

Research Alert

02/04/2012

Equities, Fixed income

New markets, new finance

- Capital markets will play a more central role in long-term corporate funding, while institutional investors will enter the market for short-term corporate funding.
- Forward-looking governments fill the funding gap for small- and medium-size companies to support their economies.
- Cash-rich companies are potential financiers to their vendor customers or their supply chains.

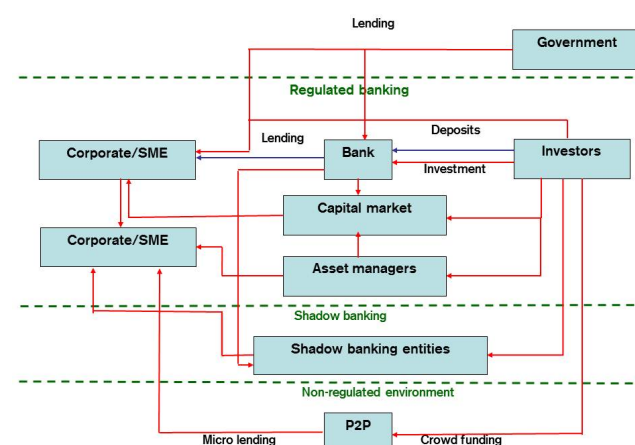
■ Non-financial factors are gaining importance in investment decisions but require adequate legal environments to include all investors to a broader investment universe.

Marion Christina Struber

marion.struber@credit-suisse.com, +41 44 333 41 96

"New markets, new finance" focuses on identifying new sources of finance in the economy, and growth of new markets to invest that finance. Before the global financial crisis, capital was supplied to the economy by private or institutional investors, channeled through banks, asset managers and shadow-banking entities. As a consequence of the latest crisis, market participants have taken different measures and precautions. Additional financing sources and new markets have joined the traditional money flow model, as outlined in Figure 1.

Figure 1: Traditional and new finance flow model



Source: Credit Suisse

Important disclosures are found in the Disclosure appendix. Credit Suisse does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. For a discussion of the risks of investing in the securities mentioned in this report, please refer to the following Internet link: <https://research.credit-suisse.com/riskdisclosure>

Further disintermediation is likely to reshape the sector

Historically financing has been provided by the regulated banking system. Commercial banks thereby play an intermediary role for the economy, in which they allocate savings deposits from investors to borrowers in an efficient manner. The recent financial crisis has created a wave of banking reforms that require banks to hold more capital and liquidity in order to better withstand future shocks. Its implementation is likely to reshape the banking industry, as banks need to find ways to work with less capital, use it more efficiently and increase top-line growth by innovation (see also “Future banking: Financial innovation” published on 13 February 2012). In particular, corporate lending is expected to be hit by the new capital and liquidity requirements, and as a consequence, lines of credit and liquidity facilities will become more expensive. Within the corporate lending area, the segment of small local business runs the highest risk of getting excluded from access to finance.

Non-bank financial intermediaries are positioned to fill the gap

In recent decades, the financial services industry and markets have continued to develop, and new types of financial intermediaries in addition to banks have evolved. In the absence of one financial regulator for all financial intermediaries, shadow banking is well positioned to take on businesses that banks discontinue as a consequence of the disintermediation. Shadow banking is understood as a form of credit intermediation involving entities and activities outside the regular banking system that perform bank-like functions. According to the European Commission, possible shadow banking activities include securitization, securities lending and repurchase transactions (“repos”).

Entities on which the European Commission is currently focusing are special purpose vehicles (SPVs) that perform liquidity and/or maturity transformation, such as asset-backed commercial paper conduits (ABCPs), special investment vehicles (SIVs) or other SPVs; money market funds (MMFs) and other types of investment funds or products with deposit-like characteristics, which make them vulnerable to massive redemptions (“runs”); investment funds, including exchange traded funds (ETFs) that provide credit or are leveraged; finance companies and securities entities providing credit or credit guarantees, or performing liquidity and/or maturity transformation without being regulated like a bank; and insurance and reinsurance undertakings which issue or guarantee credit products.

The sector has grown fast since the 1980s based on product innovation and on regulatory arbitrage. The size of the global shadow banking system was estimated at around EUR 46 trillion in 2010, representing 25%–30% of the total financial system and half the size of bank assets. Due to the Financial Stability Board (FSB), regulators are well aware of bank activities migrating to unregulated entities, and certain reforms to cover non-bank financial institutions are underway.

Looking for solution outside the banking system

Liquidity crunches during the later phases of the financial crisis and the ongoing disintermediation prompted companies to reassess their funding situation. Larger corporations have a broader choice of funding sources. Based on regulatory arbitrage, financing solutions outside the banking system will be-

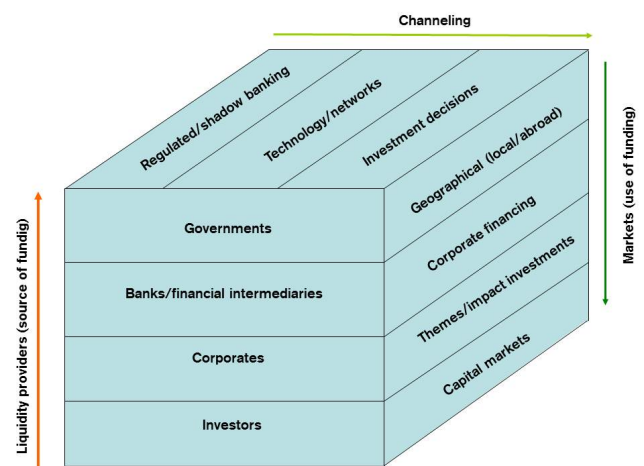
come increasingly attractive for companies. According to McKinsey, Western European companies are likely to tap debt capital markets more intensely, as bonds accounted for only 24% of debt financing in 2010 compared to 53% in the USA. Companies in emerging markets are likely to increase their percentage from actual 16% in bond issuance as well. Further funding sources outside the banking system are private placements and working capital lines from institutional investors. Potential financing could also be provided by larger corporations in the form of vendor finance to other companies in order to support their sales activities.

Smaller businesses are in a less comfortable situation, as they have limited financing options where bank lines are often their only source. Small- and medium-size enterprises (SMEs) form the backbone of most economies. These businesses create enormous economic and social value for their communities measured by jobs, healthy tax base, charitable giving, civic engagement and quality of life. Their survival is thus of utmost importance, and financing sources outside the banking sector are desperately needed. Potential financing should come from individual and institutional investors through various investment products offered by asset managers or shadow banking entities. Additionally, larger corporations will eventually support smaller businesses within their own supply chains in case they face funding issues. New investment opportunities are slowly arising from the community side in which they are located. This innovation on the funding side is called “locavesting” or local community investing (1).

Unfolding the cube

The cube in Figure 2 captures three dimensions of new financings, new markets. Financing, provided by multiple sources, is channeled through the regulated, non-regulated or shadow banking sector on its way to the markets where it will be invested. Internet technology supports the channeling of funds in a more efficient and timely way.

Figure 2: From liquidity providers to markets



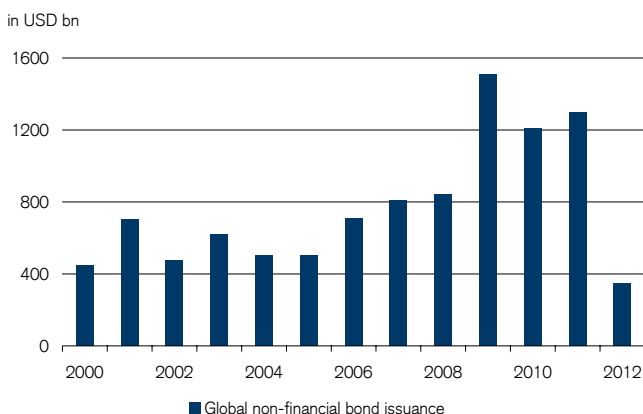
Source: Credit Suisse

Financing

Traditional providers of financing are banks, financial intermediaries and investors. During the financial crisis, banks and some financial intermediaries were confronted with liquidity issues and new financing sources had to fill the gap. And as a result of the ongoing disintermediation, governments adopted a prominent role in providing liquidity to their economies.

Today's largest cash piles are with companies and investors. Both corporates and investors found themselves thrown into a world of uncertainty by the credit crunch. As a result of tighter bank lending standards and historically low interest rates, corporations with access to capital markets have secured their long-term financing over the past couple of years by issuing new bonds. The issuance of non-financial corporate bonds almost doubled in 2009 compared to 2008, as outlined in Figure 3. In times when the supply of future capital and credit is not certain, cash is considered key for corporate survival. Additionally cash is a safety cushion for times when cash flows are increasingly irregular and less predictable.

Figure 3: Trend to more corporate debt raising



Source: Dealogic, Credit Suisse

On the investors' side, global bank deposits had grown to 90% of gross domestic product (GDP) at the end of 2010, according to McKinsey, reflecting a growing share of household assets held in cash rather than in bonds or equity shares. Credit Suisse Global Wealth Databook 2011 reflects a very similar observation. Many investors have allocated a higher share to cash based on lower risk appetite since the global financial crisis.

Markets

Traditionally markets are looked at from a geographical point of view, but markets in this paper are understood in a broader sense, including small and large businesses (corporate financing), themes and impact investments and securities issued by capital market entities, as shown in Figure 2.

From a geographical point of view, many emerging markets have developed their capital markets over the past decades and have improved their liquidity. Access to frontier markets is monitored carefully where opportunities are limited but developing. The economic downturn after the global financial crisis also realigned the focus on home markets. McKinsey

Global Institute observed a steep drop in cross-border capital flows, reflecting a plunge in demand by banks, companies and other investors during the global financial turmoil.

Non-bank financing for corporates, especially for small local businesses, is likely to become a very big market. Innovative solutions are needed to facilitate individual investors to access this market. Large companies with supply chains consisting of SMEs will play a more important role as a result of the disintermediation, but individual investors will also get increasingly involved either directly or indirectly. The centerpiece of corporate funding will be SME and small business financing out of necessity.

New markets in a sense of investment opportunities are themes such as sustainability and impact investments. The investment decision in this market is highly driven by non-financial factors. People's perception of how companies should grow on a global scale becomes more critical, and through networks they start mobilizing against companies that do not behave according to their codes of conduct. Impact investing is highly connected to local investing. Companies focus less on shareholder value maximization but on a better exchange with their communities. This development has only started and will eventually turn into an investable market driven by investor demand and an adequate regulatory environment.

The capital market could be viewed as a further market. An expansion of debt capital markets in Western European and emerging countries could be expected, given the higher cost of bank financing in light of new capital requirements. The distressed funding situation of small businesses also looks at solutions of new local stock exchanges.

Channeling

This part of the value chain from investor to market is gaining significance. The spectrum of regulated, not-regulated and shadow banking builds the ground for a broader range of funding sources and its financing streams are highlighted in Figure 1. With the ongoing disintermediation, banks will reshape their product and services offering for their customers. Non-core but still demanded businesses are likely to be picked up by the shadow banking sector or by non-regulated providers. Regulation is of utmost importance to financial innovation.

The rapid and widespread development of internet technology is highly supportive to new forms of financing, as it adds additional information and distribution channels that are less costly and more convenient. With more than two billion people already online and more to come, the internet represents a very fertile ground for social networks. Social networking has already reached a new level with "crowd funding" (CF) that supports artists in funding their creative projects.

Investment decisions are not all about financial factors but also about non-financial factors, which play a significant role in the decision-making process. Non-financial factors include environmental, social and governance (ESG) issues, political attitude, trend perception, economic and social inequalities, poverty alleviation. The perception of the banking system and its mandate has undergone a major change since the financial crisis. Sensitivity to the needs of the local business situation has grown and local investing has become a topic, although it is still a grassroots movement.

New markets, new finance

The reassessment of the traditional funding model releases new financing sources arising from corporates and investors and identifies new markets to invest the hoarded cash piles, as outlined in Figure 1:

a. Governments lending to small- and medium-size companies

As a consequence of the financial crisis and the ongoing disintermediation, some Western governments have established sovereign wealth funds which fill the liquidity gap to the economy and improve economic well-being. As part of the Project Merlin, a business growth fund was established by British banks to help small businesses with a turnover of GBP 10–100 million per year. The fund has GBP 2.5 billion to invest, pledged by Barclays, HSBC, Lloyds, RBS, Santander and Standard Chartered working in collaboration with the British Bankers' Association. Additionally, a new government loan guarantee scheme of over GBP 20 billion for the next two years has been signed by four of the UK's biggest banks, RBS, Lloyds, Barclays and Santander UK. The national loan guarantee scheme is intended to provide small UK businesses access to cheaper funding. HSBC has not signed up, as the bank has cheaper access to funding through its large base of retail deposits. In the USA, indirect support of small local businesses arises from states that move some of their state's deposits to community banks in an effort to boost local lending.

Provision of credit has also become a concern for the Irish economy, as the country experienced the most severe contraction in credit within in the European Union between 2007 and 2010. It shows a mismatch between demand and offer. As a public policy response to the credit issue, a temporary credit-guarantee scheme and a new micro-finance fund are to be introduced in 2012. In addition, the government announced the establishment of NewERA and the Strategic Investment Fund, which will be the forerunner of the Strategic Investment Bank, which will seek matching commercial investments from private investors, and will put in place a commercially-financed investment program in key areas of the economy to support demand and employment (2).

French presidential candidate, François Hollande, plans to set up a public investment bank to promote the development of SMEs and innovative businesses as a matter of priority.

b. Corporate financing of sales or supply activities

After the crisis, many large corporations have increased their cash holdings based on higher cash from operations and cheap funding conditions in debt capital markets. At the same time, many of them have kept their capital expenditures down by using excess capacity, which is likely to have a negative impact on strategic investments and hiring. This shift in corporate behavior appears to be like a run for cash and not for growth. But the cash also represents more financial flexibility for treasurers and a hedge against new liquidity constraints. It helps ensure that companies can retire near-term maturing debt, if the capital markets are disrupted again, and withstand a significant deterioration in business conditions – both concerns stemming from the latest financial and economic crisis.

In addition to the traditional shareholder-friendly uses of cash, treasurers can use it to support their sales activities or their supply chains that consist mainly of SMEs. One of the most famous vendor finance providers is GE Capital. It offers independent and captive programs designed to increase sales. Their programs are designed to help enhance a manufacturer's competitive position, but also to meet the unique financial requirements of end-user customers. While GE Capital is offering vendor finance also as an independent service, Siemens has a more captive approach by offering vendor finance only to their vendor customers. An example of supply chain support is Nissan's decision to build its new small hatchback in north-east England. The company plans to invest GBP 125 million and create 2,000 jobs at the plant and its suppliers.

According to Moody's, US non-financial companies held a record USD 1.24 trillion in cash and liquid investments at the end of 2011. The top cash-heavy US industries are technology, pharmaceuticals, energy and consumer products that hold about 63% of the corporate cash total. The lion's share of 31% of total cash in the non-financial corporate universe is hoarded in the technology sector. Its overseas cash holdings are estimated to approach 80% within the next five years compared to the current level of 71% based on stronger overseas growth opportunities. The substantial cash balances in the energy sector are in line with higher crude oil prices and rising production. Cash in the consumer products sector declined in 2011.

c. Institutional investors directly lending to large corporations

The treasurers of large companies such as SABMiller and Vodafone stated in an interview to Euromoney that the cost of borrowing for them is going to be materially lower than the cost of borrowing for banks. Thus, they see no reason why they should not obtain the revolving credit facilities directly from institutional investors, such as insurance companies and pension funds, which are often excluded from bank syndications, but they are potential investors for direct lending lines.

d. "Locavesting": Investing in local small businesses

Triggered by movements like "eat local" and "buy local", the interest in how to invest locally started to increase on grounds of the financial and economic crisis. The focus is on small local businesses. Their defining characteristics are that they are locally owned, are anchored in their communities and pay local taxes. They have hardly access to funding in the form of equity or debt and are often too small to attract venture capitalists or private equity funds. Many securities laws like in the USA do not allow investing in such businesses by non-accredited investors. The easiest way for investors to support local business activities is shifting deposits to local banks, so that they can lend to local businesses. But lending is only one part of the equation, the small business also have difficulties in raising equity. Innovation in this field requires adequate legal environments that allow all investors access to small business funding.

e. Crowd funding: Investing small amounts by many investors over the internet

CF is a fundraising model where lots of small sums are aggregated from lots of people. Just as Kickstarter, the world's largest funding platform for creative projects, allows independent artists to bypass the traditional gatekeepers like record studios and publishers to get their work produced, CF can help entrepreneurs with good ideas and promising growth potential get funding that is not forthcoming from banks or venture capitalists. A CF regulation is close to becoming reality in the USA, which would move the model into the investment sphere, so that entrepreneurs could tap into their social networks to raise capital and share profit with investors.

Many countries allow private companies to raise money only from accredited investors under existing, sometimes outdated rules. Kiva is the world's first online lending platform connecting lenders to entrepreneurs in the field of micro-finance. Although Kiva's individual lenders get only their principal back, but no profit due to securities laws, it has turned out to be a phenomenal success with more than one million Kiva users and total value of all loans made through Kiva reaching almost USD 300 million. Another interesting development is Prosper, the world's largest peer-to-peer (P2P) lending marketplace with more than one million members and over USD 223 million in funded loans. Prosper offers only consumer lending, as business funding is not allowed under the actual securities law in the USA. Under more investor-friendly laws that also allow profit taking on investments in small businesses, the potential of CF is enormous.

f. Microfinance for Western economies

Micro-finance provides financial services to low-income clients who traditionally lack access to banking and related services. Accion International and Grameen opened micro-finance businesses in the USA targeting the 44 million people that live below the poverty line, according to the US Census Bureau. A European Progress Microfinance Facility was launched in 2010 to increase the availability for setting up or developing a small business. It enables select micro-finance providers in the European Union to increase lending. Already 10 European countries have dedicated micro-finance providers supporting small businesses with funding.

Risks of an enlarged services offering

The shift of services from the regulated to the shadow banking sector involves risks for banks in the form of balance sheet activities, such as warehousing, or through its interconnectedness with the regular banking system in contingent credit lines. The same risks that triggered the last financial crisis are feared to originate the next financial crisis. There is some likelihood that the riskiest part of the shadow banking sector will be regulated within a reasonable time horizon.

Conclusion

The latest financial crisis has shown that the financial system is not always self-recovering. Market participants are adjusting to the new environment and are looking for solutions that support their own needs. Corporates and investors are hoarding cash which is needed to move the economy forward. Larger corporations are searching solutions outside the banking system, as they are likely to be very well positioned to get cheaper funding from debt capital markets or other financial intermediaries in the form of private placements or revolving credit facilities from institutional investors. Their high holdings would also allow them to take the role of finance providers to their vendor customers or suppliers. The most flexible ones that can adjust quickly to the new funding situation will survive in the longer run.

Non-financial factors have gained importance in today's investment decision-making process. Inclusive financial innovation needs an adequate legal environment that matches financial demand and offer by taking all potential investors into consideration. Internet technology and social networks support new approaches, as they strengthen the impact of a single investor due to the scalability effect of crowd sourcing.

(02/04/2012)

Bibliography

→ (1):

A. Cortese: Locavesting: The revolution in local investing and how to profit from it (2011) and M. Shuman: Local dollars, local sense (2012)

→ (2):

National Economic & Social Council: Promoting economic recovery and employment in Ireland (01/2012) and MerrionStreet.ie: 2012 Action Plan for Jobs (02/2012)

Risk disclaimer

Investors should consider this report as only a single factor in making their investment decision. For a discussion of the risks of investing in the securities mentioned in this report, please refer to the following Internet link:

<https://research.credit-suisse.com/riskdisclosure>

CS may not have taken any steps to ensure that the securities referred to in this report are suitable for any particular investor. CS will not treat recipients as its customers by virtue of their receiving the report. The investments or services contained or referred to in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about such investments or investment services. Nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise constitutes a personal recommendation to you.

The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments. Investors in securities such as ADR's, the values of which are influenced by currency volatility,

effectively assume this risk. Structured securities are complex instruments, typically involve a high degree of risk and are intended for sale only to sophisticated investors who are capable of understanding and assuming the risks involved. The market value of any structured security may be affected by changes in economic, financial and political factors (including, but not limited to, spot and forward interest and exchange rates), time to maturity, market conditions and volatility, and the credit quality of any issuer or reference issuer. Any investor interested in purchasing a structured product should conduct their own investigation and analysis of the product and consult with their own professional advisers as to the risks involved in making such a purchase.

Some investments discussed in this report have a high level of volatility. High volatility investments may experience sudden and large falls in their value causing losses when that investment is realized. Those losses may equal your original investment. Indeed, in the case of some investments the potential losses may exceed the amount of initial investment, in such circumstances you may be required to pay more money to support those losses. Income yields from investments may fluctuate and, in consequence, initial capital paid to make the investment may be used as part of that income yield. Some investments may not be readily realizable and it may be difficult to sell or realize those investments, similarly it may prove difficult for you to obtain reliable information about the value, or risks, to which such an investment is exposed.

Disclosure Appendix

Analyst certification

The analysts identified in this report hereby certify that views about the companies and their securities discussed in this report accurately reflect their personal views about all of the subject companies and securities. The analysts also certify that no part of their compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Knowledge Process Outsourcing (KPO) Analysts mentioned in this report are employed by Credit Suisse Business Analytics (India) Private Limited.

Important disclosures

Credit Suisse policy is to publish research reports, as it deems appropriate, based on developments with the subject company, the sector or the market that may have a material impact on the research views or opinions stated herein. Credit Suisse policy is only to publish investment research that is impartial, independent, clear, fair and not misleading.

The Credit Suisse Code of Conduct to which all employees are obliged to adhere, is accessible via the website at:

https://www.credit-suisse.com/governance/doc/code_of_conduct_en.pdf

For more detail, please refer to the information on independence of financial research, which can be found at:

https://www.credit-suisse.com/legal/pb_research/independence_en.pdf

The analyst(s) responsible for preparing this research report received compensation that is based upon various factors including Credit Suisse's total revenues, a portion of which is generated by Credit Suisse Investment Banking business.

Additional disclosures for the following jurisdictions

Hong Kong: Other than any interests held by the analyst and/or associates as disclosed in this report, Credit Suisse Hong Kong Branch does not hold any disclosable interests. **United Kingdom:** For fixed income disclosure information for clients of Credit Suisse (UK) Limited and Credit Suisse Securities (Europe) Limited, please call +41 44 333 33 99.

For further information, including disclosures with respect to any other issuers, please refer to the Credit Suisse Global Research Disclosure site at:

<https://www.credit-suisse.com/research/disclaimer>

Guide to analysis

Equity rating allocation as of (02/04/2012)

	Overall	Investment banking interests only
BUY	42.9 %	43.72 %
HOLD	51.01 %	49.92 %
SELL	5.22 %	5.38 %
RESTRICTED	0.87 %	0.98 %

Relative stock performance

At the stock level, the selection takes into account the relative attractiveness of individual shares versus the sector, market position, growth prospects, balance-sheet structure and valuation. The sector and country recommendations are "overweight," "neutral", and "underweight" and are assigned according to relative performance against the respective regional and global benchmark indices.

Absolute stock performance

The stock recommendations are BUY, HOLD and SELL and are dependent on the expected absolute performance of the individual stocks, generally on a 6-12 months horizon based on the following criteria:

BUY	10% or greater increase in absolute share price
HOLD	variation between -10% and +10% in absolute share price
SELL	10% or more decrease in absolute share price
RESTRICTED	In certain circumstances, internal and external regulations exclude certain types of communications, including e.g. an investment recommendation during the course of Credit Suisse engagement in an investment banking transaction.
TERMINATED	Research coverage has been concluded.

Absolute bond performance

The bond recommendations are based fundamentally on forecasts for total returns versus the respective benchmark on a 3-6 month horizon and are defined as follows:

BUY	Expectation that the bond issue will outperform its specified benchmark
HOLD	Expectation that the bond issue will perform in line with the specified benchmark
SELL	Expectation that the bond issue will underperform its specified benchmark
RESTRICTED	In certain circumstances, internal and external regulations exclude certain types of communications, including e.g. an investment recommendation during the course of Credit Suisse engagement in an investment banking transaction.

Credit Suisse HOLT

With respect to the analysis in this report based on the HOLT(tm) methodology, Credit Suisse certifies that (1) the views expressed in this report accurately reflect the HOLT methodology and (2) no part of the Firm's compensation was, is, or will be directly related to the specific views disclosed in this report. The Credit Suisse HOLT methodology does not assign ratings to a security. It is an analytical tool that involves use of a set of proprietary quantitative algorithms and warranted value calculations, collectively called the Credit Suisse HOLT valuation model, that are consistently applied to all the companies included in its database. Third-party data (including consensus earnings estimates) are systematically translated into a number of default variables and incorporated into the algorithms available in the Credit Suisse HOLT valuation model. The source financial statement, pricing, and earnings data provided by outside data vendors are subject to quality control and may also be adjusted to more closely measure the underlying economics of firm performance. These adjustments provide consistency when analyzing a single company across time, or analyzing multiple companies across industries or national borders. The default scenario that is produced by the Credit Suisse HOLT valuation model establishes the baseline valuation for a security, and a user then may adjust the default variables to produce alternative scenarios, any of which could occur. The Credit Suisse HOLT methodology does not assign a price target to a security. The default scenario that is produced by the Credit Suisse HOLT valuation model establishes a warranted price for a security, and as the third-party data are updated, the warranted price may also change. The de-

fault variables may also be adjusted to produce alternative warranted prices, any of which could occur. Additional information about the Credit Suisse HOLT methodology is available on request.

CFROI(r), CFROE, HOLT, HOLTfolio, HOLTSelect, HS60, HS40, Value-Search, AggreGator, Signal Flag and "Powered by HOLT" are trademarks or registered trademarks of Credit Suisse or its affiliates in the United States and other countries. HOLT is a corporate performance and valuation advisory service of Credit Suisse.

For technical research

Where recommendation tables are mentioned in the report, "Close" is the latest closing price quoted on the exchange. "MT" denotes the rating for the medium-term trend (3-6 months outlook). "ST" denotes the short-term trend (3-6 weeks outlook). The ratings are "+" for a positive outlook (price likely to rise), "0" for neutral (no big price changes expected) and "-" for a negative outlook (price likely to fall). Outperform in the column "Rel perf" denotes the expected performance of the stocks relative to the benchmark. The "Comment" column includes the latest advice from the analyst. In the column "Recom" the date is listed when the stock was recommended for purchase (opening purchase). "P&L" gives the profit or loss that has accrued since the purchase recommendation was given.

For a short introduction to technical analysis, please refer to Technical Analysis Explained at:

https://www.credit-suisse.com/legal/pb_research/technical_tutorial_en.pdf

Global disclaimer / important information

For a discussion of the risks of investing in the securities mentioned in this report, please refer to the following Internet link:

<https://research.credit-suisse.com/riskdisclosure>

References in this report to Credit Suisse include subsidiaries and affiliates. For more information on our structure, please use the following link:

https://www.credit-suisse.com/who_we_are/en/

The information and opinions expressed in this report were produced by the Global Research department of the Private Banking division at Credit Suisse as of the date of writing and are subject to change without notice. Views expressed in respect of a particular security in this report may be different from, or inconsistent with, the observations and views of the Credit Suisse Research department of Investment Banking division due to the differences in evaluation criteria. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject Credit Suisse AG, the Swiss bank, or its subsidiaries or its affiliates ("CS") to any registration or licensing requirement within such jurisdiction. All material presented in this report, unless specifically indicated otherwise, is under copyright to CS. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted, copied or distributed to any other party, without the prior express written permission of CS. All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of CS or its affiliates.

The information, tools and material presented in this report are provided to you for information purposes only and are not to be used or considered as an offer or the solicitation of an offer to sell or to buy or subscribe for securities or other financial instruments. CS does not offer advice on the tax consequences of investment and you are advised to contact an independent tax adviser. Please note in particular that the bases and levels of taxation may change.

CS believes the information and opinions in the Disclosure Appendix of this report are accurate and complete. Information and opinions presented in the other sections of the report were obtained or derived from sources CS believes are reliable, but CS makes no representations as to their accuracy or completeness. Additional information is available upon request. CS accepts no liability for loss arising from the use of the material presented

in this report, except that this exclusion of liability does not apply to the extent that liability arises under specific statutes or regulations applicable to CS. This report is not to be relied upon in substitution for the exercise of independent judgment. CS may have issued, and may in the future issue, a trading idea regarding this security. Trading ideas are short term trading opportunities based on market events and catalysts, while company recommendations reflect investment recommendations based on expected total return over a 6 to 12-month period as defined in the disclosure section. Because trading ideas and company recommendations reflect different assumptions and analytical methods, trading ideas may differ from the company recommendations. In addition, CS may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views and analytical methods of the analysts who prepared them and CS is under no obligation to ensure that such other reports are brought to the attention of any recipient of this report. CS is involved in many businesses that relate to companies mentioned in this report. These businesses include specialized trading, risk arbitrage, market making, and other proprietary trading.

Information, opinions and estimates contained in this report reflect a judgment at its original date of publication by CS and are subject to change without notice. This report may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the report refers to website material of CS, CS has not reviewed the linked site and takes no responsibility for the content contained therein. Such address or hyperlink (including addresses or hyperlinks to CS's own website material) is provided solely for your convenience and information and the content of the linked site does not in any way form part of this document. Accessing such website or following such link through this report or CS's website shall be at your own risk.

Distribution of research reports

Except as otherwise specified herein, this report is distributed by Credit Suisse AG, a Swiss bank, authorized and regulated by the Swiss Financial Market Supervisory Authority. **Australia:** This report is distributed in Australia by Credit Suisse AG, Sydney Branch (CSSB) (ABN 17 061 700 712 AFSL 226896) only to "Wholesale" clients as defined by s761G of the Corporations Act 2001. CSSB does not guarantee the performance of, nor makes any assurances with respect to the performance of any financial product referred herein. **Bahamas:** This report was prepared by Credit Suisse AG, the Swiss bank, and is distributed on behalf of Credit Suisse AG, Nassau Branch, a branch of the Swiss bank, registered as a broker-dealer by the Securities Commission of the Bahamas. **Bahrain:** This report is distributed by Credit Suisse AG, Bahrain Branch, authorized and regulated by the Central Bank of Bahrain (CBB) as an Investment Firm Category 2. **Dubai:** This information is distributed by Credit Suisse AG Dubai Branch, duly licensed and regulated by the Dubai Financial Services Authority (DFSA). Related financial products or services are only available to wholesale customers with liquid assets of over USD 1 million who have sufficient financial experience and understanding to participate in financial markets in a wholesale jurisdiction and satisfy the regulatory criteria to be a client. **France:** This report is distributed by Credit Suisse (France), authorized by the Autorité de Contrôle Prudentiel (ACP) as an investment service provider. Credit Suisse (France) is supervised and regulated by the Autorité de Contrôle Prudentiel and the Autorité des Marchés Financiers. **Germany:** Credit Suisse (Deutschland) AG, authorized and regulated by the Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin), disseminates research to its clients that has been prepared by one of its affiliates. **Gibraltar:** This report is distributed by Credit Suisse (Gibraltar) Limited. Credit Suisse (Gibraltar) Limited is an independent legal entity wholly owned by Credit Suisse and is regulated by the Gibraltar Financial Services Commission. **Guernsey:** This report is distributed by Credit Suisse (Guernsey) Limited, an independent legal entity registered in Guernsey under number 15197, with its registered address at Helvetia Court, Les Echelons, South Esplanade, St Peter Port, Guernsey. Credit Suisse (Guernsey) Limited is wholly owned by Credit Suisse and is regulated by the Guernsey Financial Services Commission. Copies of the latest audited accounts are available on request. **Hong Kong:** This report is issued in Hong Kong by Credit Suisse AG Hong Kong Branch, an Authorized Institution regulated by the Hong Kong Monetary Authority and a Registered In-

stitution regulated by the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). **India:** This report is distributed by Credit Suisse Securities (India) Private Limited ("Credit Suisse India"), regulated by the Securities and Exchange Board of India (SEBI) under SEBI registration Nos. INB230970637; INF230970637; INB010970631; INF010970631, with its registered address at 9th Floor, Ceejay House, Plot F, Shivsagar Estate, Dr. Annie Besant Road, Worli, Mumbai 400 018, India, Tel. +91-22 6777 3777. **Italy:** This report is distributed in Italy by Credit Suisse (Italy) S.p.A., a bank incorporated and registered under Italian law subject to the supervision and control of Banca d'Italia and CONSOB, and also distributed by Credit Suisse AG, a Swiss bank authorized to provide banking and financial services in Italy. **Jersey:** This report is distributed by Credit Suisse (Guernsey) Limited, Jersey Branch, which is regulated by the Jersey Financial Services Commission. The business address of Credit Suisse (Guernsey) Limited, Jersey Branch, in Jersey is: TradeWind House, 22 Esplanade, St Helier, Jersey JE2 3QA. **Luxembourg:** This report is distributed by Credit Suisse (Luxembourg) S.A., a Luxembourg bank, authorized and regulated by the Commission de Surveillance du Secteur Financier (CSSF). **Mexico:** The information contained herein does not constitute a public offer of securities as defined in the Mexican Securities Law. This report will not be advertised in any mass media in Mexico. This report does not contain any advertisement regarding intermediation or providing of banking or investment advisory services in Mexico or to Mexican citizens. **Qatar:** This information has been distributed by Credit Suisse Financial Services (Qatar) L.L.C., which has been authorized and is regulated by the Qatar Financial Centre Regulatory Authority (QFCRA) under QFC No. 00005. All related financial products or services will only be available to Business Customers or Market Counterparties (as defined by the Qatar Financial Centre Regulatory Authority (QFCRA)), including individuals, who have opted to be classified as a Business Customer, with liquid assets in excess of USD 1 million, and who have sufficient financial knowledge, experience and understanding to participate in such products and/or services. **Russia:** The research contained in this report does not constitute any sort of advertisement or promotion for specific securities, or related financial instruments. This research report does not represent a valuation in the meaning of the Federal Law On Valuation Activities in the Russian Federation and is produced using Credit Suisse valuation models and methodology. **Singapore:** Distributed by Credit Suisse AG Singapore Branch, regulated by the Monetary Authority of Singapore. **Spain:** This report is distributed in Spain by Credit Suisse AG, Sucursal en España, authorized under number 1460 in the Register by the Banco de España. **Thailand:** This report is distributed by Credit Suisse Securities (Thailand) Limited, regulated by the Office of the Securities and Exchange Commission, Thailand, with its registered address at 990 Abdulrahim Place Building, 27/F, Rama IV Road, Silom, Bangrak, Bangkok Tel. 0-2614-6000. **United Kingdom:** This report is issued by Credit Suisse (UK) Limited and Credit Suisse Securities (Europe) Limited. Credit Suisse Securities (Europe) Limited and Credit Suisse (UK) Limited, both authorized and regulated by the Financial Services Authority, are associated but independent legal entities within Credit Suisse. The protections made available by the Financial Services Authority for retail clients do not apply to investments or services provided by a person outside the UK, nor will the Financial Services Compensation Scheme be available if the issuer of the investment fails to meet its obligations. **UNITED STATES:** NEITHER THIS REPORT NOR ANY COPY THEREOF MAY BE SENT, TAKEN INTO OR DISTRIBUTED IN THE UNITED STATES OR TO ANY US PERSON.

JAPAN: Neither this report nor any copy thereof may be sent, taken or distributed in Japan.

Local law or regulation may restrict the distribution of research reports into certain jurisdictions.

This report may not be reproduced either in whole or in part, without the written permission of Credit Suisse. Copyright © 2012 Credit Suisse Group AG and/or its affiliates. All rights reserved.

12C020A

Imprint

Subscription profile

Publication Research Alert
Selected chapters New markets, new finance

Publisher

Giles Keating
Head of Research for Private Banking and Asset Management
+41 44 332 22 33
giles.keating@credit-suisse.com

Nannette Hechler-Fayd'herbe
Head of Global Financial Markets Research
+41 44 333 17 06
nannette.hechler-fayd'herbe@credit-suisse.com

Information about other research publications

Credit Suisse AG
Editorial & Publications
Uetlibergstrasse 231, P.O. Box 300, CH-8070 Zürich

E-Mail

publications.research@credit-suisse.com

Internet

<http://www.credit-suisse.com/research>

Intranet (for employees only)

<http://research.csintra.net>

Subscription (clients)

Please contact your customer advisor to subscribe to this publication

Subscription (internal)

For information on subscriptions please visit <http://research.csintra.net/subscriptions>

Authors

Marion Christina Struber
+41 44 333 41 96
marion.struber@credit-suisse.com