

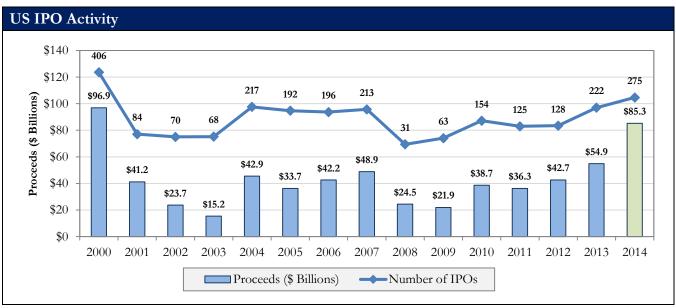
January 2, 2015

2014 US IPO Market Has Another Record Year

Over the last year, the US IPO market set a 14-year record against a mostly low-volatility backdrop. With 275 IPOs, 2014 was the most active period of issuance since 406 companies went public in 2000. It was the second year of uninterrupted IPO activity, up 24% over 2013, due to a doubling of biotech issuance. Proceeds of \$85 billion, inflated by Alibaba's \$22 billion offering, were up 55% over 2013. While various global events, such as Russia's incursion into the Ukraine and conflicts in the Middle East, caused nervousness in global markets, they largely failed to disrupt the US IPO applecart. Average IPO performance of 21% for the year was above the ten-year mean, but well below the 41% average return in 2013. Despite a handful of mostly small-capitalization IPOs that rose over 100%, investors hewed to strict valuation discipline, with 40% of IPOs pricing below the range. All this sets us up for a solid 2015 IPO market, as a healthy pipeline and still positive US economic backdrop should support another year with more than 200 IPOs.

Key Takeaways:

- US IPO Market Breaks 14-Year Record of IPOs and Proceeds Raised
- 102 Health Care IPOs Due to a Continued Biotech Boom
- Alibaba and 10 Other Billion-Dollar IPOs Debut, a Post-2000 Record
- IPO Performance Finishes Above Historical Average with 21% Returns
- Consumer and Health Care Have Top Returns; Tech is Average and Energy Sinks
- Private Equity Maintains Multi-Year High and Venture Capital Offers Alibaba and Biotechs
- Large Backlog Supports Another Year of 200+ IPOs in 2015



Source: Renaissance Capital. Includes IPOs with a market cap of at least \$50 million and excludes closed-end funds and SPACs. Data through 12/31/14.

About Renaissance Capital

Renaissance Capital is a global IPO investment adviser providing pre-IPO institutional research and management of the Renaissance IPO ETF (NYSE symbol: IPO) and the Renaissance International IPO ETF (NYSE symbol: IPOS). For more information, visit www.renaissancecapital.com.





US IPO Market Breaks 14-Year Record of IPOs and Proceeds Raised

The US IPO market saw more offerings raise more proceeds than any year since the tech bubble. Both venture capital and private equity-backed IPOs also had post-bubble highs. 2014 IPO issuance was 79% higher than the ten-year average and 121% higher by proceeds raised. The record level of proceeds was primarily driven by Alibaba's \$22 billion offering, the largest in history, while the record number of deals was aided by an unprecedented number of biotechs, which also caused the median deal size to fall to \$100 million. Excluding the effect of Alibaba and biotechs, total 2014 IPO issuance increased 10% year-over-year and proceeds rose by 12% over 2013. The average IPO traded up 21% from its offer price, far less than last year but handily beating the S&P 500.

Key US IPO Statistics					
	2010	2011	2012	2013	2014
Number of Deals	154	125	128	222	275
Proceeds Raised (US\$)	\$38.7B	\$36.3B	\$42.7B	\$54.9B	\$85.3B
Median Deal Size (US\$)	\$107.9mm	\$160.2mm	\$124.0mm	\$126.3mm	\$100.0mm
PE-Backed Deals	37	35	45	68	71
PE-Backed Proceeds (US\$)	\$8.8B	\$20.4B	\$10.3B	\$24.5B	\$25.0B
VC-Backed Deals	61	51	46	82	126
VC-Backed Proceeds (US\$)	\$6.0B	\$7.9B	\$20.7B	\$9.7B	\$35.3B
Performance					
Average US IPO Return*	25.1%	-9.8%	20.5%	40.8%	21.0%
Renaissance IPO Index	25.4%	-16.6%	17.6%	54.3%	7.2%
S&P 500	12.8%	0.0%	13.4%	29.6%	11.4%
Russell 3000	14.8%	-0.9%	14.0%	30.9%	10.4%

^{*}Calculated as average return from offer price to 12/31 close.



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102 Health Care IPOs Due to a Continued Biotech Boom

102 health care IPOs priced in 2014, nearly twice as many as last year and four times higher than the ten-year median. Biotechs comprised 25% of total deal volume at 71 IPOs. Despite the higher volume, health care proceeds rose just 6% over last year due to several large deals in 2013 including Zoetis and Quintiles. Tech IPO issuance rose 22% over last year to 55 deals, the highest level since 2007. Alibaba's \$22 billion IPO brought technology to the top of the proceeds list, but even without it, tech proceeds would have surpassed last year by 33%. With seven billion-dollar IPOs, financial industry proceeds were up 82% from last year, although the number of offerings fell by 20% to 36, still above historical levels, as fewer REITs and insurers went public. Energy IPOs reached a new record with over \$12 billion in proceeds raised, led by large E&Ps and yield vehicles spun off of the likes of Antero Resources, Shell, Abengoa and SunEdison. Consumer IPOs raised about one-third the proceeds of last year, when Hilton, Coty and SeaWorld generated over \$4 billion collectively.

Proceeds by Sector (US\$ Billion)															
		2010			201	1		2012			2013			2014	
			% of			% of			% of			% of			% of
Sector	#	\$	IPOs	#	\$	IPOs	#	\$	IPOs	#	\$	IPOs	#	\$	IPOs
Technology	42	\$5.9	27%	44	\$9.7	35%	38	\$20.4	30%	45	\$7.9	20%	55	\$32.3	20%
Financial	29	\$5.5	19%	13	\$3.8	10%	21	\$8.3	16%	45	\$10.2	20%	36	\$18.6	13%
Energy	18	\$3.8	12%	28	\$8.7	22%	25	\$7.3	20%	22	\$10.7	10%	30	\$12.7	11%
Health Care	17	\$1.3	11%	15	\$5.1	12%	12	\$0.8	9%	54	\$8.6	24%	102	\$9.2	37%
Consumer	18	\$2.1	12%	12	\$4.1	10%	15	\$2.3	12%	19	\$8.3	9%	16	\$3.0	6%
Business Services	7	\$0.8	5%	1	\$0.2	1%	3	\$0.2	2%	3	\$1.4	1%	8	\$2.9	3%
Capital Goods	7	\$16.5	5%	2	\$0.6	2%	5	\$1.4	4%	14	\$3.7	6%	10	\$2.5	4%
Materials	7	\$1.1	5%	3	\$0.8	2%	7	\$1.7	5%	9	\$1.5	4%	7	\$2.0	3%
Transportation	6	\$1.6	4%	5	\$1.6	4%	2	\$0.4	2%	7	\$1.8	3%	8	\$1.6	3%
Communications	3	\$0.2	2%	1	\$1.6	1%	0	\$0.0	0%	4	\$0.8	2%	2	\$0.5	1%
Utilities	0	\$0.0	0%	1	\$0.1	1%	0	\$0.0	0%	0	\$0.0	0%	1	\$0.1	0%



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Alibaba and 10 Other Billion-Dollar IPOs Debut, a Post-2000 Record

Eleven IPOs raised at least \$1 billion, the most in any year since 2001, and four more than in 2013. The ten largest raised 46% of the year's total proceeds, with Alibaba representing 26% of the overall total. The company made headlines as the world's largest IPO ever, and its 38% first-day pop was twice as high as any other on this list. A second Chinese IPO made the list; direct competitor JD.com went public raising \$1.8 billion. Seven of the ten largest IPOs were from financial services firms, compared to just one in 2013. These included three spinoffs – RBS's Citizens Financial, GE's Synchrony Financial and Santander Consumer USA – as well as the US government's offering of Ally Financial, the last two being sub-prime auto finance firms. Aside from Ally and Santander, overall performance was dragged down by Grupo Aval, which has exposure to emerging markets. Paramount Group raised \$2.3 billion to become the largest-ever REIT IPO. Only one of the top ten – IMS Health – was an LBO, down from four last year. 2014's ten largest IPOs performed below the broader average and gained 12% on average from the offer price, most of it from the first day.

Largest US IPOs					
Company	Ticker	Offer Date	Deal Size (\$mm)	Sector	Return from IPO
Alibaba Group Holding	BABA	18-Sep	\$21,767	Technology	52.9%
Citizens Financial Group	CFG	23-Sep	\$3,010	Financial	15.6%
Synchrony Financial	SYF	30-Jul	\$2,875	Financial	29.3%
Ally Financial	ALLY	9-Apr	\$2,375	Financial	-5.5%
Paramount Group	PGRE	18-Nov	\$2,293	Financial	6.2%
Santander Consumer USA	SC	22-Jan	\$1,800	Financial	-18.3%
JD.com	JD	21-May	\$1,780	Technology	21.8%
IMS Health	IMS	3-Apr	\$1,300	Business Services	28.2%
Markit	MRKT	18-Jun	\$1,283	Financial	10.1%
Grupo Aval Acciones y Valores S.A.*	AVAL	22-Sep	\$1,100	Financial	-23.0%

Source: Renaissance Capital. Includes IPOs with a market cap of at least \$50 million and excludes closed-end funds and SPACs. Data through 12/31/14. *US IPO of shares listed on a foreign exchange.



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IPO Performance Finishes Above Historical Average with 21% Returns

The record volume of IPOs in 2014 was not accompanied by last year's explosive gains. Outperformance depended on stock selection rather than a booming IPO market. The average IPO at year-end finished up 21% from the offer price, mostly from the first day. Average performance was above the 10-year mean of 15% and ahead of most major benchmarks, including the S&P 500's 11% gain. While the energy sector weighed on returns, a rally in December brought the year-end average above historical levels. Aftermarket returns were dragged down by the correction in high-multiple tech stocks in March and April, but also recovered to a healthy 7%. However, the average aftermarket return would have been 0% if not for biotech IPOs, which included nine deals that gained 100% or more after the first day. Offerings also faced more valuation pressure in 2014 than in 2013. IPOs priced 7% below the midpoint on average and 40% came to market below the proposed range, the second highest level in the past decade. Companies that refused to slash valuations or failed to generate sufficient demand postponed, which occurred in twice as many deals as last year.

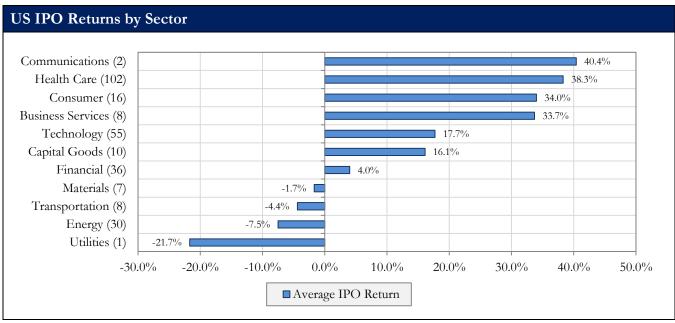
Return Statistics					
	2010	2011	2012	2013	2014
Avg. Total Return	25.1%	-9.8%	20.5%	40.8%	21.0%
Avg. First-Day Return	9.6%	10.5%	14.1%	17.3%	13.5%
Avg. Aftermarket Return	14.5%	-17.5%	5.6%	20.3%	7.2%
% Deals with Negative First-Day Return	31.8%	32.8%	18.8%	26.6%	27.3%
% Deals Priced Below the Range	41.6%	34.4%	39.8%	28.8%	40.0%





Consumer and Health Care Have Top Returns; Tech is Average and Energy Sinks

Consumer IPOs on average outperformed, led by action camera maker GoPro. The next three best-performing consumer IPOs were restaurants; fast casual concepts Zoe's Kitchen and The Habit Restaurants gained 99% and 80%, respectively. Health care's 38% return was driven by biotechs. While tech produced 55% returns in 2013, 2014 tech IPO performance was only 18%. The sector averaged 25% on the first day, but subsequently traded down 6%. Outside of Alibaba and JD.com, e-commerce IPOs such as Cnova, Wayfair and Jumei underperformed. First-quarter tech IPOs like Castlight Health, Varonis Systems, Coupons.com and Care.com received high initial demand but traded off significantly after valuation multiples contracted and they failed to meet investors' high expectations. Financial IPOs underperformed year-round. The energy sector was up over 10% on average at the end of the third quarter, but the sector sold off as oil prices took a nosedive, which also plagued several companies in the transportation and materials sectors; all three sectors underperformed with negative returns for the year.





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Biotechs Dominate List of Best and Worst Performers

Six of the top ten IPOs of 2014 were biotechs, where performance was driven by investor interest in novel treatments. Four of the top ten priced below the range and ended the first day at or below the offer price before delivering exceptional aftermarket returns. Overall, the ten averaged 32% gains on the first day but a much larger 157% in aftermarket trading.

Best-Performing US IPOs								
Company	Ticker	Offer Date	Deal Size (\$mm)	Sector	First-Day Pop	Return from IPO		
Radius Health	RDUS	5-Jun	\$52	Health Care	0.1%	386.4%		
Auspex Pharmaceuticals	ASPX	4-Feb	\$84	Health Care	30.5%	337.3%		
Kite Pharma	KITE	19-Jun	\$128	Health Care	70.6%	239.2%		
TubeMogul	TUBE	17-Jul	\$44	Technology	64.3%	222.1%		
Avalanche Biotechnologies	AAVL	30-Jul	\$102	Health Care	64.6%	217.6%		
Alder BioPharmaceuticals	ALDR	7-May	\$80	Health Care	0.3%	190.9%		
Zendesk	ZEN	14-May	\$100	Technology	49.2%	170.8%		
GoPro	GPRO	25-Jun	\$427	Consumer	30.6%	163.4%		
Immune Design	IMDZ	23-Jul	\$60	Health Care	0.4%	156.5%		
TrueCar	TRUE	15-May	\$70	Technology	11.8%	154.4%		

Source: Renaissance Capital. Includes IPOs with a market cap of at least \$50 million and excludes closed-end funds and SPACs. Data through 12/31/14.

This year's worst performers were primarily small health care and technology companies operating in competitive spaces. Energy firms sold off significantly as oil and gas prices plummeted late in the year. Malaysian e-payment provider MOL Global had the worst first day of any IPO in the past 10 years, and it and A10 Networks sunk after failing to meet earnings projections.

Worst-Performing US IPOs								
Company	Ticker	Offer Date	Deal Size (\$mm)	Sector	First-Day Pop	Return from IPO		
Amedica	AMDA	12-Feb	\$20	Health Care	-6.3%	-86.1%		
North Atlantic Drilling	NADL	28-Jan	\$125	Energy	-7.7%	-82.4%		
MOL Global	MOLG	8-Oct	\$169	Financial	-34.9%	-75.6%		
Eclipse Resources	ECR	19-Jun	\$818	Energy	-4.6%	-74.0%		
A10 Networks	ATEN	20-Mar	\$188	Technology	8.1%	-70.9%		
CHC Group	HELI	16-Jan	\$310	Transportation	-2.0%	-67.8%		
Viggle	VGGL	24-Apr	\$35	Technology	-28.1%	-67.0%		
Sysorex Global Holdings	SYRX	9-Apr	\$20	Technology	-2.0%	-66.0%		
Recro Pharma	REPH	6-Mar	\$30	Health Care	3.8%	-64.3%		
Roka Bioscience	ROKA	16-Jul	\$60	Health Care	0.0%	-63.3%		





Strong Biotech Issuance Accelerates and Makes Up One-Fourth of Deal Flow

The biotech market increased its already-elevated pace in 2014 with 71 offerings, a 92% increase over last year and six times more than the historical average. One in every four deals this year was a biotech; each month saw at least three go public. The surge has been fueled by new methods of drug discovery, a streamlined FDA approval process, a large amount of dedicated venture capital and higher risk tolerance among investors. That risk tolerance paid off as the sector averaged 14% on the first day and 27% thereon, making it the best performing segment in the aftermarket.

Like the broader 2014 IPO market, biotechs faced higher valuation pressure than last year. 45% priced below the range, 7 percentage points higher than 2013 but still below the historical average. Between 2007 and 2012, no biotech IPO priced above the range, but there were five in 2013 and eight this year. Insiders are increasingly purchasing shares on biotech offerings; 77% had insider buying in 2014 compared to less than half last year. Biotech IPOs could continue to make a strong showing in 2015 based on their consistent outperformance; the average 2013 biotech trades 118% above the offer price and the 2014 cohort is up 41%.



Private Equity Maintains Multi-Year High

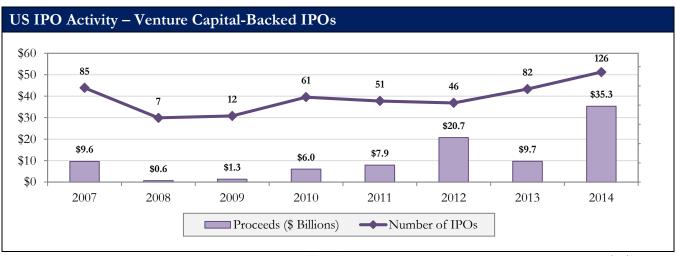
Private equity IPOs also had a record year with 71 PE-backed deals raising \$25 billion. The average PE deal gained 13% with an average first day pop of 9%, and three raised over \$1 billion. Of this group, 40 were growth equity IPOs and 31 were lower growth LBOs. Top-performing LBOs included Dave & Buster's (+71%), ServiceMaster (+57%) and Michaels (+45%) and the largest were TPG's IMS Health (\$1.3 billion) and Carlyle's Axalta (\$975 million). Growth equity featured high flying stocks like Zoe's Kitchen (+99%), TriNet (+96%) and Virgin America (+88%).



Source: Renaissance Capital. Includes IPOs with a market cap of at least \$50 million and excludes closed-end funds and SPACs. Data through 12/31/14.

Venture Capital Offers Alibaba and Biotechs

Driven by record biotech issuance and the size of Alibaba's massive IPO, venture capital-backed offerings reached a post-2000 high of 126 deals raising \$35 billion in proceeds. Alibaba surpassed Facebook as the largest VC-backed IPO in history, and its \$22 billion IPO returned 53% by the end of the year. Total proceeds would have risen 40% without Alibaba. The average venture-backed deal gained 32%; VC was behind 22 of the 28 companies that doubled their offer prices, and 9 of the 19 that dropped by more than half.



Source: Renaissance Capital. Includes IPOs with a market cap of at least \$50 million and excludes closed-end funds and SPACs. Data through 12/31/14.

About Renaissance Capital

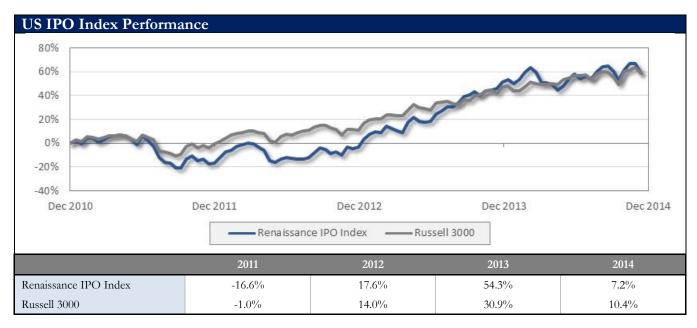
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Positive IPO Index Returns Dragged Down by Energy Sector, Lag Benchmark in 2014

The Renaissance IPO Index (IPOUSA), a measure of post-IPO performance and the benchmark index for the Renaissance IPO ETF (IPO), underperformed domestic equity benchmarks with a 7.2% return in 2014 (Russell 3000: 10.4%). Index returns were dragged down by poor-performing energy stocks, such as Marcellus Shale based E&P firm Antero Resources (AR; -36%) and offshore drilling company Seadrill Partners (SDLP; -48%). However, the index benefited from strong contributions from the Health Care and Information Technology sectors. Strong performers in these sectors included Pfizer animal health spinoff Zoetis (ZTS; +32%), the world's largest CRO provider Quintiles Transnational (Q; +27%), next generation firewall provider Palo Alto Networks (PANW; +113%) and IT product reseller CDW Corp (CDW; +51%).



Source: Renaissance Capital. Note: The Renaissance IPO Index represents a rolling two-year population of newly public companies included after the first day of trading and weighted by float adjusted market cap. Data through 12/31/14.



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Large Backlog Supports Another Year of 200+ IPOs in 2015

A 14-year record for IPO pricings was matched by a strong increase in filing activity. Overall, there were 369 initial filings in 2014, 44% more than the 256 in 2013. The official US pipeline currently consists of 123 companies seeking to raise \$22.2 billion, including 85 companies that have submitted filings within the last 90 days, excluding confidential filers.

Our Private Company Watchlist has grown to 259 companies, including 35 that are known to have either confidentially filed or selected banks for an IPO. Technology companies account for more than 80% of the list and include some familiar names like Uber, Airbnb, Spotify and Dropbox. GoDaddy, Box, and Good Technology all submitted initial filings in the first half of 2014 but decided to delay to 2015 due to periods of volatility for tech stocks.

Notable Upcoming Technology IPOs							
Company	Business	Est. Sales	Est. Funding	Deal Status	Industry		
Airbnb	Global network of accommodations offered by locals.	\$250	\$776	Discussions	Internet-Portal		
Box	Web-based cloud storage provider.	\$193	\$494	Filed	Internet-Software		
Dropbox	Web-based cloud storage provider.	\$200	\$507	Discussions	Computers-Internet		
GoDaddy	Provides web registration and hosting services.	\$1,322	n/a	Filed	Computers-Internet		
Good Technology	Provides mobile device management to enterprises.	\$174	\$122	Filed	Internet-Software		
Jasper	Wireless platform for the machine-to-machine market.	n/a	\$205	Selected Banks	Computers-Systems		
Line	Japanese messaging app.	\$338	n/a	Conf. Filing	Internet-Software		
Outbrain	Ad platform that provides content recommendations.	\$100	\$99	Conf. Filing	Internet-Software		
Palantir Technologies	Data analytics platform.	\$450	\$850	Discussions	Computers-Software		
Spotify	Subscription-based music streaming service.	\$650	\$932	Discussions	Internet-Content		
Uber	On-demand transportation app.	\$2,000	\$2,700	Discussions	Internet-Service		
Yext	Keeps small business info up to date across the web.	\$55	\$116	Discussions	Internet-Software		
Yodle	Online marketing platform for small businesses.	\$172	\$43	Filed	Internet-Software		

Source: Renaissance Capital. All \$ are in millions.



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Restaurant IPOs were highly successful in 2014, with five deals gaining about 58% on average, and restaurants make up nearly half of our list of upcoming consumer IPOs. Two of the companies, Shake Shack and Smashburger, are small burger chains that should be encouraged by the performance of The Habit Restaurants (120% first-day return).

Notable Upcoming Consumer IPOs							
Company	Business	Est. Sales	Deal Status	Industry			
Blue Buffalo	Largest maker of all natural dog and cat food.	\$600	Discussions	Misc Products			
Floor & Décor	Hard surface retailer with 45 warehouse-style locations.	\$539	Filed	Building Products			
Fogo de Chão	Brazilian steakhouse chain.	n/a	Discussions	Restaurants			
J. Alexander's	PE-backed operator of 40 full-service steak restaurants.	\$199	Filed	Restaurants			
Party City	Vertically integrated party supply retailer.	\$2,077	Filed	Retail-Misc.			
Performance Food Group	Third largest US foodservice distributor.	\$13,686	Filed	Wholesale-Food			
Relativity Media	Movie and television production company.	n/a	Discussions	Movies			
Roku	Produces streaming media set-top boxes.	\$190	Discussions	Electronics			
Shake Shack	Fast casual burger chain with over 50 locations.	\$62	Filed	Restaurants			
Smashburger	Fast casual burger chain with over 250 locations.	\$350	Discussions	Restaurants			

Source: Renaissance Capital. All \$ are in millions.

Renaissance

Several large spinoffs and LBOs are poised to go public in 2015. ATD and Univar have already filed for IPOs that should raise at least \$500 million. McGraw-Hill Education, a spinoff of McGraw-Hill Financial, is a peer of Houghton Mifflin, which is up more than 70% since going public in late 2013. KKR's First Data, one of the largest LBOs on our Watchlist, has reportedly been in discussions with banks to go public and restructure its debt, setting the stage for a 2015 return to public markets. Additionally, Fiat Chrysler publicly announced its plans to spin off Ferrari through an upcoming IPO.

Other Notable Upcoming IPOs							
Company	Business	Est. Sales	Deal Status	Industry			
Ardagh Group	Glass and metal container products manufacturer.	\$5,300	Discussions	Materials			
ATD	North America's largest tire distributor.	\$4,724	Filed	Capital Goods			
iHeartMedia	Largest US radio station owner and operator.	\$6,229	Discussions	Communications			
Ferrari	Luxury sports car manufacturer spun out of Fiat Chrysler.	n/a	Discussions	Capital Goods			
First Data	Electronic payment processing for financial institutions.	\$10,707	Discussions	Financial			
McGraw-Hill Education	Academic publisher spun out of McGraw-Hill Financial.	\$2,050	Discussions	Business Services			
Square	Mobile payment service.	\$250	Discussions	Financial			
Univar	Leading chemicals distributor LBO'd by CVC and CD&R.	\$10,406	Filed	Chemicals			
Univision	US-based Spanish language media company.	\$2,218	Selected Banks	Communications			
Virtu Financial	High-frequency electronic trading.	\$665	Filed	Financial			

Source: Renaissance Capital. All \$ are in millions.



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Outlook

The stock market's impressive gains last year paved the way for 2014 to set a 14-year record for IPO volume and proceeds raised, propelled by a spike in biotech issuance and Alibaba's massive offering. Overall positive returns and a large pipeline suggest that consistent deal flow should continue into 2015, tempered by disciplined pricing. The IPO backlog has also been supported by an active year of private fundraising, and well-known tech companies like Spotify and Uber may initiate offerings. While IPOs in 2015 will have to grapple with a Fed ready to raise interest rates, a depressed energy sector and concerns over economic growth abroad, the US IPO market proved its resiliency this year, and has the potential to create another post-2000 record.