



An Inside Look  
SUNSTAR STRATEGIC Webinar Series



# M&A and Private Equity Investments in the Asset Management Industry

April 18, 2017

## Panelists



**Brad Hearsh**  
Senior Advisor,  
UBS Investment Bank



**Brett Gallagher**  
Partner, Director of Research  
and Acquisition



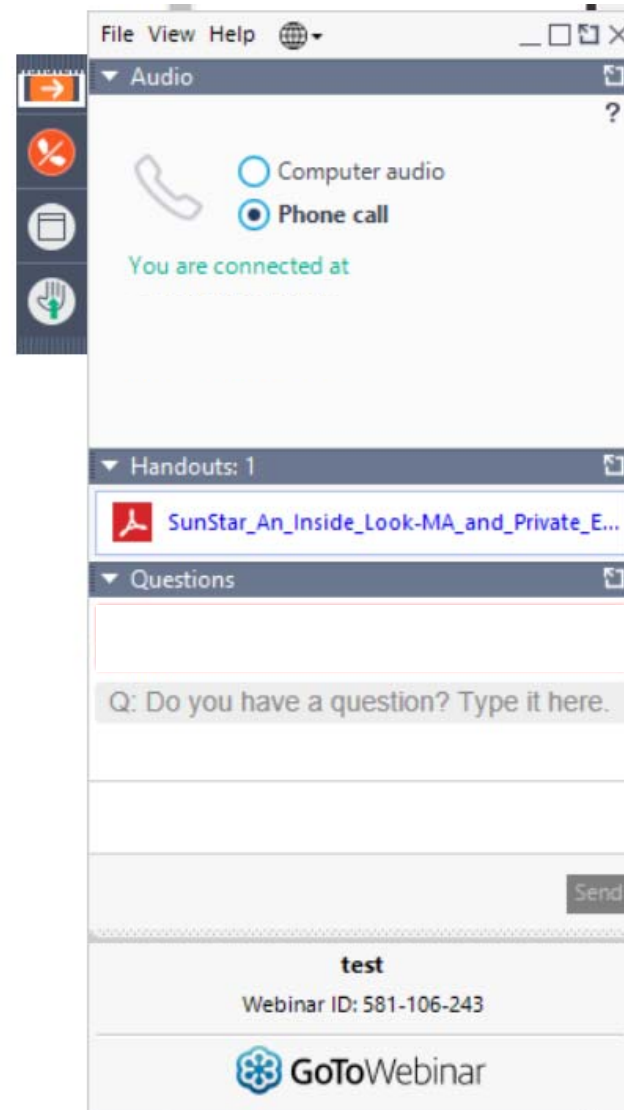
**Neil Hennessy**  
CEO



You can enter **questions** throughout the presentation.



We will answer them at the end of the webinar.





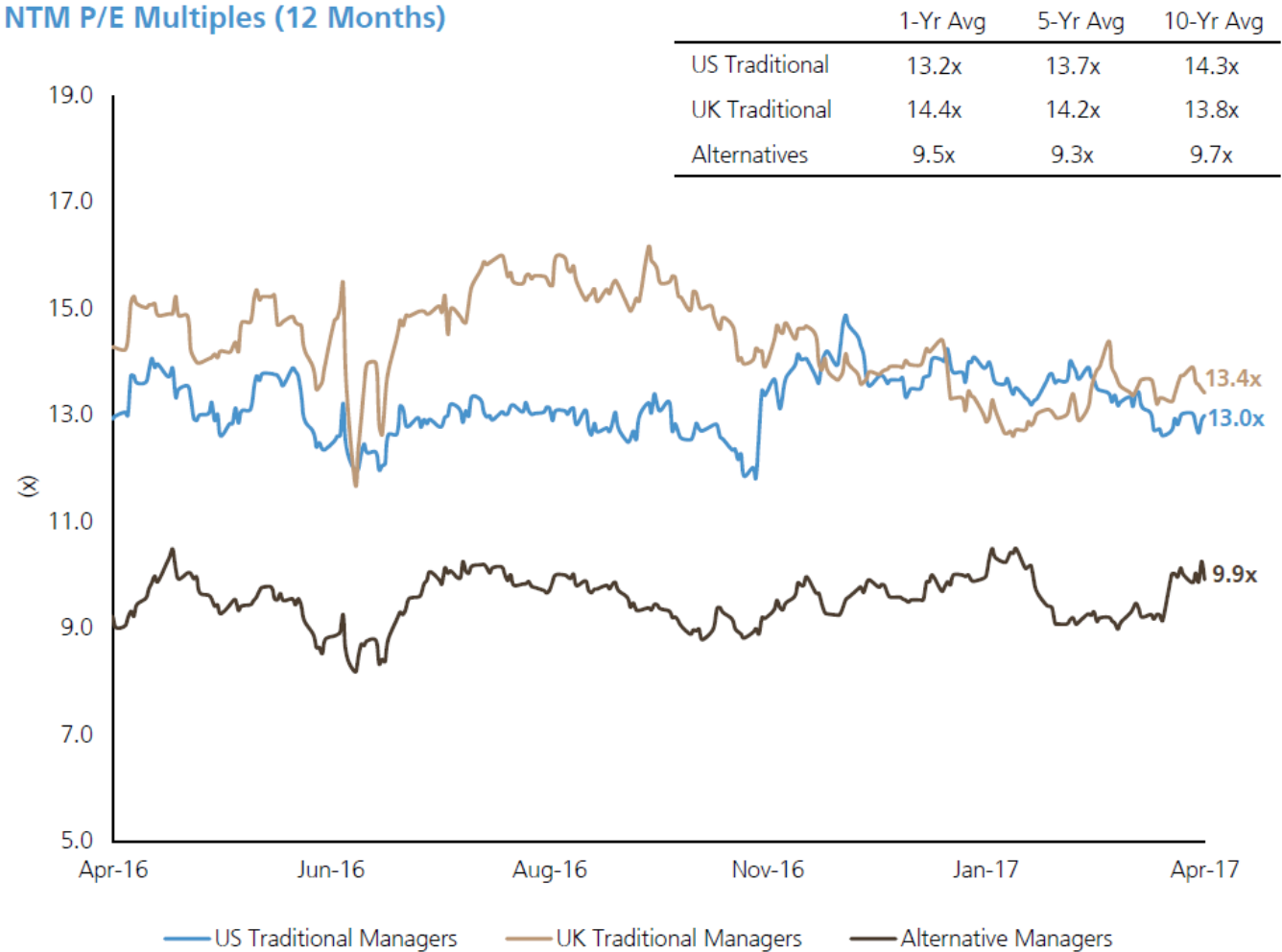
**Brad Hearsh**  
Senior Advisor,  
UBS Investment Bank





Public company valuations in the asset management sector have been trading in line with long-term historical averages, while M&A valuations have been holding up reasonably well.

NTM P/E Multiples (12 Months)



# Asset Management M&A – Notable Recent Transactions



Brad Hearsh, UBS

## Recent large-scale M&A transactions stirring debate

- Janus / Henderson, Aberdeen / Standard Life, Pioneer / Amundi -- a sign of things to come?

## Significant activity in alternatives

- Real estate, real assets and private credit have been important themes
- Hedge fund minority stakes

## Private equity as more active buyers and sellers

### Large Scale

Announcement Date	Target Country	Target	Acquirer	Target's AUM (US\$bn)	Enterprise Value (US\$mm)	Sellers	EV/EBITDA
March 2017	USA	25% of OMAM	HNA	240	1,788	OLDMUTUAL	n/a
March 2017	UK	Merger of Aberdeen & Standard Life	Standard Life	374	4,700	Aberdeen	11.3x
February 2017	USA	FORTRESS	SoftBank	70	3,300	FORTRESS	10.3x
December 2016	Italy	PIONEER Investments	Amundi	252	3,757	UniCredit	11.4x
October 2016	USA	JANUS CAPITAL Group	Henderson	191	2,680	JANUS CAPITAL Group	7.9x
May 2016	USA	American Capital	ARES	77	3,430	American Capital	11.7x
March 2016	USA	Merger of American Century Investments & Babson	Babson	260	n/a	MassMutual FINANCIAL GROUP	n/a
December 2015	USA	American Century Investments	NOMURA	149	2,440	CIBC	n/a

### Middle Market

Announcement Date	Target Country	Target	Acquirer	Target's AUM (US\$bn)	% Sold	Sellers	Target's Expertise
March 2017	USA	SNW	Warren Buffett	2.7	n/a	SNW Management	Fixed Income
February 2017	USA	Merger of KKR PRIMA & PAAMCO	KKR	10	n/a	KKR	Fund-Of-Hedge Funds
January 2017	UK	HAYFIN	AMC	9	Majority	Consortium of institutional investors	Credit
January 2017	USA	Lightyear Capital	Lightyear Capital	2	Majority	Lightyear Capital	Opportunistic Credit
December 2016	USA	CALAMOS INVESTMENTS	Management	20	100%	CALAMOS INVESTMENTS	Multi-Strategy
November 2016	USA	RIDGEWORTH INVESTMENTS	VIRTUS	40	100%	LIGHTYEAR CAPITAL Management	Multi-Strategy
November 2016	USA	Dolan McEniry	IM Square	6	Minority	Dolan McEniry	Fixed Income
November 2016	USA	KELLEY INVESTMENTS	Jefferies Advisors	3	100%	TA Associates	Equity
October 2016	USA	Calvert INVESTMENTS	EatonVance Investment Managers	12	100%	Calvert INVESTMENTS	SRI
October 2016	USA	Aberdeen (US Fixed Income)	Charter Services Future	4	100%	Aberdeen	Fixed Income (Abandoned)
September 2016	Australia	Eureka INVESTMENTS	INVESTMENT MANAGERS	4	100%	Eureka INVESTMENTS	Real Estate
June 2016	USA	MARATHON ASSET MANAGEMENT	Blackstone	13	Minority	MARATHON ASSET MANAGEMENT	Distressed Debt

# Buyer Landscape for Asset Managers



Brad Hearsh, UBS

Holding Companies	US Traditional Asset Managers	Banks/Insurance	Non-US	Alternative Asset Managers	Private Equity
AFFILIATED MANAGERS GROUP LEGG MASON GLOBAL ASSET MANAGEMENT NATIXIS OMAM VIRTUS INVESTMENT PARTNERS	[A/B] BLACKROCK Eaton Vance Investment Managers Federated® FRANKLIN TEMPLETON INVESTMENTS Invesco VictoryCapital™	Ameriprise Financial DELPHI MassMutual FINANCIAL GROUP® MetLife® Nationwide® NEW YORK LIFE Investment Management LLC Principal Financial Group Prudential TIAA CREF WELLS FARGO	<p><b>Asia Ex-Japan</b></p> HNA HUATAI SECURITIES MIRAE ASSET SINA 盛大网络 中植资本管理有限公司 中植资本 <p><b>Australia</b></p> challenger Commonwealth Bank First State Investments nabInvest <p><b>Canada</b></p> BMO CIBC RBC Scotiabank™ Sun Life Financial TD <p><b>Europe</b></p> Aberdeen Simply asset management Allianz Global Investors Henderson Legal & General M Schroders <p><b>Japan</b></p> DAI-ICHI LIFE MUFG MIZUHO NISSAY NOMURA ORIX 三井住友信託銀行 SANWA BANK	APOLLO ARES Blackstone THE CARLYLE GROUP Blackstone THE CARLYLE GROUP CVC Capital Partners General Atlantic Partners Creating better leaders in the knowledge-driven economy. HELLMAN & FRIEDMAN LLC WARBURG PINCUS KKR NorthStar ASSET MANAGEMENT OCH-ZIFF CAPITAL MANAGEMENT GROUP OAKTREE PROVIDENCE EQUITY TPG	Advent International GLOBAL PRIVATE EQUITY Blackstone THE CARLYLE GROUP CVC Capital Partners General Atlantic Partners Creating better leaders in the knowledge-driven economy. HELLMAN & FRIEDMAN LLC WARBURG PINCUS Crestview F&L FRIEDMAN FLEISCHER & LOWE GENSTAR CAPITAL LLC LIGHTYEAR CAPITAL LOVELL MINNICK PARTNERS SUMMIT PARTNERS TA Associates THOMA BRAVO



<p><b>Drivers</b></p>	<ul style="list-style-type: none"> <li>• Ownership succession / liquidity needs</li> <li>• Expand distribution into new geographies and new channels</li> <li>• Access to growth capital</li> </ul>
<p><b>How Much Sold</b></p>	<ul style="list-style-type: none"> <li>• AUM scale and access to new investment capabilities, particularly in niche strategies and unique geographies</li> <li>• Strategic buyers typically looking for majority ownership             <ul style="list-style-type: none"> <li>– The more integration / consolidation involved, the more important majority / 100% will be to the buyer</li> </ul> </li> <li>• Financial buyers, including private equity, more open to both majority and minority stakes             <ul style="list-style-type: none"> <li>– Many financial buyers looking to acquire revenue shares</li> </ul> </li> </ul>
<p><b>Form and Timing of Consideration</b></p>	<ul style="list-style-type: none"> <li>• Upfront proceeds often represent only a portion of total enterprise value</li> <li>• Deferred purchase price can be in form of earnouts or retained equity             <ul style="list-style-type: none"> <li>– Earnouts can be simply deferred or contingent consideration</li> <li>– Pre-arranged mechanics to determine subsequent valuations / payments</li> <li>– Generally 2-5 years for earnouts and 5-7 years for retained equity liquidity</li> </ul> </li> <li>• Use of cash versus stock</li> </ul>
<p><b>Culture</b></p>	<ul style="list-style-type: none"> <li>• Autonomy with respect to investment process / security selection and day-to-day management             <ul style="list-style-type: none"> <li>– Consolidating transactions naturally allow for less independence</li> </ul> </li> <li>• Continuity of salary / bonus schemes (at least for a period of time)</li> </ul>
<p><b>Legal / Regulatory</b></p>	<ul style="list-style-type: none"> <li>• Employment contracts, including non-competes, generally in place for 3-7 years</li> <li>• Client consents required in change of control</li> </ul>





## Brett Gallagher

Partner, Director of  
Research and Acquisition

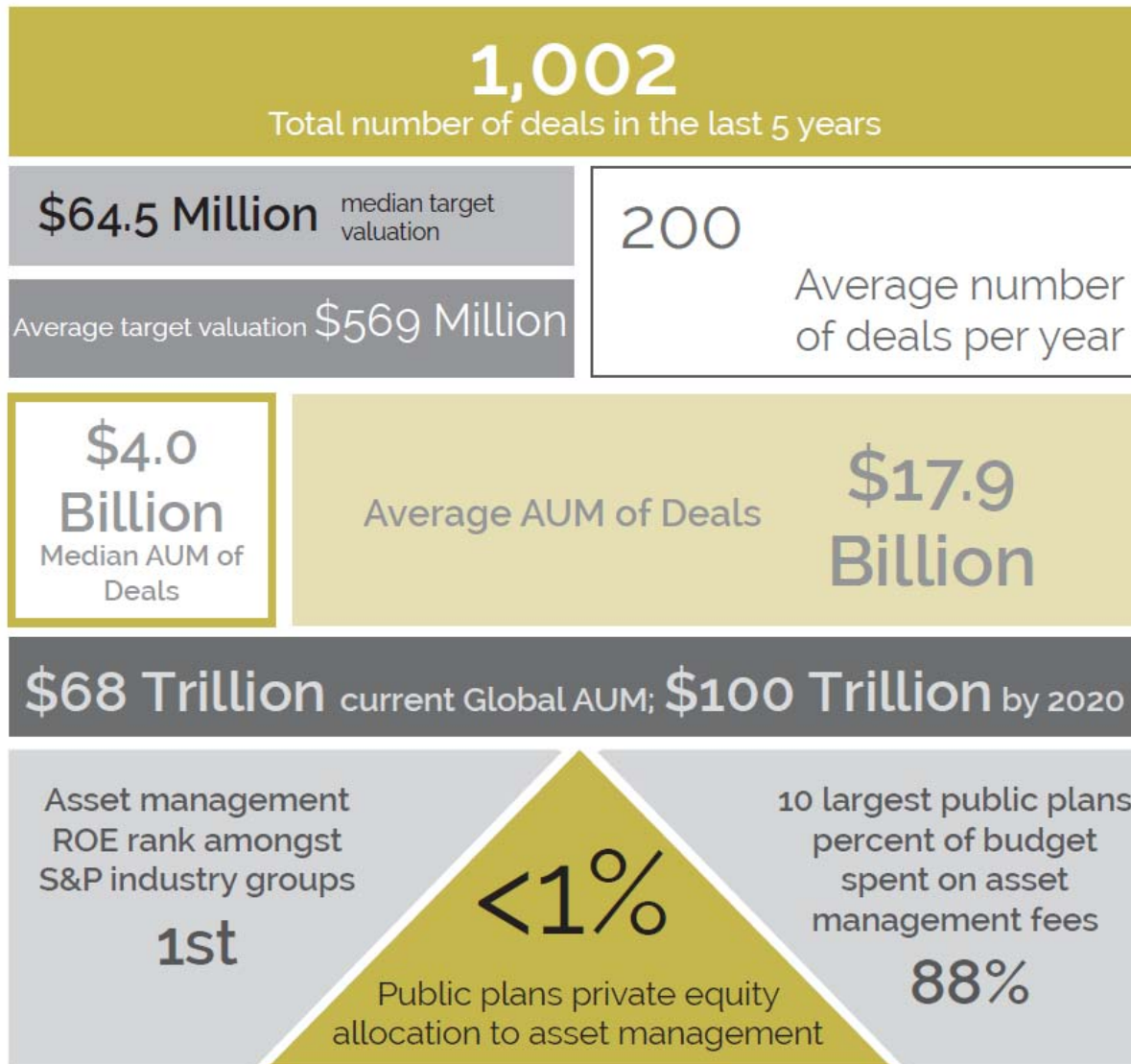


# Asset Management Deals by the Numbers



Brett Gallagher,  
Nile Capital

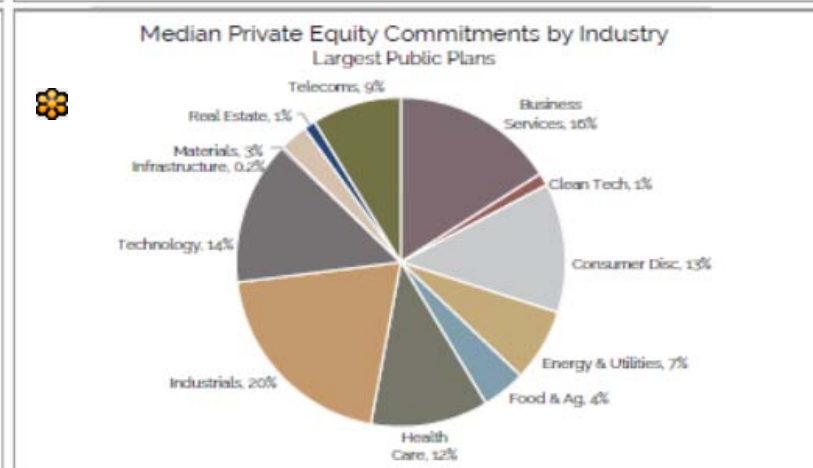
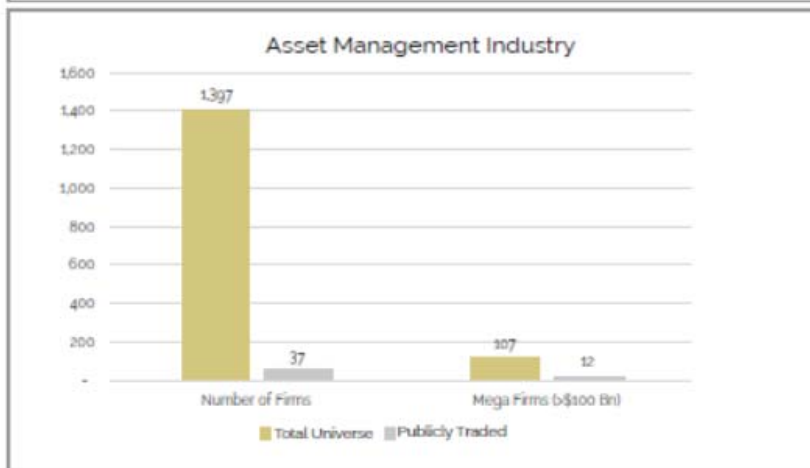
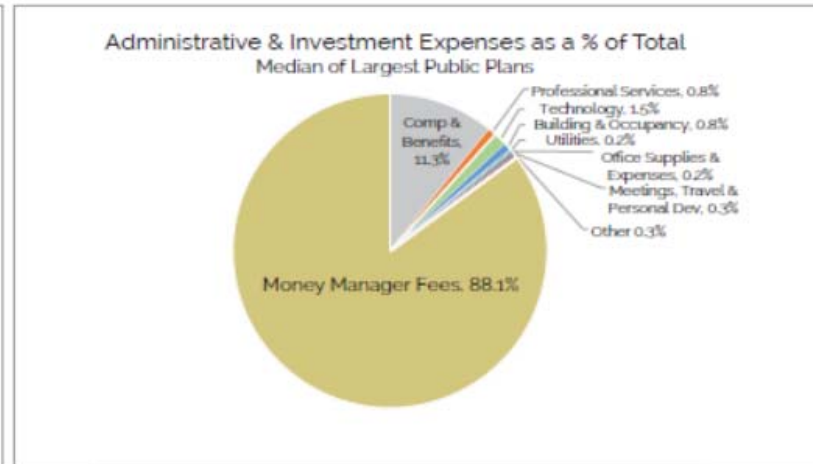
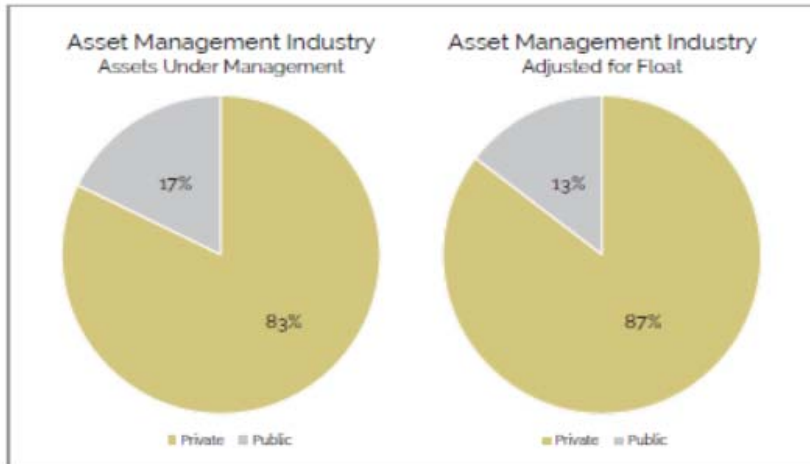
2012-2016



# Potential Mutualization of Asset Management



Brett Gallagher,  
Nile Capital



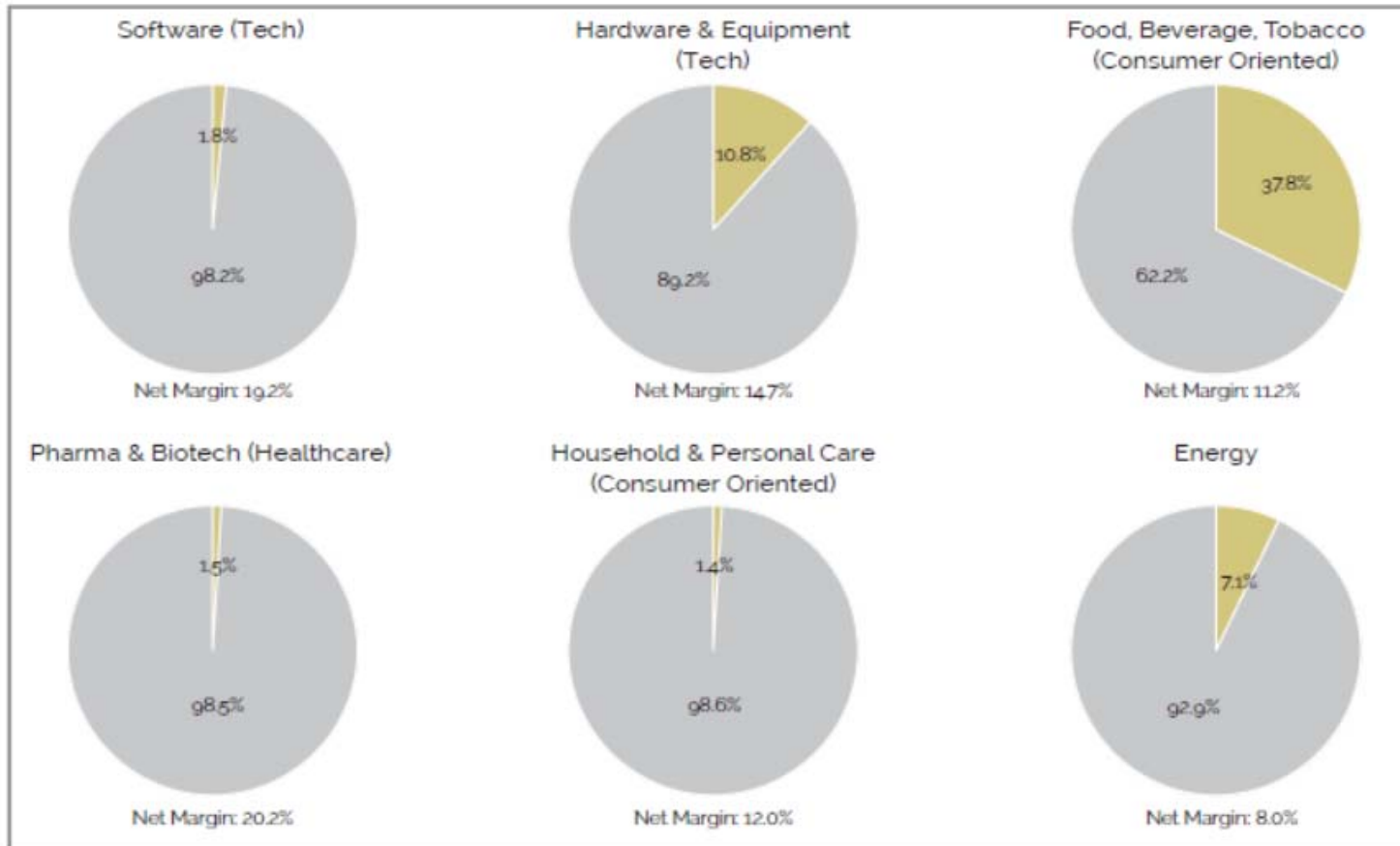
Equity ownership of asset management is controlled by a small number of private investors

Source: eVestment & Nile Capital Group LLC  
Fund data as of June 2014. Plan sponsor data as of most recent reported fiscal year



## REVENUE SHARE BY GICS\* INDUSTRY GROUP

■ Private ■ Public

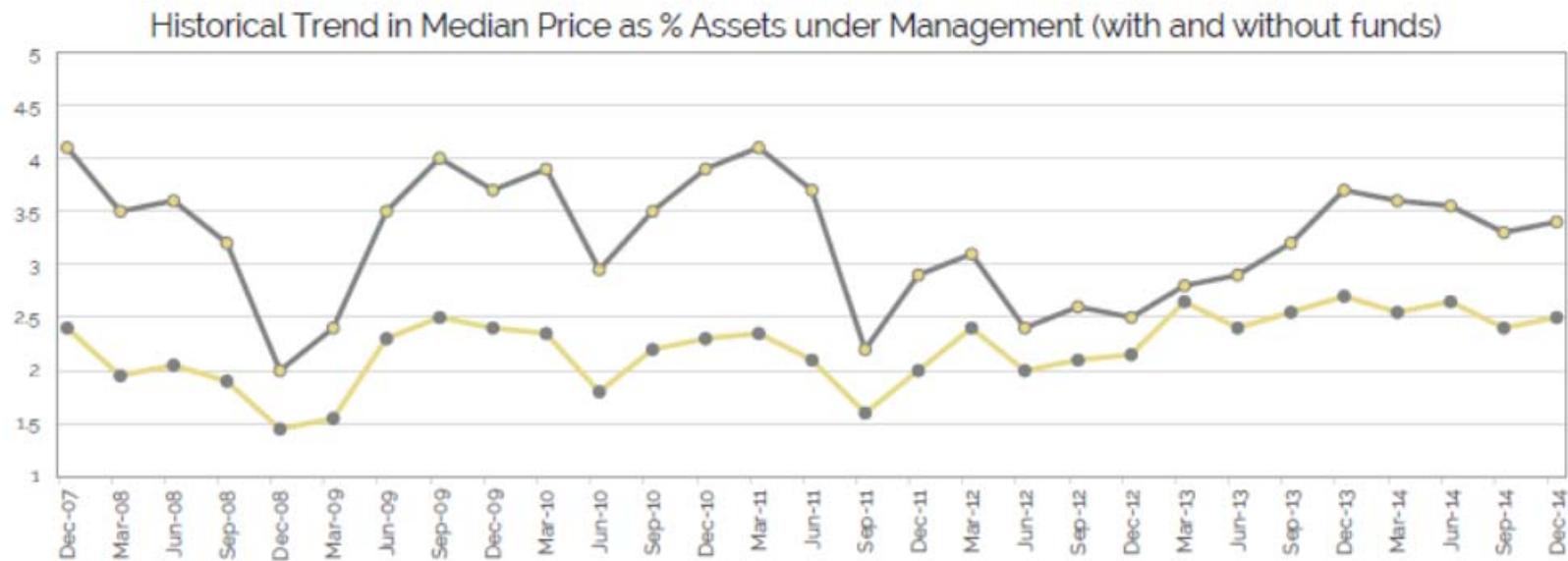


Source: Bloomberg & Nile Capital Group LLC  
 \*GICS - Global Industry Classification Standard  
 Data as of December 2013

By contrast, equity ownership of other major industries is in public hands



- Clear differences in P/AUM exist between firms with/without an established mutual fund complex
- Firms without a mutual fund complex are consistently valued at between 1.5% and 2.5% of AUM
- Firms with a mutual fund complex are valued at between 2.5% and 4% of AUM – more than a 50% premium



Source: Price Waterhouse Coopers, Asset Management M & A Highlights, March 2015

# Asset Growth vs. Performance



Brett Gallagher,  
Nile Capital

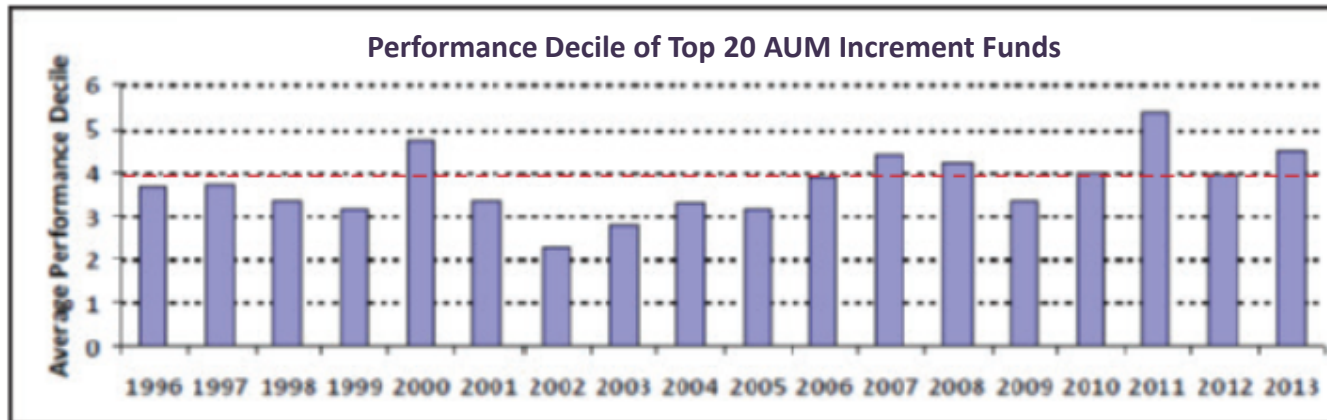


Exhibit 1: Average trailing 3 year performance decile of the top 20 funds with the highest net AUM increase in International Equity funds. 1996-2013.

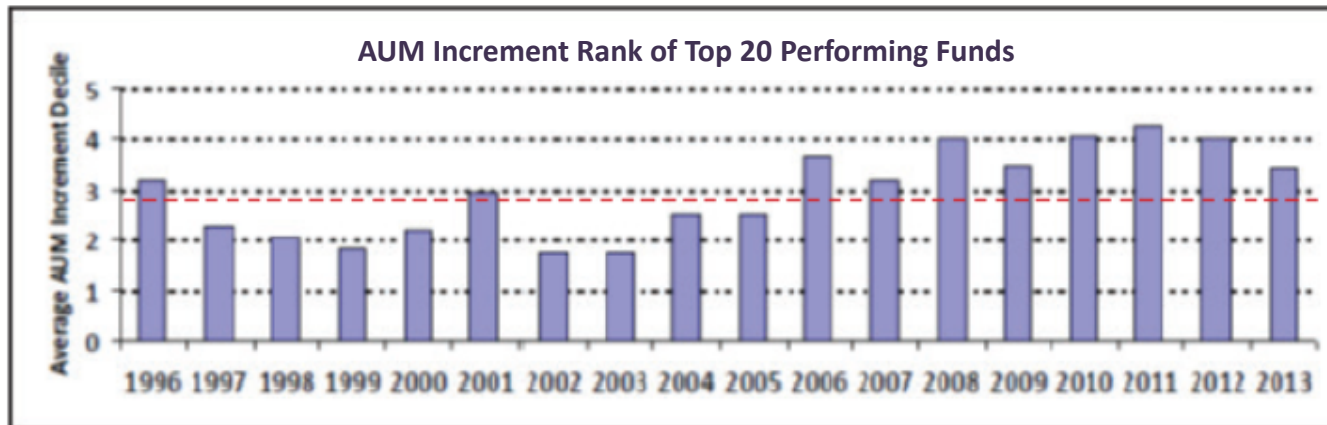


Exhibit 2: Average net AUM increment decile of the top 20 performing funds in International Equity. 1996-2013.

© Nile Capital Group LLC, derived based on data from Mutual Fund Data database @201312 from the Center for Research in Securities Prices (CRSP®), The University of Chicago Booth School of Business



**Neil Hennessy**  
CEO





What it means to the Registered Investment Advisor/Investment Professional Community whether it is instituted, modified, or revoked.

DOL





Implications of that debate for the  
Mutual Fund/Investment Management Industry

# Passive vs. Active



What it will look like in 2017 and 2018?

# Outlook



# Making an acquisition in the Mutual Fund/Investment Management Industry

M&A



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Please type your questions into the question box



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Q&A

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Thank you for participating in



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