

The Q3 2016 Preqin Quarterly Update

Private Equity & Venture Capital

Insight on the quarter from the leading provider of alternative assets data

Content includes...

Fundraising

Private equity fundraising reached \$62bn in Q3 2016.

Distributions

2015 saw a record \$443bn distributed back to investors from their private equity investments.

Deal Flow

Buyout deal activity remained steady in Q3, while venture capital deal flow dropped.

Fund Performance and Dry Powder

Estimated capital available to fund managers has increased to \$839bn.





Foreword - Christopher Elvin, Preqin

2015 witnessed record levels of capital distributions (\$443bn), surpassing that of the previous record high in 2014, when fund managers return \$424bn to investors. 2015 also marks the fifth consecutive year in which capital distributions outstripped capital calls. With these high levels of distributions currently seen in the industry, it seems that investors are still committed to the asset class: over half (56%) of investors active in private equity are planning to increase their allocation in the longer term. Furthermore, private equity dry powder continues to reach record levels and currently stands at \$839bn, up from the \$818bn reported at the end of Q2 2016.

In light of the increased level of capital available to fund managers, portfolio company valuations have increased quarter-on-quarter, with the average buyout deal size in Q3 2016 (\$405mn) increasing 9% from the Q2 2016 figure (\$372mn). Despite this increase, aggregate global private equity-backed buyout deal value stayed relatively steady at \$90bn, similar to the \$89bn seen in Q2. Notable deals completed in Q3 2016 include the \$4.4bn deal for Israel-based Playtika Ltd., the second largest buyout deal ever outside North America, Europe and Asia, as well as the high-profile deal for Ultimate Fighting Championship worth \$4bn.

However, global venture capital activity slowed noticeably in the third quarter of 2016: the number of deals (2,050) and aggregate deal value (\$26bn) decreased 12% and 37% respectively from the previous quarter. Despite this, Q3 2016 saw the launch of China State-Owned Capital Venture Investment Fund in August 2016, a vehicle targeting CNY 200bn (approximately \$30bn) for venture capital investment in China. Should this fund achieve its target, it would be the largest private equity fund ever raised.

The \$62bn secured by the 170 funds closed in Q3 2016 represents a 22% decrease from the \$80bn secured by funds closed in Q3 2015. However, private equity fundraising in the longer term remains strong: funds closed in the first three quarters of 2016 have secured an aggregate \$253bn, a larger amount than that secured by funds closed in the same period in 2015 (\$213bn).

We hope you find this report useful and welcome any feedback you may have. For more information, please visit www.preqin.com or contact info@preqin.com.

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Data Source:

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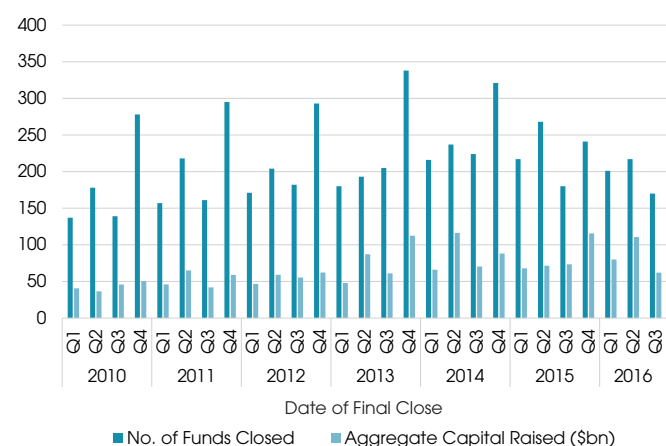
Fundraising in Q3 2016

Q3 2016 was a relatively lacklustre quarter for private equity fundraising: 170 funds reached a final close, securing \$62bn in aggregate capital, marking the lowest amount of capital raised since Q3 2013 (Fig. 1).

Thirty-six buyout funds held a final close in Q3 2016, securing an aggregate \$36.0bn – \$8.8bn less than in Q3 2015 when 48 funds raised \$44.8bn. Over one-third of all institutional investors interviewed in June 2016 believed that venture capital strategies presented the best opportunities in the market; in Q3, more venture capital funds closed (76) in the quarter than any other fund type, securing an aggregate \$11.9bn (Fig. 3). However, these figures represent a 15% and 30% drop in the number of funds closed and aggregate capital raised respectively from Q2.

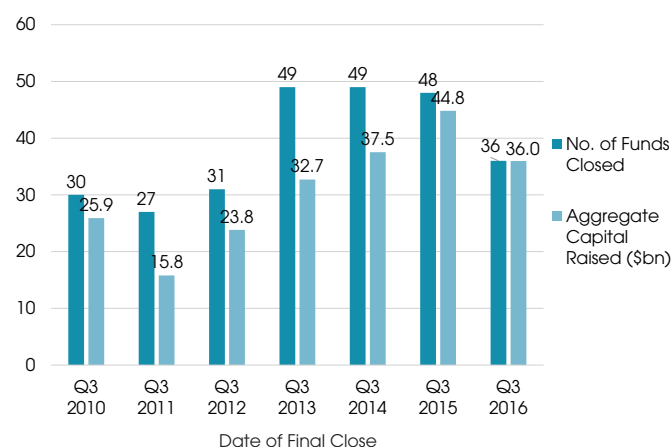
The five largest private equity funds closed in Q3 2016 were all buyout vehicles, collectively raising \$22.2bn; the largest of these was Thoma Bravo Fund XII, which raised \$7.6bn to invest across the US in the software and technology sectors. Ardian LBO Fund VI, the only Europe-focused fund in the top five, targets majority equity positions in private companies across continental Western Europe, while the largest Asia-focused fund closed in Q3, IDG Everbright Industry Buyout Fund, targets opportunities in China and is sector agnostic.

Fig. 1: Global Quarterly Private Equity Fundraising, Q1 2010 - Q3 2016*



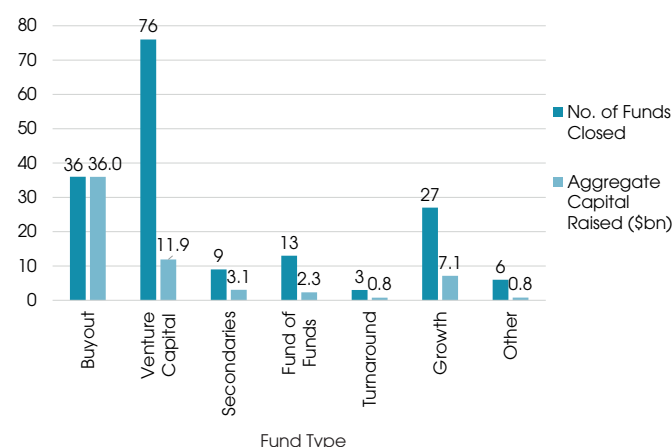
Source: Preqin Private Equity Online

Fig. 2: Q3 Buyout Fundraising, 2010 - 2016*



Source: Preqin Private Equity Online

Fig. 3: Private Equity Fundraising in Q3 2016* by Fund Type



Source: Preqin Private Equity Online

Fig. 4: Five Largest Private Equity Funds Closed in Q3 2016*

Fund	Firm	Fund Size (mn)	Fund Type	Primary Geographic Focus	Headquarters
Thoma Bravo Fund XII	Thoma Bravo	7,604 USD	Buyout	US	US
Ardian LBO Fund VI	Ardian	4,000 EUR	Buyout	Europe	France
Madison Dearborn Capital Partners VII	Madison Dearborn Partners	4,430 USD	Buyout	US	US
IDG Everbright Industry Buyout Fund	IDG Capital Partners	20,000 CNY	Buyout	Asia	China
Thomas H Lee VII	Thomas H Lee Partners	2,600 USD	Buyout	US	US

Source: Preqin Private Equity Online

*Please note, all data correct as at 5 October 2016; subject to upward revision as further data is made available.



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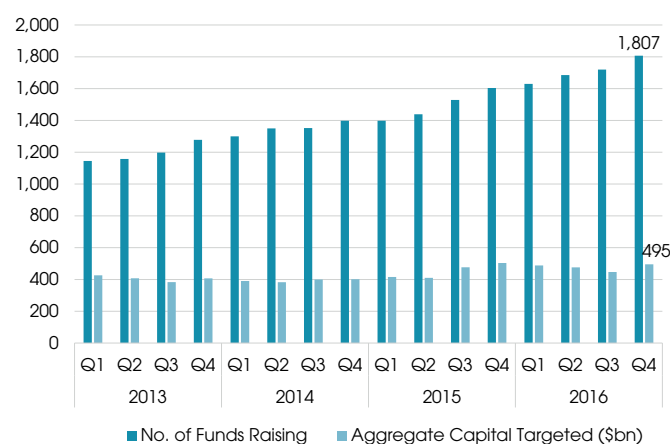


Funds in Market

The number of private equity funds seeking capital has continued to grow in recent quarters, with 1,807 funds in market at the beginning of Q4, targeting an aggregate \$495bn in capital commitments (Fig. 1). The number of vehicles on the road in Q4 represents a new record, surpassing the figure reported in Q3 2016 (1,720), while the \$495bn targeted by these vehicles also represents an increase from the previous quarter (\$447bn) but falls shy of the record \$504bn observed in Q4 2015. North America remains the most targeted market, with 49% of funds and 43% of target capital set to be deployed in the region (Fig. 2). Asia has emerged as the second most targeted region in terms of both the number of funds in market and aggregate target capital, with 354 funds seeking \$137bn in commitments, surpassing the 323 vehicles targeting \$106bn to invest in Europe.

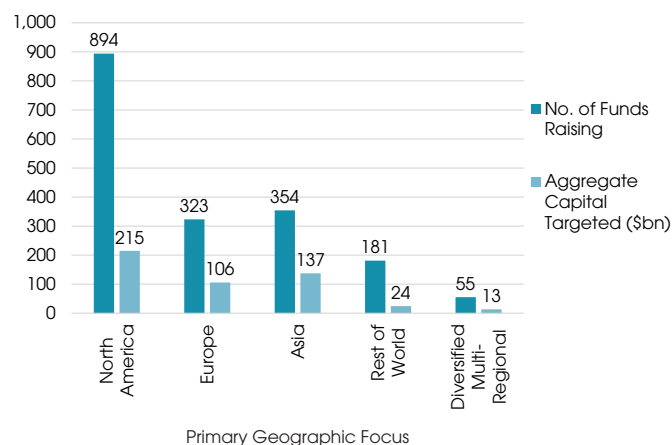
The largest private equity fund currently targeting capital is China Reform Fund Management's venture capital fund China State-Owned Capital Venture Investment Fund (Fig. 4); should this fund achieve its target of CNY 200bn (approximately \$30bn) to invest in innovative technology and industrial upgrading projects in China, it will be the largest private equity fund ever raised.

Fig. 1: Private Equity Funds in Market over Time, Q1 2013 - Q4 2016



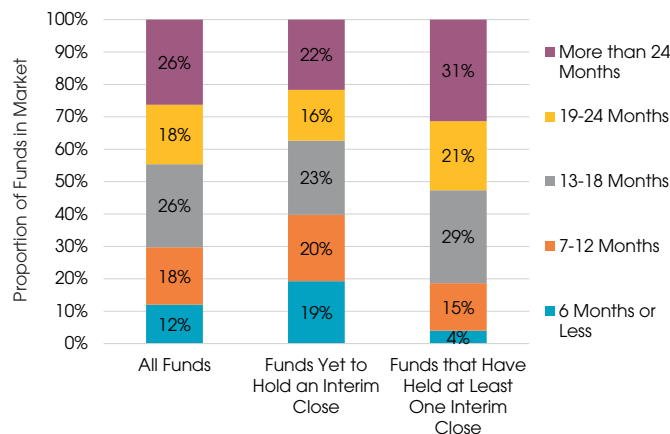
Source: Preqin Private Equity Online

Fig. 2: Private Equity Funds in Market by Primary Geographic Focus



Source: Preqin Private Equity Online

Fig. 3: Time Spent on the Road by Private Equity Funds Currently in Market



Source: Preqin Private Equity Online

Fig. 4: Five Largest Private Equity Funds Currently in Market

Fund	Firm	Target Size (mn)	Fund Type	Primary Geographic Focus
China State-Owned Capital Venture Investment Fund	China Reform Fund Management	200,000 CNY	Venture Capital	China
Sino-Singapore (Chongqing) Connectivity Private Equity Fund	UOB Venture Management	100,000 CNY	Growth	China, Singapore
KKR Americas Fund XII	KKR	10,000 USD	Buyout	North America, Latin America
Vista Equity Partners Fund VI	Vista Equity Partners	8,000 USD	Buyout	North America
BC European Cap X	BC Partners	7,000 EUR	Buyout	Europe

Source: Preqin Private Equity Online

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Institutional Investors in Private Equity

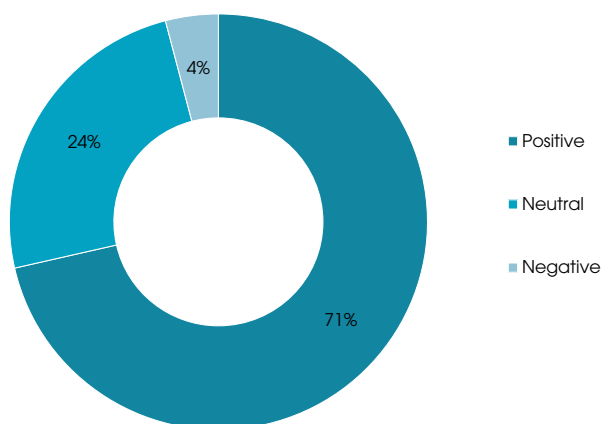
The recently launched **Preqin Investor Outlook: Alternative Assets, H2 2016** brings together the results of a series of in-depth interviews of over 490 institutional investors in alternative assets, including over 100 that are currently active in private equity. Institutional investor satisfaction was highest for private equity, with 71% of investors active in the industry reporting a positive perception of the asset class (Fig. 1). Comparatively, 41% of active investors in infrastructure and real estate felt the same about their respective asset classes.

The majority of active institutional investors in private equity stated that their confidence in the asset class remains strong: as shown in Fig. 2, over half (56%) of institutional investors plan to increase their allocation to private equity in the long term. Of those planning to invest in private equity, 59% intend to make their next fund commitment in the second half of 2016, and

a further 7% plan to invest during 2017 (Fig. 3). With such a large proportion of investors expecting to commit further capital to the asset class in the next 12 months, we use data from Preqin's **Private Equity Online** to examine what opportunities investors are searching for.

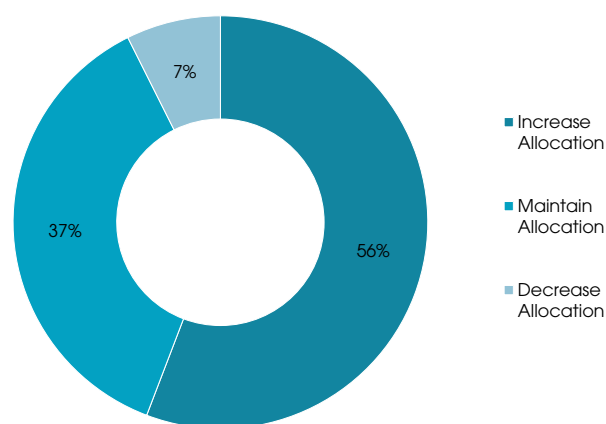
Buyout remains the most sought-after fund type: 70% of investor searches in Q3 2016 included this strategy (Fig. 4). Appetite for venture capital and growth strategies has increased from Q3 2015, with a larger proportion of investors currently searching for these funds than 12 months ago. Compared with Q3 2015, Europe has overtaken North America as the most sought-after region for private equity investment. Fifty-seven percent of investors are seeking European opportunities in the year ahead, compared with 52% targeting North America (Fig. 5). Nearly a third (30%) of investors are targeting opportunities

Fig. 1: Investors' General Perception of the Private Equity Industry at Present



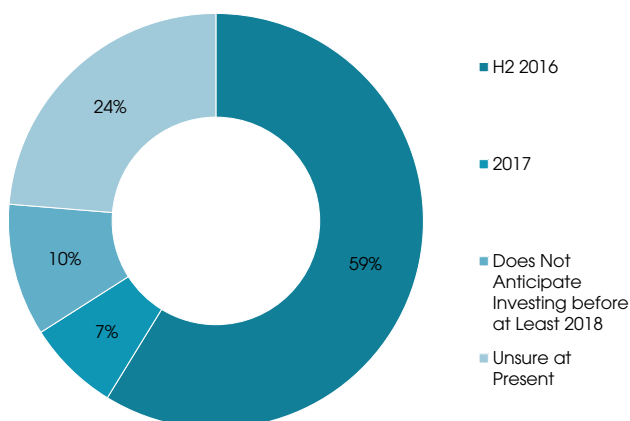
Source: Preqin Investor Interviews, June 2016

Fig. 2: Investors' Intentions for Their Private Equity Allocations in the Longer Term



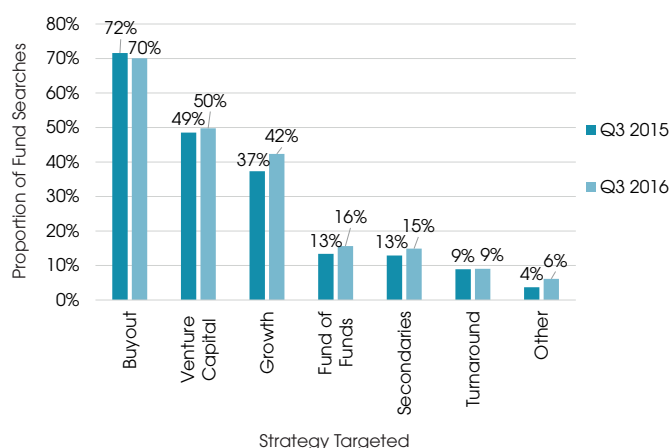
Source: Preqin Investor Interviews, June 2016

Fig. 3: Timeframe for Investors' Next Intended Commitment to Private Equity



Source: Preqin Investor Interviews, June 2016

Fig. 4: Strategies Targeted by Private Equity Investors in the Next 12 Months, Q3 2015 vs. Q3 2016



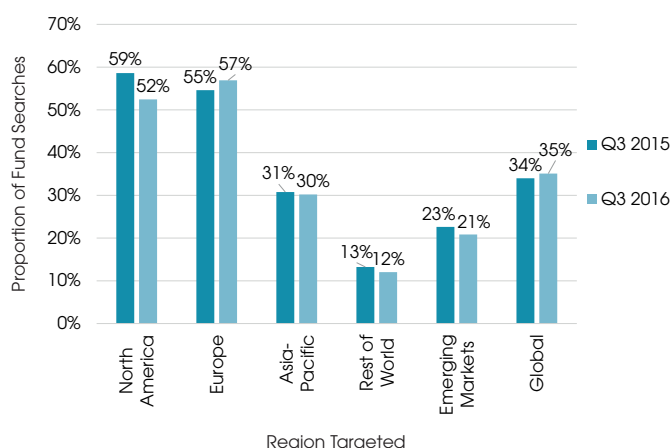
Source: Preqin Private Equity Online



in Asia-Pacific, followed by emerging markets (21%) and Rest of World (12%).

Over the next 12 months, 44% of investors plan to commit less than \$50mn to private equity funds, while 26% intend to commit between \$100mn and \$299mn (Fig. 6). However, investors are targeting a large number of new investments over the next 12 months: 46% plan to add between four and nine private equity funds to their portfolios, while a notable 16% are seeking 10 funds or more (Fig. 7).

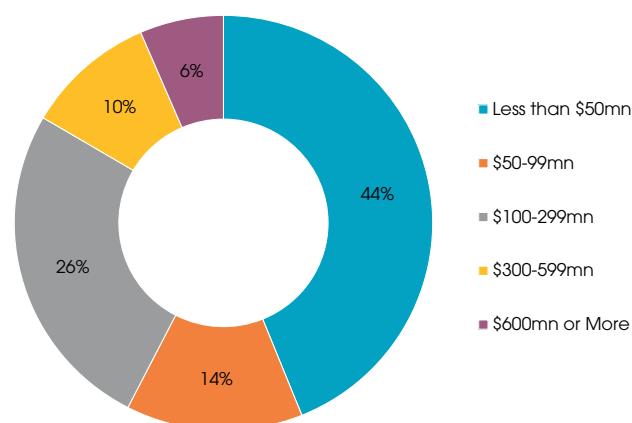
Fig. 5: Regions Targeted by Private Equity Investors in the Next 12 Months, Q3 2015 vs. Q3 2016



Source: Preqin Private Equity Online

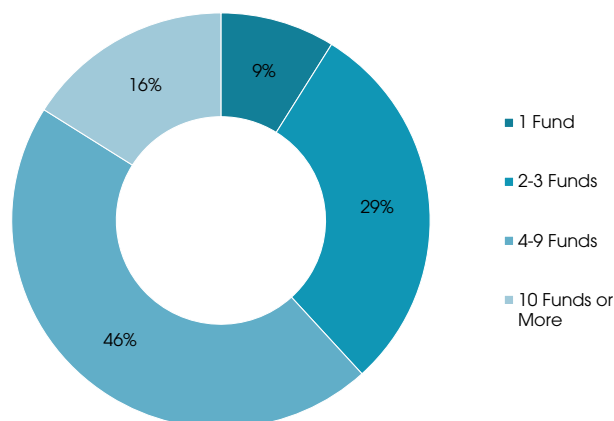
As seen in Fig. 8, when seeking a new private equity fund manager, institutional investors place most value on the past performance and length of track record of managers, as reported by 32% and 28% of respondents respectively. Additionally, almost a quarter (24%) of investors consider strategy the most important factor when seeking a new fund manager.

Fig. 6: Amount of Capital Investors Plan to Commit to Private Equity Funds in the Next 12 Months



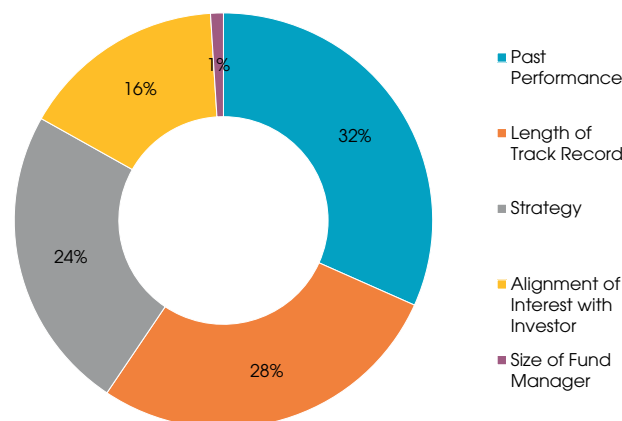
Source: Preqin Private Equity Online

Fig. 7: Number of Private Equity Funds Investors Plan to Commit to in the Next 12 Months



Source: Preqin Private Equity Online

Fig. 8: Investor Views on the Most Important Factor to Consider when Looking for a Private Equity Fund Manager



Source: Preqin Investor Interviews, June 2016

Preqin Investor Outlook: Alternative Assets, H2 2016

The **Preqin Investor Outlook: Alternative Assets, H2 2016** looks at the results of a series of in-depth interviews conducted by Preqin's analysts with over 490 institutional investors from across the globe, plus the detailed data on more than 12,000 institutional investors available to subscribers of Preqin's online services, to give a picture of investors' plans and concerns surrounding alternative assets.

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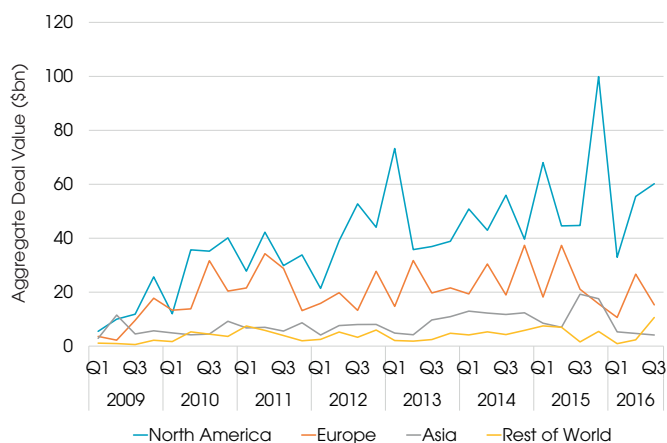
Buyout Deals and Exits

The third quarter of 2016 saw 919 private equity-backed buyout deals announced or completed globally, worth an aggregate \$90.2bn (Fig. 1). The number of deals completed or announced in Q3 decreased by 13% from the previous quarter, and represents the lowest number of quarterly deals since Q1 2014. Despite this, the aggregate value of deals completed in Q3 2016 remained steady, increasing by \$1bn.

This slight increase in aggregate deal value was largely driven by deals in North America and Israel (Fig. 2). Furthermore, the \$4.4bn deal for Israeli gaming company Playtika Ltd. is the second largest private equity-backed buyout deal ever for a portfolio company based outside North America, Europe and Asia, and accounts for 42% of the record \$10.6bn in the aggregate value of deals completed outside the aforementioned regions in Q3.

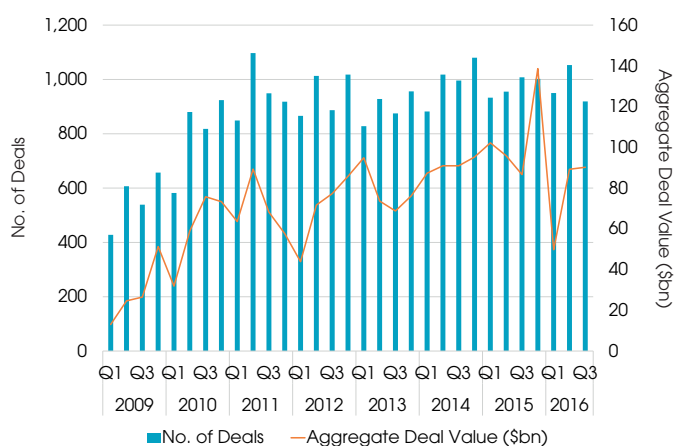
The number of private equity-backed exits in Q3 2016 declined 11% from Q2 (Fig. 3). There were approximately half as many IPO exits in Q3 (48) as in the previous quarter (81), while the number of trade sale exits also declined from Q2 (225) to Q3 (207). However, trade sales still represented the majority (51%) of private equity-backed exits seen in Q3.

Fig. 2: Quarterly Aggregate Value of Private Equity-Backed Buyout Deals by Region, Q1 2009 - Q3 2016*



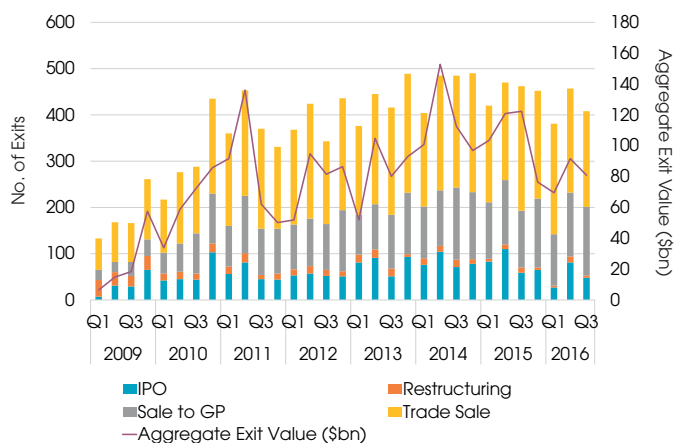
Source: Preqin Private Equity Online

Fig. 1: Quarterly Number and Aggregate Value of Private Equity-Backed Buyout Deals Globally, Q1 2009 - Q3 2016*



Source: Preqin Private Equity Online

Fig. 3: Global Number of Private Equity-Backed Exits by Type and Aggregate Exit Value, Q1 2009 - Q3 2016*



Source: Preqin Private Equity Online

Fig. 4: Five Largest Private Equity-Backed Buyout Deals Announced in Q3 2016*

Portfolio Company	Investment Type	Deal Date	Deal Size (mn)	Investor(s)	Bought from/Exiting Company	Location	Primary Industry
Playtika Ltd	Buyout	Jul-16	4,400 USD	CDH Investments, China Oceanwide Holdings Group, Giant Interactive Group, Hony Capital, YF Capital	Caesars Entertainment Corporation	Israel	Gaming
Rackspace	Public-to-Private	Aug-16	4,300 USD	Apollo Global Management, Searchlight Capital Partners	-	US	IT
Emerson Network Power	Buyout	Aug-16	4,000 USD	Platinum Equity	Emerson	US	IT Infrastructure
Ultimate Fighting Championship	Buyout	Jul-16	4,000 USD	KKR, MSD Capital, Silver Lake, William Morris Endeavor Entertainment, LLC	-	US	Media
Clarivate Analytics	Buyout	Jul-16	3,550 USD	Baring Private Equity Asia, Onex Corporation	Thomson Reuters Corporation	US	Intellectual Property

Source: Preqin Private Equity Online

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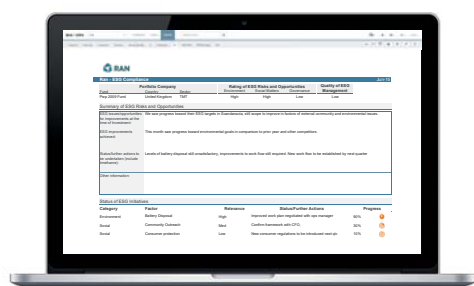
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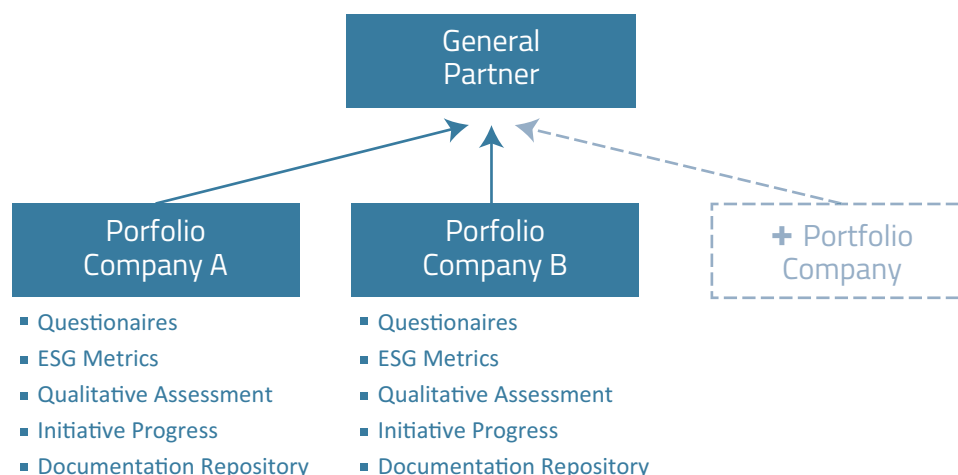
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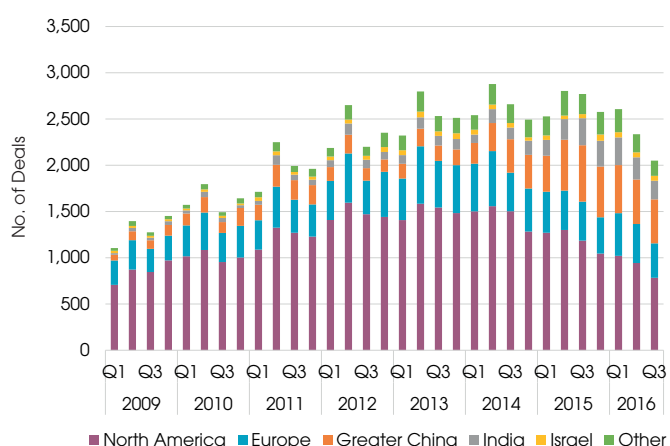
Venture Capital Deals

During the third quarter of 2016, 2,050 venture capital financings were announced globally, representing the second consecutive quarterly decline in deal flow (Fig. 1). The aggregate value of venture capital deals in Q3 2016 (\$26bn) is the lowest quarterly figure since Q3 2014 (\$22bn) and represents a 37% reduction from the level seen in the second quarter of 2016.

Just 38% of the 2,050 venture capital financings completed globally in Q3 2016 took place in North America, the smallest proportion accounted for by the region on record (Fig. 2). Despite this, North American venture capital deals accounted for 50% of global aggregate deal value in Q3 2016, up from 43% in Q2 2016. Conversely, the \$6.5bn in venture capital deal value accounted for by Greater China in Q3 2016 represents a quarter of global deal value, a significant decrease from 42% (\$17bn) in Q2 2016.

The most prevalent stage of venture capital financings remains angel/seed, representing one-third of the total number of deals in Q3 2016 (Fig. 3). The decrease in aggregate value in Q3 2016 was seen across all stages.

Fig. 2: Quarterly Number of Venture Capital Deals* by Region, Q1 2009 - Q3 2016**



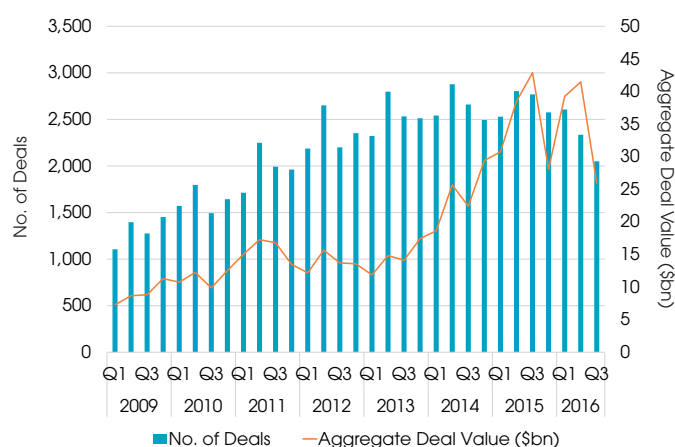
Source: Preqin Private Equity Online

Fig. 4: Notable Venture Capital Deals* in Q3 2016**

Portfolio Company	Stage	Deal Date	Deal Size (mn)	Investor(s)	Location	Primary Industry
Uber Technologies, Inc.	Unspecified Round	Aug-16	1,000 USD	Didi Chuxing	US	Telecoms
Hangzhou BEST Logistics Technology Co., Ltd.	Unspecified Round	Sep-16	760 USD	BOCI Private Equity, Cainiao, CDH Investments, CDIB Capital, China Development Bank Capital, China Huarong Asset Management, CITIC Private Equity Funds Management, Everbright Financial Holding Asset Management, Fosun International, Goldman Sachs, International Finance Corporation, Liyue Investment, Softbank China Venture Capital	China	Logistics
Grab	Series F/Round 6	Sep-16	750 USD	Softbank	Singapore	Telecoms
Airbnb	Series F/Round 6	Sep-16	555 USD	Google Capital, Technology Crossover Ventures	US	Internet
Go-Jek	Unspecified Round	Aug-16	550 USD	Capital International, DST Global, Farallon Capital Management, Formation Group, KKR, Northstar Group, Rakuten Ventures, Sequoia Capital, Warburg Pincus	Indonesia	Business Services

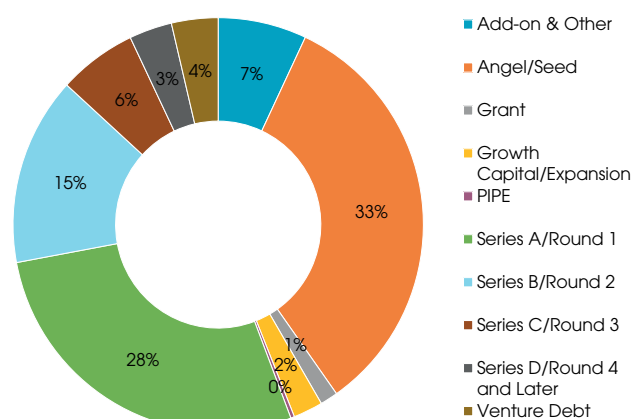
Source: Preqin Private Equity Online

Fig. 1: Quarterly Number and Aggregate Value of Venture Capital Deals* Globally, Q1 2009 - Q3 2016**



Source: Preqin Private Equity Online

Fig. 3: Proportion of Number of Venture Capital Deals by Stage, Q3 2016



Source: Preqin Private Equity Online

*Figures exclude add-ons, mergers, grants, secondary stock purchases and venture debt.

**Please note, all data correct as at 5 October 2016; subject to upward revision as further data is made available.

International Private Equity Market



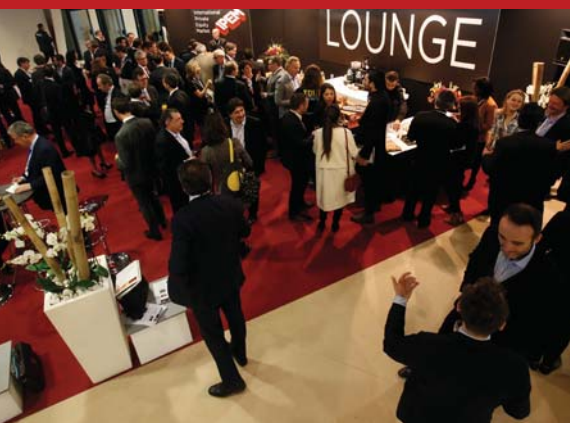
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Fund Performance and Dry Powder

Continuing the trend seen in recent years of capital distributions exceeding the amount of capital called up, 2015 saw a record \$443bn returned to investors – an increase of 4.5% from the amount distributed in 2014 (Fig. 1). Meanwhile, the amount of capital called up by private equity fund managers in 2015 decreased 15% from \$265bn in 2014 to \$226bn.

The amount of estimated capital available to private equity fund managers increased from \$818bn in Q2 2016 to stand at \$839bn as of September 2016 (Fig. 2). Buyout dry powder remains the source of the majority (63%) of available capital in the industry, and has increased 14% since December 2015. The amount of dry powder available to venture capital fund managers experienced the largest percentage growth during Q3 2016, increasing 5% to \$170bn at the end of September.

Fig. 1: Private Equity: Annual Amount Called-up, Distributed and Unrealized Value (As of 31 December 2015)

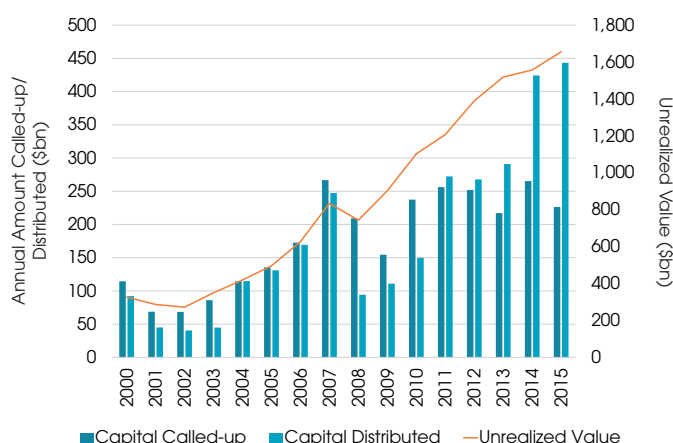
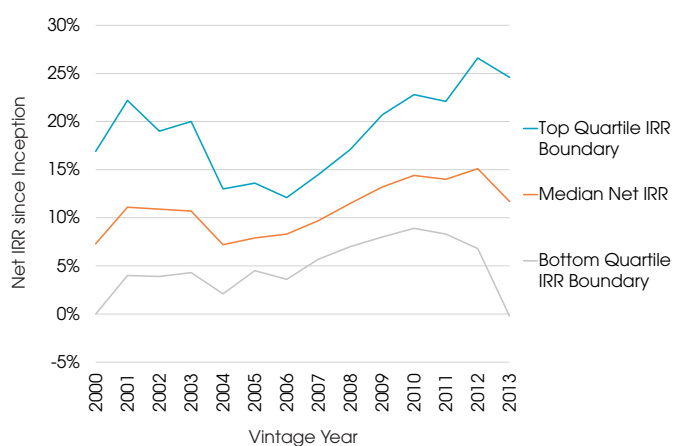


Fig. 3: Median Net IRRs and Quartile Boundaries by Vintage Year



*Other Private Equity includes direct secondaries, multi-manager and co-investment.

**All Private Equity comprises private equity, real estate, infrastructure and private debt (excl. direct lending).

The gap between the top- and bottom-quartile funds has been widening since 2009 vintage funds, increasing from just 13 percentage points to 20 percentage points for 2012 vintage funds (Fig. 3). Vintage 2012 funds have the highest median net IRR (+15.1%) of any other vintage year, but are closely followed by vintage 2010 (+14.4%) and 2011 (+14.0%) funds.

Buyout funds have the highest horizon IRRs across almost every time period shown in Fig. 4, excluding the three-year horizon. Buyout funds posted the highest one-year horizon IRR among private equity funds (+17.1%), although they marginally underperformed venture capital funds (+18.2%) over the longer three-year period, with buyout strategies returning 18.1% over the three years to December 2015.

Fig. 2: Private Equity Dry Powder by Fund Type, December 2006 - September 2016

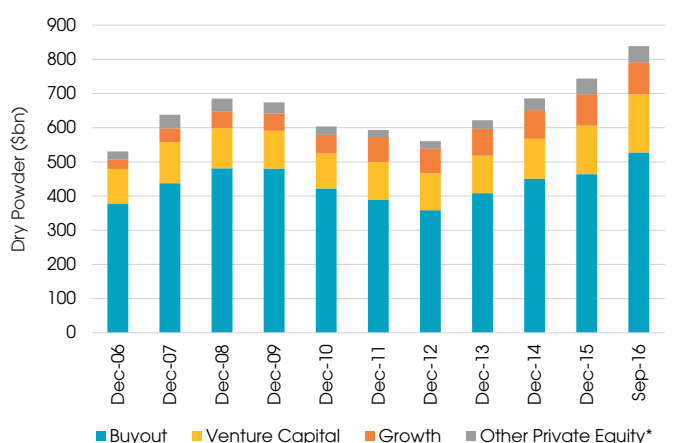
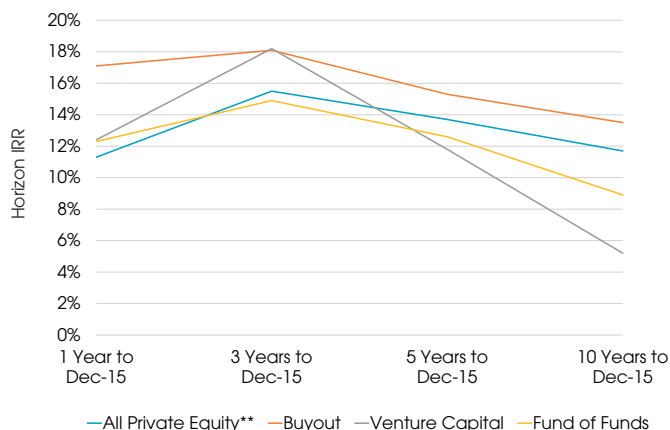


Fig. 4: Private Equity Horizon IRRs by Fund Type (As of 31 December 2015)





Conferences

Conference Name	Date	Location	Conference Organiser	Preqin Speaker	Discount Code
2016 Annual Conference: Outsourced Marketing & Sales 2.0	19 - 20 October 2016	New York	3PM	–	–
Privcap Game Change: Consumer & Retail 2016	19 October 2016	New York	Privcap	–	–
2016 Distressed Energy Summit	20 October 2016	Houston, TX	iiBIG	–	–
2nd Annual European Fund Finance Symposium	20 October 2016	London	Fund Finance Association	Chris Elvin	–
EuroGrowth 2016	20 - 21 October 2016	Barcelona	ACG	–	–
FundForum NextGen Distribution	25 - 27 October 2016	Boston, MA	KNect365	–	–
Family Office & Private Wealth Management Forum West	26 - 28 October 2016	Napa, CA	Opal Finance Group	–	–
SuperReturn Private Credit	31 October - 2 November 2016	Chicago, IL	KNect365	Ryan Flanders	10% Discount - FKR2427PRQW
AIMA Middle East Alternative Investment Summit	1 - 2 November 2016	Dubai	AIMA	Amy Bensted	–
Borrower & Investor Forum on Real Estate Mezzanine Financing & Subordinated Debt	1 November 2016	New York	IMN	–	10% Discount - PQ10
8th Annual Women's Alternative Investment Summit (WAIS)	3 - 4 November 2016	New York	Falk Marques Group	–	–
Emerging Managers Summit South	6 - 7 November 2016	Austin, TX	Opal Finance Group	–	–
Elite Summit	7 - 9 November 2016	Montreux	marcus evans Summits	–	–
Endowment & Foundation Forum	14 - 15 November 2016	Boston, MA	Opal Finance Group	–	–
29th AVCJ Forum	15 - 17 November 2016	Hong Kong	Mergermarket Consulting Ltd.	–	–
SuperInvestor	15 - 18 November 2016	Amsterdam	KNect365	Mark O'Hare	10% Discount - FKR2386PNWB
Wealth Management Americas 2016	15 - 16 November 2016	Miami, FL	Terrapinn	–	–
IP Dealmakers Forum	17 - 18 November 2016	New York	The IP Investment Institute	–	–

8th Annual Women's Alternative Investment Summit (WAIS)

Date: 3 - 4 November 2016
Information: www.womensalternativeinvestmentssummit.com
Location: The Pierre, New York City
Organizer: Falk Marques Group

The 8th annual Women's Alternative Investment Summit (November 3 - 4, 2016 at The Pierre, New York City). More than 400 of the top women in private equity and alternative investments — GPs, LPs, and advisors to the industry — will gather in New York for this timely, indispensable industry conference. WomensAlternativeInvestmentSummit.com



Wealth Management Americas 2016

Date: 15 - 16 November 2016
Information: www.terrapinn.com/WealthMiami
Location: Four Seasons Hotel, Miami, FL
Organizer: Terrapinn

The most senior executives from US and LatAm Private Banks and Family Offices will convene at Wealth Management Americas 2016.

Across two days in November, private banks, wealth managers, family offices, asset managers, investment banks, accountants and consultants will gather explore the latest strategies, technologies and investment techniques from across the industry.

The IP Dealmakers Forum 2016

Date: 17 - 18 November 2016
Information: www.ipdealmakersforum.com
Location: Apella, New York City
Organizer: The IP Investment Institute

The IP Dealmakers Forum explores the challenges and opportunities in the rapidly changing IP marketplace. Although the IP market has evolved over the past several years, the lack of data, information, and transparency pose serious challenges to market efficiency. At the same time, this can mean unparalleled opportunities for investors that understand how to leverage the information available, manage risks and connect with the right players.

6th AIFM Directive 2016 Conference: Private Equity post Brexit

Date: 29 November 2016
Information: www.aifmdirective.co.uk
Location: CityPoint, One Ropemaker Street, London EC2Y 9SS
Organizer: Private Equity Forum

Brexit: what will it mean for private equity and venture capital? Through company case studies, in-depth presentations and panel discussions, Private Equity Forum's 6th AIFM Directive 2016 Conference will provide you with clarification on the next series of changes to ensure you are aware of the necessary key actions and deadlines.

German Private Equity Conference

Date: 29 November 2016
Information: www.pe-conference.org/german
Location: Westin Grand Hotel, Frankfurt
Organizer: Private Equity Insights Ltd

The German Private Equity Conference will feature ten panel discussions, an inspiring keynote, and four hours of Pan-European networking opportunities. Contact Preqin for details of a 20% exclusive discount, and come and meet more than 80 LPs, 80 GPs, and 30 CEOs in Frankfurt on 29th November. See you there!

SuperReturn Africa

Date: 29 November - 1 December
Information: <https://finance.knect365.com/superreturn-africa/purchase/select-package/vip/FKR2387PRQSP>
Location: The Westin Cape Town
Organizer: KNect365

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CLO Summit

Date: 4 - 6 December 2016
Information: <http://opalgroup.net/conference/clo-summit-2016/>
Location: Monarch Beach Resort, Dana Point, CA
Organizer: Opal Group

Opal Group is proud to present our CLO Summit. The CLO Summit is an educational forum designed for investors, issuers, underwriters, rating agencies, lawyers and accountants. At this conference, they can learn the newest techniques to maximize returns and reduce risk exposure in this growing area of Asset-Backed Finance. An in-depth review of recent regulatory changes in addition to rating agency methodology, legal, tax and structural considerations will provide attendees with the tools necessary to stay one step ahead of their competitors.

IPEM 2017

Date: 25 - 27 January 2017
Information: www.ipem-market.com
Location: Palais des Festivals, Cannes, France
Organizer: EUROPEXPO

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