SANDLER O'NEILL + PARTNERS

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INVESTMENT BANKING GROUP

ASSET MANAGEMENT

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Déjà Vu All Over Again

2011 M&A Activity in the Asset Management Industry

In 2011, the mettle of every investor, portfolio manager, CEO and board member was tested. Markets were up, then down, and spent a lot of time in between. Deal making was not for the faint of heart, and the slowdown in M&A and capital raising in the second half underscored the point. It was a wild ride, but when the year ended and the dust settled, it felt like we were right back where we started. It was "déjà vu all over again."

2011: BY THE NUMBERS	
Asset Management Transactions	132
Aggregate Disclosed Deal Value	$9.9 billion
Aggregate AUM Transacted	$1.3 trillion
IPOs	2
MBOs & PE Sponsored Transactions	22
Minority Stake Transactions	28
Cross-Border Transactions	45
Alternative Manager Sales	48
Sandler O'Neill + Partners Global Asset Manager Index	(16%)
Median Forward P/E Multiple – Publicly Traded Managers (U.S.)	12.1x
Median Run-Rate EBITDA Multiple – Private Transactions (Globally)	7.5x

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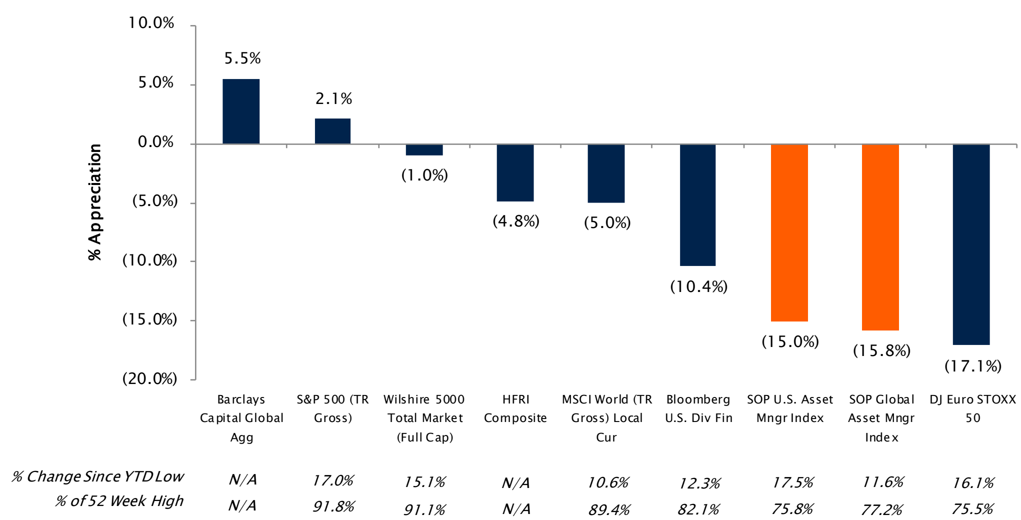
OVERVIEW

Volatility persisted in 2011 as the European sovereign debt crisis, high levels of unemployment, and gridlock in Washington all dampened investor sentiment. What started off as a pleasant continuation of the strong equity run that began in the second half of 2010 turned quickly as investors hoped for the best but feared the worst. The developed world's turmoil was on full display, driving investors to less risky asset classes once again and helping fixed income indices to another year of gains. The U.S. equity market needed a year-end surge to finish essentially right where it started the year. Most European and Asian equity markets were down double digits.

Across the broader markets, financials were the worst-performing sector and asset managers shared in the pain. When the equity markets sneeze, asset managers typically end up with pneumonia, and 2011 was no exception. Both the Sandler O'Neill U.S. Asset Manager Index[1] and the Sandler O'Neill Global Asset Manager Index[2] were down 15% or more for the year and more than 22% from their peak in February, as investor sentiment turned south and near-term growth prospects for the industry as a whole stalled.

EXHIBIT 1: Performance of Major Capital Markets Benchmarks and Financial Sector Indices, 2011



Source: Bloomberg, Capital IQ, Hedge Fund Research, Sandler O'Neill Asset Management Investment Banking Group

Illustrative of the challenges facing a large majority of the asset management industry, organic growth was scarce among the publicly traded asset managers. As a result, forward growth expectations became muted, and the resulting multiples investors were willing to pay for asset management stocks sank.

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[1] Market capitalization-weighted non-investable index that seeks to reflect the performance of U.S. publicly traded asset management companies. The index was developed by Sandler O'Neill and currently consists of 29 companies.

[2] Market capitalization-weighted non-investable index that seeks to reflect the performance of publicly traded asset management companies. The index was developed by Sandler O'Neill and currently consists of 61 companies.

EXHIBIT 2: Stock Performance of the Largest Quoted Fund Managers Worldwide, 2011

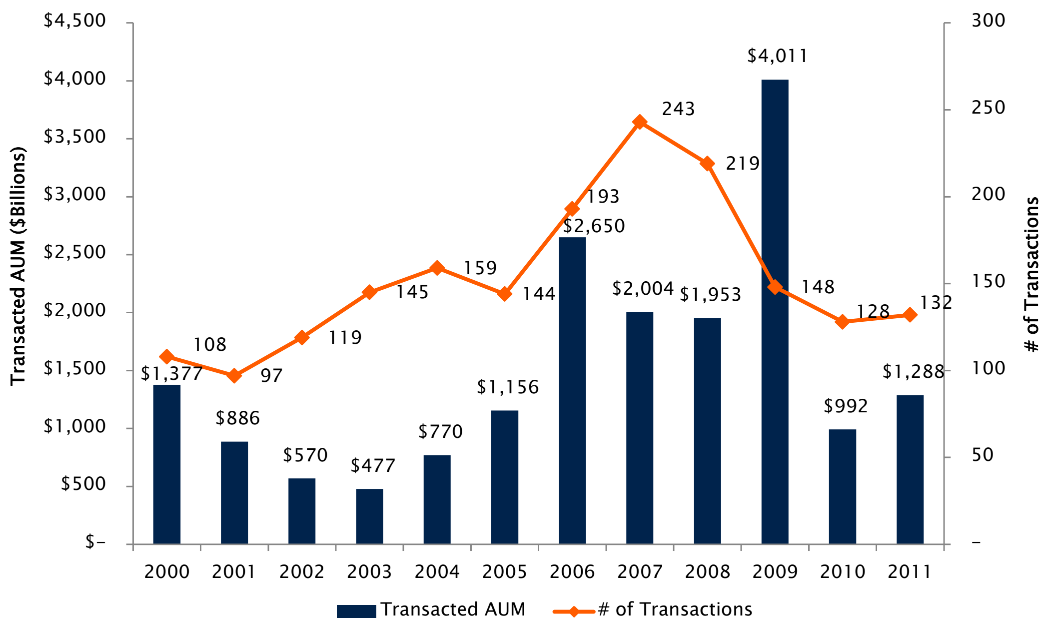
Company	Country	Market Cap US$(MM)	2011 % Price Change (Native Currency)	% Change Since 52-Week Low	12/31/2011 Stock Price as a % of 52-Week High
Virtus Investment Partners, Inc.	U.S.	$ 469	68%	95%	94%
Epoch Investment Partners, Inc.	U.S.	517	51%	90%	87%
WisdomTree Investments, Inc.	U.S.	702	46%	48%	63%
Cohen & Steers, Inc.	U.S.	1,247	16%	21%	71%
Aberdeen Asset Management plc	U.K.	3,675	9%	29%	88%
Ashmore Group plc	U.K.	3,550	4%	12%	78%
The Blackstone Group L.P.	U.S.	15,560	3%	33%	71%
S&P 500 Index (Total Return Gross)			**2%**	**17%**	**92%**
CI Financial Corp.	Canada	5,896	(2%)	12%	88%
Affiliated Managers Group, Inc.	U.S.	4,939	(3%)	37%	85%
BlackRock, Inc.	U.S.	31,880	(4%)	30%	85%
Partners Group Holding	Switzerland	4,419	(5%)	41%	89%
Kohlberg Kravis Roberts & Co.	U.S.	8,811	(5%)	43%	67%
Azimut Holding Spa	Italy	1,038	(6%)	45%	71%
GAMCO Investors, Inc.	U.S.	1,164	(7%)	21%	82%
Calamos Asset Management, Inc.	U.S.	252	(8%)	33%	72%
T. Rowe Price Group, Inc.	U.S.	14,388	(10%)	27%	80%
Franklin Resources, Inc.	U.S.	20,883	(11%)	10%	70%
AGF Management Ltd.	Canada	1,486	(14%)	14%	77%
Invesco Ltd.	U.S.	9,060	(15%)	38%	67%
SOP Global Asset Management Index			**(16%)**	**12%**	**77%**
F&C Asset Management plc	U.K.	526	(19%)	19%	70%
Eaton Vance Corp.	U.S.	2,774	(20%)	18%	69%
Sprott Inc.	Canada	965	(21%)	16%	58%
Henderson Group plc	U.K.	1,674	(22%)	10%	58%
Platinum Asset Management Ltd.	Australia	2,027	(25%)	6%	70%
Jupiter Fund Management plc	U.K.	1,193	(26%)	24%	64%
Schroders plc	U.K.	5,765	(27%)	14%	68%
Waddell & Reed Financial, Inc.	U.S.	2,113	(28%)	8%	58%
Perpetual Limited	Australia	803	(30%)	7%	63%
Legg Mason, Inc.	U.S.	3,362	(33%)	6%	64%
AllianceBernstein Holding L.P.	U.S.	1,376	(39%)	5%	54%
Federated Investors, Inc.	U.S.	1,572	(40%)	6%	53%
Pzena Investment Management	U.S.	280	(40%)	36%	54%
Fortress Investment Group LLC	U.S.	1,675	(41%)	27%	48%
Och-Ziff Capital Management Group LLC	U.S.	3,154	(42%)	15%	48%
Value Partners Group Ltd.	Hong Kong	899	(48%)	48%	46%
Janus Capital Group, Inc.	U.S.	1,177	(51%)	18%	43%
Man Group plc	U.K.	3,563	(54%)	3%	40%
Artio Global Investors Inc.	U.S.	289	(66%)	2%	28%
Apollo Global Management, LLC	U.S.	4,772	N/A	40%	65%
Manning & Napier, Inc.	U.S.	1,110	N/A	6%	94%

Note: Apollo Global Management and Manning & Napier not included in price change ranking due to recent IPOs.
Source: Company filings, Capital IQ, Sandler O'Neill Asset Management Investment Banking Group

The challenges facing the asset management industry in 2011 were felt beyond the public markets, with global M&A activity being relatively flat in 2011. Transactions totaling $2.6 trillion were announced in 2011, 7% above 2010 levels. Measured by number of transactions, deal activity was down a modest 5%. However, 2011 was a tale of two halves, reflecting the broader equity markets, as deal activity fell steeply in the second half of the year, when a barrage of political and financial bad news stunned buyers and sellers. Each quarter in 2011 saw fewer deal announcements than the prior one, ultimately falling to $550 billion in announced transactions in the fourth quarter. Drivers of global deal activity included continued interest in the emerging markets and capital-rich private equity firms, representing 26% and 12% of total deal volume, respectively. Financial services was the second-largest slice of the 2011 M&A pie behind the energy and power industry. In total, 4,475 financial services companies were sold or merged in 2011, totaling nearly $350 billion of disclosed deal value.

Overall, asset management M&A activity in 2011 was on par with 2010. In total, 132 transactions were announced, a marginal increase from the 128 deals announced in 2010, but down from the 148 deals announced in 2009. Moderation continued to reign supreme in 2011, as tuck-in acquisitions remained the flavor of the day, and mega deals – largely absent from the market since 2009 – remained elusive. Underpinning this continuing trend were corporate buyers that, despite strong balance sheets and excess capital, remained unwilling to make aggressive strategic wagers in the midst of the volatile markets and the ongoing reallocation of investor assets. In addition, what was on the block was not always of interest. Buyers have become ever more discerning, focusing on diversifying their businesses with less-correlated products. Traditional domestic equity managers, once the staple of asset management M&A activity, are now struggling to get buyers' attention.

EXHIBIT 3: Total Number of Transactions and Acquired AUM



Note: Includes minority transactions, recapitalizations and IPOs.
Source: Sandler O'Neill Asset Management Investment Banking Group

Firms with assets under management totaling over $1.2 trillion were sold in 2011, an increase from $1 trillion in 2010. For the first time in memory, all five of the largest transactions as measured by AUM were minority stake acquisitions, with two of the five being management teams investing in themselves via buyouts.

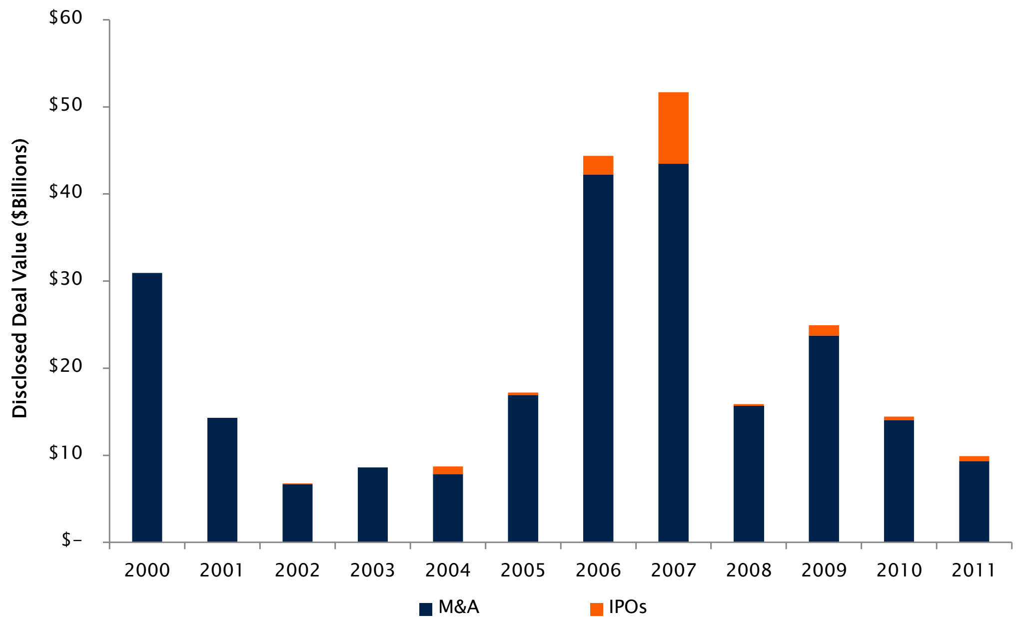
EXHIBIT 4: Largest Asset Management Deals by Transacted AUM, 2011

Date	Target	Ctry	Type	Acquirer	Ctry	AUM ($MM)	% Acquired
Nov-11	Neuberger Berman Group LLC	US	Div	MBO	US	$ 183,000	48%
Jul-11	American Century Investment Management, Inc.	US	Div	Canadian Imperial Bank of Commerce	CN	112,000	41%
Dec-11	AMP Capital Holdings Limited	Australia	Div	Mitsubishi UFJ Trust and Banking Corporation	JN	96,796	15%
Jul-11	Mondrian Investment Partners Limited	UK	Div	MBO	UK	70,000	28%
Mar-11	Apollo Global Management, LLC	US	Alt	IPO	US	67,551	6%

Note: Data converted to U.S. currency at time of announcement. Announced transactions only.
Source: Sandler O'Neill Asset Management Investment Banking Group

Buyers of asset management firms spent nearly $9.9 billion of disclosed deal value during 2011, a 31% decrease from $14.4 billion in 2010. Seven transactions in 2011 had disclosed deal values in excess of $500 million, in line with 2010, but well below the levels experienced in recent years.

EXHIBIT 5: Disclosed Deal Values in Asset Management Deals Worldwide



Note: Includes minority transactions, recapitalizations and IPOs.
Source: Sandler O'Neill Asset Management Investment Banking Group

Buyers were not the only group sounding a cautious note, as prospective sellers wisely spent the majority of the year focusing on client retention during the market gyrations. Divestitures continued to abate in 2011 and sales of independently owned companies increased, though both changes were modest and defined no trend. Many independent sellers are looking for partners and liquidity but are longing for yesteryear's valuations, which only a small subset of the industry is able to command.

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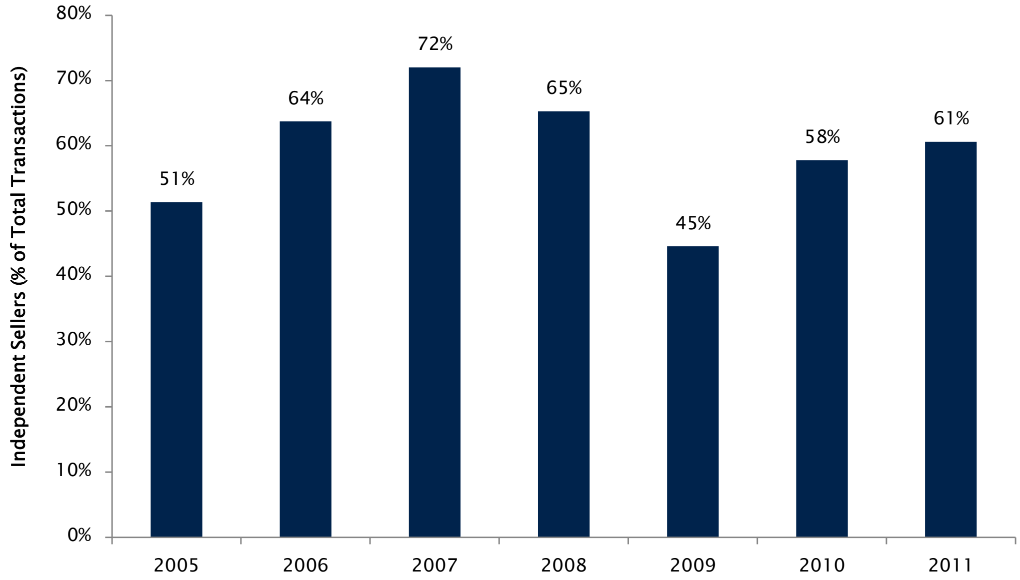
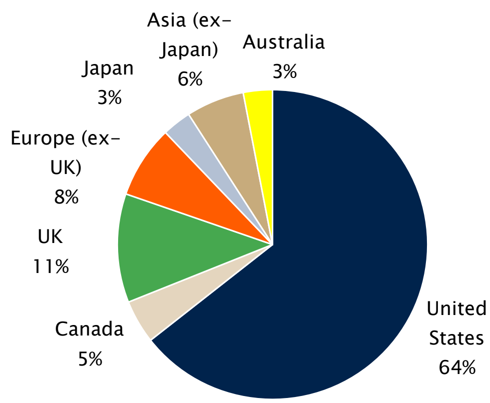
EXHIBIT 6: Transaction Activity Involving Independent Sellers



Source: Sandler O'Neill Asset Management Investment Banking Group

Managing roughly 50% of the world's assets, U.S. parties were again the most active sellers and acquirers of asset management companies in 2011. U.S. parties represented over 60% of the volume of deal activity, with the U.K. being a distant second at approximately 10%. Less mature markets offer interesting areas for expansion but offer few acquisition targets, are expensive to buy into, and have low predictive success rates. Cross-border activity held steady at just over 30% of all deals.

EXHIBIT 7: Geographical Breakdown of Transactions by Acquirer Domicile, 2011



Source: Sandler O'Neill & Partners' Asset Management Investment Banking Group

As we look ahead to 2012, we see several broad themes emerging:

Steady level of deal activity: Echoing the sentiment that the "New Normal" is here to stay, we do not expect a substantial pickup in deal activity for asset managers in 2012. A healthy stable of global buyers stands at the ready, including a material number that sat idle in 2011. The combination of large financial service companies reshaping their businesses via divestitures and independent owners looking for partners will provide suitable supply to the market.

Alternatives remain in high demand: Investors of all shapes and sizes will continue to seek diversifying, non-correlated strategies. There has been too much talk and too little action from the largest asset management companies to address this demand, and they must, or investors will vote with their feet.

A renewal of larger divestitures, driven by the storm clouds over Europe: While ongoing strategic pruning will occur on a global basis, the European banks face massive deleveraging, to the tune of $2-3 trillion, by most estimates. In order to comply with mandated capital levels, we expect the European banks to drive an increasing level of divestiture activity in 2012.

Focused buyer interest: The vast majority of buyers have very specific needs. As a result, with the exception of international and global manufacturing expertise, which is in short supply and in high demand, buyers will remain discerning in what they pursue and patient in waiting for the right opportunities. This will result in ongoing weaknesses in valuations, as sellers face fewer options.

Heavy deal structuring: As broad-based valuation has weakened, wide bid-ask spreads persist, though the strategic drivers for transactions will remain strong. Getting buyers and sellers to say their "I do's" at the altar will require larger deferred consideration to overcome the friction of historically low valuations.

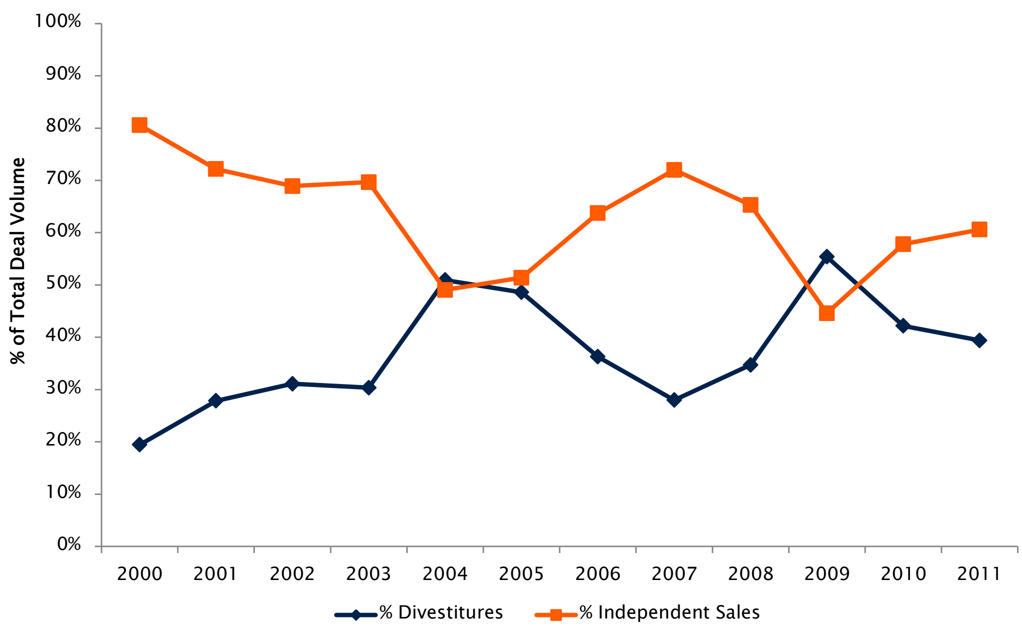
Tax-driven sales: Historically, too much emphasis has been put on potential tax code changes as an influential driver for owners to sell their businesses. In reality, taxes have always been a secondary variable in the multivariate calculus of an owner's decision to sell. However, in 2012, with the perceived inevitability of rising tax rates for the "1%", tax-driven motivation will play a larger role in the decision to sell.

SELLERS: A Familiar Tune

The landscape for sellers of asset management businesses in 2011 very much resembled that of the prior year – a diverse mix of seller types, transaction types, and both majority and minority transactions. Interestingly, the largest deal of the year in terms of acquired assets under management and disclosed deal value was not a transformational transaction or strategic megadeal but **Neuberger Berman's** agreement to purchase the remaining ownership held by the **Lehman Brothers** estate, the final chapter in one of the most notable divestitures ushered in by the 2008 financial crisis.

Since declining from its peak at 55% of global deal activity in 2009, divestiture activity has remained relatively constant. Divestitures in 2011 represented 39% of announced transactions, down only slightly from 2010 levels, yet accounted for 62% of transacted AUM. Large financial institutions continued the trend of divesting their non-core asset management businesses, including **ING Group**, which sold both its Australian investment management unit and its global real estate investment management in 2011, and **J.P. Morgan Chase & Co.**, which sold its long-held minority stake in **American Century Investment Management**. Last year also witnessed large asset management businesses divesting sub-scale or non-core business units, including **Old Mutual Asset Management's** sale of its U.S. mutual fund operations to **Touchstone Investments**.

EXHIBIT 8: Percentage of Divestitures and Independent Sales



Note: Includes minority transactions, recapitalizations and IPOs.
Source: Sandler O'Neill Asset Management Investment Banking Group

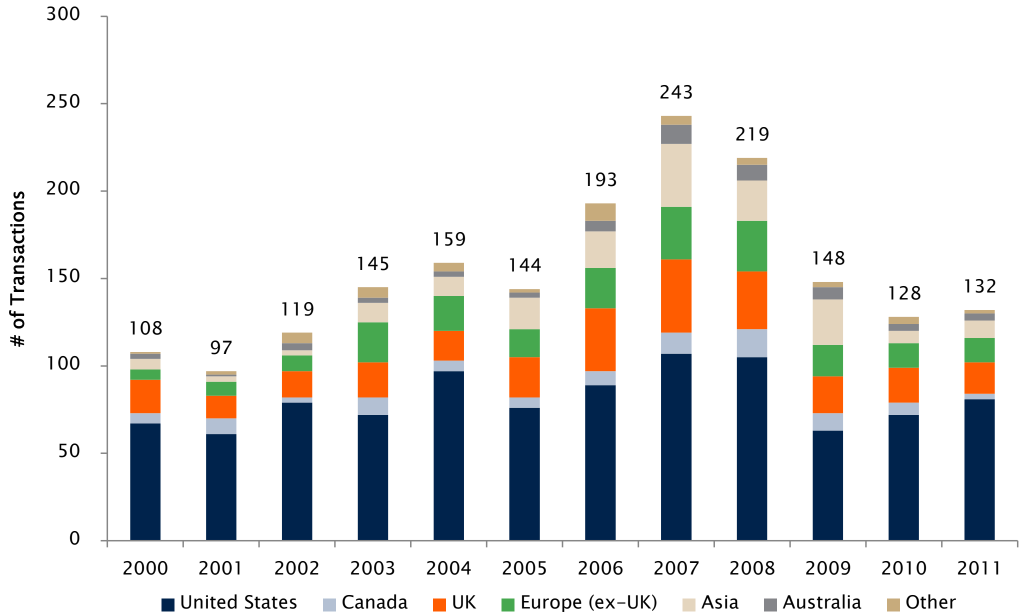
Private equity sponsors were only minor contributors to 2011's sales activity, as their focus remained on putting their meaningful stores of capital to work as buyers. However, a select few sponsors opportunistically sought liquidity for their asset management portfolio companies during the year, including **Olympus Partners**, which sold middle-market lender **Churchill Financial** to **The Carlyle Group**.

Independent sellers have gradually returned to the asset management M&A market, representing just over 60% of global deal activity in 2011, generally consistent with 2010 levels. However, the average size of the independent target declined notably in 2011. Independents represented only 38% of the $1.2 trillion in transacted AUM during the year, indicating the average independent manager that transacted managed approximately $6.2 billion in AUM, the lowest level since 2005. This decline in size can be explained by several factors, including:

- The lingering effects of the significant decline in AUM across the industry during the financial crisis;
- An absence of transformational megadeals, as fewer buyers, particularly in Europe, are capable of or willing to write large checks to acquire significant asset management businesses; and most notably
- Focus among buyers on specific manufacturing capabilities, including alternative asset managers, which on average manage fewer assets than traditional long-only managers.

As in with prior years, the U.S. remains the largest venue for deal activity involving investment managers based on domicile of the seller, with 61% of global deal activity in 2011, an increase from 56% in 2010. Despite the downgrade of U.S. government debt, an extreme budget deficit, and cloudy political climate, the U.S. remains the largest investment market in the world, with approximately $40 trillion in investable assets and the domicile of most of the world's independent asset managers. The U.K., with nearly 14% of global activity in 2011, came in second, edging out Continental Europe, which had 11%. Asia, with a transaction landscape that is more dependent on divestitures given the relatively fewer independent investment managers, accounted for just under 8% of global deal activity, an improvement from just over 5% in 2010.

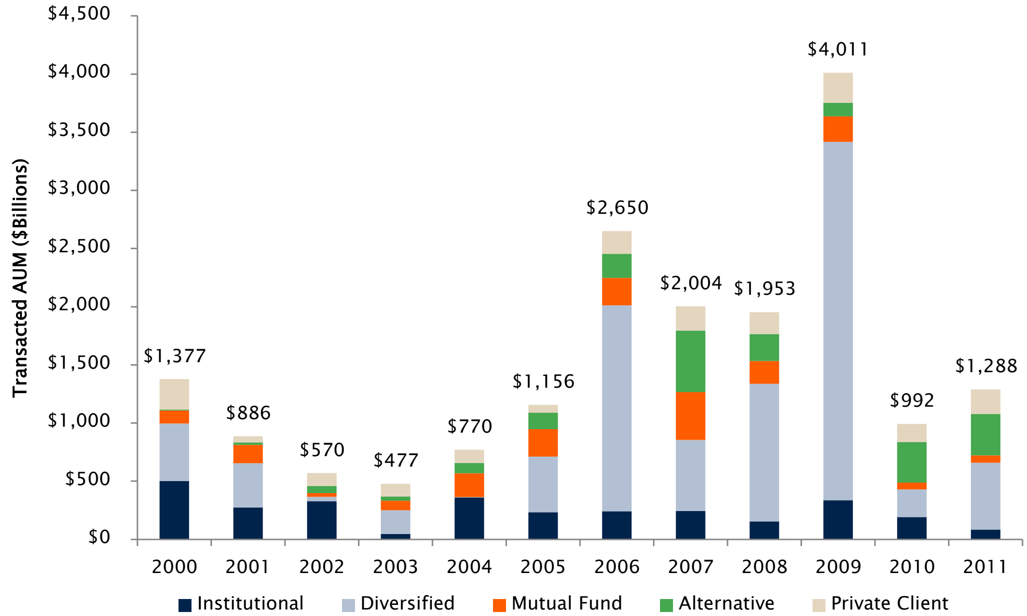
EXHIBIT 9: Historical Target Breakdown by Region



Note: Includes minority transactions, recapitalizations and IPOs.
Source: Sandler O'Neill Asset Management Investment Banking Group

The types of sellers involved in transactions in 2011 varied only slightly from 2010 in that fewer and smaller institutional managers traded during the year. A few larger deals drove the notable increase in transacted AUM for diversified asset managers, most notably the Neuberger Berman transaction. Those small- and mid-sized institutional asset managers that did trade during the year looked for strategic partners to accelerate their growth and were generally sought out by buyers aiming to diversify their product lines, such as **Bank of Montreal's** acquisition of emerging market equity specialist **Lloyd George Management**. Deal activity for the private client, alternative and mutual fund segments remained consistent with 2010 levels.

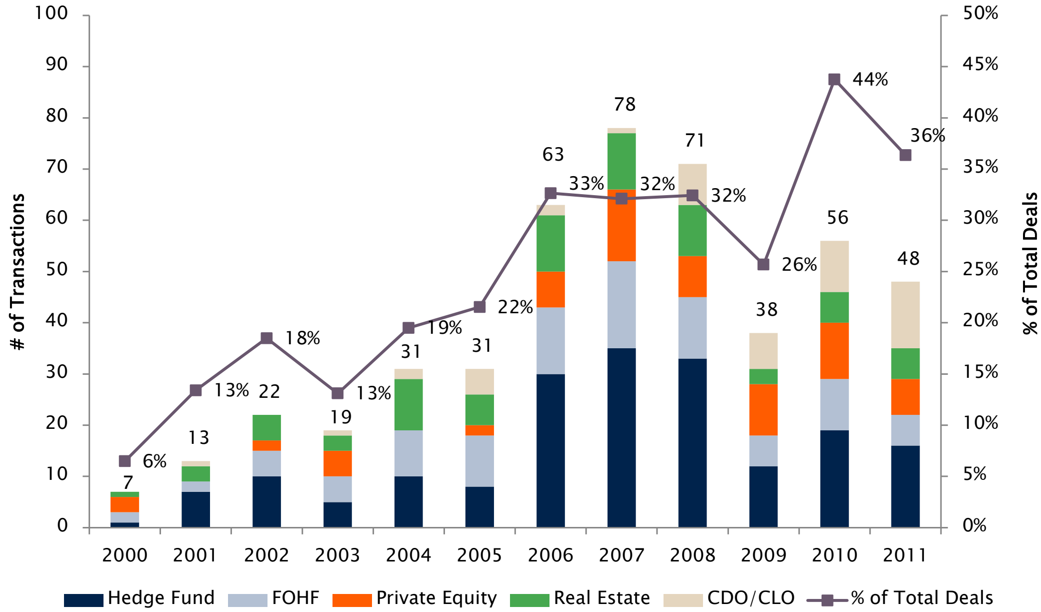
EXHIBIT 10: Transacted AUM by Target Type



Note: Includes minority transactions, recapitalizations and IPOs.
Source: Sandler O'Neill Asset Management Investment Banking Group

Deal activity involving alternative asset managers, which reached a high of 44% in 2010 based on number of transactions, declined slightly to a still-healthy 36% in 2011. The decline was spread across nearly every alternative asset class based on number of transactions in comparison to 2010. However, several notable transactions were announced in the hedge fund, private equity, and real estate sectors. **Nuveen Investments** acquired a 60% stake in commodities specialist **Gresham Investment Management**, while **ABS Investment Management**, the Connecticut-based fund-of-hedge-fund manager, sold a minority stake to **Evercore Partners**. The Carlyle Group continued its product line expansion via the acquisition of private equity fund-of-funds **AlpInvest Partners** from **APG** and **PGGM**, the Dutch pension funds. Refocusing its business after the financial crisis, ING Group divested its non-U.S. real estate investment management business to **CB Richard Ellis Group**, one of the world's largest real estate brokers, and sold its U.S.-based **Clarion Partners** to private equity sponsor, **Lightyear Capital,** in a management buyout.

EXHIBIT 11: Historical Transaction Activity Involving Alternative Asset Management Firms



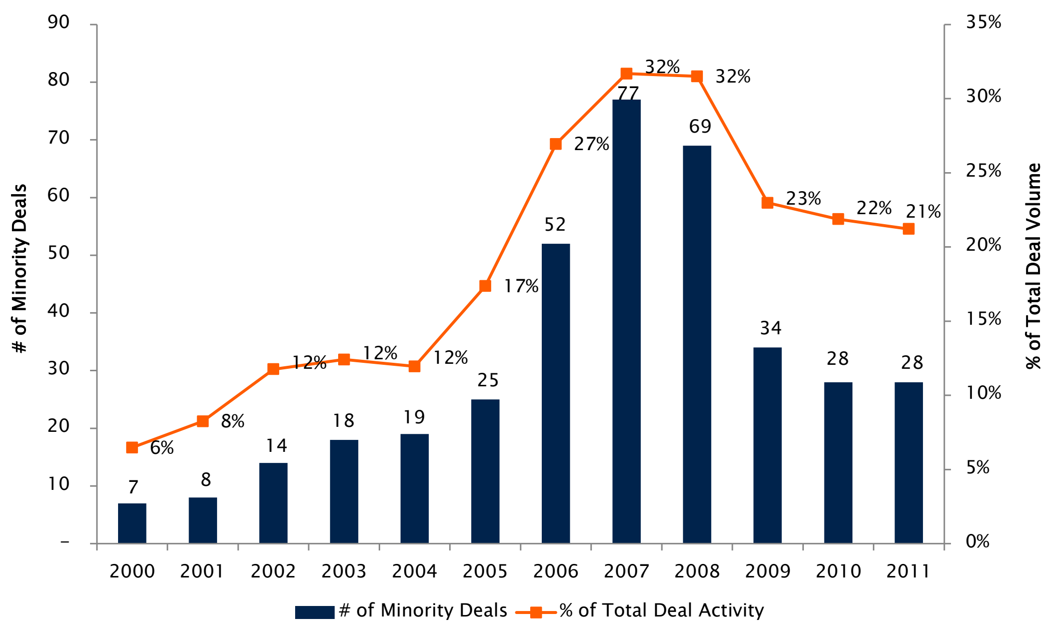
Note: Includes minority transactions, recapitalizations and IPOs.
Source: Sandler O'Neill Asset Management Investment Banking Group

Transactions involving CDO/CLO managers posted a strong showing in 2011 with a 30% growth in number of transactions over 2010. Many owners capitulated, seeking liquidity or strategic tie-ups as buyers continue to look for consolidating CDO/CLO transactions in the face of a multi-year drought in the new issue market. Major private equity players completed the most notable acquisitions of CDO/CLO managers of the year. **Blackstone Group** acquired **Harbourmaster Capital Management** to bulk up GSO's European leveraged loan platform, and **Apollo Global Management** doubled its efforts in 2011 by acquiring **Gulf Stream Asset Management** from **Istithmar World Capital** and then late in the year announced the acquisition of **Stone Tower Capital**. The latter, with approximately $17 billion in AUM at the time of announcement, was the largest transaction announced in 2011 of a CDO/CLO manager, based on AUM.

In addition to alternative investment managers, deal activity remained healthy among asset managers specializing in global and international investment strategies, as buyers diversify their product capabilities beyond their home markets. **Origin Asset Management**, a U.K.-based global equity manager, sold a 74% stake to **Principal Global Investors**, the asset management arm of **Principal Financial Group**, to tap into Principal's global distribution platform. Deal activity intensified among asset managers specializing in emerging markets, as sellers seek to find partners to help build scale and expand distribution globally. One such example is **Emerging Markets Management**, a U.S.-based emerging markets equity specialist, which sold a controlling stake to **Ashmore Group** to join forces with the emerging markets powerhouse to leverage Ashmore's research capabilities and distribution platform.

The number of minority transactions announced in 2011 was essentially consistent with the prior year, with one fewer transaction being announced. While minority transactions have come down from the peaks in 2007 and 2008, the appeal of minority deals continues to resonate, particularly as asset managers sell minority stakes to larger partners in strategic arrangements. **AMP Limited**, the Australian financial services firm, sold a 15% stake in **AMP Capital**, its asset management arm, to **Mitsubishi UFJ Trust and Banking Corporation** in order to expand the distribution of AMP's products in Asia. In the U.K., another Japanese financial services firm, **Sumitomo Trust and Banking Company**, acquired a 40% stake in equity manager **NewSmith Capital Partners**, in a similar effort to bring NewSmith's products to Sumitomo's investor base in Japan.

EXHIBIT 12: Historical Minority Transaction Activity



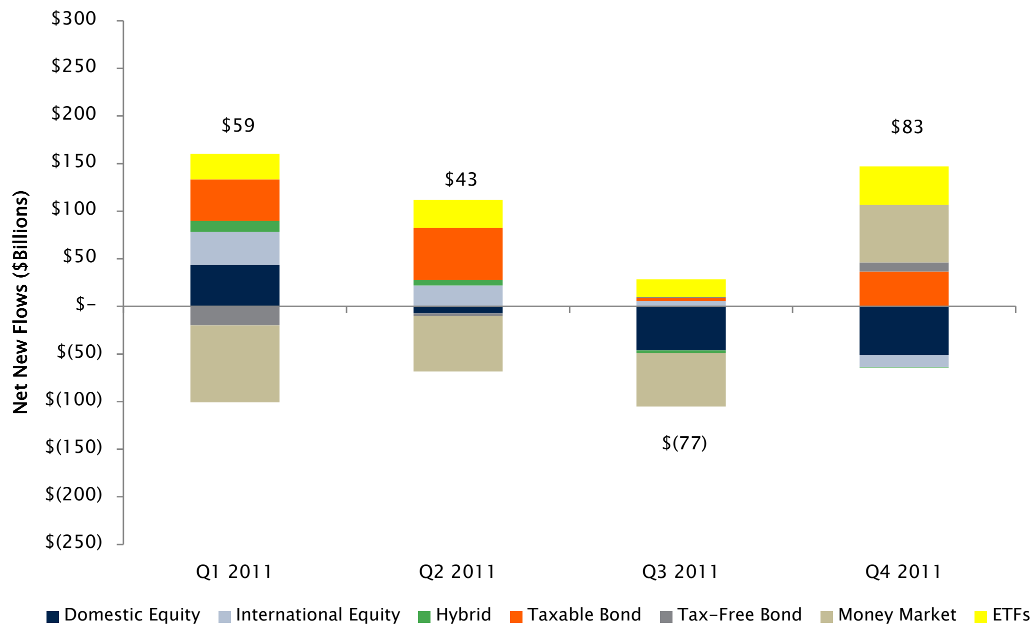
Source: Sandler O'Neill Asset Management Investment Banking Group

BUYERS: Staying the Course

Buying activity continued apace in 2011, as buyers deployed capital to fill product holes, broaden platforms, and achieve greater economies of scale. Overall, acquisitions were more tactical than transformational, particularly in the second half of the year as buyers treaded cautiously and grew concerned about the knock-on market impacts of the U.S. political gridlock and the upcoming presidential election, the European sovereign debt crisis, persistently high unemployment rates, and the risk of recessions in developed economies.

Buyers also reacted to shifting investor appetites, which have changed faster than most asset managers have adapted their businesses. De-risking was a key theme in 2011 as all types of investors shunned the volatility of the equity markets, with institutional investors moving slowly to reallocate assets and retail investors largely abandoning equities.

EXHIBIT 13: U.S. Mutual Fund Net New Flows by Asset Class



Source: Strategic Insight

Investors sought products with little or no correlation to the broader stock markets or that provide greater flexibility to reduce downside risks and generate alpha outside the constraints of a style box. Alternative, fixed income, and global strategies all fit that description, and buyers have actively sought these competencies to remain relevant to their clients and competitive among peers in an uncertain world.

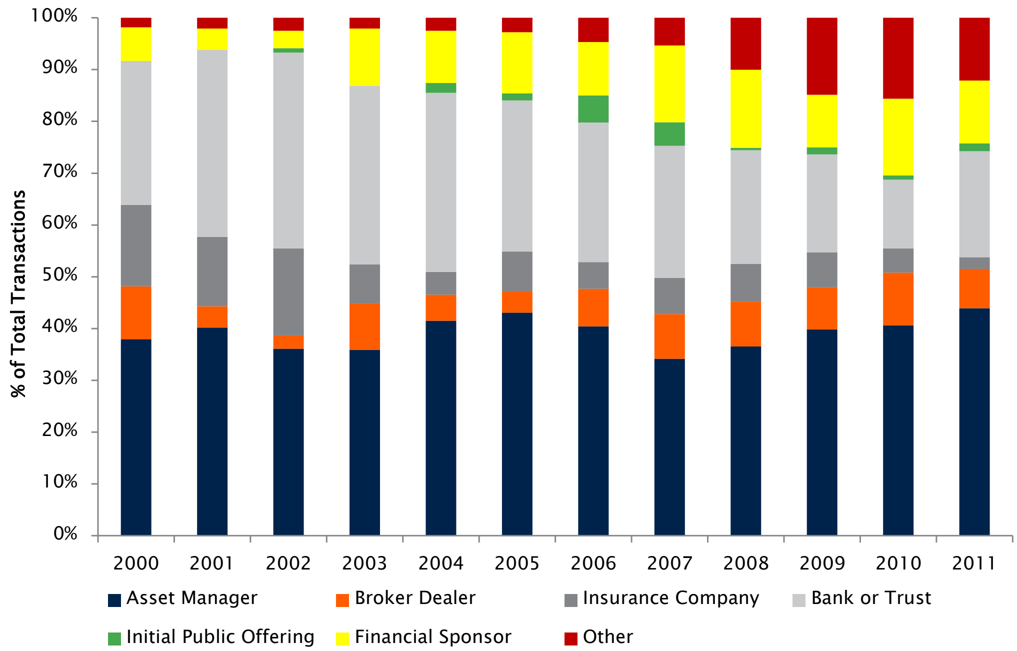
Pure-play asset managers represented the largest group of buyers for the ninth consecutive year, acquiring 58 asset management companies in 2011. This volume represented 44% of the industry total and over two times the number of deals from the next largest buyer group, banks and trusts. Not having to address the host of regulatory issues that other participants in the financial services industry are facing, asset managers were better able to focus on strategic initiatives, including acquisitions. Over the past decade, asset managers have generally represented between 35%-40% of the buyer group and show no sign of slowing in the coming years. In fact, as organic growth slows across a maturing industry and many of the largest players are either poorly equipped to address changes in investor interest and/or are seeking greater scale to leverage their platforms, the level of acquisitions among pure play managers is likely to reach greater heights.

While asset managers were the most active buyer group in 2011, they chose to focus more on small to mid-size deals rather than hunt for elephants. Money managers were not among the buyers for any of the three largest acquisitions as measured by disclosed deal value[3] but had four representatives in the top 10. One of the largest transactions of 2011 involved **Henderson Group**, which acquired troubled listed asset manager **Gartmore Group** in a £366 million (US$522 million) transaction, fortifying Henderson's position among the leading U.K. retail managers with combined AUM of £78 billion (US$121 billion). Also in the top 10 was Nuveen Investments' acquisition of Gresham Investment Management, Ashmore Group's acquisition of Emerging Markets Management, and Blackstone Group's acquisition of Harbourmaster Capital Management. Notably absent from the 2011 buyer group was serial-acquirer, U.S.-listed **Affiliated Managers Group**, which may have been pausing briefly after announcing three acquisitions in 2010.

Among the asset management buyers, alternative managers continue to be active acquirers as they augment their platforms with complementary investment capabilities. Moreover, alternative asset managers were the largest acquirers of other alternative asset management targets. Whereas traditional money managers have often shied away from alternative transactions in light of cultural and compensation differences, alternative managers have been big buyers of one another, given their commonalities on those key issues. The Carlyle Group proved to be the most active among alternative asset managers, announcing four transactions in 2011. The largest purchase by The Carlyle Group as measured by AUM was the aforementioned acquisition of AlpInvest Partners NV, one of the world's largest fund-of-private-equity-fund managers. Like other leading alternative managers seeking to enhance their franchise – including Blackstone Group and Apollo Global Management, which acquired CLO managers to achieve greater scale – The Carlyle Group purchased Churchill Financial, bringing middle market expertise onto its platform.

[3] Excludes MBOs

EXHIBIT 14: Number of Asset Management Transactions by Acquirer Type



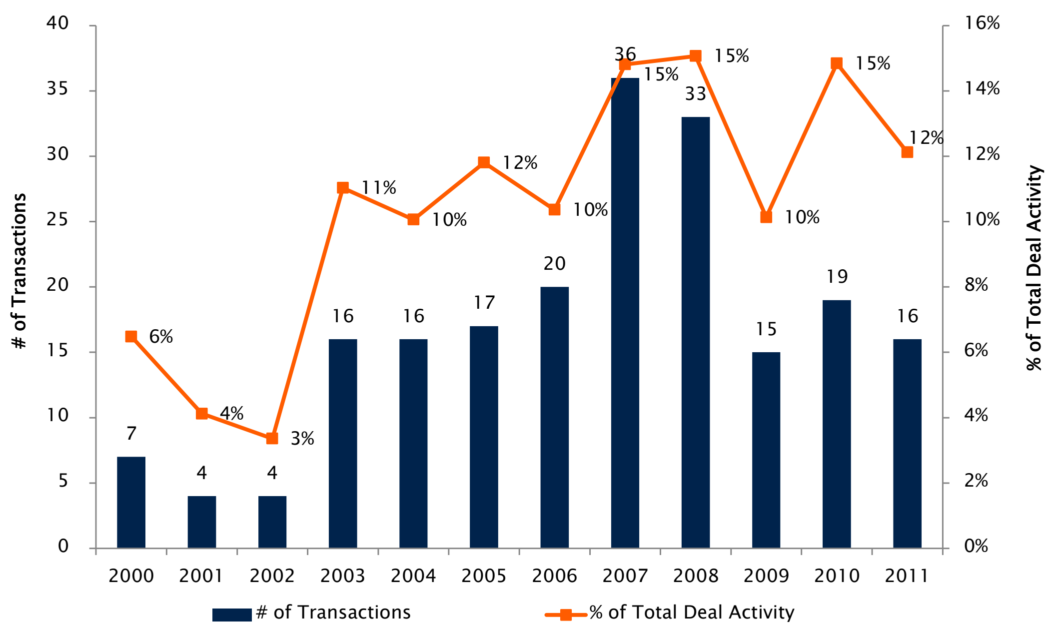
Note: Includes minority transactions, recapitalizations and IPOs.
Source: Sandler O'Neill Asset Management Investment Banking Group

Though banks fit squarely into the category of buyers facing substantial, but still uncertain, regulatory requirements, many healthy banks continue to define asset management as core to their ongoing business models. Those banks with strong balance sheets and excess capital are attracted by the recurring fee streams and limited ongoing capital requirements of asset management businesses. As a result, banks were the second largest buying group in 2011, with nearly 30 acquisitions, showing that healthy, well-capitalized banks still have the drive and firepower to compete for acquisitions at all levels. Transaction activity involving bank acquirers increased 59% from 2010, when they acquired fewer than 20 asset managers. The most active bank acquirers were non-U.S. institutions, most with increasingly global ambitions, including the likes of **CIBC**, **Sumitomo**, and **National Australia Bank**.

The targets most sought after by banks were private client businesses that have historically been important for banks seeking to monetize their relationships with their wealthiest clients. Acquisitions of private wealth management businesses by banks represented approximately one-third of banks' total acquisitions in 2011, including **SunTrust Banks'** acquisition of **CSI Capital Management**, the $1.5 billion San Francisco-based private wealth manager. Private wealth acquisitions represented a much smaller portion of acquired AUM, however, as the transactions tended to be tuck-ins. Unlike their bank brethren, broker-dealers and insurance companies were lightly represented among the buyer groups in 2011, announcing just 10 and three transactions, respectively.

Financial sponsors were involved in 16 transactions in 2011, three shy of their 19 deals in 2010. While access to leverage was more difficult in the second half of the year, sponsors with substantial stores of capital to deploy were no less active, with eight transactions announced in each half of 2011. The largest deal in terms of AUM was **Millennium Technology Growth Partners** and **Susquehanna Growth Equity's** purchase of interests in **ETF Securities**, one of the world's largest independent ETF managers. Frequent asset management investors **Asset Management Finance**, **Lovell Minnick Partners**, **TA Associates** and **Rosemont Investment Partners** were all buyers in 2011, seizing on opportunities both to pick up divested businesses from selling financial service companies and to provide liquidity to the sellers of independently owned businesses.

EXHIBIT 15: Financial Sponsor Acquisition Activity



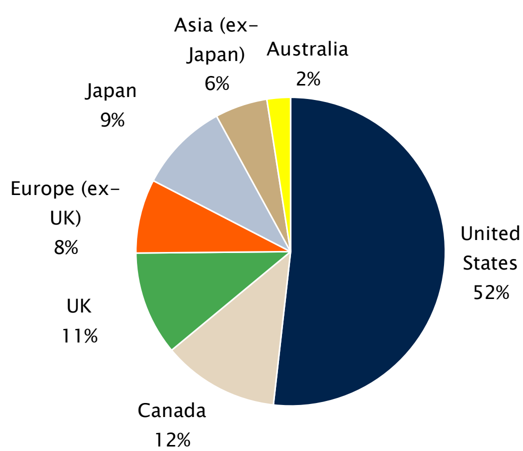
Note: Includes minority transactions and recapitalizations.
Source: Sandler O'Neill Asset Management Investment Banking Group

Given the strong cash flows generated by asset managers, the industry continues to attract new private equity investors such as **General Atlantic**, which made its first asset management acquisition in 2011 with the acquisition of a stake in **Oak Hill Advisors**, a $13 billion alternative credit manager. While minority stake investments continued to be the preferred approach for private equity sponsors, they were not averse to acquiring a majority ownership position, including **Warburg Pincus's** purchase of a majority stake in **The Mutual Fund Store**, the largest independent RIA in the U.S. focused on the mass affluent market.

While unassisted MBOs were infrequent in 2011 at five transactions, three of them involved high profile management companies whose employees already owned a substantial portion of the equity but were committed to owning their businesses outright. The largest MBO was U.S.-based Neuberger Berman, which reached an agreement with the Lehman Brothers Estate to redeem the Estate's $813 million preferred equity stake and to purchase the Estate's 48% common equity ownership over the next five years. In the second largest MBO, the employees of **Mondrian Investment Partners**, a $70 billion global institutional equities and fixed income manager, agreed to buy the final 27.5% stake held by **Hellman & Friedman** to become the sole owner of the business. Lastly, **BlueCrest Capital Management**, the $25 billion Guernsey-based hedge fund manager, repurchased the 25.5% equity stake that **Man Group** originally purchased in 2003. While Man's ownership never proved to be particularly strategic, the financial investment proved successful as the ownership was repurchased by BlueCrest for $633 million, nearly four times the amount that Man paid for the stake.

In its customary position as the premier venue for asset management transactions, U.S. buyers accounted for nearly two-thirds of the acquisitions in 2011, accounting for roughly 52% of the transacted AUM. Collectively, European buyers accounted for 19% of the transactions last year, with U.K.-based managers accounting for the largest portion at just over 10% of purchases globally, both in number of deals and AUM. In both the U.S. and U.K. markets, which have long histories of independent ownership among asset management companies, a majority of the transactions were executed by pure-play asset managers. Having fared well in the financial crisis relative to others, Canadian financial services companies are now using their relative strength to establish themselves as perennial top players globally in terms of asset management M&A activity. While smaller in number than U.S. and U.K. financial services firms, Canadian buyers have been the winning participants in some of the largest transactions over the past few years, including being the buyers in two of the ten largest 2011 M&A transactions measured by both deal value and AUM.

EXHIBIT 16: Geographical Breakdown of AUM Transacted by Acquirer Domicile, 2011



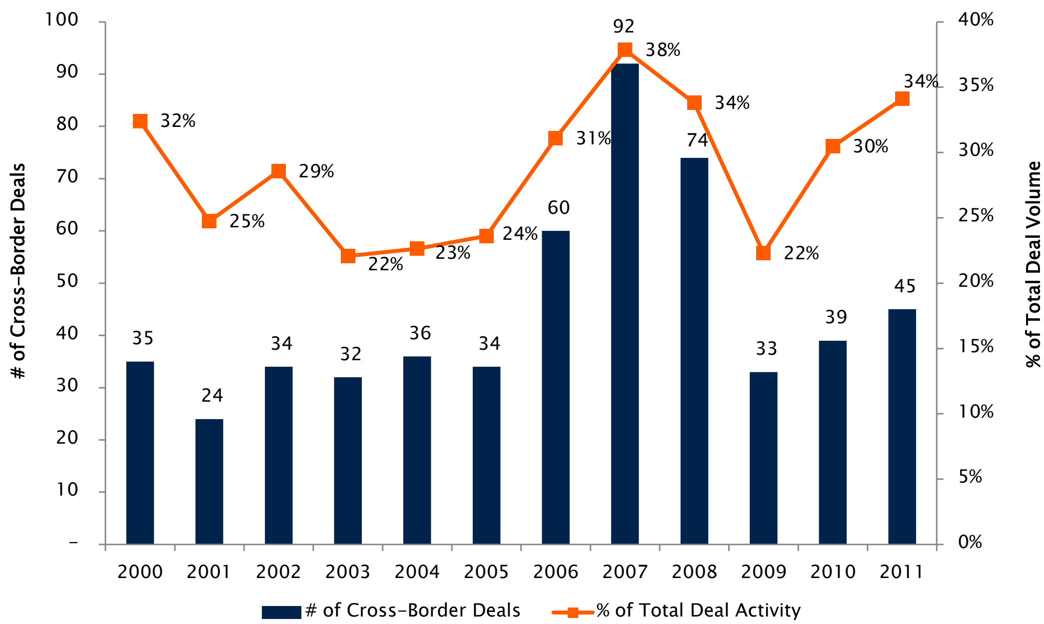
Note: Includes minority transactions, recapitalizations and IPOs.
Source: Sandler O'Neill Asset Management Investment Banking Group

Asian and Australian buyers accounted for approximately 12% of deals collectively, while activity was concentrated in a relatively small number of buyers typically involving cross-border deals. National Australia Bank, which accounted for all of the purchasing done by Australian firms, announced four transactions, including the acquisition in its home market of **Aviva Investors Australia** and a cross-border acquisition of U.S.-based **Altrinsic Global Advisors**. South Korea-based **Mirae Asset Global Investments Group** made its first asset management acquisitions in 2011, acquiring 85% of C$3.0

billion (US$3.1 billion) Canadian ETF manager **BetaPro Management** for C$127.5 million (US$131.5 million). In Japan, **Mitsubishi Corporation** dominated its local competitors on the acquisition front, accounting for two of the four announced acquisitions involving Japanese buyers.

As the industry continues to globalize, M&A remains an effective tool for those businesses with ambitions outside of their home countries. Cross-border transactions totaled 45, a moderate increase from 39 in 2010. While cross-border deals represented approximately one-third of transactions in 2011, they represented a disproportionate number of the 10 largest transactions of 2011, as foreign buyers were willing to pay for platform acquisitions, often making minority investments to gain a foothold in the desired market and outbidding local buyers.

EXHIBIT 17: Historical Cross-Border Transaction Activity



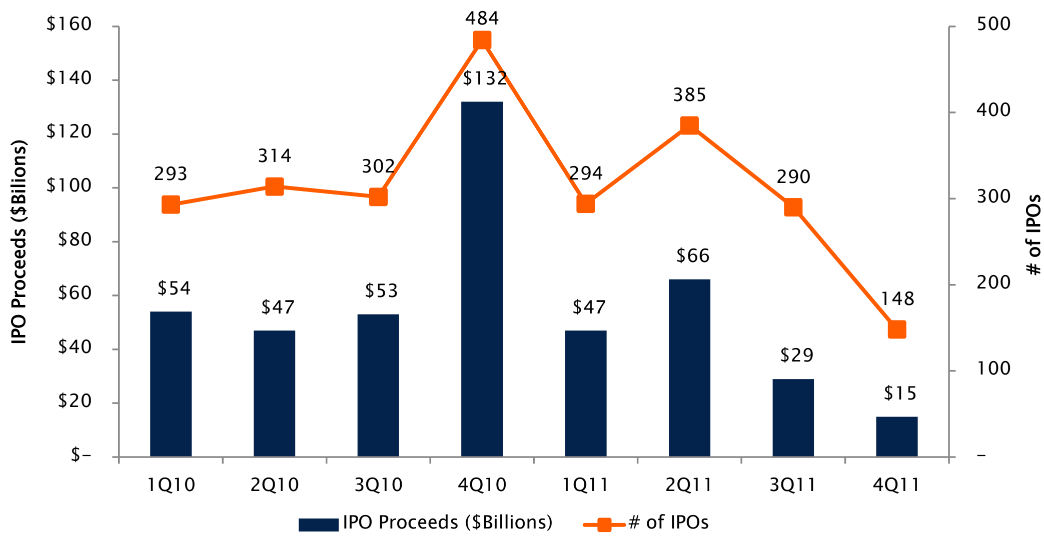
Note: Includes minority transactions and recapitalizations.
Source: Sandler O'Neill Asset Management Investment Banking Group

The largest cross-border transaction as measured by transacted AUM was CIBC's acquisition of J.P. Morgan Chase & Co.'s 41% economic interest in U.S.-based American Century Investment Management, with $112 billion in AUM at the time the transaction was announced. **Power Corporation**, which owns U.S.-based **Putnam Investments**, made a $280 million investment to acquire 10% of **China Asset Management Co.** from CITIC Securities. At the time the transaction was announced, China Asset Management Co. had assets under management of $35 billion.

IPOs: Timing is (Almost) Everything

The global IPO market produced approximately 1,200 offerings across all sectors in 2011, down almost 15% from 2010 – showing the continuing drag on the new issue market of macro forces. Total capital raised in 2011 also declined 40% from the prior year to $170 billion. Over 65% of capital raised occurred in the first six months of the year. In the U.S., IPO activity held up slightly better than in other regions in terms of capital raised, but with fewer IPOs. The U.S. IPO market produced 134 offerings in 2011, down 20% from 2010, and total capital raised reached $35.4 billion, off 9% from the prior year. Despite the market headwinds, the number of filings in the U.S. has been resilient. As of December 31, 2011, the total U.S. IPO backlog consisted of 210 offerings seeking to raise as much as $49.9 billion, representing the highest level of volume since 2000.

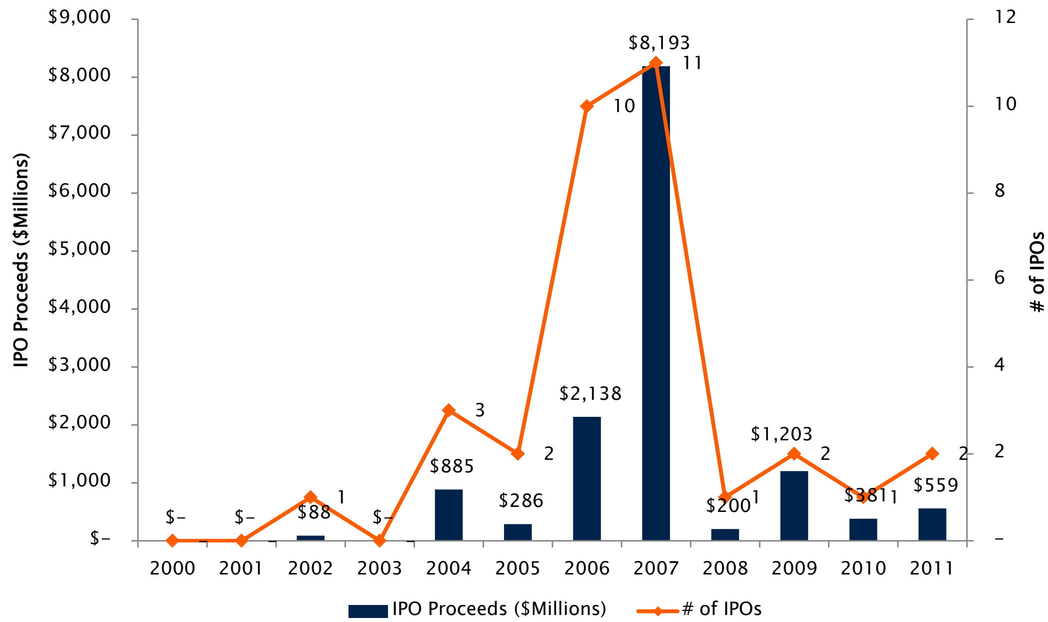
EXHIBIT 18: U.S. IPO Activity Over Last Two Years



Source: Dealogic

Following a near one-year hiatus for IPOs of asset managers globally, U.S.-based firms Apollo Global Management and **Manning & Napier** entered the public market during 2011, together raising over $550 million.

EXHIBIT 19: Global Asset Management IPO Activity



Source: Sandler O'Neill Asset Management Investment Banking Group

After initially filing to go public with the SEC in 2008, Apollo Global Management, a global alternative asset manager with $67.6 billion of AUM, waited out the difficult markets and floated 6% of its shares to the public in March 2011. The offering priced at $19 per share at the top of its pricing range, which implied a market capitalization of $6.8 billion. Proceeds were used to fund growth initiatives and for general corporate purposes, and none of the company's executives, employees, affiliates or strategic investors sold shares in the offering.

Unlike Apollo Global Management, which appeared in hindsight to have timed its public float well, Manning & Napier faced a tougher road later in 2011. Four months after filing its initial S-1 in July 2011, Manning & Napier braved the volatile markets and floated 14% of its shares to the public in November. A pioneer in the use of life cycle fund investing with $42.2 billion of AUM, a diverse product platform, and strong long-term investment performance, Manning & Napier seemed well positioned to buck the difficult markets. However, negative market sentiment proved too strong, as the IPO priced at $12 per share, 25% below the midpoint of its expected pricing range of $15.00 - $17.00 per share. This pricing implied a market capitalization of $1.1 billion and an estimated 2012 P/E multiple of 10.4 times, just below the median for traditional asset managers. The company raised $138.1 million with just over $100 million going to existing shareholders and the remainder funding strategic growth opportunities, including potential acquisitions and product seeding.

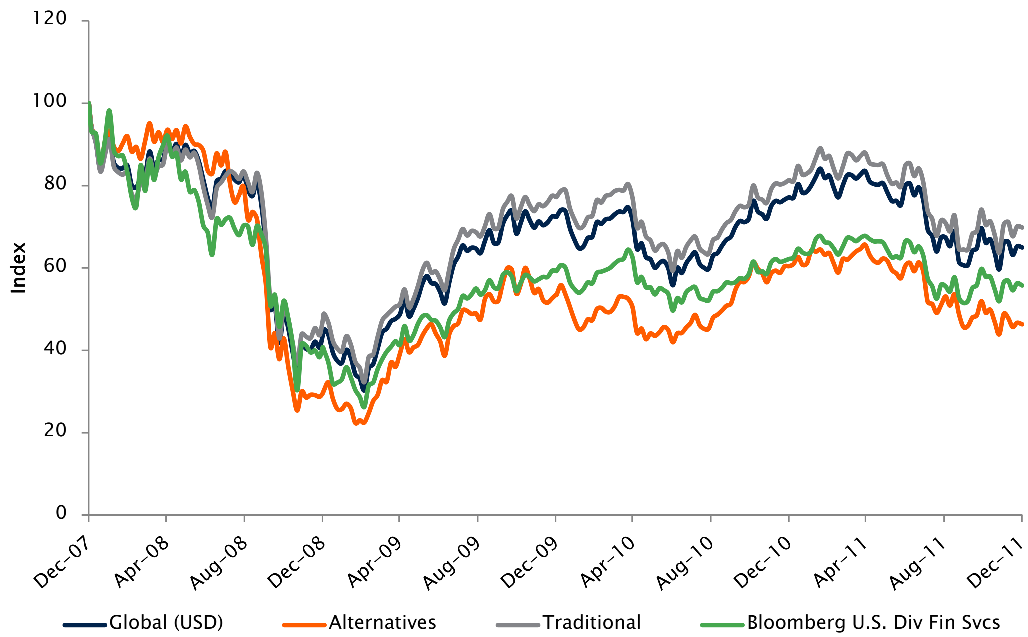
Three asset managers scrapped IPO plans in 2011, each citing unfavorable market conditions. Following its roadshow in February, when the IPO markets were seemingly more receptive, **Aveon Group**, a U.S.-based startup investment company planning to acquire stakes in hedge funds, formally withdrew its offering in September. **Nikko Asset Management**'s estimated $623 million offering, which would have represented the second largest Japanese IPO in 2011, shelved its offering in December. **Artisan Partners Asset Management**, a diversified equity investment manager with $57.5 billion in AUM, filed in April for a $250 million IPO, but formally withdrew its registration in late December.

Despite volatile markets and the challenges of recent U.S. asset manager IPOs, the backlog of asset manager IPOs remains intact. At the end of 2011, two asset manager IPOs were on file with the SEC. In June, alternative asset manager, **Oaktree Capital Group**, with $79.5 billion of AUM, filed its initial S-1. For Oaktree, which sold a 15% stake on the GSTrUE OTC Market (now Portal Alliance) in 2007, an IPO will allow the company to raise capital on a liquid exchange while preserving its current management structure with strong central control by its principals. In September, The Carlyle Group filed its long anticipated initial S-1 with the SEC. The Carlyle Group plans to use a portion of the offering's proceeds to repay outstanding debt and the remainder to fund growth initiatives, acquisitions, strategic investments and capital commitments.

PRICING: A Bumpy Road

Despite positive momentum at the start of the year from the second half rally of 2010, any hopes of continuing market strength were halted in mid-summer with the re-escalation of the European sovereign debt crisis followed shortly thereafter by the historic downgrade of the U.S. credit rating. While the S&P 500 vacillated throughout the year, the index (including dividends) returned a positive 2.1% for 2011, helped by a strong December which returned 8.9%. Share prices of publicly traded asset managers were impacted across the board during the year, with the Sandler O'Neill Global Asset Management Index declining 15.8%.

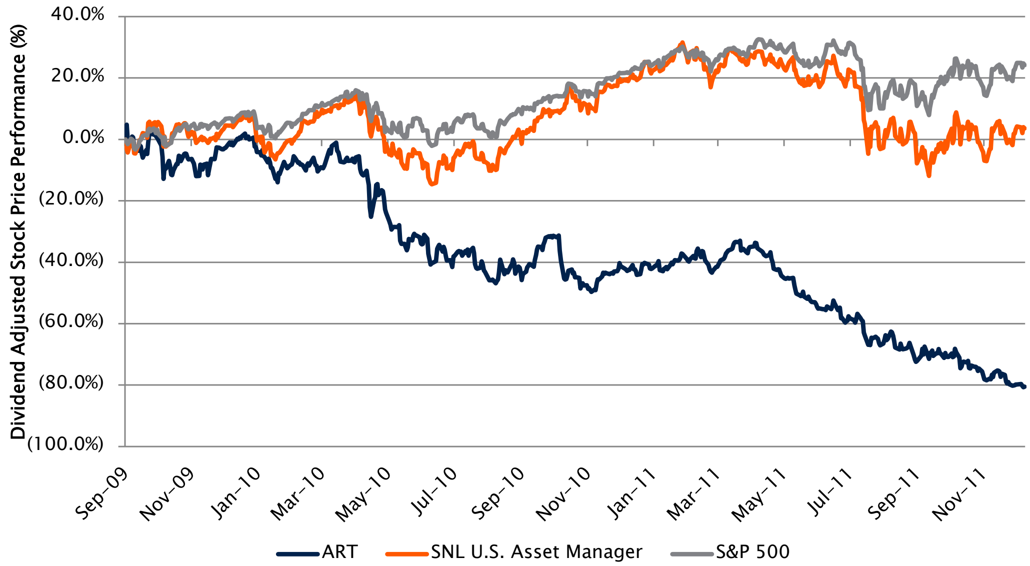
EXHIBIT 20: Sandler O'Neill's Global Asset Management Index Performance

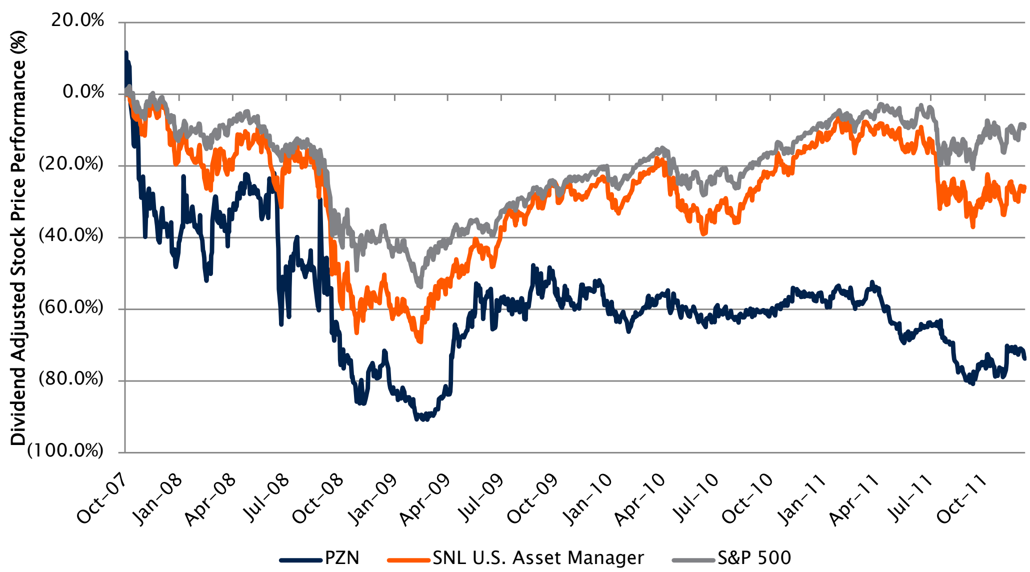


Note: 100 = year-end 2007.
Source: Bloomberg, Sandler O'Neill Asset Management Investment Banking Group

While nearly all asset managers felt the pain in 2011, it was most acute for firms with concentrated product offerings and weak investment performance, underscoring the importance of diversification. Two notable cases involve **Artio Global Investors**, the international equities specialist, and the value equity manager **Pzena Investment Management**. After pricing its IPO in September 2009, Artio's investment performance in its flagship strategy, which accounted for approximately 80% of total AUM, began to significantly lag its peers. Following its continued underperformance, the company suffered outflows at an accelerating pace, and Artio's stock price was hammered as a result, falling 80.5% since its IPO. Pzena Investment Management experienced similar challenges following significant investment underperformance following the 2008 financial crisis. After pricing its IPO in October 2007, Pzena Investment Management's share price fell 73.7%.

EXHIBIT 21: Comparative Stock Price Performance Since Date of IPO

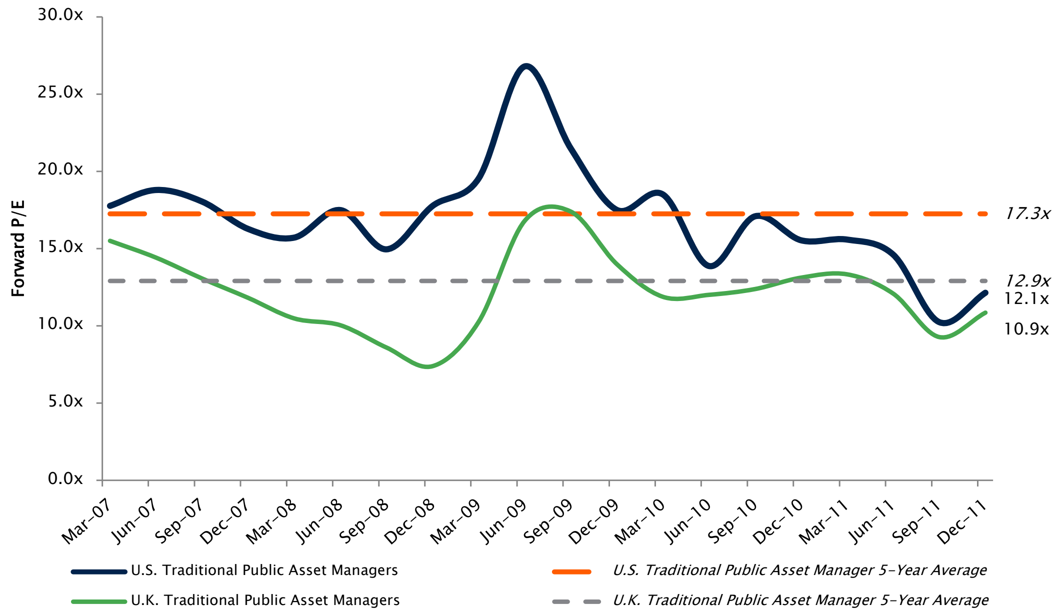




Source: SNL, Sandler O'Neill Asset Management Investment Banking Group

Publicly traded traditional asset managers in the U.S. were trading at 12.1 times forward earnings at the end of 2011, approximately 30% under the historical five-year average of 17.3 times. Forward earnings multiples for U.K. traditional managers, which continue to trail their U.S. counterparts, declined to 10.9 times, approximately 16% under the historical five-year average of 12.9 times. For both constituencies, pricing has remained conservative throughout 2011, reflecting lingering uncertainty and investor sentiment in the broader markets.

EXHIBIT 22: 2012 Forward Price to Earnings Ratios for U.S. and U.K. Traditional Managers



Note: Excludes outliers above 50x and below 1x.
Source: Bloomberg, Capital IQ, Sandler O'Neill Asset Management Investment Banking Group

At the beginning of 2011, U.S. traditional public asset managers traded at 15.5 times forward earnings, supported by expectations of (on average) 20% earnings growth from 2011 to 2012. However, as the year progressed and the markets experienced one of the most volatile periods on record, both multiples and future earnings expectations contracted to all-time lows for asset managers in the third quarter of 2011. Although there was modest improvement during the fourth quarter, by the end of 2011 forward earnings for U.S. traditional public asset managers traded down 22% for the year to 12.1 times forward earnings with an expectation of 6% earnings growth over the next twelve months. In tandem with U.S. traditional public asset managers, U.K. traditional public asset managers experienced a decline of 18% in forward earnings to a multiple of 10.9 times at the end of 2011.

EXHIBIT 23: Median Trading Multiples of Quoted Fund Managers

	LTM P/E		1-Year Forward P/E		EV / LTM EBITDA		EV / 1-Year Forward EBITDA	
	1/1/11	12/31/11	1/1/11	12/31/11	1/1/11	12/31/11	1/1/11	12/31/11
U.S. Traditional Asset Managers	18.3x	12.4x	15.5x	12.1x	9.7x	6.1x	8.7x	6.1x
U.S. Alternative Asset Managers	11.9x	12.1x	9.2x	6.4x	8.2x	10.7x	6.4x	5.4x
U.K. Traditional Asset Managers	15.8x	11.0x	13.3x	10.9x	10.4x	6.2x	9.3x	5.8x
U.K. Alternative Asset Managers	18.3x	14.8x	13.4x	12.8x	13.1x	7.9x	9.2x	7.4x

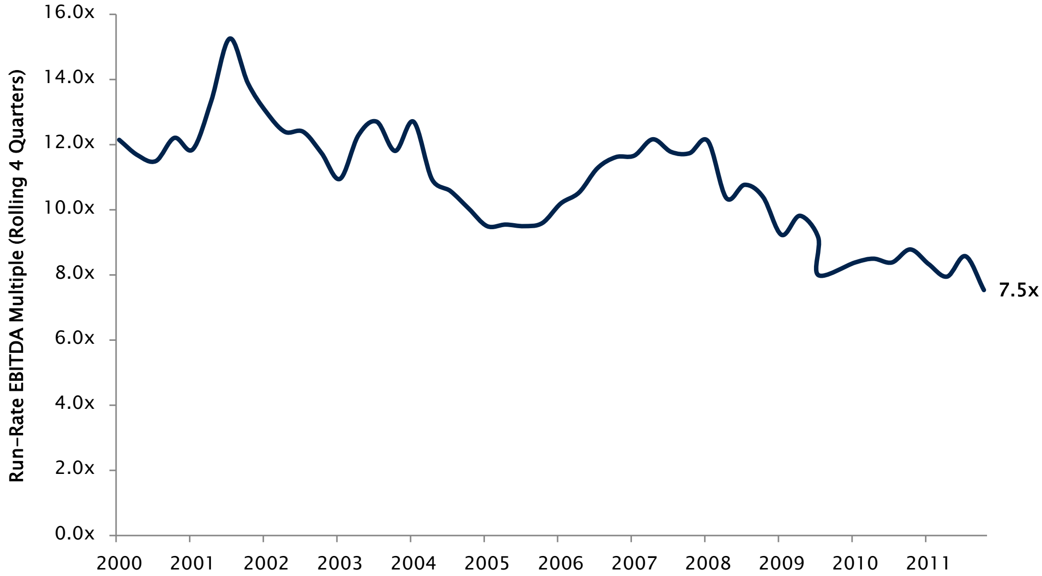
Note: Multiples and Enterprise Values are based on 1/1/11 and 12/31/11 share prices. 1-year Forward P/E multiples for 1/1/11 and 12/31/11 are based on 2011 earnings estimates and 2012 earnings estimates, respectively. EBITDA multiples for Alternative Asset Managers derived using "Economic Net Income", where applicable.
Source: Company filings, Bloomberg, Capital IQ, Sandler O'Neill Asset Management Investment Banking Group

After holding steady throughout much of the year, acquisition multiples in the asset management sector ended 2011 at an all-time low of 7.5 times run-rate EBITDA. The cause is four-fold:

- ❑ Skepticism regarding organic growth in light of on-going investor de-risking;
- ❑ Uncertainty that market appreciation will match historical rates of growth;
- ❑ Large number of divestitures by somewhat price insensitive sellers; and
- ❑ Less competition among buyers which are largely target-specific.

Nevertheless, growing differentiated businesses with sustainable business models still command a broad audience, and thus a strong valuation, when they become available. Also, high growth areas which address a secular trend in the industry such as international, global, and alternatives continued to command premium pricing, well in excess of the median multiple.

EXHIBIT 24: Run-Rate EBITDA Multiples of Global Asset Management Trade Sales



Note: Multiples reflect four-quarter rolling medians and include all global trade sales for both traditional and alternative managers.
Source: Sandler O'Neill Asset Management Investment Banking Group

As macro forces remain worrisome and the broad market outlook for 2012 is uncertain, we can expect market volatility to persist. With high betas and significant operating leverage, asset managers may be poised for another roller-coaster ride in 2012.

CONCLUSIONS: Life in the "New Normal"

The global economy and markets are endeavoring to avoid a potential relapse from the pandemic that began just five years ago. As adverse macro factors upstage fundamentals, investors of all types are scrambling to find a beat on a market in which caution trumps opportunism. This "New Normal" has dampened both results and expectations. There are, however, pots of gold among the landmines for those with the patience, diligence and foresight to go searching when others are spectating. While we expect deal volume to remain in line with 2011 levels, barring a major crash or market rally we anticipate the following trends to play out:

- With organic growth harder to come by, CEOs and their boards will use acquisitions to generate profitable growth to leverage their existing platforms. Those strategic buyers unconstrained by capital, regulatory and reputational burdens will become even more dominant acquirers of asset management firms as they seek opportunities to diversify and globalize their businesses. We expect this to favor pure-play asset managers and, to a lesser extent, insurance companies that have defined asset management as core to their strategy. While banks remain attracted to the recurring fee streams, only a small number are positioned to be acquirers in light of the many challenges facing the banking industry.

- Investors of all types will continue to increase their allocations to global/international strategies and alternative investments, making established managers specializing in these areas with strong investment track records and growth prospects highly sought after. Due to their limited supply, those firms that are willing to consider a sale will garner highly attractive valuations. Sellers specializing in less preferred asset classes will face an uphill climb in attracting buyers, and the resulting transaction terms will reflect the lower demand.

- M&A activity in the mutual fund sector will accelerate. The consolidation within the brokerage distribution channels and another painful year of fund outflows in equity strategies will create a mounting pressure that will force mutual fund managers to confront whether they are buyers or sellers. The status quo will not remain a viable strategy for most players as the competition for shelf space continues to mount. Market appreciation can no longer be relied on to generate growth or offset outflows from weaker performing products. We expect sub-scale players with perennially eroding profit margins to search for buyers that can benefit from greater economies of scale (and are willing to pay accordingly).

- Financial sponsors will become more active acquirers of asset managers, given their need to deploy substantial amounts of capital as the funds raised in the bull market near the end of their investment periods. The balanced mix of divestitures and independently owned businesses looking for liquidity will provide an ample set of opportunities for sponsors to consider. Additionally, with average pricing at an all-time low, this is an attractive entry point for new private equity players to emerge and be price competitive while still generating attractive potential returns for their limited partners.

- Divestitures will once again contribute meaningfully to deal activity. The European sovereign debt crisis will drive the biggest opportunities, as banks are forced to shore up balance sheets while complying with stricter regulatory capital rules. The result will be a further refocus of their business models and divestitures of non-core fund management operations. The theme will extend well beyond Europe, in equal measure but with less sizable transactions.

- IPO activity will be a timing game, driven in large part by global macro factors, and only the strongest of asset managers will fare well in pursuing an IPO. As shown by the share price performance of recent IPOs, investors will require newly floated firms to have multiple sources of earnings along with sustained organic growth. Assuming cooperative global equity markets, the number of asset managers pursuing an IPO will increase, as an IPO remains an attractive and viable avenue for liquidity as well as acquisition currency for those willing to use it.

- Pricing will stabilize and slowly improve but will continue to reflect buyer caution in light of global market uncertainty. Strong pricing dispersion will exist between growing businesses in the most attractive sectors of the market and challenged business models with less certain growth prospects. Bid-ask spreads will be bridged by highly tailored deal terms, including longer earn-outs, more contingent consideration, and metrics tied to both buyers' and sellers' business performance.

Appendix

EXHIBIT 25: Largest Asset Management Deals by Transacted AUM, 2011

Date	Target	Ctry	Type	Acquirer	Ctry	AUM ($MM)	% Acquired
Nov-11	Neuberger Berman Group LLC	US	Div	MBO	US	$ 183,000	48%
Jul-11	American Century Investment Management, Inc.	US	Div	Canadian Imperial Bank of Commerce	CN	112,000	41%
Dec-11	AMP Capital Holdings Limited	Australia	Div	Mitsubishi UFJ Trust and Banking Corporation	JN	96,796	15%
Jul-11	Mondrian Investment Partners Limited	UK	Div	MBO	UK	70,000	28%
Mar-11	Apollo Global Management, LLC	US	Alt	IPO	US	67,551	6%
Oct-11	KBL European Private Bankers	SWI	PvtCl	Precision Capital	UAE	62,841	100%
Feb-11	ING Real Estate Investment Management	SWI	Alt	CB Richard Ellis Group, Inc.	US	60,337	100%
Jan-11	AlpInvest Partners N.V.	NL	Alt	The Carlyle Group and AlpInvest Management	US	43,300	100%
Nov-11	Manning & Napier, Inc.	US	Div	IPO	US	38,769	14%
Jun-11	ING Groep's Australian investment management unit	Australia	PvtCl	UBS AG	SWI	36,000	100%

Source: Sandler O'Neill Asset Management Investment Banking Group

EXHIBIT 26: All-Time Largest Asset Management Deals by Transacted AUM

Date	Target	Ctry	Type	Acquirer	Ctry	AUM ($MM)	% Acquired
Jun-09	Barclays Global Investors	US	Div	BlackRock Inc.	US	$ 1,440,000	100%
Dec-06	Mellon Financial Corporation Inc.	US	Div	Bank of New York Company, Inc.	US	947,000	100%
Jan-09	Société Générale Asset Management	FR	Div	Crédit Agricole SA	FR	838,651	100%
Feb-06	Merrill Lynch Investment Managers	US	Div	BlackRock Inc.	US	544,000	100%
Jun-05	Citigroup Asset Management	US	Div	Legg Mason	US	437,000	100%
Sep-01	Zurich Scudder Investments	US	Div	Deutsche Bank AG	GY	278,000	100%
Nov-99	PIMCO Advisors L.P.	US	Inst	Allianz AG	GY	256,153	69%
Oct-08	Aberdeen Asset Management plc	UK	Div	Mitsubishi UFJ Financial Group Inc.	JN	226,300	10%
Jul-08	Russell Investments	US	Div	Nippon Life Insurance	JN	211,000	5%
Jun-00	United Asset Management (UAM)	US	Inst	Old Mutual plc	UK	203,150	100%

Source: Sandler O'Neill Asset Management Investment Banking Group

EXHIBIT 27: Largest Asset Management Deals by Disclosed Deal Value, 2011

Date	Target	Ctry	Type	Acquirer	Ctry	DDV ($MM)	% Acquired
Nov-11	Neuberger Berman Group LLC	US	Div	MBO	US	$ 1,500	48%
Oct-11	KBL European Private Bankers	SWI	PvtCl	Precision Capital	UAE	1,404	100%
Feb-11	ING Real Estate Investment Management	SWI	Alt	CB Richard Ellis Group, Inc.	US	940	100%
Jul-11	American Century Investment Management, Inc.	US	Div	Canadian Imperial Bank of Commerce	CN	848	41%
Aug-11	Hedging-Griffo	Brazil	PvtCl	Credit Suisse	SWI	784	50%
Mar-11	BlueCrest Capital Management	UK	Alt	MBO	UK	633	26%
Jan-11	Gartmore Group Limited	UK	Div	Henderson Group plc	UK	522	100%
Dec-11	AMP Capital Holdings Limited	Australia	Div	Mitsubishi UFJ Trust and Banking Corporation	JN	436	15%
Mar-11	Apollo Global Management, LLC	US	Alt	IPO	US	409	6%
Nov-11	Gresham Investment Management LLC	US	Inst	Nuveen Investments Inc.	US	300	60%

Source: Sandler O'Neill Asset Management Investment Banking Group

EXHIBIT 28: All-Time Largest Asset Management Deals by Disclosed Deal Value

Date	Target	Ctry	Type	Acquirer	Ctry	DDV ($MM)	% Acquired
Dec-06	Mellon Financial Corporation Inc.	US	Div	Bank of New York Company, Inc.	US	$ 17,619	100%
Jun-09	Barclays Global Investors	US	Div	BlackRock Inc.	US	13,502	100%
Feb-06	Merrill Lynch Investment Managers	US	Div	BlackRock Inc.	US	9,602	100%
Jun-07	Nuveen Investments Inc.	US	Div	MBO (Madison Dearborn Partners, LLC)	US	5,750	100%
Sep-97	Mercury Asset Management	UK	Inst	Merrill Lynch & Co.	US	5,326	100%
Sep-05	Global Asset Management & 3 private banks	SWI	Alt	Julius Baer Holding AG	SWI	4,600	100%
Jun-07	The Blackstone Group	US	Alt	IPO	US	4,130	12%
Apr-00	Robert Fleming Holdings Limited	UK	Div	Chase Manhattan Corp.	US	4,100	100%
Feb-07	Putnam Investments	US	MuFu	Power Financial Corporation	CN	3,900	100%
Jun-05	Citigroup Asset Management	US	Div	Legg Mason, Inc.	US	3,700	100%

Source: Sandler O'Neill Asset Management Investment Banking Group

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General Information and Disclaimers