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Staying Above the Noise

2023 Asset & Wealth Manager Transaction Review and 2024 Forecast

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Overview

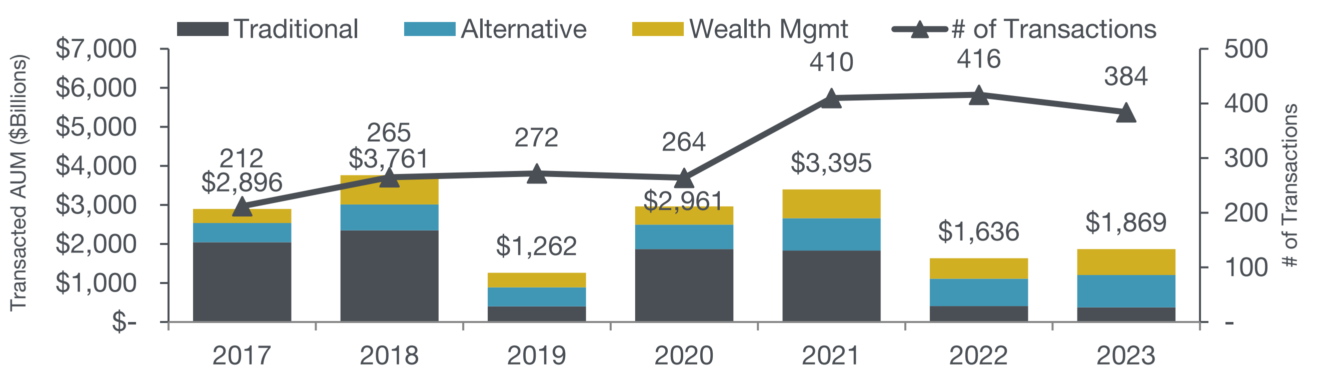
The asset and wealth management space remained a hotbed of M&A activity in 2023. While M&A in other sectors of the economy was relatively muted on the back of higher interest rates and fears of a recession, a broad universe of buyers continued to pursue M&A with asset and wealth managers to strategically grow their platforms or seize upon favorable industry dynamics. The 384 asset and wealth management M&A transactions in 2023 was a slight decline from the record-highs of 416 transactions in 2022 and 410 in 2021, but still represented a 66% increase over the 2016-2020 annual average of 232 transactions.

The drivers of record deal volume since 2021 appeared relatively immune to 2023's more uncertain economic environment. Wealth management M&A activity remained near record levels with 286 transactions in 2023, coming in just short of 2022's high point of 294 transactions, but higher than the 255 transactions in 2021. Private equity sponsors sought to participate in the favorable dynamics of the wealth management space by backing platforms focused on inorganic growth, whether by providing the first sponsor capital to a platform or investing alongside an existing sponsor owner. With the universe of potential buyers for wealth managers expanding, more sellers were drawn to the market, creating a flywheel of M&A activity.

Alternative asset management M&A continued the multi-year trend of representing a greater share of M&A activity relative to traditional asset management. Announced acquisitions of alternative asset managers decreased from 86 to 73 transactions between 2022 and 2023. While strategic buyers continued to seek alternative capabilities to build out their platforms, they were more selective amidst headwinds in the fundraising and investing environment. Additionally, financial investors dedicated to taking minority stakes in alternative asset managers announced fewer transactions in 2023 after several years of elevated activity.

Acquisitions of traditional asset managers experienced a sharp decline in 2023, decreasing from 36 to 25 transactions between 2022 and 2023. Nearly all 2023 transactions in the traditional space represented an opportunity for the acquirer to access new distribution channels or add niche investment capabilities to their platforms. Buyers generally shied away from larger transactions that only offered scale and / or cost savings opportunities.

NUMBER OF TRANSACTIONS AND AUM BY TARGET TYPE



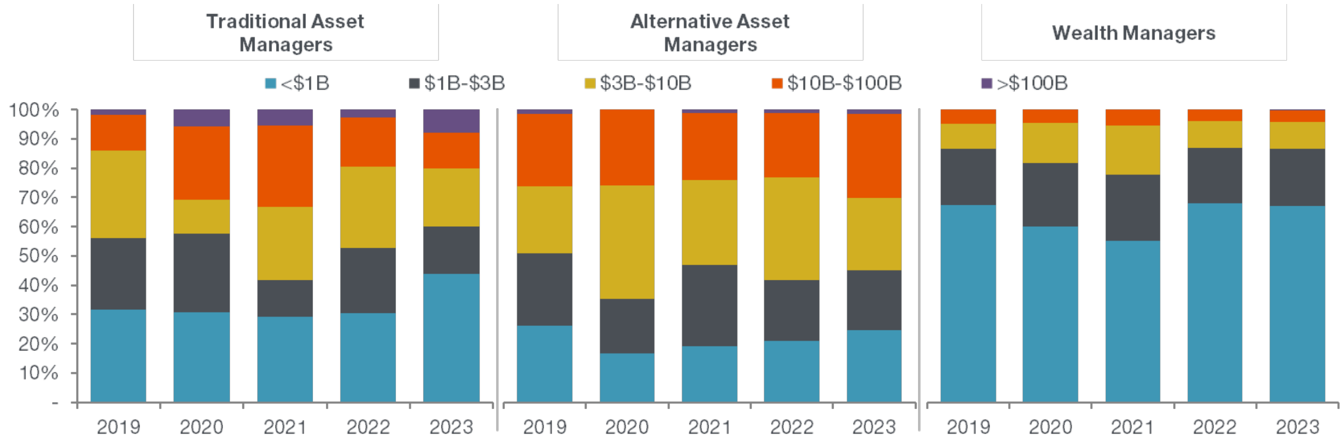
Source: Piper Sandler

While the number of asset and wealth management transactions declined 8% between 2022 and 2023, total 2023 transacted AUM of $1.9 trillion reflected a 14% increase over $1.6 trillion in 2022 on the back of several large deals in the alternative and wealth management space. These figures are still materially lower than the $2.9 trillion annual transacted AUM average from 2017-2021 driven by a few factors. First, smaller transactions (less than $1.0 billion AUM), particularly in the wealth management space, have represented a significant share of overall transaction activity in recent years. Secondly, the larger alternative and wealth management acquisitions, similar to those we saw in 2023, have not offset the AUM represented historically by consolidating mega-deals in the traditional asset management space.

Similar to the trends in transacted AUM, disclosed deal value declined in 2023 to $20 billion, a 19% decline from 2022 and a 31% decline from the 2017-2021 annual average of $29 billion. 7 deals were announced in 2023 with a disclosed deal value greater than $1.0 billion, in line with 2022. Of these, 4 involved a wealth management target and 2 involved an alternative asset management target. After no transactions in the traditional asset management space with disclosed deal value over $1.0 billion in 2022, **Franklin Templeton**'s acquisition of **Putnam Investments** represented the first large traditional asset management acquisition by a strategic buyer since 2020. The 7 M&A transactions with disclosed deal value greater than $1.0 billion in 2023 were:

- Clayton, Dubilier & Rice's take-private acquisition of Focus Financial Partners ($4.2 billion)
- TPG's acquisition of Angelo Gordon ($3.1 billion)
- Franklin Templeton's acquisition of Putnam Investments ($1.3 billion)
- Cetera Financial Group's acquisition of Avantax ($1.2 billion)
- CVC's acquisition of DIF Capital Partners ($1.1 billion)
- Minority investment by consortium of investors in CI Financial's U.S. WM Business ($1.0 billion)
- Rathbones' acquisition of Investec Wealth & Investment UK ($1.0 billion)

TRANSACTIONS BY TARGET'S AUM



Source: Piper Sandler

In light of long-term secular headwinds of fee compression, asset outflows, and margin contraction, buyers of traditional asset managers have increasingly sought differentiated specialist targets that can add investment capabilities and fill product gaps. Continuing a pronounced move seen in recent years, buyers were highly selective in targeting traditional managers in 2023, with only 7 transactions involving a target with more than $5.0 billion of AUM compared to the average of 23 such deals per year from 2020-2022. As the overall deal count has decreased, these larger deals drove average transacted AUM higher, but relative to the three-year average from 2020-2022 of $28 billion per deal, average transacted AUM declined 30% in 2023.

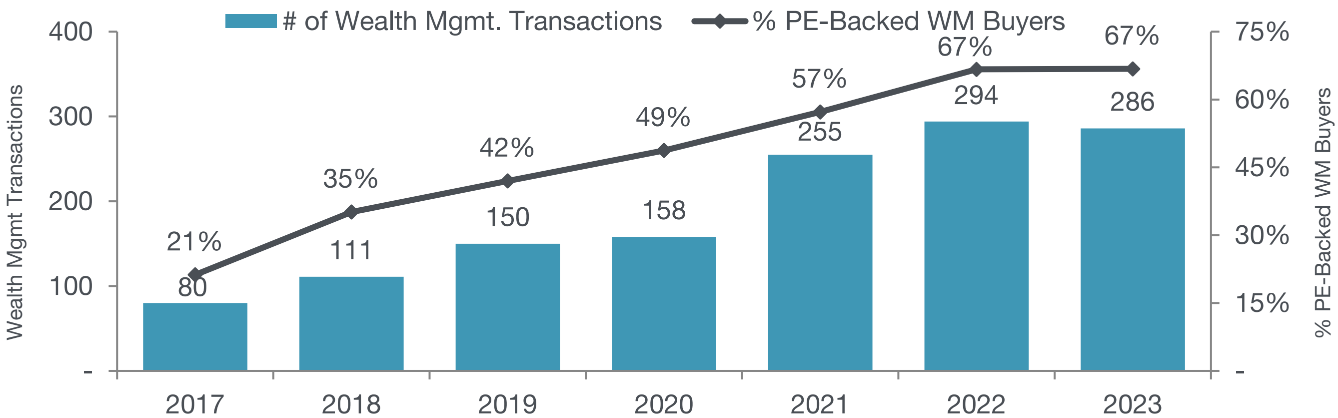
Alternative manager transactions were, on average, larger in 2023 than in prior years. Asset managers, insurers, and financial acquirers alike engaged with large platforms, often through minority stakes, to gain immediate scaled presence in new asset classes, geographies, and distribution channels. The average AUM transacted increased more than 75% relative to 2022, excluding IPOs. 13 alternative managers with greater than $20 billion AUM completed transactions in 2023, matching the total seen across both 2021 and 2022 combined. Meanwhile, only 22 deals at or below $3.0 billion of AUM transacted, 31% fewer than 2022. The average transacted AUM of $13 billion was the highest level on record and the median $5.6 billion was the highest seen since 2015, indicating buyers' and investors' acknowledgement that size and scale matter as LPs continue to seek ways to consolidate their relationships.

For wealth managers, the average transacted AUM in 2023 was closely aligned with annual levels seen from 2019-2022, at $2.6 billion per transaction. As more private equity-backed wealth management platforms have reached significant scale, the resulting transactions of larger platforms have sustained consistent averages despite 2023 median transacted AUM that was down 21% compared to the median across 2020-2022. An increased presence of established platforms executing roll-up M&A strategies targeting smaller RIAs contributed to a decline in median AUM per deal transacted. There were 124 targets with AUM between $100M-$500M, down slightly from 2022 but up 70% relative to 2021.

Sellers

Wealth Managers

NUMBER OF WEALTH MANAGEMENT TRANSACTIONS AND % OF PE-BACKED WM BUYERS



Source: Piper Sandler

Despite high interest rates and a challenging financing environment in 2023, buyers continued to target wealth managers at a near all-time-high deal count of 286, down just 3% from 2022's record. The sector's attractive long-term organic and inorganic growth opportunities coupled with strong client retention saw sustained investor demand. Private equity investors continued to back proven wealth management platforms with scalable infrastructure for growth, providing growth capital support for add-on acquisitions of smaller RIAs and aggressive breakaway advisor recruitment. The growing number of large platforms executing M&A roll-up strategies targeting sub-scale firms supported a high deal count in 2023, while median AUM transacted decreased to $550M, slightly lower than 2022. This represents a continued downward trend from recent years as 2023 median AUM transacted came in 36% lower than 2021. While 83 targets above $1.0 billion of AUM transacted, in line with 2022, deal count above $1.0 billion of AUM declined 23% from 2021's total.

As seen in recent years, private equity sponsors continued to partner with wealth management platforms, completing 13 such investments in 2023, one more than 2022's total deal count. Only two platforms with $5.0 billion or greater of AUM received first-time capital from sponsors as many platforms recapitalized alongside existing backers. **Genstar Capital** reinvested new growth capital from its two newest funds in **Cetera Financial Group**, a platform serving independent wealth advisors totaling $374 billion in assets. Cetera made a big splash this year as it has increasingly focused on expanding its fee-only wealth management segment, acquiring over $68 billion of AUM in 2023 across 4 acquisitions, the highest acquired AUM total of any single buyer of wealth managers in 2023. Since its initial investment in 2018, Genstar has maintained its majority stake and supported growing Cetera's total assets from $242 billion to $374 billion. Overall, sponsors showed reluctance to exit their existing investments in 2023 and many reinvested new capital in their platforms. Despite 10 active investors in wealth management platforms with greater than $10 billion of AUM that have held their investment since 2018 or longer, only 1 of these sponsors, **Caledonia Investments**, fully exited their wealth management investment in 2023.

LARGEST SPONSOR ACQUISITIONS OF WEALTH MANAGERS BY AUM, 2023

($Billions)

Acquirer	Wealth Management Platform	Target Location	AUM/AUA at Acquisition[1]	First-Time Ext. Capital / Recapitalization	Minority / Majority
The Carlyle Group	CAPTRUST Financial Advisors	U.S.	$ 832.0	Recapitalization	Minority
Genstar Capital	Cetera Financial Group	U.S.	374.0	Recapitalization	Minority[2]
Kelso & Co. / Lovell Minnick	Pathstone Family Office	U.S.	80.0	Recapitalization	Minority[2]
Altas Partners	Mercer Global Advisors	U.S.	48.0	Recapitalization	Minority
Abry Partners	Prime Capital Investment Advisors	U.S.	22.5	First-Time External	Minority
Stone Point Capital	IEQ Capital	U.S.	18.3	First-Time External	Minority
IK Partners	Cinerius Financial Partners	Switzerland	11.2	Recapitalization	Majority
Neuberger Berman	Merit Financial Group	U.S.	9.0	Recapitalization	Minority
Audax Group	Congress Wealth Management	U.S.	5.1	Recapitalization	Majority
CD&R / Stone Point Capital	Focus Financial Partners	U.S.	n/a	Recapitalization	Majority

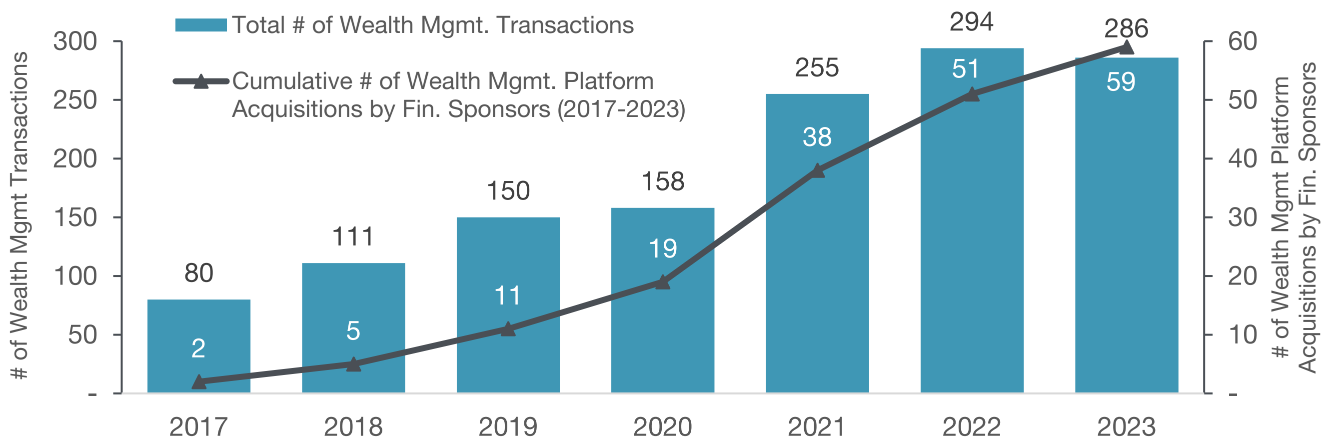
1) Represents total assets as publicly disclosed at time of deal
2) Minority stake in 2023 represents a continuation of prior investments that collectively amount to a majority stake
Note: Includes deals with transacted AUM greater than $5.0 billion
Source: Piper Sandler

Notably, private equity buyers acquired controlling stakes in larger wealth managers less frequently in 2023. Only one U.S.-based wealth manager (**Focus Financial**) with greater than $5.0 billion of AUM sold a majority stake to a sponsor, compared to 4 in 2022 and 6 in 2021. Sponsors electing to reinvest in their platforms instead of exiting contributed to this scarcity. As capital providers continued to seek ways to invest in established platforms, there were two notable transactions that involved sponsors providing the first institutional capital to a platform. **Abry Partners** acquired a minority stake in **Prime Capital Investment Advisors**, a wealth manager with $23 billion of AUM. The growth capital allows Prime Capital to continue its ambitious M&A pace, having acquired 15 firms between 2018 and Abry's investment. **Stone Point Capital** acquired a minority stake in **IEQ Capital**, a wealth manager with $18 billion of AUM. Stone Point had previously partnered with IEQ as a lender since 2021, with its growth capital investment representing a progression of their preexisting relationship. The strategic partnership is expected to allow IEQ to expand its technology and infrastructure while enhancing family office service offerings to its clients.

As a growing number of wealth management platforms have achieved significant scale, disclosed deal values across the wealth management industry have increased meaningfully from prior years. 2023 saw the highest count of deals with disclosed value greater than or equal to $500 million (7), as well as those with greater than or equal to $1.0 billion in disclosed deal value (4). By comparison, only 5 deals of greater than $500 million in value and 2 of greater than $1.0 billion were announced over 3 years between 2020-2022. The largest wealth management deal in 2023 was **Clayton, Dubilier & Rice**'s take-private acquisition of **Focus Financial Partners**, with $4.2 billion in disclosed deal value. The all-cash transaction valued the company at more than $7.0 billion and suggested the sponsors see upside relative to public equity valuations amidst market volatility. **Stone Point Capital** retained a minority stake as part of the transaction, having owned Focus since before its IPO in 2018. The deal is expected to provide Focus with additional financial and operating flexibility as a private company. Focus subsequently bought out the management team of one of its largest affiliates, **The Colony Group**, and merged it with its affiliate **Connectus Wealth Advisers**, as CD&R has begun to consolidate and enhance synergies among the existing hubs within Focus.

Private equity-backed wealth management platforms remained the most active buyers of wealth managers, accounting for 67% of all wealth management acquisitions in 2023, in line with 2022 but considerably higher than the 45% average from 2017-2021. The largest sponsor-backed strategic deal by AUM was **Osaic's** acquisition of **Lincoln Wealth**, a combination of 2 wealth management firms (Lincoln Financial Advisors Corporation and Lincoln Financial Securities Corporation) under **Lincoln National Corporation** with $108 billion of assets. Osaic, formerly known as Advisor Group before rebranding in 2023, has been majority owned by Reverence Capital since 2019. The counterparties had a preexisting strategic partnership for more than a decade that facilitated both the transaction and a smooth transition structure for the advisors. **Pathstone** acquired **Veritable**, a $17 billion AUM wealth manager, from **Affiliated Managers Group**. Prior to the acquisition, Pathstone took on new growth capital from **Kelso & Company**. **Lovell Minnick Partners**, Pathstone's majority stake owner since 2019, retained their ownership and will provide additional investment capital as part of the transaction. Veritable's ultra-high net worth clients averaging $75 million per relationship fits naturally within Pathstone's pursuit of being the premier provider of family office services. **TRIA Capital Partners** subsequently invested in **Pathstone,** adding capital to support M&A.

WEALTH MANAGEMENT PLATFORM ACQUISITIONS BY FINANCIAL SPONSORS



Source: Piper Sandler
Note: Number of platform acquisitions excludes investments from specialist minority stake buyers, reinvestments from existing sponsor, and second sponsor investment in subsequent years following initial sponsor investment

As sponsors without platforms continued to find ways to partner with wealth managers in 2023, known private equity-backed consolidators continued to drive up total deal count with their ongoing pursuit of roll-up opportunities. While the acquisitions closed at a high frequency, these established acquirers have targeted lower average AUM acquisitions amidst heightened competition in recent years. The average target among the top 5 most acquisitive consolidators declined 30% from $1.2 billion of AUM per target in 2021 to $807 million in 2023. With competition from other buyers at all-time highs, no single acquirer exceeded 15 acquisitions in 2023 for the first time since 2018.

Wealth Enhancement Group claimed the top spot for total acquisitions completed in 2023, adding $6.0 billion of AUM. This year represented WEG's 6th consecutive year in the top 5, during which time the firm has acquired $44 billion of AUM. **Focus Financial Partners** once again was the runner-up in total deal count, as its affiliates completed 13 wealth manager acquisitions. For the first time since 2020, fewer than 5 consolidators were in double digits for acquisition count, as **Hightower Advisors** took third place with 11 deals. After leading all consolidators in deal count with 21 in 2022, **Mercer Global Advisors** closed only 9 deals totaling $4.0 billion of AUM in 2023, matching **CAPTRUST**'s count (9).

FIVE MOST ACTIVE WEALTH MANAGEMENT ACQUIRERS BY DEAL VOLUME, 2023

($Billions)

Name	Private Equity Support	# of 2023 WM Acquisitions	Total 2023 AUM Acquired
Wealth Enhancement Group	Onex, TA Associates, Primark Capital	15	$ 6.0
Focus Financial Partners	CD&R, Stone Point	13	7.1
Hightower Advisors	GSAM, Neuberger Berman, SEB Private, TLH	11	12.6
CAPTRUST	Carlyle, GTCR	9	16.2
Mercer Global Advisors	Oak Hill, Genstar, and Others	9	4.0

Source: Piper Sandler

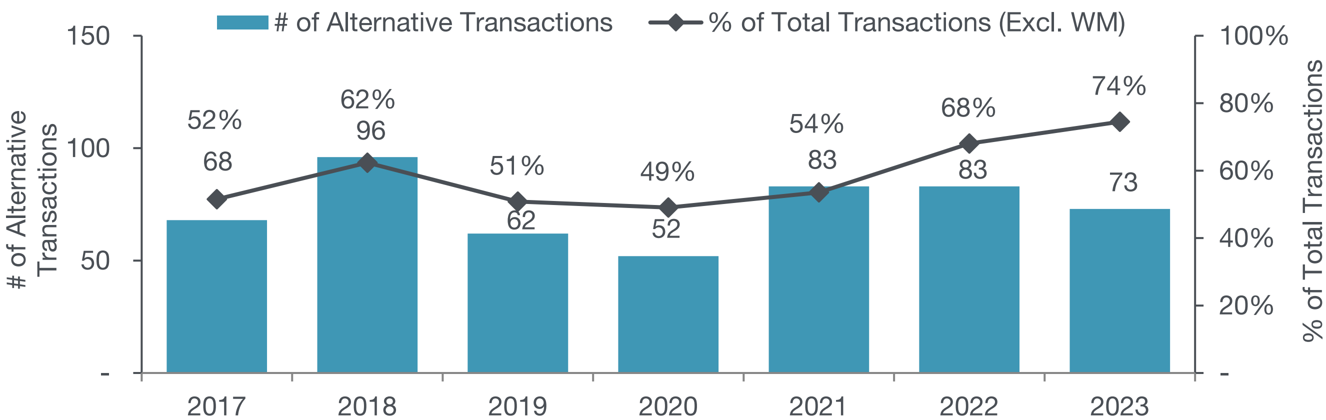
Several strategic buyers were able to make a big splash in the wealth management sector, despite the dominant levels of private equity sponsors' M&A activity. **Rathbone Brothers** acquired **Investec Wealth & Investment**, a divestiture of Investec's wealth management arm with $49 billion of AUM, in the year's largest majority stake deal by a strategic acquirer without private equity involvement. The combination creates one of the largest regional footprints in the U.K. and Channel Islands with 23 locations and is expected to bring enhanced research and a broader range of client services. **IGM Financial** acquired a 21% stake in **Rockefeller Capital Management**, a breakaway advisor platform with $100 billion in assets. IGM joins **Viking Global Investors**, who will stay on as majority stakeholder, and has supported Rockefeller growing to their largest investment holding since their initial investment in 2018. The Rockefeller family also increased its investment as part of the transaction.

Four insurance companies acquired wealth managers in 2023, matching 2022's total. Although insurance company buyers have become more active in the wealth management space compared to the 1 insurer acquisition per year pace seen from 2017-2021, unique circumstances are often required to facilitate these transactions. **Curi** acquired **RMB Capital**, a wealth manager with $9.6 billion of AUM in the year's largest acquisition by an insurer, and only the 14th such acquisition completed by an insurer over the past two decades. The strategic partnership provides significant resources and management expertise that is expected to allow the combined entity to pursue inorganic growth opportunities. The acquisition represented an immediate scaling of Curi's current wealth management business allowing for a more fulsome offering to its vast network of physician clientele.

Alternative Asset Managers

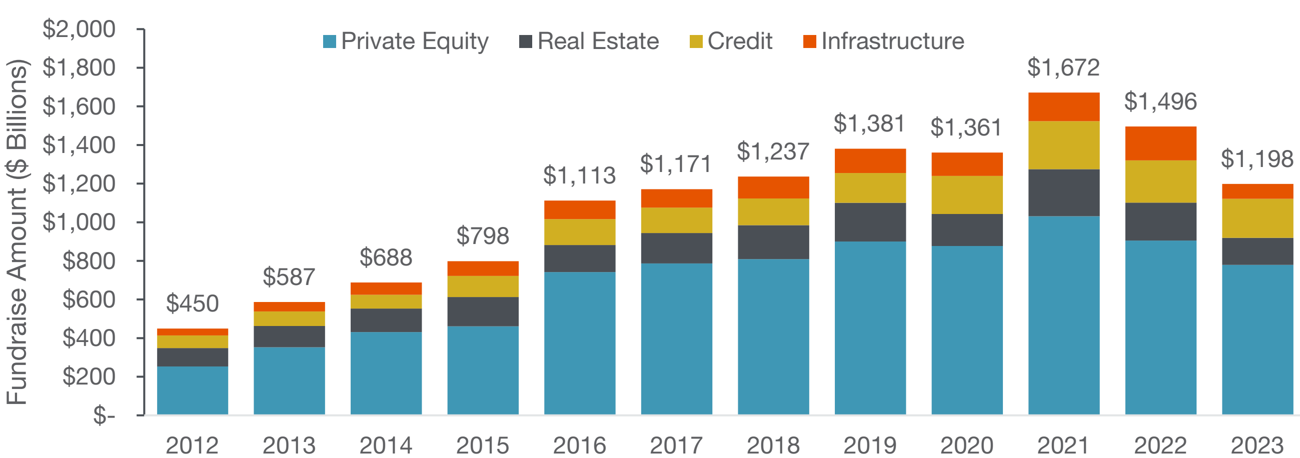
Acquisitions of alternative asset managers cooled slightly in 2023 with 73 transactions, down from 83 transactions in 2022, a decrease of 12% year-over-year. However, transactions involving alternative asset managers increased slightly to 74% of 2023's deal volume (excluding wealth management transactions), showing the continued robust demand for alternative product capabilities. Despite strong underlying fundamentals and a bullish long-term outlook, secular fundraising headwinds persisted through 2023, with global fundraising down almost 30% from 2021 highs. This led to increased selectivity in alternative asset manager acquisitions, with acquirers focused on targets exhibiting strong fundraising track records and experience investing through cycles.

NUMBER OF ALTERNATIVE ASSET MANAGER TRANSACTIONS



Source: Piper Sandler

GLOBAL PRIVATE MARKETS FUNDRAISING BY ASSET CLASS



Source: Preqin

Control acquisitions of alternative asset managers retained a slight majority share of total alternative transactions, representing 55% of the total alternative asset manager acquisitions in 2023, up slightly from the 49% in 2022, and continuing a reversal of the historically increasing share of minority stake transactions. While all categories of strategic acquirers were represented in 2023, asset managers retained their 2022 position as the most common buyers of controlling stakes in alternative asset managers. 2023's biggest control transactions were much larger than those of the prior year, showing renewed interest in deals. 2023's largest transactions were also more diversified across sub-sectors, inclusive of private equity, credit, real assets, and hedge funds, versus 2022's heavy emphasis on credit managers. While larger transactions were present, strategic control acquirers focused to a greater extent on smaller purchases, with over 70% of strategic control transactions by deal count involving a target with less than $10 billion of AUM.

LARGEST ALTERNATIVE ASSET MANAGER CONTROL TRANSACTIONS BY AUM, 2023

($Billions)

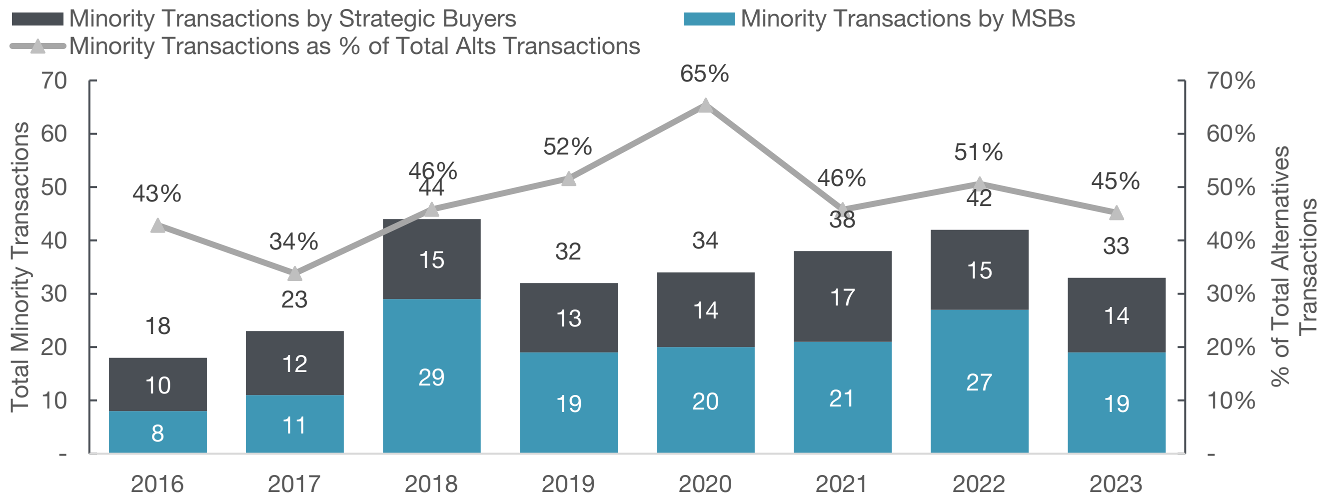
Target	Acquirer	Alts Type	Target Location	Acquired AUM
Angelo, Gordon & Co.	TPG Global Advisors	Credit / Real Assets	U.S.	$ 73.0
Fortress Investment Group	Mubadala Investment Company	Credit / Real Assets	U.S.	45.8
Portfolio Advisors	FS Investments	Private Equity	U.S.	38.0
Sculptor Capital Management	Rithm Capital	Hedge Fund	U.S.	34.2
Lyxor Asset Management (U.S.)	Wilshire Advisors	Hedge Fund	U.S.	20.0

Source: Piper Sandler

Amidst fundraising headwinds and strong valuation expectations, minority stake transaction activity declined to both its lowest level by deal count since 2017 and below historical averages as a percentage of total alternative asset manager transactions. 2023's 33 minority transactions were the lowest since 2019, and well below 2018's all-time high of 44 transactions. They represented a 21% decline relative to 2022 and were only 45% of total alternatives transactions, the lowest rate seen since 2018. Minority stake buyers in particular pulled back, declining 30% relative to 2022 and to the lowest deal count since 2019, as near-term concerns over general partner financials made these acquirers less competitive than strategic acquirers with long-term goals.

Although not the majority of deals in 2023, sellers continued to pursue minority stake deals in 2023. Minority stake sales provide sellers with liquidity, seed / growth capital, and can fund investments in distribution and other growth initiatives. These transactions generally are the preferred option for management teams looking to maintain control ownership in their firms and provide flexible private capital to privately-owned managers. While both strategic and financial acquirers have always had a presence in minority stake deals, recent years have seen a proliferation of financial acquirers seeking to participate in the favorable economics of the general partner.

MINORITY TRANSACTIONS % TOTAL ALTERNATIVE MANAGER TRANSACTIONS



Source: Piper Sandler

Though less active than in prior years, minority stake buyers who solely focus on minority deals expectedly represented most of the minority deals, at 58% of total minority alternative asset manager transactions in 2023. Continued activity came from veterans such as **Blue Owl, Hunter Point, Bonaccord,** and **Kudu**, although many historically active names such as **Petershill** and **Blackstone** took a step back from their typical levels of deal volume. Activity from these firms was focused on the private equity sub-sector, though with a few notable exceptions in real assets and credit.

MOST ACTIVE MINORITY STAKE BUYERS OF ALTERNATIVES

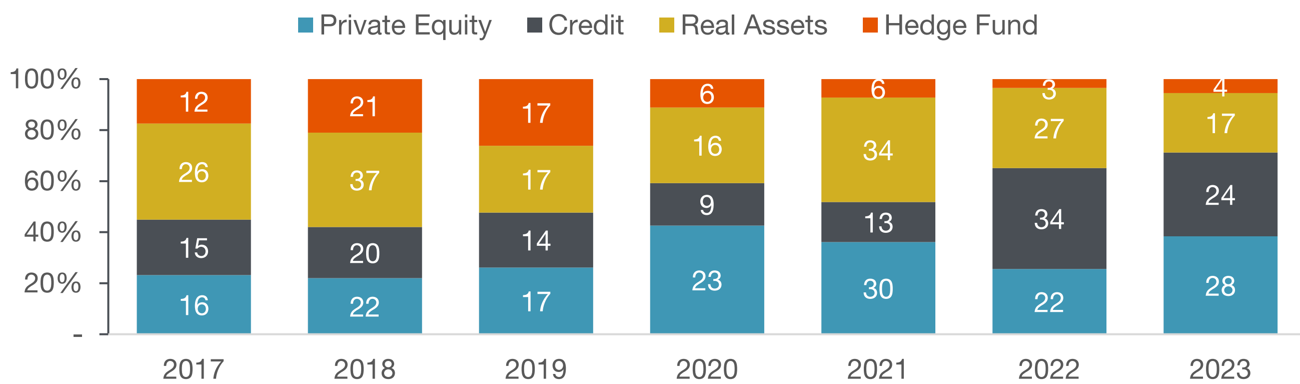
($Billions)

Minority Stake Buyer	# of 2023 Minority Acquisitions	Total 2023 Acquired AUM
Blue Owl Capital	3	$ 84.2
Hunter Point Capital	3	69.2
Bonaccord Capital Partners	3	11.6
Kudu Investment Management	3	7.1
Capital Constellation (Wafra)	2	2.8
Pacific Current Group	2	2.5

Source: Piper Sandler

In place of declining transactions from the dedicated minority stake acquirers, asset manager and insurance company buyers made selective minority investments, often alongside limited partner capital commitments or distribution partnerships, where strategically additive to their businesses. Notable deals included **AIA Group's** investment in **GLP Capital Partners**, a $125 billion AUM real asset manager. This transaction expands upon the strategic relationship between pan-Asia's largest life insurance group and the real asset manager that began in 2021 via a commitment to GLP's strategies in global logistics. Additionally, **Société Générale Assurances**, the retail insurance and wealth management business of the France-based financial institution, acquired a minority stake in **Tikehau Capital**, a publicly listed France-based alternative asset manager with $40 billion in AUM. Through this new partnership, Société Générale will distribute Tikehau's direct lending strategies through a retail annuity vehicle, with a strategic focus on sustainability. In a cross-border transaction, **Korea's National Pension Service** acquired a stake in **Stockbridge Capital Group**, an American residential and industrial real estate investment platform with $34 billion in AUM. The two parties have a pre-existing relationship through a joint venture formed in 2020 to acquire core logistics properties in the U.S. and will provide new capital for Stockbridge's continued growth.

ALTERNATIVE MANAGER TRANSACTIONS BY TARGET TYPE



Source: Piper Sandler

Overall transactional activity mix across sub-strategies reversed 2022's skew toward credit, with market share gains coming primarily from private equity and real assets. The high valuations garnered by credit strategies made them more challenging targets to digest in 2023, particularly in light of an uncertain fundraising backdrop. Private equity's market share recapture was driven by healthy minority stake demand, particularly from the dedicated minority stake buyers. Real assets transactions shrank given investment performance and capital raising concerns in commercial real estate, and hedge fund strategies continued their low market share as investor allocations continue to favor private markets.

PRIVATE EQUITY

The 28 transactions in 2023 involving a private equity target were high relative to average historical levels, surpassed only by 2021's 30 transactions. Alongside this increase in activity, private equity sellers' share of total alternative asset manager deals rose from 27% in 2022 to 38% in 2023 as buyers looked to build out more specialized, niche private markets capabilities. As buyout-style private equity strategies have become more commonplace across alternative asset managers, buyers were increasingly selective in their acquisitions, focusing on specialist targets spanning secondaries, emerging markets, life sciences / biotech, and energy transition. Examples included transactions at secondaries-focused **Portfolio Advisors** and **Coller Capital**, emerging markets-focused **Vinci Partners** and **Crescent Point Capital**, life sciences-focused **Revelstoke Capital Partners** and **Forbion Group**, and energy transition-focused **Ara Partners** and **Greenbelt Capital**.

Of the transactions involving a private equity target in 2023, 68% were for a minority stake, in line with 2022 and historical averages. As in years past, the subsector included both passive minority stake buyers as well as strategic minority acquirers looking to diversify across strategies. Of the 28 deals, notably only 68% involved dedicated minority stake buyers, a substantial decline from 2022's 86% and below historical averages, as this group became more cautious in the face of macro uncertainty. While transactions involving strategic minority investors returned to historical levels, overall activity was still viewed as dampened given cautious macro-outlook and required a more concrete synergistic justification than purely access to the manager's product set.

2023 saw several cross-border transactions for private equity sellers, representing 50% of all such transactions. U.S.-based **Blue Owl** made a minority investment in **PAI Partners,** a France-based private equity platform focused on large scale buyout investments in Europe and North America with $29 billion in AUM. The deal followed a common minority stake buyer construct, with primary proceeds going to fund GP commitments in future funds. In a more active sponsor deal, funds managed by London-based financial sponsor **Permira** acquired 40% of Spanish private equity firm **AltamarCAM Partners**, a full-spectrum provider of private equity primary, secondary, co-investment, and solutions with $20 billion of AUM. The investment is intended to aid the company in investing in technology, digitalization, growth initiatives, and international expansion as it looks to broaden its future strategic options, including a potential IPO.

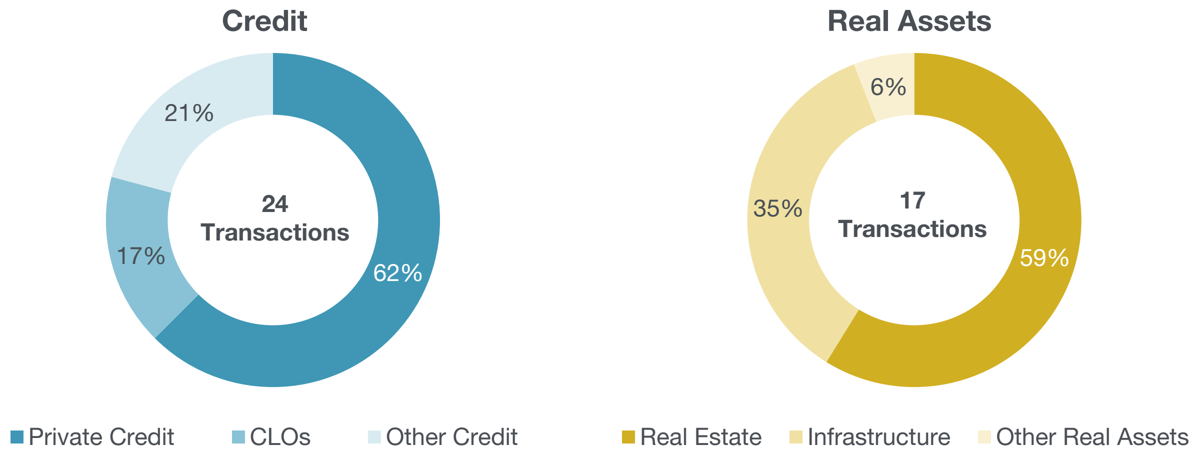
CREDIT

2023 saw global monetary tightening in developed markets begin to plateau and look toward the timing of their first rate cuts, with little expansion in high yield credit spreads. This, coupled with concerns regarding the potential for elevated credit default rates and more subdued fundraising activity relative to forecasts, acquisition activity in the space cooled compared to 2022's record levels. The subcategory observed 24 transactions, down from 34 transactions in 2022, and represented a meaningful decrease in total market share of alternative asset manager activity. Median transacted AUM decreased slightly, from $5.4 billion in 2022 to $4.4 billion in 2023, though a number of larger deals kept the average transaction AUM level elevated at $11 billion AUM. In contrast with 2022, which saw a focus on specialized credit platforms, buyer emphasis in 2023 was on large, diversified credit platforms with a full spectrum of strategy offerings.

Similar to the private equity space, credit saw a large volume of cross-border transactions, with over 54% of all credit acquisitions falling into this category. Notably in this category, Dubai's **Mubadala Investment Company** acquired a controlling stake in U.S.-based **Fortress Investment Group**, a diversified alternatives manager with an emphasis on credit and real estate with $46 billion in total AUM, from former owner **SoftBank Group**. Through the transaction, Fortress will gain access to Mubadala's proprietary channel of investment opportunities and extensive network of assets and investors. Further, Canadian insurer-owned **Manulife Investment Management** acquired a controlling stake in U.K.-based **CQS**, a provider of multi-sector alternative credit strategies with $14 billion in AUM. The transaction is expected to provide a multitude of strategic benefits to both sides, including providing CQS with access to Manulife's retail and institutional distribution networks, enhancing Manulife's alternative credit offerings, and complementary geographic expansion for both.

Among the top 2 deals of the years, publicly listed diversified alternatives platform **TPG** acquired one of the largest and longest-tenured independent global credit and real estate platforms **Angelo Gordon**, with over $73 billion in AUM across liquid and illiquid strategies. Angelo Gordon's platform offers direct lending, opportunistic credit, net lease, and multi-strategy products. The deal was valued at over $3 billion, and pushes TPG further into credit investing, including complementary real estate credit strategies, and adds over 350 incremental LP relationships to TPG's client roster.

CREDIT AND REAL ASSETS TRANSACTIONS BY TARGET SUBSEGMENT, 2023



Source: Piper Sandler

REAL ASSETS

Real assets M&A deal volume as a percent of total alternatives transactions returned to pre-pandemic levels, at approximately 23%, though the number of total real assets deals, at 17, was low compared to historical levels, down from 27 transactions in 2022 and a peak of 37 transactions in 2018. 2023 also saw a decrease of real asset manager transactions as a share of total alternatives deals relative to prior years.

Notwithstanding the above, limited partners, consultants, and strategic acquirers alike viewed infrastructure strategies as an attractive, high-growth asset class, particularly in the face of a low-growth and inflationary environment. Acquirers were selective, however, with an increased focus on sustainable infrastructure, warehouse, and logistics offerings. These strategies were viewed as being the beneficiaries of long-term global secular tailwinds resulting from the need to invest in outdated infrastructure across many large and developed economies, and substantial public and private funds being committed to these efforts. Median transacted AUM per deal increased significantly despite decreased volume, from $5.3 billion in 2022 to $18 billion in 2023. This trend was driven by marquee minority stake deals in large, global, independent platforms both from strategic and financial buyers. These deals often included cornerstone capital commitments and distribution relationships. Transactions in this category included **Searchlight Capital Partners'** acquisition of U.K.-based **Gresham House**, a publicly listed infrastructure manager with $10.5 billion AUM. The deal was valued at $615 million for 100% of the firm's equity and represented a 62% premium to Gresham's unaffected stock price. Searchlight intends to collaborate with Gresham to expand its geographic reach, and will provide Gresham with access to its LP network and capital for use in organic and inorganic growth initiatives.

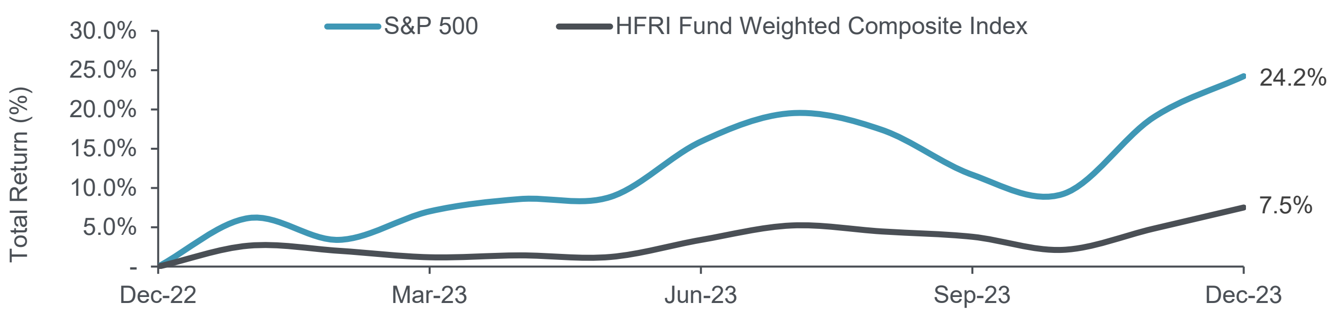
Acquirers most commonly used M&A of real assets managers to expand the geographic breadth of their expertise, with 59% of deals in the space being cross-border transactions. In addition to **AIA Partners'** investment in **GLP Capital Partners** and **Korea's National Pension Service's** investment in **Stockbridge Capital Group**, Korean insurer **Samsung Life** acquired a 20% stake in **Meridiam SAS**, a French infrastructure investment platform with $20 billion in AUM valuing the whole business at over $1.3 billion. In another sustainable infrastructure deal, U.K.-based publicly listed **Bridgepoint Group** acquired a controlling stake in U.S.-based **Energy Capital Partners**, a provider of next-generation energy infrastructure strategies with over $20 billion in AUM, for an upfront enterprise value of $1.1 billion, pairing well with the investor demand Bridgepoint was experiencing for sustainable asset classes.

HEDGE FUNDS

The hedge fund sector experienced roughly the same number of transactions in 2023 compared to prior years, as M&A activity in alternatives continues to focus on private markets strategies with locked-up capital. At 4 transactions in 2023, it was the lowest volume space in alternative manager M&A, though 2023 did deliver a higher median transacted AUM than in prior years given the acquisitions of **Sculptor Capital Management** and the U.S. business of **Lyxor Asset Management**.

The HFRI Fund Weighted Composite Index underperformed the S&P 500 in cumulative returns in 2023, 24.2% to 7.5%, respectively. While hedge fund strategies underperformed the market in 2023 due to the S&P's resiliency in the second half of the year, institutional investors continue to view those strategies as a preferable place for liquid investments given continued outlook in 2024 for market volatility, higher rates, and increased inflation. Standout hedge fund strategies were primarily in emerging markets debt and equity, while macro and systematic funds had the most difficulty in beating the market.

CUMULATIVE TOTAL RETURN: S&P 500 INDEX VS. HFRI FUND WEIGHTED COMPOSITE INDEX, 2023



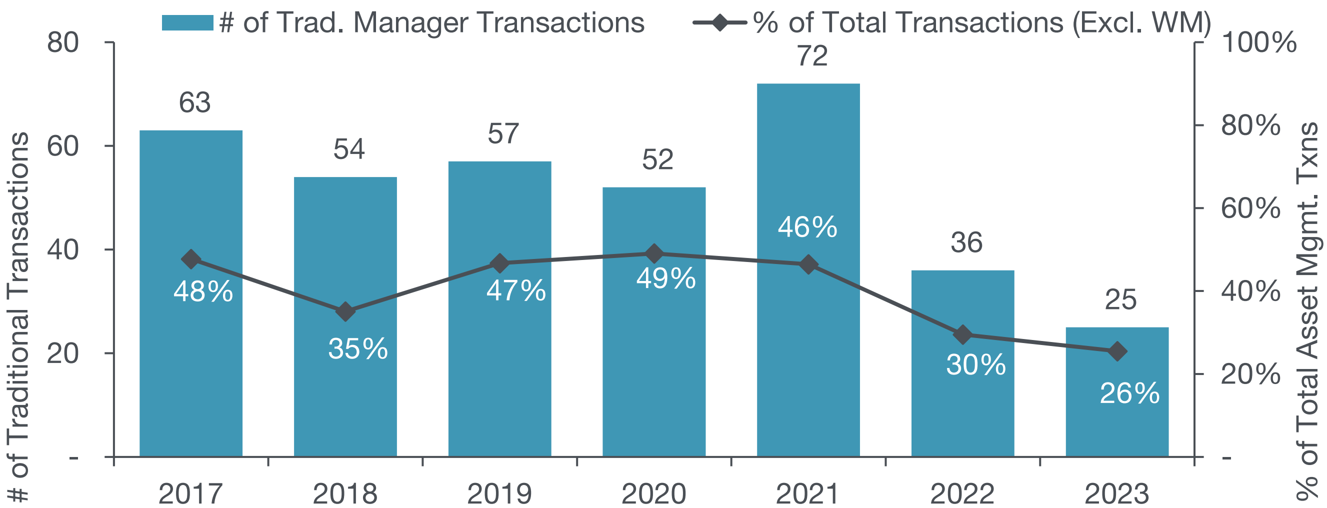
Source: eVestment

In the largest hedge fund transaction of the year, U.S.-based specialty finance company **Rithm Capital** acquired publicly listed U.S.-based hedge fund manager **Sculptor Capital Management,** with $34 billion in AUM. The deal valued the firm at $720 million in a cash offer of $12.70 per share, representing a 49.4% premium to its publicly traded stock price. The deal was heavily contested by certain of Sculptor's founders and received a great deal of publicity. Following an initial bid from Rithm valuing the firm at $640 million or $11.15 per share, a competing offer was submitted to Sculptor's board of directors by a consortium of privately owned hedge fund managers, led by Saba Capital's Boaz Weinstein. Their initial offer, at $12.76 per share (later improved to $13.50 per share), was ultimately rejected by Sculptor's board of directors due to uncertainty of financing, and Rithm's improvement in their initial bid.

Traditional Asset Managers

Deal activity in the traditional asset management space continued to slump, hitting a new low of 25 announced transactions globally in 2023. While public markets rebounded, M&A activity fell well below the 2020-2022 average of 53 deals a year. Asset owners continued to prioritize allocations to alternative assets, making for a difficult operating environment that hindered M&A. Acquirers have been more selective in the traditional space, emphasizing strategic fit when assessing potential transactions, especially targets' distribution channels, differentiated investment capabilities, and attainable operational investment efficiencies.

NUMBER OF TRADITIONAL MANAGER TRANSACTIONS



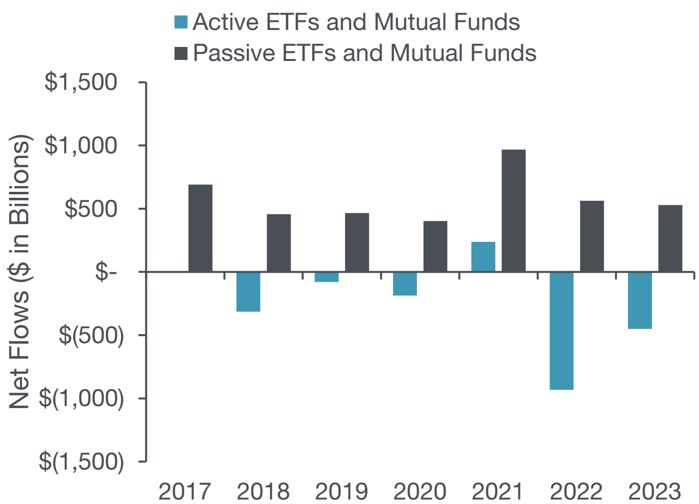
Source: Piper Sandler

In recent years, buyers have avoided large consolidating transactions while focusing on adding niche strategies and accessing distribution channels. Countering this trend**, Franklin Resources** acquired **Putnam Investments**, a diversified asset manager with $136 billion AUM, from **Great-West Lifeco** for an upfront consideration of $925 million and up to an additional $375 million in contingent payments based on certain growth targets. The transaction gives Franklin access to Putnam Investment's strong retirement, insurance, and wealth distribution network, and is also expected to create numerous operational efficiencies, including approximately $150 million in cost synergies by the end of 2025. As part of the transaction, Great-West Lifeco will become a long-term strategic shareholder, retaining a 4.9% stake in Franklin, and will contribute $25 billion in AUM to Franklin as an initial long-term asset allocation.

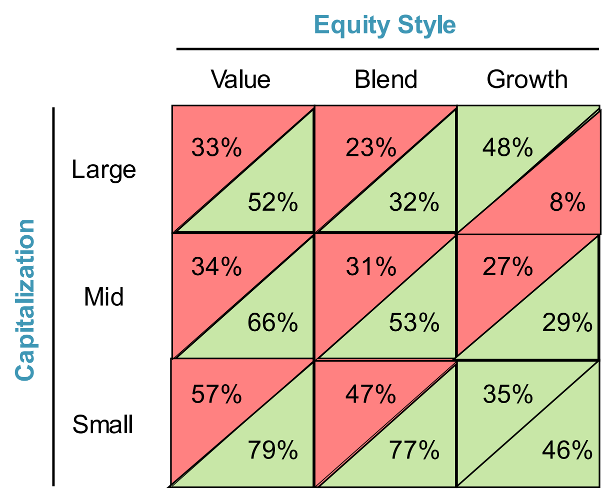
Given the recent slowdown in consolidating transactions, strategic synergies drove the vast majority of larger deals in 2023. **Generali** acquired **Conning**, a global multi-asset manager with $157 billion of AUM, from **Cathay**. Generali views Conning as a highly complementary business with the ability to strengthen its presence in key U.S. and Asian markets. In addition to retaining a 16.75% ownership stake in Generali's asset management business, Cathay has agreed to a long-term commitment in relation to specific insurance AUM that will be continued to be managed by Generali.

Managers with differentiated and unique investment strategies were heavily targeted as acquirers searched for ways to combat net outflows. **Nikko** acquired a minority stake in **Osmosis**, a sustainability focused quantitative equity manager with $14 billion AUM. Osmosis' strategy focuses on identifying and investing in low waste companies via its proprietary Osmosis Model of Resource Efficiency. Nikko will be given exclusive distribution rights in the Asia-Pacific region for Osmosis products and strategies as part of the transaction. **Ares** acquired a minority stake with the option to acquire a control position over time in **BlueCove**, an institutional scientific fixed income manager with $1.8 billion AUM. BlueCove will use the proceeds to continue building out its technology-enabled platform and improving the repeatability of its strategy.

ACTIVE VS. PASSIVE RETAIL FUND NET FLOWS



% OF ACTIVE U.S. EQUITY FUNDS BEATING BENCHMARK ON 1- / 3- YEAR ANNUALIZED BASIS



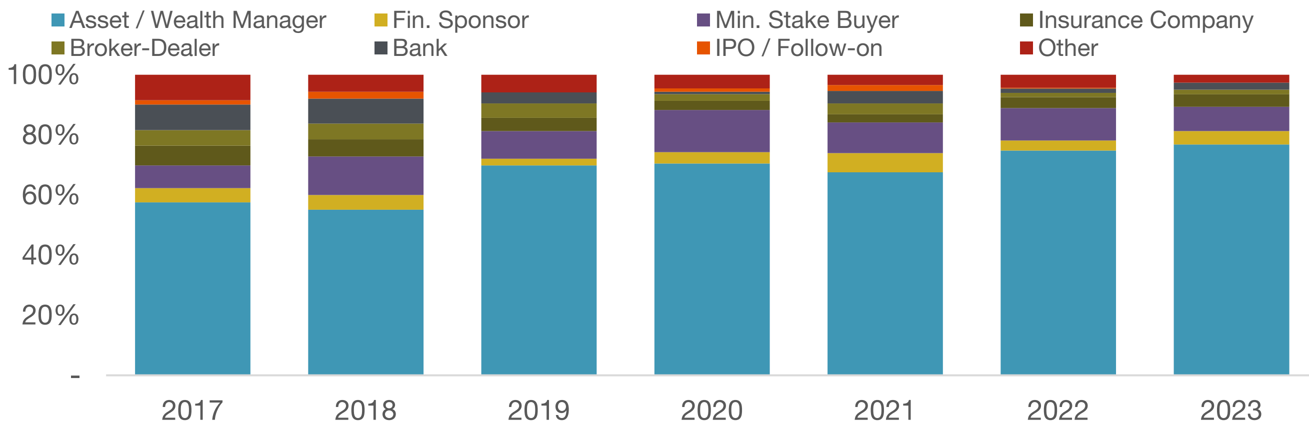
Source: Piper Sandler, Morningstar Direct
Note: Analysis as of 12/31/23. Red indicates % of funds is lower than 2022. Green indicates % of funds is greater than 2022.

Actively managed products continued to face pressure from shifting investor preferences towards lower-cost, passive index-based products. Most actively managed U.S. equity funds underperformed their benchmarks given the highly concentrated market performance in 2023, further exasperating this trend. Indeed, over the past 10 years, passive funds have doubled their share from 25% to nearly 50% of the total U.S. mutual fund and ETF market. Against this backdrop, two newer themes have emerged – the growth of actively-managed ETFs, and mutual fund to ETF conversions. Actively managed ETFs garnered over $125 billion in net inflows in 2023, representing more than 20% of total U.S. ETF inflows, versus less than 5% in 2017. Actively managed ETFs now constitute the vast majority of new ETF launches, and have experienced particularly strong interest for fixed income strategies.

With this continued strong secular interest, ETF capabilities have remained a priority for acquirors. **Amplify ETFs** acquired 17 ETFs issued by **ETF Managers Group**, a fund manager with $3.5 billion in AUM specializing in providing investors access to unique markets, including cannabis and cybersecurity funds. Entrepreneur **Casey Crawford** acquired **Vident Advisory**, a manager of multi-factor index strategies with $6.9 billion AUM across its proprietary ETF suite. Casey Crawford will be providing a significant growth equity investment to help Vident Advisors continue to scale as part of this transaction. **VettaFi** acquired the **ROBO Global** index suite. ROBO Global's indices focus on robotics, artificial intelligence, and healthcare technology companies around the world.

Buyers

TRANSACTIONS BY ACQUIRER TYPE



Source: Piper Sandler

ASSET / WEALTH MANAGERS

Asset and wealth managers remained the most active acquirers in the space, garnering a 77% market share of total asset management M&A activity vs. the 5-year average of 68%. Asset manager buyer activity in the traditional asset management space slowed in 2023 while acquisitions of alternative asset managers continued at a steady pace. In line with recent years, wealth managers, a subset of the asset manager buyer type, were by far the primary acquirers of wealth managers, representing 81% of wealth manager acquisitions. Private equity-backed wealth managers and independent wealth managers comprised 66% and 15% of wealth management M&A activity, respectively.

In line with previous years, asset manager buyers were responsible for 49% of asset management deal volume when excluding wealth management M&A activity compared to 48% in 2022 and 45% in 2021. Several asset management buyers made highly strategic acquisitions of traditional managers in 2023. Such acquisitions focused on building out distribution capabilities, adding differentiated and complementary investment offerings, and expanding geographic presence, as evidenced by **Lansdowne Partners'** acquisition of **CRUX Asset Management**, a U.K.-based equities manager, expanding Lansdowne's recently launched UCITS platform and allowing CRUX to benefit from access to Lansdowne's operational infrastructure. Further, **abrdn** added to their existing closed-end fund lineup via the acquisition of **Tekla Capital Management**, a healthcare-focused closed-end fund manager. Further, 2023 saw several asset manager buyers make consolidation plays capitalizing on attractive entry points driven by industry and macroeconomic headwinds. **LGT** acquired **abrdn's** discretionary fund management business, adding $7.3 billion of assets to its lineup.

Asset managers gained market share of alternative asset manager M&A activity, representing 52% of alternative manager deal volume in 2023 vs. the 5-year average of 43%. Among asset manager acquisitions of alternatives firms, publicly traded asset managers accounted for a multi-year record comprising 74% of such transactions. **Brookfield Asset Management** acquired **DWS Group's Secondaries Business**, capitalizing on the high demand for secondaries solutions while **Man Group** acquired **Varagon**, adding similarly in-favor U.S. middle-market direct lending to Man Group's platform. Alternative asset management M&A saw a material uptick in average AUM acquired up to $8.9 billion vs. the 5-year average of $6.0 billion. Including **TPG'**s acquisition of **Angelo Gordon** and **FS Investments'** acquisition of **Portfolio Advisors**, alternative asset managers tied a record of 8 acquisitions of $15 billion+ AUM alternative asset managers in 2023. This reflects a broader trend of alternative asset managers increasingly using M&A to expand capabilities. “Carry-light” transaction structures facilitate higher valuations and greater alignment of incentives for both buyer and seller. Further, against the more challenging fundraising backdrop, scaled, diversified platforms are better positioned to access capital, LPs, and distribution channels globally.

FINANCIAL SPONSORS

Financial sponsors remained focused on wealth management and alternative asset management targets, acquiring 13 and 4 targets, respectively, representing an 8% increase for wealth management M&A and flat for alternatives M&A in comparison to 2022. For the second consecutive year, financial sponsors did not pursue any traditional asset manager targets after 5 such deals were completed in 2021.

In 2023, financial sponsors continued to be one of the driving forces of at-scale wealth management M&A activity while financial sponsor-backed wealth managers drove M&A of small and medium-sized targets. Decomposing financial sponsor activity, 75% of investments into wealth management platforms were minority stake transactions, up from 50% in 2022 and 45% in 2021. Buyout firms with a historical preference for control have become more open to minority stake transactions to remain competitive in wealth management transactions. The rise of minority stake transactions involving wealth management platforms stems from rapid platform growth requiring incremental capital coupled with existing owners and backers looking for liquidity and/or a second (or third) bite at the apple. **Carlyle** acquired a minority stake in **CAPTRUST**, a wealth manager with over $143 billion AUM, joining existing minority stake investor **GTCR** in a transaction valuing CAPTRUST at $3.7 billion. **Altas Partners**, via its investment in **Mercer**, joins existing investors **Oak Hill** (majority), **Genstar Capital** (minority), **NB Capital Solutions** (minority), and **Harvest Partners** (minority). **Abry** acquired a minority stake in **Prime Capital**, a wealth management and retirement services provider with $20 billion in AUM.

Financial sponsors exhibited an increased interest in the alternatives space, particularly in managers located outside of the U.S. After just 1 deal in 2021 and 2 deals in 2022, financial sponsors acquired 4 alternative asset management targets in 2023, all of which were located outside of the U.S. Of the 4 alternatives acquisitions, 3 were made by U.S.-based financial sponsors. **Claure Group** acquired a minority stake in $1.0 billion AUM **eB Capital**, a Brazil-based alternatives firm that focuses on South American infrastructure, real estate, and private equity investments. A consortium led by **Davidson Kempner** (**Highgate** and **Kronos** are part of the consortium) acquired a majority stake in **ECS Capital**, a Portugal-based alternatives manager.

MINORITY STAKE BUYERS

Activity among minority stake buyers, primarily investors and investment vehicles dedicated to taking non-controlling stakes in asset managers, dropped off materially in 2023. Among announced deals, the buyer group completed 31 deals in 2023 compared to 44 in 2022 and 42 in 2021, a decline which reflects the challenge of completing deals during a more difficult fundraising environment, and a continued increase in structured transactions using hybrid capital as an alternative to a pure minority equity stake deal. The majority of these transactions are not publicly announced. Minority stake buyers showed a strong preference toward targets with differentiated products and niche specializations. Over 60% of minority stake buyer transactions in 2023 involved an alternatives target representing an uptick from recent years which saw wealth management targets comprise a larger portion of minority stake buyer activity. Despite the drop-off in activity, minority stake buyers acquired 13 private equity firms in 2023, up from 12 in 2022. **Hunter Point Capital** acquired a minority stake in **Inflexion**, a European-focused middle-market private equity firm with $8.7 billion in AUM to support its continued growth. While private equity remained an attractive space for minority stake buyers, transactions involving a credit or real estate manager more than halved compared to 2022. **Blue Owl** acquired a minority stake in **Stonepeak**, a scaled infrastructure and real assets platform with $56 billion in AUM, to support strategic initiatives as the company continues to scale and provide additional balance sheet flexibility.

While wealth management comprised a slightly smaller portion of minority stake buyer activity, the buyer group remained interested in the space, completing 8 such transactions in 2023. Minority stake buyers look to provide their expertise and strategic guidance to wealth managers while allowing them to maintain control. **Rosemont** acquired a minority stake in **Landmark Management**, a multi-family office with $4 billion AUM. Rosemont's investment and governance will help Landmark facilitate a succession plan over the coming years. **TRIA Capital Partners** acquired a minority stake in **Pathstone**, a prominent high-net-worth wealth management platform with $100 billion in AUM**.** TRIA Capital Partners will join **Kelso & Company** and **Lovell Minnick** who also own stakes in Pathstone and provide its wealth management expertise as the company enters its next stage of growth.

INSURANCE COMPANIES

Insurance companies remained focused on acquiring income-generating alternative asset management capabilities with nearly half of the insurance company acquisitions in the space involving a credit or real asset manager target. The symbiotic relationship between insurance companies and alternative asset managers has solidified in recent years as insurance companies remain attracted to asset / liability match, particularly with private credit strategies, and priority access to differentiated alternative strategies. **Samsung Life** acquired a 20% stake in **Meridiam SAS**, a $20 billion AUM France-based sustainable infrastructure manager in an effort to expand its global alternative investment offerings.

There was a notable drop-off in insurance company acquisitions of wealth managers with just 8 such transactions in 2023 compared to 15 in 2022 and 13 in 2021. Malpractice insurer **Curi Holdings'** wealth management division, **Curi Capital**, added $9.6 billion of assets to its existing wealth management unit via its acquisition of **RMB Capital**. The combined RIA will manage over $11 billion of assets.

BROKER-DEALERS

Broker-dealer transaction activity remained suppressed relative to historical levels with just 6 transactions in 2023, in line with 6 transactions in 2022 and representing nearly half the 2019-2021 average of 11 transaction by the buyer group. Broker-dealers continued to express interest in the wealth space with two-thirds of broker-dealer transactions involving a wealth management target. **Mesirow Financial**, acquired **Front Barnett Associates**, a wealth manager with $1.2 billion of AUM. 2023 saw 2 transactions in which broker-dealers acquired asset managers, both of which were acquisitions of highly specialized managers, including **Robert W. Baird & Co.**'s acquisition of **LoCorr Fund Management**, a liquid alternatives manager with $4.4 billion of AUM.

BANKS

Acquisitions of asset managers by banks remained in the single digits for the second year in a row with 9 transactions in 2023, after a near record low of 6 transactions in 2022. Wealth managers remained the preferred target type, which represented over half of the transactions involving a bank buyer in 2023. Regional and community banks were the most active of the bank buyer group completing 4 transactions, all of which were acquisitions of wealth managers. Banks aiming to compete in highly competitive wealth management M&A struggle to meet valuation expectations due to concerns centered around tangible book dilution. On the large end of the bank spectrum, **HSBC** expanded its retail presence in China with the acquisition of **Citi's** $3.6 billion AUM retail wealth management operations, highlighting its continued commitment to expanding its mainland China presence.

Banks also took aim at alternative asset management targets to address client demand and execute on long-term strategic commitments for their asset management divisions. **J.P. Morgan** acquired timberland manager **Forest Investments** from **Great Elm Group**. The transaction will allow J.P. Morgan to continue to deliver on its sustainability targets, while adding to its portfolio of timberland related investments. Canadian bank **EQB** acquired **ACM Advisors** expanding into the alternative asset management space. ACM, at $4.8 billion of AUM, is focused on the manufacturing of pooled Canadian commercial mortgage funds for its client base of pension plans, charitable foundations, and accredited retail investors.

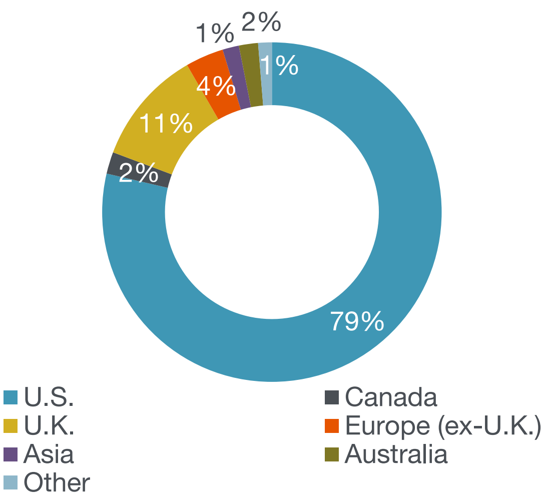
PUBLIC MARKET ACTIVITY

No asset managers elected to access the public markets in 2023, as a second consecutive year of economic uncertainty and shaky public markets deterred firms from going public. This sentiment was a continuation of what the industry saw unfold in 2022, in which only 1 asset manager pursued an initial public offering, and far below 2021's elevated year of 7 IPOs. Numerous managers have postponed IPO plans and pursued other avenues to raise capital and achieve liquidity. Awaiting more favorable equity markets, a handful of alternative asset managers are reportedly considering a public listing.

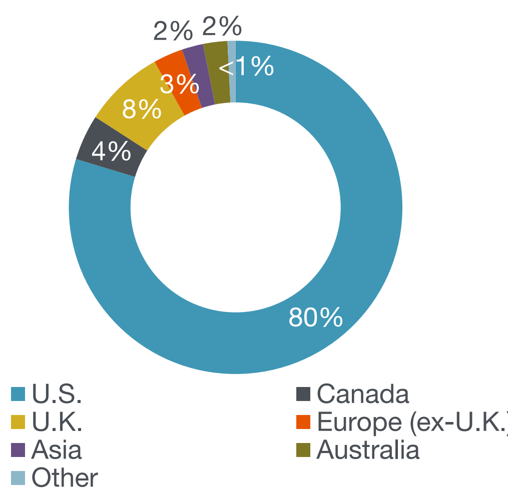
4 take-private transactions among public asset and wealth managers occurred in 2023 compared to 2 in 2022. **Clayton, Dubilier & Rice**, a private equity firm, acquired **Focus Financial Partners**, a firm specializing in acquiring wealth managers, for $4.2 billion. **Rithm Capital**, a real estate manager and financial services firm, acquired **Sculptor Capital Management**, a $33 billion AUM credit and real estate investment firm, for $720 million, to diversify and enhance its investment capabilities. **Gresham House**, a $10 billion AUM U.K.-based alternative asset manager focused on sustainable investments, was acquired by **Searchlight Capital Partners**, a private equity and credit firm, for $615 million. Lastly, **Cetera Financial Group**, a $390 billion AUA wealth management platform acquired **Avantax**, a $120 billion AUM / AUA tax-focused financial planning and wealth management services firm, for $1.2 billion. The acquisition of Avantax strengthens Cetera's tax advisory capabilities.

M&A Activity by Geography

TRANSACTIONS BY TARGET DOMICILE, 2023



TRANSACTIONS BY ACQUIRER DOMICILE, 2023



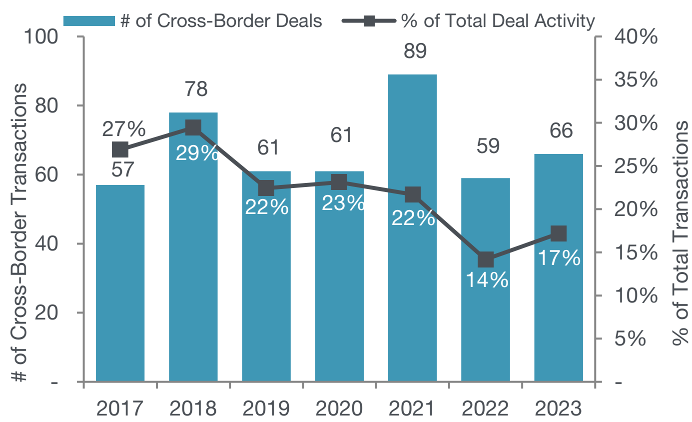
Source: Piper Sandler

Consistent with long-term trends, deal volume in the U.S. once again made it the center for global asset management M&A activity, driven in-part by the elevated amount of U.S. wealth management M&A activity in recent years. Targets based in the U.S. represented 79% of global transaction activity in 2023, equal to 2022 and more pronounced than the 68% average between 2017 and 2021. While U.S. volume remained elevated from prior years, total transacted AUM for U.S.-based targets fell drastically by 45% year-over-year. Outside of the U.S., transactions involving U.K.-based targets increased 13% year-over-year to 42, while deal activity across the broader European region fell by 33% to 14 acquisitions. 2023 Asia-based volume remained in line with 2022, representing just 2% of all transactions in both years. However, 2 publicly traded U.S.-based asset managers made Singaporean acquisitions in 2023. In a move to further deepen its Asian investing capabilities, **Ares** acquired **Crescent Point Capital**, a $3.8 billion AUM private equity firm focused on the Asian consumer market. Similarly, **AITi Global** acquired **AL Wealth Partners**, a $1.2 billion AUM independent wealth manager based in Singapore.

The home countries of acquirers showed similar trends in 2023. While acquisition volume fell 7% to 306 in 2023, U.S.-based buyers still represented 80% of all transactions. Acquisitions by U.K. buyers dropped to 30 after an elevated year of 38 in 2022, and continental European acquirers accounted for just 3% of all transactions, well below the 2018-2022 average of 8%. Canadian-domiciled transactions remained relatively flat year-over-year while Asian-acquirers rebounded from 2022's muted year of 2 to 8 in 2023. Australia-based transactions were up slightly at 9, just above the 5-year average of 8 transactions. While Australian buyers represented just 2% of all transactions, **Pacific Current Group** acquired minority stakes in 2 U.S.-based alternative asset managers in 2023. The multi-boutique asset manager added to its portfolio of 16 investment managers through its acquisitions of **Cordillera Investment Partners**, a $1.5 billion AUM private equity firm focused on non-correlated assets, and **Avante Capital Partners**, a $1.0 billion AUM private credit and structured equity firm.

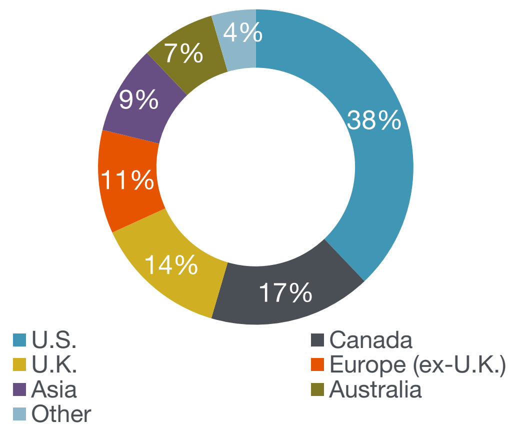
The denominator effect from the increasing volume of wealth manager M&A, which predominantly involves two parties in the same country, again caused cross-border deal activity to be relatively low compared to domestic activity. Only 17% of all asset manager M&A transactions were cross-border, slightly above 14% in 2022, but well below the 2017-2021 average of 25%. Of all cross-border transactions in 2023, just 27% were wealth managers while 58% were alternative asset managers. The pronounced percentage of alternative asset managers engaging in cross-border M&A reflects buyer's desires to geographically diversify and tap new regions for fundraising and distribution. In one such example, U.K.-based **Abrdn** carved-out its $7.8 billion AUM private equity solutions business and sold it to **Patria Investments**, a global alternative asset manager focused on Latin America. Patria noted this acquisition was driven by its local Latin American client base's desire to access more sophisticated, global investment products.

CROSS-BORDER TRANSACTION ACTIVITY



Source: Piper Sandler

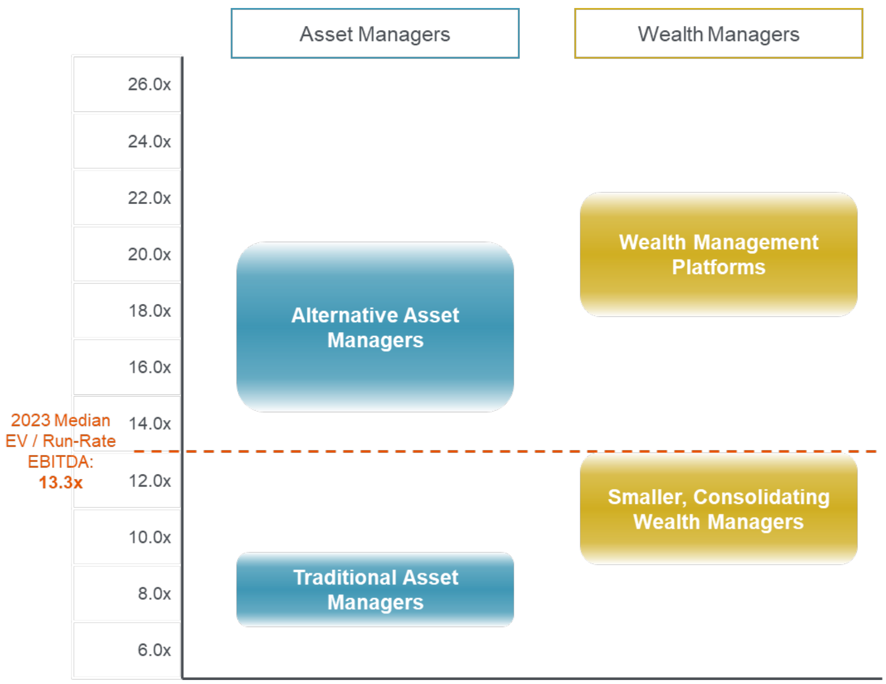
CROSS-BORDER ACTIVITY BY ACQUIRER DOMICILE, 2023



Pricing

While publicly traded asset managers saw volatile performance in 2023 alongside the broader markets, M&A pricing remained consistent throughout the year. Average run-rate EBITDA multiples for wealth and alternative managers remained at or near peak levels, though valuations of traditional managers remain below historical averages.

REPRESENTATIVE RUN-RATE EV / EBITDA TRANSACTION MULTIPLES



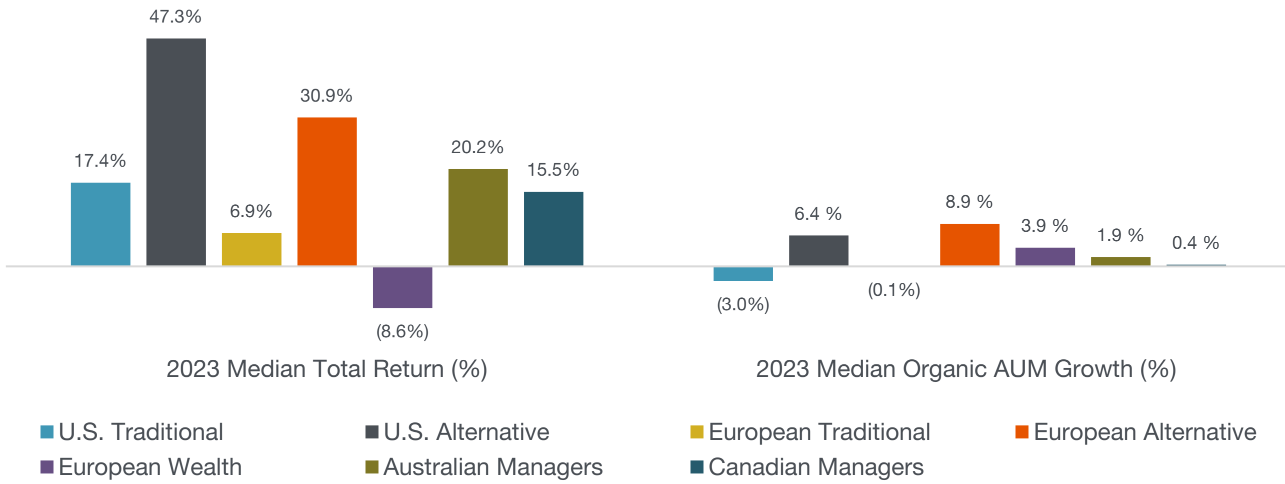
Source: Piper Sandler

Alternative managers continue to achieve attractive multiples in the M&A market primarily due to their organic growth trajectory, though the range of valuations seen within the space has widened depending on company-specific factors. Alternative asset managers can typically expect EBITDA multiples of 15.0x-20.0x or even higher, though more commonly expressed as multiples of their core pre-tax fee-related earnings. Achievement of premium pricing depends on a variety of factors, including the financial profile of the general partner, growth outlook for their strategies, and breadth of distribution and LP relationships. Superior valuations continue to require manager emphasis on fee-related earnings over carry realizations and principal investment income. Growth outlook is equally as important, with buyers looking to pay top dollar for platforms that can meet their fundraising expectations. This has led to increased focus on earnouts and deferred contingent consideration. Finally, buyers have become wary of alternative managers with exposure to potentially risky strategies or sectors, particularly real estate and venture capital given today's macro-outlook.

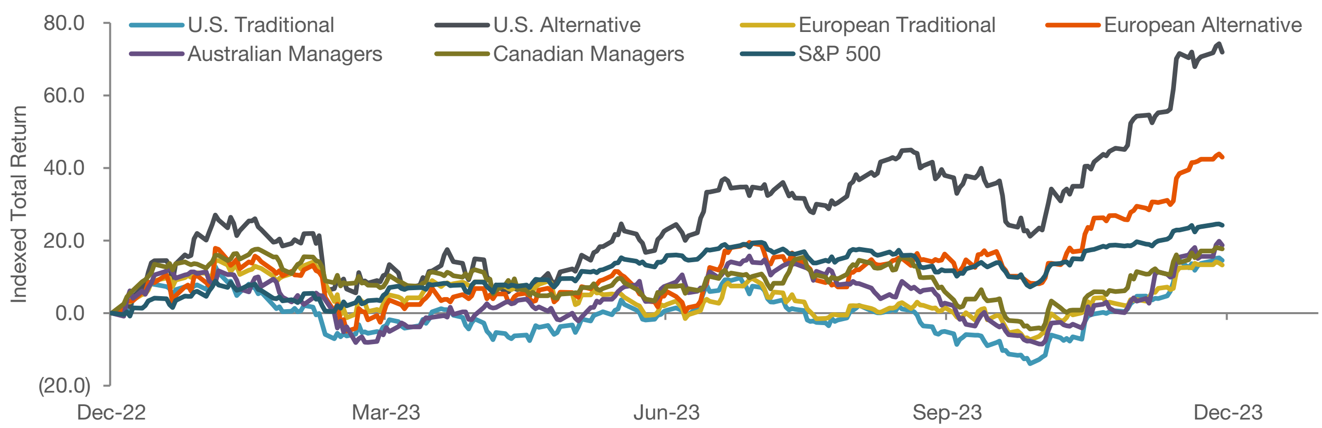
In wealth management, lower supply of larger platform sellers kept valuations healthy despite higher costs of capital for sponsor acquirers. Relatively few firms came to market with scale, infrastructure, and proven M&A track records that could serve as platform launchpads. As a result, valuations for these larger platforms when coming to market continued to demand EBITDA multiples from 18.0x-22.0x, depending on their attractiveness to the typical sponsor wealth management playbook. As sponsors with an interest in the space remained eager, competition trickled down to mid-sized wealth managers which have built the infrastructure and M&A track record to serve as platforms, driving M&A pricing for these firms to the levels of their larger peers. Acquisitions aimed at scaling existing platforms through consolidating deals have ticked below platform transactions and generally achieved valuations of 9.0x-13.0x EBITDA.

Traditional asset managers continued to experience stagnant growth and net outflows in 2023, weighing on valuation. In 2023, transaction multiples in this space approximated those seen in the public equity markets, with pricing trending below 10.0x EBITDA, and often in the 7.0x-9.0x range. Where a platform falls in these ranges is typically depends upon the performance and uniqueness of their products, and to a lesser extent their distribution reach. In the event of a full integration sale, premium pricing can also be achieved through synergized EBITDA metrics that incorporate rationalizations and margin accretion at the acquirer.

2023 PERFORMANCE OF PUBLICLY TRADED ASSET MANAGERS



2023 PUBLICLY LISTED ASSET MANAGERS TOTAL STOCK RETURN



Source: FactSet, Piper Sandler analysis
Note: PSC composites are equal-weighted, non-investable indices that seek to reflect the performance of traditional and alternative publicly-traded asset management companies in the U.S., Europe, Canada, and Australia.
The composites were developed by Piper Sandler
Performance is based on dividend-adjusted returns

The broader global public equity markets were mixed over most of 2023 in the face of an uncertain outlook, persistent inflation, and potentially slowing growth. This trend was then followed by a material rebound in November and December, as the global central banks' narrative began to switch toward a potential monetary policy pivot.

In keeping with this, public global traditional asset managers stayed in outflows and saw their prices stagnate through October, but then bounced back strongly in Q4 to end the year higher. Public global alternative managers, however, tracked more growthy sectors of the market, with consistently upward yet volatile movement from March onward, and an acceleration of that trend in Q4 to end the year approaching 2021 highs. U.S.-based public alternatives managers led this trend, though European alternatives managers also saw substantial price gains in the final few months of the year on the back of heavy upward revisions to earnings, offset by relatively flat movement in valuation multiples. Forward-looking consensus EPS estimates grew modestly over the course of the year for non-alternatives names, representing the year's primary driver in stock performance as non-alternative valuation multiples compressed or remained little changed.

Although ending the year strongly as a group, the dispersion across price performance amongst alternative managers became more apparent. Valuation over the course of 2023 was negatively affected by performance and growth outlook of certain underlying strategies, and in particular alternatives managers with exposure to commercial real estate and tech-focused portfolio companies. Forward-looking growth in fee-paying AUM was the biggest driver of 2023 public market valuation multiple expansion, with credit managers being the biggest beneficiaries, and other groups growing at a more measured pace.

The Year Ahead

Asset and wealth managers started 2023 amidst a broader market sentiment that a recession was imminent on the back of higher interest rates and an elevated inflationary environment. While the broader M&A markets faced significant headwinds in 2023, asset and wealth management M&A activity remained robust. M&A continues to be a critical tool for both buyers and sellers in the asset and wealth management space to realize their strategic and financial objectives. In this constantly evolving industry, we expect M&A will retain a central role. Our key 2024 themes and expectations are as follows:

- *Financial Sponsors Will Cement a New Normal of Wealth Management M&A Activity:* The uncertain economic outlook and higher interest rates in 2023 did nothing to slow either financial sponsor interest in wealth management platforms or acquisitions of smaller wealth managers. While the availability of scaled wealth managers that can serve as M&A platforms has narrowed, the universe of smaller wealth management targets to be acquired by these platforms appears only to be growing as more sellers seek a partner. Sponsors will look to deploy capital however possible to back these platforms, including as minority owners or partners with other sponsors, driving continued M&A in the space.

- *Larger Alternative Asset Management Transactions Will Become More Common:* The past few years have seen a vibrant M&A market for alternative asset managers. A broad universe of both strategic and minority stake-focused financial buyers have sought to seize increasing investor interest in the space through their M&A activities. However, the significant majority of these transactions have been acquisitions of smaller, more specialized managers or minority stake investments in larger managers. Larger buyers, with or without existing alternative capabilities, will seek to make larger acquisitions to establish themselves as more diversified asset management platforms. At the same time, larger sellers, many of whom have already sold a minority stake, will seek an ultimate solution for their ownership liquidity needs while benefiting from the complementary capabilities of a new majority owner.

- *Traditional Asset Management M&A Will Require a Hand-in-Glove Fit Between Parties:* Traditional asset managers seeking an M&A partner will need to search extensively to find a complementary firm to execute a transaction. Those sellers with differentiated distribution access or niche strategies will be more likely to find success, but it will still require finding a buyer specifically seeking those capabilities. Larger consolidating transactions will remain few and far between.

- *Alternative Asset Managers Will Flood the IPO Market Once the Dam Breaks:* A second consecutive year of muted activity across the IPO market has created a backlog of alternative asset managers waiting to access the public markets. Once an alternative asset manager takes the plunge and has a successful IPO, many others will follow as these firms look to address liquidity needs and fund growth initiatives, including building out their platforms through M&A.

- *Premium Pricing Will Remain for Premium Opportunities:* As sponsors continue to seek opportunities to deploy capital into the wealth management space, the smaller universe of scaled wealth managers able to serve as M&A platforms will keep valuations elevated. In the alternative asset management space, built-out platforms with a proven fundraising track record that can serve as a new asset class silo for a buyer will continue to attract premium pricing. More niche or less developed businesses in both the alternative and wealth management space will still be able to find a partner but may need to settle for a lower valuation. Among traditional asset managers, sellers will need to focus more on finding a partner versus achieving an attractive valuation.

2023 by the Numbers	2023	vs. 2022
Asset Management Transactions	384	↓
Wealth Manager Sales	286	↓
Alternative Asset Manager Sales	73	↓
Traditional Asset Manager Sales	25	↓
Aggregate Disclosed Deal Value	$20.9 billion	↓
Aggregate AUM Transacted	$1.9 trillion	↑
Minority Stake Transactions	65	↓
Initial Public Offerings	0	↓
Cross-Border Transactions	65	↑
Median Forward P/E Multiple - Publicly Traded U.S. Traditional Managers	10.1x	↓
Median Forward P/E Multiple - Publicly Traded U.S. Alternative Managers	14.1x	↑
Median Run-Rate EBITDA Multiple - Private Transactions (Globally)	13.3x	↑

Source: Piper Sandler, FactSet, Company Filings

In 2023, Piper Sandler was the top financial services M&A advisor by number of deals for the 12^{th} consecutive year, advising on 32 transactions with an aggregate disclosed deal value of $8.0 billion.

Source: S&P Global Market Intelligence. Includes financial advisors with an average transaction size of $10 million or greater. Average transaction size defined as total deal value divided by total number of deals. Deal count includes majority, minority, and asset transactions; excludes terminated transactions and self-advisory roles

The Piper Sandler team is proud to have advised the following asset management companies and businesses serving the asset and wealth management industry since the start of 2023.

M&A

PUBLIC TRUST ADVISORS has been acquired by FLEXPOINT FORD Sell-Side Advisor to Public Trust Advisors January 2024	Curi CAPITAL has merged with RMB Buy-Side Advisor to Curi Capital November 2023	CQS has agreed to be acquired by Manulife Investment Management Sell-Side Advisor to CQS November 2023
GTCR has acquired a 50% stake in R&T DEPOSIT SOLUTIONS Buy-Side Advisor to GTCR September 2023	PERMIRA has acquired AltamarCAM PARTNERS Buy-Side Advisor to Permira July 2023	WSFS Financial Corporation has acquired Bell Rock Capital Buy-Side Advisor to WSFS August 2023
$3,100,000,000 ANGELO GORDON has been acquired by TPG Sell-Side Advisor to Angelo Gordon May 2023	ROBO GLOBAL has been acquired by VettaFi Sell-Side Advisor to ROBO Global April 2023	FDIC has sold all deposits and loans of Silicon Valley Bridge Bank, N.A. as well as SVB Private and its wealth management affiliate SVB Wealth svb Private to First Citizens Bank Advisor to the FDIC March 2023

Capital Raises

$33,600,000 EAGLE POINT CREDIT COMPANY Fixed-Rate Term Preferred Securities Joint Bookrunner January 2024	$30,000,000 CARLYLE CREDIT INCOME FUND Fixed-Rate Term Preferred Securities Joint Bookrunner October 2023	$57,000,000 GLADSTONE CAPITAL Fixed-Rate Senior Notes Lead-Left Bookrunner August 2023
$1,200,000,000 AIG Follow-On Offering of corebridge financial Active Bookrunner June 2023	$74,750,000 GLADSTONE INVESTMENT Fixed-Rate Senior Notes Co-Manager May 2023	$195,000,000 CLEARWATER ANALYTICS Follow-On Offering Co-Manager March 2023