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Asset Manager Transaction Review – 3Q 2013

Deal Activity Ramps Up in Third Quarter

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Transaction activity in the asset management sector in the third quarter of 2013 climbed back to recent norms, as 44 deals were announced. The slowdown in deals in the second quarter appears to have been an aberration, as the third quarter pace resembled that of the fourth quarter of 2012 and first quarter of 2013.

Nearly 50% of the 44 deals announced in the quarter were acquisitions of private client businesses, just shy of record levels. The unusually high activity can be accounted for by acquisitions made by aggregators and roll-ups. Four firms, U.S.-based United Capital, Banyan Partners and Focus Financial, as well as Canada-based Fiera Capital Corp, each announced at least two transactions during the quarter.

Asset managers were, once again, the largest group of acquirers, announcing more transactions than all other buyer groups combined. The second most active group, private equity sponsors, announced five transactions during the quarter.

Transaction size continues to trend lower, with the median disclosed deal value falling below \$100 million, compared to \$150 million in the previous quarter and over \$200 million in the third quarter of 2012. In total, \$380 billion of AUM was transacted versus \$640 billion for the previous quarter, reflecting the prominence of tactical rather than transformational deal-making. For the second time in the last four quarters there were no deals with AUM transacted in excess of \$100 billion.

Divestiture activity remains robust. While it was down to 41% of overall announced deals versus 50% for the prior quarter, it is consistent with levels since 2009.

Acquisitions of alternative managers were on par with the second quarter. The recent quarter was also the second consecutive one in which there were no announced transactions involving CLO/CDO managers. This indicates that the consolidation opportunity has largely passed, and high new-issuance CLO volumes have made those that survived the drought less inclined to sell now.

We expect M&A activity to remain strong through the end of the year, assuming no abatement from U.S. debt ceiling fallout. While there is no catalyst of impending tax changes to accelerate activity in the fourth quarter of 2013 as there was last year, there remains a general confidence in the markets that fosters a positive environment for deal activity.

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

- Dexia SA's sale of Dexia Asset Management to New York Life Investments (\$100 billion AUM),
- Ares Management LLC's minority stake sale to Alleghany Corporation (\$66 billion AUM),
- Focus Financial Partners' sale of an undisclosed equity interest to funds managed by Centerbridge Partners, LP (\$62 billion AUM),
- ING's sale of ING Investment Management (South Korea) to Macquarie Group Limited (\$22 billion AUM), and
- Deutsche Bank's announced sale of its Stable Value Business to Goldman Sachs Group (\$22 billion AUM).

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

<p>September 2013</p>  <p>VIRTUS INVESTMENT PARTNERS</p> <p><i>Follow-on Offering</i></p> <p>\$174,999,960</p> <p>Co-Manager</p>	<p>June 2013</p>  <p>SILVERCREST ASSET MANAGEMENT GROUP</p> <p><i>Initial Public Offering</i></p> <p>\$60,602,157</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>

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