

THE NEXT US MUTUAL FUND BATTLEGROUND

THIS IS A SUMMARY OF THE ORIGINAL PRESENTATION. PLEASE CONTACT
INSTANEX CAPITAL, INC. FOR ADDITIONAL INFORMATION.

alpha index-linked ETFs

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Global Financial Markets Research

May 30, 2012

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US ETF MARKET

US ETF Market

Large, Growing, and Profitable – now Transforming

Large, Fast Growing Market

AUM \$1.1 trillion
97% Passive index-linked

2000-10 CAGR 31%
2010-17e CAGR 19%

High, Stable Profit Potential

45 Sponsors
New entrants have grabbed significant market share

Increasing barriers to entry
Low barriers to exit

Widening Buyer Group and New Requirements

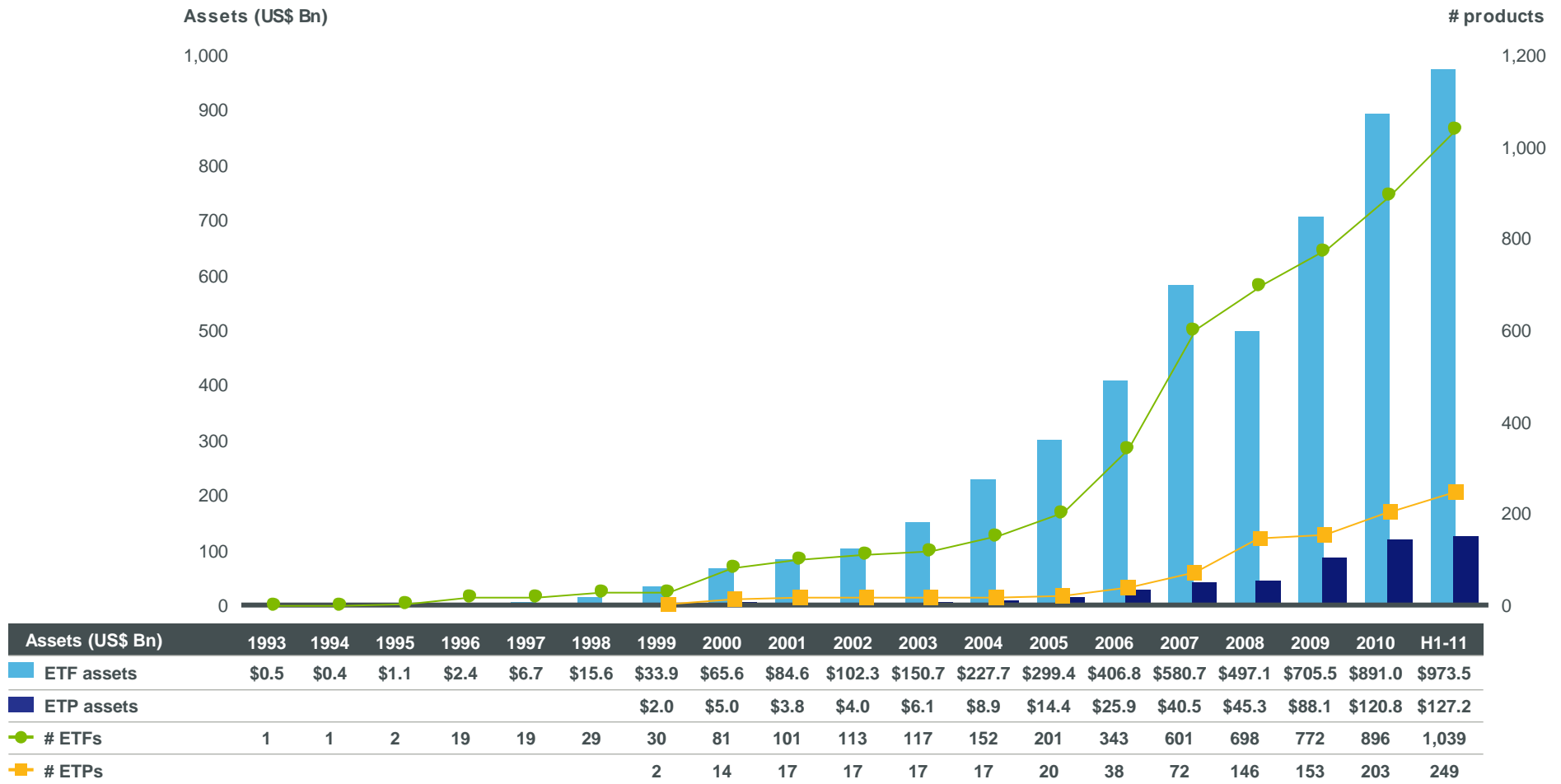
Increasing institutional participation
Changing retail activity

Clear preference for higher returns
Active products growing very fast
Increasing failure rate of passive products

ETFs assumed to include ETPs (Exchange Traded Products)

US ETF Assets

Large; Consistent High Growth



Note: Data as at end H1 2011.

Source: Global ETF Research and Implementation Strategy Team, BlackRock, Bloomberg.

US ETF Assets by Type

97% “Passive” : “Active” Still Small But Growing Fast

Type of exposure	H1-11				Jun-11 NNA (US\$ Bn)	YTD NNA (US\$ Bn)	YTD change		
	# ETFs	AUM (US\$ Bn)	% total	ADV (US\$ Bn)			# ETFs	AUM (US\$ Bn)	% AUM
Equity	644	\$751.4	77.2%	\$52.5	\$2.8	\$27.0	95	\$50.2	7.2%
Large-cap	50	\$174.8	18.0%	\$29.8	\$4.1	\$0.9	10	\$9.3	5.6%
Emerging markets	112	\$146.6	15.1%	\$5.5	\$1.4	-\$2.6	23	-\$4.6	-3.0%
International	181	\$128.7	13.2%	\$2.3	\$0.6	\$14.9	26	\$15.6	13.8%
Sector	163	\$108.6	11.2%	\$7.9	\$0.3	\$10.0	17	\$15.1	16.1%
Growth	37	\$46.9	4.8%	\$0.5	-\$2.0	\$1.7	6	\$4.8	11.5%
Broad market	22	\$40.8	4.2%	\$0.2	\$0.7	\$2.3	2	\$4.3	11.7%
Value	36	\$39.2	4.0%	\$0.4	-\$1.1	\$1.3	5	\$3.1	8.5%
Mid-cap	18	\$34.9	3.6%	\$0.5	-\$0.2	\$0.7	2	\$3.1	9.7%
Small-cap	25	\$31.0	3.2%	\$5.3	-\$1.0	-\$2.1	6	-\$0.3	-1.1%
Fixed income	119	\$145.8	15.0%	\$2.2	\$2.9	\$15.1	15	\$17.3	13.4%
Custom	57	\$23.9	2.5%	\$0.1	\$0.6	\$4.7	0	\$5.5	29.6%
Commodities	27	\$17.6	1.8%	\$0.7	\$0.4	\$4.1	5	\$5.3	43.5%
Leveraged inverse	67	\$14.5	1.5%	\$3.1	\$0.3	\$2.7	6	\$1.0	7.2%
Leveraged	68	\$11.2	1.1%	\$3.1	\$0.4	-\$0.7	6	\$0.1	0.6%
Inverse	22	\$4.6	0.5%	\$0.2	\$0.6	\$1.3	7	\$1.0	28.9%
Active	26	\$2.4	0.2%	\$0.0	\$0.5	\$1.3	7	\$1.3	117.2%
Currency	9	\$1.9	0.2%	\$0.0	\$0.2	\$0.7	0	\$0.7	61.0%
Total	1,039	\$973.5	100.0%	\$62.0	\$8.6	\$56.1	143	\$82.4	9.3%

Note: Data as at end H1 2011.

Source: Global ETF Research and Implementation Strategy Team, BlackRock, Bloomberg.

Excludes ETPs

Popular US ETFs

Transparent + Access + Low Cost

Ranked by assets under management (AUM)

ETF	Bloomberg ticker	AUM (US\$ Mn)	ADV ('000 shares)	ADV (US\$ Mn)
SPDR S&P 500	SPY US	\$92,053.3	200,351	\$25,886.6
Vanguard MSCI Emerging Markets ETF	VWO US	\$50,280.3	15,615	\$742.4
iShares MSCI EAFE Index Fund	EFA US	\$39,620.2	18,862	\$1,119.7
iShares MSCI Emerging Markets Index Fund	EEM US	\$38,748.8	48,126	\$2,245.3
iShares S&P 500 Index Fund	IVV US	\$27,609.6	2,764	\$358.6
PowerShares QQQ Trust	QQQ US	\$22,845.7	48,162	\$2,673.9
iShares Barclays TIPS Bond Fund	TIP US	\$20,944.2	756	\$83.7
Vanguard Total Stock Market ETF	VTI US	\$20,077.0	1,939	\$129.3
iShares Russell 2000 Index Fund	IWM US	\$16,618.0	64,045	\$5,134.9
iShares iBoxx \$ Investment Grade Corporate	LQD US	\$13,777.3	796	\$88.2
iShares Russell 1000 Growth Index Fund	IWF US	\$13,554.9	2,021	\$119.6
iShares MSCI Brazil Index Fund	EWZ US	\$12,781.2	12,341	\$891.4
iShares Barclays Aggregate Bond Fund	AGG US	\$11,851.0	1,074	\$115.2
iShares Russell 1000 Value Index Fund	IWD US	\$11,638.3	1,556	\$103.8
iShares S&P MidCap 400 Index Fund	IJH US	\$11,479.8	807	\$76.9
S&P 400 MidCap SPDR	MDY US	\$11,086.3	2,337	\$404.4
Vanguard Total Bond Market ETF	BND US	\$10,242.4	864	\$70.5
SPDR Dow Jones Industrial Average ETF	DIA US	\$9,639.3	6,150	\$742.8
Vanguard REIT ETF	VNQ US	\$9,449.0	1,693	\$101.0
Energy Select Sector SPDR Fund	XLE US	\$9,009.9	20,948	\$1,535.4

Note: Data as at end H1 2011.

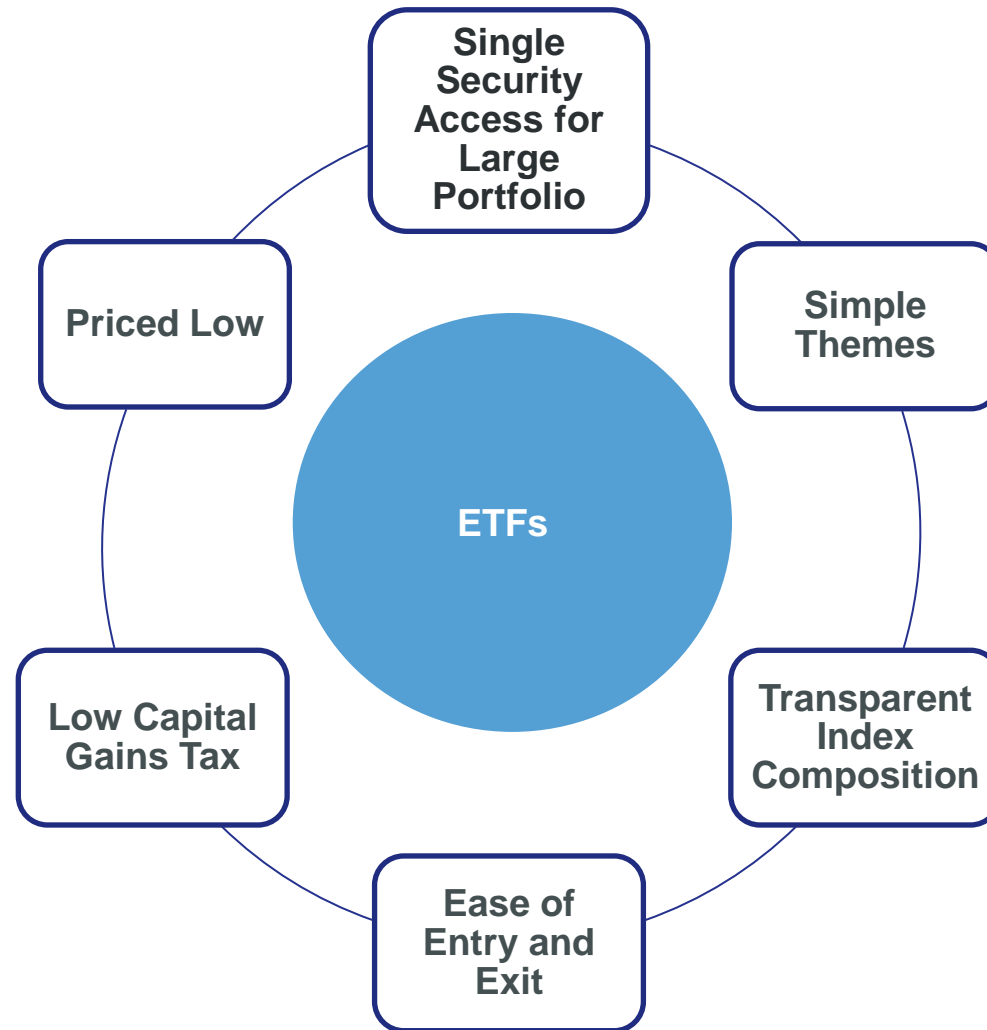
Source: Global ETF Research and Implementation Strategy Team, BlackRock, Bloomberg.

Ranked by US\$ average daily trading volumes (ADV)

ETF	Bloomberg ticker	ADV (US\$ Mn)	ADV ('000 shares)	AUM (US\$ Mn)
SPDR S&P 500	SPY US	\$25,886.6	200,351	\$92,053.3
iShares Russell 2000 Index Fund	IWM US	\$5,134.9	64,045	\$16,618.0
PowerShares QQQ Trust	QQQ US	\$2,673.9	48,162	\$22,845.7
iShares MSCI Emerging Markets Index Fund	EEM US	\$2,245.3	48,126	\$38,748.8
Energy Select Sector SPDR Fund	XLE US	\$1,535.4	20,948	\$9,009.9
Financial Select Sector SPDR Fund	XLF US	\$1,166.8	77,803	\$7,308.8
iShares MSCI EAFE Index Fund	EFA US	\$1,119.7	18,862	\$39,620.2
iShares MSCI Brazil Index Fund	EWZ US	\$891.4	12,341	\$12,781.2
iShares Barclays 20+ Year Treasury Bond	TLT US	\$839.0	8,719	\$2,888.9
SPDR Dow Jones Industrial Average ETF	DIA US	\$742.8	6,150	\$9,639.3
Vanguard MSCI Emerging Markets ETF	VWO US	\$742.4	15,615	\$50,280.3
Direxion Daily Small Cap Bull 3x Shares	TNA US	\$725.0	9,788	\$764.2
Industrial Select Sector SPDR Fund	XLI US	\$675.4	18,775	\$4,004.3
Direxion Daily Small Cap Bear 3x Shares	TZA US	\$658.8	16,942	\$612.3
iShares FTSE China 25 Index Fund	FXI US	\$643.7	15,069	\$7,157.6
ProShares Ultra S&P500	SSO US	\$628.7	12,480	\$1,681.9
iShares Dow Jones US Real Estate Index	IYR US	\$572.0	9,571	\$3,795.9
SPDR S&P Retail ETF	XRT US	\$563.1	10,944	\$568.5
Materials Select Sector SPDR Trust	XLB US	\$532.7	14,096	\$2,666.3
Market Vectors Gold Miners	GDX US	\$500.3	9,283	\$6,832.1

Excludes ETPs

Attractiveness of ETFs



Top US ETF Sponsors

High, Stable Profit Potential has attracted New Players

Provider	H1-11					Jun-11 NNA (US\$ Bn)	YTD NNA (US\$ Bn)	YTD market move (US\$ Bn)	YTD change				
	# ETFs	AUM (US\$ Bn)	% total	ADV (US\$ Mn)	# planned				# ETFs	% ETFs	AUM (US\$ Bn)	% AUM	% market share
iShares	221	\$456.5	46.9%	\$15,707.4	12	\$0.7	\$12.9	\$12.3	5	2.3%	\$25.2	5.8%	-1.5%
State Street Global Advisors	99	\$189.9	19.5%	\$33,681.2	28	\$5.2	\$5.0	\$8.0	7	7.6%	\$13.0	7.4%	-0.3%
Vanguard	64	\$175.2	18.0%	\$1,570.9	1	\$0.6	\$20.9	\$6.0	1	1.6%	\$26.9	18.2%	1.4%
PowerShares	117	\$44.2	4.5%	\$2,827.7	48	-\$1.2	\$1.1	\$1.6	6	5.4%	\$2.7	6.5%	-0.1%
ProShares	107	\$23.5	2.4%	\$3,418.0	93	\$0.8	\$2.9	-\$1.0	7	7.0%	\$2.0	9.1%	0.0%
Van Eck Associates Corp	34	\$23.0	2.4%	\$876.3	38	\$0.8	\$5.0	-\$1.9	5	17.2%	\$3.0	15.2%	0.1%
WisdomTree Investments	46	\$13.0	1.3%	\$165.5	71	\$0.9	\$3.0	\$0.1	2	4.5%	\$3.1	31.1%	0.2%
Bank of New York	1	\$11.1	1.1%	\$404.4	0	\$0.2	-\$2.0	\$0.8	0	0.0%	-\$1.1	-9.2%	-0.2%
First Trust Advisors	59	\$7.7	0.8%	\$105.5	5	-\$0.3	\$2.0	\$0.3	16	37.2%	\$2.3	41.9%	0.2%
Direxion Shares	51	\$6.8	0.7%	\$3,014.6	176	\$0.5	\$0.4	-\$0.3	12	30.8%	\$0.2	2.8%	0.0%
Rydex SGI	25	\$5.6	0.6%	\$71.3	97	-\$0.1	\$0.2	\$0.4	1	4.2%	\$0.6	12.0%	0.0%
Charles Schwab Investment Management	13	\$4.5	0.5%	\$46.9	1	\$0.2	\$1.6	\$0.2	2	18.2%	\$1.7	63.3%	0.2%
Guggenheim Funds	43	\$3.7	0.4%	\$32.2	35	\$0.0	\$0.1	\$0.0	5	13.2%	\$0.2	4.4%	0.0%
PIMCO	14	\$3.2	0.3%	\$30.4	10	\$0.3	\$1.0	\$0.0	1	7.7%	\$1.0	45.7%	0.1%
Global X Funds	35	\$1.6	0.2%	\$28.0	27	\$0.0	\$0.5	-\$0.2	18	105.9%	\$0.3	24.3%	0.0%
ALPS ETF Trust	3	\$1.3	0.1%	\$11.3	8	\$0.1	\$0.6	\$0.0	0	0.0%	\$0.6	85.8%	0.1%
RevenueShares	6	\$0.6	0.1%	\$4.4	8	\$0.0	\$0.0	\$0.0	0	0.0%	\$0.0	4.5%	0.0%
Emerging Global Advisors	17	\$0.6	0.1%	\$4.1	26	\$0.0	\$0.1	\$0.0	8	88.9%	\$0.1	29.8%	0.0%
IndexIQ Advisors	14	\$0.5	0.0%	\$5.0	30	\$0.0	\$0.2	\$0.0	5	55.6%	\$0.1	49.4%	0.0%
AdvisorShares	10	\$0.3	0.0%	\$4.0	9	\$0.0	\$0.2	\$0.0	5	100.0%	\$0.2	107.2%	0.0%
Jefferies Asset Management	4	\$0.2	0.0%	\$1.4	2	\$0.0	\$0.0	\$0.0	0	0.0%	\$0.0	28.8%	0.0%
Russell Investments	17	\$0.2	0.0%	\$1.0	27	\$0.0	\$0.2	\$0.0	16	1600.0%	\$0.2	1586.2%	0.0%
Fidelity Management & Research	1	\$0.2	0.0%	\$1.2	0	\$0.0	\$0.0	\$0.0	0	0.0%	\$0.0	4.1%	0.0%
DBX Strategic Advisors	10	\$0.2	0.0%	\$0.2	39	\$0.0	\$0.0	\$0.0	5	100.0%	\$0.0	21.4%	0.0%
FocusShares	15	\$0.1	0.0%	\$1.0	6	\$0.0	\$0.1	\$0.0	15	100.0%	\$0.1	100.0%	0.0%
Columbia Management Investment Advisers	5	\$0.0	0.0%	\$0.1	3	\$0.0	\$0.0	\$0.0	0	0.0%	\$0.0	30.4%	0.0%
Javelin Investment Management	1	\$0.0	0.0%	\$0.1	0	\$0.0	\$0.0	\$0.0	0	0.0%	\$0.0	24.7%	0.0%
FaithShares	5	\$0.0	0.0%	\$0.1	0	\$0.0	\$0.0	\$0.0	0	0.0%	\$0.0	-9.0%	0.0%

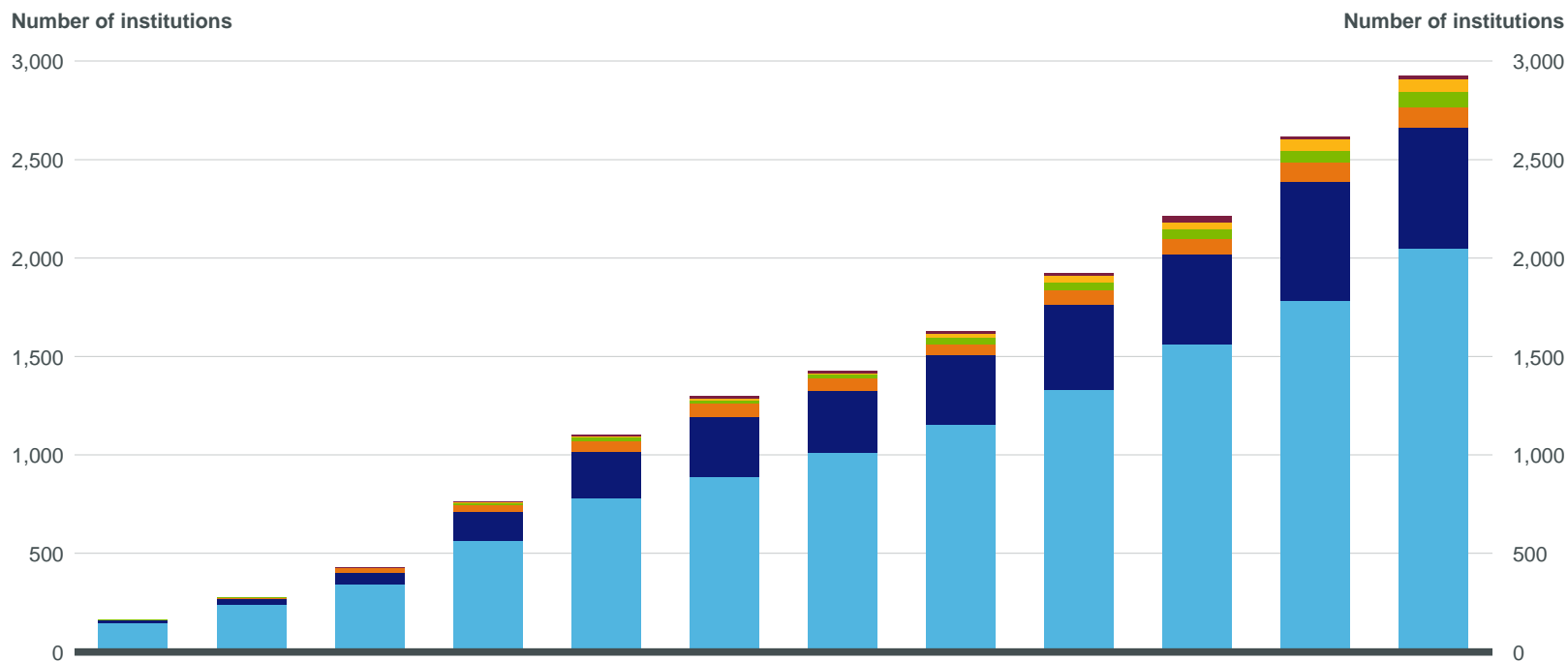
Note: Data as at end H1 2011.

Source: Global ETF Research and Implementation Strategy Team, BlackRock, Bloomberg, National Stock Exchange (NSX).

Excludes ETPs

Growth in Institutional Users of ETFs

Widening Buyer Group



Number of institutions	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
United States	145	241	342	561	782	889	1,010	1,154	1,333	1,559	1,781	2,045
Europe	16	29	60	152	233	302	315	351	430	461	608	618
Canada	3	7	24	32	55	68	62	58	73	77	95	101
Asia Pacific	1	1	4	11	23	19	23	35	38	51	60	79
Latin America	0	0	0	4	5	8	7	19	40	36	57	68
Other	0	0	1	2	5	11	10	10	10	30	15	15
Total	165	278	431	762	1,103	1,297	1,427	1,627	1,924	2,214	2,616	2,926

Source: Global ETF Research and Implementation Strategy Team, BlackRock, Thomson Reuters.

Emerging Trend Chasing Returns

Ranked by largest change in AUM

ETF	Bloomberg ticker	YTD NNA (US\$ Mn)	AUM (US\$ Mn) H1-11	AUM (US\$ Mn) Dec-10	Change (US\$ Mn)
iShares MSCI Emerging Markets	EEM US	-\$8,452.3	\$38,748.8	\$47,551.5	-\$8,802.7
Vanguard MSCI Emerging Markets ETF	VWO US	\$5,281.1	\$50,280.3	\$44,569.8	\$5,710.5
Market Vectors Agribusiness ETF	MOO US	\$2,956.1	\$5,564.6	\$2,631.5	\$2,933.1
iShares MSCI EAFE Index Fund	EFA US	\$1,458.3	\$39,620.2	\$36,923.1	\$2,697.1
iShares MSCI Japan Index Fund	EWJ US	\$2,620.7	\$7,278.1	\$4,883.3	\$2,394.7
iShares S&P MidCap 400 Index Fund	IJH US	\$1,397.6	\$11,479.8	\$9,332.0	\$2,147.7
SPDR S&P 500	SPY US	-\$2,298.1	\$92,053.3	\$89,915.3	\$2,138.0
Vanguard Dividend Appreciation ETF	VIG US	\$1,778.2	\$6,720.9	\$4,608.9	\$2,112.0
Vanguard REIT ETF	VNQ US	\$1,267.0	\$9,449.0	\$7,503.7	\$1,945.4
Vanguard MSCI EAFE ETF	VEA US	\$1,622.1	\$7,230.2	\$5,304.0	\$1,926.2
iShares MSCI Germany Index Fund	EWG US	\$1,644.7	\$3,807.6	\$1,881.7	\$1,925.9
iShares S&P US Preferred Stock	PFF US	\$1,778.7	\$8,041.1	\$6,120.7	\$1,920.4
Vanguard Total Stock Market ETF	VTI US	\$890.8	\$20,077.0	\$18,236.0	\$1,841.0
iShares S&P 500 Index Fund	IVV US	\$558.7	\$27,609.6	\$25,799.2	\$1,810.4
Technology Select Sector SPDR Fund	XLK US	\$1,554.0	\$7,504.6	\$5,849.3	\$1,655.3
iShares Barclays TIPS Bond Fund	TIP US	\$967.2	\$20,944.2	\$19,407.4	\$1,536.8
Health Care Select Sector SPDR Fund	XLV US	\$1,160.1	\$4,237.5	\$2,707.9	\$1,529.6
Vanguard Total Bond Market ETF	BND US	\$1,083.4	\$10,242.4	\$9,054.5	\$1,187.9
iShares Barclays 1-3 Year Credit Bond	CSJ US	\$1,077.3	\$8,354.0	\$7,226.6	\$1,127.4
S&P 400 MidCap SPDR	MDY US	-\$1,969.1	\$11,086.3	\$12,211.0	-\$1,124.7

Note: Data as at end H1 2011.

Source: Global ETF Research and Implementation Strategy Team, BlackRock, Bloomberg, National Stock Exchange (NSX).

Ranked by largest YTD net inflows

ETF	Bloomberg ticker	YTD NNA (US\$ Mn)	AUM (US\$ Mn)	ADV (US\$ Mn)
Vanguard MSCI Emerging Markets ETF	VWO US	\$5,281.1	\$50,280.3	\$742.4
Market Vectors Agribusiness ETF	MOO US	\$2,956.1	\$5,564.6	\$92.4
iShares MSCI Japan Index Fund	EWJ US	\$2,620.7	\$7,278.1	\$194.6
iShares S&P US Preferred Stock Index Fund	PFF US	\$1,778.7	\$8,041.1	\$46.1
Vanguard Dividend Appreciation ETF	VIG US	\$1,778.2	\$6,720.9	\$38.7
iShares MSCI Germany Index Fund	EWG US	\$1,644.7	\$3,807.6	\$77.1
Vanguard MSCI EAFE ETF	VEA US	\$1,622.1	\$7,230.2	\$77.5
Technology Select Sector SPDR Fund	XLK US	\$1,554.0	\$7,504.6	\$231.0
iShares MSCI EAFE Index Fund	EFA US	\$1,458.3	\$39,620.2	\$1,119.7
iShares MSCI Brazil Index Fund	EWZ US	\$1,406.7	\$12,781.2	\$891.4
iShares S&P MidCap 400 Index Fund	IJH US	\$1,397.6	\$11,479.8	\$76.9
ProShares UltraShort 20+ Year Treasury	TBT US	\$1,282.2	\$6,250.6	\$329.4
Vanguard REIT ETF	VNQ US	\$1,267.0	\$9,449.0	\$101.0
Health Care Select Sector SPDR Fund	XLV US	\$1,160.1	\$4,237.5	\$318.0
Vanguard Total Bond Market ETF	BND US	\$1,083.4	\$10,242.4	\$70.5
iShares Barclays 1-3 Year Credit Bond Fund	CSJ US	\$1,077.3	\$8,354.0	\$36.8
Vanguard S&P 500 ETF	VOO US	\$1,066.4	\$1,341.1	\$9.4
iShares MSCI Canada Index Fund	EWC US	\$1,048.7	\$5,738.6	\$69.0
iShares Barclays TIPS Bond Fund	TIP US	\$967.2	\$20,944.2	\$83.7
iShares iBoxx \$ High Yield Corporate Bond	HYG US	\$966.1	\$8,427.9	\$169.7

Excludes ETPs

Increasing Failure Rate

US Passive ETF Themes Nearing Saturation

Number of ETFs¹

2000–2010

	Created	Liquidated	Total at year-end
2000	50	0	80
2001	22	0	102
2002	14	3	113
2003	10	4	119
2004	35	2	152
2005	52	0	204
2006	156	1	359
2007	270	0	629
2008	149	50	728
2009	120	49	797 ²
2010	177	51	923

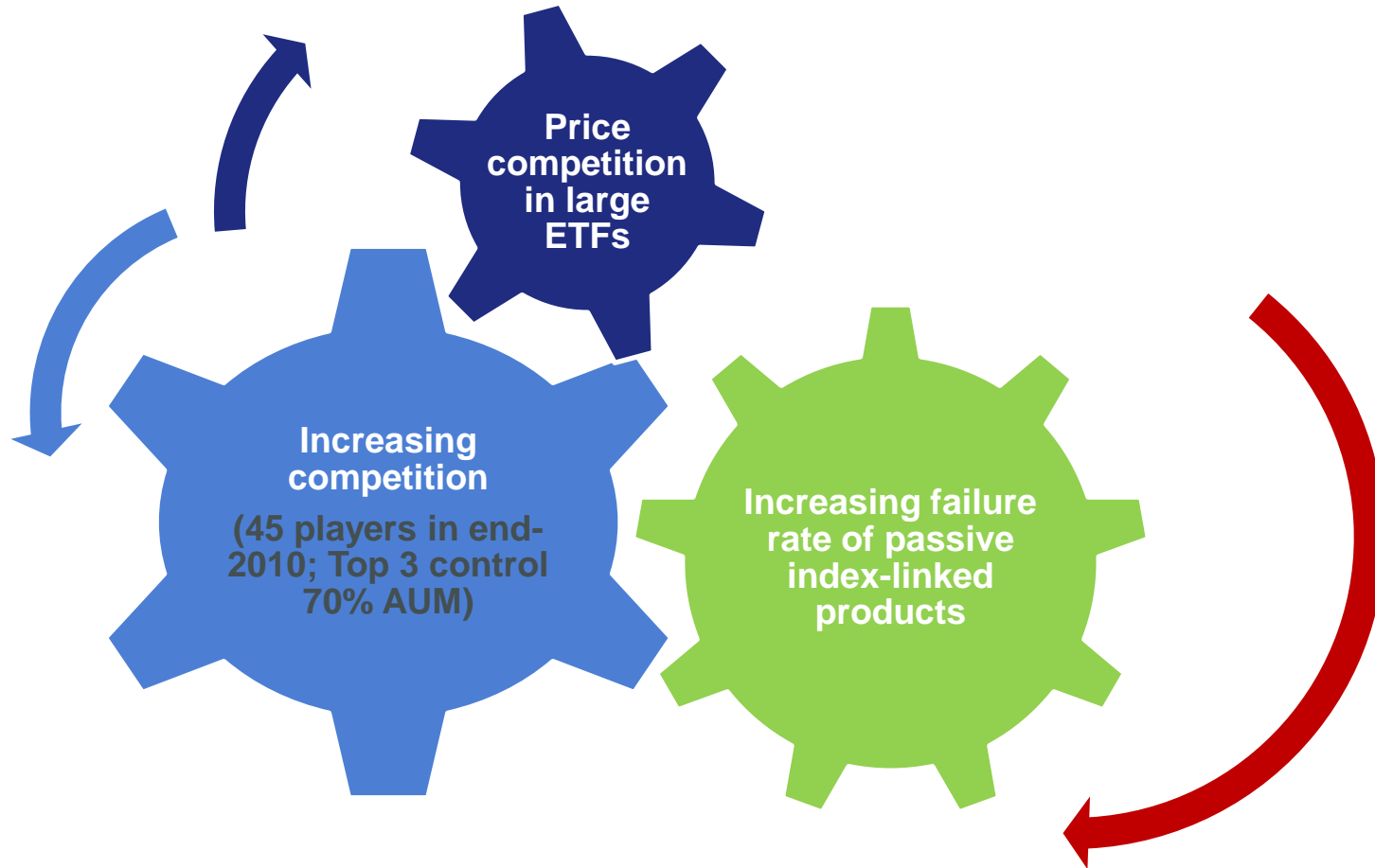
¹ ETF data include ETFs not registered under the Investment Company Act of 1940; ETF data exclude ETFs that invest primarily in other ETFs.

² In 2009, two ETFs converted from holding securities directly to primarily investing in other ETFs.

Excludes ETPs

US ETF Market Concerns

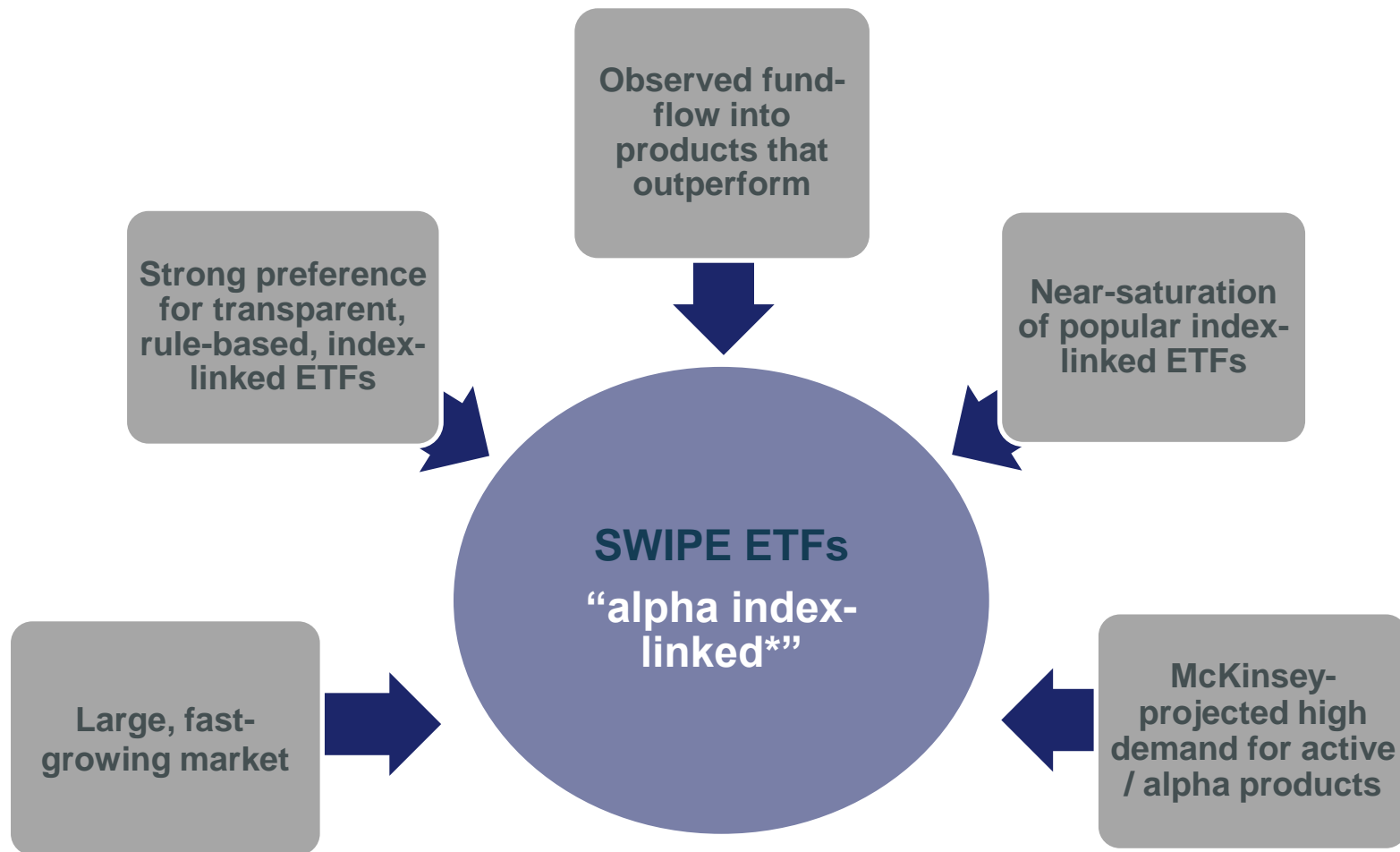
Future Success Requires Fresh Strategies



PRODUCT

Swipe ETFs

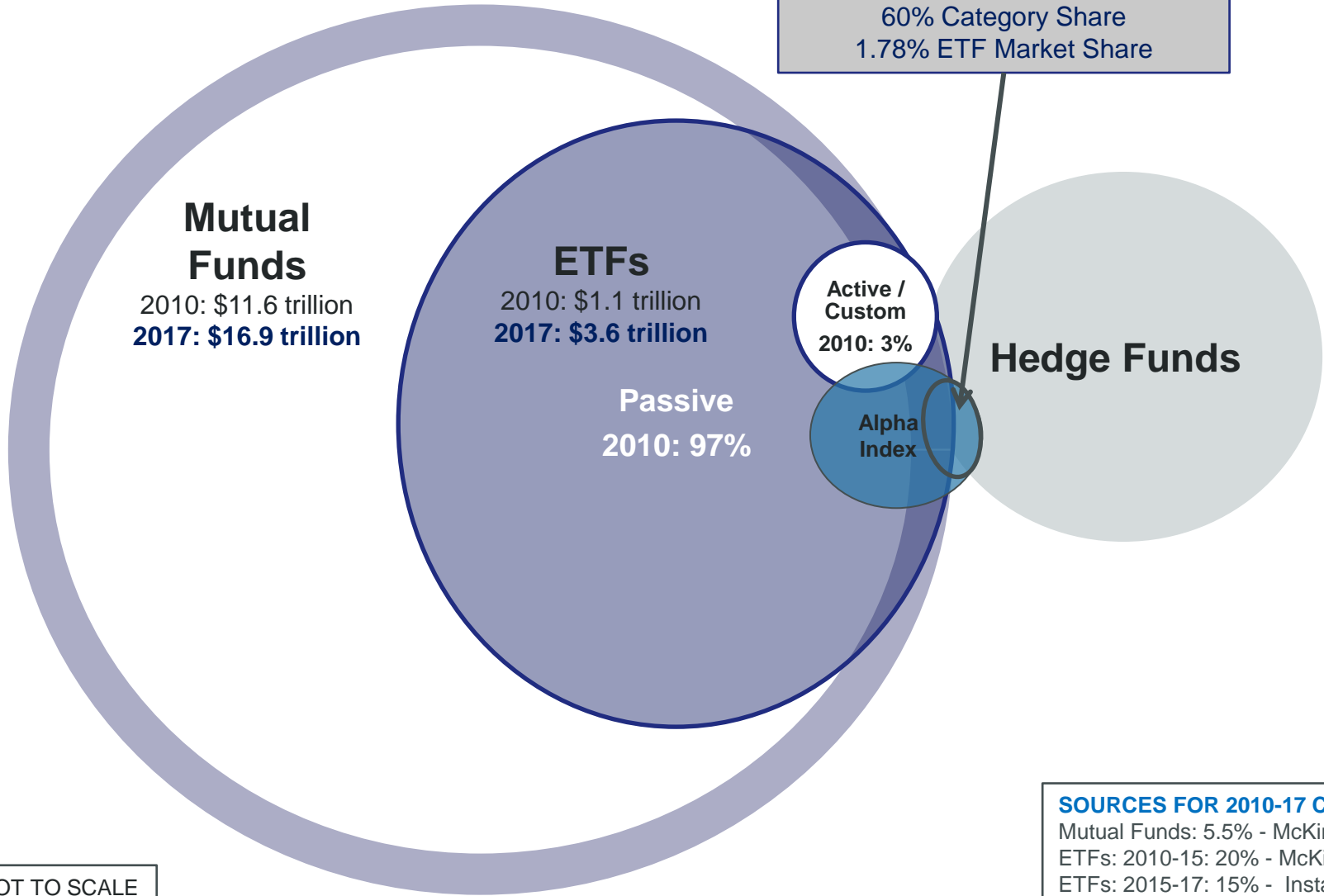
Designed to Win in Next Stage of US ETF Industry Evolution



* New passive ETF category envisioned

Swipe ETFs Will Dominate Product Category

SWIPE ALPHA INDEX ETFs
2017 AUM \$64.5 billion 60% Category Share 1.78% ETF Market Share

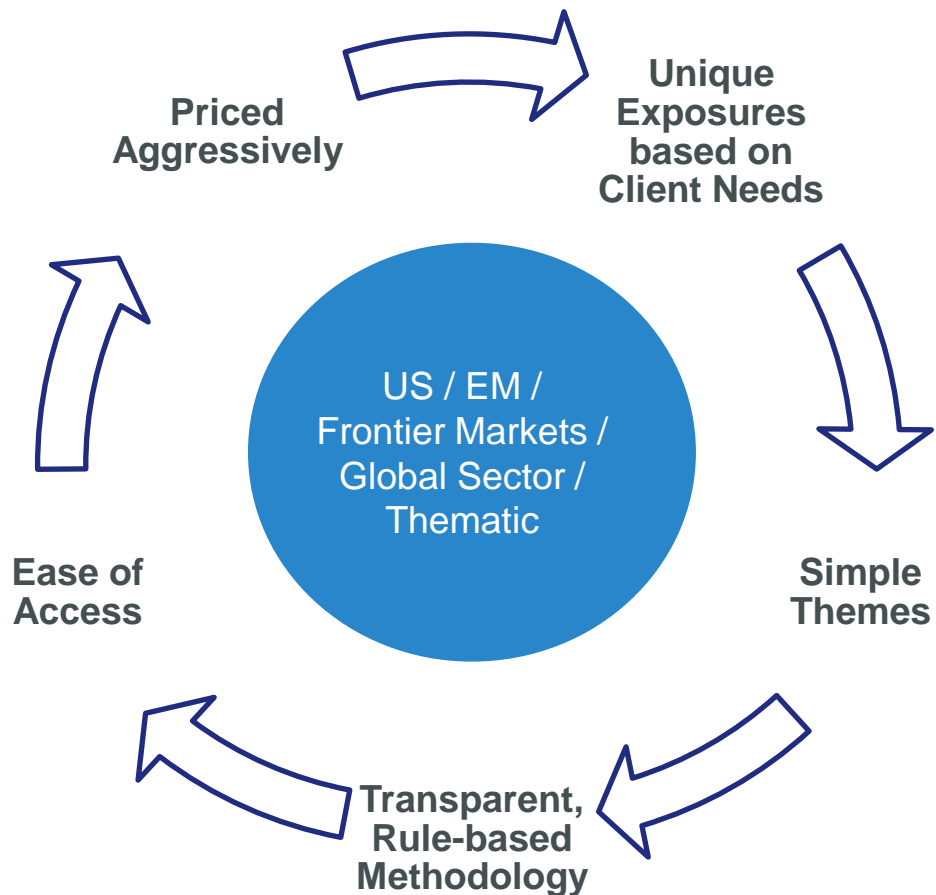


NOT TO SCALE

SOURCES FOR 2010-17 CAGR ESTIMATES
 Mutual Funds: 5.5% - McKinsey & Co.
 ETFs: 2010-15: 20% - McKinsey & Co.
 ETFs: 2015-17: 15% - Instanex Capital

Swipe ETFs

Combine Benefits of Passive ETFs with Alpha Index



SWIPE

ALPHA INDEX ETFs

Passive ETFs - no manager discretion

Track alpha-generating SWIPE indexes (automated, rule-based, data-driven)

Sample Index

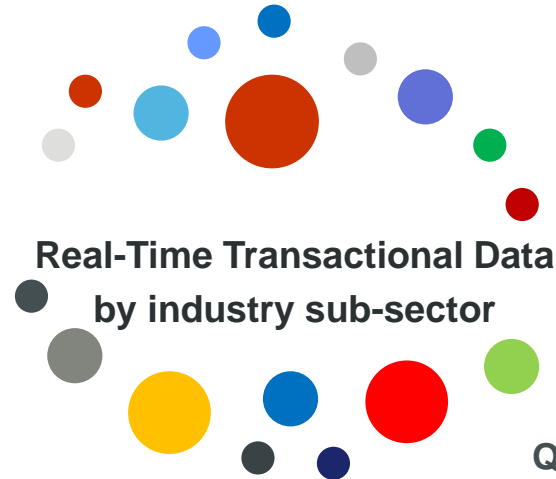
Swipe Emerging Markets Consumption Alpha 30 Index

INITIAL BASKET

Top 30 companies from universe of Payments Company clients that:

- HAVE THE LARGEST COMPONENT OF THEIR SALES IN EMERGING MARKETS SIMILAR TO THOSE OF THE BENCHMARK PASSIVE INDEX,
- SORTED BY ANNUAL SALES GROWTH,
- WEIGHTED BY FREE-FLOAT MARKET CAPITALIZATION.

The portfolio undergoes various additional tests to ensure there is adequate diversification and liquidity



Anonymous, multi-sourced

- Millions of merchants
- Billions of cards
- Hundreds of billions of transactions / quarter



Quarterly, Automated Rebalancing

Increase weight of index components (add shares) where data signals higher quarterly sales than selected analyst consensus (relative to other index components, and subject to portfolio rules). Reduce weights of others to compensate

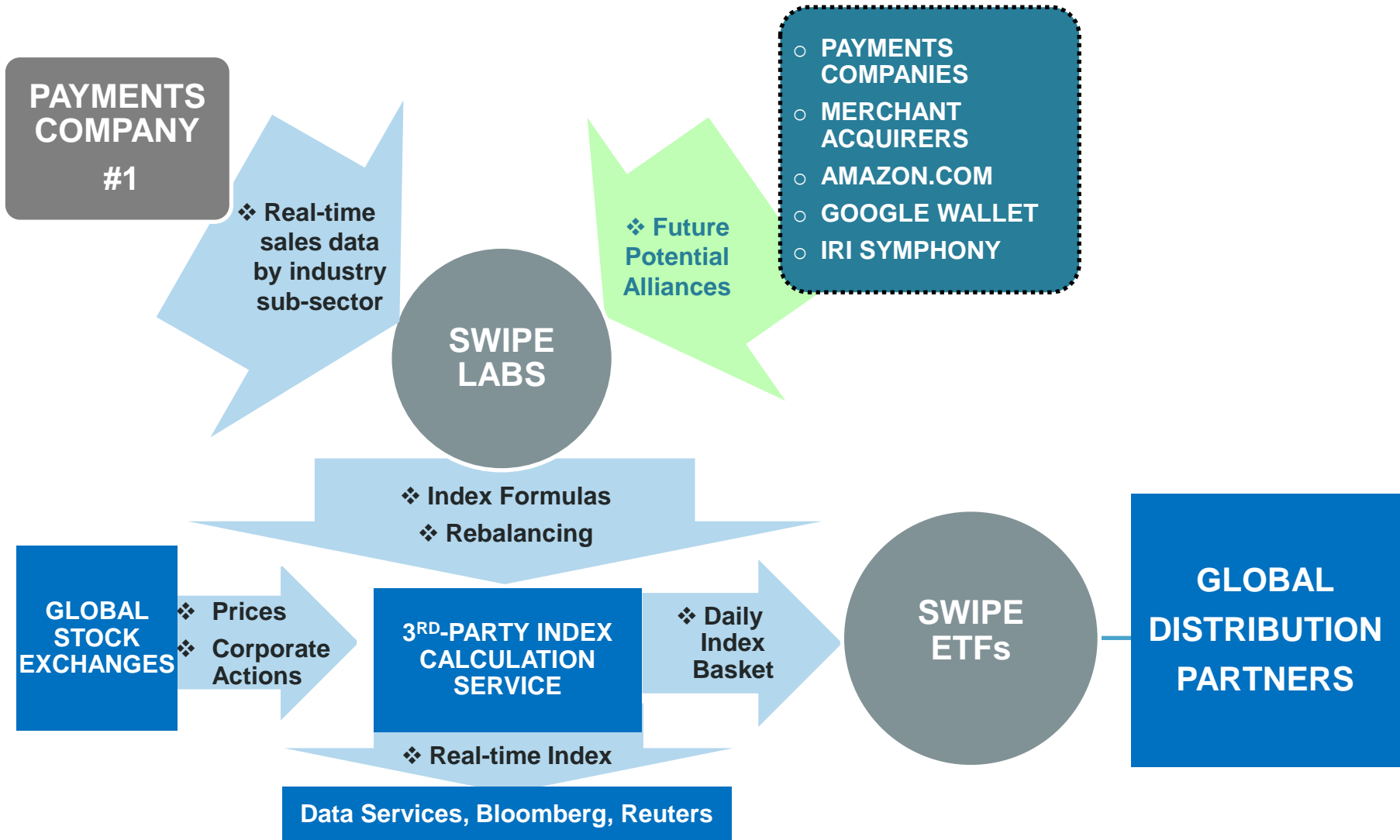
Seeks to Outperform the Dow Jones Emerging Market Consumer Index



Higher-weighted Index components will react positively to subsequent positive sales surprises, leading to outperformance over competing passive indexes

Product Based Competitive Advantage

Will Outperform Passive-Index ETFs using Payments Data



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