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

- **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

---

### US

<table>
<thead>
<tr>
<th></th>
<th>94%</th>
<th>71%</th>
</tr>
</thead>
<tbody>
<tr>
<td>US East Coast Roadshows</td>
<td>Unchanged from 94% in 2014</td>
<td>Up from 50% in 2014</td>
</tr>
<tr>
<td>US West Coast Roadshows</td>
<td>Up from 60% in 2014</td>
<td></td>
</tr>
</tbody>
</table>

---

### ASIA

<table>
<thead>
<tr>
<th></th>
<th>50%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia Roadshows</td>
<td>Up from 39% in 2014</td>
</tr>
</tbody>
</table>

* Source: Extel WeConvene Survey 2015
MARKET SIZE – HOW DO YOU TARGET?

$32 TRILLION
TOTAL EQUITY ASSETS held by global investment managers

8,500 FIRMS that make up the institutional universe

22% ACTIVE ASSETS held by Euro institutions
59% ACTIVE ASSETS held by U.S. institutions

$24.8 TRILLION ACTIVE ASSETS managed globally

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.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Holders to Maintain</th>
<th># Firms</th>
<th>Targets to Develop</th>
<th># Firms</th>
<th>Recommended Access</th>
</tr>
</thead>
</table>
| 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:** 32 202 234
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

![Graph showing institutional rank by EAuM with tiers labeled Tier 1, Tier 2, and Tier 3.](image-url)
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.

<table>
<thead>
<tr>
<th>Tier 1</th>
<th>Active EAuM (EAuM &gt; $1B)</th>
<th>No. of Firms</th>
<th>Annual Turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York</td>
<td>$3,816B</td>
<td>269</td>
<td>51%</td>
</tr>
<tr>
<td>Boston</td>
<td>$2,807B</td>
<td>60</td>
<td>45%</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>$1,801B</td>
<td>34</td>
<td>30%</td>
</tr>
<tr>
<td>San Francisco</td>
<td>$752B</td>
<td>38</td>
<td>37%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tier 2</th>
<th>Active EAuM (EAuM &gt; $1B)</th>
<th>No. of Firms</th>
<th>Annual Turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baltimore</td>
<td>$707B</td>
<td>17</td>
<td>31%</td>
</tr>
<tr>
<td>Toronto, Ontario</td>
<td>$646B</td>
<td>44</td>
<td>44%</td>
</tr>
<tr>
<td>Chicago</td>
<td>$527B</td>
<td>69</td>
<td>56%</td>
</tr>
<tr>
<td>Philadelphia</td>
<td>$459B</td>
<td>39</td>
<td>40%</td>
</tr>
<tr>
<td>Kansas City, MO</td>
<td>$230B</td>
<td>7</td>
<td>46%</td>
</tr>
<tr>
<td>Atlanta</td>
<td>$210B</td>
<td>14</td>
<td>34%</td>
</tr>
<tr>
<td>Montreal, Québec</td>
<td>$207B</td>
<td>11</td>
<td>34%</td>
</tr>
<tr>
<td>Madison</td>
<td>$150B</td>
<td>14</td>
<td>33%</td>
</tr>
<tr>
<td>Denver</td>
<td>$175B</td>
<td>8</td>
<td>47%</td>
</tr>
<tr>
<td>Dallas</td>
<td>$178B</td>
<td>16</td>
<td>41%</td>
</tr>
<tr>
<td>Seattle</td>
<td>$165B</td>
<td>9</td>
<td>34%</td>
</tr>
<tr>
<td>Minneapolis</td>
<td>$145B</td>
<td>16</td>
<td>50%</td>
</tr>
<tr>
<td>San Antonio</td>
<td>$124B</td>
<td>7</td>
<td>23%</td>
</tr>
<tr>
<td>Houston</td>
<td>$113B</td>
<td>10</td>
<td>36%</td>
</tr>
</tbody>
</table>
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

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

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."