

JOHNSON ASSOCIATES
FINANCIAL SERVICES COMPENSATION
Second Quarter Trends and Year-End Projections

8/6/19

- *After the second quarter, Johnson Associates projects modest decrease in incentive compensation across asset management and investment and commercial banking vs. slight increases for alternatives. Major investment & commercial banking firms struggled in trading and underwriting while investment and wealth management was flat. International growth, interest rates, and market volatility continue to be key 2019 incentive factors.*

Traditional Asset Management:

Revenues hampered by product shifting despite AUM levels

- Incentives down moderately
- Flow from equities to fixed income; active equities outflows persist
- Organic AUM growth flat to up slightly but revenues declining due to product shifting
- Strategic hiring in technology, risk, and low-cost geographies

Alternatives:

PE fundraising healthy; hedge funds bounce back

- Hedge funds perform better. Event driven funds see largest inflows
- Private equity incentives up slightly but fluctuating markets have depressed exits
- Healthcare and technology most active deal sector
- Largest funds attracting bulk of assets

Investment and Commercial Banking:

Banks stumble into second half

- Trading businesses decline sharply; low volatility and client activity coupled with uncertainty on rate changes and trade
- Underwriting down broadly from strong 2018; equity expected to outperform debt
- Wealth and investment management continue as key area for strategic growth
- Digitization of retail platforms as banks invest heavily in technology
- Loans and deposits up slightly; interest rates in sharp focus

Projected 2019 Incentive Funding

- *Headcount-adjusted basis*

Traditional Asset Management & Alternatives

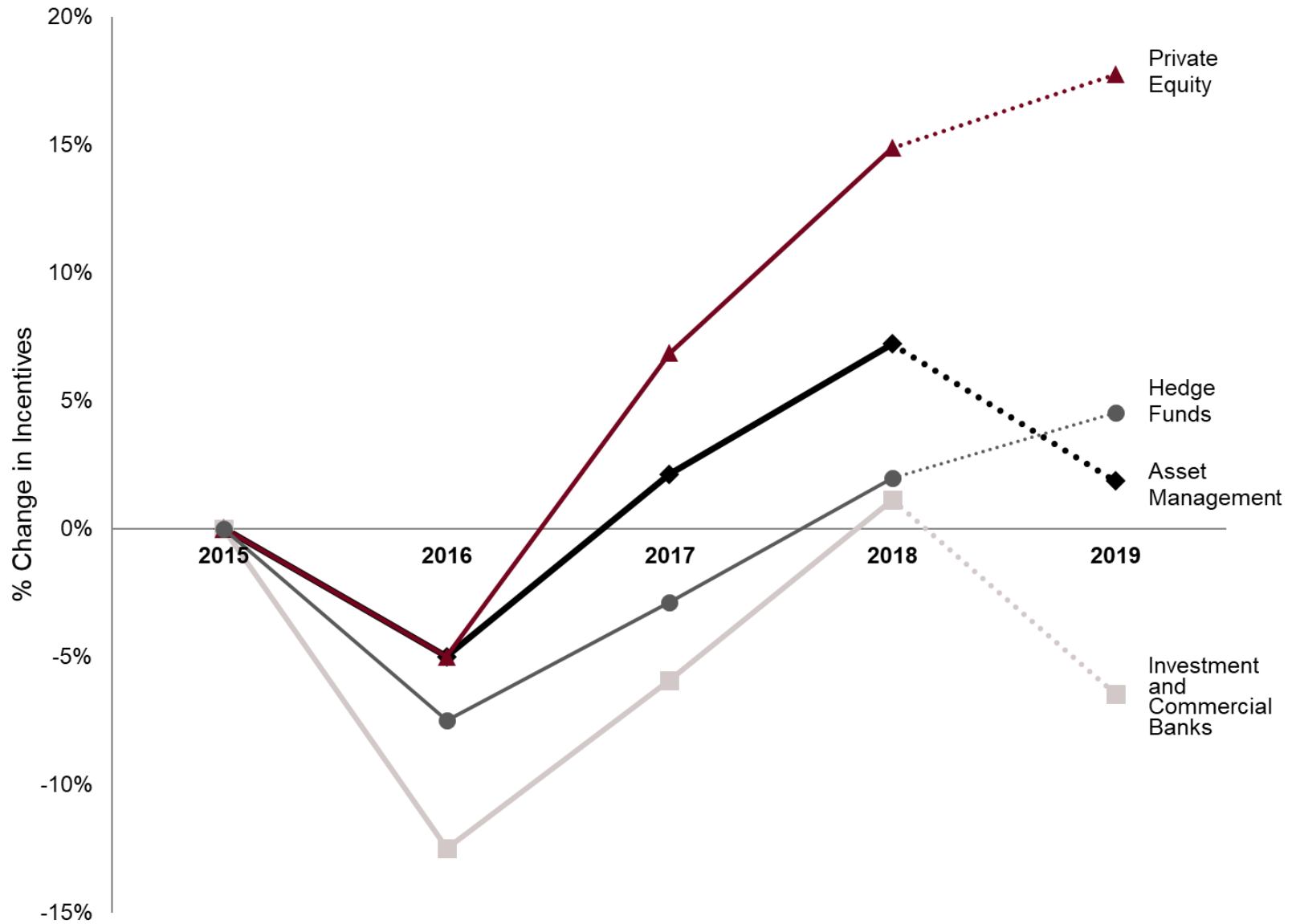
Business/Area	% Change from 2018
Asset Management (Independent and Captive)	-5%
<i>Lower fee base detracts from strong markets and positive flows leading to revenues declining</i>	
Hedge Funds (Independent and Captive)	0% to 5%
<i>Broad based gains; event driven and equity hedge strategies lead. Positive flows</i>	
Private Equity	0% to 5%*
<i>Inflows and strong fundraising; effective deployment of capital in infrastructure and real estate remains challenge</i>	
High Net Worth	Flat
<i>AUM growth but on lower fee base, revenues up slightly while expenses increase in technology</i>	

Investment & Commercial Banking

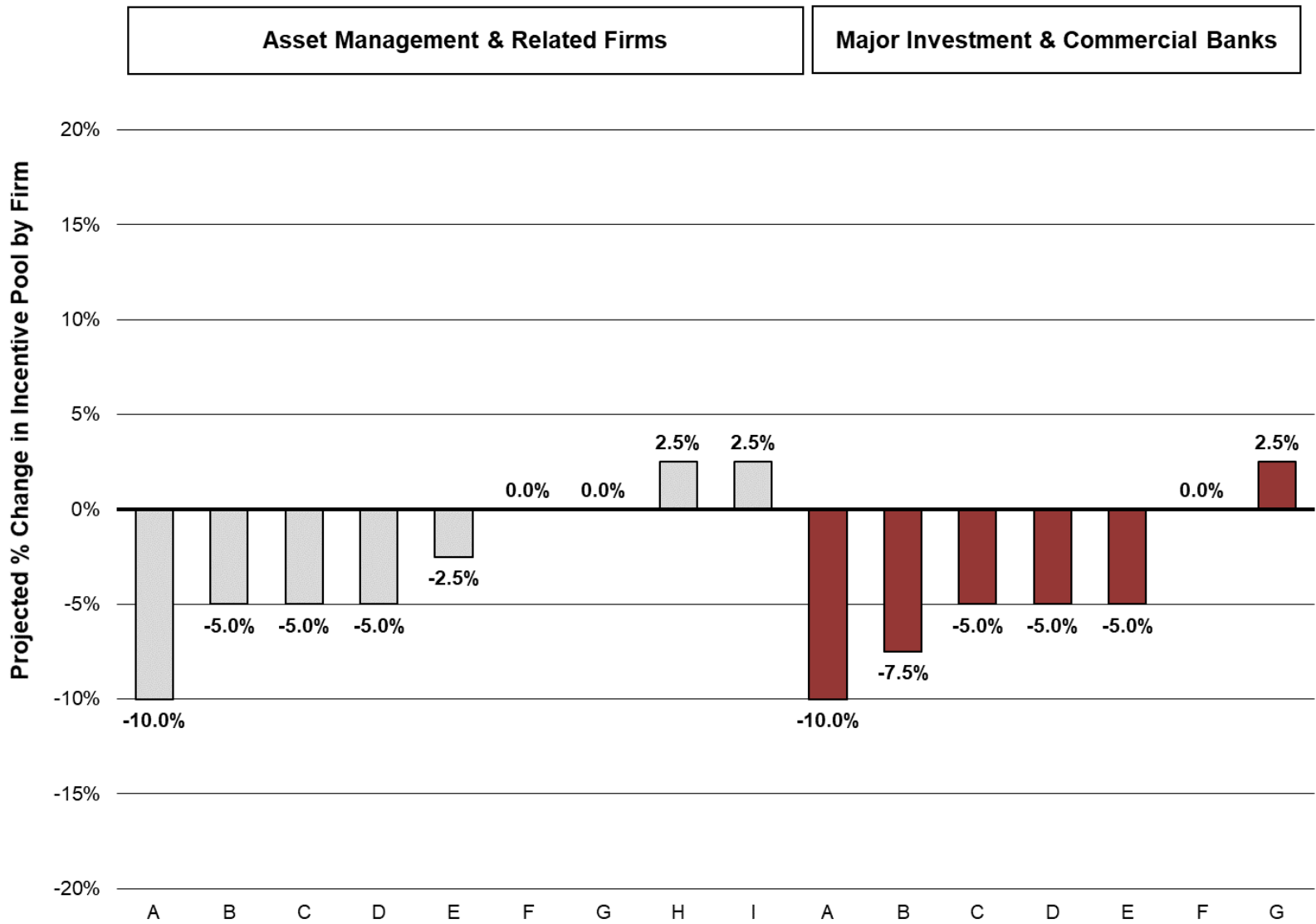
Business/Area	% Change from 2018
Firm Management/Staff Positions	-5% to -10%
<i>Generally, moves in line with entire firm</i>	
Investment Banking	Advisory 0% Underwriting -10% to -15%
<i>Underwriting down broadly after strong 2018 (Debt slightly outperformed Equity); Advisory flat with healthy backlog despite macro uncertainty</i>	
Sales & Trading	Equities -10% to -15% Fixed Income -5% to -10%
<i>Lower volatility and client activity; sensitivity towards geopolitical caution, rates, and trade concerns impact trading</i>	
Retail & Commercial Banking	0% to 5%
<i>Loans and deposits both up slightly; interest rates key</i>	

*Applies to incentive and equity, excludes carry

Incentive Trend



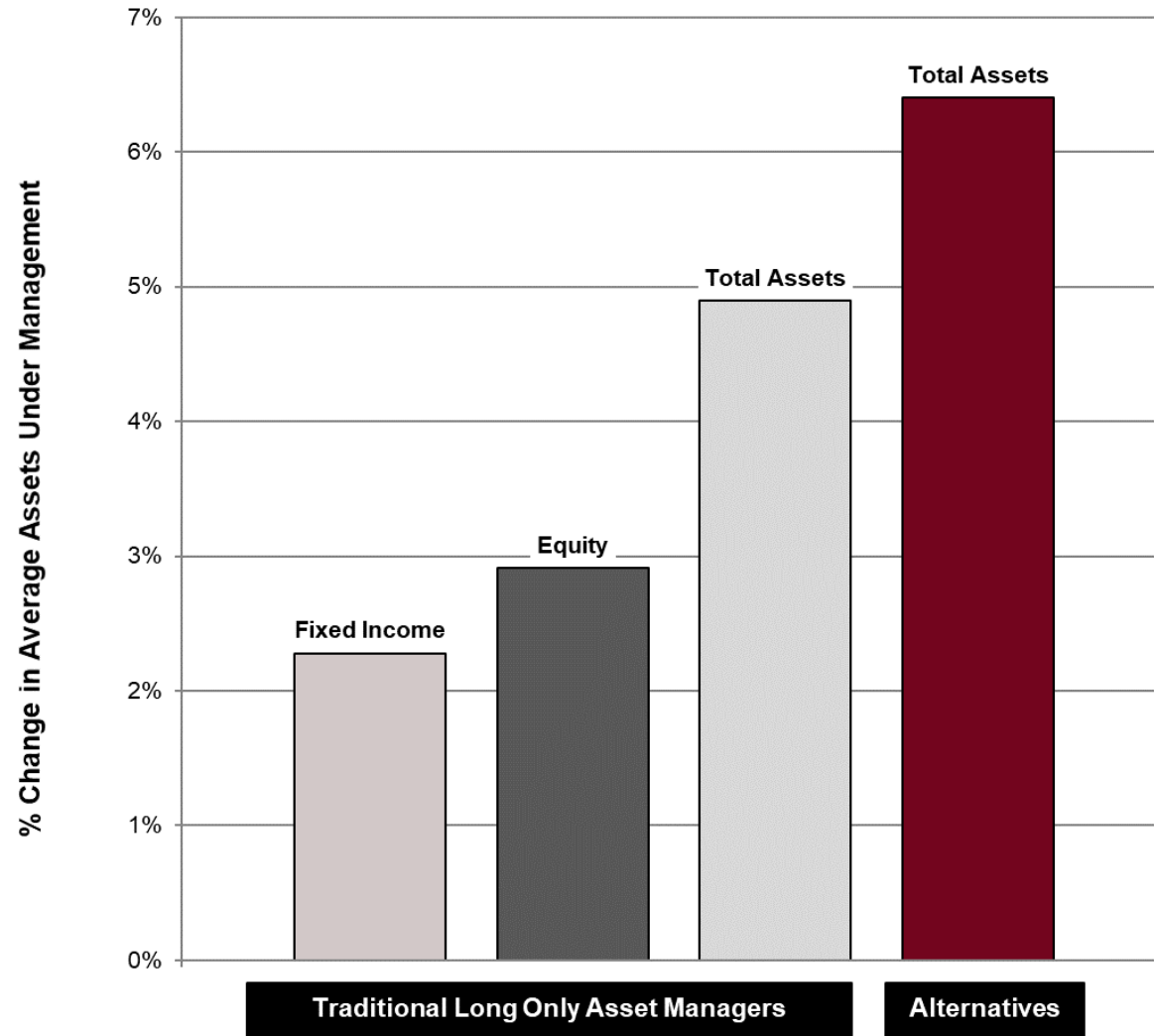
Projected % Change in Year-End Incentive Pool by Firm*



* 6 months actual data with projection for remainder of year

Percent Change in Assets Under Management

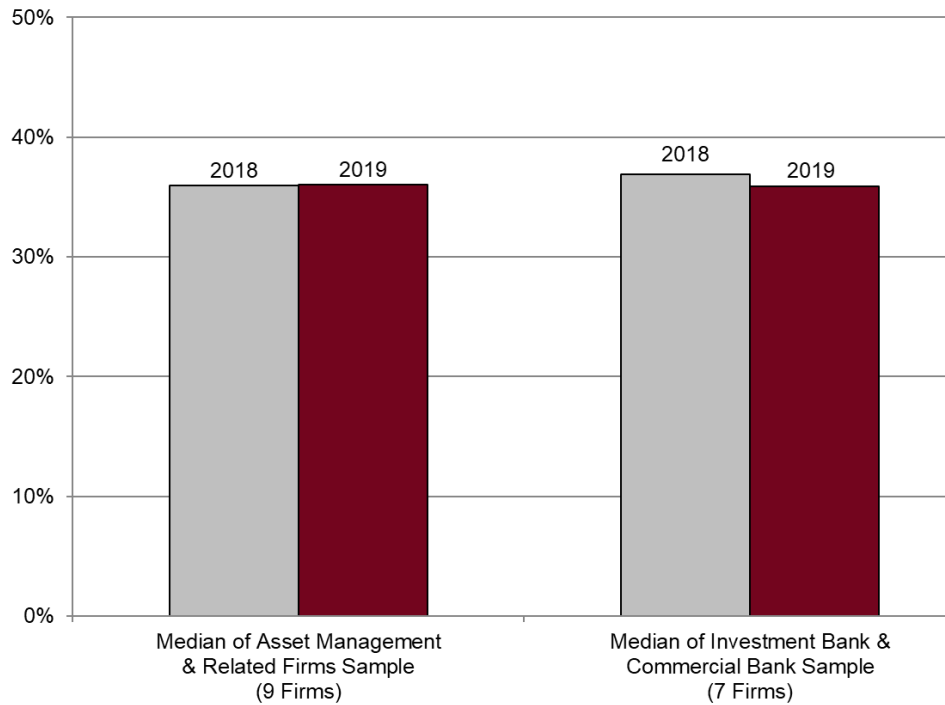
- Data represents median percentage change in average assets under management for six months 2019 compared to average full year 2018, for traditional long only (6 select firms) and alternatives (7 select firms)



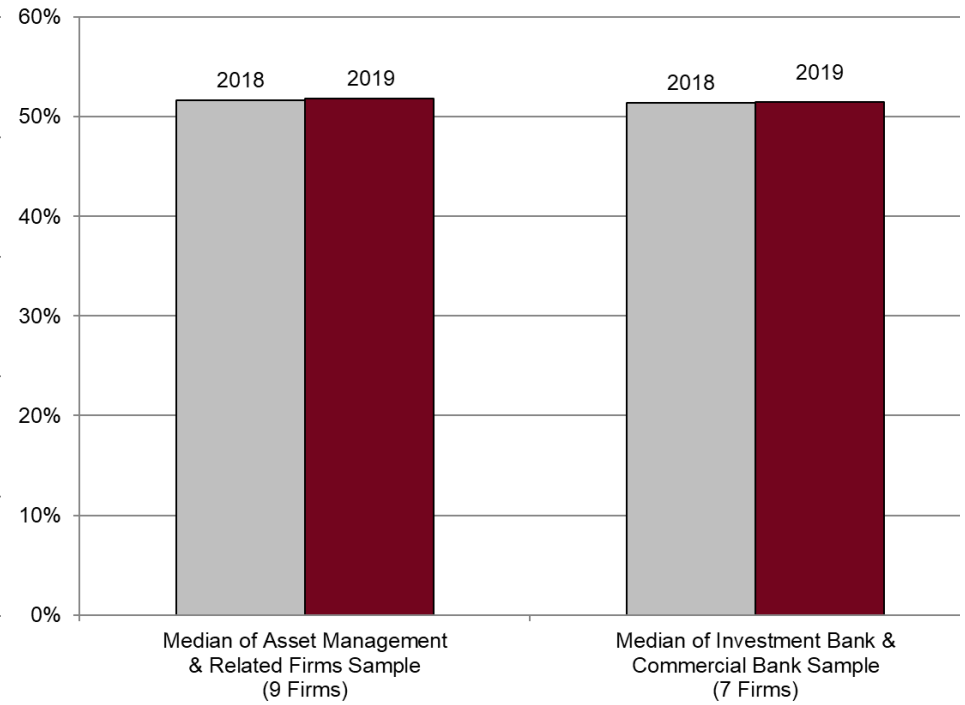
Year-to-Date Compensation & Benefits Ratios

- 6M 2018 v. 6M 2019 results; year-over-year comparisons may be skewed by partial year compensation and financial results

Compensation & Benefits as % of Net Revenue



Compensation & Benefits as % of Pre-Tax Pre-Comp Net Income



Analyst Estimated EPS Trend

- 7 months into the fiscal year, analyst estimates reflect steady outlook for both asset management and investment and commercial banks
- Chart reflects a sample of 6 investment and commercial banks and 9 asset management and related firms

