



Financial System of the 21st Century

Trade Frictions Impact on the Fluidity of the Investment Management M&A Market

October 5, 2019

Investment Management Industry

- Global in Nature – new approaches and strategies are constantly evolving – transactions occur to transfer expertise and to capture capabilities that can be applied across markets
- Capital seeks its best return in light of risk appetite, regulatory restrictions and available information
- The growth of indexing and related low cost investment options that assume limited ability to add value based on an information advantage suggests a growing acceptance of the free flow of information
- Selected categories still active – e.g. real estate, small cap, global, high yield debt, other specialty private markets
- Given the pools of capital impacted @\$50tn of retirement assets, perhaps \$100tn of investible assets, a 1% change in return has a material impact on global GDP growth
- Market uncertainty restricts transactions in the industry – history shows in 1987, 2001, 2008
- CFIUS and related scrutiny, including on real estate increases the uncertainty around transaction viability and the desirability of pursuing an acquisition. Trade friction makes it harder to complete a transaction that will engender heightened regulatory and client review

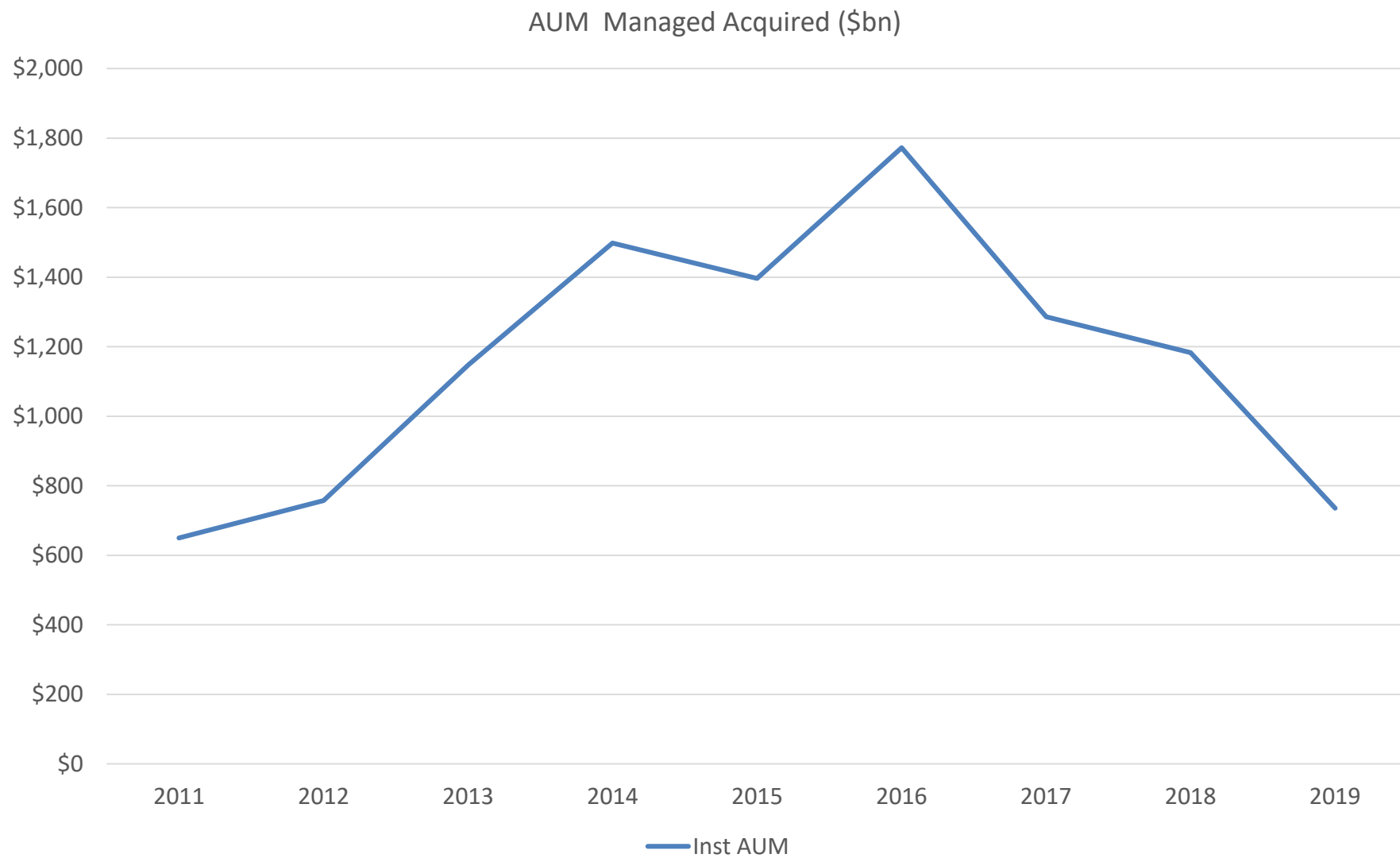
Macro Trends Fuelling M&A Activity at Robust Pricing Levels

M&A driven by consolidation pressure and specialist/cross-border

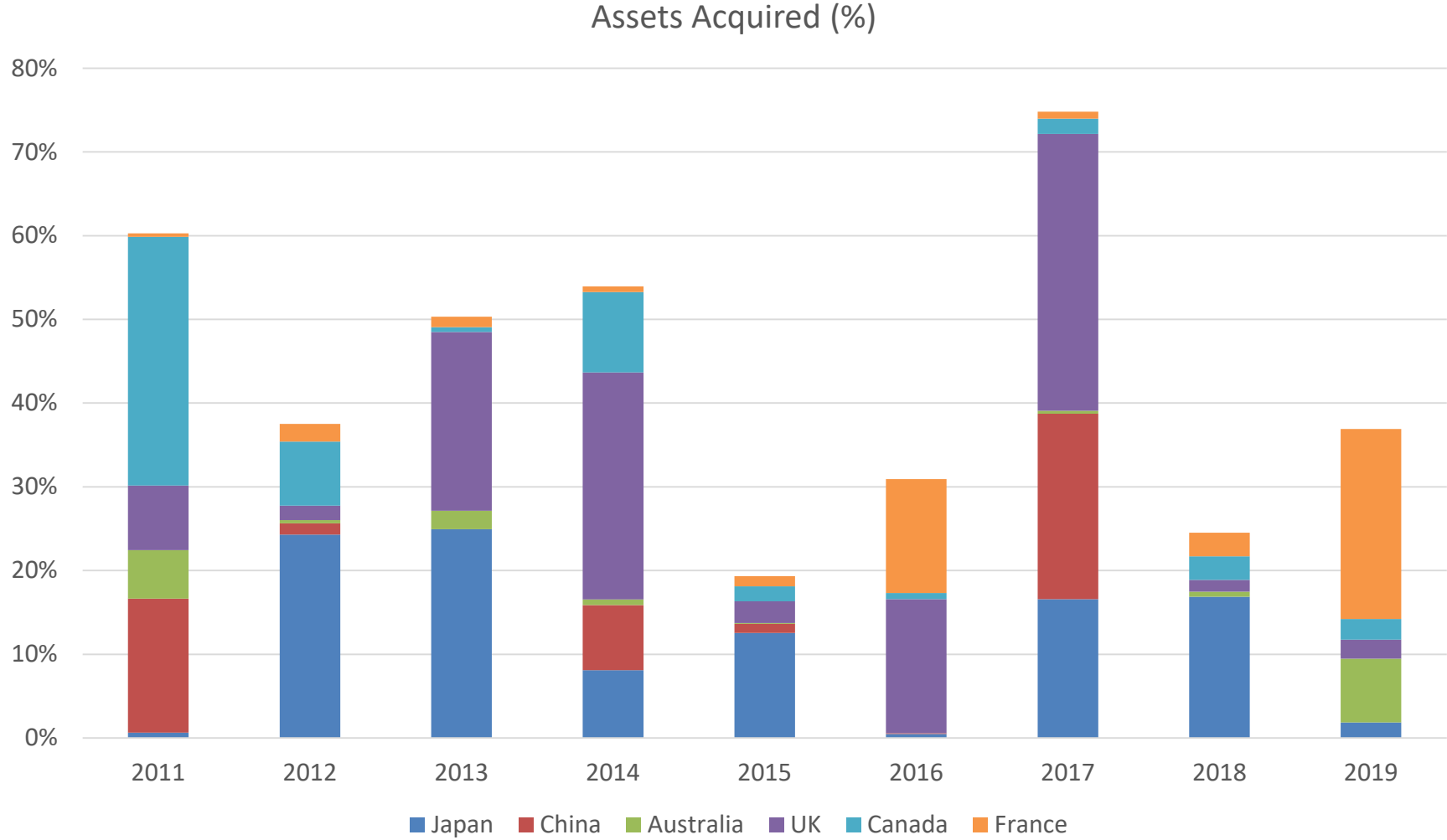
The asset management market has gone through a number of different phases driven by the GFC and European sovereign debt crisis, which have had a profound impact on financial service companies' strategies and the types of assets available

	Year	# of Deals	Aggregate Seller AUM (\$B)	Median EV/EBITDA	Select Transactions Buyer / Entity Sold (AUM)
Pre-Crisis	2007	204	1,155	12.5x	<ul style="list-style-type: none"> Wachovia / European Credit Management (\$26bn) Merrill Lynch / First Republic (\$17bn)
Global Financial Crisis	2008	199	1,148	11.9x	<ul style="list-style-type: none"> NBSH Acquisition / Neuberger Investment (\$160bn) Scotiabank / CI Financial Income Fund (\$89bn)
	2009	135	3,300	9.7x	<ul style="list-style-type: none"> Blackrock / Barclays Global Investors (\$1,495bn) Invesco / Van Kampen (\$267bn)
Product / Geographic Expansion	2010	143	1,134	10.0x	<ul style="list-style-type: none"> Chuo Mitsui / Sumitomo (\$423bn) RBC / Bluebay (\$40bn)
	2011	144	756	10.0x	<ul style="list-style-type: none"> CIBC / American Century (\$112bn) CB Richard Ellis / ING Real Estate (\$60bn)
EU Crisis	2012	169	1,133	8.7x	<ul style="list-style-type: none"> Dai-ichi Life / Janus Capital (\$152bn) Carlyle / TCW Group (\$130bn)
	2013	159	1,636	8.5x	<ul style="list-style-type: none"> ORIX / Robeco (\$249bn) Warburg Pincus / Santander Asset Management (\$198bn)
Consolidation	2014	143	1,980	8.8x	<ul style="list-style-type: none"> LSE Group / Frank Russell (\$260bn) TIAA-CREF / Nuveen (\$221bn)
	2015	166	1,839	9.0x	<ul style="list-style-type: none"> TA & Reverence Capital / Frank Russell (\$266bn) Santander, Warburg Pincus & GA / Pioneer (\$243bn)
	2016	191	2,443	10.2x	<ul style="list-style-type: none"> Credit Agricole / Pioneer (\$234bn) Henderson / Janus Capital (\$195bn)
	2017	220	2,086	10.5x	<ul style="list-style-type: none"> Standard Life / Aberdeen (\$373bn) Softbank / Fortress (\$70bn) KKR & Stone Point / Focus Financial (\$50bn)
	2018	284	2,393	10.4x	<ul style="list-style-type: none"> Invesco / OppenheimerFunds (\$246bn) Victory Capital / USAA (\$70bn)

Historical Assets Managed Acquired



Transaction Activity



Activity

Completed

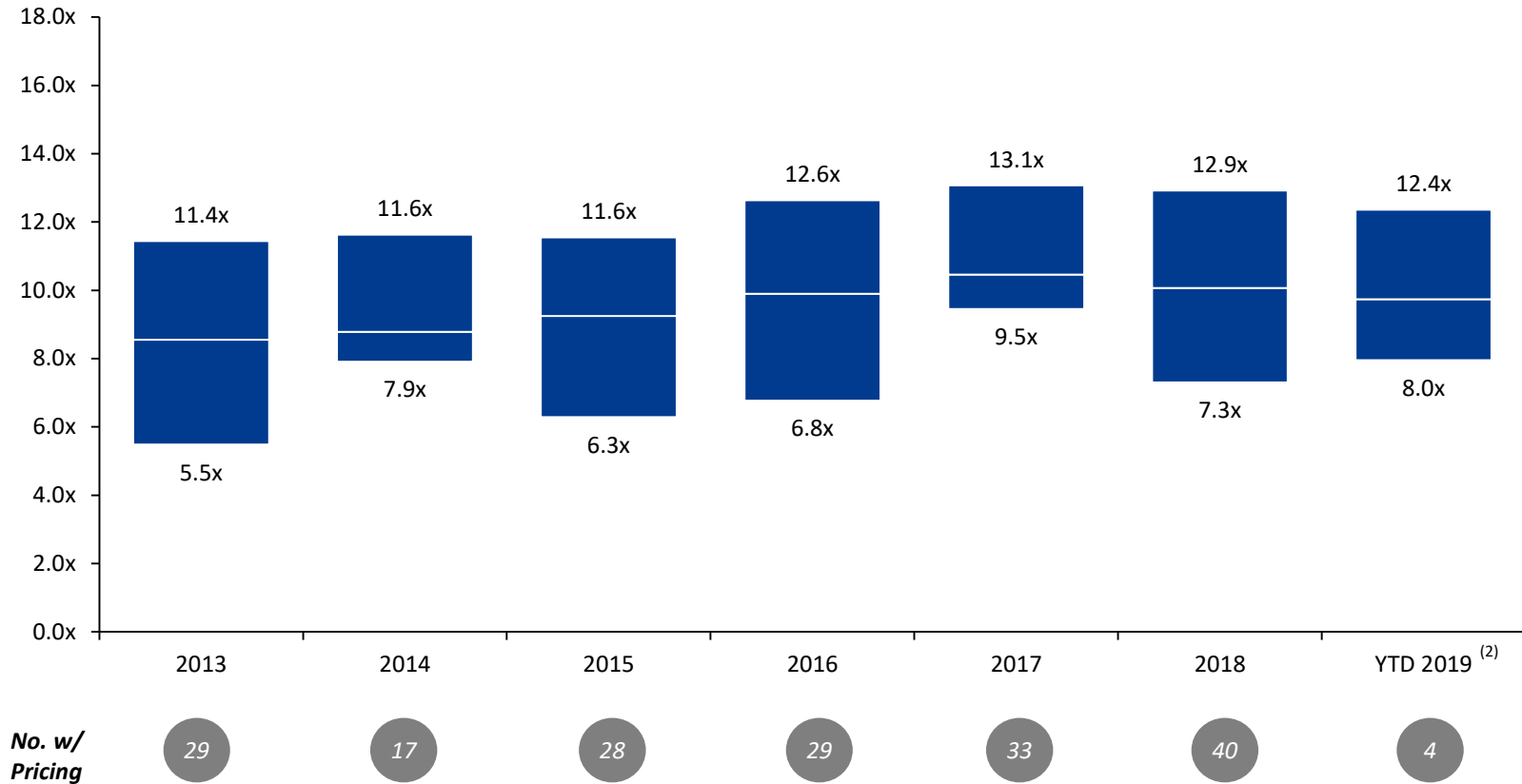
- OMAM/HNA
- Genworth/China Oceanwide
- Conning/Cathay
- RBS ETF/China Post
- Stockbridge/CITIC

Failed

- Moneygram/Ant
- Skybridge/HNA
- Chicago Stock Exchange
- Buy side projects all pulled back – Dalian Wanda, HNA, Forbes investor group, CITIC, etc.

Global Investment Management M&A Trends

Historical EV / EBITDA Multiples ⁽¹⁾



Notes:

(1) 25th percentile to 75th percentile. White line denotes median multiple. Reflects investment management transactions with pricing statistics available, regardless of sector. Excludes multiples >25.0x or <0.0x

(2) YTD figures as of June 18, 2019

Source: Berkshire Global Advisors Investment Management Transaction Database