

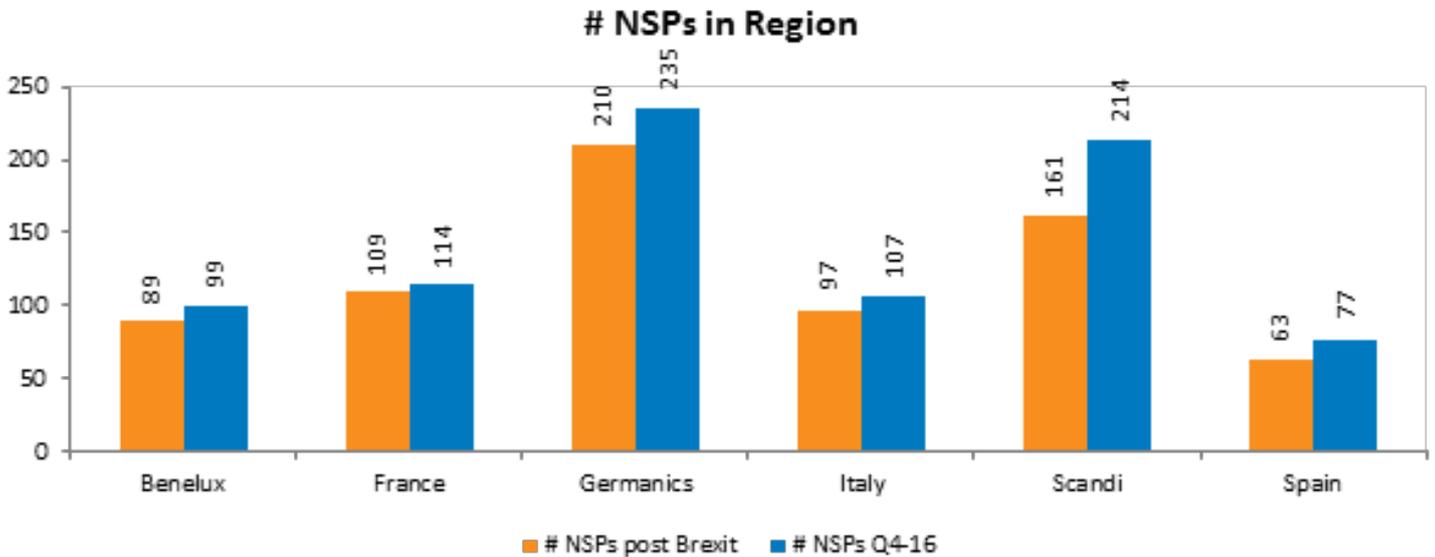
A solid blue vertical bar on the left side of the text.

NET SHORTING: Q4 2016

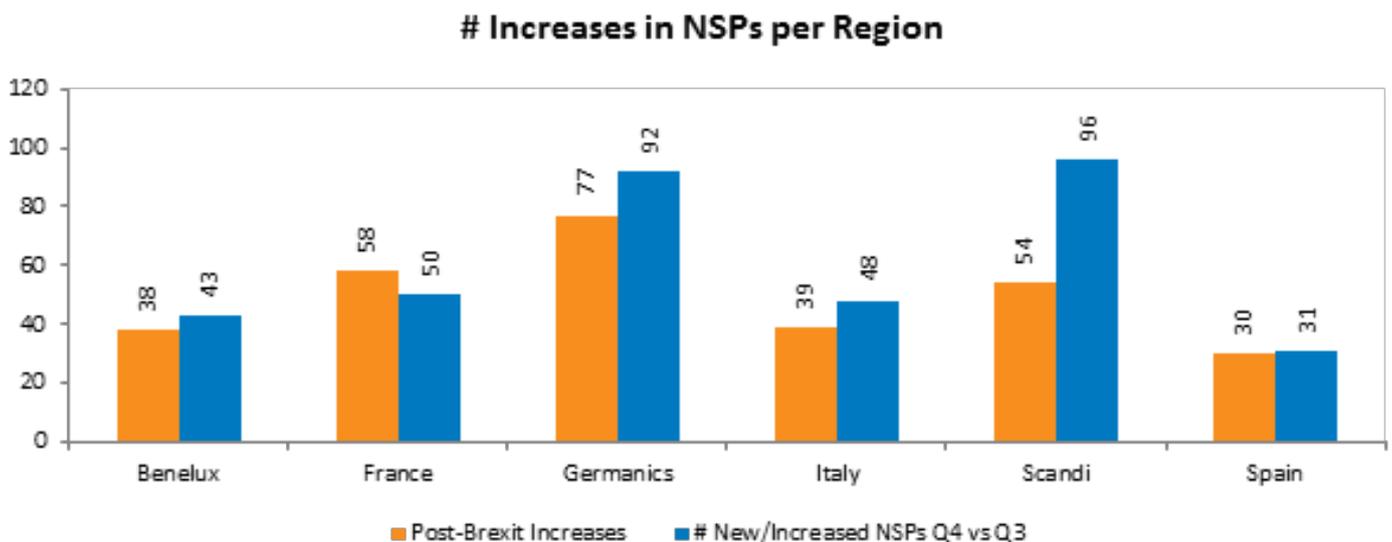
**GERMANY**

## NET SHORTING- GERMANY 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.

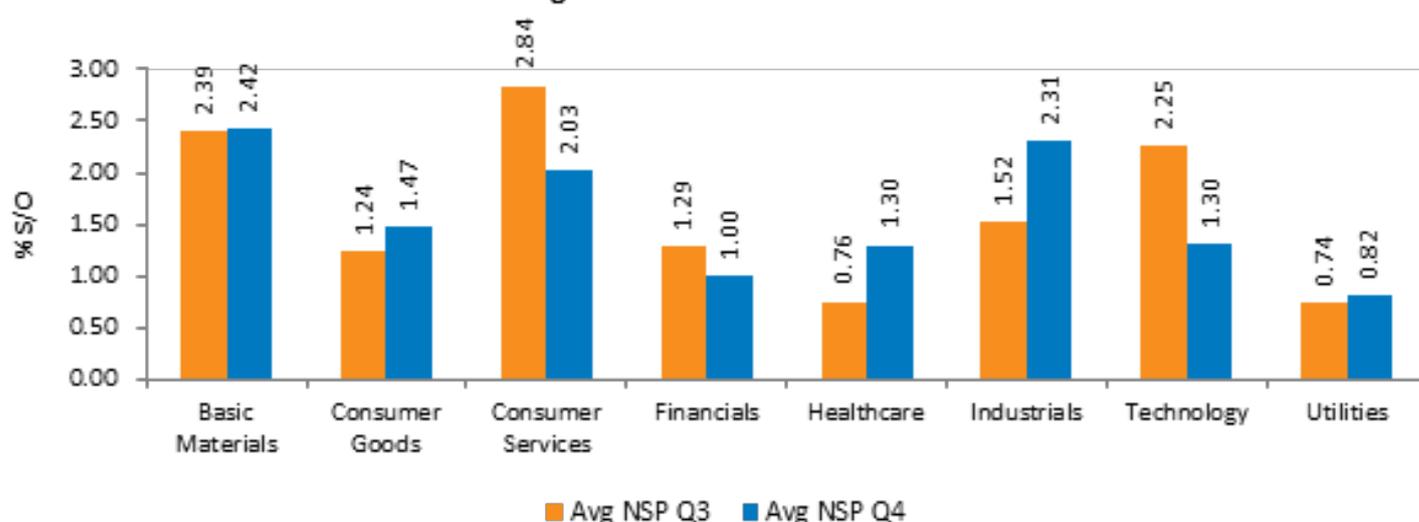


Only 92 out of the 235 NSPs declared in Germanic stocks were new or increases in existing NSPs which represents just 39.1% - meaning 60.9% of the NSPs were decreases, meaning the Germanic region saw the highest percentage of shorting reductions, just ahead of Spain at -59.7%.



## NET SHORTING BY SECTOR- GERMANY

Average Net Short Position Q-on-Q



The German Industrials sector witnessed the most attention from investors with 16 stocks showing an increase in the percent of shares outstanding being shorted in Q4 vs Q3. **Nordex SE**, the tenth most sold industrials stock in Q4 and also the second most shorted stock in Germany in Q4, saw the biggest jump with **AKO Capital, LLP** and **Marshall Wace, LLP (UK)** declaring 2.20% and 2.21% short positions in the stock at the end of the quarter helping give a total quarter-end short position of 10.13% in the stock (up from 1.82% s/o at end Q3). **Bilfinger SE**, the fourth most bought stock in the quarter, didn't fare too well either – investors declared a total short of 7.38% by the end of the quarter (up from 3.59% in Q3) with **AQR Capital Management, LLC** and **Marshall Wace, LLP (U.K.)** being the main culprits with NSPs of 1.61% and 1.49% respectively. Only three stocks in the sector showed a decrease in % s/o shorted: **Duerr** down 1.32%; **Osram Licht** down 0.62% and **NORMA Group** showing a decrease of 0.17% s/o.

The Technology sector, the most sold in Q4, saw 17 stocks shorted in the quarter, with only 5 showing an increase, the largest of which (in percentage terms) being **Hypoport AG** which was shorted by **BlackRock** (0.60%) and **Citadel Advisors** (0.50%). **Aixtron SE** saw the biggest decrease in net shorting with declared shorting of 1.38% vs 4.45% in Q3. **Aixtron** was the 7th most sold German technology stock in Q4. **Wirecard AG** was the most shorted technology stock in the quarter with 7.37% of its shares outstanding shorted, and US based hedge fund **Steadfast Capital Management, L.P.** declaring a 1.27% short position.

The second most sold sector in Q4 – Consumer Goods – showed four stocks registering an increase in the percent shorted. Three of these were in the automotive industry: **SHW AG** +1.01%; **ElringKlinger AG** +1.04% and **SAF Holland GmbH** +1.14%. Outside this the industrial equipment stock **Leoni AG** saw an increase of 2.17%.

The Basic Materials industry has the highest average percent of share outstanding shorted, 2.42%, up very slightly on previous quarter when the average was 2.39%. This is largely skewed by with NSPs in agricultural chemicals stock **K+S AG** (the highest shorted stock in Germany) being declared at 13.76% – otherwise the average for the sector would stand at 1.16%. **Citadel Europe, LLP** increased its shorting by 210,000 shares to a total of 2.13% while **Two Creeks Capital Management, L.P.** reduced its position by 230,000 shares to 2.17%. **K+S AG** was the sixth most sold stock in the sector in Q4.

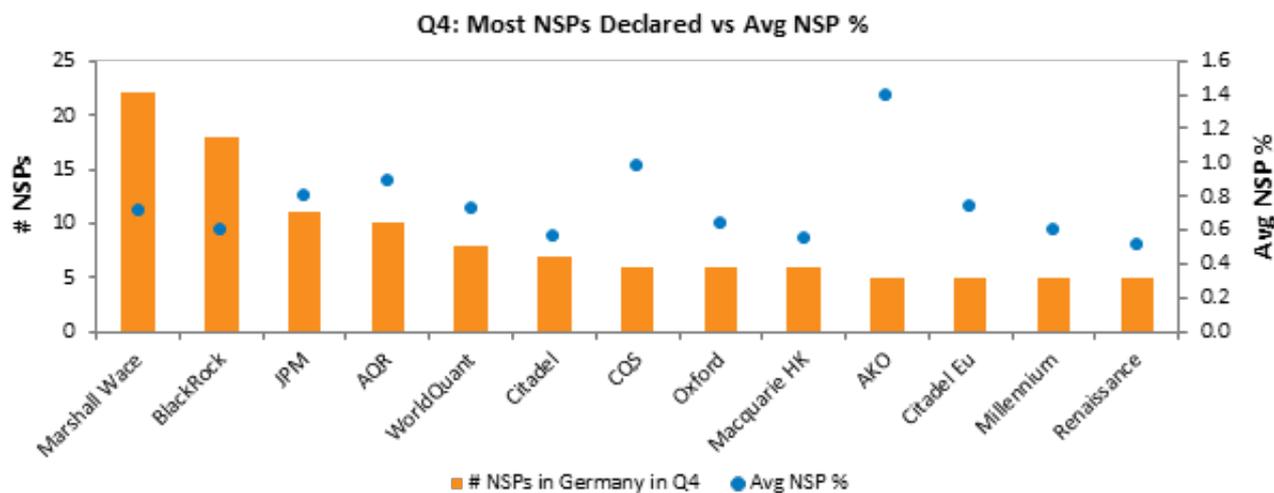
The Consumer Services sector was the third most shorted industry in Germany in Q4 with passenger airlines issuer **Deutsche Lufthansa** recording shorting to the tune of 7.66% but this is well down from 10.90% in Q3)- the largest position being **Marshall Wace, LLP (U.K.)** at 1.44% at end Q4 (the firm has since increased its short position by 797,000 shares to 1.79% as of 10th Jan 2017). Across this sub-industry, **Lufthansa** was the most shorted with **Air France-KLM** and **Sweden's SAS AB** seeing Q4 shorting of 6.64% and 5.34% respectively. Similar to **Lufthansa**, **Air-France** saw a fall in its total NSP between each quarter (-2.97%), where **SAS** saw an increase from 1.11%.

The Healthcare sector saw **MorphoSys AG**, the fifth most bought healthcare stock in Q4, as the most shorted stock with a total of 1.98% declared. **AHL Partners, LLP** declared the biggest NSP at 0.84% at quarter-end (though this has since reduced 0.78% (9th Jan 2017)). **Draegerwerk AG** was shorted to the tune of 1.94% in the quarter with **Elliott Management Corporation** and **J.P. Morgan Asset Management (UK), LTD** declaring short positions of 1.49% (up from 0.92% at the beginning of the quarter) and 0.45% (down from 0.70%) respectively.

The biggest increase in the utilities sector (the most bought sector in Q4) was recorded in **E.ON SE** with **AQR** and **Marshall Wace** increasing their respective positions by 1.2M shares and 1.0M shares. At the end of Q4 they represented 0.52% and 0.50% respectively (**Marshall Wace** has since reduced its position by 1.8M shares to 0.49% on 11th January 2017).

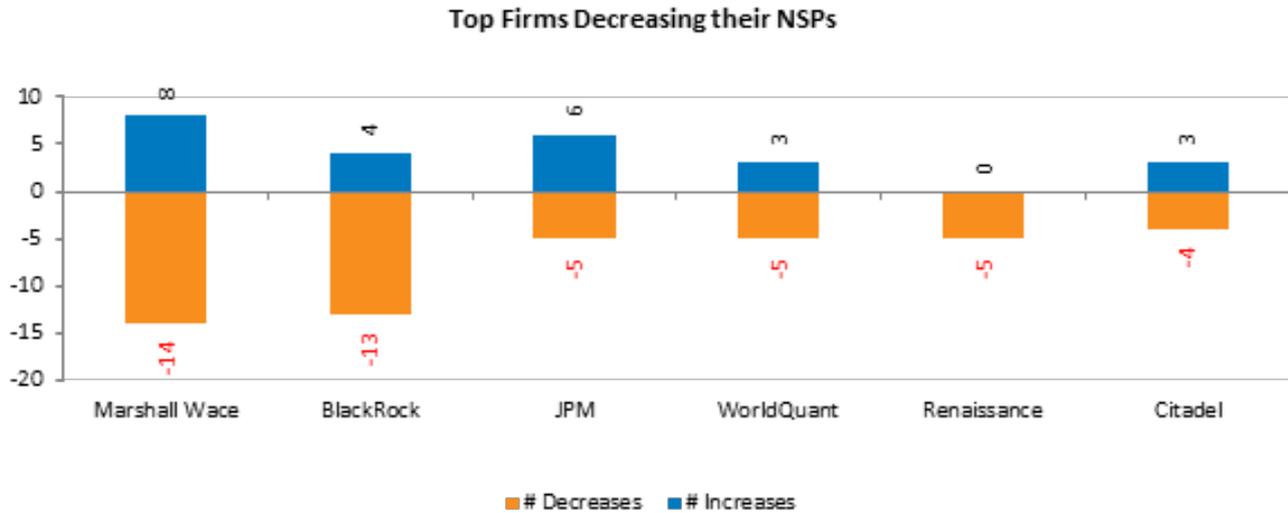
Shorting in German Financials was mainly executed in the Real Estate industry. **TAG Immobilien AG**, which saw net sales of \$10.3M, was the most shorted with 1.98%- 1.49% by **QVT Financial, L.P. (U.S.)**. Outside of real estate **Deutsche Bank AG** was the most shorted stock with 1.45% (down from 2.02% in the previous quarter) – this was led by **Marshall Wace** (0.48%); **AQR Capital** (0.47%); and **Highfields Capital** (0.40%); note that at the beginning of the quarter **Marshall Wace** had a short position of 1.02% and has since over halved its stake to its current level. **Discovery Capital Management, LLC** also significantly reduced its position shedding 5.7m shares to leave it with an NSP of 0.10%.

#### Q4: MOST NSPs DECLARED VS AVG NSP %



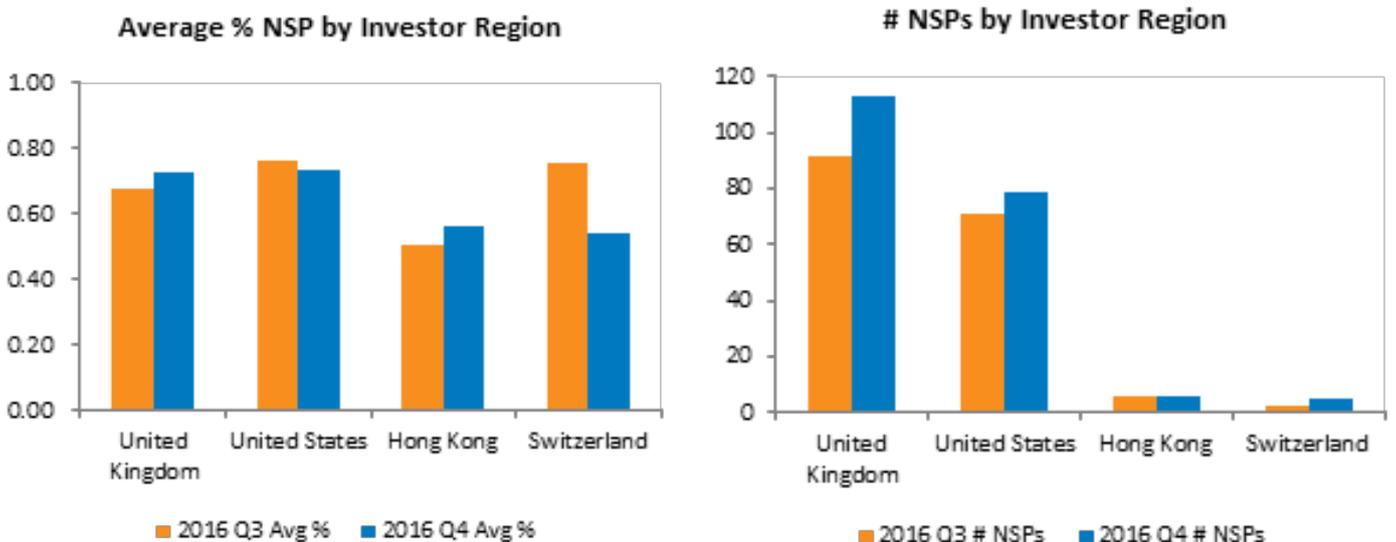
**Marshall Wace** and **BlackRock** dominated shorting by volume in the quarter, with 22 and 18 NSPs respectively. However, out of all the investors who declared five or more NSPs, **AKO Capital, LLP** was the only institution to average higher than 1% with 1.39%- it is worth noting that all five of AKO's declared shorts were in the industrials sector, whilst the other investors declaring 5 or more NSPs tended to be more widespread across multiple industries with the exception of **Citadel Europe, LLP** which declared 4 NSPs in the basic materials sector and 1 in the industrials industry.

## TOP FIRMS DECREASING THEIR NSPs



Although the aforementioned **Marshall Wace** and **BlackRock** dominate the shorting activity in Germany, it's worth noting that in both cases these firms are, on the whole, decreasing their NSPs. In the case of **Marshall Wace** 14 of the 22 NSPs declared were reductions, while **BlackRock** registered 13 decreases in NSPs against a total of 18. **Marshall Wace** also recorded the largest number of increased NSPs (8) with AQR coming second with seven increases, its largest NSP being in **Hugo Boss** (1.60%). **BlackRock** increased 4 NSPs and remained unchanged in one (**BayWa AG** at 0.49%).

## TOP INVESTOR REGIONS



Regionally, the bulk of the shorting was from the UK and the US with 113 and 79 NSPs respectively. US investors increased the number of NSPs by 8 between the two quarters with their average percent falling from 0.76% to 0.73%. UK based investors also increased the number of shorts in their aggregated portfolio by 21, and the average position increasing from 0.68% to 0.73%.

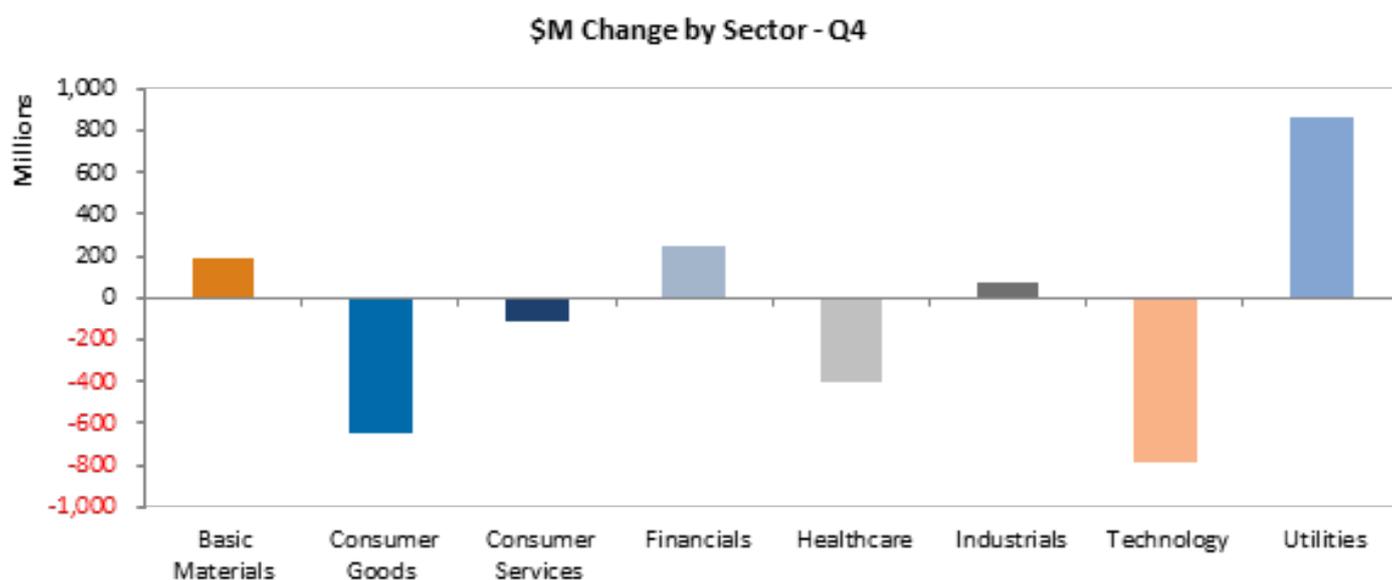
## OWNERSHIP BY REGION

- In Q3 2016 Germany was the most sold market in Western Europe (-\$7.5B), with North American investors registering net sales of \$6.6B, followed by Western European investors reducing their aggregate portfolio by \$1.1B.

- In Q4, indicative filings show German equities still being sold but much less heavily than in Q3, with UK based investors recording sales of \$1.1B while North American investors returned to the market with inflows of \$895M (with every other region selling).

- Style wise the main drivers of the activity were growth and value investors who sold-\$2.9B and-\$5.3B respectively in Q3 and continued reducing in Q4 but much less heavily than in Q3. Index investors returned to German equities in Q4.

## OWNERSHIP BY SECTOR



- Mutual fund activity in Q4 saw heavy sales in technology, consumer goods and the healthcare sectors, whilst the utilities industry saw heavy buying – with financials and basic materials a distant second and third most bought sectors.

## ABOUT IPREO

### We work as an extension of our clients' Investor Relations team

Ipreo is a leading global provider of financial services technology, data and analytics. We support all participants in the capital-raising process including banks, public and private companies, institutional and individual investors, as well as research, asset management and wealth management firms. Our extensive suite of investor relations services provides our corporate clients with unparalleled cross-asset class surveillance, investor targeting, buy-side perception studies, transaction analysis and predictive analytics. Additionally, Ipreo's BD Corporate IR workflow platform offers the most accurate and comprehensive database covering global institutional contacts, profiles, and ownership data. Our critical insights and flexible solutions help our clients run more effective investor relations programs. Ipreo is private-equity held by Blackstone and Goldman Sachs Merchant Banking Division, and has more than 1,000 employees, supporting clients in every major financial hub around the world.

GET IN TOUCH

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