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Asset Manager Transaction Review

Transaction Activity Sets New Highs In 2015

Aaron H. Dorr
Principal
Head of Asset Management Investment Banking
(212) 466-7734
adorr@sandleroneill.com

Christopher J. Browne
Managing Director
Asset Management Investment Banking
(212) 466-7735
cbrowne@sandleroneill.com

Global transaction volume among asset managers set a new multi-year high in 2015, largely reflecting a step-up in activity among small to mid-sized asset managers. In total, 149 transactions were announced globally in 2015, up from 135 and 146 announced deals in 2014 and 2013, respectively. AUM transacted totaled \$3.0 trillion, up 14% from 2014 and 41% from 2013.

Despite mostly negative returns throughout the major global equity markets in 2015, gains early in the year and low cost of capital created a positive environment for deal making that led to the most transactions on record since the financial crisis. Tactical deal making continues to exceed larger transformational deals, with 67 acquisitions of businesses with assets under management between \$1 billion and \$10 billion, representing nearly half of deal activity, and a 31% year-on-year increase.

Private wealth management transactions dominated the deal making landscape this year. There were 59 acquisitions of private client businesses announced, which was the highest number on record. Greater stability of AUM, scale benefits and favorable organic growth dynamics, were all factors in buyers' strong interest in this sector. Though not as significant in number, sales of mutual fund management companies experienced a steep increase in year-on-year activity, posting 19 transactions for a nearly 50% increase over 2014. M&A activity in the mutual fund arena was driven by the consolidation opportunities that the sector affords in an environment of ever increasing costs and organic growth headwinds among active strategies.

Alternative asset management activity took a step back in 2015 after hovering around 50 transactions per annum since 2010. In total, 37 deals were announced, with sales of hedge fund and private equity businesses each accounting for one-third of the volume. Other areas including real estate and fund of hedge funds realized a slow-down in activity with the former largely being driven by a smaller number of actionable opportunities, and the latter owing to on-going sector challenges.

Among buyers, pure-play asset management companies continued to dominate the activity, a trend that has continued post-financial crisis. However, both banks and financial sponsors stepped up their acquisition activity in 2015, largely due to their interest in the private wealth management sector.

Broker dealers and insurance companies were generally quieter in all respects, slowing not only their acquisition activity but also divestments, as they are settling into their post-crisis business models. Despite transaction volume setting a new high water mark, local buying remained strong, resulting in fewer transatlantic deals. To the point, such activity nearly halved versus last year, with just 11 transatlantic deals in 2015.

The sustainability of the favorable environment which drove deal making in 2015 to new highs will weigh heavily on the level of deal flow in 2016. Themes we expect to drive transaction volumes in 2016 will center on the on-going maturity of the asset management industry. These include slower growth among traditional asset classes, on-going globalization of both manufacturing and distribution, the on-going search for alpha and an ever-aging group of owners.

Measured by assets under management, the largest global asset management transactions announced in 2015 were:

- Amundi Asset Management's IPO (\$1.0 trillion AUM)
- The sale of Russell Investments by the London Stock Exchange to TA Associates and Reverence Capital (\$266 billion AUM)
- Unicredit's majority stake sale of Pioneer Investments to Banco Santander, Warburg Pincus, and General Atlantic (\$242 billion AUM); Pioneer Investments combined with Santander Asset Management
- OM Asset Management's follow-on equity offering (\$224 billion AUM)
- The sale of CIBC's 41% stake in American Century Investment Management to Nomura Holdings (\$149 billion AUM)

In 2015, Sandler O'Neill was the top financial services M&A advisor by number of deals, advising on 77 transactions with an aggregate deal value in excess of \$19 billion.¹

¹ Source: SNL Financial, includes all U.S. financial services transactions announced from 1/1/15 – 12/31/15. Rankings exclude terminated transactions and self-advisory roles. Does not combine the results of advisors which have merged until the date such merger was completed.

Sandler O'Neill is proud to have advised on and raised capital for the following asset management companies and businesses serving the asset management industry in 2015:

<p>November 2015</p> <p> Financial Institutions, Inc. <i>has agreed to acquire</i></p> <p></p> <p>Financial Advisor to Financial Institutions</p>	<p>October 2015</p> <p> <i>has sold a portion of its equity interest in</i></p> <p></p> <p>to</p> <p></p> <p>Financial Advisor to The Carlyle Group</p>
<p>August 2015</p> <p></p> <p><i>has acquired</i></p> <p></p> <p>Financial Advisor to Envestnet</p>	<p>September 2015</p> <p></p> <p><i>has sold</i></p> <p></p> <p><i>to a newly-formed portfolio co. of</i></p> <p></p> <p>Financial Advisor to Falcon Investment Advisors and WealthTrust</p>
<p>January 2015</p> <p></p> <p><i>has acquired</i></p> <p></p> <p>Financial Advisor to Beacon Trust Company</p>	<p>January 2015</p> <p></p> <p><i>has received a minority investment from</i></p> <p></p> <p>Financial Advisor to Virtus Partners</p>
<p>November 2015</p> <p></p> <p><i>Senior Note Offering</i></p> <p>\$40,000,000</p> <p>Initial Purchaser and Sole Manager</p>	<p>June 2015</p> <p></p> <p><i>Follow-on Offering</i></p> <p>\$267,662,500</p> <p>Co-Manager</p>

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