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## Asset Manager M&A Quarterly Review

### Continued M&A Growth Expected to Resume After 3Q Slowdown

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#### *M&A Volume to Stem from Divestitures and Sales of Independently Owned Asset Managers*

After a significant ramp-up over the previous 18 months, asset manager deal activity slowed in the third quarter of 2011 as buyers digested recently acquired businesses and sellers considered their strategic alternatives during the volatile summer months. Twenty-eight transactions were announced in the third quarter, a decline of 15% versus the same period in 2010 and 28% less than the second quarter of 2011. Year-to-date, a total of 101 transactions have been announced versus 85 in the same period last year.

A total of \$289 billion of AUM changed hands during the quarter, roughly double the amount in the same quarter a year ago and in the second quarter of 2011. This was driven primarily by two transactions: J.P. Morgan's sale of its 41% interest in American Century Investment Management to CIBC and Hellman Friedman's sale of its 27% interest in Mondrian Investment Partners back to the company's management team.

The largest declines in activity took place in sales of independently owned businesses as well as alternative asset managers. In these groups, the number of transactions was down one-third from the third quarter of 2010. Divestiture activity continued apace and, as a result, exceeded 50% of overall activity for the first time since the fourth quarter of 2009. This largely reflects the ongoing execution of strategic initiatives at larger financial service companies electing to focus on core businesses and divest ancillary ones.

Cross-border activity slowed as two-thirds of transactions during the third quarter of 2011 were in-market. However, two of the top three transactions were cross-border, as buyers took the opportunity to acquire platforms outside their local markets. The U.S. continued to be the most active market for both buyers and sellers, representing 50% of both counterparties to transactions during the period.

While activity was down in the third quarter, the drivers for M&A activity remain compelling: namely, employee-owned businesses needing to address ownership transition and succession, divestiture by large financial services firms focusing on their core businesses, and the ongoing desire among managers to expand their platforms to stay competitive.

The largest global asset management transactions announced in the third quarter of 2011, by assets under management, were:

- CIBC's acquisition of J.P. Morgan's minority interest in American Century Investment Management (\$112 billion AUM)
- Hellman & Friedman's sale of its minority interest in Mondrian Investment Partners to Mondrian's management (\$70 billion AUM)
- Power Corporation's purchase of a minority stake in China Asset Management (\$35 billion AUM) from Citic Securities Co.
- Altrinsic's sale of a minority stake to National Australia Bank (\$12 billion AUM)
- Conning's purchase of Goodwin Capital Corporation from The Phoenix Companies (\$9 billion AUM)

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