JOHNSON ASSOCIATES
FINANCIAL SERVICES COMPENSATION
First Quarter Trends and Year-End Projections 5/13/20

After the first quarter, Johnson Associates projects broad and substantial decreases in incentive compensation across financial services. Major investment & commercial banks seized opportunities in trading offset by sharp declines in advisory and retail banking. Hedge fund performance down overall but varied sharply and private equity incentives also fell.

- 2020 likely a year of wide variations in incentive outcomes between stronger and weaker competitors
- Number of compensation scenarios that could ultimately occur depending on virus recovery timetable

Traditional Asset Management:

Investors reduce risk amidst market turmoil

- Incentives down broadly
- Outflows as investors reduce risk
- Fee run rates down and revenues declining
- Many firms committed to no layoffs but reassessing in real-time as year progresses
- Pandemic magnified ongoing challenges of many firms

Alternative Investments:

Private Equity and Hedge Funds down broadly

- Hedge fund asset levels fall to multi-year low; down broadly with unusual dispersion in results
- Macro and event-driven funds capitalize on virus impact while most strategies decline
- Private equity incentives down broadly; fundraising and distributions
- Private equity asset valuations down but larger firms have excess management fees

Investment and Commercial Banking:

Banks brace for big losses (page 5 EPS Estimates)

- Dramatic surge in credit provisions as banks anticipate wide-scale defaults
- Trading businesses capitalized on heightened volatility and client activity
- Advisory down substantially as M&A activity slowed and backlog delayed
- Debt underwriting up as clients sought liquidity while equity underwriting down as IPO backlog largely halted
- Although headcount stable, cost cutting expected in second half of year

Projected 2020 Incentive Funding

- *Headcount-adjusted basis (i.e. felt impact)*

Traditional Asset Management & Alternatives

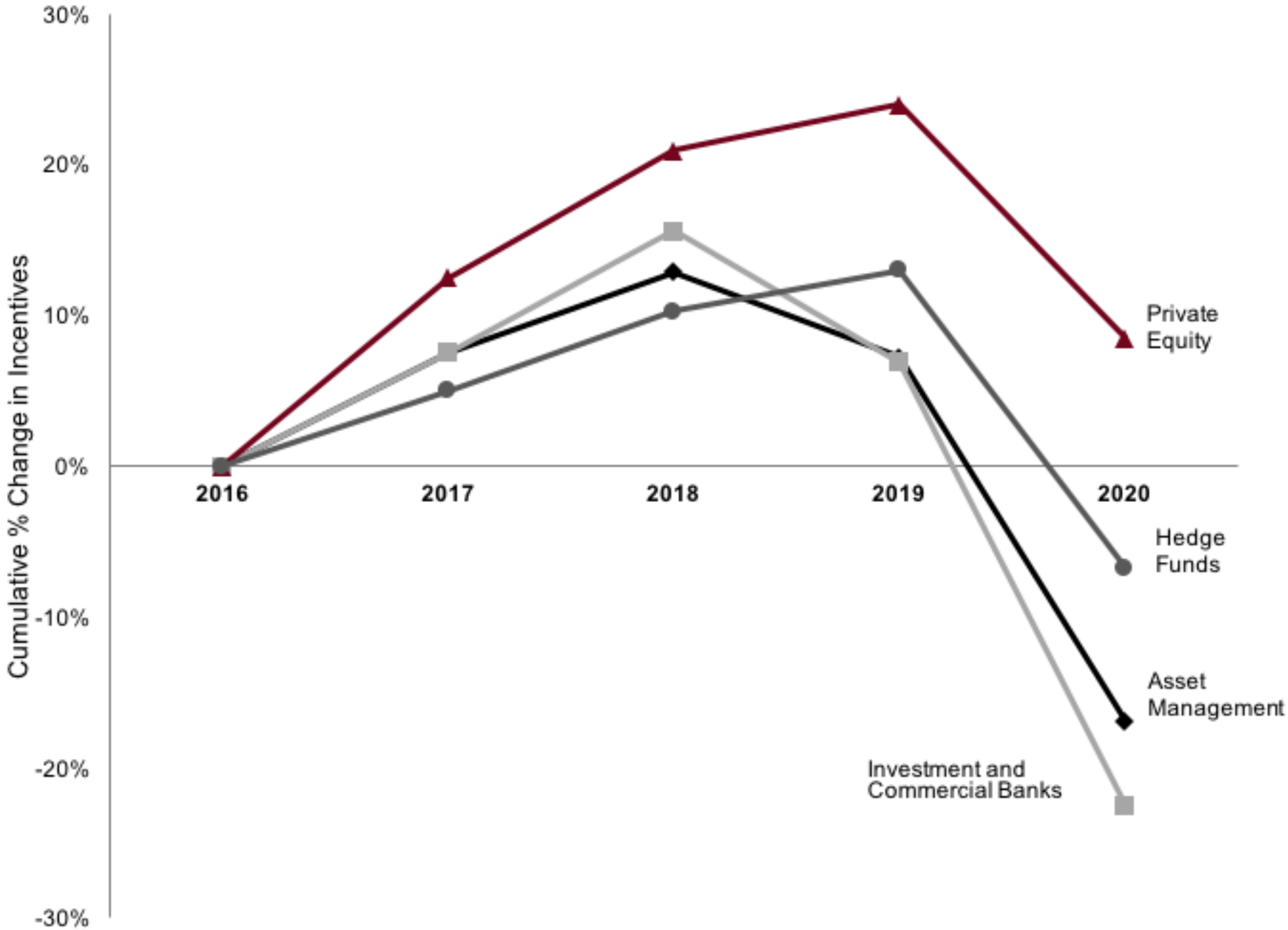
Business/Area		% Change from 2019
Asset Management		**-20% to -25%**
Reduced asset base and rush to cash / money markets to heavily impact revenues		
Hedge Funds		**-15% to -20%**
Down broadly; wide variance in results as volatile markets led to extremely polarizing outcome		
Private Equity	**Large**	**-5% to -10%***
	Small / Mid	**-15%***
Fundraising slowing but firms with large new funds outperform smaller competitors with less capital and flexibility		
High Net Worth		**-20% to -25%**
Lower asset base compounded by drop in fees as clients derisk		

Investment & Commercial Banking

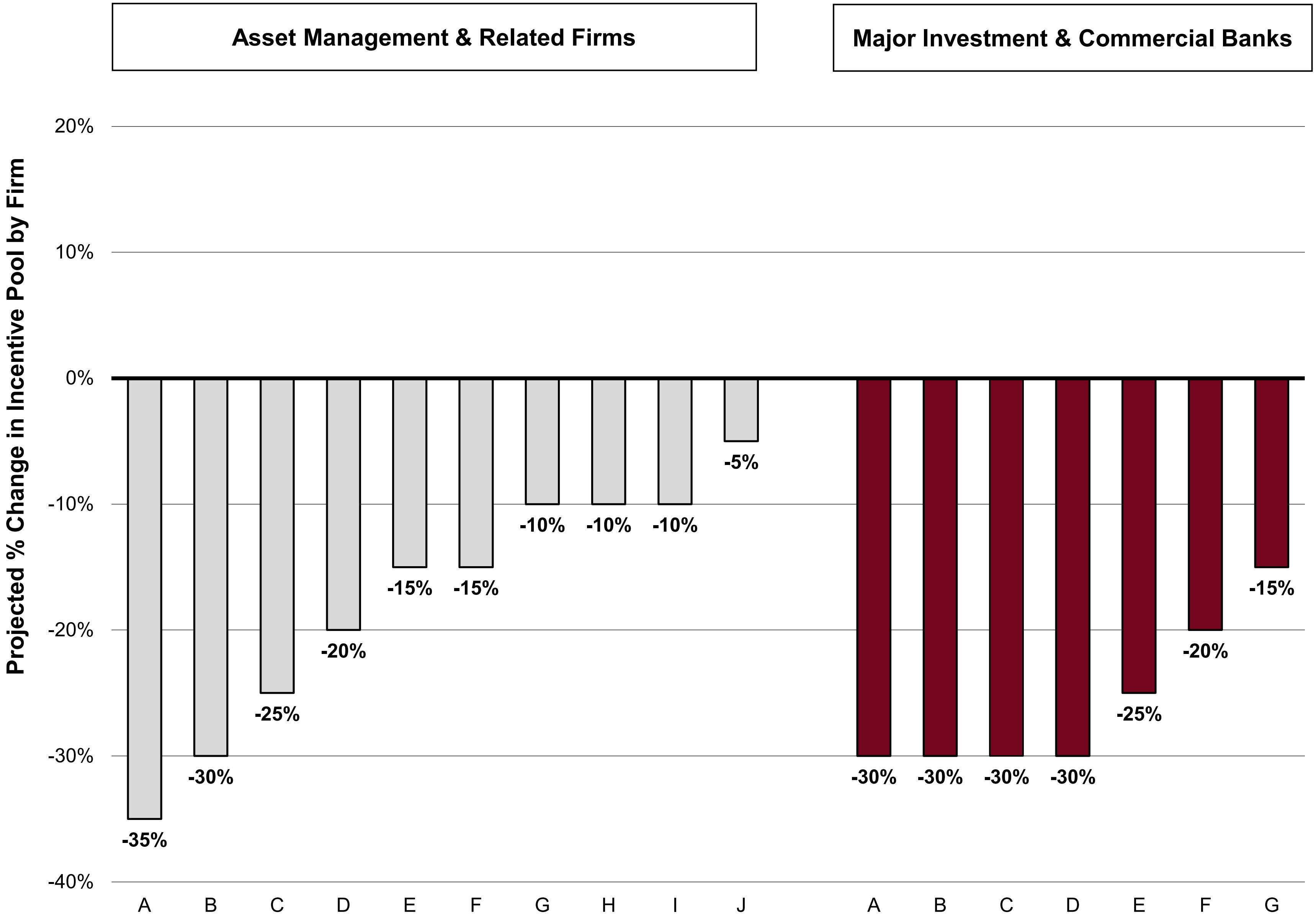
Business/Area		% Change from 2019
Firm Management/Staff Positions		**-25% to -30%+**
Could see sharper decreases than pool funding amidst heavy public scrutiny, pressure from Boards		
Investment Banking	**Advisory**	**-20% to -25%+**
	Underwriting	**-10% to -15%**
Advisory down and backlog stalled; debt underwriting flourished while equity underwriting faltered		
Sales & Trading	**Equities**	**+15% to +20%**
	Fixed Income	**+15% to +20%**
Heightened activity amidst volatility spike; volumes expected to decline but remain healthy		
Retail & Commercial Banking		**-25% to -30%+**
Surge in provision for credit losses outweighs loan origination and deposit growth		

*Applies to incentive and equity, excludes carry

Incentive Trend by Business Segment



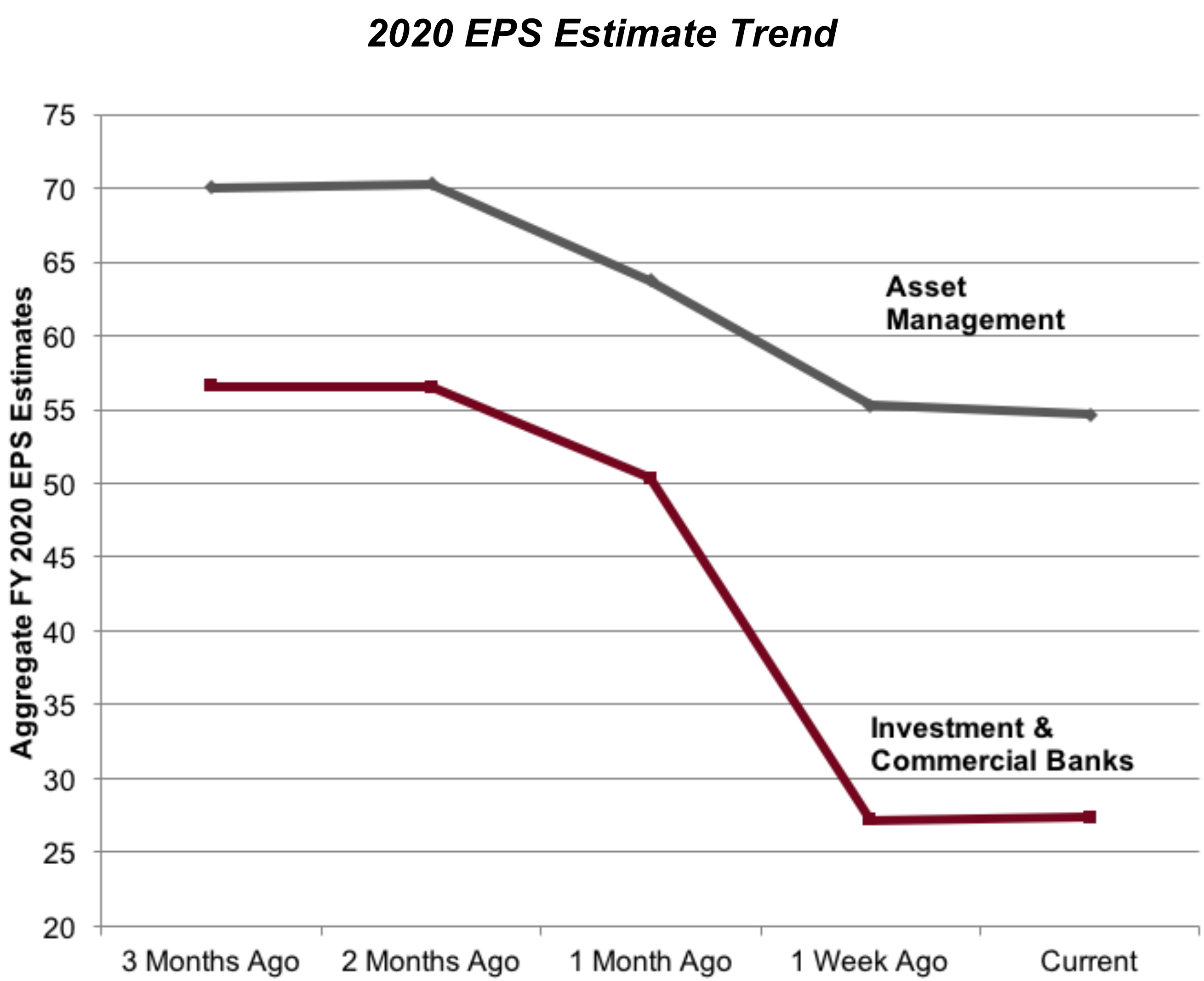
Projected % Change in Year-End Incentive Pool by Firm*



** 3 months actual data with projection for remainder of year*

Analyst Estimated EPS Trend

- Through April 2020, analyst estimates reflect dramatic decline for both asset management and investment and commercial banks
- Chart reflects a sample of 6 investment and commercial banks and 10 asset management and related firms



YTD Stock Performance

- Chart compares YTD stock performance for the S&P 500 versus the Vanguard Financials ETF