Subject: Fw: China Gas Holdings (384.HK) - consider tactical long-equity position [C]
From: Tazia Smith <[redacted]>
Date: Thu, 22 May 2014 09:30:41 -0400
To: [redacted]
Cc: Paul Morris <[redacted]>

Classification: Confidential

Rich -

FYI only, Russia/China did sign what is arguably the biggest energy deal of the decade yesterday. and 384.HK (highlighted this as an investment last month) rallied 6%. See below.

http://www.reuters.com/article/2014/05/21/us-china-russia-gas-idUSBREA4K07K20140521

Catalyst: Potential for Putin/China pipeline agreement May 20-21st. Been talked about for 10yrs but now could come to fruition, would be one of the most major announcements in global energy over the last 10yrs
Bottoms Up: Chinese gas distributors (like MLPs) benefit from volumes running
throught their pipes. They are SUPPLY constrained, plenty of demand. Pushback on the group/bear case has been that they wouldn't be able to pass through higher costs to end consumer, a real risk that weighed on the stocks and sent them down meaningfully in the last couple weeks...creates an entry point.
High probability that the deal is signed (HF places ~75% likelihood) = meaningful upside for gas distributors. If deal is not signed, base case is status quo (stocks are NOT pricing in a deal being signed)
China Gas: just upgraded by CS
Morgan Stanley: commenting on the set up
China Gas CFO former banker, full disclosure around its 280 cities that it owns the distribution licenses for, very communicative to the Street (aka VISIBILITY)

as of 5/16/14

China Gas Holdings 10 day Price History
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----- Forwarded by [redacted] on 05/22/2014 09:25 AM -----

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Date: 04/16/2014 11:46
AM

Subject: China Gas Holdings (384.HK) - consider tactical long-equity
position [C]

Classification: Confidential

Jeffrey -

Have you looked at China Gas (384.HK)? Consider tactical position - long equity - on potential for a Russia/China nat gas agreement.

Gazprom (GAZP.RX, ruble denominated shares) is likely the more common implementation (both charts below). Would argue that the new pipeline diverts existing supply for Gazprom, where it is incremental earnings growth for the likes of China Gas.

http://www.reuters.com/article/2014/04/09/russia-china-gas-idUSL6N0N11XM20140409

The original call is on The 3rd Plenum's commitment to environmental reform (specifically reduction of carbon emissions by increasing nat gas usage). The

near-term catalyst stems from this week's developments in the Ukranian-
Russian
crisis. Not surprisingly, with the chill from the Western world threatening
demand for Russia's commodity, Putin's accelerated conversations to the east.
Market chatter suggests that negotiations on a Russia-China pipeline could
divert 38bn cubic meters of gas per year over to China, and that Putin has
sped up negotiations with the intent of turning his presently scheduled May
20
visit to China, into a signing ceremony for an export contract.

The stock is a hedge fund name. The DB analyst has been less fond (latest
rating is hold with a 9 HKD target). I think this is a tactical,
geopolitically-driven entry point on a name that's also a compelling long-
term
growth investment. Right now it's trading close to 25x 2015 EPS ests of 0.50
HKD, bull case is meaningful upside potential in earnings on an uptake of nat
gas in China.

China Gas (384 HK is fairly liquid - ~5mm share avg daily volume over the
last
month)

[redacted]

China Gas 1yr Price History
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Gazprom 1yr Price History
(Embedded image moved to file: pic16859.gif)

----- Forwarded by [redacted] on 04/16/2014 09:16 AM -----

From: [redacted]/-
[redacted]

To: [redacted], kcp-
[redacted],

Date: 04/16/2014 05:55
AM

Subject: European Oil
[I]

For non advisory clients only

In a "sector rotating" market in favour of value large cap names , Oil could be a relative bet to take, as the sector is:

1) not expensive in terms of valuations
2) favoured by the upper trending of WTI and Brent prices
3) impacted by better capital discipline (capex) expectations

Lucas Herrmann, DB research on ROE trend is starting to be more optimistic as well:
"Central to the deterioration in return on capital at the integrated oils has been the balance sheet build of non-productive capital. At the super-majors alone, the addition over a decade of c.$250bn of work in progress and exploration assets has proven a material drag on sector profitability clipping
an estimated 3-4% from reported RoCE. Yet, with 2013 registering the first decline in non-productive capital for a decade are there now signs that yet another source of returns drag across the oil sector may be at a tipping point? We think so with our analysis suggesting scope for a 10% uplift to reported returns over the next five years".
Interestingly, today also the Lex Column in "Oil Change, please" is mentioning
the need to improve capital returns to fill the valuation gap (ENI the company
mentioned in the article, also for the new management)

Short term it could make sense to play the momentum via relative spread and with outperformance calls SXEP vs cyclical sector like chemical SX4P

WTI:

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SXEP vs SX4P (Chemicals)
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Kind regards,
Pierluigi Amicarella

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All trades on proposed ideas shall be subject to the relevant internal approvals prior to execution.

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