

Quantitative Research

QUANTITATIVE ANALYSIS

Research Analysts

Pankaj Patel, CFA
212 538 5239
pankaj.patel@credit-suisse.com

Heath Barefoot
212 538 5772
heath.barefoot@credit-suisse.com

Souheang Yao
212 538 3610
souheang.yao@credit-suisse.com

Ryan Carlson
212 538 9074
ryan.carlson@credit-suisse.com

U.K. Dividend Yield Strategy

High Yield and Low Payout

We examined the influence of dividend yield and payout ratio on the performance of U.K. equities. We found that investors should seek out firms with high dividend yields and low payout ratios. These firms returned the best performance over the course of our backtest, from 1990 to 2007.

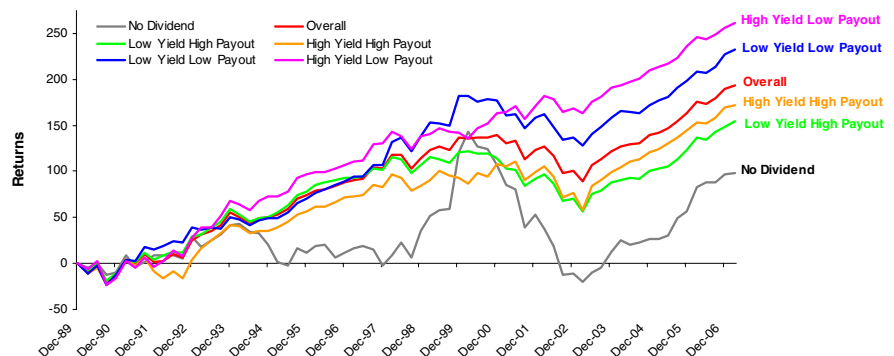
Our findings in the U.K. are largely consistent with our prior research on U.S. and Canadian markets. In these studies, high-yield, low-payout-ratio firms also produced the highest returns. One difference is the performance of nondividend-paying firms. In the U.K., nondividend-paying firms underperformed all other firms by a significant margin. In the U.S. and Canadian markets, nondividend-paying firms were not the highest performers, but did not underperform as severely as in the U.K.

Dividend Yield

We considered the returns from a strategy based solely on dividends. Stocks paying higher dividend yields outperformed stocks with lower yields. In the U.K., payers of the highest dividend yields were the performance leaders. Our previous research indicates that while U.S. and Canadian firms paying dividends outperformed those not paying dividends, firms paying the highest dividend yields were surpassed by firms paying more moderate dividend yields.

Exhibit 1: Dividend Yield and Payout Ratio

equal-weighted performance from January 1990 to March 2007



Source: Credit Suisse Quantitative Equity Research, Compustat.

ANALYST CERTIFICATIONS AND INFORMATION ON TRADING ALERTS AND ANALYST MODEL PORTFOLIOS ARE IN THE DISCLOSURE APPENDIX. FOR OTHER IMPORTANT DISCLOSURES, visit www.credit-suisse.com/researchdisclosures or call +1 (877) 291-2683 U.S. Disclosure: Credit Suisse does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Customers of Credit Suisse in the United States can receive independent, third party research on the company or companies covered in this report, at no cost to them, where such research is available. Customers can access this independent research at www.credit-suisse.com/ir or call 1 877 291 2683 or email equity.research@credit-suisse.com to request a copy of this research.

Dividend Yield and Payout Ratio

We looked to see what combination of dividend yield and payout ratio produced the highest returns. For our backtest, portfolios were created and their performance measured quarterly. The backtest was run from January 1990 to March 2007.

Backtest methodology

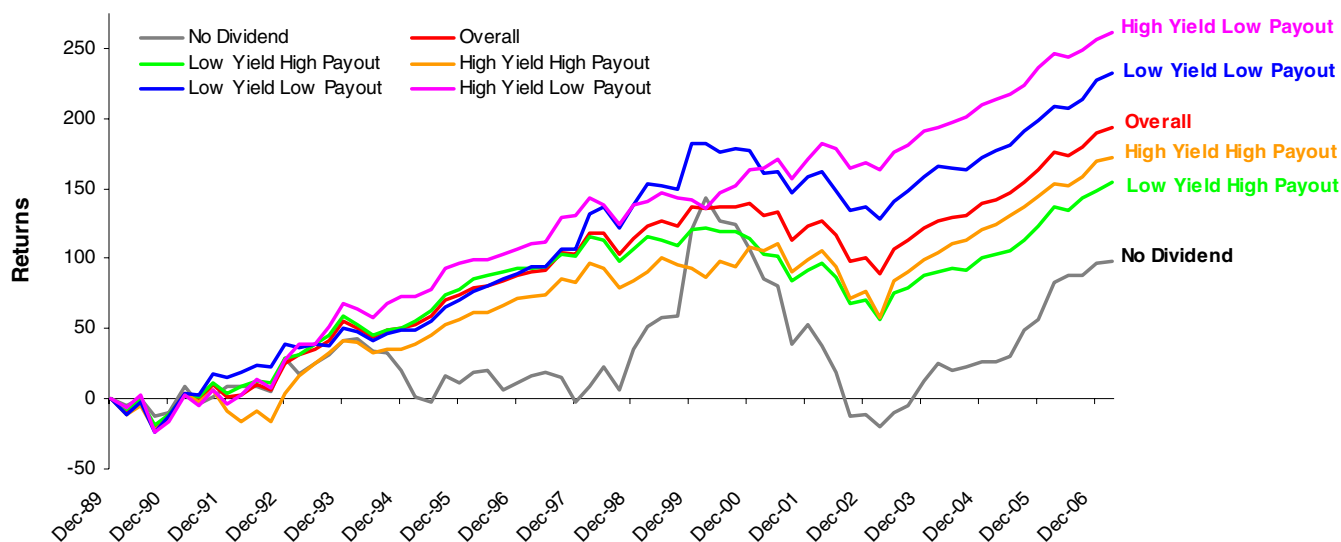
We applied a two-stage process to create the portfolios. First, the universe of stocks was divided into high and low groups based on dividend yield. Each group was then further divided into two groups based on payout ratio. Equal-weighted portfolios were created from each of the four groups. A fifth portfolio contained nondividend-paying firms. We limited our universe to U.K. firms trading on the London Stock Exchange. We further restricted the universe to firms making up the top 85% of the total market cap.

High yield, low payout produced the highest returns

Exhibit 2 shows that firms with high dividend yields and low payout ratios produced the highest performance.

Exhibit 2: Dividend Yield and Payout Ratio

equal-weighted performance from January 1990 to March 2007, top 85% of the London Stock Exchange



Source: Credit Suisse Quantitative Equity Research, Compustat.

The results obtained from this test are similar to the results previously found when testing the U.S. and Canadian markets. In each of these markets, the top two portfolio groups were high yield, low payout followed by low yield, low payout.

There are differences in the performance of nondividend-paying firms across the three markets. The U.K. displays the most pronounced underperformance of nondividend-paying stocks. Nondividend payers returned in the middle of the pack for the U.S. In Canada, nondividend-paying firms had the worst performance, but their returns were close to those of the other portfolios created for the Canadian market backtest.

Exhibit 3 shows the different portfolios that were created and compared in our backtest.

Exhibit 3: Portfolio Groups

		Payout Ratio	
		High	Low
Dividend Yield	High	High Yield High Payout	High Yield Low Payout
	Low	Low Yield High Payout	Low Yield Low Payout
	No Dividend	No Dividend	Overall (Equal-Weight)

Exhibit 4: Annualized Returns
January 1990 to December 2006

		Payout Ratio	
		High	Low
Dividend Yield	High	10.0%	15.1%
	Low	8.7%	13.4%
	No Dividend	5.7%	10.6%

High-yield, low-payout portfolios generated an annualized return of 15.1% versus an overall return of 10.6%

Source: Credit Suisse Quantitative Equity Research.

Source: Credit Suisse Quantitative Equity Research.

Exhibit 5: Dividend Yield and Payout Ratio Portfolio Performance Rankings

equal-weighted annualized performance from January 2001 to December 2006

		2001	2002	2003	2004	2005	2006	1990 - 2006
Performance	Best	High Yield Low Payout	High Yield Low Payout	No Dividend	High Yield High Payout	No Dividend	No Dividend	High Yield Low Payout
		High Yield High Payout	Low Yield High Payout	High Yield Low Payout	High Yield Low Payout	Low Yield Low Payout	Low Yield Low Payout	Low Yield Low Payout
		Overall (Equal-Weight)	High Yield High Payout	High Yield High Payout	Overall (Equal-Weight)	High Yield Low Payout	Overall (Equal-Weight)	Overall (Equal-Weight)
		Low Yield Low Payout	Overall (Equal-Weight)	Low Yield Low Payout	Low Yield Low Payout	Overall (Equal-Weight)	High Yield High Payout	High Yield High Payout
		Low Yield High Payout	Low Yield Low Payout	Overall (Equal-Weight)	No Dividend	High Yield High Payout	Low Yield High Payout	Low Yield High Payout
	Worst	No Dividend	No Dividend	Low Yield High Payout	Low Yield High Payout	Low Yield High Payout	High Yield Low Payout	No Dividend

Nondividend-paying firms underperformed significantly

Source: Credit Suisse Quantitative Equity Research.

High-Yield and Low-Payout Firms

Exhibit 6: Companies with High Dividend Yields and Low Payout Ratios
data as of April 3, 2007, selected from the top 85%, by market cap, of the London Stock Exchange

Ticker	Company Name	Dividend Yield (%)	5 Yr Avg Dividend Yield (%)	Dividend Payout Ratio (%)	5 Yr Avg Dividend Payout Ratio (%)	Sector
RTR	REUTERS GROUP	2.3%	3.4%	48.7%	73.8%	Commercial Services
WPP	WPP GROUP	1.4%	1.3%	30.9%	38.9%	Commercial Services
PSN	PERSIMMON	3.2%	3.3%	34.8%	25.7%	Consumer Durables
WMPY	WIMPEY(GEORGE)	3.0%	3.5%	35.4%	22.3%	Consumer Durables
TWOD	TAYLOR WOODROW	3.0%	3.8%	29.2%	26.2%	Consumer Durables
BDEV	BARRATT DEVEL	2.8%	3.5%	25.9%	21.7%	Consumer Durables
BWY	BELLWAY	2.1%	3.2%	25.1%	21.6%	Consumer Durables
WLB	WILSON BOWDEN	0.8%	3.1%	29.5%	23.3%	Consumer Durables
DGE	DIAGEO	3.0%	3.5%	53.2%	135.3%	Consumer Non-Durables
ABF	ASSOCD BRIT FOODS	2.1%	2.3%	49.2%	39.3%	Consumer Non-Durables
SAB	SABMILLER	2.0%	2.7%	38.6%	51.8%	Consumer Non-Durables
BSY	BRITISH SKY BROADC	2.4%	1.1%	45.4%	30.9%	Consumer Services
CCL	CARNIVAL PLC	2.3%	1.5%	36.1%	29.6%	Consumer Services
ETI	ENTERPRISE INNS	2.1%	2.1%	26.8%	27.5%	Consumer Services
WOS	WOLSELEY	2.4%	2.7%	37.0%	36.2%	Distribution Services
RDSB	ROYAL DUTCH SHELL	4.0%	3.6%	31.5%	41.7%	Energy Minerals
RDSA	ROYAL DUTCH SHELL	4.0%	4.2%	31.6%	35.6%	Energy Minerals
BP	BP	3.8%	3.3%	35.6%	53.1%	Energy Minerals
BARC	BARCLAYS	4.2%	4.2%	43.1%	47.9%	Finance
AV	AVIVA	4.0%	4.6%	34.3%	109.8%	Finance
HBOS	HBOS	4.0%	4.1%	41.2%	48.0%	Finance
BRT	RESOLUTION PLC	3.2%	4.8%	31.1%	43.8%	Finance
INVP	INVESTEC	3.0%	4.3%	44.1%	122.4%	Finance
STAN	STANDARD CHARTERED	2.4%	3.3%	39.5%	55.0%	Finance
LAND	LAND SECURITIES GP	2.2%	3.4%	13.1%	55.4%	Finance
GSK	GLAXOSMITHKLINE	3.4%	3.3%	50.3%	55.9%	Health Technology
AZN	ASTRAZENECA	3.2%	2.2%	41.9%	41.9%	Health Technology
ANTO	ANTOFAGASTA	4.7%	3.7%	58.7%	43.1%	Non-Energy Minerals
REX	REXAM	3.4%	3.8%	47.9%	96.3%	Process Industries
BNZL	BUNZL	2.3%	2.6%	45.0%	43.3%	Process Industries
TOMK	TOMKINS	5.1%	4.9%	61.4%	72.7%	Producer Manufacturing
SIG	SIGNET GROUP	2.6%	2.6%	43.3%	34.2%	Retail Trade
NXT	NEXT	2.1%	2.8%	33.5%	38.2%	Retail Trade

Source: Credit Suisse Quantitative Equity Research.

Dividend Yield

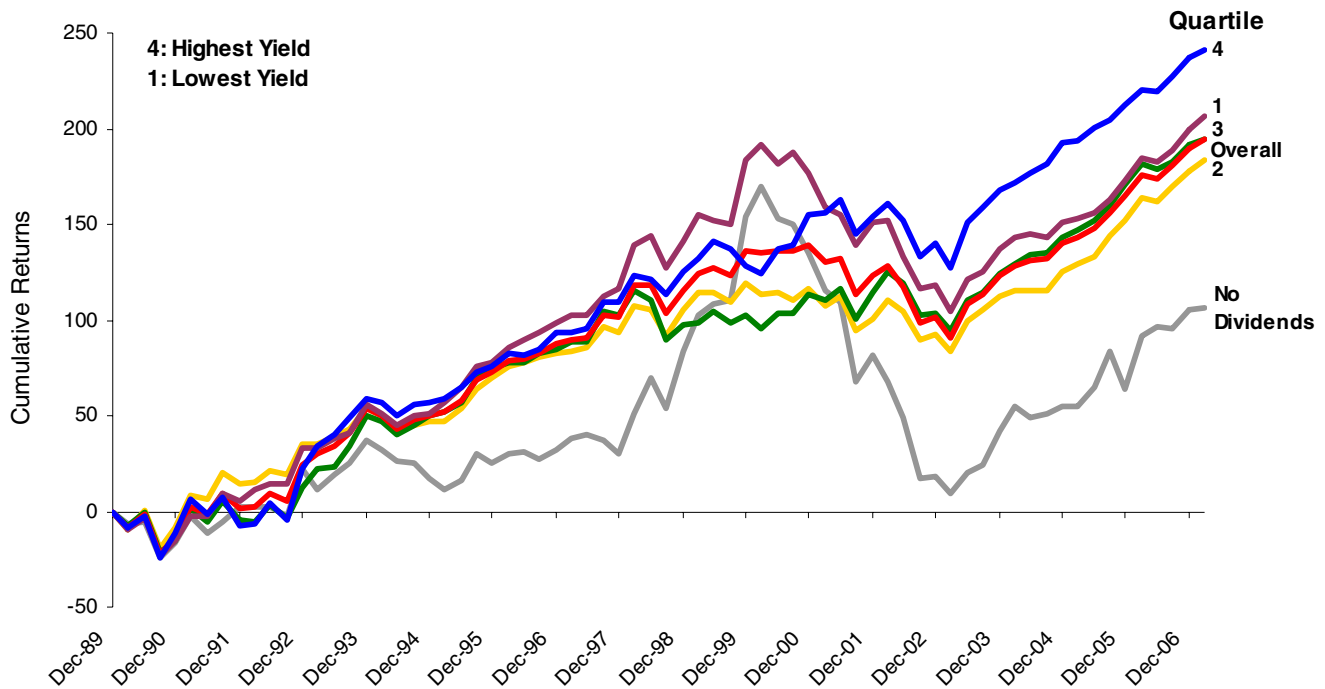
Given the importance of dividends in the U.K., we look at using dividend yield as the sole selection criteria. We find that the highest dividend-paying firms outperform lower dividend payers.

Using dividend yield alone: firms that paid higher dividends outperformed

To reach this conclusion, we took the top 85%, by market cap, of U.K. firms. We divided the firms into four groups based on their dividend yield. A fifth group contained nondividend-paying firms. We rebalanced these portfolios quarterly from January 1990 to March 2007 and measured their performance. Viewing Exhibit 7, we see that top dividend payers produced the highest returns. The nondividend-paying firms lagged significantly, except for a brief spike during the bubble period.

In the U.S. and Canada, the top dividend-paying quartile was not the best-performing group. The quartile paying the second highest dividends was the top-performing group in these markets.

Exhibit 7: Dividend Yield Strategy
equal-weighted performance from January 1990 to March 2007



Source: Credit Suisse Quantitative Equity Research.

Dividend Yield Screen

Exhibit 8: U.K. Firms with the Highest Dividend Yields

data as of April 3, 2007, selected from the top 85%, by market cap, of the London Stock Exchange

Ticker	Company Name	Dividend Yield (%)	5 Yr Avg Dividend Yield (%)	Dividend Payout Ratio (%)	5 Yr Avg Dividend Payout Ratio (%)	Sector
RTO	RENTOKIL INITIAL	4.3%	3.8%	89.4%	58.0%	Commercial Services
VOD	VODAFONE GROUP	4.5%	2.7%	45.4%	31.6%	Communications
BT	BT GROUP	4.1%	4.1%	37.8%	45.8%	Communications
PSN	PERSIMMON	3.2%	3.3%	34.8%	25.7%	Consumer Durables
BDEV	BARRATT DEVEL	2.8%	3.5%	25.9%	21.7%	Consumer Durables
BATS	BRIT AMER TOBACCO	3.5%	4.5%	60.7%	78.2%	Consumer Non-Durables
TATE	TATE & LYLE	3.5%	4.7%	63.6%	66.9%	Consumer Non-Durables
ULVR	UNILEVER PLC	3.1%	3.3%	42.4%	67.0%	Consumer Non-Durables
IHG	INTERCONTL HOTELS	1.4%	3.4%	26.8%	94.3%	Consumer Services
RDSB	ROYAL DUTCH SHELL	4.0%	3.6%	31.5%	41.7%	Energy Minerals
RDSA	ROYAL DUTCH SHELL	4.0%	4.2%	31.6%	35.6%	Energy Minerals
BP	BP	3.8%	3.3%	35.6%	53.1%	Energy Minerals
LLOY	LLOYDS TSB GROUP	6.0%	7.1%	68.5%	78.3%	Finance
HSBA	HSBC HLDGS	4.6%	4.1%	54.4%	61.6%	Finance
BB	BRADFORD & BINGLEY	4.4%	4.9%	70.9%	98.0%	Finance
BARC	BARCLAYS	4.2%	4.2%	43.1%	47.9%	Finance
AV	AVIVA	4.0%	4.6%	34.3%	109.8%	Finance
HBOS	HBOS	4.0%	4.1%	41.2%	48.0%	Finance
RSA	ROYAL&SUN ALLIANCE	3.6%	5.0%	21.2%	64.2%	Finance
GSK	GLAXOSMITHKLINE	3.4%	3.3%	50.3%	55.9%	Health Technology
AZN	ASTRAZENECA	3.2%	2.2%	41.9%	41.9%	Health Technology
REX	REXAM	3.4%	3.8%	47.9%	96.3%	Process Industries
DXNS	DSG INTERNATIONAL	5.0%	4.7%	82.2%	62.2%	Retail Trade
PFD	PREMIER FOODS	4.4%	4.2%	102.8%	137.4%	Retail Trade
KESA	KESA ELECTRICALS	3.9%	4.0%	64.3%	56.8%	Retail Trade
UU.	UTD UTILITIES	5.8%	7.5%	92.5%	109.4%	Utilities
NGT	NATIONAL GRID	3.3%	4.3%	56.2%	69.1%	Utilities
KEL	KELDA GROUP	3.2%	5.1%	67.7%	65.2%	Utilities

Source: Credit Suisse Quantitative Equity Research.

Indicated Annual Dividend

In Exhibit 9, we list the firms from our U.K. universe with the highest annual indicated dividend. This number is calculated by taking the last dividend paid by each firm and multiplying it by the number of times the firm paid such dividends over the year. This can be seen as a rough projection of the dividends the firm will pay in the coming year. The estimated payout ratio is calculated using the indicated annual dividend and IBES consensus fiscal year-one estimates for earnings.

Exhibit 9: Companies with the Highest Indicated Annual Dividends

data as of April 3, 2007, selected from the top 85%, by market cap, of the London Stock Exchange

Ticker	Company Name	Total Indicated Annual Dividend (£)	Estimated Dividend Payout Ratio (%)	Sector
HSBA	HSBC HLDGS	4,752	54.1%	Finance
BP	BP	4,066	40.6%	Energy Minerals
VOD	VODAFONE GROUP	3,287	56.2%	Communications
GSK	GLAXOSMITHKLINE	2,751	47.2%	Health Technology
RDSA	ROYAL DUTCH SHELL	2,425	38.9%	Energy Minerals
BARC	BARCLAYS	2,028	42.8%	Finance
LLOY	LLOYDS TSB GROUP	1,928	66.6%	Finance
RDSB	ROYAL DUTCH SHELL	1,834	38.9%	Energy Minerals
HBOS	HBOS	1,555	38.5%	Finance
ULVR	UNILEVER PLC	1,377	52.8%	Consumer Non-Durables
AZN	ASTRAZENECA	1,317	41.9%	Health Technology
AAL	ANGLO AMERICAN	1,316	40.0%	Non-Energy Minerals
BATS	BRIT AMER TOBACCO	1,150	53.4%	Consumer Non-Durables
BT	BT GROUP	1,051	56.9%	Communications
DGE	DIAGEO	854	57.0%	Consumer Non-Durables
AV	AVIVA	770	33.7%	Finance
NGT	NATIONAL GRID	724	54.5%	Utilities
TSCO	TESCO	706	40.4%	Retail Trade
RIO	RIO TINTO	544	18.2%	Non-Energy Minerals
STAN	STANDARD CHARTERED	498	36.9%	Finance
BLT	BHP BILLITON PLC	459	17.4%	Non-Energy Minerals
IMT	IMPERIAL TOBACCO	420	46.1%	Consumer Non-Durables
PRU	PRUDENTIAL	419	25.8%	Finance
SSE	SCOT & STHN ENERGY	412	53.9%	Utilities
CNA	CENTRICA	408	44.5%	Utilities
UU.	UTD UTILITIES	388	86.3%	Utilities
LGEN	LEGAL & GENERAL GP	363	38.8%	Finance
BA	BAE SYSTEMS	361	41.8%	Electronic Technology
OML	OLD MUTUAL PLC	344	37.0%	Finance
SAB	SABMILLER	341	38.9%	Consumer Non-Durables

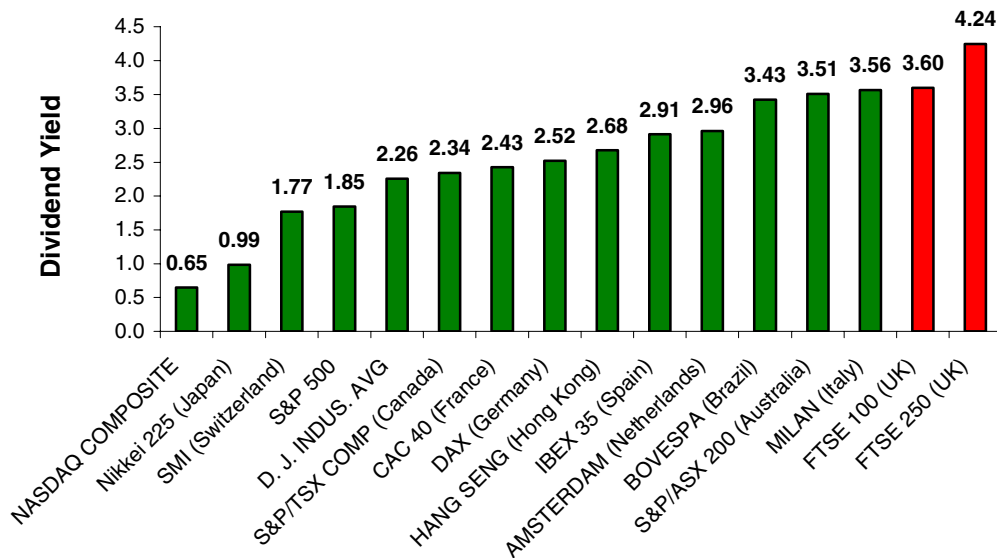
Source: Credit Suisse Quantitative Equity Research.

Dividends in Developed Markets

Exhibit 10 shows that the U.K. market is at the high end of the dividend yield scale. Furthermore, a large majority of U.K. firms pay dividends. Within our universe of large-cap U.K. firms, 95% paid dividends. Within the Canadian universe and the S&P 500, this figure was lower at 75%.

Favorable tax treatment may be partially responsible for the prevalence of dividends in the U.K. Corporate earnings are taxed at the corporate level. These already paid taxes are taken into account when determining the taxes an investor must pay. Generally, only the highest rate taxpayers are further taxed on dividend earnings.

Exhibit 10: Dividend Yields for Major International Indices
data as of April 3, 2007



Source: Credit Suisse Quantitative Equity Research, Bloomberg.

Appendix A: Dividend Yield and Payout Ratio

Exhibit 11: Appendix A: Dividend Yield and Payout Ratio Backtest
 equal-weighted performance from January 1990 to December 2006, quarterly rebalance

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	1990 - 2006
Best	No Dividend	Low Yield Low Payout	High Yield Low Payout	High Yield Low Payout	High Yield Low Payout	Low Yield High Payout	Low Yield Low Payout	High Yield Low Payout	No Dividend	No Dividend	High Yield Low Payout	High Yield Low Payout	High Yield Low Payout	No Dividend	High Yield High Payout	No Dividend	No Dividend	High Yield Low Payout
	Low Yield High Payout	No Dividend	Low Yield High Payout	High Yield High Payout	Low Yield Low Payout	High Yield High Payout	High Yield High Payout	Low Yield Low Payout	Low Yield Low Payout	Low Yield Low Payout	High Yield High Payout	High Yield High Payout	Low Yield High Payout	Low Yield High Payout	High Yield Low Payout	Low Yield Low Payout	Low Yield Low Payout	Low Yield High Payout
	Low Yield Low Payout	Low Yield High Payout	Low Yield Low Payout	Low Yield High Payout	Overall (Equal-Weight)	Overall (Equal-Weight)	Low Yield High Payout	Overall (Equal-Weight)	Overall (Equal-Weight)	Overall (Equal-Weight)	Low Yield High Payout	Overall (Equal-Weight)	High Yield High Payout	High Yield High Payout	Overall (Equal-Weight)	Overall (Equal-Weight)	Overall (Equal-Weight)	Overall (Equal-Weight)
	Overall (Equal-Weight)	Overall (Equal-Weight)	No Dividend	Overall (Equal-Weight)	High Yield High Payout	Low Yield Low Payout	Overall (Equal-Weight)	High Yield High Payout	High Yield Low Payout	Low Yield High Payout	Low Yield Low Payout	Low Yield Low Payout	Overall (Equal-Weight)	Overall (Equal-Weight)	No Dividend	Overall (Equal-Weight)	High Yield High Payout	High Yield High Payout
	High Yield High Payout	High Yield Low Payout	Overall (Equal-Weight)	No Dividend	Low Yield High Payout	High Yield High Payout	High Yield Low Payout	Low Yield High Payout	Low Yield High Payout	High Yield High Payout	Low Yield High Payout	Low Yield High Payout	Low Yield Low Payout	Low Yield Low Payout	Low Yield Low Payout	High Yield High Payout	Low Yield High Payout	Low Yield High Payout
	High Yield Low Payout	High Yield High Payout	High Yield High Payout	Low Yield Low Payout	No Dividend	No Dividend	No Dividend	No Dividend	High Yield High Payout	High Yield Low Payout	No Dividend	No Dividend	No Dividend	Low Yield High Payout	Low Yield High Payout	Low Yield High Payout	High Yield Low Payout	No Dividend
Worst																		

Source: Credit Suisse Quantitative Equity Research.

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Renneboog, Luc and Trojanowski, Grzegorz, *Patterns in Payout Policy and Payout Channel Choice of U.K. Firms in the 1990s*, ECGI - Finance Working Paper No. 70/2005, February 2005

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Quantitative Research: Myth Dividends Are Disappearing, March 31, 2004

Quantitative Research: Dividend Foiled? (For Now), October 30, 2003

Quantitative Strategy: Wrinkle in the Yield Strategy, September 5, 2002

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Companies Mentioned (Price as of 03 Apr 07)

Anglo American plc (AAL.L, 2735.00 p, OUTPERFORM, TP 3000.00 p, OVERWEIGHT)
 Antofagasta (ANTO.L, 517.00 p, NEUTRAL, TP 600.00 p, OVERWEIGHT)
 Associated British Foods (ABF.L, 870.50 p, NEUTRAL, TP 800.00 p, MARKET WEIGHT)
 AstraZeneca (AZN.L, 2730.00 p, NEUTRAL, TP 2860.00 p, UNDERWEIGHT)
 AVIVA Plc (AV.L, 755.50 p, OUTPERFORM, TP 971.00 p, OVERWEIGHT)
 BAE Systems (BA.L, 464.50 p, OUTPERFORM, TP 550.00 p, MARKET WEIGHT)
 Barclays (BARC.L, 734.00 p, RESTRICTED)
 Barratt Developments (BDEV.L, 1129.00 p, RESTRICTED)
 Bellway (BWY.L, 1641.00 p)
 BHP Billiton (BLT.L, 1159.00 p, OUTPERFORM, TP 1600.00 p, OVERWEIGHT)
 BP (BP.L, 549.00 p, NEUTRAL, TP 610.00 p, OVERWEIGHT)
 Bradford and Bingley (BB.L, 456.00 p, UNDERPERFORM, TP 435.00 p, OVERWEIGHT)
 British American Tobacco (BATS.L, 1594.00 p, OUTPERFORM, TP 1700.00 p, MARKET WEIGHT)
 British Sky Broadcasting (BSY.L, 562.00 p, NEUTRAL, TP 525.00 p, UNDERWEIGHT)
 BT Group (BT.L, 311.25 p, UNDERPERFORM, TP 270.00 p, MARKET WEIGHT)
 Bunzl (BNZL.L, 731.00 p, OUTPERFORM, TP 700.00 p, MARKET WEIGHT)
 Carnival (CCL.L, 2463.00 p, NEUTRAL, TP 2300.00 p, MARKET WEIGHT)
 Centrica (CNA.L, 393.25 p, OUTPERFORM, TP 390.00 p, UNDERWEIGHT)
 Diageo (DGE.L, 1037.50 p, OUTPERFORM, TP 1150.00 p, OVERWEIGHT)
 Dsg International (DXNS.L, 1.7)
 Enterprise Inns (ETI.L, 651.00 p, UNDERPERFORM, TP 610.00 p, MARKET WEIGHT)
 GlaxoSmithKline (GSK.L, 1401.00 p, UNDERPERFORM, TP 1365.00 p, UNDERWEIGHT)
 HBOS (HBOS.L, 1043.00 p, OUTPERFORM, TP 1249.00 p, OVERWEIGHT)
 HSBC Holdings (HSBA.L, 890.00 p, NEUTRAL, TP 985.00 p, OVERWEIGHT)
 Imperial Tobacco (IMT.L, 2271.00 p, RESTRICTED)
 InterContinental Hotels (IHG.L, 1268.00 p, OUTPERFORM, TP 1130.00 p, MARKET WEIGHT)
 Investec (INVP.L, 6.805)
 Kelda Group (KEL.L, 955.50 p, NEUTRAL, TP 880.73 p, UNDERWEIGHT)
 Kesa Electricals (KESA.L, 343.00 p, UNDERPERFORM, TP 320.00 p, UNDERWEIGHT)
 Land Securities (LAND.L, 2161.00 p, OUTPERFORM, TP 1984.00 p, MARKET WEIGHT)
 Legal & General (LGEN.L, 161.80 p, NEUTRAL, TP 163.00 p, OVERWEIGHT)
 Lloyds TSB (LLOY.L, 567.00 p, OUTPERFORM, TP 655.00 p, OVERWEIGHT)
 National Grid (NGT.L, 8.16)
 Next (NXT.L, 2284.00 p, OUTPERFORM, TP 2500.00 p, UNDERWEIGHT)
 Old Mutual (OML.L, 165.60 p)
 Persimmon (PSN.L, 1446.00 p, OUTPERFORM, TP 1650.00 p, UNDERWEIGHT)
 Premier Foods (PFD.L, 295.00 p, UNDERPERFORM, TP 285.00 p, MARKET WEIGHT)
 Prudential (PRU.L, 732.00 p, NEUTRAL, TP 750.00 p, OVERWEIGHT)
 Rentokil Initial (RTO.L, 173.00 p, UNDERPERFORM, TP 160.00 p, MARKET WEIGHT)
 Resolution Plc (BRT.L, 6.25)
 Reuters Group (RTR.L, 482.00 p, OUTPERFORM, TP 480.00 p, UNDERWEIGHT)
 Rexam (REX.L, 558.50 p, RESTRICTED)
 Rio Tinto Limited/PLC (RIO.L, 2995.00 p, OUTPERFORM, TP 4000.00 p, OVERWEIGHT)
 Royal & Sun Alliance Ins. (RSA.L, 163.80 p, UNDERPERFORM, TP 129.00 p, OVERWEIGHT)
 Royal Dutch Shell (RDSA.L, 16.82)
 Royal Dutch Shell (RDSB.L, 16.78)
 SAB Miller Plc (SAB.L, 1117.00 p, OUTPERFORM, TP 1320.00 p, OVERWEIGHT)
 Scottish & Southern Energy (SSE.L, 1582.00 p, NEUTRAL, TP 1440.00 p, UNDERWEIGHT)
 Signet Group (SIG.L, 126.25 p, NEUTRAL, TP 115.00 p, UNDERWEIGHT)
 Standard Chartered (STAN.L, 1467.00 p, OUTPERFORM, TP 1630.00 p, OVERWEIGHT)
 Tate & Lyle (TATE.L, 586.50 p, NEUTRAL, TP 575.00 p, MARKET WEIGHT)
 Taylor Woodrow (TWOD.L, 493.25 p, NEUTRAL, TP 480.00 p, UNDERWEIGHT)
 Tesco (TSCO.L, 451.50 p, OUTPERFORM, TP 500.00 p, MARKET WEIGHT)
 Tomkins (TOMK.L, 270.50 p, UNDERPERFORM, TP 240.00 p, UNDERWEIGHT)
 Unilever PLC (ULVR.L, 1531.00 p)
 Utd Utilities (UU.L, 7.64)
 Vodafone Group (VOD.L, 138.20 p, NEUTRAL, TP 145.00 p, MARKET WEIGHT)
 Wilson Bowden (WLB.L, 2138.00 p, RESTRICTED)
 Wimpey (George) (WMPY.L, 643.50 p, NEUTRAL, TP 520.00 p, UNDERWEIGHT)
 Wolseley (WOS.L, 1244.00 p, OUTPERFORM, TP 1520.00 p, UNDERWEIGHT)
 WPP (WPP.L, 776.00 p, OUTPERFORM, TP 800.00 p, UNDERWEIGHT)

Disclosure Appendix

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Overweight: Industry expected to outperform the relevant broad market benchmark over the next 12 months.

Market Weight: Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.

Underweight: Industry expected to underperform the relevant broad market benchmark over the next 12 months.

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CREDIT SUISSE SECURITIES (USA) LLC
United States of America: +1 (212) 325-2000