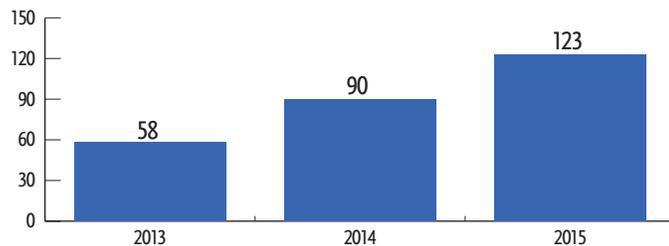


RIA M&A Activity for 2015

In 2015, mergers and acquisitions activity in the RIA industry hit an all-time record of 123 transactions executed in a single year. This new high water mark is a 37% increase above 2014's previous record of 90 transactions, and more than double the 58 transactions executed in 2013.

RIA M&A Activity Hits All-Time High

Number of transactions executed per year



The increase was driven by a number of factors, including accelerating activity across all buyer categories, the reemergence of private equity and banks as acquirers, and the aging demographics of RIA owners.

“The continued surge in RIA M&A activity over the last two years is a natural phase of consolidation that most hyper-fragmented industries experience as they mature,” said David DeVoe, Managing Partner at DeVoe & Company. “We expect this momentum to continue and potentially accelerate over the next five to seven years.”

The industry experienced record numbers of transactions, despite a backdrop of challenging conditions. Historically, significant stock market declines and sustained periods of market volatility have dampened M&A activity in the RIA space. These circumstances pull advisors away from the negotiation table, as they focus their energy on reassuring clients and monitoring the market. Extreme periods of volatility or steep market declines can also compress RIA valuations due to the increased risk or reduced revenue from client assets. As a result, advisors can become reluctant to sell their firm at a discount, further constraining RIA sales. The stock market roller coaster of 2015, however, didn't appear to dampen the transaction volume.

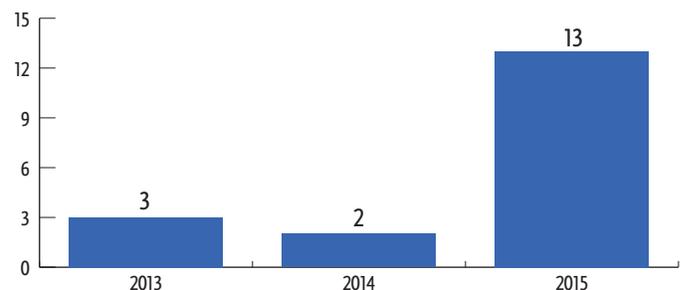
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The Year of the Mega-Deal

M&A activity increased across nearly every metric, but the spike in “mega-deals” — transactions involving sellers with over \$5B in AUM — is worth noting. In fact, 2015 could be considered the “Year of the Mega-Deal,” with 13 firms managing \$5 billion or more in AUM selling to a third-party. By contrast, 2014 and 2013 had 2 and 3 transactions of this size, respectively.

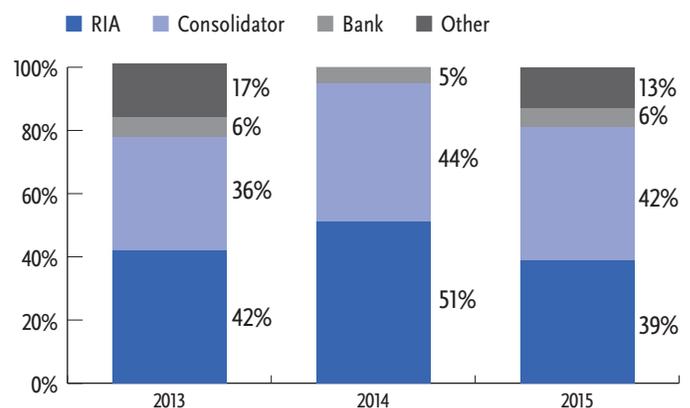
The Year of the Mega-Deal — \$5B+ AUM Firms Sell in Record Numbers

Number of transactions executed per year



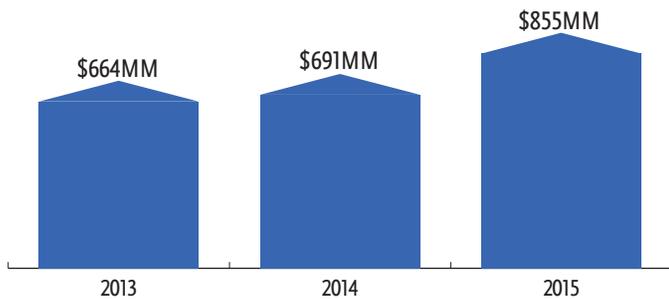
The unprecedented volume of such large deals was driven by a broad mix of acquirers, including consolidators, banks, private equity firms, and even a technology company.

Acquisitions of Established RIAs by Buyer Category



Average AUM of Established RIA Sellers

Excluding RIA sellers with \$5+B AUM

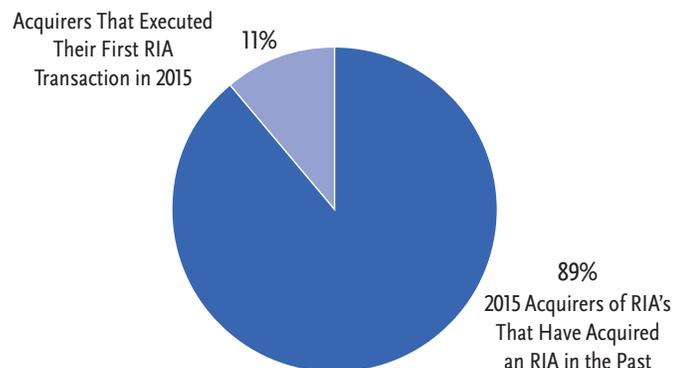


“The entrance of numerous new well-financed players targeting extremely large RIAs indicates both confidence in the independent model, as well as the accelerating pace of change to this industry,” said Vic Esclamado, Managing Director at DeVoe & Company. “Acquirers are making large investments as part of strategic moves associated with the evolving needs and expectations of the US investor.”

Not Their First Rodeo

Today’s RIA sellers can expect that the buyers across the table from them are likely to be experts in acquiring firms. In 2015, a full 89% of buyers of RIAs had acquired one or more firms in the past. These firms see acquisitions as a way to accelerate growth, add capabilities, optimize their client management bandwidth, and achieve other strategic goals. A growing number of advisors, such as Mariner, Aspiriant, and Buckingham Asset Management are blurring the line between “advisor” and “consolidator,” as their acquisition strategies are becoming solid planks in their overall business models.

‘Seasoned Acquirers’ Dominate the Market



The growing expertise of buyers can be a double-edged sword for sellers. The good news is that a seasoned acquirer will

have a deeper understanding of the acquisition and integration process, increasing the likelihood of a successful transition. However, buyers’ experience with transactions has also increased their ability to negotiate a better deal for themselves. Sellers should do their research and tap the appropriate experts to ensure they don’t find themselves outmaneuvered in this critical decision. This dynamic underscores the importance of business owners having a clear understanding of their firm’s value and drivers of value.

Private Equity Reengages in the RIA Space

Private equity firms have reengaged in RIA acquisitions with conviction after sitting on the sidelines for the past several years. Blue-chip PE firms such as Hellman & Friedman, TA Associates, Lightyear Capital, and Genstar Capital all acquired stakes in multibillion-dollar AUM firms. Often referred to as “smart money,” private equity clearly sees the power of the independent advisor model and investing to capitalize on the expectation that RIAs will continue to win in the marketplace.

Expectations for the Future

DeVoe & Company expects the overall trajectory of RIA M&A activity will maintain its upward momentum over the next decade, though the number of transactions may ebb and flow on a quarterly or annual basis. Structural changes to the industry on both the sell-side and the buy-side will continue to drive consolidation.

The growing number of RIA owners who are moving toward retirement will lead to additional sellers. Other advisors may accelerate their exit or seek to combine forces if and when competition increases (e.g. robo-advisors, new entrants), or as the compliance and administrative burden continues to grow.

Buyers continue to demonstrate success in their models and a sustained appetite for additional transactions. Well-financed consolidators have been increasing their share of the market and are helping their affiliates make their own acquisitions. Private equity and banks are showing renewed interest, while RIA buyers themselves see strategic power in merging and acquiring.

2016 is already off to a strong start with ten transactions being executed in January. Perhaps the industry is already on track for another record year.

Methodology:

The DeVoe RIA Deal Book seeks to track all mergers, sales and acquisitions of firms that are registered with the SEC as a Registered Investment Advisor. The report includes all transactions identified with over \$100 million in Assets Under Management, based on a recent data source (e.g. SEC IARD website, a press release) in an effort to maintain consistency of data over time. The report includes advisors who leave other financial service institutions to join RIAs and are expected to bring over \$100 million in AUM to the new company, as this transition would likely include consideration paid for said transition.

About DeVoe and Company:

DeVoe & Company is a leading management consulting and investment banking company serving the RIA industry. We have helped over 200 firms achieve their business goals since launching four years ago. Our team is comprised of former business strategy consultants and former presidents of RIAs.

Our services fall into three categories:

Valuation: We pride ourselves on providing the most analytically rigorous and actionable valuations in the industry.

Management Consulting: We support clients with Strategy, Succession Planning, Growth, and Human Capital engagements.

Investment Banking: We support RIA owners with their goals to sell, acquire or merge their companies.

We are a goal-based consulting company that is committed to helping our clients accelerate the achievement of their objectives.

Call us at 415.813.5066, email us at info@devoe-co.com or visit us at www.devoeandcompany.com



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Topics of Interest

Does the DOL proposal on fiduciary changes affect RIAs?

Read more: [DOL Proposed Fiduciary Rule](#)

Market Commentary

A brief snapshot of what Nuveen's independent investment leaders expect in the year ahead:

- **Municipal Bonds Can Remain Resilient During Volatility**
Municipal bonds may be a stabilizing force for investors' portfolios, given their relative stability, low correlations to equities and a solid outlook for 2016.
- **Income Credit Sectors May Benefit from a Controlled Rate Hike**
Rate increases that are small in magnitude and slow in pace should help improve corporate earnings, control borrowing costs and allow companies to make interest and principal payments.
- **U.S. Equities Require Healing but Should Advance**
A moderately constructive outlook assumes continued acceleration in U.S. growth, improving corporate earnings, recovery in the Eurozone and stabilizing growth in China.
- **Regional Growth Develops Around the World**
Europe continues to stabilize, while Japan faces debt issues and many emerging markets are struggling. China's growth is decelerating, and policymakers are working to transition the economy to one based on consumption rather than investment.

Further reading:

[2016 Outlook: Signs of Growth Emerge Around the World](#)

Contact your Nuveen Advisor Consultant at [800.558.4487](tel:800.558.4487) or visit us at nuveen.com



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