

## Equities

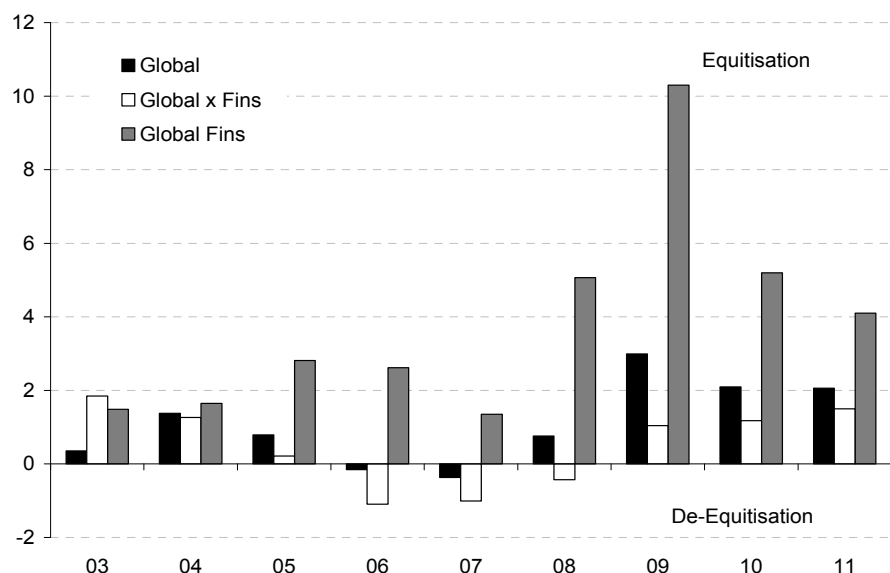
2 November 2011 | 32 pages

# Global Equity Strategist

## De-equitisation: A Truly Global Theme

- **A Strange Situation** — CIRA equity strategists have identified their markets as being at an unusual juncture. Earnings and cashflows are still growing at double digit rates, corporate balance sheets look strong but capex remains weak. Equity valuations seem low as investors are cautious about the outlook. So we think it makes sense for companies to de-equitise (return capital to shareholders).
- **Investors Selling, Companies Buying** — US investors have sold more than \$80bn worth of US equity funds this year. At the same time, US companies have bought back \$200bn worth of stock. We believe corporate demand limited the downside in stock markets in August and September.
- **Get Ahead of the Flows** — De-equitising companies tend to outperform. Our global basket consisting of companies which should benefit from de-equitisation is up 3% relative this year.
- **Playing A Global Theme** — Citi regional strategists believe we will see more de-equitisation. They highlight a number of stocks that will benefit from de-equitisation including IBM, Autozone, Bouygues, Reckitt Benckiser, Daito Trust, UMC.

Figure 1. Heading Back Towards De-Equitisation: Net Annual Change In Global Share count (%)



Source: Datastream, Citi Investment Research and Analysis

### Equities

#### Robert Buckland

+44-20-7986-3947

robert.buckland@citi.com

#### Mert C Genc

+44-207-986-4087

mert.genc@citi.com

#### Beata M Manthey, PhD

+44-20-7986-4349

beata.manthey@citi.com

#### Hasan S Tevfik, CFA

+44-20-7986-4110

hasan.tevfik@citi.com

#### Global Themes

Michael Geraghty

#### US

Tobias M Levkovich

Scott T Chronert

#### Europe

Jonathan Stubbs

Adrian Cattley

#### Japan

Kenji Abe, PhD

#### Global Emerging Markets

Geoffrey Dennis

#### Asia ex Japan

Markus Rosgen

#### Latin America

Jason Press

#### CEEMEA

Andrew Howell, CFA

#### Australia & New Zealand

Tony Brennan

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

Citi Investment Research & Analysis is a division of Citigroup Global Markets Inc. (the "Firm"), which does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

# Contents

<b>De-equitisation: A Truly Global Theme</b>	<b>3</b>
An Unusual Situation	3
Corporate Opportunity	4
Ahead of the Flows	5
De-equitisation Around the World	5
Sectors and Stocks Returning Capital	9
Strategy Outlook	13
Appendix 1	13
<b>Macro Out-takes</b>	<b>17</b>
Regional Strategy	18
Economics Analysis	19
<b>Market Outlook</b>	<b>20</b>
Regional Strategy	20
Sector Strategy	20
Risk	20
<b>Global Market Intelligence</b>	<b>21</b>
<b>Appendix A-1</b>	<b>26</b>

## De-equitisation: A Truly Global Theme

De-equitisation is now a truly global theme that is being reported by all CIRA's regional strategists. It is about companies returning capital to shareholders through buybacks, dividend increases and cash/debt financed M&A. The rationale to de-equitise has hardly ever been stronger, especially in lowly rated developed markets. Even in some Emerging Markets, which have traditionally been areas of significant equitisation, CIRA's strategists report that companies are looking to accelerate capital returns.

The capacity of companies to support their share price through capital returns has helped limit the downside in stock markets through August and September, in our view. As the benefits from de-equitisation remain compelling, we believe they will continue to be ready buyers, even if investors are not. This corporate demand for equities should continue to support stock prices going forward.

### An Unusual Situation

A number of years ago, our European strategy team highlighted its equity market was de-equitising and the theme was becoming a more important driver of returns<sup>1</sup>. They forecast the unusual combination of strong profits growth, cheap equity valuations and a low cost of debt would lead to buybacks, M&A and/or dividend increases. We are now presented with a similarly unusual situation, but this time it is global.

Despite the obvious macro headwinds, global corporate earnings continue to grow at a solid rate. The current reporting season in the US shows that aggregate net income has grown by 19% YoY, 6% better than expected. While global profits growth is still running at a double digit rate, investors do not believe this is sustainable. Weakness in stock prices this year suggests investors are anticipating a contraction in profits, even given the recent rally. This makes for low valuations. The trailing global PE ratio is currently 13x - valuation this low is a rare occurrence over the last 30 years. In Europe and EM our strategists note that valuations are even cheaper.

In a world where profits growth is running at double digit rates and cashflows are solid, we might expect corporate confidence to be strong enough to drive a pick-up in investment. However, companies remain cautious. Tobias Levkovich, our US strategist, notes that new investment has slowed meaningfully in the last 2 years<sup>2</sup> ([Click here for report](#)). Our European strategists suggest job growth is suffering as companies are choosing not to invest<sup>3</sup> ([Click here for report](#)). Even in Japan and the rest of Asia, where companies have been historically bigger spenders on new investment, our regional strategists find corporates holding back on capex<sup>4</sup> ([Click here for report](#)).

So CIRA's equity strategists have identified this unusual juncture where current profits and cashflow growth look strong, but investors don't believe it is sustainable so valuations are low. In fact, fund flows this year suggest they prefer bonds to equities. Meanwhile, similarly worried companies do not have the confidence to invest, so cash just piles up.

---

<sup>1</sup> European Equity Strategy – De-Equitisation: A New Theme, 18 July 2003

<sup>2</sup> Monday Morning Musings - Cash Considerations, 23 September 2011

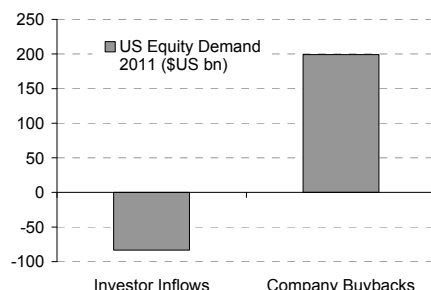
<sup>3</sup> European Portfolio Strategist- Past, Present, Future, 25 August 2011

<sup>4</sup> Japan Equity Strategist - Wise use of money: Dividend hikes, share buybacks, overseas M&A, 13 October 2011

## Corporate Opportunity

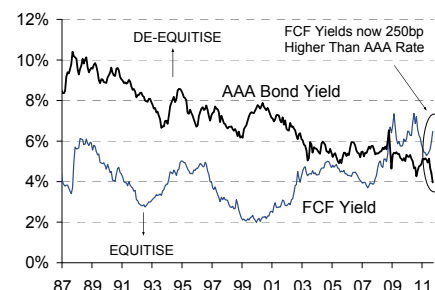
The unusual situation provides a unique opportunity for companies to de-equitise, using cash to buy cheap equity or pay big dividends. Indeed, while US investors have been selling equities this year, US companies have been buying (Figure 2). The financial logic for companies to retire equity and de-equitise is clear - the cost of equity is unusually high, while the cost of debt or cash is unusually low. By selling debt and buying equity, companies are picking up a 250 basis point carry (Figure 3).

Figure 2. Investors Selling, Companies Buying



\* Buyback data current to end of 2Q  
Source: ICI, S&P

Figure 3. US FCF Yield vs Cost of Debt

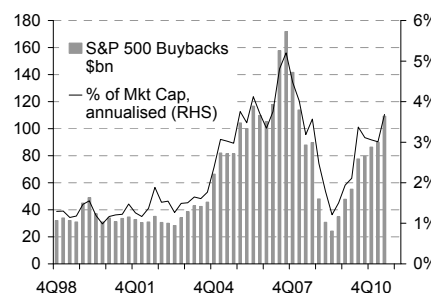


Source: Factset, Datastream, MSCI

The attractiveness of this carry trade has helped drive a significant pick-up in buyback activity. Tobias Levkovich highlights that US companies were buying back stock at an annual rate of 3.5% of market cap in 2Q (Figure 4). We expect this to increase further in 3Q. In Europe, our strategists note around 1% of market cap has so far been bought back this year. In Japan and Global Emerging Markets, buyback volume is at its highest level since 2008. However, in Asia ex Japan, Markus Rosgen notes that companies prefer to bulk up dividends rather than return capital via buybacks.

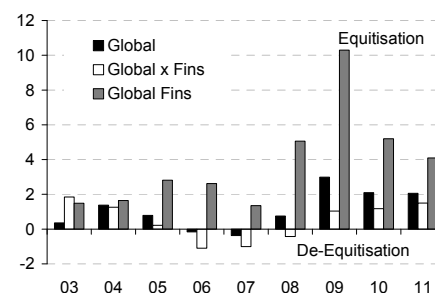
Meanwhile, low equity valuations and a lack of investor demand has pressured companies to scale back or pull IPOs and secondary issues. All this means that net equitisation has been meagre for most parts of the global equity universe – Financials may be the exception here (Figure 5).

Figure 4. S&P 500 Buybacks Per Qtr\*



\* Data current as of end 2Q  
Source: S&P, CIRA

Figure 5. Global Equitisation (%)

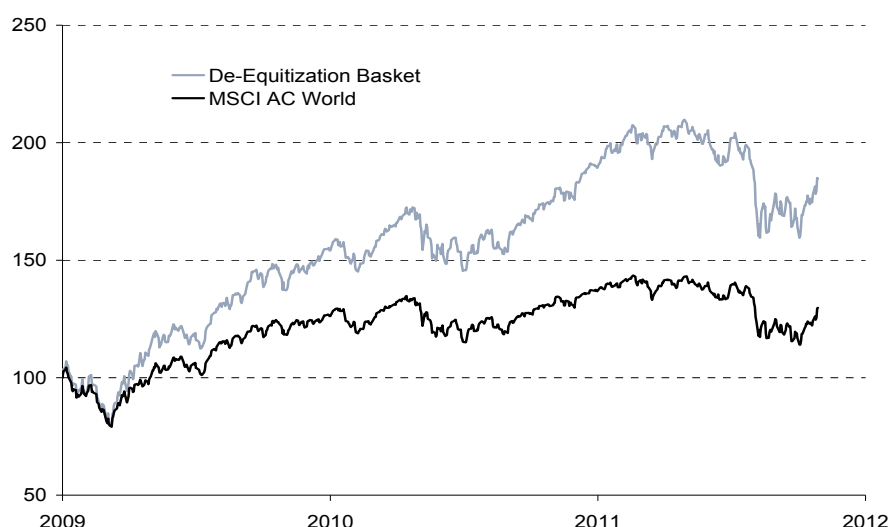


Source: Datastream, CIRA

## Ahead of the Flows

Across the world, net equity demand is not coming from traditional sources (investors), it is increasingly coming from companies. So the obvious strategy for investors is to get ahead of the corporate inflows. Our global themes strategist, Michael Geraghty, constructed and regularly updates a de-equitisation basket<sup>5</sup>, consisting of companies which benefit from various forms of de-equitisation including potential takeover targets, companies with a history of significant share buybacks and stocks with relatively high dividend yields. The basket has consistently outperformed the global benchmark and is up 3% relative this year (Figure 6)<sup>6</sup> ([Click here for report](#)). For the constituents of this de-equitisation basket, please refer to Appendix 1.

Figure 6. Global De-equitisation Basket & MSCI ACWI



Source: Citi Investment Research and Analysis

Performance of September 29, 2010 Portfolio. 1/1/2009 = 100

## De-equitisation Around the World

The economic logic for further de-equitisation remains compelling. With strong balance sheets and low valuations being present across most equity markets, de-equitisation is becoming an increasingly global theme. Indeed, CIRA strategists and analysts have identified corporate returns of cash as a key trend across the world.

### US

In the US, conditions for more de-equitisation are in place. Tobias Levkovich, in his recent note<sup>7</sup> ([Click here for report](#)), highlights the record levels of cash held by non-financial corporates. According to the Fed's 2Q11 Flow of Funds report, companies are sitting on \$2 trillion of cash that can be used across a wide spectrum of options. This is double the level held in 2000 and 40% more than in 2009. Additional support comes from low financial leverage and a low cost of credit.

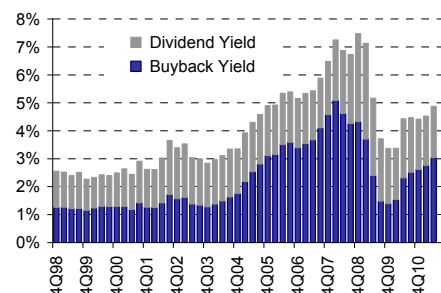
<sup>5</sup> De-Equitization - Shrinking Share Counts , 29 September 2010

<sup>6</sup> Themes Tracker- November 2011, 1 November 2011

<sup>7</sup> Monday Morning Musings - Cash Considerations, 23 September 2011

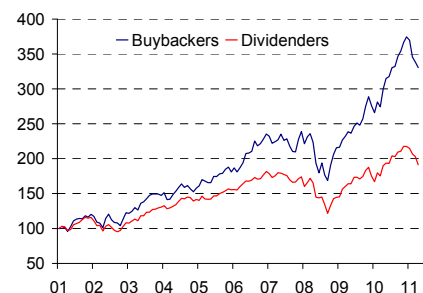
Figure 7 highlights that companies in the US have been active in lifting dividends and stock purchases over the past two years in spite of suggestions that they have been absent. Tobias notes the combined dividend and buyback yield in the US is currently running at 5%.

**Figure 7. S&P 500 12-Month Dividend and Buyback Yield**



Source: Standard and Poor's, Haver, Factset, CIRA

**Figure 8. S&P 500 Dividend Aristocrats vs. High Buybackers**



Source: Standard and Poor's, Haver, Factset, CIRA

Investors have been arguing for companies to be even more aggressive on dividends as dividend yields are competitive with bond yields and much higher than short-term paper. However, it seems that consistent share buybacks and actual outstanding share shrinkage can beat out the dividend yield argument. Tobias's stock basket of CIRA's US coverage universe that have bought back stock and reduced outstanding shares every year over the past 10 years, outperformed the S&P Dividend Aristocrats index (Figure 8).

Companies have been increasing capital returns at the expense of new investment. The pace of capex is slowing meaningfully from the past couple of years. 2H11 non-financial companies' capital spending intentions show a dramatic YoY drop versus very robust 1H11 spending trends. Economic and political uncertainty makes corporates more cautious on capital investment.

Cash is being used but confidence is also needed to see corporate leaders use it more aggressively to invest. However, low capex does protect shareholder downside and could unleash substantive upside when CEOs feel more empowered.

## US Small/Mid Cap

Scott Chronert

Amongst US small and mid caps there are also visible signs of de-equitisation. Scott Chronert, our small/mid cap strategist, notes that the main form of de-equitisation in small caps (as opposed to mid-caps) is M&A activity. He notes that M&A also tends to coincide with stronger markets<sup>8</sup> ([Click here for report](#)). For mid caps, de-equitisation tends to be more balanced between M&A and buybacks. Given the uncertainty amongst corporates, he expects modest de-equitisation for the remainder of this year for both small and mid caps. Scott thinks that the ongoing "buy rather than build" decision will lead to an increase in M&A.

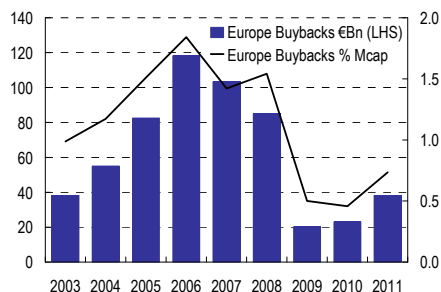
<sup>8</sup> Small/Mid Cap Topics - Updating De-equitization Trends, 31 October 2011

## Europe

Jonathan Stubbs and Adrian Cattley

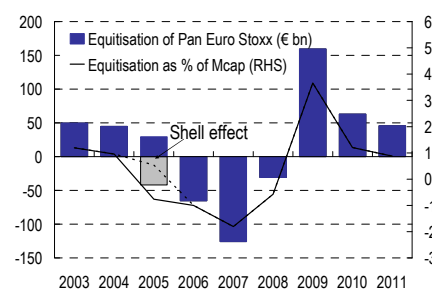
The European corporate sector is benefiting from high margins and robust balance sheets. Jonathan Stubbs and Adrian Cattley, our European strategists, expect companies with strong balance sheets, access to cheap debt and lowly rated equity to continue to return capital to shareholders through buybacks or dividends. European companies look well positioned to de-equitise, given their low valuations.

Figure 9. Europe Equitisation in €bn.



Source: Stoxx, Datastream, CIRA

Figure 10. Europe Buybacks in €bn.



Source: Stoxx, Datastream, CIRA

In their August note<sup>9</sup> ([Click here for report](#)), they mention companies are now facing a difficult choice as financial conditions have deteriorated over the last couple of months. Balance sheets are in good shape, cost bases are under control and the cost of debt in absolute terms is low. History says high margins, strong balance sheets and cheap money should fuel investment spend. But the economic uncertainty makes company management nervous about new investment and job creation. Normally at this point in the cycle, job growth is strongly supported by rising capex and opex. Instead, European companies are choosing to return capital to shareholders. YTD, we have seen a 70% increase in buybacks, with €40bn withdrawn from the market so far (Figure 9). However, for the market to be a net de-equitiser and offset the issuance from elsewhere, we need to see levels almost twice as high (Figure 10).

## Japan

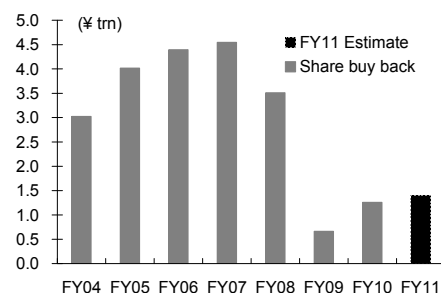
Kenji Abe

We can even see more de-equitisation in previously reluctant Japan. According to Kenji Abe, our Japan strategist, the number of companies increasing shareholder returns through dividend hikes and share buybacks is growing. However, the levels estimated for this fiscal year (¥1.4tr), are still only a third of the peak in 2007 when ¥4.5tr was redeemed (Figure 11). So history suggests there is potential for more buybacks. In his note<sup>10</sup> ([Click here for report](#)), Kenji emphasizes FCF in Japanese companies at over ¥30tr is at all-time highs, as companies hold back on capex despite a recovery in corporate earnings. Holdings of cash and equivalents are also their highest since 2000. At the same time, debt/equity ratios are the lowest they have been since 2000, so there is little need to pay down debt. Kenji expects further growth in the number of companies boosting shareholder returns and those taking advantage of the yen's strength and low overseas equity prices to pursue M&A.

<sup>9</sup> European Portfolio Strategist- Past, Present, Future, 25 August 2011

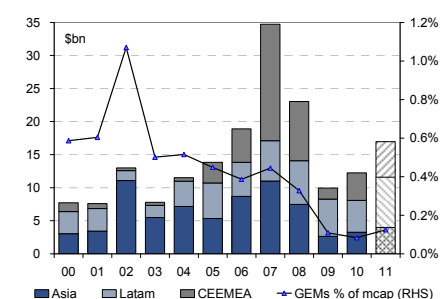
<sup>10</sup> Japan Equity Strategist - Wise use of money: Dividend hikes, share buybacks, overseas M&A, 13 October 2011

Figure 11. Japan Buybacks



Source: TSE, Astra Manager, CIRA

Figure 12. MSCI EM Completed Buybacks \$bn



Source: Worldscope, Factset, Bloomberg, CIRA

## Emerging Markets

Geoffrey Dennis

Given recent macro uncertainty, Emerging Markets corporates have also been more reluctant than usual to invest. In his recent report<sup>11</sup> ([Click here for report](#)), Geoffrey Dennis notices that instead, companies have focused on returning cash to shareholders either through dividends or buybacks. He notes that weak equity markets have led to increased talk of companies wishing to support share prices through buybacks.

Buyback volume in Emerging Markets is estimated to rise to \$17bn in 2011, but is still likely to remain well short of the 2007 peak (\$34bn). Given the already fairly high level of buyback activity early in the last decade, it is also notable that buybacks as a share of market capitalisation have dropped sharply from a peak in 2002. Figure 12 shows the aggregate value of buybacks over time for MSCI GEMs constituents. The value of buybacks completed so far this year is \$7.29bn, with over half of that amount occurring in Mexico alone. For this year, as a whole, Geoffrey conservatively estimates the value of EM buybacks may reach \$17bn, given their recent surge in popularity. To reach this figure, he estimates that only 50% of buybacks so far announced this year will be implemented, and that no additional programs will be announced through to year-end.

Figure 12 also shows the split of buyback activity by region. Historically, among GEMs regions, the value of buybacks has been highest in CEEMEA (mainly in Russia), followed by Asia and Latin America. During 2006-10, Russia, Mexico and Korea companies recorded the highest spend on buybacks. In China and India, buybacks have been minimal. Among sectors, Telecoms and Energy companies were the most active in terms of buybacks.

Jason Press

Jason Press, our Latam strategist, thinks that due to macro uncertainty, Latam managements are spending less on capex and M&A. Instead, they have been increasing dividend payouts and boosting buyback activity. In his note<sup>12</sup> ([Click here for report](#)), he expects 2011 buybacks in Latam to increase significantly compared to last year. Although using cash for dividends and buybacks demonstrates a commitment to shareholders, the fact that cash is not being used for investment may lead to an even more unclear macro outlook. According to Jason, the surge in buyback activity this year should generally be taken as a positive signal, especially where corporate governance concerns linger.

<sup>11</sup> Global Emerging Markets Strategy- Buying Back and Buybacks, 19 October 2011

<sup>12</sup> Latin America Equity Strategy - Flush with Cash, 14 September 2011



#### Richard Schellbach

Richard Schellbach, our South African strategist, believes that higher than usual skew towards reinvestment can largely be explained by his market's heavy weighting towards the capex intensive mining and energy sectors. In his recent note<sup>13</sup> ([Click here for report](#)), he concludes that the removal of secondary tax on companies (STC) in April 2012, creates relatively more incentive for South African stocks to pay special dividends, compared to the current tax system which is somewhat biased towards share buybacks.

#### Markus Rosgen

Markus Rosgen, our Asia ex Japan strategist, thinks that the Asian corporate sector has not looked this healthy for more than a decade. In his latest note<sup>14</sup> ([Click here for report](#)), he emphasises gearing is very low, free cash flow and cash levels high. Cash for de-leveraging has come partly from profits but mainly from a reduction of capex. With plenty of free cashflow at hand, corporate Asia is set about reducing the debt levels and returning cash to shareholders. Most of this cash has been returned in the form of dividends not buybacks. The family ownership structure makes share buybacks hard. Buybacks may trigger take-over rules which can't be undertaken as the owning family lacks the capital to make a full take over. The easiest way to keep harmonious relationships amongst the family is to pay dividends. That is why 93% of companies in Asia ex pay them. That's not to say that buybacks are not rewarded by the stock market, it is just that they're few and far between. Since 2000, the share count in Asia ex has grown by 15% p.a. Little sign of de-equitisation here.

## Sectors and Stocks Returning Capital

De-equitisation has not only caught the eye of CIRA strategists around the world. It has also been an increasing focus for our stock analysts.

### Information Technology

IT has been the leader in de-equitisation this year. Tech companies are currently rich in cash and are returning plenty of it to their shareholders. For example, IBM has been consistently buying back its own shares and halved its share count during the last 15 years. Our analysts think IBM appears to be leaning a bit more heavily on share repurchase to achieve double digit earnings growth in the near-term<sup>15</sup> ([Click here for report](#)). Intel recently announced a \$10bn increase in its stock buyback program, bringing the total unused balance to \$14.2bn at the end of the quarter<sup>16</sup> ([Click here for report](#)). As of June 30<sup>th</sup>, Microsoft still has \$12.2bn in repurchase authorisation remaining and announced a dividend hike ahead of expectations<sup>17</sup> ([Click here for report](#)). Our Electronics Manufacturing Services team expects M&A to be an important driver of top line growth in 2012 and, with ample cash on balance sheets, our analysts also expect more dividends and buybacks<sup>18</sup> ([Click here for report](#)).

### Health Care

Health Care has been one of the flagship sectors for buyback activity as R&D/capex requirements have been decreasing over time. Our medical tech analysts note that they are seeing a rising trend of share buybacks to offset the slowing top line growth. Although they are concerned about the sustainability of this over long-term, they think it can work into 2012. C.R. Bard and Covidien are some of the stocks from which they expect more buybacks<sup>19</sup> ([Click here for report](#)).

---

<sup>13</sup> South African Strategy Wrap - Capital Returns Back on the Agenda, 27 September 2011

<sup>14</sup> Pan-Asia Equity Strategy: Dividends, Buy-Backs Or Insiders...Take Your Pick, 31 October 2011

<sup>15</sup> IBM - In-Line Quarter and Guide; Reiterate Buy, \$205 Target

<sup>16</sup> Intel Corp (INTC) - 3Q11 Results: Better Indeed

<sup>17</sup> Microsoft Corp. Show Me the Money!

<sup>18</sup> 2011 Supply Chain Playbook and Q3 Preview

<sup>19</sup> Med Tech 3Q11 "Reset" - 3Q Trends Require Further Downward Revisions

## Industrials

Global Industrials company managements are looking to be more opportunistic in M&A<sup>20</sup> ([Click here for report](#)). More share buybacks are also possible. CIRA analysts highlight companies such as Cooper Industries, GE and Tyco International which are currently active in M&A or share repurchases<sup>21</sup> ([Click here for report](#)).

## Telecoms

Telecom companies have historically preferred to return capital through dividends. The global sector is forecast to have a payout ratio of around 70% in 2012. Our European telecom analysts think KPN is among the best de-equitisation stories in the sector with a dividend yield of 8.8% and a buyback which they expect to be €500m in 2012, 3% of market cap<sup>22</sup> ([Click here for report](#)). Bouygues announced a buyback of €1.25bn (12% of its shares at €30/share) in August<sup>23</sup> ([Click here for report](#)). The 1 day rally in the stock caused the company's market cap to rise by €1.3bn. Virgin Media has allocated around £625mn (13% of Market Cap) to its stock buyback on 27<sup>th</sup> July to be completed by end 2012 and our analysts see scope for significant capital returns over the coming years as FCF increases<sup>24</sup> ([Click here for report](#)).

## Consumer Discretionary and Staples

Buybacks are a remedy for turning sluggish bottom-line growth into solid EPS growth. Next Group is a good example where our analysts expect EPS growth to be faster than net income growth for 2012<sup>25</sup> ([Click here for report](#)). Walmart has been constantly returning capital to its shareholders (+15% decrease in share count over last 5 years). According to our analysts, the company remains focused on investing to grow the business and returning cash through dividends and share repurchases<sup>26</sup> ([Click here for report](#)). Autozone, another consistent de-equitiser, recently announced its largest share repurchase authorization since starting its buyback program in 1998<sup>27</sup> ([Click here for report](#)).

## Energy and Materials

Our Mining analysts believe operating cash flow will more than cover capex and current dividend payments. They think this raises the possibility of higher future dividend payments from the Mining sector, but companies might also use the surplus cash for additional capex or M&A<sup>28</sup> ([Click here for report](#)). Compared to Mining, weaker cashflow suggests Oil companies have less capacity to return capital to shareholders. However, capital returns can come from other sources. BP has been

---

<sup>20</sup> Citi Global Industrials Conf Day 1 Takeaways - Positively Reassuring Tone in a Wake of Mixed Signals

<sup>21</sup> Citi Global Industrials Conf Day 2 Takeaways - Still Cautious Optimism Amid Unsettling Macro Backdrop

<sup>22</sup> Telecoms Services - Take Cover! ... Dividend Cover

<sup>23</sup> Bouygues SA (BOUY.PA) - Martin Bouygues tells you stock is worth at least €30

<sup>24</sup> Telecom Prospects 3Q11 - Defensiveness to the Test

<sup>25</sup> Next Group PLC (NXT.L) - 1H Sales, First Thoughts

<sup>26</sup> Wal-Mart Stores Inc (WMT) - Details from WMT's 2011 Analyst Meeting

<sup>27</sup> AutoZone Inc. (AZO) - AZO Announces Larger Than Average \$750 Million in Share Repurchase Authorization

<sup>28</sup> Big Oil versus Big Mining - Cash of the Titans

divesting assets and recently increased its asset divestment target. Our analysts expect dividends rising from \$4.3bn to \$7.5bn in 2014<sup>29</sup> ([Click here for report](#)).

In Emerging Markets, commodity companies are also returning capital. Norilsk and Uralkali are two Russian companies, which have recently announced buybacks. The main goal for the buyback in Norilsk seems to be about securing majority ownership<sup>30</sup> ([Click here for report](#)). Gazprom is reported to be considering boosting its annual dividend which might address investors' concerns about the company not returning enough capital<sup>31</sup> ([Click here for report](#)). In Latam, Vale recently proposed another \$1bn of dividends. Total cash the company is expected to return for 2011 is \$12bn which corresponds to 10% of the current market cap. The company's decision to return excess cash to shareholders seems to have been received well by investors at a time when the company is trading on just 5x Fwd PE<sup>32</sup> ([Click here for report](#)).

## Utilities

Utility companies are generally highly levered. The global sector has the highest Net Debt / EBITDA compared to its non-financial peers so there may not be much room for additional capital returns. However, our Utilities team highlights International Power to perhaps be in the best position to increase returns to shareholders from 2013 onwards. Our analysts expect the company will have enough surplus cash to either grow its DPS by 18% pa from 2013-16 or to initiate a buyback program of between €500m and €1bn per year<sup>33</sup> ([Click here for report](#)).

## Financials

Financials have been at the other end of the de-equitisation spectrum because of re-capitalisation needs. Continental European banks deserve special attention here as details on re-capitalisation are still to be resolved and potential dilution remains uncertain. UK banks, on the other hand, do not require any more capital according to our analysts<sup>34</sup> ([Click here for report](#)). In the US, the Federal Reserve is keeping an eye on banks' capital distribution plans. Goldman Sachs and JPMorgan have been buying back their shares. Goldman Sachs bought \$2.16 billion worth of stock reducing the share count by 3% during the last quarter<sup>35</sup> ([Click here for report](#)) and JP Morgan repurchased \$4.4bn (also 3% of average 3Q market cap) of stock in 3Q using up virtually all of the \$8bn in repurchases authorised in the 2011 capital plan approved by regulators<sup>36</sup> ([Click here for report](#)). On the other hand, the Fed recently turned down MetLife's request to increase dividends and resume share repurchases which casts doubt over other financial companies' plans to return more capital to their shareholders<sup>37</sup> ([Click here for report](#)). Weak balance sheets and regulatory obstacles seem likely to constrain further de-equitisation amongst the global Financials.

---

<sup>29</sup> BP (BP.L) - 3Q11 In-line; New Targets Look In-line With Forecasts

<sup>30</sup> Norilsk Nickel (GMKN.RTS) - Buyback: What's in it for Minorities?

<sup>31</sup> Gazprom (GAZP.MM) - On Verge of New Dividend Policy?

<sup>32</sup> Vale (VALE) - Vale proposes another US\$1bn of dividends - \$12bn for 2011

<sup>33</sup> International Power (IPR.L) - Cash flow King: Scope for Investment and Returns

<sup>34</sup> European Banks And The Grand Solution - Positive Developments But No Endgame

<sup>35</sup> Goldman Sachs Group (GS) - 3Q Weak As Expected But \$2Bn Buyback Is Positive Surprise

<sup>36</sup> JP Morgan Chase & Co (JPM) - 3Q Early Read

<sup>37</sup> MetLife Inc (MET) - Request Denied – No Dividend Increase, No Buybacks

## De-equitisation Ideas

So our regional strategists and sector analysts believe de-equitisation will continue to be an important global theme. In Figure 13 we highlight stocks which they identify as returning or potentially returning significant surplus capital via buybacks or dividends.

Figure 13. Global Buyback and Dividend Candidates

Name	Country	Sector	De-eq Type	Rating	Mcap (bn\$)	FCF Yield 2012E	Div Yield 2012E
IBM	United States	IT	Buyback	1	223.6	8.9%	1.2%
Intuit Inc	United States	IT	Buyback	1	15.4	6.6%	1.1%
Kroger	United States	Cons. Stap.	Buyback	2	13.4	11.4%	1.9%
Progressive Corp	United States	Financials	Buyback	1	11.8	n.m.	2.4%
Ross Stores Inc	United States	Cons. Disc.	Buyback	2	10.3	4.1%	1.0%
Rockwell Collins	United States	Industrials	Buyback	2	8.6	6.6%	1.8%
AutoZone Inc	United States	Cons. Disc.	Buyback	1	8.2	4.5%	0.0%
Sherwin-Williams	United States	Materials	Buyback	2	7.5	6.3%	2.1%
Waters	United States	Health Care	Buyback	2	7.3	6.7%	0.0%
BMC Software Inc	United States	IT	Buyback	2	6.1	13.1%	0.0%
Torchmark Corp	United States	Financials	Buyback	2	4.7	n.m.	1.2%
Daimler	Germany	Cons. Disc.	Buyback	1	46.7	9.9%	6.9%
Reckitt Benckiser	United Kingdom	Cons. Stap.	Buyback	1	31.9	8.1%	3.8%
Saint Gobain	France	Industrials	Buyback	1	18.7	9.9%	4.6%
Deutsche Post	Germany	Industrials	Buyback	2	13.0	9.6%	7.0%
Yara	Norway	Materials	Buyback	1	9.1	13.8%	3.1%
Bouygues	France	Industrials	Buyback	1	9.0	14.7%	6.8%
Antofagasta	United Kingdom	Materials	Buyback	2	7.4	14.3%	5.6%
Metro	Germany	Cons. Stap.	Buyback	2	6.1	13.9%	5.3%
Publicis Groupe	France	Cons. Disc.	Buyback	1	6.1	9.7%	2.4%
DoCoMo	Japan	Telecom	Buyback	2	27.3	10.2%	4.0%
Tokyo Gas	Japan	Utilities	Buyback	1	11.0	3.9%	2.7%
Daikin Inds	Japan	Industrials	Buyback	2	7.1	12.9%	1.7%
Daito Trust	Japan	Financials	Buyback	1	6.5	9.9%	4.3%
Shikoku Electric	Japan	Utilities	Buyback	2	4.7	4.9%	3.0%
Toyota Tsusho	Japan	Industrials	Buyback	2	3.4	9.5%	2.4%
Stanley	Japan	Cons. Disc.	Buyback	2	2.2	7.0%	2.3%
Novatek	Russia	Energy	Buyback	1	12.8	2.6%	1.3%
Suncorp Group	Australia	Financials	Dividend	1	11.7	n.m.	10.0%
Swire	Hong Kong	Financials	Dividend	1	8.4	3.8%	4.4%
The Link REIT	Hong Kong	Financials	Dividend	1	7.7	5.2%	4.5%
UMC	Taiwan	IT	Buyback	1	5.5	7.6%	3.8%
Telekom Polska	Poland	Telecom	Buyback	1	4.0	11.3%	8.9%
New World Dev	Hong Kong	Financials	Dividend	1	3.9	-0.4%	4.9%
Komerční Banka	Czech Republic	Financials	Buyback	1	3.0	n.m.	8.1%
SKT	Korea	Telecom	Buyback	1	2.7	13.9%	6.2%
FET	Taiwan	Telecom	Buyback	1	2.6	6.3%	5.3%
Evergrande	China	Financials	Dividend	1	2.3	8.9%	7.0%
KT	Korea	Telecom	Buyback	1	2.2	13.3%	6.5%
Samsung Techwin	Korea	Industrials	Buyback	1	2.0	0.7%	0.7%

Source: Citi Investment Research and Analysis

## Strategy Outlook

CIRA strategists suggest that cheap valuations, low cost of credit and healthy corporate balance sheets create perfect conditions for de-equitisation around the world. Companies can return capital to shareholders through buybacks, dividend increases and cash/debt financed M&A. We believe the rationale to de-equitise has hardly ever been stronger and many companies are responding. Even in some Emerging Markets, which have traditionally been significant equitisers, companies look to be accelerating capital returns.

We think the capital returns helped limit the downside in stock markets through August and September. And if investors keep on selling then we think that companies look well placed to keep on buying. This should provide further support for global equities when the next setback occurs. Previous outperformance suggests that equity investors should look to align portfolios with those companies which seem most determined to return capital through buybacks or dividends.

## Appendix 1

Below we list companies from our global de-equitisation basket. These companies should benefit from de-equitisation, including potential takeover targets (Figure 14), companies with a history of significant share buybacks (Figure 15), and stocks with relatively high dividend yields (Figure 16).

**Figure 14. "De-Equitisation" - Potential Takeovers**

Company Name	Country	Sector	Mkt Cap (\$bn)	CIRA Rating
Allergan Inc	United States	Health Care	\$26	1
AMERIGROUP	United States	Health Care	\$3	1
Anadarko Petroleum Corp.	United States	Energy	\$40	1
Beazer Homes	United States	Consumer Discretionary	\$0	1H
Capital One Financial	United States	Financials	\$21	1
Celgene Corp	United States	Health Care	\$30	1
Ciena Corp.	United States	Information Technology	\$1	1H
Cliffs Natural Resources	United States	Materials	\$10	1
Convergys Corp.	United States	Information Technology	\$1	1
Dresser Rand	United States	Energy	\$4	1
Edwards Lifesciences	United States	Health Care	\$9	1
EMC Corporation	United States	Information Technology	\$51	1
Fiat Industrial	Italy	Industrials	\$11	1
FMC Technologies	United States	Energy	\$11	1
General Mills	United States	Consumer Staples	\$25	1
Hain Celestial Group	United States	Consumer Staples	\$1	1
Helmerich & Payne	United States	Energy	\$6	1
Hershey Foods	United States	Consumer Staples	\$12	1
Informa	United Kingdom	Consumer Discretionary	\$4	1
ITV	United Kingdom	Consumer Discretionary	\$4	1
Lufkin Industries	United States	Energy	\$2	1
Marvell Technology Group	United States	Information Technology	\$8	1
McDermott International	United States	Energy	\$3	1H
Molina Healthcare	United States	Health Care	\$1	1
NII Holdings	United States	Telecommunication Services	\$4	1
Pharmasset	United States	Health Care	\$5	1H
Prudential	United Kingdom	Financials	\$27	1
Saks Inc.	United States	Consumer Discretionary	\$2	1
Scandinavian Air System	Sweden	Industrials	\$1	1
Superior Energy Services	United States	Energy	\$2	1
United Utilities	United Kingdom	Utilities	\$7	1
Weatherford Intl.	Switzerland	Energy	\$12	1

Source: Citi Investment Research and Analysis.

Figure 15. "De-Equitisation" - Share Buybacks

Company Name	Country	Sector	5 year Change in Share Count	CIRA Rating
Aetna	United States	Health Care	-34%	1
Amgen Inc	United States	Health Care	-24%	1
AstraZeneca	United Kingdom	Health Care	-13%	1
AutoZone	United States	Consumer Discretionary	-43%	1
Ball Corp	United States	Materials	-19%	1
BASF	Germany	Materials	-15%	1
Comcast Corp	United States	Consumer Discretionary	-44%	1
Dell	United States	Information Technology	-20%	1
Fiserv Inc	United States	Information Technology	-22%	1
Hewlett-Packard	United States	Information Technology	-25%	1
IBM	United States	Information Technology	-24%	1
KPN	Netherlands	Telecommunication Services	-33%	1
Lockheed Martin	United States	Industrials	-21%	1
Microsoft	United States	Information Technology	-22%	1
Next Group	United Kingdom	Consumer Discretionary	-30%	1
Novo-Nordisk	Denmark	Health Care	-14%	1
Omnicom Group	United States	Consumer Discretionary	-22%	1
Procter & Gamble	United States	Consumer Staples	-19%	1
Raytheon	United States	Industrials	-20%	1
Symantec	United States	Information Technology	-36%	1
Target Corp	United States	Consumer Discretionary	-20%	1
Time Warner	United States	Consumer Discretionary	-29%	1
UnitedHealth	United States	Health Care	-20%	1
WellPoint	United States	Health Care	-43%	1

Source: Citi Investment Research and Analysis

Figure 16. "De-Equitisation" - High Dividend Yields

Company Name	Country	Sector	DY 2011e	CIRA Rating
AstraZeneca	United Kingdom	Health Care	5.8%	1
CenturyLink	United States	Telecommunication Services	8.1%	1H
DNB NOR	Norway	Financials	6.1%	1
GDF Suez	France	Utilities	7.5%	1
KPN	Netherlands	Telecommunication Services	8.8%	1
Maxim Integrated	United States	Information Technology	3.2%	1
Red Electrica	Spain	Utilities	6.2%	1
Reynolds American	United States	Consumer Staples	5.4%	1
RSA Insurance	United Kingdom	Financials	8.2%	1
SCOR	France	Financials	7.1%	1
Vivendi	France	Telecommunication Services	9.2%	1
Zurich Financial	Switzerland	Financials	8.3%	1

Source: Citi Investment Research and Analysis

Figure 17. De-Equitization Model Portfolio Data

	Date Added	Local Currency Price Added	Local Currency Price 10/28/2011	Performance Since Added	2011 Performance YTD
Aetna	8/31/2011	40.03	40.63	1%	33%
Allergan Inc	9/29/2010	66.71	84.40	27%	23%
AMERIGROUP	9/29/2010	42.19	55.59	32%	27%
Amgen Inc	9/29/2010	54.94	57.24	4%	4%
Anadarko Petroleum Corp.	9/29/2010	57.54	83.74	46%	10%
AstraZeneca PLC	1/31/2011	30.31	30.54	1%	5%
AutoZone	8/31/2011	307.00	327.82	7%	20%
Ball Corp	9/29/2010	29.44	35.66	21%	5%
BASF	9/29/2010	46.46	54.99	18%	-8%
Beazer Homes	9/29/2010	4.12	2.20	-47%	-59%
Capital One Financial	9/29/2010	38.93	46.90	20%	10%
Celgene Corp	9/29/2010	57.43	66.19	15%	12%
CenturyLink	9/29/2010	39.62	35.96	-9%	-22%
Ciena Corp.	9/29/2010	15.69	13.82	-12%	-34%
Cliffs Natural Resources	9/29/2010	64.11	72.81	14%	-7%
Comcast Corp	9/29/2010	18.15	23.85	31%	9%
Convergys Corp.	9/29/2010	10.36	11.11	7%	-16%
Deere and Co	9/29/2010	71.73	78.67	10%	-5%
Dell	8/31/2011	14.87	16.31	10%	20%
DNB NOR	7/28/2011	79.65	66.10	-17%	-19%
Dresser-Rand Group	1/31/2011	45.93	49.58	8%	16%
Edwards Lifesciences	9/29/2010	67.94	76.06	12%	-6%
EMC Corporation	9/29/2010	20.67	25.03	21%	9%
Ferrovial	9/29/2010	6.94	9.52	37%	28%
Fiat Industrial	4/1/2011	10.29	6.85	-33%	NA
Fiserv Inc	9/29/2010	53.55	60.76	13%	4%
FMC Technologies	1/31/2011	47.00	47.12	0%	6%
GDF Suez	9/29/2010	26.32	21.76	-17%	-19%
General Mills	9/29/2010	36.87	39.13	6%	10%
Hain Celestial Group	9/29/2010	24.52	34.15	39%	26%
Helmerich & Payne	5/2/2011	63.15	56.89	-10%	17%
Hershey Foods	6/1/2011	55.25	57.45	4%	22%
Hewlett-Packard	8/31/2011	26.03	27.94	7%	-34%
IBM	8/31/2011	171.91	187.45	9%	28%
Informa	9/29/2010	4.26	3.82	-10%	-6%
ITV	9/29/2010	0.59	0.66	11%	-6%
KPN	9/29/2010	11.40	9.51	-17%	-13%
Lockheed Martin	9/29/2010	71.89	75.43	5%	8%
Lufkin	10/31/2011	59.09	61.14	-3%	-8%
Marvell Technology Group	9/29/2010	17.70	14.09	-20%	-24%
Maxim Integrated	9/29/2010	18.69	26.55	42%	12%
McDermott International	9/29/2010	14.67	10.86	-26%	-48%
Microsoft	8/31/2011	26.60	26.98	1%	-3%
Molina Healthcare	9/29/2010	17.90	21.42	20%	15%
Next Group	9/29/2010	22.27	25.80	16%	31%
NII Holdings	9/29/2010	41.18	24.97	-39%	-44%
Novo-Nordisk	8/31/2011	553.50	585.50	6%	-7%
Omnicom Group	9/29/2010	39.43	45.34	15%	-1%
Pharmasset	9/29/2010	14.93	70.16	370%	222%
Procter & Gamble	8/31/2011	63.68	64.73	2%	1%
Prudential	9/29/2010	6.34	6.64	5%	-1%
Raytheon	8/31/2011	43.23	43.54	1%	-6%
Red Electrica	9/29/2010	34.41	36.12	5%	3%
Reynolds American	9/29/2010	29.96	39.13	31%	20%
RSA Insurance	9/29/2010	1.30	1.15	-12%	-8%
Saks Inc.	9/29/2010	8.66	10.94	26%	2%
Scandinavian Airlines System	1/31/2011	24.40	11.25	-54%	-50%
SCOR	9/29/2010	17.64	17.70	0%	-7%

Returns are gross of management and transaction fees. Past performance is no indication of future performance. Full histories of the portfolios can be obtained upon request.

Source: Citi Investment Research and Analysis

Figure 17 Continued. De-Equitization Model Portfolio Data

	Date Added	Local Currency Price Added	Local Currency Price 10/28/2011	Performance Since Added	2011 Performance YTD
Superior Energy Services	9/29/2010	26.82	29.82	11%	-15%
Symantec	8/31/2011	17.15	17.99	5%	7%
Syngenta	9/29/2010	248.20	274.80	11%	0%
Target Corp	9/29/2010	53.54	55.24	3%	-8%
Texas Instrument	9/29/2010	26.84	31.50	17%	-3%
Time Warner	8/31/2011	31.66	35.47	12%	10%
United Utilities	9/29/2010	5.72	6.08	6%	3%
UnitedHealth	8/31/2011	47.52	48.85	3%	35%
Vivendi	9/29/2010	19.93	16.84	-16%	-17%
Weatherford Intl.	5/2/2011	20.69	16.29	-21%	-29%
WellPoint	8/31/2011	63.30	68.68	8%	21%
Zurich Financial	9/29/2010	231.40	210.00	-9%	-13%
MSCI AC World	9/29/2010	322.923	328.362	2%	-5%

Returns are gross of management and transaction fees. Past performance is no indication of future performance. Full histories of the portfolios can be obtained upon request.

Source: Citi Investment Research and Analysis



---

# Macro Out-takes

---

*We provide brief summaries compiled by Bruce Rolph in The Globaliser presenting our colleagues' most recent work. Please let us know if you would like more detail.*

## Regional Strategy

Asia Pacific  
Markus Rosgen  
31-Oct-11

### Asia Strategy: More Life in the Old Market Yet

'Markets have stepped away from pricing a Lehman II', cheers Asian Strategist Markus Rosgen, 'with the MXASJ up 18.7% from its low on Oct 5... still, while risk appetite has returned, risk indicators suggest markets have a long way to go until "average" risk is priced in.... risk as an investment factor usually peaks at above mean levels post hitting the lows – we have a ways to go until then... meantime, valuations remain attractive: implied earnings based valuations show expectations remain low... and a return to mean over 3-5 years for Asian valuations still allows for better returns than cash or bonds... North Asia still has the biggest valuation disconnect in terms of cheapness, especially Japan... sector-wise, financials, real estate and cyclical all look very attractive vs defensives and consumers'.

US  
Tobias Levkovich  
28-Oct-11

### US Equity Strategy: Monday Morning Musings – Consulting the Correlation Quarterly

'With the S&P500 less than 4% from our year-end target vs 20% away just in early October', admits Strategist Tobias Levkovich, 'it becomes harder to be table-pounding stock market buyers, but we remain constructive... yes – the US Congressional Super Committee still faces a daunting task in the next few weeks... and, the notion of a comprehensive program in Europe is far from a done deal... but one has to concede that some positive progress has been made since the IMF meeting of roughly a month ago, which is getting reflected in higher equity price... also, when studying performance of hedge fund indices, it becomes fairly obvious that most fund managers have not been positioned well for the recent rally – suggesting there could be some market chasing ahead'.

Latin America  
Jason Press  
28-Oct-11

### Latin America Equity Strategy: Drivers of Brazilian Equities

'While events in Europe will determine whether this recovery continues to gather steam', acknowledges Strategist Jason Press, 'our analysis shows the "natural" drivers of Brazilian equities – eg., the macro backdrop; Brazilian corporates' earnings revisions – have also become increasingly relevant to the direction of the market... and, suggests to us that over time investors will increasingly perceive Brazil as a developed market... for now, given the impressive October rally in which MSCI Brazil is up 22% since Oct 4, we are inclined to believe a market bottom has been established... remain constructive medium term... and maintain our year-end 2012 Ibovespa target of 70,000'.

Europe  
Jonathan Stubbs & Adrian Cattley  
27-Oct-11

### European Forecast Monitor: Earnings in Reverse

'Downgrades to EPS and GDP forecasts likely to continue', rues the European Forecast Monitor, 'for we expect -10% European earnings growth next year, vs +10% based on bottom-up forecasts... whilst our economists expect recession in the Eurozone, slowdown elsewhere... what now?... the low growth developed world that is a consequence of financial crisis and subsequent deleveraging points towards outperformance from those companies that have structural growth and quality advantages over the medium term... so we'd look to skew exposure towards companies which are short debt and long growth... and, would avoid stocks with poor earnings mo trends that need macro or micro turnaround to drive outperformance'.

Australia & New Zealand  
Tony Brennan  
21-Oct-11

### **Australia Equity Portfolio Strategy: The scope for recovery in consumer discretionary stocks**

'There's light at the end of the tunnel', proclaims Australian Strategist Tony Brennan, 'for consumer-driven sectors that have struggled as household spending has been held in check... as the RBA shifts from looking to further tighten policy at mid year, to potentially easing now, could mean earnings upgrades, or at least earnings resilience... earnings probably won't rebound strongly with structural headwinds still there, yes, but relentless downgrading has left expectations for FY12 earnings modest in sectors dependent on household demand... the overshooting of valuations should also correct somewhat – suggesting more recovery in consumer-related stocks than we've seen so far'.

CEEMEA  
Andrew Howell  
14-Oct-11

### **Frontier Markets Panorama: Waiting Out the Global Storm**

'It's not easy being small', whispers Frontier Markets Strategist Andrew Howell, 'for while the frontier economies have limited direct exposure to Euro sovereign woes, this may not matter at a time when global risk aversion is high... but keep the faith... despite all the uncertainties facing the global outlook, the longer-term arguments for the asset class – demographics, productivity gains, less debt and income convergence driving higher economic, earnings growth over a sustained period – remain as valid today as ever... what's more, frontier markets equities look relatively cheap, relative to EM peers and especially their own history... arguably, the appeal of this group of markets is rising in a structurally low-growth world... we prefer Africa and parts of the GCC but are more cautious on Frontier Asia and Europe... top markets?... UAE, Qatar, Nigeria, Kazakhstan, Sri Lanka, Mauritius'.

## **Economics Analysis**

Macro team  
1-Nov-11

### **Citi Macro Analysis: Greek Spanner in Euro Works**

'The suggestion of a referendum on the Greek package has upset fragile market confidence', worry the Macro Strategy team, 'the referendum may still not happen... but, the decision has raised the risk of disorderly Greek default and contagion risk to the rest of Europe... and increases the risk of a worse Euro recession... this report brings together thoughts and comments from various CIRA colleagues on recent events in Greece and read-across to the rest of the Euro Area and to financial markets... events of the past 24 hours probably increase the risk of Greek exit from the euro... nonetheless, our economist's base case remains that Greece retains the euro and remains part of the Euro Area'.

Economics  
Willem Buiter  
26-Oct-11

### **Global Economic Outlook and Strategy: October 2011**

'Our 2011-13 growth forecasts are little changed', declares October's "Global Economic Outlook & Strategy", 'which is a notable contrast to the heavy forecast downgrades of recent months... and we still expect the ECB to cut rates by 50bp by yearend, most likely in December... the UK MPC is likely to expand QE further in coming months, while we continue to expect the Fed to keep policy rates low for an extended period... we also expect further sovereign rating downgrades in Europe, including by at least one major rating agency to Portugal and Greece in the next 3-6 months, with a high risk that France is put on "Negative Outlook" by mid-2012'.

## Market Outlook

We remain constructive on global equity markets and expect 20%+ gains by end of 2012. We think the stock market is questioning the sustainability of current corporate earnings and pricing a global EPS contraction of around 10% for 2012. This is unlikely to happen in our view. We expect EPS growth to slow, but not reverse in 2012 in parallel with our economists' GDP forecasts. Our forecasts for global EPS growth are 2% in 2012. Our MSCI ACWI 2012 year-end target is 360 (currently 300). As equities have de-rated sharply, cheap valuations should provide a buffer against further bad macro news.

## Regional Strategy

Our key regional and global sector recommendations are summarised in Figure 18. Emerging Markets remain our preferred structural growth play. EM economies offer premium GDP growth which should translate into premium EPS growth. We stay Overweight. We are also Overweight Japan, which is our recovery play. The post-earthquake EPS downgrades have reversed and we believe Japan can benefit from positive earnings trends from this point. We favour EM plays in the developed world. We are Overweight UK due to its heavy weighting of commodity companies. We remain neutral on Europe ex UK. The region is the epicentre of current concerns. However, valuations look very cheap. We suspect the region will enjoy considerable outperformance if authorities take credible steps to address sovereign concerns. We lowered the US to Underweight as it is expensive relative to other equity markets where we see better opportunities. We remain underweight Australia as we think UK is a cheaper place to play the "EM in DM" theme.

## Sector Strategy

Our global sector strategy also has an Emerging Market tilt. We are Overweight sectors with some of the largest EM end market exposure such as Materials, IT and Consumer Staples. These sectors have solid earnings and reasonable valuations. Despite dismal earnings momentum, we keep Financials at Neutral as we think short-term performance may be strong if there is an improvement in investors' risk appetites. Our Underweight sectors include a mix of global cyclical and defensives. We are Underweight Industrials and Consumer Discretionary as earnings momentum is moderating for these sectors. We are also Underweight Utilities as we believe unique headwinds for the sector will persist for some time to come.

## Risk

The main risks to our outlook stem from Europe and potential secondary consequences for global growth.

GDP	2010F	2011F	2012F
Global	4.2	3.1	2.8
US	3.0	1.8	1.9
Euro zone	1.8	1.6	-0.3
Japan	4.0	-0.4	2.1
EM	7.3	6.0	5.3
Asia	9.2	7.4	7.2

CPI	2010F	2011F	2012F
Global	2.7	4.0	3.2
US	1.6	3.2	2.0
Euro zone	1.6	2.7	1.9
Japan	-0.7	0.0	-0.1
EM	5.3	6.5	5.6
Asia	4.2	5.9	4.6

Interest Rates	Current	2Q12	4Q12
US Fed Funds	0.25	0.25	0.25
ECB	1.50	1.00	1.00
UK Base	0.50	0.50	0.50
Japan Call	0.10	0.10	0.10

10Yr Yield	Current	2Q12	4Q12
US	2.04	2.30	2.90
Euro zone	1.83	1.50	1.70
UK	2.13	1.85	2.00
Japan	1.00	1.05	1.30

Ex Rates	Current	2Q12	4Q12
US\$/€	1.37	1.27	1.26
£/US\$	1.59	1.52	1.53
€/£	0.86	0.84	0.82
US\$/¥	78	76	76

Source: Factset, Citi Investment Research

Figure 18. Regional And Global Sector Recommendations

Overweight	Neutral	Underweight
Global Emerging Markets	Europe ex-UK	US ↓
Japan		Australia
UK ↑		
Asia Pac ex-Japan		
Overweight	Neutral	Underweight
IT	Health Care ↑	Industrials ↓
Materials	Energy	Utilities ↓
Consumer Staples ↑	Financials	Consumer Disc. ↓
	Telecoms ↑	

Source: CIRA

---

# **Global Market Intelligence**

---

Figure 19. Global Market Intelligence by Region

28 Oct 11	Free MC	Wgt	P/E			EPS YoY %			P/B	ROE	Div Yld	EV/ Sales	EV/ EBITDA	Perf % (local)	
	US\$bn	%	11E	12E	13E	11E	12E	13E	11E	11E	11E	10	10	Weekly	YTD
<b>Global</b>	<b>27,461</b>	<b>100</b>	<b>12.1</b>	<b>10.9</b>	<b>9.8</b>	<b>12.0</b>	<b>11.4</b>	<b>11.1</b>	<b>1.6</b>	<b>13.2</b>	<b>2.9</b>	<b>1.5</b>	<b>7.7</b>	<b>4.5</b>	<b>-5.1</b>
Developed World	23,917	87.1	12.4	11.2	10.1	11.7	11.6	11.0	1.6	13.0	2.8	1.5	7.8	4.2	-4.3
Emerging World	3,544	12.9	10.6	9.6	8.6	13.8	10.3	11.8	1.6	14.9	3.1	1.5	7.1	6.7	-10.4
<b>North America</b>	<b>13,416</b>	<b>48.9</b>	<b>13.4</b>	<b>11.9</b>	<b>10.7</b>	<b>16.1</b>	<b>11.9</b>	<b>11.4</b>	<b>2.0</b>	<b>15.1</b>	<b>2.1</b>	<b>1.8</b>	<b>8.4</b>	<b>3.9</b>	<b>1.2</b>
USA	12,169	44.3	13.3	12.0	10.7	15.4	11.4	11.5	2.0	15.3	2.0	1.8	8.4	3.8	2.2
Canada	1,247	4.5	13.7	11.8	11.3	24.4	16.2	9.5	1.8	13.0	2.6	2.7	9.1	4.8	-7.5
<b>Europe</b>	<b>6,803</b>	<b>24.8</b>	<b>10.7</b>	<b>9.7</b>	<b>8.9</b>	<b>3.8</b>	<b>10.1</b>	<b>9.5</b>	<b>1.4</b>	<b>13.1</b>	<b>4.1</b>	<b>1.3</b>	<b>7.1</b>	<b>4.3</b>	<b>-9.0</b>
United Kingdom	2,349	8.6	10.4	9.5	8.8	14.7	9.0	8.3	1.6	15.8	3.8	1.3	7.7	3.9	-3.1
Europe ex UK	4,454	16.2	10.9	9.9	8.9	-1.4	10.7	10.2	1.3	12.0	4.3	1.4	6.9	4.6	-11.7
France	993	3.6	9.8	9.3	8.4	5.5	6.0	9.7	1.1	11.1	4.6	1.2	6.4	5.5	-11.6
Switzerland	884	3.2	13.4	11.7	10.6	-8.5	14.9	9.4	2.0	14.9	3.6	2.0	10.1	2.0	-9.6
Germany	873	3.2	10.0	9.2	8.5	2.6	8.9	8.6	1.3	12.8	3.8	1.2	6.3	6.2	-11.2
Spain	366	1.3	9.6	9.0	8.2	-4.5	6.6	9.7	1.2	12.4	7.1	1.8	6.0	4.4	-7.2
Sweden	323	1.2	13.5	11.6	10.5	-13.8	16.8	10.6	1.9	15.9	4.3	1.7	9.7	6.9	-12.7
Netherlands	263	1.0	9.8	9.4	8.4	5.4	4.3	11.2	1.4	14.3	3.5	1.3	7.8	2.5	-10.6
Italy	258	0.9	9.1	8.1	7.2	3.5	13.2	12.0	0.7	7.8	5.3	1.4	5.3	3.4	-16.0
Denmark	105	0.4	15.7	13.1	11.1	-2.4	19.8	18.1	1.8	11.5	2.1	1.7	7.1	7.5	-18.0
Finland	101	0.4	13.8	12.9	10.9	-18.2	7.5	18.0	1.4	10.4	4.6	1.0	8.0	8.1	-22.8
Norway	100	0.4	10.5	9.3	8.6	9.1	15.8	8.2	1.4	13.4	5.2	1.3	4.7	2.9	-9.8
Belgium	96	0.4	12.7	10.8	9.9	-18.2	45.0	10.3	1.3	8.4	3.3	2.1	8.2	2.0	-12.1
Austria	27	0.1	8.6	7.4	6.5	3.4	16.9	14.0	0.8	9.3	4.2	1.1	6.0	5.8	-29.5
Ireland	27	0.1	19.0	16.2	13.2	29.3	17.8	22.1	1.5	7.6	2.6	1.0	9.7	3.8	1.6
Portugal	25	0.1	12.0	11.0	9.7	-1.4	8.9	13.7	1.3	9.0	5.7	1.8	8.4	-0.8	-16.5
Greece	14	0.0	20.6	5.8	4.7	-75.3	253.0	24.4	0.6	2.0	4.3	1.1	5.0	3.8	-52.9
<b>Japan</b>	<b>2,216</b>	<b>8.1</b>	<b>13.4</b>	<b>11.6</b>	<b>10.2</b>	<b>17.6</b>	<b>19.8</b>	<b>15.6</b>	<b>0.9</b>	<b>6.7</b>	<b>2.5</b>	<b>1.0</b>	<b>7.1</b>	<b>4.0</b>	<b>-15.4</b>
<b>Asia Pac ex Jp</b>	<b>3,486</b>	<b>12.7</b>	<b>11.9</b>	<b>10.8</b>	<b>9.6</b>	<b>9.9</b>	<b>10.5</b>	<b>12.7</b>	<b>1.6</b>	<b>13.7</b>	<b>3.4</b>	<b>1.4</b>	<b>7.5</b>	<b>7.1</b>	<b>-10.5</b>
<b>Pacific ex Jp</b>	<b>1,413</b>	<b>5.1</b>	<b>12.4</b>	<b>11.7</b>	<b>10.7</b>	<b>14.1</b>	<b>5.3</b>	<b>8.9</b>	<b>1.6</b>	<b>12.8</b>	<b>4.4</b>	<b>2.1</b>	<b>8.6</b>	<b>6.3</b>	<b>-9.7</b>
Australia	935	3.4	12.1	11.0	10.3	17.4	10.1	7.4	1.7	14.4	4.9	2.1	8.0	5.3	-8.4
Hong Kong	285	1.0	12.6	14.2	12.5	11.1	-11.3	14.3	1.3	10.1	3.0	2.6	15.1	9.5	-12.2
Singapore	180	0.7	13.1	12.5	11.3	3.2	5.2	11.1	1.5	11.1	3.8	1.8	9.0	7.3	-11.7
New Zealand	13	0.0	14.0	12.5	11.1	7.0	11.9	12.3	1.5	10.7	5.5	1.5	7.7	0.8	1.1
<b>Em Asia</b>	<b>2,072</b>	<b>7.5</b>	<b>11.6</b>	<b>10.3</b>	<b>9.0</b>	<b>7.4</b>	<b>13.9</b>	<b>14.9</b>	<b>1.7</b>	<b>14.3</b>	<b>2.8</b>	<b>1.2</b>	<b>7.2</b>	<b>7.6</b>	<b>-10.8</b>
China	604	2.2	9.8	8.8	7.7	17.0	12.5	13.7	1.6	16.4	3.3	1.3	7.2	13.5	-14.2
Korea	528	1.9	9.8	8.8	7.8	7.2	12.8	13.9	1.3	13.0	1.5	0.8	5.9	5.1	-6.7
Taiwan	380	1.4	14.6	13.1	11.0	-19.3	19.8	22.6	1.7	10.7	4.3	1.4	7.4	5.0	-15.4
India	255	0.9	15.9	13.7	11.9	15.9	15.8	14.9	2.6	16.1	1.4	2.2	10.4	6.2	-14.0
Malaysia	117	0.4	15.5	13.7	12.4	10.0	13.0	10.2	2.1	13.5	3.5	2.4	9.1	3.5	-2.6
Indonesia	101	0.4	15.0	13.1	11.2	20.6	14.8	17.2	3.7	24.2	2.5	2.6	8.3	7.0	6.2
Thailand	65	0.2	11.0	9.9	9.0	20.6	11.3	10.0	2.0	17.8	3.8	1.2	7.3	8.4	-2.8
Philippines	22	0.1	15.6	13.9	12.7	1.8	12.3	9.6	2.6	16.3	2.8	2.8	8.8	3.3	-3.0
<b>Latin America</b>	<b>820</b>	<b>3.0</b>	<b>11.2</b>	<b>10.2</b>	<b>9.3</b>	<b>14.0</b>	<b>9.5</b>	<b>8.7</b>	<b>1.7</b>	<b>14.7</b>	<b>3.4</b>	<b>2.2</b>	<b>7.3</b>	<b>5.6</b>	<b>-11.6</b>
Brazil	542	2.0	9.4	8.8	8.2	13.7	7.6	7.6	1.4	14.6	3.9	2.1	6.8	6.0	-14.3
Mexico	166	0.6	18.5	15.4	13.0	14.8	19.8	15.3	2.6	14.2	1.9	2.3	8.4	4.9	-2.1
Chile	59	0.2	16.7	14.7	13.2	7.1	13.6	10.9	2.5	13.3	2.8	2.8	10.8	4.5	-10.5
Colombia	32	0.1	18.4	16.3	13.0	18.0	13.3	7.2	2.4	16.4	3.0	3.8	12.2	1.6	-4.6
Peru	21	0.1	12.2	11.1	10.6	34.0	10.7	4.7	3.4	28.1	3.5	9.6	18.2	9.1	-18.3
<b>CEEMEA</b>	<b>652</b>	<b>2.4</b>	<b>7.9</b>	<b>7.6</b>	<b>7.0</b>	<b>30.3</b>	<b>3.4</b>	<b>7.5</b>	<b>1.3</b>	<b>16.5</b>	<b>3.5</b>	<b>1.5</b>	<b>6.2</b>	<b>5.3</b>	<b>-6.7</b>
South Africa	269	1.0	12.6	10.0	9.2	23.5	25.8	7.9	2.2	17.5	3.5	1.6	8.5	5.1	2.3
Russia	240	0.9	5.2	5.5	5.2	40.8	-6.9	7.1	0.8	16.8	2.8	1.4	4.8	7.4	-9.9
Poland	55	0.2	8.6	9.4	9.4	37.9	-8.4	0.2	1.3	14.8	5.3	1.7	5.6	4.1	-12.5
Turkey	47	0.2	10.0	8.7	7.7	-3.4	14.2	14.0	1.5	15.1	3.1	1.5	8.0	0.3	-14.5
Czech Republic	13	0.0	11.0	10.2	9.8	-12.5	7.3	4.5	1.8	16.2	6.8	2.6	5.5	2.5	-5.3
Egypt	11	0.0	8.9	7.8	7.2	14.3	18.2	8.7	1.1	12.0	4.7	2.4	7.5	2.0	-36.8
Hungary	11	0.0	8.3	7.3	6.1	4.2	14.6	18.7	0.9	10.8	4.0	1.1	6.8	1.3	-20.7
Morocco	6	0.0	14.1	12.8	13.3	0.4	10.6	7.5	7.6	51.9	5.3	4.4	7.6	-0.9	-11.8
<b>Israel</b>	<b>69</b>	<b>0.2</b>	<b>8.8</b>	<b>7.9</b>	<b>7.5</b>	<b>8.3</b>	<b>11.2</b>	<b>5.2</b>	<b>1.5</b>	<b>17.3</b>	<b>3.5</b>	<b>2.8</b>	<b>9.4</b>	<b>5.0</b>	<b>-20.5</b>

Source: Citi Investment Research and Analysis, MSCI, Worldscope, Factset Consensus estimates

Figure 20. Global Market Intelligence by Sector

28 Oct 11	Free MC	Wgt	P/E			EPS YoY %			P/B	ROE	Div Yld	EV/Sales	EV/EBITDA	Perf % (local)	
	US\$bn	%	11E	12E	13E	11E	12E	13E	11E	11E	11E	10	10	Weekly	YTD
Global	27,461	100	12.1	10.9	9.8	12.0	11.4	11.1	1.6	13.2	2.9	1.5	7.7	4.5	-5.1

**Sectors - Level 1**

Energy	3,292	12.0	9.9	9.6	8.8	27.4	4.0	7.9	1.5	15.6	2.7	1.2	6.5	5.4	-0.3
Materials	2,351	8.6	10.8	9.6	8.8	29.7	12.4	8.7	1.7	15.4	2.6	1.8	7.8	8.7	-13.6
Industrials	2,858	10.4	12.8	11.5	10.2	14.7	11.3	12.3	1.8	13.9	2.7	1.4	9.1	5.8	-9.2
Consumer Disc.	2,770	10.1	14.2	12.3	10.6	19.1	15.0	16.9	1.9	13.3	1.9	1.3	7.7	3.3	-2.0
Consumer Staples	2,762	10.1	15.7	14.2	12.9	7.6	10.4	10.1	2.8	17.9	3.0	1.5	9.5	0.7	3.5
Health Care	2,413	8.8	11.9	11.3	10.5	8.6	5.3	7.8	2.4	20.2	2.8	2.0	8.9	2.4	4.4
Financials	5,288	19.3	10.8	9.3	8.2	4.6	16.6	11.7	1.0	9.0	3.5	NA	NA	6.8	-13.7
IT	3,337	12.2	13.7	12.2	10.8	7.2	13.0	13.9	2.5	18.1	1.4	1.7	7.7	4.1	-0.6
Telecoms	1,341	4.9	12.4	11.5	10.7	2.3	7.3	8.3	1.7	13.4	5.7	1.9	5.7	1.9	-2.0
Utilities	1,050	3.8	14.2	12.9	11.7	-11.4	18.1	15.0	1.2	7.5	4.6	1.6	7.5	0.8	-6.5

**Sectors - Level 2**

Energy	3,292	12.0	9.9	9.6	8.8	27.4	4.0	7.9	1.5	15.6	2.7	1.2	6.5	5.4	-0.3
Materials	2,351	8.6	10.8	9.6	8.8	29.7	12.4	8.7	1.7	15.4	2.6	1.8	7.8	8.7	-13.6
Capital Goods	2,118	7.7	11.8	10.8	9.7	21.0	9.5	10.9	1.8	15.0	2.8	1.3	9.6	6.5	-10.0
Comm Svc & Supp	195	0.7	16.2	14.3	12.9	8.6	12.8	12.1	2.3	14.1	2.8	1.3	9.2	3.0	-5.0
Transport	545	2.0	16.8	14.1	11.8	-10.0	21.1	19.0	1.7	9.8	2.3	1.6	7.8	4.0	-7.7
Autos	699	2.5	9.6	8.7	7.4	21.0	10.1	17.6	1.2	12.4	2.0	0.9	6.4	5.4	-9.8
Consumer Durables	408	1.5	20.1	14.8	12.3	25.0	35.2	21.8	1.7	8.4	1.8	1.4	7.8	6.5	-7.5
Consumer Services	396	1.4	17.9	16.0	14.1	16.0	11.8	13.8	3.2	18.0	2.1	2.2	10.8	4.4	4.5
Media	571	2.1	14.3	12.3	10.6	22.1	16.8	15.9	2.0	14.6	2.0	2.1	8.0	1.1	0.3
Retailing	695	2.5	17.6	15.5	13.3	12.0	13.4	15.4	3.0	16.8	1.7	1.2	8.9	0.9	4.7
Food & Staples	616	2.2	14.4	12.8	11.6	6.8	12.3	11.1	2.0	13.6	2.8	0.8	7.4	1.6	-1.2
Food Bev & Tobac.	1,710	6.2	15.9	14.5	13.2	8.7	10.1	9.9	3.1	19.8	3.2	2.1	10.1	1.2	6.2
Household Products	436	1.6	16.7	15.3	14.0	4.5	8.7	9.1	3.4	20.6	2.9	2.1	11.0	-2.2	0.3
Health Care	610	2.2	13.6	12.3	11.1	10.7	10.7	11.2	2.3	17.4	1.2	1.3	8.6	4.6	5.9
Pharma & Biotech	1,803	6.6	11.4	11.0	10.3	8.0	3.8	6.8	2.4	21.2	3.4	2.5	9.0	1.7	3.8
Banks	2,440	8.9	9.4	8.5	7.4	11.4	11.0	11.5	1.0	10.6	4.1	NA	NA	6.0	-14.8
Div Financials	1,133	4.1	11.2	8.9	7.7	-8.8	25.9	14.5	0.8	7.5	2.0	NA	NA	9.3	-19.6
Insurance	1,044	3.8	12.0	9.2	8.1	-1.4	29.5	8.9	1.0	8.3	3.5	NA	NA	5.8	-8.6
Real Estate	671	2.4	16.6	16.4	14.8	16.6	1.4	11.4	1.2	7.3	3.9	NA	NA	6.7	-5.8
Software & Services	1,421	5.2	15.1	13.5	12.0	14.8	12.2	12.1	3.8	25.1	1.2	2.7	9.3	3.3	7.7
Tech	1,313	4.8	12.8	11.2	9.8	11.0	15.2	13.9	2.0	15.1	1.3	1.3	7.5	4.8	-7.8
Semi & Semi Equip	603	2.2	12.9	12.0	10.3	-11.7	9.5	17.6	2.1	15.9	2.3	1.7	5.6	4.4	-1.8
Telecom	1,341	4.9	12.4	11.5	10.7	2.3	7.3	8.3	1.7	13.4	5.7	1.9	5.7	1.9	-2.0
Utilities	1,050	3.8	14.2	12.9	11.7	-11.4	18.1	15.0	1.2	7.5	4.6	1.6	7.5	0.8	-6.5

Source: Citi Investment Research and Analysis, MSCI, Worldscope, Factset Consensus estimates

Figure 21. 2011 P/E Estimates by Region and Sector

28 Oct 11

P/E 12E	Global	DM	GEM	US	Eur ex UK	UK	Jap	Dev Asia	Em Asia	Lat Am	CEEMEA
Region	10.9	11.2	9.6	12.0	9.9	9.5	11.6	11.7	10.3	10.2	7.6

**Sectors - Level 1**

Energy	9.6	10.2	7.0	10.6	8.4	8.5	8.6	16.3	9.2	8.3	5.1
Materials	9.6	10.0	8.3	11.4	11.2	7.2	10.3	9.6	9.1	7.9	7.8
Industrials	11.5	11.5	11.1	12.2	11.5	11.3	9.5	13.8	10.6	16.1	9.5
Consumer Disc.	12.3	12.6	10.3	13.8	10.4	11.7	12.3	14.7	9.4	12.9	13.3
Consumer Staples	14.2	13.9	17.5	14.0	14.2	12.9	15.3	14.0	17.3	18.0	16.7
Health Care	11.3	11.2	16.6	11.3	11.1	10.2	14.6	14.7	18.4	16.5	13.3
Financials	9.3	9.4	8.8	10.3	7.0	8.7	10.5	11.2	8.7	9.9	8.4
IT	12.2	12.2	12.4	12.0	13.4	25.6	13.9	17.0	12.4	13.8	9.7
Telecom Services	11.5	11.6	11.5	17.5	9.2	10.0	9.6	11.6	11.9	11.6	10.8
Utilities	12.9	13.2	11.2	14.3	9.8	11.7	40.5	15.2	13.4	10.3	9.2

**Sectors - Level 2**

Energy	9.6	10.2	7.0	10.6	8.4	8.5	8.6	16.3	9.2	8.3	5.1
Materials	9.6	10.0	8.3	11.4	11.2	7.2	10.3	9.6	9.1	7.9	7.8
Capital Goods	10.8	10.9	10.2	11.9	11.2	10.1	8.3	12.0	10.0	14.4	9.5
Comm Svc & Supp	14.3	14.3	13.9	14.2	14.1	13.8	15.4	15.1	13.9		
Transport	14.1	13.9	15.1	13.2	12.7		15.3	16.6	14.2	17.9	10.5
Autos & Components	8.7	8.8	8.3	8.1	7.1	7.9	10.9		8.3		
Consumer Durables	14.8	15.9	9.0	16.3	15.3	20.4	16.4	8.0	12.3	7.0	7.9
Consumer Services	16.0	16.1	13.7	17.3	11.8	12.9	16.8	14.9	13.4	16.1	
Media	12.3	12.0	17.4	12.0	11.6	11.8	17.1	12.4	17.1	18.4	17.0
Retailing	15.5	15.5	15.6	16.0	17.6	9.7	13.4	16.6	14.3	23.8	12.3
Food & Staples Retailing	12.8	12.3	19.6	12.8	10.9	10.5	12.7	13.6	17.6	21.2	19.4
Food Bev & Tobacco	14.5	14.3	16.1	14.2	14.7	13.6	15.7	15.2	15.7	17.1	12.8
Household Products	15.3	14.9	22.2	14.8	15.3	13.1	19.2		24.8	16.9	
Health Care Equip & Svc	12.3	12.2	16.0	11.6	16.9	11.4	16.2	15.6	21.4	16.5	12.2
Pharma & Biotech	11.0	10.9	16.9	11.2	10.5	10.2	14.3	14.2	17.9		14.2
Banks	8.5	8.5	8.3	9.3	6.5	8.4	8.0	10.4	8.2	9.2	7.8
Div Financials	8.9	8.7	11.6	8.9	7.2	9.1	14.7	15.2	11.6	17.2	9.0
Insurance	9.2	9.0	12.0	9.5	7.3	8.2	15.2	11.4	12.9	8.0	10.2
Real Estate	16.4	18.4	7.8	30.3	14.3	17.9	18.2	12.5	6.9	17.5	10.7
Software & Services	13.5	13.2	17.5	13.1	13.8	13.4	18.1	13.7	18.5	13.8	9.7
Tech Hardware & Equip	11.2	11.1	12.8	10.8	12.6		12.6	58.0	12.8		
Semi & Semi Equip	12.0	12.8	10.8	11.8	14.5	44.1	39.9	15.5	10.8		
Telecom	11.5	11.6	11.5	17.5	9.2	10.0	9.6	11.6	11.9	11.6	10.8
Utilities	12.9	13.2	11.2	14.3	9.8	11.7	40.5	15.2	13.4	10.3	9.2

Source: Citi Investment Research and Analysis, MSCI, Worldscope, Factset Consensus estimates



Figure 22. Stocks Mentioned In This Report\*

RIC	Stock	Price	Rating	Country	RIC	Stock	Price	Rating	Country
0017.HK	New World Dev	7.91	1	Hong Kong	IBM.N	IBM	181.35	1	United States
0019.HK	Swire	92.45	1	Hong Kong	INF.L	Infoma	3.643	1	United Kingdom
012450.KS	Samsung Techwin	59400	1	Korea	INTC.O	Intel	23.9	1	United States
017670.KS	SKT	149000	1	Korea	INTU.O	Intuit Inc	51.9	1	United States
030200.KS	KT	37050	1	Korea	IPR.L	Intl Power	3.27	1	United Kingdom
0823.HK	The Link REIT	27.35	1	Hong Kong	ITV.L	ITV	0.60974	1	United Kingdom
1878.T	Daito Trust	7130	1	Japan	JPM.N	JP Morgan Chase	32.71	1	United States
2303.TW	UMC	12.999999	1	Taiwan	KPN.AS	KPN	9.312	1	Netherlands
3333.HK	Evergrande	3.56	1H	China	KR.N	Kroger	22.49	2	United States
4904.TW	FET	51.999996	1	Taiwan	LMT.N	Lockheed Martin	73.99	1	United States
6367.T	Daikin Inds	2259	2	Japan	LUFK.O	Lufkin	57.4	1	United States
6923.T	Stanley	1097	2	Japan	MDR.N	McDermott Intl	10.77	1H	United States
8015.T	Toyota Tsusho	1226	2	Japan	MEOG.DE	Metro	33.7	2	Germany
9437.T	DoCoMo	136800	2	Japan	MET.N	MetLife Inc	32.96	1	United States
9507.T	Shikoku Electric	1941	2	Japan	MOH.N	Molina Health	20.53	1	United States
9531.T	Tokyo Gas	325.99997	1	Japan	MRVL.O	Marvell Technology	13.52	1	United States
AET.N	Aetna	39.33	1	United States	MSFT.O	Microsoft	25.99	1	United States
AGN.N	Allergan	81.77	1	United States	MSFT.O	Microsoft	25.99	1	United States
AGP.N	AMERIGROUP	55.45	1	United States	MXIM.O	Maxim Integrated	25.57	1	United States
AMGN.O	Amgen Inc	55.54	1	United States	NIHD.O	NII Holdings	22.95	1	United States
ANTO.L	Antofagasta	11.52	2	United Kingdom	NOVOB.CO	Novo-Nordisk	573	1	Denmark
APC.N	Anadarko Petro	77.37	1	United States	NVTQ.L	Novatek	139.6	1	Russian Federation
AZN.L	AstraZeneca	29.51	1	United Kingdom	NXT.L	Next Group	27	1	United Kingdom
AZO.N	AutoZone Inc	325.67	1	United States	NXT.L	Next Group	27	1	United Kingdom
BASF.DE	BASF	51.62	1	Germany	OMC.N	Omnicom Group	42.84	1	United States
BCR.N	C.R. Bard Inc	83.94	2	United States	PG.N	Procter & Gamble	62.71	1	United States
BKOMsp.PR	Komerční Banka	3258	1	Czech Republic	PGR.N	Progressive Corp	18.39	1	United States
BLL.N	Ball Corp	33.8	1	United States	PRU.L	Prudential	6.235	1	United Kingdom
BMC.O	BMC Software Inc	34.34	2	United States	PUBP.PA	Publicis Groupe	34.675	1	France
BOUY.PA	Bouygues	26.635	1	France	RAI.N	Reynolds American	37.94	1	United States
BP.L	BP	4.4675	2	United Kingdom	RB.L	Reckitt Benckiser	32.91	1	United Kingdom
BZH.N	Beazer Homes	2.04	1H	United States	REE.MC	Red Electrica	33.975	1	Spain
CBE.N	Cooper Inds	51.21	1	Ireland	ROST.O	Ross Stores Inc	87.02	2	United States
CELG.O	Celgene Corp	63.56	1	United States	RSA.L	RSA Insurance	1.07	1	United Kingdom
CIEN.O	CIENA Corp	13.25	1H	United States	RTN.N	Raytheon	42.69	1	United States
CLF.N	Cliffs Natural	67.35	1	United States	SAS.ST	SAS	10.7	1	Sweden
CMCSA.O	Comcast Corp	22.98	1	United States	SCOR.PA	SCOR	16.15	1	France
COF.N	Capital One Fnd	43.77	1	United States	SGOB.PA	Saint Gobain	31.64	1	France
COL.N	Rockwell Collins	53.48	2	United States	SHW.N	Sherwin-Williams	81.63	2	United States
COV.N	Covidien	45.15	1	Bermuda	SKS.N	Saks Inc	10.55	1	United States
CTL.N	CenturyLink	34.54	1H	United States	SPN.N	Superior Energy	26.77	1	United States
CVG.N	Convergys Corp	10.3	1	United States	SUN.AX	Suncorp Group	8.43	1	Australia
DAIGn.DE	Daimler	35.37	1	Germany	SYMC.O	Symantec	16.43	1	United States
DELL.O	Dell Inc	15.13	1	United States	TGT.N	Target Corp	52.61	1	United States
DNBNOR.OL	DNB NOR	62.55	1	Norway	TMK.N	Torchmark Corp	39.47	2	United States
DPWGn.DE	Deutsche Post	10.695	2	Germany	TPSA.WA	Telekom Polska	17.09	1	Poland
DRC.N	Dresser Rand Grp	46.8	1	United States	TWX.N	Time Warner	33.84	1	United States
EMC.N	EMC Corp	23.78	1	United States	TYC.N	Tyco Intl	44.29	2	Switzerland
EW.N	Edwards Lifesci	73.51	1	United States	UNH.N	UnitedHealth	46.22	1	United States
FI.MI	Fiat Industrial	6.055	1	Italy	URKAQ.L	Uralkali	42.3	2	Russian Federation
FISV.O	Fiserv Inc	57.13	1	United States	UU.L	United Utilities	5.98	1	United Kingdom
FTI.N	FMC Technologies	43.96	1	United States	VALE.N	Comp Vale Do Rio	24.61	1	Brazil
GAZP.MM	Gazprom	181.83	1	Russian Federation	VIV.PA	Vivendi	15.655	1	France
GE.N	General Electric	16.02	1	United States	VMED.O	Virgin Media	24.23	1	United States
GIS.N	General Mills	38.31	1	United States	VRUS.O	Pharmasset	76.99	1H	United States
GMKN.RTS	Norilsk	191	2	Russian Federation	WAT.N	Waters	76.85	2	United States
GS.N	Goldman Sachs	103.54	1	United States	WFT.N	Weatherford Intl	15.06	1	Switzerland
GSZ.PA	GDF Suez	19.965	1	France	WLP.N	WellPoint	66.79	1	United States
HAIN.O	Hain Celestial	32.88	1	United States	WMT.N	Wal Mart	56.23	1	United States
HP.N	Helmerich	50.3	1	United States	YAR.OL	Yara	252.5	1	Norway
HPQ.N	Hewlett-Packard	25.64	1	United States	ZURN.VX	Zurich Financial	194.7	1	Switzerland
HSY.N	Hershey Foods	57.28	1	United States					

Source: Citi Investment Research and Analysis. \*Prices as of 1 November 2011, Powered by DataCentral.

## Appendix A-1

### Analyst Certification

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

### IMPORTANT DISCLOSURES

Citigroup Global Markets Korea Securities Limited (CGMK) performs the role of liquidity provider on the warrants of which the underlying asset is Samsung Techwin. As at 02 Nov 11, CGMK holds 3,342,280 Citi ELW 1644, 3,399,990 Citi ELW 1717, 3,398,980 Citi ELW 1820 Call warrants of Samsung Techwin.

Citigroup Global Markets Korea Securities Limited (CGMK) performs the role of liquidity provider on the warrants of which the underlying asset is SKT. As at 02 Nov 11, CGMK holds 3,026,000 Citi ELW 1719, 3,254,120 Citi ELW 1824 Call warrants & 2,388 shares of SKT.

Citigroup Global Markets Korea Securities Limited (CGMK) performs the role of liquidity provider on the warrants of which the underlying asset is KT Corporation. As at 02 Nov 11, CGMK holds 3,400,000 Citi ELW 1720, 3,366,720 Citi ELW 1827, 3,369,290 Citi ELW 1871, 3,400,000 Citi ELW 1920 Call warrants & 790 shares of KT Corporation.

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

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

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

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

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

A director of Citi serves on the board of Reynolds American Inc.

An employee of Citi serves on the board of Raytheon Co..

Citi is acting as financial advisor to SCOR SE in respect to the acquisition of AEGON's Transamerica Reinsurance business.

An employee of Citigroup Global Markets or its affiliates is a trustee of Target Corp.

DMBH is a market maker in the publicly traded equity securities of Telekomunikacja Polska SA. DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 30 September 2011 is as follows: Buy (1) representing 56% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 20% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 24% of the DMBH coverage 0% of which are IB clients.

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

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

Leo Kulp, CFA, Analyst, holds a long position in the securities of Wal-Mart Stores Inc.

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

A member of the household of Tobias M Levkovich, Strategist, holds a long position in the securities of Intel Corp, Microsoft Corp..

Citigroup Global Markets Inc. or its affiliates beneficially owns 1% or more of any class of common equity securities of Evergrande Real Estate Group, Anadarko Petroleum Corp, Beazer Homes, Ciena Corp, Comcast Corp, CenturyLink, Daimler AG, Dell Inc, EMC Corporation, Edwards Lifesciences Corp, General Mills Inc, Goldman Sachs Group, Inc., International Power, JP Morgan Chase & Co, Prudential Plc, Saks Inc, Suncorp Group Ltd, Symantec Corp., UnitedHealth, Pharmasset Inc., Weatherford International Inc. This position reflects information available as of the prior business day.

Within the past 12 months, Citigroup Global Markets Inc. or its affiliates has acted as manager or co-manager of an offering of securities of New World Development, KT Corp., Evergrande Real Estate Group, Aetna, Amgen Inc, Antofagasta PLC, Anadarko Petroleum Corp, AutoZone Inc., BASF SE, Komerčni Banka as, BP, Beazer Homes, Cooper Industries plc, Cliffs Natural Resources Inc., Capital One Financial Corp., Daimler AG, Dell Inc, DNB NOR ASA, Fiserv, Inc., General Electric Company, General Mills Inc, Goldman Sachs Group, Inc., Hewlett-Packard Co, Hershey Foods Corp, International Business Machines Corp, Intel Corp, JP Morgan Chase & Co, Lockheed Martin Corp., MetLife Inc, Novatek OAO, Procter & Gamble Co, Red Electrica de Espana SA, Target Corp, Time Warner Inc, Tyco International Ltd., UnitedHealth, Vivendi, Pharmasset Inc., WellPoint, Wal-Mart Stores Inc.

Citigroup Global Markets Inc. or its affiliates has received compensation for investment banking services provided within the past 12 months from New World Development, SK Telecom, KT Corp., Evergrande Real Estate Group, Far Eastone, Toyota Tsusho, NTT DoCoMo, Aetna, Allergan Inc, Amgen Inc, Anadarko Petroleum Corp, AutoZone Inc., Komerčni Banka as, BP, Beazer Homes, Cooper Industries plc, Celgene Corp, Cliffs Natural Resources Inc., Comcast Corp, Capital One Financial Corp., Rockwell Collins, Inc., Covidien Ltd, CenturyLink, Convergys Corp, Daimler AG, Dell Inc, DNB NOR ASA, Deutsche Post, Dresser-Rand Group, Fiat Industrial, Fiserv, Inc., FMC Technologies, Gazprom, General Electric Company, General Mills Inc, Norilsk Nickel, Goldman Sachs Group, Inc., GDF Suez, Hewlett-Packard Co, Hershey Foods Corp, International Business Machines Corp, Intel Corp, International Power, ITV PLC, JP Morgan Chase & Co, Kroger Co, Lockheed Martin Corp., Metro AG, MetLife Inc, Microsoft Corp., Novatek OAO, Omnicom, Procter & Gamble Co, Progressive Corp, Prudential Plc, Publicis Groupe SA, Reynolds American Inc, Red Electrica de Espana SA, Raytheon Co., SCOR, Saint Gobain, Sherwin-

Williams Co, Suncorp Group Ltd, Symantec Corp., Target Corp, Torchmark Corp, Telekomunikacja Polska SA, Time Warner Inc, Tyco International Ltd., UnitedHealth, Vale, Vivendi, Pharmasset Inc., WellPoint, Wal-Mart Stores Inc, Zurich Financial Services AG.

---

Citigroup Global Markets Inc. or its affiliates expects to receive or intends to seek, within the next three months, compensation for investment banking services from Anadarko Petroleum Corp, Komerční Banka as, BP, Beazer Homes, Cliffs Natural Resources Inc., CenturyLink, DNB NOR ASA, Dresser-Rand Group, Gazprom, General Electric Company, Norilsk Nickel, Goldman Sachs Group, Inc., Hershey Foods Corp, International Business Machines Corp, MetLife Inc, Omnicom, Reynolds American Inc, Red Eléctrica de España SA, Raytheon Co., Time Warner Inc, Tyco International Ltd., Vale, Pharmasset Inc., Weatherford International Inc, WellPoint, Zurich Financial Services AG.

---

Citigroup Global Markets Inc. or an affiliate received compensation for products and services other than investment banking services from Suncorp Group Ltd, Sherwin-Williams Co, Convergys Corp, New World Development, Swire Pacific, Samsung Techwin, SK Telecom, KT Corp., The Link REIT, Daito Trust Construction, UMC, Evergrande Real Estate Group, Far Eastone, Daikin Industries, Stanley Electric, Toyota Tsusho, NTT DoCoMo, Tokyo Gas, Aetna, Allergan Inc, Amgen Inc, Antofagasta PLC, Anadarko Petroleum Corp, AstraZeneca PLC, AutoZone Inc., BASF SE, C.R. Bard Inc, Komerční Banka as, Ball Corp, BMC Software, Inc., Bouygues SA, BP, Beazer Homes, Cooper Industries plc, Celgene Corp, Ciena Corp, Cliffs Natural Resources Inc., Comcast Corp, Capital One Financial Corp., Rockwell Collins, Inc., Covidien Ltd, CenturyLink, Daimler AG, Dell Inc, DNB NOR ASA, Deutsche Post, Dresser-Rand Group, EMC Corporation, Edwards Lifesciences Corp, Fiat Industrial, Fiserv, Inc., FMC Technologies, Gazprom, General Electric Company, General Mills Inc, Norilsk Nickel, Goldman Sachs Group, Inc., GDF Suez, Helmerich & Payne, Hewlett-Packard Co, Hershey Foods Corp, International Business Machines Corp, Informa PLC, Intel Corp, Intuit Inc., International Power, ITV PLC, JP Morgan Chase & Co, KPN NV, Kroger Co, Lockheed Martin Corp., Lufkin Industries, Inc., McDermott International Inc, Metro AG, MetLife Inc, Marvell Technology Group Ltd., Microsoft Corp., Maxim Integrated, NII Holdings Inc, Novo Nordisk A/S, Novatek OAO, Next Group PLC, Omnicom, Procter & Gamble Co, Progressive Corp, Prudential Plc, Publicis Groupe SA, Reynolds American Inc, Reckitt Benckiser, Red Eléctrica de España SA, RSA Insurance Group, Raytheon Co., Scandinavian Airlines System, SCOR, Saint Gobain, Superior Energy Services Inc., Symantec Corp., Target Corp, Torchmark Corp, Telekomunikacja Polska SA, Time Warner Inc, Tyco International Ltd., UnitedHealth, United Utilities PLC, Vale, Vivendi, Virgin Media, Weatherford International Inc, WellPoint, Wal-Mart Stores Inc, Yara International, Zurich Financial Services AG in the past 12 months.

---

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as investment banking client(s): BASF SE, Intel Corp, Sherwin-Williams Co, Publicis Groupe SA, Amgen Inc, Celgene Corp, Capital One Financial Corp., Convergys Corp, Beazer Homes, Microsoft Corp., MetLife Inc, New World Development, SK Telecom, KT Corp., Evergrande Real Estate Group, Far Eastone, Toyota Tsusho, NTT DoCoMo, Aetna, Allergan Inc, Anadarko Petroleum Corp, AutoZone Inc., Komerční Banka as, BP, Cooper Industries plc, Cliffs Natural Resources Inc., Comcast Corp, Rockwell Collins, Inc., Covidien Ltd, CenturyLink, Daimler AG, Dell Inc, DNB NOR ASA, Deutsche Post, Dresser-Rand Group, Fiat Industrial, Fiserv, Inc., FMC Technologies, Gazprom, General Electric Company, General Mills Inc, Norilsk Nickel, Goldman Sachs Group, Inc., GDF Suez, Hewlett-Packard Co, Hershey Foods Corp, International Business Machines Corp, International Power, ITV PLC, JP Morgan Chase & Co, Kroger Co, Lockheed Martin Corp., Metro AG, Novatek OAO, Omnicom, Procter & Gamble Co, Progressive Corp, Prudential Plc, Reynolds American Inc, Red Eléctrica de España SA, Raytheon Co., SCOR, Saint Gobain, Suncorp Group Ltd, Symantec Corp., Target Corp, Torchmark Corp, Telekomunikacja Polska SA, Time Warner Inc, Tyco International Ltd., UnitedHealth, Vale, Vivendi, Pharmasset Inc., Weatherford International Inc, WellPoint, Wal-Mart Stores Inc, Zurich Financial Services AG.

---

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as clients, and the services provided were non-investment-banking, securities-related: Convergys Corp, Sherwin-Williams Co, ITV PLC, Publicis Groupe SA, Capital One Financial Corp., Suncorp Group Ltd, New World Development, Swire Pacific, Samsung Techwin, SK Telecom, KT Corp., Daito Trust Construction, UMC, Evergrande Real Estate Group, Far Eastone, Daikin Industries, Toyota Tsusho, NTT DoCoMo, Tokyo Gas, Aetna, Allergan Inc, AMERIGROUP, Amgen Inc, Antofagasta PLC, Anadarko Petroleum Corp, AstraZeneca PLC, AutoZone Inc., BASF SE, C.R. Bard Inc, Komerční Banka as, Ball Corp, BMC Software, Inc., Bouygues SA, BP, Beazer Homes, Cooper Industries plc, Celgene Corp, Ciena Corp, Cliffs Natural Resources Inc., Comcast Corp, Rockwell Collins, Inc., Covidien Ltd, CenturyLink, Daimler AG, Dell Inc, DNB NOR ASA, Deutsche Post, Dresser-Rand Group, EMC Corporation, Edwards Lifesciences Corp, Fiat Industrial, Fiserv, Inc., FMC Technologies, Gazprom, General Electric Company, General Mills Inc, Norilsk Nickel, Goldman Sachs Group, Inc., GDF Suez, Hain Celestial Group Inc, Helmerich & Payne, Hewlett-Packard Co, Hershey Foods Corp, International Business Machines Corp, Intel Corp, Intuit Inc., International Power, JP Morgan Chase & Co, KPN NV, Kroger Co, Lockheed Martin Corp., McDermott International Inc, Metro AG, MetLife Inc, Molina Healthcare, Marvell Technology Group Ltd., Microsoft Corp., Maxim Integrated, NII Holdings Inc, Novo Nordisk A/S, Novatek OAO, Omnicom, Procter & Gamble Co, Progressive Corp, Prudential Plc, Reynolds American Inc, Reckitt Benckiser, Red Eléctrica de España SA, RSA Insurance Group, Raytheon Co., Scandinavian Airlines System, SCOR, Saint Gobain, Saks Inc, Superior Energy Services Inc., Symantec Corp., Target Corp, Torchmark Corp, Telekomunikacja Polska SA, Time Warner Inc, Tyco International Ltd., UnitedHealth, United Utilities PLC, Vale, Vivendi, Virgin Media, Weatherford International Inc, WellPoint, Wal-Mart Stores Inc, Yara International, Zurich Financial Services AG.

---

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as clients, and the services provided were non-investment-banking, non-securities-related: Convergys Corp, Suncorp Group Ltd, Sherwin-Williams Co, Vivendi, New World Development, Swire Pacific, Samsung Techwin, SK Telecom, KT Corp., The Link REIT, Daito Trust Construction, UMC, Far Eastone, Daikin Industries, Stanley Electric, Toyota Tsusho, NTT DoCoMo, Tokyo Gas, Aetna, Allergan Inc, Amgen Inc, Antofagasta PLC, Anadarko Petroleum Corp, AstraZeneca PLC, AutoZone Inc., BASF SE, C.R. Bard Inc, Komerční Banka as, Ball Corp, BMC Software, Inc., Bouygues SA, BP, Beazer Homes, Cooper Industries plc, Celgene Corp, Ciena Corp, Cliffs Natural Resources Inc., Comcast Corp, Capital One Financial Corp., Rockwell Collins, Inc., Covidien Ltd, CenturyLink, Daimler AG, Dell Inc, DNB NOR ASA, Deutsche Post, Dresser-Rand Group, EMC Corporation, Edwards Lifesciences Corp, Fiat Industrial, Fiserv, Inc., FMC Technologies, Gazprom, General Electric Company, General Mills Inc, Norilsk Nickel, Goldman Sachs Group, Inc., GDF Suez, Helmerich & Payne, Hewlett-Packard Co, Hershey Foods Corp, International Business Machines Corp, Informa PLC, Intel Corp, Intuit Inc., International Power, ITV PLC, JP Morgan Chase & Co, KPN NV, Kroger Co, Lockheed Martin Corp., Lufkin Industries, Inc., McDermott International Inc, Metro AG, MetLife Inc, Marvell Technology Group Ltd., Microsoft Corp., NII Holdings Inc, Novo Nordisk A/S, Novatek OAO, Next Group PLC, Omnicom, Procter & Gamble Co, Progressive Corp, Prudential Plc, Publicis Groupe SA, Reynolds American Inc, Reckitt Benckiser, Red Eléctrica de España SA, RSA Insurance Group, Raytheon Co., Scandinavian Airlines System, SCOR, Saint Gobain, Superior Energy Services Inc., Symantec Corp., Target Corp, Telekomunikacja Polska SA, Time Warner Inc, Tyco International Ltd., UnitedHealth, United Utilities PLC, Vale, Virgin Media, Weatherford International Inc, WellPoint, Wal-Mart Stores Inc, Yara International, Zurich Financial Services AG.

---

Citigroup Global Markets Inc. or an affiliate received compensation in the past 12 months from Convergys Corp, Intel Corp, Suncorp Group Ltd, Sherwin-Williams Co, ITV PLC, Publicis Groupe SA, Amgen Inc, Celgene Corp, Vivendi, Pharmasset Inc., Cliffs Natural Resources Inc..

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

The Firm is a market maker in the publicly traded equity securities of Swire Pacific, The Link REIT, Evergrande Real Estate Group, Amgen Inc, Antofagasta PLC, BMC Software, Inc., Celgene Corp, Ciena Corp, Comcast Corp, Daimler AG, Dell Inc, Fiserv, Inc., Gazprom, Norilsk Nickel, GDF Suez, Hain Celestial Group Inc, Intel Corp, Intuit Inc., KPN NV, Lufkin Industries, Inc., Marvell Technology Group Ltd., Microsoft Corp., Maxim Integrated, NII Holdings Inc, Publicis Groupe SA, Reckitt Benckiser, Ross Stores Inc., Symantec Corp., United Utilities PLC, Virgin Media, Pharmasset Inc., Yara International, Zurich Financial Services AG.

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

#### Citi Investment Research & Analysis Ratings Distribution

<i>Data current as of 10 Oct 2011</i>	<b>12 Month Rating</b>			<b>Relative Rating</b>		
	Buy	Hold	Sell	Buy	Hold	Sell
Citi Investment Research & Analysis Global Fundamental Coverage	59%	34%	7%	10%	79%	10%
<i>% of companies in each rating category that are investment banking clients</i>	45%	42%	37%	50%	43%	46%

#### Guide to Citi Investment Research & Analysis (CIRA) Fundamental Research Investment Ratings:

CIRA's stock recommendations include an investment rating and an optional risk rating to highlight high risk stocks.

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

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

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

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

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

#### NON-US RESEARCH ANALYST DISCLOSURES

Non-US research analysts who have prepared this report (i.e., all research analysts listed below other than those identified as employed by Citigroup Global



Markets Inc.) are not registered/qualified as research analysts with FINRA. Such research analysts may not be associated persons of the member organization and therefore may not be subject to the NYSE Rule 472 and NASD Rule 2711 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account. The legal entities employing the authors of this report are listed below:

Citigroup Global Markets Ltd	Robert Buckland; Mert C Genc; Beata M Manthey, PhD; Hasan S Tevfik, CFA; Jonathan Stubbs; Adrian Cattley; Andrew Howell, CFA; Willem Buiter; Anindya Mohinta; Thomas Dorner; Andrew Light; Alastair A Johnston; Ruchi Malaiya, CFA; Claire de Groot; Thomas A Singlehurst, CFA; Simon Nellis; Alastair R Syme; Sofia Savvantidou; Dimitri Y Kallianiotis, CFA; Andrew Benson; Mark Dainty, ACA; Paul L Bradley; Clyde Lewis; Raghu Hariharan; Manuel Palomo; Simon Weeden; Peter Atherton; Richard Edwards; Dalibor Vavruska; Roger Elliott; John Lawson; Henrik Christiansson; Natalia Mamaeva
Citigroup Global Markets Inc	Michael Geraghty; Tobias M Levkovich; Scott T Chronert; Geoffrey Dennis; Jason Press; Yaron Werber, MD; Kate McShane, CFA; Carl McDonald, CFA; Colin W Devine, CFA; P.J. Juvekar; Matthew J Dodds; Robin Shoemaker; Keith Horowitz, CFA; Donald Fandetti, CFA; Ashwin Shirvaikar, CFA; Gregory R Badishkanian; Jason Gursky; Deborah L Weinswig; Jason B Bazinet; Walter H Pritchard, CFA; Leo Kulp, CFA; John T. Boris; Glen Yeung; Richard Gardner; Amit Bhalla; Vivien Azer; Brian Yu, CFA; Josh Levin, CFA; Kevin J Dennean, CFA; Deane M. Dray, CFA; Robert S Morris; David Driscoll, CFA; Alexander Hacking, CFA; Richard Roy; Jeff Black; Timothy Thein, CFA; Terence Whalen; Wendy Nicholson; Keith F. Walsh; James Rivett; Michael Rollins, CFA
Citigroup Global Markets Japan Inc.	Kenji Abe, PhD; Takashi Miyazaki; Graeme McDonald; Shusuke Terada; Hideki Takoh; Toshiyuki Johnno; Arifumi Yoshida
Citigroup Global Markets Asia	Markus Rosgen; Ravi Sarathy; Anil Daswani; Ken Yeung; Oscar Choi
Citicorp Pty Ltd	Tony Brennan; Richard Schellbach; Nigel Pittaway
Citigroup Global Markets Korea Securities Ltd	Sean Lee, CFA; Jonathan Rhee
ZAO Citibank	Daniel Yakub; Ronald Paul Smith; Mikhail Seleznev, CFA
Citigroup Global Markets Taiwan Securities Co. Limited	Roland Shu

## OTHER DISCLOSURES

Citigroup Global Markets Inc. and/or its affiliates has a significant financial interest in relation to SK Telecom, KT Corp., UMC, Toyota Tsusho, Tokyo Gas, Aetna, Allergan Inc, Amgen Inc, Anadarko Petroleum Corp, AstraZeneca PLC, AutoZone Inc., BASF SE, BP, Beazer Homes, Cooper Industries plc, Celgene Corp, Cliffs Natural Resources Inc., Comcast Corp, Capital One Financial Corp., Covidien Ltd, CenturyLink, Convergys Corp, Daimler AG, Dell Inc, DNB NOR ASA, Deutsche Post, EMC Corporation, Fiserv, Inc., Gazprom, General Electric Company, General Mills Inc, Goldman Sachs Group, Inc., GDF Suez, Hewlett-Packard Co, Hershey Foods Corp, International Business Machines Corp, Intel Corp, Intuit Inc., ITV PLC, JP Morgan Chase & Co, KPN NV, Kroger Co, Lockheed Martin Corp., McDermott International Inc, Metro AG, MetLife Inc, Microsoft Corp., Novo Nordisk A/S, Next Group PLC, Omnicom, Procter & Gamble Co, Prudential Plc, Publicis Groupe SA, Reynolds American Inc, RSA Insurance Group, Raytheon Co., Saint Gobain, Sherwin-Williams Co, Saks Inc, Suncorp Group Ltd, Symantec Corp., Target Corp, Telekomunikacja Polska SA, Time Warner Inc, UnitedHealth, United Utilities PLC, Vale, Vivendi, Virgin Media, Weatherford International Inc, WellPoint, Wal-Mart Stores Inc, Yara International. (For an explanation of the determination of significant financial interest, please refer to the policy for managing conflicts of interest which can be found at [www.citigroupgeo.com](http://www.citigroupgeo.com).)

Citigroup Global Markets Inc. or its affiliates beneficially owns 2% or more of any class of common equity securities of Ciena Corp, CenturyLink, EMC Corporation, Goldman Sachs Group, Inc., Symantec Corp., Pharmasset Inc., Weatherford International Inc.

Citigroup Global Markets Inc. or its affiliates beneficially owns 10% or more of any class of common equity securities of JP Morgan Chase & Co.

Citigroup Global Markets Inc. or its affiliates beneficially owns 5% or more of any class of common equity securities of Suncorp Group Ltd.

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

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

constraints. The Product is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security. Any decision to purchase securities mentioned in the Product must take into account existing public information on such security or any registered prospectus.

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

---

**Important Disclosures for Morgan Stanley Smith Barney LLC Customers:** Morgan Stanley & Co. LLC (Morgan Stanley) research reports may be available about the companies that are the subject of this Citi Investment Research & Analysis (CIRA) research report. Ask your Financial Advisor or use [smithbarney.com](http://smithbarney.com) to view any available Morgan Stanley research reports in addition to CIRA research reports.

Important disclosure regarding the relationship between the companies that are the subject of this CIRA research report and Morgan Stanley Smith Barney LLC and its affiliates are available at the Morgan Stanley Smith Barney disclosure website at [www.morganstanleysmithbarney.com/researchdisclosures](http://www.morganstanleysmithbarney.com/researchdisclosures). For Morgan Stanley and Citigroup Global Markets, Inc. specific disclosures, you may refer to [www.morganstanley.com/researchdisclosures](http://www.morganstanley.com/researchdisclosures) and [www.citigroupgeo.com/geopublic/Disclosures/index\\_a.html](http://www.citigroupgeo.com/geopublic/Disclosures/index_a.html).

This CIRA research report has been reviewed and approved on behalf of Morgan Stanley Smith Barney LLC. This review and approval was conducted by the same person who reviewed this research report on behalf of CIRA. This could create a conflict of interest.

---

**The Citigroup legal entity that takes responsibility for the production of the Product is the legal entity which the first named author is employed by.** The Product is made available in **Australia** through Citigroup Global Markets Australia Pty Ltd. (ABN 64 003 114 832 and AFSL No. 240992), participant of the ASX Group and regulated by the Australian Securities & Investments Commission. Citigroup Centre, 2 Park Street, Sydney, NSW 2000. The Product is made available in Australia to Private Banking wholesale clients through Citigroup Pty Limited (ABN 88 004 325 080 and AFSL 238098). Citigroup Pty Limited provides all financial product advice to Australian Private Banking wholesale clients through bankers and relationship managers. If there is any doubt about the suitability of investments held in Citigroup Private Bank accounts, investors should contact the Citigroup Private Bank in Australia. Citigroup companies may compensate affiliates and their representatives for providing products and services to clients. The Product is made available in **Brazil** by Citigroup Global Markets Brasil - CCTVM SA, which is regulated by CVM - Comissão de Valores Mobiliários, BACEN - Brazilian Central Bank, APIMEC - Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais and ANBID - Associação Nacional dos Bancos de Investimento. Av. Paulista, 1111 - 11º andar - CEP. 01311920 - São Paulo - SP. If the Product is being made available in certain provinces of **Canada** by Citigroup Global Markets (Canada) Inc. ("CGM Canada"), CGM Canada has approved the Product. Citigroup Place, 123 Front Street West, Suite 1100, Toronto, Ontario M5J 2M3. This product is available in **Chile** through Banchile Corredores de Bolsa S.A., an indirect subsidiary of Citigroup Inc., which is regulated by the Superintendencia de Valores y Seguros. Agustinas 975, piso 2, Santiago, Chile. The Product is made available in **France** by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. 1-5 Rue Paul Cézanne, 8ème, Paris, France. The Product is distributed in **Germany** by Citigroup Global Markets Deutschland AG ("CGMD"), which is regulated by Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin). CGMD, Reuterweg 16, 60323 Frankfurt am Main. Research which relates to "securities" (as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)) is issued in **Hong Kong** by, or on behalf of, Citigroup Global Markets Asia Limited which takes full responsibility for its content. Citigroup Global Markets Asia Ltd. is regulated by Hong Kong Securities and Futures Commission. If the Research is made available through Citibank, N.A., Hong Kong Branch, for its clients in Citi Private Bank, it is made available by Citibank N.A., Citibank Tower, Citibank Plaza, 3 Garden Road, Hong Kong. Citibank N.A. is regulated by the Hong Kong Monetary Authority. Please contact your Private Banker in Citibank N.A., Hong Kong, Branch if you have any queries on or any matters arising from or in connection with this document. The Product is made available in **India** by Citigroup Global Markets India Private Limited, which is regulated by Securities and Exchange Board of India. Bakhtawar, Nariman Point, Mumbai 400-021. The Product is made available in **Indonesia** through PT Citigroup Securities Indonesia. 5/F, Citibank Tower, Bapindo Plaza, Jl. Jend. Sudirman Kav. 54-55, Jakarta 12190. Neither this Product nor any copy hereof may be distributed in Indonesia or to any Indonesian citizens wherever they are domiciled or to Indonesian residents except in compliance with applicable capital market laws and regulations. This Product is not an offer of securities in Indonesia. The securities referred to in this Product have not been registered with the Capital Market and Financial Institutions Supervisory Agency (BAPEPAM-LK) pursuant to relevant capital market laws and regulations, and may not be offered or sold within the territory of the Republic of Indonesia or to Indonesian citizens through a public offering or in circumstances which constitute an offer within the meaning of the Indonesian capital market laws and regulations. The Product is made available in **Israel** through Citibank NA, regulated by the Bank of Israel and the Israeli Securities Authority. Citibank, N.A., Platinum Building, 21 Ha'arba'ah St, Tel Aviv, Israel. The Product is made available in **Italy** by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. Foro Buonaparte 16, Milan, 20121, Italy. The Product is made available in **Japan** by Citigroup Global Markets Japan Inc. ("CGMJ"), which is regulated by Financial Services Agency, Securities and Exchange Surveillance Commission, Japan Securities Dealers Association, Tokyo Stock Exchange and Osaka Securities Exchange. Shin-Marunouchi Building, 1-5-1 Marunouchi, Chiyoda-ku, Tokyo 100-6520 Japan. If the Product was distributed by SMBC Nikko Securities Inc. it is being so distributed under license. In the event that an error is found in an CGMJ research report, a revised version will be posted on the Firm's Global Equities Online (GEO) website. If you have questions regarding GEO, please call (81 3) 6270-3019 for help. The Product is made available in **Korea** by Citigroup Global Markets Korea Securities Ltd., which is regulated by the Financial Services Commission, the Financial Supervisory Service and the Korea Financial Investment Association (KOFIA). Citibank Building, 39 Da-dong, Jung-gu, Seoul 110-180, Korea. KOFIA makes available registration information of research analysts on its website. Please visit the following website if you wish to find KOFIA registration information on research analysts of Citigroup Global Markets Korea Securities Ltd. <http://dis.kofia.or.kr/fs/dis2/fundMgr/DISFundMgrAnalystPop.jsp?companyCd2=A03030&pageDiv=02>. The Product is made available in **Malaysia** by Citigroup Global Markets Malaysia Sdn Bhd, which is regulated by Malaysia Securities Commission. Menara Citibank, 165 Jalan Ampang, Kuala Lumpur, 50450. The Product is made available in **Mexico** by Acciones y Valores Banamex, S.A. De C. V., Casa de Bolsa, Integrante del Grupo Financiero Banamex ("Accival") which is a wholly owned subsidiary of Citigroup Inc. and is regulated by Comision Nacional Bancaria y de Valores. Reforma

398, Col. Juarez, 06600 Mexico, D.F. In **New Zealand** the Product is made available to 'wholesale clients' only as defined by s5C(1) of the Financial Advisers Act 2008 ('FAA') through Citigroup Global Markets Australia Pty Ltd (ABN 64 003 114 832 and AFSL No. 240992), an overseas financial adviser as defined by the FAA, participant of the ASX Group and regulated by the Australian Securities & Investments Commission. Citigroup Centre, 2 Park Street, Sydney, NSW 2000. The Product is made available in **Pakistan** by Citibank N.A. Pakistan branch, which is regulated by the State Bank of Pakistan and Securities Exchange Commission, Pakistan. AWT Plaza, 1.1. Chundrigar Road, P.O. Box 4889, Karachi-74200. The Product is made available in the **Philippines** through Citicorp Financial Services and Insurance Brokerage Philippines, Inc., which is regulated by the Philippines Securities and Exchange Commission. 20th Floor Citibank Square Bldg. The Product is made available in **Poland** by Dom Maklerski Banku Handlowego SA an indirect subsidiary of Citigroup Inc., which is regulated by Komisja Nadzoru Finansowego. Dom Maklerski Banku Handlowego S.A. ul.Senatorska 16, 00-923 Warszawa. The Product is made available in the **Russian Federation** through ZAO Citibank, which is licensed to carry out banking activities in the Russian Federation in accordance with the general banking license issued by the Central Bank of the Russian Federation and brokerage activities in accordance with the license issued by the Federal Service for Financial Markets. Neither the Product nor any information contained in the Product shall be considered as advertising the securities mentioned in this report within the territory of the Russian Federation or outside the Russian Federation. The Product does not constitute an appraisal within the meaning of the Federal Law of the Russian Federation of 29 July 1998 No. 135-FZ (as amended) On Appraisal Activities in the Russian Federation. 8-10 Gashka Street, 125047 Moscow. The Product is made available in **Singapore** through Citigroup Global Markets Singapore Pte. Ltd. ("CGMSPL"), a capital markets services license holder, and regulated by Monetary Authority of Singapore. Please contact CGMSPL at 1 Temasek Avenue, #39-02 Millenia Tower, Singapore 039192, in respect of any matters arising from, or in connection with, the analysis of this document. This report is intended for recipients who are accredited, expert and institutional investors as defined under the Securities and Futures Act (Cap. 289). The Product is made available by The Citigroup Private Bank in Singapore through Citibank, N.A., Singapore Branch, a licensed bank in Singapore that is regulated by Monetary Authority of Singapore. Please contact your Private Banker in Citibank N.A., Singapore Branch if you have any queries on or any matters arising from or in connection with this document. This report is intended for recipients who are accredited, expert and institutional investors as defined under the Securities and Futures Act (Cap. 289). This report is distributed in Singapore by Citibank Singapore Ltd ("CSL") to selected Citigold/Citigold Private Clients. CSL provides no independent research or analysis of the substance or in preparation of this report. Please contact your Citigold/Citigold Private Client Relationship Manager in CSL if you have any queries on or any matters arising from or in connection with this report. This report is intended for recipients who are accredited investors as defined under the Securities and Futures Act (Cap. 289). Citigroup Global Markets (Pty) Ltd. is incorporated in the **Republic of South Africa** (company registration number 2000/025866/07) and its registered office is at 145 West Street, Sandton, 2196, Saxonwold. Citigroup Global Markets (Pty) Ltd. is regulated by JSE Securities Exchange South Africa, South African Reserve Bank and the Financial Services Board. The investments and services contained herein are not available to private customers in South Africa. The Product is made available in **Spain** by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. 29 Jose Ortega Y Gasset, 4th Floor, Madrid, 28006, Spain. The Product is made available in the **Republic of China** through Citigroup Global Markets Taiwan Securities Company Ltd. ("CGMTS"), 14 and 15F, No. 1, Songzhi Road, Taipei 110, Taiwan and/or through Citibank Securities (Taiwan) Company Limited ("CSTL"), 14 and 15F, No. 1, Songzhi Road, Taipei 110, Taiwan, subject to the respective license scope of each entity and the applicable laws and regulations in the Republic of China. CGMTS and CSTL are both regulated by the Securities and Futures Bureau of the Financial Supervisory Commission of Taiwan, the Republic of China. No portion of the Product may be reproduced or quoted in the Republic of China by the press or any third parties [without the written authorization of CGMTS and CSTL]. If the Product covers securities which are not allowed to be offered or traded in the Republic of China, neither the Product nor any information contained in the Product shall be considered as advertising the securities or making recommendation of the securities in the Republic of China. The Product is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security or financial products. Any decision to purchase securities or financial products mentioned in the Product must take into account existing public information on such security or the financial products or any registered prospectus. The Product is made available in **Thailand** through Citicorp Securities (Thailand) Ltd., which is regulated by the Securities and Exchange Commission of Thailand. 18/F, 22/F and 29/F, 82 North Sathorn Road, Silom, Bangrak, Bangkok 10500, Thailand. The Product is made available in **Turkey** through Citibank AS which is regulated by Capital Markets Board. Tekfen Tower, Eski Büyükdere Caddesi # 209 Kat 2B, 23294 Levent, Istanbul, Turkey. In the **U.A.E.**, these materials (the "Materials") are communicated by Citigroup Global Markets Limited, DIFC branch ("CGML"), an entity registered in the Dubai International Financial Center ("DIFC") and licensed and regulated by the Dubai Financial Services Authority ("DFSA") to Professional Clients and Market Counterparties only and should not be relied upon or distributed to Retail Clients. A distribution of the different CIRA ratings distribution, in percentage terms for Investments in each sector covered is made available on request. Financial products and/or services to which the Materials relate will only be made available to Professional Clients and Market Counterparties. The Product is made available in **United Kingdom** by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. This material may relate to investments or services of a person outside of the UK or to other matters which are not regulated by the FSA and further details as to where this may be the case are available upon request in respect of this material. Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB. The Product is made available in **United States** by Citigroup Global Markets Inc, which is a member of FINRA and registered with the US Securities and Exchange Commission. 388 Greenwich Street, New York, NY 10013. Unless specified to the contrary, within EU Member States, the Product is made available by Citigroup Global Markets Limited, which is regulated by Financial Services Authority.

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

Many European regulators require that a firm must establish, implement and make available a policy for managing conflicts of interest arising as a result of publication or distribution of investment research. The policy applicable to CIRA's Products can be found at [www.citigroupgeo.com](http://www.citigroupgeo.com).

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

The Product may have been distributed simultaneously, in multiple formats, to the Firm's worldwide institutional and retail customers. The Product is not to be construed as providing investment services in any jurisdiction where the provision of such services would not be permitted.

Subject to the nature and contents of the Product, the investments described therein are subject to fluctuations in price and/or value and investors may get back less than originally invested. Certain high-volatility investments can be subject to sudden and large falls in value that could equal or exceed the amount invested. Certain investments contained in the Product may have tax implications for private customers whereby levels and basis of taxation may be subject to change. If in doubt, investors should seek advice from a tax adviser. The Product does not purport to identify the nature of the specific market or other

risks associated with a particular transaction. Advice in the Product is general and should not be construed as personal advice given it has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Accordingly, investors should, before acting on the advice, consider the appropriateness of the advice, having regard to their objectives, financial situation and needs. Prior to acquiring any financial product, it is the client's responsibility to obtain the relevant offer document for the product and consider it before making a decision as to whether to purchase the product. With the exception of our product that is made available only to Qualified Institutional Buyers (QIBs), CIRA concurrently disseminates its research via proprietary and non-proprietary electronic distribution platforms. Periodically, individual CIRA analysts may also opt to circulate research posted on such platforms to one or more clients by email. Such email distribution is discretionary and is done only after the research has been disseminated via the aforementioned distribution channels. CIRA simultaneously distributes product that is limited to QIBs only through email distribution. The level and types of services provided by CIRA analysts to clients may vary depending on various factors such as the client's individual preferences as to the frequency and manner of receiving communications from analysts, the client's risk profile and investment focus and perspective (e.g. market-wide, sector specific, long term, short-term etc.), the size and scope of the overall client relationship with Citi and legal and regulatory constraints.

---

© 2011 Citigroup Global Markets Inc. Citi Investment Research & Analysis is a division of Citigroup Global Markets Inc. Citi and Citi with Arc Design are trademarks and service marks of Citigroup Inc. and its affiliates and are used and registered throughout the world. All rights reserved. Any unauthorized use, duplication, redistribution or disclosure of this report (the "Product"), including, but not limited to, redistribution of the Product by electronic mail, posting of the Product on a website or page, and/or providing to a third party a link to the Product, is prohibited by law and will result in prosecution. The information contained in the Product is intended solely for the recipient and may not be further distributed by the recipient to any third party. Where included in this report, MSCI sourced information is the exclusive property of Morgan Stanley Capital International Inc. (MSCI). Without prior written permission of MSCI, this information and any other MSCI intellectual property may not be reproduced, redissemiated or used to create any financial products, including any indices. This information is provided on an "as is" basis. The user assumes the entire risk of any use made of this information. MSCI, its affiliates and any third party involved in, or related to, computing or compiling the information hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of this information. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. MSCI, Morgan Stanley Capital International and the MSCI indexes are services marks of MSCI and its affiliates. The Firm accepts no liability whatsoever for the actions of third parties. The Product may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the Product refers to website material of the Firm, the Firm has not reviewed the linked site. Equally, except to the extent to which the Product refers to website material of the Firm, the Firm takes no responsibility for, and makes no representations or warranties whatsoever as to, the data and information contained therein. Such address or hyperlink (including addresses or hyperlinks to website material of the Firm) is provided solely for your convenience and information and the content of the linked site does not in anyway form part of this document. Accessing such website or following such link through the Product or the website of the Firm shall be at your own risk and the Firm shall have no liability arising out of, or in connection with, any such referenced website.

---

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

EU11102A

---