



2023 Financial Services Industry Review

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## A new acronym joins some old favorites

The household list of acronyms welcomed a new member last year: "AI." Those two letters joined such stalwarts as FYI, ASAP and the more recent and text-driven LOL. Discussion of AI, or artificial intelligence, captured Wall Street, filtered down to Main Street, and reverberated through the halls of Congress, with pundits on the extremes hailing it as either the savior or destroyer of human life.

One related stock, Nvidia, rode the AI wave to the great fortune of its shareholders, more than tripling in value and joining the tech-heavy trillion-dollar market capitalization club. FactSet said more than one-third of S&P 500 companies mentioned AI in their second-quarter earnings calls, three times the year-earlier number, and while references declined in the third quarter the total was still the second highest on record.

In a review of the banking industry, McKinsey projects that newer generative AI — or data-driven deep-learning models — could enhance productivity between 2.8% and 4.7% of annual revenues, equivalent to \$200 billion to \$340 billion. The largest asset managers are weighing in with their own ideas about AI, with **Vanguard Group** CEO Tim Buckley telling an Investment Company Institute gathering last May the technology will create an industry "revolution" by expanding beyond the automation of routine administrative functions to encompass cognitive ones.

Relating a conversation he had with a Vanguard fixed-income manager regarding whether he viewed generative AI as a "threat," Buckley said the manager responded, "Gosh no. All the time we spend researching and figuring out relative value, etc. — all that time is now free for us to think." **Bridgewater Associates** has seen an early example of AI's power, reporting that GPT-4 — the large language model that OpenAI released in late 2022 — was able to score in the 80th percentile on its entry-level investment analyst exams. "Imagine the transformative power of having a technology that can, in a matter of seconds, produce domain-specific, accurate answers and insights that would otherwise take an entire group of highly trained (and paid) investment professionals to develop," mused consulting firm Oliver Wyman in a recent report.

Noting that clients are "energized" by the topic, **BlackRock** CEO Laurence Fink told investors last June his firm is applying a "healthy paranoia and enthusiasm" in assessing and applying AI. "We continue to advance in our usage of artificial intelligence and associated disciplines, whether it's machine learning, data science, natural language processing, the drive in enhanced productivity, and progress for our clients, our employees and our stakeholders."

## Deal-makers pause

MERGERS & ACQUISITIONS 2023, ALL INDUSTRIES

Value of Announced Deals (\$ billions)	2023	(vs. 2022+/-)
Worldwide	\$2,894*	(-17%)
U.S.	\$1,365	(-5%)
Europe	\$598	(-28%)
Asia-Pacific (ex-Japan)	\$602	(-26%)
Number of Announced Deals	2023	(vs. 2022+/-)
Worldwide	55,211	(-6%)
U.S.	14,718	(-4%)
Europe	17,586	(-12%)
Asia-Pacific (ex-Japan)	13,282	(0%)
OF WHICH (BY \$ VALUE 2023, WORLDWIDE)		
Cross Border	33%	
Private Equity-Backed	20%	
Financials	11%	
Megadeals (\$5b+)	22%	

\* Lowest total since 2013

Source: LSEG

BlackRock has for years been aggressively expanding its technology stack, including via acquisition, and serves 130,000 users through its Aladdin technology platform. Early this year, BlackRock is scheduled to introduce a generative AI "co-pilot" for Aladdin's risk management program. The company's technology services revenues grew at an average annual rate of 12% in the three years through 2022 to \$1.4 billion, and in the third quarter of 2023 accounted for 9% of total revenues.

**Morgan Stanley** called the GPT-4-driven "AI @ Morgan Stanley Assistant" it rolled out last year a "game changer" that allows its financial advisors to capitalize on the company's vast store of data to gain "knowledge and insights in ways that were once never thought feasible." Wealthtech platform **TIFIN** merged its technology know-how with **Hamilton Lane's** comprehensive private markets database to jointly launch an "AI-powered investment assistant" for wealth advisors.

Noting that adoption of private markets investments has been slowed by complexity, TIFIN CEO Vinay Nair told *Financial Advisor* the product "will provide valuable insights and answers to the [due diligence] questions advisors

## Investment Management Transactions

	2019	2020	2021	2022	2023
Majority Equity	183	195	277	251	<b>227</b>
Minority Equity	41	37	48	47	<b>50</b>
Management Buyout	10	9	4	7	<b>1</b>
<b>Total</b>	<b>234</b>	<b>241</b>	<b>329</b>	<b>305</b>	<b>278</b>
Total Transaction Value (\$B)	\$21.4	\$35.4	\$53.7	\$41.6	<b>\$42.8</b>
Total AUM Changing Hands (\$B)	\$1,050	\$3,006	\$3,751	\$1,683	<b>\$2,678</b>

Excludes acquisitions of managers with less than \$250 million of Assets Under Management ("AUM")

Source: Berkshire Global Advisors

have,” whether about investment categories or performance. In **Collier Capital**’s overview of the private equity industry last year, 54% of the limited partners it surveyed said they need to develop an in-house AI/machine learning capability “to optimize investment decision making.”

Related investments have naturally followed the buzz. One new entry last year was Roundhill Generative AI & Technology, a concentrated and actively managed ETF that counted Nvidia, Microsoft and Alphabet as its top-three holdings. Dave Mazza, chief strategy officer at New York’s **Roundhill Investments**, told data and analytics firm VettaFi

the product fills a “gap” in the market, saying, “Other funds have AI in the name, but they’re not focused on the transformative nature of generative AI or conversational AI.” **AXS Investments**, which in 2022 launched a single-stock leveraged ETF for Nvidia bears, filed last year to introduce a similar ETF for Nvidia bulls. In its three-year-old actively managed Esoterica NextG Economy ETF, AXS has already made a big bet on Nvidia, accounting for 20% of assets as of last year’s third quarter.

European investors were similarly intrigued, with funds focused on AI and big data drawing slightly more than half the net inflows into European thematic ETFs in the first half of 2023, according to **Morningstar**. A **WisdomTree** survey among European professional investors representing €4 trillion (\$4.3 trillion) in assets showed AI was the leading long-term investment theme. The company has its own related ETF for the European market, WisdomTree Artificial Intelligence, launched in 2018 and with two-thirds of the assets in the U.S.

The revolutionary potential of AI notwithstanding, markets continue to be ruled by humans (as well as their software-driven trading programs). Investors in the U.S. were perhaps surprisingly upbeat in the face of inflation, rising interest rates, and international tensions and war, as they rebounded from a 2022 that delivered losses in equities and fixed income. All three major indexes delivered double-digit gains, with the S&P 500 up 24%, driven by seven technology stocks that by year end accounted for around 30% of the index’s market capitalization. Minus the tailwind provided by those technology giants, the small-cap Russell 2000 index lagged, returning 17%. Outside the U.S., the Nikkei 225 was the stellar performer among major indexes, climbing 28% to reach a 33-year high thanks to solid economic growth in the first half of the year; an increase in corporate profits; an accommodative

## Investment Management Transactions

### WHO’S BUYING

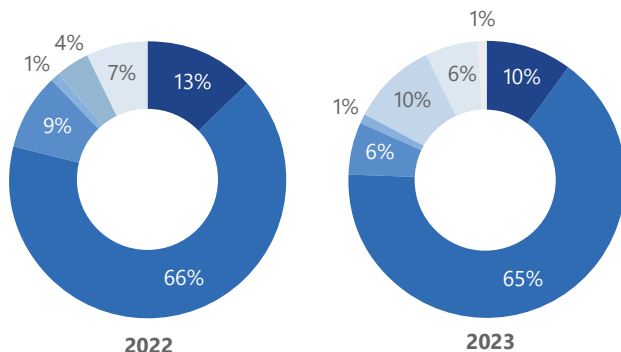
	2019	2020	2021	2022	2023
Wealth Manager	76	84	125	137	<b>146</b>
Alternatives Manager	17	23	46	30	<b>38</b>
Financial Buyer	38	31	32	36	<b>25</b>
Traditional Investment Manager	33	45	54	25	<b>24</b>
Insurance	17	15	22	30	<b>23</b>
Real Asset Manager	10	7	10	11	<b>6</b>
Securities Firm	8	7	13	13	<b>5</b>
Bank	17	7	16	8	<b>5</b>
Management Buyout	9	9	4	6	<b>1</b>
Other	9	13	7	9	<b>5</b>
<b>Total</b>	<b>234</b>	<b>241</b>	<b>329</b>	<b>305</b>	<b>278</b>

Source: Berkshire Global Advisors

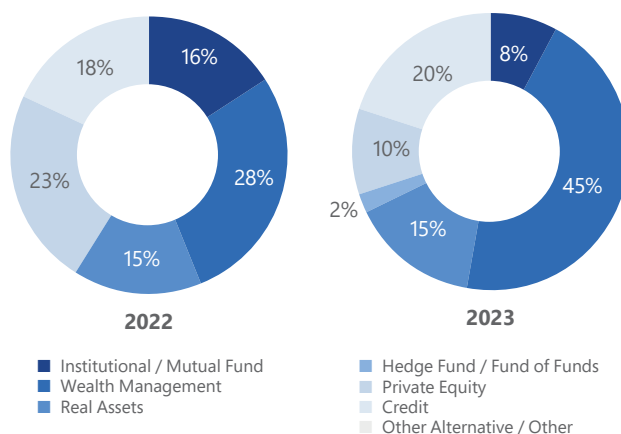
## Investment Management

### WHO’S SELLING

Number of Transactions by Sector as % of Total



Value of Transactions by Sector as % of Total



- Institutional / Mutual Fund
- Wealth Management
- Real Assets
- Hedge Fund / Fund of Funds
- Private Equity
- Credit
- Other Alternative / Other

Data may not add up to 100%

Excludes acquisitions of managers with less than \$250 million of Assets Under Management (“AUM”)

Source: Berkshire Global Advisors

central bank; and optimism that the nation's long bout with deflation might be finally ending.

But equities weren't the only game in town. While U.S. fixed income disappointed for most of the year — rebounding in November as investors banked on an end to interest rate hikes — for the first time since the financial crisis investors both large and small were able to secure attractive interest rates in time deposits and money markets.

By October, money market funds held a record \$5.6 trillion in assets, according to the Investment Company Institute, as rates on the securities climbed as high as 5% and more. **Fidelity Investments** saw assets in its money market funds climb 29% between January and November to a record of nearly \$1.3 trillion, according to the Office of Financial Research.

**Berkshire Hathaway** was a notable hoarder, with more than \$150 billion in cash and equivalents by the end of the third quarter, an indicator as well that the legendary value investor saw few attractive buying opportunities.

In the UK, investors were also reviewing savings rates above 5%. Referencing the "different environment" at play, Peter Harrison, chief executive of **Schroders**, told the *Financial Times*, "Cash and short-term fixed income are more attractive, structured products are coming back, and income products are more valuable." Added Stephen Cohen, BlackRock's head of Europe, Middle East and Africa, "The return off cash is the biggest theme in asset management right now."

Oliver Wyman projected the global asset management industry would record a 7% gain in externally managed AUM in 2023 following the 12% decline in 2022. Between the second quarters of 2022 and 2023, Casey Quirk said alternative managers delivered the strongest revenue and profit growth (14% and 17% median growth, respectively) among the 17 major publicly traded managers it tracks. The consultant called the results a continuation of a years-long trend, adding that "it's contributing to the uptick in M&A activity we're witnessing with

traditional firms buying private equity or private debt shops, lifting out teams, or seeking partnerships."

Those industry deals followed the pattern of recent years: The wealth management sector remained the center of activity with private equity-backed consolidators such as **Hightower Advisors** and **Wealth Enhancement Group** the primary players. The sector was led by **Clayton, Dubilier & Rice's** take-private deal for aggregator **Focus Financial Partners**, which placed

## Securities & Investment Banking Transactions

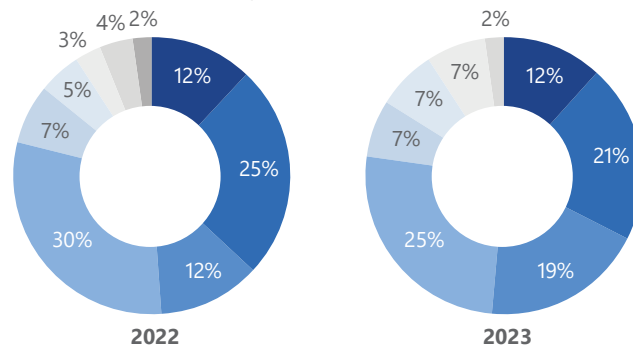
	2019	2020	2021	2022	2023
Majority Equity	62	48	52	39	24
Minority Equity	3	11	13	18	19
<b>Total</b>	<b>65</b>	<b>59</b>	<b>65</b>	<b>57</b>	<b>43</b>
Total Transaction Value (\$B)	\$39.6	\$25.2	\$5.9	\$4.7	\$6.0

Source: Berkshire Global Advisors

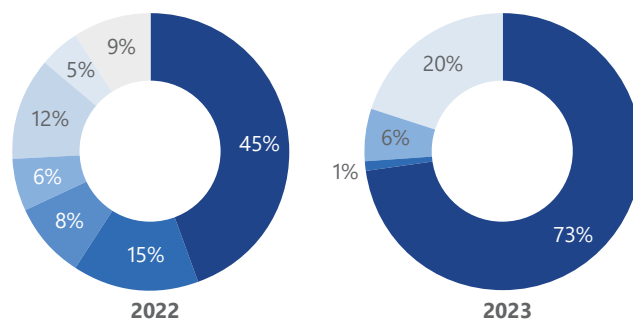
## Securities & Investment Banking

### WHO'S SELLING

Number of Transactions by Sector as % of Total



Value of Transactions by Sector as % of Total



- Full-Service Investment Bank
- Institutional Broker-Dealer
- Discount / Electronic Broker
- Investment Banking Advisory Firm
- Retail Brokerage Firm
- Independent Broker-Dealer
- Trading / Market-Making Firm
- Exchange
- Institutional Research Firm

Data may add up to more than 100%  
Source: Berkshire Global Advisors

## Securities Industry & Investment Banking Transactions

### WHO'S BUYING

	2019	2020	2021	2022	2023
Diversified Financial Services Company	10	4	3	12	<b>10</b>
Full-Service Investment Bank	16	11	10	7	<b>6</b>
Investment Banking Advisory Firm	1	4	3	5	<b>4</b>
Commercial Bank	5	8	5	3	<b>4</b>
Discount/Electronic Broker	8	2	3	3	<b>4</b>
Independent Broker-Dealer	4	3	5	5	<b>1</b>
Institutional Broker-Dealer	4	7	10	2	<b>1</b>
Exchange	7	7	5	1	<b>1</b>
Insurance Company	1	0	0	0	<b>1</b>
Trading/Market-Making Firm	2	1	0	0	<b>1</b>
Private Equity Firm	4	6	3	12	<b>0</b>
Retail Brokerage Firm	0	2	0	2	<b>0</b>
Other	3	4	18	5	<b>10</b>
<b>Total</b>	<b>65</b>	<b>59</b>	<b>65</b>	<b>57</b>	<b>43</b>

Source: Berkshire Global Advisors

a \$7 billion-plus enterprise value on the New York firm. CD&R called for “common purposes, shared capabilities and greater collaboration” within the sprawling business, suggesting a restructuring ahead. Bank crises drove two other key wealth-related deals last year: **UBS’** acquisition of **Credit Suisse**, which created the world’s second-largest wealth manager; and **JPMorgan Chase’s** purchase of **First Republic Bank**, which enhanced the bank’s existing wealth platform.

Outside the U.S., the UK remains the center of wealth manager deal-making, as consolidators continue to absorb small competitors in the fragmented market. One of those sellers, to private equity-backed **Perspective Financial Group**, cited a familiar rationale, saying it needed the “support of a larger partner, including access to the next generation of financial planners, and also assistance with the ever-increasing regulatory burden.” But there was one major deal in the UK last year involving **Rathbones’** £839 million (\$1.1 billion) acquisition of the wealth unit of **Investec**, creating the largest discretionary wealth manager in the market.

The fintech and wealthtech industries saw a downturn in fundraising, in sync with the more cautious venture capital industry on which they rely to a large degree. (A PitchBook survey in the second half of 2023 of VC players focused on technology and innovation showed them “notably more optimistic” for fundraising this year.) AI factored into many of the larger fundraising efforts, including investment from Alphabet’s venture fund in **Range**, an AI-driven wealthtech platform founded in 2021. Fidelity Investments made its first acquisition in more than seven years, of **Shoobx**, which provides software for managing employee equity plans for private companies at all stages of development.

The robust credit market added a megadeal to the mix last year: **TPG’s** \$2.7 billion cash-and-shares acquisition of **Angelo Gordon**. AG adds \$55 billion in private credit

assets to complement TPG’s private equity orientation, creating a diversified alternatives manager with \$210 billion in AUM. The asset management arms of several major insurers extended their alternative credit capabilities, including **Manulife Investment Management**, **MetLife Investment Management** and **PGIM**.

Manulife’s target was an established multi-sector credit firm with \$13.5 billion in AUM, **CQS**. Manulife said the London-based firm provides a “proven investment process” and “complement to our existing fixed income and multi-asset solutions business.” By the end of 2022, U.S. life insurers had \$4.5 trillion in cash and invested assets, one-third of which was in illiquid assets, including private credit, according to **Moody’s**.

**Franklin Resources** added a significant deal in the traditional investment management space by acquiring **Putnam Investments** for a price that could reach \$1.3 billion. Putnam adds \$136 billion in equity and fixed income funds to the \$1.4 trillion on Franklin’s platform while building a “strategic partnership” with **Power Corporation of Canada**, the insurance and asset management giant and Putnam owner. In 2020, Franklin paid \$4.5 billion for Legg Mason, among other deals it has concluded the last several years. In a second and similar transaction, Italian insurer and asset manager **Generali Group** acquired U.S.-based **Conning** (AUM: \$157 billion) and in the process cemented a partnership with Conning owner **Cathay Life Insurance**, the leading such company in Taiwan. As part of the non-cash deal, Cathay gained a 17% share in subsidiary **Generali Investments Holding**.

ETF buyers and sellers remained busy, minting multiple deals for specialized firms. “These kinds of small ETF firms with a couple of hit products can be pretty valuable,” a Bloomberg Intelligence ETF analyst told *InvestmentNews* last June, adding that “good satellite strategies are less fee-sensitive because Vanguard is never going to compete in these areas.” **TCW** was one of the higher-profile buyers, acquiring a small thematic manager, **Engine No. 1**. New CEO Katie Koch said the deal “signifies an early chapter” in TCW’s “next stage of growth” by providing access to its “best investment ideas and strategies through innovative financial vehicles.” **ARK** was another significant buyer, cutting a deal for a small European ETF manager, **Rize ETF**, that is part of the company’s expansion in that market.

While deals for credit managers led the alternatives industry last year, other areas hosted some notable transactions. The infrastructure sector is a hotbed of investment activity that has expanded to cover the digital economy. In December, for example, **Brookfield Asset Management** closed a \$30 billion global fund with 200 limited partners. It represented the largest-ever such closed-end fund, with

digitalization and decarbonization two of the investment areas. The sector hosted two \$1 billion-plus cross border deals, including **Bridgepoint's** acquisition of **Energy Capital Partners**. For Bridgepoint of the UK, a private equity and private debt manager, New Jersey's Energy Capital delivers a "green" energy portfolio and a North American presence.

Real estate advisory deals lagged last year, as buyers and sellers remained largely on the sidelines amid a period of uncertainty. But an interesting transpacific deal saw **National Pension Service** of South Korea expand an existing relationship to acquire a minority stake in **Stockbridge Capital Group**, a San Francisco firm with a focus on residential and industrial.

Private equity firms last year faced the unfamiliar challenge of higher interest rates and a slowdown in fundraising, but deal-making for such firms continued. Permanent capital providers such as **Dyal Capital** and **Hunter Point Capital** remained buyers, the latter of which added three minority investments to the three it did in 2022.

**Bridge Investment Group** paid \$320 million to expand into the private equity secondaries market through the purchase of fast-growing **Newbury Partners**. A real estate advisory firm, Bridge also sees the opportunity to extend Newbury's secondary expertise into that area.

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During **Berkshire Global Advisors'** 40 years in business, we have borne witness to considerable change in the asset management industry, whether in the increasing democratization of investment, including the growth of individual retirement plans; the upward march of passive investments and alternatives; or the ongoing consolidation that has left the top-20 firms worldwide with a 44% market share (according to the Thinking Ahead Institute).

To those elements and others, you can add the radical impact of technology. The latest addition to that column is artificial intelligence, or more particularly generative AI. As we describe in the opening of this Summary, the industry has begun either incorporating elements of generative AI, making plans to do so, or at minimum is keeping a watchful eye on a technology expected to prove as disruptive as the internet. Vanguard CEO Tim Buckley describes how an editor using generative AI can take a dense 30-page research paper for a portfolio manager and "in a matter of minutes" turn it into a digestible two-page summary for clients.

Although *Barron's* has identified 11 "AI-run" ETFs, Oliver Wyman says that for now asset managers are using generative AI for "driving efficiency" rather than replacing resources. The technology is being employed "as more a copilot, or a tool that enhances human capabilities,

## Cross Border Investment Management Transactions

	2019	2020	2021	2022	2023
<b>U.S. - INTERNATIONAL</b>					
Number of Deals	31	34	48	39	<b>34</b>
Value (\$B)	\$7.4	\$6.2	\$12.8	\$9.6	<b>\$11.2</b>
<b>INTERNATIONAL - INTERNATIONAL</b>					
Number of Deals	34	23	36	18	<b>22</b>
Value (\$B)	\$2.4	\$2.1	\$9.7	\$11.6	<b>\$4.8</b>
<b>TOTAL</b>					
Number of Deals	65	57	84	57	<b>56</b>
Value (\$B)	\$9.8	\$8.3	\$22.5	\$21.2	<b>\$16.0</b>

*Excludes acquisitions of managers with less than \$250 million of Assets Under Management ("AUM")*  
Source: Berkshire Global Advisors

often by shifting the balance of activities away from basic content creation and synthesizing to reviewing, validating, and further customizing outputs," the consultant writes.

Technology in general is one of several factors often cited by sellers as the rationale for merging with a larger partner that can provide a comprehensive infrastructure and the capital required to stay current. As generative AI develops and provides a more apparent competitive edge, that technology imperative could loom even larger. In reviewing its meetings with asset and wealth managers accounting for \$21 trillion in assets, Oliver Wyman noted that recruiting tech talent is an increasing focus of many of the firms, "with several noting that experienced data scientists and engineers are a hot commodity."

McKinsey said in a report last year that asset managers moving "outside their comfort zones" to capitalize on technology, including AI, can generate as much as a 30% improvement in efficiency and operation performance and launch new products in one-fifth the amount of time it normally takes. Top-performing North American firms tend to invest more in applications and associated automation capabilities, the consultant writes, abandoning the idea of technology as a "cost center" and instead viewing it "as the acceleration force for business growth."

At Berkshire, all of our clients are engaged with the technological revolution in one form or another, but through our growing fintech/wealthtech practice we are often dealing with the direct software creators. We also continue to serve firms in another dynamic area — alternatives, a specialization in which we have become a leader. Last year, this included the 166th completed private markets general partner transaction with which we have engaged. Preqin expects the global market for alternatives to climb from some \$16 trillion as of 2023 to more than \$24 trillion by 2028, with private debt the fastest grower (a projected 11% average annual growth rate).

But our coverage of the industry spans the range of sectors and firms, including wealth management, where we

## Cross Border Transactions by Domicile and Type

2023	BUYER: SELLER:	U.S. INT'L	INT'L U.S.	INT'L INT'L	TOTAL
Wealth Management		3	6	7	16
Institutional/Mutual Fund		2	2	6	10
Other		13	8	9	30
<b>Total</b>		<b>18</b>	<b>16</b>	<b>22</b>	<b>56</b>

2022	BUYER: SELLER:	U.S. INT'L	INT'L U.S.	INT'L INT'L	TOTAL
Wealth Management		8	5	6	19
Institutional/Mutual Fund		3	5	0	8
Other		11	7	12	30
<b>Total</b>		<b>22</b>	<b>17</b>	<b>18</b>	<b>57</b>

Excludes acquisitions of managers with less than \$250 million of Assets Under Management ("AUM")  
Source: Berkshire Global Advisors

were involved in five deals last year, as well as traditional investment management. In 2023, we celebrated our 40th anniversary as an independent firm, one built on a couple of core principles: Ensuring that we provide our clients with the most informed counsel while adhering to the highest ethical standards. Our unwavering commitment to that founding philosophy is at the core of our success through all these decades of extraordinary change. We thank you, our clients, for the faith you continue to place in our firm and people, and we look forward to collaborating with you in the years ahead.

## Traditional Investment Management

**Federated Hermes** has over decades carved a profitable niche for itself as a manager of money market funds. The funds account for some three-quarters of the Pittsburgh firm's AUM, with the rest divided among equity, fixed income and alternative products. During the lengthy period from the financial crisis to Covid, Federated's money market vehicles provided a safe haven or simply a liquid vehicle. But in the zero-rate environment, they didn't deliver much if any yield.

That changed radically last year, in line with the Federal Reserve's shift on interest rates. Federated's results showed the impact: By the second quarter, total AUM topped a record \$700 billion, with money market assets having grown 16% over the previous-year's period to \$509 billion. Retail investors were particularly active participants. "That's simply because compared to bank deposit rates ... money market funds are now paying much more attractive market rates of return," Executive Vice President Deborah Cunningham explained to analysts in the second-quarter earnings call.

Indeed, by the summer, money markets were sporting yields of up to 5% while related retail assets in the U.S. had risen 25% during the year to \$1.5 trillion. Federated's retail-oriented Prime Cash Obligations fund (AUM: \$51

billion) was yielding 5.2% as the summer began, triple the level a year earlier. "For the first time in a long time, we're perfectly comfortable holding cash in our accounts," a partner at Los Angeles-based **Bel Air Investment Advisors** told the *Wall Street Journal* in August. "We can go back to a more traditional asset allocation without having to take undue risk to get a return."

Bond investors were also capitalizing on higher yields, with the one-month Treasury delivering 5.4% by summer — a percentage point more than the 30-year paper. The iShares iBoxx Investment Grade Corporate Bond ETF (AUM: \$37 billion) offered a 5.6% yield by September. **Morningstar** tabulated nearly \$240 billion in global inflows into bond funds and ETFs in the first half and \$124 billion into U.S.-based bond ETFs by the end of summer, 10% higher than the previous year's period.

"The changing market environment with higher rates potentially changes how we think about allocation," Jonathan Grabel, chief investment officer of the \$75 billion Los Angeles employees' pension fund, told CNBC last year. "To the extent we can get [an overall return of 7%] and can get more through safer fixed-income investments might change the amount of capital we have in riskier, complex equity-like investments."

As the bond market flirted with a second year of negative returns prior to a year-end rally, fixed-income specialists continued to trade hands, factoring into several deals last year, the transactions driven by smaller buyers seeking additional products and scale. But a familiar consolidator, **Franklin Resources**, led deal-makers in the traditional investment management sector with its acquisition of **Putnam Investments** (see sidebar). The deal came two years after Franklin's larger purchase of Legg Mason, with its diversified portfolio of managers. From Europe, **Generali Group** joined Franklin as a major deal-maker, acquiring U.S.-based **Conning** as part of a larger strategic partnership with Conning owner and Taiwan's leading insurance firm, **Cathay Life Insurance**.

The ETF marketplace was particularly active last year, bringing the total number of related deals to some 30 over the past six years. Targets included the smaller thematic and active ETF managers that are generally on the sale block. In a report issued last year, Oliver Wyman noted that active ETFs accounted for half of new fund launches in the U.S. in both 2021 and 2022, underlining the growth of that market and the pivot away from the purely passive strategies dominated by the industry's giants. Saying that ETFs are "just embarking into the next stage of growth," Oliver Wyman expects active ETFs to help drive the industry's share of total fund assets by seven points to 24% by 2027, "creating a revenue opportunity for the industry that asset managers cannot ignore."

In Europe, too, ETF providers are shifting to active strategies, though in a more uneven way. LSEG Lipper projects that 2023 total ETF inflows in Europe will either

have set a new record or delivered the second-highest total ever. Meanwhile, Ignites Europe estimates that fee revenues for traditional active managers dropped 11% last year on top of a 9% decline in 2022 while passive funds recovered from the decline in 2022 to reach a new record for such fees.

Perhaps surprisingly given the tensions between China and the West, U.S. and European firms capitalized on reforms in China's asset management industry to strengthen their presence last year, with marquee firms such as **J.P. Morgan Asset Management**, **Morgan Stanley** and **Schroders** making news. In an interview with *Barron's* last August, **Invesco** Chairman Emeritus Martin Flanagan extolled China as the "single greatest opportunity within asset management."

Invesco has been a minority shareholder in a Chinese fund manager for 20 years. "For economic growth to happen, they need the development of financial services to finance growth," said Flanagan. "They also have to develop a retirement system for the population."

Philadelphia-area multi-boutique **Spouting Rock Asset Management** was among the smaller serial buyers in the market last year, adding a global equity value manager, **Altan Asset Management**, to its portfolio of five other managers. Altan, established in 2020 and based in the U.S., seeks "overlooked opportunities" in equities and is led by Rehan Chaudhri, a veteran portfolio manager and investor who cited the two firms' "long-term fundamentals-driven investment approach." A second announced deal for an established value manager, **Reinhart Partners**, was terminated prior to closing.

Denver-based multi-strategy boutique **Shelton Capital Management** tapped the market again to acquire a fixed-income specialist, **Rockwood Capital Advisors**, adding around \$400 million in AUM to the \$3.4 billion it already managed. Rockwood provides advisory services for various institutions, a niche that Shelton said "will complement [its] growing institutional focus." Shelton CEO Steve Rogers said whereas years ago client focus was on performance, "in today's market the first question is often about firm size.... This merger helps solve that headwind for Rockwood."

Another small and active buyer over the years, **Hennessy Advisors**, acquired two socially responsible equity funds from **Community Capital Management**. Hennessy merged the two funds, with \$70 million in AUM, with its Hennessy Stance ESG ETF (AUM: \$45 million), calling the acquired funds a "natural fit." Hennessy (AUM: \$2.8 billion), a micro-cap stock based in California, has completed 12 deals over the past 25 years in building a diversified fund portfolio, but Hennessy Stance ESG is its only ETF. Based in Florida and established in 1998, CCM (AUM: \$4 billion) is a fixed-income ESG-oriented manager. The company's primary fund, the Community Impact Bond fund, is an

## Institutional/Mutual Fund Transactions

	2019	2020	2021	2022	2023
Number of Transactions	47	42	60	39	27
Combined Value (\$B)	\$3	\$19	\$13	\$7	\$4
Total Seller AUM (\$B)	\$328	\$1,686	\$1,863	\$502	\$453
Median Deal Size (\$M)	\$31	\$32	\$69	\$29	\$42
Median Seller AUM (\$M)	\$3,000	\$2,576	\$6,150	\$3,630	\$3,000

*Excludes acquisitions of managers with less than \$250 million of Assets Under Management ("AUM")*  
Source: Berkshire Global Advisors

investment grade, intermediate duration vehicle with 25% of the portfolio in affordable housing assets.

A second ESG-related deal featuring two small New England firms saw **Eolas Capital** acquire an equity stake in **Harmony Capital Advisors**, a fledgling sustainable manager that runs a global all-cap equity fund. Harmony is led by a former **BNY Mellon** portfolio manager specializing in natural resources. Eolas, formed in 2021 with support from Australian asset manager **Channel Capital**, is also led by a Mellon alumni. Eolas provides capital, distribution and product development support for boutiques. The company said it will initially target endowments and foundations for Harmony's fund.

In a notable changing of the guard, Bill Miller IV, the son of the storied value investor, acquired an 80% stake in his father's business, **Miller Value Partners**. The elder Miller is stepping down after a lengthy career but remains involved as an advisor and retains 20% of the firm. The father earned his laurels at Legg Mason, where his value fund outperformed the S&P 500 for 15 consecutive years through 2005, before performance and assets declined. Miller left Legg in 2016. MVP has \$1.7 billion in AUM, primarily through a concentrated multi-cap and value strategy focused on the "most deeply mispriced stocks."

In an interview on CNBC after the deal, the younger Miller said he aims to "reinvent the customer experience in active management" by increasing transparency in particular, but will stick with his father's value philosophy and a concentrated portfolio. "It's very hard to have 50 or 100 good ideas so we're going to find 30 to 40 and bet them where our convictions lie and relative to where we think our edges are," he said.

The ETF industry continued to draw specialized ETF firms adding other specialists as they steer clear of the broad index vehicles dominated by the likes of **BlackRock**. "These kinds of small ETF firms with a couple of hit products can be pretty valuable," a Bloomberg Intelligence ETF analyst told *InvestmentNews* last June, adding that "good satellite strategies are less fee-sensitive because Vanguard is never going to compete in these areas."

**Amplify ETF** was one such buyer, acquiring the ETF portfolio managed by **ETF Managers Group** and doubling its product line and AUM by \$3.5 billion to \$7.7 billion. Amplify said the deal expands its lineup of "differentiated"

funds, including the Prime Cyber Security ETF (AUM: \$1.4 billion), which tracks more than 50 related companies, primarily in the U.S. Amplify ETF had 15 passive and actively managed ETFs at the time of the deal last June. The largest is the Enhanced Dividend Income ETF (AUM: \$2.9 billion), a concentrated fund of about 20 large-cap stocks that also employs covered call options on those stocks for additional income. In 2021 interview with ETF.com, founder and CEO Christian Magoon said his firm seeks to “blaze new ground” so “you’re not bringing the 25th version of large-cap growth or large-cap value.”

**TCW** was the largest firm entering the ETF market, acquiring **Engine No. 1**, a thematic manager with more than \$600 million in AUM. Prior to the deal, TCW was subadvisor to four traditional and alternative credit-related active ETFs under the **First Trust** brand name. Engine’s primary ETF is Transform 500, an activist vehicle “built to harness the power of investors to transform our largest companies.” Katie Koch, who assumed the CEO role at TCW last year after leaving **Goldman Sachs Asset Management**, said the deal “signifies an early chapter” in the company’s “next stage of growth” by providing access to its “best investment ideas and strategies through innovative financial vehicles.” TCW has more than \$200 billion in AUM, largely in fixed income, including the MetWest Total Return Bond fund (AUM: \$61 billion). Combined, **Carlyle Group** and **Nippon Life** own a majority of TCW.

Although fixed-income managers such as TCW have fared better against their ETF competitors than equity managers, fixed-income ETFs and index funds have been growing rapidly. Passive fixed-income instruments accounted for 29% of all global fixed-income assets as of last June, triple the level in 2008. During that same period, passive strategies accounted for \$2.8 trillion in flows (two-thirds in ETFs), nearly on par with active funds. Last year, BlackRock and **Pimco** both launched active bond ETFs managed by their fixed-income chief investment officers.

**ARK** joined TCW as another high-profile buyer, acquiring a European ETF provider focused on thematic and sustainable strategies, **Rize ETF** (AUM: \$450 million). For ARK, with a focus on “disruptive innovation” and led by media-savvy Chief Investment Officer and CEO Cathie Wood, the deal marks both its first acquisition and a “significant step for its global expansion.” ARK cut the deal with 70%-owner **AssetCo**, the UK boutique run by Martin Gilbert (*continue reading this section for more on AssetCo*). ARK could pay up to £10.6 million (\$13 million) in upfront, deferred and earnout payments. In addition to providing entry into Europe for its existing ETFs, Wood said the merger of the two platforms will provide “clients a more diverse array of investment options.” ARK already serves as an advisor to two **Nikko Asset Management** funds distributed in Europe. Nikko is a minority shareholder in ARK.

**AXS Investments**, a steady buyer of alternative ETFs, acquired **ACM Funds**, a liquid alternatives ETF manager with two funds. One, Dynamic Opportunity (AUM: \$67 million), was launched in 2015 and pursues a hedged strategy

buying stocks “experiencing meaningful breakouts” while employing long and short ETFs to limit risk. New York-based AXS, with around \$1.6 billion in AUM, has a large portfolio of alternative ETFs, including single-stock vehicles. In a 2022 interview with etftrends.com, AXS CEO Greg Bassuk said single-stock ETFs “solve some of the limitations of traditional margin investing — namely, that margin traders can lose more than their initial investment if their trade goes wrong and they need to post more money.”

Hedge fund **Clough Capital Partners** (AUM: \$1.3 billion) acquired a three-year-old active ETF manager, **Changebridge Capital**. The deal reunites Changebridge founder Vincent Lorusso with his former employer, where he assumed the president and CEO position and will continue to manage the two acquired alternative ETFs. These include a long-short equity fund, a unique offering among actively managed ETFs. Lorusso told MutualFundWire.com that the addition of active ETFs to Clough’s platform is “a natural extension of a long-held desire to simply meet clients wherever they are, in whatever structure is more suitable for a given investment strategy.”

Entrepreneur Casey Crawford joined the mix, acquiring **Vident Advisory** to expand his financial services portfolio beyond retail mortgage lending. Vident has \$6.9 billion in proprietary and subadvised ETFs and separately managed accounts. Among its products is the Vident Core Equity ETF (AUM: \$500 million), a U.S. all-cap value fund that screens out firms with significant accounting, governance and other risks.

Generali Group led European buyers in a cross border transaction for Conning, a non-cash deal through which Conning owner Cathay Life Insurance will gain around a 17% share of subsidiary **Generali Investments Holding**. The two firms also reached a 10-year agreement under which Generali will manage “specific insurance AUM” for Taiwan-based Cathay, including existing Conning assets. Management at Conning and its affiliates will remain in place. In an interview with AM Best TV, Conning CEO and Chair Woody Bradford said the deal gives Cathay the opportunity to gain “access to a broader range of investment capabilities, to have more scale in the business, and to partner with a like-minded view on strategy for the business going forward. So I think of them more as a minority partner rather than a seller.”

The deal, in discussion since 2022 and expected to close in the first half of this year, adds Conning’s \$157 billion in traditional and alternative assets managed for insurers and other institutions, bringing the total in Generali Group to \$845 billion, including wealth management. Asset and wealth management accounted for 13% of Generali’s operating income in the first half of 2023. Cathay and Conning also provide Generali with the opportunity to expand in the U.S. and Asia. Generali’s three-year “Driving Growth” plan, announced in 2021, positioned asset management among three “strategic pillars.” Cathay acquired Conning in 2014 when the firm had \$90 billion in AUM, building on a minority stake purchased in 2011.

There were two other smaller European cross border deals featuring high-profile buyers. In one, **abrdn** acquired an established U.S. fund manager specializing in the healthcare sector, **Tekla Capital Management**. Tekla manages four thematic closed-end funds with a total of \$3.1 billion in assets. arbdn said Tekla establishes a “firm-wide center of excellence for the healthcare and biotech sector” and “accelerates” its focus on “specialist active management and thematic sectors underpinned by long-term megatrends.”

Tekla’s largest fund is Healthcare Investors (AUM: \$1 billion), a concentrated vehicle that spans 11 subsectors but has the majority of its assets in biotech. Tekla represents abrdn’s second deal for closed-end funds in as many years, having acquired five such funds from **Macquarie Asset Management** in 2022. arbdn is one of the largest closed-end fund managers in the world, a vehicle the company says provides perpetual capital and higher margins.

In the third cross border deal, **Union Bancaire Privee** turned its attention to Asia, acquiring **Angel Japan Asset Management**, an established domestic small-cap manager with \$1.2 billion in AUM in three strategies. The deal builds on a five-year relationship in which AJAM advised on related UBP strategies. UBP said the deal underlines its “high conviction on the investment opportunities in the global small-cap equity segment, notably in Japan.” In its latest annual report, UBP called Asia “a key pillar” of its “long-term growth strategy,” noting senior management appointments in Hong Kong and Singapore and gains in China. The Chinese initiatives included adding a second license to provide global investment strategies to qualified domestic investors.

Martin Gilbert, who spent a career building Aberdeen Asset Management into a European giant via acquisitions, added another affiliate to AssetCo, the boutique in which he assumed a minority share in 2021. The company paid £4.1 million (\$5 million) for **Ocean Dial Asset Management**, a specialist in small- and mid-cap Indian stocks via two funds with a combined £140 million in assets. The deal maintained AssetCo’s focus on active equity managers, accounting for 85% of the firm’s £3.3 billion in AUM. (AssetCo also holds a minority interest in a UK platform for advisors, **Parmenion**, with more than £10 billion in AUM.) Publicly traded AssetCo said Ocean Dial “is expected to enhance earnings from the outset and provides welcome and valuable access to the long-term potential that India offers.”

BlackRock, returned to the Indian asset management market in a digital joint venture with **Jio Financial Services**. The 50-50 venture, **Jio BlackRock**, is targeting an initial investment of \$150 million from each partner. Just prior to the deal, JFS was spun out from Mumbai-based conglomerate Reliance Industries, controlled by billionaire Mukesh Ambani. In 2018, BlackRock sold its longtime holding in an Indian mutual fund joint venture.

## Franklin Resources bulks up, again

In acquiring **Putnam Investments** for a price that could reach \$1.3 billion, **Franklin Resources** adds \$136 billion in AUM (90% in equity and fixed income) to the \$1.4 trillion it managed at the time of the deal last May. Franklin is paying \$925 million upfront, primarily in shares, with an additional \$375 million tied to revenue growth over a period of five years. In its last consolidation deal, Franklin paid \$4.5 billion in cash for Legg Mason in 2020, but the company has been a steady buyer of alternatives firms as well.

Franklin said the transaction is part of a larger “strategic partnership” with **Power Corporation of Canada**, which has C\$2.7 trillion (US\$2 trillion) in assets through its various insurance and asset management subsidiaries, including Putnam’s direct owner, **Great-West Lifeco**. Great-West, the sixth-largest life insurer in North America, assumed a 6% shareholding in Franklin as part of the deal and will also place an initial \$25 billion long-term investment with Franklin managers. “This amount is expected to grow meaningfully over time,” Jenny Johnson, president and CEO of **Franklin Templeton**, told analysts.

Franklin stands to benefit from Power Corp.’s large network and in two growth areas where it wants to expand — retirement and insurance asset management. Putnam has 30% of its AUM in defined contribution plans, nearly doubling Franklin’s total to \$90 billion. A Power Corp. subsidiary, **Empower Retirement**, is the second-largest U.S. retirement record-keeper. Franklin is the 14th-largest manager on that platform, a position it hopes to improve significantly. While Franklin noted that the deal increased its insurance assets to \$150 billion, the company did not spell out Putnam’s contribution (19% of Putnam’s assets are managed for institutions).

“We have stated our interest in distribution-led strategic transactions that would further diversify our business and accelerate growth in key markets,” said Johnson. “This partnership with Power and Great-Life exemplifies this.” For its part, Great-West said the transaction delivers “best-in-class asset managers” to support its clients’ financial goals. The deal does not include Putnam quantitative manager **PanAgora** (AUM: \$33 billion), which Great-West retained.

The firms said the new venture merges BlackRock's asset management expertise with JFS' local market knowledge and digital infrastructure. Calling the venture "transformational," the two firms said Jio BlackRock will be a "customer-centric and digital-first enterprise with the vision to democratize access to financial investment solutions." Although India's fund market remains relatively small (\$540 billion), it has been growing rapidly along with the middle class and a more risk-tolerant investment culture.

Foreign asset managers in China continued to capitalize on reforms to extend their presence last year, although their market penetration remains low. Tensions between China and the U.S. as well as Europe remain a barrier to growth, along with official support for purely domestic firms. The industry structure itself poses challenges: Chinese fund managers have established name recognition and strong distribution networks.

"Fund performance as well as named portfolio manager's reputation and track record are the most important factors that Chinese fund investors would consider when selecting funds," a senior research manager at **Morningstar China** told *Fund Selector Asia* last year. "Foreign asset managers have just entered the market and most of them haven't launched products yet." The challenges aside, McKinsey sees a powerful market, projecting in a report last year that China's asset management industry will double to \$40 trillion by 2030, driven by economic gains and pension reform. "The maturing of the pension system will bring sizable long-term capital."

J.P. Morgan Asset Management was among the U.S. firms active in the market, gaining full ownership of an established joint venture. JPM has a range of financial services businesses in China, including a wholly owned securities firm. In an interview with Bloomberg TV last May, China CEO Mark Leung acknowledged the market's challenges, including from the lengthy Covid lockdown, but remained upbeat. "You've got to be onshore to participate, and it will be a longer journey than we would wish to gradually build up scale and reputation," he said. "But we are invested and we are progressing well."

JPM, which held a 49% share of a Shanghai-based fund joint venture established in 2004, added its branding to the former China International Fund Management. The firm has \$24 billion in AUM. Morgan Stanley was the second major U.S. firm to gain control of a longstanding joint venture, saying the deal adds a "significant pillar of growth to our global investment management franchise." As with JPM, Morgan Stanley subsequently rebranded the firm name. The company also received regulatory approval to establish a futures business, making it the second foreign firm after JPM to receive the green light.

In a third development involving a U.S. firm, **AllianceBernstein** gained regulatory approval to establish a wholly owned fund manager. Among European firms, Schroders received the nod to set up a fund management company while **HSBC**, with its long history

in Hong Kong and China, reportedly reached agreement to buy out its joint venture partner. (HSBC also acquired **Citigroup's** Chinese retail wealth management portfolio.) Another UK-based firm, **Fidelity International**, introduced its first mutual fund for Chinese investors last year, having received approval to set up a fund business in December 2022.

## Credit/Private Equity

### CREDIT

Between the financial crisis and the end of 2022, private credit assets grew sixfold to \$1.3 trillion, according to the latest data from Coalition Greenwich. Prequin reported that the North American pension funds that have helped fuel the growth have nearly 4% of their assets in such instruments. *Pensions & Investments* tabulated that private credit assets at the 200 largest U.S. retirement plans grew 13% in the year ending September 2022, the latest year for which data are available.

The growth of the private credit industry has been impressive, as evidenced by such data, and pension funds and other institutions appear primed to continue their support by adding to those allocations. In a survey released early last year by Coalition Greenwich, more than half of institutional investors with private credit assets said they planned to increase their allocation while 40% plan to expand their manager rosters in the three years through 2025. "From our point of view, private credit is a very good companion to public credit," Steven Nesbitt, CEO of alternative investment advisor and fund manager **Cliffwater**, told *Pensions & Investments*.

In aggregate, North American pension funds have set a target allocation of nearly 6% for private credit. The \$254 billion **New York State Common Retirement Fund**, with a 4% allocation, last May added \$500 million to **Golub Capital** in two separate funds targeting opportunistic investments. New Jersey's **Police and Firemen's** \$30 billion pension fund expects to add a similar amount this year as part of a \$1.5 billion private markets initiative. The C\$230 billion (US\$170 billion) **British Columbia Investment Management Corp.** placed C\$4.7 billion (US\$3.4 billion) in private credit vehicles in the 2023 fiscal year, bringing that portfolio to C\$13.5 billion, or more than 6% of AUM.

Wyn Francis, chief investment officer for the £40 billion (\$50 billion) **BT Pension Scheme**, told the *Financial Times* last June he expects central bank tightening to "accelerate" the movement of capital into private credit. "As it becomes more difficult in the traditional lending market, this then plays into some of the private credit managers." Francis noted that private credit can help the fund meet the goal of a "cash-flow matching portfolio by 2034," adding: "We find that private credit gives us not just the cash-flow generation, but there's also a risk premium in there. That works for us."

Although private debt fundraising weakened in the last quarter of 2022, by midyear of 2023 it had returned to trend at just below \$100 billion, according to PitchBook. But with larger funds staying open longer, a softer third quarter (\$32 billion) placed a fourth straight \$200 billion year in question. The top-10 funds accounted for 35% of capital in the first nine months, among them one from **HPS Investment Partners** that closed in the second quarter with \$12 billion in equity commitments and \$17 billion in investible capital. The fund, which provides “customized financing” for large businesses in North America and Europe, counted the pension funds of Louisiana, Minnesota and Virginia among its investors.

In the first quarter, **Blackstone** rolled out a new credit fund aiming to raise \$10 billion for its first vintage while closing a \$7.1 billion Green Private Credit fund last August — the largest-ever “energy transition credit” fund. “We’re seeing the greatest demand today for private credit solutions, given higher interest rates and wider spreads,” Blackstone President Jon Gray told investors last April. When “coupled with the pullback in regional bank activity,” Gray called the environment “a golden moment for” credit.

Deal-makers have been taking notice for a while, making credit one of the most robust alternative sectors for M&A: In the five years through 2022, there was an annual average of 17 transactions. Last year, buyers returned once more in impressive numbers to cement several significant deals, with the transactions featuring multiple ownership structures. Cross border deals are another feature of the transactions, primarily in the core private credit markets of North America and Europe.

Buyers included a mix of high-profile traditional and alternative managers. One of those buyers, **BlackRock**, said the risk-return profile of the private credit market “may well be more attractive than it has ever been,” given the combination of higher rates, wider spreads and larger call protections. While acknowledging the risk of higher default rates, BlackRock said that can be “mitigated through disciplined investment selection and deal structuring.”

**MetLife Investment Management** was another marquee buyer, cutting its first deal for a private credit firm and joining the asset management arms of other insurers in a handful of transactions that more closely merge capital with alternative fixed-income capabilities. “The insurance company bid has become increasingly significant in providing a diversification of capital sources for structured products, including non-qualified loans,” Michael Vranos, founder and chief investment officer of credit and mortgage investor **Ellington Management Group**, told *Pensions & Investments* last October.

As in other parts of the asset management industry, buyers are seeking scale, enhanced or new capabilities, geographic expansion, and in many cases a roster of

## Credit Transactions

	2019	2020	2021	2022	2023
Number of Transactions	16	13	11	21	17
Combined Value (\$B)	\$7	\$1	\$5	\$7	\$8
Total Seller AUM (\$B)	\$215	\$68	\$81	\$276	\$273
Median Deal Size (\$M)	\$48	\$83	\$85	\$146	\$135
Median Seller AUM (\$M)	\$2,893	\$3,800	\$2,600	\$7,800	\$4,400

*Excludes acquisitions of managers with less than \$250 million of Assets Under Management (“AUM”)*  
Source: Berkshire Global Advisors

complementary clients. Sellers have an eye on distribution and infrastructure, including technology. One of those sellers, **Angelo Gordon** co-CEO Josh Baumgarten, said his firm reached an “inflection point” in which it was “routinely competing with some of the largest alt managers.” While noting that AG’s reputation, talent and portfolio provided a path for continued growth, he said the firm “always had an eye towards strategic opportunities that would expand our capabilities and product offerings.”

That opportunity involved a sale last year to publicly traded **TPG** in what was the largest credit transaction since **T. Rowe Price’s** \$4.2 billion acquisition of **Oak Hill Advisors** in 2021. The \$2.7 billion cash-and-shares deal includes an earnout of up to \$400 million based upon a 16% annual growth rate for fee-related revenues through 2026. The combination of TPG and AG creates a diversified alternatives manager with \$210 billion in AUM, more than 60% fee earning, and 900 institutional relationships with only a 10% overlap in those clients. AG also sports a record of fast growth: AUM doubled in the five years through 2022.

AG primarily delivers a large and diversified private credit portfolio (AUM: \$55 billion) to complement TPG’s dominant private equity business. New York-based AG also adds a complementary \$18 billion value-add and net-lease real estate portfolio to the \$20 billion TPG manages in opportunistic and core-plus strategies, while expanding TPG’s European capabilities and adding an Asian presence. TPG, which did an IPO in 2022, said it expects the deal to be mid-to-high single-digits accretive to fee-related earnings in 2024, not including synergies.

There were multiple cross border deals of note, several involving UK firms. Australia’s **First Sentier Investors** took part in a major one, acquiring a majority stake in a London-based European credit manager, **AlbaCore Capital Group**. In line with First Sentier’s multi-boutique structure, AlbaCore will maintain its branding and operating autonomy while management retains a minority stake and continues to invest in its funds. First Sentier (AUM: \$146 billion), acquired by **Mitsubishi UFJ Trust and Banking Corp.** in 2019, called alternative credit “a strategically important space.”

Founded, in 2016 with seeding from Canada’s **Public Sector Pension Investment Board**, AlbaCore has a diversified credit portfolio with \$9.5 billion in AUM, including private credit, collateralized loan obligations, liquid credit and structured credit. In 2022, the company,

## Hedge Fund / Hedge Fund of Funds Transactions

	2019	2020	2021	2022	2023
Number of Transactions	10	13	9	4	4
Combined Value (\$B)	\$0.4	\$2	\$2	\$0.2	\$1
Total Seller AUM (\$B)	\$18	\$91	\$32	\$16	\$43
Median Deal Size (\$M)	\$44	\$27	\$100	\$42	\$72
Median Seller AUM (\$M)	\$1,566	\$3,000	\$2,000	\$4,913	\$3,842

Excludes acquisitions of managers with less than \$250 million of Assets Under Management ("AUM")  
Source: Berkshire Global Advisors

which targets large- and mid-cap companies, closed its third flagship fund, with €2.2 billion (\$2.3 billion) and a re-up rate from its second fund of 96%.

Another Australian multi-boutique, **Pacific Current Group**, could pay up to \$40 million for a 25% stake in **Avante Capital Partners**, a small Los Angeles firm that focuses on U.S. lower-middle-market companies. Avante, established in 2009 and owned by women, said the timing was "right ... to seek a strategic partner to accelerate our growth and amplify our impact." In 2022, Avante closed its third fund with \$450 million in capital, oversubscribed by 50%. PCG has a diverse mix of 16 other firms in its portfolio and A\$215 billion (US\$140 billion) in AUM.

BlackRock acquired a specialist London firm, **Kreos Capital**, which provides growth and venture debt financing to healthcare and technology companies. Noting that Kreos has "delivered for clients through multiple cycles," BlackRock said the deal "advances its ambitions to provide clients with a diverse range of private market investment products and solutions." Established in 1998, Kreos has committed €5.2 billion (\$5.6 billion) in 750 transactions, primarily in Europe and Israel. A deal heading the other way saw UK hedge fund manager **Man Group** pay \$183 million for New York's **Varagon Capital Partners**, a middle-market private credit manager with nearly \$12 billion in AUM and an additional \$15 billion in total client commitments. Man placed the value at 8.1 times 2022 pretax profits. Varagon focuses on senior-secured loans to private equity-backed companies in noncyclical industries.

In an all-U.S. deal, **Monroe Capital** added to its capabilities by acquiring **Horizon Technology Finance Management**, a credit manager serving venture capital-backed companies. The deal represents Monroe's first acquisition since its founding in 2004. HTFM, the investment manager for publicly traded **Horizon Technology Finance Corp.**, has deployed more than \$3 billion in loan commitments to some 315 companies during its 19-year history, generally in secured loans. HTFC provides loans of various types of up to \$50 million "with a meaningful interest-only period."

The asset management arms of several insurers added established credit managers, including a cross border deal between Canada's **Manulife Investment Management** and **CQS**, a London firm with \$13.5 billion in diversified credit AUM. CQS cited its new parent's "strong platform and global distribution" while MIM noted the complementary

addition to its product lineup. Soraya Chabarek, CEO of CQS, told the *Financial Times* the "most attractive" aspect of discussions involved "creating and allowing for investment autonomy. This was important for us." MIM has C\$845 billion (US\$620 billion) in AUM, 27% in fixed income and 11% in private markets. In the first three quarters of 2023, asset and wealth management accounted for 20% of MIM's "core" earnings.

Within the U.S., MetLife Investment Management's first-ever private credit transaction involved **Raven Capital Management** (AUM: \$2.1 billion) and came on top of a 2022 deal for a London-based fixed-income ESG specialist, **Affirmative Investment Management**. Raven provides direct lending to middle-market businesses with no private equity backers. In a 2022 interview with Preqin, Dimitri Cohen, Raven's head of credit, said clients are drawn to his firm by "its truly unique deal flow, where the terms are driven by the lender to protect downside and not by private equity sponsors to achieve higher equity returns or financial engineering flexibility." In its private credit group, MIM manages more than \$120 billion in assets, or around one-fifth of its total AUM.

**PGIM**, the asset management arm of insurer **Prudential Financial**, bought a majority interest in **Deerpath Capital Management** and its affiliates. Deerpath adds more than \$5 billion in AUM targeting private equity-backed firms to the \$90 billion-plus PGIM managed in private credit assets prior to the deal. In an interview with Bloomberg TV, PGIM President and CEO David Hunt said Deerpath's lower-middle-market focus complements its own middle-market orientation "but with the same kind of operating model, which is to say direct origination."

**Kudu Investment Management**, part of **White Mountains Insurance**, continued the aggressive buildout of its portfolio of asset managers, with a particular focus on alternatives, buying minority stakes in two diverse credit managers. One of the deals was for Portland, Ore.-based **Variant Investments**, a six-year-old firm managing \$2.3 billion, primarily for RIAs, in such "uncorrelated" niche areas as litigation finance and royalties. In Variant's dominant Alternative Income fund, 42% of assets are in specialty finance, with 14% in litigation finance and another 7% in royalties.

In a comprehensive global survey last year of insurers, BlackRock found that 89% plan to "opportunistically" increase their exposure to private markets over the next two years, in particular direct lending (60%). Six in 10 said they had adjusted their asset allocation in response to the macroeconomic environment, driven by the need for greater flexibility and the desire to invest in new asset classes. BlackRock called the tilt toward private debt among insurers "an acknowledgement that the addressable market and pricing power are expected to improve following regional bank disruptions." Nearly 70% of the insurers surveyed had only a 1% to 6% allocation to private markets.

Although the universe of targets in the collateralized loan obligations arena has thinned with aggressive deal-making in the years since the financial crisis, transactions continue to be completed. There were multiple such deals of note last year, including the purchase by **Sound Point Capital Management of Assured Investment Management**. The addition of AIM's \$15 billion in CLOs gives Sound Point a total of \$36 billion, making it a top-five such manager worldwide.

AIM's CLOs are primarily U.S. focused but also include European vehicles. The transaction — Sound Point's largest ever — includes a \$1 billion investment commitment from AIM parent, insurer **Assured Guaranty**. AG will assume a 30% stake in Sound Point as part of the deal. Stephen Ketchum, Sound Point founder and managing director, told the *Wall Street Journal* the deal gives his firm "a seat at the table in any debt restructuring and keeps us on the speed dial of the investment banks for first looks at interesting opportunities. Scale in the credit business is more important now than it has ever been."

In a second domestic U.S. deal, **Redding Ridge Asset Management** acquired CLO management contracts with \$2.8 billion in AUM from credit manager **Gulf Stream Asset Management**. Redding, an independent affiliate of **Apollo Global Management** founded in 2016, specializes in CLOs and structured credit partnerships in the U.S. and Europe. Redding had \$23 billion in AUM prior to the deal, which marked the second transaction for CLOs an Apollo affiliate has concluded with Gulf Stream. Redding and Apollo entered a partnership with Gulf Stream in 2019 to relaunch the latter's CLO business. Gulf Stream called the deal "another successful cycle" of "our longstanding relationship with Apollo."

Outside the U.S., the asset management arm of insurer **Aegon** acquired the CLO business of **NIBC Bank's** UK business (AUM: €1.2 billion). The deal adds a European platform to the \$5.4 billion Aegon already managed in the U.S., as the firm seeks to become "a leader in the European CLO market." NIBC is based in the Netherlands. In a transatlantic CLO deal, fixed-income shop **TCW Group** entered a "strategic partnership" with London's **Lakemore Partners**, which has \$1.4 billion in AUM. Through the deal, Lakemore will make a "material" equity investment in TCW's CLO platform, which TCW said will support the issuance of multiple CLOs over the next several years. (TCW also acquired an ETF manager; see *Traditional Investment Management*.)

In the U.S., the dominant CLO market, analysts projected that 2023 issuance would total in the \$100 billion range, down from \$129 billion in 2022, as the industry grapples with increased funding costs and a drop in refinancings. "New issue CLO equity arbitrage looks thin," a portfolio manager at corporate credit asset manager **Fair Oaks Capital** told *Bloomberg* last May. "The current arbitrage is about half of the historical range." Still, CLOs performed well in the first three quarters, ranging from a 13.9% return for those rated double-B to 6.3% for triple-A, according to **DoubleLine**.

## PRIVATE EQUITY

When **Blackstone** went public in 2007, the *New York Times* described the event as akin to a "Hollywood premiere," with "television trucks from networks around the world lined up" at the New York Stock Exchange to cover the story. At the time, Blackstone had \$88 billion in AUM and private equity was the largest asset class (\$33 billion).

Blackstone reached a new milestone during last year's second quarter — minus the fanfare of its IPO — when it became the first alternatives firm to hit \$1 trillion in AUM, three years ahead of plan. The company's private equity business has by now slipped behind real estate by AUM, and at 30% was barely above the newly combined credit and insurance unit — a shift apparent at other alternatives firms and synonymous with institutional product demand. Blackstone's private equity distributable earnings also lagged real estate in the 12 months through the third quarter, and the unit was sitting on the largest amount of dry powder (\$83 billion).

While Blackstone's private equity business has ceded territory to other alternatives, that business remains the largest in the world. In the second quarter, companies in Blackstone's private equity portfolio recorded 12% revenue growth year over year, and in January 2023 the firm closed a record private equity secondaries fund of \$25 billion.

Although several other large funds closed last year, the U.S. environment remained challenging, with fundraising in the first three quarters off 13% from the year-earlier period to \$242 billion, according to PitchBook. Europe was faring better during that period: Fundraising climbed over the full-year 2022 total to €86 billion (\$105 billion), driven by three large funds led by **CVG Capital Partners' €26 billion Fund IX**, the largest-ever buyout fund.

The U.S. middle market was showing resilience, accounting for half the funds raised while its market share by number of funds was 59%, the highest level since 2009. But in its half-year review of the market, **Capstone Partners** said private equity exits in the middle market dropped sharply (44% year over year), reflecting the pressure on valuations but also optimism among sponsors about performance "as they have continued to deploy capital at relatively healthy levels." In both the U.S. and Europe, exits in general were off significantly in the first three quarters, forcing some private equity firms to consider alternatives to provide liquidity for their limited partners.

Deal-making in the sector remained healthy, however, drawing permanent capital providers such as **Dyal Capital** and **Hunter Point Capital** and delivering several significant transactions. Blackstone joined the buyers, acquiring a minority stake in a U.S. firm, **FTV Capital**, through funds it manages. FTV, which focuses on enterprise technology and financial services, closed a \$2.4 billion fund in 2022 and has raised \$6.2 billion since its founding in 1998. Last year, FTV led a \$43 million investment in **Masttro**, a wealth data aggregator serving that industry.

## Private Equity Fund Transactions

	2019	2020	2021	2022	2023
Number of Transactions	19	12	16	12	28
Combined Value (\$B)	\$2	\$2	\$6	\$10	\$4
Total Seller AUM (\$B)	\$98	\$192	\$130	\$70	\$255
Median Deal Size (\$M)	\$100	\$125	\$167	\$185	\$95
Median Seller AUM (\$M)	\$3,000	\$7,250	\$3,400	\$3,151	\$4,650

Excludes acquisitions of managers with less than \$250 million of Assets Under Management ("AUM")  
Source: Berkshire Global Advisors

In a larger U.S. deal of note, **FS Investments** and **Portfolio Advisors** merged their complementary businesses to build an alternatives firm diversified by product and client base and with a combined \$75 billion in AUM, about evenly split between the two. FSI, which bills itself as a "pioneer in the democratization of alternative investments," serves retail investors through a distribution platform across the U.S. wealth channel. PA's client base is institutional and more global.

"Combining with Portfolio Advisors means we can expand out clients' access to strategies across private equity, private credit and private real estate," FSI Chairman and CEO Michael Forman said in a corporate video. Brian Murphy, co-founder of PA, said the deal "provides significant new resources that will help support our global institutional clients" while bringing its "private market investment strategies to a broader audience." Following the deal, the firms' first joint initiative involved expanding distribution of PA's MVP Private Markets fund with \$640 million in AUM, the majority in secondary investments in the North American middle market. "Our wealth management clients have long expressed interest in greater access to private equity and private markets solutions," said Forman.

New York's Hunter Point Capital cut several deals last year for established managers to add to the three it did in 2022. Hunter was founded in 2020 by two alternatives and asset management veterans to take minority stakes in middle-market firms. Last year, it also established a separate platform offering net asset value and other financing options for alternatives firms. The largest deal by AUM involved **L. Catterton** (AUM: \$33 billion), a consumer-oriented global investor based in Connecticut. The company, which aims to be "the partner of choice to iconic consumer brands," invested \$3 billion in 19 consumer businesses worldwide in 2022 while raising a record \$6.4 billion. Having established a direct-lending platform in 2022 for private equity-backed middle-market firms, L. Catterton cited Hunter Point's "deep expertise in private credit markets" as one of the deal's benefits.

Another strategic investor, **Bonaccord Capital Partners**, also made several deals last year, including for a minority stake in a healthcare specialist, **Revelstoke Capital Partners**. Founded in 2013 and based in Denver, Revelstoke has \$5.6 billion in AUM, having closed its third flagship fund last year with \$1.7 billion in capital (exceeding the \$1 billion target). Bonaccord, part of private markets firm **P10**, has investments in 14

alternatives managers, primarily private equity firms.

A high-profile transaction saw **Fortress Investment Group** and **Mubadala Investment Co.** acquire the 90% of Fortress held by Japan's **SoftBank Group**. News reports placed the undisclosed price at more than \$2 billion compared with the \$3.3 billion SoftBank paid in 2017, when it eyed Fortress as a center of investment expertise for its massive Vision Fund. In

the years since that deal, SoftBank has endured a series of setbacks in the tech-heavy fund. Mubadala, which will hold a 70% share (including a previous 10% shareholding), is the \$280 billion sovereign wealth fund for Abu Dhabi; Fortress management will own 30%.

Although Fortress (AUM \$46 billion) was founded as a private equity firm in 1998, it has developed a large credit business since then. Mubadala has 36% of its assets in private markets and 6% in credit, but has been eyeing credit as a growth opportunity. Last year, it formed a global credit joint venture with **Ares Management** to invest in the secondaries market. Fortress co-CEO Drew McKnight told *Institutional Investor* the credit market offered "epic opportunities" for its distressed and opportunistic strategies as regional banks and other lenders retreat. Fortress will remain an independent investment firm and retain its branding.

Ares Management was also active on the buy side acquiring Singapore's **Crescent Point Capital** (AUM: \$3.8 billion), an investor in Chinese and Southeast Asian consumer companies. Ares, which has a diverse alternatives portfolio in the region, said the transaction provides a "compelling opportunity" to capitalize on the growth prospects for private equity in Asia. The company has around 9% of its \$395 billion in AUM in private equity, not including secondary investments.

Within North America, alternatives firm **Sagard** bought a "strategic stake" in **Performance Equity Management**, which manages \$9 billion in private equity and venture capital in fund of funds and co-investment structures. A multi-strategy firm with \$16 billion in AUM, Sagard targets North America and Europe. PEM cited Sagard's growth and "powerful global ecosystem of partners and shareholders" as key reasons for cementing the relationship while Sagard said the deal "marks a significant expansion" of its capabilities. Sagard is controlled by Canada's Desmarais family, which last year also acquired a stake in **Rockefeller Capital Management** (see *Wealth Management*). In a December 2022 Money Maze podcast, Sagard CEO Paul Desmarais said his goal in the coming years is to "transition from a Canadian brand to a global brand, and we're going to do that by growing our investor base from outside of Canada."

Deals for secondary specialists remained in line with the growth of the segment, includ-

## Real estate advisory firm expands its portfolio

By acquiring “substantially all” of the secondary private equity business of **Newbury Partners** for \$320 million last year, **Bridge Investment Group** expanded beyond its real estate advisory business, adding a partner in a hot market with a similar investment philosophy and complementary investor base.

Founded in 2006, Newbury has \$5 billion in AUM, bringing Bridge’s total to \$49 billion at the time of the announcement last February. Importantly, Newbury boosts Bridge’s fee-based AUM by 25% to nearly \$22 billion, more than double the level when the company went public on the **New York Stock Exchange** in July 2021. Newbury closed its fifth and largest fund in 2021, of \$2 billion, and following the deal it launched a sixth one targeting \$2.5 billion.

In Bridge’s earnings call at the time of the announcement, executives touted Newbury’s performance: Since the financial crisis, Newbury funds that started marked-to-market reporting have had gross annual returns above 20% and net returns of 15% to 21%. The secondaries market is also growing sharply, having more than doubled between 2020 and 2021 to \$132 billion and remaining above the \$100 billion threshold in 2022, although the first half of last year saw a drop in deal volume. **Morgan Stanley** projects the market will grow by 22% annually through 2026.

“With Newbury, we will diversify our product offerings and add significant assets to the Bridge platform,” Bridge Executive Chairman Robert Morse told analysts.

“The transaction also presents an opportunity to expand our investment offerings to both Bridge and Newbury investors by developing real estate secondaries funds as we combine Bridge’s real estate underwriting expertise with Newbury’s sterling reputation as a leading secondary market investor.”

In expanding the portfolio, the two firms benefit from a complementary investor base offering the potential for cross selling, given an overlap among their institutional clients of less than 3%. Newbury also brings a loyal clientele, having generated 80% of its capital from repeat investors. Culturally, both firms have a similar investment focus on less competitive and more attractively priced small and middle-market transactions. Newbury targets established buyout, growth equity and venture capital funds.

Prior to the deal, Salt Lake City-based Bridge managed a diversified portfolio of U.S. property assets, with credit, multifamily, and workforce and affordable housing among the leading strategies. The company registered threefold growth in its AUM in the five years through 2022. In addition to its institutional investors, Bridge serves the high-net-worth market, accounting for more than half of committed capital. “We think there’s a meaningful appetite in the wealth management channels with whom we do business for a variety of product,” said Morse, adding: “We expect there will be meaningful receptivity to expanding that product suite to include the secondaries business.”

ing **Bridge Investment Group**’s acquisition of **Newbury Partners** (see sidebar). In a second such deal, **Brookfield Asset Management** acquired the secondaries business of **DWS Group**, the asset manager majority-owned by **Deutsche Bank**. The deal includes the investment team and a \$550 million fund closed in 2021. In an interview with *Bloomberg*, Anuj Ranjan, president of BAM private equity, said the acquisition provides entry to a market offering “tremendous opportunity.” BAM, with \$130 billion in private equity AUM (17% of total AUM), has existing secondaries investments via its real estate and infrastructure businesses. Last year, BAM closed a \$12 billion private equity fund, its sixth and largest such flagship fund.

In announcing the deal, DWS reaffirmed a commitment to its €120 billion (\$130 billion) alternatives business, which primarily involves real assets. “Alternatives remains a priority growth area for DWS, and this transaction allows us to focus on and fund new initiatives in our key areas of strength,” said Stefan Hoops, CEO at DWS.

Last year, Paul Kelly, formerly chief operating officer at Blackstone Credit, joined DWS to become head of the alternatives business.

A second cross border deal saw Dyal Capital acquire a minority stake in **PAI Partners**, a pan-European and North American investor with €26 billion in AUM. Part of New York’s **Blue Owl Capital**, Dyal provides permanent capital to established alternatives firms via minority stakes. Last year, it closed its largest fund to date of \$12.9 billion. Through that Strategic Capital platform, Blue Owl has some \$51 billion in AUM and has bought stakes in more than 55 alternatives firms. The company also has credit and real estate platforms with another \$100 billion in AUM. Based in Paris, PAI invests in business services, food and consumer, industrials, and healthcare. Last year, for example, the company acquired a privately held U.S. pet food manufacturer, building off similar investments it has made over the years. The firm said Dyal’s investment will help spur “the next phase of our growth.”

# Real Assets

## PROPERTY

For years, the retail property sector has been under pressure from the relentless growth of online competitors. But when Covid struck, many analysts expected that slow but steady decline to accelerate. Gun-shy consumers, wary of crowds, would shun malls in particular for the safety of home delivery, it was thought.

Yet, just a couple of years later, bricks-and-mortar retail has revived, aided by strong consumer spending. “The narrative has suddenly shifted from ‘retail apocalypse’ to ‘retail resilience,’” wrote **Cushman & Wakefield** last September. Nationwide, retail space availability by midyear had dropped below 5%, according to **CBRE**, while JLL noted that there was less space available for lease in shopping centers than at any time since the 2008 financial crisis.

The U.S. office market, by contrast, was grappling with a 30-year-high vacancy rate of 18.2%, but buildings constructed since 2010 “continued to see positive absorption,” according to CBRE. Companies are also increasing in-office policies for at least part of the week, driving up employee occupancy rates. Industrial and logistics, which remained a pillar of strength during the pandemic, was on course for double-digit rent growth for the year. **Prologis**, the leading such firm, reported record results in the second quarter while raising its full-year earnings guidance, although by the third quarter the company cited softer demand. **EQT** closed a \$4.9 billion value-add industrial fund last July targeting single-tenant supply-chain assets in the U.S.

Elsewhere in the world, the story varies. In Asia-Pacific, office re-entry levels are 84% and in Europe 73% compared with 50% in the U.S., according to **JLL**. Still, in the European office market, half-year take-up was 15% below the five-year average, according to **Savills**. That reflected the soft economy and related cost-cutting, as well as hybrid work. Vacancy rates varied from double digits in the La Defense business district of Paris to less than 4% in Berlin. Investment also dropped sharply, 61% below the first half in 2022.

In a report last year focusing on commercial real estate in “superstar” cities, McKinsey found that rents in Europe fell less sharply than in the U.S. while in Tokyo rents rose 4% between 2019 and 2022. The consultant expects demand to drop in the years through 2030 in most of those cities. One response McKinsey suggests is for developers to create “neutral use” buildings “whose design, infrastructure, and technology could be easily modified to serve different uses” as the market dictates.

Fundraising also slowed last year, dropping to just \$18 billion by the third quarter, according to Preqin, although the closing last April of **Blackstone’s** \$30 billion Real Estate Partners X — the largest-ever such fund — was a notable exception. Blackstone said the fund is shifting from sectors “facing headwinds” and concentrating on logistics, rental

housing, hospitality, lab office and data centers. Ken Caplan, co-head of Blackstone Real Estate, emphasized that “sector selection has never been more critical as we witness the bifurcation within real estate, which is favoring our high-conviction themes.”

Amid the dislocation, many asset managers joined Blackstone in preparing to seize the moment.

**Brookfield Asset Management** launched a fifth opportunistic fund last year. In a second-quarter shareholder letter, CEO Bruce Flatt noted the company’s long history of investment across market cycles, along with its scale and global reach. He called the current environment the most “fruitful” since the financial crisis, adding, “The Brookfield ecosystem enables us to unearth attractive opportunities that others may overlook or cannot undertake.”

In its midyear real estate outlook, **Pimco** acknowledged that investors may view the market as “daunting,” but argued for a “flexible, long-term approach” that also accounts for varying conditions in different countries. Supply and demand “will ultimately determine the value of real estate,” Pimco wrote. In the near term, the asset manager touted “unprecedented potential” in debt, including senior origination “as lenders retreat, as well as distressed public and private debt.”

Amid that selective bullishness, the challenges facing the property market led deal-makers to adopt a cautious approach. While the market has pockets of distress, and while investment managers’ portfolios may contain some troubled assets, the businesses of independent real estate investment managers are sound, a state of affairs that allows them to wait out the macro environment. Buyers remained engaged in discussions — and certain sectors such as industrial and multifamily drew interest — but they were proceeding carefully and with more constraints.

The largest alternatives deal last year, **TPG’s** \$2.7 billion acquisition of **Angelo Gordon**, was mainly driven by AG’s private credit portfolio, but the transaction also had a significant real estate component. Combined, the two firms have \$38 billion in real estate AUM worldwide (\$210 billion in total), about evenly divided and covering a complementary range of strategies. In his second-quarter call following the deal, TPG CEO Jon Winkelreid told analysts his firm is “well positioned” with \$6 billion in dry powder in its latest real estate opportunistic fund. “The significant market dislocation is creating unique opportunities for us to acquire high-quality assets that rarely become available for sale,” he said. Winkelreid cited the recent acquisition of a portfolio of life sciences assets in the Boston area as an example of “how we can play offense in a tough market and build value.” (See *Credit/Private Equity for more on this deal.*)

In a second alternatives deal with a real estate element, **Rithm Capital Corp.** paid \$720 million for **Sculptor Capital Management**, primarily a credit firm but with \$4.2 billion in real estate credit and equity AUM (total AUM: \$34 billion). Sculptor’s real estate platform has delivered the best returns of any of its strategies. A mort-

## INFRASTRUCTURE

### Bridgepoint-ECP transaction builds diversified portfolio

The infrastructure space continued to mint some interesting deals last year, in particular two from UK-based private equity firms: **Bridgepoint's** acquisition of **Energy Capital Partners** and **CVC Capital Partners'** purchase of **DIF Capital Partners** were both cross border affairs with targets on both sides of the Atlantic.

The deals for such managers underline the growing attractiveness of the sector, as well as the drive by private equity managers to extend their alternatives portfolios. McKinsey calculates a \$15 trillion gap in infrastructure spending worldwide through 2030, noting that "revolutions in energy, mobility, and digitization are changing the face of infrastructure investing." The potential aside, the number of dedicated acquisition targets remains limited, placing a lid on M&A.

Infrastructure fundraising slowed considerably last year from the record pace of 2022, when \$181 billion was raised, according to Preqin. The 2022 numbers included five funds above \$10 billion, by McKinsey's count. Smaller funds predominated in 2023, with PitchBook attributing the drop in capital to higher interest rates, the denominator effect, and lower distributions from existing funds. North American funds, sitting on \$158 billion in dry powder as 2023 began, had deployed only a minor percentage by midyear, by Preqin's estimates.

Among the firms engaged in fundraising last year was **Ares Management**, which kicked off its first infrastructure secondaries fund, targeting \$2 billion. This followed the year-end 2022 close of Ares' \$5 billion infrastructure debt fund, an emerging area in the sector. Last year, **Grain Management** launched a telecommunications-focused infrastructure fund aiming to raise \$4 billion. **Blackstone** saw its infrastructure AUM jump 25% in the year through June 2023, making it one of the alternative giant's fastest-growing if smaller (AUM: \$37 billion) businesses. Danita Johnson, managing director of real assets for Maryland's \$64 billion pension fund, sums up the general appeal of infrastructure for institutions: "We're looking for cash yield [and] strong inflation-linkage assets that are not correlated to other sectors," she told *Pension & Investments* last year.

In its deal, Bridgepoint, with £38 billion (\$45 billion) in private equity and private debt AUM, added \$20 billion in AUM through New Jersey-based Energy Capital Partners, an established firm specializing in the green energy sector. The publicly traded manager valued the deal at £835 million in cash, shares and assumption of £179 billion in ECP debt. Bridgepoint — which said the deal multiple was "broadly" in line with its own valuation based on a closing this year — touted ECP's "market-leading position" in power generation, renewables and battery storage. ECP expects global "decarbonization" investment to reach \$1.9 trillion annually.

BridgePoint said the deal will further both firms' ambitions outside their core markets of Europe (Bridgepoint) and North America (ECP). ECP, which at the time of the deal had raised most of the \$4 billion it is targeting for a fifth fund, also delivers 170 new client relationships, including a significant presence among sovereign wealth funds. "Joining forces with ECP is an important powerful next step in Bridgepoint's strategic objective of building a globally scaled, diversified platform in middle-market private assets investing," said Bridgepoint Chairman William Jackson, who also stressed his previous personal relationship with ECP founder Doug Kimmelman.

Bridgepoint said it expects the deal to be immediately accretive, with ECP boosting the fee-related earnings margin by five points to 36% and earnings per share by high single digits, based on 2022 performance data. **Blue Owl Capital**, with minority stakes in both firms, will convert those shares into Bridgepoint shares, owning more than 15%. ECP partners will own between 19% and 25% of shares, based upon earnouts.

In the second deal, CVC acquired a majority stake in another established and leading infrastructure manager, DIF Capital Partners, paying €1 billion (\$1.1 billion), according to media reports. The deal provides CVC entry to an infrastructure platform that it called "complementary" to its existing strategies in private equity, secondaries and credit. CVC, based in Luxembourg, has €160 billion in AUM, the majority in private equity.

"Expanding into infrastructure is a logical next step for us, given the long-term secular growth trends," said Rolly van Rappard, CVC chair and co-founder. It could also be a logical move given the company's ambition to go public, by creating a more comprehensive alternatives platform akin to those managed by its larger public competitors.

Based in Amsterdam and founded in 2005, DIF has €16 billion in AUM and pursues two strategies: core/build-to-core and core-plus. The firm's seventh and latest fund is aiming to raise €4 billion in capital to invest globally in utilities and renewable energy assets with "long-term contracted or regulated income streams, stable and predictable cash flows, and attractive risk-adjusted returns." Last year, DIF made a £200 million investment through the fund in Field, a London developer and operator of battery energy storage systems. DIF said the capital will accelerate Field's growth in the UK and Western Europe.

Wim Blaasse, CEO of DIF, said the connection to CVC provides the benefit of a "global platform, scale and investor relationships" and allows it to "double down on important infrastructure sectors like energy transition and digitalization while retaining independence over our investment decisions."

## Real Estate Transactions

	2019	2020	2021	2022	2023
Number of Transactions	23	17	31	28	18
Combined Value (\$B)	\$3	\$2	\$13	\$6	\$7
Total Seller AUM (\$B)	\$107	\$78	\$237	\$199	\$382
Median Deal Size (\$M)	\$42	\$91	\$116	\$102	\$111
Median Seller AUM (\$M)	\$1,900	\$3,500	\$3,212	\$5,296	\$2,854

Excludes acquisitions of managers with less than \$250 million of Assets Under Management ("AUM")  
Source: Berkshire Global Advisors

gage REIT, Rithm has been an aggressive acquirer over the years of related companies, but the deal for Sculptor is part of the firm's effort to extend into other alternatives. "While we are a mortgage REIT, I'd like to think of us as an asset manager operating as a REIT," Chairman and CEO Michael Nierenberg said in the company's second-quarter conference call.

In a real estate deal with an advisory element, **Stone Point Capital** made a "major investment" in **Lincoln Property Company Commercial**. Based in Dallas, Lincoln is a key player in the state's real estate industry, engaged in developing, managing and leasing property. But the company also has an investment management arm that it plans "to significantly expand." The companies said the Stone Point investment "will enable Lincoln to accelerate its national and international expansion." Over the course of its lengthy history, Stone Point has made investments in two-dozen companies in the real estate industry.

In another U.S. deal, this time with a wealth orientation, **Focus Financial Partners** acquired **Origin Holding Co.** to tap into the growing retail demand for alternatives, including real estate. Founded in 2007, Origin is a specialist in multifamily and manages some \$2 billion in assets through several private funds, including a credit-oriented fund. Origin serves 3,000 individuals with minimum investments of \$50,000 to \$100,000. Focus, which was taken private last year (see *Wealth Management*), wrapped Origin into one of its affiliates, **Kovitz Investment Group Partners** (AUM: \$7 billion), with the aim of extending the products to its partner firms. "The world of the traditional 60/40 portfolio is over," former Focus CEO Rudy Adolf told *Barron's* in discussing the transaction. "To make it through this highly volatile, idiosyncratic investing environment, you need access to sophisticated strategies."

In its latest survey of the U.S. defined contribution (DC) market, real estate trade group Nareim tabulated \$59 billion in private real estate as of 2022, including an increase of 7.2% in commitments that year. Nareim noted that survey respondents said nearly half of DC investment in private real estate came from external outsourced CIO/discretionary accounts and 39% from advisors. Among real estate investment firms, one-third of respondents with no DC-related capital say they are "considering developing an offering" for the market while another 7% are "actively developing" an offering.

In a transatlantic deal involving in part a forestry manager — a sector that generally adds a deal or two annually to the mix of advisory transactions — **Searchlight Capital Partners** of New York agreed to pay around £470 million (US\$575 million) for publicly traded **Gresham House**, a "sustainable" UK asset manager. Gresham placed the valuation at 5.9% of AUM and 15.9 times 2022 EBITDA, with the offer 44% above its 12-month average share price. Gresham has more than £8 billion in AUM in the UK and Asia-Pacific, 40% in forestry and another 9% in UK housing and Irish commercial real estate. Green energy and sustainable infrastructure account for 25% and is the fastest-growing part of the business.

Gresham said Searchlight can "accelerate" its growth strategy, including via acquisitions, with "long-term capital and global expertise." Searchlight, which was drawn to the deal by Gresham's niche in sustainable investment, holds investments in four other financial services firms, but Gresham represents the only asset manager. The private equity firm has some \$12 billion in AUM and is raising a fourth buyout fund, having closed its last fund of \$3.4 billion in 2020.

A second cross border deal was notable for the buyer, the **National Pension Service of Korea**, which acquired a minority stake in **Stockbridge Capital Group**. The deal builds on a joint venture the two firms formed in 2020 to acquire core logistic properties. Based in San Francisco, Stockbridge has \$34 billion in AUM across the range of property sectors with an emphasis on residential and industrial. The company said the investment will support its "continued growth" as well as a corporate reorganization and new incentive program for senior leadership.

The third-largest pension fund in the world with \$750 billion in assets, NPS made the investment through a separate account investment program administered by **Blue Owl Capital**. NPS has 16% of its assets in alternatives, mostly invested globally, with real estate accounting for one-third and the Americas the largest market. The portfolio returned 10% on average annually in the five years through 2022. Last year, NPS also launched a specialty property index in collaboration with **FTSE Russell** to track niche and non-core real estate sectors, including data centers, senior care and student housing.

## Wealth Management

Higher interest rates and macroeconomic uncertainty somewhat tempered deal activity for wealth managers last year, as the sector declined by 10% to 181 transactions (excluding deals with seller AUM below \$250 million). Established private equity-backed consolidators such as **Focus Financial Partners**, **Hightower Advisors** and **Wealth Enhancement Group** continued to account for

an outsized number of those deals. They were joined by newly minted consolidators, private equity firms making new investments, and a mix of independents teaming up for scale and expansion.

The average size of deals by median AUM, which dropped sharply by 18% between 2021 and 2022, continued to drop by 7% last year. In the first 11 months of 2023, more than three transactions involved RIA sellers with assets between \$10 billion and \$30 billion.

**Pathstone**, benefiting from investments last year from middle-market private equity investor **Kelso & Co.** as well as existing investor **Lovell Minnick Partners**, is one example of a strategic buyer of a large RIA. Last July, Pathstone acquired one of the largest U.S. multifamily offices, **Veritable**, adding \$17 billion in assets to boost its total above \$100 billion.

Over the same period, more than one-quarter of deals involved sellers with \$1 billion to \$10 billion in assets. An example in the second quarter of one of the larger such transactions involved **Adviser Investments'** acquisition of **Ropes Wealth Advisors** with \$6.5 billion in assets. Adviser, backed by **Summit Partners**, had more than \$8 billion in assets prior to the deal and was subsequently rebranded as **RWA Wealth Partners**.

Bank crises drove three significant transactions, two in the U.S. but the largest involving **UBS'** acquisition of **Credit Suisse**. Another major transaction saw **Clayton, Dubilier & Rice** take Focus Financial Partners private at an enterprise value exceeding \$7 billion. **Goldman Sachs**, making an about-face on the retail market it has been tapping in several areas, sold **Personal Financial Management**, a mass-affluent and high-net-worth (HNW) provider, to **Creative Planning**.

The impressive M&A numbers notwithstanding, buyers are naturally judicious. A **Fidelity Investments** report last year showed "serial acquirers" walked away from half the potential deals they considered between 2020 and the first quarter of 2023. Not surprisingly, the primary reason was disagreement on valuation (87%), but cultural mismatch was a close second (73%) and a related category of "vision" was No. 3 (50%).

Among sellers, the percentage saying the primary driver is to "reduce operating duties and focus on client needs" climbed 20 percentage points to 77% from Fidelity's previous study covering the 2017-2019 period. This sharp jump may be a sign that the ongoing weariness smaller firms report in managing areas such as compliance and rapidly changing technology has reached critical mass. Owners' desire for a full or partial liquidity event was second (70%) while the lack of a succession plan was cited by 40%, similar to what owners reported in 2019.

By AUM deal size, Fidelity counted 76% of sellers in the 2020-2023 period below \$1 billion, with three out of four deals above that number falling between \$1 billion to

## Wealth Management Transactions

	2019	2020	2021	2022	2023
Number of Transactions	119	144	201	201	181
Combined Value (\$B)	\$6	\$10	\$14	\$12	\$19
Total Seller AUM (\$B)	\$284	\$891	\$1,389	\$621	\$1,257
Median Deal Size (\$M)	\$16	\$18	\$25	\$20	\$19
Median Seller AUM (\$M)	\$800	\$1,000	\$1,097	\$900	\$840

*Excludes acquisitions of managers with less than \$250 million of Assets Under Management ("AUM")*  
Source: Berkshire Global Advisors

\$5 billion. Fidelity said the wealth M&A space remains "vibrant ... rewarding high-quality firms with strong multiples," noting that the EBITDA multiple median had climbed two points to nine to 11 times between the two surveys. Three out of five buy-side firms said they plan to do more deals in the next five years while 20% plan to maintain the current level.

Among that likely pack of future deal-makers is **Savant Wealth Management**. Based in northern Illinois, Savant has been a steady if restrained buyer through the years. But following a recapitalization in 2021 from Kelso & Co. it upped the pace in 2022 to five deals, including a tax firm. Last year, Savant added 10 deals, among them another tax firm and its associated RIA. Targets also included **Capital Directions**, an Atlanta firm with \$3.3 billion in AUM that represented Savant's largest-ever deal while providing expansion into the Southeast. Savant added its first deal in New England for **The Relaxing Retirement Coach**, a Boston-area firm with \$480 million in assets. Savant has \$23 billion in assets and offices in 13 states, five in the Midwest.

In an interview on the Netwealth podcast, Savant CEO and founder Brent Brodeski said his firm is differentiating itself by creating a "one-stop shop platform" that wraps in investments and financial planning along with accounting, estate planning, legal services and a trust company. "In a world that's increasingly commoditized" by investment offerings, that infrastructure "makes it easier to get clients and wallet share and grow those relationships," Brodeski said.

Creative Planning remained an active buyer, including the deal with Goldman Sachs for Personal Financial Management. The transaction, the largest yet for CP, adds \$20 billion in assets to the \$245 billion in managed and advised assets on CP's platform. The deal followed a "strategic custody" relationship CP and Goldman formed through which Goldman will provide "institutional-grade solutions" to CP's clients. PFM is the former United Capital that Goldman acquired in 2019 for \$750 million as part of a drive to expand beyond its traditional ultra-HNW clientele, an initiative the firm is scaling back along with other mainstream ventures. Goldman did not divulge pricing on the sale.

## Retail Brokerage Firm Transactions

	2019	2020	2021	2022	2023
Number of Transactions	5	5	3	4	3
Combined Value (\$M)	\$1,839	NA	\$1,490	\$552	NA
Average Deal Size (\$M)	\$613	NA	\$1,490	\$552	NA

Combined Value and Average Deal Size are based upon available data, not total Number of Transactions For 2021-22, Combined Value and Average Deal Size based on pricing for one deal

Source: Berkshire Global Advisors

On a smaller scale, CP expanded in the Tennessee market via the purchase of **Telarray Advisors**, an established Memphis firm with \$1 billion in AUM. Telarray said it was seeking a partner with a similar planning philosophy and culture that could offer “an immediate expansion in our service offering” for clients. In another deal, CP acquired **CTB Financial Services**, a 21-year-old Minneapolis firm with \$220 million in AUM focused on tax optimization investment strategies. CP said that tax specialty helps to broaden the services it provides. CP also acquired an accounting and advisory firm with \$2.5 billion in AUM, **BerganKDV**. Backed by **General Atlantic**, CP embarked on an acquisition spree in 2020 that has seen its assets grow more than fourfold since. “We are on a mission to be the top wealth management firm in the country,” CEO Peter Mallouk told *Barron’s* following the PFM deal. “To do that we need the best platform and the advisors to deliver on it.”

Three of the most active consolidators — Focus Financial Partners, Hightower Advisors and Wealth Enhancement Group — accounted for 35 geographically diverse deals in the first 11 months. In two of the largest deals it concluded, Hightower acquired a Maine firm, **Vigilant Wealth**, and Florida-based **Resource Consulting Group**. The deals added a total of nearly \$5 billion in assets, about evenly split between the two firms. For Vigilant, Hightower provides “value-added” resources in areas such as back-office support and business development “while leaving us with the entrepreneurial freedom” to continue to run the business.

In a deal designed to enhance the “wealth solutions” platform that draws sellers such as Vigilant and their clients, Hightower made a “strategic investment” in **GMS Surgent**, an established tax specialist and advisory firm in suburban Philadelphia. Hightower said the addition will provide its advisors with “direct access to sophisticated tax management services.” In explaining his firm’s strategy to *InvestmentNews* last October, Hightower Chairman and CEO Bob Oros called the acquisitions “long-term relationships” with founders who are culturally compatible, growth-oriented, and “have built successful practices that clearly demonstrate their long-term value.”

By AUM, Hightower was the most aggressive among the three, with six of its 10 deals involving targets with \$1 billion or more. Wealth Enhancement Group’s 13 deals included two firms with just over \$1 billion in assets while the rest were in the \$300 million range. One of those larger

deals provided WEG with an added presence in Northern California, where it already had 11 offices. The target, **Equius Partners**, was founded in 1993 and five years ago transitioned to a “next-generation advisory team.” In joining WEG after “an exhaustive process” screening potential buyers, Equius said it was “adding broader capabilities” while keeping intact its investment and client service culture.

WEG, with \$70 billion in assets, said it achieved record organic growth of 13% in net inflows in the first half of 2023. “Our organic growth platform continues to entice more acquisition opportunities from growth-minded advisors,” said Jim Cahn, chief investments and business development officer. **Onex** and **TA Associates** have been investors in WEG since 2021 and 2019, respectively.

Focus Financial Partners, whose public flotation in 2018 was among the major wealth management stories of recent years, returned to private hands via a buyout from Clayton, Dubilier & Rice. During its time as a public company, the number of Focus partner firms climbed from 55 to more than 90 (which in turn made their own acquisitions) while revenue tripled to \$2.1 billion. But the stock performance was uneven, as investors questioned Focus’ debt and organic growth.

CD&R offered a 36% premium to Focus’ 60-day volume-weighted average share price, or 61% above the IPO price — a return that exceeded the performance of the S&P 500 during Focus’ time as a public company. CD&R’s cash deal gave Focus an enterprise value above \$7 billion, including assumption of debt, while **Stone Point Capital** retained a portion of its minority shareholding. Following the close of the transaction in August, Focus made six deals in the last four months of the year (Focus founder Rudy Adolf also stepped down as CEO and retired). While praising the “entrepreneurial flair” at Focus, CD&R said it will weave “the partnership closer together with common purposes, shared capabilities and greater collaboration,” phrasing that suggests some level of consolidation within the sprawling entity.

**CI Financial** opted out of the IPO it was planning for its U.S. wealth unit, instead selling a 20% stake in convertible preferred equity in that business to a group of institutional investors, including a wholly owned subsidiary of **ADIA**, **Ares Management** funds, **Bain Capital** and the **State of Wisconsin**. The deal, which includes a payment-in-kind interest agreement, valued the U.S. business at 25.6 times first-quarter 2023 annualized adjusted EBITDA, with an enterprise value of C\$7.1 billion (US\$5.1 billion). The U.S. business, rebranded as **Corient**, had \$145 billion in AUM at the time of the deal last May. Toronto-based CI Financial said the deal allowed it to reduce the debt it had taken on during an aggressive U.S. acquisition spree beginning in late 2019 and “build relationships with leading long-term investors.” CI/Corient acquired four U.S. firms last year that added nearly \$12 billion in assets while divesting one.

In recent years, U.S. banks have been much less active buyers of wealth managers, and generally they have been smaller and often community-based banks aiming to expand the non-interest-earning parts of their business. But liquidity crises that struck several banks early last year ushered in two larger players to cut opportunistic deals. For **JPMorgan Chase**, the target was the wealth management business of **First Republic Bank** as part of that larger bank acquisition. First Republic's wealth business had \$289 billion in assets in the months prior to the deal last May, though assets and advisor numbers declined before and after (JPM has 5,000 advisors in its U.S. wealth management unit). Those losses aside, the deal expanded JPM's presence in California's wealth market, including in the Bay Area technology industry.

In the second distressed deal, **First Citizens BancShares** acquired **Silicon Valley Bank**, in the process adding a wealth management business in which assets began to stabilize at \$11 billion by midyear, down from \$15 billion at the time of the deal. The addition of SVB's wealth business gives First Citizens a footprint in the Northeast, a legacy of SVB's acquisition of most of the wealth business of Boston Private Financial Holdings in 2021. In September, North Carolina-based First Citizens reorganized leadership at its wealth management arm as it integrated SVB's business. The bank had \$50 billion in combined assets at that time.

A non-bank firm focused on insurance and related products, **Sammons Financial Group**, tapped the wealth marketplace for the second time in three years, buying a majority stake in **NorthRock Partners**. In both deals, lowa-based Sammons targeted Midwest-based firms. Formed in 2013 and based in Minneapolis, NorthRock has \$5 billion in AUM and serves 1,500 clients, including divisions that support entertainers, athletes, philanthropists and endowments. NorthRock CEO Rob Nelson said the deal "allows us to both accelerate our growth and do so with excellence to bring our personal office to more clients in more markets." As part of the deal, **Emigrant Partners** sold the minority stake in NorthRock it acquired in 2019.

Private equity firms and permanent capital partners continued to make new investments in the industry, among them **Rosemont Investment Group**, which acquired a minority stake in **Landmark Management**, an established New York multi-family office with \$4.5 billion in AUM. The recapitalization is designed to support Landmark's "gradual" next-generation leadership transition and ensure its continued independence. "In everything we do we think from the client's perspective what they need over the long haul," Earl "Trip" Samson III, Landmark founder and co-managing partner, explained in a Rosemont podcast. "Clearly what they need at this point is for Landmark to continue forever. I've had many conversations with families about succession ... and the one thing they keep

## Independent Broker-Dealer Transactions

	2019	2020	2021	2022	2023
Number of Transactions	7	1	3	3	3
Combined Value (\$M)	\$1,364	NA	NA	\$245	\$1,200
Average Deal Size (\$M)	\$682	NA	NA	\$123	\$1,200

*Combined Value and Average Deal Size are based upon available data, not total Number of Transactions*

*For 2023, Combined Value and Average Deal Size based on pricing for one deal*

*Source: Berkshire Global Advisors*

coming back and saying is, 'We don't want change.'" For Rosemont, which specializes in wealth and asset management companies, the transaction represented its third permanent capital investment; it had five other current investments at the time of the deal last June.

For **Carlyle Group**, the target was an established and aggressive consolidator, **Captrust**, in which it made a minority investment. Carlyle praised Captrust as "one of the premier brands within the RIA industry, with a deep bench of expertise and resources that support a premium and ever-expanding service model." Captrust, with \$830 billion in assets, including \$140 billion in AUM, said the capital will be used for acquisitions. The deal valued Captrust at \$3.7 billion, three times the valuation in 2020, when **GTCR** became the first institutional capital investor (it remains a minority investor).

Between 2020 and Carlyle's investment last September, Captrust made 29 acquisitions. It added three more in the final quarter of the year, each target with more than \$1 billion in assets and geographically diverse. One was **Trutina Financial**, an established Seattle-area firm that provides Captrust with a presence in that coveted market. Referencing the compliance and administrative tasks that Captrust will assume, Matt Myers, senior partner at Trutina, told Financial Planning, "The greatest gift you can give really anybody is your time. So what Captrust does is give us the ability to have 30% to 40% more time."

While the private equity-backed consolidators tend to grab most of the attention, independent firms with no private equity capital continue to cut deals, as they add the scale and additional services required to remain competitive. A significant such transaction saw **Argent Financial Group** acquire **TMI Holdings** in a teaming of two firms with a longstanding relationship and based in the South. The deal adds \$25 billion in assets in TMI's trust and retirement plan custody services to create a formidable entity with \$65 billion and 44 offices in 15 states, primarily in the South. TMI said the transaction "provides additional depth in services and resources available for clients of both companies." In a unique aspect of its business, Argent provides a comprehensive range of management services to clients with property-related oil and gas assets.

**Cresset Asset Management** has emerged in recent years as a fast-growing and discerning buyer founded by two private equity veterans but with no backing from the industry. Last year, Cresset added an established

## Discount / Electronic Broker Transactions

	2019	2020	2021	2022	2023
Number of Transactions	3	6	4	7	8
Combined Value (\$M)	\$29,265	\$13,350	\$300	\$402	\$14
Average Deal Size (\$M)	\$9,755	\$4,450	\$300	\$67	\$14

*Combined Value and Average Deal Size are based upon available data, not total Number of Transactions For 2021 & 2023, Combined Value and Average Deal Size based on pricing for one deal  
Source: Berkshire Global Advisors*

firm serving the sports and entertainment industries, **True Capital Management** (AUM: \$1.7 billion). Cresset had acquired a minority stake in San Francisco-based TCM in 2020, when the firm had \$1.2 billion in AUM. In 2022, TCM added to its size with the acquisition of a Nashville wealth manager with a similar clientele. By joining Cresset, TCM gains access to its new owner's family office services and national footprint. Cresset, with some \$40 billion in AUM, last year also welcomed a team of advisors with \$13 billion in assets who left First Republic just prior to the JPMorgan Chase acquisition.

Outside the U.S., the most significant transaction occurred in Switzerland: UBS' acquisition of longtime rival Credit Suisse, a \$3.2 billion deal driven by Swiss regulators to save the troubled bank. The deal created the second-largest wealth manager in the world and the No. 3 asset manager in Europe with one of the larger ETF businesses in the region. At the time of the deal announcement last March, the combined firm had \$5 trillion in assets.

In the third quarter — the first as a combined firm — CS' wealth business recorded net inflows (\$3 billion) for the first time in a year and a half while UBS' wealth business added \$18 billion in flows, the second-highest third-quarter total in more than a decade. "These results showed not only that we stabilized the Credit Suisse franchise, but also that we could reassure clients about the value of our combined firm," said UBS Group CEO Sergio Ermotti. (See *Capital Markets* for more on the deal.)

Through the first quarter of 2023, the number of Swiss private banks continued to shrink to 89, albeit more slowly in the last couple of years, according to KPMG. More than half of those firms KPMG categorizes as "small," with CHF10 billion (\$11 billion) or less in AUM. In 2018, there were 104 private banks and 161 in 2010. Writing prior to the UBS-Credit Suisse deal, the consulting firm made note of the shorter list of potential targets in Swiss private banking but the "[long] list of eager buyers" that need to "grow and benefit from economies of scale."

One of the larger Swiss private banks and asset managers, **Lombard Odier**, reached a "strategic alliance agreement" with **Mizuho Financial Group** to provide "more advanced and fully fledged" private banking products and services to the bank's Japanese HNW clients. Lombard, which has similar agreements in several Asia-Pacific markets, had an existing relationship with Mizuho in Singapore. In an interview with *Business Times* of Singapore, Lombard's Asia chief, Vincent Magnat, said his firm aims to "elevate" Mizuho's private

banking capabilities beyond products to incorporate "training of relationship managers" and "knowledge-sharing events." Mizuho's wealth unit set a goal in 2022 of nearly doubling the number of families it serves to 1,000 by 2023.

In a notable Australian transaction, **Ironbark Asset Management** and **Invest Blue** merged in a teaming of asset and wealth managers to create "one of the largest diversified financial services businesses in Australia." Combined, the two firms have A\$64 billion (US\$42 billion) in funds under management, trusteeship and advice, with Ironbark delivering three-quarters of the total. The combination also has some three-dozen offices throughout Australia.

The firms, which retained their branding, said the deal will facilitate investment in technology, advice solutions and "additional partners" to enhance client services en route to becoming "Australia's trusted home of great advice." The deal builds off a previous minority investment Ironbark held in Invest Blue, which has been an active buyer of small financial advisors over the years. In 2022, Australian investment firm **Washington H. Soul Pattinson** provided A\$30 million to Ironbark via a capital call structure to facilitate wealth management acquisitions.

The UK remains by far the most active M&A wealth market outside the U.S. and the most similar by the breadth of firms (some 5,500) and number of consolidators. In a report released last October by NextWealth, nearly half of the financial advisory firms the consulting firm surveyed said they had been contacted by a potential buyer during the previous 12 months while 16% said they plan to sell or exit the market in the next 18 months.

NextWealth said "tepid" markets, rising interest rates and regulation are driving advisors to sell. In explaining his decision to sell to consolidator **Fairstone, Sacre Associates** principal Steve Rainer cited the more vigorous Consumer Duty rules for financial advisors that commenced last year, saying "running a directly authorized regional advice firm was becoming increasingly time consuming and onerous."

Dealmaking for UK asset and wealth managers tracked by EY remained active in the first half of 2023: The number of transactions rose 22% to 67, although the value dropped by more than half to £1.5 billion (\$1.9 billion). The trend of more but smaller deals was also evident in the banking and insurance industries in the UK. EY said lenders pulled back from financing large deals in the face of "economic headwinds at the start of the year — such as rising interest rates and inflationary pressures."

There was one major deal in the UK last year: **Rathbones'** acquisition of the wealth unit of **Investec**, an £839 million (\$1.1 billion) all-shares transaction that created the largest discretionary wealth manager in the market. The combined firm, in which Investec holds a 41% share, has £100 billion in assets and 23 locations and expects to generate £60 million

## A storied name drives North American deal

**IGM Financial's** \$622 million deal last April for a 20% stake in **Rockefeller Capital Management** brings together two of the wealthiest families in North America: The Rockefellers and the Desmaraises of Canada. The less storied Desmaraises, whose wealth *Forbes* estimates at \$5 billion, control publicly traded financial services giant **Power Corporation of Canada**. Power Corp.'s empire includes insurance and asset and wealth management businesses.

But in securing the RCM stake, the Desmarais family is paying heed to the power of its partner's name, as well as the U.S. market. "Our brand [is] built on the Rockefeller name and a century of service," RCM President and CEO Gregory Fleming said during an analyst call reviewing the deal. "The brand is a differentiator and everybody here knows that, and our private advisors love working under that brand."

For the brand and market access, IGM paid a rich 21 times 2023 enterprise value to projected EBITDA. But James O'Sullivan, president and CEO of IGM, told analysts the pricing reflects RCM's "strong trajectory of growth over the past five years.... [and] our conviction that if Greg and [his] team continue to do exactly what they have been doing, they will continue to grow at very attractive rates." In the five years through 2022, RCM's annual average growth in assets and revenues was 38% and 55%, respectively.

Rockefeller has \$110 billion in assets, nearly five times the level in 2018, soon after the company was formed out of the Rockefeller family office. Revenue reached \$577 million in 2022, including \$35 million from strategic advisory and other businesses. The gains have been driven by organic growth, geographic expansion spanning 44 offices, and a steady flow of acquisitions. IGM Financial has C\$240 billion (US\$175 billion) in assets under management and advisement through two wealth companies and another C\$190 billion in AUM through multi-boutique **Mackenzie Investments**.

O'Sullivan told analysts that synergies are not a factor in the deal, although he noted that the two firms will share intelligence. "This is not about integrating wealth management and asset management," he said. "This is really about IGM expressing a long-term interest in the United States and expressing a long-term interest in Rockefeller Capital Management." O'Sullivan said IGM has no plans to expand in the U.S. wealth market via other platforms.

Power Corp. is the No. 2 investor behind original investor **Viking Global Investors**. The Rockefeller family, which has a longstanding relationship with the Desmarais family, also increased its investment in RCM as part of the transaction.

in annual synergies. Although Rathbones accounts for 60% of the combined assets, Investec has seen the number of HNW clients double since 2019 to 6,600. In an analyst call following the announcement, Rathbones CEO Paul Stockton emphasized the importance of scale in an inflationary environment in which "[we] need to provide continual value to our clients and ... be much more efficient in what we do and continue to invest in the business."

Other deals were driven by the ongoing group of consolidators. Fairstone is among the most active, and its deal for Sacre Associates provided "significant opportunity for expansion" into the Home Counties surrounding London while delivering £450 million in assets and 1,200 clients. Fairstone cut several other deals adding some £3 billion in assets. In 2021, **Synova Capital** of the UK joined existing investors by making a £25 million investment in Fairstone, which has £15 billion in assets.

Two other perennial buyers, **Mattioli Woods** and **Succession Wealth**, joined Fairstone. Mattioli could pay as much as £15 million for **Doherty Pension & Investment Consultancy**, one of the larger financial planning firms in

Northern Ireland with £635 million in assets. In the year ending last May, Mattioli's assets rose 3% to £15.3 billion. In its latest annual report, the company made note of the increased cost of capital, "which has the potential to increase the competitiveness of acquisitions." Succession Wealth, acquired by **Aviva** for £385 million in 2022, added a small Scottish firm to expand its presence in Edinburgh and the surrounding area. Succession, with some 60 acquisitions prior to the Aviva deal, has slowed its pace since.

**Perspective Financial Group** was the most active among the buyers, cutting some 20 deals last year to bring its total number of offices across the UK to nearly 40 and its AUM to £7 billion. Four acquisitions last October were typical of the small deals Perspective pursues, adding £390 million in assets and 1,400 clients. One of those sellers, **Accord Financial Management**, is located in the seaside town of Worthing and has been in business since 1999. The firm said the sale was driven by the need for the "support of a larger partner, including access to the next generation of financial planners, and also assistance with the ever-increasing regulatory burden." Perspective is backed by UK private equity firm **CPBE**.

U.S. private equity firm **Parthenon Capital** entered the market to become the major shareholder in **Titan Wealth Holdings**, joining existing investors Ares Management and **Hambleton Capital**. Titan aims to gather £90 billion in assets under management and administration over the next three to five years, or seven times the existing amount. Last year, Titan cut several deals, including for an established firm in northern England with £630 million in assets. Parthenon acquired the stake held by the UK's **Maven Capital Partners**, a private equity firm acquired by Mattioli Woods in 2021. Maven said Titan investors enjoyed a return of more than 100% in two years.

**Ontario Teachers' Pension Plan Board** made a direct investment in **Seven Investment Management**, paying £255 million for the majority stake held by **Caledonia Investments**. Subsequently, 7IM acquired London-based **Amicus Wealth**, adding £1 billion in assets to the £21 billion on its platform. OTPP called UK wealth management a "high-conviction sector" while saying the deal will provide 7IM with long-term capital and expertise to drive growth organically and via acquisitions. OTPP, with C\$250 billion (US\$180 billion) in assets, has C\$10 billion in direct financial services investments and 14% of its assets in Europe. Direct and fund-based private equity accounts for one-quarter of OTPP's assets and returned 15.2% annually in the five years through 2022.

## Fintech

Last year, the fintech industry continued to see a decline in transaction activity. According to PitchBook data, \$67 billion in investments was deployed, down 47% from 2022, with approximately 72% coming from venture capital and growth equity investors. Companies in North America and Europe attracted most of the funding, with 42% and 25% of total funding invested in each region, respectively. Deal counts also declined, as 41% fewer deals were announced compared to the prior year. Aggregate M&A transaction value crossed \$93 billion, a decline of 30% from the prior year. Similar to the trend in financing, there was also a reduction in deal count, down 25% from the prior year, with North America and Europe accounting for most of the consolidation, each contributing 38% to the overall deal count.

As in other areas of asset management, most notably private equity, the rapid rise in interest rates was a major culprit in the slowdown for VC and growth equity investors. Valuation concerns were also at play. "In many cases, founders will need to revisit their valuations, especially as they consider their longer-term capital needs," wrote EY.

In writing about the annual Fintech Nexus USA conference last May, PitchBook reported that "virtually all investors have adopted a flight-to-quality mindset." Investors are seeking businesses that "can achieve or realistically demonstrate a path to bottom-line profitability through strong recurring revenues and margin expansion."

Wealthtech wasn't immune from the larger industry trend, but fundraising and M&A continued to take place among a range of companies. Artificial intelligence — last year's business topic du jour — factored into many of the discussions and some of the activity among industry participants. CB Insights noted that while AI funding and deals dropped between the second and third quarters, generative AI — or data-driven deep-learning models — accounted for 60% of AI's top-10 deals in the quarter and one-third of the funding.

In a survey of financial advisors early last year by **Orion Advisor Solutions**, 23% called AI and machine learning the most disruptive trend facing the industry, but they evidenced hesitancy about making the leap into related technology. Only 18% said they will make exploratory investments in AI and machine learning over the next three years. A NextWealth survey of UK financial advisors showed 59% "are actively considering AI" or "are open" to such solutions. "While the technology underlying Gen AI has been around for several years, we believe we are now at a 'tipping point' in terms of its ability to be deployed on a widespread basis across asset and wealth managers," wrote Oliver Wyman last year.

Alphabet's AI-focused venture fund, **Gradient Ventures**, last year led a \$12 million fundraise for **Range**, an AI-driven wealthtech platform founded in 2021. The Virginia-based firm, which will use the capital to expand its product and engineering teams, said its products "will allow everyone to access the advice and tools typically only available to the wealthy."

New York's **Masttro**, a fast-growing wealth data platform, secured a \$43 million growth equity minority investment while explaining that the capital will fuel its R&D, including leveraging AI. **FTV Capital** led the fundraise with participation from **Citi Ventures**. Masttro serves family offices, financial advisors and institutions. **TIFIN Asset Manager Platform**, which "harness[es] the power of machine learning personalization" to enhance marketing and distribution for asset managers, closed a \$10 million Series A fundraise led by **Motive Ventures**. TIFIN AMP is one of TIFIN's spinoff companies.

Within the UK, **M&G** took part in the latest fundraise for **Level E Research** and is partnering with the Scottish fintech to develop investment strategies employing AI. The first one, AI Smart US, aims to outperform the S&P 500, with the ones to follow pursuing similar goals of beating specific indexes and capitalized at £100 million (\$120 million). Level E, started in 2018 and named after the floor in which the AI department at the University of Edinburgh was located, runs a fully autonomous investment platform.

**Conquest Planning** of Canada, a financial planning provider, completed a Series A C\$24 million (US\$18 million) fundraise with a more traditional goal of facilitating international expansion. Investors **Fidelity International Strategic Ventures** and **BNY Mellon** will assist that growth in the UK and U.S., respectively. "I do

think people are looking to deploy capital, although in a more conservative fashion,” Brad Joudrie, Conquest chief revenue officer, told *Financial Planning*. “I still think you’re seeing good businesses that have strong foundations ... finding ways to fundraise in this environment.”

**Altruist**, which serves smaller RIAs with a low-cost integrated platform for clearing, custody and other services, completed a Series D fundraise of \$112 million to develop and expand its five-year-old business. **Insight Partners**, which led the fundraise, praised Altruist’s platform as a “game changer for advisors,” saying the company solved a “deeply technical problem at every level ... with an intuitive user experience that’s unlike any the RIA industry has ever seen.” The announcement came shortly after Altruist acquired **Shareholder Services Group**, an established brokerage and custodial platform that also serves smaller RIAs. SSG added 1,600 RIAs to give Altruist 3,300, following 400% growth in Altruist’s client base in 2022.

Among deal-makers, a number of major asset managers and financial services firms emerged last year on the buy side in a continuation of recent trends. One was **Fidelity Investments**, which made its first acquisition in more than seven years of **Shoobx**, which provides software for managing employee equity plans for private companies at all stages of development. The deal, building on a previous relationship between the two firms, enhances Fidelity’s large stock plan services business. Fidelity called the acquisition “a natural next step” in the relationship with Shoobx while noting that it furthered “its commitment to the private market.”

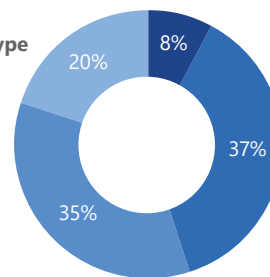
In another U.S. deal, financial data platform and enterprise solutions provider **FactSet** acquired **idaciti**, an innovator in data structuring and collection technology. For publicly traded FactSet, the acquisition furthers its data content collection capabilities and “accelerates time-to-market” data delivery to clients. Founded in 2015, idaciti employs machine learning to extract from company disclosures, regulatory filings and proprietary repositories to “standardize data at an exceptional level of granularity.” The company said its new parent will allow it to “amplify and scale” its technology to provide the investment community with “new insights with increasing speed, accuracy and efficiency.” FactSet serves 7,900 clients worldwide, including wealth and private equity managers. Last December, the firm introduced FactSet Mercury, an AI-driven conversational interface for junior bankers seeking relevant content.

After buying seven companies over several years through 2022, Orion Advisor Solutions was notably absent on the buy side in 2023 as it sought to integrate those acquisitions. This included making a small number of related layoffs. In a significant passing of the torch for the industry, Orion founder and CEO Eric Clarke stepped down last year, calling it the “right time” as the company approached its 25th anniversary in 2024. Orion, with \$3.6 trillion in assets on its platform, is backed by **Genstar** and **TA Associates**.

## Fintech Deals 2023

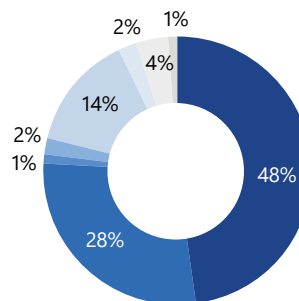
Financings (\$) by Investor Type

- Seed
- Venture Capital
- Growth Equity
- Private Equity



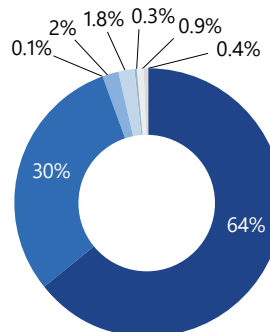
Financings (\$) by Region

- North America
- Europe
- Central America
- South America
- Asia
- Africa
- Middle East
- Oceania



M&A (\$) by Region

- North America
- Europe
- Central America
- South America
- Asia
- Africa
- Middle East
- Oceania



Source: PitchBook

There were several deals involving UK firms, both cross border and domestic. In one, France’s **Indosuez Wealth Management** acquired a 70% stake in London’s **Wealth Dynamix**, an established fintech that provides client lifecycle management solutions from acquisition through ongoing servicing for wealth and asset managers. The deal is the culmination of a relationship that began in 2019 between Wealth Dynamix and an Indosuez fintech subsidiary.

In a transatlantic deal, London-based global wealth platform **FNZ** acquired a Miami-based fixed-income portfolio management platform, **YieldX**, thereby expanding its existing presence in the U.S. FNZ said clients will benefit from the combination of its full-service, end-to-end platform and YieldX’s fixed-income portfolio management technology, including direct indexing. In 2020, FNZ acquired a majority of **State Street**’s custody business as part of its expansion in North America and subsequently launched a U.S. wealth management venture, **FNZ Trust Co**. Just prior to the deal, YieldX teamed with **Principal Asset Management** and **SmartLeaf Asset Management** to create a fixed-income direct-indexing option for PAM’s fintech-driven model portfolios.

In a domestic UK deal, **NatWest Group** paid £144 million (\$160 million) for an 85% stake in **Cushon**, a workplace savings and pension fintech with a “green” orientation and 22,000 employer clients. Natwest, which serves some 19 million customers in the UK, said Cushon’s platform will initially be offered to its commercial mid-market customers. By 2031, the workplace savings and pension market is expected to double to more than £1 trillion, the bank said. Six-year-old Cushon called the deal the “next exciting chapter ... as we join forces with a great British bank.” Following the announcement, the *Financial Times* reported that Cushon and a partner are seeking to invest £600 million in forestry strategies to address climate change.

Publicly traded UK fintech **Fintel** — a research, data, distribution and compliance firm that serves 10,000 financial advisors and 3,000 mortgage brokers — closed two domestic deals. One was for **Competent Adviser**, an established digital firm providing a learning platform for compliance for financial advisors. In a second deal, Fintel acquired a research and advice platform focused on tax-advantaged products for advisors, **Micap**. The two acquisitions, valued at nine to 10 times EBITDA multiples, added scale and capabilities. Fintel joint CEO Neil Stevens told *FT Adviser* that the firm “sat quiet” in 2021 when valuations were higher and “a lot of technology [was] being marketed for sale but didn’t really demonstrate its value and worth to any customer.”

Two major exchanges on both sides of the Atlantic cut deals. In a broader fintech deal in the U.S., **Nasdaq** agreed to acquire **Adenza**, a software provider covering trading, risk management and regulatory reporting. Nasdaq called the deal part of its “transformational journey to becoming a software and technology platform company.” Nasdaq agreed to pay a hefty price for Adenza of \$10.5 billion in cash and shares, amounting to 31 times EBITDA based on projected 2023 results. As part of the deal, Adenza owner **Thoma Bravo** is slated to gain a 14.9% ownership in Nasdaq, which with the addition of Adenza is expected to boost the proportion of revenue in its Solutions Business by six percentage points to 77%. “[Nasdaq is] trying to look like an information services company, or a software company, rather than an exchange,” an **Oppenheimer** analyst told the *Wall Street Journal*.

**Deutsche Borse** made a similar bid to expand its non-exchange-related footprint by paying €3.9 billion (\$4.3 billion) in cash for **SimCorp**, a Copenhagen-based front-to-back investment management platform used by 40% of the world’s top-100 asset owners and managers. The core platform, SimCorp Dimension, covers the entire investment “value chain” from portfolio management to risk management to investment and fund accounting. SimCorp Dimension accounted for 85% of the company’s 2022 revenue of €561 million. DB said SimCorp will

“seamlessly complement” its existing data and analytics business to create a “leading provider” of investment management solutions, raising that business from 15% to 24% of total revenue.

## Capital Markets

In a continuation of market conditions prevailing in 2022, softer M&A activity impacted the fortunes of investment bankers in 2023, with deal value off 17% worldwide to \$2.9 trillion, the lowest total since 2013, according to LSEG. The U.S., accounting for 47% of value, was down 5% to the lowest total in six years. In a reflection of the smaller deals being pursued, the number of transactions worldwide declined just 6% and in the U.S. by 4%. The fourth quarter did deliver a hopeful sign for 2024, as the value of deals worldwide rose 23% over the third quarter.

Higher interest rates, valuation issues and uncertainty about the direction of the global economy all played a part in the softer market. In its midyear assessment, Bain & Co. described buyers “struggl[ing] to get deals over the finish line” and sellers that don’t want “to be the chump that sold at the market bottom.”

Full-service investment bankers received some relief from debt capital markets: The \$8.9 trillion raised worldwide last year represented a 6% increase from the prior year, according to LSEG. Investment grade issuance rose 5% to \$4.3 trillion while high-yield debt issuance jumped 66% to \$219 billion, with Canada, the UK and U.S. accounting for three-quarters. Equity

### Full-Service Investment Bank Transactions

	2019	2020	2021	2022	2023
Number of Transactions	6	4	6	7	5
Combined Value (\$M)	\$765	\$36	\$35	\$2,104	\$4,379
Average Deal Size (\$M)	\$191	\$36	\$35	\$701	\$1,460

*Combined Value and Average Deal Size are based upon available data, not total Number of Transactions  
For 2020-21, Combined Value and Average Deal Size based on pricing for one deal  
Source: Berkshire Global Advisors*

capital markets reach a two-year high of \$529 billion (up 7% over 2022), but the IPO market worldwide was down 24% to a 14-year low of \$113 billion. The U.S. bucked the negative trend, with IPO proceeds doubling to hit a two-year high of more than \$20 billion.

The year began inauspiciously, with investment banking revenues at the 12 largest such banks worldwide off 9% in the first quarter and 10% for the first half, according to Coalition Greenwich. By the third quarter, investment banking fees worldwide were down 12% for the year to \$78 billion, marking the slowest first nine months since 2016, according to LSEG, with M&A fees off 32% to \$20 billion.

Robust trading revenue that had blunted the impact of declining revenues elsewhere in 2022 began to soften last year, off by double digits at both **Citigroup** and **JPMorgan Chase** in the second quarter. During Morgan Stanley's third-quarter earnings call, CEO James Gorman opined that once the Federal Reserve stops raising rates, "the M&A and underwriting calendar will explode because there's enormous pent-up activity." At the moment, Gorman continued, boards are saying, "Until we understand the cost of financing, it is very difficult to pull the trigger on some of these capital transactions." Investment banking revenue at Morgan Stanley dropped 27% year over year during that quarter.

Some areas were profiting from the shift in the economic environment, however. A survey of investment bankers worldwide by Acuity Knowledge Partners showed they expected restructuring and debt advisory support to place second and third, respectively, behind M&A as the most important sources of revenue in 2023. At Los Angeles-based **Houlihan Lokey**, which made one acquisition last year, the financial restructuring business enjoyed a 56% increase in revenues to \$123 million in its fiscal 2024 first quarter ending last June. "The restructuring business continues to benefit from higher interest rates and a fast-approaching debt maturity wall," CEO Scott Beiser said during the company's earnings call last July. "Since this restructuring cycle is not the result of a one-off crisis, we continue to expect financial restructuring to achieve elevated revenues over the next couple of years."

Within the industry, deal-making remained steady. There were several sizable transactions to join the more common ones involving smaller, specialized boutiques. **UBS'** distress deal for **Credit Suisse** had wealth management as its centerpiece but included CS' troubled and much diminished investment bank, where trading and capital markets revenues have slumped. In late 2022, CS announced a plan to spin off the "capital light" advisory business into a revived CS First Boston brand while retaining a shareholding and aiming for a future IPO. But a deal last February to acquire advisory boutique **M. Klein & Company** and install its storied CEO Michael Klein as head of CSFB collapsed with the UBS takeover. UBS plans to de-risk and downsize CS's trading unit, managing most of it in a separate non-core division.

For years, UBS has de-emphasized investment banking in favor of wealth management, and advisory has become a relatively minor contributor to that business while derivatives and solutions and execution services accounted for nearly half of revenues in the third quarter. In remarks to investors following the CS transaction, new UBS Group CEO Sergio Ermotti emphasized that the function of the combined investment bank will be "to support what we do" on the investment platform, "which has everything to do with equities, equities execution, risk management, as well as foreign exchange."

## Institutional Broker-Dealer Transactions

	2019	2020	2021	2022	2023
Number of Transactions	14	15	24	14	9
Combined Value (\$M)	\$261	\$818	\$2,763	\$691	\$40
Average Deal Size (\$M)	\$37	\$273	\$251	\$173	\$20

*Combined Value and Average Deal Size are based upon available data, not total Number of Transactions*  
Source: Berkshire Global Advisors

There were two pure investment banking deals of size, both cross border affairs. In its second U.S. investment banking deal in as many years, **Mizuho Financial Group** acquired New York boutique **Greenhill & Co.** in a \$550 million all-cash transaction. Greenhill, which had been publicly traded since 2004, will retain its branding and continue to operate its M&A and restructuring businesses from 15 global locations. Jerry Rizzieri, president and CEO of **Mizuho Securities USA**, told Bloomberg TV the deal expands the menu of solutions it can offer clients, thereby strengthening those ties. "We think that in places where we've had the strong relationship — whether it be capital markets, derivatives or balance sheet — we haven't had that advisory piece. And, likewise, if you talk to Greenhill, they advise on transactions but there are other services they have not been able to provide."

Scott Bok, at the time chairman and CEO of Greenhill, said clients and employees will benefit as part "of a larger, more diversified financial institution." In its last full year as a public company, Greenhill's revenue declined 19%, impacted by the overall drop in M&A activity, with revenue split evenly between North America and international. But the company's fortunes turned up in the first half of last year, as revenue climbed 49% over the same period in 2022, thanks to an increase in the number and size of completed transaction fees.

The deal underlines the ongoing efforts of Japanese financial firms to expand globally, given the slow economic growth and poor demographics at home. In 2022, Mizuho bought Dallas-based **Capstone Partners**, a provider of fundraising and advisory services for middle-market firms. Last year, **Sumitomo Mitsui Financial Group** announced it will increase its small stake in **Jeffries Financial Group** to as much as 15%, building on a strategic alliance the two firms began in 2021. "We want to invest more in the U.S.," Akihiro Fukutome, CEO of **Sumitomo Mitsui Banking Corp.**, told Bloomberg a few weeks before the Jeffries announcement. "The U.S. is the biggest single market and still growing."

Within Europe, **Deutsche Bank** paid £410 (\$500 million) for **Numis Corp.** of the UK. It was the German bank's largest acquisition in more than a decade — a period marked by financial challenges and restructurings — and highlights DB's ambitions in the UK, Europe's largest investment banking market. Publicly traded Numis is a significant addition, providing a leading corporate brokerage unit, a growing advisory business, and a clientele that includes 20% of FTSE-listed companies. On the deal-making side, Numis bumps DB's UK headcount fourfold to more than 150.

## Investment Banking Advisory Firm Transactions

	2019	2020	2021	2022	2023
Number of Transactions	21	17	19	17	11
Combined Value (\$M)	\$2,003	\$4,338	\$806	\$279	\$372
Average Deal Size (\$M)	\$1,002	\$868	\$161	\$93	\$372

Combined Value and Average Deal Size are based upon available data, not total Number of Transactions  
For 2023, Combined Value and Average Deal Size based on pricing for one deal

Source: Berkshire Global Advisors

In its first-half results announced just after the April deal, Numis' advisory business revenues increased 40% from the year-earlier period, accounting for nearly 60% of the investment banking unit's total. Referencing DB's "significant restructuring" and return to consistent profitability, Henrik Johnsson, co-head of European investment banking, told *Financial News*: "We are now in a position to think about how we grow and become more relevant to our clients.... This acquisition is a significant step along the way." For Numis, DB provides "the support and backing of a large global banking institution," enabling it to compete in larger sponsor-backed IPOs, for example.

In a second European cross border deal with a UK target, **Mediobanca** acquired **Arma Partners**, which provides advisory services across the "corporate lifecycle" to companies and private equity firms in the digital economy. Founded in 2003 and based in London, Arma reported record results in the financial year through March 2023 in the face of a "slowdown in global M&A activity and downturn in technology sector public valuations." During that period, the company advised on a total of 27 M&A deals and growth capital financings. Arma, which will operate as an independent company, said the Mediobanca partnership will allow it "to achieve its ambitious global expansion objectives."

For Milan-based Mediobanca, the deal represents its second such European cross border acquisition in four years: In 2019, the bank bought a majority stake in a French boutique, **Messier Maris & Associes**. Mediobanca said the acquisition of Arma "reinforce[s]" its advisory capabilities by adding a "leading" technology practice. In its 2023-2026 growth plan, Mediobanca set a goal of increasing global revenues in its corporate and investment banking business while identifying "capital-light and high fee-generating" businesses as acquisition targets. Corporate and investment banking accounts for one-quarter of the bank's revenues.

Within the U.S., **Raine Group** acquired **Code Advisors**, uniting two established boutiques specializing in technology and media. For Raine, founded in 2009 and based in New York, Code marks its first-ever acquisition and strengthens an existing presence in Silicon Valley. San Francisco-based Code was founded in 2010 by three partners with media and technology experience and had completed 90 M&A transactions and more than 60 primarily equity financings

by the time of the deal last April. The two companies had a prior relationship and one of Code's co-founders left the firm in 2014 to join Raine, where he is a partner.

Brandon Gardner, co-founder and president of Raine, cited the two firms' shared cultures, saying, "I can't imagine a more complementary partnership as Raine continues to expand its investing and advisory business." In the past couple of years, Raine has been engaged with several high-profile entertainment deals, including the 2022 acquisition of the Chelsea Football Club by a consortium of investors. Raine also has a growth equity and venture capital investment arm with \$4 billion in assets.

In a second all-U.S. deal, Houlihan Lokey expanded its technology practice via acquisition for the third year in a row by acquiring **7 Mile Advisors**, which provides M&A, capital raising and valuation services to IT services firms. In 2022, HL acquired London's Oakley Advisory, a specialist serving digital infrastructure, communications and cloud companies. In 2021, HL enhanced its technology practice significantly with the acquisition of Japan's GCA. 7 Mile, based in Charlotte, N.C., has closed 170 transactions worldwide since its founding in 2008.

Just prior to the deal last July, 7 Mile served as advisor to Hoverstate, a specialist in mobile and web-based solutions, in its sale to IT consulting and digital services provider SoftServe. The technology sector accounted for 13% of HL's revenue in the 12 months through last June, similar to other industries the firm serves in its broad-based middle-market business. At year end, HL made one more deal, for global private capital advisory firm **Triago Management Development**. The addition strengthens HL's existing private funds group, creating a fully integrated platform providing primary, secondary, direct and general partner advisory services. Publicly traded HL has been a steady buyer of investment banking boutiques over the years. 🌐

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