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Berkshire Capital Securities LLC

535 Madison Avenue, 19th Floor
New York, NY 10022
+1 212 207 1000

One Market Street, Spear Tower, Suite 3600
San Francisco, CA 94105
+1 415 293 8426

999 Eighteenth Street, Suite 3000
Denver, CO 80202
+1 303 893 2899

Level 2, 9 Castlereagh Street
Sydney, NSW, 2000
+61 419 460 509

Berkshire Capital Securities Ltd

Cayzer House
30 Buckingham Gate
London, SW1E 6NN
+44 20 7828 2828

'To raise, perchance to tarry, there's the rub'

To raise or not to raise? That is the question the Federal Reserve pondered in the first half. In a March news conference that followed a policy committee meeting in which the Fed dismissed its promise to be "patient," Fed Chair Janet Yellen nevertheless underlined the Fed's intention to let the data drive decisions. "Just because we removed the word 'patient' from the statement doesn't mean we are going to be 'impatient,'' she told reporters, displaying dexterity as a wordsmith that the Bard himself might have applauded.

As the Fed considered the timing for tightening — opting to stand pat at its latest mid-June meeting — central banks elsewhere were heading in the opposite direction. Key among them was the European Central Bank, which kicked off its own version of quantitative easing to the tune of €60 billion ($68 billion) in monthly purchases of government and private debt. Outside the euro zone, the central banks of Denmark and Switzerland introduced negative interest rates, while investors drove rates on German five- and seven-year paper into negative territory in February (European bond markets experienced a messy selloff in June). Lenders in parts of Europe found themselves actually applying credit to floating rate mortgages once rates went negative. In export-dependent Asia, concerns about slower growth led a number of countries to lower their rates. In March alone, these included China, India, South Korea and Thailand.

Those rate cuts in the face of an anticipated U.S. increase and the relative strength of the U.S. economy coming out of 2014 contributed to a muscular dollar that weighed on first-quarter U.S. corporate results. Of the 12 companies in the Dow Jones Industrial Average that provided European revenue numbers, 11 cited a negative currency impact on revenues, earnings or both, according to FactSet. And while aggregate first-quarter earnings growth among S&P 500 companies was better than expected, it remained a weak 0.3%, weighed down as well by the energy sector. (Minus energy, S&P earnings rose a more impressive 8%.) Analysts are projecting negative earnings growth through the third quarter.

In Europe, meanwhile, markets took flight, prodded along by the ECB's easy monetary policy, with the FTSE Eurofirst 300 index having reached its highest level since 2000 in April and several markets having delivered gains of 20%-plus during that period, including France and Germany. By May, however, markets had given back some of those rapid gains. In China, the retail-driven Shanghai Composite Index was beating all markets, rising 60% through early June before sliding 13% the week of June 15.

For the largest asset managers, the first quarter was generally positive. **BlackRock**'s net earnings rose nearly 9% from the year-earlier period while AUM climbed 8% to $4.8 trillion, including net inflows in the quarter of $70 billion, primarily in bond and exchange traded funds. **Blackstone Group** became the first alternative asset manager to top the $300 billion mark in AUM, doubled economic net income in

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the quarter to $1.6 billion, and declared a record dividend. Limited partners also added $30 billion in new capital to the firm's coffers in the quarter, underlining the continued institutional appetite for private equity investments. **Janus Capital Group** reported a 46% jump in net earnings and the strongest quarterly net inflows in its equity funds in seven years. In Europe, **Schroders** reported a 14% gain in pretax earnings in the first quarter while **UBS** registered an 88% increase in net profit to CHF 2 billion ($2.1 billion), with the wealth management business delivering its most profitable quarter since 2008.

These results came on top of a solid 2014, when median revenue growth for publicly traded asset managers rose 13% and median profit margins reached their highest level (33%) in five years, according to a survey released in March by Casey, Quirk & Associates. U.K. managers trailed their peers in North America and Australia, generating just 3% median revenue growth, and one-quarter of the 62 managers in Casey, Quirk's data base reported net outflows.

Coming off a robust 2014 that saw total transaction value climb to the highest level since 2009, at $26.4 billion, the asset management industry logged several additional large deals in the first half. Two involved wealth management businesses in whole or part: **Royal Bank of Canada**'s $5.4 billion acquisition of bank and wealth manager **City National Corp.** of Los Angeles; and **Union Bancaire Privee**'s purchase of the **Coutts** international private banking arm of **Royal Bank of Scotland**, for a price that is expected to range around $400 million at closing. In a European deal with a transatlantic element and multiple players, **Santander**, **UniCredit** and private equity firms **General Atlantic** and **Warburg Pincus** signed a preliminary agreement to combine UniCredit-owned **Pioneer Investments** and **Santander Asset Management** (SAM). The deal values the combined firm at nearly €5.4 billion ($5.8 billion) and reportedly will include a €1 billion payment from the private equity firms and Santander to UniCredit.

In France, **Natixis** reportedly paid €549 million for 71% of wealth and institutional manager **DNCA Finance** in a bid to expand "its multi-affiliate model in Europe." In two hedge fund investments reportedly in the $400 million to $500 million range, the family office of Google Executive Director Eric Schmidt acquired the 20% stake in quantitative hedge fund **D.E. Shaw** owned by the estate of Lehman Brothers while **Neuberger Berman** bought a 20% stake in noted activist hedge fund **Jana Partners**.

The second half could see a a few other large deals, including the sale by **London Stock Exchange** of the asset management and consulting business of **Russell Investments**, which LSE acquired last year for $2.7 billion along with Russell's large index business. **Morgan Stanley** is also reportedly seeking to divest the minority stakes it bought in hedge funds **Lansdowne Partners** and **Avenue Capital Group** in 2006, when it invested an estimated $1 billion in four such deals. Blackstone and **Corsair Capital** are also reviewing a major investment in **First Eagle Investment Management**.

There were some continuing themes from recent years in the first half. The exchange traded fund and index arenas generated two transactions in the first half following a very active 2014 in which **Goldman Sachs**, Janus Capital, London Stock Exchange and **New York Life** made acquisitions of ETFs or index product providers. **Nasdaq** accounted for the largest such deal in the first half, paying $225 million for indexing and smart beta provider **Dorsey, Wright & Associates**. The exchange was joined by **Raymond James Financial**, which acquired Canadian ETF asset allocation strategist **Cougar Global Investments**. Royal Bank of Scotland's sale of Coutts to Union Bancaire Privee underlines the ongoing fallout from the financial crisis, as government-controlled RBS shrinks its global footprint.

Canadian firms maintained the aggressive posture that has characterized their actions since the crisis began, extending their geographic reach in three deals of note, including the Royal Bank of Canada purchase. City National Corp. adds $49 billion in wealth management AUM to RBC's existing platform and a presence in the key markets of Los Angeles, New York and San Francisco. The other two deals were far smaller but significant, led by **Fiera Capital Corp.**'s acquisition of New York fixed income manager **Samson Capital Advisors**. Fiera, an aggressive Montreal-based buyer of asset managers in both Canada and the U.S., was joined by **Sun Life Financial**, which also tapped a New York fixed income and liability-driven investment specialist, **Ryan Labs Asset Management**.

A number of modest transactions in the wealth sector underlined the ongoing pressures on small managers to team up in search of scale. These included two all-New Jersey deals that saw **Beacon Trust Co.** acquire **MDE Group** to create a larger firm with $2.5 billion in AUM and **Peapack-Gladstone Financial Corp.** buy **Wealth Management Consultants**. The larger players made their presence felt, too. **Affiliated Managers Group** subsidiary **AMG Wealth Partners** added a fourth affiliate as it acquired one of the San Francisco Bay Area's larger independent wealth managers, **Baker Street Advisors**. **Mariner Wealth Advisors** of Kansas continued to expand its Northeast presence with the purchase of a majority interest in Pennsylvania's **Vantage Investment Advisors**.

The real estate advisory sector hosted several deals, including a management buyout that saw minority shareholder and co-founder Colin Campbell assume full control of **Pradera**. A London-based retail property specialist, Pradera manages numerous funds and operates in eight European markets. Within France, private equity firm **Weinberg Capital Partners** acquired the small European real estate advisory business of **Captiva Capital Management**. A cross border deal saw **Cromwell Property Group** of Australia acquire **Valad Europe**, a pan-European funds manager with €5.3 billion ($6 billion) in AUM across 24 mandates and 13 countries. Cromwell acquired the firm from one of Blackstone's real estate funds and Valad senior management.

In India, of late a favorite among emerging market investors, **Nippon Life Insurance** paid $108 million to hike its 26% stake in **Reliance Capital Asset Management** to 35%.

RCAM, part of financial services giant **Reliance Group**, is India's largest asset manager. In Brazil, Italian asset manager **Azimut** took a 50% stake in a small local wealth manager, **LFI Investments**.

Money Management

The growth and appeal of passive investing of various types was apparent in another two transactions in the first half of 2015, following a robust year for such deals in 2014. In the largest deal, **Nasdaq** paid $225 million for **Dorsey, Wright & Associates**, an established Virginia firm that provides indexing and smart beta products. Dorsey, whose AUM has tripled to $6 billion over the last three years, adds a total of 17 exchange traded funds to the 69 licensed smart beta ETFs Nasdaq already offered, making the exchange one of the largest providers of smart beta indexes. Smart beta has been a fast growing part of the passive arena that aims to create some value-add — and the accompanying higher fees — within the context of passively managed portfolios. Nasdaq said it will drive Dorsey's growth through a combination of product development, marketing and distribution. The deal was done with North Carolina private equity firm **Falfurrias Capital Partners**, which took a majority stake in Dorsey in 2011. Falfurrias was founded in 2006 by former **Bank of America** Chairman and CEO Hugh McColl, Jr.

The second deal saw **Raymond James Financial** acquire **Cougar Global Investments**, a Toronto ETF asset allocation strategist. Cougar, founded in 1993 and serving high net worth and institutional clients, uses a proprietary investment process to construct globally diversified ETF portfolios "with downside risk management." The company operates through four "mandates" with minimum targeted "acceptable rate[s] of return" ranging from 6% to 12%. Cougar, with more than $1 billion in AUM primarily from U.S. investors, will become a subsidiary of Raymond James and a subadvisor for its parent's **Eagle Asset Management** unit (AUM: $30 billion). Worldwide, the ETF industry garnered a record $96 billion in net inflows in the first quarter, or more than twice the level last year, to approach $3 trillion in total, according to consultant ETFGI.

There were two other North American cross border deals, both involving Canadian buyers. In the larger one, **Fiera Capital Corp.** of Montreal continued to expand aggressively via acquisition in buying a New York fixed income manager, **Samson Capital Advisors** (AUM: $7.6 billion). Fiera, which will pay some $33.5 million in cash and shares at closing, said the deal bolsters its U.S. presence, including its wealth management business. The transaction brings Fiera's AUM to C$96 billion ($76 billion), with more than 20% of the assets U.S.-based. Prior to the deal, nearly 60% of Fiera's AUM was in fixed income, with another one-third in equities. Samson, founded in 2004, is a global fixed income and currency asset manager with a focus on tax efficiency, wealth preservation and the development of non-correlated strategies. Samson said the deal creates "a prominent North American investment management firm, within which Samson will be playing a central role, both in terms of management and future development." Samson CEO Benjamin Thompson will become president and CEO of Fiera's U.S. asset management unit.

In the additional deal, **Sun Life Financial** of Toronto acquired another New York fixed income specialist, **Ryan Labs Asset Management**. Ryan Labs manages $5.1 billion in assets for institutional clients, including liability-driven strategies benchmarked against a custom liability index, as well as total return fixed income strategies. LDI strategies have become increasingly popular with pension plans worldwide in the wake of the financial crisis, as the plans seek to de-risk their portfolios. For example, **Legal & General Investment Management**, one of Europe's largest institutional and LDI managers, reported a 22% increase in its LDI assets to £273 billion ($435 billion) in its final quarter of 2014. "Bringing an established and innovative firm like Ryan Labs into our family is a significant first step in building **Sun Life Investment Management**'s third-party business in the U.S.," said Steve Peacher, president of Sun Life Investment Management.

In an all-New York transaction, **Lebenthal Holdings** acquired a minority stake in an established small-cap specialist, **AH Lisanti Capital Growth** (AUM: $290 million). Lebenthal was joined by its CEO, Alexandra Lebenthal, who made her own separate minority investment. President and CIO Mary Lisanti will remain majority owner, but her firm will operate under the **Lebenthal Lisanti Capital Growth** brand. Mary Lisanti expressed satisfaction with the fact that she had sold a stake to another woman and told RIABiz the link to Lebenthal is "going to really help the firm grow." AH Lisanti holds a portfolio of 90 to 110 stocks with a "thematic concentration" that "offers an alpha potential higher than usually found in a portfolio of similar size." In another deal involving a small-cap specialist, **Emerald Asset Management** of Pennsylvania acquired Cleveland's **Elessar Investment Management**. Established 10 years ago, Elessar manages a small-cap value fund with a concentrated portfolio of 40 to 60 companies sporting strong cash flows and "catalysts for improved operating performance." The fund will be rebranded under the Emerald name. Emerald is an institutional and retail manager with $3.2 billion in AUM in funds, separate accounts and an ETF asset allocation portfolio.

BPV Capital Management of Tennessee acquired a 6-year-old Florida-based institutional manager, **Cain Brothers Asset Management**. The deal enhances BPV's "ability to serve institutional clients" and adds more than $1.6 billion in AUM, primarily fixed income, to the $270 million BPV already managed. Cain Brothers gains distribution and marketing support, as well as enhanced risk management capabilities. BPV, founded in 2001, has evolved from a family office into a registered investor advisor and more recently a mutual fund manager. The firm has four mutual funds under its brand name. **Federated Investors** acquired $91 million in money market funds from **Touchstone Advisors**' Ohio Tax-Free fund. The Pittsburgh money market specialist will wrap those assets into a similar Federated fund. Touchstone cited last year's money market regulatory changes in explaining the divestiture.

A cross border deal in Asia saw **Nippon Life Insurance** boost its stake in India's largest asset manager, **Reliance Capital Asset Management** (AUM: $37 billion). Nippon Life paid $108 million for an additional 9% in the firm to take the shareholding to 35%; it has the option to bring the stake to 49%. Nippon Life acquired its original 26% shareholding in RCAM in 2012 as it built off an existing relationship with RCAM parent **Reliance Group**, one of India's leading financial services firms. In 2013, Nippon Life acquired a minority stake in U.S. high-yield manager **Post Advisory Group**.

Wealth Management

The largest first-half deal with a wealth element saw **Royal Bank of Canada** pay $5.4 billion in cash and shares for Los Angeles-based bank **City National Corp.**, in yet another example of the post-financial-crisis global expansion of Canada's major banks. The offer represented a 26% premium to CNC's price prior to the announcement, or 21 times consensus 2015 earnings per share. Dave McKay, president and CEO of RBC, said the acquisition "creates a powerful expansion platform for focused long-term growth in the country which we view as our second home market." CNC has $49 billion in AUM, with assets (including another $12 billion under administration) growing 10% a year and a strong franchise in the three leading wealth markets of Los Angeles, New York and San Francisco. RBC has existing wealth management and capital markets businesses in the U.S. Elsewhere, CEO David McKay told reporters in April that the bank will "continue to look at our international wealth franchise" with an eye on restructurings and sales.

Affiliated Managers Group continued the steady pace of deals it has concluded through its **AMG Wealth Partners** subsidiary in assuming a majority stake in **Baker Street Advisors** of San Francisco. Founded in 2003 with "a cube, a phone and a fax machine," as founder Jeff Colin describes it, Baker Street has since grown into one of the Bay Area's larger independent wealth managers, with $6 billion in assets. For AMG Wealth Partners, created in 2011 to invest in independent wealth managers, Baker Street is the fourth affiliate in its portfolio. **Mariner Wealth Advisors** maintained its acquisitive stance on the East Coast with the purchase of a majority interest in **Vantage Investment Advisors**, a Pennsylvania firm with $1 billion in AUM that serves both high net worth and mass affluent clients. Vantage, founded in 2000 and part of **National Penn Bancshares** until it became independent in 2009, said Mariner will provide it "with a wide range of additional resources, products and support." Kansas-based Mariner acquired three wealth managers in the New York metropolitan area between 2012 and 2014 and has more than $12 billion in AUM.

There were a number of transactions between small wealth managers that underscore the competitive pressures on firms to gain scale. In a deal involving two New Jersey firms, **Beacon Trust Co.** acquired **MDE Group** to create a larger firm with $2.5 billion in AUM, or nearly eight times the assets Beacon managed just six years ago. In 2014, Beacon Trust, part of **Provident Financial Services**, acquired the wealth management business of a Long Island-based firm, **Suffolk County National Bank**. A second all-New Jersey transaction saw **Peapack-Gladstone Financial Corp.** acquire **Wealth Management Consultants**, which has $2 billion in assets and a specialization advising corporate executives in a variety of relevant financial areas such as retirement plans and deferred compensation. Peapack is a small publicly traded bank with $3 billion in assets in its private wealth management division. In 2014, fee income in the division rose 10% to $15.2 million, or 17% of total income.

In another deal with an East Coast target, **B. Riley Financial** of Los Angeles acquired New York's **MK Capital Advisors** as it expanded into wealth management. MK Capital, with $700 million in assets, had an existing relationship with B. Riley and said its clients will benefit from the firm's investment products and services. An OTC Bulletin Board traded stock, B. Riley has an asset management arm, through which it runs the B. Riley Diversified Equity Fund, in addition to an investment banking unit. New York's **Silvercrest Asset Management** paid $12 million for the assets of **Jamison, Eaton & Wood** of New Jersey, which manages $1 billion, primarily for high net worth investors. The deal will bring assets at publicly traded Silvercrest to $19 billion and "strengthen Silvercrest's presence in the greater New York market." Silvercrest's AUM grew by 14% last year.

In Pennsylvania, **Wescott Financial Advisory Group** added $120 million in AUM to the $2.2 billion it already managed by acquiring **Goodstein & Associates**. Founder Sandra Goodstein said the deal "allows me focus on my clients — the part of the job I love the most." The acquisition is part of Wescott's effort to expand in the Philadelphia area. A transaction between two Southern firms saw **BlueCreek Investment Partners** of Alabama and **Keel Point** of Virginia merge to form a family and institutional office with $1.5 billion in AUM. The combined firm, which will be owned by client-investors and management, also has offices in Kansas City and Washington, D.C., with management suggesting it might add offices to service "their geographically dispersed clients." Assets at the two firms have quadrupled over the past eight years.

In an all-Texas deal, asset manager **Westwood Holdings Group** of Dallas acquired wealth manager **Woodway Financial Advisors** of Houston. Brian Casey, president and CEO of Westwood, said "establishing a presence in the Houston market has been a priority for many years." Woodway was founded in 1982 and has $1.6 billion in AUM. Publicly traded Westwood has more than $20 billion in AUM, including nearly $4 billion in 12 Westwood-branded mutual funds. Westwood will pay $32 million, subject to adjustment at closing for the amount of Woodway's working capital and other financial considerations, as well as an earnout payment capped at $15 million.

Brazil's wealth market, which has drawn the attention of international buyers in recent years, played host to another cross border deal in the first half, as Italian asset manager **Azimut** acquired 50% of **LFI Investmentos**. Azimut secured the deal through its local financial advisory joint venture company, **AZ FuturaInvest**. Based in Sao Paulo, LFI has $190 million in AUM and what Azimut called a "proven track record on developing customized investment solutions." Azimut could pay around $3.2 million for its stake over five years based on performance.

Alternatives

With volatility returning to the markets in 2015, macro funds were a particular beneficiary, but in the first quarter the hedge fund industry in general delivered its strongest outperformance vs. the Standard & Poor's 500 index since the third quarter of 2011, according to HFR, gaining 2.3%. The industry also enjoyed net inflows of $18.2 billion, constituting the largest such gain since the second quarter of 2014. One of the world's largest hedge funds, **Man Group**, registered a 7% gain in AUM in the first-quarter to $78 billion, although net outflows totaled $1.3 billion.

Building off a flurry of four acquisitions it made in 2014, Man Group also extended both its traditional equity and hedge fund businesses with the purchase of **NewSmith**. Founded in 2003 and 40% owned by **Sumitomo Mitsui Trust Bank**, NewSmith has $1.2 billion in AUM and offices in the London and Tokyo. The firm invests in U.K., European, global and Japanese equities, with a mix of long-only and long-short strategies. For example, the long-short Japan New Horizons fund invests primarily in mid-caps, where the "portfolio manager considers that pricing inefficiency may be more prevalent than in large-caps." Luke Ellis, president of Man, said NewSmith adds a new dimension to the company in the form of a "Japanese hedge fund and an excellent team in Tokyo." Man and Sumitomo also announced a "strategic relationship agreement" involving the distribution of Man products by Sumitomo and product co-development. Since 2005, Sumitomo has held a stake Man-owned fund of hedge funds unit **FRM**.

Neuberger Berman acquired a 20% stake in noted activist hedge fund **Jana Partners**, with the capital to be invested in Jana funds. Neuberger cemented the deal through subsidiary **Dyal Capital Partners**, an investor in institutional alternative firms with a collective $100 billion in AUM. *The Wall Street Journal* reported that the deal valued Jana at $2 billion, suggesting a price in the $400 million range. New York-based Jana, established in 2001 with backing from legendary hedge fund manager Leon Cooperman, has grown into one of the most prominent activist funds, with $11 billion in AUM. The firm has a reputation for attempting to work with management to effect change, which was apparently one of the attractions for Dyal. In a similar deal, **Blackstone Group** acquired a minority stake in **Magnetar Capital** through its $3 billion Strategic Capital Holdings fund, which buys minority shareholdings in hedge funds. *The Wall Street Journal* reported that the transaction assigned a multibillion-dollar valuation to Magnetar. Illinois-based Magnetar (AUM: $13.6 billion) is an event-driven, energy and fixed income investor that made news for its profitable bet against the housing market prior to the financial crisis. Blackstone was an early investor in the 10-year-old firm.

Hillspire, the family office of Google Executive Chairman Eric Schmidt, acquired the 20% stake in quantitative hedge fund **D.E. Shaw** owned by the estate of Lehman Brothers, paying about $500 million, according the media reports. Schmidt has been a longtime investor in D.E. Shaw funds. Lehman had acquired the shareholding in 2007 at a time when it was making several such minority investments in hedge funds. As is the case with many of these shareholdings, Hillspire's stake is passive but will provide it with a share of the firm's profits. D.E. Shaw has $36 billion in what it refers to as "aggregate investment capital," about the same amount it managed in 2008.

A transatlantic deal with a New York target saw **Brevan Howard Asset Management** take a 25% stake in **Penso Advisors**, an institutional manager with $3.1 billion in assets under management and advice. Penso, which derives its name from a 17th-century Amsterdam businessman who wrote a classic book on the Amsterdam stock exchange, specializes in hedging strategies for portfolios. One of the hedge fund world's most prominent macro investors, Brevan Howard has faced a series of challenges recently, including the first-ever loss in 2014 for its flagship Master Fund. The company has also shuttered several underperforming funds since 2014. Separately, **Swiss Re** has been seeking a buyer for its 15% stake in Brevan Howard.

In a U.S. transaction between two independent firms, **Salient Partners** acquired liquid alternatives investor **Forward Management**, adding some $6 billion in assets to the $21 billion it already managed and advised. The two businesses are complementary in terms of products and investors, with Salient having an institutional orientation and Forward retail. Based in San Francisco and founded in 1998, Forward offers a large and broad menu of generally small mutual funds, including such alternative strategies as commodity and equity long-short funds and a multi-strategy fund. Salient similarly offers a mix of traditional and alternative investments. The deal was driven by Forward's majority shareholder, billionaire Gordon Getty, who had been seeking a buyer. At **Guggenheim Partners**, management bought out **Guggenheim Global Trading**, a multi-manager, multi-strategy hedge fund with $600 million in assets. Buyers included the former co-CEO of **RBC Capital Markets**, Mark Standish. Subsequently, GGT was renamed **Deimos Asset Management**, with a "strategic investment" from publicly traded alternative investor **Ares Management**. Guggenheim launched GGT in 2011, but the business failed to attract institutional investors or deliver superior returns.

Hollis Park Partners and **GCM Grosvenor** announced a "strategic partnership" that will see alternative investor GCM Grosvenor (AUM: $47 billion) invest capital in a "diverse range" of Hollis Park-managed structured products. Based in New York, Hollis Park was founded in 2013 by the former head of **Deutsche Bank**'s residential mortgage-backed securities trading group, Troy Dixon. Last year, GCM announced a strategic partnership with another alternatives investor, **Pinyon Asset Management**, a global, event-driven manager.

Aberdeen Asset Management announced the acquisition of **Flag Capital Management** (AUM: $6.3 billion), a private equity fund of funds manager that makes small and mid-cap investments in the U.S. and Asia. Established in 1994, Flag also invests in real assets and venture capital. Aberdeen said the addition of Flag's footprint to its own European-focused alternatives platform "will offer clients a compelling global private markets solutions proposition." Prior to the deal, Aberdeen managed $15 billion in its alternatives unit. In a deal between two Colorado firms, **ALPS** acquired **Red Rocks Capital**, an investor in publicly traded private equity firms and other private assets through a variety of structures. ALPS, which creates investment products and customized servicing solutions for financial services firms, could pay as much as $65 million for Red Rocks, including contingent payments. Founded in 2003, Red Rocks has $1.8 billion in AUM in mutual funds, subadvised relationships and separately managed accounts. The firm acts as subadvisor to the ALPS/Red Rocks Listed Private Equity fund (AUM: $470 million), which counts such firms as Blackstone, **Carlyle Group**, **HarbourVest Global Private Equity** and **KKR & Co.** among its largest holdings.

Amid an active European property market fueled by the European Central Bank's quantitative easing program and a weaker euro that has attracted U.S. buyers, there were several deals of note in the European real estate advisory sector. These include a management buyout at London-based retail property specialist **Pradera** in which minority owner and co-founder Colin Campbell (40% of equity) purchased the 60% owned by his business partner. Pradera, founded in 1999 and with €2.4 billion in AUM ($2.9 billion), manages numerous funds and also has assets through joint ventures and separate account mandates. Pradera operates in eight markets in Europe, from the U.K. to Poland. Assets have more than doubled since 2006, although growth has slowed in recent years. Campbell said the deal and strengthened senior management team "will position us to take advantage of exciting opportunities ... and enable us to grow at a great pace, particularly in Continental Europe."

In a cross border deal, **Cromwell Property Group** of Australia acquired **Valad Europe**, a pan-European funds manager with €5.3 billion ($6 billion) in AUM across 24 mandates and 13 countries. Cromwell concluded the A$208 million ($165 million) deal with Blackstone through the Blackstone Real Estate Partners VI fund, as well as Valad senior management. Cromwell will pay for Valad Europe with a €150 million convertible bond issue. The deal values Valad Europe at 6.4 times earnings before interest, taxes, depreciation and amortization (EBITDA). Valad Europe, which will continue to operate as an independent business, complements Cromwell's existing property funds in the Asia-Pacific region and further's Cromwell's strategic goal of boosting earnings from fund management to 20% of the total. Valad Europe was acquired by Blackstone in 2011 as part of its purchase of Australia's publicly traded **Valad Property Group**.

A transatlantic deal saw **TIAA-CREF** pay £80 million ($123 million) for the remaining 40% in **TIAA Henderson Real Estate** it did not own. TIAA-CREF established the joint venture with **Henderson Global Investors** in 2013 when it acquired Henderson's U.S. real estate advisory business. TH Real Estate, with $26 billion in AUM worldwide, invests in core and value-add commercial real estate. TH Real Estate will continue to subadvise the Henderson UK Property OEIC.

Paris-based private equity firm **Weinberg Capital Partners** acquired the French real estate advisory business of **Captiva Capital Management**, a European real estate investment manager. The French operation has €300 million ($350 million) in assets. Weinberg, which specializes in mid-market buyouts and French real estate, said the deal expands its real estate platform to incorporate asset management. In a cross border European transaction, **Cordea Savills** of London acquired Frankfurt-based **SEB Asset Management**, for which it will pay up €21.5 million. Owned by Swedish bank **SEB**, SEBAM manages €10 billion in global real estate assets in a variety of fund structures, with more than half the assets in German opened-ended funds that are in the process of liquidation. Cordea Savills, part of **Savills Group**, has €7.2 billion in AUM in Europe and Japan. The deal merges Cordea Savills' Japanese business with SEBAM's assets in several Asia-Pacific markets, including China and Singapore.

Europe

The major European deal incorporated a transatlantic element, as **Santander**, **UniCredit** and affiliates of private equity firms **General Atlantic** and **Warburg Pincus** signed a preliminary agreement to combine UniCredit-owned **Pioneer Investments** and **Santander Asset Management** (SAM), creating a "global firm with capabilities and client relationships around the world." General Atlantic and Warburg paid €1 billion for a 50% stake in SAM in 2013. Pioneer and SAM have similar geographic bases in Europe and Latin America, but Pioneer also has a U.S. presence. The combined firm will have €400 billion ($435 billion) in AUM, with Pioneer accounting for 56% of assets, and a presence in 30 countries.

The deal will establish a holding company, Pioneer Investments, that owns 100% of the U.S. operation (AUM: $50 billion) and two-thirds of the non-U.S. business. UniCredit and the private equity companies will each own 50% of the new holding company while Santander will take one-third ownership of the non-U.S. unit. The deal values the combined firm at nearly €5.4 billion. News reports quoting insiders said the private equity firms and Santander will pay UniCredit €1 billion as part of the transaction. *The Wall Street Journal* also reported that Santander did not take a stake in the new holding company based on concerns that regulators may have nixed the deal due to its failure to pass the Federal Reserve's 2014 stress test.

The second major European deal involved a hangover from the financial crisis, as government-controlled **Royal Bank of Scotland** sold off its **Coutts** international wealth management business (AUM: CHF 30 billion/$31 billion) to Switzerland's **Union Bancaire Privee**. The pricing on the deal, to be determined "in part" by AUM at the time of closing, is expected to be in the $400 million range. RBS said it expected to write off £200 million ($300 million) on the sale, primarily related to goodwill. The addition of Coutts' business provides UBP with strength in markets such as the Asia, Central and Eastern Europe, and the Middle East where UBP has a limited presence. RBS, which was bailed out by the British government during the financial crisis, has narrowed its focus to the domestic banking market, where it will continue to own Coutts' U.K. business. Two years ago, UBP acquired the Swiss-based wealth business of another troubled U.K. financial services firm, **Lloyds Banking Group**.

The ongoing consolidation of Switzerland's wealth industry continued to play out in a first half deal that saw **Notenstein Private Bank** acquire the client relationships and staff of **Bank La Roche & Co.**, with the resulting combination rebranded as **Notenstein La Roche Private Bank**. Notenstein said the deal "significantly strengthens" its core business of wealth management for private investors in Switzerland. Bank La Roche adds CHF 6.5 billion ($7 billion) in assets to the CHF 29 billion Notenstein already managed (including subsidiaries). A subsidiary of Swiss bank **Raiffeisen Group**, Notenstein had been part of Wegelin & Co., which was shuttered in 2013 following a scandal involving tax evasion by its U.S. clients.

In a cross border deal involving a Swiss private bank and asset manager, **Vontobel Holding** acquired a 60% stake in U.K. fixed income manager T**wentyFour Asset Management**. Founded in 2008, TwentyFour has £4.4 billion ($6.5 billion) in AUM. Vontobel, with CHF 83 billion ($87 billion) in AUM in its asset management unit, said the deal strengthens its presence in the U.K. and the fixed income market and "underlines its commitment to broaden its asset management business through targeted investments." A second cross border deal with a U.K. target saw **La Francaise** of Paris take a 49.9% stake in **Alger Management**, the London-based affiliate of venerable New York fund manager **Fred Alger Management** (AUM: $22.4 billion). The deal will provide Alger with distribution muscle in Europe and La Francaise with access to Alger's expertise in U.S. equities. La Francaise, with €48 billion ($54 billion) in a variety of assets, said it will develop new markets with Alger and build on the firm's "reputation among American retail and institutional investors as a high-standing and innovative asset manager."

A similar cross border deal involving an American parent saw **Oddo & Cie** of Paris acquire Germany's **Meriten Investment Management** from **BNY Mellon**, more than doubling its AUM to €41 billion ($45 billion). The deal follows on the heels of Oddo & Cie's purchase of a German investment bank, **Close Brothers Seydler Bank**. Meriten, with €25 billion in AUM, manages European fixed income, multi-asset and quantitative strategies, while Oddo & Cie pursues a similar European-focused investment strategy. Oddo, a 160-year-old diversified financial services firm, said the acquisition is in keeping with the goal of building "a leading investment manager specialized in European financial markets and covering all main asset classes." Mellon acquired a 50% interest in Merton in 2006, with the former German bank WestLB owning the other half, before Mellon assumed full control three years ago.

The asset management arms of Netherlands-based **Aegon** and France's **La Banque Postale** formed a strategic partnership, with **Aegon Asset Management** paying €112.5 million for a 25% stake in **La Banque Postale Asset Management**. LBPAM, with $150 billion in AUM, said the deal will allow it to "develop and expand" its asset management expertise, "particularly with regard to mutual funds and insurance companies, within the restrictive framework of Solvency II." LBPAM also said the tie-up will enhance its international product line and capabilities and that the two firms will create products designed "to meet the challenges of historically low interest rates." Aegon said the relationship meets its goals of providing "fee-based, capital-light products" and extending its "services and solutions for third-party customers internationally."

Within France, **Natixis** reportedly paid €549 million for 71% of **DNCA Finance**, a wealth and institutional manager with €14.6 billion in AUM. Natixis said the deal furthers the "strategy of expanding its multi-affiliate model in Europe and fueling our growth in retail markets." DNCA, which pursues long-only and absolute return European equity and eurozone bond strategies, has offices in several major European cities. The 15-year-old firm is partly owned by **TA Associates**, a Boston-based private equity firm that has made numerous investments in the asset management industry. In the U.K.'s wealth management industry, which has been consolidating since the financial crisis, **Walker Crips Group** cut a deal to buy a small manager, **Barker Poland Asset Management**. For Walker Crips, the deal adds £230 million ($345 million) in assets to the £1.8 billion it already managed. The London-based public company has set a "medium-term" target of gaining £5 billion in assets under management and administration.

In a U.K. alternatives deal, **Aberdeen Asset Management** paid £29 million for 49.9% of the shares in **Aberdeen SVG Private Equity Managers** owned by London private equity investor **SVG Capital**. The deal makes Aberdeen the sole owner of Aberdeen SVG, which has £6 billion in AUM. Aberdeen said the transaction is part of its "strategy to consolidate and strengthen further its alternatives platform."

Securities

Stifel Financial Corp. continued to build its brokerage and trading capabilities via acquisition as it paid $150 million in cash and stock for **Sterne Agee Group**. Sterne Agee adds 730 financial advisors and independent representatives to Stifel's existing stable of 2,000, as well as a complementary fixed income trading platform. Sterne Agee is based in Birmingham, Ala., and holds more than $20 billion in client assets. Stifel, which in 2014 generated $2.2 billion in net revenues, said the acquired businesses will deliver more than $300 million in gross annual revenues. Last year, Stifel completed four acquisitions, including an established California public finance investment bank, De La Rosa & Co., and Legg Mason Investment Counsel & Trust Co. Stifel has made 16 acquisitions of financial services firms over the past decade. Stifel also sold Sterne Agee's institutional equity business to **CRT Capital Group** of Connecticut. CRT, an independent institutional broker-dealer, called the deal "transformational," adding relationships with 1,000 institutions in areas such as equity sales, trading and research

Jeffries Group sold the derivatives and commodities businesses of its **Bache** unit to **Societe Generale** while acquiring a foreign exchange brokerage, **Faros Trading**, from **FXCM Inc.** Jeffries, a unit of conglomerate Leucadia National Corp., will merge Faros with its existing forex business, saying "major changes in [forex] markets" will offer "significant opportunity to provide clients with transparent advice, best execution and market expertise." Jeffries provided FXCM with a $300 million emergency loan in January after the firm's clients suffered significant losses from the sudden appreciation of the Swiss franc. Jeffries acquired Bache in 2011 from **Prudential Financial** as part of an effort to expand its investment banking capabilities, but Bache failed to deliver the growth and profitability Jeffries was seeking.

Industrial and Commercial Bank of China paid $765 million for a 60% stake in the markets unit of **Standard Bank Group** in a bid to expand the services it can offer its increasingly global Chinese clients in such areas as commodities, currencies and interest rates. While Standard Bank is based in South Africa, the markets unit is located in London. The deal also positions ICBC to take part in the London-based yuan clearing bank the U.K. is expected to create. China is the world's largest commodity consumer, including 40% of the world's metals. ICBC, China's largest bank by assets, has made numerous international acquisitions in recent years, including spending $5.4 billion in 2008 for a 20% stake in Standard Bank.

There were a number of other notable domestic transactions involving Chinese players, the largest of which saw internet financial information provider **Shanghai DZH** pay $1.4 billion for **Xiangcai Securities**, a brokerage house based in Changsha, the capital of Hunan Province. Observers say the deal represents the first time an internet portal has acquired a bricks-and-mortar brokerage. In a second deal, one of China's top-10 brokerages, **Everbright Securities**, paid $530 million for 70% of the securities business of Hong Kong-based **Sun Hung Kai Financial**. The two firms had an existing relationship prior to the transaction, with SHK saying the deal will give it "greater access to the fast developing wealth management sector in China." ▲