

The IPOX® Week

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- Earnings drive solid overall returns as **IPOX Indexes** enter U.S. option expiration week at record levels.
- **IPOX-linked** investment products mirror gains.
- Amid soaring number of high profile U.S. IPO filings, little deal flow seen this week.

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Earnings drive solid overall returns as **IPOX Indexes** enter U.S. option expiration week at record levels. Amid earnings season and perceived corporate action activity in select holdings, the returns of individual securities comprised in the **IPOX Indexes** diverged sharply last week. In the **IPOX U.S. Indexes** universe, for example, big earnings-driven declines in social networker **Twitter** (TWTR US: -11.53%), travel technology provider **Sabre** (SABR US: -8.63%) or beauty products producer **Coty** (COTY US: -5.77%) were more than offset by big gains in optical communications components maker **Lumentum** (LITE US: +22.14%), Chicago-based IT servicer provider **CDW** (CDW US: +10.05%) or publisher **NEWS Corp** (NWSA US: +8.31%). Solid returns in consumer staple Burger King/Tim Hortons tie-up **Restaurant Brands** (QSR US: +3.50%) supported, as activist investor activity pushed the stock to a fresh all-time high. In markets outside the U.S., we note the big gains in China-linked exposure, with the **IPOX China** (CNI) surging +3.45% to +9.20% YTD. Return drivers here included industrial **China Railway** (3969 HK: +9.65%), Twitter-contrast social networker **Weibo** (WB US: +9.37%) or car maker **BAIC Motor** (1958 HK: +9.35%), while recent Spin-off **Yum China** (YUMC US: -6.58%), Danish IPO payment processor **NETS A/S** (NETS DC: -6.70%) or Dutch Financial **ABN AMRO** (ABN NA: -4.00%) slumped.

IPOX-linked investment products mirror gains. IPOX-linked Financial Products mirrored the strong sentiment at the overall IPOX Indexes level: For example, available to investors in the U.S. and Europe, the USD million 662, 5-star **First Trust U.S. Equity Opportunities ETF** (FPX US, FPX LN) added +0.57% to +4.14% YTD, a new all-time closing high, while the **Catalyst IPOX Allocation Fund** (OIPAX), an active IPOX-linked mutual fund, added +0.84% to +3.63% YTD. International exposure outperformed the U.S. anew with the IPOX-linked **First Trust International IPO ETF** (FPXI) gaining +0.77% to +7.27% YTD.

Amid soaring number of high profile U.S. IPO filings, little deal flow seen this week. At least 8 significant, accessible (non China A-shares) IPOs commenced trading last week with the average (median) equally-weighted firm dropping by -2.26% (+1.15%) based on the difference between the final offering price and Friday's close. The disappointing (and rare) overall negative picture was caused by declines in respective Hong Kong-traded micro-/small-caps construction sub-contractor **Royal Deluxe Holdings** (3789 HK: -16.07%) and construction and mining machinery trader **Sanroc International** (1660 HK: -22.50%). The initial showing of firms traded in the Americas was better, with the weeks most significant deal – the IPO of one of the world's leading Tequila makers USD million 800 **Jose Cuervo**

IPOX Price Returns (%)	Week	2017	2016
Exposure: Global/International (xUS) (USD)			
IPOX Global 50 (IPGL50)	0.54	5.05	-2.50
IPOX Global 30 (IPGL30)	0.71	4.56	1.73
IPOX International (IPXI)*	0.52	6.78	-4.63
Exposure: United States			
IPOX Composite U.S. (IPXC)*	1.01	6.52	7.24
IPOX 100 U.S. (IPXO)*	0.55	4.09	5.89
IPOX 30 U.S. (IPXT)	0.92	3.93	8.44
Exposure: Europe/Nordic Region			
IPOX Europe (IXTE)	0.17	3.75	0.18
IPOX Nordic (IPND)	0.18	3.73	-1.59
Exposure: Asia-Pacific/China Region			
IPOX Asia-Pacific (IPTA)	0.94	4.57	-1.96
IPOX Comp. China (IPXUCHCP)*	2.41	8.61	-3.73
IPOX China (CNI)	3.45	9.20	-10.21

* Basis for Exchange-Traded Products (e.g. FPX US, FPX LN, FPXU FP, FPXI US, TCIP110 IT) and CME Futures (**e-mini IPOX 100 U.S. Index Futures** [commodity trading symbol: IPOH7]).

(CUERVO* MM: +4.76%) on the Mexican stock exchange – closing the week solidly above offer. U.S. deal flow was muted: After the last-minute acquisition of industrial packaging products maker **Mauser** at a big premium to its perceived initial stock market valuation, REIT USD million 618 **Clipper Realty Inc.** (CLPR US) and specialty building products distributor USD million 663 **Foundation Building Materials** (FBM US) were the only IPOs on an U.S. exchange. Amid the slew of U.S IPO filings during last week including Brazilian Airline **Azul**, oil and gas services providers **ProPetro** and **FTS International**, real estate services provider **Newmark Grubb Knight Frank**, building products maker **FDO** or specialized apparels retailer **Jill Intermediate**, U.S. IPOs are absent for this week. Deals abroad include another China-linked educational services provider IPO (**Dadi Education** [8417 HK]), as well as H.K. health care facilities operator **Pine Care Group** (1989 HK).

Traded IPOs (week of 02/06/2017)	Country
Becle SAB de CV	Mexico
Clipper Realty Inc.	United States
Detsky Mir PJSC	Russia
Foundation Building Materials Inc.	United States
Movida Participacoes SA	Brazil
Mori Trust Hotel REIT Inc.	Japan
Royal Deluxe Holdings Ltd.	Hong Kong
Sanroc International Holdings Ltd.	Hong Kong
Upcoming IPOs (week of 02/13/2017)	Country
Hao Bai International Cayman Ltd.	Hong Kong
Dadi Education Ltd.	Hong Kong
Pine Care Group Ltd.	Hong Kong