

Equity Research

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Financials

Assured Guaranty Ltd.

CIFG Deal Sparks 7.2% Sequential Jump in Adj. Book Value During 3Q16; Increasing PT to \$37 (from \$35)

Assured Guaranty (AGO) CEO Dominic Frederico has been forthright about the company's intention to consolidate the municipal bond insurance industry through the acquisition of inactive bond insurers that had been unable to sustain operations following the financial crisis. Given the impact of AGO's acquisition of CIFG on the 3Q16 report that the company announced yesterday after the market close, it was easy to understand Frederico's enthusiasm for rolling up the industry's remaining inactive firms.

AGO

\$29.42

12 month target

\$37.00

BUY

52 week range

\$22.04 - \$30.09

Market Cap (m)

\$3,907

Price Performance



Source: IDC

- ▶ AGO reported 3Q16 operating earnings per share of \$3.83, significantly outpacing the consensus estimate of \$0.69 and our estimate of \$0.57. The company during the quarter also posted a 7.2% sequential increase in adjusted book value (ABV) per share – the metric used by many investors as the basis for valuing the bond insurers – to a record \$66.34. Of the \$4.48 in ABV per share that AGO added during 3Q16, the CIFG acquisition accounted for \$3.85.
- ▶ AGO now trades at just 0.44x the company's ABV as of September 30, a level at which the share buybacks that are a core element in its strategy are highly accretive. While the company's buybacks slowed to \$55mm during 3Q16 – its repurchases had totaled \$590mm and \$555mm in 2014 and 2015, respectively as well as \$135mm during 1H16 – it announced a \$250mm increase in its repurchase authorization in conjunction with the report, bringing its current buyback capacity to \$345mm.
- ▶ **We are reiterating our Buy recommendation on AGO while increasing our price target to \$37 (from \$35)** based on 0.60x our FY16E ABV per share of \$66.61 minus \$4.37 per share representing the estimated impact of potential losses related to the company's insured exposure to Puerto Rico's debt.
- ▶ **Valuation:** Our \$37 price target is based on 0.60x our YE16E adjusted book value (ABV) per share of \$66.61, minus \$4.37 per share representing the estimated impact of potential losses related to AGO's insured exposure to Puerto Rico's debt.

Estimates

	1Q15 A	2Q15 A	3Q15 A	4Q15 A	FY15 A	1Q16 A	2Q16 A	3Q16 A	4Q16 E	FY16 E	FY17 E
Operating Income	140	278	164	117	699	113	139	508	80	840	340
Oper. Inc. Per Share	0.89	1.83	1.12	0.83	4.69	0.83	1.03	3.83	0.62	6.30	2.77

Source: BTIG Estimates and Company Documents (\$ in millions, except per share amount)

- ▶ AGO on April 14 announced its agreement to buy CIFG, parent of CIFG Assurance North America Inc., for \$450mm in cash. The deal added \$5.6bn to the company's insured portfolio as well as \$637mm of statutory capital. CIFG as the third legacy bond insurer that AGO acquired during the past six years following the purchases of FSA in 2009 and Radian Asset Assurance in 2015.

Assured Guaranty: Puerto Rico Insured Exposures and Loss Estimates

Discount rate	3%
Assumed tax rate	25%
Diluted shares outstanding	139.80
Estimated present value impairment per share	\$10.32
Current estimates reserves for Puerto Rico per share	\$4.90
Net estimated reserve strengthening per share after reserve assumption per share	\$5.82
Net after-tax reserve per share	\$4.37

Present value impairment of principal and interest (in \$mm)	Assumed Impairment	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	Total	Total per share
Highways and Transportation Authority (Transportation Rev Bonds)	40.0%	-	-	31.6	31.7	28.2	23.8	20.0	22.8	23.7	12.9	20.2	21.1	19.5	18.1	16.7	15.3	19.7	18.2	16.8	15.5	14.3	14.0	13.0	12.0	11.1	10.2	2.0	1.8	1.7	1.6	1.4	-	-	460.1	3.46
Electric Power Authority	5.0%	-	0.1	1.9	1.7	2.7	3.3	2.2	2.1	4.4	4.0	2.8	3.0	2.8	2.6	2.4	2.2	0.6	0.6	0.6	0.5	0.5	-	-	-	-	-	-	-	-	-	-	-	-	40.9	0.31
Aqueduct and Sewer Authority	15.0%	-	-	2.8	2.6	2.5	2.5	2.4	2.3	2.2	2.4	4.9	3.8	3.5	3.3	3.0	2.8	1.4	1.3	1.2	1.1	1.0	1.2	1.2	1.1	1.0	0.9	2.4	2.3	2.1	1.9	1.8	6.5	4.2	73.7	0.55
Highways and Transportation Authority (Highway Rev Bonds)	40.0%	-	-	11.3	10.9	14.3	13.9	14.5	6.7	6.8	6.6	6.4	5.8	5.3	4.9	4.6	4.2	11.5	10.6	9.8	9.1	8.3	1.9	1.7	1.6	1.5	1.3	-	-	-	-	-	-	-	173.5	1.31
Convention Center District Authority	40.0%	-	-	2.7	2.6	2.6	2.5	2.4	2.3	2.3	2.2	2.1	3.3	3.1	2.9	2.6	2.4	7.2	6.6	6.1	5.7	5.2	1.5	1.4	1.3	1.2	1.1	-	-	-	-	-	-	-	73.3	0.55
Subtotal	-	-	0.1	51.3	49.6	50.2	45.9	41.5	36.2	39.5	28.2	36.5	37.0	34.3	31.7	29.2	26.9	40.3	37.4	34.6	31.9	29.3	18.6	17.2	15.9	14.7	13.5	4.4	4.1	3.8	3.5	3.2	6.5	4.2	821.4	6.19
Commonwealth - GO	16.5%	-	-	27.1	22.7	22.6	29.3	10.4	12.9	9.3	16.5	14.9	12.5	11.5	10.7	9.8	9.1	14.2	13.2	12.2	11.3	10.3	3.2	3.0	2.8	2.6	2.4	-	-	-	-	-	-	-	294.4	2.22
Municipal Finance Agency	25.0%	-	-	15.8	14.6	12.8	10.4	8.6	8.2	4.3	3.2	2.9	2.3	2.2	2.0	1.8	1.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	90.8	0.68
Sales Tax Finance Corp. (COFINA)	20.0%	-	-	2.3	2.5	2.4	2.3	2.2	2.2	2.6	2.2	2.0	2.2	2.1	1.9	1.8	1.6	2.9	2.7	2.5	2.3	2.1	4.0	3.7	3.4	3.2	2.9	3.6	3.3	3.1	2.8	2.6	-	-	75.4	0.57
Public Buildings Authority	40.0%	-	-	14.0	2.6	3.7	4.6	6.9	2.0	4.2	1.9	4.0	4.7	4.4	4.0	3.7	3.4	2.8	2.6	2.4	2.2	2.0	0.8	0.7	0.7	0.6	0.6	-	-	-	-	-	-	-	79.5	0.60
Government Development Bank	40.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00	
Infrastructure Financing Agency	40.0%	-	-	-	1.1	0.4	0.4	0.3	0.3	1.0	0.3	0.3	0.2	0.2	0.2	0.2	0.1	0.2	0.2	0.1	0.1	0.1	0.6	0.6	0.5	0.5	0.5	0.2	0.2	0.1	0.1	0.1	-	-	9.2	0.07
University of Puerto Rico	40.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.3	0.00
Subtotal	-	-	-	59.2	43.5	41.9	47.0	28.5	25.5	21.3	24.1	24.1	21.9	20.3	18.8	17.3	15.9	20.3	18.6	17.2	15.9	14.6	8.6	8.0	7.4	6.8	6.3	3.8	3.5	3.2	3.0	2.7	-	-	549.5	4.14
Total	-	-	0.1	110.5	93.1	92.1	93.0	70.1	61.8	60.9	52.3	60.6	58.9	54.6	50.5	46.6	42.8	60.7	56.0	51.8	47.8	43.9	27.2	25.2	23.3	21.5	19.8	8.2	7.6	7.0	6.5	5.9	6.5	4.2	1,370.9	10.32

Scheduled amortization of principal and interest (in \$mm)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	Total
Highways and Transportation Authority (Transportation Rev Bonds)	-	-	84.0	84.0	77.0	67.0	58.0	68.0	73.0	41.0	66.0	70.8	67.6	64.4	61.2	58.0	76.6	73.1	69.6	66.1	62.6	63.4	60.5	57.6	54.7	51.8	10.3	9.9	9.4	8.9	8.5	-	-	1,623.0
Electric Power Authority	-	2.0	39.0	37.0	58.0	74.0	52.0	50.0	109.0	102.0	72.0	80.5	76.9	73.2	69.5	65.9	20.2	19.3	18.4	17.5	16.6	-	-	-	-	-	-	-	-	-	-	-	-	1,053.0
Aqueduct and Sewer Authority	-	-	20.0	19.0	19.0	19.0	19.0	19.0	19.0	21.0	44.0	35.2	33.6	32.0	30.4	28.8	15.0	14.3	13.6	12.9	12.2	15.4	14.7	14.0	13.3	12.6	35.0	33.4	31.8	30.2	28.6	108.6	72.4	837.0
Highways and Transportation Authority (Highway Rev Bonds)	-	-	29.0	29.0	39.0	42.0	20.0	21.0	21.0	21.0	21.0	19.4	18.5	17.6	16.7	15.8	44.7	42.6	40.6	38.6	36.5	8.4	8.0	7.6	7.2	6.8	-	-	-	-	-	-	-	590.0
Convention Center District Authority	-	-	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	11.2	10.7	10.2	9.7	9.2	27.9	26.7	25.4	24.1	22.9	6.6	6.3	6.0	5.7	5.4	-	-	-	-	-	-	-	271.0
Subtotal	-	2.0	179.0	176.0	200.0	206.0	178.0	164.0	229.0	192.0	210.0	217.1	207.3	197.4	187.5	177.7	184.4	176.0	167.6	159.2	150.8	93.7	89.5	85.2	80.9	76.7	45.3	43.3	41.2	39.1	37.1	108.6	72.4	4,374.0
Commonwealth - GO	-	-	169.0	146.0	150.0	200.0	73.0	93.0	69.0	127.0	118.0	101.4	96.8	92.2	87.6	83.0	134.4	128.3	122.2	116.1	110.0	35.4	33.8	32.2	30.6	29.0	-	-	-	-	-	-	-	2,378.0
Municipal Finance Agency	-	-	65.0	62.0	56.0	47.0	40.0	39.0	21.0	16.0	15.0	12.5	12.0	11.4	10.8	10.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	418.0
Sales Tax Finance Corp. (COFINA)	-	-	12.0	13.0	13.0	13.0	13.0	13.0	16.0	14.0	13.0	15.0	14.3	13.6	12.9	12.2	22.7	21.6	20.6	19.6	18.5	36.1	34.4	32.8	31.2	29.5	37.6	35.9	34.2	32.5	30.8	-	-	626.0
Public Buildings Authority	-	-	36.0	7.0	10.0	13.0	20.0	6.0	13.0	6.0	13.0	15.8	15.1	14.4	13.7	13.0	10.8	10.3	9.8	9.3	8.8	3.5	3.4	3.2	3.0	2.9	-	-	-	-	-	-	-	261.0
Government Development Bank	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure Financing Agency	-	-	-	3.0	1.0	1.0	1.0	1.0	3.0	1.0	1.0	0.7	0.6	0.6	0.6	0.5	0.7	0.6	0.6	0.6	0.5	2.9	2.7	2.6	2.5	2.3	0.9	0.8	0.8	0.8	0.7	-	-	35.0
University of Puerto Rico	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.0
Subtotal	-	-	282.0	231.0	230.0	274.0	147.0	152.0	122.0	164.0	160.0	145.4	138.8	132.2	125.6	119.0	169.5	160.9	153.2	145.5	137.9	77.9	74.3	70.8	67.3	63.7	38.5	36.8	35.0	33.3	31.5	-	-	3,719.0
Total	-	2.0	461.0	407.0	430.0	480.0	325.0	316.0	351.0	356.0	370.0	362.6	346.1	329.6	313.1	296.6	353.9	336.8	320.8	304.8	288.7	171.6	163.8	156.0	148.2	140.4	83.8	80.0	76.2	72.4	68.6	108.6	72.4	8,093.0

BTIG Estimates and Company Reports

Income Statement

Assured Guaranty Ltd Earnings Model	Dec-11	Dec-12	Dec-13	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Dec-17
\$ millions	2011A	2012A	2013A	2014A	1Q15A	2Q15A	3Q15A	4Q15A	2015A	1Q16A	2Q16A	3Q16A	4Q16E	2016E	1Q17E	2Q17E	3Q17E	4Q17E	2017E
Present value of new business production (PVP)	242.7	209.9	140.0	168.0	36.0	26.0	41.0	76.0	179.0	38.0	41.0	41.4	41.8	162.2	50.7	50.7	50.7	50.7	202.8
Net earned premiums (NEP)	920.1	853.0	752.0	570.0	142.0	219.0	213.0	192.0	766.0	183.0	214.0	231.0	180.3	808.3	182.8	163.2	156.7	150.1	652.8
Net realized investment gains (losses)	(18.0)	1.2	52.0	(60.0)	16.0	(9.0)	(27.0)	(6.0)	(26.0)	(13.0)	10.0	(2.0)	-	(5.0)	-	-	-	-	-
Realized gains and settlements on credit derivatives	106.1	(15.7)	(26.4)	23.0	21.0	8.0	6.0	(53.0)	(18.0)	8.0	24.0	15.0	-	47.0	-	-	-	-	-
Incurred losses on credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-credit impairment FV gains (losses) on credit derivatives	459.0	3.0	3.0	800.0	103.0	82.0	80.0	481.0	746.0	(68.0)	39.0	6.0	-	(23.0)	-	-	-	-	-
Net change in FV of credit derivatives	565.1	(15.7)	(26.4)	23.0	21.0	8.0	6.0	(53.0)	(18.0)	8.0	24.0	15.0	-	47.0	-	-	-	-	-
Fair value gain (loss) on committed capital securities	35.1	(17.6)	10.0	(11.0)	2.0	23.0	(15.0)	17.0	27.0	(16.0)	(11.0)	(23.0)	-	(50.0)	-	-	-	-	-
Financial guaranty variable interest entity (VIE) revenue	(151.4)	209.8	346.0	255.0	(7.0)	5.0	2.0	38.0	38.0	18.0	4.0	(11.0)	-	11.0	-	-	-	-	-
Other income	63.4	107.3	(10.0)	14.0	(9.0)	269.0	(3.0)	(6.0)	251.0	34.0	18.0	256.0	-	308.0	-	-	-	-	-
Net investment income	390.7	404.4	393.0	403.0	101.0	98.0	112.0	112.0	423.0	99.0	98.0	94.0	96.4	387.4	97.3	96.8	96.3	95.9	386.3
Total revenue	1,804.9	973.1	1,516.6	1,994.0	369.0	695.0	368.0	775.0	2,207.0	245.0	396.0	566.0	276.6	1,506.6	280.1	260.0	253.0	246.0	1,039.1
Loss and loss adjustment expenses	470.8	523.3	154.0	126.0	18.0	188.0	112.0	106.0	424.0	90.0	102.0	(9.0)	75.0	258.0	50.0	50.0	50.0	50.0	200.0
Deferred acquisition costs	30.9	13.9	12.0	25.0	4.0	6.0	5.0	5.0	20.0	4.0	5.0	4.0	4.0	17.0	4.0	4.0	4.0	4.0	16.0
FSAH acquisition-related expenses	0.0	0.0	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0
Interest expense	99.1	92.1	82.0	92.0	25.0	26.0	25.0	25.0	101.0	26.0	25.0	26.0	26.0	103.0	26.0	26.0	26.0	26.0	104.0
Financial guaranty VIE expense	0.0	0.0	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating expenses	193.0	211.8	218.0	220.0	56.0	66.0	54.0	55.0	231.0	60.0	63.0	65.0	65.0	253.0	65.0	65.0	65.0	65.0	260.0
Total expenses	793.8	841.1	466.0	463.0	103.0	286.0	196.0	191.0	776.0	180.0	195.0	86.0	170.0	631.0	145.0	145.0	145.0	145.0	580.0
Income before income taxes	1,011.1	132.0	1,050.6	1,531.0	266.0	409.0	172.0	584.0	1,431.0	65.0	201.0	480.0	106.6	875.6	135.1	115.0	108.0	101.0	459.1
Provision for income taxes	250.3	22.5	334.0	443.0	65.0	112.0	43.0	155.0	375.0	6.0	55.0	1.0	26.7	88.7	35.1	29.9	28.1	26.3	119.4
Tax rate	24.8%	17.0%	31.8%	28.9%	24.4%	27.4%	25.0%	26.5%	26.2%	9.2%	27.4%	0.2%	25.0%	10.1%	26.0%	26.0%	26.0%	26.0%	25.0%
Net income	760.8	109.5	808.0	1,088.0	201.0	297.0	129.0	429.0	1,056.0	59.0	146.0	479.0	80.0	764.0	100.0	85.1	79.9	74.7	339.7
Realized losses on investments, after tax	(20.0)	(4.5)	40.0	(34.0)	9.0	(8.0)	(22.0)	(4.0)	(25.0)	(9.0)	9.0	(1.2)	-	-	-	-	-	-	-
Unrealized (losses) gains on credit derivatives, after tax	247.5	(486.6)	(40.0)	500.0	66.0	-	(3.0)	295.0	358.0	(43.0)	32.0	(2.4)	-	-	-	-	-	-	-
Unrealized gains (losses) on capital securities, after tax	22.8	(12.2)	7.0	(7.0)	1.0	15.0	(9.0)	10.0	17.0	(10.0)	(11.0)	(13.9)	-	-	-	-	-	-	-
Foreign exchange gains (losses) on revaluation of premiums receivable	(3.5)	15.2	(1.0)	(15.0)	(9.0)	9.0	(7.0)	(3.0)	(10.0)	(2.0)	(17.0)	(1.2)	-	-	-	-	-	-	-
Non-economic fair value adjustment and net interest margin of VIEs	2.9	62.4	193.0	153.0	(6.0)	3.0	6.0	14.0	17.0	10.0	(6.0)	(10.3)	-	-	-	-	-	-	-
Operating income	511.1	548.2	609.0	491.0	140.0	278.0	164.0	117.0	699.0	113.0	139.0	508.0	80.0	840.0	100.0	85.1	79.9	74.7	339.7
Net income/share	4.1	0.53	4.41	6.48	1.28	1.96	0.88	3.03	7.15	0.43	1.08	3.61	0.62	5.74	0.79	0.69	0.66	0.63	2.77
After-tax realized losses on investments	(0.1)	(0.0)	0.2	(0.2)	0.06	(0.05)	(0.15)	(0.03)	(0.2)	(0.07)	0.07	(0.01)	-	-	-	-	-	-	-
After-tax unrealized (losses) gains on credit derivatives	1.4	(2.6)	(0.1)	3.1	0.42	0.00	(0.02)	2.08	2.5	(0.32)	0.24	(0.02)	-	-	-	-	-	-	-
Unrealized gains (losses) on committed capital securities	0.1	(0.1)	0.0	(0.0)	0.01	0.10	(0.06)	0.07	0.1	(0.07)	(0.08)	(0.10)	-	-	-	-	-	-	-
Forex gains (losses) on revaluation of premiums receivable	(0.1)	0.1	(0.0)	(0.1)	(0.06)	0.06	(0.05)	(0.02)	(0.1)	(0.01)	(0.13)	(0.01)	-	-	-	-	-	-	-
Effect of consolidating VIE	(0.9)	0.3	1.0	0.9	(0.04)	0.02	0.04	0.10	0.1	0.07	(0.04)	(0.08)	-	-	-	-	-	-	-
Operating income/share	\$3.24	\$2.79	\$3.26	\$2.83	\$0.89	\$1.83	\$1.12	\$0.83	\$4.69	\$0.83	\$1.03	\$3.83	\$0.62	\$6.30	\$0.79	\$0.69	\$0.66	\$0.63	\$2.77
Book value per share	\$25.52	\$25.74	\$28.07	\$35.48	\$36.90	\$38.30	\$39.72	\$42.85	\$42.85	\$45.05	\$46.36	\$50.00	\$51.08	\$51.08	\$52.32	\$53.35	\$54.39	\$55.43	\$55.43
Operating book value per share	\$28.54	\$30.05	\$33.83	\$36.56	\$37.47	\$39.65	\$40.85	\$42.02	\$42.02	\$43.88	\$44.59	\$48.61	\$50.15	\$50.15	\$51.83	\$53.31	\$54.78	\$56.24	\$56.24
Unearned premium reserve less DAC, after tax	\$18.75	\$16.83	\$15.83	\$16.08	\$16.16	\$17.71	\$17.66	\$17.84	\$17.84	\$17.64	\$16.48	\$16.46	\$16.15	\$16.15	\$15.87	\$15.53	\$15.21	\$14.89	\$14.89
Present value of future installment premiums	\$2.03	\$1.14	\$0.80	\$0.67	\$0.63	\$1.02	\$1.01	\$0.82	\$0.82	\$0.67	\$0.69	\$1.17	\$1.13	\$1.13	\$1.11	\$1.07	\$1.04	\$1.01	\$1.01
Adjusted book value per share	\$49.32	\$47.17	\$49.58	\$52.34	\$53.28	\$57.39	\$58.51	\$59.64	\$59.64	\$61.12	\$60.94	\$65.43	\$66.61	\$66.61	\$67.97	\$69.07	\$70.17	\$71.28	\$71.28
Weighted average diluted shares	183.4	190.7	187.0	173.7	156.8	151.6	146.5	141.5	149.1	135.7	134.8	132.8	129.8	133.3	126.3	123.8	121.3	118.8	122.6

Source: BTIG Estimates and Company Documents

BTIG Covered Companies Mentioned in this Report

ASSURED GUARANTY LTD. (AGO, Buy, \$37.00 PT; Current Price: \$29.42; Analyst: mark.palmer)

Appendix: Analyst Certification and Other Important Disclosures

Analyst Certification

I, Mark Palmer, hereby certify that the views about the companies and securities discussed in this report are accurately expressed and that I have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report.

I, Giuliano Bologna, hereby certify that the views about the companies and securities discussed in this report are accurately expressed and that I have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report.

Regulatory Disclosures

Analyst Stock Ratings Definitions

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BUY – A stock that is expected at initiation to produce a positive total return of 15% or greater over the 12 months following the initial recommendation. The BUY rating may be maintained following initiation as long as it is deemed appropriate, notwithstanding price fluctuations that would cause the target to fall outside of the 15% return.

SELL – A stock that is expected at initiation to produce a negative total return of 15% or greater over the next 12 months following the initial recommendation. The SELL rating may be maintained following initiation as long as it is deemed appropriate, notwithstanding price fluctuations that would cause the target to fall outside of the 15% return.

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BTIG must disclose in each research report the percentage of all securities rated by the member to which the member would assign a "buy", "neutral" or "sell" rating. The said ratings are updated on a quarterly basis. BTIG must also disclose the percentage of subject companies within each of these three categories for whom the member has provided investment banking services within the previous twelve months. **Stocks under coverage as of the end of the most recent calendar quarter (September 30, 2016): 251**

Distribution of BTIG's Research Recommendations (as of September 30, 2016):

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Company Valuation and Risk Disclosures

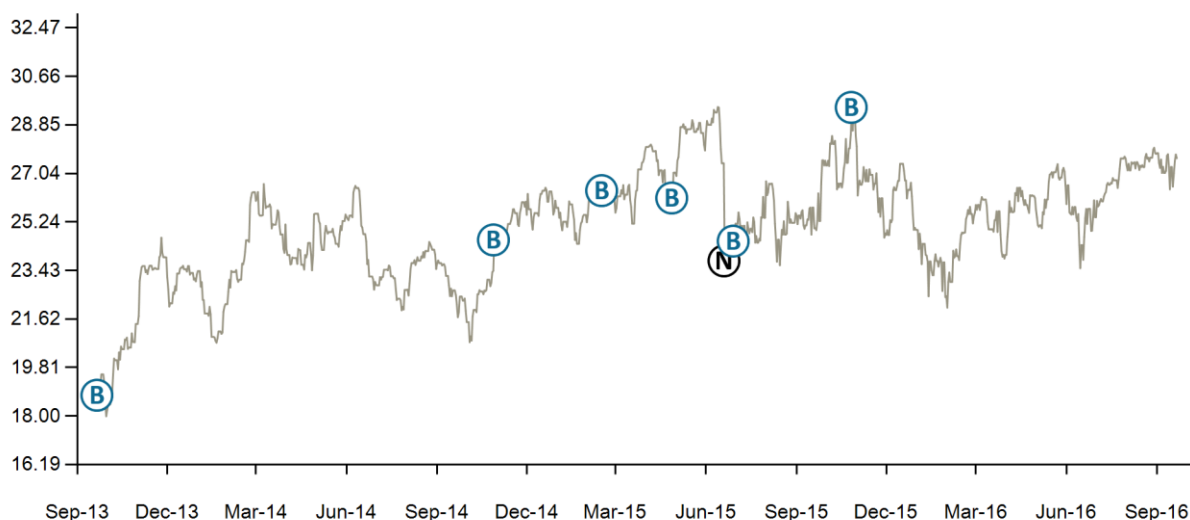
Assured Guaranty Ltd. (AGO, Buy, \$37 PT)

Valuation: Our \$37 price target is based on 0.60x our YE16E adjusted book value (ABV) per share of \$66.61, minus \$4.37 per share representing the estimated impact of potential losses related to AGO's insured exposure to Puerto Rico's debt.

Risks: The primary risk to achieving our target price include ratings downgrade risks, credit risk related to municipal bond and structured product exposures, and exposures to troubled Puerto Rico credits.

Assured Guaranty Ltd. (AGO)

(\$)



Note: Closing Price and Target Price have been adjusted for corporate actions.

Date	Closing Price (\$)	Target Price (\$)	Analyst	Rating
05-Dec-11	12.23	35	Mark Palmer	Buy
29-Feb-12	16.80	37	Mark Palmer	Buy
07-Aug-12	11.72	35	Mark Palmer	Buy
08-Aug-13	21.91	37	Mark Palmer	Buy
07-Nov-14	24.53	39	Mark Palmer	Buy
25-Feb-15	26.37	40	Mark Palmer	Buy
07-May-15	26.11	41	Mark Palmer	Buy
29-Jun-15	23.76	N/A	Mark Palmer	Neutral
08-Jul-15	24.49	34	Mark Palmer	Buy
05-Nov-15	29.47	35	Mark Palmer	Buy

Company-Specific Regulatory Disclosures

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