Citi Research

Equities

9 January 2013 | 76 pages

Equity Strategy (Citi)

Global

The Road Ahead 2013: EM Equities

Earnings To Drive More Modest Gains

- **More Modest Gains** — We remain moderately bullish on emerging market equities for 2013. Our end-year target on MSCI GEMs remains 1,150, a full year gain of 9% in dollars, with projected total returns of around 12%.
- **Earnings Driver** — With MSCI GEMs up 15% in 2012, while earnings were virtually flat, EM equities re-rated last year. We doubt that will happen again in 2013. The earnings recession in EM (-13% since summer 2011) appears to be ending. EPS growth of 10-15% is likely in 2013, supporting higher equity markets over the year.
- **Economic Rebound** — GDP growth in EM was far weaker than expected in 2012 at 4.5-4.7%. Citi economists expect a rebound to 5.3% in 2013, with stronger growth in several major EM economies, including China, Brazil, India and Korea.
- **Liquidity and Valuations** — Liquidity conditions - ongoing QE in major DMs and further rate declines in a number of EMs - should continue to support EM equities in 2013. Valuations remain attractive, just less so than a year ago. EM equities trade on 12.7x trailing earnings v. a recent average of 14x and 10.5 forward (v. 11.3x).
- **Regions** — We raise Latin America to Overweight after its severe underperformance in 2012 and the expectation of strong earnings and accommodating central banks. We cut Asia to Neutral, where, although the fundamentals remain strong, we see less upside in 2013. Beset by weak growth, macro risk and soft oil prices, we cut CEEMEA to Underweight.
- **Countries** — We upgrade both Mexico (preferred) and Brazil to Overweight; our other Overweights remain China and Korea. We cut Czech Rep, Peru and Thailand to Neutral and India and South Africa to Underweight. Hungary, Russia and Taiwan are Neutrals.
- **Sectors** — We retain a clear tilt towards beta with a preference for domestic cyclicals and interest-rate plays to global cyclicals. We are Overweight in Financials, Consumer Discretionary and Materials and Neutral in Energy, Industrials and IT.

Figure 1. Region, Country and Sector Recommendations

	Overweight	Neutral	Underweight
Regions	Latin America ↑	Asia↓	CEEMEA↓
Countries	Brazil ↑, Mexico↑, China, Korea	Russia, Thailand↓, Taiwan↑, Czech Rep↓, Hungary↑, Peru↓	South Africa↓, India↓, Indonesia, Chile, Colombia↓, Egypt, Malaysia, Philippines, Poland↓
Sectors	Financials, Consumer Disc, Materials	Energy, IT, Industrials↑	Consumer Staples, Telecoms ↓, Utilities, Health Care

Source: Citi Research

- Equities

Geoffrey Dennis
+1-212-816-8391
geoffrey.dennis@citi.com

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

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

Beata M Manthey, PhD
+44-20-7986-4349
beata.manthey@citi.com

Ayush Tambi
+91-22-4277-5153
ayush.tambi@citi.com

Hasan S Tevfik, CFA
+44-20-7986-4110
hasan.tevfik@citi.com

US

Tobias M Levkovich

Scott T Chronert

Europe

Jonathan Stubbs

Adrian Cattley

Japan

Kenji Abe, PhD

Asia ex Japan

Markus Rosgen

Australia & New Zealand

Tony Brennan

Contents

Earnings To Drive More Modest Gains

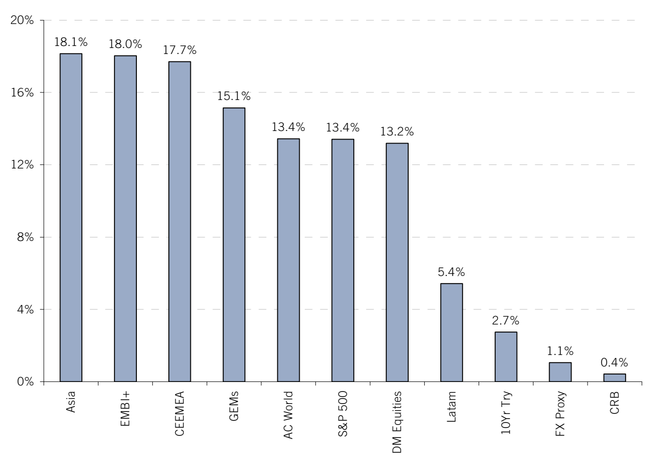
Emerging market equities rose by a solid 15% in dollar terms in 2012. As in 2011, any losses last year occurred in just one quarter (in this case, Q2: -10%). From early-June, as the overhang of global worries (Europe, China and, later, the US) began to ease, equity markets rallied strongly. However, given very poor earnings momentum (current consensus EPS growth for last year is just +0.6%), EM equities re-rated considerably; by year-end, the MSCI GEMs index was trading at a much lower discount to its history (just under 10%) than twelve months ago (over 20%).

We expect more gains in EM equities in 2013. However, given that further re-rating seems unlikely, we expect the key driver to be a pick-up in earnings momentum to the 10-15% growth range. With this backdrop, we reiterate our end-2013 target for MSCI GEMs of 1,150, which translates into full-year dollar gains of 9% and a total return of 12%. There is upside risk to this ‘mildly positive’ view, based on positive surprises to corporate earnings. We raise Latin America (including both Brazil and Mexico) to Overweight, given its significant underperformance last year and the expectation for 2013 of strong earnings and accommodating central banks. We cut Asia to Neutral where, although the growth, liquidity and valuation fundamentals remain solid, the region has less projected upside for 2013. Beset by weak growth, macro risk and soft oil prices, we downgrade CEEMEA to Underweight.

2012: Up 15%

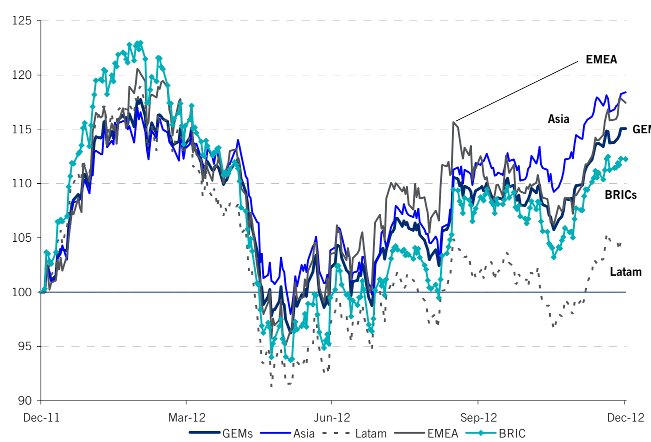
Emerging market assets outperformed their developed market counterparts in 2012 (Figure 2). Despite the strong gains in MSCI GEMs (+15.1%), EM equities were actually beaten by EM bonds (+18%); by contrast, DM equities (MSCI World) rose by 13.2%, while US Treasury bonds underperformed sharply (+2.7%). Global equities (AC World) rose by 13.4%, in line with the S&P Composite. Within EM, Asia (+18.1%) and EMEA (+17.7%) both outperformed, while Latin America (+5.4%) lagged badly (Figure 3). After a strong start to the year, the MSCI BRICs index (+11%) also lagged. For EM equities, our risk index underperformed quality by 380bp in 2012, despite rebounding in relative terms towards year-end. Elsewhere, EM currencies were strong against the dollar, with our EM currency proxy rising by 1.1%, while commodities were flat, with the CRB index rising by 0.4%.

Figure 2. Asset Price Performance (2012)



Source: Citi Research, MSCI, Datastream

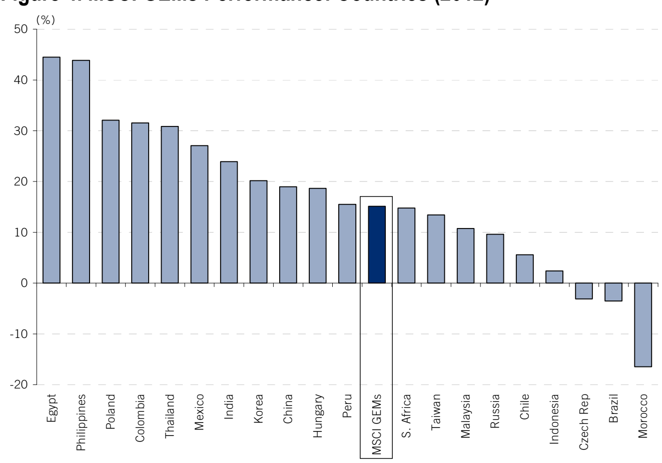
Figure 3. Emerging Markets: MSCI Indices by Region (rebased)



Source: Citi Research, MSCI, Datastream

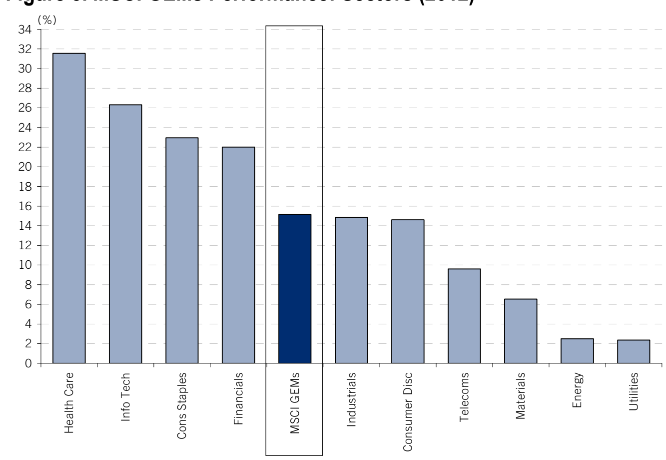
There were few patterns in terms of country performances last year, except that smaller markets tended to outperform big markets. The five best-performing markets were geographically diversified: Egypt (+44.5%), the Philippines (+43.9%), Poland (32.1%) Colombia (+31.6%) and Thailand (+30.9%), see Figure 4. The top-performing large market was Mexico (+27.1%), in sixth place. The five worst performing markets were Morocco (-16.5%), Brazil (-3.5%), the Czech Republic (-3.1%), Indonesia (+2.4%) and Chile (+5.6%). The overall lag in the BRICs comprised outperformance by India (+23.9%) and China (+19%) and significant underperformance by Brazil and Russia (+9.6%). In terms of sectors, defense tended to outperform beta in 2012 (Figure 6). Notably, the global cyclical sectors occupied two of the bottom three slots, with Energy rising by just 2.5% and Materials by 6.5%; utilities was the weakest sector (+2.4%). Two of the three best performers were defensive: Health Care (+31.6) and Consumer Staples (+23%), although IT (+26.3%) and Financials (+22%) also both outperformed significantly.

Figure 4. MSCI GEMs Performance: Countries (2012)



Source: Citi Research, MSCI, Datastream

Figure 5. MSCI GEMs Performance: Sectors (2012)



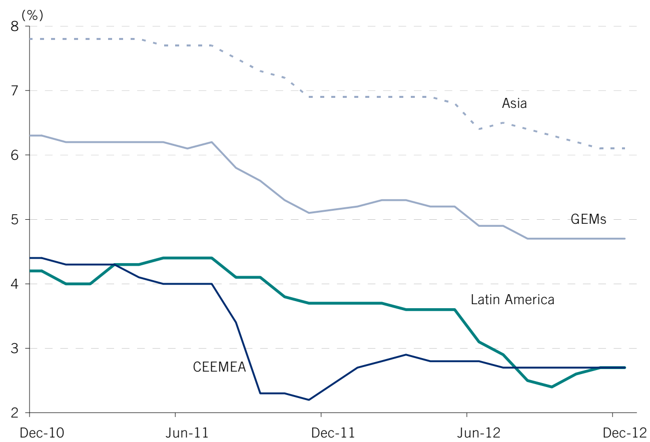
Source: Citi Research, MSCI, Datastream

Global Macro Outlook: What Sort of Recovery in 2013?

In our view, the main **emerging market** macro story of 2012 was much weaker than expected growth. In summer-2011, Citi economists expected average GDP growth in EM of over 6% for 2012 (Figure 6); as the old year ends, the actual outturn looks to be closer to 4.5%. The main shortfalls were in some of the biggest EM economies. Twelve months ago, we had expected Taiwan to grow by 4% in 2012; now, the forecast is just 1%. There have been other sharp downgrades for Brazil (3.4% to 0.9%), India (7% to 5.4%), Korea (3.4% to 2.3%) and South Africa (2.9% to 2.2%), as shown in Figure 7. The same trend was also apparent in China, despite recent evidence that the growth slowdown is now ending; over the past year, our 2012 China growth forecast has fallen to 7.7% from 8.4%. What makes these disappointments such a puzzle is that several other EM economies (e.g. Indonesia) saw 2012 growth in line with prior forecasts, while others (e.g. Chile, Mexico, Peru and Russia) even exceeded initial growth expectations.

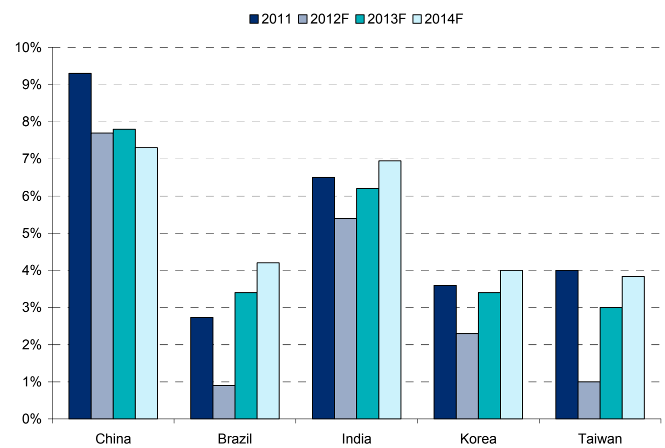
While local factors were at work in some of the disappointing growth stories above, there were also two important common threads. First, several economies – Brazil and Korea are the best examples – have suffered a milder EM version of the debt deleveraging and sharp slowdown in credit growth seen in many industrial countries. Secondly, the slowdown in China has led to weaker exports from countries such as Korea, Taiwan and Brazil. Indeed, the overall picture of export slowdown in emerging markets (including to Europe) has led our economists to argue recently[1] that the EM growth model is now fundamentally changing, away from exports towards increased domestic demand growth.

Figure 6. Evolution of 2012 GDP Growth Forecasts: GEMs



Source: Citi Research, MSCI, Datastream

Figure 7. GDP Growth Forecasts



Source: Citi Research, MSCI, Datastream

Our base case is that EM growth rebounds to 5-5.5% in 2013 - see Figure 8 for the full spread of global growth history and forecasts. According to Citi forecasts, all of the ‘Big Seven’ emerging markets listed in the table are expected to see stronger growth in 2013, except for Russia (3.2%, down from 3.6% in 2012). This growth rebound in the large economies that disappointed last year and in EM overall may be traced to a number of factors including: i) stronger credit growth, due to both, accommodating monetary policy at home and the impact of QE3 on flows to EMs; ii) a modest rebound in domestic demand in China, which is boosting export growth, above all, in other Asian economies; iii) elsewhere, notably in Latin America, stronger domestic demand, supported also by easier fiscal policy; iv) the forecast of some ‘post-fiscal cliff’ pick-up in US growth (see below); and v) favorable base effects from weak growth earlier in 2012[2].

Specifically, in **China,** with a modest cyclical recovery now underway, the equity market has received what it was looking for and, accordingly, has rallied strongly in recent weeks[3]. From here, our economists expect GDP growth to exceed 8% in the first half of 2013, before sliding back again in H2, with a full year growth rate of 7.8%[4]. Our working assumption is that the new administration will target growth of 7.5% in 2013. Policy continuity is likely to be pursued in the new year, with proactive fiscal policy, prudent monetary policy and continued property market regulation. With growth stabilization (not a strong rebound) remaining the short-term priority of the government and inflation set to rise into 2014, the policy stance will gradually return to normal. Over time, we expect the government will raise its focus on the quality of growth, as the dividends for growth from demographics and structural reforms are exhausted.

[1] See “Emerging Markets: To a New Growth Model” in *Global Economic Outlook and Strategy*, David Lubin, November 26, 2012

[2] See “Shoots, green and not so green”, *Emerging Markets Macro and Strategy Outlook*, David Lubin, October 25, 2012.

[3] MSCI China (+12.8%) was the second best performing emerging market in Q4.

[4] See “Growth Likely Rebounded to 7.8% in 4Q, but Upside Limited”, *China Economics Weekly,* Minggao Shen, January 3, 2013.

Figure 8. Global Macro Background 2009-14

	GDP Growth (%)						CPI Inflation (%)		
	2009	2010	2011	2012F	2013F	2014F	2012F	2013F	2014F
Global	(1.9)	4.2	3.0	2.5	2.6	3.1	2.9	2.8	3.0
Industrial Countries	(3.5)	2.7	1.3	1.2	0.9	1.5	1.9	1.7	1.8
Emerging Markets	1.4	7.3	6.0	4.7	5.3	5.5	4.4	4.6	4.7
US	(2.6)	3.0	1.8	2.2	1.6	3.0	1.8	1.9	2.0
Eurozone	(4.1)	1.8	1.5	(0.4)	(0.7)	(0.4)	2.6	2.0	1.5
Japan				1.6	0.7	0.7	0.0	-0.3	1.6
Asia	5.8	9.2	7.3	6.1	6.6	6.6	3.5	3.5	3.9
Latin America	(2.2)	6.1	3.9	2.7	3.9	4.0	5.8	5.8	5.9
CEEMEA	(5.2)	4.6	5.0	2.7	2.8	3.5	5.4	6.1	5.1
China	9.1	10.4	9.3	7.7	7.8	7.3	2.7	2.8	3.6
Brazil	(0.2)	7.5	2.7	0.9	3.4	4.2	5.8	5.6	5.8
India	7.4	8.5	6.5	5.4	6.2	6.9	7.5	7.0	6.0
Russia	(7.9)	4.0	4.3	3.6	3.2	3.8	5.1	6.8	5.8
Korea	0.2	6.2	3.6	2.3	3.4	4.0	2.3	2.7	3.1
Taiwan	(1.9)	10.8	4.0	1.0	3.0	3.8	2.0	2.0	1.1
South Africa	(1.8)	2.8	3.1	2.2	2.5	3.4	5.7	5.6	5.3

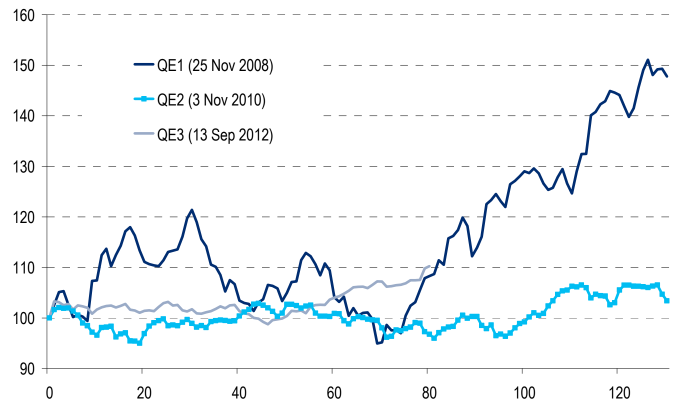
Source: Citi Research

We expect only a marginal rebound in global growth to 2.6% in 2013 from 2.5% last year. Growth in the **Industrial Countries** is expected to remain around 1% in 2013. Here, the patterns established in recent quarters should remain intact. For the **US**, with the worst risk of a 'fiscal cliff-induced' recession now removed by the latest agreement, our economists expect growth to rise to around 3% in the second half of 2013, boosted by a pick-up in corporate investment, modest consumption growth and an improving housing market. The Fed is likely to be on hold at zero rates for a long time to come, augmented by QE3. **Europe** is forecast to remain in recession in both 2013 (-0.7%) and 2014 (-0.4%), based on private sector deleveraging, weak banking systems, fiscal austerity and financial strains resulting from the flawed EMU structure. Whether the recent burst of optimism on the **Japanese** economy is justified will now depend on the policies of the newly-elected Abe government and of the Bank of Japan, once the new Governor takes office in April.

Ample Liquidity

We continue to emphasize the benefits to EM equities from ample liquidity across the world. First, the leading DM central banks continue to pursue aggressive Quantitative Easing (QE), with recent developments being the latest round from the Fed (QE3) announced in September and the ECB's bond-buying program (OMT); there is also now greater optimism over considerably further monetary accommodation from the Bank of Japan in 2013. Our published view - that QE3 would prove to be more beneficial for EM equities than QE2 (given lower growth in emerging markets, lower inflation and lower valuations) is playing out (Figure 9). Since September 13 (the day before QE3 was announced), MSCI GEMs is up 9.8%, compared to a gain of only 3.1% for developed markets; by comparison, in the first three months after the start of QE2, EM equities fell by 2.3%, with DM markets up by 5.3%. Meanwhile, the sudden burst of concern in early-2013 that QE3 may end or be reduced in size earlier than previously expected should subside for the next few months, at least. Also, US short rates are still likely to stay at current, near-zero, rates until late-2014/early-2015.

Figure 9. MSCI GEMs After Start of QE periods (six-months)



Source: Citi Research, Haver, Datastream, Factset

Figure 10. EM Real Interest Rates

Source: Citi Research, Haver, Datastream, Factset

Secondly, the sustained downtrend over recent quarters in EM interest rates still has further to go in our view. The case for lower rates is that any economic recovery in 2013 will still leave EM growth at sub-par rates, while real rates (Figure 10) are still high. Figure 11 sets out our latest EM monetary policy grid, updated to include forecasts to end-2013. Seven EMs are forecast to see lower rates by the end of 2013: Brazil (-75bp), India (-50bp), Chile and CE3. Also, Korea is forecast to cut rates early in 2013, but may tighten again by year-end. Higher rates are currently forecast for only China (more of a technical change), Indonesia and Colombia. In our view, 2013 looks favorable for EM equities in terms of liquidity trends; however, 2014 may be more difficult as higher EM inflation could force many central banks to raise rates again, while the anticipation of Fed tightening will grow through next year.

Figure 11. EM Monetary Policy Grid

	Current CB Rate	Last Move Date	Last Move Amount	End 2013 Forecast	Change to End 2013	Current Inflation	Current Real Rate	Nominal GDP Growth 2013e
China	3.00	Jul-12	-25bps	3.25	+25bps	2.0	1.0	10.6%
India	8.00	Apr-12	-50bps	7.50	-50bps	7.2	0.8	13.2%
Indonesia	5.75	Feb-12	-25bps	6.25	+50bps	4.3	1.5	10.8%
Korea	2.75	Oct-12	-25bps	2.75	-	1.4	1.8	6.1%
Malaysia	3.00	May-11	+25bps	3.00	-	1.3	1.7	7.3%
Philippines	3.50	Oct-12	-25bps	3.50	-	2.8	0.7	9.6%
Taiwan	1.88	Jun-11	+12.5bps	1.88	-	1.6	0.3	4.9%
Thailand	2.75	Oct-12	-25bps	2.75	-	3.6	-0.9	7.8%
Czech Rep	0.05	Nov-12	-20bps	0.05	-	2.7	-2.7	2.4%
Hungary	5.75	Dec-12	-25bps	5.50	-25bps	5.2	0.5	5.1%
Poland	4.00	Jan-13	-25bps	3.25	-75bps	2.8	1.5	3.5%
Russia	8.25	Sep-12	+25bps	8.00	-25bps	6.5	1.8	10.0%
S. Africa	5.00	Jul- 12	-50bps	5.00	-	5.6	-0.6	8.0%
Brazil	7.25	Oct-12	-25bps	6.50	-75bps	5.5	1.7	8.8%
Chile	5.00	Jan-12	-25bps	4.50	-50bps	2.1	2.9	7.7%
Mexico	4.50	Jul-09	-25bps	4.50	-	4.2	0.3	7.6%
Peru	4.25	May-11	+25bps	4.25	-	2.6	1.6	8.8%

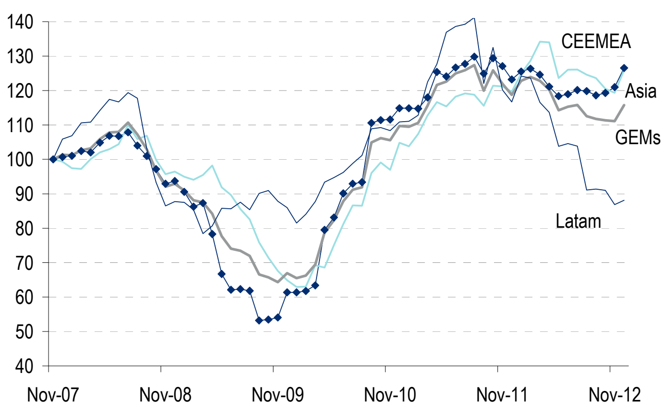
Source: Citi Research, Datastream

The Key to 2013 – Will Earnings Rebound?

Given unexpected weakness in EM economies in 2012, a re-rating of equity markets last year and yet, ongoing supportive from ample liquidity, we believe the most important driver of EM equities in 2013 will be ‘growth’. Will EM economies rebound, as discussed above, and will earnings growth follow? As noted at the start of this report, earnings momentum fell steadily last year; the consensus EPS forecast for EMs for 2012 collapsed from +9.5% at the start of the year to just +0.6% today.

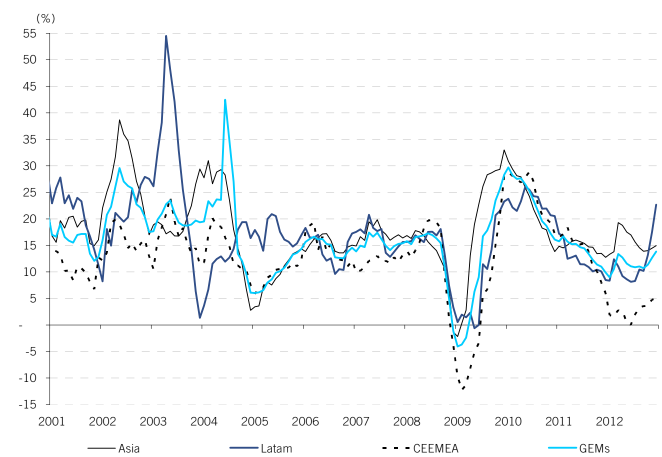
However, there are now some positive signs that the worst of the earning weakness may be coming to an end. First, the recession in reported (trailing) earnings, which began in August 2011 and has led to a 13% drop in EM earnings, appears to be ending (Figure 12). This earnings decline, although far less severe than that of 2008-9, may be traced to weaker economic growth (as discussed above) and, above all, falling commodity prices – with the biggest earnings declines having occurred in Energy and Materials (see below) - all set against a background of high cost inflation in emerging markets. However, the most recent data for December shows a rebound in earnings for emerging markets as a whole and especially in Asia, although not yet in CEEMEA. Even in Latin America, where recorded earnings have fallen the most (39% from peak-to-trough) due, above all, to Brazil, earnings appear to be stabilizing.

Figure 12. GEMS Regions: Trailing EPS (US$)



Source: Citi Research, MSCI, Datastream, IBES

Figure 13. MSCI GEMs: Forward Consensus EPS Growth



Source: Citi Research, MSCI, Datastream, IBES

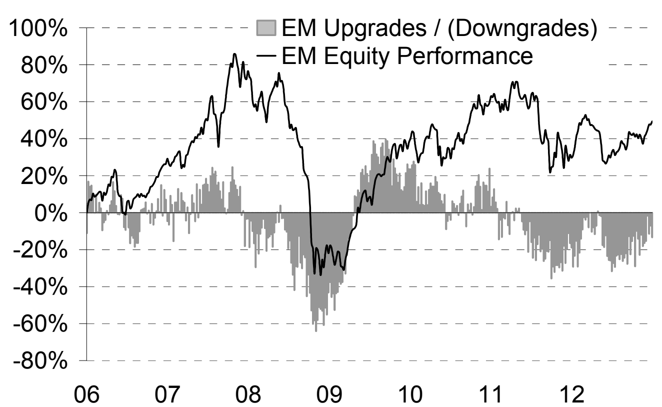
On the positive side for valuations, the hint of an end to the earnings recession in emerging markets is occurring at a *level* close to the prior cycle peak in early-2008. By comparison, the pattern of earnings within developed markets remains the same: a severe ongoing earnings recession in Europe and Japan, while US earnings continue to edge higher, albeit with a forecast of just 5% growth in 2013.

As reported earnings in emerging markets fell through last year, so did earnings forecasts (Figure 13). While all regions saw downgrades to 2012 estimates, the biggest hit – as with the trailing data – was to Latin America, where consensus EPS is now forecast to contract by as much as 14% in 2012, compared to expectations of +7% at the end of 2011. EMEA forecasts are also now negative for 2012 (-2.5%), although consensus still calls for positive EPS growth in Asia for 2012 of 7.5%. As with the GDP forecasts, there are major country divergences, with sharp EPS declines now expected for 2012 in Brazil, Russia, Chile and Poland and close to zero growth in China and Taiwan. These downgrades largely reflect sharply weaker commodity prices (earnings in Energy and Materials are expected to have fallen last year by 13% and 34% respectively). Meanwhile, robust domestic demand and a high market weight of domestic growth sectors have allowed earnings in markets like Mexico, India and Thailand to grow at double-digit rates in 2012.

As with trailing earnings, there is now initial evidence that earnings forecasts on a 12-month forward basis (earnings momentum) have started to recover, particularly in Latin America, as would be expected given last year's severe weakness. Importantly, for 2013 (which is virtually the same as a 12-month forward estimate today), consensus earnings forecasts for EM are back up to 13.3%; such an earnings revival is crucial to our call for further gains in EM equity markets in 2013.

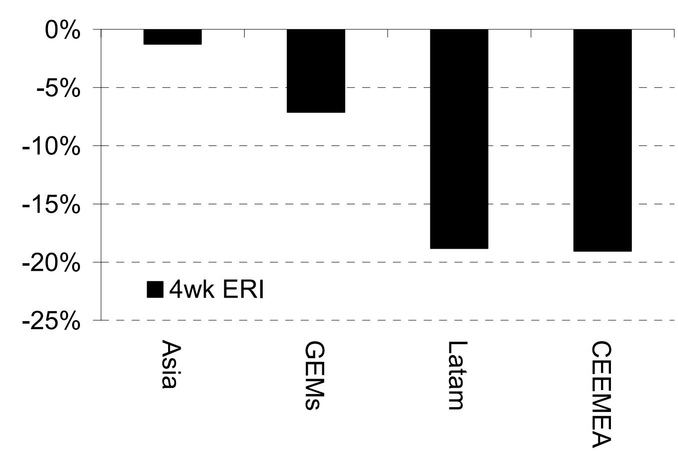
The other way that we look at the evolution of earnings forecasts is via earnings revisions. Figure 14 updates our Earnings Revisions Indices (ERI) for emerging markets[5]. While the EM ERI has been in negative territory without a break since May 2012, its current level has improved significantly from the recent trough of -32% last summer. Although the correlation between this sort of ERI measure and the MSCI GEMs index is not high across all history, the linkages are very close at negative turning-points in earnings revisions, underlining the positive effects on EM equities of this recent moderation in the ERI. Finally, the regional ERI data in Figure 15 (calculated this time on a 4-week average basis) show the ERI for Asia almost back into positive territory (-1%), while for Latin America and EMEA the ERIs remain much weaker at -19%.

Figure 14. Emerging Markets: Earnings Revisions Index (ERI)



Source: Citi Research, Factset

Figure 15. ERIs By Region (4-week averages)



Source: Citi Research, Factset

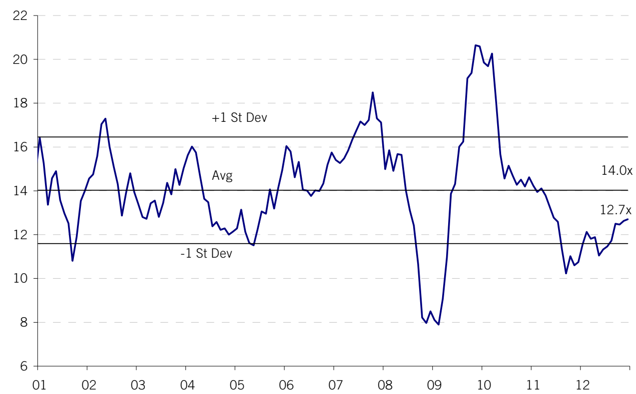
Valuations: Higher, But Still Attractive

Emerging market equities are still cheap, in our view, just not as cheap as they were twelve months ago. As noted above, the combination in 2012 of higher markets (+15%) and virtually no earnings growth (current consensus of +0.6%) has led to a significant re-rating but leaves EM equities below long-term averages on most of our metrics. The MSCI GEMs trailing PE multiple rose by the end of last year to 12.7x from recent lows of just over 10x towards the end of 2011 and 8x in early-

[5] This measure calculates for the next calendar year – we are now transitioning to 2014 - the number of upgrades to earnings forecasts minus the number of downgrades divided by the number of estimates changes.

2009 (Figure 16); at this multiple, EM equities are now trading at only a 9% discount to their long-term average multiple of 14x. With many investors being wary of multiples based on spot earnings. Figure 17 updates our 10-year CAPE (Cyclically-Adjusted P/E), which uses trend earnings. On this basis, EM equities still look very attractively valued at 18x, a 25% discount to the long-term average of 24x.

Figure 16. MSCI GEMs Trailing P/E



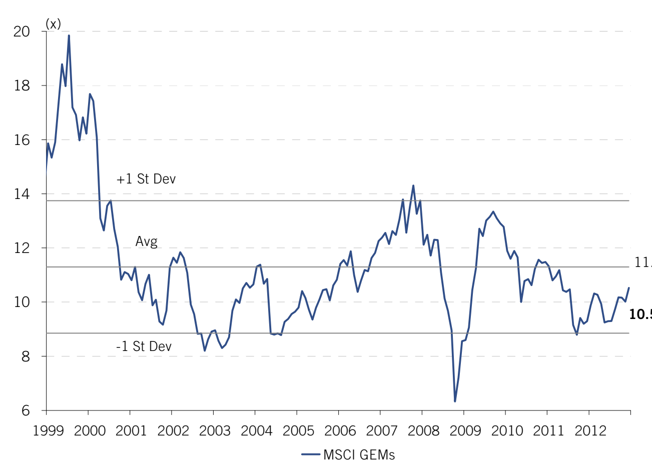
Source: Citi Research, MSCI, Datastream

Figure 17. MSCI GEMs Cyclically Adjusted P/E (CAPE)

Source: Citi Research, MSCI, Datastream

Our standard grid of EM valuations (Figure 18-Figure 20) generates similar, but not identical, conclusions. The discount of EM equities relative to history has narrowed for the forward PE to only 7% (10.5x v 11.3x), but still remains wide at 15% on a PBV basis (1.65x v. 1.93x). However, this discount on a forward EV/EBITDA basis has now disappeared entirely (6.2x v. 6.1x); on this metric, EM equities are back at fair value. The valuation case for EM equities remains very powerful versus EM bonds and may now, finally, be starting to have some effect on asset allocation decisions. Although the trailing equity yield has fallen back to 7.9% (as markets have rallied and the PE risen), EM bonds also appear to be in a bull market still, with our MSCI-weighted average bond yield now down to 3.30% (Figure 21), a drop of a further 15bp in Q4. The long-term incentive for investors to rotate from EM bonds into equities, which is something that we recommend, remains compelling.

Figure 18. MSCI GEMs Forward P/E (IBES)

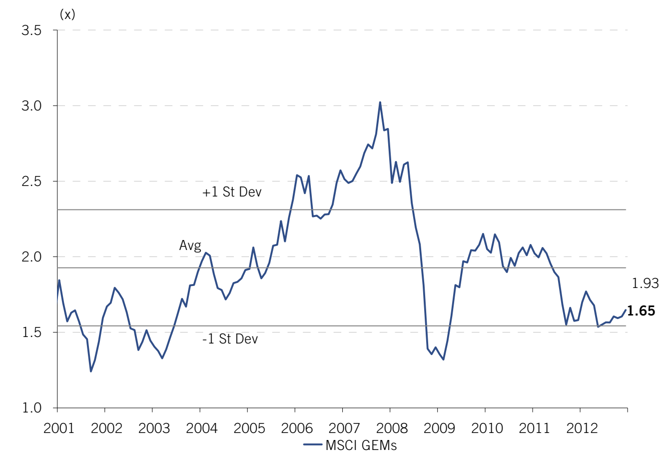


Source: Citi Research, MSCI, Datastream, IBES

Figure 19. GEMs Forward EV/EBITDA (CIRA)

Source: Citi Research

Figure 20. MSCI GEMs Trailing P/B



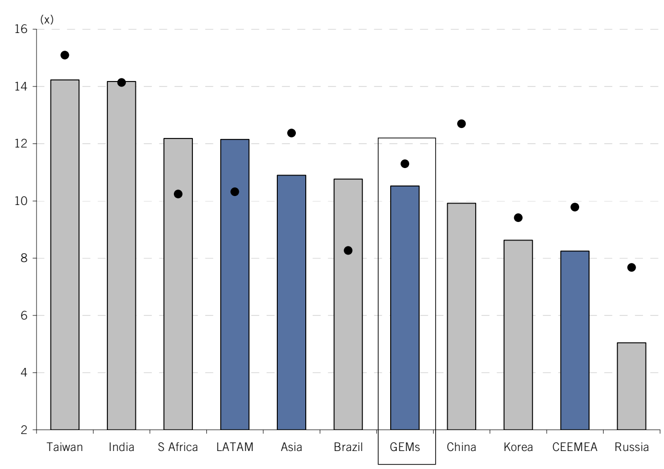
Source: Citi Research, MSCI, Datastream

Figure 21. MSCI-Weighted EM Debt Yield vs. GEMS EY(MSCI)

Source: Citi Research, JPMorgan, Datastream

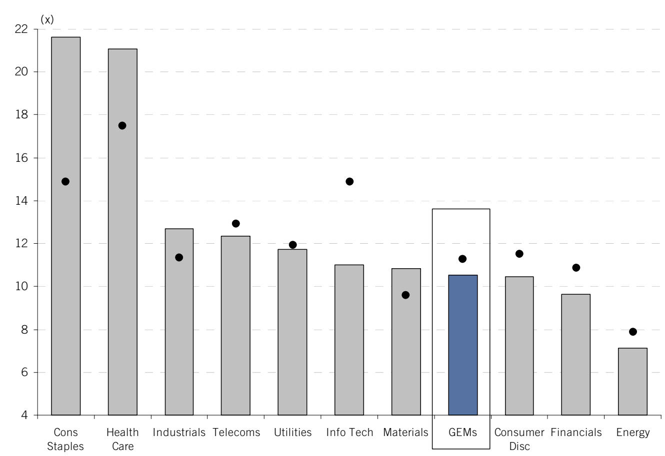
Figure 22 and Figure 23 provide our usual snapshot of forward P/E valuations versus recent averages. By region, both Asia (10.9x v. an average of 12.4x) and CEEMEA (8.2x v. 9.8x) remain cheap to history; by contrast, Latin America (12.2x v. 10.3x) looks fairly expensive, although this conclusion is distorted by the fairly long history used here (back to 1999), the early phase of which saw much weaker fundamentals in Brazil than today. Moreover, our upgrade here of Latin America to Overweight is based mainly on the scope for strong earnings growth in 2013, not on valuations per se. Only Brazil (10.8x v. 8.3x) and South Africa (12.2x v. 10.2x) of the 'Big Seven' markets trade above their long-term average multiples; India currently stands at 14.2x, in line with history. Taiwan, Korea, China, and Russia all trade cheap to their recent averages. By sector, Consumer Staples (21.6x v. a recent average of 14.9x) and Health Care (21.1x v. 17.5x) have become even more expensive over the past quarter, while Industrials and Materials also trade slightly rich. The most attractive sectors relative to their recent multiple averages are IT, Consumer Discretionary (both just over 10x), Financials (under 10x) and Energy (just over 7x).

Figure 22. MSCI GEMs Forward P/E v Hist. Average: Regions, Countries



Source: Citi Research, MSCI, Datastream, IBES

Figure 23. MSCI GEMs Forward P/E v Hist. Average: Sectors



Source: Citi Research, MSCI, Datastream, IBES

Equity Allocation: Regions, Countries, Sectors

Our regional, country and sector views on EM equities are derived from top-down views from our regional and country strategists and from the results of our multi-factor asset allocation model. This model ranks the attractiveness of EM regions, countries and sectors that are included in the MSCI GEMs index according to nine factors. These may be arranged into four sub-groups:

- earnings/ROE;
- valuation/momentum;
- macro (real growth and interest rates);
- beta.

The current model rankings by region, country and sector are set out in Figure 24 at the end of this section and a full description of each of the nine factors is included in an appendix at the end of the report.

Regions: Top Pick - Latin America

In terms of regions, we upgrade **Latin America** to Overweight from Underweight within our GEMs portfolio and install it as our favored region for the first quarter. The upgrade is based on several factors:

- an expected strong rebound in regional EPS growth of 15-20% in 2013 from a forecast decline of 14% last year. It is notable that all four of the countries in Latin America with negative earnings growth last year are forecast to see a rebound to solid positive growth in 2013. The exception is Mexico which should record strong earnings growth in *both* years;
- a strong rebound also in GDP growth in the region's biggest economy – Brazil – with some marginal benefit coming from the leveling-out of Chinese growth;
- a more positive outlook for monetary policy in the region than seemed likely three months ago. We now expect further monetary easing in Brazil and Chile in 2013, with stable interest rates in Mexico and Peru.
- an expected rebound in regional equity markets from their significant underperformance last year (+5.4% for MSCI Latam v. +15.1% for GEMs).

While valuations are less supportive (11.5x 2014E earnings v. 9.7x for GEMs), we are not concerned given that we expect much improved earnings momentum to be the main driver of regional markets in 2013. We upgrade Brazil to Overweight (from Underweight) and Mexico to Overweight (from Neutral); both markets are forecast to rise by 15-20% in dollar terms this year. Mexico is our top pick for now, given expectations of another strong earnings growth year, in part due to Mexico's close ties to the US (the strongest part of the DM world), the outlook for structural reforms and a cheap peso. The case for a more positive view on Brazil is based on the prospect of strong GDP and earnings rebounds this year, yet further rate cuts and the assessment that some of the benefits of the government's recent interventionist policies may start to filter through to the broader economy.

For the second year running, we are optimistic on **Asia** for 2013, although the region is downgraded to Neutral from Overweight within GEMs and now ranks below Latin America, based on projected returns for 2013. Nonetheless, the drivers of further gains in Asian markets this year are fourfold:

- with the exception of the Philippines and Indonesia, Emerging Asian valuations, both absolute and relative (and versus interest rates) remain cheap. The region trades at 9.8x 2014E earnings, close to a 20% discount to history; this is also in line with GEMs as a whole (9.7x), when the region usually trades at a premium;
- the asset side of Asian central banks is expanding again in year-on-year terms. History shows that where the balance sheet goes, there go multiples. The other part of the 'liquidity' equation is retail, which has continued to accumulate assets in the banking system, now more than twice GDP or market cap. Having missed out on double digit returns in 2012, we expect greater retail participation in 2013;
- Asia continues to score well on most of our earnings factors. EPS revisions have begun to turn less negative - and so become more equity friendly - as have GDP growth forecasts, while interest rates remain at record lows;
- Finally, investors remain generally cautious to negative on equities.

Within Asian markets, the rotation out of defensive, bond proxy-like stocks and into financials and cyclicals began last summer and is expected to continue into 2013. Our Asian strategist, Markus Rosgen, expects Financials to do well again this year and for the performance of Energy and Materials to improve substantially. This plays to North Asia vs. ASEAN. Within our GEMs portfolio, our Overweights in Asia are China and Korea, which are preferred to the ASEAN region and India.

After a solid Q4 rally (when the region rose by 5.5%, for a full year gain of 17.7%), boosted by a further calming of the EU debt crisis, we downgrade **CEEMEA** again from Neutral to Underweight. This may be seen as a high risk call as: i) regional valuations remain very attractive (at 8x 2014E earnings, compared to 9.7x for GEMs); ii) sentiment on CEEMEA remains poor; and iii) interest rates may be cut further in 2013 in several smaller regional markets, including Hungary and Poland as well as in Russia.

However, our main concern is over growth momentum in CEEMEA – of economies and earnings. Parts of the region should continue to be held back by recession in the Euro Area, while macro risk (of both further Euro turbulence and weak regional currencies) remains high. A slower rebound in EPS growth is expected in 2013 (5%) from the weakness of last year, compared to the 15-17% EPS growth expected in the other two regions. Further, from a bottom-up (by country) perspective, few EMEA equity markets appear to be a compelling opportunity right now. We stay Neutral in Russia where lower oil prices in 2013 may be offset by reduced investor pessimism about structural reforms; it is hard to see the market rallying much from current levels without a solid rebound in oil prices. After a strong rally in Q4, including in the Rand, we cut South Africa to Underweight as our base case is flat/negative dollar returns this year. We stay Underweight in CE3, cutting both the Czech Republic to Neutral and Poland to Underweight, although we upgrade Hungary to Neutral (at 8x 2013E earnings) after a very weak Q4.

Countries: Top Picks – Brazil, Mexico, China, Korea

Compared to last quarter, we upgrade both Brazil and Mexico to Overweight, alongside China and Korea. Our other previous Overweights – Czech Republic, Peru and Thailand - are cut to Neutral, while Taiwan is upgraded from Underweight. We remain Neutral in Russia. India and South Africa are downgraded from Neutral to Underweight:

- We expect a better year for **Brazil** in 2013, up 15-20% in dollar terms. Last year's weakness masked an extreme sectoral split; energy, homebuilders, banks, and utilities performed badly, while consumer stocks jumped. Government activism drove much of the poor stock performance. However, that same intervention may be one factor supporting stronger growth of GDP and earnings in 2013. Equities should also benefit from yet more rate cuts, while the Real (at R$2.00-2.10) is less of a disincentive to foreign investors than 20% higher in early-2012;

- We expect further solid gains in **Mexico** in 2013 (also 15-20% in dollars). Our positive outlook here is based on further strong EPS growth in 2013, helped by Mexico's close ties to the US economy, fading inflation, which should keep rates on hold, and the prospect of further progress on structural reform (particularly fiscal, education and energy) initiatives under the new President and Congress. The market is rich versus GEMs (at 14.7x 2014E earnings v. 9.7x), but this is understood and largely justified by strong EPS growth; also, the peso is cheap;

- We stay Overweight in **China** within GEMs, where 2013 will be an important year of transition. Incremental reforms needed to sustain growth at 7-8%, along with a near-term earnings rebound, should spark a market re-rating. Economic recovery should continue in 1H13, boosted by ample liquidity. Policies introduced by new leaders will determine growth momentum in 2H13. Chinese equities should perform better in H1 than later in the year, as growth slows again. Investors should be positioned in riskier stocks in 1H and then trade into quality in 2H;

- We also stay Overweight in **Korea,** in part as the market has often done well after Presidential Elections, due to pump-priming and regulatory easing. Also, newly-elected President Park plans to ban new cross shareholdings, limit bank stakes held by non-financial shareholders and maintain the current maximum corporate tax rate at 22%. Further support for equities should come from stronger GDP growth (a forecast 3.4% in 2013), easier monetary policy, a strong earnings outlook and attractive valuations versus GEMs and the rest of Asia.

- After a 24% rise in dollars in 2012, best among the BRICs, we cut **India** from Neutral to Underweight. The recent rally has raised economic and political expectations and we fear the rebound in the economy, corporate risk appetite and the investment cycle will lag expectations. Ongoing political battles and the upcoming 2014 elections may make this year noisy. However, more government action and easing in macro pressures (inflation and rates) should support equities; we look for 7% upside in the local market, supporting our Underweight;

- **South Africa** (+14.8%) performed in-line with GEMs last year, boosted by a strong rebound in the rand towards year-end. We expect returns of no more than 5% in 2013 and downgrade to Underweight. The market may be disappointed by earnings; with the domestic economy staying weak, high single-digit growth is likely, well below current consensus of 18%. Domestic sectors may remain at a premium, but face the risk of economic slowdown; we prefer the miners as they should be able to expand margins should the rand slide again.

- Elsewhere, in CEEMEA we stay Neutral in **Russia** (where lower oil prices in 2013 may be offset by reduced investor pessimism about structural reforms). Within CE3, we are Neutral in **Hungary** (given attractive valuations) and the **Czech Republic** and Underweight in **Poland;** we are also Underweight in **Egypt.** In the rest of Latin America, we cut **Peru** to Neutral (less compelling upside than in other markets), leave **Chile** as Underweight and downgrade **Colombia** to Underweight. In Asia, **Taiwan** remains Neutral and we are Underweight the whole of **ASEAN**, except for **Thailand**, which is cut to Neutral (on higher valuations).

Sectors: Top Picks – Financials, Cons Discretionary, Materials

Again, our sector strategy is little changed from last quarter. We remain Overweight in Financials, Consumer Discretionary and Materials, with the changes being an upgrade of Industrials to Neutral and a cut in Telecoms to Underweight. We are Neutral in Energy and IT and Underweight elsewhere. We retain a clear tilt towards beta with a preference for domestic cyclicals and interest-rate plays over global cyclicals:

- Our most favored sector is **Financials,** which was a strong outperformer in Q4 (+9.7%) and in 2012 (+22%). However, we see scope for further relative gains based on economic recovery in 2013 (allowing loan growth to revive) and a further steady re-pricing of the sector back to pre-financial crisis levels and still-attractive valuations at 1.5x PBV versus a long-term average of 1.84x. Banks on our Most Favoured GEMs Stock List are: Itau Unibanco (Brazil), Hana Financial (Korea), Sberbank (Russia), Kasikornbank (Thailand) and ICICI Bank (India), with the other financial being Ping An Insurance (China);

- We also continue to favor **Consumer Discretionary,** which just lagged (+14.6%) the asset class last year, but was a more significant underperformer in Q4 (+3.8%). The sector remains our preferred play on non-financial domestic growth in EM and should benefit in the new year from further easing of monetary policy and a gradual pick-up in economic growth. The sector trades at a rich PBR multiple (1.8x on 2013e) compared to 1.5x for GEMs, but has a high average ROE (over 17%), while the forward P/E is in line with GEMs and cheap to its history. Earnings growth in the low double-digits is expected in 2013-4. Our favourite Consumer Discretionary stocks include the big-cap name Hyundai Motor (Korea — Autos) and Intime Department Store (China – Retailing);

- We also retain for now our slightly controversial Overweight in **Materials** which is a short/medium-term play on the expected modest rebound in the Chinese economy in the first half of 2013. A strong rebound in iron ore (and other metals) prices since September, on better Chinese economic data, allowed the sector to tread water in relative terms in Q4 (+5.2%) although it was a significant underperformer last year as a whole (+6.5%). The sector looks slightly expensive on a forward PE basis and earnings momentum has remained poor, although the outlook for 2013 looks much better. Both the P/BV and ROE are below EM averages. Materials names on our favoured list: Impala Platinum (South Africa), Mexichem (Mexico), Duratax (Brazil) and SQM (Chile);

- Elsewhere, our sector themes remain: i) a lower weight in **Energy** (Neutral) than Materials; ii) a bias against defensive sectors with Underweights in **Consumer Staples** and **Health Care** (both of which are very expensive) and also **Telecoms** and **Utilities**

Figure 24. GEMs Asset Allocation Model

	Earnings Growth + Mom				Val + Price Mom			Macro		Total
	Growth 15%	E Mom 10%	RoE 5%	ERI 5%	Valuation 30%	P Mom 10%	Beta 10%	GDP 5%	Rates 10%	**100%**
Emerging World										
Regions										
Em Asia	1	2	1	3	2	3	3	1	1	**3**
Lat Am	2	2	3	2	3	1	2	2	1	**2**
CEEMEA	3	1	2	1	1	2	1	3	1	**1**
Countries										
Brazil	11	15	18	15	4	9	4	15	12	**7**
Chile	6	14	9	18	16	4	10	7	13	**14**
China	14	16	8	16	5	19	12	1	17	**15**
Colombia	12	20	4	4	18	18	13	9	19	**20**
Czech Republic	20	7	1	19	3	2	9	20	2	**2**
Egypt	16	3	19	10	7	1	20	10	20	**17**
Hungary	15	1	20	20	6	3	1	19	6	**3**
India	5	19	16	8	13	5	14	3	4	**12**
Indonesia	4	11	10	9	16	6	16	2	18	**16**
Korea	1	8	15	17	10	11	11	14	11	**9**
Malaysia	18	6	3	11	8	10	18	8	15	**11**
Mexico	6	17	14	6	20	13	6	11	9	**18**
Peru	9	13	7	1	9	12	8	5	13	**4**
Philippines	10	4	2	2	19	16	19	6	10	**13**
Poland	19	10	6	12	2	17	2	18	6	**6**
Russia	17	9	13	5	1	8	3	12	15	**1**
South Africa	1	5	11	13	12	14	5	17	5	**5**
Taiwan	8	12	17	14	15	7	17	16	6	**19**
Thailand	3	18	5	7	14	15	15	4	3	**8**
Sectors										
Energy	8	3	10	7	1	3	1	3	8	**1**
Materials	5	9	9	8	5	7	2	9	2	**7**
Industrials	7	10	7	10	8	6	5	4	9	**10**
Consumer Disc.	3	6	1	5	7	4	4	8	4	**3**
Consumer Staples	4	7	6	6	10	9	7	7	2	**9**
Health Care	1	8	8	4	9	5	8	10	1	**8**
Financials	6	4	2	1	2	10	3	1	4	**2**
IT	2	1	5	3	2	8	10	6	9	**5**
Telecoms	9	5	3	9	4	1	9	2	7	**6**
Utilities	10	2	4	2	5	2	6	5	6	**4**

Source: Citi Research, MSCI, Factset

GEMs Favored Stock List

With the help of our regional strategists and based also on our current strategy view for EM equities, Figure 25 presents our new 'GEMs Favoured Stock List', which includes 20 Buy-rated names, according to Citi Research.

Figure 25. Most Favoured Stocks From Our Country Strategists

Stock	Country	Sector	Currency	Price	Mkt Cap (USD bn)	Rating	Comment
AmBev	Brazil	Food Beverage & Tobacco	USD	42.3	58.1	1	High-quality defensive brewing stock with good earnings momentum
China Unicom	China	Telecommunication Services	HKD	12.7	38.6	1	Key beneficiary of low-cost smartphone trends
Duratex	Brazil	Materials	BRL	14.3	3.9	1	Proxy for the Brazilian construction industry (leadership, scale, diversification)
Hana Financial Group	South Korea	Banks	KRW	36,900.0	8.4	1	Resilient earnings on low exposure to risky construction/real estate segments
Hyundai Motor	South Korea	Automobiles & Components	KRW	210,000	43.5	1	Korean Autos top pick; cyclical and secular drivers
ICICI Bank	India	Banks	INR	1,172	24.5	1	Structural step-up: operating improvements, better profitability
Impala Platinum	South Africa	Materials	ZAR	162.75	12.0	1	Low-cost assets, strong balance sheet: spending capex while competitors cutting
Intime Department Store	China	Retailing	HKD	10.5	2.7	1	Well positioned to benefit from rising domestic consumption, has been growing rapidly
Itaú Unibanco	Brazil	Banks	BRL	34.7	39.1	1	Well-positioned to absorb the pressure on NII thanks to fee income and opex control
Kasikornbank	Thailand	Banks	THB	199.0	15.6	1	Right balance of risk/return: strength in SME lending, penetrating retail banking
Kunlun Energy	China	Energy	HKD	16.4	17.1	1	Strong organic growth story amidst China's expanding natural gas consumption
Mexichem	Mexico	Materials	MXN	74.1	12.2	1	Alternative play on the Latam construction industry
Ping An Insurance	China	Insurance	HKD	68.2	27.5	1	Rise of consumer and wealth management
Samsung Electronics	South Korea	Semiconductors & Semiconductor Equipment	KRW	1,500,000	207.8	1	Preferred smart mobile play
Sberbank RF	Russian Federation	Banks	RUB	97.5	69.3	1	Penetration story (especially in retail loans); positive credit cycle
SQM	Chile	Materials	USD	57.6	6.9	1	Capacity expansion, improving sales mix/efficiency, recovery in fertilizers
Surgutneftegaz(pref)	Russian Federation	Energy	RUB	20.6	5.2	1	High guaranteed payout; unwarranted valuation discount to common shares
Tencent Holdings	China	Software & Services	HKD	255.6	61.1	1	Dominant China social, games & apps player; benefits from strong user growth
TSMC	Taiwan	Semiconductors & Semiconductor Equipment	TWD	99.7	89.1	1	Market share leader in foundry; riding on the smartphone and tablet wave
Walmex	Mexico	Food & Staples Retailing	MXN	42.1	58.4	1	Dominance of Mexico's retail market, strong execution

Source: Citi Research, *Prices as of 7 January 2013

Appendix: Asset Allocation Methodology

Our GEM Allocation model ranks the attractiveness of the three EM regions, the countries and the sectors that are included in the MSCI GEMs index according to ten factors. These may be grouped into five sub-models: i) earnings/ROE; ii) valuation/momentum; iii) macro (real growth and interest rate); iv) beta; and v) a qualitative input. Within each sub-model, some countries will of course score more highly on certain factors than on others. We weight each of these individual factors and then aggregate to produce overall rankings. In this report, we have made some adjustments to the definitions of some of these model factors.

The ten factors in each model are as follows:

- **Earnings Growth**, calculated as the weighted average of dollar EPS growth rates over three periods: short-term IBES forecasts (50% weight), forward 3-year CAGR (30%) and 5-year historical average (20%);
- **Earnings Momentum** (rate of change of earnings), calculated as a weighted average of six-month (50% weight), three-month (30%) and one-month (20%) measures;
- **Earnings Revision Index (ERI),** measured as upgrades (to earnings forecasts) minus downgrades, as a proportion of total estimate changes ‘across the market’, not just CIRA estimates;
- **Rate of Return on Equity (ROE),** measured as the deviation of a country’s ROE from its long-term average;
- **Price Momentum,** measured as a weighted average of changes over three months;
- **Valuation Composite**, measured as an equally-weighted average of the (1) forward P/E and (2) P/BV ratio, both compared to a market’s own history, (3) dividend yield and (4) earnings yield ratio (earnings yields/bond yields), which takes into consideration the cost of capital;
- **Beta,** which will be entered into the model as a positive (high beta is positive for markets) or a negative relationship (high beta is a negative for markets) based on our view of the likely short-term direction of equity markets. Currently we have a beta-on bias;
- **GDP growth,** measured as the forecast annual growth of the real GDP for the next four quarters compared to other emerging economies;
- **Interest rates,** measured as a weighted average of current real rates (policy rates) and the forecast change in nominal rates over the next four quarters;

Regions

Data in Charts and Tables as of 31st December 2012

Stock recommendations as of 31st December 2012

Emerging Asia — Neutral

Weight in MSCI EM	60.4%
Market Cap (US$)	2,335 Bn

Country Weight Breakdown	
China	30.4%
Korea	25.3%
Taiwan	17.6%
India	11.0%
Malaysia	5.8%
Indonesia	4.4%
Thailand	4.1%
Philippines	1.5%

For the second year running, we are optimistic on Emerging Asia for 2013. The drivers are fourfold. First, with the exception of the Philippines and Indonesia, valuations, both absolute and relative, and interest rates remain very cheap. Secondly, the asset side of Asian central banks is expanding again. Where the balance sheet goes, there go multiples. The other part of the equation is retail, which has continued to accumulate assets in the banking system, now more than double GDP or market cap. Having missed out on double digit returns in 2012, we expect greater retail participation in 2013. Third, EPS revisions are more equity friendly as are GDP growth forecasts, whilst interest rates remain at record lows. Finally, investors are generally cautious to negative on equities. Within the equity market, bond proxy-like stocks are preferred vs. financials or cyclicals. We expect the latter two groups to do substantially better in 2013. The rotation out of defensives began in the summer of 2012 and will carry on into 2013 in our view. That plays to North Asia vs. ASEAN. Within the Emerging Asian region we prefer Korea over ASEAN and India. **(Strategist: Markus Rosgen)**

Strategists' Views

Overweight	Neutral	Underweight
China	Taiwan	India
Korea	Thailand	Malaysia
		Indonesia
		Philippines

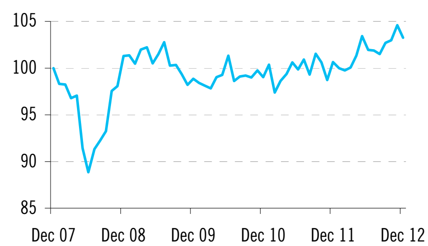
Performance

Outperformer in 2012

Price Performance (US$)

Source: Citi Research, MSCI, Factset

Relative Price Performance (US$)

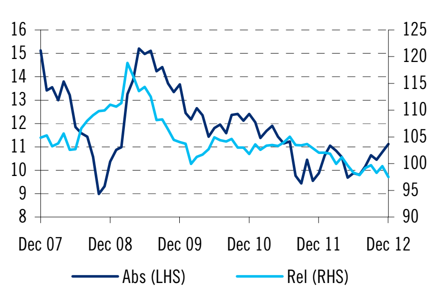


Source: Citi Research, MSCI, Factset

Valuation

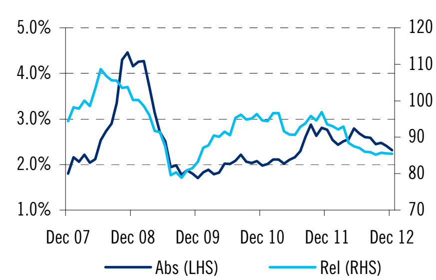
Dividend Yield at 2.3%, below EM average

12Mth Forward PE



Source: Citi Research, MSCI, Factset

Dividend Yield



Source: Citi Research, MSCI, Factset

Key Metrics

	PE			EPS YoY			EV /	EV /	Fwd
	12E	13E	14E	12E	13E	14E	EBITDA	Sales	DY
Region	12.7	11.1	9.8	7.5	15.5	12.9	6.6	1.3	2.5
MSCI EM	12.2	10.8	9.7	0.6	13.2	11.6	6.3	1.4	2.9

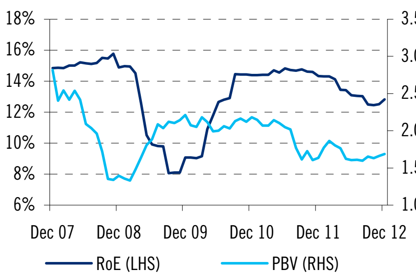
	US$ Perf.			Loc. Perf.					Trail
	3m	6m	12m	3m	6m	12m	ROE	P / BV	DY
Region	5.8	14.0	18.1	5.1	10.9	15.2	12.8	1.7	2.3
MSCI EM	5.2	12.6	15.1	5.0	10.4	13.9	13.0	1.6	2.7

Source: Citi Research, Worldscope, MSCI, Factset Consensus

PBV and RoE

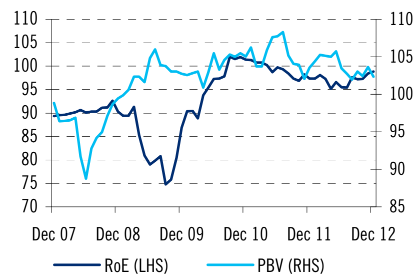
RoE started to pick up

RoE and PBV - Absolute



Source: Citi Research, MSCI, Factset

RoE and PBV - Relative

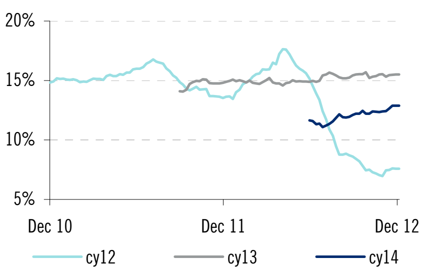


Source: Citi Research, MSCI, Factset

Earnings

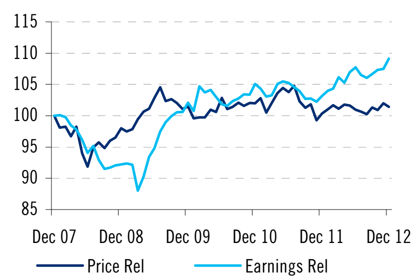
Strong rel earnings momentum

Growth Forecast Trends



Source: Citi Research, Factset Consensus

Relative Earnings/Price Momentum (loc)



Source: Citi Research, MSCI, Factset

Largest Companies

Top 1 - 10	Cntry	Rtg	Wgt	MC	PE
Samsung Elec	KR	1	6.7	157	8.1
TSMC	TW	1	3.5	82	14.2
China Mobile	CN	1	3.0	70	11.6
CCB	CN	1	2.5	58	6.5
ICBC	CN	2	2.0	46	6.5
	CN		1.7	39	9.2
BoC	CN	1	1.4	34	5.9
Tencent	CN	1	1.4	33	22.5
Hyundai Motor	KR	1	1.3	31	5.8
Hon Hai Precision	TW	1	1.3	31	9.5

Source: Citi Research, MSCI, IBES

Top 11 - 20	Cntry	Rtg	Wgt	MC	PE
PetroChina	CN	2	1.3	30	11.2
China Life	CN	2	1.0	24	19.2
HDFC	IN	1	0.9	22	22.2
POSCO	KR	1	0.9	21	9.0
Reliance Industries	IN	2	0.9	20	12.6
Sinopec	CN	1	0.8	19	8.2
HDFC Bank	IN	2	0.8	19	20.4
Hyundai Mobis	KR	1	0.8	18	6.9
Infosys Tech	IN	1	0.8	18	13.6
Samsung Elec P	KR	1	0.7	16	8.1

Source: Citi Research, MSCI, IBES

Latin America — Overweight

Weight in MSCI EM	**21.4%**
Market Cap (US$)	828 Bn

Country Weight Breakdown	
Brazil	58.8%
Mexico	24.1%
Chile	8.3%
Colombia	6.0%
Peru	2.8%

We upgrade Latin America to Overweight from Underweight within our GEMs portfolio based on several factors we expect to see: i) a strong rebound in EPS growth in 2013E of 15-20% from extreme weakness last year (-14%), mainly in Brazil and Chile; ii) stabilization of commodity prices; iii) a growth pick-up in the region's biggest economy, Brazil (receiving some marginal benefit from steadier Chinese growth); and iv) a rebound from significant underperformance last year (+5.4% for MSCI Latam v. +15% for GEMs). While valuations are less supportive (13.2x 2013E earnings v. 10.8x for GEMs), better earnings momentum should be the main driver. We upgrade to Overweight Brazil (from Underweight) and Mexico (from Neutral), which should both generate dollar gains of 15-20% this year. Mexico is our top pick for now, given expectations of another strong earnings forecast in 2013, in part due to Mexico's close ties to the US (the strongest part of the DM world), the outlook for structural reform and a cheap peso. We have now also turned more positive on Brazil based on a strong earnings rebound this year, yet further rate cuts and given that some of the benefits of the government's recent interventionist policies may filter through to the broader economy. **(Strategist: Geoffrey Dennis)**

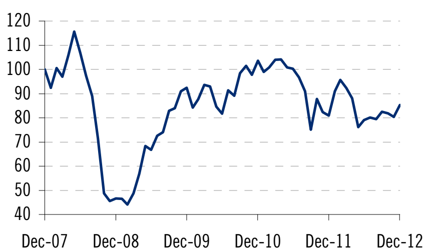
Strategists' Views

Overweight	Neutral	Underweight
Brazil Mexico	Peru	Chile Colombia

Performance

Underperformer in 2012

Price Performance (US$)



Source: Citi Research, MSCI, Factset

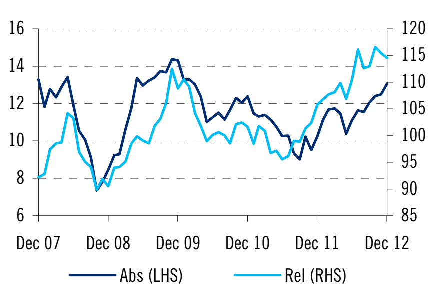
Relative Price Performance (US$)

Source: Citi Research, MSCI, Factset

Valuation

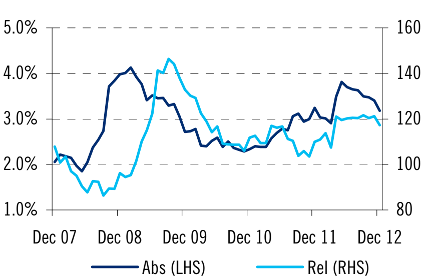
Fwd PE premium

12Mth Forward PE



Source: Citi Research, MSCI, Factset

Dividend Yield



Source: Citi Research, MSCI, Factset

Key Metrics

	PE 12E	PE 13E	PE 14E	EPS YoY 12E	EPS YoY 13E	EPS YoY 14E	EV / EBITDA	EV / Sales	Fwd DY
Region	15.5	13.2	11.5	-14.1	17.5	13.7	6.9	1.9	2.9
MSCI EM	12.2	10.8	9.7	0.6	13.2	11.6	6.3	1.4	2.9

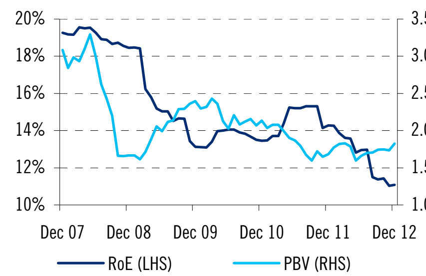
	US$ Perf. 3m	US$ Perf. 6m	US$ Perf. 12m	Loc. Perf. 3m	Loc. Perf. 6m	Loc. Perf. 12m	ROE	P / BV	Trail DY
Region	3.4	7.8	5.4	4.1	7.4	8.9	11.1	1.8	3.2
MSCI EM	5.2	12.6	15.1	5.0	10.4	13.9	13.0	1.6	2.7

Source: Citi Research, Worldscope, MSCI, Factset Consensus

PBV and RoE

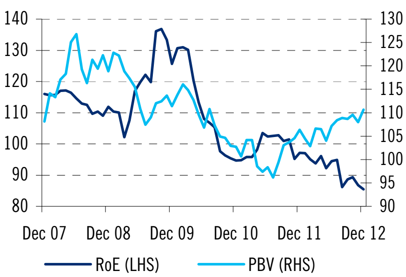
Falling RoE

RoE and PBV - Absolute



Source: Citi Research, MSCI, Factset

RoE and PBV - Relative

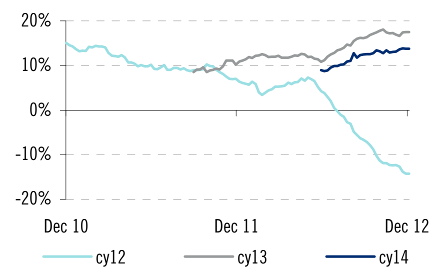


Source: Citi Research, MSCI, Factset

Earnings

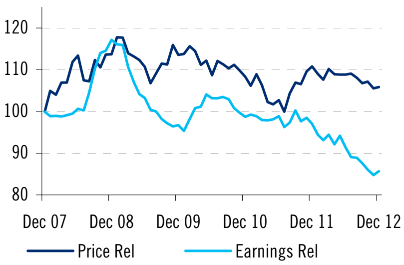
Weak Rel earnings momentum

Growth Forecast Trends



Source: Citi Research, Factset Consensus

Relative Earnings/Price Momentum (loc)



Source: Citi Research, MSCI, Factset

Largest Companies

Top 1 - 10	Cntry	Rtg	Wgt	MC	PE
America Movil	MX	2	5.4	45	10.4
Petrobras-A	BR	1	4.8	40	7.3
Vale (Pref)	BR	1	4.8	40	7.3
Itaú Unibanco	BR	1	4.5	37	9.3
Bradesco	BR	1	4.0	33	10.2
AmBev	BR	1	3.8	32	23.4
Petrobras	BR	1	3.4	28	7.2
Vale	BR	1	3.3	27	9.4
FEMSA	MX	2	2.3	19	22.8
Wal-Mart Mexico	MX	1	2.1	17	26.8

Source: Citi Research, MSCI, IBES

Top 11 - 20	Cntry	Rtg	Wgt	MC	PE
Ecopetrol	CO	3	1.8	15	12.9
Grupo Mexico	MX	2	1.7	14	12.0
Grupo Televisa	MX	1	1.6	14	19.9
Brasil Foods	BR	1	1.6	13	19.8
BMF Bovespa	BR		1.5	12	15.0
Itausa Inv Itau	BR		1.4	12	8.3
Grp Fin Banorte	MX	1	1.4	12	14.2
	MX		1.3	10	-45.4
Credicorp	PE	1	1.2	10	13.2
Bradesco	BR	1	1.1	10	10.2

Source: Citi Research, MSCI, IBES

CEEMEA — Underweight

Weight in MSCI EM	**18.1%**
Market Cap (US$)	701 Bn

Country Weight Breakdown	
South Africa	42.7%
Russia	33.1%
Poland	8.5%
Egypt	1.7%
Czech Republic	1.6%
Hungary	1.2%
Morocco	0.4%

After a solid Q4 rally, boosted by a calmer EU debt crisis, we cut CEEMEA again to Underweight. This may be seen as a high risk call as regional valuations are very attractive (at 8.4x 2013E earnings, compared to 10.8x for GEMs), sentiment on CEEMEA remains poor and interest rates may be cut in several small markets. However, our main concern is weak earnings momentum with a slower rebound in EPS growth expected in 2013 (6-7%) than the 12-14% growth in the other regions. Also, we believe no one CEEMEA market appears a compelling opportunity right now. We stay Neutral in Russia where lower oil prices in 2013 may be offset by reduced investor pessimism about reforms. After a strong rally in Q4, including in the Rand, we cut South Africa to Underweight as our base case is flat/negative dollar returns this year. We stay Underweight in CE3, cutting the Czech Rep to Neutral and Poland to Underweight, although we raise Hungary to Neutral (at 8x 2013E earnings) after a very weak Q4. **(Strategist: Geoffrey Dennis)**

Strategists' Views

Overweight	Neutral	Underweight
	Russia	South Africa
	Czech Rep	Poland
	Hungary	Egypt

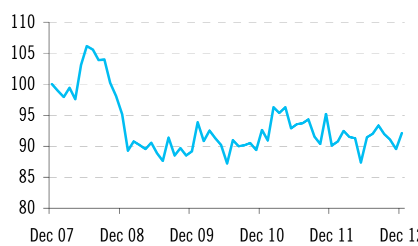
Performance

Outperformer in 2012

Price Performance (US$)

Source: Citi Research, MSCI, Factset

Relative Price Performance (US$)

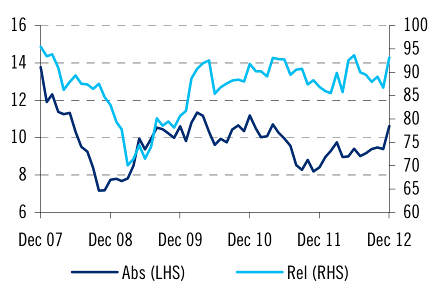


Source: Citi Research, MSCI, Factset

Valuation

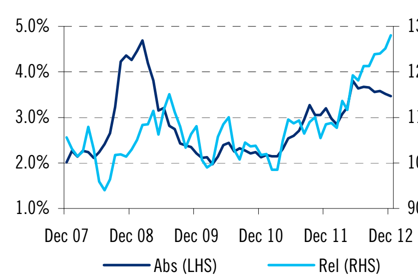
Relative dividend yield at 5-year high

12Mth Forward PE



Source: Citi Research, MSCI, Factset

Dividend Yield



Source: Citi Research, MSCI, Factset

Key Metrics

	PE 12E	PE 13E	PE 14E	EPS YoY 12E	EPS YoY 13E	EPS YoY 14E	EV / EBITDA	EV / Sales	Fwd DY
Region	8.9	8.4	7.9	-2.5	5.1	6.7	4.3	1.2	3.9
MSCI EM	12.2	10.8	9.7	0.6	13.2	11.6	6.3	1.4	2.9

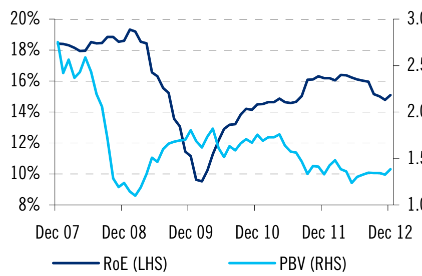
	US$ Perf. 3m	US$ Perf. 6m	US$ Perf. 12m	Loc. Perf. 3m	Loc. Perf. 6m	Loc. Perf. 12m	ROE	P / BV	Trail DY
Region	5.5	13.4	17.7	5.7	12.4	16.8	15.1	1.4	3.5
MSCI EM	5.2	12.6	15.1	5.0	10.4	13.9	13.0	1.6	2.7

Source: Citi Research, Worldscope, MSCI, Factset Consensus

PBV and RoE

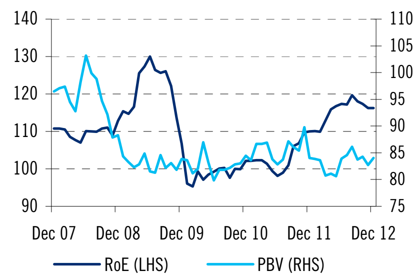
RoE has stalled

RoE and PBV - Absolute



Source: Citi Research, MSCI, Factset

RoE and PBV - Relative

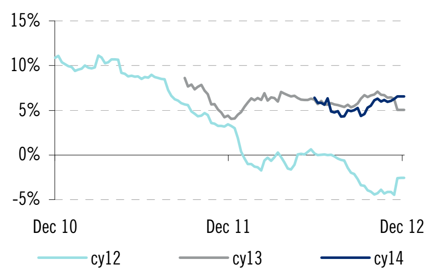


Source: Citi Research, MSCI, Factset

Earnings

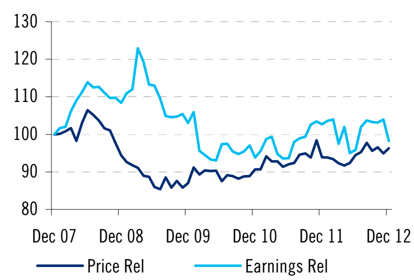
2013 EPS growth at 5%

Growth Forecast Trends



Source: Citi Research, Factset Consensus

Relative Earnings/Price Momentum (loc)



Source: Citi Research, MSCI, Factset

Largest Companies

Top 1 - 10	Cntry	Rtg	Wgt	MC	PE
Gazprom	RU	1	7.1	50	3.2
MTN Group Ltd	ZA	1	5.1	36	13.2
Lukoil	RU	1	4.8	33	4.8
Sberbank	RU	1	4.7	33	5.8
Naspers	ZA	1	3.6	25	21.4
Sasol	ZA	1	3.3	23	8.4
Standard Bank	ZA	2	2.4	17	11.1
AngloGold Ashnti	ZA	2	1.7	12	6.6
FirstRand	ZA	1	1.6	11	11.2

Source: Citi Research, MSCI, IBES

Top 11 - 20	Cntry	Rtg	Wgt	MC	PE
Rosneft	RU	1	1.6	11	7.0
Novatek	RU	1	1.6	11	12.6
Impala Platinum	ZA	1	1.5	11	21.2
Magnit	RU	1	1.5	10	22.9
Shoprite Hldgs	ZA	1	1.5	10	25.4
Uralkali	RU	1	1.4	10	11.9
Tatneft	RU	2	1.4	10	7.2
Mobile Telesystems	RU	1	1.4	10	10.3
Sanlam	ZA		1.3	9	14.6
PKO BP	PL	2	1.3	9	12.3

Source: Citi Research, MSCI, IBES

This page is intentionally left blank

Countries

Data in Charts and Tables as of 31st December 2012

Stock recommendations as of 31st December 2012

Brazil — Overweight

Weight in MSCI EM	**12.6%**
Market Cap (US$)	487 Bn

Sector Weight Breakdown	
Financials	27.2%
Materials	19.8%
Energy	16.7%
Consumer Staples	14.8%
Utilities	5.4%
Industrials	5.0%
Consumer Disc.	4.6%
Telecom Services	3.1%
IT	2.1%
Health Care	1.3%

Only a 6% December rally helped Brazil's stock market avoid a flat performance in 2012 in local currency, while the index nevertheless fell nearly 2% for the year in USD. We expect a better year for Brazilian equities in 2013, up 15% in local currency. Last year's performance masked an extreme split among sectors. Energy, homebuilders, banks, and power utilities performed miserably, while consumer stocks jumped. Government activism was a driver for many stocks that performed poorly. Nevertheless, that same activism could feed into better GDP and earnings growth in 2013, with payroll taxes on many sectors removed, electricity costs set to drop 20%, and capital spending favoured by incentives. Infrastructure spending and privatizations are picking up. The currency at R$2.00-2.10 is less of a disincentive than it was in early 2012, and interest rates are at all-time lows. Foreign direct investment is at record highs, while unemployment is at record lows. The market is looking especially for evidence that investment rates overall can move above 20% of GDP, historically a high hurdle for Brazil. But any sign of a GDP rebound from last year's c1% to this year's expectations of 3-4% will likely move the market. **(Strategist: Geoffrey Dennis)**

Strategists' Views

Overweight	Neutral	Underweight
Energy	Industrials	Materials
Consumer Staples	Health Care	Consumer Disc.
Financials	IT	Utilities
Telecoms		

Bovespa Target end 2013:	70,000
Level at end 2012:	60,952
Expected Gain:	15%

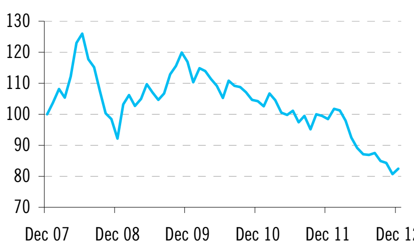
Performance

Underperformer in 2012

Price Performance (US$)

Source: Citi Research, MSCI, Factset

Relative Price Performance (US$)

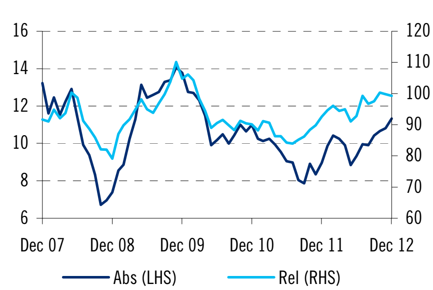


Source: Citi Research, MSCI, Factset

Valuation

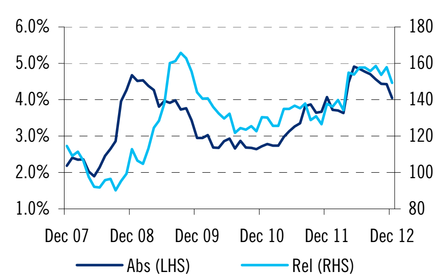
Dividend yield at 4%

12Mth Forward PE



Source: Citi Research, MSCI, Factset

Dividend Yield



Source: Citi Research, MSCI, Factset

Key Metrics

	PE 12E	PE 13E	PE 14E	EPS YoY 12E	EPS YoY 13E	EPS YoY 14E	EV / EBITDA	EV / Sales	Fwd DY
MSCI Brazil	13.5	11.5	10.1	-21.4	17.5	13.6	6.2	1.8	3.5
MSCI EM	12.2	10.8	9.7	0.6	13.2	11.6	6.3	1.4	2.9

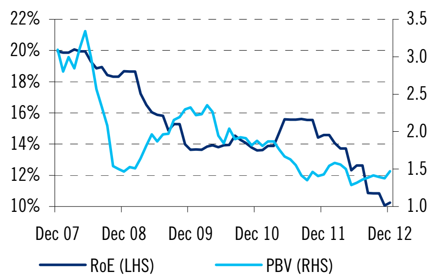
	US$ Perf. 3m	US$ Perf. 6m	US$ Perf. 12m	Loc. Perf. 3m	Loc. Perf. 6m	Loc. Perf. 12m	ROE	P / BV	Trail DY
MSCI Brazil	2.2	6.7	-3.5	3.2	8.2	5.9	10.2	1.5	4.0
MSCI EM	5.2	12.6	15.1	5.0	10.4	13.9	13.0	1.6	2.7

Source: Citi Research, Worldscope, MSCI, Factset Consensus

PBV and RoE

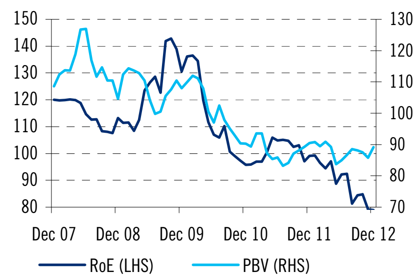
RoE has been coming down

RoE and PBV - Absolute



Source: Citi Research, MSCI, Factset

RoE and PBV - Relative

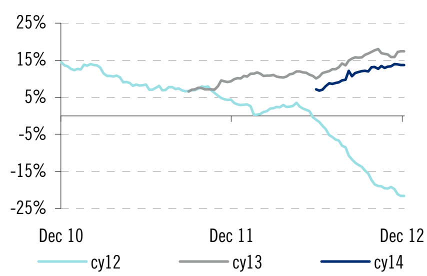


Source: Citi Research, MSCI, Factset

Earnings

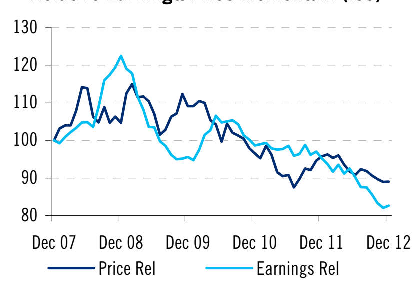
Weak relative earnings momentum

Growth Forecast Trends



Source: Citi Research, Factset Consensus

Relative Earnings/Price Momentum (loc)



Source: Citi Research, MSCI, Factset

Largest Companies

Top 1 - 10	Cntry	Rtg	Wgt	MC	PE
Petrobras-A	BR	1	8.2	40	7.3
Vale (Pref)	BR	1	8.2	40	7.3
Itaú Unibanco	BR	1	7.6	37	9.3
Bradesco	BR	1	6.7	33	10.2
AmBev	BR	1	6.5	32	23.4
Petrobras	BR	1	5.8	28	7.2
Vale	BR	1	5.6	27	9.4
Brasil Foods	BR	1	2.8	13	19.8
BMF Bovespa	BR		2.5	12	15.0
Itausa Inv Itau	BR		2.5	12	8.3

Source: Citi Research, MSCI, IBES

Top 11 - 20	Cntry	Rtg	Wgt	MC	PE
Bradesco	BR	1	2.0	10	10.2
Comp Conc Rodo	BR	2	1.7	8	23.0
Cielo	BR	2	1.7	8	14.6
Gerdau	BR	2	1.5	8	12.9
Ultrapar	BR	2	1.5	7	21.9
	BR	1	1.5	7	6.7
Telefonica	BR	2	1.5	7	11.3
Souza Cruz	BR		1.2	6	24.4
AmBev	BR	1	1.2	6	23.4
Banco Santander	BR	2	1.1	6	8.8

Source: Citi Research, MSCI, IBES

China — Overweight

Weight in MSCI EM	**18.3%**
Market Cap (US$)	709 Bn

Sector Weight Breakdown	
Financials	39.3%
Energy	17.4%
Telecom Services	12.3%
Industrials	6.3%
IT	6.1%
Consumer Staples	5.3%
Consumer Disc.	5.2%
Materials	4.5%
Utilities	2.9%
Health Care	0.8%

2013 will be an important year of transition for China, which is the first year for the new leadership and middle year of the 12th Five Year Plan. The grand leadership reshuffle offers opportunities for incremental reforms needed to sustain economic growth. This, together with a near-term economic and earnings recovery, may spark a possible market re-rating. We believe the current economic rebound will likely continue in 1H13 and be supported by infrastructure investment, an end to the destocking cycle and favourable liquidity conditions. Policies introduced by new leaders this year will determine the growth momentum in 2H13, and the reform initiatives next autumn will further determine the confidence level of market participants. Critical reforms, if announced, will likely mean longer term gains, but shorter term pain. We expect China's equity market to start 2013 strongly and end flattish if reforms drag down GDP growth in 2H. In such a market we believe sector and stock picks will be more important than the index itself. We recommend investors should be positioned in riskier companies in 1H and then trade into quality in 2H. Investors should favour sectors with cheap valuations, limited downside risks on earnings, relatively high beta, and upside from new policy initiatives. **(Strategist: Minggao Shen)**

Strategists' Views

		Overweight	Neutral	Underweight
		Energy	Materials	Telecoms
		Industrials	Consumer Staples	
MSCI China Target end 2013:	70	Consumer Disc.	Financials	
Level at end 2012:	63	Health Care	IT	
Expected Gain:	11%	Utilities		

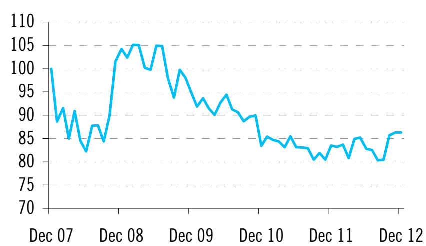
Performance

Strong performance in 4Q12

Price Performance (US$)

Source: Citi Research, MSCI, Factset

Relative Price Performance (US$)

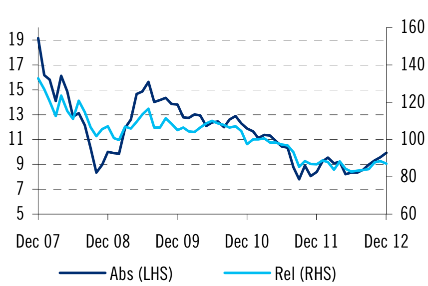


Source: Citi Research, MSCI, Factset

Valuation

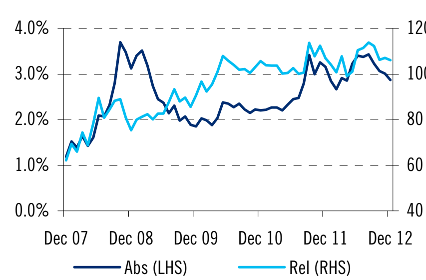
Relative PE at 5-year low

12Mth Forward PE



Source: Citi Research, MSCI, Factset

Dividend Yield



Source: Citi Research, MSCI, Factset

Key Metrics

	PE			EPS YoY			EV /	EV /	Fwd
	12E	13E	14E	12E	13E	14E	EBITDA	Sales	DY
MSCI China	11.0	10.0	9.0	0.9	10.5	11.5	6.0	1.4	3.1
MSCI EM	12.2	10.8	9.7	0.6	13.2	11.6	6.3	1.4	2.9

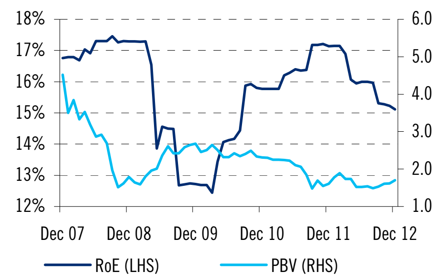
	US$ Perf.			Loc. Perf.					Trail
	3m	6m	12m	3m	6m	12m	ROE	P / BV	DY
MSCI China	12.8	17.3	19.0	12.8	17.2	18.7	15.1	1.7	2.9
MSCI EM	5.2	12.6	15.1	5.0	10.4	13.9	13.0	1.6	2.7

Source: Citi Research, Worldscope, MSCI, Factset Consensus

PBV and RoE

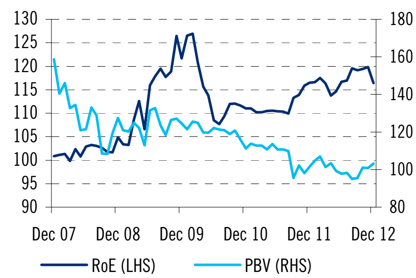
Higher RoE, in-line P/BV

RoE and PBV - Absolute



Source: Citi Research, MSCI, Factset

RoE and PBV - Relative

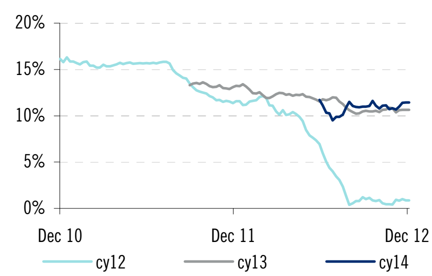


Source: Citi Research, MSCI, Factset

Earnings

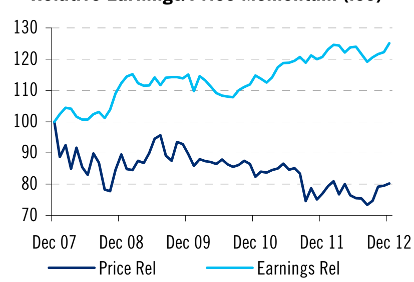
Prices and EPS decouple

Growth Forecast Trends



Source: Citi Research, Factset Consensus

Relative Earnings/Price Momentum (loc)



Source: Citi Research, MSCI, Factset

Largest Companies

Top 1 - 10	Cntry	Rtg	Wgt	MC	PE
China Mobile	CN	1	9.9	70	11.6
CCB	CN	1	8.2	58	6.5
ICBC	CN	2	6.5	46	6.5
	CN		5.5	39	9.2
BoC	CN	1	4.7	34	5.9
Tencent	CN	1	4.6	33	22.5
PetroChina	CN	2	4.2	30	11.2
China Life	CN	2	3.4	24	19.2
Sinopec	CN	1	2.7	19	8.2
Ping An	CN	1	2.2	16	14.6

Source: Citi Research, MSCI, IBES

Top 11 - 20	Cntry	Rtg	Wgt	MC	PE
China Shenhua	CN	1	2.1	15	11.0
China Overseas	CN	1	1.7	12	10.4
ABC	CN	1	1.5	11	6.6
Belle Intl	CN	1	1.4	10	20.5
China Pacific	CN	1	1.2	9	19.7
CMB	CN	3	1.2	9	7.6
Want Want China	CN	1	1.2	8	27.0
China Telecom	CN	2	1.1	8	14.4
China Unicom	CN	1	1.1	8	20.8
Kunlun Energy	CN	1	0.9	7	15.3

Source: Citi Research, MSCI, IBES

India — Underweight

Weight in MSCI EM	**6.6%**
Market Cap (US$)	256 Bn

Sector Weight Breakdown

Financials	31.3%
IT	14.1%
Energy	12.1%
Consumer Staples	10.3%
Materials	8.0%
Consumer Disc.	7.1%
Health Care	5.7%
Industrials	5.4%
Utilities	4.1%
Telecom Services	2.1%

Indian equities posted a solid 28% return in 2012, best among major EMs, and up by 24% in dollars, outperformed GEMs by 9%. This was driven by $24bn inflow from foreign institutional investors (FII) during the year, second only to the record $29bn in 2010. The year saw two major rallies – (a) cyclical rebound of +22% in Jan-Feb and (b) +13% in Sep-Dec, driven by reform announcements pending policy decisions and easy global liquidity conditions. The rising market has also raised economic and political expectations. We believe the rebound in the real economy, corporate risk appetite, investment cycle and demand, will lag expectations. This, combined with the ongoing political battles and impending General Elections in 2014, is likely to make 2013 a noisy year. Simultaneously, more government action and an easing in macro pressures (inflation, interest rates) should support markets. Given this mix, we expect a modest positive return in 2013 (Sensex year-end target: 20,800; +7% for the year), with returns driven primarily by earnings growth rather than multiple expansion. Our belief that GDP growth has bottomed and interest rates are set to decline makes us favour cyclicals over defensives. We are Overweight Banks, Consumer Discretionary and Capital Goods. **(Strategist: Aditya Narain)**

Strategists' Views

Overweight	Neutral	Underweight
Industrials	Health Care	Energy
Consumer Disc.		Materials
Financials		Consumer Staples
IT		Utilities
Telecoms		

Sensex Target end 2013:	20,800
Level at end 2012:	19,427
Expected Gain:	7%

Performance

Outperformed in 2012 despite weak performance in 4Q

Price Performance (US$)

Source: Citi Research, MSCI, Factset

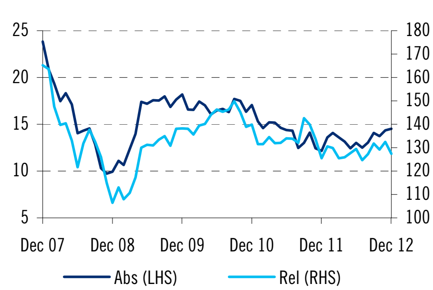
Relative Price Performance (US$)

Source: Citi Research, MSCI, Factset

Valuation

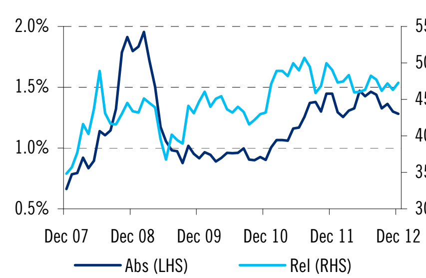
Dividend yield at 1.3%, one of the lowest amongst EM countries

12Mth Forward PE



Source: Citi Research, MSCI, Factset

Dividend Yield



Source: Citi Research, MSCI, Factset

Key Metrics

	PE 12E	PE 13E	PE 14E	EPS YoY 12E	EPS YoY 13E	EPS YoY 14E	EV / EBITDA	EV / Sales	Fwd DY
MSCI India	16.4	14.5	12.7	11.2	13.1	14.7	9.1	1.7	1.6
MSCI EM	12.2	10.8	9.7	0.6	13.2	11.6	6.3	1.4	2.9

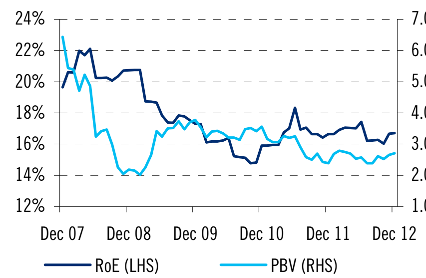
	US$ Perf. 3m	US$ Perf. 6m	US$ Perf. 12m	Loc. Perf. 3m	Loc. Perf. 6m	Loc. Perf. 12m	ROE	P / BV	Trail DY
MSCI India	0.3	15.2	23.9	4.2	13.1	27.9	16.7	2.7	1.3
MSCI EM	5.2	12.6	15.1	5.0	10.4	13.9	13.0	1.6	2.7

Source: Citi Research, Worldscope, MSCI, Factset Consensus

PBV and RoE

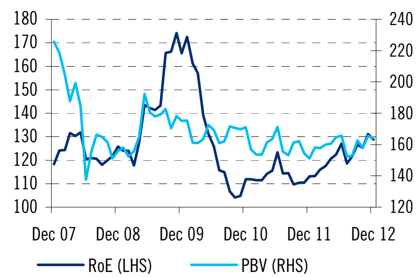
Rel RoE has been improving

RoE and PBV - Absolute



Source: Citi Research, MSCI, Factset

RoE and PBV - Relative

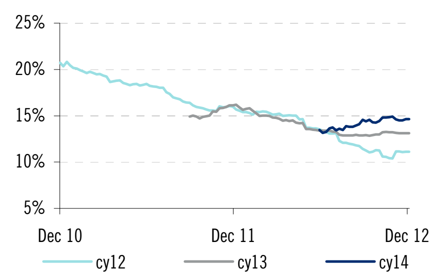


Source: Citi Research, MSCI, Factset

Earnings

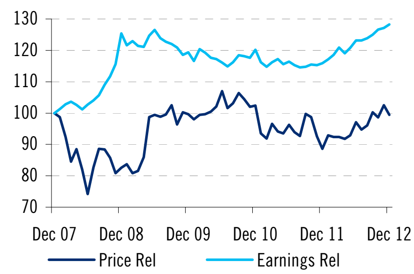
Strong relative EPS momentum

Growth Forecast Trends



Source: Citi Research, Factset Consensus

Relative Earnings/Price Momentum (loc)



Source: Citi Research, MSCI, Factset

Largest Companies

Top 1 - 10	Cntry	Rtg	Wgt	MC	PE
HDFC	IN	1	8.6	22	22.2
Reliance Industries	IN	2	7.8	20	12.6
HDFC Bank	IN	2	7.4	19	20.4
Infosys Tech	IN	1	7.1	18	13.6
ITC	IN	1	4.5	11	26.6
Tata Consult	IN	2	4.2	11	16.7
ICICI	IN	1	3.5	9	14.4
Hindustan Unilev	IN	3	3.2	8	30.8
Larsen & Toubro	IN	1	2.4	6	17.6
SBI	IN	1	2.3	6	7.8

Source: Citi Research, MSCI, IBES

Top 11 - 20	Cntry	Rtg	Wgt	MC	PE
AXIS Bank	IN	1	2.2	6	10.6
Mahindra Mahndra	IN	2	2.0	5	12.8
Tata Motors	IN	1	1.7	4	7.5
	IN		1.6	4	23.2
ONGC	IN	1	1.5	4	8.3
	IN		1.4	4	14.1
Kotak	IN	2	1.3	3	20.9
Dr Reddy	IN	1	1.3	3	17.5
IDFC	IN	1	1.3	3	12.3
Bharti	IN	1	1.3	3	22.5

Source: Citi Research, MSCI, IBES

Indonesia — Underweight

Weight in MSCI EM	**2.6%**
Market Cap (US$)	102 Bn

Sector Weight Breakdown	
Financials	31.5%
Consumer Disc.	18.3%
Consumer Staples	12.2%
Telecom Services	11.7%
Materials	8.2%
Energy	6.1%
Utilities	5.1%
Industrials	4.5%
Health Care	2.5%
IT	0.0%

The Indonesian stock market underperformed Emerging Asia in 2012, after significantly outperforming for three consecutive years (2009-11). The market was up 6% in USD and now trades on a 2013E PE of 13.6x vs. 11.1x for the EM Asia region - a 23% premium, lower than previously. EPS is expected to grow this year by 14.6%. We believe concern over the current account deficit, rising labour costs as well as the weakening of the rupiah will continue to be a drag on the market. Meanwhile, the main catalyst for a rising market should be the adjustment of fuel prices. Should the government increase the fuel prices next year (reducing the subsidy), we believe the market will react positively. Our end-year index target of 5,000 forecasts 16% upside. We still prefer domestic companies which are supported by rising incomes and are less vulnerable to global economic weakness. We are Overweight Banks, Cement, Infrastructure and Consumer Staples sectors. Our large-cap stock picks include Bank Mandiri and Semen Gresik. **(Strategist: Ferry Wong)**

Strategists' Views

		Overweight	**Neutral**	**Underweight**
		Materials	IT	Energy
		Consumer Disc.		Industrials
Jakarta Comp Target end 2013:	5,000	Consumer Staples		Utilities
Level at end 2012:	4,317	Health Care		
Expected Gain:	16%	Financials		
		Telecoms		

Performance

Underperformed in 2012

Price Performance (US$)

Source: Citi Research, MSCI, Factset

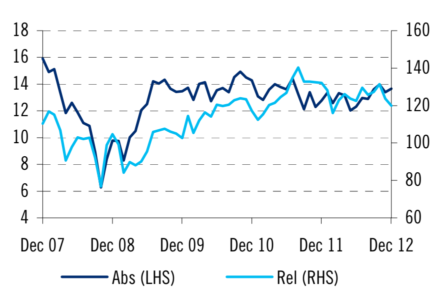
Relative Price Performance (US$)

Source: Citi Research, MSCI, Factset

Valuation

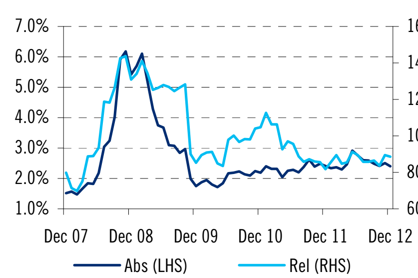
20% premium on Fwd PE

12Mth Forward PE



Source: Citi Research, MSCI, Factset

Dividend Yield



Source: Citi Research, MSCI, Factset

Key Metrics

	PE 12E	PE 13E	PE 14E	EPS YoY 12E	EPS YoY 13E	EPS YoY 14E	EV / EBITDA	EV / Sales	Fwd DY
MSCI Indonesia	15.6	13.6	11.9	6.3	14.6	15.1	7.9	2.3	2.8
MSCI EM	12.2	10.8	9.7	0.6	13.2	11.6	6.3	1.4	2.9

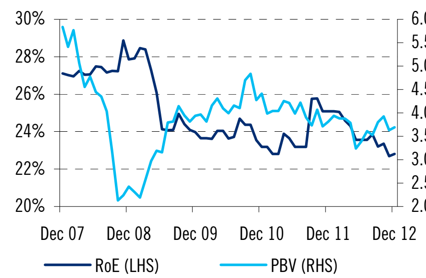
	US$ Perf. 3m	US$ Perf. 6m	US$ Perf. 12m	Loc. Perf. 3m	Loc. Perf. 6m	Loc. Perf. 12m	ROE	P / BV	Trail DY
MSCI Indonesia	0.7	8.0	2.4	1.4	10.8	8.8	22.8	3.7	2.4
MSCI EM	5.2	12.6	15.1	5.0	10.4	13.9	13.0	1.6	2.7

Source: Citi Research, Worldscope, MSCI, Factset Consensus

PBV and RoE

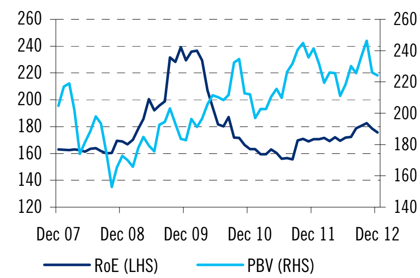
Premium RoE, premium P/BV

RoE and PBV - Absolute



Source: Citi Research, MSCI, Factset

RoE and PBV - Relative

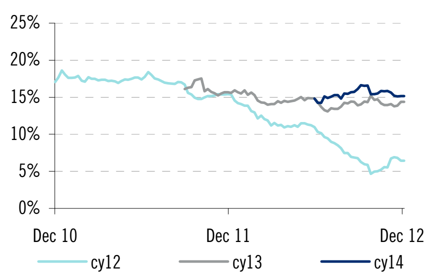


Source: Citi Research, MSCI, Factset

Earnings

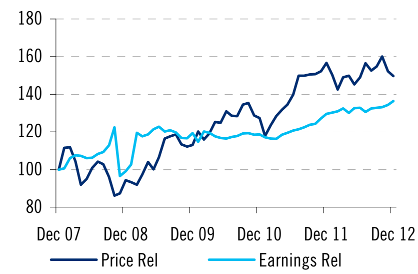
2013 EPS growth forecasts have been resilient

Growth Forecast Trends



Source: Citi Research, Factset Consensus

Relative Earnings/Price Momentum (loc)



Source: Citi Research, MSCI, Factset

Largest Companies

Top 1 - 10	Cntry	Rtg	Wgt	MC	PE
Astra Intl	ID	1	15.7	16	14.0
BCA	ID	3	11.3	12	16.7
PT Telkom	ID	1	9.3	9	12.5
Bank Rakyat	ID	2	7.8	8	9.1
Bank Mandiri	ID	1	7.7	8	11.3
PT PGN	ID	3	5.1	5	13.7
Semen Gresik	ID	1	4.8	5	16.5
Utd Tractors	ID	1	3.4	3	12.7
Indocement	ID	1	3.4	3	15.9
Unilever Indon	ID		3.2	3	29.8

Source: Citi Research, MSCI, IBES

Top 11 - 20	Cntry	Rtg	Wgt	MC	PE
Bank Negara ID	ID	1	2.8	3	9.2
Gudang Garam	ID		2.8	3	19.3
Charoen Pokphand	ID	1	2.7	3	17.3
Indofood Sukses	ID	1	2.6	3	13.2
Kalbe Farma	ID		2.5	3	25.4
Adaro Energy	ID	1	2.3	2	11.8
	ID		1.9	2	11.9
Indo Tmbgraya	ID	2	1.7	2	12.7
Global Mediacom	ID		1.5	2	19.5
XL Axiata	ID	2	1.5	2	13.8

Source: Citi Research, MSCI, IBES

Korea — Overweight

Weight in MSCI EM	**15.3%**
Market Cap (US$)	591 Bn

Sector Weight Breakdown	
IT	36.7%
Consumer Disc.	16.4%
Financials	12.9%
Industrials	12.4%
Materials	10.5%
Consumer Staples	5.2%
Energy	3.0%
Utilities	1.5%
Health Care	0.7%
Telecom Services	0.7%

Given the usual pattern for the Korean equity market is to outperform following domestic Presidential Elections, the recent election should clear the way for equities to make gains from here. Park, the winner of the Presidential race, plans to ban new circular or cross shareholdings, limit bank stakes by non-financial shareholders, and maintain the current maximum corporate tax rate at 22%. Further support for the equity market in 2013E should be solid GDP growth of 3.4% and easier monetary policy. We set our KOSPI end-2013 target at 2300 (up 15% for the year), based on a 2013E P/B of 1.23x (ROE of 11.6%) – a slight discount to the historical average of 1.25x (ROE of 11.8%). Within Asia, Korean equities look attractive due to the strong earnings outlook and low valuations. Korea's earnings volatility has fallen which should help narrow the valuation gap with other Asian equity markets. However, three near-term concerns could cap Korean market upside, in our view: i) US fiscal issues; ii) Vanguard's offloading of Korean stocks from its EM ETFs; and iii) downward earnings revisions. Once the latter subside, cyclical stocks should begin to rally, and thus for the near-term we are Overweight the Tech and Auto sectors. **(Strategist: Michael Chung)**

Strategists' Views

Overweight	Neutral	Underweight
Industrials	Energy	Telecoms
IT	Materials	Utilities
	Consumer Disc.	
	Consumer Staples	
	Health Care	
	Financials	

KOSPI Target end 2013:	2,300
Level at end 2012:	1,997
Expected Gain:	15%

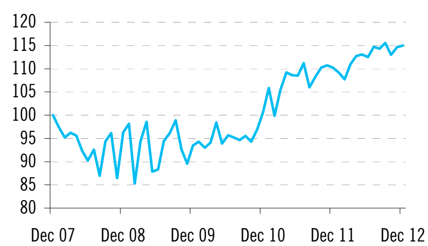
Performance

Outperformer in 2012

Price Performance (US$)

Source: Citi Research, MSCI, Factset

Relative Price Performance (US$)

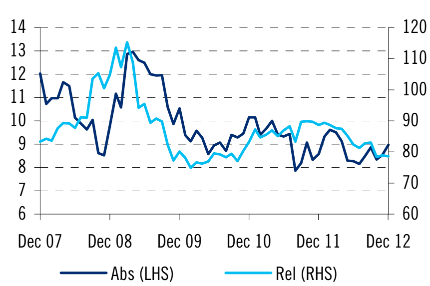


Source: Citi Research, MSCI, Factset

Valuation

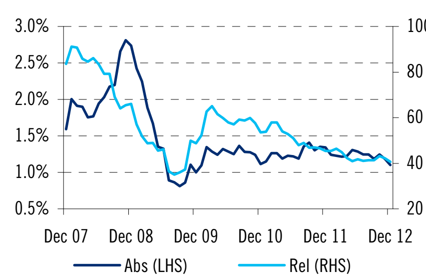
20% discount on Fwd PE

12Mth Forward PE



Source: Citi Research, MSCI, Factset

Dividend Yield



Source: Citi Research, MSCI, Factset

Key Metrics

	PE 12E	PE 13E	PE 14E	EPS YoY 12E	EPS YoY 13E	EPS YoY 14E	EV / EBITDA	EV / Sales	Fwd DY
MSCI Korea	10.3	8.8	7.7	16.8	19.0	13.6	6.4	0.9	1.2
MSCI EM	12.2	10.8	9.7	0.6	13.2	11.6	6.3	1.4	2.9

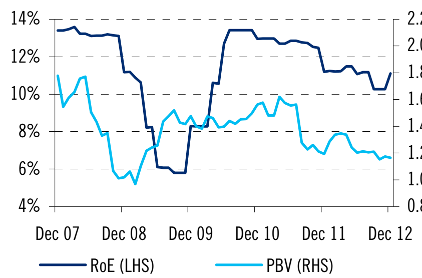
	US$ Perf. 3m	US$ Perf. 6m	US$ Perf. 12m	Loc. Perf. 3m	Loc. Perf. 6m	Loc. Perf. 12m	ROE	P / BV	Trail DY
MSCI Korea	4.8	15.1	20.2	0.9	7.6	11.7	11.1	1.2	1.1
MSCI EM	5.2	12.6	15.1	5.0	10.4	13.9	13.0	1.6	2.7

Source: Citi Research, Worldscope, MSCI, Factset Consensus

PBV and RoE

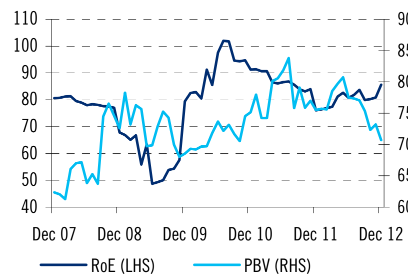
Lower RoE, lower P/BV

RoE and PBV - Absolute



Source: Citi Research, MSCI, Factset

RoE and PBV - Relative

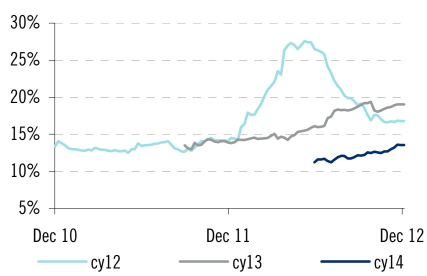


Source: Citi Research, MSCI, Factset

Earnings

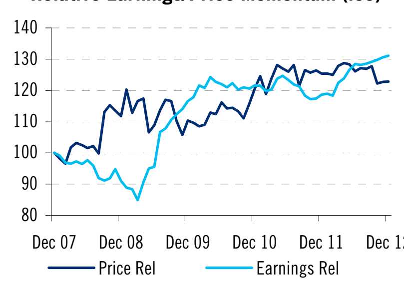
Solid EPS momentum

Growth Forecast Trends



Source: Citi Research, Factset Consensus

Relative Earnings/Price Momentum (loc)



Source: Citi Research, MSCI, Factset

Largest Companies

Top 1 - 10	Cntry	Rtg	Wgt	MC	PE
Samsung Elec	KR	1	26.6	157	8.1
Hyundai Motor	KR	1	5.3	31	5.8
POSCO	KR	1	3.6	21	9.0
Hyundai Mobis	KR	1	3.1	18	6.9
Samsung Elec P	KR	1	2.8	16	8.1
Shinhan	KR	1	2.6	15	7.6
LG Chem	KR	1	2.4	14	12.0
Kia Motors	KR	1	2.4	14	5.1
KB FGI	KR	1	2.2	13	7.0
Hynix	KR	1	2.1	13	14.1

Source: Citi Research, MSCI, IBES

Top 11 - 20	Cntry	Rtg	Wgt	MC	PE
SK Innovation	KR	1H	1.7	10	8.5
Hyundai Hvy Ind	KR	1	1.6	9	10.1
NHN	KR	3	1.5	9	17.1
KT&G	KR		1.4	8	11.8
Hana	KR	1	1.3	7	5.9
LGE	KR	2	1.2	7	10.0
Samsung C&T	KR	1	1.2	7	18.8
KEPCO	KR	1	1.2	7	24.9
Samsung Fire Ins	KR	1	1.2	7	9.8
LG Display	KR	1	1.1	7	9.0

Source: Citi Research, MSCI, IBES

Mexico — Overweight

Weight in MSCI EM	5.2%
Market Cap (US$)	200 Bn

Sector Weight Breakdown	
Consumer Staples	30.3%
Telecom Services	22.4%
Materials	21.0%
Financials	12.2%
Consumer Disc.	7.7%
Industrials	6.4%
Utilities	0.0%
IT	0.0%
Health Care	0.0%
Energy	0.0%

We expect Mexican stocks will continue to do well in 2013. Our year-end price target of 51,000 on the IPC index implies 17% upside in pesos. Our positive outlook is based on further strong EPS growth helped by the US economy (especially manufacturing) gathering strength through the year and fading inflation which should keep monetary policy on hold. 2013 will be key for the new President and Congress to pass various measures, particularly fiscal reform and any re-structuring of the energy sector. Despite progress in labour reform, the on-going discussion on education reform is a litmus test of the President's willingness to go against entrenched vested interests, in particular large unions. We expect increased focus on the relatively more attractive valued mid and smaller cap stocks in 2013, with the large cap-heavy MSCI Mexico index trading at 3.2x P/B with a 14% 12 month trailing ROE. We expect consumer credit to continue to grow with the formalization of employment; investors can gain exposure to this theme through financial institutions and some stocks in the retail sector. Regulatory changes will continue to impact telecommunications, in particular a drive to increase internet and broadband penetration, where we remain underweight. We see financials as an indirect beneficiary. **(Strategist: Julio Zamora)**

Strategists' Views

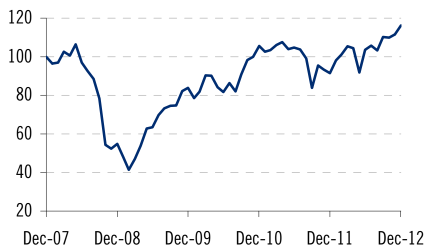
Overweight	Neutral	Underweight
Industrials		Materials
Consumer Staples		Consumer Disc.
Financials		Telecoms

IPC Target end 2013:	51,000
Level at end 2012:	43,706
Expected Gain:	17%

Performance

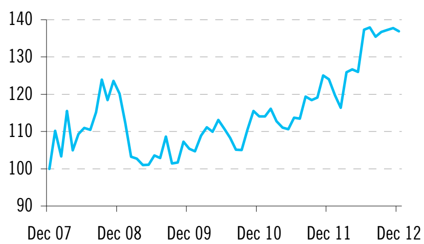
Outperformer in 2012

Price Performance (US$)



Source: Citi Research, MSCI, Factset

Relative Price Performance (US$)

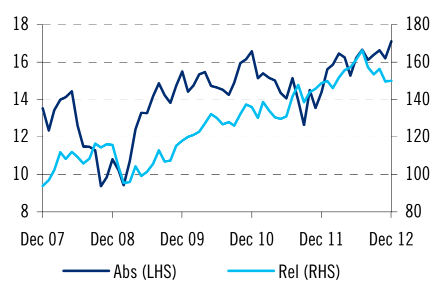


Source: Citi Research, MSCI, Factset

Valuation

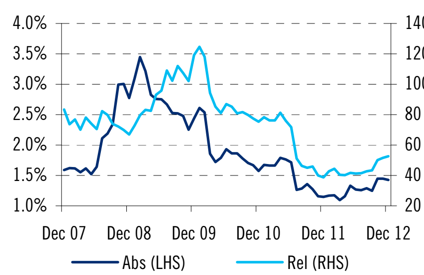
Re-rating has stalled recently

12Mth Forward PE



Source: Citi Research, MSCI, Factset

Dividend Yield



Source: Citi Research, MSCI, Factset

Key Metrics

	PE 12E	PE 13E	PE 14E	EPS YoY 12E	EPS YoY 13E	EPS YoY 14E	EV / EBITDA	EV / Sales	Fwd DY
MSCI Mexico	19.9	17.1	14.7	27.4	16.5	16.3	8.4	2.1	1.7
MSCI EM	12.2	10.8	9.7	0.6	13.2	11.6	6.3	1.4	2.9

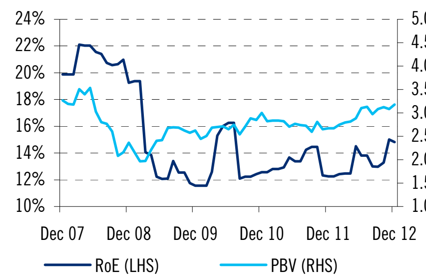
	US$ Perf. 3m	US$ Perf. 6m	US$ Perf. 12m	Loc. Perf. 3m	Loc. Perf. 6m	Loc. Perf. 12m	ROE	P / BV	Trail DY
MSCI Mexico	5.4	12.2	27.1	6.4	8.5	18.2	14.8	3.2	1.4
MSCI EM	5.2	12.6	15.1	5.0	10.4	13.9	13.0	1.6	2.7

Source: Citi Research, Worldscope, MSCI, Factset Consensus

PBV and RoE

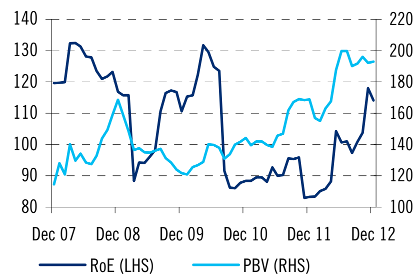
Premium RoE, premium P/BV

RoE and PBV - Absolute



Source: Citi Research, MSCI, Factset

RoE and PBV - Relative

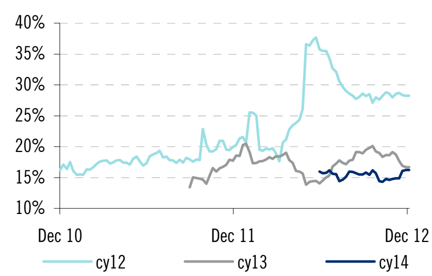


Source: Citi Research, MSCI, Factset

Earnings

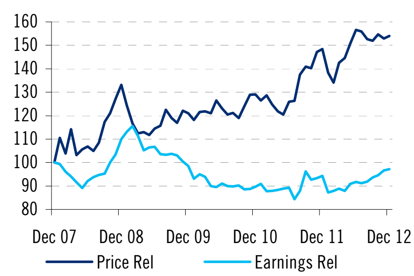
Strong relative EPS momentum

Growth Forecast Trends



Source: Citi Research, Factset Consensus

Relative Earnings/Price Momentum (loc)



Source: Citi Research, MSCI, Factset

Largest Companies

Top 1 - 10	Cntry	Rtg	Wgt	MC	PE
America Movil	MX	2	22.4	45	10.4
FEMSA	MX	2	9.7	19	22.8
Wal-Mart Mexico	MX	1	8.7	17	26.8
Grupo Mexico	MX	2	6.9	14	12.0
Grupo Televisa	MX	1	6.8	14	19.9
Grp Fin Banorte	MX	1	6.0	12	14.2
	MX		5.2	10	-45.4
Indust Pe&Oles	MX		3.5	7	18.2
Coca Cola Femsa	MX	3	3.2	6	25.8
Gpo Fin Inbursa	MX		3.0	6	27.8

Source: Citi Research, MSCI, IBES

Top 11 - 20	Cntry	Rtg	Wgt	MC	PE
Alfa SAB de CV	MX	1	3.0	6	15.0
Mexichem	MX	1	2.9	6	19.1
Grupo Modelo	MX	3	2.8	6	27.7
Grupo Fin San Me	MX	1	2.4	5	14.5
Grupo Bimbo	MX	2	2.1	4	24.0
Kimberly Clark	MX		2.0	4	22.6
Grupo Carso	MX	2	1.4	3	21.5
Minera Frisco	MX		1.3	3	48.4
Arca Contal	MX	1	1.2	2	22.5
ASUR Airports	MX	1	1.2	2	19.9

Source: Citi Research, MSCI, IBES

Poland — Underweight

Weight in MSCI EM	**1.5%**
Market Cap (US$)	60 Bn

Sector Weight Breakdown	
Financials	44.4%
Materials	17.7%
Energy	15.1%
Utilities	11.0%
Telecom Services	4.9%
Consumer Staples	3.5%
IT	1.7%
Consumer Disc.	1.7%
Health Care	0.0%
Industrials	0.0%

Following a strong performance in 2012 (up 26% in local and 39% in dollars), we do not see significant upside potential for Polish equities in 2013. Although recent market momentum has been very strong, we see more risks to the downside than to the upside for the year ahead. We expect downward earnings pressure for many of the larger stocks that performed well last year (such as KGHM, PKOBP, PZU, Pekao, PKN). The Polish economy has been slowing rather rapidly in recent quarters and we expect 2013 GDP growth to fall to 1.3% from 2.2% this year. Pressure on the economy should come from rapidly slowing industrial production, a deteriorating labour market, a weakening consumer, softening in lending and decelerating investments. Those trends are rather unlikely to reverse in 2013 in our view. On an aggregate basis, earnings are down by around 15% in 2012 and we expect an additional 18% decline in 2013. We started 2012 with forward PE of ~11x (for WIG index) which was giving us some valuation comfort to be optimistic for last year. Now, with the forward PE at above 13x, we find it more difficult to be positive on Polish equities. **(Strategist: Rafal Wiatr)**

Strategists' Views

Overweight	Neutral	Underweight
Consumer Disc.	Industrials	Energy
Consumer Staples	IT	Materials
Health Care	Telecoms	Financials
Utilities		

Performance

Outperformer in 2012

Price Performance (US$)

Source: Citi Research, MSCI, Factset

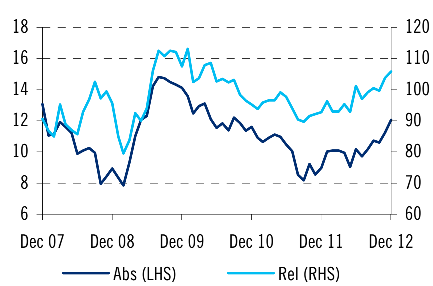
Relative Price Performance (US$)

Source: Citi Research, MSCI, Factset

Valuation

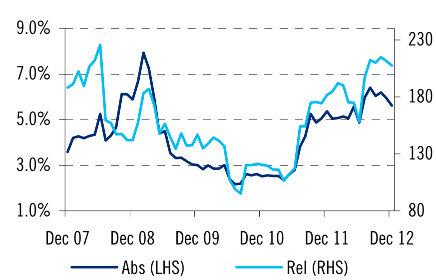
Over 5% dividend yield, one of the highest within EM

12Mth Forward PE



Source: Citi Research, MSCI, Factset

Dividend Yield



Source: Citi Research, MSCI, Factset

Key Metrics

	PE 12E	PE 13E	PE 14E	EPS YoY 12E	EPS YoY 13E	EPS YoY 14E	EV / EBITDA	EV / Sales	Fwd DY
MSCI Poland	10.6	12.1	11.5	-16.8	-12.0	5.3	3.4	1.3	4.4
MSCI EM	12.2	10.8	9.7	0.6	13.2	11.6	6.3	1.4	2.9

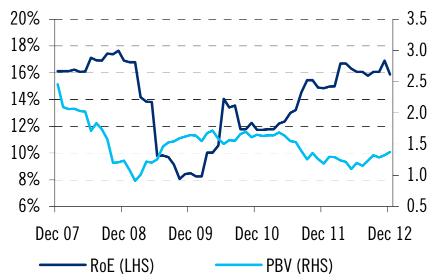
	US$ Perf. 3m	US$ Perf. 6m	US$ Perf. 12m	Loc. Perf. 3m	Loc. Perf. 6m	Loc. Perf. 12m	ROE	P / BV	Trail DY
MSCI Poland	11.7	21.0	32.1	8.0	12.2	19.0	15.9	1.4	5.6
MSCI EM	5.2	12.6	15.1	5.0	10.4	13.9	13.0	1.6	2.7

Source: Citi Research, Worldscope, MSCI, Factset Consensus

PBV and RoE

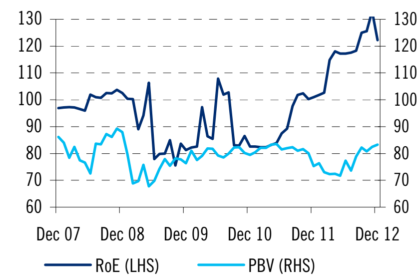
15% discount on P/BV, 20% premium on RoE

RoE and PBV - Absolute



Source: Citi Research, MSCI, Factset

RoE and PBV - Relative

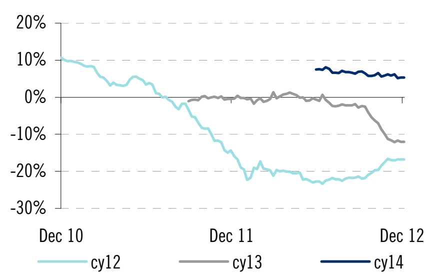


Source: Citi Research, MSCI, Factset

Earnings

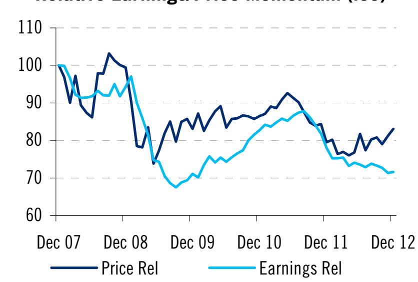
EPS expected to shrink over 10% in 2013

Growth Forecast Trends



Source: Citi Research, Factset Consensus

Relative Earnings/Price Momentum (loc)



Source: Citi Research, MSCI, Factset

Largest Companies

Top 1 - 10	Cntry	Rtg	Wgt	MC	PE
PKO BP	PL	2	15.0	9	12.3
KGHM	PL	3	14.4	9	9.0
PZU	PL	2	13.3	8	13.0
Bank Pekao	PL	3	10.7	6	15.5
PKN ORLEN	PL	3	8.6	5	13.0
PGE	PL	2	7.4	4	11.2
Polish Oil & Gas	PL	1	5.0	3	10.4
Telekom Polska	PL	3	4.9	3	19.7
TAURON	PL	3	2.7	2	10.6
BRE	PL	3	2.6	2	13.2

Source: Citi Research, MSCI, IBES

Top 11 - 20	Cntry	Rtg	Wgt	MC	PE
Kernel Hld	PL	2	1.9	1	7.3
JSW S.A.	PL	2	1.8	1	12.3
	PL		1.7	1	15.8
Asseco Poland	PL		1.7	1	10.1
Cyfrowy Polsat	PL		1.7	1	11.9
Eurocash	PL	2	1.6	1	19.4
Synthos	PL		1.6	1	9.0
Grupa Lotos	PL		1.5	1	10.0
Bank Millennium	PL	3	1.0	1	13.0
ENEA	PL	2	0.9	1	11.8

Source: Citi Research, MSCI, IBES

Russia — Neutral

Weight in MSCI EM	**6.0%**
Market Cap (US$)	232 Bn

Sector Weight Breakdown	
Energy	56.5%
Financials	17.5%
Materials	10.0%
Telecom Services	8.1%
Consumer Staples	4.5%
Utilities	3.4%
IT	0.0%
Health Care	0.0%
Consumer Disc.	0.0%
Industrials	0.0%

The combination of weakening oil prices and slightly less investors' pessimism on reform means we expect the market to be broadly flat by the end of 2013, although it will likely enjoy major swings through the year. We retain our longstanding year-end 2013 RTS index target of 1,500. Within the market, we continue to favour the domestic growth stocks. Banks, at 5x 2013E PE, transport and real estate each at 7x, and mobiles at 10x are the cheapest ways for investors to benefit although we also like the more expensive sectors of retail and media, both at 18x 2013E PE. In anticipation of further moves to improve the greenfield oil tax regime in the wake of the recent Rosneft takeover of TNK BP, we continue to overweight the oil sector. We expect more pressure on the metals sector from the slowdown in China, exacerbated by a relatively strong ruble. For the gas sector, we expect more pressure from the impact of the rising tide of global gas supplies on prices and sentiment. In utilities, we will retain our underweight until such time as a path to investor returns becomes clearer. Outside this framework, we believe that the large discounts of local stocks to their GDRs will narrow during the course of the year as the long-awaited prospect of the removal of GDR caps comes closer. **(Strategist: Kingsmill Bond)**

Strategists' Views

Overweight	Neutral	Underweight
Consumer Disc.	Energy	Materials
Consumer Staples	Industrials	Utilities
Health Care		
Financials		
IT		
Telecoms		

RTS Target end 2013:	1,500
Level at end 2012:	1,527
Expected Gain:	-2%

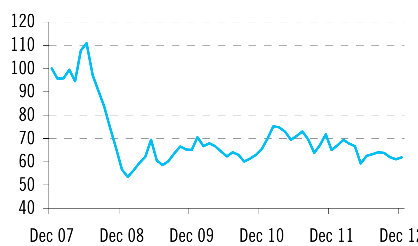
Performance

Underperformed in 2012

Price Performance (US$)

Source: Citi Research, MSCI, Factset

Relative Price Performance (US$)

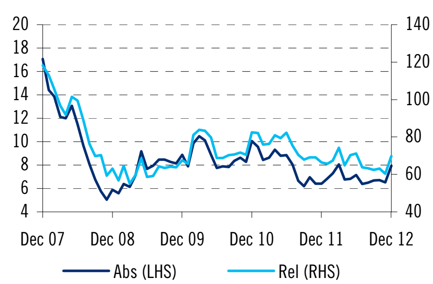


Source: Citi Research, MSCI, Factset

Valuation

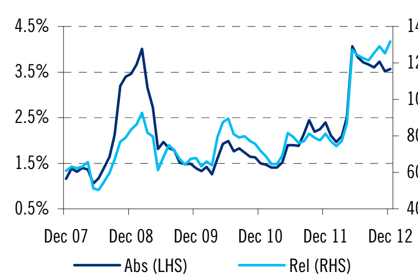
Competitive dividend yield

12Mth Forward PE



Source: Citi Research, MSCI, Factset

Dividend Yield



Source: Citi Research, MSCI, Factset

Key Metrics

	PE 12E	PE 13E	PE 14E	EPS YoY 12E	EPS YoY 13E	EPS YoY 14E	EV / EBITDA	EV / Sales	Fwd DY
MSCI Russia	5.4	5.3	5.2	-7.6	0.0	3.4	3.0	1.0	3.9
MSCI EM	12.2	10.8	9.7	0.6	13.2	11.6	6.3	1.4	2.9

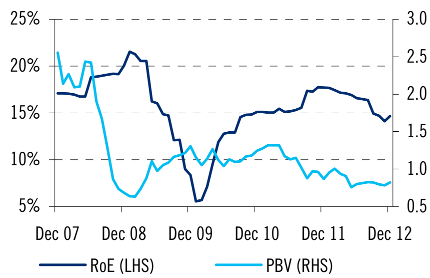
	US$ Perf. 3m	US$ Perf. 6m	US$ Perf. 12m	Loc. Perf. 3m	Loc. Perf. 6m	Loc. Perf. 12m	ROE	P / BV	Trail DY
MSCI Russia	2.1	11.3	9.6	0.3	5.9	5.1	14.7	0.8	3.6
MSCI EM	5.2	12.6	15.1	5.0	10.4	13.9	13.0	1.6	2.7

Source: Citi Research, Worldscope, MSCI, Factset Consensus

PBV and RoE

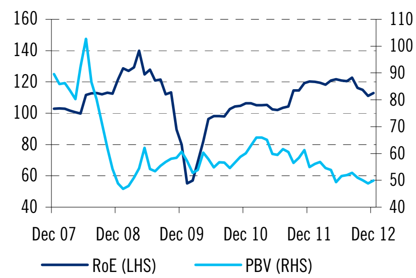
Rel P/BV at 5-year low

RoE and PBV - Absolute



Source: Citi Research, MSCI, Factset

RoE and PBV - Relative

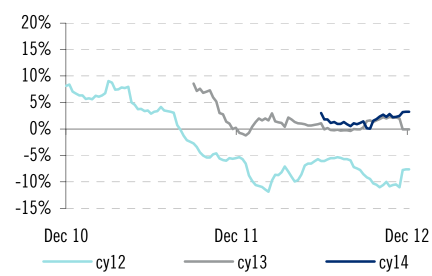


Source: Citi Research, MSCI, Factset

Earnings

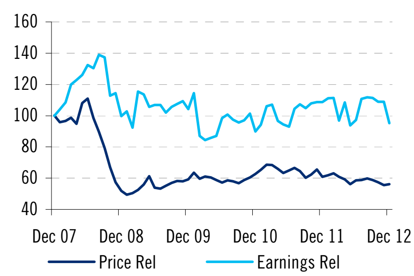
EPS expected to stay flat in 2013

Growth Forecast Trends



Source: Citi Research, Factset Consensus

Relative Earnings/Price Momentum (loc)



Source: Citi Research, MSCI, Factset

Largest Companies

Top 1 - 10	Cntry	Rtg	Wgt	MC	PE
Gazprom	RU	1	21.6	50	3.2
Lukoil	RU	1	14.4	33	4.8
Sberbank	RU	1	14.2	33	5.8
Rosneft	RU	1	4.8	11	7.0
Novatek	RU	1	4.7	11	12.6
Magnit	RU	1	4.5	10	22.9
Uralkali	RU	1	4.4	10	11.9
Tatneft	RU	2	4.4	10	7.2
Mobile Telesystems	RU	1	4.2	10	10.3
Norilsk	RU	1	3.8	9	8.9

Source: Citi Research, MSCI, IBES

Top 11 - 20	Cntry	Rtg	Wgt	MC	PE
Surgutneftegaz	RU	1	2.7	6	6.3
Rostelecom	RU		2.0	5	10.2
Bank VTB	RU	1	2.0	5	5.3
Surgutneftegaz(pref)	RU	1	2.0	5	4.4
Transneft	RU	1	1.5	4	2.9
RusHydro	RU		1.3	3	8.6
AFK Sistema	RU	1	1.1	2	7.5
Sberbank	RU	1	1.0	2	5.8
Federal Grid	RU		0.9	2	10.1
Severstal	RU	1	0.9	2	10.4

Source: Citi Research, MSCI, IBES

South Africa — Underweight

Weight in MSCI EM	**7.7%**
Market Cap (US$)	299 Bn

Sector Weight Breakdown	
Financials	26.5%
Materials	17.9%
Consumer Disc.	17.5%
Telecom Services	13.7%
Energy	8.7%
Consumer Staples	7.7%
Industrials	4.3%
Health Care	3.9%
Utilities	0.0%
IT	0.0%

The South African equity market rose by 23% (local terms) last year, driven by solid buying of the domestic sectors, and a boost which the weak currency (-5%) gave to many of the rand hedge stocks. Looking into 2013, we are again positive on the market. However, we expect returns to be no better than 5% for the All Share Index. With no real justification for any multiple re-rating over the coming twelve months, our view is entirely driven by earnings growth. At this stage, bottom-up consensus for EPS growth in 2013 stands at 18%, a number which we see as unrealistically high given the deterioration we have witnessed through the domestic economy over the last six months. We see earnings growth to be in the high single digit range over the coming year. Although we acknowledge that defensive sectors are probably going to maintain their premium over cyclical sectors in a QE-distorted world, we are wary that many of these trades have been exhausted. Retailers also face the threat from a slowdown in many of the domestic factors which have fuelled much of their earnings growth. On the other hand, we are positive on SA miners for 2013, given their potential to expand their margins as the rand slide continues (expected to fall 8% in 2013) against relatively stable US dollar commodity prices. **(Strategist: Richard Schellbach)**

Strategists' Views

Overweight	Neutral	Underweight
Materials	Energy	Industrials
Telecoms	Financials	Consumer Disc.
		Consumer Staples
		Health Care

FTSE/JSE All Share Target end 2013:	41,000
Level at end 2012:	39,250
Expected Gain:	4%

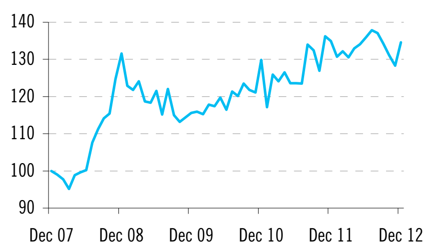
Performance

In-line performance in 2012

Price Performance (US$)

Source: Citi Research, MSCI, Factset

Relative Price Performance (US$)

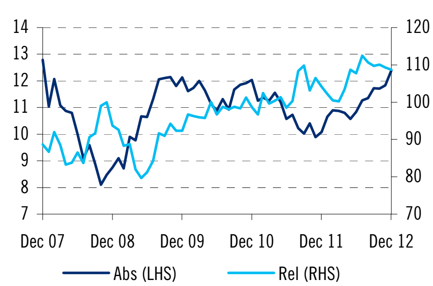


Source: Citi Research, MSCI, Factset

Valuation

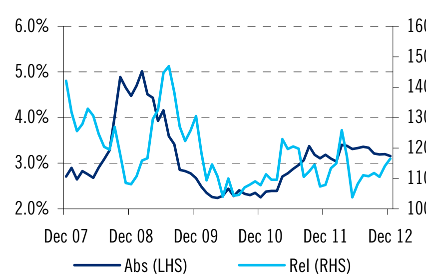
10% premium on Fwd PE

12Mth Forward PE



Source: Citi Research, MSCI, Factset

Dividend Yield



Source: Citi Research, MSCI, Factset

Key Metrics

	PE			EPS YoY			EV /	EV /	Fwd
	12E	13E	14E	12E	13E	14E	EBITDA	Sales	DY
MSCI South Africa	14.6	12.4	11.1	8.9	18.1	10.9	7.3	1.6	3.7
MSCI EM	12.2	10.8	9.7	0.6	13.2	11.6	6.3	1.4	2.9

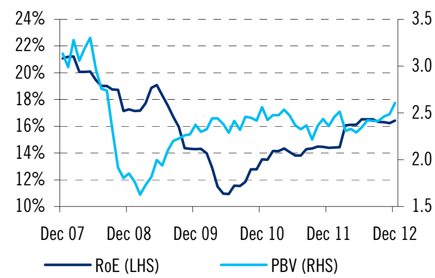
	US$ Perf.			Loc. Perf.					Trail
	3m	6m	12m	3m	6m	12m	ROE	P / BV	DY
MSCI South Africa	5.5	11.4	14.8	8.4	15.5	20.6	16.4	2.6	3.2
MSCI EM	5.2	12.6	15.1	5.0	10.4	13.9	13.0	1.6	2.7

Source: Citi Research, Worldscope, MSCI, Factset Consensus

PBV and RoE

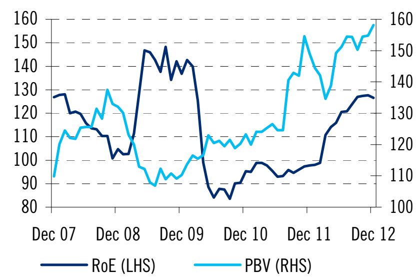
Premium RoE, premium P/BV

RoE and PBV - Absolute



Source: Citi Research, MSCI, Factset

RoE and PBV - Relative

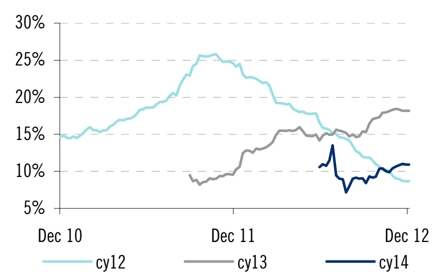


Source: Citi Research, MSCI, Factset

Earnings

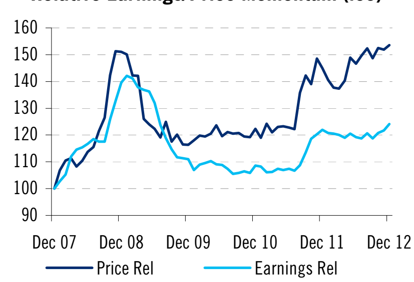
Rel earnings momentum started to improve

Growth Forecast Trends



Source: Citi Research, Factset Consensus

Relative Earnings/Price Momentum (loc)



Source: Citi Research, MSCI, Factset

Largest Companies

Top 1 - 10	Cntry	Rtg	Wgt	MC	PE
MTN Group Ltd	ZA	1	11.9	36	13.2
Naspers	ZA	1	8.4	25	21.4
Sasol	ZA	1	7.8	23	8.4
Standard Bank	ZA	2	5.6	17	11.1
AngloGold Ashnti	ZA	2	4.0	12	6.6
FirstRand	ZA	1	3.8	11	11.2
Impala Platinum	ZA	1	3.5	11	21.2
Shoprite Hldgs	ZA	1	3.4	10	25.4
Sanlam	ZA		3.1	9	14.6
Gold Fields	ZA	3	3.0	9	6.2

Source: Citi Research, MSCI, IBES

Top 11 - 20	Cntry	Rtg	Wgt	MC	PE
Remgro	ZA		2.7	8	12.9
Bidvest	ZA		2.5	7	12.9
Woolworths Hld	ZA	2	2.1	6	20.4
Tiger Brands	ZA	1	2.1	6	17.2
Aspen Pharmacare	ZA		2.0	6	20.4
Truworths	ZA	1	1.9	6	17.1
ABSA Group	ZA	1	1.9	6	10.7
Vodacom Grp	ZA	3	1.8	5	14.3
Kumba Iron Ore	ZA	3	1.8	5	12.3
Growthpoint	ZA		1.6	5	16.0

Source: Citi Research, MSCI, IBES

Taiwan — Neutral

Weight in MSCI EM	**10.6%**
Market Cap (US$)	411 Bn

Sector Weight Breakdown	
IT	54.7%
Financials	15.3%
Materials	12.8%
Telecom Services	5.5%
Consumer Disc.	4.3%
Industrials	3.6%
Consumer Staples	2.8%
Energy	0.8%
Health Care	0.2%
Utilities	0.0%

The Taiex failed to follow through on its promising start to 2012 following the re-election of the KMT government. The new administration focused on wealth redistribution policies including the implementation of the hotly debated capital gains tax. Still, the index ended the year up nearly 9%. Yet, risk weightings as measured by several of our proprietary metrics suggest considerably more upside market potential for 2013. To a certain extent, this upside potential has been priced into the market given the 14.8 times PE multiple for next year versus our 5-year moving average of 14 times. However, we believe there are several sectors which have undergone considerable selling and are worth investing in. We maintain our index target for end 2013 at 8,200 representing another 7% upside, not including our forecast 3.3% dividend yield. We like the deeply cyclical Display sector and continue to buy companies that are part of the Apple supply chain in the tech sector. We are also Overweight Banks which benefit from returning loan demand from Taiwanese SME's in China impacted by credit tightening there. They should further benefit as we approach the 2013 year-end signing of the seminal ECFA Agreement with China – a free trade agreement – that should stimulate capital spending and export growth. **(Strategist: Peter Kurz)**

Strategists' Views

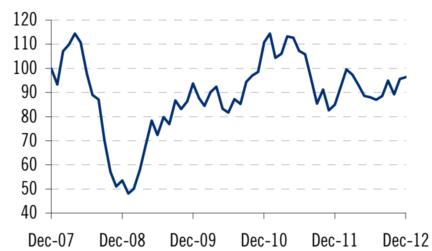
Overweight	Neutral	Underweight
Health Care	Consumer Disc.	Materials
Financials		Industrials
IT		Consumer Staples
		Telecoms

Taiex Target end 2013:	8,200
Level at end 2012:	7,700
Expected Gain:	7%

Performance

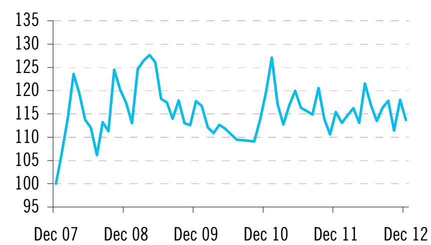
Underperformed in 4Q12

Price Performance (US$)



Source: Citi Research, MSCI, Factset

Relative Price Performance (US$)

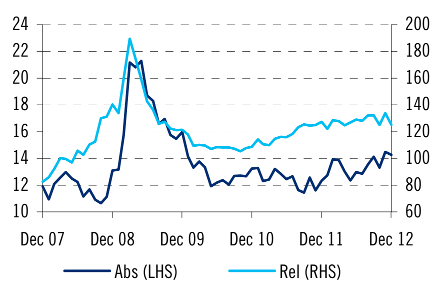


Source: Citi Research, MSCI, Factset

Valuation

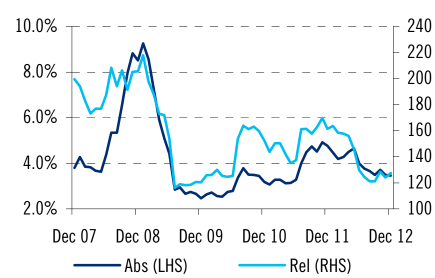
c30% premium on Fwd PE

12Mth Forward PE



Source: Citi Research, MSCI, Factset

Dividend Yield



Source: Citi Research, MSCI, Factset

Key Metrics

	PE 12E	PE 13E	PE 14E	EPS YoY 12E	EPS YoY 13E	EPS YoY 14E	EV / EBITDA	EV / Sales	Fwd DY
MSCI Taiwan	18.1	14.5	12.6	1.4	25.3	15.2	7.7	1.7	3.3
MSCI EM	12.2	10.8	9.7	0.6	13.2	11.6	6.3	1.4	2.9

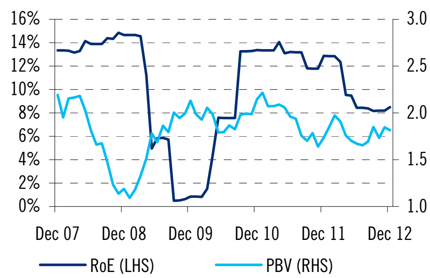
	US$ Perf. 3m	US$ Perf. 6m	US$ Perf. 12m	Loc. Perf. 3m	Loc. Perf. 6m	Loc. Perf. 12m	ROE	P / BV	Trail DY
MSCI Taiwan	1.5	9.5	13.4	0.6	6.4	8.8	8.5	1.8	3.5
MSCI EM	5.2	12.6	15.1	5.0	10.4	13.9	13.0	1.6	2.7

Source: Citi Research, Worldscope, MSCI, Factset Consensus

PBV and RoE

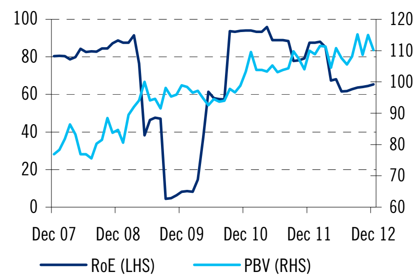
RoE has stabilized

RoE and PBV - Absolute



Source: Citi Research, MSCI, Factset

RoE and PBV - Relative

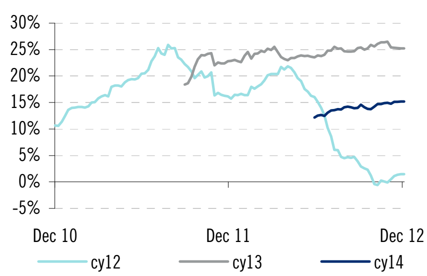


Source: Citi Research, MSCI, Factset

Earnings

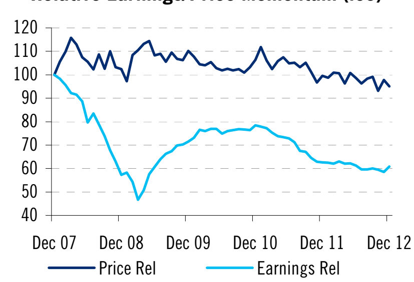
25% EPS growth forecast for 2013

Growth Forecast Trends



Source: Citi Research, Factset Consensus

Relative Earnings/Price Momentum (loc)



Source: Citi Research, MSCI, Factset

Largest Companies

Top 1 - 10	Cntry	Rtg	Wgt	MC	PE
TSMC	TW	1	20.0	82	14.2
Hon Hai Precision	TW	1	7.5	31	9.5
	TW		3.1	13	17.5
Chunghwa Telecom	TW	3	3.0	12	17.4
China Steel	TW	1	2.6	11	29.5
Formosa Plastics	TW	2	2.6	11	16.0
Nan Ya Plastics	TW	3	2.2	9	22.0
Formosa Chem Fib	TW	3	2.0	8	17.4
Cathay FHC	TW	3	1.9	8	21.0
Asustek	TW	2	1.9	8	10.6

Source: Citi Research, MSCI, IBES

Top 11 - 20	Cntry	Rtg	Wgt	MC	PE
Uni President	TW	1	1.8	8	19.1
High Tech Comp	TW	3	1.8	7	18.9
Fubon	TW	3	1.7	7	12.4
Delta Electronic	TW	3	1.6	7	15.6
Chinatrust	TW	1	1.6	7	10.8
Mega	TW	1	1.5	6	11.8
Taiwan Mobile	TW	2	1.5	6	17.3
Quanta	TW	3	1.4	6	10.1
ASE	TW	1	1.3	5	12.4
UMC	TW	2	1.2	5	12.3

Source: Citi Research, MSCI, IBES

Thailand — Neutral

Weight in MSCI EM	**2.5%**
Market Cap (US$)	97 Bn

Sector Weight Breakdown	
Financials	39.5%
Energy	22.1%
Materials	11.9%
Consumer Staples	11.8%
Telecom Services	8.4%
Consumer Disc.	2.4%
Industrials	1.4%
Utilities	1.3%
Health Care	1.2%
IT	0.0%

In 2013, we expect GDP growth in Thailand will be driven by domestic demand, both private and public. Despite ongoing export weakness, private sentiment has been resilient and supported by a solid employment outlook, rising wages, and private investment activities. FDI from Japan, reforms leading to investment in Telco, Media and Power, residential property expansion along the Bangkok mass-transit network, and equipment spending to cope with rising labour and energy costs are all driving double-digit growth in private investment. Expiring pro-consumption populist policies will be replaced with the Bt 2.2tn public infrastructure spending plan over seven years. This is in addition to the delayed Bt 300bn water infrastructure borrowing plan approved early last year after the record 4Q11 flood. We believe liquidity will be abundant to finance all investment activities with the Bank of Thailand, taking an accommodative stance in a currently muted inflation environment. A wide interest rate differential should attract more capital inflows to Thailand. Risks to the positive outlook include a surprise increase in inflation, led by rising oil and food prices hurting household spending power, rising political tension surrounding the constitutional amendment, and a deeper global growth downturn hurting export growth. **(Strategist: Suchart Techaposai)**

Strategists' Views

		Overweight	Neutral	Underweight
		Energy	Industrials	Health Care
		Materials	Consumer Staples	IT
Bangkok SET Target end 2013:	1,380	Consumer Disc.	Utilities	Telecoms
Level at end 2012:	1,392	Financials		
Expected Gain:	-1%			

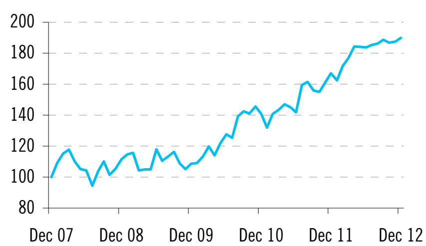
Performance

Strong performer

Price Performance (US$)

Source: Citi Research, MSCI, Factset

Relative Price Performance (US$)

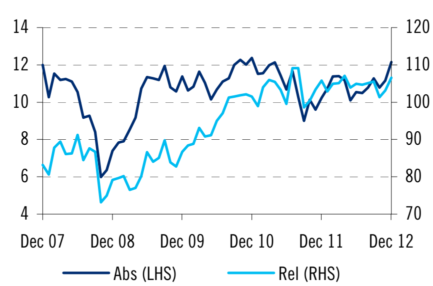


Source: Citi Research, MSCI, Factset

Valuation

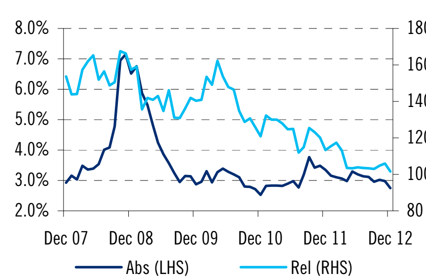
5% premium on Fwd PE

12Mth Forward PE



Source: Citi Research, MSCI, Factset

Dividend Yield



Source: Citi Research, MSCI, Factset

Key Metrics

	PE 12E	PE 13E	PE 14E	EPS YoY 12E	EPS YoY 13E	EPS YoY 14E	EV / EBITDA	EV / Sales	Fwd DY
MSCI Thailand	14.0	12.1	10.9	14.7	15.6	11.0	7.1	1.1	3.6
MSCI EM	12.2	10.8	9.7	0.6	13.2	11.6	6.3	1.4	2.9

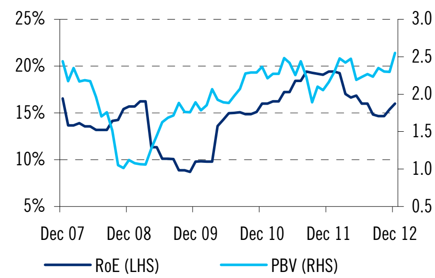
	US$ Perf. 3m	US$ Perf. 6m	US$ Perf. 12m	Loc. Perf. 3m	Loc. Perf. 6m	Loc. Perf. 12m	ROE	P / BV	Trail DY
MSCI Thailand	5.8	16.4	30.9	5.2	12.1	26.9	16.0	2.5	2.8
MSCI EM	5.2	12.6	15.1	5.0	10.4	13.9	13.0	1.6	2.7

Source: Citi Research, Worldscope, MSCI, Factset Consensus

PBV and RoE

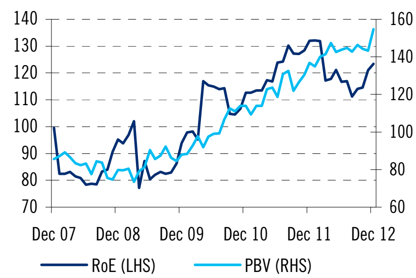
Higher RoE, higher P/BV

RoE and PBV - Absolute



Source: Citi Research, MSCI, Factset

RoE and PBV - Relative

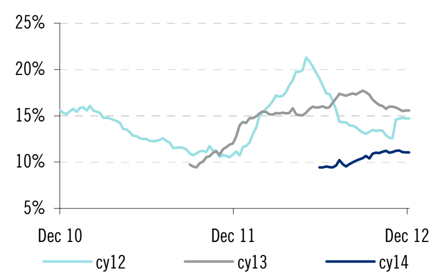


Source: Citi Research, MSCI, Factset

Earnings

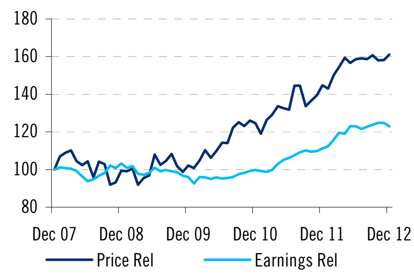
Earnings momentum flattening out

Growth Forecast Trends



Source: Citi Research, Factset Consensus

Relative Earnings/Price Momentum (loc)



Source: Citi Research, MSCI, Factset

Largest Companies

Top 1 - 10	Cntry	Rtg	Wgt	MC	PE
Siam Comm.	TH	1	10.8	10	12.5
PTT	TH	1	9.6	9	7.9
Advanced Info	TH	1	8.4	8	16.1
PTT E&P	TH	2	7.7	7	9.3
Kasikornbank	TH	1	7.7	7	10.8
CP ALL	TH	2	6.9	7	30.9
Bangkok Bank	TH	2	5.9	6	10.6
Siam Cement	TH	1	4.8	5	15.9
Kasikornbank	TH	1	4.5	4	10.8
PTT Global Chem	TH	1	3.9	4	9.7

Source: Citi Research, MSCI, IBES

Top 11 - 20	Cntry	Rtg	Wgt	MC	PE
Bangkok Bank	TH	2	3.7	4	9.9
Charoen Pokphand	TH		3.5	3	13.9
Bank of Ayudhya	TH	1	2.7	3	10.8
BEC World	TH		2.4	2	25.6
Krung Thai	TH	1	2.3	2	8.5
Siam Cement	TH	1	2.0	2	15.8
Thai Oil	TH	1	1.9	2	10.2
Central Pat	TH		1.8	2	34.1
Banpu	TH	1	1.5	1	11.1
Siam Makro	TH	3	1.4	1	25.8

Source: Citi Research, MSCI, IBES

This page is intentionally left blank

Sectors

Data in Charts and Tables as of 31st December 2012

Stock recommendations as of 31st December 2012

Energy — Neutral

Weight in MSCI EM	12.5%
Market Cap (US$)	484 Bn
Regional Weight Breakdown	
EMASIA	43.1%
CEEMEA	35.7%
LATAM	21.2%
Major Country Weight Breakdown	
Russia	27.1%
China	25.5%
Brazil	16.8%
India	6.4%
S Africa	5.4%

Key Metrics

	PE			EPS YoY			EV / EBITDA	EV / Sales	Fwd DY
	12E	13E	14E	12E	13E	14E			
Sector	7.6	7.2	7.0	-12.7	6.8	3.2	4.8	1.3	3.6
MSCI EM	12.2	10.8	9.7	0.6	13.2	11.6	6.3	1.4	2.9

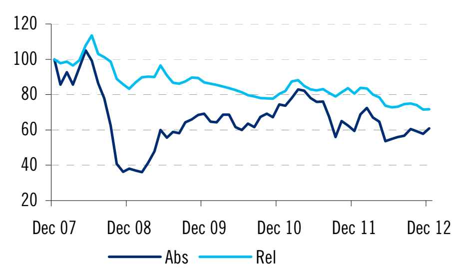
	US$ Perf.			Loc. Perf.					Trail
	3m	6m	12m	3m	6m	12m	ROE	P / BV	DY
Sector	0.7	11.1	2.5	0.5	9.1	2.6	12.6	1.0	3.5
MSCI EM	5.2	12.6	15.1	5.0	10.4	13.9	13.0	1.6	2.7

Source: Citi Research, Worldscope, MSCI, Factset Consensus

Performance/Valuation

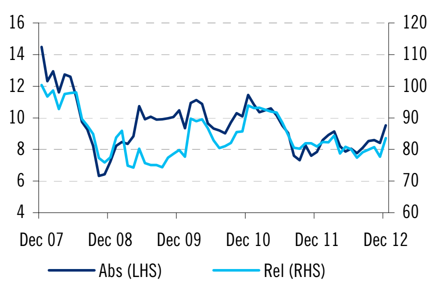
Outperformer in 3Q12

Price Performance (US$)



Source: Citi Research, MSCI, Factset

12Mth Forward PE

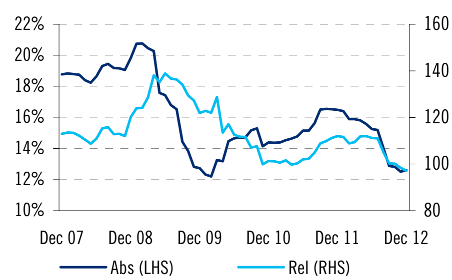


Source: Citi Research, Factset Consensus

Profitability/Earnings

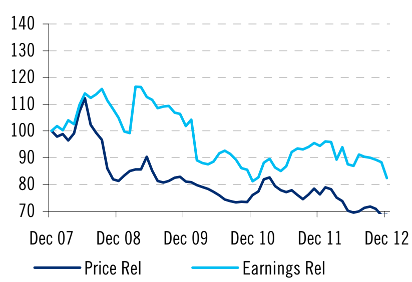
RoE has been coming down

Return on Equity



Source: Citi Research, MSCI, Factset

Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

Largest Companies

Top 1 - 10	Cntry	Rtg	Wgt	MC	PE
Gazprom	RU	1	10.3	50	3.2
Petrobras-A	BR	1	8.3	40	7.3
	CN		8.0	39	9.2
Lukoil	RU	1	6.9	33	4.8
PetroChina	CN	2	6.2	30	11.2
Petrobras	BR	1	5.9	28	7.2
Sasol	ZA	1	4.8	23	8.4
Reliance Industries	IN	2	4.1	20	12.6
Sinopec	CN	1	3.9	19	8.2
Ecopetrol	CO	3	3.1	15	12.9

Source: Citi Research, MSCI, IBES

Top 11 - 20	Cntry	Rtg	Wgt	MC	PE
China Shenhua	CN	1	3.1	15	11.0
Rosneft	RU	1	2.3	11	7.0
Novatek	RU	1	2.3	11	12.6
Tatneft	RU	2	2.1	10	7.2
SK Innovation	KR	1H	2.0	10	8.5
PTT	TH	1	1.9	9	7.9
PTT E&P	TH	2	1.5	7	9.3
Ultrapar	BR	2	1.5	7	21.9
Kunlun Energy	CN	1	1.4	7	15.3
Copec	CL	1	1.3	6	23.6

Source: Citi Research, MSCI, IBES

Materials — Overweight

Weight in MSCI EM	11.7%
Market Cap (US$)	454 Bn
Regional Weight Breakdown	
EMASIA	42.7%
LATAM	37.6%
CEEMEA	19.7%
Major Country Weight Breakdown	
Brazil	21.2%
Korea	13.7%
S Africa	11.8%
Taiwan	11.6%
Mexico	9.2%

Key Metrics

	PE			EPS YoY			EV /	EV /	Fwd
	12E	13E	14E	12E	13E	14E	EBITDA	Sales	DY
Sector	15.3	12.0	10.4	-33.5	27.6	14.2	6.2	1.5	2.6
MSCI EM	12.2	10.8	9.7	0.6	13.2	11.6	6.3	1.4	2.9

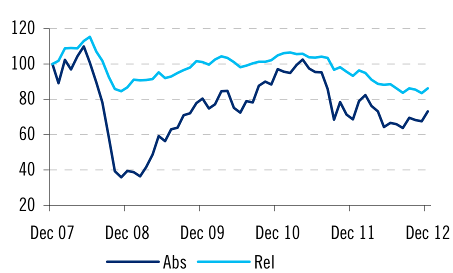
	US$ Perf.			Loc. Perf.					Trail
	3m	6m	12m	3m	6m	12m	ROE	P / BV	DY
Sector	5.2	9.6	6.5	5.1	7.8	6.4	10.5	1.6	3.7
MSCI EM	5.2	12.6	15.1	5.0	10.4	13.9	13.0	1.6	2.7

Source: Citi Research, Worldscope, MSCI, Factset Consensus

Performance/Valuation

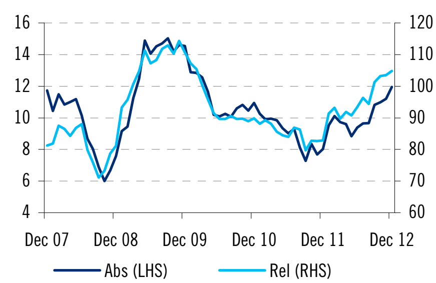
Underperformer in 3Q12

Price Performance (US$)



Source: Citi Research, MSCI, Factset

12Mth Forward PE

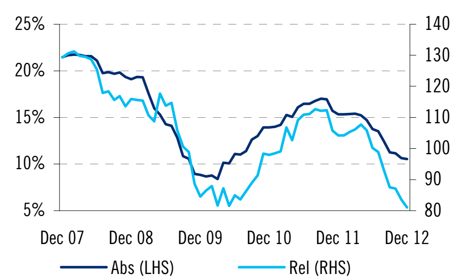


Source: Citi Research, Factset Consensus

Profitability/Earnings

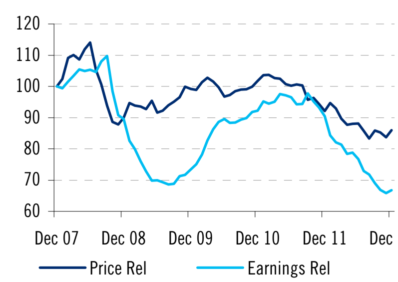
Underperformance in-line with weak rel earnings momentum

Return on Equity



Source: Citi Research, MSCI, Factset

Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

Largest Companies

Top 1 - 10	Cntry	Rtg	Wgt	MC	PE
Vale (Pref)	BR	1	8.8	40	7.3
Vale	BR	1	6.0	27	9.4
POSCO	KR	1	4.7	21	9.0
LG Chem	KR	1	3.1	14	12.0
Grupo Mexico	MX	2	3.0	14	12.0
AngloGold Ashnti	ZA	2	2.6	12	6.6
China Steel	TW	1	2.4	11	29.5
Formosa Plastics	TW	2	2.4	11	16.0
Impala Platinum	ZA	1	2.3	11	21.2
	MX		2.3	10	-45.4

Source: Citi Research, MSCI, IBES

Top 11 - 20	Cntry	Rtg	Wgt	MC	PE
Uralkali	RU	1	2.2	10	11.9
Nan Ya Plastics	TW	3	2.0	9	22.0
Gold Fields	ZA	3	2.0	9	6.2
Norilsk	RU	1	1.9	9	8.9
KGHM	PL	3	1.9	9	9.0
Formosa Chem Fib	TW	3	1.8	8	17.4
Gerdau	BR	2	1.7	8	12.9
Indust Pe&Oles	MX		1.5	7	18.2
Buenaventura	PE	2	1.5	7	10.0
Southern Copper Cor	PE	1	1.4	6	14.7

Source: Citi Research, MSCI, IBES

Industrials — Neutral

Weight in MSCI EM	**6.5%**
Market Cap (US$)	250 Bn
Regional Weight Breakdown	
EMASIA	73.0%
LATAM	17.4%
CEEMEA	9.7%
Major Country Weight Breakdown	
Korea	29.4%
China	17.8%
Brazil	9.8%
Taiwan	5.9%
India	5.5%

Key Metrics

	PE 12E	PE 13E	PE 14E	EPS YoY 12E	EPS YoY 13E	EPS YoY 14E	EV / EBITDA	EV / Sales	Fwd DY
Sector	15.0	12.6	10.7	1.8	19.0	17.1	7.4	1.0	2.2
MSCI EM	12.2	10.8	9.7	0.6	13.2	11.6	6.3	1.4	2.9

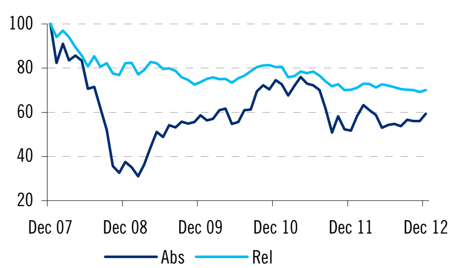
	US$ Perf. 3m	US$ Perf. 6m	US$ Perf. 12m	Loc. Perf. 3m	Loc. Perf. 6m	Loc. Perf. 12m	ROE	P / BV	Trail DY
Sector	5.0	9.4	14.9	4.3	6.4	12.2	9.1	1.5	2.0
MSCI EM	5.2	12.6	15.1	5.0	10.4	13.9	13.0	1.6	2.7

Source: Citi Research, Worldscope, MSCI, Factset Consensus

Performance/Valuation

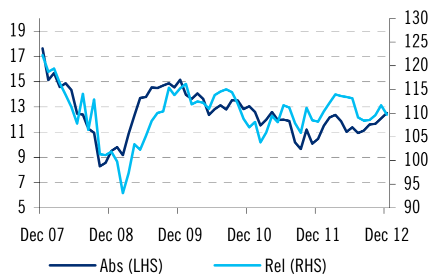
Underperformer in 3Q12

Price Performance (US$)



Source: Citi Research, MSCI, Factset

12Mth Forward PE

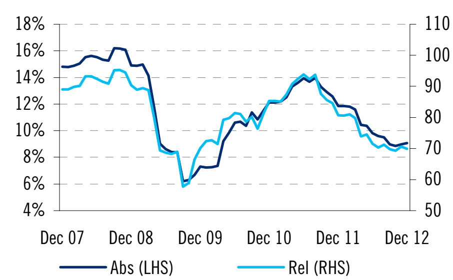


Source: Citi Research, Factset Consensus

Profitability/Earnings

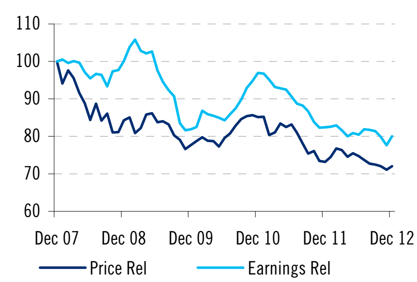
RoE has been coming down

Return on Equity



Source: Citi Research, MSCI, Factset

Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

Largest Companies

Top 1 - 10	Cntry	Rtg	Wgt	MC	PE
Hyundai Hvy Ind	KR	1	3.8	9	10.1
Sime Darby	MY	1	3.4	8	13.9
Comp Conc Rodo	BR	2	3.4	8	23.0
Bidvest	ZA		3.0	7	12.9
Samsung C&T	KR	1	2.9	7	18.8
Latam Airlines	CL	2	2.5	6	20.6
Larsen & Toubro	IN	1	2.4	6	17.6
Alfa SAB de CV	MX	1	2.4	6	15.0
Samsung Heavy In	KR	1	2.3	6	9.8
LG Corp	KR	2	2.3	6	8.0

Source: Citi Research, MSCI, IBES

Top 11 - 20	Cntry	Rtg	Wgt	MC	PE
Samsung Eng	KR	1	1.9	5	11.1
SM Investments	PH	1	1.8	5	20.6
Hyundai Engin	KR	1	1.7	4	11.3
SK Holdings	KR		1.7	4	5.3
China Communictn	CN	1	1.7	4	7.4
Embraer SA	BR	2	1.6	4	10.1
Orascom Cnstruct	EG	1	1.5	4	9.2
China Merchants	CN	3	1.4	4	14.6
Far Eastern Text	TW	2	1.4	3	17.3
Utd Tractors	ID	1	1.4	3	12.7

Source: Citi Research, MSCI, IBES

Consumer Disc. — Overweight

Weight in MSCI EM	7.9%
Market Cap (US$)	304 Bn

Regional Weight Breakdown	
EMASIA	67.4%
CEEMEA	18.6%
LATAM	14.1%
Major Country Weight Breakdown	
Korea	31.8%
S Africa	17.2%
China	12.1%
Brazil	7.4%
Indonesia	6.1%

Key Metrics

	PE			EPS YoY			EV /	EV /	Fwd
	12E	13E	14E	12E	13E	14E	EBITDA	Sales	DY
Sector	12.2	11.2	10.0	13.2	14.1	12.5	8.8	1.3	1.8
MSCI EM	12.2	10.8	9.7	0.6	13.2	11.6	6.3	1.4	2.9

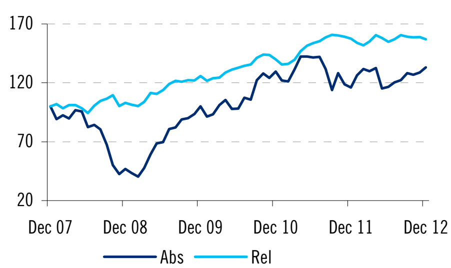
	US$ Perf.			Loc. Perf.					Trail
	3m	6m	12m	3m	6m	12m	ROE	P / BV	DY
Sector	3.8	14.1	14.6	3.4	11.6	12.8	16.8	2.2	1.5
MSCI EM	5.2	12.6	15.1	5.0	10.4	13.9	13.0	1.6	2.7

Source: Citi Research, Worldscope, MSCI, Factset Consensus

Performance/Valuation

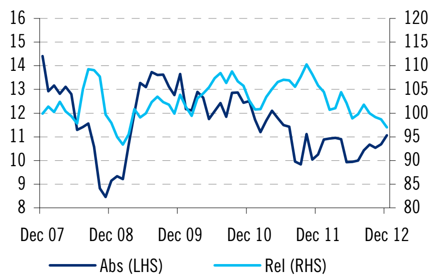
Outperformer in 3Q12

Price Performance (US$)



Source: Citi Research, MSCI, Factset

12Mth Forward PE

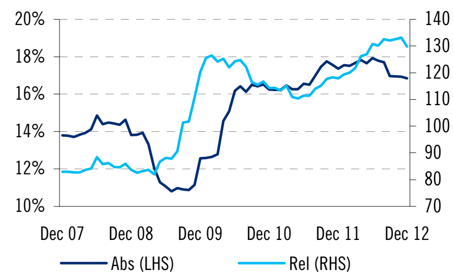


Source: Citi Research, Factset Consensus

Profitability/Earnings

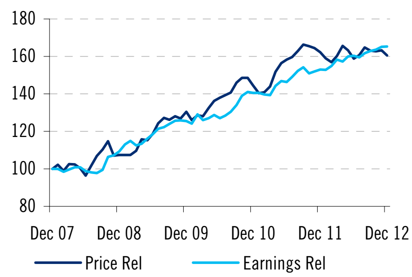
RoE has been improving

Return on Equity



Source: Citi Research, MSCI, Factset

Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

Largest Companies

Top 1 - 10	Cntry	Rtg	Wgt	MC	PE
Hyundai Motor	KR	1	10.3	31	5.8
Naspers	ZA	1	8.2	25	21.4
Hyundai Mobis	KR	1	6.0	18	6.9
Astra Intl	ID	1	5.2	16	14.0
Kia Motors	KR	1	4.6	14	5.1
Grupo Televisa	MX	1	4.4	14	19.9
Belle Intl	CN	1	3.3	10	20.5
LGE	KR	2	2.4	7	10.0
Woolworths Hld	ZA	2	2.1	6	20.4
Genting	MY	3	2.0	6	13.7

Source: Citi Research, MSCI, IBES

Top 11 - 20	Cntry	Rtg	Wgt	MC	PE
Truworths	ZA	1	1.8	6	17.1
Mahindra Mahndra	IN	2	1.7	5	12.8
Falabella	CL	1	1.6	5	21.2
Lojas Renner	BR		1.6	5	22.3
Cheng Shin Rub	TW		1.6	5	12.0
Tata Motors	IN	1	1.4	4	7.5
Dongfeng Motor	CN	1	1.4	4	8.4
Imperial Hldgs	ZA		1.4	4	10.9
Mr Price Grp	ZA	2	1.3	4	20.6
Lotte Shopping	KR		1.3	4	10.0

Source: Citi Research, MSCI, IBES

Consumer Staples — Underweight

Weight in MSCI EM	8.8%
Market Cap (US$)	338 Bn
Regional Weight Breakdown	
EMASIA	43.6%
LATAM	43.1%
CEEMEA	13.3%
Major Country Weight Breakdown	
Brazil	21.3%
Mexico	17.9%
China	11.1%
Korea	9.1%
India	7.8%

Key Metrics

	PE 12E	PE 13E	PE 14E	EPS YoY 12E	EPS YoY 13E	EPS YoY 14E	EV / EBITDA	EV / Sales	Fwd DY
Sector	25.6	21.6	18.8	10.2	18.6	15.3	12.8	1.8	2.2
MSCI EM	12.2	10.8	9.7	0.6	13.2	11.6	6.3	1.4	2.9

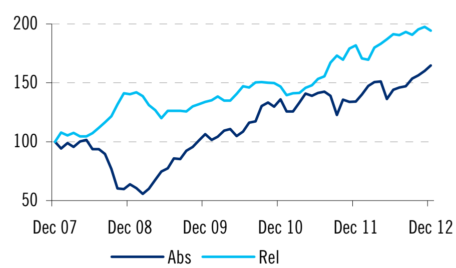
	US$ Perf. 3m	US$ Perf. 6m	US$ Perf. 12m	Loc. Perf. 3m	Loc. Perf. 6m	Loc. Perf. 12m	ROE	P / BV	Trail DY
Sector	7.2	14.2	23.0	7.6	12.6	22.8	14.8	3.8	1.8
MSCI EM	5.2	12.6	15.1	5.0	10.4	13.9	13.0	1.6	2.7

Source: Citi Research, Worldscope, MSCI, Factset Consensus

Performance/Valuation

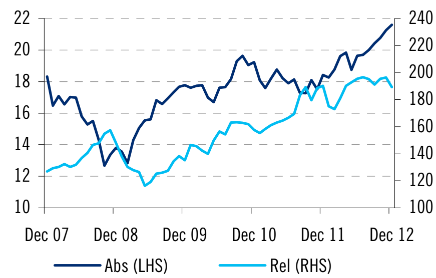
Continues to trade on a significant PE premium

Price Performance (US$)



Source: Citi Research, MSCI, Factset

12Mth Forward PE

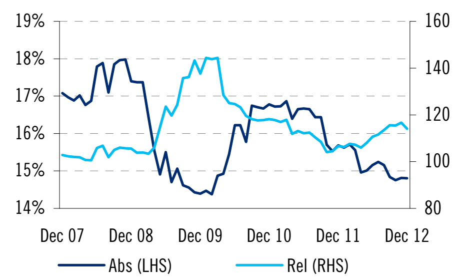


Source: Citi Research, Factset Consensus

Profitability/Earnings

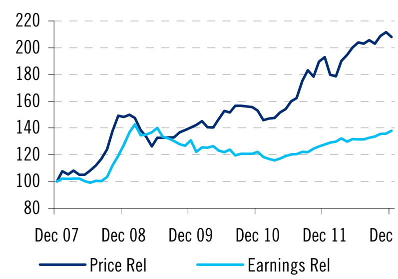
Relative outperformance despite flat relative earnings

Return on Equity



Source: Citi Research, MSCI, Factset

Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

Largest Companies

Top 1 - 10	Cntry	Rtg	Wgt	MC	PE
AmBev	BR	1	9.3	32	23.4
FEMSA	MX	2	5.7	19	22.8
Wal-Mart Mexico	MX	1	5.1	17	26.8
Brasil Foods	BR	1	4.0	13	19.8
ITC	IN	1	3.4	11	26.6
Magnit	RU	1	3.1	10	22.9
Shoprite Hldgs	ZA	1	3.0	10	25.4
KT&G	KR		2.4	8	11.8
Hindustan Unilev	IN	3	2.4	8	30.8
Want Want China	CN	1	2.4	8	27.0

Source: Citi Research, MSCI, IBES

Top 11 - 20	Cntry	Rtg	Wgt	MC	PE
Uni President	TW	1	2.2	8	19.1
Hengan Intl	CN	1	2.0	7	20.5
CP ALL	TH	2	2.0	7	30.9
Coca Cola Femsa	MX	3	1.9	6	25.8
Tiger Brands	ZA	1	1.8	6	17.2
LG Household	KR		1.7	6	27.8
Souza Cruz	BR		1.7	6	24.4
AmBev	BR	1	1.7	6	23.4
Grupo Modelo	MX	3	1.7	6	27.7
Tingyi	CN	2	1.6	5	25.3

Source: Citi Research, MSCI, IBES

Health Care — Underweight

Weight in MSCI EM	1.3%
Market Cap (US$)	49 Bn
Regional Weight Breakdown	
EMASIA	63.5%
CEEMEA	23.7%
LATAM	12.8%
Major Country Weight Breakdown	
India	29.4%
S Africa	23.7%
Brazil	12.8%
China	12.2%
Korea	8.7%

Key Metrics

	PE 12E	PE 13E	PE 14E	EPS YoY 12E	EPS YoY 13E	EPS YoY 14E	EV / EBITDA	EV / Sales	Fwd DY
Sector	24.9	20.9	17.4	18.0	19.4	19.7	11.8	1.4	1.5
MSCI EM	12.2	10.8	9.7	0.6	13.2	11.6	6.3	1.4	2.9

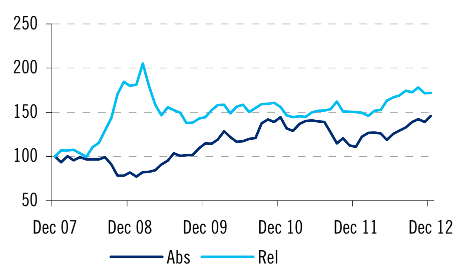
	US$ Perf. 3m	US$ Perf. 6m	US$ Perf. 12m	Loc. Perf. 3m	Loc. Perf. 6m	Loc. Perf. 12m	ROE	P / BV	Trail DY
Sector	4.7	16.0	31.6	6.1	15.4	34.1	13.3	3.8	1.1
MSCI EM	5.2	12.6	15.1	5.0	10.4	13.9	13.0	1.6	2.7

Source: Citi Research, Worldscope, MSCI, Factset Consensus

Performance/Valuation

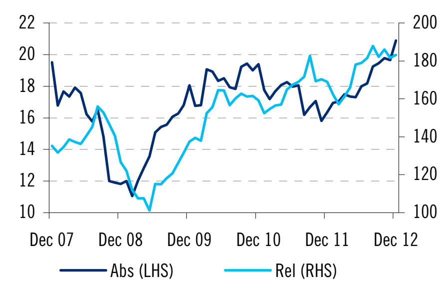
Outperformer in 3Q12

Price Performance (US$)



Source: Citi Research, MSCI, Factset

12Mth Forward PE

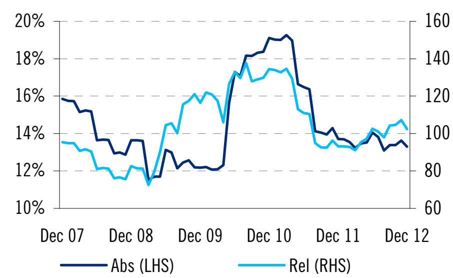


Source: Citi Research, Factset Consensus

Profitability/Earnings

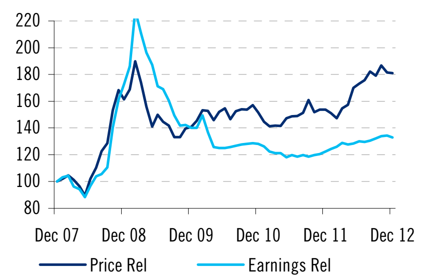
Relative outperformance despite flat relative earnings

Return on Equity



Source: Citi Research, MSCI, Factset

Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

Largest Companies

Top 1 - 10	Cntry	Rtg	Wgt	MC	PE
Aspen Pharmacare	ZA		12.0	6	20.4
	IN		8.5	4	23.2
Life Healthcare	ZA		7.6	4	19.0
Dr Reddy	IN	1	6.9	3	17.5
Celltrion	KR		6.0	3	20.8
Cipla	IN	2	5.3	3	20.2
Kalbe Farma	ID		5.1	3	25.4
Sinopharm	CN	1	5.0	2	19.4
IHH Healthcare	MY	3	4.5	2	37.9
Netcare	ZA		4.1	2	13.9

Source: Citi Research, MSCI, IBES

Top 11 - 20	Cntry	Rtg	Wgt	MC	PE
Amil	BR		3.9	2	28.3
Lupin	IN	1	3.4	2	20.4
	CN		3.2	2	20.7
Diag America	BR		3.1	2	20.0
Qualicorp	BR		3.0	2	23.6
OdontoPrev	BR		2.8	1	26.2
Yuhan	KR		2.7	1	19.1
SH Pharm Hldg	CN		2.4	1	14.3
Ranbaxy	IN	1H	2.4	1	18.2
Bangkok Dusit	TH		2.3	1	25.5

Source: Citi Research, MSCI, IBES

Financials Overweight

Weight in MSCI EM	26.5%
Market Cap (US$)	1,025 Bn
Regional Weight Breakdown	
EMASIA	60.8%
CEEMEA	20.0%
LATAM	19.3%
Major Country Weight Breakdown	
China	27.2%
Brazil	12.9%
India	7.8%
S Africa	7.7%
Korea	7.4%

Key Metrics

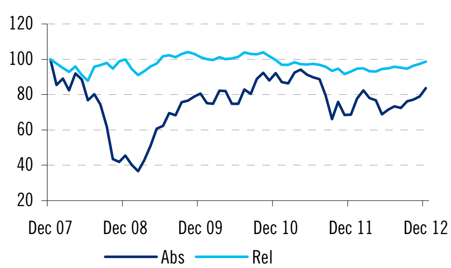
	PE			EPS YoY			EV /	EV /	Fwd
	12E	13E	14E	12E	13E	14E	EBITDA	Sales	DY
Sector	10.5	9.8	8.7	7.0	8.0	12.2			3.2
MSCI EM	12.2	10.8	9.7	0.6	13.2	11.6	6.3	1.4	2.9
	US$ Perf.			Loc. Perf.					Trail
	3m	6m	12m	3m	6m	12m	ROE	P / BV	DY
Sector	9.7	17.1	22.0	9.8	15.6	21.8	14.2	1.5	2.8
MSCI EM	5.2	12.6	15.1	5.0	10.4	13.9	13.0	1.6	2.7

Source: Citi Research, Worldscope, MSCI, Factset Consensus

Performance/Valuation

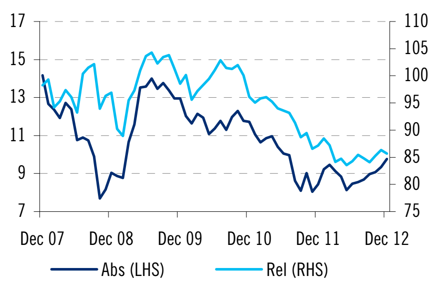
In-line performance in 3Q12

Price Performance (US$)



Source: Citi Research, MSCI, Factset

12Mth Forward PE

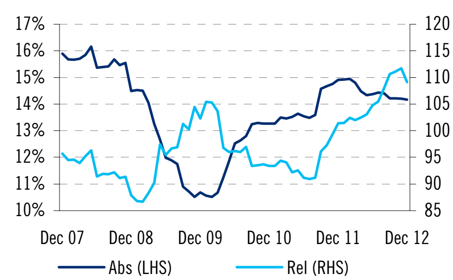


Source: Citi Research, Factset Consensus

Profitability/Earnings

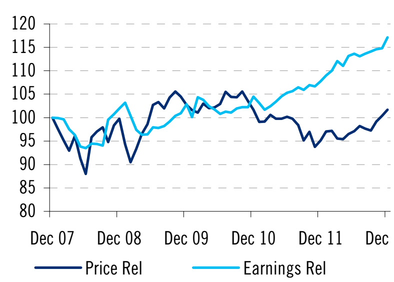
Strong relative earnings

Return on Equity



Source: Citi Research, MSCI, Factset

Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

Largest Companies

Top 1 - 10	Cntry	Rtg	Wgt	MC	PE
CCB	CN	1	5.6	58	6.5
ICBC	CN	2	4.5	46	6.5
Itaú Unibanco	BR	1	3.6	37	9.3
BoC	CN	1	3.3	34	5.9
Bradesco	BR	1	3.2	33	10.2
Sberbank	RU	1	3.2	33	5.8
China Life	CN	2	2.4	24	19.2
HDFC	IN	1	2.2	22	22.2
HDFC Bank	IN	2	1.9	19	20.4
Standard Bank	ZA	2	1.6	17	11.1

Source: Citi Research, MSCI, IBES

Top 11 - 20	Cntry	Rtg	Wgt	MC	PE
Ping An	CN	1	1.5	16	14.6
Shinhan	KR	1	1.5	15	7.6
KB FGI	KR	1	1.3	13	7.0
Maybank	MY	1	1.2	12	12.8
BMF Bovespa	BR		1.2	12	15.0
China Overseas	CN	1	1.2	12	10.4
	MY		1.2	12	11.8
Itausa Inv Itau	BR		1.2	12	8.3
Grp Fin Banorte	MX	1	1.2	12	14.2

Source: Citi Research, MSCI, IBES

IT

Neutral

Weight in MSCI EM	13.8%
Market Cap (US$)	532 Bn
Regional Weight Breakdown	
EMASIA	97.8%
LATAM	2.0%
CEEMEA	0.2%
Major Country Weight Breakdown	
Taiwan	42.2%
Korea	40.7%
China	8.1%
India	6.8%
Brazil	2.0%

Key Metrics

	PE			EPS YoY			EV /	EV /	Fwd
	12E	13E	14E	12E	13E	14E	EBITDA	Sales	DY
Sector	14.1	11.0	9.6	40.9	27.5	14.7	6.5	1.5	2.0
MSCI EM	12.2	10.8	9.7	0.6	13.2	11.6	6.3	1.4	2.9

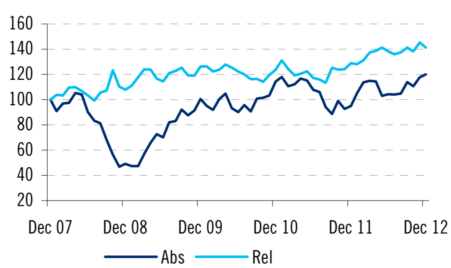
	US$ Perf.			Loc. Perf.					Trail
	3m	6m	12m	3m	6m	12m	ROE	P / BV	DY
Sector	5.4	15.1	26.3	3.7	10.5	21.0	14.1	2.1	1.9
MSCI EM	5.2	12.6	15.1	5.0	10.4	13.9	13.0	1.6	2.7

Source: Citi Research, Worldscope, MSCI, Factset Consensus

Performance/Valuation

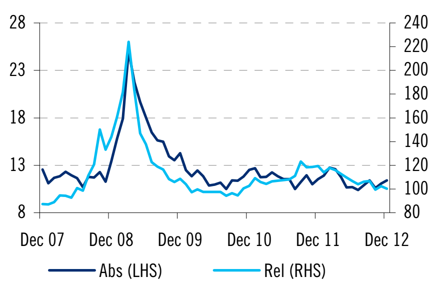
Outperformer in 3Q12

Price Performance (US$)



Source: Citi Research, MSCI, Factset

12Mth Forward PE

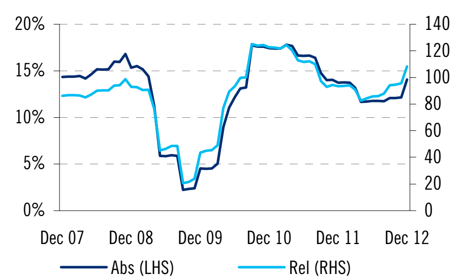


Source: Citi Research, Factset Consensus

Profitability/Earnings

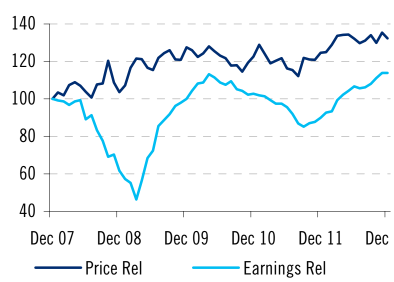
Strong rel earnings momentum

Return on Equity



Source: Citi Research, MSCI, Factset

Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

Largest Companies

Top 1 - 10	Cntry	Rtg	Wgt	MC	PE
Samsung Elec	KR	1	29.5	157	8.1
TSMC	TW	1	15.5	82	14.2
Tencent	CN	1	6.1	33	22.5
Hon Hai Precision	TW	1	5.8	31	9.5
Infosys Tech	IN	1	3.4	18	13.6
Samsung Elec P	KR	1	3.1	16	8.1
	TW		2.4	13	17.5
Hynix	KR	1	2.4	13	14.1
Tata Consult	IN	2	2.0	11	16.7
NHN	KR	3	1.6	9	17.1

Source: Citi Research, MSCI, IBES

Top 11 - 20	Cntry	Rtg	Wgt	MC	PE
Cielo	BR	2	1.5	8	14.6
Asustek	TW	2	1.4	8	10.6
High Tech Comp	TW	3	1.4	7	18.9
LG Display	KR	1	1.3	7	9.0
Delta Electronic	TW	3	1.2	7	15.6
Quanta	TW	3	1.1	6	10.1
Lenovo Group	CN	1	1.1	6	13.4
Samsung Elec-Mec	KR	2	1.0	6	14.0
ASE	TW	1	1.0	5	12.4
UMC	TW	2	0.9	5	12.3

Source: Citi Research, MSCI, IBES

Telecoms — Underweight

Weight in MSCI EM	7.7%
Market Cap (US$)	298 Bn
Regional Weight Breakdown	
EMASIA	53.7%
CEEMEA	25.4%
LATAM	20.8%
Major Country Weight Breakdown	
China	29.1%
Mexico	15.0%
S Africa	13.7%
Taiwan	7.6%
Russia	6.3%

Key Metrics

	PE 12E	PE 13E	PE 14E	EPS YoY 12E	EPS YoY 13E	EPS YoY 14E	EV / EBITDA	EV / Sales	Fwd DY
Sector	13.7	12.5	11.6	6.1	9.0	8.3	5.1	1.9	4.6
MSCI EM	12.2	10.8	9.7	0.6	13.2	11.6	6.3	1.4	2.9

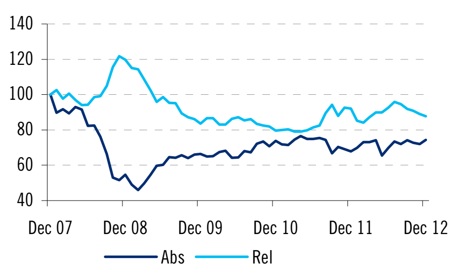
	US$ Perf. 3m	US$ Perf. 6m	US$ Perf. 12m	Loc. Perf. 3m	Loc. Perf. 6m	Loc. Perf. 12m	ROE	P / BV	Trail DY
Sector	0.4	6.5	9.6	0.8	5.5	8.4	16.9	2.4	3.8
MSCI EM	5.2	12.6	15.1	5.0	10.4	13.9	13.0	1.6	2.7

Source: Citi Research, Worldscope, MSCI, Factset Consensus

Performance/Valuation

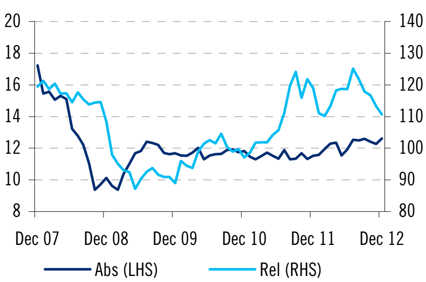
Underperformer in 3Q12

Price Performance (US$)



Source: Citi Research, MSCI, Factset

12Mth Forward PE

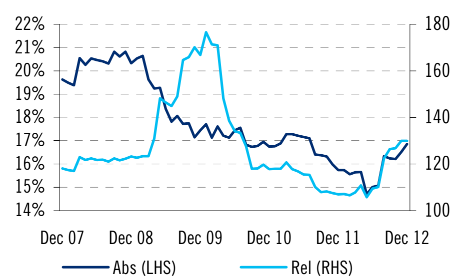


Source: Citi Research, Factset Consensus

Profitability/Earnings

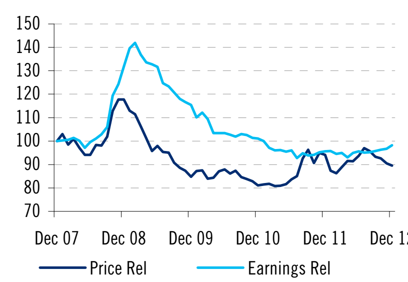
RoE has been coming down

Return on Equity



Source: Citi Research, MSCI, Factset

Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

Largest Companies

Top 1 - 10	Cntry	Rtg	Wgt	MC	PE
China Mobile	CN	1	23.5	70	11.6
America Movil	MX	2	15.0	45	10.4
MTN Group Ltd	ZA	1	11.9	36	13.2
Chunghwa Telecom	TW	3	4.1	12	17.4
Mobile Telesystems	RU	1	3.2	10	10.3
PT Telkom	ID	1	3.2	9	12.5
Advanced Info	TH	1	2.7	8	16.1
China Telecom	CN	2	2.6	8	14.4
China Unicom	CN	1	2.5	8	20.8
Telefonica	BR	2	2.4	7	11.3

Source: Citi Research, MSCI, IBES

Top 11 - 20	Cntry	Rtg	Wgt	MC	PE
Taiwan Mobile	TW	2	2.1	6	17.3
Axiata Grp	MY	1	1.8	5	18.3
Vodacom Grp	ZA	3	1.8	5	14.3
DiGi.Com	MY	2	1.8	5	23.2
Maxis	MY	3	1.6	5	21.8
Rostelecom	RU		1.6	5	10.2
Far Eastone	TW	1	1.4	4	18.1
Oi BR	BR	3	1.1	3	19.8
TIM Particip	BR	1	1.1	3	11.4

Source: Citi Research, MSCI, IBES

Utilities — Underweight

Weight in MSCI EM	3.4%
Market Cap (US$)	130 Bn
Regional Weight Breakdown	
EMASIA	48.6%
LATAM	35.8%
CEEMEA	15.6%
Major Country Weight Breakdown	
Brazil	20.4%
China	15.7%
India	8.0%
Korea	6.9%
Russia	6.1%

Key Metrics

	PE			EPS YoY			EV /	EV /	Fwd
	12E	13E	14E	12E	13E	14E	EBITDA	Sales	DY
Sector	13.2	12.5	10.6	32.8	-2.3	21.3	7.5	1.8	3.5
MSCI EM	12.2	10.8	9.7	0.6	13.2	11.6	6.3	1.4	2.9

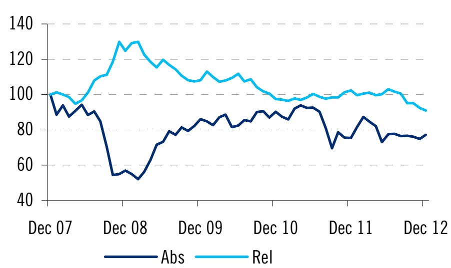
	US$ Perf.			Loc. Perf.					Trail
	3m	6m	12m	3m	6m	12m	ROE	P / BV	DY
Sector	0.6	-0.6	2.4	0.5	-2.8	2.0	7.2	1.0	3.5
MSCI EM	5.2	12.6	15.1	5.0	10.4	13.9	13.0	1.6	2.7

Source: Citi Research, Worldscope, MSCI, Factset Consensus

Performance/Valuation

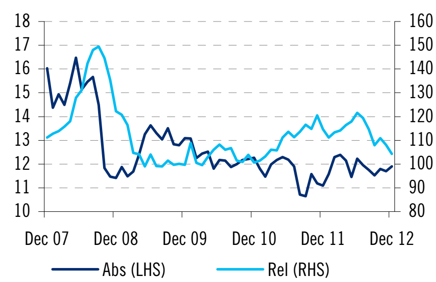
Underperformer in 3Q12

Price Performance (US$)



Source: Citi Research, MSCI, Factset

12Mth Forward PE

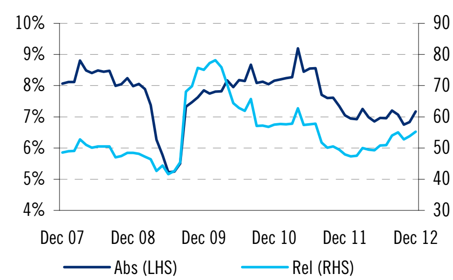


Source: Citi Research, Factset Consensus

Profitability/Earnings

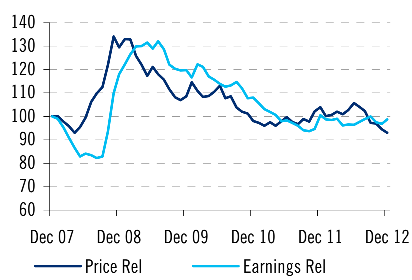
RoE has been coming down

Return on Equity



Source: Citi Research, MSCI, Factset

Relative Earnings/Price Momentum



Source: Citi Research, MSCI, Factset

Largest Companies

Top 1 - 10	Cntry	Rtg	Wgt	MC	PE
KEPCO	KR	1	5.6	7	24.9
Tenaga	MY	1	4.8	6	10.7
CEZ	CZ	1	4.4	6	8.8
Endesa Chile	CL	2	4.1	5	13.0
CEMIG	BR	2	4.1	5	6.6
PT PGN	ID	3	4.0	5	13.7
China Res Power	CN	1	3.7	5	11.3
SABESP	BR	2	3.7	5	9.8
Enersis	CL	2	3.7	5	11.3
PGE	PL	2	3.4	4	11.2

Source: Citi Research, MSCI, IBES

Top 11 - 20	Cntry	Rtg	Wgt	MC	PE
PETRONAS Gas	MY		2.9	4	24.3
ENN Energy	CN	1	2.5	3	15.5
RusHydro	RU		2.3	3	8.6
YTL	MY		2.3	3	15.2
Huaneng Power	CN	1	2.3	3	10.3
Tractebel Enrgia	BR	2	2.0	3	13.9
CPFL Energia	BR	2	1.9	3	14.8
	CN		1.9	2	17.9
GAIL	IN	2	1.9	2	10.2
Pwr Grid Corp	IN	1	1.8	2	12.2

Source: Citi Research, MSCI, IBES

GEMs Market Intelligence

Figure 26. MSCI GEMs Valuations

31 Dec 12	Free MC	Wgt	P/E			EPS YoY %			P/B	ROE	Div Yld	EV/ Sales	EV/ EBITDA	CAPE	Perf % (local)	
	US$bn	%	12E	13E	14E	12E	13E	14E	13E	13E	13E	11	11	10Yr	Weekly	YTD
Global	**29,474**	**100**	**13.6**	**12.3**	**11.0**	**2.9**	**11.7**	**11.7**	**1.6**	**13.1**	**3.0**	**1.5**	**7.4**	**17.7**	**0.2**	**13.2**
Developed World	25,609	86.9	13.8	12.5	11.2	3.3	11.5	11.8	1.6	12.9	3.0	1.5	7.6	17.6	0.1	13.1
Emerging World	3,865	13.1	12.2	10.8	9.7	0.6	13.2	11.6	1.5	13.7	2.9	1.4	6.3	18.1	0.7	13.9
Em Asia	**2,335**	**7.9**	**12.7**	**11.1**	**9.8**	**7.5**	**15.5**	**12.9**	**1.5**	**13.8**	**2.5**	**1.3**	**6.6**	**19.3**	**1.2**	**15.2**
China	709	2.4	11.0	10.0	9.0	0.9	10.5	11.5	1.5	14.6	3.1	1.4	6.0	19.6	1.2	18.7
Korea	591	2.0	10.3	8.8	7.7	16.8	19.0	13.6	1.1	12.9	1.2	0.9	6.4	16.9	0.8	11.7
Taiwan	411	1.4	18.1	14.5	12.6	1.4	25.3	15.2	1.7	11.5	3.3	1.7	7.7	18.5	2.2	8.8
India	256	0.9	16.4	14.5	12.7	11.2	13.1	14.7	2.3	15.7	1.6	1.7	9.1	27.8	0.7	27.9
Malaysia	135	0.5	15.8	14.6	13.4	8.0	8.3	9.5	2.0	13.3	3.5	2.2	8.7	22.9	1.5	6.8
Indonesia	102	0.3	15.6	13.6	11.9	6.3	14.6	15.1	3.0	22.0	2.8	2.3	7.9	28.4	1.2	8.8
Thailand	97	0.3	14.0	12.1	10.9	14.7	15.6	11.0	2.1	17.6	3.6	1.1	7.1	21.0	0.9	26.9
Philippines	35	0.1	19.5	17.4	16.0	10.8	11.7	8.7	2.7	15.3	2.3	2.6	9.7	29.2	-0.2	34.7
Latin America	**828**	**2.8**	**15.5**	**13.2**	**11.5**	**-14.1**	**17.5**	**13.7**	**1.7**	**12.5**	**2.9**	**1.9**	**6.9**	**18.9**	**-0.7**	**8.9**
Brazil	487	1.7	13.5	11.5	10.1	-21.4	17.5	13.6	1.4	11.7	3.5	1.8	6.2	15.0	-1.5	5.9
Mexico	200	0.7	19.9	17.1	14.7	27.4	16.5	16.3	2.7	15.8	1.7	2.1	8.4	30.6	0.4	18.2
Chile	69	0.2	21.6	16.6	14.6	-20.0	30.3	13.8	2.1	12.5	2.7	2.2	10.3	27.4	0.1	-2.7
Colombia	49	0.2	20.1	18.7	16.4	-4.6	7.8	6.3	2.0	11.2	2.6	3.0	8.6	37.5	0.7	19.9
Peru	23	0.1	14.0	12.3	11.4	-3.2	14.3	8.1	2.7	21.9	2.8	5.0	8.9	25.7	0.4	15.0
CEEMEA	**701**	**2.4**	**8.9**	**8.4**	**7.9**	**-2.5**	**5.1**	**6.7**	**1.2**	**14.2**	**3.9**	**1.2**	**4.3**	**15.4**	**0.8**	**16.8**
South Africa	299	1.0	14.6	12.4	11.1	8.9	18.1	10.9	2.1	17.2	3.7	1.6	7.3	25.2	1.1	20.6
Russia	232	0.8	5.4	5.3	5.2	-7.6	0.0	3.4	0.7	13.5	3.9	1.0	3.0	9.1	0.4	5.1
Poland	60	0.2	10.6	12.1	11.5	-16.8	-12.0	5.3	1.3	10.6	4.4	1.3	3.4	13.8	-0.1	19.0
Egypt	12	0.0	10.6	9.2	8.2	11.8	23.8	12.0	1.3	14.4	4.5	1.7	5.2	16.4	1.5	51.9
Czech Republic	11	0.0	10.1	10.3	10.3	7.4	-2.3	-0.2	1.5	14.8	7.4	2.6	6.2	12.9	-0.1	-6.1
Hungary	8	0.0	8.5	8.0	6.7	14.5	6.3	19.9	0.8	9.6	4.7	0.7	5.6	9.2	1.3	8.1
Morocco	3	0.0	11.7	10.6	9.9	2.2	10.6	7.3	1.9	18.2	5.1	4.2	7.8	17.4	-1.7	-17.6
Israel	**59**	**0.2**	**8.0**	**8.1**	**7.4**	**-1.1**	**-2.2**	**10.0**	**1.2**	**15.3**	**2.4**	**2.6**	**9.3**	**14.3**	**-1.5**	**-9.2**
GEMs Sectors																
Energy	484	12.5	7.6	7.2	7.0	-12.7	6.8	3.2	0.9	12.4	3.6	1.3	4.8	10.8	-0.5	2.6
Materials	454	11.7	15.3	12.0	10.4	-33.5	27.6	14.2	1.4	11.8	2.6	1.5	6.2	15.1	1.2	6.4
Industrials	250	6.5	15.0	12.6	10.7	1.8	19.0	17.1	1.4	11.1	2.2	1.0	7.4	18.3	0.9	12.2
Consumer Disc.	304	7.9	12.2	11.2	10.0	13.2	14.1	12.5	1.8	17.4	1.8	1.3	8.8	23.2	0.5	12.8
Consumer Staples	338	8.8	25.6	21.6	18.8	10.2	18.6	15.3	3.6	16.6	2.2	1.8	12.8	41.9	0.7	22.8
Health Care	49	1.3	24.9	20.9	17.4	18.0	19.4	19.7	3.1	14.9	1.5	1.4	11.8	38.3	0.3	34.1
Financials	1,025	26.5	10.5	9.8	8.7	7.0	8.0	12.2	1.3	13.8	3.2	NA	NA	18.8	0.5	21.8
IT	532	13.8	14.1	11.0	9.6	40.9	27.5	14.7	1.8	16.7	2.0	1.5	6.5	21.9	2.0	21.0
Telecoms	298	7.7	13.7	12.5	11.6	6.1	9.0	8.3	2.1	16.7	4.6	1.9	5.1	19.3	0.9	8.4
Utilities	130	3.4	13.2	12.5	10.6	32.8	-2.3	21.3	1.1	8.5	3.5	1.8	7.5	18.0	0.2	2.0

Source: Citi Research, MSCI, Worldscope, Factset Consensus Estimates *As of 31st December 2012

Figure 27. Stocks mentioned in this report *prices as of 7 January 2013

RICS	Stock Name	Price	Rating	Currency	Country	RICS	Stock Name	Price	Rating	Currency	Country
ASAJ.J	ABSA Group Limited	166.17	1	ZAR	South Africa	KBANf.BK	Kasikornbank	199.5	1	THB	Thailand
ADRO.JK	Adaro Energy	1740	1	IDR	Indonesia	105560.KS	KB Financial Group	38750	1	KRW	South Korea
ADVA.BK	Advanced Info	203	1	THB	Thailand	015760.KS	KEPCO	30850	1	KRW	South Korea
1288.HK	Agricultural Bank of China	3.86	1	HKD	China	KER.WA	Kernel Holding SA	64.9	2	PLN	Ukraine
ALFAA.MX	Alfa	29.17	1	MXN	Mexico	KGH.WA	KGHM Polska Miedz SA	193	3	PLN	Poland
ABV.N	AmBev	42.33	1	USD	Brazil	000270.KS	Kia Motors	54500	1	KRW	South Korea
AMX.N	América Móvil	24.24	2	USD	Mexico	KIMBERA.MX	Kimberly-Clark de Mexico SAB de CV	33.21		MXN	Mexico
AMIL3.SA	Amil Participacoes SA	30.97		BRL	Brazil	KTKM.BO	Kotak Mahindra Bank	652.05	2	INR	India
ANGJ.J	AngloGold Ashanti Ltd	252.58	2	ZAR	South Africa	KTB.BK	Krung Thai Bank	20.4	1	THB	Thailand
AAPL.O	Apple, Inc.	523.9	2	USD	US	033780.KS	KT&G	79800		KRW	South Korea
AC.MX	Arca-Contal	97.45	1	MXN	Mexico	KIOJ.J	Kumba Iron Ore Ltd	604.8	3	ZAR	South Africa
2311.TW	ASE	25.25	1	TWD	Taiwan	0135.HK	Kunlun Energy	16.44	1	HKD	Hong Kong
APNJ.J	Aspen Pharmacare Hld	173.89		ZAR	South Africa	LART.BO	Larsen & Toubro	1566.45	2	INR	India
ACPP.WA	Asseco Poland	45.16		PLN	Poland	LFL.N	LATAM Airlines	23.89	2	USD	Chile
ASII.JK	Astra International	7650	1	IDR	Indonesia	0992.HK	Lenovo Group	7.42	1	HKD	Hong Kong
ASR.N	ASUR Airports	117.58	1	USD	Mexico	051910.KS	LG Chem	325500	1	KRW	South Korea
2357.TW	ASUSTeK Computer	325	2	TWD	Taiwan	003550.KS	LG Corp	67000	2	KRW	South Korea
AXIA.KL	Axiata Group	6.69	1	MYR	Malaysia	034220.KS	LG Display	29400	1	KRW	South Korea
AXBK.BO	AXIS Bank	1360.6	1	INR	India	066570.KS	LG Electronics	78400	2	KRW	South Korea
						051900.KS	LG Household & Health Care	677000		KRW	South Korea
BBLf.BK	Bangkok Bank	209	2	THB	Thailand	LHCJ.J	Life Healthcare Group Holdings Ltd	35.48		ZAR	South Africa
BGH.BK	Bangkok Dusit Medical Services PCL	115		THB	Thailand	LREN3.SA	Lojas Renner	79.03		BRL	Brazil
BBCA.JK	Bank Central Asia	9150	3	IDR	Indonesia	023530.KS	Lotte Shopping	379500		KRW	South Korea
BMRI.JK	Bank Mandiri (Persero)	8350	1	IDR	Indonesia	LKOH.MM	Lukoil	2030.8	1	RUB	Russia
MILP.WA	Bank Millennium SA	4.62	3	PLN	Poland	LUPN.BO	Lupin	597.6	1	INR	India
BBNI.JK	Bank Negara Indonesia	3875	1	IDR	Indonesia	MGNTq.L	Magnit	41.26	1	USD	Russia
BAY.BK	Bank of Ayudhya	33	1	THB	Thailand	MAHM.BO	Mahindra & Mahindra	957.8	2	INR	India
3988.HK	Bank of China	3.55	1	HKD	China	MXSC.KL	Maxis Berhad	6.56	3	MYR	Malaysia
PEO.WA	Bank Pekao SA	166.5	3	PLN	Poland	MBBM.KL	Maybank	9.04	1	MYR	Malaysia
BBRI.JK	Bank Rakyat Indonesia (Persero)	7500	2	IDR	Indonesia	2886.TW	Mega FHC	22.85	1	TWD	Taiwan
VTBRq.L	Bank VTB	3.604	1	USD	Russia	MEXCHEM.MX	Mexichem	74.11	1	MXN	Mexico
GFNORTEO.MX	Banorte	85	1	MXN	Mexico	MFRISCOA1.MX	Minera Frisco SAB de CV	54.3		MXN	Mexico
BANP.BK	BANPU	420	1	THB	Thailand	MBT.N	Mobile Telesystems OJSC	18.85	1	USD	Russia
BEC.BK	BEC World	68.75		THB	Thailand	GMODELOC.MX	Modelo	114.95	3	MXN	Mexico
1880.HK	Belle	16.84	1	HKD	Hong Kong	MPCJ.J	Mr Price Group Ltd	141.88	2	ZAR	South Africa
BRTI.BO	Bharti Airtel	330.3	1	INR	India	MTNJ.J	MTN Group Limited	179.57	1	ZAR	South Africa
BVTJ.J	Bidvest Group Ltd	217.4		ZAR	South Africa	1303.TW	Nan Ya Plastics	58.5	3	TWD	Taiwan
BIMBOA.MX	Bimbo	33.77	2	MXN	Mexico	NPNJn.J	Naspers Limited	547.26	1	ZAR	South Africa
BVMF3.SA	BM&F Bovespa SA Bolsa de Valores Mercadorias e Futuros	13.78		BRL	Brazil	NTCJ.J	Netcare Limited	19.97		ZAR	South Africa
BBDC4.SA	Bradesco	37.29	1	BRL	Brazil	035420.KS	NHN	237000	3	KRW	South Korea
BRFS.N	Brasil Foods	21.76	1	USD	Brazil	NKELyq.L	Norilsk Nickel	18.99	1	USD	Russia

BREP.WA	BRE Bank SA	318.1	3	PLN	Poland	NVTKq.L	Novatek OAO	122	1	USD	Russia
BVN.N	Buenaventura	34.89	2	USD	Peru	ODPV3.SA	Odontoprev SA	11.3		BRL	Brazil
2882.TW	Cathay FHC	31.4	3	TWD	Taiwan	OIBR4.SA	Oi	8.61	3	BRL	Brazil
CCRO3.SA	CCR	19.71	2	BRL	Brazil	ONGC.BO	Oil & Natural Gas	290.1	1	INR	India
068270.KQ	Celltrion Inc	26000		KRW	South Korea	OCIC.CA	Orascom Construction	269.24	1	EGP	Egypt
CMIG4.SA	Cemig	21.19	2	BRL	Brazil	PBRa.N	Petrobras	19.84	1	USD	Brazil
CPN.BK	Central Pattana	85.75		THB	Thailand	PBR.N	Petrobras	20.19	1	USD	Brazil
CEZP.PR	CEZ	661	1	CZK	Czech Republic	0857.HK	PetroChina	10.9	2	HKD	China
CPF.BK	Charoen Pokphand Foods	34		THB	Thailand	PGAS.KL	PETRONAS Gas Berhad	18.98		MYR	Malaysia
CPIN.JK	Charoen Pokphand Indonesia	3550	1	IDR	Indonesia	2318.HK	Ping An Insurance	68.15	1	HKD	China
2105.TW	Cheng Shin Rubber Ind. Co Ltd	74.2		TWD	Taiwan	PKO.WA	PKO BP	36.13	2	PLN	Poland
1800.HK	China Communications Construction	7.65	1	HKD	China	PGN.WA	Polish Oil & Gas	5.27	1	PLN	Poland
0939.HK	China Construction Bank	6.38	1	HKD	China	PGE.WA	Polska Grupa Energetyczna	19.45	2	PLN	Poland
2628.HK	China Life Insurance	26.3	2	HKD	China	PKN.WA	Polski Koncern Naftowy Orlen SA	49.7	3	PLN	Poland
3968.HK	China Merchants Bank	17.4	3	HKD	China	005490.KS	POSCO	364000	1	KRW	South Korea
0144.HK	China Merchants Holdings Int'l	25.1	3	HKD	Hong Kong	PGRD.BO	Power Grid Corporation of India	116.15	1	INR	India
0941.HK	China Mobile	88.7	1	HKD	Hong Kong	PGAS.JK	PT Perusahaan Gas Negara	4525	3	IDR	Indonesia
0688.HK	China Overseas Land & Investment	24.95	1	HKD	Hong Kong	TLKM.JK	PT Telkom	9150	1	IDR	Indonesia
2601.HK	China Pacific Insurance	30.2	1	HKD	China	EXCL.JK	PT XL AXIATA TBK.	5700	2	IDR	Indonesia
0836.HK	China Resources Power	19.28	1	HKD	Hong Kong	PTT.BK	PTT	330	1	THB	Thailand
1088.HK	China Shenhua Energy	34.2	1	HKD	China	PTTE.BK	PTT E&P	164.5	2	THB	Thailand
2002.TW	China Steel	27.85	1	TWD	Taiwan	PTTGC.BK	PTT Global Chemical	71.25	1	THB	Thailand
0728.HK	China Telecom	4.24	2	HKD	China	PZU.WA	PZU	415.8	2	PLN	Poland
0762.HK	China Unicom	12.68	1	HKD	Hong Kong	QUAL3.SA	Qualicorp SA	22		BRL	Brazil
2891.TW	Chinatrust FHC	16.65	1	TWD	Taiwan	2382.TW	Quanta Computer	62.1	3	TWD	Taiwan
2412.TW	Chunghwa Telecom	94.2	3	TWD	Taiwan	RANB.BO	Ranbaxy	508.65	1H	INR	India
CIEL3.SA	Cielo	58.98	2	BRL	Brazil	RELI.BO	Reliance Industries	850.35	2	INR	India
CIPL.BO	Cipla	428.85	2	INR	India	REMJ.J	Remgro Ltd	165.3		ZAR	South Africa
KOF.N	Coca-Cola Femsa	150.8	3	USD	Mexico	ROSN.MM	Rosneft	273.78	1	RUB	Russia
CPALL.BK	CP ALL	46	2	THB	Thailand	RTKM.MM	Rostelekom OAO	125.22		RUB	Russia
CPFE3.SA	CPFL	20.59	2	BRL	Brazil	SBSP3.SA	Sabesp	86.2	2	BRL	Brazil
BAP.N	Credicorp	150.48	1	USD	Bermuda	000830.KS	Samsung C&T	63400	1	KRW	South Korea
CPS.WA	Cyfrowy Polsat	17.01		PLN	Poland	009150.KS	Samsung Electro-Mechanics	100500	2	KRW	South Korea
2308.TW	Delta Electronics	104	3	TWD	Taiwan	005930.KS	Samsung Electronics	1500000	1	KRW	South Korea
DASA3.SA	Diagnosticos da America SA	13.51		BRL	Brazil	028050.KS	Samsung Engineering	167000	1	KRW	South Korea
DSOM.KL	DiGi.Com	5.22	2	MYR	Malaysia	000810.KS	Samsung Fire & Marine	215000	1	KRW	South Korea
0489.HK	Dongfeng Motor	11.96	1	HKD	China	010140.KS	Samsung Heavy Industries	36850	1	KRW	South Korea
REDY.BO	Dr Reddy	1907.7	1	INR	India	SLMJ.J	Sanlam Ltd	46.22		ZAR	South Africa
DTEX3.SA	Duratex	14.32	1	BRL	Brazil	SANB11.SA	Santander Brasil	14.79	2	BRL	Brazil
EC.N	Ecopetrol	61.91	3	USD	Colombia	SANMEXB.MX	Santander México	40.94	1	MXN	Mexico
ERJ.N	Embraer	28.35	2	USD	Brazil	SOLJ.J	Sasol Ltd	372.69	1	ZAR	South Africa

COP.SN	Empresas Copec	7035	1	CLP	Chile	SBER.MM	Sberbank RF	97.49	1	RUB	Russia
EOC.N	Endesa Chile	49.74	2	USD	Chile	SMGR.JK	Semen Gresik	16000	1	IDR	Indonesia
ENAE.WA	Enea	15.81	2	PLN	Poland	CHMFq.L	Severstal	12.9	1	USD	Russia
ENI.N	Enersis	19	2	USD	Chile	2607.HK	Shanghai Pharmaceuticals	15.32		HKD	China
2688.HK	ENN Energy Holdings	34.15	1	HKD	Hong Kong	0813.HK	Shimao Property Holdings	16.72	1	HKD	China
EUR.WA	Eurocash	47.66	3	PLN	Poland	055550.KS	Shinhan Financial Group	40200	1	KRW	South Korea
FAL.SN	Falabella	5097	1	CLP	Chile	SHPJ.J	Shoprite Holdings	205.66	1	ZAR	South Africa
1402.TW	Far Eastern New Century	33	2	TWD	Taiwan	SCC.BK	Siam Cement	446	1	THB	Thailand
4904.TW	Far Eastone	74	1	TWD	Taiwan	SCB.BK	Siam Commercial Bank	183.5	1	THB	Thailand
HYDR.MM	Federal Hydro-generating Company RusHydro OAO	0.7542		RUB	Russia	MAKR.BK	Siam Makro Public Company Limited	450	3	THB	Thailand
FMX.N	Femsa	101.49	2	USD	Mexico	SIME.KL	Sime Darby	9.61	1	MYR	Malaysia
FSRJ.J	FirstRand Limited	32.05	1	ZAR	South Africa	0386.HK	Sinopec	9.07	1	HKD	China
1326.TW	Formosa Chemicals & Fiber	78.4	3	TWD	Taiwan	1099.HK	Sinopharm	25.95	1	HKD	China
1301.TW	Formosa Plastics	80.1	2	TWD	Taiwan	SSAq.L	Sistema	20.94	1	USD	Russia
FEES.MM	FSK YeES OAO	0.20447		RUB	Russia	003600.KS	SK Holdings	181500		KRW	South Korea
2881.TW	Fubon FHC	35.1	3	TWD	Taiwan	000660.KS	SK Hynix	26250	1	KRW	South Korea
GAIL.BO	GAIL	364.45	2	INR	India	096770.KS	SK Innovation	174500	1H	KRW	South Korea
GAZP.MM	Gazprom	146.56	1	RUB	Russia	SM.PS	SM Investments Corp	939	1	PHP	Philippines
GENT.KL	Genting	9.7	3	MYR	Malaysia	SCCO.N	Southern Copper Company	39.35	1	USD	US
GGBR4.SA	Gerdau	19.24	2	BRL	Brazil	CRUZ3.SA	Souza Cruz SA	31.81		BRL	Brazil
BMTR.JK	Global Mediacom Tbk PT	2500		IDR	Indonesia	SQM.N	SQM	57.61	1	USD	Chile
GFIJ.J	Gold Fields Ltd	102.74	3	ZAR	South Africa	SBKJ.J	Standard Bank Group	119.14	2	ZAR	South Africa
GRTJ.J	Growthpoint Properties Ltd	25.32		ZAR	South Africa	SBI.BO	State Bank of India	2493.45	1	INR	India
LTSP.WA	Grupa Lotos SA	38.68		PLN	Poland	SNGS.MM	Surgutneftegaz	28.003	1	RUB	Russia
GCARSOA1.MX	Grupo Carso	61.31	2	MXN	Mexico	SNGS_p.MM	Surgutneftegaz(pref)	20.557	1	RUB	Russia
GFINBURO.MX	Grupo Financiero Inbursa SAB de CV	38.64		MXN	Mexico	SNS.WA	Synthos SA	5.5		PLN	Poland
GMEXICOB.MX	Grupo Mexico	48.31	2	MXN	Mexico	3045.TW	Taiwan Mobile	106.5	2	TWD	Taiwan
TV.N	Grupo Televisa	27.5	1	USD	Mexico	TCS.BO	Tata Consultancy Services	1298.3	2	INR	India
GGRM.JK	Gudang Garam	54200		IDR	Indonesia	TAMO.BO	Tata Motors	314.15	1	INR	India
086790.KS	Hana Financial Group	36900	1	KRW	South Korea	TATN.MM	Tatneft	222.45	2	RUB	Russia
HDBK.BO	HDFC Bank	670.05	2	INR	India	TPE.WA	Tauron Polska Energia	4.89	3	PLN	Poland
1044.HK	Hengan International	74.95	1	HKD	China	VIVT4.SA	Telefonica Brasil	50.2	2	BRL	Brazil
HLL.BO	Hindustan Unilever	525.15	3	INR	India	TPSA.WA	Telekomunikacja Polska SA	12.87	3	PLN	Poland
2317.TW	Hon Hai Precision	87	1	TWD	Taiwan	TENA.KL	Tenaga Nasional	6.94	1	MYR	Malaysia
HDFC.BO	Housing Development Finance Corp.	839.65	1	INR	India	0700.HK	Tencent Holdings	255.6	1	HKD	Hong Kong
2498.TW	HTC Corporation	276.5	3	TWD	Taiwan	TOP.BK	Thai Oil	67.25	1	THB	Thailand
0902.HK	Huaneng Power International	7.06	1	HKD	China	TBSJ.J	Tiger Brands Ltd	315.49	1	ZAR	South Africa
000720.KS	Hyundai E&C	73700	1	KRW	South Korea	TIMP3.SA	TIM Particip	7.9	1	BRL	Brazil
009540.KS	Hyundai Heavy Industries	237000	1	KRW	South Korea	0322.HK	Tingyi	21	2	HKD	China
012330.KS	Hyundai Mobis	264500	1	KRW	South Korea	TBLE3.SA	Tractebel	32.3	2	BRL	Brazil
005380.KS	Hyundai Motor	210000	1	KRW	South Korea	TRNF_p.MM	Transneft	69300	1	RUB	Russia

ICBK.BO	ICICI Bank	1179.3	1	INR	India	TRUJ.J	Truworths Ltd	113.55	1	ZAR	South Africa
IDFC.BO	IDFC	180.35	1	INR	India	2330.TW	TSMC	99.7	1	TWD	Taiwan
IHHH.KL	IHH Healthcare Berhad	3.42	3	MYR	Malaysia	UGPA3.SA	Ultrapar	47	2	BRL	Brazil
IMPJ.J	Impala Platinum	165.21	1	ZAR	South Africa	2303.TW	UMC	12.1	2	TWD	Taiwan
IPLJ.J	Imperial Holdings	201.87		ZAR	South Africa	1216.TW	Uni President	53.7	1	TWD	Taiwan
ITMG.JK	Indo Tambang Raya Megah	42450	2	IDR	Indonesia	UNVR.JK	Unilever Indonesia	21650		IDR	Indonesia
INTP.JK	Indocement	22100	1	IDR	Indonesia	UNTR.JK	United Tractors	20950	1	IDR	Indonesia
INDF.JK	Indofood Sukses Makmur	6000	1	IDR	Indonesia	URKAq.L	Uralkali OAO	38.96	1	USD	Russia
1398.HK	Industrial & Commercial Bank of China	5.64	2	HKD	China	VALE.N	Vale	20.68	1	USD	Brazil
PENOLES.MX	Industrias Penoles SA de CV	634		MXN	Mexico	VALEp.N	Vale (pn)	19.89	1	USD	Brazil
INFY.BO	Infosys Ltd	2341.2	1	INR	India	VODJ.J	Vodacom Group Limited	126.61	3	ZAR	South Africa
1833.HK	Intime Department Store	10.48	1	HKD	Hong Kong	WALMEXV.MX	Walmex	42.05	1	MXN	Mexico
ITUB4.SA	Itaú Unibanco	34.7	1	BRL	Brazil	0151.HK	Want Want China	10.44	1	HKD	China
ITSA4.SA	Itausa Investimentos Itau SA	10.17		BRL	Brazil	WHLJ.J	Woolworths Holdings Limited	71.85	2	ZAR	South Africa
ITC.BO	ITC	285.3	1	INR	India	YTLS.KL	YTL Corp	1.84		MYR	Malaysia
JSW.WA	Jastrzębska Spółka Węglowa	95.4	2	PLN	Poland	000100.KS	Yuhan	187500		KRW	South Korea
KLBF.JK	Kalbe Farma	1020		IDR	Indonesia						

Source: Citi Research

Notes

Appendix A-1

Analyst Certification

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

IMPORTANT DISCLOSURES

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

Citi is acting as Joint-Bookrunner on Kunlun Energy Company Limited's approx. US$1,390 mm Top-Up placement.

Citi is acting as financial advisor to China Petroleum & Chemical Corp and ENN Energy Holdings in the proposed takeover of China Gas Holdings.

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

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Taiwan Semiconductor Manufacturing Co Ltd

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Chunghwa Telecom Co Ltd

Citi is acting as financial advisor to China Petroleum & Chemical Corp and ENN Energy Holdings in the proposed takeover of China Gas Holdings.

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

A director of Alfa S.A.B de C.V. is a member of the board of directors of an affiliate of Citigroup Global Markets Inc.

A director of America Movil S.A.B de C.V. is a member of the board of directors of an affiliate of Citigroup Global Markets Inc. Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of America Movil SAB de CV

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

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

A director of Grupo Bimbo S.A.B. de C.V.,is a member of the board of directors of an affiliate of Citigroup Global Markets Inc.

DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 31st December 2012 is as follows: Buy (1) representing 38% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 38% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 25% of the DMBH coverage 0% of which are IB clients. DMBH is a market maker in the publicly traded equity securities of BRE Bank SA.

Citigroup Global Markets Ltd is mandated as Joint Bookrunner on Severstal JSC's recently announced convertible bond offering.

DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 31st December 2012 is as follows: Buy (1) representing 38% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 38% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 25% of the DMBH coverage 0% of which are IB clients.

DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 31st December 2012 is as follows: Buy (1) representing 38% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 38% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 25% of the DMBH coverage 0% of which are IB clients.

One or more directors of Grupo Carso SAB de CV,is a member of the board of directors of an affiliate of Citigroup Global Markets Inc.

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

A director of Grupo Financiero Banorte S.A.B. de C.V. is a member of the board of directors of an affiliate of Citigroup Global Markets Inc.

One or more directors of Grupo Mexico,S.A. de C.V. are members of the board of directors of an affiliate of Citigroup Global Markets Inc.

One or more directors of Grupo Modelo,S.A. de C.V. are members of the board of directors of an affiliate of Citigroup Global Markets Inc.

Citigroup Global Markets Inc. has been retained by Redecard S.A. ('Redecard'),for the purpose of compliance with Item 4.8 of the Novo Mercado listing rules,to render a fairness opinion to the board of directors of Redecard in connection with the announced public tender offer by Itaú Unibanco Holding S.A. ('Itaú') to acquire the outstanding ordinary shares of Redecard not held by Itaú or its affiliates (the Public Tender Offer') and subsequent cancellation of Redecard's listing as a publicly traded company on the Novo Mercado pursuant to applicable law and the Novo Mercado listing rules. Due to Citigroup Global Market Inc.'s involvement in the Public Tender Offer,Citi Research restricted publication of new research reports,and suspended its rating and target price for Itau on February 29,2012 (the 'Suspension Date'). Please note that Itau's price chart available on Citi Research's disclosure website does not reflect that Citi Research did not have a rating or target price between the Suspension date and when Citi Research resumed full coverage. Nothing herein is intended as, or constitutes, a recommendation to any shareholder or any other person as to how such shareholder or other person should vote or act with respect to any matter relating to the announced Public Tender Offer or any related transaction.Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Itau Unibanco Holding SA

DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 31st December 2012 is as follows: Buy (1) representing 38% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 38% of the DMBH coverage 0% of which are IB clients, Sell (3) representing

25% of the DMBH coverage 0% of which are IB clients. DMBH is a market maker in the publicly traded equity securities of Jastrzębska Spółka Węglowa. DMBH acts as a dealer and regularly trades in the securities of Jastrzębska Spółka Węglowa.

DMBH is a market maker in the publicly traded equity securities of Kernel Holding SA. DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 31st December 2012 is as follows: Buy (1) representing 38% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 38% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 25% of the DMBH coverage 0% of which are IB clients. DMBH acts as a dealer and regularly trades in the securities of Kernel Holding SA.

DMBH is a market maker in the publicly traded equity securities of KGHM Polska Miedz SA. DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 31st December 2012 is as follows: Buy (1) representing 38% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 38% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 25% of the DMBH coverage 0% of which are IB clients.

A director of Coca-Cola Femsa S.A.B. de C.V. is a member of the board of directors of an affilliate of Citigroup Global Markets Inc.

A director of Mexichem S.A.B. de C.V.,is a member of the board of directors of an affiliate of Citigroup Global Markets Inc. Citigroup Global Markets, Inc., is acting as joint book-runner in Mexichem SAB de CV's announced international equity offering.

DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 31st December 2012 is as follows: Buy (1) representing 38% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 38% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 25% of the DMBH coverage 0% of which are IB clients.

Citigroup Global Markets Ltd is currently mandated as advisor to Orascom Construction Industries in relation to the announced demerger of Orascom’s fertilizer and construction businesses.

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

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Petroleo Brasileiro Petrobras SA

DMBH is a market maker in the publicly traded equity securities of Bank Pekao SA. DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 31st December 2012 is as follows: Buy (1) representing 38% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 38% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 25% of the DMBH coverage 0% of which are IB clients.

DMBH is a market maker in the publicly traded equity securities of Polska Grupa Energetyczna. DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 31st December 2012 is as follows: Buy (1) representing 38% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 38% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 25% of the DMBH coverage 0% of which are IB clients.

DMBH is a market maker in the publicly traded equity securities of Polish Oil & Gas. DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 31st December 2012 is as follows: Buy (1) representing 38% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 38% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 25% of the DMBH coverage 0% of which are IB clients.

DMBH is a market maker in the publicly traded equity securities of Polski Koncern Naftowy Orlen SA. DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 31st December 2012 is as follows: Buy (1) representing 38% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 38% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 25% of the DMBH coverage 0% of which are IB clients.

DMBH is a market maker in the publicly traded equity securities of PKO BP. A member of the household of DMBH Analyst, holds a long position in the securities of PKO BP. DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 31st December 2012 is as follows: Buy (1) representing 38% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 38% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 25% of the DMBH coverage 0% of which are IB clients.

DMBH is a market maker in the publicly traded equity securities of PZU. DMBH Analyst, holds a long position in the securities of PZU. DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 31st December 2012 is as follows: Buy (1) representing 38% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 38% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 25% of the DMBH coverage 0% of which are IB clients. Michal Fidelus,Assistant,holds a long position in the shares of Powszechny Zaklad Ubezpieczen SA.

One or more directors of Southern Copper Corporation SA is a member of the board of directors of an affiliate of Citigroup Global Markets Inc. Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Southern Copper Corp

DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 31st December 2012 is as follows: Buy (1) representing 38% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 38% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 25% of the DMBH coverage 0% of which are IB clients. DMBH is a market maker in the publicly traded equity securities of Tauron Polska Energia. DMBH acts as a dealer and regularly trades in the securities of Tauron Polska Energia.

DMBH is a market maker in the publicly traded equity securities of Telekomunikacja Polska SA. DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 31st December 2012 is as follows: Buy (1) representing 38% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 38% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 25% of the DMBH coverage 0% of which are IB clients.

An officer or director of Grupo Televisa,S.A. serves as a director on Citi's board. One or more directors of Grupo Televisa,S.A. are members of the board of directors of an affiliate of Citigroup Global Markets Inc.

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

One or more directors of WAL-MART DE MEXICO,S.A.B DE C.V. is a member of the board of directors of an affiliate of Citigroup Global Markets Inc.

Johann Pretorius, Analyst, holds a long position in the securities of Sasol Ltd.

Kingsmill Bond, CFA, Strategist, holds a long position in the securities of Gazprom,Sberbank RF,Mobile Telesystems OJSC.

Rafal Wiatr, CFA, Analyst, holds a long position in the securities of PZU.

Tassin Meyer, Analyst, holds a long position in the securities of MTN Group Limited.

A member of the household of Andrzej Powierza, Analyst, holds a long position in the securities of PKO BP.

Citigroup Global Markets Inc. or its affiliates beneficially owns 1% or more of any class of common equity securities of POSCO, Samsung Engineering, China Telecom, China Construction Bank, Lenovo Group, Ping An Insurance, ASUSTeK Computer, HTC Corporation, Banorte, Modelo, Housing Development Finance Corp., Grupo Televisa. 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 Hyundai Motor, Samsung Electronics, Hyundai Heavy Industries, Kunlun Energy, KEPCO, Sinopec, China Overseas Land & Investment, Tencent Holdings, China Resources Power, PetroChina, Hana Financial Group, China Construction Bank, Sinopharm, Agricultural Bank of China, Hon Hai Precision, Quanta Computer, China Life Insurance, Bank of China, Alfa, América Móvil, AngloGold Ashanti Ltd, ABSA Group Limited, AXIS Bank, Credicorp, Bradesco, Bimbo, CEZ, Severstal, DiGi.Com, Enersis, Endesa Chile, Embraer, GAIL, Grupo Carso, HDFC Bank, Housing Development Finance Corp., ICICI Bank, Indocement, Kasikornbank, Kumba Iron Ore Ltd, LATAM Airlines, Mahindra & Mahindra, Mexichem, Oil & Natural Gas, Petrobras, Bank Pekao SA, Polska Grupa Energetyczna, PTT, Reliance Industries, Rosneft, Santander Brasil, Santander México, Sberbank RF, State Bank of India, Siam Commercial Bank, SM Investments Corp, Tata Motors, Tractebel, Tata Consultancy Services, Vale, Telefonica Brasil, Bank VTB.

Citigroup Global Markets Inc. or its affiliates has received compensation for investment banking services provided within the past 12 months from Kia Motors, Samsung Fire & Marine, Hyundai Motor, POSCO, Samsung Electronics, Hyundai Heavy Industries, Kunlun Energy, China Merchants Holdings Int'l, KEPCO, LG Display, Sinopec, Shinhan Financial Group, China Overseas Land & Investment, Tencent Holdings, China Telecom, China Unicom, China Resources Power, PetroChina, Hana Financial Group, Huaneng Power International, China Construction Bank, China Mobile, SK Innovation, Lenovo Group, KB Financial Group, China Shenhua Energy, Uni President, Agricultural Bank of China, Formosa Plastics, Industrial & Commercial Bank of China, Far Eastern New Century, China Communications Construction, ASE, Hon Hai Precision, Ping An Insurance, ASUSTeK Computer, Quanta Computer, China Life Insurance, Fubon FHC, Cathay FHC, Mega FHC, Chinatrust FHC, China Merchants Bank, Bank of China, Apple, Inc., AmBev, Alfa, América Móvil, AngloGold Ashanti Ltd, ABSA Group Limited, Astra International, AXIS Bank, Credicorp, Bradesco, Bank Negara Indonesia, Bank Rakyat Indonesia (Persero), Bimbo, Bank Mandiri (Persero), BRE Bank SA, CEZ, Severstal, Cemig, CP ALL, CPFL, DiGi.Com, Ecopetrol, Enea, Enersis, Endesa Chile, Embraer, Falabella, FirstRand Limited, GAIL, Gazprom, Grupo Carso, Genting, Gold Fields Ltd, Banorte, Gerdau, Grupo Mexico, HDFC Bank, Hindustan Unilever, ICICI Bank, IDFC, Itaú Unibanco, Jastrzębska Spółka Węglowa, Kasikornbank, KGHM Polska Miedz SA, Kumba Iron Ore Ltd, Krung Thai Bank, Kotak Mahindra Bank, Larsen & Toubro, LATAM Airlines, Lukoil, Lupin, Mahindra & Mahindra, Siam Makro Public Company Limited, Maybank, Mobile Telesystems OJSC, Mexichem, Bank Millennium SA, MTN Group Limited, Maxis Berhad, Norilsk Nickel, Naspers Limited, Novatek OAO, Orascom Construction, Oi, Oil & Natural Gas, Petrobras, Bank Pekao SA, PT Perusahaan Gas Negara, Polska Grupa Energetyczna, Polish Oil & Gas, Power Grid Corporation of India, Polski Koncern Naftowy Orlen SA, PKO BP, PTT, PTT E&P, PTT Global Chemical, PZU, Dr Reddy, Reliance Industries, Rosneft, Santander Brasil, Santander México, Sberbank RF, State Bank of India, Standard Bank Group, Sabesp, Siam Commercial Bank, Southern Copper Company, SM Investments Corp, Semen Gresik, Sistema, Tata Motors, Tractebel, Tata Consultancy Services, Tenaga Nasional, TIM Particip, PT Telkom, Thai Oil, Tauron Polska Energia, Telekomunikacja Polska SA, Transneft, United Tractors, Vale, Telefonica Brasil, Vodacom Group Limited, Bank VTB, Walmex.

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 Kia Motors, Hyundai Motor, Samsung Electronics, Kunlun Energy, China Merchants Holdings Int'l, KEPCO, Sinopec, China Overseas Land & Investment, China Telecom, China Unicom, China Resources Power, PetroChina, Huaneng Power International, China Construction Bank, China Mobile, China Shenhua Energy, Sinopharm, Agricultural Bank of China, Industrial & Commercial Bank of China, Far Eastern New Century, China Communications Construction, ASE, China Life Insurance, Bank of China, Far Eastone, AmBev, América Móvil, Credicorp, Bharti Airtel, Cemig, DiGi.Com, Ecopetrol, Enea, Falabella, GAIL, Gazprom, Grupo Carso, Gerdau, Infosys Ltd, Jastrzębska Spółka Węglowa, KGHM Polska Miedz SA, Kumba Iron Ore Ltd, Krung Thai Bank, Larsen & Toubro, LATAM Airlines, Lukoil, Mobile Telesystems OJSC, Mexichem, Bank Millennium SA, MTN Group Limited, Norilsk Nickel, Orascom Construction, Petrobras, Polska Grupa Energetyczna, Polish Oil & Gas, Power Grid Corporation of India, PKO BP, PTT, PTT E&P, PTT Global Chemical, PZU, Reliance Industries, Rosneft, Santander Brasil, Santander México, Sberbank RF, State Bank of India, Sime Darby, Sistema, Tractebel, Tenaga Nasional, TIM Particip, Thai Oil, Tauron Polska Energia, Transneft, Vale, Telefonica Brasil, Vodacom Group Limited, Bank VTB.

Citigroup Global Markets Inc. or an affiliate received compensation for products and services other than investment banking services from Kia Motors, SK Hynix, Hyundai E&C, Samsung Fire & Marine, Samsung C&T, LG Corp, Hyundai Motor, POSCO, Samsung Electronics, Samsung Electro-Mechanics, Hyundai Heavy Industries, Samsung Heavy Industries, Hyundai Mobis, Kunlun Energy, China Merchants Holdings Int'l, Want Want China, KEPCO, Samsung Engineering, Tingyi, LG Display, NHN, Sinopec, Dongfeng Motor, LG Chem, Shinhan Financial Group, LG Electronics, China Overseas Land & Investment, Tencent Holdings, China Telecom, China Unicom, China Resources Power, PetroChina, Hana Financial Group, Huaneng Power International, China Construction Bank, China Mobile, SK Innovation, Lenovo Group, Hengan International, KB Financial Group, China Shenhua Energy, Sinopharm, Uni President, Agricultural Bank of China, Formosa Plastics, Nan Ya Plastics, Formosa Chemicals & Fiber, Industrial & Commercial Bank of China, Far Eastern New Century, China Communications Construction, Intime Department Store, Belle, China Steel, UMC, Delta Electronics, ASE, Hon Hai Precision, Ping An Insurance, TSMC, ASUSTeK Computer, Quanta Computer, Chunghwa Telecom, HTC Corporation, China Pacific Insurance, China Life Insurance, Fubon FHC, Cathay FHC, Mega FHC, Chinatrust FHC, Taiwan Mobile, China Merchants Bank, Bank of China, Far Eastone, Apple, Inc., AmBev, Arca-Contal, Adaro Energy, Advanced Info, Alfa, América Móvil, AngloGold Ashanti Ltd, ABSA Group Limited, Astra International, ASUR Airports, AXIS Bank, Axiata Group, BANPU, Credicorp, Bank of Ayudhya, Bank Central Asia, Bradesco, Bangkok Bank, Bank Negara Indonesia, Bank Rakyat Indonesia (Persero), Bimbo, Bank Mandiri (Persero), BRE Bank SA, Brasil Foods, Bharti Airtel, CEZ, Severstal, Cielo, Cipla, Cemig, Empresas Copec, CP ALL, CPFL, Charoen Pokphand Indonesia, DiGi.Com, Ecopetrol, Enea, Enersis, Endesa Chile, Embraer, PT XL AXIATA TBK., Falabella, Femsa, FirstRand Limited, GAIL, Gazprom, Grupo Carso, Genting, Gold Fields Ltd, Banorte, Gerdau, Grupo Mexico, Modelo, HDFC Bank, Housing Development Finance Corp., Hindustan Unilever, ICICI Bank, IDFC, Impala Platinum, Indofood Sukses Makmur, Infosys Ltd, Indocement, ITC, Indo Tambang Raya Megah, Itaú Unibanco, Jastrzębska Spółka Węglowa, Kasikornbank, Kernel Holding SA, KGHM Polska Miedz SA, Kumba Iron Ore Ltd, Coca-Cola Femsa, Krung Thai Bank, Kotak Mahindra Bank, Larsen & Toubro, LATAM Airlines, Lukoil, Lupin, Mahindra & Mahindra, Siam Makro Public Company Limited, Maybank, Mobile Telesystems

OJSC, Mexichem, Bank Millennium SA, Mr Price Group Ltd, MTN Group Limited, Maxis Berhad, Norilsk Nickel, Naspers Limited, Novatek OAO, Orascom Construction, Oi, Oil & Natural Gas, Petrobras, Bank Pekao SA, PT Perusahaan Gas Negara, Polska Grupa Energetyczna, Polish Oil & Gas, Power Grid Corporation of India, Polski Koncern Naftowy Orlen SA, PKO BP, PTT, PTT E&P, PZU, Ranbaxy, Dr Reddy, Reliance Industries, Rosneft, Santander México, Sberbank RF, State Bank of India, Standard Bank Group, Sabesp, Siam Commercial Bank, Siam Cement, Southern Copper Company, Shoprite Holdings, Sime Darby, SM Investments Corp, Semen Gresik, Sasol Ltd, SQM, Sistema, Tata Motors, Tatneft, Tractebel, Tata Consultancy Services, Tenaga Nasional, TIM Particip, PT Telkom, Thai Oil, Tauron Polska Energia, Telekomunikacja Polska SA, Transneft, Grupo Televisa, Ultrapar, United Tractors, Vale, Telefonica Brasil, Vodacom Group Limited, Bank VTB, Walmex 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): Bank VTB, Oil & Natural Gas, Bank Mandiri (Persero), Alfa, Mexichem, Kunlun Energy, Sinopec, Santander México, Kia Motors, Samsung Fire & Marine, Hyundai Motor, POSCO, Samsung Electronics, Hyundai Heavy Industries, China Merchants Holdings Int'l, KEPCO, LG Display, Shinhan Financial Group, China Overseas Land & Investment, Tencent Holdings, China Telecom, China Unicom, China Resources Power, PetroChina, Hana Financial Group, Huaneng Power International, China Construction Bank, China Mobile, SK Innovation, Lenovo Group, KB Financial Group, China Shenhua Energy, Sinopharm, Uni President, Agricultural Bank of China, Formosa Plastics, Industrial & Commercial Bank of China, Far Eastern New Century, China Communications Construction, ASE, Hon Hai Precision, Ping An Insurance, ASUSTeK Computer, Quanta Computer, China Life Insurance, Fubon FHC, Cathay FHC, Mega FHC, Chinatrust FHC, China Merchants Bank, Bank of China, Far Eastone, Apple, Inc., AmBev, América Móvil, AngloGold Ashanti Ltd, ABSA Group Limited, Astra International, AXIS Bank, Credicorp, Bradesco, Bank Negara Indonesia, Bank Rakyat Indonesia (Persero), Bimbo, BRE Bank SA, Bharti Airtel, CEZ, Severstal, Cemig, CP ALL, CPFL, DiGi.Com, Ecopetrol, Enea, Enersis, Endesa Chile, Embraer, Falabella, FirstRand Limited, GAIL, Gazprom, Grupo Carso, Genting, Gold Fields Ltd, Banorte, Gerdau, Grupo Mexico, HDFC Bank, Hindustan Unilever, ICICI Bank, IDFC, Infosys Ltd, Itaú Unibanco, Jastrzębska Spółka Węglowa, Kasikornbank, KGHM Polska Miedz SA, Kumba Iron Ore Ltd, Krung Thai Bank, Kotak Mahindra Bank, Larsen & Toubro, LATAM Airlines, Lukoil, Lupin, Mahindra & Mahindra, Siam Makro Public Company Limited, Maybank, Mobile Telesystems OJSC, Bank Millennium SA, MTN Group Limited, Maxis Berhad, Norilsk Nickel, Naspers Limited, Novatek OAO, Orascom Construction, Oi, Petrobras, Bank Pekao SA, PT Perusahaan Gas Negara, Polska Grupa Energetyczna, Polish Oil & Gas, Power Grid Corporation of India, Polski Koncern Naftowy Orlen SA, PKO BP, PTT, PTT E&P, PTT Global Chemical, PZU, Dr Reddy, Reliance Industries, Rosneft, Santander Brasil, Sberbank RF, State Bank of India, Standard Bank Group, Sabesp, Siam Commercial Bank, Southern Copper Company, Sime Darby, SM Investments Corp, Semen Gresik, Sistema, Tata Motors, Tractebel, Tata Consultancy Services, Tenaga Nasional, TIM Particip, PT Telkom, Thai Oil, Tauron Polska Energia, Telekomunikacja Polska SA, Transneft, United Tractors, Vale, Telefonica Brasil, Vodacom Group Limited, Walmex.

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: Alfa, Kia Motors, SK Hynix, Hyundai E&C, Samsung Fire & Marine, Samsung C&T, LG Corp, Hyundai Motor, POSCO, Samsung Electronics, Samsung Electro-Mechanics, Hyundai Heavy Industries, Samsung Heavy Industries, Hyundai Mobis, Kunlun Energy, China Merchants Holdings Int'l, Want Want China, KEPCO, Samsung Engineering, Tingyi, LG Display, NHN, Sinopec, LG Chem, Shinhan Financial Group, LG Electronics, China Overseas Land & Investment, China Telecom, China Unicom, China Resources Power, PetroChina, Hana Financial Group, Huaneng Power International, China Construction Bank, China Mobile, SK Innovation, Lenovo Group, Hengan International, KB Financial Group, China Shenhua Energy, Sinopharm, Uni President, Agricultural Bank of China, Formosa Plastics, Nan Ya Plastics, Formosa Chemicals & Fiber, Industrial & Commercial Bank of China, Far Eastern New Century, China Communications Construction, China Steel, UMC, Delta Electronics, ASE, Hon Hai Precision, Ping An Insurance, TSMC, ASUSTeK Computer, Quanta Computer, HTC Corporation, China Pacific Insurance, China Life Insurance, Fubon FHC, Cathay FHC, Mega FHC, Chinatrust FHC, Taiwan Mobile, China Merchants Bank, Bank of China, Far Eastone, Apple, Inc., AmBev, Arca-Contal, América Móvil, AngloGold Ashanti Ltd, ABSA Group Limited, Astra International, ASUR Airports, AXIS Bank, Axiata Group, BANPU, Credicorp, Bank of Ayudhya, Bank Central Asia, Bradesco, Bangkok Bank, Bank Negara Indonesia, Bank Rakyat Indonesia (Persero), Bimbo, Bank Mandiri (Persero), BRE Bank SA, Brasil Foods, Bharti Airtel, CEZ, Severstal, Cipla, Cemig, Empresas Copec, CP ALL, CPFL, Charoen Pokphand Indonesia, DiGi.Com, Ecopetrol, Enea, Enersis, Endesa Chile, Embraer, PT XL AXIATA TBK., Falabella, Femsa, FirstRand Limited, GAIL, Gazprom, Grupo Carso, Genting, Gold Fields Ltd, Banorte, Gerdau, Grupo Mexico, Modelo, HDFC Bank, Housing Development Finance Corp., Hindustan Unilever, ICICI Bank, IDFC, Impala Platinum, Indofood Sukses Makmur, Infosys Ltd, Indocement, ITC, Indo Tambang Raya Megah, Itaú Unibanco, Jastrzębska Spółka Węglowa, Kasikornbank, Kernel Holding SA, KGHM Polska Miedz SA, Kumba Iron Ore Ltd, Coca-Cola Femsa, Krung Thai Bank, Kotak Mahindra Bank, Larsen & Toubro, LATAM Airlines, Lukoil, Lupin, Mahindra & Mahindra, Siam Makro Public Company Limited, Maybank, Mobile Telesystems OJSC, Mexichem, Bank Millennium SA, MTN Group Limited, Maxis Berhad, Norilsk Nickel, Naspers Limited, Novatek OAO, Orascom Construction, Oi, Oil & Natural Gas, Petrobras, Bank Pekao SA, PT Perusahaan Gas Negara, Polska Grupa Energetyczna, Polish Oil & Gas, Power Grid Corporation of India, Polski Koncern Naftowy Orlen SA, PKO BP, PTT, PTT E&P, PZU, Ranbaxy, Dr Reddy, Reliance Industries, Rosneft, Santander México, Sberbank RF, State Bank of India, Standard Bank Group, Siam Commercial Bank, Siam Cement, Southern Copper Company, Shoprite Holdings, Sime Darby, SM Investments Corp, Semen Gresik, Surgutneftegaz, Sasol Ltd, SQM, Sistema, Tata Motors, Tractebel, Tata Consultancy Services, Tenaga Nasional, TIM Particip, PT Telkom, Thai Oil, Tauron Polska Energia, Telekomunikacja Polska SA, Transneft, Grupo Televisa, Ultrapar, United Tractors, Vale, Telefonica Brasil, Vodacom Group Limited, Bank VTB, Walmex, Woolworths Holdings Limited.

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: Kia Motors, SK Hynix, Hyundai E&C, Samsung Fire & Marine, Samsung C&T, LG Corp, Hyundai Motor, POSCO, Samsung Electronics, Samsung Electro-Mechanics, Hyundai Heavy Industries, Samsung Heavy Industries, Hyundai Mobis, Kunlun Energy, China Merchants Holdings Int'l, Want Want China, KEPCO, Samsung Engineering, Tingyi, LG Display, NHN, Sinopec, Dongfeng Motor, LG Chem, Shinhan Financial Group, LG Electronics, China Overseas Land & Investment, Tencent Holdings, China Telecom, China Unicom, China Resources Power, PetroChina, Hana Financial Group, Huaneng Power International, China Construction Bank, China Mobile, SK Innovation, Lenovo Group, Hengan International, KB Financial Group, China Shenhua Energy, Sinopharm, Uni President, Agricultural Bank of China, Formosa Plastics, Nan Ya Plastics, Formosa Chemicals & Fiber, Industrial & Commercial Bank of China, Far Eastern New Century, China Communications Construction, Intime Department Store, Belle, China Steel, UMC, Delta Electronics, ASE, Hon Hai Precision, Ping An Insurance, TSMC, ASUSTeK Computer, Quanta Computer, Chunghwa Telecom, HTC Corporation, China Life Insurance, Fubon FHC, Cathay FHC, Mega FHC, Chinatrust FHC, Taiwan Mobile, China Merchants Bank, Bank of China, Far Eastone, Apple, Inc., AmBev, Arca-Contal, Adaro Energy, Advanced Info, Alfa, América Móvil, AngloGold Ashanti Ltd, ABSA Group Limited, Astra International, ASUR Airports, AXIS Bank, Axiata Group, BANPU, Credicorp, Bank of Ayudhya, Bank Central Asia, Bradesco, Bangkok Bank, Bank Negara Indonesia, Bank Rakyat Indonesia (Persero), Bimbo, Bank Mandiri (Persero), BRE Bank SA, Brasil Foods, Bharti Airtel, CEZ, Severstal, Cielo, Cipla, Cemig, Empresas Copec, CP ALL, CPFL, Charoen Pokphand Indonesia, DiGi.Com, Ecopetrol, Enea, Enersis, Endesa Chile, Embraer, PT XL AXIATA TBK., Falabella, Femsa, FirstRand Limited, GAIL, Gazprom, Grupo Carso, Genting, Gold Fields Ltd, Banorte, Gerdau, Grupo Mexico, Modelo, HDFC Bank, Housing Development Finance Corp., Hindustan Unilever, ICICI Bank, IDFC, Indofood Sukses Makmur, Infosys Ltd, ITC, Indo Tambang Raya Megah, Itaú Unibanco, Jastrzębska Spółka Węglowa, Kasikornbank, Kernel Holding SA, KGHM Polska Miedz SA, Kumba Iron Ore Ltd, Coca-Cola Femsa, Krung Thai Bank, Kotak Mahindra Bank, Larsen & Toubro, LATAM Airlines, Lukoil, Lupin, Mahindra & Mahindra, Siam Makro Public Company Limited, Maybank, Mobile Telesystems OJSC, Mexichem, Bank Millennium SA, Mr Price Group Ltd, MTN Group Limited, Maxis Berhad, Norilsk Nickel, Naspers Limited, Novatek OAO, Orascom Construction, Oi, Oil & Natural Gas, Petrobras, Bank Pekao SA, PT Perusahaan Gas Negara, Polska Grupa Energetyczna, Polish Oil & Gas, Power Grid Corporation of India, Polski Koncern Naftowy Orlen SA, PKO BP, PTT, PTT E&P, PZU, Ranbaxy, Dr Reddy, Reliance Industries, Rosneft, Santander México, Sberbank RF, State Bank of India, Standard Bank Group, Sabesp, Siam Commercial Bank, Siam Cement, Southern Copper Company, Shoprite Holdings, Sime Darby, SM Investments Corp, Semen Gresik, Sasol Ltd, SQM, Sistema, Tata Motors, Tatneft, Tractebel, Tata Consultancy Services, Tenaga Nasional, TIM Particip, PT Telkom, Thai Oil, Tauron Polska Energia, Telekomunikacja Polska SA, Transneft, Grupo Televisa, Ultrapar, United Tractors, Vale, Telefonica Brasil, Vodacom Group Limited, Bank VTB, Walmex.

Citigroup Global Markets Inc. or an affiliate received compensation in the past 12 months from Bank VTB, Kunlun Energy, Sinopec, Santander México.

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 Kunlun Energy, Want Want China, Tingyi, Sinopec, China Overseas Land & Investment, Tencent Holdings, China Telecom, China Unicom, PetroChina, China Construction Bank, China Mobile, Hengan International, China Shenhua Energy, Agricultural Bank of China, Industrial & Commercial Bank of China, China Communications Construction, Belle, Ping An Insurance, China Life Insurance, China Merchants Bank, Bank of China, Apple, Inc., ABSA Group Limited, Cielo, Cemig, Gazprom, Grupo Carso, Gold Fields Ltd, Impala Platinum, Infosys Ltd, Kumba Iron Ore Ltd, Lukoil, MTN Group Limited, Norilsk Nickel, Naspers Limited, Sberbank RF, Surgutneftegaz, Tractebel, Tiger Brands Ltd, Walmex.

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

Citi Research Equity Ratings Distribution

	12 Month Rating			*Relative Rating*		
Data current as of 31 Dec 2012	**Buy**	**Hold**	**Sell**	**Buy**	**Hold**	**Sell**
Citi Research Global Fundamental Coverage	49%	38%	12%	7%	86%	7%
% of companies in each rating category that are investment banking clients	53%	49%	45%	60%	49%	55%

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	Geoffrey Dennis; Tobias M Levkovich; Scott T Chronert; Julio R. Zamora; Stephen Trent; Alexander Robarts; Daniel A. Abut; Alexander Hacking, CFA; Juan G Tavarez; Glen Yeung
Citigroup Global Markets Ltd	Robert Buckland; Mert C Genc; Beata M Manthey, PhD; Hasan S Tevfik, CFA; Jonathan Stubbs; Adrian Cattley; Maria Gratsova; Chris Montagu; Simon Nellis; Dalibor Vavruska; Sofia Savvantidou; Heidy Rehman
Citigroup Global Markets India Private Limited	Ayush Tambi; Aditya Narain, CFA; Venkatesh Balasubramaniam; Saurabh Handa; Jamshed Rustom Dadabhoy; Prashant Nair, CFA; Surendra Goyal, CFA; Gaurav Malhotra, CFA
Citigroup Global Markets Japan Inc.	Kenji Abe, PhD
Citigroup Global Markets Asia	Markus Rosgen; Minggao Shen; Richard Yeh; Oscar Yee; Pierre Lau, CFA; George Choi; Vivian Tao; Jasmine Bai; Simon Ho, CFA; Bradford Ti; Gerwin Ho; Graham Cunningham; Mark Liinamaa; Darwin Lam, CFA; Bin Liu; Scarlett Y Chen, CFA; Ravi Sarathy; Jenny N Zhen; Catherine Lim; Oscar Choi; Eddie Lau
Citicorp Pty Ltd	Tony Brennan; Richard Schellbach
ZAO Citibank	Kingsmill Bond, CFA; Ronald Paul Smith; Daniel Yakub; Brady Martin, CFA
Dom Maklerski Banku Handlowego SA	Rafal Wiatr, CFA; Andrzej Powierza; Piotr Zielonka, CFA
Citicorp Securities (Thailand) Ltd.	Suchart Techaposai; Amornrat Cheevavichawalkul, CFA; Kritapas Siripassorn, CFA
Citigroup Global Markets Korea Securities Ltd	Michael S Chung; Sean Lee, CFA; Sungmee Park, CFA; Henry H Kim, CFA; Ss Kim; Ethan Kim; Jinsang Kim
PT Citigroup Securities Indonesia	Ferry Wong, CFA; Margarett Go; Salman Ali, CFA; Felicia Asrinanda Barus
Citigroup Global Markets Taiwan Securities Co. Limited	Peter Kurz; Wei Chen; Roland Shu; Kevin Chang; Timothy Chen
Citigroup Global Markets Malaysia SDN BHD	Petrina Chong; Fiona Leong
Citigroup Global Markets Singapore PTE LIMITED	Paul R Chanin; Arthur Pineda; Patrick Yau, CFA; Horng Han Low
Citicorp Financial Services and Insurance Brokerage Philippines, Inc	Minda A. Olonan
Citigroup Global Markets (Pty) Ltd	Zaheer Joosub; Henry Hall; Johann Pretorius; Johann Steyn; Thato Motlanthe; Kgosietsile S Rahube; Tassin Meyer
Citigroup Global Markets Brazil	Luis Vallarino, CFA; Pedro Medeiros; Alexandre Garcia; Marcelo Britto

OTHER DISCLOSURES

Citigroup Global Markets Inc. and/or its affiliates has a significant financial interest in relation to Samsung Fire & Marine, Samsung C&T, POSCO, Samsung Electronics, Hyundai Heavy Industries, LG Chem, LG Electronics, Tencent Holdings, China Unicom, Lenovo Group, Formosa Plastics, Industrial & Commercial Bank of China, UMC, Delta Electronics, TSMC, Quanta Computer, ENN Energy Holdings, Cathay FHC, Bank of China, Apple, Inc., América Móvil, AXIS Bank, Bank Central Asia, Bradesco, Bimbo, CEZ, Ecopetrol, Enea, Embraer, Femsa, GAIL, Gazprom, Gold Fields Ltd, HDFC Bank, Housing Development Finance Corp., IDFC, Indofood Sukses Makmur, ITC, Kotak Mahindra Bank, LATAM Airlines, Mexichem, MTN Group Limited, Norilsk Nickel, Naspers Limited, Petrobras, Polska Grupa Energetyczna, Polish Oil & Gas, Polski Koncern Naftowy Orlen SA, PKO BP, Reliance Industries, State Bank of India, Standard Bank Group, Sime Darby, SM Investments Corp, Tauron Polska Energia, Telekomunikacja Polska SA, Grupo Televisa, Vale, Bank VTB. (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 Modelo.

Citigroup Global Markets Inc. or its affiliates beneficially owns 10% or more of any class of common equity securities of ASUSTeK Computer.

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

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.

Citigroup Global Markets Inc. or its affiliates acts as a corporate broker to Severstal, Bank VTB.

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 Morgan Stanley Smith Barney LLC Customers: Morgan Stanley & Co. LLC (Morgan Stanley) research reports may be available about the companies that are the subject of this Citi Research research report. Ask your Financial Advisor or use smithbarney.com to view any available Morgan Stanley research reports in addition to Citi Research research reports.
Important disclosure regarding the relationship between the companies that are the subject of this Citi Research research report and Morgan Stanley Smith Barney LLC and its affiliates are available at the Morgan Stanley Smith Barney disclosure website at www.morganstanleysmithbarney.com/researchdisclosures.
For Morgan Stanley and Citigroup Global Markets, Inc. specific disclosures, you may refer to www.morganstanley.com/researchdisclosures and https://www.citivelocity.com/cvr/eppublic/citi_research_disclosures.
This Citi Research research report has been reviewed and approved on behalf of Morgan Stanley Smith Barney LLC. This review and approval was conducted by the same person who reviewed this research report on behalf of Citi Research. This could create a conflict of interest.

The Citigroup legal entity that takes responsibility for the production of the Product is the legal entity which the first named author is employed by. The Product is made available in **Australia** through Citi Global Markets Australia Pty Ltd. (ABN 64 003 114 832 and AFSL No. 240992), participant of the ASX Group and regulated by the Australian Securities & Investments Commission. Citigroup Centre, 2 Park Street, Sydney, NSW 2000. The Product is made available in Australia to Private Banking wholesale clients through Citigroup Pty Limited (ABN 88 004 325 080 and AFSL 238098). Citigroup Pty Limited provides all financial product advice to Australian Private Banking wholesale clients through bankers and relationship managers. If there is any doubt about the suitability of investments held in Citigroup Private Bank accounts, investors should contact the Citigroup Private Bank in Australia. Citigroup companies may compensate affiliates and their representatives for providing products and services to clients. The Product is made available in **Brazil** by Citigroup Global Markets Brasil - CCTVM SA, which is regulated by CVM - Comissão de Valores Mobiliários, BACEN - Brazilian Central Bank, APIMEC - Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais and ANBID - Associação Nacional dos Bancos de Investimento. Av. Paulista, 1111 - 11º andar - CEP. 01311920 - São Paulo - SP. If the Product is being made available in certain provinces of **Canada** by Citigroup Global Markets (Canada) Inc. ("CGM Canada"), CGM Canada has approved the Product. Citigroup Place, 123 Front Street West, Suite 1100, Toronto, Ontario M5J 2M3. This product is available in **Chile** through Banchile Corredores de Bolsa S.A., an indirect subsidiary of Citigroup Inc., which is regulated by the Superintendencia de Valores y Seguros. Agustinas 975, piso 2, Santiago, Chile. The Product is made available in **France** by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. 1-5 Rue Paul Cézanne, 8ème, Paris, France. The Product is distributed in **Germany** by Citigroup Global Markets Deutschland AG ("CGMD"), which is regulated by Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin). CGMD, Reuterweg 16, 60323 Frankfurt am Main. Research which relates to "securities" (as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)) is issued in **Hong Kong** by, or on behalf of, Citigroup Global Markets Asia Limited which takes full responsibility for its content. Citigroup Global Markets Asia Ltd. is regulated by Hong Kong Securities and Futures Commission. If the Research is made available through Citibank, N.A., Hong Kong Branch, for its clients in Citi Private Bank, it is made available by Citibank N.A., Citibank Tower, Citibank Plaza, 3 Garden Road, Hong Kong. Citibank N.A. is regulated by the Hong Kong Monetary Authority. Please contact your Private Banker in Citibank N.A., Hong Kong, Branch if you have any queries on or any matters arising from or in connection with this document. The Product is made available in **India** by Citigroup Global Markets India Private Limited, which is regulated by Securities and Exchange Board of India. Bakhtawar, Nariman Point, Mumbai 400-021. The Product is made available in **Indonesia** through PT Citigroup Securities Indonesia. 5/F, Citibank Tower, Bapindo Plaza, Jl. Jend. Sudirman Kav. 54-55, Jakarta 12190. Neither this Product nor any copy hereof may be distributed in Indonesia or to any Indonesian citizens wherever they are domiciled or to Indonesian residents except in compliance with applicable capital market laws and regulations. This Product is not an offer of securities in Indonesia. The securities referred to in this Product have not been registered with the Capital Market and Financial Institutions Supervisory Agency (BAPEPAM-LK) pursuant to relevant capital market laws and regulations, and may not be offered or sold within the territory of the Republic of Indonesia or to Indonesian citizens through a public offering or in circumstances which constitute an offer within the meaning of the Indonesian capital market laws and regulations. The Product is made available in **Israel** through Citibank NA, regulated by the Bank of Israel and the Israeli Securities Authority. Citibank, N.A, Platinum Building, 21 Ha'arba'ah St, Tel Aviv, Israel. The Product is made available in **Italy** by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. Via dei Mercanti, 12, Milan, 20121, Italy. The Product is made available in **Japan** by Citigroup Global Markets Japan Inc. ("CGMJ"), which is regulated by Financial Services Agency, Securities and Exchange Surveillance Commission, Japan Securities Dealers Association, Tokyo Stock Exchange and Osaka Securities Exchange. Shin-Marunouchi Building, 1-5-1 Marunouchi, Chiyoda-ku, Tokyo 100-6520 Japan. If the Product was distributed by SMBC Nikko Securities Inc. it is being so distributed under license. In the event that an error is found in an CGMJ research report, a revised version will be posted on the Firm's Citi Velocity website. If you have questions regarding Citi Velocity, please call (81 3) 6270-3019 for help. The Product is made available in **Korea** by Citigroup Global Markets Korea Securities Ltd., which is regulated by the Financial Services Commission, the Financial Supervisory Service and the Korea Financial Investment Association (KOFIA). Citibank Building, 39 Da-dong, Jung-gu, Seoul 100-180, Korea. KOFIA makes available registration information of research analysts on its website. Please visit the following website if you wish to find KOFIA registration information on research analysts of Citigroup Global Markets Korea Securities Ltd. http://dis.kofia.or.kr/fs/dis2/fundMgr/DISFundMgrAnalystPop.jsp?companyCd2=A03030&pageDiv=02. The Product is made available in Korea by Citibank Korea Inc., which is regulated by the Financial Services Commission and the Financial Supervisory Service. Address is Citibank Building, 39 Da-dong, Jung-gu, Seoul 100-180, Korea. The Product is made available in **Malaysia** by Citigroup Global Markets Malaysia Sdn Bhd (Company No. 460819-D) ("CGMM") to its clients and CGMM takes responsibility for its contents. CGMM is regulated by the Securities Commission of Malaysia. Please contact CGMM at Level 43 Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur, Malaysia in respect of any matters arising from, or in connection with, the Product. The Product is made available in **Mexico** by Acciones y Valores Banamex, S.A. De C. V., Casa de Bolsa, Integrante del Grupo Financiero Banamex ("Accival") which is a wholly owned subsidiary of Citigroup Inc. and is regulated by Comision Nacional Bancaria y de Valores. Reforma 398, Col. Juarez, 06600 Mexico, D.F. In **New Zealand** the Product is made available to 'wholesale clients' only as defined by s5C(1) of the Financial Advisers Act 2008 ('FAA') through Citigroup Global Markets Australia Pty Ltd (ABN 64 003 114 832 and AFSL No. 240992), an overseas financial adviser as defined by the FAA, participant of the ASX Group and regulated by the Australian Securities & Investments Commission. Citigroup Centre, 2 Park Street, Sydney, NSW 2000. The Product is made available in **Pakistan** by Citibank N.A. Pakistan branch, which is regulated by the State Bank of Pakistan and Securities Exchange Commission, Pakistan. AWT Plaza, 1.1. Chundrigar Road, P.O. Box 4889, Karachi-74200. The Product is made available in the **Philippines** through Citicorp Financial Services and Insurance Brokerage Philippines, Inc., which is regulated by the Philippines Securities and Exchange Commission. 20th Floor Citibank Square Bldg. The Product is made available in the Philippines through Citibank NA Philippines branch, Citibank Tower, 8741 Paseo De Roxas, Makati City, Manila. Citibank NA Philippines NA is regulated by The Bangko Sentral ng Pilipinas. The Product is made available in **Poland** by Dom Maklerski Banku Handlowego SA an indirect subsidiary of Citigroup Inc., which is regulated by Komisja Nadzoru Finansowego. Dom Maklerski Banku Handlowego S.A. ul.Senatorska 16, 00-923 Warszawa. The Product is made available in the **Russian Federation** through ZAO Citibank, which is licensed to carry out banking activities in the Russian Federation in accordance with the general banking license issued by the Central Bank of the Russian Federation and brokerage activities in accordance with the license issued by the Federal Service for Financial Markets. Neither the Product nor any information contained in the Product shall be considered as advertising the securities mentioned in this report within the territory of the Russian Federation or outside the Russian Federation. The Product does not constitute an appraisal within the meaning of the Federal Law of the Russian Federation of 29 July 1998 No. 135-FZ (as amended) On Appraisal Activities in the Russian Federation. 8-10 Gasheka Street, 125047 Moscow. The Product is made available in **Singapore** through Citigroup Global Markets Singapore Pte. Ltd. ("CGMSPL"), a capital markets services license holder, and regulated by Monetary Authority of Singapore. Please contact CGMSPL at 8 Marina View, 21st Floor Asia Square Tower 1, Singapore 018960, in respect of any matters arising from, or in connection with, the analysis of this document. This report is intended for recipients who are accredited, expert and institutional investors as defined under the Securities and Futures Act (Cap. 289). The Product is made available by The Citigroup Private Bank in Singapore through Citibank, N.A., Singapore Branch, a licensed bank in Singapore that is regulated by Monetary Authority of Singapore. Please contact your Private Banker in Citibank N.A., Singapore Branch if you have any queries on or any matters arising from or in connection with this document. This report is intended for recipients who are accredited, expert and institutional investors as defined under the Securities and Futures Act (Cap. 289). This report is distributed in Singapore by Citibank Singapore Ltd ("CSL") to selected Citigold/Citigold Private Clients. CSL provides no independent research or analysis of the substance or in preparation of this report. Please contact your Citigold//Citigold Private Client Relationship Manager in CSL if you have any queries on or any matters arising from or in connection with this report. This report is intended for recipients who are accredited investors as defined under the Securities and Futures Act (Cap. 289). Citigroup Global Markets (Pty) Ltd. is incorporated in the **Republic of South Africa** (company registration number 2000/025866/07) and its registered office is at 145 West Street, Sandton, 2196, Saxonwold. Citigroup Global Markets (Pty) Ltd. is regulated by JSE Securities Exchange South Africa, South African Reserve Bank and the Financial Services Board. The investments and services contained herein are not available to private customers in South Africa. The Product is made available in **Spain** by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. 29 Jose Ortega Y Gasset, 4th Floor, Madrid, 28006, Spain. The Product is made available in the **Republic of China** through Citigroup Global Markets Taiwan Securities Company Ltd. ("CGMTS"), 14 and 15F, No. 1, Songzhi Road, Taipei 110, Taiwan and/or through Citibank Securities (Taiwan) Company Limited ("CSTL"), 14 and 15F, No. 1, Songzhi Road, Taipei 110, Taiwan, subject to the respective license scope of each entity and the applicable laws and regulations in the Republic of China. CGMTS and CSTL are both regulated by the Securities and Futures Bureau of the Financial Supervisory Commission of Taiwan, the Republic of China. No portion of the Product may be reproduced or quoted in the Republic of China by the press or any third parties [without the written authorization of CGMTS and CSTL]. If the Product covers securities which are not allowed to be offered or traded in the Republic of China, neither the Product nor any information contained in the Product shall be considered as advertising the securities or making recommendation of the securities in the Republic of China. The Product is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security or financial products. Any decision to purchase securities or financial products mentioned in the Product must take into account existing public information on such security or the financial products or any registered prospectus. The Product is made available in **Thailand** through Citicorp Securities (Thailand) Ltd., which is regulated by the Securities and Exchange Commission of Thailand. 18/F, 22/F and 29/F, 82 North Sathorn Road, Silom, Bangrak, Bangkok 10500, Thailand. The Product is made available in **Turkey** through Citibank AS which is regulated by Capital Markets Board. Tekfen Tower, Eski Buyukdere Caddesi # 209 Kat 2B, 23294 Levent, Istanbul, Turkey. In the **U.A.E**, these materials (the "Materials") are communicated by Citigroup Global Markets Limited, DIFC branch ("CGML"), an entity registered in the Dubai International Financial Center ("DIFC") and licensed and regulated by the Dubai Financial

Services Authority ("DFSA") to Professional Clients and Market Counterparties only and should not be relied upon or distributed to Retail Clients. A distribution of the different Citi Research ratings distribution, in percentage terms for Investments in each sector covered is made available on request. Financial products and/or services to which the Materials relate will only be made available to Professional Clients and Market Counterparties. The Product is made available in **United Kingdom** by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. This material may relate to investments or services of a person outside of the UK or to other matters which are not regulated by the FSA and further details as to where this may be the case are available upon request in respect of this material. Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB. The Product is made available in **United States** by Citigroup Global Markets Inc, which is a member of FINRA and registered with the US Securities and Exchange Commission. 388 Greenwich Street, New York, NY 10013. Unless specified to the contrary, within EU Member States, the Product is made available by Citigroup Global Markets Limited, which is regulated by Financial Services Authority.

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

Many European regulators require that a firm must establish, implement and make available a policy for managing conflicts of interest arising as a result of publication or distribution of investment research. The policy applicable to 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 may have been distributed simultaneously, in multiple formats, to the Firm's worldwide institutional and retail customers. The Product is not to be construed as providing investment services in any jurisdiction where the provision of such services would not be permitted.

Subject to the nature and contents of the Product, the investments described therein are subject to fluctuations in price and/or value and investors may get back less than originally invested. Certain high-volatility investments can be subject to sudden and large falls in value that could equal or exceed the amount invested. Certain investments contained in the Product may have tax implications for private customers whereby levels and basis of taxation may be subject to change. If in doubt, investors should seek advice from a tax adviser. The Product does not purport to identify the nature of the specific market or other risks associated with a particular transaction. Advice in the Product is general and should not be construed as personal advice given it has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Accordingly, investors should, before acting on the advice, consider the appropriateness of the advice, having regard to their objectives, financial situation and needs. Prior to acquiring any financial product, it is the client's responsibility to obtain the relevant offer document for the product and consider it before making a decision as to whether to purchase the product.

With the exception of our product that is made available only to Qualified Institutional Buyers (QIBs) and other product that is made available through other distribution channels only to certain categories of clients to satisfy legal or regulatory requirements, Citi Research concurrently disseminates its research via proprietary and non-proprietary electronic distribution platforms. Periodically, individual Citi Research analysts may also opt to circulate research posted on such platforms to one or more clients by email. Such email distribution is discretionary and is done only after the research has been disseminated via the aforementioned distribution channels. Citi Research simultaneously distributes product that is limited to QIBs only through email distribution.

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 Reuters and Datastream.

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST