The Better IR Newsletter

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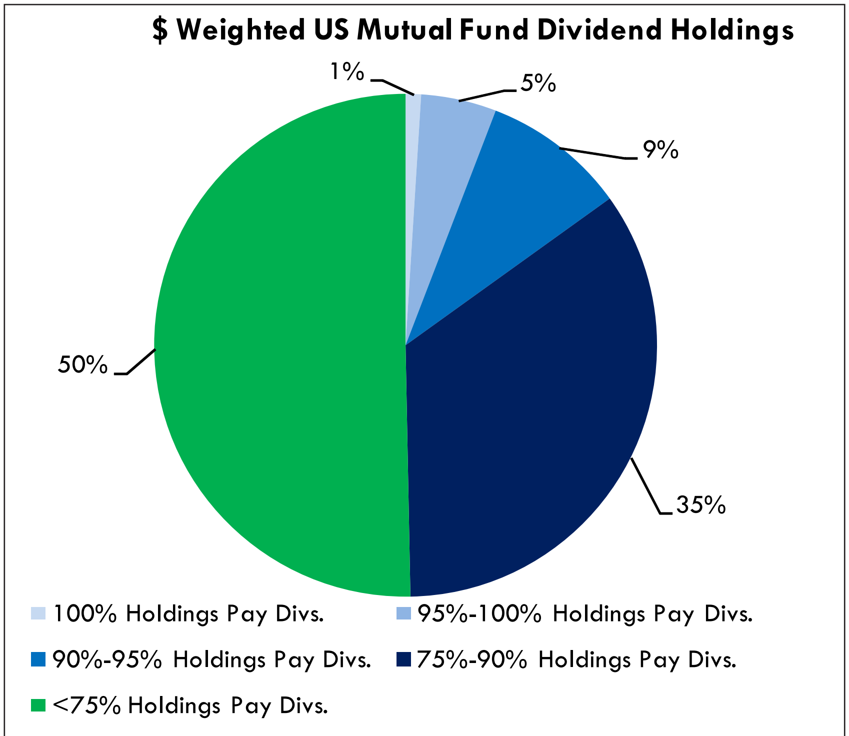
Dividend Investor Universe - How Big is the Party and How Do I Get In?

Year to date in the S&P 500 there have been over 112 dividend Increases and 9 initiations compared to 77 and 2 during the same period in 2009. However, it is also important to note that dividend activity still trails 2008 levels; from January to May 2008 there were 142 increases and 3 initiations. After the tight balance sheet management era beginning in the fourth quarter of 2008, companies are trying to reposition themselves and return some of the stored up capital that has been kept in emergency funds. Companies have staggering cash hoards, with the S&P 500 collectively reporting over $1T in cash, or a median of $800mm per company, and investors are beginning to scrutinize those companies most likely to return some of that to shareholders.



As it relates to initiating a dividend for the first time, IROs and corporate finance departments often realize that paying a meaningful dividend can expose a company to additional potential investors; however there is often little quantifiable information as to how much capital is tied up in funds that only invest in dividend paying stocks. Given the increased focus on the topic of dividend policy, Ipreo has aimed to quantify this potential by analyzing the extent that mutual funds are limited to investing in dividend paying stocks.

The pie chart to the left illustrates the percentage of mutual fund assets that are comprised of various amounts of ownership in dividend paying stocks. Surprisingly, just 1% of all mutual fund assets have a strict requirement in which 100% of their holdings pay a dividend. That does not seem to open up the sizable reserves restricted to dividend paying stocks; however expanding out to funds with at least 90% of holdings paying a dividend increases the potential capital to target to over $925Bn dollars. More compelling is the fact nearly 50% of mutual fund assets are comprised of funds with over 75% of holdings paying a dividend. Suddenly that represents a sizable amount of money, that, while non-dividend paying stocks may not be completely excluded from, may present a challenge to attract these investors given the dividend bias that many funds seemingly exude.

An additional aspect to consider is the fact that about 56% of S&P 1500 companies, 74% for the S&P 500, pay a dividend. Clearly this leads to some bias to universe of securities; however, another way to think of this is that if a company does not pay a dividend, it may be at a disadvantage if portfolio managers are considering peers and other securities that do pay a dividend.

Largest Funds with 100% of Assets Invested in Dividend Paying Stocks

Mutual Fund	Equity Assets ($mm)	Turn-over (%)	Avg. Div. Yield	Fund Advisor
Vanguard Wellesley Income Fund	5,749.3	41.6	3.3%	Wellington Management Company, LLP
American Century Equity Income Fund	4,332.9	106.7	2.4%	American Century Investment Management, Inc.
Legg Mason ClearBridge Capital & Income Fund	1,558.5	113.3	4.0%	ClearBridge Advisors, LLC
Vanguard Windsor II Fund	1,159.1	21.1	1.2%	Barrow Hanley Mewhinney & Strauss, Inc.
Pioneer Equity Income Fund	874.7	57.8	3.1%	Pioneer Investment Management, Inc.
Allianz NFJ Renaissance Fund	812.5	196.6	2.6%	NFJ Investment Group
RidgeWorth Mid Cap Value Equity Fund	802.5	366.5	1.6%	Ceredex Value Advisors, LLC
LMP Capital & Income Fund Inc	313.4	124.7	3.3%	ClearBridge Advisors, LLC
Legg Mason ClearBridge Variable Equity Income Builder	207.2	112.0	4.0%	ClearBridge Advisors, LLC
Berwyn Income Fund	198.8	76.0	2.1%	Killen Group, Inc.

Naturally, a large portion of mutual fund portfolios that are 100% invested in dividend paying stocks tend to be sector specific or heavily concentrated in sectors such as real estate or utilities. Taking that into account, the table above excludes such sector specific funds and focuses on those that invest more broadly. Not surprisingly, funds such as the American Century Equity Income Fund, Allianz NFJ Renaissance Fund, RidgeWorth Mid Cap Value Equity Fund and Berwyn Income Fund are heavily concentrated in industries with traditionally high yields such as Energy, Financials and Industrials. Perhaps more interesting is that several funds, such as the Legg Mason Clearbridge Capital and Income Fund, Pioneer Equity Income Fund, BlackRock Dividend Achievers funds and LMP Capital & Income Fund, all have heavy weightings in Consumer stocks. Many Consumer stocks have managed to maintain dividend payouts despite a difficult consumer environment, although their relatively high yields are also a function of depressed valuation to some extent. Rounding out the table are the Vanguard Wellesley Income Fund, Vanguard Windsor II Fund and Legg Mason ClearBridge Variable Equity Income Builder Fund, which are evenly distributed across industries.

Largest Funds with over 90% of Assets Invested in Dividend Paying Stocks

Mutual Fund	Equity Assets ($mm)	Turn-over (%)	Avg. Div. Yield	Fund Advisor
American Funds Investment Company of America	53,814.7	25.5	2.2%	Capital Research Global Investors (U.S.)
American Funds Capital Income Builder	47,355.9	41.8	2.3%	Capital Research Global Investors (U.S.)
American Funds Washington Mutual Investors	46,912.6	36.4	2.6%	Capital World Investors (U.S.)
American Funds Income Fund of America	35,080.1	44.0	2.6%	Capital World Investors (U.S.)
Vanguard Wellington Fund	31,007.5	47.3	2.1%	Wellington Management Company, LLP
American Funds American Balanced	29,317.6	33.8	2.0%	Capital World Investors (U.S.)
T. Rowe Price Equity Income Fund	17,461.5	14.0	2.3%	T. Rowe Price Associates, Inc.
Eaton Vance Large Cap Value Fund	15,857.5	68.8	1.9%	Eaton Vance Management, Inc.
First Eagle Global Fund	15,348.5	19.2	1.7%	First Eagle Investment Management, LLC
American Funds American Mutual	12,745.7	19.2	2.6%	Capital Research Global Investors (U.S.)

Looking at funds with over 90% of assets invested in dividend paying stocks, the clear takeaway is that the above table is dominated by the Capital Group's American Funds. While a dividend is not a complete deal breaker for the Capital Group in general, it frequently comes up as a hurdle for investment if a company does not pay a dividend or if the payout is significantly below that of the peers or industry. In addition to the clear dividend bias, these Capital Group funds are heavily weighted towards Technology, with over 20% of the portfolio assets invested in the sector on average. While Telecommunications is included in the overall Technology sector, and Telecommunications companies tend to pay high yields, it is important to note that these holdings do include a sizeable portion of large cap Technology companies that have initiated dividends over the course of the past decade.

While the universe of funds that have a strict requirement for dividend payments is relatively small, with many investors there is a strong preference for dividend paying stocks, potentially making it more challenging to get into certain portfolios. This can be especially true in cases where an investor first begins with a broad fundamental screen to narrow down the universe from, say, 10,000 potential securities to a more manageable sample to analyze more in-depth. This is a fairly common initial step when seeking investments, and if that screen has a dividend component, a company that is a potential fit could be excluded before an IRO has an opportunity to explain the competitive advantages and unique aspects of the investment story.

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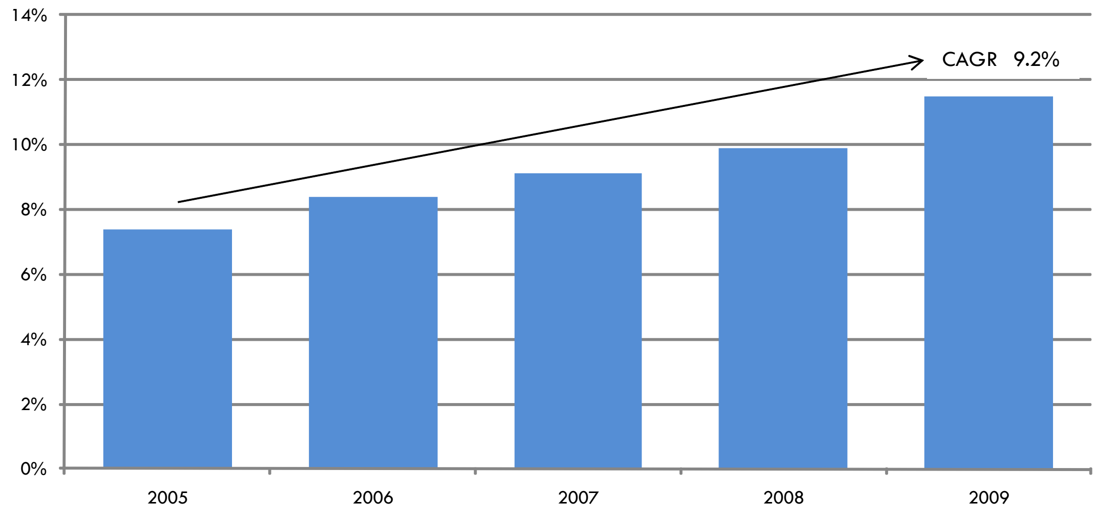
No Longer Foreign - The Growing Presence of Non-US Investors in US Stocks

A significant majority of shareholding in US companies is held domestically, leading management and IROs to focus most of their time and efforts locally. Historically, foreign outreach has been unstructured, driven by the sell-side rather than by companies themselves. However, over the past few years, the growth in non-US shareholding and the recognition of untapped potential has led to an expansion in IR activities abroad. But this communication process for many issuers has been uneven and companies still question the value of reaching out to foreign investors.

Ipreo's data and consulting experiences show that the case for expanding IR efforts abroad is compelling.

Exhibit 1

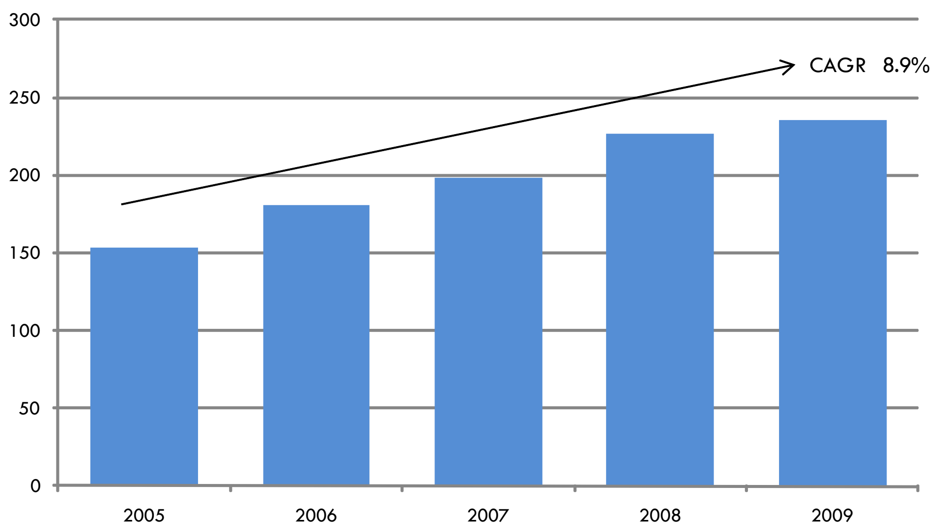
Percentage of foreign shareholding in S&P 500 stocks (as a % of total institutional shareholding)



Source: Ipreo

Exhibit 2

Average number of foreign shareholders in an S&P 500 stock



Source: Ipreo

Over the last five years the value of publicly disclosed foreign ownership in S&P 500 companies has grown by 71%. During this same period, domestic ownership in S&P 500 companies rose only 5%. The proportion of the shareholder base of S&P 500 companies held by foreign investors has kept rising, breaking above 10% of the total institutional shareholder base in early 2009 and currently stands at 12% (Exhibit 1.) The increase in value is even more impressive considering the fact that during the past five years the S&P 500 fell 21%. Ipreo's bespoke identification exercises for US clients show that in "real-time" this number is actually about 35% higher when accounted for non-filers and incomplete and outdated filings. So the average foreign shareholding in S&P 500 companies is closer to 16% of the total institutional shareholder base.

The total number of foreign shareholders in S&P 500 companies has seen a continuous rise over the last five years. Even in 2008 when the markets sank and the total value of foreign investment in S&P 500 stocks declined by 32%, the number of foreign shareholders rose 14%. In 2005 the average S&P 500 stock had 154 foreign institutional investors on its roster. At the end of 2009 the number stood at 236, a jump of 53% (Exhibit 2.)

Investment from Asia has grown at a much faster pace than Europe, though the Asian growth is from a smaller base. Ipreo's client work shows that Asian ownership tends to be much less represented in data available in the public domain compared to European ownership, so the data available in the public domain is even more so a weak indicator of the magnitude of the investment. A case in point is the recent 13F filing by China Investment Corp. (CIC) which had not disclosed previously. But the CIC filing was a partial disclosure as they were not obligated to file a 13F. The other major investment vehicle of China's foreign exchange surplus, the State Administration of Foreign Exchange (SAFE), does not disclose any of its shareholdings publicly unless there is a legal obligation. SAFE is known to own shareholdings of between 0.5% and 2% of the share capital of many US large cap companies.

Exhibit 3

Average investment in an S&P 500 stock ($mm)

	2005	2006	2007	2008	2009
Asia	33.9	45.7	77.7	75.5	160.8
Europe	950.1	1251.4	1509.6	1009.5	1458.1
United Kingdom	326.3	449.8	520.6	354.7	556.5
Canada	167.1	237.9	291.4	202.1	265.7
Norway	61.6	67.0	108.1	88.4	150.6
Japan	28.9	39.9	60.8	53.9	119.5
Netherlands	73.1	72.4	104.3	70.8	98.8
France	45.5	64.6	114.5	54.8	92.1
Switzerland	62.1	103.1	114.6	69.6	82.3
Germany	42.4	68.9	52.7	43.5	58.9
Sweden	59.9	61.4	65.8	42.8	48.1
Ireland	46.0	42.9	46.6	30.3	33.2

Note: The sharp jump in Asian investment is partly explained by the 13F filing by China Investment Corp. and partly by new filings by BlackRock (Japan) following the merger with Barclays

The UK continues to have the most exposure to US stocks followed by Canada, Japan and Norway. The value held by Norway in S&P 500 companies has jumped 145% in the last five years thanks mainly to the huge deployment by the country's sovereign wealth entity, Norges Bank Investment Management (NBIM) (Exhibit 3.)

Continued on next page...

Exhibit 4

Average number of holders in an S&P 500 stock

	2005	2006	2007	2008	2009
Asia	14	18	19	24	28
Europe	118	138	152	171	173
United Kingdom	31	37	39	44	45
Canada	20	22	25	28	30
Japan	12	15	16	17	19
Germany	12	14	14	17	19
Switzerland	11	14	15	17	19
France	10	11	14	17	18
Spain	9	10	9	9	10
Sweden	8	9	10	11	9
Netherlands	6	6	8	8	8
Denmark	6	6	7	8	7

The average S&P 500 company has doubled the number of holders it has in Asia while in Europe that number has risen 47% (Exhibit 4.)

NBIM is also the single largest foreign investor in S&P 500 stocks. The firm is active on the corporate governance front and is very transparent as to its stance on various issues. While much of its funds remain indexed it continues to move more money into other styles.

Exhibit 5

Top foreign holders of S&P 500 stocks (avg. holding)

		2009 ($mm)	Country
1	Norges Bank Investment Management (Norway)	139.5	Norway
2	Legal & General Investment Management, LTD	85.0	United Kingdom
3	Blackrock Japan, LTD	59.7	Japan
4	BlackRock Investment Management (U.K.), LTD	49.8	United Kingdom
5	APG - All Pensions Group, LTD	35.0	Netherlands

Exhibit 6

Top increases in holdings of S&P 500 stocks (by average value)

		5 yr. Chg. ($mm)	Country
1	Norges Bank Investment Management (Norway)	93.2	Norway
2	Legal & General Investment Management, LTD	52.7	United Kingdom
3	BlackRock Investment Management (U.K.), LTD	33.3	United Kingdom
4	Nikko Asset Management Company, LTD	29.4	Japan
5	Mitsubishi UFJ Trust & Banking Corporation	25.3	Japan

Exhibit 7

Top decreases in holdings of S&P 500 stocks (by average value)

		5 yr. Chg. ($mm)	Country
1	Capital International, LTD (U.K.)	-15.3	United Kingdom
2	Bank of Ireland Asset Management, LTD (Ireland)	-11.1	Ireland
3	Swedbank Robur Fonder AB	-10.0	Sweden
4	Handelsbanken Asset Management (Sweden)	-8.8	Sweden
5	AP 1/Första AP-Fonden	-7.8	Sweden

The overall weighting of foreign holders in various sectors closely follows the weighting in the S&P 500 showing that foreign investors have little sector preference as a whole. The weighting of technology stocks now stands well above second-ranked Financials which saw its weight fall in late 2007 and accelerated in 2008 because of the financial crisis (Exhibit 8). However US financials appear to be viewed favorably in Asia where they enjoy a weighting much higher than the S&P 500 (Exhibit 9.) Most other sectors compensate for this by being marginally underweight.

Exhibit 8

% of value held by foreign shareholders in S&P 500 stocks

	2005	2006	2007	2008	2009	S&P Weighting
Technology	19.5%	19.5%	20.9%	19.4%	22.2%	21.3%
Financials	19.4%	19.2%	16.1%	14.4%	16.3%	16.6%
Consumer Services	12.9%	12.8%	10.9%	11.7%	11.7%	12.8%
Healthcare	14.4%	13.2%	11.9%	14.7%	13.5%	11.2%
Industrials	9.7%	9.6%	10.8%	10.0%	8.7%	10.7%
Energy	9.0%	9.8%	12.2%	11.7%	10.7%	10.7%
Consumer Goods	9.1%	9.1%	9.3%	10.8%	10.3%	10.3%
Utilities	2.9%	4.0%	4.4%	4.5%	3.5%	3.4%
Basic Materials	3.1%	2.7%	3.5%	2.8%	3.2%	3.0%

Exhibit 9

% of value held by foreign shareholders in S&P 500 stocks

	Asia	Europe	S&P 500 Weighting
Technology	20.1%	22.3%	21.3%
Financials	24.5%	15.4%	16.6%
Consumer Services	9.8%	11.3%	12.8%
Healthcare	11.6%	13.3%	11.2%
Industrials	8.3%	8.6%	10.7%
Energy	10.0%	11.2%	10.7%
Consumer Goods	9.3%	10.9%	10.3%
Utilities	3.3%	3.8%	3.4%
Basic Materials	2.9%	3.3%	3.0%

It appears likely that foreign shareholding will continue to grow for the following reasons:

1. **Sovereign Wealth Fund (SWF) investments –** SWFs have continued to grow in size and status over the years, and estimates are they now represent $3.6 trillion in total assets under management. This continues to increase and a part of it will be deployed into US equities.
2. **Continued globalization of business –** As businesses expand operations, achieve higher international visibility and more revenues come from abroad, it is only natural that foreign investors take a closer look at them and that leads to more foreign investment.
3. **Lack of comparable opportunities –** While US companies were affected by the recession, they are in better health compared to many in Europe. Investors looking to get out of European equities don't have many places to go. While emerging markets have come back in favor this year, investors have been selective and have preferred some countries over others, and the level of investment thus far is small relative to investments in developed markets. Investment in China continues, but there are many who say that the country is "too hot." Some are predicting a major crash in the country's real estate market which will likely have knock-on effects. Additionally, the renminbi's appreciation against the Euro has led to shrinking profit margins for Chinese companies.
4. **Demographics –** Much of the developed world is struggling to keep up with the financial ramifications of aging populations. Given that cuts to benefits are politically tough decisions, pension funds and other mandates abroad will continue to look for higher returns and change their asset mix to take on more risk. This will benefit US stocks in the long run.

In the recent past, many of Ipreo's clients have increased their interactions with investors abroad. The solitary trip to London has expanded to include road shows into the continent and beyond. At least one trip each to Europe and Asia by management, accompanied by IR and/or business heads, is common. Additionally, IROs have been successful at garnering interest on their own in major investment centers in Europe and Asia. While investment in the Middle East is not small, the number of players remains limited. Practically all of these are sovereign wealth funds that either house relevant analysts and decision-makers in London or New York, or outsource much of their investment decisions. As a result, dedicated trips to the Middle East are more often driven by large existing shareholdings. For companies that have extensive business operations abroad, showing US investors foreign operations has long been the practice. Nowadays local investors are showing up to these events.

While there is a wide variation in both foreign investors and investment within the S&P 500 companies, the overall trend is unmistakable. But for many US companies, investor-focused trips abroad are still a rarity. Even those with more than 10% of their share capital in Europe and Asia take a rather sanguine approach. Clearly many companies could do much more to tap into the burgeoning potential abroad.

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Targeting Sovereign Wealth Fund Assets - Opportunities, Risks, and Best Practices

Nearly every IRO has at one time or another had a member of senior management walk by their desk with the question, “So, I keep reading about sovereign wealth funds being a large source of investment. How do we get in on this?”

Sovereign wealth fund (SWF) assets are some of the largest pools of capital on the planet, and in many cases have been the fastest growing pools of capital for new equity investment over the past several years. However, attracting new investment from a SWF is not always as easy as building a relationship with a typical investment manager on the conference / roadshow / conference call / analyst day circuit. While a few SWFs have ongoing face-to-face communications with current or potential holdings, the majority of SWFs actually have very little contact with corporate issuers, and a number use outside managers to manage equities almost exclusively. Moreover, public disclosure of ownership by these firms is the exception rather than the norm; note that only a few of the firms listed in Table 1 currently make any significant level of public disclosures of ownership by any source.

Table 1 – Largest Sovereign Wealth Funds by Stated Total Assets, May 2010

Rank	Institution Name	Stated Total Assets (USD,mm)	Equity Management Type	Country
1	Abu Dhabi Investment (ADIC, UAE, U.K.)	500,000.00	Internal & External	UAE
2	Norges Bank (London/NY/Oslo)	450,775.18	Internal & External	Norway
3	State Administration of Foreign Exchange (SAFE)	347,100.00	Internal & External	China
4	Government of Singapore / Temasek (Singapore, NY, London)	309,316.21	Internal & External	Singapore
5	Kuwait Investment (KIA / KIO, Kuwait City & London)	249,062.26	Internal & External	Kuwait
6	China Investment Corporation, LTD (CIC)	228,655.39	Internal & External	China
7	Hong Kong Monetary Authority Investment Portfolio	193,400.00	External	China
8	National Wealth Fund	88,419.11	External	Russian Federation
9	Public Investment Fund	84,745.20	Internal & External	Saudi Arabia
10	National Council of Social Security Fund	82,221.22	External	China
11	Libyan Investment Authority	65,000.00	Internal & External	Libya
12	Qatar Investment Authority	63,000.00	Internal & External	Qatar
13	Future Fund	49,300.00	External	Australia
14	National Treasury Management Agency	30,928.13	External	Ireland
15	Korea Investment Corporation	30,000.00	Internal & External	Republic of Korea

Source: Ipreo

From an investor targeting perspective, SWF’s often do have the ability to take extremely large positions, as noted in Table 2 below. While public disclosures are of course very limited, Ipreo’s active shareholder identification work is able to identify total holdings of sovereign wealth funds on a bespoke basis for its issuer clients. Mean average position sizes for each firm are shown for Ipreo’s issuer client base by market cap, giving a ballpark figure of the typical positions each investor can take in a company.

Table 2 – Selected Internally-Managed Sovereign Wealth Funds – Average Investment Size by Market Cap

	Avg Investment Size (in $M) by Market Cap*			
Sovereign Wealth Fund	Small Cap ($<2b)	Mid Cap ($2-10b)	Large Cap ($10-$50b)	Mega Cap (>$50b)
Abu Dhabi Investment (Combined)	2.3	9.5	36.4	59.7
China Investment Corporation, LTD (CIC)	8.0	85.7	217.4	315.1
Government of Singapore / Temasek (Combined)	4.5	20.9	124.2	373.9
Korea Investment Corporation	0.4	3.4	6.6	33.1
Kuwait (KIO / KIA) (Combined)	1.6	14.1	50.1	799.9
New Zealand Superannuation Fund	0.2	0.7	1.6	4.4
Norges Bank Investment Management (Combined)	6.7	39.0	177.4	722.5
Qatar Investment Authority		8.7	224.6	1,480.3
State Administration of Foreign Exchange (SAFE)			134.0	972.4

source: Ipreo real-time Global Markets Intelligence

During the financial crisis in 2008 and 2009, many sovereign wealth funds made large capital injections into troubled US and European large-cap banks; however, it's important to note that SWF's are not exclusively investing in just the largest and most liquid companies – many small-caps and mid-caps have attracted significant investment from major SWF's recently. Given the typically small turnover in SWF portfolios, liquidity does not seem to be as crucial a need for many of these funds' managers.

Ipreo's investor relations clients have ongoing communications with a number of sovereign wealth funds; below are some additional details about selected SWF's that can help color your communications with each investor.

Norges Bank Investment Management (NBIM)

Among SWF's, Norges is probably the most widely-known, and easily the most open and likely to communicate with issuers. Notably, Norges is a strong advocate of good corporate governance practices, and over the past year the firm has been attracting considerable press surrounding issues such as board independence. In matters related to governance and shareholder rights, Norges can be viewed as an activist investor. From a targeting perspective, Norges' holdings tend to be diverse geographically and in terms of industry; although financials holdings are significant at nearly a quarter of the portfolio. Lending to the geographic diversity is the fact that while based in Norway, Norges also has satellite offices in London and New York and is known to meet with issuers at each of those offices. In addition to its internally-managed assets, Norges does outsource the management of a portion of its portfolio assets. The U.K. offices of State Street and BlackRock Advisors (formerly Barclays) manage some of the portfolio's assets from a passive standpoint, whereas Wellington (U.S.), T. Rowe Price (U.K.), Tradewinds (U.S.) and GLG (U.S.) are known to manage some Norges assets using active strategies.

Abu Dhabi Investment Authority (UAE) / Abu Dhabi Investment Company (ADIC)

Abu Dhabi's sovereign wealth investments are made up of Abu Dhabi Investment Authority and Abu Dhabi Investment Company. As with many sovereign wealth funds, Abu Dhabi tends to be somewhat less transparent, and publicly discloses only a portion of its total holdings. Looking at the $27B in equity assets that Abu Dhabi does file for, the firm seems to favor consumer and industrial companies. Another area of focus is international energy and financial companies, which is consistent with Abu Dhabi's reputation as a value-focused investor. Geographically the firm is heavily invested in local Middle Eastern companies, including controlling stakes in Emirates Telecommunications Corporation and the National Bank of Abu Dhabi. Abu Dhabi has a London-based presence in addition to its home office; U.S. issuers can meet with either office, though it is difficult to gauge the effectiveness of these meetings given the limited U.S. holdings Abu Dhabi has disclosed. U.S. holdings are partially externally managed, using Northern Trust, State Street, AXA, and Acadian Asset Management as outside managers, while MFS is the only known active U.S. outside manager. Abu Dhabi does have additional relationships with U.K. based active managers such as Fidelity, J.P. Morgan Assets Management, UBS Assets Management and Lazard Assets Management.

China Investment Corporation (CIC) / State Administration of Foreign Exchange (SAFE)

China Investment Corporation and the State Administration of Foreign Exchange are similar to Abu Dhabi from a transparency standpoint, with limited public disclosures of equity holdings. Chinese sovereign wealth fund have received a lot of press lately; they are said to manage upwards of a combined $500B in assets. However these firms tend to be fairly selective in the meetings they take. CIC recently filed its first form 13F with the SEC, disclosing just over $6B in equities including some large stakes in US companies; notably, a significant portion ($2.4B) of equity exposure in this disclosed portion of the portfolio is held in the form of ETF's. Unlike the trend with other large sovereign wealth funds, China's funds remain managed from Beijing, and do not have branch offices outside of the homeland. See the March 2010 issue of the BetterIR Newsletter for more details about Chinese investment.

Government of Singapore (GIC) / Temasek Holdings / Fullerton Fund Management

The Government of Singapore sovereign wealth funds maintain offices in New York and London where issuers frequently meet with portfolio managers. The Government of Singapore also uses a host of outside managers. On the passive side, Singapore uses State Street, AXA (Singapore), Vanguard (U.S.) and Numeric Investors (U.S.), with AllianceBernstein (U.S.), Capital Guardian (U.S.), J.P. Morgan Asset Management (U.K.), Morgan Stanley Asset Management (U.S.) and Wellington (U.S.) as active equity managers. As one might imagine, U.S. issuers tend to conduct meetings most often with managers in the New York office, though they on occasion meet with the U.K. and Singapore offices as well. Industry interest tends to be fairly diverse, though financials, technology, and energy companies are held most widely. Government of Singapore did invest heavily into global financials during the credit crisis, including a $4B position in Citigroup. Temasek in particular is heavily invested in Asian financial firms, which accounts for half of the firm's disclosed holdings. Fullerton is a subsidiary of Temasek and similarly has a high exposure to financials, with over half of its reported assets invested in the space. Interestingly, the firm also reports a significant amount of investment in European equities, which is not as much of a focus of the parent Temasek according to filings.

Kuwait Investment Authority (KIA) / Kuwait Investment Office (KIO)

Kuwait's sovereign wealth funds do not file for many holdings despite frequently meeting with issuers; however, position sizes identified by Ipreo's Global Market Intelligence team are often very significant. The U.K. office in particular often meets with management of both U.S. and European companies. Despite over 50% of reported assets being European companies, actual holdings are believed to be much more global in nature. Investment decisions tend to be made internally; however, Kuwait does at times work with outside managers such as BlackRock Fund Advisors (Formally Barclays) on the passive side, as well as active investors J.P. Morgan Investment Management (U.S.) and Templeton Investment Counsel (U.S.).

Other SWF's and External Managers

The large mandates that many SWF's give to external managers make it possible that your ongoing communication with major investment firms can lead to indirect SWF ownership in your security. Through the shareholder identification process, Ipreo is able to identify a number of the outside managers used by select sovereign wealth funds, and can monitor changes in these subadvisory relationships as well. For example, the Alaska Permanent Fund ranks as one of the 20 largest sovereign wealth funds by total assets, but outsources essentially all of its equity management, allocating to Goldman Sachs Asset Management, Lazard Asset Management, RCM Capital, and other active managers. IR's ongoing communication with these investors helps support indirect investment in the issuer by the SWF in this case.

The large size of these allocations generally precludes very small institutional investors from attracting SWF mandates; as noted above, scale leads many SWF's to use larger passive managers such as State Street Global Advisors, Blackrock Advisors, and Vanguard Group, as well as managers such as Fidelity International, J.P. Morgan Asset Management, and AllianceBernstein on the active side. Note that a few larger hedge funds, such as GLG Partners, have received SWF mandates as well.

SWF Investment Risks

Most corporate managements see attracting a new sovereign wealth fund position as an ideal opportunity to build a long-term shareholder, and potentially a strong statement to the market that a large global investor has confidence in the company's prospects and valuation. In particular, the capital injections made by SWF's into U.S. and European banks in 2008 and 2009 were often well-publicized by both sides of the transaction. However, it should be noted that many SWF's overall asset sizes are tied closely to the value of underlying commodities (particularly oil), and drastic drops in these commodity prices create the risk of SWF's being forced to liquidate equity holdings in order to fund ongoing operations in their countries. Simply put, $100/barrel oil prices may lead to SWF's increasing their equity allocations, but $60/barrel oil may lead to SWFs needing to use equity allocations as a source of funds; if commodity prices show significant declines, an IRO with significant existing SWF ownership (either directly, or indirectly through an investment made by an external manager) should proactively communicate with the manager to make sure the company's investment story is clear. Given the often large position sizes, liquidations for any reason, company-specific or not, could have a negative price impact on the security, especially with more illiquid issues.

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BetterIR - Firm Snapshot

Targeted Firm: Turner Investment Partners, Inc. ($17,214.7 M)

Targeting Profile:
Turner Investment Partners, founded in 1990 and headquartered in Berwyn, PA, is an employee owned Investment Firm with approximately $18 billion under management. Turner utilizes a combination of quantitative, technical and fundamental analysis to make investment decisions. A proprietary quantitative model is used to screen potential investments according to earnings growth and valuation factors. Each firm is ranked from 1st percentile to 100th percentile, with the top 35% qualifying for further consideration. Subsequently, fundamental analysis is employed to determine the future performance of the companies relative to their respective consensus earnings expectations and technical analysis is used to evaluate trends in trading volume and prices of individual stocks. Turner obtains external research to complement its in-house research while making investment decisions.

The firm's investment style is primarily Aggressive Growth, although it does maintain several value-oriented funds. Another important characteristic to note regarding Turner's investment style is that it follows a momentum strategy leading to a fairly high turnover; the firm's three largest funds have very high turnover ranging from 100%-170%. The firm benchmarks its return on U.S. investments against the various Russell indices and the S&P 500 Index and international investments against the MSCI World Indices. Turner's International investments are limited – 93% of its Investments are North American issuers, with 91% of investments in U.S. stocks. In addition to being skewed regionally, Turner's portfolio is also heavily weighted towards the Technology space; nearly 30% of Turner's portfolio is allocated towards Technology stocks. Another recent industry allocation movement is a rotation into Financial Services.

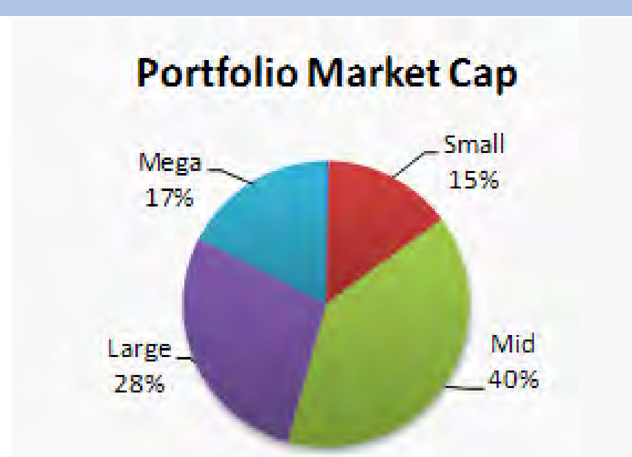
How to Approach:
As previously mentioned, companies within the Technology sector and the Financials sector will be of special interest to Turner's portfolio managers. The firm's holdings are heavily weighted in the Technology space and the investment in Financials is rapidly growing. Turner recently increased its investment in the Financial Services sector by 18%. Additionally, Turner would also be an ideal investor target for growth oriented small-cap companies. While the value allocated for small-cap companies is only 14.5% of the firm's portfolio, small-cap stocks account for 47% of individual securities owned. Thus, small-cap companies with aggressive growth plans should appeal to Turner; although, the size of the investment will likely be limited.

How not to Approach:
Turner's heavy portfolio allocation towards U.S. stocks would make it difficult for International firms to garner interest from the firm; this applies especially for Asian securities as the firm's investment in Asian stocks as the firm recently rotated out of several positions. Further, since Turner primarily focuses on aggressive growth stocks, companies with low valuations or depressed prices may also be unable to incite significant interest from the firm. Lastly, companies within the Basic Materials sector and the Utilities sector should approach the firm cautiously as investment in these industries has been limited and declining from the quarter prior.

Largest Funds Managed:
- Principal Midcap Growth Fund III ($1,380.39 M); Tara Hedlund
- Turner Mid Cap Growth Fund ($1,023.06 M); Tara Hedlund
- Turner Core Growth Fund ($706.15 M); Halie O'Shea

Portfolio Fundamentals:
- TTM Price/Earnings: 27.7x
- Avg. 3 Yr. Revenue Growth: 11.25%
- Dividend Yield: .7%
- Price/Book: 4.1x

Average Equity Holding Period: 1 year



BetterIR - Fund Snapshot

Targeted Fund: Putnam New Opportunities Fund ($2,627.2mm)

Portfolio Manager:

- Robert Brookby - (617) 292-1000
  robert_brookby@putnam.com

Targeting Profile:

The Putnam New Opportunities Fund, currently managed by Robert Brookby, has undergone a bit of reorganization over the past few months. Long-time Putnam portfolio manager, Gerald Moore, was replaced by Brookby at the end of April 2010, and fund stewardship has since fallen under Brookby's umbrella of various GARP portfolios. While Brookby manages five other funds for a total of $4.9Bn under management, including the Putnam Vista Fund which Brookby took the helm of during the same reorganization effort, the New Opportunities Fund is Brookby's largest by far. While the fund has had a historically moderate turnover of 62%, under new leadership, portfolios are typically subjected to increased buying and selling activity as new managers bring with them different strategies and schools of thought. Though increased turnover is by no means guaranteed, this is important to consider in all cases of changing management.

The New Opportunities Fund is Putnam's fourth largest and one of the firm's few growth-focused funds. The fund generally follows a top down approach paired with bottom up research in order to identify those sectors poised for growth as well as fundamentally sound companies best positioned to take advantage of such trends. While Putnam, as a whole, tends to follow a Value strategy, Brookby is much more willing to pay a premium to achieve higher growth rates than his fellow managers. In addition, the New Opportunities Fund differs from its parent institution rather significantly in terms of sector allocation. Putnam, overall, tends to favor Financials issues most heavily, accounting for 19% of total holdings, whereas the New Opportunities Fund holds just 14 Financials companies for 7% of total equity assets.

How to Approach:

If your company is within the Technology sector, you will likely have an easier time approaching Brookby with any investment idea. The fund maintains 35% of its total holdings within the Technology space, while 17.7% of the portfolio can be attributed to the Computer Software and Services mid industry. While the fund has recently begun to rotate slightly away from such a heavy Technology bias, all five of the fund's top holdings fall within this sector—Microsoft ($116mm), Apple ($104mm), IBM ($84mm), Google, ($82mm), and Cisco ($71mm). Separately, the fund recently initiated a $22mm position in software manufacturer, Adobe Systems. In addition, the fund has, as of late, also tended to favor Consumer Goods companies. Two of the firm's top ten purchases for the quarter included initiating positions in The Warnaco Group (+$14mm) and Dick's Sporting Goods (+$10mm), as well as a $13mm addition to the fund's Procter & Gamble position.

How not to Approach:

While Financial and Energy equities are rather common within the overall Putnam family of portfolios, companies within these sectors must approach the New Opportunities Fund with a particular confidence in order to win over Mr. Brookby. These two sectors, combined, account for only 13% of equity assets, with particularly little movement in the Financials space recently. Similarly, if your company is based outside of the US, you had best explore other alternatives. Of the New Opportunities Fund's 157 portfolio holdings, 145 companies are domiciled within the United States. Furthermore, none of the firm's very few international holdings are valued at more than $15mm.

Portfolio Fundamentals:

- TTM Price/Earnings: 22.1x
- Avg. 3 Yr. Revenue Growth: 11.9%
- Dividend Yield: 1.2%
- Price/Book: 4.9x

Average Equity Holding Period: 1.61 years

Metro Area Targeting Focus - Hong Kong, China

Money Center Statistics

Reported Equity Assets ($B):	$160.8
QoQ Value Change:	1.8%
Number of Institutions:	68
World Rank:	20/155
Top Sector Weighting:	Financials
Technology Weighting:	28.2%
Top Region Weighting:	APAC ex. Japan
North America Weighting:	88.0%
Total Net Buying ($B):	$12.9
Total Net Selling ($B):	-$9.8
Total Net Activity ($B):	$3.1

Summary Notes

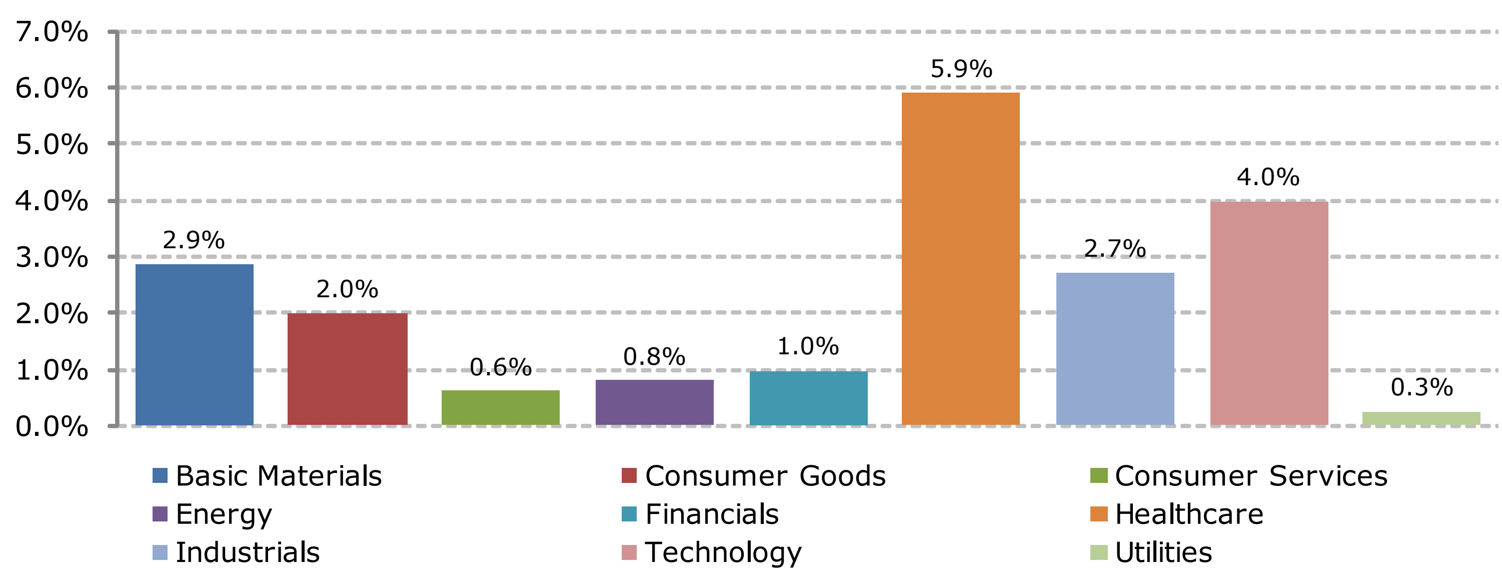
Hong Kong is quickly becoming a tremendously popular international roadshow destination. Based on disclosed holdings, Hong Kong ranked 20th among global money centers as of 1Q 2010 with $161B in total equities. Across the broader Asian region, $161B puts Hong Kong third behind Tokyo and Singapore, but disclosed assets are rising quickly.

While Hong Kong has its share of smaller home-grown investors, a majority of larger entities remain tied to Western banks and asset managers. With low taxes and a favorable regulatory environment, Hong Kong has been an obvious choice for Western managers seeking access and proximity to Asian markets. While most of the satellite offices pursue Asia-focused strategies, many will meet with and invest in Western issuers. That said, the disclosed percent of Hong Kong assets tied to North American and European equities remains low at 2.2% and 4.0%, respectively.

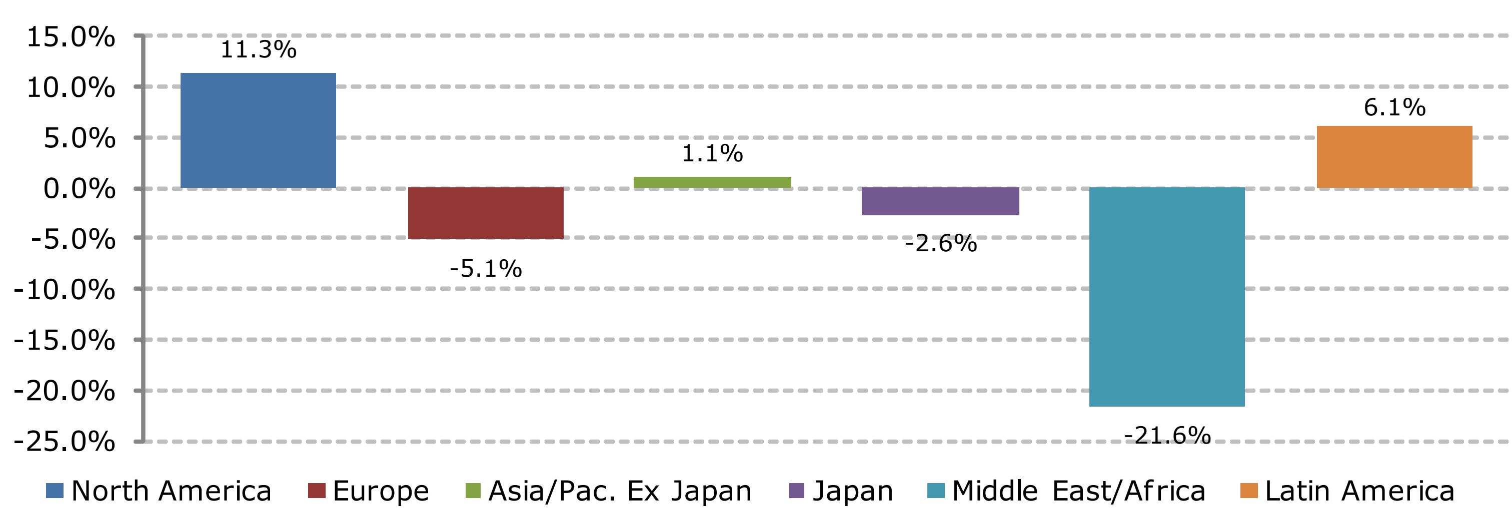
In aggregate, Hong Kong investors finished the 1Q 2010 with total buys narrowly exceeding total sells. By geography, Hong Kong investors were most bullish on Asia/Pacific, North America, and Latin America, while modest selling hit Japan and Europe. Selling in Middle East/Africa securities was pronounced on a percentage basis, but a low base (0.1% of total equities) amplifies a mere -$65M in aggregate selling pressure.

Consistent with 4Q 2009, Templeton Asset Management was behind much of the Latin America interest, with continued buying in Brazilian financials, energy, and mining companies. JF Asset Management remains the metro's largest manager by disclosed assets at $23.2B. Serving as an Asia-focused sub-advisor for JP Morgan, JF maintained a 90% allocation to Asian equities overall with a noteworthy 23% allocation to Indian issuers. RCM Asia Pacific and Fidelity FIL HK rank among the metro's most active in North American and European equities. RCM devotes an outsized 14% of portfolio to North American and European equities, and Fidelity FIL UK ranks among the most frequent meeting attendees for Western issuers. The two firms are apt prospects for Hong Kong road show planning.

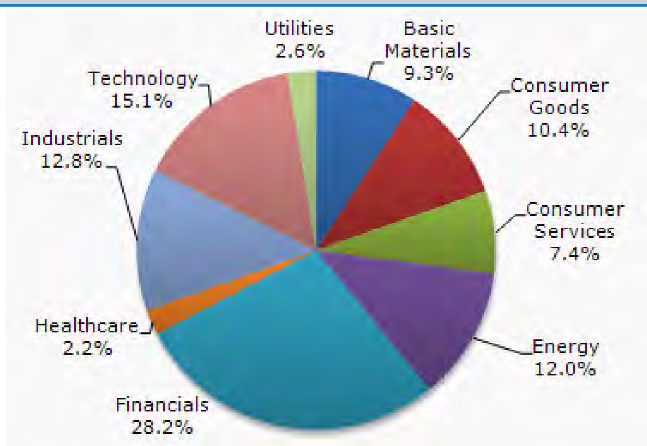
Sector New Activity (% Change)



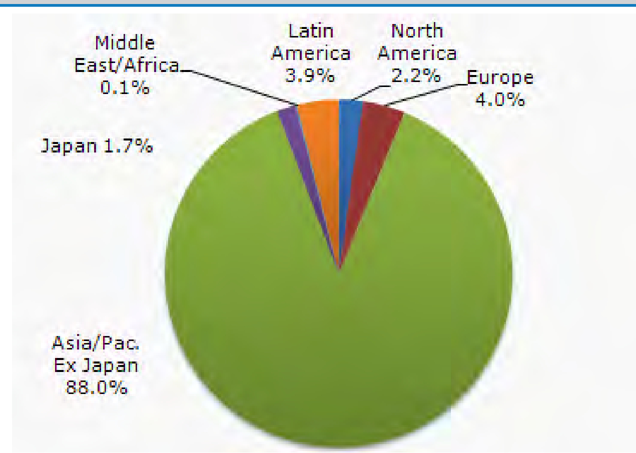
Regional New Activity (% Change)



Sector Allocation



Region Allocation



BUYERS

Investor	Style	Turnover	City	Current Qtr. EQA ($M)	Net Activity ($M)	Previous Qtr. EQA ($M)	QoQ % Δ EQA
1 Prudential Asset Management (Hong Kong), LTD	Value	47%	Central	6,961.5	990.9	5,496.8	26.6%
2 JF Asset Management, LTD	Growth	49%	Central	22,417.2	637.1	20,838.0	7.6%
3 Hang Seng Investment Management, LTD	Index	30%	Central	5,820.2	488.0	5,723.4	1.7%
4 Templeton Asset Management, LTD	Growth	30%	Central	16,258.9	469.7	13,981.3	16.3%
5 First State Investments (Hong Kong), LTD	Growth	26%	Central	7,298.8	194.9	6,239.8	17.0%
6 Hamon Investment Group	Growth	98%	Central	1,601.2	127.2	1,416.9	13.0%
7 Keywise Capital Management (Hong Kong), LTD	Alternative	14%	Central	438.3	123.9	405.4	8.1%
8 GAM (Hong Kong), LTD	Value	89%	Central	1,094.1	88.5	1,052.1	4.0%
9 INVESCO Hong Kong, LTD	Growth	52%	Central	7,808.2	85.6	7,296.5	7.0%
10 Atlantis Investment Management (Hong Kong), LTD	Growth	26%	Central	979.1	69.2	635.2	54.1%
Sub Total:				**70,677.4**	**3,275.0**	**63,085.3**	

SELLERS

Investor	Style	Turnover	City	Current Qtr. EQA ($M)	Net Activity ($M)	Previous Qtr. EQA ($M)	QoQ % Δ EQA
1 Baring Asset Management (Asia), LTD	Growth	62%	Central	7,082.4	-101.5	7,260.9	-2.5%
2 Lloyd George Management (Hong Kong), LTD	Growth	48%	Central	2,204.3	-55.2	1,989.3	10.8%
3 Allianz Global Investors (Hong Kong), LTD	Growth	90%	Central	3,036.1	-53.5	2,853.5	6.4%
4 Daiwa SB Investments (HK), LTD	Growth	86%	Central	300.7	-52.7	336.7	-10.7%
5 Lombard Odier Darier Hentsch (Asia), LTD	Growth	223%	Central	171.7	-51.1	213.2	-19.5%
6 ING Investment Management Asia Pacific (Hong Kong), LTD	Growth	86%	Central	1,087.2	-42.5	1,063.0	2.3%
7 BNP Paribas Investment Partners Asia, LTD	Growth	106%	Central	1,169.5	-35.7	1,178.0	-0.7%
8 RCM Asia Pacific, LTD	Growth	61%	Central	1,944.0	-25.0	1,855.6	4.8%
9 Deutsche Asset Management (Hong Kong), LTD	Growth	126%	Central	174.1	-24.7	157.0	10.9%
10 UBS Global Asset Management (Hong Kong), LTD	Value	11%	Central	216.2	-18.3	233.3	-7.3%
Sub Total:				**17,386.1**	**-460.3**	**17,140.5**	