

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

8/9/21

After the second quarter, Johnson Associates projects meaningful year-end increases in incentive compensation across financial services. Investment & commercial banking profits up sharply with release of loan loss provisions and booming investment banking. Asset management incentives up as markets drive higher. Private equity incentives higher on fundraising and deal activity while hedge funds see positive flows and performance remains strong.

Traditional Asset Management:

Incentives up as market surge continues

- Market appreciation sends AUM higher
- Fixed income and multi-asset strategies generate most inflows
- ESG, alternatives, and digitally focused platforms becoming growth engine for largest firms
- Remote work and competitive talent market and pressure from fin-tech lead to higher turnover

Alternative Investments:

Private equity and hedge funds incentives up

- Hedge fund inflows and strong performance broadly
- New fund launches on pace for multi-year high
- Hedge fund performance and asset inflows lift industry AUM to record levels
- Private equity incentives up as fundraising soars and healthy realizations
- Venture capital fundraising and deal-making continue at frenetic pace

Investment and Commercial Banking:

Incentives up significantly as investment banking booms

- Release of credit loss provisions in consumer and retail businesses fuel higher earnings
- Equities trading significantly outperforms fixed income which cooled from exceptional 2020
- Investment banking up sharply as hot IPO market boosted underwriting activity
- M&A activity surged as interest rates remain low and deal-making accelerated
- Consumer spending increasing while commercial loan demand remains weak
- Favorable conditions and healthy investment banking pipeline to aid second half of year
- Upward base salary adjustments for junior and mid-level investment bankers

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Projected 2021 Incentive Funding

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

Traditional Asset Management & Alternatives

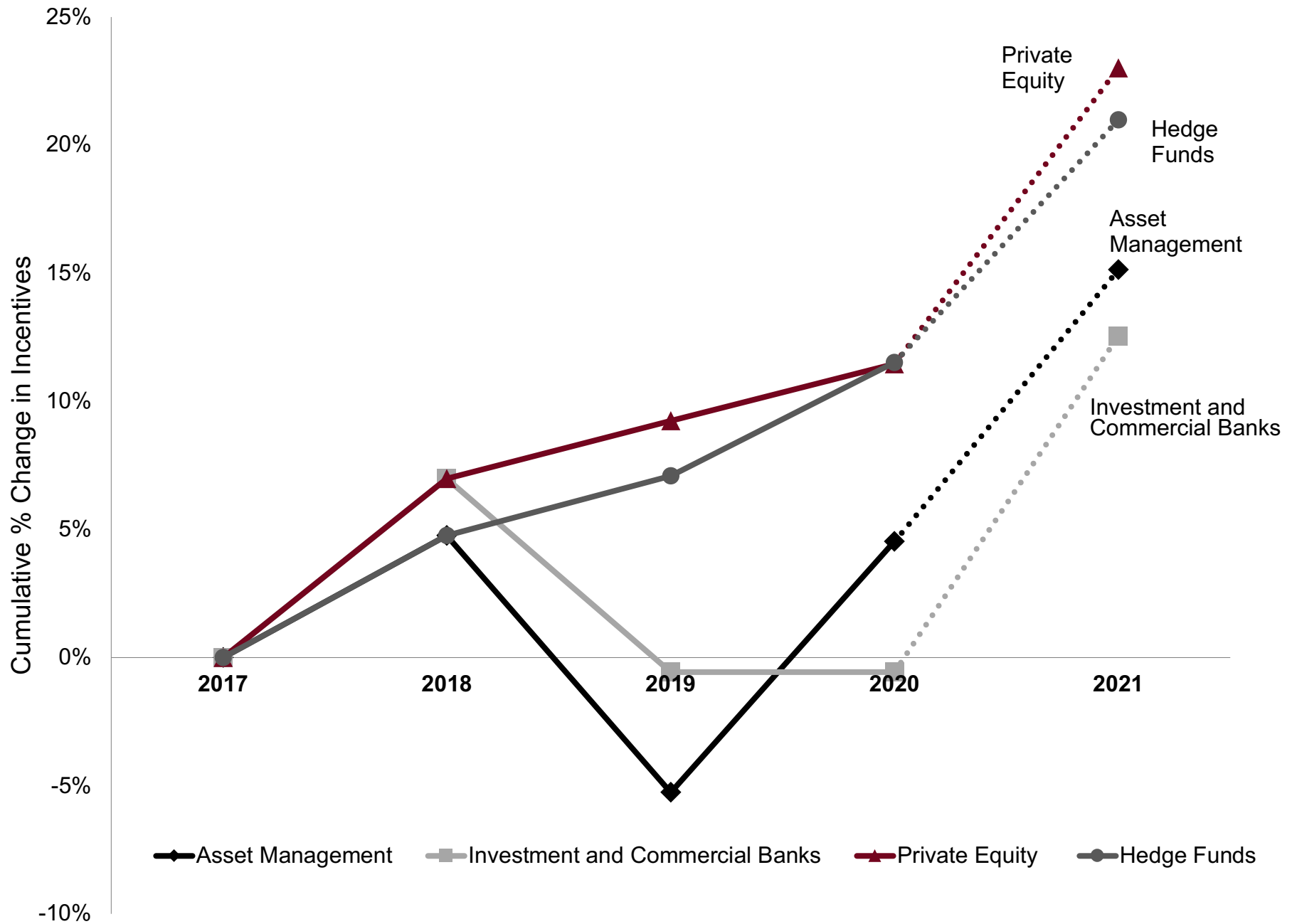
Business/Area		% Change from 2020
Asset Management		+10% to +15%
<i>AUM boosted by record market highs and broad inflows led by fixed income and multi-asset</i>		
Hedge Funds		+10% to +15%
<i>Positive flows paired with strong performance. Equity strategies outperform credit</i>		
Private Equity*	Mega	+15% to +20%
	Mid / Large	+10% to +15%
<i>Fundraising soars with both deal-making and realizations healthy</i>		
High Net Worth		+10%
<i>Asset levels increase as investors seek returns in strong equity markets</i>		

Investment & Commercial Banking

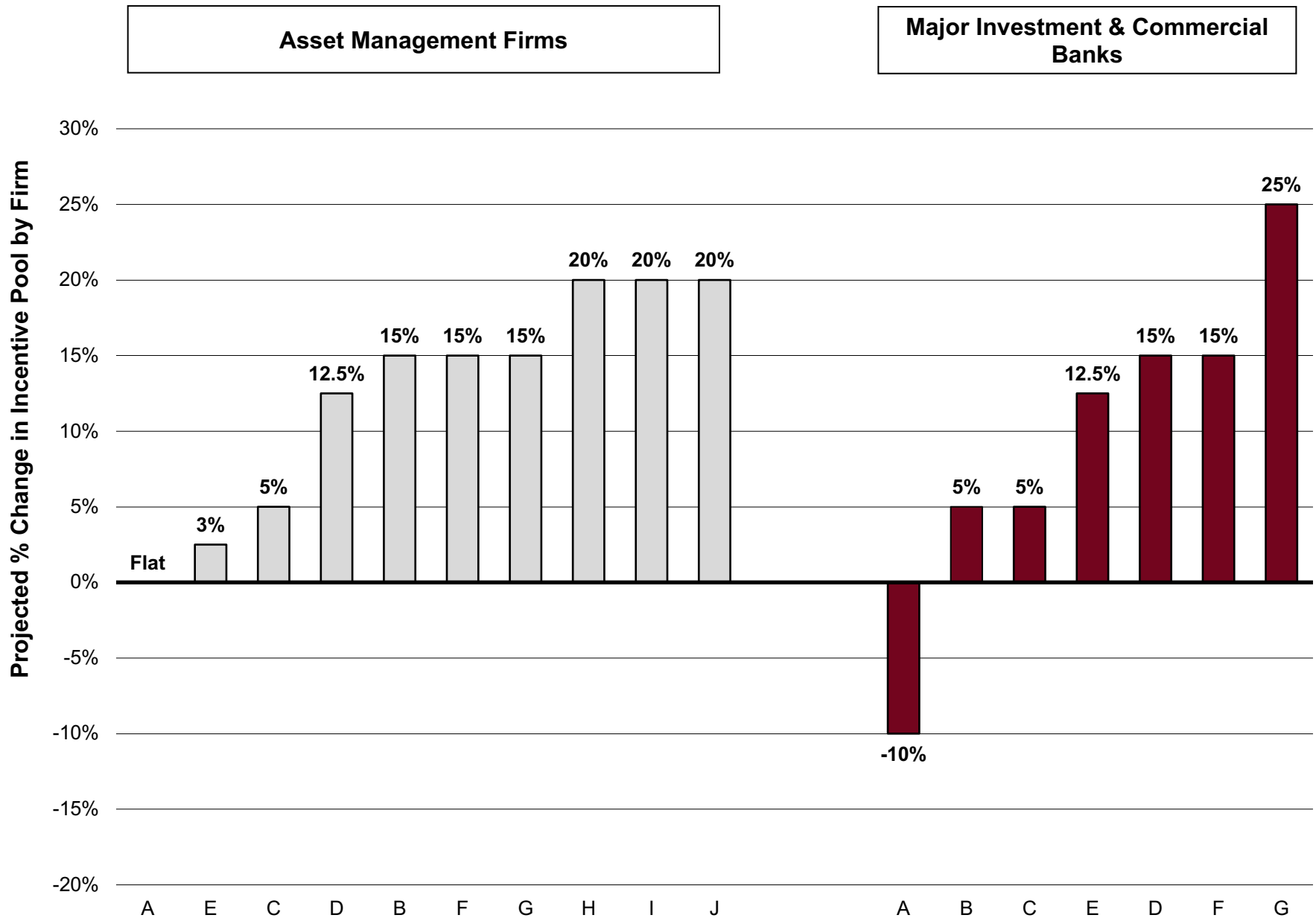
Business/Area		% Change from 2020
Firm Management/Staff Positions		+10% to +15%
<i>Further loan loss reserve release boosts profits; exceptional investment banking performance led by equity underwriting and equities trading</i>		
Investment Banking	Advisory	+20% to +25%
	Underwriting	+30% to +35%
<i>Equity underwriting leaps higher on scorching IPO market; debt underwriting trails but still gains. Robust M&A activity</i>		
Sales & Trading	Equities	+20% to +25%
	Fixed Income	-5% to flat
<i>Equities maintain torrid pace while fixed income falls from exceptional 2020 performance</i>		
Retail & Commercial Banking		Flat
<i>Continued release of credit provisions as economy stabilizes; loan demand weak gaining momentum</i>		

*Applies to incentive and equity, excludes carry

Incentive Trend by Business Segment



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

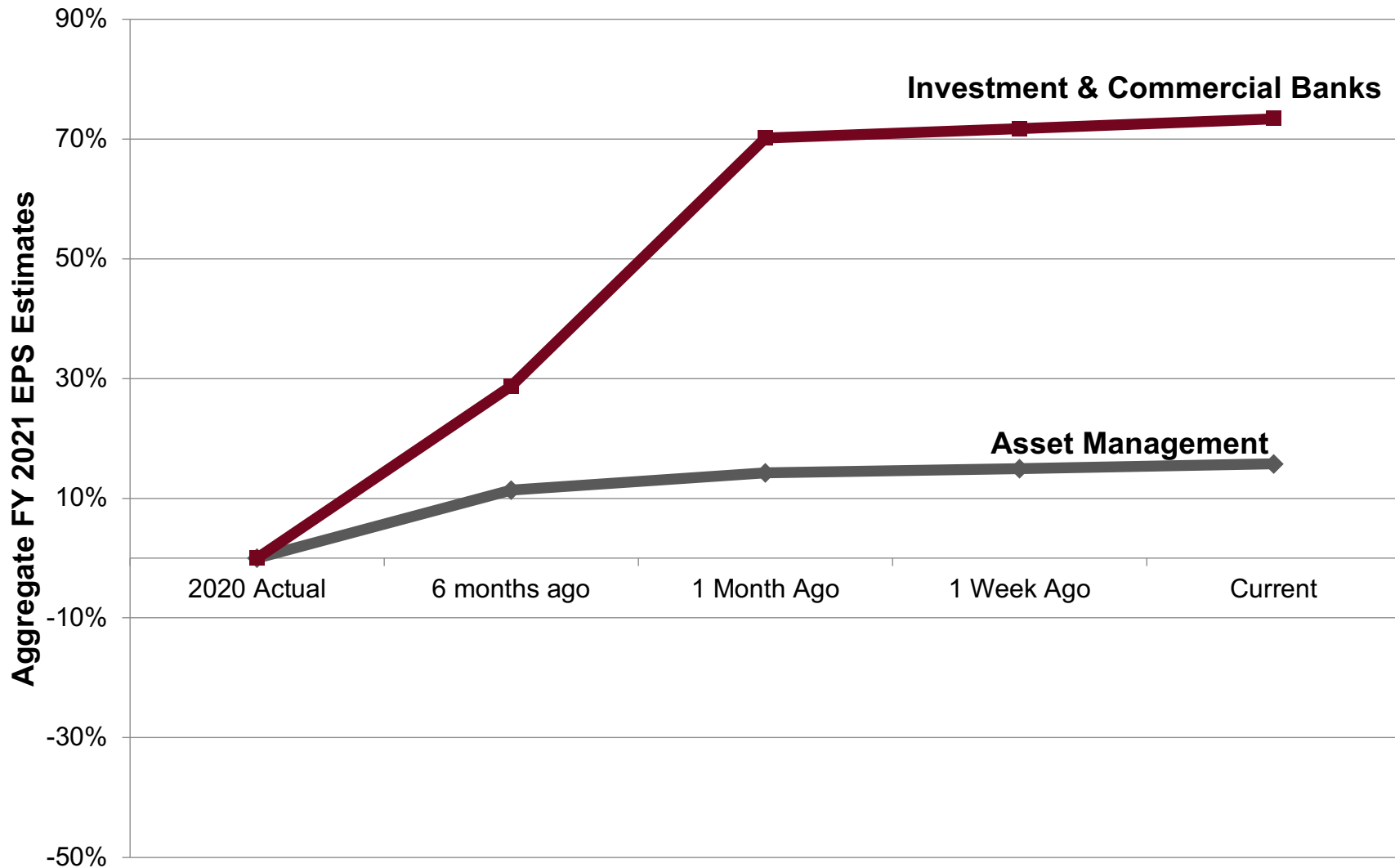


* 6 months actual data with projection for remainder of year

Analyst Estimated EPS Trend

- Versus 2020 actual EPS, analyst estimates for investment and commercial banks trend higher after dramatic surge on release of loan loss provisions while asset management estimates have stabilized
- Chart reflects a sample of 6 investment and commercial banks & 10 asset management firms

2021 EPS Estimate Trend (% Change)



Stock Performance Across Varied Sectors: Jan 2020 - Present

- Asset management and alternatives sectors outperforming the S&P 500 since January 2020

