

PACIFIC

Adviser Solutions

Adviser breakfast briefing
Thursday, 21 March 2019

INDEPENDENT INNOVATIVE IMPARTIAL



Adviser breakfast briefing

- 09:00 **The alpha is in the advice**
Matthew Lamb – Chief Executive Officer
Pacific Asset Management
- 09:30 **Building solutions for Advisers:
Insourcing – Not outsourcing**
Ben Sears – Head of UK Strategy
Pacific Asset Management
- 10:00 **Common sense investing**
Will Bartleet – Chief Investment Officer
Pacific Asset Management
- 10:30 **M&A Forum: Taking the next steps for your business**
John Chapman – Specialist Consultant in IFA M&A
Orion Consulting
- 11:00 Close





The alpha is in
THE ADVICE



Matthew Lamb
Chief Executive Officer
Pacific Asset Management



Agenda

- 1) Introduction to Pacific Asset Management
- 2) Industrialisation of the Asset Management Industry
- 3) Where is the value?



INTRODUCTION

to Pacific Asset Management



Pacific Investments

Highly successful global financial services group founded in 1993



- Encompassing real estate, private equity and asset management divisions
- Proven track record of identifying and building industry leading investment managers
- Businesses founded by Pacific have gone on to manage over US\$50 billion on behalf of institutional, high net worth and retail investors

20

years experience

Pacific Investments has a proven track record of identifying industry-leading investment managers

\$50

Billion

Asset management businesses built by Pacific currently manage over \$50 billion assets

12

offices worldwide

Pacific Investments has a truly global presence with 12 business locations worldwide

150+

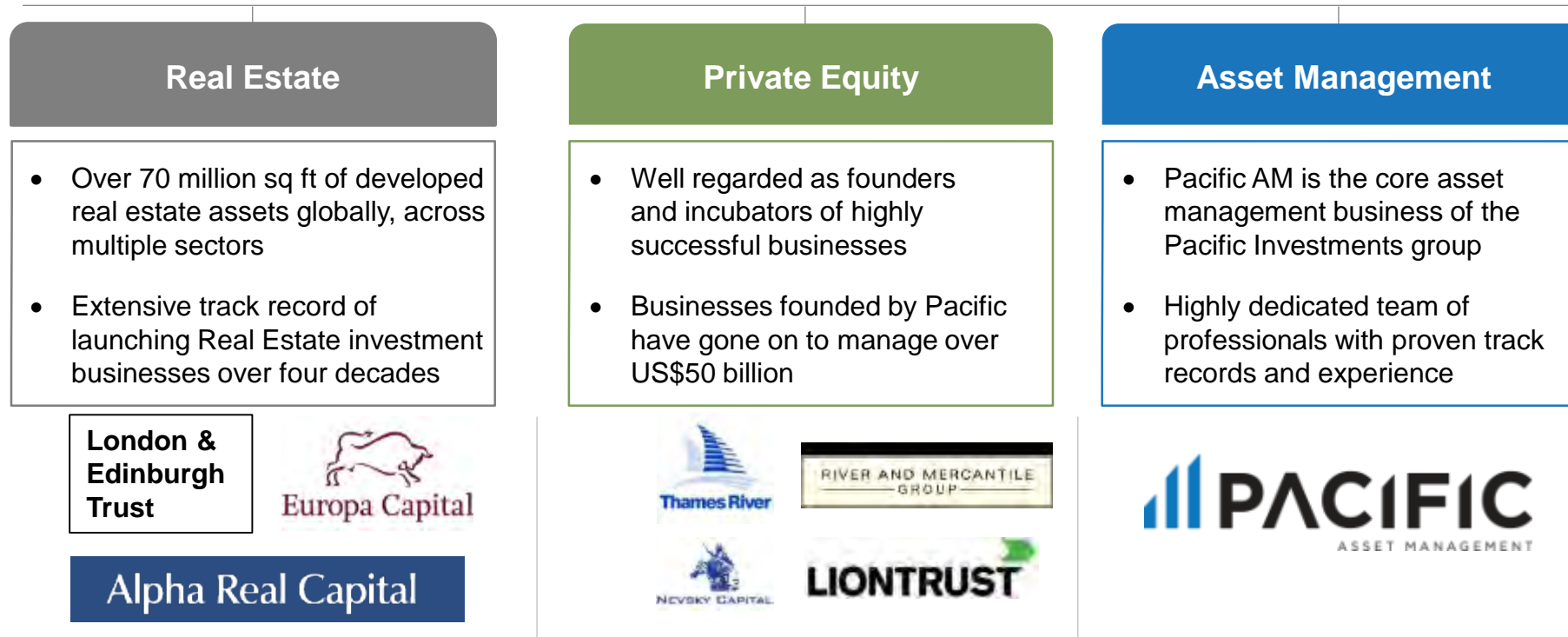
employees

The group has over 150 employees worldwide

Institutional pedigree with a boutique approach

Pacific Investments

Three distinct divisions



“ Fundamental to Pacific’s success is its partnership with the highest calibre management and investment teams with whom we work to build first class businesses ”

Sir John Beckwith and Mark Johnson

Sir John Beckwith and Pacific Asset Management



THE TIMES

Beckwith's River and Mercantile floats for £150m



23 June 2014

River and Mercantile, which Sir John founded in 2006, set a price for its shares of 183p each, valuing the group at £150.2 million yesterday.



REUTERS

**F&C to acquire UK asset firm
Thames River for £54.2 million**

FINANCIAL TIMES

The business end of the Beckwiths London & Edinburgh Trust sold for £510 million

LET was floated in 1983 for £27m and then sold the business to a Swedish insurance group in 1990 for £510m.

The Telegraph

Pacific has backed an illustrious list of investment houses

Liontrust, Europa Capital, Pacific Real Estate Capital Partners and Alpha Real Capital.

An aerial photograph of the London skyline at dusk. The Shard skyscraper is the central focus, its glass facade reflecting the warm light of the setting sun. The surrounding city is a dense collection of buildings, with some lights beginning to glow. A semi-transparent blue banner is overlaid across the middle of the image, containing white text.

*Independent, Privately Owned,
Family Office*

INDUSTRIALISATION

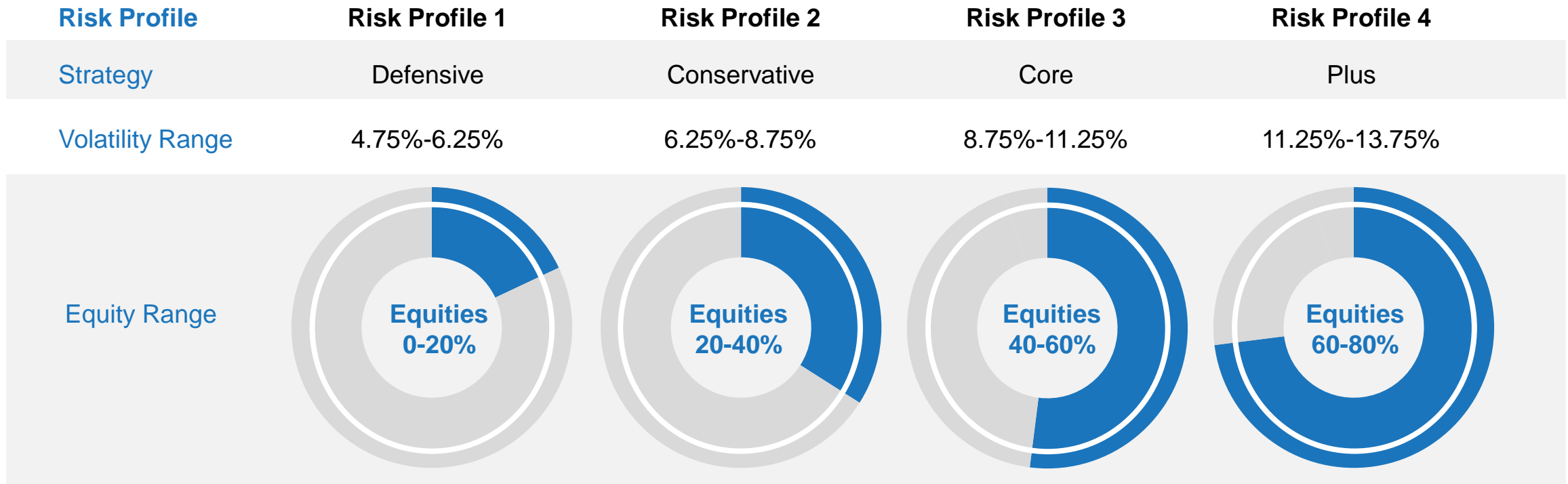
of the Asset Management Industry

- ❖ Greater homogeneity
- ❖ Greater emphasis on VALUE



Client risk profiling – Driven by regulation

It's the regulator admitting we cannot know everything



Unintended consequences of client risk profiling is that the deviation between providers is never going to be that different

Greater homogeneity – Indistinguishable



60%

x



60%

x



60%

= 20%

Greater homogeneity – Indistinguishable



Strategic

60%

x



Tactical

60%

x



Manager
Selection

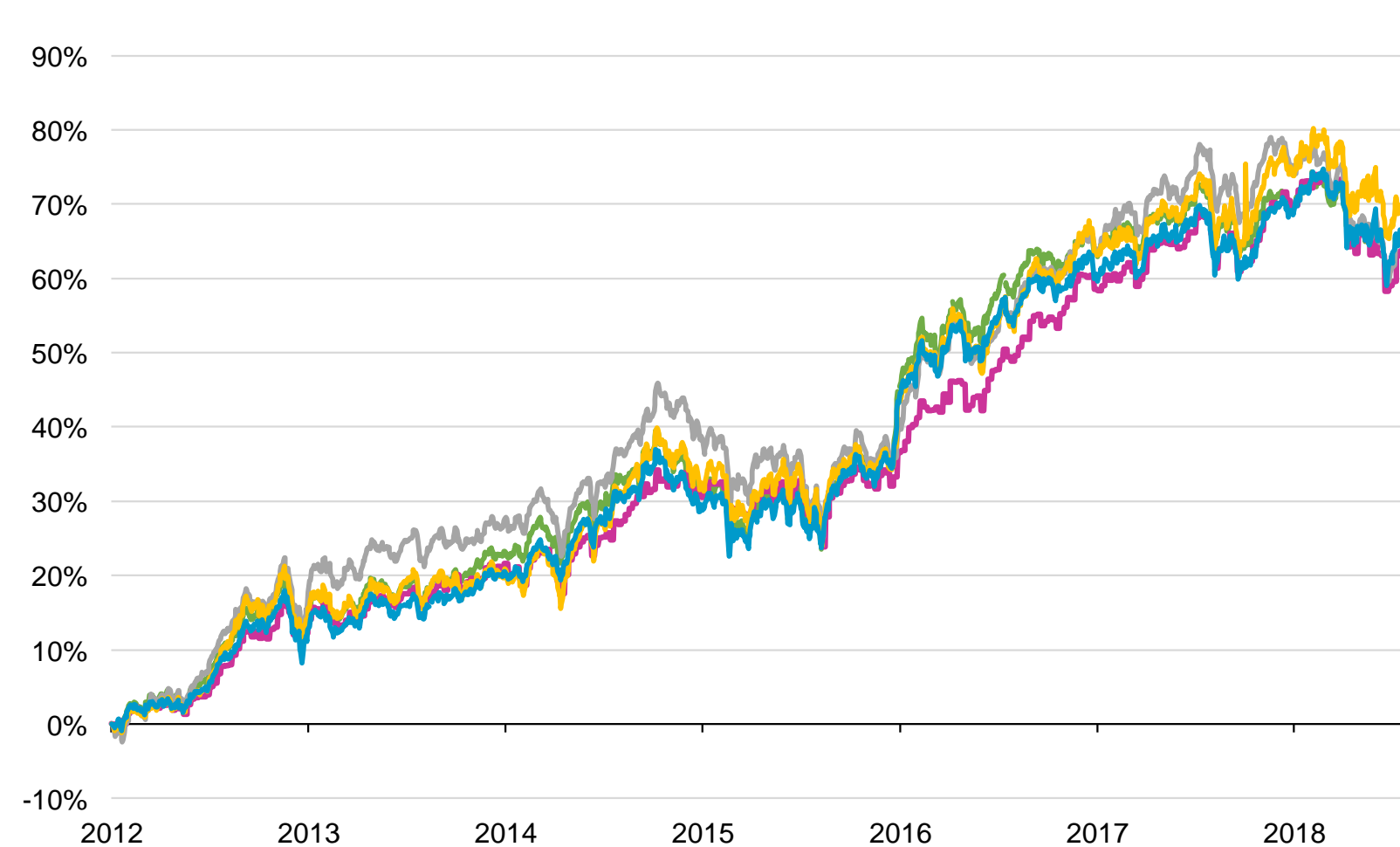
60%

= 20%

Only 1 in 5 years are all three correct

The evidence

Understanding our own limitations



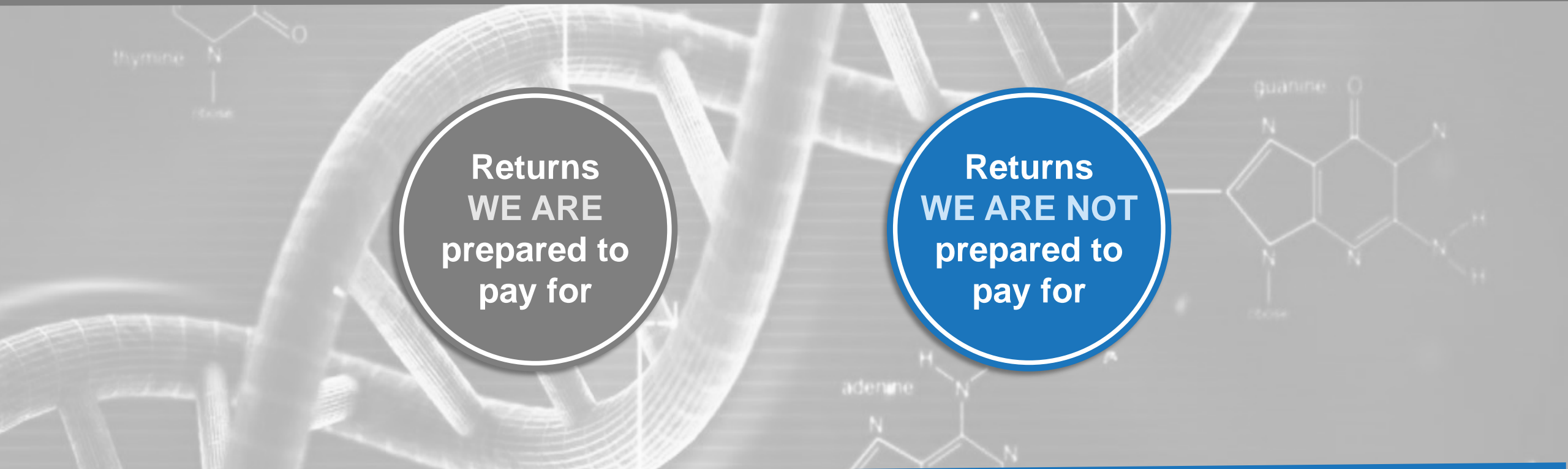
		Simple Performance for Period %	Sharpe Ratio
Example A		69.8	0.92
Example B		66.6	1.13
Example C		66.2	1.09
Example D		65.6	1.18
Example E		63.7	1.07

Past performance is not necessarily a guide to future performance. Performance is shown net of fees. From 06 Jul 2012 to 18 Jan 2019.

Source: Bloomberg as at 18 Jan 2019.

Greater focus on value

Understanding the DNA of markets



**Returns
WE ARE
prepared to
pay for**

**Returns
WE ARE NOT
prepared to
pay for**

Greater focus on value

Understanding the DNA of markets

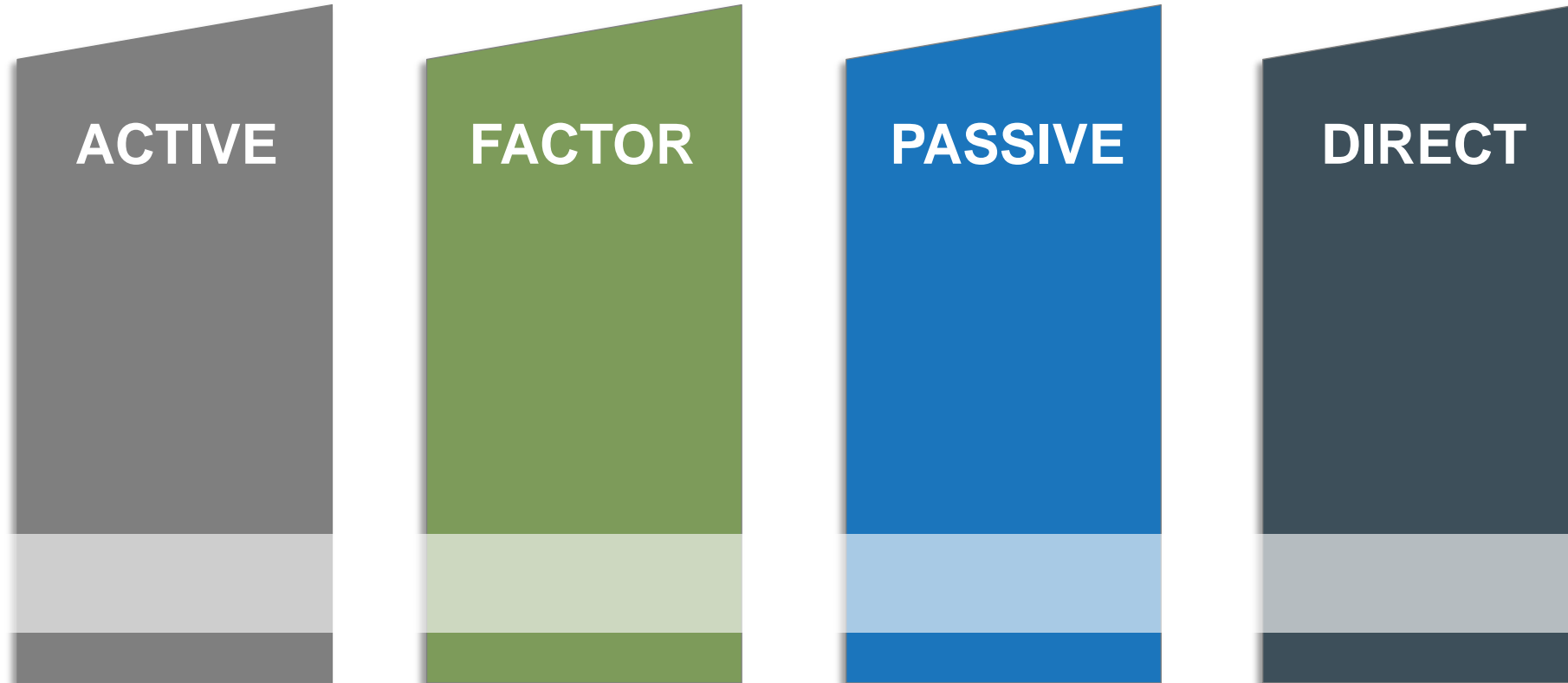


ACTIVE

PASSIVE

Access allocation

It's not about asset classes, it's how you access those asset classes



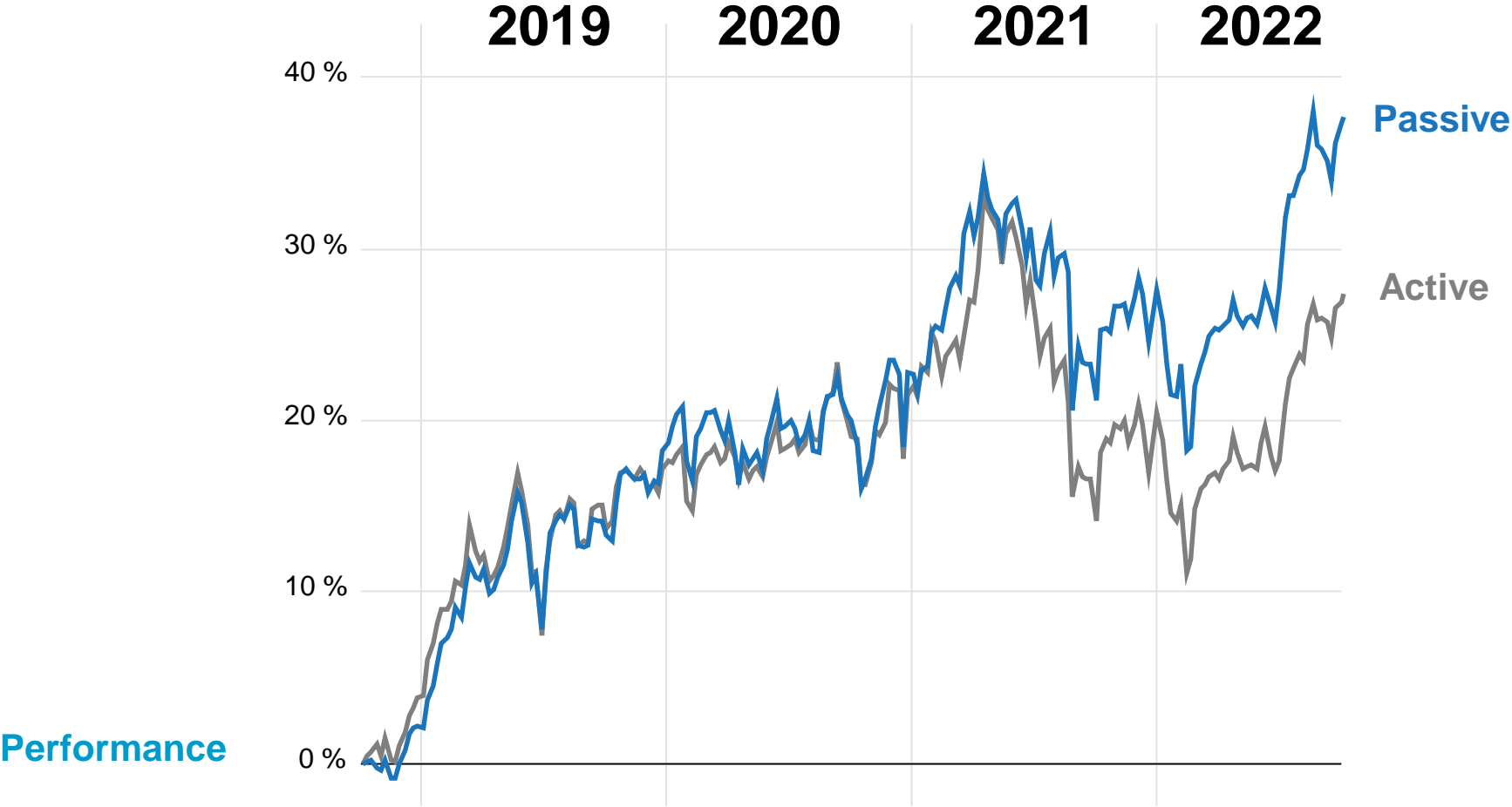
**Active or passive
management?**



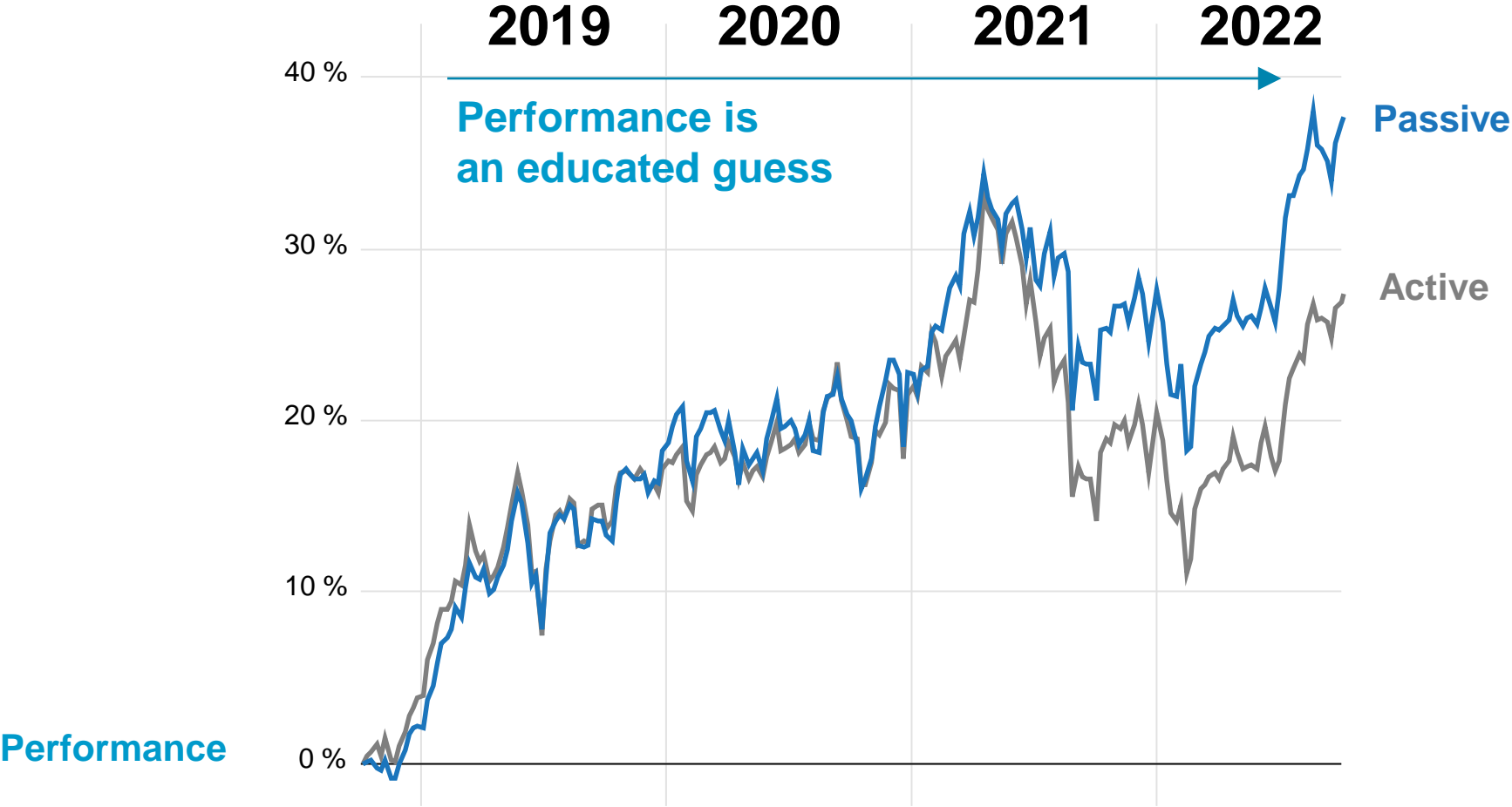
Active vs passive? A red herring



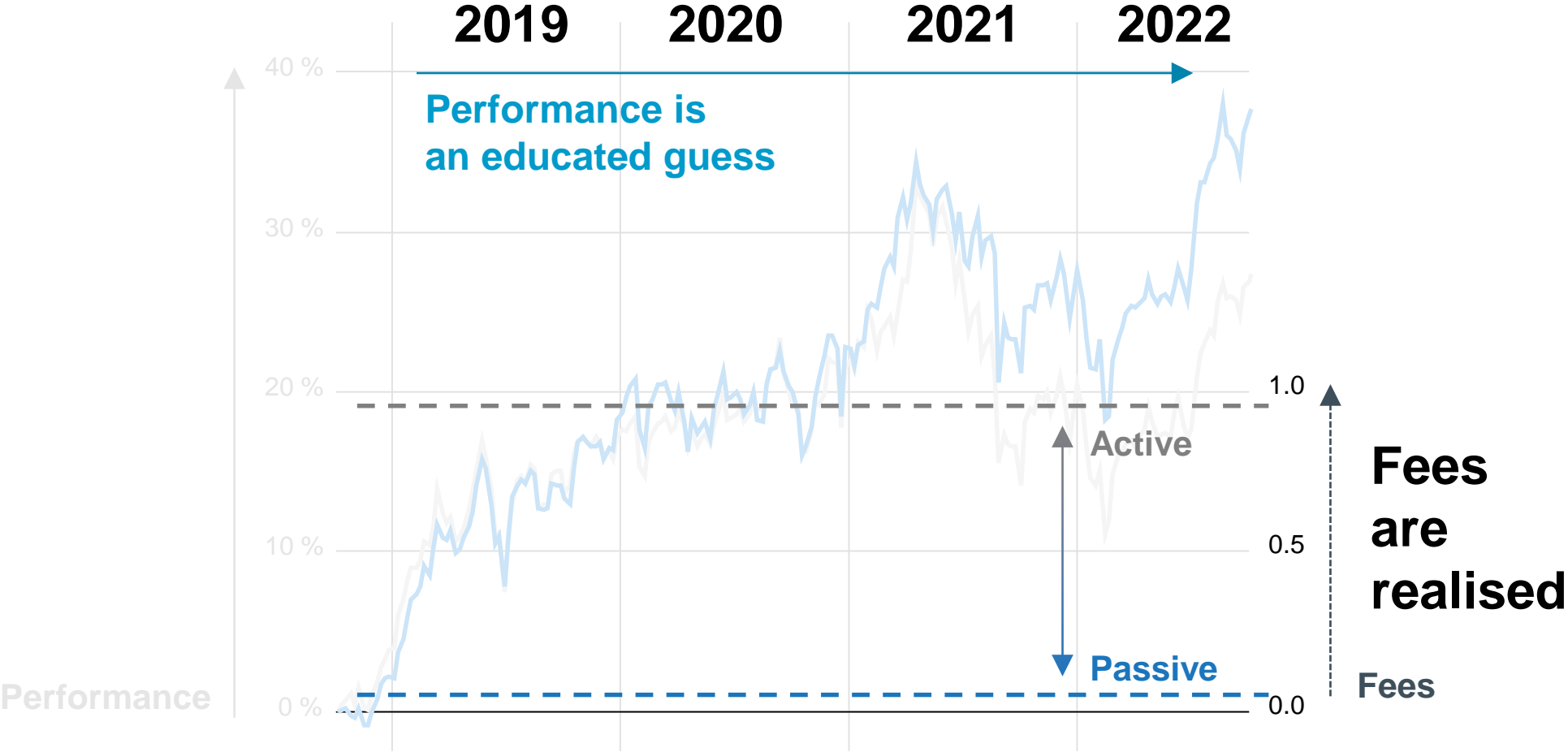
Active vs passive? A red herring



Active vs passive? A red herring



Active vs passive? A red herring



Total Expense Ratio (TER)

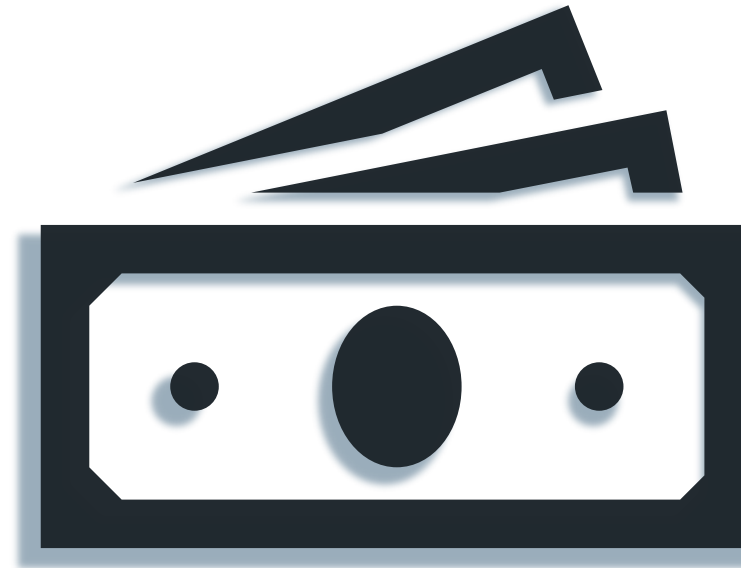
“Proven predictors of future fund performance”

*Total expense ratios are, more than anything else
“proven predictors of future fund performance”.*

***The cheapest funds were found to be “at least
two to three times more likely to succeed than
the priciest funds”.***

*That was the case “across virtually every asset
class and time period”.*

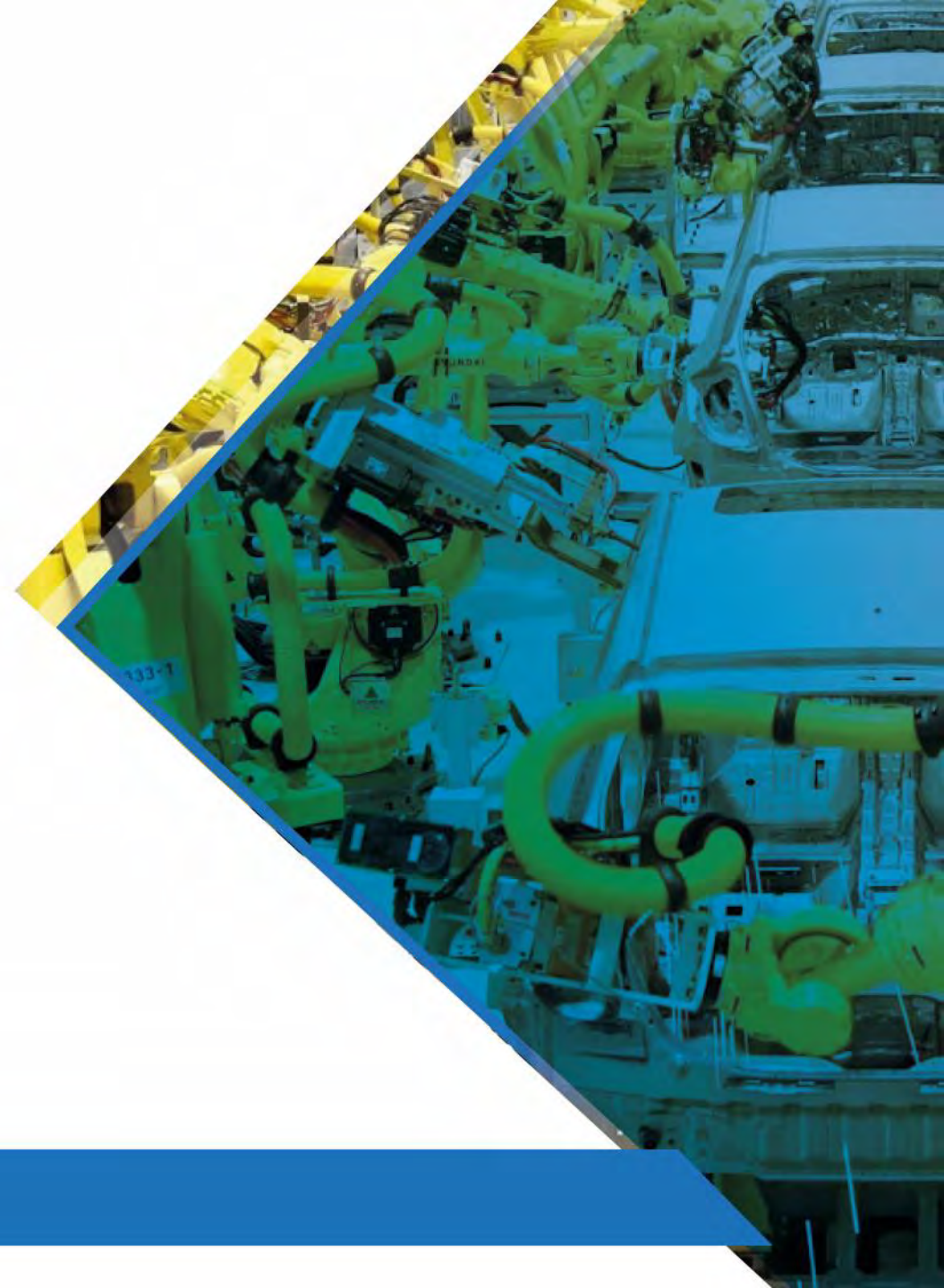
Morningstar research
Quoted FT 11 May 2016



INDUSTRIALISATION

of the Asset Management Industry

- ❖ Products have become indistinguishable
- ❖ Important that we recognise that
- ❖ Embrace efficiency
- ❖ Appropriately value our edge





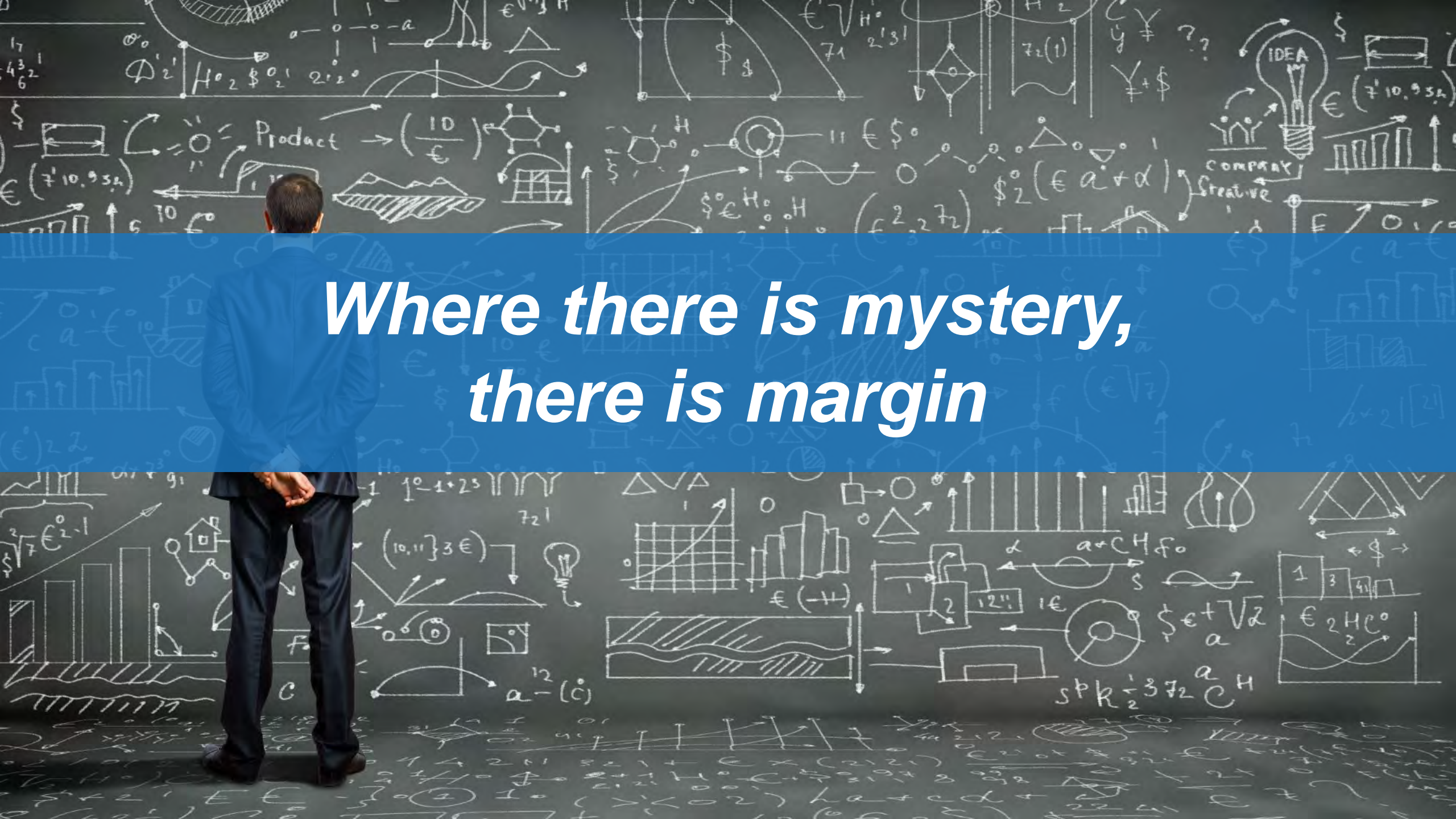
Where is
THE VALUE?





The Value is in
THE ADVICE





*Where there is mystery,
there is margin*

A background image showing a business meeting. Two people are seated at a table. One person, wearing a dark suit, is holding a white marker and pointing at a tablet held by another person. The second person is wearing a light-colored jacket and has a gold ring on their finger. A clipboard with papers is on the table. The scene is lit with warm, natural light from a window in the background.

***We firmly believe the
“alpha” is in the advice***

A close-up photograph of a person's hand holding a silver pen, pointing at a bar chart on a document. The document is titled 'MARKETING REPORT' and features several blue bars of varying heights. In the background, a black calculator is visible on a desk. The image is overlaid with a semi-transparent blue banner containing the text 'Why would you outsource?'.

*Why would
you outsource?*

*Really you need
to insource*



A black and white photograph of a person standing on a city street, holding a dark umbrella. The person is wearing a dark trench coat and is seen from behind. The background is a blurred city street with buildings and other pedestrians. A semi-transparent dark grey horizontal band is overlaid across the middle of the image, containing the text.

*Product is
so last year*

Product

Balanced fund	
ISIN	IE00BYX7SK92
SEDOL	BOYBKF1
Bloomberg Code	PCREDNH ID
AMC	0.75%
TER	1.35%
Volatility range	8.75% to 11.25%
Risk Profile	3

Providing
more than
just a
product

Ongoing performance analytics

Your platform

Your risk profiler

Investment proposals

Your branded regular manager commentaries

Your range of portfolios & branded strategy sheets

Forward looking analysis

Portfolio construction

Your insourced solutions

Ongoing performance analytics

Your platform

Portfolio construction

Forward looking analysis

Your range of portfolios & branded strategy sheets

Your branded regular manager commentaries

Your risk profiler

Investment proposals

RISK

Middle

High

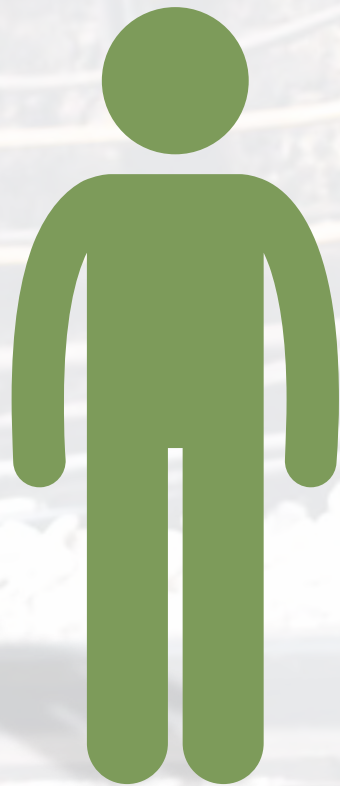
Low

SOLUTIONS not products
INSOURCED not outsourced



Closing the knowledge gap

Asset managers must provide not only funds but SOLUTIONS



Clients



Advisers



Asset
Managers

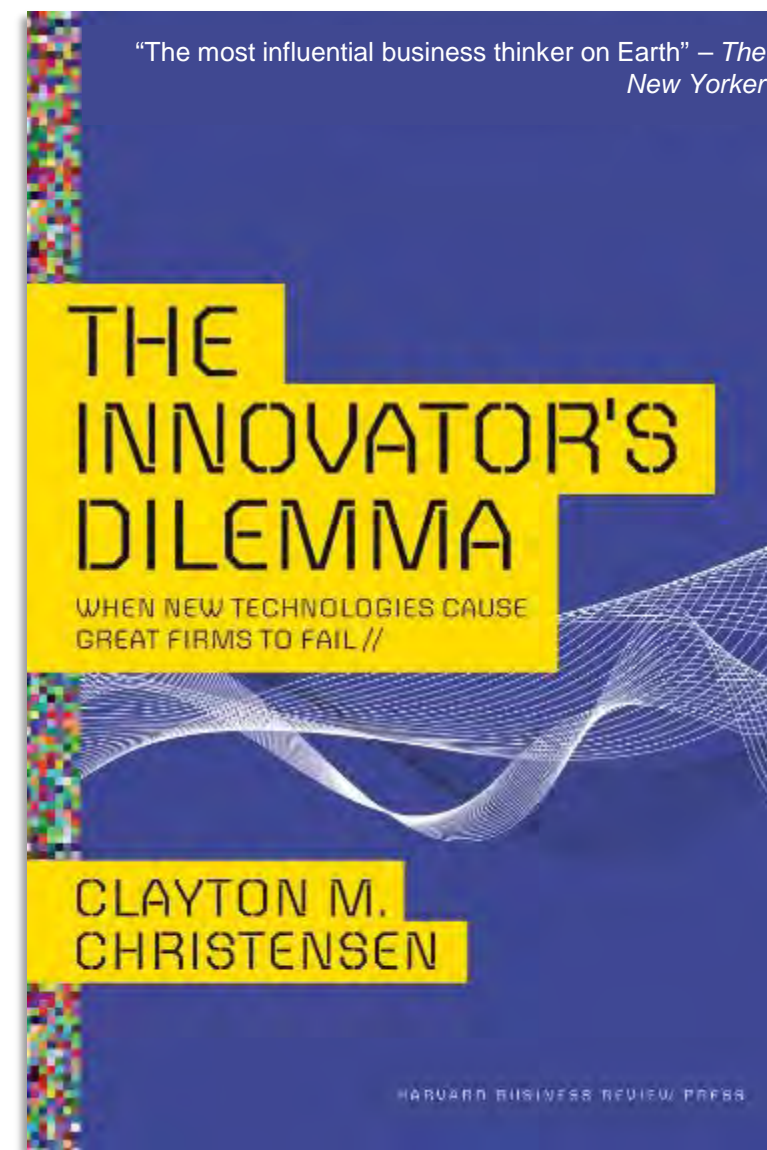
BRIDGE THE GAP

Why is everyone
NOT DOING THE SAME?



The Innovator's Dilemma

Is one of the most — **if not the most** — **important books** chronicling **how innovation takes place**, and **why its common that market leaders and incumbents fail to seize the next wave of innovation** in their respective industries.



An aerial photograph of the London skyline at dusk. The Shard skyscraper is the central focus, its glass facade reflecting the warm light of the setting sun. The surrounding city is a dense collection of buildings, with some lights beginning to glow. A semi-transparent blue banner is overlaid across the middle of the image, containing white text.

*Independent, Privately Owned,
Family Office*

UK Private Family Businesses



John Lewis



Summary

- ❖ Asset Managers need to do more than just provide products
- ❖ We need to be Investment Partners
- ❖ We recognise much of the Alpha is in the advice



INSOURCING

Not outsourcing



Ben Sears

Head of UK Strategy
Pacific Asset Management



A background image showing a business meeting. In the foreground, a person's hand holds a pen over a desk with several documents. One document features a line graph with two data series, and another shows two pie charts. A smartphone and a black leather-bound book are also on the desk. In the background, two men in suits are engaged in a conversation, with one gesturing with his hand. The scene is set in a modern office environment with warm lighting.

***We understand why most advisers
have kept control over portfolios***

A background image showing a business meeting. Two people are seated, with one person's hands visible holding a tablet and a pencil, and another person's hands holding a clipboard. The scene is dimly lit with warm light from a window in the background.

***The more control:
The greater the value of the business***

A close-up photograph of a person's hand holding a silver pen, poised to write on a document. The document features several blue bar charts and the word 'REPORT' in a large, bold, sans-serif font. In the background, a black calculator is visible on a desk. The entire scene is overlaid with a semi-transparent blue banner containing white text.

*Many acquirers would
agree with this*

Great value demonstrators

- ✓ On platform
- ✓ Sense of diversification
- ✓ Sense of customisation
- ✓ Plenty of touch points of perceived value add
- ✓ CGT management

But are hugely inefficient

- ✗ Suck up resource
- ✗ Unable to respond quickly to changes in markets
- ✗ Admin burden
- ✗ Reliant on multiple third parties
- ✗ Reliant on platform fund availability
- ✗ MIFID II and regulatory concerns

A person is working at a desk. In the foreground, a laptop keyboard is visible. To the left, a tablet displays a document. In the center, a person's hands are writing on a piece of paper with a pen. Another person's hand is pointing at the paper. The background is a plain wall.

What about funds?

Funds

Superior from portfolio management perspective, operationally simple, reduced platform admin

Benefits

- ✓ Continuous rebalanced
- ✓ No ongoing client consent
- ✓ Minimised suitability drift
- ✓ No VAT
- ✓ CGT efficient in one sense
- ✓ Transparent fees

Challenges

- ✗ Less value demonstration
- ✗ Diversification - 'One line item' may feel more 'risky'
- ✗ Whilst very CGT efficient, Adviser CGT management limited
- ✗ Can be expensive

The background of the slide features a photograph of a modern building with a grid of large windows. The left side of the image shows a colorful rainbow gradient across the windows, while the rest of the image is in shades of blue. In the lower half, the silhouettes of several people are visible, standing and walking in front of the windows. A solid blue horizontal band is superimposed over the middle of the image, containing the text.

Other alternatives

Other alternatives

What's out there?

Discretionary models

- ✓ Removes ongoing consent
- ✗ Is a platform the best place for portfolio management?
- ✗ Some large platforms cannot pay an Adviser and DFM

Become discretionary

- ✓ Removes ongoing consent
- ✗ Expensive
- ✗ Some large platforms cannot pay Adviser and DFM

Outsource to DFM

- ✓ De-risks adviser business model
- ✓ Perceived portfolio diversification
- ✗ Loss of control over client
- ✗ How does it affect your business value

Your insourced solutions

Ongoing performance analytics

Your platform

Portfolio construction

Forward looking analysis

Your range of portfolios & branded strategy sheets

Your branded regular manager commentaries

Your risk profiler

Investment proposals

RISK

Middle

High

Low

Best of Both Worlds: A 'Smart' Hybrid Approach



**Your
insourced
solutions**



Best of Both Worlds: A 'Smart' Hybrid Approach

**Efficient Market
Exposure Model**

**Dynamic Market
Exposure Model**



**Your
insourced
solutions**



Best of Both Worlds: A 'Smart' Hybrid Approach

Efficient Market Exposure Model

Backward looking
Multi-Asset
Passively Managed
Risk targeted
market exposure
Cost Efficient
Annual Rebalancing
Tracker Funds

Dynamic Market Exposure Model

Forward looking
Multi-Asset
Actively Managed
Risk Targeted
Cost Efficient
Continuous Rebalancing
Active AA Tilts
Active Funds
Direct Securities
Tracker Funds

Best of Both Worlds: A 'Smart' Hybrid Approach

Efficient Market Exposure Model

**Cost efficient
tracker funds
covering the
major asset
classes**

Cost to client – 0.07%

Designed to
work together

Control
client
suitability

Cost
efficient

Dynamic Market Exposure Model

**Access to
diversified
actively managed
portfolios**

Cost to client – 0.68%

Best of Both Worlds: A 'Smart' Hybrid Approach



**Your
insourced
solutions**

Total cost to client – 0.75%

Best of Both Worlds: A 'Smart' Hybrid Approach



**Your
insourced
solutions**

Defensive

Conservative

Core

Plus

Best of Both Worlds: A 'Smart' Hybrid Approach

Leaving inefficiency behind

- ✓ On platform
- ✓ Truly diversified
- ✓ High touch
- ✓ Transparent fees
- ✓ CGT management
- ✓ No VAT

**Your
insourced
solutions**

- ✓ Admin light
- ✓ Continuous rebalancing
- ✓ Removes ongoing consent
- ✓ Minimised suitability drift
- ✓ De-risks adviser business model

Defensive

Conservative

Core

Plus

Highly diversified solutions

Efficient Market Exposure Model

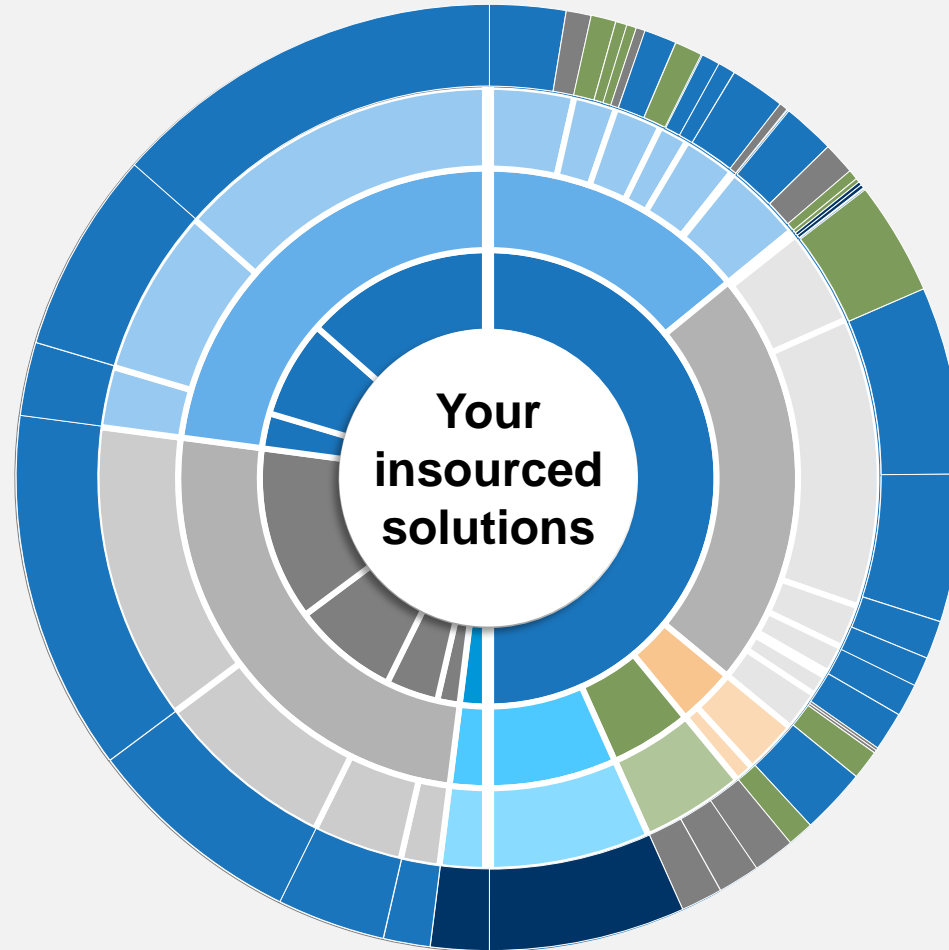
7 Passive Funds

3 Asset Classes

7 Sub Asset Classes

7 Underlying holdings

2 Access Classes



Dynamic Market Exposure Model

1 Multi-Asset Fund

5 Asset Classes

18 Sub Asset Classes

c.40 Underlying holdings

4 Access Classes

Marketing – Your insourced solutions



Strategy Sheets



Information Sheets



Quarterly Investment Outlooks



Monthly Commentaries

Investment
Proposal Centre

Technology – Your insourced solutions



Live performance
and
allocation data



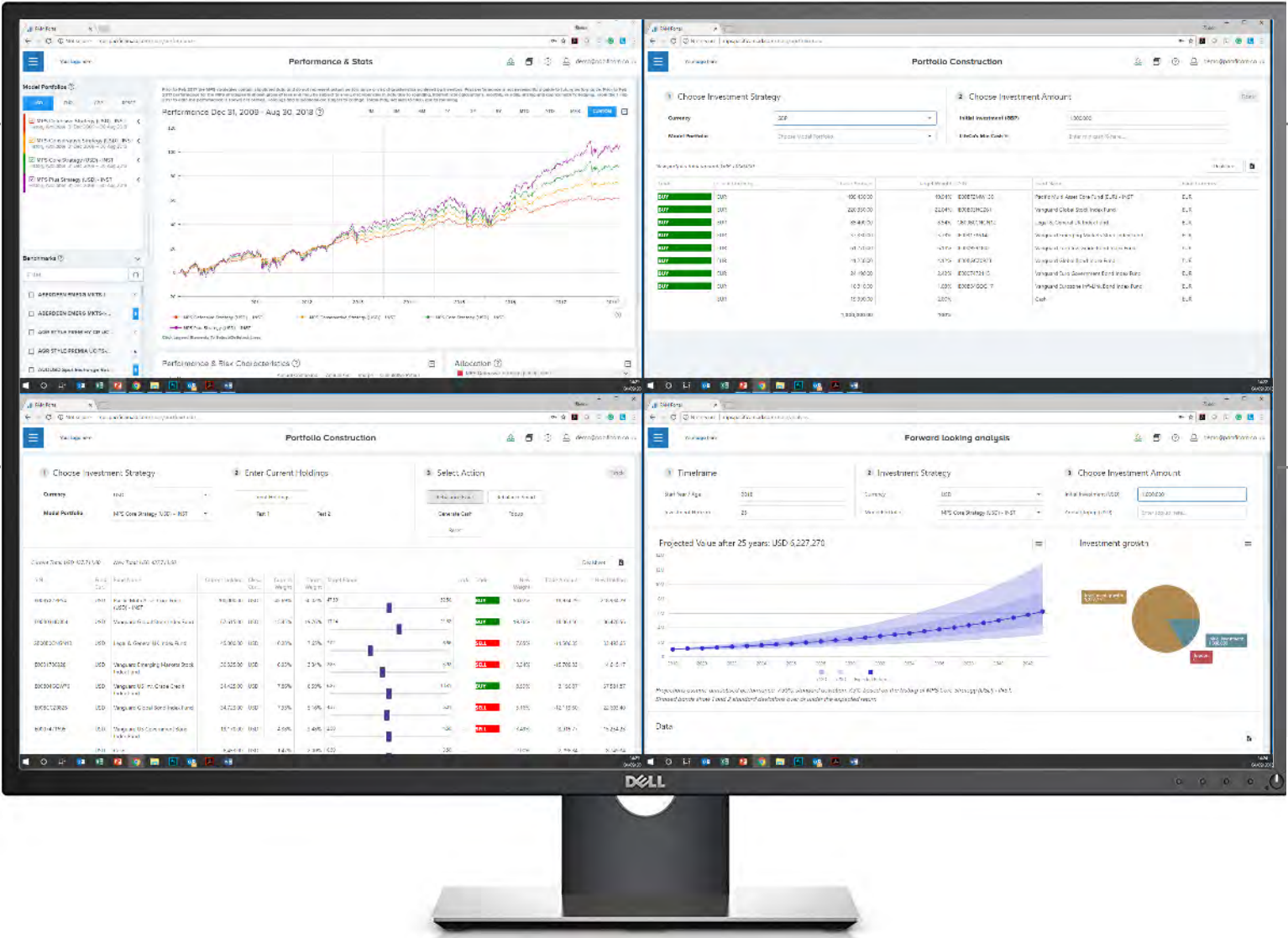
Portfolio
Construction



Portfolio
Rebalancing



Forward
looking
analysis



INSOURCING

Not outsourcing



Ben Sears

Head of UK Strategy
Pacific Asset Management



Highly experienced investment team

Working together to create truly diversified funds



Will Bartleet

CIO & Portfolio Manager
of Pacific Multi-Asset

- Expertise across multi-asset, equities, fixed income, absolute return and private equity

\$5bn

Responsible for a
\$5bn multi-asset
portfolio at HSBC

\$30bn

Chairman of TAA
Committee
responsible for \$30bn
wealth business



Louis Cucciniello

Head of Diversifying Assets

- Expertise in factor creation and portfolio allocation with excellent multi-year live track record

\$5bn

Responsible for over
\$5bn AUM in factor
investing strategies
at Deutsche Bank

20 years

industry experience

Most recently as
Managing Director
and Global Head of
Risk Factors at DB

Over 37 years combined industry experience

COMMON SENSE

Investing



Will Bartleet
Chief Investment Officer
Pacific Asset Management



Global Investment Outlook

**HISTORICAL
CONTEXT**

A green line chart with multiple data series is displayed on a dark background, representing historical market data.

**CENTRAL
BANKS
TIGHTENING**

A photograph of the Federal Reserve building in Washington, D.C., under a clear blue sky.

**GLOBAL
ECONOMIC
SLOWDOWN**

A close-up of a globe with a map overlay, showing various countries and regions in different colors.

**VALUATIONS
MATTER**

A laptop screen and a smartphone displaying financial charts and data, with a hand holding the phone.

**ONGOING
GEOPOLITICAL
RISKS**

A close-up of Donald Trump speaking into a microphone, with a red tint over the image.

BREXIT

A blue background featuring a white map of the United Kingdom with a blue arrow pointing downwards, and the word "BREXIT" in white capital letters.

**COMMON
SENSE
INVESTING**

A close-up of several wooden chess pieces on a chessboard, with a shallow depth of field.

Global Investment Outlook

**HISTORICAL
CONTEXT**

A green line chart with multiple data series, showing fluctuations over time, set against a dark background.

**CENTRAL
BANKS
TIGHTENING**

A grayscale image of the Federal Reserve building in Washington, D.C., featuring its iconic neoclassical architecture with columns and a pediment.

**GLOBAL
ECONOMIC
SLOWDOWN**

A grayscale image of a globe showing the world's continents and oceans, with a focus on the Americas.

**VALUATIONS
MATTER**

A grayscale image showing a laptop screen displaying a line chart and a smartphone in the foreground, also showing a chart.

**ONGOING
GEOPOLITICAL
RISKS**

A grayscale image of Donald Trump speaking into a microphone, with his face partially obscured by the text.

BREXIT

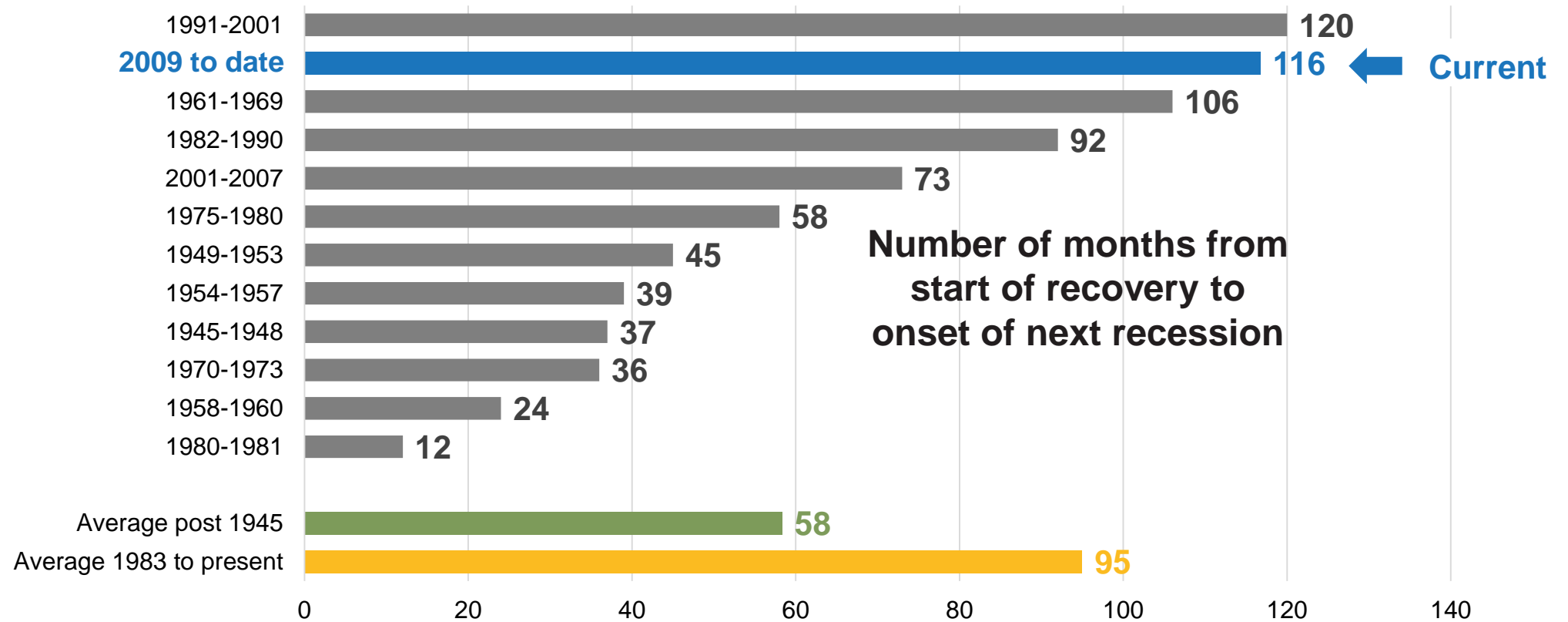
A grayscale image showing a map of the United Kingdom with a curved arrow pointing downwards and to the right, symbolizing the Brexit process.

**COMMON
SENSE
INVESTING**

A grayscale image of several chess pieces, including pawns and a knight, on a chessboard.

This economic cycle will exceed the 1990's as the longest expansion since the second world war

However economic growth is slowing



Global Investment Outlook

**HISTORICAL
CONTEXT**



**CENTRAL
BANKS
TIGHTENING**



**GLOBAL
ECONOMIC
SLOWDOWN**



**VALUATIONS
MATTER**



**ONGOING
GEOPOLITICAL
RISKS**



BREXIT

**COMMON
SENSE
INVESTING**



What is the direction of global interest rates

The majority of central banks around the world are raising rates

Central Banks cutting rates



Australia
Brazil
China
Denmark
Eurozone
Hungary
Indonesia
Japan
New Zealand
Poland
Switzerland

Central Banks raising rates

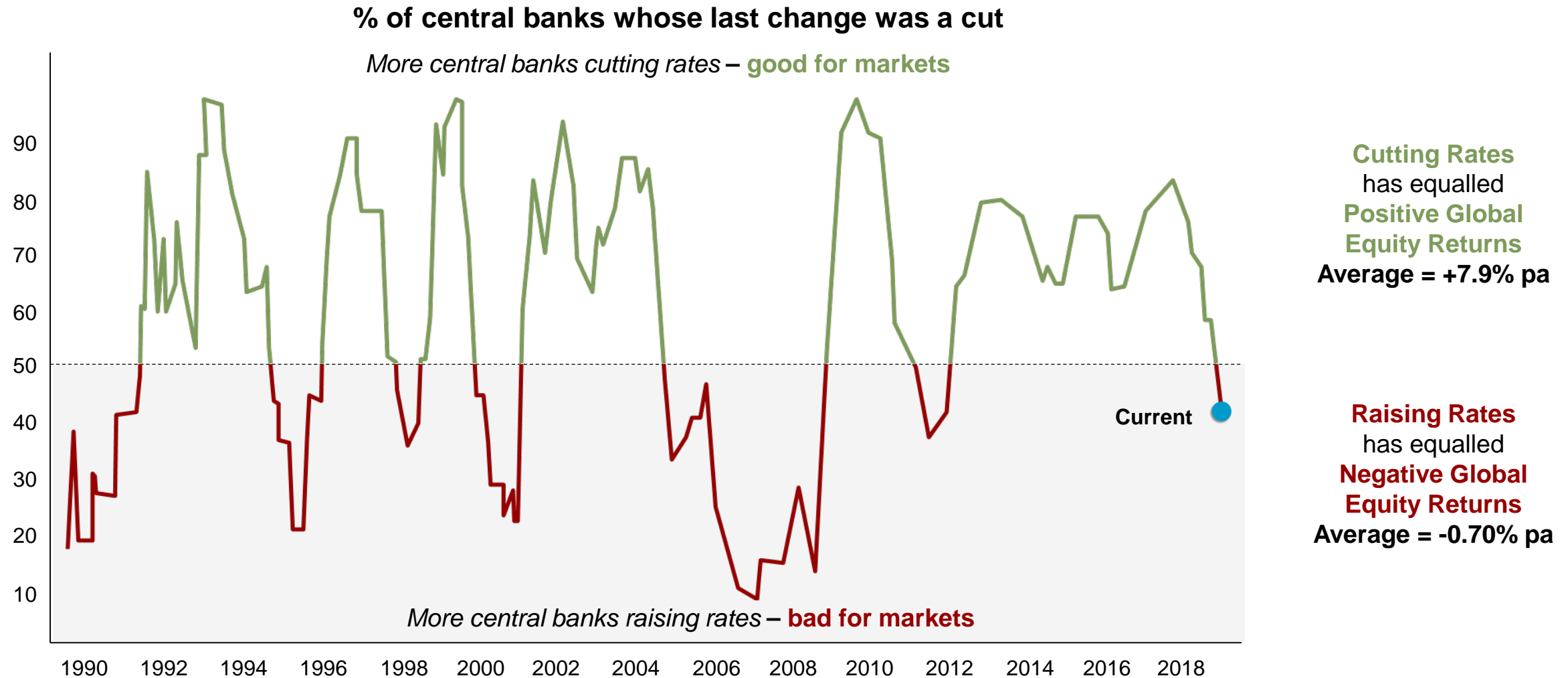


Argentina
Mexico
Russia
South Africa
Saudi Arabia
United States
Singapore
South Korea
Brazil
India

Indonesia
Canada
United Kingdom
Sweden
Norway
Chile
Czech Republic
Israel
Mexico
Norway
Turkey

The impact of rising rate environment on equities

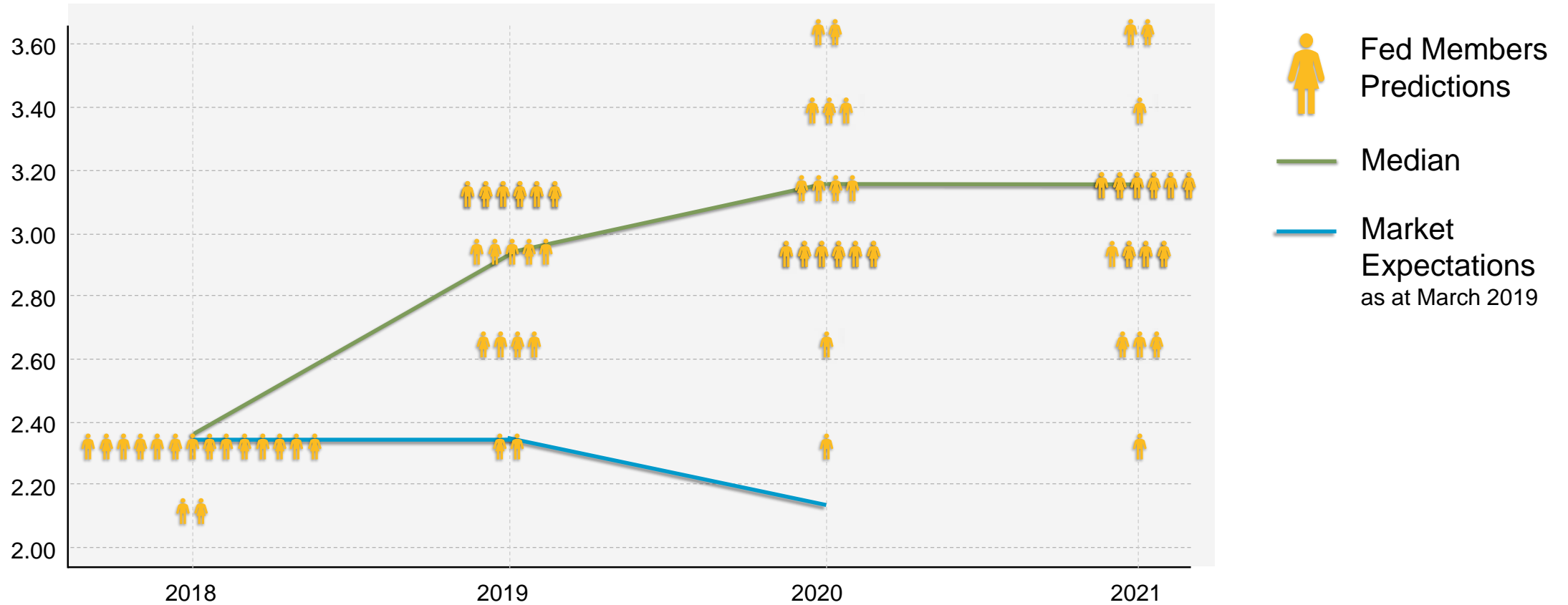
All **positive equity returns** are made when the average central bank is in **rate cutting mode**



Fed still hawkish despite slowing economy

Fed is expecting to hike twice in 2019 and once in 2020...

...the market expects no hike this year and a cut next year



Global Investment Outlook



**HISTORICAL
CONTEXT**

**CENTRAL
BANKS
TIGHTENING**

**GLOBAL
ECONOMIC
SLOWDOWN**

**ONGOING
GEOPOLITICAL
RISKS**

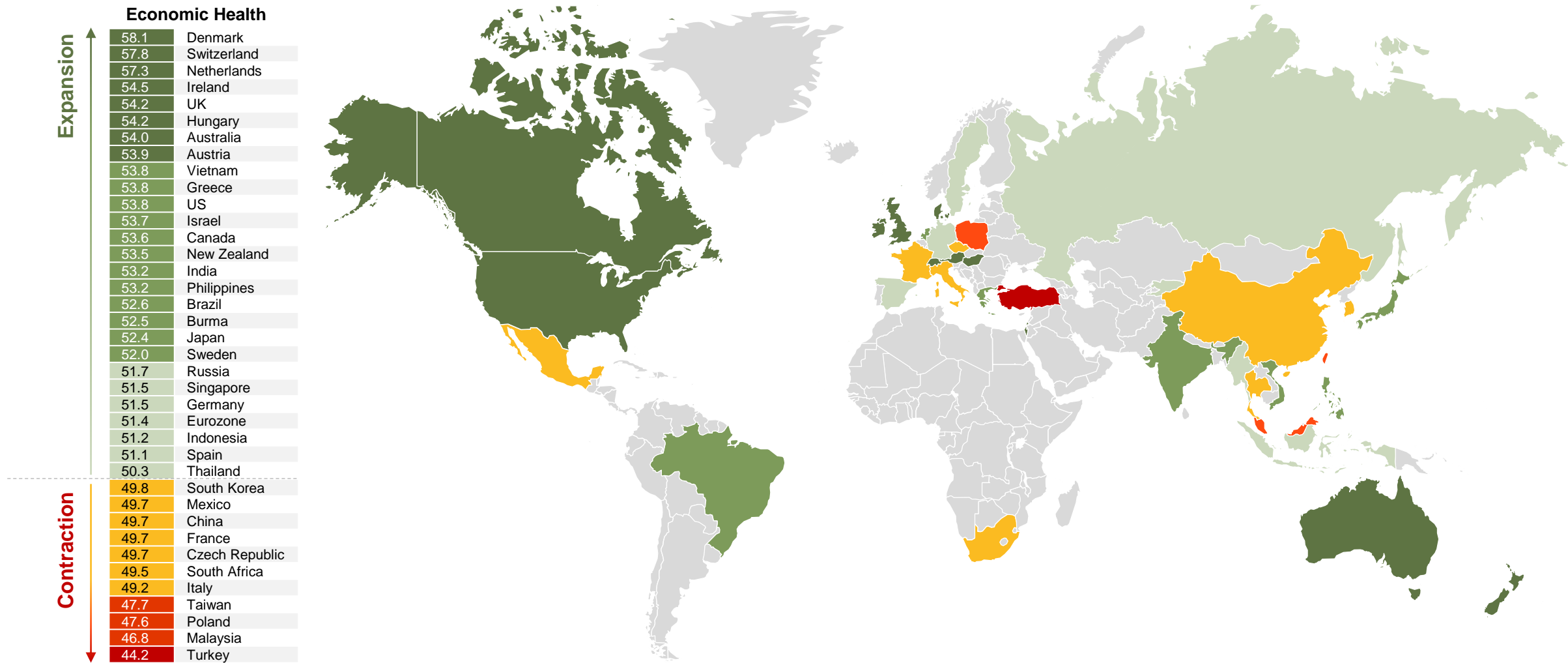


**VALUATIONS
MATTER**

**COMMON
SENSE
INVESTING**

Global economic health – Current

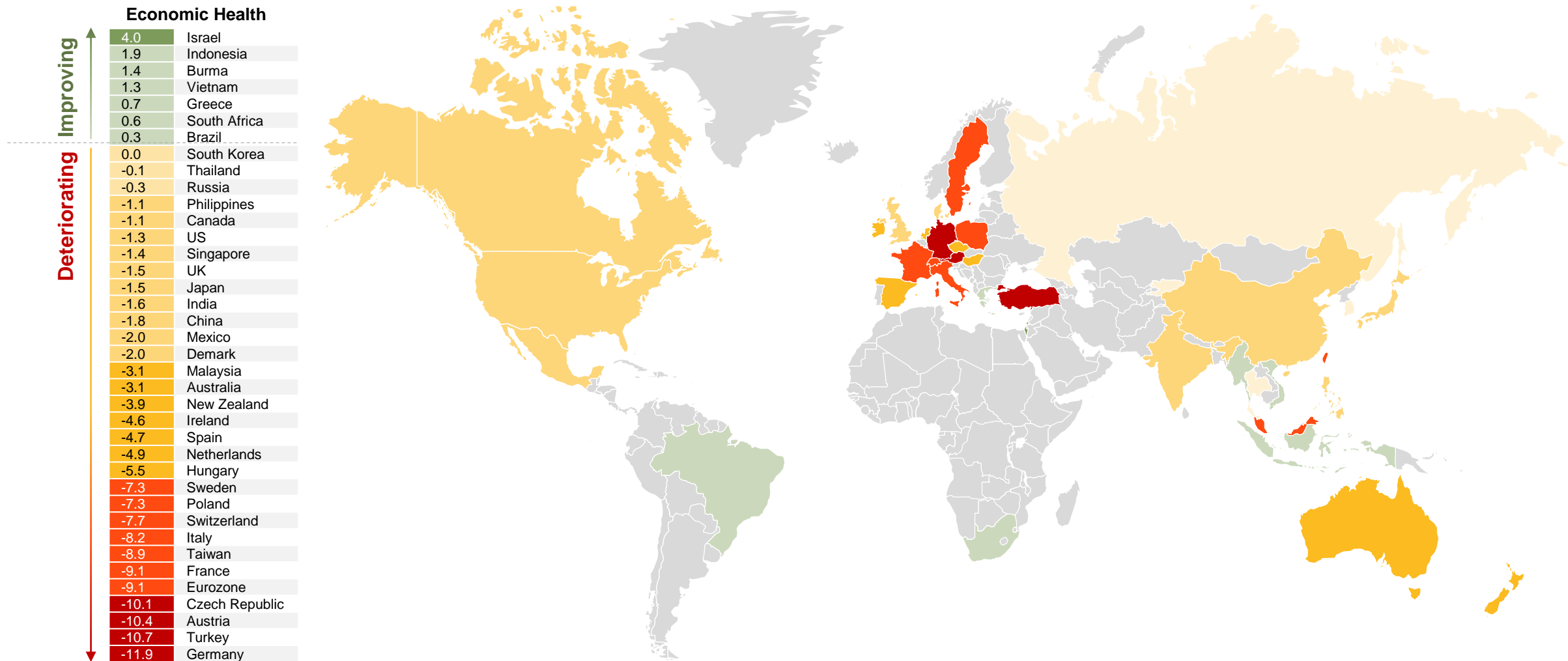
Purchasing Managers' Index (PMI) – Manufacturing sector



Source: Ned Davis Research as at 30 Nov 2018.

Global economic health – Change over 2018

Purchasing Managers' Index (PMI) – Manufacturing sector



Source: Ned Davis Research as at 30 Nov 2018.

Global Investment Outlook

**HISTORICAL
CONTEXT**

A grayscale image of a financial line chart with multiple data series, overlaid on a background of a world map.

**CENTRAL
BANKS
TIGHTENING**

A grayscale image of the Federal Reserve building in Washington, D.C., featuring its iconic neoclassical architecture with columns and a pediment.

**GLOBAL
ECONOMIC
SLOWDOWN**

A grayscale image of a globe showing a world map, with a focus on the Americas.

**VALUATIONS
MATTER**

A grayscale image showing a laptop screen and a smartphone, both displaying financial data and charts.

**ONGOING
GEOPOLITICAL
RISKS**

A grayscale image of a man in a suit speaking into a microphone, likely at a press conference or public event.

BREXIT

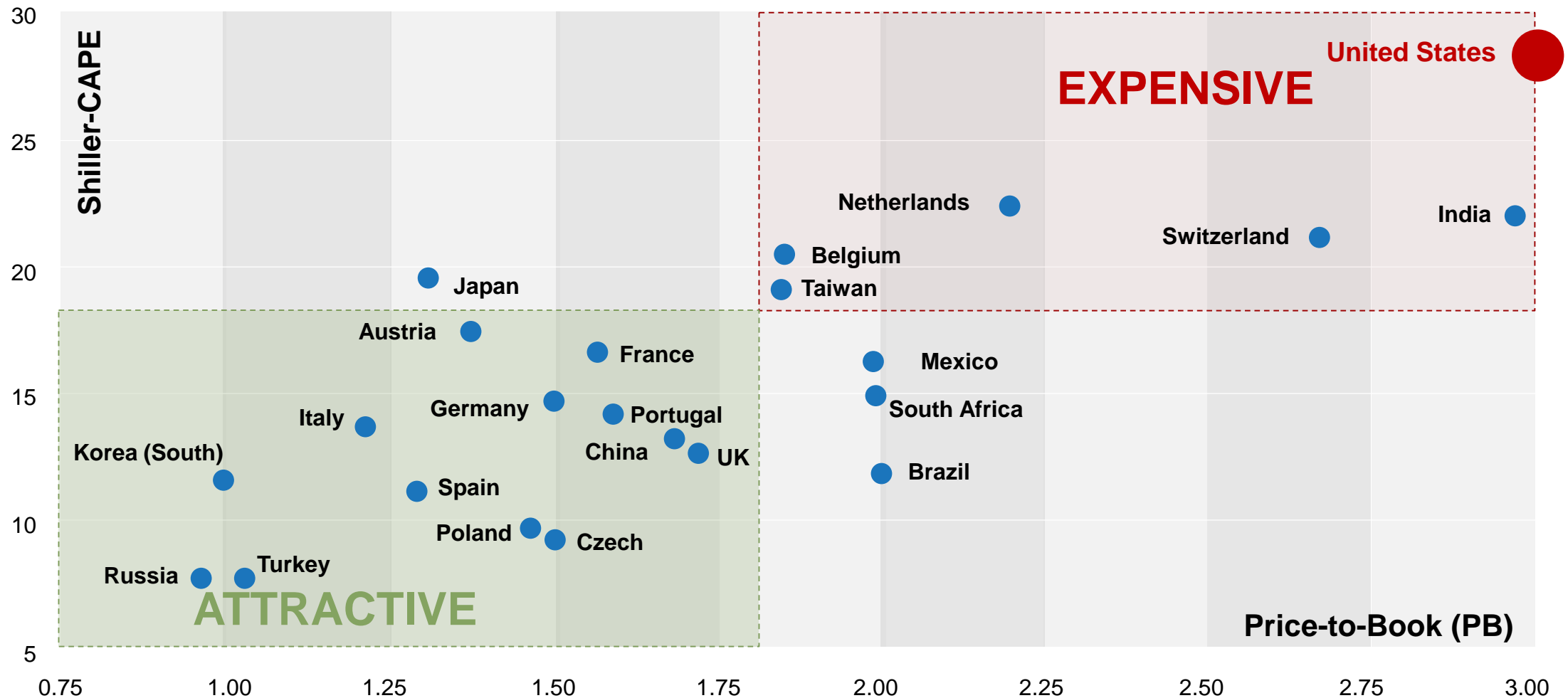
A grayscale image showing a map of the United Kingdom with a curved arrow pointing downwards, symbolizing the process of Brexit.

**COMMON
SENSE
INVESTING**

A grayscale image of several chess pieces on a board, with a focus on a white king piece in the foreground.

US market is expensive

Both in comparison to the rest of the world and versus its own history



Global Investment Outlook

**HISTORICAL
CONTEXT**

A grayscale image showing various financial charts, including line graphs and bar charts, overlaid on a background of a city skyline.

**CENTRAL
BANKS
TIGHTENING**

A grayscale image of the Federal Reserve building in Washington, D.C., featuring its iconic neoclassical architecture with columns and a pediment.

**GLOBAL
ECONOMIC
SLOWDOWN**

A grayscale image of a globe showing a world map, with a focus on the Americas.

**VALUATIONS
MATTER**

A grayscale image showing financial charts and graphs on a laptop screen, with a hand holding a smartphone in the foreground.

**ONGOING
GEOPOLITICAL
RISKS**

A grayscale image of Donald Trump speaking into a microphone, with a red tint applied to the image.

BREXIT

A blue square containing a white map of the United Kingdom. A blue arrow points from the map towards the bottom right corner.

**COMMON
SENSE
INVESTING**

A grayscale image of several chess pieces, including pawns and a knight, arranged on a chessboard.

Trade talks – President Trump's approach to trade negotiations

Trump via Twitter in 2018

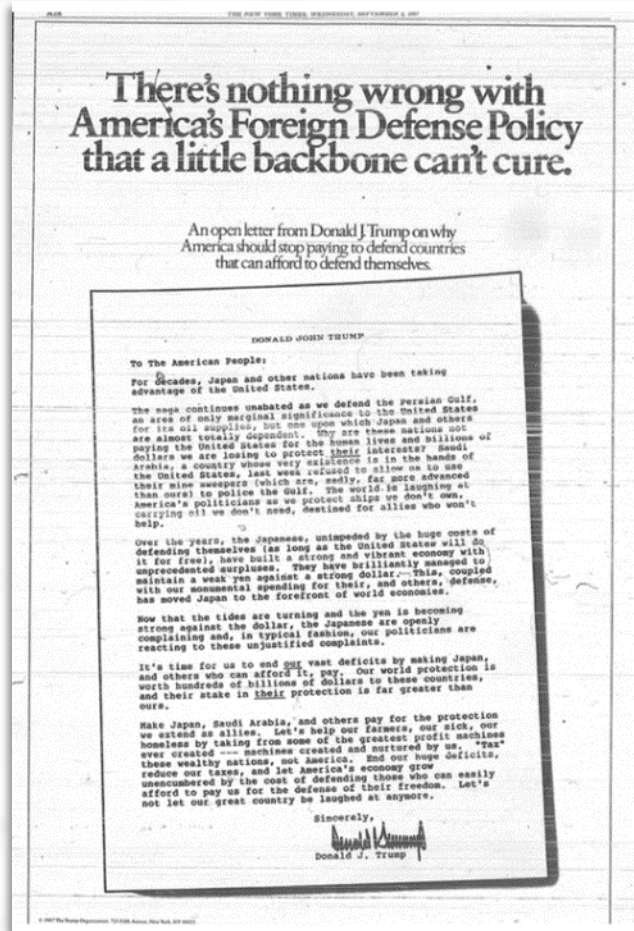


Donald J. Trump @realDonaldTrump

*“When a country (USA) is losing many billions of dollars on trade with virtually every country it does business with, **trade wars are good, and easy to win.** Example, when we are down \$100 billion with a certain country and they get cute, don’t trade anymore-we win big. It’s easy!”*

This is nothing new

Trump via New York Times in 1987

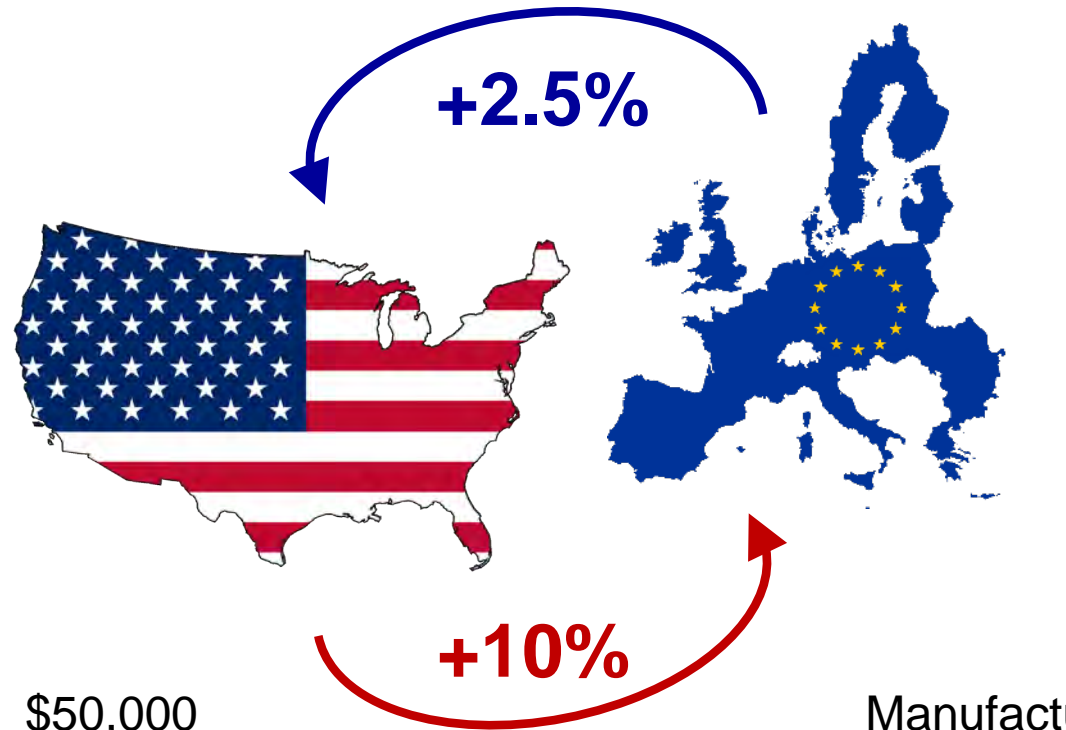


“..‘Tax’ these wealthy nations, not America. **End our huge deficits**, reduce our taxes, and let America’s economy grow unencumbered by the cost of defending those who can easily afford to pay us for the defence of their freedom. **Let’s not let our great country be laughed at anymore....**”

What is a trade tariff?

European automotive example

US Duty on imports of European cars 2.5%



EU Duty on imports of US cars 10%

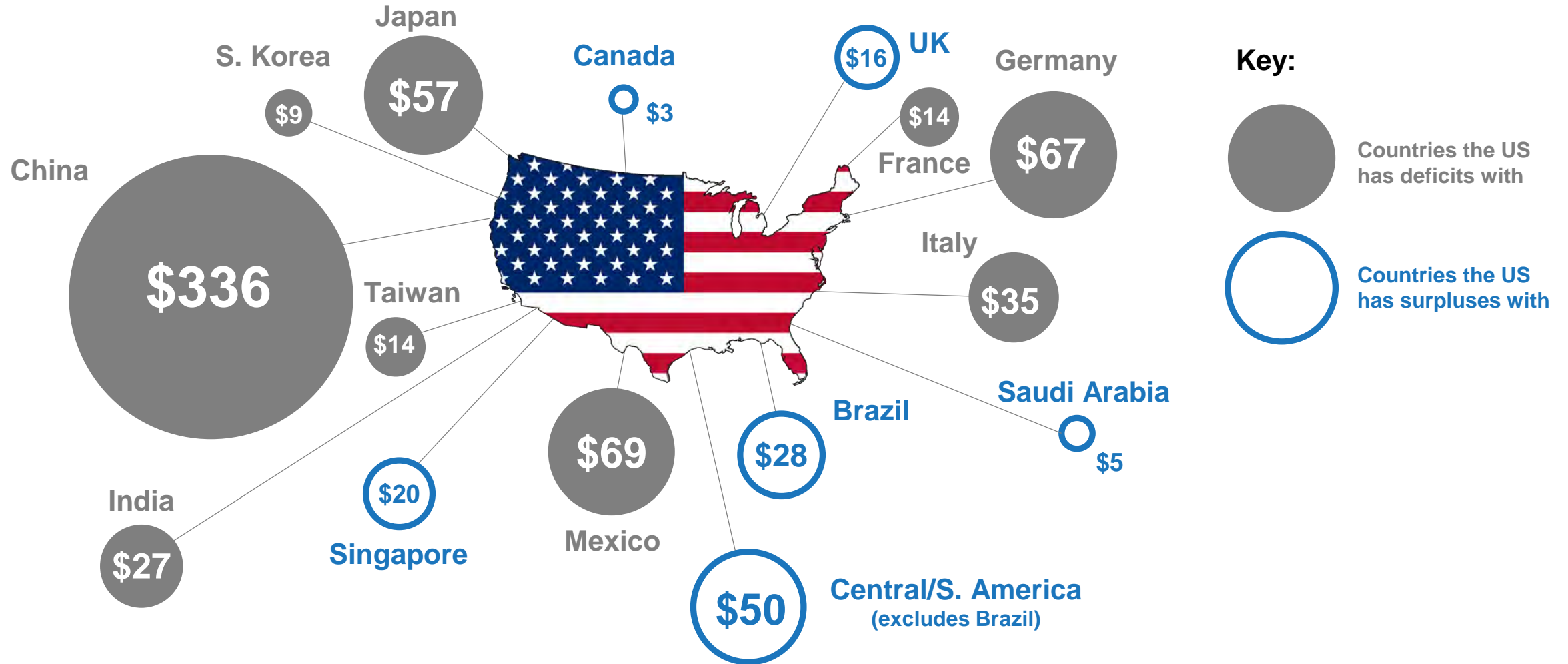


Manufacturer price	\$50,000
Tariff	\$1,250
Cost to consumer	\$51,250

Manufacturer price	€50,000
Tariff	€5,000
Cost to consumer	€55,000

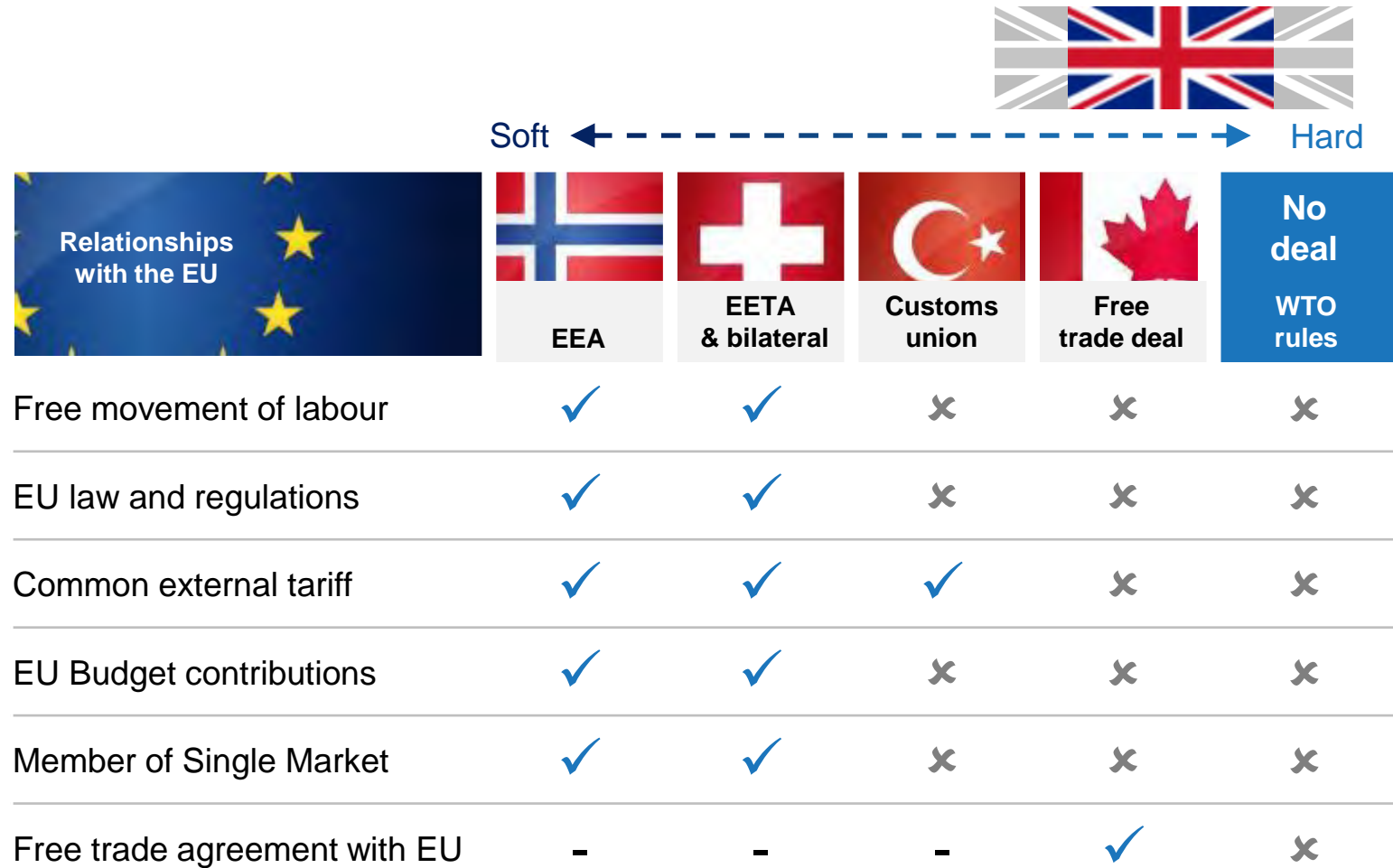
The story behind Trade Wars






US 2017 exports minus imports with top trading partners, in US \$ billions



Brexit end game?

Still a huge range of outcomes



	 EEA	 EETA & bilateral	 Customs union	 Free trade deal	 No deal WTO rules
Free movement of labour	✓	✓	✗	✗	✗
EU law and regulations	✓	✓	✗	✗	✗
Common external tariff	✓	✓	✓	✗	✗
EU Budget contributions	✓	✓	✗	✗	✗
Member of Single Market	✓	✓	✗	✗	✗
Free trade agreement with EU	-	-	-	✓	✗

Global Investment Outlook

**HISTORICAL
CONTEXT**

A grayscale image showing various financial charts, including line graphs and bar charts, overlaid on a dark background.

**CENTRAL
BANKS
TIGHTENING**

A grayscale image of the Federal Reserve building in Washington, D.C., featuring its iconic neoclassical architecture with columns and a pediment.

**GLOBAL
ECONOMIC
SLOWDOWN**

A grayscale image of a world map, showing the outlines of continents and countries.

**VALUATIONS
MATTER**

A grayscale image showing a laptop screen and a smartphone, both displaying financial data, charts, and graphs.

**ONGOING
GEOPOLITICAL
RISKS**

A grayscale image of a man in a suit and tie, speaking into a microphone at a podium.

BREXIT

A grayscale image showing a map of the United Kingdom with a large arrow pointing downwards, symbolizing the Brexit process.

**COMMON
SENSE
INVESTING**

A grayscale image of several wooden chess pieces, including pawns and a king, arranged on a chessboard.



Building diversified common sense portfolios

Highly diversified solutions

Efficient Market Exposure Model

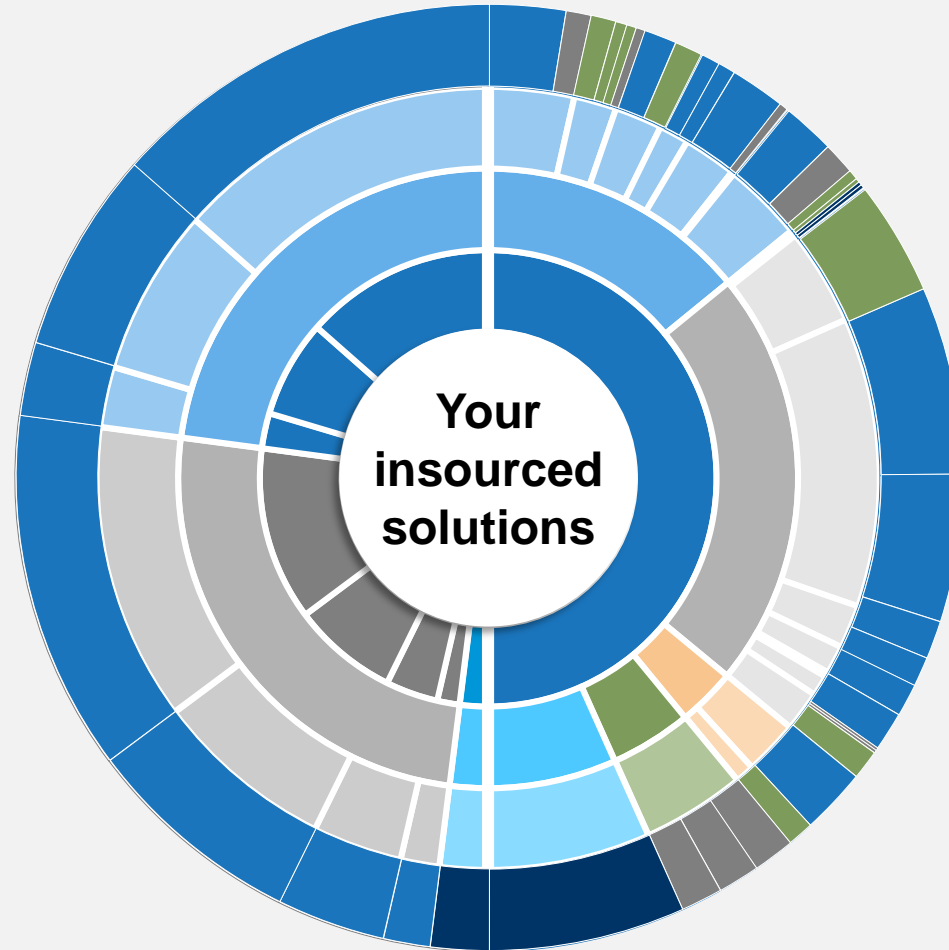
7 Passive Funds

3 Asset Classes

7 Sub Asset Classes

7 Underlying holdings

2 Access Classes



Dynamic Market Exposure Model

1 Multi-Asset Fund

5 Asset Classes

18 Sub Asset Classes

c.40 Underlying holdings

4 Access Classes

Highly diversified solutions

Efficient Market Exposure Model

7 Passive Funds

3 Asset Classes

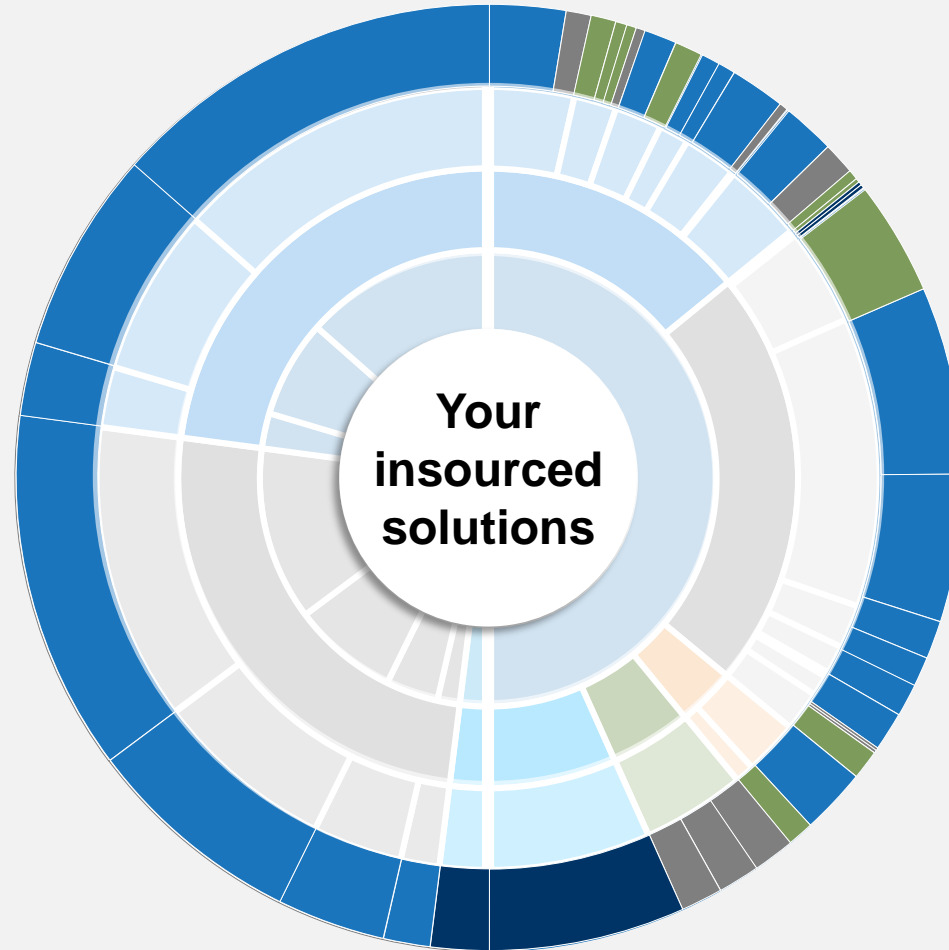
7 Sub Asset Classes

7 Underlying holdings

2 Access Classes

Passive

Direct



Dynamic Market Exposure Model

1 Multi-Asset Fund

5 Asset Classes

18 Sub Asset Classes

c.40 Underlying holdings


4 Access Classes

Passive

Factor

Active

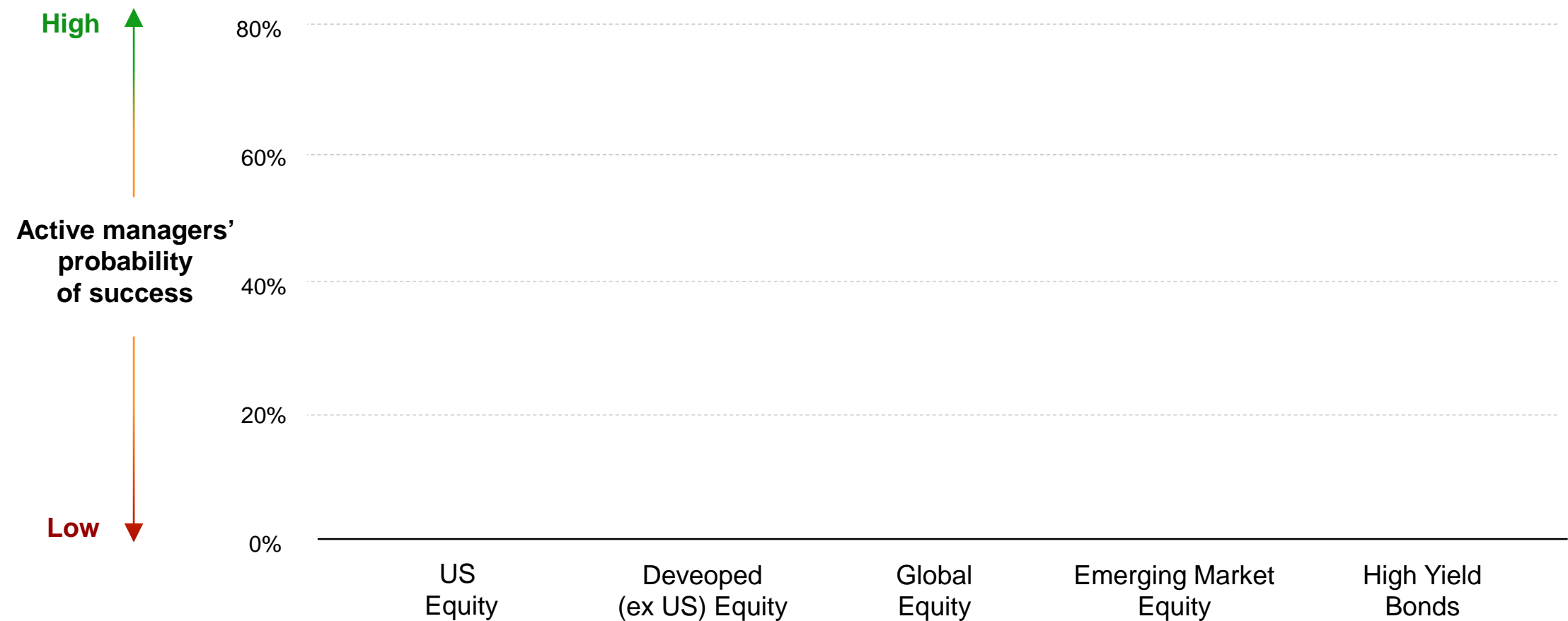
Direct

The background is a complex, abstract composition of various data visualization elements. It features a grid of thin, light blue lines. Overlaid on this grid are several data series: a prominent red line graph that trends upwards from left to right, a yellow line graph that also trends upwards but with more fluctuations, and a series of blue vertical bars of varying heights. Scattered throughout the image are numerous small, glowing orange and red dots, some of which are connected by thin lines, suggesting a network or data flow. Faint, semi-transparent text and numbers are visible in the background, adding to the technical and analytical feel of the image.

Why do we use a blended approach?

Odds of success: active outperforming passive

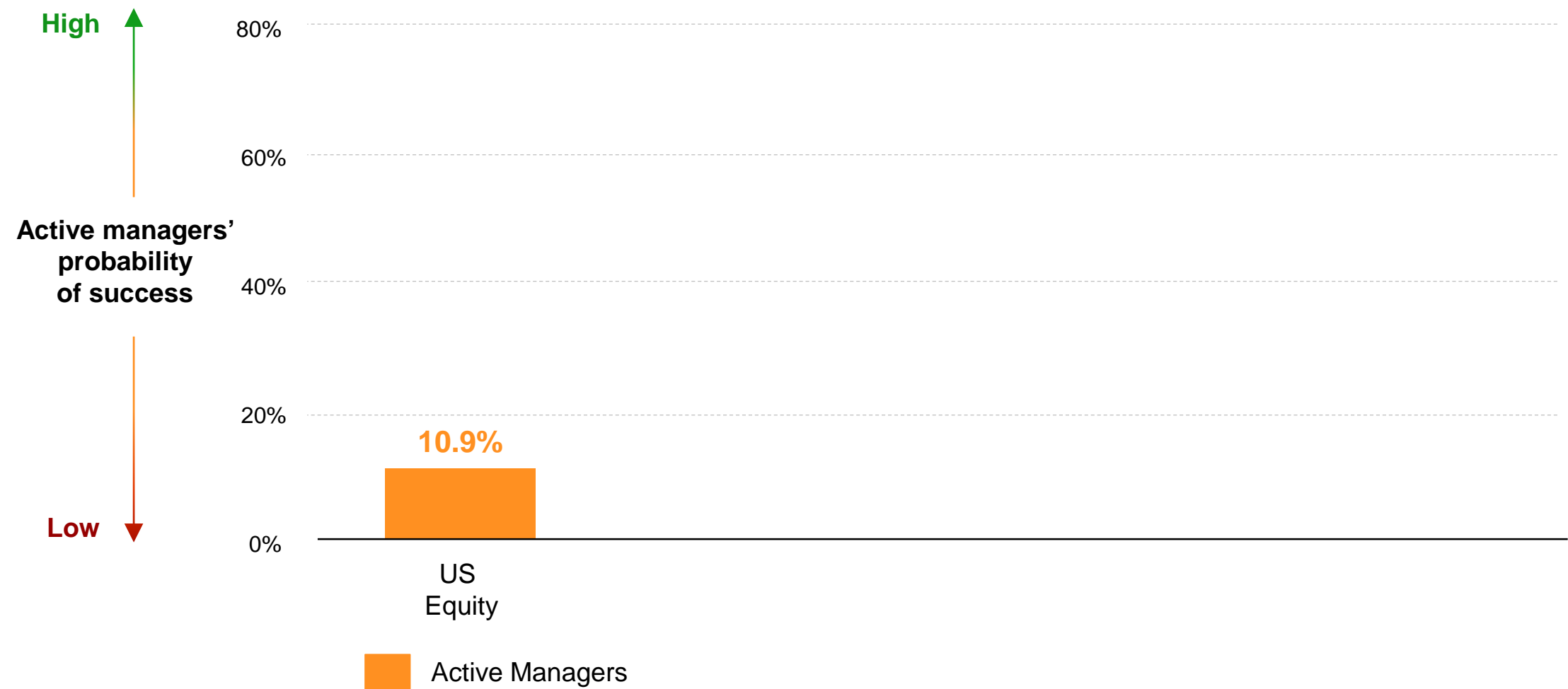
Active managers' probability of outperforming passive funds in the last 10 years



Source: Morningstar as at March 2019

Odds of success: active outperforming passive

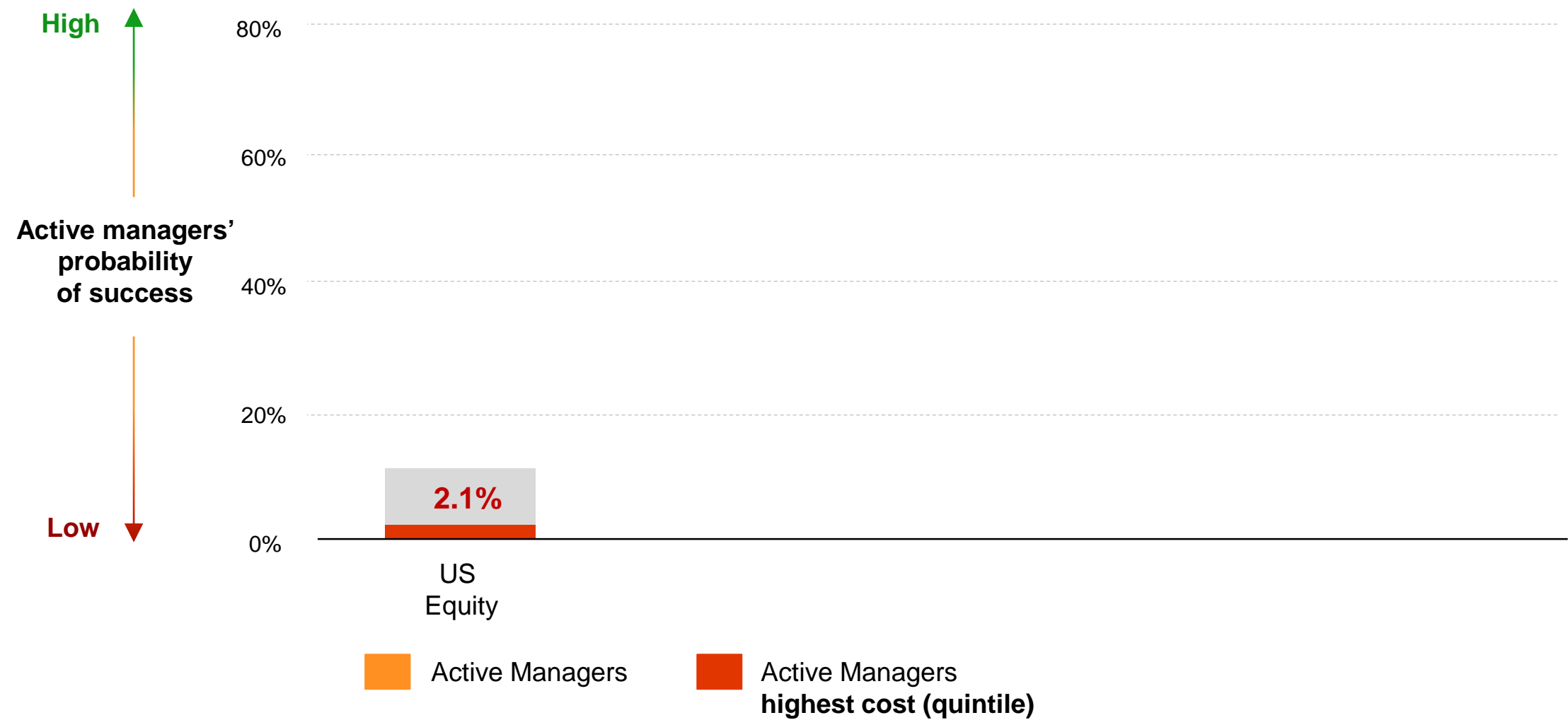
Active managers' probability of outperforming passive funds in the last 10 years



Source: Morningstar as at March 2019

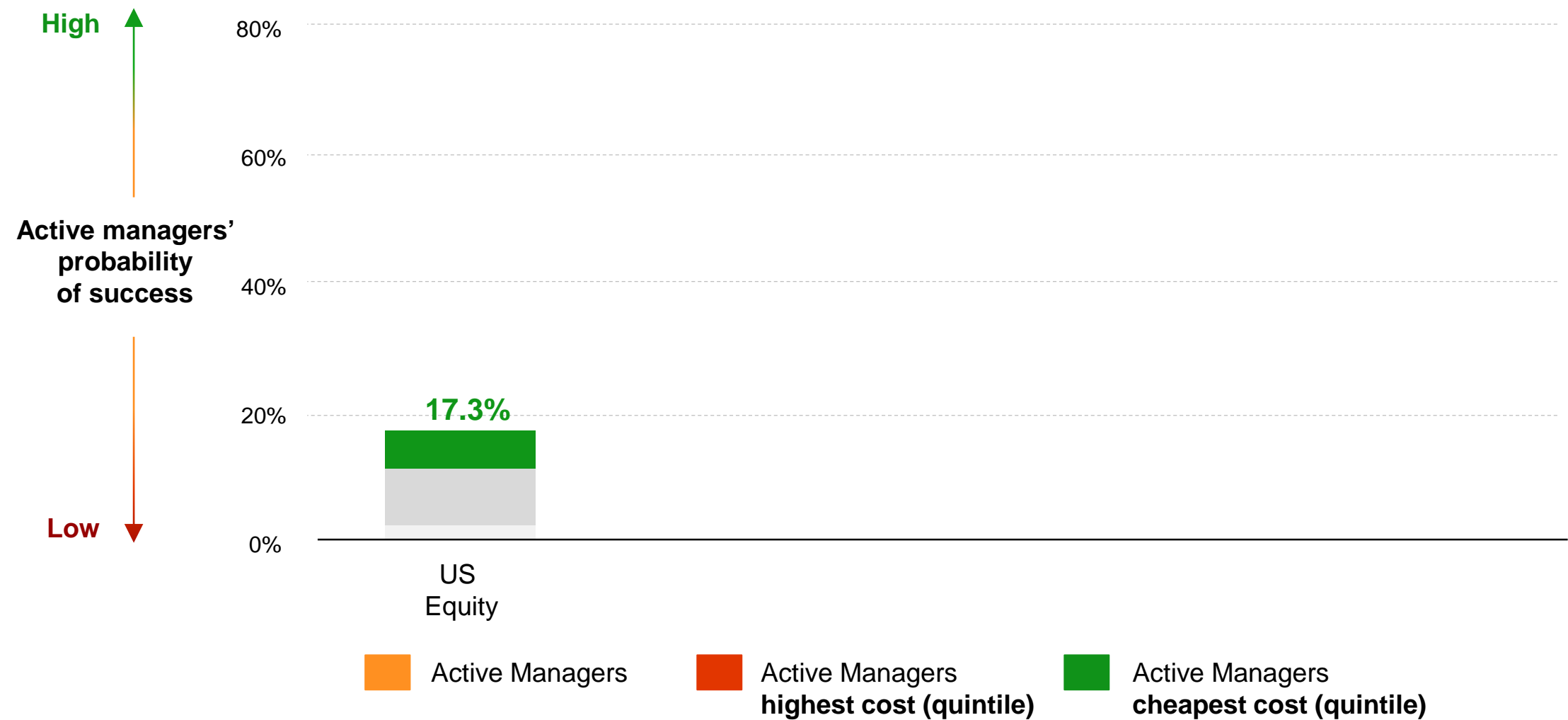
Odds of success: active outperforming passive

Active managers' probability of outperforming passive funds in the last 10 years



Odds of success: active outperforming passive

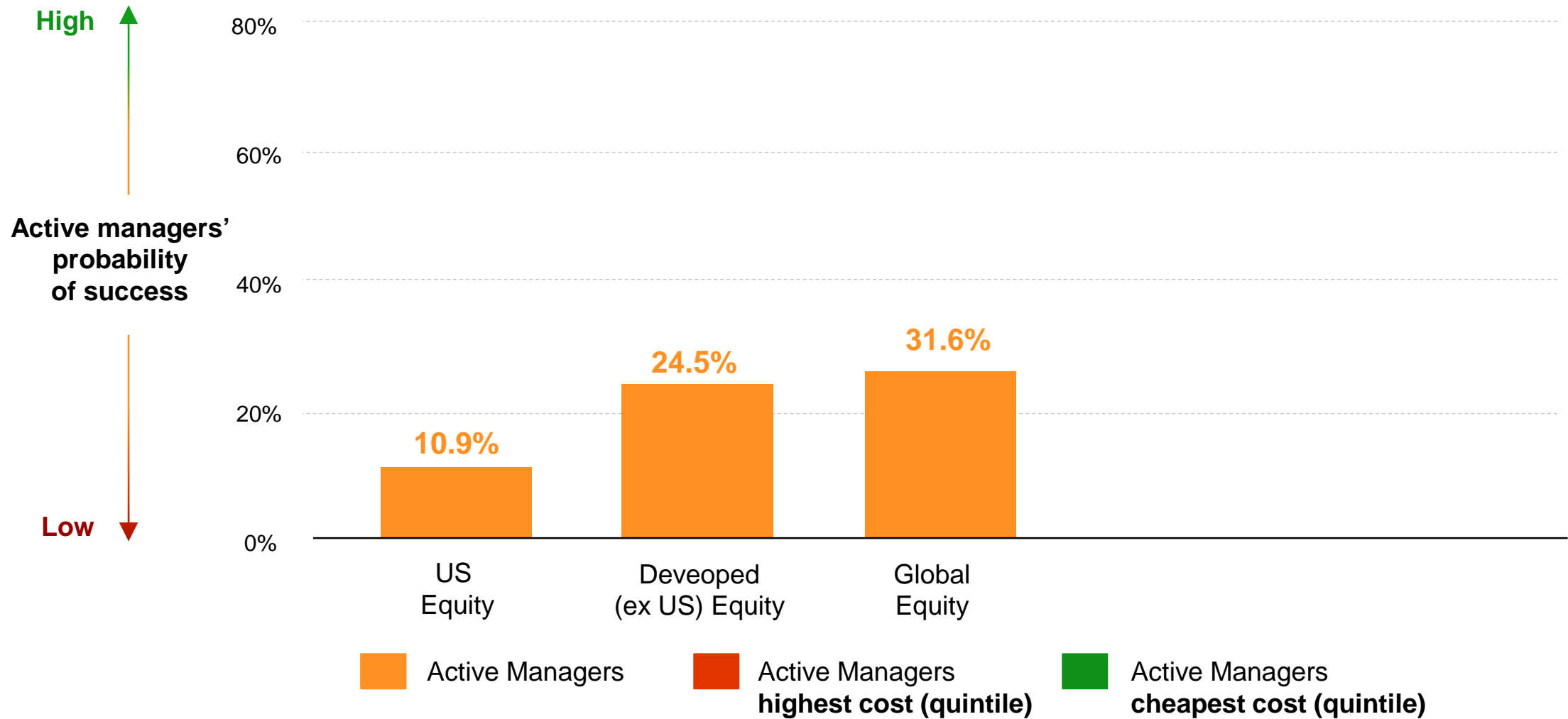
Active managers' probability of outperforming passive funds in the last 10 years



Source: Morningstar as at March 2019

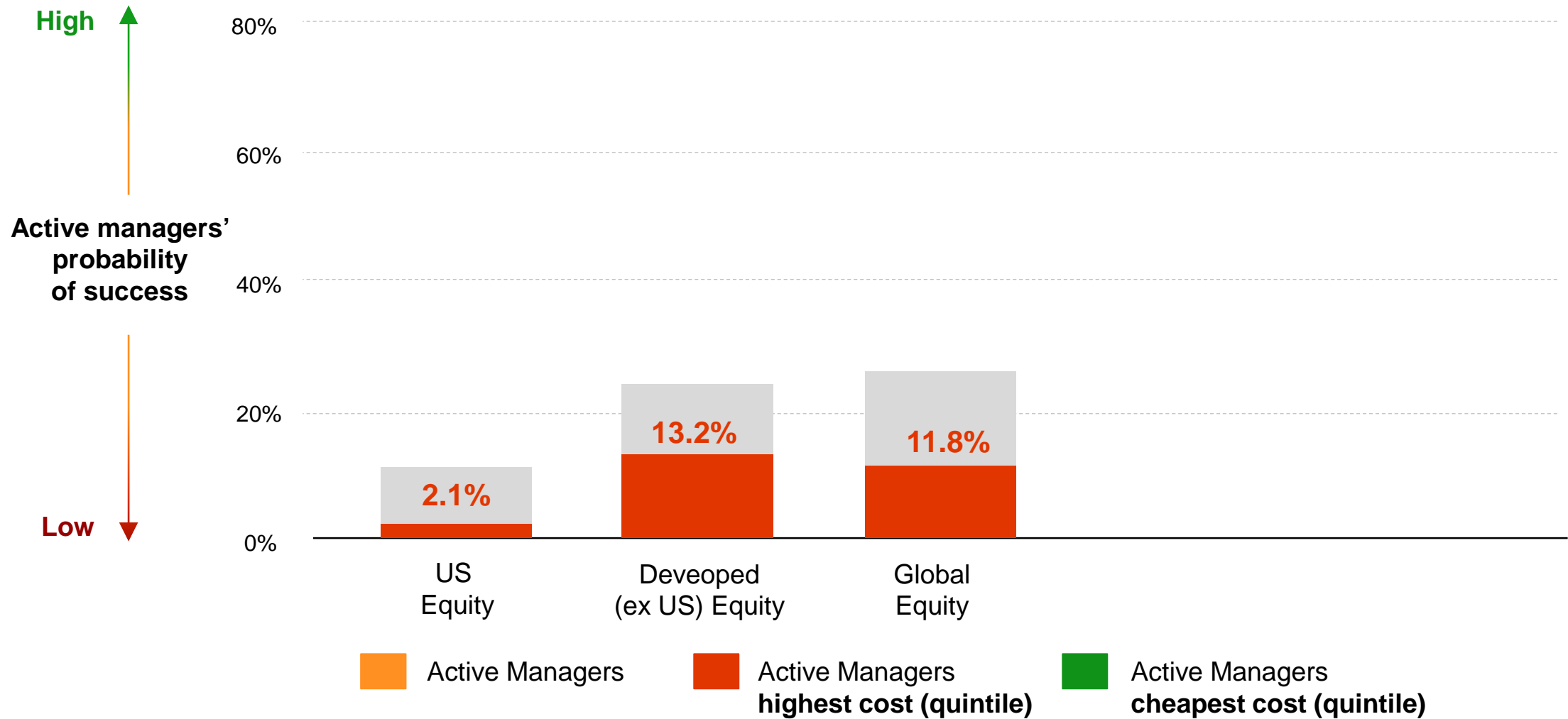
Odds of success: active outperforming passive

Active managers' probability of outperforming passive funds in the last 10 years



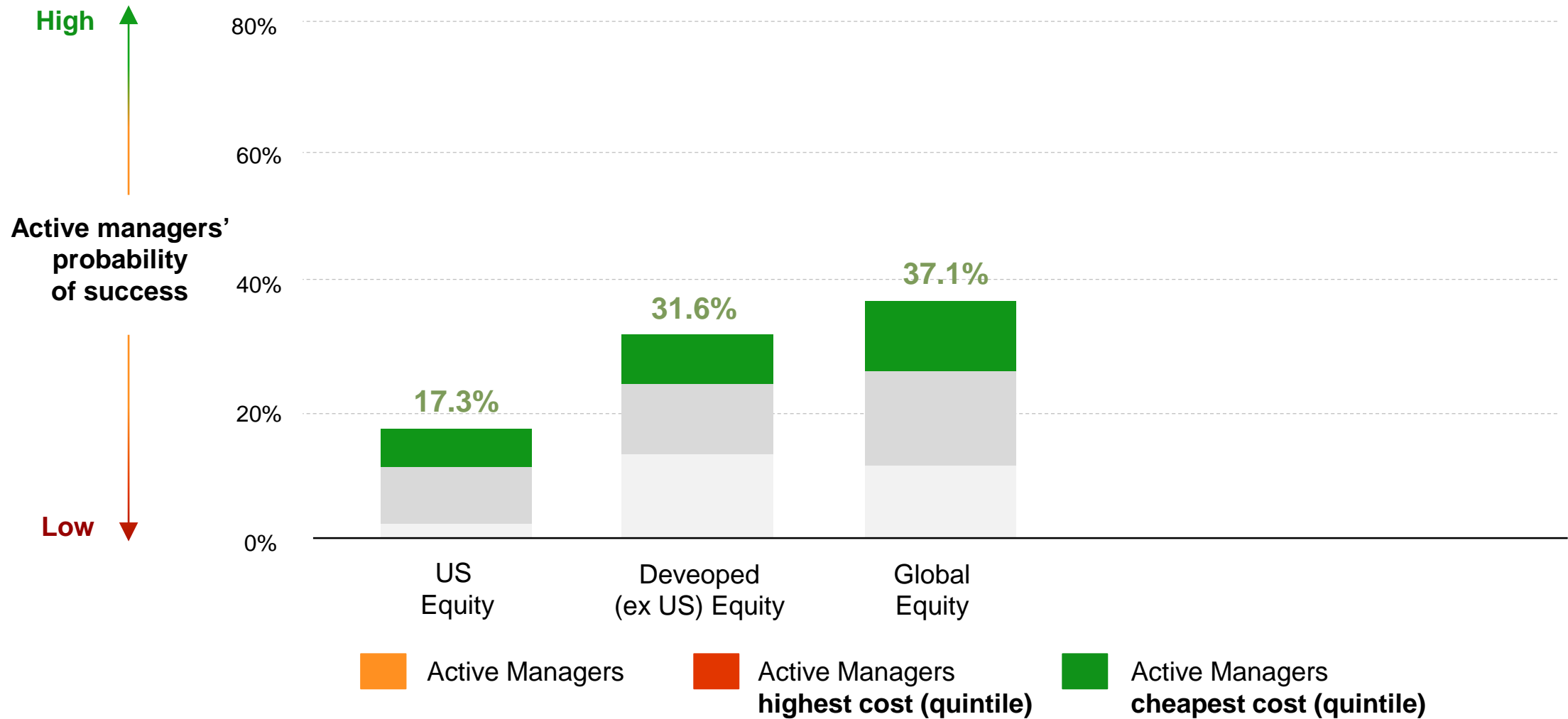
Odds of success: active outperforming passive

Active managers' probability of outperforming passive funds in the last 10 years



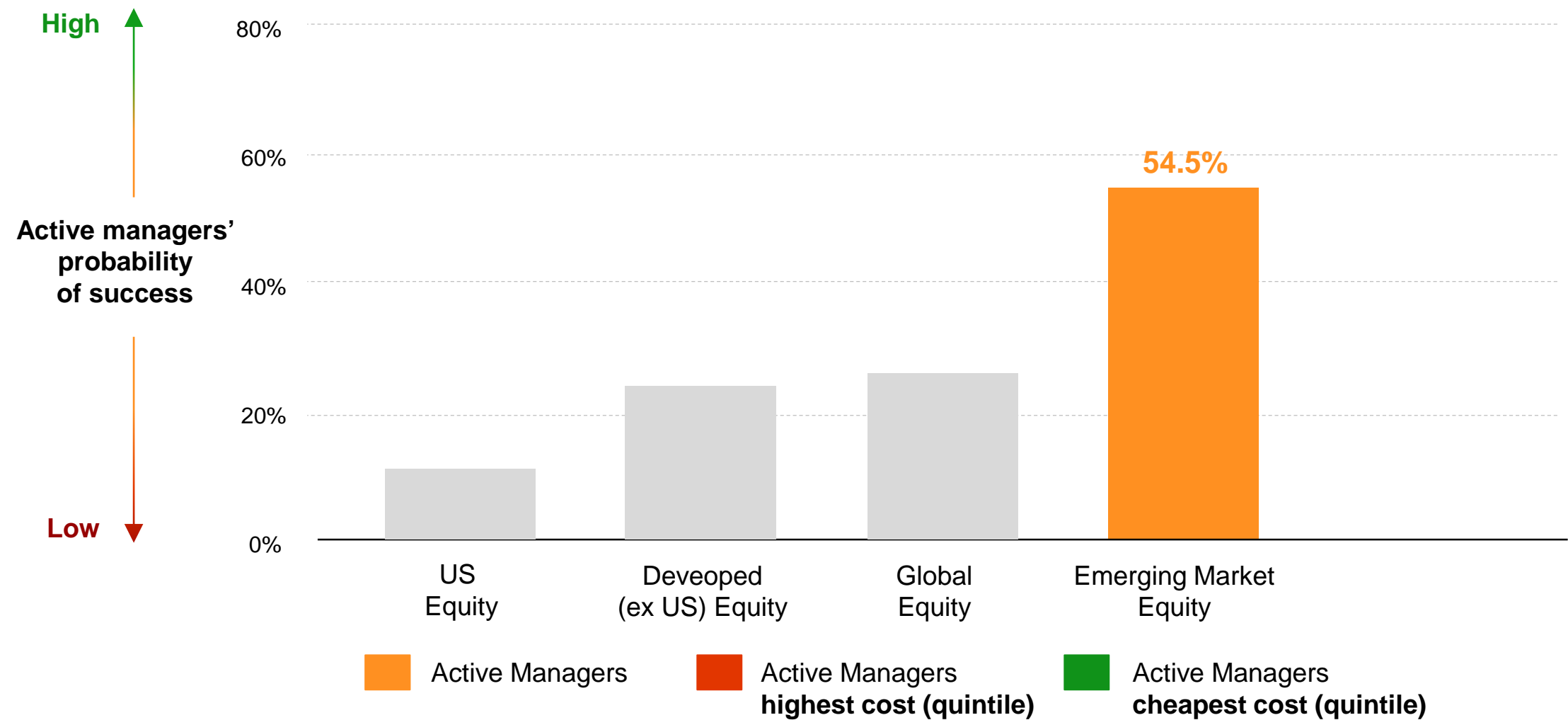
Odds of success: active outperforming passive

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Odds of success: active outperforming passive

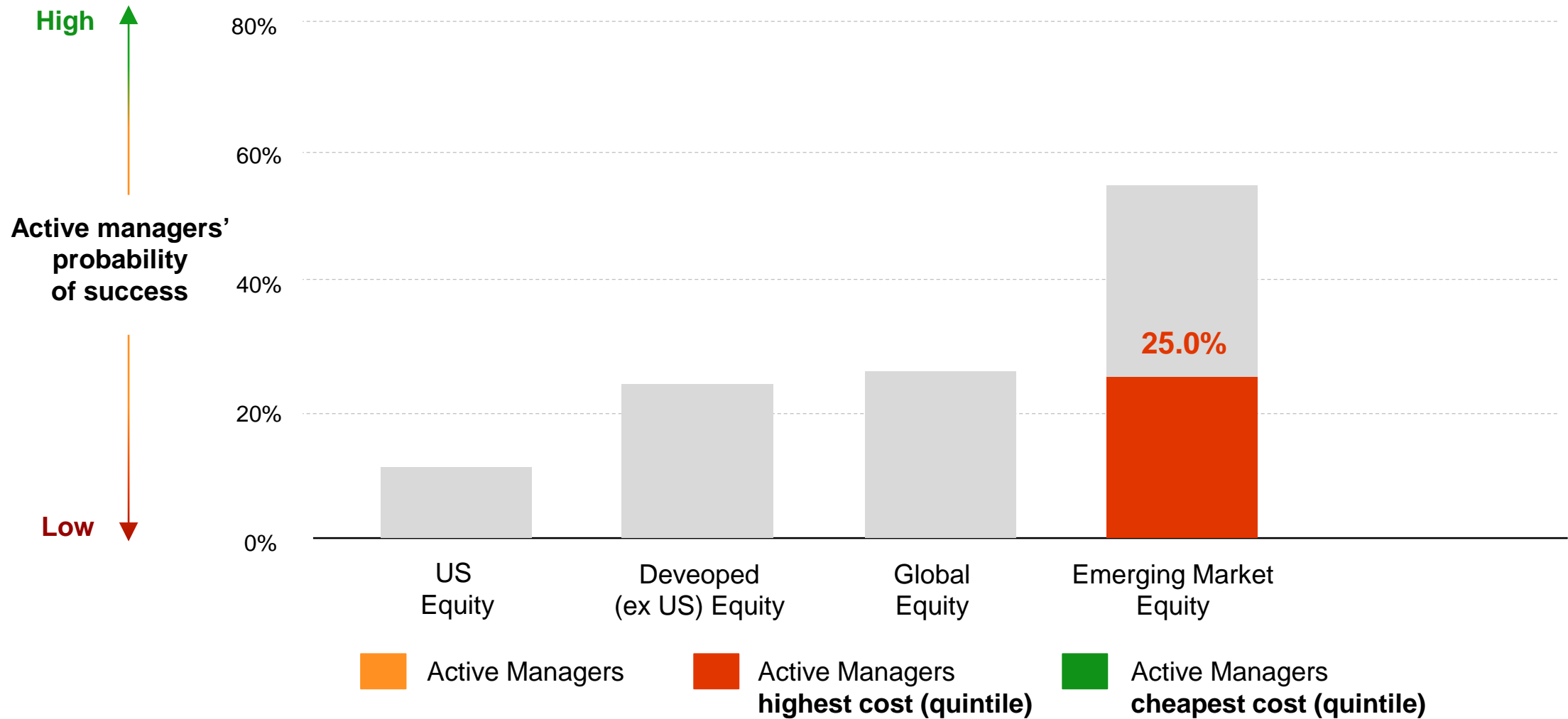
Active managers' probability of outperforming passive funds in the last 10 years



Source: Morningstar as at March 2019

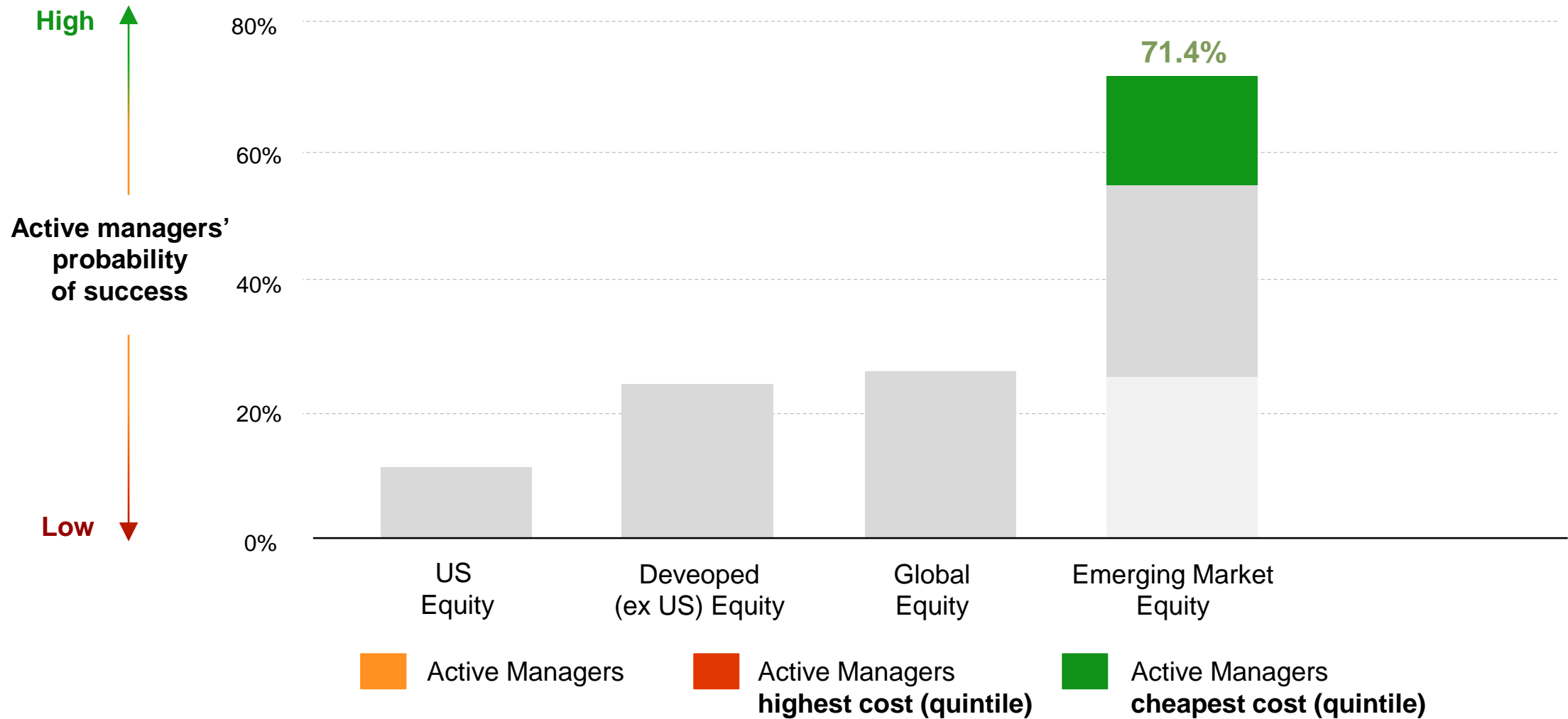
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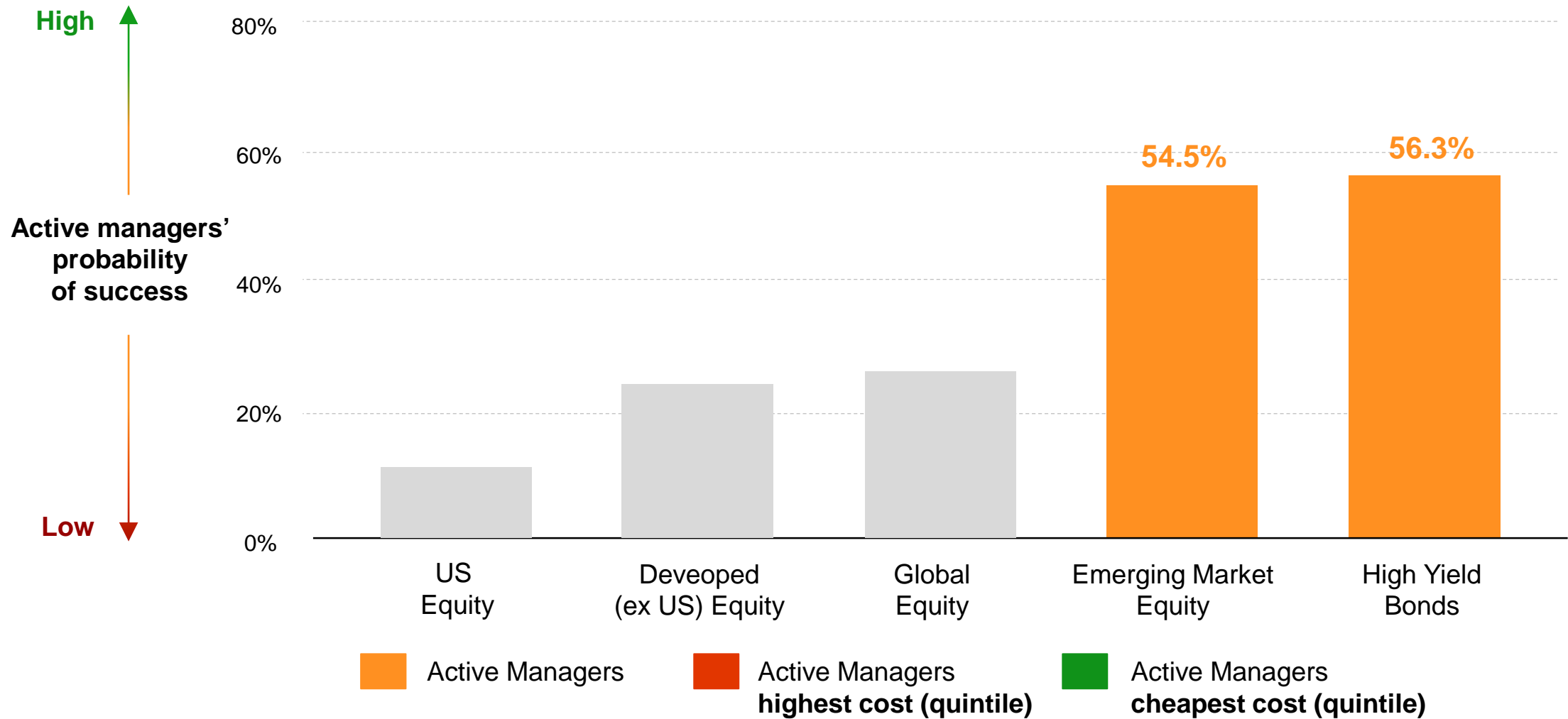
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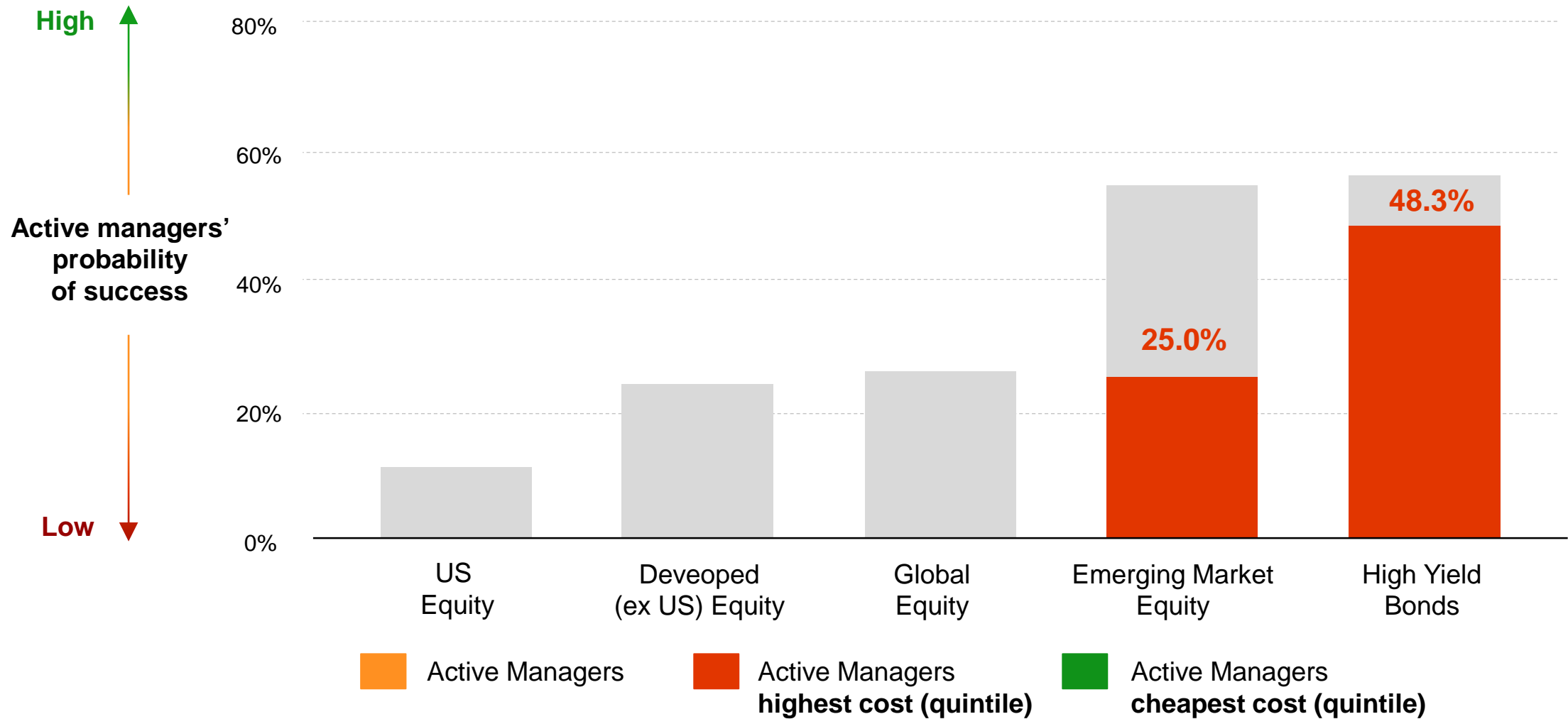
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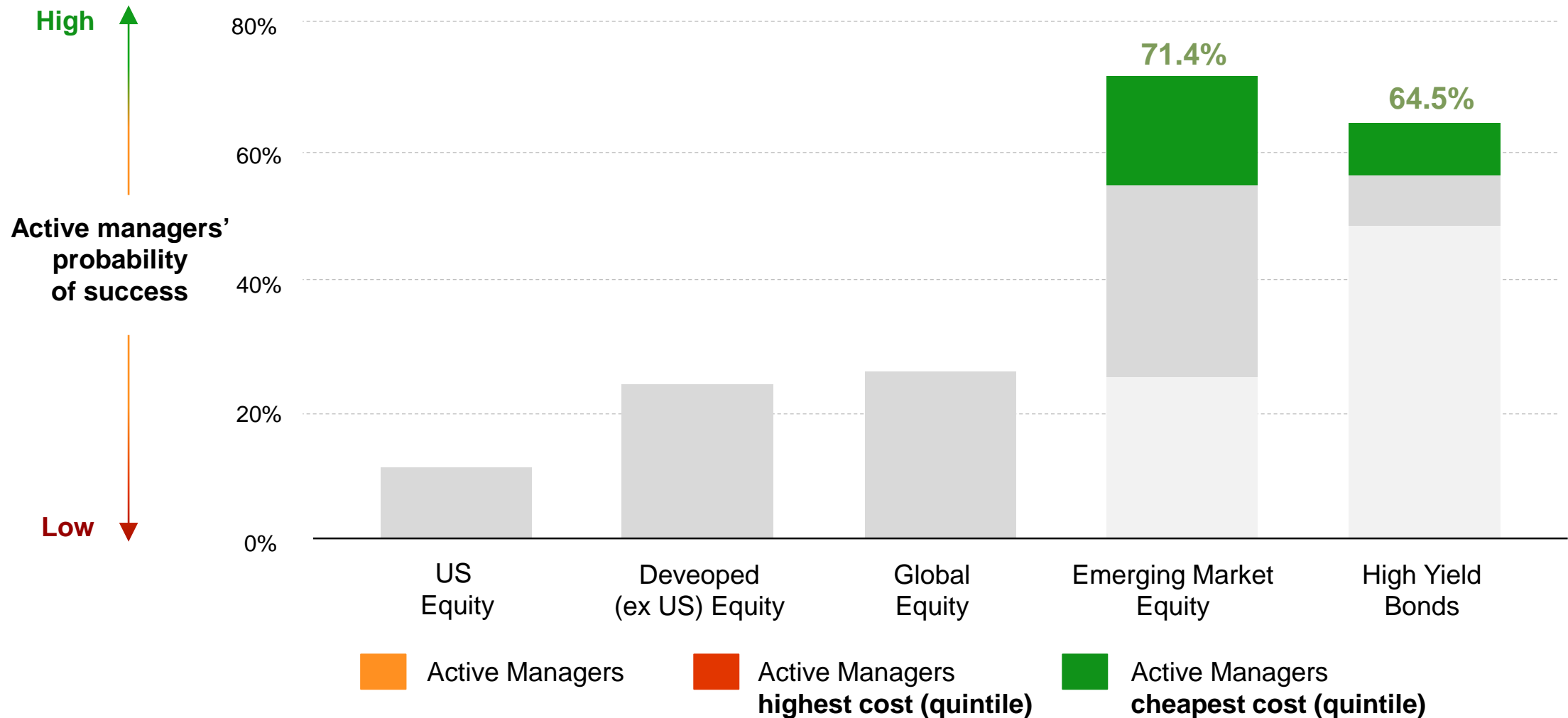
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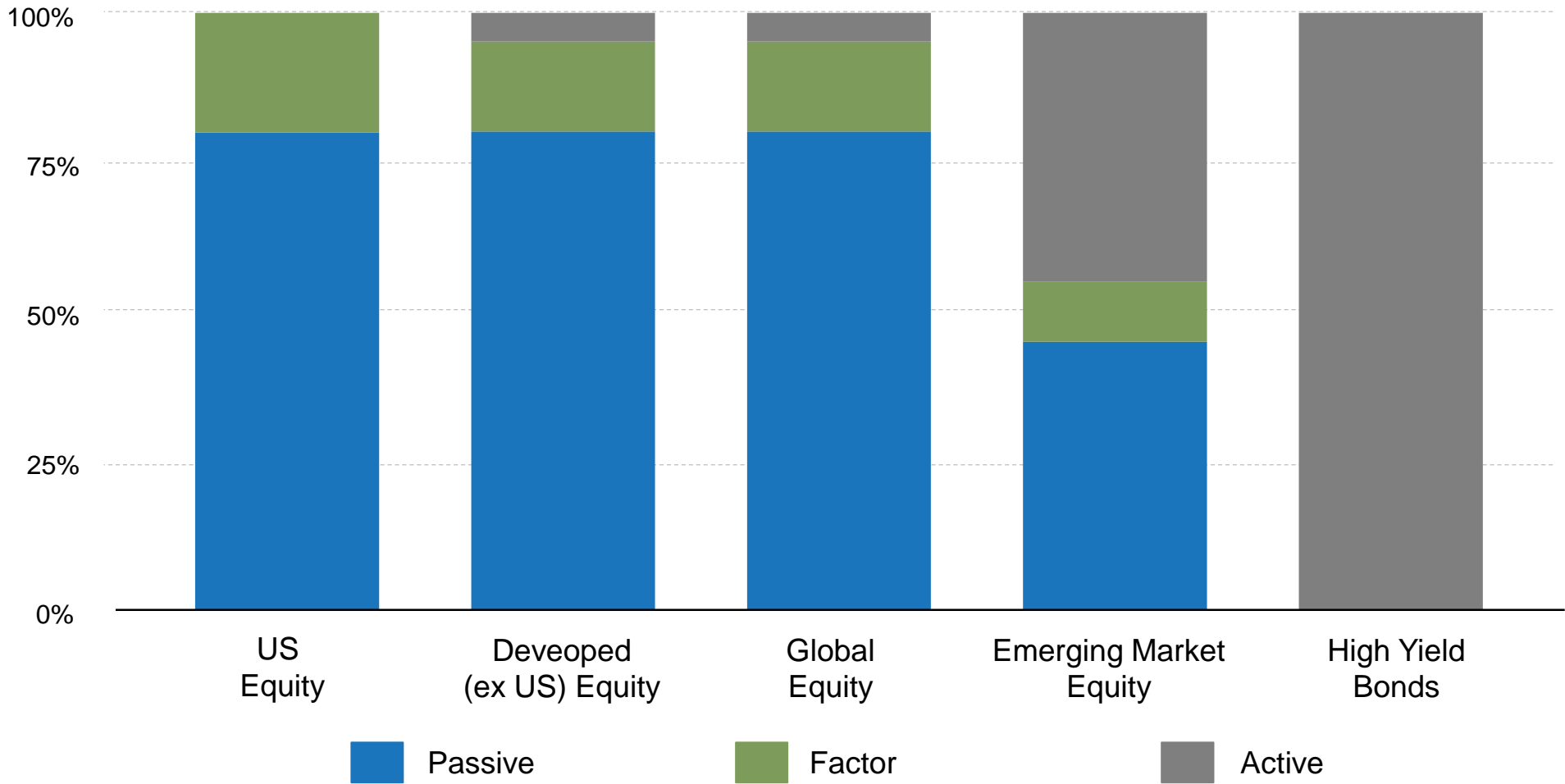
Odds of success: active outperforming passive

Active managers' probability of outperforming passive funds in the last 10 years




How do we access these markets?

Using a common sense approach



Source: Pacific Asset Management, example shows MPS Lite Balanced Model as at March 2019



What can we do to improve the odds?

- Focus on fees
- Focus on less efficient markets
- Ensure we access these markets in the most efficient way possible

M&A Forum

Taking the next steps for your business



John Chapman

Specialist Consultant in IFA M&A
Orion Consulting



Agenda

1. The IFA Market
2. Who is acquiring and why
3. Cultural fit
4. Key factors
5. What multiples are important/achievable
6. Planning



The IFA Market



	Directly Authorised	Appointed Reps	Total
1 CF30	2,694	3,908	6,602
2-5 CF30's	2,372	1,482	3,854
6 + CF30's	659	228	887
Total	5,725	5,618	11,343

Acquirers in the market

Type of Acquirer	Number
Nationals	8
Consolidators	14
Specialists	9
Private Equity	11
Large Regionals	17
Life Offices/Asset Managers	12
Wealth Managers/DFM's	26
Total	97



Cultural Fit

Key Factors

Financial	Non- Financial
Recurring Revenue	Culture
EBITDA/Profitability	Quality of AuM
Assets under Management (AuM)	Age of Client Bank
AuM per client	Business Mix
Recurring Revenue	People and process
	Governance and controls
	Compliance/Complaints

Business Valuation

- ❖ Multiple of Recurring Revenue
- ❖ Percentage of AuM
- ❖ Multiple of EBITDA
- ❖ Discounted Cash Flow

Business Valuations

	Low	Average	High
EBITDA	4X	7X	14X
Recurring Rev.	1.5X	3X	5.5X
AuM (Adv)	1%	1.8%	2.8%
AuM (Disc)	1.7%	2.6%	3.8%

PLANNING

- ❖ Succession
- ❖ Exit
- ❖ Growth



M&A Forum

Taking the next steps for your business



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Specialist Consultant in IFA M&A
Orion Consulting



Thank you



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