

Structured Products

New Investment Idea

March 19, 2014

Research Based



Corporate cash piles remain at multi-year highs

Merger Activities Ahead?

Key Points

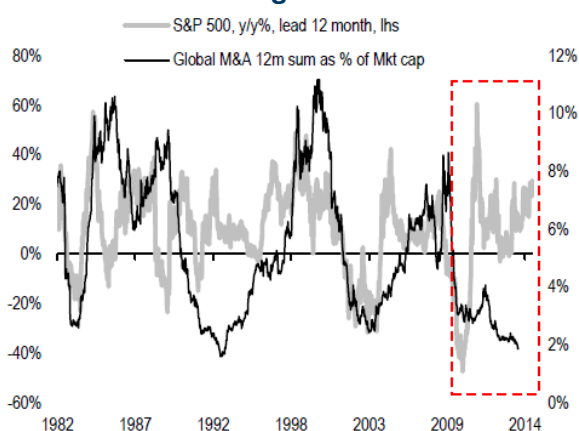
- Merger & Acquisition (“M&A”) activity has been gaining momentum, and we believe it will continue to rise.
- The free cash flows of many corporates are unusually high. The corporate sector has USD 2.3 trillion of cash available to return leverage to average levels in Europe and the US.
- In a Credit Suisse executive panel survey M&A is now the most preferred option for UK CFOs’ use of cash.

Investment Idea

Managed Tracker Certificate on the Credit Suisse M&A 15 Basket

Benefit from a price increase of potential M&A targets

Chart: M&A activity tends to follow the equity market with a time lag*



Source: Thomson Reuters, Credit Suisse Global Research, Data as of 27 January 2014.
*Historical performance and financial market scenarios are no indication of current or future returns.

Product Suitable for the Investment Idea (Key Indicative Terms)**

Product	Valor	Issuer	Maturity	Currency	In Subscription until:
Managed Tracker Certificate on the Credit Suisse M&A 15 Basket	23 651 529	Credit Suisse AG, Zurich	Open-end	USD	7 April 2014, 15:00 CET

**All terms and conditions mentioned are indicative only and will be confirmed or adjusted on the Initial Fixing Date

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Product Facts

- The Credit Suisse M&A 15 Basket is a portfolio that is actively managed by Credit Suisse Research and contains 15 shares of potential M&A targets or shares which potentially benefit from a restructuring (periodically reshuffled and rebalanced).
- The dividends, net of withholding taxes and transaction costs, will be reinvested in the Basket.
- The management fee of 1.50% per annum will be deducted quarterly from the value of the Certificate.
- 100% participation in the positive or negative performance of the Basket.
- No capital protection. In the worst case all of the capital invested could be lost.

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M&A activities will increase

- **Why now?** M&A follows CEO business confidence and stock market returns by 1 to 1.5 years. It is now the preferred use of cash among UK CFOs according to a recent Credit Suisse executive panel survey. M&A activity is running at half of average levels in North America and at a third of average levels Europe.
- **Corporate cash piles remain near multi-year highs.** The corporate sector has USD 2.3 trillion of cash available to return leverage to average levels in Europe and the US, and private equity has nearly USD 1.1 trillion available to spend.
- **Cheaper to buy than build:** The proportion of companies trading below replacement value is above historical average levels, implying that equity market valuations are sufficiently attractive to encourage further bid activity. In Europe 26% of market capitalization trades below replacement value, 34% in emerging markets, 43% in Japan and 5% in the US.
- **Investors with a relatively high risk appetite should prefer companies that are potential targets of industry consolidation** or those which will benefit from asset disposals through restructurings, as represented in the Credit Suisse M&A 15 Basket (see the Investment Idea below). A blend of quantitative screening, fundamental analysis and news flow monitoring is used to determine the composition of the basket, taking into account attributes including high free float and market capitalization.