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# Abnormal or New Normal?

## *2021 Asset Manager Transaction Review and 2022 Forecast*

### Asset Management Investment Banking Group

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## Overview

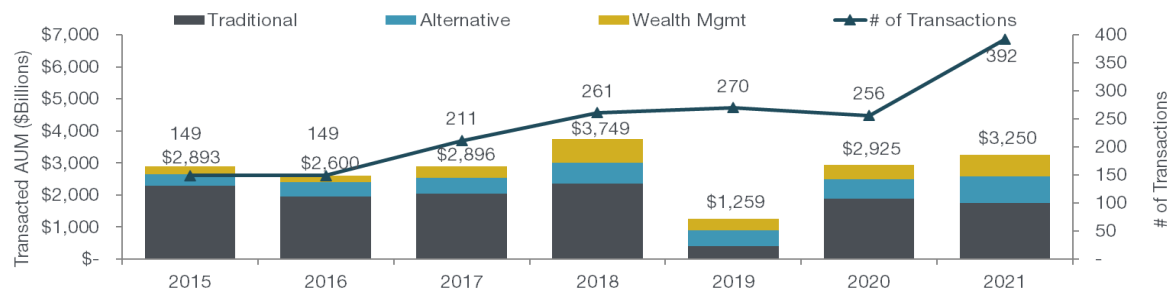
Asset management M&A activity set another record in 2021. Uncertainty in global markets stirred by new COVID-19 variants could not diminish appetite for M&A as both buyers and sellers continued to adjust to the new normal for M&A in the asset and wealth management space. Surging equity markets enhanced valuations and perpetuated a virtuous cycle of buyers and sellers transacting to meet growth objectives and address strategic challenges. There were 392 announced transactions in 2021, marking a 53% increase from 2020 and an astonishing 45% increase from the previous record of 270 transactions in 2019. This new high water mark significantly exceeded the average of 229 annual transactions from 2016-2020 as industry deal activity accelerated.

Familiar trends driving M&A activity intensified in 2021. The wealth management industry maintained its recent streak as the primary driver of the explosive growth in M&A activity during the year, representing a hefty 63% of all transactions in 2021 and a slight uptick from 60% in 2020. Private equity capital eagerly pursued the attractive strategic attributes of the wealth management space, with several new sponsors making investments in wealth platforms in 2021. With an expanding group of highly acquisitive, eager, and well capitalized partners, the universe of potential sellers only continued to expand.

Heightened M&A activity extended beyond the red-hot wealth management market. Announced transactions of traditional managers increased 31% in 2021 from the prior year to 68 deals, while transactions of alternative asset managers jumped more than 50% to 78 deals. Buyers across sectors in the asset management industry continued to employ M&A as a primary means to expand, enhance, and diversify their platforms. Across both the traditional and alternative asset management universe, acquirers seized on the opportunity to tap into niche strategies, unique capabilities, and new distribution channels for their platforms. Traditional managers sought to build their alternative capabilities, while alternative asset managers sought new sources of capital that have historically been invested in traditional public or highly liquid investment strategies.

While smaller wealth management transactions represented the majority of 2021's record activity, total transacted AUM reached \$3.3 trillion in 2021, an 11% and 158% increase from 2020 and 2019 respectively. Disclosed deal value totaled \$40 billion, the highest in nearly 15 years, since the pre-Global Financial Crisis bull market for asset management M&A culminated in 2007 established the current high water mark.

### NUMBER OF TRANSACTIONS AND AUM BY TARGET TYPE



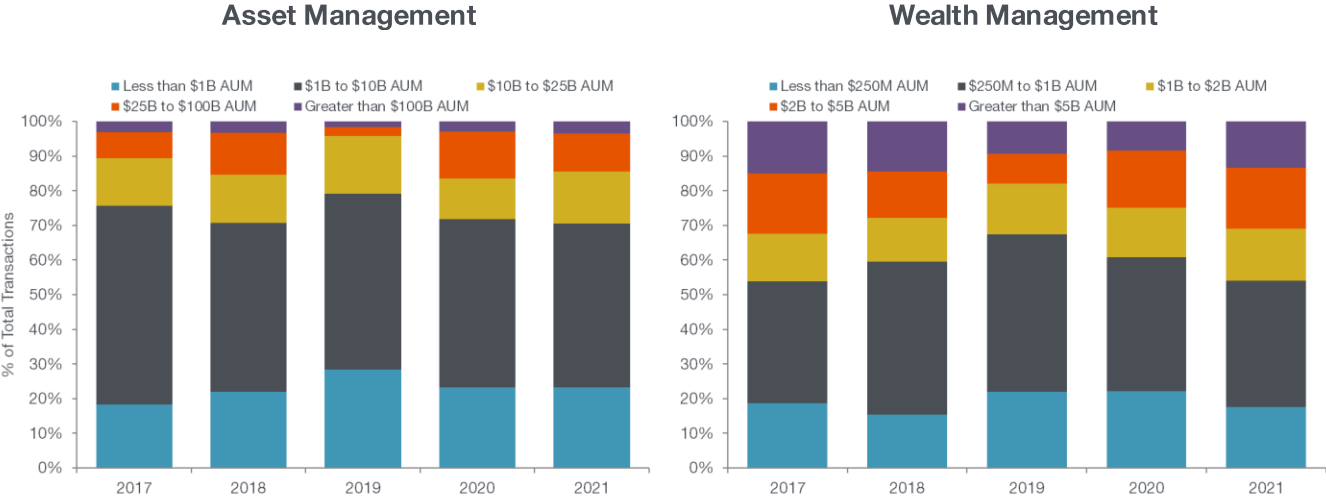
Source: Piper Sandler

While 2021 saw few of the mega deals that have grabbed headlines in recent years, 10 announced M&A transactions exceeded \$1 billion in value, 7 of which involved alternative asset manager targets. After only 9 M&A deals with greater than \$1 billion in value transacted in 2019 and 2020 combined, a broader universe of acquirers, including both strategic and private equity buyers, looked for larger acquisition targets in 2021. The 5 largest M&A transactions by disclosed value were:

- ESR Cayman’s acquisition of ARA Asset Management (\$5.2 billion)
- T. Rowe Price’s acquisition of Oak Hill (\$4.2 billion)
- GTCR and Reverence Capital’s acquisition of Wells Fargo Asset Management (\$2.1 billion)
- Goldman Sachs acquisition of NN Investment Partners (\$1.9 billion)
- Franklin Resources’ acquisition of Lexington Partners (\$1.8 billion)

The median AUM of acquired managers remained in line with 2020 at \$1.4 billion in 2021. The significant number of smaller wealth management deals kept median AUM stable, despite 55 transactions involving targets with at least \$10 billion of AUM during the year. Excluding wealth management transactions, the median transacted AUM for traditional and alternative asset managers of \$3.8 billion was in line with 2020, signifying that investment capabilities rather than size is drawing buyers’ greatest attention.

**TRANSACTIONS BY TARGET’S AUM**



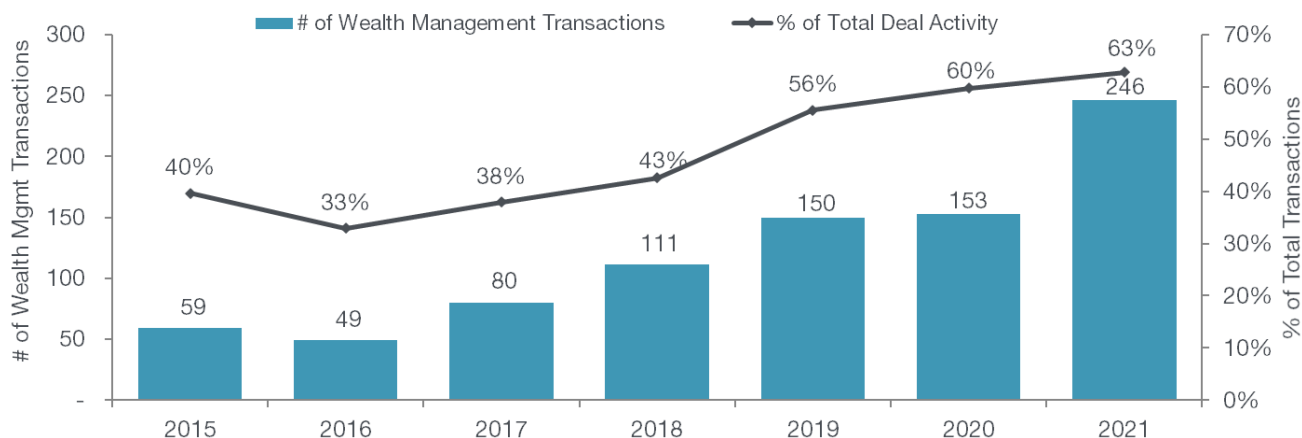
Source: Piper Sandler

Within wealth management M&A, deals involving targets with under \$1 billion in AUM increased to 133, 43% higher versus 2020, and 150% higher than the 2015-2019 annual average of 53. Smaller transactions continued to represent the majority of M&A activity in the wealth management space given its highly fragmented nature. However, a broader universe of acquirers has more aggressively pursued larger targets to accelerate economies of scale to their platforms and benefit from the resulting operating leverage. Accordingly, the number of transactions involving targets with \$1 billion to \$5 billion in AUM increased markedly from 47 deals to 80 deals year-over-year.

# Sellers

## Wealth Managers

### NUMBER OF WEALTH MANAGEMENT TRANSACTIONS AS % OF DEAL ACTIVITY



Source: Piper Sandler

The fragmented wealth management space remained a highly attractive target for acquirers due to high client retention, recurring revenue from stable fee revenues, and aging advisors driving a constant demand for succession planning to transition stewardship of clientele before retirement. Transactions involving wealth management firms powered the broader industry's explosive M&A volume growth in 2021 with a record 246 transactions, 5 times the level seen in 2016, and a 61% increase from 2020. Total acquired wealth management AUM of \$679 billion represented an increase in excess of 50% compared to 2020 and more than 80% over 2019's acquired AUM. Pronounced buyer interest and deal activity drew sellers to test the market as shareholders sought to capitalize on demand-driven record valuations and strong AUM levels strengthened by all-time high equity markets.

### LARGEST SPONSOR ACQUISITIONS OF WEALTH MANAGERS BY AUM, 2021

(\$ in millions)

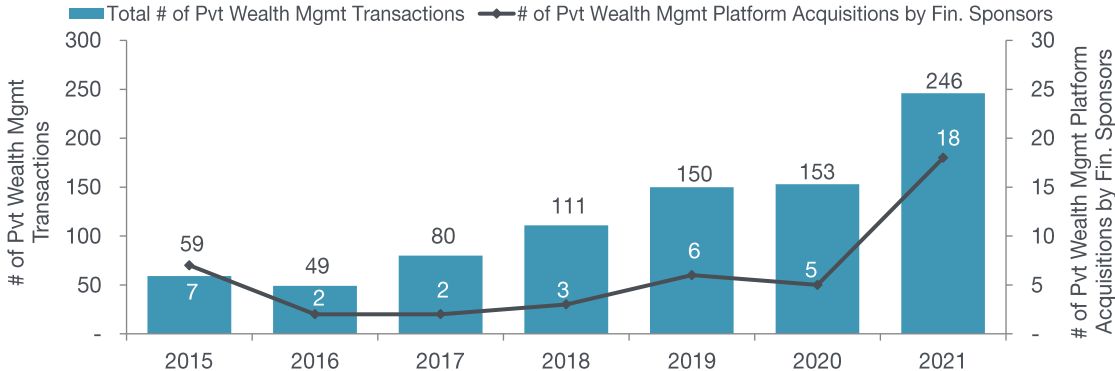
Acquirer	Wealth Management Platform	Target Location	AUM at Acquisition	Announcement Date	Minority / Majority
Warburg Pincus	Edelman Financial Engines	U.S.	\$ 260,000	3/15/21	Minority
Onex Corporation	Wealth Enhancement Group	U.S.	40,200	8/24/21	Minority
Leonard Green & Partners	Mariner Wealth Advisors	U.S.	35,000	4/23/21	Minority
Merchant Investment Management	Private Advisor Group	U.S.	30,000	12/17/21	Minority
KKR & Co.	Beacon Pointe Advisors	U.S.	20,000	11/15/21	Minority
Bain Capital	Carson Group	U.S.	17,000	7/14/21	Minority
TA Associates; Synova Capital; Alcentra	Fairstone Group	U.K.	14,991	2/25/21	Majority
Kelso & Company	Savant Wealth Management	U.S.	12,000	10/7/21	Minority
New Mountain Capital	Homrich Berg	U.S.	10,000	7/30/21	Minority
Charlesbank Capital Partners	Lido Advisors	U.S.	9,500	5/24/21	Majority
Aquiline Capital Partners	SageView Advisory Group	U.S.	8,403	1/5/21	Majority
TA Associates	Caprock	U.S.	7,500	9/28/21	Majority

Note: Includes deals with transacted AUM greater than \$7.5 billion

Source: Piper Sandler

Private equity capital continued to flood the wealth management market in 2021, with several sponsors announcing acquisitions of larger wealth management platforms. **Charlesbank Capital Partners** made a significant investment in **Lido Advisors**, one of the fastest growing wealth management firms in the U.S. with nearly \$10 billion of AUM at the time of the transaction. The capital will be used to fuel Lido’s organic and inorganic growth strategies and further expand its national footprint. **KKR** acquired a minority stake in \$20 billion AUM **Beacon Pointe** after exiting its stake in **Focus Financial Partners** earlier in the year. The wealth management phenomenon was not just limited to the U.S., as firms pursued similar acquisition strategies in the U.K. U.S. private equity firm **TA Associates** acquired a significant stake in \$15 billion AUM U.K. wealth manager **Fairstone Group**, joining existing investors **Synova** and **Alcentra** to provide additional funding for acquisitions. As private equity participation in the space continued to accelerate, there remains robust potential for heightened M&A and IPO activity in the coming years as sponsors seek exit opportunities.

**WEALTH MANAGEMENT PLATFORM ACQUISITIONS BY FINANCIAL SPONSORS**



Note: Number of platform acquisitions excludes investments from specialist minority stake buyers  
 Source: Piper Sandler

Beyond new entrants, known consolidators maintained their highly active presence in wealth management M&A and contributed to the record deal volume in 2021. Private equity-backed wealth management platforms were the buyers in nearly 55% of the 246 wealth management acquisitions in 2021. **Leonard Green** acquired a minority stake in **Mariner Wealth Advisors**, a \$40 billion AUM wealth advisory firm, to fuel their aggressive growth strategy that saw 9 acquisitions announced in the second half of 2021 following the investment. **Focus Financial Partners** made 30 acquisitions of wealth managers, totaling \$31 billion in AUM and breaking its previous record of 19 acquisitions from 2019. 5 additional consolidators made double digit acquisitions in 2021: **Mercer Advisors**, **CI Financial**, **Wealth Enhancement Group**, **Hightower**, and **Beacon Pointe**. Mariner completed another 9 acquisitions, while both **CAPTRUST** and **MAI Capital Management** completed 8.

## FIVE MOST ACTIVE WEALTH MANAGEMENT ACQUIRERS, 2021

(\$ in millions)

Name	Private Equity Support	# of 2021 PWM Acquisitions	Total 2021 Acquired AUM
Focus Financial Partners	Stone Point Capital	30	\$ 31,258
Mercer Advisors	Oak Hill Capital, Genstar Capital	16	9,395
CI Financial	n/a	14	54,115
Wealth Enhancement Group	TA Associates, Onex	13	17,512
Hightower Advisors	THL Partners	12	18,434

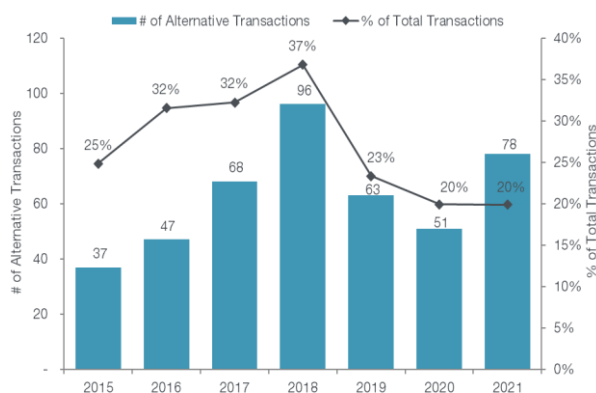
Source: Piper Sandler

Alongside the historically acquisitive private equity-backed consolidators, strategic acquirers drove a significant amount of M&A activity in the wealth management space as they positioned themselves to capture synergies, build scale, expand their businesses, and benefit from highly favorable wealth management secular trends. In the largest such transaction, U.S.-based **Tiedemann Group** and U.K.-based **Alvarium Investments** announced a merger via a special purpose acquisition company (“SPAC”), creating **AITi**, a global ultra-high-net-worth wealth platform with a combined \$54 billion of assets. The combination will benefit from an expansive network spanning 4 continents with a comprehensive suite of investment capabilities and financial and estate planning services.

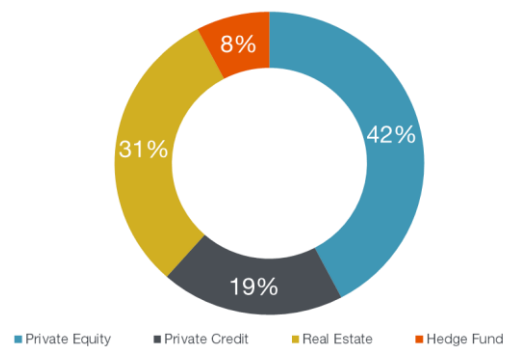
## Alternative Asset Managers

Acquisitions of alternative asset managers regained momentum in 2021, rebounding from 51 transactions in 2020 to 78 transactions, representing an increase of more than 50% year-over-year. M&A activity was subdued in 2020, as potential buyers sat on the sidelines to assess the impact of COVID-19 on the broader markets. After alternative asset managers, particularly those focused in private markets, showcased the ability to both maintain investment performance and raise capital, buyer interest returned in 2021. Most notably, majority stake acquisitions of alternative asset managers spiked in 2021, as more traditional asset managers looked to expand into the alternatives space, while established alternative asset managers sought to expand their existing private market platforms.

### NUMBER OF ALT. MANAGER TRANSACTIONS



### ALT. MANAGER TRANSACTIONS BY TARGET TYPE, 2021



Source: Piper Sandler

Minority stake acquisitions remained an attractive option for buyers in the alternative asset management space, representing nearly 44% of the deal activity in the sector in 2021. Firms specifically dedicated to acquiring minority stakes in asset managers continued to drive this trend. The historically active minority stake buyers maintained their market presence in 2021, including **Blackstone** and **Goldman Sachs Petershill** who made 3 and 2 acquisitions, respectively. Several other investment vehicles dedicated to acquiring minority stakes, including **Kudu Investment Management** and **Hunter Point Capital**, joined strategic acquirers in pursuing minority stake acquisitions, as they remain an attractive path for both buyers and sellers looking to partner in the private markets space. Strategic acquirers also remained keen on minority stake acquisitions. For example, insurer **Nassau Financial Group** acquired a minority stake in **Balance Point Capital Partners**, a debt and equity capital solutions provider for the lower middle market with \$2 billion of AUM. Nassau will make a series of capital commitments to future Balance Point funds as part of the acquisition.

As the number of minority stake acquisitions remained steady in 2021, majority stake acquisitions in alternative asset managers drove the sharp increase in deal activity. Whereas majority acquisitions represented 37% of alternative deals in 2020, they represented 56% in 2021. Strategic acquirers of all types sought to enhance their asset management platforms with alternative capabilities through M&A in 2021. Notably, several traditional asset management firms made significant acquisitions in the alternatives

space as organic growth in their legacy public markets businesses stagnated. **T. Rowe Price**, which has steered clear of the M&A market for the past two decades, acquired **Oak Hill Advisors**, a \$53 billion AUM alternative credit manager, for up to \$4.2 billion. Oak Hill will remain a standalone business and serve as T. Rowe Price's private markets platform. Both firms expect to leverage their complementary distribution capabilities and T. Rowe's scale, particularly its prominence in the wealth and retail channels. **Franklin Templeton** also expanded its growing alternative asset management business with its \$1.8 billion acquisition of **Lexington Partners**, a manager of secondary private equity and co-investment strategies with \$34 billion of AUM. The acquisition strengthens Franklin's alternatives capabilities and complements its existing offerings in real estate, private credit, and hedge fund strategies.

Prominent alternative asset managers also sought to augment their private markets capabilities, in some cases quite aggressively, through M&A in 2021 to meet surging investor demand. At the start of the year, **Ares** announced the acquisition of **AMP's Private Markets Business** with \$42 billion of AUM invested across real estate and infrastructure strategies. Just one month later, Ares announced the acquisition of \$19 billion AUM **Landmark Partners** for \$1.1 billion. The strategic transaction expands Ares' offerings into private equity and real estate secondaries. Later in the year, Ares announced yet another deal with the acquisition of **AMP's PrivateMarketsCo Infrastructure Debt platform**, one of the largest such platforms in the world with \$8 billion of AUM, for up to \$308 million. The acquisition allows the newly acquired business to leverage Ares' existing scale in both infrastructure and private credit. Separately, Ares enhanced its real estate capabilities and extended its reach into the retail channel with its acquisition of **Black Creek Group**, a real estate specialist with \$12 billion of AUM investing primarily through 2 non-traded REITs.

Private credit and real estate managers remain at the top of many buyers' priority lists as investors and allocators seek yield-driven strategies in a lower interest rate environment. After the Global Financial Crisis, private credit managers have stepped in and displaced traditional banks to become an established source of bespoke financing to a wide variety of borrowers, particularly in the middle market, driving a virtuous cycle of demand from investors. In response, buyers have looked to expand their own private credit capabilities, driving another year of strong M&A activity with 15 acquisitions of private credit managers in 2021, a slight uptick from 2020. In the real estate space, many potential buyers paused contemplating any real estate acquisitions during the onset of the pandemic but returned to the market in 2021 with 24 acquisitions of real estate managers, double the number of 2020 deals.

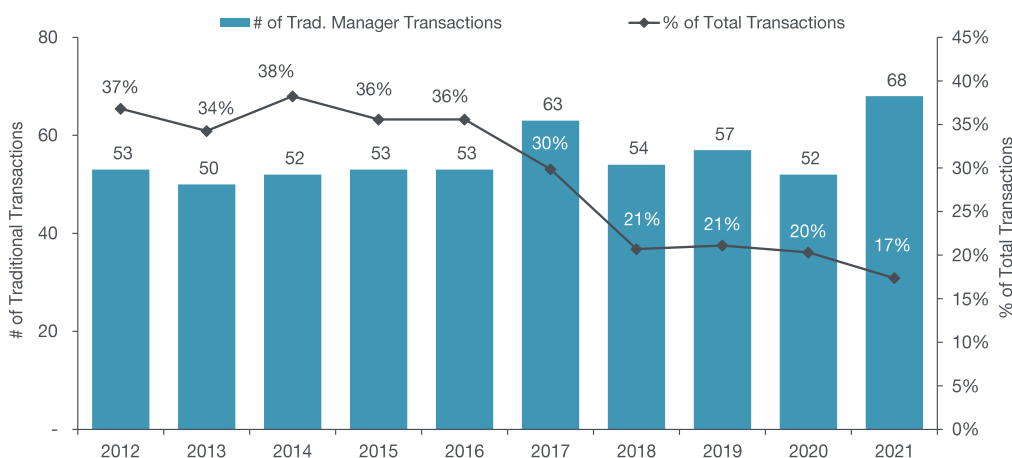
Despite positive net flows in 2021 and expected increased investor allocations, the hedge fund space failed to attract similarly heightened levels of M&A in 2021. With only 6 hedge fund transactions, 2021 activity remained unchanged from 2020 and represented only one-third of the annual average between 2018 and 2020 of 14 transactions. Poor investment performance relative to many diversified public market indices have set the bar high for hedge funds to attract buyers more focused on the private markets segment of the alternative asset management sector.



## Traditional Asset Managers

Today's traditional asset management space offers fewer consolidating opportunities compared to just a few years ago. Buyers remain interested in differentiated strategies that offer in-demand capabilities and solutions to clients as sellers seek access to enhanced distribution channels to bolster strained organic growth. Motivated by record-high equity markets and a broadly active M&A market for asset managers in 2021, acquisitions of traditional asset managers reached its highest level since 2009 with 68 transactions, compared to the 2018-2020 annual average of 54 transactions.

### NUMBER OF TRADITIONAL MANAGER TRANSACTIONS



Source: Piper Sandler

Acquirers continued to seek specialized strategies more resistant to the continual industry-wide shift to passive management. After temporarily pausing in 2020 during the pandemic, acquirers returned to the market as they sought to selectively enhance their public markets investing capabilities. **Affiliated Managers Group** acquired a majority stake in **Parnassus**, the largest ESG-dedicated manager in the U.S. with \$47 billion of AUM. Parnassus has been a pioneer in ESG investing since its inception in 1984 and was one of the last remaining independently owned ESG specialists of size.

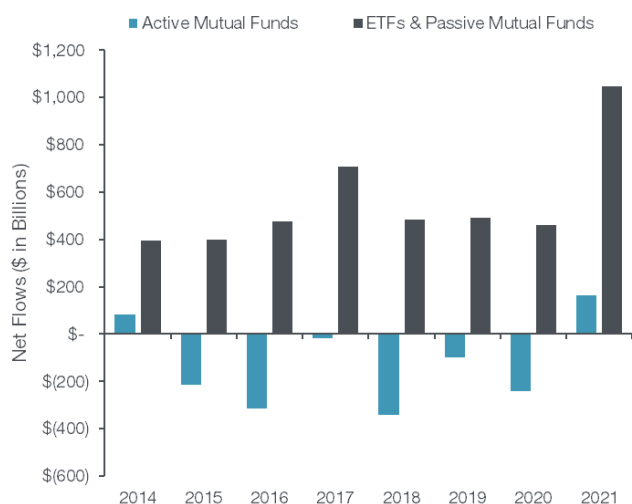
Direct indexing capabilities were frequently targeted by buyers in 2021 as passive managers anticipate growing demand among investors as a logical next step beyond index investing. In its first ever acquisition, **Vanguard** acquired **Just Invest**, a tech-driven, tax-managed asset management platform with over \$1 billion of AUM focused on direct index solutions. The infrastructure of Just Invest will be implemented into Vanguard's financial intermediary business serving RIAs, banks, and broker-dealer financial advisors. **Prudential's PGIM Investments** acquired **Green Harvest Asset Management**, a separately managed account platform offering customized investment solutions for high-net-worth investors using ETFs. The Green Harvest platform will join PGIM Investments' retail platform and provide PGIM a means to compete in the passive investing sector, having never established direct indexing capabilities prior to the acquisition.

Enhanced distribution also remained a key driver of traditional asset management M&A in 2021.

**Ameriprise** acquired **BMO's EMEA Asset Management Business** for \$845 million. The acquisition adds \$124 billion of AUM in Europe to the Ameriprise Columbia Threadneedle platform, expanding both the investment offerings and distribution reach of the platform. **Virtus Investment Partners** expanded its retail and liquid alternative capabilities by acquiring **Westchester Capital Management**, a pioneer in event-driven investment strategies with over \$4 billion of AUM, the majority in the mutual fund channel. For Westchester, the transaction provides enhanced access into the wirehouse and RIA channels, a core strength of Virtus' distribution platform.

Many of the largest acquisitions in 2021 were divestitures of diversified asset managers as parent companies looked to capitalize on strong markets to maximize value for their underlying asset management subsidiaries while refocusing on other core businesses. Of the 68 total transactions in the traditional manager space in 2021, 47% were divestitures. Netherlands-based international financial services company **NN Group** sold **NN Investment Partners** to **Goldman Sachs** for \$1.9 billion. The Dutch firm's \$70 billion of assets is invested across a broad range of equity and fixed income products with ESG strategies integrated into approximately 75% of NN's assets.

### ACTIVE VS. PASSIVE RETAIL FUND NET FLOWS



### % OF ACTIVE U.S. EQUITY FUNDS BEATING BENCHMARK ON 3-YEAR BASIS (AS OF 12/31/21)

		Equity Style		
		Value	Blend	Growth
Capitalization	Large	48%	32%	13%
	Mid	55%	59%	51%
	Small	64%	78%	70%

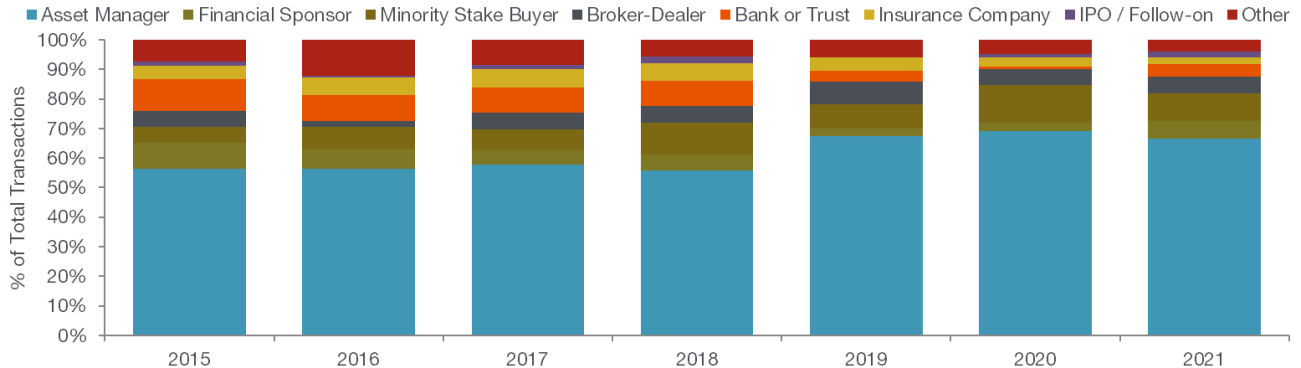
Source: Morningstar Direct, Piper Sandler Analysis

For the first time since 2014, active mutual funds posted net inflows, buoyed by a shift from growth to value investing and fixed income strategies as inflation surged and the Federal Reserve signaled an upcoming rise in interest rates. ETFs and passive mutual funds continued to see the strongest inflows as active mutual funds struggle to demonstrate that they can consistently beat their benchmark by a margin suitable to justify fee levels. Buyer interest remained focused on unique retail investment capabilities or ETF specialists.

Among these unique retail capabilities, investment managers offering model portfolio capabilities were at the top of M&A interest lists in the retail space. These capabilities have attracted substantial asset flows in recent years by allowing advisors to effectively outsource some or all of their investment allocation function in order to focus on client generation and servicing. French minority stake buyer **iM Global Partner** acquired a 45% stake in \$15 billion AUM **Richard Bernstein Advisors (RBA)**, an asset allocation specialist utilizing ETFs in separately managed accounts for wealth management and RIA platforms. Similarly, **Victory Capital** acquired \$18 billion AUM **WestEnd Advisors**, a provider of turnkey core model allocation solutions.

# Buyers

## TRANSACTIONS BY ACQUIRER TYPE



Source: Piper Sandler

### ASSET MANAGERS

Asset managers, including wealth managers, have consistently been the most active buyers every year since 2012. Between 2012 and 2018, asset manager acquirers represented between 50–60% of all transactions each year. Since 2019, however, asset managers have pushed their presence among buyers even higher and have become the clear dominant buyers in the industry, particularly on the back of the explosive growth of wealth management deal activity. This trend continued in 2021 with 67% of all transactions involving one asset manager acquiring another. Non-wealth management deals also contributed, as acquisitions of asset management firms by other asset managers (excluding wealth management firms) rose by over 30% year-over-year from 53 in 2020 to 69 deals in 2021.

While access to expanded distribution and fundraising capabilities are among the most critical drivers of M&A for asset managers, direct access to capital, to both invest in growing their businesses and into their investment strategies to scale AUM, are similarly important. Recently, some of the largest alternative asset managers have taken this more direct route to growing assets by merging with insurance companies, which benefit by immediately adding in-house private markets strategies to drive higher returns for their general accounts. **Apollo** merged with **Athene Holding**, valuing the retirement services company at \$11 billion and bringing \$200+ billion of assets to the combined entity. The transaction further aligns their existing strategic relationship and accelerates scaling their asset and liability origination platform. **KKR** closed its \$4.7 billion acquisition of retirement and life insurance company **Global Atlantic Financial Group**, adding approximately \$90 billion in assets and strengthening the alternative asset manager’s access to long-term capital. The transaction will benefit Global Atlantic with access to KKR’s robust investment capabilities. KKR led an equity co-investment process following the transaction, generating an additional \$250 million in primary equity capital from new and existing investors to support future growth initiatives.

## FINANCIAL SPONSORS

Financial sponsors announced 23 acquisitions in 2021, more than triple the number of 2020 deals. This was largely comprised of private equity firms allocating capital into the wealth management space, with 78% of total sponsor transactions in 2021 involving a wealth management target. While financial sponsors were not the most active acquirers in 2021, they participated in several of the year's largest transactions as measured by target AUM. The median transacted AUM in 2021 for financial sponsor acquisitions was in excess of \$9.8 billion, 7 times higher than the median across all transactions.

While financial sponsor focus has centered on the wealth management space, 2021 featured one of the largest financial sponsor acquisitions in the traditional space in several years. **GTCR** and **Reverence Capital Partners** acquired **Wells Fargo Asset Management** for \$2.1 billion. The \$600+ billion AUM divestiture will operate independently moving forward under the **Allspring Global Investments** brand and allows Wells Fargo to focus attention on its core client base and growing its wealth and brokerage businesses while maintaining a 10% equity stake.

## MINORITY STAKE BUYERS

Minority stake buyers posted record M&A activity in 2021 with 37 deals compared to 33 deals in 2020. More and more specialist minority staking vehicles are launching in the space as minority stakes remain an increasingly preferred alternative for potential sellers. Minority stake buyers were primarily interested in alternative asset managers, representing just under 50% of the minority stake deals in 2021. In addition, many of the largest targets for minority stake buyers were alternative asset managers. In 2021, this included **Blackstone's** investment in **GTCR**, a \$24 billion AUM private equity firm. **Bonaccord Capital Partners**, which itself was acquired by **P10** from **abrdn** in 2021, acquired a stake in **Monroe Capital**, a \$10 billion AUM private credit manager.

Wealth managers also represented a specific area of focus for a certain group of minority stake buyers. In total, wealth managers represented 35% of acquisition targets of minority stake buyers and created healthy competition to roll-up and integrating acquirers. **Merchant Investment Management** and **Emigrant Partners**, a subsidiary of **New York Private Bank & Trust**, each made 4 investments. Merchant's M&A activity included the largest wealth management target amongst minority stake buyers in 2021 with its strategic investment in \$30 billion AUM **Private Advisor Group**. The investment will provide growth capital for additional acquisitions.

## BROKER-DEALERS

Acquisitions by broker-dealers in the asset and wealth management space jumped from 14 in 2020 to 22 in 2021, an increase of 57%. Broker-dealer interest remained strongest in wealth management targets given the natural fit with their existing client bases and underlying brokerage businesses. Overall, 45% of broker-dealer acquisitions involved a wealth management target in 2021, lower than recent years but still elevated versus historical levels. The largest such deal in 2021 was **Raymond James Financial's** acquisition of the U.K.-based \$38 billion wealth manager **Charles Stanley Group** for \$387 million to accelerate Raymond James' U.K. expansion. In the asset management space, larger broker-dealers expanded their asset management business inorganically in 2021 through acquisitions or minority stake investments. Notably, Brazil-based **XP** made 4 minority stake investments in Brazil-based asset managers, including **Capitânia**

**Investimentos, Jive Investments, AZ Quest, and Vista Capital.** Without an existing asset management platform, many broker-dealers have minimal interest in making asset management acquisitions, as there are few revenue or expense synergies with their existing businesses.

## BANKS

Acquisitions of asset managers by banks rebounded from only 12 transactions combined in 2019 and 2020 to 17 deals in 2021, the most since 2018. As in previous years, banks continued to focus their attention on acquiring wealth management businesses, representing 47% of transactions involving a bank buyer in 2021. This included 5 acquisitions by regional and community banks, who have struggled on valuation in an increasingly competitive environment and did not make any wealth manager acquisitions in 2020. On the large end of the bank spectrum, **J.P. Morgan** expanded its international presence with a \$410 million investment for a 10% stake in **CMB Wealth Management**, a \$377 billion China-based wealth management platform. The bank also expanded its fintech capabilities with the acquisition of **Nutmeg Saving and Investment**, a U.K.-based digital wealth platform with nearly \$5 billion of AUM. Within the U.S., **U.S. Bank** acquired **PFM Asset Management**, a fixed income and OCIO specialist with over \$160 billion in assets. The transaction will allow U.S. Bank to leverage PFM's robust presence in the public and municipal channels.

## INSURANCE COMPANIES

Alternative asset managers remained the primary focus area for insurance company acquirers, representing 66% of transactions involving an insurance company buyer in 2021. Insurance company acquisitions of alternative asset managers notched up to 9 in 2021. Insurance companies' appetite for asset managers continued to evolve as they become more flexible in deal structure with more competitors in the buyer universe. However, the more common model involving a minority stake acquisition coupled with a capital commitment remained attractive to both insurance companies and potential sellers. **Savills Investment Management**, a \$26 billion AUM U.K.-based real estate manager, sold a 25% stake to long-term client **Samsung Life Insurance**. As part of the transaction, Samsung will invest \$1 billion in Savills' strategies over the next four years. Insurance companies also continued to use M&A to expand their third party asset management businesses. Canadian insurer **Sun Life Financial** acquired \$2 billion AUM real estate secondaries manager **Metropolitan Real Estate** to enhance its **BentallGreenOak** real estate business, rounding out a platform that has made 4 acquisitions since 2015.

## IPOs AND FOLLOW-ON OFFERINGS

Robust overall market performance and strong trading multiples among listed alternative asset managers globally drove many potential sellers to contemplate public listings. A total of 7 asset managers accessed the public markets in 2021 through initial public offerings ("IPOs") after no IPOs in 2019 and only 2 in 2020. **Bridgepoint Group**, a \$33 billion AUM U.K. based private equity firm, is using proceeds from its \$1.1 billion offering to fund the next generation of Bridgepoint funds, including Bridgepoint Europe VII and to seed potential new organic strategies. **GQG Partners**, a U.S. based emerging markets equities manager with \$85 billion of AUM, sold a 20% stake in its \$890 million offering on the Australian Stock Exchange. The two primary owners will reinvest at least 95% of their after-tax proceeds into the Company's strategies. In the largest 2021 IPO by deal value, **Petershill Partners**, with \$172 billion of AUM, went

public through an LSE listing sold a 29% stake to the public for \$1.6 billion. Most of the proceeds from Petershill's IPO will be used to provide a permanent source of capital for existing partner firms, near-term acquisitions, and reinvestments through GP commitments and co-investments.

## INITIAL PUBLIC OFFERINGS, 2021

(\$ in millions)

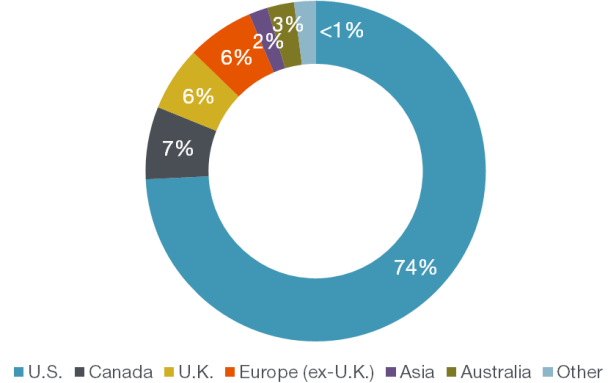
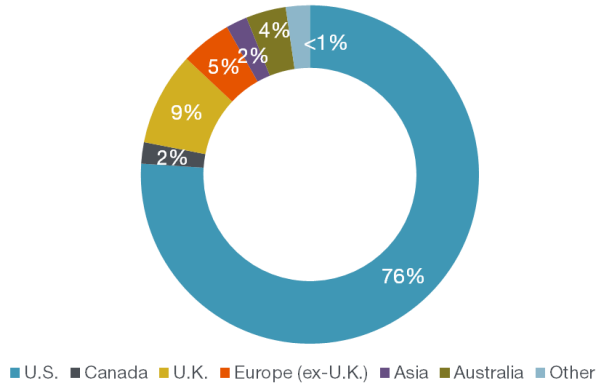
<b>Date</b>	<b>Company Name</b>	<b>Asset Manager Type</b>	<b>Exchange Listing</b>	<b>Size (USD)</b>
10/21/21	GQG Partners	Traditional	ASX	\$ 890
10/20/21	P10	Alternative	NYSE	240
9/28/21	Petershill Partners	Alternative	LSE	1,594
9/23/21	Antin Infrastructure Partners	Alternative	PAR	741
7/21/21	Bridgepoint Group	Alternative	LSE	1,076
7/15/21	Bridge Investment Group Holdings	Alternative	NYSE	345
1/22/21	Patria Investments	Alternative	NASDAQ	588

Source: Piper Sandler

# M&A Activity by Geography

TRANSACTIONS BY TARGET DOMICILE, 2021

TRANSACTIONS BY ACQUIRER DOMICILE, 2021



Source: Piper Sandler

Consistent with long-term trends, deal volume in the U.S. maintained the status as the center for global asset management M&A activity. Targets based in the U.S. represented 76% of global transaction activity in 2021, in line with 2020 and more pronounced than the 63% average between 2015 and 2019. Outside of the U.S., transactions involving U.K. targets increased 52% year-over-year to 35, while deal activity across Europe increased by 12% to 19 acquisitions. Australia saw the most profound increase in transaction activity, more than doubling year-over-year to an all-time high of 15 transactions. As one of their first transactions in their new partnership, **Apollo** and **Athene** acquired an 18% economic interest in **Challenger**, a \$78 billion Australian platform for annuities and investment management, for \$542 million as a first step into the Australian market.

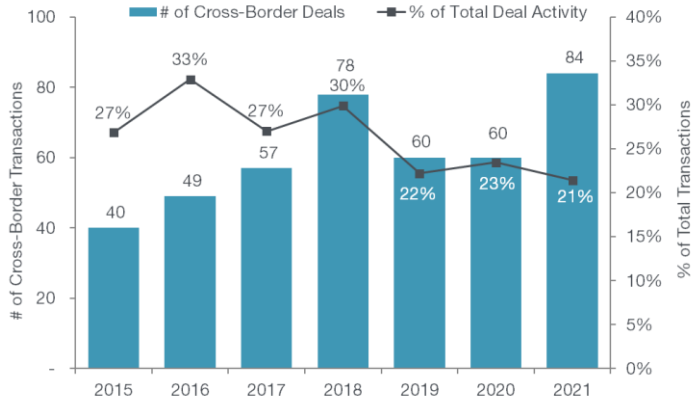
The same trends emerged when evaluating the home countries of buyers in 2021. Acquisitions by U.S.-based buyers increased significantly to 291 transactions, up from 184 in 2020. Acquisitions by U.K. buyers remained flat at 24, while deals involving continental European buyers nearly doubled to 25 transactions. Asian buyer activity similarly increased by 40%, though from a low base, to 7 deals in 2021. In one of the few Asia-to-Europe acquisitions, Singapore-based **ARA Asset Management** acquired \$1 billion AUM European asset manager **InfraRed Real Estate** in a deal which expands ARA's real estate investment capabilities and grows its strategic footprint in Europe.

Cross-border transactions reached their highest level since 2007 with 84 transactions, representing 21% of all deal activity in 2021 as consolidators sought to extend their global footprints. A considerable 26% of cross-border deals were driven by 2 buyers, both focusing on wealth management, as **Focus Financial** expanded into Australia and Europe and Canada-based **CI Financial** continued its active pace of acquiring U.S.-based wealth managers. In the largest deal of the year, **ESR Cayman** acquired **ARA Asset Management**, a peer Asian real estate specialist with \$95 billion of AUM, for \$5.2 billion. The consolidated



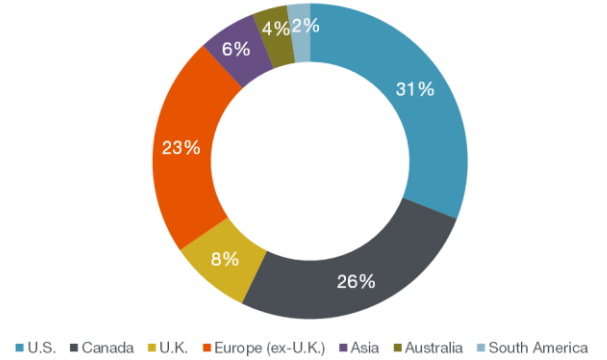
entity will be the largest real estate fund manager in the Asia-Pacific region and will focus on investments in tech-enabled real estate such as data centers.

### CROSS-BORDER TRANSACTION ACTIVITY



Source: Piper Sandler

### CROSS-BORDER ACTIVITY BY ACQUIRER DOMICILE, 2021



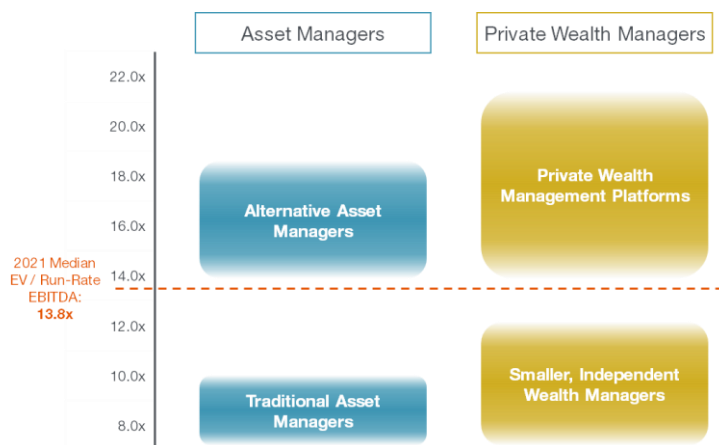
## Pricing

Significant tailwinds including a low interest rate environment, all-time high equity markets, accelerating competitive pressure to consolidate, and a frenzy of private equity interest with unprecedented levels of dry powder combined to create a strong market for sellers in the asset management space in 2021. The median asset and wealth manager M&A valuation increased significantly from levels seen in recent years with a 13.8x run-rate enterprise value (“EV”) / EBITDA, up from 10.0x in 2020 and exceeding the previous high of 11.0x in 2019. The increase primarily reflected enhanced activity in the alternative asset and wealth management segments of the market, where buyer demand pushed valuations to new heights.

In wealth management, the aforementioned competition for acquisitions drove valuation multiples north. Firms with scale and the potential to serve as platforms for future acquisitions continued to attract the strongest pricing, especially if they had already proven an ability to execute on inorganic growth. While EBITDA multiple valuations for such platform opportunities have expanded into the high teens and twenties, smaller RIA acquisition targets for these platforms have also experienced robust growth in valuation multiples. Prior to the beginning of the material uptick in wealth management deal activity in 2018, a smaller wealth manager may have achieved a 6.0x-8.0x EBITDA multiple if they checked the right boxes for a specific acquirer. In 2021, valuations for similar firms at times exceeded 10.0x EBITDA as the breadth of the potential buyer universe continued to expand and buyers competed for targets.

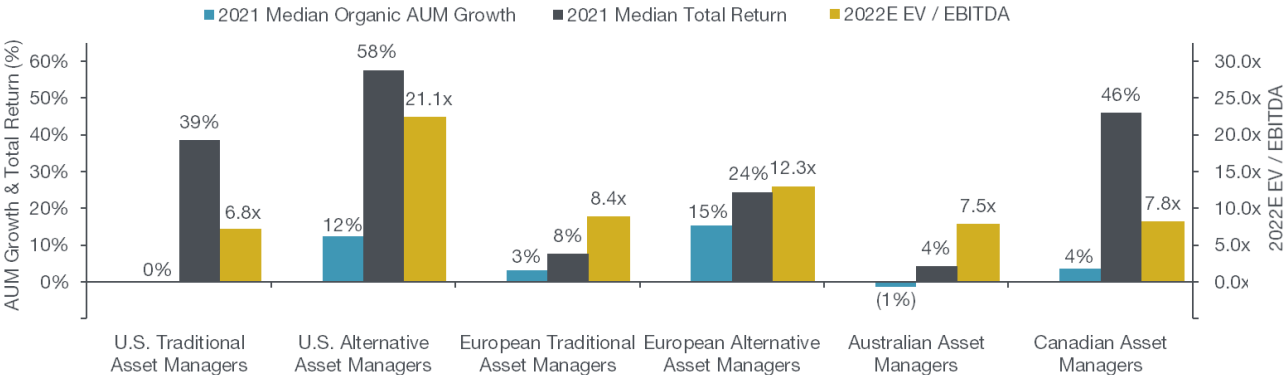
Beyond the wealth management space, a clear divergence persisted in valuations for traditional and alternative asset managers. Traditional firms continued to experience stagnant growth, while alternative asset managers benefited from robust organic growth coupled with longer-locked revenue streams. Whereas alternative asset managers can typically expect EBITDA multiples of 12.0x-18.0x, pricing for traditional asset managers has trended below 10.0x EBITDA unless a seller can offer distinctive investment capabilities with a proven track record of organic growth. For both alternative and traditional firms, buyers offer premium pricing for highly differentiated strategies with known client demand. However, in the current market traditional managers that do not offer consolidation opportunities or a product set that is distinctive in strategy or performance struggle to find partners.

### REPRESENTATIVE RUN-RUN EV / EBITDA TRANSACTION MULTIPLES



For the third straight year, publicly traded asset managers delivered positive returns in the U.S., driven by stronger earnings expectations in light of markets continuing to reach new heights. Traditional asset managers generated an impressive 2021 median dividend-adjusted stock price return of 39% in the U.S. and 8% in Europe. These firms were largely able to reverse long-term persistent net outflows for the second year in a row, maintaining positive inflows in the U.S. and Europe. Alternative asset managers showcased another year of stellar performance in 2021 with a 58% median return in the U.S. European alternative managers experienced comparably strong growth in 2021 in excess of 24% as the alternatives sector’s robust growth continues to draw investor interest, which is in turn drawing more alternative asset managers to go public.

**2021 PERFORMANCE OF PUBLICLY TRADED ASSET MANAGERS**



Note: Organic AUM growth rates represent figures for 2021 or most recently available LTM flow information; TEV / EBITDA multiples are as of 12/31/2021

Source: Company Filings, FactSet, Piper Sandler Analysis

## The Year Ahead

The pandemic radically changed so much in the day-to-day work life of asset and wealth managers while creating a perfect storm for M&A activity in 2021. Anticipated tax hikes, historically low interest rates, strong equity markets and postponed 2020 sales as well as a 24/7 work week for many owners and executives who were not traveling personally or professionally all created an ideal environment to reach new M&A highs in 2021. While some of those factors are becoming less present, the strategic needs of players across all sectors of the asset and wealth management industry remain high given the re-shaping of the industry driven by age demographics, client preferences, and technology. M&A will continue to play a central role in strategic decision-making. Our key themes and expectations for 2022 are as follows:

- *Wealth Management Continues Record Wave of M&A Activity:* Even as each year sets another record for wealth management M&A activity, the sector is still only in the early innings of its consolidation. The industry remains highly fragmented, with 5,000+ RIA firms managing fewer than \$1B in client assets. Wealth managers of all sizes are now re-evaluating their long-term strategic direction and strongly considering M&A as a buyer or seller. After nearly two dozen private equity investments in wealth management platforms in 2021, potential sellers should expect to find a wealth of options.
- *Larger Universe Seeking Partners in the Alternative Asset Management Space:* Alternative asset management has become a fertile ground for M&A. Deal activity will continue to accelerate as an increasing number of firms seek to build out their alternative asset management capabilities. Traditional managers seeing stagnation in their legacy businesses will aim to build out their platforms to accommodate where investor interest is strongest. Alternative asset management specialists will strive to expand their capabilities and target distribution channels that have historically been reserved for long-only strategies. Financial sponsors, primarily through minority stake specialist vehicles, will continue to deploy capital in large sums to capitalize on favorable sector trends and the strategic and liquidity needs of sellers.
- *Specialized High-Performing Managers Driving M&A in the Traditional Space:* Fewer opportunities to extract significant cost synergies from targets remain after years of traditional manager consolidation. While there are still several mega targets that could consolidate, only a handful of firms are positioned to pursue such opportunities. For the vast majority of traditional managers, unique investment capabilities and/or distribution reach will be a prerequisite to attract interest from potential partners.
- *Rising Interest Rates and Market Volatility Will Not Dampen Buyer Interest:* While substantial market volatility to start 2022 has the potential to slow M&A activity, the fundamental drivers of M&A remain intact and will continue to drive future activity. Buyers will not sit on the sidelines. The industry moved through the worst of COVID-19-related market turmoil in 2020 with a robust rebound in 2021. Strategic acquirers and financial sponsors still have significant capital to deploy into an industry in which secular trends are forcing all firms to reposition themselves for success in the future.
- *Heightened Competition Amongst Buyers Maintains Robust Pricing:* With more and more potential acquirers seeking targets in the wealth management and alternative asset management sectors, intensified competition will keep recent strong valuations steady and drive higher multiples for the most attractive opportunities. In such an environment, buyers will also need to become more flexible

in their transaction structures in order to prevail. In the traditional space, pricing will remain lower but is unlikely to be compressed further.

<b>2021 by the Numbers</b>	<b>2021</b>	<b>vs. 2020</b>
Asset Management Transactions	392	↑
Aggregate Disclosed Deal Value	\$39.5 billion	↑
Aggregate AUM Transacted	\$3.3 trillion	↑
Traditional Asset Manager Sales	68	↑
Alternative Asset Manager Sales	78	↑
Private Wealth Manager Sales	246	↑
Minority Stake Transactions	82	↑
Initial Public Offerings	7	↑
Cross-Border Transactions	84	↑
Median Forward P/E Multiple - Publicly Traded U.S. Traditional Managers	10.8x	↓
Median Forward P/E Multiple - Publicly Traded U.S. Alternative Managers	17.7x	↓
Median Run-Rate EBITDA Multiple - Private Transactions (Globally)	13.8x	↑

Source: Piper Sandler, FactSet, Company Filings

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In 2021, Piper Sandler was the top financial services M&A advisor by number of deals for the 10<sup>th</sup> consecutive year, advising on 52 transactions with an aggregate disclosed deal value of \$31 billion.<sup>1</sup>

1) Source: S&P Global Market Intelligence. 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 management industry since the start of 2021.

<p>\$97,500,000</p>  <p>Capital Introduction</p> <p>Referral Agent March 2022</p>	<p></p> <p>has sold a minority stake to</p>  <p>Sell-Side Advisor to Radcliffe Capital Management January 2022</p>	<p><b>O'SHARES ETFs</b></p> <p>has agreed to a strategic transaction with</p>  <p>Financial Advisor to O'Shares ETFs January 2022</p>	<p>\$136,000,000</p>  <p>Follow-On Offering</p> <p>Co-Manager November 2021</p>	<p> <b>BALANCE POINT CAPITAL PARTNERS</b></p> <p>has completed a strategic minority investment from</p>  <p>Sell-Side Advisor to Balance Point November 2021</p>
<p><b>NOVUS</b></p> <p>has been acquired by</p> <p><b>SEI</b></p> <p>Sell-Side Advisor to Novus Partners November 2021</p>	<p>\$318,750,000</p>  <p>Initial Public Offering</p> <p>Joint Bookrunner October 2021</p>	<p>\$1,400,000,000</p>  <p><b>ALUARIUM</b></p> <p>has agreed to buy Aluorum Tiedemann</p>  <p>and list on Nasdaq via a combination with Cartesian Growth Corp. Advisor to Tiedemann Advisors &amp; TIG Advisors September 2021</p>	<p> <b>ARK INVEST</b></p> <p>has repurchased 100% of the equity interests in ARK Invest held by</p>  <p>Buy-Side Advisor to ARK Invest August 2021</p>	<p> <b>Richard Bernstein Advisors</b></p> <p>has sold a minority stake to</p>  <p>Sell-Side Advisor to RBA July 2021</p>
<p> <b>pfm</b></p> <p>has sold PFM Asset Management to</p>  <p>Sell-Side Advisor to PFM July 2021</p>	<p> <b>TCG</b></p> <p>has been acquired by</p>  <p>Sell-Side Advisor to TCG July 2021</p>	<p>\$90,000,000</p>  <p>Senior Unsecured Notes Offering</p> <p>Sole Placement Agent July 2021</p>	<p> <b>LIDO ADVISORS</b></p> <p>has entered into a strategic partnership with</p>  <p>Sell-Side Advisor to Lido Advisors May 2021</p>	<p>\$100,000,000</p>  <p>Senior Credit Facility</p> <p>Sole Underwriter May 2021</p>
<p> <b>AIG</b></p> <p>has sold certain Retail Mutual Fund business assets of AIG Life &amp; Retirement to</p>  <p>Sell-Side Advisor to AIG February 2021</p>	<p> <b>Westchester Capital Management</b></p> <p>has been acquired by</p>  <p>Sell-Side Advisor to Westchester Capital Management February 2021</p>	<p> <b>ATG</b></p> <p>has sold ATG Trust Company to</p>  <p>Sell-Side Advisor to ATG February 2021</p>	<p>\$276,000,000</p>  <p>Initial Public Offering</p> <p>Joint Bookrunner February 2021</p>	<p><b>361 CAPITAL</b></p> <p>has been acquired by</p>  <p>Sell-Side Advisor to 361 Capital January 2021</p>

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