

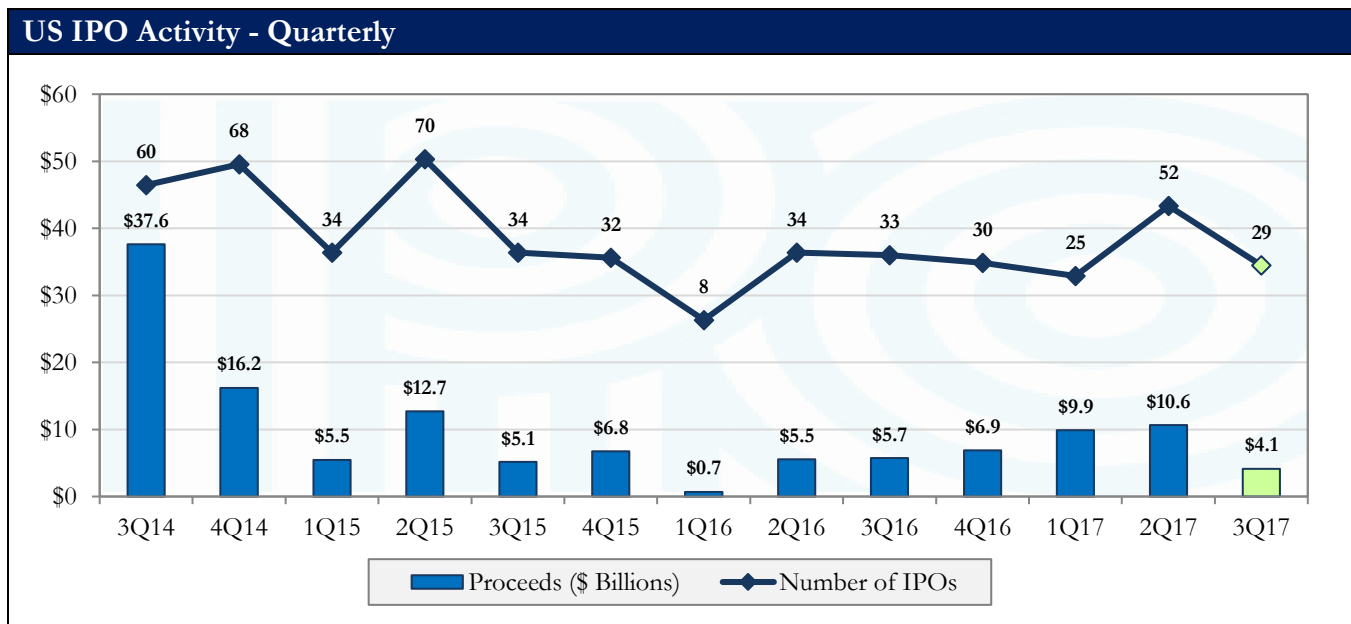
September 29, 2017

IPO Market Enters Fourth Quarter with the Wind at its Back

The US IPO market saw 29 IPOs raise \$4.1 billion in the third quarter, a drop from the prior year period. Small-cap health care companies, mostly biotech, made up almost half of all IPOs. Technology IPOs fell by 70%. Private equity brought few large offerings, and quarterly proceeds settled to the lowest level in six quarters. While activity was low, returns were extraordinarily high, as the average deal gained 36%. After a slow summer, the quarter gained momentum post-Labor Day. Almost half of the 29 IPOs came in the final two weeks of the quarter. In stark contrast to the 2Q17 that ended with two high-profile tech flops, the 3Q ended with TV-streaming platform Roku rocketing 90%, confirming there is still demand for high-growth tech stocks. Monthly filings hit a two-year high in September, and technology is now the largest component of IPOs on file, with CarGurus, MongoDB and a few large Asian offerings set to kick off the 4Q17 deal calendar. Despite companies pushing back their IPO plans in the 3Q, the 2017 IPO count (106) has already eclipsed 2016 (105) with a quarter left to go.

Key Takeaways:

- 2017 IPO Market Has Already Surpassed 2016
- Average IPO Gains 36%, with Biotech Driving Returns
- Almost Half of Quarterly IPOs Are Health Care
- No Billion-Dollar IPOs
- Private Equity and Venture Capital Tech Push Out Their Deals
- September Momentum Should Continue in the Fourth Quarter



Source: Renaissance Capital. Data includes IPOs with a market cap of at least \$50 million and excludes closed-end funds and SPACs.

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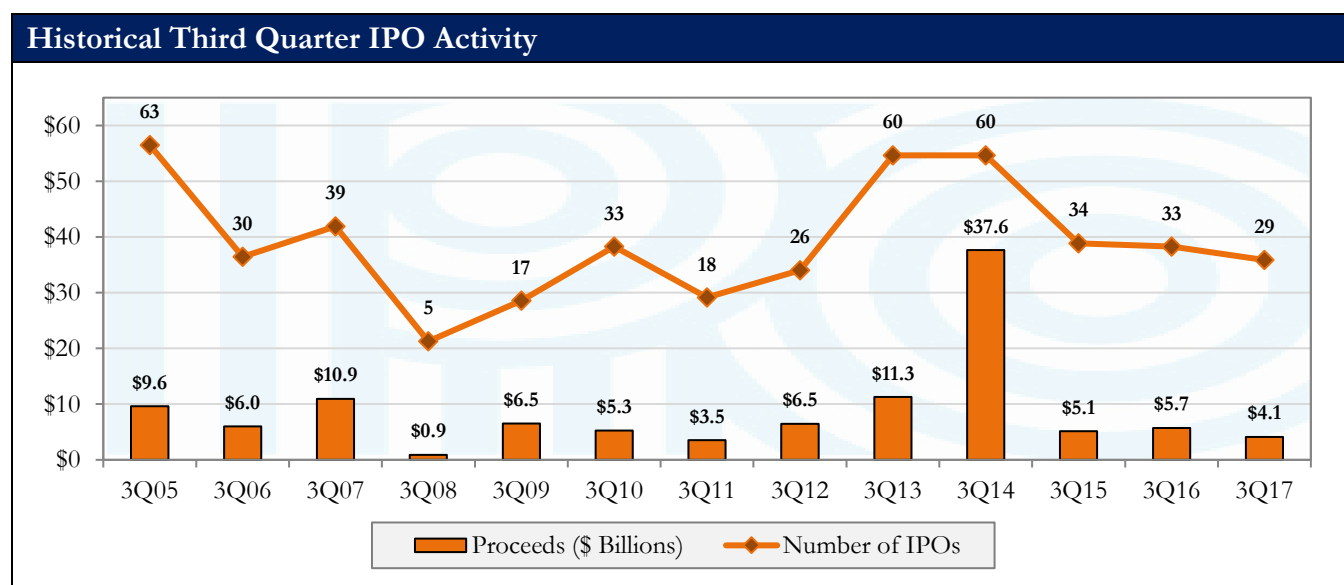
29 IPOs Raise \$4.1 Billion

Key US IPO Statistics - Activity					
IPO Volume	3Q 2016	4Q 2016	1Q 2017	2Q 2017	3Q 2017
Number of Deals	33	30	25	52	29
Proceeds Raised (US\$ in mil)	\$5,714	\$6,883	\$9,876	\$10,639	\$4,128
Median Deal Size (US\$ in mil)	\$90	\$117	\$190	\$112	\$100
PE-Backed Deals	10	11	12	15	7
PE-Backed Proceeds (US\$ in mil)	\$2,151	\$3,797	\$5,110	\$5,145	\$1,429
VC-Backed Deals	13	10	8	16	13
VC-Backed Proceeds (US\$ in mil)	\$1,124	\$1,010	\$4,088	\$1,791	\$1,747

Source: Renaissance Capital.

The IPO market recovery that started in the first half slowed for most of the third quarter. The quarter's 29 IPOs raised \$4.1 billion, a 28% decline in proceeds from the 3Q16. In the eight years since the financial crisis, only two quarters have raised less capital (3Q11, 1Q16). Few large companies went public, with private equity activity just half of the 2Q17. The median deal size fell to \$100 million, driven by a high number of small-cap biotechs. The tech sector fell dramatically, which cut into venture exits. Just 19 US-based companies went public. Five Chinese companies IPO'd in the US, up from two in the entire first half.

The 3Q17 was the slowest third quarter of the past five years, and below the 10-year average of 33 IPOs. Activity continued to be impacted by weakness in certain sectors, such as retail and energy, while tech companies chose to remain private hoping for higher valuations. Rather than indicating a weak IPO market, we believe the slow 3Q17 only means that more deals will come in the 4Q17 and 2018, particularly from the tech sector.



Source: Renaissance Capital.

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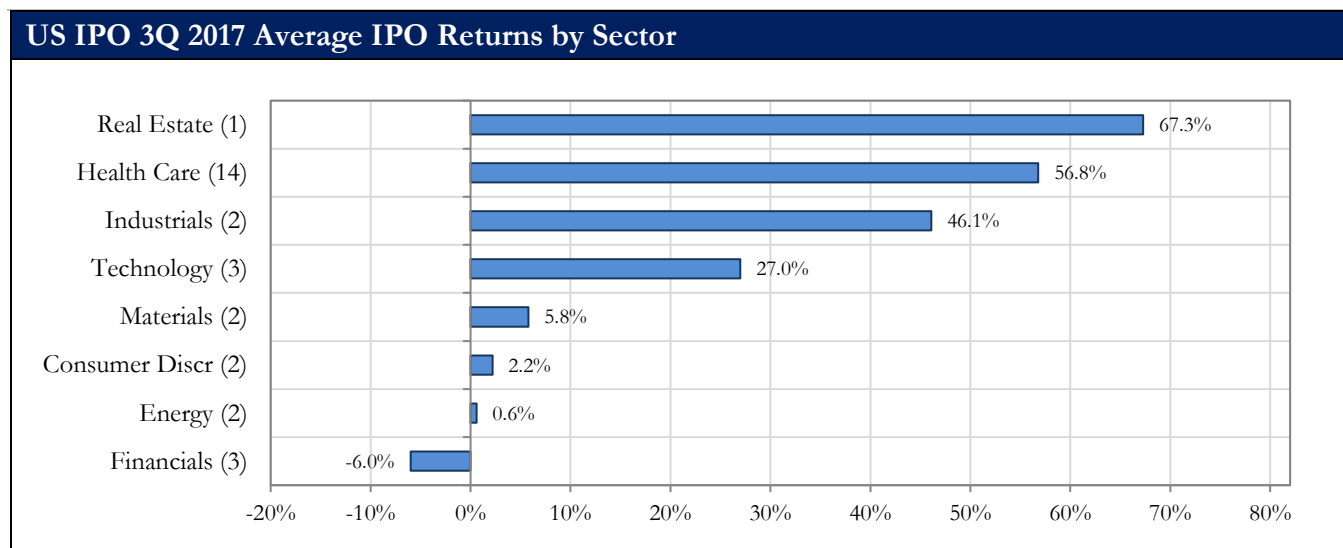
Average IPO Gains 36%, with Biotech Driving Returns

Key US IPO Statistics - Performance					
IPO Performance	3Q 2016	4Q 2016	1Q 2017	2Q 2017	3Q 2017
Avg. US IPO Return	40.5%	12.5%	10.9%	11.2%	35.7%
Avg. First-Day Return	21.2%	5.9%	8.1%	7.9%	19.5%
Avg. Aftermarket Return	16.8%	7.0%	2.5%	3.3%	13.1%
Renaissance IPO Index	9.4%	-2.0%	11.8%	8.0%	6.1%
S&P 500	3.3%	3.3%	5.5%	2.6%	4.0%
Russell 3000	3.9%	3.7%	5.2%	2.5%	4.2%
% Deals Priced Below the Range	21.2%	40.0%	24.0%	26.9%	27.6%
% Deals with Negative First-Day Return	12.1%	36.7%	20.0%	25.0%	31.0%
% Trading Above Issue at Quarter Close	93.9%	66.7%	72.0%	67.3%	72.4%

Source: Renaissance Capital. Current quarter returns as of 9/29/2017. Aftermarket shows return from end-of-day trading on IPO to 9/29 close.

Average IPO returns spiked to 36%. After three quarters of muted first-day returns, the average pop doubled to 19%, driven up by biotech IPOs. Aftermarket returns improved to an impressive 13%, due to strong rallies from Calyxt and Akcea. Excluding them, total return would have been 22% with an aftermarket gain of 2%. Despite strong returns throughout the quarter, only two IPOs priced above the proposed range.

Returns varied by sector, but high-flying biotech IPOs propelled health care to a 57% average return. Only one of the ten biotech IPOs ended the quarter below the offer price. Other sectors had low activity, making it difficult to draw conclusions from performance. Positive trading from Roku and Redfin indicate that investors are still willing to pay for the right growth story. Energy IPOs continued to disappoint. All three financial IPOs finished the quarter below issue, including two commercial mortgage REITs.



Source: Renaissance Capital. Based on offer price to 9/29/2017 closing price.

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Health Care Sector Makes Up Almost Half of Quarterly IPOs

Various sectors came public in the third quarter, but health care represented almost half of all IPOs, driven by biotechs that continued to be supported by heavy insider buying. Technology exits plunged 75% from the prior quarter to just three IPOs, only one of which was a US company (Roku). The valuation-sensitive environment likely motivated tech companies to push back IPO plans to the 4Q17 and 2018. Two chemicals manufacturers went public, making materials the only sector that did not decline from the 2Q, which corresponded with a broader run-up in materials stocks. The financials sector dropped to three deals, including one regional bank and two mortgage REITs. Energy IPOs fell to their lowest level in a year, on hold until oil prices improve. The consumer discretionary continued to be hampered by a weak retail environment. Both companies from the industrials sector were Chinese.

IPOs and Proceeds by Sector (US\$ Billion)															
Sector	3Q 2016			4Q 2016			1Q 2017			2Q 2017			3Q 2017		
	#	\$	% of IPOs	#	\$	% of IPOs	#	\$	% of IPOs	#	\$	% of IPOs	#	\$	% of IPOs
Health Care	11	\$1.3	33%	8	\$0.6	27%	4	\$0.3	16%	14	\$1.0	27%	14	\$1.2	48%
Technology	10	\$1.5	30%	7	\$1.0	23%	4	\$4.0	16%	12	\$1.5	23%	3	\$0.7	10%
Financials	5	\$1.0	15%	1	\$1.1	3%	2	\$0.2	8%	8	\$0.9	15%	3	\$0.4	10%
Materials	-	-	-	2	\$0.1	7%	1	\$0.3	4%	-	-	-	2	\$1.0	7%
Industrials	2	\$0.7	6%	5	\$2.2	17%	3	\$1.0	12%	5	\$2.1	10%	2	\$0.5	7%
Energy	1	\$0.3	3%	3	\$1.2	10%	5	\$1.5	20%	6	\$1.9	12%	2	\$0.2	7%
Consumer Discr	1	\$0.1	3%	2	\$0.6	7%	3	\$0.9	12%	2	\$0.3	4%	2	\$0.2	7%
Real Estate	1	\$0.2	3%	1	\$0.1	3%	2	\$1.6	8%	3	\$0.6	6%	1	\$0.1	3%
Consumer Staples	2	\$0.5	6%	-	-	-	1	\$0.0	4%	-	-	-	-	-	-
Telecom	-	-	-	-	-	-	-	-	-	2	\$2.2	4%	-	-	-
Utilities	-	-	-	1	\$0.1	3%	-	-	-	-	-	-	-	-	-

Source: Renaissance Capital.

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No Billion-Dollar IPOs

No IPOs came close to raising \$1 billion in the third quarter. The ten largest raised a combined \$2.7 billion, down 38% from the prior quarter and 28% less proceeds than the ten largest in the 3Q16. The biggest deals came from various sectors, partly due to the decline in energy and industrial sectors. The two largest IPOs were specialty chemicals producers that combined raised over 25% of the quarter's proceeds. These included the quarter's sole LBO, PQ Group, and Huntsman spin-off Venator Materials. Three of the largest IPOs came out of China. Alibaba-backed delivery company Best had originally filed to raise \$1 billion, but ended up raising less than half that amount. A new rule from the SEC opened confidential review to large filers, which may have caused them to adjust the timing of their IPOs. If we included blank check companies, five would have appeared among the quarter's 10 largest IPOs, including a \$600 million offering from unicorn acquirer Social Capital Hedosophia.

Largest US IPOs						
Company	Ticker	Offer Date	Deal Size (\$mm)	Sector	First-Day Pop	Return from IPO
PQ Group Holdings	PQG	28-Sep	\$508	Materials	-1.4%	-1.4%
Venator Materials	VNTR	2-Aug	\$454	Materials	3.3%	13.0%
Best	BSII	19-Sep	\$450	Industrials	5.2%	19.7%
Despegar.com	DESP	19-Sep	\$332	Technology	22.2%	23.1%
TPG RE Finance Trust	TRTX	19-Jul	\$220	Financials	-2.1%	-1.2%
Roku	ROKU	27-Sep	\$219	Technology	67.9%	89.6%
Zai Lab	ZLAB	20-Sep	\$150	Health Care	55.2%	50.0%
RYB Education	RYB	26-Sep	\$144	Consumer Disc.	40.0%	54.1%
Redfin	RDFN	27-Jul	\$138	Real Estate	44.7%	67.3%
Oasis Midstream Partners LP	OMP	20-Sep	\$128	Energy	-1.5%	-0.2%

Source: Renaissance Capital. Returns as of 9/29/2017.

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Health Care Dominates Best Performers

The quarter's best-performing IPOs were mostly development-stage biotechs. The top ten averaged a stellar 90% return, including an average first-day pop of 39%. Nine of the top ten popped 20% or more on day one, and most traded up from there. The top two IPOs, both spun out of public biotechs, slashed their proposed valuations and surged over 200%.

Best-Performing US IPOs						
Company	Ticker	Offer Date	Deal Size (\$mm)	Sector	First-Day Pop	Return from IPO
Akcea Therapeutics	AKCA	13-Jul	\$125	Health Care	18.5%	245.9%
Calyxt	CLXT	19-Jul	\$56	Health Care	40.6%	206.1%
Roku	ROKU	27-Sep	\$219	Technology	67.9%	89.6%
Newater Technology	NEWA	28-Jul	\$7	Industrials	78.6%	72.4%
PetIQ	PETQ	20-Jul	\$100	Health Care	45.8%	69.3%
Redfin	RDFN	27-Jul	\$138	Real Estate	44.7%	67.3%
RYB Education	RYB	26-Sep	\$144	Consumer Discr	40.0%	54.1%
Kala Pharmaceuticals	KALA	19-Jul	\$90	Health Care	23.3%	52.3%
Zai Lab	ZLAB	20-Sep	\$150	Health Care	55.2%	50.0%
Sienna Biopharmaceuticals	SNNA	26-Jul	\$65	Health Care	28.3%	48.3%

Source: Renaissance Capital. Returns as of 9/29/2017.

Just three IPOs had significant losses. YogaWorks became the only publicly-traded yoga studio when it priced below the range, and its 50% decline made it the quarter's worst-performing IPO. Online luxury retailer Secoo priced above the midpoint before having the worst first-day for a Chinese company in almost seven years. With the oil recovery still in flux, both energy IPOs were in the bottom 10. The three financials IPOs also underperformed.

Worst-Performing US IPOs						
Company	Ticker	Offer Date	Deal Size (\$mm)	Sector	First-Day Pop	Return from IPO
YogaWorks	YOGA	10-Aug	\$40	Consumer Discr	-11.8%	-49.6%
Secoo	SECO	21-Sep	\$111	Technology	-23.1%	-31.5%
Tremont Mortgage Trust	TRMT	13-Sep	\$50	Financials	-13.6%	-16.5%
PQ Group Holdings	PQG	28-Sep	\$508	Materials	-1.4%	-1.4%
TPG RE Finance Trust	TRTX	19-Jul	\$220	Financials	-2.1%	-1.2%
RBB Bancorp	RBB	25-Jul	\$86	Financials	1.5%	-0.5%
Krystal Biotech	KRYS	19-Sep	\$40	Health Care	6.4%	-0.3%
Oasis Midstream Partners LP	OMP	20-Sep	\$128	Energy	-1.5%	-0.2%
Ranger Energy Services	RNGR	10-Aug	\$85	Energy	-1.9%	1.4%
Co-Diagnostics	CODX	12-Jul	\$7	Health Care	-3.2%	4.2%

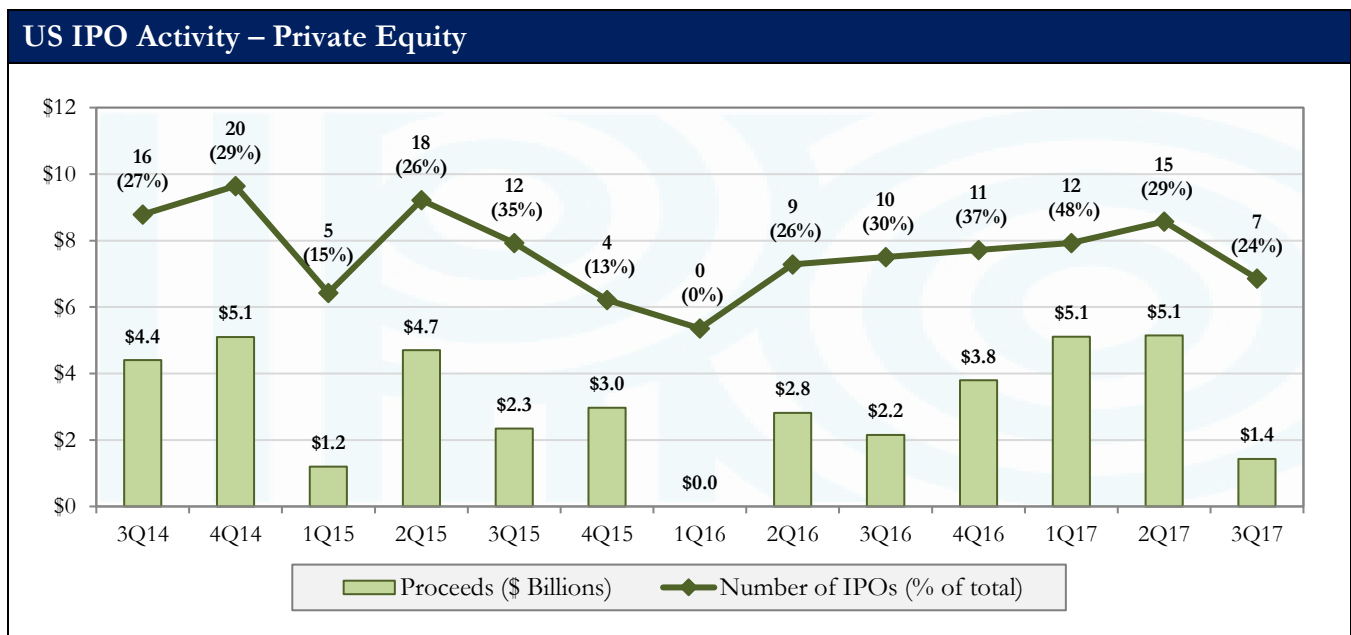
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Private Equity Activity Drops

After hitting multi-year highs in the second quarter, private equity-backed IPOs fell drastically to just seven deals. PE-backed IPOs raised \$1.4 billion; only two quarters have raised less since the end of the financial crisis. The seven deals represented a wide variety of sectors. Chemicals producer PQ Group was the sole LBO to seek public markets, down from six LBOs in the 2Q17. Turbulence in the energy sector explains some of the decline. The average return was 14%, and top performers included pet drug maker PetIQ (up 69%), China-based RYB Education (+54%) and Tiger Global's Latin American OTA Despegar.com (23%). Each had a strong secular growth angle and carried low debt. Returns were dragged down by the quarter's worst-performing IPO, YogaWorks.



Source: Renaissance Capital.

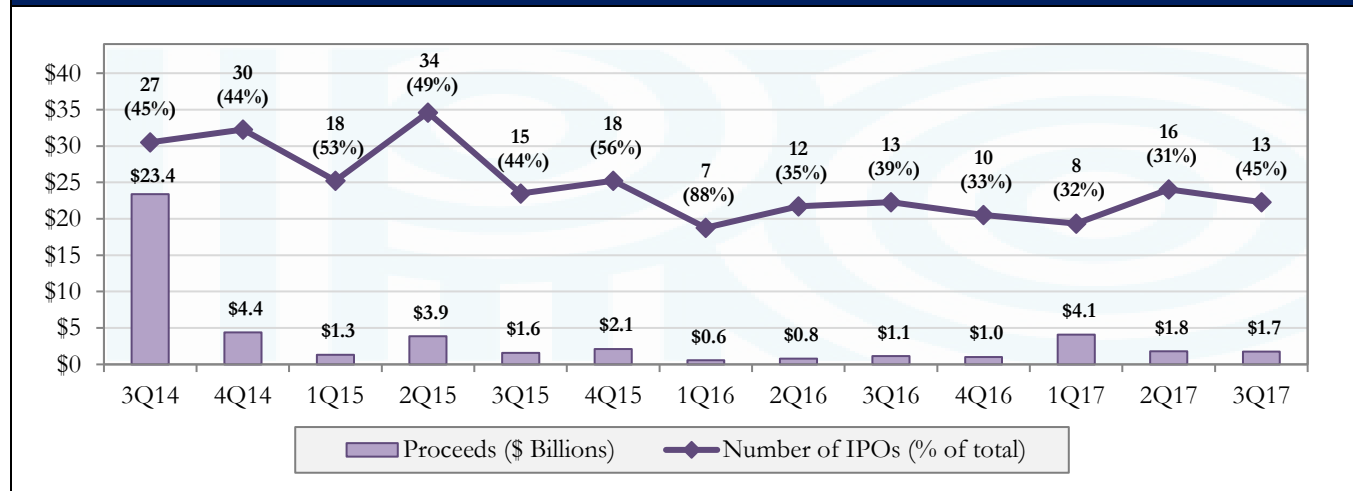
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Venture Capital Keeps Tech Private

Venture capital had 13 IPO exits, raising \$1.7 billion. Activity was in line with the prior year period and down from the 2Q17. Most were development-stage health care companies, and venture brought just two tech companies public. The average deal gained 32%, and 12 of the 13 ended the quarter with a positive return. US tech IPO Roku had the group's best performance, up 90%, while Chinese tech offering Secoo had the worst, down 32%. Chinese delivery company Best represented one quarter of venture proceeds.

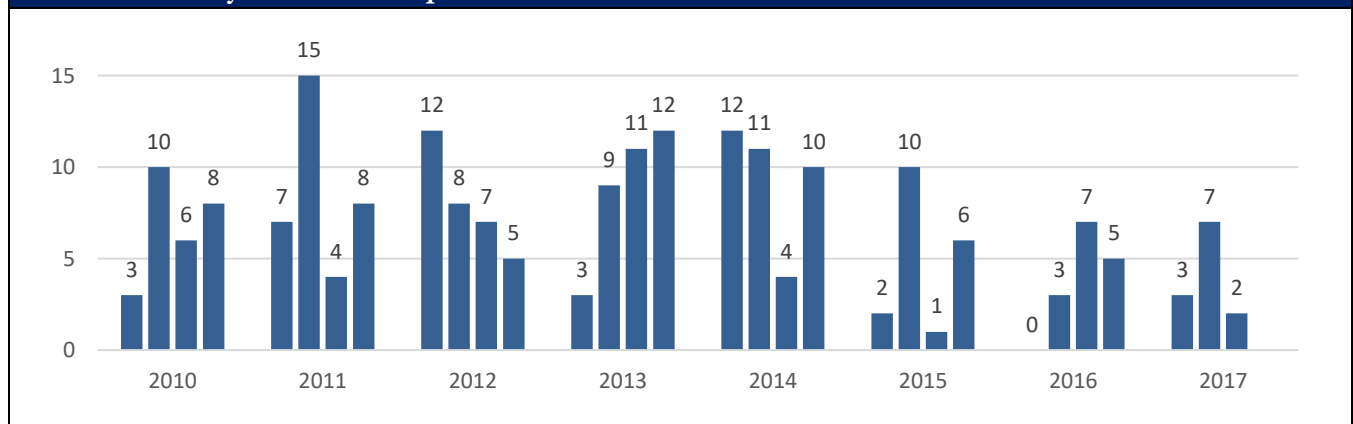
US IPO Activity – Venture Capital



Source: Renaissance Capital.

Just two VC-backed tech companies IPO'd in the 3Q17 raising \$330 million, fewer than each of the past five quarters. Just as many SPACs went public specifically targeting VC-backed tech acquisitions, and the SPACs raised twice as much. Poor trading from 1H17 IPOs Blue Apron (-46% from IPO) and Snap (-14%) may have soured investors on new highly-valued tech stocks, but Roku's well-received offering and MongoDB's initial filing indicate that VC activity could soon pick up.

US IPO Activity – Venture Capital Tech



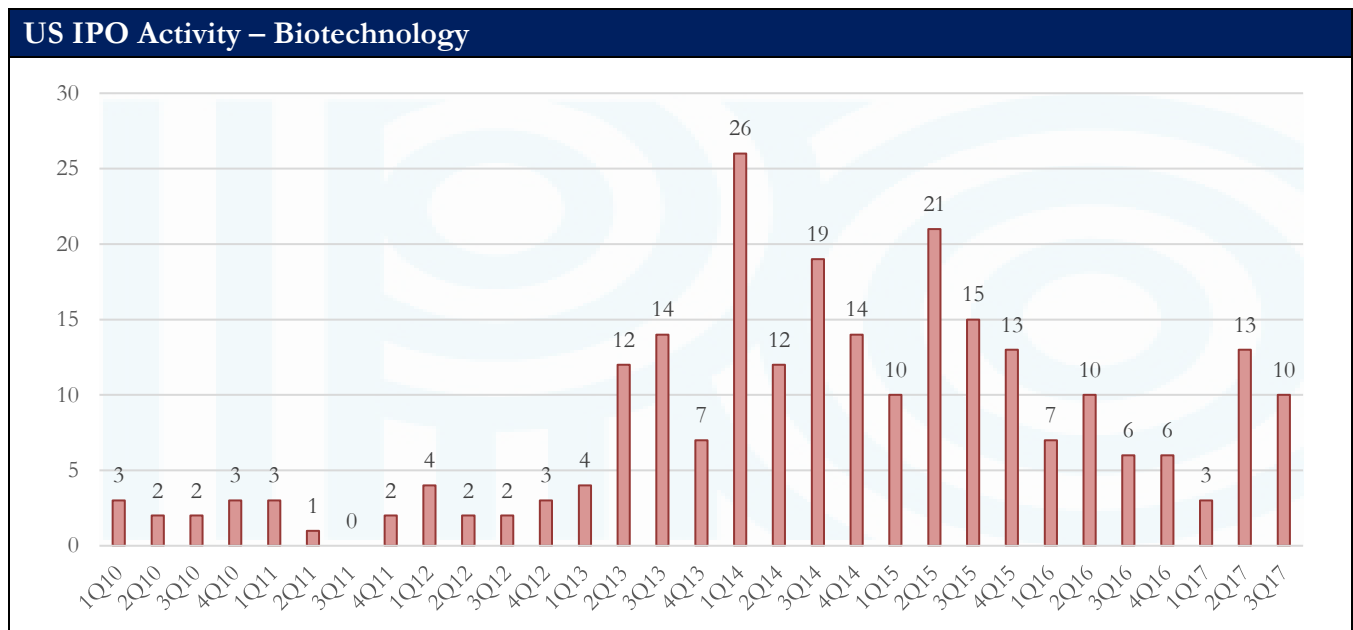
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Biotech IPOs Are Back

One in three IPOs this quarter was a biotech. After hitting a four-year low in the 1Q17, biotechs rebounded in the second quarter and remained active in the third. The quarter’s ten biotech IPOs averaged a return of 69%. Nine posted double-digit gains, and one ended the quarter about flat. Only two of the ten priced below the midpoint, and those went on to become the year’s best-performing deals. The average return for all 2017 biotech IPOs was 46% at quarter-end, with 19 of the 26 deals (73%) trading above issue. In addition to promising clinical results and M&A interest, an important regulatory milestone was reached in August when the FDA approved a gene therapy for the first time. At quarter-end, three biotech IPOs were on file for likely 4Q17 launches.



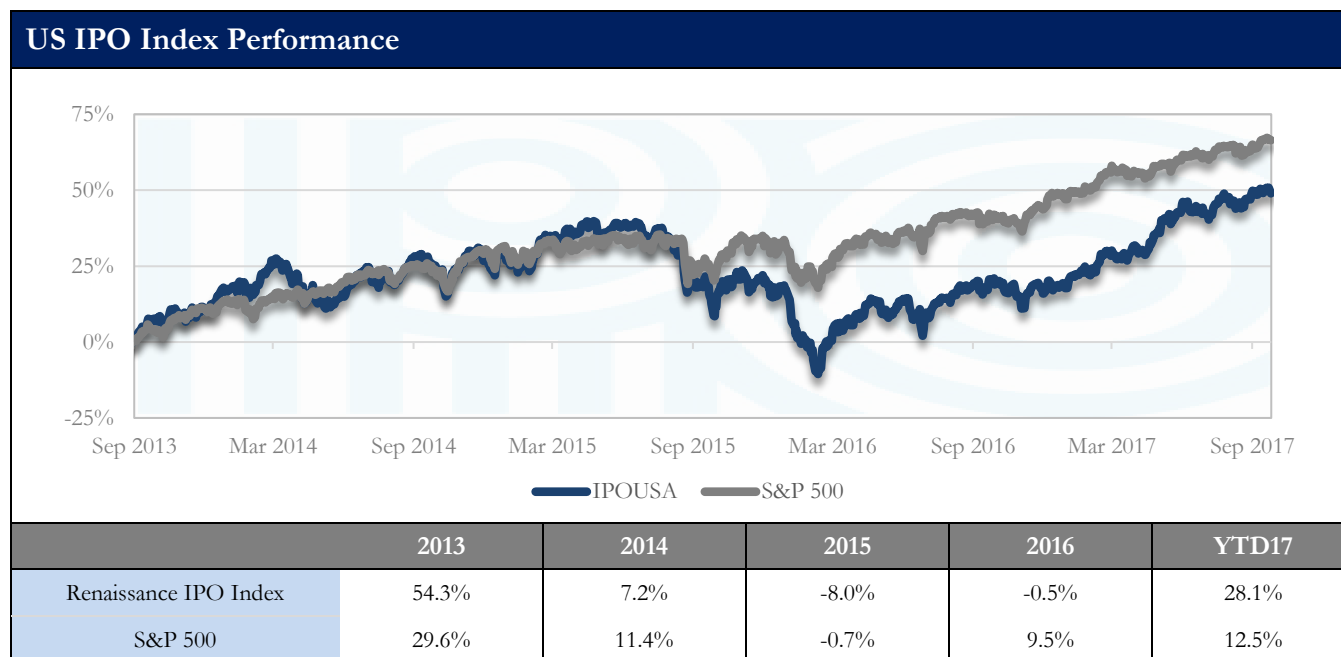
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US IPO Index Continues to Outperform in the 3Q17

The [Renaissance IPO Index \(IPOUSA\)](#), the underlying index for the [Renaissance IPO ETF \(NYSE Ticker: IPO\)](#), outperformed domestic equity benchmarks with a 6.1% quarterly return compared to the S&P 500's 4.0% gain. The Consumer Discretionary and Financials sectors were the index's strongest. Notable contributors to outperformance included Italian luxury sports car manufacturer Ferrari (RACE; +28%), payment processor Square (SQ; +23%) and fixed annuities provider Athene (ATH; +9%). In its third quarterly rebalance of the year, the index added Chinese cancer biotech BeiGene (BGNE).



Note: The Renaissance IPO Index Series represents a rolling two-year population of newly public companies weighted by float adjusted market cap. Data as of September 27, 2017.

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A Surge of September Filings Builds the IPO Pipeline

There were 49 new IPO filings in the 3Q17, outstripping the 29 pricings and an improvement over the prior year period (40). Most of the quarter's filings were in September, signaling a strong start for the fourth quarter. Based on recent filings, the 4Q17 should see a return of larger deals and tech companies. The IPO pipeline now contains 77 companies looking to raise \$21 billion, including 47 that have filed or updated in the past 90 days. By sector, this "active pipeline" is mostly technology (11), health care (8), energy (8) and materials (5). Data center operator Switch kicks off the 4Q17 planning to raise \$469 million in the largest tech IPO since Snap, with CarGurus in mid-October. Six other recent filers could raise \$500 million or more, compared to just one deal in the 3Q.

Notable Upcoming IPOs							
File Date	Company	Ticker	Industry	Deal Size (\$mm)	LTM Sales (\$mm)	YoY Sales Growth %	EBIT %
09/22/17	Sea	SE	Technology	\$1,000	\$374	18%	-77%
05/04/17	Advantage Solutions	ADV	Industrials	\$800*	\$2,150	11%	10%
09/18/17	Qudian	QD	Financials	\$750	\$442	514%	59%
09/21/17	Nexa Resources (Votorantim)	NEXA	Materials	\$750*	\$2,136	5%	9%
09/05/17	Loma Negra	LOMA	Materials	\$500*	\$708	68%	19%
09/11/17	BP Midstream Partners LP	BPMP	Energy	\$500*	\$98	-4%	70%
09/08/17	Switch	SWCH	Technology	\$469	\$345	20%	17%
09/11/17	Cañuelas Mill	MOLC	Consumer Staples	\$250*	\$1,795	46%	6%
05/09/17	US LBM Holdings	LBM	Industrials	\$250*	\$2,899	37%	2%
06/21/17	Vencore Holding	VNCR	Technology	\$250	\$1,157	0%	7%
09/08/17	MPM Holdings	MPMH	Materials	\$200	\$2,249	-2%	-2%
09/22/17	RISE Education	REDU	Consumer Discr	\$200*	\$123	34%	-16%
09/21/17	MongoDB	MDB	Technology	\$150*	\$124	55%	-70%
09/15/17	CarGurus	CARG	Technology	\$100	\$257	101%	8%
07/10/17	Torrid	CURV	Consumer Discr	\$100	\$686	45%	-3%

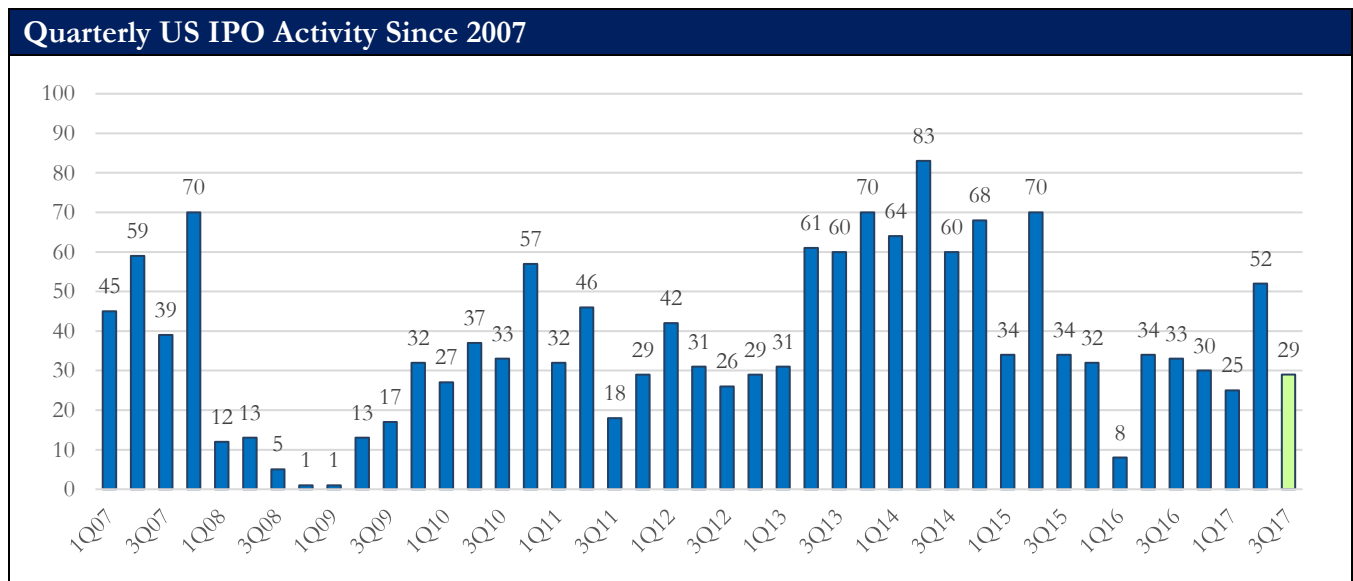
Source: Renaissance Capital. *Deal size is RC estimate.

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Outlook

We currently expect more than 50 IPOs in the fourth quarter, putting 2017 on track for over 150 deals raising \$35 billion. After a slow summer, the IPO market has quickly become more active. A surge of new deals priced at the end of the quarter, and monthly filings hit a two-year high in September. Investors are largely dictating terms, resulting in strong returns. The broader equity market's all-time highs also put a welcome sign on the IPO market. The 4Q should see higher activity across sectors. Health care should continue to be an active sector, powered by biotechs. Technology now has the largest share of the active IPO pipeline, with fast-growing industry leaders like Switch, CarGurus and MongoDB. Large IPOs across sectors should also return in the fourth quarter, including a potential billion-dollar offering from Asian gaming portal Sea, and several more that should raise over \$500 million.



Source: Renaissance Capital.

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