

◆ Think GROWTH – Think IPOX

- Key IPOX Strategies fall from record, trade mixed against benchmarks.
- Ahead of rebalancing, First Trust IPOX U.S. 100 ETF (FPX) declines, outperforms benchmarks.
- Ahead of Alibaba (BABA US), unsystemic risk for China-linked IPOs rises as two recent IPOs are halted.

[Week: 09/15/2014]

Key IPOX Strategies fall from record, trade mixed against benchmarks:

Key IPOX Strategies fell from record highs last week, hit by weakness in the equity benchmarks across the global regions. For example, the super-liquid mega-cap centric IPOX Global 30 (IPGL30) shed -1.31% to 8.41% YTD, 14 bps. ahead of benchmark MSCI World (MXWD). As oil continued to decline, energy exposure weighed on strategy performance, with US-domiciled Kinder Morgan (KMI US: -3.94%), Phillips 66 (PSX US: -5.13%) and Marathon Petroleum (MPC US: -5.21%) falling sharply. Another good week for health care exposure including U.S. drugmaker Abbvie (ABBV US: 3.47%) and hospital operator HCA Holdings (HCA US: 3.35%) helped to mitigate sharper losses in the portfolios. Corporate Actions including secondary share offerings and capital increases pressured IPOX heavyweights Blackstone-backed private equity-backed IPO Hilton Hotels (HLT US: -5.28%) and telecom carrier Telefonica Deutschland (O2D GY: -9.79%) as incumbent shareholders/firms continue to seek to take advantage of favorable stock market conditions.

Ahead of rebalancing, First Trust IPOX U.S. 100 ETF (FPX) declines, outperforms benchmarks:

After hitting yet another record high on Thursday, the USDm 520 First Trust IPOX U.S. 100 ETF (FPX) reversed Friday, falling -0.50% to +9.61% YTD, beating the ETFs linked to benchmarks S&P 500 (SPY), Russell 2000 (IWM) or S&P Mid-Cap (MDY) by 48, 74 and 37 ops. on the week, respectively. While pressured by the aforementioned exposure, including energy, select stocks rose sharply, including infrastructure software maker USDbn 7.71 Palo Alto Networks (PANW US: 12.29% [after recording strong quarterly numbers]) or beleaguered medical device maker small-cap Globus Medical (GMED US: 8.07%). The portfolio

The performance of the First Trust IPOX U.S. 100 (FPX):



Source: Bloomberg, IPOX Schuster LLC

Comparative Returns (%)	Week	2013	YTD 14
IPOX Global 50 (IPGL50)	-1.65	26.54	5.36
IPOX Global 30 (IPGL30)	-1.31	33.65	8.41
MSCI World (MXWD)	-1.43	20.25	4.31
IPOX International (IPXI)	-1.62	22.67	2.72
MSCI World (xUS) (MSDUWXUS)	-1.33	17.78	0.19
IPOX U.S. 100 (IPXO)	-0.65	46.99	9.03
IPOX U.S. 30 (IPXT)	-0.87	44.01	11.84
S&P 500 (SPX)	-1.10	29.60	7.42
IPOX Europe 30 (IXTE)	-1.74	22.68	5.06
Stoxx 50 (SX5P)	-0.83	13.26	5.11
IPOX Asia-Pacific 30 (IPTA)	-1.78	19.85	3.79
MSCI Asia-Pacific (MXPC)	-1.68	15.25	0.45
IPOX China 20 (CNI)	-0.52	14.77	-0.17
Hang Seng Enterprise (HSCEI)	-3.26	-5.42	1.84

counted outdoor advertising firm 03/27 IPO CBS Outdoor (CBSO US: -8.17%) as the worst performing portfolio holding, slumping after offering a weak revenue outlook. In all, 58/100 stocks fell on the week with the average (median) equally-weighted constituent declining by -0.33% (-0.44%), outperforming the applied market-cap weighted IPOX U.S. 100 (IPXO), the underlying benchmark for the Fund.

Key IPOs traded (Week: 09/08/2014)*:

Company Name	Identifier	Return (%)
Affimed Therapeutics BV	AFMD US	-18.57
Nairobi Securities Exchange	NSE KN	126.32
ReWalk Robotics Ltd.	RWLK US	113.33

* = 7 Chinese A-Share IPOs not included

Excluding Chinese A-Share IPO activity, the most successful debut last week belonged to the IPO of the Nairobi Securities Exchange (NSE KN: 126.32) which rose 71.58% on its first trading day and continued to gain into the week-end.

Key IPOs expected to trade (Week: 09/15/2014):

Company Name	Identifier	IPO Date
Alibaba Group	BABA	09/19

Amid the big momentum for high velocity Alibaba Group (BABA US), we note the rise in unsystemic risk inherent in China-linked IPOs, underlined by the suspension of trading in H.K.-listed USDbn 8.4 speciality chemicals maker 06/14 IPO Tianhe Chemicals (1619 HK) and micro-cap NASDAQ-traded 08/13 IPO China Commercial Credit (CCCR US) due to perceived accounting issues. 6 less significant micro/small-cap Biotech IPOs are also lined up (CIVI US, FOMX US, PRQR US, RBIO US, TKAI US and VKTX US).