

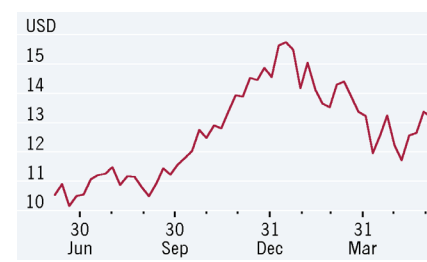
Och-Ziff Capital Management (OZM)

Don't Miss The Forest Through The Trees; Management Meeting Takeaways; Affirm Buy

- **Affirm Buy; and conservatively built \$16.50 target following Citi Research-sponsored investor meetings in Boston on 6/6** — The stock has languished YTD as investors have fixated on choppy ST performance. However we believe this focus essentially misses the "forest through the trees" as we see strong dynamics reflecting: 1) significantly improved strategic positioning; 2) accelerating real time and broader LT flow dynamics; 3) model scalability; and, 4) attractive upside. And, at the margin, May/June AUM should dispel performance or branding issues.
- **Favorable structural changes** — Management sees further investor allocations into alternatives, with such investors further consolidating mandates to multi-disciplined players, including OZM. Indeed, management noted they are a preferred provider with MS, among others, as distributors winnow their manufacturer lists.
- **More ways to grow than ever** — As past franchise build-out (product, distribution, infrastructure) is now translating into strong organic growth. Multi-strategy; Equity L/S; Credit; Non-U.S.; Institutional and High-end Retail all offer still strong growth. Indeed, ~20% YTD organic growth, including 17% for May/June, seemingly is proof positive in underlying AUM build. Lead indicators remain promising, in our view. While we model flows from a bottoms-up perspective, our top down scratch work points to significant pools of capital that could drive flows, with OZM increasingly well poised to capture more wallet share. By our math, every 1% rise in global pension toward alternatives equates to \$300B in AUM in motion.
- **Stressing for cheapness** — While we use both SOTP + dividend discount models to value OZM, in this note we revisit upside to the current price based on distributable earnings growth. Using conservative to bullish range of expectations - all below recent trends - yields stock price range of \$16 to \$19, or 30% upside at the midpoint based on 6/6 closing price. The analysis tells us investor skepticism remains high. Indeed, recent price/fund performance is significantly more correlated than prior periods.

Buy	1
Price (06 Jun 14)	US\$13.35
Target price	US\$16.50
Expected share price return	23.6%
Expected dividend yield	6.0%
Expected total return	29.6%
Market Cap	US\$6,608M

Price Performance (RIC: OZM.N, BB: OZM US)



EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2013A	0.29A	0.16A	0.27A	1.15A	1.87A	1.87A
2014E	0.24A	0.15E	0.17E	0.39E	0.96E	1.25E
Previous	0.24A	0.15E	0.17E	0.39E	0.96E	na
2015E	na	na	na	na	1.39E	1.73E
Previous	na	na	na	na	1.39E	na
2016E	na	na	na	na	1.54E	1.82E
Previous	na	na	na	na	1.54E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

William R Katz
+1-212-816-5394
william.katz@citi.com
Neil Stratton, CFA
neil.stratton@citi.com
Steven J Fullerton
steve.fullerton@citi.com

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

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

Fiscal year end 31-Dec	2012	2013	2014E	2015E	2016E
Valuation Ratios					
P/E (x)	11.3	7.1	13.9	9.6	8.7
P/BV (x)	-7.9	-16.9	-7.9	-7.9	-7.9
P/TBV (x)	-7.9	-16.9	-7.9	-7.9	-7.9
Dividend yield (%)	8.3	13.4	6.6	9.8	10.9
Per Share Data (US\$)					
EPS adjusted	1.18	1.87	0.96	1.39	1.54
Book value per share (BV)	-1.70	-0.79	-1.69	-1.69	-1.69
Tangible book value per share	-1.70	-0.79	-1.69	-1.69	-1.69
Dividend per share	1.11	1.79	0.88	1.31	1.46
Profit & Loss (US\$m)					
Net interest income	0	0	0	0	0
Fees and commissions	1,102	1,642	1,067	1,498	1,708
Non-recurring fee revenue	na	na	na	na	na
Total revenue	1,211	1,806	1,369	1,824	2,047
Total operating expenses	-1,919	-744	-713	-853	-933
Non-recurring expenses	na	na	na	na	na
FTE adjustment	na	na	na	na	na
Pre-tax preprovision profits	-708	1,062	656	971	1,114
Loan loss provision	0	0	0	0	0
Pre-tax profit	-545	1,243	865	1,174	1,326
Tax	-79	-93	-20	23	27
Extraord./Min. Int./Pref. Div.	308	-898	-682	-952	-1,076
Attributable profit	-316	252	163	245	277
Growth Rates (%)					
EPS adjusted	147.6	58.6	-48.9	44.8	11.2
Pre-tax preprovision profits	50.3	250.0	-38.3	48.0	14.7
Avg. loan growth	na	na	na	na	na
Balance Sheet (US\$m)					
Total assets	3,535	6,869	6,648	7,047	7,470
Avg interest earning assets	0	0	0	0	0
Customer loans	0	0	0	0	0
Gross NPLs	0	0	0	0	0
Liab. & shar. funds	3,535	6,869	6,648	7,047	7,470
Total customer deposits	0	0	0	0	0
Reserve for loan losses	0	0	0	0	0
Shareholders' equity	-251	-134	-293	-293	-293
Profitability/Solvency Ratios (%)					
Return on equity	43.3	44.5	24.4	40.2	44.0
Return on tangible equity	na	na	na	na	na
Net interest margin	na	na	na	na	na
Fee income / Revenues	100.0	100.0	100.0	100.0	100.0
Efficiency ratio	174.2	45.3	66.9	57.0	54.6
Net charge off ratio	na	na	na	na	na
Reserve for loan losses / NPLs	na	na	na	na	na
Loan loss provision / Loans	na	na	na	na	na
Loan to deposit ratio (LDR)	na	na	na	na	na
Tier 1 common ratio (Basel 1)	na	na	na	na	na
Tier 1 common ratio (Basel 3)	na	na	na	na	na
Tangible equity / Assets ratio	-7.1	-1.9	-4.4	-4.2	-3.9

Don't Miss The Forest Through The Trees; Management Meeting Takeaways; Affirm Buy

Investment Summary

We affirm our Buy rating and conservatively built \$16.50 12-month price target following Citi Research-sponsored investor meetings in Boston on 6/6 with senior management. We hosted sessions with founder, CEO, and Chairman, Mr. Daniel Och; COO and CFO, Mr. Joel Frank and Ms. Tina Madon, Head of Investor Relations and Corporate Communications.

We came away from our meetings encouraged on a number of topics, including: 1) structural growth for the sector; 2) OZM-specific growth and share potential; and, 3) operating leverage. We also got comfort around the soft patch of performance in March and April and branding issues owing to regulatory risks.

Aside from recapping broad takeaways, we also revisit our proprietary DEDM valuation model, with the analysis reinforcing that much skepticism is built in and suggesting the market is missing the forest (growth, share; leverage) through the trees (six weeks of weak returns from March/April) -- though recently released May/June AUM metrics should debunk such worries, we believe.

Turning For The Better

Perhaps our mood was particularly upbeat as the meetings brought to a conclusion several cross country and transatlantic flights over the past couple of weeks and the day was perfect spring weather, but we found much to like. We note:

1. **Sector allocations continue to move higher, by distribution channel, and globally, and the opportunity set remains sizeable.** Indeed, Mr. Och continues to see institutional and increasingly retail investors raising alternatives allocations, with similar dynamics playing out in and outside the U.S.

In Figure 1, we array asset class allocations for pension plans in the larger developed markets globally, with equities accounting for 52% at 12/31/13; FI at 29% and "other" at 18%, including alternatives mandates. There seems to be two sub-themes underway:

- **Equity mandates are migrating to either low cost, global, or risk adjusted platforms (versus mutual funds); while,**
- **FI mandates migrate toward credit.**

We estimate every 1% reallocation puts \$300B of AUM in motion. Concurrently, management is executing well to not only continue to grow the flagship U.S. multi-strategy fund but also, diversify into "other" AUM, with broadening contribution into credit and real estate (Figure 2).

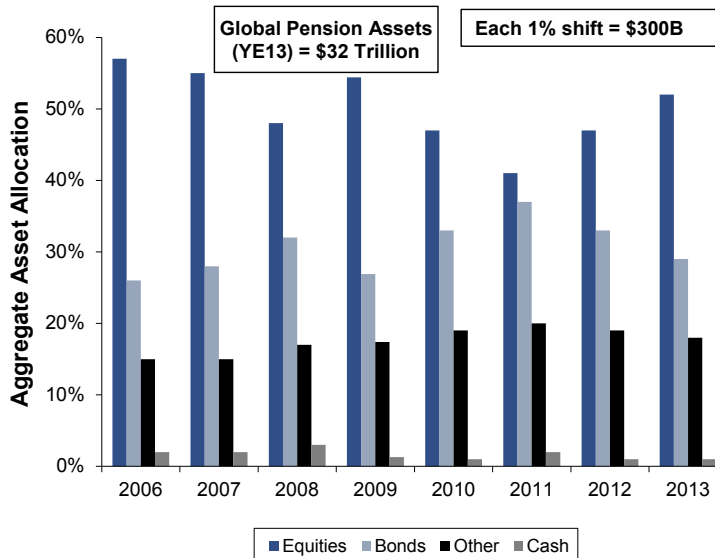
In turn, as noted in Figure 3, U.S. pensions continue to boost allocations while similar trends are coming through in retail HNW. What does this all tell us?

First, there is still substantial runway for industry growth.

Second, OZM has never been better equipped to garner growth.

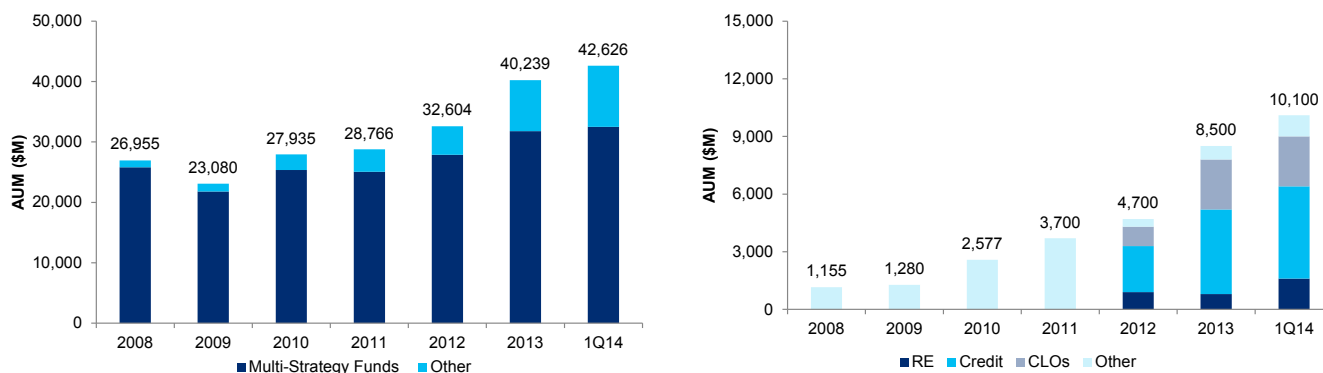
Third, market shares are consolidating.

Figure 1. Global Pension Allocations To Alternatives Are Generally Moving Higher In Recent Years



Source: Towers Watson Global Pension Asset report, Citi Research

Figure 2. Management Is Not Only Growing The Flagship Multi-Strategy Fund But Also Diversifying Into Other AUM, Including Credit, CLOs, And Real Estate, As Well As Long/Short Equities



Source: Company reports, Citi Research

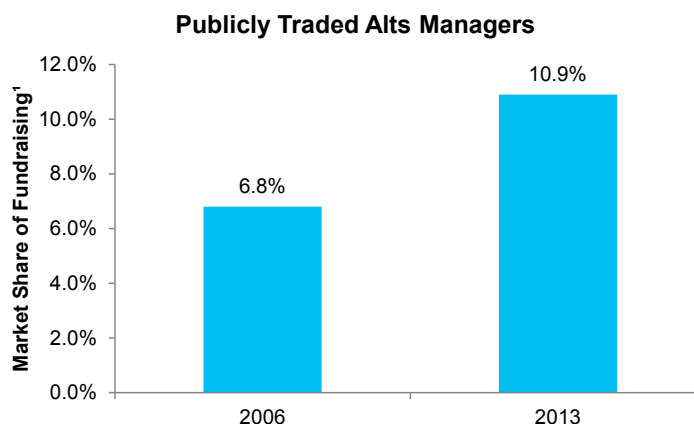
Figure 3. U.S. Pensions Continue To Boost Allocations

Pension Name:	Target Alternative Allocation			Target PE Allocation		
	2007	2009	2012	2007	2009	2012
California Public Employees Retirement System	14%	25%	29%	6%	10%	14%
CalSTRS	13%	24%	26%	4%	11%	12%
New York State Common Retirement Fund	19%	19%	27%	8%	8%	10%
State Board of Administration -- Florida	12%	13%	17%	5%	4%	4%
New York City Retirement	5%	11%	17%	4%	9%	13%
Teachers Retirement System of Texas	9%	17%	29%	4%	7%	12%
New York State Teachers Retirement System	13%	17%	17%	5%	7%	7%
Wisconsin Investment Board	11%	14%	18%	4%	6%	6%
Ohio Public Employees	11%	19%	33%	3%	5%	10%
North Carolina Retirement System	8%	11%	24%	3%	5%	7%
New Jersey Division of Investment	15%	15%	23%	5%	6%	7%
Washington State Investment Board	29%	N/A	38%	17%	N/A	25%
State Teachers' Retirement System of Ohio	3%	7%	15%	N/A	5%	5%
Oregon Public Employees Retirement Fund	12%	16%	21%	N/A	16%	16%
Virginia Retirement System	10%	15%	9%	6%	8%	9%
State of Michigan Retirement Systems	13%	16%	16%	7%	9%	9%
University of California Retirement System	4%	9%	13%	3%	7%	8%
Minnesota State Board of Investment	12%	18%	18%	7%	10%	10%
Mass. Pension Reserves Investment Mgmt Board	N/A	20%	22%	N/A	10%	12%
Penn. Public School Employees' Retirement System	9%	17%	22%	6%	12%	16%
San Diego City Employees' Retirement System	N/A	19%	24%	N/A	5%	10%
Average:	12%	16%	22%	6%	8%	11%

Source: Pension CAFRs, Citi Research

- The big are getting bigger** - Beyond structural growth for the industry, the second consistent theme reflects a clear move with institutional investors to consolidate mandates to not only best of breed managers but also to those able to best align with the shift to customization across product sets. Interestingly, management noted this theme is beginning to play out in private client/high net worth channels. In turn, management noted that MS strategically raised alternatives allocations, including OZM as top 10 preferred provider. We believe similar mandate consolidation is happening across key distributors, and echoed similar comments from LM (see also [Repositioning For The Next Leg\(g\)s of Growth – Management Meeting Takeaways](#)) and IVZ (see also [The Future Is Now; Management Meeting Takeaways](#)). In Figure 4, we note the publicly traded Alternatives managers experienced nearly 400 bps of share gains over the past seven years.
- Much more growth levers to pull** - With management noting FoF redemptions have eased, gross sales are strong(er) elsewhere and cross sell is strong. To highlight these trends, we offer Figure 5, with pensions and HNW now at 48% of AUM versus 32% at 1Q10 while FoF is down to 14% at 3/31 versus 21% at 1Q10. To be sure, management remains quite upbeat on the ability to drive growth in the flagship Multi-Strategy; Equity L/S, Credit and Real Estate, particularly as rate expectations remain tepid globally;

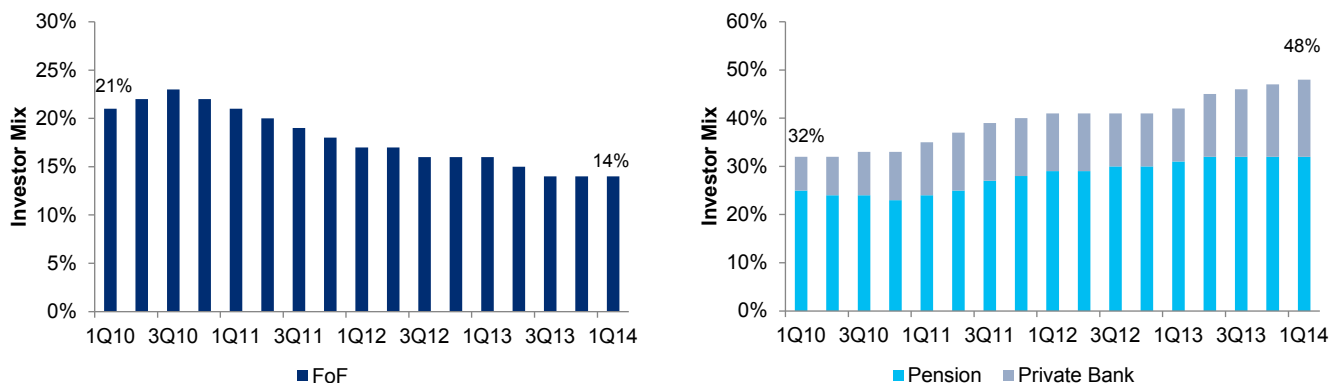
Figure 4. Publicly Traded Alternatives Managers Experienced Nearly 400 Basis Points Of Share Gains Over The Past Year



¹Market share of fundraising (3-year rolling average) of publicly traded Alternative Asset Managers as a percentage of total industry fundraising. Industry fundraising includes Buyout, Growth, Real Estate, Natural Resources, Mezzanine, Distressed, Early/Venture, Balance, Special Situation, Timber, and Turnaround.

Source: Preqin 3Q13 Private Equity Fundraising Report, Carlyle Group

Figure 5. FoF Redemption Risk Is Sharply Lower, While OZM Is Making Strong Strides In The Pension + HNW Channels



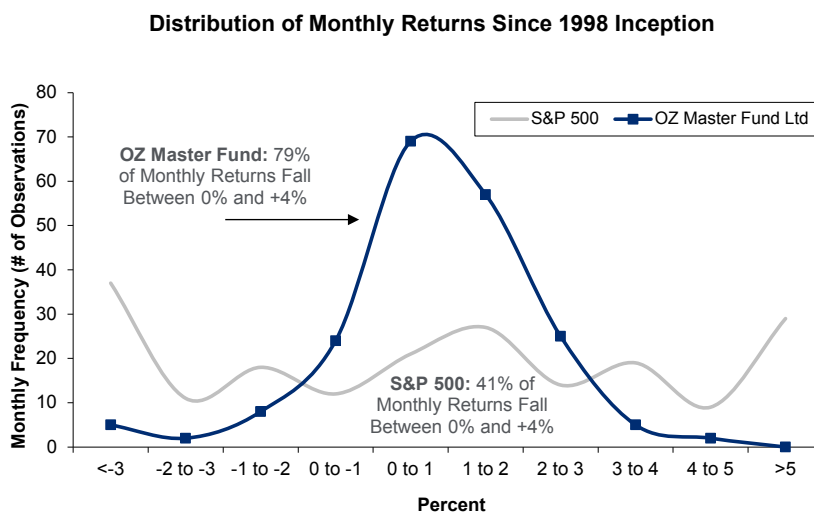
Source: Company reports, Citi Research

4. **Plenty of operating leverage still ahead** - We picked up on several drivers. First, headcount growth should begin to slow following strong expansion the last few years. Headcount is currently 540, up from 468 in 2012. Second, management has robustly built out its infrastructure (marketing, risk management, compliance, operations) as nearly 50% of such headcount is not PMs and analysts. In turn, management sees more marginal headcount adds, but not at the same clip. The CFO did recognize comp and non-comp should trend toward the lower end of respective ranges over time though they did not commit to specific reductions in the ratios.
5. **Getting comfort on performance and branding issues** - Management affirmed the weak performance in March and April was simply broad based underperformance on their long positions relative to their short book. We would add it wasn't a function of big directional trades or levered impacts and we believe their performance, while disappointing was: a) stronger than peers; and, b) bounced back in May, suggesting the weakness was not a structural issue.

Indeed, management noted that one of the biggest differences is how fixated unitholders have become on MTM performance versus LPs, that tend to take much more measured view, particularly given ongoing shift to risk-adjust beta exposure and share consolidation. To put this dynamic in perspective, we have updated our histogram that tracks monthly returns in the OZ Master Fund versus the SPX (Figure 6). We doubt the six week downdraft, particularly since it reversed in May, will spook LPs. As previously noted, we estimate 17% annualized net new business in June based on recent AUM and NAV updates – see also, [May/June AUM: Performance + Flows Should Ease Concerns](#).

Turning to branding, management was asked about the impact of recent media scrutiny of prior Africa mandates. Here, management noted that they were part of an industry sweep by the regulators, though we note the media opted to only focus on OZM. This tells us, it is not an acute case-specific issue. Also, management affirmed that the review dates back to investments made in 2011, and the firm has not invested into the region since. To be fair, there was no timeline around when these investigations may wrap up, but we remain encouraged by strong risk measures of the firm and no break in flow trends despite recently stepped up media scrutiny.

Figure 6. OZM's Flagship Fund Is Producing Strong Risk-Adjusted Returns To LPs



Source: Company reports, Citi Research

A Look At Correlations

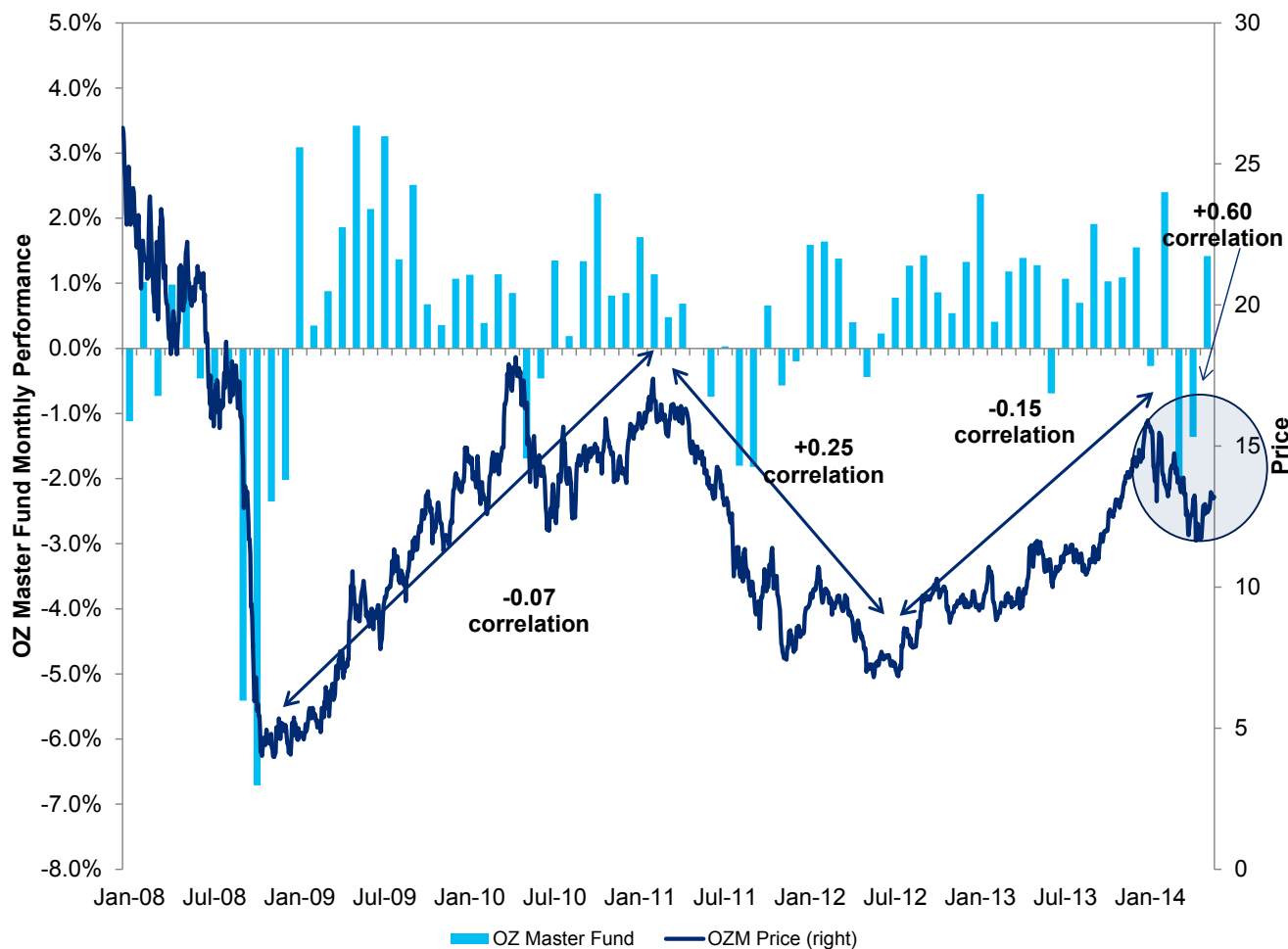
In our view, investors have become quite myopic on ST performance as noted above. We believe this has been magnified by the HF community broadly being the incremental buyer, many of whom have struggled YTD - and thus are telescoping such risk onto OZM. However, we ran some interesting correlations to gauge such sentiment.

In Figure 7, we chart the stock price with monthly fund performance. While a short sample set, the correlation has moved to +0.60 over the last few months. Given the snapback in returns in June, we would expect such scrutiny to abate.

In Figure 8, we chart the stock price with AUM. Here, the opposite has occurred. The correlation has moved to negative -0.48. Overlaying these two charts, we get

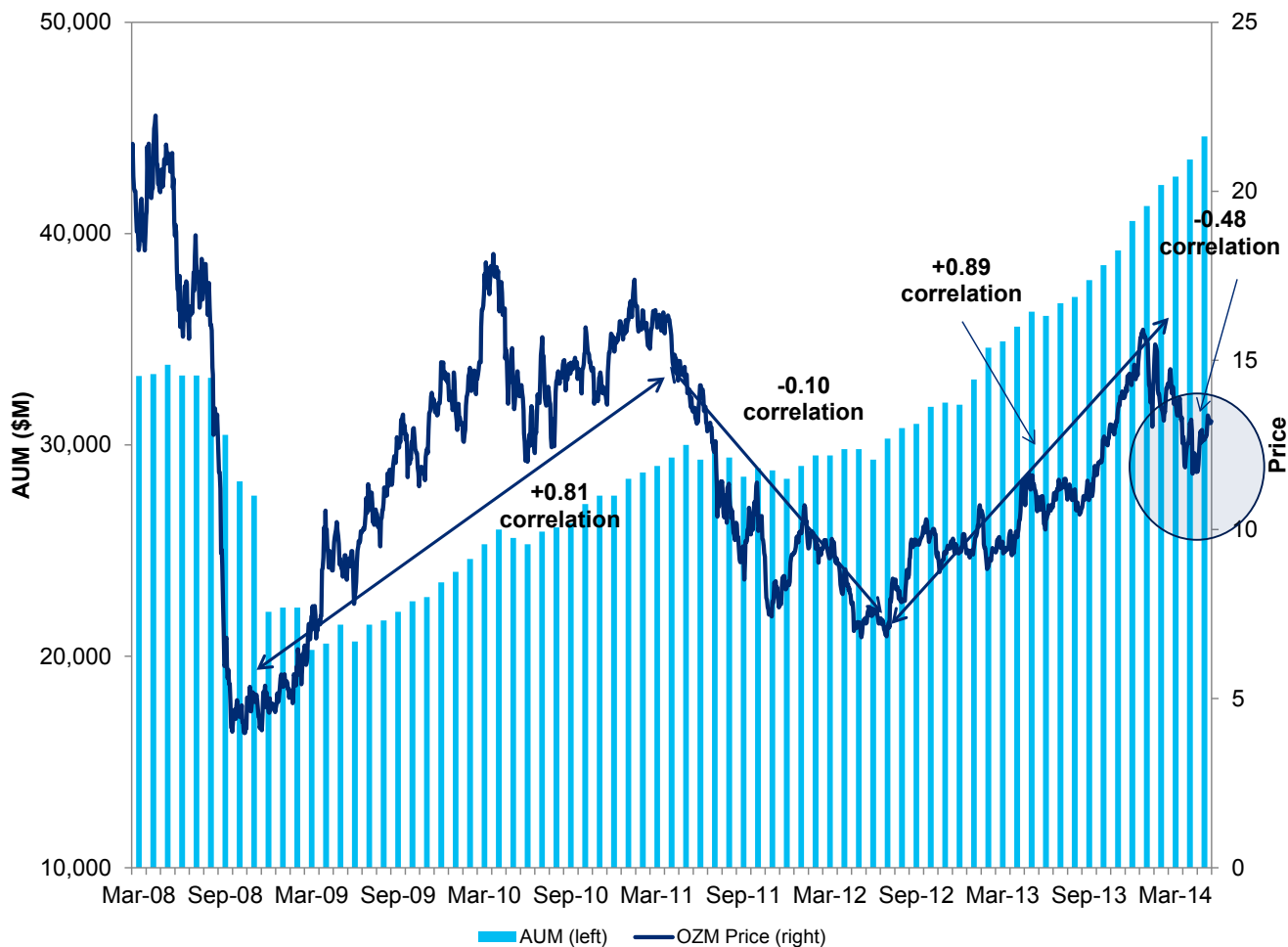
the sense investors have underappreciated both the absolute organic growth and relative growth rate. In Figure 9, we array YTD organic growth for OZM versus peers. There is little doubt OZM is the fastest flow growth story.

Figure 7. Correlation Between OZM's Stock Price And Monthly Performance In The Flagship Fund Turned Positive In The Last Two Months, Versus Mixed Correlation Historically



Source: FactSet, Company reports, Citi Research

Figure 8. Correlation Between OZM's Stock Price And AUM Turned Negative Since March 31st



Source: FactSet, Company reports, Citi Research

Figure 9. OZM Is The Fastest Organic Growth Story More Recently

		<u>YTD LT</u> <u>Organic</u> <u>Growth</u>
<u>Traditionals</u>	<u>Ticker</u>	
Affiliated Managers Group	AMG	5.2%
AllianceBernstein	AB	-2.8%
Artisan Partners	APAM	6.5%
BlackRock	BLK	2.7%
Eaton Vance	EV	-1.3%
Federated Investors	FII	2.4%
Franklin Resources	BEN	-2.7%
Invesco	IVZ	6.5%
Janus Capital Group	JNS	-3.9%
Legg Mason	LM	0.3%
T.Rowe Price	TROW	5.1%
Waddell & Reed Financial	WDR	14.6%
WisdomTree	WETF	-5.0%
Median		2.4%
<u>Alternatives</u>		
Apollo Global Management	APO	-7.5%
Blackstone Group L.P.	BX	-2.0%
The Carlyle Group LP	CG	0.4%
KKR & Co. L.P.	KKR	-7.7%
Och-Ziff Capital Management	OZM	20.0%
Median		-2.0%

Note: For IVZ, we exclude UK related attrition due to PM change. For Alternatives, we subtract realizations from capital raising to calculate net flows.

Note: YTD organic growth include April estimates for AB, APAM, BEN, IVZ, and LM. WETF YTD through 6/6/14. FII estimated through May.

Source: Company reports, Citi Research

How Much Skepticism Is Baked In

Our 12-month price target is the blend of two proprietary valuation techniques - sum of the parts (SOTP) and distributable earnings discount model, or DEDM. We see nice upside under both techniques (Figure 10).

Taking this one step further, in Figure 11, we array price targets based on low, base and high DE growth rates over the next decade. In all cases, the upside is strong and built on assumptions that are more conservative than recent trends. For instance, OZM has compounded DE between 25% over the last 3 years and 37% over the last 5, with DE up 68% in 2013 over 2012. While we are not inclined to alter our target work at this juncture, the math suggests favorable/asymmetric reward versus downside.

Figure 10. We See Strong Upside Under Both SOTP + DEDM Methodologies...

	<u>Price</u>	<u>Weight</u>
<u>OZM</u>	\$13.39	
DEDM ¹	\$17.25	75%
SOTP ²	\$17.50	25%
Blended Target	\$17.50	
% ETR	37%	
% Dividend Yield	6%	

Source: FactSet, Citi Research

Figure 11. ...And Attractive Upside Based On Low, Base, And High Distributable Earnings Growth Assumptions

Distributable Earnings Discount Model		Scenario Payout Per Share % Change			
Today's Date	6/7/2014	Low	90.0%	\$16.25	21%
Ticker:	OZM	Base	90.0%	\$17.25	29%
Price:	\$13.39	High	90.0%	\$19.25	44%
Units O/S (M):	505.3				
Net Debt (\$M)	88.0				

Inputs - High		Distributable Earnings Forecast									
Risk free rate	2.5%	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
Risk premium	5.0%	363.5	728.0	834.0	909.0	945.4	983.2	1,022.5	1,063.4	1,106.0	1,150.2
Beta	1.40	x payout ratio	90%	90%	90%	90%	90%	90%	90%	90%	90%
Cost of Equity	9.5%	=Distribution	327.1	655.2	750.6	818.1	850.8	884.9	920.3	957.1	1,035.2
Payout ratio	90.0%	Present Value	310.5	567.2	592.5	589.1	558.8	530.0	502.6	476.8	429.0
DE growth (years 4-5)	9.0%	x payout ratio	90%								
DE growth (years 6-10)	4.0%	Terminal Value	5,251.2								
Terminal growth rate	2.0%										
Net Present Value (NPV)		9,742.9									
NPV per share		\$19.28									

Inputs - Base		Distributable Earnings Forecast									
Risk free rate	2.5%	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
Risk premium	5.0%	363.5	728.0	779.0	833.5	858.5	884.3	910.8	938.1	966.3	1,004.9
Beta	1.40	x payout ratio	90%	90%	90%	90%	90%	90%	90%	90%	90%
Cost of Equity	9.5%	=Distribution	327.1	655.2	701.1	750.2	772.7	795.8	819.7	844.3	869.6
Payout ratio	90.0%	Present Value	310.5	567.2	553.4	540.1	507.4	476.7	447.7	420.6	395.1
DE growth (years 4-5)	7.0%	x payout ratio	90%								
DE growth (years 6-10)	3.0%	Terminal Value	4,587.9								
Terminal growth rate	2.0%										
Net Present Value (NPV)		8,718.7									
NPV per share		\$17.25									

Inputs - Low		Distributable Earnings Forecast									
Risk free rate	2.5%	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
Risk premium	5.0%	363.5	728.0	764.4	802.6	818.7	835.1	851.8	868.8	886.2	921.6
Beta	1.40	x payout ratio	90%	90%	90%	90%	90%	90%	90%	90%	90%
Cost of Equity	9.5%	=Distribution	327.1	655.2	688.0	722.4	736.8	751.6	766.6	781.9	829.5
Payout ratio	90.0%	Present Value	310.5	567.2	543.1	520.1	483.9	450.2	418.7	389.5	343.8
DE growth (years 4-5)	5.0%	x payout ratio	90%								
DE growth (years 6-10)	2.0%	Terminal Value	4,207.7								
Terminal growth rate	2.0%										
Net Present Value (NPV)		8,165.2									
NPV per share		\$16.16									

Source: Citi Research

Other Tidbits

1. Management is not interested in 1940 Act products;
2. Sees long term potential for 401k, but has no immediate plans; and
3. Sees credit in Europe and U.S. and event driven equities as areas with outsized alpha potential.

Companies mentioned: (IVZ.N; US\$38.18; 1); (LM.N; US\$50.84; 1); (MS.N; US\$31.95; 2); (AB.N; US\$26.00; 2); (AMG.N; US\$201.58; 1); (APAM.N; US\$58.89; 1); (APO.N; US\$27.10; 1); (BEN.N; US\$56.59; 1); (BLK.N; US\$313.96; 2); (BX.N; US\$33.78; 1); (CG.O; US\$33.01; 1); (EV.N; US\$38.01; 2); (FIL.N; US\$29.73; 2); (JNS.N; US\$12.52; 3); (KKR.N; US\$24.05; 1); (OZM.N; US\$13.39; 1); (TROW.O; US\$84.41; 2); (WDR.N; US\$62.59; 1); (WETF.O; US\$12.33; 3)

Och-Ziff Capital Management
Earnings Results and Forecasts
(\$ Millions, Except As Noted)

William R. Katz
(212) 816-5394
william.katz@citi.com

KEY FORECAST VARIABLES:	1Q13	2Q13	3Q13	4Q13	1Q14	Forecast:			2013	Forecast:			% Change				
						2Q14E	3Q14E	4Q14E		2014E	2015E	2016E	2QE/1Q	2QE/2Q	14E/13	15E/14E	16E/15E
Economic Income Basis																	
Revenues																	
Management Fees	126.4	134.9	138.2	146.3	154.6	161.6	171.0	178.9	545.8	666.1	750.7	857.6	4.6	19.8	22.0	12.7	14.2
Incentive Fees	101.3	22.9	72.3	886.1	59.0	0.0	0.0	343.4	1,082.6	402.4	746.1	849.3					
Other Revenues	1.0	0.2	0.2	0.8	0.4	0.3	0.3	0.3	2.2	1.2	1.5	1.5	-43.9	12.6	-44.4	25.4	0.0
Total Revenues	228.6	158.0	210.7	1,033.2	214.0	161.9	171.2	522.6	1,630.5	1,069.7	1,498.3	1,708.4	-24.4	2.5	-34.4	40.1	14.0
Operating Expenses																	
Base Compensation	21.5	22.3	23.0	24.0	25.6	26.7	29.1	30.4	90.8	111.7	123.9	141.5	4.2	19.6	23.1	10.8	14.2
Variable Compensation	2.0	3.0	4.5	305.8	3.6	0.0	0.0	197.7	315.3	201.3	290.6	330.0					
Total Compensation & Benefits	23.5	25.3	27.5	329.8	29.2	26.7	29.1	228.1	406.1	313.1	414.4	471.5	-8.7	5.4	-22.9	32.4	13.8
Interest Expense	1.7	1.7	1.8	1.7	1.7	2.0	2.0	2.0	7.0	7.6	8.3	8.2	19.7	14.9	8.9	8.5	-1.0
General & Administrative	29.0	32.4	27.2	30.2	27.2	34.4	30.5	32.0	118.8	124.1	136.2	152.6	26.5	6.1	4.4	9.8	12.0
Total Operating Expenses	54.2	59.4	56.6	361.7	58.0	63.0	61.6	262.1	532.0	444.7	559.0	632.3	8.6	6.1	-16.4	25.7	13.1
Operating Income	174.4	98.6	154.1	671.4	156.0	98.8	109.7	260.5	1,098.5	624.9	939.4	1,076.1	-36.6	0.3	-43.1	50.3	14.6
Net loss on JVs	0.2	0.3	0.4	0.6	0.2	0.0	0.0	0.0	1.5	0.2	0.0	0.0					
others' interests	0.4	0.4	0.3	0.2	0.0	0.0	0.0	0.0	1.3	0.0	0.0	0.0					
Total Company Economic Income	174.2	98.5	154.2	671.7	156.2	98.8	109.7	260.5	1,098.7	625.2	939.4	1,076.1	-36.7	0.3	-43.1	50.3	14.6
Adjusted Income Taxes	37.3	21.0	24.0	112.8	33.0	22.2	24.7	58.6	195.1	138.6	211.4	242.1	-32.7	5.7	-29.0	52.5	14.6
Distributable Earnings	136.9	77.5	130.3	559.0	123.2	76.6	85.0	201.9	903.6	486.6	728.0	834.0	-37.8	-1.1	-46.1	49.6	14.6
Weighted-avg adjusted Class A shares	474.5	483.9	484.4	487.0	505.3	507.2	509.1	511.0	482.5	508.2	525.0	540.7	0.4	4.8	5.3	3.3	3.0
Distributable Earnings Per Sh (DEPS)	\$0.29	\$0.16	\$0.27	\$1.15	\$0.24	\$0.15	\$0.17	\$0.39	\$1.87	\$0.96	\$1.39	\$1.54	-38.0	-5.7	-48.9	44.8	11.2
Dividend Per Share	\$0.28	\$0.14	\$0.25	\$1.12	\$0.23	\$0.13	\$0.15	\$0.37	\$1.79	\$0.88	\$1.31	\$1.46	-43.0	-6.4	-50.7	48.4	11.5
Economic Income Margins:																	
Operating Income	76.3%	62.4%	73.1%	65.0%	72.9%	61.1%	64.1%	49.8%	67.4%	58.4%	62.7%	63.0%					
Distributable Earnings	59.9%	49.0%	61.8%	54.1%	57.5%	47.3%	49.6%	38.6%	55.4%	45.5%	48.6%	48.8%					
Salary & Benefits % Revenue	9.4%	14.1%	10.9%	2.3%	12.0%	16.5%	17.0%	5.8%	5.6%	10.4%	8.3%	8.3%					
Salary & Benefits % Management Fees	17.0%	16.5%	16.6%	16.4%	16.6%	16.5%	17.0%	17.0%	16.6%	16.5%	16.5%	16.5%					
Variable & Guaranteed Compensation % Reven	0.9%	1.9%	2.1%	29.6%	1.7%	0.0%	0.0%	37.8%	19.3%	18.8%	19.4%	19.3%					
Total Compensation & Benefits To Revenues	10.3%	16.0%	13.1%	31.9%	13.6%	16.5%	17.0%	43.7%	24.9%	29.3%	27.7%	27.6%					
Non-Comp Expense to Management Fees	24.3%	25.3%	21.0%	21.8%	18.7%	22.5%	19.0%	19.0%	23.1%	19.8%	19.3%	18.8%					
Effective Tax Rate	21.4%	21.4%	15.5%	16.8%	21.2%	22.5%	22.5%	22.5%	17.8%	22.2%	22.5%	22.5%					
AUM and Net Flows:																	
AUM (\$ millions)	34,992	36,567	37,808	40,239	42,626	45,051	47,194	49,380	40,239	49,380	56,999	65,358	5.7	23.2	22.7	15.4	14.7
2-year tranche AUM	30,631	31,513	32,562	32,690	33,815	35,584	37,414	39,284	32,690	39,284	49,512	56,571					
3-year tranche AUM	1,400	1,400	1,512	3,500	3,500	3,531	3,620	3,710	3,500	3,710	0	0					
% 2-year	88%	86%	86%	81%	79%	79%	79%	80%	81%	80%	87%	87%					
% 3-year	4%	4%	4%	9%	8%	8%	8%	8%	9%	8%	0%	0%					
Net Flows (\$ millions)	1,091	895	161	957	2,210	2,150	1,250	1,250	3,104	6,860	3,800	4,000					
Annualized Organic Growth Rate	13.4%	10.2%	1.8%	10.1%	22.0%	20.2%	11.1%	10.6%	9.5%	17.0%	7.7%	7.0%					
Revenue Yield (bps)	155	154	154	152	151	150	150	150	153	150	148	147					
OZ Master Fund AUM	0	0	0	0	0	0	0	0	25,211	29,832	33,666	37,865					
Miscellaneous:																	
EBITDA	178.3	102.2	158.1	675.4	159.7	103.3	114.2	264.9	1,114.0	642.1	957.7	1,094.3	-35.3	1.1	-42.4	49.1	14.3
Free Cash Flow	136.1	76.7	128.9	557.8	121.0	76.0	84.4	201.3	899.6	482.7	725.5	831.5	-37.2	-1.0	-46.3	50.3	14.6
Free Cash Flow Per Share	\$0.29	\$0.16	\$0.27	\$1.15	\$0.24	\$0.15	\$0.17	\$0.39	\$1.86	\$0.95	\$1.38	\$1.54	-37.4	-5.5	-49.1	45.5	11.3
Return On Equity	31.3%	18.3%	29.9%	112.4%	25.1%	17.8%	19.5%	45.9%	40.8%	27.5%	39.3%	43.0%					
Book Value Per Share	\$3.49	\$3.57	\$3.64	\$4.55	\$3.38	\$3.41	\$3.44	\$3.46	\$4.59	\$3.48	\$3.53	\$3.59	0.8	-4.4	-24.1	1.3	1.6
Base DEPS	\$0.09	\$0.10	\$0.11	\$0.11	\$0.12	\$0.12	\$0.13	\$0.13	\$0.41	\$0.50	\$0.55	\$0.62					
FRE per Share	\$0.11	\$0.11	\$0.12	\$0.12	\$0.13	\$0.13	\$0.14	\$0.15	\$0.46	\$0.55	\$0.61	\$0.68					

Och-Ziff Capital Management

Company description

Och-Ziff Capital Management Group LLC is a global alternative asset management firm headquartered in New York City. OZM was founded by Daniel Och, together with the Ziff family in 1994 and the company has grown into one of the largest alternative firms in the world. OZM's multi-strategy approach is based on various strategies, including merger arbitrage, convertible arbitrage, equity restructuring, credit/distressed, private placements, and real estate. OZM's funds seek to deliver risk-adjusted returns throughout market cycles, with a strong emphasis on risk management. The company has approximately 130 investment professionals (including 16 partners and 39 managing directors) with offices in New York, London, Hong Kong, Bangalore, Tokyo, and Beijing.

Investment strategy

We rate shares of Och-Ziff Capital Management Buy. OZM is benefiting from a real time positive inflow inflection, and should deliver among best in class organic growth over the next several years. With 100% of AUM in alternatives, we forecast strong flow prospects as institutional demand accelerates and the search for alpha rises. Additionally, OZM is well positioned to garner market share given their impressive LT risk adjusted track record, transparent investment process, and stringent risk controls.

Valuation

We value OZM at \$16.50 using a blended methodology based on: 1) 25% sum-of-the-parts approach that combines target P/FRE, book value, and NPV of performance fees; and, 75% distributable earnings discount model (DEDM). In turn, our SOTP factors: 1) target P/E multiple of 17x to our 2015 FRE estimate; 2) adding ~\$9 for our estimated probabilistic value to OZM's potential performance fee revenue stream; and, 3) subtracting net debt. Our base-case DEDM factors a 10% cost of capital; 90% payout ratio; and specific growth assumptions.

Risks

The three central risks to our price target reflect deteriorating investment performance, slowing organic growth and major change in carried interest taxation.

Additionally, if the impact from any of the following factors proves to be greater than we expect, the stock price may have difficulty reaching our target price. If market conditions improve faster than anticipated, the stock price may outperform our target.

Financial market risk — Changes in markets could impact AUM and investment advisory fees.

Performance risk — An inability to meet relevant investment benchmarks could result in clients withdrawing assets and in prospective clients choosing to invest with competitors. This could also result in lower investment management fees, which could result in a decline in revenue.

Redemption risk — Investors can redeem their investments with notice. A significant increase in redemption rates could have a material adverse effect on revenues, financial condition, results of operations and business prospects.

Performance fees — The lack of positive investment performance in OZM's hedge funds would limit the company to generate performance fees (incentive carry) and grow DEPS.

Invesco Ltd

Valuation

We value the shares of Invesco using the target P/E method. Our \$47 12-month price target is derived by applying a 15.5x target P/E to our 2015E adjusted EPS estimate. The 15.5x target P/E is in line with the historical GAAP median of 16x and slightly below the sector.

Risks

The three central risks to our 12-month price target reflect below-average markets, and outsized FX swings, the combination of which could reduce our EPS estimates and temper upward P/E multiple revaluation.

Additionally, if the impact from any of the following factors proves to be greater than we expect, the stock price may have difficulty reaching our target price. If market conditions improve faster than anticipated, the stock price may outperform our target.

Financial market risk — Changes in markets have a direct impact on AUM and investment advisory and services fees.

Performance risk — An inability to meet relevant investment benchmarks could result in clients withdrawing assets and in prospective clients choosing to invest with competitors. This could also result in lower investment management fees, which could result in a decline in revenue.

Redemption risk — Investors can redeem their investments without notice. A significant increase in redemption rates could have a material adverse effect on revenues, financial condition, results of operations and business prospects.

Legg Mason Inc

Valuation

We value the shares of LM using a combination of target P/E and sum of the parts methodologies. Our \$56 12-month target price is derived by first applying a ~15x target P/E multiple to our calendarized 2015 EPS estimate, resulting in ~\$45. Second, we then add ~\$7 per share for the net present value of the tax shield. Third, we add \$4 per share for the present value of money market fee waiver recovery. The 15x target P/E multiple is in-line to the company's 15x historical FTM P/E.

Risks

If the impact from any of the following factors proves to be greater than we expect, the stock price may have difficulty reaching our target price. If market conditions improve faster than anticipated, the stock price may outperform our target.

Financial market risk — Changes in markets have a direct impact on AUM and investment advisory and services fees.

Performance risk — An inability to meet relevant investment benchmarks could result in clients withdrawing assets and in prospective clients choosing to invest with competitors. This could also result in lower investment management fees, which could result in a decline in revenue.

Redemption risk — Investors can redeem their investments without notice. A significant increase in redemption rates could have a material adverse effect on revenues, financial condition, results of operations and business prospects.

Morgan Stanley

Valuation

Our \$35 target price is derived from our discounted residual income model, which values an enterprise based on its discounted excess returns over its cost of equity. The model uses ROTEs derived from our three years of earnings estimates and a seven-year fade period to our long-term ROTE estimate. The key inputs to the model are a CAPM-derived cost of equity of approximately 10%. We also incorporate an estimated long-term ROTE of 12% (or roughly an 10.5% ROE vs management's 12-15% over-the-cycle ROE target). Our model assumes about a 3% long-term growth rate.

Risks

If economic growth and volatility are meaningfully below our expectations, MS earnings power is at risk. Other risks include a prolonged decline in U.S. capital markets activity and asset valuations

Company-specific positive risks:

- *Stronger/sooner than expected rebound in capital markets* - Currently the capital markets are enduring an ongoing period of slowdown and readjustment, particularly in fixed income and structured products. Should capital market conditions improve sooner than we expect, this could produce upside to our estimates and target.

Company-specific negative risks:

- *Severe slowdown in investment banking and capital markets* – A prolonged and deep economic recession could significantly impair Morgan's cyclical investment banking revenue streams, causing earnings to underperform our estimates.
- *Significant investment and principal losses* – A severe decline in the equity, fixed income, real estate or commodities markets, and/or ineffective hedging strategies given Morgan's significant financial inventories and principal investments could produce larger than expected losses.
- *Regulatory risk* – Morgan operates several businesses including commodity trading, private equity and derivatives that face greater regulation.

If the impact on the company from any of these factors proves to be greater/less than we anticipate, it may prevent the stock from achieving our target price or could cause our target price to be materially outperformed.

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.

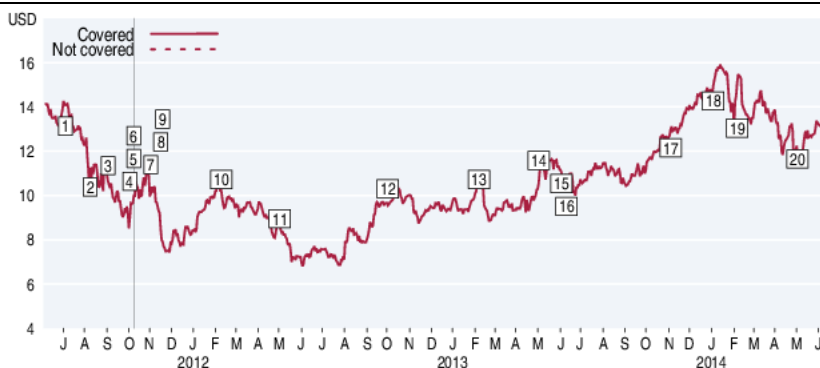
IMPORTANT DISCLOSURES

Och-Ziff Capital Management (OZM)

Ratings and Target Price History

Fundamental Research

Analyst: William R Katz



	Date	Rating	Target Price	Closing Price
1	5-Jul-11	1H	*19.00	14.08
2	9-Aug-11	1H	*16.00	11.26
3	2-Sep-11	1H	*15.50	10.63
4	4-Oct-11	1H	*14.00	9.03
5	8-Oct-11	Stock rating system changed		
6	8-Oct-11	*1	14.00	9.66
7	2-Nov-11	1	*13.00	10.07

* Indicates change

	Date	Rating	Target Price	Closing Price
8	16-Nov-11	1	*12.00	8.50
9	18-Nov-11	1	*11.00	7.91
10	9-Feb-12	1	*12.00	10.26
11	2-May-12	1	*11.50	8.72
12	2-Oct-12	1	*12.00	9.55
13	7-Feb-13	1	*11.50	10.50
14	2-May-13	1	*12.00	10.54

	Date	Rating	Target Price	Closing Price
15	4-Jun-13	1	*13.00	11.04
16	11-Jun-13	1	*14.00	10.70
17	5-Nov-13	1	*15.00	12.98
18	3-Jan-14	1	*16.00	14.96
19	6-Feb-14	1	*17.50	15.06
20	2-May-14	1	*16.50	11.86

Rating/target price changes above reflect Eastern Standard Time

Och-Ziff Capital Management (OZM)

Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: William R Katz



* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Citigroup Global Markets Inc. or its affiliates has received compensation for investment banking services provided within the past 12 months from the Carlyle Group. 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 the Carlyle Group.

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

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

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Blackstone Group LP

Citigroup Global Markets Inc is acting as a Bookrunner in relation to the recently announced secondary equity offering by Artisan Partners Asset Management Inc

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Janus Capital Group Inc

Citi is currently mandated as financial advisor on the sale of Oriental Brewery Co Ltd by Affinity Equity Partners and KKR to AB InBev. Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of KKR & Co LP

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

Citigroup Global Markets Inc. or its affiliates beneficially owns 1% or more of any class of common equity securities of The Carlyle Group L.P., Blackstone Group L.P., KKR & Co. L.P.. 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 The Carlyle Group L.P., Eaton Vance, BlackRock Inc, Morgan Stanley, Affiliated Managers Group, Blackstone Group L.P., Artisan Partners Asset Management, Apollo Global Management, LLC, KKR & Co. L.P., AllianceBernstein Holding LP, Legg Mason Inc.

Citigroup Global Markets Inc. or its affiliates has received compensation for investment banking services provided within the past 12 months from The Carlyle Group L.P., Eaton Vance, BlackRock Inc, Morgan Stanley, Affiliated Managers Group, Blackstone Group L.P., Artisan Partners Asset Management, Federated Investors, Inc, Janus Capital Group, Waddell & Reed Financial, Inc, Franklin Resources Inc, T Rowe Price Group Inc, Och-Ziff Capital Management, Invesco Ltd, Apollo Global Management, LLC, Legg Mason Inc.

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 The Carlyle Group L.P., Eaton Vance, BlackRock Inc, Blackstone Group L.P., Invesco Ltd, Apollo Global Management, LLC, Legg Mason Inc.

Citigroup Global Markets Inc. or an affiliate received compensation for products and services other than investment banking services from The Carlyle Group L.P., Eaton Vance, BlackRock Inc, Morgan Stanley, Affiliated Managers Group, Blackstone Group L.P., Federated Investors, Inc, Janus Capital Group, Waddell & Reed Financial, Inc, Franklin Resources Inc, T Rowe Price Group Inc, Och-Ziff Capital Management, Invesco Ltd, Apollo Global Management, LLC, KKR & Co. L.P., Legg Mason Inc 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): KKR & Co. L.P., Apollo Global Management, LLC, Artisan Partners Asset Management, The Carlyle Group L.P., Eaton Vance, BlackRock Inc, Morgan Stanley, Affiliated Managers Group, Blackstone Group L.P., Federated Investors, Inc, Janus Capital Group, Waddell & Reed Financial, Inc, Franklin Resources Inc, T Rowe Price Group Inc, Och-Ziff Capital Management, Invesco Ltd, Legg Mason Inc.

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: The Carlyle Group L.P., Eaton Vance, BlackRock Inc, Morgan Stanley, Affiliated Managers Group, Blackstone Group L.P., Federated Investors, Inc, Janus Capital Group, Waddell & Reed Financial, Inc, Franklin Resources Inc, T Rowe Price Group Inc, Och-Ziff Capital Management, Invesco Ltd, Apollo Global Management, LLC, KKR & Co. L.P., Legg Mason Inc.

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: The Carlyle Group L.P., Eaton Vance, BlackRock Inc, Morgan Stanley, Affiliated Managers Group, Blackstone Group L.P., Federated Investors, Inc, Janus Capital Group, Franklin Resources Inc, T Rowe Price Group Inc, Och-Ziff Capital Management, Invesco Ltd, Apollo Global Management, LLC, KKR & Co. L.P., Legg Mason 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 The Carlyle Group L.P., WisdomTree Investments Inc, BlackRock Inc, Morgan Stanley, Affiliated Managers Group, Artisan Partners Asset Management, Janus Capital Group, Waddell & Reed Financial, Inc, Franklin Resources Inc, T Rowe Price Group Inc, Invesco Ltd.

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

Other Analyst Disclosures

Bill Katz holds a long position in the securities of an exchange-traded fund that invests primarily in securities of U.S. broker-dealers.

Citi Research Equity Ratings Distribution

Data current as of 31 Mar 2014	12 Month Rating			Relative Rating		
	Buy	Hold	Sell	Buy	Hold	Sell
Citi Research Global Fundamental Coverage	49%	40%	12%	1%	98%	1%
% of companies in each rating category that are investment banking clients	55%	53%	45%	58%	53%	42%

Guide to Citi Research Fundamental Research Investment Ratings:

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

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

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

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

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

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

NON-US RESEARCH ANALYST DISCLOSURES

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

Citigroup Global Markets Inc

William R Katz; Neil Stratton, CFA; Steven J Fullerton; Keith Horowitz, CFA

OTHER DISCLOSURES

The subject company's share price set out on the front page of this Product is quoted as at 06 June 2014 09:53 AM on the issuer's primary market.

Citigroup Global Markets Inc. and/or its affiliates has a significant financial interest in relation to The Carlyle Group L.P., Eaton Vance, BlackRock Inc, Affiliated Managers Group, Blackstone Group L.P., Janus Capital Group, Franklin Resources Inc, Legg Mason Inc. (For an explanation of the determination of significant financial interest, please refer to the policy for managing conflicts of interest which can be found at www.citiVelocity.com.)

Citigroup Global Markets Inc. or its affiliates beneficially owns 2% or more of any class of common equity securities of Blackstone Group L.P..

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

Securities recommended, offered, or sold by the Firm: (i) are not insured by the Federal Deposit Insurance Corporation; (ii) are not deposits or other obligations of any insured depository institution (including Citibank); and (iii) are subject to investment risks, including the possible loss of the principal amount invested. Although information has been obtained from and is based upon sources that the Firm believes to be reliable, we do not guarantee its accuracy and it may be incomplete and condensed. Note, however, that the Firm has taken all reasonable steps to determine the accuracy and completeness of the disclosures made in the Important Disclosures section of the Product. The Firm's research department has received assistance from the subject company(ies) referred to in this Product including, but not limited to, discussions with management of the subject company(ies). Firm policy

prohibits research analysts from sending draft research to subject companies. However, it should be presumed that the author of the Product has had discussions with the subject company to ensure factual accuracy prior to publication. All opinions, projections and estimates constitute the judgment of the author as of the date of the Product and these, plus any other information contained in the Product, are subject to change without notice. Prices and availability of financial instruments also are subject to change without notice. Notwithstanding other departments within the Firm advising the companies discussed in this Product, information obtained in such role is not used in the preparation of the Product. Although Citi Research does not set a predetermined frequency for publication, if the Product is a fundamental research report, it is the intention of Citi Research to provide research coverage of the/those issuer(s) mentioned therein, including in response to news affecting this issuer, subject to applicable quiet periods and capacity constraints. The Product is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security. Any decision to purchase securities mentioned in the Product must take into account existing public information on such security or any registered prospectus.

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

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

The Citigroup legal entity that takes responsibility for the production of the Product is the legal entity which the first named author is employed by. The Product is made available in **Australia** through Citigroup Global Markets Australia Pty Limited. (ABN 64 003 114 832 and AFSL No. 240992), participant of the ASX Group and regulated by the Australian Securities & Investments Commission. Citigroup Centre, 2 Park Street, Sydney, NSW 2000. The Product is made available in Australia to Private Banking wholesale clients through Citigroup Pty Limited (ABN 88 004 325 080 and AFSL 238098). Citigroup Pty Limited provides all financial product advice to Australian Private Banking wholesale clients through bankers and relationship managers. If there is any doubt about the suitability of investments held in Citigroup Private Bank accounts, investors should contact the Citigroup Private Bank in Australia. Citigroup companies may compensate affiliates and their representatives for providing products and services to clients. The Product is made available in **Brazil** by Citigroup Global Markets Brasil - CCTVM SA, which is regulated by CVM - Comissão de Valores Mobiliários, BACEN - Brazilian Central Bank, APIMEC - Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais and ANBID - Associação Nacional dos Bancos de Investimento. Av. Paulista, 1111 - 11º andar - CEP. 01311920 - São Paulo - SP. If the Product is being made available in certain provinces of **Canada** by Citigroup Global Markets (Canada) Inc. ("CGM Canada"), CGM Canada has approved the Product. Citigroup Place, 123 Front Street West, Suite 1100, Toronto, Ontario M5J 2M3. This product is available in **Chile** through Banchile Corredores de Bolsa S.A., an indirect subsidiary of Citigroup Inc., which is regulated by the Superintendencia de Valores y Seguros. Agustinas 975, piso 2, Santiago, Chile. The Product is distributed in **Germany** by Citigroup Global Markets Deutschland AG ("CGMD"), which is regulated by Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin). CGMD, Reuterweg 16, 60323 Frankfurt am Main. Research which relates to "securities" (as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)) is issued in **Hong Kong** by, or on behalf of, Citigroup Global Markets Asia Limited which takes full responsibility for its content. Citigroup Global Markets Asia Ltd. is regulated by Hong Kong Securities and Futures Commission. If the Research is made available through Citibank, N.A., Hong Kong Branch, for its clients in Citi Private Bank, it is made available by Citibank N.A., Citibank Tower, Citibank Plaza, 3 Garden Road, Hong Kong. Citibank N.A. is regulated by the Hong Kong Monetary Authority. Please contact your Private Banker in Citibank N.A., Hong Kong, Branch if you have any queries on or any matters arising from or in connection with this document. The Product is made available in **India** by Citigroup Global Markets India Private Limited, which is regulated by Securities and Exchange Board of India. 1202, 12th Floor, FIFC, G Block, Bandra Kurla Complex, Bandra East, Mumbai - 400051 Corporate Identity Number: U99999MH2000PTC126657 Tel:+9102261759999 Fax:+9102261759961. The Product is made available in **Indonesia** through PT Citigroup Securities Indonesia. 5/F, Citibank Tower, Bapindo Plaza, Jl. Jend. Sudirman Kav. 54-55, Jakarta 12190. Neither this Product nor any copy hereof may be distributed in Indonesia or to any Indonesian citizens wherever they are domiciled or to Indonesian residents except in compliance with applicable capital market laws and regulations. This Product is not an offer of securities in Indonesia. The securities referred to in this Product have not been registered with the Capital Market and Financial Institutions Supervisory Agency (BAPEPAM-LK) pursuant to relevant capital market laws and regulations, and may not be offered or sold within the territory of the Republic of Indonesia or to Indonesian citizens through a public offering or in circumstances which constitute an offer within the meaning of the Indonesian capital market laws and regulations. The Product is made available in **Israel** through Citibank NA, regulated by the Bank of Israel and the Israeli Securities Authority. Citibank, N.A., Platinum Building, 21 Ha'arba'ah St, Tel Aviv, Israel. The Product is made available in **Italy** by Citigroup Global Markets Limited, which is authorised by the PRA and regulated by the FCA and the PRA. Via dei Mercanti, 12, Milan, 20121, Italy. The Product is made available in **Japan** by Citigroup Global Markets Japan Inc. ("CGMJ"), which is regulated by Financial Services Agency, Securities and Exchange Surveillance Commission, Japan Securities Dealers Association, Tokyo Stock Exchange and Osaka Securities Exchange. Shin-Marunouchi Building, 1-5-1 Marunouchi, Chiyoda-ku, Tokyo 100-6520 Japan. If the Product was distributed by SMBC Nikko Securities Inc. it is being so distributed under license. In the event that an error is found in an CGMJ research report, a revised version will be posted on the Firm's Citi Velocity website. If you have questions regarding Citi Velocity, please call (81 3) 6270-3019 for help. The Product is made available in **Korea** by Citigroup Global Markets Korea Securities Ltd., which is regulated by the Financial Services Commission, the Financial Supervisory Service and the Korea Financial Investment Association (KOFIA). Citibank Building, 39 Da-dong, Jung-gu, Seoul 100-180, Korea. KOFIA makes available registration information of research analysts on its website. Please visit the following website if you wish to find KOFIA registration information on research analysts of Citigroup Global Markets Korea Securities Ltd. <http://dis.kofia.or.kr/fts/dis2/fundMgr/DISFundMgrAnalystPop.jsp?companyCd2=A03030&pageDiv=02>. The Product is made available in Korea by Citibank Korea Inc., which is regulated by the Financial Services Commission and the Financial Supervisory Service. Address is Citibank Building, 39 Da-dong, Jung-gu, Seoul 100-180, Korea. The Product is made available in **Malaysia** by Citigroup Global Markets Malaysia Sdn Bhd (Company No.

460819-D) ("CGMM") to its clients and CGMM takes responsibility for its contents. CGMM is regulated by the Securities Commission of Malaysia. Please contact CGMM at Level 43 Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur, Malaysia in respect of any matters arising from, or in connection with, the Product. The Product is made available in **Mexico** by Acciones y Valores Banamex, S.A. De C. V., Casa de Bolsa, Integrante del Grupo Financiero Banamex ("Accival") which is a wholly owned subsidiary of Citigroup Inc. and is regulated by Comisión Nacional Bancaria y de Valores. Reforma 398, Col. Juárez, 06600 Mexico, D.F. In **New Zealand** the Product is made available to 'wholesale clients' only as defined by s5C(1) of the Financial Advisers Act 2008 ('FAA') through Citigroup Global Markets Australia Pty Ltd (ABN 64 003 114 832 and AFSL No. 240992), an overseas financial adviser as defined by the FAA, participant of the ASX Group and regulated by the Australian Securities & Investments Commission. Citigroup Centre, 2 Park Street, Sydney, NSW 2000. The Product is made available in **Pakistan** by Citibank N.A. Pakistan branch, which is regulated by the State Bank of Pakistan and Securities Exchange Commission, Pakistan. AWT Plaza, 1.1. Chundrigar Road, P.O. Box 4889, Karachi-74200. The Product is made available in the **Philippines** through Citicorp Financial Services and Insurance Brokerage Philippines, Inc., which is regulated by the Philippines Securities and Exchange Commission. 20th Floor Citibank Square Bldg. The Product is made available in the Philippines through Citibank NA Philippines branch, Citibank Tower, 8741 Paseo De Roxas, Makati City, Manila. Citibank NA Philippines NA is regulated by The Bangko Sentral ng Pilipinas. The Product is made available in **Poland** by Dom Maklerski Banku Handlowego SA an indirect subsidiary of Citigroup Inc., which is regulated by Komisja Nadzoru Finansowego. Dom Maklerski Banku Handlowego S.A. ul.Senatorska 16, 00-923 Warszawa. The Product is made available in the **Russian Federation** through ZAO Citibank, which is licensed to carry out banking activities in the Russian Federation in accordance with the general banking license issued by the Central Bank of the Russian Federation and brokerage activities in accordance with the license issued by the Federal Service for Financial Markets. Neither the Product nor any information contained in the Product shall be considered as advertising the securities mentioned in this report within the territory of the Russian Federation or outside the Russian Federation. The Product does not constitute an appraisal within the meaning of the Federal Law of the Russian Federation of 29 July 1998 No. 135-FZ (as amended) On Appraisal Activities in the Russian Federation. 8-10 Gasheka Street, 125047 Moscow. The Product is made available in **Singapore** through Citigroup Global Markets Singapore Pte. Ltd. ("CGMSPL"), a capital markets services license holder, and regulated by Monetary Authority of Singapore. Please contact CGMSPL at 8 Marina View, 21st Floor Asia Square Tower 1, Singapore 018960, in respect of any matters arising from, or in connection with, the analysis of this document. This report is intended for recipients who are accredited, expert and institutional investors as defined under the Securities and Futures Act (Cap. 289). The Product is made available by The Citigroup Private Bank in Singapore through Citibank, N.A., Singapore Branch, a licensed bank in Singapore that is regulated by Monetary Authority of Singapore. Please contact your Private Banker in Citibank N.A., Singapore Branch if you have any queries on or any matters arising from or in connection with this document. This report is intended for recipients who are accredited, expert and institutional investors as defined under the Securities and Futures Act (Cap. 289). This report is distributed in Singapore by Citibank Singapore Ltd ("CSL") to selected Citigold/Citigold Private Clients. CSL provides no independent research or analysis of the substance or in preparation of this report. Please contact your Citigold/Citigold Private Client Relationship Manager in CSL if you have any queries on or any matters arising from or in connection with this report. This report is intended for recipients who are accredited investors as defined under the Securities and Futures Act (Cap. 289). Citigroup Global Markets (Pty) Ltd. is incorporated in the **Republic of South Africa** (company registration number 2000/025866/07) and its registered office is at 145 West Street, Sandton, 2196, Saxonwold. Citigroup Global Markets (Pty) Ltd. is regulated by JSE Securities Exchange South Africa, South African Reserve Bank and the Financial Services Board. The investments and services contained herein are not available to private customers in South Africa. The Product is made available in the **Republic of China** through Citigroup Global Markets Taiwan Securities Company Ltd. ("CGMTS"), 14 and 15F, No. 1, Songzhi Road, Taipei 110, Taiwan and/or through Citibank Securities (Taiwan) Company Limited ("CSTL"), 14 and 15F, No. 1, Songzhi Road, Taipei 110, Taiwan, subject to the respective license scope of each entity and the applicable laws and regulations in the Republic of China. CGMTS and CSTL are both regulated by the Securities and Futures Bureau of the Financial Supervisory Commission of Taiwan, the Republic of China. No portion of the Product may be reproduced or quoted in the Republic of China by the press or any third parties [without the written authorization of CGMTS and CSTL]. If the Product covers securities which are not allowed to be offered or traded in the Republic of China, neither the Product nor any information contained in the Product shall be considered as advertising the securities or making recommendation of the securities in the Republic of China. The Product is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security or financial products. Any decision to purchase securities or financial products mentioned in the Product must take into account existing public information on such security or the financial products or any registered prospectus. The Product is made available in **Thailand** through Citicorp Securities (Thailand) Ltd., which is regulated by the Securities and Exchange Commission of Thailand. 399 Interchange 21 Building, 18th Floor, Sukhumvit Road, Klongtoey Nua, Wattana, Bangkok 10110, 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 ("DFS") to Professional Clients and Market Counterparties only and should not be relied upon or distributed to Retail Clients. A distribution of the different Citi Research ratings distribution, in percentage terms for Investments in each sector covered is made available on request. Financial products and/or services to which the Materials relate will only be made available to Professional Clients and Market Counterparties. The Product is made available in **United Kingdom** by Citigroup Global Markets Limited, which is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA. This material may relate to investments or services of a person outside of the UK or to other matters which are not authorised by the PRA nor regulated by the FCA and the PRA and further details as to where this may be the case are available upon request in respect of this material. Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB. The Product is made available in **United States** by Citigroup Global Markets Inc, which is a member of FINRA and registered with the US Securities and Exchange Commission. 388 Greenwich Street, New York, NY 10013. Unless specified to the contrary, within EU Member States, the Product is made available by Citigroup Global Markets Limited, which is authorised by the PRA and regulated by the FCA and the PRA.

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

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

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

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

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

© 2014 Citigroup Global Markets Inc. Citi Research is a division of Citigroup Global Markets Inc. Citi and Citi with Arc Design are trademarks and service marks of Citigroup Inc. and its affiliates and are used and registered throughout the world. All rights reserved. Any unauthorized use, duplication, redistribution or disclosure of this report (the "Product"), including, but not limited to, redistribution of the Product by electronic mail, posting of the Product on a website or page, and/or providing to a third party a link to the Product, is prohibited by law and will result in prosecution. The information contained in the Product is intended solely for the recipient and may not be further distributed by the recipient to any third party. Where included in this report, MSCI sourced information is the exclusive property of Morgan Stanley Capital International Inc. (MSCI). Without prior written permission of MSCI, this information and any other MSCI intellectual property may not be reproduced, disseminated 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
