

# Securities Finance

## Market Activity Review Q4 2023

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AIMA

January 23<sup>rd</sup>, 2023



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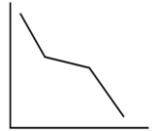
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# Q4 2023

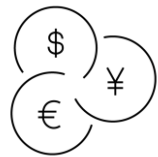
A strong quarter for global asset prices, but not for securities lending revenues



**Global stock and bond prices rallied heading into year-end**



**The deflationary trend continued**



**Investors started to price in multiple rate cuts for 2024**



**A divergence in approach to short selling across APAC**



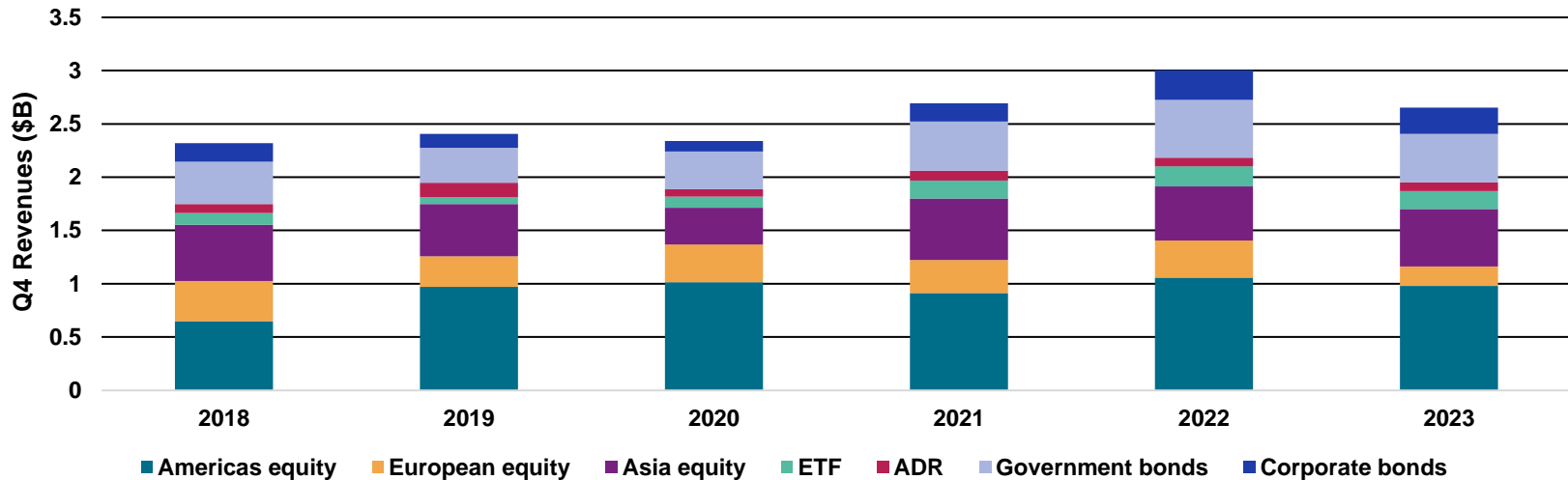
**Securities lending revenues suffered their worst quarterly revenues of 2023**

# Market revenues – Q4 2023

Asset Class	Q4 Revenue (\$M)	Rev YoY % Change	Avg Balances (\$B)	Bal YoY % Change	Avg Fee	Fee YoY % Change	Avg Lendable (\$B)	Lendable YoY % Change	Avg Utilization	Util YoY % Change
All Securities	\$2,705	-11%	\$2,515	-4%	0.43%	-7%	\$33,140	13%	5.8%	-15%
All Equity	\$1,982	-10%	\$1,126	-11%	0.70%	0%	\$24,370	13%	3.3%	-21%
Americas Equity	\$978	-8%	\$627	-8%	0.62%	0%	\$17,666	13%	2.7%	-18%
Asia Equity	\$540	6%	\$206	0%	1.04%	6%	\$2,495	13%	4.6%	-14%
EMEA Equity	\$184	-47%	\$162	-34%	0.45%	-20%	\$3,398	10%	3.7%	-41%
ADR	\$80	0%	\$28	2%	1.12%	-1%	\$230	7%	8.9%	-5%
ETP	\$169	-11%	\$96	-1%	0.69%	-10%	\$470	12%	10.9%	-4%
Government Bond	\$458	-11%	\$1,099	0%	0.16%	-11%	\$4,277	14%	20.8%	-12%
Corporate Bond	\$244	-12%	\$270	7%	0.36%	-17%	\$4,171	11%	5.6%	-2%

Note: Includes only transactions with positive fees  
Source: S&P Global Market Intelligence Securities Finance

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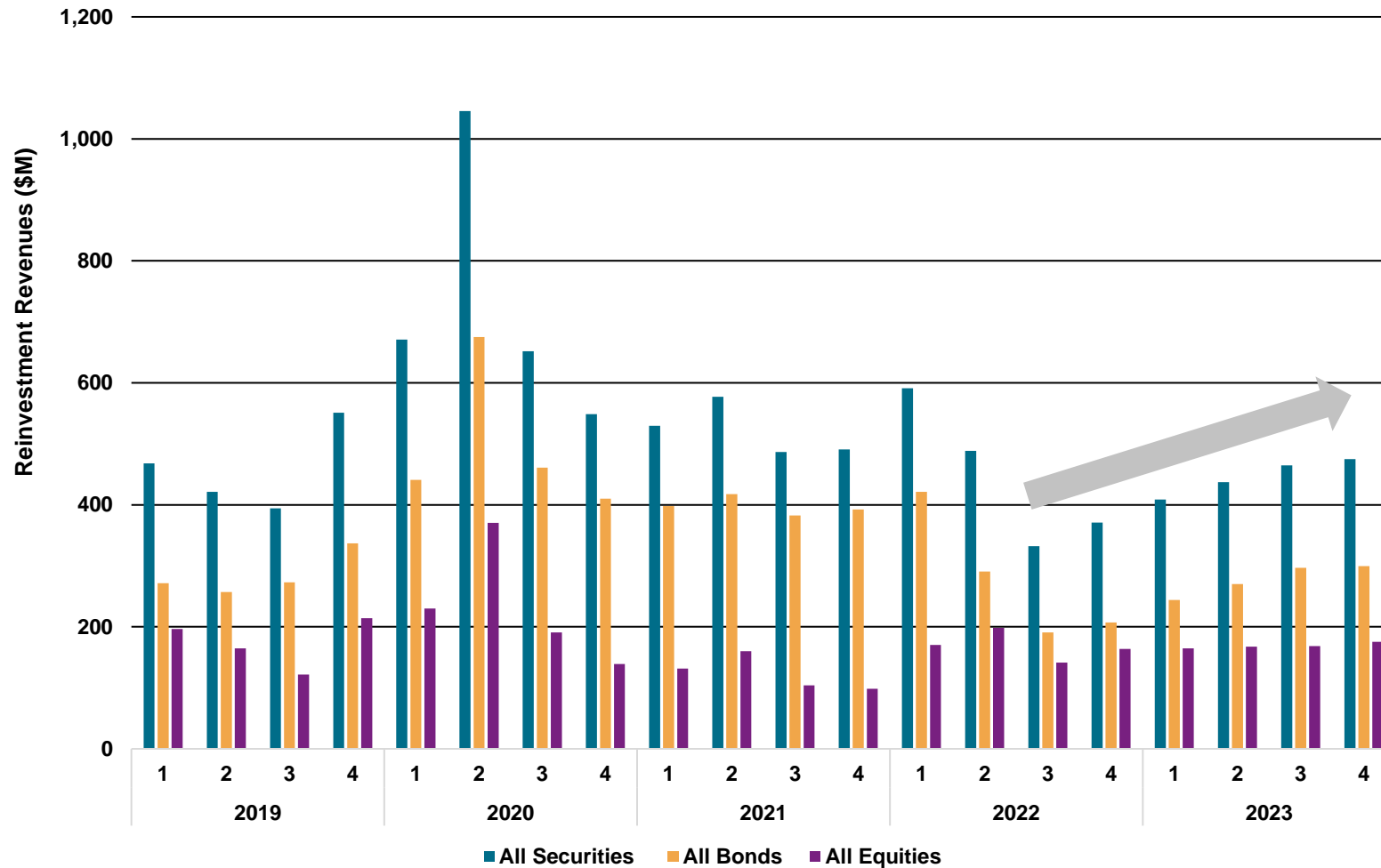
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Q4 revenues of \$2.705B

Revenues decline 11% YoY

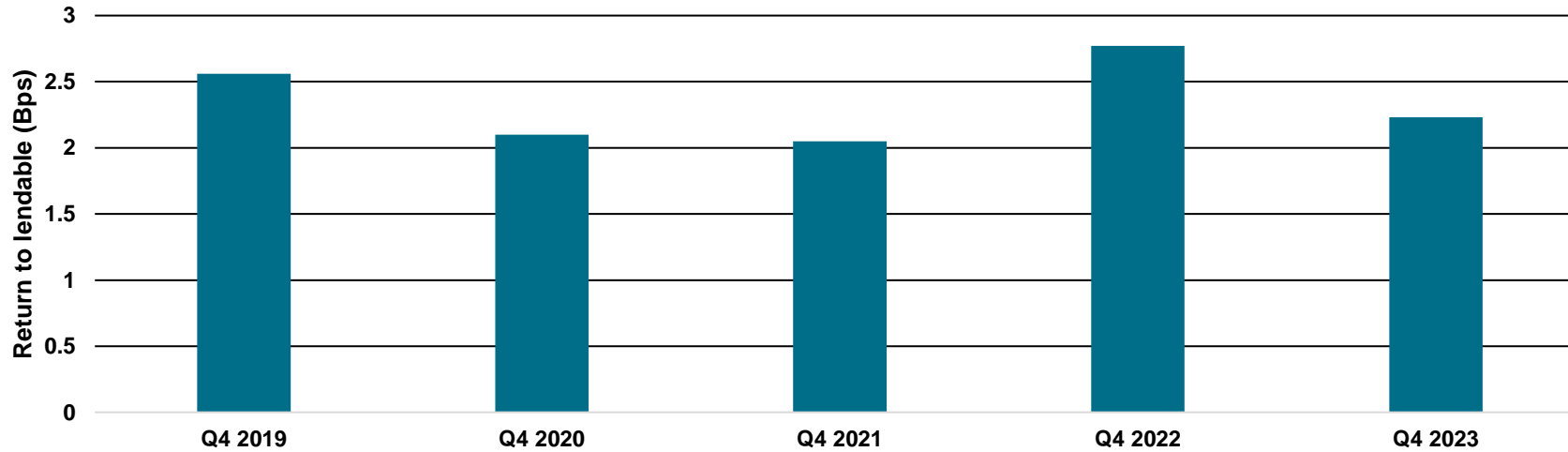
Average balances decline 4% YoY

# Market revenues – Reinvestment returns



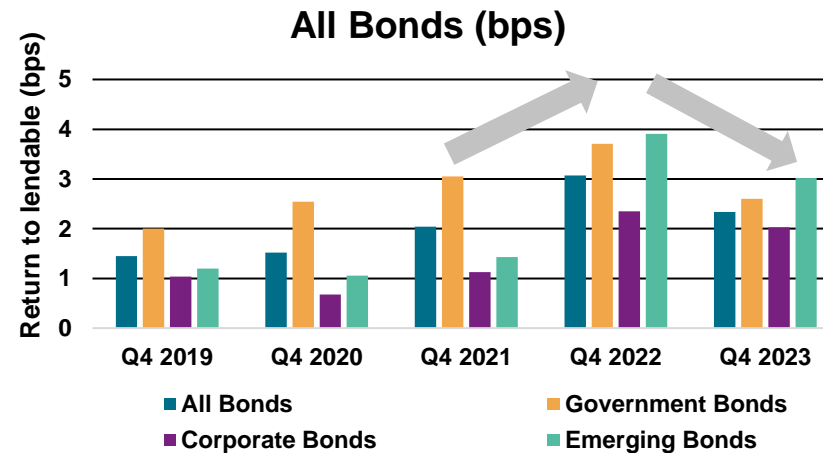
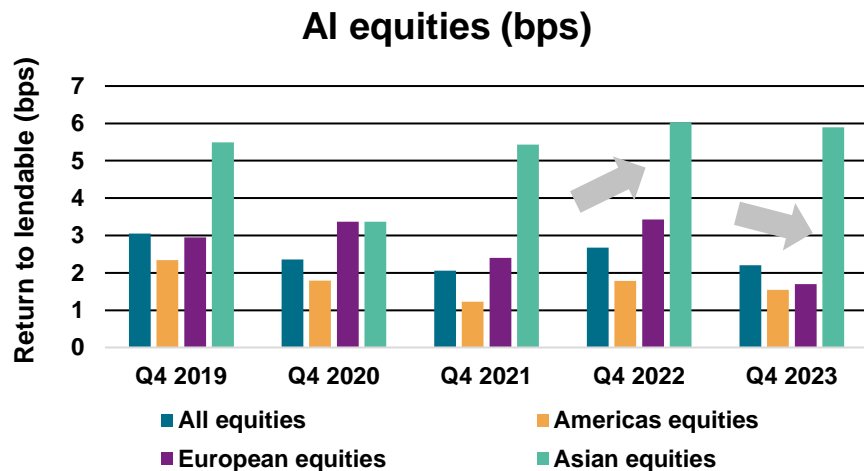
Quarterly cash reinvestment returns continue to increase

# Market revenues - Return to lendable



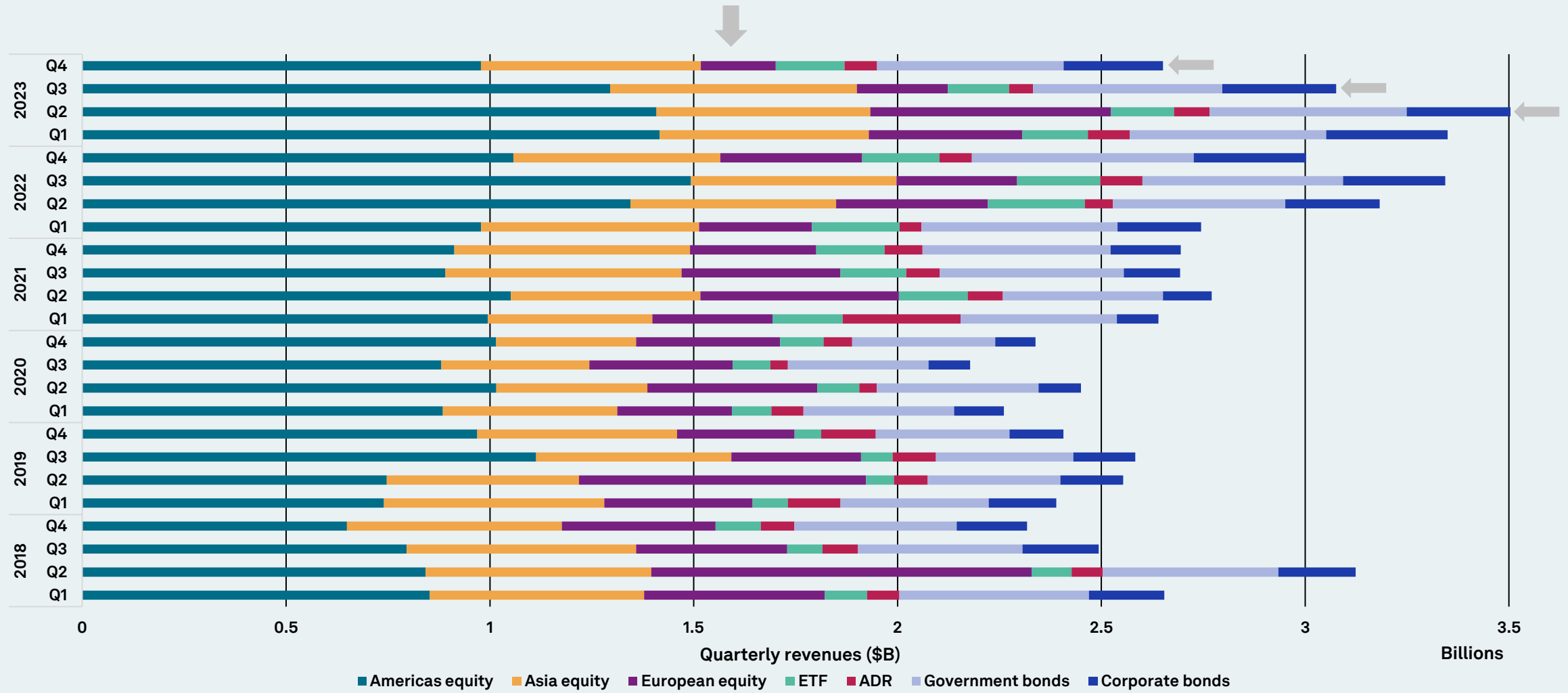
All securities  
2.23bps

All equity  
2.2bps

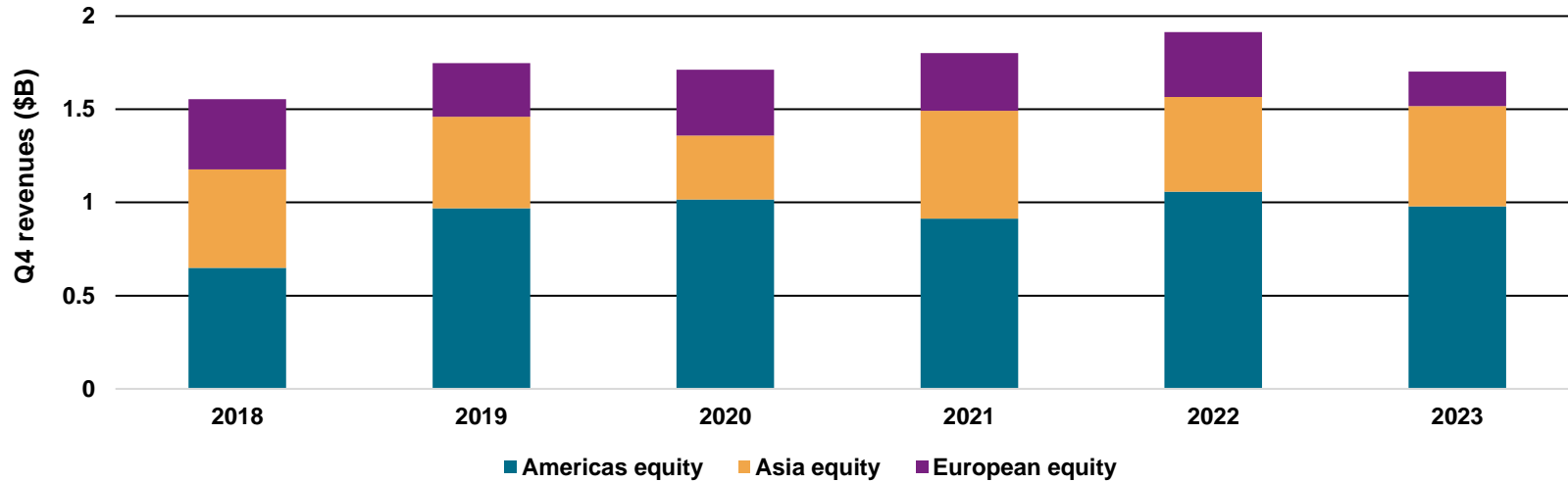


Fixed income  
2.34bps

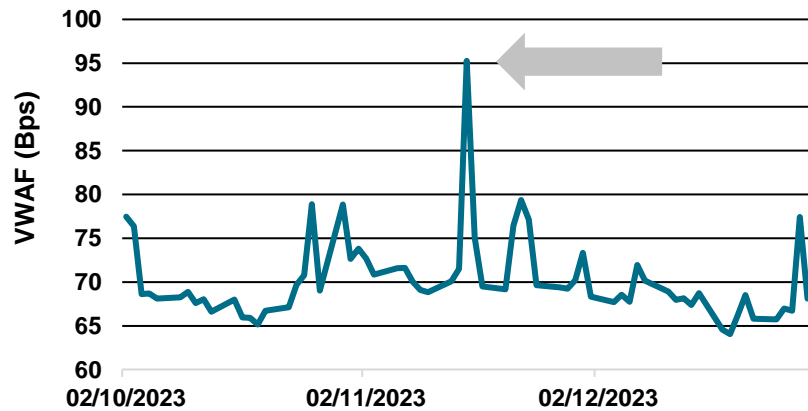
# Quarterly revenues by asset class



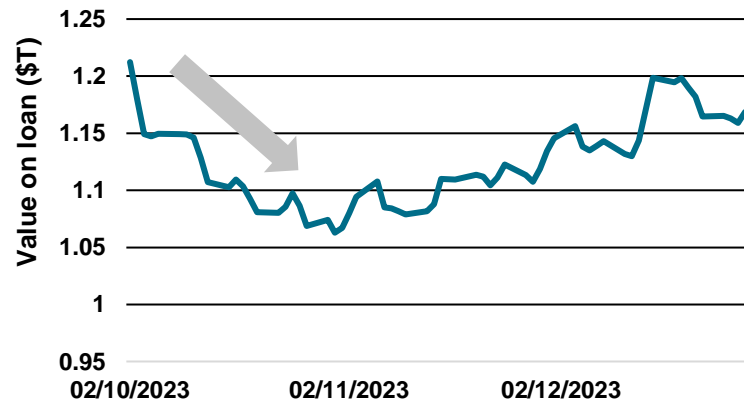
# Equities – Revenues, VWAF and Balances



VWAF - All equities



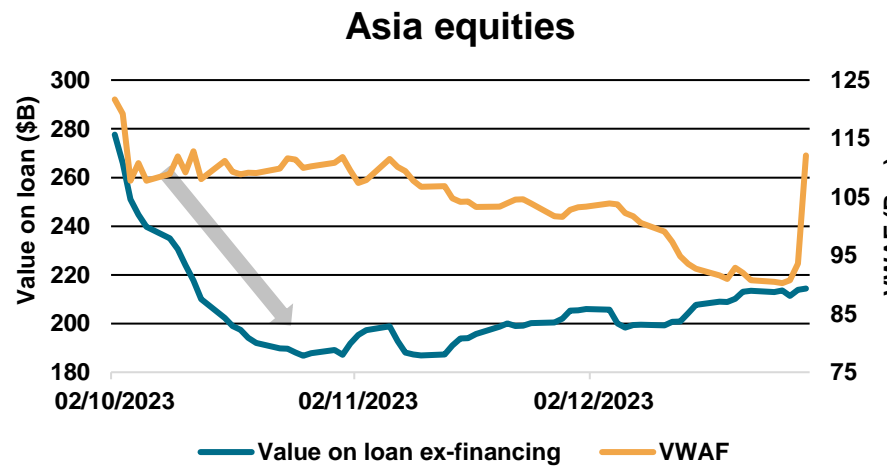
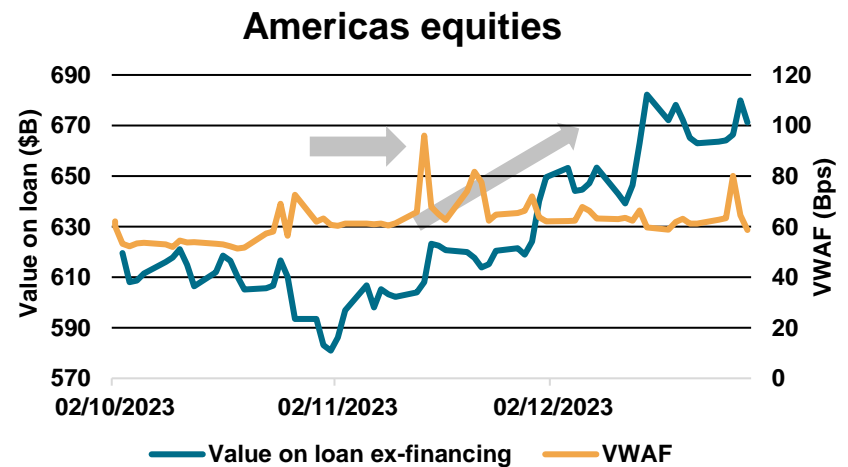
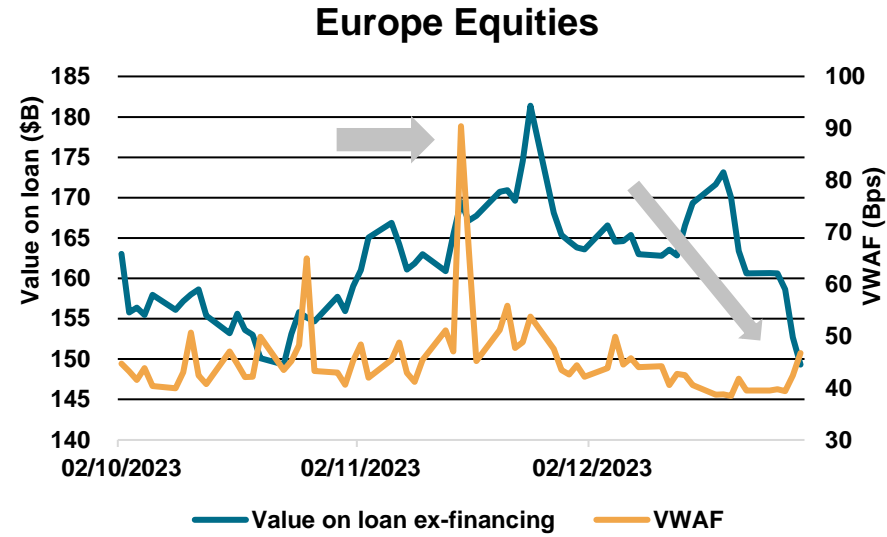
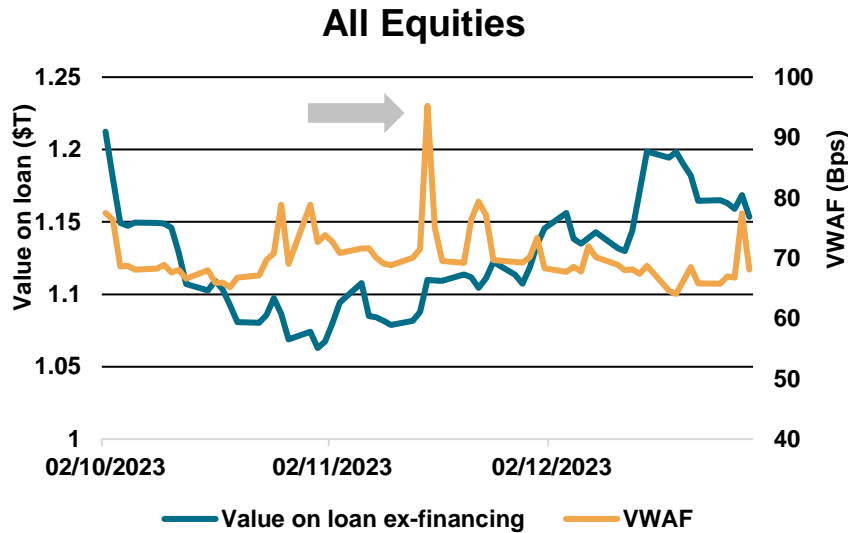
Value on loan ex-financing



APAC is the bright spot for equity revenues during Q4



# Average fees and balances - Equities



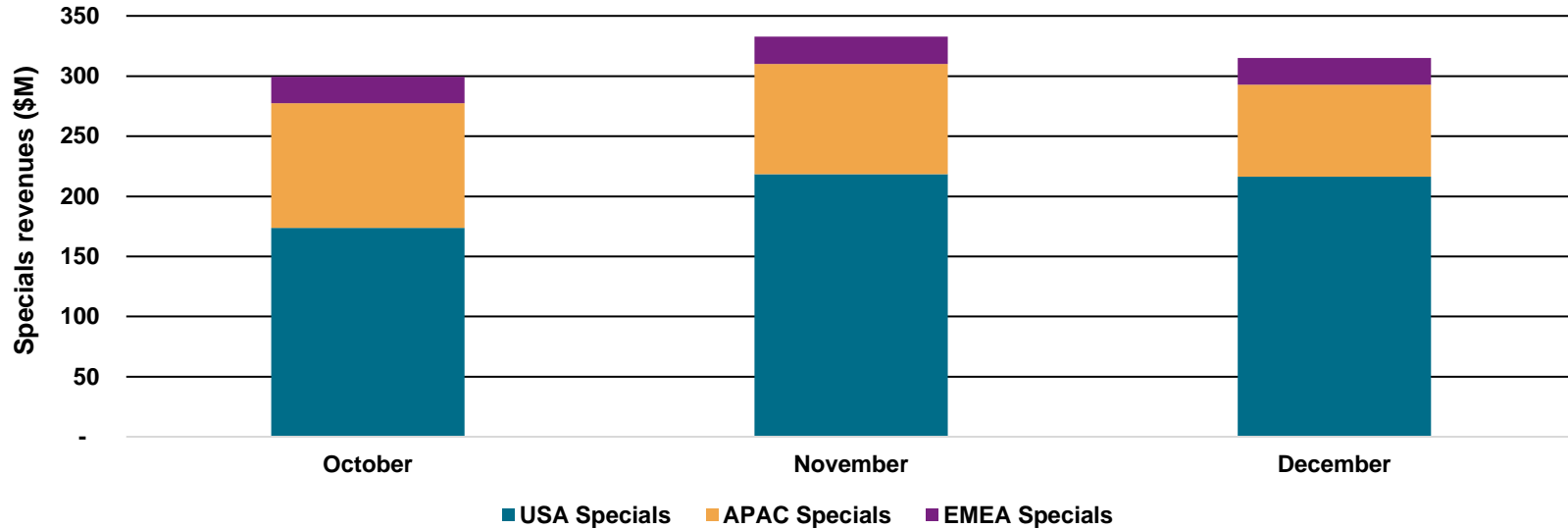
All equities 70bps

Americas equities 62bps

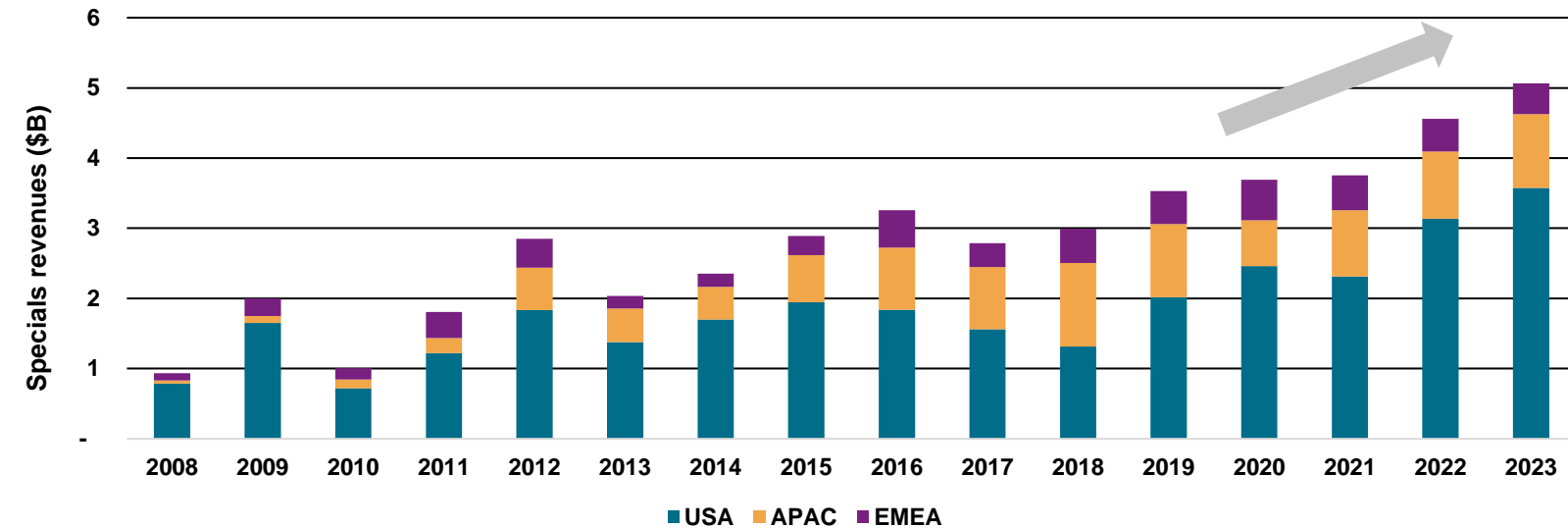
EMEA equities 45bps

APAC equities 104bps

# Q4 equity specials revenues by region



Specials revenues peaked during November

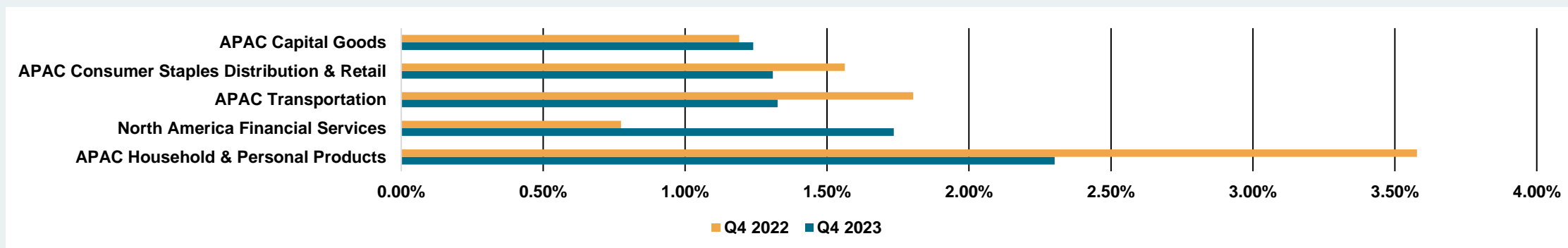


Specials revenues hit all time high of \$5.1B in 2023

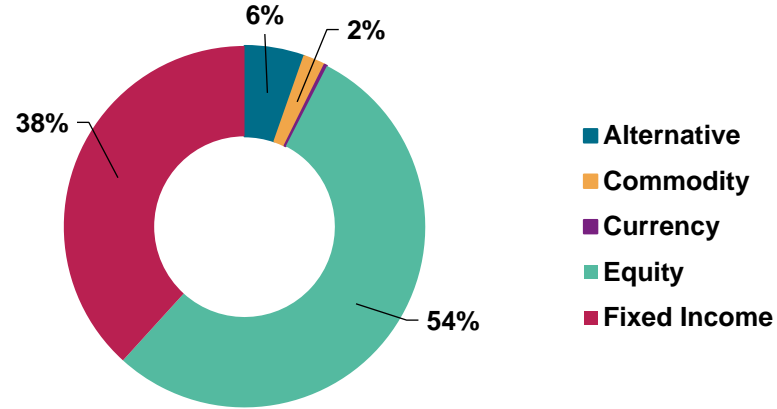
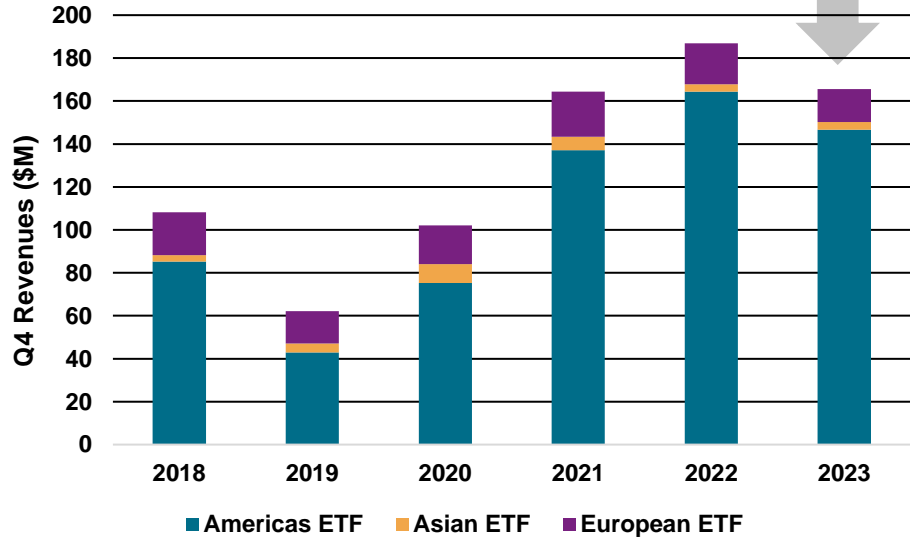
# Equities – Top revenue generators and most shorted sectors of Q4 2023

Top Earning Assets	Ticker	Sector	Country	Revenue Generated (\$M)
Sirius XM Holdings Inc	SIRI	North America Media and Entertainment	US	106.4
Lucid Group Inc	LCID	North America Automobiles & Components	US	37.7
Cassava Sciences Inc	SAVA	North America Pharmaceuticals, Biotechnology & Life Sciences	US	34.0
Beyond Meat Inc	BYND	North America Food, Beverage & Tobacco	US	28.8
Cava Group Inc	CAVA	North America Consumer Services	US	28.7
Fisker Inc	FSR	North America Automobiles & Components	US	24.5
Visa Inc	V	North America Financial Services	US	23.3
Novavax Inc	NVAX	North America Pharmaceuticals, Biotechnology & Life Sciences	US	21.5
Vinfast Auto Ltd	VFS	North America Automobiles & Components	US	21.1
Ecopro Co Ltd	086520	Asia Capital Goods	KR	18.2

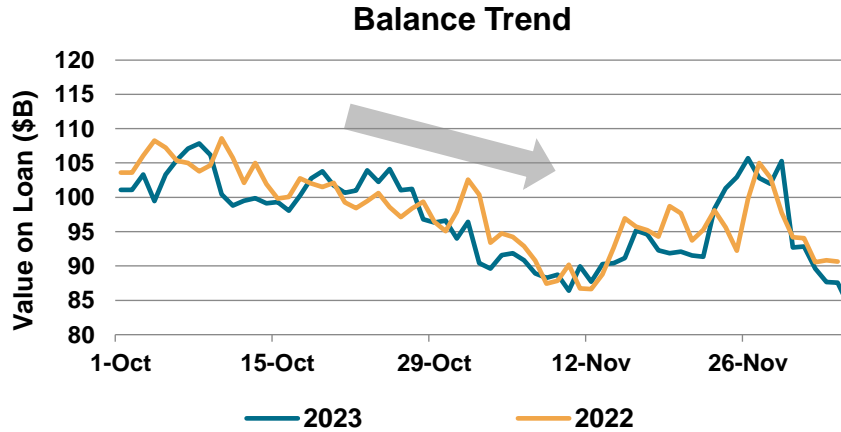
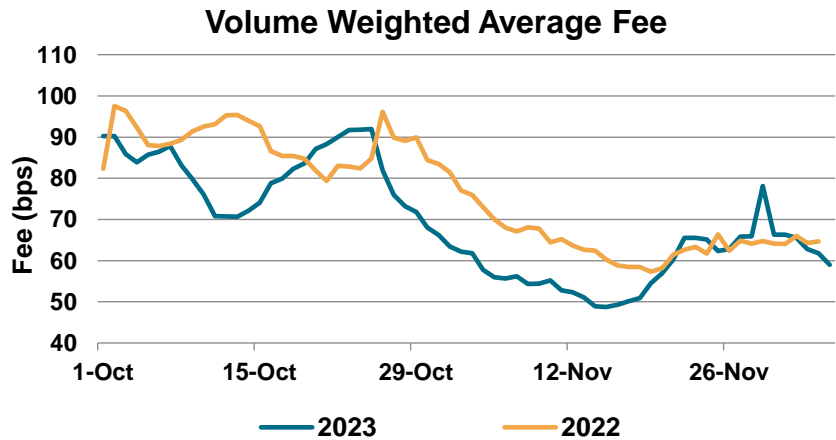
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# ETF's Q4 2023



ETF revenues declined YoY but improved QoQ



# ETF's – Top revenue generators

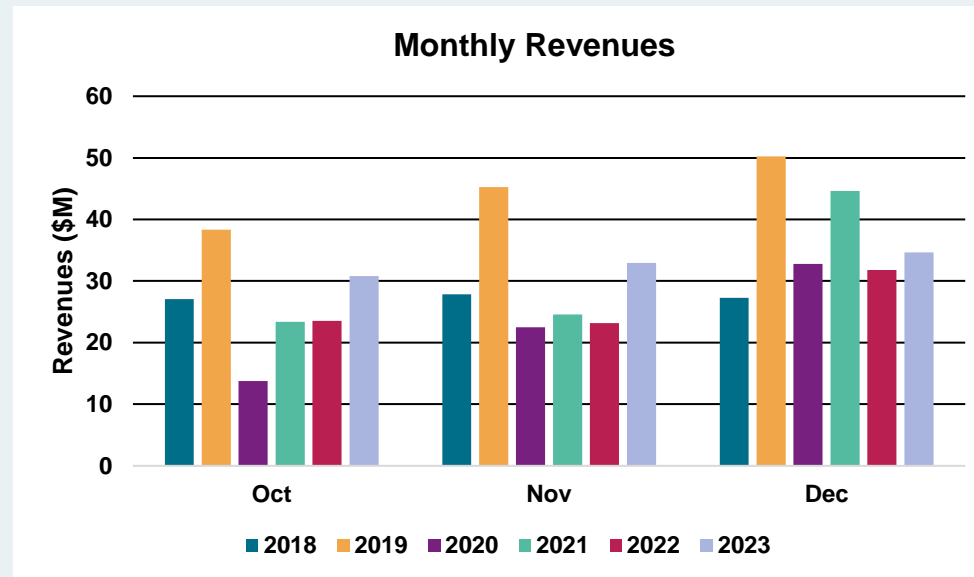
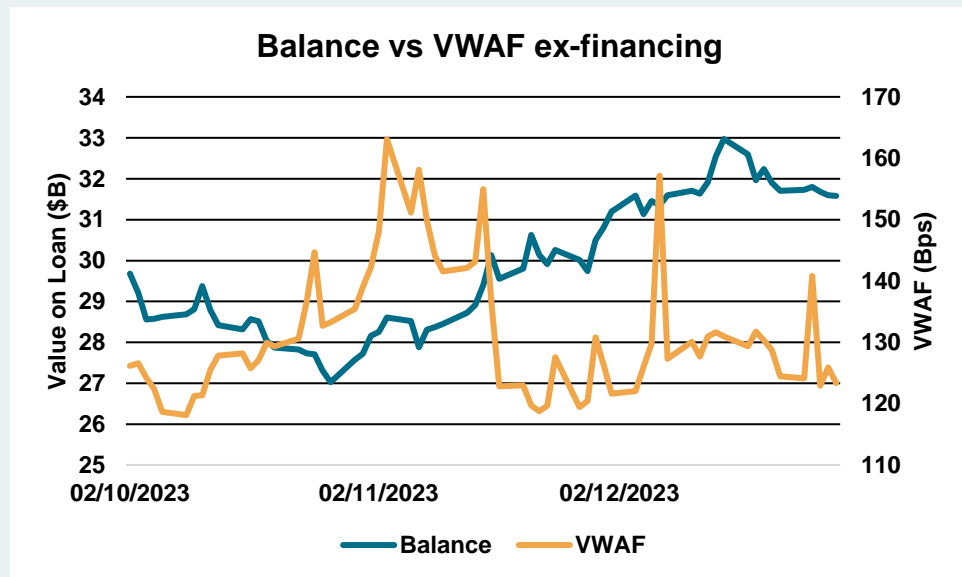
## Top 10 Revenue Generating ETFs

ETF Name	Ticker	Investment type	Country	Revenue Generated (\$M)
iShares IBOXX Investment Grade	LQD	Fixed Income	US	20.3
iShares IBOXX High Yield	HYG	Fixed Income	US	14.3
Ark Innovation	ARKK	Equity	US	4.9
Invesco Senior Loan	BKLN	Fixed Income	US	4.6
SPDR Bloomberg Barclay HY	JNK	Fixed Income	US	4.5
SPDR S&P Biotech	XBI	Equity	US	3.8
iShares Russell 2000	IWM	Equity	US	3.2
SPDR Blackstone Senior Loan	SRLN	Fixed Income	US	3.2
SPDR S&P 500	SPY	Equity	US	2.6
Proshares Ultrapro QQQ	TQQQ	Equity	US	2.1

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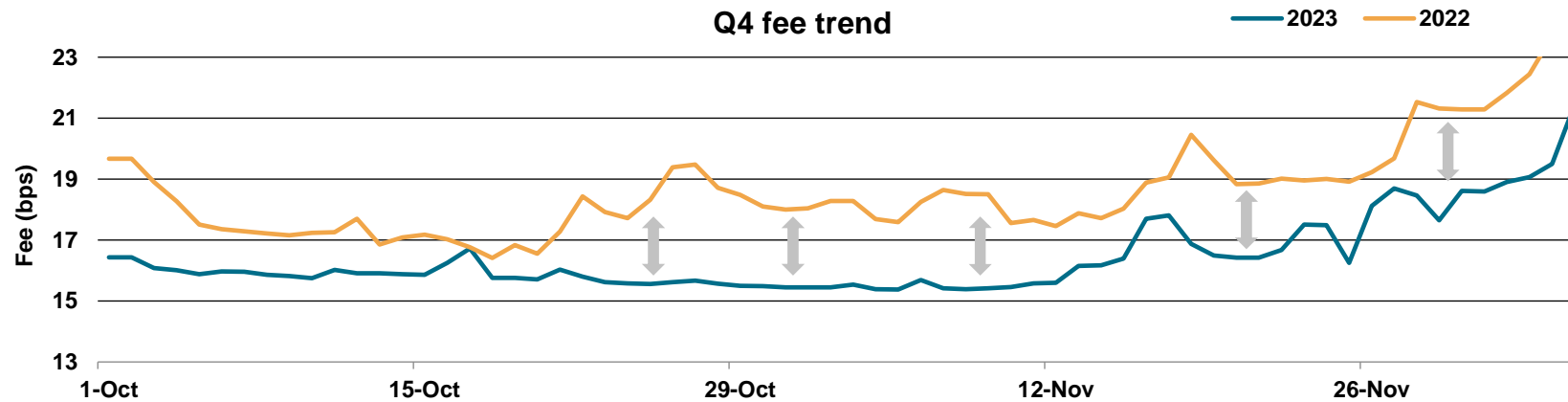
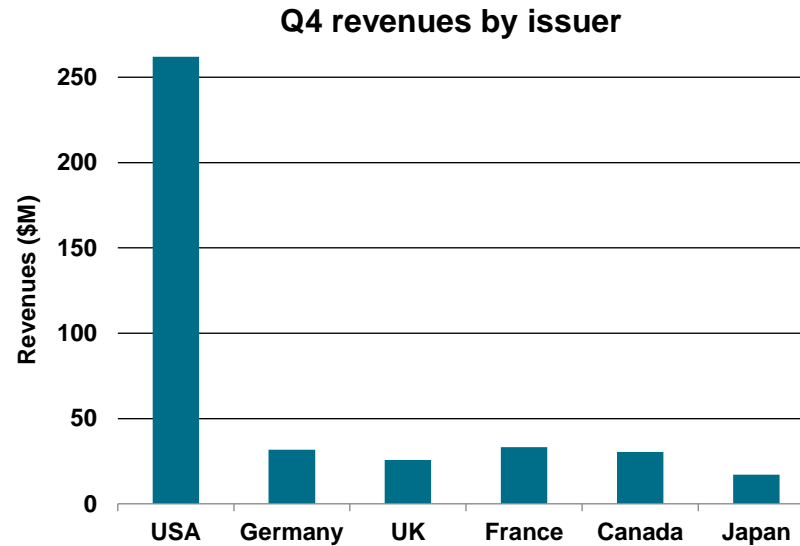
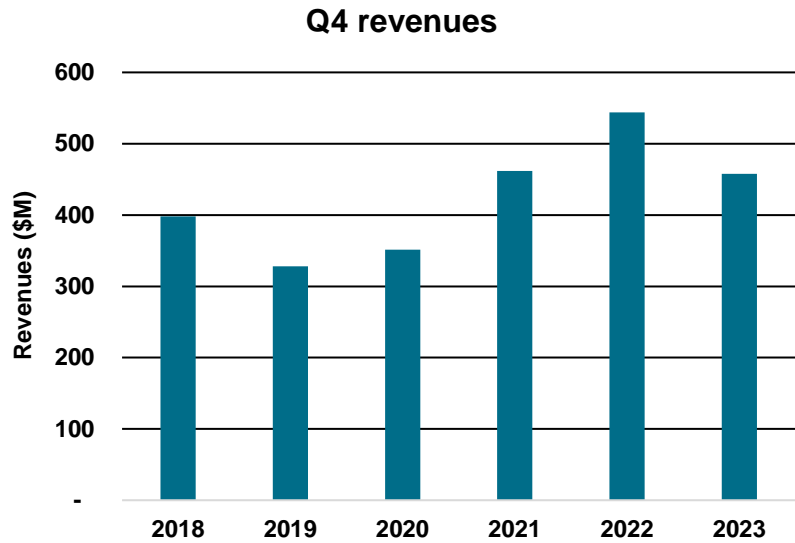
# Depositary Receipts



Top Earning Assets	Ticker	Sector	Country	Revenue Generated (\$M)
Xpeng	XPEV	North America Automobiles & Components	CN	12.9
Chindata Group Holding	CD	North America Software & Services	CN	8.7
Polestar Automotive Holding	PSNY	North America Automobiles & Components	SE	4.2
United Micro Electronics	UMC	North America Semiconductors & Semiconductor Equipment	TW	3.3
Arm Holdings	ARM	North America Semiconductors & Semiconductor Equipment	UK	3.1

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# Government bond fees and revenues trend lower YoY



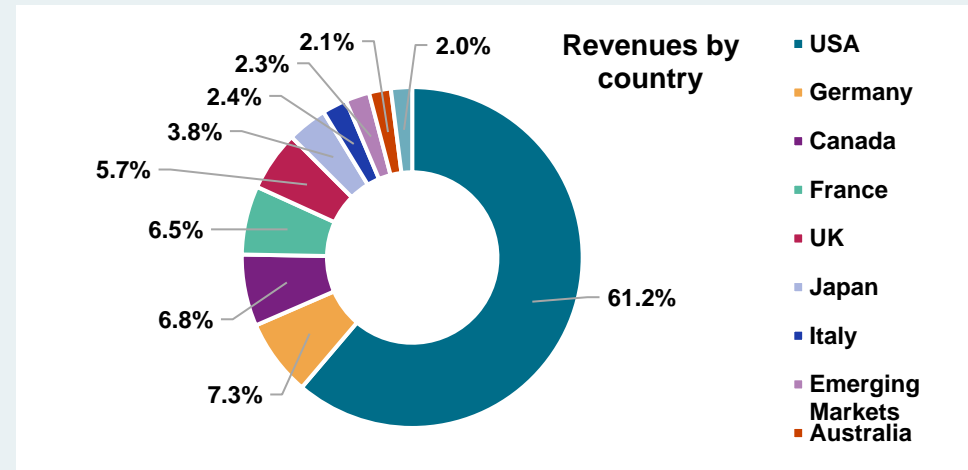
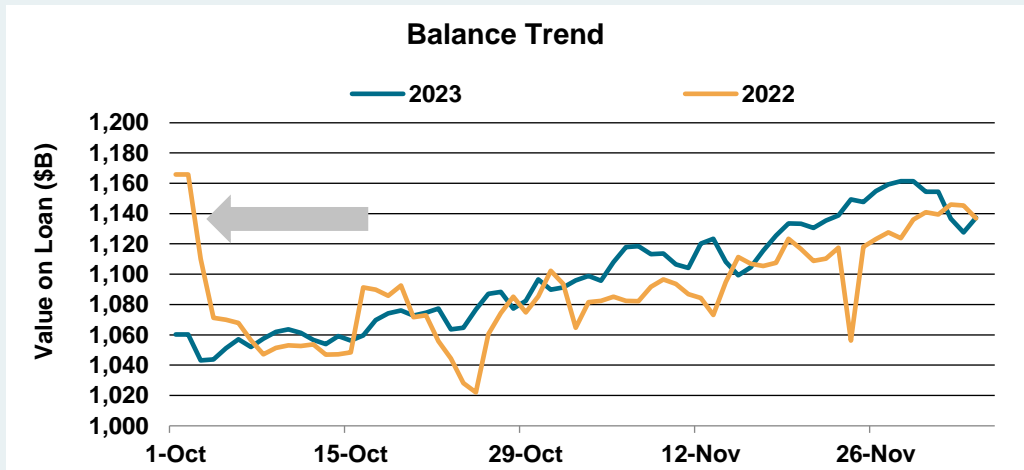
Revenues decline during Q4 and 2023

Government bond fees trended lower YoY during Q4

# Government bonds – Top borrows

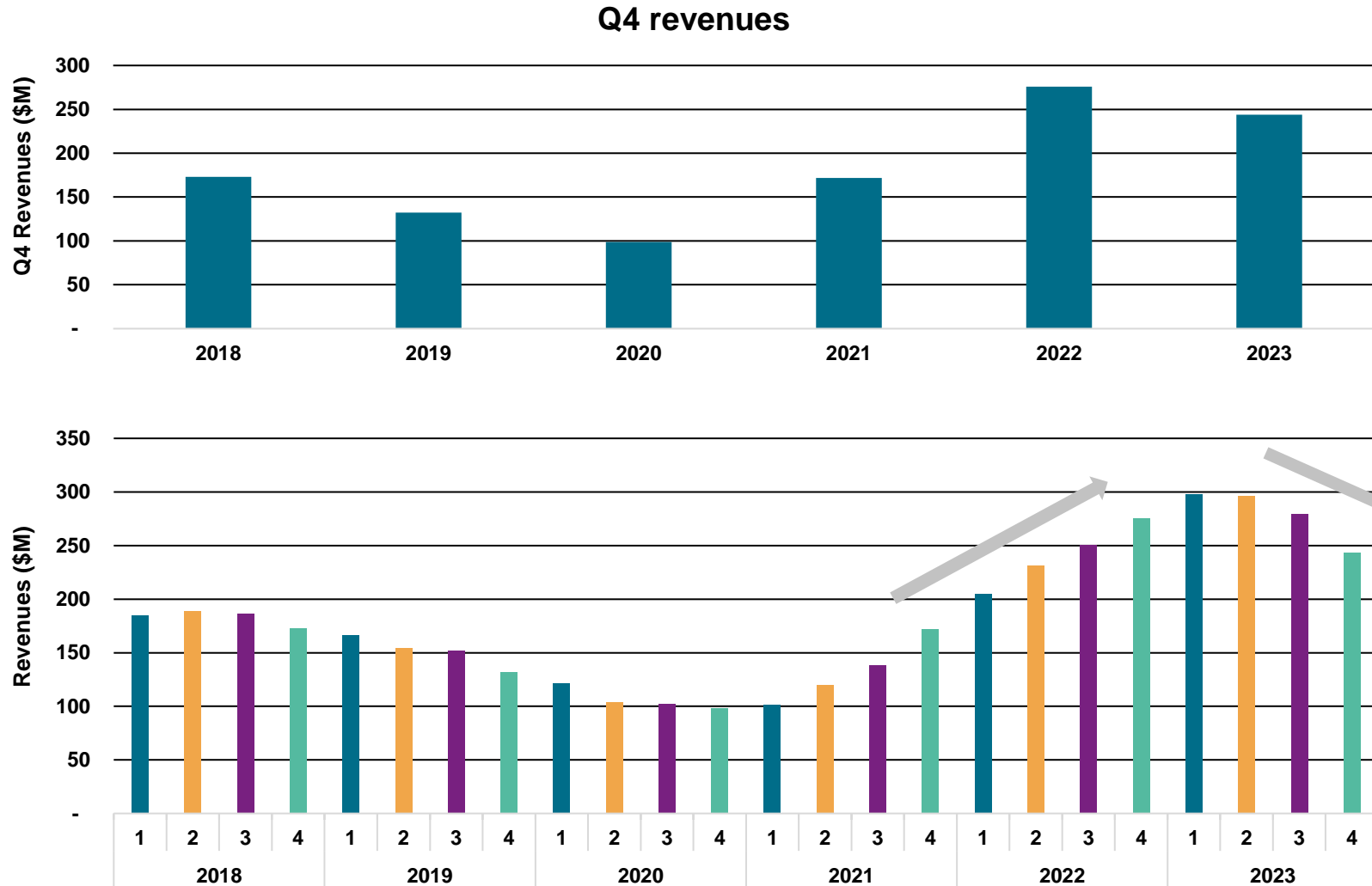
Top Earning Assets	CUSIP	Denomination	Country	Revenue Generated (\$M)
United States Treasury (4.75% 15-Nov-2043)	912810TW8	USD	US	13.5
United States Treasury (1.875% 15-Feb-2032)	91282CDY4	USD	US	3.1
United States Treasury (1.125% 15-Feb-2031)	91282CBL4	USD	US	3.0
United States Treasury (0% 11-Jul-2024)	912797GB7	USD	US	2.9
United States Treasury (3.5% 15-Feb-2033)	91282CGM7	USD	US	2.7
United States Treasury (2.875% 15-May-2032)	91282CEP2	USD	US	2.7
United States Treasury (2.75% 15-Aug-2032)	91282CFF3	USD	US	2.4
United States Treasury (4% 15-Nov-2042)	912810TM0	USD	US	2.4
United States Treasury (0.125% 15-Jan-2024)	91282CBE0	USD	US	2.3
United States Treasury (1.75% 15-Mar-2025)	91282CED9	USD	US	2.3

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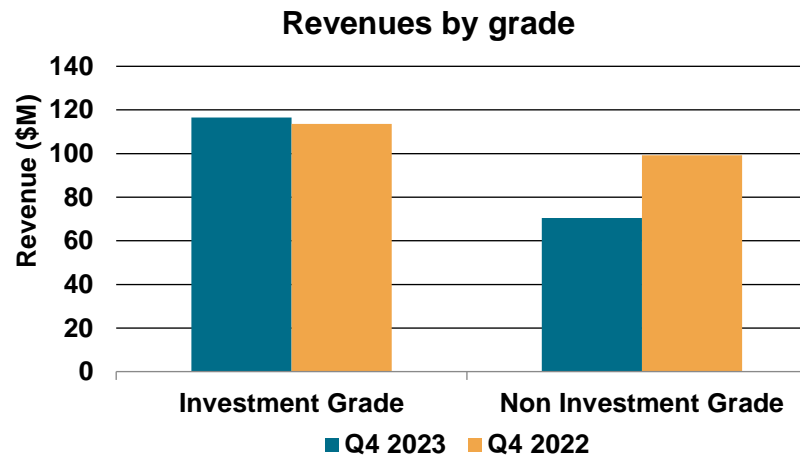
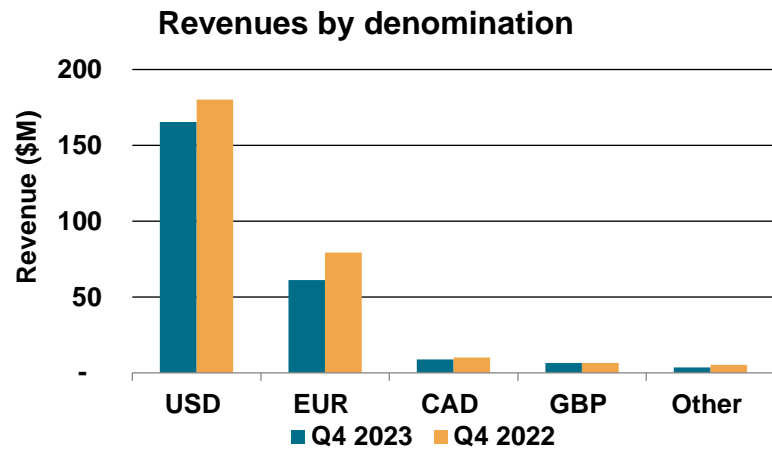
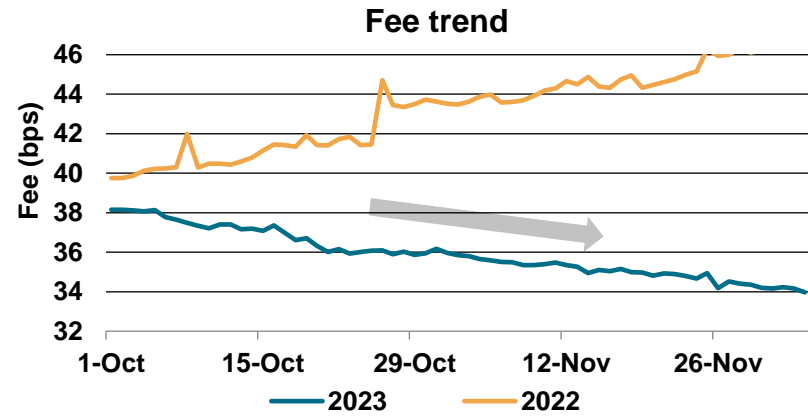
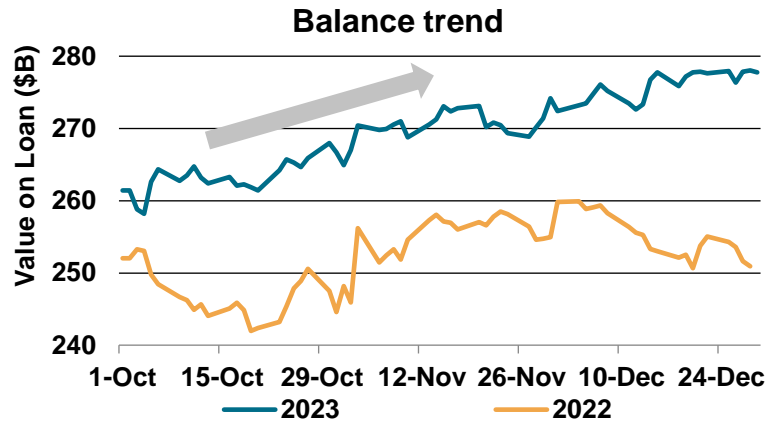
# Corporate bond revenues decline QoQ and YoY



Q4 revenues  
\$244M -12%  
YoY

Corporate  
Bond  
revenues  
peaked during  
Q1 2023

# Corporate bond fees fall but balances grow over the quarter



Average Q4 balance  
\$270bln +7%  
YoY

Average Q4 fee  
36bps -17%  
YoY

# Corporate Bonds – Top revenue generators

Top Earning Assets	CUSIP	Denomination	Asset Class	Revenue Generated (\$M)
3M Co (4% 14-Sep-2048)	88579YBD2	USD	I.G. Corp Bond (Fixed Rate)	2.6
GM Financial Company Inc (6.4% 09-Jan-2033)	37045XED4	USD	I.G. Corp Bond (Fixed Rate)	2.2
3M Co (2.875% 15-Oct-2027)	88579YAY7	USD	I.G. Corp Bond (Fixed Rate)	1.8
Biomarin Pharmaceutical Inc (1.25% 15-May-2027)	09061GAK7	USD	N.I.G. Conv Bond (Fixed Rate)	1.8
Mph Acquisition Holdings LLC (5.75% 01-Nov-2028)	553283AC6	USD	Priv. Placement Corp Bond (Fixed Rate)	1.6
Microchip Technology Inc (0.125% 15-Nov-2024)	595017AU8	USD	N.I.G. Conv Bond (Fixed Rate)	1.4
HSBC Holdings Plc (8% Undated)	404280DT3	USD	I.G. Corp Bond (Floating Rate)	1.3
Bausch Health Americas Inc (9.25% 01-Apr-2026)	91911XAV6	USD	Priv. Placement Corp Bond (Fixed Rate)	1.1
Newell Brands Inc (6.625% 15-Sep-2029)	651229BD7	USD	N.I.G. Corp Bond (Fixed Rate)	1.1
Owens & Minor Inc (6.625% 01-Apr-2030)	690732AG7	USD	Priv. Placement Corp Bond (Fixed Rate)	0.9

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# Revenues slow further during Q4

Balances declined throughout 2023 and during Q4, so did average fees

- Sell off during October impacted balances
- A decline in average fees as fixed income revenues cool and specials revenues declines impacts top line figure
- Will EMEA equities recover?
- APAC region shows potential but are there too many headwinds heading into 2024?
- Does Q4 set the scene for H1 2024?
- Does cash collateral present an opportunity for lenders during 2024?
- Equity valuations remain elevated which is supportive of IPO activity



# Securities finance Q4 2023 market activity review webinar

## Tom Kehoe

### **Managing Director, Global Head of Research and Communications**

Tom joined AIMA as research manager in October 2008 and heads up all research and communications globally for the association. In this role Tom is responsible for creating and executing the association's strategies to develop and maintain strong external stakeholder relationships. In doing so, he constructs the association's narrative through original research and thought leadership as well as design, implement and promote the association's communications and brand. In this capacity, he has authored over fifty research and thought leadership pieces, which have been mentioned widely across the trade and business press as well as commented on radio and television.

He has been involved with hedge funds for 15 years. Prior to joining AIMA in October 2008, Tom spent four years working in hedge fund research and due diligence with BNP Paribas in New York and Dublin.

Tom holds a Masters in Finance from the National College of Ireland, a graduate certificate in Investment Management from Dublin City University and is a Chartered Alternative Investment Analyst member (CAIA).

<https://www.aima.org/>

# AIMA Hedge Fund Confidence Index



<https://www.aima.org/compass/insights/hedge-fund-confidence-index/aima-hedge-fund-confidence-index-2023.html>

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Please send all questions to.....

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Thank you for your participation

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