The Better IR Newsletter

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CONTENTS:

Chinese Investors: What Does Expanding Foreign Equity Ownership Mean for IROs?

As the Chinese economy booms and wealth grows, mainland China is slowly making its way into IRO's travel plans. While the only firms to make serious investments in developed-market equities to date are state sovereign wealth funds (namely CIC - China Investment Corp and, more quietly, SAFE – State Administration of Foreign Exchange), the expected expansion of Chinese investment in foreign equities is something no public company wants to miss out on. Brokers are increasingly encouraging IR and Management teams to travel to the mainland while in the area, eager to show off their access to western management teams. Despite all the action, the market remains extremely small – Chinese investment in foreign equities is strictly limited to funds that have been awarded an investment quota under the QDII program – of which the total amounts to about $60B, with only a small fraction devoted to western stocks.

Chinese QDII Funds – What are they?

China's QDII (Qualified Domestic Institutional Investor) program launched in 2006 amid high expectations at home and abroad, but the subsequent peak and crash in Western markets meant big losses for early investors in QDII funds, which require a minimum investment of CNY300k, or approximately US$ 44K. This initial poor performance, combined with highly visible losses suffered by major investors in US equities, caused the government to suspend new QDII quotas from May 2008 through October 2009. A number of the early funds closed after suffering heavy redemptions during the financial crisis. There are currently 10 active QDII funds, including one launched in December 2009 by E Fund Management, the first launch in 17 months.

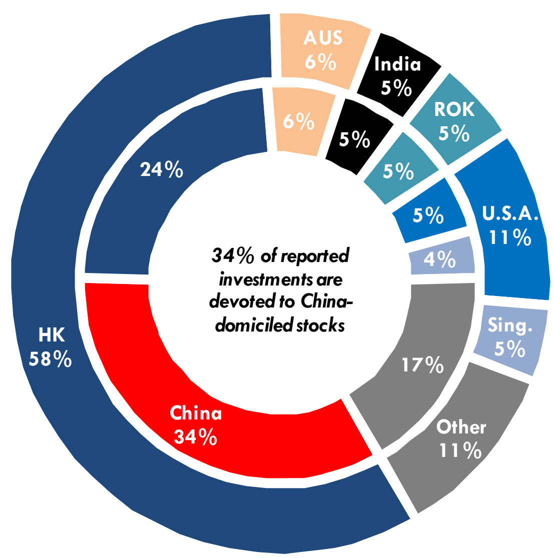
In 2010, QDII launches are expected to continue, with the government loosening restrictions on the funds and making it easier for investment firms to apply. The current total quota of $60bn is likely to expand to $100B this year, according to Shanghai-based consultancy Z-Ben Advisors. Despite the inevitable future growth of QDII funds, the recent E Fund launch attracted lackluster interest from investors, raising just $87M of a $1B quota – outperformance of local markets makes foreign investment difficult to justify in the near term.

Are these funds going to buy my stock?

In the near term, the answer is probably "no" - at least, not in a meaningful way. Most QDII funds are still devoted to China- and Hong Kong- listed stocks. A popular trade for QDII managers is to sell a Chinese company's Shanghai listed 'A' shares and buy its Hong Kong-listed 'H' shares, which often trade at a significant discount (this discount is a primary reason why the Chinese government does not allow retail investors to buy Hong Kong securities- it would cause a dramatic run-up in 'H' shares and subsequent collapse in 'A' shares). Outside of Chinese stocks, portfolios primarily end up in other developing market APAC equities – with the rationale being (especially after the financial crisis) why invest in Western stocks when Eastern growth is off the charts? There are also regulatory issues: QDII funds' investments in a single company are limited to 5% of the fund's portfolio, limiting significant investments due to smaller-sized funds. The investments that do make their way to developed-market stocks often fall into 3 categories that mainland China investors are most familiar with:

- Global Brands (Nike, Microsoft, P&G, Apple, J&J)
- Commodity/Energy Producers (Exxon, Teck Resources, Vale)
- Index ETFs (SPDRs etc.)

Chinese QDII Fund Ownership by Country
Domicile (inside) vs. Exchange (Outside)



It is worth noting that while QDII funds have a fairly wide range of investment options, they are limited to buying securities in markets where the China Securities Regulatory Comission (CSRC) has signed a Memorandum Of Understanding (MOU) with the local regulatory body, guaranteeing a certain level of enforcement in the market and, if they see fit, agreeing to maximum levels of Chinese QDII investment in certain companies or industries. The CSRC has signed MOUs with most major world markets – a full list and new MOU announcements are available from the CSRC at www.csrc.gov.cn. A much-awaited agreement between Taiwan and China has seen the island's markets opened to mainland QDII investors in early 2010, though total investment in Taiwanese equities has been capped at $500M, and QDII funds are prohibited from holding more than 8-10% of companies' shares if they belong to sensitive industries such as energy and shipping.

China Investment Corporation

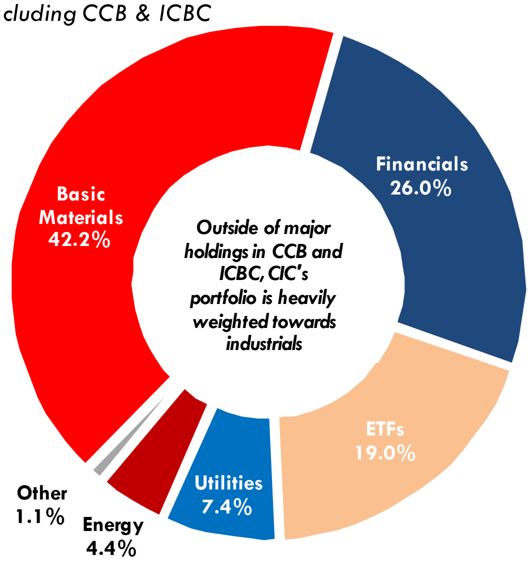
China Investment Corp (CIC) is a state sovereign wealth fund, responsible for managing the investment of a portion of China's ballooning $2.4T foreign reserves. The firm currently manages about $300B; a Financial Times report in December 2009 cited government sources as saying a new cash injection, similar to the $200B with which CIC was founded, is likely in the coming months. CIC, as an agent of the state, is exempt from the restrictions imposed by the QDII program, and can invest however and wherever it sees fit. Without a doubt, the firm has the greatest active investment potential of any investor in China, and often meets with foreign management teams.

CIC has been vocal in its expansion plans, particularly when it comes to commodity producers - part of the effort to diversify assets out of the U.S. Dollar and into hard assets (or companies with an interest in them). It made a high profile investment in Canadian miner Teck Resources (TCK) in mid-2009, giving it a 17.5% stake in one of the world's largest producers of coking coal, used to produce steel, and copper – and subsequently turned $1.7B into $3.7B over six months. The success of this investment, as well as a well-timed $1B investment in Morgan Stanley may help boost Chinese investors' confidence in U.S. markets. CIC recently filed its first 13F with the US SEC, though the extent to which its positions are disclosed is not clear. The total value of securities reported on the 13F is just shy of $10B, highlighting that the filing is "partial," and does not represent the full portfolio. The filing does reveal a strategy that is heavily focused on basic materials and ETFs.

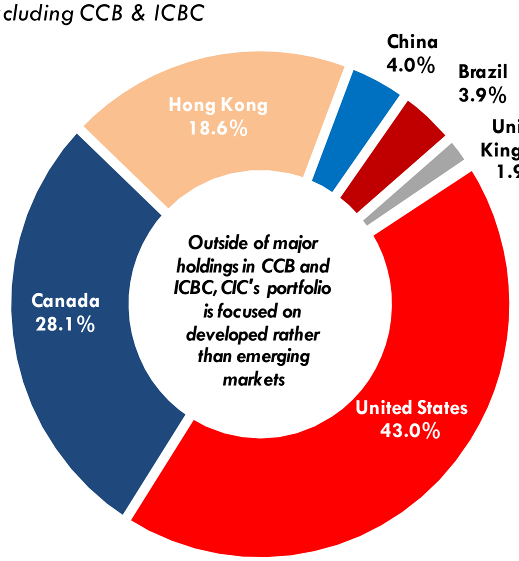
CIC Ownership Overview

Globally, 94% of CIC's disclosed equity holdings are split between China Construction Bank (CCB) and Industrial & Commercial Bank of China (ICBC). The remaining 6%, about $13B, is 42% invested in Basic Materials stocks, 26% in Financials, and 19% in ETFs. Geographically (again excluding the stakes in CCB and CIBC), the portfolio is heavily weighted toward developed markets, with 43% of holdings in US stocks, and 28% (primarily the Tech Resources position) in Canadian stocks. Hong Kong stocks make up about 19%, with China, Brazil, and the UK comprising most of the remainder.

CIC Global Equity Ownership by Sector
Excluding CCB & ICBC



CIC Global Equity Ownership by Country
Excluding CCB & ICBC



CIC Top 10 North American/European Holdings	Value $M	Country	Industry
Teck Resources, LTD CL B	3,558.00	Canada	Other Non-Ferrous Metals
Morgan Stanley	1,772.76	United States	Diversified Financial Services
BlackRock Inc	713.80	United States	Investment Companies
Visa, Inc CL A	353.82	United States	Credit Services
Songbird Estates plc	248.92	United Kingdom	Property Management
SouthGobi Energy Resources, LTD	45.84	Canada	Oil and Gas Exploration and Production
Wells Fargo & Company	31.04	United States	Banks
Citigroup, Inc.	29.79	United States	Diversified Financial Services
Bank of America Corporation	20.07	United States	Diversified Financial Services
American International Group, Inc. CORP UNIT	11.33	United States	Diversified Insurance

CIC Top 10 Global Holdings	Value $M	Country	Industry
China Construction Bank Corporation	114,631.52	Hong Kong	Banks
Industrial & Commercial Bank of China (HK)	94,279.03	Hong Kong	Banks
Teck Resources, LTD CL B	3,558.00	Canada	Other Non-Ferrous Metals
Morgan Stanley	1,772.76	United States	Diversified Financial Services
Noble Group, LTD	1,330.54	Hong Kong	Ferrous Metals
GCL-Poly Energy Holdings, LTD	930.84	Hong Kong	Diversified Utilities
BlackRock Inc	713.80	United States	Investment Companies
China Longyuan Electric Power Group	491.90	China	Alternative Energy
Visa, Inc CL A	353.82	United States	Credit Services
Vale S.A. ADR	297.84	Brazil	Ferrous Metals

Aside from the less transparent SAFE, which discloses very little about its investment activities, CIC is the only Chinese institution that is currently capable of taking significant positions in larger foreign equities. With sizable buying power likely to increase, the firm is certainly a potential investor, particularly for companies with well-known brands, or access or exposure to raw materials. The firm has big (unrealized) gains in its holdings in Teck and Morgan Stanley, investments made at times when both stocks were out of favor in the market and in need of recapitalization – those companies experiencing a similar situation, with solid long-term expectations and a good reputation, may find a willing partner in CIC.

SAFE – State Administration of Foreign Exchange

SAFE is the governing body responsible for the oversight and management of China's foreign exchange reserves. SAFE Investment Company, a subsidiary based in Hong Kong, is China's lesser known sovereign wealth fund. While familiar to US Treasury bond dealers, SAFE is not a household name in equities, despite having reportedly made significant investments in overseas stocks, particularly over the last several years - Ipreo has identified very large SAFE positions in developed-market equities. A number of sizable investments in European equities have been made public, including stakes in Total, Aviva, BP, Shell, and BG Group; according to the SWF Institute, SAFE held some $19B in foreign equities as of December 2007. Based on publicly disclosed positions and proprietary research, Ipreo believes SAFE's equity investments are heavily weighted toward large-/mega-caps, and likely indexed. SAFE is not known to interact with IR/management teams.

Summary

The current investment potential of QDII funds is very limited (when it comes to North American & European securities), but several factors contribute to the expectation of their growth:

- Without loosening restrictions on overseas investment, China risks creating a bubble in domestic assets;
- Any further evidence of emerging markets "decoupling" from developed markets may result in a more positive view of North American and European equities as an important tool in portfolio diversification;
- There is a clear trend toward liberalization in terms of government regulation, and eventually this will lead to increased investment in foreign securities.

Given these circumstances, Ipreo recommends meeting with QDII managers in the interest of building relationships for the future. In planning road shows or other outreach in the region, priority should still be given to current investment centers: Tokyo, Singapore, and Hong Kong. Note that some QDII managers have travelled to the U.S. for conferences, or trips to company headquarters (organized by brokers).

As far as SWF managers are concerned, CIC should be seen as the driving force behind active equity investments, and certainly capable of taking large positions. CIC should always be considered worth a meeting, and any investment from it may also be seen as a major endorsement by QDII managers.

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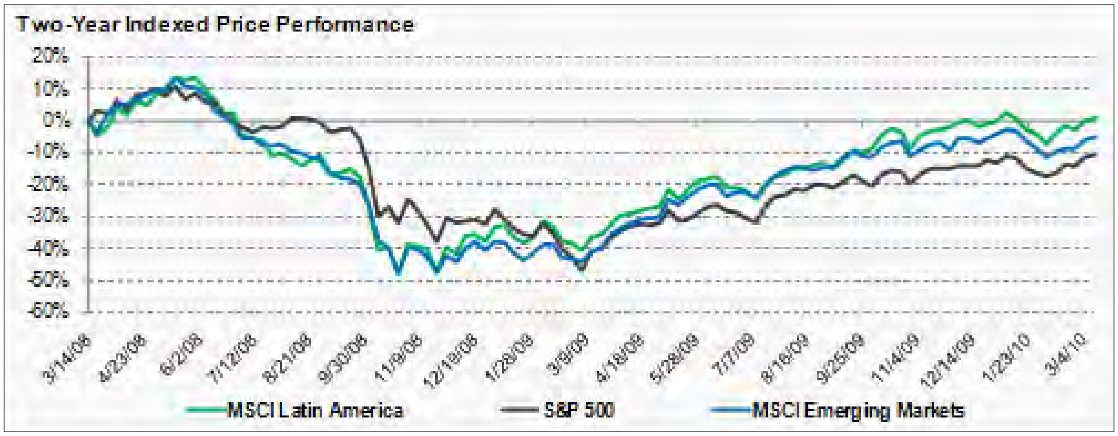
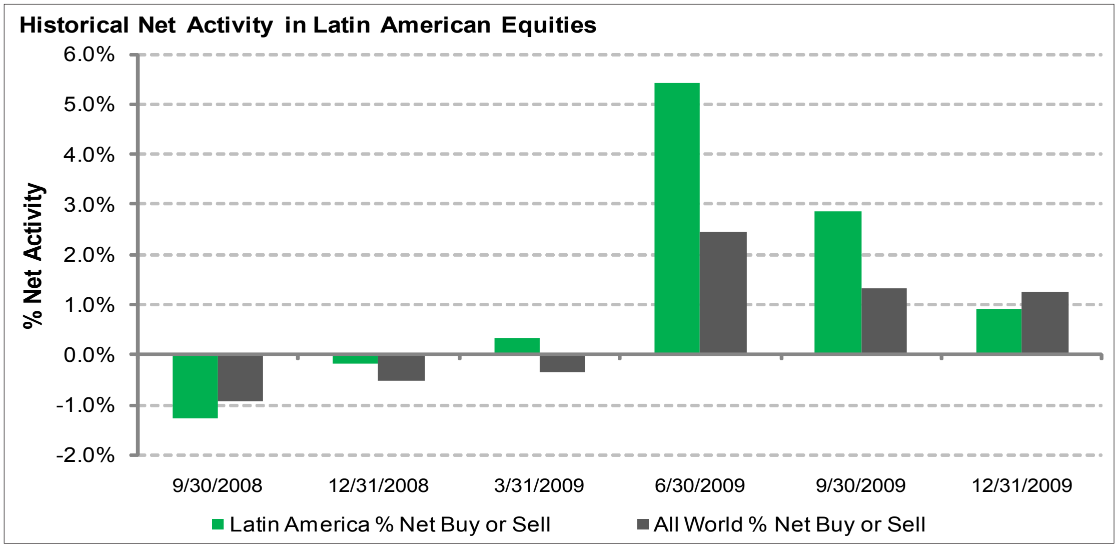
Investment Trends in Latin America – There's Brazil... and Everyone Else

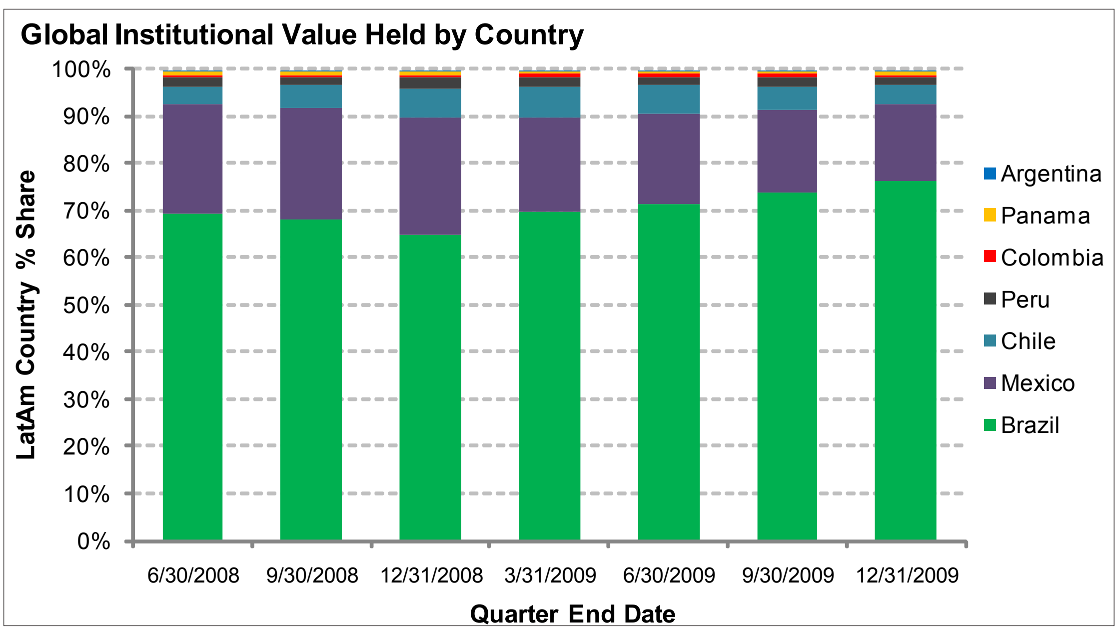
In a relatively short period of time Latin America has gone from being known for political and economic instability to one of the most attractive investment destinations. Over the last 12 months Latin America has outperformed both the US and the rest of the emerging markets equity universe. While the world saw a strong net inflow into equities the rate of investment into Latin America was higher than the global rate of growth.



Much of Latin America's success can be attributed to sharp early economic recovery from Brazil, which drives the bulk of the broader Latin America index, and boasts a diversified, global economy. Heavy exposure in the MSCI Latin America index to Brazilian financials such as Itau Unibanco (6.4%) and Banco Bradesco (4.6%) proved helpful to the index as the individual names returned 61% and 44%, respectively year-over-year.



Brazil continues to dominate
A significant majority of institutional investment in Latin America is allocated to Brazil. As of the end of 2009 global investors recorded $334 bln invested in Brazilian equities. The total Brazil figure exceeds investment in all other Latin American countries combined by a factor of three. As observed in the chart here, allocation to Brazil has been growing over recent periods. While values and allocations are subject to a price effect, investor preference for Brazil as a growing, globally-tied, diversified economy is well-documented. At 6%, Brazil's 2010 GDP growth estimates list third globally not far

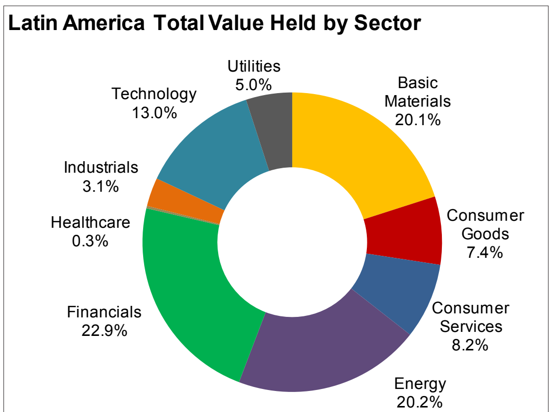


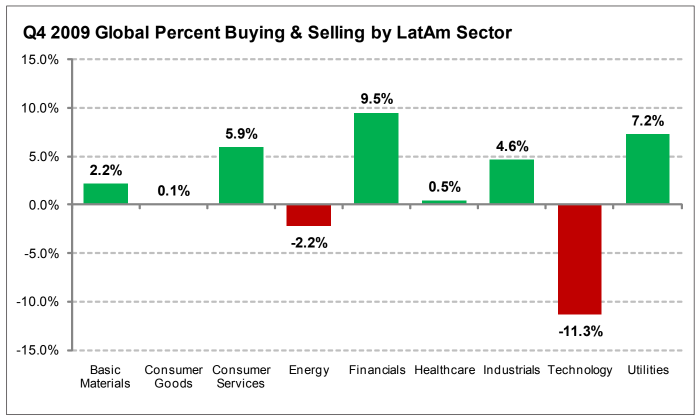
behind China's and India's. While investment in other countries in the region is heavily weighted on a few sectors or even stocks, the growth in Brazil's middle class in the backdrop of political stability has engendered a breadth of attractive opportunities across many sectors. Portfolio managers operating in the region are now often seen underweight in traditionally well-represented sectors like commodities and overweight sectors like banking and consumer services.

While other countries saw net inflows in 2009, their share of the total investment has fallen owing to different reasons. In Mexico's case its proximity and dependency to the US economy has especially hurt it. Argentina has moved from being talked in the same breath as Brazil to one of the least attractive destinations in the region. Its reputation as a business-friendly country continues to severely lag its neighbors because of various government interventions such as the nationalization of private pensions and new regulations on property ownership by foreign entities. This, coupled with dependence on commodities, meant that the country was hit especially hard hit by the global recession. Other countries in the region like Colombia and Peru have put in impressive performances, though their share is but a small fraction of the total.

Financials and Consumer-related Sectors Post Strong Gains

On a sector basis, we now see slightly more money in financials than in energy and basic materials. As financials across the US and Europe were hammered by the fallout of bank collapses and the credit crisis, the old school "boring" banks in Latin America with conservative balance sheets saw a big influx of investment. Across Latin America sector biases are inconsistent. While Financials and Basic Materials are frequent top weightings, Mexico quickly emerges as a major contributor to Consumer Goods and Consumer Services, edging out Brazil with dollar value allocations to the sectors totaling $24.1 bln to Brazil's $23.3 bln. Mexico also leads Latin America Tech and Telecom investing with well-known names like America Movil SAB and Telefonos de Mexico SAB. In all, Mexican Tech and Telecom totals $31 bln compared to Brazil's $11.7 bln contribution to the space. This sector, however, has seen the biggest net outflow in 2009. Other country specialties of note include Chile's outsized Utilities contribution, which represents 32% of global Chilean ownership— primarily through Enersis S.A and Empresa Nacional.





Investment is Coming from Everywhere

The list that follows shows the top holders of Latin American equities by percentage of portfolio. Two Asian offices of Templeton are notable as is the international mix of investors. While US contains the most investment overall in Latin America, it is clear that the region attracts investment from across the globe as is shown by the large increases in the regional table here.

Investment by Country ($M)

Investor Cntry	Dec-08	% of Total	Dec-09	% of Total	Change in 2009
United States	104,901.1	70.4%	206,860.4	66.3%	97.2%
United Kingdom	29,130.5	19.5%	68,458.9	22.0%	135.0%
France	5,336.6	3.6%	13,222.3	4.2%	147.8%
Switzerland	4,006.9	2.7%	7,911.7	2.5%	97.4%
Canada	2,367.7	1.6%	7,574.1	2.4%	219.9%
Japan	1,474.7	1.0%	4,013.2	1.3%	172.1%
Germany	1,380.6	0.9%	2,762.7	0.9%	100.1%
Netherlands	466.7	0.3%	1,049.7	0.3%	124.9%

Continued...

Top Holders of Latin American Equities by Percent of Portfolio - End of 2009						
Investor	Eq. Assets ($M)	City	Region	Value ($M)	Value Chg. ($M)	LatAm % Port
1 Templeton Asset Management, LTD	14,981.8	Hong Kong	Asia	4,879.9	152.3	32.6%
2 Fidelity Management & Research (UK), Inc.	15,270.0	London	Europe	4,742.5	264.6	31.1%
3 Templeton Asset Management (Singapore), LTD	15,868.4	Singapore	Asia	4,113.6	0.0	25.9%
4 Capital International, Inc.	11,655.8	Los Angeles	North America	2,524.1	-158.5	21.7%
5 Genesis Investment Management, LLP	13,305.4	London	Europe	2,834.3	196.8	21.3%
6 Comgest S.A.	8,733.2	Paris	Europe	1,619.1	0.0	18.5%
7 T. Rowe Price Global Asset Management, LTD	9,385.6	London	Europe	1,718.7	-45.9	18.3%
8 Baillie Gifford & Company, LTD	38,598.8	Edinburgh	Europe	6,414.3	434.7	16.6%
9 Aberdeen Asset Managers, LTD (U.K.)	36,958.5	Aberdeen	Europe	5,893.9	647.0	15.9%
10 Baring Asset Management, LTD (U.K.)	9,449.8	London	Europe	1,473.3	161.4	15.6%
Total:				**53,343.7**	**2,766.7**	

So, what should the Latin American IRO do?

Many emerging markets are expected to grow at several times the rate of the growth expected in US and Europe. The consistent growth in Brazil, along with China and India, is being viewed as a "new normal" rather than a temporary growth spurt. While commodities are still major drivers in Latin America, and consequently Chinese growth an important risk factor, the future for Brazil is bright. At a recent conference an executive of Brasil Foods, the product of a merger between Perdigao with Sadia, half-jokingly said that the new name has done more than half the job of selling the company's investment story. For Brazilian companies, especially the bigger ones, the IRO's job these days is more about managing investor interest than generating it. However, the increased exposure means investor relations programs increasingly have to meet global standards, and indeed many companies have retained experienced consultants to assist them.

As Brazil reaches fuller valuations, however, investors will look elsewhere in Latin America. For companies from the rest of the region, questions about the legal and political environments in which they operate can still be a key hurdle. A key focus of the companies' pitch should be realistically explaining to investors how they can survive or even thrive under present and various potential future macro conditions that are out of the company's control. Being up front about this in presentations, and not leaving it for Q&A, goes a long way in gaining investor confidence.

Authors: John Demler & Sudarshan Setlur

John Demler is a Senior Analyst with Ipreo's Corporate Analytics team. Sudarshan Setlur is a Director of Global Markets Intelligence at Ipreo.

BetterIR - Firm Snapshot

Targeted Firm: First Eagle Investment Management, LLC ($27,201.63 M)

Targeting Profile:
First Eagle Investment Management, formerly known as Arnhold and S. Bleichroeder Advisers until the end of 2009, oversees several different portfolios totaling approximately $27 billion in equity assets. As a whole, the firm generally follows a value approach, actively seeking out companies that are trading below their intrinsic value. This bottom up approach helps to identify companies that are fundamentally sound yet remain undervalued by the market for any number of reasons. First Eagle tends to focus on companies greater than $100 million market cap and maintains 40% of total portfolio holdings in the mid-cap range. Over the past several years, the firm has gradually sold down some of its mega cap holdings, reducing exposure in this range from 23% in 2006 to 17% as of Q4 '09 filings, while its large cap allocation has remained largely unchanged.

Though based in New York City, First Eagle does not limit its potential investment universe to just U.S. or North American equities. In fact, First Eagle's Global and Overseas funds are the firm's two largest portfolios, accounting for close to 75% of total equity assets. As expected, both of these funds contribute to First Eagle's broad, overall international exposure. While U.S. equities are the most widely held of all First Eagle's securities, following closely behind are the firm's Japanese issues, accounting for 24% of total holdings. Furthermore, the firm maintains allocations of 11% French equities, 5.5% Swiss, and approximately 2% to each of Mexico, South Africa, United Kingdom, South Korea, and Canada.

Overall for Q4 '09, First Eagle was a net seller of equities, decreasing positions by nearly twice as much as it increased. Such a contrarian move was rather unusual for the quarter as most institutional investors made haste to increase broad market exposure in order to capitalize upon a resurging stock market. This contrarian attitude, however, has become a hallmark of First Eagle's portfolios, as the firm places a particular emphasis on normally underappreciated sectors like Industrials and Basic Materials.

How to Approach:
As mentioned above, if your company is in the Industrials or Basic Materials sectors, you will have a much easier time convincing First Eagle portfolio managers of your merits. The firm's holdings are currently weighted 25.6% Industrials, rising rapidly from just 17% in Q3 '06. In addition, First Eagle has increased exposure to the Basic Materials space throughout this same time period, raising its allocation from 9% to 15%. Several large, recent buys in these industries for the past quarter include Secom (+$99.0mm), Alliant Techsystems (+$44.5mm), Lihir Gold Limited (+$32.5mm), and Stanley Black & Decker (+$26.5mm).

How not to Approach:
Just as First Eagle has demonstrated an interest in the Industrials and Basic Materials spaces, firm portfolio managers have, at the same time rotated away from the Consumer Goods and Consumer Services sectors. Specifically, the firm decreased exposure to the Consumer Goods space by 17% to 8% since Q3 '06, and from 22% to 11% within the Consumer Services sector. Accordingly, if your company is within either of these two sectors, it would be wise to approach the firm more cautiously and with such an understanding.

Largest Funds Managed:
- First Eagle Global Fund ($15,052.2 M); Abhay Deshpande
- First Eagle Overseas Fund ($5,498.1 M); Abhay Deshpande
- First Eagle Gold Fund ($1,412.3 M); Matthew McLennan

Portfolio Fundamentals:
- TTM Price/Earnings: 23.5
- Avg. 3 Yr. Revenue Growth: 4.25%
- Dividend Yield: 2.2%
- Price/Book: 2.37

Average Equity Holding Period: 3.85 years

BetterIR - Fund Snapshot

Targeted Fund: Columbia Value & Restructuring Fund ($6,524.9 M)

Portfolio Managers:

- David Williams - (800) 892-1127
  david.j2.williams@columbiamanagement.com
- Guy Pope – (503) 795-6435
  guy.pope@columbiamanagement.com
- J. Nicholas Smith – (212) 894-7333
  jnicholas.smith@columbiamanagement.com

Targeting Profile:

Columbia Management Advisors' Value & Restructuring Fund is co-managed by a team of three individuals at the firm. Located in Connecticut, Oregon, and New York, these three portfolio managers work in conjunction to purchase securities that are undervalued by the overall market. As the fund's name implies, it invests in companies that it believes will benefit from various types of restructuring efforts or industry consolidation. According to the fund's prospectus, it "may invest in special situations such as initial public offerings, in companies involved in management changes, tender offers, mergers and other corporate restructurings and in companies developing new technologies." This combination of a top down and bottom up approach allows the fund to identify important macroeconomic developments while, at the same time, focusing on a select few companies that are likely to experience the most pronounced effect.

Despite being its parent institution's largest mutual fund, the Value & Restructuring Fund holds only a relatively few number of large positions. Most notably different from its parent, however, is the fund's large Energy sector allocation, weighing in at 24% of equity assets. As follows, several large positions including Petrobas ($298mm), Devon Energy ($161mm), and Anadarko Petroleum ($150mm) in the Oil and Gas space help contribute to such a large allocation. Despite an encouraging economic environment, Q4 '09 saw the fund decrease net positions for every macro-industry except Financials. The majority of position increases within the Financials space can be attributed to the initiation of just two holdings: Banco Santander S.A. ($36mm) and Citigroup ($18mm). On the opposite end of the spectrum, the fund notably liquidated a $36mm position in electric utility provider Entergy Corporation and also sold down positions in ConocoPhillips (-$5mm) and CONSOL Energy (-$2mm).

How to Approach:

While the Value & Restructuring Fund invests 82% of its total holdings in North American equities, if your company is internationally-based, you may be able to present fund portfolio managers with a convincing argument. Brazilian companies, thanks to the fund's large Petrobas and Vale S.A. holdings, make for particularly strong investment ideas. In addition, portfolio allocations to other countries include Mexico (5.3%), Bermuda (2.8%), Switzerland (1.7%), and Panama (1.5%). Lastly, it should be clear that companies involved in serious organizational changes or restructuring efforts are quite possibly the best candidates for inclusion within the portfolio. Because the fund focuses specifically on these turbulent, often unpredictable companies, if your company is unable to attract other institutional investors due to these conditions, Columbia's Value & Restructuring Fund would make the ideal target.

How not to Approach:

Companies that have long been favored by high growth investors due to their steadily increasing earnings are likely to be granted a shorter audience than their less predictable counterparts. In addition, small and micro cap companies of less than approximately $2 billion cap size are advised to seek out other portfolios. The fund's 6.5% total allocation among this range certainly speaks to the fund's aversion to small companies. Similarly, the fund has demonstrated a particular bias against Consumer Services and Healthcare companies, allocating just 5.2% and 6.0% of equity assets to the two sectors, respectively.

Portfolio Fundamentals:

- TTM Price/Earnings: 19.3
- Avg. 3 Yr. Revenue Growth: 6.1%
- Dividend Yield: 1.9%
- Price/Book: 3.2

Average Equity Holding Period: 3.13 years

Metro Area Targeting Focus - Tokyo, Japan

Money Center Statistics

Reported Equity Assets ($B):	$326.5
QoQ Value Change:	7.7%
Number of Institutions:	90
World Rank:	10/155
Top Sector Weighting:	Financials
Financials Weighting:	20.4%
Top Region Weighting:	Japan
Japan Weighting:	66.2%
Total Net Buying ($B):	$16.9
Total Net Selling ($B):	-$22.3
Total Net Activity ($B):	-$5.3

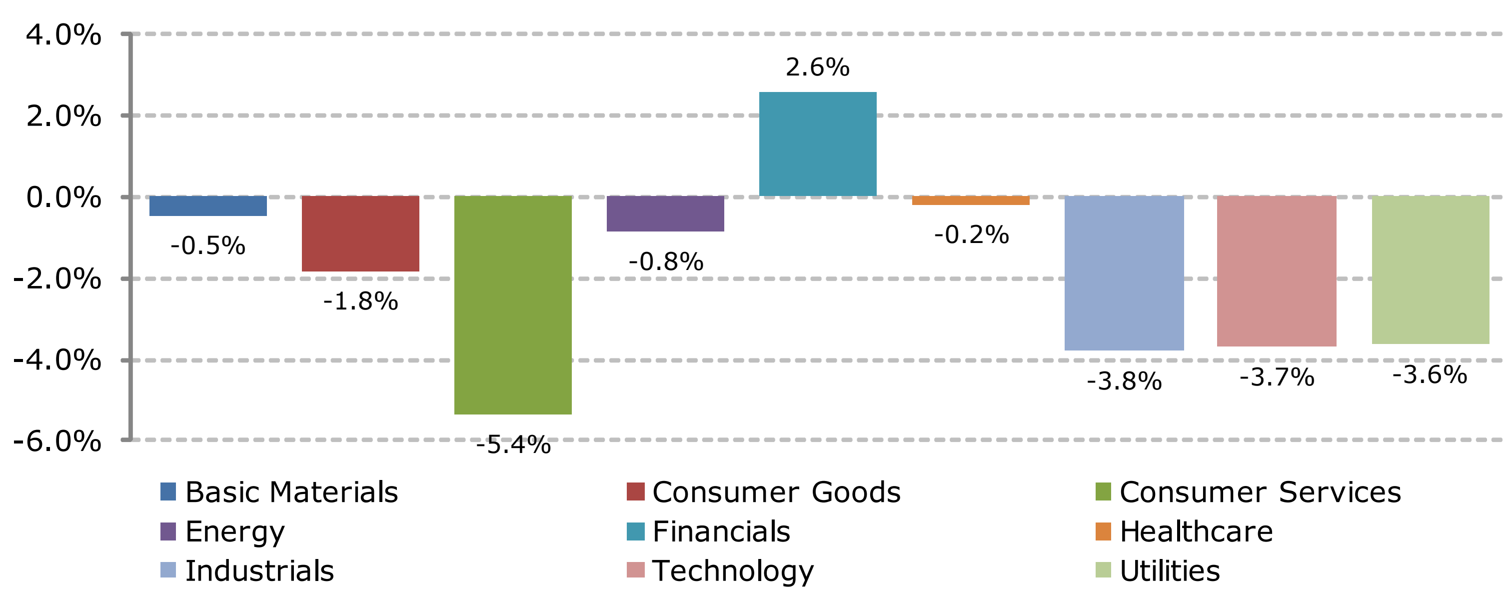
Summary Notes

Tokyo continues to represent the largest money center in Asia based on disclosed assets. Japanese institutions, largely for macroeconomic reasons, have not attracted the same level of growth in equities that many other money centers in general have over the years, and in particular they have produced smaller gains in equity asset sizes in late 2009 and early 2010 partially due to the underperformance of the domestic equity market; that said, they have gradually increased their exposure to non-Japanese equities over time, particularly into the North American and Asia ex-Japan regions.

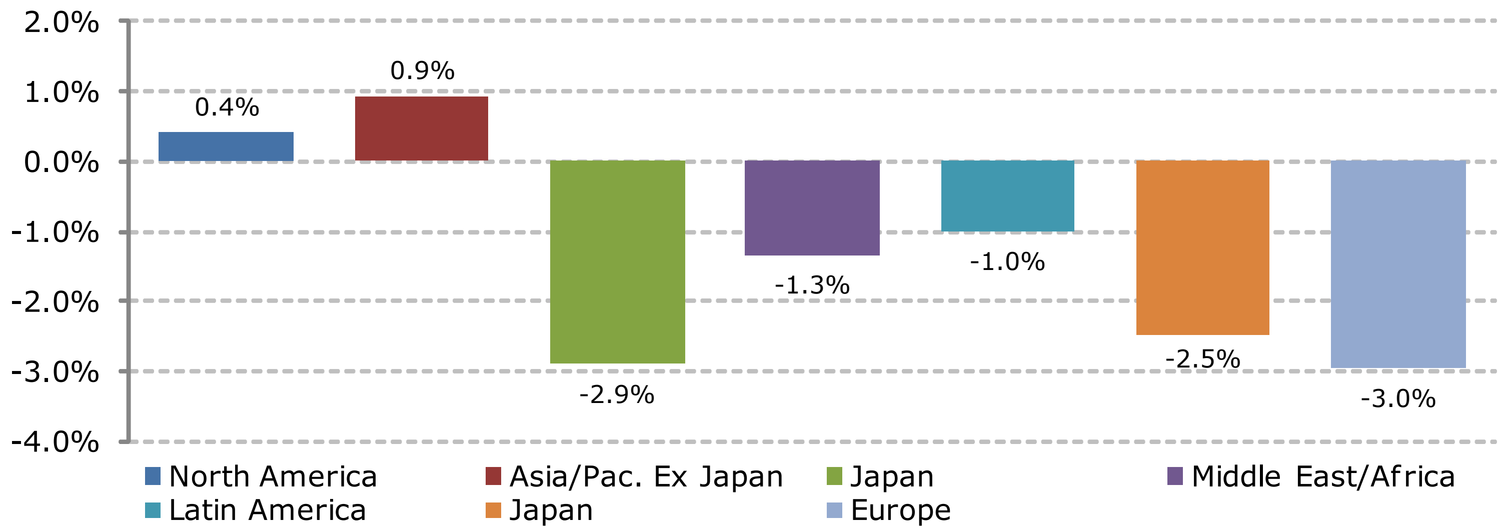
A primary theme of the recent buy-side activity from Japanese managers is the reweighting of portfolios back into Japanese and/or regional financials issues that had been stricken with weakness over the credit crisis. Within the region's domestically-based managers, Sumitomo Mitsui Asset Management has shown some of the largest increases in overall equity asset sizes, with purchases of many Asian banks (including China Construction Bank and Australia and New Zealand Banking Group) showcasing a trend of adding to holdings in financials overall. The local asset management office of J.P. Morgan Asset Management took the opposite tack, with significant sells of industrials and technology issuers across Asia, including financials Orix Corp and Nishi-Nippon City Bank as well as industrials TDK Corporation and COMSYS Holdings.

NOTE: Often managers in Japan do research for international companies outside of Japan through offices overseas or through business partners. Additionally, chances are investment style for non-domestic shares is index (MSCI Kokusai). Fund managers and analysts may be interested in meetings but they may only be able to gather information for investing in Japanese stocks. Prior research is advised for fruitful roadshows in Tokyo.

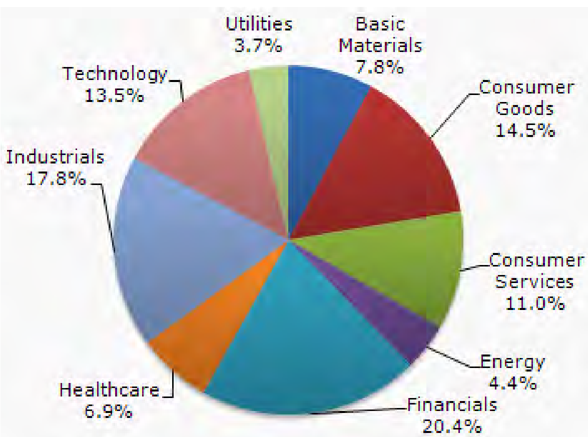
Sector New Activity (% Change)



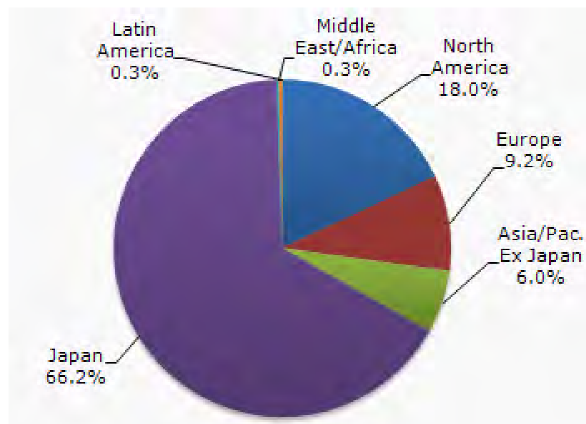
Regional New Activity (% Change)



Sector Allocation



Q3 Region Allocation



	Investor	Style	Turnover	City	Recent Qtr. EQA ($M)	Net Activity ($M)	Previous Qtr. EQA ($M)	QoQ % Δ EQA
BUYERS	1 Blackrock Japan, LTD	Growth	Medium	Tokyo	19,430.3	363.6	16,344.1	18.9%
	2 Sumitomo Mitsui Asset Management Company, LTD	Growth	Low	Tokyo	9,435.8	233.0	8,333.0	13.2%
	3 Daiwa SB Investments, LTD (Japan)	Value	Medium	Tokyo	8,099.1	220.9	7,033.9	15.1%
	4 DIAM Company, LTD	Growth	Low	Tokyo	8,997.5	211.9	7,820.4	15.1%
	5 Shinko Investment Trust Management Company, LTD	GARP	Low	Tokyo	2,469.0	209.4	2,063.7	19.6%
	6 AXA Rosenberg Investment Management (Japan)	Deep Value	Medium	Tokyo	3,256.8	188.2	2,846.5	14.4%
	7 Mitsubishi UFJ Trust & Banking Corporation	Growth	Medium	Tokyo	13,926.1	181.3	11,959.7	16.4%
	8 Société Générale Asset Management (Japan) Co.	Value	Low	Tokyo	2,127.4	132.8	1,819.4	16.9%
	9 Morgan Stanley Asset & Investment Trust Mgmt. Co.	Value	Low	Tokyo	3,599.7	126.2	3,185.7	13.0%
	10 STB Asset Management Company, LTD	Growth	Medium	Tokyo	7,550.7	121.0	6,584.6	14.7%
	Sub Total:				**78,892.4**	**1,988.4**	**67,991.1**	

	Investor	Style	Turnover	City	Recent Qtr. EQA ($M)	Net Activity ($M)	Previous Qtr. EQA ($M)	QoQ % Δ EQA
SELLERS	1 J.P. Morgan Asset Management (Japan), LTD	Growth	Medium	Tokyo	10,264.8	-3,115.0	10,068.8	1.9%
	2 Daiwa Asset Management Company, LTD	Growth	Low	Tokyo	18,627.3	-1,922.1	18,563.3	0.3%
	3 Nikko Asset Management Company, LTD	Growth	Low	Tokyo	18,942.8	-737.9	18,002.1	5.2%
	4 Fidelity Investments Japan, LTD	Growth	Medium	Tokyo	24,161.8	-396.0	23,079.1	4.7%
	5 Nomura Asset Management Company, LTD	Growth	Low	Tokyo	47,451.1	-308.6	43,090.7	10.1%
	6 Goldman Sachs Asset Management (Japan)	Deep Value	Low	Tokyo	4,036.5	-149.4	3,864.5	4.4%
	7 UBS Global Asset Management (Japan), LTD	Value	Low	Tokyo	1,304.9	-135.5	1,270.6	2.7%
	8 Mitsubishi UFJ Asset Management Company, LTD	Growth	Low	Tokyo	20,234.8	-131.0	18,506.3	9.3%
	9 Deutsche Asset Management (Japan), LTD	Growth	Medium	Tokyo	1,996.4	-108.2	1,810.9	10.2%
	10 Chuo Mitsui Asset Management Company, LTD	Growth	Low	Tokyo	7,452.3	-90.8	6,712.1	11.0%
	Sub Total:				**154,472.8**	**-7,094.5**	**144,968.3**	