

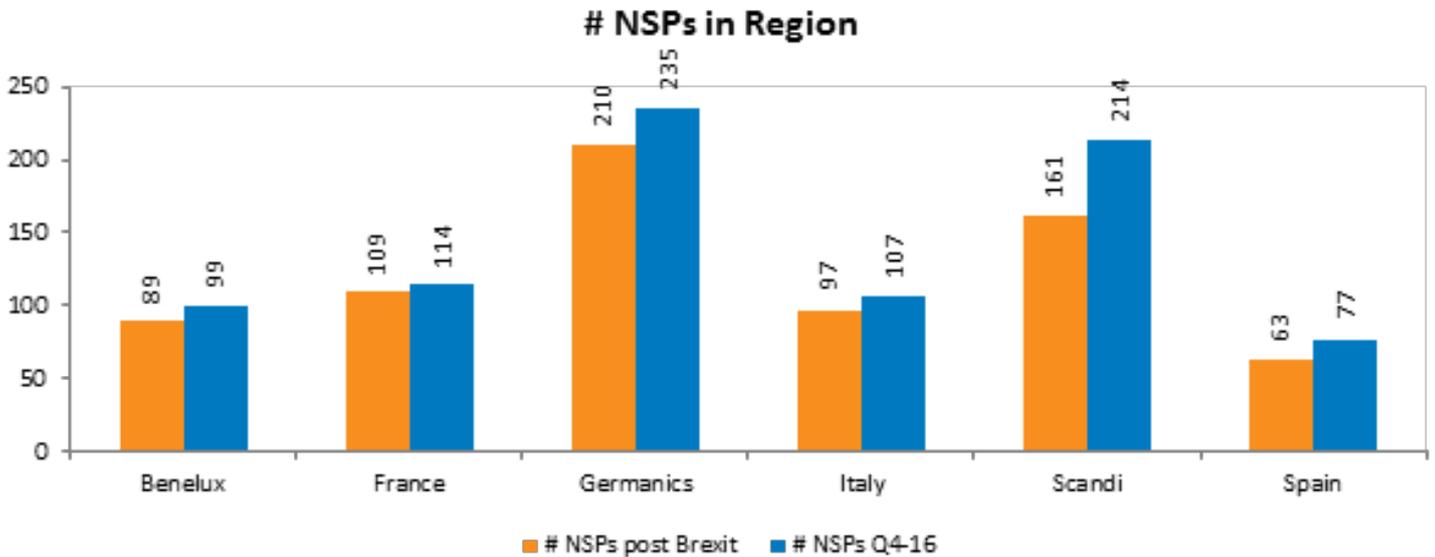
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NET SHORTING: Q4 2016

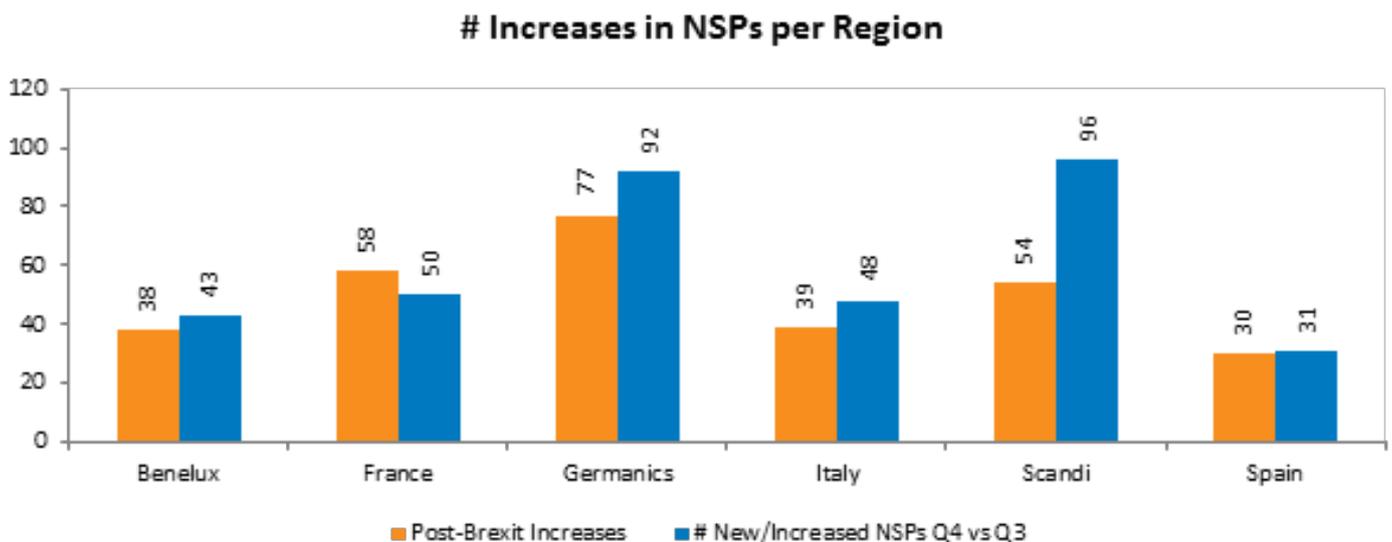
**FRANCE**

## NET SHORTING- FRANCE Q4

Outside the UK market, the Germanic region was the most shorted market in Q4-16, with a total of 235 net short positions (NSPs) being declared (up from 210 NSPs in the quarter post Brexit) – the bulk of this being in Germany; Scandinavian stocks weren't too far behind with 214 NSPs declared up from 161 in Q3. The French market was a distant third with 114 NSPs declared in Q4.

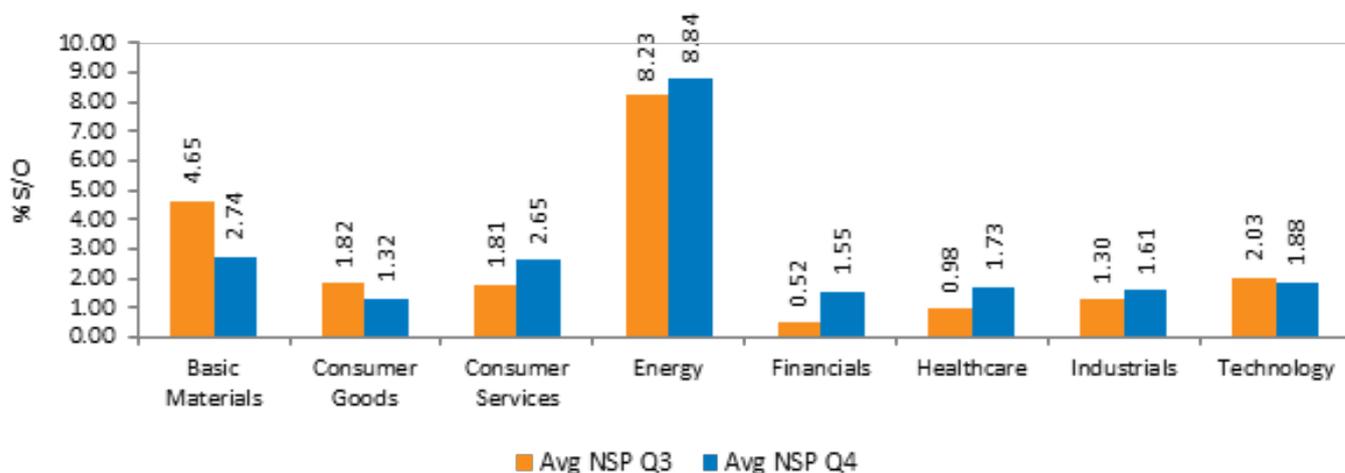


Only 50 out of the 114 NSPs declared in French stocks were new or increases in existing NSPs which represents just 43.9%- 56.1% of the NSPs were decreases, meaning the French market saw the fourth highest percentage of shorting reductions, behind Germanics (60.9%); Spain (59.7%) and Benelux (56.6%).



## NET SHORTING BY SECTOR- FRANCE

Average Net Short Position Q-on-Q



Basic materials stocks saw an average decrease in the %s/o being shorted by 1.91%; with the bulk of this being coming from metal and mining stock **Vallourec**, the second most bought stock in Q4, with US hedge fund **PDT Partners, LLC** declaring the highest NSP at 0.99%. It is worth noting that **Discovery Capital Management, LLC** holds an NSP of 2.46% s/o though there has been no change in declaration since the end of Q3.

Consumer goods was the second most bought sector in Q4 with shorting activity restricted to primarily the automotive industry with significant changes coming in two stocks: **Faurecia** and **Michelin**. **Faurecia**, the eighth most sold stock in the sector, saw the % NSP decrease from 3.11% in Q3 to 1.83% being declared in Q4, with **Dalton Strategic Partnership, LLP** and **Citadel Advisors, LLC** both reducing their NSPs to 0.47% and 0.46% respectively. **Citadel Europe, LLP** on the other hand increased its position by 124,000 shares to 0.90%. Conversely, **Michelin**, which saw net buying in Q4, saw a net increase of 0.63% in its NSPs with both **Citadel Advisors** and **Citadel Europe** increasing their stakes to 0.52% and 1.11% respectively.

Consumer services: passenger airlines stock **Air France-KLM**, which saw net selling in Q4, was the most shorted stock in Q4 with 6.64% declared – down from 9.61% in the previous quarter. Towards the end of Q4, **Marshall Wace** declared an increase of its NSP to 2.20% and has since increased this position to 2.65% (12<sup>th</sup> January 2017). Although **BlackRock Investment Management (U.K.), LTD** reduced its NSP in **Air France** in Q4 to 1.84%, it has since increased this position to 1.97% (11<sup>th</sup> January 2017). The biggest increase in NSPs was seen in **Casino Guichard Perrachon** which saw 4.37% of its shares shorted – the largest of which coming from **Marshall Wace** which declared 1.89%, with **Citadel Europe** declaring an 0.92% NSP. Since the beginning of the year, both of these firms have reduced to 1.68% and 0.58% respectively.

The French energy sector registered the highest average of shorting in both Q3 & Q4. The shorting was limited to just three stocks with **Technip** (the second most bought stock in the sector) being the most shorted and seeing the highest increase - from 9.60% to 12.56% of the outstanding shares. The largest NSP in the stock was recorded by **Pine River Capital Management, L.P.** with a stake of 1.69% (though since the beginning of 2017, this has reduced to 1.47%) - behind **Carlson Capital U.K., LLP** (1.50%) and **AQR Capital Management, LLC** (1.49%). **CGG** (the second most sold stock in the industry) was the second most shorted stock in the sector at 11.72% (down from 12.97% in Q3) with **UBS Asset Management (U.K.), LTD** having an NSP of 6.77% at the end of Q4 (reduced to 4.37% at the beginning of 2017). **Etalab** was the final energy stock shorted with just 2.23% at the end of Q4, up slightly (0.12%) from Q3.

The financials sector was the most bought sector in Q4, yet shorting was declared in just one stock: **Fonciere des Regions**. Although this stock saw an increase of 1.03% from Q3 to stand at 1.55% s/o, the two investors shorting this stock **Arrowgrass Capital Partners, LLP** and **CQS (UK), LLP** both increased their respective stakes and then slightly reduced towards the end of Q4 to leave them with NSPs of 0.67% and 0.88% respectively.

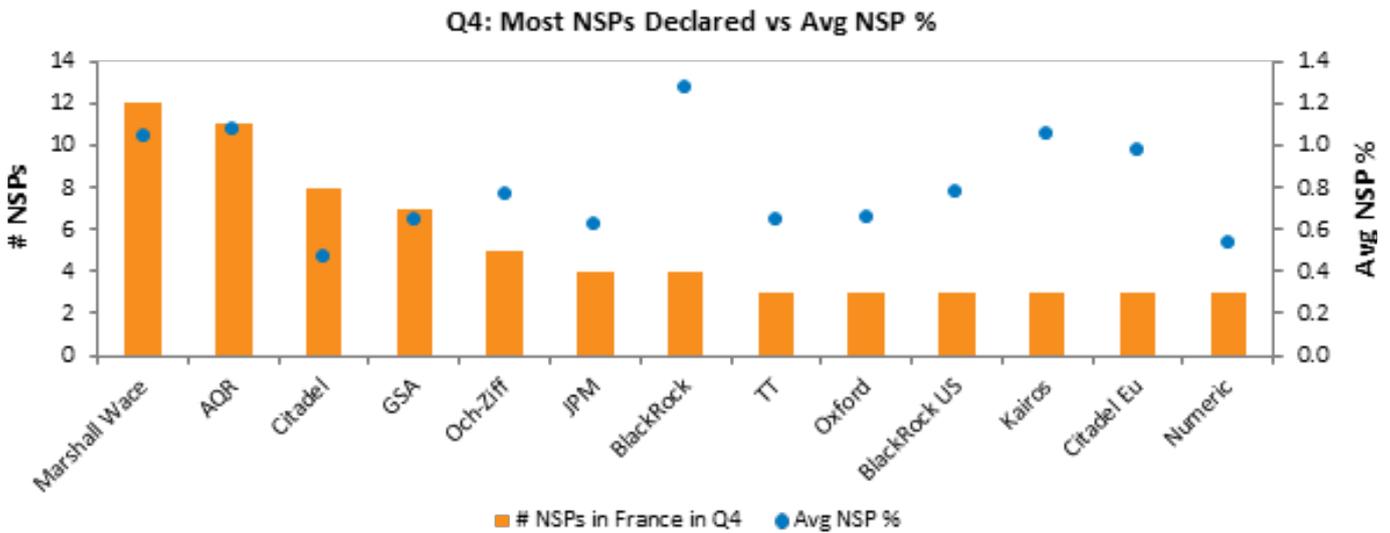
The healthcare sector saw two stocks with significant increases in NSPs in Q4 – **Innate Pharma**, the fifth most bought stock, saw a jump from 1.51% to 4.33% via **Marshall Wace** (1.28% which has since decreased to 1.17%), and **Nicox** saw new NSPs to give the total shorted as 1.45% (**Oxford Asset management, LLP** (0.99%) and **GSA Capital Partners, LLP** (0.46%)). **Orpea** saw a slight increase in NSPs – a jump of 0.18% to 3.08% - which was down to **CQS (UK), LLP** increasing its stake to 1.86M shares.

Industrials stock **Edenred** was by far the most shorted in the sector with 5.03% of its shares in NSPs – a jump of 2.04% s/o – the largest position coming from **AQR** with 2.61% shorted. **Capital Fund Management S.A.** initiated a position of 0.50% (1.2M shares) in late November while **Marhsall Wace** increased its stake to 1.00% in early December. The only stock in the sector to see reductions in its NSP was **Bourbon Corp** which fell from 1.40% in Q3 to 0.91% in Q4, with the only declared position in Q4 coming from **Kairos Investment Management, LTD**. **Kairos** has since reduced its 0.91% stake to 0.64% as of 2<sup>nd</sup> January 2017.

The technology sector saw only one stock swing by more than 1.00% in either direction – **Neopost**. This stock saw a net decrease of 1.58% (to 2.78%) between Q3 and Q4. Both the US and the UK entities of **BlackRock** reduced their NSPs to 1.49% and 0.69% respectively. In late October **Och-Ziff Management Europe, LTD** increased its NSP to 0.60% and has continued to build it to 0.66% as of 11<sup>th</sup> January 2017.

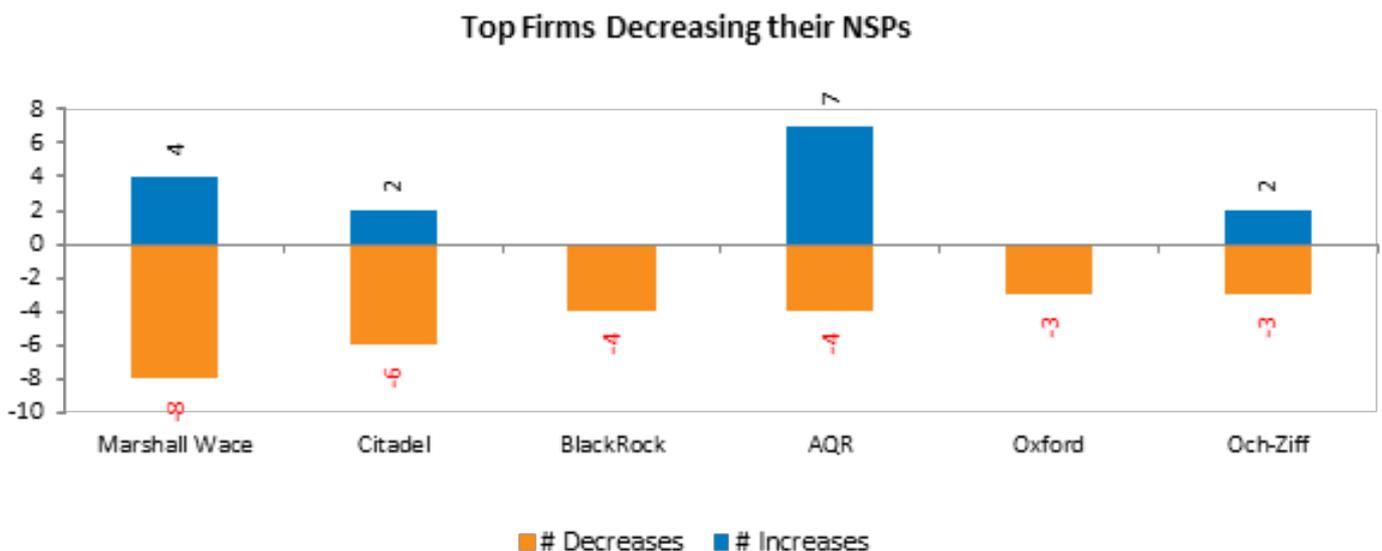
The utilities sector – the only industry to see net selling in Q4 – was unaffected with shorting with no NSPs declared.

## Q4: MOST NSPs DECLARED VS AVG NSP %



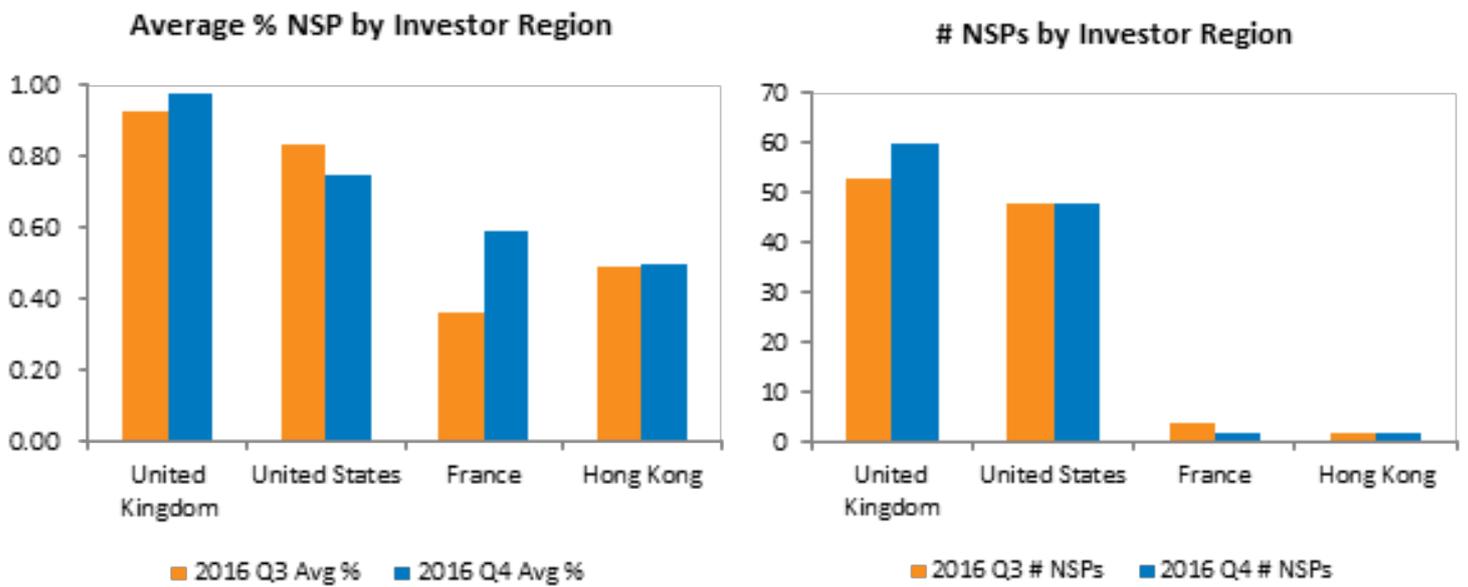
The ubiquitous **Marshall Wace** and **AQR** dominated shorting by volume in the quarter, with 12 and 11 NSPs respectively. The former declared most of its Q4 shorts in the consumer services sector (4) with an average NSP of 1.32%. Its highest average set of NSPs (on the condition that they declared at least 2 NSPs) was in the technology sector – an average of 1.45%. **AQR** declared five NSPs in the industrials sector averaging 1.02%, with the only other sector to receive 2 or more NSPs being technology with an average 0.70%.

## TOP FIRMS DECREASING THEIR NSPs



Although the aforementioned **Marshall Wace** dominated the shorting activity in France, it's worth noting that this firm is, on the whole, decreasing its NSPs. Eight of its twelve NSPs declared were reductions. **AQR**, on the other hand, increased more than it decreased – seven vs. four, making it the firm with the largest amount of increased NSPs in France.

## TOP INVESTOR REGIONS

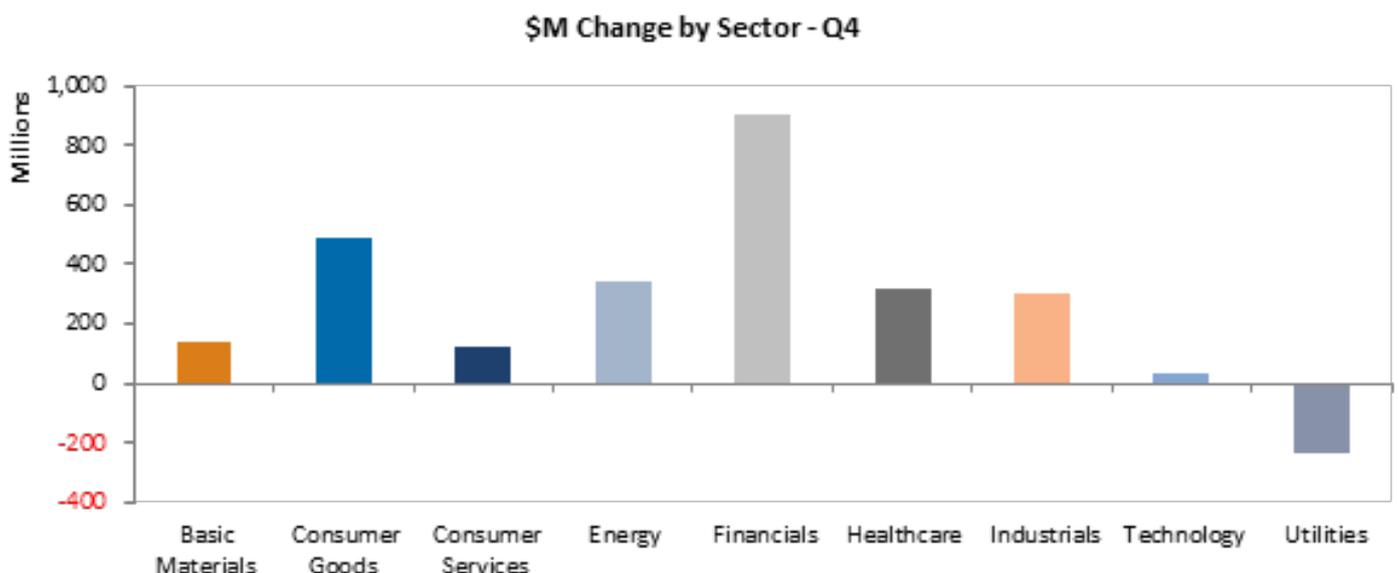


Regionally, the bulk of the shorting was from the UK and the US with 60 and 48 NSPs respectively. US investors remained static in their number of declarations while UK based investors increased by seven.

## OWNERSHIP BY REGION

- In Q3 2016 France saw net selling- mainly down to UK investors withdrawing \$1.6 as well as domestic investors also selling \$787M.
- In Q4, indicative filings show a reversal in French equities with UK investors turning positive as well as North American investors increasing by over \$1B after being relatively flat in Q3.
- This rally was led by index style investors which, after heavy selling in Q3, increased their aggregate portfolio in the market by \$1.8B.

## OWNERSHIP BY SECTOR



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Tel: +44 (0)20 7665 9822 or email us at [IRinfo@ipreo.com](mailto:IRinfo@ipreo.com)