INVESTMENT MANAGEMENT AND PRIVATE FUNDS
What's Happening Now?

Exit Strategies for Asset Management Firms

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Agenda

- Executive compensation strategies
  - Qualified and deferred compensation
- LBO using an ESOP structure
- The OZ transaction and various case studies
- Market size and scope

Compensatory Equity

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Compensatory Interests

- There is no single “best” type of compensatory interest for all parties.
  - Certain types of interests are more favorable for service providers (e.g., interests for which taxation is deferred or for which a section 83(b) election may be made showing a zero grant date tax value).
  - Other types of interests may be more favorable for the other LLC members (e.g., fully vested interests that produce an immediate deduction for the LLC).

Equity Awards

Type of Equity	Type of Award	Description	Taxation	Pros/Cons
Non-Qualified Stock Option	Appreciation Award	Grants holder the right to purchase common stock for a specified period at a specified price.	83(b) election unavailable; taxed when exercised. Note: TCJA permits similar treatment under 83(i), but that's a topic for another day.	409A Valuation; Expiration Date
Profits Interests	Appreciation Award	Shares in *future* profits of Company.	83(b) election forces recognition of tax at transfer despite vesting conditions; the increase in value is taxed at capital gains (instead of ordinary income rates).	Recipients must be treated as Partners.
Capital Interest	Full Value Award	Shares in *current and future* profits of Company.	If Capital Interest is subject to vesting, 83(b) election can be made. Otherwise, taxed (as ordinary income) when vests.	Entity entitled to deduction as soon as recipient recognizes interest as ordinary income.
Carried Interest	Appreciation Award	General partner shares in profits only after the fund achieves the requisite rate of return on contributed capital.	**TCJA:** An "applicable partnership interest" in an "applicable trade or business" will constitute short term capital gains unless held for at least three years. 83(b) election starts clock on holding period.	New rules under TCJA.

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Profits Interest

- What is it?
- Pros?
- Cons?
- How is it taxed and should the holder make an 83(b) election?

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Carried Interest

- What is it?
- How is it taxed and should the holder make an 83(b) election?
- Changes under the Tax Cuts and Jobs Act of 2017 (“TCJA”)?

Carried Interest

Changes Under TCJA?

- Aimed at carried interest held by investment managers (not Profits Interests awarded to managers of non-investment services businesses).
- TCJA increased the required holding period for long-term cap gain treatment for income realized by non-corporate TPs with respect to “applicable partnership interest” in an “applicable trade or business” that is held for less than 3 years will constitute short term capital gain (not subject to self-employment tax).

Carried Interest

New Terms

- "applicable partnership interest"?
- "applicable trade or business"?

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Employee Stock Ownership Plans (ESOPs)

What is an ESOP?

- "Employee Stock Ownership Plan" defined in Code Section 4975(e)(7) and ERISA Section 407(d)(6)
- Qualified retirement plan designed to invest primarily in qualifying employer securities
- ESOP plan sponsor can be a C corporation or an S corporation
- An ESOP can be leveraged or non-leveraged
  - Considerations centering on employee benefits
  - Tool of corporate finance

LBO Using an ESOP

- Company needs to be able to be turned into an “S” corporation effective January 1 (or the first day of the tax year of the company)
  - All non-qualified shareholders need to be redeemed BEFORE the first day of the next tax year
- Using a “squeeze-out merger” to effect the “clean up”
- Obtain an appraisal
- Find financing and settle on a use of proceeds
- Who will be the Trustees?

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Why?

- Effectively turns the firm into a tax exempt pension plan
- All decisions are economic decisions – deductibility is irrelevant, so are “golden parachutes”
- Only U.S. natural persons and the ESOP can be shareholders
  - for the best and full impact, you must have the S corp 100% owned by the ESOP
- All ESOP accounts are “cash settled” and result in ordinary income to the participant
- Can use SARs to compensate individuals with an “equity-like return” but all proceeds are taxed as ordinary income

Set Up and Ongoing Costs

- Plan drafting
- Trust development
- Administrator
- Trustees
- Annual valuation
- Audited financial reports
- Bank compliance documents

Key Tax Attributes of ESOPs

- Accounts are tax-deferred and rollover-eligible
- Company contributions are tax-deductible
  - Sponsor can deduct employer contributions equal to up to 25% of covered compensation, including, in the case of leveraged ESOPs, contributions used to repay ESOP loans
- An ESOP can borrow money to finance the ESOP stock purchase transaction
- Certain dividends are deductible
- Section 1042 allows the selling shareholder to an ESOP to defer (and potentially eliminate) capital gains taxes on the sale, if certain requirements are met

S Corporations

- Recent trends favor S-corp. ESOP, as the Company can operate free from federal income taxes
- Reduced deductible limitations for partial ESOPs
- Tax distributions must be made to partial S-corp. ESOP, but may be used to pay off acquisition loan
- 409(p) restrictions limit ability for very small employers to adopt ESOPs and restrictions on other non-cash compensation paid to employees
- Owners who sell S-corp. stock to an ESOP are not eligible for 1042 rollover treatment.

Leveraged ESOPs

- An ESOP can finance the purchase of employer stock
  - Mixed purpose of providing benefits and serving as a tool of corporate finance
- All loan proceeds are invested in company stock
- Often, the employer borrows from a third-party lender, and then lends the proceeds to the ESOP
- Shares are held in a “suspense account” and released each year as principal (or principal and interest) on the loan is repaid
- The ESOP repays the ESOP loan through the use of the employer’s tax-deductible contributions to the ESOP, or by using dividends

Leveraged ESOPs cont'd

- Released shares are allocated to participant accounts, based on the employer contributions allocated to the respective participant's accounts (not, generally, on the value of the allocations)
  - The "415" limitations are generally based on the allocated employer contributions

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Stock Purchase

- The trustee or other decision-maker, with the help of independent legal and financial advisors, performs due diligence review of the Company, and otherwise negotiates the transaction
  - Note the importance of having the right players in place quickly
- Transactions with the employer need to satisfy a prohibited-transaction exemption
- The Department of Labor has been scrutinizing ESOP transactions, mainly on valuation methods and issues, and fiduciaries should follow the DOL's "best practices" to avoid adverse findings or litigation

ESOP Trustee

- A Company should form a Trustee Search Committee that does not include any of the selling shareholders
- The Trustee Search Committee should document its trustee request for proposal process and selection criteria
- The Trustee selected should be an independent institutional trustee with ESOP experience
- The Trustee should be a discretionary trustee in the ESOP transaction, and may be a directed trustee thereafter

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Independent Appraiser

- The Trustee engages an independent appraiser to perform a valuation of Company stock for the ESOP transaction
- The independent appraiser reports to the Trustee
- The independent appraiser's report on the value of Company stock for the ESOP transaction is <u>confidential</u> with the Trustee
- The Company and the selling shareholders are <u>not</u>, at any time, privy to the independent appraiser's report on the value of Company stock for the ESOP transaction
- The Company <u>does</u> have access to – and should review – the independent appraiser's report on the value of Company stock for the years after the ESOP transaction

Sales – in General

- Sales to third parties will generally be negotiated by the trustee or an independent decision-maker
  - Any working assumption that insiders will have unfettered control could lead to surprises
- Fiduciary duties should be carefully observed
  - But an important and sometimes missed point is that certain prohibited-transaction concerns may not always technically be present

Impact of the Ability to Avoid Paying Taxes?

- Can build a war chest
- Reinvestment is the order of the day
- Value compounds in the company
- Avoids putting bonuses at risk for expansion

Plan Terminations

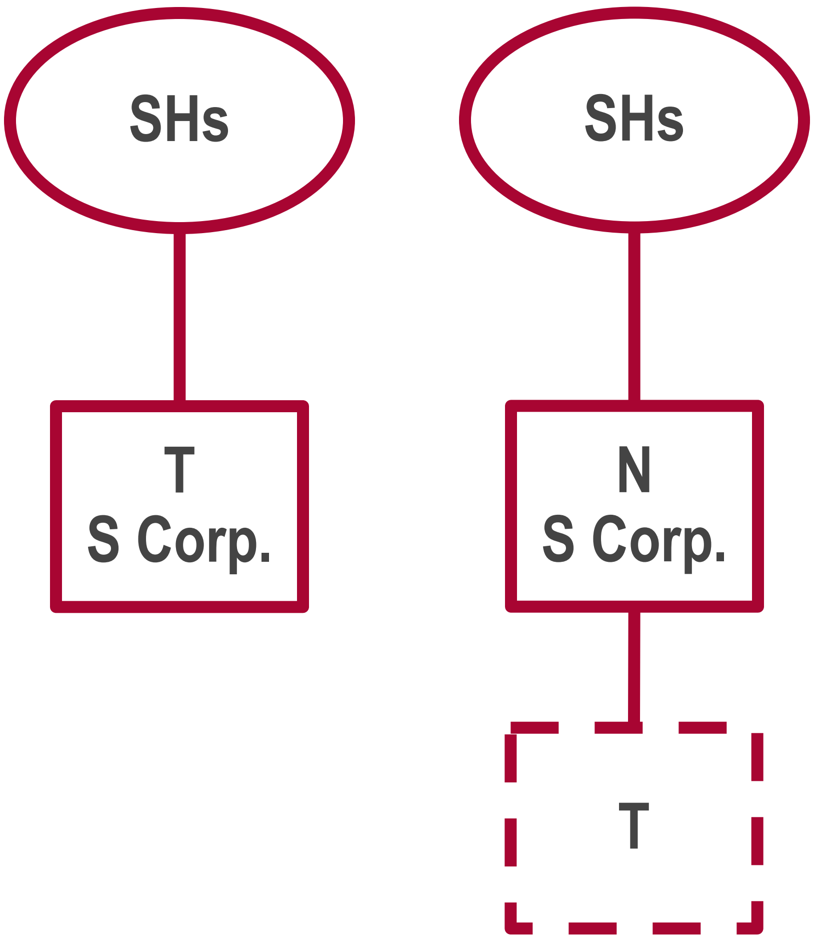
- General context
  - Is the termination in the context of a transaction?
  - If in the context of a transaction, will the buyer require termination of the ESOP?
- Effect on suspense accounts and loans
  - Possibility of the use of the suspense account to repay a loan
  - Any working assumption that insiders will have unfettered control could lead to surprises
- Fiduciary duties should be carefully observed

Exiting an ESOP
(But why would you want to do that?)

Exit From the ESOP?

- Redemption and full funding
- Carry over to next generation
- Creating an LLC JV under the ESOP-owned S corporation

Step 1: "F" Reorganization



- Step A: T shareholders form N (a qualifying S corporation)
- Step B: T shareholders contribute T stock to N
- Step C: QSUB election is made immediately for T
- Stepping together Steps A-C results in an "F" reorganization for tax purposes, so not a tax event
- **T retains existing EIN #**
- **N must obtain a new EIN #**

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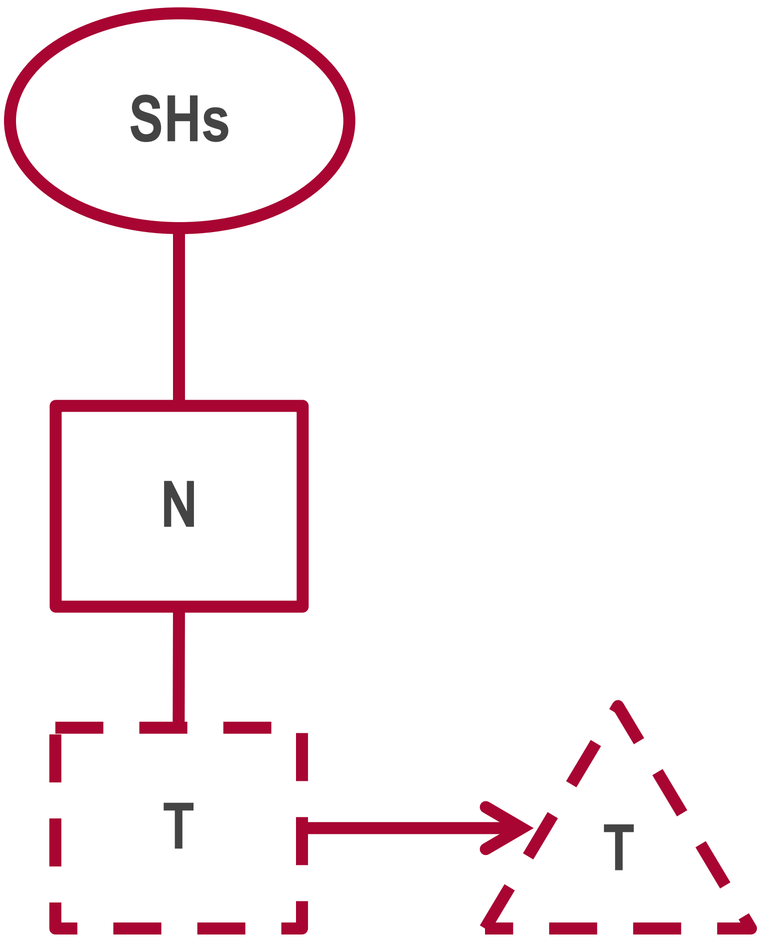
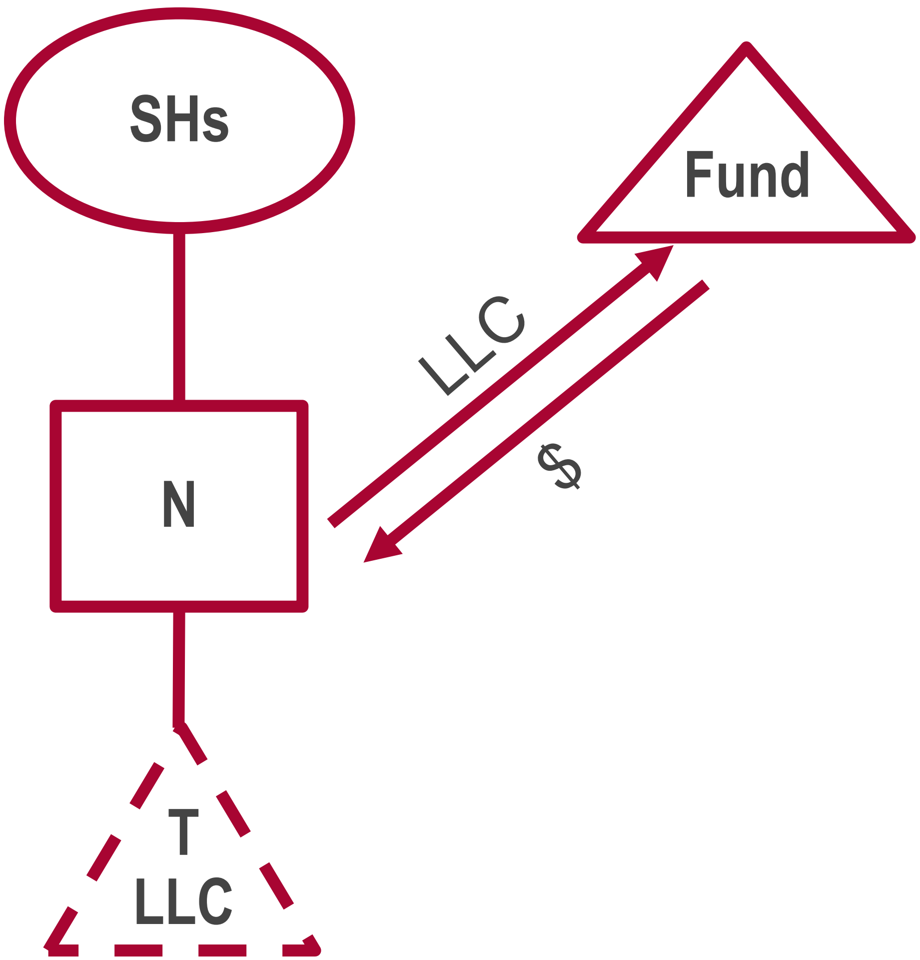
Note: If large number of shareholders, this can also be done by T forming N, and N forming, S, a wholly-owned subsidiary, and T merges with S, so that N owns T

Step 2: Conversion of Target into an LLC



- T merges with and into an LLC formed by N, with the LLC surviving
- Conversion of T into an LLC is disregarded for federal tax purposes
- T LLC keeps same EIN that original T had

Step 3: Sale Of Less Than 100%



- Fund buys LLC units from N

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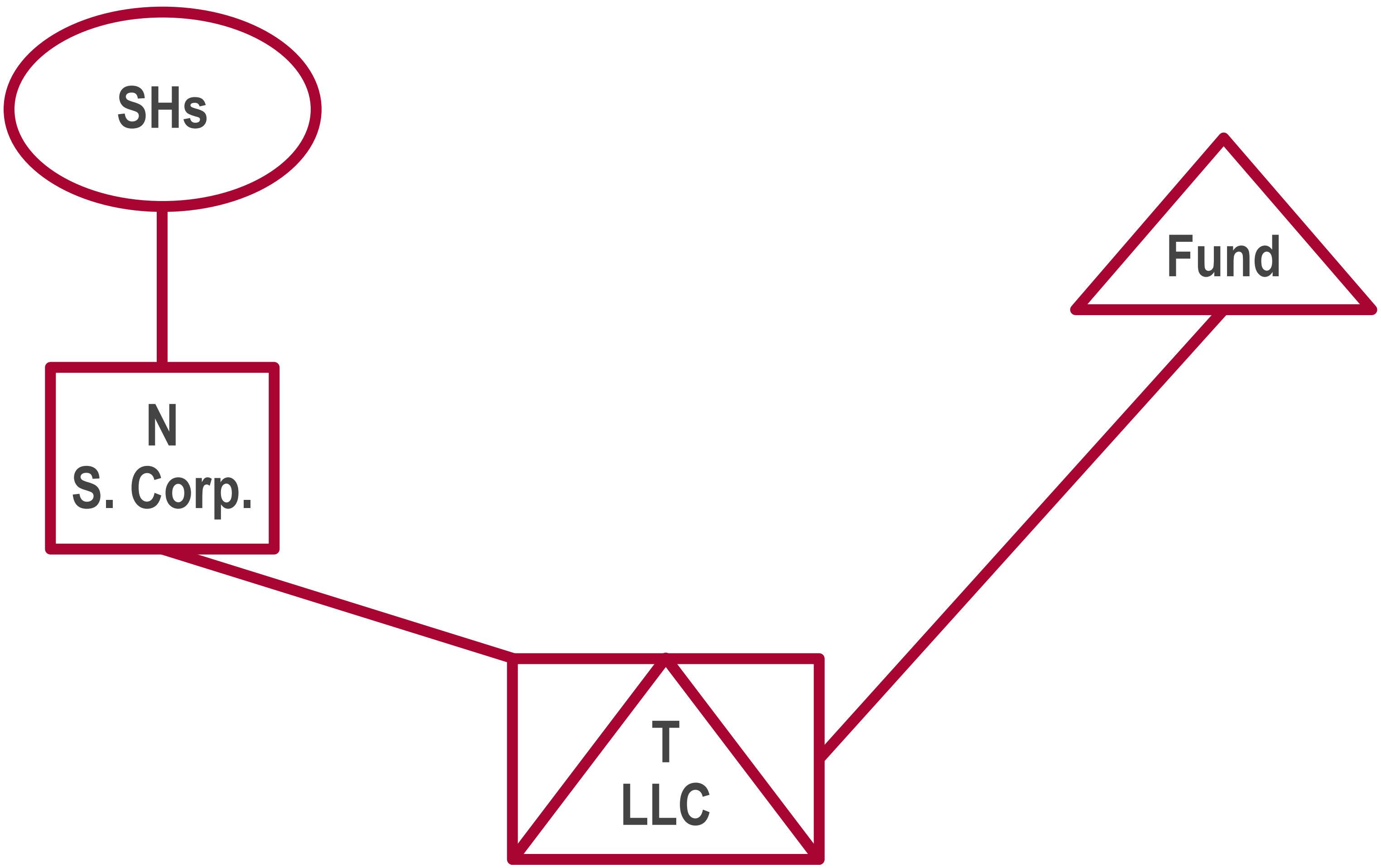
Note: If T business predates 1994, an additional step of making T a partnership before Fund buys in may be needed

Results



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Discussion Materials

Asset Management Investment Banking
December 2018

Equity Recycling Case Studies

Oz Management Announces a Comprehensive Strategic Plan

Barclays acted as Lead Financial Advisor to Oz Management on its announced Comprehensive Strategic Plan

Oz Management

has announced

a Comprehensive Strategic Plan

BARCLAYS

acted as

Lead Financial Advisor

Announced December 2018

Overview of Oz Management

- Oz Management (NYSE:OZM) is one of the largest institutional alternative asset managers in the world
- Oz provides asset management services to investors globally through multi-strategy funds, dedicated credit funds, including opportunistic credit funds and Institutional Credit Strategies products, real estate funds and other alternative investment vehicles
- As of December 1, 2018, Oz had approximately $32.3 billion in assets under management

Transaction Description

- Oz Management ("Oz") announced a comprehensive strategic plan that includes: (i) a significant equity realignment, (ii) near term debt paydown and preferred restructuring and (iii) converts Oz's tax classification from a partnership to corporation
- Current Executive Managing Directors ("EMDs") will exchange a portion of annual compensation for long-term equity awards from former EMDs
  - Former EMDs to reallocate 35% of their Class A Units; current EMD and employee ownership will increase from approximately 18% current to 35% [(1)]
- EMDs will temporarily forego distributions on substantially all units until the achievement of $600mm of Distribution Holiday Economic Income [(2)]
  - Forgone distributions expected to go to pay down of Oz's debt and preferred securities and to facilitate public shareholder distributions
- Oz's Tax Receivable Agreement will be amended to waive certain payments for tax years 2017 and 2018, freeing up $50mm to $60mm of cash to pay down (along with existing cash) approximately $100mm of existing debt
- Existing Preferred will be restructured into $200mm of New Debt and $200mm of New Preferred
  - New Debt and New Preferred will have terms substantially similar to the Existing Preferred, except that Oz will have the opportunity to repay both securities at a discount which could result in combined principal savings of up to $60mm
- The company will also elect to change its tax classification from a partnership to a corporation
- Oz expects these strategic actions to be completed on or before January 15, 2019
- Additionally, Oz's board has approved a one-for-ten reverse share split

Strategic Rationale

- Strategic plan completes Oz's generational transfer and positions the firm for long-term success
- Robert Shafir, Oz CEO, said, "We believe the suite of strategic actions we are announcing today solidifies Oz's future, providing long-term stability and setting the firm on a path for continued success. By materially increasing equity ownership by the current partners and taking steps to enhance our capital structure, we expect to be better positioned to serve our clients."
- Mr. Och said, "The plan announced today is a positive outcome for the firm that underscores our collective focus on aligning incentives across the organization in order to achieve outstanding results for our shareholders and global clients. I look forward to moving on based on my confidence that Oz will be in good hands with Rob and his leadership team."

Source: Company press release and filings. 1. Existing ownership as of September 30, 2018. Assumes full reallocation of the 7.5 million Class A Units forfeited by the holders of Oz's Existing Preferred Securities to Current EMDs and Employees. 2. Until the earlier of the achievement of $600mm of Distribution Holiday Economic Income and April 1, 2026.

Equity Recycling Case Studies

Firm #1

Founded	• Late 1960's
Fund Vintages	• 10-15 *(Latest ~$5bn AUM)*
Est. Employees	• 120 Total • 80 Investment Professionals

Equity & Carry Structure

- Every MD is a shareholder in the management company
  - Currently 20-25 MDs
- Management company ownership derived formulaically, so ownership is highly dynamic. Calculation factors include:
  - Tenure
  - Carry points
  - Size of funds where carry participation resides

Equity Recycling Methodology

- MDs receive management company cash flows for four years post-retirement
  - Allocation declines over time
- Carry participation continues for two fund vintages post-retirement, but at a significantly lower allocation

Firm #2

Founded	• Early 2000's
Fund Vintages	• 1-5 *(Latest ~$5bn AUM)*
Est. Employees	• 60 Total • 30 Investment Professionals

Equity & Carry Structure

- Two classes of partners
  - Four management company equity partners
    - Bulk of equity concentrated with firm's founder
  - Six non-equity partners
    - Expected to receive more carry from the four current equity partners over time
- Carry allocation
  - 15% minority stake partner
  - 10% non-partner professionals (~10 employees)
  - 75% partner professionals
    - 2/3 across the four equity partners
    - 1/3 across the six non-equity partners

Equity Recycling Methodology

- Decided to codify mechanism after Fund I
  - Multiple of 2-5x (depending on seniority) applied against avg. management company cash flows over last 2-3 years
  - Paid over four years
- Carry participation continues in funds over next six years
  - Based on seniority and avg. carry points in last two funds
- Methodology applies to resignations and terminations

Equity Recycling Case Studies (Cont.)

Firm #3

Founded	• Mid 1990's
Fund Vintages	• 1-5 *(Latest ~$2bn AUM)*
Est. Employees	• 50 Total • 40 Investment Professionals

Equity & Carry Structure

- Management company economics mirror carry economics
  - Currently ~10 partners
  - Partners do not take a salary and receive distributions only
- Equity awards decided by top two principals
  - No buy-in required
  - Equity awarded on a go-forward basis
    - All existing partners diluted
  - CEO has flexibility to adjust any partner's economics
- Carry allocations vest over 5-6 years

Equity Recycling Methodology

- If a partner leaves, only vested portion of carry is retained
  - Management company economics evaporate
- If a partner is fired, they receive a modest salary-like severance
- Recently transitioned co-founder who retained management company economics for the duration of the current fund only

Firm #4

Founded	• Early 2000's
Fund Vintages	• 5-10 *(Latest ~$1bn AUM)*
Est. Employees	• 40 Total • 30 Investment Professionals

Equity & Carry Structure

- Two co-founders currently own 100% of the management company economics
- Currently working on a structure to provide equity to additional employee shareholders
  - Considering concept of switching cash bonus and carry into an equity equivalent cash flow stream
  - Would likely have a 10 year vesting term

Equity Recycling Methodology

- No buy-back provision currently in place
- Shares of a deceased partner would transfer to surviving spouse/family

Update on Asset Management Industry

Asset Management Operating Environment

While barriers to entry are low, barriers to success are high and getting higher

Industry Pressures

- Rising Operating Costs
- "Arms Race" in Technology
- Fee Pressures
- Increased Competition
- Flows Towards Passive
- Distributors Shrinking Shelf-space
- Resurgence of Quants

Asset Management Industry

Implications for Asset Managers

- Get Fitter
- Get Bigger
- Become More Nimble / Embrace Change
- Diversify
- Invest in Technology and Innovation

Management Teams Embracing Differentiated Organic Growth Strategies, Bolder Cost Cutting and M&A

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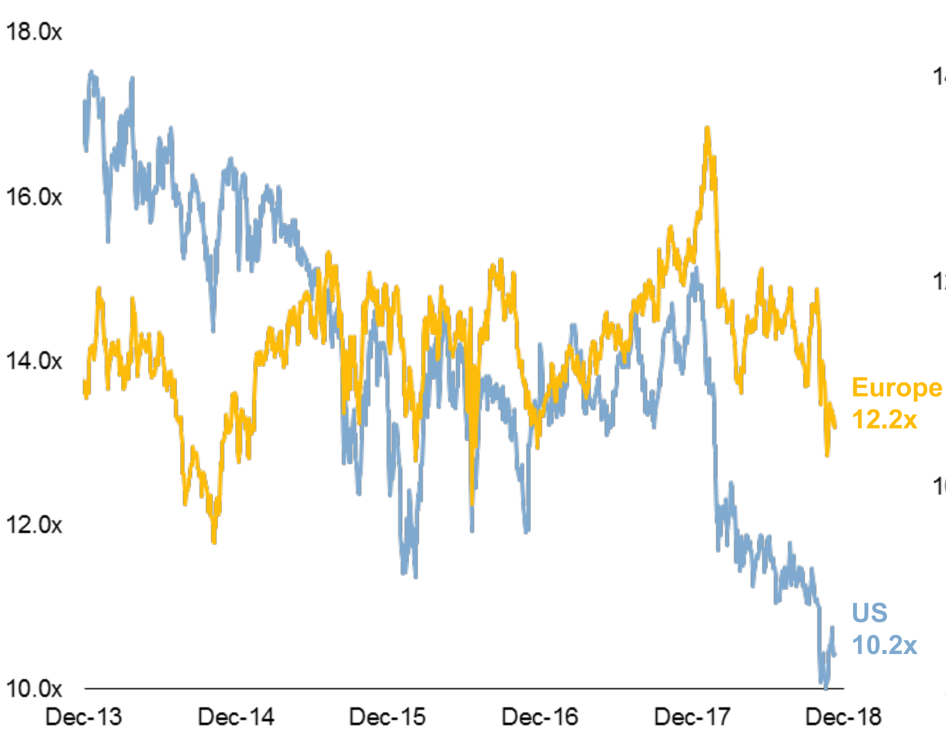
Public Market Valuations

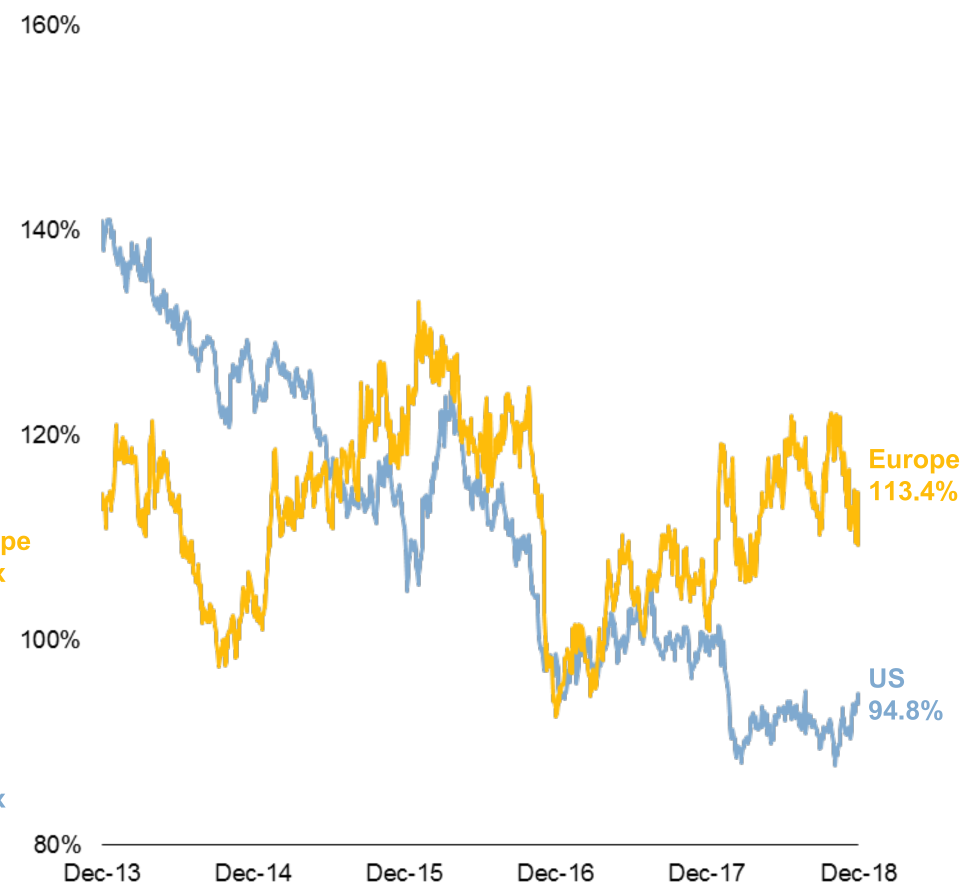
Over the past 5 years, US Traditional Asset Manager valuations have declined materially in absolute and relative terms to the broader financials market; European Traditional Asset Manager valuations are in-line with historical averages

Asset Management NTM P/E

	5-Yr Avg.	Current
S&P Financials Index	12.7x	10.7x
BlackRock	16.9x	14.1x
U.S. Traditional AMs (ex. BLK) [1]	14.0x	10.2x
European Traditional AMs [2]	14.2x	12.2x



Asset Management P/E as a % of S&P Financials Index



Source: FactSet as of December 7, 2018.

1. *Includes: AB, AMG, APAM, BEN, CNS, EV, FII, IVZ, LM, TROW, WDR.*
2. *Includes: ASHM, IPX, JUP, LIO, PAM, POLR, SDR, SLA.*

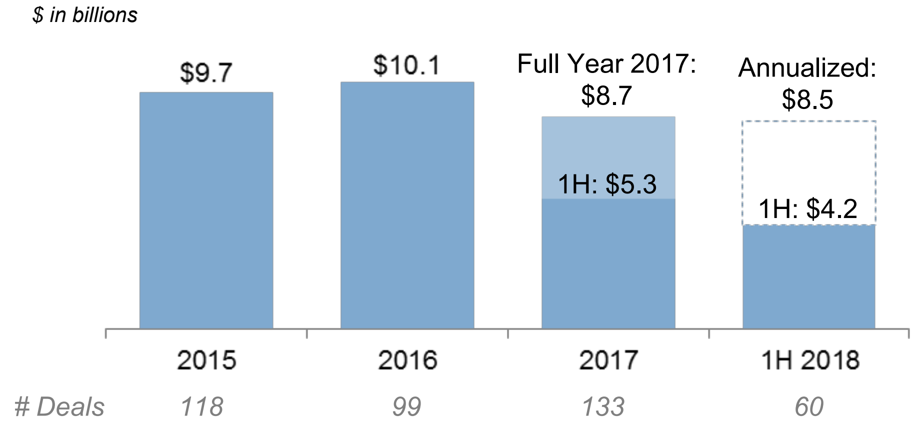
Key M&A Themes / Acquisition Multiples

Recent M&A activity in the sector has been fueled by a challenging operating environment and supportive debt financing markets

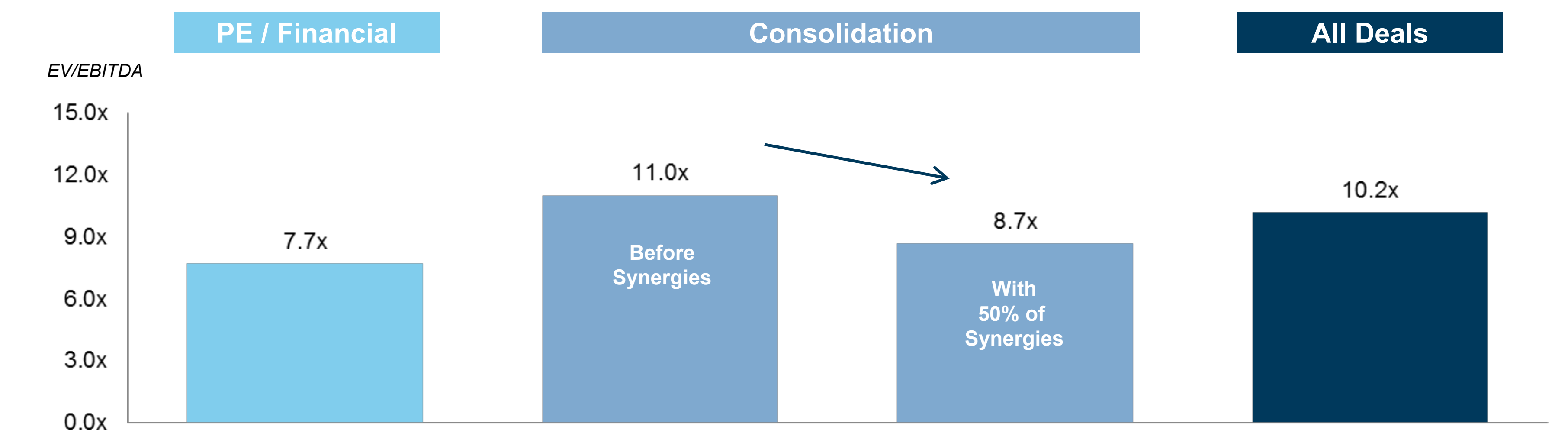
Key M&A Themes

- Consolidation-type acquisitions aimed at significant cost cutting
- Minority stakes
- Alternative platform deals
- Corporate rationalizations

Asset Management M&A Activity



Average Asset Management Acquisition Multiples



Source: PWC, Company disclosure as at the time of announcement.

M&A Themes and Select Transactions

Themes / Commentary

Consolidators / Focus on Cost Savings

- Asset management economics are increasingly flowing to scale players
- End investors and intermediaries are reducing number of relationships
- Boutique managers are increasingly willing to join larger platforms as regulatory and compliance costs have become prohibitive

Minority Stakes

- Number of dedicated min stake platforms continues to grow / significant dry powder
- Buyers looking for yield and differentiated platforms; sellers looking for a variety of solutions, including recycling of equity, potential balance sheet support and secondary capital
- Japanese and other institutions also looking for stakes in managers with very specific qualities

Alternative Platform Deals

- As clients move out along the risk / liquidity curve in search of yield, managers seek to add to capabilities in alternative and real asset classes
- Platforms with credit capabilities in highest demand

Corporate Rationalizations

- A number of corporates have sold / could sell their asset management platforms
  - Change in strategic direction
  - Lack of complementary value and capabilities
- Primary sellers have been banks; insurance firms have recently become more active

Select Transactions

Victory Capital	/	USAA Asset Mgmt.
CI Financial	/	SENTRY
Invesco	/	OppenheimerFunds The Right Way to Invest
DYAL Capital Partners	/	GOLUB CAPITAL
Blackstone & Goldman Sachs Asset Management	/	FP Francisco Partners
NLI	/	TCW
Victory Capital	/	HARVEST Volatility Management
TD Asset Management	/	GREYSTONE
BlackRock	/	TCP Tennenbaum Capital Partners, LLC
Investec	/	iam... insparo asset management
Commonwealth Bank	/	First State Investments
MassMutual	/	OppenheimerFunds The Right Way to Invest
USAA	/	USAA Asset Mgmt.

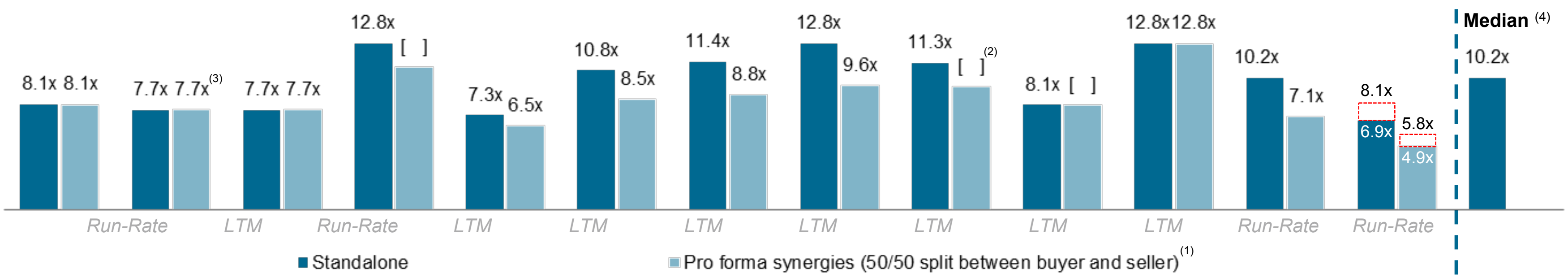
Trading and Transaction Comparables

Recent Comparable Transaction Analysis

- **Broad M&A precedents suggest EV/EBITDA valuation multiples in the 10x – 11x range**
- **In transactions without material cost (and to a lesser extent, revenue and tax) synergies, EV/EBITDA multiples tend to fall below 8.5x**
- **Buyers are increasingly comfortable with paying for a share of synergies, pushing multiples in those deals to 11x+ EV/EBITDA**

	Select Asset Management Transactions													All Deals
	Standalone/PE Backed			Consolidation Type										
EV/AUM	2.0%	2.5%	2.3%	3.5%	1.4%	1.3%	1.6%	1.5%	3.9%	1.1%	1.2%	2.3%	1.2%	**2.0%**

EV/EBITDA



Target	APEX	CIFC Asset Management	Old Mutual Global Investors	The Townsend Group	Janus	RidgeWorth Investments	Pioneer Investments	Aberdeen	Aletti Gestielle SGR	Santander Asset Management 50%	Hermes	OppenheimerFunds	Victory Capital	13
Acquirer	Fiera Capital	F.A.B.	TA Associates	NorthStar Asset Management Group	Henderson	Virtus Investment Partners	Amundi	Standard Life	Anima	Santander	Federated	Invesco	USAA Asset Mgmt.	
Announced Date	Feb-16	Aug-16	Dec-17	Oct-15	Oct-16	Dec-16	Dec-16	Mar-17	Aug-17	Nov-17	Apr-18 (5)	Oct-18	Nov-18 (6)	'16–'18

Source: Company disclosure as at the time of announcement.

1. *Based on fully phased synergies disclosed by the acquirer, excluding one-off/integration costs.*
2. *Based on €700m transaction value and target CY 2016 financials.*
3. *F.A.B. / CIFC transaction multiple excludes CLO equity and net investment income.*
4. *The 10.2x median is in line with the historical median (~10.5x) for the 48 deals between 2009 and 2018.*
5. *Federated acquired 60% of Hermes and has put / call options on the remaining 40% over a 3-6 year window. For purposes of calculating deal multiples, we have assumed a "100%" sale.*
6. *Dotted bars highlight purchase multiples assuming additional contingent payments of $150m are achieved in full.*

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U.S. Asset Management Trading Comparables

U.S. Asset Manager Comparable Company Universe

(AUM in $bn, Market Cap & EV in $mm)

	Trading Statistics				Valuation Statistics									
		Stock Price					Enterprise Value to: [3]			EV to:	Price as a multiple of: [3]			
Company	AUM	12/7/18 Price	YoY Change	YTD Change	Market Cap [1]	Enterprise Value [2]	2018E EBITDA	2019E EBITDA	2020E EBITDA	AUM	2018E EPS	2019E EPS	2020E EPS	Div. Yield 2018E
Traditionals														
Affiliated Managers	$830	$103.04	(48%)	(50%)	$5,664	$6,751	6.6x	6.7x	6.1x	0.8%	7.0x	6.6x	5.7x	0.8%
AllianceBernstein[4]	550	28.17	9%	12%	7,550	7,343	8.2x	8.7x	7.9x	1.3%	10.4x	11.3x	9.9x	8.2%
Artisan	117	24.46	(38%)	(38%)	1,999	2,026	6.4x	7.4x	7.0x	1.7%	8.2x	9.4x	8.4x	12.2%
BlackRock	6,444	393.10	(23%)	(23%)	62,879	62,170	10.8x	10.4x	9.6x	1.0%	14.2x	14.2x	12.7x	2.5%
BrightSphere	238	11.77	(26%)	(30%)	1,253	1,332	4.6x	5.0x	4.7x	0.6%	6.3x	6.3x	5.8x	3.1%
Cohen & Steers	60	36.20	(21%)	(23%)	1,718	1,638	10.6x	10.7x	9.6x	2.7%	14.8x	14.6x	13.8x	5.9%
Diamond Hill	23	155.06	(26%)	(25%)	551	511	NM	NM	NM	2.3%	NM	NM	NM	NM
Eaton Vance	453	36.82	(35%)	(35%)	4,662	5,028	8.8x	8.9x	NM	1.1%	11.4x	11.2x	10.2x	3.1%
Federated	437	24.89	(28%)	(31%)	2,501	2,737	8.4x	8.1x	8.5x	0.6%	11.4x	10.3x	10.5x	4.0%
Franklin	717	32.24	(28%)	(26%)	16,562	11,999	5.5x	6.3x	6.6x	1.7%	10.4x	11.2x	10.9x	2.5%
GAMCO	41	19.94	(32%)	(33%)	581	639	NM	NM	NM	1.6%	NM	NM	NM	NM
Invesco [5]	981	18.52	(50%)	(49%)	7,620	9,558	6.1x	6.1x	6.0x	1.0%	7.0x	6.8x	6.2x	6.3%
Janus Henderson	378	21.14	(41%)	(45%)	4,214	3,945	5.1x	5.2x	4.9x	1.0%	7.4x	7.3x	7.0x	5.7%
Legg Mason	745	27.06	(33%)	(36%)	2,319	4,590	7.0x	7.2x	7.2x	0.6%	8.3x	8.2x	7.3x	4.1%
Manning and Napier	23	1.75	(53%)	(51%)	138	46	1.8x	1.8x	2.3x	0.2%	7.6x	8.8x	9.7x	18.3%
Pzena	39	9.34	(17%)	(12%)	668	704	8.9x	8.9x	8.0x	1.8%	11.4x	11.4x	10.3x	5.5%
T. Rowe Price	1,084	93.28	(9%)	(11%)	22,798	21,888	8.5x	8.7x	8.3x	2.0%	12.3x	12.5x	11.7x	2.4%
Victory Capital [5]	144	11.16	NA	(14%)	799	2,194	13.3x	8.2x	5.0x	1.5%	6.6x	4.6x	3.0x	0.0%
Virtus	106	83.24	(30%)	(28%)	702	871	5.1x	4.6x	4.2x	0.8%	6.6x	6.3x	5.7x	2.2%
Waddell & Reed	80	18.93	(12%)	(15%)	1,483	1,323	5.1x	5.8x	5.5x	1.7%	8.5x	9.5x	9.1x	9.7%
Westwood	21	37.60	(44%)	(43%)	346	298	NM	NM	NM	1.4%	NM	NM	NM	NM
WisdomTree	59	6.58	(44%)	(48%)	1,071	1,188	14.1x	12.9x	11.2x	2.0%	19.0x	19.4x	16.1x	4.9%
Median			(30%)	(30%)			7.0x	7.4x	6.8x	1.4%	8.5x	9.5x	9.7x	4.1%
Mean			(30%)	(30%)			7.6x	7.5x	6.8x	1.3%	9.9x	10.0x	9.2x	5.3%
Alternatives														
Apollo	$270	$26.09	(15%)	(22%)	$10,544	$10,552				3.9%	20.8x	8.8x	7.9x	7.9%
Ares	121	21.46	15%	7%	4,692	5,236				4.3%	16.0x	13.8x	10.8x	5.1%
Blackstone	457	31.42	(2%)	(2%)	37,256	38,800				8.5%	10.6x	9.5x	8.7x	8.6%
Carlyle	212	17.56	(19%)	(23%)	5,985	6,305				3.0%	9.1x	6.1x	5.6x	8.0%
KKR	195	21.00	7%	(0%)	18,264	19,278				9.9%	10.9x	11.3x	10.5x	3.2%
Oaktree	124	41.51	(4%)	(1%)	6,523	7,782				6.3%	14.4x	12.8x	11.2x	8.0%
Och-Ziff	33	1.55	(45%)	(38%)	837	1,338				4.1%	9.2x	NM	3.6x	8.4%
Median			(4%)	(2%)						4.3%	10.9x	10.4x	8.7x	8.0%
Mean			(9%)	(11%)						5.7%	13.0x	10.4x	8.3x	7.0%
Niche Asset Managers														
Hamilton Lane	48	35.11	3%	(1%)	1,763	1,821	8.6x	7.8x	6.8x	3.8%	20.3x	17.5x	16.0x	2.0%
Medley	5	4.69	(28%)	(28%)	149	232	8.6x	7.7x	6.6x	4.6%	19.8x	14.0x	NM	17.1%
RMR Group Inc.	30	62.15	6%	5%	1,937	1,863	8.0x	7.7x	6.8x	6.2%	12.4x	NM	NM	1.6%
Median			3%	(1%)			8.8x	8.3x	7.3x	4.6%	19.8x	15.7x	16.0x	2.0%
Mean			(6%)	(8%)			8.8x	8.3x	7.3x	4.9%	17.5x	15.7x	16.0x	6.9%

Sources: Company Filings, SNL Financial, FactSet and Bloomberg. Market data as of December 7, 2018. Financial data as of most recent quarter. Traditional asset managers with $200+mm market capitalizations shown. 1. Fully diluted market capitalization. 2. Enterprise value equal to market value, less cash & equivalents, plus long term debt, plus minority interest. 3. Multiples calculated based on calendarized year; multiples exclude one time / extraordinary expenses; for OAK, earnings estimates based on adjusted net income; for APO, ARES, BX, CG, KKR and OZM, earnings estimates based on economic net income. 4. AllianceBernstein enterprise value and multiples represent operating entity, AllianceBernstein L.P. 5. Multiples not adjusted for recent acquisitions.

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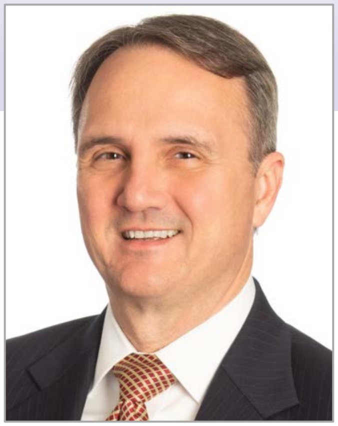

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- Advises clients on the design, implementation and ongoing compliance of retirement and pension plans as well as equity-based compensation plans, supplemental executive retirement plans (SERPs) and other forms of deferred compensation
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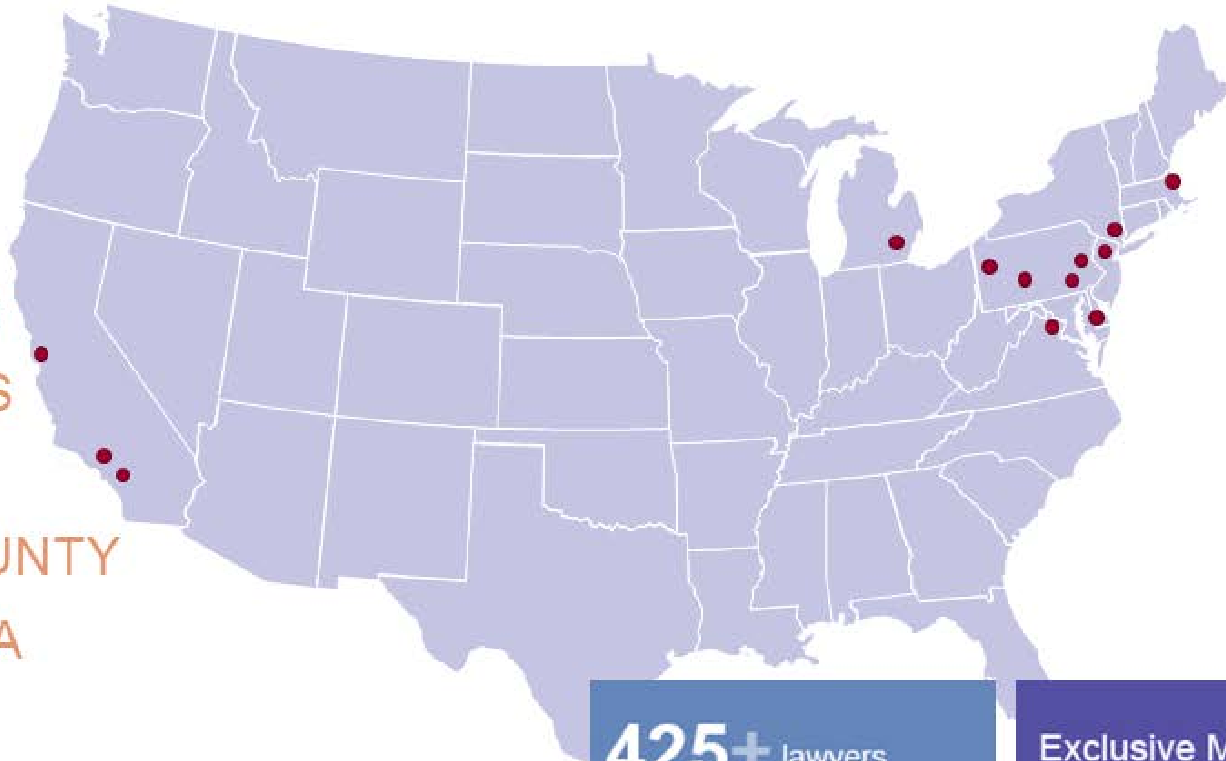

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