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# Securities Lending Market Update

Sam Pierson \ Toronto \ 3 June 2015

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**Discussion topics**

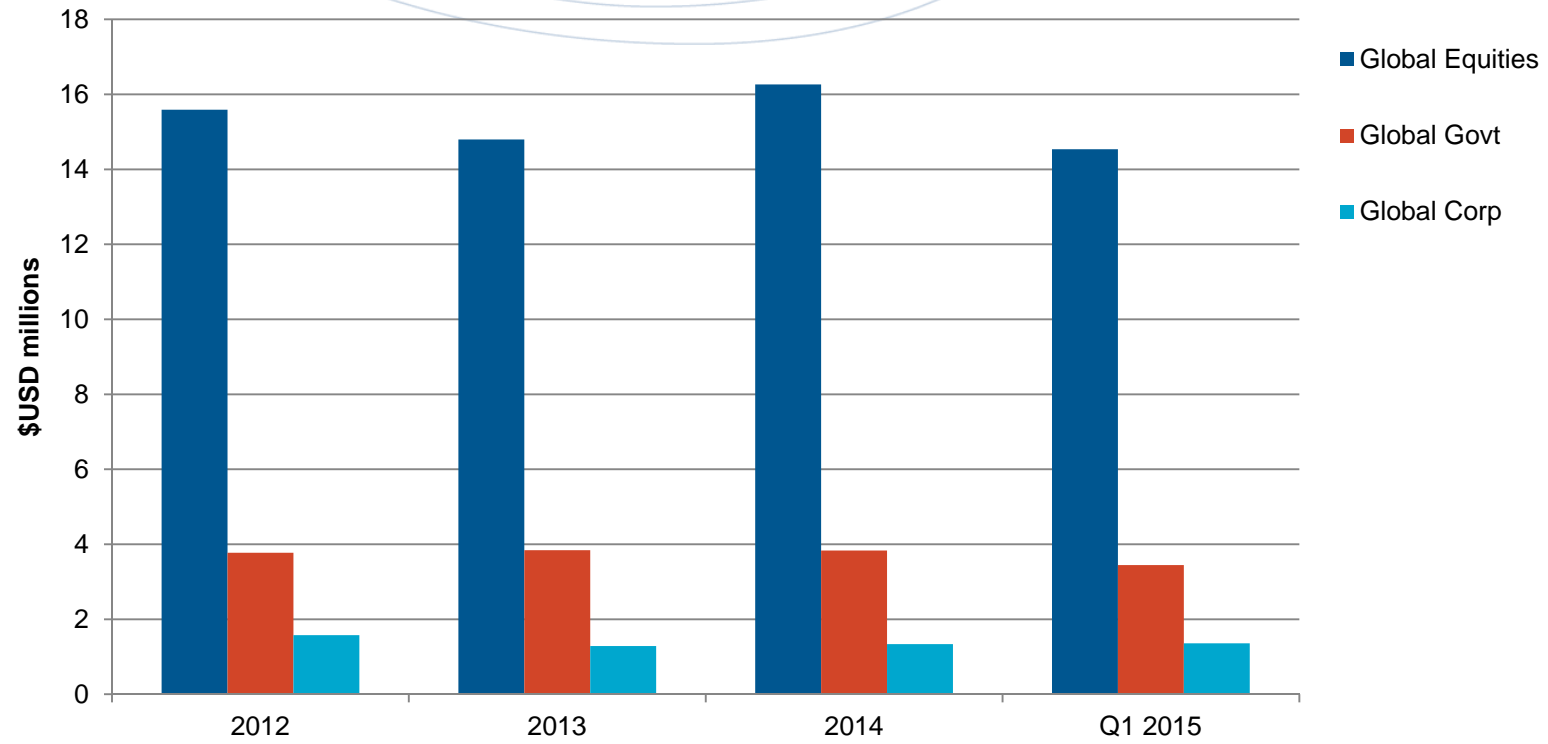
- Global sec lending snapshot and trends
- Canada sec lending snapshot and trends
- Canada equity “specials” analysis
- Canada demand drivers

## 2014 average inventory and revenue - global

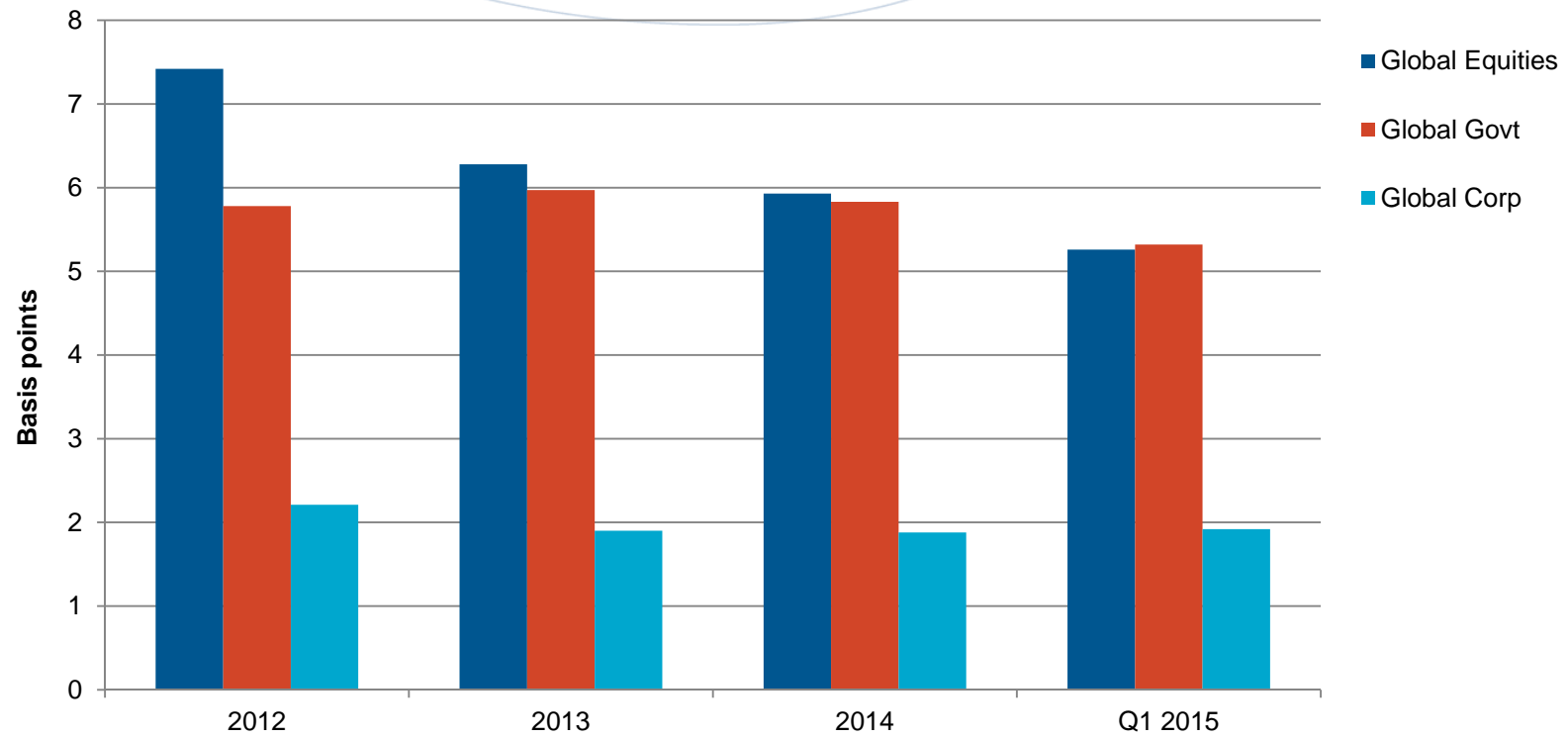
2014 Avg	Lendable Value	Value On Loan	Total Daily Revenue	SL Daily Revenue	Reinvestment Daily Revenue	SL Return to Lendable	Total Return To Lendable	Avg Fee
Equities	9.9T	590B	16M	89%	11%	5.3 bps	5.9 bps	87 bps
Government Bonds	2.4T	782B	3.8M	42%	58%	2.4 bps	5.8 bps	7 bps
Corp Bonds	2.6T	158B	1.3M	70%	30%	1.3 bps	1.9 bps	21 bps

All values in USD

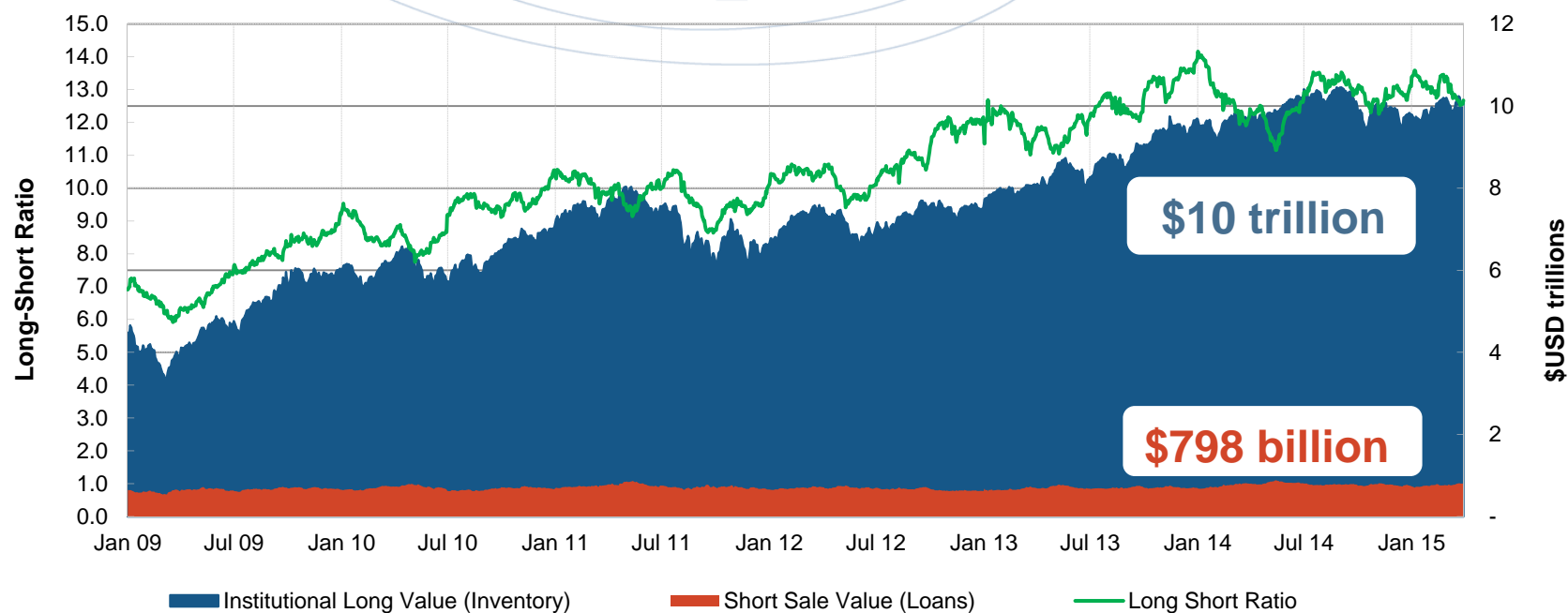
## Global average daily revenue



## Global average return to lendable



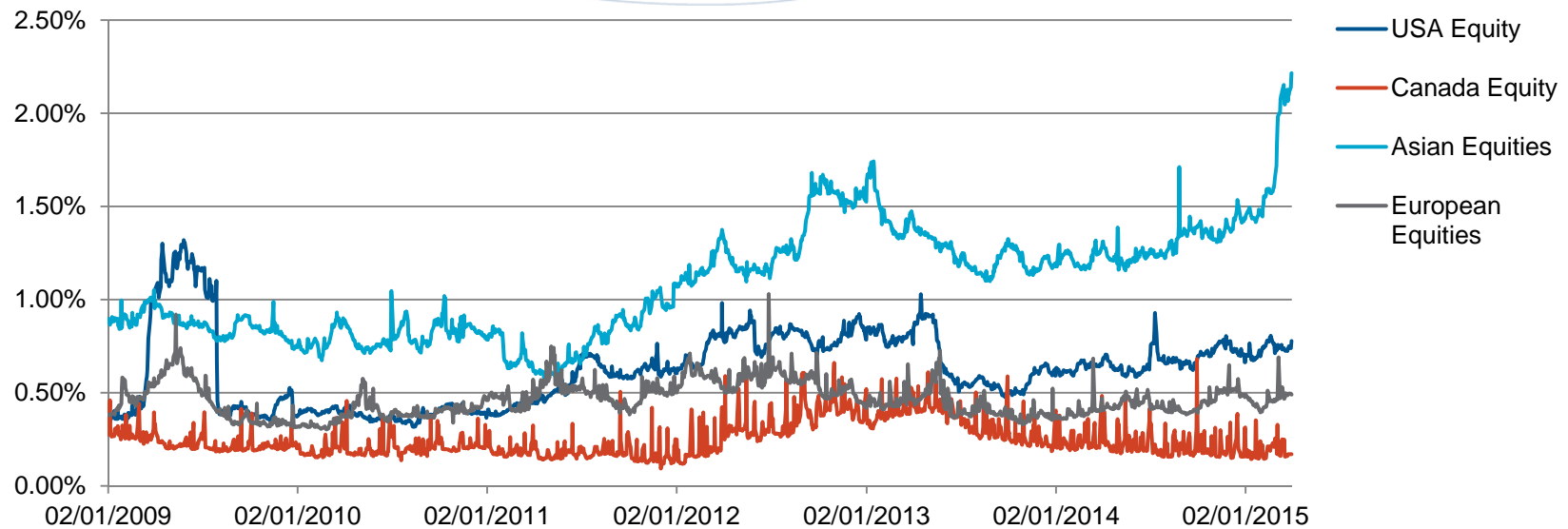
## Long/short ratio – global equities



- Post-crash: Supply continues to outstrip demand
- Since January 1st 2014: Supply up 6%; demand up 15%

## Global equity VWAF

### Fees by region

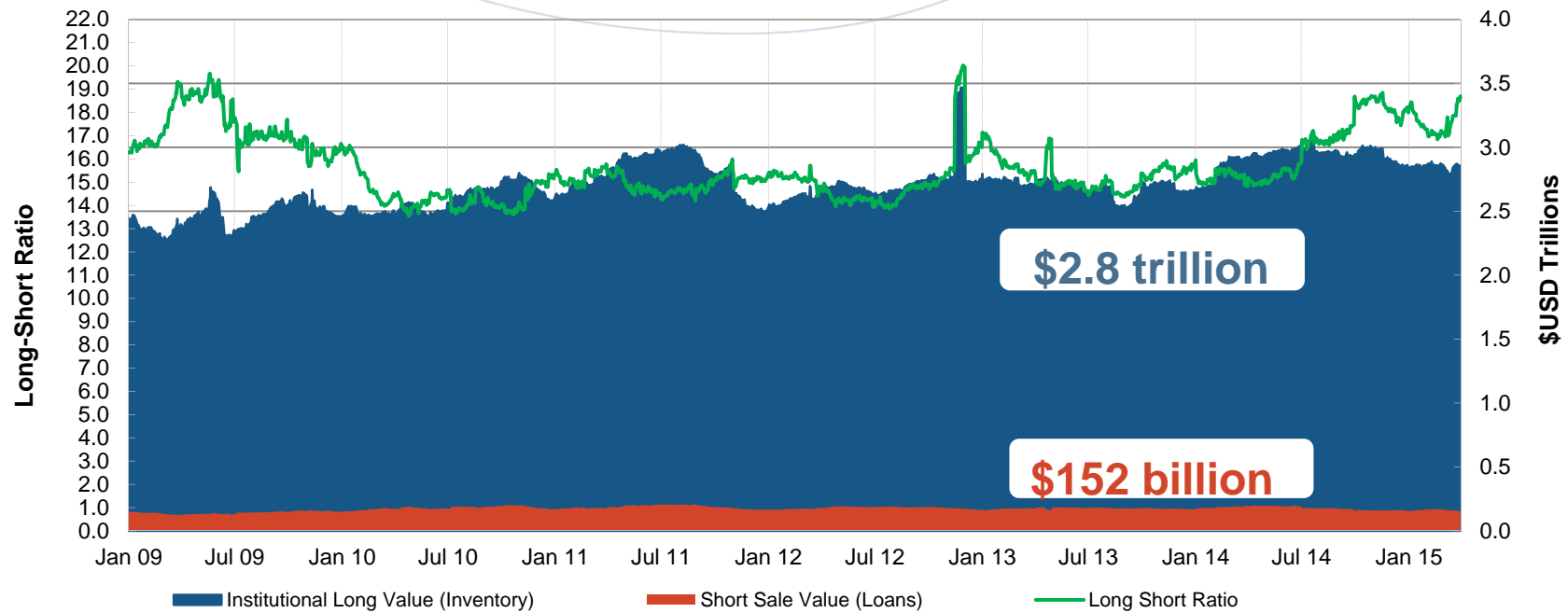


— Average fees highest in Asia

— Downtrend in average fee in CA (down 57% since start of 2014)

## Long/short ratio – global corporates

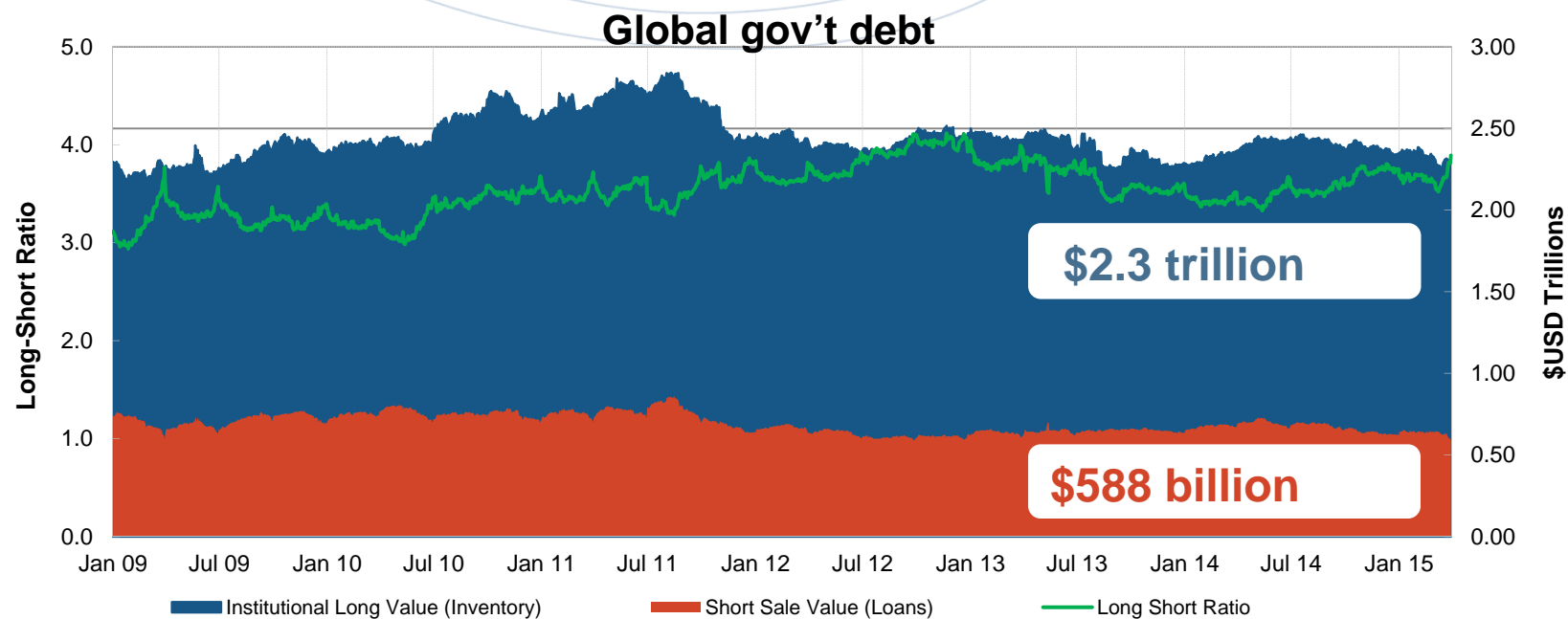
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Since January 1st 2014: Supply up 9%; demand down 9%



## Long/short ratio – global gov't bonds



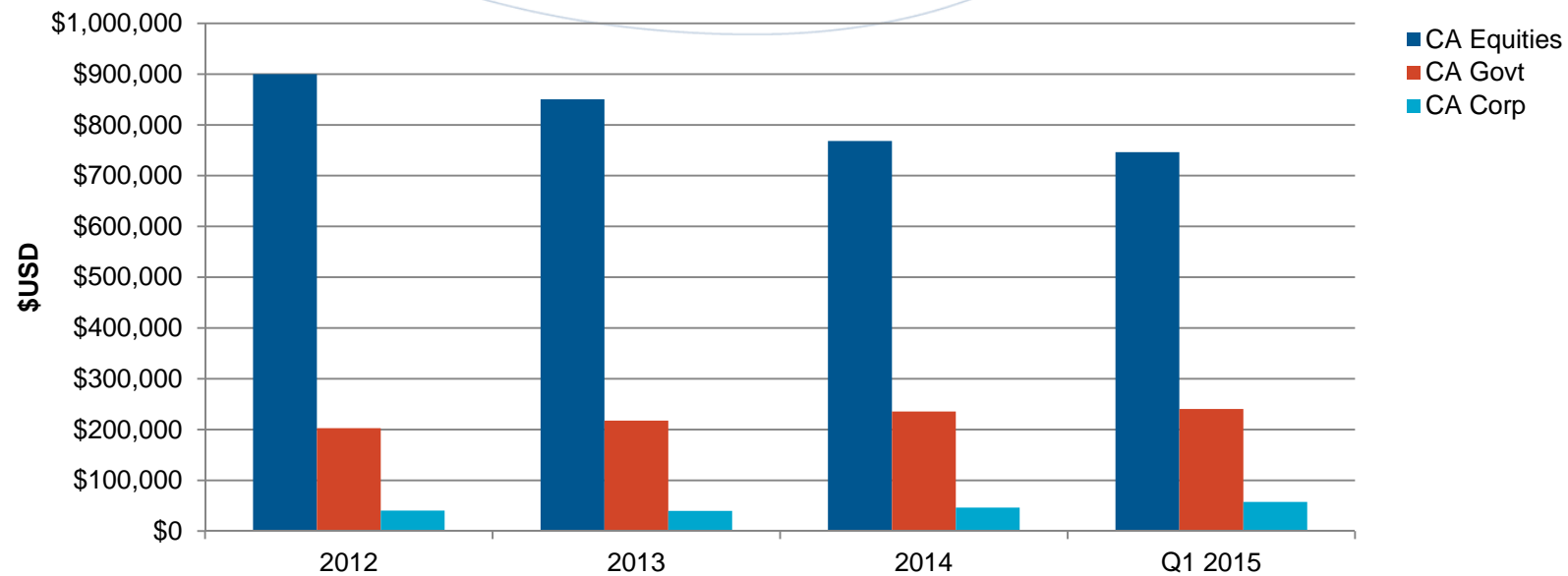
Since January 1st 2014: Supply up 1%; demand down 7%

## 2014 average inventory and revenue – Canada

2014 Avg	Lendable Value	Value On Loan	Total Daily Revenue	SL Daily Revenue	Reinvestment Daily Revenue	SL Return to Lendable	Total Return To Lendable	Avg Fee
Canada Equity	461M	50M	768K	97%	3%	5.8 bps	6.0 bps	52 bps
Canada Govt Bond	296M	68M	235K	82%	18%	2.3 bps	2.8 bps	10 bps
CAD Corp Bond	255M	12M	46K	53%	47%	0.4 bps	0.65 bps	7 bps

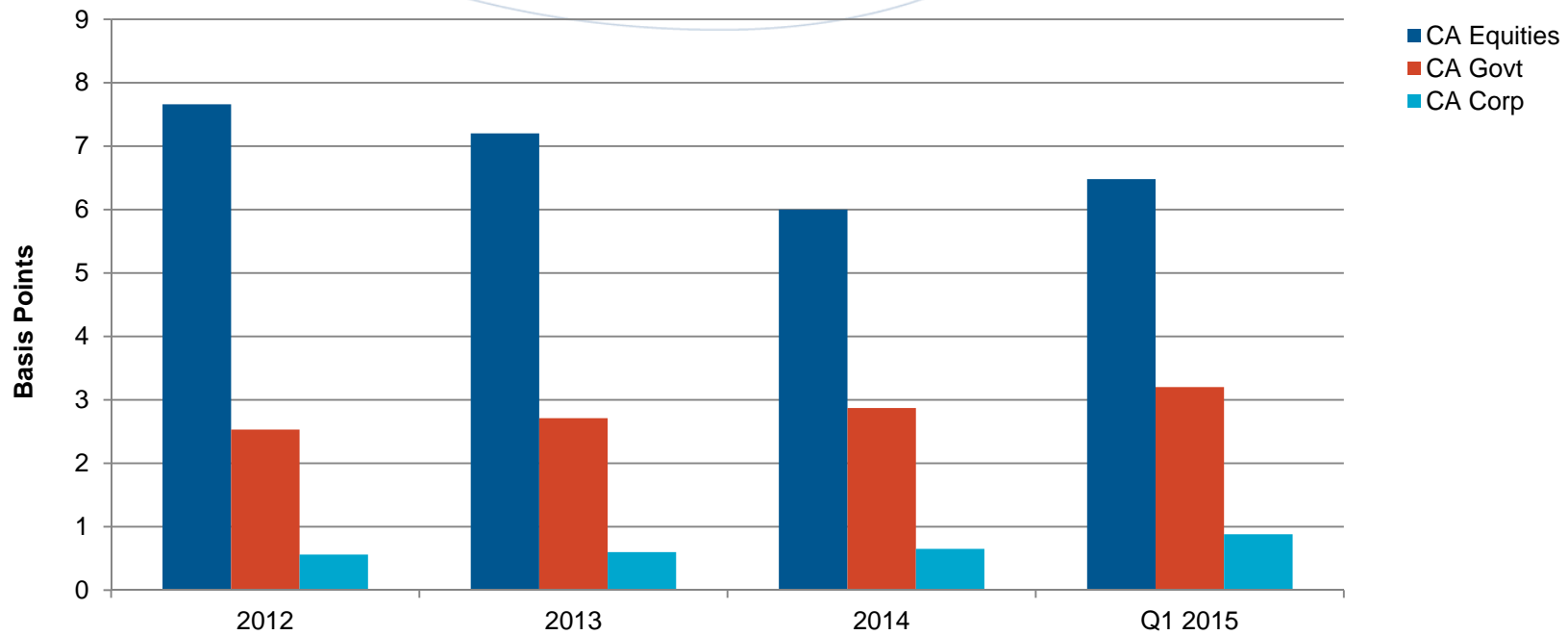
All values in USD

## Canada average daily revenue

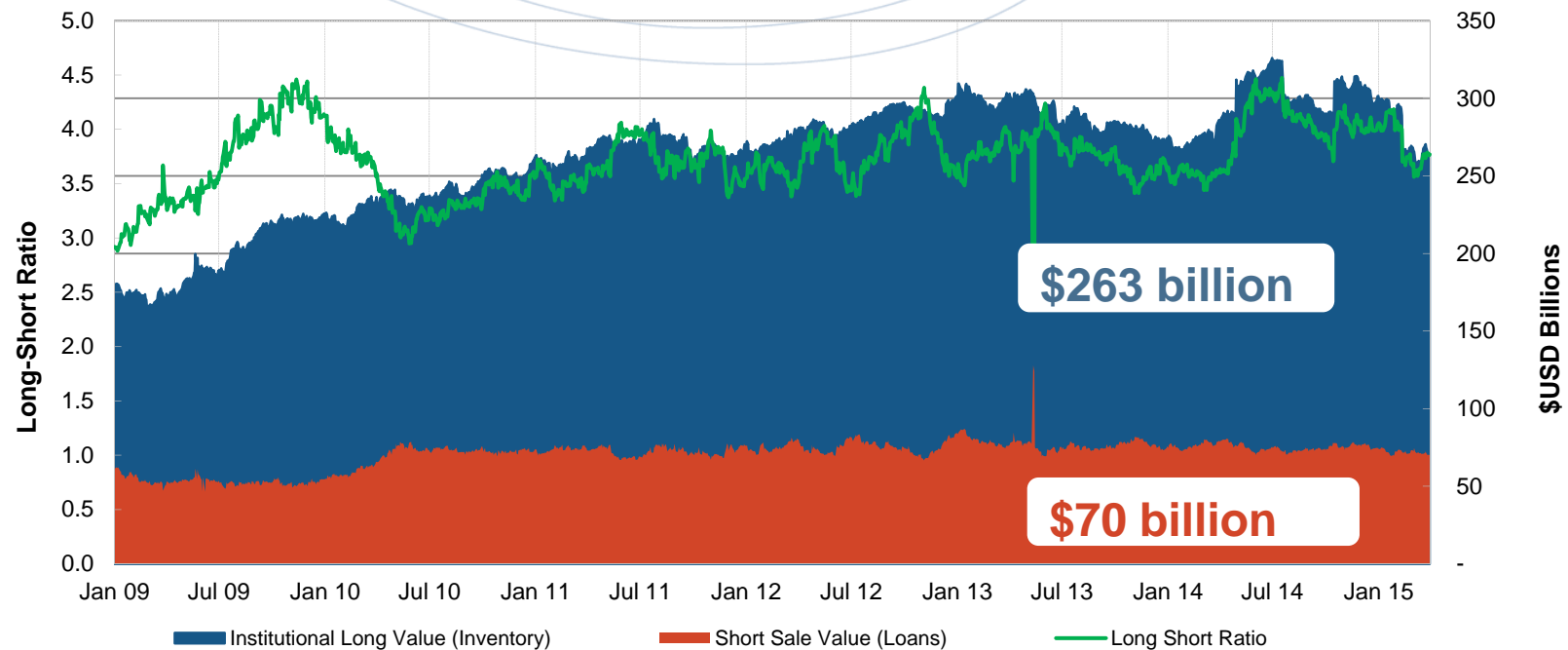


- Equities continue declining revenue in Q1 2015
- Gov't and corp bonds have increased in revenue in each of the last three years and are on pace to continue trend in 2015

## Canada return to lendable

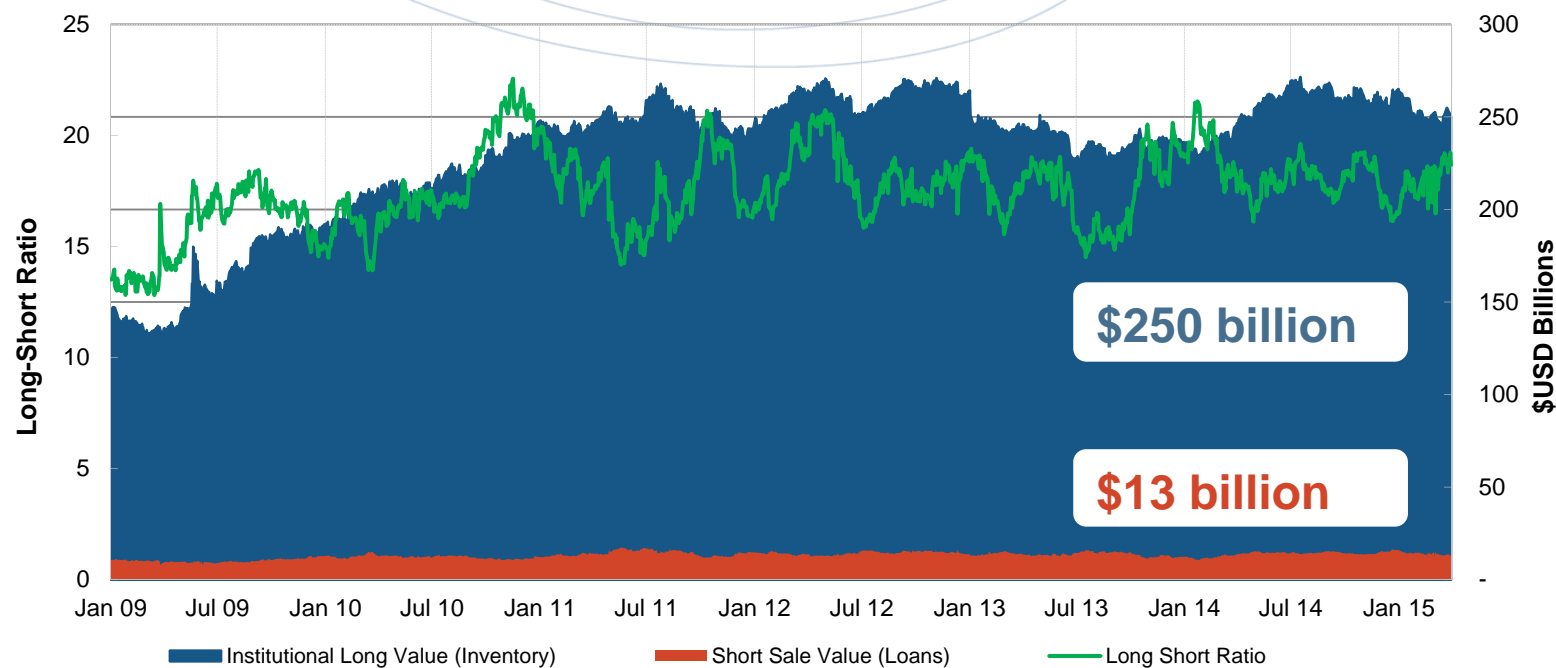


## Long/short ratio – Canada gov't debt



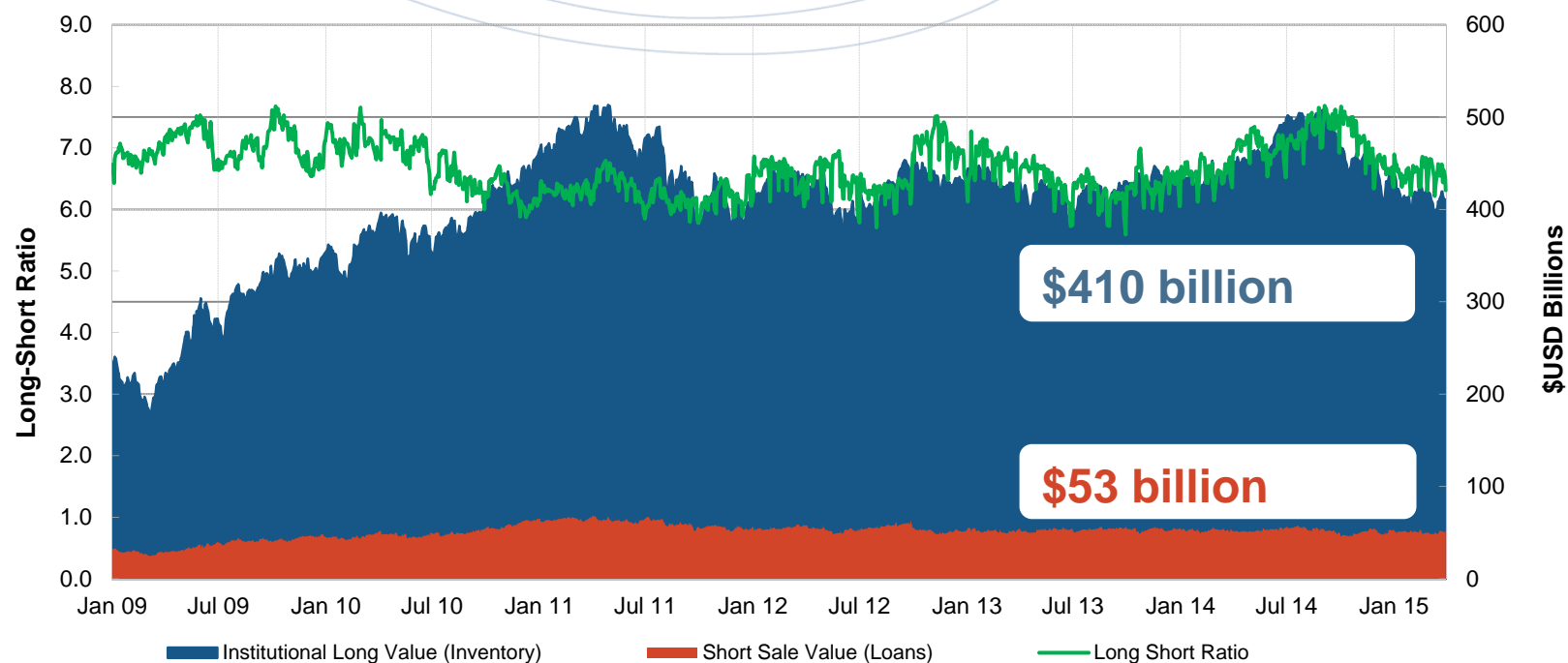
- From 2009 – 2013: Supply up 54%; demand up 25%
- Since January 1st 2014: Supply down 4%; demand down 7%

## Long/short ratio – Canada corp bonds



Since January 1st 2014: Supply up 6%; demand +8%

## Long/short ratio – Canada equities



Since January 1st 2014: Supply down 7%; demand down 11%

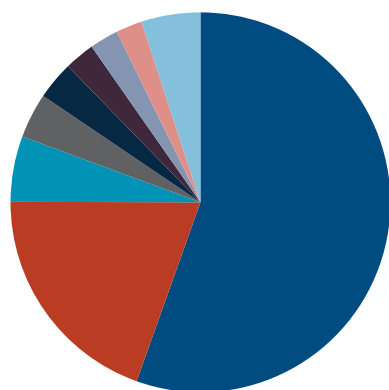
## Highest revenue CA equities - 2014

Name	2014 rev est	Avg fee	Avg utilization	Avg value on loan
Westport Innovations Inc	\$3,072,552	3.14%	34.1	\$501,078,048
Bank Of Nova Scotia	\$2,740,083	0.43%	8.9	\$3,585,294,592
Loblaw Companies Ltd	\$2,470,959	0.39%	9.2	\$3,779,753,216
Enbridge Inc	\$2,370,724	0.48%	9.3	\$2,764,058,112
Bank Of Montreal	\$1,694,900	0.46%	9.9	\$2,358,365,696
Crescent Point Energy Corp	\$1,621,124	0.38%	14.5	\$2,673,905,408
Cominar Real Estate Investmnt Tr Unt	\$1,505,565	0.30%	17.2	\$2,628,664,064
Potash Corporation Of Saskatchewan Inc	\$1,428,050	0.42%	12.9	\$1,860,176,384
Manulife Financial Corp	\$1,291,683	0.54%	32.5	\$1,279,239,808
Toronto-Dominion Bank	\$1,274,681	0.41%	13.1	\$1,652,566,528



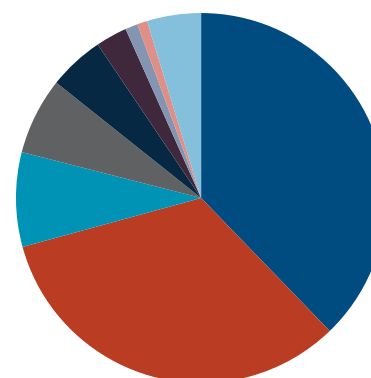
## Canada equity beneficial owner breakdown

### Lendable value



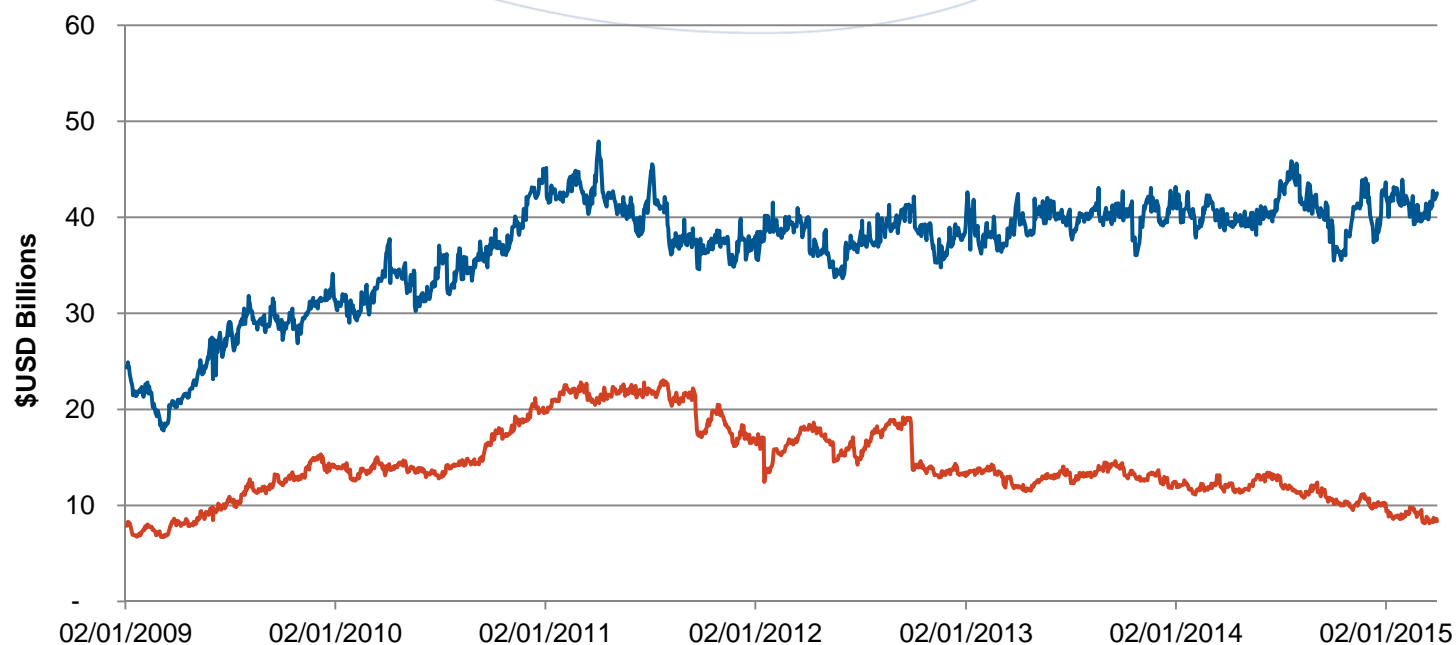
- Mutual Fund
- Pension Fund
- Insurance Company
- Quasi-Governmental Body
- Public Pension Plan
- Bank
- Erisa Fund
- UCIT SICAV
- Other

### Value on loan



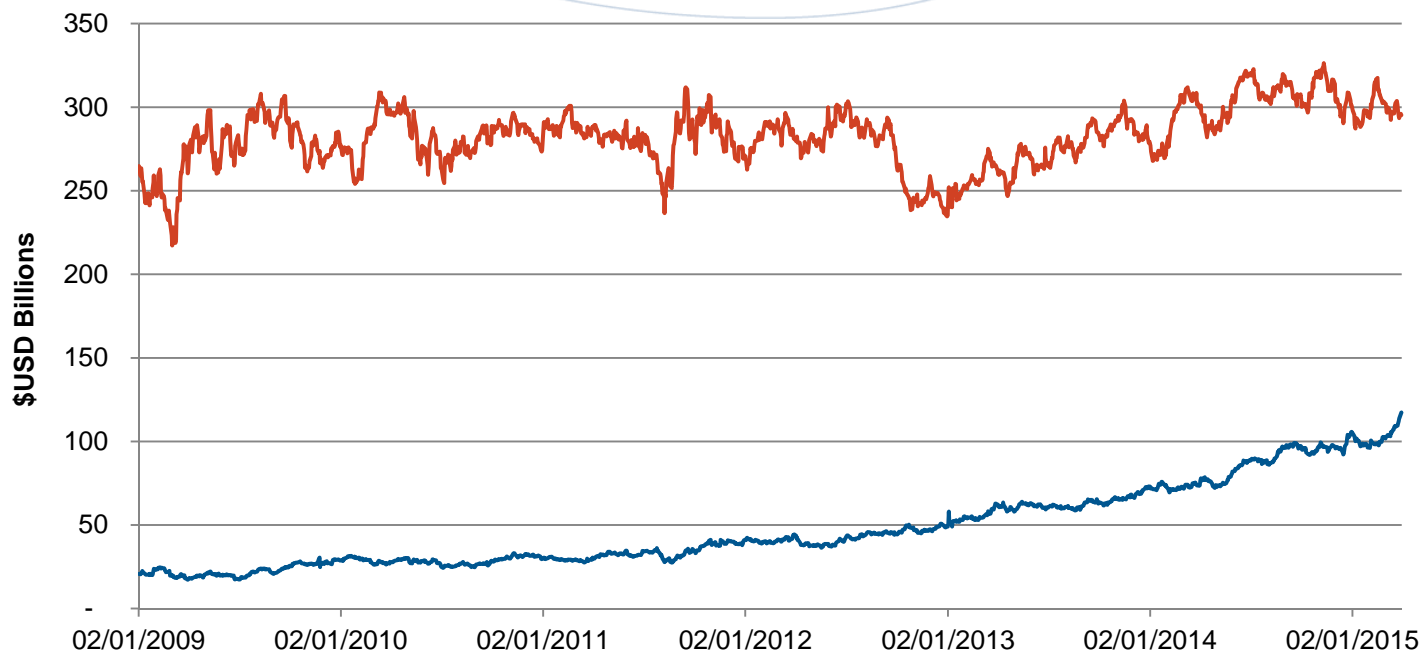
- Mutual Fund
- Pension Fund
- Insurance Company
- Quasi-Governmental Body
- UCIT SICAV
- Public Pension Plan
- Corporate
- Erisa Fund
- Other

## Canada equity - Cash vs Non-cash



Decline in cash collateral in Canadian equity lending

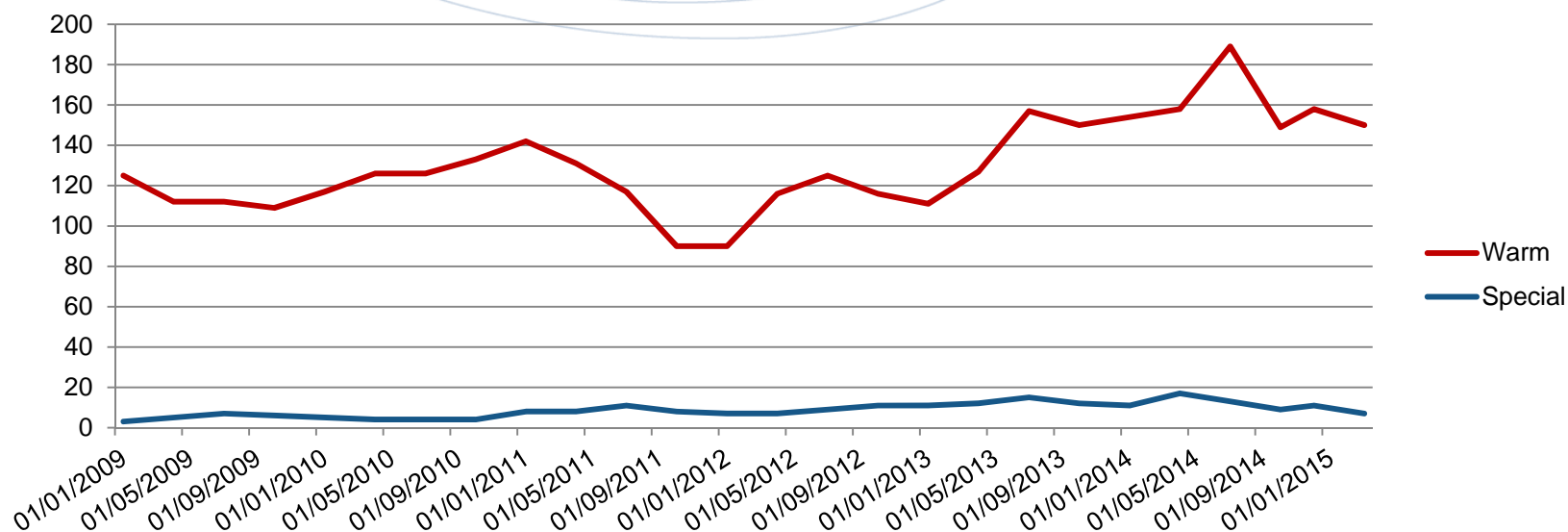
## US equity - Cash vs Non-cash



Increase in non-cash collateral in US equity lending

## Canada equity specials

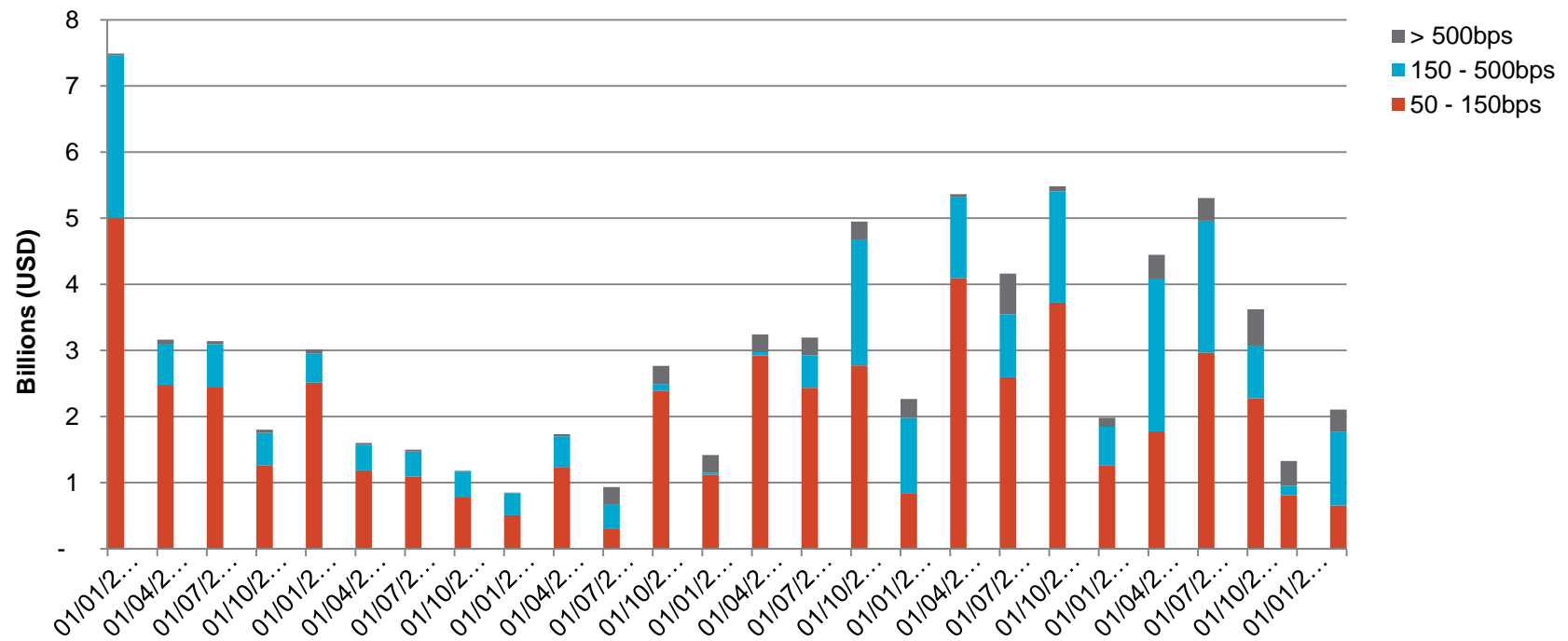
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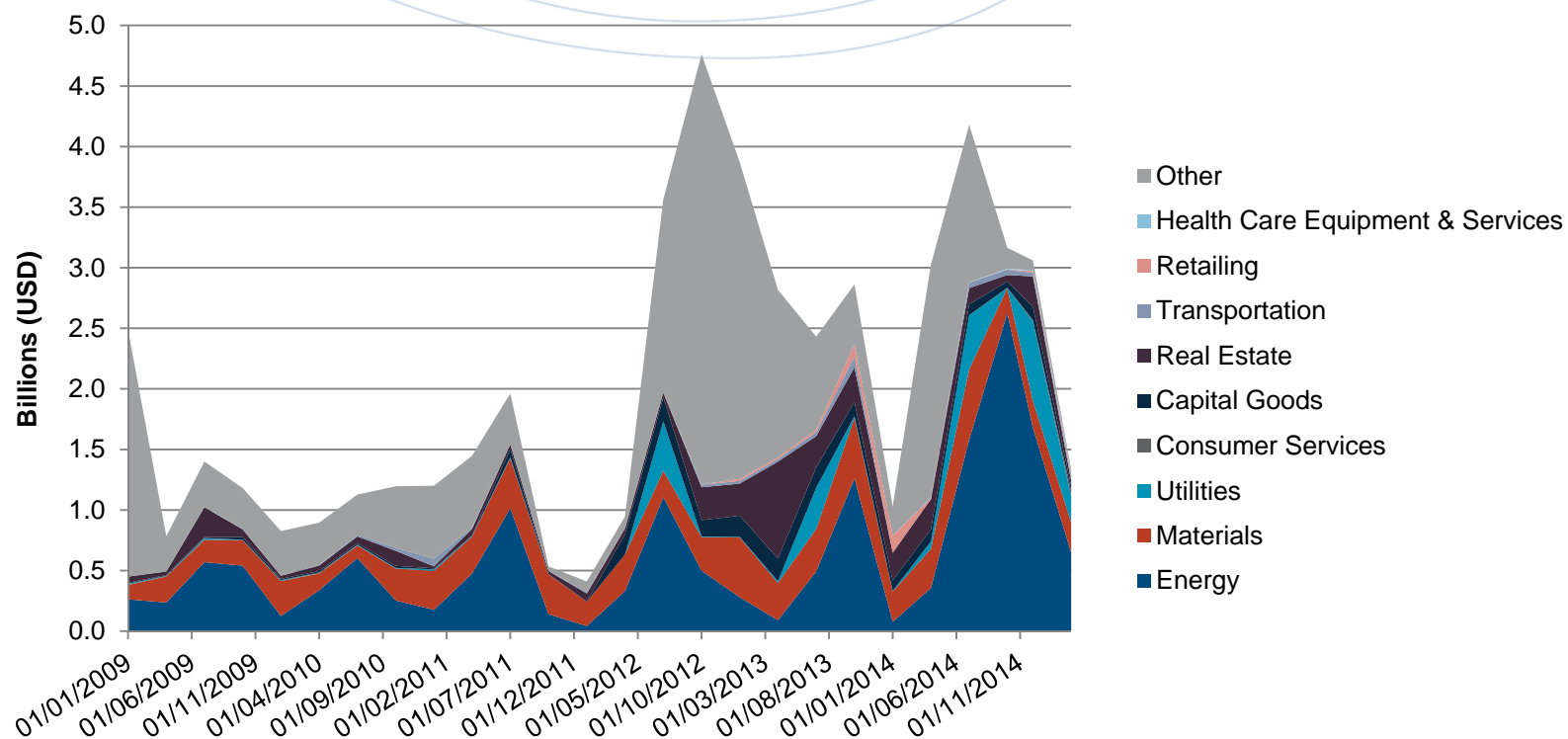
- Warm: 50bps < Fee < 500bps; Special: Fee > 500bps
- Only names with greater than \$1m USD on loan
- Increase in warm stocks over last three years; fewer deep specials vs peak in early 2014

## Canada equity specials

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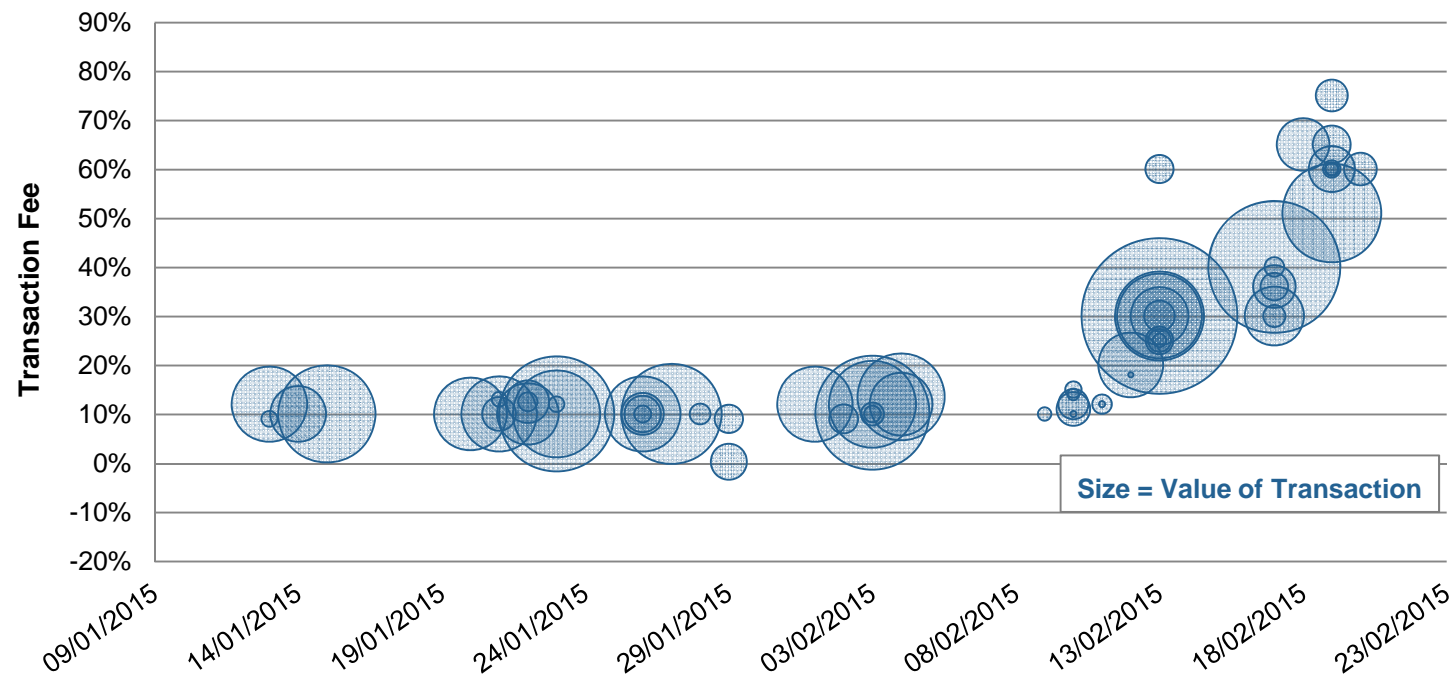


## Canada equity specials

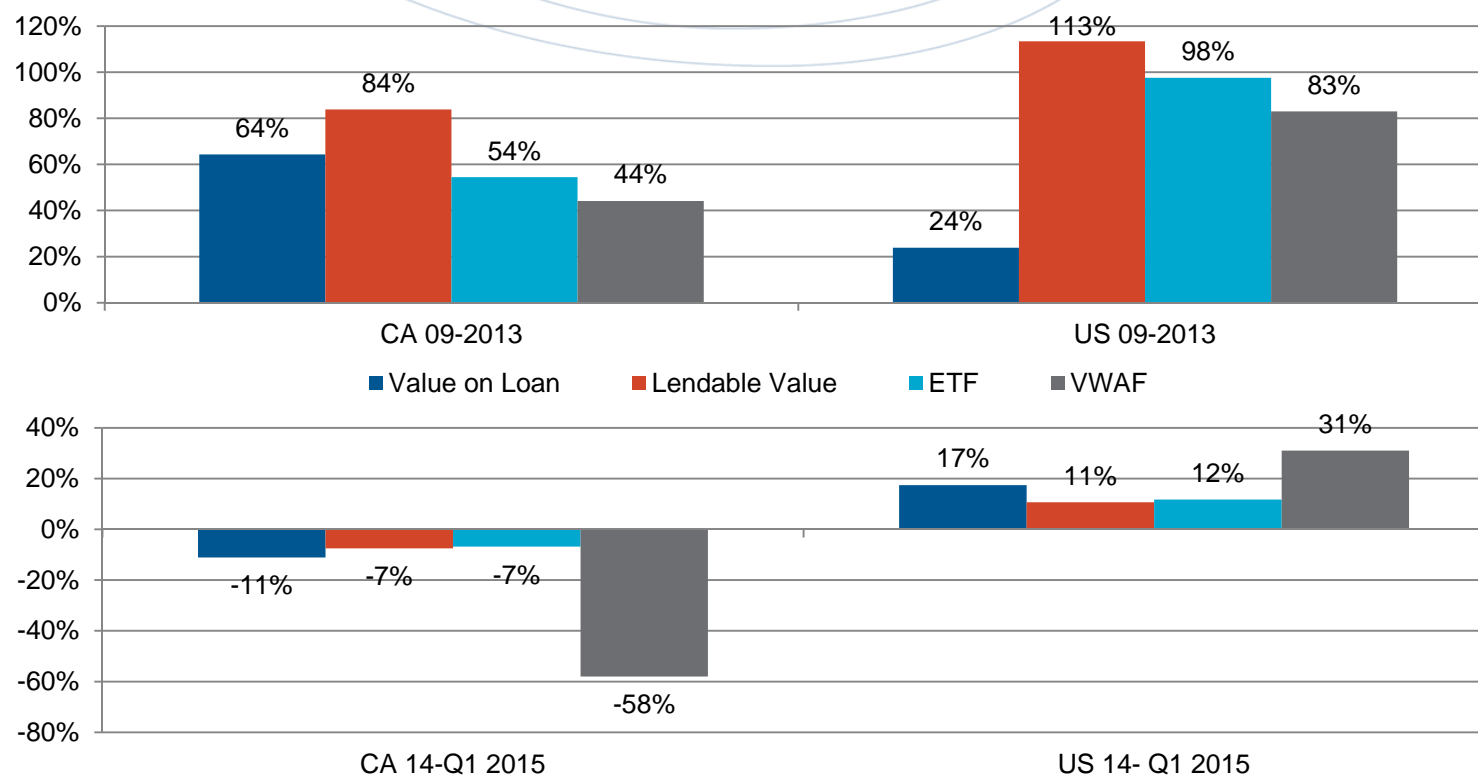


## Transaction detail - WPT

WPT transactions (as of February 20th 2015)



## North America equity returns vs Lendable/loan balances



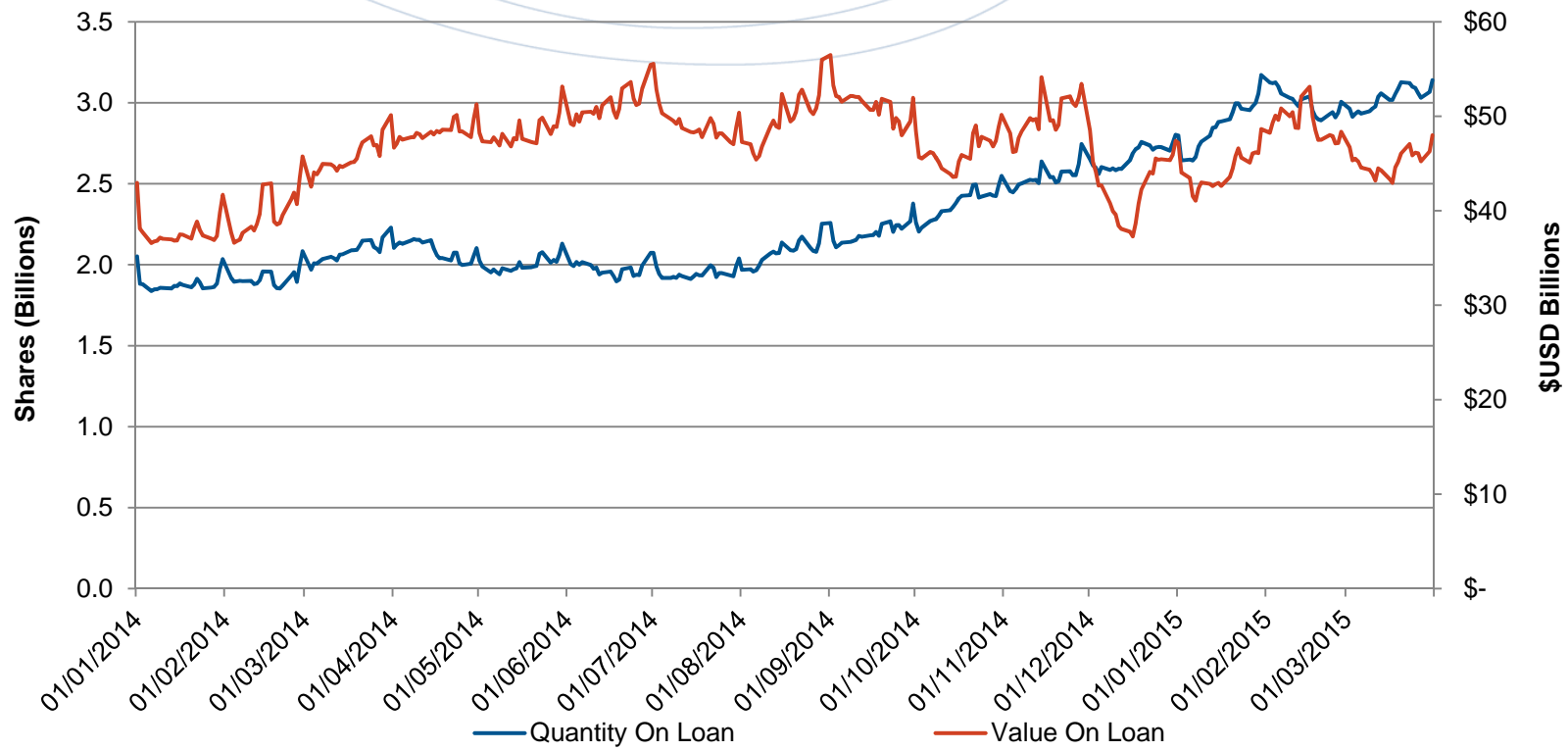


## Canada – 2014 worst performing equities

Name	2014 price change	Avg value on loan	Avg fee	Avg utilization	Industry group
Replicel Life Sciences Inc	-95%	\$1,904	9%	97%	Pharmaceuticals, Biotechnology & Life Sciences
Mbac Fertilizer Corp	-94%	\$844,758	4%	86%	Materials
Gasfrac Energy Services Inc	-92%	\$454,220	16%	55%	Energy
Iona Energy Inc	-91%	\$2,483	1%	48%	Energy
Argent Energy Unt	-90%	\$8,720,927	1%	44%	Energy
Niko Resources Ltd	-90%	\$6,876,348	9%	59%	Energy
Belo Sun Mining Corp	-84%	\$244,086	4%	0%	Materials
Spyglass Resources Corp	-82%	\$16,854,618	2%	30%	Energy
Datawind Inc	-82%	\$1,045,585	5%	26%	Software & Services
Parallel Energy Unt	-81%	\$11,919,825	1%	68%	Energy
Prd Energy Inc	-80%	\$16,301	6%	0%	Energy
Lightstream Resources Ltd	-80%	\$96,251,048	0%	10%	Energy
North American Palladium Ltd	-80%	\$3,529,451	4%	50%	Materials
Westport Innovations Inc	-79%	\$59,942,188	8%	96%	Capital Goods
Terrace Energy Corp	-79%	\$116,707	5%	3%	Energy
Banro Corp	-78%	\$5,568,463	4%	50%	Materials
Strategic Oil And Gas Ltd	-77%	\$1,547,463	3%	88%	Energy
Alderon Iron Ore Corp	-77%	\$305,835	9%	100%	Materials
Tag Oil Ltd	-77%	\$6,158,977	3%	45%	Energy
Shamaram Petroleum Corp	-76%	\$101,482	4%	62%	Energy

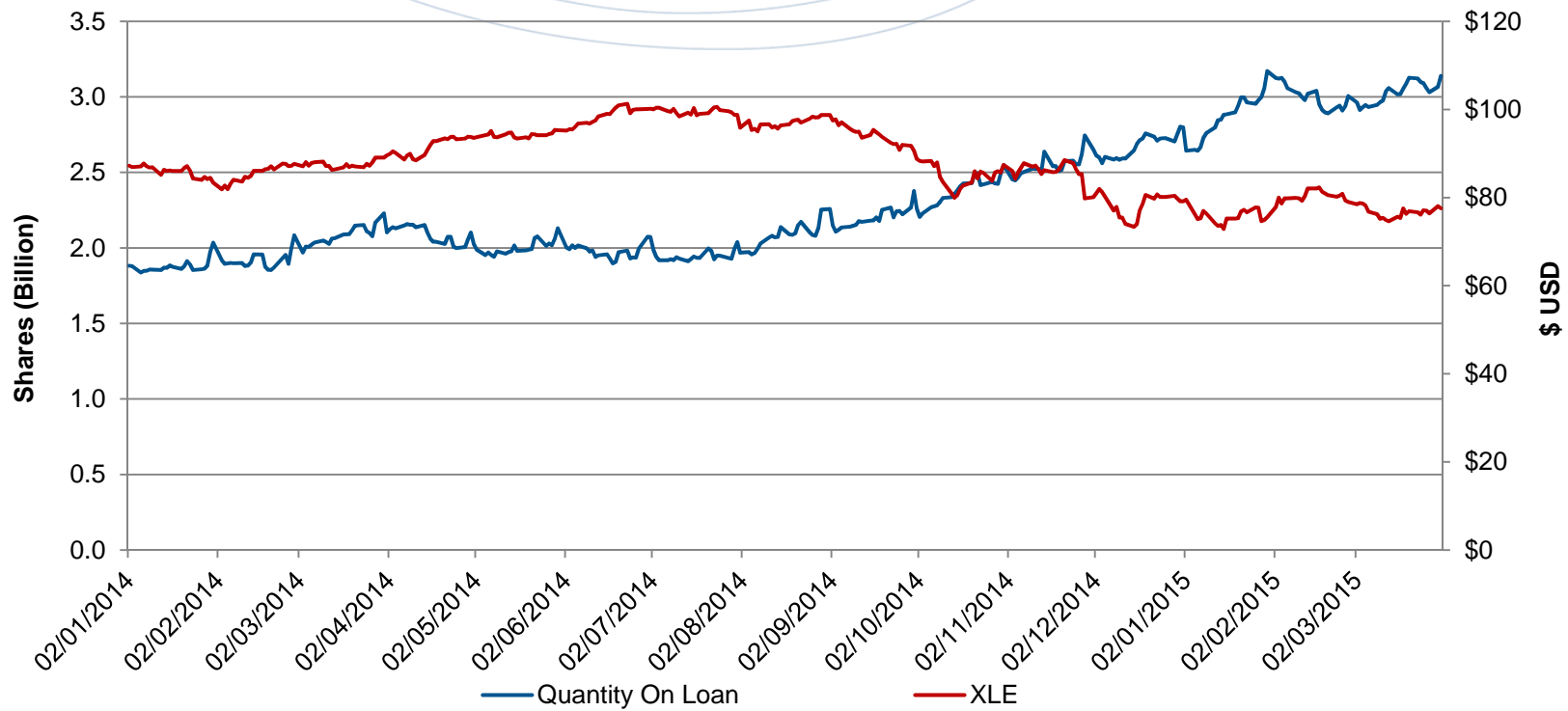
## North America – energy sector detail

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## North America – energy sector detail

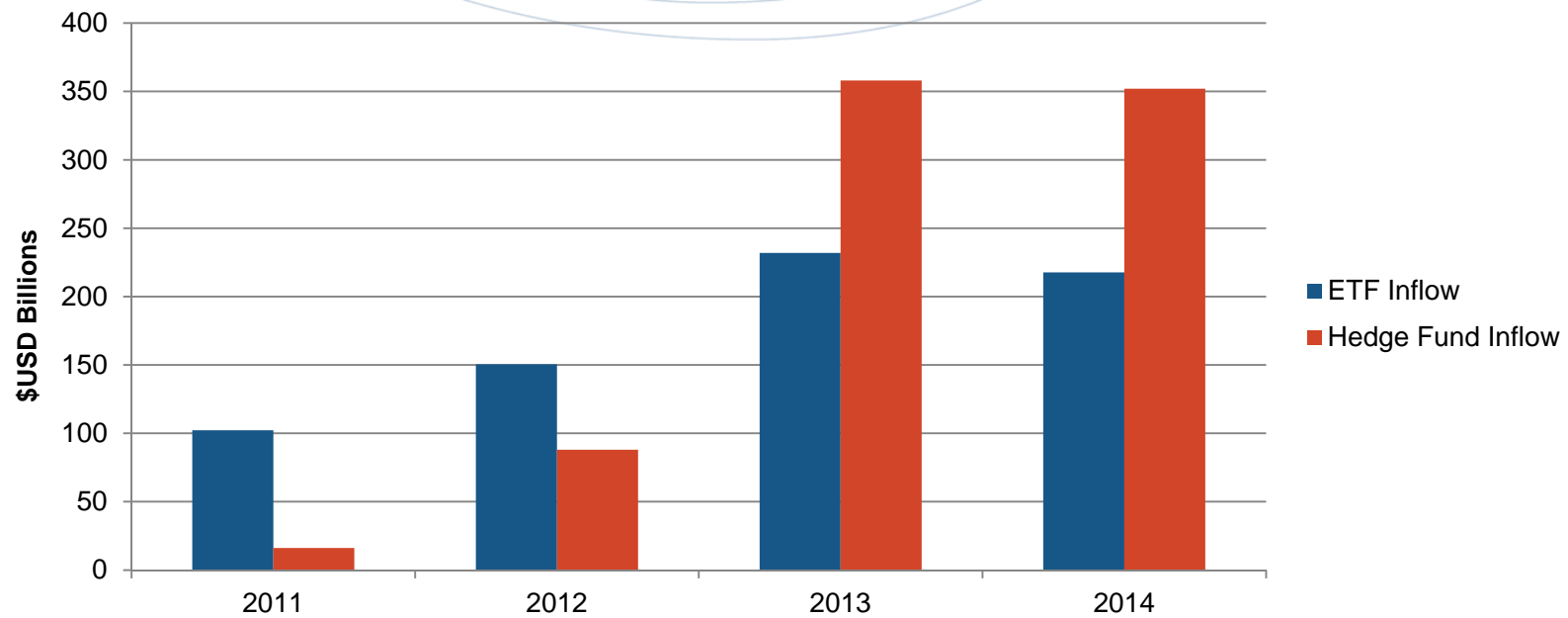
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**Demand drivers**

- Hedge fund assets
- IPO issuance
- Convertible issuance
- M&A activity

## Demand driver – global asset flows

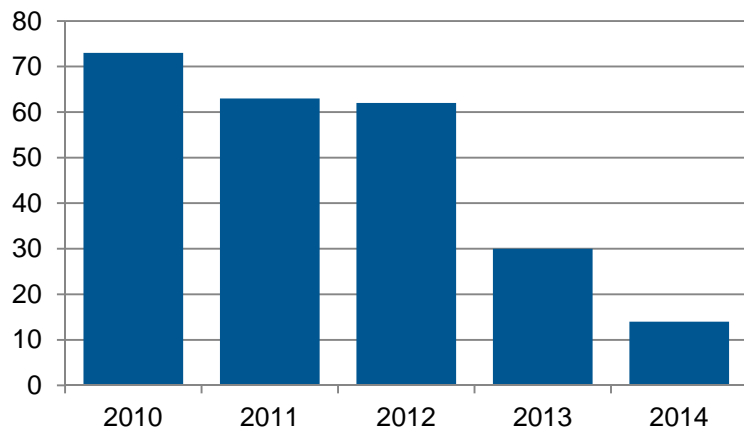


— Source of Hedge Fund Data: BarclayHedge

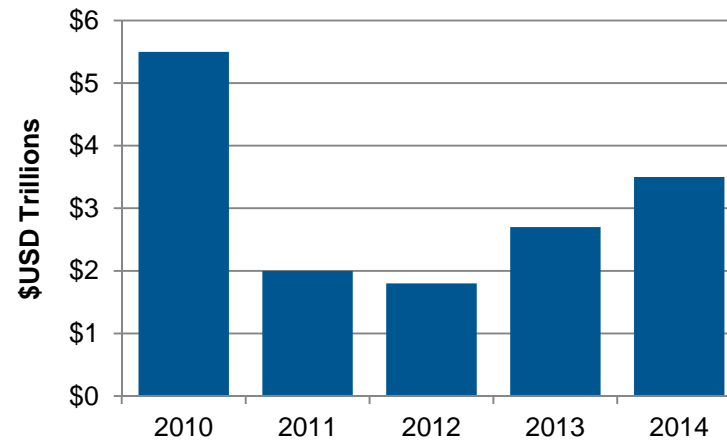
— Source of ETF data: Markit

## Canada IPO and convertible issuance

IPO deal count



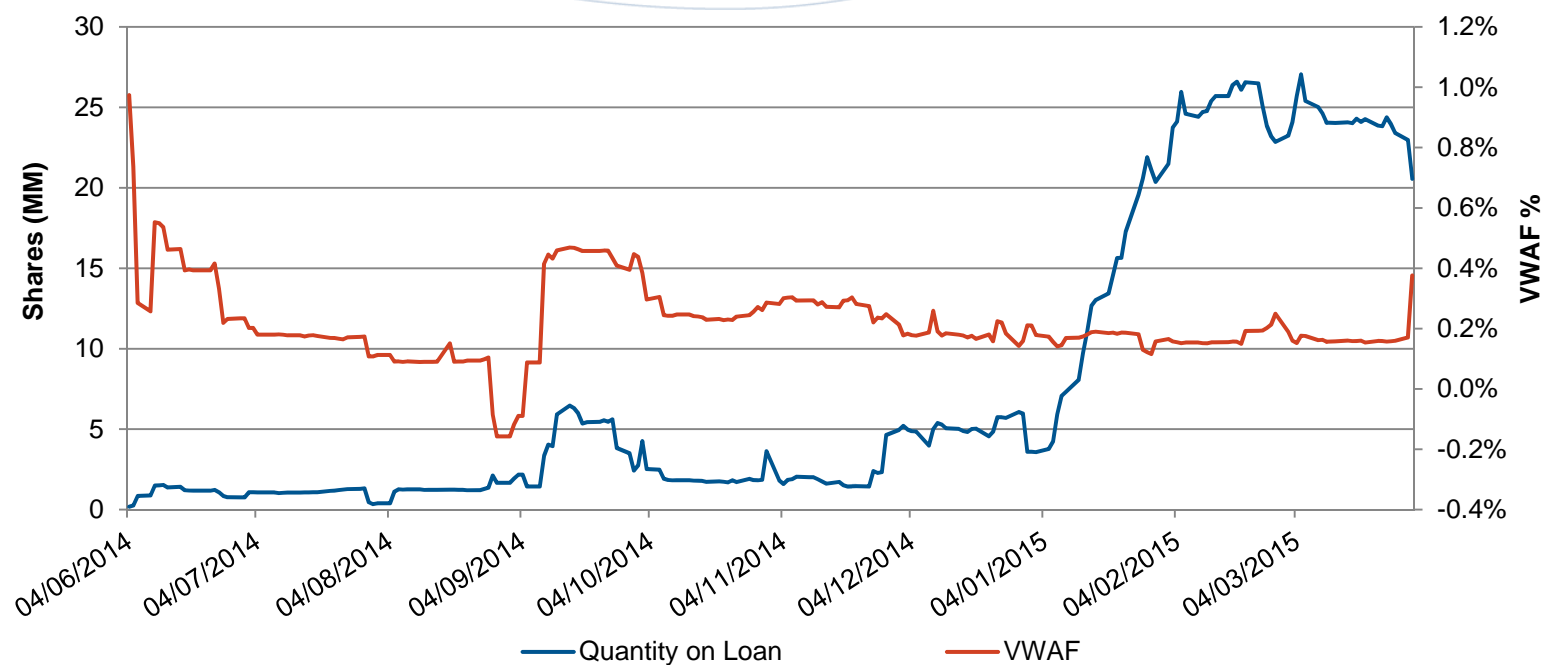
IPO deal size



Source of data: PWC

Demand driver – IPO issuance

## PSK loan balance and fee

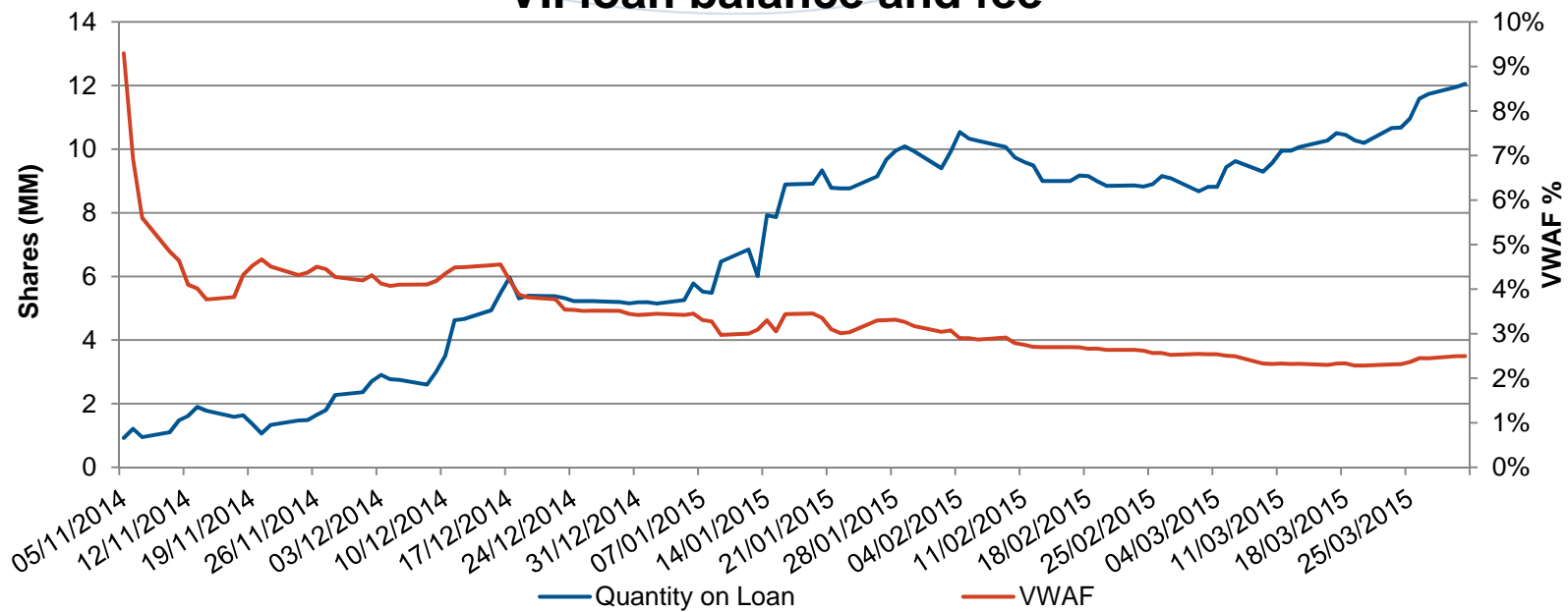


Even at peaks, utilization of supply never exceeded 50%

Demand driver – IPO issuance

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### VII loan balance and fee

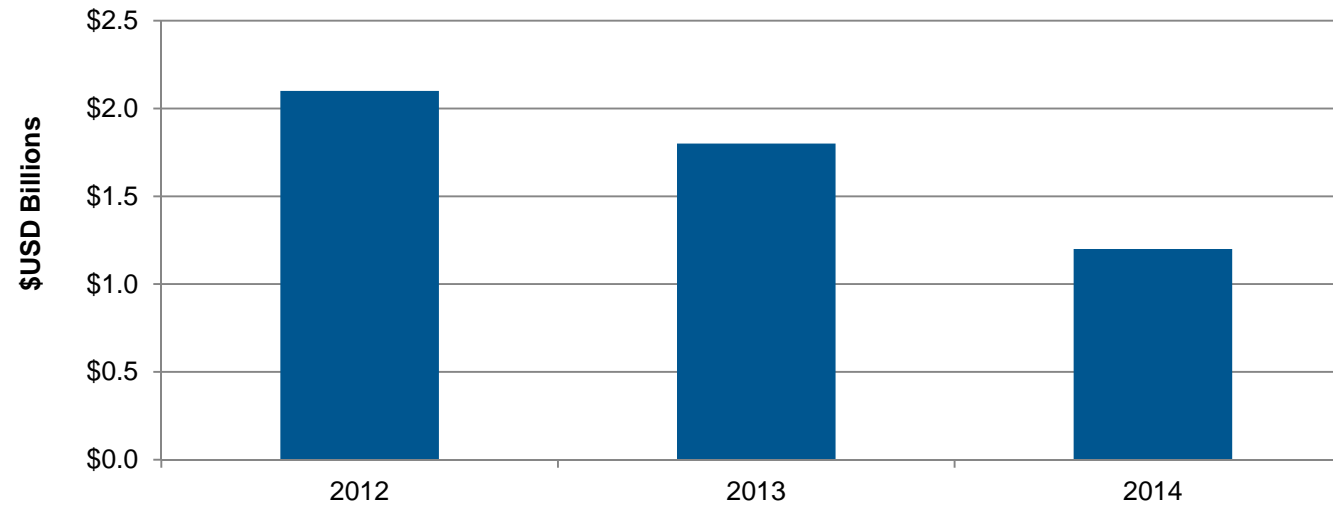


Fees flat to down despite increasing demand



**Demand driver - Canada convertible issuance**

Canada convertible debt issuance



Source of data: Infomart

**Demand drivers**

- Hedge fund assets
- IPO issuance
- Convertible issuance
- M&A activity

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enables transparency  
builds platforms  
provides access  
scales volume  
extends networks  
& transforms business.

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