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## ◎ Action

Despite seeing a regional large-cap effect in recent months, larger-cap stocks in most regional markets are still trading at less expensive P/E multiples against the long-term average compared with the mid-smaller caps. We still prefer high-ROE and quality bluechips with sustainable growth in Asia, as they are more likely to outperform in monetary tightening conditions amid rising inflation pressure.

Q U A N T I T A T I V E

## Momentum and revision leads

### ① Market overview

Among the Asian local indices, the Philippines and Thailand enjoyed the largest monthly increases; India was the relative underperformer. Regional industries all headed north, with Consumer Services and Consumer Goods seeing a strong gain.

### ② Financial statistics and the revision index

FY2011 earnings growth rose significantly m-m for Australia, Hong Kong, Malaysia, Taiwan and Thailand. Revision indices for regional industries show Consumer Services, Consumer Goods and Basic Materials as the most positive m-m, while Health Care and Utilities fare the worst.

### ③ Factor performance

A strong mid-term price momentum effect was observed for the second consecutive month. April saw the continuation of a large-cap effect. But our P/E comparison still shows that larger-cap stocks in most Asian markets are trading at less expensive P/E multiples against the long-term average compared with the mid-smaller cap companies. Valuation factors saw another month of weak performance, with P/B underperforming while P/E outperformed. The revision index and StarMine predicted surprise indicators continued to fare well in April. In addition to earnings, quality measures and growth prospects also seem to be the focus for the region. Quality factors such as ROE and profit margin continued to register positive returns for the fourth consecutive month; top-line sales growth factor scored positive in April. In May, our Asian model continues to recommend momentum and revision styles, while our China A-share style selection model picks yield and low risk. We also update our suggested 2011 outlook quant screen in Exhibit 30.

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## Exhibit 1. Overall quantitative indicator summary (end-April 2011)

Market	Earnings consensus		Valuation (FY11F)				Best performing investment style*	Technical indicator	
	Revision index	FY11F EPS growth (%)	P/E (x)	P/BV (x)	ROE (%)	DY (%)		Against 250D MA**	Overbought/oversold**
China	↓	21.9	12.6	2.1	17.4	2.5	StarMine PS,chg in E/P,norm E/P	Above	Neutral
Hong Kong	↑	16.9	11.7	1.7	14.7	3.4	Chg in EY,MOM 12M,revision index	Above	Neutral
Red-chip	→	9.8	12.3	1.9	16.1	3.1	N/A	Moderately above	Neutral
H-Share	→	18.2	10.1	1.9	19.3	3.6	N/A	Above	Neutral
Indonesia	→	26.5	14.7	2.9	21.3	2.6	E/P,norm E/P,EBITDA/EV	Above	Marginally Overbought
Korea	→	23.1	11.0	1.5	14.2	1.9	E/P,large cap,StarMine PS,ROE	Above	Neutral
Malaysia	↓	16.7	14.8	2.1	14.7	3.7	RI,StarMine PS,vol ratio	Above	Neutral
Philippines	→	11.9	13.7	2.0	15.7	2.6	Equity ratio,sales growth,B/P	Above	Neutral
Singapore	→	9.8	13.9	1.6	10.2	2.9	ROE,DY,volatility	Moderately above	Neutral
Taiwan	↑	15.1	13.7	2.0	13.8	4.3	RI,equity ratio,StarMine PS	Above	Neutral
Thailand	↑	11.5	13.0	2.1	16.1	3.6	DY,B/P,cashflow yield	Above	Neutral
Australia	→	23.1	13.3	1.9	14.2	4.2	Sales growth,MOM 1M,DY	Moderately above	Neutral
India	↑	17.6	15.3	2.6	17.7	1.7	DY,profit margin,chg in EY	Moderately below	Neutral

\* Best investment styles in past six months; \*\* priced as at 2 May, 2011.

Source: Datastream, Bloomberg, Worldscope, I/B/E/S, Nomura International (HK) Limited

**Any authors named on this report are research analysts unless otherwise indicated.  
See the important disclosures and analyst certifications on pages 36 to 39.**

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## Performance

## Market overview

Asian stock performance was mixed in April. ASEAN countries the Philippines (PSEi) and Thailand (SET) enjoyed the largest monthly increases, posting 6.5% and 4.4% m-m gains, respectively. This was closely followed by Korea's KOSPI, Indonesia's JCI and Taiwan's TWSE, rising 4.1%, 3.8% and 3.7% m-m, respectively. Singapore's STI and New Zealand's NZX also saw positive monthly returns, of 2.4% and 2.2%, respectively. Moving the other way, India's Sensex was down by 1.6% m-m, underperforming its regional peers in April. With a further 50bp hike in the reserve requirement ratio announced by PBOC, China's CSI shed 0.9% m-m. The Hong Kong listed top mainland enterprises (HSCEI) performed in line with their domestic peers, retreating 0.8% in April. Elsewhere, Malaysia's KLCI and Australia's AOI closed down 0.7% and 0.6% m-m, respectively. Year-to-date, Korea has been the regional outperformer, registering a 6.9% return, whereas India's SENSEX is at the bottom of the pack, dropping 6.7%.

At the regional level, the FTSE All World Asia Pacific ex Japan Index rose for the second month, up 4.0% in April. The FTSE Thailand and FTSE Taiwan led the way, climbing 4.6% and 4.0% m-m, respectively. The FTSE Korea (+3.9%), FTSE Philippines (+3.5%), FTSE Hong Kong (+3.5%), FTSE Indonesia (+3.1%), FTSE New Zealand (+2.1%), and FTSE Singapore (+1.9%) all helped fuel monthly gains in the region. Similar to their local benchmarks, the FTSE China A, FTSE India, FTSE Malaysia and FTSE Australia were at the bottom of the pack in April, dropping 1.4%, 1.1%, 0.9% and 0.2% m-m, respectively.

The FTSE AP Small Cap Index (+4.1% m-m) performed in line with its mid- to large-cap peers, with small caps in half of the countries outperforming the large cap indices. The outperformance of the small-cap index was evident in the Philippines, which posted the best performance (+10.7% m-m) in the region, outperforming its large-cap peers by 7.2%. Elsewhere, small caps in Indonesia, India, Malaysia, Hong Kong and Thailand all outperformed by 2.4%, 2.2%, 1.8%, 1.7% and 0.3%, respectively. In contrast, the remaining countries' small caps underperformed their large/mid peers: Korea (-2.8%), Australia (-2.6%), China A (-1.8%), Taiwan (-1.7%), Singapore (-0.8%) and New Zealand (-0.2%).

Regional industries all headed north for a second consecutive month. Consumer Services and Consumer Goods saw strong gains of 7.4% and 6.6% m-m, respectively, making them April's best-performing industries. Other regional industries delivering significant returns were Industrials (+4.4%), Telecommunications (+4.2%) and Basic Materials (+4.2%). On the regional sector front, Automobiles & Parts (+10.7% m-m) and Chemicals (+9.4%) outshone their peers, while Alternative Energy gave up 9.8% m-m in April.

**Asian stock performance was mixed; the Philippines and Thailand enjoyed the largest monthly increases; India was the relative underperformer**

**The FTSE All World AP ex Japan Index rose for the second month; the FTSE Thailand and FTSE Taiwan led the way**

**The FTSE AP Small Cap Index performed in line with its large/mid peers; the small-cap outperformed the most in FTSE Philippines**

**Regional industries all headed north, with Consumer Services and Consumer Goods seeing strong gains**

**Exhibit 2. Performance of Asia-Pacific indices in April 2011**

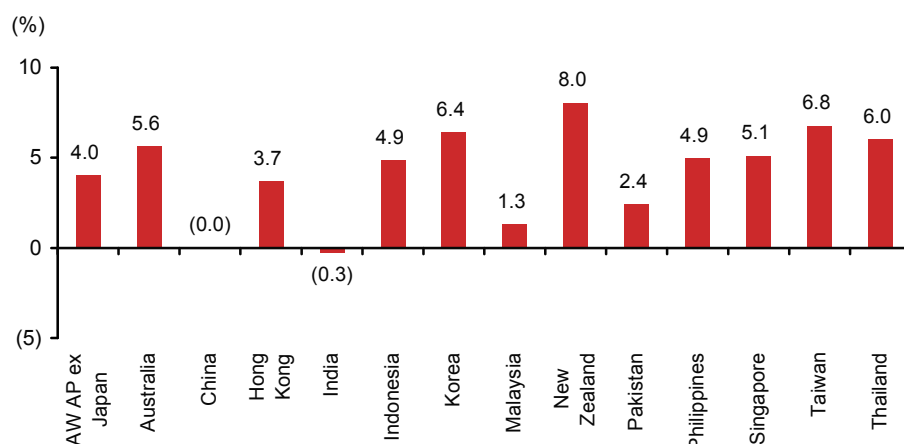
	FTSE All World AP (Local ccy in %)			FTSE AP Small Cap (Local ccy in %)			Local index (local currency, %)			
	1M	3M	y-t-d	1M	3M	y-t-d	1M	3M	y-t-d	Index name
Asia Pacific ex Japan	4.0	7.0	5.4	4.1	3.7	1.1	N/A	N/A	N/A	
Asia	3.5	5.6	4.3	4.3	2.7	0.7	N/A	N/A	N/A	
Hong Kong	3.5	0.9	3.2	5.2	1.6	1.8	0.8	1.2	3.0	HSI
	N/A	N/A	N/A	N/A	N/A	N/A	1.5	3.8	3.3	HSCEI
	N/A	N/A	N/A	N/A	N/A	N/A	(0.8)	5.2	4.1	HSCEI
Indonesia	3.1	15.4	4.3	5.5	15.7	1.3	3.8	12.0	3.1	JCI
Korea	3.9	6.3	7.4	1.2	(0.6)	1.5	4.1	5.9	6.9	KOSPI
Malaysia	(0.9)	0.4	1.0	0.8	1.4	5.5	(0.7)	1.0	1.1	KLCI
Philippines	3.5	10.8	(0.9)	10.7	11.9	3.9	6.5	11.3	2.8	PSEi
Singapore	1.9	(0.2)	(0.8)	1.1	(4.8)	(5.7)	2.4	0.0	(0.3)	Straits Times
Taiwan	4.0	(1.8)	0.8	2.3	(3.3)	(2.2)	3.7	(1.5)	0.4	TWSE
Thailand	4.6	14.9	7.8	5.0	11.4	1.9	4.4	13.4	5.9	SET
Australia	(0.2)	1.7	2.1	(2.8)	(2.0)	(3.7)	(0.6)	1.0	1.1	AOI
New Zealand	2.1	3.9	6.2	1.8	2.2	1.5	2.2	3.8	4.8	NZX 50
China A share	(1.4)	3.6	0.6	(3.2)	6.9	1.8	(0.9)	3.8	2.1	CSI 300
India	(1.1)	4.0	(6.7)	1.1	1.7	(10.5)	(1.6)	4.4	(6.7)	BSE SENSEX 30

Notes: 1) Performance for regional indices are expressed in US dollar terms; 2) For Asia, it includes all countries in FTSE All World Asia Pacific except Japan, Australia, New Zealand; 3) For China A share, All World Index refers to FTSE Xinhua A600 Index; Small Cap Index refers to FTSE Xinhua A Small Cap.

Source: Thomson Reuters Datastream, Nomura International (HK) Limited

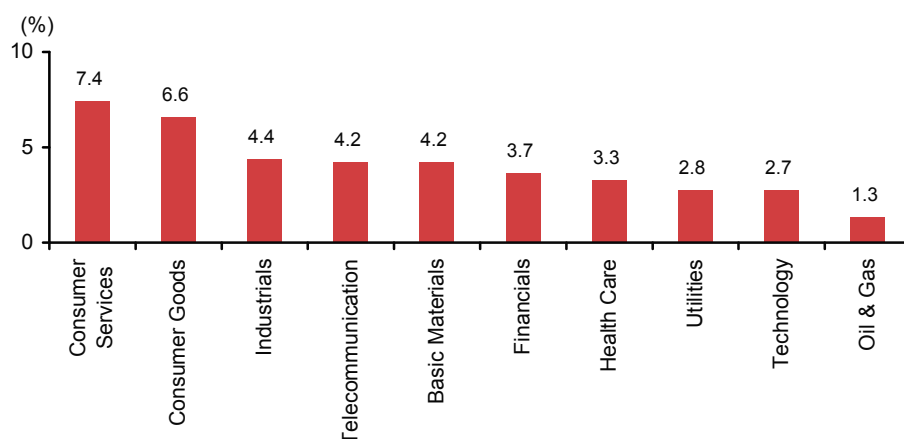
## Performance of FTSE All World Asia-Pacific ex-Japan regional sector indices in April 2011

**Exhibit 3. Performance of FTSE AW Asia-Pacific ex Japan (13) country indices (US\$)**



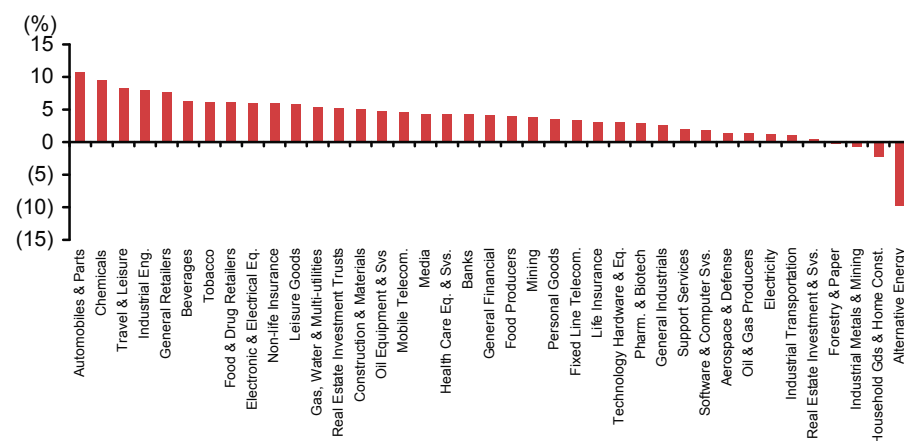
Source: Thomson Reuters Datastream, Nomura Quantitative Strategies

**Exhibit 4. Performance of FTSE AW Asia-Pacific ex Japan (13) regional industries (US\$)**



Source: Thomson Reuters Datastream, Nomura Quantitative Strategies

**Exhibit 5. Performance of FTSE AW Asia-Pacific ex Japan (13) regional sectors (US\$)**



Note: Index values calculated in US dollars

Source: Thomson Reuters Datastream, Nomura Quantitative Strategies

## Regional sector weightings for the FTSE AW Asia-Pacific ex Japan Index

The FTSE AW Asia Pacific ex Japan Index is weighted heavily toward financials in China, Hong Kong, Malaysia, the Philippines, Singapore, Thailand, Pakistan and Australia. In Taiwan and Korea, the sector concentration is more in Technology. New Zealand, meanwhile, is heavily weighted towards Telecommunications. India is the most sector-diverse of the regional markets.

**Sector weighting very much a country call**

**Exhibit 6. Sector weighting (%) in FTSE AW Asia-Pacific ex Japan Indices (end-April 2011)**

Industry / Sector	Regional	CH	HK	Indo	Korea	KL	PH	SP	TW	TH	India	Pakistan	AU	NZ
<i>Oil &amp; Gas</i>	6.9	15.3	0.5	0.0	4.6	2.8	0.0	9.1	1.3	30.6	14.1	45.0	5.8	0.0
Oil & Gas Producers	6.0	14.5	0.2	0.0	4.3	2.8	0.0	0.0	1.3	30.6	13.8	45.0	5.1	0.0
Oil Equipment, Services & Distribution	0.7	0.5	0.0	0.0	0.0	0.0	0.0	9.1	0.0	0.0	0.1	0.0	0.7	0.0
Alternative Energy	0.2	0.3	0.3	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.0	0.0
<i>Basic Materials</i>	13.6	8.5	2.7	16.3	14.6	3.6	0.0	0.0	16.7	12.2	9.5	15.0	26.5	0.0
Chemicals	3.7	0.7	1.1	0.0	7.5	3.6	0.0	0.0	13.8	8.5	0.5	15.0	1.6	0.0
Forestry & Paper	0.1	0.1	0.5	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Industrial Metals & Mining	3.0	1.7	0.4	1.0	7.1	0.0	0.0	0.0	2.8	0.0	7.1	0.0	2.3	0.0
Mining	6.9	6.1	0.7	15.3	0.0	0.0	0.0	0.0	0.0	3.7	1.9	0.0	22.5	0.0
<i>Industrials</i>	13.2	12.7	16.3	11.1	19.3	17.0	16.0	13.0	16.3	7.6	14.2	0.0	5.6	38.8
Construction & Materials	3.4	4.0	0.6	5.0	6.3	3.9	0.0	0.0	2.2	6.3	7.4	0.0	1.5	28.8
Aerospace & Defence	0.1	0.0	0.0	0.0	0.0	0.0	0.0	1.7	0.0	0.0	0.2	0.0	0.0	0.0
General Industrials	3.5	2.5	14.0	0.0	1.5	8.4	16.0	6.8	0.0	0.0	0.0	0.0	1.8	0.0
Electronic & Electrical Equipment	2.1	0.4	0.6	0.0	2.7	0.0	0.0	1.0	12.6	0.6	1.2	0.0	0.0	0.0
Industrial Engineering	2.2	2.5	0.5	6.1	6.7	0.0	0.0	2.0	0.6	0.0	4.1	0.0	0.0	0.0
Industrial Transportation	1.6	3.2	0.6	0.0	1.0	4.7	0.0	1.6	0.8	0.7	0.8	0.0	1.9	10.0
Support Services	0.3	0.1	0.0	0.0	1.2	0.0	0.0	0.0	0.1	0.0	0.5	0.0	0.4	0.0
<i>Consumer Goods</i>	8.9	3.3	13.2	27.8	17.6	12.7	0.0	9.2	5.3	5.8	13.8	0.0	2.1	0.0
Automobiles & Parts	3.3	1.9	0.9	17.9	12.2	1.5	0.0	0.0	1.1	0.0	3.8	0.0	0.0	0.0
Beverages	0.6	0.7	0.1	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.4	0.0	1.7	0.0
Food Producers	2.0	0.4	4.5	4.9	0.8	9.9	0.0	9.2	1.2	4.9	0.7	0.0	0.1	0.0
Household Goods & Home Construction	0.1	0.0	0.3	0.0	0.4	0.0	0.0	0.0	0.3	0.9	0.0	0.0	0.0	0.0
Leisure Goods	0.4	0.0	0.1	0.0	2.0	0.0	0.0	0.0	0.8	0.0	0.0	0.0	0.0	0.0
Personal Goods	1.8	0.2	7.4	2.5	1.5	0.0	0.0	0.0	1.9	0.0	3.0	0.0	0.2	0.0
Tobacco	0.7	0.0	0.0	2.5	0.6	1.4	0.0	0.0	0.0	0.0	5.9	0.0	0.0	0.0
<i>Health Care</i>	1.5	0.8	0.0	2.9	0.6	0.0	0.0	0.0	0.0	0.0	4.7	0.0	3.3	7.3
Health Care Equipment & Services	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.4	7.3
Pharmaceuticals & Biotechnology	1.1	0.4	0.0	2.9	0.6	0.0	0.0	0.0	0.0	0.0	4.7	0.0	1.9	0.0
<i>Consumer Services</i>	5.7	1.2	10.2	0.0	3.0	10.4	15.7	13.8	1.2	7.7	0.5	0.0	9.7	18.2
Food & Drug Retailers	1.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.8	4.3	0.0	0.0	3.5	0.0
General Retailers	1.9	0.1	3.0	0.0	2.0	0.6	11.5	1.9	0.0	0.7	0.0	0.0	4.0	2.6
Media	0.3	0.0	0.3	0.0	0.2	0.0	0.0	2.3	0.0	1.5	0.4	0.0	0.3	5.1
Travel & Leisure	2.5	1.0	6.9	0.0	0.8	9.7	4.2	9.6	0.4	1.1	0.0	0.0	1.8	10.5
<i>Telecommunications</i>	4.5	12.0	0.5	9.4	1.7	13.3	14.0	10.0	3.8	6.6	3.9	3.2	1.3	19.1
Fixed Line Telecommunications	1.2	1.4	0.4	8.2	0.6	0.9	0.0	0.0	2.4	0.0	0.2	3.2	1.3	19.1
Mobile Telecommunications	3.3	10.6	0.1	1.2	1.0	12.4	14.0	10.0	1.4	6.6	3.8	0.0	0.0	0.0
<i>Utilities</i>	2.8	1.4	8.3	4.1	0.9	3.7	19.6	0.0	0.0	1.7	5.2	0.0	2.4	12.0
Electricity	1.7	1.2	5.5	0.0	0.8	1.7	19.6	0.0	0.0	1.7	5.2	0.0	0.1	8.5
Gas, Water & Multiutilities	1.1	0.2	2.8	4.1	0.1	2.0	0.0	0.0	0.0	0.0	0.0	0.0	2.3	3.5
<i>Financials</i>	32.9	43.6	41.7	28.4	16.1	36.6	34.7	44.8	16.4	28.0	20.8	36.8	43.4	4.6
Banks	19.2	30.1	6.6	28.4	9.6	34.4	20.0	26.2	8.2	27.1	12.7	36.8	28.1	0.0
Nonlife Insurance	1.1	0.7	0.0	0.0	1.9	0.0	0.0	0.0	0.0	0.0	0.4	0.0	2.7	0.0
Life Insurance	2.7	9.0	5.3	0.0	1.0	0.0	0.0	0.0	4.8	0.0	0.0	0.0	0.2	0.0
Real Estate Investment & Services	4.4	3.6	23.8	0.0	0.0	2.2	14.7	11.3	0.1	0.9	1.2	0.0	0.5	0.0
Real Estate Investment Trusts	2.0	0.0	1.5	0.0	0.0	0.0	0.0	4.2	0.0	0.0	0.0	0.0	6.5	4.6
Financial Services	3.6	0.3	4.6	0.0	3.7	0.0	0.0	3.0	3.2	0.0	6.5	0.0	5.5	0.0
Equity Investment Instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nonequity Investment Instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Technology</i>	10.0	1.3	6.6	0.0	21.6	0.0	0.0	0.1	39.0	0.0	13.3	0.0	0.0	0.0
Software & Computer Services	2.1	0.1	5.0	0.0	1.8	0.0	0.0	0.0	0.0	0.0	13.3	0.0	0.0	0.0
Technology Hardware & Equipment	7.8	1.2	1.5	0.0	19.9	0.0	0.0	0.1	39.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Notes: CH – China; HK – Hong Kong; KL – Malaysia; PH – Philippines; SP – Singapore; TW – Taiwan; TH – Thailand; AU – Australia; NZ – New Zealand. The classification system used is the Industry Classification Benchmark (ICB). This system is owned and managed jointly by FTSE International Limited and Dow Jones Indexes.

Source: FTSE International Limited, Nomura

## Valuation and earnings revision index

## Asia-Pacific market financial statistics

April started the second quarter with the majority of regional markets up for the month in local and US dollar terms. With FY2010 results largely released, we note FY2011 earnings growth rose significantly m-m for Australia, Hong Kong, Malaysia, Taiwan and Thailand.

Regional m-m analyst revision index scores indicate that Thailand, Hong Kong blue-chips, H-shares, and Korea are faring better than their regional peers on analysts' estimates revision trends. In contrast, Taiwan, Malaysia, Singapore, Indonesia and Australia are at the bottom of the pack on a relative basis. Revision indices for regional industries show Consumer Services, Consumer Goods and Basic Materials as the most positive, while Health Care and Utilities fare the worst. At the sector level, Automobiles & Parts, General Industrials, Media, Chemicals and Travel & Leisure look the most positive, based on m-m analyst revisions. In contrast, Alternative Energy, Personal Goods, Pharmaceuticals and Technology Hardware were subject to net downgrades.

Overall regional market breadth weakened in April. HK Red-chip, HK H-share, Malaysia, Korea, Singapore and India all saw their market breadth turn from rising in March to falling in April. China 'A', HK and Taiwan market breadth remained flat in April, Australia market breadth continued to fall. Thailand market breadth was weakening from rising in March to flat in April. Indonesia and the Philippines were the only markets in the region to see their market breadth kept rising in April.

**FY2011 earnings growth rose significantly m-m for Australia, Hong Kong, Malaysia, Taiwan and Thailand**

**Revision indices for regional industries show Consumer Services, Consumer Goods and Basic Materials as the most positive, while Health Care and Utilities fare the worst**

**Overall regional market breadth weakened in April; however, Indonesia and the Philippines saw their market breadth continue to rise in April**

## Exhibit 7. Valuation indicators and revision indices for major Asia-Pacific market indices in April 2011

Country	Index universe*	P/E (x)		P/BV (x)		P/CF (x)		P/S (x)		Revision index**	
		2011F	2012F	2011F	2012F	2011F	2012F	2011F	2012F	Apr-11	
Australia	AOI	13.3	11.6	1.9	1.7	9.1	8.2	1.5	1.4	0.8	→
China	CSI 300	12.6	10.5	2.1	1.8	8.0	6.5	1.1	0.9	0.9	↓
Hong Kong	HSI	11.7	10.7	1.7	1.5	8.2	7.6	2.1	2.0	1.7	↑
	HSCCI	12.3	11.3	1.9	1.7	6.7	5.9	1.9	1.7	1.	→
	HSCEI	10.1	8.7	1.9	1.6	7.1	6.4	0.8	0.8	1.5	→
	HSCI	12.4	10.9	1.8	1.6	9.2	8.1	1.7	1.5	1.4	↑
India	SENSEX	15.3	12.9	2.6	2.2	10.8	9.2	1.8	1.6	0.9	↑
Indonesia	JCI	14.7	12.6	2.9	2.6	10.3	9.1	2.1	1.8	0.7	→
Korea	KOSPI	11.0	9.7	1.5	1.3	.0	7.3	1.0	0.9	1.4	→
Malaysia	KLCI	14.8	13.3	2.1	2.0	9.1	8.6	1.9	1.8	0.6	↓
Philippines	PASHR	13.7	12.3	2.0	1.8	9.4	8.7	1.9	1.8	1.0	→
Singapore	FSTAS	13.9	12.6	1.6	1.4	9.7	8.6	1.2	1.1	0.7	→
Taiwan	TWSE	13.7	12.1	2.0	1.9	9.3	8.4	0.9	0.8	0.6	↑
Thailand	ET	13.0	11.2	2.1	1.9	8.2	7.2	0.9	0.9	1.8	↑

Country	Index universe*	EPS growth (%)		Dividend yield (%)		ROE (%)		ROA (%)	
		2011F	2012F	2011F	2012F	2011F	2012F	2011F	2012F
Australia	AOI	23.1	13.6	4.2	4.6	14.2	15.4	10.7	12.7
China	CSI 300	21.9	19.0	2.5	3.0	17.4	8.6	7.8	8.1
Hong Kong	HSI	16.9	10.3	3.4	3.8	14.7	15.0	8.2	7.9
	HSCCI	9.8	8.9	3.1	3.3	16.1	16.1	9.2	9.2
	HSCEI	18.2	16.5	3.6	4.1	19.3	20.0	7.1	7.3
	HSCI	17.3	13.7	2.9	3.3	14.4	15.1	7.2	7.5
India	SENSEX	17.6	16.8	1.7	1.6	17.7	18.0	9.9	10.4
Indonesia	JCI	26.5	16.8	2.6	3.1	21.3	21.7	12.9	13.9
Korea	KOSPI	23.1	13.4	1.9	2.2	14.2	14.7	8.5	8.9
Malaysia	KLCI	16.7	11.3	3.7	4.0	14.7	15.3	7.0	7.3
Philippines	PASHR	11.9	12.3	2.6	2.7	15.7	15.8	8.0	8.5
Singapore	FSTAS	9.8	11.7	2.9	3.2	10.2	10.9	5.6	5.9
Taiwan	TWSE	15.1	14.9	4.3	4.7	13.8	15.5	9.1	10.2
Thailand	SET	11.5	16.1	3.6	4.1	16.1	16.8	8.5	9.4

\* All valuation ratios are calculated using a share-weighted and ex-negative approach based on available I/B/E/S consensus

For P/E calculations, companies with extreme P/Es are excluded from market level aggregation

\*\* Revision Index is defined as: for FY2 (next fiscal year) sum of no. of analysts making upward revisions / sum of no. of analysts making downward revisions

Source: Bloomberg, Thomson Reuters Datastream, I/B/E/S, Nomura Quantitative Strategies



## P/E bands for Asia-Pacific markets

Exhibit 8. Australia

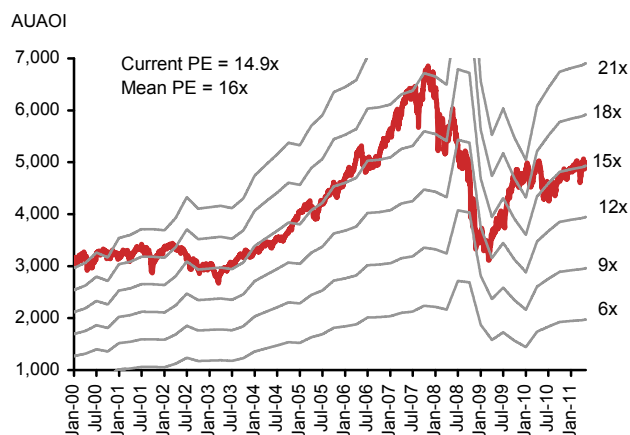


Exhibit 9. Hong Kong

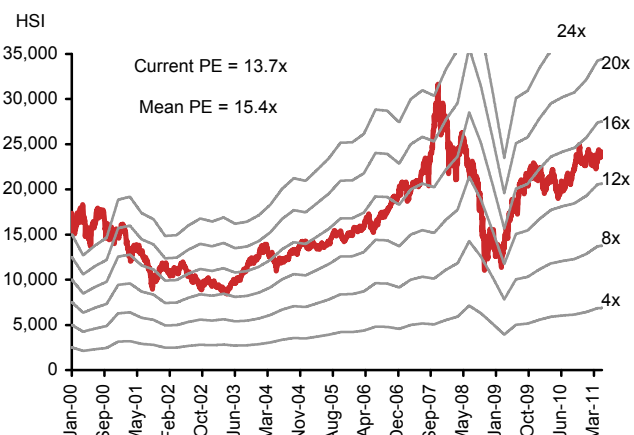


Exhibit 10. Korea

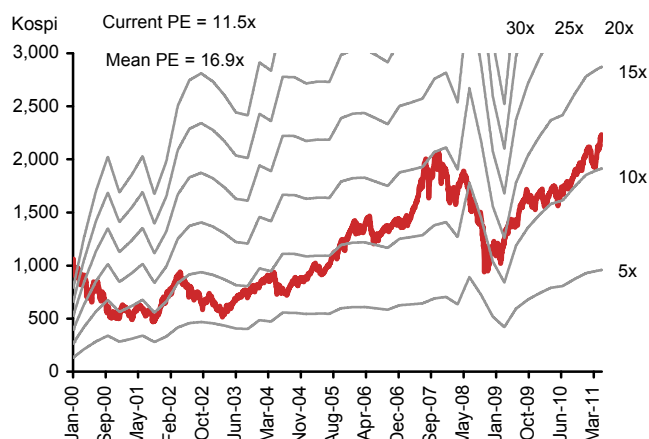


Exhibit 11. Taiwan

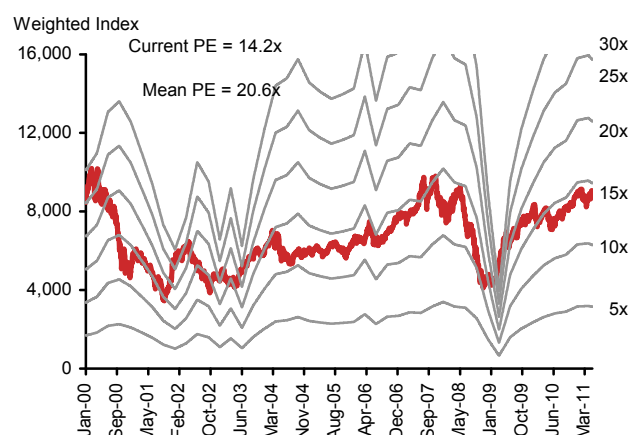


Exhibit 12. Malaysia

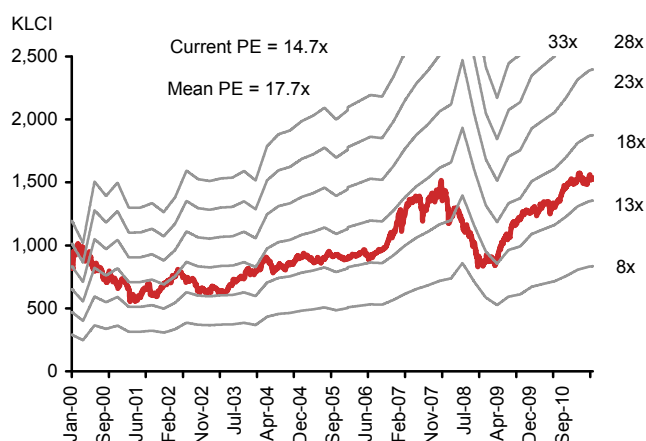
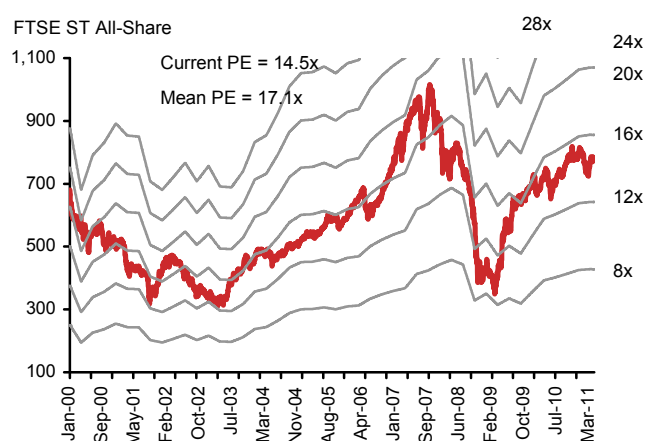
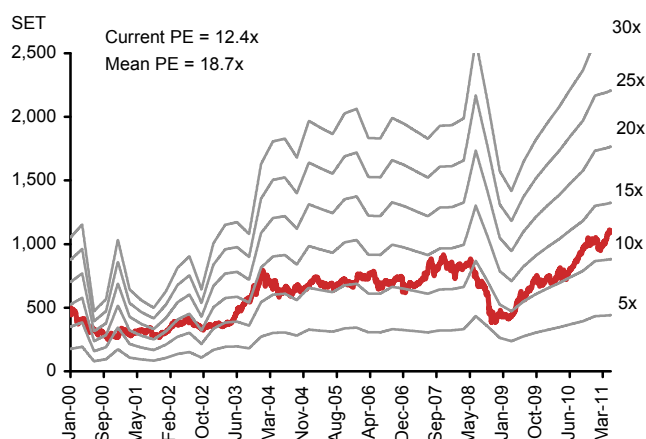
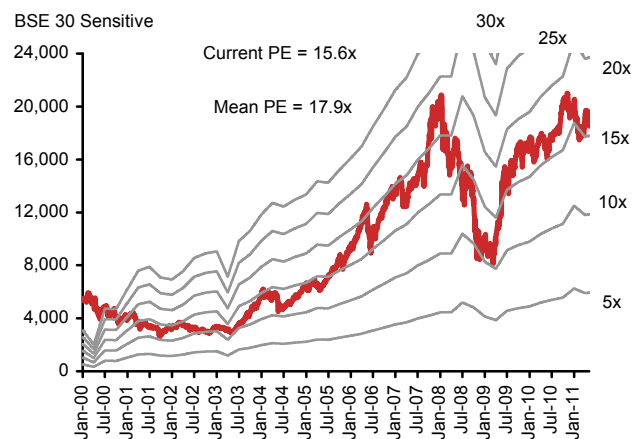
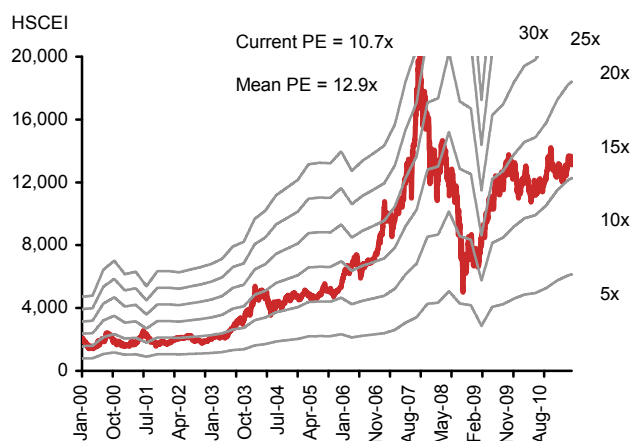
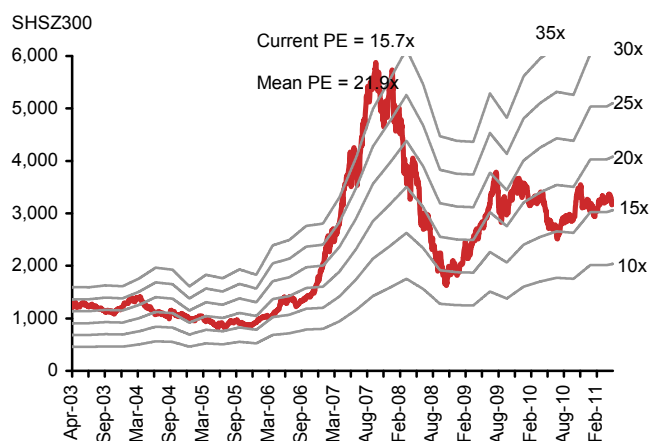
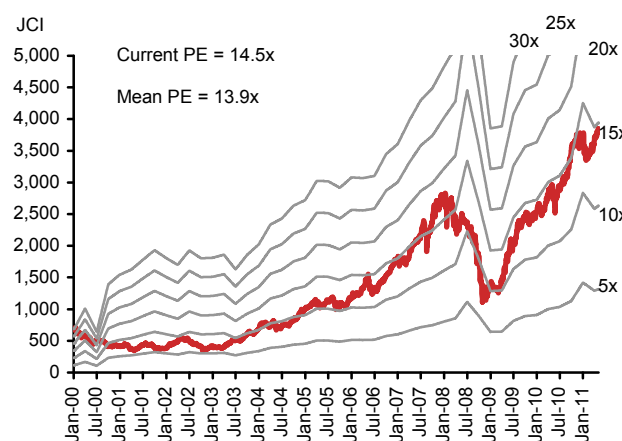
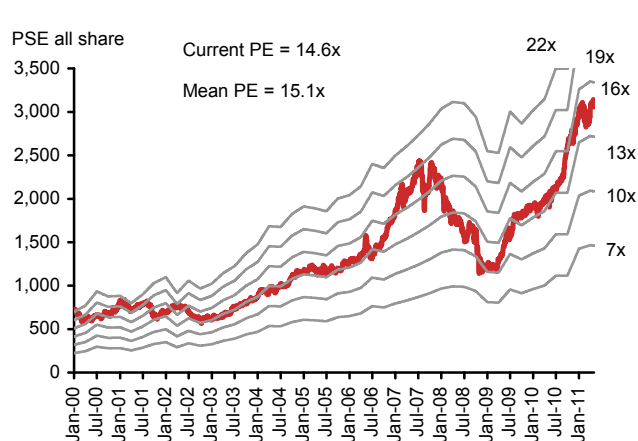


Exhibit 13. Singapore



Source: Bloomberg, Thomson Reuters Datastream, I/B/E/S, Nomura Quantitative Strategies

**Exhibit 14. Thailand****Exhibit 15. India****Exhibit 16. Hong Kong (HSCEI)****Exhibit 17. China (CSI300)****Exhibit 18. Indonesia****Exhibit 19. Philippines**

Source: Bloomberg, Thomson Reuters Datastream, I/B/E/S, Nomura Quantitative Strategies



## Valuation indicators, revision indices & RSI for FTSE AW Asia-Pacific ex Japan sector Indices in April 2011

Industry/Sector	Yield (%)	P/E (F) (%)		P/BV (F) (x)	P/CE (x)	P/S (x)	ROE (%)	Revision index			Average RSI	
		Apr-11	Mar-11					Apr-11	Mar-11		14D	30D
<i>Oil &amp; Gas</i>	2.0	16.6	14.0	2.0	10.2	1.1	17.1	1.1	2.1	↓	45.7	49.9
Oil & Gas Producers	2.0	16.4	13.7	2.0	9.7	1.0	16.8	1.2	2.3	↓	47.6	51.1
Oil Equipment, Services & Distribution	2.6	17.4	16.3	2.5	13.1	1.8	23.6	2.0	6.5	↓	40.7	48.3
Alternative Energy	1.2	22.2	17.2	1.2	N/A	0.6	9.4	0.1	0.6	→	39.7	44.3
<i>Basic Materials</i>	1.8	15.9	15.8	2.2	12.8	1.9	17.1	1.4	0.9	→	43.8	48.2
Chemicals	2.0	13.1	13.8	2.1	12.3	1.9	16.8	2.3	1.3	↑	46.5	50.8
Forestry & Paper	2.5	15.1	12.3	1.0	12.5	1.1	8.4	N/A	0.0	N/A	44.8	46.5
Industrial Metals & Mining	1.8	10.9	10.9	1.3	12.3	0.9	11.7	1.6	0.8	↑	42.0	46.6
Mining	1.7	22.9	21.8	3.1	13.3	3.9	23.5	0.9	0.8	→	42.6	47.7
<i>Industrials</i>	1.9	14.3	14.2	1.6	17.1	0.8	12.6	1.1	0.9	→	46.1	48.5
Construction & Materials	1.8	18.2	15.5	1.7	11.7	0.6	13.3	1.5	1.1	→	47.6	49.9
Aerospace & Defence	3.9	17.7	17.8	3.4	12.2	1.7	27.3	0.0	N/A	N/A	45.7	49.9
General Industrials	2.2	11.2	15.0	1.3	15.9	1.1	13.3	3.3	0.7	↑	46.5	49.8
Electronic & Electrical Equipment	1.8	14.8	13.9	1.9	11.7	0.7	14.8	0.4	0.4	→	47.3	48.1
Industrial Engineering	1.0	12.6	11.0	2.3	N/A	1.0	22.9	1.3	1.0	→	45.6	48.7
Industrial Transportation	2.8	17.9	15.3	1.4	15.8	1.4	1.9	0.7	1.1	→	43.7	46.3
Support Services	1.3	18.0	19.0	1.4	N/A	0.2	10.7	1.3	0.5	↑	48.6	49.6
<i>Consumer Goods</i>	1.7	14.9	14.3	2.4	11.1	1.2	18.9	1.4	0.8	↑	49.9	51.0
Automobiles & Parts	1.1	11.8	11.2	2.4	7.3	0.9	24.4	4.3	1.1	↑	48.9	50.7
Beverages	3.4	19.0	18.1	2.9	13.7	2.2	1.8	N/A	1.0	N/A	53.8	52.9
Food Producers	1.9	14.2	13.6	1.8	17.2	1.2	17.6	1.2	1.6	→	52.2	52.3
Household Goods & Home Construction	2.5	13.5	14.3	1.7	9.6	1.0	13.5	0.5	0.6	→	46.5	49.3
Leisure Goods	1.4	15.7	15.5	1.7	48.9	0.5	14.1	1.5	2.0	↓	46.8	49.4
Personal Goods	2.1	21.5	20.8	3.3	12.7	1.7	16.9	0.2	0.2	→	46.6	49.0
Tobacco	1.9	22.0	21.2	4.4	24.1	5.0	28.2	0.8	0.3	→	59.1	56.7
<i>Health Care</i>	1.8	22.0	21.9	3.5	18.9	3.1	20.4	0.3	0.2	→	49.6	50.6
Health Care Equipment & Services	3.0	21.5	21.4	2.9	14.9	2.2	17.4	0.3	0.3	→	46.2	50.5
Pharmaceuticals & Biotechnology	1.3	22.2	22.1	3.9	21.0	3.6	21.8	0.3	0.2	→	50.9	50.7
<i>Consumer Services</i>	2.8	13.8	13.3	1.4	9.0	0.9	12.0	1.9	0.4	↑	49.4	49.5
Food & Drug Retailers	4.3	16.1	16.1	3.0	12.2	0.6	26.9	1.1	0.0	↑	50.0	51.5
General Retailers	2.9	11.9	11.4	0.9	7.4	0.6	9.2	1.7	0.6	↑	52.8	51.6
Media	4.7	14.5	15.4	1.8	10.2	3.0	16.9	2.4	0.2	↑	41.5	43.6
Travel & Leisure	1.9	14.5	13.6	1.5	9.4	1.7	12.3	2.1	0.3	↑	50.0	50.0
<i>Telecommunications</i>	4.3	13.5	13.0	1.7	5.7	2.0	18.0	1.3	0.7	↑	53.1	52.9
Fixed Line Telecommunications	5.8	15.2	14.7	1.9	4.9	1.6	19.8	0.4	0.4	→	49.9	50.2
Mobile Telecommunications	3.8	12.9	12.5	1.7	6.1	2.3	17.4	1.7	0.8	↑	54.7	54.3
<i>Utilities</i>	2.7	16.5	15.6	1.3	10.9	1.6	9.0	0.5	1.0	→	49.9	50.0
Electricity	2.5	14.9	14.2	1.2	9.6	1.6	8.6	0.5	1.0	↓	47.9	49.2
Gas, Water & Multi-utilities	2.9	19.8	18.8	1.5	13.8	1.7	9.6	0.7	0.9	→	54.7	51.7
<i>Financials</i>	3.3	13.0	12.6	1.3	11.4	1.9	14.4	1.1	1.6	→	45.1	48.1
Banks	3.6	11.5	11.0	1.4	13.0	1.9	15.3	1.5	1.5	→	46.6	49.3
Nonlife Insurance	4.0	13.8	14.5	1.8	9.4	1.0	12.6	N/A	1.7	N/A	45.7	49.0
Life Insurance	1.1	34.8	22.1	2.1	2.5	1.5	13.5	0.8	1.0	→	48.6	50.4
Real Estate Holding & Services	2.2	14.7	14.7	1.0	37.5	3.9	14.7	0.5	1.8	↓	42.9	47.1
Real Estate Investment Trusts	5.9	14.2	14.1	1.0	14.6	6.5	9.4	0.4	5.0	↓	48.9	49.8
Financial Services	3.1	16.4	18.1	1.7	N/A	1.2	13.2	0.7	1.1	→	42.6	45.7
Equity Investment Instruments	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Non-equity Investment Instruments	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<i>Technology</i>	2.2	13.7	13.1	1.8	7.9	1.0	15.2	0.6	0.3	→	48.6	48.4
Software & Computer Services	0.6	22.3	24.2	5.8	16.3	2.2	36.4	0.9	0.5	→	48.9	50.6
Technology Hardware & Equipment	2.6	12.4	11.6	1.5	6.9	0.8	14.0	0.3	0.2	→	48.5	47.7
<b>Total</b>	<b>2.5</b>	<b>14.2</b>	<b>13.7</b>	<b>1.7</b>	<b>10.8</b>	<b>1.3</b>	<b>14.7</b>	<b>1.0</b>	<b>0.9</b>	<b>→</b>		

Notes: P/CE = price/cash earnings, where cash earnings are defined as net profit + depreciation per share. Revision index is defined as: for FY2 (next fiscal year) sum of no of analysts making upward revisions / sum of no of analysts making downward revisions. The FTSE valuation ratios are compiled jointly with Nomura Global Quantitative Research. The data are reported figures unless otherwise stated

Source: FTSE International Limited, Nomura Quantitative Strategies

## Revision indices for FTSE AW Asia-Pacific ex Japan regional industries

Exhibit 20. Oil & Gas

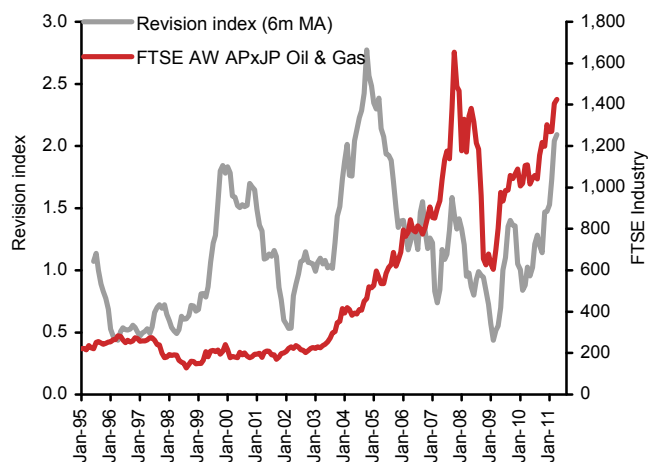


Exhibit 21. Basic Materials

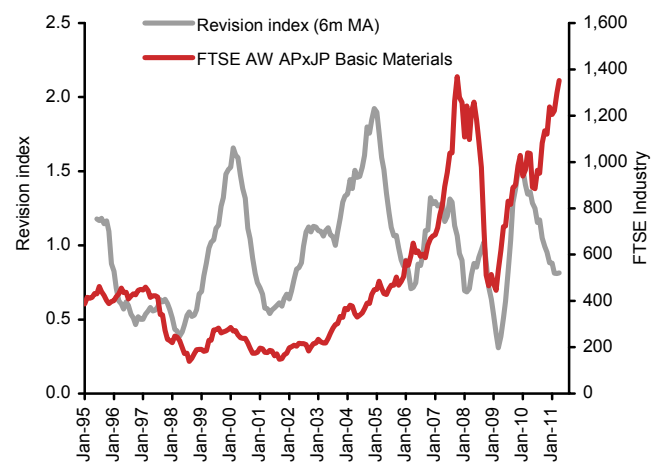


Exhibit 22. Industrials

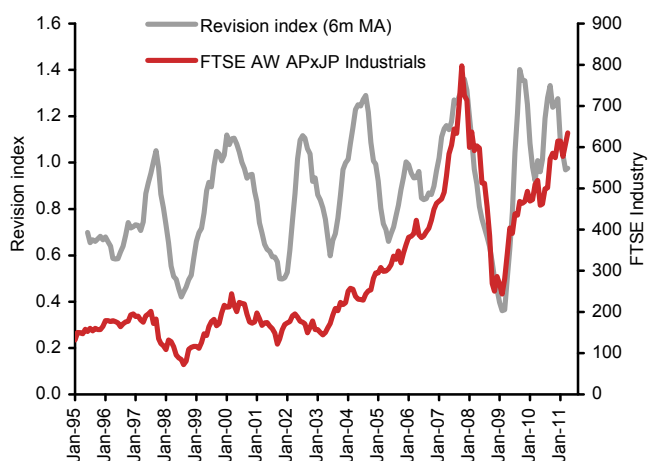


Exhibit 23. Consumer Goods

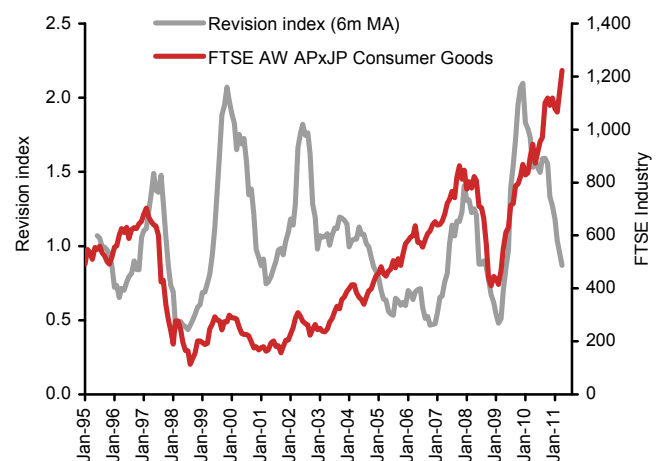


Exhibit 24. Health Care

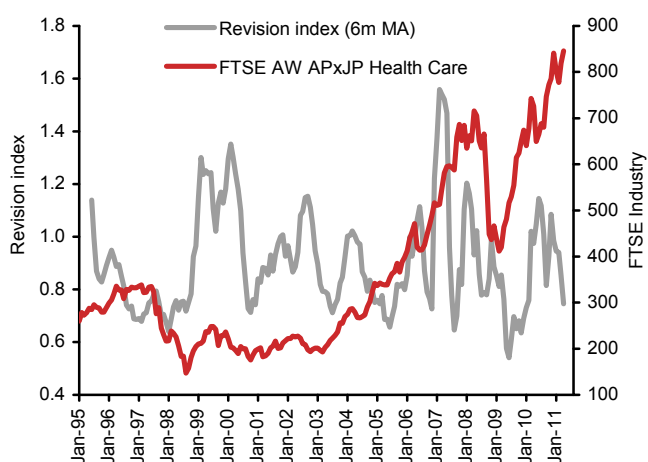
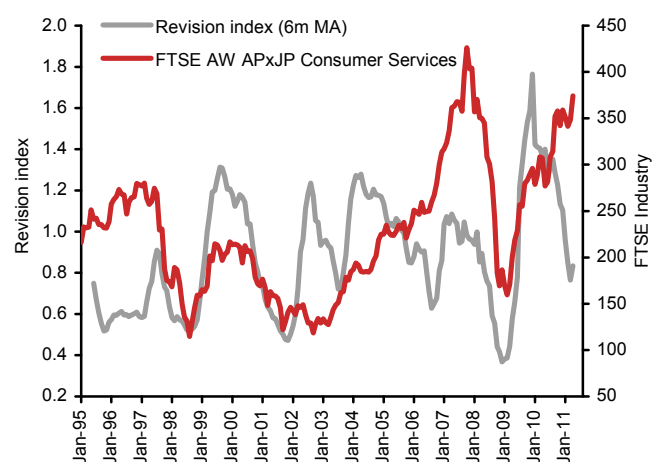
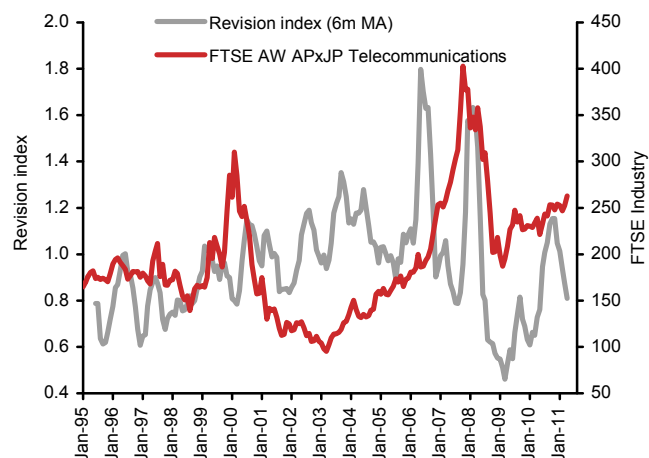
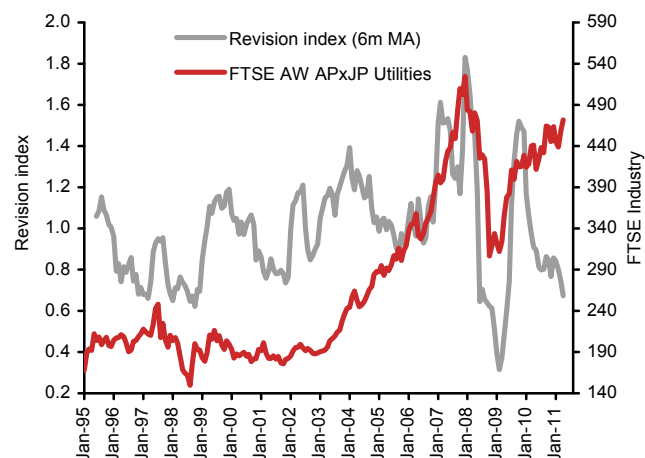
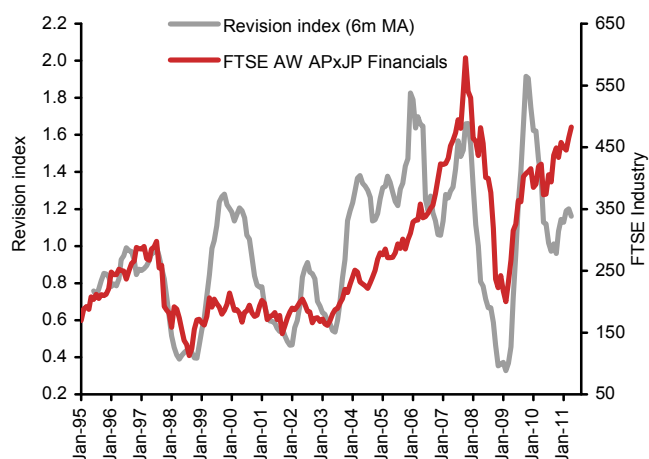
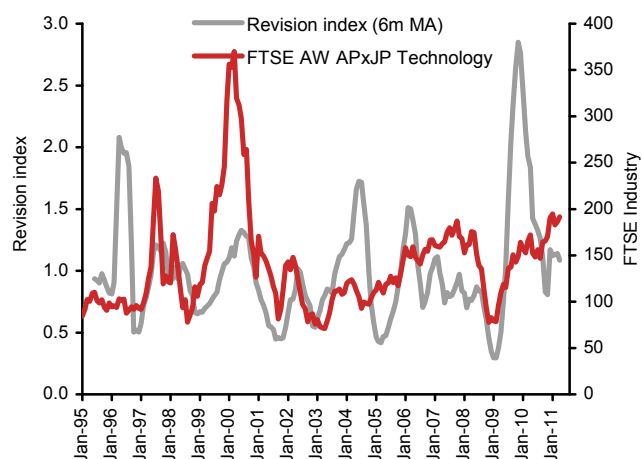


Exhibit 25. Consumer Services



Note: Revision Index is defined as: sum of no of analysts making upward revisions / sum of no of analysts making downward revisions

Source: FTSE International Limited, Thomson Reuters Datastream, I/B/E/S, Nomura Quantitative Strategies

**Exhibit 26. Telecommunications****Exhibit 27. Utilities****Exhibit 28. Financials****Exhibit 29. Technology**

Note: Revision index is defined as:  $\text{sum of no of analysts making upward revisions} / \text{sum of no of analysts making downward revisions}$

Source: FTSE International Limited, Thomson Reuters Datastream, I/B/E/S, Nomura Quantitative Strategies

## Style rotation

## Factor performance for Asia-Pacific ex Japan

April saw the continuation of a large-cap effect at the regional level. Most MSCI country universes showed a large-cap phenomenon, while a small-cap effect was seen in MSCI India, Malaysia and Thailand. Notably, our P/E comparison (in Exhibit 106) shows that in most Asian markets larger-cap stocks are trading at less expensive P/E multiples against their long-term average than the smaller-cap companies. A strong mid-term price momentum effect was observed for the second consecutive month. Valuation factors saw another month of weak performance, with only P/E delivering mild positive factor return but other value factors scoring negative. P/B continued to underperform other value factors, while P/E outperformed. We observe noticeable differences in the magnitude of factor returns in P/B and P/E during recent months. As noted in our presentation *Factor Performance for Asian Markets* (4 May), the correlations between B/P factor returns and MSCI returns, and between dispersion factor returns and market returns have declined YTD. In contrast, the positive correlation between E/P factor returns and market returns is relatively higher and more stable. In 2011, we continue to prefer forecast E/P factor over reported B/P among the value factors, as E/P factor tends to do better in the latter part of cycle.

Short-term earnings-revision indicators continued to do well in April, with revision index and StarMine predicted surprise faring the best among the indicators. Notably, revision index and StarMine predicted surprise indicators delivered a positive factor impact for the seventh and ninth consecutive months, respectively. Since 2010, earnings revision-related indicators have showed a rising factor impact and outperformed most value factors, with a better risk-adjusted return. Ironically, our aggregate Asian earnings momentum index is seeing a declining trend YTD as margin compression undermines earnings expectations. This suggests investors are willing to pay a higher premium for stocks with positive changes in earnings revisions and re-rating potential. As noted in *Factor Performance for Asian Markets* (4 May), returns of both revision and mid-term price momentum have been positively and steadily correlated with the market returns since late 2010.

In addition to earnings, quality measures and growth prospects also seem to be the key focus for the region. Quality factors such as ROE and profit margin continued to register positive returns for the fourth consecutive month; top-line sales growth factor also outperformed value factors in April. In April, low risk stocks outperformed (low volatility, estimate dispersion, and default probability), reflecting investors to be risk averse. Overall, in terms of style driver, regional stocks with good mid-term price momentum, positive analysts' revision and StarMine predicted surprise, good profit margin and ROE outperformed in April. Over the long run, we note that a balanced factor strategy skewed towards earnings-revision indicators (e.g., revision index and StarMine predicted surprise) and valuation devices (e.g., E/P, CF/P, EBITDA/EV) generally perform consistently in a regional portfolio.

Our *Style Selection Model* (15 March) provides short-term views on style performance based on long-term relative value of styles and short-term relative strength of styles, plus we use a risk-aversion proxy to enhance style timing. In May, our Asian model continues to recommend momentum and revision styles, while our China style selection model picks yield and low risk. In *Quants Factor Dynamics* (14 April), we continue to prefer Asia high-ROE stocks in 2011 for their stable valuation and relatively narrow rating spread versus the low-ROE group. Moreover, with the rising inflation pressures, growth and high-ROE stocks in Asia are likely to benefit in monetary tightening conditions, especially under the current rising input cost and margin squeeze environment.

April saw the continuation of a large-cap effect; our P/E comparison shows that in most Asian markets larger-cap stocks are trading at less expensive P/E multiples against their long-term average than the smaller caps

Revision index and StarMine predicted surprise fared well in April; returns of both revision and mid-term price momentum were positively and steadily correlated with the market returns of late

In addition to earnings, quality measures and growth prospect also seem to be the key focus for the region

In May, our Asian model continues to recommend momentum and revision styles, while our China style selection model picks yield and low risk

We reiterate our positive view on the composite productivity factor (using ROE capex/sales) in 2011, as we continue to prefer high-ROE stocks in the medium term, and we believe that the combination of ROE and capex/sales factors could help us select profitable stocks that have the capacity to invest for the future to remain competitive. In addition, we continue to stress earnings/price momentum and growth over value in 2011. We present our updated outlook quant screen in Exhibit 30, based on the same methodology described in Quantitative Outlook 2011.

### Exhibit 30. Quantitative screen on companies with good productivity/profitability, positive earnings and price momentum, and high growth potential

Market	Bloomberg code	Name	Sector	Composite productivity	Composite earnings/price momentum	Composite growth	Forecast earnings yield (%)	Fundamental rating
Australia	WPL AU	Woodside Petroleum	Energy	3.0	1.1	4.0	4.9	BUY
Australia	GMG AU	Goodman International	Financials	2.4	0.9	-0.8	8.5	Not rated
Australia	NAB AU	National Australia Bank	Financials	-0.6	0.3	-1.0	9.4	NEUTRAL
Australia	AIO AU	Asciano	Industrials	-0.2	0.4	0.9	6.0	Not rated
China	151 HK	Want Want China Hldgs	Consumer Staples	2.1	-0.6	0.9	4.2	BUY
China	3968 HK	China Merchants Bank H	Financials	0.3	1.5	0.0	10.0	BUY
China	200002 CS	China Vanke Co B	Financials	-0.3	0.5	1.8	10.6	Not rated
China	267 HK	Citic Pacific	Industrials	0.5	1.0	2.2	8.7	Not rated
China	3800 HK	Gcl Poly Energy	Information Technology	5.4	4.4	1.1	9.0	BUY
India	BJAUT IN	Bajaj Auto	Consumer Discretionary	2.8	2.6	-0.5	6.9	BUY
India	ITC IN	ITC	Consumer Staples	0.5	2.8	-0.5	4.1	BUY
India	IIB IN	Indusind Bank	Financials	0.0	4.5	1.5	6.3	Not rated
India	LICHF IN	Lic Housing Finance	Financials	-0.2	3.3	0.3	9.6	Not rated
India	DRRD IN	Dr Reddy's Laboratories	Health Care	0.4	0.0	0.3	5.2	BUY
Korea	005270 KS	Daegu Bank	Financials	-1.0	0.3	-0.5	13.8	BUY
Korea	005830 KS	Dongbu Insurance Co	Financials	0.1	0.7	0.9	11.0	Not rated
Korea	042670 KS	Doosan Infracore Co	Industrials	1.4	2.0	0.4	9.6	Not rated
Korea	000660 KS	Hynix Semiconductor	Information Technology	2.4	1.6	0.6	10.4	NEUTRAL
Korea	010130 KS	Korea Zinc	Materials	1.7	6.4	-0.2	10.1	Not rated
Korea	017670 KS	SK Telecom Co	Telecom Services	0.6	-1.3	-0.4	13.3	BUY
Malaysia	IOI MK	IOI Corp	Consumer Staples	-0.4	-1.5	-1.4	6.7	BUY
Malaysia	PBKF MK	Public Bank Fgn	Financials	-0.4	1.0	0.3	7.7	NEUTRAL
Malaysia	SPSB MK	SP Setia	Financials	0.3	0.5	3.5	4.1	NEUTRAL
Philippines	AP PM	Aboitiz Power	Utilities	2.0	4.6	-1.5	9.1	Not rated
Singapore	JCNC SP	Jardine Cycle & Carriage	Consumer Discretionary	-0.2	3.8	1.0	9.2	Not rated
Singapore	OLAM SP	Olam International	Consumer Staples	-0.5	0.4	1.4	6.2	BUY
Taiwan	2891 TT	Chinatrust Finl Hldgs	Financials	-0.8	1.7	-0.2	6.8	BUY
Taiwan	2884 TT	E.Sun Financial Holdings	Financials	-0.9	1.7	0.5	7.6	BUY
Taiwan	2881 TT	Fubon Financial Holding	Financials	-1.0	1.5	-0.3	7.4	BUY
Taiwan	2609 TT	Yang Ming Marine Transp	Industrials	0.1	-0.4	0.9	13.3	REDUCE
Taiwan	8069 TT	E Ink Holdings	Information Technology	0.5	1.2	5.2	9.7	Not rated
Taiwan	6121 TT	Simplo Technology Co	Information Technology	0.5	-0.2	1.0	8.2	BUY
Taiwan	3044 TT	Tripod Technology Corp	Information Technology	1.0	0.8	0.5	9.2	NEUTRAL
Taiwan	2344 TT	Winbond Electronics Corp	Information Technology	0.7	1.0	2.4	11.1	Not rated
Taiwan	2103 TT	TSRC Corp	Materials	1.1	4.4	-0.1	9.7	Not rated
Taiwan	3045 TT	Taiwan Mobile	Telecom Services	1.5	0.9	-1.6	6.5	BUY
Thailand	KBANK TB	Kasikornbank	Financials	-0.4	-1.0	0.7	8.6	NEUTRAL

Note: Data as of 30 April, 2011. Selection of stocks screened from the MSCI Asia-Pacific ex-Japan. Stocks that fall in the top two quintiles of each market and sector on composite productivity, and those that are in the first half by composite momentum and composite growth are highlighted. We also consider value factor E/P in our screening process to avoid picking stocks at expensive prices and hence excludes the bottom two quintiles stocks by forecast E/P. Composite productivity is a normalised score of capex/sales and ROE. Composite momentum is a normalised score of revision index, StarMine predicted surprise, and price momentum (12M-1M). Composite growth is a normalised score of forecast sales growth (FY2) and forecast EPS growth (FY2). Ratings are as of the date of the most recently published report (<http://www.Nomura.com>) rather than the date of this document.

Source: Worldscope, StarMine, I/B/E/S, MSCI, Nomura Quantitative Strategies

**Exhibit 31. MSCI AC Asia-Pacific ex Japan**

Factor	Long-term since 1999			Past 6 months			April 2011		
	Average return	Standard deviation	Avg/std deviation	Average return	Standard deviation	Avg/std deviation	Rank	Factor return (%)	Change
Market cap *	2.44	8.26	0.30	(9.69)	2.65	(3.65)	20	(2.14)	↓
Price momentum (1M)	(5.67)	7.84	(0.72)	(0.69)	2.91	(0.24)	7	0.90	↑
Price momentum (12M -1M)	3.61	9.72	0.37	14.60	6.64	2.20	1	3.86	↑
Volume turnover ratio	2.85	7.11	0.40	(1.58)	1.87	(0.85)	12	0.31	↑
Dividend yield	2.72	6.53	0.42	4.10	3.21	1.28	15	(1.07)	↓
Earnings yield	8.83	6.20	1.42	10.32	2.54	4.07	9	0.55	→
B/P	4.91	6.74	0.73	(3.98)	6.62	(0.60)	21	(2.26)	↓
Cashflow yield	6.92	5.67	1.22	(2.04)	4.02	(0.51)	16	(1.11)	↓
EBITDA/EV	5.99	4.99	1.20	3.37	4.32	0.78	14	(0.64)	↓
Revision index	7.01	3.51	2.00	14.17	2.88	4.92	2	2.39	↑
Change in earnings yield	8.14	6.59	1.24	14.86	3.15	4.72	6	1.46	→
StarMine predicted surprise	6.07	4.32	1.40	15.02	2.88	5.21	4	2.11	→
Normalised E/P	6.23	5.81	1.07	(1.29)	4.08	(0.32)	19	(2.09)	↓
Sales growth (FY2)	0.08	4.12	0.02	1.88	3.81	0.49	8	0.87	↓
EPS growth (FY2)	2.39	4.60	0.52	(0.93)	1.35	(0.69)	11	0.46	→
Return on equity	1.12	7.15	0.16	8.44	5.24	1.61	5	1.96	↑
Shareholders' equity ratio	(3.69)	4.98	(0.74)	(3.08)	3.02	(1.02)	17	(1.34)	↓
Pretax profit margin	(1.75)	5.73	(0.31)	10.55	5.02	2.10	3	2.35	↑
Volatility	(0.10)	9.52	(0.01)	(5.03)	1.62	(3.11)	13	(0.60)	↓
Estimate dispersion	(0.09)	6.48	(0.01)	(7.88)	3.81	(2.07)	18	(1.64)	↓
Default probability *	(2.49)	9.00	(0.28)	(0.35)	3.23	(0.11)	10	0.54	↑

Notes: Factor returns are annualised figures and do not include transaction costs. The factors marked with \* are reverse-based. See Appendix I for detailed methodology.

Data are based on estimates for stocks in the MSCI AC Asia-Pacific ex-Japan Index. Factor returns are annualised figures.

Source: Worldscope, I/B/E/S, StarMine, MSCI, Nomura Quantitative Strategies

**Exhibit 32. MSCI AC Asia ex-Japan**

Factor	Long-term since 1999			Past 6 months			April 2011		
	Average return	Standard deviation	Avg/std deviation	Average return	Standard deviation	Avg/std deviation	Rank	Factor return (%)	Change
Market cap *	3.05	8.80	0.35	(10.38)	2.57	(4.03)	19	(2.00)	↓
Price momentum (1M)	(5.88)	8.43	(0.70)	(1.82)	3.18	(0.57)	8	0.74	↑
Price momentum (12M -1M)	3.28	10.57	0.31	16.12	7.12	2.26	1	4.24	↑
Volume turnover ratio	3.35	7.78	0.43	(0.91)	2.16	(0.42)	10	0.40	→
Dividend yield	3.30	6.99	0.47	3.80	3.74	1.02	16	(1.20)	↓
Earnings yield	9.81	6.56	1.49	11.68	2.74	4.26	9	0.59	→
B/P	5.75	7.35	0.78	(4.30)	7.29	(0.59)	20	(2.40)	↓
Cashflow yield	7.35	6.00	1.22	(1.95)	4.25	(0.46)	15	(1.14)	↓
EBITDA/EV	6.36	5.39	1.18	4.25	4.75	0.89	14	(0.53)	↓
Revision index	7.70	3.80	2.03	15.81	3.17	4.98	2	2.57	↑
Change in earnings yield	8.54	7.46	1.15	16.86	3.86	4.36	6	1.91	→
StarMine predicted surprise	6.38	4.95	1.29	16.45	2.73	6.02	4	2.34	↑
Normalised E/P	6.81	6.33	1.08	(1.08)	4.78	(0.23)	21	(2.47)	↓
Sales growth (FY2)	0.31	4.67	0.07	1.00	4.61	0.22	7	0.85	↓
EPS growth (FY2)	2.55	4.94	0.52	(1.12)	1.67	(0.67)	11	0.38	→
Return on equity	1.00	7.83	0.13	10.01	5.80	1.73	5	2.21	↑
Shareholders' equity ratio	(3.71)	5.41	(0.69)	(3.38)	3.21	(1.05)	17	(1.37)	↓
Pretax profit margin	(1.54)	6.13	(0.25)	11.62	4.88	2.38	3	2.41	↑
Volatility	0.26	10.33	0.03	(4.92)	2.10	(2.34)	13	(0.31)	↓
Estimate dispersion	(0.19)	7.10	(0.03)	(7.63)	3.86	(1.97)	18	(1.49)	→
Default probability *	(2.43)	9.71	(0.25)	(1.21)	3.99	(0.30)	12	0.28	↑

Notes: Factor returns are annualised figures and do not include transaction costs. The factors marked with \* are reverse-based. See Appendix I for detailed methodology.

Data are based on estimates for stocks in the MSCI AC Asia-Pacific ex-Japan Index. Factor returns are annualised figures.

Source: Worldscope, I/B/E/S, StarMine, MSCI, Nomura Quantitative Strategies

## Exhibit 33. Factor returns ranking table in April 2011

Country	Past 6 months factor returns		For the month of April 2011				
	Top performer	Worst performer	Top performer	Factor return (%)	Chg	Bottom performer	Factor return (%) Chg
Australia	Sales growth (FY2)	Estimate dispersion	Default probability *	2.82	↓	Market cap *	(3.32) →
	Price momentum (1M)	Volume turnover ratio	Price momentum (1M)	2.25	→	Volatility	(3.18) ↓
	Dividend yield	EBITDA/EV	Pretax profit margin	1.88	↓	Estimate dispersion	(2.91) ↓
China	Change in earnings yield	Price momentum (1M)	Price momentum (12M -1M)	6.70	↑	B/P	(4.67) ↓
	Revision index	Market cap *	Return on equity	4.07	↑	Cashflow yield	(3.77) ↓
	Price momentum (12M -1M)	Cashflow yield	Change in earnings yield	3.21	↑	Market cap *	(3.00) ↓
Hong Kong	Change in earnings yield	Volatility	StarMine predicted surprise	7.31	↑	Volatility	(3.65) ↓
	Price momentum (12M -1M)	Estimate dispersion	Price momentum (12M -1M)	6.84	↑	Dividend yield	(3.50) ↓
	Revision index	Default probability *	Revision index	6.32	↑	Market cap *	(3.44) ↓
India	Dividend yield	Sales growth (FY2)	EBITDA/EV	4.58	↑	Price momentum (1M)	(3.92) ↑
	Pretax profit margin	Price momentum (1M)	Market cap *	3.33	↑	Shareholders' equity ratio	(3.19) ↓
	Change in earnings yield	Volatility	Change in earnings yield	2.97	↑	Default probability *	(2.93) ↓
Korea	Earnings yield	Market cap *	Price momentum (12M -1M)	8.72	↑	Normalised E/P	(7.69) ↓
	StarMine predicted surprise	EPS growth (FY2)	Pretax profit margin	7.40	↑	Market cap *	(5.50) ↓
	Return on equity	Cashflow yield	Revision index	5.97	↑	Default probability *	(5.24) ↓
Malaysia	Revision index	Estimate dispersion	Pretax profit margin	4.31	↑	Dividend yield	(4.65) ↓
	StarMine predicted surprise	Shareholders' equity ratio	StarMine predicted surprise	4.25	↑	Shareholders' equity ratio	(4.05) ↓
	Volume turnover ratio	Volatility	Earnings yield	4.11	↑	Default probability *	(2.07) →
Singapore	Return on equity	Shareholders' equity ratio	Change in earnings yield	2.96	↑	Shareholders' equity ratio	(4.27) ↓
	Dividend yield	Estimate dispersion	StarMine predicted surprise	2.76	↑	Default probability *	(2.89) ↓
	Volatility	B/P	Return on equity	1.84	→	EBITDA/EV	(2.76) ↓
Taiwan	Revision index	Estimate dispersion	Default probability *	4.91	↑	EBITDA/EV	(5.31) ↓
	Shareholders' equity ratio	Market cap *	StarMine predicted surprise	4.61	↑	Normalised E/P	(4.83) ↓
	StarMine predicted surprise	Volatility	Price momentum (12M -1M)	4.50	↑	Estimate dispersion	(3.97) ↓
Thailand	Dividend yield	Revision index	Dividend yield	3.81	↑	Pretax profit margin	(4.09) ↓
	B/P	EPS growth (FY2)	Volatility	2.99	→	Return on equity	(4.07) ↓
	Cashflow yield	Price momentum (1M)	B/P	2.41	↑	Price momentum (1M)	(3.24) ↓
Asia	StarMine predicted surprise	Market cap *	Price momentum (12M -1M)	4.24	↑	Normalised E/P	(2.47) ↓
	Revision index	Volatility	Revision index	2.57	↑	B/P	(2.40) ↓
	Change in earnings yield	Estimate dispersion	Pretax profit margin	2.41	↑	Market cap *	(2.00) ↓
Asia-Pacific	StarMine predicted surprise	Market cap *	Price momentum (12M -1M)	3.86	↑	B/P	(2.26) ↓
	Revision index	Volatility	Revision index	2.39	↑	Market cap *	(2.14) ↓
	Change in earnings yield	Estimate dispersion	Pretax profit margin	2.35	↑	Normalised E/P	(2.09) ↓
China A (CSI300)	StarMine predicted surprise	Volume turnover ratio	B/P	4.47	↑	Volatility	(4.35) ↓
	Change in earnings yield	Price momentum (1M)	Earnings yield	3.19	→	Volume turnover ratio	(4.15) ↓
	Normalised E/P	Pretax profit margin	EBITDA/EV	3.15	↓	Shareholders' equity ratio	(2.44) ↓

Notes: Universe is based on MSCI Standard All-country Index unless otherwise stated. The factors marked with \* are reverse-based. See Appendix I for detailed methodology. "↑" in column "Chg" denotes that factor returns of the month rose more than 0.5pp from previous month, "↓" denotes that factor returns declined more than 0.5pp and "→" denotes that factor returns are within +/- 0.5pp

Source: Worldscope, I/B/E/S, StarMine, MSCI, Nomura Quantitative Strategies



## Historical factor returns (MSCI AC Asia-Pacific ex-Japan)

Exhibit 34. Market cap \*

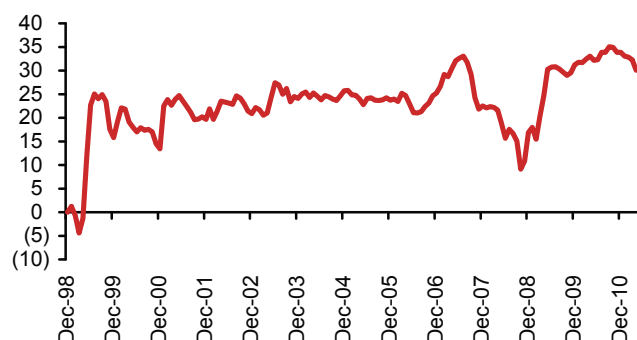


Exhibit 35. Price momentum (1M)

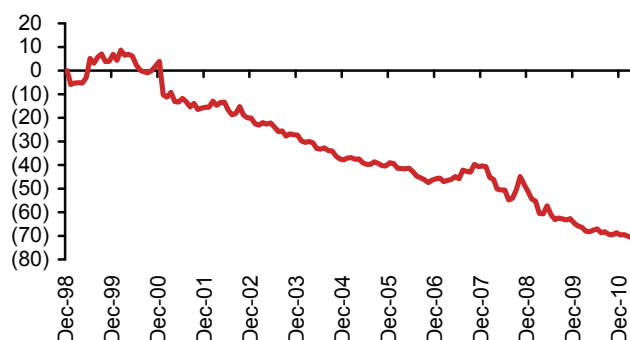


Exhibit 36. Price momentum (12M - 1M)

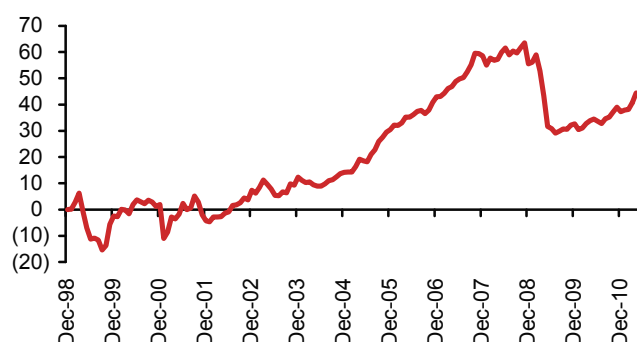


Exhibit 37. Volume turnover ratio

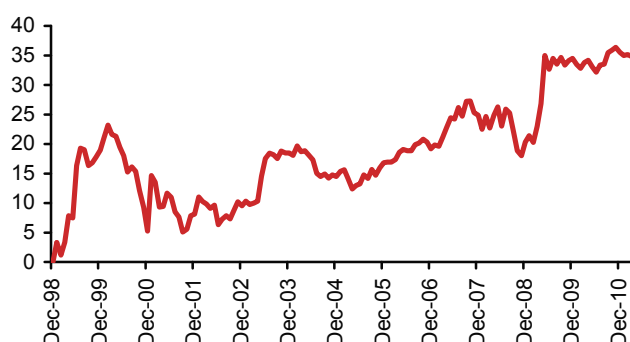


Exhibit 38. Dividend yield

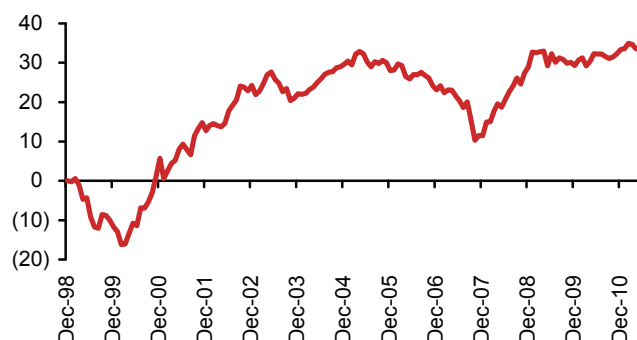


Exhibit 39. Earnings yield

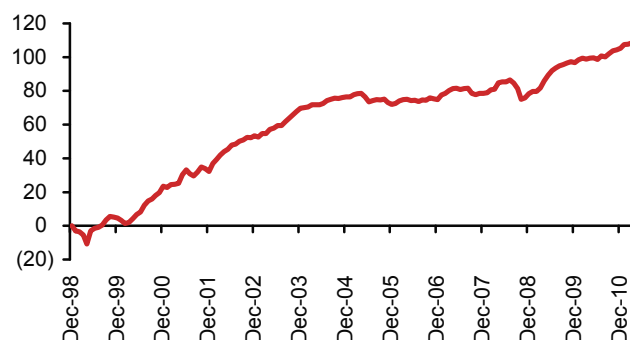


Exhibit 40. B/P

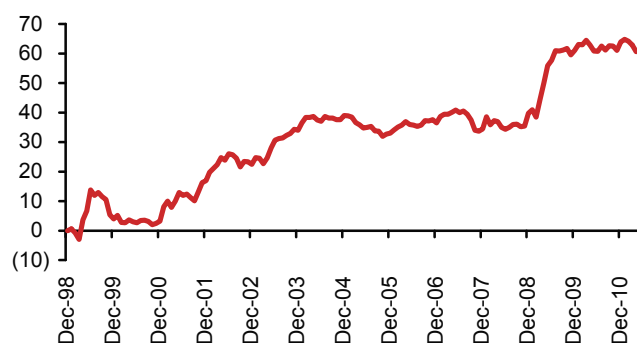
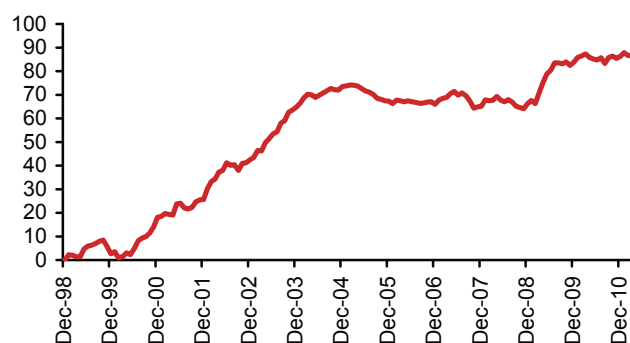


Exhibit 41. Cashflow yield



Note: The graphs represent the cumulative long-short performance when investors invest on the basis of each factor, rebalanced on a monthly basis. The factors marked with \* are reverse-based. See Appendix I for detailed methodology.

Source: Worldscope, I/B/E/S, StarMine, MSCI, Nomura Quantitative Strategies

Exhibit 42. EBITDA/EV

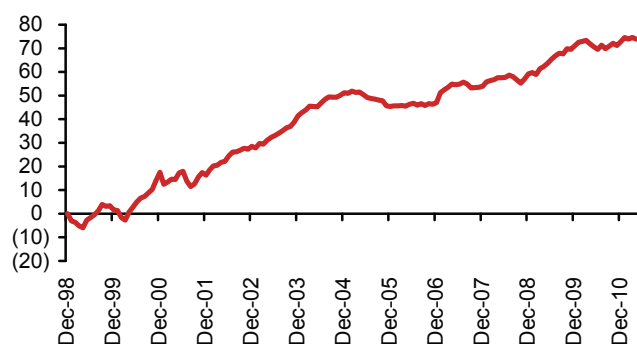


Exhibit 43. Revision index

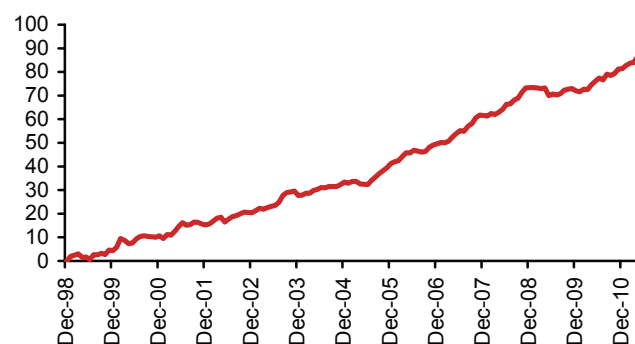


Exhibit 44. Change in earnings yield

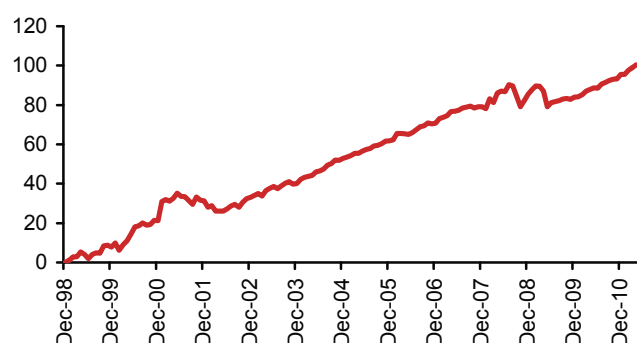


Exhibit 45. StarMine predicted surprise

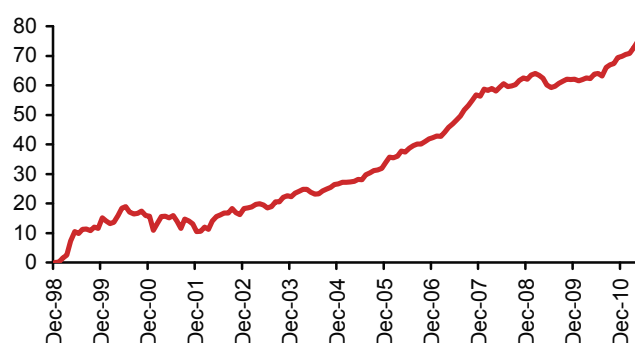


Exhibit 46. Normalised E/P

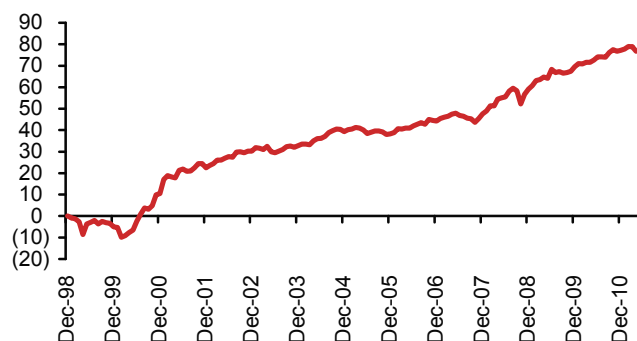


Exhibit 47. Sales growth

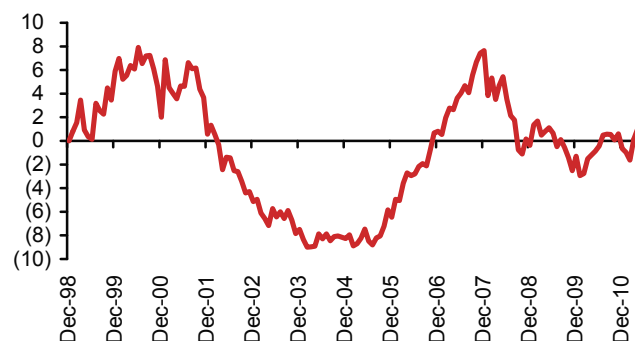


Exhibit 48. EPS growth

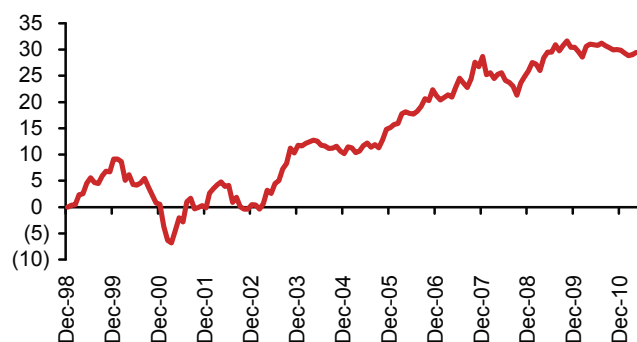
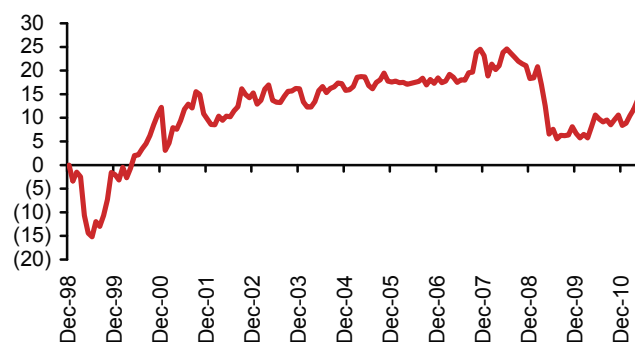
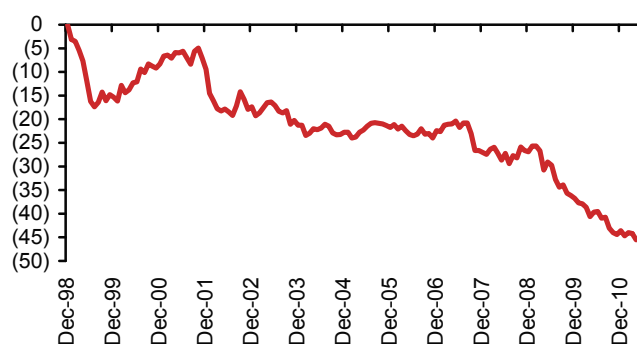
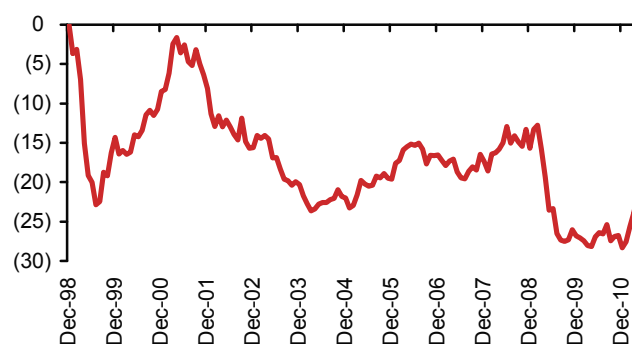
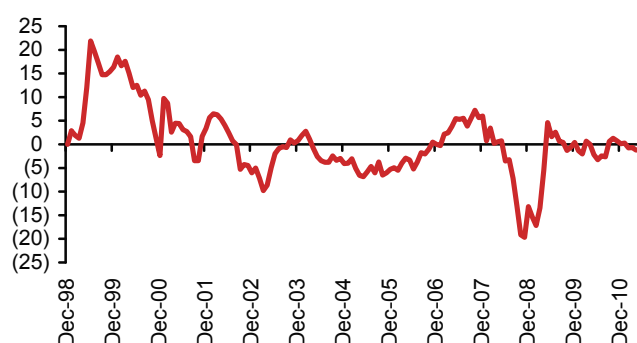
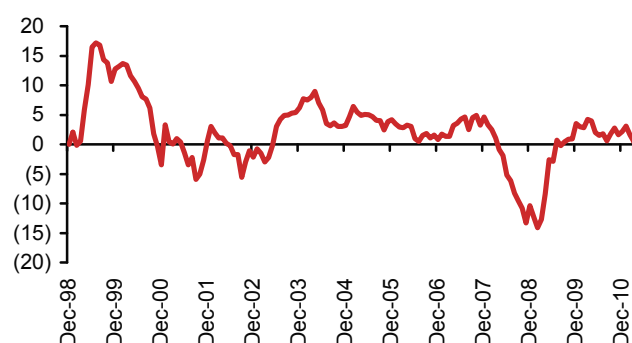
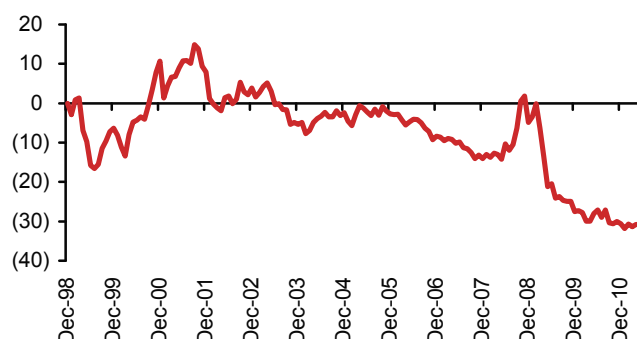


Exhibit 49. Return on equity



Note: The graphs represent the cumulative long-short performance when investors invest on the basis of each factor, rebalanced on a monthly basis. The factors marked with \* are reverse-based. See Appendix I for detailed methodology.

Source: Worldscope, I/B/E/S, StarMine, MSCI, Nomura Quantitative Strategies

**Exhibit 50. Shareholders' equity ratio****Exhibit 51. Pretax profit margin****Exhibit 52. Volatility****Exhibit 53. Estimate dispersion****Exhibit 54. Default probability \***

Note: The graphs represent the cumulative long-short performance when investors invest on the basis of each factor, rebalanced on a monthly basis. The factors marked with \* are reverse-based. See Appendix I for detailed methodology.

Source: Worldscope, I/B/E/S, StarMine, MSCI, Nomura Quantitative Strategies

## Australia

Australia saw the continuation of the large-cap style effect in April, alongside a short-term price momentum phenomenon. All valuation devices posted a declining factor impact, with EV/EBITDA, price/book, and price/cashflow registering losses. Over the past six months, value investing has worked poorly based on return/risk, with only dividend yield scoring positively. Among the earnings-revision indicators, long-term normalised E/P performed best.

Growth factors worked well in April, with both EPS growth and sales growth posting a rising factor return. Of the financial strength indicators, pre-tax profit margin continued delivering profit. Risk measures reflected investors to be risk averse for the fourth consecutive month, with default probability being the top factor and low volatility, low estimate dispersion stocks outperforming their high-risk peers.

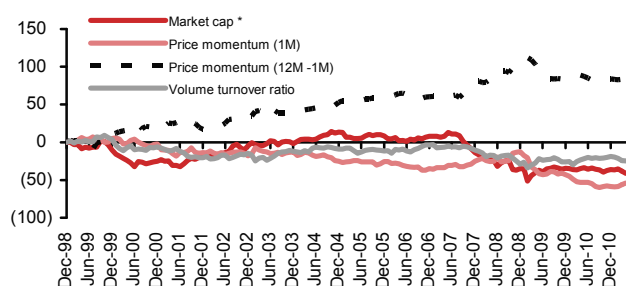
**Australia saw the continuation of the large-cap style effect; all valuation devices posted a declining factor impact**

**Growth factors worked well; risk measures reflected investors to be risk averse**

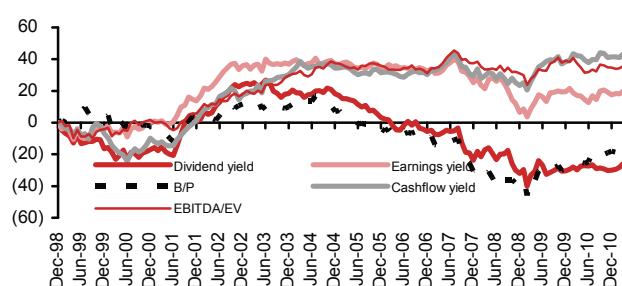
### Exhibit 55. Factor performance — MSCI Australia

Factor	Long-term since 1999			Past 6 months			April 2011		
	Average return	Standard deviation	Avg/std deviation	Average return	Standard deviation	Avg/std deviation	Rank	Factor return (%)	Chg
Market cap *	(3.35)	11.54	(0.29)	(4.15)	8.01	(0.52)	21	(3.32)	→
Price momentum (1M)	(4.35)	9.83	(0.44)	9.40	4.89	1.92	2	2.25	→
Price momentum (12M -1M)	6.78	10.60	0.64	1.59	3.97	0.40	8	0.53	→
Volume turnover ratio	(1.99)	9.03	(0.22)	(7.37)	5.30	(1.39)	13	(0.49)	↑
Dividend yield	(2.07)	10.71	(0.19)	7.18	4.05	1.77	11	0.12	↓
Earnings yield	1.62	9.74	0.17	(0.87)	4.17	(0.21)	9	0.22	↓
B/P	(1.67)	9.87	(0.17)	(1.34)	2.83	(0.48)	15	(1.05)	↓
Cashflow yield	3.44	9.02	0.38	(2.29)	5.46	(0.42)	14	(0.83)	↓
EBITDA/EV	2.76	7.85	0.35	(4.01)	3.76	(1.07)	17	(1.52)	↓
Revision index	2.30	8.48	0.27	0.67	3.08	0.22	7	0.80	→
Change in earnings yield	5.75	8.96	0.64	(2.14)	5.35	(0.40)	18	(2.50)	↓
StarMine predicted surprise	4.35	7.87	0.55	3.19	7.59	0.42	10	0.15	↓
Normalised E/P	2.04	9.67	0.21	(1.93)	4.64	(0.42)	4	1.17	→
Sales growth (FY2)	(0.48)	8.67	(0.06)	8.64	4.07	2.12	6	1.11	↑
EPS growth (FY2)	2.38	10.09	0.24	0.23	8.39	0.03	5	1.14	↑
Return on equity	1.96	10.07	0.19	(4.25)	5.95	(0.71)	12	(0.22)	↓
Shareholders' equity ratio	(4.05)	8.80	(0.46)	(0.62)	2.80	(0.22)	16	(1.07)	↓
Pretax profit margin	(3.09)	9.97	(0.31)	2.76	7.09	0.39	3	1.88	↓
Volatility	(1.70)	11.08	(0.15)	(6.60)	8.19	(0.81)	20	(3.18)	↓
Estimate dispersion	(1.06)	9.22	(0.11)	(10.03)	6.24	(1.61)	19	(2.91)	↓
Default probability *	(2.52)	11.08	(0.23)	7.63	8.59	0.89	1	2.82	↓

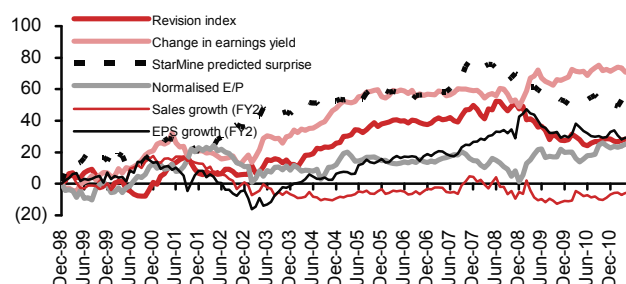
### Exhibit 56. Size, momentum and liquidity factors



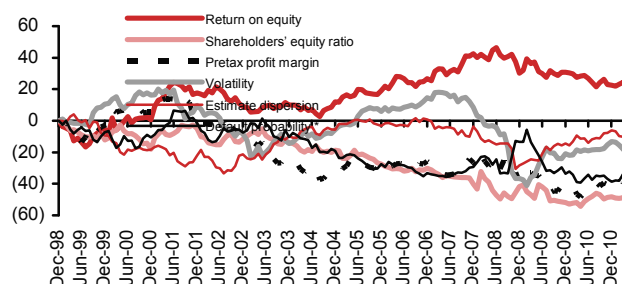
### Exhibit 57. Valuation factors



### Exhibit 58. Revision and earnings yield factors



### Exhibit 59. Financial and risk factors



Notes: Factor returns are annualised figures and do not include transaction costs. The factors marked with \* are reverse-based. See Appendix I for detailed methodology.  
Source: Worldscope, I/B/E/S, StarMine, MSCI, Nomura Quantitative Strategies

## China

China saw the continuation of the large-cap style effect and a strong mid-term price momentum phenomenon in April. All valuation devices foundered, with price/book, price/cashflow falling to the bottom of the pack. Earnings-revision indicators saw an improving factor return, with change in E/P, revision index registering profits. Over the past six months, earnings-revision indicators largely outperformed value investing in this market.

Both growth factors and financial strength indicators worked well in April, with return on equity delivering a significant return. Risk-related measures had a mixed performance. High volatility stocks outperformed their low-risk peers in April, whereas default probability posted an improving factor return.

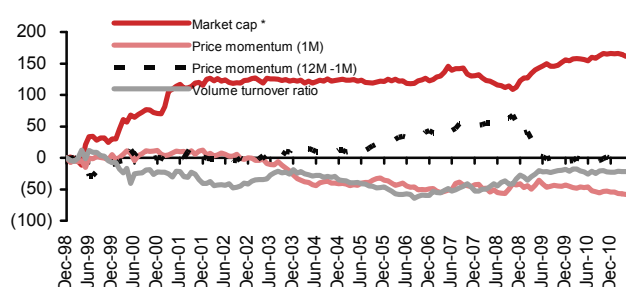
**All valuation devices foundered; earnings-revision indicators saw an improving factor return**

**Both growth factors and financial yardsticks worked well; risk-related measures had a mixed performance**

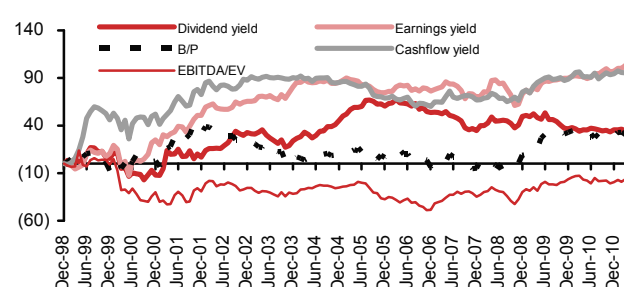
### Exhibit 60. Factor performance — MSCI China

Factor	Long-term since 1999			Past 6 months			April 2011		
	Average return	Standard deviation	Avg/std deviation	Average return	Standard deviation	Avg/std deviation	Rank	Factor return (%)	Chg
Market cap *	13.11	18.25	0.72	(9.04)	5.36	(1.69)	19	(3.00)	↓
Price momentum (1M)	(4.74)	13.85	(0.34)	(9.93)	3.51	(2.83)	17	(1.11)	↓
Price momentum (12M -1M)	0.92	17.85	0.05	26.01	11.13	2.34	1	6.70	↑
Volume turnover ratio	(1.76)	16.40	(0.11)	(2.75)	4.36	(0.63)	12	(0.05)	→
Dividend yield	2.70	14.46	0.19	(3.62)	5.82	(0.62)	18	(1.33)	→
Earnings yield	8.35	15.47	0.54	6.49	8.30	0.78	11	(0.02)	↓
B/P	2.08	16.01	0.13	(3.16)	11.76	(0.27)	21	(4.67)	↓
Cashflow yield	7.44	17.21	0.43	(7.26)	8.42	(0.86)	20	(3.77)	↓
EBITDA/EV	(1.35)	15.00	(0.09)	1.77	8.10	0.22	13	(0.26)	↓
Revision index	1.96	14.57	0.13	17.22	5.27	3.27	5	1.74	↑
Change in earnings yield	9.95	14.89	0.67	24.46	3.67	6.66	3	3.21	↑
StarMine predicted surprise	3.45	14.40	0.24	19.80	9.11	2.17	14	(0.35)	↑
Normalised E/P	(2.03)	15.47	(0.13)	(4.32)	6.95	(0.62)	15	(0.39)	→
Sales growth (FY2)	(5.93)	11.54	(0.51)	8.74	8.20	1.07	6	1.68	↓
EPS growth (FY2)	(3.64)	13.39	(0.27)	7.41	4.83	1.53	9	1.03	↓
Return on equity	(4.57)	13.80	(0.33)	8.81	7.72	1.14	2	4.07	↑
Shareholders' equity ratio	(6.19)	13.34	(0.46)	2.03	4.17	0.49	10	0.68	↑
Pretax profit margin	(0.52)	13.62	(0.04)	6.21	7.98	0.78	7	1.64	↓
Volatility	(5.97)	17.46	(0.34)	(3.06)	4.52	(0.68)	8	1.05	↑
Estimate dispersion	2.09	16.03	0.13	(3.25)	5.81	(0.56)	16	(0.62)	↑
Default probability *	1.31	19.52	0.07	(2.82)	6.13	(0.46)	4	2.70	↑

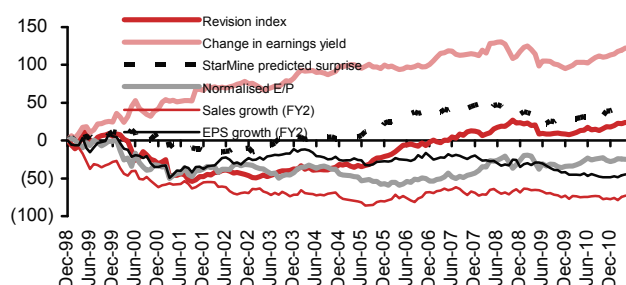
### Exhibit 61. Size, momentum and liquidity factors



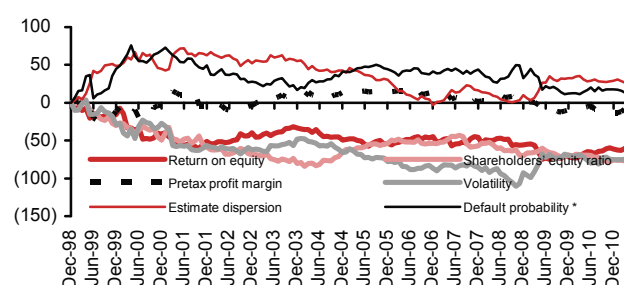
### Exhibit 62. Valuation factors



### Exhibit 63. Revision and earnings yield factors



### Exhibit 64. Financial and risk factors



Notes: Factor returns are annualised figures and do not include transaction costs. The factors marked with \* are reverse-based. See Appendix I for detailed methodology.  
Source: Worldscope, I/B/E/S, StarMine, MSCI, Nomura Quantitative Strategies

## Hong Kong

Hong Kong saw a strong price momentum phenomenon in April. Stocks with low liquidity were rewarded. Valuation devices performed poorly, with all factors falling into negative territory. Earnings-revision indicators generally worked well, with StarMine predicted surprise being the top factor of the month. Over the past six months, earnings-revision has been the best-performing style based on return/risk.

Growth factors had a mixed performance, with sales growth outperforming EPS growth for a second month. Of the financial yardsticks, pre-tax profit margin returned to profit. Risk measures reflected an ease of risk appetite, with high volatility stocks underperforming their low-risk peers and default probability seeing a rising factor return.

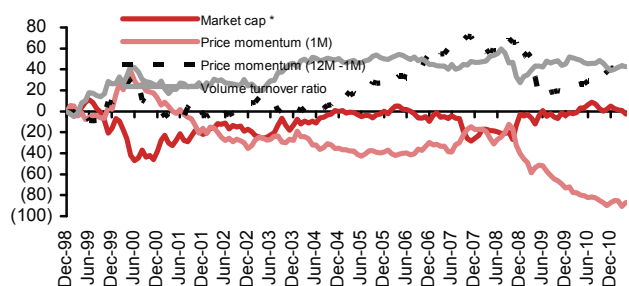
**Hong Kong saw a strong price momentum phenomenon in April; earnings-revision indicators worked well**

**Sales growth outperformed EPS growth for a second month; pre-tax profit margin returned to profit**

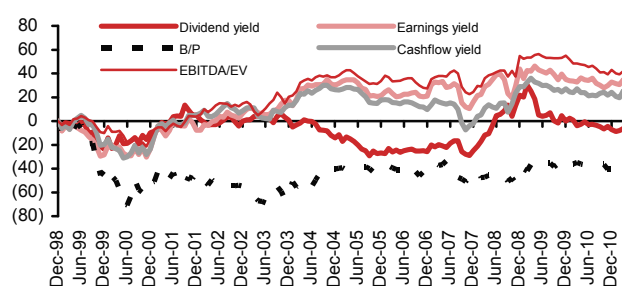
### Exhibit 65. Factor performance — MSCI Hong Kong

Factor	Long-term since 1999			Past 6 months			April 2011		
	Average return	Standard deviation	Avg/std deviation	Average return	Standard deviation	Avg/std deviation	Rank	Factor return (%)	Chg
Market cap *	(0.20)	15.83	(0.01)	(5.75)	8.47	(0.68)	19	(3.44)	↓
Price momentum (1M)	(7.04)	15.13	(0.47)	0.85	11.59	0.07	6	3.63	↑
Price momentum (12M -1M)	3.94	15.89	0.25	29.01	9.69	2.99	2	6.84	↑
Volume turnover ratio	3.45	12.88	0.27	(6.62)	8.60	(0.77)	12	(0.91)	↓
Dividend yield	(0.81)	13.92	(0.06)	(6.37)	8.51	(0.75)	20	(3.50)	↓
Earnings yield	2.63	14.70	0.18	9.00	9.22	0.98	17	(2.34)	↓
B/P	(3.37)	15.27	(0.22)	(10.23)	7.69	(1.33)	18	(3.13)	↓
Cashflow yield	1.92	12.88	0.15	(1.07)	12.08	(0.09)	13	(1.59)	↓
EBITDA/EV	3.23	11.81	0.27	(2.54)	9.52	(0.27)	15	(1.98)	↓
Revision index	4.51	11.12	0.41	31.80	11.75	2.71	3	6.32	↑
Change in earnings yield	14.51	14.86	0.98	37.74	6.83	5.52	4	4.39	↓
StarMine predicted surprise	7.38	13.98	0.53	18.57	13.55	1.37	1	7.31	↑
Normalised E/P	7.55	12.63	0.60	8.11	11.57	0.70	14	(1.88)	↓
Sales growth (FY2)	1.22	11.97	0.10	13.08	12.58	1.04	7	0.68	↓
EPS growth (FY2)	6.11	12.16	0.50	4.85	4.99	0.97	9	(0.10)	↑
Return on equity	4.26	15.78	0.27	13.97	7.10	1.97	11	(0.64)	↓
Shareholders' equity ratio	(3.42)	11.56	(0.30)	(10.79)	9.61	(1.12)	16	(2.27)	↓
Pretax profit margin	(4.94)	12.68	(0.39)	25.52	9.55	2.67	5	3.98	↑
Volatility	(1.14)	14.87	(0.08)	(24.48)	10.12	(2.42)	21	(3.65)	↓
Estimate dispersion	(4.24)	14.89	(0.28)	(20.47)	11.20	(1.83)	8	0.30	→
Default probability *	(0.92)	15.67	(0.06)	(11.72)	7.90	(1.48)	10	(0.12)	↑

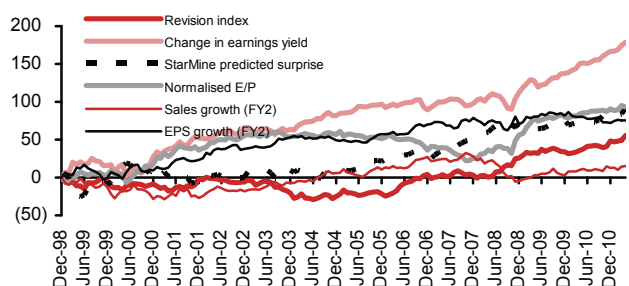
### Exhibit 66. Size, momentum and liquidity factors



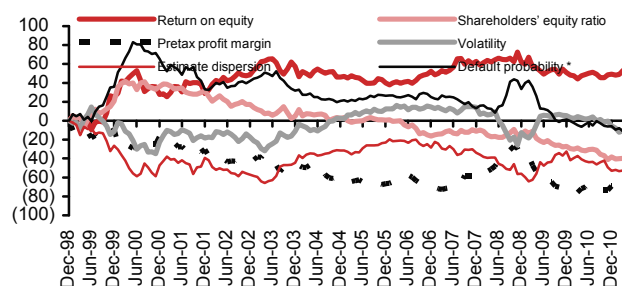
### Exhibit 67. Valuation factors



### Exhibit 68. Revision and earnings yield factors



### Exhibit 69. Financial and risk factors



Notes: Factor returns are annualised figures and do not include transaction costs. The factors marked with \* are reverse-based. See Appendix I for detailed methodology.  
Source: Worldscope, IB/E/S, StarMine, MSCI, Nomura Quantitative Strategies

## India

India saw the continuation of the small-cap style effect, alongside a strong short-term return reversal phenomenon in April. Valuation devices generally worked well, with EV/EBITDA being the top factor of the month. Over the past six months, dividend yield has been a reliable value measure based on return/risk. All earnings-revision indicators posted profits in April, with change in E/P and revision index faring the best.

Growth factors had a weak performance for a second month. All financial yardsticks saw a declining factor return, with shareholders' equity ratio being at the bottom of the pack. Risk indicators reflected a rising risk appetite in this market, with high volatility, high estimate dispersion, and high default probability stocks outperforming their low-risk counterparts.

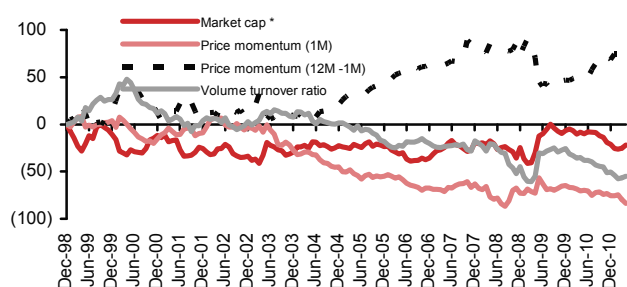
India saw the continuation of the small-cap style effect; valuation devices and earnings-revision indicators generally worked well

Growth factors had a weak performance for a second month; all financial yardsticks saw a declining factor return

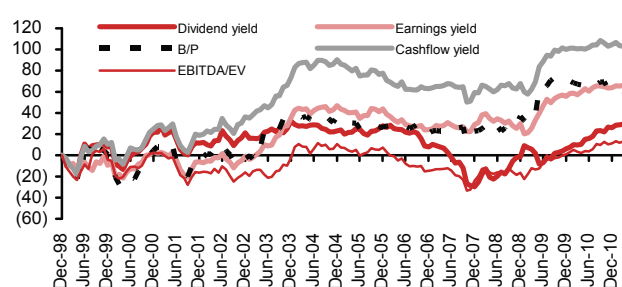
### Exhibit 70. Factor performance — MSCI India

Factor	Long-term since 1999			Past 6 months			April 2011		
	Average return	Standard deviation	Avg/std deviation	Average return	Standard deviation	Avg/std deviation	Rank	Factor return (%)	Chg
Market cap *	(1.78)	16.07	(0.11)	(16.35)	11.13	(1.47)	2	3.33	↑
Price momentum (1M)	(6.78)	14.15	(0.48)	(18.37)	8.96	(2.05)	21	(3.92)	↑
Price momentum (12M -1M)	6.26	20.02	0.31	20.11	15.12	1.33	8	1.27	→
Volume turnover ratio	(4.45)	16.12	(0.28)	(19.69)	11.18	(1.76)	7	1.60	↑
Dividend yield	2.44	15.77	0.16	15.80	6.36	2.48	12	0.70	→
Earnings yield	5.56	14.02	0.40	7.48	4.89	1.53	4	2.62	↑
B/P	4.98	18.45	0.27	(16.39)	12.38	(1.32)	10	0.97	↑
Cashflow yield	8.51	16.84	0.51	(2.15)	8.38	(0.26)	6	1.96	↑
EBITDA/EV	1.42	14.73	0.10	9.70	8.62	1.13	1	4.58	↑
Revision index	12.84	13.36	0.96	6.79	6.67	1.02	5	2.02	↑
Change in earnings yield	4.01	16.29	0.25	16.02	8.73	1.83	3	2.97	↑
StarMine predicted surprise	6.96	12.27	0.57	10.42	9.45	1.10	14	0.13	↓
Normalised E/P	1.99	13.90	0.14	3.60	7.46	0.48	13	0.68	→
Sales growth (FY2)	4.50	14.87	0.30	(20.19)	6.17	(3.27)	17	(2.02)	↓
EPS growth (FY2)	5.13	13.41	0.38	(14.75)	9.17	(1.61)	15	(0.58)	↑
Return on equity	0.21	17.12	0.01	2.39	12.05	0.20	18	(2.44)	↓
Shareholders' equity ratio	(7.43)	12.37	(0.60)	(12.77)	8.16	(1.57)	20	(3.19)	↓
Pretax profit margin	(3.92)	13.53	(0.29)	21.40	10.17	2.10	16	(1.15)	↓
Volatility	(1.15)	18.41	(0.06)	(18.14)	10.03	(1.81)	11	0.84	→
Estimate dispersion	(3.38)	14.37	(0.23)	(16.07)	11.13	(1.44)	9	1.15	↑
Default probability *	(2.74)	12.49	(0.22)	13.35	8.23	1.62	19	(2.93)	↓

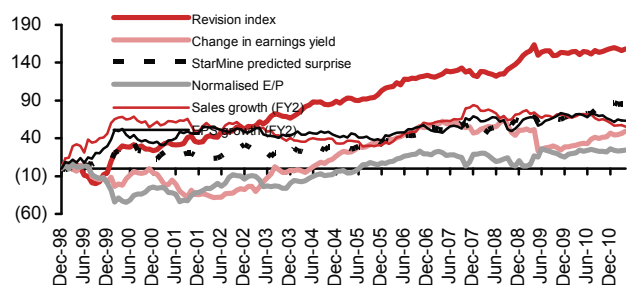
### Exhibit 71. Size, momentum and liquidity factors



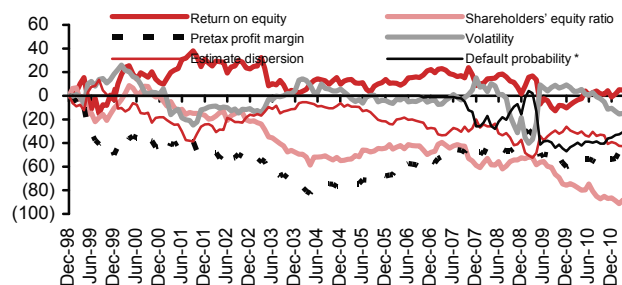
### Exhibit 72. Valuation factors



### Exhibit 73. Revision and earnings yield factors



### Exhibit 74. Financial and risk factors



Notes: Factor returns are annualised figures and do not include transaction costs. The factors marked with \* are reverse-based. See Appendix I for detailed methodology.  
Source: Worldscope, I/B/E/S, StarMine, MSCI, Nomura Quantitative Strategies



## Korea

Korea saw the continuation of the large-cap style effect in April, along with a strong price momentum phenomenon. Valuation devices had a mixed performance, with P/E, EV/EBITDA faring best but dividend yield faring worst. Over the past six months, P/E has been the most reliable measure based on return/risk. Of the earnings-revision indicators, short-term revision index delivered a significant return. In the long run, both the value-investing and earnings-revision strategies have been effective in this market.

Growth factors had a mixed performance, with sales growth outperforming EPS growth. Among the financial yardsticks, pre-tax profit margin performed best. Risk-related measures had a mixed signal, with low estimate dispersion stocks outperforming their high-risk peers, but default probability posted an easing factor return.

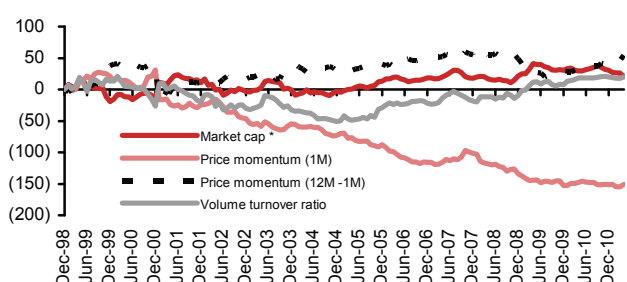
**Korea saw the continuation of the large-cap style effect in April; revision delivered a significant return**

**Among the financial yardsticks, pre-tax profit margin performed best**

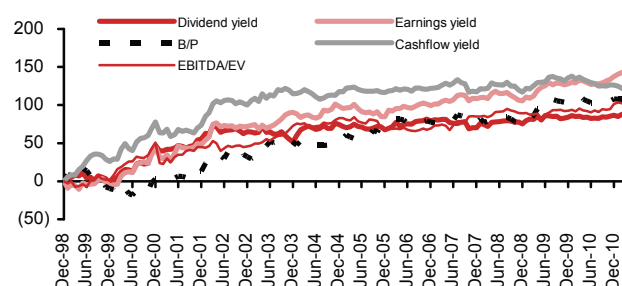
**Exhibit 75. Factor performance — MSCI Korea**

Factor	Long-term since 1999			Past 6 months			April 2011		
	Average return	Standard deviation	Avg/std deviation	Average return	Standard deviation	Avg/std deviation	Rank	Factor return (%)	Chg
Market cap *	1.65	16.83	0.10	(29.52)	6.95	(4.24)	20	(5.50)	↓
Price momentum (1M)	(12.21)	19.37	(0.63)	1.57	8.82	0.18	4	4.14	↑
Price momentum (12M -1M)	4.39	20.62	0.21	25.23	15.40	1.64	1	8.72	↑
Volume turnover ratio	1.61	20.31	0.08	(0.74)	4.41	(0.17)	7	2.07	↑
Dividend yield	6.94	13.05	0.53	3.18	8.04	0.40	17	(3.53)	↓
Earnings yield	11.67	14.47	0.81	24.95	4.61	5.42	8	1.83	↑
B/P	8.17	14.30	0.57	(4.89)	9.29	(0.53)	14	(2.83)	↑
Cashflow yield	9.64	14.58	0.66	(12.19)	5.65	(2.16)	12	(0.50)	↑
EBITDA/EV	8.24	14.05	0.59	15.87	11.13	1.43	9	1.63	↑
Revision index	8.85	11.73	0.75	22.84	10.81	2.11	3	5.97	↑
Change in earnings yield	10.44	15.56	0.67	8.48	11.30	0.75	15	(3.22)	↓
StarMine predicted surprise	8.89	17.09	0.52	21.14	6.60	3.20	6	2.91	→
Normalised E/P	7.53	15.74	0.48	(5.98)	15.34	(0.39)	21	(7.69)	↓
Sales growth (FY2)	4.21	12.94	0.33	3.05	5.41	0.56	10	1.61	↑
EPS growth (FY2)	5.34	13.79	0.39	(8.82)	3.92	(2.25)	13	(2.23)	↓
Return on equity	(2.10)	17.62	(0.12)	21.26	7.55	2.82	5	3.55	→
Shareholders' equity ratio	(1.82)	14.96	(0.12)	(15.38)	11.73	(1.31)	18	(3.95)	↓
Pretax profit margin	(0.60)	14.80	(0.04)	21.59	12.47	1.73	2	7.40	↑
Volatility	0.42	17.57	0.02	0.76	5.30	0.14	11	1.29	↓
Estimate dispersion	1.06	16.68	0.06	(3.69)	8.86	(0.42)	16	(3.22)	↓
Default probability *	(6.55)	17.34	(0.38)	(15.88)	17.11	(0.93)	19	(5.24)	↓

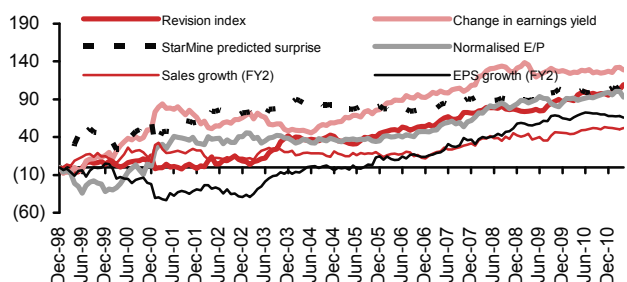
**Exhibit 76. Size, momentum and liquidity factors**



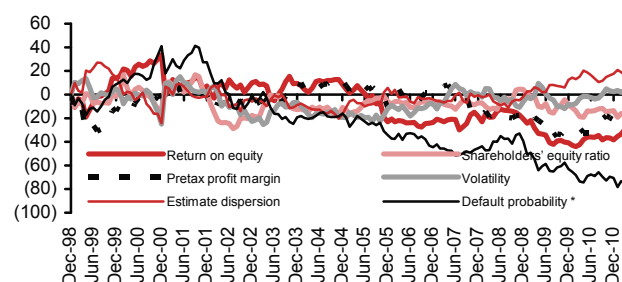
**Exhibit 77. Valuation factors**



**Exhibit 78. Revision and earnings yield factors**



**Exhibit 79. Financial and risk factors**



Notes: Factor returns are annualised figures and do not include transaction costs. The factors marked with \* are reverse-based. See Appendix I for detailed methodology.  
Source: Worldscope, I/B/E/S, StarMine, MSCI, Nomura Quantitative Strategies

## Malaysia

Malaysia saw a revival of the small-cap style effect, along with a short-term price momentum phenomenon in April. All valuation devices bar dividend yield worked well, with P/E, price/cashflow, EV/EBITDA registering a significant return. Earnings-revision indicators had a mixed performance, with StarMine predicted surprise scoring positively but revision index and change in E/P falling into negative territory. In the long run, both value-investing and earnings-revision strategies have worked well in this market based on return/risk.

Of the growth factors, EPS growth outperformed sales growth in April. After performing poorly in previous months, financial yardstick pre-tax profit margin returned to profit and emerged as the top factor of the month. Risk indicators posted a mixed signal in April.

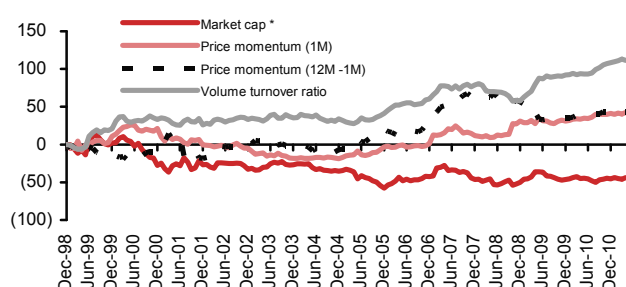
Malaysia saw a revival of the small-cap style effect; all valuation devices bar dividend yield worked well

EPS growth outperformed sales growth; pre-tax profit margin returned to profit

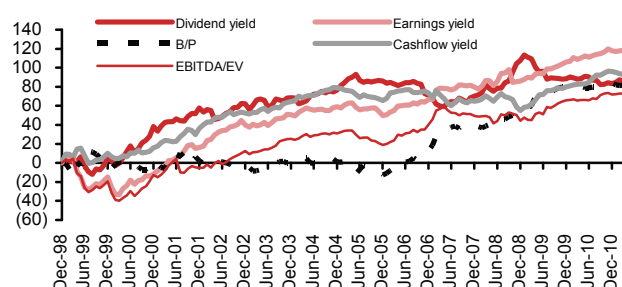
### Exhibit 80. Factor performance — MSCI Malaysia

Factor	Long-term since 1999			Past 6 months			April 2011		
	Average return	Standard deviation	Avg/std deviation	Average return	Standard deviation	Avg/std deviation	Rank	Factor return (%)	Chg
Market cap *	(3.55)	14.12	(0.25)	4.02	5.64	0.71	7	2.20	↑
Price momentum (1M)	3.47	12.13	0.29	5.77	5.19	1.11	6	2.33	↑
Price momentum (12M -1M)	3.52	14.83	0.24	0.46	6.29	0.07	13	(0.62)	↓
Volume turnover ratio	9.05	11.44	0.79	11.93	5.08	2.35	18	(1.81)	↓
Dividend yield	6.60	13.47	0.49	(2.19)	9.30	(0.24)	21	(4.65)	↓
Earnings yield	9.91	12.40	0.80	11.27	8.24	1.37	3	4.11	↑
B/P	6.76	13.39	0.50	1.30	4.88	0.27	10	1.63	↑
Cashflow yield	7.82	10.16	0.77	4.13	6.51	0.63	4	3.43	↑
EBITDA/EV	6.11	12.56	0.49	5.18	4.34	1.19	5	2.35	↑
Revision index	8.74	8.47	1.03	20.81	5.99	3.47	16	(0.69)	↓
Change in earnings yield	0.79	9.69	0.08	6.75	5.38	1.25	14	(0.65)	↓
StarMine predicted surprise	5.16	10.30	0.50	20.70	7.47	2.77	2	4.25	↑
Normalised E/P	2.37	10.97	0.22	(1.19)	6.63	(0.18)	11	0.38	↑
Sales growth (FY2)	3.91	9.96	0.39	2.23	6.25	0.36	15	(0.65)	↓
EPS growth (FY2)	3.32	11.14	0.30	(1.49)	5.44	(0.27)	9	1.81	↑
Return on equity	1.42	13.03	0.11	3.68	5.31	0.69	8	1.87	↑
Shareholders' equity ratio	(5.04)	10.10	(0.50)	(11.21)	6.97	(1.61)	20	(4.05)	↓
Pretax profit margin	(0.63)	10.60	(0.06)	5.31	7.42	0.72	1	4.31	↑
Volatility	1.95	16.02	0.12	(3.60)	6.18	(0.58)	17	(0.93)	↓
Estimate dispersion	(1.40)	12.05	(0.12)	(10.48)	4.14	(2.53)	12	0.37	↑
Default probability *	(0.31)	17.33	(0.02)	(0.51)	6.38	(0.08)	19	(2.07)	→

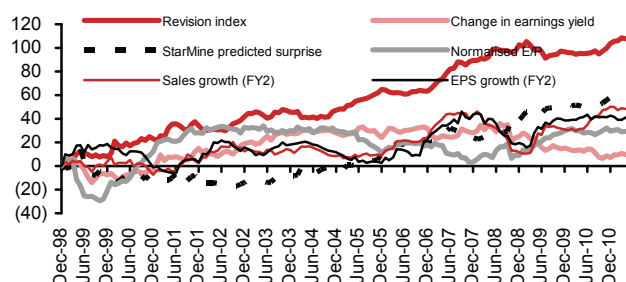
### Exhibit 81. Size, momentum and liquidity factors



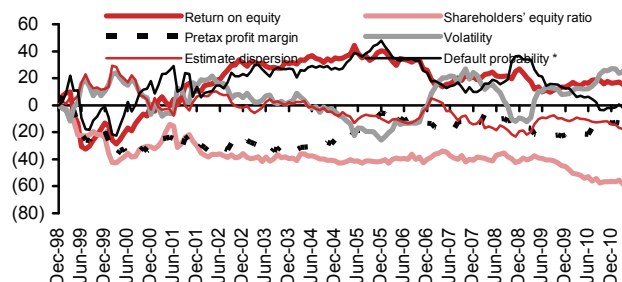
### Exhibit 82. Valuation factors



### Exhibit 83. Revision and earnings yield factors



### Exhibit 84. Financial and risk factors



Notes: Factor returns are annualised figures and do not include transaction costs. The factors marked with \* are reverse-based. See Appendix I for detailed methodology.  
Source: Worldscope, IB/E/S, StarMine, MSCI, Nomura Quantitative Strategies

## Singapore

Singapore saw the continuation of the large-cap style effect in April, along with a mid-term price momentum phenomenon. Valuation devices worked poorly, with EV/EBITDA, price/book being at the bottom of the pack. Dividend yield was the only valuation factor scoring positively. All earnings-revision indicators saw a rising factor return, with change in E/P, StarMine predicted surprise emerging as the top factors of the month.

Growth factors performed well in April, with both EPS growth and sales growth recording profits. Of the financial yardsticks, return on equity registered a positive return for the eighth straight month. Risk-related measures had mixed signals, with low estimate dispersion stocks delivering profit but low default probability stocks underperforming their high-risk peers.

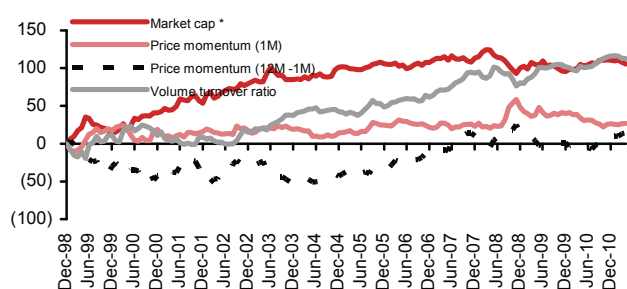
**Valuation devices worked poorly, whereas all earnings-revision indicators saw a rising factor return**

**Growth factors performed well in April; return on equity registered a positive return for the eighth straight month**

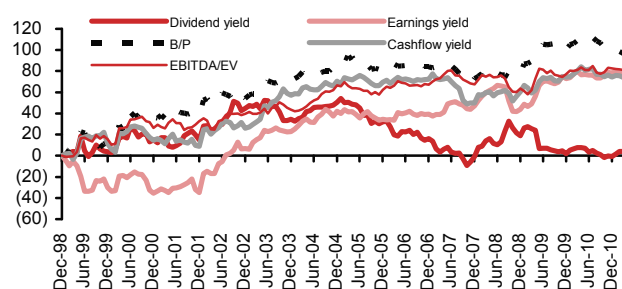
### Exhibit 85. Factor performance — MSCI Singapore

Factor	Long-term since 1999			Past 6 months			April 2011		
	Average return	Standard deviation	Avg/std deviation	Average return	Standard deviation	Avg/std deviation	Rank	Factor return (%)	Chg
Market cap *	8.56	14.42	0.59	(9.92)	5.13	(1.93)	18	(2.60)	→
Price momentum (1M)	2.19	13.78	0.16	9.33	5.38	1.73	10	0.38	↓
Price momentum (12M -1M)	1.15	16.34	0.07	14.45	8.41	1.72	5	1.14	↓
Volume turnover ratio	9.13	15.10	0.60	(0.00)	6.31	(0.00)	13	(0.36)	↑
Dividend yield	0.39	16.09	0.02	13.01	4.56	2.85	8	0.94	↑
Earnings yield	6.25	14.99	0.42	2.84	6.85	0.41	16	(1.97)	↓
B/P	7.63	12.80	0.60	(15.02)	4.73	(3.18)	17	(2.53)	↓
Cashflow yield	5.93	14.45	0.41	(3.02)	4.82	(0.63)	15	(0.80)	↑
EBITDA/EV	6.35	12.14	0.52	(1.09)	7.82	(0.14)	19	(2.76)	↓
Revision index	(0.52)	11.94	(0.04)	9.09	7.61	1.19	7	0.96	↑
Change in earnings yield	(0.80)	16.41	(0.05)	(6.63)	10.09	(0.66)	1	2.96	↑
StarMine predicted surprise	8.84	14.16	0.62	5.64	5.15	1.09	2	2.76	↑
Normalised E/P	5.27	13.26	0.40	(5.28)	7.74	(0.68)	4	1.52	↑
Sales growth (FY2)	(4.60)	12.86	(0.36)	(7.86)	5.60	(1.40)	9	0.93	→
EPS growth (FY2)	0.59	12.79	0.05	3.04	6.77	0.45	6	1.05	↑
Return on equity	(4.21)	12.39	(0.34)	23.40	3.61	6.48	3	1.84	→
Shareholders' equity ratio	(6.66)	12.10	(0.55)	(19.61)	5.05	(3.89)	21	(4.27)	↓
Pretax profit margin	(8.98)	15.40	(0.58)	3.72	4.47	0.83	14	(0.57)	↓
Volatility	6.90	16.94	0.41	15.73	7.55	2.08	11	0.27	↓
Estimate dispersion	3.65	15.74	0.23	(11.10)	2.90	(3.83)	12	(0.30)	↑
Default probability *	(8.95)	15.24	(0.59)	(0.81)	7.94	(0.10)	20	(2.89)	↓

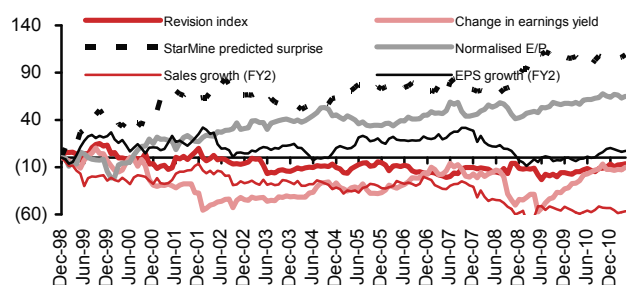
### Exhibit 86. Size, momentum and liquidity factors



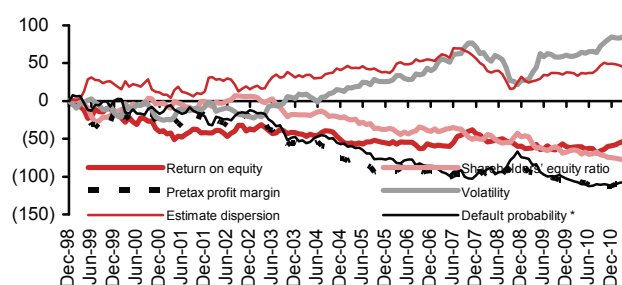
### Exhibit 87. Valuation factors



### Exhibit 88. Revision and earnings yield factors



### Exhibit 89. Financial and risk factors



Notes: Factor returns are annualised figures and do not include transaction costs. The factors marked with \* are reverse-based. See Appendix I for detailed methodology.  
Source: Worldscope, I/B/E/S, StarMine, MSCI, Nomura Quantitative Strategies

## Taiwan

Taiwan saw a revival of the large-cap style effect, along with the continuation of price momentum phenomenon in April. Valuation devices worked poorly for a second month, with EV/EBITDA, price/book, price/cashflow being the worst. Earnings-revision indicators bar long-term normalised E/P worked well, with StarMine predicted surprise, change in E/P, short-term revision index delivering a significant return.

All growth factors scored positively in April. Of the financial yardsticks, both return on equity and pre-tax profit margin saw strong performances. Risk indicators reflected investors to be risk averse, with low volatility, low estimate dispersion, and low default probability stocks outperforming their high-risk peers.

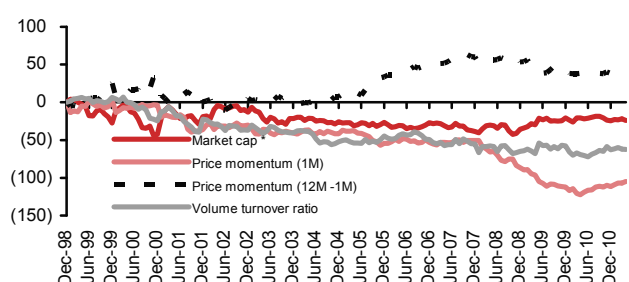
**Taiwan saw the continuation of price momentum phenomenon; value devices worked poorly for a second month**

**All growth factors scored positively; both return on equity and pre-tax profit margin saw strong performances**

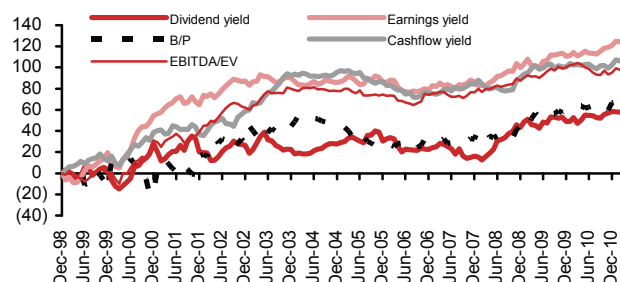
### Exhibit 90. Factor performance — MSCI Taiwan

Factor	Long-term since 1999			Past 6 months			April 2011		
	Average return	Standard deviation	Avg/std deviation	Average return	Standard deviation	Avg/std deviation	Rank	Factor return (%)	Chg
Market cap *	(1.95)	16.12	(0.12)	(7.46)	6.86	(1.09)	16	(2.31)	↓
Price momentum (1M)	(8.49)	14.05	(0.60)	14.84	5.72	2.59	9	2.17	↑
Price momentum (12M -1M)	3.58	16.56	0.22	12.58	8.33	1.51	3	4.50	↑
Volume turnover ratio	(5.05)	14.64	(0.34)	5.08	12.37	0.41	13	(0.17)	↑
Dividend yield	4.67	13.80	0.34	3.92	3.11	1.26	12	0.37	↑
Earnings yield	9.89	11.57	0.85	7.36	7.22	1.02	14	(0.52)	↑
B/P	4.88	18.35	0.27	(9.51)	15.64	(0.61)	18	(3.64)	↓
Cashflow yield	8.29	10.44	0.79	0.69	11.28	0.06	17	(2.74)	↓
EBITDA/EV	7.46	10.03	0.74	(10.09)	11.89	(0.85)	21	(5.31)	↓
Revision index	12.03	8.77	1.37	27.17	5.29	5.13	6	3.61	↑
Change in earnings yield	15.58	11.49	1.36	18.69	8.63	2.17	4	3.91	↑
StarMine predicted surprise	6.94	10.68	0.65	24.85	6.73	3.69	2	4.61	↑
Normalised E/P	12.71	10.38	1.22	(4.58)	9.63	(0.48)	20	(4.83)	↓
Sales growth (FY2)	(0.70)	11.41	(0.06)	2.18	7.67	0.28	7	3.01	↑
EPS growth (FY2)	3.69	9.40	0.39	3.25	6.95	0.47	10	1.94	↑
Return on equity	2.94	17.69	0.17	15.65	13.37	1.17	5	3.89	↑
Shareholders' equity ratio	1.02	11.85	0.09	12.60	3.32	3.79	11	0.65	→
Pretax profit margin	2.72	11.65	0.23	21.65	7.85	2.76	8	2.75	→
Volatility	(6.03)	15.13	(0.40)	(9.62)	10.07	(0.96)	15	(1.58)	↑
Estimate dispersion	(4.37)	13.92	(0.31)	(8.71)	7.58	(1.15)	19	(3.97)	↓
Default probability *	0.35	16.87	0.02	16.78	7.58	2.21	1	4.91	↑

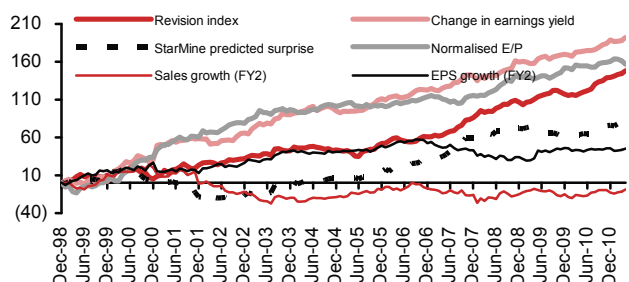
### Exhibit 91. Size, momentum and liquidity factors



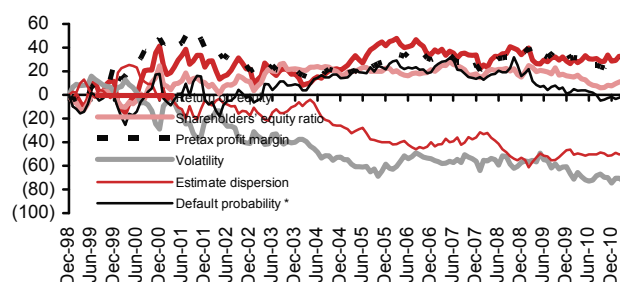
### Exhibit 92. Valuation factors



### Exhibit 93. Revision and earnings yield factors



### Exhibit 94. Financial and risk factors



Notes: Factor returns are annualised figures and do not include transaction costs. The factors marked with \* are reverse-based. See Appendix I for detailed methodology.  
Source: Worldscope, I/B/E/S, StarMine, MSCI, Nomura Quantitative Strategies

## Thailand

Thailand saw a revival of the small-cap style effect, along with a strong return reversal phenomenon in April. Stocks with high liquidity were rewarded. Valuation devices had a mixed performance, with dividend yield, price/book faring best but price/cashflow yield faring worst. Of the earnings-revision indicators, change in E/P and StarMine predicted surprise outperformed their peers. Over the past six months, value-investing outperformed in this market whereas earnings-revision indicators have posted losses based on return/risk.

EPS growth saw a rising factor return in April, whereas sales growth foundered. Among the financial yardsticks, shareholders' equity ratio delivered a solid return. Risk measures had a mixed signal, with high volatility, high default probability stocks outperforming their low-risk peers, but estimate dispersion saw a negative performance.

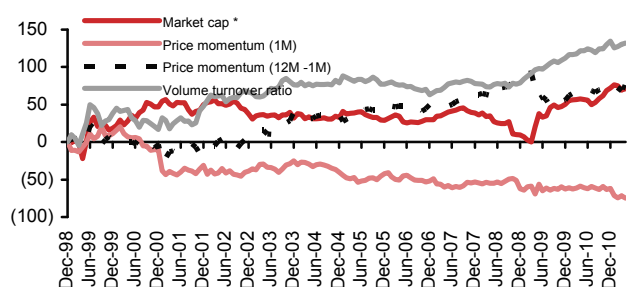
**Thailand saw a revival of the small-cap style effect; valuation devices had a mixed performance, with P/B faring best**

**EPS growth saw rising factor return, whereas sales growth foundered**

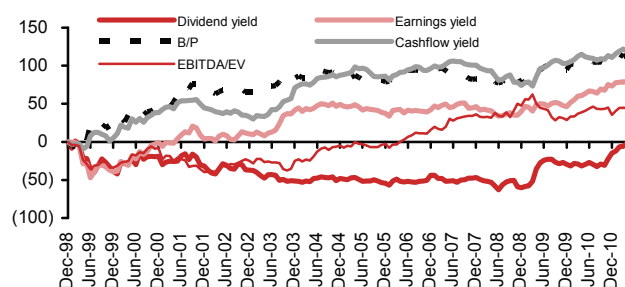
### Exhibit 95. Factor performance — MSCI Thailand

Factor	Long-term since 1999			Past 6 months			April 2011		
	Average return	Standard deviation	Avg/std deviation	Average return	Standard deviation	Avg/std deviation	Rank	Factor return (%)	Chg
Market cap *	5.78	19.78	0.29	18.68	14.94	1.25	5	1.79	↑
Price momentum (1M)	(6.08)	17.20	(0.35)	(31.65)	16.11	(1.96)	19	(3.24)	↓
Price momentum (12M -1M)	5.84	17.72	0.33	2.53	14.93	0.17	13	(1.81)	↓
Volume turnover ratio	10.72	18.52	0.58	15.64	18.13	0.86	6	1.76	↓
Dividend yield	(0.16)	16.79	(0.01)	57.68	9.89	5.83	1	3.81	↑
Earnings yield	6.40	16.09	0.40	22.46	12.37	1.81	10	0.29	→
B/P	9.25	14.60	0.63	24.24	11.15	2.17	3	2.41	↑
Cashflow yield	9.68	14.00	0.69	21.73	11.84	1.84	16	(2.69)	↓
EBITDA/EV	3.62	15.24	0.24	2.49	18.38	0.14	11	(0.28)	→
Revision index	2.08	13.50	0.15	(40.91)	11.46	(3.57)	14	(2.46)	→
Change in earnings yield	15.01	14.46	1.04	8.45	13.89	0.61	7	1.48	↑
StarMine predicted surprise	3.13	17.36	0.18	(9.19)	24.95	(0.37)	8	1.39	↓
Normalised E/P	7.63	14.72	0.52	(18.47)	12.30	(1.50)	18	(2.95)	↑
Sales growth (FY2)	(8.90)	17.84	(0.50)	(35.09)	18.78	(1.87)	17	(2.95)	↓
EPS growth (FY2)	(1.30)	11.81	(0.11)	(28.21)	10.12	(2.79)	9	0.84	↑
Return on equity	(3.10)	17.06	(0.18)	(29.57)	15.45	(1.91)	20	(4.07)	↓
Shareholders' equity ratio	(6.20)	15.16	(0.41)	6.45	14.66	0.44	4	2.06	↑
Pretax profit margin	(2.97)	18.60	(0.16)	(30.88)	20.12	(1.53)	21	(4.09)	↓
Volatility	4.80	21.98	0.22	27.52	16.68	1.65	2	2.99	→
Estimate dispersion	5.29	18.94	0.28	(2.82)	11.65	(0.24)	12	(1.17)	→
Default probability *	(8.74)	17.28	(0.51)	(30.31)	21.33	(1.42)	15	(2.48)	↑

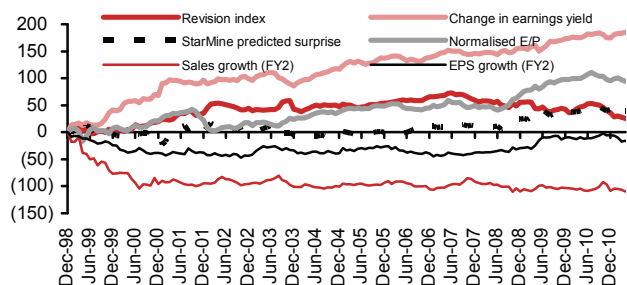
### Exhibit 96. Size, momentum and liquidity factors



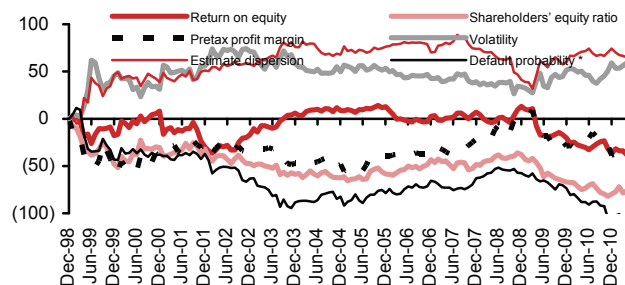
### Exhibit 97. Valuation factors



### Exhibit 98. Revision and earnings yield factors



### Exhibit 99. Financial and risk factors



Notes: Factor returns are annualised figures and do not include transaction costs. The factors marked with \* are reverse-based. See Appendix I for detailed methodology.

Source: Worldscope, I/B/E/S, StarMine, MSCI, Nomura Quantitative Strategies



## China Domestic A-shares

China Domestic A-shares saw a revival of the large-cap style effect in April. Valuation devices performed well, with price/book, P/E, EV/EBITDA, price/cashflow being the top factors of the month. All earnings-revision indicators delivered profits, with change in E/P and long-term normalised E/P outperformed their peers. Over the past six months, both value investing and earnings-revision have been effective in this market in terms of return/risk.

Growth factors had a mixed performance, with EPS growth scoring positively but sales growth posting losses. All financial yardsticks foundered, with shareholders' equity ratio faring the worst. Risk measures reflected investors to be risk averse, with low volatility, low estimate dispersion, and low default probability stocks outperforming their high-risk peers in April.

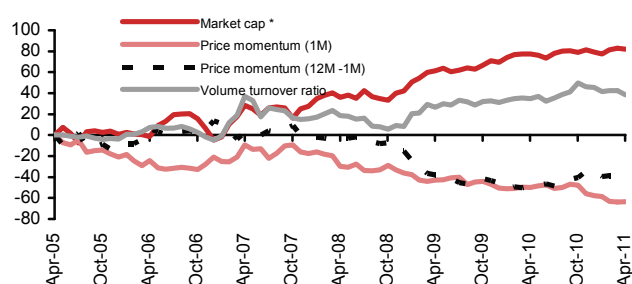
**Valuation devices performed well in April; all earnings-revision indicators delivered profits**

**Growth factors had a mixed performance; all financial yardsticks foundered; risk measures reflected investors to be risk averse**

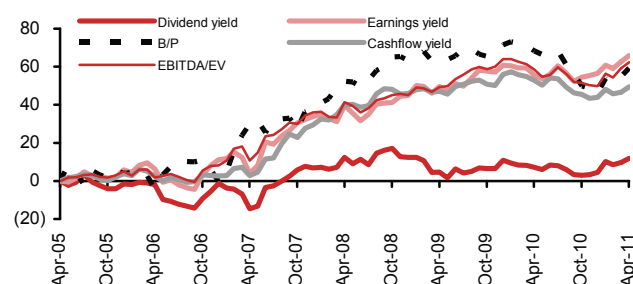
### Exhibit 100. Factor performance — China CSI 300

Factor	Long-term since 2005			Past 6 months			April 2011		
	Average return	Standard deviation	Avg/std deviation	Average return	Standard deviation	Avg/std deviation	Rank	Factor return (%)	Chg
Market cap *	13.67	17.22	0.79	6.05	8.88	0.68	15	(0.85)	↓
Price momentum (1M)	(10.60)	14.46	(0.73)	(31.73)	11.13	(2.85)	12	0.11	↑
Price momentum (12M -1M)	(6.75)	14.90	(0.45)	(0.18)	13.26	(0.01)	18	(2.35)	↓
Volume turnover ratio	6.40	16.50	0.39	(22.59)	7.83	(2.88)	20	(4.15)	↓
Dividend yield	1.97	10.53	0.19	17.56	8.28	2.12	7	2.17	↑
Earnings yield	10.98	12.28	0.89	22.70	7.98	2.85	2	3.19	→
B/P	9.86	14.80	0.67	18.89	14.17	1.33	1	4.47	↑
Cashflow yield	8.25	9.10	0.91	8.24	8.94	0.92	4	2.95	↑
EBITDA/EV	10.40	10.28	1.01	21.93	12.31	1.78	3	3.15	↓
Revision index	5.14	6.39	0.80	12.22	4.67	2.62	9	0.90	↑
Change in earnings yield	13.30	10.55	1.26	35.13	8.59	4.09	5	2.72	↑
StarMine predicted surprise	6.97	8.71	0.80	8.53	1.27	6.73	10	0.48	→
Normalised E/P	9.87	8.95	1.10	21.79	5.57	3.91	6	2.64	↑
Sales growth (FY2)	4.21	8.92	0.47	4.70	7.33	0.64	16	(0.98)	→
EPS growth (FY2)	(0.04)	7.92	(0.01)	1.96	5.92	0.33	11	0.21	↑
Return on equity	1.92	17.05	0.11	2.31	9.45	0.24	17	(2.27)	↓
Shareholders' equity ratio	(7.32)	6.49	(1.13)	(6.87)	5.72	(1.20)	19	(2.44)	↓
Pretax profit margin	(2.78)	10.61	(0.26)	(11.32)	6.46	(1.75)	14	(0.64)	→
Volatility	8.33	13.90	0.60	(19.13)	13.73	(1.39)	21	(4.35)	↓
Estimate dispersion	3.22	9.20	0.35	(5.00)	6.10	(0.82)	13	(0.07)	→
Default probability *	(4.71)	11.37	(0.41)	4.86	8.80	0.55	8	1.45	↑

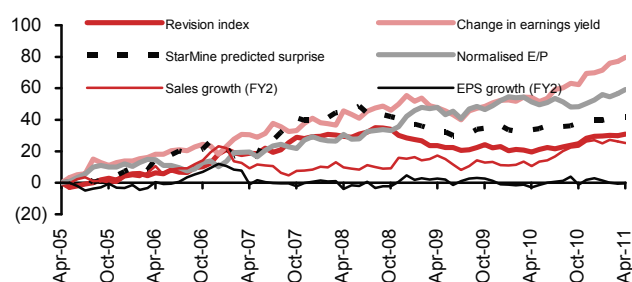
### Exhibit 101. Size, momentum and liquidity factors



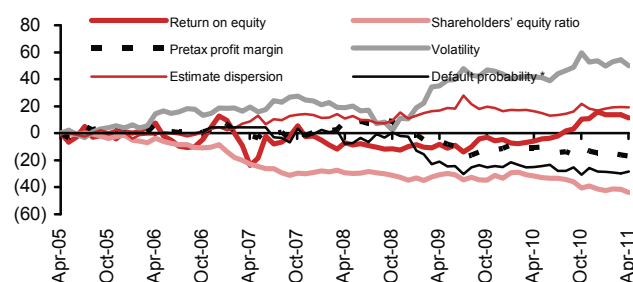
### Exhibit 102. Valuation factors



### Exhibit 103. Revision and earnings yield factors



### Exhibit 104. Financial and risk factors



Notes: Factor returns are annualised figures and do not include transaction costs. The factors marked with \* are reverse-based. See Appendix I for detailed methodology.  
Source: Worldscope, I/B/E/S, StarMine, MSCI, Nomura Quantitative Strategies

# Overall quantitative indicator summary (end-April 2011)

## Exhibit 105. Summary

Market	Earnings consensus		Valuations (FY11F)				Best-performing investment style*	Technical indicator		
	Revision index	FY11F EPS growth (%)	P/E (x)	P/BV (x)	ROE (%)	DY (%)		Against 250D MA**	Overbought/oversold**	Cumulative Breadth (m-m)
China	↓	21.9	12.6	2.1	17.4	2.5	StarMine PS,chg in E/P,norm E/P	Above	Neutral	Flat
Hong Kong	↑	16.9	11.7	1.7	14.7	3.4	Chg in EY,MOM 12M,revision index	Above	Neutral	Flat
Red-chip	→	9.8	12.3	1.9	16.1	3.1	N/A	Moderately above	Neutral	Falling
H-Share	→	18.2	10.1	1.9	19.3	3.6	N/A	Above	Neutral	Falling
Indonesia	→	26.5	14.7	2.9	21.3	2.6	E/P,norm E/P,EBITDA/EV	Above	Marginally Overbought	Rising
Korea	→	23.1	11.0	1.5	14.2	1.9	E/P,large cap,StarMine PS,ROE	Above	Neutral	Falling
Malaysia	↓	16.7	14.8	2.1	14.7	3.7	RI,StarMine PS,vol ratio	Above	Neutral	Falling
Philippines	→	11.9	13.7	2.0	15.7	2.6	Equity ratio,sales growth,B/P	Above	Neutral	Rising
Singapore	→	9.8	13.9	1.6	10.2	2.9	ROE,DY,volatility	Moderately above	Neutral	Falling
Taiwan	↑	15.1	13.7	2.0	13.8	4.3	RI,equity ratio,StarMine PS	Above	Neutral	Flat
Thailand	↑	11.5	13.0	2.1	16.1	3.6	DY,B/P,cashflow yield	Above	Neutral	Flat
Australia	→	23.1	13.3	1.9	14.2	4.2	Sales growth,MOM 1M,DY	Moderately above	Neutral	Falling
India	↑	17.6	15.3	2.6	17.7	1.7	DY,profit margin,chg in EY	Moderately below	Neutral	Falling

Notes:

\* Best investment styles in the past six months

\*\* Priced as at 2 May, 2011

Cumulative breadth for Australia and Philippines are based on stocks in the top 80% of the market, while for other markets the number of advances and declines are based on whole market basis

Source: Thomson Reuters Datastream, Bloomberg, Worldscope, I/B/E/S, Nomura Quantitative Strategies

## Exhibit 106. P/E comparison between top and bottom one-third by market cap in FTSE Asia-Pacific ex Japan

	Top one-third group by market cap			Bottom one-third group by market cap			Apr 2011 P/E (F)
	Apr 2011 P/E (F)	Avg P/E since 1998	Ratio (a): Apr 2011/avg	Apr 2011 P/E (F)	Avg P/E since 1998	Ratio (b): Apr 2011/avg	Ratio (a/b): top/bottom
Asia-Pacific ex Japan	15.5	16.8	0.92	15.3	14.1	1.08	0.85
Hong Kong	17.7	16.9	1.05	16.3	12.9	1.26	0.83
China	15.3	25.3	0.61	18.6	17.9	1.04	0.58
Singapore	14.8	17.1	0.87	10.8	16.1	0.67	1.28
Malaysia	15.1	16.0	0.94	17.7	13.9	1.27	0.74
Korea	11.2	12.3	0.91	12.3	10.6	1.16	0.79
Taiwan	14.3	16.7	0.85	17.5	15.0	1.16	0.73
Thailand	12.5	14.7	0.85	13.9	13.2	1.05	0.81
Indonesia	16.1	14.8	1.08	15.7	11.4	1.38	0.79
Philippines	13.6	17.0	0.80	16.5	11.0	1.50	0.53
India	16.7	17.8	0.94	13.4	13.0	1.03	0.91
Australia	18.8	17.3	1.09	14.0	15.0	0.93	1.16
New Zealand	16.5	17.9	0.92	14.6	15.7	0.93	0.99

Source: I/B/E/S, FTSE, Nomura Quantitative Strategies. Universe is based on FTSE AW Asia-Pacific ex Japan Index constituents



## Appendix I: Analysis of factor performance

- We use the MSCI Standard AC Asia-Pacific ex Japan index regional and country universe for the analysis. For China's domestic market, the universe is based on the CSI 300 Index.
- Grouping simulation methodology: factor returns and rankings are generated by calculating the subsequent performance of an equal-weighted portfolio that is long the highest one-third and short the one-third with the lowest scores (country and sector diversified for regional universe and sector diversified for country universe), except for the factors marked with \*, which are reverse-based.
- We rebalance the factor portfolios on a monthly basis at the end of each month and track their performance by looking at the subsequent one-month returns of each stock in the long and short portfolios on an equal-weighted basis.
- Monthly long-short spread returns when investors invest on the basis of each factor are accumulated over time.
- The calculation does not incorporate transaction costs.

### Exhibit 107. Factor definitions

Type	Factors	Definition
Size, price momentum & Liquidity	Market cap *	Log of US\$ market cap
	Price momentum (1M)	Past 1-month local currency return
	Price momentum (12M -1M)	Last 12-month return less the last 1 month return in local currency
	Volume turnover ratio	Past 1-month trading volume / shares outstanding at month-end
Valuation	Dividend yield	F12-month DPS / stock price
	Earnings yield	F12-month EPS / stock price
	B/P	Actual BPS / stock price
	Cashflow yield	F12-month cashflow per share / stock price
	EBITDA/EV	(F12-month net profit + actual interest expense + actual depreciation) / (market cap + interest-bearing debt - cash - short-term marketable securities)
Revision & earnings yield	Revision index	(Number of upward analyst revisions - number of downward analyst revisions) / total number of analysts' estimate
	Change in earnings yield	F12-month earnings yield - past 3-month average earnings yield
	StarMine predicted surprise	(SmartEstimate F12-month - consensus mean) / max(divisor,  mean )
	Normalised E/P	(F12-month earnings yield - average earnings yield in past 36 months) / standard deviation of the earnings yields in the past 36 months
Growth	Sales growth (FY2)	FY2 sales / FY1 sales
	EPS growth (FY2)	FY2 EPS / FY1 EPS
Financial	Return on equity	F12-month net profit / actual shareholders' equity
	Shareholders' equity ratio	Actual shareholders' equity / actual total assets
	Pretax profit margin	F12-month pre-tax profit / F12-month sales
Risk	Volatility	Past 36-month price return volatility
	Estimate dispersion	I/B/ES FY1 consensus EPS standard deviation / absolute value for FY1 consensus EPS
	Default probability *	Default probability estimated using Merton model

Source: Nomura Quantitative Strategies

## Appendix II: Risk premium for Asia-Pacific markets

Exhibit 108. Australia

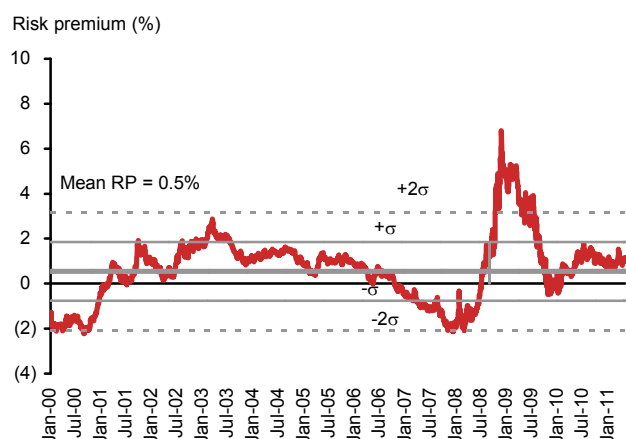


Exhibit 109. Hong Kong

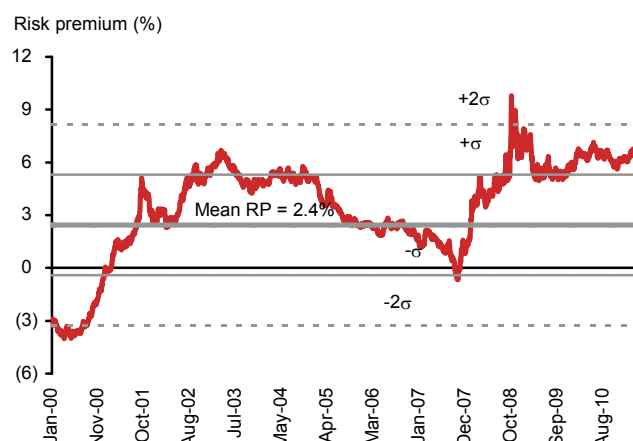


Exhibit 110. Korea

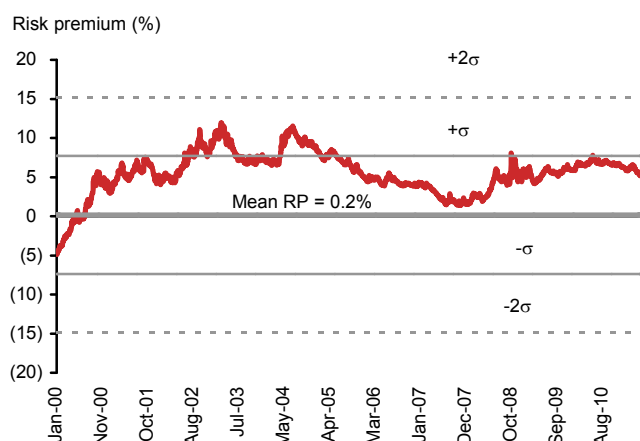


Exhibit 111. Taiwan

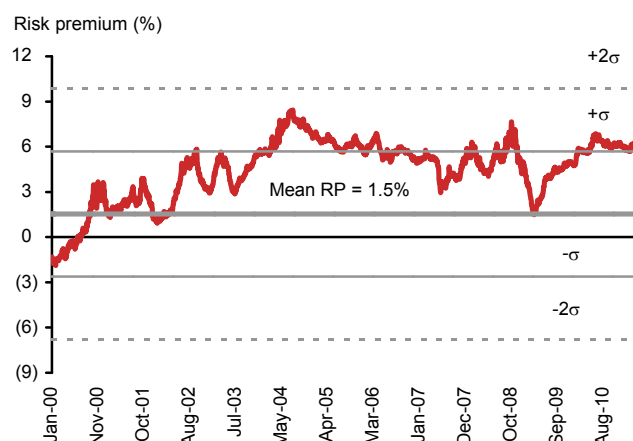


Exhibit 112. Malaysia

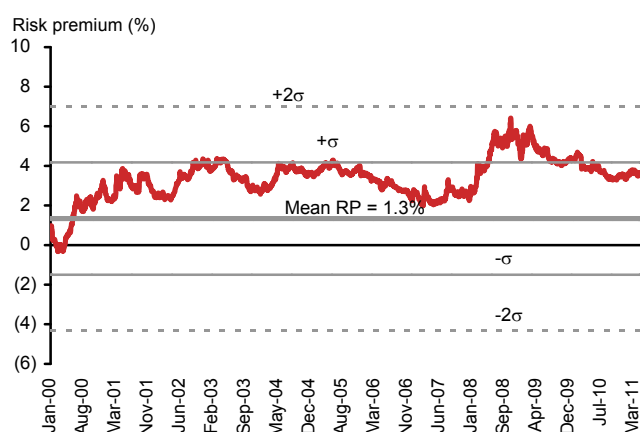
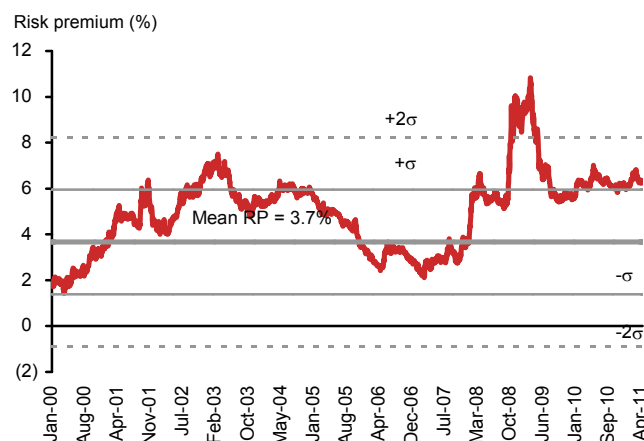
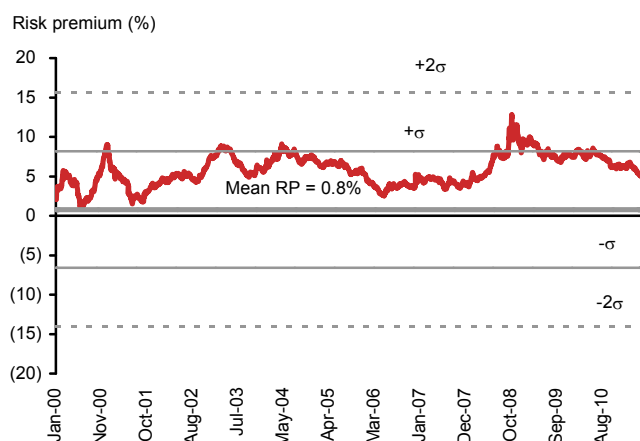
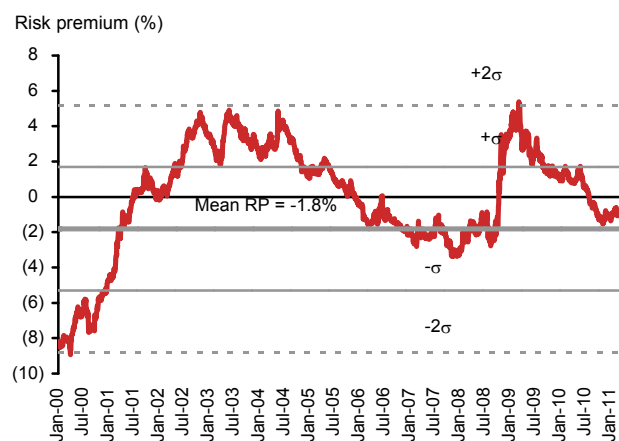
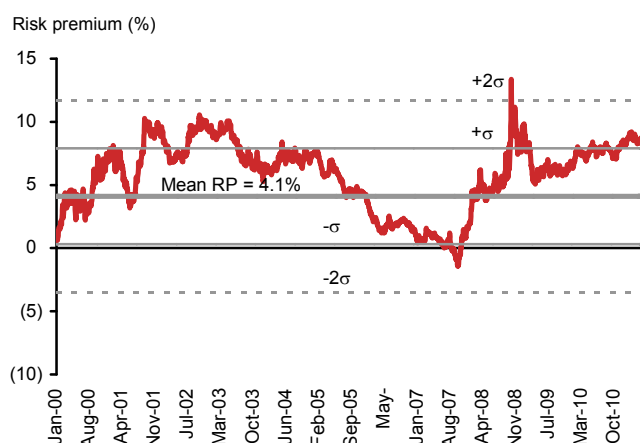
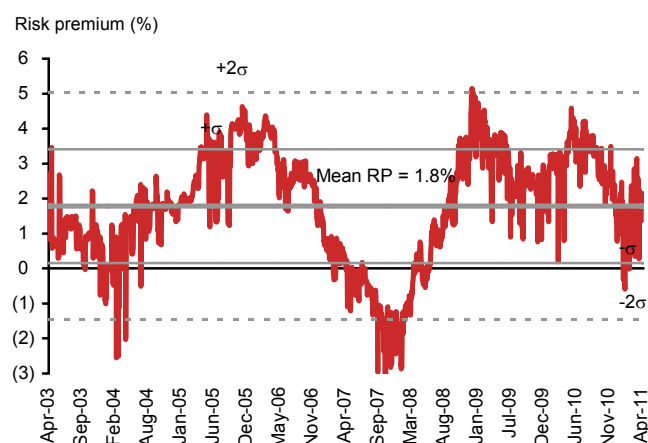
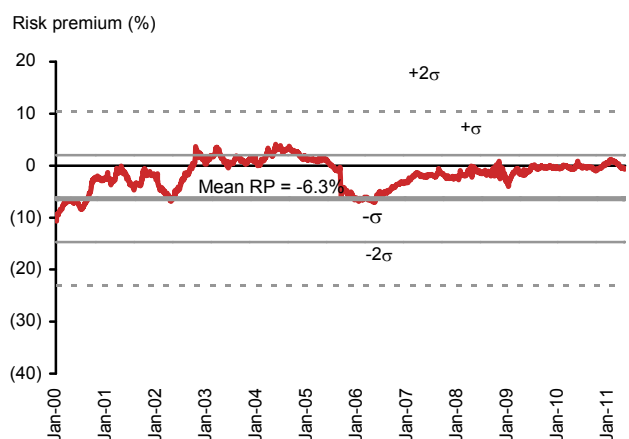
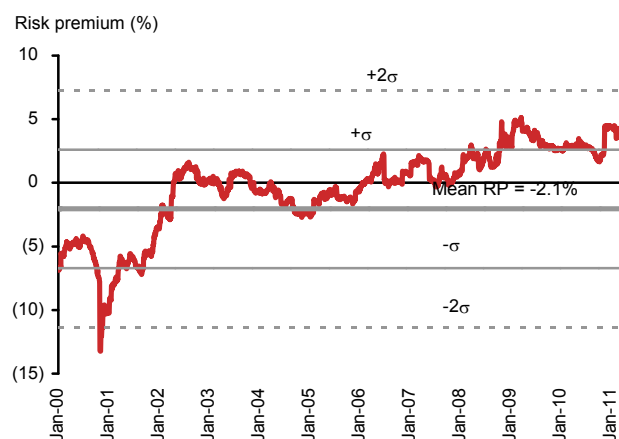


Exhibit 113. Singapore



Note: Risk premium is calculated based on forecast earnings yield minus short-term interbank interest rate

Source: Bloomberg, Thomson Reuters Datastream, I/B/E/S, Nomura Quantitative Strategies

**Exhibit 114. Thailand****Exhibit 115. India****Exhibit 116. Hong Kong (HSCEI)****Exhibit 117. China (CSI 300)****Exhibit 118. Indonesia****Exhibit 119. Philippines**

Note: Risk premium is calculated based on forecast earnings yield minus short-term interbank interest rate

Source: Bloomberg, Thomson Reuters Datastream, I/B/E/S, Nomura Quantitative Strategies

## Appendix III: Cumulative breadth for Asia-Pacific markets

Exhibit 120. Australia

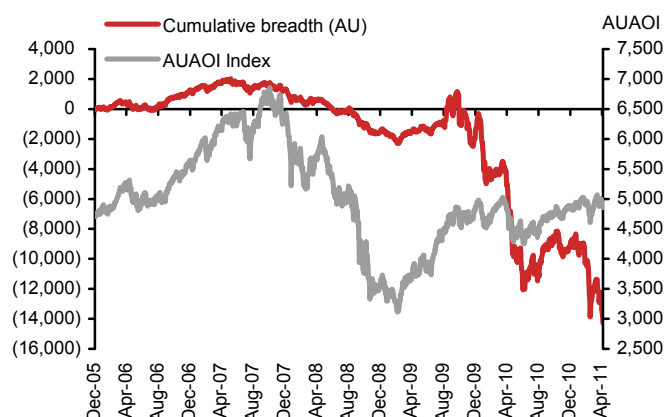


Exhibit 121. Hong Kong

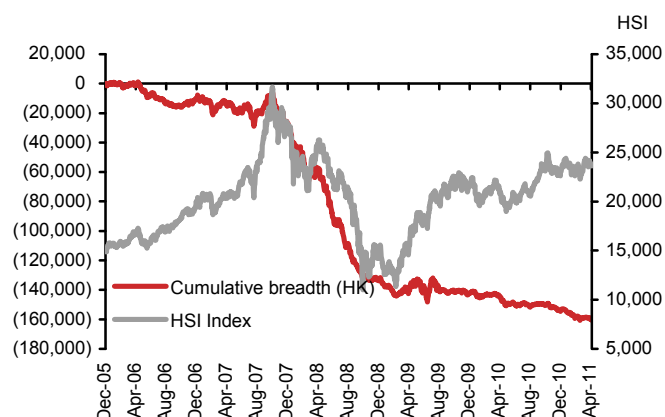


Exhibit 122. Korea

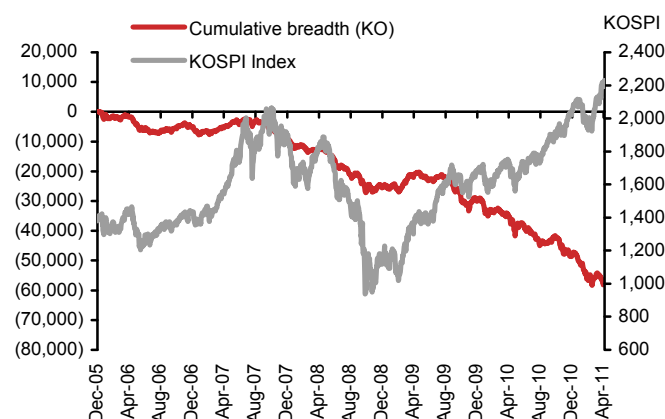


Exhibit 123. Taiwan

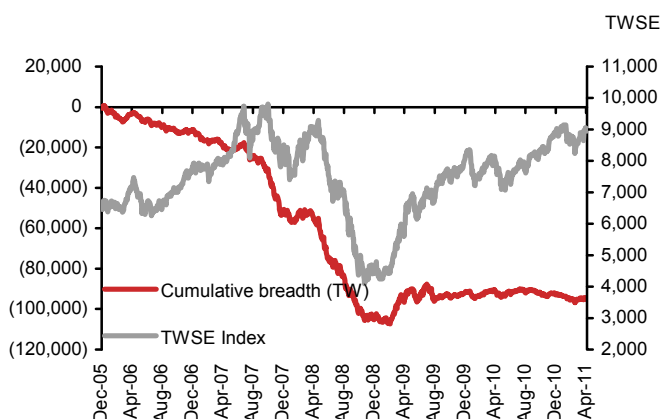


Exhibit 124. Malaysia

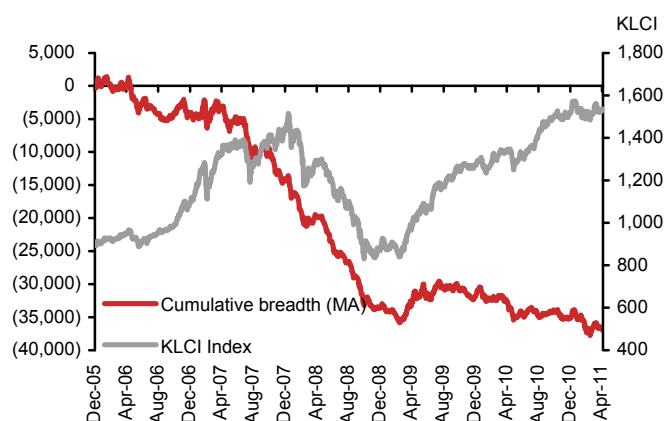
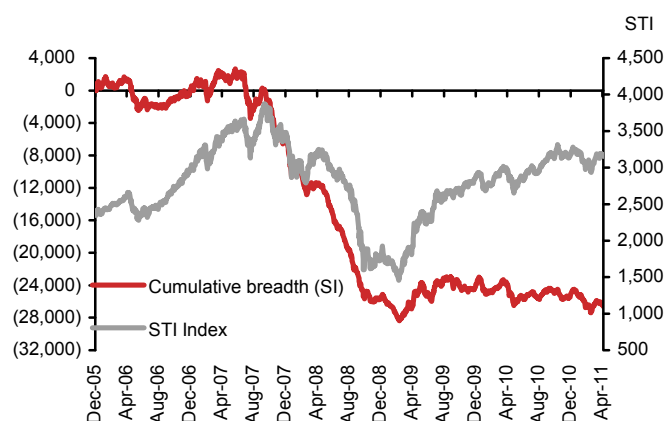


Exhibit 125. Singapore



Note: Cumulative breadth for Australia based on stocks that are in the top 80% of the market; for India it is based on BSE-500 index; and for all other markets it is based on the numbers of advances and declines in the whole market. We define cumulative breadth as the cumulative number of advances minus number of declines

Source: Bloomberg, Thomson Reuters Datastream, I/B/E/S, Nomura Quantitative Strategies

Exhibit 126. Thailand

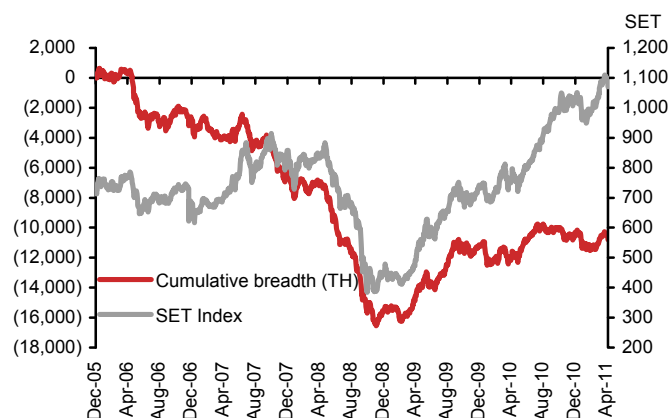


Exhibit 127. India

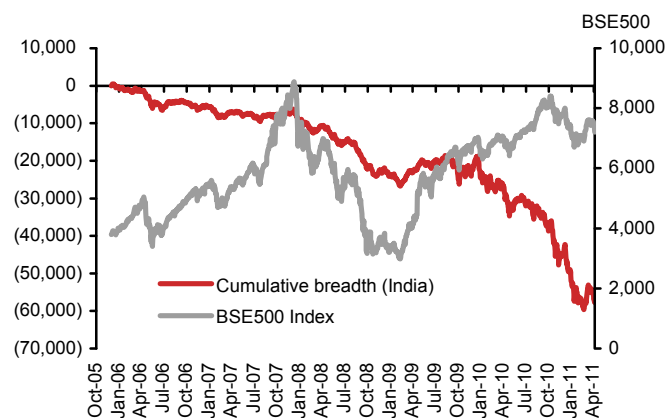


Exhibit 128. Hong Kong (HSCEI)

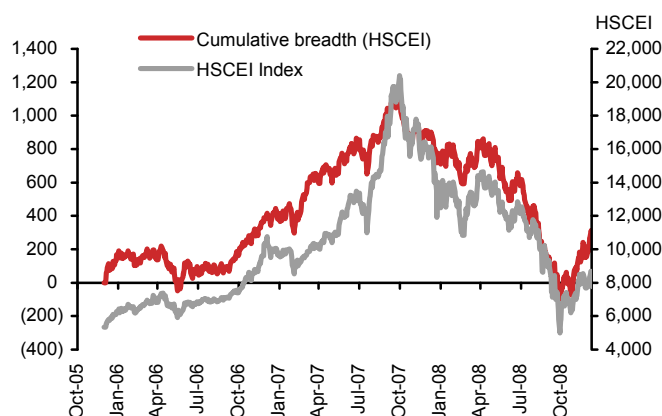


Exhibit 129. China A-shares

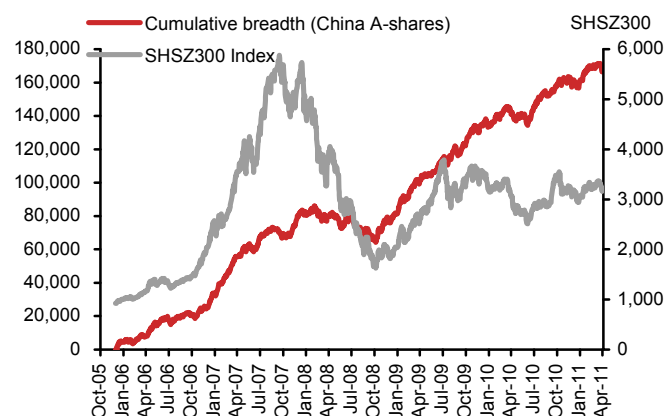


Exhibit 130. Indonesia

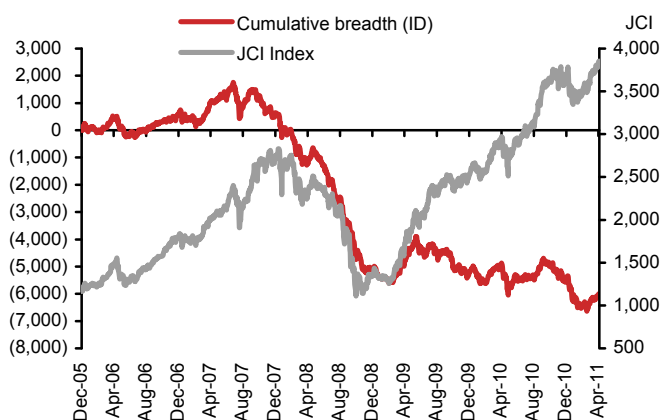
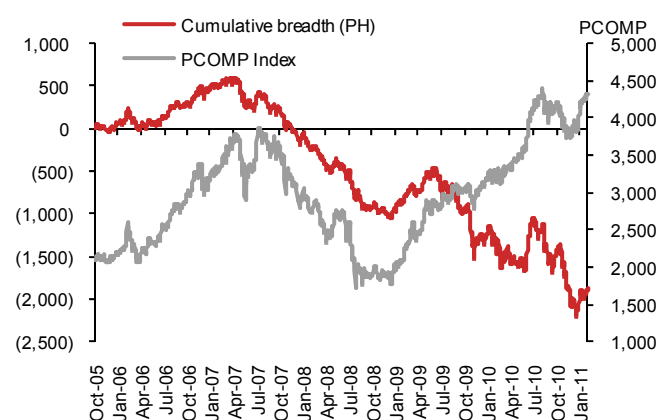


Exhibit 131. The Philippines



Note: Cumulative breadth for Australia based on stocks that are in the top 80% of the market; for India it is based on BSE-500 index; and for all other markets it is based on the numbers of advances and declines in the whole market. We define cumulative breadth as the cumulative number of advances minus number of declines

Source: Bloomberg, Thomson Reuters Datastream, I/B/E/S, Nomura Quantitative Strategies

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- Asia-Pacific Quantitative Insight
- Asia-Pacific Fundflow Insight
- Asia Technical Analysis Focus
- Quantitative Outlook 2011
- Quants Factor Dynamics / Quants/Technical Bulletin
- Index reshuffle projection research (coverage: HSI/HSCEI, S&P/ASX 200, FTSE STI, KOSPI 200, FTSE Xinhua China 25/A50 Indices)
- Customised Asia Pair Trade Monitor
- Hong Kong Short-Selling Activity / Asia Earnings Results Monitor
- Asia-Pacific Quantitative Landscape – The changing landscape of Asian markets
- Monthly update of Asian Equity/China A-shares Quant models and daily factor performance presentations

### Asia Equity Quant Models reports

- Style Selection Model – A systematic style-switching approach
- Playing high yield: saving the score; reliability is key to high-yield stocks
- China Quantitative Strategy: Towards the futures
- Low Dispersion Return reversal: catching the swing
- Enhanced Earnings Revision Strategy
- Value-based Accruals Strategy
- Downside Beta Strategy
- Mid-term Momentum Strategy
- Consensus Rating Strategy
- Asia Pacific Statistical Pair Trading – Managing the ups and downs

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A rating of '**Reduce**', indicates that the analyst expects the stock to underperform the Benchmark over the next 12 months.

A rating of '**Suspended**', indicates that the rating and target price have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances including when Nomura is acting in an advisory capacity in a merger or strategic transaction involving the company.

Benchmarks are as follows: **United States/Europe**: Please see valuation methodologies for explanations of relevant benchmarks for stocks (accessible through the left hand side of the Nomura Disclosure web page: <http://www.nomura.com/research>); **Global Emerging Markets (ex-Asia)**: MSCI Emerging Markets ex-Asia, unless otherwise stated in the valuation methodology.

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A **'Buy'** recommendation indicates that potential upside is 15% or more.

A **'Neutral'** recommendation indicates that potential upside is less than 15% or downside is less than 5%.

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Benchmarks are as follows: **Japan:** TOPIX; **United States:** S&P 500, MSCI World Technology Hardware & Equipment; **Europe**, by sector - **Hardware/Semiconductors:** FTSE W Europe IT Hardware; **Telecoms:** FTSE W Europe Business Services; **Business Services:** FTSE W Europe; **Auto & Components:** FTSE W Europe Auto & Parts; **Communications equipment:** FTSE W Europe IT Hardware; **Ecology Focus:** Bloomberg World Energy Alternate Sources; **Global Emerging Markets:** MSCI Emerging Markets ex-Asia.

## Explanation of Nomura's equity research rating system for Asian companies under coverage ex Japan published prior to 30 October 2008

### STOCKS

Stock recommendations are based on absolute valuation upside (downside), which is defined as (Fair Value - Current Price)/Current Price, subject to limited management discretion. In most cases, the Fair Value will equal the analyst's assessment of the current intrinsic fair value of the stock using an appropriate valuation methodology such as Discounted Cash Flow or Multiple analysis etc. However, if the analyst doesn't think the market will revalue the stock over the specified time horizon due to a lack of events or catalysts, then the fair value may differ from the intrinsic fair value. In most cases, therefore, our recommendation is an assessment of the difference between current market price and our estimate of current intrinsic fair value. Recommendations are set with a 6-12 month horizon unless specified otherwise. Accordingly, within this horizon, price volatility may cause the actual upside or downside based on the prevailing market price to differ from the upside or downside implied by the recommendation.

A **'Strong buy'** recommendation indicates that upside is more than 20%.

A **'Buy'** recommendation indicates that upside is between 10% and 20%.

A **'Neutral'** recommendation indicates that upside or downside is less than 10%.

A **'Reduce'** recommendation indicates that downside is between 10% and 20%.

A **'Sell'** recommendation indicates that downside is more than 20%.

### SECTORS

A **'Bullish'** rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a positive absolute recommendation.

A **'Neutral'** rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a neutral absolute recommendation.

A **'Bearish'** rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a negative absolute recommendation.

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