

# Smaller and medium-sized asset/wealth managers consolidate at a feverish pace

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**Financial Institutions M&A:  
Sector trends H2 2018 | Outlook for 2019  
Asset/wealth management**

M&A reaches the dizzy heights.  
Here's why:

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**Smaller and medium-sized managers:** Research unbundling, rising IT costs and competition from passive options drives consolidation

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**Differing bank prerogatives:** Some banks tag-out from non-core businesses, while others tag-in for stable returns and cross-selling opportunities

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**Technological embrace:** Managers recognise the future-proofing significance of robo-advisory, automation and AI

# Asset/wealth management

Smaller and medium-sized managers are seeking scale to compete with “the trillionaires”, who have enjoyed the lion’s share of business inflows in 2018. Industry-wide margin squeeze, fierce market competition, eager buyers and availability of new tech solutions are all fuelling M&A.

## Outlook

### CURRENT MARKET

Upward, significant

### WE ARE SEEING

- High levels of market consolidation, some medium-sized but mainly smaller deals
- Uptick in JVs and other co-operation arrangements
- Active involvement of banks in M&A:
  - Certain banks are disposing of non-core businesses (both strategically less important business lines and in non-focus jurisdictions)
  - Other banks are keen to leverage cross-selling opportunities and new customer bases
- “No-deal” Brexit planning—migration of activities and assets out of London (particularly to Dublin and Luxembourg)

### KEY DRIVERS

- Industry-wide margin squeeze across Europe:
  - Passive investment options have made customers more cognisant of spend on active options
  - Continual net outflows experienced by many market players (though there are exceptions)
  - Research unbundling—stringent fee transparency requirements imposed by MiFID II
  - Rising compliance costs and increasing cyber/technological malfunction risks requiring heavy IT investment
- Fierce competition from:
  - Growing range of passive investment opportunities
  - Competitors reducing fees to counteract outflows resulting from market uncertainty (e.g., Brexit and “wealth tax” championed by UK’s Labour party)
  - Competitors willing to slash fees to win market share (e.g., Fidelity’s zero-fee campaign attracted US\$6.6 billion of inflows)
- Inorganic strategies offer:
  - Complementary product lines, capabilities and talent (though differing cultures need careful management)
  - Access to new geographical markets (e.g., China), customer bases (e.g., Shari’ah-compliant and ethical investing) and customer demographics (particularly robo-advisory and digital offerings)
  - Vertical integration to increase wallet share of the value chain
  - Cost reduction through automation
  - Enhanced utilisation of existing customer data resources (through AI and machine-learning)
  - New tools to battle rising compliance demands and cyber-attacks (e.g., deployment of blockchain)
- Strong appetite for asset/wealth management businesses:
  - Regional/domestic strategic buyers—seeking scale
  - Foreign strategic buyers—tapping into EU markets and customer bases
  - Financial sponsors—disrupting “traditional” models and super-charging management incentivisation

**Gavin Weir**

Partner, London  
Co-head of Financial Institutions  
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**Scale of itself is no panacea. Relentless pursuit and delivery of cost and customer relationship synergies are what actually define success of any M&A strategy in the asset/wealth management space.**

## Our M&A forecast

### TRENDS TO WATCH

- End of the capital markets bull run resulting in smaller asset/wealth managers selling out to larger ones
- Brokers seeking to acquire scale for asset management operations
- Increased concentration on intra-group restructurings—asset/wealth managers focusing on realising synergies from integration of newly acquired businesses and implementation of business-wide procurement processes
- Kick-off of business integration workstreams earlier in the deal timeline
- Regulatory intervention to encourage:
  - Uniform interpretation and implementation of MiFID II across Europe
  - Market competition (e.g., UK FCA's proposals for customers to switch investment management services more easily)
  - Transparency on vote decision-making by asset managers—Charities Responsible Investment Network's report a possible catalyst
- UK-based asset managers consider relocation within the EU27 to secure continued access to the European direct-lending market



**Continued high levels of deal activity in the short term—competition between regional/domestic trade buyers, foreign trade buyers, stockbrokers and financial sponsors is likely to intensify, resulting in more hot auctions. However, the over-heated market is likely to cool in the longer term.**



# Asset/wealth management—Publicly reported deals & situations

Traditional stock-picking equity and bond managers will account for >1/3 of the global asset management industry within 5 years\*

## Market consolidation

### Deal highlight

**White & Case advised Muzinich & Co. on its acquisition of Springgrowth, an independent Italian alternative investment fund manager**

### Mid-sized:

**Wealth Management Partners**

Acquisition of Julius Bär's Dutch wealth management business (December 2018)

**Bank J. Safra Sarasin**

Acquisition of Bank Hapoalim's Luxembourgian and Swiss private banking businesses (November 2018)

**Natixis Wealth Management**

Acquisition of Massena Partners (November 2018)

**PGIM Holding**

Acquisition of Wadhvani Asset Management (November 2018)

**Natixis**

Acquisition of MV Credit (November 2018)

**Heritage Bank & Sallfort Privatbank**

Merger (November 2018)

**Tikehau Capital**

Acquisition of ACE Management (October 2018)

**Generali**

Acquisition of Union Investment TFI SA (October 2018)

**La Francaise**

Acquisition of Veritas Group (September 2018)

**Investcorp**

Acquisition of minority stake in Banque Paris Bertrand Sturdza (September 2018)

**Nordea Asset Management**

Acquisition of 40% of Madrague Capital Partners (July 2018)

**Gonet & Cie & MM Mourgue D'algue & Cie**

Merger (July 2018)

**Vontobel**

Acquisition of Notenstein La Roche Privatbank (July 2018)

**ALTUS Towarzystwo Funduszy Inwestycyjnych & Esaliens TFI**

Merger (June 2018)

**Smaller:**

**Ascot Lloyd**

Acquisition of Newell Palmer (December 2018)

**Gresham House**

Acquisition of Livingbridge's fund and investment management business (December 2018)

**Quilter Private Client**

Acquisitions of Eastgate Financial Management, Holdaway Johnson and Clive C Aitkenhead Financial Consultant (November 2018)

**AFH Financial**

Acquisitions of Premier Wealth Management and Core Financial Holdings (October – November 2018)

**BNP Paribas Cardif**

Acquisition of remaining 33% of Cardif Lux Vie (October 2018)

**Merit Capital**

Acquisition of Weghsteen (October 2018)

**Muzinich & Co.**

Acquisition of Springrowth (October 2018)

**Broker Trust & Viktor Hostinsky Investments**

Merger (September 2018)

**Banca March**

Acquisition of Mass Affluent (September 2018)

**AFH Financial**

Acquisition of HTH Group (August 2018)

**JTC**

Acquisition of Van Doorn (August 2018)

**Forvest Trust**

Acquisition of European Wealth (Switzerland) (August 2018)

**Tages Group**

Acquisition of 34% of VAM Investments (July 2018)

**Progeny Group**

Acquisition of Evolve Financial Planning (July 2018)

**Alpha Growth**

Acquisition of Alpha Longevity Management (July 2018)

**Duet Group**

Acquisition of majority stake in Merit Capital (July 2018)

**Newell Palmer**

Acquisition of Acumen Investment Partnership (June 2018)

**Rathbone Brothers**

Acquisition of Speirs & Jeffrey (June 2018)

**Differing bank prerogatives**

**Tag-out:**

**Julius Bär**

Disposal of Dutch wealth management business  
(December 2018)

**Nova Kreditna Banka Maribor**

Disposal of 77% of KBM Infond  
(December 2018)

**Bank of America Merrill Lynch**

Disposal of CM Investment Solutions  
(December 2018)

**SEB**

Disposal of Luxembourg fund services business  
(November 2018)

**Catella Bank**

Disposal of Luxembourg-based wealth management operations  
(October 2018)

**Nordea**

Disposal of part of its Luxembourg-based private banking business  
(October 2018)

**BNP Paribas**

Disposal of Mass Affluent  
(September 2018)

**Société Générale**

Disposal of Belgian private banking operations  
(July 2018)

**Tag-in:**

**Banca Generali**

Acquisition of 90.1% of Valeur Fiduciaria  
(December 2018)

**VP Bank (Luxembourg)**

Acquisition of Catella Bank's wealth management operations  
(October 2018)

**UBS**

Acquisition of part of Nordea Bank's Luxembourg-based private banking business  
(October 2018)

**ABN AMRO Bank**

Acquisition of Société Générale's Belgian private banking operations  
(July 2018)

**Graubündner Kantonalbank**

Acquisition of 51% of Albin Kistler  
(July 2018)

**Co-operation arrangements**

**ING Bank Śląski & NN Investment Partners**

Polish retail investment funds JV  
(December 2018)

**Swedbank, State Street & Carne Group**

Fund management JV  
(November 2018)

**Nomura**

Acquisition of 40% of Julius Bär Wealth Management  
(November 2018)

**Lloyds Bank & Schroders**

Wealth management JV  
(October 2018)

**AMPLEGEST**

Acquisition of 65% of OCTO Asset Management  
(October 2018)

**Vontobel**

Wealth management partnership with Banque Lombard Odier & Cie  
(October 2018)

**Tikehau Capital**

Alternative investments strategic partnership with DWS  
(October 2018)

**High buyer appetite**

**Deal highlight**

**White & Case advised HNA Capital on the disposal of its 25% stake in BrightSphere Investment Group to Paulson & Co.**

**Financial sponsors:**

**Toscafund**

Led €33 million funding round for Liqid Investments  
(September 2018)

**Insurers:**

**Grupo Mutua**

Acquisition of 50.01% of Alantra  
(December 2018)

**Foreign:**

**Fiera Capital Corp.**

Acquisition of 80% of Palmer Capital Partners  
(December 2018)

**Paulson & Co.**

Acquisition of 24.95% of BrightSphere Investment Group  
(November 2018)

**Rayliant Global Advisors**

Acquisition of Henderson Rowe  
(July 2018)

**Crown Dilmun**

Acquisition of 40% of LJ Partners  
(July 2018)

**New markets**

**Expanding into new markets:**

**Investcorp**

Private equity JV with China Everbright Limited (September 2018)

**Vanguard**

UK online retail platform amassed £750 million in 12 months (June 2018)

**Tapping into new capital sources:**

**Merian Chrysalis Investment**

LSE Main Market IPO raised £100m (November 2018)

**Surge of passive investment strategies**

**Vanguard**

Establishment of London-based ETF research centre (October 2018)

**J.P. Morgan**

ETF business expanded to US\$2.5 billion in H1 2018 (August 2018)

**DNB**

Switch of mutual funds for US and EU stocks from active management to index-tracking (August 2018)

**Legal & General**

Launch of ETFs products, following acquisition of Canvas (August 2018)

**Technological embrace**

**Established players believe fintech hype:**

**Calastone**

Migration of investment funds transaction network onto blockchain (December 2018)

**DWS Group**

Acquisition of minority interest in Skyline AI (November 2018)

**Fidelity International**

Launch of Fidelity Wealth Expert (October 2018)

**Capgemini**

Acquisition of 20% of Azqore (October 2018)

**Aberdeen Standard Investments**

Launch of Artificial Intelligence Global Equity Fund (August 2018)

**State Street**

Acquisition of BestX (August 2018)

**Brevan Howard and Stone Milliner**

Acquisition of minority stake in Quant Insight (August 2018)

**Established players bowing to pressure:**

**UBS**

Disposal of SmartWealth platform (August 2018)

**Established players rely on fintech:**

**UBS**

Cross-border fund sales compliance JV with Investment Navigator (October 2018)

**Growing competition from fintechs/new entrants:**

**Moneyfarm**

Acquisition of vaamo (November 2018)

**WMD Capital**

Belvoir Capital's anchor investment in the German start-up (October 2018)

**Plum**

Tech fund JV with Legal & General, ethical fund JV with Standard Life Aberdeen and emerging markets fund JV with Vanguard (September 2018)

**Revolut**

Application for ETF broker licence (September 2018)

**SigFig**

Acquisition of SmartWealth platform (August 2018)

**Wahed Invest**

Launch of Shari'ah-compliant UK robo-adviser (August 2018)

**Shifting regulatory/political landscape**

**Bank of England**

Encouragement for asset managers to implement voluntary FX Global Code of Conduct *(December 2018)*

**UK FCA**

Proposals to enable customers to switch investment management services more easily *(July 2018)*

**UK FCA**

Requirement for UK fund managers to comply with the Institutional Disclosure Working Group's standards for fee disclosures to pension funds *(July 2018)*

**UK FCA**

Probe into inconsistencies in interpretation and application of MiFID II *(June 2018)*

**Intra-group restructurings—Brexit planning**

**One-third of the UK's 40 largest asset managers have outlined contingency plans to expand operations to Dublin or Luxembourg\*\***

**Ashmore**

Establishment of investment hub in Dublin *(September 2018)*

**First State Investments**

Transfer of £4.3 billion of AuM from UK to Ireland, and establishment of Dublin-based management company *(September 2018)*

**M&G Investments**

Transfer of £34.2 billion of AuM (impacting Euro, Swiss Franc, US Dollar and Singapore Dollar share classes) from UK to Luxembourg *(September 2018)*

**Baillie Gifford**

Establishment of investment hub in Dublin *(August 2018)*

**Columbia Threadneedle**

Transfer of assets from UK to Luxembourg, and launch of 13 new funds in Luxembourg SICAV vehicle *(June 2018)*

\* Source: *Financial News*, July 2018  
\*\* Source: *Financial Times*, June 2018

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