

July 11, 2013

Asset Manager Transaction Review – 2Q 2013

Deal Activity Returns to Normalized Levels in Second Quarter of 2013

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After two consecutive breakout quarters of robust transaction activity in the asset management sector, each with in excess of 40 deals announced, the pace decelerated in the second quarter of 2013 to more normalized levels. There were 32 transactions announced during the quarter, 22% fewer than the prior quarter, but slightly ahead of the second quarter of 2012. Despite the second quarter slowdown, 73 transactions were announced in the first half of 2013, a 10% increase over the first half of last year.

Divestiture activity remained robust and in line with the prior quarter, accounting for 50% of transactions in the second quarter. Notably, nine banks disposed of their asset management operations in whole or in part, including Banco Santander's sale of a 50% stake in Santander Asset Management to U.S.-based private equity firms Warburg Pincus and General Atlantic. The acquisition, along with a 10-year distribution agreement with Banco Santander, valued the asset manager at over \$2.6 billion.

Despite the volatility that marked the end of the quarter, strong equity markets held throughout most of the three-month period, buoying capital markets activity. Alternative asset managers The Carlyle Group and Oaktree Capital Group both priced follow-on equity offerings, collectively raising \$729 million in gross proceeds. In addition, ultra-high-net-worth wealth manager Silvercrest Asset Management Group completed its initial public offering, raising \$53 million in gross proceeds.

Alternative asset managers remained a meaningful contributor to transaction activity in the second quarter at 34% of announced transactions. The mix of target types, however, differed from the prior quarter, as transactions involving real estate managers were up markedly while sales of fund-of-hedge-fund and CLO managers dropped considerably. The reversal reflects the increasing demand among buyers for differentiated direct investment capability in alternatives and the winding down of the consolidation opportunity in the CLO sector.

Consistent with prior quarters, buyers remained more tactical than transformational in the second quarter, as 72% of second-quarter activity involved sellers managing assets of less than \$10 billion, and the median target size was just over \$3.2 billion in AUM. Larger transactions remain highly sporadic and typically involve private equity firms seeking to put large amounts of capital to work. In total, targets accounted for \$641 billion of assets under management in the second quarter versus \$671 billion in the first quarter, though 40% was represented by the two aforementioned follow-on equity offerings.

We expect that M&A activity will remain steady and reflect gradual growth in the second half of 2013 and into 2014, as global markets steady in the eventual tapering of central bank-funded market liquidity. As fundamental growth in developed countries continues to improve, buyers will expand their wish lists and increasingly look to put excess capital to work. Divestitures will also continue to play a meaningful role in deal activity, supported by private equity sponsors looking to offload ownership stakes acquired prior to 2008.

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

- Banco Santander's sale of a 50% shareholding in Santander Asset Management to Warburg Pincus and General Atlantic (\$197 billion AUM);
- The Carlyle Group's follow-on equity offering (\$176 billion AUM);
- Oaktree Capital Group's follow-on equity offering (\$79 billion AUM);
- Alpinvest Partners' sale of its remaining 40% shareholding that The Carlyle Group does not already own to The Carlyle Group (\$48 billion AUM); and
- Invesco's sale of Atlantic Trust Private Wealth Management to Canadian Imperial Bank of Commerce (\$20 billion AUM).

Sandler O'Neill is proud to have advised on or managed the following asset management transactions in the last 12 months:

<p>June 2013</p>  <p>SILVERCREST ASSET MANAGEMENT GROUP</p> <p><i>Initial Public Offering</i></p> <p>\$52,697,524</p> <p>Lead Bookrunner</p>	<p>May 2013</p>  <p>OAKTREE</p> <p><i>Follow-on Offering</i></p> <p>\$430,675,000</p> <p>Co-Manager</p>	<p>April 2013</p>  <p>CREDIT SUISSE</p> <p><i>has sold Strategic Partners to</i></p>  <p>Blackstone</p> <p>Financial Advisor to Strategic Partners</p>	<p>March 2013</p> <p>HF2 Financial Management, Inc.</p> <p><i>Initial Public Offering</i></p> <p>\$175,950,000</p> <p>Bookrunner</p>
<p>March 2013</p>  <p>ARTISAN PARTNERS ASSET MANAGEMENT</p> <p><i>Initial Public Offering</i></p> <p>\$381,368,382</p> <p>Co-Manager</p>	<p>March 2013</p>  <p>Principal Global Investors</p> <p><i>has acquired a majority stake in</i></p>  <p>Liongate Capital Management</p> <p>Financial Advisor to Principal Global Investors</p>	<p>October 2012</p>  <p>Vermillion ASSET MANAGEMENT</p> <p><i>has sold a 55% interest to</i></p>  <p>THE CARLYLE GROUP</p> <p>Financial Advisor to Vermillion Asset Management</p>	<p>August 2012</p> <p>THE CARLYLE GROUP</p> <p><i>has acquired</i></p>  <p>TCW Insight that works for you.™</p> <p>Financial Advisor to The Carlyle Group</p>

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