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Asset Manager M&A Quarterly Review

M&A Growth Expected Due to Improving Market Conditions

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M&A Momentum Continues in the First Quarter of 2012

M&A activity in the first quarter of 2012 remained consistent with the fourth quarter of 2011. In total, 34 transactions were announced during the quarter versus 33 in the fourth quarter of 2011.

A total of \$286 billion of AUM changed hands during the quarter, generally in line with the first quarter of 2011, though the activity was more concentrated than in previous quarters. Bridgewater Associates' minority stake sale to The Teacher Retirement System of Texas represented over 40% of the AUM transacted, and was among twelve sales of alternative asset management companies announced in the first quarter. Sales of alternative asset managers continue to constitute a healthy portion of the overall deal activity at 35%.

Divestitures also remain a sizeable portion of sales at nearly 45%, up from 36% in the fourth quarter of 2011. Among the divestitures, there were no definitive geographic trends, suggesting that owners globally continue to refine their asset management strategies. Three of the top five transactions in the first quarter, as measured by assets under management, were divestitures, as detailed in the list below.

The greatest increase in activity was among retail fund companies, as seven transactions were announced in the first quarter versus the quarterly average of four in 2011. Notably, all of the activity was outside of the U.S., and included sales in India, Brazil and China, as buyers looked to tap new growth opportunities in emerging economies. With U.S. investors still largely on the sidelines, domestic growth prospects for U.S. asset managers remain somewhat muted.

We expect activity to pick up as the year progresses, encouraged by improving equity markets that generally boost both valuations and deal volume. Pure-play asset managers will continue to execute their strategic plans by continuing their global expansions and opportunistically adding to their product suites. Principals of independently owned firms will also be increasingly inclined to sell to avoid widely anticipated tax increases.

The largest global asset management transactions announced in the first quarter of 2012, by assets under management, were:

- Bridgewater Associates' minority stake sale to The Teacher Retirement System of Texas (\$120 billion AUM)
- Old Mutual Asset Management's sale of Dwight Asset Management Company to Goldman Sachs (\$42 billion AUM)
- National Bank of Canada's sale of NatCan Investment Management to Fiera Sceptre (\$25 billion AUM)
- Reliance Capital Asset Management's sale to Nippon Life Insurance Company (\$19 billion AUM)
- Morgan Stanley Smith Barney's sale of Quilter & Co. to Bridgepoint Capital (\$12 billion AUM)

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