source: Datastream & CIRA

Figure 39. Sector — FCF Yield – Dividend Yield (Average 2011-2013E)



Sector in Focus — Health Care

- Health Care is the top-ranking sector in our Dividend Attribution Model. Dividend yields are heading back to the highs of the early 1980s and the last couple of years.
- Dividend yield relative is above average despite the rally. Still plenty of value.

Figure 40. Health Care & Pharma Dividend Yield

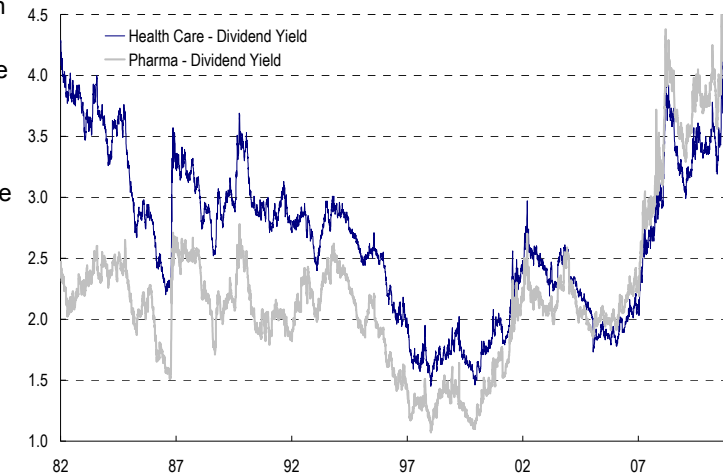


Figure 41. Health Care & Pharma Dividend Yield Relative To Market

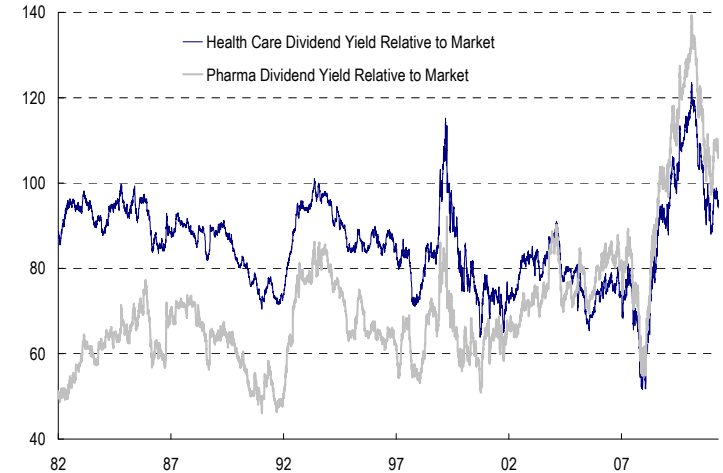
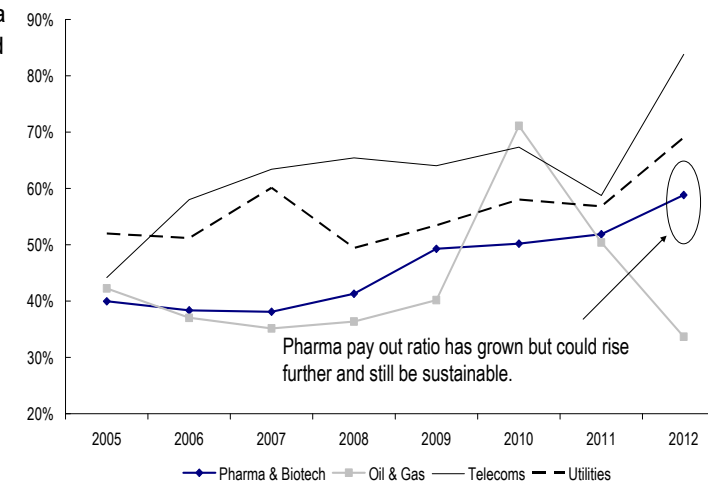


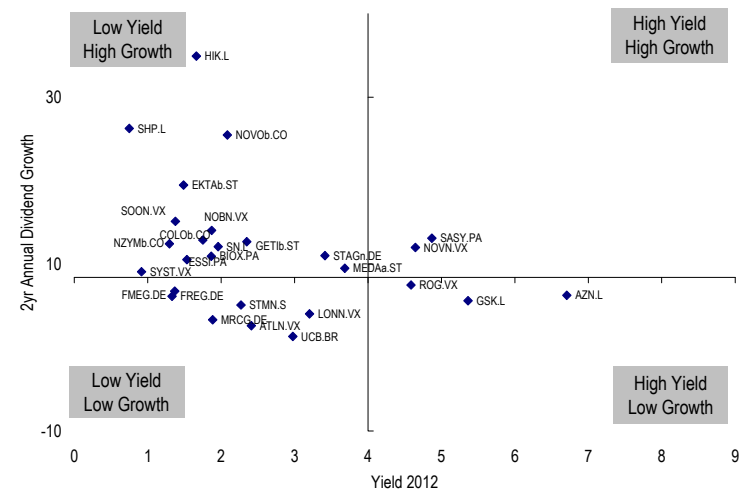
Figure 42. Defensive Payout Ratios

- According to Citi's analysts the Pharma sector has robust payout coverage and compared to the other defensive sectors has got further support.
- At the stock level Sanofi, Novartis and GSK stand out as offering the best combination of current yield and dividend growth.



Source For Others: Datastream & CIRA

Figure 43. Stock 2012 Dividend Yield vs 2yr Annual Dividend Growth



Themes — Resilient Dividends with 3 Year FCF above Dividend Paid

Figure 44. Resilient Dividends (Stoxx Non Financials Under Coverage)

- This screen looks for those companies with resilient dividend payment properties.
- FCF flow over 2011-13E has to be above the dividend paid. We also screen for traditional dividend cover above 1.6x and debt/ebitda below 2x.
- Siemens, BSKyB, ABB and BHP enter the screen this month.

	>€2bn		>4%					>0	>1.6	<2		
Stock	Market Cap, €m	New	DY 2011E	DY 2012E	DY 2013E	FCF Yield 2011	FCF Yield 2012	FCF Yield 2013	Average FCFY- DY	Div Cover	ND/EBITDA 2012	Rel Perf YTD
Bouygues	5398		7.36	7.36	7.36	15.85	8.68	18.22	6.89	2.1	1.29	-16
AstraZeneca	43328		6.01	6.71	6.95	11.16	16.63	15.74	7.95	2.2	0.87	-8
Daimler	36820		5.33	5.33	6.29	7.43	7.56	9.64	2.56	2.4	0.40	15
BT Group	21072		4.34	5.25	5.94	2.02	10.38	12.36	3.08	2.0	1.35	11
GKN	3692		3.97	5.21	6.27	3.16	7.75	9.00	1.48	2.2	0.69	7
Centrica	19785		4.55	5.06	5.38	7.20	8.65	8.68	3.18	1.7	1.00	6
Royal Dutch Shell A	94728		4.64	5.04	5.28	2.96	7.30	7.34	0.88	2.9	0.44	-12
Randstad Holding	2867		4.96	4.96	4.96	9.91	6.14	7.16	2.77	1.7	1.96	7
Sanofi	68136		4.72	4.87	5.78	8.23	9.91	11.77	4.85	2.2	0.71	-6
Delhaize Group	3775	New	4.73	4.83	5.07	13.64	5.55	5.19	3.25	2.9	1.89	-18
BP	101070		3.87	4.67	5.14	3.28	7.99	9.83	2.47	3.6	0.47	-6
Novartis R	108416		4.17	4.65	5.28	8.68	9.51	10.31	4.80	2.1	0.46	-10
Roche	90229		4.30	4.59	4.96	7.31	8.21	9.30	3.66	1.9	0.65	-4
Casino Guichard	3900		3.73	4.52	5.00	6.60	10.01	12.75	5.37	1.8	1.93	6
Mondi	2424		3.94	4.51	4.81	17.13	7.41	14.53	8.60	2.0	0.94	18
Metso	4121	New	5.51	4.44	4.24	7.06	5.51	4.67	1.02	1.7	0.65	5
Saint Gobain	13210	New	4.07	4.43	4.92	-0.01	8.97	8.64	1.39	2.6	1.37	-3
Informa	3104		3.75	4.37	4.71	6.22	9.13	9.85	4.13	2.2	1.70	16
Reed Elsevier	8068		3.84	4.33	4.47	10.20	11.22	12.23	7.00	2.2	1.58	-1
Siemens	62953	New	4.15	4.28	4.42	6.75	4.96	7.17	2.01	2.4	0.15	-7
British Sky Broadcasting	8281	New	3.57	4.14	4.70	7.33	8.45	9.40	4.26	2.0	0.49	-14
ABB	34665	New	3.13	4.09	4.60	5.57	7.58	8.91	3.41	1.9	-0.60	-1
William Hill	2214		3.54	4.08	4.51	9.51	7.98	12.70	6.02	2.4	0.76	24
Coca Cola Hellenic Bottling	2627	New	3.69	4.07	5.51	6.70	6.55	7.57	2.52	1.8	1.67	-3
BHP Billiton	48048	New	3.55	4.04	4.44	8.37	5.24	6.66	2.75	3.1	0.59	-2
Ahold Kon.	10884	New	3.41	4.01	4.84	5.62	6.76	8.34	2.82	2.2	0.68	-5
Valeo	2622	New	3.85	4.01	4.41	7.91	10.05	14.27	6.66	3.7	0.39	16
Sandvik	11248	New	3.55	4.00	4.33	2.95	8.09	10.38	3.18	2.3	0.98	4

Source: Datastream & CIRA

Themes — Growth Adjusted Dividend Yields (Non-Fins)

Figure 45. DY*G (Complete List From Stoxx Universe)

	Stock	Market Cap, €m	New	>4% DY 2012E	>8% 2y Annual Dividend Growth	>40 DY*G	>1.5 Div Cover	<2 ND/EBITDA 2012
■ While yield is important we also believe that growth in the dividend is a key part of the return story.	Renault	7500		5.16	46	178	3.4	0.23
	Opap	1411		12.23	14	152	1.7	-0.05
	Coca Cola Hellenic Bottling	2627	New	4.07	24	92	1.8	1.67
■ The DY*G screen looks for a 2012E DY of above 4% and 2 year compound growth in excess of 8%. We split the screen between non-fins where we add a 2x debt/ebitda leverage cut off and financials without the balance sheet filter.	GKN	3692		5.21	21	91	2.2	0.69
	Reed Elsevier (Ams)	6701		4.90	27	88	2.0	1.47
	Endesa	1178		6.34	15	76	2.0	1.34
	BT Group	21072		5.25	15	71	2.0	1.35
	Repsol Ypf	13722		7.01	10	63	1.5	1.59
	Sanofi	68136		4.87	13	62	2.2	0.71
	Ahold Kon.	10884	New	4.01	17	61	2.2	0.68
	Amer Sports 'A'	1123	New	4.09	16	58	2.1	1.93
	Daimler	36820		5.33	11	57	2.4	0.40
	ABB	34665	New	4.09	15	53	1.9	-0.60
	Casino Guichard	3900		4.52	13	52	1.8	1.93
	Novartis R	108416		4.65	12	52	2.1	0.46
	Morrison (Wm) Supermarkets	8819		4.18	14	51	2.2	0.96
	British American Tobacco	76789		4.44	12	50	1.5	1.22
	BP	101070		4.67	12	50	3.6	0.47
■ 10 stocks have entered the screen compared to last time, in part reflecting the retracement of the market.	British Sky Broadcasting	8281	New	4.14	13	49	2.0	0.49
	BMW	21445	New	4.20	13	49	2.9	-1.02
	Ubm	1741		4.55	11	46	2.2	1.98
	William Hill	2214		4.08	12	44	2.4	0.76
	Homeserve	780	New	5.27	9	43	2.1	0.49
	Chemring Group	908	New	4.80	10	43	3.0	1.27
	Informa	3104		4.37	11	43	2.2	1.70
	Saint Gobain	13210	New	4.43	10	43	2.6	1.37
	Sainsbury (J)	5019	New	5.26	8	42	1.7	1.70

Source: Datastream & CIRA

Themes — Growth Adjusted Dividend Yields (Financials)

Figure 46. Financials DY*G (Complete List From Stoxx Universe)

- With distrust over Financials' ability to maintain let alone grow their dividends the Financials DY*G screen is a longer one.
- The recent sell-off has seen this list double in length.

Stock	Market Cap, €m	New?	>4% DY 2012E	>8% 2y Annual Dividend Growth	>40 DY*G	>1.5 Div Cover
Credit Agricole	4507		5.25	134	235	3.0
Unicredit	15874	New	4.68	112	174	2.6
Banca Pop. Milano	1123	New	4.72	110	173	1.8
Raiffeisen Bank Intl.	973	New	4.26	103	147	4.0
Natixis	2148		5.88	28	130	2.0
Aegon	6469		5.91	34	127	2.7
Intesa Sanpaolo	16750		5.63	27	126	2.7
Mediobanca	1989	New	4.97	28	123	3.0
Legal & General	8840		6.16	18	93	1.9
Storebrand	1189		4.75	20	91	3.3
BNP Paribas	31203	New	4.02	20	78	4.0
Ageas (Ex-Fortis)	3413		5.31	15	78	1.9
Pohjola Pankki A	1484		6.23	13	74	2.1
Investec	2194		4.46	17	71	2.3
AXA	21118		6.69	10	61	2.4
Old Mutual	10390	New	4.68	20	61	2.4
Henderson Group	1595		6.09	11	60	1.5
Swiss Re	15966		6.03	11	60	1.8
SEB A	7694		4.51	13	54	2.5
Scor Se	3526	New	6.08	8	49	2.3
Bankinter R	844	New	4.70	9	48	2.0
HSBC Holdings	116824		4.77	11	47	2.4
Kinnevik B	3790	New	4.10	12	45	2.1
Ashmore Group	1700		4.08	11	42	1.7
Generali	14243	New	4.22	11	42	3.1
Nordea Bank	16521	New	4.28	10	40	2.6

Source: Datastream & CIRA

Themes — EM and Growth Adjusted Dividend Yields

Figure 47. EM*DYG (Stoxx Universe Where We Have Data)

- This screen takes the same basis as the previous one and then adds an EM filter, whereby at least 20% of revenues have to be EM.

- This screen is much more commodity tilted than the previous DY*G screen.

- We also run a Financials screen without the balance sheet filter. In total only one new entry, Old Mutual.

Stock	New?	>20 EM Exposure	>€300mn Div 2012	DY 2012	2yr Annual Growth	>30 DY*G	>1.3 Div Cover 2012	<2 ND/EBITDA 12	EM*DYG
Renault		28	387	5.16	46	178	3.44	0.23	4929
British American Tobacco		68	3408	4.44	12	50	1.54	1.22	3382
Anheuser-Busch Inbev		47	1416	3.51	26	66	1.81	1.80	3100
Telenor		48	528	5.35	10	51	1.46	0.88	2451
ABB		45	1417	4.09	15	53	1.91	-0.60	2401
Repsol Ypf		37	962	7.01	10	63	1.50	1.59	2340
BHP Billiton		51	1940	4.04	11	40	3.14	0.59	2042
Anglo American		40	974	2.69	21	47	4.90	0.57	1845
Sanofi		28	3318	4.87	13	62	2.16	0.71	1718
Unilever (UK)		50	1250	3.92	9	32	1.65	1.10	1604
Unilever Certs.		50	1482	3.84	9	32	1.65	1.10	1574
Rio Tinto		40	1719	3.21	14	39	4.69	0.26	1564
Daimler		24	1961	5.33	11	57	2.36	0.40	1389
Bayer		31	1505	3.56	13	43	2.86	0.95	1365
WPP		28	465	3.67	15	47	2.50	0.89	1287
Sandvik		35	450	4.00	10	36	2.26	0.98	1273
Volvo B		28	509	3.76	13	46	2.12	-1.26	1269
Novartis R		23	5036	4.65	12	52	2.15	0.46	1194
Nestle R		32	5899	3.87	10	36	1.55	0.81	1177
Novo Nordisk B		25	932	2.08	25	47	2.04	-0.44	1167
Roche		22	4137	4.59	7	33	1.88	0.65	725

Figure 48. Financials EM*DYG (Stoxx Universe Where We Have Data)

Stock	New?	>20 EM Exposure	>€300mn Div 2012	DY 2012	2yr Annual Growth	>30 DY*G	>1.3 Div Cover 2012	EM*DYG
Standard Chartered		90	1260	3.58	15	47	2.63	4231
Societe Generale		27	388	2.64	165	145	5.32	3904
Old Mutual	New	46	487	4.68	20	61	2.41	2815
HSBC Holdings		44	5571	4.77	11	47	2.40	2050
Barclays		20	1021	3.76	29	87	3.34	1779

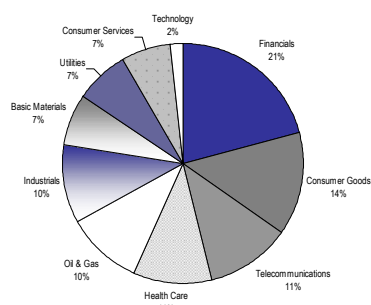
Source: Citi Investment Research and Analysis

Source: Datastream, Company Report & Accounts & CIRA

Themes — Big Guns

Figure 49. Contribution to 2012 Dividend Base

■ Broad sector:



■ Country: Portugal, Austria, Ireland, and Greece contribute less than 1% to the dividend base

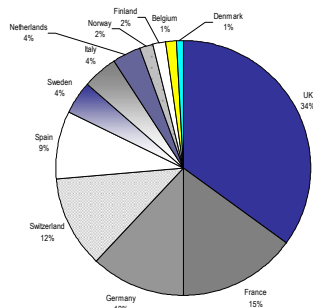


Figure 50. Big Guns (Stoxx Universe – Top 20)

Stock	Top 20					ND/ EBITDA 12
	New?	Div 2012	DY 2012	DY*G	Div Cover 2012	
Restricted		8432	8.28	59	1.17	1.81
Nestle R		5899	3.87	36	1.55	0.81
HSBC Holdings		5571	4.77	47	2.40	
Banco Santander		5446	11.31	0	1.33	
Telefonica		5174	11.04	0	1.12	2.48
Total		5063	6.14	0	2.43	0.55
Novartis R		5036	4.65	52	2.15	0.46
Royal Dutch Shell A		4777	5.04	26	2.86	0.44
BP		4724	4.67	50	3.60	0.47
GlaxoSmithKline		4691	5.36	29	1.56	0.89
Roche		4137	4.59	33	1.88	0.65
BAT		3408	4.44	50	1.54	1.22
Sanofi		3318	4.87	62	2.16	0.71
AstraZeneca		2906	6.71	39	2.19	0.87
ENI		2754	6.32	8	2.14	0.79
Siemens		2697	4.28	14	2.38	0.15
France Telecom		2290	11.40	-99	1.16	2.32
BASF		2206	3.83	16	2.46	0.72
E.On		2201	6.42	19	1.29	2.06
Allianz		2149	5.64	43	2.47	

Figure 51. EM Big Guns (Stoxx Universe – Top 20)

	>30	Top 20	Div Cover ND/EBITDA			
Stock	EM Exp	Div 2012	DY 2012	DY*G	2012	122
Restricted	38	8432	8.28	59	1.17	1.81
Nestle R	32	5899	3.87	36	1.55	0.81
HSBC Holdings	44	5571	4.77	47	2.40	
Banco Santander	46	5446	11.31	0	1.33	
Telefonica	52	5174	11.04	0	1.12	2.48
British American Tobacco	68	3408	4.44	50	1.54	1.22
Siemens	33	2697	4.28	14	2.38	0.15
BBV Argentaria	50	2059	7.49	15	1.37	
BHP Billiton	51	1940	4.04	40	3.14	0.59
Rio Tinto	40	1719	3.21	39	4.69	0.26
Bayer	31	1505	3.56	43	2.86	0.95
Unilever Certs.	50	1482	3.84	32	1.65	1.10
ABB	45	1417	4.09	53	1.91	-0.60
Anheuser-Busch Inbev	47	1416	3.51	66	1.81	1.80
Diageo	37	1340	2.93	23	2.15	2.02
Standard Chartered	90	1260	3.58	47	2.63	
Unilever (UK)	50	1250	3.92	32	1.65	1.10
Schneider Electric	31	988	3.93	21	2.20	1.15
Anglo American	40	974	2.69	47	4.90	0.57
Repsol	37	962	7.01	63	1.50	1.59

Source: Datastream & CIRA

Themes —Risk-Adjusted Dividends Using CDS (Safer)

Figure 52. European Stocks: CDS Less Than 90 (Stoxx Universe Where We Have Data)

- We look to risk-adjusted dividend yields using the CDS. We take companies with a CDS of less than 90 and a trailing DY of above 3.5%.

- The stocks featured tend to be more defensive with a clear weight to Pharma. However, more cyclical companies such as ABB, Pearson and SKF also feature.

Stock	>€5bn Market Cap	New	<90 CDS	>3.5 Trailing DY	>4 CDS Adjusted Dividend Score
Unilever (UK)	31912		32	3.87	12.20
Novartis R	108416		38	4.51	11.82
AstraZeneca	43328		56	6.50	11.57
Unilever Certs.	38550	New	32	3.65	11.43
Nestle R	152303	New	32	3.51	10.98
TeliaSonera	10240		64	6.71	10.43
National Grid	28692		61	6.11	10.04
GlaxoSmithKline	87484		50	4.99	9.99
Sanofi	68136		50	4.79	9.65
Roche	90229		50	4.33	8.67
Fortum	7663		71	6.04	8.55
British American Tobacco	76789		50	4.04	8.16
ABB	34665	New	47	3.63	7.75
Muenchener Rueckver	17852		78	5.76	7.34
Total	82495		86	6.26	7.30
Pearson	11097	New	55	3.77	6.87
E.On	34277	New	89	6.01	6.78
Reed Elsevier	8068		62	4.10	6.59
Siemens	62953		66	4.19	6.32
Restricted	101780		87	5.37	6.17
SES Fdr	5791		78	4.72	6.08
Centrica	19785		83	4.91	5.89
BASF	57620		69	4.06	5.85
Royal Dutch Shell A	94728		82	4.73	5.77
Statoil	21100		84	4.35	5.20
SKF B	6526	New	71	3.53	4.97
Schneider Electric	25110	New	80	3.70	4.61

Source: Datastream & CIRA

Themes — Risk-Adjusted Dividends Using CDS (Riskier)

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

- Figure 53 screens the other way, looking at those companies that have CDS above 250.

- This is dominated by peripheral Banks and Utilities. More have joined the list this month.

Stock	Market Cap	New?	>250 CDS	>5<12 Trailing DY	CDS Adjusted Dividend Score
Enel	15996	New	296	10.71	3.61
Telefonica	46882		372	11.37	3.05
Banco Santander	48135		410	11.95	2.91
Gas Natural Sdg	3523	New	285	7.53	2.65
Iberdrola	14717	New	318	8.42	2.65
UPM-Kymmene	4576		302	6.70	2.22
Repsol Ypf	13722	New	286	6.31	2.21
BBV Argentaria	27478		417	7.88	1.89
Intesa Sanpaolo	16750		391	6.88	1.76
Telecom Italia	8582		373	5.39	1.44
Stora Enso R	2968		414	5.79	1.40
Nokia	12246	New	482	6.53	1.35
Bankinter R	844	New	488	5.78	1.18
Banco De Sabadell	4379		650	7.63	1.17
Banco Popular Espanol	3184		663	7.67	1.16
EDP Energias De Portugal	4639		809	8.18	1.01

Source: Datastream & CIRA

Themes — Dividend Diamonds

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

- A commitment to the dividend over the last decade is a the starting point. We then look for those companies where the market cap is above €3bn and compound growth in the dividend is forecast to be above 8%.
- These stocks are a good overlap with the defensive growth stocks we have a structural preference for.

Stock	>€3bn Market Cap, Em	>8% 2yr Annual Dividend Growth	Net Debt/EBITDA 2012	Div Cover 2012
Novo Nordisk B	44716	25	-0.44	2.04
Technip	8757	25	-0.89	2.50
AMEC	4420	20	-0.62	2.27
Assa Abloy B	7367	19	1.27	2.13
SABMiller	30147	16	2.40	2.39
WPP	12684	15	0.89	2.50
Morrison (Wm) Supermarkets	8819	14	0.96	2.17
Sanofi	68136	13	0.71	2.16
Metro	3354	13	0.89	1.02
Imperial Tobacco Gp.	29920	13	2.62	1.87
Next	6021	12	0.74	2.75
Novozymes	5143	12	0.35	3.03
LVMH	33991	12	0.50	2.44
British American Tobacco	76789	12	1.22	1.54
Serco Group	3258	12	1.25	4.64
Fugro	3565	12	1.43	2.61
Smith & Nephew	6574	12	-0.52	3.93
Cobham	3012	12	0.25	2.53
Capita	5515	12	2.21	2.23
Meggitt	3719	12	1.21	3.06
Rolls-Royce Holdings	18254	12	-0.46	3.05
Sika B	3393	12	0.33	2.51
Kerry Group A	4828	12	1.73	6.51
Babcock Intl.	3509	11	1.33	2.95
SAP	46615	11	-0.08	3.13
Henkel Pref.	9526	11	0.41	3.90
BHP Billiton	48048	11	0.59	3.14
Essilor Intl.	14015	11	-0.32	2.77
Aggreko	7000	11	0.87	4.45
Lindt & Sprungli R	3054	10	-1.16	2.23
Nestle R	152303	10	0.81	1.55
Publicis Groupe	6017	10	0.21	4.25
IMI	3591	10	0.25	2.74
Weir Group	4383	10	1.24	4.09
L'Oreal	21554	9	-0.54	2.13
Johnson Matthey	6067	9	0.87	3.30
Danone	30917	9	1.56	2.08
Unilever (UK)	31912	9	1.10	1.65
Diageo	45708	8	2.02	2.15
Average			0.70	2.78

Source: Datastream & CIRA

Themes — Potentially Risky Dividends – Weak Cash Flow Dividend Cover

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

- Figure 55 is the opposite of the resilient dividend screen. We look for negative FCF cover for the dividend over the three year period 2011-2013E. We also use a DY of above 4% and dividend cover of less than 2.5x.

- Utilities, Food Retail and Telcos are the main sectors in the screen.

Stock	>€2bn Market Cap, €m	New?	>4% DY 2011E	>4% DY 2012E	>4% DY 2013E	FCF Yield 2011	FCF Yield 2012	FCF Yield 2013	<0 Average FCFY-DY	<2.5 Div Cover	ND/EBITDA 2012	Rel Perf YTD
EDF	4671		6.90	7.45	8.01	-8.55	-9.19	-6.89	-15.66	1.6	3.34	-18
Veolia Environnement	4601		6.29	6.29	6.29	-11.95	-11.62	-3.50	-15.32	1.3	3.22	23
RWE	16854		5.81	5.79	5.81	-8.84	-3.84	2.58	-9.17	2.1	1.95	21
Seadrill	9292		7.96	8.83	8.83	-4.56	6.85	-3.13	-8.82	0.9	3.94	5
Lagardere Groupe	2295		5.97	5.97	5.97	-32.92	11.84	12.64	-8.78	1.2	2.61	4
Repsol Ypf	13722		6.37	7.01	7.71	-16.68	4.69	8.06	-8.34	1.5	1.59	-29
Scottish & Southern Energy	14940		5.73	6.26	6.71	-1.49	-1.84	-1.37	-7.80	1.4	3.20	2
Nokia	12246		6.12	6.12	0.00	-2.43	-9.59	3.61	-6.88	-1.1	-12.86	-22
Snam	5519		6.96	7.30	7.67	1.25	-1.40	1.84	-6.75	1.0	4.52	-4
Portugal Telecom R	2594		17.29	17.81	18.34	11.72	7.00	14.91	-6.60	0.8	2.97	-19
Terna	3705		7.36	6.66	6.66	1.90	-0.58	1.67	-5.90	1.1	4.43	4
Inmarsat	2312		5.63	6.57	6.57	8.93	-7.69	-0.13	-5.89	1.1	3.09	2
United Utilities Group	4939		5.06	5.59	5.97	1.84	0.08	-1.20	-5.30	1.1	5.89	-4
Arcelormittal	12230	New	4.07	4.32	4.32	-8.35	-5.07	10.83	-5.10	2.1	2.67	-10
Red Electrica Corp.	3558		6.71	7.60	8.37	3.05	2.20	3.59	-4.61	1.5	4.44	-8
Tesco	31033		4.46	4.87	5.10	0.47	0.52	1.08	-4.12	2.1	1.72	-22
Sainsbury (J)	5019		4.98	5.26	5.81	-0.66	1.77	3.24	-3.90	1.7	1.70	-2
Morrison (Wm) Supermarkets	8819		3.55	4.18	4.75	1.34	0.39	1.15	-3.20	2.2	0.96	-12
Enel	15996		10.36	6.20	6.27	3.45	5.41	4.38	-3.19	2.5	2.82	-25
CRH	10744	New	4.22	4.22	4.39	1.10	1.49	1.89	-2.78	1.4	1.56	-6
National Grid	28692		5.78	6.32	6.73	6.71	2.89	1.08	-2.72	1.2	4.83	1
Enagas	2508		7.09	8.87	9.22	-2.81	7.40	13.65	-2.31	1.3	3.80	-8
Total	82495		6.14	6.14	6.14	4.00	4.36	5.65	-1.47	2.4	0.55	-11
Deutsche Post	11897		4.95	5.30	5.65	3.77	3.45	4.55	-1.38	1.6	-0.10	14
Tele2 B	4510		5.00	10.06	10.65	7.69	6.81	7.72	-1.16	0.9	1.10	-6
ENI	43565		6.32	6.32	6.44	1.45	5.75	8.51	-1.13	2.1	0.79	-3
E.On	34277	New	5.84	6.42	6.42	-3.24	5.75	12.94	-1.08	1.3	2.06	-4
BAE Systems	11608		6.09	6.58	6.80	1.89	7.79	7.70	-0.70	2.0	0.39	1
Marks & Spencer Group	7163		4.42	4.76	5.19	5.68	2.65	4.17	-0.62	1.9	1.58	16
Suez Environnement	2810		6.11	6.30	6.42	-0.73	10.36	7.79	-0.47	1.3	3.30	11
Hennes & Mauritz B	25202	New	4.09	4.15	4.29	3.20	3.79	4.23	-0.44	1.1	-0.74	1
Drax Group	2364		4.95	4.71	2.60	7.49	7.29	-3.80	-0.42	2.0	-0.89	-5
TeliaSonera	10240		6.54	6.76	6.86	4.84	6.69	7.50	-0.38	1.5	1.90	-12
SES Fdr	5791		4.78	5.26	5.78	1.29	7.07	7.10	-0.12	1.4	2.92	-3
Severn Trent	4420	New	4.27	4.76	5.14	3.25	5.04	5.76	-0.03	1.3	4.85	2

Source: Datastream & CIRA

Themes — Credit vs Equity

- Figure 56 screens for companies that have a dividend yield above the yield on their own 5 year duration bonds. We use a €7bn market cap cut off and dividend cover of at least 1.6x.

- The screen is dominated by Pharma and Oil stocks. There is a reasonable degree of overlap with the CDS adjusted dividend screen.

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

Stock	New	CIRA Rating	Market Cap	RY >5Yr Dur	DY 12E	DY 12E - RY	2Y Annual Div Growth (E)	Dividend Cover 2012E
Novartis R		2	108416	2.2	4.65	2.41	12	2.1
BP		2	101070	2.8	4.67	1.90	12	3.6
Royal Dutch Shell A		2	94728	2.7	5.04	2.34	6	2.9
Roche		2	90229	2.2	4.59	2.38	7	1.9
Total		3	82495	2.8	6.14	3.36	0	2.4
Sanofi		1	68136	2.4	4.87	2.44	13	2.2
Siemens		1	62953	1.9	4.28	2.37	3	2.4
BASF		2	57620	2.4	3.83	1.43	4	2.5
BHP Billiton		1	48048	3.0	4.04	1.04	11	3.1
Diageo	New	2	45708	2.6	2.93	0.37	8	2.2
ENI		1	43565	3.3	6.32	2.97	1	2.1
AstraZeneca		2	43328	3.3	6.71	3.39	6	2.2
Bayer		1	42331	2.6	3.56	0.96	13	2.9
Anheuser-Busch Inbev		1	40350	2.9	3.51	0.61	26	1.8
Unilever Certs.		2	38550	2.8	3.84	1.06	9	1.6
Daimler		1	36820	3.6	5.33	1.74	11	2.4
ABB		1	34665	2.4	4.09	1.67	15	1.9
LVMH	New	1	33991	1.9	2.32	0.41	12	2.4
Unilever (UK)		2	31912	1.9	3.92	2.02	9	1.6
Tesco	New	3	31033	4.1	4.87	0.79	6	2.1
Danone		2	30917	2.4	2.98	0.58	9	2.1
Imperial Tobacco Gp.		1	29920	3.8	4.41	0.57	13	1.9
Air Liquide		2	27701	2.1	2.67	0.58	7	2.1
Schneider Electric		3	25110	2.4	3.93	1.55	6	2.2
BMW		1	21445	2.5	4.20	1.66	13	2.9
Statoil		2	21100	2.8	4.55	1.78	6	2.7
BT Group		1	21072	4.5	5.25	0.72	15	2.0
Centrica		2	19785	4.1	5.06	0.94	8	1.7
Vinci			19211	3.2	4.93	1.73	3	2.0
RWE		3	16854	3.7	5.79	2.10	2	2.1
Restricted			16173	3.4	8.34	4.90	-7	1.9
Enel		2	15996	5.2	6.20	1.01	-16	2.5
Iberdrola		2	14717	5.0	8.23	3.20	1	1.6
Compass Group		1	14626	2.6	3.40	0.78	11	2.0
Volvo B		2	13523	2.5	3.76	1.28	13	2.1
Saint Gobain		1	13210	3.4	4.43	1.00	10	2.6
Atlas Copco A	New	3	11295	2.3	3.24	0.99	-1	2.0
Akzo Nobel		2	9974	2.6	3.41	0.78	1	2.1
Carrefour	New	3	9160	3.8	4.06	0.26	11	2.0
Morrison (Wm) Supermarkets	New	2	8819	3.9	4.18	0.28	14	2.2
British Sky Broadcasting		2	8281	2.8	4.14	1.32	13	2.0
Fortum		2	7663	2.6	5.69	3.11	1	1.6
Marks & Spencer Group	New	2	7163	4.8	4.76	0.01	8	1.9

Source: Datastream, Bloomberg, Yieldbook & CIRA

Stocks in Focus

- ABB remains one of our engineering analyst's key buys. Medium-term attractions are driven by (1) the later-cycle nature of the business, (2) overall backlog of c9 months, with order backlog in Power at 13m and (3) the net cash balance sheet.
- BHP has moved to yield premium against the FTSE All Share for the first time in a decade.

Figure 57. ABB — Balance Sheet Strength & Dividend Yield (2012E)

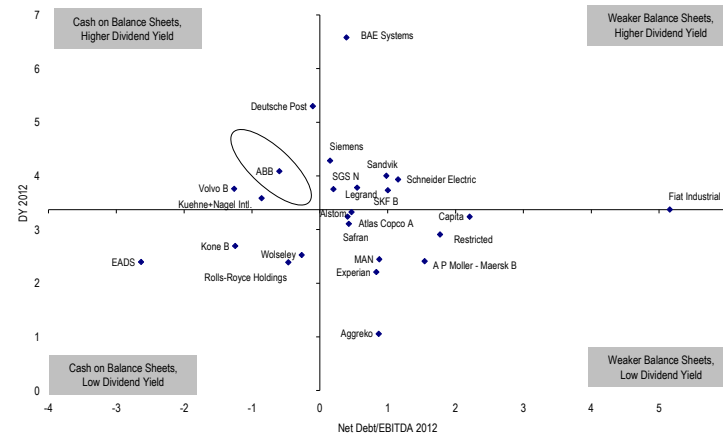


Figure 58 BHP — Trailing Dividend Yield Rel to All Share

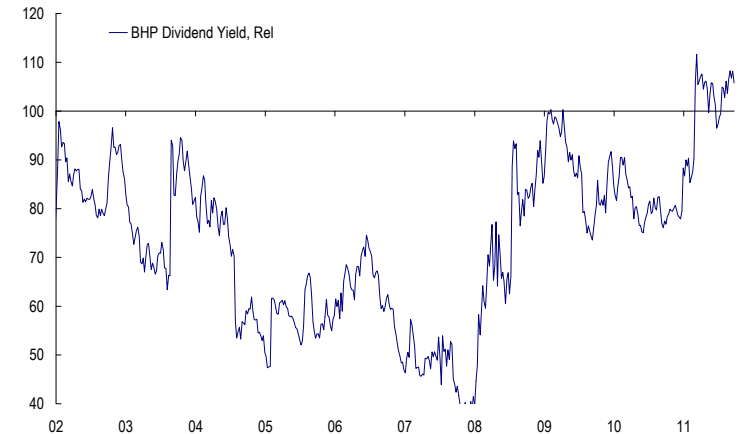
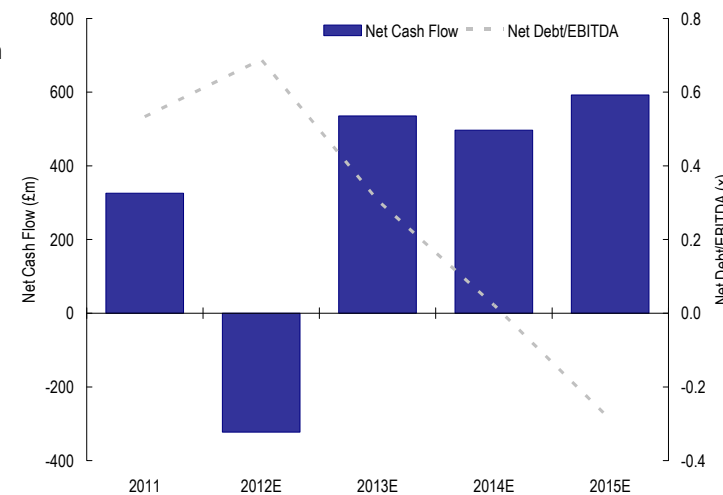
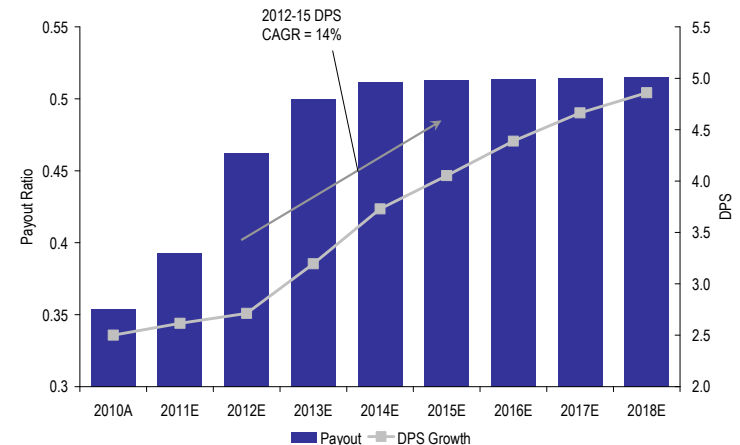


Figure 59. BSKyB — Net Cash Flow & Leverage (Year-end June, £m)



Source: Datastream & CIRA

Figure 60. Sanofi — DPS growth vs Payout Ratio



Quant Corner

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Figure 61. MSCI Europe Dividend Yield Quintiles — Equal Weighted Returns

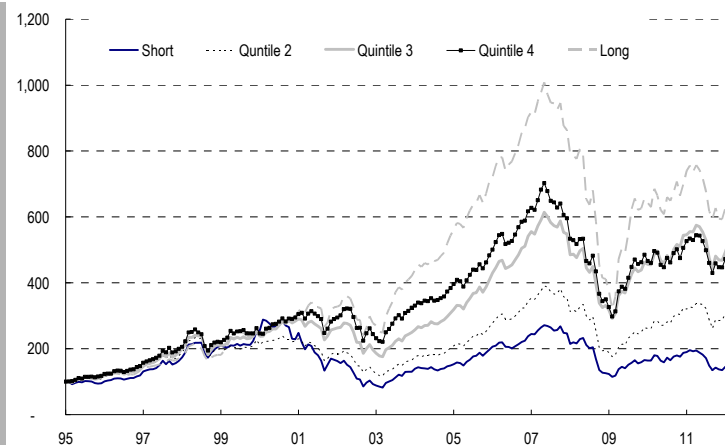


Figure 62. Period Returns, Dividend Yield, MSCI Europe

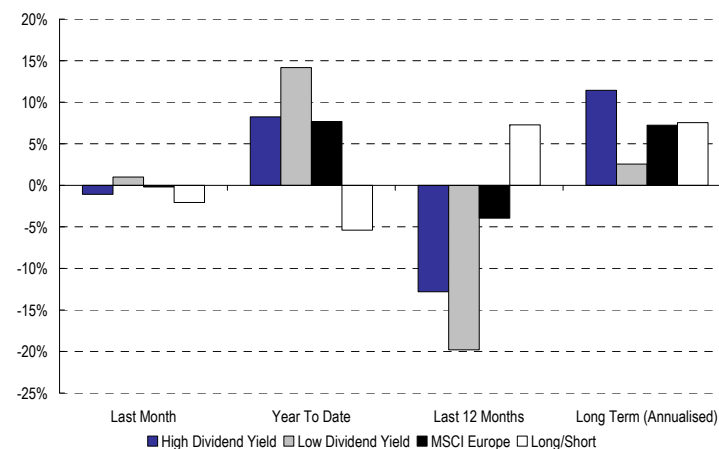
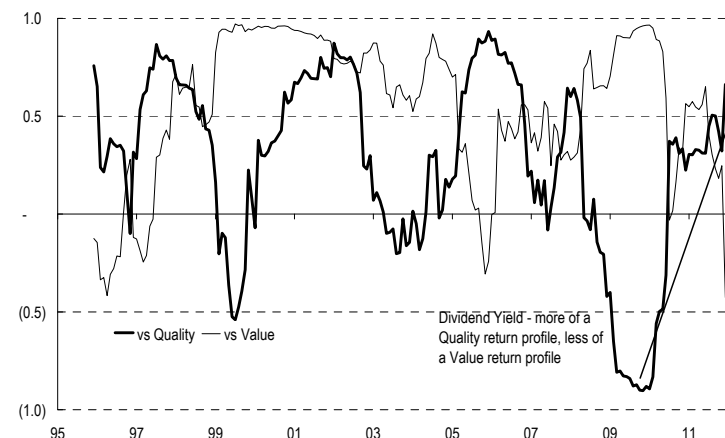


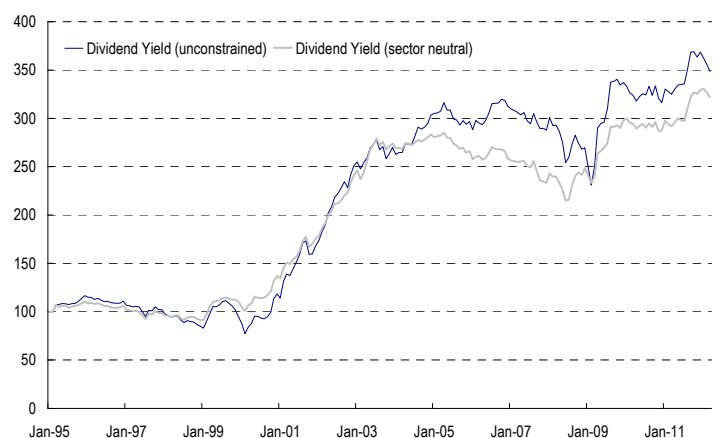
Figure 63. 12m Rolling Correlations Of Long/Short DY vs Quality & Value

- In the long run, high-yield strategies tend to outperform low-yield strategies.
- The correlation between DY and quality has risen over the past few years. This suggests that DY has got more of a quality return profile than value.



Source: Factset & CIRA.

Figure 64. Sector Bias in Dividend Yield Portfolios, MSCI Europe



Quant Theme — DGARP: Dividend Growth at a Reasonable Price

- Dividends and the yield that they can deliver in an equity portfolio are very much a focus for investors. Part of this focus is the obvious attraction of investing in companies that will deliver a reliable revenue stream, but additionally it could be argued that a yield-based strategy implicitly has a tilt towards “high-quality” companies.
- Companies that pay dividends, especially in a market like this, have real earnings/cashflow and it shows that management are on top of their capital management.
- By combining dividend yield and dividend growth, we create our dividend growth at a reasonable price factor (DGARP).
- for bespoke screening around these themes, please contact a member of the quant team on gqrlondon@citi.com

Figure 65. Annualised Return, DGARP Strategies, MSCI Europe'

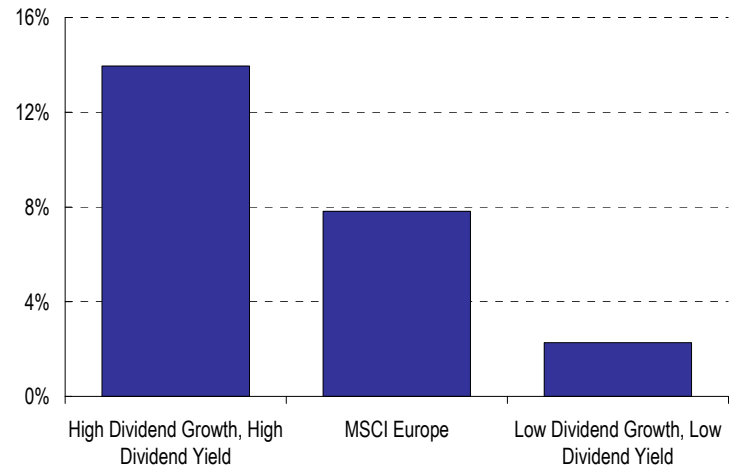
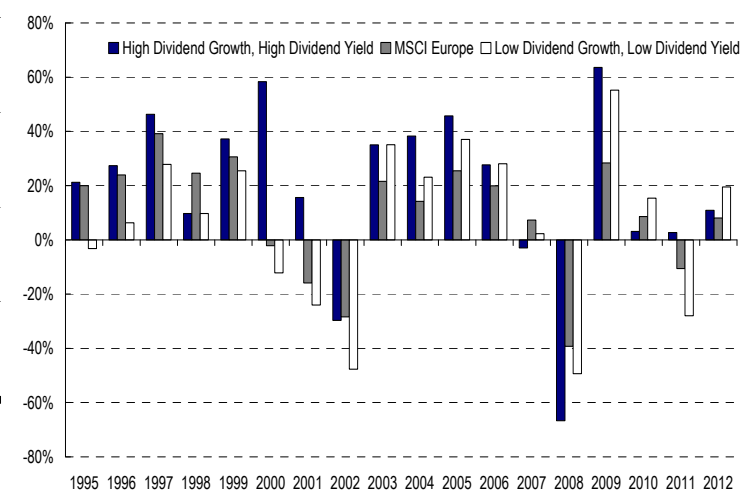


Figure 66. Annual Returns of DGARP Strategies, MSCI Europe



Source: Factset & CIRA.

Analytics & Alternative Research – Upcoming Dividend Events

Figure 67. List of Upcoming Dividend Events for Citi's European Coverage

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■ The Analytics & Alternative Research team provides bespoke screens to our premium clients ranging from simple valuation tables to more complex tailor-made analytical and fundamental screening tools/reports. If you would like a customised version of this screen for your list of portfolio stocks or any additional information, then please contact a member of the team.

Source: DataCentral. dataCentral is CIRA's proprietary database, which includes Citi estimates, data from company reports and feeds from Reuters, Datastream, First Call, IBES and Toyo Keizai.

RIC	Company/Date	Description	Amount	DY 2012
19/04/2012				
HOLN.VX	Holcim	FY 2011 Ex-Div date - proposed	SFr 1	2.0%
RAND.AS	Randstad	FY 2011 Div payment date - proposed	€ 1.25	4.9%
VERB.VI	Verbund	FY 2011 Ex-Div date - proposed	€ 0.55	3.0%
20/04/2012				
GAMH.S	GAM Holding	FY 2011 Ex-Div date - proposed	SFr 0.5	4.0%
LVMH.PA	LVMH	FY 2011 Ex-Div date - proposed	€ 1.8	2.3%
RWEG.DE	RWE	FY 2011 Div payment date - proposed	€ 2	5.9%
RWEG.DE	RWE	FY 2011 Ex-Div date - proposed	€ 2	5.9%
SMIN.L	Smiths Group	Interim 2012 Div payment date	£ 0.1175	3.6%
VOWG.DE	Volkswagen	FY 2011 Div payment date - proposed	€ 3	3.4%
VOWG.DE	Volkswagen	FY 2011 Ex-Div date - proposed	€ 3	3.4%
23/04/2012				
FI.MI	Fiat Industrial	FY 2011 Ex-Div date - proposed	€ 0.185	3.3%
FIA.MI	Fiat	FY 2011 Ex-Div date - proposed	€ 0.217	3.0%
FUM1V.HE	Fortum	FY 2011 Div payment date - proposed	€ 1	6.0%
HEIN.AS	Heineken	FY 2011 Ex-Div date - proposed	€ 0.53	2.0%
MRCG.DE	Merck	FY 2011 Div payment date	€ 1.5	1.9%
MRCG.DE	Merck	FY 2011 Ex-Div date	€ 1.5	1.9%
NESN.VX	Nestle	FY 2011 Ex-Div date - proposed	SFr 1.95	3.9%
PRY.MI	Prysmian	FY 2011 Ex-Div date - proposed	€ 0.21	1.3%
TNTE.AS	TNT Express	FY 2011 Ex-Div date - proposed	€ 0.4	1.4%
24/04/2012				
AHLN.AS	Ahold	FY 2011 Ex-Div date - proposed	€ 0.4	4.0%
BCOM.BR	Belgacom	FY 2011 Ex-Div date - proposed		9.3%
BSY.L	B Sky B	Interim 2012 Div payment date	£ 0.092	3.8%
HOLN.VX	Holcim	FY 2011 Div payment date - proposed	SFr 1	2.0%
KPN.AS	KPN	FY 2011 Div payment date - proposed	€ 0.57	12.2%
SAMAS.HE	Sampo	FY 2011 Div payment date - proposed	€ 1.2	6.3%
25/04/2012				
ABI.BR	ABInBev	FY 2011 Ex-Div date - proposed		3.5%
BALF.L	Balfour Beatty	FY 2011 Ex-Div date - proposed	£ 0.085	4.9%
CNA.L	Centrica	FY 2011 Ex-Div date - proposed	£ 0.1111	5.1%
DRXL	Drax Grp	FY 2011 Ex-Div date - proposed	£ 0.118	4.7%
EMG.L	Man Group PLC	FY 2012 Ex-Div date - proposed	US\$ 0.07	12.7%
FRES.L	Fresnillo	FY 2011 Ex-Div date - proposed	US\$ 0.4	2.2%
G1AG.DE	GEA	FY 2011 Div payment date - proposed	€ 0.55	2.5%
G1AG.DE	GEA	FY 2011 Ex-Div date - proposed	€ 0.55	2.5%
GAMH.S	GAM Holding	FY 2011 Div payment date - proposed	SFr 0.5	4.0%
GKN.L	GKN	FY 2011 Ex-Div date - proposed	£ 0.04	5.0%
GRG.L	Greggs	FY 2011 Ex-Div date - proposed	£ 0.135	4.2%
GSZ.PA	GDF Suez	FY 2011 Ex-Div date - proposed	€ 0.67	8.2%
INF.L	Informa	Interim 2011 Ex-Div date	£ 0.118	4.3%
JDW.L	JD Wetherspoon	Interim 2012 Ex-Div date	£ 0.04	3.1%
LVMH.PA	LVMH	FY 2011 Div payment date - proposed	€ 1.8	2.3%
NEXL	National Express	FY 2011 Ex-Div date - proposed	£ 0.065	4.4%
REL.L	Reed Elsevier	FY 2011 Ex-Div date - proposed	£ 0.159	4.4%
RGU.L	Regus	FY 2011 Ex-Div date - proposed	£ 0.02	2.8%
TLPR.L	Tullett Prbn	FY 2011 Ex-Div date - proposed	£ 0.1125	5.0%

RIC	Company/Date	Description	Amount	DY 2012
26/04/2012				
AAL.L	Anglo American	FY 2011 Div payment date - proposed	US\$ 0.46	2.6%
ASSAb.ST	Assa Abloy	FY 2011 Ex-Div date - proposed	SKr 4.5	3.0%
DNB.OL	DnB	FY 2011 Ex-Div date - proposed	NKr 2	3.3%
FI.MI	Fiat Industrial	FY 2011 Div payment date - proposed	€ 0.185	3.3%
FIA.MI	Fiat	FY 2011 Div payment date - proposed	€ 0.217	3.0%
LAD.L	Ladbroke	FY 2011 Div payment date - proposed	£ 0.039	5.0%
NESN.VX	Nestle	FY 2011 Div payment date - proposed	SFr 1.95	3.9%
PRY.MI	Prysmian	FY 2011 Div payment date - proposed	€ 0.21	1.3%
PTNL.AS	PostNL	Interim 2011 Ex-Div date - proposed	€ 0.193	9.1%
SKFb.ST	SKF AB	FY 2011 Ex-Div date - proposed	SKr 5.5	3.8%
SYNN.VX	Syngenta	FY 2011 Ex-Div date - proposed	SFr 8	2.5%
TFFP.PA	TF1	FY 2011 Ex-Div date - proposed	€ 0.55	8.1%
TNTE.AS	TNT Express	FY 2011 Div payment date - proposed	€ 0.4	1.4%
27/04/2012				
AKZO.AS	Akzo Nobel	FY 2011 Ex-Div date - proposed	€ 1.45	3.4%
BCOM.BR	Belgacom	FY 2011 Div payment date - proposed		9.3%
BEIG.DE	Beiersdorf	FY 2011 Div payment date - proposed	€ 0.7	1.5%
BEIG.DE	Beiersdorf	FY 2011 Ex-Div date - proposed	€ 0.7	1.5%
MUVGn.DI	Munich Re	FY 2011 Div payment date - proposed	€ 6.25	6.0%
MUVGn.DI	Munich Re	FY 2011 Ex-Div date - proposed	€ 6.25	6.0%
OREP.PA	L'Oréal	FY 2011 Ex-Div date - proposed	€ 2	2.4%
STL.OL	Statoil	FY 2011 Ex-Div date - proposed	NKr 1.8	8.8%
UMI.BR	Umicore	FY 2011 Ex-Div date - proposed	€ 1	2.2%
WLSNc.AS	Wolters Kluwer	FY 2011 Ex-Div date - proposed	€ 0.68	5.5%
30/04/2012				
ABB.VX	ABB	FY 2011 Ex-Div date - proposed	SFr 0.65	4.1%
ABI.BR	ABInBev	FY 2011 Div payment date - proposed		3.5%
AGES.BR	Ageas	FY 2011 Ex-Div date - proposed	€ 0.08	5.5%
ASML.AS	ASML Holding	FY 2011 Ex-Div date - proposed	€ 0.46	1.4%
ATCOa.ST	Atlas Copco	FY 2011 Ex-Div date - proposed	SKr 5	3.2%
BASFn.DE	BASF	FY 2011 Div payment date - proposed	€ 2.5	3.9%
BASFn.DE	BASF	FY 2011 Ex-Div date - proposed	€ 2.5	3.9%
BAYGn.DE	Bayer	FY 2011 Div payment date - proposed	€ 1.65	3.6%
BAYGn.DE	Bayer	FY 2011 Ex-Div date - proposed	€ 1.65	3.6%
BOUY.PA	Bouygues	FY 2011 Ex-Div date - proposed	€ 1.6	7.5%
CONG.DE	Continental	FY 2011 Div payment date - proposed	€ 1.5	2.9%
CONG.DE	Continental	FY 2011 Ex-Div date - proposed	€ 1.5	2.9%
FLTR.L	Filtrona	FY 2011 Div payment date - proposed	£ 0.072	2.7%
HGGH.L	Henderson Group	FY 2011 Ex-Div date		6.0%
LISN.S	Lindt Spruengli	FY 2011 Ex-Div date - proposed	SFr 500	1.6%
SAN.MC	Banco Santander	FY 2011 Div payment date		11.9%
SAN.MC	Banco Santander	FY 2011 Ex-Div date		11.9%
UCB.BR	UCB SA	FY 2011 Ex-Div date - proposed		3.0%
01/05/2012				
AHLN.AS	Ahold	FY 2011 Div payment date - proposed	€ 0.4	4.0%
CSGN.VX	Credit Suisse	FY 2011 Ex-Div date - proposed		3.2%
JLT.L	Jardine Lloyd	FY 2011 Div payment date - proposed	£ 0.148	3.6%
WOS.L	Wolseley	Interim 2012 Div payment date	£ 0.2	2.3%



Analytics & Alternative Research – Upcoming Dividend Events (Continued)

Figure 68. List of Upcoming Dividend Events for Citi's European Coverage

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RIC	Company/Date	Description	Amount	DY 2012	RIC	Company/Date	Description	Amount	DY 2012
02/05/2012					04/05/2012				
ABGL.L	African Barrick	FY 2011 Ex-Div date - proposed	US\$ 0.131	2.3%	BOUY.PA	Bouygues	FY 2011 Div payment date - proposed	€ 1.6	7.5%
ADML.L	Admiral Group	FY 2011 Ex-Div date - proposed	£ 0.174	7.0%	BOY.L	Bodycote	FY 2011 Div payment date - proposed	£ 0.073	3.0%
ADML.L	Admiral Group	Special ex-Div date - proposed	£ 0.191	7.0%	BRSN.L	Berendsen	FY 2011 Div payment date - proposed	£ 0.16	4.7%
ARM.L	ARM Holdings	FY 2011 Ex-Div date - proposed	£ 0.0209	0.7%	CSGN.VX	Credit Suisse	FY 2011 Div payment date - proposed		3.2%
BARC.L	Barclays	Q1 2012 Ex-Div date		3.8%	EDP.LS	EDP	FY 2011 Ex-Div date - proposed		9.6%
CKSN.L	Cookson Group	FY 2011 Ex-Div date - proposed	£ 0.145	3.4%	EONGn.DE	E.ON	FY 2011 Div payment date - proposed		6.6%
COB.L	Cobham	FY 2011 Ex-Div date - proposed	£ 0.062	3.8%	EONGn.DE	E.ON	FY 2011 Ex-Div date - proposed		6.6%
CRDA.L	Croda	FY 2011 Ex-Div date - proposed	£ 0.3025	2.6%	ERICb.ST	Ericsson	FY 2011 Ex-Div date - proposed	SKr 2.5	4.3%
FXPO.L	Ferrexpo	FY 2011 Div payment date - proposed	US\$ 0.033	1.4%	HEIG.DE	HeidelbergCement	FY 2011 Div payment date - proposed	€ 0.35	1.2%
HEIN.AS	Heineken	FY 2011 Div payment date - proposed	€ 0.53	2.0%	HEIG.DE	HeidelbergCement	FY 2011 Ex-Div date - proposed	€ 0.35	1.2%
HGGH.L	Henderson Group Plc	FY 2011 Ex-Div date - proposed	£ 0.0505	6.1%	HMB.ST	Hennes & Mauritz	FY 2011 Ex-Div date - proposed	SKr 9.5	4.1%
HOCM.L	Hochschild Mining	FY 2011 Ex-Div date - proposed	US\$ 0.03	0.9%	HNRGn.DE	Hannover Re	FY 2011 Div payment date - proposed	€ 2.1	5.3%
HSBA.L	HSBC	Q4 2011 Div payment date	US\$ 0.14	4.7%	HNRGn.DE	Hannover Re	FY 2011 Ex-Div date - proposed	€ 2.1	5.3%
ITV.L	ITV	FY 2011 Ex-Div date - proposed	£ 0.012	3.0%	LISN.S	Lindt Spruengli	FY 2011 Div payment date - proposed	SFr 500	1.6%
ITX.MC	Inditex	Interim 2011 Div payment date - proposed	€ 0.9	2.6%	MTXGn.DE	MTU Aero Engines	FY 2011 Div payment date - proposed	€ 1.2	2.1%
ITX.MC	Inditex	Interim 2011 Ex-Div date - proposed	€ 0.9	2.6%	MTXGn.DE	MTU Aero Engines	FY 2011 Ex-Div date - proposed	€ 1.2	2.1%
JMT.LS	Jeronimo Martins	FY 2011 Ex-Div date	€ 0.275	2.0%	NOKTV.HE	Nokia	FY 2011 Ex-Div date - proposed	€ 0.2	6.5%
KGF.L	Kingfisher	FY 2011 Ex-Div date - proposed	£ 0.0637	2.9%	PGS.OL	PGS	FY 2011 Ex-Div date - proposed	Dkr 1.1	0.0%
KLR.L	Keller Group	FY 2011 Ex-Div date - proposed	£ 0.152	5.1%	PSO.NL	Pearson	FY 2011 Div payment date - proposed	£ 0.28	3.8%
MP.L	Michael Page	FY 2011 Ex-Div date - proposed	£ 0.0675	2.4%	SKFb.ST	SKF AB	FY 2011 Div payment date - proposed	SKr 5.5	3.8%
NWRR.L	New World Resources	FY 2011 Div payment date - proposed	€ 0.07	2.6%	05/05/2012				
PHG.AS	Philips	FY 2011 Ex-Div date - proposed	€ 0.75	5.4%	SCVb.ST	Scania	FY 2011 Ex-Div date - proposed	SKr 5	3.1%
PRTP.PA	PPR	FY 2011 Ex-Div date - proposed	€ 3.5	3.3%	07/05/2012				
SHI.L	SIG	FY 2011 Ex-Div date - proposed	£ 0.015	2.6%	ATCOa.ST	Atlas Copco	FY 2011 Div payment date - proposed	SKr 5	3.2%
SNR.L	Senior	FY 2011 Ex-Div date - proposed	£ 0.0265	2.2%	JMT.LS	Jeronimo Martins	FY 2011 Div payment date	€ 0.275	2.0%
SYNN.VX	Syngenta	FY 2011 Div payment date - proposed	SFr 8	2.5%	LING.DE	Linde	FY 2011 Div payment date - proposed	€ 2.5	2.1%
TFPP.PA	TF1	FY 2011 Div payment date - proposed	€ 0.55	8.1%	LING.DE	Linde	FY 2011 Ex-Div date - proposed	€ 2.5	2.1%
TNET.BR	Telenet Grp Hldg	FY 2011 Ex-Div date - proposed	€ 1	14.8%	PRTP.PA	PPR	FY 2011 Div payment date - proposed	€ 3.5	3.3%
TPK.L	Travis Perkins	FY 2011 Ex-Div date - proposed	£ 0.135	2.4%	SOWG.DE	Software	FY 2011 Div payment date - proposed		1.8%
UMI.BR	Umicore	FY 2011 Div payment date - proposed	€ 1	2.2%	SOWG.DE	Software	FY 2011 Ex-Div date - proposed		1.8%
VERB.VI	Verbund	FY 2011 Div payment date - proposed	€ 0.55	3.0%	TNET.BR	Telenet Grp Hldg	FY 2011 Div payment date - proposed		14.8%
WEIR.L	Weir Group	FY 2011 Ex-Div date - proposed	£ 0.258	2.2%	UBSN.VX	UBS	FY 2011 Ex-Div date - proposed	SFr 0.1	0.9%
WMH.L	William Hill	FY 2011 Ex-Div date	£ 0.067	4.1%	08/05/2012				
XTA.L	Restricted	FY 2011 Ex-Div date - proposed	US\$ 0.27		ADEN.VX	Adeco	FY 2011 Div payment date - proposed	SFr 1.8	2.9%
03/05/2012					AKZO.AS	Akzo Nobel	FY 2011 Div payment date - proposed	€ 1.45	3.4%
ADEN.VX	Adeco	FY 2011 Ex-Div date - proposed	SFr 1.8	2.9%	ATLN.VX	Actelion	FY 2011 Ex-Div date - proposed	SFr 0.8	2.4%
ASSAb.ST	Assa Abloy	FY 2011 Div payment date - proposed	SKr 4.5	3.0%	DANO.PA	Danone	FY 2011 Ex-Div date - proposed	€ 1.39	3.0%
BATS.L	Brit Am Tobacco	FY 2011 Div payment date - proposed	£ 0.884	4.4%	DNB.OL	DnB	FY 2011 Div payment date	NKr 2	3.3%
OREP.PA	L'Oréal	FY 2011 Div payment date - proposed	€ 2	2.4%	KBC.BR	KBC	FY 2011 Ex-Div date - proposed	€ 0.01	0.1%
SAND.ST	Sandvik	FY 2011 Ex-Div date - proposed		4.0%	LAGA.PA	Lagardere	FY 2011 Ex-Div date - proposed	€ 1.3	5.9%
SPT.L	Spirent Communications	FY 2011 Div payment date - proposed	US\$ 0.0167	1.2%	PTNL.AS	PostNL	Interim 2011 Div payment date - proposed	€ 0.193	9.1%
SWMA.ST	Swedish Match	FY 2011 Ex-Div date - proposed	SKr 6.5	2.9%	SECUB.ST	Securitas	FY 2011 Ex-Div date - proposed	SKr 3	4.9%
UCB.BR	UCB SA	FY 2011 Div payment date - proposed		3.0%	TECF.PA	Technip	FY 2011 Ex-Div date	€ 1.58	2.2%
04/05/2012					TEL2b.ST	Tele2	FY 2011 Ex-Div date - proposed	SKr 6.5	10.2%
ABBN.VX	ABB	FY 2011 Div payment date - proposed	SFr 0.65	4.1%	TEL2b.ST	Tele2	Special ex-Div date - proposed	SKr 6.5	10.2%
AXAF.PA	AXA	FY 2011 Ex-Div date - proposed	€ 0.69	7.0%					
BME.MC	BME	Special Div payment date - proposed	€ 0.6	10.8%					
BME.MC	BME	Special ex-Div date - proposed	€ 0.6	10.8%					

Source: DataCentral. dataCentral is CIRA's proprietary database, which includes Citi estimates, data from company reports and feeds from Reuters, Datastream, First Call, IBES and Toyo Keizai.



Stocks — Top 20 Yielders

Figure 69. Top 20s — Top 20 Stocks on Dividend Yield, Trailing Dividend Yield Relative to Market ex Financials, Dividend Cover, Adjusted Dividend yield to Mkt.Cover, Abs 12m Fwd DY Relative to 5yr History

	2012 DY		Trailing DY Rel to Market ex Fins		2012 Div Cover		Adj 2012 Yield (for Cover)		Abs 12m Fwd DY Rel to History
Portugal Telecom R	17.81	Portugal Telecom R	987	KBC Groupe	239	Porsche Pref.	9.87	Cairn Energy	988
Opap	12.23	France Telecom	373	UBS R	14	Opap	9.29	Actelion	369
Man Group	11.96	Telefonica	306	Porsche Pref.	12	Kazakhmys	8.33	Petroleum Geo Servir	313
KPN	11.50	TDC	304	Kazakhmys	10	Renault	8.01	Ryanair Holdings	225
France Telecom	11.40	KPN	301	Salzgitter	10	Swiss Life Holding	7.87	Infineon Technologies	205
Banco Santander	11.31	Abertis Infraestructuras	296	Grifols	9	BP	7.58	ACS	125
TDC	11.22	Opap	291	Shire	9	ACS	7.54	DSV B	122
ACS	11.19	Enel	289	DSV B	9	Fiat	7.51	Tele2 B	112
Telefonica	11.04	Tele2 B	271	Gemalto	8	AXA	7.36	Lonza Group	110
Tele2 B	10.06	Neopost	241	Lanxess	7	Aviva	7.31	EDF	102
EDP Energias De Portugal	9.52	Iberdrola	227	Lonmin	7	Telecom Italia	7.28	Portugal Telecom R	99
Belgacom	9.25	GDF Suez	225	Dassault Systemes	7	BNP Paribas	7.25	Randgold Resources	85
RSA Insurance Group	9.10	Elisa	225	Prysmian	7	Restricted	7.20	STMicroelectronics	84
Enagas	8.87	EDP Energias De Portugal	221	Deutsche Bank	7	Credit Agricole	7.17	Invensys	79
Seadrill	8.83	Deutsche Telekom	220	Aryzta N	7	Aegon	7.12	Continental	78
Neopost	8.79	Seadrill	216	Kerry Group A	7	KBC Groupe	7.11	Man Group	70
Caixabank	8.61	Restricted	212	HeidelbergCement	6	OMV	7.00	Red Electrica Corpn.	65
Aviva	8.46	Bouygues	204	Richemont	6	Enel	6.99	Metro	65
Restricted	8.34	Gas Natural Sdg	203	Synthes	6	Intesa Sanpaolo	6.98	KPN	64
Restricted	8.28	Terna	202	BG Group	6	Bouygues	6.90	Restricted	63

Source: Datastream & CIRA.

Valuation Tables

Figure 70. Valuation Tables

	Net Dividend Yield				Dividend Growth, %			Dividends, €m			
	2010	2011	2012E	2013E	2011	2012E	2013E	2010	2011E	2012E	2013E
Oil & Gas	3.41	4.04	4.40	4.62	18	9	5	17370	20545	22400	23525
Chemicals	2.63	2.95	3.06	3.35	12	4	9	6509	7313	7573	8280
Basic Resources	2.57	2.82	3.20	3.56	10	14	11	6074	6664	7574	8417
Construction & Materials	3.83	3.93	4.09	4.44	3	4	8	4221	4318	4517	4921
Industrial G&S	3.01	3.30	3.43	3.74	10	4	9	15380	16740	17325	18920
Automobiles & Parts	2.53	3.58	4.15	5.03	42	16	21	3213	4547	5272	6395
Food & Beverage	2.59	2.92	3.33	3.69	13	14	11	11313	12772	14585	16162
Personal & H'hold Goods	2.55	2.83	3.13	3.53	11	11	13	8055	8943	9893	11183
Health Care	3.45	3.75	4.06	4.49	9	8	11	19392	21052	22799	25243
Retail	3.62	3.60	3.96	4.34	0	10	9	5994	5964	6575	7190
Media	4.20	4.85	4.80	5.12	15	-1	7	4899	5656	5598	5971
Travel & Leisure	2.96	3.08	3.10	3.58	4	1	16	1956	2034	2045	2366
Telecommunications	7.44	8.21	8.67	8.84	10	6	2	21089	23293	24579	25066
Utilities	7.11	6.33	6.39	6.61	-11	1	4	17113	15229	15361	15898
Banks	4.49	3.76	4.36	5.26	-16	16	21	25397	21268	24491	29533
Insurance	4.66	4.94	5.48	5.78	6	11	5	11960	12667	14061	14818
Real Estate	4.71	5.01	5.18	5.37	6	4	4	2798	2976	3084	3197
Financial Services	4.55	4.72	5.12	5.60	4	8	9	2549	2642	2866	3136
Technology	2.56	2.49	2.39	2.06	-3	-4	-14	3773	3658	3511	3003
Stoxx - Pan Europe	3.77	3.95	4.27	4.65	5	8	9	189053	198281	214109	233225
Pan Euro - Large Cap	3.88	4.09	4.43	4.80	5	8	9	160643	169196	182982	198596
Pan Euro - Mid Cap	3.18	3.28	3.55	3.93	3	8	11	19644	20217	21892	24241
Pan Euro - Small Cap	3.39	3.43	3.60	4.05	1	5	12	8767	8868	9234	10388

Source: Datastream & CIRA.



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UK

Why Dividends Matter

- While in price terms UK equities are around 15% below all-time highs, on a total return basis equities are nearly back to all-time highs thanks to the dividend.
- Figure 73 breaks down this performance over time and again shows how the consistent returns from dividends is the foundation for total returns.

Figure 71. All Share— Total Return & Price Index

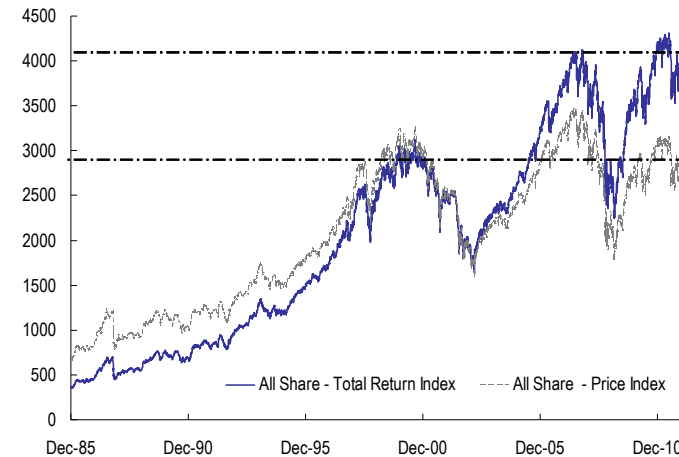


Figure 72. Return Composition — MSCI UK

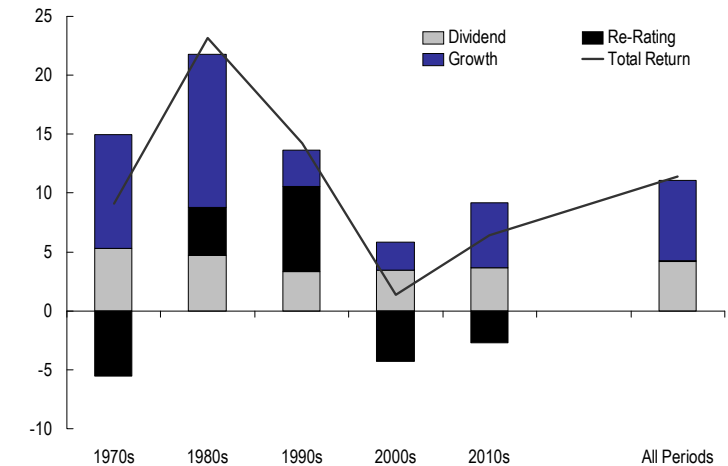
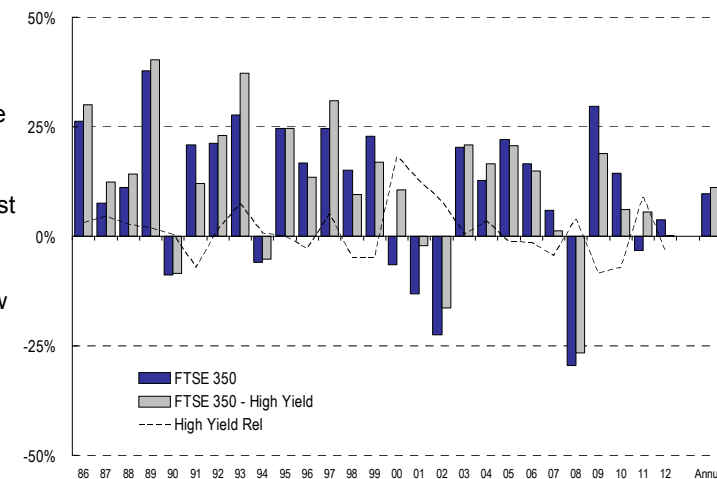
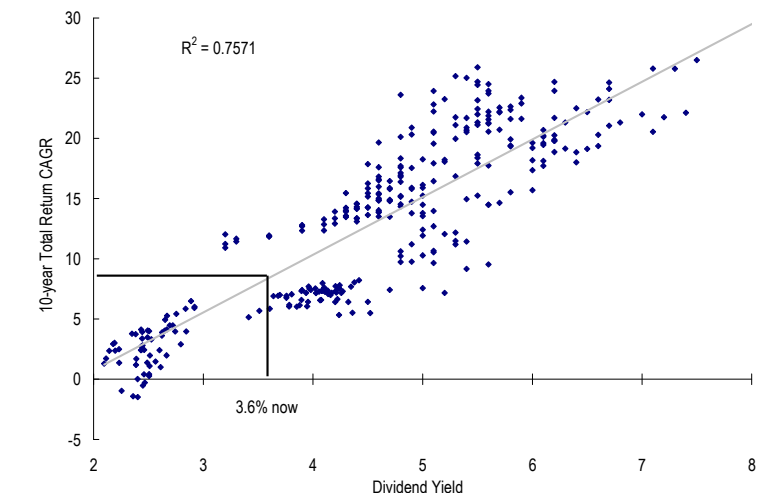


Figure 73. FTSE 350 – Performance of High Yield Equities



- Figure 74 shows the difference between higher dividend yields and market performance. Over 25 years higher yielding stocks have on average done better.
- Current dividend yields are not the most supportive guide to future returns as yields are below average due to a combination of low policy rates and low payout ratios.

Figure 74. DY vs 10y Annual Returns (UK)



Source: Datastream & CIRA

UK Equities — OK Value

- The UK having been the home of the income investor for most of the last 20 years is no longer the obvious market for income.
- Current dividend yields are below the long-term average.

Figure 75. UK Dividend Yield

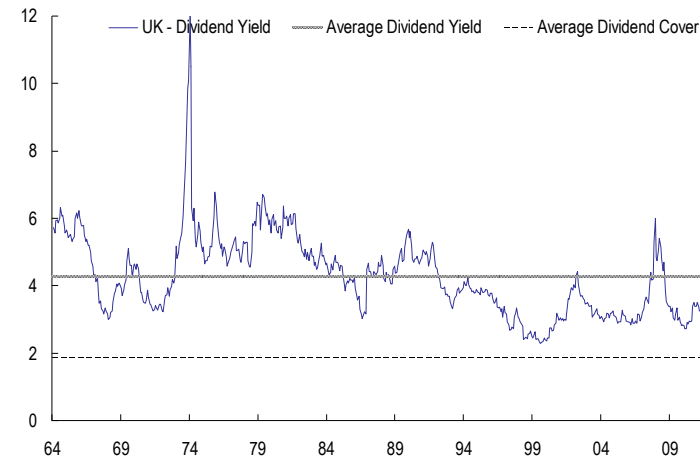


Figure 76. UK Dividend Yield Relative to World

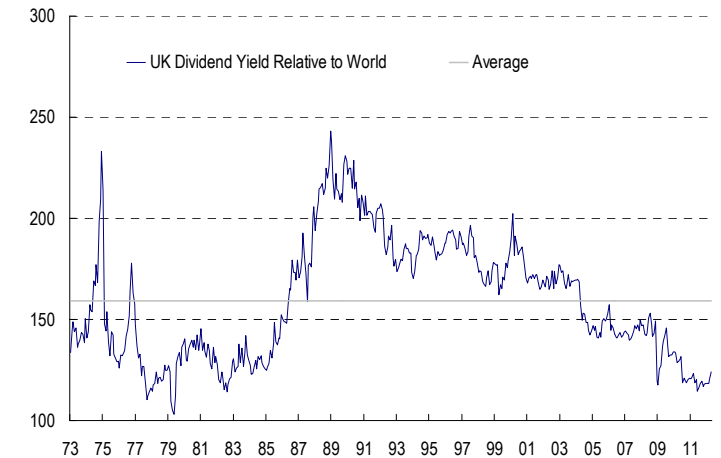
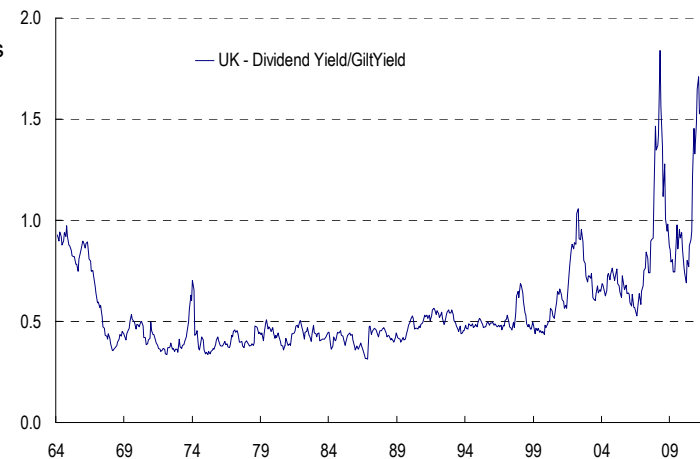
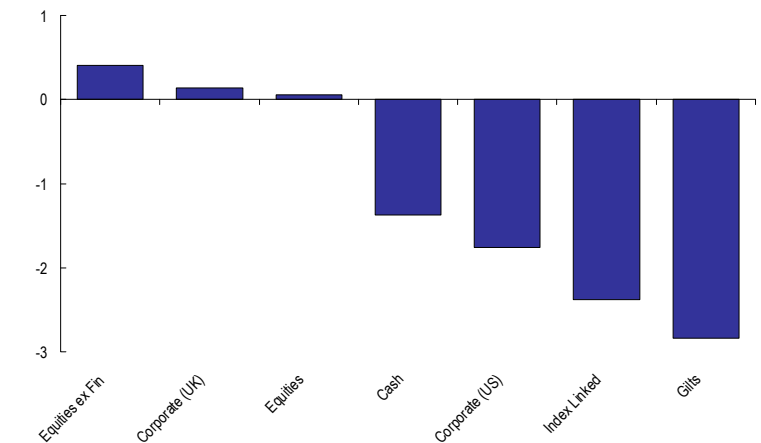


Figure 77. Dividend Yield Ratio (Vs Government Bonds)



- The low yield on Gilts means that the ratio between them and dividend yields is close to the highs of late 2008.
- Using the standard deviation of yields over the last decade equities appear somewhere between cheap and fair value. Fixed income still looks expensive along with cash.

Figure 78. Standard Deviation from 10yr Average Yields — Equities Cheap



Source: Datastream & CIRA

UK Market — General Trends

- Using 12 month forward dividend forecasts UK equities are still yielding above 4%.
- The median dividend yield in the UK has dropped below average signaling a degree of caution on valuations.

Figure 79. FTSE 350 — 12m Forward Dividend Yield

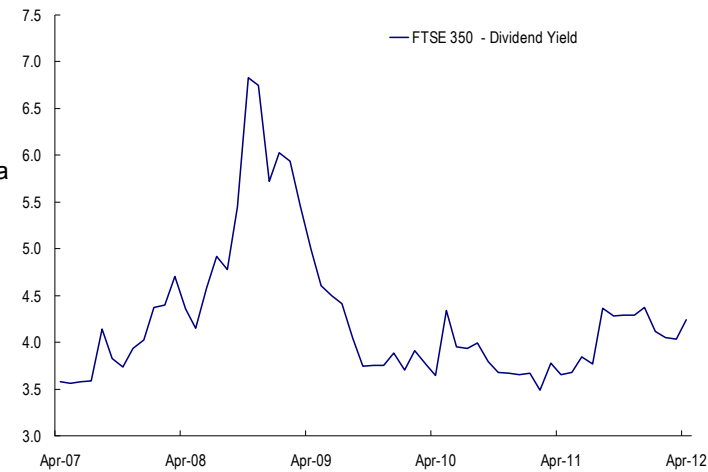


Figure 80. Median Dividend Yield

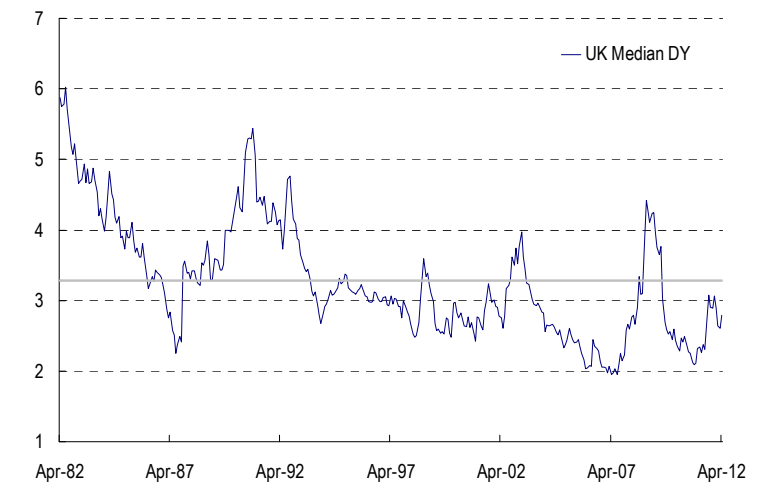


Figure 81. UK Ex Financials Dividend Yield

- Ex Financials the dividend yield is just above the last 9 year average. Not great value but not that expensive either.
- The recent fall in equities and fall in Gilt yields has seen over 80% of the FTSE 100 now yield more than Gilts.

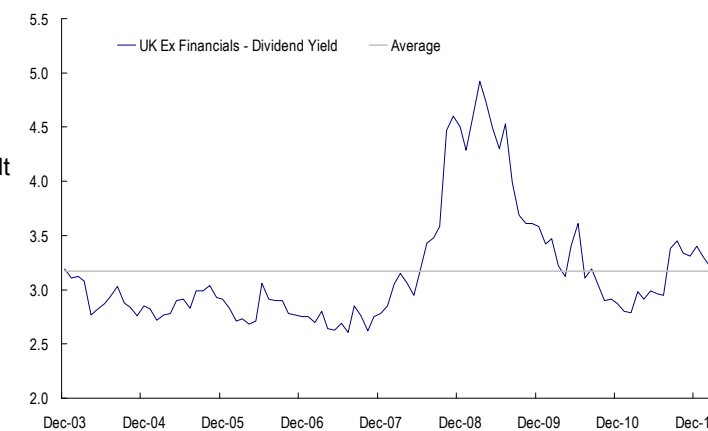
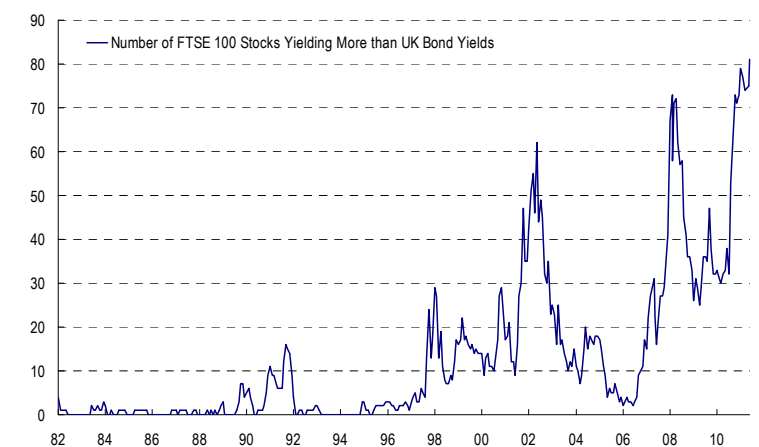


Figure 82. Proportion of FTSE 100 stocks Yielding More than Gilts



Source: Datastream & CIRA

UK Market — General Trends

- Unsurprisingly dividend forecasts are following the same pattern as earnings and have been trending upwards over the last 4 months.
- The dividend index continues to grind up from the 2009 lows but remains around 10% below the 2008 highs.

Figure 83. Net Upgrades — Year 1 Dividends

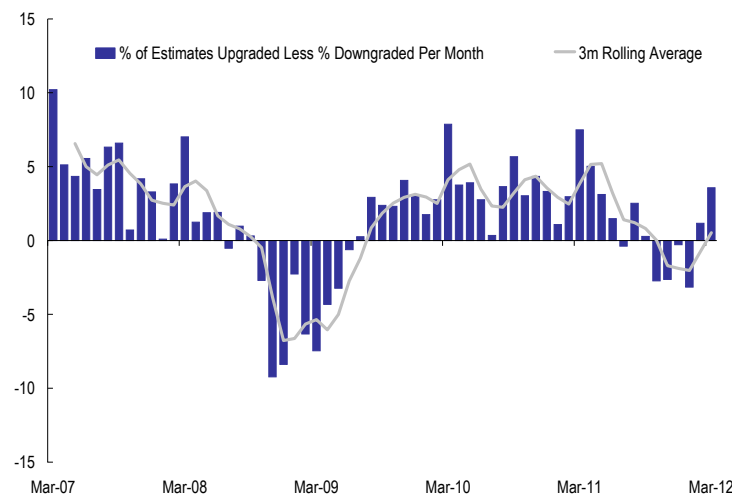


Figure 84. FTSE 350 — 12m Forward Dividend & Price Index

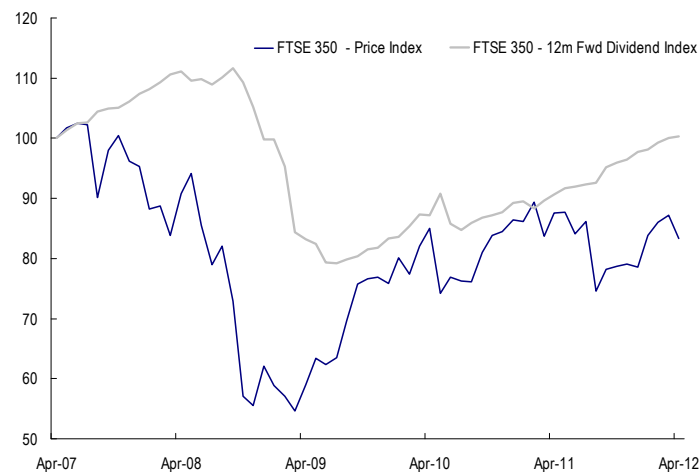
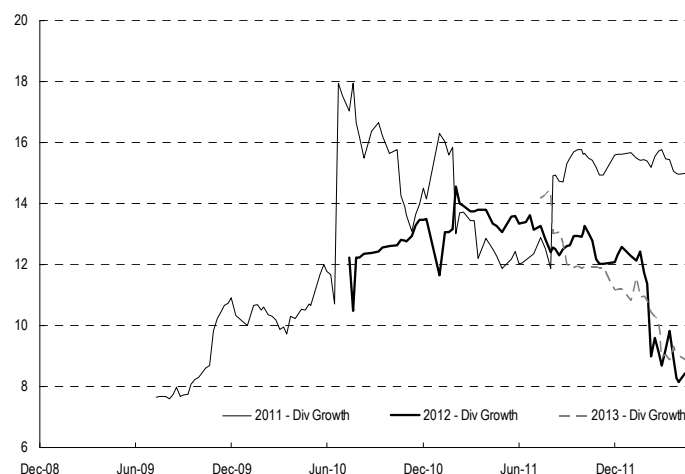


Figure 85. Change to Citi Dividend Growth Forecasts

- Market dividend growth is expected to be around 8% in 2012 and 9% in 2013.
- Cash cover of dividends is a key measure of sustainability. Construction, Retail, Travel and Utilities are the most at risk on these measures.



Source: Datastream & CIRA

Figure 86. Dividend Paid as % of FCF

	2010	2011	2012	2013	2014
Automobiles & Parts	nm	126	67	70	74
Basic Resources	26	37	91	34	27
Chemicals	182	86	62	60	55
Construction & Materials	103	537	182	147	117
Food & Beverage	56	70	62	56	56
Health Care	47	53	52	51	46
Industrial Gds & Services	42	60	51	46	46
Media	32	52	39	39	39
Oil & Gas	nm	nm	78	72	93
Personal & Household Gds	53	64	57	56	54
Retail	87	143	151	123	120
Technology	31	63	51	40	39
Telecommunications	56	145	62	52	55
Travel & Leisure	44	74	147	80	54
Utilities	52	117	171	239	187

Market — One Month Change to Forecasts

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

- The aggregate market changes to dividends shown previously are broken down by absolute and % upgrades and downgrades.
- The main source of upgrades is commodity based earnings.

Stock Name	1m Change Yr1 (£m)	1m Change Yr2 (£m)	Stock Name	1m Change Yr1 (%)	1m Change Yr2 (£m)
Restricted	166	163	COLT Telecom	29	-1
BT Group	28	2	Berkeley Gp. Hdq.	25	-
AstraZeneca	24	3	Intertek Group	17	15
Legal & General	20	21	Barratt Developments	16	2
Rio Tinto	18	19	Redrow	16	3
BHP Billiton	18	4	Restricted	13	15
Restricted	16	7	Taylor Wimpey	11	13
BP	11	-23	Tullow Oil	9	15
BG Group	11	0	Bellway	9	11
Intertek Group	10	10	Cobham	7	8
Tullow Oil	9	14	Easyjet	7	5
Barclays	9	19	Elementis	7	-1
Wolseley	7	9	Aegis Group	7	7
Restricted	7	11	Bovis Homes Group	6	3
Cobham	6	7	Kentz Corporation	5	6

Figure 88. One Month — Biggest Downgraders (Complete List Of FTSE 350 ex Investment Trusts)

- Downgrades are more mixed across most sectors with more of a Financials tilt.

Stock Name	1m Change Yr1 (£m)	1m Change Yr2 (£m)	Stock Name	1m Change Yr1 (%)	1m Change Yr2 (£m)
Restricted	-184	0	Cairn Energy	-100	-
Old Mutual	-72	8	Mitchells & Butlers	-83	-6
Mitchells & Butlers	-30	-2	Lancashire Holdings	-55	-6
Antofagasta	-28	-29	Supergroup	-35	-1
HSBC Holdings	-21	0	Carpetright	-29	-2
Lancashire Holdings	-20	-5	Restricted	-23	-13
Restricted	-14	-15	Old Mutual	-18	2
Aviva	-8	-10	Hays	-17	-11
Hays	-8	-5	New World Resources	-17	-19
Lloyds Banking Group	-8	-4	Antofagasta	-16	-15
Fresnillo	-6	-4	Fidessa Group	-15	0
Tesco	-6	-16	Lamprell	-11	4
Unilever (UK)	-6	-8	Lloyds Banking Group	-11	-1
Restricted	-5	-5	GKN	-10	-10
Intl.Hlts.Gp.	-5	-3	Lonmin	-8	-13

Source: Datastream & CIRA

Market — Six Month Change to Forecasts

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

- Over six months the picture for upgrades is again led by commodity related stocks reflecting the increase in prices over that period.

Stock Name	6m Change Yr1 (£m)	6m Change Yr2 (£m)	Stock Name	6m Change Yr1 (%)	6m Change Yr2 (%)
Restricted	1525	952	3I Group	100	94
Rio Tinto	212	212	African Barrick Gold	53	55
BP	121	322	Tullow Oil	45	39
GlaxoSmithKline	92	84	Galliford Try	31	30
BHP Billiton	67	80	Micro Focus Intl.	30	7
Old Mutual	51	22	Restricted	30	15
Restricted	50	-16	Hunting	28	31
AstraZeneca	49	52	Taylor Wimpey	24	3
3I Group	39	40	Bellway	23	23
WPP Group	35	45	Bwin Party Digital Entm.	22	16
Tullow Oil	31	31	Yule Catto	20	21
BT Group	29	-5	Rio Tinto	18	17
Legal & General	29	32	Old Mutual	18	6
Restricted	20	21	Sage Group	18	17
Rolls-Royce Holdings	19	33	Cobham	17	13

Figure 90. Six Month — Biggest Downgraders (Complete List FTSE 350 ex Investment Trusts)

- Downgrades are led by financials in total dividends paid. The more levered mid and small caps with a domestic bias have the largest proportional cuts

Stock Name	6m Change Yr1 (£m)	6m Change Yr2 (£m)	6m Change Yr1 (%)	6m Change Yr2 (£m)	Year 2: 6m Change in
Restricted	-374	-579	Avocet Mining	-100	-25
Lloyds Banking Group	-217	-402	Dixons Retail	-100	-60
Barclays	-189	-247	Intl.Cons.Airl.Gp.(Cdi)	-86	-84
Anglo American	-115	-36	Mitchells & Butlers	-81	-26
Brit. American Tobacco	-71	-34	Lloyds Banking Group	-76	-55
Antofagasta	-68	-49	Restricted	-72	-62
Restricted	-52	-38	Restricted	-70	-83
Restricted	-51	-61	Ryl. Bk. of Scil.	-68	-65
Tesco	-48	-138	Supergroup	-63	-8
Carnival	-43	-45	Carpetright	-63	-44
CRH	-43	-30	New World Resources	-58	-51
Hays	-41	-41	Lancashire Holdings	-51	108
Home Retail Group	-39	-41	Hays	-50	-50
Restricted	-35	-89	Howden Joinery Gp.	-45	-22
Ryl. Bk. of Scil.	-34	-123	Persimmon	-44	-20

Source: Datastream & CIRA

Themes — Resilient Dividends with 3 Year FCF above Dividend Paid

Figure 91. Resilient Dividends (All Share Non Financials Under Coverage)

	Stock	>£500m Market Cap, £m	New	>4%			FCF Yield 2011	FCF Yield 2012	FCF Yield 2013	>0 Average FCFY-DY	>1.6 Div Cover	<2 ND/EBITD A 2012	Rel Perf YTD
				DY 2011E	DY 2012E	DY 2013E							
■ This screen looks for those companies with resilient dividend payment properties.	AstraZeneca	35665		6.32	6.72	6.95	11.73	16.66	15.73	8.05	2.2	0.87	-9
	Talktalk Telecom Gp	914		5.57	6.71	7.77	8.92	14.02	17.17	6.69	1.8	1.15	-5
	TUI Travel	1083		5.89	6.18	6.57	9.57	5.86	12.27	3.02	2.0	0.01	13
■ FCF flow over 2011-13E has to be above the dividend paid. We also screen for traditional cover above 1.6x and debt/ebitda below 2x. We don't screen for earnings momentum but show it for the companies featured.	Carillion	1225		5.97	5.97	6.32	8.38	8.48	11.33	3.31	2.6	0.14	-11
	Premier Farnell	751		5.10	5.33	5.60	6.21	8.53	9.01	2.57	1.6	1.72	11
	Homeserve	730		4.94	5.32	5.69	7.54	8.73	9.08	3.13	2.1	0.48	-24
	BT Group	16487		4.53	5.30	5.93	2.09	10.38	12.35	3.02	2.0	1.34	10
	GKN	2968		4.18	5.22	6.27	3.32	7.77	8.99	1.47	2.2	0.69	8
	Ladbroke	1421		4.95	5.20	5.46	7.49	7.65	11.49	3.67	1.9	1.78	22
	Centrica	16322		4.78	5.07	5.38	7.58	8.67	8.67	3.23	1.7	1.00	7
	WH Smith	726		4.40	5.06	5.82	10.22	11.88	13.78	6.86	2.3	-0.23	-3
	Royal Dutch Shell	136663		4.80	4.96	5.18	3.06	7.19	7.20	0.84	2.9	0.44	-14
	Berendsen	867		4.64	4.85	5.09	7.02	8.17	8.69	3.10	2.1	1.53	16
■ BHP, BSKyB, Atkins and the pasty seller are the new stocks to screen.	Electrocomp.	1011		4.72	4.83	4.97	4.87	7.02	7.49	1.62	1.6	1.09	21
	Chemring Group	741		4.04	4.83	4.99	4.91	10.43	11.91	4.47	3.0	1.27	-8
	BP	83709		4.07	4.68	5.13	3.44	8.00	9.82	2.46	3.6	0.47	-7
	UBM	1436		4.47	4.56	5.28	11.50	15.24	16.69	9.71	2.2	1.98	23
	Mondi	2000		4.14	4.52	4.81	18.02	7.42	14.51	8.83	2.0	0.93	19
	Informa	2561		3.94	4.38	4.71	6.54	9.15	9.84	4.17	2.2	1.69	14
	Reed Elsevier	6493		4.04	4.34	4.46	10.72	11.25	12.22	7.12	2.2	1.57	-2
	BBA Aviation	1013		4.08	4.34	4.54	10.42	6.24	8.52	4.07	1.9	1.38	14
	Atkins (WS)	724	New	4.12	4.24	4.37	8.83	11.37	11.58	6.35	2.4	-1.01	15
	Brit. Sky Bcast.	8376	New	3.68	4.19	4.69	7.57	8.55	9.39	4.31	2.0	0.49	-14
	Greggs	520	New	3.77	4.17	4.59	2.11	6.80	6.99	1.13	2.0	-0.36	-1
	Daily Mail 'A'	1206		3.90	4.16	4.53	10.22	8.84	13.62	6.70	2.8	1.65	8
	William Hill	1799		3.72	4.09	4.50	10.00	8.00	12.69	6.13	2.4	0.76	24
	BHP Billiton	39189	New	3.67	4.09	4.44	8.67	5.30	6.65	2.81	3.1	0.58	-2
	Debenhams	1006		3.86	4.06	4.40	7.29	8.50	9.53	4.33	3.0	1.24	32

Source: Datastream & CIRA

Themes — Growth Adjusted Dividend Yields

Figure 92. DY*G (Universe for Screens on This Page All Share ex Investment Trusts)

	>£100m		>4%		>8%	>30	>1.5	<2
Stock	Market Cap, €m	New	DY 2012E	2y Annual Dividend Growth	DY*G	Div Cover	ND/EBITDA 2012	
Talktalk Telecom Gp	914		6.71	18	107	1.8	1.1	
Galliford Try	488		5.08	22	92	2.0	0.2	
GKN	2968		5.22	19	85	2.2	0.7	
Laird	555		4.75	19	77	1.8	1.0	
KCOM Group	363		6.29	12	70	1.7	0.8	
WH Smith	726		5.06	15	69	2.3	-0.2	
Brown (N) Group	484		6.48	11	68	1.8	1.5	
BT Group	16487		5.30	14	65	2.0	1.3	
Low & Bonar	166	New	4.17	13	49	2.7	0.5	
RPC Group	586	New	4.15	13	47	2.7	1.1	
Morrison (Wm) Spmkts.	7245		4.20	12	46	2.2	1.0	
Brit. Sky Bcast.	8376	New	4.19	12	45	2.0	0.5	
UTV Media	144	New	4.43	11	45	2.9	1.5	
Brit. American Tobacco	61630		4.45	10	44	1.5	1.2	
BP	83709		4.68	10	43	3.6	0.5	
Greggs	520	New	4.17	10	40	2.0	-0.4	
UBM	1436		4.56	9	39	2.2	2.0	
William Hill	1799		4.09	10	38	2.4	0.8	
Chemring Group	741		4.83	9	37	3.0	1.3	
Informa	2561		4.38	9	37	2.2	1.7	
BHP Billiton	39189	New	4.09	9	36	3.1	0.6	
Daily Mail 'A'	1206		4.16	9	34	2.8	1.7	

■ While yield is important we also believe that growth in the dividend is also a key part of the return story.

■ The DY*G screen looks for a 2012E of above 4% and 2 year compound growth in excess of 8%. We split the screen between non-fins where we add a 2x debt/ebitda leverage cut off and financials without the balance sheet filter.

■ Again BHP and BSKyB are new joiners along with Greggs, RPC and UTV.

Figure 93. DY*G Screen For Financials

Financials	>£100m		>4%		>8%	>30	>1.5
Stock	Market Cap, €m	New	DY 2012E	2y Annual Dividend Growth	DY*G	Div Cover	
Phoenix Group Hdg. (Lon)	961	New	7.62	76	193	3.1	
Hardy Underwriting	141		4.73	33	87	2.3	
Legal & General	7292		6.17	16	86	1.9	
Investec	2157		4.5	15	65	2.3	
Old Mutual	8519		4.69	20	61	2.4	
Henderson Group	1316	New	6.1	9	51	1.5	
Savills	448	New	4.2	11	45	2.2	
HSBC Holdings	96373		4.78	9	40	2.4	
Ashmore Group	1368		4.13	10	38	1.7	

Source: Datastream & CIRA.

Themes — Growth and EM Adjusted Dividend Yields (Non – Fins)

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

- This screen takes the same basis as the previous one and then adds an EM filter, at least 20% of revenues have to be EM.

- This screen is much more commodity tilted than the previous DY*G screen.

Stock	>£100m Market Cap	New	>20 EM Exposure	Div £m 2012	DY 2012	2yr Annual Dividend Growth	>30 DY*G	>1.3 Div Cover 2012	<2 ND/EBITDA 12	EM*DYG
Lamprell	637		100	25	4.00	31	88	2.28	-0.28	8835
JKX Oil & Gas	193	New	100	3	1.72	139	80	12.60	-0.33	7989
Laird	555		65	26	4.75	19	77	1.82	1.02	5026
Petrofac	4336		90	110	2.53	20	45	2.78	-2.40	4049
ITE Group	550		94	17	3.08	12	36	2.51	-0.52	3392
Brit. American Tobacco	61630		68	2742	4.45	10	44	1.54	1.21	2959
African Barrick Gold	456		40	11	2.38	18	47	5.00	-1.14	1873
Antofagasta	4377		45	130	2.96	16	41	2.86	-0.27	1851
BHP Billiton	39189		51	1602	4.09	9	36	3.14	0.58	1816
Anglo American	29502		40	796	2.70	19	44	4.90	0.57	1730
Hikma Pharma	969		35	16	1.67	33	44	3.76	1.48	1555
Rio Tinto	47304		40	1520	3.21	12	35	4.69	0.26	1401
Inchcape	1656		34	56	3.40	11	36	3.13	-0.62	1243
WPP Group	10490		28	385	3.67	13	42	2.50	0.89	1165
Rexam	3623		26	143	3.95	10	38	2.25	1.66	983
Filtrona	968		28	26	2.70	14	34	2.37	1.04	946
UBM	1436		22	65	4.56	9	39	2.16	1.98	851
Domino Printing Sci	636		25	23	3.64	10	34	1.74	-0.58	830
Informa	2561		22	112	4.38	9	37	2.25	1.69	799

Figure 95. Financials EM*DY*G (All Share Where We Have Data)

Stock	>£100m Market Cap	New	>20 EM Exposure	Div 2012	DY 2012	2yr Annual Dividend Growth	>30 DY*G	>1.3 Div Cover 2012	EM*DYG
Aberdeen Asset Man.	2940		24	167	5.69	37	166	1.44	3955
Std. Chartered	35507		90	1274	3.59	13	42	2.63	3802
Intl Psnl. Fin.	634	New	100	18	2.88	11	31	3.53	3116
Old Mutual	8519		46	399	4.69	20	61	2.41	2814
HSBC Holdings	96373		44	4607	4.78	9	40	2.40	1743
Barclays	25834		20	974	3.77	26	83	3.34	1704
Savills	448		37	19	4.20	11	45	2.16	1668

Source: Citi Investment Research and Analysis

Source: Datastream & CIRA

Themes — Big Guns

- These are the simplest screens, which companies pay the largest UK dividends.

- The EM big guns adds a 30% EM sourced revenue as a filter to get more growth in the D part.

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

Stock	Top 15					ND/EBITDA 12
	New	Div 2012	DY 2012	DY*G	Div Cover 2012	
Restricted		7006	8.28	59	1.17	
Royal Dutch Shell		6784	4.96	18	2.86	
HSBC Holdings		4607	4.78	40	2.40	
BP		3921	4.68	43	3.60	
GlaxoSmithKline		3847	5.37	20	1.56	
Brit. American Tobacco		2742	4.45	44	1.54	
AstraZeneca		2397	6.72	29	2.19	
BHP Billiton		1602	4.09	36	3.14	
Rio Tinto		1520	3.21	35	4.69	
National Grid		1454	6.38	34	1.25	
Std. Chartered		1274	3.59	42	2.63	
Tesco		1246	4.91	22	2.15	
Diageo		1127	2.97	20	2.15	
Imperial Tobacco Gp.		1097	4.45	46	1.87	
Unilever (UK)	New	1013	3.93	26	1.65	

Figure 97. EM Big Guns (All Share Universe – Top 15)

Stock	>30 Top 15					ND/EBITDA 12
	Ne EM Exp w	Div 2012	DY 2012	DY*G	Div Cover 2012	
Restricted	38	7006	8.28	59	1.17	1.81
HSBC Holdings	44	4607	4.78	40	2.40	
Brit. American Tobacco	68	2742	4.45	44	1.54	1.21
BHP Billiton	51	1602	4.09	36	3.14	0.58
Rio Tinto	40	1520	3.21	35	4.69	0.26
Std. Chartered	90	1274	3.59	42	2.63	
Diageo	37	1127	2.97	20	2.15	1.99
Unilever (UK)	50	1013	3.93	26	1.65	1.09
Anglo American	40	796	2.70	44	4.90	0.57
SABMiller	74	739	2.49	32	2.39	2.39
Prudential	41	668	3.65	18	2.47	
Restricted	53	555	2.31	15	4.64	0.86
BG Group	42	545	1.16	9	5.74	1.28
Old Mutual	46	399	4.69	61	2.41	
Rolls-Royce Holdings	32	360	2.40	23	3.05	-0.46

Figure 98. Big Gun —Contribution to Dividend Base, 1998-2012E

- The top 10 dividend payers account for around half of the UK dividend base.
- The top 20 are close to 75%. Of the total Financials are the largest contributor at 19%, followed by Oils (17%) and Consumer Goods and Telcos both at 12%.

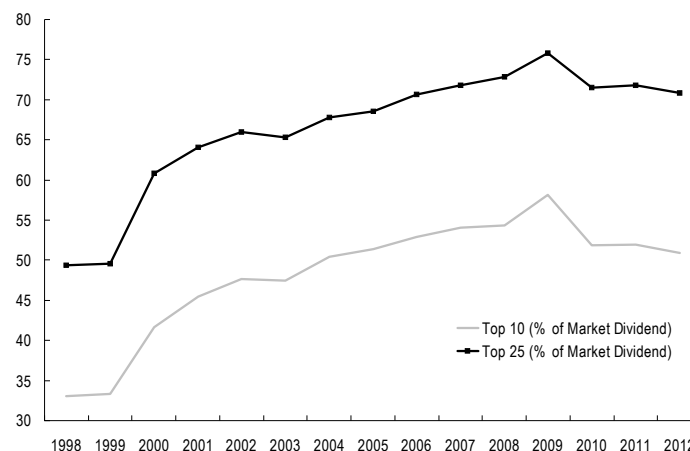
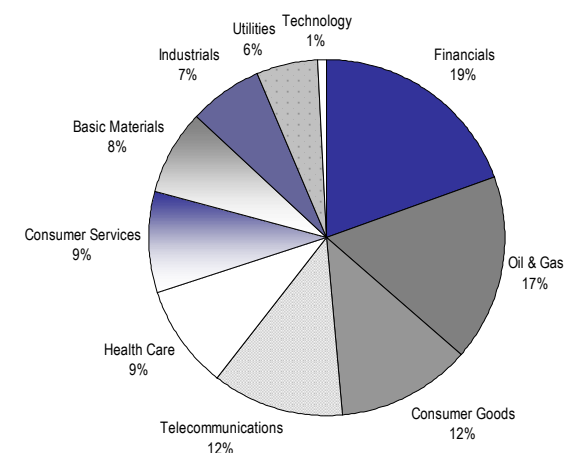


Figure 99. Contribution to 2012 Dividend Base



Source: Datastream & CIRA

Themes — Potentially Risky Dividends – Weak Cash Flow Dividend Cover

Figure 100. Risky Dividend Screen (All Share Non Financials Under Coverage)

- Figure 101 is the inverse of the resilient dividend screen. We look for negative FCF cover over the three year period, dividend cover below 2x and debt/EBITDA of 1.5x or higher.

- A relatively short screen with retail and utilities the main sectors featured. New joiners are CRH and Severn Trent.

Stock	>£100m Market Cap, £m	New?	>4% DY 2011E	DY 2012E	DY 2013E	FCF Yield 2011E	FCF Yield 2012E	FCF Yield 2013E	<0 Average FCFY-DY	<2 Div Cover	>1.5x ND/EBITDA 2012	Rel Perf YTD
SSE	12325		5.97	6.32	6.71	-1.58	-1.89	-1.36	-7.94	1.4	3.17	2
Marstons	561		5.89	5.94	6.14	-0.12	-0.91	-0.22	-6.41	1.9	5.52	4
Inmarsat	1905		5.92	6.58	6.56	9.39	-7.71	-0.13	-5.84	1.1	3.08	1
United Utilities Group	4077		5.27	5.64	5.97	1.92	0.10	-1.20	-5.35	1.1	5.84	-4
Sainsbury (J)	5597		5.19	5.31	5.80	-0.67	1.78	3.23	-3.99	1.7	1.68	-2
CRH	8815	New	4.42	4.22	4.37	1.15	1.49	1.88	-2.83	1.4	1.55	-7
National Grid	22797		6.02	6.38	6.72	6.98	2.96	1.08	-2.70	1.2	4.79	0
Marks & Spencer	5856		4.61	4.81	5.18	5.90	2.70	4.17	-0.61	1.9	1.57	15
Marshalls	187		5.53	5.53	5.63	1.13	6.55	7.92	-0.36	1.0	2.16	2
Severn Trent	3646	New	4.45	4.81	5.13	3.39	5.08	5.76	-0.05	1.3	4.81	2

Source: Datastream & CIRA

Valuation Tables

Figure 101. Valuation Tables

	Net Dividend Yield				Dividend Growth, %			Dividends, £m			
	2010	2011	2012E	2013E	2011	2012E	2013E	2010	2011E	2012E	2013E
OIL & GAS	2.84	3.57	3.89	4.11	26	9	6	8,616	10,835	11,784	12,472
Oil & Gas Producers	2.89	3.64	3.94	4.16	26	8	6	8,382	10,571	11,453	12,087
Oil Equip, Serv and Distrib	1.88	2.12	2.64	3.07	13	24	16	233	264	331	386
Alternative Energy	-	-	-	-	-	-	-	0	0	0	0
BASIC MATERIALS	2.32	2.59	2.90	3.25	12	12	12	4,352	4,863	5,443	6,068
Chemicals	2.10	2.20	2.35	2.48	5	7	6	215	225	240	251
Forestry & Paper	3.15	4.14	4.52	4.81	31	9	6	63	83	90	96
Industrial Metals	0.31	0.30	1.37	0.30	-4	358	-78	8	7	33	7
Mining	2.35	2.63	2.94	3.32	12	12	13	4,067	4,548	5,079	5,713
INDUSTRIALS	2.64	2.96	3.18	3.44	12	7	8	3,904	4,386	4,702	5,094
Construction & Materials	4.40	4.53	4.48	4.68	3	-1	4	559	575	569	594
Aerospace	3.19	3.53	3.77	4.00	11	7	6	1,085	1,200	1,282	1,362
General Industrials	2.82	3.38	3.75	4.11	20	11	10	335	402	445	488
Electronic & Electrical Equip	1.53	1.80	1.98	2.17	18	10	10	113	133	146	160
Industrial Engineering	2.29	2.50	2.77	3.04	9	11	10	317	347	383	422
Industrial Transportation	4.27	4.18	4.26	4.47	-2	2	5	72	70	72	76
Support Services	2.13	2.49	2.71	2.99	17	9	10	1,423	1,659	1,805	1,993
CONSUMER GOODS	2.96	3.28	3.53	3.99	11	8	13	7,000	7,743	8,336	9,425
Automobiles & Parts	2.56	4.09	5.11	6.14	60	25	20	77	124	155	186
Beverages	2.36	2.53	2.79	3.05	7	10	10	1,631	1,743	1,922	2,106
Food Producers	3.29	3.56	3.67	3.99	8	3	9	1,178	1,277	1,316	1,432
Household Gds & Home Cons	2.61	2.92	2.79	3.69	12	-4	32	897	1,003	960	1,271
Leisure Goods	5.13	5.60	6.43	6.59	9	15	2	2	2	2	2
Personal Goods	1.25	1.60	1.91	2.24	29	19	17	95	122	142	165
Tobacco	3.62	4.02	4.45	4.94	11	11	11	3,120	3,472	3,839	4,263
HEALTH CARE	4.30	4.90	5.08	5.30	14	4	4	5,490	6,256	6,483	6,771
Health Care Equip & Services	1.68	1.78	1.97	2.15	6	11	9	105	111	123	134
Pharmaceuticals & Biotech	4.43	5.06	5.24	5.46	14	3	4	5,385	6,145	6,359	6,636

Source: Datastream & CIRA

Valuation Tables

Figure 102. Valuation Tables (Continued)

	Net Dividend Yield				Dividend Growth, %			Dividends, £m			
	2010	2011	2012E	2013E	2011	2012E	2013E	2010	2011E	2012E	2013E
CONSUMER SERVICES	3.30	3.77	3.88	4.22	14	3	9	5,309	6,060	6,238	6,784
Food & Drug Retailers	4.18	4.44	4.72	5.01	6	6	6	1,690	1,796	1,908	2,027
General Retailers	3.34	3.56	3.76	4.13	7	6	10	900	960	1,011	1,107
Media	2.83	3.76	3.74	4.10	33	0	10	1,371	1,826	1,821	1,994
Travel & Leisure	3.01	3.30	3.35	3.70	10	2	11	1,349	1,478	1,498	1,656
TELECOMMUNICATIONS	5.03	6.76	7.69	8.06	34	14	5	5,368	7,207	8,199	8,591
Fixed-Line Telecoms	4.40	4.99	5.31	5.83	13	7	10	887	1,005	1,067	1,169
Mobile Telecoms	5.18	7.17	8.24	8.58	38	15	4	4,480	6,202	7,132	7,421
UTILITIES	4.98	5.17	5.47	5.73	4	6	5	3,476	3,605	3,815	3,999
Electricity	5.63	5.86	6.11	6.15	4	4	1	804	837	872	878
Gas, Water & Multi-Utilities	4.81	4.99	5.30	5.63	4	6	6	2,672	2,768	2,944	3,122
TECHNOLOGY	1.46	1.68	1.90	2.07	15	13	9	380	437	495	539
Software & Computer Serv	2.07	2.38	2.66	2.87	15	12	8	290	333	372	402
Technology Hardware & Equip	0.75	0.87	1.03	1.13	15	18	11	90	104	124	137
TOTAL NON-FINANCIAL	3.21	3.76	4.06	4.37	17	8	8	43,894	51,393	55,495	59,743
FINANCIALS	3.79	4.05	4.46	5.08	7	10	14	11,315	12,099	13,264	15,104
Banks	3.24	3.55	3.93	4.78	9	11	22	5,657	6,192	6,855	8,332
Non-Life Insurance	6.86	6.66	6.42	6.69	-3	-4	4	970	942	908	947
Life Insurance	4.44	4.81	5.62	5.81	8	17	3	2,373	2,572	2,930	3,031
Real Estate Investment Svs	1.81	1.91	2.12	2.36	6	11	11	64	67	72	81
REITS	3.96	4.16	4.41	4.59	5	6	4	872	911	964	1,001
Financial Services	4.40	4.52	4.90	5.46	3	8	11	1,379	1,415	1,534	1,711
FTSE ALL SHARE	3.31	3.81	4.13	4.50	15	8	9	55,209	63,492	68,760	74,846
FTSE 100	3.37	3.92	4.28	4.65	16	9	9	49,137	57,103	62,291	67,707
Mid 250	2.91	3.10	3.17	3.50	6	2	10	5,527	5,880	5,920	6,535
Small Cap	2.97	2.83	3.05	3.47	-5	8	14	581	548	590	647

Source: Datastream & CIRA

Stocks Mentioned

Figure 103. Companies Mentioned

Stock	RIC Code	Rating	Price	Currency	Stock	RIC Code	Rating	Price	Currency
3i Group	III.L	2	1.91	£	Keller	KLR.L	2H	4.47	£
A P Moller - Maersk B	MAERSKb.CO	2	41920.00	DK	Kentz Corporation	KENZ.L		4.27	£
ABB	ABBN.VX	1	18.50	SF	Kerry Group A	KYGa.I		34.42	E
Aberdeen Asset Man.	ADN.L	1	2.68	£	Kingfisher	KGF.L	2	3.04	£
Abertis Infraestructuras	ABE.MC		11.30	E	Kinnevik B	KINVb.ST		144.00	SK
Accor	ACCP.PA	3	25.95	E	Kone B	KNEBV.HE	3	41.72	E
ACS	ACS.MC		16.45	E	Koninklijke DSM	DSMN.AS	1	42.21	E
Actelion	ATLN.VX	2	32.21	SF	KPN	KPN.AS	3	6.88	E
Adecco R	ADEN.VX	2	45.12	SF	Kuehne+Nagel Intl.	KNIN.VX	1	112.00	SF
Admiral Group	ADML.L	2	12.09	£	Ladbroke's	LAD.L	2	1.63	£
Aegis Group	AEGS.L	1	1.79	£	Lafarge	LAFP.PA	2	30.58	E
Aegon	AEGN.AS	2H	3.66	E	Lagardere Groupe	LAGA.PA	2	21.51	E
African Barrick Gold	ABGL.L	3	3.69	£	Laird	LRD.L		2.22	£
Ageas (Ex-Fortis)	AGES.BR	2H	1.41	E	Lamprell	LAM.L	1	3.31	£
Aggreko	AGGK.L	1	22.41	£	Lancashire Holdings	LRE.L	1	8.10	£
Ahold Kon.	AHLN.AS	1	10.41	E	Lanxess	LXSG.DE	1	61.78	E
Air Liquide	AIRP.PA	2	98.36	E	Legal & General	LGEN.L	2	1.18	£
Aixtron	AIXGn.DE	2H	13.62	E	Legrand	LEGD.PA		25.71	E
Aker Solutions	AKSO.OL		97.40	NK	Linde	LING.DE	1	129.45	E
Akzo Nobel	AKZO.AS	2	43.14	E	Lindt & Sprungli R	LISN.S	1	34355.00	SF
Alcatel-Lucent	ALUA.PA	3	1.46	E	Lloyds Banking Group	LLOY.L	1	0.30	£
Allianz	ALVG.DE	1	84.03	E	Lonmin	LMI.L	2	10.19	£
Alstom	ALSO.PA	2	26.87	E	Lonza Group	LONN.VX	3	42.87	SF
AMEC	AMEC.L	1	11.15	£	L'Oreal	OREP.PA	2	93.76	E
Amer Sports 'A'	AMEAS.HE		9.65	E	Low & Bonar	LWB.L		0.60	£
Anglo American	AAL.L	2	23.12	£	Luxottica	LUX.MI	1	27.08	E
Anheuser-Busch Inbev	ABI.BR	1	56.03	E	LVMH	LVMH.PA	1	126.20	E
Antofagasta	ANTO.L	3	11.78	£	MAN	MANG.DE	2	101.60	E
Aquarius Platinum (Lon)	AQP.L	2	1.37	£	Man Group	EMG.L	2H	1.00	£
Arcelormittal	ISPA.AS	1	13.36	E	Marine Harvest	MHG.OL		2.77	NK
ARM Holdings	ARM.L	1	6.08	£	Marks & Spencer Group	MKS.L	2	3.58	£
Aryzta N	ARYN.S		46.15	SF	Marshalls	MSLH.L	2	0.96	£
Ashmore Group	ASHM.L	2	3.86	£	Marstons	MARS.L	2	1.00	£
ASML	ASML.AS	2	37.33	E	Mediaset	MS.MI	3	1.77	E
Assa Abloy B	ASSAb.ST	2	203.00	SK	Mediobanca	MDBI.MI		3.87	E
AstraZeneca	AZN.L	2	28.26	£	Meggitt	MGGT.L	2	4.05	£
Atkins (WS)	ATKW.L	2	7.39	£	Merck KGAA	MRCG.DE	2	82.91	E
Atlas Copco A	ATCOa.ST	3	158.90	SK	Metro	MEOG.DE	3	25.57	E
Aviva	AV.L	2H	3.08	£	Metso	MEO1V.HE	3	31.69	E
Avocet Mining	AVM.L		1.66	£	Michael Page Intl.	MPI.L	2	4.38	£
AXA	AXAF.PA	2H	10.84	E	Micro Focus Intl.	MCRO.L	2	4.68	£
Babcock Intl.	BAB.L	1	8.29	£	Mitchells & Butlers	MAB.L	1	2.66	£
BAE Systems	BAES.L	1	2.89	£	Mondi	MNDI.L	1	5.69	£

Balfour Beatty	BALF.L	1	2.72	£	Morrison (Wm) Supermarkets	MRW.L	2	2.98	£
Banca Pop. Milano	PMII.MI	2H	0.35	E	MTU Aero Engines	MTXGn.DE	2	61.78	E
Banco De Sabadell	SABE.MC	3H	1.80	E	Muenchener Rueckver	MUVGn.DE	2	113.30	E
Banco Espirito Santo R	BES.LS	1H	0.59	E	National Bank of Greece	NBGr.AT	2H	1.86	E
Banco Popular Espanol	POP.MC	3H	2.39	E	National Express	NEX.L	2	2.28	£
Banco Santander	SAN.MC	2H	4.81	E	National Grid	NG.L	2	6.49	£
Bankia	BKIA.MC		2.58	E	Natixis	CNAT.PA	2	2.29	E
Bankinter R	BKT.MC	3H	3.17	E	Neopost	NPOS.PA		43.75	E
Barclays	BARC.L	1	2.14	£	Nestle R	NESN.VX	2	56.65	SF
Barratt Developments	BDEV.L	3H	1.33	£	New World Resources	NWRR.L	2	4.10	£
BASF	BASFn.DE	2	64.72	E	Next	NXT.L	1	29.71	£
Bayer	BAYGn.DE	1	52.53	E	Nobel Biocare Holding	NOBN.VX	3	10.77	SF
BBA Aviation	BBA.L	1	2.01	£	Nokia	NOK1V.HE	3	3.03	E
BBV Argentina	BBVA.MC	2H	5.18	E	Nokian Renkaat	NRE1V.HE		35.61	E
Beiersdorf	BEIG.DE	3	50.34	E	Nordea Bank	NDA1V.HE	2	56.50	SK
Belgacom	BCOM.BR	3	23.36	E	Novartis R	NOVN.VX	2	50.70	SF
Bellway	BWY.L	1	7.98	£	Novo Nordisk B	NOVOB.CO	1	850.00	DK
Berendsen	BRSN.L	3	5.29	£	Novozymes	NZYMb.CO		157.50	DK
Berkeley Group	BKGH.L	2	12.81	£	Old Mutual	OML.L		1.50	£
BG Group	BG.L	1	14.24	£	OMV	OMVV.VI	3	24.50	E
BHP Billiton	BLT.L	1	19.43	£	Opap	OPAr.AT	2H	6.79	E
BMW	BMWG.DE	1	69.44	E	Pearson	PSON.L	1	11.19	£
BNP Paribas	BNPP.PA	1	30.00	E	Pennon Group	PNN.L	2	7.37	£
Bodycote	BOY.L	2	4.04	£	Persimmon	PSN.L	1	6.35	£
Bolsas Y Mercados Espanoles	BME.MC	3	17.58	E	Petrofac	PFC.L	2	17.40	£
Bouygues	BOUY.PA	3	20.92	E	Petroleum Geo Services	PGS.OL	2	80.00	NK
Bovis Homes Group	BVS.L	2	4.80	£	Peugeot	PEUP.PA	2	9.64	E
BP	BP.L	2	4.46	£	Philips Electronics	PHG.AS	3	14.02	E
British American Tobacco	BATS.L	2	31.92	£	Phoenix Group Hdg. (Lon)	PHNX.L		5.30	£
British Sky Broadcasting	BSY.L	2	6.69	£	Pirelli	PECI.MI	1	8.92	E
Brown (N) Group	BWNG.L	2	2.28	£	Pohjola Pankki A	POH1S.HE		7.77	E
BT Group	BT.L	1	2.17	£	Porsche Pref.	PSHG_p.DE	3H	42.72	E
Bwin Party Digital Entm.	BPTY.L		1.59	£	Portugal Telecom R	PTC.LS	1	3.78	E
Cairn Energy	CNE.L		3.38	£	PostNL	PTNL.AS	1	4.30	E
Caixabank	CABK.MC	3H	2.60	E	PPR	PRTP.PA	1	122.45	E
Capita	CPI.L	1	7.37	£	Premier Farnell	PFL.L	3	2.09	£
Carillion	CLLN.L	2	2.80	£	Premier Oil	PMO.L	1	3.90	£
Carnival	CCL.L		19.73	£	Prudential	PRU.L	1	7.42	£
Carpentright	CATVU.L		6.11	£	Prysmian	PRY.MI	1	12.59	E
Carrefour	CARR.PA	3	15.77	E	Publicis Groupe	PUBP.PA	2	40.12	E
Casino Guichard	CASP.PA	1	72.88	E	Raiffeisen Bank Intl.	RBIV.VI	1	23.02	E
Celesio	CLSGn.DE		12.72	E	Randgold Resources	RRS.L	2	54.20	£
Centaur Media	CAU.L		0.35	£	Randstad Holding	RAND.AS	3	25.94	E
Centrica	CNA.L	2	3.18	£	Red Electrica Corpn.	REE.MC	1	31.12	E
Chemring Group	CHG.L	1	3.79	£	Redrow	RDW.L	2	1.26	£
Chr Hansen Holding	CHRH.CO		144.70	DK	Reed Elsevier	REL.L	2	5.29	£
Cobham	COB.L	1	2.38	£	Reed Elsevier (Ams)	ELSN.AS		9.12	E

Coca Cola Hellenic Bottling	HLBr.AT	1	14.70	E	Regus	RGU.L	2	1.13	£
COLT Telecom	COLT.L		0.98	£	Renault	RENA.PA	1	36.50	E
Commerzbank	CBKG.DE	2H	1.64	E	Repsol Ypf	REP.MC	1	15.40	E
Compass Group	CPG.L	1	6.59	£	Resolution	RSL.L	2H	2.25	£
Continental	CONG.DE	1	69.65	E	Rexam	REX.L	1	4.29	£
Cookson Group	CKSN.L	1	7.45	£	Richemont	CFR.VX	1	56.30	SF
Credit Agricole	CAGR.PA	2	3.82	E	Rio Tinto	RIO.L	1	35.40	£
Credit Suisse R	CSGN.VX	1	24.21	SF	Roche	ROG.VX	2	162.90	SF
Creston	CRCRE.L		0.64	£	Rolls-Royce Holdings	RR.L	1	8.13	£
CRH	CRH.L	3	15.21	E	Royal Bank Of Scotland	RBS.L	2	0.24	£
Croda International	CRDA.L	3	22.16	£	Royal Dutch Shell	RDSb.L	2	22.08	£
Daily Mail A	DMGOa.L	1	4.16	£	Royal Dutch Shell A	RDSa.L	2	26.36	E
Daimler	DAIGn.DE	1	42.03	E	RPC Group	RPC.L		3.70	£
Danone	DANO.PA	1	53.88	E	RSA Insurance Group	RSA.L	2	1.03	£
Dassault Systemes	DAST.PA	2	69.99	E	RSM Tenon Group	TNO.L		0.08	£
Debenhams	DEB.L	1	0.81	£	RWE	RWEG.DE	3	35.59	E
Delhaize Group	DELB.BR	2	37.01	E	Ryanair Holdings	RYA.I	1	4.27	E
Delta Lloyd Group	DLL.AS	2	12.06	E	SABMiller	SAB.L	1	26.16	£
Deutsche Bank	DBKGn.DE	2	34.64	E	Safran	SAF.PA	1	25.70	E
Deutsche Lufthansa	LHAG.DE	1	9.94	E	Sage Group	SGE.L	2	2.84	£
Deutsche Post	DPWGN.DE	2	14.27	E	Sainsbury (J)	SBRY.L	3	3.10	£
Deutsche Telekom	DTEGn.DE	1	8.58	E	Saint Gobain	SGOB.PA	1	31.43	E
Diageo	DGE.L	2	15.77	£	Salzgitter	SZGG.DE	1	39.82	E
Distrib. Intrac.De Alim.	DIDA.MC		3.41	E	Sandvik	SAND.ST	1	92.10	SK
Dixons Retail	DXNS.L	2	0.17	£	Sanofi	SASY.PA	1	56.25	E
DNB	DNB.OL	1	69.85	NK	SAP	SAPG.DE	1	49.66	E
Domino Printing Sci	DOPR.L	2	6.07	£	Savills	SVS.L		3.51	£
Drax Group	DRX.L	3	5.33	£	Scania B	SCVb.ST	3	133.20	SK
DSV B	DSV.CO		126.00	DK	Schneider Electric	SCHN.PA	3	47.59	E
Dufry R	DUFN.S		115.60	SF	Scor Se	SCOR.PA	1	19.68	E
E.On	EONGn.DE	2	17.00	E	Scottish & Southern Energy	SSE.L	2	13.56	£
EADS	EAD.PA	1	30.64	E	Seadrill	SDRL.OL	2	219.60	NK
Easyjet	EZJ.L	1	4.84	£	SEB A	SEBa.ST	2	45.33	SK
Edenred	EDEN.PA	1	23.17	E	Securitas B	SECUB.ST	2	62.50	SK
EDF	EDF.PA	2	15.47	E	Senior	SNR.L	1	2.04	£
EDP Energias De Portugal	EDP.LS	2	2.09	E	Serco Group	SRP.L	1	5.53	£
Electrocomponents	ECM.L	3	2.34	£	SES Fdr	SESFd.PA	3	18.96	E
Elementis	ELM.L		2.01	£	Severn Trent	SVT.L	1	16.56	£
Elisa	ELI1V.HE	3	16.25	E	SGL Carbon	SGCG.DE		34.15	E
Enagas	ENAG.MC	1	13.55	E	SGS N	SGSN.VX	2	1756.00	SF
Endesa	ELE.MC	1	13.33	E	Shire	SHP.L	1	20.25	£
Enel	ENEI.MI	1	2.44	E	Siemens	SIEGn.DE	1	71.14	E
Enel Green Power	EGPW.MI	3	1.27	E	SIG	SHI.L	1	1.10	£
ENI	ENI.MI	1	16.62	E	Sika B	SIK.S		1917.00	SF
Ericsson B	ERICb.ST	1	64.90	SK	SKF B	SKFb.ST	3	157.80	SK
Essilor Intl.	ESSI.PA	3	66.41	E	Smith & Nephew	SN.L	3	6.15	£
Eurasian Natres.Corp.	ENRC.L	1	5.69	£	Smiths Group	SMIN.L	2	10.35	£

Experian	EXP.N.L	1	9.85	£	Snam	SRG.MI	1	3.38	E
Ferrexpo	FXPO.L	1	2.90	£	Societe Generale	SOGN.PA	1	17.64	E
Fiat	FIA.MI	3	4.00	E	Software	SOWG.DE	2	25.76	E
Fiat Industrial	FI.MI	1	8.50	E	Sonova N	SOON.VX	1	100.70	SF
Fidessa Group	FDSA.L		15.30	£	Spirent Comms	SPT.L	1	1.67	£
Filtrona	FLTR.L	1	4.82	£	St. Ives	SIV.L		0.74	£
Finmeccanica	SIFI.MI	3	3.42	E	Stada Arzneimittel	STAGn.DE	1	23.94	E
Fortum	FUM1V.HE	2	16.75	E	Standard Chartered	STAN.L	1	15.20	£
France Telecom	FTE.PA	3	10.24	E	Statoil	STL.OL	2	153.30	NK
Fresenius	FREG.DE	1	73.97	E	STMicroelectronics	STM.PA	3	5.25	E
Fresenius Med. Care	FMEG.DE	2	53.02	E	Stora Enso R	STERV.HE		5.33	E
Fresnillo	FRES.L	2	16.24	£	Storebrand	STB.OL		26.76	NK
Fugro	FUGRc.AS		52.96	E	Straumann Hldg.	STMN.S	3	143.90	SF
Galliford Try	GFRD.L		6.30	£	Subsea 7	SUBC.OL	1	147.20	NK
Gam Holding	GAMH.S	1	12.55	SF	Suez Environnement	SEVI.PA	1	10.36	E
Gas Natural Sdg	GAS.MC	1	10.42	E	Supergroup	SGP.L		5.72	£
GDF Suez	GSZ.PA	1	18.82	E	Swedish Match	SWMA.ST	1	269.90	SK
GEA Group	G1AG.DE	1	26.05	E	Swiss Life Holding	SLHN.VX		98.95	SF
Gemalto	GTO.PA		53.39	E	Swiss Re	SRENH.VX	1	54.70	SF
Generali	GASI.MI	3	10.36	E	Swisscom R	SCMN.VX	1	336.40	SF
Gjensidige Forsikring	GJFS.OL		70.05	NK	Syngenta	SYNN.VX	2	315.30	SF
GKN	GKN.L	2	2.09	£	Synthes	SYST.VX	2	156.90	SF
GlaxoSmithKline	GSK.L	1	14.42	£	Talktalk Telecom Gp	TALK.L	2	1.34	£
GN Store Nord	GN.CO		64.60	DK	Taylor Wimpey	TW.L	2	0.50	£
Go-Ahead Group	GOG.L	2	11.46	£	TDC	TDC.CO	2	38.96	DK
Greggs	GRG.L	2	5.19	£	Technip	TECF.PA	1	87.10	E
Grifols	GRLS.MC		16.40	E	Tele2 B	TEL2b.ST	1	130.90	SK
Hannover Ruck.	HNRGn.DE	2	45.10	E	Telecom Italia	TLIT.MI	1	0.83	E
Hardy Underwriting	HDU.L		2.77	£	Telefonica	TEF.MC	2	11.08	E
Harvey Nash Group	HARV.L		0.61	£	Telenet Group Holding	TNET.BR	1	31.05	E
Hays	HAYS.L	3	0.91	£	Telenor	TEL.OL	1	101.40	NK
HeidelbergCement	HEIG.DE	2	43.40	E	Teleperformance	ROCH.PA		20.95	E
Heineken	HEIN.AS	2	43.35	E	TeliaSonera	TLSN.ST	2	42.82	SK
Henderson Group	HGGH.L	2	1.22	£	Terna	TRN.MI	2	2.81	E
Henkel Pref.	HNKG_p.DE	2	55.44	E	Tesco	TSCO.L	3	3.21	£
Hennes & Mauritz B	HMb.ST	1	231.00	SK	TF1	TFFP.PA	2	7.76	E
Hikma Pharmaceuticals	HIK.L	1	6.55	£	Tgs-Nopec Geophs.	TGS.OL		161.40	NK
Hilton Food Group	HFG.L		2.87	£	Thales	TCFP.PA	2	26.81	E
Hochschild Mining	HOCM.L	2	4.90	£	TNT Express	TNTE.AS	2	9.22	E
Hochtief	HOTG.DE		44.35	E	Total	TOTF.PA	3	37.32	E
Holcim R	HOLN.VX	3	56.65	SF	Travis Perkins	TPK.L	1	10.56	£
Home Retail Group	HOME.L	3	1.04	£	Tui Travel	TT.L	2	1.96	£
Homeserve	HSV.L	3	2.37	£	Tullett Prebon	TLPR.L	2	3.44	£
Howden Joinery Gp.	HWDN.L	1	1.20	£	Tullow Oil	TLW.L	2	15.18	£
HSBC Holdings	HSBA.L	1	5.52	£	Ubm	UBM.L	2	6.01	£
Hunting	HTG.L		9.12	£	UBS R	UBSN.VX	1	11.51	SF
Iberdrola	IBE.MC	1	3.59	E	UCB	UCB.BR	2	34.10	E

IctL.HtIs.Gp.	IHG.L	1	14.60	£	Umicore	UMI.BR	2	43.78	E
IMI	IMI.L	1	9.60	£	Unicredit	CRDI.MI	1H	3.08	E
Imperial Tobacco Gp.	IMT.L	1	25.03	£	Unilever (UK)	ULVR.L	2	20.64	£
Inchcape	INCH.L	1	3.69	£	Unilever Certs.	UNc.AS	2	25.43	E
Inditex	ITX.MC	1	69.32	E	United Utilities Group	UU.L	2	6.02	£
Infineon Technologies	IFXGn.DE	1	7.58	E	UPM-Kymmene	UPM1V.HE		9.16	E
Informa	INF.L	1	4.32	£	UTV Media	UTV.L		1.57	£
ING Groep	ING.AS	1H	5.54	E	Valeo	VLOF.PA	1	36.60	E
Ingenico	INGC.PA		36.73	E	Valiant R	VATN.S		110.30	SF
Inmarsat	ISA.L	3	4.27	£	Veolia Environnement	VIE.PA	1	10.77	E
Intertek Group	ITRK.L	1	25.63	£	Verbund	VERB.VI	3	21.40	E
Intesa Sanpaolo	ISP.MI	2H	1.18	E	Vestas Wind Systems	VWS.CO	2	51.65	DK
Intl.Cons.Airl.Gp.(Cdi)	ICAG.L	1	1.71	£	Vinci	SGEF.PA		35.24	E
Intl Psnl. Fin.	IPF.L	2	2.43	£	Volkswagen Pref.	VOWG.DE		131.50	E
Invensys	ISYS.L	1	1.92	£	Volvo B	VOLVb.ST	2	88.50	SK
Investec	INVP.L	1	3.55	£	Weir Group	WEIR.L	3	17.44	£
ITE Group	ITE.L		2.27	£	Wetherspoon (JD)	JDW.L	1	4.20	£
ITV	ITV.L	1	0.88	£	WH Smith	SMWHL.L	1	5.47	£
Jardine Lloyd Thompson	JLT.L	3	6.77	£	William Hill	WMH.L	1	2.59	£
JC Decaux	JCDX.PA	2	22.61	E	Wolseley	WOS.L	1	24.12	£
Jeronimo Martins	JMT.LS	1	15.49	E	Wolters Kluwer	WLSNc.AS	3	13.35	E
JKX Oil & Gas	JKX.L		1.48	£	WPP	WPP.L	2	8.60	£
Johnson Matthey	JMAT.L	1	23.57	£	Yara International	YAR.OL	1	276.30	NK
Kazakhmys	KAZ.L	1	8.62	£	Yule Catto	YULC.L		2.39	£
KBC Groupe	KBC.BR	1H	14.39	E	Zurich Financial Services	ZURN.VX	1	220.30	SF
KCOM Group	KCOM.L		0.71	£					

Note: Prices at close 18 April 2012.Source: dataCentral



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 Ltd was mandated as Co-Lead Manager on Peugeot S.A.'s most recently announced syndicated rights issuance.

Patricia Tassinari,Research Assistant,holds a long position in the securities of Royal Bank of Scotland Group PLC.

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

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

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

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

Matthew J Burgess, Strategist, holds a long position in the securities of Man Group PLC.

Henrik Christiansson, Analyst, holds a long position in the securities of Deutsche Bank.

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

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

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