

◆ Think IPO – Think IPOX

- IPOX Indexes reverse course, trade mixed on the week.
- First Trust U.S. IPO ETF (FPX) falls on slump in technology shares, key IPOX holdings beat earnings.
- Global IPO activity in slowdown mode: Low number of deals get done, low number of deals lined up.

[Week: 04/28/2014]

IPOX Indexes reverse course, most indexes fall: The IPOX indexes traded mixed vs. the benchmarks last week with strong U.S. corporate earnings and a flurry of M&A activity unable to fully mitigate the negative impact of increased geopolitical risk best reflected in another slide in the broad Russell 2000 (RUT) which now lags the S&P 500 (SPY) by a large -430 bps. YTD. On the global level, the IPOX Global 50 (IPGL50) - key measure for the performance of the largest global IPOs and Spin-offs commencing trading during a four-year rotation cycle – declined -0.43% to -2.20% YTD, -24bps. more than benchmark MSCI World (MXWD). Negative sentiment in the index was enforced by a slump in Russia-domiciled search engine USDbn 7.78 Yandex (YNDX US: -19.87%) which suffered indiscriminate selling on Russian President Putin's signal towards stronger Internet Control in the country.

Despite strong earnings amongst key IPOX holdings, IPOX-linked First Trust U.S. IPO ETF (FPX) falls on renewed selling in technology shares, select holdings reach all-time highs: Linked to the USDbn 933.28 IPOX U.S. 100 Index (IPXO), the IPOX-linked First Trust U.S. IPO ETF (FPX) declined -0.82% to -1.14% YTD last week, beating the ETF linked to the Russell 2000 (IWM) by +34 bps., while lagging the mostly large-cap centric benchmarks (SPY, NDX). Amid earnings and weak small-caps, a large dispersion in returns characterized the return distribution of the portfolio: While select heavyweights closed the week at fresh post-IPO highs with hospital operator USDbn 23.54 U.S. HCA Holdings (HCA US: +9.04%) and refiner USDbn 48.53 Phillips 66 (PSX US: 2.88%) leading the way, select high-beta technology exposure slumped anew, with application software maker USDbn 6.27 Splunk (SPLK US: -15.55%), internet radio provider USDn 4.57 Pandora (P US: -12.99%) and infrastructure software maker USDbn 6.66 Servicenow (NOW US: -11.32%) amongst the biggest decliners. Despite exceeding earnings expectations, IPOX heavyweights social networker USDbn 149.68 Facebook (FB US: -2.09%) and car maker USDbn 53.61 General Motors (GM US: -0.77%) fell. In all, 66/100 portfolio holdings declined on the week, with the average (median) equally-weighted stock decreasing by -1.35% (-0.84%), significantly more than the applied market-cap weighted IPOX U.S. 100 Index (IPXO). We note with interest the big performance jump (+87 bps.) of the large-cap centric IPOX U.S. 30 (IPXT) vs. the broad IPOX U.S. 100 (IPXO) last week, the 6th biggest move since the 08/2004 live inception of the IPOX U.S. Indexes.

Companies “Going Public” and lined up: Just 7 significant IPOs of common stocks launched globally last week, with the average (median) firm rising by +11.20% (+11.88%) based on

| IPOX Returns (%) (select Price) | Week | 2013 | YTD 14 |
|--------------------------------------|-------|-------|--------|
| Exposure: Global | | | |
| IPOX Global 50 (IPGL50) | -0.43 | 26.54 | -2.20 |
| IPOX Global 30 (IPGL30) (super liqd) | -0.82 | 33.65 | -1.69 |
| MSCI World (MXWD) | -0.19 | 20.25 | +0.42 |
| Exposure: United States | | | |
| IPOX-100 U.S. (IPXO) | -0.60 | 46.99 | -1.20 |
| IPOX-30 U.S. (IPXT) | +0.27 | 44.01 | +0.35 |
| S&P 500 (SPX) | -0.08 | 29.60 | +0.81 |
| Exposure: Europe | | | |
| IPOX Europe 50 (IPXUJPEU) | -0.05 | 20.78 | +1.09 |
| IPOX Europe 30 (IXTE) | +0.19 | 22.68 | +2.84 |
| Stoxx 50 (SX5P) | +0.36 | 13.26 | +0.37 |
| Exposure: Asia-Pacific | | | |
| IPOX Asia-Pacific 30 (IPTA) | -0.25 | 19.85 | -1.58 |
| MSCI Asia-Pacific (MXPC) | -0.12 | 2.87 | -3.36 |
| Exposure: China | | | |
| IPOX China 20 (CNI) | -1.76 | 14.77 | -8.58 |
| IPOX China Composite (IPXUCHCP) | -1.47 | 16.98 | -4.37 |
| Hang Seng Enterprise Index (HSCEI) | -4.56 | -5.42 | -9.41 |

Companies “Going Public” last week:

| Company Name | Identifier | Return (%) |
|---------------------------------|------------|------------|
| Burson Group Ltd | BAP AU | 12.64 |
| Callidus Capital Corp | CBL CN | 17.93 |
| Ichitan Group PCL | ICHI TB | 37.69 |
| Lombard Medical Inc. | EVAR US | -9.09 |
| Pacc Offshore Services Holdings | POSH SP | 0.43 |
| Seibu Holdings Inc | 9024 JP | 11.88 |
| Wang Tai Holdings Ltd | 1400 HK | 6.94 |

the difference between the final offering price and last weeks close. With U.S. IPO activity seasonally shut, focus was on deals abroad: Having priced at the bottom of the range, Tokyo-traded Seibu Holdings (9024 JP) rose, while the good debut of autoparts maker Burson Group (BAB AU) cemented to strong sentiment for IPOs in Australia. Ahead of this week's H.K. pricing of the IPO of WH Group (288 HK), the world's biggest pork producer, textile maker micro-cap Wang Tai Holding (1400 HK) rose in its first week of trading on the H.K. Stock Exchange.

Notable Global IPOs lined up:

| Company Name | Identifier | IPO Date |
|-----------------------------|------------|----------|
| Aldeyra Therapeutics Inc. | ALDX US | 05/02 |
| Papa Murphy's Holdings Inc. | FRSH US | 05/02 |
| Ares Management LP | ARES US | 05/02 |
| Scynexis Inc. | SCYX US | 05/02 |

With key markets abroad on a shorting trading week, focus in IPO pricing action shifts to small-caps in the U.S. Deals include Pizza Chain Papa Murphy's (FRSH US) and investment manager Ares Management (ARES US).