SANDLER O'NEILL + PARTNERS

INVESTMENT BANKING GROUP

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Asset Manager Transaction Review

Improved Transaction Activity in 2012

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Transaction volume among asset managers increased for the second consecutive year, reflecting improving stock markets globally, increased M&A activity among independently owned asset managers seeking to avoid anticipated tax hikes, and the continued unwinding of non-core businesses by larger financial institutions. In total, 141 transactions were announced globally in 2012, up from 132 announced deals in 2011 and 128 in 2010. AUM transacted totaled $1.5 trillion, up 16% from 2011 and 50% from 2010.

The S&P 500 climbed 16% in 2012, creating price appreciation for sellers, despite the continuing headwinds that much of the industry is facing from client flows that remained focused in less risky asset classes. Tactical deal making continues to far exceed larger transformational deals, with acquisition activity of businesses with assets under management between $1 billion and $10 billion the highest on record.

Pure-play asset management companies continue to be the beneficiaries of diminished competition for acquisitions, a trend we expect to continue. Asset managers were the acquirers in more than 50% of all transactions, the first time that this percentage exceeded 50% in well over a decade, as larger financial institutions continue to be net sellers of asset management businesses.

Alternative asset managers remain a large contributor to transaction activity. As in 2011, 39% of deals involved alternative asset managers as sellers. The mix, however, was very different in 2012 as fund-of-hedge-fund and private-equity transactions reversed the previous year's trend by being up markedly, while sales of hedge fund and CLO managers dropped sharply. This reversal reflects current industry trends, including the winding down of the consolidation opportunity in the CLO sector and the consolidation in earnest of the fund of hedge fund industry.

While transaction activity was at a three-year high, buyers continued to favor deals closer to home. Interest among foreign buyers in European managers was expectedly low given the lack of overall economic stability in the region, leaving local consolidators as the default buyers. In-market buying in Europe increased 50% and represented over 80% of European volume. Though the Europeans were the predominant buyers locally, they also sought opportunities to diversify away from the European crisis, increasing their purchases in the U.S. more than threefold in 2012.

While the desire to avoid anticipated tax increases may have nudged sellers to the table in 2012, we expect transaction volume to remain strong in 2013 as active buyers continue to fill out their platforms. Although buyers are more discerning, due diligence is more intense, and transactions take longer to complete, we believe that the forces driving consolidation and corporate pruning should keep sellers and buyers active in 2013.

Measured by assets under management, the largest global asset management transactions announced in 2012 were:

- Janus Capital Group's sale of a minority stake to The Dai-Ichi Life Insurance Company ($153 billion AUM)
- The Carlyle Group's IPO ($147 billion AUM)
- The sale of TCW Group by Societe Generale to a fund of The Carlyle Group and TCW management ($127 billion AUM)

- Bridgewater Associates' minority stake sale to Teacher Retirement System of Texas ($120 billion AUM)
- The sale of Dexia Asset Management by Dexia SA to GCS Capital ($100 billion AUM)

In February, Sandler O'Neill will release its annual white paper providing an in-depth review and analysis of 2012 transaction activity, as well as a forecast of activity and the trends driving it in the coming year.

Sandler O'Neill is proud to have advised on and raised capital for the following asset management companies in 2012:

October 2012

Vermillion ASSET MANAGEMENT

has sold a 55% interest to

THE CARLYLE GROUP

Financial Advisor to Vermillion Asset Management

August 2012

THE CARLYLE GROUP

has acquired

TCW Insight that works for you.™

Financial Advisor to The Carlyle Group

April 2012

ROCHDALE INVESTMENT MANAGEMENT

has been acquired by

CITY NATIONAL BANK The way up.

to form an $18 billion private wealth manager

Financial Advisor to Rochdale Investment Management

February 2012

ENVESTNET

has acquired

Tamarac® the freedom to grow your business®

$54,000,000

Financial Advisor to Envestnet

May 2012

THE CARLYLE GROUP

Initial Public Offering

$671,000,000

Bookrunner

April 2012

OAKTREE

Initial Public Offering

$380,250,000

Co-Manager

February 2012

WISDOMTREE®

Follow-on Offering

$92,658,000

Co-Manager

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