

◆ Think GROWTH – Think IPOX

- Solid earnings drive IPOX to big week.
- First Trust U.S. IPO ETF (FPX) surges, records strong relative performance jump, de-couples from Russell.
- During quiet week for global pricings, sentiment weak - big test ahead with European deals in focus.

[Week: 05/05/2014]

Solid earnings drive key IPOX Indexes to strong relative week:

Key IPOX Indexes surged last week, driven by continued strong U.S. corporate earnings and a flurry of corporate actions more than mitigating the negative impact of geopolitical risk and another dismal relative week for the Russell 2000 (RUT), the gauge for the performance of U.S. small-caps. On the global level, the super-liquid IPOX Global 30 (IPGL30) - gauge for the performance of the largest 30 global IPOs and Spin-Offs issued over the past 4 years capturing an average (median) market cap. of USDbn 29.25 (18.36) – surged +2.05% to +0.37% YTD, outpacing benchmark MSCI World (MXWD) by +186 bps.

Strong earnings drive IPOX-linked First Trust U.S. IPO ETF (FPX) to big relative week, select holdings reach all-time highs as fund de-couples from trading sentiment in the

Russell 2000 (RUT): Linked to the USDbn 956.52 IPOX U.S. 100 Index (IPXO), the IPOX-linked First Trust U.S. IPO ETF (FPX) surged +2.50% to +1.33% YTD last week, outpacing all major U.S. benchmarks. For example, the ETF rose +155 bps. +213 bps or +98 bps. vs. the ETFs tracking the S&P 500 (SPY), Russell 2000 (IWM) or Nasdaq-100 (QQQ). Strong earnings and corporate action speculation in key stocks propelled the ETF with USDbn 4.22 real estate website Zillow (Z US: +15.19%), USDbn 4.58 communications equipment maker Commscope (COMM US: +12.94%) or USDbn 4.3 specialty pharma maker and recent Covidien (COV) Spin-Off Mallinckrodt (MNK US: +10.23%) with most upside focus. Amid the slew of recent IPOs in the sector, strong earnings by IPOX heavyweight USDbn 9.08 luxury hotel operator Hyatt (H US: +7.53%) supported USDbn 21.00 hotel operator Hilton (HLT US: +3.38%). The recent slew of online gaming IPOs had another rough week, indicated by the sharp decline in USDbn 3.38 Zynga (ZNGA US: -5.39%) USDbn 5.53 King Digital (KING US: -5.18%) and HKDbn 8.20 IGG Inc. (8002 HK: -13.73%). In all, 71/100 portfolio members rose on the week, with the average (median) equally-weighted stock adding +1.66% (+1.46%), significantly less than the applied market-cap weighted IPOX U.S. 100 Index (IPXO), the basis for the ETF. We note with continued interest the surge in the large-cap centric IPOX U.S. 30 (IPXT), which rose +2.68% to +3.04% YTD, now substantially outpacing the S&P 500 (SPX) on the year.

Companies “Going Public” and lined up: Initial pricing sentiment for stocks deteriorated, underlined by the cancellation of the IPO of WH Group (288 HK), the world’s biggest pork producer: Just 5 IPOs launched on the accessible global markets, with the average (median) firm declining by of -6.63% (-10.00%) based on the difference between the final offering price and last week’s close. Only USDm 187.5 Take ‘N’ bake US pizza chain Papa Murphy’s (FRSH US: +0.45) closed the

IPOX Returns (%) (select Price)	Week	2013	YTD 14
Exposure: Global			
IPOX Global 50 (IPGL50)	+1.48	26.54	-0.71
IPOX Global 30 (IPGL30) (super liqd)	+2.05	33.65	+0.37
MSCI World (MXWD)	+0.19	20.25	+1.51
Exposure: United States			
IPOX-100 U.S. (IPXO)	+2.40	46.99	+1.18
IPOX-30 U.S. (IPXT)	+2.68	44.01	+3.04
S&P 500 (SPX)	+0.95	29.60	+1.77
Exposure: Europe			
IPOX Europe 50 (IPXUJPEU)	+1.08	20.78	+2.18
IPOX Europe 30 (IXTE)	+0.88	22.68	+3.74
Stoxx 50 (SX5P)	+1.60	13.26	+1.98
Exposure: Asia-Pacific			
IPOX Asia-Pacific 30 (IPTA)	-0.40	19.85	-1.92
MSCI Asia-Pacific (MXPC)	+0.19	2.87	-3.18
Exposure: China			
IPOX China 20 (CNI)	-1.88	14.77	-10.30
IPOX China Composite (IPXUCHCP)	-1.92	16.98	-6.21
Hang Seng Enterprise Index (HSCEI)	+0.04	-5.42	-9.37

Companies “Going Public” last week:

Company Name	Identifier	Return (%)
Aldeyra Therapeutics Inc.	ALDX US	-10.00
Papa Murphy’s Holdings Inc.	FRSH US	0.45
Ares Management LP	ARES US	-2.11
Scynexis Inc.	SCYX US	-10.00
Kaset Thai International Sugar	KTIS TB	-11.50

week in positive territory. The IPO followed on the positive debut of restaurant chain USDm 508.6 4/11/14 IPO Zoe’s Kitchen (ZOES US), a big decline in revenue growth in restaurant chain and 6/28/13 IPO Noodles & Co. (NDLS US) and the 10/4/13 IPO of USDm 497.9 Chicago-based sandwich maker Potbelly (PBPB US). At the same time, the owner of Chicago “institution” upmarket Hot Dog, Pasta and Burger chain Portillo’s hired investment bank Piper Jaffrey for the potential sale of his 30+store chain.

Notable Global IPOs lined up:

Company Name	Identifier	IPO Date
K2M Group Holdings Inc.	KTWO US	05/08
Alder Biopharmaceutical Inc.	ALDR US	05/08
Cheetah Mobile Inc.	CMCM US	05/08
SFS Group AG	SFSN CH	05/08
GasLog Partners LP	GLOP US	05/08
Domus NV	DOMUS NA	05/09
PBF Logistics LP	PBFX US	05/09
Radius Health Inc.	RDUS US	05/09
Applus Services SA	APPS SM	05/09
SLM Solutions Group AG	AM3D GR	05/09

Substantial IPOs are expected to test the robustness of pricing sentiment over the coming week with European deals (SFSN CH, DOMUS NA, APPS SM, AM3D GR) in focus.