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Global Top30 **equity strategy**

This reflects the views of the Wealth Management Group

equities | 23 April 2015

Adding advertising exposure and banking on banks

- **ADD: CBS Corp (CBS US)** – CBS Corp is well positioned for an increase in ad spending on the back of the US presidential elections, the Super Bowl and potential auction of their TV spectrums in 2016.
- **ADD: Goldman Sachs (GS US)** – Earnings momentum at Goldman Sachs was better than expected in the latest Q1 15 results. Continued strength in mergers and acquisition activity, which rose to a post 2008 high in Q1, will be positive for the bank.
- The Q1 US earnings season is expected to quantify the negative impact of a strong US dollar on the corporate sector. Negative pre-announcement are at the highest in 10 years, setting a low expectation bar for US companies to beat.
- The European Financial Conditions Index (FCI) has tightened markedly since early April, signalling the need for short-term caution towards European equities. A temporary pullback would not be unexpected, given the rapid rise in the DJ STOXX Index YTD. We would use such a correction to add European companies to our Global Top30 list.

Global sector and industry group views preferences: OW in green, UW in red and N in orange

Financials	Energy	Technology	Industrials	Discretionary	Materials	Staples	Healthcare	Telecom	Utilities
Banks	Consumable Fuels	Software & Services	Transport	Autos	Construction Materials	Food, Beverage & Tobacco	Pharma & Biotech	Telecom	Utilities
Insurance		Semi-conductor & Equipment	Capital Goods	Media	Paper & Forest Products	Household & Personal Products			
Real Estate	Energy Equipment & Services	Hardware & Equipment	Commercial & Professional Services	Consumer Durables & Apparel	Chemicals	Food & Staples Retailing	Healthcare Equipment & Services		
Diversified Financials				Retailing	Metals & Mining				

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Clive McDonnell
Head, Equity Investment Strategy

Audrey Goh, CFA
Investment Strategist

Victor Teo, CFA
Investment Strategist

Global Top30

Our key themes and sector calls over the next 12 months	
Prefer global equities to global bonds:	• Equities are still expected to outperform global bonds in 2015 for the fourth successive year.
Prefer cyclicals to defensives:	• We expect a shift into cyclical sectors, particularly in the US and Europe, on the back of a growth recovery. Cyclical stocks have underperformed since mid-2014, after the renewed downgrade to global growth expectations. Additional quantitative easing (QE) by the BoJ and ECB should help offset the Fed's less accommodative stance.
High-yielding equities:	• Low yields will underpin demand for high-dividend-yielding equities. This is particularly relevant for Europe, where bond yields are already negative, driving investors into higher yielding but riskier equity assets. We like high-dividend-yielding European stocks on a currency-hedged basis. In the US, this theme may be less relevant as the Fed begins to hike rates. We find good income opportunities among integrated oil companies in the US, offering decent yields while awaiting a sustained recovery in oil prices.
Strong US dollar environment to persist:	• Focus on US domestic-oriented companies. European and Japanese exporters should continue to benefit from a weak local currency and accommodative monetary conditions.
Global sector preference:	• Technology (OW) – The outlook for semiconductors is expected to be supportive. Mobile devices may face further margin pressures given intensifying competition, but the PC market is likely to stabilise. • Energy (OW) – Prefer integrated oil majors with sustainable dividend yields. • Industrials (OW) – Prefer airlines with limited competition from low-cost carriers (LCC). • Discretionary (OW) – Bullish on US domestic-focussed consumer services, including cruise lines, restaurants and hotels. The global auto sector should continue to benefit from a sales recovery off a low base. • Food and Beverage (OW) – Bullish on the F&B sector, a key beneficiary of falling energy prices.

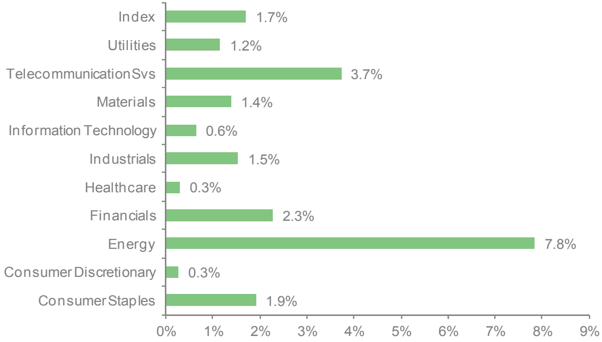
Source: Standard Chartered

Top30 stock review

Additions to Banks and Media

- We add Goldman Sachs (GS) and CBS Corp (CBS US) this month. Earnings momentum at GS was better than expected in the latest Q1 15 results. The pickup in M&A activity, which rose to a post Great Financial Crisis (GFC) high in Q1, is expected to be supportive of earnings in the coming quarters. While we remain constructive on US regional financials (eg, U.S. Bancorp), we note that they trade at a 20-30% premium to money centre banks. We prefer to revisit US Bancorp at lower levels.
- CBS Corp is well leveraged to increases in ad spending on the back of the US presidential elections. The stock has lagged peers (such as Fox and Time Warner Cable) in 2014, and we expect it to catch up on an improving earnings outlook. Impending catalysts include 1) higher ad spending in 2016, 2) a pickup in retransmission revenue from affiliates, and 3) a potential sale of its TV spectrum in 2016.

Global sector performance over the past month



Source: Bloomberg, Standard Chartered

CBS Corp's share price

Source: Bloomberg, Standard Chartered

Top30 stock review (cont'd)

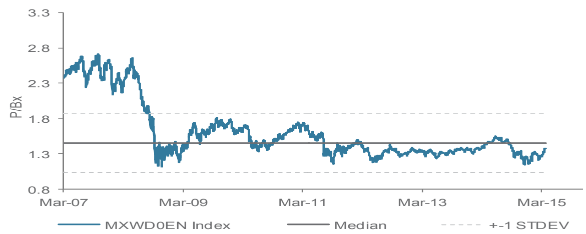
Energy equities led the rebound

- AIA, Sanofi and Airbus outperformed this month. AIA led the list with gains of c.8% over the month on further policy easing in China and announcement that mutual funds can invest in stocks listed in Hong Kong via the Shanghai-Hong Kong Stock Connect.
- On the losing side, Actavis, Google and Norwegian Cruise Line were down by 3-5% over the month on profit taking.
- Despite strong performance this month, energy equities have underperformed global equities by c.20% since September 2014. We expect oil price to remain rangebound, albeit with a downward bias, with inventories still elevated and Saudi Arabia increasing its production this month. However, seasonality is a positive as we head into the US summer driving season, which should support oil demand, and as US refiners restart production. The bulk of negative earnings revision in the sector is likely behind us, which is a key positive for the sector.
- Emerging Markets (EMs) outperformed this month, led by Asia ex-Japan and Chinese equities on policy easing. Fundamentals remain challenging for the commodity-linked countries outside Asia. We view the rebound in EM-outside Asia as largely technical in nature from previously oversold levels. Within Asia we remain positive on China, with a preference for H share versus A share.

Shanghai Composite Index

Source: Bloomberg, Standard Chartered

MSCI AC energy valuations

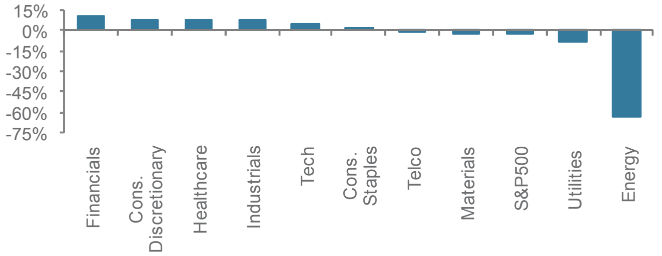


Source: Bloomberg, Standard Chartered

Market views – Earnings season to focus on the impact of a strong US dollar

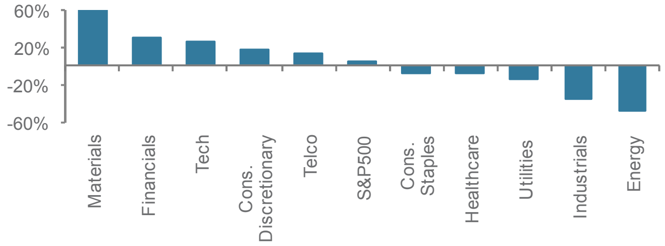
- The Q1 US earnings season is expected to quantify the negative impact of a strong US dollar and falling oil prices on the corporate sector. IBES consensus is for a 2.9% decrease in S&P500 earnings at the headline level.
- The headline earnings decline is primarily a function of the weakness in the energy sector, where consensus expects earnings to decline by 64%. Excluding energy, Q1 consensus US earnings growth is 5.4%.
- Based on trends in prior quarters, there is the possibility that Q1 could mark the outturn for consensus earnings. This is a function of a low expectations bar, resulting in companies beating estimates, which, in turn, could nudge analysts to upgrade their earnings numbers through the season. Such an outturn would be positive for the market.
- The US financials sector is expected to report the highest rate of earnings growth in Q1 – 11% – reflecting the positive contribution from capital market transactions and the steady improvement in fee-based income.
- European corporate earnings are likely to see an improving trend. Q1 consensus is for 5.3% growth, even after taking into account a 48% decline in energy sector earnings.
- A weak euro has the opposite effect of a strong US dollar, boosting overseas revenue. This is reflected in the 36% growth forecast for the industrial sector's Q1 earnings. The industrial sector generates 52% of its revenue overseas and is a prime beneficiary of a weak euro.

S&P500 Q1 earnings growth forecast by sector



Source: Reuters, Standard Chartered

DJ STOXX 600 Q1 earnings growth forecast by sector



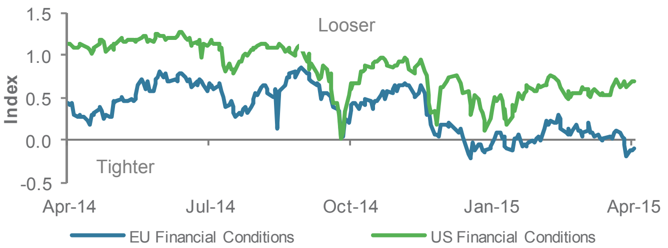
Source: Reuters, Standard Chartered

Standard Chartered Priority

Financial conditions tighten in Europe – Reason for short-term caution

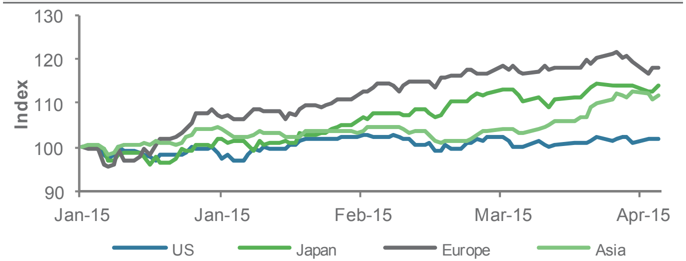
- The European Financial Conditions Index (FCI) has dipped into tightening territory since early April, signalling the need for short-term caution towards European equities. A 5-7% correction would not be unexpected given the rapid rise in the DJ STOXX Index YTD. We would use such a correction to add European companies to our Top30 list.
- The FCI tends to be a coincidental indicator with market performance; hence, a clear view on the outlook for some of its drivers can give investors a signal on the near-term direction of the market.
- The key factor leading to a decline in the FCI and a tightening in liquidity is a surge in the spread between sovereign and corporate borrowers.
- In our view, the rise in spreads reflects uncertainty related to the outcome of Greece's negotiations with the Troika. As the risk of Greek default rises, a preference for high-quality sovereign debt is to be expected. However, this is resulting in higher financing costs for corporates and a tightening of liquidity conditions.
- The market can be expected to weaken further from its mid-April highs if the rise in the FCI persists. We would use this as an opportunity to add European exposure to the Global Top30 list as we currently only have seven European names companies on our active and reserve lists of 31 companies.
- In contrast to Europe, US financial conditions remain relatively easy, as seen in the chart below.

US and European financial conditions



Source: Bloomberg, Standard Chartered

YTD performance of equity markets (USD)



Source: Bloomberg, Standard Chartered

Financials

Financials is the largest sector in the global benchmark with a weight of 22%. While the sector was range-bound in 2014, there are reasons to be optimistic and expect it to outperform in 2015. The sector is diverse in terms of industry groups – ranging from real estate to insurance, as well as banks - each of which has different drivers. We believe that within the largest industry group, US banks are likely to outperform EU banks.

Sector view

Overweight

Sector drivers

- A possible rise in interest rates by the Fed in 2015 will have a divergent impact on the sector.
- Banks, the largest industry group, would be beneficiaries of a hike in interest rates, while insurers will benefit to a lesser extent.
- The real estate sector is dominated by the home builders and REITS' industry groups; however, each has divergent drivers (GDP growth and interest rates).

Industry groups and country preferences

- **Banks –** Possible rate increase by the Fed in 2015 would boost US bank earnings via higher NIMs.
- **Insurance –** A flatter yield curve in the US and EU may reduce the attractiveness of the insurance sector.
- **Real Estate –** Home builders could outperform REITS as rising rates undermine the outlook for the latter.
- **Diversified Financials –** Rising rates could undermine this industry group, dragged down by consumer finance.

Preferred stocks

- We are adding Goldman Sachs to our list. We view the stock as best placed amongst the diversified financials industry group to capture the rise in M&A in 2015.
- The stock is trading on a PE of 10.5x, in line with the 10yr average. It has recently witnessed a spike in earnings revisions, which we view as a positive catalyst.

Top30 Stock list – Financials

Ticker	Name	Country	Stock Price	Consensus Rating	Fwd P/E	Fwd P/B	Div Yield%
LLOY LN	Lloyds Banking	Britain	79.0	3.6	9.9	1.2	1.1
1299 HK	AIA	Hong Kong	51.5	4.2	20.2	2.3	0.9
COF US	Capital One Fin	United States	81.5	4.3	10.6	0.9	1.5
AMT US	American Tower C	United States	95.0	4.6	40.2	7.4	1.6
GS US	Goldman Sachs	United Sachs	198.3	3.3	10.3	1.1	1.2
Reserve List							
PRU LN	Prudential Plc	Britain	1651.0	4.3	14.5	3.1	2.5
USB US	U.S. Bancorp	United States	42.5	3.5	12.8	1.8	2.3

Source: Bloomberg, Standard Chartered

ADD: Goldman Sachs (GS US)

Goldman Sachs is a global investment banking and securities firm. It converted into a bank holding company following the 2008 global financial crisis. The firm specialises in investment banking, trading, principal investments and asset management. It provides services to financial institutions, governments and asset managers. The bank generates 60% of its revenue in the US.

Company drivers

- The improvement in capital markets in the Q1 period provided a fillip to Goldman's results. Q2 earnings may also surprise on the upside if this trend continues. We note that global Q1 M&A activity rose to a post GFC high of USD 888bn.
- An increase in the quarterly dividend to USD 0.65, from USD 0.60, with the expectation of a share buyback programme in H2, is an important sign of the cash-generating ability of the business.
- The stock has lagged peers since 2009, providing scope for catch up as capital market activities improve.

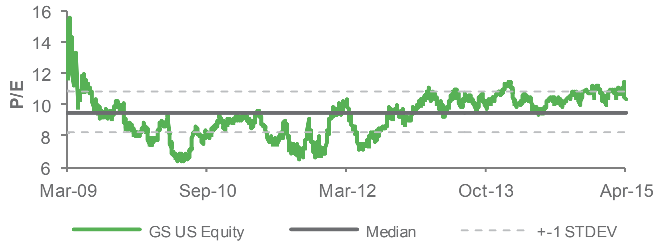
Company outlook

- Goldman is viewed as having the best management team among its peers, as well as having the most capable team of employees. This can come at a high cost in terms of the employee cost-to-income ratio, but creates a positive leverage to the capital market cycle.
- The bank has a wide range of channels through which it can access market opportunities versus traditional money centre banks, which may be constrained by capital.
- **Technicals –** The stock recently surpassed its 2009 peak. While the RSI level is elevated, we expect the uptrend to continue to gain momentum.

Valuations and risks

- Goldman is currently trading at a P/E of 10.5x consensus forecast earnings, below its peer average at 14x P/E.
- There is scope for the valuation discount to narrow as the stock has underperformed US peers since the start of the cycle.
- **Key risks –** A sudden deterioration in the global economic outlook would undermine asset markets and lead to a decline in trading volumes. The changing regulatory landscape is also a risk for the bank.

Goldman Sach's valuation history



Source: Bloomberg, Standard Chartered

Technology

The outlook for the technology sector in Developed Markets (DMs) is primarily driven by global end-product demand. We prefer software and Internet names that are leveraged to emerging themes like e-commerce, enterprise cloud platforms and the Internet of Things (IoT).

Sector view

Overweight

Sector drivers

- Product cycles drive demand across the supply chain.
- Recovery in DM tech spending and ongoing replacement of ageing equipment should support demand for IT products and services.
- Hardware, Internet software and services and system software account for c.23%, 15% and 12%, respectively, of the sector.

Industry groups and country preferences

- **Software –** Focus on market leaders with exposure to infrastructure software in cloud computing, ie, data centres, networking, storage and servers.
- **China Internet –** Driven by secular tailwind of continued Internet penetration and mobile.
- **Hardware under pressure.** IDC cut its 2015 PC shipment forecast to -4.9%. This, along with a cut in Intel's Q1 sales forecast, pressured hardware.
- The sector is trading at c.16.8x 12m forward P/E, with significant valuation dispersion within the sector.

Preferred stocks

- Technology stocks have underperformed global equities YTD. Concerns over inventory build, especially in the semiconductor space, should start abating by mid-2015.
- We expect Baidu to recover in H2 15 on the back of more normalised mobile traffic patterns, which negatively impacted earnings last quarter.

Top30 Stock list – Technology

Ticker	Name	Country	Stock Price	Consensus Rating	12m Fwd P/E	12m Fwd P/B	Div Yield%
GOOGL US	Google Inc-A	United States	542.9	4.6	18.2	2.8	N/A
AAPL US	Apple Inc	United States	126.9	4.2	14.0	4.9	1.5
ORCL US	Oracle Corp	United States	43.4	4.0	14.4	3.4	1.2
BIDU US	Baidu Inc-Sp ADR	China	212.8	4.5	24.7	6.0	N/A
Reserve List							
QCOM US	Qualcomm Inc	United States	68.6	4.0	13.1	3.0	2.5
MA US	MasterCard Inc-A	United States	87.8	4.4	23.9	11.8	0.6
CSCO US	Cisco Systems	United States	28.7	3.9	12.8	2.4	2.7

Source: Bloomberg, Standard Chartered

Consumer Discretionary

Discretionary stocks have outperformed on an improving growth outlook in Japan, Europe and the US. Cheap energy costs and improving labour markets boost demand for discretionary products globally. We remain Overweight on the sector, remaining constructive on global auto and leisure. Brick-and-mortar retailers remain challenged by competition from e-commerce.

Sector view

Overweight

Sector drivers

- US March auto sales were extremely strong, reaching 17.2mn (+4% y/y) annualised units. Pricing remains firm, while incentives were flat y/y.
- Media companies largely rely on growth in platform traffic and ad spending.
- Retail, automobiles and media account for c.27%, 23% and 23%, respectively, of the sector.

Preferred stocks

- NCL fell c.4% after a stellar performance in March. Remain constructive with key support at USD 50.
- We are positive on PulteGroup driven by a continued recovery in housing and employment markets. We see short-term support at USD 20.5.
- We are positive on Priceline as we approach the summer holiday season in the US.

Industry groups and country preferences

- **Media –** Positive on media companies in anticipation of rising media spending on the upcoming US presidential elections and sports events.
- **Automobiles –** Auto sales in the US are strengthening, while those in the EU are recovering from a low base.
- The broad sector is trading at c.25x 12m forward P/E, with the retail, automobiles and media industries trading at 38x, 14x and 24x, respectively.

Top30 Stock list – Consumer Discretionary

Ticker	Name	Country	Stock Price	Consensus Rating	12m Fwd P/E	12m Fwd P/B	Div Yield%
PHM US	PulteGroup Inc	United States	22.2	3.4	15.9	1.6	1.2
MCD US	McDonald's Corp	United States	94.9	3.3	18.9	7.5	3.5
PCLN US	Priceline Group	United States	1194.3	4.4	19.9	5.7	N/A
FCAU US	Fiat Chrysler Au	Britain	16.3	3.5	13.9	1.5	N/A
NCLH US	Norwegian Cruise	United States	51.5	4.1	16.5	2.6	N/A
CBS US	CBS Corp	United States	61.6	4.3	16.1	5.4	0.8
Reserve List							
-	-	-	-	-	-	-	-

Source: Bloomberg, Standard Chartered

ADD: CBS Corp (CBS US)

CBS is one of the most widely watched TV networks in America. It owns an attractive portfolio of assets, including CBS TV Network and CBS TV Studio (which produces content), as well as valuable sports rights to broadcast NFL and college football. National broadcast networks, such as CBS Network, offer advertisers unparalleled ability to access the c.120m households in the US, even as viewers have shifted to cable over the years. The TV Studio, in our view, is the most attractive asset, given ongoing demand for quality content and the potential for multiple streams of monetisation from a hit show.

Company drivers

- TV ratings and viewership are key drivers to the outlook of CBS Network, which owns expansive sport rights. This, in turn, drives advertisements, accounting for c.50% of the group's revenue.
- CBS TV Studio has produced top-rated hit shows, forming a virtuous cycle, attracting advertisers and licensing opportunities. Distribution/licensing accounts for 29% of revenue.
- CBS also receives retransmission/subscription fees from independent affiliates' renewal, accounting for c.17% of revenue.

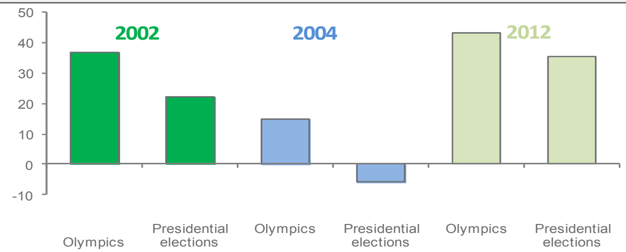
Valuations and risks

- CBS Corp is trading at 17x P/E and 11x EV/EBITDA, both of which are at the upper end of their history. However, bottoming earnings revisions are likely to help offset this.
- The stock offers industry-leading ROE of c.35% and strong free cash flow (FCF) generation of USD 1.5-2.0bn per year.
- **Key risks –** A shift in advertisers away from broadcast networks resulting in negative operating leverage, rating weakness and a slower-than-expected pace of share buybacks.

Company outlook

- TV ad markets remain tepid, but there are signs that ad volume and prices have picked up.
- CBS lagged peers in 2014 as advertising/licensing disappointed. The outlook has improved due to 1) 2016 affiliates' renewals, 2) moderating decline in ads, and 3) increased share buybacks.
- **Catalysts in 2016 – Presidential elections, Super Bowl, NCAA Final Four tournament and potential sales of TV spectrum.**

Select basket of media stocks performance 12 months prior to event



Source: Bloomberg, Standard Chartered
Comparable media stocks include: Comcast, CBS, WPP, Fox, Omnicon Group

Energy

The outlook for the energy sector in DMs is primarily driven by oil and gas prices. We prefer to focus on integrated majors and be paid via high dividend stocks while waiting for a recovery in oil prices.

Sector view

Overweight

Sector drivers

- One of the key drivers for oil is demand from EMs. Oil, in turn, drives the sector outlook. Short term, the impending US summer driving season may help draw down elevated US oil inventories.
- Most oil companies are scaling back their capex, leading to a decline in drilling activity.
- Integrated oil and gas, exploration and production and equipment and services account for c.52%, 21% and 10%, respectively, of the sector weight.

Preferred stocks

- Should oil prices strengthen into the summer months, we may see upstream exploration and production oil companies outperforming in the short term.
- Recent earnings releases by Halliburton and Schlumberger surprised consensus expectations positively with renewed actions on capex cuts and cost control as the industry weathers the downturn in drilling activity.

Industry groups and country preferences

- **Integrated oil majors –** Get paid (dividends) while waiting for a recovery in oil prices.
- **Downstream refiners –** To benefit in the near term from lower input costs. The long-term outlook is still anchored to supply/demand dynamics.
- US shale oil production is showing signs of peaking, driven by the significant fall in rig count.

Top30 Stock list – Energy

Ticker	Name	Country	Stock Price	Consensus Rating	12m Fwd P/E	12m Fwd P/B	Div Yield%
-	-	-	-	-	-	-	-
Reserve List							
NOV US	Natl Oilwell Var	United States	53.1	3.5	15.6	1.1	3.5
XOM US	Exxon Mobil Corp	United States	86.9	3.5	20.3	2.0	3.2

Source: Bloomberg, Standard Chartered

Materials

Global materials have underperformed significantly over the past few years. A strong US dollar may keep commodity prices under pressure. Renewed monetary easing in China and parts of EM are supportive in the near term.

Sector view

Overweight

Sector drivers

- Chemicals, metals and mining and construction account for 52%, 34% and 7%, respectively, of the global sector weight.
- Commodity prices, supply and EM demand are key. We expect copper and iron ore to remain oversupplied. Near term, monetary easing by major central banks may lift risk appetite and drive a short-term rally in the materials space.
- Longer term, a strong US dollar and China's rebalancing from an investment to consumption-led economy will limit significant upside.

Preferred stocks

- We continue to like Holcim within materials. It is well leveraged to a pickup in cement demand in Emerging Markets (EMs), with free cash flow (FCF) likely to improve materially in 2015 on cement demand in EMs and lower diesel input costs.
- We believe it looks attractive technically in the short term, with support and resistance at CHF 70 and CHF 84, respectively.

Industry groups and country preferences

- We prefer companies in building materials, underpinned by a demand recovery in the construction space. Market leaders, such as Holcim, are expected to lead consolidation within the industry.
- Falling oil prices have narrowed the cost advantage of US chemical companies over their European and Asian counterparts, which use oil-based feedstock. We remain Neutral on the chemicals industry.

Top30 Stock list – Materials

Ticker	Name	Country	Stock Price	Consensus Rating	12m Fwd P/E	12m Fwd P/B	Div Yield%
HOLN VX	Holcim Ltd-Reg	Switzerland	75.1	3.8	17.2	1.3	1.7
Reserve List							
-	-	-	-	-	-	-	-

Source: Bloomberg, Standard Chartered

Industrials

The industrials sector outlook is driven by the global growth outlook and commodity markets. We favour transportation, as it benefits from cheaper oil prices, and capital goods, which benefit from improving growth.

Sector view

Overweight

Sector drivers

- A pickup in global growth and order momentum are key drivers. We favour transport infrastructure, aerospace, airlines and capital goods companies.
- The industrials sector is the fourth-largest industry group in MSCI AC World, with a weight of 10.9%.
- Capital goods, transport and commercial services account for 69%, 22% and 8%, respectively, of the sector weight.

Preferred stocks

- Airbus continues to perform well, rising 7% over the past 1 month. Euro weakness is a contributing factor in its re-rating, but the stock has outperformed arch rival Boeing, by 18% year to date in USD terms.
- There is a need for selectivity in the industrials sector. Household names including Siemens and Bombardier have underperformed year to date.
- Asia and EU transport companies have in contrast performed well, led by airlines.

Industry groups and country preferences

- Within transportation, we prefer transport infrastructure, which offers resilient yields and benefits from stronger economic activity.
- US airlines should benefit from lower fuel costs and consumer demand. The industry trades at a cheap 4.7x-12x 12m forward P/E.
- We expect a capex recovery in the US and EU to support capital spending. Aerospace/defence orders should benefit from a reduced fiscal drag, potential geopolitical tensions and a weaker euro.

Top30 Stock list – Industrials

Ticker	Name	Country	Stock Price	Consensus Rating	12m Fwd P/E	12m Fwd P/B	Div Yield%
AIR FP	Airbus Group NV	France	64.5	4.2	18.7	5.0	1.2
Reserve List							
DG FP	Vinci SA	France	57.1	4.0	15.9	2.1	3.9

Source: Bloomberg, Standard Chartered

Global Top30 – Performance & Valuations (local currency)

Ticker	Name	Country	Sector	Stock Price	Consensus Rating	12m Fwd P/E	12m Fwd P/B	Div Yield%	Div Payout%	1M% TR Local	YTD% TR Local	ITD% TR Local
PHM US	PulteGroup Inc	United States	Discretionary	22.2	3.4	15.9	1.6	1.2	18.1	2.0%	3.9%	28.7%
MCD US	McDonald's Corp	United States	Discretionary	94.9	3.3	18.9	7.5	3.5	67.6	-2.2%	2.1%	4.2%
PCLN US	Priceline Group	United States	Discretionary	1194.3	4.4	19.9	5.7	N/A	0.0	1.3%	4.7%	1.0%
NCLH US	Norwegian Cruise	United States	Discretionary	51.5	4.1	16.5	2.6	N/A	0.0	-4.1%	10.1%	16.3%
CBS US	CBS Corp-B	United States	Discretionary	61.5	4.3	16.1	5.3	0.9	21.9	-3.0%	11.4%	0%
GS US	Goldman Sachs Gp	United States	Financials	196.8	3.3	10.3	1.1	1.2	13.0	1.9%	1.9%	0%
LLOY LN	Lloyds Banking	Britain	Financials	79.0	3.6	9.9	1.2	1.1	45.1	-1.0%	5.3%	5.9%
1299 HK	AIA	Hong Kong	Financials	51.5	4.2	20.2	2.3	0.9	22.4	7.3%	19.4%	104.6%
COF US	Capital One Fin	United States	Financials	81.5	4.3	10.6	0.9	1.5	15.7	0.5%	-0.8%	20.7%
AMT US	American Tower C	United States	Financials	95.0	4.6	40.2	7.4	1.6	69.2	-2.4%	-3.5%	25.0%
ANTM US	Anthem Inc	United States	Healthcare	152.9	3.8	15.1	1.6	1.3	18.8	-3.5%	22.2%	92.7%
ESRX US	Express Scripts	United States	Healthcare	86.1	4.4	15.4	3.3	N/A	0.0	0.8%	1.7%	53.0%
SAN FP	Sanofi	France	Healthcare	95.9	3.7	16.8	2.2	2.9	85.7	2.4%	26.8%	26.8%
ACT US	Actavis Plc	United States	Healthcare	294.5	4.7	15.8	2.0	N/A	N/A	-7.1%	14.4%	-4.2%
AIR FP	Airbus Group NV	France	Industrials	64.5	4.2	18.7	5.0	1.2	40.2	5.1%	56.1%	38.5%
HOLN VX	Holcim Ltd-Reg	Switzerland	Materials	75.1	3.8	17.2	1.3	1.7	32.9	0.3%	7.1%	6.1%
GOOGL US	Google Inc-A	United States	Technology	542.9	4.6	18.2	2.8	N/A	0.0	-3.9%	2.3%	-2.8%
AAPL US	Apple Inc	United States	Technology	126.9	4.2	14.0	4.9	1.5	27.9	0.8%	15.4%	108.9%
ORCL US	Oracle Corp	United States	Technology	43.4	4.0	14.4	3.4	1.2	19.8	-1.9%	-2.8%	37.3%
BIDU US	Baidu Inc-Sp ADR	China	Technology	212.8	4.5	24.7	6.0	N/A	0.0	0.1%	-6.6%	24.5%
HEDJ US	WisdomTree Europe	United States	Fund	67.4	N/A	N/A	N/A	4.8	N/A	0.9%	21.3%	10.5%
DXJ US	WisdomTree Jpn H	United States	Fund	57.7	N/A	N/A	N/A	9.9	N/A	2.9%	17.1%	13.1%

Source: Bloomberg, Standard Chartered

As of 22 April 2015

Global Top30 – Investment Rationale

Global Top30 stock rationales (pg 1)

Company	Ticker	Sector	Rationale
Actavis Plc	ACT US	Healthcare	Actavis is one of the largest global specialty pharmaceutical manufacturers. The recent acquisition of Allergan in November 2014 will transform Actavis to a diversified global pharmaceutical company with economies of scale from a first-to-file generic manufacturer. The branded pharmaceuticals segment typically enjoys higher margins and is expected to account for over 60% by revenue of the combined entity, with generic and distribution making up 30% and 10%, respectively.
AIA Group	1299 HK	Financials	Only insurer with pan-Asia exposure and wholly owned insurance operations in China. Structural tailwinds from low insurance penetration in Asia and a steeper yield curve should lead to higher reinvestment rates, resulting in stronger EV and value of new business growth.
Airbus	AIR FP	Industrials	Benefitted from strong order intake and has a large order book. Management has indicated confidence in achieving a 10% margin for the Airbus commercial division. Trades at a discount to Boeing.
American Tower	AMT US	Financials	As one of the largest tower companies, AMT has excellent exposure to the increasing amount of mobile data traffic. There are also considerable barriers to entry due to zoning restrictions. The company has the longest contracts in the sector.
Anthem Inc	ANTM US	Healthcare	Anthem has the ability to negotiate advantageous pricing with its provider network, given its size and membership base. The company's return on invested capital is, however, lower than that of peers, but we expect it to improve over time in relative terms.
Apple Inc	AAPL US	Technology	The company remains overly focused on one key revenue driver – the iPhone – and margins will likely be increasingly diluted by competitors. The stock trades at very reasonable metrics and generates significant cash flow, which should increasingly be paid out to investors.
Baidu Inc-Sp	BIDU US	Technology	Baidu is the largest Internet PC search engine in China. It has an c.80% revenue share of the Chinese search engine market. There are c.470m active search engine users in China, and penetration (a little over 40%) is expected to pick up further as users shift to mobile.
Capital One Financial	COF US	Financials	The financial services company is involved in credit card lending and consumer banking. It is one of the top credit card issuers in the US and is developing its commercial and automotive loan segments.
Express Scripts	ESRX US	Healthcare	Largest pharmacy benefits manager (PBM) in the US. It has made a number of acquisitions, giving it unmatched bargaining power with suppliers and the ability to leverage its fixed cost base effectively. It should benefit from the Affordable Care Act in the US, as this will result in a broad expansion of insurance coverage.

Source: Standard Chartered

Global Top30 – Investment Rationale (cont'd)

Global Top30 stock rationales (pg 2)

Company	Ticker	Sector	Rationale
Google Inc 'A'	GOOGL US	Technology	Google Inc is the global leader in online search and advertising. Approximately 90% of its revenues come from advertisement and paid clicks on Google-owned sites (including YouTube) and partner sites. We expect Google to benefit from increased budget allocation to online advertising, increased share of advertising vs. traditional media and acceleration in the monetisation of its mobile search platform.
Holcim Ltd	HOLN VX	Materials	We expect a H2 earnings recovery on cost-cutting initiatives, improvement in the underlying market outlook, acceleration in US construction demand and reduced FX headwinds. Its merger with Lafarge will likely unlock further upside to stock performance on cost synergies.
Lloyds Banking Group	LLOY LN	Financials	Lloyds is the largest financial services group in the UK, with c.20-22% market share of UK deposits and branch/ATM networks. The company is well positioned to benefit from an economic recovery in the UK. Rising UK rates are expected to support a modest expansion in net interest margins in 2015/2016. The bank is likely to resume paying dividends in early 2015, with consensus expecting an indicative yield of c.4%.
Norwegian Cruise Line Holdings	NCLH US	Discretionary	Norwegian Cruise Line operates 21 passenger ships, primarily focused on the Caribbean cruise market. The decline in oil prices is a major positive for the firm and is likely to result in further EPS upgrades as hedges mature and lower oil prices are factored into costs.
Oracle	ORCL US	Technology	Offers a wide range of enterprise IT solutions, including databases, middleware, applications and hardware. Oracle's product line-up is fairly defensively positioned, as larger clients will be cautious in shifting over to cloud on a new platform.
Priceline Group	PCLN US	Technology	Global leader in online accommodation reservations, with international bookings accounting for 85% of its total revenue. The company is likely to continue to gain market share in the online travel agencies industry, owing to its strong presence in international markets, such as Europe and Asia; these markets currently remain underpenetrated, and hence, present significant growth opportunities.

Source: Standard Chartered

Global Top30 – Investment Rationale (cont'd)

Global Top30 stock rationales (pg 3)

Company	Ticker	Sector	Rationale
PulteGroup Inc	PHM US	Discretionary	The US homebuilder focuses on the entry-level and 'move-up' categories. We expect the housing market to continue to gradually improve, with a strengthening economy and relatively low borrowing costs.
Sanofi	SAN FP	Healthcare	Sanofi is a major researcher, developer and marketer of pharmaceutical products, with c.25% of sales to the US, 25% to Europe and the rest to high-growth markets. We like the stock for its cash generation and strong growth.
WisdomTree Europe H	HEDJ US	Fund	Optimism over the impact of ECB quantitative easing (QE), where the magnitude exceeded expectations, has been a key driver of the market. Weakness in the EUR is positive for European equities given that at least 50% of its revenue is derived outside the Euro area.
WisdomTree Jpn H	DXJ US	Fund	We believe the outlook for the Japanese equity market has brightened on the announcement by the GPIF that it will increase its equity holdings. The positive effect of the weaker yen and an improvement in overseas growth has also considerably lifted Japanese companies' earnings growth of.
Goldman Sachs	GS US	Financials	Goldman Sachs is a global investment banking and securities firm. It converted into a bank holding company following the 2008 global financial crisis. The firm specialises in investment banking, trading, principal investments and asset management. It provides services to financial institutions, governments and asset managers. The bank generates 60% of its revenue in the US.
CBS Corp	CBS US	Discretionary	CBS is one of the most widely watched TV networks in America. It owns an attractive portfolio of assets, including CBS TV Network and CBS TV Studio (which produces content), as well as valuable sport rights to broadcast NFL and college football. The TV Studio, in our view, is the most attractive asset, given ongoing demand for quality content and the potential for multiple streams of monetisation from a hit show.

Source: Standard Chartered

Global Top30 – Reserve List Investment Rationale

Global Top30 stock rationales (pg 1)

Company	Ticker	Sector	Rationale
Cisco	CSCO US	Technology	A major leader in networking products and should be able to generate high-single-digit earnings growth as networks expand and cloud computing gets built out. It generates strong free cash flows (FCF) and will be able to increase the dividend payout or undertake additional share purchases.
Exxon Mobil Corp	XOM US	Energy	Exxon Mobile is the world largest integrated oil and gas company. Breaking down of its earnings: -79% comes from upstream, 12% chemicals and 9% downstream. Its integrated operations should allow Exxon to grow its FCF and earnings, in spite of a lukewarm outlook on oil prices. Exxon offers a 3.5% dividend yield, the strongest cover relative to peers.
MasterCard	MA US	Technology	MasterCard is the second-largest payment company after Visa. It benefits from the secular trend towards more electronic- and card-based payment globally. MasterCard has c.55% of revenue outside the US, which should afford it with longer-term growth prospects, given the bulk of global transactions are still made using cash. Short term, weakness in EMs and their currencies will be a headwind.
National Oilwell Varco	NOV US	Energy	One of the largest equipment suppliers in the drilling industry, with c.60% market share, providing equipment for rigs and consumables used in oil and gas production. The company's equipment can be found on c.90% of the world's rigs; it benefits from the fact that many shipyards use a standardised design, making it more cost effective for equipment suppliers such as NOV.
Prudential Plc	PRU LN	Financials	Prudential provides wide assortment of insurance and investment products/services. It is a beneficiary of increasing insurance penetration in Asia, as well as improving outlook in the US variable annuity business. Its extensive distribution platform and superior agency force provides it with a clear competitive advantage. Near term, we expect the CEO's departure to create an overhang on the stock.
Qualcomm	QCOM US	Technology	It is the developer of the code division multiplexing (CDMA), which forms the backbone of 3G/4G networks and is used and licensed by most handset makers. The company's licensing arrangements allow it to receive a royalty on almost every handset sold.

Source: Standard Chartered

Global Top30 – Reserve List Investment Rationale (cont'd)

Global Top30 stock rationales (pg 2)

Company	Ticker	Sector	Rationale
Sysco Corp	SYY US	Staples	Sysco Corp is the largest distributor of food-related products in North America. Its recent merger with US Foods will give it a combined market share of 25% in the US. This deal is likely to be completed by Q1 15. The US and Canada account for 90% and 10%, respectively, of its revenues, positioning Sysco well for higher consumer spending and lower commodity input costs.
Teva Pharma	TEVA US	Healthcare	Large global pharmaceutical company that develops and markets generic and branded human-use pharmaceuticals.
U.S. Bancorp	USB US	Financials	U.S. Bancorp is the fifth-largest bank in America, operating in the Western part of the country. The bank is well regarded with its CEO, Richard Davis, in place since 2006. It has a significant fee-based focus around cash management and card processing. Its valuations are rich at 1.9x P/B, but is supported by an attractive 17.5% RoE.
Vinci SA	DG FP	Industrials	A major player in the European concessions and construction market. The company's concessions and a network of toll roads across France and a number of other markets are the most attractive part of its portfolio and generate the majority of its profits.

Source: Standard Chartered

Top picks for yield

DM Top divi picks* (local currency)

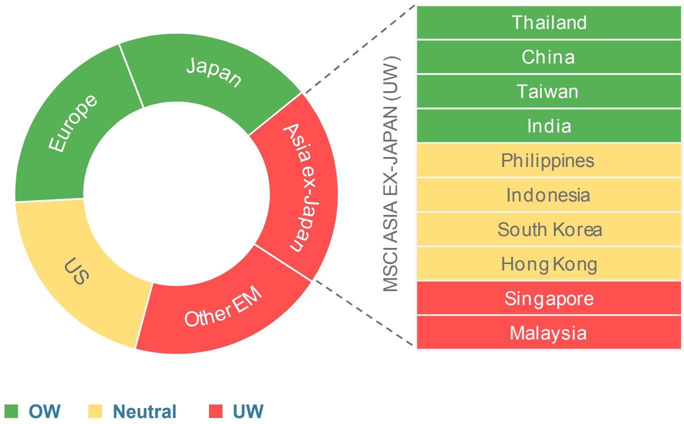
Ticker	Name	Country	Sector	Stock Price	12m Fwd Dvd Yield	12m Fwd P/E	P/B Trailing	Div Payout%	Net Debt/ Equity	TR 1M%	TR YTD%
MCD US	McDonald's Corp	United States	Discretionary	94.87	3.7	18.9	7.1	67.6	100.5	-2.2%	2.1%
FP FP	Total SA	France	Energy	48.70	5.3	14.1	1.3	160.9	32.0	3.6%	16.0%
BP/ LN	BP Plc	Britain	Energy	480.00	5.6	18.0	1.2	188.2	19.9	6.4%	18.7%
CVX US	Chevron Corp	United States	Energy	109.73	4.0	24.1	1.3	41.2	9.4	2.5%	-1.2%
XOM US	Exxon Mobil Corp	United States	Energy	86.88	3.3	20.3	2.1	35.6	13.5	2.8%	-5.3%
DB1 GR	Deutsche Boerse	Germany	Financials	76.41	2.9	18.2	4.1	50.7	16.1	1.3%	29.0%
NAB AU	Natl Aust Bank	Australia	Financials	38.58	5.5	13.5	2.0	91.6	233.3	-2.1%	14.8%
SAN FP	Sanofi	France	Healthcare	95.91	3.2	16.7	2.2	85.7	13.3	2.4%	26.8%
GSK LN	GlaxoSmithKline	Britain	Healthcare	1575.00	5.2	16.9	17.6	140.2	291.3	-3.7%	16.4%
DG FP	Vinci SA	France	Industrials	57.09	3.2	15.7	2.3	10.7	94.7	2.9%	25.4%
PM US	Philip Morris In	United States	Staples	84.05	4.9	18.9	N/A	81.6	N/A	7.2%	4.5%
SBRY LN	Sainsbury Plc	Britain	Staples	273.20	4.0	11.9	0.9	45.9	19.9	0.4%	10.7%
VOD LN	Vodafone Group	Britain	Telco	226.90	5.1	38.6	0.8	33.1	20.4	-0.6%	1.9%
GSZ FP	GDF Suez	France	Utilities	19.30	5.3	14.7	0.9	97.5	53.7	1.6%	-0.7%

Source: Bloomberg, Standard Chartered, Data as at 22 April 2015

**Stock selection in both dividend list are based on a quantitative screen with a qualitative overlay*

Equity Strategy – Country & Sector Weights

Global equity view by regions



Source: Standard Chartered Bank

Global sector views by regions

MSCI AC World Sectors

Sector	Global	US	EU	Asia
Technology	OW	OW	N	OW
Energy	OW	OW	UW	OW
Industrials	OW	OW	UW	OW
Healthcare	N	N	N	N
Discretionary	OW	OW	N	OW
Financials	OW	OW	N	OW
Materials	OW	OW	UW	OW
Staples	N	N	OW	N
Utilities	UW	UW	OW	UW
Telecom	UW	UW	OW	UW

Source: Standard Chartered Bank

Technical Commentary

Below, we present the technical views for our Global Top30 stocks. The stocks are given a rating of 1-5, with **1 being the most favourable** technicals and **5 being the least favourable** technicals on a 1-3 month basis. This is from a pure technical standpoint and may run contrary to the fundamental views we hold of the stocks within the Global Top30.

Global Top30 Technical rating

Name	Ticker	Sector	Rating
Capital One Financial	COF US	Financials	2
Apple Inc	AAPL US	Technology	2
Baidu Inc-Sp	BIDU US	Technology	2
Lloyds Banking Group	LLOY LN	Financials	2
Holcim Ltd	HOLN VX	Materials	2
Priceline Group	PCLN US	Technology	2
PulteGroup Inc	PHM US	Discretionary	3
Google Inc 'A'	GOOGL US	Technology	3
Sanofi	SAN FP	Healthcare	3
American Tower C	AMT US	Financials	3
Norwegian Cruise Line	NCLH US	Discretionary	3
Express Scripts	ESRX US	Healthcare	3
Actavis Plc	ACT US	Healthcare	3
Airbus Group NV	AIR FP	Industrials	3
Oracle Corp	ORCL US	Technology	3
McDonald's Corp	MCD US	Discretionary	3
WisdomTree Europe Hedged	HEDJ US	Fund	3
WisdomTree Japan Hedged	DXJ US	Fund	3
Goldman Sachs	GS US	Financials	3
CBS Corp	CBS US	Media	3
AIA Group Ltd	1299 HK	Financials	4
Anthem Inc	ANTM US	Healthcare	4

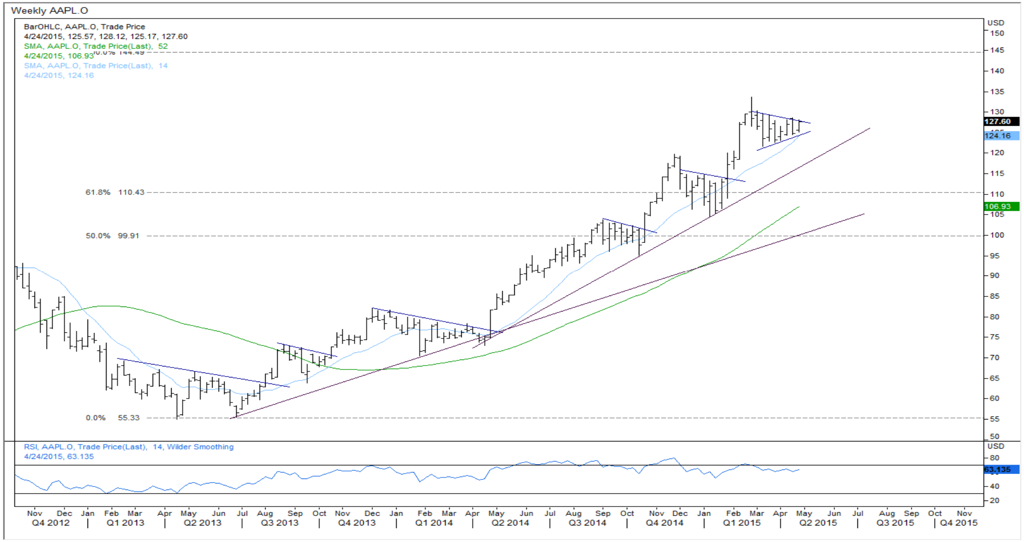
Source: Standard Chartered

Views as of 22 April 2015

On the following pages, we present the Technical charts for 1) existing stocks which are ranked 1 and 2, and 2) new stock additions to the list.

Technical Commentary (cont'd)

- **Apple Inc (AAPL US)** – The stock is in the midst of a medium-term uptrend move. The symmetrical triangular price formation is technically considered as a continuation pattern and signals the likelihood of the on-going trend extending further. Weekly momentum indicators appear to be bottoming while cyclical indicators continue to trend higher, favouring a positive bias.

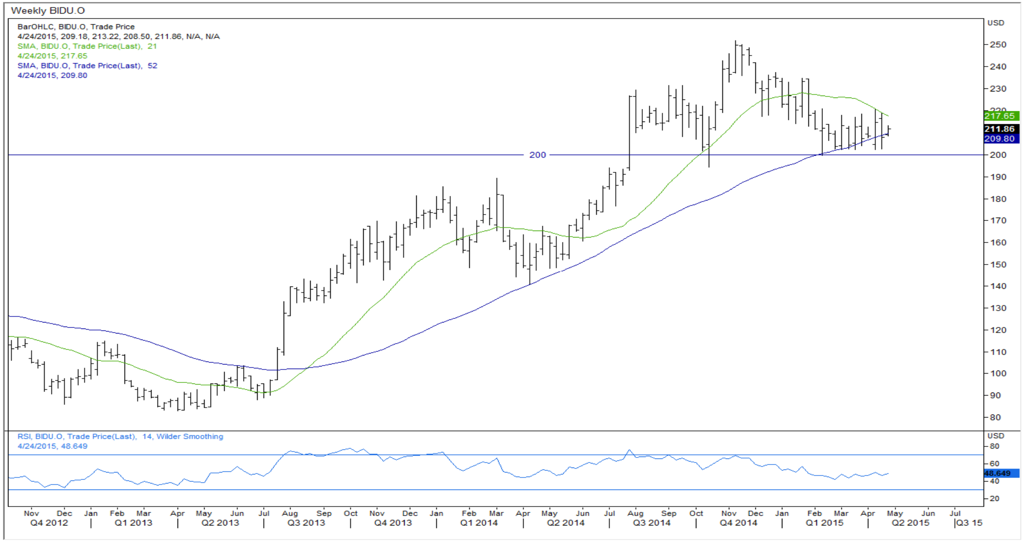


Weekly Chart

Source: Reuters, Standard Chartered

Technical Commentary (cont'd)

- **Baidu (BIDU US)** – The stock is taking support along the previous low point at USD 200, which coincides with the 52WMA line. As the medium-term trend remains positive, we believe the recent correction from the highs of USD 250 offers attractive levels to re-accumulate the stock. Momentum indicators have flattened out and are on the verge of reversing higher, signalling the possibility to the start of a fresh rally.

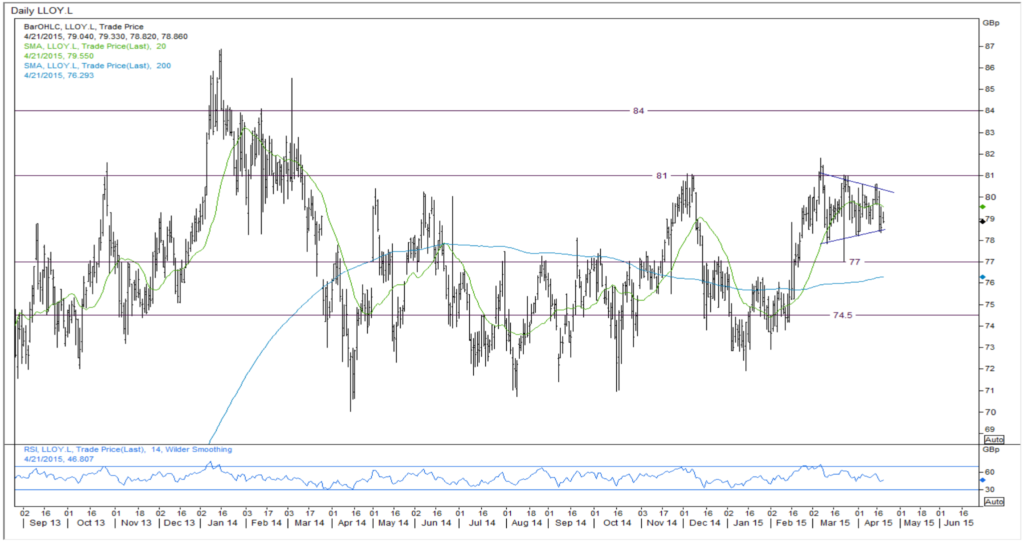


Weekly Chart

Source: Reuters, Standard Chartered

Technical Commentary (cont'd)

- **Lloyds Banking Group (LLOY LN)** – The stock has recently been consolidating around the resistance of GBP 81, the upper end of the broad sideways consolidation range. However, we expect the stock to breakout of this one-year old resistance mark and move higher as technical indicators remain supportive and price patterns suggest a gradual resumption of the uptrend.



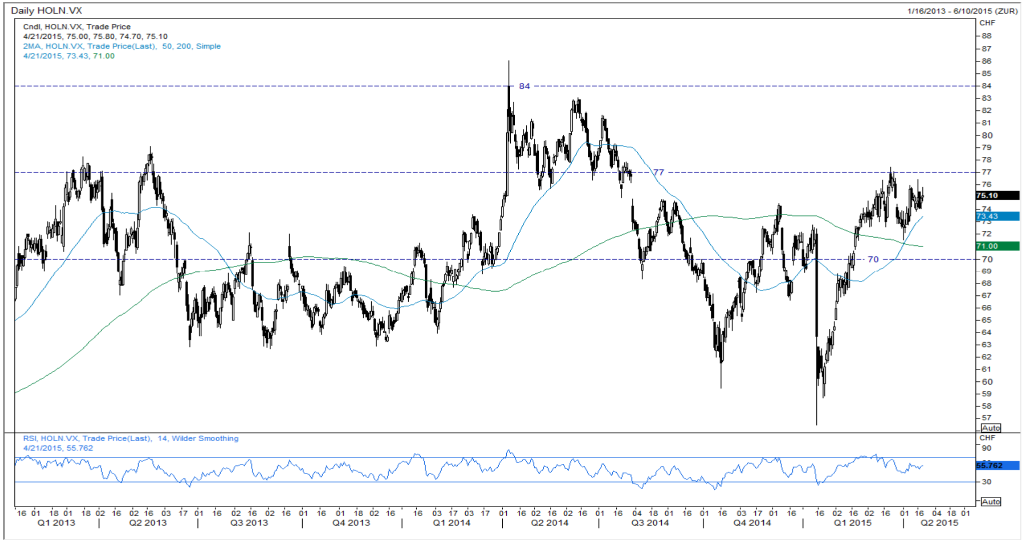
Daily Chart

Source: Reuters, Standard Chartered

Standard Chartered Priority

Technical Commentary (cont'd)

- **Holcim (HOLN VX)** – The stock made a quick recovery from the January's sell-off low of CHF 58 and has now moved above the 50DMA and 200DMA resistances, respectively. We expect the momentum to continue in the coming weeks as long as it sustains above the pivotal support of CHF 70.



Daily Chart

Source: Reuters, Standard Chartered

Technical Commentary (cont'd)

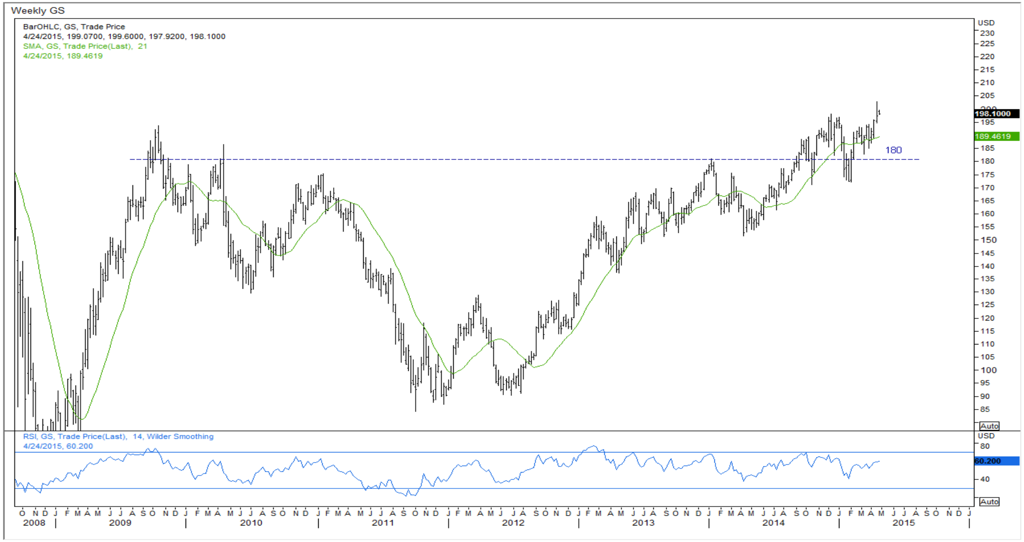
- **Priceline Group (PCLN US)** – The stock continues to consolidate within a broad downward sloping channel but has started to turn incrementally positive after the recent gap up cleared the primary resistance of USD 1,154. There is a strong probability of the stock breaking above the key resistance trend line to signal the resumption of its longer-tem uptrend if it continues to remain supported above this level.

Daily Chart

Source: Reuters, Standard Chartered

Technical Commentary (cont'd)

- **Goldman Sachs (GS US)** – The stock recently cleared a major hurdle around the 2009 highs of USD 180, which is a key medium positive development. We expect the uptrend to gain momentum and expect the stock to test the resistance at USD 208 initially and then eventually test the all-time highs of USD 230.



Weekly Chart

Source: Reuters, Standard Chartered

Technical Commentary (cont'd)

- **CBS Corp (CBS US)** – The stock is likely to find support around the USD 59.0 mark, where the gap was created in the previous up-move. We expect the uptrend from the October 2014 lows to resume if the key resistance at USD 63.5 is surpassed and eventually see it test the all-time high. Alternately, the trend is likely to deteriorate further if the stock drops below USD 56.5.

Daily Chart

Source: Reuters, Standard Chartered

Definitions

YTD: Year to date.

ITD: Inception to date.

PT: Price Targets (SCB uses an investment horizon of 12 months for its price targets).

RSI: Relative Strength Index.

Relative Volatility index: A measure of the standard deviation of the daily price change.

MA: Moving Average.

Basket average performance: Basket average is the un-weighted performance of the shortlisted stocks

Consensus rating: A rating provided by Bloomberg which reflects the aggregation of all brokers rating for a particular stock. 1 is a Sell, while 5 is a Strong Buy.

P/E: Price/Earnings ratio. The Trailing P/E refers to 12m of trailing earnings, while the forward refers to 12m forecast earnings, against current price.

P/B: Price/Book ratio. The book value refers to total shareholder's equity, while the forward refers to 12m forecast book value, against current price.

EV/EBITDA: Enterprise value/Earnings Before Interest, Tax and Depreciation Amortisation.

Earnings revision ratio: Net earnings revision (upgrades - downgrades) / Total earnings revision (upgrades + downgrades)

ROE and ROA: Return on Equity (book value) and Return on Assets.

Dividend Yield: Dividend paid/ current price.

Distribution per Unit (DPU): DPU is the distribution/dividend per share for shareholders. Normally announced and distributed quarterly or semi-annually. Term is commonly used in REITs.

Net Interest Margin (NIM): Is a measure of difference between the net interest income generated from lending by financial institutions and the amount of interest paid out to their lenders (for example deposits)

Beta: Correlation between a stock and the market. Is based on two years of weekly data, but modified by the assumption that a security's beta moves toward the market average over time.

Total return: Capital appreciation + dividend income received.

Short term: Time horizon of 1-4 weeks.

Medium term: Time horizon of 3-6 months.

Strategy Team:

Steve Brice
Chief Investment Strategist

Clive McDonnell
Head, Equity Investment Strategy

Audrey Goh, CFA
Investment Strategist

Victor Teo, CFA
Investment Strategist

Manpreet Gill
Head, FICC Investment Strategy

Aditya Monappa, CFA
Head, Asset Allocation & Portfolio Construction

Tariq Ali, CFA
Investment Strategist

Abhilash Narayan
Investment Strategist

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1. Quick update on any major news flow or event that impacts equity markets
2. Provides notification of trade closure or switch

(Release: Ad hoc)

Equity Trade Note

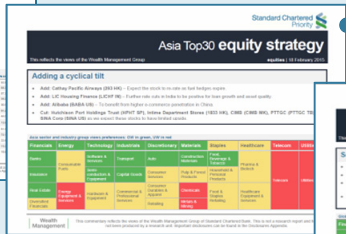
1. Trade ideas that have a short to medium term duration
2. Based on fundamental developments and technical analysis

(Release: Ad hoc)

Equity Strategy: India Top Picks

Top Equity picks as well as thematic and opportunistic investment ideas in India

(Release: Monthly)



Equity Strategy Top30s

Thematic and Opportunistic investment ideas globally and in Asia as well as country and sector views

(Release: Monthly)

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