



I. ASSET MANAGEMENT CONTINUING STRONG ACTIVITY

Global asset management merger and acquisitions activity continues to be strong. 2017 was the fourth consecutive year that global M&A activity announced deal volume exceeded \$30bn. In 2017, the total announced transaction deal value was \$33.4bn, an 18% decrease from 2016 levels. The total transaction volume for 2017, also for the fourth consecutive year, was greater than 800 transactions. Consolidation continues to be a major theme within the asset management industry and firms are trying to resist fee compression resulting from passive ETF/Index investing and higher research costs from Europe's new Mifid II regulations. Approximately 82% of all transaction value and 66% of all transactions were from companies domiciled in Europe and North America.

Chart I: Global Asset Management M&A Announced Transactions 2013-2017

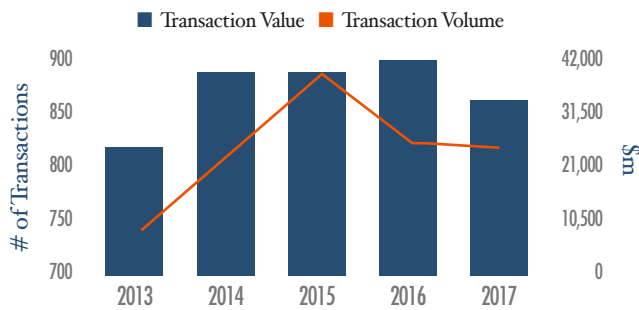


Chart II: 2017 Global Asset Management M&A Transaction Value and Volume by Region

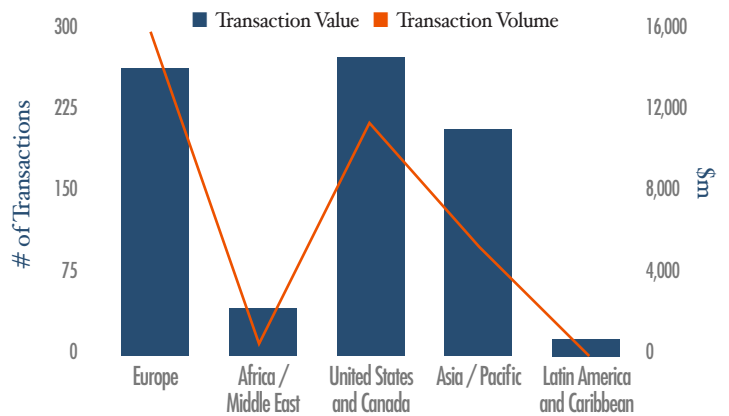
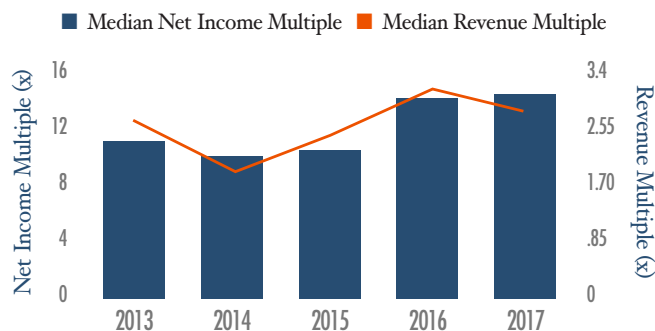


Chart III: Global Asset Management Acquisitions Transaction Multiples 2013-2017



Increase in Median Net Income and Revenue Multiples

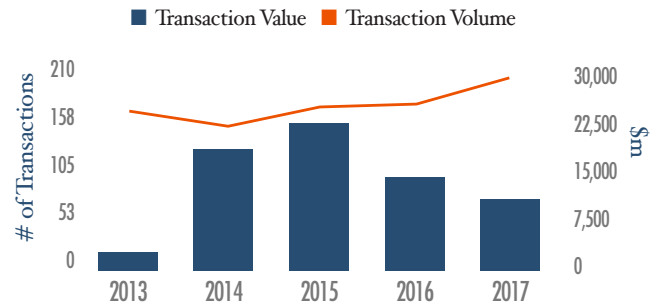
The median global Net Income Multiple and Revenue Multiples have increased over the past two years compared to 2013-2015 levels. The median Net Income Multiple for 2017 was 15.7x and the median Revenue Multiple was 3.1x. This represents a 44% increase in Net Income Multiples and 45% in Revenue Multiples from 2014. The recent increase in transaction multiples and the corresponding increase in the supply of acquisition capital suggest a continuing buoyant period for sales.



II. USA ASSET MANAGEMENT M&A TRENDS

The number of announced USA transactions (207) in 2017 is at its highest level in the past five years, and represents a 14% increase over 2016 transaction volume. This trend is expected to continue as more consolidation occurs within the USA asset management industry and as foreign asset managers look to expand their geographical footprint. Of the USA transactions in 2017, 23 (11%) had at least one foreign buyer involved. These included notable transactions: Softbank Group's acquisition (Japan) of private equity group Fortress Investment Group and Eurazeo SE's 30% acquisition (France) in Rhone Capital (private equity arm of Rhone Group LLC) for \$270m announced in November. With the benefit of the reduction in corporate tax rates from 35% to 21% following the announcement of the Trump Tax Reforms, acquisitions by US asset management companies that are established as corporations should rise in 2018.

Chart IV: USA Asset Management M&A Announced Transactions 2013-2017



III. MAJOR DEALS ANNOUNCED

The global M&A Market has been active with a number of recent high profile asset management mergers and acquisitions. In 2017, the ten largest asset management transactions represented approximately \$20bn in transaction value. Of the top ten transactions, nine represented deals with more than \$1bn in transaction value, and geographically, five acquisitions were from Europe and four were from the United States.

Following the May 2017 completion of the £2.9bn merger between Janus Capital and Henderson Global Investors (\$331m AUM), the largest announced transaction in 2017 was the March merger between Standard Life and Aberdeen Asset Management for £3.8bn. This transaction created Europe's second largest fund manager with a combined £11bn in market capital, and at the time of transaction, £670bn in assets under management. The merger is projected to create cost savings from synergies of up to £200m a year.

Softbank's \$3.3bn acquisition of U.S. based private equity and firm Fortress Investment Group was the second largest transaction of 2017. At the time of the acquisition, Fortress had over \$70bn in AUM including private equity, publicly traded companies, hedge funds and real estate assets.

Table I: Largest Announced Global Transactions from 2017

| Announcement Date | M&A Closed Date | Target | Buyers | Total Transaction Value (\$m) |
|-------------------|--------------------|---|--|-------------------------------|
| Mar-2017 | Aug-2017 | Aberdeen Asset Management PLC | Standard Life Aberdeen plc (LSE:SLA) | 4,634 |
| Feb-2017 | Dec-2017 | Fortress Investment Group LLC | SoftBank Group Corp. (TSE:9984) | 3,266 |
| Apr-2017 | Aug-2017 | Green Investment Group Limited | Macquarie Group Limited (ASX:MQG) and Funds; Universities Superannuation Scheme Limited; | 2,181 |
| Mar-2017 | Nov-2017 | Allfunds Bank S.A. | Hellman & Friedman LLC; GIC Pte. Ltd. | 1,904 |
| Apr-2017 | Pending Completion | Focus Financial Partners, LLC | KKR & Co. L.P. (NYSE:KKR); Stone Point Capital LLC | 1,800 |
| Dec-2017 | Pending Completion | OnePath Life Limited | Zurich Financial Services Australia Limited | 1,395 |
| Sep-2017 | Pending Completion | Accretive Asset Management and Guggenheim Specialized Products and Other Assets of ETF Business | Invesco Ltd. (NYSE:IVZ) | 1,200 |
| May-2017 | Oct-2017 | Phillips Edison LP | Phillips Edison & Company (OTCPK:PHLD) | 1,139 |
| Aug-2017 | Dec-2017 | Aletti Gestielle SGR S.p.A. | Anima Holding S.p.A. (BIT:ANIM) | 1,117 |
| Dec-2017 | Pending Completion | Old Mutual Wealth Management Ltd, Single Strategy Asset Management Business | TA Associates Management, L.P. | 800 |
| Total | | | | 19,436 |



III. CONCLUSIONS

We expect momentum to continue in the asset management M&A market through 2018. As companies look to expand into new geographic regions and sectors, strategic acquisitions will continue to provide a fast and efficient means for AUM Growth. We expect to see an increase in both strategic acquisitions and private equity acquisitions of asset management companies as PE firms utilize record amounts of dry powder (committed and uninvested capital). In a recent study of asset management CEOs, over 40% responded they have plans for M&A activity in 2018.

Consolidation and Diversification of Strategies and Geographies

Larger asset management companies will continue to look to acquire smaller niche firms that will allow for additional growth in specific geographical or strategic markets. Transactions from 2017 to early 2018 include the BlackRock acquisition of the Infrastructure holdings of First Reserve (\$193m) in June 2017, the Schroders plc acquisition of the private equity firm Adveq (£140m) in April 2017 and the Standard Life Aberdeen's March 2018 50% acquisition of Virgin Money Unit Trust Managers Limited (£40m). We feel that firms in 2018 will look to acquire and consolidate specialist asset managers as a way to increase AUM and profitability. The number of large scale mergers may become more limited due to both scale and regulatory impact.

ETF Acquisitions

An increasingly attractive sector that has seen a number transactions is the Exchange Traded Funds sector. Several fund managers have been focused on ETF and index funds as investors focus on more stable returns and lower fees. There are now nearly 5,400 ETFs traded globally, an increase from 4,800 (12.5% increase) in 2016. It is estimated that there is over \$4.5 trillion in AUM in Global ETFs. As this sector continues to grow, M&A activity will also rise. Invesco completed two large acquisitions of ETF providers in 2017. In September Invesco acquired the ETF business from Guggenheim Investments Inc. with \$37 billion in AUM, for \$1.2 billion, and in April Invesco acquired Source, a European ETF provider based in London. Wisdom Tree Investments Inc. acquired the Exchange-traded commodity, currency and short-and-leveraged business of ETF Securities (UK) Limited for approximately \$610 million in November. We expect the ETF sector to continue to be active in 2018.

ABOUT WINCHESTER CAPITAL

Since 1986, Winchester Capital has offered advisory services and asset management with a record of transactions in 40 countries. In 2017, we received the Distinguished Award for International Private Equity Deal of the Year. We excel in direct transaction research, initiation and execution. If you are considering an asset management acquisition or sale, or you desire further research, please contact our Managing Director, Dr. David Bowen at David.Bowen@WinchesterCapital.com. Please visit our website at www.WinchesterCapital.com.

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