

MONEY MANAGER M&A

A frigid season for deals

Money management M&A hit the skids in 2008, and few observers are foreseeing any rebound in the next several months

By Douglas Appell

Unprecedented market volatility in 2008 tripped up the recent record-setting pace of money manager mergers and acquisitions, and some industry veterans predict a rebound could be more than a year off.

With the market-crushing bankruptcy of Lehman Brothers Holding Inc. in September, "a lot of deals cratered or were put on hold indefinitely," and the drought isn't likely to end any time soon, said John H. Temple, a managing director with New York-based investment bank Cambridge International Partners Inc.

The latest year "was a tale of two halves," with deal flow abruptly shifting from strategic transactions to forced sales, agreed Aaron Dorr, a managing director of New York-based

investment bank Jefferies Putnam Lovell.

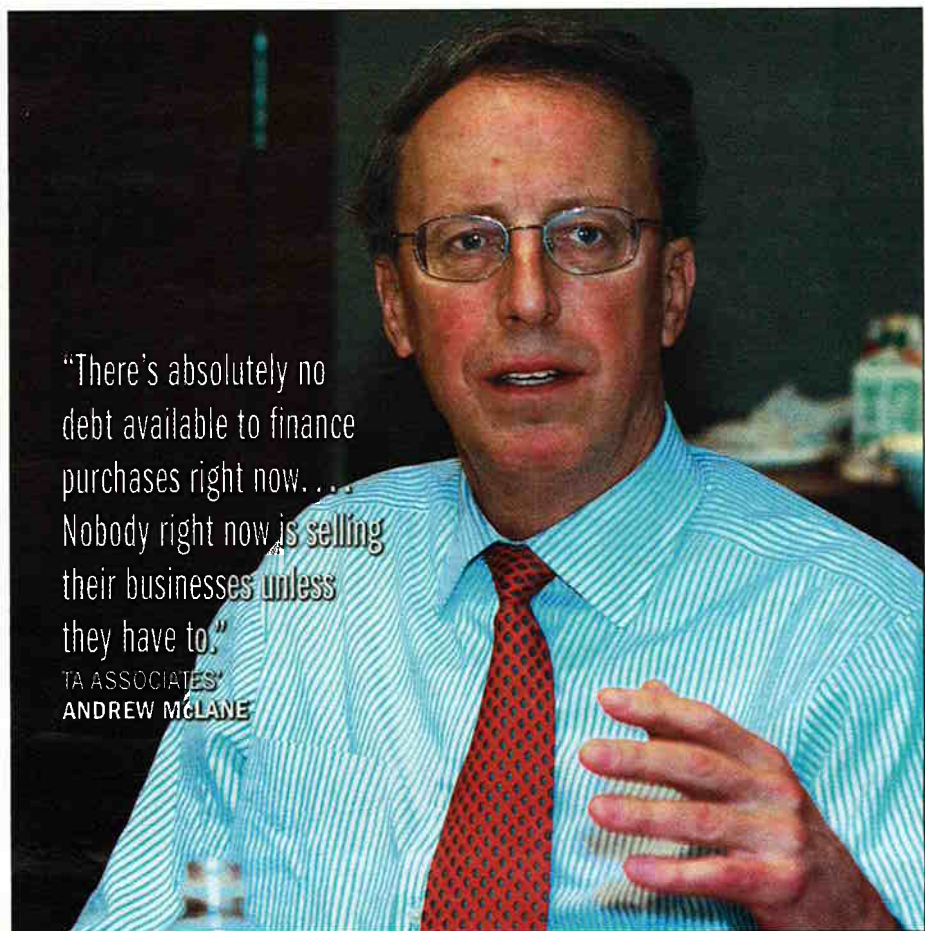
The dramatic turnabout was less apparent in the number of deals — which by Cambridge International's reckoning slipped by nine from the year before to 193 — than their value: at \$20.1 billion, down 62% from 2007, when a record 13 deals valued at \$1 billion or more were done.

For 2008 only two deals topped \$1 billion, both by Canadian banks, which emerged relatively untouched from a globe-spanning credit crisis. Bank of Nova Scotia claimed the year's biggest deal, with its US\$2.1 billion purchase of a 38% stake in CI Financial, Toronto, followed by Royal Bank of Canada paying US\$1.34 billion for 100% of Vancouver-based Phillips, Hager & North Investment Management Ltd.

Elsewhere, plunging equity prices and gut-wrenching volatility — punc-

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{ See **M&A FREEZE** on page 12 }



Doug Goodman

"There's absolutely no debt available to finance purchases right now. ... Nobody right now is selling their businesses unless they have to."

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Largest investment management transactions in 2008

All amounts are in millions.

Acquired	Acquiree's AUM	% acquired	Acquirer	Transaction value	Strategic rationale
CI Financial	\$85,000	38%	Bank of Nova Scotia	\$2,125	While preserving its productive distribution relationship with CI, Sun Life reallocates capital by disposing of its CI stake to Bank of Nova Scotia, which has long sought a stronger position in the mutual fund industry.
Phillips, Hager & North	\$68,000	100%	Royal Bank of Canada	\$1,340	Royal Bank acquires the hitherto staunchly independent manager, strengthening its premier position in Canada's mutual fund industry, while re-entering the institutional market it exited in 2001.
Cominvest	\$83,600	100%	Allianz	\$1,025	As part of a deal to offload its Dresdner banking business to Commerzbank, Allianz acquires Commerzbank's asset manager, Cominvest, becoming the largest manager in Germany.
Neuberger Berman	\$160,000	51%	Management	\$815	Management buyout of 51%, involving no cash, provides Lehman upside potential in its future disposal while management gains majority control and autonomy without the need for a financial partner.
GSO Capital Partners	\$10,000	100%	The Blackstone Group	\$775	Blackstone pays up early in the year to become one of the largest credit-oriented alternative investment managers in time to take advantage of the dislocation in the credit markets.
Monte Paschi Asset Management	\$34,000	100%	Clessidra	\$585	In fallout from the ABN AMRO transaction, Monte Paschi raises capital for its purchase of Banca AntonVeneta from Santander by selling its asset management business to a new joint venture with private equity manager Clessidra.
Constantia Bank (real estate IM division)	\$31,000	100%	Immofinanz	\$575	Acquired at a modest valuation that ignores future performance fees, Austria's Immofinanz broadens its real estate offerings with a range of Constantia businesses including investment management, brokerage and property development operations.
Artemis Asset Management	\$24,000	33%	Fortis Bank	\$575	Despite earlier efforts by Artemis to find a new parent, Fortis, in its takeover of ABN AMRO, has been forced to acquire management's 33% stake due to Artemis' change of control provision with ABN AMRO.
J.W. Seligman	\$18,000	100%	Ameriprise	\$440	Ameriprise acquires a well-regarded growth equity manager known for its technology expertise and a strong brand, adding scale to its mutual fund and institutional businesses.
American Beacon Advisors	\$62,000	90%	Lighthouse Holdings	\$410	Texas Pacific Group and Pharos Capital team up to acquire this mutual fund and institutional asset management subsidiary of AMR, freeing up much-needed capital for AMR's core airline business.
Credit Suisse Global Investors	\$71,000	100%	Aberdeen Asset Management	\$360	Pressure on the industry to consolidate is exemplified by this transaction in which Credit Suisse swaps its non-Swiss asset management business for a 25% stake in U.K.-listed Aberdeen.

Source: Cambridge International Partners Inc.

