JOHNSON ASSOCIATES
FINANCIAL SERVICES COMPENSATION
Second Quarter Trends and Year-End Projections 8/9/17

After the second quarter, Johnson Associates projects broad increase in incentive compensation across financial services. Incentive compensation for asset management is expected to be flat to up moderately. Major investment & commercial banking firms saw continued improvement in results across most business units. Regulatory and political unknowns continue to spread caution throughout the industry. Market activity and interest rates will be key 2017 incentive drivers going forward.

Traditional Asset Management:
Inflows stabilize industry

- Incentives flat to up modestly
- Net inflows bolster moderate performance relative to benchmarks
- New products and strategies common focus within industry, leading to higher costs
- Fee pressures stifling revenue growth, performance not matching fees as market continues to hit record highs
- Ongoing cost cutting and headcount constraints

Alternatives:
Private Equity continues momentum

- Hedge fund incentives flat to slightly higher as outflows curb with expectation of higher volatility. Returns vary widely by strategy; many trail strong broad market performance; fee pressures continue
- Private equity incentives up significantly with better returns and asset inflows but fewer investment opportunities created by higher market valuations
- Alternatives continue to benefit from investors seeking returns and diversification; high dry powder levels continue

Investment and Commercial Banking:
Upbeat environment from healthy results

- Positive sentiment across industry as markets continue to reach record highs, political and regulatory uncertainty at forefront (Dodd Frank, Fiduciary Rule, etc.)
- Investment banking incentives up substantially, most significantly in debt and equity underwriting, as M&A activity and pipeline at solid levels
- Equities trading incentives down slightly due to declining client activity and lower volatility, fixed income trading incentives flat to up slightly on better performance
- Retail and commercial banking up modestly on continued deposit growth
- Cost cutting through geographical relocation. Firms moving headcount to lower cost locations such as Salt Lake City, Phoenix, etc.

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Projected 2017 Incentive Funding

- *Headcount-adjusted basis*

Traditional Asset Management & Alternatives

Business/Area	% Change from 2016
Asset Management (Independent and Captive) *Higher average AUM on market appreciation and asset inflows. Fee pressures amid rise in passive investing continue to hinder top line growth*	0% to 5%
Hedge Funds (Independent and Captive) *Asset outflows in underperforming funds balanced by a modest overall net positive in anticipation of volatility; On average returns still trail broad market indices; wide variability in performance by strategy (Emerging Markets, Tech do better); noted outliers; continued fee pressure*	0% to 5%*
Private Equity *Record number of funds and high asset prices. Continued dominance of large funds lead to record AUMs; high valuations and competition for deals drive historically high dry powder levels. Buyout fundraising at a high*	5% to 15%*
High Net Worth *Healthy asset growth, higher fee revenues*	5% to 10%

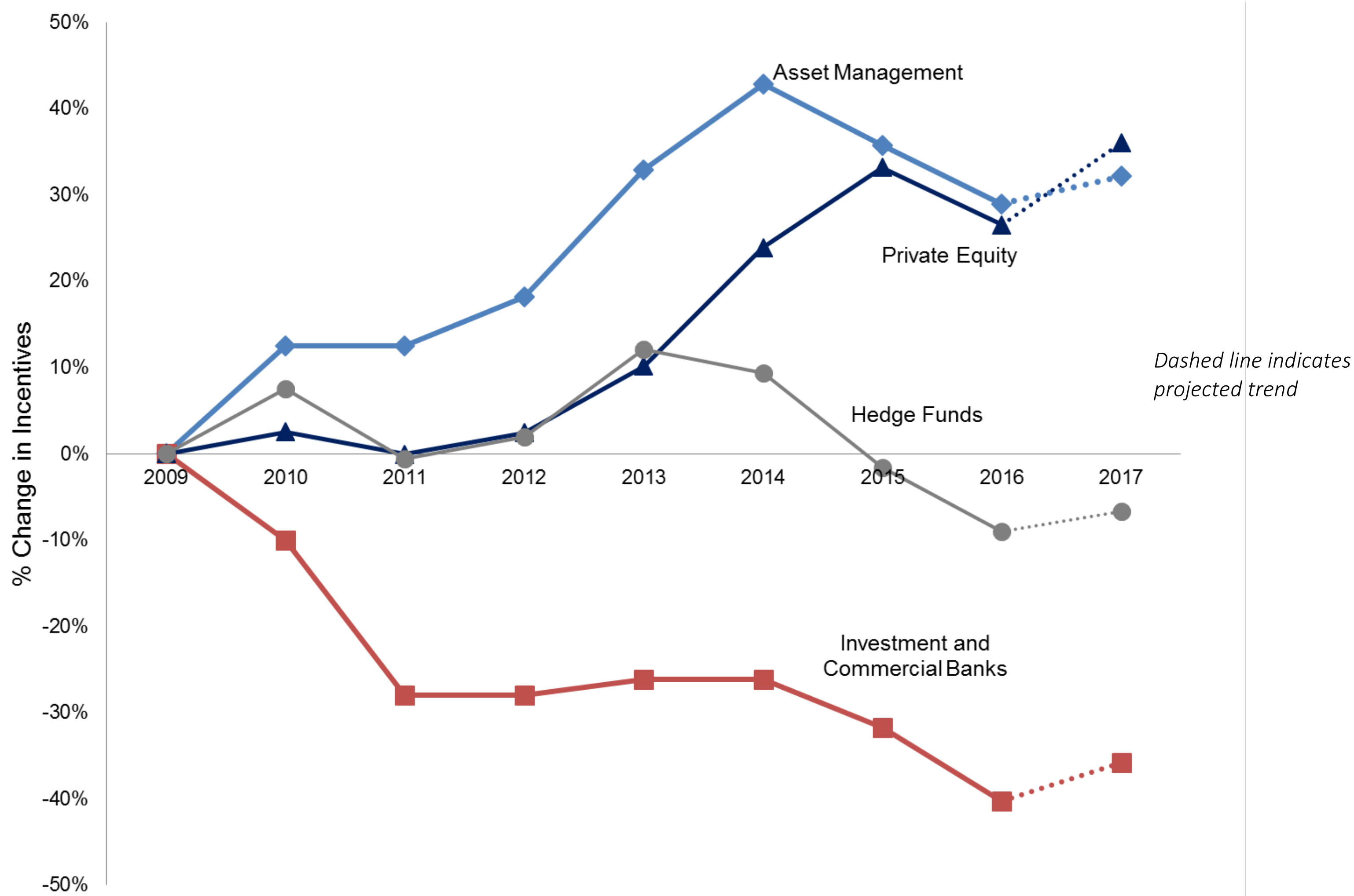
*Applies to incentive and equity, excluding carry

Investment & Commercial Banking

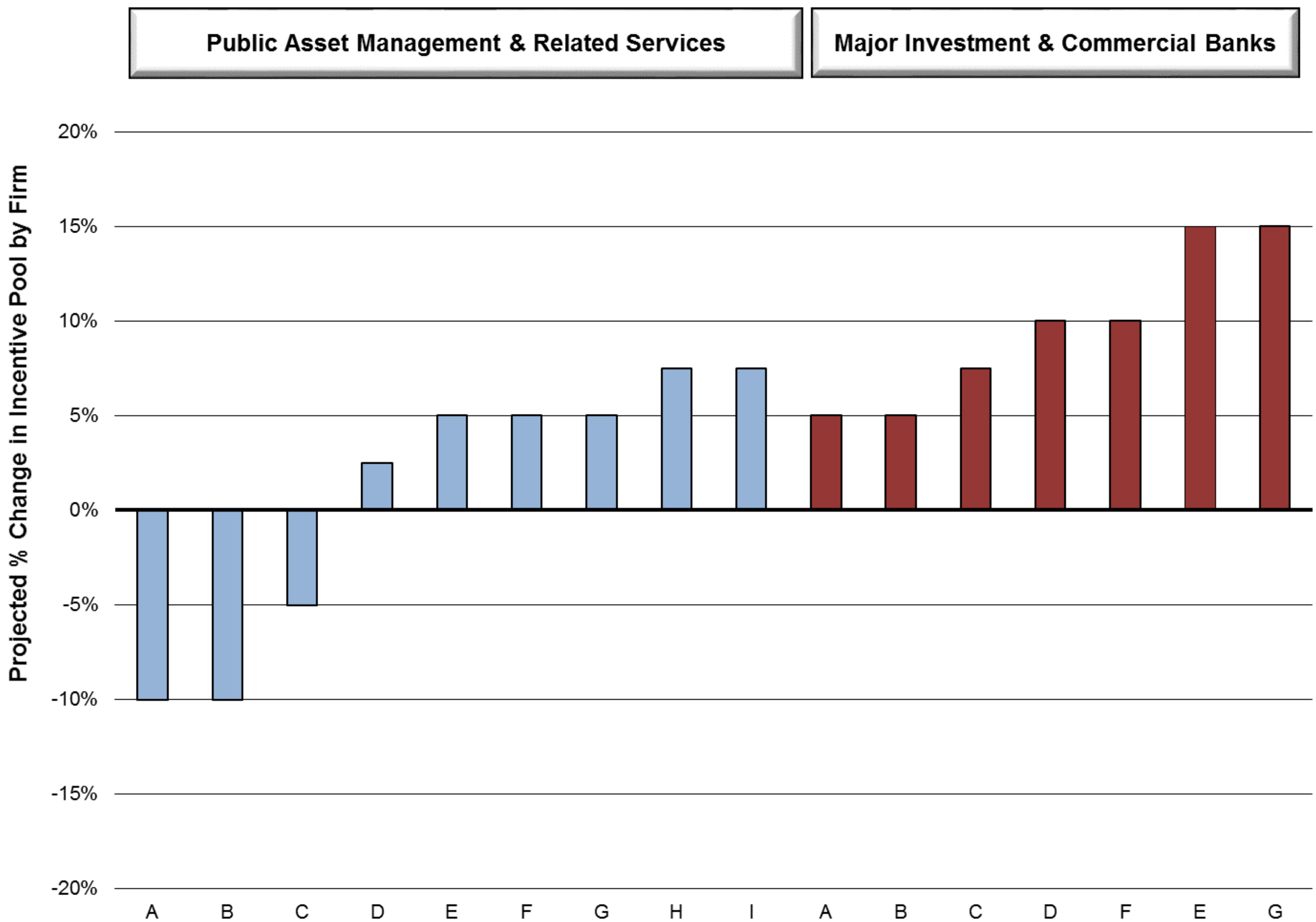
Business/Area		% Change from 2016
Firm Management/Staff Positions *Generally moves in line with entire firm. Cost cutting from employment relocation to lower cost geographical locations*		5% to 10%
Investment Banking *Industry-wide M&A activity higher, pipeline remains healthy. Equity and debt underwriting up significantly; advisory underwriting flat to up modestly*	Advisory Underwriting	0% to 5% 10% to 20%+
Sales & Trading *Moderate decline in client activity and lower levels of market volatility, fixed income results down slightly from strong first quarter*	Equities Fixed Income	0% to -5% 0% to 5%
Retail & Commercial Banking *Strong loan growth, increase in net interest income*		5% to 10%

Incentive Trend

- Incentives expected to diverge across industries, asset management and hedge funds trending up slightly while private equity and investment and commercial banks see significant improvements



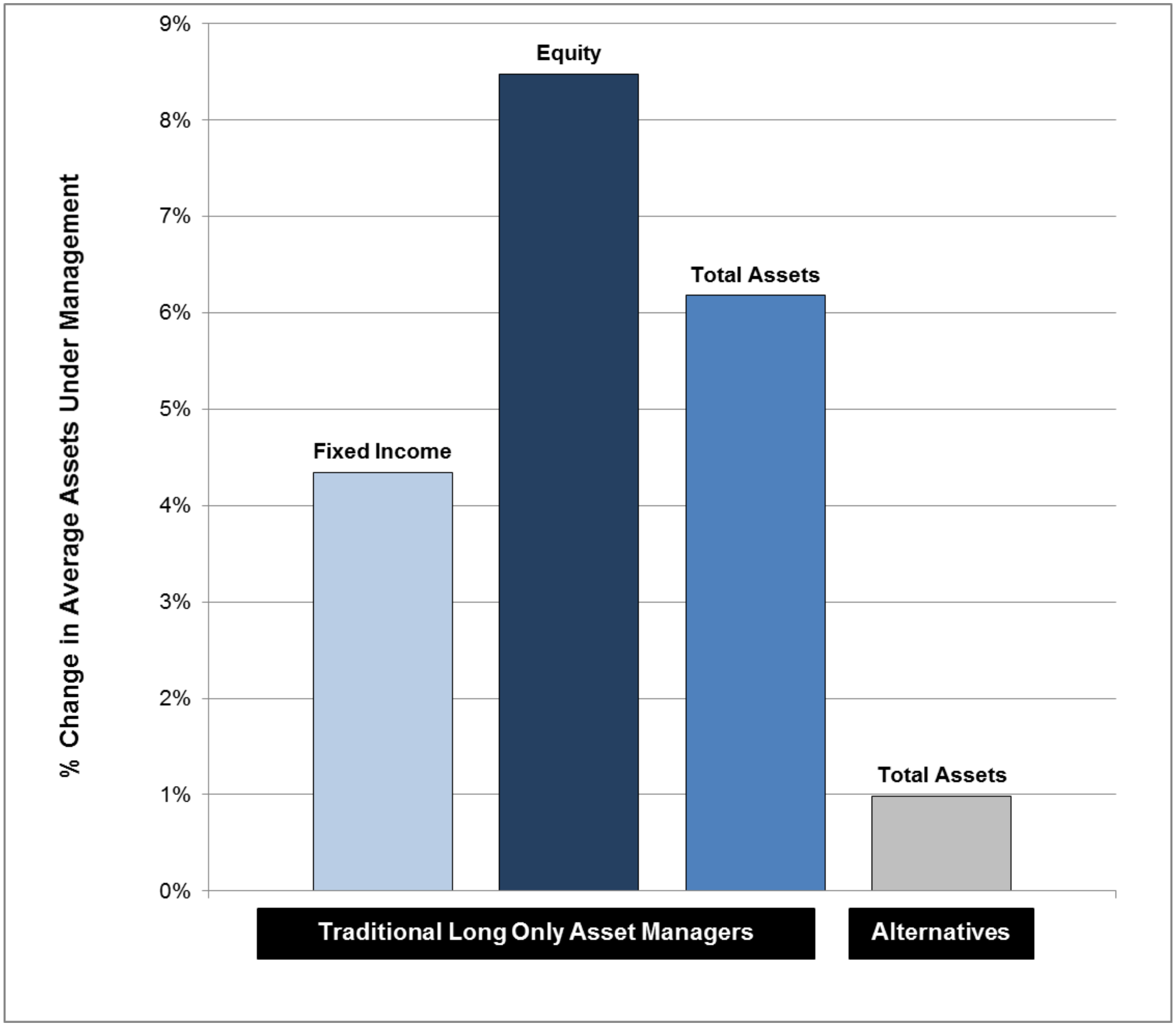
Projected % Change in Year-End Incentive Pool by Firm*



** 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 2017 compared to average full year 2016, for traditional long only (5 select firms) and alternatives (7 select firms)

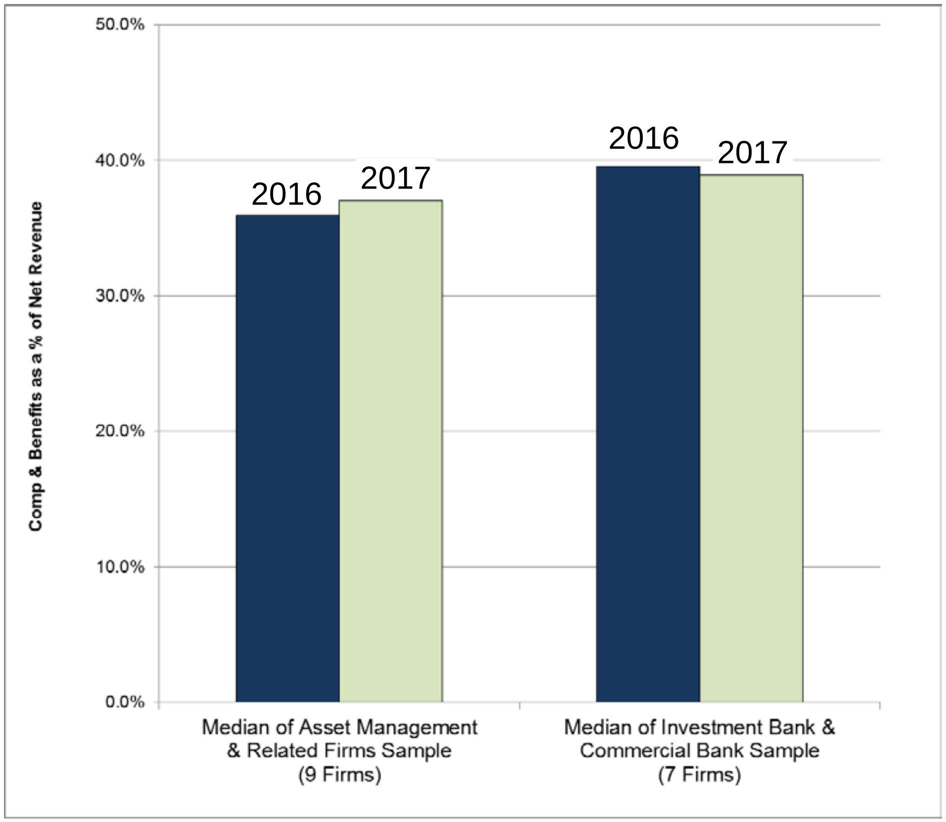


JOHNSON ASSOCIATES, INC.

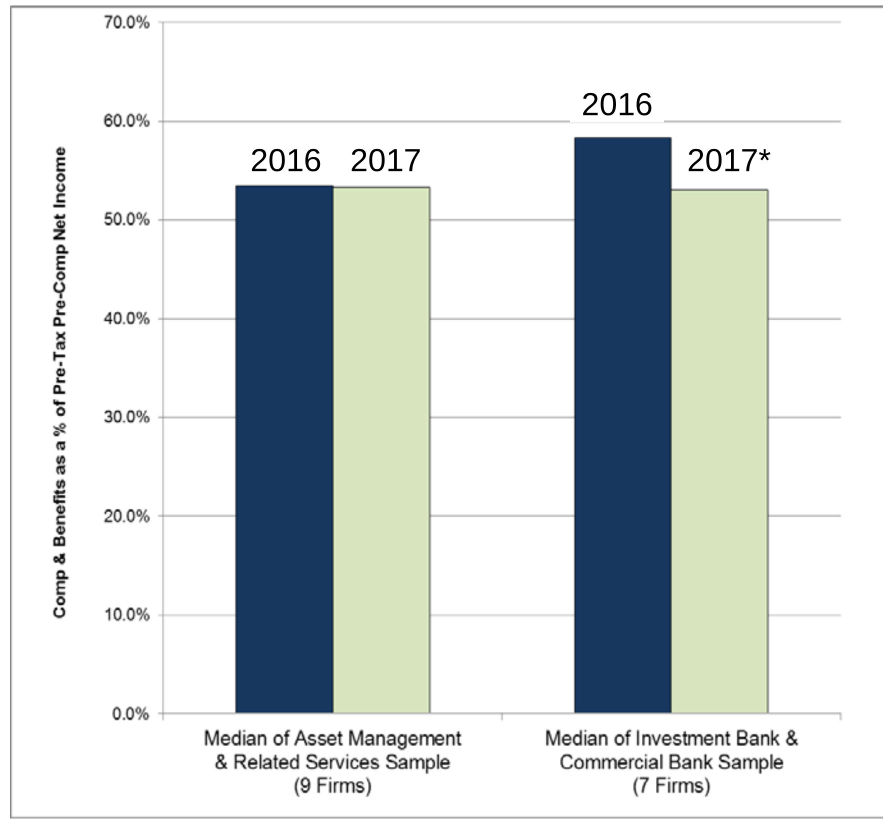
Year-to-Date Compensation & Benefits Ratios

- 6M 2016 v. 6M 2017 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



* *Note: 2017 ratio impacted by outlier data point. On a normalized basis, would be similar to 2016 %*

Analyst Estimated EPS Trend

- With 8 months into the fiscal year, analyst estimates reflect a slightly more positive outlook across financial services
- Chart reflects a sample of 6 investment and commercial banks and 9 asset management and related services firms

2017 EPS Estimate Trend