

MANAGEMENT OUTLOOK



SECOND QUARTER IPO MARKET REBOUNDS; ACTIVITY BROADENS

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- 2Q09 IPO activity rebounds from first quarter, but still down 71% y/y
- Issuance broadens beyond US and Hong Kong
- Despite low issuance, returns were strong
- Behind the scenes activity signals tremendous pent-up IPO demand

Although global IPO issuance remained historically low, activity accelerated throughout the second quarter of 2009 as equity markets rallied. Unlike the first quarter of 2009, when only the US and Hong Kong produced IPOs, the second quarter saw signs that IPO issuance is beginning to broaden with IPOs completed in Brazil, Canada, the UK and Poland. Overall, deals performed strongly with a 27% average return. Spin-offs and China-based companies dominated the list of the largest issuers in terms of proceeds raised, while the US markets generated most of the quarter's best IPO performers thanks to a pick up in fundamentally strong growth stories.

Global issuance rebounds off of weak 1Q09

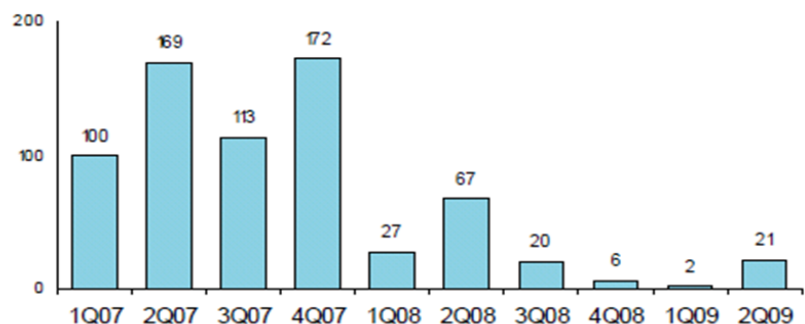
Global deal volume, which by our definition includes companies that

raise over \$100 million in gross proceeds, saw a sizeable sequential improvement in 2Q09 with 21 deals tapping the public markets, up from just two deals in 1Q09. Similarly, total proceeds of \$10 billion were up over 10x sequentially. Average deal size jumped to \$475 million, helped by the record \$3.8 billion offering from Brazilian payment processor Visanet late in the quarter. Despite the welcome sequential rebound, global issuance was still down significantly when compared with the prior year period, as the number of IPOs and total proceeds raised declined 69% and 71%, respectively.

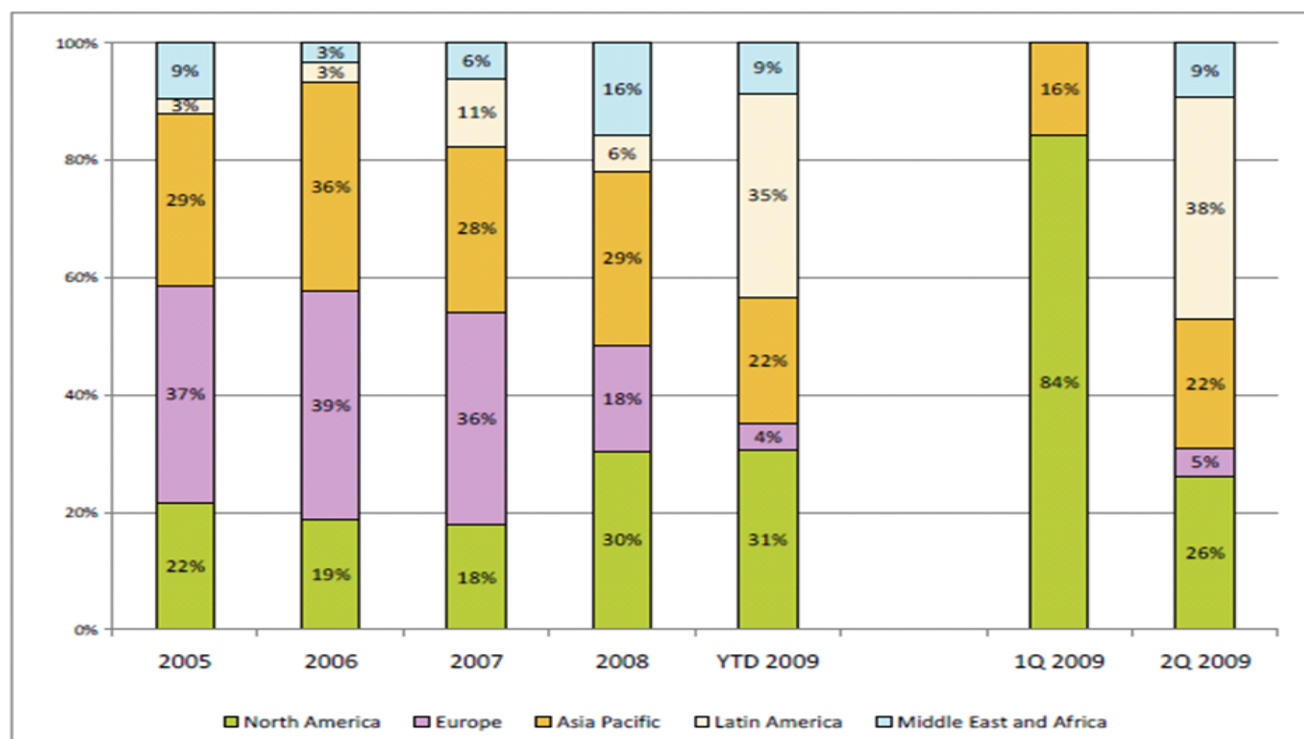
Global Proceeds (US\$ bil)



of Deals



Global Market Share by Region*



*calculated as a percent of gross proceeds including IPOs that raised over \$100 million

US and Hong Kong dominate deal flow, but IPO activity broadens

The US and Hong Kong dominated 2Q09 deal flow with 15 new issues representing 71% of 2Q09 deal flow and raising a combined \$3.6 billion. However, activity resumed in other regions, highlighted by the mega offering from Visanet in Brazil (35% of 2Q09 proceeds) and two large Canadian IPOs - independent power generator Capital Power and residential mortgage insurer Genworth MI Canada. In addition, the United Kingdom, Poland and Qatar had one IPO each, raising a combined \$1.4 billion.

Spinoffs and China plays highlight largest deals

The ten largest offerings in the second quarter fell into two camps: spinoffs or carve-outs seeking capital for their owners (4 IPOs) and domestic Chinese companies (4 IPOs). In addition to Visanet, which is owned by a consortium of banks and US-based credit card company Visa, the first group consisted of Genworth MI (carveout of Genworth Financial), Capital Power (Carveout of Canadian utility EMPOR) and Vodafone Qatar (spinoff of mobile operator Vodafone Group). Domestic Chinese companies in the second quarter included aluminum products maker Zhongwang Holdings, herbal shampoo

Largest IPOs

Company	Ticker	Market Country	Offer Date	Deal Size (\$bil)	Industry	Return from IPO
Visanet	VNET3.BZ	Brazil	6/25/2009	\$3.77	Financial	18%
Zhongwang Holdings	1333.HK	Hong Kong	4/30/2009	\$1.26	Materials	52%
Vodafone Qatar	VQAT.QD	Qatar	5/9/2009	\$0.93	Communications	n/a
Genworth MI Canada	MIC.CN	Canada	6/30/2009	\$0.78	Financial	n/a
Capital Power Corp.	CPX.CN	Canada	6/25/2009	\$0.44	Utilities	-3%

Bawang International, sportswear maker 361 Degrees and scrap metal recycler China Metal Recycling. All four are domestic plays on China's economy, which is getting a near-term boost by the massive government stimulus.

Overall returns were strong, dominated by US-listed IPOs

While the US was virtually absent from the list of top 10 global IPOs (only Digital Globe made the cut), IPOs in the US dominated the performance tables, producing four of the top five IPO gainers. Key to this performance was the fact that US deal volume was weighted toward high quality fundamental growth stories that were priced attractively. In addition to Chinese online game developer Changyou.com (+155%), which listed on the Nasdaq in early April and was by far the quarter's strongest performer, the top performing US-listed IPOs were online university Bridgepoint Education (+57%), leading language learning software brand Rosetta Stone (+57%) and network performance software provider SolarWinds (+34%). The strong debuts boosted the performance of the FTSE Renaissance IPO In-

dex, a benchmark for US-listed IPOs, which closed the quarter up nearly 20%. Overall, the average deal was up 27% in 2Q09, and nearly two-thirds of all deals returned more than 15%. Only three deals closed the quarter below their respective IPO prices.

Behind the scenes IPO activity suggests a sustained pick-up in issuance is coming

While the official IPO pipeline is still relatively small leading to a lack of near term visibility, we know that much is going on behind the scenes. With the strong performance of recent deals and signs of an economic recovery, the IPO market is reemerging as a viable option for companies seeking liquidity. Based on discussions with underwriters, venture capitalists and other IPO market participants, we believe many companies are prepping for IPO filings in the US, and the IPO timetables for international IPOs are being revisited and/or accelerated. In the US, deal flow should continue to emanate from high quality growth companies and the private equity space, which is being starved for liquidity. Additional constituents in the US IPO market recovery will likely be those recently nationalized, such as GM and AIG, which have already announced plans to go public. The success of these TARP funded companies in the market may create opportunities for more IPOs.

Outside the US, Asia Pacific should remain one of the most active regions led by activity in Hong Kong, mainland China and India. We also see a gradual improvement in other markets such as Brazil and the Middle East. All of these regions stand to benefit from a tremendous amount of pent up demand for public capital.

SOURCE: Renaissance Capital (The IPO Expert)
Global IPO Review: 2nd Quarter 2009

Best Performing IPOs

Company	Ticker	Market Country	Offer Date	Deal Size (\$bil)	Industry	Return from IPO
Changyou.com	CYOU	United States	4/1/2009	\$0.12	Technology	155%
Bridgepoint Education	BPI	United States	4/14/2009	\$0.14	Business Services	57%
Rosetta Stone	RST	United States	4/15/2009	\$0.11	Technology	57%
Zhongwang Holdings	1333.HK	Hong Kong	4/30/2009	\$1.26	Materials	52%
SolarWinds	SWI	United States	5/19/2009	\$0.15	Technology	34%