

# Equity Solutions WATCHER



## Global sportswear industry: Steadily growing but fragmented

*In accordance with the applicable regulation, we inform the reader that this material is qualified as a marketing document. Data as of 07 March 2016, 11 p.m. Paris time.*

BUILDING TEAM SPIRIT TOGETHER

 **SOCIETE GENERALE**  
Private Banking

# Editorial (1/2)

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*This document presents equity ideas exclusively provided for potential investments.*

*This document cannot be considered as adapted to a person or based on the analysis of the situation of a person.*

Data & recommendations as of  
07 March, 2016 close

## Global sportswear industry: Steadily growing but fragmented

You shall be healthy! The health police is watching you! We are counting calories and shunning sugary food and beverages, forcing producers to rethink their offering in terms of sweeteners, packaging and advertising to keep up volume growth. Global cigarette volumes are on a decline and we are going easy on the booze,<sup>1</sup> but austerity alone will not make us healthy. Sitting is now considered the new smoking, so we should move, we should exercise. And we do. With the proper gear, of course.

Last year, we spent an estimated USD 281.9 bn on sportswear. North America was the largest market with USD 102.0 bn in sales, followed by EMEA at USD 90.2 bn (with USD 58.1 bn for Western Europe, USD 15.3 bn for Eastern Europe and USD 16.8 bn for MEA), Asia at USD 64.8 bn (with USD 25.2 bn for China) and Latin America at USD 24.9 bn. Since 2010, the worldwide sportswear market has grown at a CAGR of 6.0% and is forecasted to reach USD 365.2 bn in 2020, implying a brisk 2015-20 CAGR of 5.3%.

The growth rate in this period vs. that in 2010-15 is set to accelerate in Asia (from 6.3% to 8.5%) and EMEA (from 4.0% to 4.4%, with growth accelerating in Western Europe and decelerating in Eastern Europe and MEA). In the same period however, growth is expected to decelerate in North America (from 6.7% to 3.7%) and Latin America (from 10.5% to 6.1%). As a percentage of the growing global market for apparel and footwear (2010-20E CAGR of 4.5%), the share of sportswear has grown from 14.5% in 2010 to 15.6% in 2015 and is expected to increase further to 16.1% in 2020.

Annual per capita spending on sportswear differs widely between countries. Considering world population at 7bn, the global average is ~USD 40. In the average developed country, annual per capita spending on sportswear is between USD 90 and USD 150. While in the US this number is a stellar USD 285, in China it is at a poor USD 17, and in Hong Kong it amounts to a solid USD 196. As disposable incomes in emerging countries rise, the number of people doing sports will increase rapidly and so will spending on

<sup>1</sup>For tobacco companies, this means holding on to market shares in mature economies and grab market share in emerging regions through pricing and branding (which is becoming increasingly difficult with plain packaging). For brewers and spirits companies too, branding and pricing is of utmost importance, and they are increasingly relying on the 'premiumisation' trend to boost margins. Unlike tobacco companies, however, they can support their brands with extensive advertising.



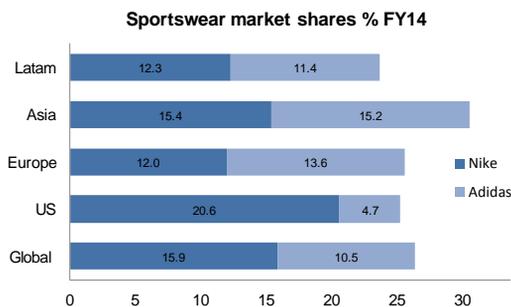
**Kristof De Graeve**  
Equity Expert

# Editorial (2/2)

sportswear, at an even faster rate. Annual per capita spending on sportswear in the US indicates that the average developed country still offers considerable potential. Growing health awareness forms the main sales driver in these regions, supported by the increased attention all kinds of sporting events are receiving. We see the cutting-edge technologies such as electronic 'wearables' as another major driver, given the growing popularity of being able to track and share the effects of individual efforts.

The sportswear market is still a predominantly male industry, with men's, women's and children's garments accounting for resp. ~52%, ~35% and ~13% of sales. Sportswear manufacturers are only starting to discover the long neglected women's segment, which has shown strong growth in recent years. As women's sport participation is steadily growing and brands are increasingly targeting this segment, we would expect women's sportswear to become a key growth engine. The same goes for children's sports participation, as today's young athletes will be tomorrow's prime sportswear customers.

Last but not least the dressing-down trend whereby suits are being replaced by casual wear, even in a business environment, and whereby sportswear is increasingly being accepted as the new casual style, should continue to propel sales going forward. This should also bode well for earnings, as margins on lifestyle products tend to be higher than for genuine sportswear. Yet, the dress-down trend could reverse as lifestyle products are subject to rapidly changing fashion trends, while for genuine sportswear innovation and real-life performances of the star athlete wearing the brand is key. Strong performance brands can elicit a placebo effect that objectively improves outcomes in an athletic context.<sup>2</sup>



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For a long-term investment in the highly fragmented sportswear industry, we tend to favour the two leading companies, i.e., Nike and Adidas, as their brands are well established worldwide and as they have the means to invest heavily in R&D to drive innovation and in advertising to ensure maximal brand recall. Choosing further between Nike and Adidas is difficult. At an NTM P/E of ~25, both shares are expensive, and the market is expecting EPS growth of ~15% for both companies in the coming years. Adidas' operating margin is only half Nike's. While this indicates Adidas has a significant room for improvement, its track record is one of boom and bust, while Nike always has, except for a few hiccups, executed perfectly.

<sup>2</sup>Source: Aaron Garvey, Frank Germann, and Lisa Bolton (2015) "Performance Brand Placebos: How Brands Improve Performance and Consumers Take the Credit", in *Advances in Consumer Research*, Vol. 43, Association for Consumer Research, Pages: 163-169

# FOCUS: ADIDAS AG (ADS GY)

## ADD – CONSENSUS TARGET PRICE: EUR 93.72

### Company Description

adidas AG is the world's second-largest and Europe's largest sportswear company with a FY14 global and European market share of resp. 10.5% and 13.6%. The group owns the brands adidas, Reebok, TaylorMade-adidas Golf and Reebok-CCM Hockey. By product category, adidas' FY15 revenue of EUR 16.9 bn was split across: 49% footwear, 41% apparel and 9% hardware. By geography, the breakdown was: 27% Western Europe, 16% North America, 15% Greater China, 14% MEAA, 11% Latam, 5% Japan, 4% Russia/CIS and 9% Other business.

### SGPB Thinks:

- adidas is a strong and widely recognised sportswear brand. Given its significant market shares in every region of the world (except for the US) and its proven ability to innovate, we expect the company to grow sales at least in line with the global activewear industry. However, we believe its potential for increasing market share in the US is limited due to the dominance of its competitor Nike in the region.
- Although it has its roots in football (soccer), adidas has made significant inroads into other sports too. Its main focus is on five categories: football, running, basketball, training and outdoor. Growing market share outside the football category is a growth opportunity. Moreover, we feel adidas has the ability to grow as a lifestyle brand, but this would take careful management as the brand image must not be diluted.
- FY15 has been a strong year for adidas. Reported and currency-neutral revenues grew by resp. 16% and 10%. Gross margin increased by 60 bps to 48.3%, but operating margin excl. goodwill decreased by 10 bps to 6.5% due to the rise in opex. Recurring EPS (excl. goodwill) jumped 22% to EUR 3.32.
- Dividend was set at EUR 1.60 per share (+7%). For FY16, management is expecting currency-neutral sales growth of 10–12%, a gross margin of 47.3–47.8% and an operating margin (excl. goodwill) of ≥6.5%. All this should lead to a growth in recurring net income (excl. goodwill) of 10–12% to ~EUR 800 mn.
- Although valuation is high at an FY16E P/E of 24.6x vs. a 10-year median of 14.3x and the discount to Nike has been significantly reduced, we feel this is warranted given adidas' growth opportunities, possibility of portfolio rationalisation and the CEO change later in the year.

### Risks To Our Investment Case:

- The global sportswear market is fragmented and highly competitive, with Nike almost double the size of adidas, and a large number of small but trendy and ambitious players with a (global and local) market share of <5%.
- As the vast majority of production is sourced to Asia, a rise in the USD increases operating expenses. Less favourable USD hedging will pressurise the gross margin.
- Although the group intends to mitigate this impact through better pricing and mix (product, mix, channel), there is no guarantee this will work.
- Finally, adidas has a rather poor track record of meeting its stated targets.

Description	Current
Currency	Euro
Market Cap (bn)	20.29
Price	96.97
52 Wk Low	62.51
52 Wk High	101.70
Profitability	2016(e)
Profit Margin	4.37
ROA	5.85
ROE	13.43
ROC *	7.78
Valuation	2016(e)
PE Ratio 2016(e)	24.16
Price/Sales 2016(e)	1.03
Price/Book 2016(e)	3.24
Dividend Yield	2016(e)
Dividend Yield 2016(e)	1.86

\* Data as of (current year - 1)

Sources: SGPB, Bloomberg & FactSet

# FOCUS: NIKE, INC CLASS B (NKE US)

## ADD – CONSENSUS TARGET PRICE: USD 72.32

### Company Description

Nike Inc is the world's largest sportswear company with an FY14 global market share of 15.9%. It is the market leader in every region of the world except for Europe. In the US, Nike's market share amounts to 20.6%. The group's brands are NIKE, Jordan, Hurley and Converse. By product category, Nike's FY15 USD 30.6 bn revenue breakdown was: 60% footwear, 28% apparel, 5% equipment and 7% Converse. By geography, the breakdown was: 45% North America, 19% Western Europe, 10% Greater China, 5% Central & Eastern Europe, 3% Japan, 13%, Emerging markets and 6% Converse.

### SGPB Thinks:

- Nike's 'swoosh' is one of the most recognised brand logos in the world. Its brand reputation, leading market shares and its financial resources to invest in innovation and advertising, in our view, should enable the group to at least grow in line with the global sportswear industry.
- Although Nike has its roots in basketball, it has made significant inroads into other sports too. The Nike brand is focused on eight categories: running, basketball, football (soccer), men's training, women's training, action sports, sportswear and golf.
- Growing market share outside the basketball and running category is a growth opportunity. In our view, Nike has the ability to grow as a lifestyle brand (sportswear category), which should benefit its margins. However, we also believe that alongside this growth, Nike will need to preserve its reputation as a genuine performance brand.
- After a strong FY15 (ended May), Nike's 1Q16 and 2Q16 results were solid. YoY, 1H16 reported and currency-neutral revenues were up resp. 5% and 13%. Gross margin expanded by 70 bps to 46.6% and operating margin increased by 80 bps to 14.7%. 1H16 EPS rose 22% to USD 1.12.
- For 1Q16 and 2Q16, Nike declared a dividend of resp. USD 0.14 (+17%) and USD 0.16 (+14%) per share. FY16 sales are to grow mid single-digit on a reported basis with gross margin expanding by 50 bps. FY16 guidance is for high single-digit growth in SG&A.
- At 25.2x EPS for FY17E vs. the 10-year median of 16.7x, the stock is expensive. However, we feel this is justified given the group's leadership position, profitability and expected sales and earnings growth.

### Risks To Our Investment Case:

- The global sportswear market is fragmented and highly competitive. adidas is the most important competitor. The other players (Under Armour, New Balance, Puma, Asics, Li Ning, etc.) only have small market shares (<5%), but are very ambitious.
- Nike's track record has been almost impeccable, leading to strong investor confidence in the group's long-term targets, which in turn has led to a high valuation. Any stumble in quarterly earnings may cause a hefty share price reaction.
- As Nike already boasts a sector-leading operating margin, further increases might prove to be difficult despite the group's target to raise gross margin by 30–50 bps per year till 2020.

Description	Current
Currency	U.S. Dollar
Market Cap (bn)	90.44
Price	59.25
52 Wk Low	47.25
52 Wk High	68.20
Profitability	2016(e)
Profit Margin	11.39
ROA	16.23
ROE	27.71
ROC *	25.02
Valuation	
PE Ratio 2016(e)	27.62
Price/Sales 2016(e)	2.80
Price/Book 2016(e)	7.66
Dividend Yield	
Dividend Yield 2016(e)	1.03

\* Data as of (current year - 1)

Sources: SGPB, Bloomberg & FactSet

# Market Dashboard & Conviction-list Performance

## Conviction Lists<sup>2</sup> & Benchmarks

03/07/2016	Inception Date		Weekly	YTD
<b>Global CL</b>	<b>09/14/2009</b>	<b>44.4%</b>	<b>4.6%</b>	<b>-5.9%</b>
Developed Asia-Pacific CL	02/22/2016	5.5%	5.7%	5.5% <sup>1</sup>
European CL	03/10/2010	29.2%	2.1%	-7.1%
US CL	03/10/2010	40.6%	3.4%	-3.1%
Emerging CL	02/22/2016	6.0%	7.1%	6.0% <sup>1</sup>
Dividend CL	02/05/2015	-3.3%	1.2%	-3.8%
<b>MSCI AC World</b>	<b>09/14/2009</b>	<b>36.4%</b>	<b>4.2%</b>	<b>-3.0%</b>
MSCI Pacific Index	02/22/2016	4.7%	5.8%	-5.1%
MSCI Europe	03/10/2010	28.2%	2.2%	-6.6%
SPX Index	03/10/2010	74.7%	3.6%	-2.1%
MSCI Emerging Markets	02/22/2016	6.1%	7.4%	0.1%
MSCI World High Dividend Yield	02/05/2015	-3.9%	3.8%	0.9%

Sources: Bloomberg & Société Générale Private Banking

## MSCI World AC Group Ranked Returns

03/07/2016	Weekly	YTD	52 Week Rolling	
			Low	High
<b>MSCI AC World</b>	<b>4.2%</b>	<b>-3.0%</b>	<b>10.3%</b>	<b>-12.7%</b>
Energy	8.9%	4.8%	25.6%	-25.7%
Telecom Services	2.7%	3.1%	11.6%	-9.7%
Utilities	2.6%	2.7%	8.7%	-7.3%
Cons. Staples	2.1%	0.7%	10.5%	-2.2%
Financials	6.4%	-7.3%	13.5%	-18.8%
Cons. Discretionary	3.3%	-4.3%	11.3%	-10.1%
Materials	7.9%	3.4%	21.6%	-21.6%
Industrials	4.1%	-0.3%	12.5%	-10.3%
Info Technology	3.2%	-4.3%	10.6%	-8.8%
Healthcare	2.3%	-7.3%	6.6%	-14.9%

Source: Bloomberg

## Global Style Counselling<sup>3</sup>

03/07/2016	Weekly	YTD	52 Week Rolling	
			Low	High
<b>MSCI AC WORLD</b>	<b>4.2%</b>	<b>-3.0%</b>	<b>10.3%</b>	<b>-12.7%</b>
MSCI World Value	4.8%	-2.3%	10.4%	-12.6%
MSCI World Growth	3.0%	-4.3%	8.5%	-9.9%
MSCI World Small Cap	5.2%	-2.5%	12.8%	-11.6%
MSCI World Large Cap	4.2%	-3.1%	9.9%	-12.8%

Source: Bloomberg

<sup>1</sup> Performance since 02/22/2016.

<sup>2</sup> Conviction lists' content is detailed on the following pages.

<sup>3</sup> Each style is defined according to MSCI standards, detailed in the glossary.

Past performance is not a reliable indicator of the future performance. The amounts indicated above do not include any fees, duties or other charges which may be added in case of conclusion of an operation.

# Global Conviction List...

## List Definition

- List comprises Societe Generale Private Banking Equity Experts' convictions with exclusively buy rated listed companies.
- The selection derives from Societe Generale Private Banking investment universe.
- Any update in the list is announced through a "Conviction List Change" publication.

### U.S.

**Alphabet Inc** (GOOGL US)  
**Apple Inc** (AAPL US)  
**Check Point Software Technologies Ltd** (CHKP US)  
**Citigroup Inc** (C US)  
**Oracle Corp** (ORCL US)  
**Thermo Fisher Scientific Inc** (TMO US)  
**United Technologies Corp** (UTX US)  
**Walt Disney Co** (DIS US)

### EUROPE

**BNP Paribas SA** (BNP FP)  
**Bayer AG** (BAYN GR)  
**Cie de St-Gobain SA** (SGO FP)  
**ING Groep NV** (INGA NA)  
**LafargeHolcim Ltd** (LHN VX)  
**LVMH SE** (MC FP)  
**Pernod Ricard SA** (RI FP)  
**Schneider Electric SE** (SU FP)  
**WPP Plc** (WPP LN)

### ASIA

**Alibaba Group Holding Ltd** (BABA US)  
**China Construction Bank Corp** (939 HK)  
**Japan Airlines** (9201 JP)  
**Japan Tobacco Inc** (2914 JP)  
**Mitsubishi UFJ Financial Group** (8306 JP)  
**Mitsui & Co Ltd** (8031 JP)  
**Samsung Electronics Co Ltd** (SMSN LI)

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# ...& Historical Performance

## Global Conviction List

03/07/2016

Code	Company Name	Last Price	Perf.*	Target Price **	Upside	Industry	Entry Date
BABA US	Alibaba Group Holding Ltd	72.89	-25%	95.00	30%	Information Technology	01/19/2015
GOOGL US	Alphabet Inc	712.80	16%	850.00	19%	Information Technology	08/25/2015
AAPL US	Apple Inc	101.87	11%	160.00	57%	Information Technology	06/19/2014
BAYN GR	Bayer AG	98.06	-18%	119.00	21%	Health Care	09/09/2015
BNP FP	BNP Paribas	45.63	15%	66.00	45%	Financials	04/04/2013
CHKP US	Check Point Software Technologies Ltd	83.40	8%	98.00	18%	Information Technology	02/11/2015
939 HK	China Construction Bank Corp	4.87	-25%	8.75	80%	Financials	01/03/2012
SGO FP	Cie de St-Gobain	37.25	-7%	51.00	37%	Industrials	04/29/2015
C US	Citigroup	42.61	-16%	69.00	62%	Financials	10/16/2013
INGA NA	ING Groep NV	11.23	3%	16.70	49%	Financials	06/10/2014
9201 JP	Japan Airlines Co Ltd	4,092.00	-2%	4,950.00	21%	Industrials	09/11/2015
2914 JP	Japan Tobacco Inc	4,624.00	78%	5,300.00	15%	Consumer Staples	01/08/2013
LHN V X	LafargeHolcim Ltd	43.33	-27%	70.00	62%	Materials	08/26/2015
MC FP	LVMH SE	154.65	-5%	190.00	23%	Consumer Discretionary	06/04/2015
8306 JP	Mitsubishi UFJ Financial	553.20	17%	720.00	30%	Financials	01/10/2013
8031 JP	Mitsui & Co Ltd	1,450.00	19%	1,930.00	33%	Industrials	09/14/2009
ORCL US	Oracle Corp	38.36	27%	49.00	28%	Information Technology	06/24/2013
RI FP	Pernod Ricard SA	98.81	-4%	120.00	21%	Consumer Staples	01/19/2015
SMSN LI	Samsung Electronics Co Ltd	505.50	-20%	720.00	42%	Information Technology	02/09/2015
SU FP	Schneider Electric SE	56.71	-8%	73.00	29%	Industrials	06/30/2015
TMO US	Thermo Fisher Scientific Inc	141.55	13%	151.00	7%	Health Care	02/11/2015
UTX US	United Technologies Corp	96.92	37%	118.00	22%	Industrials	09/22/2010
DIS US	Walt Disney Co	99.39	0%	120.00	21%	Consumer Discretionary	01/08/2016
WPP LN	WPP Plc	1,548.00	118%	1,630.00	5%	Consumer Discretionary	07/27/2011

List Performance Since Inception: 44.4%

List Potential Upside: 47.0%

Sources: SGPB & Bloomberg

\* Price Return Since Inception

\*\* Target price is a 12-month forecast price defined by SGPB Equity Experts

## Weekly Comment

- The Global Conviction List advanced 4.6% last week, outperforming the MSCI AC World Index, which gained 4.2%
- The week's best performer was Mitsubishi UFJ Financial, which gained 13.7%, followed by Mitsui & Co (up 11.4%) and Citigroup (up 9.7%). On the other hand, the week's worst performing stock, Alphabet, fell 0.6%.
- The List offers an average upside of 47.0%, based on our Equity Experts' target prices.

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# Dividend Conviction List

## List Definition

- List comprises Societe Generale Private Banking Equity Experts' convictions with exclusive buy rating and an attractive dividend yield.
- The selection aims at generating dividend income.
- The selection derives from Societe Generale Private Banking investment universe.
- Any update in the list is announced through a "Conviction List Change" publication.

03/07/2016

Bloomberg Code	Company Name	Dividend Yield*	Last Price	Perf.**	Target Price***	Upside	Industry	Entry Date
CS FP	AXA SA	5.6%	21.06	2%	29.00	38%	Financials	02/05/2015
BA/ LN	BAE Systems Plc	4.3%	500.50	-3%	570.00	14%	Industrials	02/05/2015
CVX US	Chevron Corp	4.8%	90.67	-9%	112.00	24%	Energy	06/23/2015
KO US	Coca-Cola	3.2%	44.01	5%	48.00	9%	Consumer Staples	02/05/2015
ENEL IM	Enel SpA	4.4%	3.66	-8%	4.64	27%	Utilities	08/25/2015
ENGI FP	Engie SA	7.1%	14.01	-27%	21.00	50%	Utilities	02/05/2015
GSK LN	GlaxoSmithKline Plc	5.8%	1,375.00	-8%	1,530.00	11%	Health Care	02/05/2015
INGA NA	ING Groep NV	6.2%	11.23	-15%	16.70	49%	Financials	10/06/2015
LLOY LN	Lloyds Banking Group Plc	6.2%	72.75	-1%	86.00	18%	Financials	11/26/2015
RDSA NA	Royal Dutch Shell Plc	7.7%	21.74	-21%	31.60	45%	Energy	05/19/2015
SU FP	Schneider Electric SE	3.6%	56.71	-8%	73.00	29%	Industrials	06/30/2015
VIE FP	Veolia Environnement SA	3.8%	20.67	25%	25.00	21%	Utilities	02/05/2015
DG FP	Vinci SA	3.1%	63.70	28%	65.20	2%	Industrials	02/05/2015

List Performance Since Inception: -3.3%

List Potential Upside: 25.2%

Sources: SGPB & Bloomberg

\* Estimated annual dividend yield for the next 12 months (average of the estimates given by the contributors to the Bloomberg consensus)

\*\* Price Return Since Inception

\*\*\* Target price is a 12-month forecast price defined by SGPB Equity Experts

Dividend Yield	%
Bovespa Index	3.8%
Euro Stoxx50	3.9%
FTSE 100	4.5%
SMI	3.6%
Straits Times Index	4.2%
S&P 500	2.2%
Nikkei 225	1.9%

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# Emerging Markets Overview

## Conviction List

03/07/2016

Code	ADR/GDR*	Company Name	Last Price	Perf.**	Target Price ***	Upside	Industry	Entry Date
BABA US	BABA US	Alibaba Group Holding Ltd	72.89	6%	95.00	30%	Information Technology	02/22/2016
BBDC4 BZ	BBD US	Banco Bradesco SA	26.16	25%	26.00	-1%	Financials	02/22/2016
BBL-R TB	-	Bangkok Bank PCL	172.00	9%	240.00	40%	Financials	02/22/2016
939 HK	-	China Construction Bank Corp	4.87	5%	8.75	80%	Financials	02/22/2016
012330 KS	-	Hyundai Mobis	254,000.00	-2%	320,000.00	26%	Consumer Discretionary	02/22/2016
QEWS QD	-	Qatar Electricity and Water Company	200.00	0%	243.00	22%	Utilities	02/22/2016
SMSN LI	SMSN LI	Samsung Electronics Co Ltd	505.50	5%	720.00	42%	Information Technology	02/22/2016
2330 TT	TSM US	TSMC	152.00	1%	155.00	2%	Information Technology	02/22/2016

List Performance Since Inception: **6.0%**  
List Upside: **31.4%**

Sources: SGPB & Bloomberg

\* When available, ADR/GDR most liquid. \*\* Price Return since Inception

\*\*\* Target price is a 12-month forecast price defined by SGPB Equity Experts

## Market Performances

03/07/2016	EM Index	Weekly	YTD
MXEF Index	MSCI Emerging (USD)	7.4%	0.1%
MSEUEMEA Index	MSI EMEA (USD)	8.4%	5.7%
MXLA index	MSCI LATAM (USD)	13.0%	11.4%
MXMS Index	MSCI Emerging Asia (USD)	6.2%	-2.9%
MXRU Index	MSCI Russia	9.4%	10.4%
MXBR Index	MSCI Brazil	21.1%	18.3%
MXIN Index	MSCI India	6.3%	-5.3%

Sources: SGPB & Bloomberg

## Convictions Highlights

The EM Conviction List gained 7.1% last week, underperforming the MSCI EM Index, which advanced 7.4%. Banco Bradesco was the List's best performing stock as it surged 22.6%, followed by China Construction Bank, which advanced 7.0%.

## MSCI Emerging Markets Index (USD)



## Macroeconomic Views

### Brazil GDP contracts

Brazil reported 4Q15 GDP contraction of 5.9% YoY, taking the 2015 contraction rate to 3.8%. On a QoQ basis, the country reported a 1.9% contraction, marking the fourth straight quarter of decline. In a separate measure, the Brazilian central bank maintained its discount rate at 14.25%, in line with expectations.

### China's PMI fell in February

China's official non-manufacturing PMI fell from 53.5 in January 2016 to 52.7 in February, indicating a slowdown in growth. Also, China manufacturing PMI declined to 49.0 in February. The People's Bank of China lowered its reserve requirement ratio by 50 bps to 17%, with effect from March 1 2016, to promote growth and provide liquidity.

Source: Bloomberg

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# Regional Conviction Lists

## List Definition

- List comprises Societe Generale Private Banking Equity Experts' convictions with exclusively buy rated listed companies.
- The selection derives from Societe Generale Private Banking investment universe.
- Any update in the list is announced through a "Conviction List Change" publication.



## Developed Asia-Pacific

03/07/2016

Code	Company Name	Last Price	Perf.*	Target Price **	Upside	Industry	Entry Date
1299 HK	AIA Group	41.70	5%	60.00	44%	Financials	02/22/2016
4503 JP	Astellas Pharma Inc.	1,582.00	0%	2,210.00	40%	Health Care	02/22/2016
5108 JP	Bridgestone	4,196.00	5%	5,660.00	35%	Consumer Discretionary	02/22/2016
9201 JP	Japan Airlines Co Ltd	4,092.00	-2%	4,950.00	21%	Industrials	02/22/2016
2914 JP	Japan Tobacco Inc	4,624.00	2%	5,300.00	15%	Consumer Staples	02/22/2016
8306 JP	Mitsubishi UFJ Financial	553.20	16%	720.00	30%	Financials	02/22/2016
8031 JP	Mitsui & Co Ltd	1,450.00	10%	1,930.00	33%	Industrials	02/22/2016
8801 JP	Mitsui Fudosan	2,755.50	4%	4,000.00	45%	Financials	02/22/2016
OCBC SP	Oversea-Chinese Banking Corp Ltd	8.72	10%	12.10	39%	Financials	02/22/2016

List Performance Since Inception: 5.5%

List Potential Upside: 35.4%

Sources: SGPB & Bloomberg

\* Price Return Since Inception

\*\* Target price is a 12-month forecast price defined by SGPB Equity Experts

Past performance is not a reliable indicator of the future performance. The amounts indicated above do not include any fees, duties or other charges which may be added in case of conclusion of an operation

# Europe

03/07/2016

Code	Company Name	Last Price	Perf.*	Target Price **	Upside	Industry	Entry Date
ADEN VX	Adecco SA	61.45	-8%	78.00	27%	Industrials	12/17/2015
AGN NA	Aegon NV	4.88	-22%	8.00	64%	Financials	10/29/2014
AIR FP	Airbus Group SE	61.48	9%	69.00	12%	Industrials	08/25/2015
BAYN GR	Bayer AG	98.06	-18%	119.00	21%	Health Care	09/09/2015
BNP FP	BNP Paribas	45.63	15%	66.00	45%	Financials	04/04/2013
CA FP	Carrefour SA	25.99	3%	30.00	15%	Consumer Staples	01/08/2016
SGO FP	Cie de St-Gobain	37.25	-7%	51.00	37%	Industrials	04/29/2015
EOAN GR	E.ON SE	8.54	-11%	12.00	41%	Utilities	10/13/2015
ENG SM	Enagas SA	25.47	-1%	31.00	22%	Utilities	01/08/2016
ENEL IM	Enel SpA	3.66	-8%	4.64	27%	Utilities	08/25/2015
FME GY	Fresenius Medical Care AG	75.67	-3%	90.00	19%	Health Care	01/08/2016
INGA NA	ING Groep NV	11.23	3%	16.70	49%	Financials	06/10/2014
LHN VX	LafargeHolcim Ltd	43.33	-27%	70.00	62%	Materials	08/26/2015
ERICB SS	LM Ericsson Telefon AB	79.00	-7%	100.00	27%	Information Technology	10/06/2015
MC FP	LVMH SE	154.65	-5%	190.00	23%	Consumer Discretionary	06/04/2015
RI FP	Pernod Ricard SA	98.81	-4%	120.00	21%	Consumer Staples	01/19/2015
PUB FP	Publicis Groupe	58.42	-4%	70.00	20%	Consumer Discretionary	12/01/2015
SU FP	Schneider Electric SE	56.71	-8%	73.00	29%	Industrials	06/30/2015
TUI GR	TUI AG	13.32	-19%	20.90	57%	Consumer Discretionary	03/25/2015
VIE FP	Veolia Environnement SA	20.67	15%	25.00	21%	Utilities	04/08/2015
WDI GY	Wirecard AG	37.21	-4%	50.00	34%	Information Technology	05/08/2015
WIZZ LN	Wizz Air Holdings Plc	1,827.00	3%	2,150.00	18%	Industrials	11/06/2015
WPP LN	WPP Plc	1,548.00	118%	1,630.00	5%	Consumer Discretionary	07/27/2011

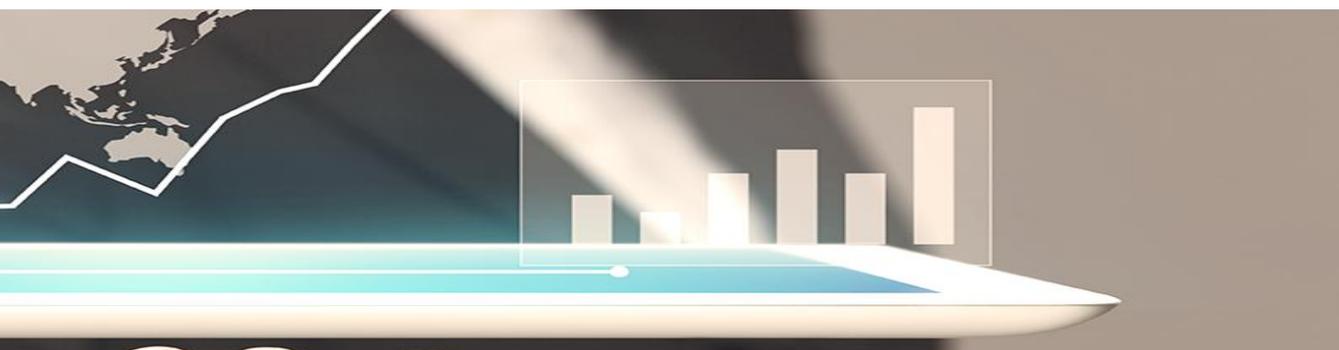
List Performance Since Inception: **29.2%**

List Upside: **39.3%**

Sources: SGPB & Bloomberg

\* Price Return Since Inception

\*\* Target price is a 12-month forecast price defined by SGPB Equity Experts



# United States

03/07/2016

Code	Company Name	Last Price	Perf.*	Target Price **	Upside	Industry	Entry Date
GOOGL US	Alphabet Inc	712.80	16%	850.00	19%	Information Technology	08/25/2015
AAPL US	Apple Inc	101.87	11%	160.00	57%	Information Technology	06/19/2014
CHKP US	Check Point Software Technologies Ltd	83.40	8%	98.00	18%	Information Technology	02/11/2015
C US	Citigroup	42.61	-16%	69.00	62%	Financials	10/16/2013
KO US	Coca-Cola	44.01	18%	48.00	9%	Consumer Staples	10/04/2013
CVS US	CVS Health Corp	98.42	0%	117.00	19%	Consumer Staples	09/25/2015
GILD US	Gilead Sciences Inc	89.65	11%	125.00	39%	Health Care	06/12/2014
ORCL US	Oracle Corp	38.36	27%	49.00	28%	Information Technology	06/24/2013
TMO US	Thermo Fisher Scientific Inc	141.55	13%	151.00	7%	Health Care	02/11/2015
UTX US	United Technologies Corp	96.92	37%	118.00	22%	Industrials	09/22/2010
DIS US	Walt Disney Co	99.39	0%	120.00	21%	Consumer Discretionary	01/08/2016

List Performance Since Inception: **40.6%**

List Upside: **37.6%**

Sources: SGPB & Bloomberg

\* Price Return Since Inception

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# Convictions By Sectors

	Name	Bloomberg Code
<b>Consumer Discretionary</b>	Bridgestone Corp	5108 JP
	Hyundai Mobis Co Ltd	012330 KS
	LV/MH SE	MC FP
	Publicis Groupe	PUB FP
	TUI AG	TUI1 GR
	Walt Disney Co	DIS US
	WPP PLC	WPP LN
<b>Consumer Staples</b>	Carrefour SA	CA FP
	Coca-Cola	KO US
	CVS Health Corp	CVS US
	Japan Tobacco Inc	2914 JP
	Pernod Ricard SA	RI FP
<b>Energy</b>	Chevron Corp	CVX US
	Royal Dutch Shell Plc	RDSA NA
<b>Financials</b>	Aegon NA	AGN NA
	AIA Group Ltd	1299 HK
	AXA SA	CS FP
	Banco Bradesco SA	BBDC4 BZ
	Bangkok Bank PCL	BBL-R TB
	BNP Paribas SA	BNP FP
	China Construction Bank Corp	939 HK
	Citigroup Inc	C US
	ING Groep NV	INGA NA
	Lloyds Banking Group Plc	LLOY LN
	Mitsubishi UFJ Financial Group Inc	8306 JP
	Mitsui Fudosan Co Ltd	8801 JP
	Oversea-Chinese Banking Corp Ltd	OCBC SP
<b>Healthcare</b>	Astellas Pharma Inc.	4503 JP
	Bayer AG	BAYN GR
	Fresenius Medical Care & Co KGaA	FME GY
	Gilead Sciences Inc	GILD US
	GlaxoSmithKline Plc	GSK LN
	Thermo Fisher Scientific Inc	TMO US
<b>Industrials</b>	Adecco SA	ADEN VX
	Airbus Group SE	AIR FP
	BAE Systems Plc	BA/ LN
	Cie de St-Gobain	SGO FP
	Japan Airlines Co Ltd	9201 JP
	Mitsui & Co Ltd	8031 JP
	Schneider Electric SE	SU FP
	United Technologies Corp	UTX US
	Vinci SA	DG FP
	Wizz Air Holdings Plc	WIZZ LN
<b>Information Technology</b>	Alibaba Group Holding Ltd	BABA US
	Alphabet Inc	GOOG US
	Apple Inc	AAPL US
	Check Point Software Technologies Ltd	CHKP US
	LM Ericsson Telefon AB	ERICB SS
	Oracle Corp	ORCL US
	Samsung Electronics Co Ltd	SMSN LI
	TSMC	2330 TT
	Wirecard AG	WDI GY
<b>Materials</b>	LafargeHolcim Ltd	LHN VX
<b>Utilities</b>	E.ON SE	EOAN GR
	Enagas SA	ENG SM
	Enel SpA	ENEL IM
	Engie SA	GSZ FP
	Qatar Electricity & Water Co QSC	QEWS QD
	Veolia Environment SA	VIE FP

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# Rating System

## Investment Rating Definition:

- Buy** | Company from SGPB Conviction Lists, expected return above 10% or more over a 12-month investment horizon based on our experts' assumption.
- Add** | Company outside SGPB Conviction List. Proposition to reinforce or invest in companies benefiting from positive fundamentals with a positive return expected over a 12-month investment horizon, based on our experts' assumption.

## Product Risk Rating

### Product Category Risk Rating:

The product category of single equity, stock, share is rated at '4'.

In order to draw the attention of investors to the risk linked to each investment solution, Societe Generale Private Banking has ranked each product according to its own specific risk scale from the lowest risk (class 0) to the highest risk (class 4). The risk classification in 5 levels, is a Societe Generale Private Banking internal risk indicator. These internal indicators are based on the Value at Risk 95% 1 year (VaR). The VaR corresponds to the maximum amount that the portfolio being considered could lose in normal market conditions over a given period with a given probability (past performances and simulations of performance shall not be considered as a reliable indicator of future performance). If the VaR 95% 1 year is y%, this means that there is a 95% probability that the portfolio will not lose more than y% of its value in one year.

## Equity Risk Classification: 4

Risk Levels	Losses
0 - Lowest Risk	There is a 95% probability that the product will not depreciate in value in one year.
1 - Low Risk	There is a 95% probability that the product will not lose more than 5% of its value in one year.
2 - Medium Risk	There is a 95% probability that the product will not lose more than 15% of its value in one year.
3 - High Risk	There is a 95% probability that the product will not lose more than 30% of its value in one year.
4 - Highest Risk	There is a minimum of 5% probability that the product will lose more than 30% of its value in one year.

# Calculation Methodology

## Performance Calculation

At the time of inception of the conviction list, all members are based at 100. Each stock is equally weighted, so that every member has the same probability to add value to the list. The selection is made using a bottom-up approach and may not be read as a portfolio construction.

Performance of Conviction Lists and the members is calculated every week based on Monday's closing price or last trading day in case of a holiday. Rebased level for Conviction List members is obtained by applying the change in the share price (current price/last week price) to the previous rebased level. Rebased level for the Conviction Lists is obtained by averaging the rebased levels for all the conviction list members.

## Conviction List Change

Performance is also calculated as mentioned above at the time of any change in Conviction Lists such as inclusion of a new member or removal of an existing member. For inclusion or removal of a member, closing price on the day prior to the announcement is used. In addition, all members are equally weighted again by applying the last rebased level of the Conviction List.

## Performance Measurement

Weekly: % change in the current rebased level over previous week's rebased level.

YTD: % change in the current rebased level over the rebased level at the beginning of the year.

Since inception: % change in the current rebased level over the base value (100).

Since inclusion (Conviction List Members): % change in the current rebased level over the rebased level at the time of inclusion.

## Potential Upside Calculation

Of Members: is obtained by ascertaining the % difference between the current price and target price.

Of Conviction Lists: is obtained by rebasing the upside potential of members and then averaging these rebased upside potential levels.

## Corporate Actions

Dividend payment : the performance methodology does not take into account the impact of dividend payment. Therefore, the lists' performance is purely based on price return calculation.

Stock Split : to adjust the effect a stock split, we adjust the target price by the same ratio as that of the stock split.

## Benchmarking

Performance of Conviction Lists is compared with the following relative benchmarks to ascertain the outperformance/underperformance

**Global CL** (Conviction List) : MSCI AC World

**Asian CL** : MSCI AC Asia Pacific

**European CL** : MSCI Europe

**US CL** : S&P 500

**Emerging CL** : MSCI Emerging Markets

**High Dividend CL** : MSCI World High Dividend Yield

# Glossary (1/4)

## Societe Generale Private Banking Investment Universe

Societe Generale Private Banking defines and maintains an investment universe, aiming at ensuring the liquidity and the meaningful coverage of companies subject to potential investments.

This investment universe complies with rules defined as follows:

**-Issuers are constituents of MSCI indices:** The constituents of the indices retained cover developed and emerging countries with increased precision (average market capitalisation) for Germany, Belgium, France, the UK and Switzerland.

**-Market Capitalisation:** To avoid the inclusion of securities whose market capitalisation could be too low in light of the potential investments by clients and/or managers, only securities whose market capitalisation is greater than €500 mn have been chosen.

**-Liquidity:** To ensure minimum liquidity for investments, only securities with a six-month average daily trading volume greater than EUR 300,000 are selected.

**-Reliable Financial Information:** Only securities tracked by at least three sell side financial analysts are included in the universe.

**-Social and Environmental Responsibility Policy of SG Group:** Societe Generale has defined a framework for Social and Environmental Responsibility. This framework sets out restrictions on listed securities identified by SG Group and deleted from the universe.

## Financial Terms and Acronyms

**ADR (American Depositary Receipt):** is a negotiable certificate issued by a US bank representing a specified number of shares in a foreign stock that is traded on a US exchange. ADRs are denominated in US dollars, with the underlying security held by a US financial institution overseas.

**BACKLOG:** often refers to a company's sales orders waiting to be fulfilled. Even if it provides the revenue visibility, the companies usually try to avoid to have an extensive backlog because that creates the risk of unmet demand and thus can have negative impact on future earnings

**BENCHMARK:** is, generally, a broad market, market-segment stock or bond index that is used as a reference to evaluate the performance of a security, mutual fund or investment manager.

**BV (Book Value):** is the total value of net assets of a company. It consists of the firm's fixed assets plus its current assets, minus short-term liabilities, long-term creditors and any provisions.

**BV/S (Book Value Per Share):** is the total value of the net assets of a company divided by the total number of outstanding shares.

**C/I (Cost Income Ratio):** is used for valuing banks. It shows a company's costs in relation to its income. Formula:  $(\text{Operating Costs}/\text{Operating Income}) \times 100$ .

**CAGR (Compound Annual Growth Rate):** is a term used for the geometric progression ratio that provides a constant rate of return over a specific time period.

**CAPEX (Capital Expenditure):** is the fund used by the company to acquire or upgrade the physical assets such as property, industrial buildings or equipment. The most capital intensive industries include oil, telecom and utilities.

**CAR (Capital Adequacy Ratio):** is a measure of a bank's capital. It is expressed as a percentage of a bank's risk-weighted credit exposures. Formula:  $(\text{Tier One Capital} + \text{Tier Two Capital})/\text{Risk Weighted Assets}$ .

**CET I (Common Equity Tier I Ratio):** is a measure of the bank's common equity capital as a percentage of risk-weighted assets. It is generally compared to a defined benchmark stipulated by the regulatory authority to determine whether a bank is sufficiently capitalised.

**DIVIDEND YIELD:** Dividend per share (total dividend paid out divided by the total number of shares) expressed as a percentage of current stock price.

**EBIT (Earnings Before Interest and Taxes):** profit before taking into account interest payments and income taxes. Also referred to as operating income, it is calculated as a company's gross income minus all its operating expenses.

**EBIT Margin:** Ratio that expresses EBIT as a percentage of total sales  $(\text{EBIT}/\text{Sales} \times 100)$ ; also referred to as operating margin.

**EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation):** profit before taking into account interest payments, income taxes and non-cash operating expenses (depreciation and amortisation). It is calculated as a company's gross income minus its cash operating expenses only.

**EPS (Earnings Per Share):** is the division of total net profit by the number of shares.

## Glossary (2/4)

**EV (Enterprise Value)** is a measure of a company's value, often used as an alternative to straightforward market capitalisation. It is calculated as (market cap + debt + minority interest + preferred shares) – total cash – cash equivalents.

**EV/EBITDA:** compares the total value of the company to its EBITDA.

**EV/SALES:** compares the total value of the company to its sales.

**FCF (Free Cash Flow):** represents the difference between operating cash flow and capital expenditures and shows the company's ability to generate shareholder's value after laying out the money required to maintain or expand its asset base. Without enough cash, it would be difficult for a company to develop new products, make acquisitions, pay dividends and reduce debt.

**FFO (Funds from Operations):** measures a REIT's operating performance. It is net income plus gains (minus losses) from property sale and purchase. Non-cash expenses like depreciation and amortisation are added back because value of real estate tends to rise over time rather than depreciating like other fixed assets and investments. FFO per share is often used in place of earnings per share when analysing REITs.

**FY1 (Fiscal Year One):** refers to the current fiscal year.

**FY2 (Fiscal Year Two):** refers to the next fiscal year.

**GDR (Global Depositary Receipt):** is very similar to an ADR. It is a bank certificate issued in more than one country for shares in a foreign company. The shares are held by a foreign branch of an international bank. The shares trade as domestic shares, but are offered for sale globally through the various bank branches.

**GOODWILL:** is an intangible asset that arises as a result of the acquisition of one company by another company for a premium value and can have as origin the value of a company's brand name, solid customer base, good customer relations, good employee relations and any patents or proprietary technology.

**GROSS INCOME:** gross profit calculated as a company's total sales minus its cost of goods sold (COGS) that corresponds to labour and production costs.

**GROSS MARGIN:** expresses gross income as a percentage of total sales (Gross Income/Sales\*100).

**IPO (Initial Public Offering):** is the first sale of stock by a private company to the public to expand its growth or, sometimes, repay its debt.

**LIKE FOR LIKE (LFL) GROWTH:** is a measure of growth in sales, adjusted for new or divested businesses. This is a widely used indicator of retailers' performance. This adjustment is important in businesses that show a significant change through expansion, disposals or closures.

**LTV (Loan-To-Value Ratio):** is a financial term used to express the ratio of a loan to the value of an asset purchased. The term is commonly used by financial institutions and real estate companies to represent the ratio of the loan as a percentage of the total appraised value of real property.

**NAV (Net Asset Value):** is similar to book value and is also called per investment unit. NAV is the marked-to-market value of the company's property investments less liabilities.

**ND (Net Debt):** is calculated as a company's total debt minus cash and other similar liquid assets.

**NET MARGIN:** is a financial ratio which measures the profitability of the net income of a company. Formula: Net Profit/Sales.

**NI (Net Income or Bottom Line):** represents a company's total earnings (or profit) which is calculated by adjusting revenues for the costs, depreciation, interest, taxes and other expenses.

**OPERATING MARGIN:** See definition of EBIT Margin.

**ORGANIC GROWTH:** is the growth rate that a company can achieve by increasing its output and enhancing sales, excluding any profits or growth from takeovers or M&A activities.

**P/E or PER (Price Earnings Ratio):** reflects the trading price of a share in relation to the expected earnings. Formula: Share Price/Earnings Per Share.

**P/TBVS (Price To Tangible Book Value):** expresses the share price with regard to the accounting value of the company. Formula: Share Price/Tangible Book Value Per Share.

**PAYOUT RATIO:** is the proportion of earnings paid out as dividends to shareholders and typically expressed as a percentage. A lower payout ratio is generally preferable to a higher payout ratio. A ratio greater than 100% indicates the company is paying out more in dividends than it makes in net income.

## Glossary (3/4)

**PROFIT WARNING:** is the announcement made by the company before its earnings release indicating the investors that its earnings would not meet the analysts' expectations.

**RWA (Risk Weighted Assets):** is a measure of the bank's assets, weighted according to their risk. It involves the risk weighting of both on and off-balance-sheet exposures. It is generally used to calculate risk-based capital ratio which is the ratio of a bank's capital to its risk weighted assets.

**REVENUE GROWTH:** Illustrates the growth of sales over a given period.

**ROA (Return on assets):** a financial ratio that is calculated as net income divided by total assets and shows how profitable a company is relative to its total assets

**ROC (Return on invested capital):** a profitability ratio which is calculated as net income minus dividends divided by total invested capital.

**ROE (Return On Equity):** The amount of net income returned as a percentage of shareholders' equity. Return on equity measures a corporation's profitability by disclosing how much profit a company generates with the money shareholders have invested.

**SHARE BUYBACK (Share Repurchase):** A program by which a company buys back its own shares from the marketplace, reducing the number of outstanding shares. It usually indicates that the company's shares are undervalued and pushes the share prices up.

**SHAREHOLDER'S EQUITY:** is the amount of the funds contributed by the owners (the stockholders) plus the retained earnings (or losses).

**STOCK SPLIT:** is a corporate action in which the company divides its existing shares into multiple shares to make shares seem more affordable for small investors without changing the underlying value of the company.

**TBV (Tangible Book Value):** is the book value excluding intangible assets.

**TBV/S (Tangible Book Value Per Share):** allows to estimate the accounting value of a company by measuring its stockholders' equity per share. Formula: Re-valued Net Assets/Total Shares of Company.

**WACC (Weighted Average Cost of Capital):** also referred to as the firm's cost of capital, it is the rate that a company is expected to pay on an average to all its security holders to finance its assets.

**WORKING CAPITAL:** is the difference between a company's current assets and current liabilities and shows whether the company has sufficient short-term assets to cover its short-term debts.

*Sources: FactSet, Bloomberg, SGPB*

## Indices

**MSCI AC WORLD:** is a free float-adjusted market capitalisation weighted index that is designed to measure the equity market performance of developed markets. The MSCI World Index consists of the following 23 developed market country indexes: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the UK, and the US (as of 2 June 2014).

**MSCI AC ASIA PACIFIC:** is a free float-adjusted market capitalisation weighted index that is designed to measure the equity market performance of the developed and emerging markets in the Pacific region. The MSCI AC Pacific Free Index consists of the following 12 developed and emerging market countries: Australia, China, Hong Kong, Indonesia, Japan, Korea, Malaysia, New Zealand, the Philippines, Singapore, Taiwan, and Thailand (as of 2 June 2014).

**MSCI EUROPE:** is a free float-adjusted market capitalisation weighted index that is designed to measure the equity market performance of the developed markets in Europe. The MSCI Europe Index consists of the following 15 developed market country indexes: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the UK (as of 2 June 2014).

**MSCI EMERGING MARKETS:** is a free float-adjusted market capitalisation index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consists of the following 23 emerging market country indexes: Brazil, Chile, China, Colombia, the Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, the Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey\* and the UAE (as of 2 June 2014).

**MSCI WORLD HIGH DIVIDEND YIELD:** is based on the MSCI World Index, its parent index, and includes large- and mid-cap stocks across 23 Developed Markets (DM) countries (as of 31 March 2014). The index is designed to reflect the performance of equities in the parent index (excluding REITs) with higher dividend income and quality characteristics than average dividend yields that are both sustainable and persistent.

## Glossary (4/4)

**MSCI WORLD VALUE:** captures large- and mid-cap securities exhibiting overall value style characteristics across 23 Developed Markets countries (as of 31 March 2014). The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield. With 853 constituents, the index targets 50% coverage of the free float-adjusted market capitalisation of the MSCI World Index.

**MSCI WORLD GROWTH:** captures large- and mid-cap securities exhibiting overall growth style characteristics across 23 Developed Markets countries (as of 31 March 2014). The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend.

**MSCI WORLD SMALL CAP:** captures small cap representation across 23 Developed Markets (DM) countries (as of 31 March 2014). With 4,302 constituents, the index covers approximately 14% of the free float-adjusted market capitalisation in each country.

**MSCI WORLD LARGE CAP:** captures large-cap representation across 23 Developed Markets (DM) countries (as of 31 March 2014). With 737 constituents, the index covers approximately 70% of the free float-adjusted market capitalisation in each country.

**MSCI EMEA:** is a free float-adjusted market capitalisation weighted index that is designed to measure the equity market performance of the emerging market countries of Europe, the Middle East and Africa. The MSCI EM EMEA Index consists of the following 10 emerging market country indexes: the Czech Republic, Greece, Hungary, Poland, Russia, Turkey, Egypt, South Africa, Qatar and the UAE.

**MSCI LATAM:** captures large- and mid-cap representation across five emerging market (EM) countries (as of 31 March 2014) in Latin America. With 137 constituents, the index covers approximately 85% of the free float-adjusted market capitalisation in each country.

**MSCI EMERGING ASIA:** captures large and mid-cap representation across eight EM countries (as of 31 March 2014). With 537 constituents, the index covers approximately 85% of the free float-adjusted market capitalisation in each country.

**MSCI RUSSIA:** is designed to measure the performance of the large- and mid-cap segments of the Russian market. With 22 constituents, the index covers approximately 85% of the free float-adjusted market capitalisation in Russia.

**MSCI BRAZIL:** is designed to measure the performance of the large- and mid-cap segments of the Brazilian market. With 70 constituents, the index covers about 85% of the Brazilian equity universe.

**MSCI INDIA:** is designed to measure the performance of the large- and mid-cap segments of the Indian market. With 64 constituents, the index covers approximately 85% of the Indian equity universe.

**Euro Stoxx 50:** is the leading blue-chip index for the eurozone and provides a blue-chip representation of supersector leaders in the Eurozone. The index covers 50 stocks from 12 Eurozone countries. The Index is licensed to financial institutions to serve as underlying for a wide range of investment products such as Exchange Traded Funds (ETF), Futures and Options and structured products.

**FTSE 100:** comprises the 100 most highly capitalised blue chip companies, representing approximately 81% of the UK market. It is used extensively as a basis for investment products, such as derivatives and exchange-traded funds.

**S&P 500:** includes 500 leading companies in the leading industries of the US economy. It is a core component of the US indices that could be used as building blocks for portfolio construction. It is also the US component of S&P Global 1200.

**Nikkei 225:** is the leading index of Japanese stocks. It is a price-weighted index comprised of Japan's top 225 blue-chip companies on the Tokyo Stock Exchange. The Nikkei is equivalent to the Dow Jones Industrial Average Index in the US.

*Sources: FactSet, Bloomberg, MSCI global equity indexes, SGPB*

# Important Disclosures

SG acted as co-manager in Adecco's bond issue (7.5 yr)

SG acted as joint bookrunner in Aegon's bond issue (RegS, EUR, 5yr).

SG acted as Sole Global Coordinator & Joint Bookrunner in Airbus' convertible bond issue (7yr).

SG is Listing Sponsor of Astellia on Alternext

SG acted as a joint bookrunner in Bayer's hybrid bond issue

SG acted as joint bookrunner in BNPP's bond issue (EUR, 10yr).

SG acted as joint bookrunner in Carrefour Banque's bond issue (EUR, 5yr).

SG acted as Global Coordinator and Joint bookrunner in Carrefour's disposal of treasury shares.

SG acted as co-manager in Chevron's bond issue.

SG acted as co-manager in Chevron's bond issue (USD, 2,3,5,10 yr)

SG acted as Co-manager in Citigroup's bond issue (10yr)

SG acted as Co-manager in Citigroup's bond issue.

SG acted as co-manager in Citigroup's bond issue (USD)

SG acted as co-manager in Citigroup's bond issue (USD 12y).

SG acted as co-manager in Citigroup's bond issue (5y SEC).

SG acted as co-manager in Citigroup's bond issue ((USD perpNC5).

SG is acting as co-manager in Citigroup's bond issue (10yr).

SG is acting as joint bookrunner in Coca Cola HBC's bond issue (EUR benchmark 8yr). SG is acting as Joint Dealer Manager in Coca Cola HBC's tender offer (XS0466300257).

SG acted as passive bookrunner for Enagas's bond issue (8y EUR).

SG makes a market in Enel warrants

SG acted as passive joint bookrunner in GDF Suez's bond issue.

SG acted as a lead structuring advisor in Engie's bond tender offer.

SG acted as a joint lead manager in ING Groep bond issue

SG acted as joint lead manager in ING Belgium's bond issue (EUR)

SG acted as financial advisor to Holcim in the merger with Lafarge.

SG was dealer manager of the squeeze-out initiated by LafargeHolcim on Lafarge's shares, following the public exchange offer.

SG acted Joint Structuring Advisors & Joint Dealer Managers in Lafarge's bond buy-backs (ISINs: XS0235605853, XS0434974217, XS0307005545, XS0501648371, XS0562783034, XS0801954867, XS0473114543, XS0215159731, XS0975113498, XS0430665108, XS0158276708).

SG was dealer manager of the squeeze-out initiated by LafargeHolcim on Lafarge's shares, following the public exchange offer.

SG acted as joint bookrunner in Lloyds Bank bond issue (5y).

SG is acting as co-manager in Mitsubishi UFG Financial group's bond issue (USD,5-10yr)

SG is acting as financing joint mandated lead manager with Royal Dutch Shell PLC for the acquisition of BG Group PLC.

SG acted as a joint lead manager in Royal Dutch Shell's bond issue.

SG acted as joint bookrunner in Schneider Electric's bond issue (EUR, 8yr).

SG acted as co-manager in United Technologies's new bond issue (USD)

SG acted as co-manager in United Technologies Corporation's bond issue (8yr, EUR).

SG acted as senior co-manager on UTX's bond issue (EUR 2y, 5y, 10y).

SG acted as senior co-manager on UTX's bond issue (EUR 2y, 5y, 10y).

SG acted as joint bookrunner in the Veolia Environnement's block trade sold by Groupama.

SG acted as joint bookrunner in Veolia Environnement's tender offer (ISIN:FR0010750489, FR0010918490, FR0010474239)

SG acted as global coordinator in Veolia Environnement's bond issue (EUR Long 12y)

SG acted as sole bookrunner in Qatar Holding's bloc disposal of Vinci shares

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