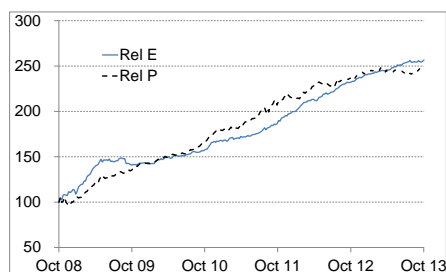


Global Equity Strategist

Citi World Champions – Revisited

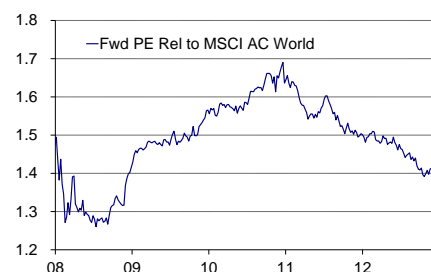
- **Citi World Champions (WC)** — This is our preferred global quality strategy. It chooses large-cap stocks with international exposure, high market share, strong track records and continued leadership according to Citi analysts' forecasts. This is not an especially defensive basket; the sector exposure has a cyclical tilt. In this report we have extended the previous analysis to show World Champions' balance sheet strength, superior EPS growth and cash generation. The basket is available on Bloomberg (CGRBTP50 Index).
- **Outperforming, But Not Rerating** — The strategy has outperformed strongly over the past ten years, but it has not rerated, either in absolute or relative terms. Strong share price performance has been justified by strong fundamentals. The basket has also outperformed YTD.
- **Strong Cash-Flow** — Strong cash generation from these companies comes from asset-light business models. Also mature market positions require less capex.
- **Future De-equitisers** — These companies have not been big de-equitisers in the past. However, high FCF Margins, low debt, low dividend payouts and strong EPS growth mean they have the potential to de-equitise more in the future. Strong balance sheets and continued cash generation raise the prospects of bigger dividends and more buybacks.
- **Not A Yield Trade** — Citi World Champions are not especially high-yielding stocks. The basket's median DY is only 1.7% vs. 2.8% for MSCI AC World. This should protect performance against further increases in global bond yields.

Figure 1. Citi World Champions Rel P Mo and E Mo: Outperformed...



Source: Citi Research, MSCI, Factset Estimates

Figure 2. Citi World Champions Index Fwd Rel P/E: ...but not rerated



Source: Citi Research, MSCI, Factset Estimates

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

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Citi World Champion Analysts

Figure 3. Citi Analysts Covering Stocks in the Basket

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Source: Citi Research

Citi World Champions – Revisited

We revisit our basket of the 50 World Champion companies covered by Citi Research, [initially published in February 2013](#). In this report we have extended the previous analysis to show strength of the balance sheet, superior EPS growth and strong cash generation.

The companies included in the basket have not changed since February (See Figure 4 for the list of stocks in the basket and Figure 19 for more detailed description of the stocks). The basket is available on Bloomberg (Bloomberg code CGRBTP50 Index)

World Champions is our preferred global quality strategy and ranks highest in [Citi Quant Global Themes Portfolios](#). However, it's not a defensive strategy. In fact, it has a cyclical sector tilt. The basket has performed strongly over the last 10 years, but strong fundamentals mean it has not rerated. YTD it has also outperformed.

For the first ten installments of this series, please see the sector reports: [Industrials](#), [Materials](#), [Internet](#), [Media & Telco](#), [Technology](#), [Financials](#), [Energy](#), [Consumer Staples](#), [Consumer Discretionary](#), [Healthcare](#) and [GEMS](#).

Birth of Citi World Champions

When the euro crisis met Citi strategists

The Citi World Champions theme is a child of the euro crisis. As the sovereign debt and banking crises violently shook financial markets in Europe, our diligent Strategy team noticed a compelling opportunity. Many companies listed on European bourses were not really “European” by nature. While they had headquarters in Europe and many of the shareholders were based in Europe, a large proportion of the revenues and profits were sourced from outside Europe. In addition, many of these companies were world champions in their industries. They had leading business models and leading market share.

We then took the world champions idea and applied it across Citi's global stock coverage. We believe the companies selected should perform well against most macro back-drops. The specific criteria we use to screen for a World Champion is (1) market cap of at least \$3bn, (2) at least a top three market share in a third of their businesses, (3) a global reach as measured by significant revenue outside their respective home market, (4) superior history of financial performance with respect to revenue and EPS growth, margins, free cash flow conversion and (5) expectation of superior financial performance in the future. While we use our analysts' thoughts on quality of business model and durability of superior financial performance, we do not include their recommendation or price target in our selection process. Our 50 stock list was finalised in February of this year and includes the companies listed in Figure 4. Our aim is to change the stocks as sparingly as possible. After all, world champions shouldn't change that often.

Overweight Cyclical stocks

Our World Champions have a heavy bias towards US stocks. However, this is more or less in-line with the weight of the US in the global benchmark. Where there is a more obvious bias is amongst the sectors. A classic “quality” strategy like this might be expected to have a defensive tilt, but this is not the case. In fact, it is more exposed to stocks in cyclical sectors. The World Champions basket Overweights stocks from the Consumer Discretionary and Technology sectors. Much of this is financed by Underweight positions in Financials, Energy and Utilities (for more details of the basket weights see Appendix 2, Figure 20 to Figure 23). 64% of the stocks are Buys for Citi analysts, 30% are Holds and 4% are Sells. The coverage of one company has been temporarily discontinued. The expected 12 month share price return for these companies averages at 14%.

Figure 4. Citi World Champions – The Top 50

RIC	Company	Sub Sector	Analyst	Rating	Share Price	Curr	Target Price	Upside to Target Price	DY 2013	ETR
HOG.N	Harley-Davidson	Automobiles	Gregory R Badishkanian	1	62.9	USD	72.0	14.4%	1.3%	15.7%
7201.T	Nissan Motor	Automobiles	Arifumi Yoshida	1	956.0	JPY	1,200.0	25.5%	2.5%	28.0%
ABI.BR	AB-InBev	Beverages	Andrea Pistacchi	1	71.1	EUR	84.0	18.2%	3.1%	21.3%
PERP.PA	Pernod-Ricard	Beverages	Andrea Pistacchi	2	88.8	EUR	93.0	4.8%	1.8%	6.6%
CELG.O	Celgene Corp	Biotechnology	Yaron Werber, MD	1	148.5	USD	162.0	9.1%	0.0%	9.1%
CSL.AX	CSL Ltd	Biotechnology	Alex Smith	3	65.6	AUD	60.5	-7.8%	1.7%	-6.1%
GILD.O	Gilead Sciences	Biotechnology	Yaron Werber, MD	1	59.4	USD	75.0	26.3%	0.0%	26.3%
ADN.L	Aberdeen Asset Management	Capital Markets	Nese Guner	2	3.7	GBP	4.3	15.2%	4.2%	19.4%
AMG.N	Affiliated Managers Group	Capital Markets	William R Katz	2	182.7	USD	195.0	6.7%	0.0%	6.7%
BX.N	Blackstone Group	Capital Markets	William R Katz	1	25.5	USD	30.0	17.8%	4.8%	22.7%
MON.N	Monsanto Co	Chemicals	P.J. Juvekar	1	103.2	USD	122.0	18.2%	1.5%	19.7%
SQM.N	SQM	Chemicals	Juan G Tavaréz	2	28.9	USD	33.0	14.2%	4.3%	18.5%
URKAq.L	Uralkali OAO	Chemicals	Andrew Benson	2	26.3	USD	25.0	-4.9%	2.7%	-2.2%
EDEN.PA	Edenred	Commercial Services & Supp.	James Ainley	1	23.4	EUR	26.0	10.9%	3.5%	14.5%
QCOM.O	Qualcomm	Communications Equipment	Glen Yeung	2	66.4	USD	70.0	5.5%	1.8%	7.3%
APH.N	Amphenol Corp	Electronic Equipment & Comp	Jim Suva, CPA	1	74.8	USD	90.0	20.3%	0.8%	21.1%
FTI.N	FMC Technologies	Energy Equipment & Serv	Robin Shoemaker	1	56.1	USD	66.0	17.7%	0.0%	17.7%
SDRL.OL	Seadrill	Energy Equipment & Serv	Ryan W Kauppila	1	270.7	NOK	300.0	10.8%	8.0%	18.8%
RMD.AX	ResMed Inc	Health Care Equipment	Alex Smith	1	5.7	AUD	7.0	23.5%	1.4%	24.8%
CERN.O	Cerner Corporation	Health Care Technology			53.2	USD		Not rated		
LVS.N	Las Vegas Sands	Hotels, Restaurants, Leisure	Anil Daswani	1	64.3	USD	72.0	11.9%	2.1%	14.0%
KPLM.SI	Keppel	Industrial Conglomerates	Hong Han Low	1	10.7	SGD	13.4	25.0%	4.2%	29.2%
AMZN.O	Amazon.com	Internet & Catalog Retail	Mark May	1	303.2	USD	340.0	12.1%	0.0%	12.1%
EBAY.o	eBay Inc.	Internet Software & Services	Mark May	1	53.0	USD	64.0	20.8%	0.0%	20.8%
GOOG.o	Google Inc.	Internet Software & Services	Mark May	1	853.7	USD	1,005.0	17.7%	0.0%	17.7%
ACN.N	Accenture	IT Services	Ashwin Shirvaikar, CFA	1	71.1	USD	86.0	21.0%	2.3%	23.3%
CPU.AX	Computershare	IT Services	Nigel Pittaway	2	9.8	AUD	10.5	6.9%	3.1%	10.0%
MA.N	MasterCard	IT Services	Donald Fandetti, CFA	1	653.9	USD	710.0	8.6%	0.4%	8.9%
TCS.BO	Tata Consultancy Services	IT Services	Surendra Goyal, CFA	2	2,063.4	INR	1,950.0	-5.5%	1.1%	-4.4%
V.N	Visa Inc.	IT Services	Donald Fandetti, CFA	2	182.5	USD	212.0	16.1%	0.7%	16.9%
PII.N	Polaris Industries	Leisure Equipment & Products	Gregory R Badishkanian	1	126.0	USD	124.0	-1.6%	1.3%	-0.3%
ATCOa.ST	Atlas Copco	Machinery	Natalia Mamaeva	3	186.7	SEK	145.0	-22.3%	3.2%	-19.1%
CMI.N	Cummins Inc.	Machinery	Timothy Thein, CFA	1	129.5	USD	135.0	4.3%	1.7%	6.0%
6954.T	Fanuc	Machinery	Graeme McDonald	1	15,330.0	JPY	17,000.0	10.9%	1.2%	12.0%
EL.N	Estee Lauder Inc	Personal Products	Wendy Nicholson	1	68.7	USD	78.0	13.5%	1.5%	15.1%
NOVOB.CO	Novo Nordisk	Pharmaceuticals	Joanne Jerman	1	906.0	DKK	1,150.0	26.9%	2.4%	29.3%
ITRK.L	Intertek	Professional Services	Ed Steele	1	32.0	GBP	39.4	23.0%	1.4%	24.5%
AMT.N	American Tower	REITs	Michael Rollins, CFA	2	71.9	USD	80.0	11.3%	1.5%	12.8%
ARM.L	ARM Holdings	Semiconductors	Amit B Harchandani	1	9.8	GBP	10.5	7.4%	0.5%	7.9%
CHKP.O	CheckPoint Software Tech	Software	Walter H Pritchard, CFA	1	56.2	USD	66.0	17.4%	0.0%	17.4%
MSFT.O	Microsoft	Software	Walter H Pritchard, CFA	1	33.0	USD	35.0	6.0%	2.6%	8.7%
ORCL.k	Oracle	Software	Walter H Pritchard, CFA	1	32.4	USD	38.0	17.4%	0.9%	18.3%
SAPG.DE	SAP AG	Software	Walter H Pritchard, CFA	2	52.6	EUR	58.0	10.4%	1.8%	12.2%
VMW.N	Vmware	Software	Walter H Pritchard, CFA	2	78.1	USD	78.0	-0.1%	0.0%	-0.1%
ITX.MC	Inditex	Specialty Retail	Richard Edwards	1	111.4	EUR	125.0	12.3%	1.9%	14.2%
COH.N	Coach	Textiles, Apparel & Luxury	Oliver Chen, CFA	1	53.6	USD	62.0	15.7%	2.3%	18.0%
FOSL.O	Fossil	Textiles, Apparel & Luxury	Oliver Chen, CFA	2	115.7	USD	135.0	16.7%	0.0%	16.7%
BATS.L	British American Tobacco	Tobacco	Adam Spielman	1	32.1	GBP	38.0	18.3%	4.4%	22.7%
PM.N	Philip Morris International	Tobacco	Vivien Azer	2	85.9	USD	96.0	11.7%	4.2%	15.9%
MTNJ.J	MTN Group	Wireless Telecom Services	Thato Motlanthe	2	188.6	ZAR	190.0	0.8%	4.9%	5.7%
							Average	11.9%	1.9%	13.8%
							Median	12.3%	1.7%	15.7%

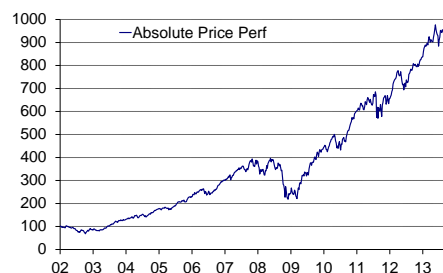
Source: Powered by dataCentral. Pricing as of 8th Oct 2013

Outperforming But Not Rerating

Long term outperformer

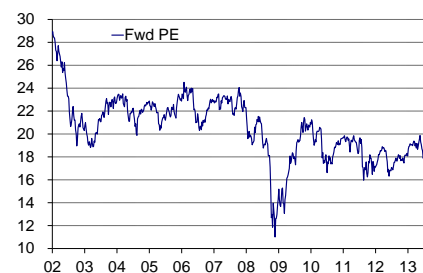
The strategy has outperformed strongly over the past ten years, but it has not rerated, either in absolute or relative terms. Strong share price performance has been justified by strong fundamentals. The basket's absolute performance is presented in Figure 5, with its fwd PE in Figure 6. YTD the basket is up 18%, while MSCI ACWI is up 15% (local currency). Despite this strong performance, the basket is currently trading at the lower end of the forward PE multiples seen over the last decade, ex the sharp decline seen during the financial crisis.

Figure 5. Citi World Champions Abs. Perf.



Source: Citi Research. Pricing as of Oct 7, 2013, Factset

Figure 6. Citi World Champions Abs. P/E

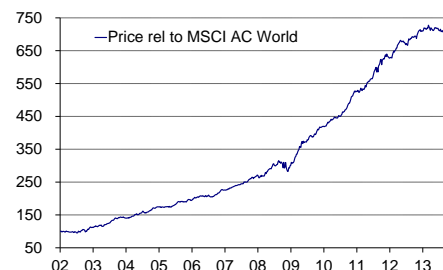


Source: Citi Research. Pricing as of Oct 7, 2013, Factset

Trades at 43% premium fwd PE

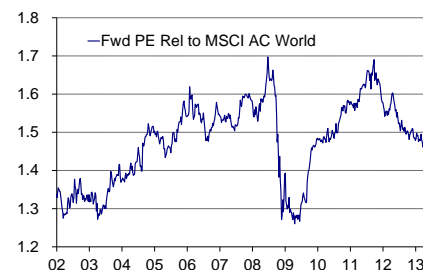
On a relative basis, the outperformance has also not come at the price of a significant re-rating (Figure 8). While the group trades at a premium to the market (1.43x the MSCI World index), this is in line with its average over the last decade and reflects the premium fundamental and financial characteristics of the stocks. After a period of relative rerating post financial crisis, World Champions have actually de-rated over the past 2 years to the levels seen 5 years ago. In our view, this presents good value.

Figure 7. Citi World Champions Rel. Perf.



Source: Citi Research. Pricing as of Oct 7, 2013, Factset

Figure 8. Citi World Champions Rel. P/E



Source: Citi Research. Pricing as of Oct 7, 2013, Factset

Strong Growth, High Cash-Flow

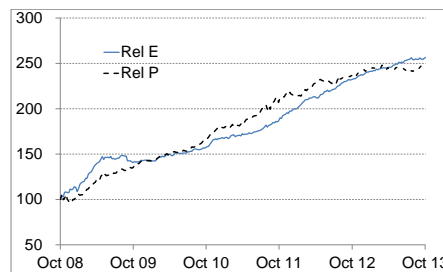
The World Champions basket has not rerated because fundamental performance of the companies has been so strong. It is a classic "quality" strategy and as such it is exposed to themes such as healthy balance sheets, strong EPS growth and high cashflow.

Superior EPS growth and E Mo

- i) **Strong EPS Growth:** World Champions enjoy superior EPS growth. In 2013 analysts expect the basket to grow EPS by a median of 14.9% vs. 9.4% for the global benchmark and by 13.7% in 2014 vs. 11.8% for the overall market. The basket's EPS seems to be mostly driven by

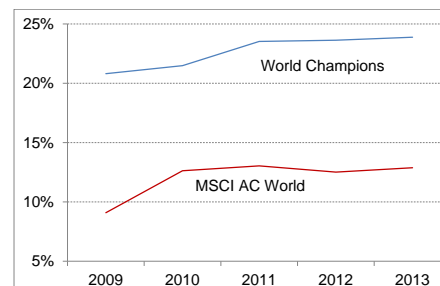
strong sales growth of 9.4% in 2013 and 9.2% in 2014, double the benchmark expectation (Figure 14). The basket also has a superior earnings momentum profile. YTD 12m forward EPS for the basket has increased 10%, outperforming MSCI ACWI by 6% (Figure 9). Finally, ROE of the basket (24%) is twice the benchmark (13%).

Figure 9. Rel Price and Earnings Momentum



Source: Citi Research, Factset

Figure 10. RoE

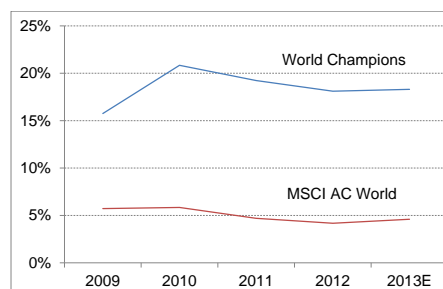


Source: Citi Research, Factset

Strong cashflow generation

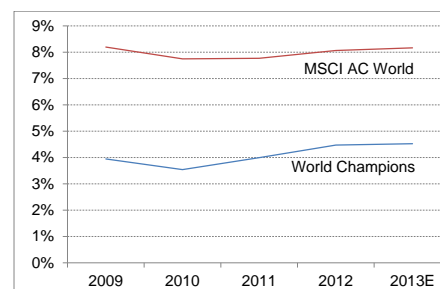
- ii) **Strong Cash-Flow:** Along with the strong EPS growth, the World Champions are very efficient in generating cash. Free cash-flow margin for 2013E is 18.1% vs. 4.5% for the market. This reflects high operating cash margin of 27.2% (vs. 12.7% for MSCI ACWI, Figure 11) and low capex to sales of 4.5% (vs. 8.2% for MSCI ACWI, Figure 12). This strong cash generation comes from asset light business models. Also, mature companies tend to require less capex.

Figure 11. FCF Margin



Source: Citi Research, Worldscope, Factset Estimates

Figure 12. Capex to Sales

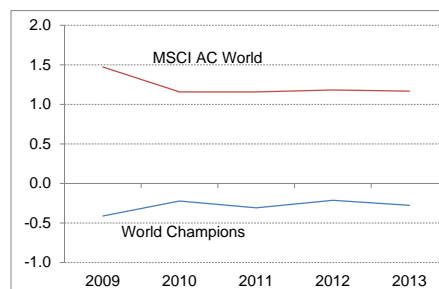


Source: Citi Research, Worldscope, Factset Estimates

Strong balance sheet

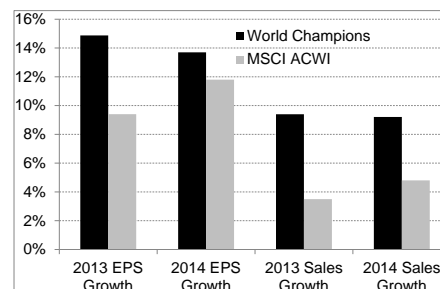
- iii) **Low Financial Leverage:** Over half of the stocks in the basket have net cash on their balance sheets and the basket overall also benefits from a positive net cash position. Average net debt to EBITDA for the basket is -0.3x for 2013E and the measure has been stable for the last few years (Figure 13). This compares to the global benchmark of 1.2x net debt to EBITDA.

Figure 13. Net Debt to Ebitda



Source: Citi Research, Factset Estimates

Figure 14. EPS and Sales Growth



Source: Citi Research, Factset Estimates

Potential de-equitiser

High FCF Margins, low levels of debt, low dividend yield and strong EPS growth mean companies have significant potential to de-equitise, via higher dividends or more buybacks. This should help support share prices.

Not A Yield Trade Or Current De-equitiser

Not a yield player

While they have plenty of potential to do more, Citi world champions are currently not high-yielding stocks. The basket's median dividend yield is 1.7%, 110 basis points below the global yield of 2.8%. Much of this lower dividend yield comes from a lower payout ratio (DPS/EPS). The payout ratio of the basket is 32%, vs. 38% for the global benchmark. As these companies haven't been big beneficiaries of the search for yield, they may be less vulnerable to rising yields in bond markets. These are lower yielding stocks, but with potential to significantly increase dividends.

...and not a de-equitiser

The companies in our screen also have a mixed record in returning capital via buybacks. The average 5-year share count change is +1.3%. Only 19 out of 50 companies have shrunk their share count by an average of -2%, while 24 have increased their share count by an average of +4.3%. So scope to do plenty more there as well.

Where Do We See Most Upside Today

**20% upside for top 25 Buy stocks and
14% for the basket overall**

Citi's World Champions series has tried to identify significant and enduring franchises over the long term, without regard to current valuations or Citi analyst ratings. Of the 50 companies in this final report we currently rate 15 Neutral and 2 Sell. If investors wish to also match these Champions to those Buy-rated stocks that our analysts believe offer the most upside today, Figure 15 ranks the top 25 stocks by ETR (Estimated Total Return). The average ETR for these 25 stocks is 20% vs. the average for the Top 50 at 14%.

Figure 15. Citi World Champions – Top 25 Buy rated stocks ranked by ETR

Company	Sub Sector	Analyst	Rating	Share Price	Curr	Target Price	Upside to Target Price	DY 2013	ETR
Novo Nordisk A/S	Pharmaceuticals	Joanne Jerman	1	906.0	DKK	1,150.0	26.9%	2.4%	29.3%
Keppel	Industrial Conglomerates	Horng Han Low	1	10.7	SGD	13.4	25.0%	4.2%	29.2%
Nissan Motor	Automobiles	Arifumi Yoshida	1	956.0	JPY	1,200.0	25.5%	2.5%	28.0%
Gilead Sciences Inc	Biotechnology	Yaron Werber, MD	1	59.4	USD	75.0	26.3%	0.0%	26.3%
ResMed Inc	Health Care Equipment	Alex Smith	1	5.7	AUD	7.0	23.5%	1.4%	24.8%
Intertek	Professional Services	Ed Steele	1	32.0	GBP	39.4	23.0%	1.4%	24.5%
Accenture Ltd	IT Services	Ashwin Shirvaikar, CFA	1	71.1	USD	86.0	21.0%	2.3%	23.3%
British American Tobacco	Tobacco	Adam Spielman	1	32.1	GBP	38.0	18.3%	4.4%	22.7%
Blackstone Group L.P.	Capital Markets	William R Katz	1	25.5	USD	30.0	17.8%	4.8%	22.7%
AB-InBev	Beverages	Andrea Pistacchi	1	71.1	EUR	84.0	18.2%	3.1%	21.3%
Amphenol Corp	Electronic Equipment & Comp.	Jim Suva, CPA	1	74.8	USD	90.0	20.3%	0.8%	21.1%
eBay Inc.	Internet Software & Services	Mark May	1	53.0	USD	64.0	20.8%	0.0%	20.8%
Monsanto Co	Chemicals	P.J. Juvekar	1	103.2	USD	122.0	18.2%	1.5%	19.7%
Seadrill	Energy Equipment & Services	Ryan W Kauppila	1	270.7	NOK	300.0	10.8%	8.0%	18.8%
Oracle Corporation	Software	Walter H Pritchard, CFA	1	32.4	USD	38.0	17.4%	0.9%	18.3%
Coach Inc.	Textiles, Apparel & Luxury	Oliver Chen, CFA	1	53.6	USD	62.0	15.7%	2.3%	18.0%
Google Inc.	Internet Software & Services	Mark May	1	853.7	USD	1,005.0	17.7%	0.0%	17.7%
FMC Technologies	Energy Equipment & Services	Robin Shoemaker	1	56.1	USD	66.0	17.7%	0.0%	17.7%
CheckPoint Software Tech	Software	Walter H Pritchard, CFA	1	56.2	USD	66.0	17.4%	0.0%	17.4%
Harley-Davidson Inc	Automobiles	Gregory R Badishkanian	1	62.9	USD	72.0	14.4%	1.3%	15.7%
Estee Lauder Inc	Personal Products	Wendy Nicholson	1	68.7	USD	78.0	13.5%	1.5%	15.1%
Edenred	Commercial Services & Supplies	James Ainley	1	23.4	EUR	26.0	10.9%	3.5%	14.5%
Inditex	Specialty Retail	Richard Edwards	1	111.4	EUR	125.0	12.3%	1.9%	14.2%
Las Vegas Sands	Hotels, Restaurants & Leisure	Anil Daswani	1	64.3	USD	72.0	11.9%	2.1%	14.0%
Amazon.com, Inc.	Internet & Catalog Retail	Mark May	1	303.2	USD	340.0	12.1%	0.0%	12.1%

Source: Powered by dataCentral. Pricing as of 8th Oct 2013

Full write-ups on each of the 50 companies can be found in the previous edition of the report ([click for the report](#)). Below we enclose summaries for the top 6 from Figure 15.

Novo Nordisk

Description: Novo Nordisk is a Danish pharmaceuticals company specialising in treatments for diabetes, haemostasis and growth disorders. Diabetes is a growing epidemic, driven by rising global obesity rates.

Why a World Champion: Novo is the world leader in diabetes with 27% value share globally. In insulin, its main specialty, it has 46% of global volume share. The company also aims to leverage its expertise in biologics and develop new therapeutics in the long term in inflammation. Novo generates strong growth, returns and cashflow.

Current Recommendation: We forecast a 2014-19E EPS CAGR of 14% versus 9% for the EU pharma sector. We believe the superior earnings growth, oligopoly nature of the business and the scope for margin and sales upside to consensus justify a P/E premium vs. the peer group. Our price target of DKK1,150 is based on a combination of P/E (using c.20x 2014) and DCF.

Keppel

Description: Keppel Corp is a Singapore-based multi-national, engaged in Offshore & Marine, Property and Infrastructure businesses.

Why a World Champion: With over 20 shipyards near its markets and customers, Keppel's O&M division is the global leader in jack-up rigs with leading positions in a complete range of design, construction, conversion, upgrading and repair of offshore structures and vessels. Keppel's "Near Market, Near Customer" strategy positions it well to capitalize on rising local content requirements by NOCs. We also note its better margin prospects than industry peers, underpinned by productivity gains and economies of scale.

Current Recommendation: Keppel Corp is Buy rated with an encouraging outlook for newbuild demand and the potential upside surprises to win order from NOCs. We believe contracting activity will accelerate in 4Q13 and that our above-Street orderbook estimate of S\$6.5bn can be achieved (vs current S\$4.2bn). Our S\$13.45 target price is based on a marginal discount to our per-share RNAV estimate of S\$13.58, applying a 20% discount to the value of Keppel's investments in M1, K1 ventures, Dyna-Mac and K-Green Trust as we see Keppel as a passive investor in most of these ventures. For the group's O&M business, we use ~17x average FY13-15E P/E, close to +1 standard deviation of SMM's historical mean (since 2001) to account for stronger execution and order win prospects.

Nissan

Description: Nissan is a leading auto manufacturer offering products and services in more than 160 countries and areas worldwide.

Why a World Champion: Nissan is increasing its overseas sales weighting (Japan 19%, North America 34%, Europe 14%, Asia 20% (China 14%), and other regions 13%), expanding its global production network via aggressive capital investment. The adoption of module-based production methods is set to lower per-vehicle costs and amplify volume benefits, and we think Nissan is one of the industry leader in this area.

Current Recommendation: we rate the shares of Nissan Buy. We believe sales will recover from H2 on the introduction of the CMF1 (Common Module Family-1) platform and the new Datsun brand, so earnings are likely to improve gradually. We model global retail volume growth of 9.9% in FY3/15 and 7.2% in FY3/16, versus 2.9% in FY3/14. The shares look significantly undervalued. Our ¥1,200 target price based on our FY3/15 EPS forecast of ¥135.1 and a PER of 9x (below the average for Japanese automakers of 12x).

Gilead Sciences

Description: Gilead Sciences (GILD) is focused on HIV, hepatitis C, hepatitis B, cardiovascular disease and oncology. Gilead's best-in-class HIV franchise is comprised of Viread, Emtriva, Truvada, Atripla and Stribild.

Why a World Champion: Gilead is positioned to be the dominant player in the lucrative hepC market with a backdrop of a leading HIV franchise and a growing oncology franchise. We peg the hepC market to be ~\$60B in the US and Europe alone. Gilead is also developing a novel oncology franchise that could also boost growth above expectations. Gilead is one of the most attractive growth assets in large-cap biotech. We expect operating margins to increase from 47% in 2013 to 58% over the next 3-5 years, driven by new product launches in hepC and growing HIV sales.

Current Recommendation: We rate Gilead Sciences Buy. According to our estimates, Gilead is slated to post a 34% EPS CAGR from 2012-15. Our US and EU physician surveys continue to point to attractive HIV share gains driven by Complera and Stribild in 2013-15. In hepC, we anticipate approval of sofosbuvir by December '13 followed by sofosbuvir/ledipasvir single tablet regimen in late '14. Our \$75 target price is based on 23x 2014E non-GAAP EPS estimate of \$3.28.

ResMed

Description: ResMed is a medical devices company specialising primarily in the obstructive sleep apnea (OSA) market.

Why a World Champion: ResMed is the largest global manufacturer of medical devices used in the treatment of sleep-disordered breathing with ~42% market share. The market for OSA continues to remain significantly underpenetrated. ResMed has continued to gain market share from competitors over the past decade with a combination of ongoing product innovations and strong execution. ResMed is

also expanding in the hospital and home care respiratory ventilation market, through acquisitions of Saime & Grundler as well in-house product development.

Current Recommendation: ResMed is Buy rated with a 12-month price target for the ASX-listed CDIs of \$7.00, based on a PE of ~16x. This compares to our forecast normalised EPS growth of ~26% in FY14, ~21% in FY15 and ~15% in FY16. We think the prospects for ongoing market growth are strong, and the risk to our forecasts is on the upside, particularly if HST gains stronger adoption in the US, the FMCSA mandates OSA screening for interstate truck drivers, SERVE-HF demonstrates a mortality/morbidity benefit of ASV therapy in heart failure patients, and/or RMD is able to succeed in efforts to grow a humidification and ventilation business in the US market longer term. ResMed has a \$525m net cash position.

Intertek

Description: Intertek is one of the world's largest TIC (Testing, Inspection and Certification) operators with over 1,000 labs and offices in over 100 countries.

Why a World Champion: Intertek is global market leader in Consumer Testing (c20% market share in textiles & toys, 10-15% market share in E&E), which represents c.60% of group profits. The other c.40% of profits is mainly focused on Oil & Gas testing (top 3 globally, 15-20% market share), Industrial inspection and certification (top 5 globally, <5% market share) and Minerals testing (top 5 globally, c5% market share). Barriers to entry in Consumer Testing are high, including a global network of labs which facilitates rapid shifts in retailer sourcing patterns and reputation (asymmetry between the low cost of a pro-type test and the financial and reputational damage from a product recall).

Current Recommendation: Intertek offers some of the highest organic growth and ROCE in the sector. The possible forthcoming opening up to foreign operators of Chinese domestic quality assurance could add an additional growth driver in the years ahead. We expect Intertek's margin expansion story to resume from 2014E. Intertek also has ample balance sheet scope for bolt-on acquisitions where cost and revenue synergies should be achievable. We arrive at our £39.40 target price using three valuation tools: 30-50% EV/EBITA premium to the sector, DCF (WACC 8%, terminal growth 3%) and ROCE.

Appendix 1 Portfolio Manager's Summary

Figure 16. World Champions: Top 50 – Portfolio Manager's Summary

Company	Analyst	Why a Champion	Rating	Rationale
Aberdeen Asset Management	Nese Guner	Market-leading GEM and Asia Pacific Equity fund manager	2	Neutral rated due to the asset manager's reliance on capacity constrained EM and Asia Pacific equity fund flows and limited momentum expected in the other. high revenue margin products in the near term.
AB-InBev	Andrea Pistacchi	No1 brewer; dominant shares in biggest profit pools	1	Buy rated on visible EPS growth, underpinned by plenty of self help in the current environment.
Accenture Ltd	Ashwin Shirvaikar, CFA	Leading Global Pure-Play IT Services Firm	1	Buy rated with high revenue diversity and market share expansion potential.
Affiliated Managers Group	William R Katz	53% of clients are non-US based	2	Increasingly global distribution platform with favorable capital management optionality though valuation keeps us price sensitive.
Amazon.com, Inc.	Mark May	Leading Online Retailer both in the US and Globally	1	Buy rated with continued market share gains and margin expansion from multiple investments.
American Tower Corp	Michael Rollins, CFA	Leasing antenna space to wireless service providers and radio and TV broadcast co's	2	Neutral rated on valuation & rising rates, despite solid revenue growth and international investments.
Amphenol Corp	Jim Suva, CPA	Leading manufacturer of electronic and electrical interconnects products and assemblies, and fiber optics	1	Above industry growth, good defensive business model, high ROIC and good dividends.
ARM Holdings PLC	Amit B Harchandani	Dominant provider of semi IP for mobile devices	1	Buy rated on structural mobile growth & emerging segment opportunities.
Atlas Copco	Natalia Mamaeva	#1 in Compressor market, #1 in underground mining equipment	3	Sell rated on the risk from Mining weakness and high level of consensus earnings expectations, especially as we look into 2014.
Blackstone Group L.P.	William R Katz	Depth and breadth of platform across Private Equity, Real Estate, Credit, and Fund-of-Funds	1	Best in class Alternatives Manager with favorable realization upcycle.
British American Tobacco PLC	Adam Spielman	No2 globally in tobacco, but leader in many Ems	1	Global top pick because of its exposure to EMs, which helps give it not only a stronger volume outlook but equally importantly more pricing upside. Leader in innovation, both on conventional cigarettes and NextGen products. Has lowest exposure to markets where e-cigarettes are a risk.
Celgene Corp	Yaron Werber, MD	Sustainable Revlimid franchise and deep pipeline	1	Buy rated on growing Revlimid use, global expansion, revenue diversification, and promising late stage pipeline.
Cerner Corporation	N/A	The only healthcare IT company executing on a global scale	N/A	Currently not covered by Citi analyst
CheckPoint Software Technologies, Inc.	Walter H Pritchard, CFA	Leading independent company in the \$9B network security market	1	Buy rated with share gains in network security market and upsell software blades into the installed base.
Coach Inc.	Oliver Chen, CFA	28% market share in US handbags/accessories market global leader unit wise for imported luxury handbags/accessories.	1	LT upside driven by solid brand, global growth, planned buybacks in FY14, and high FCF levels.
Computershare	Nigel Pittaway	Number one or two provider of registry maintenance services in Australia, US, UK, Canada, and HK	2	Our neutral rating balances the reasonably significant near-term growth challenges with the leverage to any potential pick up in corporate actions.
CSL Ltd	Alex Smith	Leading global producer of plasma-derived medicines	3	Sell rated on valuation and haemophilia competition risks.
Cummins Inc.	Timothy Thein, CFA	Top market share positions in Brazil, Russia, India and China	1	Strong, well-established positions in key emerging markets like China, India and Brazil.
eBay Inc.	Mark May	Leading Online Marketplace	1	Buy rated on mobile positioning, strong growth and profitability.
Edenred	James Ainley	Global leader for prepaid employee and public benefits products and services	1	Buy rated with strong top-line growth prospects and strong cash generation.
Estee Lauder Inc	Wendy Nicholson	A leader in prestige cosmetics, with 63% of sales outside US	1	Buy rated on growth and margin opportunities. EL also has strong cash generation.
Fanuc	Graeme McDonald	CNC division (70% of op profits) has 55% global share & 60% OPM	1	Buy rated with a strong structural position in robots coupled with potential for a cyclical rebound in high margin CNCs, and \$6bn in net cash.
FMC Technologies	Robin Shoemaker	Global leader in subsea technologies	1	Buy rated. Dominant market share built around product quality and reliability.
Fossil Inc	Oliver Chen, CFA	10% or \$31bn global watch marketshare, 40-50% of mid price US market share	2	Strong growth potential, but balanced valuation and lack of catalysts to outperform guidance yield limited near term upside.
Gilead Sciences Inc	Yaron Werber, MD	Positioned to be dominant player in HepC and HIV	1	Buy rated ahead of upcoming sofosbuvir's strong global launch in hepC, Stribild and HIV franchise will drive growth, and cancer franchise new launches.
Google Inc.	Mark May	Global leader in Search and Internet Advertising	1	Buy rated on strong competitive positioning, growth, execution track record and valuation.
Harley-Davidson Inc	Gregory R Badishkanian	Over 50% of US heavyweight market, 33% global marketshare	1	Buy rated on improving retail sales, strong brand equity and successful cost-cutting initiatives.

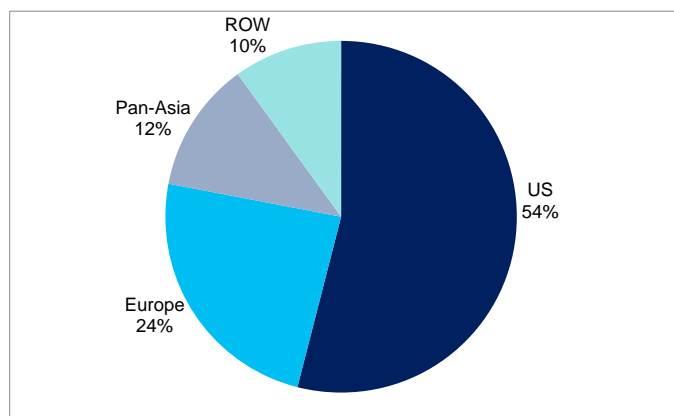
Inditex	Richard Edwards	Best in class global apparel retail model	1	We regard Inditex as one of the few beneficiaries of the ongoing, rapid channel shift to online from store-based apparel sales (given that store-based sales cannibalisation remains minimal). In combination with an aggressive store opening programme in the higher-growth global markets, we expect Inditex to continue to deliver 'GDP-plus' LFL sales growth driving c.+10-15% compound EPS growth from here.
Intertek	Ed Steele	Global market leader in Consumer Testing	1	Buy rated. Continued strong organic growth in core segment and lower cyclical risk vs. industry; beneficiary of possible forthcoming Chinese domestic testing de-regulation.
Keppel	Horng Han Low	Global yard player that is positioned well for structural growth in offshore investment	1	Buy rated. 20 global yards and a strong history/presence in the important Brazilian market.
Las Vegas Sands	Anil Daswani	Leading luxury casino resort developer	1	Buy rated. Likely continued share gain in Macau and Singapore.
MasterCard Inc.	Donald Fandetti, CFA	One of the world's largest electronic payment networks	1	Buy rated on strong secular trends. Global spend is improving and the regulatory environment is stabilising.
Microsoft Corp.	Walter H Pritchard, CFA	A monopoly in computer operating system and Office tools	1	Buy rated. New CEO from the outside could drive sharper focus on higher return businesses.
Monsanto Co	P.J. Juvekar	Global leader in biotech seeds with 30% share	1	Buy rated with volume growth in new products, moving LatAm farmers into higher margin seeds.
MTN Group Limited	Thato Motlanthe	Operates in 21 countries; Number 1 player in 15 of its markets and number 2 in rest	2	Neutral on valuation and near term challenges in key markets like SA and Nigeria.
Nissan Motor	Arifumi Yoshida	Leading global auto company	1	Buy rated on valuation and sales recovery from the CMF1 platform and new Datsun brand.
Novo Nordisk A/S	Joanne Jerman	World leader in diabetes (25% value share)	1	Buy rated on exposure to attractive insulin market. FDA guideline delay provides entry point.
Oracle Corporation	Walter H Pritchard, CFA	Market leader in database and enterprise applications software	1	Buy rated. Significant refresh cycle in the database business.
Pernod-Ricard	Andrea Pistacchi	No2 distiller globally, with best position in China & India	2	Neutral rated with strong EM positions, but limited visibility on China.
Philip Morris International	Vivien Azer	No1 global tobacco company, owning Marlboro outside the US	2	Multi-geography volume headwinds + f/x are a cause for concern.
Polaris Industries	Gregory R. Badishkanian	Leading marketshare in the Off Road Vehicle Market	1	Buy rated. Growth to outpace industry and market share gains driven by strong product innovation.
Qualcomm Inc	Glen Yeung	A mobile device technology leader	2	Long term, we see limited opportunity for multiple expansion and earnings growth in light of decelerating high-end smartphone unit growth, declining ASP and margins, and intensifying competition.
ResMed Inc	Alex Smith	Global leader in sleep-disorder breathing devices (~42% share)	1	Buy rated. Attractive valuation relative to growth profile, with significant cash balance.
SAP AG	Walter H Pritchard, CFA	Global leader in applications software	2	Growth outlook likely to continue to become more challenging.
Seadrill	Ryan W Kauppila	Industry's largest owner of modern deepwater drilling rigs	1	Buy rated. Attractive valuation, strong growth prospects and high RoE.
SQM	Juan G Tavaréz	Leader in nitrates, iodine & lithium with high ROIC	2	Neutral rated on valuations and pressured fertilizer pricing.
Tata Consultancy Services	Surendra Goyal, CFA	Leading offshore IT services provider	2	Good growth momentum and execution but high investor expectations and valuations.
Uralkali OAO	Andrew Benson	Global leader in potash with lower costs than peers	2	Neutral rated on the back of a weaker potash price environment following the company's exit from BPC.
Visa Inc.	Donald Fandetti, CFA	World's largest retail electronic payment network with 44% of revenues generated outside US	2	Neutral rated on valuation and debit regulatory overhang.
VMware, Inc.	Walter H Pritchard, CFA	Leader in server virtualization with c.70% market share	2	Strong near-term renewal cycle offset by high out year growth expectations.

Source: Citi Research

Appendix 2: Regional and Sector Composition

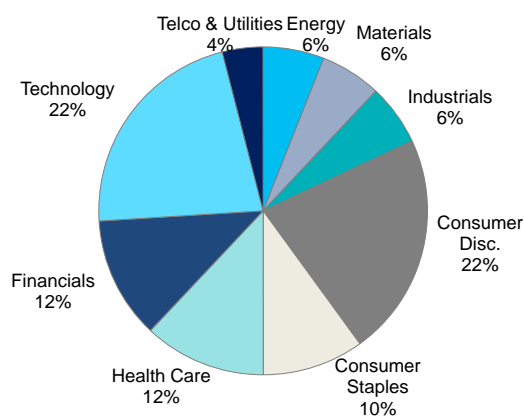
The composition of the Top 50 basket does offer a diversified list by geography and sector. The mix vs. the MSCI is shown in Figure 20 to Figure 23. The heaviest weightings are in the US by region and Technology and Consumer Discretionary by sector.

Figure 17. Citi World Champions – Regional Breakdown



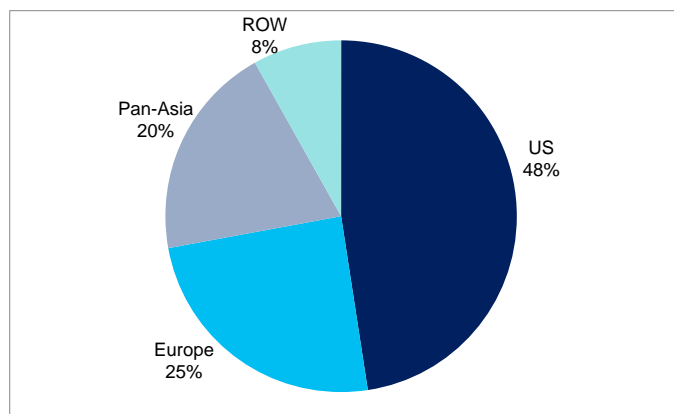
Source: Citi Research, equally weighted basket

Figure 18. Citi World Champions – Sector Breakdown



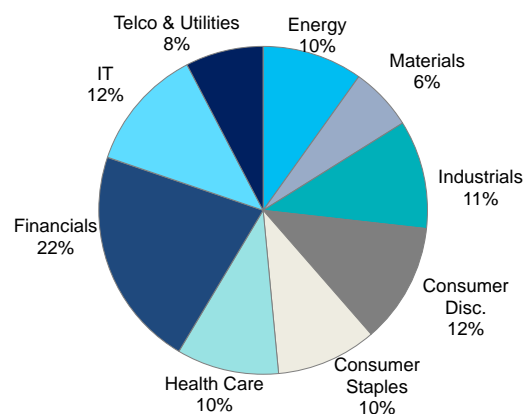
Source: Citi Research, equally weighted basket

Figure 19. MSCI – Regional Breakdown



Source: Citi Research, MSCI Pricing as of 8th October 2013

Figure 20. MSCI – Sector Breakdown



Source: Citi Research, MSCI Pricing as of 8th October 2013

Global Market Intelligence

Figure 21. Global Market Intelligence by Region

04 Oct 13	Free MC US\$bn	Wgt %	P/E			EPS YoY %			P/B	ROE	Div Yld	CAPE	Perf % (local)		Perf % (USD)	
			13E	14E	15E	13E	14E	15E	14E	14E	14E	10Yr	Weekly	YTD	Weekly	YTD
Global	33,461	100	14.6	13.1	11.9	9.4	11.8	10.4	1.7	13.3	2.8	19.3	-0.6	14.7	-0.3	13.0
Developed World	29,696	88.7	15.1	13.5	12.3	9.2	11.9	10.4	1.8	13.4	2.8	19.7	-0.7	17.0	-0.5	15.6
Emerging World	3,764	11.3	11.4	10.3	9.3	10.4	11.3	9.8	1.3	13.1	3.0	16.8	0.1	-0.3	0.8	-4.5
North America	17,166	51.3	15.7	14.2	12.9	7.0	10.9	10.6	2.2	15.4	2.3	22.8	-0.1	17.7	-0.1	17.4
USA	15,917	47.6	15.7	14.2	12.9	7.6	10.8	10.5	2.2	15.7	2.2	23.2	0.0	19.0	0.0	19.0
Canada	1,248	3.7	14.9	13.4	13.3	0.0	11.6	11.6	1.6	12.3	3.2	18.7	-0.6	2.9	-0.6	-0.6
Europe	8,209	24.5	13.9	12.4	11.2	5.6	12.4	10.7	1.6	12.6	3.9	15.0	-0.5	12.0	-0.4	13.4
United Kingdom	2,701	8.1	12.8	11.7	10.8	0.8	9.7	8.7	1.7	14.6	4.1	14.5	-1.0	9.1	-1.3	7.9
Europe ex UK	5,508	16.5	14.5	12.7	11.4	8.5	13.9	11.8	1.5	11.8	3.7	15.5	-0.3	13.5	0.0	16.2
France	1,241	3.7	13.9	12.2	11.0	8.7	13.9	10.9	1.3	10.7	3.8	14.9	-0.5	14.1	-0.1	17.7
Switzerland	1,126	3.4	15.6	14.1	12.8	18.0	10.3	10.2	2.3	16.0	3.5	21.4	-1.3	16.3	-1.2	17.8
Germany	1,100	3.3	12.7	11.4	10.3	-0.2	11.4	10.9	1.4	12.4	3.3	17.5	-0.5	10.5	-0.1	14.0
Spain	414	1.2	14.7	12.9	11.2	39.3	13.5	14.9	1.2	9.6	5.5	10.9	2.8	15.7	3.2	19.3
Sweden	406	1.2	16.3	14.3	12.8	0.3	14.4	11.9	2.0	14.3	4.1	19.3	-1.5	13.2	-1.2	15.1
Netherlands	334	1.0	15.1	13.0	11.6	13.7	15.7	12.6	1.6	12.0	2.9	15.7	-0.1	15.7	0.3	19.3
Italy	281	0.8	14.4	11.3	9.6	-7.0	27.2	17.6	0.8	7.4	3.9	9.2	3.5	7.9	3.9	11.2
Belgium	146	0.4	16.2	15.1	13.6	4.4	7.4	11.3	1.8	11.8	3.2	13.8	-1.0	12.2	-0.6	15.7
Denmark	140	0.4	16.7	14.3	12.5	13.5	16.4	14.1	2.2	15.6	2.6	26.9	-1.3	8.3	-0.9	11.7
Finland	111	0.3	18.8	15.4	13.8	19.4	21.5	11.5	1.8	11.4	4.0	13.6	-1.2	23.9	-0.8	27.7
Norway	103	0.3	11.9	10.3	9.5	-2.2	15.2	8.1	1.4	13.5	5.2	13.3	-0.5	8.6	0.2	1.5
Ireland	42	0.1	67.8	21.8	15.5	289.3	210.6	40.9	1.6	7.3	1.8	8.5	0.2	22.3	0.6	26.1
Austria	36	0.1	12.8	10.6	9.5	-1.9	20.7	11.3	0.9	8.8	3.4	9.7	-1.1	4.9	-0.7	8.1
Portugal	23	0.1	18.0	15.2	12.1	-12.0	18.3	25.8	1.3	8.8	4.0	10.4	-1.5	2.8	-1.1	6.0
Greece	6	0.0	16.3	16.0	13.5	-55.0	2.2	18.4	2.1	13.4	3.0	3.6	5.7	40.8	6.2	45.2
Japan	2,672	8.0	16.1	13.5	12.3	57.2	19.4	10.0	1.2	8.8	2.1	23.4	-4.4	35.4	-3.3	20.5
Asia Pac ex Jp	3,935	11.8	12.9	11.5	10.5	9.8	11.8	10.0	1.5	12.7	3.3	18.6	-0.4	4.4	0.3	0.2
Pacific ex Jp	1,594	4.8	15.4	14.2	13.0	2.0	8.8	8.6	1.6	11.3	4.3	18.9	-1.4	9.4	-0.4	2.8
Australia	1,009	3.0	15.4	14.1	13.1	4.3	9.0	7.3	1.9	13.4	4.8	18.6	-1.9	12.5	-0.5	2.4
Hong Kong	375	1.1	15.9	14.8	13.3	3.2	8.1	11.0	1.2	8.4	3.0	22.5	0.2	6.4	0.2	6.3
Singapore	194	0.6	14.7	13.5	12.1	-10.3	9.3	10.9	1.3	10.0	3.7	15.9	-1.9	0.0	-1.1	-1.9
New Zealand	15	0.0	17.4	16.1	14.7	7.1	7.9	9.7	1.9	11.5	5.0	16.2	-1.8	9.8	-0.9	11.0
Em Asia	2,341	7.0	11.6	10.2	9.2	14.2	13.3	10.6	1.4	13.5	2.7	18.2	0.3	1.1	0.8	-1.5
China	727	2.2	9.6	8.8	7.9	13.8	9.8	11.2	1.3	14.5	3.6	17.5	0.3	-1.5	0.2	-1.5
Korea	594	1.8	9.7	8.2	7.5	13.1	19.1	9.4	1.0	12.3	1.2	15.7	-0.3	0.0	0.0	0.1
Taiwan	436	1.3	15.5	14.0	12.8	30.0	10.5	9.2	1.6	11.8	3.4	18.7	1.4	6.5	2.0	5.3
India	225	0.7	15.8	13.8	12.0	9.1	14.6	14.9	2.2	15.9	1.8	25.5	1.3	1.0	2.5	-10.3
Malaysia	142	0.4	16.5	15.1	13.9	1.0	9.2	8.4	2.0	13.0	3.2	22.9	0.0	6.6	1.5	2.5
Thailand	93	0.3	13.0	11.4	10.1	9.8	14.0	11.3	1.9	16.5	3.7	19.1	-0.1	-2.4	-0.1	-4.6
Indonesia	90	0.3	15.3	13.1	11.4	7.1	16.2	15.7	2.7	20.4	3.0	25.3	-0.6	-2.2	-0.5	-18.2
Philippines	34	0.1	19.5	18.1	15.6	10.9	7.6	14.5	2.7	15.1	2.3	29.6	-0.3	10.1	0.3	5.0
Latin America	756	2.3	14.2	12.4	10.9	14.3	14.5	12.5	1.6	12.4	3.1	16.6	-0.7	-6.7	0.7	-11.5
Brazil	438	1.3	12.1	10.7	9.6	20.4	12.9	11.9	1.3	12.0	3.8	13.7	-1.0	-4.8	1.2	-11.6
Mexico	193	0.6	19.5	16.6	14.3	2.8	17.8	14.9	2.3	14.0	1.7	26.8	0.0	-5.6	0.1	-6.7
Chile	64	0.2	18.6	15.2	13.4	22.0	22.6	13.3	1.7	11.0	2.8	22.8	-0.7	-12.2	-0.1	-15.8
Colombia	45	0.1	17.1	15.7	13.0	2.5	9.2	9.4	2.0	14.2	3.1	31.4	-0.9	-7.2	0.5	-13.1
Peru	16	0.0	14.0	11.6	10.4	-28.3	20.7	11.7	1.8	15.4	2.6	15.8	0.5	-32.3	0.5	-32.3
CEEMEA	668	2.0	9.0	8.7	8.2	-1.1	3.6	5.1	1.1	12.4	4.0	14.5	0.3	3.0	1.0	-6.2
South Africa	280	0.8	15.5	13.8	12.4	4.9	12.4	11.3	2.2	15.7	3.5	25.4	0.4	7.6	1.0	-8.8
Russia	232	0.7	5.5	5.6	5.6	-0.9	-0.8	-0.5	0.7	11.5	4.5	8.5	0.3	3.0	0.7	-1.2
Turkey	66	0.2	10.7	9.9	8.4	4.6	8.2	17.7	1.4	13.9	3.5	16.7	1.9	-2.8	3.9	-12.9
Poland	63	0.2	13.6	13.2	11.9	-23.1	2.7	11.1	1.2	9.4	4.1	12.2	-1.2	-3.9	-0.4	-3.9
Czech Republic	9	0.0	9.6	10.8	11.3	-9.2	-10.9	-4.7	1.3	11.6	6.9	10.5	0.2	-13.9	1.2	-12.8
Hungary	8	0.0	9.2	8.5	7.8	-5.2	8.9	9.0	0.7	8.6	4.4	8.5	-2.4	-5.8	-1.5	-4.7
Egypt	6	0.0	11.0	8.4	7.1	8.6	31.4	18.7	1.2	13.8	3.7	15.1	0.7	-2.2	0.7	-9.0
Morocco	3	0.0	10.4	10.5	10.0	5.7	-0.5	4.3	1.8	17.6	5.4	14.6	-0.5	-11.3	-0.3	-9.0
Israel	56	0.2	8.5	8.2	7.8	-5.9	3.9	4.7	1.2	15.1	3.3	12.9	0.3	-2.8	0.6	2.2

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

Figure 22. Global Market Intelligence by Sector

04 Oct 13	Free MC US\$bn	Wgt %	P/E			EPS YoY %			P/B 14E	ROE 14E	Div Yld 14E	CAPE 10Yr	Perf % (local)		Perf % (USD)	
			13E	14E	15E	13E	14E	15E					Weekly	YTD	Weekly	YTD
Global	33,461	100	14.6	13.1	11.9	9.4	11.8	10.4	1.7	13.3	2.8	19.3	-0.6	14.7	-0.3	13.0

Sectors - Level 1

Energy	3,307	9.9	11.6	10.7	10.1	-2.2	9.3	5.8	1.3	12.3	3.3	13.4	-0.4	7.4	-0.3	6.0
Materials	2,082	6.2	15.5	13.1	11.6	3.8	17.9	13.2	1.5	11.7	2.8	15.6	-1.6	-4.3	-1.2	-6.6
Industrials	3,584	10.7	16.0	14.0	12.6	8.0	14.5	11.8	2.0	14.6	2.5	21.3	-1.4	18.9	-1.1	16.9
Consumer Disc.	3,969	11.9	17.1	14.6	12.8	19.2	17.5	14.4	2.4	16.3	1.9	28.1	-0.7	27.5	-0.4	25.1
Consumer Staples	3,311	9.9	17.7	16.1	14.6	6.7	10.2	9.9	3.1	19.1	3.1	26.0	-1.4	11.2	-1.2	10.0
Health Care	3,371	10.1	16.5	15.0	13.6	2.9	9.4	10.3	3.0	19.7	2.4	26.1	0.0	24.1	0.2	23.4
Financials	7,265	21.7	12.5	11.4	10.2	18.0	9.6	10.9	1.1	9.9	3.4	13.8	-0.3	15.8	0.0	13.2
IT	4,062	12.1	14.9	13.2	12.0	9.9	12.9	9.7	2.4	18.5	1.8	26.6	-0.2	14.4	0.0	13.3
Telecoms	1,412	4.2	14.5	13.4	12.4	4.3	8.5	7.9	2.0	14.7	4.6	17.6	0.6	15.0	0.9	13.2
Utilities	1,097	3.3	15.6	13.7	12.7	14.0	14.1	7.5	1.3	9.2	4.4	15.0	-0.3	6.5	-0.1	5.5

Sectors - Level 2

Energy	3,307	9.9	11.6	10.7	10.1	-2.2	9.3	5.8	1.3	12.3	3.3	13.4	-0.4	7.4	-0.3	6.0
Materials	2,082	6.2	15.5	13.1	11.6	3.8	17.9	13.2	1.5	11.7	2.8	15.6	-1.6	-4.3	-1.2	-6.6
Capital Goods	2,615	7.8	15.4	13.5	12.2	5.9	13.7	11.0	2.0	14.7	2.6	20.6	-1.4	18.3	-1.2	16.6
Comm Svc & Supp	277	0.8	19.7	17.7	15.9	9.0	11.8	11.3	2.8	16.2	2.4	23.4	-2.1	16.7	-1.9	14.9
Transport	692	2.1	17.7	14.9	12.9	17.6	19.0	15.1	2.1	13.8	2.2	24.2	-1.1	22.3	-0.6	18.7
Autos	1,003	3.0	11.1	9.5	8.5	15.4	16.1	12.5	1.4	14.3	2.4	21.4	-2.3	31.5	-1.7	25.7
Consumer Durables	586	1.8	21.8	16.3	14.2	113.2	33.3	15.0	2.3	14.0	1.9	28.6	-0.8	22.1	-0.5	20.6
Consumer Services	510	1.5	21.1	18.6	16.3	8.0	13.5	14.1	3.8	20.5	2.4	29.3	-0.1	21.2	0.1	20.0
Media	875	2.6	18.8	16.8	14.6	12.3	11.8	15.1	2.8	17.8	1.7	33.2	0.1	31.3	0.2	30.2
Retailing	995	3.0	22.5	19.6	16.7	10.3	19.2	17.2	4.0	20.7	1.5	31.6	0.2	26.9	0.3	25.5
Food & Staples	749	2.2	16.8	15.1	13.6	5.0	11.5	11.0	2.2	14.7	2.7	24.5	-0.9	16.2	-0.6	13.5
Food Bev & Tobac.	1,997	6.0	17.6	16.0	14.6	7.3	10.0	9.8	3.4	21.2	3.3	26.2	-1.5	8.5	-1.3	7.8
Household Products	566	1.7	19.5	17.8	16.4	7.1	9.1	9.0	3.8	21.1	2.8	27.7	-1.8	14.6	-1.6	13.9
Health Care	846	2.5	16.0	14.5	13.1	6.2	9.7	11.2	2.3	16.1	1.3	25.6	0.8	20.4	1.0	19.8
Pharma & Biotech	2,525	7.5	16.6	15.2	13.8	1.7	9.2	10.0	3.2	21.3	2.7	26.1	-0.2	25.4	-0.1	24.7
Banks	3,176	9.5	11.2	10.2	9.1	11.6	9.9	11.8	1.1	10.8	4.1	11.7	-0.2	13.6	0.3	9.9
Div Financials	1,787	5.3	13.2	11.6	10.4	35.1	13.9	11.0	1.0	9.1	2.1	14.5	0.0	24.0	0.2	22.9
Insurance	1,341	4.0	11.6	10.9	10.0	19.2	6.4	8.5	1.1	10.4	3.2	15.4	-0.2	21.6	0.0	20.5
Real Estate	961	2.9	20.1	19.4	17.3	13.2	3.5	10.8	1.4	7.0	3.6	23.4	-1.6	2.8	-1.3	0.0
Software & Services	1,916	5.7	17.7	15.7	13.9	9.1	12.5	12.3	3.6	22.8	1.3	33.5	-0.4	20.3	-0.3	19.8
Tech	1,407	4.2	13.0	11.7	11.1	5.6	11.0	7.5	1.9	16.0	2.4	22.5	-0.7	7.8	-0.5	5.9
Semi & Semi Equip	739	2.2	12.9	11.0	10.1	20.9	17.0	8.3	1.9	17.3	2.1	23.3	1.4	13.7	1.6	13.4
Telecom	1,412	4.2	14.5	13.4	12.4	4.3	8.5	7.9	2.0	14.7	4.6	17.6	0.6	15.0	0.9	13.2
Utilities	1,097	3.3	15.6	13.7	12.7	14.0	14.1	7.5	1.3	9.2	4.4	15.0	-0.3	6.5	-0.1	5.5

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

Figure 23. 2013 P/E Estimates by Region & Sector

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P/E 13E	Global	DM	GEM	US	Eur ex UK	UK	Jap	Dev Asia	Em Asia	Lat Am	CEEMEA
Region	14.6	15.1	11.4	15.7	14.5	12.8	16.1	15.4	11.6	14.2	9.0

Sectors - Level 1

Energy	11.6	12.9	7.2	13.7	10.9	9.6	8.9	18.3	10.1	10.2	5.0
Materials	15.5	15.8	14.2	17.0	17.1	13.1	17.2	13.9	15.2	12.8	14.6
Industrials	16.0	16.0	16.9	16.3	16.8	15.7	13.9	16.2	16.6	22.1	12.7
Consumer Disc.	17.1	17.6	12.5	20.1	13.9	16.1	15.3	20.9	10.4	21.0	21.8
Consumer Staples	17.7	17.2	24.6	17.2	18.3	15.0	18.2	17.8	24.7	24.7	24.1
Health Care	16.5	16.4	24.2	16.9	16.1	12.7	21.0	22.7	24.6	24.3	23.3
Financials	12.5	13.0	9.8	13.3	12.2	12.0	13.8	14.5	9.1	12.6	9.9
IT	14.9	15.6	11.5	14.9	23.1	32.3	18.7	18.0	11.4	19.0	
Telecom Services	14.5	14.9	13.3	17.5	12.5	14.2	15.4	16.0	14.1	11.6	13.1
Utilities	15.6	16.2	12.3	15.6	11.1	13.7	-22.4	17.0	14.2	12.4	7.4

Sectors - Level 2

Energy	11.6	12.9	7.2	13.7	10.9	9.6	8.9	18.3	10.1	10.2	5.0
Materials	15.5	15.8	14.2	17.0	17.1	13.1	17.2	13.9	15.2	12.8	14.6
Capital Goods	15.4	15.3	15.6	15.9	16.5	15.0	12.8	12.4	15.3	21.2	13.3
Comm Svc & Supp	19.7	19.7	21.9	20.1	20.1	17.9	22.1	20.5	21.9		
Transport	17.7	17.4	21.7	16.8	17.2	13.5	16.9	22.7	23.2	23.0	10.7
Autos & Components	11.1	11.7	8.5	13.7	9.8	13.6	12.1		8.4		13.6
Consumer Durables	21.8	22.5	14.2	19.9	18.9	18.5	141.9	19.3	16.7	8.8	10.9
Consumer Services	21.1	21.2	19.3	21.8	21.6	17.4	21.7	22.1	18.8	21.0	
Media	18.8	18.3	30.1	18.9	15.8	15.6	30.6	19.2	23.3	26.2	34.4
Retailing	22.5	23.0	17.6	23.6	26.3	15.4	22.3	12.8	15.9	23.3	16.0
Food & Staples Retailing	16.8	16.1	25.4	16.5	17.1	11.3	17.3	18.3	24.1	24.9	26.9
Food Bev & Tobacco	17.6	17.1	23.6	17.1	18.1	15.8	17.1	15.6	23.6	24.4	17.8
Household Products	19.5	19.0	28.8	18.5	21.0	16.3	25.8		29.8	26.3	
Health Care Equip & Svc	16.0	15.8	23.6	15.1	20.0	16.2	23.1	21.1	25.3	29.8	20.4
Pharma & Biotech	16.6	16.6	24.5	18.0	15.7	12.5	20.6	23.5	24.2	18.7	27.8
Banks	11.2	12.1	8.8	11.5	14.2	11.5	10.2	13.5	8.1	11.6	8.9
Div Financials	13.2	13.1	14.5	12.9	12.8	12.7	14.1	20.6	14.1	18.8	12.8
Insurance	11.6	11.3	14.5	11.1	9.3	12.3	16.1	16.6	14.6	17.0	13.4
Real Estate	20.1	21.9	10.6	29.0	16.4	21.2	32.0	14.9	9.5	21.8	12.8
Software & Services	17.7	17.3	24.8	17.3	17.1	14.7	21.1	16.7	25.6	19.0	
Tech Hardware & Equip	13.0	13.0	12.9	11.9	28.7		17.1	15.2	12.9		
Semi & Semi Equip	12.9	19.0	9.0	16.4	38.8	47.3	101.9	29.6	9.0		
Telecom	14.5	14.9	13.3	17.5	12.5	14.2	15.4	16.0	14.1	11.6	13.1
Utilities	15.6	16.2	12.3	15.6	11.1	13.7	-22.4	17.0	14.2	12.4	7.4

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

Appendix A-1

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