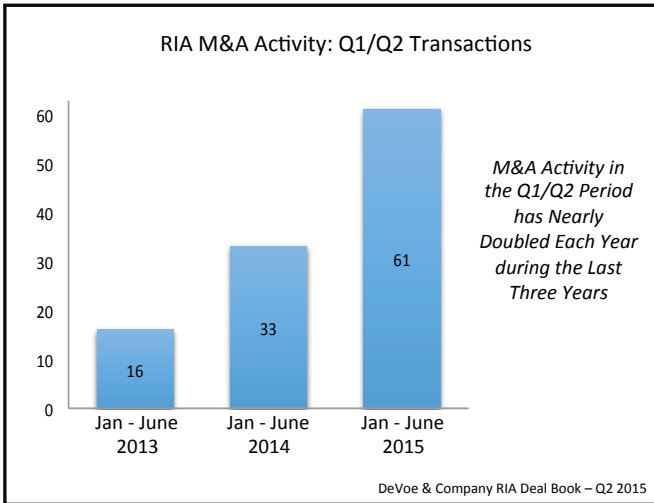


2015 Q1/Q2: A Record Period for RIA M&A Activity

First Half 2015 Nearly Double the Transaction Volume of Same Period 2014

RIA Merger and Acquisition activity remained strong during the second quarter of 2015, continuing the momentum of the previous six quarters. A total of 61 acquisitions were tracked by DeVoe & Company during the first half of this year, an 84% increase above the 33 transactions during the same period in 2014.



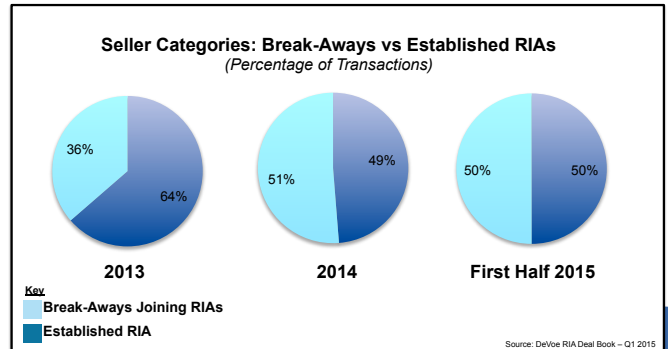
“The record RIA M&A activity during the first half of 2015 builds upon the unprecedented momentum from last year”, said David DeVoe, Managing Partner at DeVoe & Company. “The industry is either experiencing an extended surge of M&A activity or this is the beginning of the longer term acceleration of transactions that many experts have been anticipating.”

The volume of 61 transactions during the first six months of 2015 already exceeds the 57 transactions executed during the entire year of 2013.

A total of 27 RIA acquisitions were transacted during Q2 2015, a 17% increase over Q2 2014 and a 675% increase over Q2 2013.

Although there were fewer \$5B+ AUM ‘mega-deals’ than Q1 (see *DeVoe & Co RIA Deal Book Q1 2015*), several large transactions occurred: Barclays’ sale of their US Wealth management business to Stifel

and Constellation’s sale to First Republic Bank were both \$5B+ AUM transactions.



Seller Completion Shift

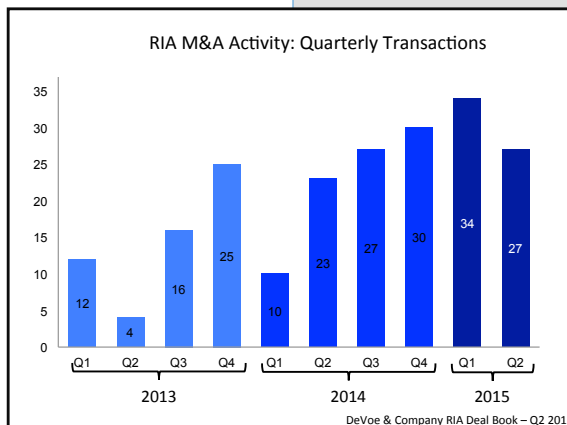
Break-Away brokers and teams joining RIAs increased from 36% of the transactions in 2014 to 50% during the last six quarters. This increase has been driven by the growing number of expiring wirehouse forgivable loans, which were signed in 2008 / 2009.

Although Existing RIA sales have decreased from 64% to 50% in two years, the nominal number of deals more than doubled from 12 to 30.

Methodology:

The DeVoe RIA Deal Book seeks to track all mergers, sales and acquisitions of firms that are registered with the SEC as an 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 asset.

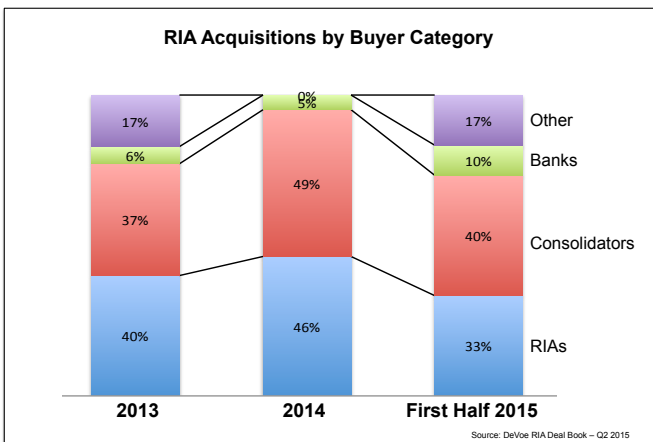


“The RIA industry is experiencing record levels of M&A. The demographics of RIA owners indicate that this upward trend is likely to continue”
- David DeVoe

Buyer Categories: Greater Breadth

All buyer categories increased their respective acquisition volume of Established RIAs during the first half of 2015 versus the same period a year ago. *Banks* and *Other Acquirers* (which includes private equity and trust companies) made the most significant increases.

“The broader diversification of acquirers demonstrates the expanding appeal of the independent advisory model,” said Francine Miltenberger, Managing Director at DeVoe & Company. “The unconflicted RIA model continues to win in the marketplace, and intelligent investors are literally buying into that philosophy.”



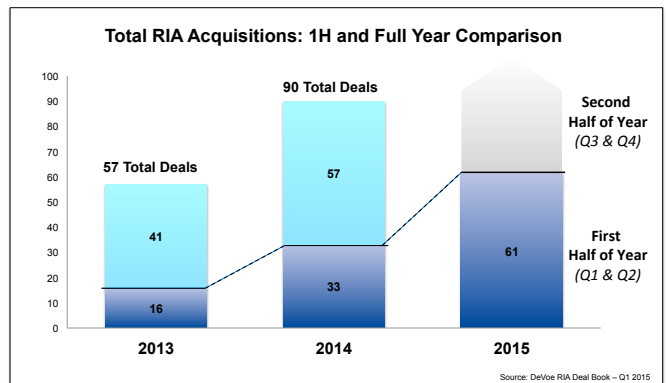
Banks have started to ramp up RIA acquisitions, after a period of dormancy. Ten years ago, *Banks* acquired more than 50% of the Established RIA sellers, but essentially stopped all activity following the 2008 market decline. *Banks* are now well-positioned to re-enter the RIA M&A market, having worked through their economic and legal challenges, taking and paying back TARP funds, and gaining needed stability. And they are starting to do so, acquiring two RIAs in both 2013 and 2014. 2015 is likely to be a strong year: First Republic’s acquisition of Constellation is one of three deals consummated YTD 2015.

The industry also saw a number of non-traditional acquirers engage with RIAs. Private equity firms like TA Associates and Genstar voted for the independent model with their checkbooks, alongside trust and insurance companies, and even the NASDAQ.

Despite *Consolidators* and *RIAs* acquiring a smaller percentage of Established RIAs (they were down 9 and 13 percentage points respectively), both categories increased the number of advisors acquired and remain the dominant Buyer Categories. *Consolidators* acquired 40% of Established RIAs, and *RIA’s* acquired 33%.

Outlook for the Future

Historically, the first half of the year has been less active than the second half. Over the last few years twice as many acquisitions were made during the latter half of the year. Whether this pattern repeats itself or not, 2015 is likely to be a record year for M&A, immediately on the heels of 2014’s record 90 transactions.



DeVoe & Company believes that, in the absence of unforeseen events, the RIA M&A activity will continue to increase steadily over the next five to seven years. This expected momentum is due to structural changes to the industry which will drive an increase in M&A:

- **Demographics:** RIA owners are estimated to be 60 years old on average, yet only 25% have written succession plans. For an industry with 10,000 firms, the comparatively low M&A numbers indicate a growing backlog of RIA firms that will eventually need to sell.
- **Well-Financed Consolidators:** The consolidator business models are resonating with advisors, as demonstrated by their continued momentum and steady acquisition numbers.
- **Growing M&A Sophistication:** RIAs themselves have been one of the two dominant buyer groups for several years. They are acquiring RIAs not just to grow, but in many cases to achieve other strategic goals.

A number of external factors ranging from the economy and the stock market, to the future success of ‘robo-advisors’, to supply / demand ratio of selling advisors, can and will affect the future RIA M&A market.

DeVoe & Company Investment Banking Services

End-to-end services to help you sell or merge your business, or acquire an RIA

Buying, selling or merging a business is one of the most important decisions of an RIA owner's career. Given the magnitude of what is at stake, it is often also one of an owner's most important personal decisions. To be successful in such a critical transaction, you need an experienced partner who can not only deliver strategic thinking and technical knowledge, but who also understands the cultural and emotional side of the transaction. DeVoe & Company takes great pride in our ability to deliver on this promise.

DeVoe & Company was founded by David DeVoe, a thought leader in the RIA industry for over a dozen years, who helped hundreds of advisors navigate these complex waters. The company has grown to include an unrivaled team of seasoned experts, which include former CEOs of RIAs, ex-strategy consultants, and more Ivy League-level MBAs than all the other RIA investment banks combined.

Buy-Side

Sell-Side

Mergers

Working side-by-side with you on your critical business decision, we act as 'therapists with spreadsheets'. We can tear apart the quantitative and strategic elements of the most complex transactions, while minimizing the emotional roller coaster related to negotiations and parting with a firm one has spent decades nurturing into a vibrant business. We prepare our clients to optimize their position, be it as buyer or seller. And because our approach is grounded in methodical and analytically rigorous techniques, we are able to quantify and create consensus around the company's valuation and economic deal structure. Our capabilities and approach help our clients negotiate the transaction that optimally meets their goals, both today and in the future.

Our Process

DeVoe & Company has created a methodical, well-orchestrated approach to achieving success in your M&A strategy.

There are four major phases of the process:



During the **Strategy, Valuation & Marketing** phase we establish the strategic context – a clear understanding of your business, professional and personal goals – to create a comprehensive buy-side or sell-side strategy. We collaborate with you to develop a comprehensive target profile, identify the pool of candidates and draft a tailored straw-man deal structure for the potential transaction.

During the **Search & Qualify** phase we contact prospects, screen and qualify candidates, and facilitate introductions.

During the **Engage** process we work with you to prioritize the final candidate(s), structure the economic and non-economic elements, and draft a comprehensive letter of intent.

Finally, in the **Transact** phase we coordinate the cross-functional transaction team, support due diligence, and negotiate the final purchase agreement.

Timing

The timing of a typical investment banking relationship ranges from four to eight months, depending on a variety of factors.

Getting Started

For more information or to engage our investment banking services call us at 415-813-5066 or send an email to info@devoe-co.com.