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Let the Music Play

2019 Asset Manager Transaction Review and 2020 Forecast

Asset Management Investment Banking Group

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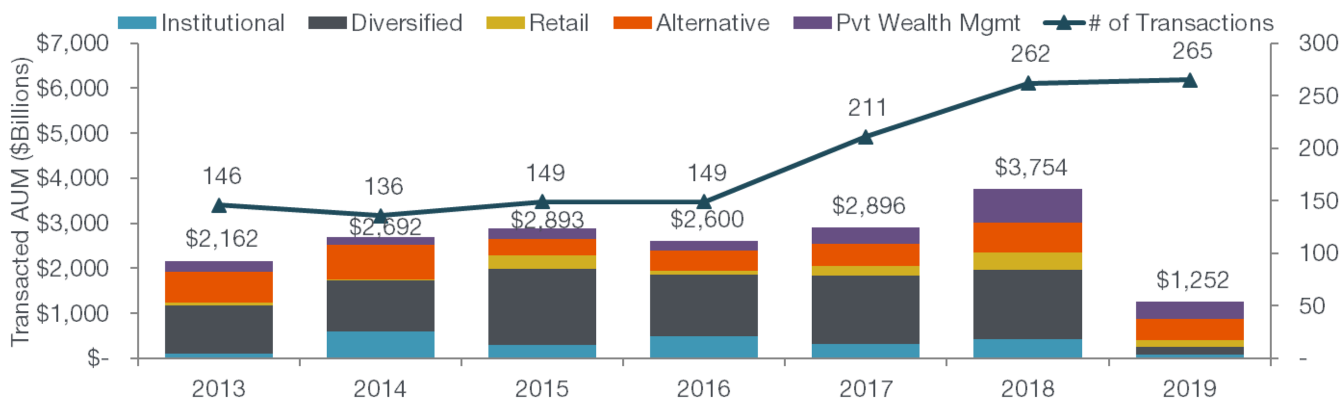
Overview

Asset management remained a vibrant and active sector for M&A in 2019. Both buyers and sellers continue to use M&A as a primary path to solve strategic challenges and re-position themselves for growth. Transaction activity maintained its record-setting level in 2019 with 265 announced transactions versus 262 last year. Both years surpassed the prior high of 243 acquisitions in 2007. This year, the composition of seller types shifted significantly with smaller private wealth management transactions dominating deal activity. Buyers of wealth managers, often backed by private equity sponsors, continued to find acquisition opportunities in a highly fragmented industry. At the same time, purchases of alternative asset managers decreased materially after an upsurge in 2018 but remain at historically high levels as buyer interest in the space remains strong. The number of acquisitions of traditional managers remained consistent with prior years. Long-term organic flow trends have favored those businesses offering unique strategies producing differentiated investment results versus those simply performing in-line with the broader markets. Strong buyer interest in high-performing asset management businesses has brought those sellers to the table as they look to secure strategic partners while realizing compelling valuations for their businesses.

Belying the record volume of deals, 2019 M&A activity represented just $1.3 trillion in transacted assets under management ("AUM"), the lowest figure since 2010 and a 67% decrease from 2018. The relatively low AUM that changed hands in 2019 was due to the significant number of transactions involving smaller firms, primarily wealth managers. Consistent with transacted AUM, disclosed deal value globally declined 50% from 2018, equaling $13.5 billion.

NUMBER OF TRANSACTIONS AND AUM BY TARGET TYPE

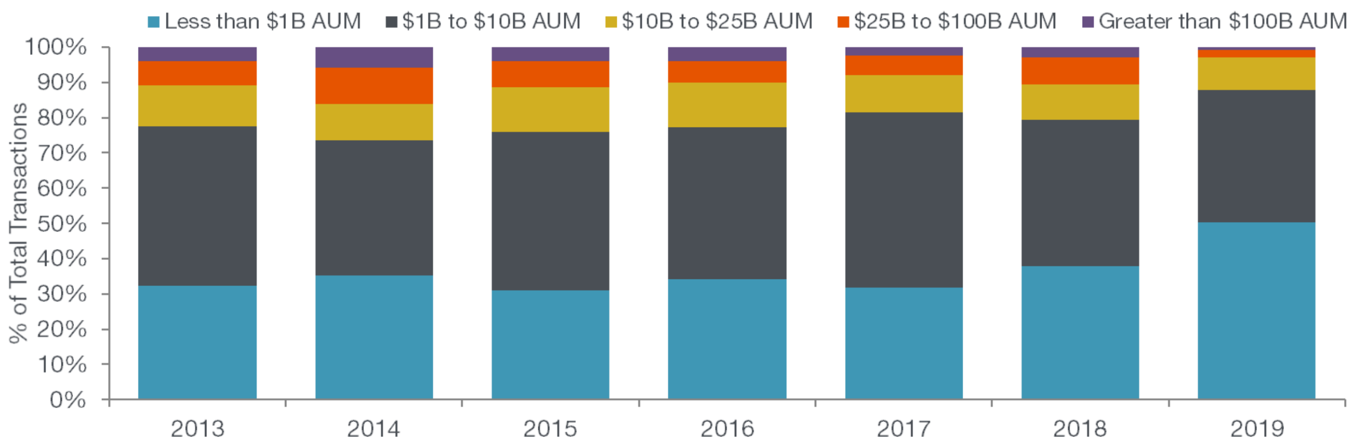


The five largest announced M&A transactions, as measured by disclosed deal value, exemplified the preponderance of smaller deals. Only two deals had a consideration above $1.0 billion versus five in 2018:

- Brookfield Asset Management's acquisition of a 62% stake in Oaktree Capital Management ($4.8 billion)
- Charles Schwab's acquisition of the USAA Investment Management Company ($1.8 billion)
- Reliance Capital's sale of its 43% stake in Reliance Nippon Life Asset Management to Nippon Life and public shareholders ($785 million)
- Tilney's merger with Smith & Williamson ($780 million)
- Goldman Sachs' acquisition of United Capital ($750 million)

Acquisitions of smaller managers, particularly in the private wealth management space, was the headline in 2019 deal activity. As a result, the median AUM of acquired managers was nearly cut in half from last year to $988 million. On the lower end, acquisitions of managers with less than $1 billion in AUM jumped from 99 to 133 between 2018 and 2019. On the larger end, acquisitions of managers with greater than $25 billion in AUM decreased nearly four-fold from 28 to eight, including just two acquisitions of managers with more than $100 billion of AUM, reflecting the intermittent nature of larger consolidating deals,. Acquisitions of managers with between $1 billion and $25 billion declined only slightly to 124 versus 135 transactions last year.

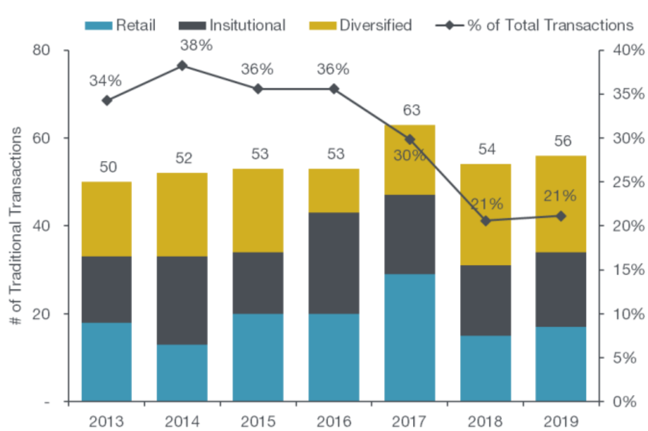
TRANSACTIONS BY TARGET'S AUM



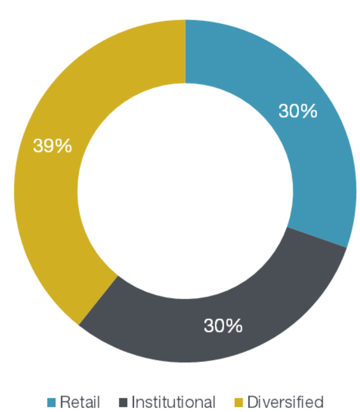
Traditional Asset Managers

In the traditional asset management space, many potential targets are actively seeking partners in light of secular challenges facing active management, but buyers remain very selective. Acquisitions of traditional asset managers remained in-line with historic norms at 56 transactions, two more than 2018.

NUMBER OF TRAD. MANAGER TRANSACTIONS



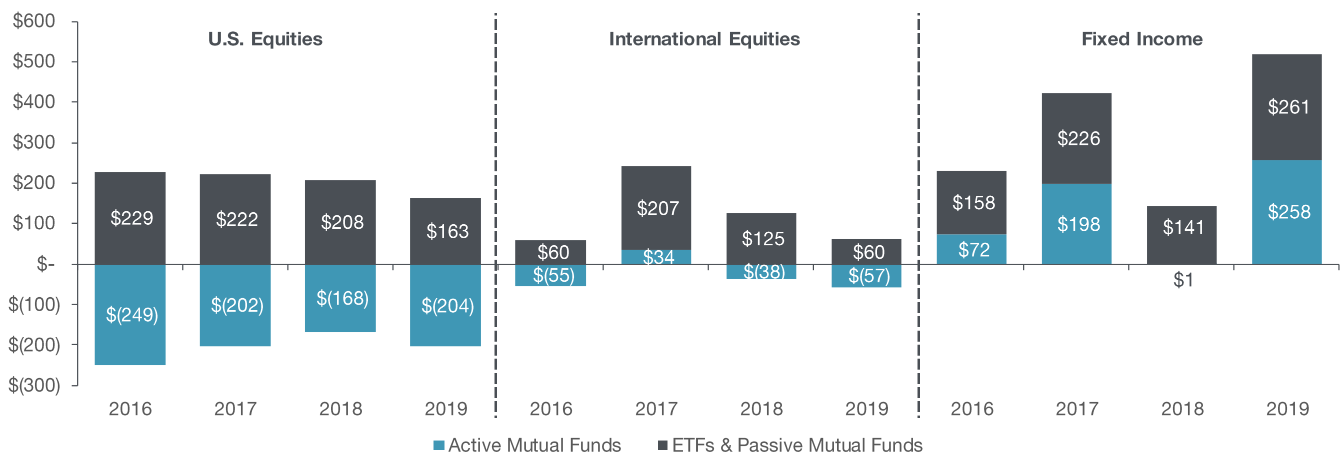
TRAD. MANAGER TRANSACTIONS BY TYPE, 2019



RETAIL

Retail managers continue to struggle with the rising costs of doing business against ever-persistent flow challenges. Wirehouses, the historically dominant distributors of asset management products, continue to rationalize their product offerings and create fewer, but stronger partnerships, typically with the largest, most diversified managers. The faster growing RIA market presents its own set of distribution challenges for asset managers given its highly fragmented nature. Many retail managers have sought greater efficiency and appeal in their product line-ups by merging and/or liquidating portions of their fund offerings while creating more differentiated products and investor friendly share classes and separately managed accounts. However, others are throwing in the towel and recognizing that their business has greater value to an acquirer that can consolidate the business into their existing operations, eliminate duplicative infrastructure, and potentially upgrade distribution.

MUTUAL FUND & ETF NET FLOWS BY ASSET CLASS



Source: Morningstar Direct

Acquisitions of retail managers trended higher year-over-year from 15 to 17 acquisitions. Of these 17 deals, well over half were divestitures where asset management was not core to the seller's franchise. For example, **PNC** sold $14 billion of liquidity, equity, and fixed income mutual funds to **Federated Investors**, which will allow PNC to focus its asset management business on OCIO and institutional investment solutions and exit its sub-scale retail efforts. Similarly, Canada-based **Foresters Financial** sold its $12 billion **First Investors** mutual fund platform to **Macquarie**, which will incorporate the funds into its **Delaware Funds** line-up. With the transaction, Macquarie will manage a portion of Foresters' general account as Foresters aims to focus more on its core life insurance business.

INSTITUTIONAL

Transactions involving institutional managers are increasingly driven by unique strategic considerations that vary on a deal-by-deal basis. There were 17 acquisitions of institutional managers in 2019, one more than 2018. Buyers are reluctant to acquire "plain vanilla" strategies and instead are seeking managers with investment strategies or processes whose specialization better protects them from the industry-wide shift to passive management. From a seller's perspective, the long-term market expansion has given them some latitude to wait to find the right partner to fulfill their primarily strategic goals, most often enhanced distribution. In a marriage of a strong distribution platform with a specialist manager, **Resolute Investment Managers** acquired a majority stake in **National Investment Services**, a $9 billion fixed income manager. Similarly, **Silvercrest Asset Management Group** acquired **Cortina Asset Management**, a $2 billion small cap growth equities manager, to expand Silvercrest's institutional investment platform and the proprietary strategies it offers to its ultra-high net worth client base.

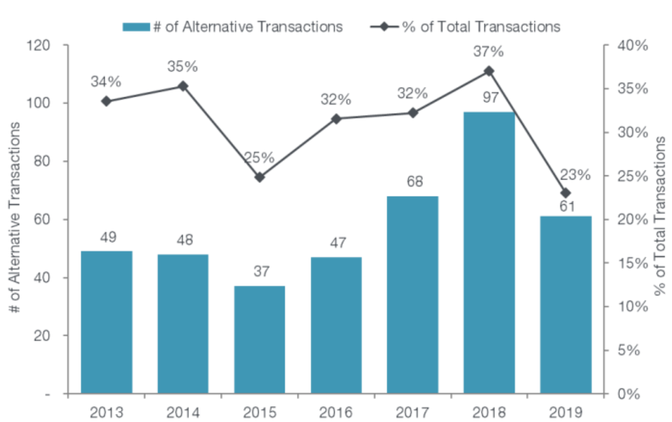
DIVERSIFIED

Diversified managers are typically larger managers that can offer partners a greater variety of strategic benefits and avenues for growth, but also may present greater challenges from an M&A perspective. While the retail portion of a seller's business can be consolidated with a buyer's to enhance scale, it is difficult to do so with overlapping institutional capabilities. Strategy overlap presents substantial challenges as institutional investors and their consultants will vote with their feet if assets are transitioned to a different investment team from the one they selected. Consequently, 2019 diversified manager deal activity involved many minority stake and management buyout transactions rather than control sales to other asset managers. Among the number of management buyouts this year, one of the most noteworthy was **RWC Partners'**, an $18 billion U.K.-based manager, buyout of the 41% stake held by **Schroders** in partnership with U.S.-based private equity firm **Lincoln Peak Capital**. Overall, the number of acquisitions of diversified managers remained stable in 2019 with 22 acquisitions versus 23 in 2018. In a deal that generated a number of strategic benefits, France-based **Natixis Investment Managers** acquired an 11% stake in Canada-based **Fiera Capital**, a $108 billion AUM manager, for $95 million. Fiera will become Natixis' preferred Canadian distribution platform and acquire Natixis' sub-scale Canadian operations, which has $1 billion in AUM.

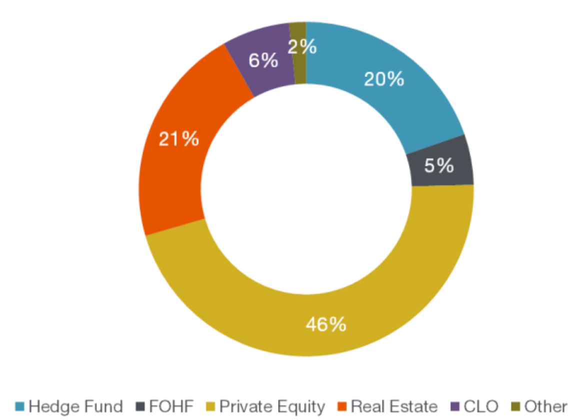
Alternative Asset Managers

Alternative asset management remains a highly active M&A market. Buyers remain attracted to the less correlated returns of such strategies and longer locked assets, which are not susceptible to the velocity of outflows currently evident in the traditional sector. In 2018, buyer interest in certain alternative sectors, particularly real estate, drove M&A activity to a record level not seen since the Global Financial Crisis. After this unprecedented spike, deal activity decreased nearly 40% to 61 acquisitions in 2019. Despite this decline, 2019 alternative deal activity remained high compared to past years. Between 2013 and 2017, there were an average of 50 acquisitions annually.

NUMBER OF ALT. MANAGER TRANSACTIONS



ALT. MANAGER TRANSACTIONS BY TYPE, 2019

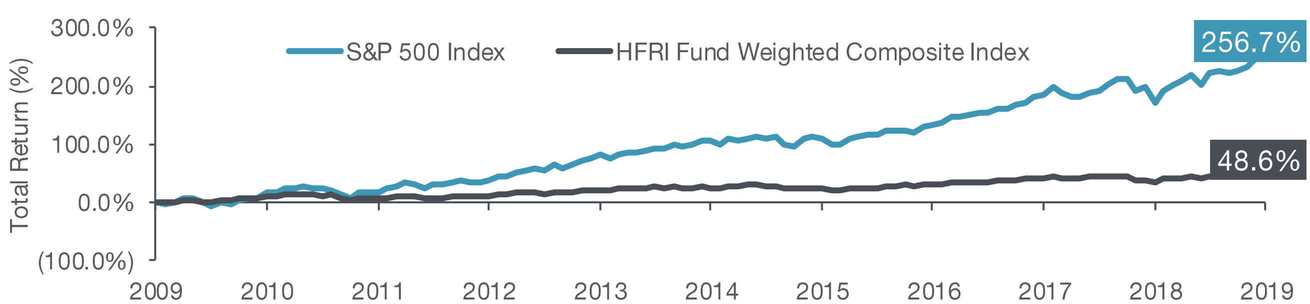


In private credit, which is one of the most in-demand asset classes among investors, sellers are being lured to the market by strong buyer interest for credit capabilities. Buyers are seeking to diversify their product suite by acquiring private yield-oriented strategies that otherwise take time to build track records. As a result, M&A volume among credit and debt alternative managers remained high with 18 acquisitions in 2019 of such managers investing through private equity-style, hedge fund, real estate, and CLO vehicles. While this did not reach 2018's record level of 29 transactions, the 65 acquisitions of credit managers over 2017 to 2019 is nearly three times higher than the number of acquisitions from 2014 to 2016. In one of the largest credit deals of the year, **First Eagle Investment Management** acquired **THL Credit Advisors**, a $17 billion manager focused on tradable credit and middle-market direct lending, from private equity firm **Thomas H. Lee Partners**. The acquisition significantly expands First Eagle's existing credit business and diversifies its broader business, which has historically been centered on global equities.

In 2019's largest asset management transaction and the largest alternative deal ever, Canada-based **Brookfield Asset Management** acquired a 62% stake in U.S.-based **Oaktree Capital Management** for $4.8 billion. The transaction brings together Oaktree's $120 billion of AUM and leading credit investing capabilities with Brookfield's $355 billion of AUM and expertise in real assets, including real estate, renewable energy, infrastructure, and private equity. For Oaktree's founders and management, the novel transaction structure allows them to participate in the continued growth of the business by retaining a 38% ownership position in the business. Starting in 2022, these owners can get liquidity for their retained equity by selling their remaining units to Brookfield pursuant to an agreed upon liquidity mechanism and approach to valuing the units.

Buyer interest in hedge funds and fund of hedge funds was muted in 2019, with acquisitions decreasing 32% to 15 deals. Across the sector, hedge funds continue to suffer from uninspiring investment performance and asset outflows. The HFRI Fund Weighted Composite Index returned just 10.4% in 2019 versus the S&P 500 total return of 31.5%. In an era where investors are unwilling to pay high fees without strong investment performance, growth has been hard to come by for most hedge fund managers. In order to attract strong buyer interest, hedge fund managers must offer highly differentiated investment strategies with less correlation to the broader market. Highlighting the value of differentiation, three managers of insurance-linked securities found buyers for their businesses. French insurer **SCOR** acquired **Coriolis Capital**, an $800 million U.K.-based manager, while **White Mountains Insurance Group** acquired a 30% stake in **Elementum Advisors**, a $4 billion manager. Finally, **Schroders** completed the full acquisition of **Secquaero Advisors** after acquiring smaller stakes in the $3 billion Switzerland-based manager in 2013 and 2016.

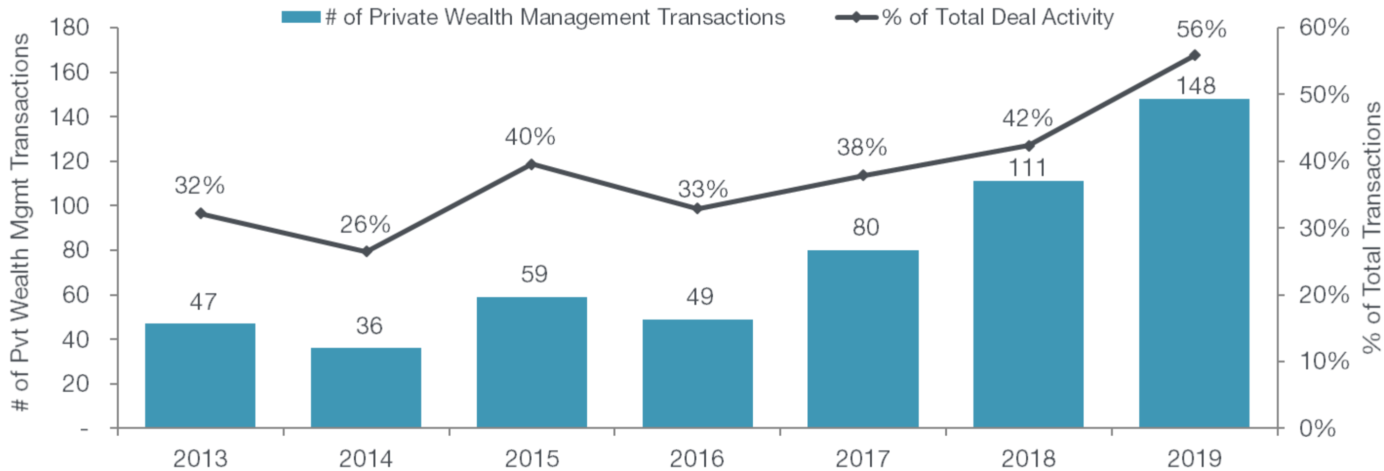
CUMULATIVE RETURN: S&P 500 INDEX VS. HFRI FUND WEIGHTED COMPOSITE INDEX



Source: eVestment

Private Wealth Managers

NUMBER OF PRIVATE WEALTH MANAGEMENT TRANSACTIONS



Private wealth management deal activity continued its explosive growth trend in 2019, even after several years of strong M&A activity. The significant fragmentation that exists in the wealth management industry coupled with the sector's stable fee rates and high client retention relative to others create a perfect storm for M&A activity. In total there were 148 transactions in 2019, 33% higher than 2018 and nearly double the number of deals in 2017.

Taking advantage of these opportunities, private equity-backed wealth management companies continue to be the most active buyers. Of note, **Focus Financial Partners** and **Mercer Advisors** made 21 and 10 private wealth manager acquisitions in 2019, respectively, supported with the capital of their private equity sponsors. T.H. Lee-owned **HighTower** bought just four firms, notably **Green Square Wealth Management** and **LourdMurray** in 2019, but their combined AUM of $8 billion places HighTower among the biggest acquirers. For private equity sponsors seeking platforms, 2019 represented a good year to find a horse to ride. **TA Associates** acquired a majority stake in **Wealth Enhancement Group**, a $15 billion asset platform that made 13 acquisitions between 2016 and 2019, from **Lightyear Capital**. **Oak Hill Capital** also found a platform in its acquisition of a majority stake in **Mercer Advisors**, which made 23 acquisitions between 2016 and 2019 to reach $18 billion in AUM, from **Genstar Capital** and **Lovell Minnick Partners**. Both Lightyear and Genstar made their initial investments in 2015.

FIVE MOST ACTIVE PRIVATE WEALTH MANAGEMENT ACQUIRERS, 2019

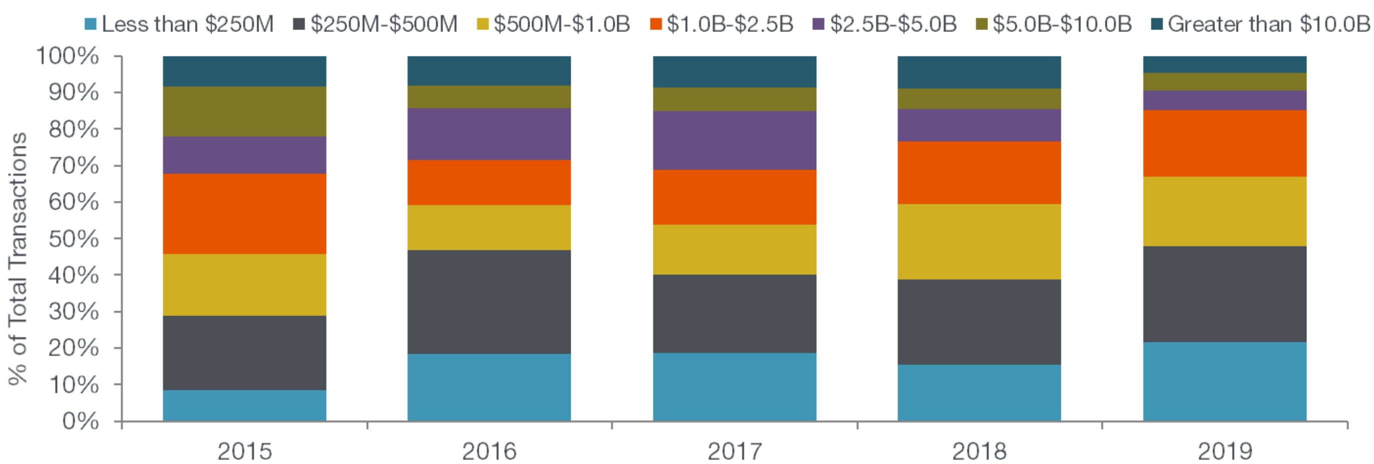
($ in millions)

Name	Private Equity Support	# of 2019 PWM Acquisitions	Average 2019 Acquired AUM
Focus Financial Partners	Stone Point Capital, KKR	21	$ 1,212
Mercer Advisors	Oak Hill Capital, Genstar Capital	10	223
Wealth Enhancement Group	TA Associates	6	733
CAPTRUST Financial Advisors	n/a	5	1,543
Mariner Wealth Advisors	n/a	5	449

Other financial institutions continue to seek ways to expand their existing wealth management footprints. However, many of these buyers, particularly banks, are being priced out of the market by more aggressive private equity-backed platforms. In one exception, which represented the largest private wealth management deal of the year, **Goldman Sachs** acquired **United Capital**, a $25 billion wealth management platform with over 90 offices across the U.S., for $750 million. United Capital has been one of the most active acquirers in the space in recent years. With this acquisition, Goldman Sachs will expand its client base by leveraging the United Capital platform to reach affluent clients with a smaller net worth than Goldman Sachs has traditionally served.

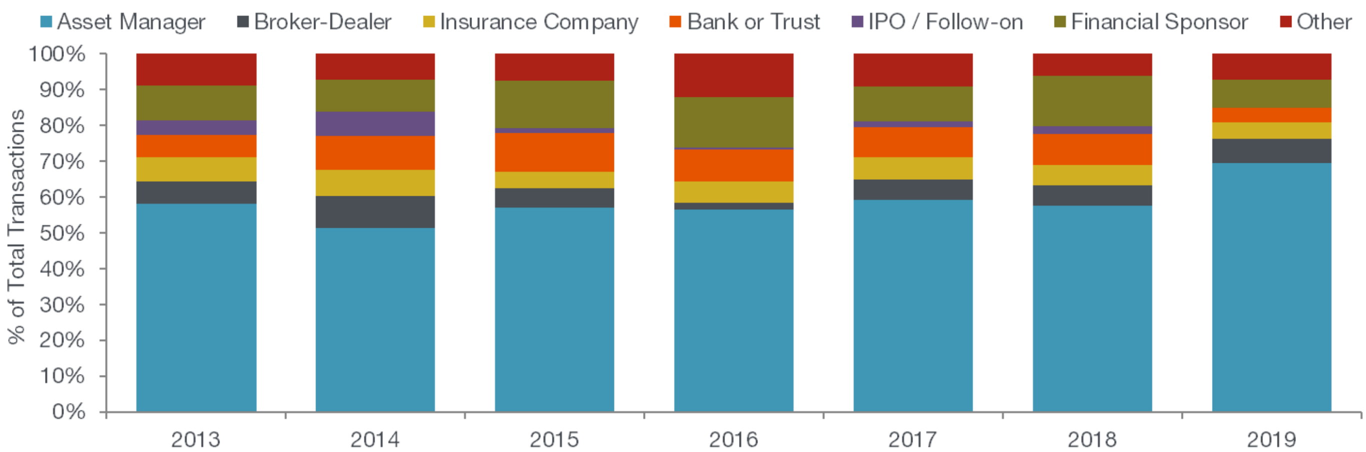
With so many active acquirers in the space, smaller private wealth managers that previously would have struggled to attract interest now have numerous options as they look for an exit. In fact, firms with less than $500 million in AUM represented over 50% of the targets in 2019. Buyers have developed their own unique acquisition templates and deal structures that enable them to acquire and integrate smaller firms more efficiently and accretively, as these deals transact at lower multiples. In 2015, there were 19 acquisitions of private wealth managers with more than $2.5 billion in AUM and 40 acquisitions of managers with less than $2.5 billion. Moving to 2019, acquisitions of these larger managers increased marginally to 22 deals, but acquisitions of smaller managers more than tripled to 126.

PRIVATE WEALTH MANAGEMENT TRANSACTIONS BY TARGET AUM



Buyers

TRANSACTIONS BY ACQUIRER TYPE



ASSET MANAGERS

Asset managers, including private wealth managers, continue to be the most active acquirers in the space. While the overall number of transactions remained stable, asset managers increased their acquisitions from 151 to 184 between 2018 and 2019. The sharp uptick in private wealth management acquisitions by other wealth managers drove this trend. Excluding these private wealth management acquisitions, acquisition activity by asset managers actually decreased year-over-year from 70 to 66. Historically acquisitive asset managers have become more cautious after several years highlighted by substantial consolidating transactions such as **Standard Life**'s 2017 merger with **Aberdeen Asset Management** and **Invesco**'s 2018 acquisition of **OppenheimerFunds**. In fact, **Federated Investors** and **Affiliated Managers Group** were the only two U.S. publicly-traded traditional asset managers to make acquisitions in 2019. Such firms have become highly selective in the traditional asset management space, while relative valuation made it difficult for them to successfully acquire alternative asset management capabilities.

FINANCIAL SPONSORS

Private equity funds focused on acquiring stakes in alternative asset managers were less active in 2019. As a result, acquisitions by financial sponsors returned to historical norms with 21 acquisitions in 2019, the same number as 2016 and 2017, but less than the record level of 37 acquisitions in 2018. Of note, Neuberger Berman's **Dyal Capital Partners** made just four minority stake acquisitions in 2019 after making 10 such investments last year. This is likely to be a temporary slowdown, as Dyal announced in December 2019 the closing of its largest fund ever with over $9 billion of committed capital for Dyal Capital Partners Fund IV. Similarly, **Goldman Sachs Petershill** program made just one investment in 2019 after five in 2018. Like Dyal, Petershill has been in the process of raising a new fund, with a target of $4 billion. **Blackstone Strategic Capital Holdings** maintained a stable level of activity, acquiring stakes in three managers in 2019 versus five last year.

Financial sponsors also continue to be an active source of capital to facilitate management buyouts. **Geneva Capital Management**, a $5 billion growth equities manager, partnered with private equity firm **Estancia Capital Partners** to buyout its owner, **Janus Henderson**. After the Janus-Henderson merger in 2017, with duplication among investment strategies, Geneva and Janus agreed that separating was the best path for both organizations. In a similar transaction, **1251 Capital Group** teamed with **Ziegler Capital**

Management, an $11 billion equity and fixed income manager, to buyout Ziegler's previous owner, **Stifel Financial Corp**.

BROKER-DEALERS

Along with the broader industry, broker-dealers were more active buyers of private wealth managers this year as they sought to expand their platforms by acquiring traditional RIAs. Overall, asset manager acquisitions by broker-dealers increased from 15 to 18 between 2018 and 2019. Of these transactions, 67% were acquisitions of private wealth managers compared to 40% in 2018. In July 2019, **Kestra Financial**, which private equity firm **Warburg Pincus** recapitalized earlier in the year, announced the launch of **Bluespring Wealth Partners** as a new business focused exclusively on acquiring registered investment advisors and wealth management firms. Since its recent inception, Bluespring has already made four private wealth management acquisitions.

Broker-dealers continue to limit their acquisitions of traditional asset managers and remain selective by focusing on opportunities that leverage their existing asset management business. To expand its multi-asset offerings and rules-based equity strategies, **Goldman Sachs Asset Management** acquired **Standard & Poor's Investment Advisory Services**, a $33 billion investment advisor to institutional sub-advisory and intermediary distribution channels. The acquisition drought continues among broker-dealers that do not already have asset management platforms.

BANKS

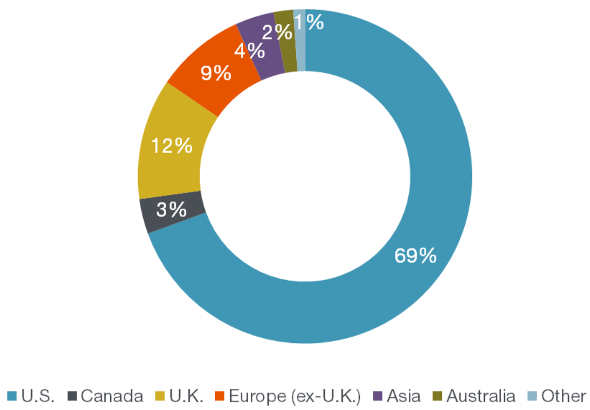
Within asset management, banks have focused on private wealth management in recent years. Recurring AUM-based fees, complimentary regional footprints, and the potential for cross-selling bank products make wealth management a natural target for banks. This remained the case in 2019, with seven of the 11 deals involving acquisitions of private wealth managers. However, both of these figures represent half of the number of deals in 2018, where banks made 22 acquisitions, including 14 private wealth managers. With so much competition to acquire wealth managers, banks have struggled to compete on price given the negative impact of goodwill and intangible assets to their balance sheets. As larger platform acquisitions have traded at a premium to an already expensive sector, banks have been most successful making smaller add-on acquisitions to grow an existing wealth management practice such as the case with **CIBC Private Wealth Management** acquiring **Lowenhaupt Global Advisors**, a $1 billion family office based in St. Louis and New York. Notably, CIBC had served as the investment platform for Lowenhaupt's clients prior to the transaction.

INSURANCE COMPANIES

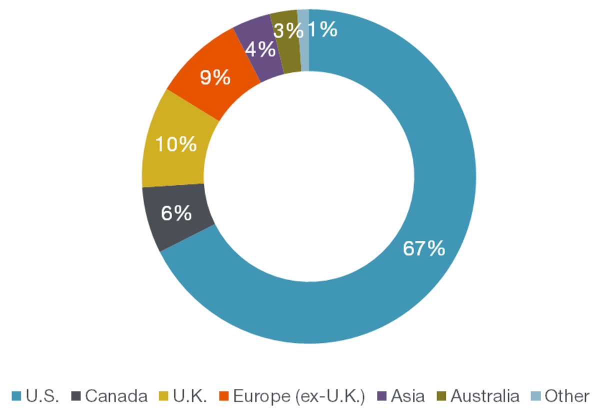
Insurance companies remain keenly interested in alternative asset managers, particularly real estate and private credit. Overall, insurance companies made 12 asset management acquisitions in 2019, only three fewer than 2018. Like 2018, more than half of these acquisitions were of alternative asset managers. Alternative managers with yield-oriented strategies that have low correlations to equity markets pair well with general account liabilities, and diversify any third-party business the acquirer may have. Insurance companies have been attractive to sellers given their ability to commit substantial general account assets as seed and co-investment capital. To expand its existing alternative asset management business, Canadian insurer **Sun Life Financial** acquired an 80% stake for $390 million in U.K.-based **InfraRed Capital Partners**, a $12 billion AUM infrastructure and real estate manager. Sun Life will also co-invest $400 million of its general account assets to support the launch of new InfraRed strategies. To establish its asset management platform, **Assured Guaranty** acquired **BlueMountain Capital Management** for $160 million from **Affiliated Managers Group**. BlueMountain manages $19 billion across CLOs and long-duration opportunity funds.

M&A Activity by Geography

TRANSACTIONS BY TARGET DOMICILE, 2019



TRANSACTIONS BY ACQUIRER DOMICILE, 2019

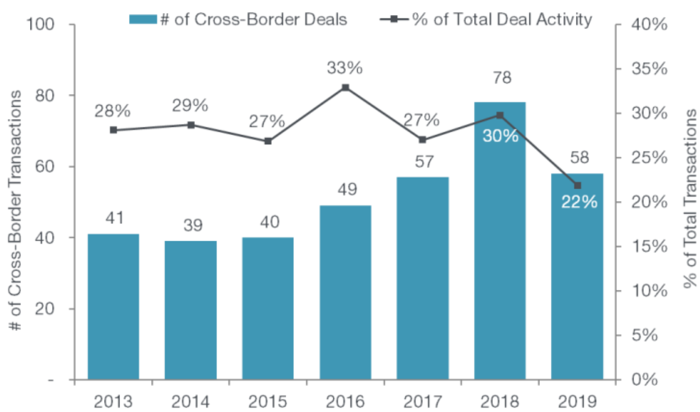


The U.S. has historically been the most active geography for M&A. This was even more pronounced in 2019, driven by the volume of private wealth management M&A which, to date, has been largely isolated to the U.S. market. U.S. targets represented 69% of deal activity in 2019 versus 61% between 2016 and 2018. Among targets in the U.K., where the private wealth management industry is similarly fragmented, acquisitions remained relatively stable at 31. However, the country could be at the early stages of a similar consolidation trend occurring in the U.S. At the end of 2019, U.S. private equity firm **The Carlyle Group** announced the acquisition of U.K.-based **Harwood Wealth Management** in a deal that valued the $7 billion AUM manager at $118 million. In one of the larger deals of the year, U.K. private wealth managers **Smith & Williamson** and the **Tilney Group** merged to create a $56 billion AUM firm. Smith & Williamson owners will receive cash and stock consideration valued at $780 million in the merger. One market that noted a meaningful slowdown in 2019 was mainland Europe, where sale volume decreased from 35 to 23 year-over-year.

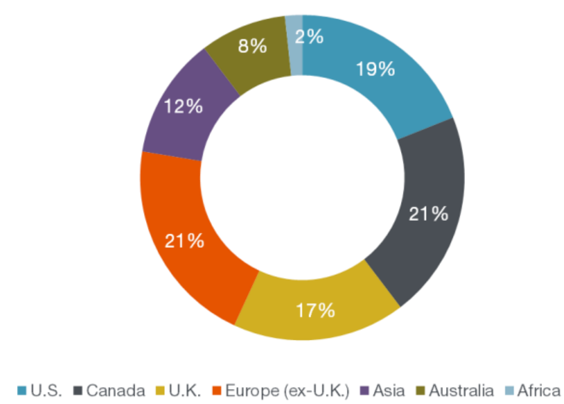
Acquisitions by U.S. buyers also increased from 161 to 179 between 2018 and 2019 because of the uptick in U.S. private wealth management M&A activity. In Asia, buyer activity decreased from 15 deals to 10 between 2018 and 2019. After several large acquisitions in Australia and the U.S. in 2017 and 2018 which created a spike in activity by Asian buyers, this group remained more focused in their regional markets. In the largest 2019 deal in Asia, Indian conglomerate **Reliance Group** sold its stake in **Reliance Nippon Life Asset Management**, a $61 billion AUM asset management joint venture with Japan insurer **Nippon Life**. Reliance received $785 million in proceeds to pay down debt by selling part of its stake to Nippon Life and offering the remaining shares to public investors. Among buyers from mainland Europe, transactions decreased 39% from 2018 to 23 transactions, in-line with the decrease of sellers in the region. Acquisitions by buyers in other domiciles remained generally consistent with 2018.

Cross-border transaction activity remained high relative to historical norms in 2019, but a significant drop from the 78 deals in 2018. Buyers notched 58 deals over the course of the year as they continued to expand outside of their home markets. While cross-border activity remains less common in private wealth management, several buyers acquired wealth managers outside of their home markets in 2019. Canada-based **CI Financial** expanded in the U.S. private wealth management market with two acquisitions: $1.6 billion AUM **One Capital Management** and $369 million AUM **Surevest Wealth Management**. From the U.S., **Focus Financial Partners** made its second Australian acquisition with $3.5 billion AUM **Escala Partners**. Within North America, Focus made its second and third Canadian acquisitions with **Nexus Investment Management** and $4.5 billion asset **Prime Quadrant**.

CROSS-BORDER TRANSACTION ACTIVITY



CROSS-BORDER ACTIVITY BY ACQUIRER DOMICILE, 2019

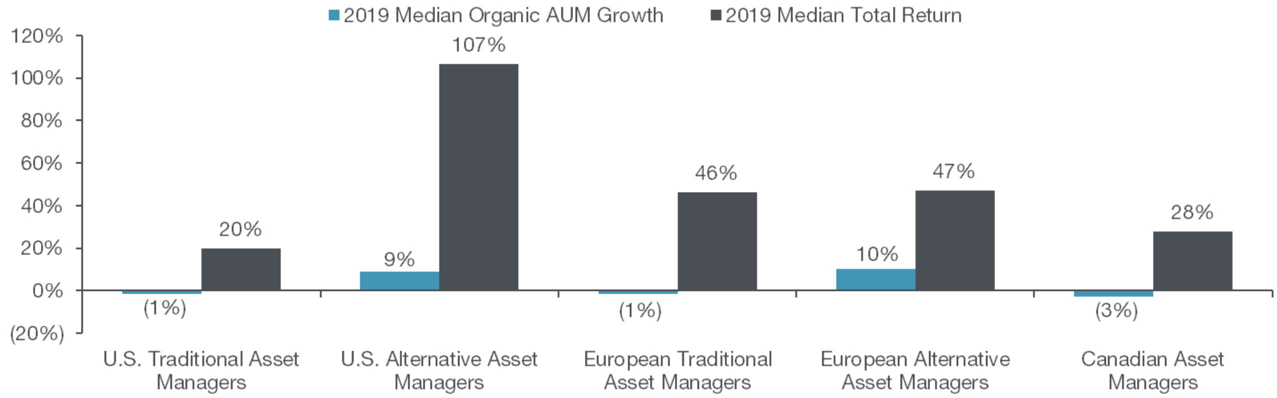


Pricing

The median asset manager M&A valuation increased in 2019 to 11.0x run-rate enterprise value ("EV") / EBITDA, compared to a 10.0x median in each of the previous three years. However, pricing dispersion remains at an all-time high. Premium opportunities continue to attract premium pricing. While there is strong buyer interest in alternative asset management capabilities with longer-locked assets and larger wealth managers that can act as roll-up platforms, such acquisition opportunities have become rarer. After several years of strong M&A activity and sustained strong valuations, potential acquisition targets are holding out for top-tier pricing. On the other end of the spectrum, pricing for traditional asset managers continues to diverge from alternative peers. Unless these sellers offer differentiated investment capabilities with a strong investment track record or significant consolidation opportunities, they will struggle to obtain a strong valuation, if they are able to find a buyer at all. In fact, the difficulty in finding buyers for less attractive opportunities creates a selection bias in the median valuation. While premium opportunities may trade at higher than 11.0x run-rate EBITDA, many less attractive opportunities that would transact at lower multiples are not able to find buyers at all.

After an extremely challenging 2018, publicly-traded asset managers rebounded in 2019, though valuation multiples still remain well below historical norms. Traditional asset managers delivered a median dividend-adjusted stock price return of 20% in the U.S. and 46% in Europe in 2019. Alternative managers continue to outpace traditional managers with a 107% median return in the U.S. and 47% in Europe in 2019. While the majority of traditional managers continue to suffer net outflows, most alternative managers are experiencing positive organic growth. Furthermore, with investors largely assuming that the market is in the late innings of the cycle, their outlook for the traditional asset manager peer group, which has the highest correlation to equity markets, remains less favorable.

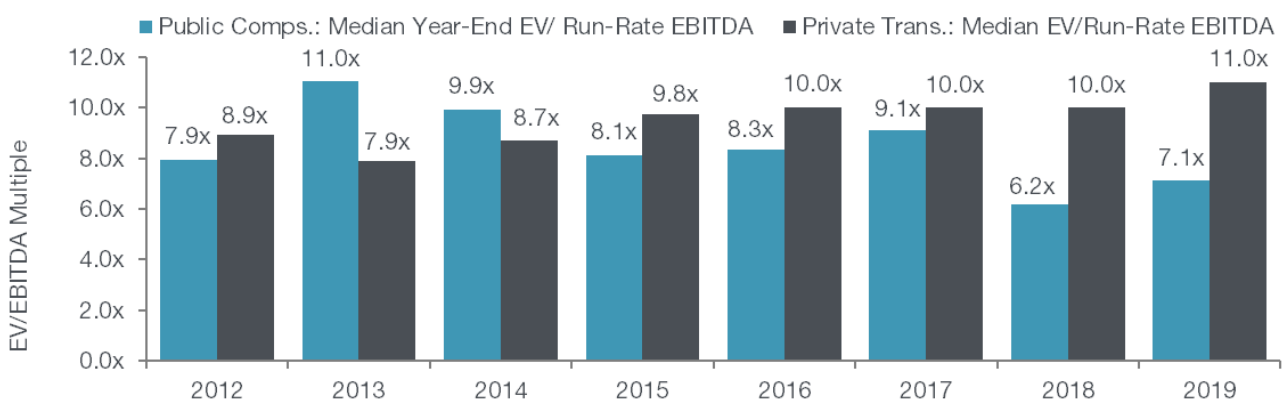
2019 MEDIAN ORGANIC AUM GROWTH AND TOTAL RETURN OF PUBLICLY-TRADED ASSET MANAGERS



Note: Organic AUM growth rates represent figures for 2019 or most recently available LTM flow information

While public market valuation for traditional managers of 7.1x median year-end EV / run-rate EBITDA recovered somewhat in 2019, it continued to lag private market pricing of 11.0x median EV / run-rate EBITDA. This divergence has dissuaded many firms from entering the public markets when considering their opportunities for liquidity. After 11 initial public offerings ("IPOs") between 2014 and 2018, there were no IPOs or significant equity follow-on offerings in 2019.

ANNUAL MEDIAN EV / RUN-RATE EBITDA MULTIPLES



The Year Ahead

While a lengthy bull market has driven many sellers to seek an exit at a premium valuation, it has also allowed many asset managers to delay addressing the secular challenges facing the industry. As buyers continue to reposition their asset management businesses for long-term viability and success, M&A will continue to play a crucial role, thus creating transaction opportunities for those sellers offering buyers greater scale and/or products and services that align with buyers' strategic plans. Our key themes and expectations for 2020 are as follows:

- *Differentiation Remains Critical:* Only those sellers with differentiated investment strategies resistant to cannibalization by passive substitutes or specialized distribution capabilities will see strong interest from buyers seeking to fill investment strategy gaps.

- *Consolidating Deals Return:* After another painful year of traditional fund outflows and ever-mounting costs, the status quo will not be a viable strategy and sub-scale managers with eroding profit margins will need to combine with or sell to a peer absent strong equity markets.

- *The Search for Yield is Still On:* As low interest rates continue to roil most asset owners, particularly pension funds and insurance companies, uncorrelated yield-oriented investment capabilities will remain high on the list of strategic priorities among buyers.

- *Wealth Management M&A Activity Stays Strong:* Consolidation will continue at a strong pace as well-financed buyers look to add scale and sellers reap the benefits of strong valuations brought on by the recent years of heightened deal volume.

- *Not Every Company is Saleable:* A number of asset management businesses, primarily those focused in long-only strategies, are ultimately not saleable as buyers avoid firms that will ultimately not survive the continuing passive investing trend.

- *Time May be of the Essence:* While the longest bull market in history has shown strong resilience, potential sellers of quality, differentiated businesses who may fear an eventual downturn will hasten their plans to seek liquidity, either selling their businesses in part or outright.

2019 by the Numbers	2019	vs. 2018
Asset Management Transactions	265	↑
Aggregate Disclosed Deal Value	$13.5 billion	↓
Aggregate AUM Transacted	$1.3 trillion	↓
Traditional Asset Manager Sales	56	↑
Alternative Asset Manager Sales	61	↓
Private Wealth Manager Sales	148	↑
Minority Stake Transactions	47	↓
Financial Sponsor Acquisitions	21	↓
Initial Public Offerings	0	↓
Cross-Border Transactions	58	↓
Median Forward P/E Multiple - Publicly Traded Managers (U.S.)	10.7x	↑
Median Run-Rate EBITDA Multiple - Private Transactions (Globally)	11.0x	↑

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In 2019, Piper Sandler was the top financial services M&A advisor by number of deals with a disclosed deal value, advising on 56 transactions with an aggregate disclosed deal value of $45 billion. Piper Sandler was also the top M&A advisor in the U.S. asset management, investment bank, brokerage, and capital markets sector by disclosed deal value with $34 billion.[1]

(1) Source: S&P Global Market Intelligence. Excludes terminated transactions and self-advisory roles

Piper Sandler is proud to have advised the following asset management companies and businesses serving the asset management industry since the start of 2019.

$26,000,000,000 TD Ameritrade has agreed to be acquired by charles SCHWAB *Financial Advisor to the Strategic Development Committee of the Board of Directors of TD Ameritrade*	*$4,800,000,000* OAKTREE has sold a 62% stake to Brookfield *Financial Advisor to the Special Committee of the Board of Directors of Oaktree Capital*	THL Credit has been acquired by FIRST EAGLE INVESTMENT MANAGEMENT *Financial Advisor to THL Credit Advisors*
VIRTUS PARTNERS has sold a majority stake to FIS *Financial Advisor to Virtus Partners Board of Directors*	Geneva JANUS HENDERSON ESTANCIA CAPITAL PARTNERS has agreed to a management buyout from Janus Henderson INVESTORS *Financial Advisor to Geneva Capital Management and Estancia Capital Partners*	NORTH SQUARE INVESTMENTS has agreed to acquire a majority interest in CS McKee INVESTMENT MANAGERS *Financial Advisor to North Square Investments*
FIRST LONG ISLAND INVESTORS, LLC has sold a minority stake to KUDU INVESTMENT MANAGEMENT *Financial Advisor to First Long Island Investors*	**American Trust & Savings Bank** has sold American Trust Retirement to FIRST MERCANTILE *Financial Advisor to American Trust & Savings Bank*	GREEN SQUARE WEALTH MANAGEMENT has been acquired by HIGHTOWER *Financial Advisor to Green Square Wealth Management*

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