



Business Valuation  
& Advisory

Market Report

# Asset Management Industry 2015



New York

Chicago

Boston

Hartford

Orlando

Princeton

[www.mpival.com](http://www.mpival.com)

## Table of Contents\*

<b>Industry Overview</b> .....	<b>3</b>
<b>Key Indicators</b> .....	<b>4</b>
<b>In The News</b> .....	<b>6</b>
<b>M&amp;A Overview</b> .....	<b>7</b>
<b>Market Data</b> .....	<b>8</b>
<b>About MPI</b> .....	<b>11</b>

\* This publication is also available in soft copy on the MPI website: <http://www.mpival.com/resources.html>.

## Industry Overview

This publication focuses on major events, developments and trends within the traditional (mutual funds, wealth managers) and alternative (hedge funds, private equity) segments of the Asset Management Industry.

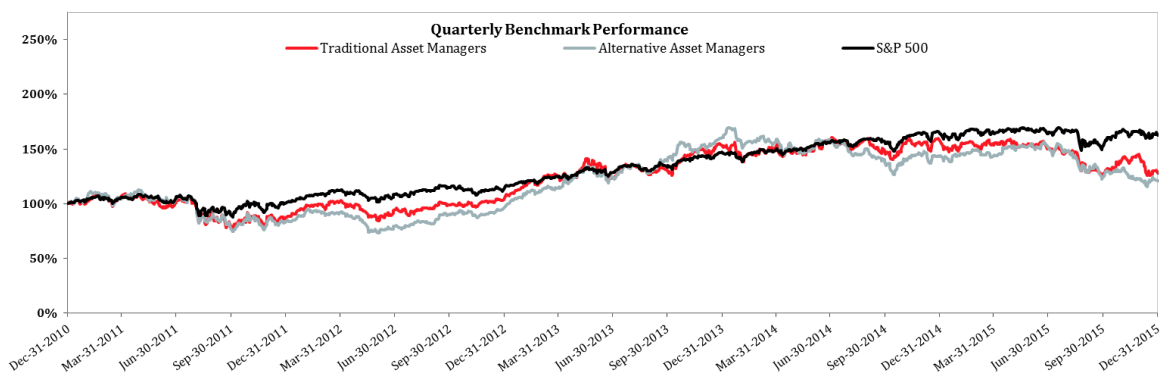
The Asset Management Industry is in the midst of a recovery: Revenue grew at a compound annual growth rate of 5.3% in the traditional space in the last five years through 2015 and 7.7% in the alternative space over the same period. Revenue for both traditional and alternative managers surpassed pre-recession highs in 2012. However in fiscal 2015, traditional asset manager stock prices decreased 27.8%, and alternative asset manager prices declined 23.1%. Presently, the following trends are shaping the industry.

**The Traditional/Alternative Divide Begins to Blur:** A new type of investment product is gaining popularity in the industry: “hedged” or “alternative” mutual funds. Alternative asset managers are beginning to offer their services in a mutual fund format, providing smaller retail clients with exposure to traditionally exclusive investment strategies.

**The Demographic Benefit:** The aging populations of developed economies are contributing to greater AUM through pension funds and demand for capital preservation.

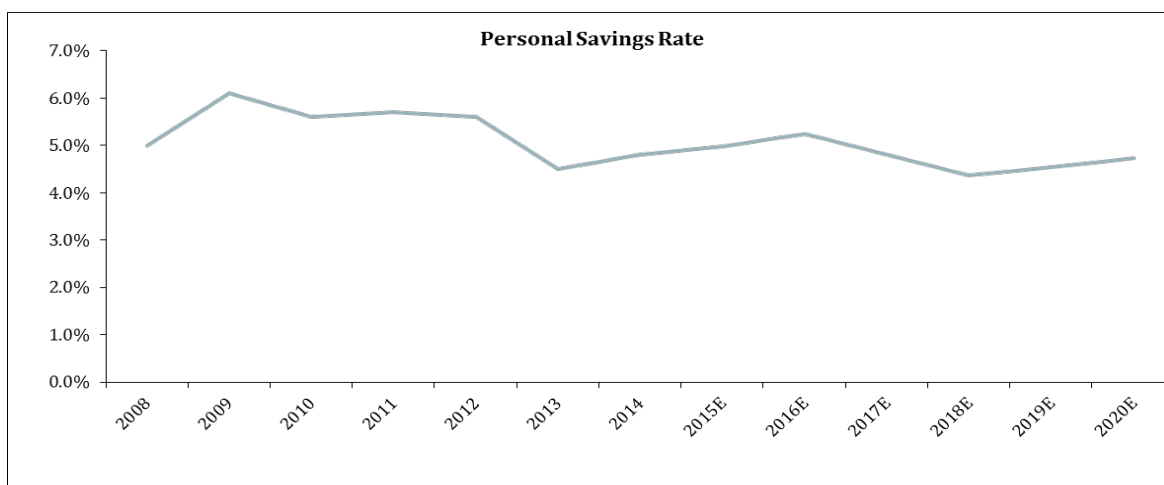
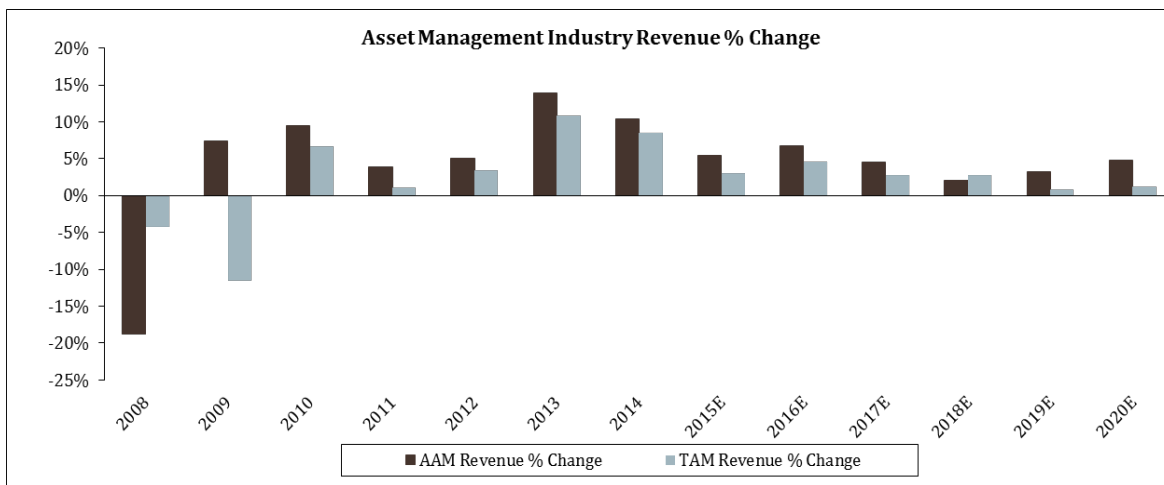
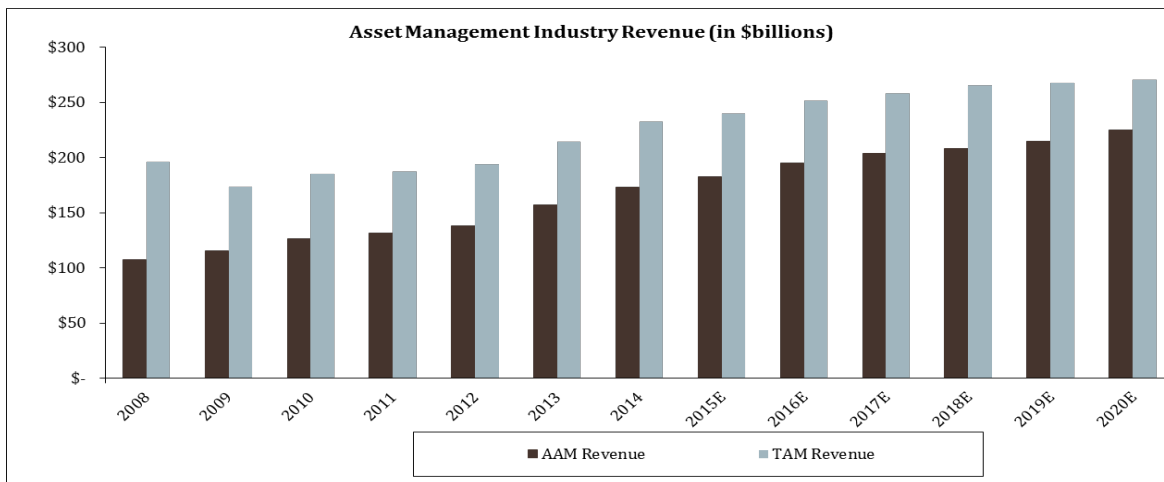
**The Regulatory Burden:** The Dodd-Frank Wall Street Reform and Consumer Protection Act took effect in mid-2015, leading to greater compliance costs. The Volcker Rule, contained within the act, places restrictions on the ability of bank-holding companies to invest with private equity funds and hedge funds.

As the stock price performance graph below suggests, the Asset Management Industry as a whole kept pace with the S&P 500 at the outset of the recovery but has underperformed over the last year.



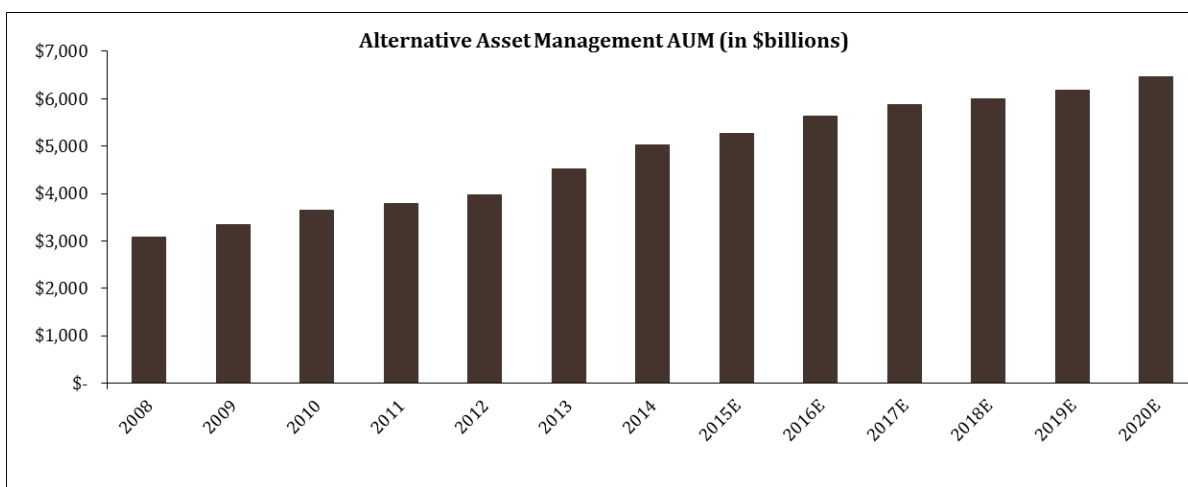
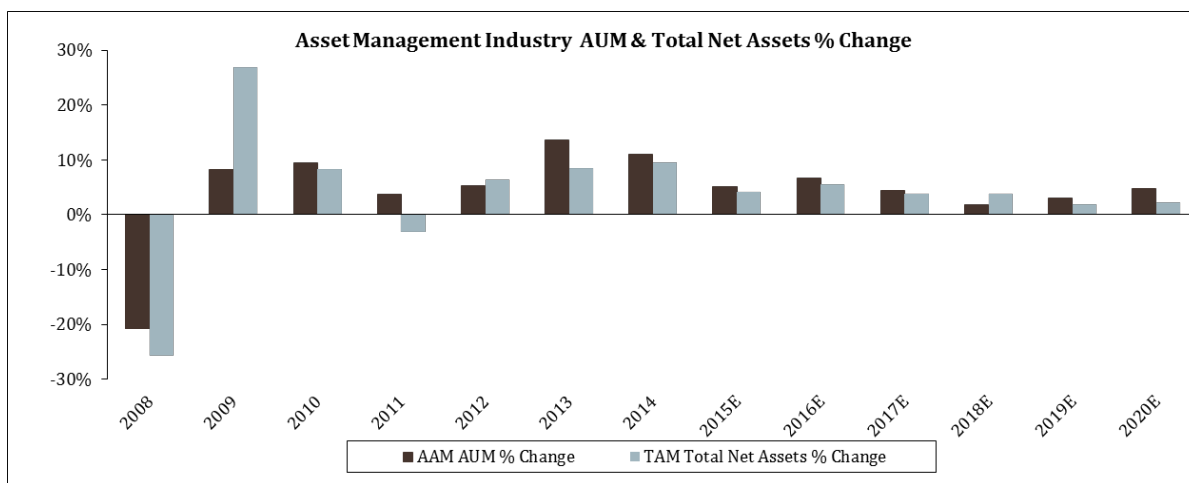
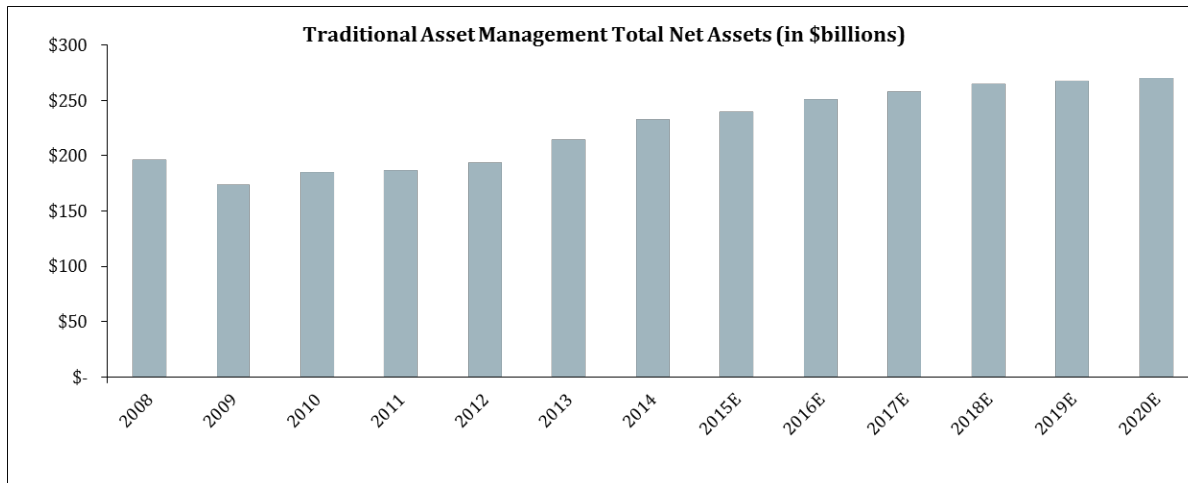
Source: IBISWorld, S&P Capital IQ and Bloomberg

## Key Indicators



Source: IBISWorld

Key Indicators (Continued)



Source: IBISWorld

## In The News...

- **The Year The Hedge-Fund Model Stalled on Main Street:** It is getting a lot harder to sell hedge-fund-style investing to the masses. More “liquid alternative” mutual funds closed in 2015 than in any year on record, according to research firm Morningstar Inc., as inflows dwindled and performance weakened. The results show that enthusiasm is fading for what had emerged in recent years as one of the hottest products in asset management – funds that combine hedge-fund strategies like shorting stock with the daily liquidity of mutual funds. In all, 31 liquid-alternative funds have been closed this year, up from 22 a year earlier, according to Morningstar. The host of funds liquidated this year include strategies run by J.P. Morgan Asset Management and Guggenheim Partners LLC. The closed funds were a range of unconstrained bond funds; managed future funds, which bet on futures contracts in a number of markets; and equity funds that bet on stocks rising and falling. (WSJ 12/31).
- **Investors in Carlyle’s Claren Road Sought to Withdraw \$1 Billion in Quarter:** Investors in Carlyle Group LP’s Claren Road Asset Management asked to withdraw nearly \$1 billion in the fourth quarter, according to people familiar with the matter, the latest in a string of setbacks for the hedge-fund firm. The \$950 million in withdrawals requested by investors before the quarterly deadline last week comes after nearly \$2 billion in such requests were made in the third quarter. The firm is expected to have \$1.25 billion under management as of January 1<sup>st</sup>, down from \$8.5 billion as recently as September 2014. The continued outflow of client money is the latest blow for Claren Road, a firm that wagers on and against debt and was known for its steady performance before notching several large losses starting in the fall. It also comes in a bruising year for hedge funds, when popular bets backfired, such as those made on an energy sector rebound stymied by a continuing slide in oil prices. Many hedge funds were hurt by bets on such health-care companies as Valeant Pharmaceuticals International Inc., which has come under scrutiny for its business and accounting practices. (WSJ 12/21).
- **Junk Fund’s Demise Fuels Concern Over Bond Rout:** Third Avenue Management LLC is barring investor withdrawals while it liquidates its high-yield bond fund, an unusual move that highlights the severity of the monthslong junk-bond plunge that has swept Wall Street. The decision by Third Avenue Management LLC means investors in the \$789 million Third Avenue Focused Credit Fund may not receive all their money back for months, if not more. Third Avenue said poor bond market trading conditions made it almost impossible to raise sufficient cash to meet redemption demands from investors without resorting to fire sales of assets. While hedge-funds have occasionally prevented investors from taking out their money, such a move is uncommon for a mutual fund. The move is also a sign of how much the market for corporate debt is deteriorating following a long boom. Since the financial crisis, investors have sought higher-returning assets, and companies raised funds for business investment as well as for mergers, acquisitions and share buybacks. High-yield bond assets at U.S. mutual funds hit \$305 billion in June 2014, according to Morningstar Inc. data, triple their level in 2009. But investors have pulled money lately. Outflows in November were \$3.3 billion, the most since June, according to Morningstar data. (WSJ 12/10).

## M&A Overview

### U.S. Market Activity

Historically, growth in deal count exceeded volume indicating a much more active middle market and smaller deal sizes. While deal count levels have been relatively stable and consistent, in more recent quarters, volume (in dollars) has been trending higher, suggesting larger transactions and higher valuations. Market conditions are primed for deal making.

### Highlighted Transactions

#### *Ares Holdings L.P. Cancels Acquisition of Kayne Anderson Capital Advisors, L.P.*

Ares Holdings L.P. and Ares Investments L.P. (“Ares”) entered into a definitive merger agreement to acquire Kayne Anderson Capital Advisors, L.P. from Kayne Anderson Rudnick Investment Management, LLC and others (“Kayne”) for approximately \$2.6 billion on July 23, 2015. Kayne specializes in alternative investment management in energy marketable securities, upstream energy private equity, growth private equity, real estate private equity, middle market credit, and municipal opportunities. The consideration consisted of 94.7 million partnership interests in each of Ares entities and \$750 million of cash consideration, in each case, subject to certain potential adjustments as set forth in the merger agreement. Ares cancelled the acquisition of Kayne on October 27, 2015. As per the termination agreement, Ares will invest \$150 million of capital into Kayne’s energy activities to be managed by Kayne.



#### *CPPIB Credit Investments Acquires GE Antares Capital*

CPPIB Credit Investments Inc. (“CPPIB”) signed an agreement to acquire GE Antares Capital (“Antares”) from General Electric Capital Corporation for \$12 billion in cash on June 9, 2015. Antares specializes in investing in leveraged buyouts, recapitalization, and providing capital to equity sponsors and companies in the middle market. Antares seeks to provide cross-border financing capabilities, with an emphasis on Western Europe, and it prefers to make equity investments between \$5 million to \$25 million in firms having enterprise value between \$50 million to \$150 million. The firm typically invests along-side private equity sponsors and acts solely as a minority investor. CPPIB also acquired Antares management. Post-closing, Antares operates as a standalone, independent business governed by its own Board of Directors and will retain the brand most associated with its long and impressive track record in the U.S. middle market. CPPIB completed the acquisition of Antares on August 21, 2015.

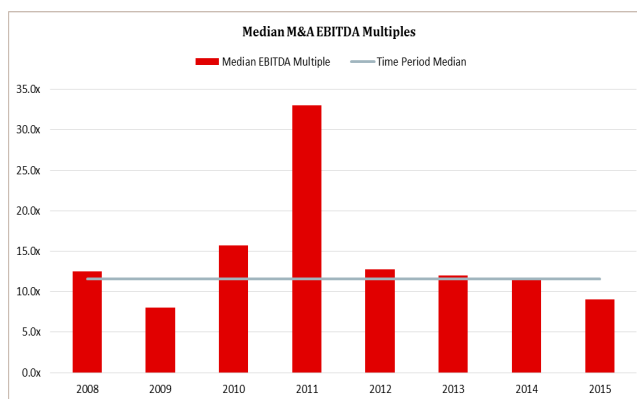
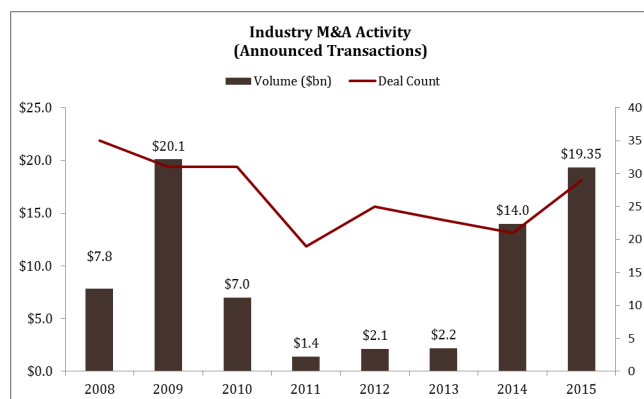


Source: S&P Capital IQ



## Market Data

### Industry Trends



### Recent Transactions

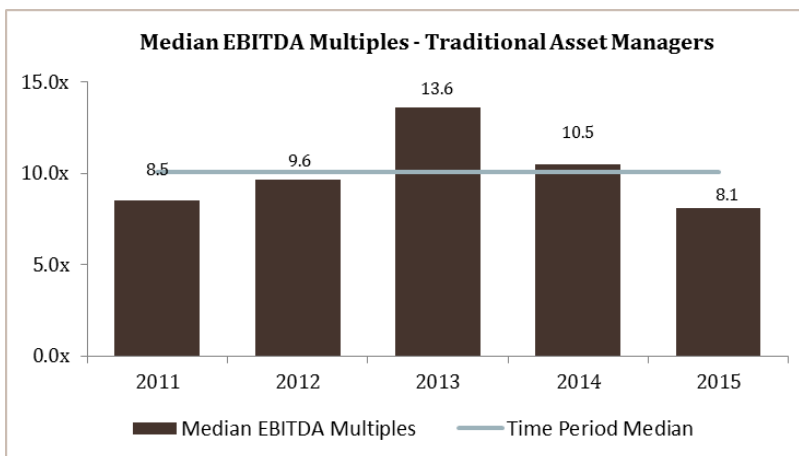
Announced Date	Buyer	Target	Target Description
12/16/2015	Chartwell Investment Partners, LLC	The Killen Group, Inc.	The Killen Group, Inc. is an employee owned investment manager.
11/30/2015	Financial Institutions Inc.	Courier Capital Corporation	Courier Capital Corporation is an employee owned investment manager.
11/9/2015	Hatteras Funds Management Group	Hatteras Funds, LLC, Liquid Alternatives Investment Management Platform	Hatteras Funds, LLC, Liquid Alternatives Investment Management Platform comprises an investment management platform.
11/5/2015	Financial Engines, Inc.	The Mutual Fund Store, LLC	The Mutual Fund Store, LLC provides investment advisory and asset management services for clients.
11/5/2015	Conning & Company, Asset Management Arm	Octagon Credit Investors, LLC	Octagon Credit Investors, LLC is a privately owned investment manager.
10/8/2015	TA Associates Management, L.P.; Reverence Capital Partners LLC	Frank Russell Company	Frank Russell Company is a privately owned investment manager.
9/16/2015	NewStar Financial, Inc.	Foc Partners (nka:NewStar Capital, LLC)	NewStar Capital, LLC is a privately owned hedge fund sponsor.
09/10/2015	TPG Specialty Lending, Inc.; TSL Advisers, LLC	TICC Capital Corp.	TICC Capital Corp., a business development company, operates as a closed-end, non-diversified management investment company.
8/6/2015	Apollo Global Management, LLC	AR Global Investments, LLC	AR Global Investments, LLC is a real estate investment firm based in the United States.
7/23/2015	Ares Holdings L.P.; Ares Investments L.P.	Kayne Anderson Capital Advisors, L.P.	Kayne Anderson Capital Advisors, L.P. specializes in alternative investment management in energy marketable securities, upstream energy private equity, growth private equity, real estate private equity, middle market credit, and municipal opportunities.
7/3/2015	Broadmeadow Capital, Llc	F-Squared Investment Management, LLC	As of September 23, 2015, F-Squared Investment Management, LLC operates as a subsidiary of Broadmeadow Capital, Llc.
6/17/2015	First Republic Investment Management, Inc.	Constellation Wealth Advisors, LLC	Constellation Wealth Advisors, LLC is a principal investment firm and is based in New York, New York.
6/9/2015	CPPIB Credit Investments Inc.	GE Antares Capital (nka:Antares Capital)	Antares Capital, formerly known as GE Antares Capital, is a private equity arm of CPPIB Credit Investments Inc. specializing in investing in leveraged buyouts, recapitalization, and providing restructurings finance capital to equity sponsors and companies in the middle market.
6/2/2015	Washington Trust Bancorp Inc.	Halsey Associates, Inc.	Halsey Associates, Inc. is a privately owned investment manager.
6/1/2015	Difference Capital Financial Inc.	Difference Capital Inc.	Difference Capital Inc. is a principal investment firm and is based in Canada.
5/4/2015	HC2 Holdings, Inc.	MCG Capital Corporation	MCG Capital Corporation is a private equity firm specializing in debt, equity, and recapitalization investments in middle and lower middle market companies.



## Market Data (Continued)

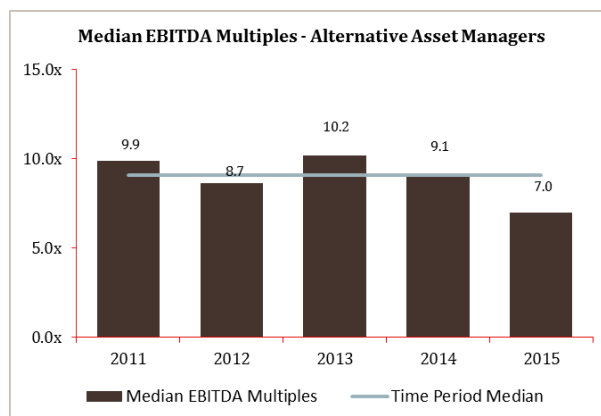
### Public Market Data (1)

Company	Guideline Ticker	12/31/2015 Close (2)	52-Week		Enterprise Value (EV) (3)	AUM	EV/AUM Current	EV/Revenue		EV/EBITDA		Market Cap/Earnings	
			High	Low				LTM	NFY	LTM	NFY	LTM	NFY (4)
<i>Traditional Asset Managers</i>													
BlackRock, Inc.	BLK	340.52	382.84	275.00	55,527	4,505,721	1.2%	4.9x	4.6x	11.3x	10.6x	17.2x	17.2x
Cohen & Steers Inc.	CNS	30.48	47.16	25.84	1,227	49,744	2.5%	3.7x	3.7x	9.2x	8.9x	18.6x	17.6x
Diamond Hill Investment Group Inc.	DHIL	189.00	231.85	126.31	527	15,914	3.3%	4.4x	NA	8.8x	NA	15.4x	NA
Eaton Vance Corp.	EV	32.43	44.18	31.02	3,886	311,354	1.2%	2.8x	2.6x	7.8x	7.1x	16.4x	13.9x
Federated Investors, Inc.	FII	28.65	35.75	27.51	2,895	350,958	0.8%	3.2x	2.6x	10.4x	8.5x	18.4x	18.4x
Franklin Resources, Inc.	BEN	36.82	55.91	34.62	15,217	770,900	2.0%	1.9x	2.1x	4.9x	5.6x	10.9x	12.0x
GAMCO Investors, Inc.	GBL	31.04	89.39	29.13	489	39,575	1.2%	1.2x	NA	3.3x	NA	10.0x	10.7x
Invesco Ltd.	IVZ	33.48	42.05	30.12	20,081	755,800	2.7%	3.9x	3.7x	13.5x	11.8x	13.7x	13.6x
Janus Capital Group, Inc.	JNS	14.09	18.98	13.12	2,480	185,000	1.3%	2.3x	2.2x	7.1x	6.6x	16.7x	16.4x
Legg Mason Inc.	LM	39.23	59.19	37.84	4,251	672,100	0.6%	1.5x	1.5x	7.3x	6.6x	13.3x	13.4x
SEI Investments Co.	SEIC	52.40	55.48	38.03	7,979	244,500	3.3%	6.0x	5.5x	20.1x	14.3x	26.4x	25.9x
T. Rowe Price Group, Inc.	TROW	71.49	87.22	65.88	16,713	725,500	2.3%	4.0x	3.9x	8.2x	8.0x	14.5x	15.1x
Virtus Investment Partners, Inc.	VRTS	117.46	171.00	94.52	908	47,938	1.9%	2.2x	2.5x	7.3x	8.0x	21.5x	14.3x
Waddell & Reed Financial, Inc.	WDR	28.66	51.80	27.82	1,736	106,192	1.6%	1.1x	1.2x	3.8x	4.3x	9.0x	9.7x
Westwood Holdings Group Inc.	WHG	52.09	64.09	48.30	368	20,375	1.8%	2.9x	NA	8.1x	NA	15.8x	NA
<b>Median</b>			<b>244,500</b>				<b>1.8%</b>	<b>2.9x</b>	<b>2.6x</b>	<b>8.1x</b>	<b>8.0x</b>	<b>15.8x</b>	<b>14.3x</b>



## Market Data (Continued)

Company	Guideline Ticker	12/31/2015 Close <sup>(2)</sup>	52-Week		Enterprise Value (EV) <sup>(3)</sup>	Fee-Paying AUM	EV/AUM Current	EV/Revenue		EV/EBITDA		Consensus Growth <sup>(4)</sup>	
			High	Low				LTM	NFY	LTM	NFY	EBITDA	EPS
<b>Alternative Asset Managers</b>													
Apollo Global Management, LLC	APO	15.18	25.80	14.15	5,056	131,068	3.9%	4.5x	2.5x	4.6x	5.5x	38.8%	26.6%
Ashmore Group PLC	ASHM	2.56	3.35	2.34	1,234	39,896	3.1%	4.6x	5.0x	7.0x	8.2x	3.7%	7.3%
Fortress Investment Group LLC	FIG	5.09	8.65	4.16	885	74,300	1.2%	1.0x	0.8x	2.6x	2.6x	NA	2.5%
KKR & Co. L.P.	KKR	15.59	25.04	8.00	4,518	46,200	9.8%	1.6x	1.2x	3.5x	2.2x	NA	22.9%
Oaktree Capital Group, LLC	OAK	47.72	57.07	45.67	4,887	76,489	6.4%	4.0x	3.1x	12.7x	6.8x	22.2%	18.0%
Och-Ziff Capital Management Group LLC	OZM	6.23	13.49	5.06	3,159	44,600	7.1%	2.6x	2.3x	4.2x	3.9x	28.2%	22.2%
Partners Group Holding AG	PGHN	361.25	380.00	224.10	9,068	42,100	21.5%	16.3x	12.9x	20.3x	21.4x	10.1%	8.9%
Polar Capital Holdings plc	AIM:POLR	4.06	4.90	3.35	293	10,900	2.7%	3.3x	3.1x	9.7x	9.2x	NA	2.8%
Sprott Inc.	SII	2.38	2.96	1.97	309	7,400	4.2%	2.5x	2.2x	14.6x	7.5x	NA	NA
The Blackstone Group L.P.	BX	29.24	44.43	26.82	19,736	240,900	8.2%	3.1x	2.6x	8.2x	4.9x	22.3%	0.2%
The Carlyle Group LP	CG	15.62	31.88	14.78	2,697	129,000	2.1%	0.9x	0.9x	5.4x	0.3x	3.6%	5.1%
<b>Median</b>						<b>46,200</b>	<b>4.2%</b>	<b>3.1x</b>	<b>2.5x</b>	<b>7.0x</b>	<b>5.5x</b>	<b>22.2%</b>	<b>8.1%</b>



**Notes:**

- (1) As reported by Capital IQ.
- (2) Reported in local currency.
- (3) In millions of local currency.
- (4) Represents two-year analyst estimates.

**Definitions:**

Enterprise Value – Defined as “market cap. + total debt + preferred equity – cash and equivalents – long term investments”

AUM – Assets Under Management

EBITDA – adjusted earnings before interest, taxes, depreciation and amortization.

NFY – next fiscal year.

EPS – earnings per share.

NA – not available, NM – not meaningful

## About MPI

*MPI is a full service valuation and investment banking firm serving both private and publicly held companies. Since 1939, MPI has prepared thousands of valuations in a wide variety of industries and for many purposes. Our valuation and investment banking practices are national in scope, with clients in every state. We have significant experience providing advisory services to Boards and management teams on topics such as shareholder liquidity options and the valuation implications of various strategic initiatives. Our valuation services can be broadly categorized into Corporate, Transaction Advisory, Financial Reporting, Litigation Support and Tax-Based applications.*

*For additional information pertaining to MPI or MPIS and our valuation and advisory services, visit <http://www.mpival.com>.*

## Contacts For This Report:

### **Daniel M. Kerrigan, CFA**

President

(609) 955-5732

[dkerrigan@mpival.com](mailto:dkerrigan@mpival.com)

### **Todd G. Povlich, CFA, ASA**

Partner

(609) 955-5752

[tpovlich@mpival.com](mailto:tpovlich@mpival.com)

**DISCLAIMERS:** The information provided in this publication is only general in nature. It has been prepared without taking into account any specific objectives, financial circumstances or needs. Accordingly, MPI disclaims any and all guarantees, undertakings and warranties, expressed or implied, and shall not be liable for any loss or damage whatsoever (including human or computer error, negligent or otherwise, or actual, incidental, consequential or any other loss or damage) arising out of or in connection with any use or reliance upon the information or advice contained within this publication. The viewer must accept sole responsibility associated with the use of the material in this publication, irrespective of the purpose for which such use or results are applied. This material should not be viewed as advice or recommendations. This information is not intended to, and should not, form a primary basis for any investment, valuation or other decisions. MPI is not acting as a fiduciary, an expert or advisor in any capacity whatsoever in providing the information set forth herein. The information set forth herein may not be relied upon and is not a substitute for competent legal and financial advice. The viewer of this material is cautioned and advised to consult with his or her own legal and financial counsel in evaluating the information provided herein.

The information provided in this publication is based on public information. MPI makes every effort to use reliable and comprehensive information, but makes no warranties or representations of any kind relating to the accuracy, completeness or timeliness of the information provided herein and MPI shall not have liability for any damages of any kind relating to any reliance on such data. Further, the information set forth herein is continuously subject to change and may fluctuate. MPI has no obligation to update the information set forth herein or to advise the viewer when opinions or information may change.

Investment banking and transaction advisory services are provided by MPI Securities, Inc., member FINRA/SIPC. Persons affiliated with MPI Securities, Inc. are registered representatives of and securities are offered through MPI Securities, Inc. This publication is not a solicitation or offer to buy or sell securities. The information contained in this publication was prepared for information purposes only and was not intended or written to be used as investment or tax advice or as a recommendation to buy or sell securities.