

# Global Equity Strategy

## Who sells where in 2016

Nearly half of corporate revenues are generated outside of their domestic markets

Index composition and corporate reporting shortcomings make this fertile ground to add value

We present seven investment themes and 25 stock screens, and analyze 29 country indices



# Summary

**We update our comprehensive 110-page guide** to the geographic breakdown of corporate revenues. We identify where companies generated their revenues in 2015 and aggregate to the sector and market levels.

**There are significant market inefficiencies here.** Global indices are domicile-, not revenue-, based, and the difference is dramatic. Corporate geographic revenue disclosure is inconsistent and opaque. Combined, this makes understanding corporates revenue exposure fertile ground to add value. We present our analysis of the 29 major individual Developed and Emerging country indices (pages 45-110), 25 stock screens highlighting ways to play GDP and FX trends, and arbitrage valuation anomalies across indices. More are available on request.

**European companies are the most global**, with almost 50% of revenues generated from overseas. With global GDP weak and perceived risks high, this has contributed to European equity market underperformance. Europe's high exposure to a stabilizing Emerging Markets (EM) is a silver-lining though. The US is the most closed of the developed markets, and this has been increasing given the strong USD. This closed nature has contributed to the US's global 'safer haven' status. Japanese overseas revenues have increased significantly in recent years, but this may be under threat now from yen appreciation. EM is by far the most closed region globally, and this may provide some protection from the threat of stalling globalization. Globally, overseas revenues have flat-lined at 44% in recent years, after previous strong growth.

**Economies and equity markets are not created equal**, however. European markets are very open relative to their economies. The share of overseas revenues of French, Italian and Swedish companies far exceeds the share of exports in GDP. By comparison, EM stock markets are much more closed than their economies, led by Asia.

This geographic breakdown analysis allows a number of investment insights and stock screens:

1. DM with EM exposure looks cheap (page 14): With the EM business cycle stabilizing, our screens of DM stocks with high EM exposure look inexpensive versus history.
2. EM with DM exposure to fade (page 19): EM stocks with high DM exposure have been relative safe-havens the past few years, but we believe this strength is likely to fade.
3. Diversified exposure focus (page 21): As correlations between regional growth fall and FX volatility increases, globally diversified companies could prove particularly attractive.
4. Domestic exposure (page 23): Direct plays on domestic recovery and a relative shelter from currency strength. Japanese domestics are a focus. UK names are at risk.
5. Biggest rebounds in EM (page 26): Brazil, Russia, Canada and South Africa forecast to have the strongest GDP recoveries into next year. Focus on domestic stocks.
6. Real FX exposure (page 28): Overseas revenue not enough. Look for 'pure exporters': those with high proportion revenues overseas but low proportion costs. UK well-placed.
7. Regional update: US companies with highest exposure to Europe and Asia (page 34). European companies with highest exposure to Americas and Asia (page 37). Asia ex Japan companies with highest exposure to Americas and Europe (page 41).

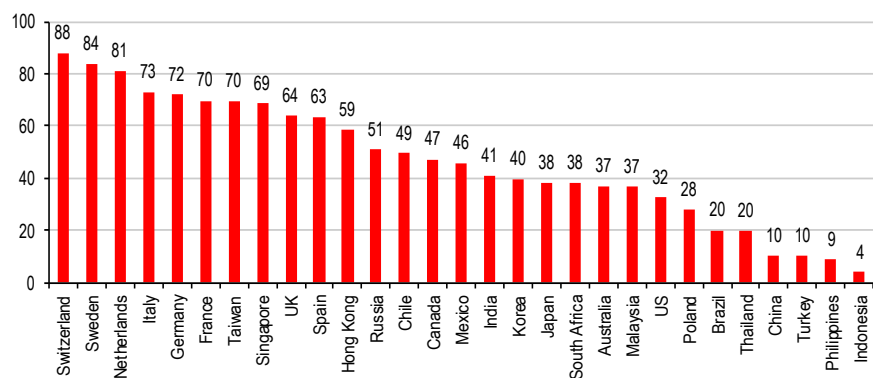
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*We acknowledge the contribution of Raj Purswani to this report. Mr. Purswani is employed by a non-US affiliate of HSBC Securities (USA) Inc., and is not registered/qualified pursuant to FINRA regulations*

# Metrics to make you think

- ▶ European equity markets are by far the most global, more than their economies, and are most exposed to Emerging Markets (EM)
- ▶ US equity market is the most closed of the Developed Markets (DM), a key ingredient to the US's relative 'safer-haven' status
- ▶ Japanese overseas revenues have grown sharply in recent years, but are now threatened by yen strength
- ▶ EM stock markets are the most closed, accounting for the bottom seven countries in our ranking
- ▶ Economies are not stock markets. DM and EM have similar exports/GDP levels, but DM stock markets are twice as global
- ▶ Chinese corporates going abroad, but only generate 10% overseas today. Brazil corporates only 20% overseas after commodity slump
- ▶ Italy and India have 'globalized' the most in recent years
- ▶ IT is the most global US sector; Healthcare the most global European sector. Utilities and telecom are respectively the most local
- ▶ Overall overseas revenue contribution has stalled (at 44%) the last three years, as globalization has come under pressure
- ▶ Looking at indices based on revenue rather than domicile transforms the investment universe: EM much larger, whilst US a lot smaller
- ▶ Corporate revenue disclosure leaves much to be desired. Business segment disclosure is dramatically better; regulations give much leeway

## 1. 2015 foreign exposure, % of total revenues



Source: MSCI, Thomson Reuters DataStream, HSBC

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# Who sells where

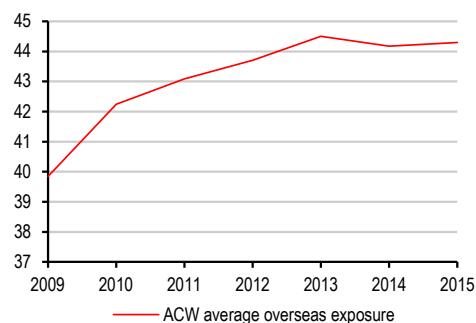
- ▶ Further signs of globalisation stalling. Proportion of corporate revenues generated outside home markets flat at 44% for 3<sup>rd</sup> year
- ▶ US corporates global exposure is relatively low, and slipping. India, Russia, and Thailand saw significant increases
- ▶ European markets are the most open globally, and Emerging Markets the least

## Overview

See page 45 for our detailed country and sector analysis

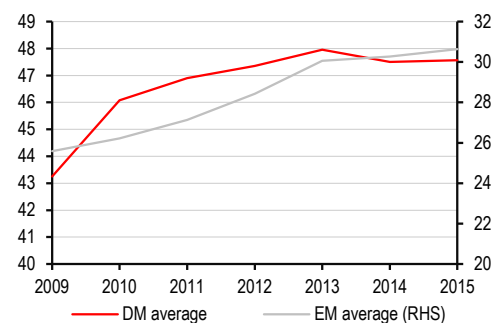
We update our comprehensive guide to the geographic breakdown of corporate revenues. We identify where companies generate their revenues in 2015 and aggregate to the sector and market levels. A description of our methodology can be found on page 110, and tables for each region and market are presented in the data section starting on page 45.

### 2. Average overseas exposure\*: World



\*Revenue weighted average  
Source: Thomson Reuters Datastream, HSBC

### 3. Average overseas exposure: DM vs EM



\*Revenue weighted average  
Source: Thomson Reuters Datastream, HSBC

The pace of globalisation continued to stall in 2015 with the average proportion of revenues made outside of domestic markets flat versus 2014 (chart 2). However, this was largely driven by the developed world where the US saw its overseas revenue slip marginally to 32% from 33% and European markets' overseas exposure remained broadly flat in aggregate. Over the last five years though, Italian and Spanish overseas revenue participation has increased significantly, whilst it has fallen in the UK.

In contrast, EM saw its average overseas revenue exposure continue to rise, to 31%. The biggest increases in foreign revenues last year were in Russia (+5ppts) and Malaysia (+3ppts). We are concerned about increasing global trade restrictions (see Lippoldt, [The rise of protectionism](#), 12 May 2016), but see the relatively closed nature of EM economies and stock markets as providing some insulation.



In absolute terms, DM companies remain far more global than EM peers. Switzerland leads the way with 88% of revenues made outside of its domestic market, followed by Sweden (+84%) and the Netherlands (81%). The most domestic markets globally are all in EM, led by Indonesia (4%), the Philippines (9%), and Turkey (10%).

Switzerland and Sweden  
the most global markets;  
Indonesia and Philippines  
the least

**Amongst developed markets, the US is the most closed**, with only 32% of revenues generated from overseas. This may be lower than some perceive, as the S&P 500 calculates 44%, but this only includes companies that actually disclose any foreign sales. Both percentages have declined over the year, likely impacted by the 20% USD appreciation since early 2014 and the relative weakness in growth elsewhere in the world. The domestic focus of US equities is a key ingredient of its relative 'safer-haven' status in our view, along with the significant US share buyback yield and strong domestic consumer index weight.

#### 4. Percentage of revenues produced overseas

	2010	2011	2012	2013	2014	2015	Change (2015-2010)
Switzerland	89	86	87	88	89	88	-1
Sweden	82	83	86	86	84	84	1
Netherlands	78	76	77	75	79	81	3
Italy	59	65	72	71	72	73	14
Germany	70	69	70	72	71	72	2
France	65	66	68	68	71	70	5
Taiwan	--	--	65	67	69	70	4
Singapore	77	81	80	77	68	69	-8
UK	68	69	69	67	66	64	-5
Spain	56	59	62	63	61	63	8
Hong Kong	62	67	66	62	56	59	-3
Russia	45	42	46	47	46	51	6
Chile	48	32	38	45	49	49	0
Canada	43	44	45	46	47	47	4
Mexico	41	43	45	44	44	46	4
India	28	32	32	36	40	41	9
Korea	35	39	43	42	39	40	5
Japan	33	31	33	36	36	38	7
South Africa	37	37	38	38	37	38	2
Australia	40	40	36	41	37	--	-3
Malaysia	34	34	35	34	34	37	2
US	33	35	34	34	33	32	0
Poland	31	35	29	32	28	28	-3
Brazil	18	19	16	20	18	20	2
Thailand	16	11	12	12	18	20	4
China	8	9	9	11	12	10	2
Turkey	7	8	8	11	12	10	3
Philippines	1	4	4	8	9	9	8
Indonesia	12	9	8	5	7	4	-8

Source: MSCI, Thomson Reuters Datastream, HSBC

It is interesting to note how closed the Chinese market is in aggregate (10%). This is a little misleading. We are seeing a strong corporate internationalisation (see Laidler, [Globalising China](#), 2 October 2015) off of a low base, and saw a 50% increase in China's overseas revenue participation from 2010-2014. This was masked last year by the one-off MSCI index incorporation of NY-listed China ADRs, which focused predominantly on domestic revenue.

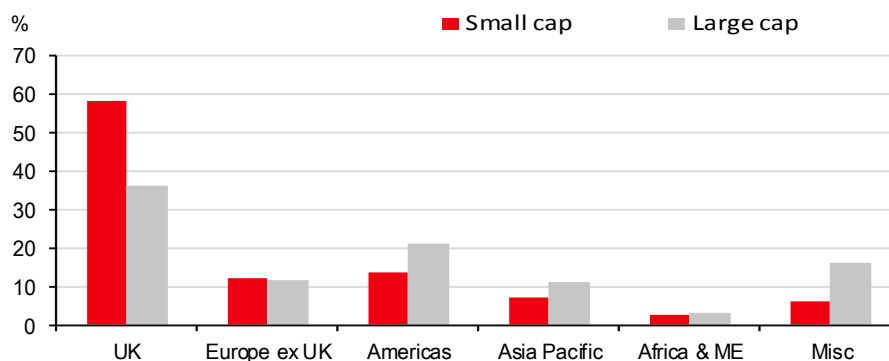
## Why geographic exposure matters

**The geographic exposure of indices and stocks has grown in importance**, and can be used in a number of ways by investors, in our view. However, traditional equity investment and index composition focus more on where a company is domiciled, whereas bond indices largely focus on the currency of the issued bond. Corporate reporting disclosure practices are more focused on business segment reporting rather than geographic breakdown. These distortions have only become more significant as companies have globalized, and currencies have become liberalized.

**Examples of UK performance around Brexit and Japan's with the yen highlight the importance of understanding revenue sources**

The importance of understanding corporate geographic exposure can be neatly seen in the recent experiences outlined below – of the UK and Japan. Following the surprise 24 June Brexit decision in the UK, HSBC macro-economic forecasts were changed significantly to call for significantly lower GDP growth and higher inflation. Despite this deteriorating fundamental backdrop, the MSCI UK is 7% higher than immediately before the vote. We would argue this resilient performance is largely due to the high (64%) overseas revenue composition of the index, and the benefits of the 12% GBP depreciation seen since the Brexit decision. By contrast, the MSCI UK small cap index, which has a lower overseas revenue exposure (of 32%), has performed significantly less well, broadly flat since immediately before the Brexit decision.

### 5. MSCI UK vs MSCI UK Small Cap geographical revenue exposure (2015)

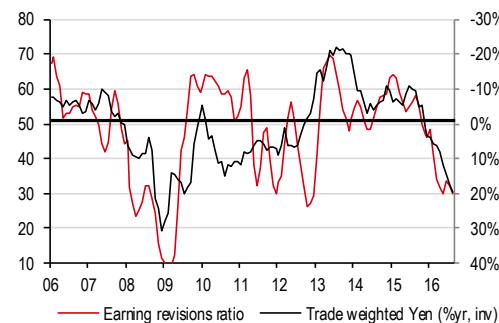


Source: MSCI, Thomson Reuters Datastream, HSBC

### **Similarly, Japanese equity performance has become driven by sensitivity to the yen.**

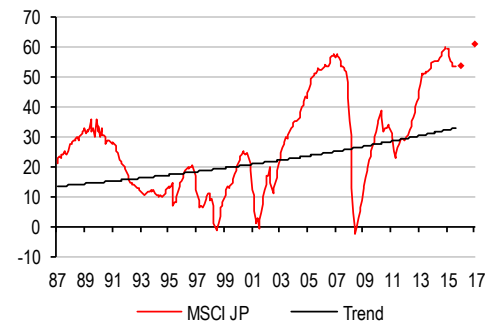
Japanese corporate earnings have risen close to all-time high levels, and operating profit margins have never been higher. In the absence of meaningful GDP growth in Japan in recent years, this profitability growth has largely been driven by the dramatic weakness of the yen, triggered by Abenomics. The correlation between the weakening yen and Japanese corporate earnings revisions since the start of Abenomics has been tight. Therefore, understanding the geographic revenue exposure of corporate Japan in this environment has been critical.

## 6. Japanese earnings revisions vs Yen



Source: MSCI, Thomson Reuters Datastream, HSBC

## 7. MSCI Japan trailing earnings index



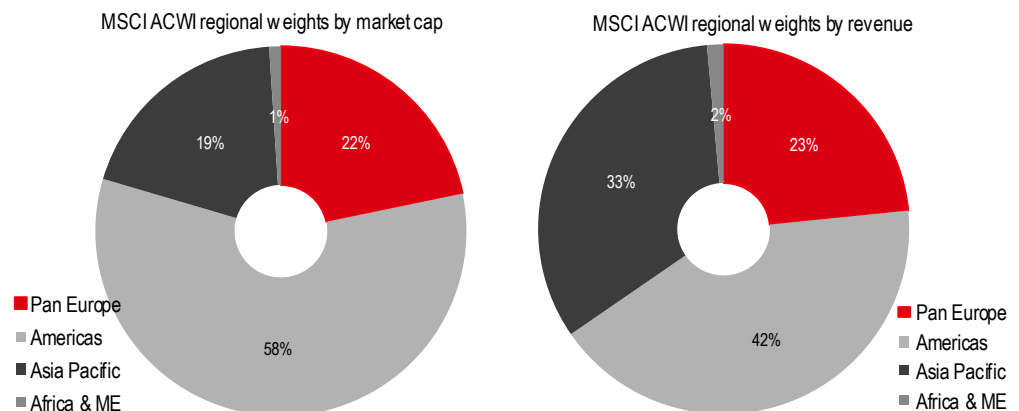
Source: MSCI, Thomson Reuters Datastream, HSBC

Looking at indices based on revenue rather than domicile transforms the investment universe: EM is large, whilst US a lot smaller

**Focusing on revenue exposure rather than domicile changes the world.** A re-weighting of global regional and sector indices away from a domicile basis and towards a revenue basis changes index composition dramatically, and gives an arguably better indication of the underlying drivers and investment opportunity set. Below we compare the MSCI ACWI regional breakdown versus HSBC global revenue breakdown and the sector breakdown.

The standout regional differences are the significantly greater representation for Emerging Markets, which nearly doubles in relevance, mainly at the expense of the US. This change is all the more dramatic if you consider the MSCI World Index: it has no exposure to Emerging Markets under its domicile-based methodology, but using a revenue basis, this exposure exceeds 15%.

## 8. MSCI ACWI Regional breakdown versus HSBC global revenue analysis (2015)

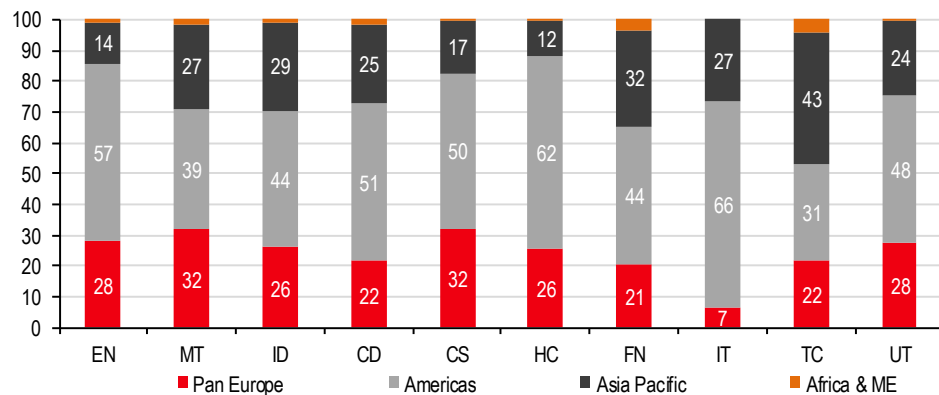


Note: We have proportioned the miscellaneous category according to the identifiable regional breakdown  
Source: MSCI, Thomson Reuters Datastream, HSBC

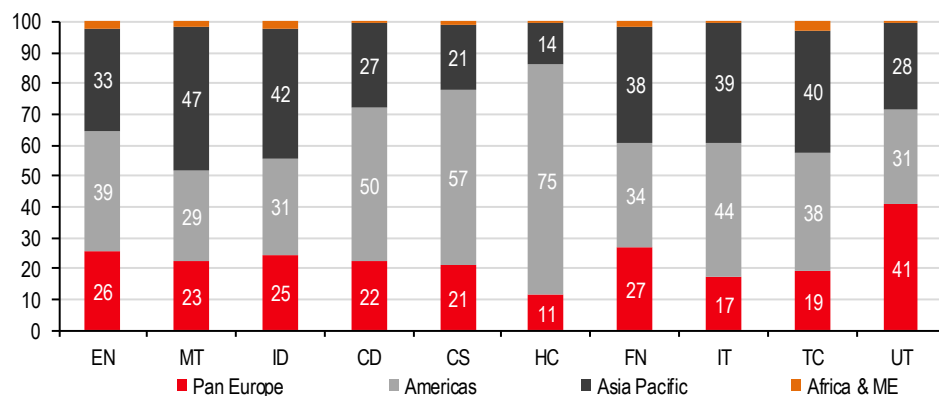
This is especially interesting as historical analysis has shown that country, rather than industry, factors are especially important in Emerging Markets, and globally they dominate for certain periods. See Parkes, [Equity Insights: Country vs sector effects: Impact of the financial crisis](#), September 2012.

**Similar changes can be seen at the sector level.** This is notable in the IT sector, where US and Asian weights fall significantly when weighted by revenue. Consumer Staples is another sector of significant differences, with a much lower revenue base in Europe, but higher in the US. Industrials – led by Autos – is a further example where the heavy weight of Chinese auto and capital goods sales drives a significant increase in revenue share, notwithstanding the significant domicile of Japanese auto-makers in the indices. At the other extreme would be Utilities and Telecoms, which show as largely exceptions to the globalization trend.



**9. MSCI ACWI sectors weighted by market cap (% of total, 2015)**

Source: MSCI, Thomson Reuters Datastream, HSBC

**10. MSCI ACWI sectors regional revenue exposure (% of total, 2015)**

Source: MSCI, Thomson Reuters Datastream, HSBC

**Corporate revenue disclosure leaves much to be desired. Segment disclosure is dramatically better, and regulations give much leeway**

**Calculating geographic exposures is not easy**, with significant constraints on revenue reporting. Disclosure differs widely, both by geographic unit used and the metric used. This means that the data needs to be treated with some caution and that geographic exposure analysis is a complement to, rather than a replacement for, traditional analysis and reporting. Common geographic reporting constraints are:

- ▶ Regional geographic breakdowns ('Asia') are often given rather than individual countries ('Japan', 'China'), and regional definitions can also vary.
- ▶ Underlying metrics used also differ, whether net earnings, operating profit, revenues, assets or something different.
- ▶ Accounting conventions often differ. Revenues may be booked at the point of production or realisation.
- ▶ Business line or industry segment reporting is usually greater than geographic reporting.

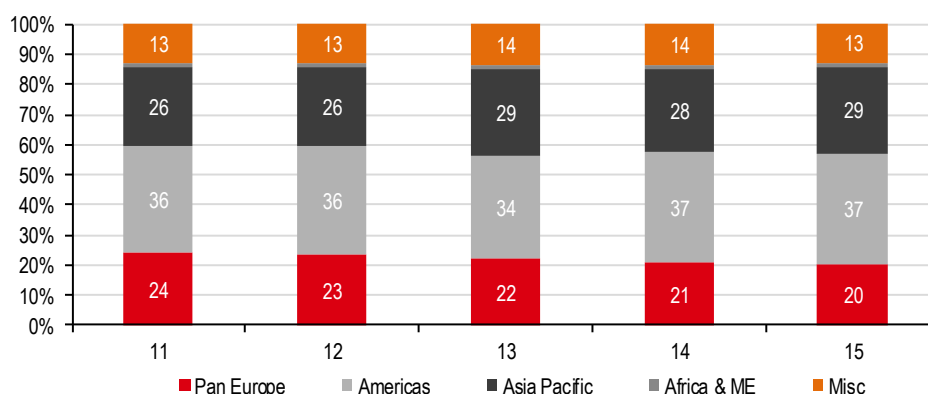
**Companies have significant leeway in what they report.** The International Accounting Standards Board IFRS 8 'Operating segments' came into effect in 2009. This standard converges IFRS with US accounting standards SFAS 131. It gives managements significant flexibility on how to report geographic data. There is no geographic standardization. Managements are allowed to define the segment reporting that is important to their business, and that they use for internal reporting and decision making. Information should be reported separately if it accounts for 10% or more of revenue, and the cumulative reported segments must sum to at least 75% of revenues. In

**'Miscellaneous' revenue a proxy for lack of geographic revenue reporting detail**

a 2010 survey of 81 global corporates, KPMG noted that 66% identified reportable segments solely on a Products and Services basis, whilst only 11% did so on a solely 'Geographic' basis. However, analyses of revenues and certain non-current assets by geographical area are mandatory irrespective of the identification of operating segment.

**This broad reporting difficulty is best seen in the relatively high 'miscellaneous' segment** of our geographic analysis. We focus on revenue in this report as it is the most widely reported metric, and it has a more consistent definition globally. It does have limitations though. Not all revenues are equally profitable, and – as noted above – detailed country breakdowns are often not available. 'Miscellaneous' revenues accounted for 13% of total revenues in our 2015 survey, and this level has remained stubbornly stable over the last five years, indicating little progress in reporting transparency. The relatively large miscellaneous category is due to the imprecision of company reporting, with many companies grouping revenues into very broad categories such as 'rest of the world'.

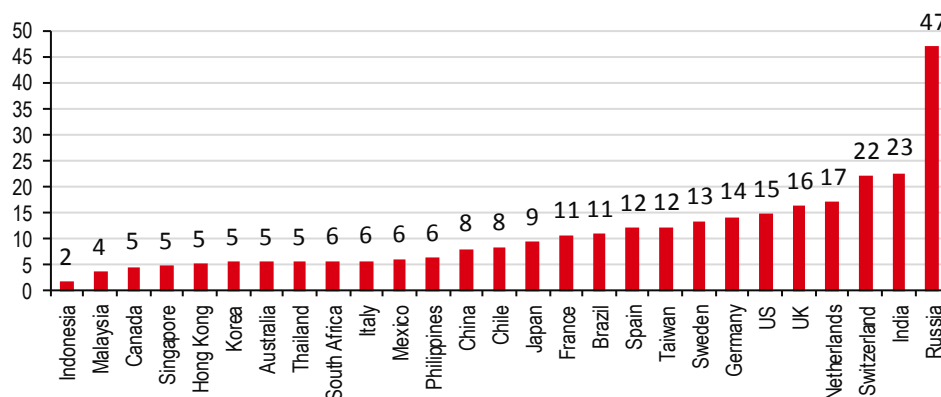
#### 11. MSCI ACWI regional breakdown of revenue exposure (%)



Source: MSCI, Thomson Reuters Datastream, World Bank, HSBC

**Looked at another way, by country, the levels of reporting vary significantly.** Taking the level 'miscellaneous' revenue as a disclosure proxy, we can see that most countries in our sample disclose over 90% of revenue by geographic source. Outliers – those on the far right of the below chart – are led by Russia (47%), India (23%) and Switzerland (22%). Interestingly, both the US and UK are relatively high, at 15% and 16%, respectively.

#### 12. Countries revenue exposure classified as 'miscellaneous' in 2015 (% of total)



Source: MSCI, Thomson Reuters Datastream, World Bank, HSBC

**Geographic exposure analysis can help define investment objectives better; help risk managers; generate better forecasts**

**Why look at geographic exposure?** By looking beyond locally listed stocks incorporated in the country benchmark, analysts can broaden the universe of potential investments. This often gives exposure to harder-to-access sectors and countries. In some areas – such as emerging markets – developed market stocks offer greater free floats, hence trading liquidity, potentially lower transaction costs, and higher average levels of governance.

Investors may also be able to define investment objectives and mandates more completely. As seen in the Brexit commentary above, investors seeking 'UK' exposure has not been getting it, with two-thirds of MSCI UK revenues being generated outside of the UK.

Risk managers would be better able to measure risk as geographic analysis more closely ties index weights and the investment opportunity set to macroeconomic and FX dynamics. This may partly explain evidence of the declining correlations between traditional market-cap weighted indices and real GDP growth over time.

Academic work has shown the utility of incorporating geographic data. Li, Richardson, and Tuna, in *'Macro to Micro', London Business School, 2012*, found that combining corporate geographic segment data with country-level GDP and leading indicator performance data generated better profitability forecasts than sell-side consensus.

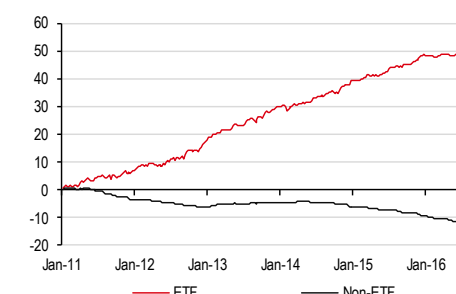
**Opportunity for alpha generation.** These stocks are – by definition – generally outside of the mainstream country indices, and therefore not included in the standard ETF indices that have been attracting the bulk of investor inflows into global equities in recent years (see chart 14). ETFs have grown to be nearly a fifth of total global equity fund assets under management over the past few years.

### 13. Global funds – ETF vs. Non-ETF assets

	As proportion of total net assets		
	Total (%)	ETFs (%)	Non-ETFs (%)
MSCI	26.2	3.5	22.7
S&P	26.1	5.6	20.5
Russel	14.2	1.3	12.9
Unassigned	8.5	0	8.5
FTSE	7.3	1.5	5.8
Others	17.7	6.6	11.1
Total	100	18.4	81.6

Source: HSBC, EPFR Global. As of 30 June 2016

### 14. Global ETF and non-ETF flows (cumulative as % of AUM)



Source: EPFR Global, HSBC

**Geographic exposure indices** from index providers such as MSCI, Russell, and STOXX are relatively limited in number, and suffer from methodological constraints. All offer a number of country, regional, and global indices, but with differing overall weighting methodologies. This is especially the case for calculating country weights when only regional weights are disclosed by corporates.

### 15. Geographic Indices

Parameter	MSCI	Russell	STOXX
Series Name	Economic Exposure	GeoExposure	True Exposure
Stock Universe	MSCI ACWI Index	Russell Developed Market Index	Stoxx Global Index
Weighting Methodology	Economic exposure factor and market capitalization	Scored on market and economic exposures, and market capitalization	Combination of market capitalisation and economic exposure factor
Treatment of Regions	Per Capital GDP weighting of countries in region	Proprietary algorithm using GDP, currency, and trade flows	Proprietary export-based methodology

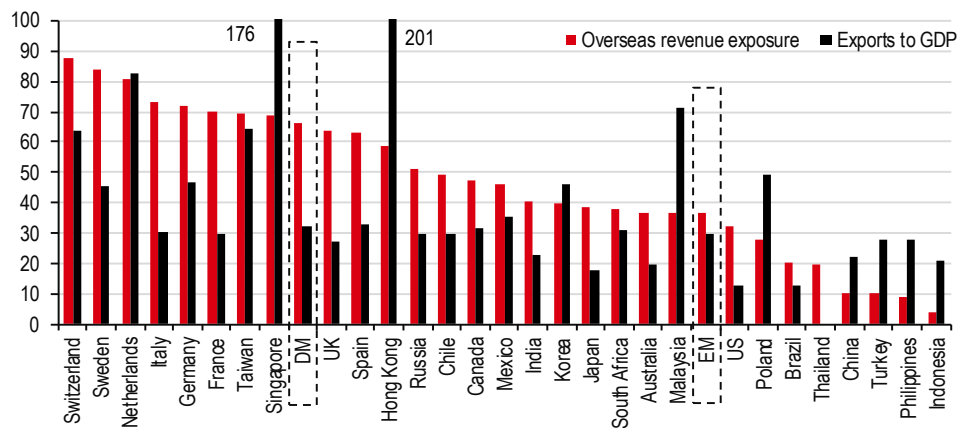
Source: MSCI, Russell, STOXX, HSBC

Equity index overseas exposures are often very different from economy exposures: Europe more open; EM more closed

**Comparing economies versus markets makes a difference.** Our bottom-up revenue data highlights some interesting differences between economies and their local equity markets. Charts 16 and 17 below compare the proportion of revenues made overseas by the companies in the local MSCI index with the share of exports in GDP. Generally, this shows that developed equity markets are far more open than their economies – with a median exports/GDP of 32%, and a median stock market percentage of overseas revenue of 67%. By contrast, EM economies are similarly open, but stock markets there are much more closed. EM exports/GDP are 30%, but their overseas stock market revenue exposure is only 38%.

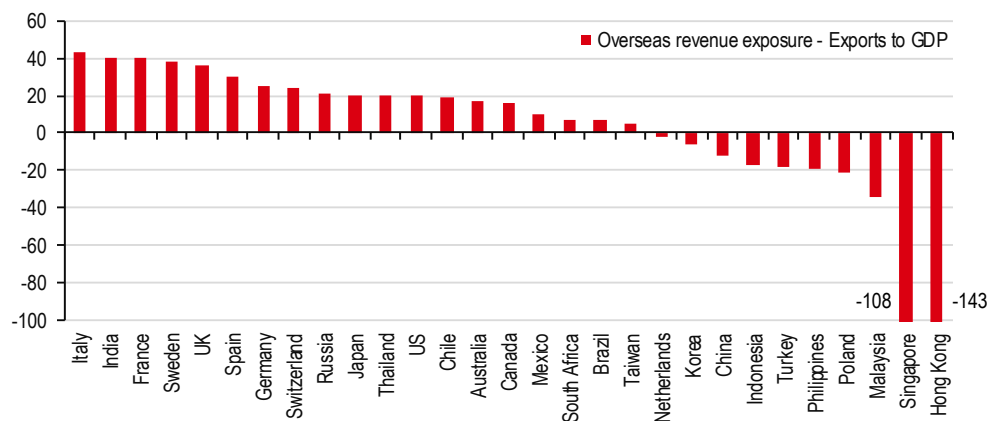
In DM, European markets are the most open relative to their economies with the share of overseas revenues of French, Italian and Swedish companies far exceeding the share of exports in GDP. In EM, Asian markets are the most closed.

#### 16. MSCI country index overseas revenues (% of total) vs exports as percentage of GDP (ranked by overseas revenues)



Source: MSCI, Thomson Reuters Datastream, World Bank, HSBC

#### 17. MSCI country index overseas revenue(% of total) – exports to GDP (% of total)



Source: MSCI, Thomson Reuters Datastream, World Bank, HSBC

# Key stock screens

- ▶ We highlight 25 key stock screens from our 'Who Sells Where' database
- ▶ These include ways to play a stabilising EM cycle, companies with the most diversified revenues and those most exposed to FX moves
- ▶ Further bespoke country, regional, and sector screens are available on request

**Bespoke screens available on request**

We highlight seven ways to use the geographic revenue analysis in this report, and encourage clients to contact us with any additional bespoke requests for using the data-set.

## **DM with EM exposure (page 14)**

The EM business cycle appears to be stabilising, particularly relative to DM, and emerging market equities are outperforming. However, our screens of DM stocks with high EM exposure continue to look inexpensive versus history. Indeed, the valuation of these stocks is broadly in-line with the EM universe, despite generally higher free floats and liquidity, better corporate governance and a lower cost of capital. This is especially attractive for European stocks, given the poor domestic outlook.

## **EM with DM exposure (page 19)**

EM stocks with high DM exposure have been relative safe-havens over the past few years, but with the EM business cycle beginning to stabilise, this relative strength is likely to fade. Longer-term, our EM team believes that EM stocks with high DM exposure could be relative losers from increasing protectionist policies and a decline in globalisation.

## **Diversified exposure (page 21)**

The global economic recovery has seemed like a game of 'pass the parcel' in recent years with the correlation between regional growth declining and currency wars a key driver of regional performance. Globally diversified companies could prove particularly attractive in this world given that their economic exposure is spread across all regions.

## **Domestic exposure (page 23)**

Our domestic exposure screens offer investors a direct way of benefitting from domestic demand recoveries and a relative shelter from currency strength. Japanese domestics have fared best year-to-date, and we see this strong performance continuing. UK domestic names are at risk following June's Brexit vote, in our view.

## **Biggest rebounds (page 26)**

Here we screen for the most domestic companies in the markets where HSBC's economics team forecasts a significant recovery in GDP growth from this year to next – Brazil, Russia, Canada and South Africa. These stocks are likely to be the key beneficiaries of these domestic recoveries.

**Currency exposure (page 28)**

Focusing on the geographic breakdown of revenues often doesn't tell the whole story. The past 20 years has seen a significant rise in offshoring which limits the impact of domestic currency moves. We take this into account by screening for 'pure exporters' – those companies with a high proportion of revenues overseas, but a low proportion of their costs. Our UK screen looks best placed given our view that GBPUSD will reach 1.20 by year-end and 1.10 by the end of 2017.

**Regular regional screens**

In the 'regional update' section of this report, we also update our regular regional screens:

- ▶ US companies with the highest exposure to US and Asia (page 34)
- ▶ European companies with the highest exposure to Americas and Asia (page 37)
- ▶ Asia ex Japan companies with the highest exposure to Americas and Europe (page 41)



## DM with EM exposure: playing a turn in the EM cycle

**We see signs of stabilisation in the EM business cycle**

**Our screen of DM stocks with high EM exposure trades at a 30% discount on price-to-book...**

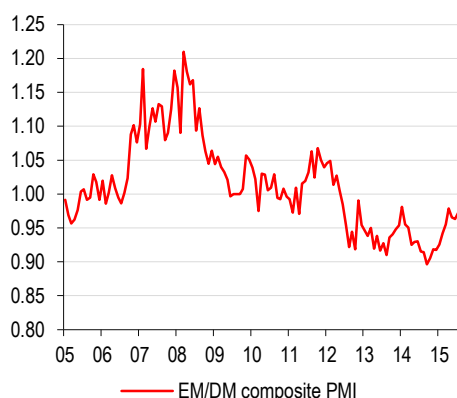
**...and the stocks are now seeing upward revisions to EPS on average**

We are beginning to see signs of stabilisation in the EM business cycle, particularly relative to DM. The EM aggregate composite PMI has moved back above 50, whilst the DM PMI has started to move lower (chart 18). Our economists forecast a recovery in EM GDP growth next year from 3.4% to 4.1%, but they see DM growth remaining broadly flat at 1.5% (chart 19).

In this context, we believe that DM stocks with high EM exposure are likely to outperform their more DM-oriented peers. In table 25, we update our screen of the 50 DM stocks with the highest identifiable exposure to the emerging world, which offers a median exposure to EM of 70%. This screen has underperformed the wider DM universe by over 20% since 2011, and continues to trade on inexpensive valuations despite a recent recovery. The average price-to-book of the group is 1.5x, which represents a 30% discount to the DM average. And the screen only trades in-line with the EM universe despite the benefits of greater liquidity, typically higher corporate governance and a lower DM cost of capital (chart 22).

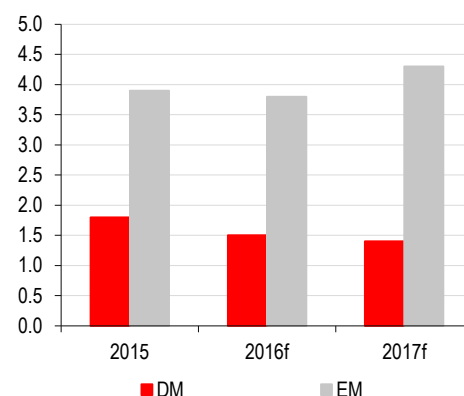
There are also signs of an improvement in fundamentals. The EPS revisions ratio for the screen has risen above 50, signalling more upward revisions to estimates than downwards, which is now above the broader developed market average (charts 23 and 24). We think EM exposure is particularly attractive for European stocks, given risks to the European domestic economy.

**18. EM/DM composite PMI**



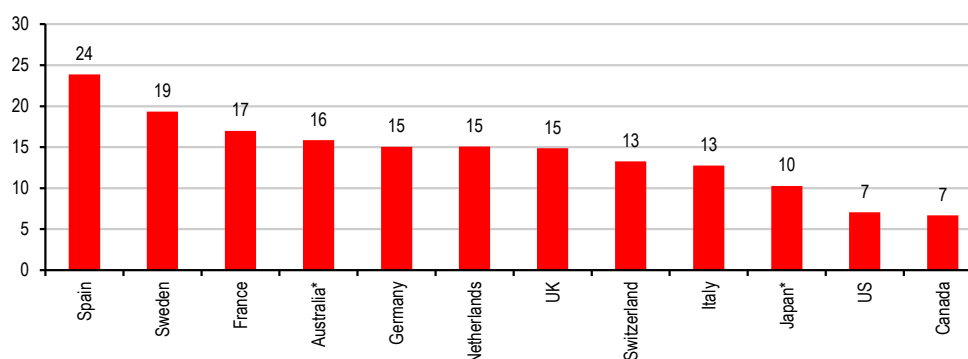
Source: Markit, Thomson Reuters Datastream, HSBC

**19. HSBC GDP growth forecasts**



Source: HSBC

**20. Identifiable EM revenue exposure by market, % of total revenues**

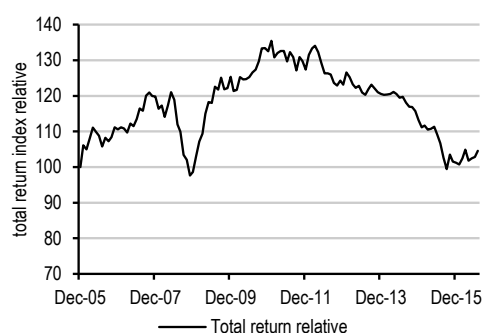


Source: MSCI, Thomson Reuters Datastream, HSBC. \* Australia and Japan data are as of June and March 2015, respectively. All other data as of end 2015

### Screening for EM exposure

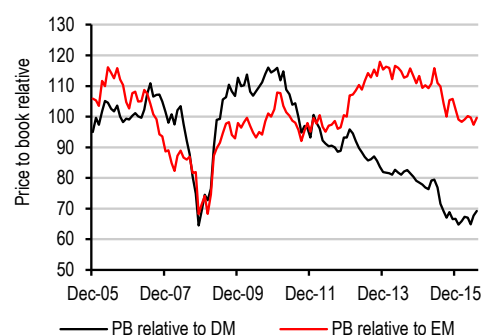
As segment reporting is not particularly consistent from company to company, it is necessary to aggregate according to relatively broad regions. For example, we assume all revenues reported as 'Asia' are all emerging and 'Europe' are all developed. However, where countries are reported individually, we assign them to their correct category. We exclude companies from the Materials sector from the screens because many of these report revenues based on where they produce, rather than where they sell, which can distort their exposure.

### 21. Performance of DM stocks with high EM exposure



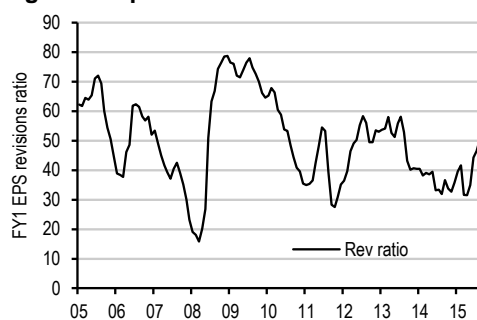
Source: MSCI, Thomson Reuters Datastream, HSBC

### 22. Relative price-to-book of DM stocks with high EM exposure



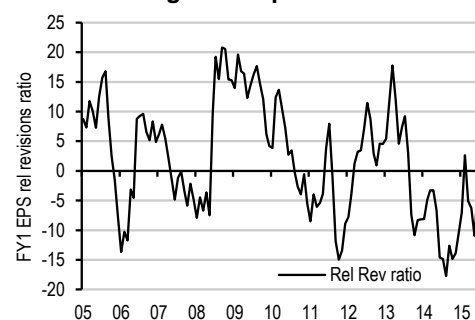
Source: MSCI, Thomson Reuters Datastream, HSBC

### 23. EPS revisions ratio of DM stocks with high EM exposure



Source: MSCI, Thomson Reuters Datastream, IBES, HSBC

### 24. Relative EPS revisions ratio of DM stocks with high EM exposure



Source: MSCI, Thomson Reuters Datastream, IBES, HSBC

**25. Fifty DM companies with the highest identifiable EM revenue exposure (%)**

Name	Country	Industry group	EM	Dev	Misc
MGM CHINA HOLDINGS	Hong Kong	Consumer Services	100	0	0
OIL SEARCH	Australia	Energy	100	0	0
SANDS CHINA	Hong Kong	Consumer Services	100	0	0
MELCO CWN.ENTM.ADR 1:3	Hong Kong	Consumer Services	99		1
GALAXY ENTERTAINMENT GP.	Hong Kong	Consumer Services	97	3	0
JARDINE MATHESON HDG.	Hong Kong	Capital Goods	92	7	1
STANDARD CHARTERED	United Kingdom	Banks	91	4	5
CHEUNG KONG PR.HDG.	Hong Kong	Real Estate	88	11	1
SKYWORKS SOLUTIONS	US	Semiconductors & Semi Equip	88	4	9
PETROFAC	United Kingdom	Energy	86	14	0
MARVELL TECH.GROUP	US	Semiconductors & Semi Equip	85	2	14
FIRST PACIFIC	Hong Kong	Diversified Financials	84	11	5
WOODSIDE PETROLEUM	Australia	Energy	84	12	4
NEXON	Japan	Software & Services	82	17	1
QUALCOMM	US	Semiconductors & Semi Equip	82	1	17
MILLICOM INTL.CELU.SDR	Sweden	Telecommunication Services	81	10	9
TONENGENERAL SEKIYU KK	Japan	Energy	80	20	0
MURATA MANUFACTURING	Japan	Technology Hardware & Equip	80	20	0
WILMAR INTL.	Singapore	Food Beverage & Tobacco	78	10	12
GOLDEN AGRI-RESOURCES	Singapore	Food Beverage & Tobacco	77	17	5
RAMSAY HEALTH CARE	Australia	Health Care Equipment & Servs	76	24	0
KERRY PROPERTIES	Hong Kong	Real Estate	75	25	0
SINGAPORE TECHS.ENGR.	Singapore	Capital Goods	74	25	1
OLD MUTUAL	United Kingdom	Insurance	72	9	19
TDK	Japan	Technology Hardware & Equip	71	21	9
MAXIM INTEGRATED PRDS.	US	Semiconductors & Semi Equip	70	27	3
GLOBAL LOGISTIC PROPS.	Singapore	Real Estate	69	31	0
CATHAY PACIFIC AIRWAYS	Hong Kong	Transportation	69	21	9
NVIDIA	US	Semiconductors & Semi Equip	69	22	8
MEAD JOHNSON NUTRITION	US	Food Beverage & Tobacco	69	31	0
MICRON TECHNOLOGY	US	Semiconductors & Semi Equip	68	30	3
JERONIMO MARTINS	Portugal	Food & Staples Retailing	67	31	2
FLEXTRONICS INTL.	US	Technology Hardware & Equip	66	11	22
APPLIED MATS.	US	Semiconductors & Semi Equip	65	35	0
LAM RESEARCH	US	Semiconductors & Semi Equip	65	35	0
BBV.ARGENTARIA	Spain	Banks	65	35	0
ASML HOLDING	Netherlands	Semiconductors & Semi Equip	65	35	0
HONG KONG LAND HDG.	Hong Kong	Real Estate	63		37
TEXAS INSTRUMENTS	US	Semiconductors & Semi Equip	61	38	1
COCA-COLA HBC (CDI)	United Kingdom	Food Beverage & Tobacco	61	39	0
WYNN RESORTS	US	Consumer Services	60	40	0
HIROSE ELECTRIC	Japan	Technology Hardware & Equip	60	38	1
HUTCHISON PORT HDG.TRUST	Singapore	Transportation	60	40	0
AES	US	Utilities	60	27	14
MABUCHI MOTOR	Japan	Capital Goods	59	41	0
CAPITALAND	Singapore	Real Estate	59	41	0
MICROCHIP TECH.	US	Semiconductors & Semi Equip	59	22	19
LAS VEGAS SANDS	US	Consumer Services	58	42	0
EXPEDITOR INTL.OF WASH.	US	Transportation	58	42	0
ASM PACIFIC TECH.	Hong Kong	Semiconductors & Semi Equip	57	37	6

Source: MSCI, Thomson Reuters Datastream, HSBC

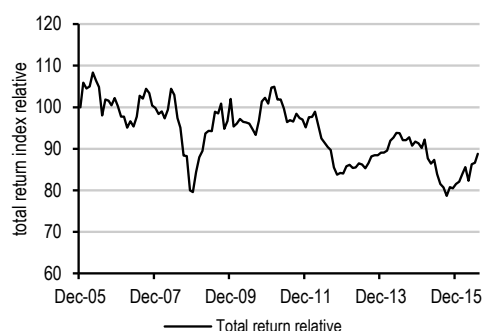
**Seem inexpensive versus history, despite price rebound**

## US

In table 30 we update our screen of US stocks with the highest identifiable EM exposure. The screen has a median exposure to EM of 60% and is dominated by stocks from the IT sector.

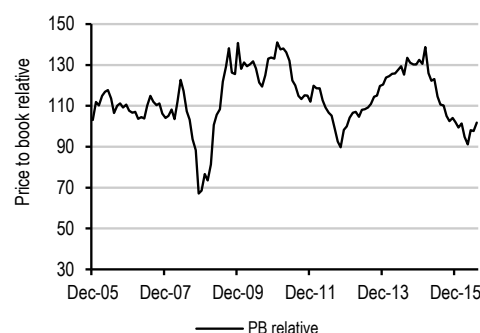
These stocks have rebounded sharply year-to-date, outperforming the wider US market by almost 10%, following an underperformance of over 10% in 2015. However, despite this outperformance, valuations continue to look relatively inexpensive compared to history. They currently trade broadly in-line with the wider market on a price-to-book basis, compared to a 10-year average premium of 13% (chart 27).

### 26. Performance of US stocks with high EM exposure



Source: MSCI, Thomson Reuters Datastream, HSBC

### 27. Relative price-to-book of US stocks with high EM exposure



Source: MSCI, Thomson Reuters Datastream, HSBC

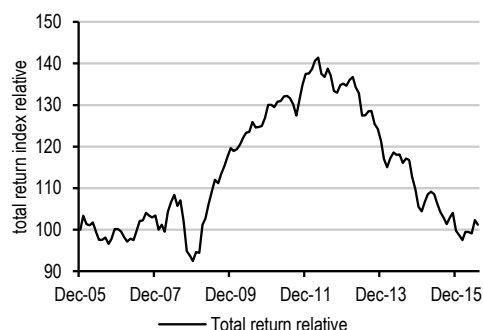
## Europe

**Have lagged by 40%, but our European Strategists see an opportunity**

Our European stock screen has a median EM exposure of 54%. The screen is more diverse than the US screen with most sectors represented, but it does have a large consumer weight.

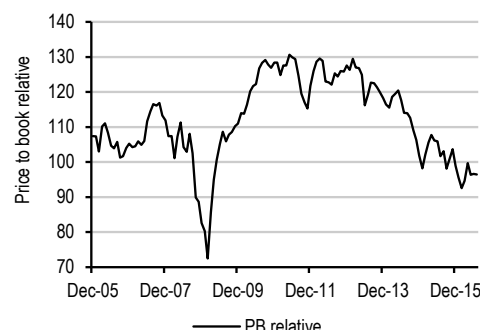
This screen has underperformed significantly over the past five years, lagging the wider market by almost 40%. However, there are tentative signs of a reversal year-to-date. Our European Strategists believe that EM exposure is attractive in a world where EM growth is stabilizing, but there are risks to the European domestic economy from heightened political and economic uncertainty. See Parkes, [European Radar: emerging attractions](#), 22 March 2016.

### 28. Performance of European stocks with high EM exposure



Source: MSCI, Thomson Reuters Datastream, HSBC

### 29. Relative price-to-book of European stocks with high EM exposure



Source: MSCI, Thomson Reuters Datastream, HSBC

**30. US companies with the highest identifiable EM revenue exposure (%)**

Name	Industry	EM	DM	Misc
SKYWORX SOLUTIONS	Semiconductors & Semi Equip	88	2	10
MARVELL TECH.GROUP	Semiconductors & Semi Equip	85	2	14
QUALCOMM	Semiconductors & Semi Equip	82	1	17
MAXIM INTEGRATED PRDS.	Semiconductors & Semi Equip	70	27	3
NVIDIA	Semiconductors & Semi Equip	69	22	8
MEAD JOHNSON NUTRITION	Food Beverage & Tobacco	69	31	0
MICRON TECHNOLOGY	Semiconductors & Semi Equip	68	30	3
FLEXTRONICS INTL.	Technology Hardware & Equip	66	11	22
APPLIED MATS.	Semiconductors & Semi Equip	65	35	0
LAM RESEARCH	Semiconductors & Semi Equip	65	35	0
TEXAS INSTRUMENTS	Semiconductors & Semi Equip	61	38	1
WYNN RESORTS	Consumer Services	60	40	0
AES	Utilities	60	27	14
MICROCHIP TECH.	Semiconductors & Semi Equip	59	41	0
LAS VEGAS SANDS	Consumer Services	58	42	0
EXPEDITOR INTL.OF WASH.	Transportation	58	42	0
BROADCOM	Semiconductors & Semi Equip	54	14	32
YUM! BRANDS	Consumer Services	54	46	0
FMC	Materials	53	28	19
CORNING	Technology Hardware & Equip	51	47	2
PHILIP MORRIS INTL.	Food Beverage & Tobacco	51	36	13
WESTERN DIGITAL	Technology Hardware & Equip	50	43	7
KLA TENCOR	Semiconductors & Semi Equip	49	51	0
COLGATE-PALM.	Household & Personal Products	49	38	14
KANSAS CITY SOUTHERN	Transportation	48	52	0

Source: MSCI, Thomson Reuters Datastream, HSBC

**31. European companies with the highest identifiable EM revenue exposure (%)**

Name	Industry group	EM	DM	Misc.
STANDARD CHARTERED	Banks	91	4	5
PETROFAC	Energy	86	14	0
SABMILLER	Food Beverage & Tobacco	80	20	0
OLD MUTUAL	Insurance	72	28	0
JERONIMO MARTINS	Food & Staples Retailing	67	31	2
BBV.ARGENTARIA	Banks	65	35	0
ASML HOLDING	Semiconductors & Semi Equip	65	35	0
COCA-COLA HBC (CDI)	Food Beverage & Tobacco	61	39	0
NXP SEMICONDUCTORS	Semiconductors & Semi Equip	57	25	18
THE SWATCH GROUP 'B'	Consumer Durables & Apparel	57	33	10
CASINO GUICHARD-P	Food & Staples Retailing	55	45	0
SAIPEM	Energy	55	12	33
METSO	Capital Goods	54	46	0
ERSTE GROUP BANK	Banks	51	46	3
ANHEUSER-BUSCH INBEV	Food Beverage & Tobacco	51	45	4
TELENOR	Telecommunication Services	50	48	2
TENARIS	Energy	49	51	0
TELEFONICA	Telecommunication Services	49	43	8
AIRBUS GROUP	Capital Goods	49	47	4
TECHNIP	Energy	47	28	25
MERCK KGAA (XET)	Pharmaceuticals & Biotechnology	47	53	0
ERICSSON 'B'	Technology Hardware & Equip	47	32	22
ATLAS COPCO 'A'	Capital Goods	46	54	0
INFINEON TECHS. (XET)	Semiconductors & Semi Equip	46	42	12
HENKEL (XET)	Household & Personal Products	46	54	1

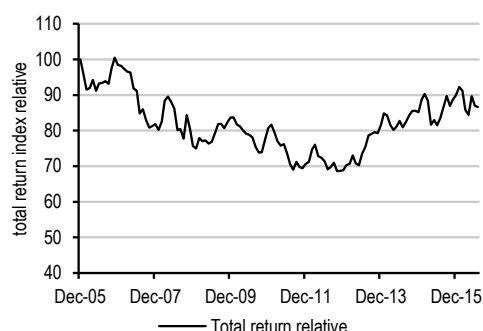
Source: MSCI, Thomson Reuters Datastream, HSBC

## EM with DM exposure: vulnerable to protectionism

**EM stocks with high DM exposure are expensive and vulnerable to a rise in protectionism**

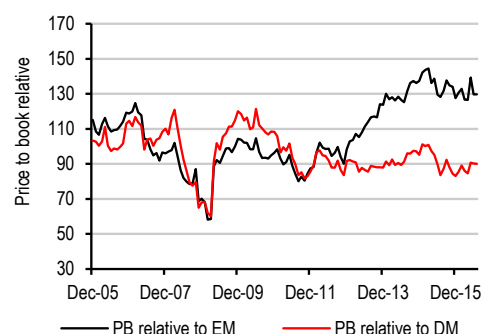
In recent years, EM stocks with exposure to other parts of the world have proven relative safe-havens within the broader EM universe, outperforming by over 20% since 2011 (chart 32). However, with the EM business cycle starting to stabilize, we believe that this period of relative strength is unlikely to continue, particularly given that valuations look stretched compared to history (chart 33).

**32. Performance of EM stocks with high DM exposure**



Source: MSCI, Thomson Reuters Datastream, HSBC

**33. Relative price-to-book of EM stocks with high DM exposure**



Source: MSCI, Thomson Reuters Datastream, HSBC

And these stocks could also suffer from a rise of protectionism in the longer-term that has contributed to weakness in the trade cycle (chart above). Our EM strategists see this as a key structural risk for equities. They argue that whilst EM-focused equities may not be relative losers – as EM economies and stock markets are fairly closed versus DM – this is not the case for EM stocks reliant on DM growth opportunities. See Lomax, [Protectionist risks to the EM equity story](#), 14 June 2016.

**34. Global trade (total imports + total exports)**



Source: IMF Direction of Trade Statistics, Thomson Reuters Datastream, HSBC calculations

The table below highlights the 25 EM domiciled companies with the largest proportion of revenues from developed markets. The median exposure is 78%. The universe of these high DM stocks is now trading at a 30% P/BV premium to on-index DM peers. This compares to the 40% premium of the MSCI DM versus MSCI EM, and would therefore seem broadly fair.



**35. EM companies with the highest identifiable DM revenue exposure (%)**

NAME	Country	Industry group	EM	DM	Misc
NEW EUROPE PR.INVS.(JSE)	SOUTH AFRICA	Real Estate	0	100	0
INOTERA MEMORIES	TAIWAN	Semiconductors & Semi Equip	0	100	0
TATA CONSULTANCY SVS.	INDIA	Software & Services	7	93	0
INFOSYS	INDIA	Software & Services	3	86	12
YTL POWER INTERNATIONAL	MALAYSIA	Utilities	15	84	1
HCL TECHNOLOGIES	INDIA	Software & Services	4	82	14
HARTALEGA HOLDINGS	MALAYSIA	Health Care Equipment & Servs	19	81	0
EVERGREEN MARINE	TAIWAN	Transportation	19	81	0
LPP	POLAND	Consumer Durables & Apparel		80	20
ADVANCED SEMICON.ENGR.	TAIWAN	Semiconductors & Semi Equip	12	80	9
NIEN MADE ENTERPRISE	TAIWAN	Consumer Durables & Apparel		79	21
TECH MAHINDRA	INDIA	Software & Services		78	22
INDUST PENOLES	MEXICO	Materials	19	78	4
HON HAI PRECN.IND.	TAIWAN	Technology Hardware & Equip	8	76	15
SAPPI	SOUTH AFRICA	Materials	24	76	0
WIPRO	INDIA	Software & Services	10	75	15
TAIWAN SEMICON.MNFG.	TAIWAN	Semiconductors & Semi Equip	25	74	1
PEGATRON	TAIWAN	Technology Hardware & Equip	24	71	5
JBS ON	BRAZIL	Food Beverage & Tobacco	29	68	3
INVENTEC	TAIWAN	Technology Hardware & Equip	15	68	17
MMC NORILSK NICKEL	RUSSIA	Materials	33	67	0
FIBRIA CELULOSE ON	BRAZIL	Materials	25	66	9
INDORAMA VENTURES	THAILAND	Materials	6	65	28
YTL	MALAYSIA	Utilities	31	64	5
ASUSTEK COMPUTER	TAIWAN	Technology Hardware & Equip	31	64	6

Source: MSCI, Thomson Reuters Datastream, HSBC

## Diversified exposure: revenue risk reduction

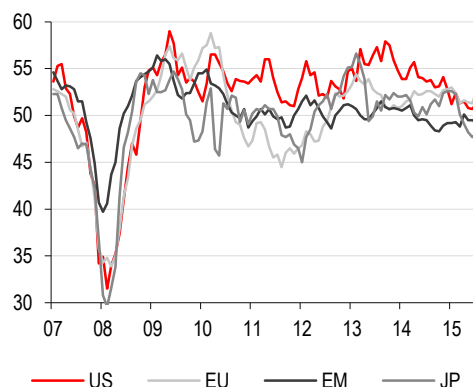
Growth has rotated between regions in recent years

Globally diversified companies are not greatly exposed to any one region

Over the past few years the global economic recovery has seemed like a game of 'pass the parcel' with growth rotating between regions, and currency wars a key driver of regional performance. This can be seen in the manufacturing PMIs – since 2010, the average correlation between the individual regional PMIs and the global aggregate has fallen sharply, from close to 1 to around 0.5 (charts 36 and 37).

We believe that globally diversified companies are attractive in this world given that their revenue growth is not greatly exposed to any one region. We have therefore screened for stocks from the US, Europe and Asia which have the most diversified revenue exposure. Specifically, we look for stocks which derive revenue from at least three out of the four major regions we consider and whose revenue exposure to any one of those regions is no more than 50% of total, and no less than 20% (no more than 60%, and no less than 15% for the Asian screen).

36. Regional manufacturing PMIs



Source: Markit, Thomson Reuters Datastream, HSBC

37. Average correlation of regional PMIs with the global manufacturing PMI



Source: Markit, Thomson Reuters Datastream, HSBC  
Note: 24-month correlations, average of US, EU, EM and JP

The largest of these global diversified companies are focused on Asian tech and hardware, European pharma, and US consumer.

38. Top 15 US stocks with the most diversified revenue exposure (%)

Company Name	Industry	Mcap (USD bn)	Pan Europe	Americas	Asia Pacific	Africa & ME	Misc
3M	Capital Goods	107.8	50	21	30	0	0
ESTEE LAUDER COS.'A'	HHld. & Personal Prod.	20.8	42	38	20	0	0
TE CONNECTIVITY	Tech.Hardware & Equip	20.6	34	33	34	0	0
ANALOG DEVICES	Semi. & Semi Equip	19.3	41	27	31	0	0
APACHE	Energy	18.9	49	20	0	31	0
DELPHI AUTOMOTIVE	Automobiles & Comp.	17.8	40	35	25	0	0
AUTODESK	Software & Services	13.0	39	37	24	0	0
WATERS	Pharma & Biotech.	12.7	34	29	37	0	0
INTL.FLAVORS & FRAG.	Materials	10.6	41	31	28	0	0
AUTOLIV	Automobiles & Comp.	9.1	36	31	34	0	0
CELANESE 'A'	Materials	9.0	32	39	26	0	3
AVERY DENNISON	Materials	6.9	34	29	32	0	5
FORTINET	Software & Services	5.8	43	36	21	0	0
W R GRACE	Materials	5.3	45	32	24	0	0
AVNET	Tech.Hardware & Equip	5.1	40	28	32	0	0

Source: MSCI, Thomson Reuters Datastream, HSBC

**39. Top 15 European stocks with the most diversified revenue exposure (%)**

Company Name	Industry	Mcap (USD bn)	Pan Europe	Americas	Asia Pacific	Africa & ME	Misc
ROCHE HOLDING	Pharma & Biotech	178.8	28	50	20	0	3
HSBC HDG. (	Banks	128.1	33	23	40	4	0
BAYER (XET)	Pharma & Biotech	87.4	34	28	22	0	16
LVMH	Cons. Dur. & Apparel	85.2	28	26	34	0	12
DAIMLER (XET)	Automobiles & Comp.	70.7	33	32	23	0	12
PRUDENTIAL	Insurance	45.0	36	40	24	0	0
AIRBUS GROUP	Capital Goods	44.5	31	22	29	13	4
CONTINENTAL (XET)	Automobiles & Comp.	41.1	50	26	20	0	4
SCHNEIDER Elect.	Capital Goods	38.5	26	27	29	0	18
CHRISTIAN DIOR	Cons. Dur. & Apparel	32.3	29	24	35	0	12
LAFARGEHOLCIM	Materials	27.7	25	33	32	10	0
ATLAS COPCO 'A'	Capital Goods	23.3	29	32	29	10	0
HEXAGON 'B'	Tech.Hardware & Equip	13.5	38	34	28	0	0
SKF 'B'	Capital Goods	6.5	39	32	26	3	0
ALFA LAVAL	Capital Goods	6.5	33	24	42	0	1

Source: MSCI, Thomson Reuters Datastream, HSBC

**40. Top 15 Asia Pacific stocks with the most diversified revenue exposure (%)**

Company Name	Industry	Mcap (USD bn)	Asia Pacific	Americas	Europe	Africa & ME	Misc
Samsung Electronics	Tech.Hardware & Equip	197.6	26	34	19	0	21
Hon Hai Precn.Ind.	Tech.Hardware & Equip	43.7	22	33	30	0	15
Lenovo Group	Tech.Hardware & Equip	7.3	43	30	26	0	0
IOI	Food Bev.& Tobacco	6.8	43	15	36	0	6
Pegatron	Tech.Hardware & Equip	6.1	30	23	42	0	5
Hankook Tire	Automobiles & Comp.	6.1	41	31	28	0	0
Hyundai Glovis	Transportation	5.6	47	23	28	0	2
Advantech	Tech.Hardware & Equip	4.9	49	29	17	0	5
Pou Chen	Cons. Dur. & Apparel	4.1	48	30	19	0	2
Sembcorp Industries	Capital Goods	3.7	50	16	33	1	1
Yangzijiang Shipbuilding	Capital Goods	2.6	46	18	36	0	0
Doosan Hvy.Inds.& Con.	Capital Goods	2.5	55	21	15	9	0
Hartalega Holdings	Healthcare Eq & Servs	1.7	18	51	30	0	0
Evergreen Marine	Transportation	1.3	19	45	36	0	0
China Cosco Hdg.	Transportation	0.9	32	27	19	0	22

Source: MSCI, Thomson Reuters Datastream, HSBC

## Domestic exposure

In this section we update our screens of the stocks with the highest domestic exposure. These stocks offer a more direct play on domestic recoveries – they tend to outperform when domestic growth is strong and the currency is strengthening. On pages 24 and 25, we show the 25 most domestic companies in MSCI US, Eurozone, UK and Japan. On pages 26 and 27, we show the most domestic companies in the markets where HSBC's economics team forecasts a significant recovery in GDP growth from this year to next.

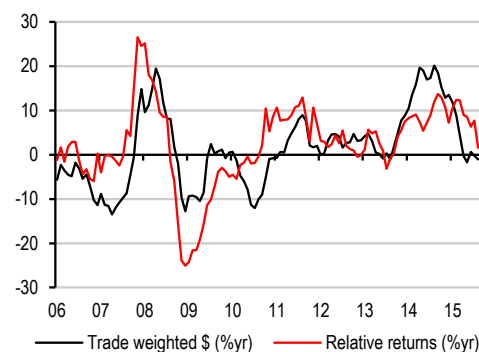
**Japanese domestic names will benefit from further JPY strength**

**UK domestics are likely to suffer from a slowdown in UK growth and weaker GBP**

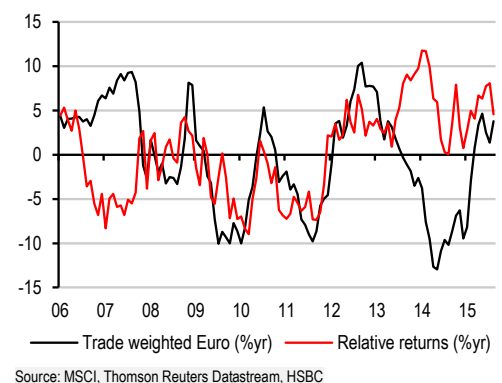
Year-to-date we have seen the strongest relative performance from the Japanese domestic names which have outperformed the wider Japanese universe by 2%. In contrast, the worst performers have been the UK domestics which have underperformed by over 10%.

This performance is largely driven by currency moves, and we expect it to continue. Whilst we are relatively pessimistic for the outlook on Japanese growth, our view that the yen reaches 95 against the dollar by the end of the year suggests that the domestic names will continue to do well. Whereas in the UK, we see the domestic names continuing to underperform as there is a very real risk of a recession given the uncertainty following June's Brexit vote. We see growth slowing to 0.7% next year and GBP-USD reaching 1.20 by year-end and 1.10 by end 2017.

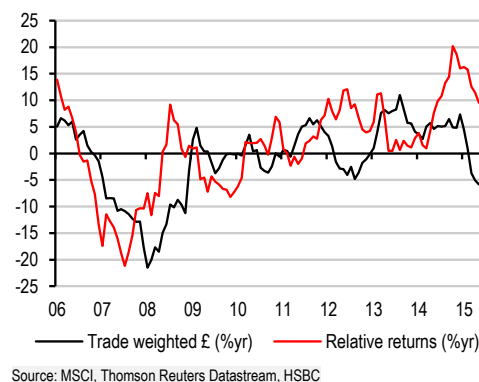
### 41. Performance of US domestic names relative to the US market



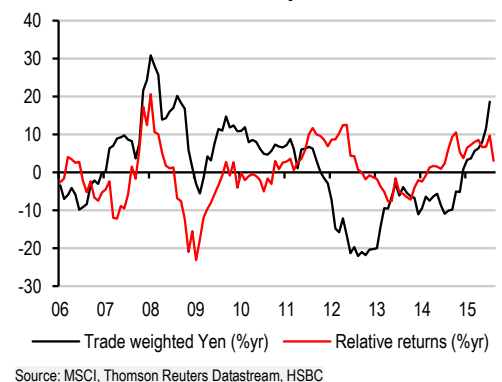
### 42. Performance of Eurozone domestic names relative to the Eurozone market



### 43. Performance of UK domestic names relative to the UK market



### 44. Performance of Japanese domestic names relative to the Japanese market



**45. US: 25 stocks with high domestic exposure (%) – Ranked by market cap**

Name	Industry	Domestic	Foreign
WELLS FARGO & CO	Banks	100	0
VERIZON COMMUNICATIONS	Telecommunication Services	100	0
BERKSHIRE HATHAWAY 'B'	Diversified Financials	100	0
COMCAST 'A'	Media	100	0
UNITEDHEALTH GROUP	Health Care Equipment & Servs	100	0
ALTRIA GROUP	Food Beverage & Tobacco	100	0
CVS HEALTH	Food & Staples Retailing	100	0
ALLERGAN	Pharmaceuticals & Biotechnology	100	0
LOCKHEED MARTIN	Capital Goods	100	0
US BANCORP	Banks	100	0
REYNOLDS AMERICAN	Food Beverage & Tobacco	100	0
LOWE'S COMPANIES	Retailing	100	0
UNION PACIFIC	Transportation	100	0
SIMON PROPERTY GROUP	Real Estate	100	0
CHARTER COMMS.CL.A	Media	100	0
NEXTERA ENERGY	Utilities	100	0
SOUTHERN	Utilities	100	0
PNC FINL.SVS.GP.	Banks	100	0
PUBLIC STORAGE	Real Estate	100	0
DOMINION RESOURCES	Utilities	100	0
REGENERON PHARMS.	Pharmaceuticals & Biotechnology	100	0
TARGET	Retailing	100	0
CHARLES SCHWAB	Diversified Financials	100	0
AETNA	Health Care Equipment & Servs	100	0
T-MOBILE US	Telecommunication Services	100	0

Source: MSCI, Thomson Reuters Datastream, HSBC

**46. Eurozone: 25 stocks with high domestic exposure (%) – Ranked by market cap**

Name	Industry	Domestic	Foreign
KBC GROUP	Banks	100	0
SAMPO 'A'	Insurance	100	0
AENA SHS	Transportation	100	0
SNAM	Utilities	100	0
VONOVIA (XET)	Real Estate	100	0
KLEPIERRE	Real Estate	100	0
FORTUM	Utilities	100	0
NUMERICABLE SFR	Telecommunication Services	100	0
TELEFONICA DTL. (XET) HLDG.	Telecommunication Services	100	0
ILIAD	Telecommunication Services	100	0
ADP	Transportation	100	0
DEUTSCHE WOHNEN (XET) BR.SHS.	Real Estate	100	0
TERNA RETE ELETTRICA NAZ	Utilities	100	0
GALP ENERGIA SGPS	Energy	100	0
GECINA	Real Estate	100	0
GROUPE EUROTUNNEL	Transportation	100	0
BANKINTER 'R'	Banks	100	0
FONCIERE DES REGIONS	Real Estate	100	0
MEDIOBANCA BC.FIN	Diversified Financials	100	0
TELENET GROUP HOLDING	Media	100	0
ICADE	Real Estate	100	0
WENDEL	Diversified Financials	100	0
UNIPOLSAI	Insurance	100	0
EURAZEO	Diversified Financials	100	0
EDENRED	Diversified Financials	100	0

Source: MSCI, Thomson Reuters Datastream, HSBC

**47. UK: 25 stocks with high domestic exposure (%)**

Name	Industry	Domestic	Foreign
ADMIRAL GROUP	Insurance	100	0
BARRATT DEVELOPMENTS	Consumer Durables & Apparel	100	0
BERKELEY GROUP HDG.(THE)	Consumer Durables & Apparel	100	0
BRITISH LAND	Real Estate	100	0
DIRECT LINE IN.GROUP	Insurance	100	0
HARGREAVES LANSDOWN	Diversified Financials	100	0
LAND SECURITIES GROUP	Real Estate	100	0
LEGAL & GENERAL	Insurance	100	0
LLOYDS BANKING GROUP	Banks	100	0
MORRISON(WM)SPMKTS.	Food & Staples Retailing	100	0
PERSIMMON	Consumer Durables & Apparel	100	0
PROVIDENT FINANCIAL	Diversified Financials	100	0
ROYAL MAIL	Transportation	100	0
SAINSBURY (J)	Food & Staples Retailing	100	0
ST.JAMES'S PLACE	Insurance	100	0
TRAVIS PERKINS	Capital Goods	100	0
UNITED UTILITIES GROUP	Utilities	100	0
WORLDPAY GROUP	Software & Services	100	0
AUTO TRADER GROUP	Software & Services	98	2
TAYLOR WIMPEY	Consumer Durables & Apparel	98	2
SSE	Utilities	98	2
WHITBREAD	Consumer Services	97	3
INTU PROPERTIES	Real Estate	96	4
CAPITA	Commercial Services & Suppliers	93	7
SEVERN TRENT	Utilities	92	8

Source: MSCI, Thomson Reuters Datastream, HSBC

**48. Japan: 25 stocks with high domestic exposure (%)**

Name	Industry	Domestic	Foreign
NTT DOCOMO INC	Telecommunication Services	100	0
KDDI	Telecommunication Services	100	0
JAPAN POST HOLDINGS	Insurance	100	0
JAPAN POST BANK	Banks	100	0
CENTRAL JAPAN RAILWAY	Transportation	100	0
EAST JAPAN RAILWAY	Transportation	100	0
MIZUHO FINL.GP.	Banks	100	0
YAHOO JAPAN	Software & Services	100	0
MITSUBISHI ESTATE	Real Estate	100	0
ORIENTAL LAND	Consumer Services	100	0
MITSUI FUDOSAN	Real Estate	100	0
DAIWA HOUSE INDUSTRY	Real Estate	100	0
MEIJI HOLDINGS	Food Beverage & Tobacco	100	0
MS&AD INSURANCE GP.HDG.	Insurance	100	0
NITORI HOLDINGS	Retailing	100	0
DAITO TST.CONSTRUCTION	Real Estate	100	0
WEST JAPAN RAILWAY	Transportation	100	0
SUMITOMO REAL.&DEV.	Real Estate	100	0
SUMITOMO MITSUI TST.HDG.	Banks	100	0
SEKISUI HOUSE	Consumer Durables & Apparel	99	1
CHUBU ELEC.POWER	Utilities	98	2
TOKYU	Transportation	98	2
TOKYO GAS	Utilities	98	2
TAISEI	Capital Goods	97	3
HANKYU HANSHIN HDG.	Transportation	96	4

Source: MSCI, Thomson Reuters Datastream, HSBC



### HSBC Economics sees growth rebounding in Brazil, Russia, Canada and South Africa

## Biggest rebounds

Here we screen for the most domestic companies in the markets where HSBC's economics team forecasts a significant recovery in GDP growth from this year to next – Brazil, Russia, Canada and South Africa. These stocks are likely to be the key beneficiaries of these domestic recoveries.

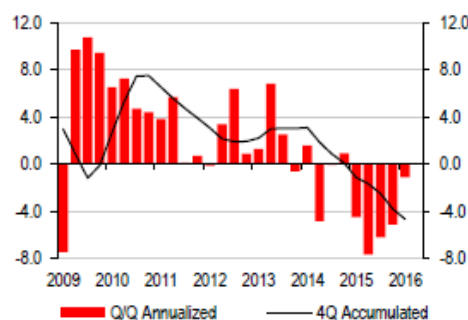
### 49. Markets with the biggest forecast GDP growth delta over the next year

	GDP growth		Industry groups with highest domestic exposure
	2016f	2017f	
Brazil	-3.3	1.0	4.30 Utilities, Telecoms, Insurance, Transport
Russia	0.0	1.5	1.50 Utilities, Telecoms, Diversified Financials
Canada	1.2	1.9	0.70 Retail, Telecoms, Utilities, Food Retail
South Africa	-0.2	0.5	0.70 Consumer Services, Insurance, Food Retail, Food & Beverages

Source: MSCI, Thomson Reuters Datastream, HSBC

The biggest change is the forecast for Brazil, where GDP is expected to rebound from a two-year recession – having seen GDP falls of 3.3% in 2016 on top of a 3.8% fall in 2015. We expect a moderate rebound to 1.0% GDP growth in 2017. Interim President Temer has made progress on fiscal policy initiatives, and these have been supported by Congress, improving sentiment. We expect the Central Bank to bring forward the beginning of the easing cycle to the fourth quarter of 2016.

### 50. Brazil GDP: First signs of recession bottoming



Source: IBGE

### 51. Brazil Unemployment rate: Still growing



Source: IBGE

The recession may be bottoming out, and while household consumption will continue to face a drag from the weak job market, we forecast this will be offset by positive contributions from net exports. Investment and industrial production have been by far the weakest areas of growth the last two years and are expected to see the strongest rebounds. See Finkman, [Latin American Economics](#), 21 July 2016.

### 52. Brazil: Top 10 stocks with high domestic exposure (%) – Ranked by market cap

Name	Industry	Domestic	Foreign
BANCO SANTANDER BRASIL	Banks	100	0
BANCO DO BRASIL ON	Banks	100	0
BB SEGURIDADE ON	Insurance	100	0
TELEFONICA BRASIL PN	Telecommunication Services	100	0
BMF BOVESPA BLVAL. MEREFU.ON	Diversified Financials	100	0
CMPH.COCS. RODOVIARIAS ON	Transportation	100	0
TRACTEBEL ENERGIA ON	Utilities	100	0
KROTON EDUCACIONAL ON	Consumer Services	100	0
CPFL ENERGIA ON	Utilities	100	0
RAIA DROGASIL ON	Food & Staples Retailing	100	0

Source: MSCI, Thomson Reuters Datastream, HSBC

**53. Canada: Top 10 stocks with high domestic exposure (%) – Ranked by market cap**

Name	Industry	Domestic	Foreign
BCE	Telecommunication Services	100	0
IMPERIAL OIL	Energy	100	0
LOBLAW	Food & Staples Retailing	100	0
TELUS	Telecommunication Services	100	0
ROGERS COMMS.'B'	Telecommunication Services	100	0
HYDRO ONE	Utilities	100	0
PEMBINA PIPELINE	Energy	100	0
INTACT FINANCIAL	Insurance	100	0
FORTIS	Utilities	100	0
SHAW COMMS.'B'	Media	100	0

Source: MSCI, Thomson Reuters Datastream, HSBC

**54. Russia: Top 10 stocks with high domestic exposure\* (%) – Ranked by market cap**

Name	Industry	Domestic	Foreign
TATNEFT	Energy	100	0
RUSHYDRO	Utilities	100	0
ROSTELECOM	Telecommunication Services	100	0
MOSCOW EXCHANGE	Diversified Financials	100	0
MOBL.TELSMS.OJSC SPN.ADR 1:2	Telecommunication Services	91	9
VTB BANK	Banks	90	10
SBERBANK OF RUSSIA	Banks	84	16
TRANSNEFT PREF.	Energy	80	20
SEVERSTAL	Materials	66	34
GAZPROM	Energy	39	61

\* Note some resources companies disclose revenues based on the geographic distribution of their production rather than customers.  
Source: MSCI, Thomson Reuters Datastream, HSBC

**55. South Africa: Top 10 stocks with high domestic exposure (%) – Ranked by market cap**

Name	Industry	Domestic	Foreign
REMGRO	Diversified Financials	100	0
RMB	Diversified Financials	100	0
DISCOVERY	Insurance	100	0
CAPITEC BANK	Banks	100	0
SIBANYE GOLD	Materials	100	0
BRAIT SA. (JSE)	Diversified Financials	100	0
RESILIENT PR.INC.FD.	Real Estate	100	0
PSG GROUP	Diversified Financials	100	0
MMI HOLDINGS	Insurance	100	0
FORTRESS INCOME FUND 'B'	Real Estate	100	0

Source: MSCI, Thomson Reuters Datastream, HSBC

## Currency exposure: FX sensitivities

Currency moves have been a key driver of corporate performance in many markets over the past few years. For example, Japanese equities saw earnings accelerate sharply following the start of Abenomics in 2012 and the rapid depreciation in the yen, whereas US corporates have suffered in recent years alongside continued dollar strength.

We regress sales growth against FX moves to determine relative FX sensitivities

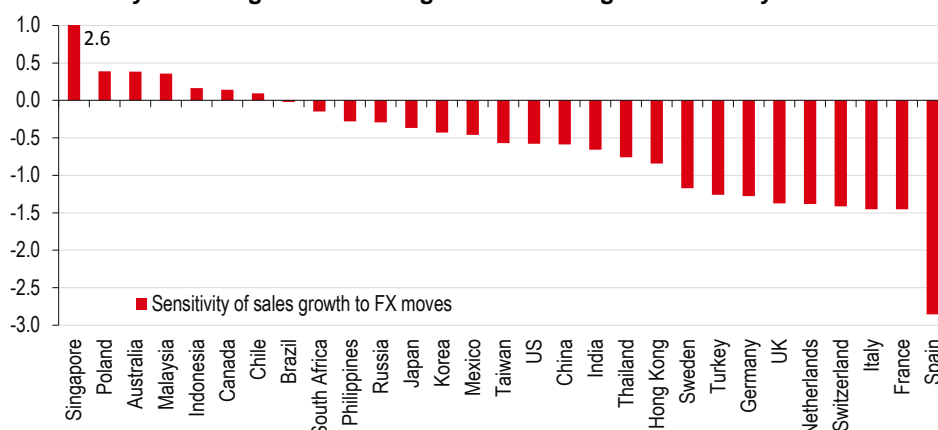
But where is corporate performance most sensitive to moves in the currency? To answer this we conduct a regression of sales growth against the change in each market's trade weighted currency. We use sales growth rather than earnings as it tends to be less volatile, and we include domestic industrial production growth as an additional dependent variable in order to control for the business cycle. The regressions are based on annual data over the past 16 years.

European corporates have the highest sensitivity to FX moves and the highest overseas exposure

Chart 56 shows the coefficient of the currency variable from each of the individual country regressions. In the majority of cases the relationship is negative – that is, a greater appreciation in the currency is consistent with a decline in the rate of sales growth and vice versa. But there are some exceptions. Some of these are markets which are relatively closed (Indonesia for example). However, Singapore stands out as an anomaly with the regression suggesting an appreciation in the Singaporean dollar is consistent with a large increase in sales growth (although the coefficient for the currency is not significant).

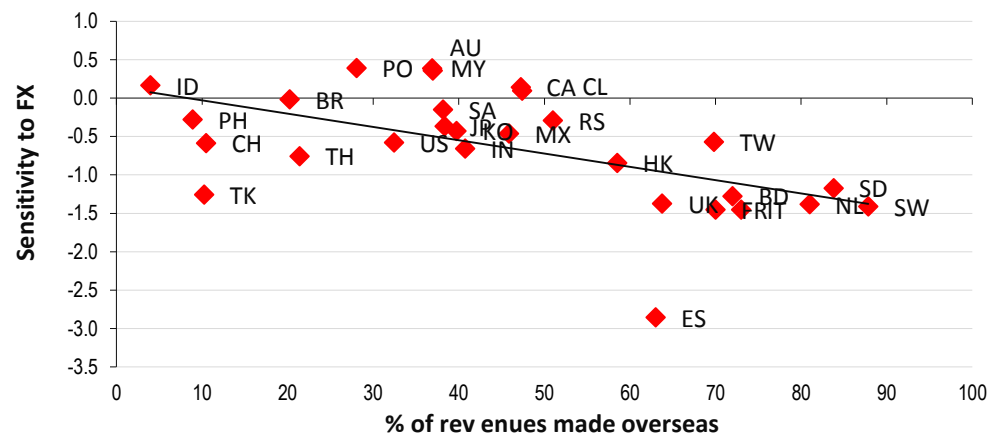
More generally, we find a broad relationship between the sensitivity of sales growth to FX moves and the proportion of revenues which are made overseas. This is clearest in the developed world where the far more open European markets have a much higher sensitivity to FX moves than the US or Japan (chart 57).

56. Sensitivity of sales growth to changes in trade weighted currency



Source: Thomson Reuters Datastream, HSBC

## 57. Sensitivity to FX vs. overseas revenues



## Pure exporters

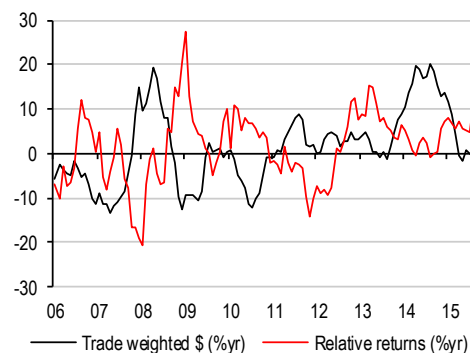
**'Pure exporters' have a large proportion of their revenues overseas, but have a low proportion of their costs**

Within markets, the most FX-sensitive companies are likely to be the 'pure exporters'. That is, those companies which make a large proportion of their revenues overseas but have a low portion of their cost base outside of their domestic market. Below we screen for these companies using geographic assets as a proxy for costs. Specifically, we screen for those companies which make at least 50% of their revenues overseas but have a lower proportion of their assets in foreign markets. We rank by the gap between the proportion of foreign sales and foreign assets.

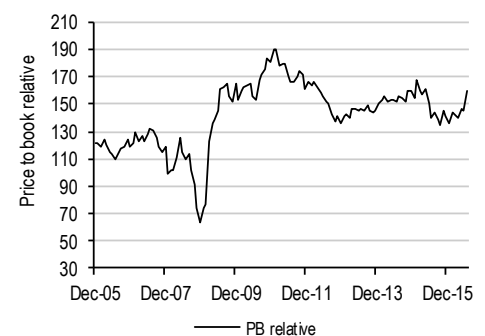
## US

Our US 'pure exporters' screen is dominated by IT, with 18 of the 25 companies coming from the sector (table 60). These stocks have a negative 0.36 correlation with the trade weighted dollar and have performed extremely well over the past 12 months, outperforming the wider US universe by 17%, alongside a stabilisation in currency. HSBC's FX strategists continue to see a relatively stable USD, with it strengthening against GBP, broadly flat against EUR and weakening against JPY. However, relative valuations are back above their long-term average, so we would not expect significant further outperformance from here (chart 59).

## 58. Performance of US exporters relative to the US market



## 59. Price-to-book of US exporters relative to the US market



**60. US: Top 25 'pure exporters' (companies with over 50% of sales made overseas and a low % of assets overseas)**

Company Name	Industry	Foreign Sales	Foreign Assets	Sales - Assets
QORVO	Semiconductors & Semi Equip	88	22	66
BROADCOM	Semiconductors & Semi Equip	89	24	65
NVIDIA	Semiconductors & Semi Equip	87	22	65
MAXIM INTEGRATED PRDS.	Semiconductors & Semi Equip	88	28	60
APPLIED MATS.	Semiconductors & Semi Equip	83	26	57
SABRE	Software & Services	60	4	56
MARVELL TECH.GROUP	Semiconductors & Semi Equip	98	44	54
EBAY	Software & Services	58	7	51
INTEL	Semiconductors & Semi Equip	80	29	51
PRICELINE GROUP	Retailing	80	30	51
WESTERN UNION	Software & Services	71	21	50
MICROCHIP TECH.	Semiconductors & Semi Equip	80	39	42
XILINX	Semiconductors & Semi Equip	73	32	41
TEXAS INSTRUMENTS	Semiconductors & Semi Equip	88	47	40
TESLA MOTORS	Automobiles & Components	52	12	40
ANSYS	Software & Services	62	23	40
FLEETCOR TECHNOLOGIES	Software & Services	61	22	40
TRIPADVISOR 'A'	Retailing	50	12	38
KLA TENCOR	Semiconductors & Semi Equip	71	34	37
CADENCE DESIGN SYS.	Software & Services	54	17	37
W R GRACE	Materials	69	33	36
LINEAR TECHNOLOGY	Semiconductors & Semi Equip	72	37	36
HASBRO	Consumer Durables & Apparel	51	16	35
E I DU PONT DE NEMOURS	Materials	60	25	35
VMWARE	Software & Services	50	15	34

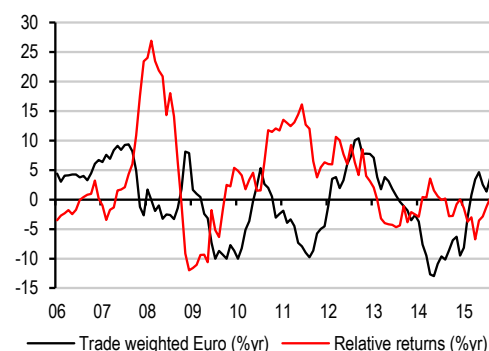
Source: MSCI, Thomson Reuters Datastream, HSBC

**Eurozone exporters**  
inexpensive, but HSBC sees  
little EUR weakness

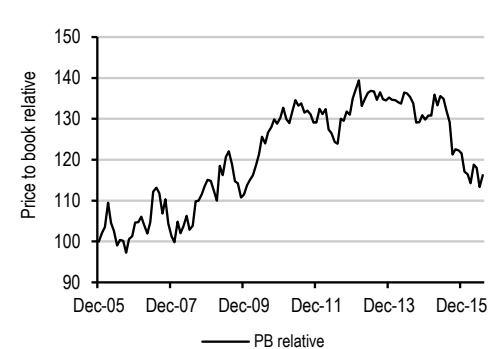
**Eurozone**

Our screen of Eurozone exporters, shown in table 63, has performed in-line with the wider European market year-to-date, with the euro relatively range-bound. However, relative valuations have fallen, and the stocks now look inexpensive versus recent history (chart 62).

The euro has been relatively stable since the UK's vote to leave the European Union. Our FX strategists do not believe it will come under sustained pressure despite heightened political uncertainty in the region. We forecast EUR-USD finishing the year at 1.10, broadly in-line with today's level.

**61. Performance of Eurozone exporters relative to the Eurozone market**

Source: MSCI, Thomson Reuters Datastream, HSBC

**62. Price-to-book of Eurozone exporters relative to the Eurozone market**

Source: MSCI, Thomson Reuters Datastream, HSBC

### 63. Eurozone: Top 25 'pure exporters' (companies with over 50% of sales made overseas and a low % of assets overseas)

Company Name	Industry	Foreign Sales	Foreign Assets	Sales - Assets
ASML HOLDING	Semiconductors & Semi Equip	97	24	73
AIRBUS GROUP	Capital Goods	69	6	62
WARTSILA	Capital Goods	69	12	57
REMY COINTREAU	Food Beverage & Tobacco	66	16	50
STMICROELECTRONICS (PAR)	Semiconductors & Semi Equip	73	24	48
SCOR SE	Insurance	59	21	38
NOKIA	Technology Hardware & Equip	71	33	38
VOLKSWAGEN (XET)	Automobiles & Components	80	44	37
SAFRAN	Capital Goods	58	23	36
QIAGEN (XET)	Pharmaceuticals & Biotechnology	68	37	31
MAPFRE	Insurance	67	36	31
DAIMLER (XET)	Automobiles & Components	67	40	27
HERMES INTL.	Consumer Durables & Apparel	67	41	26
DASSAULT SYSTEMES	Software & Services	65	42	23
MERCK KGAA (XET)	Pharmaceuticals & Biotechnology	63	40	23
BBV.ARGENTARIA	Banks	63	41	22
BANCO SANTANDER	Banks	58	37	21
PUBLICIS GROUPE	Media	72	52	20
ANDRITZ	Capital Goods	61	43	19
BMW (XET)	Automobiles & Components	54	37	18
OSRAM LICHT (XET)	Capital Goods	59	42	17
LEGRAND	Capital Goods	52	35	17
ACS ACTIV.CONSTR.Y SERV.	Capital Goods	75	58	16
UCB	Pharmaceuticals & Biotechnology	79	63	16
GRIFOLS ORD CL A	Pharmaceuticals & Biotechnology	83	67	16

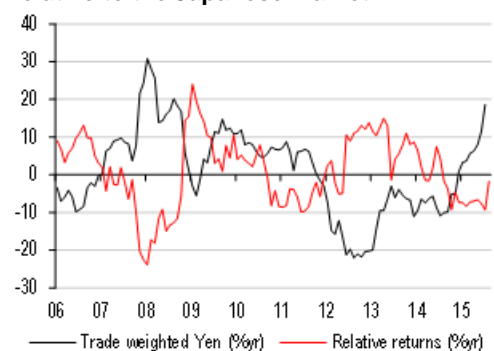
Source: MSCI, Thomson Reuters Datastream, HSBC

**Valuations high versus history makes vulnerable to HSBC strong yen forecast**

### Japan

Japanese exporters have underperformed significantly over the past 12 months, and we expect this poor performance to continue. HSBC's FX view is that the JPY's safe-haven status combined with a relatively inactive BoJ will cause USD-JPY to move lower from here, and they forecast 95 for year-end. This would be significantly negative for Japanese equities, particularly for the companies in our pure exporter screen where, despite a moderate derating, valuations still look high compared to history (chart 65). Within the market, we would favour domestic names (see page 32 for our screen) and small caps.

### 64. Performance of Japanese exporters relative to the Japanese market



Source: MSCI, Thomson Reuters Datastream, HSBC

### 65. Price-to-book of Japanese exporters relative to the Japanese market



Source: MSCI, Thomson Reuters Datastream, HSBC

### 66. Japan: Top 25 'pure exporters' (companies with over 50% of sales made overseas and a low % of assets overseas)

Company Name	Industry	Foreign Sales	Foreign Assets	Sales - Assets
JGC	Capital Goods	85	12	74
MURATA MANUFACTURING	Technology Hardware & Equip	93	30	63
MAZDA MOTOR	Automobiles & Components	81	17	63
NGK SPARK PLUG	Automobiles & Components	84	21	63
TOKYO ELECTRON	Semiconductors & Semi Equip	82	22	60
FUJI HEAVY INDS.	Automobiles & Components	81	23	58
CASIO COMPUTER	Consumer Durables & Apparel	69	14	55
SONY	Consumer Durables & Apparel	71	24	48
SYSMEX	Health Care Equipment & Servs	84	37	47
NINTENDO	Software & Services	73	27	47
KAWASAKI HEAVY INDUSTRY	Capital Goods	59	13	45
NIKON	Consumer Durables & Apparel	86	41	45
ISUZU MOTORS	Automobiles & Components	64	21	44
SHIMANO	Consumer Durables & Apparel	91	48	43
HITACHI CON.MCH.	Capital Goods	69	28	41
ALPS ELECTRIC	Technology Hardware & Equip	80	40	40
IHI	Capital Goods	52	13	39
SHIMADZU	Technology Hardware & Equip	51	13	38
SEIKO EPSON	Technology Hardware & Equip	76	38	38
mitsubishi heavy inds.	Capital Goods	55	18	37
SUMITOMO DAINIPPON PHA.	Pharmaceuticals & Biotechnology	53	16	37
NIPPON ELEC.GLASS	Technology Hardware & Equip	77	40	37
YOKOGAWA ELECTRIC	Technology Hardware & Equip	69	33	36
KONICA MINOLTA	Technology Hardware & Equip	81	45	36
HIROSE ELECTRIC	Technology Hardware & Equip	73	41	32

Source: MSCI, Thomson Reuters Datastream, HSBC

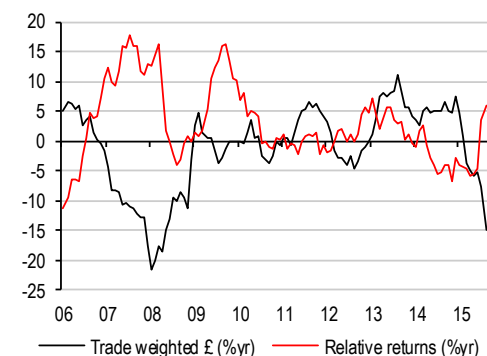
**HSBC forecasts a weaker GBP, benefitting pure exporters**

### UK

UK exporters have been significant relative beneficiaries of the UK's Brexit vote with a sharp decline in GBP helping boost competitiveness. Our FX view is that GBP continues to weaken from here given the UK's significant structural imbalances and the uncertainty created by the Brexit vote. We forecast 1.20 for GBP-USD by end-2016 and 1.10 for 2017, which would continue to support the performance of the pure exporters in our screen.

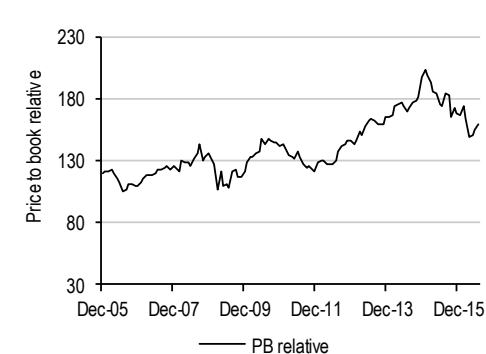
One thing to note is that there are not that many 'pure exporters' within the UK, particularly compared with other markets. We only include 20 in our screen, and even many of these have a high proportion of their assets outside of the UK – with ARM Holdings the lowest on the screen, with 11% of assets overseas.

### 67. Performance of UK exporters relative to the UK market



Source: MSCI, Thomson Reuters Datastream, HSBC

### 68. Price-to-book of UK exporters relative to the UK market



Source: MSCI, Thomson Reuters Datastream, HSBC

**69. UK: Top 20 'pure exporters' (companies with over 50% of sales made overseas and a low % of assets overseas)**

Company Name	Industry	Foreign Sales	Foreign Assets	Sales - Assets
ARM HOLDINGS	Semiconductors & Semi Equip	99	11	89
ASTRAZENECA	Pharmaceuticals & Biotechnology	91	18	73
ROLLS-ROYCE HOLDINGS	Capital Goods	87	36	51
AVIVA	Insurance	62	34	28
SCHRODERS	Diversified Financials	53	29	24
HIKMA PHARMACEUTICALS	Pharmaceuticals & Biotechnology	100	82	18
COBHAM	Capital Goods	89	74	15
CRODA INTERNATIONAL	Materials	96	82	14
INMARSAT	Telecommunication Services	92	79	13
MEGGITT	Capital Goods	91	81	10
PRUDENTIAL	Insurance	64	55	10
TUI (LON)	Consumer Services	66	57	9
JOHNSON MATTHEY	Materials	67	60	8
MEDICLINIC INTERNATIONAL	Health Care Equipment & Servs	100	93	7
PEARSON	Media	91	85	5
WEIR GROUP	Capital Goods	95	90	5
INTERTEK GROUP	Commercial Services & Suppliers	92	87	5
SMITHS GROUP	Capital Goods	96	93	3
SMITH & NEPHEW	Health Care Equipment & Servs	94	92	2
BUNZL	Capital Goods	83	82	1

Source: MSCI, Thomson Reuters Datastream, HSBC



## Regional update

- ▶ US overseas exposure low. Only IT and Materials with 50%+ overseas revenue. Brazil domestic focused, contrary to perception
- ▶ Europe most global, with 50% revenues from outside region. Also most EM-focused, led by Spain at 24% of revenue
- ▶ Asia Pacific most domestic, with only 19% of revenue from outside the region. Significant Japan overseas increase threatened by yen

Below we provide an overview of our data by region. We identify which markets and sectors have the highest overseas exposure and highlight any significant changes over the past year. All data are for end-2015, except for Japan and India where the data is mainly for March 2015 and Australia where data is for June 2015, given lags in full year reporting.

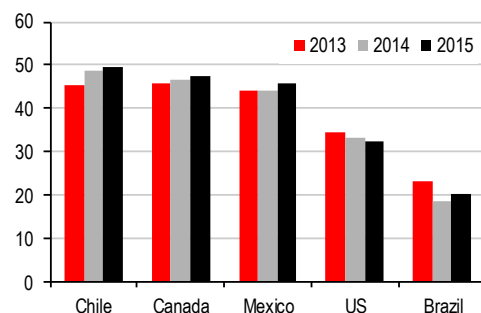
### Americas

#### Markets

US corporates have seen foreign revenues fall alongside strength in the USD

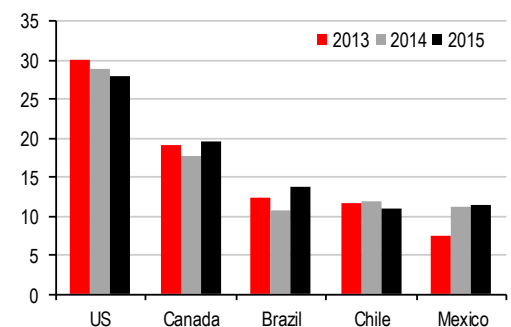
US corporates have seen their overseas exposure slip in recent years, perhaps driven by the strength in the USD and the relative weakness in growth elsewhere in the world. Since peaking at 35% of total revenues in 2011, foreign revenues have fallen to just 32% in 2015. The breakdown of identifiable foreign revenues remains fairly evenly split between the Americas, Europe and Asia, although the proportion of revenues made in Asia increased marginally in 2015. The relatively large miscellaneous category in the US is due to the imprecision of company reporting, with many companies grouping revenues into broad categories such as 'rest of the world'.

#### 70. Overseas revenues, % of total



Source: MSCI, Thomson Reuters Datastream, HSBC

#### 71. Non-Americas revenues, % of total



Source: MSCI, Thomson Reuters Datastream, HSBC

Chilean corporates are the most global within Latam

In Latin America, Chile remains the market with the highest proportion of foreign revenues at 49%, but Mexico has seen its foreign exposure increase to 46% from 44% in 2014. However, it should be noted that Mexican foreign revenues are concentrated in the US, whereas Chilean

revenues are more diverse throughout the Americas region. Brazil is the most domestic market in the Americas, with overseas exposure remaining at 20% in 2015. This is down from a recent high of 23% in 2013, which reflects the decline in commodity prices over the period and its impact on the commodity sectors. Longer term, this commodity index weight decline is even more pronounced, and the current 'closed' nature of Brazil's equity market is often a surprise to investor perceptions.

## 72. Geographic breakdown of corporate revenues in 2015: American markets, %

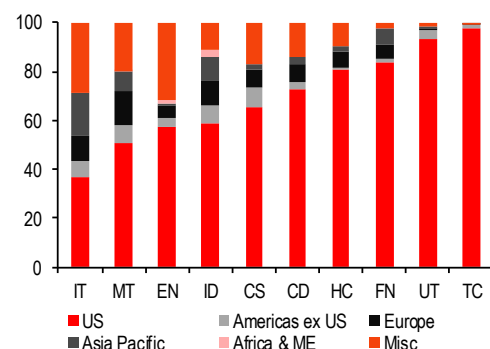
2015	Americas	Domestic	Americas ex Domestic	Europe	Asia Pacific	Africa & ME	Misc
Chile	89	51	38	2	1	0	8
Mexico	89	54	34	5	1	0	6
Canada	80	53	28	10	5	1	5
US	72	68	4	7	6	0	15
Brazil	86	80	6	1	1	1	11

Source: MSCI, Thomson Reuters Datastream, HSBC

## Sectors

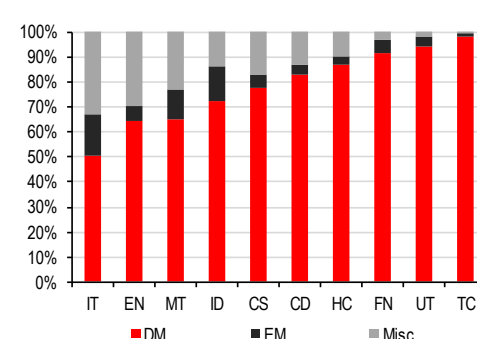
The US sector with the most significant foreign revenue exposure remains IT, with Semiconductor companies reporting over 85% of revenues from overseas. However, part of this will be due to the manufacture of components in Asia which are then ultimately exported back to the US – of the companies which report the breakdown, 30% of IT assets are based outside of the US. IT is also the US sector with the highest reported exposure to the emerging markets, followed by Industrials and Materials. Telecoms and Utilities are the most domestically oriented sectors within MSCI US.

## 73. US sectors regional breakdown



Source: MSCI, Thomson Reuters Datastream, HSBC

## 74. US sectors EM/DM breakdown



Source: MSCI, Thomson Reuters Datastream, HSBC

Table 75 lists the industry groups with the highest and lowest overseas exposures in the main American markets. Unsurprisingly, Materials companies are amongst the most global in the emerging American markets, but Brazilian Food and Beverage companies and Mexican Telecoms also produce a significant proportion of their revenues abroad. Telecoms are generally very domestically oriented in all of the markets with the exception of Mexico which makes a large proportion of their revenues in the rest of the Americas.

The full breakdown at the industry group level for each market can be found in the data section that follows, starting on page 45.

**75. American markets: Industry groups with the highest and lowest overseas exposure**

	Highest Overseas	% of total revenues	Lowest overseas	% of total revenues
US	Semiconductors & Semi Equip	85	Utilities	6
	Technology Hardware & Equip	66	Telecommunication Services	2
Canada	Pharmaceuticals & Biotechnology	97	Retailing	0
	Consumer Durables & Apparel	95	Telecommunication Services	0
Brazil	Materials	69	Telecommunication Services	0
	Food Beverage & Tobacco	68	Utilities	0
Mexico	Materials	74	Banks	0
	Telecommunication Services	68	Real Estate	0
Chile	Transportation	84	Banks	4
	Materials	80	Telecommunication Services	0

Source: MSCI, Thomson Reuters Datastream, HSBC

**Stock screens**

In tables 76 and 77 below, we show the 20 stocks from MSCI US with the highest exposure to Europe and Asia Pacific, respectively. A list of stocks with the highest total overseas sales from each market can be found in the data section that follows.

**76. MSCI US: 20 companies with the highest identifiable revenue exposure to Europe, (%)**

Company Name	Industry	Americas	US	Americas ex US	Europe	Asia Pacific	Africa & ME	Misc
COCA COLA ENTS.	Food Beverage & Tobacco	0	0	0	100	0	0	0
LIBERTY GLOBAL CL.A	Media			7	93			0
PRICELINE GROUP	Retailing		20		67			13
NEWMONT MINING	Materials				67	29		4
MANPOWERGROUP	Commercial Ser. & Supp	23	16	8	64			13
PHILIP MORRIS INTL.	Food Beverage & Tobacco	13	0	13	61	26	0	0
WABCO HOLDINGS	Capital Goods		17		56			28
AGCO	Capital Goods	39			56	5	0	0
MOLSON COORS BREW	Food Beverage & Tobacco			42	54			4
HARMAN INTL.INDS.	Consumer Durables & App		31		46			23
XL GROUP	Insurance		48		46			6
BORGWARNER	Automobiles & Comp.		25		45	22		8
INVESCO	Diversified Financials	58	51	7	40	2	0	0
IMS HEALTH HOLDINGS	Health Care Equip & Servs	45			40	15	0	0
CELANESE 'A'	Materials	32	26	6	39	26		3
EXPEDITOR Intl of WASH.	Transportation			5	39	51		5
ESTEE LAUDER COS.'A'	HHld & Personal.Products	42			38	20	0	0
KIMBERLY-CLARK	HHld & Personal.Products	50			38			12
ACTIVISION BLIZZARD	Software & Services	52			37	11	0	0
AUTODESK	Software & Services	39	32	7	37	24	0	0

Source: MSCI, Thomson Reuters Datastream, HSBC

**77. MSCI US: 20 companies with the highest identifiable revenue exposure to Asia, (%)**

Company Name	Industry	Americas	US	Americas ex US	Europe	Asia Pacific	Africa & ME	Misc
SKYWORKS SOLUTIONS	Semiconductor Equip	3	2	1	2	95	0	0
MARVELL TECH.GROUP	Semiconductor Equip		2			85		14
LAS VEGAS SANDS	Consumer Services	17	17	0	0	83	0	0
QUALCOMM	Semiconductor Equip		1			82		17
LAM RESEARCH	Semiconductor Equip	17	17	0	6	77	0	0
APPLIED MATS.	Semiconductor Equip	17			7	76	0	0
MICRON TECHNOLOGY	Semiconductor Equip		16		8	74		3
MAXIM INTEGRATED	Semiconductor Equip		12		15	70		3
TEXAS INSTRUMENTS	Semiconductor Equip		12		17	70		1
NVIDIA	Semiconductor Equip	21	13	8	10	69	0	0
AFLAC	Insurance		30			69		1
KLA TENCOR	Semiconductor Equip	29	29	0	7	64	0	0
INTEL	Semiconductor Equip		20			61		19
WYNN RESORTS	Consumer Services	40	40	0	0	60	0	0
MICROCHIP TECH.	Semiconductor Equip	20	20	0	21	59	0	0
BROADCOM	Semiconductor Equip		11			57		32
CORNING	Tech Hardware & Equip	34	30	4	10	55		2
YUM! BRANDS	Consumer Services	46	46	0	0	54	0	0
EXPEDITOR Intl. of WASH.	Transportation			5	39	51		5
MEAD JOHNSON Nutrition	Food Beverage & Tobacco			19		50		31

Source: MSCI, Thomson Reuters Datastream, HSBC

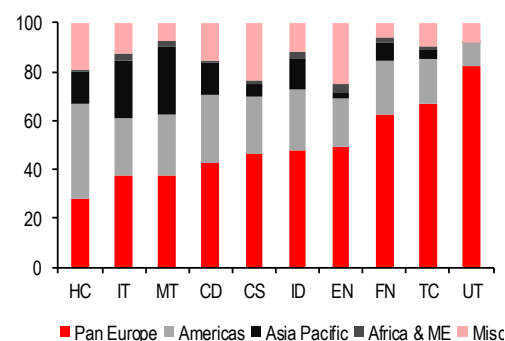
**Europe**

European corporates make around 50% of revenues outside of Europe, with 15% in EM

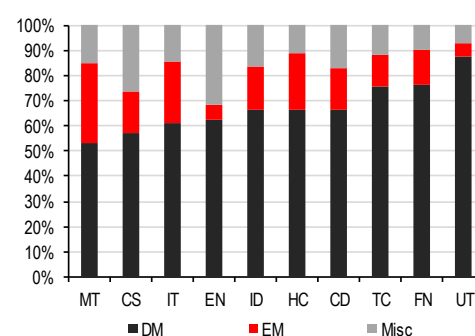
**Markets**

European corporates are the most globalised in the developed world and are therefore highly exposed to currency moves and the pace of global growth. In aggregate, around 50% of MSCI Europe revenues are made outside of Europe, with over 20% coming from the Americas and 10% from Asia Pacific (chart 78).

Emerging markets are also an important source of revenues with 15% made from the region in aggregate. Our European Strategy team sees this EM exposure as a positive attribute given that emerging market growth appears to be stabilising, whilst there are headwinds in Europe from the heightened political uncertainty. They are overweight the Capital Goods, Autos, Consumer Durables and Materials sectors, which all produce a significant proportion of their revenues in the emerging world (see Parkes, [Europe Equity Insights: UK referendum: an asymmetric risk profile](#), 22 June 2016).

**78. MSCI Europe: Revenues by region, %**

Source: MSCI, Thomson Reuters Datastream, HSBC

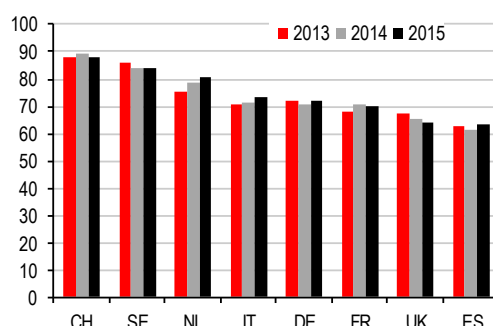
**79. MSCI Europe: EM/DM split, %**

Source: MSCI, Thomson Reuters Datastream, HSBC

At the individual market level, Swiss and Swedish companies remain the most global, although both saw minor declines in the percent of revenues made overseas in 2015. Within the Eurozone, the Netherlands produces the most revenues outside of the domestic market as well as the most outside of Europe. The market with the highest exposure to the Americas is Italy, whilst the market with the highest exposure to Asia is Germany.

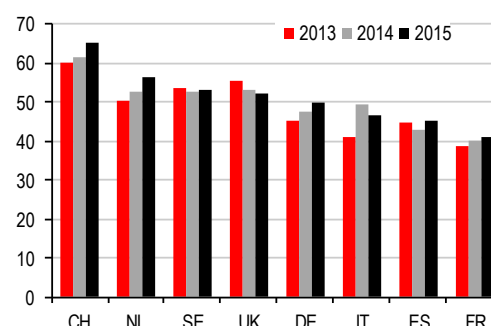
The emerging markets are most relevant for corporates in Spain where 24% of total revenues can be identified as coming from the region. Sweden (19%) and France (17%) also produce a significant proportion of revenues in the emerging world.

#### 80. Foreign revenues, % of total



Source: MSCI, Thomson Reuters Datastream, HSBC  
Note: see table below for abbreviations

#### 81. Non-European revenues, % of total



Source: MSCI, Thomson Reuters Datastream, HSBC  
Note: see table below for abbreviations

#### 82. Geographic breakdown of corporate revenues in 2015: European markets, %

2015	Europe	Domestic	Europe ex Domestic	Americas	Asia Pacific	Africa & ME	Misc
Switzerland (CH)	35	12	23	31	12	1	22
Sweden (SE)	47	16	31	26	11	3	13
Netherlands (NL)	44	19	24	30	8	1	17
Italy (IT)	53	27	27	33	5	2	6
Germany (DE)	50	28	22	22	13	1	14
France (FR)	59	30	29	19	8	3	11
UK (UK)	48	36	12	21	11	3	16
Spain (ES)	55	37	18	30	3	0	12

Source: MSCI, Thomson Reuters Datastream, HSBC

#### 83. EM/DM split: European markets in 2015, %

	EM	DM	Misc
Spain	24	65	11
Sweden	19	66	15
France	17	70	13
Netherlands	15	70	15
Germany	15	74	11
UK	15	66	19
Switzerland	13	59	28
Italy	13	80	7

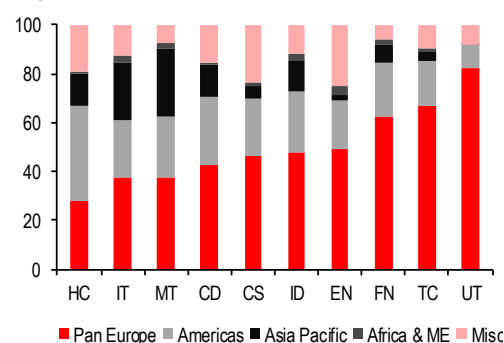
Source: MSCI, Thomson Reuters Datastream, HSBC

### Sectors

European Health Care (72%) and IT (64%) are the sectors with the highest non-European exposure, whereas Telecoms (33%) and Utilities (18%) have the least. Health Care's overseas revenues are predominantly made in the Americas, whereas IT is far more diversified, producing over 20% of revenues in both the Americas and Asia (chart 84).

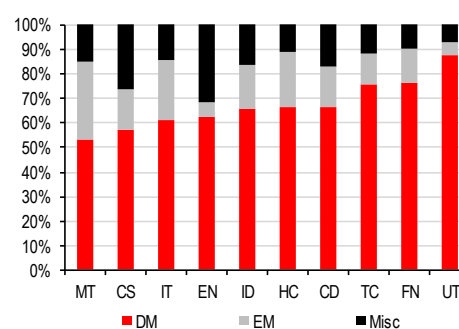
Emerging markets are most relevant for Materials (32%) and IT (25%), whereas Tech Hardware companies produce almost half their revenues in the region. Certain Consumer Discretionary industry groups also produce a significant proportion of revenues in EM, particularly Consumer Durables (27%) and Autos (18%).

**84. MSCI Europe sectors: Revenues by region, %**



Source: MSCI, Thomson Reuters Datastream, HSBC

**85. MSCI Europe sectors: EM/DM split, %**



Source: MSCI, Thomson Reuters Datastream, HSBC

**86. European markets: Industry groups with the highest and lowest overseas exposure**

	Highest Overseas	% of total revenues	Lowest overseas	% of total revenues
Switzerland	Health Care Equipment & Servs	99	Real Estate	0
	Capital Goods	99	Telecommunication Services	16
Sweden	Energy	100	Food & Staples Retailing	13
	Technology Hardware & Equip	99	Banks	49
Netherlands	Semiconductors & Semi Equip	99	Telecommunication Services	12
	Household & Personal Products	97	Banks	53
Italy	Consumer Durables & Apparel	97	Transportation	13
	Automobiles & Components	93	Telecommunication Services	25
France	Semiconductors & Semi Equip	98	Diversified Financials	0
	Pharmaceuticals & Biotechnology	94	Real Estate	18
Germany	Consumer Durables & Apparel	93	Real Estate	0
	Pharmaceuticals & Biotechnology	90	Banks	43
UK	Semiconductors & Semi Equip	99	Real Estate	7
	Household & Personal Products	96	Cons. Durables & Apparel	12
Spain	Software & Services	96	Food & Staples Retailing	43
	Pharmaceuticals & Biotechnology	95	Utilities	42

Source: MSCI, Thomson Reuters Datastream, HSBC

## Stock screens

**87. MSCI Europe: Top 20 companies with highest identifiable revenue exposure to Americas, %**

Company Name	Industry	Pan Europe	Americas	Asia Pacific	Africa & ME	Misc
FRESNILLO	Materials	0	100	0	0	0
ASHTAD GROUP	Capital Goods	16	84	0	0	0
ANHEUSER-BUSCH INBEV	Food Beverage & Tobacco	9	74	13		4
MILLICOM INTL.CELU.SDR	Telecommunication Services		73		15	12
SHIRE	Pharma & Biotechnology	0	73			27
TATE & LYLE	Food Beverage & Tobacco	18	72			10
FRESENIUS MED.CARE (XET)	Health Care Equipment & Servs	2	71			27
TENARIS	Energy	10	70	4	15	0
FIAT CHRYSLER AUTOS.	Automobiles & Components	17	70	4		9
EXPERIAN	Comm. Services & Suppliers	21	69			10
WOLSELEY	Capital Goods	32	68	0	0	0
DELHAIZE GROUP	Food & Staples Retailing	20	66			14
PEARSON	Media	15	65	13		7
EXOR ORD	Diversified Financials	24	65	10	1	0
LUXOTTICA	Consumer Durables & Apparel	18	64	13		4
GRIFOLS ORD CL A	Pharma & Biotechnology	17	64			19
AHOLD KON.	Food & Staples Retailing	38	62	0	0	0
BBV.ARGENTARIA	Banks	37	62			1
WOLTERS KLUWER	Media	33	60	6		2
PUBLICIS GROUPE	Media	28	58	11	3	0

Source: MSCI, Thomson Reuters Datastream, HSBC

**88. MSCI Europe: Top 20 companies with highest identifiable revenue exposure to Asia Pacific, %**

Company Name	Industry	Pan Europe	Americas	Asia Pacific	Africa & ME	Misc
ASML HOLDING	Semiconductors & Semi Equip	3	19	77	0	0
BHP BILLITON	Materials	6	18	73		4
STANDARD CHARTERED	Banks	4	5	72	9	9
RIO TINTO	Materials	9	19	69		3
NXP SEMICONDUCTORS	Semiconductors & Semi Equip	9	7	66		18
THE SWATCH GROUP 'B'	Consumer Durables & Apparel	33	9	57	1	0
STMICROELECTRONICS (PAR)	Semiconductors & Semi Equip	27	15	57		0
ANTOFAGASTA	Materials	13	10	57		20
ANGLO AMERICAN	Materials	23	9	56	12	0
ARM HOLDINGS	Semiconductors & Semi Equip	7	38	55	0	0
INFINEON TECHS. (XET)	Semiconductors & Semi Equip	35	12	53	0	0
TELENOR	Telecommunication Services	48		50		2
HERMES INTL.	Consumer Durables & Apparel	33	18	47		2
RICHEMONT N	Consumer Durables & Apparel	31	12	45		12
GLENCORE	Materials	32	19	45	4	0
KONE 'B'	Capital Goods	42	16	42	0	0
ALFA LAVAL	Capital Goods	33	24	42		1
WARTSILA	Capital Goods	31	20	41		8
HSBC HDG. (ORD \$0.50)	Banks	33	23	40	4	0
BURBERRY GROUP	Consumer Durables & Apparel	35	26	37		2

Source: MSCI, Thomson Reuters Datastream, HSBC

## Asia Pacific

### Markets

Apart from Taiwan, Asian emerging markets are very domestically oriented

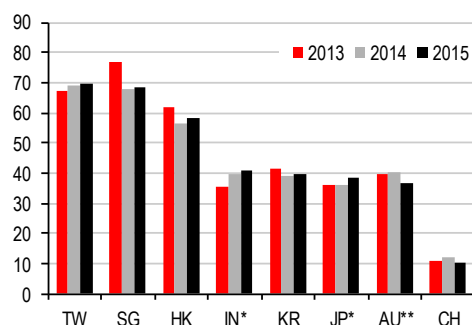
Japanese overseas revenues has increased 38% of total, driven by a weaker yen

Companies in Asia ex Japan are relatively domestically oriented. In 2015, they made 19% of their revenues outside of the Asia Pacific region, compared to 20% in 2014. Taiwan, Singapore and Hong Kong are the most global markets within the region and have all seen their overseas exposure increase over the past year. Indonesia, the Philippines and China are the most domestically oriented with Indonesian companies producing just 4% of revenues outside of the domestic market in aggregate.

Japan has seen its overseas exposure increase significantly over the past few years alongside the weakness in the yen. Since the start of Abenomics in 2012, foreign revenues have increased from 33% of total to 38% (as of March 2015), overtaking US companies which make 32% of revenues overseas. This increase may stall from here if we have seen the end to yen weakness as our FX strategists expect. We forecast JPY-USD at 95 by end-2016 which would represent a significant drag to overseas earnings relative to 2015.

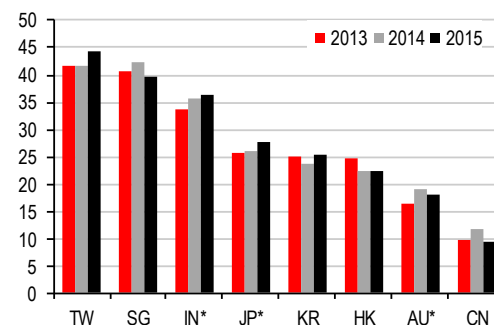
MSCI China saw its foreign exposure decline slightly in 2015, following the addition of the US-listed ADRs which are predominantly domestic. However, we see foreign exposure increasing going forward, with outbound direct investment increasing dramatically in recent years (see Laidler, [Globalising China](#), 2 October 2015).

89. Overseas revenues, % of total



\* India and Japan data is for financial years ending March 2015, Australia is for year ending June 2015  
Source: MSCI, Thomson Reuters Datastream, HSBC

90. Non-Asian revenues, % of total



\* India and Japan data is for financial years ending March 2015, Australia is for year ending June 2015  
Source: MSCI, Thomson Reuters Datastream, HSBC

91. Geographic breakdown of corporate revenues in 2015: Asian markets, %

2015	Asia Pacific	Domestic	Asia Pacific ex Domestic	Americas	Europe	Africa & ME	Misc
Taiwan	56	30	25	21	12	0	12
Singapore	60	31	29	24	9	1	5
Hong Kong	77	41	36	8	9	0	5
India*	64	59	4	7	6	1	23
Korea	75	60	15	12	7	1	5
Japan*	72	62	11	14	5	0	9
Australia*	82	63	19	8	4	0	5
Malaysia	89	63	26	2	4	1	4
Thailand	90	80	10	3	2	0	5
China	90	90	1	1	1	0	8
Philippines	92	91	0	1	1	0	6
Indonesia	98	96	2	0	0	0	2

Source: MSCI, Thomson Reuters Datastream, HSBC. \* India and Japan data is for financial years ending March 2015, Australia is for year ending June 2015



## Sectors

The most global sector in Asia is IT, making over half of its revenues outside of the region with almost 30% made in the Americas. Consumer Discretionary is also fairly global, in particular Consumer Durables and Autos. But many sectors are extremely domestic-focused. Telecoms, Utilities and Financials all make less than 10% of their revenues in other regions.

Table 92 below shows the most and least global industry groups from within the main Asia Pacific markets. As per the aggregate data, IT appears amongst the most global in most markets, whilst Financials and Telecoms tend to be most domestic.

### 92. Asian markets: Industry groups with the highest and lowest overseas exposure

	Highest Overseas	% of total revenues	Lowest overseas	% of total revenues
Japan	Energy	28	Food & Staples Retailing	17
	Technology Hardware & Equip	58	Banks	17
Australia	Pharmaceuticals & Biotechnology	90	Retailing	0
	Materials	90	Utilities	0
Hong Kong	Consumer Durables & Apparel	100	Food Beverage & Tobacco	0
	Semiconductors & Semi Equip	92	Banks	7
Singapore	Capital Goods	82	Consumer Services	0
	Transportation	60	Retailing	0
China	Technology Hardware & Equip	66	Real Estate	0
	Transportation	37	Telecommunication Services	0
India	Software & Services	95	Transportation	0
	Pharmaceuticals & Biotechnology	71	Health Care Equ. & Servs	0
Korea	Semiconductors & Semi Equip	94	Consumer Services	0
	Technology Hardware & Equip	85	Telecommunication Services	0
Taiwan	Technology Hardware & Equip	89	Insurance	0
	Semiconductors & Semi Equip	86	Real Estate	0
Indonesia	Energy	31	Telecommunication Services	0
	Food Beverage & Tobacco	4	Utilities	0
Philippines	Diversified Financials	11	Telecommunication Services	0
	Capital Goods	11	Utilities	0
Thailand	Food Beverage & Tobacco	72	Real Estate	0
	Materials	50	Telecommunication Services	0
Malaysia	Health Care Equipment & Servs	83	Media	0
	Food Beverage & Tobacco	61	Real Estate	21

Source: MSCI, Thomson Reuters Datastream, HSBC

## Stock screens

In tables 93 and 94 below, we show the 20 stocks from MSCI Asia ex Japan with the highest exposures to the Americas and Europe, respectively. Screens of the most global stocks in each of the individual Asian markets are available in the data section starting on page 85.

### 93. MSCI Asia ex Japan: Top 20 companies with highest identifiable revenue exposure to Americas, %

Company Name	Industry	Asia	Domestic	Asia ex-Dom	Americas	Europe	Africa & ME	Misc
58 COM CL.A ADR 1:2	Software & Services	0	0	0	100	0	0	0
NIEN MADE ENTERPRISE	Cons Dur & Apparel				79	14		7
TECHTRONIC INDS.	Cons Dur & Apparel				75	17		8
ADVANCED SEMICON.	Semiconductors & Equ	20	12	8	73	7		1
NOBLE GROUP	Capital Goods	18			68	13	2	0
TAIWAN SEMICON.MNFG.	Semiconductors & Equ	25	11	15	67	7		1
INFOSYS	Software & Services		3		63	23		12
INVENTEC	Tech. Hardware & Equ	20	6	14	63			17
TATA CONSULTANCY SVS.	Software & Services	7	7	0	63	30	0	0
LI & FUNG	Cons Dur & Apparel			15	62	17		7
AAC TECHNOLOGIES HDG.	Tech. Hardware & Equ	43	32	12	57	0	0	0
ECLAT TEXTILE	Cons Dur & Apparel			10	57			33
HCL TECHNOLOGIES	Software & Services		4		55	27		14
ZHEN DING TECH.HOLDING	Tech. Hardware & Equ	38	10	28	54			7
FENG TAY ENTERPRISES	Cons. Dur. & Apparel			14	54	9		23
DR REDDYS	Pharma & Biotec		15		52	7		25
HARTALEGA HOLDINGS	Health Care Equ & Ser	18	1	17	51	30	0	0
UPL	Materials		20		51	15		14
WIPRO	Software & Services		10		50	24		15
QUANTA COMPUTER	Tech. Hardware & Equip			17	47	8		28

Source: MSCI, Thomson Reuters Datastream, HSBC

### 94. MSCI Asia ex Japan: Top 20 companies with highest identifiable revenue exposure to Europe, %

Company Name	Industry	Asia	Domestic	Asia ex-Dom	Americas	Europe	Africa & ME	Misc
SEBACORP MARINE	Capital Goods	14	6	8	30	56		0
CK HUTCHISON HOLDINGS	Capital Goods	38	16	23	9	47		6
PEGATRON	Tech Hardware & Equip	30	15	15	23	42		5
YANGZIJANG Shipbuilding	Capital Goods	46			18	36	0	0
IOI	Food Bev. & Tobacco	43	15	28	15	36		6
EVERGREEN MARINE	Transportation	19	16	2	45	36		0
SEBACORP INDUSTRIES	Capital Goods	50	39	11	16	33	1	1
HANON SYSTEMS	Auto & Components	44	28	16	15	31		10
TATA CONSULTANCY SVS.	Software & Services	7	7	0	63	30	0	0
HARTALEGA HOLDINGS	Health Care Equ. & Ser	18	1	17	51	30	0	0
INDORAMA VENTURES	Materials		6		35	30		28
HON HAI PRECN.IND.	Tech Hardware & Equip	22	1	21	33	30		15
THAI UNION FROZEN PRDS.	Food Bev. & Tobacco	14	8	6	42	29		14
TECH MAHINDRA	Software & Services				47	29		24
HYUNDAI GLOVIS	Transportation	47	36	11	23	28		2
HANKOOK TIRE	Auto & Components	41	19	22	31	28	0	0
CHEUNG KONG INFR.HDG.	Utilities			31		28		41
HCL TECHNOLOGIES	Software & Services		4		55	27		14
LENOVO GROUP	Tech Hardware & Equip	43	28	16	30	26	0	0
TATA MOTORS	Auto & Components	43	14	29	12	25		20

Source: MSCI, Thomson Reuters Datastream, HSBC

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# Country analysis

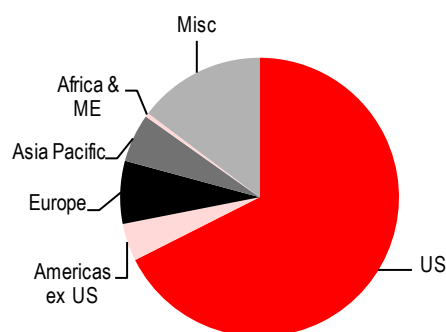
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# Americas

## US

- ▶ US companies' overseas revenues decreased slightly to 32% in 2015, still lower than Europe or Japan
- ▶ IT companies produce the most overseas, with a significant proportion of revenues made in Asia
- ▶ Telecoms and Utilities remain the most domestic sectors
- ▶ The most international stocks are CCE, Flir Systems, Philip Morris, Qualcomm, and Marvell (see 'Top 25' screen on the following page)
- ▶ 'Miscellaneous' reported revenue exposure is relatively high at 15%

## US revenue breakdown



Source: MSCI, HSBC calculations, Thomson Reuters Datastream

## US: Geographic breakdown of revenue by sector (ranked by exposure to Americas), %

	Americas	US	Americas ex US	Europe	Asia Pacific	Africa & ME	Misc
<b>MSCI US</b>	<b>72</b>	<b>68</b>	<b>4</b>	<b>7</b>	<b>6</b>	<b>0</b>	<b>15</b>
<b>Sectors</b>							
Telecommunications	99	98	1	0	0	0	1
Utilities	97	94	4	1	0	0	2
Financials	85	84	2	6	6	0	2
Health Care	82	81	1	6	2	0	10
Consumer Discretionary	76	73	3	7	3	0	14
Consumer staples	73	66	8	8	2	0	17
Industrials	66	59	8	10	9	3	11
Energy	61	57	4	5	1	1	32
Materials	58	51	7	14	8	0	20
Information Technology	43	37	7	10	18	0	28
<b>Industry groups</b>							
Telecommunication Services	99	98	1	0	0	0	1
Utilities	97	94	4	1	0	0	2
Health Care Equipment & Servs	90	89	1	2	1	0	7
Diversified Financials	88	88	0	6	3	0	2
Retailing	88	85	3	2	1	0	9
Banks	87	84	4	7	5	0	0
Real Estate	86	84	2	5	3	0	5
Food & Staples Retailing	85	78	7	2	0	0	13
Insurance	81	80	1	4	11	0	4
Transportation	80	75	5	1	4	0	15
Media	78	76	2	14	3	0	5
Consumer Durables & Apparel	65	60	6	11	4	0	20
Capital Goods	62	53	9	13	12	4	8
Automobiles & Components	62	58	4	11	3	0	24
Consumer Services	62	59	3	4	14	0	20
Energy	61	57	4	5	1	1	32
Pharmaceuticals & Biotechnology	58	57	1	20	4	0	18
Materials	58	51	7	14	8	0	20
Food Beverage & Tobacco	58	50	8	18	7	0	17
Commercial Services & Suppliers	55	48	7	21	3	0	21
Software & Services	53	45	8	13	5	0	29
Household & Personal Products	44			11	2	1	43
Technology Hardware & Equip	41	34	7	9	19	0	32
Semiconductors & Semi Equip	15	15	1	5	67	0	12

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

**MSCI US: 25 stocks with highest reported overseas exposure, %**

Company name	Industry	Americas	US	Americas ex US	Europe*	Asia Pacific	Africa & ME	Misc
PHILIP MORRIS INTL.	Food Beverage & Tobacco	13	0	13	61	26	0	0
QUALCOMM	Semiconductors & Semi Equip		1			82		17
MARVELL TECH.GROUP	Semiconductors & Semi Equip		2			85		14
SKYWORKS SOLUTIONS	Semiconductors & Semi Equip	3	2	1	2	95	0	0
BROADCOM	Semiconductors & Semi Equip		11			57		32
FLEXTRONICS INTL.	Technology Hardware & Equip	34	11	22		44		22
MAXIM INTEGRATED PRDS.	Semiconductors & Semi Equip		12		15	70		3
TEXAS INSTRUMENTS	Semiconductors & Semi Equip		12		17	70		1
NVIDIA	Semiconductors & Semi Equip	21	13	8	10	69	0	0
MANPOWERGROUP	Commercial Services & Suppliers	23	16	8	64			13
MICRON TECHNOLOGY	Semiconductors & Semi Equip		16		8	74		3
WABCO HOLDINGS	Capital Goods		17		56			28
LAM RESEARCH	Semiconductors & Semi Equip	17	17	0	6	77	0	0
LAS VEGAS SANDS	Consumer Services	17	17	0	0	83	0	0
QORVO	Semiconductors & Semi Equip		18					82
MICROCHIP TECH.	Semiconductors & Semi Equip	20	20	0	21	59	0	0
PRICELINE GROUP	Retailing		20		67			13
INTEL	Semiconductors & Semi Equip		20			61		19
WESTERN DIGITAL	Technology Hardware & Equip		21		22	50		7
MONDELEZ INTERNATIONAL CL.A	Food Beverage & Tobacco		21					79
LEAR	Automobiles & Components	39	23	15	11	12		39
BUNGE	Food Beverage & Tobacco	44	24	20	33	20		3
AES	Utilities	81	24	57	3	3		14
NATIONAL OILWELL VARCO	Energy	31	25	7	8	30		30
BORGWARNER	Automobiles & Components		25		45	22		8

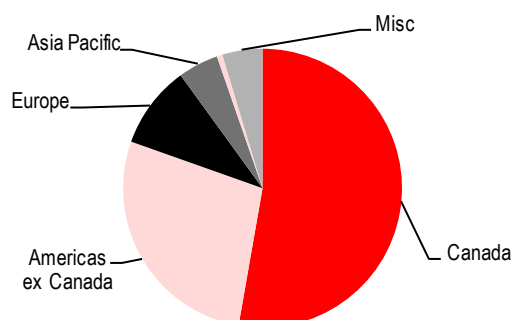
Source: MSCI, HSBC calculations, Thomson Reuters Datastream



## Canada

- ▶ Overseas revenues were stable at 47% in 2015, with increasing sales to Asia and decreasing sales to the rest of the Americas
- ▶ Healthcare has the highest exposure to the rest of the Americas, followed by Materials and Consumer Discretionary
- ▶ IT, Consumer Discretionary and Industrials have the highest exposure to Europe
- ▶ The most international companies include Eldorado Gold, Kinross Gold, Restaurant Brands, First Quantum and Thomson Reuters (see 'Top 25' screen on the following page)

### Canada revenue breakdown



Source: MSCI, HSBC calculations, Thomson Reuters Datastream

### Canada: Geographic breakdown of revenue by sector (ranked by exposure to Americas), %

	Americas	Canada	Americas ex Canada	Europe	Asia Pacific	Africa & ME	Misc
<b>MSCI Canada</b>	<b>80</b>	<b>53</b>	<b>28</b>	<b>10</b>	<b>5</b>	<b>1</b>	<b>5</b>
<b>Sectors</b>							
Telecommunications	100	100	0	0	0	0	0
Utilities	95	95	0	0	4	0	1
Energy	94	59	35	1	0	0	5
Consumer staples	93	76	16	6	0	0	1
Financials	74	48	26	12	7	0	6
Health Care	73	3	70	5	6	0	16
Consumer Discretionary	71	34	36	23	6	0	1
Materials	66	18	48	7	15	4	7
Industrials	66	36	29	18	6	3	6
Information Technology	48	13	35	24	5	0	23
<b>Industry groups</b>							
Commercial Services & Suppliers							
Household & Personal Products							
Health Care Equipment & Servs							
Semiconductors & Semi Equip							
Transportation	100	67	33	0	0	0	0
Retailing	100	100	0	0	0	0	0
Telecommunication Services	100	100	0	0	0	0	0
Utilities	95	95	0	0	4	0	1
Energy	94	59	35	1	0	0	5
Food & Staples Retailing	93	79	14	7	0	0	0
Consumer Durables & Apparel	92	5	87	0	0	0	8
Banks	88	66	23	0	0	0	12
Food Beverage & Tobacco	87	35	53	0	0	0	13
Pharmaceuticals & Biotechnology	73	3	70	5	6	0	16
Media	72	28	44	20	8	0	0
Insurance	69	46	23	19	8	0	3
Diversified Financials	68	23	45	14	13	0	5
Materials	66	18	48	7	15	4	7
Real Estate	64	28	36	12	16	0	9
Automobiles & Components	60	22	38	33	6	0	1
Consumer Services	60	0	60	23	17	0	0
Capital Goods	50	22	28	27	9	5	9
Technology Hardware & Equip	49	11	38	9	13	0	29
Software & Services	48	13	35	27	3	0	22

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

**MSCI Canada: 25 stocks with highest reported overseas exposure, %**

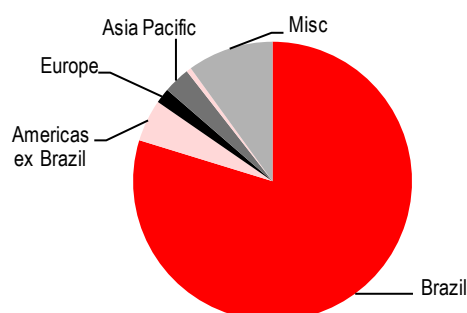
Company name	Industry	Americas	Canada	Americas ex Canada	Europe*	Asia Pacific	Africa & ME	Misc
ELDORADO GOLD	Materials	0	0	0	56	44	0	0
KINROSS GOLD	Materials	53	0	53	29	0	18	0
RESTAURANT BRANDS INTL.	Consumer Services	60	0	60	23	17	0	0
FIRST QUANTUM MRLS.	Materials		2		27	25	32	14
THOMSON REUTERS	Media	62	3	60	27	10	0	0
BARRICK GOLD	Materials	73	3	70		12	10	6
VALEANT PHARMS.INTL.	Pharmaceuticals & Biotechnology	73	3	70	5	6		16
GILDAN ACTIVEWEAR	Consumer Durables & Apparel	92	5	87				8
ONEX	Diversified Financials	60	5	56	17	16		6
CCL INDS.'B'	Materials	65	6	59	27	9	0	0
OPEN TEXT (TSE)	Software & Services	54	6	48	34			11
METHANEX	Materials	30	7	23	27	43	0	0
TECK RESOURCES 'B'	Materials	23	7	16	14	61		2
BOMBARDIER 'B'	Capital Goods	38	7	31	38	8		16
GOLDCORP	Materials	27	8	19			6	66
CAE	Capital Goods	45	9	35	31	16	3	6
BLACKBERRY	Technology Hardware & Equip	49	11	38	9	13		29
CONSTELLATION SOFTWARE	Software & Services	66	12	54	29			5
CAMECO	Energy	90	12	78	10	0	0	0
ALIMENTATION CCH.TARD	Food & Staples Retailing	71	13	58	29	0	0	0
FAIRFAX FINL.HDG.	Insurance	77	14	63			9	13
CGI GROUP 'A'	Software & Services	42	15	27	25	5		28
SILVER WHEATON	Materials	93	16	77	7	0	0	0
YAMANA GOLD	Materials	100	18	82	0	0	0	0
MAGNA INTL.	Automobiles & Components	59	18	41	34	6		1

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

## Brazil

- ▶ Brazil has the lowest overseas exposure in the Americas, remaining more or less unchanged for 2015
- ▶ Most sectors have little to no foreign revenues with the exceptions of Materials, Consumer Staples, Industrials and, to some extent, Energy and IT
- ▶ IT, Consumer Staples and Materials saw the biggest increase in overseas exposure last year
- ▶ Vale, Embraer and Suzano Bahia are the most internationally exposed companies (see 'Top 15' screen on the following page)

Brazil revenue breakdown



Source: MSCI, HSBC calculations, Thomson Reuters Datastream

Brazil: Geographic breakdown of revenue by sector (ranked by exposure to Americas), %

	Americas	Brazil	Americas ex Brazil	Europe	Asia Pacific	Africa & ME	Misc
<b>MSCI Brazil</b>	<b>85</b>	<b>80</b>	<b>5</b>	<b>2</b>	<b>3</b>	<b>1</b>	<b>10</b>
<b>Sectors</b>							
Consumer Discretionary	100	100	0	0	0	0	0
Health Care	100	100	0	0	0	0	0
Information Technology	100	88	12	0	0	0	0
Telecommunications	100	100	0	0	0	0	0
Utilities	100	100	0	0	0	0	0
Financials	97	97	0	0	0	0	3
Energy	89	89	0	0	0	0	10
Industrials	74	62	12	7	5	0	14
Consumer staples	60	50	11	1	1	2	36
Materials	56	31	25	13	26	2	4
<b>Industry groups</b>							
Commercial Services & Suppliers							
Automobiles & Components							
Consumer Durables & Apparel							
Media							
Pharmaceuticals & Biotechnology							
Technology Hardware & Equip							
Semiconductors & Semi Equip							
Transportation	100	100	0	0	0	0	0
Consumer Services	100	100	0	0	0	0	0
Retailing	100	100	0	0	0	0	0
Food & Staples Retailing	100	100	0	0	0	0	0
Health Care Equipment & Servs	100	100	0	0	0	0	0
Diversified Financials	100	100	0	0	0	0	0
Insurance	100	100	0	0	0	0	0
Real Estate	100	100	0	0	0	0	0
Software & Services	100	88	12	0	0	0	0
Telecommunication Services	100	100	0	0	0	0	0
Utilities	100	100	0	0	0	0	0
Banks	97	97	0	0	0	0	3
Household & Personal Products	96	79	17	0	0	0	4
Energy	89	89	0	0	0	0	10
Capital Goods	58	38	19	11	8	0	23
Materials	56	31	25	13	26	2	4
Food Beverage & Tobacco	46	32	14	1	1	3	48

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

**MSCI Brazil: 15 stocks with highest reported overseas exposure, %**

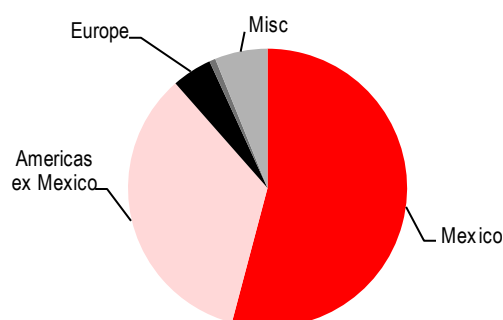
Company name	Industry	Americas	Brazil	Americas ex Brazil	Europe*	Asia Pacific	Africa & ME	Misc
VALE ON	Materials	25	15	9	18	53	5	0
EMBRAER ON	Capital Goods	59	21	37	22	15		4
SUZANO BAHIA SUL PAPEL CELULOSE	Materials	50	31	20	22	27	1	0
GERDAU PN	Materials	93	32	61				7
BRF BRASIL FOODS ON	Food Beverage & Tobacco	56	50	7	11	10	22	0
COMPANHIA SIDERURGICA NACIONAL	Materials	66	51	15	15	19		0
BRASKEM PN SERIES 'A'	Materials	77	52	25	9	4		10
AMBEV ON	Food Beverage & Tobacco	93	56	37				7
WEG ON	Capital Goods		57					43
NATURA COSMETICOS ON	Household & Personal Products	94	71	23				6
CIELO ON	Software & Services	100	86	14	0	0	0	0
PETROLEO BRASILEIRO ON	Energy		87					13
ITAUSA INVESTIMENTOS ITAU PN	Banks		88					12
ITAU UNIBANCO HOLDING PN	Banks		90					10
COSAN INDUSTRIA E COMERCIO ON	Energy		96					4

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

## Mexico

- ▶ Mexico's overseas revenues increased 2pp to 46% in 2015
- ▶ Materials remains the most export-oriented sector, followed by Telecoms
- ▶ Financials is the most domestically oriented sector with Banks and Real Estate companies producing 100% of their revenues in Mexico; Discretionary close second
- ▶ Indust Penolese, Cemex and Mexichem are the most internationally exposed companies (see 'Top 14' screen on the following page)

Mexico revenue breakdown



Source: MSCI, HSBC calculations, Thomson Reuters Datastream

### Mexico: Geographic breakdown of revenue by sector (ranked by exposure to Americas), %

	Americas	Mexico	Americas ex Mexico	Europe	Asia Pacific	Africa & ME	Misc
<b>MSCI Mexico</b>	<b>89</b>	<b>54</b>	<b>34</b>	<b>5</b>	<b>1</b>	<b>0</b>	<b>6</b>
<b>Sectors</b>							
Energy							
Health Care							
Information Technology							
Utilities							
Financials	100	100	0	0	0	0	0
Consumer Discretionary	97	97	0	0	0	0	3
Consumer staples	94	68	26	1	0	0	5
Telecommunications	89	32	57	8	0	0	3
Industrials	82	53	29	0	0	0	18
Materials	68	26	41	18	5	0	10
<b>Industry groups</b>							
Energy							
Commercial Services & Suppliers							
Automobiles & Components							
Consumer Durables & Apparel							
Consumer Services							
Health Care Equipment & Servs							
Pharmaceuticals & Biotechnology							
Insurance							
Software & Services							
Technology Hardware & Equip							
Semiconductors & Semi Equip							
Utilities							
Transportation	100	100	0	0	0	0	0
Retailing	100	100	0	0	0	0	0
Banks	100	100	0	0	0	0	0
Diversified Financials	100						
Real Estate	100	100	0	0	0	0	0
Food & Staples Retailing	100	84	16	0	0	0	0
Media	96	96	0	0	0	0	4
Household & Personal Products	95	95	0	0	0	0	5
Food Beverage & Tobacco	91	46	45	1	0	0	8
Telecommunication Services	89	32	57	8	0	0	3
Capital Goods	80	47	33	0	0	0	20
Materials	68	26	41	18	5	0	10

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

**MSCI Mexico: 14 stocks with highest reported overseas exposure, %**

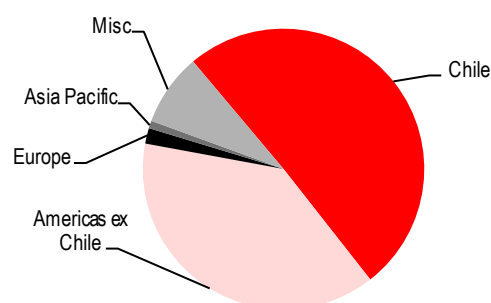
Company name	Industry	Americas	Mexico	Americas ex Mexico	Europe*	Asia Pacific	Africa & ME	Misc
INDUST PENOLES	Materials	91	18	74	5			4
CEMEX CPO	Materials	59	19	40	21	4		16
MEXICHEM DE CV	Materials	57	22	35	31			12
GRUMA	Food Beverage & Tobacco	34	27	7		4		62
AMERICA MOVIL 'L'	Telecommunication Services	89	32	57	8			3
GRUPO BIMBO 'A'	Food Beverage & Tobacco	86	34	52	3			11
ALFA 'A'	Capital Goods	73	34	39				27
GRUPO MEXICO 'B'	Materials	79	45	33	9	12	0	0
ARCA CONTINENTAL	Food Beverage & Tobacco	89	60	29				11
GRUPO COMERCIAL CHEDRAUI	Food & Staples Retailing	74	74					26
WALMART DE MEXICO 'V'	Food & Staples Retailing	100	84	16	0	0	0	0
GRUPO CARSO SERIES A1	Capital Goods	100	84	16	0			0
KIMBERLY-CLARK DE MEXICO 'A'	Household & Personal Products	95	95					5
GRUPO TELEvisa	Media	96	96					4

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

## Chile

- ▶ Chilean companies' overseas exposure remains unchanged from the previous year at 49% in 2015
- ▶ Industrials and Materials remain the most overseas-exposed sectors; the latter is the only sector with significant exposure to non-American regions
- ▶ IT and Consumer Staples have seen increased in domestic exposure in 2015
- ▶ SQM is the most internationally exposed companies (see 'Top 10' screen on the following page)

### Chile revenue breakdown



Source: MSCI, HSBC calculations, Thomson Reuters Datastream

### Chile: Geographic breakdown of revenue by sector (ranked by exposure to Americas), %

	Americas	Chile	Americas ex Chile	Europe	Asia Pacific	Africa & ME	Misc
<b>MSCI Chile</b>	<b>89</b>	<b>51</b>	<b>38</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>8</b>
<b>Sectors</b>							
Health Care							
Consumer Discretionary	100	59	41	0	0	0	0
Consumer staples	100	40	60	0	0	0	0
Financials	100	96	4	0	0	0	0
Information Technology	100	40	60	0	0	0	0
Telecommunications	100	100	0	0	0	0	0
Utilities	99	42	57	1	0	0	0
Industrials	85	16	69	7	0	0	7
Materials	64	20	44	14	13	0	9
Energy	61	61	0	0	0	0	39
<b>Industry groups</b>							
Capital Goods							
Commercial Services & Suppliers							
Automobiles & Components							
Consumer Durables & Apparel							
Consumer Services							
Media							
Household & Personal Products							
Health Care Equipment & Servs							
Pharmaceuticals & Biotechnology							
Diversified Financials							
Insurance							
Real Estate							
Technology Hardware & Equip							
Semiconductors & Semi Equip							
Retailing	100	59	41	0	0	0	0
Food & Staples Retailing	100	38	62	0	0	0	0
Food Beverage & Tobacco	100	47	53	0	0	0	0
Banks	100	96	4	0	0	0	0
Software & Services	100	40	60	0	0	0	0
Telecommunication Services	100	100	0	0	0	0	0
Utilities	99	42	57	1	0	0	0
Transportation	85	16	69	7	0	0	7
Materials	64	20	44	14	13	0	9
Energy	61	61	0	0	0	0	39

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

**MSCI Chile: 10 stocks with highest reported overseas exposure, %**

Company name	Industry	Americas	Chile	Americas ex Chile	Europe*	Asia Pacific	Africa & ME	Misc
SQM	Materials	51	11	40	20			28
LATAM AIRLINES GROUP	Transportation	85	16	69	7			7
EMPRESAS CMPC	Materials	69	23	46	12	17		2
EMBOTELLADORA ANDINA SERIES B	Food Beverage & Tobacco	100	27	73	0	0	0	0
CENCOSUD	Food & Staples Retailing	100	38	62	0	0	0	0
SONDA	Software & Services	100	40	60	0	0	0	0
EMPRESA NACIONAL DE ELECTRICIDAD	Utilities	100	50	50	0	0	0	0
ITAU CORPBANCA	Banks	100	52	48	0	0	0	0
FALABELLA SACI	Retailing	100	59	41	0	0	0	0
EMPRESAS COPEC	Energy		61					39

Source: MSCI, HSBC calculations, Thomson Reuters Datastream



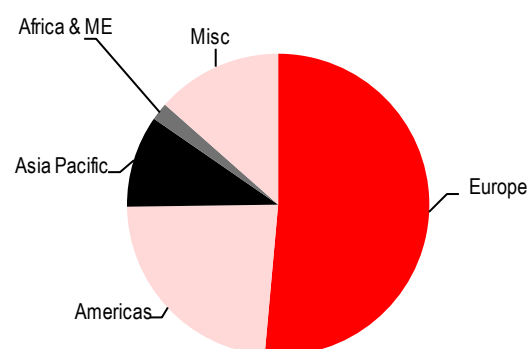
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# Europe, Middle East and Africa

## Europe

- ▶ About 50% of European revenues are made outside Europe, with at least 23% made in the Americas and 10% in Asia
- ▶ Health Care and IT produce the most overseas, Utilities and Telecoms the least
- ▶ Health Care is most exposed to the Americas, whilst Materials and IT are more or less evenly exposed to the Americas and Asia
- ▶ European corporates are the most international of all the regions analysed

Europe revenue breakdown



Source: MSCI, HSBC calculations, Thomson Reuters Datastream

Europe: Geographic breakdown of revenue by sector (ranked by exposure to Europe), %

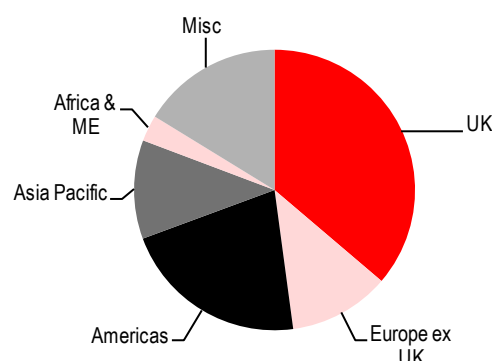
	Europe	Americas	Asia Pacific	Africa & ME	Misc
<b>MSCI Europe</b>	<b>51</b>	<b>23</b>	<b>10</b>	<b>2</b>	<b>13</b>
<b>Sectors</b>					
Utilities	82	10	0	0	8
Telecommunications	67	18	4	2	9
Financials	62	23	8	2	6
Energy	49	20	2	4	25
Industrials	48	25	12	3	12
Consumer staples	46	24	5	1	23
Consumer Discretionary	42	28	13	1	16
Materials	38	25	28	2	7
Information Technology	36	24	24	3	13
Health Care	28	40	13	1	19
<b>Industry groups</b>					
Real Estate	97	0	0	0	3
Utilities	82	10	0	0	8
Retailing	77	9	2	0	12
Banks	70	14	8	2	6
Telecommunication Services	67	18	4	2	9
Food & Staples Retailing	64	19	3	0	14
Insurance	63	21	7	2	8
Media	61	26	3	0	10
Software & Services	59	26	8	0	7
Transportation	59	15	9	3	14
Consumer Services	52	33	4	1	11
Commercial Services & Suppliers	52	23	9	2	14
Energy	49	20	2	4	25
Capital Goods	44	28	14	3	11
Diversified Financials	42	46	10	1	1
Materials	38	25	28	2	7
Consumer Durables & Apparel	37	26	28	1	8
Automobiles & Components	35	31	15	0	20
Household & Personal Products	33	25	4	1	37
Food Beverage & Tobacco	29	28	10	3	30
Health Care Equipment & Servs	28	52	7	1	12
Pharmaceuticals & Biotechnology	28	37	14	1	21
Semiconductors & Semi Equip	18	15	63	0	4
Technology Hardware & Equip	13	26	25	9	26

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

## UK

- ▶ Two-thirds of MSCI UK revenues are made outside the UK, though overseas revenue fell by 2ppt in 2015
- ▶ It ranks as the ninth-most open index of our 29 country sample; HSBC Economists forecast a year-end USD/GBP of 1.20 and 1.10 by the end of 2017
- ▶ IT, Utilities and Financials have the least exposure to the Eurozone; Telecoms and Consumer Discretionary have the most
- ▶ UK Materials have about 50% identifiable revenue exposure to Asia Pacific, and Health Care has about 43% revenue exposure to the Americas

## UK revenue breakdown



Source: MSCI, HSBC calculations, Thomson Reuters Datastream

## UK: Geographic breakdown of revenue by sector (ranked by exposure to Europe), %

	Pan Europe	UK	Europe ex UK	Americas	Asia Pacific	Africa & ME	Misc
<b>MSCI UK</b>	<b>48</b>	<b>36</b>	<b>12</b>	<b>22</b>	<b>11</b>	<b>3</b>	<b>16</b>
<b>Sectors</b>							
Information Technology	76	73	3	13	8	0	3
Utilities	74	73	1	24	0	0	2
Telecommunications	73	33	40	2	8	7	9
Consumer Discretionary	66	46	20	21	3	0	10
Financials	61	53	8	15	14	6	3
Consumer staples	56	43	13	13	4	4	23
Industrials	50	36	15	34	8	5	2
Energy	30			30	0	1	39
Materials	26	8	18	20	49	4	2
Health Care	12	6	7	43	6	0	39
<b>Industry groups</b>							
Technology Hardware & Equip							
Real Estate	100	93	6	0	0	0	0
Transportation	99	82	17	0	0	0	1
Retailing	92	71	21	0	0	0	7
Consumer Durables & Apparel	89	88	1	4	6	0	0
Software & Services	88	88	0	8	0	0	4
Food & Staples Retailing	87	87	0	0	0	0	13
Utilities	74	73	1	24	0	0	2
Telecommunication Services	73	33	40	2	8	7	9
Diversified Financials	69	51	17	10	7	9	5
Banks	64	58	6	12	18	5	1
Commercial Services & Suppliers	58	46	11	25	11	3	3
Insurance	56	46	11	20	10	8	5
Media	56	36	20	29	2	0	14
Consumer Services	55	26	29	33	4	0	8
Food Beverage & Tobacco	39	15	24	20	12	7	22
Capital Goods	38	23	15	44	8	7	2
Energy	30			30	0	1	39
Materials	26	8	18	20	49	4	2
Automobiles & Components	24	12	11	33	0	0	44
Household & Personal Products	21	4	17	26	0	6	47
Pharmaceuticals & Biotechnology	13	6	7	42	7	0	38
Semiconductors & Semi Equip	7	1	7	38	55	0	0
Health Care Equipment & Servs	6	6	0	44	0	0	50

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

**MSCI UK: 25 stocks with least identifiable European exposure, %**

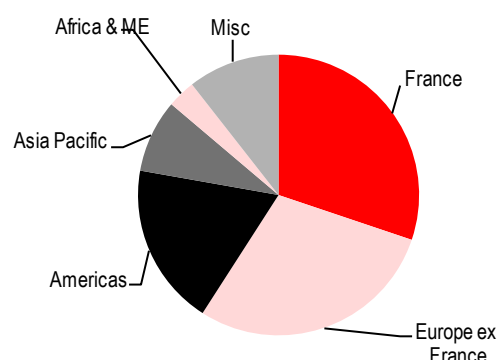
Company name	Industry	Pan Europe	UK	Europe ex UK	Americas	Asia Pacific	Africa & ME	Misc
FRESNILLO	Materials	0	0	0	100	0	0	0
STANDARD CHARTERED	Banks	4			5	72	9	9
BHP BILLITON	Materials	6	1	5	18	73		4
ARM HOLDINGS	Semiconductors & Semi Equip	7	1	6	38	55	0	0
RIO TINTO	Materials	9	1	8	19	69		3
WEIR GROUP	Capital Goods	12	5	7	52	21	15	0
CRODA INTERNATIONAL	Materials	13	4	9	26			60
PETROFAC	Energy	14	14	0	0	9	77	0
ANTOFAGASTA	Materials	14	1	14	10	75	0	0
ICTL.HTLS.GP.	Consumer Services	15			53	25		7
PEARSON	Media	15	9	6	65	13		7
ASSTEAD GROUP	Capital Goods	16	16	0	84	0	0	0
TATE & LYLE	Food Beverage & Tobacco	18	1	17	72			10
SABMILLER	Food Beverage & Tobacco	19	0	19	36	14	31	0
REXAM	Materials	21	4	17	48			31
SMITHS GROUP	Capital Goods	21	4	17	53	7		19
ANGLO AMERICAN	Materials	23	10	13	9	56	12	0
GKN	Automobiles & Components	24	12	11	33			44
UNILEVER (UK)	Household & Personal Products	25	5	20	32			42
COBHAM	Capital Goods	25	11	15	48	22		5
OLD MUTUAL	Insurance	26	19	7	2	0	72	0
ASTRAZENECA	Pharmaceuticals & Biotechnology	28	9	20	47	18		7
INTERTEK GROUP	Commercial Services & Suppliers	29	8	21	35	36	0	0
COMPASS GROUP	Consumer Services	31			52			17
MEGGITT	Capital Goods	31	9	22	52			17

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

## France

- French companies' overseas revenue exposure fell by 1ppt in 2015; however, their revenues from the Americas improved by 1ppt
- Health Care remains the most global sector, followed by Materials and IT, all generating more than 80% revenues overseas
- Healthcare is more exposed to the Americas, whilst Materials and IT are more exposed to rest of Europe
- Utilities and Financials are most domestically oriented, but even they produce more than 50% of their revenues from outside France

France revenue breakdown



Source: MSCI, HSBC calculations, Thomson Reuters Datastream

France: Geographic breakdown of revenue by sector (ranked by exposure to Europe), %

	Pan Europe	France	Europe ex France	Americas	Asia Pacific	Africa & ME	Misc
<b>MSCI France</b>	<b>59</b>	<b>30</b>	<b>29</b>	<b>19</b>	<b>8</b>	<b>3</b>	<b>11</b>
<b>Sectors</b>							
Utilities	76	40	36	5	0	0	19
Telecommunications	74	53	21	0	0	10	16
Financials	68	43	25	18	5	1	7
Energy	66	21	45	10	1	12	11
Industrials	54	32	22	19	14	6	7
Information Technology	54	16	38	22	12	0	12
Consumer staples	54	35	19	25	6	0	15
Consumer Discretionary	50	17	33	23	17	2	9
Materials	47	10	37	36	7	1	9
Health Care	27	7	20	45	15	5	8
<b>Industry groups</b>							
Retailing							
Diversified Financials	100	100	0	0	0	0	0
Real Estate	93	82	11	0	0	0	7
Banks	77	48	30	11	6	2	4
Utilities	76	40	36	5	0	0	19
Telecommunication Services	74	53	21	0	0	10	16
Transportation	67	52	15	9	7	17	0
Energy	66	21	45	10	1	12	11
Automobiles & Components	64	18	46	18	10	2	7
Food & Staples Retailing	62	46	16	29	9	0	0
Software & Services	62	19	43	23	3	0	12
Insurance	59	35	25	25	6	0	10
Media	55	26	29	29	7	2	8
Capital Goods	54	31	23	19	14	6	7
Materials	47	10	37	36	7	1	9
Consumer Services	45	18	28	33	2	2	17
Commercial Services & Suppliers	39	22	17	29	17	7	8
Food Beverage & Tobacco	37	9	28	9	1	0	53
Technology Hardware & Equip	35			25	0	0	40
Household & Personal Products	34	11	24	27	0	0	39
Consumer Durables & Apparel	29	11	18	25	35	1	10
Health Care Equipment & Servs	28			54	18	0	0
Semiconductors & Semi Equip	27	2	25	15	57	0	0
Pharmaceuticals & Biotechnology	27	6	20	43	15	6	9

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

**MSCI France: 25 stocks with least identifiable European exposure, %**

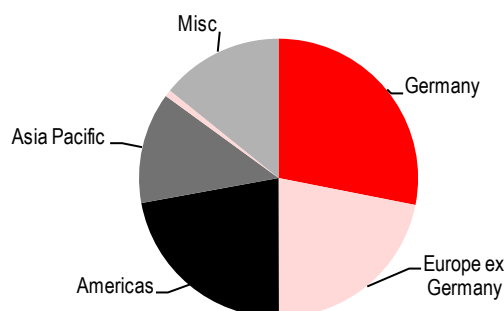
Company name	Industry	Pan Europe	France	Europe ex France	Americas	Asia Pacific	Africa & ME	Misc
BIC	Commercial Services & Suppliers	24	8	16	46			30
SCHNEIDER ELECTRIC SE	Capital Goods	26	6	20	27	29		18
SANOFI	Pharmaceuticals & Biotechnology	27	6	20	43	15	6	9
STMICROELECTRONICS (PAR)	Semiconductors & Semi Equip	27	2	25	15	57		0
PUBLICIS GROUPE	Media	28			58	11	3	0
ESSILOR INTL.	Health Care Equipment & Servs	28			54	18	0	0
LVMH	Consumer Durables & Apparel	28	10	18	26	34		12
CHRISTIAN DIOR	Consumer Durables & Apparel	29	10	19	24	35		12
KERING	Consumer Durables & Apparel	31			28	35	7	0
AIRBUS GROUP	Capital Goods	31			22	29	13	4
PERNOD-RICARD	Food Beverage & Tobacco	32			28			40
BUREAU VERITAS INTL.	Commercial Services & Suppliers	32			27	29	12	0
HERMES INTL.	Consumer Durables & Apparel	33	14	19	18	47		2
REMY COINTREAU	Food Beverage & Tobacco	34			36	30	0	0
L'OREAL	Household & Personal Products	34	11	24	27			39
DASSAULT SYSTEMES	Software & Services	35	16	18	43	23	0	0
INGENICO GROUP	Technology Hardware & Equip	35			25			40
ARKEMA	Materials	38	10	28	34	24		5
SODEXO	Consumer Services	38	14	24	40			22
MICHELIN	Automobiles & Components	39	9	29	38			23
DANONE	Food Beverage & Tobacco	40	10	30				60
SCOR SE	Insurance	41			44			16
SAFRAN	Capital Goods	42	22	20	34	13	7	4
SES FDR (PAR)	Media	44	7	37	28			28
ZODIAC AEROSPACE	Capital Goods	46	31	15	51			3

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

## Germany

- German companies produce 72% of their revenues from overseas markets, of which about 50% is generated outside Europe
- Health Care and Consumer Discretionary are the most export-oriented sectors in Germany, whilst Utilities and Telecoms are most domestically oriented
- Telecoms, despite being the second-most domestically oriented sector, draws 38% of revenues from the Americas, second only to Health Care, which generates 41% revenues from the Americas

Germany revenue breakdown



Source: MSCI, HSBC calculations, Thomson Reuters Datastream

### Germany: Geographic breakdown of revenue by sector (ranked by exposure to Europe), %

	Pan Europe	Germany	Europe ex Germany	Americas	Asia Pacific	Africa & ME	Misc
<b>MSCI Germany</b>	<b>50</b>	<b>28</b>	<b>22</b>	<b>22</b>	<b>13</b>	<b>1</b>	<b>14</b>
<b>Sectors</b>							
Energy							
Utilities	100	73	26	0	0	0	0
Telecommunications	61	43	19	38	0	0	1
Financials	58	22	36	18	9	1	14
Industrials	57	26	32	23	14	1	4
Materials	50	27	22	26	18	2	4
Information Technology	48	23	25	30	21	0	1
Consumer staples	41	31	11	7	4	2	46
Consumer Discretionary	33	18	15	25	18	0	24
Health Care	30	9	21	41	17	1	11
<b>Industry groups</b>							
Energy							
Commercial Services & Suppliers							
Consumer Services							
Food Beverage & Tobacco							
Technology Hardware & Equip							
Real Estate	100	100	0	0	0	0	0
Utilities	100	73	26	0	0	0	0
Banks	96	57	39	4	0	0	0
Retailing	94	53	41	0	0	0	6
Media	77	53	24	7	0	0	16
Diversified Financials	64	30	33	24	13	0	0
Telecommunication Services	61	43	19	38	0	0	1
Transportation	61	31	30	19	15	2	3
Insurance	55	17	38	18	8	1	18
Capital Goods	54	22	32	26	14	0	6
Software & Services	51	25	26	34	13	0	2
Materials	50	27	22	26	18	2	4
Household & Personal Products	49	13	36	24	13	5	9
Food & Staples Retailing	38	38	0	0	0	0	62
Consumer Durables & Apparel	35	7	28	26	18	12	8
Semiconductors & Semi Equip	35	16	19	12	53	0	0
Pharmaceuticals & Biotechnology	34	10	24	28	25	1	12
Automobiles & Components	31	17	14	25	19	0	25
Health Care Equipment & Servs	25			58	6	1	10

Source: MSCI, HSBC calculations, Thomson Reuters Datastream



**MSCI Germany: 25 stocks with least identifiable European exposure, %**

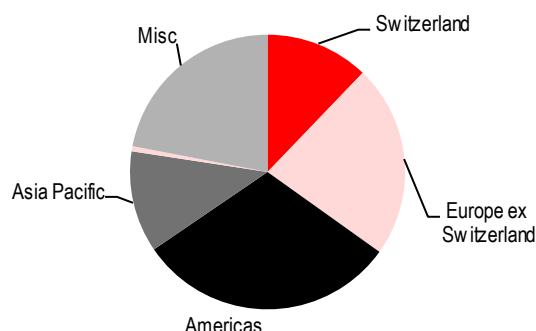
Company name	Industry	Pan Europe	Germany	Europe ex Germany	Americas	Asia Pacific	Africa & ME	Misc
FRESENIUS MED.CARE (XET)	Health Care Equipment & Servs	2	2		71			27
HEIDELBERGCEMENT (XET)	Materials	30	7	23	27	20	7	16
ADIDAS (XET)	Consumer Durables & Apparel	31	6	26	27	19	14	9
MERCK KGAA (XET)	Pharmaceuticals & Biotechnology	32	7	25	31	33	4	0
DAIMLER (XET)	Automobiles & Components	33	15	18	32	23		12
BAYER (XET)	Pharmaceuticals & Biotechnology	34	11	24	28	22		16
INFINEON TECHS. (XET)	Semiconductors & Semi Equip	35	16	19	12	53	0	0
LINDE (XET)	Materials	37	7	29	33	28	3	0
FRESENIUS (XET)	Health Care Equipment & Servs	38			51	10	1	0
HANNOVER RUCK. (XET)	Insurance	39	8	31	30	23	3	5
K + S (XET)	Materials	40	14	26	49	9	3	0
GEA GROUP (XET)	Capital Goods	41	10	31	24	25		10
OSRAM LICHT (XET)	Capital Goods	41	14	27	34	24	0	0
SYMRISE (XET)	Materials	43			35	22	0	0
SAP (XET)	Software & Services	44	13	31	41	15	0	0
BRENNTAG (XET)	Capital Goods	45	11	34	44	8		3
BMW (XET)	Automobiles & Components	46	15	31	23	17		14
LANXESS (XET)	Materials	47	17	29	28	25	0	0
HENKEL (XET)	Household & Personal Products	48	13	35	26	17	7	1
EVONIK INDUSTRIES (XET)	Materials	49	18	31	27	21	3	0
CONTINENTAL (XET)	Automobiles & Components	50	21	28	26	20		4
BEIERSDORF (XET)	Household & Personal Products	52			19			30
MUENCHENER RUCK. (XET)	Insurance	52	0	52	36	9	3	0
THYSSENKRUPP (XET)	Materials	54	27	27	27	15	4	0
BASF (XET)	Materials	55	40	15	22	17		6

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

## Switzerland

- ▶ Swiss companies have the highest overseas exposure in our universe, though it decreased by 1ppt in 2015
- ▶ Telecoms is the only sector which does not produce the majority of its revenues outside of Switzerland
- ▶ Meanwhile, Consumer Staples and Industrials generate only 2% of their revenue domestically
- ▶ Corporates overseas earners are led by Novartis, Swiss Re and LafargeHolcim
- ▶ The 'Miscellaneous' revenue breakdown is high by global standards

Switzerland revenue breakdown



Source: MSCI, HSBC calculations, Thomson Reuters Datastream

## Switzerland: Geographic breakdown of revenue by sector (ranked by exposure to Europe), %

	Pan Europe	Switzerland	Europe ex Switzerland	Americas	Asia Pacific	Africa & ME	Misc
<b>MSCI Switzerland</b>	<b>35</b>	<b>12</b>	<b>23</b>	<b>31</b>	<b>12</b>	<b>1</b>	<b>22</b>
<b>Sectors</b>							
Energy							
Information Technology							
Utilities							
Telecommunications	100	84	16	0	0	0	0
Financials	55	31	24	27	10	0	8
Industrials	44	1	43	28	6	1	21
Materials	32	5	27	37	24	5	3
Consumer Discretionary	26	7	18	17	38	0	19
Health Care	25	4	21	42	13	0	20
Consumer staples	8	2	6	30	8	0	55
<b>Industry groups</b>							
Energy							
Automobiles & Components							
Consumer Services							
Media							
Food & Staples Retailing							
Household & Personal Products							
Banks							
Software & Services							
Technology Hardware & Equip							
Semiconductors & Semi Equip							
Utilities							
Real Estate	100	100	0	0	0	0	0
Telecommunication Services	100	84	16	0	0	0	0
Transportation	64	1	62	23	13	0	0
Insurance	59	33	26	20	8	0	12
Diversified Financials	50	28	22	34	13	0	4
Commercial Services & Suppliers	47	2	45	21	10	0	21
Health Care Equipment & Servs	43	1	41	47	11	0	0
Capital Goods	34	1	33	34	0	1	31
Consumer Durables & Apparel	32	8	24	11	50	0	7
Materials	32	5	27	37	24	5	3
Pharmaceuticals & Biotechnology	25	4	20	42	13	0	20
Food Beverage & Tobacco	8	2	6	30	8	0	55
Retailing	6	6	0	38	0	0	56

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

## MSCI Switzerland: 25 stocks with least identifiable European exposure, %

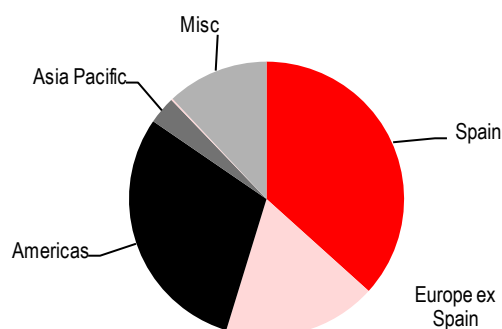
Company name	Industry	Pan Europe	Switzerland	Europe ex Switzerland	Americas	Asia Pacific	Africa & ME	Misc
NOVARTIS 'R'	Pharmaceuticals & Biotechnology	15	2	14	37	6		42
SWISS RE	Insurance	21	2	18	38	17		24
LAFARGEHOLCIM	Materials	25	3	22	33	32	10	0
ROCHE HOLDING	Pharmaceuticals & Biotechnology	28	1	27	50	20		3
SYNGENTA	Materials	29			53	14		5
RICHEMONT N	Consumer Durables & Apparel	31	5	25	12	45		12
ACTELION	Pharmaceuticals & Biotechnology	32	1	31	50	9		8
THE SWATCH GROUP	Consumer Durables & Apparel	33	12	22	9	57	1	0
LONZA GROUP	Pharmaceuticals & Biotechnology	35	9	26	48	14	1	1
GIVAUDAN 'N'	Materials	36	1	35	36	28	0	0
SONOVA N	Health Care Equipment & Servs	43	1	41	47	11	0	0
ARYZTA	Food Beverage & Tobacco	43			51			6
SGS 'N'	Commercial Services & Suppliers	45			25	30	0	0
UBS GROUP	Diversified Financials	45	23	22	37	16		2
SIKA 'B'	Materials	47		47	26	19		8
ADECCO 'R'	Commercial Services & Suppliers	48	2	46	21	5		26
CHOC.LINDT & SPRUENGLI	Food Beverage & Tobacco	49	9	40	40			11
PARGESA 'B'	Diversified Financials	50	1	50	25			24
BARRY CALLEBAUT	Food Beverage & Tobacco	51		51	27	12		10
ZURICH INSURANCE GROUP	Insurance	51	9	42	41	6	1	0
CREDIT SUISSE GROUP N	Diversified Financials	52	36	16	36	12	0	0
KUEHNE+NAGEL INTL.	Transportation	64	1	62	23	13	0	0
EMS-CHEMIE 'N'	Materials	70	45	25	13	9		8
PARTNERS GROUP HOLDING	Diversified Financials	76	43	33	15			10
JULIUS BAR GRUPPE	Diversified Financials	77	63	14	5			18

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

## Spain

- ▶ Spanish overseas revenues rose by 2ppt to 63% in 2015, from 61% in 2014
- ▶ The market has the highest exposure to EM of our universe, with significant exposure to Latin America
- ▶ Health Care and IT remain the sectors with the highest overseas exposures

Spain revenue breakdown



Source: MSCI, HSBC calculations, Thomson Reuters Datastream

## Spain: Geographic breakdown of revenue by sector (ranked by exposure to Europe), %

	Pan Europe	Spain	Europe ex Spain	Americas	Asia Pacific	Africa & ME	Misc
<b>MSCI Spain</b>	<b>55</b>	<b>37</b>	<b>18</b>	<b>30</b>	<b>3</b>	<b>0</b>	<b>12</b>
<b>Sectors</b>							
Materials							
Utilities	75	58	17	22	0	0	3
Energy	69	52	16	0	0	0	31
Consumer Discretionary	66	19	46	14	0	0	20
Consumer staples	64	57	8	33	2	0	0
Information Technology	51	4	47	19	18	12	0
Industrials	46	23	24	26	16	0	12
Financials	45	34	11	41	0	0	14
Telecommunications	43	26	17	52	0	0	5
Health Care	17	5	12	64	0	0	19
<b>Industry groups</b>							
Materials							
Commercial Services & Suppliers							
Automobiles & Components							
Consumer Durables & Apparel							
Consumer Services							
Media							
Food Beverage & Tobacco							
Household & Personal Products							
Health Care Equipment & Servs							
Diversified Financials							
Real Estate							
Technology Hardware & Equip							
Semiconductors & Semi Equip							
Utilities	75	58	17	22	0	0	3
Energy	69	52	16	0	0	0	31
Retailing	66	19	46	14	0	0	20
Food & Staples Retailing	64	57	8	33	2	0	0
Transportation	59	27	32	15	0	0	26
Software & Services	51	4	47	19	18	12	0
Banks	48	35	13	40	0	0	12
Telecommunication Services	43	26	17	52	0	0	5
Capital Goods	38	20	18	34	26	1	2
Insurance	33	30	4	46	0	0	21
Pharmaceuticals & Biotechnology	17	5	12	64	0	0	19

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

**MSCI Spain: 15 stocks with least identifiable European exposure, %**

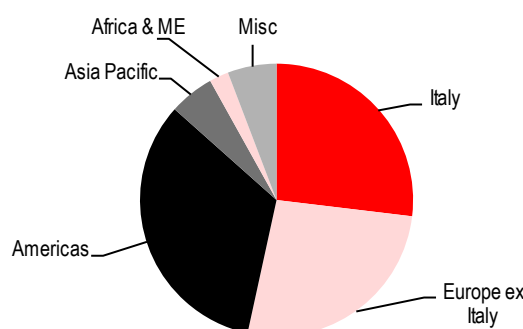
Company name	Industry	Pan Europe	Spain	Europe ex Spain	Americas	Asia Pacific	Africa & ME	Misc
GRIFOLS ORD CL A	Pharmaceuticals & Biotechnology	17	5	12	64			19
BANCO SANTANDER	Banks	22		20	58			22
ACS ACTIV.CONSTR.Y SERV.	Capital Goods	26	16	10	39	34	1	0
MAPFRE	Insurance	33	30	4	46			21
BBV.ARGENTARIA	Banks	37	24	13	62			1
TELEFONICA	Telecommunication Services	43	26	17	52			5
AMADEUS IT HOLDING	Software & Services	51	4	47	19	18	12	0
INTL.CONS.AIRL.GP. (MAD) (CDI)	Transportation	51	15	36	15			34
GAS NATURAL SDG	Utilities	55	45	10	39			5
DISTRIBUIDORA INTNAC.DE ALIMENTACION	Food & Staples Retailing	64	57	8	33	2	0	0
INDITEX	Retailing	66	19	46	14			20
ABERTIS INFRAESTRUCTURAS	Transportation	67	30	37	23			10
REPSOL YPF	Energy	69	52	16				31
IBERDROLA	Utilities	75	46	29	22			3
FERROVIAL	Capital Goods	77	28	49	16			7

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

## Italy

- ▶ Italy overseas revenues rose by 2ppt to 73% in 2015, from 71% in 2014
- ▶ Overseas exposure has risen 14pp in five years, the most of our global sample
- ▶ 47% of revenues are made outside of Europe, with over 30% coming from the Americas
- ▶ Consumer Durables and Autos produce the most overseas, while Transport and Telecoms produce the least
- ▶ Energy has the highest exposure to Asia Pacific and Africa and the Middle East region

Italy revenue breakdown



Source: MSCI, HSBC calculations, Thomson Reuters Datastream

## Italy: Geographic breakdown of revenue by sector (ranked by exposure to Europe), %

	Pan Europe	Italy	Europe ex Italy	Americas	Asia Pacific	Africa & ME	Misc
<b>MSCI Italy</b>	<b>53</b>	<b>27</b>	<b>27</b>	<b>33</b>	<b>5</b>	<b>2</b>	<b>6</b>
<b>Sectors</b>							
Materials							
Consumer staples							
Health Care							
Information Technology							
Utilities	79	44	35	11	0	0	10
Telecommunications	75	75	0	0	0	0	25
Energy	61	27	34	12	12	15	0
Financials	59	29	30	34	6	1	1
Industrials	50	21	29	27	2	0	21
Consumer Discretionary	18	6	11	68	5	0	9
<b>Industry groups</b>							
Materials							
Commercial Services & Suppliers							
Consumer Services							
Media							
Retailing							
Food & Staples Retailing							
Food Beverage & Tobacco							
Household & Personal Products							
Health Care Equipment & Servs							
Pharmaceuticals & Biotechnology							
Real Estate							
Software & Services							
Technology Hardware & Equip							
Semiconductors & Semi Equip							
Banks	97	63	34	1	0	0	2
Insurance	95	47	49	2	2	0	1
Transportation	88	87	1	12	0	0	0
Utilities	79	44	35	11	0	0	10
Telecommunication Services	75	75	0	0	0	0	25
Energy	61	27	34	12	12	15	0
Capital Goods	45	12	33	29	2	0	24
Diversified Financials	25	8	17	64	10	1	0
Consumer Durables & Apparel	18	3	15	64	13	0	4
Automobiles & Components	18	7	11	69	5	0	9

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

**MSCI Italy: 15 stocks with least identifiable European exposure, %**

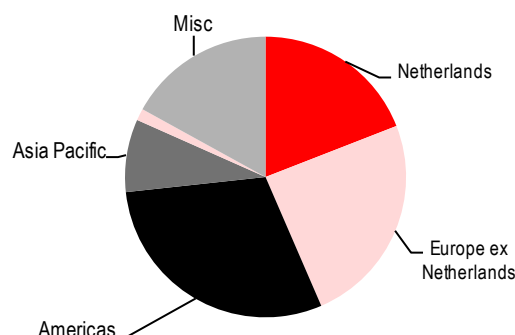
Company name	Industry	Pan Europe	Italy	Europe ex France	Americas	Asia Pacific	Africa & ME	Misc
TENARIS	Energy	10			70	4	15	0
FIAT CHRYSLER AUTOS.	Automobiles & Components	17	6	10	70	4		9
LUXOTTICA	Consumer Durables & Apparel	18	3	15	64	13		4
EXOR ORD	Diversified Financials	24	7	17	65	10	1	0
SAIPEM	Energy	30	4	27	15	9	46	0
CNH INDUSTRIAL	Capital Goods	33	10	23	33			34
FERRARI (MIL)	Automobiles & Components	51	8	42	31	18	0	0
LEONARDO-FIN	Capital Goods	57	16	41	25			18
PRYSMIAN	Capital Goods	63	15	48	24	14	0	0
ENI	Energy	71	33	38	6	13	10	0
ENEL	Utilities	77	39	38	11			11
ATLANTIA	Transportation	88	87	1	12	0	0	0
INTESA SANPAOLO	Banks	91	72	19				9
ASSICURAZIONI GENERALI	Insurance	94	35	59	2	3		1
UNICREDIT	Banks	98	44	55	1	0		0

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

## Netherlands

- ▶ Overseas revenues of Dutch companies increased by 2ppts in 2015 to reach 81% of the total
- ▶ Netherlands has the third-highest overseas exposure in our universe, after Switzerland and Sweden
- ▶ IT and Consumer Discretionary have the most overseas exposure: IT is more exposed to Asia Pacific, whilst Consumer Discretionary to the rest of the Europe
- ▶ Telecoms is the most domestically exposed sector

### Netherlands revenue breakdown



Source: MSCI, HSBC calculations, Thomson Reuters Datastream

### Netherlands: Geographic breakdown of revenue by sector (ranked by exposure to Europe), %

	Pan Europe	Netherlands	Europe ex Netherlands	Americas	Asia Pacific	Africa & ME	Misc
<b>MSCI Netherlands</b>	<b>44</b>	<b>19</b>	<b>24</b>	<b>30</b>	<b>8</b>	<b>1</b>	<b>17</b>
<b>Sectors</b>							
Health Care							
Utilities							
Telecommunications	88	88	0	12	0	0	0
Consumer Discretionary	66	4	62	28	1	0	4
Financials	59	35	25	21	4	0	15
Energy	53	35	18	19	27	0	0
Materials	43	11	32	25	20	1	11
Consumer staples	34	17	17	41	2	3	20
Industrials	34	9	25	26	11	2	28
Information Technology	14	3	11	19	61	0	7
<b>Industry groups</b>							
Transportation							
Automobiles & Components							
Consumer Durables & Apparel							
Consumer Services							
Retailing							
Health Care Equipment & Servs							
Pharmaceuticals & Biotechnology							
Diversified Financials							
Real Estate							
Technology Hardware & Equip							
Utilities							
Telecommunication Services	88	88	0	12	0	0	0
Banks	74	47	26	1	1	0	25
Commercial Services & Suppliers	67	16	51	24	0	0	9
Media	66	4	62	28	1	0	4
Energy	53	35	18	19	27	0	0
Insurance	52	29	24	31	6	0	10
Food Beverage & Tobacco	48			24	12	15	0
Software & Services	44			38	18	0	0
Materials	43	11	32	25	20	1	11
Food & Staples Retailing	38	33	5	62	0	0	0
Household & Personal Products	25	3	23	32	0	0	42
Capital Goods	13	4	9	26	18	3	40
Semiconductors & Semi Equip	6	1	5	13	72	0	9

Source: MSCI, HSBC calculations, Thomson Reuters Datastream



**MSCI Netherlands: 15 stocks with least identifiable European exposure, %**

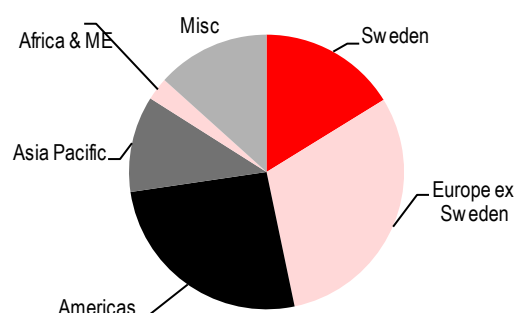
Company name	Industry	Pan Europe	Netherlands	Europe ex Netherlands	Americas	Asia Pacific	Africa & ME	Misc
ASML HOLDING	Semiconductors & Semi Equip	3	0	3	19	77	0	0
NXP SEMICONDUCTORS	Semiconductors & Semi Equip	9	3	6	7	66		18
PHILIPS ELTN.KONINKLIJKE	Capital Goods	12	3	9	31	19		38
UNILEVER DR GDR	Household & Personal Products	25	3	23	32			42
WOLTERS KLUWER	Media	33	4	29	60	6		2
RELX	Media	38	11	27	53			9
AHOLD KON.	Food & Staples Retailing	38	33	5	62	0	0	0
AEGON	Insurance	42	17	25	45			14
AKZO NOBEL	Materials	43	5	38	27	26		5
BOSKALIS WESTMINSTER	Capital Goods	44	20	24	13	17	27	0
GEMALTO	Software & Services	44			38	18	0	0
HEINEKEN HLDG.	Food Beverage & Tobacco	48			24	12	15	0
VOPAK	Energy	53	35	18	19	27	0	0
DSM KONINKLIJKE	Materials	55	25	29	28	15		2
ING GROEP GDR	Banks	66	34	32				34

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

## Sweden

- ▶ Overseas revenues fell by 1ppt in 2015, but Sweden remains the second-most global market in our universe
- ▶ Five sectors including Energy, Health Care and IT produce less than 10% of revenues in the domestic market
- ▶ Banks and Food Retail are the most domestically oriented industry groups
- ▶ Ericsson, Millicom and Sandvik are the most global companies in Sweden

### Sweden revenue breakdown



Source: MSCI, HSBC calculations, Thomson Reuters Datastream

### Sweden: Geographic breakdown of revenue by sector (ranked by exposure to Europe), %

	Pan Europe	Sweden	Europe ex Sweden	Americas	Asia Pacific	Africa & ME	Misc
<b>MSCI Sweden</b>	<b>47</b>	<b>16</b>	<b>31</b>	<b>26</b>	<b>11</b>	<b>3</b>	<b>13</b>
<b>Sectors</b>							
Utilities							
Materials	99	17	83	0	0	0	1
Financials	91	49	42	3	1	0	5
Energy	80	0	80	0	19	0	1
Consumer staples	73	44	29	12	6	0	9
Telecommunications	65	30	36	22	0	6	7
Consumer Discretionary	53	4	49	32	9	0	6
Health Care	35	2	33	37	0	0	28
Industrials	30	6	24	34	15	2	19
Information Technology	11	1	10	32	25	12	19
<b>Industry groups</b>							
Transportation							
Automobiles & Components							
Consumer Services							
Media							
Pharmaceuticals & Biotechnology							
Insurance							
Real Estate							
Software & Services							
Semiconductors & Semi Equip							
Utilities							
Materials	99	17	83	0	0	0	1
Banks	93	51	42	1	0	0	6
Food & Staples Retailing	87	87	0	0	0	0	13
Energy	80	0	80	0	19	0	1
Diversified Financials	76	35	40	21	3	1	0
Retailing	71	4	66	16	11	0	3
Telecommunication Services	65	30	36	22	0	6	7
Household & Personal Products	63	5	58	20	12	1	4
Food Beverage & Tobacco	50	50	0	36	0	0	14
Health Care Equipment & Servs	35	2	33	37	0	0	28
Consumer Durables & Apparel	33	4	29	49	8	0	10
Capital Goods	32	6	26	34	17	2	15
Technology Hardware & Equip	11	1	10	32	25	12	19
Commercial Services & Suppliers	6	6	0	35	0	0	59

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

**MSCI Sweden: 15 stocks with least identifiable European exposure, %**

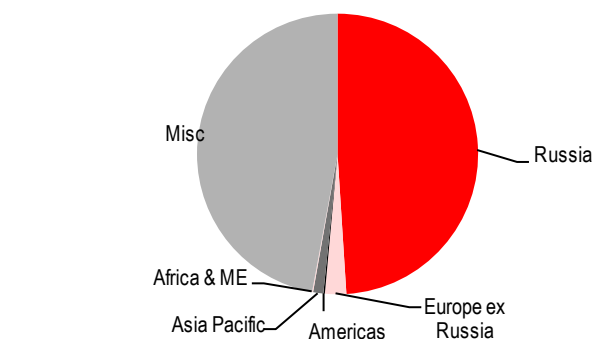
Company name	Industry	Pan Europe	Sweden	Europe ex Sweden	Americas	Asia Pacific	Africa & ME	Misc
ERICSSON 'B'	Technology Hardware & Equip	8			32	25	13	22
MILLICOM INTL.CELU.SDR	Telecommunication Services	8		8	65		15	12
SANDVIK	Capital Goods	20	4	16	16	12	3	49
SKANSKA 'B'	Capital Goods	22	21	1	37			41
ATLAS COPCO 'A'	Capital Goods	29	2	28	32	29	10	0
ELECTROLUX 'B'	Consumer Durables & Apparel	30	4	27	50	7		13
ALFA LAVAL	Capital Goods	33	2	31	24	42		1
GETINGE	Health Care Equipment & Servs	35	2	33	37			28
ASSA ABLOY 'B'	Capital Goods	36	5	31	40	17	2	5
HEXAGON 'B'	Technology Hardware & Equip	38	2	36	34	28	0	0
VOLVO 'B'	Capital Goods	39	3	36	38	17		6
SKF 'B'	Capital Goods	39	2	37	32	26	3	0
HUSQVARNA 'B'	Consumer Durables & Apparel	43	4	40	48	8		1
SWEDISH MATCH	Food Beverage & Tobacco	50	50		36			14
SCA 'B'	Household & Personal Products	63	5	58	20	12	1	4

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

## Russia

- ▶ Russian companies received more than 50% of their revenues from overseas markets in 2015, 4ppt higher than in 2014
- ▶ Russia has the highest 'miscellaneous' revenue disclosure breakdown in our global sample
- ▶ Materials and Energy are the most export-oriented sectors, whilst Telecoms and Utilities generate all their revenues domestically
- ▶ Norilsk, Rosneft, and Lukoil head the list of those with the greatest overseas revenue exposures

### Russia revenue breakdown



Source: MSCI, HSBC calculations, Thomson Reuters Datastream

### Russia: Geographic breakdown of revenue by sector (ranked by exposure to Americas), %

	Pan Europe	Russia	Europe ex Russia	Americas	Asia Pacific	Africa & ME	Misc
<b>MSCI Russia</b>	51	49	2	0	1	0	47
<b>Sectors</b>							
Industrials							
Consumer Discretionary							
Health Care							
Information Technology							
Consumer staples	100						
Utilities	100	100	0	0	0	0	0
Telecommunications	100	100	0	0	0	0	0
Financials	87	87	0	0	0	0	13
Materials	74	30	44	4	16	3	2
Energy	45	44	1	0	1	0	55
<b>Industry groups</b>							
Capital Goods							
Commercial Services & Suppliers							
Transportation							
Automobiles & Components							
Consumer Durables & Apparel							
Consumer Services							
Media							
Retailing							
Food Beverage & Tobacco							
Household & Personal Products							
Health Care Equipment & Servs							
Pharmaceuticals & Biotechnology							
Insurance							
Real Estate							
Software & Services							
Technology Hardware & Equip							
Semiconductors & Semi Equip							
Food & Staples Retailing	100						
Diversified Financials	100	100	0	0	0	0	0
Utilities	100	100	0	0	0	0	0
Telecommunication Services	100	100	0	0	0	0	0
Banks	87	87	0	0	0	0	13
Materials	74	30	44	4	16	3	2
Energy	45	44	1	0	1	0	55

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

**MSCI Russia: 10 stocks with highest reported overseas exposure, %**

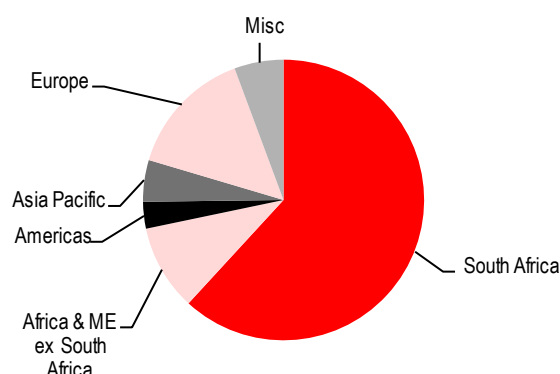
Company name	Industry	Pan Europe	Russia	Europe ex Russia	Americas	Asia Pacific	Africa & ME	Misc
MMC NORILSK NICKEL	Materials	65	6	59	8	27	0	0
OC ROSNEFT	Energy	18	15	3				82
OIL COMPANY LUKOIL	Energy		17					83
ALROSA	Materials	75	19	56	1	20	4	1
SURGUTNEFTEGAS	Energy		28					72
GAZPROM	Energy	53	39	15				47
SEVERSTAL	Materials	84	66	18	2	2	6	6
TRANSNEFT PREF.	Energy		80			18		3
SBERBANK OF RUSSIA	Banks		84					16
VTB BANK	Banks		90					10

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

## South Africa

- ▶ South African overseas exposure is fairly broad-based and improved by 1ppt in 2015, to 38%, over 2014
- ▶ Most overseas revenues come from Europe followed by Africa ex South Africa, Asia Pacific and the Americas
- ▶ Materials is the most export-oriented sector followed by Health Care, Telecoms and Industrials
- ▶ Materials and Industrials are most exposed to Europe, generating more than 30% from the region
- ▶ Material companies Anglo Platinum, Goldfield and Mondi lead in terms of overseas exposure

South Africa revenue breakdown



Source: MSCI, HSBC calculations, Thomson Reuters Datastream

## South Africa: Geographic breakdown of revenue by sector (ranked by exposure to Europe), %

	Africa & ME	South Africa	Africa & ME ex South Africa	Americas	Asia Pacific	Europe	Misc
<b>MSCI South Africa</b>	<b>72</b>	<b>62</b>	<b>10</b>	<b>3</b>	<b>5</b>	<b>15</b>	<b>6</b>
<b>Sectors</b>							
Information Technology							
Utilities							
Consumer staples	94	86	8	0	0	4	1
Financials	94	86	8	0	0	4	1
Telecommunications	85	50	35	0	0	0	15
Consumer Discretionary	61	55	7	1	5	22	11
Energy	58	54	5	14	8	20	0
Industrials	51	51	0	0	13	35	0
Health Care	49	46	3	0	9	20	21
Materials	37	27	10	13	13	31	7
<b>Industry groups</b>							
Commercial Services & Suppliers							
Transportation							
Automobiles & Components							
Household & Personal Products							
Software & Services							
Technology Hardware & Equip							
Semiconductors & Semi Equip							
Utilities							
Consumer Services	100	100	0	0	0	0	0
Banks	99	79	19	0	0	0	1
Insurance	98	95	3	0	0	0	1
Food & Staples Retailing	95	87	8	0	0	5	0
Food Beverage & Tobacco	89	83	7	0	0	0	11
Telecommunication Services	85	50	35	0	0	0	15
Diversified Financials	84	81	2	0	0	15	1
Retailing	76	70	6	0	9	0	14
Real Estate	74	74	0	0	9	12	5
Media	68	48	20	5	2	24	1
Health Care Equipment & Servs	65	65	0	0	0	35	0
Energy	58	54	5	14	8	20	0
Capital Goods	51	51	0	0	13	35	0
Materials	37	27	10	13	13	31	7
Pharmaceuticals & Biotechnology	30	23	7	0	21	0	49
Consumer Durables & Apparel	30	30	0	0	0	58	12

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

**MSCI South Africa: 15 stocks with highest reported overseas exposure, %**

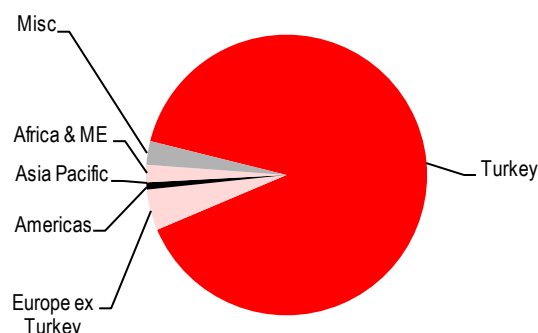
Company name	Industry	Pan Europe	South Africa	Europe ex South Africa	Americas	Asia Pacific	Africa & ME	Misc
ANGLO AMERICAN PLATINUM	Materials		9		10	37	36	7
GOLD FIELDS	Materials	44	9	34	11	45	0	0
MONDI	Materials		10		10	1	61	19
ASPEN PHMCR.HDG.	Pharmaceuticals & Biotechnology	30	23	7		21		49
SAPPI	Materials	24	24	0	25	0	51	0
ANGLOGOLD ASHANTI	Materials	62	24	37	21	14		3
MTN GROUP	Telecommunication Services	85	25	60				15
STEINHOFF INTL.HOLDING	Consumer Durables & Apparel		30				58	12
INVESTEC	Diversified Financials	42	42	0	0	0	58	0
NASPERS	Media	68	48	20	5	2	24	1
NETCARE	Health Care Equipment & Servs	51	51	0	0	0	49	0
SASOL	Energy	56	51	5	15	9	20	0
BIDVEST GROUP	Capital Goods	51	51	0	0	13	35	0
WOOLWORTHS HDG.	Retailing	63	62	1		36		1
IMPERIAL	Retailing	72	62	10				28

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

## Turkey

- ▶ Turkey is a more domestically oriented market with only 10% revenues generated overseas in 2015, down 2ppt from 2014
- ▶ Industrials and Consumer Discretionary are the most export-oriented sectors in Turkey, generating more than 20% revenues in the overseas markets
- ▶ Among industries, consumer durables & apparel and transportation are the most exposed to Europe

Turkey revenue breakdown



Source: MSCI, HSBC calculations, Thomson Reuters Datastream

Turkey: Geographic breakdown of revenue by sector (ranked by exposure to Europe), %

	Pan Europe	Turkey	Europe ex Turkey	Americas	Asia Pacific	Africa & ME	Misc
<b>MSCI Turkey</b>	<b>94</b>	<b>90</b>	<b>5</b>	<b>1</b>	<b>0</b>	<b>2</b>	<b>3</b>
<b>Sectors</b>							
Health Care							
Information Technology							
Utilities							
Energy	100	100	0	0	0	0	0
Materials	100	100	0	0	0	0	0
Financials	100	100	0	0	0	0	0
Telecommunications	99	97	3	0	0	1	0
Consumer Discretionary	95	79	16	0	0	3	2
Consumer staples	91	91	0	0	0	0	9
Industrials	85	75	11	3	0	6	6
<b>Industry groups</b>							
Commercial Services & Suppliers							
Consumer Services							
Media							
Retailing							
Household & Personal Products							
Health Care Equipment & Servs							
Pharmaceuticals & Biotechnology							
Insurance							
Software & Services							
Technology Hardware & Equip							
Semiconductors & Semi Equip							
Utilities							
Energy	100	100	0	0	0	0	0
Materials	100	100	0	0	0	0	0
Automobiles & Components	100	100	0	0	0	0	0
Food & Staples Retailing	100	100	0	0	0	0	0
Banks	100	100	0	0	0	0	0
Diversified Financials	100	100	0	0	0	0	0
Real Estate	100	100	0	0	0	0	0
Telecommunication Services	99	97	3	0	0	1	0
Capital Goods	98	93	4	0	0	1	1
Consumer Durables & Apparel	86	40	45	0	0	8	6
Food Beverage & Tobacco	83	83	0	0	0	0	17
Transportation	49	21	29	11	0	19	20

Source: MSCI, HSBC calculations, Thomson Reuters Datastream



**MSCI Turkey: 7 stocks with highest reported overseas exposure, %**

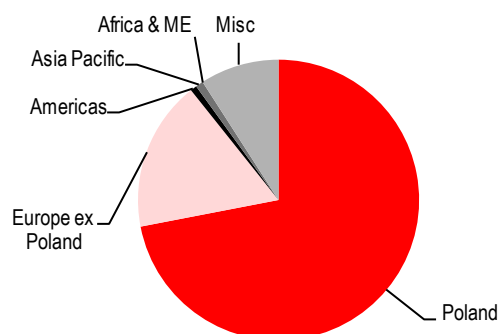
Company name	Industry	Pan Europe	Turkey	Europe ex Turkey	Americas	Asia Pacific	Africa & ME	Misc
TURK HAVA YOLLARI	Transportation	44	13	31	12		21	23
ARCELIK	Consumer Durables & Apparel	86	40	45			8	6
COCA COLA ICECEK	Food Beverage & Tobacco		50					50
ENKA INSAAT VE SANAYI	Capital Goods	83	70	13			10	6
TKI.SISE VE CAM FKI.	Capital Goods	100	71	29				0
TAV HAVALIMANLARI	Transportation	99	90	9				1
TURKCELL ILETISIM HZM.	Telecommunication Services	99	93	6	0	0	1	0

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

## Poland

- Polish companies generated 28% of revenues overseas in 2015, similar to that of 2014
- Materials and Energy are the most overseas-oriented sectors, whilst Consumer Staples, Financials and Telecoms are 100% domestic
- KGHM, PKN Orlen and Synthos are the most overseas-oriented stocks in Poland, generating more than half of their revenues abroad

Poland revenue breakdown



Source: MSCI, HSBC calculations, Thomson Reuters Datastream

### Poland: Geographic breakdown of revenue by sector (ranked by exposure to Europe), %

	Pan Europe	Poland	Europe ex Poland	Americas	Asia Pacific	Africa & ME	Misc
<b>MSCI Poland</b>	90	72	18	1	1	0	9
<b>Sectors</b>							
Industrials							
Health Care							
Information Technology							
Consumer staples	100	100	0	0	0	0	0
Telecommunications	100	100	0	0	0	0	0
Financials	100	100	0	0	0	0	0
Utilities	99	99	0	0	0	0	1
Consumer Discretionary	94	81	13	0	0	0	6
Energy	84	52	32	0	0	0	16
Materials	73	36	36	8	10	0	9
<b>Industry groups</b>							
Capital Goods							
Commercial Services & Suppliers							
Transportation							
Automobiles & Components							
Consumer Services							
Retailing							
Food Beverage & Tobacco							
Household & Personal Products							
Health Care Equipment & Servs							
Pharmaceuticals & Biotechnology							
Diversified Financials							
Real Estate							
Software & Services							
Technology Hardware & Equip							
Semiconductors & Semi Equip							
Media	100	100	0	0	0	0	0
Food & Staples Retailing	100	100	0	0	0	0	0
Insurance	100	100	0	0	0	0	0
Telecommunication Services	100	100	0	0	0	0	0
Banks	100	99	0	0	0	0	0
Utilities	99	99	0	0	0	0	1
Consumer Durables & Apparel	86	56	31	0	0	0	14
Energy	84	52	32	0	0	0	16
Materials	73	36	36	8	10	0	9

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

**MSCI Poland: 10 stocks with highest reported overseas exposure , %**

Company name	Industry	Pan Europe	Poland	Europe ex Poland	Americas	Asia Pacific	Africa & ME	Misc
KGHM	Materials	70	25	45	12	14		3
PLKNC.NAFTOWY ORLEN	Energy	83	34	49				17
SYNTHOS	Materials		46					54
GRUPA AZOTY	Materials	88	56	33	3	5		4
CCC	Consumer Durables & Apparel	100	65	35	0	0	0	0
GRUPA LOTOS	Energy		76					24
POLISH OIL AND GAS	Energy		89					11
MBANK	Banks		96					4
TAURON POLSKA ENERGIA	Utilities		97					3
PKO BANK	Banks	100	99	1	0	0	0	0

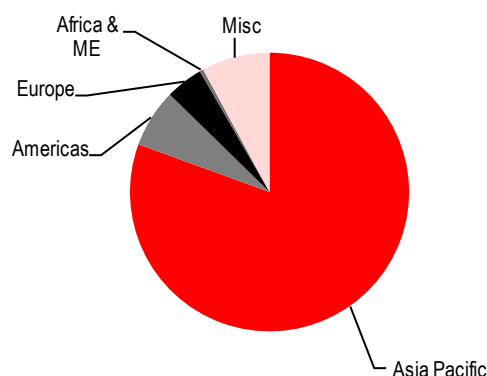
Source: MSCI, HSBC calculations, Thomson Reuters Datastream

## Asia Pacific

## Asia ex Japan

- ▶ Asian companies are relatively domestically oriented, producing just 19% of revenues outside of the region
- ▶ IT companies make the largest proportion outside of Asia, followed by Consumer Discretionary; both sectors are more exposed to the Americas than Europe
- ▶ Telecoms and Financials make very little revenue elsewhere in the world

Asia ex Japan revenue breakdown



Source: MSCI, HSBC calculations, Thomson Reuters Datastream

## Asia Pacific: Geographic breakdown of revenue by sector (ranked by exposure to Europe), %

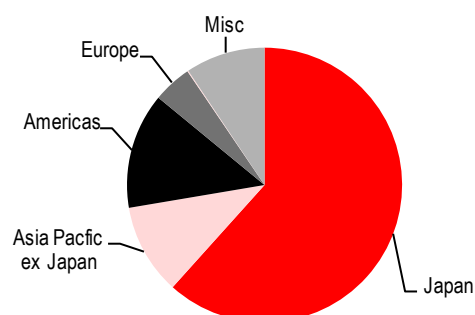
	Asia Pacific	Americas	Europe	Africa & ME	Misc
<b>MSCI Asia ex Japan</b>	<b>81</b>	<b>7</b>	<b>4</b>	<b>0</b>	<b>8</b>
<b>Sector</b>					
Telecommunications	98	0	0	1	1
Financials	97	0	0	0	3
Utilities	95	0	1	0	4
Consumer staples	90	1	3	1	5
Health Care	89	5	2	0	4
Materials	86	2	1	0	10
Energy	82	0	0	0	17
Industrials	79	7	5	1	7
Consumer Discretionary	67	16	10	1	6
Information Technology	43	28	16	0	13
<b>Industry groups</b>					
Insurance	100	0	0	0	0
Retailing	99	0	0	0	1
Commercial Services & Suppliers	99	0	0	1	0
Food & Staples Retailing	98	0	0	0	2
Diversified Financials	98	0	1	0	1
Health Care Equipment & Servs	98	0	1	0	0
Real Estate	98	1	0	0	1
Telecommunication Services	98	0	0	1	1
Utilities	95	0	1	0	4
Banks	94	0	0	0	6
Consumer Services	94	1	1	0	3
Household & Personal Products	94	1	0	0	5
Media	89	2	5	0	3
Food Beverage & Tobacco	87	1	4	1	6
Materials	86	2	1	0	10
Energy	82	0	0	0	17
Capital Goods	81	7	5	1	6
Transportation	70	10	9	1	10
Pharmaceuticals & Biotechnology	69	16	3	1	11
Automobiles & Components	60	17	14	0	9
Software & Services	58	25	11	0	6
Semiconductors & Semi Equip	50	41	6	0	3
Consumer Durables & Apparel	47	33	11	3	5
Technology Hardware & Equip	40	26	17	0	16

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

## Japan

- ▶ Japanese companies received 38% of revenues from overseas markets in FY15, up from 36% in FY14, as the USD/JPY averaged 120, its weakest level in eight years
- ▶ The Americas has further increased in importance for Japanese companies, after overtaking APAC ex Japan as the most significant overseas region in 2014
- ▶ Consumer Discretionary companies now have 29% exposure to the Americas, increasing 6pp from the previous year
- ▶ Semis and Autos remain the most export-oriented, Real Estate and Utilities the least
- ▶ Given lags in Japanese corporate reporting, full year data used here is from March 2015

Japan revenue breakdown



Source: MSCI, HSBC calculations, Thomson Reuters Datastream

Japan: Geographic breakdown of revenue by sector (ranked by exposure to Asia Pacific), %

	Asia Pacific	Japan	Asia Pacific ex Japan	Americas	Europe	Africa & ME	Misc
<b>MSCI Japan</b>	<b>72</b>	<b>62</b>	<b>11</b>	<b>14</b>	<b>5</b>	<b>0</b>	<b>9</b>
<b>Sectors</b>							
Utilities	100	99	1	0	0	0	0
Energy	93	72	21	1	0	1	5
Financials	91	89	2	5	1	0	3
Consumer staples	82	75	7	9	2	0	7
Telecommunications	77	77	0	14	0	0	9
Health Care	73	70	4	14	7	0	5
Industrials	73	60	12	10	4	0	14
Materials	72	54	18	5	1	0	21
Information Technology	64	47	17	15	13	0	8
Consumer Discretionary	53	39	15	29	8	0	10
<b>Industry groups</b>							
Real Estate	100	100	0	0	0	0	0
Utilities	100	99	1	0	0	0	0
Transportation	94	91	3	3	2	0	2
Retailing	94	91	3	1	0	0	5
Energy	93	72	21	1	0	1	5
Consumer Services	92	92	0	0	0	0	8
Insurance	91	91	0	5	0	0	4
Banks	90	83	6	7	3	0	0
Health Care Equipment & Servs	89	85	4	6	2	0	3
Commercial Services & Suppliers	87	82	5	6	0	0	7
Media	87	87	0	0	0	0	13
Food & Staples Retailing	87	83	4	11	0	0	2
Food Beverage & Tobacco	78	70	8	6	2	0	13
Telecommunication Services	77	77	0	14	0	0	9
Diversified Financials	76	73	3	8	3	0	13
Software & Services	75	68	7	10	14	0	1
Household & Personal Products	75	55	20	9	8	0	8
Materials	72	54	18	5	1	0	21
Semiconductors & Semi Equip	69	22	47	10	6	0	15
Consumer Durables & Apparel	66	48	18	16	14	0	4
Capital Goods	66	50	15	12	4	1	18
Technology Hardware & Equip	61	42	19	17	13	0	9
Pharmaceuticals & Biotechnology	56	52	4	24	13	0	6
Automobiles & Components	44	29	16	36	8	0	12

Source: MSCI, HSBC calculations, Thomson Reuters Datastream. Data as of March 2015

**MSCI Japan: 25 stocks with highest reported overseas exposure, %**

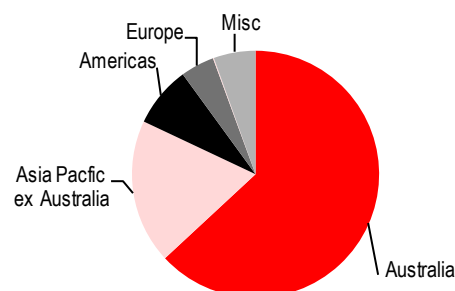
Company name	Industry	Asia Pacific	Japan	Asia Pacific ex Japan	Americas	Europe	Africa & ME	Misc
MURATA MANUFACTURING	Technology Hardware & Equip	69	7	62	7	7		18
TDK	Technology Hardware & Equip	79	8	71	9	13	0	0
MABUCHI MOTOR	Capital Goods	68	8	59	12	20	0	0
SHIMANO	Consumer Durables & Apparel	46	9	37	11	38		5
NEXON	Software & Services	93	11	82	6			1
MINEBEA	Capital Goods	53	13	40	26	10		11
HONDA MOTOR	Automobiles & Components	34	14	20	56	5		6
NIKON	Consumer Durables & Apparel	31	14	17	25	20		23
JGC	Capital Goods	61	15	47			22	17
SYSMEX	Health Care Equipment & Servs	41	16	26	20			39
MAKITA	Capital Goods	26	16	10	16	41		17
YAMAHA MOTOR	Automobiles & Components	56	16	40	22	12		10
NGK SPARK PLUG	Automobiles & Components	35	16	19	29	25		11
BRIDGESTONE	Automobiles & Components		17		51	11		21
NISSAN MOTOR	Automobiles & Components	27	18	9	49	14		10
BROTHER INDUSTRIES	Technology Hardware & Equip	40	18	22	34	25	0	0
TOKYO ELECTRON	Semiconductors & Semi Equip	73	18	55	16	9		3
FUJI HEAVY INDS.	Automobiles & Components	26	19	7	65	4		5
FANUC	Capital Goods	62	19	42	23	15		0
KONICA MINOLTA	Technology Hardware & Equip	35	19	15	26	31		8
MAZDA MOTOR	Automobiles & Components		19		34	20		26
TONENGENERAL SEKIYU KK	Energy	100	20	80	0	0	0	0
ALPS ELECTRIC	Technology Hardware & Equip	38	20	19	15	10		36
CANON	Technology Hardware & Equip	42	22	19	30	28	0	0
NIDEC	Capital Goods	71	23	48	17			13

Source: MSCI, HSBC calculations, Thomson Reuters Datastream. Data as of March 2015

## Australia

- ▶ Australian companies' overseas exposure fell by 6ppts in FY2015, mostly led by a fall in sales to the rest of Asia Pacific
- ▶ Materials, Pharma and IT remain the most export-oriented industry groups and Utilities the least
- ▶ Materials has the highest exposure to Asia, Software and Services have the highest exposures to the Americas and Healthcare to both Europe and Americas
- ▶ Due to lags in Australian corporate reporting, full year data used in this report is from June 2015

### Australia\* revenue breakdown



Source: MSCI, HSBC calculations, Thomson Reuters Datastream. \*Note – Data as of June 2015

### Australia\*: Geographic breakdown of revenue by sector (ranked by exposure to Asia Pacific), %

	Asia Pacific	Australia	Asia Pacific ex Japan	Americas	Europe	Africa & ME	Misc
<b>MSCI Australia</b>	<b>82</b>	<b>63</b>	<b>19</b>	<b>8</b>	<b>4</b>	<b>0</b>	<b>5</b>
<b>Sectors</b>							
Utilities	100	100	0	0	0	0	0
Consumer staples	99	92	7	1	0	0	0
Energy	98	78	20	0	0	0	1
Telecommunications	95	95	0	0	0	0	5
Financials	85	74	11	6	6	0	3
Consumer Discretionary	84	82	2	8	3	0	5
Industrials	64	54	10	7	6	0	22
Materials	64	10	54	20	6	1	10
Health Care	44			20	21	0	15
Information Technology	22	16	6	53	6	0	19
<b>Industry groups</b>							
Automobiles & Components							
Consumer Durables & Apparel							
Household & Personal Products							
Technology Hardware & Equip							
Semiconductors & Semi Equip							
Retailing	100	100	0	0	0	0	0
Utilities	100	100	0	0	0	0	0
Food & Staples Retailing	100	94	6	0	0	0	0
Energy	98	78	20	0	0	0	1
Banks	95	80	15	0	2	0	2
Telecommunication Services	95	95	0	0	0	0	5
Media	91	90	1	0	9	0	0
Food Beverage & Tobacco	85	58	27	11	4	0	0
Consumer Services	80	78	2	10	3	0	7
Transportation	78	78	0	0	1	0	20
Insurance	77	70	7	9	8	0	5
Real Estate	68	66	2	20	12	0	0
Materials	64	10	54	20	6	1	10
Capital Goods	64			0	0	0	36
Health Care Equipment & Servs	62			11	23	0	4
Diversified Financials	61	54	7	19	18	0	2
Software & Services	22	16	6	53	6	0	19
Commercial Services & Suppliers	16	11	5	45	34	0	6
Pharmaceuticals & Biotechnology	10	10	0	39	17	0	34

Source: MSCI, HSBC calculations, Thomson Reuters Datastream. \*Note – Data as of June 2015



**MSCI Australia\*: 25 stocks with highest reported overseas exposure, %**

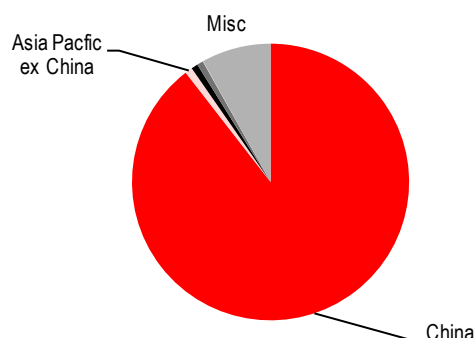
Company name	Industry	Asia Pacific	Australia	Asia Pacific ex Japan	Americas	Europe	Africa & ME	Misc
WESTFIELD	Real Estate	0	0	0	64	36	0	0
RIO TINTO	Materials	69	2	66	19	1		11
BHP BILLITON	Materials	73	5	68	21	5		1
AMCOR	Materials		6		31	35		28
BRAMBLES	Commercial Services & Suppliers		7		49	38		6
SOUTH32	Materials	35	10	26	7	17	18	23
CSL	Pharmaceuticals & Biotechnology		10		39	17		34
WOODSIDE PETROLEUM	Energy	94	11	84	2			4
JAMES HARDIE INDS.CDI.	Materials	17	13	4	78			5
COMPUTERSHARE	Software & Services	22	16	6	53	6		19
ARISTOCRAT LEISURE	Consumer Services		20		62			18
QBE INSURANCE GROUP	Insurance		27		30	28		16
ORICA	Materials		28		15			57
DOMINO'S PIZZA ENTS.	Consumer Services	76	31	45	0	24	0	0
SEEK	Commercial Services & Suppliers	80	38	42	16			3
MACQUARIE GROUP	Diversified Financials	50	41	9	26	24	0	0
GOODMAN GROUP	Real Estate	52	42	10	1	47	0	0
SONIC HEALTHCARE	Health Care Equipment & Servs		47		22	19		12
FLIGHT CENTRE TRAVEL GP.	Consumer Services		52		12	11		25
NEWCREST MINING	Materials	91	52	39	0	9	0	0
VOCUS COMMUNICATIONS	Telecommunication Services	94	55	39	6	0	0	0
LENLEAS GROUP	Real Estate	60	58	2	27	12		0
INCITEC PIVOT	Materials		63		33	2		2
AUS.AND NZ.BANKING GP.	Banks	100	63	37	0	0	0	0
SANTOS	Energy	94	65	29				6

Source: MSCI, HSBC calculations, Thomson Reuters Datastream. \*Note – Data as of June 2015

## China

- ▶ Identifiable overseas exposure decreased by 3pp in 2015, down from 13% last year
- ▶ This is largely due to the December 2015 incorporation of 14 New York-listed ADRs into the MSCI China; of the 14, only Alibaba had meaningful overseas revenue
- ▶ However, it remains the third-most domestic market in our Asia universe, after Indonesia and the Philippines
- ▶ Discretionary has decreased foreign exposure by 12pp to 3%, having reduced sales to APAC ex Japan
- ▶ Tech Hardware increased overseas exposure by 10pp since 2014 and is the only industry group to make more than 50% of its revenues overseas

China revenue breakdown



Source: MSCI, HSBC calculations, Thomson Reuters Datastream

China: Geographic breakdown of revenue by sector (ranked by exposure to Asia Pacific), %

	Asia Pacific	China	Asia Pacific ex China	Americas	Europe	Africa & ME	Misc
<b>MSCI China</b>	90	90	1	1	1	0	8
<b>Sectors</b>							
Telecommunications	100	100	0	0	0	0	0
Utilities	100	98	2	0	0	0	0
Consumer staples	99	99	0	0	0	0	1
Health Care	99	99	0	0	0	0	1
Consumer Discretionary	98	97	1	1	0	0	1
Financials	98	98	0	0	0	0	2
Materials	97	97	0	0	0	0	3
Industrials	88	85	2	1	2	0	10
Energy	77	77	0	0	0	0	23
Information Technology	69	59	9	15	11	1	5
<b>Industry groups</b>							
Consumer Services	100	100	0	0	0	0	0
Media	100	100	0	0	0	0	0
Retailing	100	100	0	0	0	0	0
Food & Staples Retailing	100	100	0	0	0	0	0
Insurance	100	100	0	0	0	0	0
Telecommunication Services	100	100	0	0	0	0	0
Diversified Financials	100	100	0	0	0	0	0
Real Estate	100	100	0	0	0	0	0
Commercial Services & Suppliers	100	100	0	0	0	0	0
Food Beverage & Tobacco	100	100	0	0	0	0	0
Utilities	100	98	2	0	0	0	0
Health Care Equipment & Servs	100	100	0	0	0	0	0
Automobiles & Components	97			1	0	0	1
Materials	97	97	0	0	0	0	3
Software & Services	96	96	0	2	0	0	3
Banks	94	94	0	0	0	0	6
Consumer Durables & Apparel	94	91	3	1	2	0	3
Household & Personal Products	93	93	0	0	0	0	7
Pharmaceuticals & Biotechnology	92	89	3	2	1	0	5
Capital Goods	90	89	1	0	1	0	9
Semiconductors & Semi Equip	78	72	6	14	1	0	8
Energy	77	77	0	0	0	0	23
Transportation	71	63	9	6	7	0	15
Technology Hardware & Equip	50	34	16	24	19	2	6

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

## MSCI China: 25 stocks with highest reported overseas exposure, %

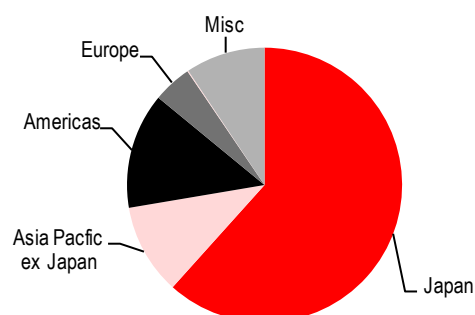
Company name	Industry	Asia Pacific	China	Asia Pacific ex China	Americas	Europe	Africa & ME	Misc
CHINA SHIP.CTNR.LIN.'H'	Transportation	35	16	19		25		40
CHINA COSCO HDG.'H'	Transportation	32	20	13	23	19		25
SHENZHO INTL.GP.HDG.	Consumer Durables & Apparel	50	22	28	12	17		21
AAC TECHNOLOGIES HDG.	Technology Hardware & Equip	39	25	14	60	1	0	0
COSCO PACIFIC	Transportation		37			19		43
LENOVO GROUP	Technology Hardware & Equip	54	38	16	21			25
SEMICONDUCTOR MNFG.INTL.	Semiconductors & Semi Equip		43		43			13
CHINA STE.CON.INTL.HDG.	Capital Goods	96	45	51				4
ZTE 'H'	Technology Hardware & Equip	65	50	15			8	28
CHINA EVERBRIGHT	Diversified Financials	100	57	43	0	0	0	0
AIR CHINA 'H'	Transportation	81	64	16	9	11	0	0
PETROCHINA 'H'	Energy		65					35
HAITIAN INTL.HOLDINGS	Capital Goods		69					31
CHINA EVERBRIGHT BK.'H'	Banks	72	72	0				28
CHINA PTL.& CHM. 'H'	Energy		73					27
WEICHAI POWER 'H'	Capital Goods		75					25
CSPC PHARMACEUTICAL GP.	Pharmaceuticals & Biotechnology	85	75	10	7	6		1
CHINA MRCH.HDG.INTL.	Transportation	79	76	4				21
CHINA MINSHENG BANKING 'H'	Banks		78					22
BANK OF CHINA 'H'	Banks	95	81	15				5
GEELY AUTOMOBILE HDG.	Automobiles & Components	83	81	1	1	9	6	2
CHINA OILFIELD SVS.'H'	Energy		82					18
CHINA COMMS.CON.'H'	Capital Goods		83					17
FOSUN INTERNATIONAL	Materials		84			10		7
CITIC	Capital Goods	91	84	7				9

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

## South Korea

- ▶ South Korean companies make 40% of their revenues overseas
- ▶ As a proportion, this is slightly more than Japan, but 30pp lower than Taiwan
- ▶ IT and Consumer Discretionary have relatively diverse revenue exposures, whereas Energy and Materials overseas revenues are more concentrated in APAC
- ▶ Telecoms and Financials are 100% domestic, whilst Healthcare has increased foreign exposure by 20pp from 0% last year

South Korea revenue breakdown



Source: MSCI, HSBC calculations, Thomson Reuters Datastream

### South Korea: Geographic breakdown of revenue by sector (ranked by exposure to Asia Pacific), %

	Asia Pacific	Korea	Asia Pacific ex Korea	Americas	Europe	Africa & ME	Misc
<b>MSCI Korea</b>	<b>75</b>	<b>60</b>	<b>15</b>	<b>12</b>	<b>7</b>	<b>1</b>	<b>5</b>
<b>Sectors</b>							
Telecommunications	100	100	0	0	0	0	0
Financials	100	100	0	0	0	0	0
Utilities	94	94	0	0	0	1	5
Consumer staples	94	83	10	1	1	0	4
Materials	88	63	25	3	3	0	6
Health Care	86	80	6	5	0	0	10
Industrials	85	70	14	4	3	4	3
Energy	83	52	31	2	7	0	8
Consumer Discretionary	57	46	11	26	13	2	2
Information Technology	42	16	25	28	15	0	15
<b>Industry groups</b>							
Health Care Equipment & Servs							
Real Estate							
Retailing	100	91	9	0	0	0	0
Consumer Services	100	100	0	0	0	0	0
Telecommunication Services	100	100	0	0	0	0	0
Insurance	100	100	0	0	0	0	0
Food & Staples Retailing	100	100	0	0	0	0	0
Banks	100	99	0	0	0	0	0
Diversified Financials	99	99	0	0	0	0	1
Commercial Services & Suppliers	99	96	3	0	0	1	0
Utilities	94	94	0	0	0	1	5
Household & Personal Products	93	78	14	1	1	0	5
Food Beverage & Tobacco	89	72	17	2	2	0	7
Materials	88	63	25	3	3	0	6
Software & Services	86	61	25	10	3	0	0
Pharmaceuticals & Biotechnology	86	80	6	5	0	0	10
Capital Goods	85	70	15	4	3	5	4
Energy	83	52	31	2	7	0	8
Media	81	53	28	6	12	0	1
Transportation	75	70	5	11	13	0	1
Semiconductors & Semi Equip	54	6	48	40	6	0	0
Automobiles & Components	52	42	10	30	16	0	3
Consumer Durables & Apparel	45	30	15	34	10	8	3
Technology Hardware & Equip	38	15	24	28	16	0	17

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

## MSCI Korea: 25 stocks with highest reported overseas exposure, %

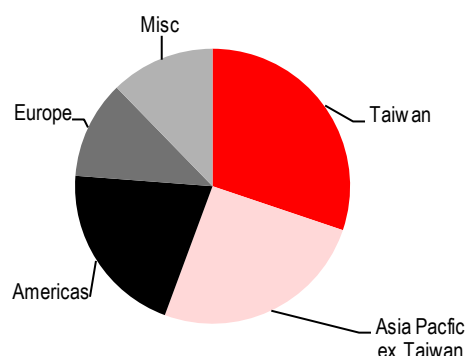
Company name	Industry	Asia Pacific	Korea	Asia Pacific ex Korea	Americas	Europe	Africa & ME	Misc
POSCO DAEWOO	Capital Goods	67	6	61	7			26
SK HYNIX	Semiconductors & Semi Equip	54	6	48	40	6	0	0
LG DISPLAY	Technology Hardware & Equip	85	8	77	7	8	0	0
SAMSUNG ELECTRONICS	Technology Hardware & Equip	26	10	15	34	19		21
HANKOOK TIRE	Automobiles & Components	41	19	22	31	28	0	0
LG ELECTRONICS	Consumer Durables & Apparel	42	25	16	37	10	8	3
HANON SYSTEMS	Automobiles & Components	44	28	16	15	31		10
CHEIL WORLDWIDE	Media	72	30	42	9	18		2
LG CHEM	Materials	85	32	53	6	8		1
ORION	Food Beverage & Tobacco	91	35	56				9
HYUNDAI GLOVIS	Transportation	47	36	11	23	28		2
HYUNDAI MOBIS	Automobiles & Components	62	36	26	22	12		5
KIA MOTORS	Automobiles & Components		38		38	22		2
HYUNDAI ENGR. & CON.	Capital Goods	60	39	21			27	12
KOREA AEROSPACE INDS.	Capital Goods	73	39	34	13	13	0	0
HANWHA CHEMICAL	Materials	59	40	19		2		39
HANMI PHARM	Pharmaceuticals & Biotechnology	59	41	18	13			28
OCI	Materials	91	41	50	4	4		1
DOOSAN HVY. INDS. AND CON.	Capital Goods	55	41	14	21	15	9	0
KUMHO PETRO CHEMICAL	Materials	82	42	40	9	6		3
S-OIL	Energy	80	42	38	8	2		10
GS ENGR. & CON.	Capital Goods	63	43	20			22	15
HYUNDAI MOTOR	Automobiles & Components	52	44	8	32	14		2
DOOSAN	Capital Goods	60	46	14	19	14	7	0
SK INNOVATION	Energy	84	47	37		11		6

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

## Taiwan

- ▶ Taiwan overseas revenues rose to 70% of total in 2015 from 69% in 2014 and 67% in 2013
- ▶ Taiwan corporates have the largest overseas revenue proportion of Asian countries in our sample
- ▶ Autos exposure to APAC ex Taiwan has increased from 44% in 2014 to 53% in 2015
- ▶ Exposure to the Americas and Europe has increased by 2pp each, while exposure to the APAC region (ex-Taiwan) is down in 2015

Taiwan revenue breakdown



Source: MSCI, HSBC calculations, Thomson Reuters Datastream

## Taiwan: Geographic breakdown of revenue by sector (ranked by exposure to Asia Pacific), %

	Asia Pacific	Taiwan	Asia Pacific ex Taiwan	Americas	Europe	Africa & ME	Misc
<b>MSCI Taiwan</b>	<b>56</b>	<b>30</b>	<b>25</b>	<b>21</b>	<b>12</b>	<b>0</b>	<b>12</b>
<b>Sectors</b>							
Health Care							
Utilities							
Financials	99	97	3	0	0	0	0
Telecommunications	98	98	0	0	0	0	2
Consumer staples	88	64	24	0	0	0	12
Energy	85	59	26	0	0	0	15
Materials	83	50	34	3	0	0	14
Consumer Discretionary	69	44	25	16	8	0	8
Industrials	66	43	23	20	10	0	5
Information Technology	41	11	29	28	16	0	15
<b>Industry groups</b>							
Commercial Services & Suppliers							
Consumer Services							
Media							
Household & Personal Products							
Health Care Equipment & Servs							
Pharmaceuticals & Biotechnology							
Software & Services							
Utilities							
Retailing	100	91	9	0	0	0	0
Insurance	100	100	0	0	0	0	0
Real Estate	100	100	0	0	0	0	0
Diversified Financials	100	97	3	0	0	0	0
Banks	98	92	6	1	0	0	0
Telecommunication Services	98	98	0	0	0	0	2
Food Beverage & Tobacco	88	53	35	0	0	0	12
Food & Staples Retailing	87	87	0	0	0	0	13
Energy	85	59	26	0	0	0	15
Capital Goods	84	71	13	4	1	0	11
Materials	83	50	34	3	0	0	14
Automobiles & Components	80	27	53	4	0	0	16
Transportation	54	25	29	31	16	0	0
Consumer Durables & Apparel	53	46	7	27	14	0	6
Semiconductors & Semi Equip	46	14	32	45	6	0	3
Technology Hardware & Equip	40	11	29	26	18	0	17

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

## MSCI Taiwan: 25 stocks with highest reported overseas exposure, %

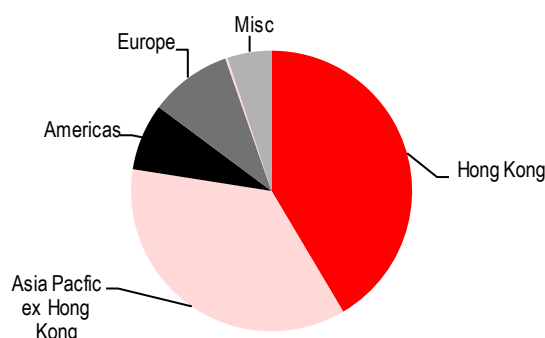
Company name	Industry	Asia Pacific	Taiwan	Asia Pacific ex Taiwan	Americas	Europe	Africa & ME	Misc
INOTERA MEMORIES	Semiconductors & Semi Equip	100	0	100	0	0	0	0
CASETEK HOLDINGS	Technology Hardware & Equip	55	1	55	42	2		0
DELTA ELECTRONICS	Technology Hardware & Equip	56	1	55	17			28
HON HAI PRECN.IND.	Technology Hardware & Equip	22	1	21	33	30		15
FOXCONN TECHNOLOGY	Technology Hardware & Equip	91	1	90	3			6
CATCHER TECHNOLOGY	Technology Hardware & Equip	65	5	61	34	1		0
MEDIATEK	Semiconductors & Semi Equip	95	5	90				5
INVENTEC	Technology Hardware & Equip	20	6	14	63			17
CHENG SHIN RUB.INDS.	Automobiles & Components	59	6	53	8			33
ACER	Technology Hardware & Equip	19	8	10	21			60
CHINA AIRLINES	Transportation	63	9	54	29	8	0	0
ADVANTECH	Technology Hardware & Equip	49	9	40	29	17		5
ZHEN DING TECH.HOLDING	Technology Hardware & Equip	38	10	28	54			7
TAIWAN SEMICON.MNFG.	Semiconductors & Semi Equip	25	11	15	67	7		1
ADVANCED SEMICON.ENGR.	Semiconductors & Semi Equip	20	12	8	73	7		1
ASUSTEK COMPUTER	Technology Hardware & Equip	71	14	57	16	7		6
HTC	Technology Hardware & Equip		15					85
SYNNEX TECH.INTL.	Technology Hardware & Equip	99	15	84				1
PEGATRON	Technology Hardware & Equip	30	15	15	23	42		5
EVERGREEN MARINE	Transportation	19	16	2	45	36		0
WPG HOLDINGS	Technology Hardware & Equip	87	18	69				13
TRANSCEND INFO.	Technology Hardware & Equip	63	19	44	10	22		5
SILICONWARE PRECN.INDS.	Semiconductors & Semi Equip	50	22	28	40			10
POWERTECH TECHNOLOGY	Semiconductors & Semi Equip	71	23	48	15			14
NAN YA PLASTICS	Materials	64	26	38	14			22

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

## Hong Kong

- ▶ Hong Kong companies generate 59% of revenues overseas, up 3pp from 2014
- ▶ Consumer Discretionary derives 28% of revenues from the Americas, up 1% this year, and 9% from Europe
- ▶ Insurance has 63% foreign exposure, concentrated in Asia Pacific ex Hong Kong
- ▶ Hong Kong has the third-largest overseas revenue exposure of Asian countries

Hong Kong revenue breakdown



Source: MSCI, HSBC calculations, Thomson Reuters Datastream

## Hong Kong: Geographic breakdown of revenue by sector (ranked by exposure to Asia Pacific), %

	Asia Pacific	Hong Kong	Asia Pacific ex Hong Kong	Americas	Europe	Africa & ME	Misc
<b>MSCI Hong Kong</b>	<b>77</b>	<b>41</b>	<b>36</b>	<b>8</b>	<b>9</b>	<b>0</b>	<b>5</b>
<b>Sectors</b>							
Energy							
Materials							
Health Care							
Consumer staples	100	100	0	0	0	0	0
Financials	94	54	40	1	0	0	4
Telecommunications	83	78	4	0	0	0	17
Utilities	81	47	34	0	1	0	18
Information Technology	70	8	62	7	17	0	6
Industrials	68	30	38	5	23	1	3
Consumer Discretionary	57	15	42	28	9	0	6
<b>Industry groups</b>							
Energy							
Materials							
Commercial Services & Suppliers							
Automobiles & Components							
Media							
Retailing							
Food & Staples Retailing							
Household & Personal Products							
Health Care Equipment & Servs							
Pharmaceuticals & Biotechnology							
Software & Services							
Technology Hardware & Equip							
Utilities							
Food Beverage & Tobacco	100	100	0	0	0	0	0
Consumer Services	99	30	69	0	0	0	1
Banks	98	93	5	0	0	0	2
Real Estate	95	55	40	2	0	0	3
Diversified Financials	92			0	4	0	4
Insurance	89	27	63	0	0	0	11
Telecommunication Services	83	78	4	0	0	0	17
Transportation	78	54	24	9	8	4	1
Semiconductors & Semi Equip	70	8	62	7	17	0	6
Capital Goods	65	25	41	5	27	0	3
Consumer Durables & Apparel	17	0	17	54	17	0	11

Source: MSCI, HSBC calculations, Thomson Reuters Datastream



**MSCI Hong Kong: 25 stocks with highest reported overseas exposure, %**

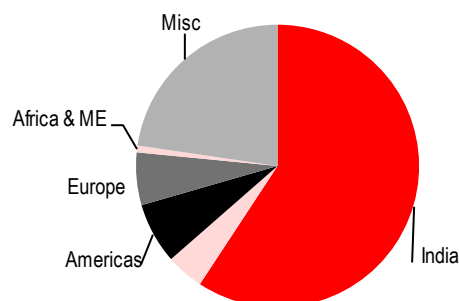
Company name	Industry	Asia Pacific	Hong Kong	Asia Pacific ex HK	Americas	Europe	Africa & ME	Misc
MGM CHINA HOLDINGS	Consumer Services	100	0	100	0	0	0	0
SANDS CHINA	Consumer Services	100	0	100	0	0	0	0
GALAXY ENTERTAINMENT GP.	Consumer Services	100	3	97	0	0	0	0
ASM PACIFIC TECH.	Semiconductors & Semi Equip	70	8	62	7	17		6
SHANGRI-LA ASIA	Consumer Services	87	12	75				13
CK HUTCHISON HOLDINGS	Capital Goods	38	16	23	9	47		6
KERRY PROPERTIES	Real Estate	100	25	75	0	0	0	0
AIA GROUP	Insurance	89	27	63				11
HONG KONG AND CHINA GAS	Utilities		30					70
SWIRE PACIFIC 'A'	Real Estate	77	39	38	13			10
WHARF HOLDINGS	Real Estate	100	47	53	0	0	0	0
CLP HOLDINGS	Utilities	100	48	52				0
BANK OF EAST ASIA	Banks	95	53	42				5
HANG LUNG PROPERTIES	Real Estate	100	53	47	0	0	0	0
NEW WORLD DEV.	Real Estate	98	54	44				2
WHEELOCK AND CO.	Real Estate	100	61	39	0	0	0	0
MTR	Transportation	92	70	22		7		2
HENDERSON LD.DEV.	Real Estate	100	77	23	0	0	0	0
PCCW	Telecommunication Services	83	78	5				17
HKT TRUST & HKT	Telecommunication Services	82	78	3				18
HONG KONG EXS. & CLEAR.	Diversified Financials	80	80	0	0	20	0	0
SUN HUNG KAI PROPERTIES	Real Estate	99	83	15				1
SWIRE PROPERTIES	Real Estate	99	85	14	0			1
SINO LAND	Real Estate	100	88	12	0	0	0	0
NWS HOLDINGS	Capital Goods	100	89	11	0	0	0	0

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

## India

- ▶ Indian companies receive 41% of their revenues from overseas markets, up 5pp since 2014
- ▶ IT is by far the most export-oriented sector, making 95% of revenues overseas, although Auto, Pharma and Materials also make 50%+ of revenues outside of India
- ▶ The Indian breakdown has the second-highest 'miscellaneous' category of our country sample because many companies group overseas revenues under the 'rest of the world' category
- ▶ Due to lags in Indian corporate reporting, full year data used in this report is from March 2015

### India revenue breakdown



Source: MSCI, HSBC calculations, Thomson Reuters Datastream. Data as of March 2015

### India: Geographic breakdown of revenue by sector (ranked by exposure to Asia Pacific), %

	Asia Pacific	India	Asia Pacific ex India	Americas	Europe	Africa & ME	Misc
<b>MSCI India</b>	<b>64</b>	<b>59</b>	<b>4</b>	<b>7</b>	<b>6</b>	<b>1</b>	<b>23</b>
<b>Sectors</b>							
Utilities	96	96	0	0	0	0	4
Financials	95	95	0	0	0	0	5
Consumer staples	90	90	0	0	0	0	10
Industrials	83	83	0	0	0	0	17
Telecommunications	78	78	0	0	0	20	2
Energy	69	69	0	0	0	0	31
Consumer Discretionary	51	32	20	8	17	0	24
Materials	48	48	0	2	1	0	50
Health Care	34	33	1	21	5	1	38
Information Technology	5	5	0	58	27	0	10
<b>Industry groups</b>							
Commercial Services & Suppliers							
Consumer Services							
Retailing							
Food & Staples Retailing							
Insurance							
Real Estate							
Technology Hardware & Equip							
Semiconductors & Semi Equip							
Utilities							
Transportation	100	100	0	0	0	0	0
Health Care Equipment & Servs	100	100	0	0	0	0	0
Diversified Financials	100	100	0	0	0	0	0
Consumer Durables & Apparel	97	97	0	0	0	0	3
Banks	95	95	0	0	0	0	5
Food Beverage & Tobacco	92	92	0	0	0	0	8
Household & Personal Products	87	87	0	0	0	0	13
Capital Goods	82	82	0	0	0	0	18
Telecommunication Services	78	78	0	0	0	20	2
Media	75	75	0	0	0	0	25
Energy	69	69	0	0	0	0	31
Automobiles & Components	50	30	20	8	18	0	24
Materials	48	48	0	2	1	0	50
Pharmaceuticals & Biotechnology	30	29	1	23	5	2	40
Software & Services	5	5	0	58	27	0	10

Source: MSCI, HSBC calculations, Thomson Reuters Datastream. Data as of March 2015

**MSCI India: 25 stocks with highest reported overseas exposure, %**

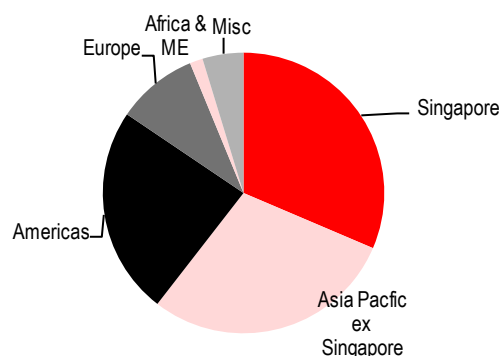
Company name	Industry	Asia Pacific	India	Asia Pacific ex India	Americas	Europe	Africa & ME	Misc
INFOSYS	Software & Services		3		63	23		12
HCL TECHNOLOGIES	Software & Services		4		55	27		14
TATA CONSULTANCY SVS.	Software & Services	7	7	0	63	30	0	0
WIPRO	Software & Services		10		50	24		15
DIVIS LABORATORIES	Pharmaceuticals & Biotechnology		13					87
TATA MOTORS	Automobiles & Components	43	14	29	12	25		20
MOTHERSON SUMI SYS.	Automobiles & Components		15					85
DR REDDYS LABORATORIES	Pharmaceuticals & Biotechnology		15		52	7		25
UPL	Materials		20		51	15		14
HINDALCO INDUSTRIES	Materials		21					79
SUN PHARM.INDUSTRIES	Pharmaceuticals & Biotechnology		26					74
LUPIN	Pharmaceuticals & Biotechnology	37	27	10	43			20
PIRAMAL ENTERPRISES	Pharmaceuticals & Biotechnology		30					70
BHARAT FORGE	Automobiles & Components		32					68
TATA STEEL	Materials		32					68
RELIANCE INDUSTRIES	Energy		35					65
GLENMARK PHARMACEUTICALS	Pharmaceuticals & Biotechnology		36		42	10		12
AUROBINDO PHARMA	Pharmaceuticals & Biotechnology		40		31	25		4
CIPLA	Pharmaceuticals & Biotechnology		44		11		13	32
GODREJ CONSUMER PRODUCTS	Household & Personal Products		53					47
BAJAJ AUTO	Automobiles & Components		58					42
VEDANTA	Materials		67					33
MAHINDRA & MAHINDRA	Automobiles & Components		67					33
HAVELL'S INDIA	Capital Goods		68					32
BHARTI AIRTEL	Telecommunication Services		68				29	3

Source: MSCI, HSBC calculations, Thomson Reuters Datastream. Data as of March 2015

## Singapore

- ▶ Singaporean companies make more than two-thirds of their revenues overseas, with 29% made in Asia and 24% in the Americas
- ▶ The proportion of domestic revenue rose in 2015, and the Consumer Discretionary sector generated all of its revenues domestically
- ▶ Singapore has the greatest overseas revenue proportion of all major Asian markets
- ▶ Capital Goods is the most export-oriented sector with high exposure to both the Americas and Europe

Singapore revenue breakdown



Source: MSCI, HSBC calculations, Thomson Reuters Datastream

### Singapore: Geographic breakdown of revenue by sector (ranked by exposure to Asia Pacific), %

	Asia Pacific	Singapore	Asia Pacific ex Singapore	Americas	Europe	Africa & ME	Misc
<b>MSCI Singapore</b>	<b>60</b>	<b>31</b>	<b>29</b>	<b>24</b>	<b>9</b>	<b>1</b>	<b>5</b>
<b>Sectors</b>							
Energy							
Materials							
Health Care							
Information Technology							
Utilities							
Telecommunications	100	48	52	0	0	0	0
Consumer Discretionary	100	100	0	0	0	0	0
Financials	93	58	35	2	2	0	4
Consumer staples	77			0	8	4	11
Industrials	33	21	12	47	15	1	4
<b>Industry groups</b>							
Energy							
Materials							
Commercial Services & Suppliers							
Automobiles & Components							
Consumer Durables & Apparel							
Food & Staples Retailing							
Household & Personal Products							
Health Care Equipment & Servs							
Pharmaceuticals & Biotechnology							
Insurance							
Software & Services							
Technology Hardware & Equip							
Semiconductors & Semi Equip							
Utilities							
Consumer Services	100	100	0	0	0	0	0
Retailing	100	100	0	0	0	0	0
Diversified Financials	100	100	0	0	0	0	0
Telecommunication Services	100	48	52	0	0	0	0
Banks	97	60	37	0	0	0	3
Media	97	97	0	0	0	0	3
Real Estate	83	50	32	5	6	0	6
Food Beverage & Tobacco	77			0	8	4	11
Transportation	61	40	21	3	12	0	24
Capital Goods	29	18	11	54	15	1	1

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

**MSCI Singapore: 15 stocks with highest reported overseas exposure, %**

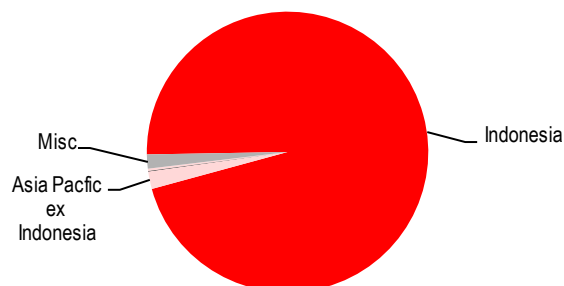
Company name	Industry	Asia Pacific	Singapore	Asia Pacific ex Singapore	Americas	Europe	Africa & ME	Misc
GLOBAL LOGISTIC PROPS.	Real Estate	92	0	92	8	0	0	0
HUTCHISON PORT HDG.TRUST	Transportation	100	0	100	0	0	0	0
SEMBCORP MARINE	Capital Goods	14	6	8	30	56		0
CAPITALAND	Real Estate	92	33	59	0	8	0	0
SEMBCORP INDUSTRIES	Capital Goods	50	39	11	16	33	1	1
SINGAPORE TELECOM	Telecommunication Services	100	41	59	0	0	0	0
CITY DEVELOPMENTS	Real Estate		50		17	12		21
UNITED OVERSEAS BANK	Banks	94	58	36				6
OVERSEA-CHINESE BKG.	Banks	98	59	40				2
COMFORTDELGRO	Transportation	75	60	15	0	25	0	0
DBS GROUP HOLDINGS	Banks	98	62	35				2
KEPPEL	Capital Goods	84	67	17	10			6
UOL GROUP	Real Estate	100	78	21				0
ASCENDAS REAL ESTATE IT.	Real Estate	100	96	4	0	0	0	0
SINGAPORE PRESS HDG.	Media		97					3

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

## Indonesia

- ▶ Indonesia is the most domestic market in our sample, and its overseas revenues exposure fell in 2015 to 4% from 7% in 2014
- ▶ The overseas revenue share has more than halved from 13% to 4% over the last five years
- ▶ Energy is the only sector with significant overseas exposure

### Indonesia revenue breakdown



Source: MSCI, HSBC calculations, Thomson Reuters Datastream

### Indonesia: Geographic breakdown of revenue by sector (ranked by exposure to Asia Pacific), %

	Asia Pacific	Indonesia	Asia Pacific ex Indonesia	Americas	Europe	Africa & ME	Misc
<b>MSCI Indonesia</b>	<b>98</b>	<b>96</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>
<b>Sectors</b>							
Information Technology							
Industrials	100	98	2	0	0	0	0
Telecommunications	100	100	0	0	0	0	0
Utilities	100	100	0	0	0	0	0
Consumer Discretionary	100	100	0	0	0	0	0
Financials	100	99	0	0	0	0	0
Materials	100	96	3	0	0	0	0
Consumer staples	97	96	1	0	0	1	2
Health Care	95			0	0	0	5
Energy	87	69	18	0	0	0	13
<b>Industry groups</b>							
Commercial Services & Suppliers							
Consumer Durables & Apparel							
Consumer Services							
Food & Staples Retailing							
Health Care Equipment & Servs							
Diversified Financials							
Insurance							
Software & Services							
Technology Hardware & Equip							
Semiconductors & Semi Equip							
Capital Goods	100	98	2	0	0	0	0
Transportation	100	100	0	0	0	0	0
Automobiles & Components	100	100	0	0	0	0	0
Media	100	100	0	0	0	0	0
Household & Personal Products	100	100	0	0	0	0	0
Real Estate	100	100	0	0	0	0	0
Telecommunication Services	100	100	0	0	0	0	0
Utilities	100	100	0	0	0	0	0
Banks	100	99	0	0	0	0	0
Materials	100	96	3	0	0	0	0
Food Beverage & Tobacco	97	96	1	0	0	1	2
Pharmaceuticals & Biotechnology	95			0	0	0	5
Retailing	93			0	0	0	7
Energy	87	69	18	0	0	0	13

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

**MSCI Indonesia: 10 stocks with highest reported overseas exposure, %**

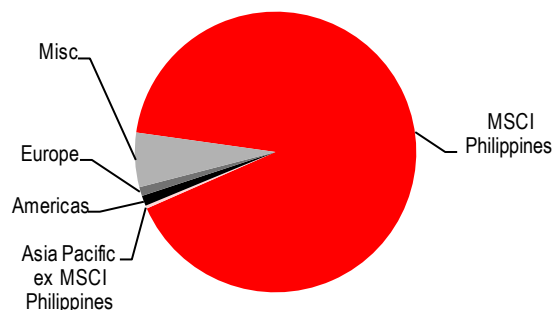
Company name	Industry	Asia Pacific	Indonesia	Asia Pacific ex Indonesia	Americas	Europe	Africa & ME	Misc
ADARO ENERGY	Energy	70	27	44				30
INDOFOOD CBP SUKSES MKM.	Food Beverage & Tobacco	96	91	5			4	0
INDOFOOD SUKSES MAKMUR	Food Beverage & Tobacco	95	92	3			2	3
MATAHARI DEPARTMENT SOE.	Retailing		93					7
SEMEN GRESIK	Materials	100	95	5	0	0	0	0
KALBE FARMA	Pharmaceuticals & Biotechnology		95					5
GUDANG GARAM	Food Beverage & Tobacco		96					4
AKR CORPORINDO	Capital Goods	100	98	2	0	0	0	0
BANK NEGARA INDONESIA	Banks	99	98	1	0	0	0	0
BANK MANDIRI	Banks	99	99	1	0	0	0	0

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

## Philippines

- ▶ The Philippines is the second-most domestic market in our universe, making just 9% of revenues overseas.
- ▶ Its overseas revenue exposure has risen only 1% from five years ago
- ▶ Transport and Food & Beverages are the most export-oriented industries in the Philippines

Philippines revenue breakdown



Source: MSCI, HSBC calculations, Thomson Reuters Datastream

Philippines: Geographic breakdown of revenue by sector (ranked by exposure to Asia Pacific), %

	Asia Pacific	Philippines	Asia Pacific ex Philippines	Americas	Europe	Africa & ME	Misc
<b>MSCI Philippines</b>	<b>92</b>	<b>91</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>6</b>
<b>Sectors</b>							
Energy							
Materials							
Health Care							
Information Technology							
Telecommunications	100	100	0	0	0	0	0
Utilities	100	100	0	0	0	0	0
Financials	96	95	1	1	2	0	1
Industrials	87	87	0	2	1	0	10
Consumer Discretionary	78			0	0	0	22
Consumer staples	70			0	0	0	30
<b>Industry groups</b>							
Energy							
Materials							
Commercial Services & Suppliers							
Automobiles & Components							
Consumer Durables & Apparel							
Media							
Retailing							
Food & Staples Retailing							
Household & Personal Products							
Health Care Equipment & Servs							
Pharmaceuticals & Biotechnology							
Insurance							
Software & Services							
Technology Hardware & Equip							
Semiconductors & Semi Equip							
Real Estate	100	100	0	0	0	0	0
Telecommunication Services	100	100	0	0	0	0	0
Utilities	100	100	0	0	0	0	0
Banks	100	99	0	0	0	0	0
Diversified Financials	90	89	2	3	5	0	2
Capital Goods	89	89	0	0	0	0	11
Consumer Services	78			0	0	0	22
Food Beverage & Tobacco	70			0	0	0	30
Transportation	54			36	10	0	0

Source: MSCI, HSBC calculations, Thomson Reuters Datastream



**MSCI Philippines: 7 stocks with highest reported overseas exposure, %**

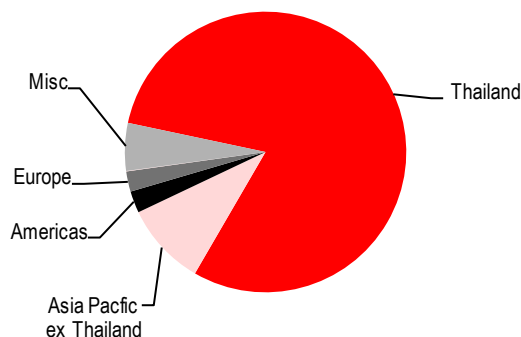
Company name	Industry	Asia Pacific	Philippines	Asia Pacific ex Philippines	Americas	Europe	Africa & ME	Misc
DMCI HOLDINGS	Capital Goods		50					50
JG SUMMIT HDG.	Capital Goods		66					34
UNIVERSAL ROBINA	Food Beverage & Tobacco		70					30
JOLLIBEE FOODS	Consumer Services		78					22
AYALA	Diversified Financials	85	82	3	5	9	0	0
GT CAPITAL HOLDINGS	Diversified Financials		94					6
METROPOLITAN BK. & TST.	Banks	100	98	2	0	0	0	0

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

## Thailand

- ▶ Thailand generates about 20% of its revenue from the overseas market
- ▶ A majority of its overseas revenues come from the rest of Asia, with Food & Beverages and Consumer Services producing a significant proportion of their revenues in the region
- ▶ IT is the only sector significantly exposed outside Asia, generating about 30% of its revenues from the Americas

Thailand revenue breakdown



Source: MSCI, HSBC calculations, Thomson Reuters Datastream

Thailand: Geographic breakdown of revenue by sector (ranked by exposure to Asia Pacific), %

	Asia Pacific	Thailand	Asia Pacific ex Thailand	Americas	Europe	Africa & ME	Misc
<b>MSCI Thailand</b>	<b>90</b>	<b>80</b>	<b>10</b>	<b>3</b>	<b>2</b>	<b>0</b>	<b>5</b>
<b>Sectors</b>							
Industrials	100	100	0	0	0	0	0
Health Care	100	100	0	0	0	0	0
Telecommunications	100	100	0	0	0	0	0
Utilities	99	99	0	0	0	0	1
Energy	98	93	5	0	0	0	2
Financials	97	97	0	0	0	0	3
Consumer Discretionary	94	84	10	0	0	1	5
Consumer staples	84	58	27	6	7	0	2
Materials	65	50	15	8	7	0	20
Information Technology	31			28	10	0	31
<b>Industry groups</b>							
Capital Goods							
Commercial Services & Suppliers							
Automobiles & Components							
Consumer Durables & Apparel							
Household & Personal Products							
Pharmaceuticals & Biotechnology							
Diversified Financials							
Insurance							
Software & Services							
Semiconductors & Semi Equip							
Transportation	100	100	0	0	0	0	0
Media	100	100	0	0	0	0	0
Retailing	100	99	1	0	0	0	0
Health Care Equipment & Servs	100	100	0	0	0	0	0
Real Estate	100	100	0	0	0	0	0
Telecommunication Services	100	100	0	0	0	0	0
Food & Staples Retailing	100			0	0	0	0
Utilities	99	99	0	0	0	0	1
Energy	98	93	5	0	0	0	2
Banks	97			0	0	0	3
Consumer Services	82	54	28	0	0	4	14
Food Beverage & Tobacco	73	28	46	10	13	0	4
Materials	65	50	15	8	7	0	20
Technology Hardware & Equip	31			28	10	0	31

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

**MSCI Thailand: 10 stocks with highest reported overseas exposure, %**

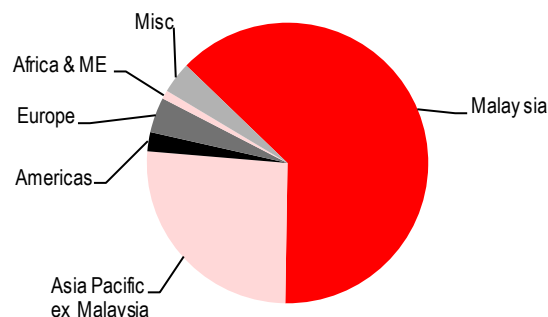
Company name	Industry	Asia Pacific	Thailand	Asia Pacific ex Thailand	Americas	Europe	Africa & ME	Misc
INDORAMA VENTURES	Materials		6		35	30		28
THAI UNION FROZEN PRDS.	Food Beverage & Tobacco	14	8	6	42	29		14
BANPU	Energy	100	8	92	0	0	0	0
CHAROEN POKPHAND FOODS	Food Beverage & Tobacco	91	33	57	1	8		0
MINOR INTERNATIONAL	Consumer Services	82	54	28			4	14
SIAM CEMENT	Materials	80	60	20				20
SIAM CEMENT FB	Materials	80	60	20				20
PTT GLOBAL CHEMICAL	Materials	83	63	20	1			16
PTT EXPLORATION & PRDN.	Energy	97	64	34	0		1	2
THAI OIL	Energy		82					18

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

## Malaysia

- ▶ Malaysia overseas revenue improved to 37% in 2015, 3ppt higher than 2014, and most of this incremental foreign revenue came from Asia
- ▶ Of the total revenue, 26% comes from the Asia Pacific region, 4% from Europe and 2% from the Americas
- ▶ Healthcare and Consumer Staples are the Malaysian sectors with the highest overseas revenue exposures
- ▶ Healthcare is the sector most significantly exposed outside of Asia, making 30% of its revenue from Africa and the Middle East

### Malaysia revenue breakdown



Source: MSCI, HSBC calculations, Thomson Reuters Datastream

### Malaysia: Geographic breakdown of revenue by sector (ranked by exposure to Asia Pacific), %

	Asia Pacific	Malaysia	Asia Pacific ex Malaysia	Americas	Europe	Africa & ME	Misc
<b>Malaysia</b>	<b>89</b>	<b>63</b>	<b>26</b>	<b>2</b>	<b>4</b>	<b>1</b>	<b>4</b>
<b>Sectors</b>							
Information Technology							
Materials	98	47	51	0	0	0	2
Financials	95	79	16	0	0	0	5
Telecommunications	94	70	24	0	0	0	6
Industrials	92	50	43	5	2	0	1
Energy	92	78	14	0	0	4	3
Utilities	90	70	20	0	9	0	1
Consumer Discretionary	82	66	16	5	5	0	8
Consumer staples	74	39	36	6	16	0	4
Health Care	57	17	40	7	4	30	2
<b>Industry groups</b>							
Commercial Services & Suppliers							
Consumer Durables & Apparel							
Retailing							
Food & Staples Retailing							
Household & Personal Products							
Pharmaceuticals & Biotechnology							
Diversified Financials							
Insurance							
Software & Services							
Technology Hardware & Equip							
Semiconductors & Semi Equip							
Media	100	100	0	0	0	0	0
Real Estate	100	79	21	0	0	0	0
Materials	98	47	51	0	0	0	2
Capital Goods	96	44	52	0	2	0	1
Banks	95	79	16	0	0	0	5
Telecommunication Services	94	70	24	0	0	0	6
Energy	92	78	14	0	0	4	3
Utilities	90	70	20	0	9	0	1
Automobiles & Components	89			0	0	0	11
Transportation	84	62	23	15	1	0	0
Consumer Services	76	50	26	8	8	0	8
Food Beverage & Tobacco	74	39	36	6	16	0	4
Health Care Equipment & Servs	57	17	40	7	4	30	2

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

**MSCI Malaysia: 15 stocks with highest reported overseas exposure, %**

Company name	Industry	Asia Pacific	Malaysia	Asia Pacific ex Malaysia	Americas	Europe	Africa & ME	Misc
HARTALEGA HOLDINGS	Health Care Equipment & Servs	18	1	17	51	30	0	0
BUMI ARMADA	Energy	68	8	60	7	0	25	0
KUALA LUMPUR KEPONG	Food Beverage & Tobacco	71	14	57	3	23	2	2
IOI	Food Beverage & Tobacco	43	15	28	15	36		6
YTL POWER INTERNATIONAL	Utilities	73	15	58		26		1
IHH HEALTHCARE	Health Care Equipment & Servs	63	20	43			35	2
YTL	Utilities	76	31	45		19		5
SIME DARBY	Capital Goods	95	32	63		3		1
AXIATA GROUP	Telecommunication Services	91	36	55				9
PETRONAS CHEMICALS GP.	Materials	97	37	60				3
GENTING	Consumer Services	85	38	47	7	8	0	0
SAPURA-KENCANA PETROLEUM	Energy	79	39	39			9	13
CIMB GROUP HOLDINGS	Banks	93	47	46				7
FELDA GLOBAL VENT.HDG.	Food Beverage & Tobacco	91	51	40	5	2		3
AIRASIA	Transportation	100	52	48	0	0	0	0

Source: MSCI, HSBC calculations, Thomson Reuters Datastream

# Methodology

## Sources

The data is produced through a bottom-up aggregation of the geographical segment information provided in company accounts. This data comes via the Thomson Financial Worldscope database and Bloomberg, and in instances where it is not available from these sources, is supplemented directly from the accounts.

## Region classifications

As segment reporting is not particularly consistent from company to company, it is necessary to aggregate according to relatively broad regions to obtain meaningful results. The regions we have chosen to use are as follows:

- ▶ Americas
- ▶ Europe
- ▶ Asia Pacific
- ▶ Middle East & Africa

For each country, we have also split the domestic market from its broader domestic region. For example, in the case of the UK, we present data for both the UK and Europe ex-UK alongside the Pan European region. For the purposes of aggregation, in cases where companies do not provide this breakdown, we have proportioned the broader segment's revenue based on the split found in other companies within the same sector. Any company-level data we present, however, is left as reported. As could be expected, not all the segments reported by companies can be attributed to one of our chosen regions. For this reason, we have also had to include a miscellaneous category. This category mainly includes data for those segments where the classification is too broad to be assigned (eg, 'Rest of the world' or 'Foreign'), but also includes categories that do not represent actual external sales (eg, 'inter-segment sales'). One exception to this is where segments are reported as EMEA rather than Europe. In this case, it is assumed that the majority of the revenue derives from Europe so as to not risk understating exposure to Europe. This has little effect at the overall market level but can obviously alter the breakdown for specific companies. To obtain the emerging/developed breakdown, we have assumed that Asia is all emerging and Europe is all developed. However, where countries are reported separately, we have assigned them to their correct category – eg, sales to Japan would be classified as developed.

## Data issues

Apart from classification issues, there are some other drawbacks to the data which should be noted. Most significant is the fact that international accounting rules allow companies to identify geographical segments based on where the entity's assets are located or where its customers are located. As such, some companies report their geographic breakdown based on where they produce rather than where they sell. This is mostly applicable to mining companies and so results presented for the Materials sector are potentially misleading.

In addition, revenues for financial firms are defined to include trading gains and losses. This creates the potential for certain segments' revenues to be negative. Where this is the case, we have had to exclude the segment in question from the aggregation.

For companies that have reported their 2015 total revenues, but whose geographical revenue breakdown is not available, we have assumed segmental revenues similar to the last year.

# Notes

# Disclosure appendix

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The target price is based on the analyst's assessment of the stock's actual current value, although we expect it to take six to 12 months for the market price to reflect this. When the target price is more than 20% above the current share price, the stock will be classified as a Buy; when it is between 5% and 20% above the current share price, the stock may be classified as a Buy or a Hold; when it is between 5% below and 5% above the current share price, the stock will be classified as a Hold; when it is between 5% and 20% below the current share price, the stock may be classified as a Hold or a Reduce; and when it is more than 20% below the current share price, the stock will be classified as a Reduce.

Our ratings are re-calibrated against these bands at the time of any 'material change' (initiation or resumption of coverage, change in target price or estimates).

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For each stock we set a required rate of return calculated from the cost of equity for that stock's domestic or, as appropriate, regional market established by our strategy team. The target price for a stock represented the value the analyst expected the stock to reach over our performance horizon. The performance horizon was 12 months. For a stock to be classified as Overweight, the potential return, which equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated, had to exceed the required return by at least 5 percentage points over the succeeding 12 months (or 10 percentage points for a stock classified as Volatile\*). For a stock to be classified as Underweight, the stock was expected to underperform its required return by at least 5 percentage points over the succeeding 12 months (or 10 percentage points for a stock classified as Volatile\*). Stocks between these bands were classified as Neutral.

\*A stock was classified as volatile if its historical volatility had exceeded 40%, if the stock had been listed for less than 12 months (unless it was in an industry or sector where volatility is low) or if the analyst expected significant volatility. However, stocks which we did not consider volatile may in fact also have behaved in such a way. Historical volatility was defined as the past month's average of the daily 365-day moving average volatilities. In order to avoid misleadingly frequent changes in rating, however, volatility had to move 2.5 percentage points past the 40% benchmark in either direction for a stock's status to change.



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