

Securities Finance H1 2021 review



H1 2021



Welcome to the H1 market review.

H1 generated \$5.5bn in securities finance revenue, an increase of 14% YoY, with a variety of drivers pushing both Q1 and Q2 to mid-teen increases relative to 2020. Increasing borrow demand for exchange traded products and depository receipts produced

lucrative lending opportunities and reflects increased use of the products. Volatility in crowded US equity short positions continues to be a theme, with several of the most revenue generating shares having a massive range of prices observed over the course of H1. With nearly all restrictions on short selling imposed in 2020 now lifted, the stage is set for further demand growth in the 2nd half of 2021.

The Securities Finance team at IHS Markit have once again delivered an exceptional performance over the first half of the year. The team has worked hard on increasing the frequency and depth of interaction with our clients. Whilst remote/hybrid working is still for most the norm, the team have gone above and beyond to support our clients and ensure they continue to maximize the value from our data, analytics and insights. On the product front there are three things I would like to mention:

- **Data.** Our dataset continues to grow and deepen. We ended the quarter with more than \$34 trillion of lendable inventory and \$3 trillion of loan balances. This year alone, \$1.3 trillion of lendable inventory and \$161bn of loan balances have come from new data providers. Based on commitments, we expect further contributors in excess of this in the second part of the year. Our intraday offering has increased 50% this year and we have added new tools, screening and alerts to help clients gain maximum insight to intraday activity.
- **Compliance Check Tool.** We are excited to introduce this ground-breaking enhancement following the best execution functionality we released at the end of 2020. The Compliance Check Tool analyses trading data to ensure loan portfolios comply with lending parameters. It can be tailored to assess asset class, counterpart, individual instruments, limits on loan, the spread, liquidity levels against market data, tenure, the collateral type and credit consensus. Dependent on the parameters set, exceptions can be reported at the transactions level, instrument level and counterpart level, with a summary of alerts available for customization. This is a new, innovative tool for lenders

such as pension funds, mutual funds and sovereign wealth funds to monitor and validate the compliance of lending activity to their agreed parameters. Access to the tool is through the web portal, Excel Toolkit or on a daily data feed.

- **ISLA Securities Lending Performance Measurement Standards.** Published by ISLA in September 2020, this new set of standards and best practice guidelines address data aggregation and calibration of performance-related metrics for securities lending that will ultimately lead to greater transparency. It is unusual in the sense that the standards are not directly driven by regulation, rather by a self-identified weakness that impacts all industry participants in some way. It is important in that it begins to provide greater clarity on the level of returns generated and ultimately how constraints on a lending program can impact performance. IHS Markit is strongly committed to the new standard and is helping our clients and the market with adoption. We have fully implemented the vast majority of functionality required to achieve this, with the last remaining items which focus on gross and net returns and revenue adjustments due to be implemented shortly. We have been actively reaching out to our impacted clients and we have seen an increase in the level of engagement during the quarter. We will continue to do this and make ourselves available in order to drive full adoption.

And one very important reminder. Starting 31 July 2021, the existing IHS Markit Securities Finance Portal, Toolkit, DX Open API and datafeed URLs and SFTPs will expire and you will no longer be able to log in, submit data or receive datafeeds using these links. To maintain connectivity and access, please update your links in accordance with instructions we have already provided you. If you have any questions, please contact your product specialist.

I hope you enjoy the remainder of the summer.

Kind regards,

Paul R. Wilson

Managing director and global head of
Securities Finance, IHS Markit

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Securities Finance H1 2021 Snapshot

Securities finance revenue \$5.5b, most H1 revenue since 2018

- H1 revenues increase 14% YoY
- APAC emerging markets ascendant
- US equity specials uneven returns
- Fixed income borrow demand uptrend

Global securities finance revenue surpassed \$5.5b in the first half of 2021, an increase of 14% YoY. The YoY comparison with the first half of 2020 generally reflects increased balances and narrower fee spreads. Partly the comparison with H1 2020 is the result of lower equity values amid the COVID-related volatility. There are some significant exceptions including APAC equities, depository receipts and exchange traded products which all saw a YoY increase in average fees. US equity special balances varied widely in H1, while a lack of specials partially offset a recovery in EMEA equity finance revenues relating to dividend reinstatement. Fixed income returns from fee spreads were broadly like 2020 as a result of increased balances and narrower spreads, however reinvestment returns were much more like 2019 than the stellar return observed around the rate cuts in 2020.

GLOBAL SECURITIES FINANCE REVENUE - H1 2021

Asset Class	H1 Revenue (\$M)	Rev YoY %Chg	Avg Balances (\$B)	Bal YoY %Chg	Avg Fee	Fee YoY %Chg	Avg Utilization	Util YoY %Chg
All Securities	\$5,533	14%	\$2,623	25%	0.4%	-8%	6.7%	-9%
All Equity	\$4,498	18%	\$1,172	25%	0.8%	-4%	3.6%	-20%
Americas Equity	\$2,075	8%	\$585	29%	0.7%	-16%	2.9%	-22%
Asia Equity	\$880	9%	\$208	6%	0.8%	3%	4.3%	-26%
EMEA Equity	\$793	12%	\$233	16%	0.7%	-5%	4.8%	-20%
ADR	\$381	212%	\$51	133%	1.5%	37%	8.8%	32%
ETP	\$310	53%	\$87	41%	0.7%	11%	12.7%	6%
Government Bond	\$787	1%	\$1,212	27%	0.1%	-20%	27.4%	15%
Corporate Bond	\$225	-2%	\$219	21%	0.2%	-19%	4.2%	5%

Note: Includes only transactions with positive fees

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US equity revenues came in at \$1.9bn for the first half of 2021, an increase of 16.5% YoY. The revenue increase was driven by a 28% YoY increase in loan balances, which more than offset the 9% reduction in average fees YTD. Nine percent of H1 US equity finance revenues were delivered by conventional IPOs which occurred in 2020, a slight reduction from the first half of 2020 when the 2019 class of IPOs delivered 9.7% of revenues. A starker YoY change was observed for US SPAC IPOs, where the 2020 class delivered 11% of H1 2021 revenues, where the 2019 class generated 0.1% of H1 2020 returns. Apart from borrow demand driven by IPOs around warrant redemptions and lockup expiries, the recurring broad squeezes in crowded US equity short positions have created lucrative lending opportunities. The squeeze at the end of January appeared at the time to be a coda to the outperformance of crowded shorts which started in April 2020, and the rest of Q1 was indeed rather subdued, however a few IPO/SPAC trades and another broad short squeeze in June saw US equity special balances resurgent toward the end of Q2.

Canadian equity lending revenues increased over the course of H1, but remain well below historical trend, largely the result of less Cannabis related loan balances. H1 revenues of \$160m reflect a 43.5% YoY decline, the result of a 55% decline in average fees, despite a 27% YoY increase in loan balances.

Equity lending in Europe rebounded relative to 2020 but remained 27% below the 2019 level; H1 revenues of \$793m reflect a 12% YoY increase. Part of the increase was due to reinstated dividends which boosted borrow demand, particularly for French equities, however the YoY comparison is complicated by some 2020 dividends which were delayed into July. EMEA equity specials, particularly in Germany, delivered substantial returns over the last half of 2020 however following the January short specials balances declined sharply; Q2 did see a pickup with stalwart contributors Varta Ag & Tui Ag seeing increased borrow demand.

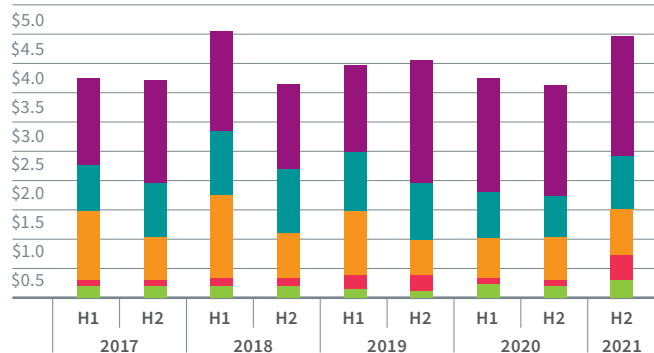
Asia equity lending revenues have steadily trended higher from the 2020 low point in November, with the trend gaining momentum in Q2 after the short sale ban in South Korea was mostly lifted. H1 2021 revenues of \$880m reflect an 8.7% YoY increase. Hong Kong SAR equity finance revenues have consistently shown YoY growth since May of 2020, producing 8 of the top 10 APAC revenue generators during H1. Taiwanese equity finance revenues increased steadily YTD, particularly in Q2, as special

balances increased. Malaysia equity revenues surged largely on the back of Top Glove Corporation Bhd, the most revenue generating APAC security in H1. Australian equity revenues totalled \$52m in H1, a 16% YoY increase.

EQUITY FINANCE REVENUE BY REGION

AMERICAS APAC EMEA ADR ETF

Semi-annual Balances (\$bn)



Source: IHS Markit Securities Finance

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DAILY ETP FINANCE REVENUES BY ASSET CLASS

EQUITY FIXED INCOME ALTERNATIVE COMMODITY CURRENCY

Daily Revenue (\$M)



Source: IHS Markit Securities Finance

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Global exchange traded product (ETP) revenues were \$310m for H1, a 53% YoY increase. The stellar return had several drivers, the most notable was an increase in average fees for fixed income products. Fixed income products generated 34% of H1 returns, up from 22% in the first half of 2020. Ark Invest funds made a splash atop the most revenue generating product table with two funds amongst the top 10 for H1. Other products leading H1 revenue include emerging markets, particularly China-focused, and US equity indices. Products listed in the US generated \$239m, an increase of 72% YoY, while non-US listed products generated \$71m in H1, an increase of 12% YoY.

Depository receipts were an emergent asset class for lenders in H1, with surging fees for Hong Kong SAR firm Futu Holdings ADR listed on NASDAQ making it the most revenue generating security globally for H1 2021. Apart from Futu global depository, receipt revenues grew by 56% YoY, with the largest contributor being Chinese ADRs.

Fixed income lending via agency programs declined YoY as a result of lower returns on cash collateral generated, as compared with the period following the Q1 2020 interest rate cut. Total agency fixed income revenues declined by 14% YoY for H1 2021, the result of reinvestment revenue declining by 42% to \$397m while fee spread revenue increased by 21% YoY, to \$641m. The increase in revenue from lending fees is partly driven by a reduction in trades with negative intrinsic fee. For comparison, H1 2020 global fixed income agency lending revenues totalled \$1.2b, the result of \$678m of income from reinvestment of cash collateral and \$530m in intrinsic spread income.

Total fee-based revenue for government bond lending came in at \$787m for H1, a 1.2% YoY increase resulting from a 20% decline in average fees and a 27% increase in average on-loan balances. In Q1 some of the increased borrow demand for US Treasuries and investment grade credit was likely tied to trades regarding rate path and yield curve shape, which may have started to unwind in the 2nd quarter. US Treasuries returned \$460m for H1, a 3.2% YoY decline. Canadian government debt returned \$53.9m for H1, a 2.9% YoY increase. Returns from lending European sovereigns were \$254m for H1, a 10% YoY increase, with Germany and France the largest contributors.

H1 corporate bond finance revenues came in at \$225m, a 2.1% decline YoY. Loan balances steadily increased during H1 through May and trailed off a little in June; H1 average loan balances increased 21% YoY while average fees decreased by 19%. Part of the decrease in fees was the result of a lack of hard to borrow issues commanding additional return as compared with H1 2020. Revenues for investment grade corporates increased by 1% YoY, while revenues for non-investment grade and unrated corporates declined by 7% YoY.

Conclusion:

Global H1 revenues were the highest since 2018 on a variety of drivers including SPACs, squeezes, exchange traded products, ADRs and interest rate volatility. H1 was generally positive for global equity markets and financing activity relating to capital raising appear likely to persist into the second half of the year. APAC equity finance revenue has resurged after declining sharply amid short sale bans in 2020. Fixed income borrow demand is historically high, however interest rate declines may dent future borrow demand. Taken together, the drivers for equity borrow demand that were anticipated coming into 2021 are playing out, while some asset classes including ADR's and exchange traded products have exceeded expectations based on historical trends. While summer is often a slow period for capital markets, 2020 was particularly slow in August with a dearth of hard to borrow equities or corporate actions driving financing revenues; Following that slow period revenues increased steadily through Q4 for most asset classes globally. The 2nd half of 2021 has some compelling drivers at the outset including IPOs lockup expirations, the likelihood that many outstanding SPACs will seek business combinations, increasing borrow demand for EM APAC equities and historically high fixed income on-loan balances.

APAC Equity

Emerging markets drive revenue growth

Asian equity finance delivered \$880m in H1 revenues, an 8.7% YoY increase. Revenues were trending upward by the end of Q1, with March delivering at the time the most revenue for any month since December 2019. Returns continued to trend upward in Q2, particularly following the end of the short sale ban for most South Korean listed equities. The YoY increase in H1 revenue was driven by both a 3% increase in average fees and a 6% increase in average loan balances. APAC equity special balances averaged just over \$10b in H1, a sequential increase of 55% compared with H2 2020 and a 14% YoY increase compared with H1 2020. Asia equity lendable assets reached an all-time high of \$2.6T in H1, an increase of 40% YoY. Utilization of lendable assets averaged 4.3% in H1, a decline of 26% YoY.

The most revenue generating APAC equity was Malaysian firm Top Glove Corporation, which generated just over \$27m in H1 revenue. The stellar return for Top Glove contributed two thirds of the 664% YoY increase in Malaysia equity finance revenues. The next three most revenue generating MY equities combined for just over \$11m in H1 revenue, accounting for nearly all the growth apart from Top Glove.

Japanese H1 equity revenues totaled \$279m, a 9% decline compared with H1 2020 and the lowest H1 return since 2016. The revenue shortfall was driven by an 8% YoY decline in average loan balances and a 3% YoY decline in average fees. The most revenue generating JP equity, Angas Inc, delivered \$11.1m in H1.

Hong Kong SAR equity finance revenues reached \$242m in H1 revenue, a 44% YoY increase. HK equity loan balances averaged \$45b in H1, a 35% YoY increase, while average fees increased by 8% YoY. The most revenue generating HK equity was China Evergrande New Energy Vehicle Group Ltd., with \$18.7m in H1 revenue. Shares of the electric vehicle

Overview



H2 Revenues

\$880M ▲ **9%**



Average Balances

\$208B ▲ **6%**



Weighted Average Fee

0.84% ▲ **3%**



Average Lendable

\$2.6T ▲ **40%**



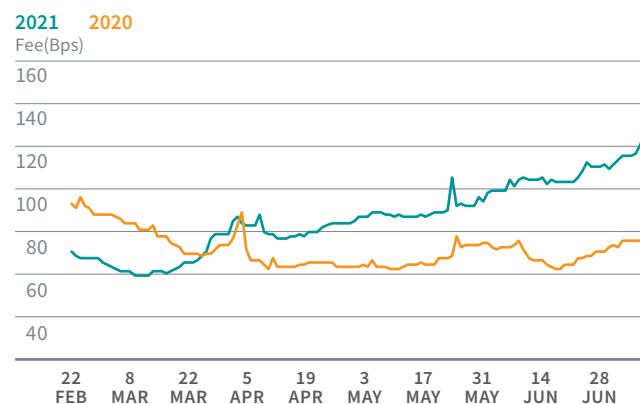
Utilization

4.26% ▼ **26%**

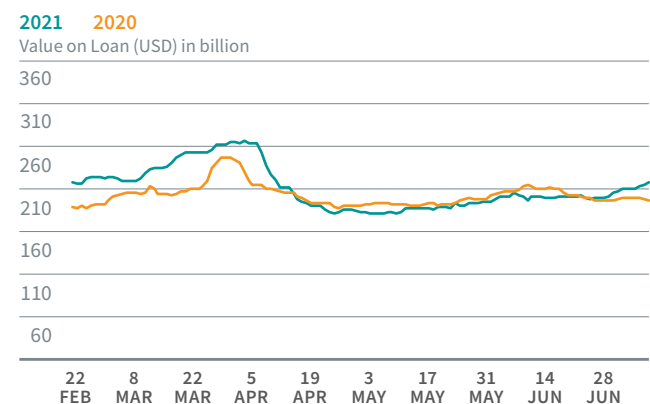
manufacturer saw borrow demand increase amid trading volatility, which saw the share price reach a YTD increase of 139% in mid-February before declining to end June down 7% YTD.

The short sale ban in South Korea limited lending revenue for the first four months of 2021, however the lifting of restrictions in May was met with an upswing in financing activity. South Korea equity finance revenues declined by 50% YoY, but it is worth noting that revenues increased 5.8% YoY for the 2nd quarter following an 81% shortfall in Q1.

H1 FEE TREND



H1 BALANCE TREND



OVERVIEW

Average fees trended higher on EM specials growth

HK equity market produced 8 of top 10 most revenue generating stocks in APAC

South Korea equity finance revenue declined YoY owing to short sale ban in place until May

Highest H1 revenue on record for Taiwan equity market

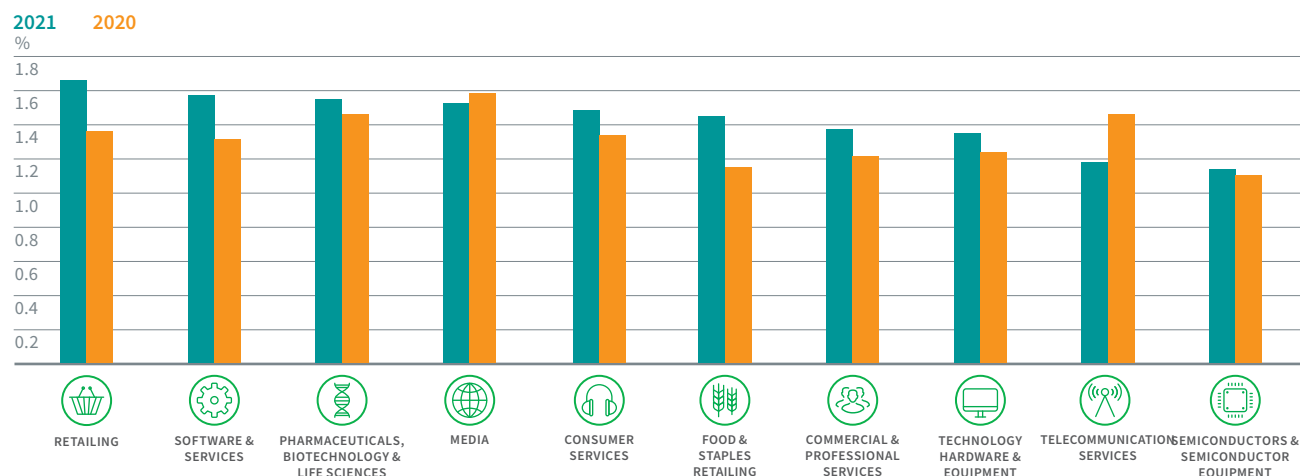
COUNTRY DETAILS

Country	H1 Revenue (USD M)	YoY Change	Average Value on Loan (USD Bn)	YoY Change	Weighted Fees	YoY Change	Average Lendable (USD Bn)	YoY Change	Average Utilization	YoY Change
Japan Equity	279.2	-9%	113.0	-8.0%	0.5%	-3.0%	1,127.8	30%	4.73	-29.3%
Hong Kong Equity	242.4	44%	45.2	35.0%	1.1%	8.0%	683.0	50%	4.59	-18.1%
Taiwan Equity	150.4	71%	17.0	91.0%	2%	-12%	87.9	50%	6.44	23.2%
South Korea Equity	86.6	-50%	9.3	-13.0%	1.7%	-47.0%	194.8	63%	1.98	-50.3%
Australia Equity	52.3	16%	19.0	17.0%	0.6%	0.0%	428.5	43%	3.48	-28.3%
Malaysia Equity	44.3	664%	0.9	56.0%	9.3%	380.0%	12.6	15%	5.40	96.8%
Singapore Equity	15.4	-10%	2.2	17.0%	1.4%	-18.0%	55.1	21%	2.81	-14.2%
Thailand Equity	7.6	106%	0.7	32.0%	2.3%	54.0%	17.8	22%	2.95	14.0%
New Zealand Equity	2.0	19%	0.7	-1.0%	0.6%	20.0%	11.6	23%	4.49	-23.7%

TOP 10 REVENUE GENERATING STOCKS

Instrument Name	Ticker	Sector	Country	Revenue Generated (\$)
Top Glove Corporation Bhd	TOPGLOV	Health Care Equipment & Services	MY Equity	27.09
China Evergrande New Energy Vehicle Group Ltd	708	Health Care Equipment & Services	HK Equity	18.68
Nongfu Spring Co Ltd	9633	Food, Beverage & Tobacco	HK Equity	13.72
Tianneng Power International Ltd	819	Automobiles & Components	HK Equity	12.35
Xinjiang Goldwind Science & Technology Co Ltd	2208	Capital Goods	HK Equity	10.96
Hengten Networks Group Ltd	136	Retailing	HK Equity	9.95
Gome Retail Holdings Ltd	493	Retailing	HK Equity	9.34
Anges Inc	4563	Pharmaceuticals, Biotechnology & Life Sciences	JP Equity	8.54
Zhongan Online P & C Insurance Co Ltd	6060	Insurance	HK Equity	8.27
Flat Glass Group Co Ltd	6865	Semiconductors & Semiconductor Equipment	HK Equity	8.19

AVERAGE % OF SHARES ON LOAN



EMEA Equities

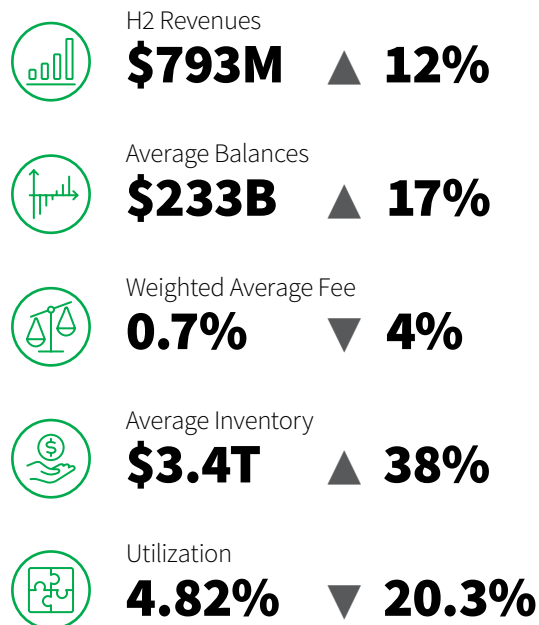
Revenue rebound despite lack of specials

H1 EMEA equity lending revenue of \$793m reflects a 12% YoY increase and a 27% decline compared with 2019. February and June were the only months of H1 to see YoY revenue declines, which were the result of declining fees in those months, with on-loan balances consistently higher YTD. Average fees for H1 overall declined by 4%, while average on-loan balances increased by 17%. Borrow demand relating to dividend reinstatement boosted returns relative to 2020. EMEA equity special balances average \$3.1b in H1, a 34% YoY decline. EMEA equity lendable assets reached an all-time high of \$3.4T in H1, an increase of 38% YoY. Utilization of lendable assets averaged 4.8% in H1, a decline of 20% YoY.

The YoY decline in EMEA specials balances was partly driven by the German equity market, which had seen a handful of particularly remunerative lending opportunities spread across 2020 making for a stellar year. Varta Ag was the most revenue generating EMEA equity H1 2021, as it was for FY 2020. More than two thirds of the H1 return for lending Varta shares was delivered in January, borrow demand declined following the broad late-January short squeeze and then increased steadily throughout Q2. German equity finance revenues declined by 30% YoY in H1, mostly the result of lower average fees.

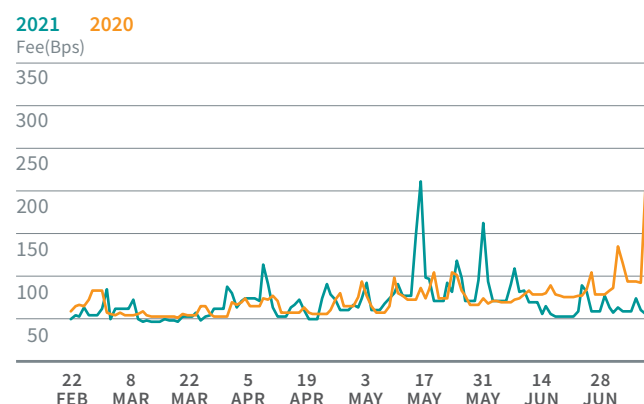
H1 French equity revenues of \$222m reflecting a 69% YoY increase building on a relatively quiet H1 2020. Revenues were 33% lower than the first half of 2019. The three most revenue generating French equities were Credit Agricole Sa, Air France KLM Sa and Axa Sa, which combined for \$67m in H1 revenue, 8% of the total EMEA equity revenue.

Overview

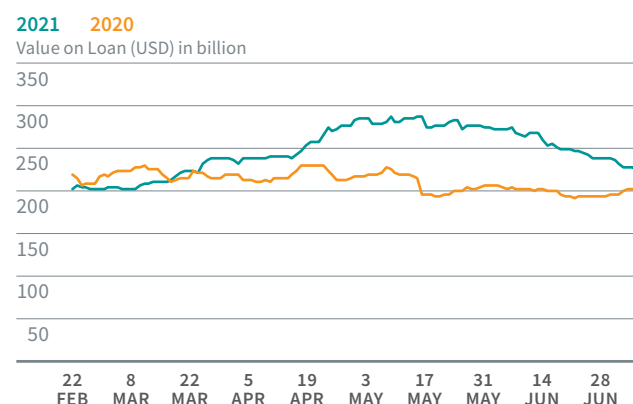


UK equity lending returned \$69m in H1, a 3.4% YoY increase. Tui Ag led UK equities with \$16.9m in H1 revenue, continuing to be the top earner as was the case for 2020, partly relating to the firm's outstanding convertible debt. The 2nd most revenue generating UK equity, Harbour Energy Plc with \$5.1m, drew intense borrow demand ahead of the firm's reverse merger in March.

H1 FEE TREND



H1 BALANCE TREND



OVERVIEW

H1 YoY revenues increased in 12 of 18 markets

Varta Ag repeats as most revenue generating EMEA equity

Dividend reinstatement boosted borrow demand in H1

EMEA lendable assets reach all-time high

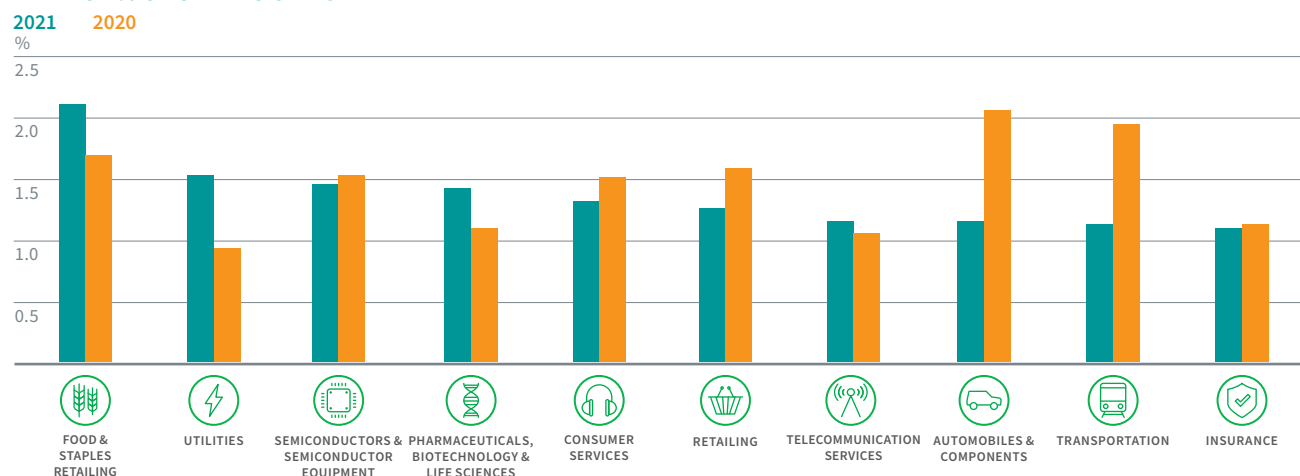
COUNTRY DETAILS

Country	H1 Revenue (USD M)	YoY Change	Average Value on Loan (USD Bn)	YoY Change	Weighted Fees	YoY Change	Average Lendable (USD Bn)	YoY Change	Average Utilization	YoY Change
France Equity	222.4	69%	55.80	41.0%	0.7%	14.0%	515.10	34%	7.52	-3.3%
Germany Equity	124.2	-30%	33.40	0.0%	0.7%	-27.0%	404.30	47%	5.43	-38.1%
Sweden Equity	87.5	63%	19.70	39.0%	0.8%	6.0%	201.00	65%	6.47	-24.3%
Switzerland Equity	72.2	-8%	36.20	12.0%	0.4%	-17.0%	487.80	21%	5.54	-6.5%
UK Equity	69.1	3%	30.80	-1.0%	0.4%	7.0%	930.20	36%	2.44	-33.6%
Italy Equity	43.4	11%	10.60	34.0%	0.8%	-15.0%	122.90	37%	5.12	-14.5%
Norway Equity	43.3	44%	4.60	11.0%	1.7%	35.0%	48.50	58%	7.37	-21.9%
Netherlands Equity	37.5	8%	13.50	6.0%	0.5%	-27.0%	254.70	59%	3.64	-36.3%
South Africa Equity	18.9	-21%	3.80	1.0%	0.9%	-24.0%	62.40	46%	3.66	-26.9%
Belgium Equity	16.6	30%	4.50	21.0%	0.7%	4.0%	53.10	21%	5.61	-12.7%
Spain Equity	16.3	19%	9.10	38.0%	0.4%	-12.0%	111.90	24%	6.08	25.3%
Finland Equity	13.5	-51%	4.50	-12.0%	0.6%	-40.0%	55.10	42%	6.09	-39.2%
Turkey Equity	12.0	-16%	0.60	0.0%	4.3%	-19.0%	5.10	-12%	8.37	10.4%
Austria Equity	9.4	69%	1.60	17.0%	1.2%	42.0%	14.10	35%	8.10	-17.1%
Denmark Equity	8.8	-23%	5.70	1.0%	0.3%	-24.0%	123.30	56%	3.37	-36.0%
Poland Equity	5.2	186%	0.80	114.0%	1.3%	33.0%	9.10	28%	6.27	74.3%
Greece Equity	4.2	17%	0.10	27.0%	11.7%	-5.0%	2.10	16%	2.55	-3.7%
Portugal Equity	2.5	31%	0.60	28.0%	0.8%	15.0%	11.10	36%	3.74	-6.3%

TOP 10 REVENUE GENERATING STOCKS

Instrument Name	Ticker	Sector	Country	Revenue Generated (\$)
Varta Ag	VAR1	Energy	DE Equity	33.26
Credit Agricole Sa	ACA	Pharmaceuticals, Biotechnology & Life Sciences	FR Equity	25.54
Air France Klm Sa	AF	Insurance	FR Equity	21.23
Axa Sa	CS	Capital Goods	FR Equity	20.20
Tui Ag	TUI	Consumer Services	UK Equity	17.18
Vallourec Sa	VK	Capital Goods	FR Equity	16.61
Totalenergies Se	TTE	Diversified Financials	FR Equity	13.23
Sanofi Sa	SAN	Capital Goods	FR Equity	13.19
Grenke Ag	GLJ	Pharmaceuticals, Biotechnology & Life Sciences	DE Equity	11.07
Koninklijke Philips Nv	PHIA	Health Care Equipment & Services	NL Equity	10.65

AVERAGE % OF SHARES ON LOAN



Americas Equities

Solid beginning/ending

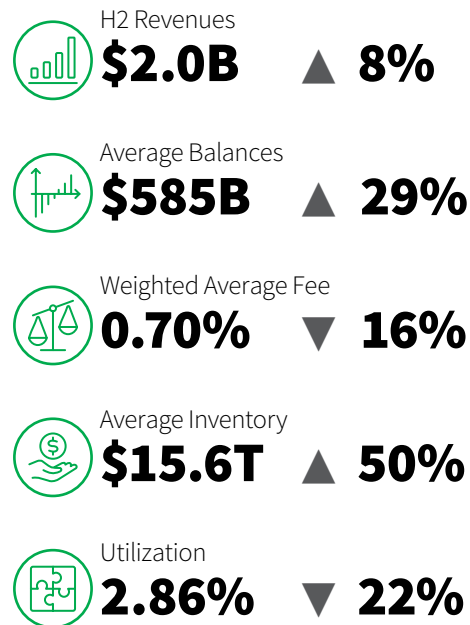
America's equities generated \$2.07bn in H1 revenues, an 8% increase compared with 2020. Loan balances grew steadily over H1, with \$652bn in June average balances the most for any month YTD. Average fees declined 16% YoY, with January the only month to post an increase relative to 2020. The decline in average fees was partly driven by GC balances increase by more than high-fee balances, H1 loan balances with fees greater than 500bps averaged just over \$15b in H1, an increase of 26% YoY.

The top earners of H1 tell the story, with four firms that went public via SPAC business combinations, one 2020 conventional IPO, two firms whose shares saw their share price increase by at least 100% during Q1 and two firms whose shares were traded as part of an exchange offer. That leaves the most revenue generating firm, HK ADR Futu Holdings, which delivered more than \$200m in H1, despite seeing loan balances collapse after the firm reported earnings in March.

US equity revenues totaled \$1.9bn in H1, a 17% YoY increase. Borrow demand trebled in Q1 before increasing steadily during Q2, with H1 average US equity on-loan balances of \$539m reflecting a 28% YoY increase. Following the January blowout in crowded shorts, February through April saw balances and fees decline and then start to recover, with March having the lowest monthly revenue YTD. Apart from March, June was the only month to see YoY revenue declines in H1, the result of a challenging comparison with the lofty returns from June 2020. June 2021 had the 2nd most monthly revenue in H1, after January. The summer of 2020 saw capital markets activity slow substantially, which resulted in August and September having the lowest monthly revenue of the year for US equities. Given the pipeline of SPACs seeking business combinations, 2021 may overachieve in the summer months.

Canadian equities delivered \$159m in H1 revenues, a YoY decline of 43%. A dearth of special balances, formerly

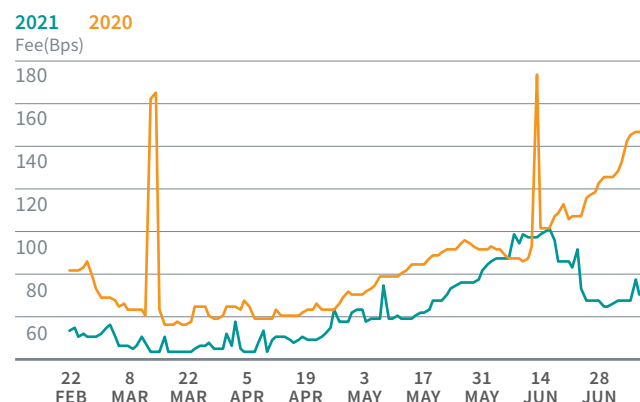
Overview



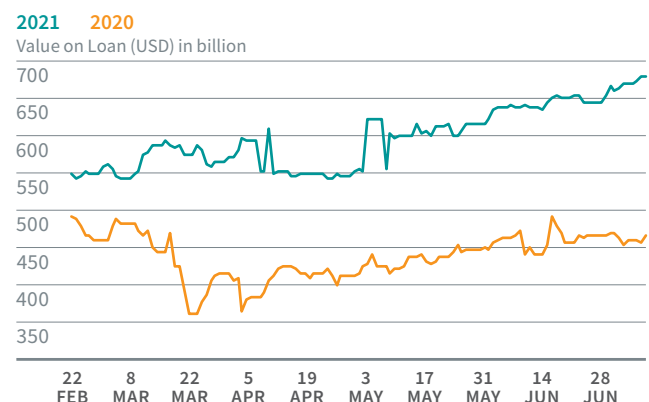
dominated by the Cannabis sector, has weighed on the YoY comparison for CA equities since January 2020. Despite the lack of concentrated revenue producing shares, overall demand to borrow Canadian equities was robust. CA equity loan balances averaged \$43b for H1, up from \$34bn in H1 2020.

As noted above, Futu led ADR revenues, however that wasn't the only driver of increased revenues for foreign firms listed on US exchanges via depository receipts. H1 ADR revenues totaled \$179m excluding Futu, an increase of 47% YoY. Apart from Hong Kong SAR ADRs, which includes Futu, Chinese ADRs delivered \$97m in H1, an increase of 37% YoY. Australian ADRs more than tripled to just over \$9m in H1 revenue, because of borrow demand relating to BHP Group Ltd.

H1 FEE TREND



H1 BALANCE TREND



OVERVIEW

US specials deliver revenue growth despite

Futu Holdings most revenue generating security globally in H1

2020 SPAC IPOs deliver 11% of H1 US equity revenue

2020 non-SPAC IPOs deliver 9% of H1 US equity revenues

COUNTRY DETAILS

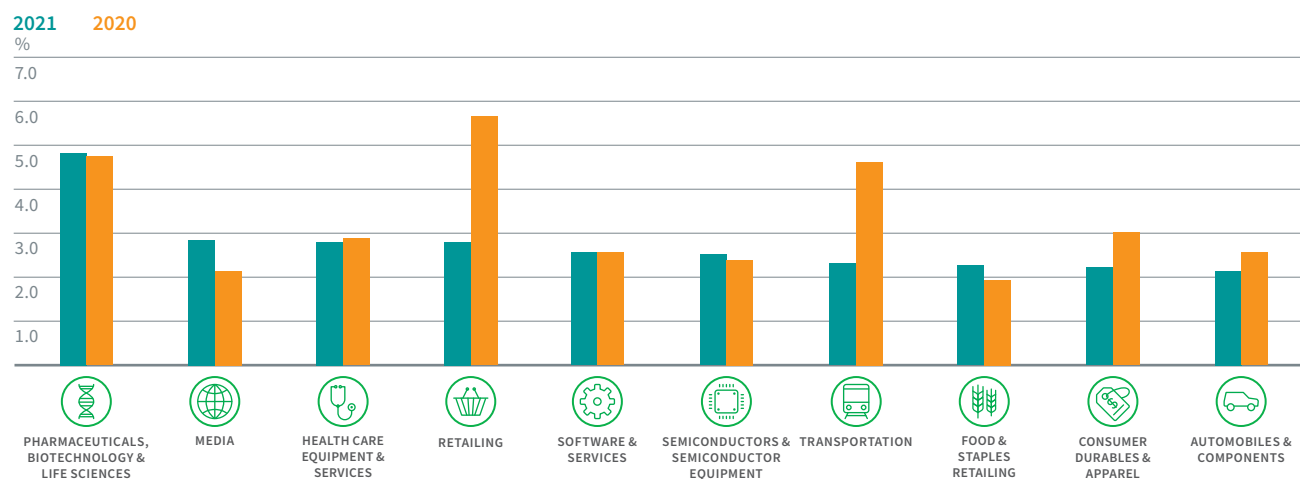
Country	H1 Revenue (USD M)	YoY Change	Average Value on Loan (USD Bn)	YoY Change	Weighted Fees	YoY Change	Average Lendable (USD Bn)	YoY Change	Average Utilization	YoY Change
USA Equity	1,910.58	16.5%	540.00	29.0%	0.7%	-9.0%	14,896.6	51%	2.74	-22.8%
Canada Equity	159.92	-43.5%	43.10	27.0%	0.7%	-55.0%	655.2	37%	5.42	-9.8%
Brazil Equity	2.92	49.3%	1.20	331.0%	0.7%	-49.0%	1.8	76%	1.40	-65.1%
Mexico Equity	1.15	-1.5%	0.60	20.0%	0.4%	-18.0%	31.6	32%	1.75	-14.0%
American Depository Receipts	380.76	212.1%	51.20	134.0%	1.5%	35.0%	418.1	58%	8.82	32.6%

TOP 10 REVENUE GENERATING STOCKS

Instrument Name	Ticker	Sector	Country	Revenue Generated (\$)
Futu Holdings Adr	FUTU	Diversified Financials	HKADR	201.86
Sofi Technologies Inc	SOFI	Diversified Financials	US Equity	56.24
Blink Charging Co	CCGID	Retailing	US Equity	51.61
Gamestop Corp	GME	Retailing	US Equity	49.99
Rocket Companies Inc	RKT	Banks	US Equity	48.42
Luminar Technologies Inc	LAZR	Automobiles & Components	US Equity	43.45
Quantumscape Corp	QS	Automobiles & Components	US Equity	39.82
Lemonade Inc	LMND	Insurance	US Equity	38.63
International Flavors & Fragrances Inc	IFF	Materials	US Equity	38.37
Dupont De Nemours Inc	DD	Materials	US Equity	37.10



AVERAGE % OF SHARES ON LOAN



Exchange Traded Products

All good

The first half of 2021 was the best on record for exchange traded product (ETP) finance revenues, with Q1 returns up 42%, followed by a stellar Q2 in which returns increased 63% YoY. March was the most revenue generating month of 2020 for exchange traded products, with \$54m in monthly revenue, as market declines created intense borrow demand; The average monthly revenue for H1 2020 was \$34m. In H1 2021, ETP average monthly revenues averaged \$52m, with total H1 revenue of \$310m reflecting a 53% YoY increase.

The most revenue generating ETP was once again the iShares iBoxx \$ High Yield Corporate Bond Fund (HYG), which delivered 11% of all H1 ETP revenue. HYG was also the most revenue generating ETP for the first half of 2020, however the fund only represented 6% of H1 2020 returns. Financing revenue for fixed income products increased by 155% YoY, or 139% excluding the impact of HYG.

Exchange traded products listed in Europe delivered \$42m in H1 revenue, an increase of 11% YoY and the most H1 revenue since 2018. Revenues for ETP listed in Asia declined by 4.7% YoY, the result of a particularly strong period of revenue for the products in Q2 2020.

Global ETP AUM increased from \$7.4t in December 2020 to \$9.2t in June 2021, extending the substantial growth in the asset class. The increase use of the products by institutional investors is reflected by the growth of lendable assets in securities lending. Global ETP lendable assets averaged \$428b in H1. The utilization of ETPs averaged 12.7% in H1 an increase of 5% YoY.

Overview



H2 Revenues

\$310M ▲ **53%**



Average Balances

\$87.4B ▲ **41%**



Weighted Average Fee

0.70% ▲ **11%**



Average Inventory

\$428B ▲ **30%**



Utilization

12.68% ▲ **5%**

H1 FEE TREND

2021 2020
Fee(Bps)



H1 BALANCE TREND

2021 2020
Value on Loan (USD) in billion



OVERVIEW

Record H1 revenue for global ETPs

Fixed income products atop leader board for H1

ETP loan balances reach all-time high in H1

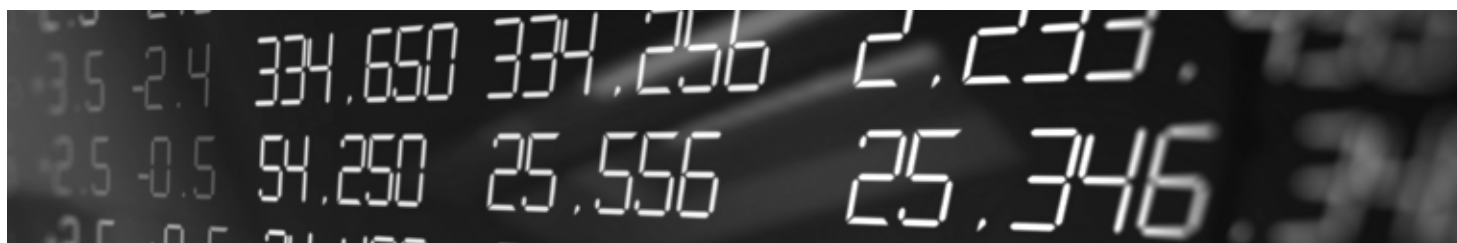
Ark Invest funds made debut on top 10 revenue generating products

COUNTRY DETAILS

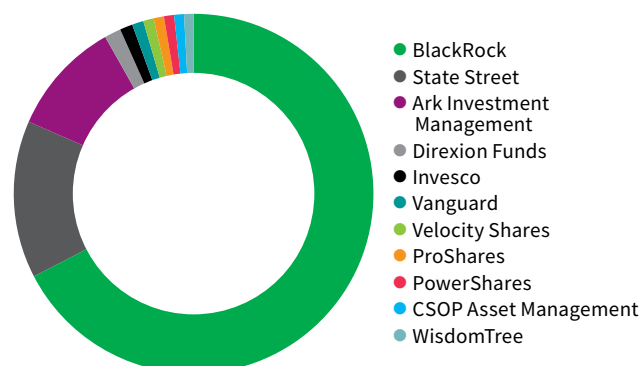
Country	H1 Revenue (USD M)	YoY Change	Average Value on Loan (USD Bn)	YoY Change	Weighted Fees	YoY Change	Average Lendable (USD Bn)	YoY Change	Average Utilization	YoY Change
Americas ETF	246.17	71.4%	78.60	44.0%	0.62%	21%	285.2	30%	17.49	7.6%
European ETF	42.33	11.2%	5.90	13.0%	1.43%	-1%	73.8	32%	4.61	-15.5%
Asian ETF	13.40	-4.7%	1.50	31.0%	1.89%	-22%	4.1	80%	10.53	-38.5%

TOP 10 REVENUE GENERATING FUNDS

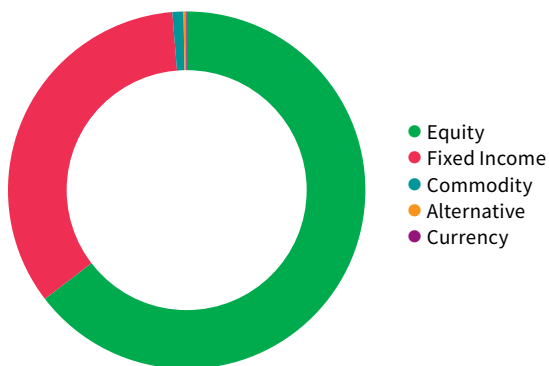
Instrument Name	Ticker	Listing Country	Asset Class	Revenue Generated (\$M)
Ishares Iboxx \$ High Yield Corporate Bond Fund	HYG	US ETF	Fixed Income	35.16
Ishares Iboxx \$ Investment Grade Corporate Bond Etf	LQD	US ETF	Fixed Income	22.41
Ark Innovation Etf	ARKK	HK ETF	Equity	14.00
Ishares Msci Emerging Markets Etf	EEM	US ETF	Equity	13.45
Xtrackers Hvst Csi 300 China A-Shs Etf	ASHR	US ETF	Equity	9.74
Ark Genomic Revolution Etf	ARKG	US ETF	Equity	8.22
Spdr Bloomberg Barclays High Yield Bond Etf	JNK	US ETF	Fixed Income	8.01
Ishares Russell 2000 Etf	IWM	IE ETF	Equity	7.49
Ishares Msci China A Ucls Etf Usd (Acc)	CNYA	HK ETF	Equity	6.02
Ishares Lehman 20 Year	TLT	IE ETF	Fixed Income	5.32



LENDING REVENUES BY ISSUER



LENDING REVENUES BY ASSET CLASS



Corporate Bonds

Signs of revenue rebound

Revenues for lending corporate bonds finally appear to have some upward momentum after a long steady decline from 2018. Even the brief spike in loan balances around the COVID market in Q1 2020 did not generate a YoY increase in revenue. H1 2021 revenues of \$224m reflect a 2.1% decline, however Q2 notched a YoY increase in revenues, with April being the first month with a YoY increase in revenue since 2018. Loan balances for high-yield corporates increased by 29% YoY, however narrower fee spreads, partly owing to a lack of specials relative to 2020 saw HY revenues decline by 7% YoY. A 23% increase in loan balances for investment grade corporates was sufficient to offset narrower spreads and revenues increased by <1%.

Within agency lending programs, total returns for corporate bond lenders, including reinvestment, totaled \$216m in H1, a decline of 31% YoY, as the result of a 52% decline in reinvestment revenue and a 4% decline in fee spread revenue.

USD denominated corporates continue to be the most revenue generating, with \$111m in H1 revenues, however that reflects a 1% YoY decline. Average daily loan balances for USD credits were \$132bn in H1, a 31% increase YoY. Euro denominated corporates, the most revenue generating apart from USD, delivered \$71m in H1 revenue, a 6% YoY decline.

Convertible bond lending revenues made up 6% of total corporate bond revenue in H1, up from 4.3% during the first half of 2020. Convertible bond arbitrage has added to borrow demand for the issuer's equity, including firms such as Tui Ag and Microstrategy Inc. Convertible bonds which saw increased borrow demand in H1 include Illumina Inc and Adidas Ag.

Overview



H2 Revenues

\$225M ▼ **2%**



Average Balances

\$219B ▲ **21%**



Weighted Average Fee

0.20% ▼ **19%**



Average Inventory

\$4.7T ▲ **15%**

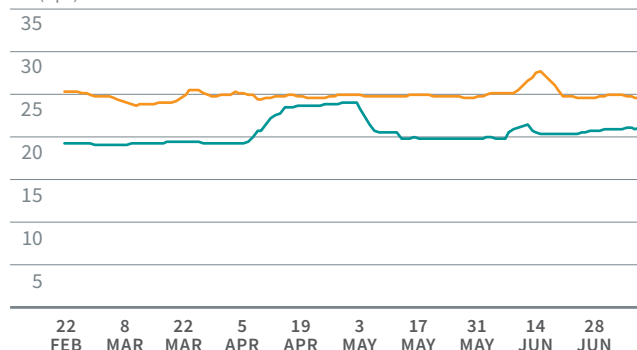


Utilization

4.24% ▲ **5%**

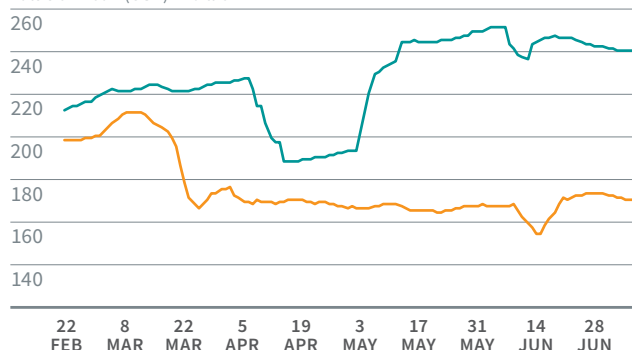
H1 FEE TREND

2021 2020
Fee(Bps)



H1 BALANCE TREND

2021 2020
Value on Loan (USD) in billion



OVERVIEW

Revenues declined YoY owing to narrower fee spreads

A lack of hard to borrow corporates weighed on revenues

Lowest corporate bond finance revenue for H1 since 2011

Utilization increased despite lendable assets reaching all-time high

ISSUE TYPE DETAILS

Issue Type	H1 Revenue (USD M)	YoY Change	Average Value on Loan (USD Bn)	YoY Change	Weighted Fees	YoY Change	Average Lendable (USD Bn)	YoY Change	Average Utilization	YoY Change
Conventional Bonds	210	-4%	214.2	21%	0.20%	-20%	4,171.7	16%	4.63%	4%
Convertible Bonds	14	44%	5.0	34%	0.56%	9%	69.1	42%	5.60%	-9%
Asset Backed Securities	0.02	-31%	0.2	-34%	0.19%	-3%	415.0	-1%	0.06%	-32%

TOP 10 REVENUE GENERATING BONDS

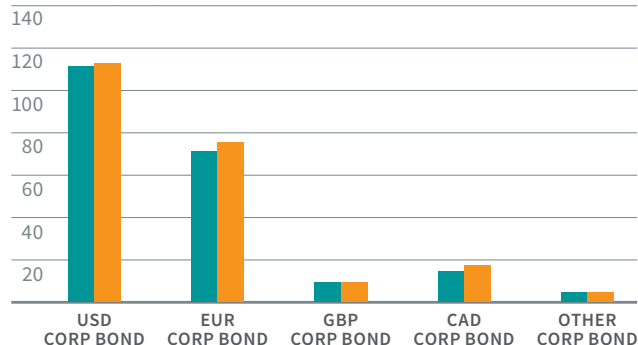
Top Earning Assets	Cusip	Denomination	Asset Class	Revenue Generated (\$)
Illumina Inc (0% 15-Aug-2023)	452327AK5	USD	N.I.G. Conv	2.13
American Axle & Manufacturing Inc (6.875% 01-Jul-2028)	02406PBA7	USD	N.I.G. Corp	1.73
Diamond Sports Group Llc (6.625% 15-Aug-2027)	25277LAC0	USD	Priv. Plc.	1.70
American Axle & Manufacturing Inc (6.5% 01-Apr-2027)	02406PAU4	USD	N.I.G. Corp	1.56
Macy's Retail Holdings Llc (3.625% 01-Jun-2024)	55616XAL1	USD	N.I.G. Corp	1.46
Tutor Perini Corp (6.875% 01-May-2025)	901109AF5	USD	Priv. Plc.	1.42
Golden Nugget Llc (Nevada) (8.75% 01-Oct-2025)	38113YAC3	USD	Priv. Plc.	1.33
Adidas Ag (0.05% 12-Sep-2023)	D0066BSB9	EUR	N.I.G. CONV	1.22
Canada Housing Trust No 1 (0.598% 15-Mar-2022)	13509PFS7	CAD	I.G. Corp	1.07
Canada Housing Trust No 1 (2.4% 15-Dec-2022)	13509PDL4	CAD	I.G. Corp	0.86



H1 REVENUES BY DENOMINATION

2021 2020

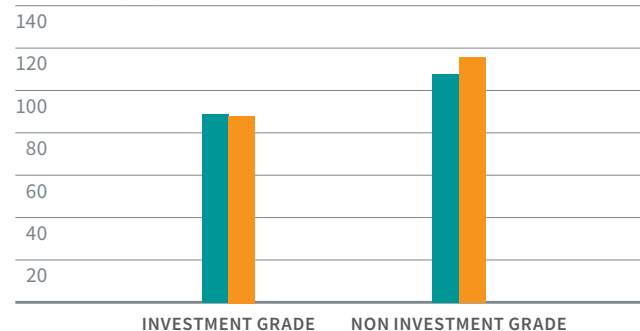
SL Revenues (USD) in million



H1 REVENUES BY RATINGS CATEGORY

2021 2020

SL Revenues (USD) in million



Government bonds

Increasing demand for EMEA bonds

Government bond lending delivered \$787m in H1 revenues, an 1.2% YoY increase, making H1 2021 the most revenue generating half-year for government bond lending since H2 2018. Loan balances increased steadily from January through May before declining on the margin in June.

Looking at the agency lending data, we see total returns for government bond lenders, including reinvestment, delivered \$800m in H1, a decline of 8% YoY, as the result of a 31% increase in fee revenue and a 37% decline in reinvestment revenue.

Returns for lending US government bonds came in at \$460m in H1, a 3.2% YoY decline. The YoY decline was the result of a 28% decline in average fees, while loan balances increased by 37% YoY. Borrow demand for 10Y notes was particularly intense in Q1, pushing US Treasury Notes revenues to \$320m for H1 or 70% of all US government debt lending revenue.

European government bond lending revenues came in at \$254m for H1, a 10% YoY increase. The increase was driven by a 20% increase in on-loan balances, with fees declining by 8%. French government bonds delivered \$74m in H1 revenue, an increase of 5% YoY resulting from an 11% increase in loan balances offset by a 6% decline in average fees. German government bonds delivered \$57m in H1 revenue, an increase of 22% YoY resulting from an 26% increase in loan balances offset by a 4% decline in average fees.

Overview



H2 Revenues

\$787M ▲ **1%**



Average Balances

\$1.2B ▲ **27%**



Weighted Average Fee

0.13% ▼ **20%**



Average Inventory

\$4.0T ▲ **14%**



Utilization

27.43% ▲ **15%**

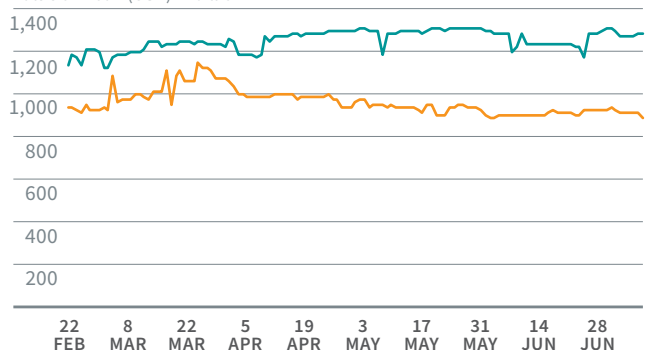
H1 FEE TREND

2021 2020
Fee(Bps)



H1 BALANCE TREND

2021 2020
Value on Loan (USD) in billion



OVERVIEW

European government bond finance revenue growth driven by Germany & France

UST 10Y leads top revenue generator table

Loan balance growth exceeds lendable asset growth, leading to UST utilization increase

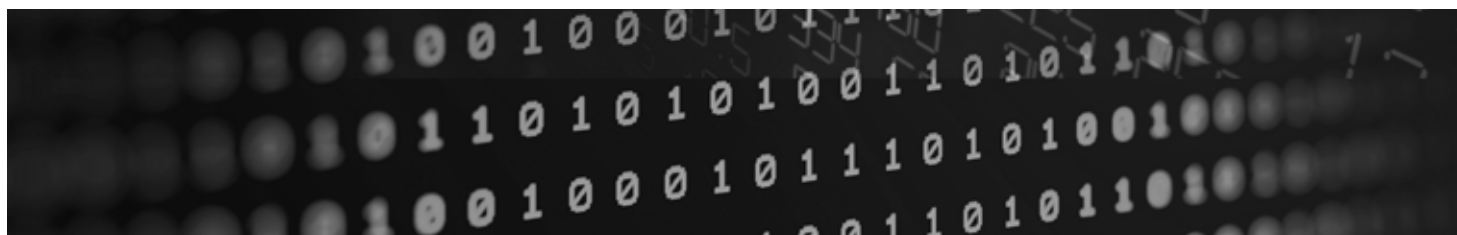
UST securities generated 64% of H1 revenue

REGIONAL DETAILS

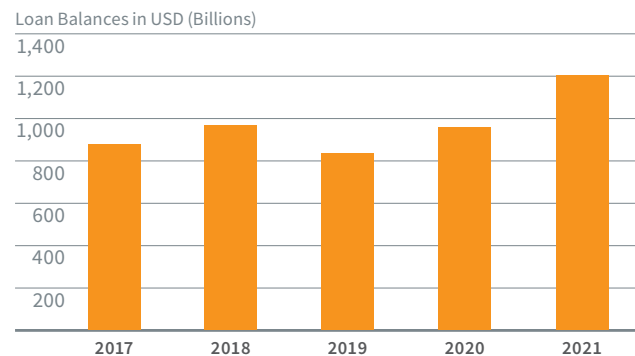
Country	H1 Revenue (USD M)	YoY Change	Average Value on Loan (USD Bn)	YoY Change	Weighted Fees	YoY Change	Average Lendable (USD Bn)	YoY Change	Average Utilization	YoY Change
Americas	514	-3%	803.2	32%	0.13%	-25%	2,641.7	11%	28.24%	21%
Europe	254	10%	384.1	20%	0.13%	-8%	1,225.8	18%	27.13%	5%
Asia	19	1%	25.0	2%	0.15%	-3%	101.4	29%	10.04%	-34%
Emerging Market Bonds	24	3%	20.2	15%	0.24%	-10%	333.5	10%	5.68%	3%

TOP 10 REVENUE GENERATING BONDS

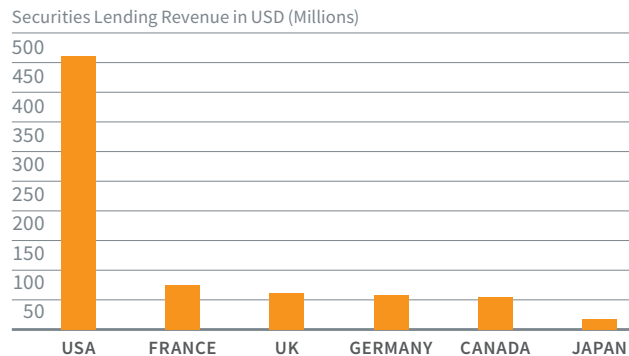
Instrument Name	ISIN	Currency	Issuer	Revenue Generated (\$)
United States Treasury (1.125% 15-Feb-2031)	91282CBL4	USD	USA	11.33
United States Treasury (0.875% 15-Nov-2030)	91282CAV3	USD	USA	10.64
United States Treasury (2.75% 15-Nov-2023)	91282WE6	USD	USA	3.92
United States Treasury (0.625% 15-Aug-2030)	91282CAE1	USD	USA	3.91
United States Treasury (1.875% 15-Feb-2051)	912810SU3	USD	USA	3.70
Republic of France (3.25% 25-Oct-2021)	F40411LB8	EUR	France	3.58
United States Treasury (1.625% 15-Nov-2022)	912828TY6	USD	USA	3.48
Republic of France (0.5% 25-May-2025)	F43750CV2	EUR	France	3.45
United States Treasury (0.125% 15-Feb-2024)	91282CBM2	USD	USA	2.96
United States Treasury (0% 08-Apr-2021)	9127964X4	USD	USA	2.94



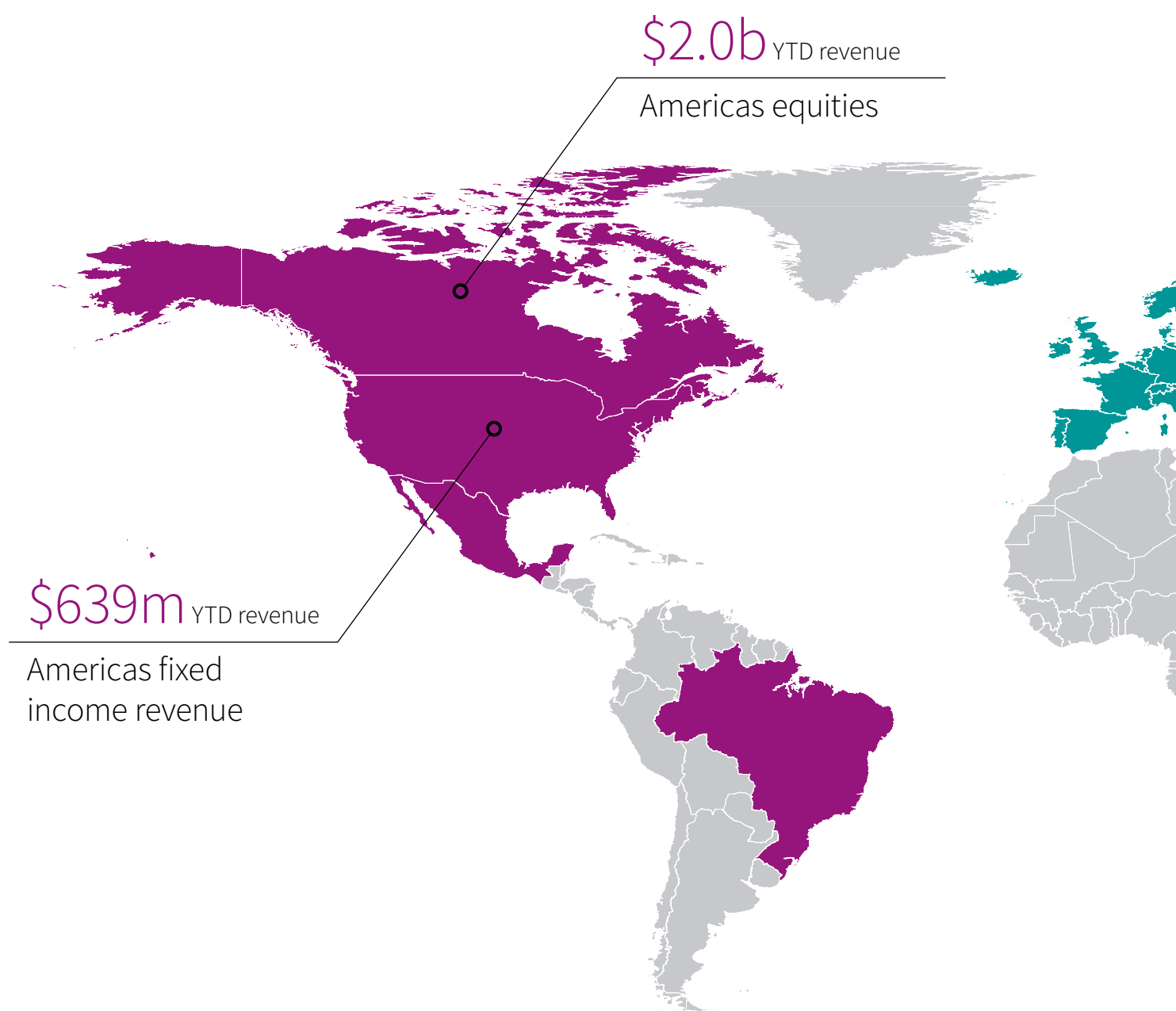
GOVERNMENT BOND BALANCE TREND



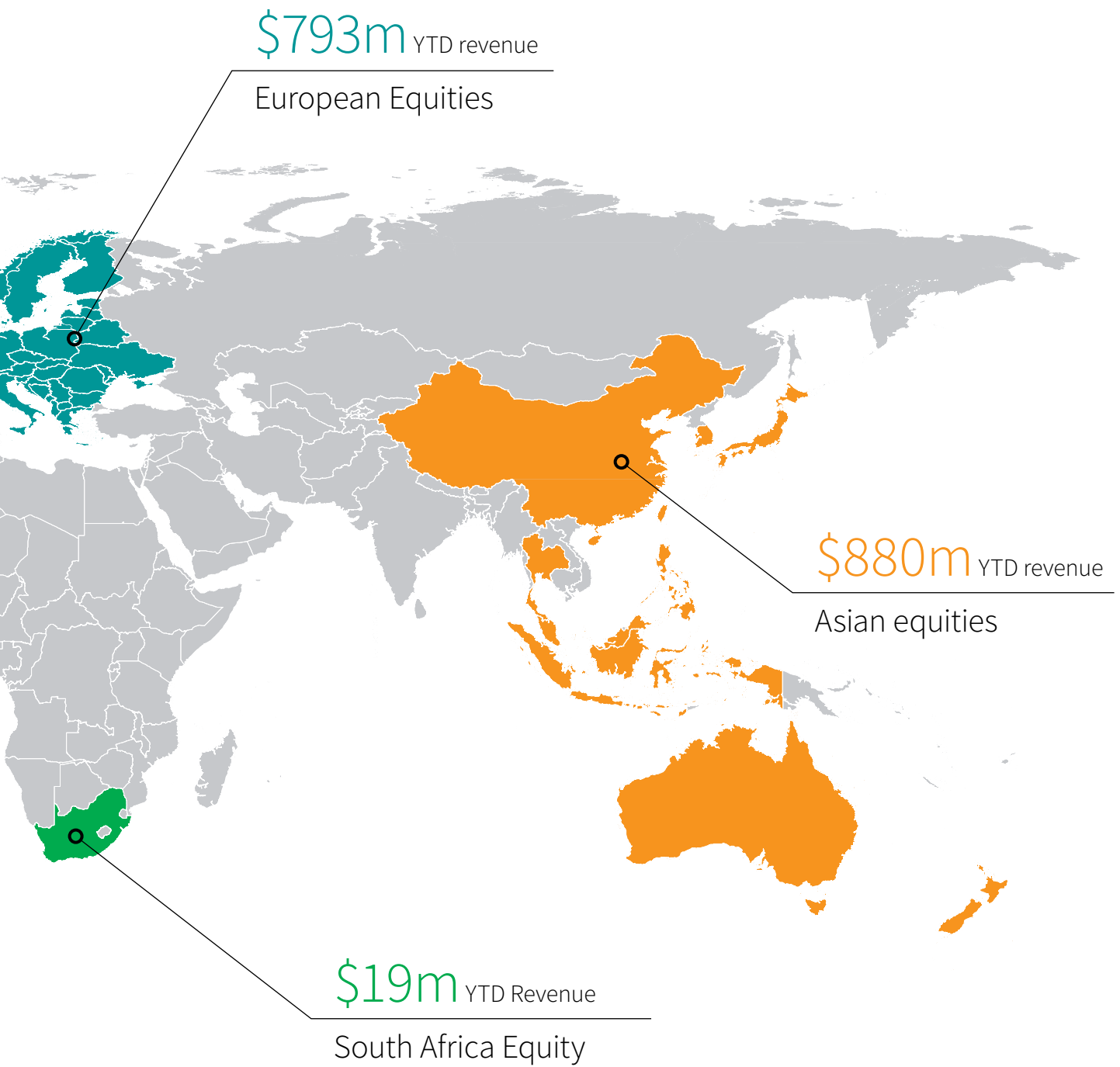
H1 REVENUES BY ISSUER



Global snapshot



Asset Class	Lendable Assets (\$T)	Loan Balance (\$T)	% Non-Cash	Utilisation (%)	SL Fee (Bps)
All Securities	\$31.6	\$2.6	72%	6.7	43
Government Bonds	\$4.0	\$1.2	86%	27.5	13
Corporate Bonds	\$4.7	\$0.2	48%	4.5	20
Equities	\$21.7	\$1.0	66%	3.3	78
Depository Receipts	\$0.4	\$0.1	45%	9.4	68
Exchange Traded Funds	\$0.4	\$0.1	37%	12.1	70



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