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The Credit Suisse EM Consumer Survey 2017

China and India's new consumption economy

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The Emerging Consumer Survey 2017

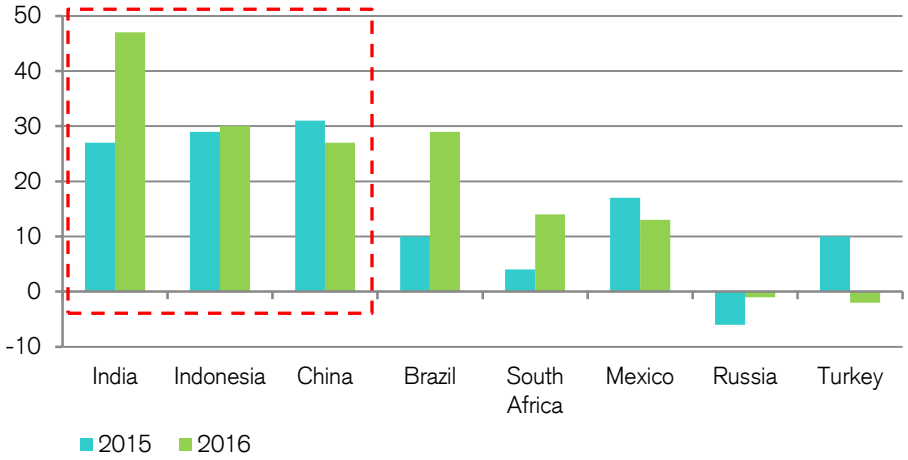
- In collaboration with leading market research firm Nielsen, the Credit Suisse Research Institute publishes the 7th edition of The Emerging Consumer Survey.
- The survey reflects the results of 14,000 face-to-face detailed interviews with consumers across **Brazil, China, India, Indonesia, Mexico, Russia, South Africa and Turkey.**
- The study delivers unique insights for investors on the key influences that are shaping the nature of consumer spending across the emerging world.
- The accompanying playbook provides stock selections that have a strong exposure to The Emerging Consumer theme.

Source: Credit Suisse Emerging Consumer Survey

Taking the temperature

- In our 2017 survey, we find consumer confidence recovering amongst our respondents when reviewing our key sentiment indicators. A net 20% of our respondents are now optimistic about the outlook for their personal finances vs 15% last year.
- Asian consumers tend to reflect the greatest level of optimism, though a reversal of the weak currency and commodity price background of 2015 and early 2016 is seeing confidence in countries such as Brazil, South Africa and Russia recover.

Net % of respondents expecting an improvement in their personal finances in the next six months



Survey sentiment indicators average readings

	Personal finances	Inflation Expectations	Good time to make a major purchase	Income change in last 12m	Income Expectations
Indicator	Net balance, better vs. worse	Net balance higher vs. lower	Net balance, excellent time vs. bad time	Net balance increase vs decrease	Net balance increase vs decrease
2016	19.6%	39.3%	-10.4%	-4.2%	19.1%
2015	15.3%	46.4%	-13.0%	2.7%	24.5%
2014	25.5%	46.1%	-7.4%	10.3%	31.3%

Source: Credit Suisse Emerging Consumer Survey

The Emerging Consumer Scorecard

- Our Asia countries hold the top 3 positions, with India at the top. Income momentum within Indonesia is a stand out positive and has seen it move up in the rankings.
- The commodity sensitive economies of Brazil, South Africa and Russia have seen improvements while geo-political events have weighed in on Turkey and Mexico.

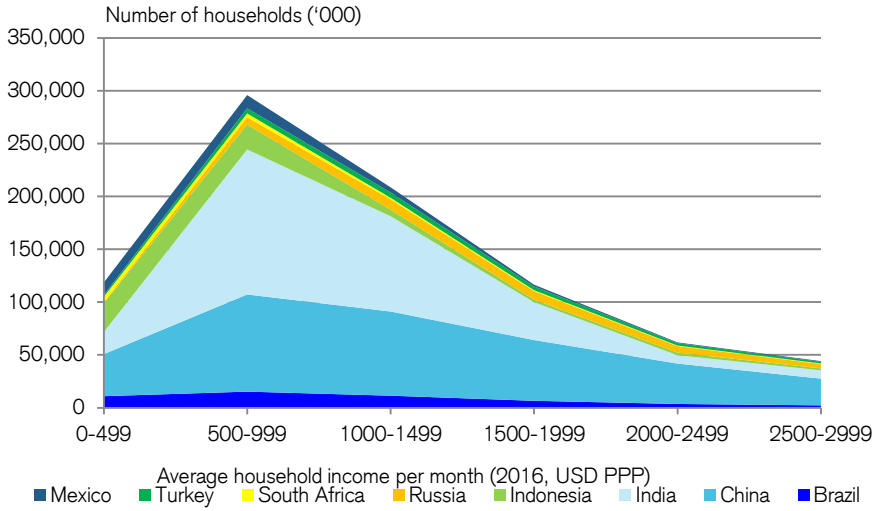
Rankings (6-12m horizon)	Personal finances	Inflation expectations	Time for a major purchase	Household income expectations	Household income history	2017 overall rank	2016 overall rank	2017-16 rank change
India	1	1	1	5	3	1	2	↑
Indonesia	2	6	3	1	1	2	3	↑
China	4	5	2	3	2	3	1	↓
Brazil	3	3	8	2	8	4	8	↑
South Africa	5	8	5	4	4	5	6	↑
Mexico	6	7	4	6	7	6	5	↓
Russia	7	4	6	7	6	6	6	→
Turkey	8	2	7	8	5	6	4	↓

Source: Credit Suisse Emerging Consumer Survey

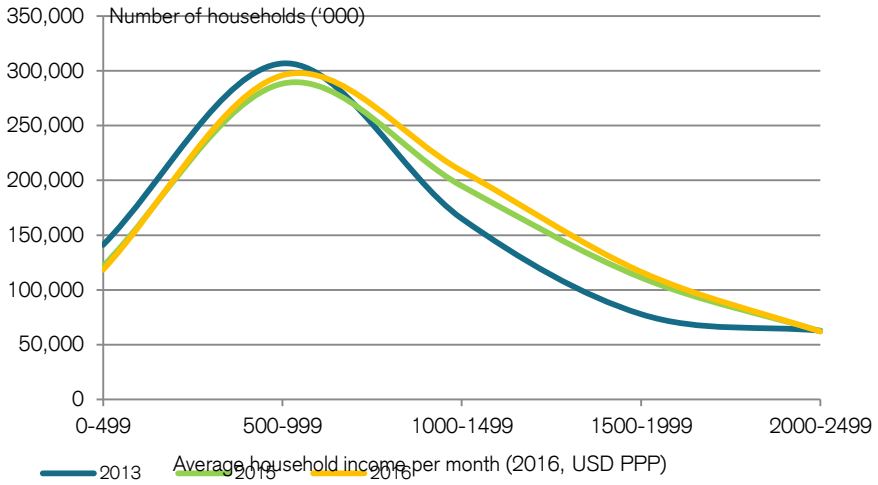
The emerging middle class

- The developing emerging middle class is a component of the Megatrend driving a projected shift in consumption. It is happening more quickly than many people appreciate.
- The CS EM consumer survey found more than 80 million more households (approximately 10%) in our survey countries moved into our definition of middle income territory since 2013. Around 1.25 billion people in our survey countries now sit in this territory.

Aggregate household income distribution



Aggregated household income distribution (2016 vs. 2013)

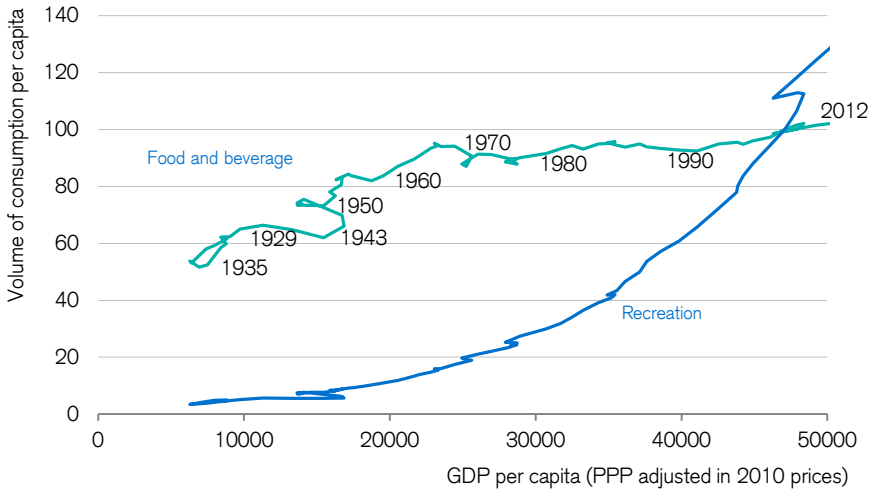


Source: Credit Suisse Emerging Consumer Survey, World Bank

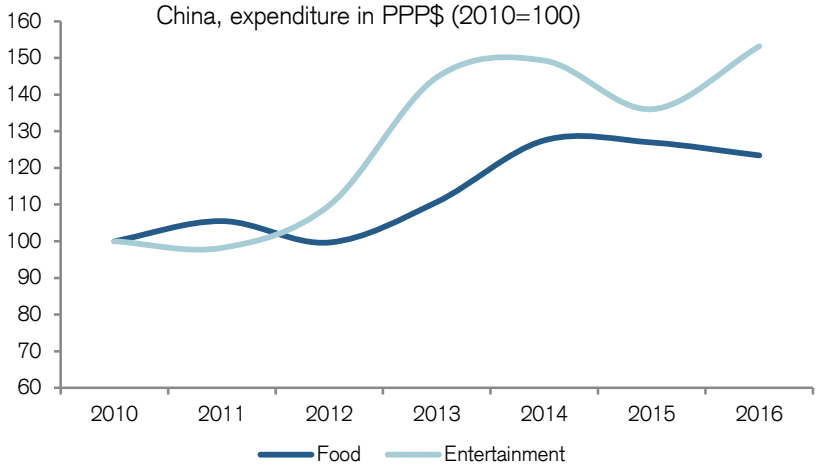
The EM consumer is following the roadmap…

- Spending on entertainment is up 50% since 2010 compared to c.20% for food. In China, households now spend c11% of monthly income on travel and entertainment, almost double that of the average for the other countries in our survey.
- The spending power of the young consumer is a key influence.

Food and recreation spending versus GDP per capita in the US 1929 - 2012



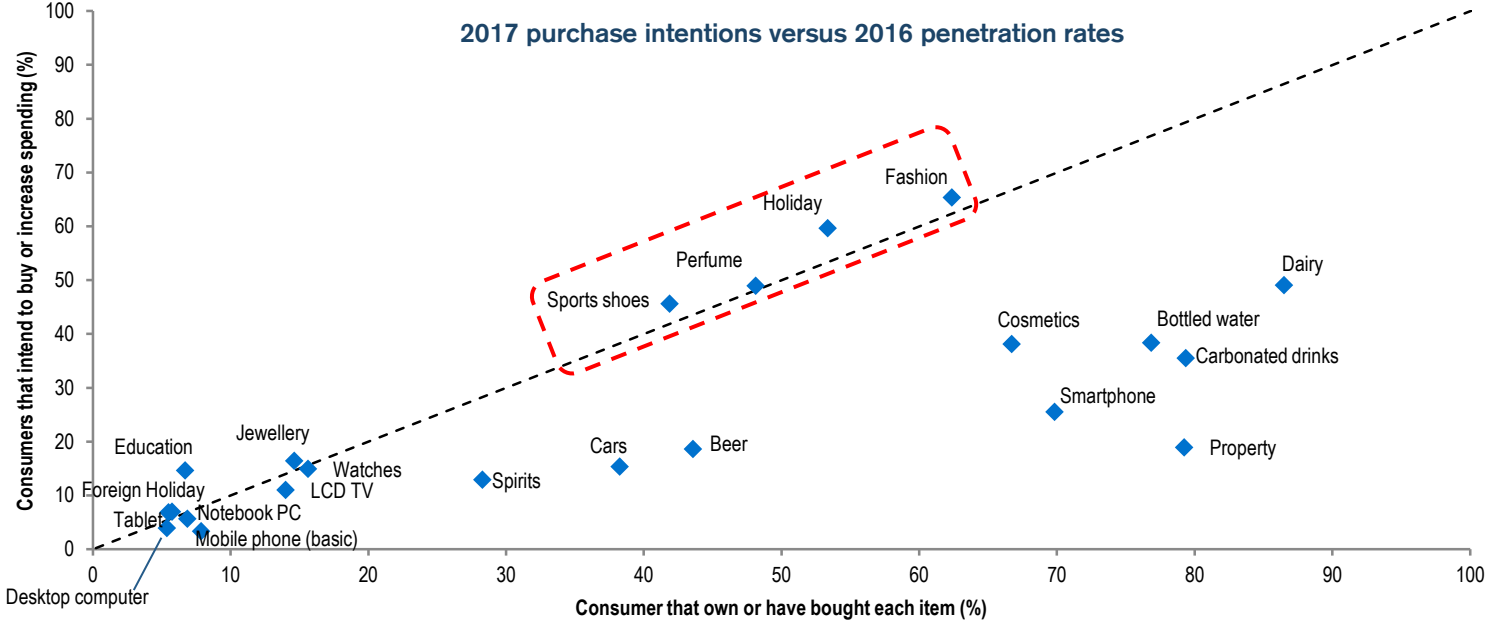
Food versus entertainment expenditure in China indexed to 2010



Source: Credit Suisse Emerging Consumer Survey

What's hot and what's not?

- Categories such as sport shoes, holiday and fashion display the strongest purchase intentions, in keeping with the accelerating discretionary shift amongst consumers. There remains plenty of pent up demand.
- Loss of smartphone momentum is becoming a feature as penetration rises. Growing threats for international players from domestic brands.



Source: Credit Suisse Emerging Consumer Survey

A changing consumer – key themes

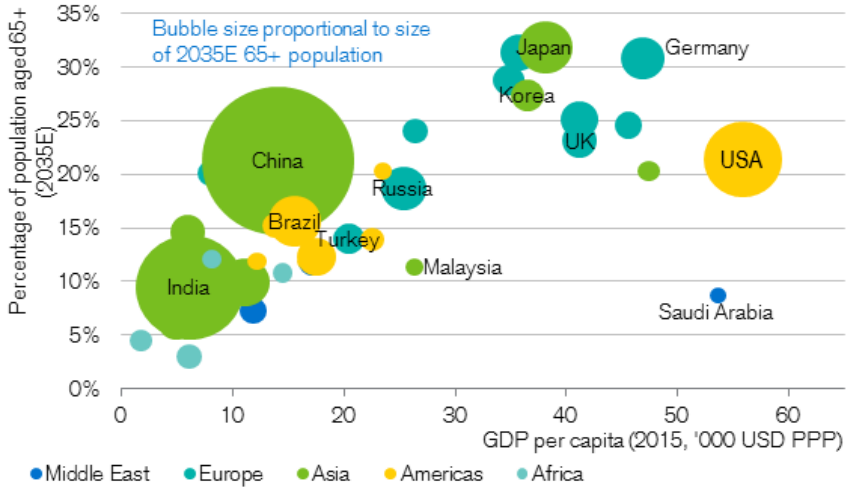
- A “conscious” consumer
  - A healthy dynamic to spending is emerging and breaking from DM precedent. This mitigates looming risks of an unsustainable healthcare burden.
- Battle of the brands
  - Emerging “national champions”: Local brands are emerging to challenge global brands in discretionary categories as quality improves.
- A connected consumer
  - Online retail demonstrates a US$2.5 tn opportunity by 2025 as 1 billion consumers in our survey are yet to come online. However, offline players are fighting back with new multi-channel strategies.
- A time to travel
  - Propensity to travel is at new highs with Chinese consumers displaying the largest proportion of international travelers and the greatest momentum in willingness to travel internationally. The role of e-commerce provides leverage to the theme for investors.

Source: Credit Suisse Emerging Consumer Survey

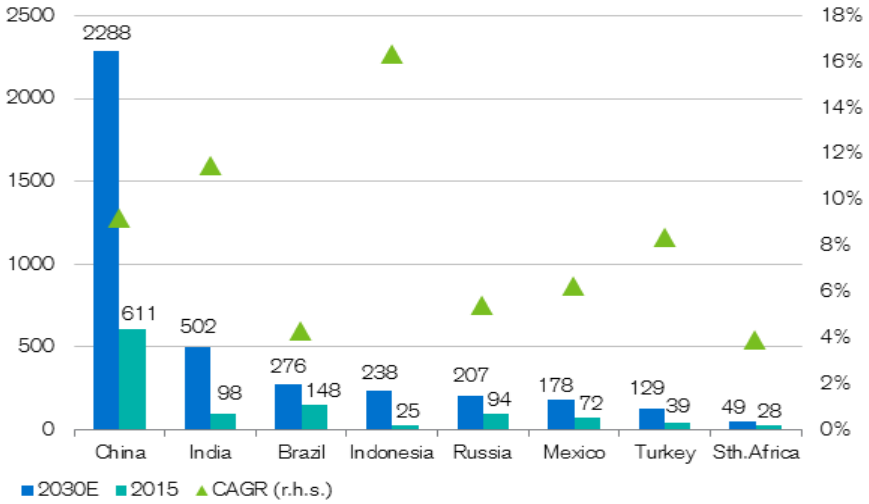
Theme 1: A "conscious" consumer

- The need for a healthy lifestyle is evident as healthcare spending looks set to increase rapidly otherwise. An ageing population places an ever greater healthcare burden on countries.
- DMs spend c10% of GDP on healthcare. Assuming the same for EM countries, we estimate China could reach US$2.3 tn by 2030, up from US$611 bn in 2015 on our estimates.

Ageing across EM is a real issue: older people need more healthcare



Healthcare costs set to rise aggressively across EM if they spend a similar share of GDP to DM markets (c10%). US$bn

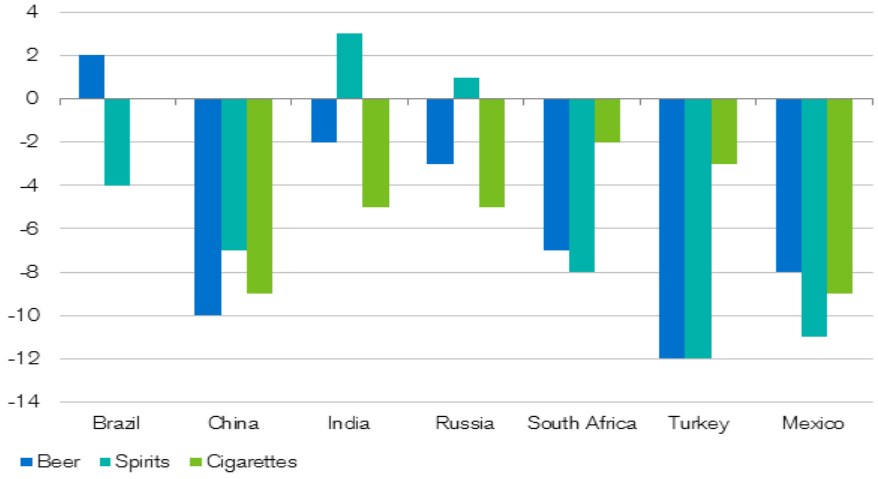


Source: Credit Suisse Emerging Consumer Survey, IMF, World Bank

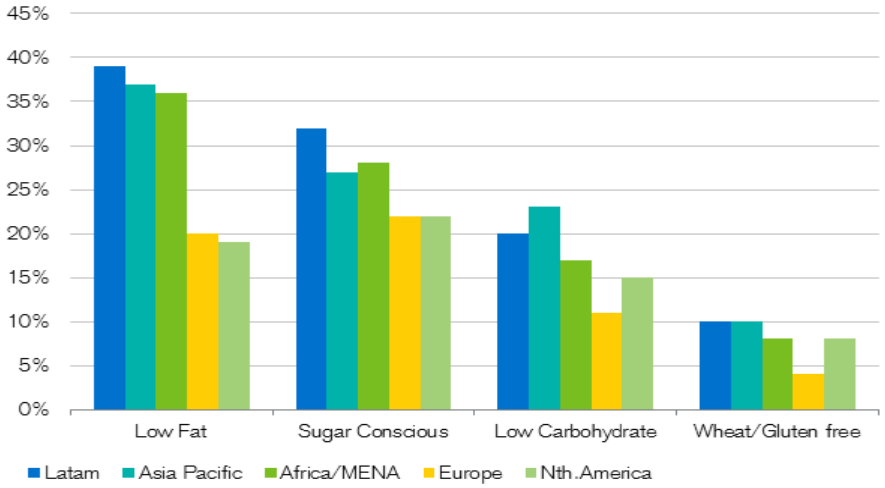
Theme 1: A “conscious” consumer

- Our survey shows that across all countries spending momentum towards “unhealthy” food and drinks is weak. More than 50% of consumers across all countries (bar Russia) said that they have been eating less sugary or “non-healthy” products last year.
- Nielsen’s Health survey found that consumers in EM focus more on low fat and sugar than those in DM. 87% of consumers in India intend to spend more on personal and skincare, further enhancing our call on the conscious consumer.

Our survey suggests that YoY momentum towards spending on “unhealthy” products is weak across the board



EM consumers are more “diet conscious” than consumers across DM

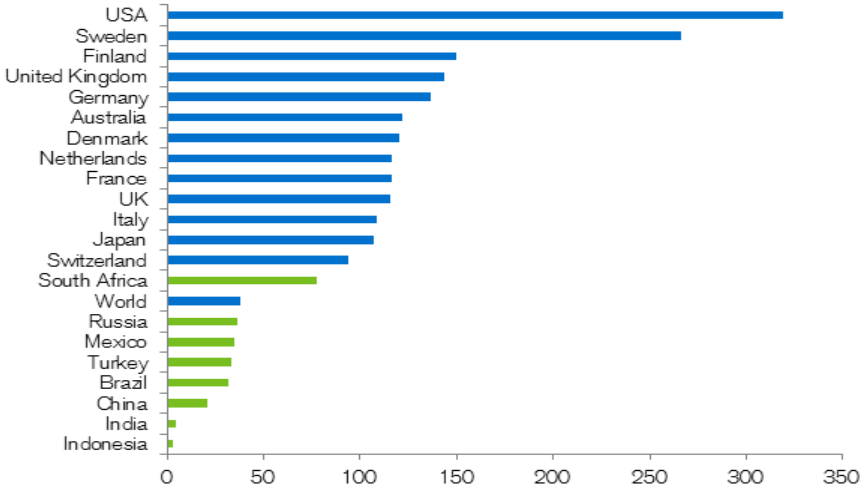


Source: Credit Suisse Emerging Consumer Survey, Nielsen

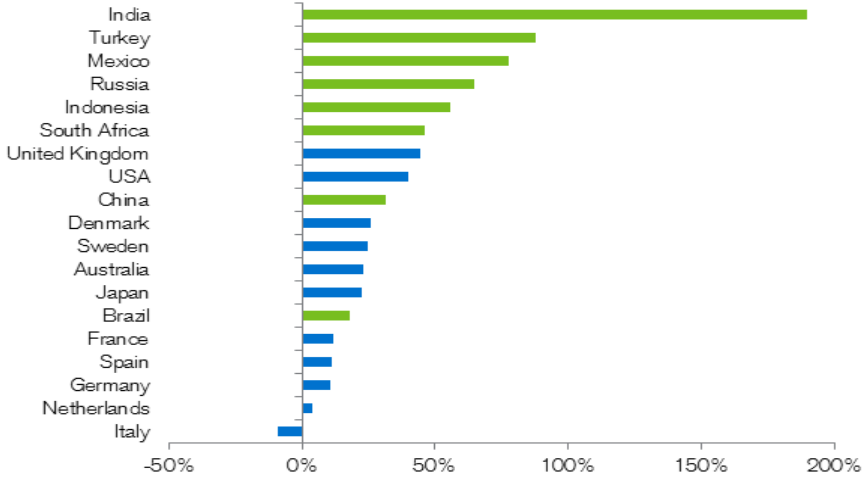
Theme 1: A “conscious” consumer

- We see substantial growth potential in EM as consumers lead a more “healthy” lifestyle. Per capita spending on sportswear remains low in EM relative to most DM countries but growing rapidly with India displaying a CAGR of 24% between 2011 and 2016.
- China is also a key focus for sportswear with our survey highlighting more than 60% of respondents bought sportswear in the past three months. Close to 40% of Chinese consumers intend to increase the time spent on playing sports.

Per capita spending on sportswear: most upside clearly resides in EM (US$/y)



Sportswear is one substantial beneficiary of the “healthy lifestyle” trend: Spending since 2011 has increased most across EM countries

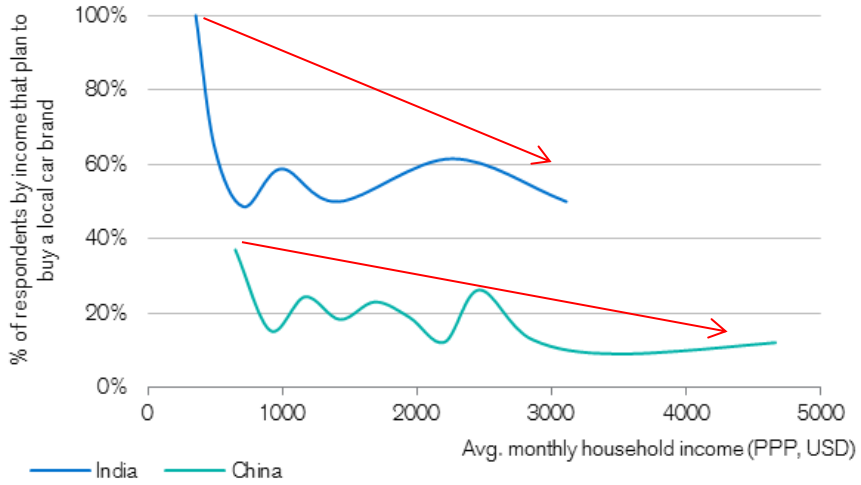


Source: Credit Suisse Emerging Consumer Survey, Euromonitor

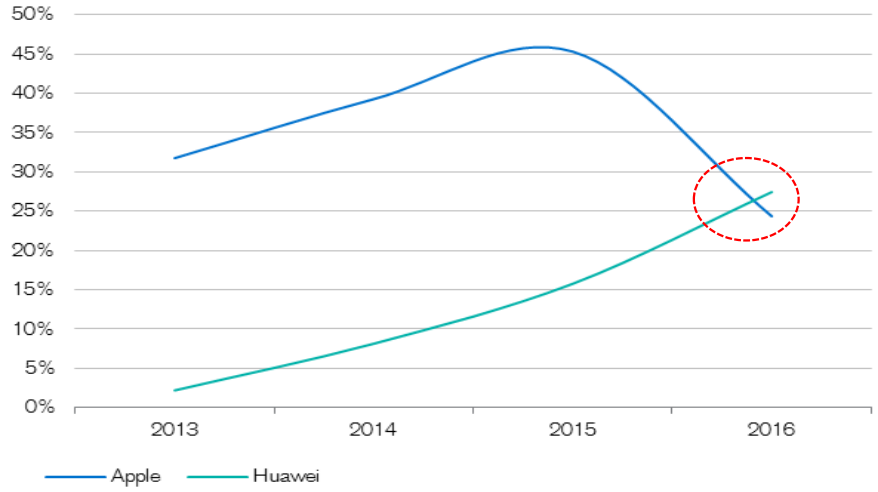
Theme 2: Brands – National champions

- The typical pattern we have found in the past is that as incomes have risen, EM consumers have focused on international brands. We are now seeing signs of this pattern changing.
- Smartphones are a key discretionary item across the income spectrum. In China we notice that high income earners now prefer local brands (Huawei) over global premium brands (Apple).

In 2011, our survey showed that consumer interest in local brands was negatively correlated with average income levels



High income earners in China are showing a clear and growing preference for local smartphone brands over Apple

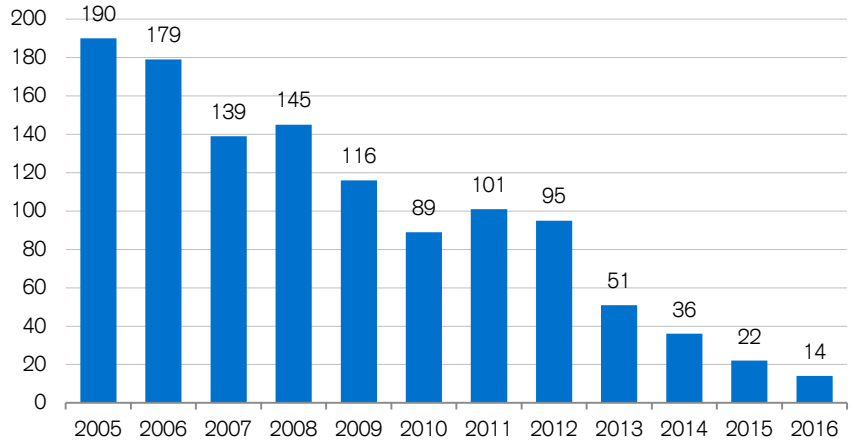


Source: Credit Suisse Emerging Consumer Survey, JD Power Survey

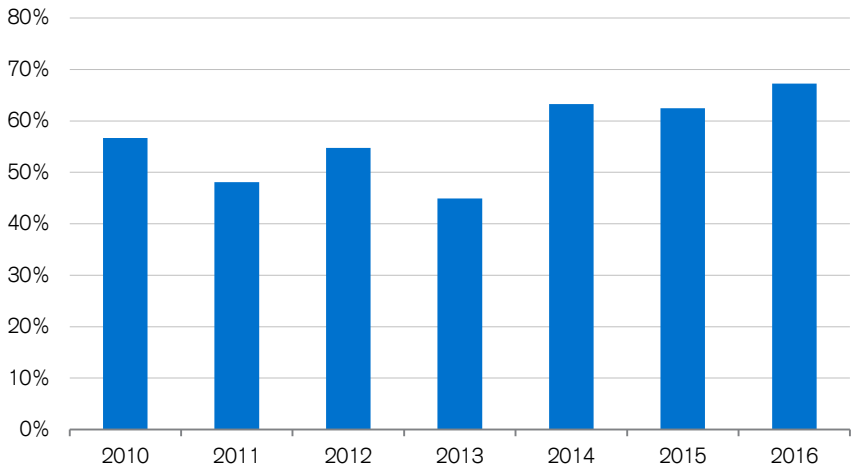
Theme 2: Brands - National champions

- Quality improvements are moving the needle, particularly in China. The JD Power Vehicle Dependability Study for China, highlighted the ongoing closing of the gap in reliability between local and international brands.
- In a multi-polar world scenario it is key to identify those "national consumer champions".

Problems per 100 vehicles in first 2-6 months; difference between local and foreign brands



% of respondents intending to buy a local car brand in India



Source: Credit Suisse Emerging Consumer Survey, JD Power Survey

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Pursue for a better life

-EM consumer survey takeaways

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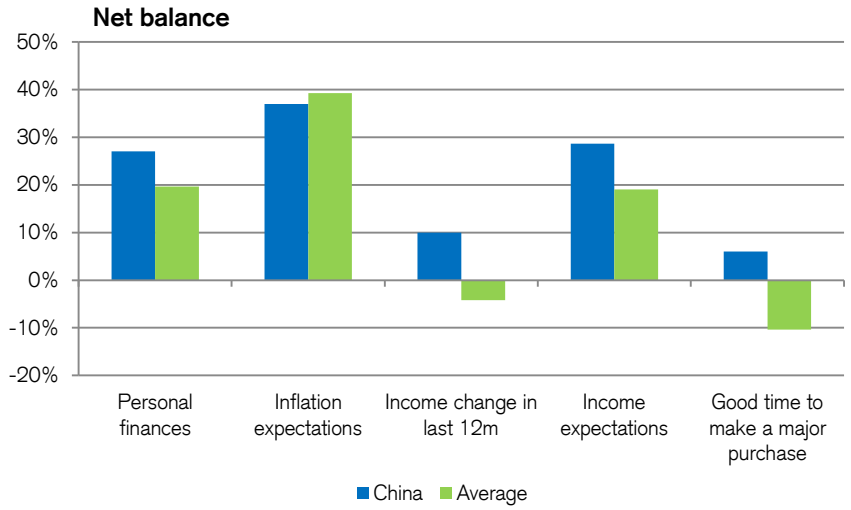
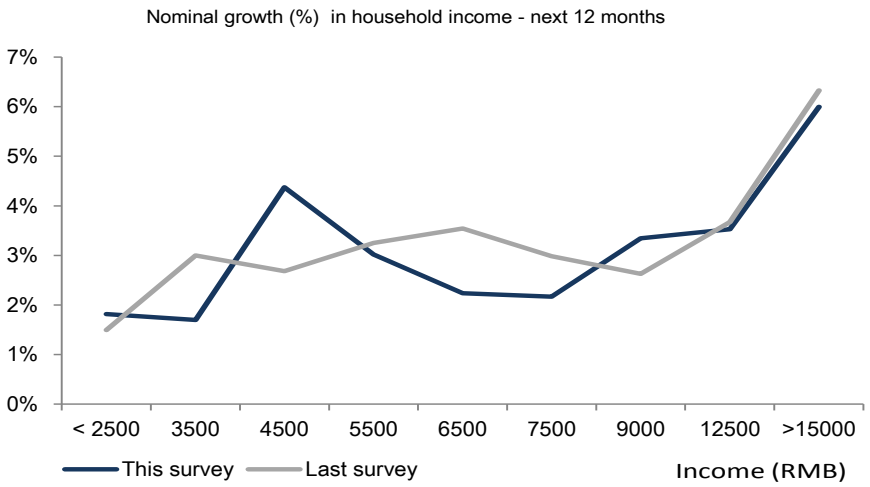
EM consumer survey

- We surveyed ~2,500 consumers and asked their consumption behaviour and patterns for the EM market survey. Compared to other emerging markets, Chinese consumers are still more willing to spend backed by personal salary increase and stable employment. Nevertheless, they are relatively less positive on the economy versus past years.

Consumer confidence indicators



Nominal growth in household income

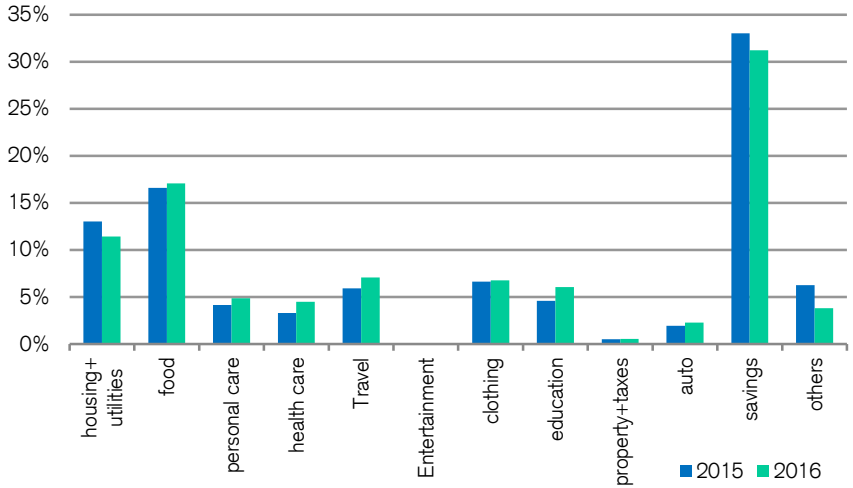


Source: Credit Suisse Emerging Consumer Survey

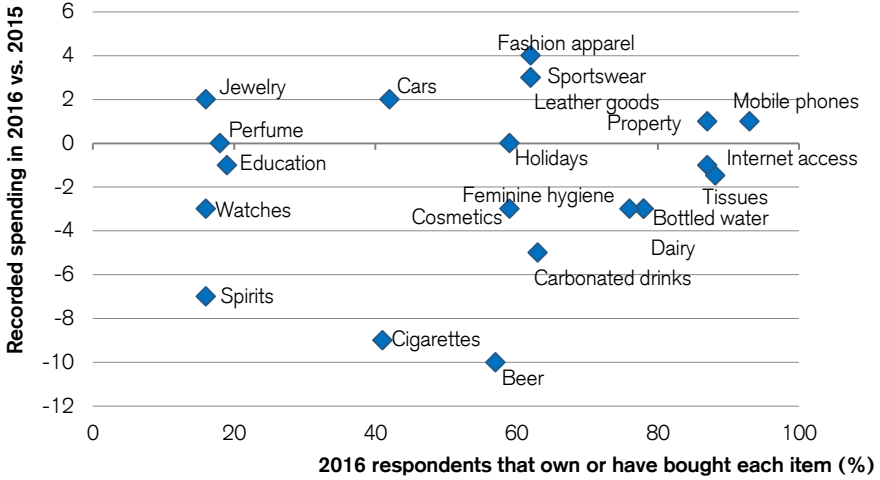
Lifestyle upgrade

- Driven by wealth effect, consumers want to buy more large ticket items, eating healthy foods and doing more exercise. Survey suggests stronger spending momentum toward – auto, property, jewellery, education and fashion apparel. But less on staples products including F&B and cigarette.

Monthly spending by category



Spending momentum in 2016 vs. 2015

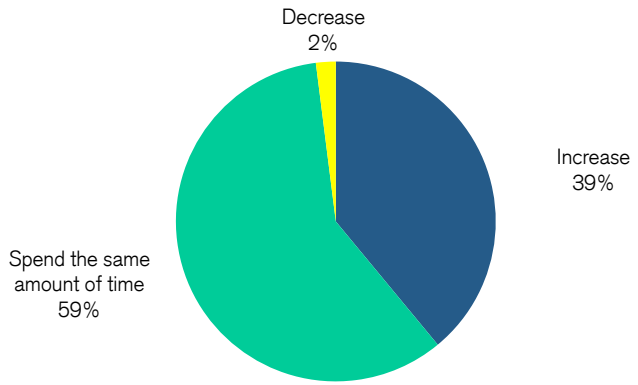


Source: Credit Suisse Emerging Consumer Survey

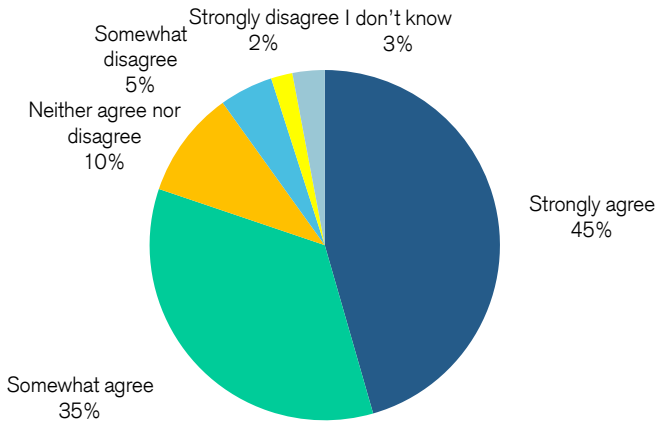
Rising health awareness

- Consumers change purchasing habits with increasing health awareness. In 2016 more consumers reduce beverage and cigarettes consumptions, and majority of respondents agree that they have been eating more healthy products and reducing sugar intake. 39% respondents will increase time in sports in the next three months. As a result, we also see a rising spending momentum on sportswear products and healthy products.

39% respondents expect to increase sports time in the next three months



81% respondents agree that they have been eating more healthy

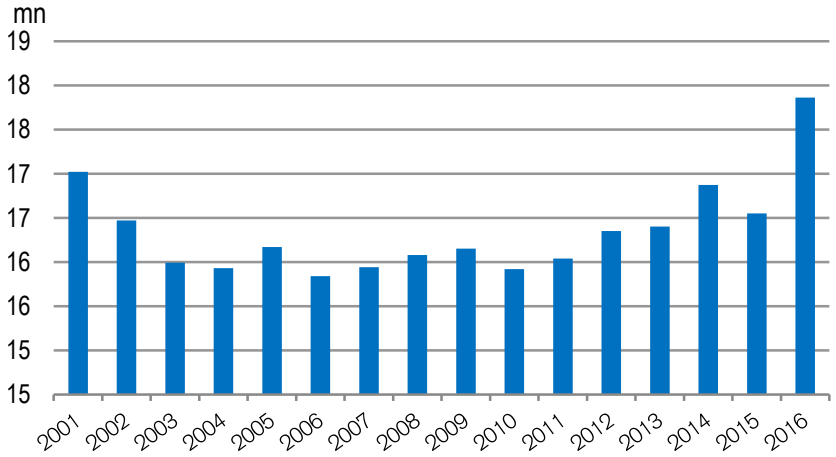


Source: Credit Suisse Emerging Consumer Survey

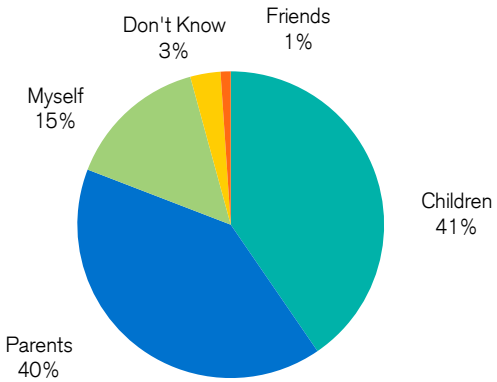
More babies wanted

- More babies are wanted after two child policy. 25% of the respondents plan to have more than 1 child while 43% want only 1 child and 21% respondents have no idea. More importantly, 41% respondents chose to spend more on their children if they have more money to spend. This trend will boost mother care and baby related consumptions.

The number of new born babies increased by 8% in 2016 vs. 3%/-2% in 2014/15



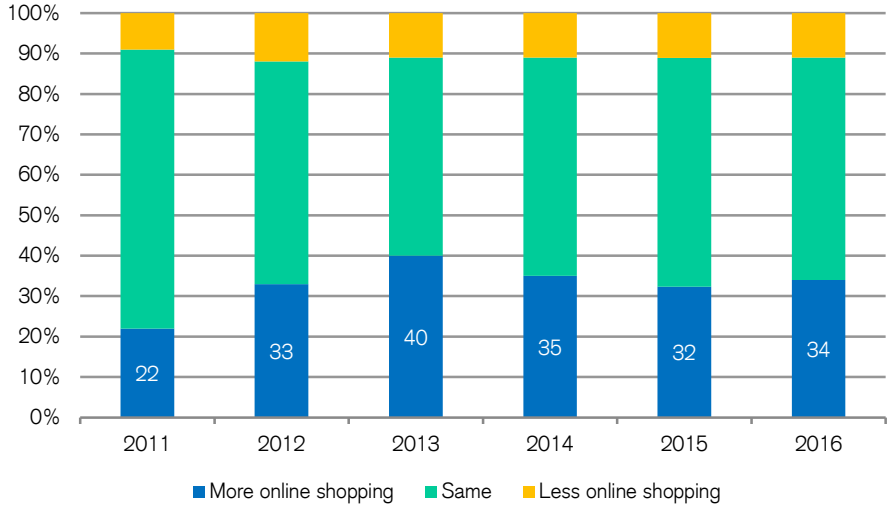
41% respondents would most likely spend money on their children if they have more money



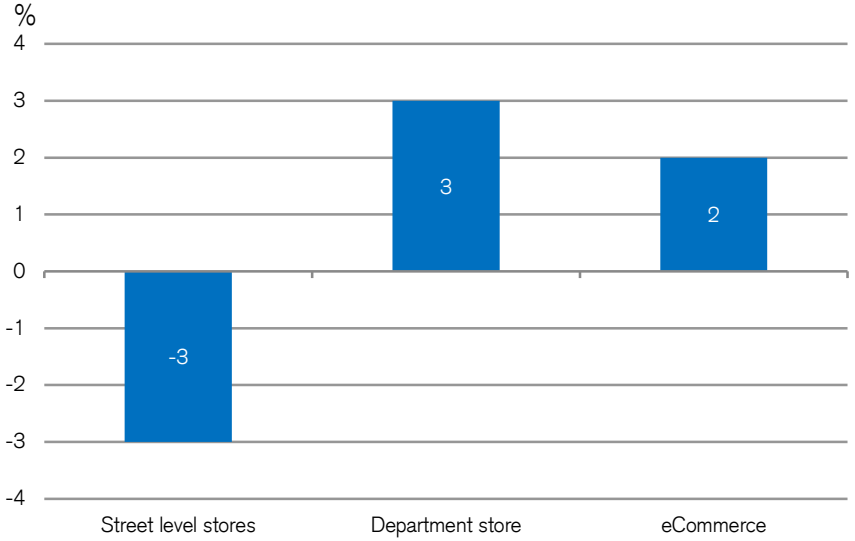
Source: Credit Suisse Emerging Consumer Survey

eCommerce growth remains robust

- eCommerce remains robust as 72% respondents have purchased online in the past six months, and 34% respondents think they will conduct more online shopping in the next six months



- We also see some growing interest in offline shopping, especially department stores. A net 3% of consumers expect to increase shopping in department stores and online over the next six months, while less consumers prefer street level stores

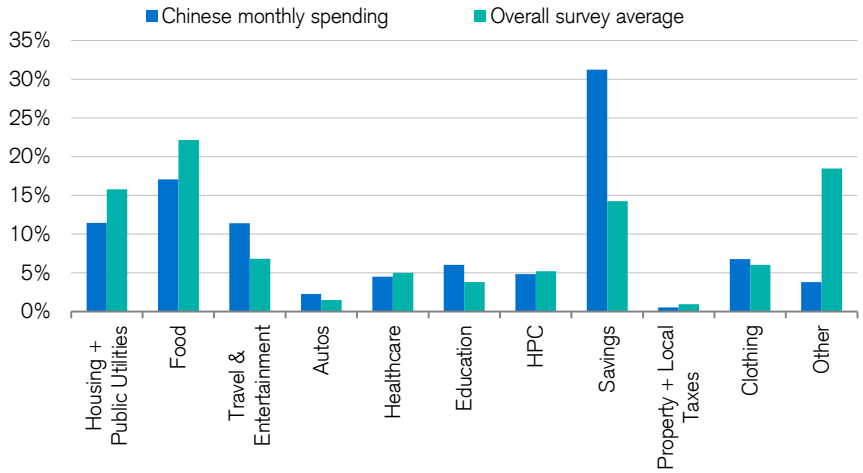


Source: Credit Suisse Emerging Consumer Survey

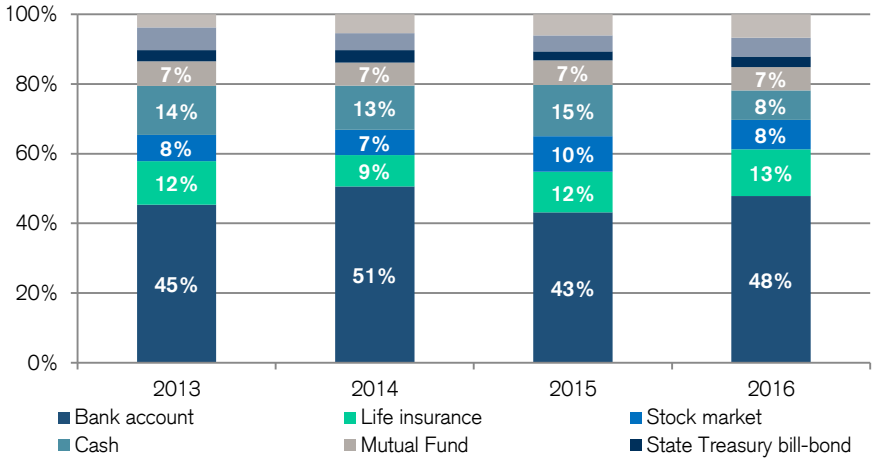
Chinese saving rate remains high

- Respondents' average saving rate dropped 1.8% YoY, but it remains high at around 30% versus 14% for EM Asia. In terms of savings channels, in 2016 consumers allocated more savings to, for instance, bank account (47.9%), life insurance (13.3%), and state treasury bill-bond (3%), while investments in stock market dropped 1.7% to 8.5%. After a very volatile stock market in 2016, Chinese consumers seem to prefer safer investments for capital preservation.

China has high saving rates among EM market



48%/13% respondents chose bank account and life insurance to preserve savings



Source: Credit Suisse Emerging Consumer Survey

Stock picks

Overall the survey is in line with our 2017 China consumer year ahead report. Consumers are increasing their spending on lifestyle upgrade and health. Thus, we favor sportswear and childrenwear, home improvements and high-end spirit sectors and like home appliance, Suofeiya, Moatai, Wuliangye within our covered stocks accordingly. We are more cautious on the beer and instant noodle and thus have UNDERPERFORM on Tingyi.

Preferred sectors based on AC survey	**Our covered stocks with OUTPERFORM rating**
Home appliance	Midea(000333.SZ), Gree(000651.SZ), QD Haier(600690.SS), Haier Electronics (1169.HK)
Furnishment	Suofeiya(002572.SZ)
Sportswear	Li Ning(2331.HK), Anta(2020.HK), Dongxiang(3818.HK)
Children/mothercare	Kao(4452.T)
High-end spirit	Kweichow Maotai(600519.SS), Wuliangye(000858.SZ)
Auto	GAC Group(2238.HK), Dongfeng Motor(0489.HK)
Mobile phones	Sunny Optical (2382.HK), AAC (2018.HK)
Education	New Oriental (EDU.US), Xueersi(XRS.US)
Property	China Vanke(2202.HK), CRLand(1109.HK)
Least preferred sectors based on AC survey	**Our covered stocks with Neutral & UNDERPERFORM rating**
Instant noodles	Tingyi(0322.HK)
Beer	Tsingtao(600600.SH)

Source: Credit Suisse Emerging Consumer Survey, Credit Suisse Estimates

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India resilient despite demonetization, shift to branded goods set to accelerate

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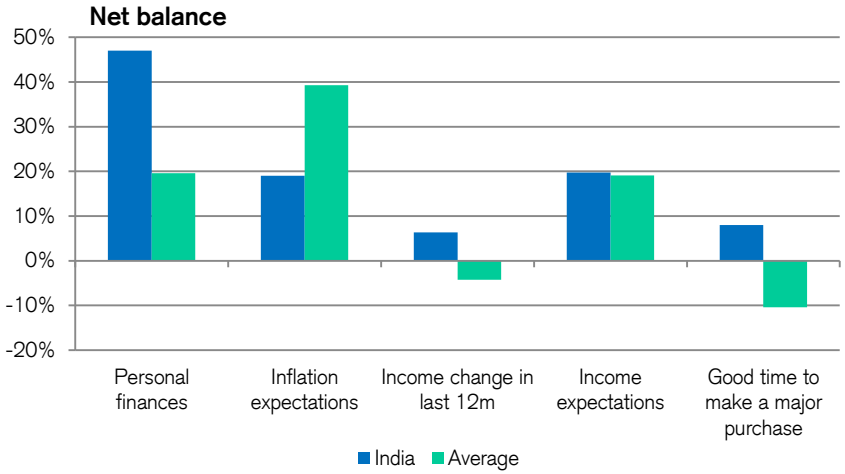
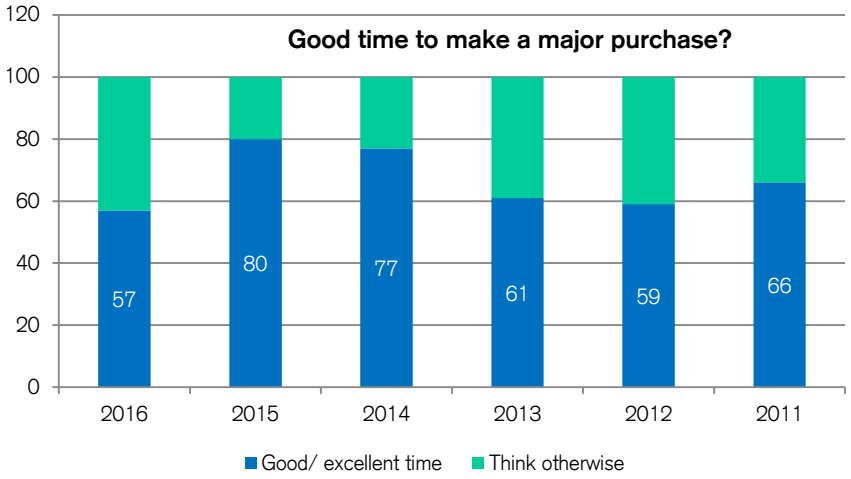
EM consumer survey – India tops the scorecard

- Survey carried out just after demonetization, where sentiment would have been at its lowest
- Despite this Indian consumer scores the highest compared to its emerging market peers.
- While sentiment moderated versus last year, it remains upbeat relative to other countries.

Indians more upbeat on personal finances and hold moderate inflation expectations



57% thought it was a good time to make a major purchase versus 80% last year

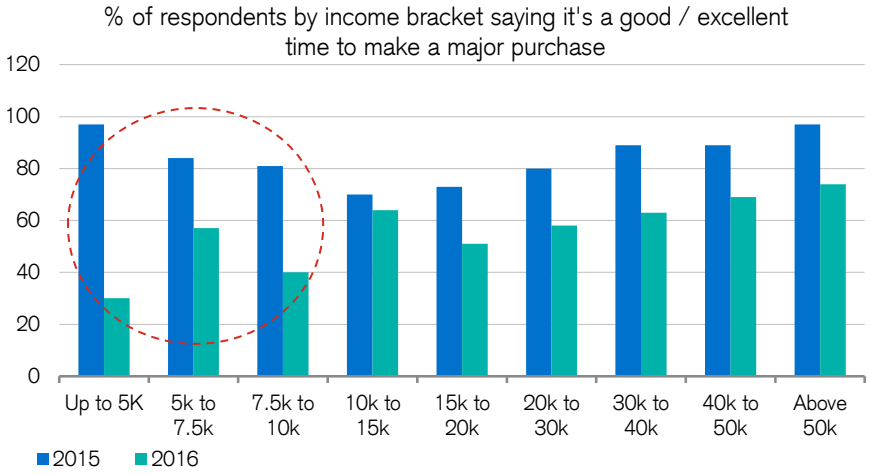


Source: Credit Suisse Emerging Consumer Survey

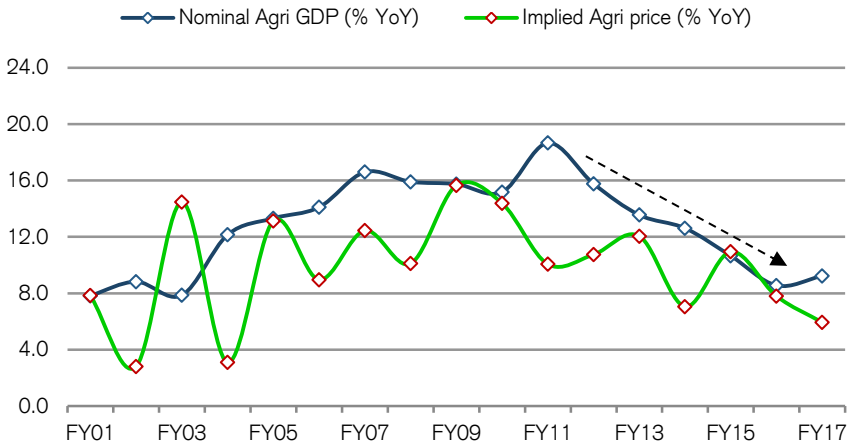
Drop in confidence for lower income consumers

- In this year's survey, we saw a sharp drop in consumer confidence across the lower-income segments.
- This is likely the outcome of weak agricultural income growth (weak pricing despite high volumes) and the sharp cash crunch in rural India in the aftermath of demonetisation.

Confidence across lower income segments dipped sharply compared to last year



Nominal agricultural GDP growth has sharply fallen due to low component of price growth

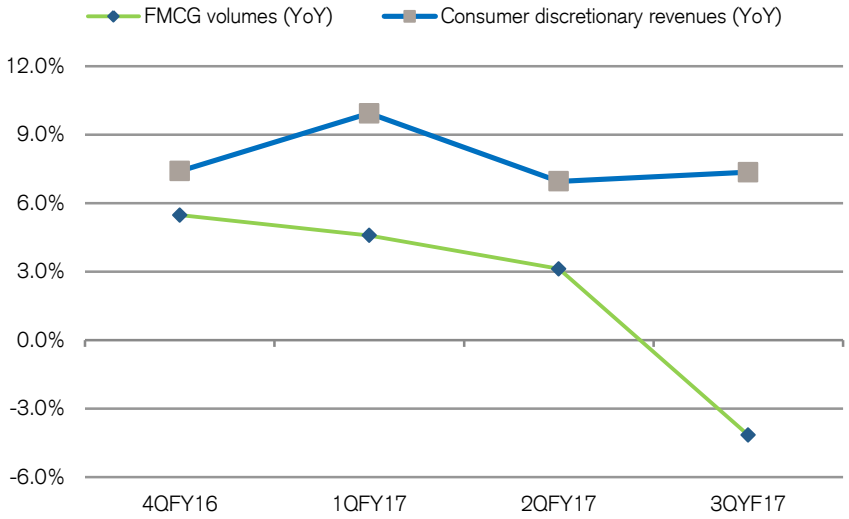


Source: Credit Suisse Emerging Consumer Survey, Credit Suisse Estimates

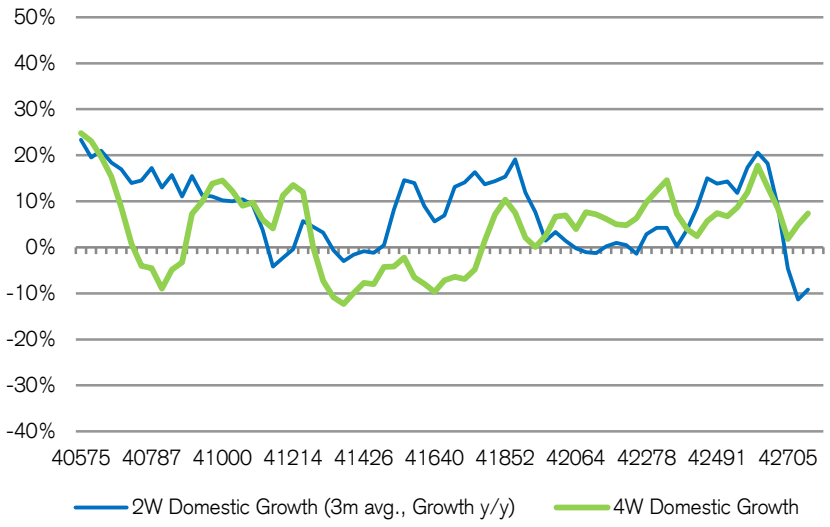
Divergence reflected in growth rates of categories

- Consumer staples growth is much weaker than discretionary, due to higher salience of low income consumption
- Four wheelers are also doing much better than two wheelers which are more rural

Consumer discretionary growth is holding up while staples have been weaker



Four wheelers are growing much ahead of two wheelers

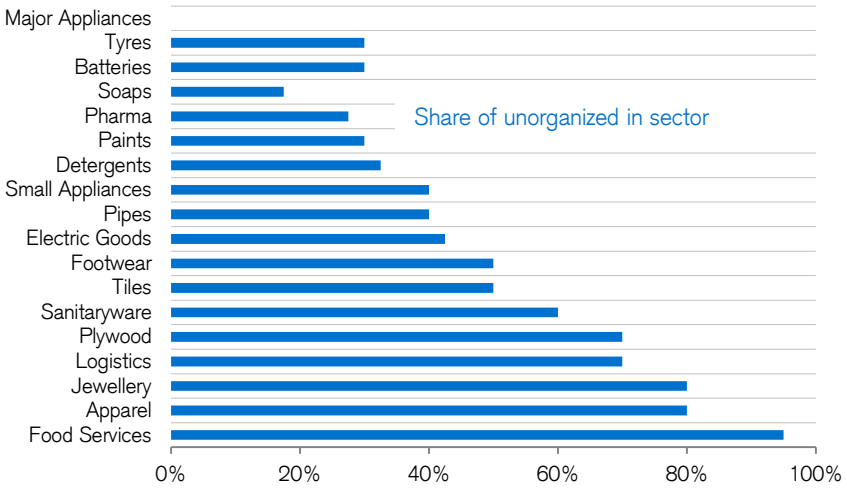


Source: Credit Suisse Emerging Consumer Survey, Credit Suisse Estimates

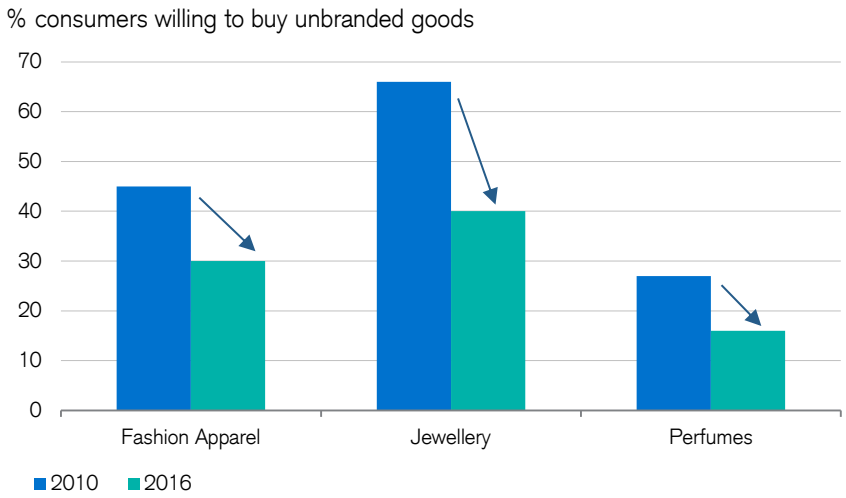
Shift from unbranded to branded goods continues

- Over the past five years the survey shows rising preference for brands: a natural consequence of growing incomes, improving distribution for larger firms, and better media penetration. This is most clearly visible in categories such as Jewellery, apparel and perfumes.

Unorganised has high shares in most categories but organised sector is growing faster



We expect this shift towards branded and organised to accelerate on the back of GST + demonetisation

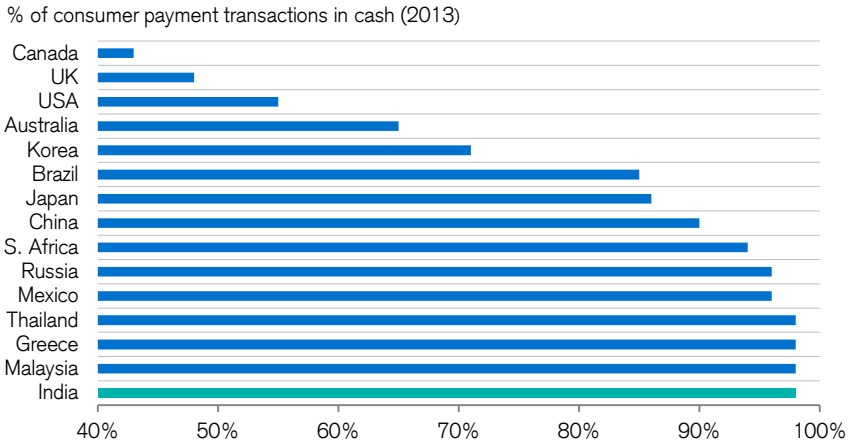


Source: Credit Suisse Emerging Consumer Survey

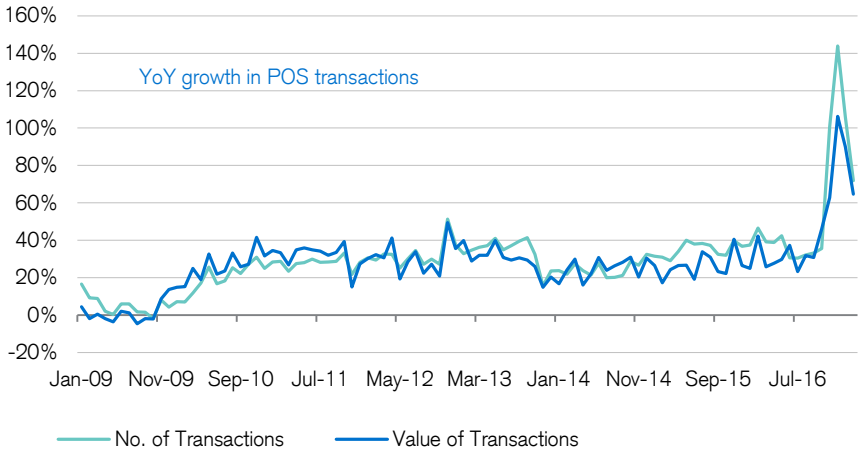
Surge in non-cash payments to help this transition

- India has traditionally been a very cash-driven economy but there seems to have been a strong shift to non-cash payment modes in India post the demonetisation initiative.
- Given the unorganised sector used cash as a transaction medium to evade taxes, this behavioural change to non-cash mode will be a major negative for them.

India is amongst the most cash-driven economies in the world



Post demonetisation, there has been a sharp pick up in usage of non-cash modes albeit off a low base



Source: Credit Suisse Emerging Consumer Survey, Credit Suisse Estimates

GST will likely further accelerate this shift

- India is likely to implement the Goods and Services Tax (GST) from 1st July
- This will be the single biggest tax reform in India over decades
- The GST would make it harder for the unorganised sector to evade indirect taxes
- This will take away the low price advantage which is a key competitive edge of the unorganised players
- We expect electrical hardware, jewellery, apparel, detergents and biscuits to be the major gainers

Source: Credit Suisse Emerging Consumer Survey, Credit Suisse Estimates

Stock picks

- We expect subdued growth in companies with higher exposures to rural and lower income India. Survey results are line with our views.
- Thus amongst staples, we prefer GCPL (GOCP.BO) which has ~50% international revenues and ITC (ITC.BO) (cheapest FMCG play).
- On the discretionary side we expect consumer electrical companies like Crompton Consumer (CROP.BO) and Havells (HVEL.BO) to benefit from share gains from unorganised on the back of strong branding and distribution.

Company	CMP	M Cap (USD Bn)	PER (FY18)	PER (FY19)	Rating	Earnings CAGR (FY16-19E)	ROE (FY18)	ROCE (FY18)
FMCG								
ITC	281	52.2	27.7	24.3	OUTPERFORM	12.4%	29.2%	23.7%
GCPL	1681	8.8	36.1	30.6	OUTPERFORM	18.0%	22.3%	17.4%
Discretionary								
Havells	441	4.2	39.0	31.8	OUTPERFORM	19.1%	21.7%	18.1%
Crompton Consumer	194	1.9	34.7	27.7	OUTPERFORM	24.7%	66.9%	40.1%

Source: Credit Suisse Emerging Consumer Survey, Credit Suisse Estimates

Appendix: The EM Consumer playbook

Key stocks exposed I

Emerging Market based stocks

Company	Ctry	Sector	CS Rating	Mkt Cap US$ bn	HOLT Quality	HOLT Mom-entum	HOLT Conditional Probability	3M EPS (12mf) Revisions	12M EPS (12mf) Revisions	EM Exposure (CS analyst view)
AAC Technologies (2018.HK)	CN	Electronic Manufacturing	O	13	✓	✓	✓	5.5%	35.1%	AAC is well-positioned to benefit from the upgrade trend in EM where we expect 8% YoY growth in smartphone shipments; we expect 2017 to be a good year for AAC's three major businesses, which include acoustic, RF mechanical, and haptics.
Adani Ports & SEZ (APSE.BO)	IN	Marine Ports & Services	O	9.3	✓		✓	3.1%	17.4%	We expect growth for Adani Ports to be driven by the container business which taps into two broad themes (1) scale up of Indian manufacturing (made in India emphasis of government) and (2) strong growth in Indian consumption (resulting in strong imports).
Amorepacific (090430.KS)	KR	Personal Products	O	13.8	✓			-5.8%	0.8%	Emerging Asia (China and other Asia) consisted of c.28% of Amorepacific's (AP) sales in 2016. Including the duty free retail, we estimate the contribution to grow to 49%.
Anta Sports (2020.HK)	CN	Footwear	O	7.8	✓	✓		4.5%	17.0%	The No.1 domestic sportswear brand in China, Anta has continued to gain market share; we expect strong results in coming years to be driven by 1) further market consolidation, 2) strong growth of its sub-brands including newly acquired Descente and Kolon, and 3) rising online channel contribution.
C.P. ALL (CPALL.BK)	TH	Food Retail	O	14.9	✓	✓		3.5%	22.8%	Operates Thailand's largest convenience store chain, 7-11, and cash & carry (C&C) retail stores; we expect CPALL to be able to deliver an EPS CAGR of around 20% in the next several years.
Estacio (ESTC3.SA)	BR	Education Services	O	1.4	✓		✓	-2.1%	-2.7%	Education holds a very low penetration level in Brazil which indicates a huge addressable market for Estácio as a way to seek exposure to the NewCo. being formed after the merger with Kroton; we view this as the best way to gain exposure to the educational sector.
Femsa (FMSAUBD.MX)	MX	Soft Drinks	O	30.9	✓	✓		3.8%	14.6%	All of Femsa's retail business is domiciled in Emerging markets (Mexico, Chile, and Colombia) and all of Coca-Cola Femsa volumes come from Emerging markets (both Latin America and Southeast Asia).
Gree Electric Appliances (000651.SZ)	CN	Household Appliances	O	24.7	✓	✓	✓	5.6%	5.2%	Gree is the largest air-conditioner company in China, its business covers the entire supply chain of air-conditioners from upstream parts to downstream waste recycling; we see accelerating product sales on stronger industry demand in 2017.
Hangzhou Hikvision Digital (002415.SZ)	CN	Electronic Equip & Instruments	O	25.8	✓	✓	✓	5.0%	13.7%	Major beneficiary of the expanding market in the Smart Video cycle due to its widening leadership in scale and technology in both China and overseas; we see good synergy with the core surveillance business and potential future rerating opportunities for a new high margin market.
Huayu Automotive (600741.SS)	CN	Auto Parts & Equipment	O	7.5	✓	✓	✓	3.9%	-1.6%	An emerging global auto interior trim giant on the consolidation path, with a 15% global share; we see notable synergy from the Huayu-JCI global partnership; Huayu is one of the few domestic auto component companies to possess ADAS (advanced driver assistance systems) technology.
Hypermarcas S.A. (HYPE3.SA)	BR	Pharma	O	5.4			✓	-2.3%	42.9%	The Brazilian population is expected to continue aging fast over the next few years, with 54 million people (24% of population) exceeding 60 years by 2040; HYPE3 is well positioned to leverage on the positive pharma industry outlook.
Jiangsu Yanghe Brewery (002304.SZ)	CN	Distillers & Vintners	O	18.2	✓	✓	✓	2.3%	5.5%	It is now is the third largest Chinese spirits company; it has implemented a "new Jiangsu market" plan since 2015, namely focusing on county-level/city-level markets with sales over Rmb8m/Rmb15m and targeting to build up 3-5 markets with similar sales/market share.
Largan Precision (3008.TW)	TW	Electronic Components	O	19.4	✓	✓		11.4%	35.4%	Largan, the No.1 supplier of handset optical lens globally, has dominated the market in the past few years; it currently owns three factories in Taiwan and two in China. We view the rising adoption of dual-camera in smartphone models as a positive trend.
LG Household & Healthcare (051900.KS)	KR	Personal Products	O	10.9	✓			1.1%	18.6%	China's revenue contribution reached 6% in 2016, but we expect it to grow to 8.3% by 2018. Including the sales at the duty free retail channel, China revenue is likely to have reached 22% of 2016 revenue, which could increase to 26% by FY18E.

Source: Credit Suisse Research, Credit Suisse HOLT®, Thomson Reuters Note: A ✓ above indicates where a company ranks at or above the 50th percentile in the following: Quality, Momentum and Conditional Probability EPS Revisions: IBES consensus 12mf Earnings Per Share as of 14 Mar 2017 vs 3 months and 12 months prior

Key stocks exposed II

Emerging Market based stocks (continued)

Company	Ctry	Sector	CS Rating	Mkt Cap US$ bn	HOLT Quality	HOLT Mom-entum	HOLT Conditional Probability	3M EPS (12mf) Revisions	12M EPS (12mf) Revisions	EM Exposure (CS analyst view)
Lojas Renner S.A. (LREN3.SA)	BR	Department Stores	O	5.2	✓			0.4%	11.5%	Brazil's largest apparel retailer, with a focus on the middle and upper income classes. The sale of more discretionary products has been affected by the macro situation in the last few years, but the underlying demand potential remains solid.
Maruti Suzuki India (MRTI.BO)	IN	Automobile Manufacturers	N	27	✓	✓		4.9%	26.1%	India's largest passenger car company with a ~45% market share. It is a subsidiary of Suzuki Motor Co, Japan. Almost 90% of its revenues come from India with the remaining coming from exports, largely to neighboring countries and African countries. Our analysts rate Maruti Neutral.
MercadoLibre (MELI.OQ)	AR	Internet Software & Services	O	9.2	✓	✓		10.5%	34.6%	A pure play exposure to LatAm e-commerce growth and best in class product innovation and execution; on the cusp of seeing material value creation through the release of promotional tools which will help sellers generate incremental sales.
Midea Group (000333.SZ)	CN	Household Appliances	O	30.6	✓	✓		4.7%	16.1%	A leading white goods player in China, with a well-diversified product portfolio. It ranks No. 1 in Air conditioners and Washing Machines, No.3 in Water Heaters, and No.1 in many small appliances sub-categories such as rice cookers and water purifiers.
New Oriental Education (EDU.N)	CN	Education Services	O	7.9	✓	✓		7.9%	32.0%	One of the largest tutoring service providers in China with a presence in 55 cities, covering the major cities with a good level of K-12 population density; well set for riding on the rising penetration of K-12 tutoring.
Ping An (2318.HK)	CN	Life & Health Insurance	O	95.9	✓	✓	✓	7.8%	11.1%	Ping An Insurance (Group) is one of the largest financial services group in China with three core businesses of insurance, banking and investment. Ping An Life is the second largest life insurance company in China with 11% market share.
PT Bank Central Asia Tbk (BBCA.JK)	ID	Diversified Banks	O	28.8	✓	✓	✓	4.0%	13.1%	BCA is one of the best managed banks in Indonesia. Loan growth should rebound next year to low-teens from low single-digits this year. This should likely be driven by consumer (especially mortgage) lending thanks to the lagged impact of BI rate-cuts.
PT Telkom (TLKM.JK)	ID	Integrated Telecom	O	29.8	✓	✓	✓	3.2%	23.0%	The largest integrated telco service provider in Indonesia, with 59.4% and 77.3% market share (by revenue) in cellular and fixed-line market. We see a strong revenue growth trajectory, scale advantage, strong balance sheet and high return on capital.
Raia Drogasil SA (RADL3.SA)	BR	Drug Retail	O	5.7	✓	✓		3.3%	33.1%	The outlook of the Brazilian Pharma and Drugstore segment remains very promising. In a very fragmented market, RADL3 continues to execute superbly well, being the largest chain in the Brazilian market with an ambitious organic expansion program underway.
Suofeiya Home Collection (002572.SZ)	CN	Home Furnishings	O	4.2	✓	✓		8.4%	43.4%	China's leading customized furniture company with ~10% market share. Customized furniture is a young sector in China with very fast growth as consumers are shifting to customized furniture for its better design, high utilization of space and personalization.
X5 Retail Group (PJPq.L)	RU	Food Retail	O	7.6	✓	✓	✓	5.8%	59.0%	A leading Russian food retailer, operating a multiformat model addressing everyday needs of all customer groups across Russia. On our estimates, it will again demonstrate the highest revenue growth among Russian retailers in 2017e (25.1%) on the back of 22.6% selling space growth.
Yonghui Superstores (601933.SS)	CN	Hypermarkets & Super Centers	O	7.5	✓	✓		13.3%	7.4%	A leading national player of supermarket chain stores. Its unique "Fresh Food Grocery" business model is its key differentiator and has set up a barrier for competitors. We see expansion and industry consolidation, large procurement scale and unique business model+ strong supply chain.
Zee Entertainment (ZEE.BO)	IN	Broadcasting	O	7.4	✓			-0.1%	21.9%	Zee, a subsidiary of Essel group, is one of India's earliest and leading broadcasters. It has an impressive bouquet of ~35 channels.

Source: Credit Suisse Research, Credit Suisse HOLT®, Thomson Reuters Note: A ✓ above indicates where a company ranks at or above the 50th percentile in the following: Quality, Momentum and Conditional Probability EPS Revisions: IBES consensus 12mf Earnings Per Share as of 14 Mar 2017 vs 3 months and 12 months prior

Key stocks exposed III

Developed Market based stocks

Company	Ctry	Sector	CS Rating	Mkt Cap US$ bn	HOLT Quality	HOLT Mom-entum	HOLT Conditional Probability	3M EPS (12mf) Revisions	12M EPS (12mf) Revisions	EM Exposure (CS analyst view)
Ajinomoto (2802.T)	JP	Packaged Foods & Meats	N	11.1	✓			-3.0%	-9.9%	40% of earnings derived from EM (mainly ASEAN and Brazil); three main sources for future growth: (1) expanding sales of seasonings and processed foods in EM, (2) broadening product portfolio, and (3) strengthening healthcare. Our analysts rate the stock Neutral.
AXA (AXAF.PA)	FR	Multi-line Insurance	O	58.9	✓	✓	✓	1.3%	-2.4%	Writes a significant proportion of business through EM retail products (amount to 24.8% of life new business value, 15% of non-life premiums), positioned to take advantage of growth potential in EM.
Carnival (CCL.N)	US	Hotels, Resorts & Cruise Lines	O	40.5			✓	-0.7%	6.2%	China is the centerpiece of the cruise industry's investment debate. Carnival has currently deployed 6% of its capacity into China and, according to today's allocated pipeline, could get to 10% by 2020.
Coca-Cola HBC (CCH.L)	CH	Soft Drinks	O	8.6		✓		6.2%	19.4%	61% of revenues and 53% of EBIT are from emerging and developing markets where there are low per capita consumptions and good long-term volume growth potential; we expect EM to be the main driver towards the 11% margin target, where margins are c500bps below peak.
Coloplast B (COLOb.CO)	DK	Health Care Supplies	O	14.1	✓			2.8%	4.5%	Generates c15% of group revenue from EM, China exposure is particularly robust, with Coloplast holding close to 50% market share. Other key EM include Brazil, Russia and Argentina.
Essilor (ESSI.PA)	FR	Health Care Supplies	O	25.9	✓			0.9%	3.2%	Essilor has the highest exposure of our coverage with 23% of revenues from 'fast growing markets' (company definition) and 6% of revenues from China.
Global Payments (GPN.N)	US	Data Processing	O	12.1	✓	✓	✓	1.1%	20.7%	GPN generates ~7% revenue in APAC and 17% of GPN's revenues are generated in EMEA. We see long term upside potential to owning GPN as the company benefits from secular tailwinds and industry consolidation opportunities.
Isuzu Motors (7202.T)	JP	Automobile Manufacturers	O	10.9	✓	✓	✓	3.4%	-4.7%	Well positioned to benefit from structural growth catalysts in ASEAN markets. We expect stable growth of domestic CV sales and a moderate recovery in ASEAN CV sales to propel 4.5% YoY growth in consolidated unit sales.
L'Oreal (OREP.PA)	FR	Personal Products	O	104.4	✓	✓		2.8%	7.4%	New markets contributed some 39% to L'Oréal's Cosmetics sales in 2016. Of this, Asia Pacific accounted for 57%, Latin America 19%, Eastern Europe 16% and Africa, Middle East 8%.
Monster Beverage (MNST.OQ)	US	Soft Drinks	O	26.6	✓			1.9%	12.0%	We expect international to represent more than 30% of sales by CY19. In 2017 alone, Monster will be launched in 40 new countries including 4 major emerging markets: Argentina, India, Nigeria and Pakistan. This follows a successful launch in China in September 2016.
Nike (NKE.N)	US	Footwear	O	93.2	✓			1.4%	7.3%	EM are expected to account for 11% of Nike's sales; it is currently seeing strong growth in the following EM regions: 1) Argentina, Uruguay, and Chile (grew 32% Y/Y); Mexico (grew 31% Y/Y); and the Pacific region.
Sanofi (SASY.PA)	FR	Pharma	O	112.5		✓	✓	3.6%	1.8%	Sanofi maintains one of the highest levels of exposure to the Emerging markets of the major pharma companies with 28% of sales generated from these countries; we expect it to continue to leverage its extensive local presence in emerging markets and benefit from continued demand growth.
Straumann (STMN.S)	CH	Health Care Equipment	O	6.9	✓	✓		4.5%	24.0%	The dental implants market is set to be driven by both aging demographics and also increasing urbanization in emerging markets (EM). Straumann has strategically moved to engage in EM.
Walt Disney (DIS.N)	US	Movies & Entertainment	O	175.6	✓	✓	✓	3.2%	4.7%	Exposed to EM in 1) international Cable Networks; 2) international Parks and Resorts, including locations in Shanghai and Hong Kong; and 3) the film studio, which produces and distributes films from Pixar, Marvel, Lucasfilm, and Disney Classics around the world.
Visa (V.N)	US	Data Processing	O	206.8	✓	✓	✓	5.2%	18.8%	High volume exposure to Emerging Markets with 23% from Asia, 4% from Middle East/Africa, and 5% Latin America. Visa should continue to benefit from the global transition from physical cash to electronic payment while maintaining a strong position relative to industry peers.

Source: Credit Suisse Research, Credit Suisse HOLT®, Thomson Reuters Note: A ✓ above indicates where a company ranks at or above the 50th percentile in the following: Quality, Momentum and Conditional Probability EPS Revisions: IBES consensus 12mf Earnings Per Share as of 14 Mar 2017 vs 3 months and 12 months prior

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Companies Mentioned *(Price as of 23-Mar-2017)*

AAC Technologies Holdings Inc (2018.HK, HK$95.25)
AXA (AXAF.PA, €23.64)
Adani Ports & SEZ (APSE.BO, Rs325.1)
Ajinomoto (2802.T, ¥2,254)
Amorepacific Corp (090430.KS, W282,000)
Anta Sports Products Limited (2020.HK, HK$21.85)
C.P. ALL PCL (CPALL.BK, Bt59.25)
Carnival (CCL.N, $58.52)
China Dongxiang Group Co Ltd (3818.HK, HK$1.54)
China Resources Land (1109.HK, HK$22.35)
China Vanke H (2202.HK, HK$22.65)
Coca-Cola HBC (CCH.L, 2031.0p)
Coloplast B (COLOb.CO, Dkr544.0)
Dongfeng Motor Group Company Limited (0489.HK, HK$9.05)
Essilor International SA (ESSI.PA, €112.75)
Estacio (ESTC3.SA, R$14.78)
Femsa (FMSAUBD.MX, MXN170.14)
Global Payments Inc. (GPN.N, $78.94)
Gree Electric Appliances Inc of Zhuhai (000651.SZ, Rmb31.2)
Guangzhou Automobile Group (2238.HK, HK$12.52)
Haier Electronics Group Co., Ltd. (1169.HK, HK$17.66)
Hangzhou Hikvision Digital Technology Co., Ltd. (002415.SZ, Rmb31.54)
Huayu Automotive Systems Co., Ltd (600741.SS, Rmb16.79)
Hypermarcas S.A. (HYPE3.SA, R$28.54)
Isuzu Motors (7202.T, ¥1,519)
Jiangsu Yanghe Brewery Joint-stock Co., Ltd (002304.SZ, Rmb88.74)
Kao (4452.T, ¥6,089)
Kweichow Moutai Co., Ltd (600519.SS, Rmb389.79)
L'Oreal (OREP.PA, €178.5)
LG Household & Healthcare (051900.KS, W817,000)
Largan Precision (3008.TW, NT$4750.0)
Li Ning Co Ltd (2331.HK, HK$4.7)
Lojas Renner S.A. (LREN3.SA, R$26.2)
Maruti Suzuki India Ltd (MRTI.BO, Rs6012.7)
MercadoLibre Inc. (MELI.OQ, $208.18)
Midea Group Co Ltd (000333.SZ, Rmb34.75)
Monster Beverage Corp (MNST.OQ, $46.56)
New Oriental Education (EDU.N, $58.1)
Nike Inc. (NKE.N, $55.37)
PT Bank Central Asia Tbk (BBCA.JK, Rp16,600)
PT Telkom (Telekomunikasi Indo.) (TLKM.JK, Rp4,090)
Ping An (2318.HK, HK$43.65)
Qingdao Haier Co., Ltd. (600690.SS, Rmb11.46)
Raia Drogasil SA (RADL3.SA, R$57.74)
Sanofi (SASY.PA, €83.3)
Straumann (STMN.S, SFr452.5)
Sunny Optical Technology Group Co.Limited (2382.HK, HK$57.5)
Suofeiya Home Collection Co Ltd (002572.SZ, Rmb67.3)
TAL Education Group (TAL.N, $103.74)
The Walt Disney Company (DIS.N, $112.24)
Tingyi (0322.HK, HK$9.19)
Tsingtao Brewery (600600.SS, Rmb33.29)
Visa Inc. (V.N, $88.86)
Wuliangye Yibin Co., Ltd (000858.SZ, Rmb43.56)
X5 Retail Group (PJPq.L, $30.95)
Yonghui Superstores (601933.SS, Rmb5.47)
Zee Entertainment Enterprise (ZEE.BO, Rs523.75)

Disclosure Appendix

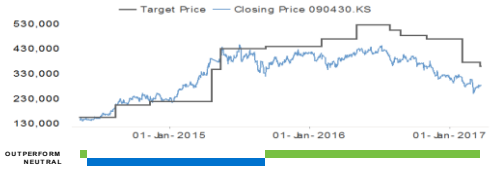
Analyst Certification

Richard Kersley, Raymond Ching and Arnab Mitra each certify, with respect to the companies or securities that the individual analyzes, that (1) the views expressed in this report accurately reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

3-Year Price and Rating History for Amorepacific Corp (090430.KS)

090430.KS Date	Closing Price (W)	Target Price (W)	Rating
12-May-14	143,700	155,000	O
29-May-14	147,500	155,000	N
12-Aug-14	198,000	204,000	
10-Nov-14	216,700	218,000	
20-Apr-15	390,500	347,000	
14-May-15	387,000	430,000	
09-Sep-15	346,500	440,000	O
02-Feb-16	389,000	470,000	
02-May-16	411,000	526,000	
29-Jul-16	388,000	505,000	
25-Aug-16	377,000	483,000	
01-Nov-16	360,500	470,000	
02-Feb-17	301,000	375,000	
21-Mar-17	282,000	360,000	

** Asterisk signifies initiation or assumption of coverage.*



3-Year Price and Rating History for LG Household & Healthcare (051900.KS)

051900.KS Date	Closing Price (W)	Target Price (W)	Rating
24-Apr-14	487,000	640,000	O
18-Nov-14	609,000	720,000	
09-Mar-15	655,000	900,000	
21-Apr-15	933,000	1,080,000	
27-Jan-16	990,000	1,140,000	
26-Apr-16	1,004,000	1,260,000	
26-Jul-16	1,092,000	1,300,000	
25-Aug-16	928,000	1,200,000	
24-Oct-16	923,000	1,150,000	

** Asterisk signifies initiation or assumption of coverage.*

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 are generated by Credit Suisse's investment banking activities

As of December 10, 2012 Analysts' stock rating are defined as follows:

Outperform (O) : The stock's total return is expected to outperform the relevant benchmark* over the next 12 months.

Neutral (N) : The stock's total return is expected to be in line with the relevant benchmark* over the next 12 months.

Underperform (U) : The stock's total return is expected to underperform the relevant benchmark* over the next 12 months.

**Relevant benchmark by region: As of 10th December 2012, Japanese ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. As of 2nd October 2012, U.S. and Canadian as well as European ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. For Latin American and non-Japan Asia stocks, ratings are based on a stock's total return relative to the average total return of the relevant country or regional benchmark; prior to 2nd October 2012 U.S. and Canadian ratings were based on (1) a stock's absolute total return potential to its current share price and (2) the relative attractiveness of a stock's total return potential within an analyst's coverage universe. For Australian and New Zealand stocks, the expected total return (ETR) calculation includes 12-month rolling dividend yield. An Outperform rating is assigned where an ETR is greater than or equal to 7.5%; Underperform where an ETR less than or equal to 5%. A Neutral may be assigned where the ETR is between -5% and 15%. The overlapping rating range allows analysts to assign a rating that puts ETR in the context of associated risks. Prior to 18 May 2015, ETR ranges for Outperform and Underperform ratings did not overlap with Neutral thresholds between 15% and 7.5%, which was in operation from 7 July 2011.*

Restricted (R) : In certain circumstances, Credit Suisse policy and/or applicable law and regulations preclude certain types of communications, including an investment recommendation, during the course of Credit Suisse's engagement in an investment banking transaction and in certain other circumstances.

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