

The IPOX® Week

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◆ Think IPO – Think IPOX

- Most IPOX Indexes fall from highs - China weighs.
- Asset allocation buying propels AUMs of the IPOX-linked *First Trust U.S IPO Fund* (ticker: *FPX*) to new record, weekly inflows exceed USDm 20.
- U.S. IPOs debut mixed, large list of IPOs lined up.

Week: 10/28/2013

Most IPOX Indexes fall from record on China weakness,

IPOX Europe outperforms: The IPOX Regional Indexes traded mixed last week with relative strength in *IPOX Europe* (*IXTE*, *IPXUJPEU*) unable to mitigate the impact of a big drop in China-linked and developed Asia-Pacific exposure (*CNI*, *IPTA*) as *IPOX U.S.* (*IPXO*, *IPXT*) consolidated some of the recent gains. On the global level, the *IPOX Global 50* (*IPGL50*) - which measures the “going public” effect of currently USD trillion 1.10 of market capitalization pooled by the largest and most liquid 50 global IPOs and Spin-offs over the past four years – declined by -0.83% to +21.96% YTD. Notable index movers included “red-hot” U.S. electric car maker USDbn 20.61 *Tesla Motors* (*TSLA US*: -7.49%) or the key large-cap China-linked IPOs over the past years with *Agricultural Bank of China* (1288 HK: -5.92%), *Wynn Macau* (1128 HK: -7.12%) or *MGM China* (2282 HK: -5.92%) leading the way. The best index performers were travel website operator *TripAdvisor* (*TRIP US*: +7.11%), China-linked retailer *Sun Art Retail* (6808 HK: +3.56%) and U.S. oil pipeline operator dividend-heavy *Kinder Morgan* (*KMI*: +3.28%). A jump in Norway’s *Financial Gjensidige Forsikring* (*GJFS OL*: +9.43%) and recent Spin-off *Osram Licht* (*OSR DE*: +5.11%) helped to propel the *IPOX Europe 30* (*IXTE*: +0.94%) to a fresh multi-year high.

IPOX-linked First Trust U.S. IPO ETF (ticker: FPX) unchanged, AUMs surge:

Tied to the broad USDbn 869.12 *IPOX-100 U.S. Index* (*IPXO*), the *First Trust U.S. IPO ETF* (ticker: *FPX*) traded unchanged last week, underperforming ETFs tracking the *S&P 500* (*SPY*), *Russell 2000* (*IWM*) or *S&P Mid-Cap* (*MDY*) by -91 bps., -37 bps., and -45 bps. Asset allocation shifts and positive media reviews propelled AUMs in the 5-star, 7-year old fund, with weekly inflows exceeding USDm 20. Just 60/100 companies in the underlying *IPOX-100 U.S.* (*IPXO*) traded flat to higher, with the average (median) equally-weighted index member gaining +0.88% (+0.99%), significantly more than the applied market-cap weighted index. Performance continued to be driven by recent Spin-offs with USDbn 7.06 *Fortune Brands Home and Security* (*FBHS US*: +11.22%), aforementioned USDbn 10.02 *TripAdvisor* (*TRIP US*: +7.11%) or drug maker USDbn 78.16 *Abbvie* (*ABBV US*: +2.01%) in focus. With social networking stock USDbn 111.09 *Facebook* (*FB US*: -4.17%) scheduled to release earnings on Wednesday, applications Software Maker USDbn 2.38 *QLIK Technologies* (*QLIK US*: -18.59%) was the worst performing portfolio holding after disappointing guidance.

IPOX Returns (%) (select Indexes)	Week	Sep 13	YTD 13
IPOX Global 50 (IPGL50) (USD)	-0.83	5.45	21.96
IPOX Global 30 (IPGL30) (USD)	-0.89	6.49	28.07
IPOX-100 U.S. (IPXO) (USD)	-0.05	5.63	38.83
IPOX-30 U.S. (IPXT) (USD)	-0.16	4.87	35.40
IPOX Europe 50 (IPXUJPEU) (EUR)	0.34	5.22	16.83
IPOX Europe 30 (IXTE) (EUR)	0.94	4.89	16.53
IPOX Asia-Pacific 30 (IPTA) (USD)	-1.92	5.87	19.30
IPOX China 20 (CNI) (USD)	-4.08	4.48	6.04
IPOX China Composite (IPXUCHCP) (USD)	-3.66	5.85	10.10

Notable shift in pricing sentiment as recent U.S. IPOs debut mixed:

Just four significant IPOs commenced trading last week with the average (median) equally-weighted IPO declining by -0.40% (-0.73%) based on the difference between the final offering price and the week’s close. All deals priced at the low(ered) end of the respective book-building ranges, representing a notable IPO pricing sentiment shift from the previous weeks. Larger MLP-related deal flow continued to struggle, indicated by the lackluster showing of Barclays-led 9% yielder *Sprague Resources* (*SRLP US*: -1.39%). The mixed initial trading sentiment extended to non-MLP deal flow of companies issuing common stock such as J.P. Morgan-led USDbn 2.78 *CommScope* (*COMM US*: -0.07%), an established leading global provider of connectivity and infrastructure solutions for wireless, business enterprise and residential broadband networks. Notable is the weak initial showing of USDbn 1.42 *Endurance International Group* (*EIGI US*: -6.25%), the Goldman Sachs-led established global provider of cloud-based solutions for small- and medium sized businesses which earmarked 75% of the IPO proceeds to reduce debt. RBC-led USDm 215.64 micro-cap *Aerie Pharmaceuticals* (*AERI US*) was the only firm conducting an IPO last week which closed in positive territory: Shares in the clinical-stage high-risk biotech focusing on glaucoma and other diseases of the eye rose +6.10%, underlining the positive momentum in U.S. biotech IPOs.

Company Name	Identifier	Return (%)
Endurance International Group	EIGI US	-6.25
Aerie Pharmaceuticals, Inc.	AERI US	6.10
CommScope, Inc.	COMM US	-0.07
Sprague Resources, L.P.	SRLP US	-1.39

More global IPOs are lined up for the upcoming week:

Please see the second page of “The IPOX Week” for detailed information.

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◆ Notable global IPO deal flow (Week: 10/28/2013):

Company	Code	Date	
Surgical Care Affiliates, Inc.	SCAI US	10/30	Health Care
Filed under the name ASC Acquisition LLC, the J.P. Morgan-led firm is a leading national provider of solutions to physicians and health systems to optimize surgical care, operating one the largest networks of outpatient surgery facilities in the U.S. Backed by private-equity, the slowly growing firm offers 25.63% of total equity to raise between USDm 205-234 at 1.1-1.2 times expected 2013 revenues. Proceeds are earmarked predominantly to reduce leverage and go to selling shareholders with no dividend expected.			
Veracyte, Inc.	VCYT US	10/30	Health Care
Morgan Stanley-led diagnostics micro-cap pioneering the field of molecular cytology to improve patient outcomes and lower healthcare costs. Experiencing explosive revenue growth and growing losses, the firm seeks to sell a 22.72% stake to raise between USDm 61-75 at a steep 23.12-26.69 times 2012 revenues with most of the proceeds earmarked for R&D and Marketing.			
Marcus & Millichap, Inc.	MMI US	10/31	Financials
Founded in 1971, Citigroup-led Marcus & Millichap is a leading national brokerage firm specializing in commercial real estate investment sales, financing, research and advisory services. The strongly growing firm seeks to raise between USDm 84-96 for a 16.96% stake, valuing the IPO at between USDm 495-566 or 1.41-1.61 times (strongly growing) 2012 revenues. 55% of the proceeds are earmarked for general corporate purposes with the remainder going to selling shareholders. The firm does not intend to pay a regular dividend.			
Essent Group Ltd.	ESNT US	10/31	Financials
Goldman Sachs-led Bermuda domiciled privately funded mortgage insurance company formed to serve the U.S. housing finance industry. Currently profitable, the firm seeks to raise between USDm 233-305 for a 23.59% of total equity at a market capitalization between USDm 1.13-1.29. 13.75% of the proceeds go to selling shareholders while the remainder is earmarked for general corporate purposes, including capital contributions to support the growth of the firm's insurance subsidiaries. The firm does not expect to declare a dividend, instead plans to retain earnings to finance the growth and development of the business.			
Criteo S.A.	CRTO US	10/31	Information Technology
J.P. Morgan-led French domiciled global technology company that enables e-commerce companies to leverage large volumes of granular data to efficiently and effectively engage and convert their customers. Profitable and strongly growing, the firm seeks to raise between USDm 166-187 for 13.23% of total equity at a total market capitalization between USD 1.3-1.4 at a moderate 3.54-4.00 times 2012 revenues. Proceeds are earmarked for general corporate purposes with no dividend in sight.			
58.com	WUBA US	10/31	Information Technology
Morgan Stanley-led firm is the largest online marketplace serving local merchants and consumers in China. Adopting a dual-class share structure, the firm has experienced an explosive revenue and profit growth over the past two years and seeks to raise between USDm 143-165 for a 14.11% stake in the firm at between 15-20 times expected 2013 revenue. We expect last week's plunge in NQ Mobile (NQ N: -57.34%) on perceived accounting irregularities to have a negative impact on initial pricing sentiment.			
Container Store Group	TCS US	11/1	Consumer Discretionary
Founded in 1978, the J.P. Morgan-led firm is a leading private-equity backed specialty retailer of storage and organization products in the U.S. The firm seeks to go public after a profitable 2012, seeking to sell 25.73% of total equity at between 0.96-1.10 2012 revenues and an expected market capitalization between USDm 680-777. The firm does not expect to pay a dividend with proceeds from the IPO first earmarked to make a distribution to pre-IPO investors and reduce leverage.			
Qunar Cayman Islands Ltd.	QUNR USD	11/1	Information Technology
Founded in 2005, the Goldman Sachs-led company is the leading search-based commerce platform for the travel industry in China, seeking to benefit from the rapid growth in the Chinese travel industry. Excluding a 19.35% dilutive effect related to the potential exercise of warrants held by Baidu, the strongly growing but loss-making firm seeks to raise between USDm 106-128 for a 9.86% stake in the company at between 13.10-15.85 times 2012 revenues. We expect last week's plunge in NQ Mobile (NQ N: -57.34%) on perceived accounting irregularities to have a negative impact on initial pricing sentiment.			
Hydoo International Holdings	1396 HK	10/31	Financials
UBS-led firm is a leading developer and operator of large-scale trade centers in second-tier cities across China. The profitable company envisions a market capitalization between HKD 7.42-9.84 with proceeds earmarked for growth.			
Cabbeen Fashion Limited	2030 HK	10/28	Consumer Discretionary
BoFA-led firm is a leading fashion casual menswear company in China. The small-cap priced its IPO in the middle of the HKD 2.25-2.80 book building range.			
China Huirong Financial Holdings Limited	1290 HK	10/28	Financials
UBS-led firm is a leading short-term financing service provider in China and offers short-term loans secured by collateral. The small-cap priced its IPO at HKD 2.18, the upper end of the HKD 1.88-2.28 range.			
Blue Solutions S.A.	BLUE FP	10/29	Industrials
Deutsche Bank-led French domiciled firm is a leader in the production and distribution of electrical batteries used in mobile transportation applications. The small-cap expects to raise between EURm 50-60 at EUR 12.00-14.50 at a value up to EURm 418. The company is owned by Vincent Bollore, founder of Bollore group, the firm behind Paris' Autolib' electric car-sharing scheme.			