The IPOX® Week

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Summary

Solid economic numbers in the global regions, higher yields, U.S. option expiration action and technical momentum continued to stimulate further asset allocation shifts into global equities. With the IPOX Alternative Beta strategies losing some relative momentum, a number of U.S. IPOs are lined up.

[Week 01/23/2012]

Highlights

- **Global equities continued to rally for a third week**, supported by another week of big strength in emerging and China-linked markets. While U.S. earnings have been mixed thus far, focus was on the Nasdaq-100 (NDX: +2.31%) which finally managed to break through the key 2400 level to settle at 10-year highs with upward momentum tented on GOOG's (-6.24%) rare earnings miss towards the week-end.
- **After last week's outperformance, most IPOX Strategy Portfolios traded in line with the benchmarks** with the IPOX Global 50 (IPGL50) rising by another +2.94% to +5.89% YTD, underperforming benchmark MSCI World (MXWD) by just 14 bps. on the week. Performance within the IPOX Regional Strategy universe confirmed the global picture: In the *United States*, the IPOX U.S. universe (ETF: FPX) rose +1.84% to +5.62% YTD, lagging the S&P 500 (SPX) by 19 bps. *In Europe*, the IPOX Europe 50 (IPXUJPEU) rose +1.79% to +6.10%, a 34 bps. underperformance vs. benchmak Stoxx 50 (SX5P), while the IPOX Asia-Pacific 30 (IPTA) rose +3.77% to +5.37%, outperforming the MSCI Asia-Pacific by 42 bps. Upside focus within the IPOX Emerging Markets universe remained on the IPOX Latin America (IPXULATT: +6.10% to 12.64%). The IPOX Korea 30 (IPXK30K) lagged anew.
- **Recently listed large IPOs and spin-offs** were amongst the best performers with the key Hong Kong Financials New China Life (1336 HK: +13.55%) and CITIC Securities (6030 HK: +17.32%), fashion IPOs Prada SpA (1913 HK: +13.13%) and Michael Kors (KORS UN: +10.50%) and U.S. listed Marathon Petroleum (MCP UN: +12.53%) and NXP Semiconductor (NXPI UN: +19.70%) leading the way.

Alternative Beta - Key IPOX Strategy Returns YTD:

Ticker (BBG/Reuters)	Return Week (%)	YTD 2012 (%)	Name
IPGLC (USD)	3.32	6.72	IPOX Global Comp
IPGL100 (USD)	2.98	5.12	IPOX Global 100
IPGL50 (USD)	2.94	5.89	IPOX Global 50
IPGL30 (USD)	3.09	4.75	IPOX Global 30
IPXO (USD)	1.84	5.62	IPOX U.S. 100
IPXT (USD)	1.77	4.21	IPOX U.S. 30
IXTE (EUR)	1.53	5.41	IPOX Europe 30
IPXUJPEU (EUR)	1.77	6.10	IPOX Europe 50
IPTA (USD)	3.77	5.37	IPOX Asia-Pac. 30
IPXUEM (USD)	3.93	9.63	IPOX Emerging Mkts.
IPXUBRIC (USD)	5.50	9.70	IPOX BRIC 25
IPXUCHCP (USD)	4.32	9.09	Chin IPOX Comp.
CNI (USD)	5.22	6.96	China IPOX 20
IPXUCAUP (USD)	3.32	4.04	China IPOX Comp.
IPXULATT (USD)	6.86	12.64	IPOX LatAm 20
IPXK30K (KRW)	0.87	-0.08	IPOX Korea 30

- **Most significant IPOs launched (week 01/16/2012):**

Company	Ticker	Return / IPO (%)
Dong-A PharmTech Co Ltd	140410 KS	23.96%
Megalogic Technology Holdings	8242 HK	10.00%
Allied Cement Holdings Ltd	1312 HK	7.00%
Renewable Energy Group Inc	REGI US	-2.70%
Vision Fame International	1315 HK	55.83%
ASR Holdings Ltd	1803 HK	34.41%

10 global IPOs launched last week with the average (median) IPO rising +11.80% (+8.50%). Initial sentiment in the micro/small-cap Hong Kong IPOs surged anew with the strongest gains amongst technology/service providers. The good debut of drug-maker Dong-A Pharmtech (140410 KS: +23.96%), which focuses on products related to prostatic hyperplasia and erectile dysfunction, underlines the strong momentum in the Korean IPO market.

- **Week Ahead (01/23/2012): U.S. deal flow**

Company	Code	Country	Lead Manager
Guidewire Softw.	GWRE US	U.S.A.	CITI, DB
IntelePeer Inc	PEER US	U.S.A.	BCLY, DB
Verastem Inc	VSTM US	U.S.A.	UBS, Leerink

With most Asian markets partially closed due to the Chinese New Year, IPOs in the U.S. will dominate the global IPO deal calendar. Amid growing risk appetite in all, the most notable deal is the USD 100m IPO of **Guidewire Software (GWRE US)**, a software maker focusing on the property and casualty insurance industry. The profitable company sells a 15.78% stake, envisioning a market cap between USD 475-570m. At 2.71-3.25 times 2011 Revenues, we consider this a strong buy-and-hold. Fundamentally, the IPO of telecom service provider **IntelePeer (PEER US)** is less attractive: Amid a declining growth rate (Full 2011 numbers not updated in the SEC filing!!!), the P/E-backed company has yet to turn a profit. It is expected to sell 21.80%, equal to an initial market cap between USD 308-375m and around 3 times 2011 revenues. Biopharma/Cancer researcher **Verastem (VSTM US)** rounds up the U.S. deal calendar: The company without revenue sells 23.40% at an (envisioned) initial market cap between USD 173-211m. Based on our experience with the risk/return profile of recent biotech IPOs, we expect the initial price range to decrease significantly ahead of the IPO.

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