ACCESSING US & OTHER MARKETS

NOVEMBER 2015

Nasdaq

RECENT BUY-SIDE TRENDS IN EUROPE

- Continued growth in low cost ETFs; ETF AUM has surpassed $3tn in the first half of 2015
  - **Vanguard** attracted $30bn in inflows in Q3 (Lipper) and ranks as top buyer across Nasdaq's EMEA clients (+$5.2bn). Also one of top buyers across Spanish clients.
  - **BlackRock Institutional Trust Company** among top buyers in Europe (+$1.6bn) and attracted $23.0bn YTD in inflows (Lipper).
- **Harris Associates** ranks as the largest active buyer across Nasdaq's European clients (+$2.1bn) in Q3, buying mostly in Basic Materials and Consumer sectors. They experienced in excess of $1bn fund inflows YTD (Lipper).
- **Henderson, Schroder IM, UBS Global (UK) &Dodge & Cox** also increasing exposure to European companies in Q3 with Schroder and UBS being net buyers across Nasdaq's Spanish clients.

SWF TRENDS
INCREASING GLOBAL EQUITY EXPOSURE

SAFE .GOV.CN — **China / $547 B**

Employees Provident Fund — Savings for old age — **Kuala Lumpur / $148 B**

KIC Korea Investment Corporation — **Korea / $84 B**

- **Norges** remains one of largest holders across Nasdaq's Spanish clients
- Hong Kong-based **SAFE Investment Company** still buying Europe (+$829M in Q3) and is also one of top buyers across Nasdaq's Spanish clients
- SWFS to increase global equity exposure including: **Korea Investment Corporation**, **Employees Provident Fund** and **Qatar Investment Authority. Abu Dhabi Investment Authority** appoints new U.S. head of investments
- **SWFs** withdraw from external asset managers to manage more in-house

REGULATORY TRENDS WE ARE WATCHING
INCREASING PRESSURE ON IROS

- IROs under pressure to do more although budgets stay flat. Pressure from buy-side for more varied access (e.g. divisional directors)
- In 2014, new rules from the UK regulator (FCA) **forbid the payment to the sell-side for Corporate Access services out of trading commissions**
- European regulator is now looking at requiring fund managers to pay for sell-side research
- ESMA's proposal will require EU-based fund managers to **pay for research out of their own pockets or set agreed research budgets with clients, banning research payments linked to trading volume**
- Possible implications for mid and small brokerage houses as well as coverage for mid and small cap companies and certain sectors

SPANISH COMPANIES

58%

OF IR BUDGET ALLOCATED TO ROADSHOWS/ INVESTOR MEETINGS

Down from 65% in 2014

66%

> 50 one-on-one CEO/CFO meetings

Up from 60% in 2014

40%

>50 CEO/CFO Group Discussions

Up from 27% in 2014

92%

> 50 IR hosted one-on-one meetings

Down from 100% in 2014

** Source: Extel WeConvene Survey 2015*

US

94%

US East Coast Roadshows

Unchanged from 94% in 2014

71%

US West Coast Roadshows

Up from 50% in 2014

ASIA

50%

Asia Roadshows

Up from 39% in 2014

MARKET SIZE – HOW DO YOU TARGET?

$32 TRILLION

TOTAL EQUITY ASSETS held by global investment managers

22%

ACTIVE ASSETS held by Euro institutions

59%

ACTIVE ASSETS held by U.S. institutions

$24.8 TRILLION

ACTIVE ASSETS managed globally

8,500

FIRMS that make up the institutional universe

30,000

MUTUAL FUNDS we follow around the globe

141,000

BUYSIDE CONTACTS tracked in our contact management system

BUILDING A BALANCED TARGETING PLAN

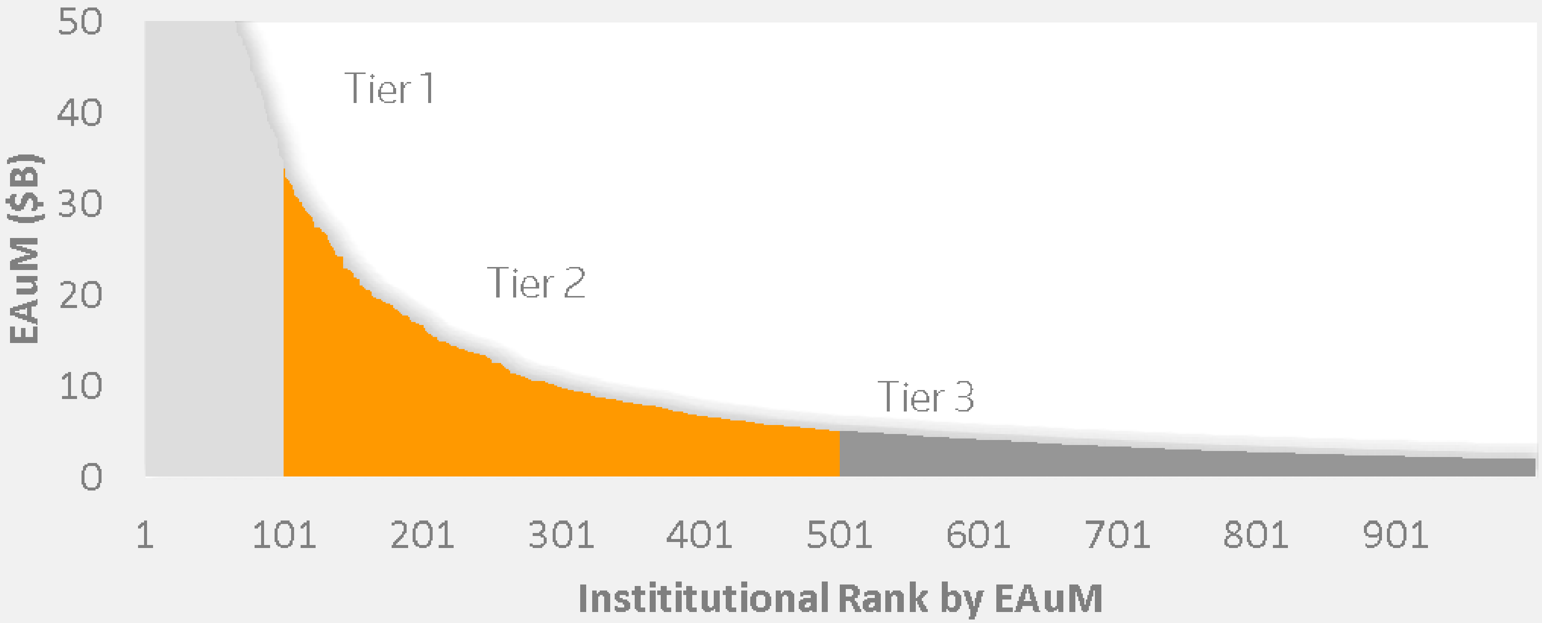
TARGET FRAMEWORK

A target framework should cover **both key holders to maintain and qualified target funds. Understand your current shareholders and consider both** Risks and Opportunities

Rank	Holders to Maintain: Description	Holders to Maintain: # Firms	Targets to Develop: Description	Targets to Develop: # Firms	Recommended Access: Description
1	Core shareholders exhibiting risk e.g. top 50 holders	16	Highest impact and fit targets and holders with significant upside	38	**1x1 meetings** Warrant 1:1 management access Overinvest time and resources
2	Medium to large holders with moderate risk or upside e.g. 51-100	10	High quality firms with medium compatibility/impact	69	**1x1 or Small Group meetings** Group or IR to proactively communicate with and warrant management access where appropriate
3	Small or transient holders with moderate to no upside e.g. fast-money in top 100	6	Good firms with low compatibility and impact	95	**Small or Large Group meetings** Pipeline builders, itinerary fillers, resource for market intelligence
4	Top holder that is index/quant/passive	-			**Do not meet** Passive, Index, Quant, IR-immune
	TOTAL:	**32**		**202**	**TOTAL 234**

ASSETS HIGHLY CONCENTRATED

- **Concentrated at the top** – the top 100 funds account for half the actively managed assets of the largest 1,000 funds
- **Opportunity within the 100-500 tranche** – targeting these funds opens up **another 30% of assets**. **"Halo effect" particularly for small-mid cap companies**
- **Top 1,000 Active Institutions** in Descending Order by EAuM



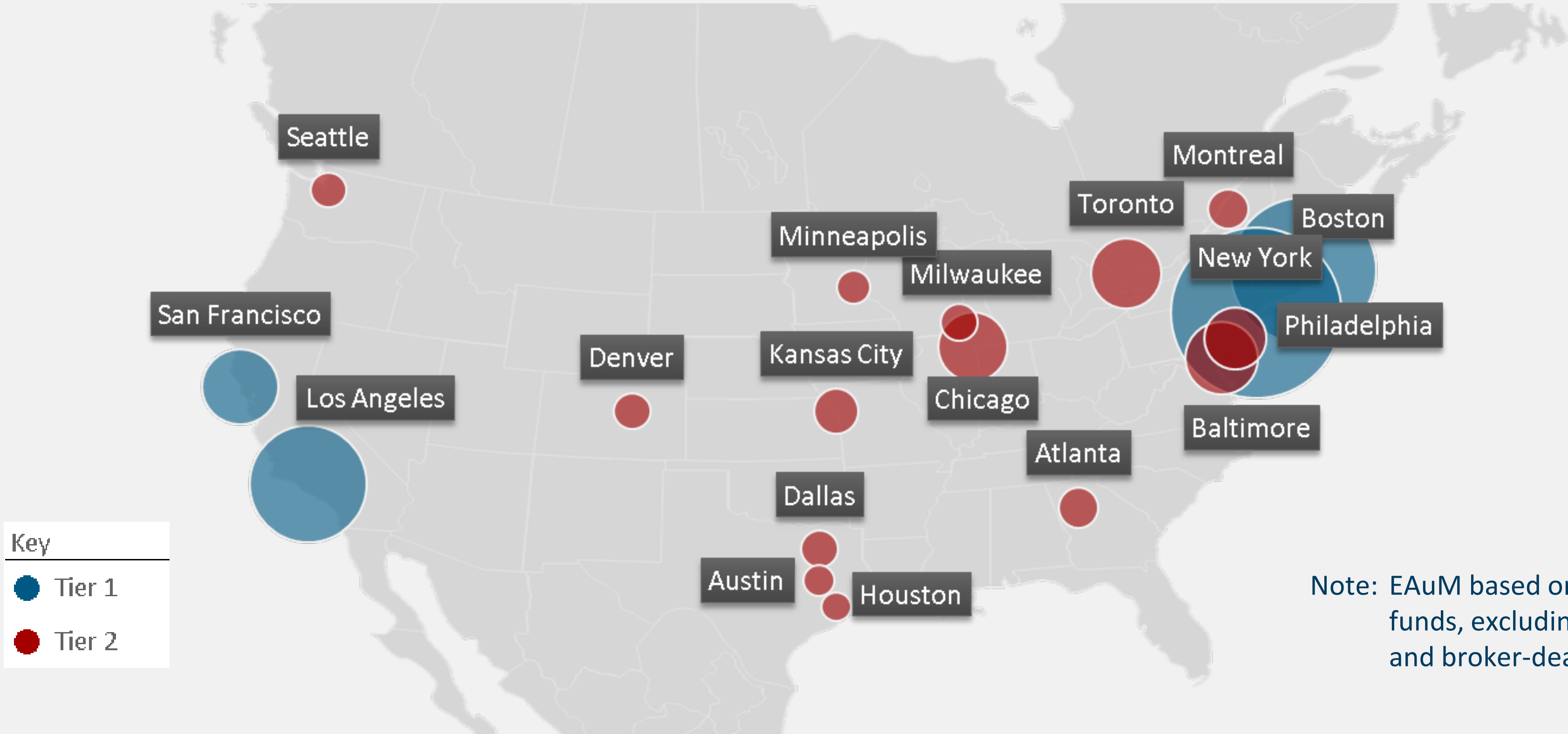
ACCESSING US INVESTORS

- Focus on both **Tier 1 and Tier 2 locations and investors**

- **Where to travel?** East Coast, West Coast, Mid-Atlantic, Mid-West…

- How to identify key investors/prospects?
  - ✓ Invested in direct sector peers
  - ✓ Attracted to company's fundamentals – sector agnostic
  - ✓ Runs a global sector/regional fund with significant PP
  - ✓ Bullish trends – sector, geographical, regional, peers, fund inflows
  - ✓ Uncover decision makers
  - ✓ 'Halo' effect and Small Cap targeting

NORTH AMERICAN METROS BY TIER



Note: EAuM based on active funds, excluding index and broker-dealers.

Tier 1

Market	Active EAuM	No. of Firms (EAUM > $1B)	Annual Turnover
New York	$3,816B	269	51%
Boston	$2,807B	60	45%
Los Angeles	$1,801B	34	30%
San Francisco	$752B	38	37%

Tier 2

Market	Active EAuM	No. of Firms (EAUM > $1B)	Annual Turnover
Baltimore	$707B	17	31%
Toronto, Ontario	$646B	44	44%
Chicago	$627B	49	56%
Philadelphia	$495B	39	40%
Kansas City, MO	$259B	7	48%
Atlanta	$210B	14	34%
Montreal, Québec	$207B	11	34%

Market	Active EAuM	No. of Firms (EAUM > $1B)	Annual Turnover
Madison	$190B	14	33%
Denver	$179B	8	47%
Dallas	$178B	16	41%
Seattle	$166B	9	34%
Minneapolis	$146B	16	50%
San Antonio	$124B	7	25%
Houston	$113B	10	36%

LARGE PLAYERS IN SECONDARY MARKETS

Large asset managers outside the main investment centers

Solid anchors to a Tier 2 road show

Sometimes an underweighted broker priority based on commission flow

Institution	Location	Equity Assets ($B)	Investment Style	Turnover (%)
Barrow Hanley	Dallas, TX	$50	Income Value	13%
PNC Wealth Mgmt	Philadelphia, PA	$43	Core Growth	11%
Marsico Capital Management	Denver, CO	$22	Core Growth	73%
Nuveen Asset Management	Chicago, IL/Minneapolis	$13	Core Value	50%

Favourable valuation and above market shareholder yield

KEY TAKEAWAYS

- Pressures on the active management buy side and growth of passive investment mean **the need for companies to be efficient and targeted in their dealings with investors is only going to grow.**

- **International ownership of the Spanish Equity market keeps growing.** Understand who your shareholders are before uncovering new opportunities. **Think both Risks and Opportunities**.

- An effective targeting plan strikes a balance of **household names and tier 2 investors** – focus on those that may not show up on broker roadshow lists due to location or lower turnover and AuM.

- Re-emergence of stock pickers is good news for investor relations teams – work to **define additional competitors and criteria for capital outside core industry peers** to validate existing targets and uncover new opportunities.

QUESTIONS?

Disclaimer: "The opinions expressed in this (article/presentation) are those of the author and don't necessarily reflect those of Nasdaq."