

Research Flash

Investment Ideas

Frontier markets: Preparing for take-off, but fasten your seatbelts

Private Banking

The next generation of emerging markets

Frontier markets (FMs) are the smaller, less developed emerging markets. These economies tend to be at an earlier stage of development than emerging markets like Brazil or China, but nonetheless exhibit many of the same growth drivers, like large populations, improving governance, commodity wealth, growing consumer markets and technological catch-up potential. In this sense, we consider many of today's frontier markets as the next generation of emerging markets.

Frontier markets as beneficiaries of a multipolar world

The premise of the FM investment case is that, over time, they can graduate to emerging or later even to developed market status. Historical examples of this trend include Korea and Taiwan. Both countries were poor countries 20 years ago, but today Taiwan's income per capita exceeds USD 35,000 (ahead of France, Finland and Japan), while Korea's GDP/capita is around USD 30,000 (ahead of Spain, Italy and Greece). These are examples of the transformation occurring as the center of gravity shifts from the developed to the emerging world. Frontier markets stand to be beneficiaries of this megatrend.

This report focuses on the MSCI Frontier Markets index

We are focusing on the 25 constituents of the MSCI Frontier markets universe (Table 1). The report goes on to identify the drivers of frontier market growth, looks at how the 25 markets

Table 1: MSCI Frontier Markets Index

Americas	CEE and CIS	Africa	Middle East	Asia
Argentina	Bulgaria	Kenya	Bahrain	Pakistan
Trinidad	Croatia	Mauritius	Jordan	Sri Lanka
	Estonia	Nigeria	Kuwait	Vietnam
	Kazakhstan	Tunisia	Lebanon	
	Lithuania		Oman	
	Romania		Qatar	
	Serbia		U.A.E.	
	Slovenia			
	Ukraine			

Source: MSCI Barra

Highlights

- Frontier markets (FM) are the smaller, less developed emerging markets. The investment case for these markets is that they have the ability to produce strong long-term returns as they graduate from frontier to emerging market status.
- FMs exhibit many of the growth drivers also present in mature emerging markets, including large and growing populations, improving governance, commodity wealth, growing consumer markets and technological catch-up potential.
- FMs tend to have higher risks relative to more mature markets including lower liquidity, higher volatility, weaker corporate governance standards and less developed institutional frameworks. Investors should have a long-term view which tolerates temporary market distortions.

Top investment ideas

Diversify risk by investing in dedicated FM funds or structured products on FM indexes

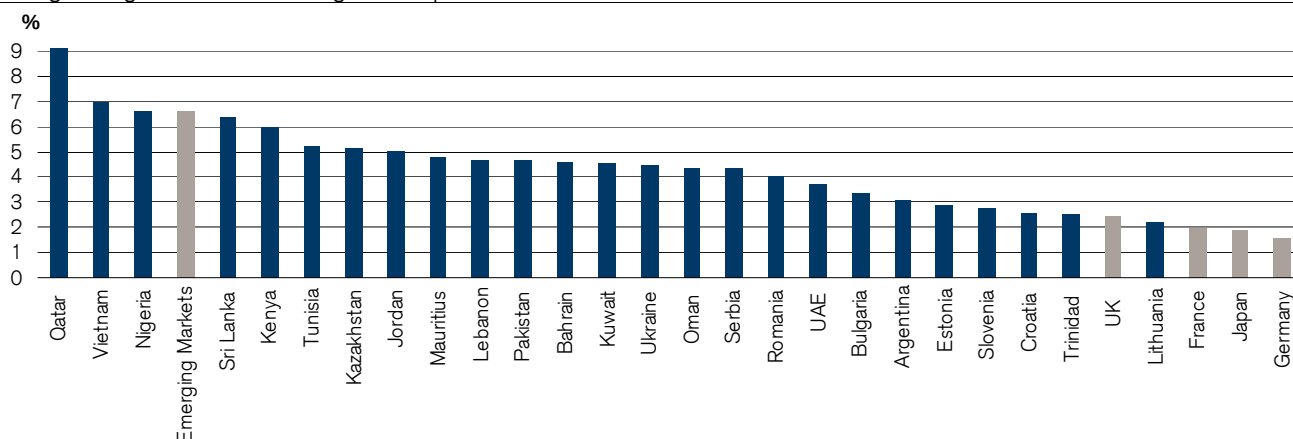
BUY Industries Qatar: Operates industrial complexes in the fields of petrochemicals (especially gas reserves), fertilizers, additives, and steel industries. Low-cost access to feedstock.

BUY Oil and Gas Development Company: An exploration and production company in Pakistan with over a third of the country's oil and gas reserves. The largest stock in Pakistan.

(Investors should note that trading restrictions may apply).

Figure 1

Strong average annual real GDP growth expected for frontier markets from 2010–2015



Source: IMF, Credit Suisse

have performed over recent years, and how valuations have evolved both in absolute and in relative terms. We then explore how frontier markets can be expected to perform in 2011, before presenting our scoring model and a list of the largest, most liquid stocks in each market.

Structural drivers behind strong real GDP growth in FMs

Most frontier market economies are growing fast. Figure 1 shows that frontier markets are due to achieve above global average real economic growth, with countries like Qatar, Vietnam and Nigeria all due to record from 6%–9% real GDP growth per year through 2015. Frontier market growth relies on five main structural drivers:

1) Structural transformation of FM economies: Many frontier market economies have implemented structural economic reforms that are accelerating the industrialization process of their economies. As wage prices continue to rise fast in established emerging markets, many frontier markets are positioning themselves as alternative low-cost manufacturing (and

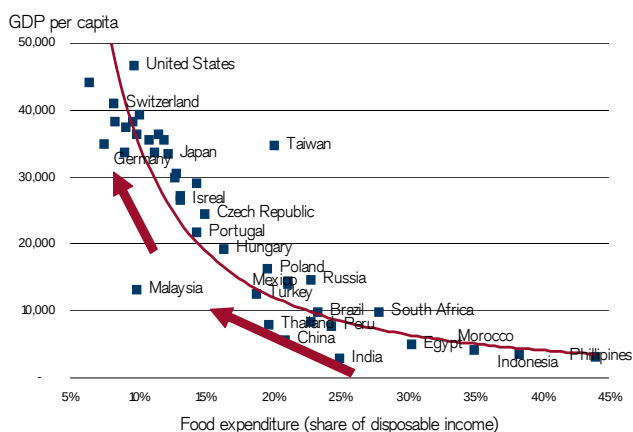
even service) hubs. Moreover, as frontier markets continue to be become better integrated into the global economy, infrastructure investment rates and consumption can rise, relieving bottlenecks and setting in motion a self-sustaining cycle of strong economic growth.

2) Rising domestic consumption patterns: A further strong driver of frontier market growth involves the prospect of rising economic growth stimulating personal income and domestic consumption. Indeed, steady rises in per capita income typically are related to consumers spending more on discretionary items and less on basic items like food (Figure 2). This trend can ignite a virtuous development cycle in which economic growth rates are further boosted by growing domestic demand.

3) Open economies are leveraged to global growth: Frontier market economies tend to be relatively open economies, exhibiting a large export orientation. We measure this by looking at their exports as a percentage of their GDP. Figure 3 shows that these ratios are higher for frontier markets than for developed economies like USA and also for established

Figure 2

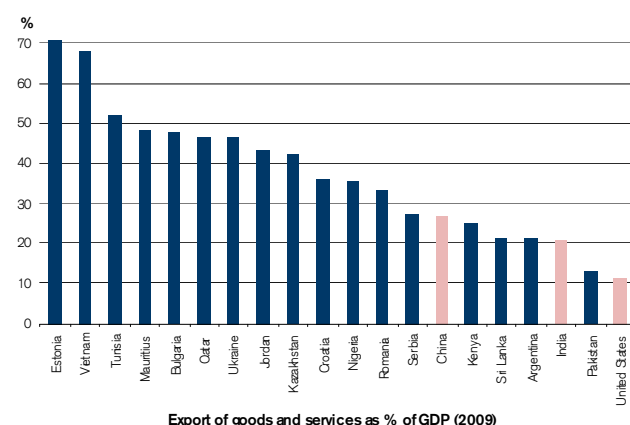
As incomes rise, discretionary spending rises too



Source: IMF, Credit Suisse

Figure 3

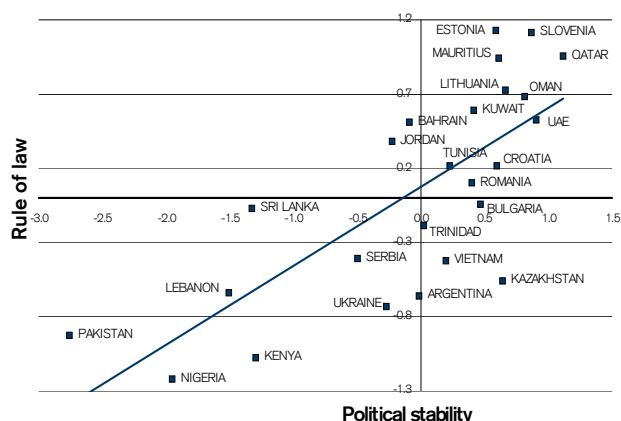
Frontier economies are open, leveraged to global growth



Source: World Bank, Credit Suisse

Figure 4

Rule of law and political stability in FMs



Source: World Bank, OECD, Credit Suisse

emerging markets. The ratios range from around 70% for Estonia and Vietnam to only around 15% for Pakistan (which is still higher than the US ratio). Nonetheless, the openness of FM economies suggests that they could very well be a primary beneficiary of an ongoing global expansion – especially in emerging markets.

4) Improving institutional environment: The domestic institutional environment for many frontier markets has traditionally been an obstacle to many investors. But as many frontier markets are better integrated into the global value chain, many international regulatory standards are also being adopted domestically. Also, as Figure 4 shows, most frontier markets actually score quite well in terms of their political stability and the degree to which the rule of law protects contracts, while others like Pakistan, Nigeria and Kenya still score poorly. Improved regulatory environments are likely to be a key driver for sustained economic growth in frontier markets.

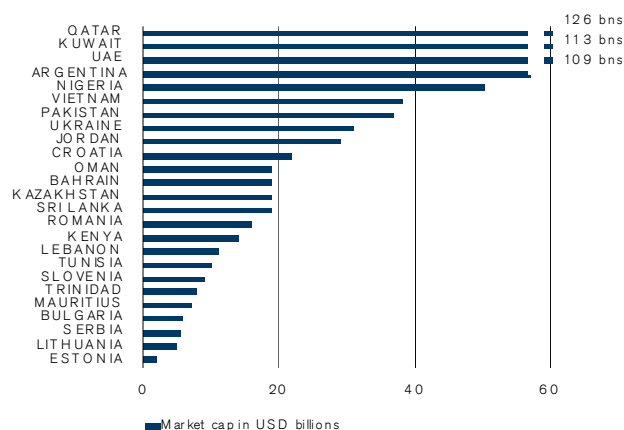
5) Technology transfer likely to boost productivity: Cheaper technology is facilitating information transfers to the frontier economies and improving productivity faster than ever before. As such frontier markets have the potential to leapfrog ahead by taking advantage of technology that did not exist while the likes of China and India were at a similar stage of development around 10–15 years ago. For example, in the agricultural economies like Kenya, farmers can use their cell phones to compare regional costs and price their goods more effectively, to transfer money and pay bills and also to gain access to tele-medical treatment. According to academic studies by the London Business School, each 10% increase in a country's mobile penetration is tied to a 0.5% increase in a country's GDP. This is just one example of how technology can act as an enabler for improved living standards and an acceleration of economic growth.

Frontier equity markets: an emerging asset class

These strong drivers of economic growth are establishing the frontier equity markets as a new emerging asset class. Invest-

Figure 5

FM capitalization still small, implies low liquidity



Source: Bloomberg, Credit Suisse

tors should note that there are a few important points to keep in mind when first considering the frontier market equity investment case.

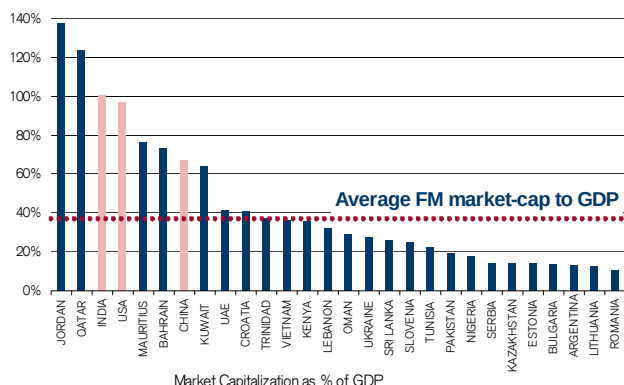
Frontier equity markets are small: Firstly, frontier markets still tend to be very small with listed companies still few in number and small in size. In fact, the entire MSCI Frontier Markets index consists of only 179 stocks (compared to 801 in the MSCI EM index). On a country level, Figure 5 shows us that of the 25 frontier markets included in the MSCI Frontier Markets Index, only five have a market capitalization greater than USD 40 bn (Apple alone has a market cap of over USD 300 bn). We also see that the Middle Eastern constituents make up over half of the entire market capitalization. This lower liquidity in frontier markets makes it more difficult to find sellers when markets fall, making investments disproportionately sensitive to changes in global capital flows and financial risk appetite.

They are also small relative to their economies: Frontier markets seem undercapitalized relative to the size of their economies. Figure 6 shows that most frontier markets have an average market cap-to-GDP of 38%, which is significantly lower than the 70%–100% market cap for developed or established emerging markets. Nonetheless, the rising IPO number in many frontier markets, along with the growing trend of frontier market governments to privatize large, previously state-run firms should improve market liquidity in these economies with time. In fact over the last three years, 19 of the 25 MSCI frontier market constituents have increased the number of stocks listed on their exchanges, with Mauritius, Serbia, Croatia and Vietnam increasing listed companies by more than 20%. Equitization is therefore likely to continue growing over time.

Frontier markets are dominated by banks: Another point that can be made about frontier markets is that they contain a lot of cyclical stocks, especially banks or insurance companies. Around half of all the companies in the MSCI Frontier Markets index are financials. Figure 7 shows that financials are particularly heavily weighted in the Middle East (i.e. Qatar 65%, Jor-

Figure 6

Frontier markets tend to still be undercapitalized



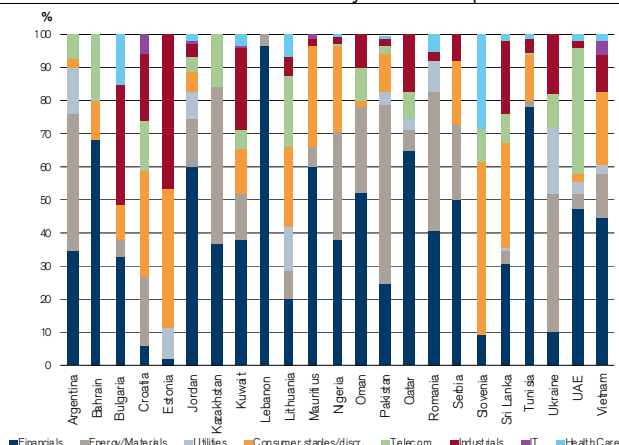
Source: Bloomberg, Credit Suisse

dan 60%, Bahrain 68%, Lebanon as high as 96%), but less so in Emerging Europe, where many of the banks have been acquired by Western European parents. Apart from financials, Figure 7 shows that Energy and Materials also enjoy a fairly large weighting, especially in the commodity-rich nations. This information suggests that frontier markets have a cyclical bias in their index composition – which could position them as a leveraged play on the global recovery.

Frontier markets typically have more risk: Frontier markets also exhibit a number of risks, chiefly political ones. Markets tend to be very sensitive to political developments – on the upside as well as on the downside. On the downside, political uncertainty in countries like Zimbabwe or more recently Ivory Coast can do much to retard the economic growth outlook. On the upside, however, the resolution to a long-standing conflict can offer very attractive entry points, such as Sri Lanka which has risen by 200% since the official end of the civil war in May 2009. Other risks involve the limited availability of market data in frontier markets, relatively weaker financial reporting standards, lower market liquidity, and less developed trading and settlement systems.

Figure 7

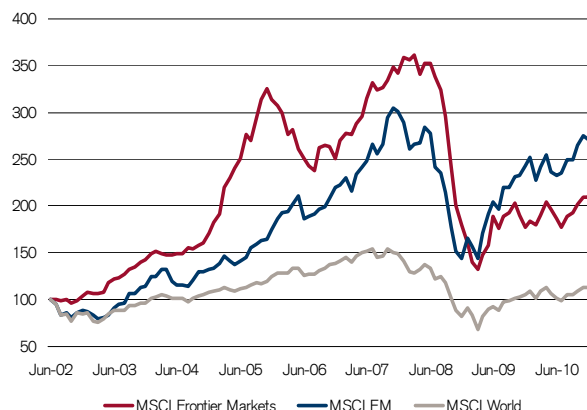
Frontier market sector breakdown by market capitalization



Source: Bloomberg, Credit Suisse

Figure 8

Frontier markets outperformed until 2008, lagging since then



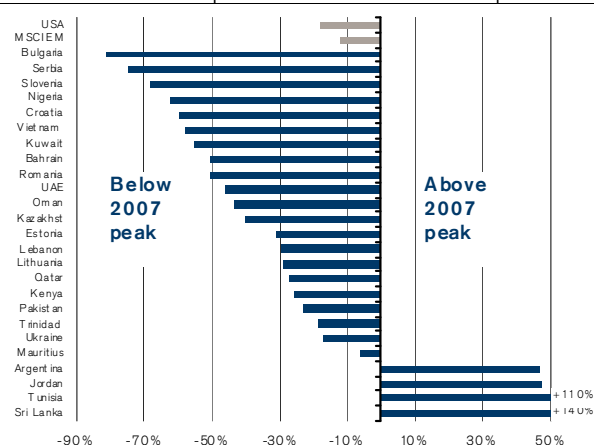
Source: Datastream, Credit Suisse

Frontier market performance

Since 2002, frontier equity markets have outperformed emerging and developed markets significantly during bull markets (from 2002 through 2007, frontier markets rose by 355% vs. 300% for emerging markets, and 74% for developed markets), but have also underperformed during bear markets (Figure 8). In addition, frontier markets tend to lag the emerging markets price cycle, which is mainly due to their smaller trading volumes, more limited market access and lower liquidity. This means that frontier markets have historically outperformed once emerging markets become more expensively valued, which we believe could occur in 2011. It is in this context that investors seeking high, long-term returns and willing to tolerate higher risk have started to pay more attention to frontier markets in recent months. Figure 9 shows that most frontier markets are still significantly below their 2007 highs, whereas the US and the MSCI Emerging Markets index have almost reached their 2007 peaks. **Indeed, frontier markets on aggregate are 48% below their 2007 peak, whereas emerging markets are only 12% below their peak.**

Figure 9

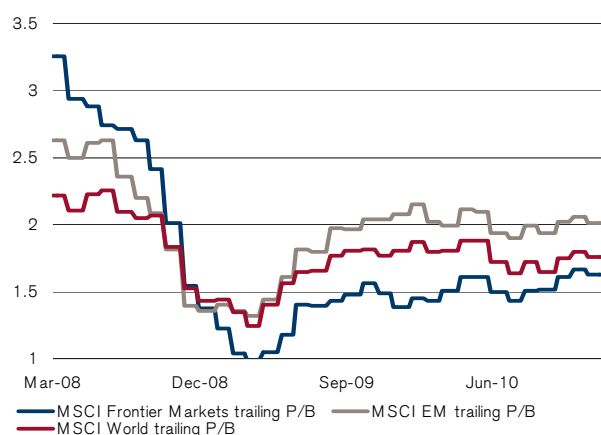
MSCI Frontier Markets price difference from 2007 peak



Source: Bloomberg, Credit Suisse

Figure 10

MSCI FM index at 20% discount to MSCI EM, on book values



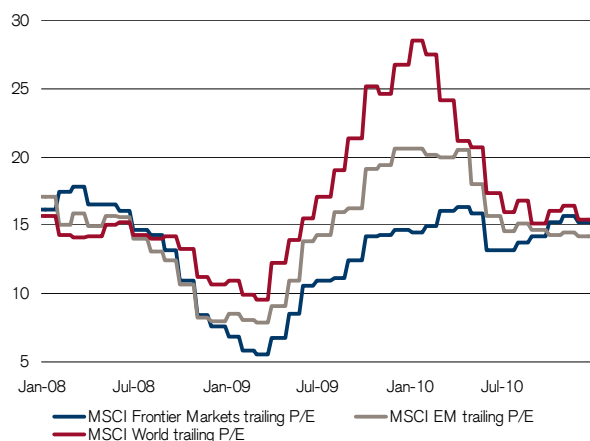
Source: Datastream, Credit Suisse

What about valuations?

How expensive are frontier markets? On historical price-to-book multiples, frontier markets trade at a 20% discount to emerging markets (Figure 10). On a price-to-earnings basis, the MSCI Frontier Markets index looks less cheap than it did in 2010 (Figure 11), but there is much variation by country, with most countries trading below the MSCI EM index (Figure 13). This is also true for price-to-book values (Figure 12). Investors should note consensus earnings forecasts are unavailable, which is why we look at historical data. But even this data can be distorted, since most country indices have only a handful of stocks and are thus heavily affected by company-specific anomalies. Over time, however, as equity issuance and research coverage in the frontier market space expands, the availability and reliability of data is also likely to improve. In summary we can say that frontier markets still trade at a discount to emerging markets, though this discount is smaller than it was in 2010.

Figure 11

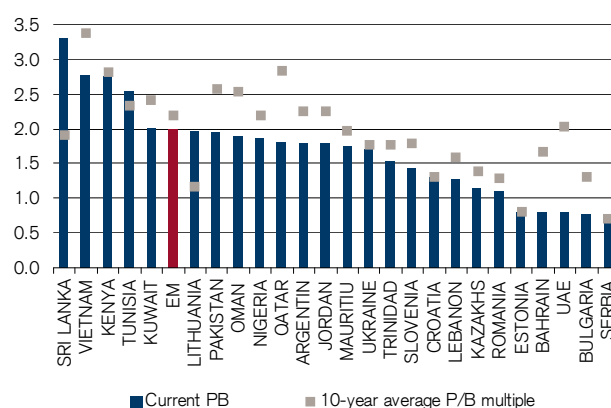
MSCI FM index in line with MSCI EM, on trailing earnings



Source: Datastream, Credit Suisse

Figure 12

Most individual frontier markets at P/B discount to MSCI EM



Source: Datastream, Credit Suisse

Which countries to own?

Which countries look best for investing right now? We are introducing our Frontier Markets Investment Radar, a scoring model we have developed to differentiate these markets based on a set of basic quantitative factors. The ranked country results of our FM Investment Radar are intended to offer investors insight into the relative attractiveness of the 25 constituents of the MSCI Frontier Markets index. The model ranks the 25 countries according to three equally-weighted categories, namely 1) macroeconomic strength, 2) valuation, 3) human welfare and political stability.

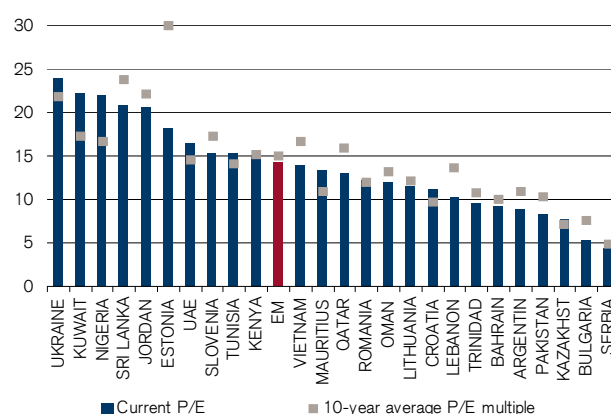
These three categories comprise the following variables:

1) Macroeconomic ranking: GDP per capita growth through 2015, population, debt-to-GDP, current account as a % of GDP, FDI inflows as a % of GDP, fiscal balance as a % of GDP, and YoY inflation.

2) Valuation ranking: market cap as a % of GDP, trailing price-to-earnings multiple, trailing price-to-book multiple, price

Figure 13

Most individual frontier markets at P/E discount to MSCI EM



Source: Datastream, Credit Suisse

Table 2: Credit Suisse Frontier Markets Investment Radar				
Ranking	Overall ranking	Macro ranking	Valuation	Human welfare and absence of violence
1	Kazakhstan	Kazakhstan	Serbia	Slovenia
2	Bulgaria	Bulgaria	Estonia	Bahrain
3	Estonia	Qatar	Kazakhstan	Qatar
4	Qatar	Estonia	Bulgaria	Estonia
5	Serbia	Argentina	Qatar	United Arab Emirates
6	Kuwait	Nigeria	Pakistan	Lithuania
6	Argentina	Tunisia	United Arab Emirates	Kuwait
8	Lithuania	Kuwait	Lebanon	Bulgaria
9	Romania	Vietnam	Croatia	Croatia
10	Slovenia	Oman	Mauritius	Argentina
11	United Arab Emirates	Serbia	Bahrain	Romania
12	Croatia	Romania	Vietnam	Mauritius
13	Tunisia	Ukraine	Nigeria	Oman
14	Oman	Lithuania	Jordan	Kazakhstan
15	Vietnam	Lebanon	Kuwait	Serbia
16	Bahrain	Sri Lanka	Argentina	Tunisia
17	Lebanon	Croatia	Lithuania	Lebanon
18	Jordan	Jordan	Romania	Jordan
19	Mauritius	Pakistan	Ukraine	Trinidad and Tobago
20	Ukraine	Trinidad and Tobago	Slovenia	Vietnam
21	Nigeria	Kenya	Trinidad and Tobago	Ukraine
22	Trinidad and Tobago	United Arab Emirates	Tunisia	Sri Lanka
23	Pakistan	Slovenia	Oman	Pakistan
24	Sri Lanka	Mauritius	Kenya	Kenya
25	Kenya	Bahrain	Sri Lanka	Nigeria

Source: IMF, Bloomberg, Datastream, World Bank, United Nations, World Health Organisation, ITC, Transparency International, Credit Suisse

momentum, and 3-year average yearly growth of listed companies.

3. Human welfare and political stability: Life expectancy in years, gross school enrolment as a % of relevant population group, ease of doing business score, health expenditure per capita, perceived corruption index ranking.

Some key results of the model

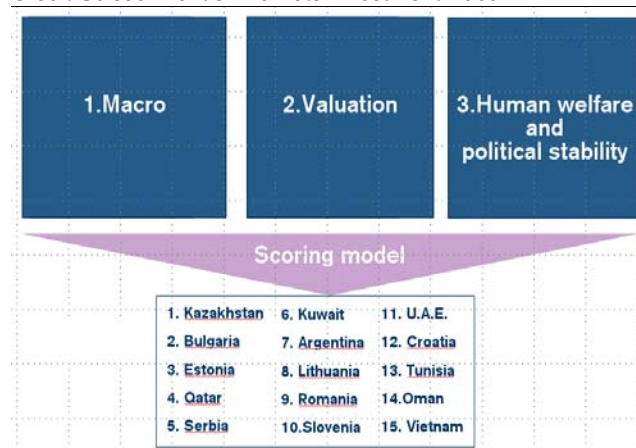
The results of the ranking model can be seen in Figure 14 and, more comprehensively, in Table 2. This ranking model can be considered a first step in the investment process, but investors should note that the model is intended only to offer some general insight based on some key measures on a very diverse set of markets. The top five markets are Kazakhstan, Bulgaria, Estonia, Qatar and Serbia, while the model is less positive on the markets in Kenya, Sri Lanka, Pakistan, Trinidad and Nigeria at their current valuation levels.

How to invest?

Individual companies in frontier markets can offer very interesting opportunities (although investment restrictions may apply in

Figure 14

Credit Suisse Frontier Markets Investment Radar



Source: Credit Suisse

some instances, Tables 4 and 5). Given the higher investment risk and limited investability for frontier markets, investors may prefer to gain exposure via specialized frontier market funds or structured products on indexes. Since frontier market information asymmetries tend to be significantly larger than in emerging or developed markets, investors are likely to benefit disproportionately from the specialized knowledge of a frontier market fund manager. Nonetheless, for more sophisticated investors interested in an overview of the listed equities in these markets, we offer a list of the four largest, most liquid stocks in each of the 25 market constituents of the MSCI Frontier Markets index in Tables 4 and 5. Investors should note that all markets and stocks may not be freely tradable. Table 3 shows the extent of access to domestic markets, though further trading limitations may also apply, depending on the market.

Only nine of the stocks in the table are covered

We cover only nine of the 100 stocks listed in the table. The remaining stocks are included for information purposes only, as they are not under coverage at this time. As such, we in-

Table 3: Client access to local frontier market			
	Client access		Client access
Argentina	✓	Oman	✓
Bahrain	✓	Pakistan	✓
Bulgaria	✓	Qatar	✓
Croatia	✓	Romania	✓
Estonia	✓	Serbia	✓
Jordan	✓	Slovenia	✓
Kazakhstan		Sri Lanka	✓
Kenya		Trinidad	
Kuwait	✓	Tunisia	
Lebanon	✓	U.A.E.	✓
Lithuania	✓	Ukraine	✓
Mauritius		Vietnam	
Nigeria			

Investors should note that further trading limitations may apply

Source: Credit Suisse

clude in the table only factual data that should give investors a more complete picture of the stocks listed in the respective markets. The stocks we cover are Oil and Gas Development (BUY), Industries of Qatar (BUY), Qatar National Bank (BUY), DP World (BUY), Emaar Properties (BUY), Abu Dhabi Commercial Bank (HOLD), Bahrain Telecom (HOLD), National Mobile Telecom (HOLD), and Zain Group Mobile Telecommunication (HOLD).

Conclusion

Looking ahead, we believe one of the key outcomes of the Multipolar World megatrend is that many countries we today consider frontier markets can graduate to emerging market status. This development is likely to offer very interesting opportunities to investors who are able to identify frontier growth opportunities early. In an environment of abundant global liquidity, we expect the combination of rebounding frontier market earnings growth and reasonable multiples to make for an attractive fundamental picture for frontier markets in 2011. After all, not too long ago many of today's established emerging markets – such as China and Brazil –no doubt seemed as exotic and risky as today's frontier markets, but have since earned handsome returns for those who invested early.

We wish to thank Ganesh Malligeswaran and Rohan Misra of Credit Suisse Business Analytics (India) Private Limited for contributing to this publication.

Table 4: Frontier stock market list with four largest stocks per country by market capitalization

Country	Company	Sector	Bloomberg ticker	Rec.	Currency	Market cap. USD bn	P/E Trailing	P/B Trailing
ARGENTINA	TENARIS S.A.	Industrial, steel pipelines	TS AR	NR	ARG	28.95	28.0	3.0
	TELECOM ARGENTINA	Telecom	TECO2 AR	NR	ARG	5.08	11.9	3.6
	PETROLEO BRASILEIRO sa	Oil & Gas	APBR AR	NR	ARG	225.28	10.0	1.4
	SIDERAR SAIC	Steel	ERAR AR	NR	ARG	3.13	6.5	1.3
BARHAIN	AHLI UNITED BANK	Banks	AUB BI	NR	USD	3.90	15.9	1.5
	BAHRAIN TELECOM	Telecom	BATELCO BI	HOLD	BHD	1.93	7.9	1.5
	ARAB BANKING CORP.	Banks	ABC BI	NR	USD	1.59	8.9	0.5
	NATIONAL BANK OF BAHRAIN	Banks	NBB BI	NR	BHD	1.26	11.9	1.8
BULGARIA	SOPHARMA	Pharmaceuticals	3JR BU	NR	BGN	0.36	12.5	1.9
	CHIMIMPORT	Holding company	6C4 BU	NR	BGN	0.24	2.6	0.5
	MONBAT AD	Batteries	5MB BU	NR	BGN	0.17	16.5	1.9
	ADVANCE TERRAFUND REIT	Real Estate	6A6 BU	NR	BGN	0.07	19.8	0.6
CROATIA	INA INDUSTRIJA NAFTE	Oil and gas	INARA CZ	NR	HRK	5.74	28.9	2.6
	HRVATSKI TELEKOM	Telecom	HTRA CZ	NR	HRK	4.35	13.8	2.3
	ADRS GRUPA DD	Tobacco	ADRSPA CZ	NR	HRK	0.88	12.5	0.7
	ERICSSON NIKOLA TESLA	Telecom	ERNTRA CZ	NR	HRK	0.33	33.4	1.6
ESTONIA	TALLINK GROUP	Transportation	TAL1T ET	NR	EUR	0.74	26.6	0.8
	TALLINNA VESI	Retail goods	TKM1T ET	NR	EUR	0.36	18.2	2.4
	OLYMPIC ENTM.GROUP	Casinos and lodging	OEG1T ET	NR	EUR	0.31	63.2	2.9
	AS TALLINNA VESI	Water	TVEAT ET	NR	EUR	0.22	10.3	2.3
JORDAN	ARAB BANK	Banks	ARBK JR	NR	JOD	7.51	14.2	1.0
	HOUSING BANK	Banks	THBK JR	NR	JOD	2.93	34.7	2.3
	JORDANIAN ELECTIRC POWER	Electricity	JOEP JR	NR	JOD	0.43	66.5	3.2
	JORDAN PHOSPHATE MINES	Mining	JOPH	NR	JOD	1.79	13.7	2.7
KAZAKHSTAN	KAZAKHMYS PLC	Oil and gas exploration	KAZ LN	NR	GBP	13.77	18.2	1.9
	KAZAKHTELECOM	Telecom	KZTK KZ	NR	KZT	1.42	5.1	0.9
	KAZMUNAIGAS EXPL PROD	Oil and gas exploration	RDGZ KZ	NR	KZT	8.34	6.8	1.1
	EURASIAN NAT. RESOURCES	Mining	ENRC LN	NR	GBP	21.73	15.6	2.6
KENYA	SAFARICOM Ltd	Telecom	SAFCOM KN	NR	KES	2.30	12.2	3.0
	EAST AFRICAN BREWERIES	Brewery	EABL KN	NR	KES	2.07	23.4	6.4
	EQUITY BANK Ltd	Banks	EQBNK KN	NR	KES	1.28	16.2	3.9
	BARCLAYS BANK KENYA	Banks	BCBL KN	NR	KES	1.07	13.3	3.6
KUWAIT	COMBINED GROUP CONTRACTING	Construction / Building	CGC KK	NR	KWD	0.63	19.8	5.1
	GULF CABLE & ELECTRICAL CO	Electricity products	CABLE KK	NR	KWD	1.48	16.2	1.9
	NATIONAL MOBILE TELECOM.	Telecom products	NMTC KK	HOLD	KWD	3.39	14.7	2.0
	MOBILE TELECOMMUNICATION	Telecom	ZAIN KK	HOLD	KWD	22.59	8.9	2.1
LEBANON	BLOM BANK	Banks	BLBD LB	NR	LBP	2.21	7.5	1.4
	BANQUE AUDI	Banks	AUSR LB	NR	LBP	3.11	10.7	1.5
	SOLIDERE	Real estate development	SOLA LB	NR	USD	3.11	15.2	1.6
LITHUANIA	TEO LT	Telecom	TEO1L LH	NR	EUR	0.73	11.9	1.7
	BANKAS SNORAS AB	Banks	SRS1L LH	NR	EUR	0.25	n.a.	1.0
	LIETUVOS ENERGIJA	Natural gas	LDJ1L LH	NR	EUR	0.45	9.7	0.6
	KLAIPEDOS NAFTA PVA	Petrochemicals shipping	KNF1L LH	NR	EUR	0.24	15.8	1.4
MAURITIUS	MAURITIUS COMMERCIAL BANK	Banks	MCB MP	NR	MUR	1.40	11.8	2.1
	STATE BANK OF MAURITIUS	Banks	SBM MP	NR	MUR	0.91	12.6	1.9
	NEW MAURITIUS HOTEL	Hotels and resorts	NMH MP	NR	MUR	0.58	16.8	1.6
	ENL LAND Ltd	Agriculture	SAVA MP	NR	MUR	0.32	84.5	1.2
NIGERIA	DANGOTE CEMENT	Cement industry	DANGCEM NL	NR	NGN	12.80	18.8	9.9
	NIGERIAN BREWERIES PLC	Beverages	NB NL	NR	NGN	3.90	19.6	9.6
	FIRST BANK OF NIGERIA	Banks	FIRSTBAN NL	NR	NGN	3.20	11.1	1.4
	ZENITH BANK PLC	Banks	ZENITHBA NL	NR	NGN	3.30	11.5	1.5

NR: not rated. Note that we do not rate these stocks and make no recommendations on them as investments. Investors should note that further trading limitations may apply.

Source: Bloomberg, Credit Suisse

Table 5: Frontier stock market list with four largest stocks per country by market capitalization (continued)

Country	Company	Sector	Bloomberg ticker	Rec.	Curr.	Market cap. USD bn	P/E Trailing	P/B Trailing
OMAN	BANK MUSCAT	Banks	BKMB OM	NR	OMR	3.48	20.5	1.8
	BANK DHOFAR SAOG	Banks	BKDB OM	NR	OMR	1.57	10.7	2.8
	OMAN TELECOM	Telecom	OTEL OM	NR	OMR	2.48	9.2	2.2
	RENAISSANCE SERVICES	Services for oil and gas	RNSS OM	NR	OMR	0.85	11.8	2.0
PAKISTAN	OIL & GAS DEVELOPMENT	Oil and gas exploration and prod.	OGDC PA	BUY	PKR	8.61	12.5	4.7
	PAKISTAN PETROLEUM	Oil and gas exploration and prod.	PPL PA	NR	PKR	3.10	11.4	3.6
	MCB BANK LIMITED	Banks	MCB PA	NR	PKR	2.04	11.1	2.3
	HABIB BANK Ltd	Banks	HLB PA	NR	PKR	1.47	9.4	1.5
QATAR	QATAR NATIONAL BANK	Banks	QNBK QD	BUY	QAR	21.07	13.8	3.2
	INDUSTRIES OF QATAR	Industrial conglomerates	IQCD QD	BUY	QAR	21.93	15.2	3.7
	COMMERCIAL BANK OF QATAR	Banks	CBQK QD	NR	QAR	5.59	13.9	1.8
	QATAR ISLAMIC BANK	Banks	QIBK QD	NR	QAR	4.96	14.4	2.1
ROMANIA	BANCA TRANSILVANIA	Banks	TLV RO	NR	RON	0.55	12.6	1.0
	OMV PETROM SA	Oil and gas	SNP RO	NR	RON	6.17	9.7	1.2
	TRANSGAZ SA	Gas transportation	TGN RO	NR	RON	1.03	17.4	1.2
	BRD- GROUPE SOCIETE GENERALE	Banks	BRD RO	NR	RON	2.69	7.6	1.8
SERBIA	AIK BANKA	Banks	AIKB SG	NR	RSD	0.34	4.7	0.7
	NAFTA INDUSTRIJA SRBIJE NOVA	Oil and gas	NIIS SG	NR	RSD	0.96	N.A	2.4
	KOMERCIJALNA BANK BEOGRA	Diversified banks	KMBN SG	NR	RSD	0.28	12.0	0.8
	ENERGOPROJEKT HOLDINGBEO	Industrials	KMBN SG	NR	RSD	0.28	12.0	0.8
SLOVENIA	KRKA DD NOVO MESTO	Pharmaceuticals	KRKG SV	NR	EUR	2.87	11.1	2.1
	PETROL LJUBLJANA	Auto retail	PETG SV	NR	EUR	0.74	21.2	1.5
	MERCATOR POSLOVNI SISTEM	Hypermarkets	MELR SV	NR	EUR	0.79	18.8	0.7
	TELEKOM SLOVENIJE DD	Telecom	TLSG SV	NR	EUR	0.75	46.2	0.5
SRI LANKA	JOHN KEELLS HOLDINGS LIMITED	Industrial conglomerates	JKH SL	NR	LKR	1.67	42.3	3.7
	DIALOG TELEKOM	Wireless telecom	DIAL SL	NR	LKR	0.85	18.9	3.1
	COMMERCIAL BANK OF CEYLON	Banks	COMB SL	NR	LKR	0.85	23.8	3.2
	SRI LANKA TELECOM	Telecom	SLTL SL	NR	LKR	0.78	42.7	1.8
TUNISIA	BANQUE DE TUNISIE	Banks	BT TU	NR	TND	0.94	16.9	2.8
	BANQUE INTERNATIONALE ARABE DE TUNIS	Banks	BIAT TU	NR	TND	0.88	19.9	2.5
	POULINA GROUP HOLDING	Multi-sector holdings	PGH TU	NR	TND	1.10	21.5	3.7
	SOCIETE TUNISIENNE DE BANQUE	Banks	STB TU	NR	TND	0.32	14.8	0.9
TRINIDAD	REPUBLIC BANK Ltd	Banks	RBL TP	NR	TTD	1.92	12.9	1.9
	ANSA McAL Ltd	Manufacture	AMCL TP	NR	TTD	1.27	13.5	2.2
	SCOTIABANK TRINIDAD & TOBAGO Ltd	Banks	SBTT TP	NR	TTD	1.00	14.0	2.8
	NATIONAL ENTERPRISES	Investment company	NEL TP	NR	TTD	0.98	n.a.	1.9
UKRAINE	UKRNAFTA OIL CO	Oil and gas exploration and prod.	UNAF UK	NR	UAH	4.05	10.3	4.0
	MOTOR- SICH JSC	Engines	MSICH UK	NR	UAH	0.78	6.3	1.9
	CENTRENERGO	Electricity	CEEN UK	NR	UAH	0.68	48.1	2.7
	UKRTELECOM	Telecom	UTLM UK	NR	UAH	1.28	n.a.	1.8
UAE	DP WORLD	Marine ports	DPW DU	BUY	USD	10.79	32.4	1.5
	EMAAR PROP.	Real estate development	EMAAR DB	BUY	AED	5.80	6.5	0.7
	FIRST GULF BANK	Banks	FGB DH	NR	AED	6.98	8.1	1.0
	ABU DHABI COMMERCIAL BANK	Banks	ADCB DH	HOLD	AED	2.88	14.7	0.5
VIETNAM	BAOVIET HOLDINGS	Insurance	BVH VN	NR	VND	2.39	42.1	4.4
	MASAN GROUP CORP	Multi-sector holdings	MSN VN	NR	VND	2.03	37.4	5.7
	VINCOM	Real estate	VIC VN	NR	VND	1.84	30.7	9.0
	VIETNAM DAIRY PRODUCTS	Packaged Foods & Meats	HAG VN	NR	VND	1.19	11.8	3.2

NR: not rated, n.a. = not available. Note that we do not rate these stocks and make no recommendations on them as investments. Investors should note that further trading limitations may apply.

Source: Credit Suisse

Abbreviations frequently used in reports

Abb.	Description	Abb.	Description	Abb.	Description
CAGR	Compound annual growth rate	EPS	Earnings per share	P/B	Price-to-book value
CFO	Cash from operations	EV	Enterprise value	P/E	Price-earnings ratio
CFROI	Cash flow return on investment	FCF	Free cash flow	PEG	P/E ratio divided by growth in EPS
DCF	Discounted cash flow	FFO	Funds from operations	ROE	Return on equity
EBITDA	Earnings before interest, taxes, depreciation and amortization	IBD	Interest-bearing debt	ROIC	Return on invested capital

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.

Equity rating history as of 13/01/2011

Company	Rating	Date
ABU DHABI COMMERCIAL BANK (ADCB UH)	HOLD	since 02/11/2010
	HOLD	since 02/02/2010
	HOLD	since 02/07/2009
BAHRAIN TELECOMMUNICATIONS CO (BATELCO BI)	HOLD	since 12/04/2010
	HOLD	since 30/09/2009
DP WORLD LIMITED (DPW DU)	BUY	since 29/10/2010
	BUY	since 28/04/2010
	HOLD	since 26/11/2009
EMAAR PROPERTIES (EMAAR UH)	BUY	since 29/10/2010
	BUY	since 26/04/2010
	HOLD	since 16/02/2010
	HOLD	since 10/12/2009
INDUSTRIES OF QATAR (IQCD QD)	BUY	since 20/10/2010
	BUY	since 29/04/2010
	BUY	since 24/11/2009
NATIONAL MOBILE TELECOMMUNICATIONS (NMTCC KK)	HOLD	since 26/08/2010
	BUY	since 09/03/2010
	BUY	since 08/07/2009
OIL & GAS DEVELOPMENT COMPANY LTD (OGDC PA)	BUY	since 15/07/2010
	BUY	since 03/02/2010
	BUY	since 06/07/2009
QATAR NATIONAL BANK (QNBK QD)	BUY	since 20/10/2010
	BUY	since 15/07/2010
	HOLD	since 15/01/2010
	HOLD	since 29/06/2009
ZAIN GROUP (ZAIN KK)	HOLD	since 29/10/2010

BUY since 26/11/2009

For the following disclosures, references to Credit Suisse include all of the subsidiaries and affiliates of Credit Suisse AG, the Swiss bank, operating under its Investment Banking division.

The subject issuer (ABU DHABI COMMERCIAL BANK, BAHRAIN TELECOMMUNICATIONS CO, DP WORLD LIMITED, EMAAR PROPERTIES, INDUSTRIES OF QATAR, NATIONAL MOBILE TELECOMMUNICATIONS, OIL & GAS DEVELOPMENT COMPANY LTD, QATAR NATIONAL BANK, ZAIN GROUP) currently is, or was during the 12-month period preceding the date of distribution of this report, a client of Credit Suisse.

Credit Suisse provided investment banking services to the subject company (ABU DHABI COMMERCIAL BANK, BAHRAIN TELECOMMUNICATIONS CO, DP WORLD LIMITED, EMAAR PROPERTIES, INDUSTRIES OF QATAR, NATIONAL MOBILE TELECOMMUNICATIONS, OIL & GAS DEVELOPMENT COMPANY LTD, QATAR NATIONAL BANK, ZAIN GROUP) within the past 12 months.

Credit Suisse provided non-investment banking services, which may include Sales and Trading services, to the subject issuer (ABU DHABI COMMERCIAL BANK, INDUSTRIES OF QATAR) within the past 12 months.

Credit Suisse has managed or co-managed a public offering of securities for the subject issuer (INDUSTRIES OF QATAR, QATAR NATIONAL BANK) within the past three years.

Credit Suisse has received compensation for products and services other than investment banking services from the subject issuer (ABU DHABI COMMERCIAL BANK, INDUSTRIES OF QATAR) within the past 12 months.

Credit Suisse expects to receive or intends to seek investment banking related compensation from the subject issuer (ABU DHABI COMMERCIAL BANK, BAHRAIN TELECOMMUNICATIONS CO, DP WORLD LIMITED, EMAAR PROPERTIES, INDUSTRIES OF QATAR, NATIONAL MOBILE TELECOMMUNICATIONS, OIL & GAS DEVELOPMENT COMPANY LTD, QATAR NATIONAL BANK, ZAIN GROUP) within the next three months.

Credit Suisse holds a trading position in the subject issuer (ABU DHABI COMMERCIAL BANK, BAHRAIN TELECOMMUNICATIONS CO, DP WORLD LIMITED, EMAAR PROPERTIES, INDUSTRIES OF QATAR, NATIONAL MOBILE TELECOMMUNICATIONS, OIL & GAS DEVELOPMENT COMPANY LTD, QATAR NATIONAL BANK, ZAIN GROUP).

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:

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

Guide to analysis

Equity rating allocation as of 13/01/2011

	Overall	Investment banking interests only
BUY	46.47%	46.64%
HOLD	49.85%	49.91%
SELL	2.94%	2.58%
RESTRICTED	0.74%	0.86%

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 recommendations

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 default 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, ValueSearch, 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

References in this report to Credit Suisse include subsidiaries and affiliates. For more information on our structure, please use the following link:
http://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 stock in this report may be different from, or inconsistent with, the observations and views of the Credit Suisse Research department of Division Investment Banking due to the differences in evaluation criteria. The report is published solely for information purposes and does not constitute an offer or an invitation by, or on behalf of, Credit Suisse to buy or sell any securities or related financial instruments or to participate in any particular trading strategy in any jurisdiction. It has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Although the information has been obtained from and is based upon sources that Credit Suisse believes to be reliable, no representation is made that the information is accurate or complete. Credit Suisse does not accept liability for any loss arising from the use of this report. The price and value of investments mentioned and any income that might accrue may fluctuate and may rise or fall. Nothing in this report constitutes investment, legal, accounting or tax advice, or a representation that any investment or strategy is suitable or appropriate to individual circumstances, or otherwise constitutes a personal recommendation to any specific investor. Any reference to past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any products mentioned in this document. Alternative investments, derivative or structured products are complex instruments, typically involve a high degree of risk and are intended for sale only to investors who are capable of understanding and assuming all the risks involved. Investments in emerging markets are speculative and considerably more volatile than investments in established markets. Risks include but are not necessarily limited to: political risks; economic risks; credit risks; currency risks; and market risks. In jurisdictions where Credit Suisse is not already registered or licensed to trade in securities, transactions will only be effected in accordance with applicable securities legislation, which will vary from jurisdiction to jurisdiction and may require that the trade be made in accordance with applicable exemptions from registration or licensing requirements. Before entering into any transaction, investors should consider the suitability of the transaction to individual circumstances and objectives. Credit Suisse recommends that investors independently assess, with a professional financial advisor, the specific financial risks as well as legal, regulatory, credit, tax and accounting consequences. A Credit Suisse company may, to the extent permitted by law, participate or invest in other financing transactions with the issuer of the securities referred to herein, perform services or solicit business from such issuers, and/or have a position or effect transactions in the securities or options thereof.

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 Comité des Etablissements de Crédit et des Entreprises d'Investissements (CECEI) as an investment service provider. Credit Suisse (France) is supervised and regulated by the Commission Bancaire 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 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. **Hong Kong:** This report is issued in Hong Kong by Credit Suisse Hong Kong branch, an Authorized Institution regulated by the Hong Kong Monetary Authority and a Registered Institution 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). **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. **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 INTO 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 © 2011 Credit Suisse Group AG and/or its affiliates. All rights reserved.

11C018A