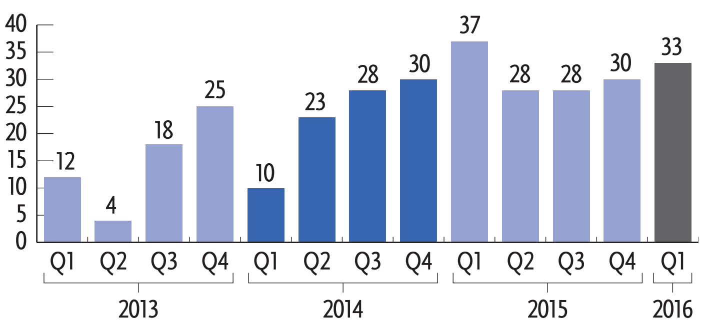
RIA M&A Activity for Q1 2016

2016 started off the year with solid RIA mergers and acquisitions momentum. The industry experienced 33 transactions during the period, according to research executed by DeVoe & Company. Although this transaction volume is below 2015's record of 37 Q1 transactions, it is well above the 10 and 12 Q1 transactions closed in 2014 and 2013, respectively. Overall, the quarter indicated continued strength in M&A activity in the RIA industry.

RIA M&A activity continues to be driven by a number of factors, including high interest from a wide breadth of well-financed acquirers, the aging demographics of RIA owners, and the potential strategic power of combining RIAs. Over time, the industry's lack of succession planning will likely become a leading driver for RIA sales, as a growing number of retiring principals are unable to sell their equity internally.

2016 Starts with a Solid Quarter of RIA M&A Activity



"The surge in RIA M&A activity that began two years ago continued its momentum in the first quarter of 2016," said David DeVoe, Managing Partner at DeVoe & Company. "This was one of the strongest quarters of M&A activity that the industry has experienced, which indicates an increased likelihood of continued high transaction volume."

Large RIAs Follow Suit of the Mega-Firm Sales

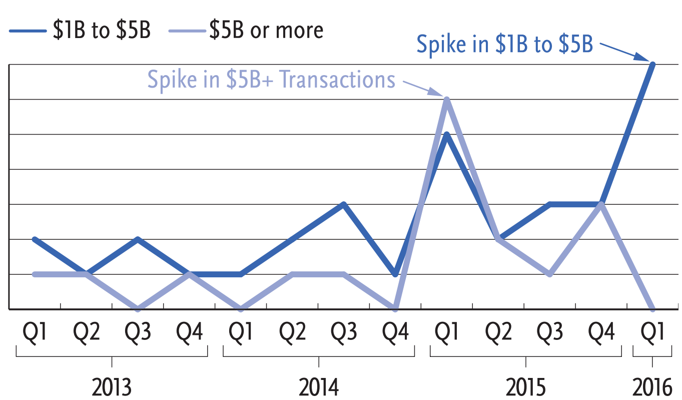
Large RIAs managing assets between $1B to $5B in AUM sold in record numbers during Q1 2016. Typically, this segment consistently accounts for 11% of the total transactions; YTD 2016 this segment comprised 21% of the transactions, nearly double the average. These highly prized firms are sought after by banks, consolidators, *'mega-RIAs'* and, in some cases, private equity.

The recent spike could potentially be the indirect result of a similar spike amongst their larger peers in 2015. As owners of *large* Established RIAs observed the surge in 'mega-deals' (sellers with more than $5B in AUM), many may have gained greater comfort with the concept of selling to a favorite suitor. Essentially, these larger transactions served to validate the concept of selling.

"The spike in $5B+ *mega-deals* during the last five months may have indirectly contributed to the Q1 spike in $1B-$5B AUM sellers," said Vic Esclamado, Managing Director at DeVoe & Company. "Psychologically, it is easier to move forward with a sale of the company when you observe firms you admire doing the same."

Given this logic, one might expect an increase in sales of *mid-sized* firms over the next year.

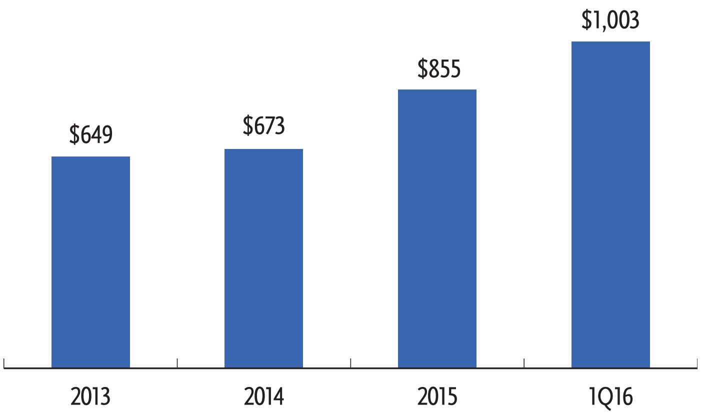
2015 Spike in 'Mega-Deals' May have Paved Way for Recent Peak in $1B - $5B AUM Transactions



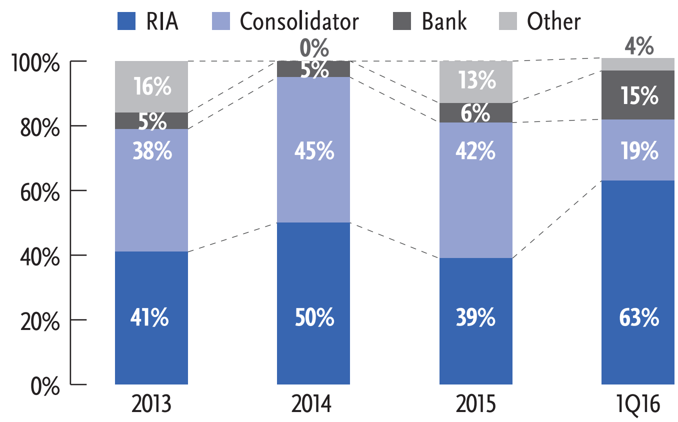
Due to the increase in large sellers, the average AUM of Established RIAs that sold in Q1 2016 was significantly higher than the last several years. Breaking through the $1B mark, the AUM of the average Established RIA seller continued the upward trajectory of the last three years.

Average AUM of Established RIA Sellers

Excludes firms under $100MM and over $5B in AUM



Acquisitions of Established RIAs by Buyer Category



Buyers: Banks Accelerate Momentum, While RIAs Dominate

After a few initial toe-dips during the last few years, banks seem to be stepping resolutely into the shallow end of the RIA M&A swimming pool. During the first 90 days of 2016, banks made three high-profile transactions, which accounted for more than the total deals they made during the entire years of 2013 and 2014. Mellon Bank and Johnson Financial each acquired $2B+ firms, and BOK Financial bought Weaver Wealth Management from the eponymous CPA firm. Year to date banks are acquiring at three times the pace that they have previously over the last several years.

RIA firms themselves demonstrated conviction for the strategic power of scale by becoming the dominant acquirer category. This quarter, RIAs won the ongoing tug-of-war versus the consolidators as the acquirer of choice, and acquired nearly 2/3rds of Established RIAs sold during the period.

2016 is clearly off to a strong start. Given the high interest levels from an unusually diverse set of potential buyers, one might anticipate another record year of activity. Consolidators are maintaining momentum, and the affiliates they absorbed years ago have demonstrated a growing track record of acquisition success. RIA's are not only leading the industry in the total volume of acquisitions, more advisory firms are implementing 'inorganic growth' as a key plank in their overall business strategy. And both private equity and banks are engaging in the independent space at levels that the industry hasn't seen for years. With so many buyers, it's a good time to be a seller. One can't help but wonder, however, if there will eventually be an inflection point when the pool of buyers simply can't keep up with the growing numbers of sellers.

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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From Nuveen

NUVEEN Investments

Since 2013, Municipal Volatility Has Been The Lowest Of Any Fixed Income Asset Class...

... And this trend continued in the first quarter of 2016. The 30-year AAA municipal yield dropped just 8 bps from 2.82% to 2.74% over the quarter, versus 41 bps for 30-year Treasuries. This is largely because, as a domestic market, municipal bonds are more heavily influenced by individual investor and issuer behavior than global factors.

Municipal technical, supply and demand conditions strengthened in the first quarter:

SUPPLY during the first quarter of 2016 was moderately below the strong pace of first quarter 2015. Refunding activity was down slightly, while new money issuance increased somewhat. Refunding is still the main driver of new issue supply. Municipalities are looking to lock in cost savings and remain less interested in adding to net indebtedness. Refunding in the first quarter represented nearly 40% of new issuance. This is slightly less than 2015, but two fed funds rate increases this year may increase refunding activity. The yield curve is flattening, which increases the probability that bonds will be called. We anticipate the 10- to 30-year portion of the yield curve will perform well.

DEMAND remains strong and remarkably consistent, as investors continue replacing the $71 billion withdrawn in the second half of 2013. First quarter 2016 saw municipal inflows of $13 billion, nearly double the total of first quarter 2015. This adds to inflows of $28 billion in 2014 and $15 billion in 2015.

Learn more about **Appreciation with Low Volatility.** Want to know more about Nuveen's municipal expertise? Visit the **Municipal Bond Investment Center.**

Contact your Nuveen Advisor Consultant at 800.558.4487 or visit us at nuveen.com

SOURCES

Treasury Yields and Ratios: Bloomberg (subscription required)

Municipal Bond Yields: Municipal Market Data

Municipal Issuance: Seibert Research

Standard & Poor's and Investortools: http://www.invtools.com/

Flow of Funds, The Federal Reserve Board: http://www.federalreserve.gov/releases/Z1/Current/z1.pdf

Bond Ratings: Standard & Poor's, Moody's, Fitch

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