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## Asset Manager Transaction Review – 1Q 2013

M&A Momentum Continues in First Quarter of 2013

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Transaction activity among asset managers is off to a running start in 2013, driven by an uptick in divestitures by financial institutions parting with non-core asset management businesses and continuing deal activity involving independent sellers seeking strategic partners. Deal volume is solidly ahead of last year's pace, with 41 transactions announced in the first quarter of 2013, a 14% increase from the first quarter of 2012. While slightly below the prior quarter, in which 45 transactions were announced largely in anticipation of future tax hikes, deal activity in the first quarter continued that momentum with strong support from a surging U.S. equity market.

A total of \$671 billion of assets under management changed hands during the first quarter versus \$327 billion in the prior quarter, though note that over one-third of that total was attributed to Rabobank's divestiture of Robeco Groep to Orix Corporation. The S&P 500 closed the first quarter at an all-time high, rising 10.6% in the quarter. Similarly, U.S.-based equity mutual funds regained favor among investors seeking to add risk to their portfolios, as evidenced by positive net inflows throughout the quarter. As a result, publicly traded traditional asset managers ended the quarter trading at 16.6x 2013 forward earnings, breaking through their five-year historical average.

Transactions involving alternative asset managers continue to represent a significant portion of overall deal activity at 39% of announced transactions in the first quarter. The transactions were largely strategic deals and were a healthy mix of direct and fund-of-fund managers. Continued interest in the private wealth management sector was evident in the quarter as well, with 29% of transaction activity involving private client targets. These transactions involved a mix of divestitures by institutional owners exiting all or a portion of their wealth management businesses, as well as independently owned targets looking to combine with larger strategic partners.

Divestitures spiked during the quarter and accounted for the majority of sales at 51%, up from 40% in the fourth quarter of 2012 and at its highest quarterly level since the third quarter of 2011. Among the divestitures, there were no definitive geographic trends, suggesting that owners globally continue to refine their asset management strategies and exit non-core businesses. Four of the top five transactions in the first quarter, as measured by assets under management, were divestitures.

We expect that M&A activity will remain stable throughout the year, supported by improved market conditions and renewed positive investor sentiment. Pure-play asset managers will look to expand their platforms, creating increased demand for global/international, emerging markets and alternative strategies. Divestitures will also continue to play a role in deal activity, though will likely decline as a percentage of deal activity throughout the year.

The largest global asset management transactions announced in the first quarter of 2013, ranked by assets under management, were:

- Rabobank's sale of Robeco Groep to Orix Corporation (\$244 billion AUM);
- Investec plc's sale of a 15% shareholding in Investec Asset Management to management (\$103 billion AUM);
- Artisan Partners Asset Management's IPO (\$80 billion AUM);
- AXA's sale of a majority stake in AXA Private Equity to management and external shareholders (\$31 billion AUM); and
- The Co-operative Banking Group's sale of its life insurance and asset management businesses to Royal London Group (\$30 billion AUM).

Sandler O'Neill is proud to have advised on and raised capital for the following asset management companies in the last 12 months:

<p>March 2013</p> <p><b>HF2 Financial Management, Inc.</b></p> <p><i>Initial Public Offering</i></p> <p><b>\$175,950,000</b></p> <p>Bookrunner</p>	<p>March 2013</p> <p> <b>ARTISAN PARTNERS</b> ASSET MANAGEMENT</p> <p><i>Initial Public Offering</i></p> <p><b>\$381,368,382</b></p> <p>Co-Manager</p>	<p>March 2013</p> <p> <b>Principal</b> Global Investors</p> <p>Equities Fixed Income Real Estate</p> <p><i>has acquired a majority stake in</i></p> <p> <b>Liongate</b> Capital Management</p> <p>Financial Advisor to Principal Global Investors</p>	<p>October 2012</p> <p> <b>Vermillion</b> ASSET MANAGEMENT</p> <p><i>has sold a 55% interest to</i></p> <p><b>THE CARLYLE GROUP</b></p> <p>Financial Advisor to Vermillion Asset Management</p>
<p>August 2012</p> <p><b>THE CARLYLE GROUP</b></p> <p><i>has acquired</i></p> <p> <b>TCW</b> <i>Insight that works for you.™</i></p> <p>Financial Advisor to The Carlyle Group</p>	<p>May 2012</p> <p><b>THE CARLYLE GROUP</b></p> <p><i>Initial Public Offering</i></p> <p><b>\$671,000,000</b></p> <p>Bookrunner</p>	<p>April 2012</p> <p><b>ROCHDALE</b> INVESTMENT MANAGEMENT</p> <p><i>has been acquired by</i></p> <p><b>CITY NATIONAL BANK</b>  <i>The way up.™</i></p> <p><i>to form an \$18 billion private wealth manager</i></p> <p>Financial Advisor to Rochdale Investment Management</p>	<p>April 2012</p> <p> <b>OAKTREE</b></p> <p><i>Initial Public Offering</i></p> <p><b>\$380,250,000</b></p> <p>Co-Manager</p>

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