

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

11/16/21

After the third quarter, Johnson Associates projects significantly year-end increases in incentive compensation across financial services. Investment & commercial banking profits up sharply with release of loan loss provisions and record investment banking. Asset management incentives up on rising markets. Private equity incentives higher on strong fundraising and realizations while hedge fund asset levels reach record high on inflows and performance.

Traditional Asset Management:

Incentives up on market rise and moderate inflows

- Net inflows across equities, fixed income, and alternatives
- Increased M&A as firms seek scale and more diverse offerings (i.e., alternatives)
- ESG, alternatives, and digitally focused platforms sources of organic growth
- Remote work, competitive talent market, and pressure from fin-tech lead to higher turnover

Alternative Investments:

Private equity and hedge funds incentives up

- Hedge fund investor interest continues as volatility in equities and inflationary concerns help lift AUM to record levels
- Private equity incentives up on strong fundraising, and healthy realizations
- Opportunistic real estate rebounds
- Perpetual capital strategies key contributor to strong fundraising environment

Investment and Commercial Banking:

Incentives up significantly driven by record investment banking

- Continued release of credit loss provisions drive significant earnings increases year over year
- Record equities underwriting and advisory lead investment banking higher
- Boutique M&A bank incentives soar on record revenues and deal activity
- Consumer and wealth management divisions rise on strong markets and robust client activity
- Trading results diverge as equities trading up significantly while fixed income trading declines
- Loan activity rebounds slightly while deposits up significantly
- Client activity and business pipelines favorable heading into the new year

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Projected 2021 Incentive Funding

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

Traditional Asset Management & Alternatives

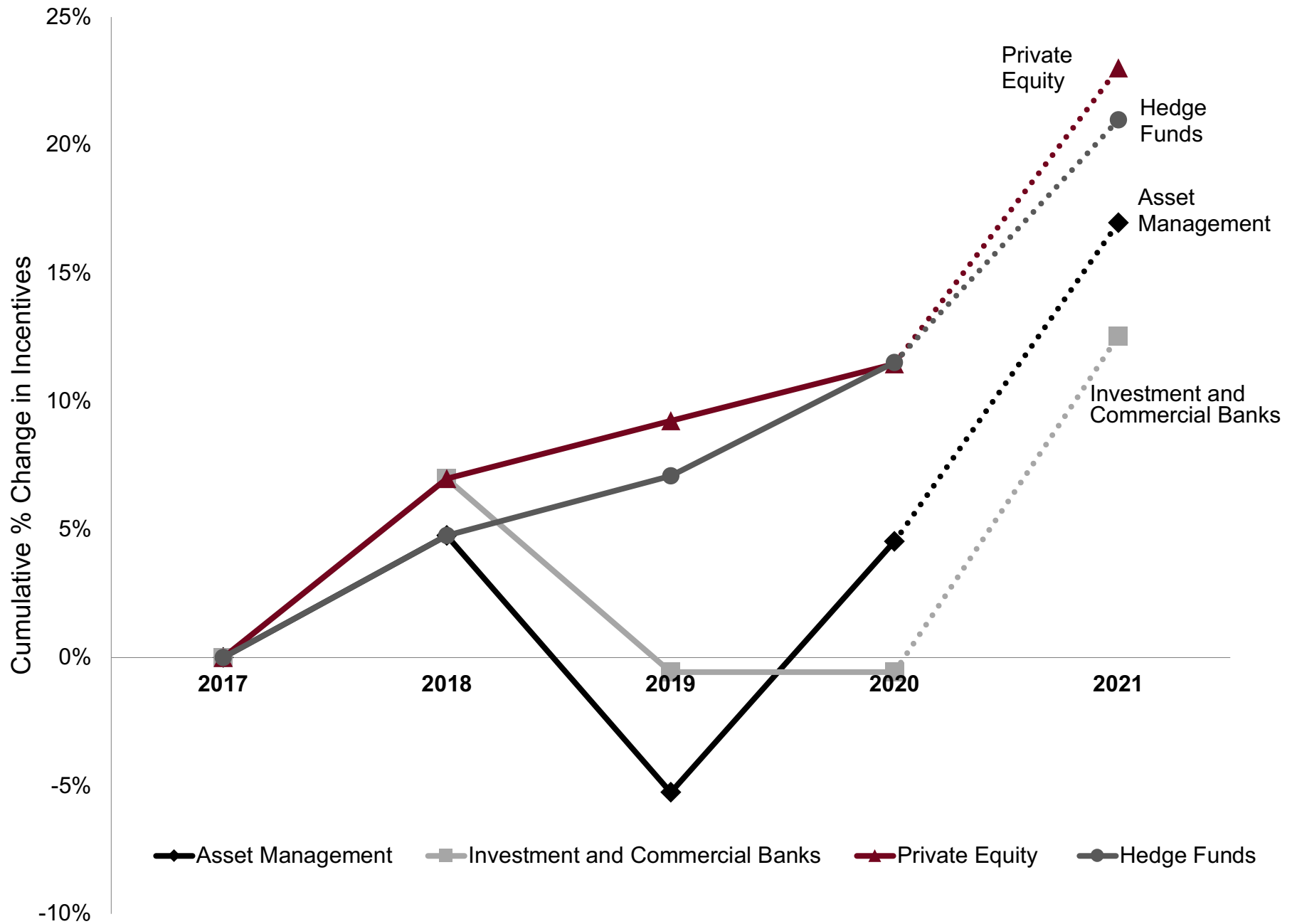
Business/Area		% Change from 2020
Asset Management		+12% to +18%
<i>AUM rises on market appreciation and moderate inflows as fixed income and alternatives drive asset levels higher</i>		
Hedge Funds		+10% to +15%
<i>Positive flows paired with strong performance. Equity and relative value strategies drive inflows</i>		
Private Equity*	Mega	+15% to +20%
	Mid / Large	+12% to +18%
<i>Fundraising soars with robust deal-making and realizations. Perpetual capital and venture capital star strategies</i>		
High Net Worth		+10% to +15%
<i>Strong markets drive AUM and incentives higher</i>		

Investment & Commercial Banking

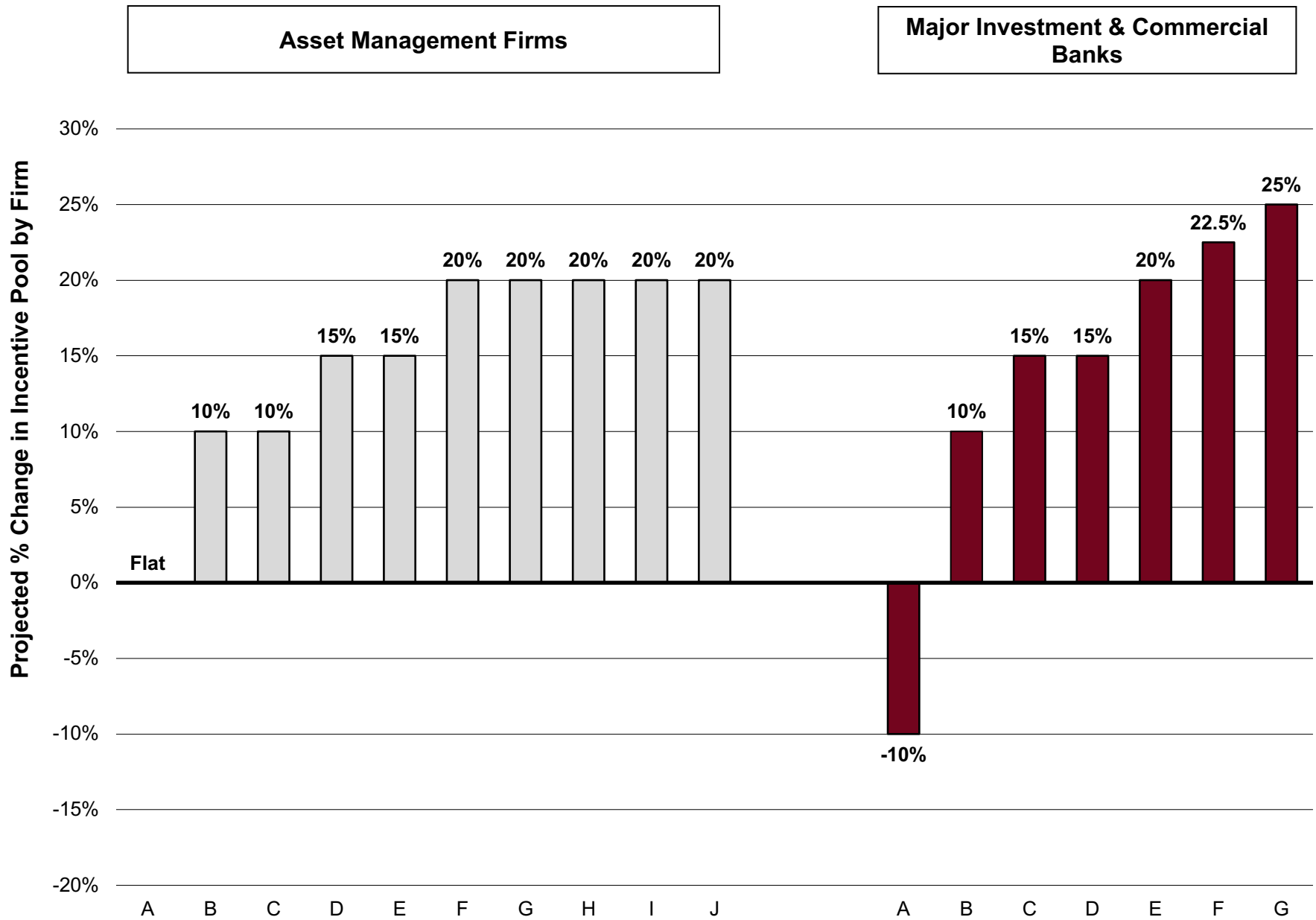
Business/Area		% Change from 2020
Firm Management		+12% to +18%
Staff Positions		+10%
<i>Strong performance across business lines. Corporate bonus pool increases for staff lag slightly behind management</i>		
Investment Banking	Advisory	+20% to +25%
	Underwriting	+30% to +35%
<i>Equity underwriting leaps 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		+5%
<i>Continued release of credit provisions as economy stabilizes; loan demand weak but gaining momentum</i>		

*Applies to incentive and equity, excludes carry

Incentive Trend by Business Segment



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

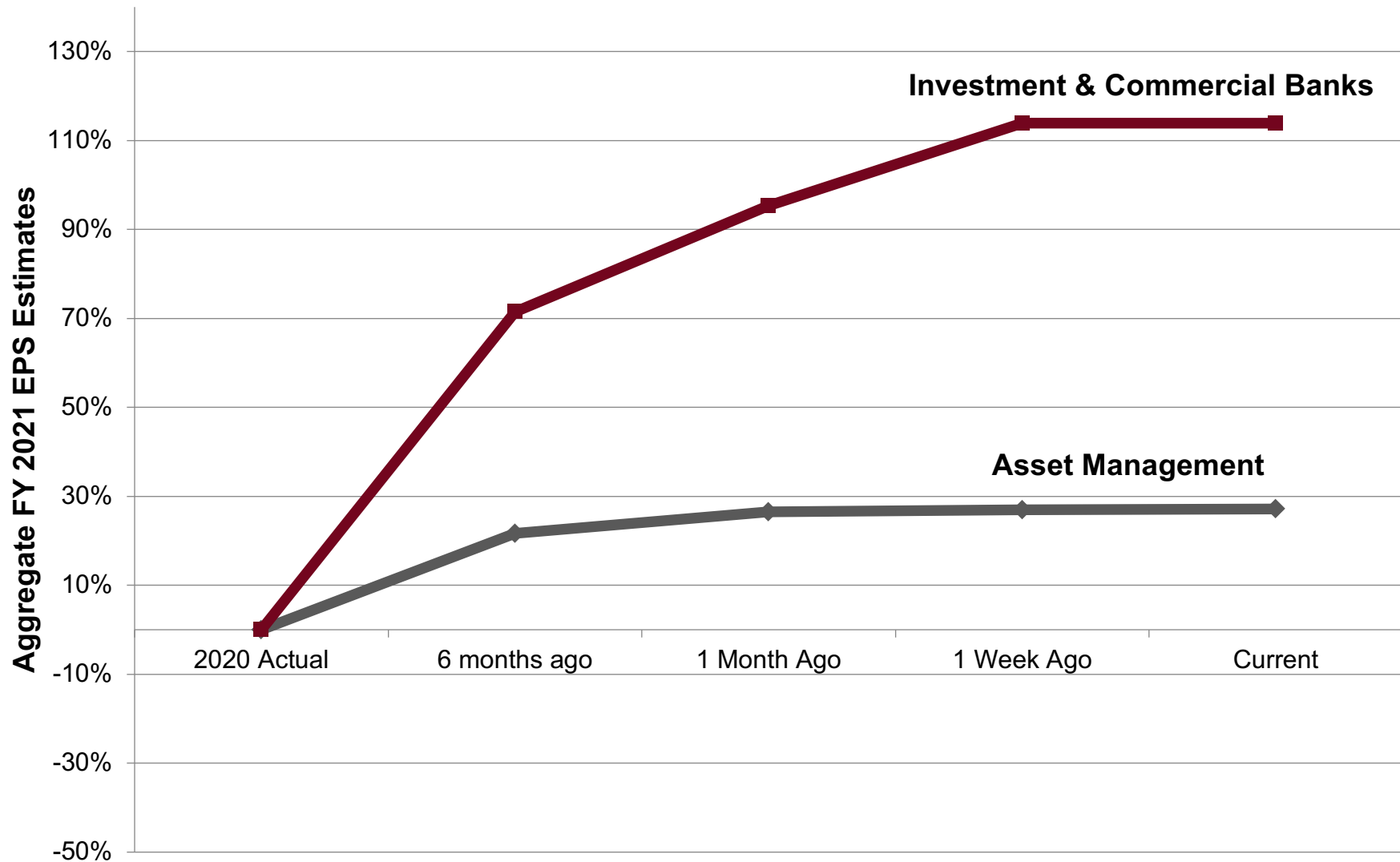


* 6 months actual data with projection for remainder of year

Analyst Estimated EPS Trend

- Analyst estimates for banks surge higher 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 2021 - Present

- Financial services, led by alternatives, significantly outperforming the S&P 500 since January 2021

