



## Introducing the KBW Nasdaq Financial Technology Index

### Summary

Together with Nasdaq, we are launching a new index created under our strategic index partnership, the KBW Nasdaq Financial Technology Index (KFTX). This unique index allows investors to compare financial technology companies to a precise peer group of companies leveraging technology to deliver financial products and services.

- **KBW and Nasdaq are jointly launching the KBW Nasdaq Financial Technology Index, listed under ticker KFTX.** A total return index is also being launched: KBW Nasdaq Financial Technology Total Return Index.
- **Financial Technology (FinTech) is a relatively new industry designation garnering increasing investor attention.** FinTech is not consistently defined and the term is used to describe many different types of companies classified in various industries. KFTX leverages KBW's financial services expertise and Nasdaq's long history of creating innovative, market-leading transparent indexes to provide investors with the most precise index representation of FinTech available in the market.
- **KFTX allows investors to track and keep pace with the acceleration and interest in FinTech through a single index of FinTech companies.**
- **KFTX is an equal-weighted index that tracks the performance of companies that leverage technology to deliver financial products and services.** Their distribution is nearly exclusively electronic, with limited or no "bricks and mortar," and their revenue mix is predominantly fee-based. FinTech firms leverage new assets such as advanced data aggregation and analysis, innovative technology, and creative thinking.
- **The 49 FinTech companies that comprise KFTX account for over \$785 billion in aggregate market capitalization,** representing nearly one-fifth of the investable domestic financial equity universe and 4% of the investable domestic equity universe.
- **KFTX members offer higher oper. earnings growth opportunities for '16 and '17 than both the market and financial stocks.** The median est. oper. earnings growth for KFTX members is 10.2% in '16 and 16.7% in '17. This is significantly stronger than the est. oper. earnings growth of 1.2% in '16 and 13.4% in '17 for the S&P 1500 Composite Index and growth of 1.5% in '16 and 12.0% in '17 expected for the S&P 1500 Financials.
- **KFTX members trade at higher valuations than the market.** On avg., the 49 KFTX members trade at 19.6x next-12 months earnings estimates, representing a 17% premium to the S&P 1500. This is below the historical 10- and 5-year average premiums of 27% and 23%, respectively. KFTX members only traded at a discount to the S&P 1500 during the financial crisis in 2H09.
- **KFTX members also trade at higher valuations than financial stocks.** On average, KFTX members trade at 53% premium to the S&P 1500 Financials' forward P/E of 12.8x. This is above the historical 10- and 5-year average premiums of 46%. KFTX members have always traded at a premium to the financials.
- **KFTX has historically outperformed the financials.** KFTX annually outperformed the S&P 1500 Financials since 2007 with the exception of 2014. In 2014, KFTX rose 10.0% as the Financials advanced 12.6%. So far in 2016 through July 13, KFTX has outperformed, rising 3.8% as the financials declined 0.7%.
- **KFTX outperformed both the market and financials on a 1Y, 3Y, 5Y and 7Y basis through 7/13.** Over the past year, KFTX advanced 5.2% while the S&P 1500 rose 2.4% and the S&P 1500 Financials fell 4.7%. On a total return basis, KFTXT rose 6.2% as the S&P 1500 gained 4.6% and the S&P 1500 Financials fell 2.4%.
- **For a comprehensive overview on FinTech, please refer to Tai DiMaio's report, FinTech Revolution.**

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[Glossary of Terms](#)

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Please refer to important disclosures and analyst certification information on pages 18 - 21.



## Brief Introduction to Financial Technology

Today, technology dominates nearly every aspect of our lives, and is constantly changing processes, procedures and, ultimately, the way things get done. The financial services industry is unique in the amount of data generated from daily operations as well as the amount of data analyzed and processed to make effective business decisions. Consequently, the present digital revolution is specifically focused on the financial services industry, supported by the combined forces of mobile technology, Silicon Valley, and big data (a term that refers to large datasets used for analytical purposes). Financial technology (FinTech) companies leverage assets such as advanced data aggregation and analysis, innovative technology, and creative thinking. FinTech companies are garnering attention (at least from a media aspect) in almost every single vertical of the financial services industry including traditional banking, the cards/payments space, consumer lending, insurance, traditional wealth management and brokerage, and even mortgage lending.

Despite the recent attention, FinTech is not a new term or vertical in financial services. Several players have operated in the space and incorporated technology into their businesses to drive new products and services in financials for quite some time. More recent developments in mobile technology, data analytics and a lack of initial dedicated interest from traditional financial services players allowed new entrants to target high-growth niches in FinTech, which in turn raised the profile of the industry. FinTech helped rejuvenate the less exciting and unattractive areas of financial services and simultaneously attracted increasing interest and investment from private equity and venture capital.

After the financial crisis, the financial services industry was ripe for change and innovation. Post crisis, the traditional financial service players with large market share positions were sidetracked by the imposition of new regulatory frameworks, diminished customary revenue streams (owing to diminished demand, low interest rates, and regulatory pressures), and weak economic growth. We also believe that many of these traditional players initially viewed FinTech with some level of complacency, deferring investments in technology and failing to see long-term market share implications, perhaps most evident by banks concentrating on the customer move back to brick and mortar banking that resulted in total U.S. branch growth of about 6% from 2007 to its peak in 2012. However, over the past two years, FinTech received increased interest, resulting in the acceleration and interest in FinTech as hundreds of new companies sprang up to capitalize on the void and opportunity left by traditional players.

*For a comprehensive overview of financial technology and its many players, please refer to Tai DiMaio's report entitled "FinTech Revolution: When the Wind of Change Blows, Some Build Walls & Others Build Windmills."*

## FinTech Is the Subject of Recent Regulatory Focus

FinTech was mentioned in the 2016 Financial Stability Oversight Council (FSOC) annual report as a potential area of risk that may warrant closer scrutiny. Banking regulators are determining how to regulate emerging financial technologies, and while the FSOC report adds nothing new to this, it affirms that it is an area that regulators will debate over the coming year(s). The OCC has indicated that it is considering a limited purpose charter for FinTech firms. One aim of the charter would be to facilitate a national market for FinTech, which would make it easier for federal banking regulators to monitor and supervise the industry.

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## Key Index Details

<b><i>Index Description:</i></b>	<b><i>An index that tracks companies that leverage technology to deliver financial products and services, with nearly exclusively electronic distribution and limited or no “bricks and mortar” exposure, and a predominately fee-based revenue mix.</i></b>
<b><i>Index Weighting Methodology:</i></b>	<b><i>Equal-weighted</i></b>
<b><i>Number of Components:</i></b>	<b><i>Variable, presently 49</i></b>
<b><i>Membership Rebalance Frequency:</i></b>	<b><i>Annually on the third Friday in December</i></b>
<b><i>Index Rebalance Frequency:</i></b>	<b><i>Quarterly Rebalance - occurs on the third Friday in March, June, September and December</i></b>
<b><i>Inception Value and Date:</i></b>	<b><i>1000 as of July 18, 2016</i></b>
<b><i>Data History:</i></b>	<b><i>Daily data back to December 18, 2006</i></b>
<b><i>Index Currency:</i></b>	<b><i>US dollar</i></b>
<b><i>Dividend Treatment:</i></b>	<b><i>Price return and total return versions are available.</i></b>



**Exhibit 1: Current Constituents of KBW Nasdaq Financial Technology Index (KFTX)**

Ticker	Company Name	Sub-Classification
ACIW	ACI Worldwide, Inc.	Payments
ADS	Alliance Data Systems Corp.	Processors / Business Information
AXP	American Express Co.	Networks
RATE	Bankrate, Inc.	Financial Data
BKFS	Black Knight Financial Services, Inc.	Processors / Business Information
HAWK	Blackhawk Network Holdings, Inc.	Payments
BOFI	BofI Holding, Inc.	Internet Banks
BR	Broadridge Financial Solutions, Inc.	Processors / Business Information
CATM	Cardtronics, Inc.	Processors / Business Information
CBOE	CBOE Holdings, Inc.	Exchanges / Automatic Trading
CME	CME Group, Inc.	Exchanges / Automatic Trading
CLGX	CoreLogic, Inc.	Processors / Business Information
DNB	Dun & Bradstreet Corp.	Financial Data
ENV	Envestnet, Inc.	Software
EFX	Equifax, Inc.	Financial Data
EEFT	Euronet Worldwide, Inc.	Processors / Business Information
EVER	EverBank Financial Corp.	Internet Banks
EVTC	EVERTEC, Inc.	Payments
FDS	FactSet Research Systems Inc.	Financial Data
FICO	Fair Isaac Corp.	Financial Data
FIS	Fidelity National Information Services, Inc.	Payments
FDC	First Data Corp.	Processors / Business Information
FISV	Fiserv, Inc.	Processors / Business Information
FLT	FleetCor Technologies, Inc.	Payments
GPN	Global Payments, Inc.	Payments

Ticker	Company Name	Sub-Classification
GDOT	Green Dot Corp.	Payments
INFO	IHS Markit Ltd.	Financial Data
ICE	Intercontinental Exchange, Inc.	Exchanges / Automatic Trading
JKHY	Jack Henry & Associates, Inc.	Processors / Business Information
LC	LendingClub Corp.	Specialty Marketplace Lenders
MKTX	MarketAxess Holdings, Inc.	Exchanges / Automatic Trading
MA	MasterCard, Inc.	Networks
MCO	Moody's Corp.	Financial Data
MSCI	MSCI, Inc.	Financial Data
NDAQ	Nasdaq, Inc.	Exchanges / Automatic Trading
PYPL	PayPal Holdings, Inc.	Payments
SPGI	S&P Global, Inc.	Financial Data
SEIC	SEI Investments Co.	Processors / Business Information
SQ	Square, Inc.	Payments
SSNC	SS&C Technologies Holdings, Inc.	Processors / Business Information
WU	The Western Union Co.	Payments
TRI	Thomson Reuters Corp.	Financial Data
TSS	Total System Services, Inc.	Payments
VNTV	Vantiv, Inc.	Payments
PAY	VeriFone Systems, Inc.	Processors / Business Information
VRSK	Verisk Analytics, Inc.	Processors / Business Information
VIRT	Virtu Financial, Inc.	Exchanges / Automatic Trading
V	Visa, Inc.	Networks
WEX	WEX, Inc.	Payments

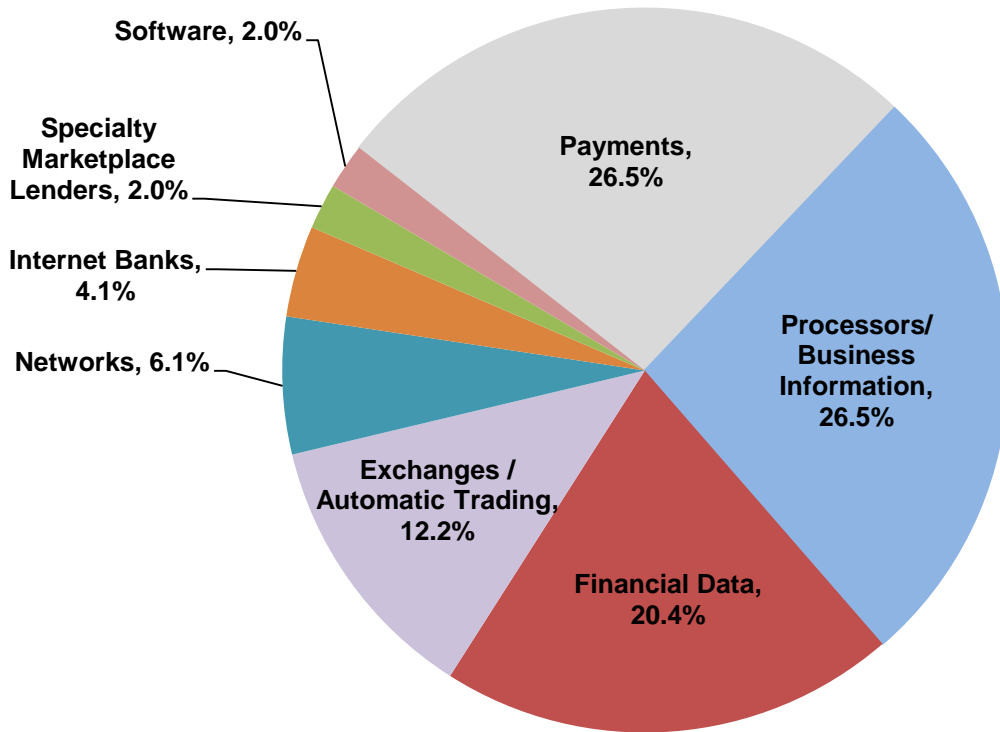
Source: KBW Research, Bloomberg, and Factset Research.

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KFTX provides exposure to several different financial industry groups and businesses which we breakdown into nine sub-classification groups. The largest exposure is to both the payments space and processors/business information companies, with both groups each accounting for 26.5% of the index’s total weighting as of June 30. The next-largest exposure is to financial data providers, with 10 constituents representing 20.4% of the index weighting. The remaining breakdown as of June 30 is summarized in the table below:

**Exhibit 2: KBW Nasdaq Financial Technology Index (KFTX) – Sub-Classification Group Exposure as of June 30, 2016**



Source: KBW Research, Bloomberg, and Factset Research.

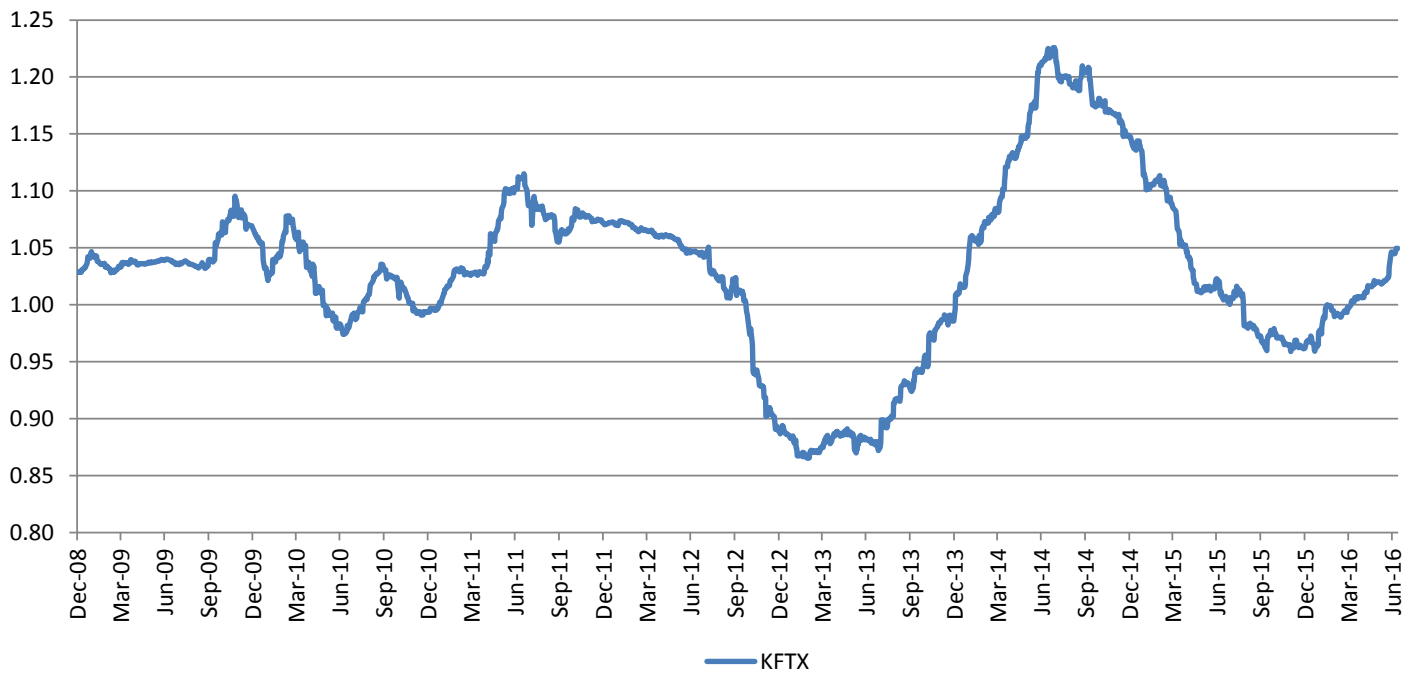
### **KFTX Members: More Volatile Than the Market but Less Volatile Than Financials**

*KFTX members are on average, significantly more volatile than the market, as measured by the S&P 1500 Composite Index.* Beta is a statistical measure used to gauge a stock’s volatility relative to the market. A beta greater than 1.0 indicates that the stock is more volatile than the market while a beta less than 1.0 indicates that the stock is less volatile than the market.

*At June 30, the KFTX had a beta of 1.05, indicating that KFTX members are 5% more volatile than the market. The betas for KFTX have been on the rise in 2016, but remain lower than 2014 peak levels.*



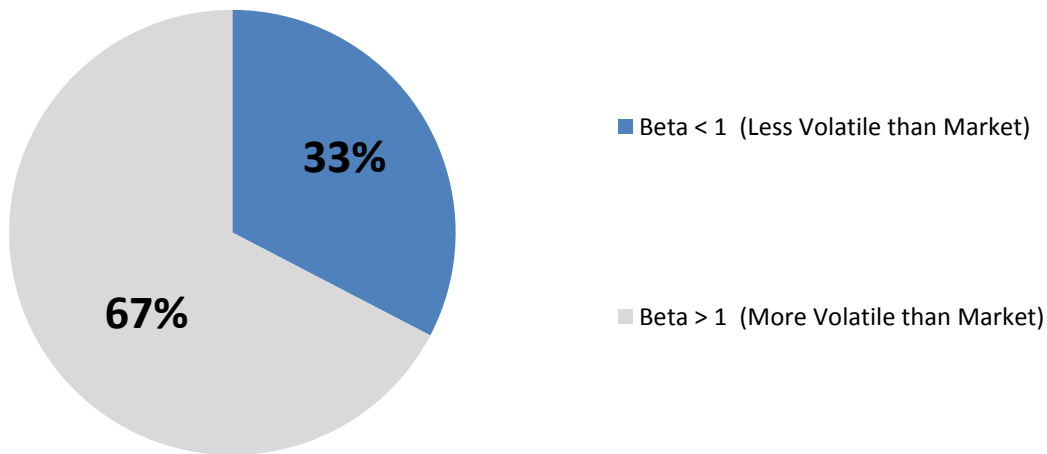
**Exhibit 3: KBW Nasdaq Financial Technology Index Beta - Historical**



Source: KBW Research, Bloomberg, and Factset Research.

*About 33 of the 49 KFTX members exhibit a beta greater than 1.0 with the market, indicating that these 33 KFTX members are more volatile than the market.*

**Exhibit 4: About Two-Thirds of all KFTX Members Are More Volatile Than the Market**



Source: KBW Research, Bloomberg and Factset Research.

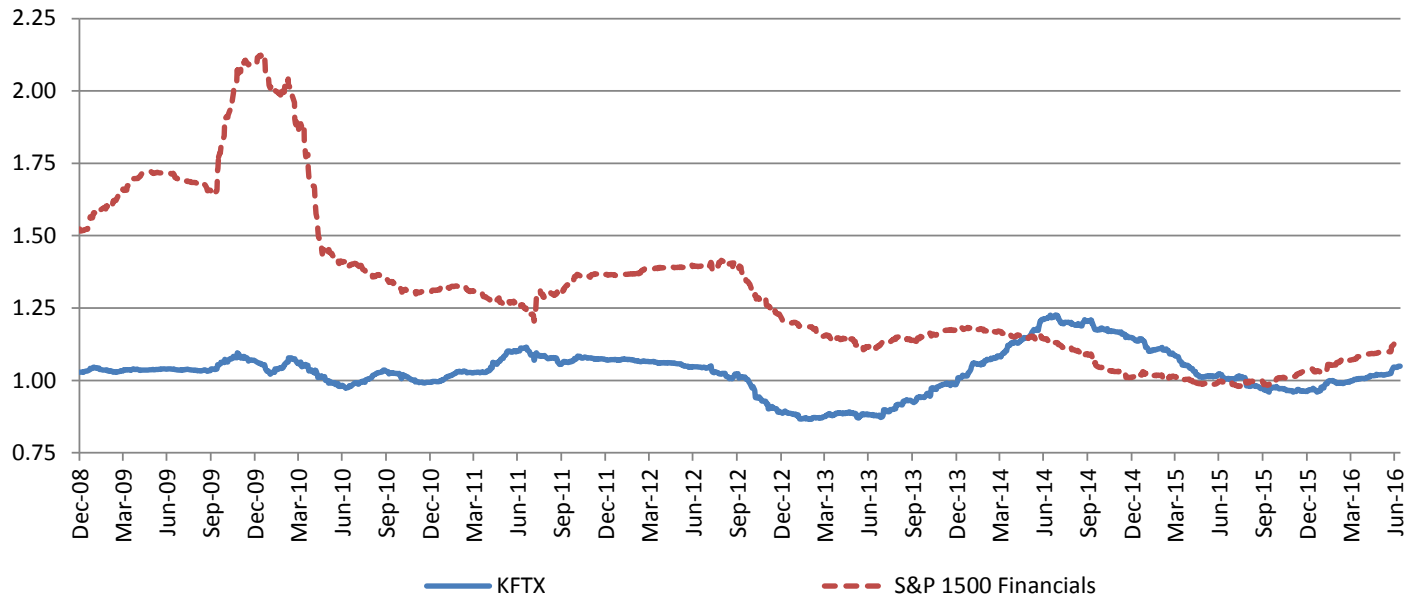
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However, the KFTX currently has a modestly lower beta than the financials. The beta for the S&P 1500 Financials Index was 1.13 at June 30, as compared to 1.05 for the KFTX. Similar to the trends exhibited for the KFTX, the beta of financial stocks is rising. The beta for financial stocks is now the highest it has been since the European financial crisis of 2011/2012.

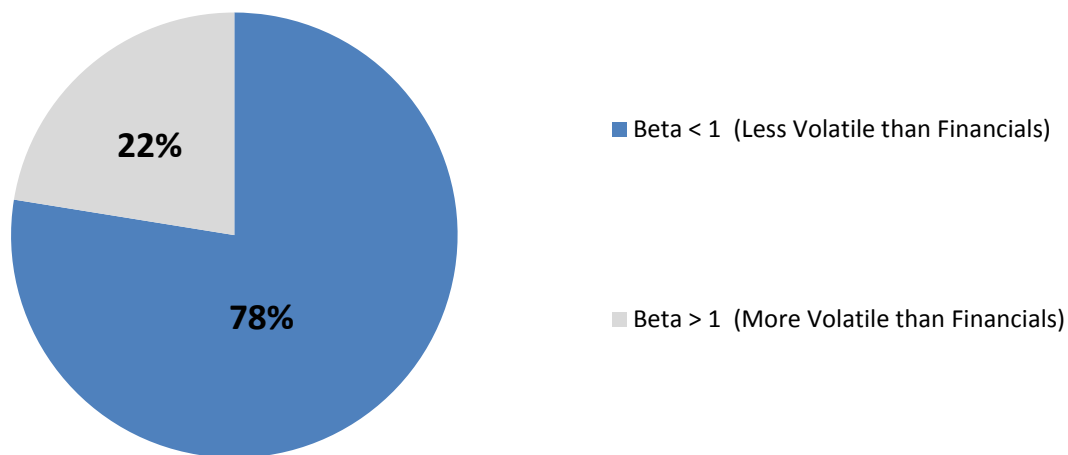
**Exhibit 5: S&P 1500 Financials and KBW Nasdaq Financial Technology Index Betas - Historical**



Source: KBW Research, Bloomberg, and Factset Research.

Not surprisingly, KFTX members are on average, less volatile than financial stocks. **About 38 of the 49 KFTX members exhibit a beta less than 1.0 with the financials**, indicating that these 38 KFTX members are less volatile than financial stocks. **On average, KFTX members are 13% less volatile than the market.**

**Exhibit 6: About 78% of All KFTX Members Are Less Volatile Than the Financials**



Source: KBW Research, Bloomberg and Factset Research.



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In addition, when compared to the KBW Nasdaq family of indexes, KFTX ranks as having the fourth lowest beta at June 30. The KBW Nasdaq Property & Casualty Insurance Index (KPX) had the lowest beta at 0.73 while the KBW Bank Index (BKX) had the highest beta at 1.37. KFTX also has the second-lowest 10-year historical average beta of 1.02, behind the KPX at 0.82.

Betas have increased in 2016 to date for all of the KBW Nasdaq indexes save the KPX, which saw its beta decline 0.02 to 0.73. The KFTX saw the fourth lowest uptick in its beta year-to-date. The KBW Nasdaq Global Bank Index (GBKX) had the largest year-to-date increase in its beta of 0.26 to 1.07.

**Exhibit 7: Betas for the KBW Nasdaq Index Family**

		<i><b>SORTED</b></i>		
<b>KBW Nasdaq Index</b>		<b>Beta at 6/30/16</b>	<b>10-Y Avg. Beta</b>	<b>YTD Change In Beta</b>
KPX	KBW Nasdaq Property & Casualty Insurance Index	0.73	0.82	(0.02)
KYX	KBW Nasdaq Premium Yield Eq. REIT Index	0.80	1.08	0.06
KDX	KBW Nasdaq Financial Sector Dividend Yield Index	0.84	1.04	0.17
<b>KFTX</b>	<b>KBW Nasdaq Financial Technology Index</b>	<b>1.05</b>	<b>1.02</b>	<b>0.09</b>
KIX	KBW Nasdaq Insurance Index	1.06	1.28	0.06
GBKX	KBW Nasdaq Global Bank Index	1.07	1.08	0.26
MFX	KBW Nasdaq Mortgage Finance Index	1.10	1.30	0.12
KRX	KBW Nasdaq Regional Banking Index	1.24	1.29	0.20
KSX	KBW Nasdaq Capital Markets Index	1.34	1.41	0.18
BKX	KBW Nasdaq Bank Index	1.37	1.41	0.20

Source: KBW Research, Bloomberg, and Factset Research.

**Rising Betas in 2016-YTD Has Mostly Been In Line with Underperformance for the KBW Nasdaq Family of Indexes**

Despite seeing its beta rise year-to-date to 0.80, the KBW Nasdaq Premium Yield Equity REIT Index (KYX) is the only index within the KBW Nasdaq family to outperform thus far in 2016 (through July 13), rising 21.2%. The GBKX is the worst performing KBW Nasdaq index over this period, declining 22.5%.

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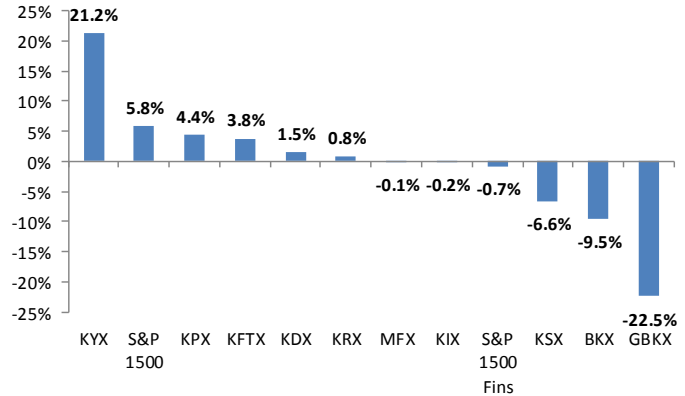


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**KFTX ranks as the third best performing KBW Nasdaq index in 2016 to date, rising 3.8%. The KFTX outperformed the Financials' 0.7% decline but lagged the market's 5.8% advance.**

**Exhibit 8: Index Price Performance In 2016-YTD: KFTX Outperforms Financials, Lags Market**

Index	2016-YTD
KYX KBW Nasdaq Premium Yield Eq. REIT Index	21.2%
SPR S&P 1500 Composite Index	5.8%
KPX KBW Nasdaq Property & Casualty Insurance Index	4.4%
<b>KFTX KBW Nasdaq Financial Technology Index</b>	<b>3.8%</b>
KDX KBW Nasdaq Financial Sector Dividend Yield Index	1.5%
KRX KBW Nasdaq Regional Banking Index	0.8%
MFX KBW Nasdaq Mortgage Finance Index	-0.1%
KIX KBW Nasdaq Insurance Index	-0.2%
S&P 1500 Financials	-0.7%
KSX KBW Nasdaq Capital Markets Index	-6.6%
BKX KBW Nasdaq Bank Index	-9.5%
GBKX KBW Nasdaq Global Bank Index	-22.5%



\*Price Return is through 7/13/16

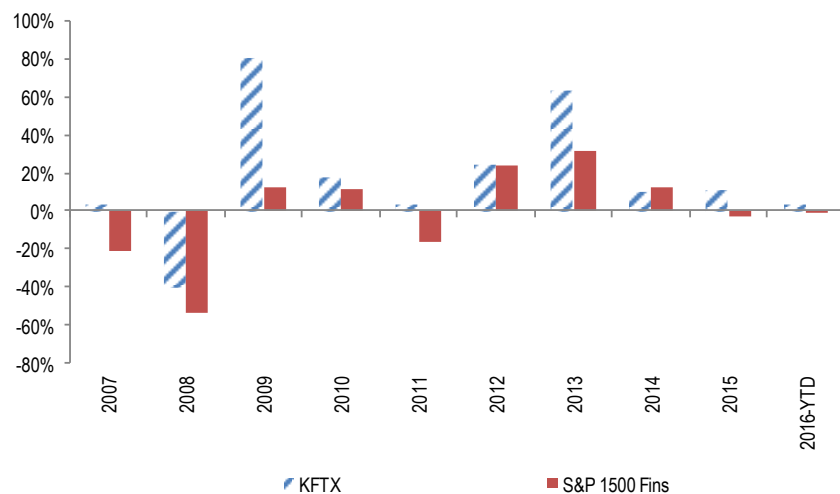
Source: KBW Research, Bloomberg, and Factset Research.

**KFTX Has Historically Outperformed Financials**

The KFTX has annually outperformed the S&P 1500 Financials since 2007 with the exception of 2014. In 2014, KFTX rose 10.0% while the Financials advanced 12.6%.

**Exhibit 9: Annual Performance Trends: KFTX versus S&P 1500 Financials**

Year	KFTX	S&P 1500 Fins
2007	3.2%	-20.7%
2008	-40.7%	-54.0%
2009	80.7%	12.7%
2010	18.2%	11.7%
2011	3.1%	-16.6%
2012	24.6%	24.2%
2013	63.8%	31.6%
2014	10.0%	12.6%
2015	10.8%	-2.8%
2016-YTD	3.8%	-0.7%



\*2016-YTD is through 7/13/16

Source: KBW Research, Bloomberg, and Factset Research.

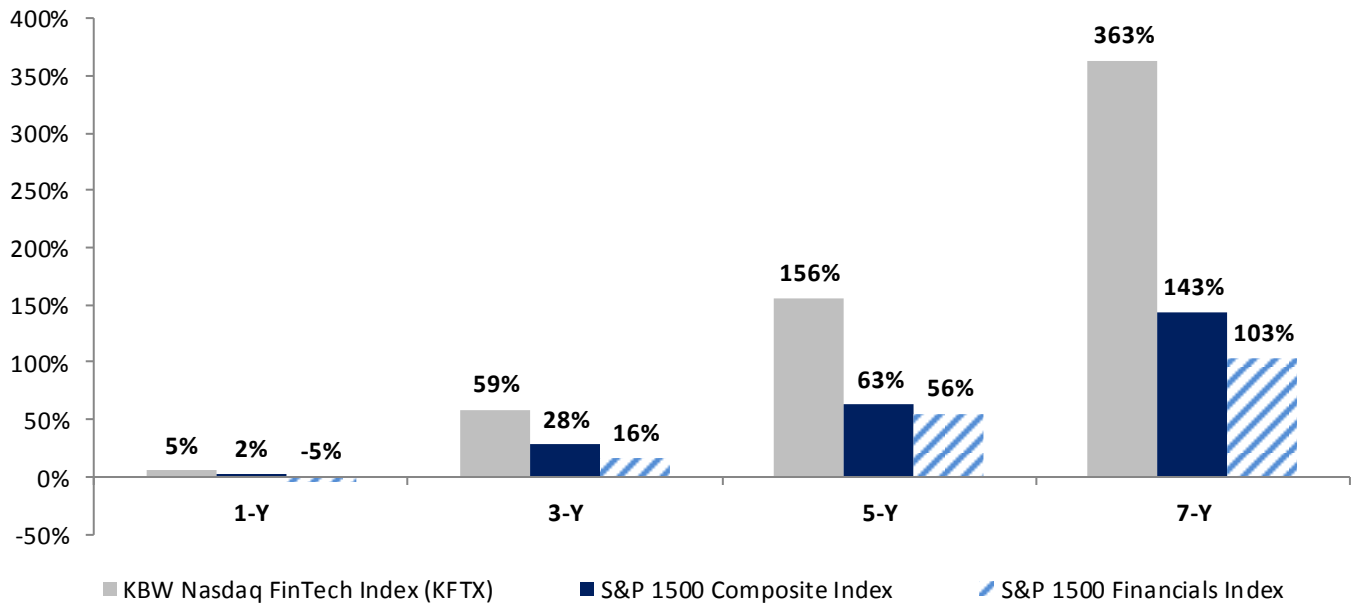
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## KFTX and KFTXT: Historical Performance Trends

Both KFTX and KFTXT have outperformed both the market and financials over the one-, three-, five- and seven-year periods as measured through July 13.

**Exhibit 10: 1-Y, 3-Y, 5-Y and 7-Y Price Returns for KFTX versus S&P 1500 and S&P 1500 Financials**



Index	1-Y	3-Y	5-Y	7-Y
KBW Nasdaq FinTech Index (KFTX)	5%	59%	156%	363%
S&P 1500 Composite Index	2%	28%	63%	143%
S&P 1500 Financials Index	-5%	16%	56%	103%

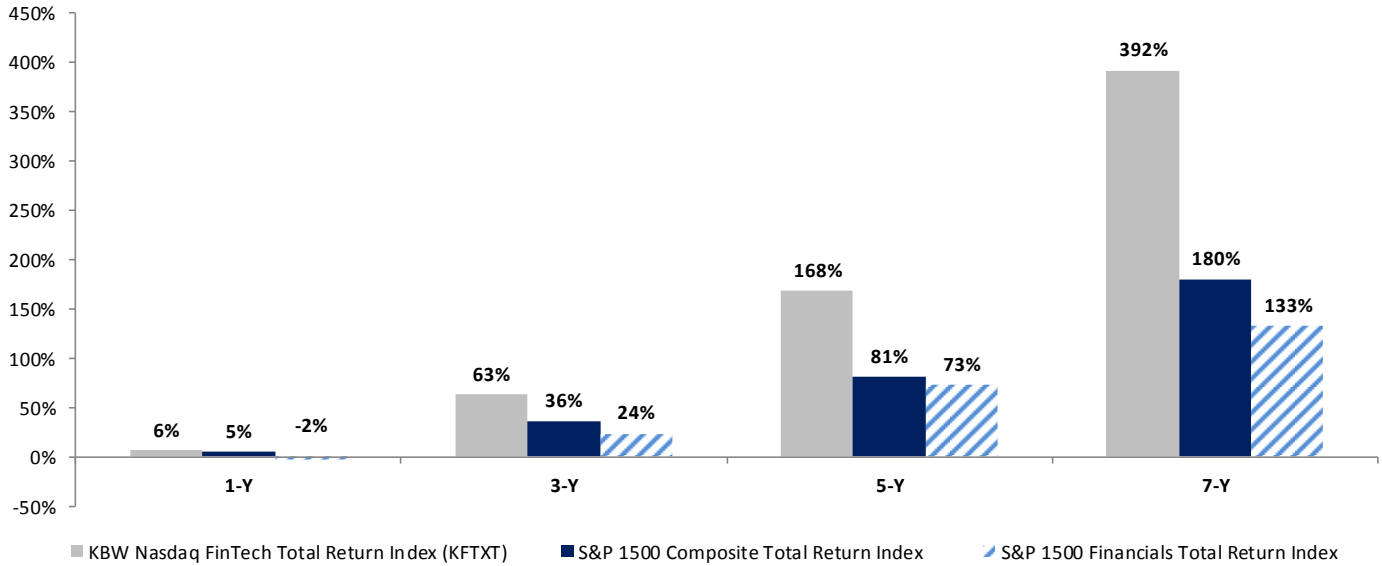
\*As measured through 7/13/16

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**Exhibit 11: 1-Y, 3-Y, 5-Y and 7-Y Total Returns for KFTXT versus S&P 1500 and S&P 1500 Financials**



Index	1-Y	3-Y	5-Y	7-Y
KBW Nasdaq FinTech Total Return Index (KFTXT)	6%	63%	168%	392%
S&P 1500 Composite Total Return Index	5%	36%	81%	180%
S&P 1500 Financials Total Return Index	-2%	24%	73%	133%

*\*As measured through 7/13/16*

Source: KBW Research, Bloomberg, and Factset Research.

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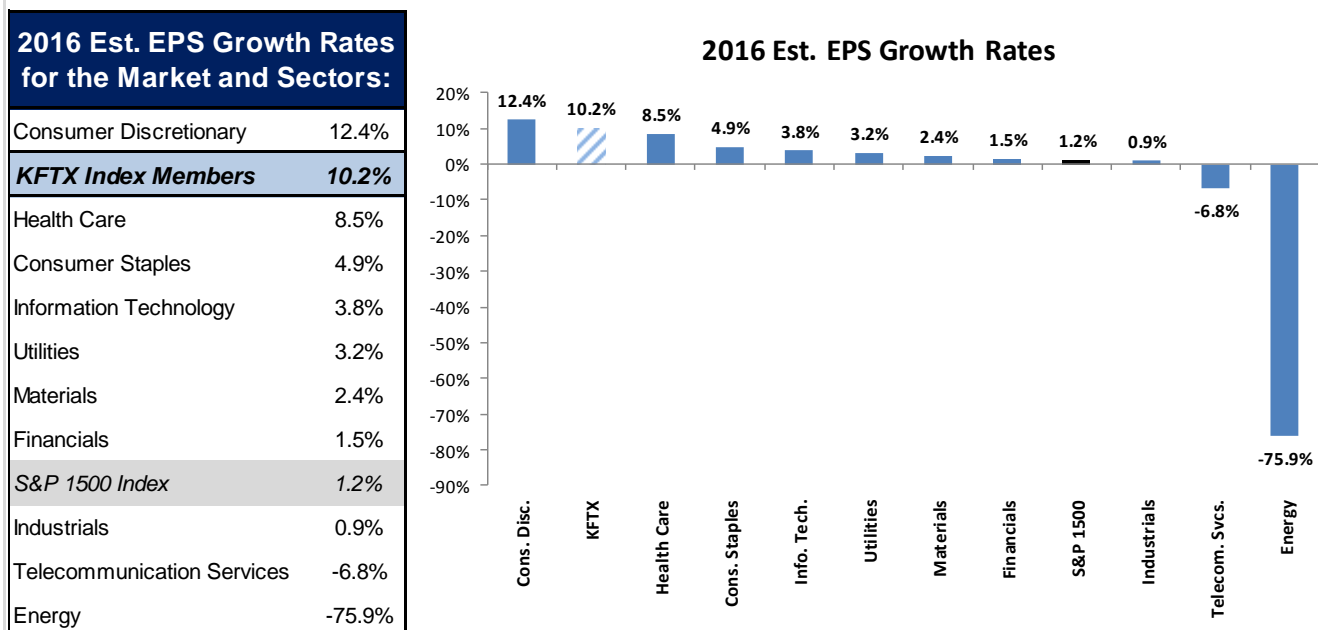
## Financial Technology Offers High Growth Opportunities

*KFTX members offer investors higher earnings growth opportunities for 2016 and 2017 than both the market and financial stocks.*

Operating earnings for the S&P 1500 Composite Index is expected to increase 1.2% in 2016 and 13.4% in 2017. The growth rate for 2016 is negatively impacted by outsized expected operating earnings declines of 75.9% and 6.8% for the Energy and Telecommunications Services sectors, respectively. The Consumer Discretionary sector is expected to have the strongest 2016 operating EPS growth of 12.4%. Financials are expected to grow operating earnings by just 1.5% in 2016, slightly stronger than the market but ranking as the fourth weakest sector.

*The median 2016 operating earnings growth for the KFTX members is 10.2%, ranking second to the Consumer Discretionary sector.*

**Exhibit 12: KFTX Members Expected to Have the Second Highest Operating Earnings Growth in 2016**



\*Note: Sectors are represented by S&P 1500 sectors, Average Growth Shown for KFTX Index Members

Source: KBW Research, Bloomberg and Factset Research.

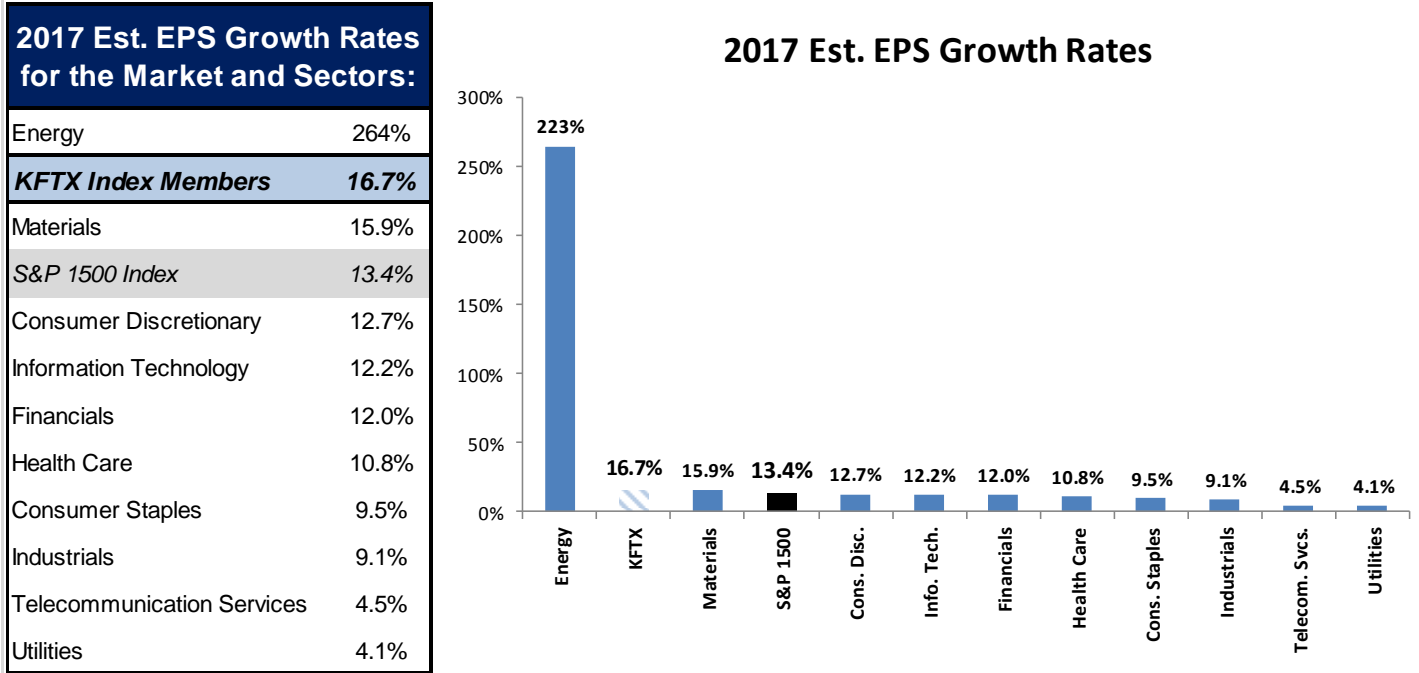
The 13.4% operating earnings growth for the S&P 1500 Composite Index in 2017 is impacted significantly by the outsized 264% expected operating earnings growth for the Energy sector. The Materials sector is expected to have the next strongest 2017 operating EPS growth of 15.9%. Financials rank in the middle of the pack with expected 2017 operating earnings growth of 12.0% while the Utilities sector is expected to see the weakest growth at 4.1%.

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*The median 2017 operating earnings growth for the KFTX members is 16.7%, ranking second to the Energy sector.*

**Exhibit 13: KFTX Members Also Expected to Have the Second Highest Operating Earnings Growth in 2017**



\*Note: Sectors are represented by S&P 1500 sectors, Average Growth Shown for KFTX Index Members

Source: KBW Research, Bloomberg and Factset Research.

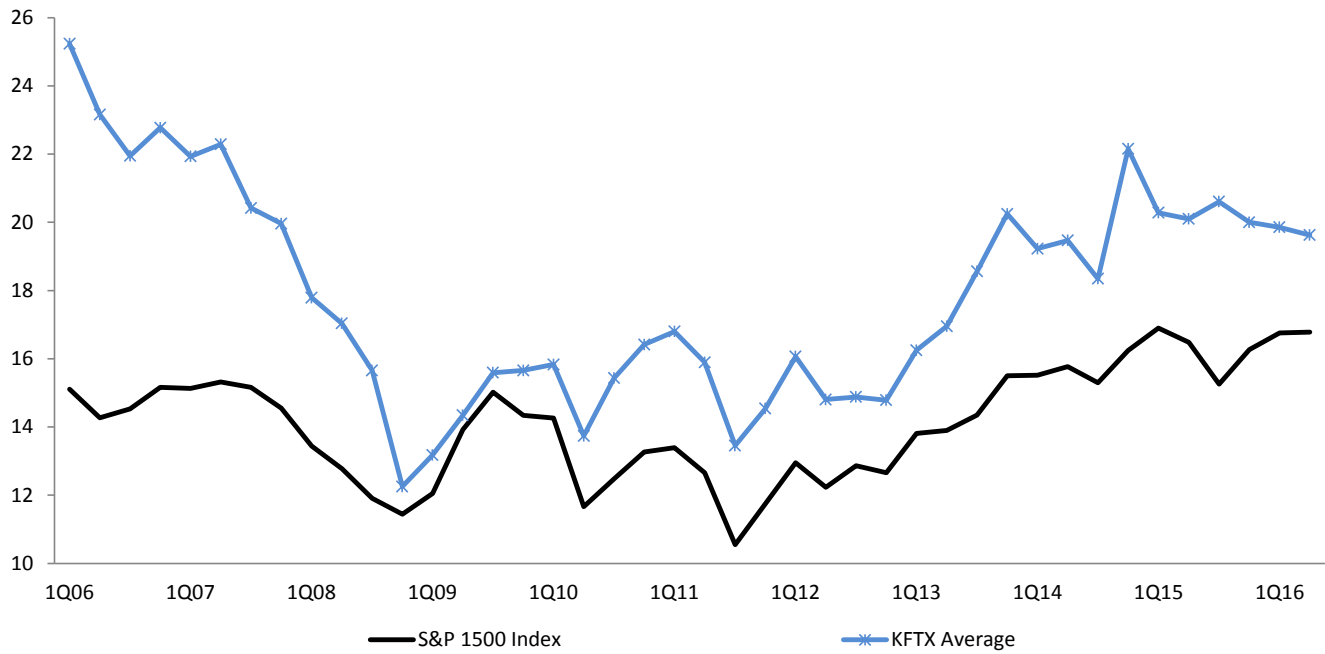
## On Average, KFTX Members Trade at a 22% Premium to the Market and 46% Premium to Financials on Forward Earnings

At the end of the second quarter, KFTX members traded at about 19.6x forward earnings, which we define as next-twelve month earnings estimates. This represents a 17% premium to the S&P 1500 Index, which is trading at 16.8x forward earnings. It also represents a 53% premium to the S&P 1500 Financials Index, which is trading at 12.8x forward earnings.

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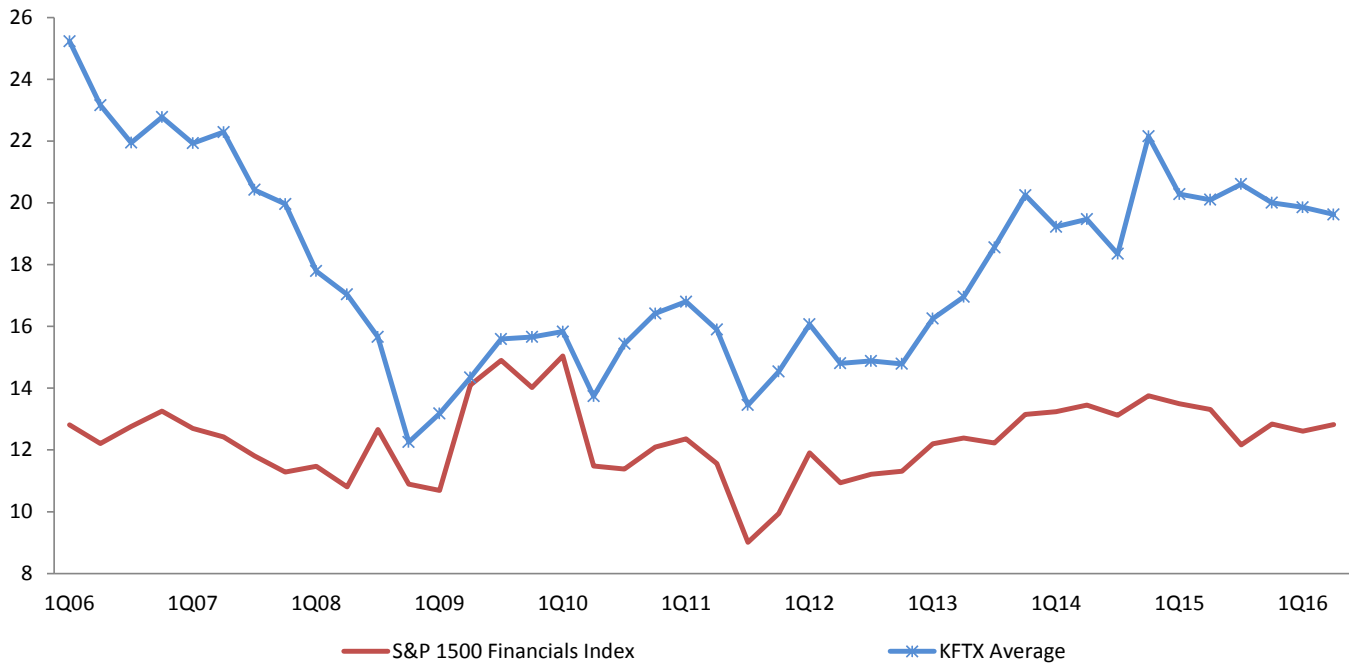
**Exhibit 14: Price to Next-12 Months Earnings: S&P 1500 Index versus KFTX Index Members**



Note: Average shown for KFTX Members.

Source: KBW Research, Bloomberg, and Factset Research.

**Exhibit 15: Price to Next-12 Months Earnings: S&P 1500 Financials Index versus KFTX Index Members**



Note: Average shown for KFTX Members.

Source: KBW Research, Bloomberg, and Factset Research.

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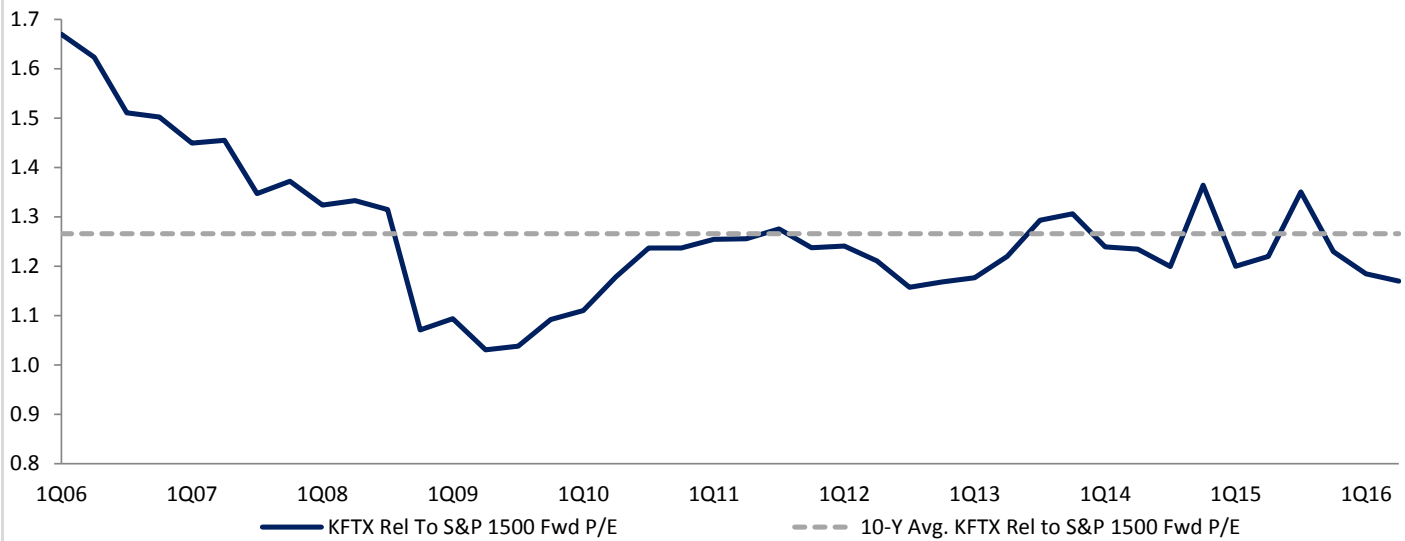


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This 17% premium to the S&P 1500 Index is below KFTX's 10-year and 5-year average premiums of 27% and 23%, respectively, relative to the S&P 1500 Index. KFTX members, on average, only traded at a discount to the S&P 1500's forward earnings multiple during the second half of 2009.

In addition, the 53% premium to the S&P 1500 Financials Index is higher than KFTX's 10-year and 5-year average premiums, both at 46%. *Since our analysis began in 1Q06, KFTX members have always traded at a premium to the S&P 1500 Financials' forward earnings multiple.*

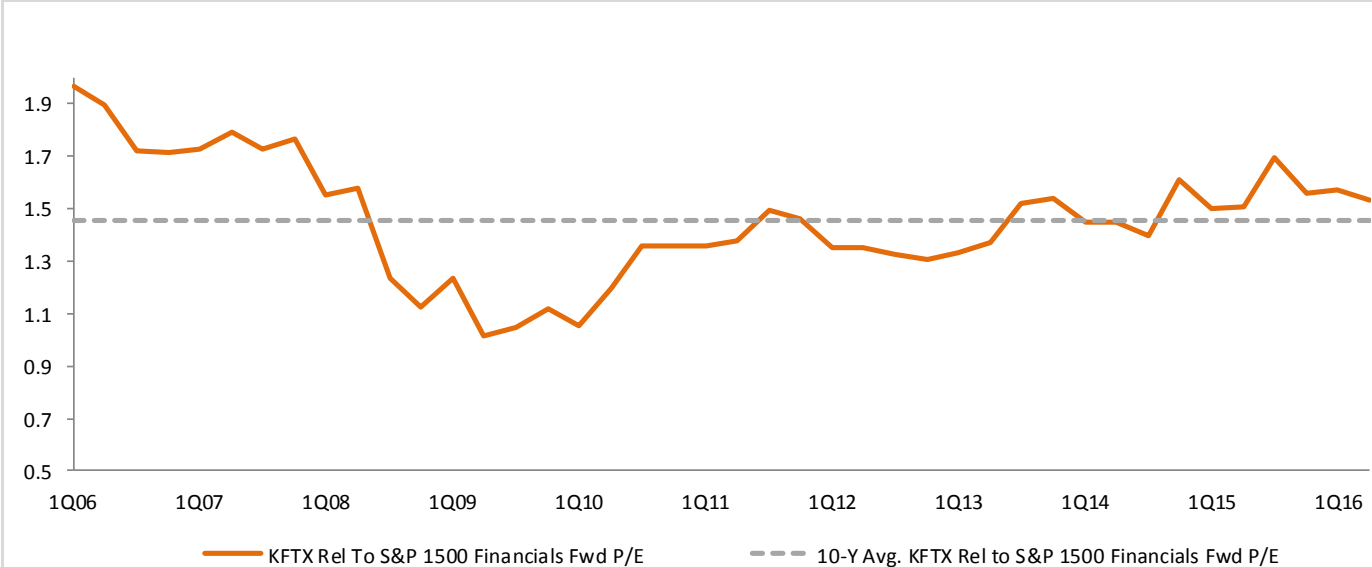
**Exhibit 16: Relative Price to Next-12 Months Earnings: S&P 1500 Index versus KFTX Index Members**



Note: Average shown for KFTX Members.

Source: KBW Research, Bloomberg, and Factset Research.

**Exhibit 17: Relative Price to Next-12 Months Earnings: S&P 1500 Financials Index versus KFTX Index Members**



Note: Average shown for KFTX Members.

Source: KBW Research, Bloomberg, and Factset Research.

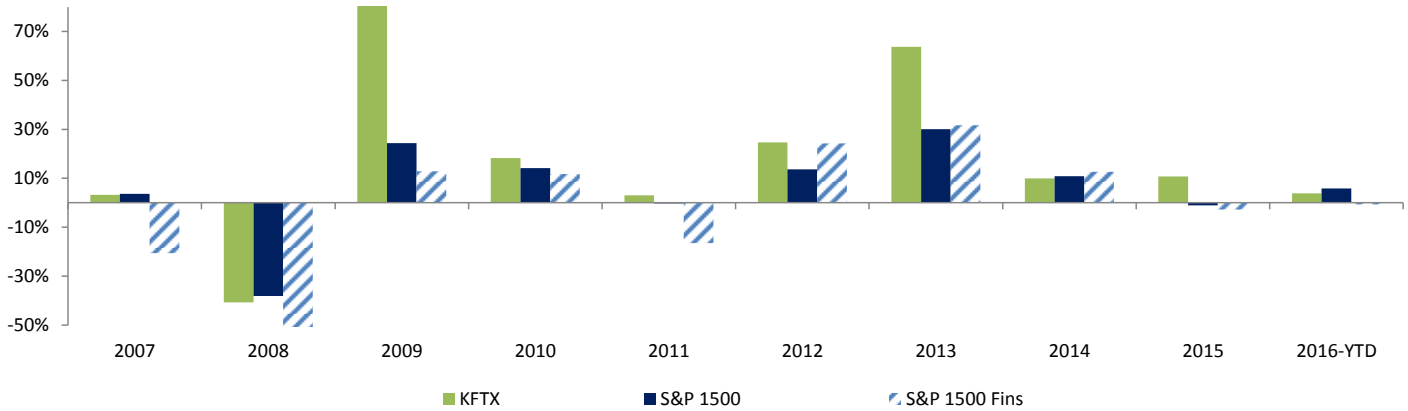
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## Historical Price and Total Returns: KFTX versus S&P 1500 & S&P 1500 Financials Indexes

Exhibit 18: Price Returns for KFTX versus S&P 1500 and S&P 1500 Financials Indexes: 2006 – 2016-YTD

Ticker	Index Name	Price Returns									
		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016-YTD
KFTX	KBW Nasdaq Financial Technology Index	3.2%	-40.7%	80.7%	18.2%	3.1%	24.6%	63.8%	10.0%	10.8%	3.8%
	S&P 1500 Index	3.6%	-38.2%	24.3%	14.2%	-0.3%	13.7%	30.1%	10.9%	-1.0%	5.8%
	S&P 1500 Financials Index	-20.7%	-54.0%	12.7%	11.7%	-16.6%	24.2%	31.6%	12.6%	-2.8%	-0.7%

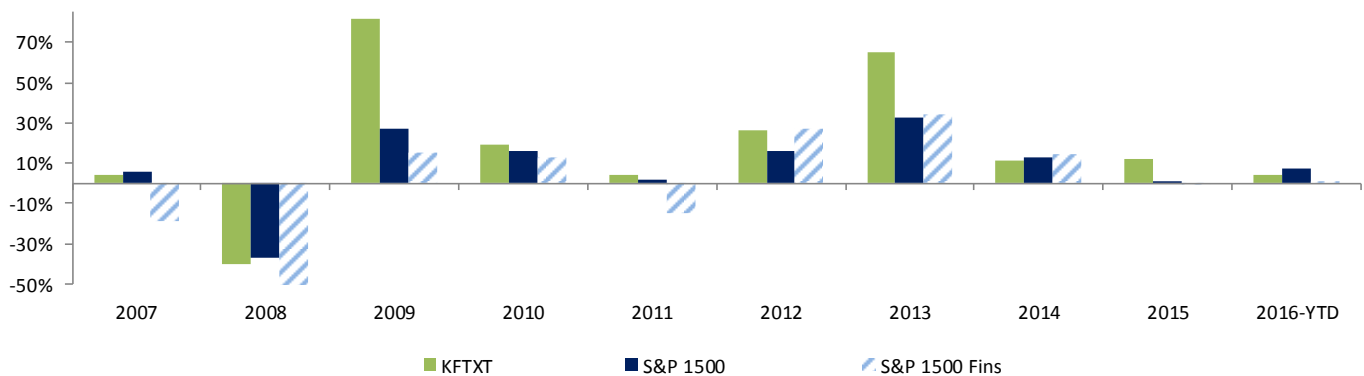


2016-YTD is through 7/13/16.

Source: KBW Research, Bloomberg, and Factset Research.

Exhibit 19: Total Returns for KFTX versus S&P 1500 and S&P 1500 Financials Indexes: 2006 – 2016-YTD

Ticker	Index Name	Total Returns									
		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016-YTD
KFTXT	KBW Nasdaq Financial Technology Total Return Index	4.5%	-40.3%	81.9%	19.1%	3.9%	26.1%	65.2%	10.9%	11.7%	4.3%
	S&P 1500 Total Return Index	5.5%	-36.7%	27.2%	16.4%	1.8%	16.2%	32.8%	13.1%	1.0%	7.0%
	S&P 1500 Financials Total Return Index	-18.4%	-52.2%	15.5%	13.3%	-15.0%	27.0%	34.3%	14.9%	-0.7%	0.6%



2016-YTD is through 7/13/16.

Source: KBW Research, Bloomberg, and Factset Research.

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**Exhibit 20: KBW Nasdaq Financial Technology Index: Member Comparison Sheet**

Ticker	Company Name	Analyst	Rating	KFTX Member?	7/13/16 Price	Market Cap	Price Target	Price Return	Performance			Price/Earnings		
									1 Month	3 Months	1 Year	2016E	2017E	
<b>Networks</b>									<b>23%</b>	<b>-1%</b>	<b>-3%</b>	<b>-5%</b>	<b>25.8x</b>	<b>22.0x</b>
AXP	American Express Co.	Sakhrani	MP	Y	\$63.10	\$60,010.19	\$74.00	17%	-1%	2%	-20%	11.3x	11.1x	
MA	MasterCard, Inc.	Sakhrani	OP	Y	\$90.34	\$99,256.33	\$113.00	25%	-4%	-6%	-5%	25.8x	22.0x	
V	Visa, Inc.	Sakhrani	OP	Y	\$77.46	\$184,734.88	\$95.00	23%	-1%	-3%	11%	27.6x	22.5x	
<b>Payments</b>									<b>16%</b>	<b>5%</b>	<b>1%</b>	<b>5%</b>	<b>20.9x</b>	<b>17.7x</b>
ACIW	ACI Worldwide, Inc.	NA	NC	Y	\$19.67	\$2,293.89	NA	NA	-5%	-3%	-18%	36.2x	29.5x	
EVTC	EVERTEC, Inc.	NA	NC	Y	\$16.60	\$1,244.80	NA	NA	6%	19%	-19%	10.1x	9.6x	
FIS	Fidelity National Information Services,	NA	NC	Y	\$77.14	\$25,182.66	NA	NA	5%	20%	20%	20.4x	17.7x	
FLT	FleetCor Technologies, Inc.	Sakhrani	OP	Y	\$149.67	\$13,852.11	\$180.00	20%	3%	-1%	-4%	22.5x	19.9x	
GDOT	Green Dot Corp.	Sakhrani	MP	Y	\$23.97	\$1,151.84	\$23.00	-4%	9%	8%	21%	16.8x	13.7x	
GPN	Global Payments, Inc.	Kwok	OP	Y	\$75.68	\$11,654.77	\$88.00	16%	3%	0%	42%	25.5x	21.7x	
HAWK	Blackhawk Network Holdings, Inc.	NA	NC	Y	\$34.06	\$1,912.09	NA	NA	5%	-1%	-21%	13.5x	12.3x	
PYPL	PayPal Holdings, Inc.	Sakhrani	OP	Y	\$39.28	\$47,608.41	\$46.00	17%	7%	1%	7%	26.0x	21.6x	
SQ	Square, Inc.	NA	NC	Y	\$9.29	\$3,147.95	NA	NA	4%	-38%	NA	NM	106.4x	
TSS	Total System Services, Inc.	Kwok	OP	Y	\$54.62	\$10,028.89	\$62.00	14%	6%	10%	28%	19.4x	16.8x	
VNTV	Vantiv, Inc.	Kwok	MP	Y	\$59.06	\$11,302.82	\$59.00	0%	15%	8%	51%	22.2x	19.9x	
WEX	WEX, Inc.	Sakhrani	OP	Y	\$94.00	\$3,637.71	\$110.00	17%	4%	9%	-16%	21.5x	17.7x	
WU	The Western Union Co.	NA	NC	Y	\$19.89	\$9,768.71	NA	NA	4%	-1%	4%	12.2x	11.5x	
<b>Exchanges / Automatic Trading</b>									<b>4%</b>	<b>4%</b>	<b>7%</b>	<b>13%</b>	<b>21.2x</b>	<b>19.6x</b>
CBOE	CBOE Holdings, Inc.	Voigt	MP	Y	\$67.75	\$5,514.58	\$65.00	-4%	5%	5%	12%	27.5x	25.6x	
CME	CME Group, Inc.	Voigt	MP	Y	\$99.69	\$33,759.32	\$99.00	-1%	5%	10%	2%	23.5x	22.2x	
ICE	Intercontinental Exchange, Inc.	Voigt	OP	Y	\$259.58	\$30,901.87	\$300.00	16%	0%	9%	13%	18.9x	17.1x	
MKTX	MarketAxess Holdings, Inc.	Voigt	OP	Y	\$150.70	\$5,660.90	\$165.00	9%	6%	21%	48%	48.1x	38.2x	
NDAQ	Nasdaq, Inc.	Voigt	MP	Y	\$67.17	\$11,050.45	\$70.00	4%	3%	5%	33%	18.2x	16.1x	
VIRT	Virtu Financial, Inc.	NA	NC	Y	\$17.54	\$2,434.01	NA	NA	0%	-17%	-27%	15.6x	13.7x	
<b>Financial Data</b>									<b>NA</b>	<b>6%</b>	<b>9%</b>	<b>10%</b>	<b>23.1x</b>	<b>21.1x</b>
DNB	Dun & Bradstreet Corp.	NA	NC	Y	\$126.27	\$4,578.34	NA	NA	1%	18%	1%	17.2x	16.2x	
EFX	Equifax, Inc.	NA	NC	Y	\$133.42	\$15,878.84	NA	NA	8%	16%	34%	25.6x	22.9x	
FDS	FactSet Research Systems Inc.	NA	NC	Y	\$166.08	\$6,751.41	NA	NA	5%	9%	2%	25.9x	23.3x	
FICO	Fair Isaac Corp.	NA	NC	Y	\$118.20	\$3,685.31	NA	NA	7%	11%	24%	39.0x	31.1x	
INFO	IHS Markit Inc	NA	NC	Y	\$36.10	\$6,580.25	NA	NA	10%	3%	37%	23.8x	22.2x	
MCO	Moody's Corp.	NA	NC	Y	\$101.72	\$19,764.20	NA	NA	3%	4%	-9%	22.3x	19.8x	
MSCI	MSCI, Inc.	KBW Research	S	Y	\$81.50	\$7,864.89	NA	NA	8%	10%	27%	28.3x	23.8x	
RATE	Bankrate, Inc.	NA	NC	Y	\$7.83	\$707.57	NA	NA	-2%	-14%	-22%	15.8x	13.0x	
SPGI	S&P Global, Inc.	NA	NC	Y	\$113.86	\$30,150.13	NA	NA	6%	14%	10%	22.4x	20.0x	
TRI	Thomson Reuters Corp.	NA	NC	Y	\$42.56	\$31,936.78	NA	NA	2%	5%	11%	20.7x	18.1x	
<b>Processors / Business Information</b>									<b>2%</b>	<b>5%</b>	<b>8%</b>	<b>14%</b>	<b>19.2x</b>	<b>17.5x</b>
ADS	Alliance Data Systems Corp.	Sakhrani	OP	Y	\$209.43	\$12,343.76	\$260.00	24%	-2%	-3%	-31%	12.5x	11.2x	
BKFS	Black Knight Financial Services, Inc.	George	MP	Y	\$38.28	\$5,892.11	\$33.00	-14%	10%	30%	29%	33.9x	29.9x	
BR	Broadridge Financial Solutions, Inc.	KBW Research	S	Y	\$66.80	\$7,896.78	\$0.00	-100%	6%	12%	24%	24.5x	21.1x	
CATM	Cardtronics, Inc.	NA	NC	Y	\$42.23	\$1,909.66	NA	NA	6%	16%	24%	13.5x	14.1x	
CLGX	CoreLogic, Inc.	George	MP	Y	\$40.33	\$3,583.53	\$41.00	2%	8%	18%	-3%	19.2x	17.5x	
EEFT	Euronet Worldwide, Inc.	NA	NC	Y	\$72.06	\$3,750.48	NA	NA	-7%	-3%	14%	18.8x	16.3x	
FDC	First Data Corp.	Sakhrani	OP	Y	\$11.32	\$10,273.28	\$15.00	33%	-3%	-12%	NA	8.7x	7.5x	
FISV	Fiserv, Inc.	NA	NC	Y	\$110.57	\$24,583.02	NA	NA	5%	10%	27%	25.0x	22.2x	
JKHY	Jack Henry & Associates, Inc.	NA	NC	Y	\$88.43	\$6,975.78	NA	NA	6%	7%	32%	30.9x	28.6x	
PAY	VeriFone Systems, Inc.	NA	NC	Y	\$18.72	\$2,069.49	NA	NA	-2%	-34%	-44%	10.1x	8.9x	
SEIC	SEI Investments Co.	Lee	MP	Y	\$49.95	\$8,091.55	\$51.00	2%	2%	9%	1%	24.5x	19.6x	
SSNC	SS&C Technologies Holdings, Inc.	NA	NC	Y	\$30.70	\$6,085.21	NA	NA	5%	1%	-6%	19.1x	15.8x	
VRSK	Verisk Analytics, Inc.	Soleimani	OP	Y	\$84.71	\$14,245.37	\$90.00	6%	7%	8%	14%	28.0x	24.7x	
<b>Specialty Marketplace Lenders</b>									<b>18%</b>	<b>-4%</b>	<b>-44%</b>	<b>-70%</b>	<b>-23.6x</b>	<b>425.0x</b>
LC	LendingClub Corp.	Harralson	MP	Y	\$4.25	\$1,621.89	\$5.00	18%	-4%	-44%	-70%	-23.6x	425.0x	
<b>Internet Banks</b>									<b>41%</b>	<b>-3%</b>	<b>-12%</b>	<b>-30%</b>	<b>10.6x</b>	<b>9.0x</b>
BOFI	BofI Holding, Inc.	Harralson	OP	Y	\$17.07	\$1,076.45	\$25.00	46%	-7%	-26%	-38%	9.3x	8.1x	
EVER	EverBank Financial Corp.	Harralson	MP	Y	\$15.40	\$1,928.81	\$21.00	36%	1%	1%	-23%	11.8x	9.8x	
<b>Software</b>									<b>NA</b>	<b>1%</b>	<b>23%</b>	<b>-17%</b>	<b>35.6x</b>	<b>25.2x</b>
ENV	Envestnet, Inc.	NA	NC	Y	\$36.35	\$1,551.91	NA	NA	1%	23%	-17%	35.6x	25.2x	
<b>FinTech Median</b>									<b>4.5%</b>	<b>5.0%</b>	<b>6.8%</b>	<b>21.9x</b>	<b>19.8x</b>	
<b>FinTech Average</b>									<b>3.2%</b>	<b>3.0%</b>	<b>4.5%</b>	<b>21.0x</b>	<b>29.0x</b>	
<b>KFTX KBW Nasdaq Financial Technology Index</b>									<b>3.6%</b>	<b>3.3%</b>	<b>5.2%</b>			

\*Note Price to 2016E and 2017E ratios are calculated based on KBW estimates if under KBW research coverage other Factset mean estimates are used.

\*Note: OP-Outperform Rating, MP- Market Perform Rating, UP- Underperform Rating, S- Suspended, and NC- Not Covered

Source: KBW Research, Bloomberg, and Factset Research.

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## **Companies Mentioned in This Report**

- Alliance Data Systems Corp. (ADS: \$213.17, Outperform)
- American Express Company (AXP: \$63.78, Market Perform)
- Black Knight Financial Services, Inc. (BKFS: \$38.52, Market Perform)
- BofI Holding, Inc. (BOFI: \$16.69, Outperform)
- Broadridge Financial Solutions, Inc. (BR: \$66.70, Suspended)
- CBOE Holdings, Inc (CBOE: \$68.56, Market Perform)
- CoreLogic, Inc. (CLGX: \$40.04, Market Perform)
- CME Group, Inc. (CME: \$101.83, Market Perform)
- EverBank Financial Corp. (EVER: \$15.68, Market Perform)
- First Data Corp. (FDC: \$11.37, Outperform)
- FleetCor Technologies, Inc. (FLT: \$150.45, Outperform)
- Green Dot Corporation (GDOT: \$24.00, Market Perform)
- Global Payments, Inc. (GPN: \$76.72, Outperform)
- Intercontinental Exchange, Inc. (ICE: \$263.05, Outperform)
- LendingClub Corporation (LC: \$4.49, Market Perform)
- MasterCard Inc. (MA: \$90.93, Outperform)
- MarketAxess Holdings, Inc. (MKTX: \$151.41, Outperform)
- MSCI Inc. (MSCI: \$81.49, Suspended)
- Nasdaq, Inc. (NDAQ: \$67.51, Market Perform)
- PayPal Holdings, Inc. (PYPL: \$39.09, Outperform)
- SEI Investments Company (SEIC: \$50.56, Market Perform)
- Total System Services, Inc. (TSS: \$54.75, Outperform)
- Visa, Inc. (V: \$78.30, Outperform)
- Vantiv, Inc. (VNTV: \$58.91, Market Perform)
- Verisk Analytics, Inc. (VRSK: \$85.24, Outperform)
- WEX, Inc. (WEX: \$94.11, Outperform)

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**Distribution of Ratings/IB Services**  
**KBW**

Rating	Count	Percent	*IB Serv./Past 12 Mos.	
			Count	Percent
<b>Outperform [BUY]</b>	<b>209</b>	<b>32.91</b>	<b>81</b>	<b>38.76</b>
<b>Market Perform [HOLD]</b>	<b>337</b>	<b>53.07</b>	<b>81</b>	<b>24.04</b>
<b>Underperform [SELL]</b>	<b>45</b>	<b>7.09</b>	<b>12</b>	<b>26.67</b>
<b>Restricted [RES]</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0.00</b>
<b>Suspended [SP]</b>	<b>44</b>	<b>6.93</b>	<b>7</b>	<b>15.91</b>
<b>Covered -Not Rated [CNR]</b>	<b>3</b>	<b>0.47</b>	<b>0</b>	<b>0.00</b>

\*KBW maintains separate research departments; however, the above chart, "Distribution of Ratings/IB Services," reflects combined information related to the distribution of research ratings and the receipt of investment banking fees globally.\*\*Note: All ratings for Keefe, Bruyette and Woods, Inc. as of January 15, 2015 reflect a relative ratings system.

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**North American Stocks and European Stocks** are rated based on the share price upside to target price relative to the relevant sector index performance on a 12-month horizon. Outperform rated stocks have a greater than 10 percentage point ("pp") relative performance versus the sector, Market Perform rated stocks between +10pp to -10pp relative performance versus the sector, and Underperform rated stocks a lower than 10pp relative performance versus the sector. The 12-month price target may be determined by the stock's fundamentally driven fair value and/or other factors (e.g., takeover premium or illiquidity discount).

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The purpose of the Model Portfolio is to inform institutional investors of KBWI's short-term (as described above) outlook for a particular industry sector. The Portfolio is not available for purchase or sale, cannot be duplicated as shown, is hypothetical and is for illustrative purposes only. For a more detailed description of the selection criteria and other specifics related to the construction of the Model Portfolio, please refer to the January 5, 2010 Model Portfolio Primer and/or contact your KBWI representative for more information.

The Model Portfolio should be viewed as a short-term outlook of a particular industry sector, not as individual security recommendations. The Model Portfolio uses a three-to-six-month time horizon and should not be considered when making longer term investments. KBWI Research publishes research with a 12-month outlook on each issuer of securities contained in the Model Portfolio. Investors who are interested in a particular security should request KBWI Research's coverage of such securities by contacting your KBWI representative. KBW research contains analyses of fundamentals underlying each issuer.

KBWI's long-term recommendations may differ from recommendations made for the Model Portfolio. These differences are the result of different time horizons—KBWI research has a 12-month outlook and the Model Portfolio has a three-to-six-month outlook.

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