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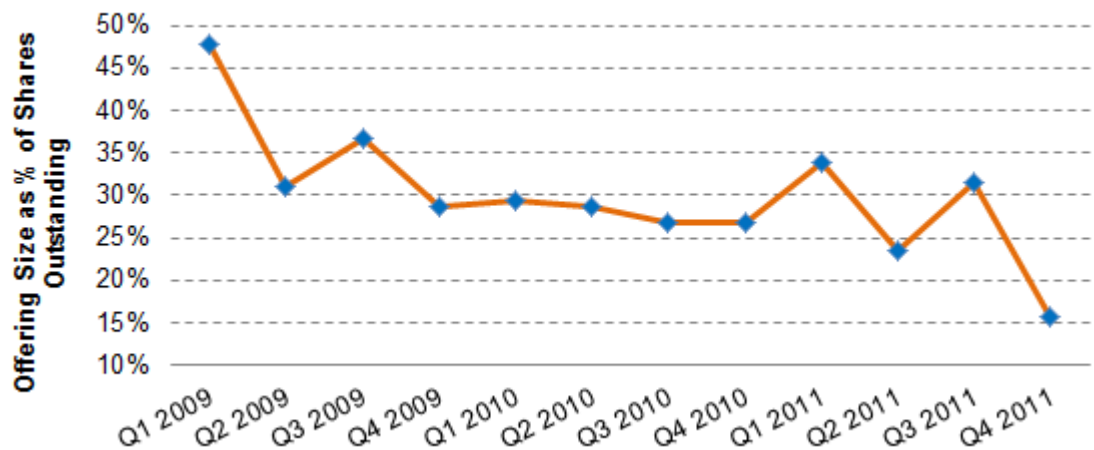
IPO Size – A Percentage of Shares Outstanding & Related Implications

Recently, a number of high-profile issuers made their foray into the U.S. public markets offering a limited amount of shares, measured as a percentage of shares outstanding at offer. With that choice came implications for valuation, after-market performance, and trading behavior. For IROs working with companies looking to go public, this article sheds light on the above-mentioned implications, confirming and extending upon a variety of widely-held observations on the IPO market.

Offer Size Trends Over Time

We begin by exploring the trend in offer sizes over the last three years. Looking at 338 initial public offerings of operating companies on U.S. exchanges since January 2009, we observe a notable decrease in the valuation-weighted offering size as a percentage of shares outstanding at offer. Note that herein company valuation is measured by multiplying the offer price by shares outstanding at offer. Excluding Banco Santander and General Motors, both with market capitalizations more than three times that of other IPOs in our universe (\$51B and \$50B respectively), deals have been shifting towards selling a smaller portion of shares outstanding. While IPOs in the last three years have offered on average 37% of their shares outstanding, deals in 2011 sold an average of 22% of their shares.

Fig 1. Average Valuation-Weighted Offering Size as % of S/O

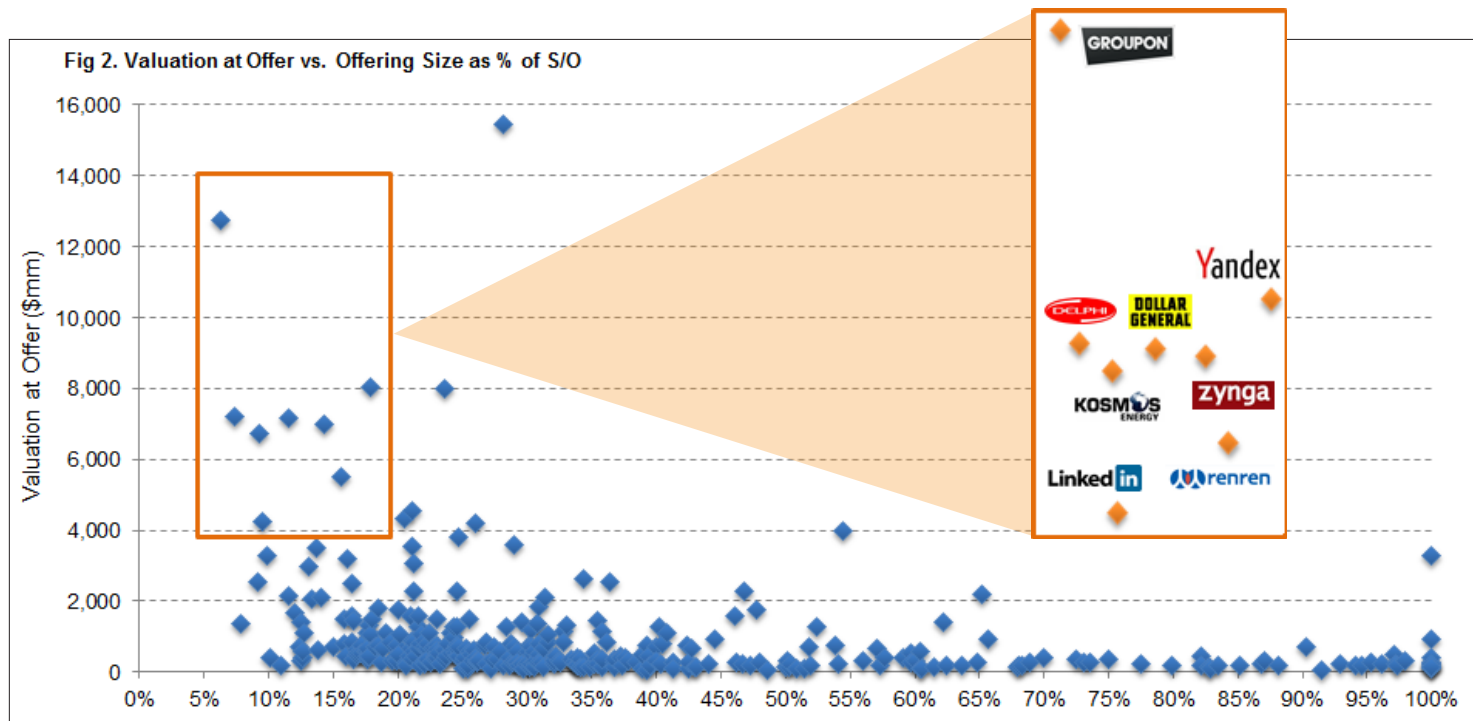


Smaller IPOs naturally lead to a more limited set of initial public investors. This can serve to simplify shareholder communications in the early days post offering, with IROs and management tasked with strengthening relations with a tighter group of stakeholders. Going forward, however, small offerings render subsequent follow-ons virtually inevitable. As such, IROs need to always be playing offense and laying foundations and seeding interest in future demand. Investors who missed full allocations in the IPO, or who missed out entirely provide a suitable demographic for early proactive non-deal outreach.

Offer Size vs. Valuation

Looking at valuation, we observe the relationship between offer size and an issuer’s valuation at offer. Excluding Banco Santander, General Motors, and HCA we see a group of deals (Figure 2) with small offerings relative to shares outstanding and high valuations, owing much to a basic control premium dynamic. The average valuation of this group of eight deals, all offering less than 20% of their shares outstanding, is higher than any other IPO (ex. Banco Santander, GM and HCA). Though other IPOs have offered similarly sized deals as a percentage of shares outstanding, this set is interesting in that all the deals fall into one of two categories – companies operating in the social media and internet space (Groupon, LinkedIn, Zynga, Yandex, RenRen) and companies taken private or formed by premier private equity firms (Dollar General, Delphi, Kosmos Energy). For these two groups of companies strong demand and limited supply supported strong pricing and high valuations.

Though a higher valuation is often viewed positively by issuers, IROs should remain cognizant of the mixed messages a lofty premium can send to investors. Valuation supported in part by limited share supply can easily strike investors as unsustainable. Perceptions of limited margin for error are also often quick to form, particularly for issuers in the Tech space. Small float IROs and management teams must work quickly to establish trust in the marketplace, convincing investors that premiums are warranted and that expectations are being managed appropriately.

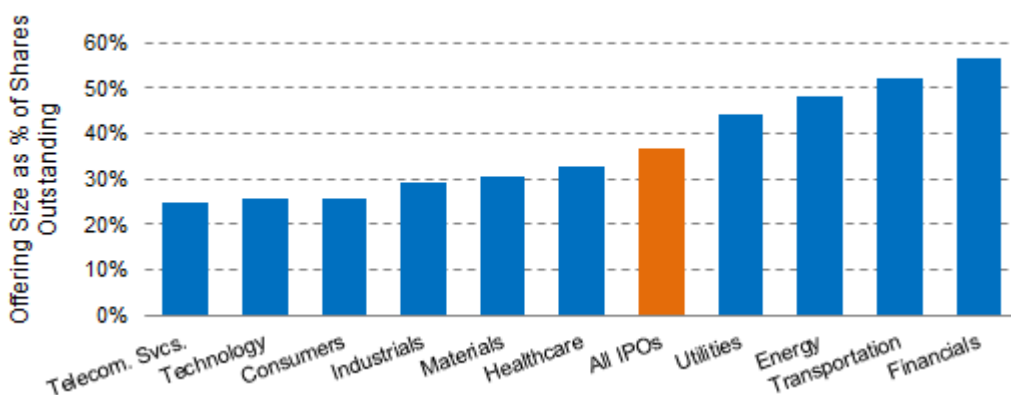


Industry Trends

IPOs from the Technology and Telecommunication Services sectors have, on average, offered the smallest number of shares as a percentage of shares outstanding. This trend has seen additional support recently amid the year’s burst of deals from the social media and internet industries. In particular, LinkedIn and Zynga offered 9% and 14% of their shares outstanding,

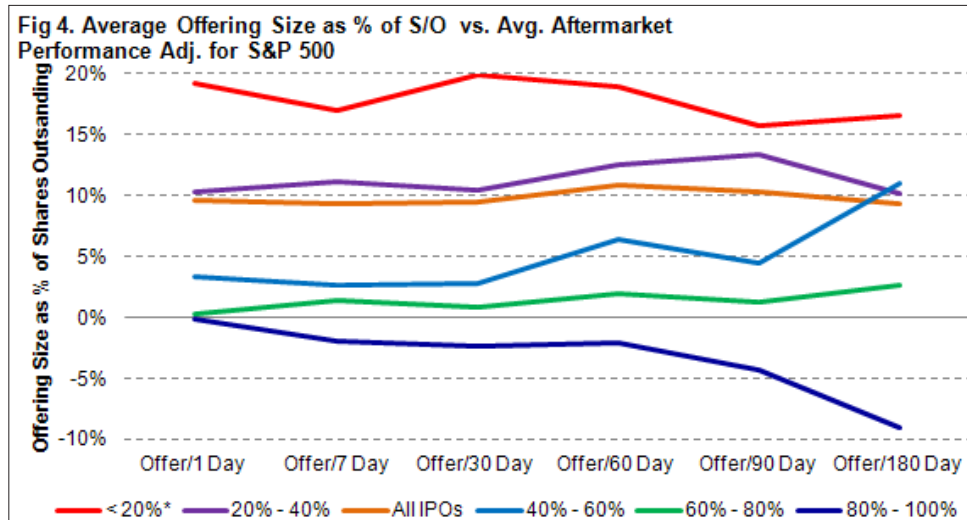
respectively, significantly below market average, while Groupon sold the smallest percentage of all IPOs in the last three years, a mere 6% of shares outstanding. Meanwhile, issuers from the Financial sector had, on average, the highest offer sizes as a percent of shares outstanding, led, as expected, by the REITs sub-sector, whose IPOs sold an average 75% of shares. Excluding REITs, Financials still logs a high 47% of shares outstanding, just behind the Energy sector, which itself draws support from MLP deals. MLPs offer 57% on average, while ex-MLP Energy offerings still see above-average 37% placements. Management and IROs should be aware of precedents as they relate to respective sectors.

Fig 3. Average Offering Sizes as % of S/O – By Industry



After-market Performance

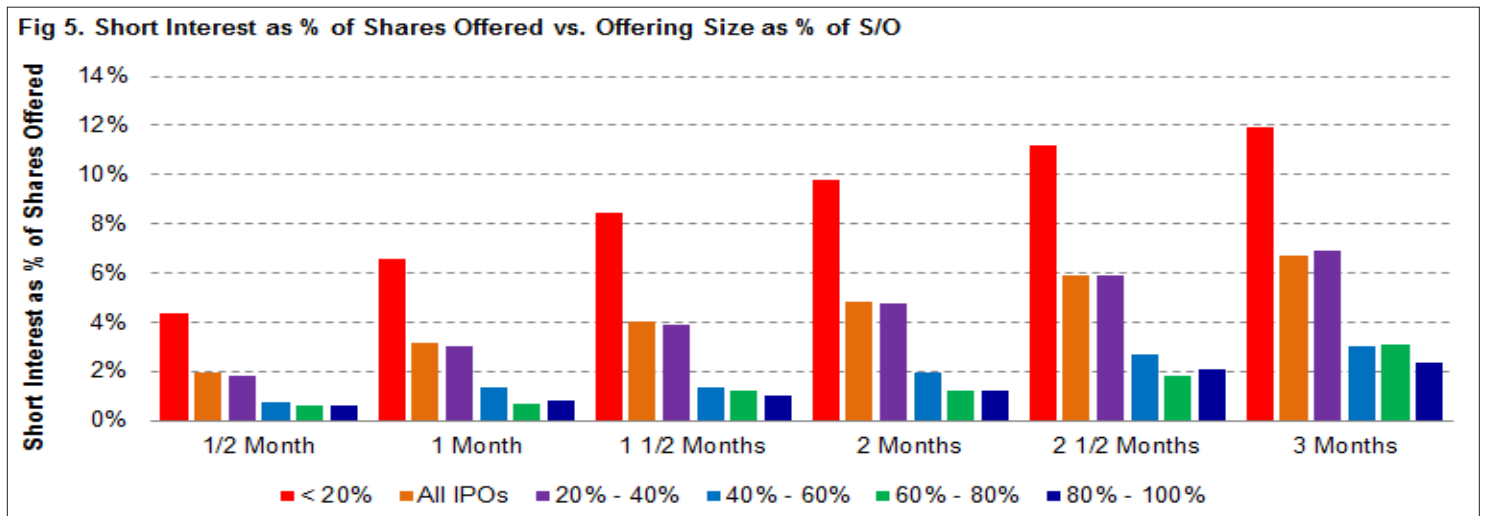
Looking at the after-market performance of IPOs with different offering sizes as a percent of shares outstanding, we note that those with the smallest percentages consistently outperformed other deals in their first six months of trading. IPOs that offered less than 20% of their shares outstanding performed on average 19% better than the S&P 500 in the first day of trading, compared with 10% outperformance across all IPOs. 180 days into trading, IPOs in the <20% group performed on average 17% better than the S&P 500, compared to 9% for all IPOs.



These performance figures suggest that offering a smaller quantity of shares in an IPO could help support valuation even months into trading. As discussed, IROs need to be aware, however, that strong initial price performance and premium valuations narrow the margin of error for company performance. Therefore, expectations need to be managed effectively.

Short Interest

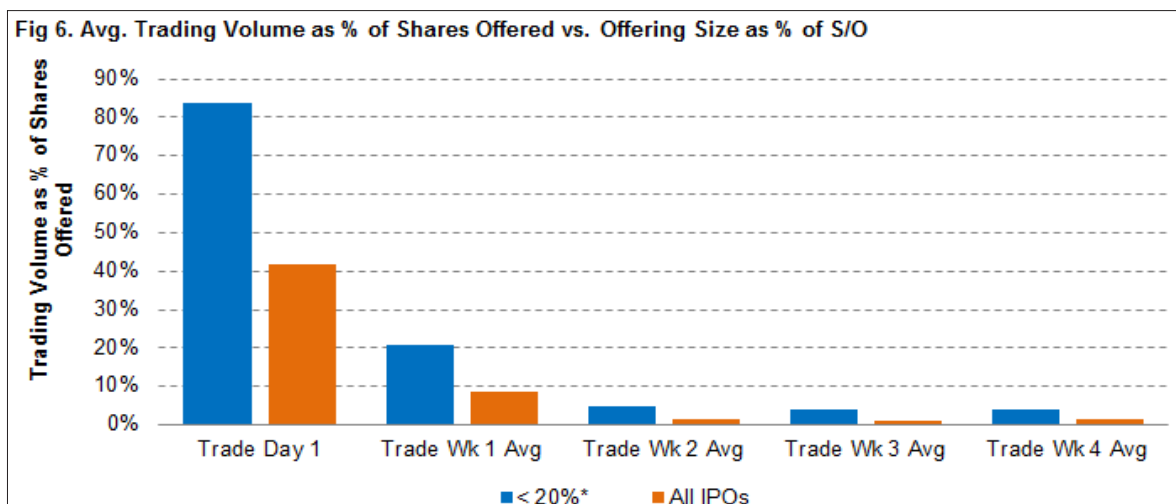
Meanwhile, throughout the first three months of trading, short interest figures for the smallest offerings relative to shares outstanding are higher than those across all IPOs in the study. By three months out, short interest for IPOs in the <20% group has risen to an average 12% of shares offered, nearly twice of the average of 7% across all IPOs. This higher short interest figure is likely attributed to a combination of high valuations and strong pricing performance in the group. Such a trend is important for IROs to note when discussing offer sizes and needs to be weighed against the potential for improved pricing and valuation.



A smaller offering size limits the supply of shares for lending, which can create a high cost to borrow and initially suppress short interest. Heightened trading volume in a stock's initial days of trading augments this pressure as rapid turnover can lead to necessary short covering. IROs need to be aware, however, that such an effect is temporary, and as trading volume subsides and institutional investors begin to lend out shares, short interest can often rise sharply. IROs should work to reinforce a long-term perspective with investors as early trading data will inevitably send mixed signals. IROs should also maintain close contact with their market-making bookrunners and any market intelligence consultants to better understand data and trends and communicate these dynamics back to management.

Trading Volume

Trading volume for deals with smaller offer sizes relative to shares outstanding is significantly higher than volume across the whole IPO universe, especially during the first day of trading. This finding could partially be attributed to heightened demand for the <20% group from investors who missed out in the allocation process due to limited supply. On average, IPOs offering less than 20% of shares outstanding saw first day trading volume of 84% of shares offered, double the 42% across all IPOs in the last three years. Driving average volume figures for the <20% group were the recent social media offerings, with first day trading volume for LinkedIn, Groupon and Zynga at 335%, 124%, and 117% of shares offered, respectively.

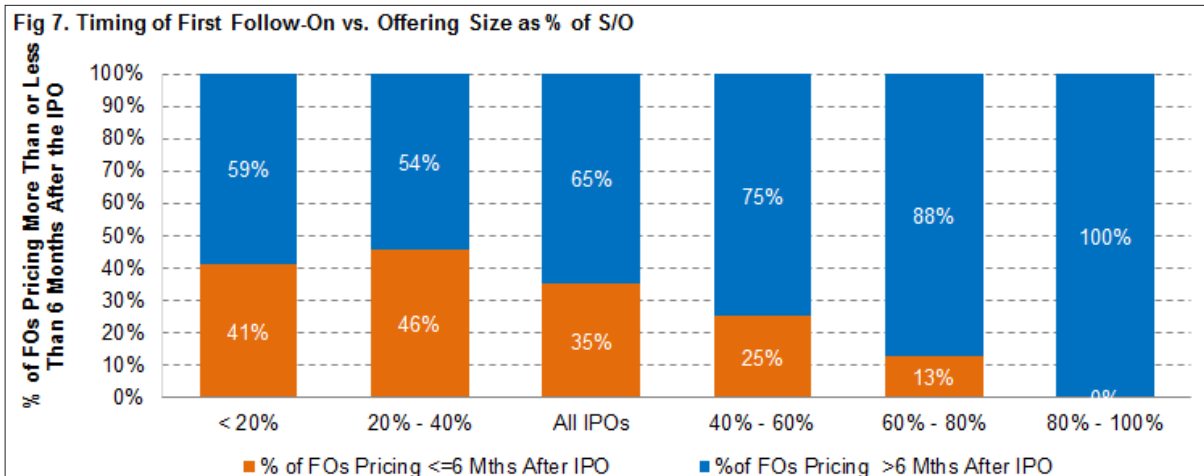


In addition to sending mixed data signals, high turnover seen in the first days of trading suggests that the investor base even days after the IPO could be very different from the initial pot. Again, it is crucial for IROs to get to know the ownership base quickly, focusing on cultivating and strengthening relationships with managers known for lower turnover and longer holding periods.

Timing of First Follow-On

Finally, we examine the timing of the first follow-on offering, if any, of the 338 IPOs in our universe. As anticipated, we observe issuers that offered fewer shares in their IPOs were more likely to execute follow-ons sooner than those that offered a higher percentage of shares outstanding. The <20% group executed a follow-on an average of seven months after going public, compared with nine months across all IPOs. The strong average after-market performance, mentioned above, of smaller offerings may allow firms and PE-backers to raise additional capital or monetize through a follow-on offering more quickly than peers with larger IPO offer sizes as a percentage of shares outstanding.

For companies that offer a relatively small portion of shares in the IPO, IROs need to track those interested investors that were not allocated shares in the initial offering. These investors are great candidates for any secondary offerings and will diversify the investor base. Additionally, investors in the IPO that still retained their shares at the time of the secondary are also prime candidates due to their familiarity with the company.



Where We’re Headed & Closing Thoughts

Key drivers in the recent trend toward smaller offerings included a spate of high-profile internet IPOs and sponsor-backed issuance, as well as persistent volatility. These factors helped rationalize the small-float offering as a means to test the public waters and hedge underperformance. Looking ahead to 2012, however, the current backlog looks different than a year-ago. With the exception of the anticipated Facebook filing, few high-profile Tech and social media deals remain on deck. While the Tech sector still ranks high in the backlog, its strength is traced to a multitude of smaller deals— 84% of which anticipate \$100mm or less in proceeds. Additionally, the backlog of marquee sponsor-backed deals remains thin as PE firms will likely wait for more favorable market conditions. Meanwhile, Energy currently stands as king of the backlog, with 14 deals seeking \$3.7 billion in total proceeds. Our sample revealed larger-than-average offer sizes from the Energy group and MLPs in particular, together selling an average 48% of shares outstanding. All in all, the market average offer size may be set to rise for 2012.

A smaller offering creates unique trading patterns and ownership dynamics for IPOs. IROs of newly public companies will find themselves in a unique position to add value interpreting market signals for management, and shaping a growing shareholder base. As discussed, valuations supported by limited supply will often work to dissuade investors from early participation post-offering. IROs and management teams must work quickly to establish trust in the marketplace and keep observers focused on the long-term.

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13F Review – Q3 2011 Ownership

After seeing strong buying activity in the first half of 2011, global markets cooled off in the third quarter amid renewed fears of a sustained global economic slowdown and a possible double-dip recession. The third quarter was plagued by headlines proclaiming what seemed like an inevitable Greek default that would ultimately put the whole euro zone economy at risk. Additionally, investor sentiment took another hit when the S&P downgraded the U.S.'s debt rating as the country's leaders could not come to terms on a bipartisan plan to trim deficits. The two events sent global markets into a volatile flux that put many of the world's top economies back on edge.

This report examines how investors fared during the volatile third quarter, looking at the major buying and selling activity across a global universe of institutional investors. Using Ipreo research, we highlighted what some of the top buyers and sellers were doing, including how global investors allocated capital across various regions and industries. Throughout the report, we use the "net activity" measure to gauge investor sentiment and track capital flows. Net activity is calculated by looking at quarterly share changes across every investors' underlying positions, multiplying by every securities' end-of-period price, and aggregating the resulting values. The measure avoids using period-over-period value change, thus isolating investor discretion and excluding the effect of price swings during the period.

Investor Activity

Increased Exposure				Decreased Exposure			
Investor Name	Country	Investor Style	% Δ Net Activity	Investor Name	Country	Investor Style	% Δ Net Activity
Tier 1				Tier 1			
Winslow Capital Mgmt	United States	Agg. Growth	14.9%	Deutsche Bank Trust Company	United States	Value	-23.4%
Van Eck Associates Corporation	United States	Growth	13.6%	AXA Investment Managers	France	Growth	-19.9%
Manulife Asset Mgmt	Canada	Value	12.0%	M&G Investment Mgmt	United Kingdom	Growth	-14.2%
Berkshire Hathaway	United States	Value	11.1%	Templeton Asset Mgmt	Singapore	GARP	-9.2%
Tradewinds Global Investors	United States	Deep Value	9.9%	HSBC Global Asset Mgmt	United Kingdom	Growth	-8.9%
Tier 2				Tier 2			
Hamis Investment Mgmt	United States	Value	50.0%	Barclays Private Bank	United Kingdom	GARP	-36.4%
First Pacific Advisors	United States	GARP	18.9%	RBC Dominion Securities	Canada	Value	-26.5%
BNP Paribas Investment Partners	Netherlands	Value	18.7%	Scout Investments	United States	Growth	-21.0%
AMP Capital Investors	Australia	Value	18.5%	Turner Investment Partners	United States	Agg. Growth	-16.3%
Yaokman Asset Mgmt Co.	United States	Growth	16.5%	First Trust Advisors	United States	Growth	-15.7%
Hedge Funds				Hedge Funds			
Pershing Square Capital Mgmt	United States	Alternative	31.5%	Vinik Asset Mgmt	United States	Alternative	-17.1%
ValueAct Capital Mgmt	United States	Alternative	27.9%	Two Sigma Investments	United States	Alternative	-13.2%
Morgan Stanley Hedge Fund Partners	United States	Alternative	24.2%	Paulson & Company	United States	Alternative	-11.3%
Windhaven Investment Mgmt	United States	Specialty	19.6%	Maverick Capital	United States	Alternative	-10.1%
Greenlight Capital	United States	Alternative	14.5%	Blue Ridge Capital	United States	Alternative	-9.7%

*Tier 1 EAUM > \$20B

**Tier 2 > \$20B > EAUM > \$5B

Overview

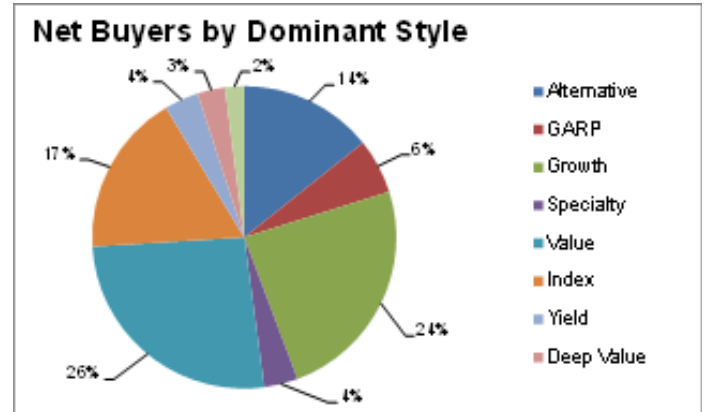
Although looming macro uncertainty caused markets to plunge in the third quarter, buying and selling activity was mixed during the period. Overall, institutional investors sold a net \$12 billion of equity capital in the third quarter, representing only a seven basis point decrease in net activity. Additionally, the count ratio of buyers to sellers was nearly balanced during the period, as 51% of investors in our universe increased exposure towards equities.

Buyers

While buying was spread across all investor types, Value investors accounted for more than a quarter of the buying activity as deflated prices and low multiples attracted investors looking for undervalued stocks.

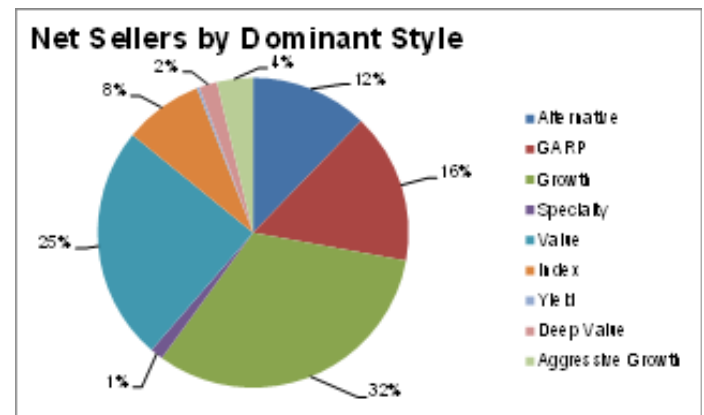
Warren Buffett's Berkshire Hathaway was a significant buyer in the third quarter, making substantial investments in the Financial and Technology sectors due to appealingly low valuations. Notably, Berkshire made a well-publicized \$5 billion investment in Bank of America and doubled its holding in IBM to over \$10 billion. Additionally, Berkshire considerably upped its positions in Wells Fargo, Intel Corp, and Visa.

Growth investors Winslow Capital and Van Eck Associates led Tier 1 buyers, increasing assets allocated to equities by 14.9% and 13.6%, respectively, during the period. Despite decreasing its top holding, Apple, by 9%, Winslow boosted its stakes in 29 of its top 30 holdings with an average investment of over \$110 million. As a testament to the extent of volatility in the Materials space, specialized investor Van Eck Associates conducted an aggressive buying spree in the underperforming sector during the period. Excluding its newly acquired stake in AngloGold Ashanti, Van Eck upped its investment in nine of its ten top holdings, all of which hail from the Metals and Mining sub-sectors, by an average of 25.2% throughout the quarter. On aggregate, the company invested a net \$3.6 billion in the Metals and Mining space, representing a 32.1% increase from the second quarter.



Sellers

With the distress of the financial crisis fresh in investors' minds, many managers were ready to scale down positions with the threat of recession on the horizon. Faced with deciding between whether the massive selloff was just a temporary correction or rather, a legitimate reaction to long term macro concerns, many investors were inclined to choose the latter. While a slumping market presented some investors with a buying opportunity, it also caused some investors to reevaluate their risk exposure to higher beta equities. Consequently, the notable increases in selling activity came from Growth-oriented investors, as Growth, GARP, and Aggressive Growth styles accounted for more than half of the selling during the quarter.



M&G Investment Management, a U.K. Tier 1 Growth-investor, was a prominent seller, seeing a 14.2% decrease in net activity during the quarter. With the euro zone fiasco unraveling in its backyard, M&G found it hard to justify buying anything, increasing stakes in only 12 of its top 50 holdings, with an average investment of \$65 million. Conversely, M&G reduced positions by an average of \$280 million in half of its top 50 holdings. HSBC was another U.K. Growth investor that shed equity assets during the third quarter as the company experienced an 8.9% decrease in net activity. Like other U.K. investors, it appeared HSBC looked to cut its exposure to U.S. equities (see Geographic Overview section) as it scaled back investments in 37 of its top 50 U.S. holdings. Overall, HSBC decreased positions in nearly 60% of its U.S. positions including large cuts to blue chip companies like Exxon, AT&T, Philip Morris, Bank of America, General Electric and McDonalds. Conversely, Scout Investments, which was the top seller of all Tier 2 investors, was notably bearish on non-United States domiciled stocks, as the firm was a large net seller of South American and Asian-based securities. The firm decreased exposure to Asia by nearly 3%, while reducing its position in South American corporations by over 19%.

Separately, hedge fund managers were faced with rising redemption requests as clients grew jittery of the rampant volatility and cut back their risk tolerance. Amid rumored underperformance and redemptions, Paulson & Co. decreased equity asset exposure by 11.3% in the third quarter with the biggest cut coming from its top holding. The vocal gold bull slashed bullion

holdings by a third during the period, liquidating almost \$2 billion in the SPDR Gold Trust ETF. The massive selloff accounted for about 55% of the fund's reported selling activity. Conversely, Vinik Asset Management, the top seller among hedge fund investors, tripled its stake in the same Gold ETF to \$533 million. However, Vinik succumbed to similar market pressures, selling off 17.1% of its equity assets and completely liquidating almost half its positions in the third quarter, particularly in the Materials and Industrials sectors.

Global Capital Flows

Over the third quarter of 2011 net activity in three out of five geographic regions was positive. The largest increase in assets was seen in the Asia/Pacific market, where equity assets grew by nearly 1%. As might be expected, Europe was one of only two regions that saw a decline in equity assets over the quarter. Europe's macroeconomic problems are well publicized, and these issues are likely the cause of cautious investor activity. North American equity asset growth was largely flat over the quarter, expanding by a modest 0.09%. The largest change in absolute terms was a -1.57% decline in Latin American equity assets. This decline must be taken in the context of the overall Latin American market though, as Latin America is by far the smallest region in terms of equity assets, and thus is most prone to large percentage shifts in relative net activity. A possible explanation for this drop in net activity could be related to the prevalence of Basic Materials companies in the region, which struggled with falling commodity prices over the third quarter and experienced a global decrease in net activity.

	EAUM (\$B)	Net Activity (\$B)	% Δ EAUM
North America	11,705,023.5	11,018.4	0.09%
Europe	3,746,469.8	-13,819.5	-0.37%
Asia/Pacific	1,749,541.0	16,947.7	0.98%
Middle East/Africa	237,153.0	1,132.1	0.48%
Latin America	114,663.3	-1,824.7	-1.57%

Global Investment Matrix

The investment matrix below highlights the aggregated movements of investors based on the location of both the investor and the securities in which they are invested. The United States represents the largest money center by equity assets, followed by the United Kingdom and then Canada. A notable trend is the movement of United States investors out of Asian domiciled securities and into U.S. and United Kingdom based securities. Canadian investors seem to be following the same trend as U.S. investors, as they too have recently sold Asian domiciled securities in hot economies such as China in favor of North American equities.

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Investor Country	Total EAUM	Security Domicile									
		United States	United Kingdom	Canada	China	Japan	France	Norway	Sweden	Netherlands	Singapore
United States	10,924,804.4	0.13%	0.50%	0.02%	-1.64%	-1.51%	0.47%	-1.77%	-5.84%	2.95%	-1.02%
United Kingdom	1,851,505.7	-3.33%	-1.05%	3.25%	1.85%	1.69%	-0.41%	5.90%	1.56%	0.61%	3.35%
Canada	761,712.6	0.94%	0.81%	0.42%	-1.09%	-2.00%	-0.04%	-2.61%	1.45%	6.51%	-5.30%
China	471,445.4	0.00%	-0.57%	0.00%	0.58%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Japan	465,502.3	4.33%	-3.81%	24.01%	-5.23%	3.13%	-0.81%	-12.52%	-2.31%	-13.57%	-2.20%
France	371,318.8	-13.66%	-5.51%	2.66%	3.55%	6.94%	0.34%	1.82%	1.17%	2.70%	1.05%
Norway	330,397.9	0.13%	2.13%	-0.16%	1.70%	-0.40%	0.27%	-2.28%	-0.11%	3.15%	-0.72%
Sweden	237,405.5	-1.63%	-6.39%	10.26%	4.57%	-0.06%	-2.82%	-3.30%	-1.52%	-4.18%	-1.90%
Netherlands	212,851.7	7.33%	0.69%	8.36%	-0.88%	-2.39%	2.54%	0.48%	2.23%	0.24%	-1.45%
Singapore	208,238.0	-16.60%	1.29%	8.39%	-1.12%	-0.17%	1.32%	972.90%	-4.65%	5.93%	-0.76%
Germany	203,927.7	0.16%	-4.69%	-0.24%	-9.36%	1.04%	-1.48%	-1.73%	2.62%	-1.08%	-8.94%
Switzerland	193,372.9	1.10%	-2.15%	0.57%	-0.19%	3.28%	-4.95%	2.59%	4.24%	13.29%	20.47%
Australia	153,009.7	8.96%	0.10%	-16.68%	6.33%	-5.57%	-3.92%	134.70%	6.46%	8.08%	-4.65%
Hong Kong	144,169.5	-6.21%	-1.30%	-3.18%	1.78%	1.64%	-5.43%	-0.59%	-42.78%	23.68%	2.44%

Another trend worth noting is Japan, the world’s fifth largest investment country by equity assets under management, moving out of European securities and into North American-based securities. Japanese investors have decreased exposure to companies based in the United Kingdom, France, Norway, Sweden, and the Netherlands, while increasing exposure to U.S. and Canadian securities.

United States based securities have seen significant outflows from investors in the U.K. and France as these investors increased overall exposure to Norway, Sweden, and the Netherlands. These three Northern European countries have seen recent inflows as investors deem them to be better positioned for the future than other, more risky, European countries that have seen bank defaults and increasing debt. In contrast, U.S. investors heavily increased investments in Netherlands based securities, while reducing exposure to the Nordic Countries.

Industry Capital Flows

The largest macro-industry increase in value over the third quarter was attributable to Financials, which saw net inflows of \$29.2B. Many stocks in the Financial industry trade at relatively low valuations, which could explain why investors might find them attractive despite inherent risks. The Utilities sector saw the second largest percentage change, with an increase of 0.6% over the third quarter. With continued unrest in Europe many investors sought out relatively less volatile equity securities that provide dividend income, which contributed to the investment inflow into Utilities. Industrials, a traditionally cyclical industry with a high dependency on macro conditions, saw the greatest decline in value of investments, at -0.76%.

	Value (\$B)	Net Activity (\$B)	% Δ
Financials	3,684,257.0	29,225.7	0.80%
Technology	2,760,026.8	-3,642.8	-0.13%
Consumer Services	1,900,230.1	-4,753.6	-0.25%
Consumer Goods	1,862,072.5	-6,104.5	-0.33%
Industrials	1,838,194.5	-14,039.3	-0.76%
Energy	1,815,747.5	3,196.4	0.18%
Healthcare	1,599,071.9	-9,369.6	-0.58%
Basic Materials	1,298,272.1	-9.4	0.00%
Utilities	571,095.9	3,428.0	0.60%

Industry Investment Matrix:

Investor Country	Total EAUM	Industry								
		Basic Materials	Consumer Goods	Consumer Services	Energy	Financials	Healthcare	Industrials	Technology	Utilities
United States	10,924,804.4	-0.08%	-0.37%	-0.43%	0.67%	0.85%	-0.70%	-0.92%	-0.17%	1.14%
United Kingdom	1,851,505.7	-0.30%	-1.26%	-0.59%	-1.25%	-0.54%	-0.49%	-1.55%	-0.48%	-3.08%
Canada	761,712.6	0.67%	-0.32%	-0.71%	-0.36%	1.10%	-2.81%	-1.46%	0.81%	3.34%
China	471,445.4	-0.70%	-0.10%	1.05%	0.78%	0.37%	-1.23%	1.05%	1.59%	2.35%
Japan	465,502.3	1.38%	0.53%	-0.79%	0.93%	4.98%	1.78%	1.83%	2.22%	1.56%
France	371,318.8	-1.74%	-1.57%	-3.13%	-2.09%	-1.42%	-1.47%	-1.56%	-2.73%	0.62%
Norway	330,397.9	2.25%	0.59%	0.67%	0.40%	2.83%	-0.15%	0.58%	-0.15%	-0.42%
Sweden	237,405.5	0.14%	-1.06%	-0.71%	-1.86%	-1.26%	-3.25%	-1.67%	-1.04%	-3.85%
Netherlands	212,851.7	1.33%	1.42%	4.16%	2.61%	1.92%	6.09%	4.21%	1.33%	1.78%
Singapore	208,238.0	-7.70%	-1.35%	2.07%	-2.79%	-3.25%	-6.95%	-3.67%	0.15%	-1.61%
Germany	203,927.7	-1.58%	1.97%	-0.90%	-1.19%	0.01%	4.45%	1.52%	-0.41%	4.99%
Switzerland	193,372.9	-0.67%	0.65%	1.96%	1.82%	1.15%	0.74%	-1.88%	4.31%	-6.03%
Australia	153,009.7	0.34%	-4.87%	1.32%	-3.04%	8.88%	-1.90%	-0.72%	-2.34%	4.13%
Hong Kong	144,169.5	-3.69%	-1.09%	-0.69%	-1.72%	-0.98%	-4.72%	-0.43%	-1.51%	-1.04%

The above matrix highlights the global aggregated sector movements of investor countries over the third quarter. U.S. investors reduced equity exposure to most sectors, although U.S. investors did rotate into the Energy, Financials, and Utilities sectors over the quarter. In addition to U.S. investors, the Financial sector also saw inflows from a number of other countries, most notably Canada, Japan, Norway, and Australia. Investors in these countries might view the Financial sector as relatively undervalued, as price levels remain depressed.

In contrast to Financials, the Healthcare sector saw investors in a number of countries rotate out of the space. The United States, Canada, China, France and Sweden all saw declines in assets invested in the Healthcare space over the third quarter. Companies in the Energy sector also saw a number of investor countries rotate out of the space, including the United Kingdom, Canada, France, Sweden, and Singapore. The two largest European Investor Countries, the U.K. and France, both saw a decrease in equity assets in nearly every sector. Europe’s current debt crisis remains a concern, and most likely explains much of the decline in equity assets in these prominent European economies.

The third quarter of 2011 saw a resurfacing of volatility reminiscent of 2008 during the throes of the global financial crisis. Growing uncertainty surrounding the European debt crisis, among other macroeconomic concerns, caused investors to question the sustainability of the global market’s recovery and reevaluate portfolio allocation decisions. In the face of such uncertainty, issuers should be conscious of the diverse opportunities afforded by a global economy.

Author: Paul Donovan & Michael Lipori

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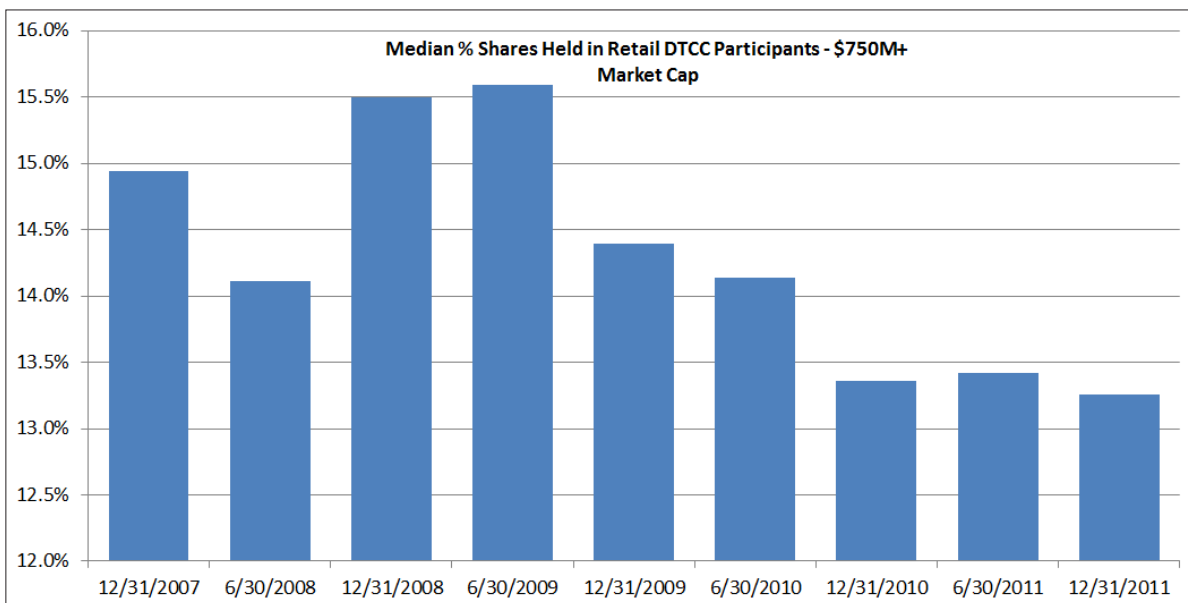
Retail Sales Up - Bad News for Stocks

It's been a tough few years for equity investors. The financial crisis, the May 2010 "Flash Crash," historically high stock market volatility and correlation, and the Eurozone crisis, have all exacted their price. The dynamics and dour expectations of the equity markets coupled with an ongoing debate regarding today's market structure, especially high frequency trading, have impacted the confidence that individual retail investors have in equity investing. Anecdotally, the general media and business media have provided "man on the street"-type stories detailing retail investors' disillusion with the stock market. The general feeling is that the little guy is playing the fool in a game dominated by algorithms and supercomputers.

Statistically, equity mutual funds, an important investment channel for retail investors, have seen month after month of asset outflows. According to Morningstar, during 2010 and 2011, equity mutual fund assets declined in 18 of 24 months, racking up a cumulative asset decrease of 4.3% over the two-year period. At the same time, we have witnessed a move towards investing in Exchange Traded Funds (ETFs), which are akin to publicly traded index funds that track the performance of both broad indexes and narrow industries. During the past two years, assets allocated to ETFs have grown 22.8%. ETFs, however, are not as ideal of a barometer of retail sentiment as open-end mutual funds, due to the growing use of ETFs by institutional investors.

What have individual investors been doing?

The aforementioned mutual fund flow statistics are the most commonly used proxy of retail demand for equities. Ipreo, however, has taken a different look at retail investment flow by examining the cumulative share balances across our client base (minimum market cap of \$750M) of the most prominent retail brokers (e.g. Charles Schwab, TD Ameritrade, E*Trade) clearing through the Depository Trust & Clearing Corporation (DTCC). The DTCC balances, which represent a large percentage of each company's total retail ownership, provide us with a trajectory of direct retail investment. We believe that these direct investment statistics are a more accurate indication of the long-term direction of retail investing in equities. Mutual fund flows will often rise and fall with the performance of the overall market. Buy and sell decisions on single stocks made by retail investors carry a longer term relevance than fund flow statistics. The chart below illustrates data going back to year-end 2007. Ownership by retail investors actually peaked in June 2009 at over 15.5% of DTCC shares amidst the financial crisis, a period of severe equity price depression in which retail investors were possibly bargain hunting. Since that time, however, there has been a steady decline in retail ownership, which at year-end 2011 stood below 13.5% of DTCC shares. In two years, a constituency that many companies take for granted as the most loyal part of their shareholder base, experienced an ownership decline of a not-so-insignificant 13.0%.



The pursuit of the retail investor has certainly fallen down the priority list of most IROs, and the time-consuming job of fielding queries from retail investors is often outsourced to a company's transfer agent. Most of the companies we work with focus their time and attention on the maintenance and growth of institutional ownership. Despite the limited upside of pursuing the retail investor and the cost in maintaining them as shareholders, a long-term move out of equities by retail investors would certainly come with consequences that could negatively impact valuations and add to the short-termism that afflicts today's markets. We certainly hope the recent trend of waning interest in equities by retail investors can be turned around, but at this point don't expect the fools to rush back in.

Author: Chris Taylor

Chris is EVP & Managing Director, Global Investor Relations at Ipreo.

BetterIR - Firm Snapshot

Targeted Firm: Artisan Partners, L.P. (\$42,741M EAUM)

Targeting Profile:

Founded in 1994, independently-owned Artisan Partners manages \$42.7B in equity assets. The firm is headquartered in Milwaukee, but maintains offices in Atlanta, New York, and San Francisco as well. Across these four offices, five fully autonomous portfolio management teams work independently to pursue distinct equity strategies. Artisan states that the autonomous structure allows each team to develop “original research and independent perspectives” while also utilizing the “robust centralized infrastructure” provided by the parent company. The five investment teams are the Global Equity Team, which manages approximately 30% of the firm’s total equity assets, U.S. Value Team (26%), Growth Team (20%), Global Value (20%), and Emerging Markets (4%).

Any issuer that hopes to find an audience with Artisan Partners would be wise to identify which investment team is the appropriate fit for investor outreach. The Global Equity and Global Value teams focus almost exclusively on corporations headquartered outside of the United States, with the Global Equity team following a mostly growth-oriented strategy. The U.S. Value team and the Growth team both focus on domestic investments in the Mid and Small-Cap space, while the Emerging Markets team, as expected, seeks attractive investments based in emerging economies. The teams are spread across the country, with the Global Value and Global Equity teams calling San Francisco home, the Growth team located in Milwaukee, U.S. Value in Atlanta, and the Emerging Markets team in New York City.

How to Approach:

Each autonomous team has a distinctive investment process that underlies buy and sell decisions. The Global Equity team, which is the largest team by EAUM, looks for companies located outside of the United States that offer sustainable growth and reasonable valuation. The team has recently increased exposure to Large-Cap securities, as well issuers in the Consumer Goods and Financials industry. The U.S. Value team, led by portfolio managers Scott Satterwhite and James Kieffer, seeks domestic companies with low valuation multiples, in sound financial condition,

and with attractive business economics. The Global Value team, which manages the \$4.1B Artisan International Value Fund, looks for non-U.S. undervalued stocks with a quality business model and shareholder-oriented management. The Milwaukee-based Growth team follows a GARP strategy and seeks investments with attractive valuation as well as accelerating profit cycles. The Growth team has recently increased exposure to Small-Cap issuers while also rotating into the Consumer Goods and Energy sectors. Finally, the Emerging Markets team attempts to find investments in emerging economies that are “uniquely positioned to benefit from that [economy’s] growth potential.”

How not to Approach:

On a firm-wide basis, Artisan Partners tends to shy away from larger issuers, as the firm devotes less than 30% of equity assets to Large and Mega-Cap investments- a figure that is generally below the industry average. From an industry perspective, the firm has displayed a negative sentiment towards the Utilities space (-34.5%) and the Computer Software and Services mid-industry (-2.8%). In terms of investment teams, both the Global Equity team and the Growth team have recently been net sellers of Industrials, while the Global Value team has recently rotated out of the Technology space.

Largest Funds Managed:

- Artisan International Fund (\$7.6B EAUM)
- Artisan Mid Cap Value Fund (\$6.0B EAUM)
- Artisan Mid Cap Fund (\$4.8B EAUM)
- Artisan International Value Fund (\$4.1B EAUM)

Portfolio Fundamentals:

- Forward P/E: 19.5x
- 5 Yr Proj. Growth Rate: 14.8%
- Dividend Yield: 1.6%
- Price/Book: 3.7x

Average Equity Holding Period: 2.3 Years

BetterIR - Fund Snapshot

Targeted Fund: Eaton Vance Tax-Managed Diversified Equity Income Fund (1,599M EAUM)

Portfolio Managers:

- Michael Allison, Walter Row

Targeting Profile:

The \$1.6B Eaton Vance Tax-Managed Diversified Equity Income Fund is co-managed by Walter Row and Michael Allison. The fund seeks to increase shareholders returns through three distinct equity strategies: investing in stocks with high dividend yields, selling covered calls on the S&P 500 index, and investing in undervalued stocks with the potential for capital gains. Each of these strategies attempts to maximize after-tax gains for investors by taking advantage of relatively lower capital gains taxes and returning money to shareholders quarterly.

When identifying stocks for potential investment the fund primarily seeks high-yielding large- and mega-cap U.S. stocks; its portfolio has an average dividend yield above that of the benchmark S&P 500 index, at 2.4%. Although the fund's primary objective is to provide current income to investors, the fund is still willing to invest in companies that do not pay a dividend as long the investment appears undervalued. An example of this would be the fund's sizable investment in Apple; the fund's largest holding at over 4% of the portfolio, which does not pay a dividend.

In addition to dividend income, the fund also utilizes a covered-call strategy as a means of generating income. The fund actively writes short-term call options on the S&P 500 Index and collects the option premium as income. For the year ending 10/31, the fund wrote 83,600 call options and received premiums worth \$162.5M. When selecting a strike price at which to write these options, the fund does not attempt to speculate on the future value of the S&P 500, but rather selects the next highest strike price above current index levels. By doing so, the fund forgoes capital appreciation above the strike price, but collects a higher premium than would be gained from writing far out-of-the-money calls. The fund also tends to write call options with short maturities- in most cases option expiration is in less than one month. Although this strategy provides a steady stream of income, it can limit the funds upside when the underlying index rises. This was the case for the year

ending 10/31, when the S&P 500 rose 8.1% while the funds NAV fell by 0.3%. Over this same period, the covered-call strategy detracted from overall performance, although fund volatility was reduced by the sale of call options.

How to Approach:

In order to follow the investment mandate of earning income through dividends and writing covered calls, the fund invests in a fairly specific type of security. Issuers that pay an above-average dividend should have success in garnering interest from Row and Allison, as dividend income is an integral aspect of the fund's strategy. The fund will invest in all sectors, but in regards to size, heavily favors Mega and Large-cap securities, which combine to account for 93% of the overall portfolio. Companies included within the S&P 500 Index might also be attractive to the portfolio management team, as writing covered calls on the S&P 500 index requires ownership of the underlying securities. Of the 137 securities the fund is currently invested in, 74 (54%) are S&P 500 constituents.

How not to Approach:

As alluded to above, Small and Mid-cap companies may have trouble drawing interest from the fund, as only 7% of equity assets are allocated to these smaller issuers. Corporations outside of the United States and Europe are likely to be excluded from investment as well, as less than 2% of the portfolio is invested in regions other than North America and Europe. Finally, high-valued issuers that do not pay a dividend might find it difficult to garner attention from the fund management team, as stock appreciation is a secondary concern behind income generation.

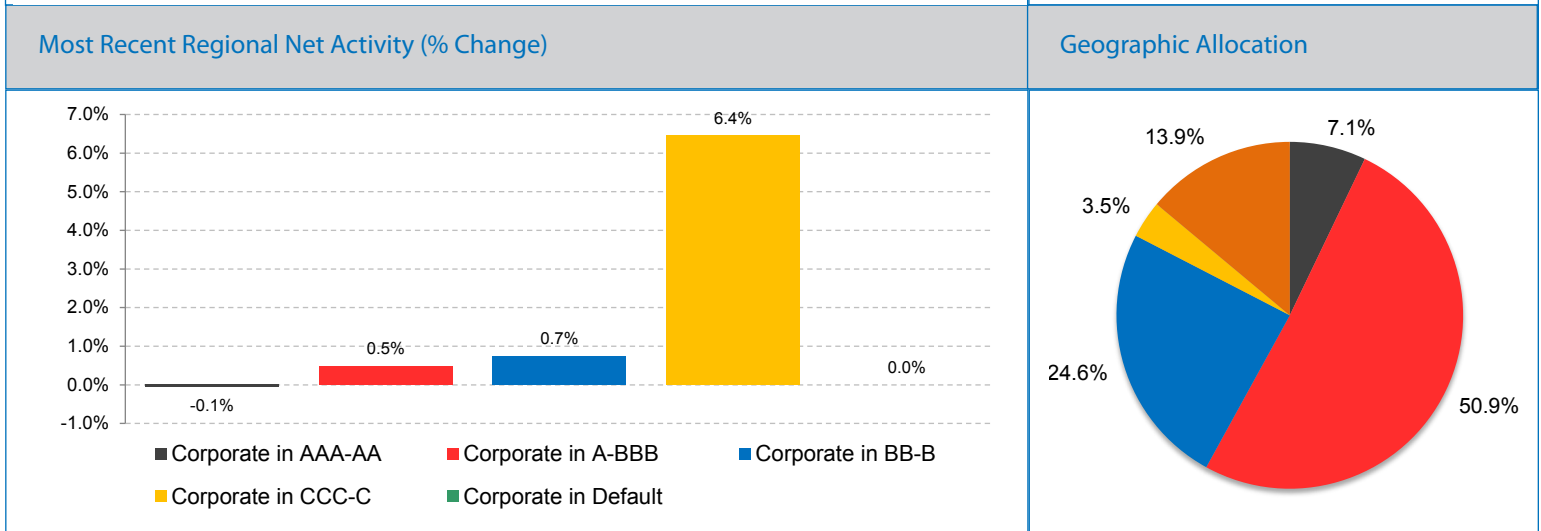
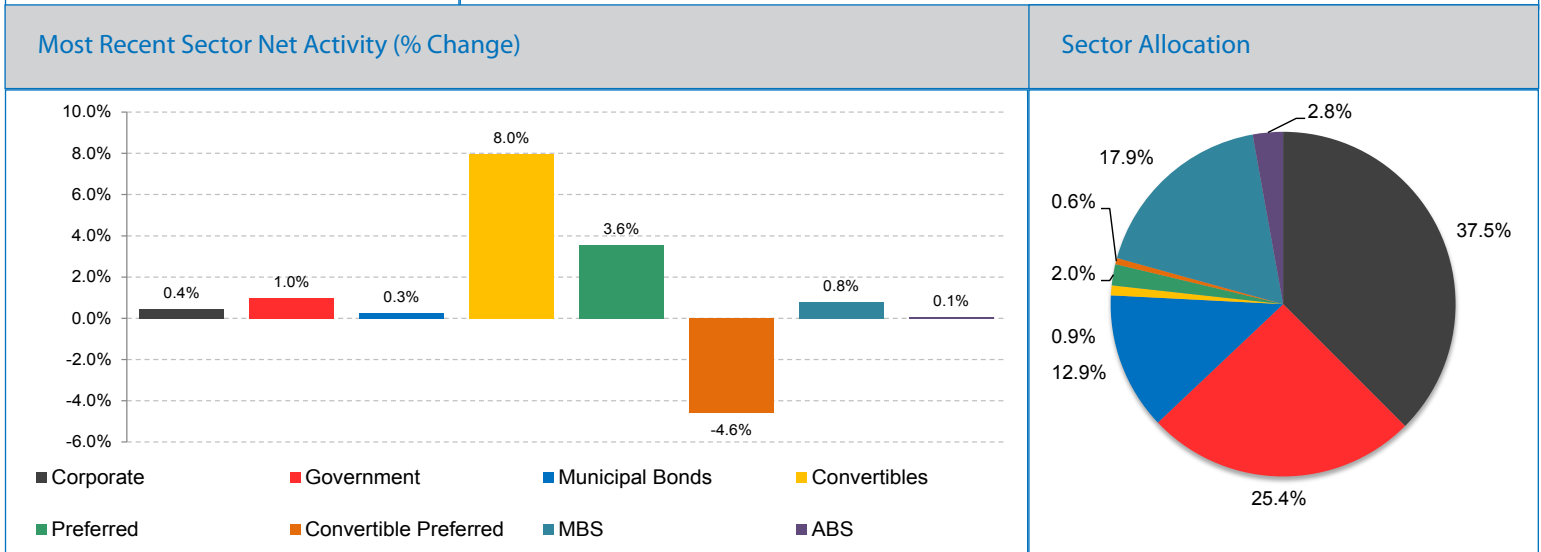
Portfolio Fundamentals:

- Forward P/E: 12.7x
- Dividend Yield: 2.4%
- PEG: 1.4x
- Price/Book: 3.5x

Average Equity Holding Period: 1.61 Years

Metro Area Corporate Bondholder Focus - Boston, MA

Money Center Statistics	Summary Notes:
Reported FI Assets (\$B): \$841.5	<p>Boston managers were increasing exposure to most fixed income assets, with convertibles and preferred notes being the most in favor.</p> <p>On an aggregate percentile basis, Boston managers were large buyers of CCC-C rated corporate bonds.</p> <p>Eaton Vance Management lead the risk-on trade as it was the largest buyer of CCC-C rated corporate debt. The firm was a net buyer of notes rated with a rating less than single A. AAA-AA was the only credit band in which the firm was a net seller.</p>
Number of Institutions: 422	
World Rank: 3/154	
Total Net Buying (\$B): \$38.2	
Total Net Selling (\$B): <u>-\$30.5</u>	
Total Net Activity (\$B): \$7.7	



Top Money Center Net Buyers & Sellers of Corporate Bonds

Investor		Assets (\$M)	Activity (\$M)	Activity (%)
Buyers	1 Eaton Vance Management, Inc.	6,784.9	808.2	13.5%
	2 State Street Global Advisors (SSgA)	11,881.1	743.6	6.7%
	3 MFS Investment Management, Inc.	13,173.4	330.1	2.6%
	4 Pioneer Investment Management, Inc.	10,776.5	237.5	2.3%
	5 Fidelity Investments Money Management, Inc.	24,446.1	192.3	0.8%
Sub Total:		118,447.4	2,565.2	
Investor		Assets (\$M)	Activity (\$M)	Activity (%)
Sellers	1 Fidelity Management & Research Company	39,260.0	-1,045.4	-2.6%
	2 Wellington Management Company, LLP	44,297.5	-79.6	-0.2%
	3 Loomis Sayles & Company, L.P.	27,134.2	-68.8	-0.3%
	4 BofA Advisors, LLC	872.7	-19.5	-2.2%
	5 Income Research & Management, Inc.	127.2	-17.3	-12.0%
Sub Total:		123,933.8	-1,245.7	

Top Money Center Net Buyers & Sellers of AAA-AA Rated Corporate Bonds

Investor		Assets (\$M)	Activity (\$M)	Activity (%)
Buyers	1 Pioneer Investment Management, Inc.	60.1	14.4	31.6%
	2 Manulife Asset Management (U.S.), LLC	3,095.0	11.1	0.4%
	3 Wellington Management Company, LLP	5,483.4	10.3	0.2%
	4 MFS Investment Management, Inc.	1,008.5	9.8	1.0%
	5 Standish Mellon Asset Management Company, LLC	246.0	9.3	3.9%
Sub Total:		11,493.5	59.9	
Investor		Assets (\$M)	Activity (\$M)	Activity (%)
Sellers	1 Fidelity Investments Money Management, Inc.	3,916.5	-48.4	-1.2%
	2 State Street Global Advisors (SSgA)	939.7	-9.2	-1.0%
	3 Fidelity Management & Research Company	314.3	-4.7	-1.5%
	4 Sun Capital Advisors, LLC	659.7	-4.0	-0.6%
	5 Income Research & Management, Inc.	22.6	-3.4	-12.9%
Sub Total:		6,057.7	-71.0	

Top Money Center Net Buyers & Sellers of A-BBB Rated Corporate Bonds

Investor		Assets (\$M)	Activity (\$M)	Activity (%)
Buyers	1 Fidelity Investments Money Management, Inc.	17,447.0	302.1	1.8%
	2 Manulife Asset Management (U.S.), LLC	22,146.7	134.1	0.6%
	3 MFS Investment Management, Inc.	6,888.1	128.2	1.9%
	4 Standish Mellon Asset Management Company, LLC	1,573.3	107.4	7.3%
	5 Loomis Sayles & Company, L.P.	15,285.5	106.9	0.7%
Sub Total:		92,658.2	896.7	
Investor		Assets (\$M)	Activity (\$M)	Activity (%)
Sellers	1 State Street Global Advisors (SSgA)	3,442.4	-100.8	-2.8%
	2 Fidelity Management & Research Company	5,645.5	-49.7	-0.9%
	3 Income Research & Management, Inc.	90.9	-13.6	-13.0%
	4 Sun Capital Advisors, LLC	9,102.6	-0.6	0.0%
	5 Granite Investment Advisors, Inc.	8.9	-0.3	-3.5%
Sub Total:		20,665.4	-165.0	

Top Money Center Net Buyers & Sellers of BB-B Rated Corporate Bonds

Investor		Assets (\$M)	Activity (\$M)	Activity (%)
Buyers	1 State Street Global Advisors (SSgA)	5,402.3	717.1	15.3%
	2 Pioneer Investment Management, Inc.	5,328.8	179.5	3.5%
	3 MFS Investment Management, Inc.	3,593.0	116.1	3.3%
	4 Standish Mellon Asset Management Company, LLC	1,303.4	42.4	3.4%
	5 Eaton Vance Management, Inc.	3,381.5	32.2	1.0%
Sub Total:		36,019.1	1,131.1	
Investor		Assets (\$M)	Activity (\$M)	Activity (%)
Sellers	1 Fidelity Management & Research Company	23,272.0	-364.2	-1.5%
	2 Loomis Sayles & Company, L.P.	7,228.9	-198.4	-2.7%
	3 Fidelity Investments Money Management, Inc.	985.5	-14.5	-1.5%
	4 Sun Capital Advisers, LLC	554.5	-4.7	-0.8%
	5 -	-	-	-
Sub Total:		32,040.9	-581.8	

Top Money Center Net Buyers & Sellers of CCC-CC Rated Corporate Bonds

Investor		Assets (\$M)	Activity (\$M)	Activity (%)
Buyers	1 Eaton Vance Management, Inc.	1,376.0	693.7	101.7%
	2 MFS Investment Management, Inc.	358.0	37.5	11.7%
	3 Loomis Sayles & Company, L.P.	1,045.7	27.6	2.7%
	4 Manulife Asset Management (U.S.), LLC	780.3	8.9	1.2%
	5 Putnam Investment Management, LLC	720.7	0.2	0.0%
Sub Total:		4,326.1	767.9	
Investor		Assets (\$M)	Activity (\$M)	Activity (%)
Sellers	1 Fidelity Management & Research Company	2,985.7	-105.9	-3.4%
	2 Standish Mellon Asset Management Company, LLC	338.8	-15.8	-4.5%
	3 State Street Global Advisors (SSgA)	589.3	-9.9	-1.6%
	4 Wellington Management Company, LLP	426.1	-1.3	-0.3%
	5 Pioneer Investment Management, Inc.	1,315.8	-0.1	0.0%
Sub Total:		5,655.7	-133.0	