IPREO

Corporate Access:
Using Advanced Targeting to Get Your Slice of the Pie

New York • Washington D.C. • London • Paris • Vienna • Frankfurt • Hong Kong • Tokyo • Cape Town

Corporate Access: Demand and Supply

Demand

- $12.1 billion in commissions from 1Q2009 to 1Q2010*
  - 56% for research and related (33% for trade and execution)
  - Analyst and management access #1 and #2 generators of commissions. Written research #5 (out of five). Hypothetical allocation:
    - 20% - analyst access
    - **15% - management access**
    - 10% - the thing that came in third place
    - 6% - the thing that came in fourth place
    - 5% - written research
- $1 Billion for management access (12.1B x .56 x .15)
- $666,666 per company (assuming 1500 companies)
- $5,556 per meeting (assuming 10 meetings per month per company)

* Source: Greenwich Associates, with thanks to Risk/Reward News (Brad Allen)

This document and all information contained herein, including descriptions and illustrations, are proprietary and confidential information of Ipreo Holdings LLC and its affiliates. Copyright ® 2011 Ipreo Holdings LLC. All rights reserved. Patent Pending.

IPREO

Corporate Access: Demand and Supply

Supply

Making Sure the Right People are in the Room Yields Very High ROI

Average Number of Participants		1.5	excluding you
Average Annual Compensation of Participants	$	2,000,000	Pay and Exercised Options (from Yahoo! Finance)
Number of Marketing Days		40	e.g. 20 events averaging 2 days per event
Average T&E Cost Per Person Per Day "on the road"	$	1,000	airfare, hotel, ground trans, meals, etc.
Total Marketing Costs	$	660,000	
# meetings	$	120	
Cost per meeting	$	5,500	

Improving Productivity Allows you to Achieve Same Result with Lower Investment

Increase in Productivity	utils	Total Utils	Days on Road	Savings
0	100	4000	40	
20%	120	4000	33.3	$ 110,000
40%	140	4000	28.6	$ 188,571
60%	160	4000	25.0	$ 247,500
80%	180	4000	22.2	$ 293,333
100%	200	4000	20.0	$ 330,000

Your total compensation	$	200,000
Days work required to increase procductivy by 1%		0.25

Increase in Productivity	Cost of your time required to achieve increased productivty
20%	$ 4,444
40%	$ 10,000
60%	$ 15,000
80%	$ 20,000
100%	$ 25,000

This document and all information contained herein, including descriptions and illustrations, are proprietary and confidential information of Ipreo Holdings LLC and its affiliates. Copyright ® 2011 Ipreo Holdings LLC. All rights reserved. Patent Pending.

IPREO

Capital Access: Demand and Supply

Reasons to maintain status quo:

- CEO/CFO don't get paid less if we do fewer meetings; i.e. we don't save $$
- If someone makes a buck off us in connection with something we'd do anyway, I'm okay with that

Reasons to adopt best practice:

- Corporate access is a big business
- You write the paychecks for these guys. They work for you.
- You have a fiduciary duty to protect firm resources
  - i.e. not attend wasteful meetings
  - e.g. please see next page

This document and all information contained herein, including descriptions and illustrations, are proprietary and confidential information of Ipreo Holdings LLC and its affiliates. Copyright ® 2011 Ipreo Holdings LLC. All rights reserved. Patent Pending.

IPREO

Capital Access: Demand and Supply

Recent Conference Itinerary for Stable Mid-cap Company

Portfolio Name	Score	Turnover	Shares Held	Type
Elm Ridge Capital Management LLC	97	Very High	owner	Hed
Weiss Multi-Strategy Advisers LLC	93	Very High	owner	Hed
Highbridge Capital Management LLC	95	Very High	owner	Hed
Pequot Capital Management, Inc.	74	Very High	owner	Hed
AM Investment Partners LLC	41	Very High	0	Hed
Balyasny Asset Management LLC	86	Very High	0	Hed
Carlson Capital LP	63	Very High	0	Hed
Dawson-Herman Capital Management, Inc.	63	High	0	Hed
FrontPoint Partners LLC	72	Very High	0	Hed
Highline Capital Management LLC	71	Very High	0	Hed
Hunter Global Investors LP	18	Very High	0	Hed
Maverick Capital Ltd.	39	Very High	0	Hed
OWL Creek Asset Management LP	54	Very High	0	Hed
Partner Fund Management LP	26	Very High	0	Hed
Perry Capital	79	Very High	0	Hed
Wellington Management Co. LLP	83	Low	owner	Mut
T. Rowe Price Associates, Inc.	84	Low	owner	Mut
Deutsche Investment Management Americas, Inc.	90	Medium	owner	Inv
OppenheimerFunds, Inc.	86	Medium	owner	Mut
RBC Capital Markets	83	High	owner	Bro
American Century	77	Medium	owner	Mut

70% hedge

30% owners

0% targets

This document and all information contained herein, including descriptions and illustrations, are proprietary and confidential information of Ipreo Holdings LLC and its affiliates. Copyright ® 2011 Ipreo Holdings LLC. All rights reserved. Patent Pending.

IPREO

Corporate Access: Advanced Targeting

The (relevant) U.S. Equity Market

- 907 active (no index or quant) firms with more than $500 million in equity under management manage a total of $8.0 trillion
  - The 50 largest firms manage $4.8 trillion and own 1,565 stocks (median)
  - The rest manage $3.2 trillion and own 154 stocks (median)
- 3,364 active (no index or quant) funds with more than $100 million under management manage $4.6 trillion
  - The top 200 funds manage $2.5 trillion and own 125 stocks (median)
  - The rest manage $2.1 trillion and own 90 stocks (median)
- Overall, funds account for 57.3% of equity holdings reported by firms
  - 300 funds account for 100% of EUM at Fidelity
  - 2 funds account for 2% of EUM at Geneva Investment Management
    - But nearly 100% of EUM follows the all-cap growth fund strategy

This document and all information contained herein, including descriptions and illustrations, are proprietary and confidential information of Ipreo Holdings LLC and its affiliates. Copyright ® 2011 Ipreo Holdings LLC. All rights reserved. Patent Pending.

IPREO

Corporate Access: Advanced Targeting

Key Takeaway 1 – Target funds at large firms and second-tier firms

- The biggest bang for the buck is at the largest firms; however
  - These firms often manage dozens of independent strategies resulting in a high security count at the 13F level
  - Analysis at the firm level is almost meaningless
  - Better to think of them as many firms (i.e. funds) within the firm
- Smaller firms (under $10B EUM) collectively manage a significant amount of equity ($1.6 trillion, or 20% or total firm EUM)
  - These firms tend to manage a small number of strategies resulting in a low security account at the 13F level (median=141 stocks)
  - Analysis at the firm level is generally relevant (generally not necessary to distinguish between firm and associated funds)

This document and all information contained herein, including descriptions and illustrations, are proprietary and confidential information of Ipreo Holdings LLC and its affiliates. Copyright ® 2011 Ipreo Holdings LLC. All rights reserved. Patent Pending.

Corporate Access: Advanced Targeting

Examples: Analysis of the top 20 firm owners

- Ferro
  - Funds (1-3 funds but often just one) own 47% of total firm ownership
  - Median fund EUM/firm EUM = 1%
  - Median fund security count/firm security count = 9%
  - Large firm example: Lord Abbett Small Cap Value Fund ($3.5B EUM across 109 stocks)
    - Owns 81% of Lord Abbett ($43.0B EUM across 880 stocks) 13F position
  - Small firm example: Stratton Small Cap Value Fund ($.7B EUM across 67 stocks)
    - Owns 100% of Stratton Management ($1.7B EUM across 305 stocks) 13F position
- Nordson
  - Funds (1-3 funds but often just one) own 50% of total firm ownership
  - Median fund EUM/firm EUM = 8%
  - Median fund security count/firm security count = 24%
  - Large firm example: Neuberger Berman Genesis Fund ($9.3B EUM across 126 stocks)
    - Owns 73% of Neuberger Berman ($66.2B EUM across 1,609 stocks) 13F position
  - Small firm example: Pax World Balance Fund ($1.4B EUM across 85 stocks)
    - Owns 82% of Pax World Management ($1.5B EUM across 250 stocks) 13F position

This document and all information contained herein, including descriptions and illustrations, are proprietary and confidential information of Ipreo Holdings LLC and its affiliates. Copyright ® 2011 Ipreo Holdings LLC. All rights reserved. Patent Pending.

Corporate Access: Advanced Targeting

Examples: Second Tier Owners

- Seven "second tier" firms own 19% of FOE total top 20 shares owned (Tocqueville, Tygh, Inv Counselors of Maryland, Columbia Partners, Teton Advisors, Stratton and Allianz Global).
  - Average EUM=$3.0B
- Nine "second tier" firms own 18% of NDSN total top 20 shares owned (SouthernSun, Pax World, Ceredex, Rothschild, Los Angeles Capital, Emerald Advisors, Gannet Welsh & Kotler, Netols, Terry McDaniel).
  - Average EUM=$1.5B.

This document and all information contained herein, including descriptions and illustrations, are proprietary and confidential information of Ipreo Holdings LLC and its affiliates. Copyright ® 2011 Ipreo Holdings LLC. All rights reserved. Patent Pending.

IPREO

Corporate Access: Advanced Targeting

Key Takeaway 2 – Funds and Second Tier Firms tend not to own peers

- For FOE,
  - Median peer count for 13 first tier firms is six
  - Median peer count for 7 second tier firms and funds (including funds associated with first tier firms) is 1
- Ownership in FOE is correlated with peer ownership at the firm level, uncorrelated at the fund level (and uncorrelated with ownership by second tier firms)
- What do we believe?
  - Firm ownership of peers occurs in funds/strategies that are unrelated to ownership of FOE (it is primarily a function of the high security count at firm level)
  - Investment decisions are made at the strategy, or fund, level and here peer ownership is weak or absent
  - Peer ownership not a relevant factor in most investment decisions

This document and all information contained herein, including descriptions and illustrations, are proprietary and confidential information of Ipreo Holdings LLC and its affiliates. Copyright ® 2011 Ipreo Holdings LLC. All rights reserved. Patent Pending.

IPREO

Corporate Access: Advanced Targeting

Key Takeaway 3 – Analysis of funds at large firms and second-tier firms is the only analysis that is meaningful

- For Parker Hannifin, scores at firm level are meaningless, scores at fund level are predictive
  - Median suitability score of top 20 firms is 35
  - Median suitability score of 39 funds associated with top 20 firms is 94
- For Lubrizol, scores at firm level are meaningless, scores at fund level are predictive
  - Median suitability score of top 20 firms is 54
  - Median suitability score of 28 funds associated with top 17 firms is 97
    - Suitability scores for three second tier firms (no material fund ownership) are 98, 88, and 86
- The 13Fs of the big firms list everything, so they can't love or hate anything
- Mutual funds are selective – they love a few things (e.g. high scoring stocks)

This document and all information contained herein, including descriptions and illustrations, are proprietary and confidential information of Ipreo Holdings LLC and its affiliates. Copyright ® 2011 Ipreo Holdings LLC. All rights reserved. Patent Pending.

Corporate Access: The BuysideIQ approach

- Back-tested
  - Using current ownership of your company
- Transparent
  - We graphically illustrate your fit across 15 dimensions
- Modeling
  - Emphasis matters…the stronger the emphasis, the more a factor contributes to the overall score
  - Limited emphasis on peers / industry
    - Consistent with the reality that most portfolios are diversified
    - Results in more clear separation between firms and funds
- Flexible
  - Clients control for purchasing power, peer ownership, turnover, etc. independent of score
  - Compatible with Gaap, Non-Gaap and proforma values

This document and all information contained herein, including descriptions and illustrations, are proprietary and confidential information of Ipreo Holdings LLC and its affiliates. Copyright ® 2011 Ipreo Holdings LLC. All rights reserved. Patent Pending.

Corporate Access: Measuring Performance

- First, identify and “publish” the lead so that you own it
  - Prepare and memorize a list of firms you are targeting
    - Suitability
    - Investment horizon
    - Size
  - Update your list with promising interactions from marketing events and inbound requests for information
- Second, constructively and opportunistically move the sale forward
  - Allocate 1:1’s to your targets (or pair with seasoned owners)
  - Always request the full “indications” list
  - Request that your analyst contact your targets ahead of a trip
    - Request detailed replies
  - Follow-up and lay groundwork for further due diligence
- Third, capture changes in positions connected with your activities

This document and all information contained herein, including descriptions and illustrations, are proprietary and confidential information of Ipreo Holdings LLC and its affiliates. Copyright ® 2011 Ipreo Holdings LLC. All rights reserved. Patent Pending.

IPREO

Corporate Access: Measuring Performance

- Analysts are often the primary or only point of contact
  - Analysts dominate conferences
  - PM's likely to delegate due diligence to analysts
- The goal is to influence decision makers
  - Targeting at fund level isolates key individuals
  - PM's more likely to attend non-deal road shows
- Whether or not you meet the PMs, allocate resources to firms that run strategies that are a good fit with your company.
- Own the process from start to finish, and take credit for it!

This document and all information contained herein, including descriptions and illustrations, are proprietary and confidential information of Ipreo Holdings LLC and its affiliates. Copyright ® 2011 Ipreo Holdings LLC. All rights reserved. Patent Pending.

IPREO