Stabilizing Interest Rates Should Ease Pressure On Asset Managers, Despite Headwinds

Asset management sector view 2024

Jan. 22, 2024

S&P Global Ratings

This report does not constitute a rating action

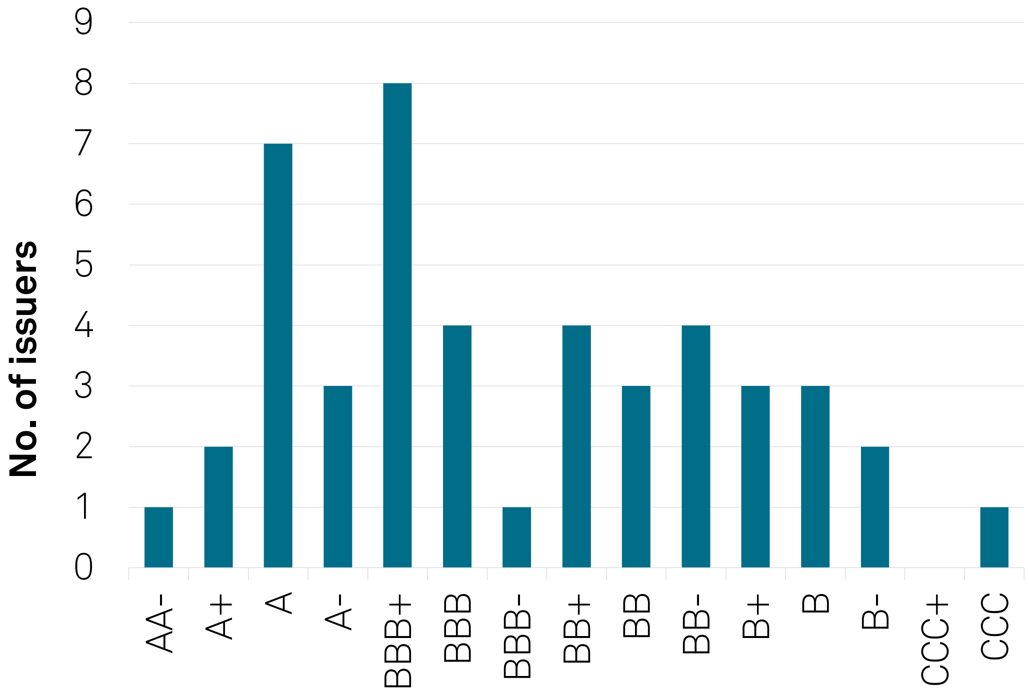
Key takeaways

We maintain our negative sector view for the traditional asset management sector, and stable sector view for the alternative asset management and wealth management sectors, for 2024.

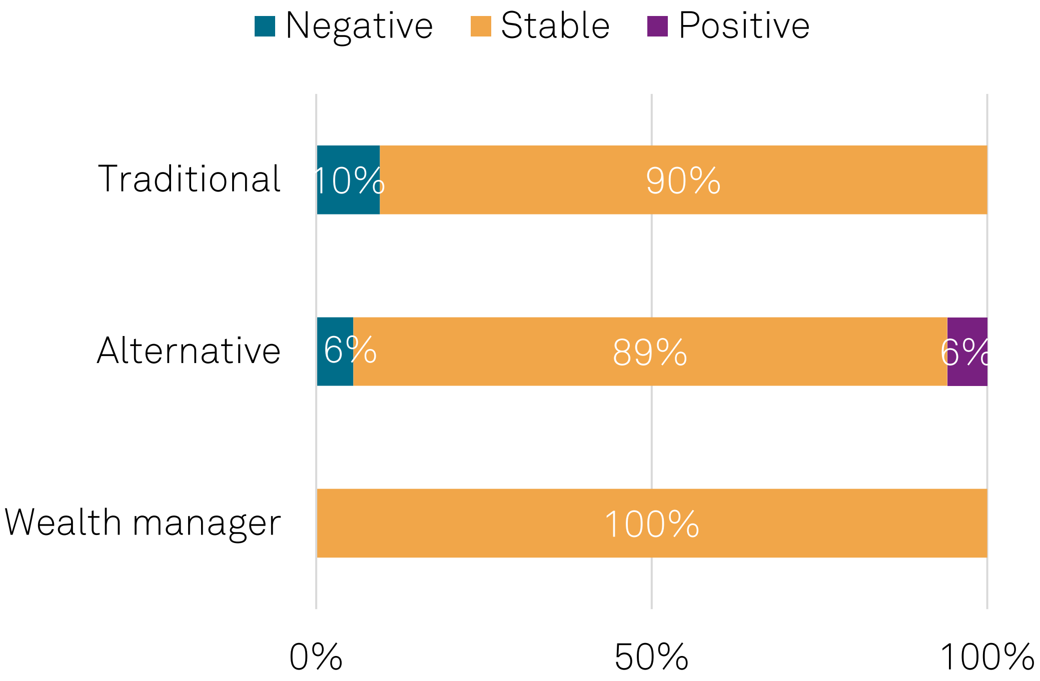
- We expect the fed funds rate to end 2024 at 4.7% and 2025 at 2.9%, from 5.33% at year-end 2023, with cuts beginning mid-2024. We expect the ECB will cut its policy rate by 75 basis points in 2024, beginning mid-2024, before easing further in 2025.
- While we expect rates to remain elevated over the near term, rate cuts will improve asset managers' cash flow and EBITDA interest coverage. Clarity on interest rates may also stabilize asset valuations, supporting deployment and realization activity for alternative asset managers. That said, the full effect of monetary tightening may not yet be reflected, and market volatility and a slowing economy could pressure both debt (public and private) and equity markets in 2024.
- Of the three subsectors, traditional managers are the most exposed to market volatility, the impact of which may be compounded by net outflows and continued fee pressure for some issuers.
- While wealth managers are also vulnerable to market movements, their asset base is stickier, resulting in more stable earnings. That said, frequent debt-funded M&A and stalling earnings growth pressure credit metrics for the wealth managers we rate.
- Alternative asset managers are the best positioned of the three due to their locked-up AUM. While the market for alternative assets is growing, constrained limited partner (LP) liquidity may weigh on fundraising.
- S&P Global Ratings expects the trailing-12-month speculative-grade default rates for corporate issuers to reach 5% in the U.S. and 3.75% in Europe by September 2024, above their long-term historical trends. However, few rated asset managers have near-term maturities. That said, interest coverage remains pressured for those with high leverage and significant variable-rate debt.
- Most asset managers we rate can withstand moderate market volatility and continued high interest rates over the short term. We expect rating actions to remain idiosyncratic in 2024, though there could be further downside if market conditions are worse than we expect.

Rating and outlook snapshot

Global asset managers rating dispersion



Global asset managers outlook dispersion



As of Jan. 22, 2024. Source: S&P Global Ratings.

Traditional asset managers credit overview

Our sector view for traditional asset managers is negative.

Key rating risks:

- Exposure to market movements amid elevated interest rates and a slowing economy.
- Redemption risk, particularly for managers that are smaller or less diversified (by product offering, LP base, or distribution channel), or with records of investment underperformance.
- Passive strategies taking market share from active strategies, resulting in outflows and fee pressure for many issuers.
- Higher interest rates generally for those that refinance or issue new debt over the next 12 months and weakening interest coverage and liquidity for issuers with significant variable-rate debt, though these are more predictable given the end of the Fed's rate hiking cycle.
- Potential for outsize share repurchases and dividends relative to free cash flow.

Mitigating factors:

- Most asset managers have flexible operating structures and stronger margins relative to other corporate sectors.
- Market dislocation could provide an opportunity for some active managers to outperform, which could support future inflows.
- Few debt maturities in 2024.
- Some traditional managers are growing their alternative offerings, which could support AUM growth and visibility into earnings.
- Larger, more diversified managers are better positioned to maintain AUM as investment strategies come in and out of favor.

Traditional asset managers sector view and rating triggers

Rating dispersion of global traditional asset managers

As of Jan. 22, 2024. Source: S&P Global Ratings.

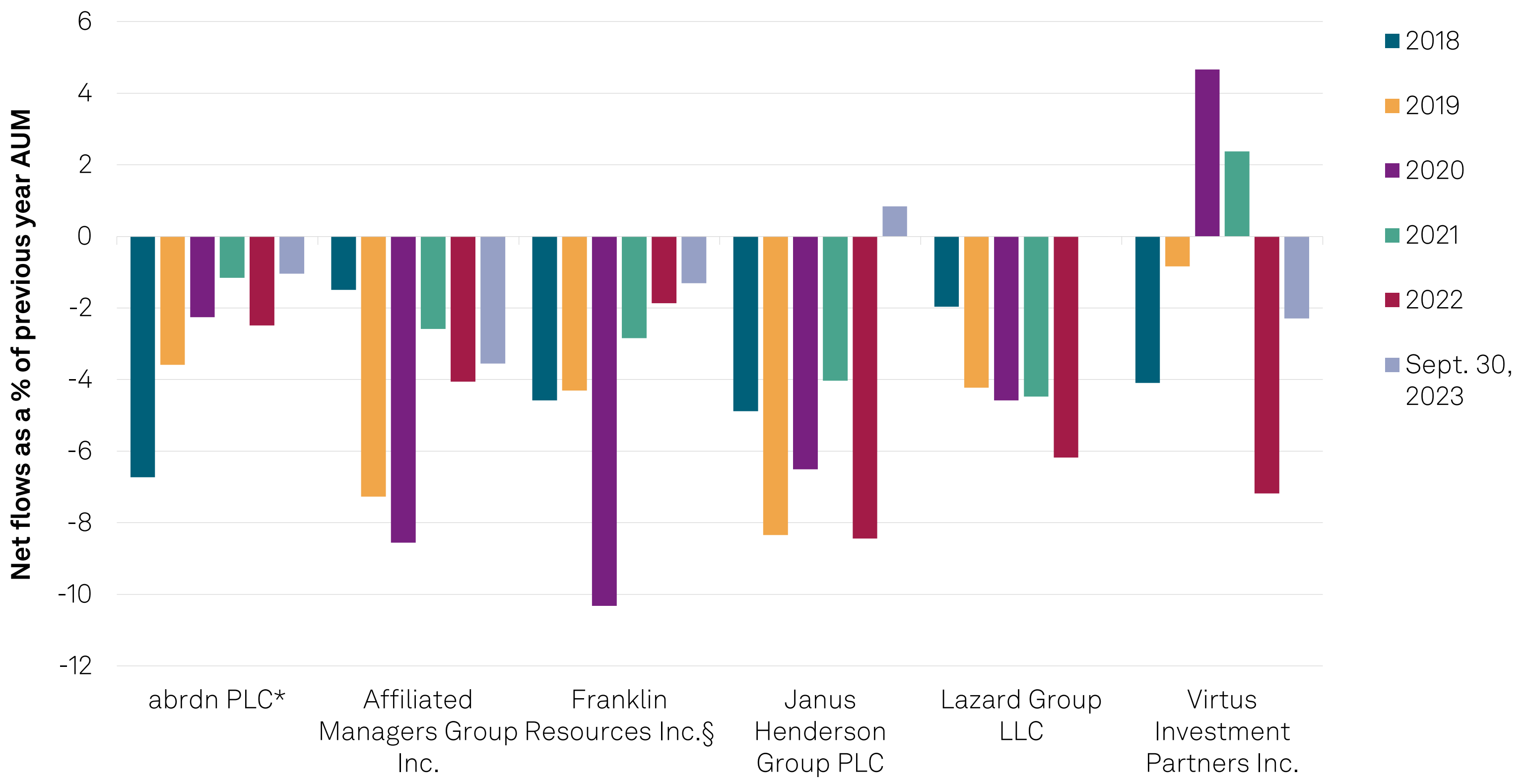
S&P Global Ratings

Our sector view for traditional asset managers is negative.

- As of Jan. 22, 2024, 10% of global traditional asset managers we rate had a negative outlook. Two issuers executed distressed debt exchanges over the last 12 months.
- Our current ratings incorporate our expectation for the economy to slow and interest rates to remain high in 2024. We believe most managers we rate can handle moderate market volatility without a material, sustained erosion in credit metrics. We therefore expect most rating movements over the next year to be idiosyncratic.
- We could consider a stable or more positive view of the sector if we see markets stabilize, investment performance and organic growth improve, and leverage decline because of debt repayment and a benign economy.
- Beyond the immediate impacts of market movements and net flows, we will focus on investment performance, the diversification of AUM bases (by asset class and strategy, investor, and distribution channel), and profitability.

Many traditional asset managers have experienced persistent net outflows in recent years

Select traditional asset manager net flows



- Several large traditional asset managers have struggled with persistent net outflows over the past several years, in part due to mixed investment performance and flows to lower-cost passive strategies.
- We expect flows to remain mixed in 2024.
- Market dislocation could create opportunities for active management to outperform compared with passive indexing.

*Including wealth assets and excl. Lloyds Banking Group withdrawal flows. 2023 represents two quarters ended June 30. §Including cash management AUM. 2023 represents full fiscal year ended Sept. 30.

Key credit metrics and leverage triggers for traditional asset managers

Cushions exist, but most issuers are closer to downside rating thresholds than upside

Entity	Rating	Outlook	--Debt to adj. EBITDA (x)--			--Leverage (coverage§) outlook triggers--		--Adj. EBITDA to interest (x)--		
			FY 2022a	FY 2023e	FY 2024e	Downside	Upside	FY 2022a	FY 2023e	FY 2024e
Traditional asset managers										
abrdn PLC	BBB+	Stable	0	< 1.5	< 1.5	> 1.5	-	3.1	2.0-4.0	6.0-10.0
Affiliated Managers Group Inc.	BBB+	Stable	1.3	~2.0	~2.0	> 2.5	< 1.5	10.3	6.0-10.0	6.0-10.0
AllianceBernstein L.P.	A	Stable	1.0	~1.0	~1.0	> 1.5	-	40.4	~15.0	> 15.0
Allspring Buyer LLC	BB-	Negative	4.7	~5.0	~5.0	> 5.0	< 5.0	3.9	3.0-4.0	3.0-4.0
BlackRock Inc.	AA-	Stable	0.6	0.5-0.9	0.5-0.9	> 1.5	< 0.5	29.0	~30.0	~30.0
BrightSphere Investment Group	BB+	Stable	1.6	1.5-2.0	1.5-2.0	> 2.0	< 1.5	6.8	6.0-10.0	6.0-10.0
Clipper Acquisitions Corp.	BB+	Stable	3.1	2.0-3.0	2.0-3.0	> 3.0	< 2.0	3.8	5.0-7.0	5.0-7.0
FEH Inc. (First Eagle Investment Management)	BB-	Negative	7.6	5.0-6.0	4.0-5.0	> 5.0	< 5.0	2.7	2.0-3.0	2.0-3.0
Fil Ltd.	BBB+	Stable	0.6	< 1.5	< 1.5	> 1.5	~15§	7.6	7.0-9.0	7.0-9.0
FMR LLC	A+	Stable	0.0	0.0	0.0	> 1.5	< 1.5	13.2	> 15.0	> 15.0
Franklin Resources Inc.	A	Stable	0.6	0.0-1.0	0.0-1.0	> 1.5	-	22.0	> 15.0	> 15.0
IGM Financial Inc.	A	Stable	1.2	1.5-2.0	1.5-2.0	> 2.0	< 1.5x	10.2	9.0-11.0	9.0-11.0
Invesco Ltd.	BBB+	Stable	2.9	2.5-3.0	2.5-3.0	> 3.0	< 2.0	5.4	5.5-6.0	5.5-6.0
Janus Henderson Group PLC	BBB+	Stable	0.0	0.0	0.0	> 1.0	< 1.0; >15§	39.0	35.0-40.0	35.0-40.0
Lazard Group LLC	BBB+	Stable	1.2	2.0-2.5	1.5-2.0	> 2.0	< 1.5	11.7	6.0-10.0	9.0-13.0
Neuberger Berman Group LLC	BBB+	Stable	1.8	1.5-2.5	1.5-2.0	> 2.0	< 1.0	7.8	6.0-9.0	6.0-9.0
Nuveen Finance LLC	A	Stable	3.0	3.5-4.5	3.0-4.0	~4.0	< 3.0	8.3	6.0-7.0	6.0-8.0
Resolute Investment Managers Inc.	B	Stable	7.7	4.0-5.0	4.0-5.0	> 5.0; <2§	< 4.0; >3§	1.8	2.0-3.0	2.0-3.0
Russell Investments Cayman Midco Ltd.	B+	Stable	6.7	~9.0	6.0-7.0	> 5.0	< 5.0	2.5	<2.0	<2.0
Victory Capital Holdings Inc.	BB-	Stable	2.9	3.0-4.0	3.0-4.0	> 5.0	< 3.0	9.5	9.0-14.0	9.0-14.0
Virtus Investment Partners Inc.	BB+	Stable	1.2*	2.0-3.0	2.0-3.0	> 3.0	< 2.0	39.6*	> 15.0	>15.0

FY--Fiscal Year. A--Actual. *As of FY 2021. §EBITDA interest coverage trigger

Wealth managers credit overview | Key rating supports

Our sector view for wealth managers is stable.

Key rating supports:

- Because of the relationship-based nature of wealth advisory and the range of services offered (investment advisory, tax planning, estate planning, insurance guidance, etc.), investment performance is only one component of client retention. As a result, wealth managers' asset bases are stickier than those of traditional asset managers.
- Advisor retention remains high for rated wealth managers, though competition for advisors among wealth managers could become a risk.
- A portion of revenue derives from sources uncorrelated to the market, and underlying assets are better diversified than for some traditional asset managers.
- Lower market betas and more stable net flows result in less earnings volatility compared with traditional managers.
- Equity injections by PE sponsors have supported adequate liquidity and interest coverage for some wealth managers we rate.

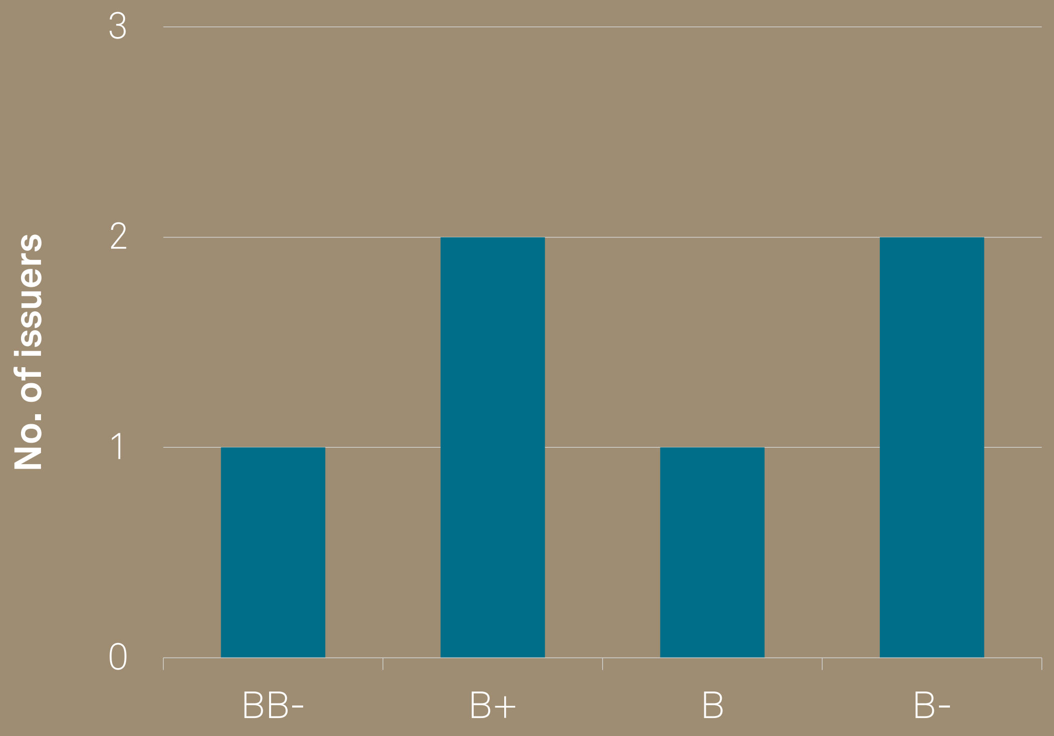
Wealth managers credit overview | Key rating risks

Key rating risks:

- Exposure to market risk could affect client asset balances even if client flows are stable.
- We expect most wealth managers to continue to pursue aggressive inorganic growth in 2024.
- The industry remains highly fragmented, and M&A remains robust as larger players consolidate and seek to expand services.
- Competition for acquisitions has led to high multiples in recent years, despite higher financing costs. While we believe cash multiples have plateaued, most deals are structured with significant contingent considerations and deferred compensation, which we incorporate in our leverage calculations.
- We believe debt will continue to be the primary means to fund inorganic growth, and that financing costs will remain high in 2024, pressuring credit metrics. Most wealth managers we rate have significant exposure to variable-rate debt. Liquidity and interest coverage could be stressed as debt service requirements grow, particularly if markets contract and wealth managers' earnings decline.
- Although integration risk is low, acquisition-related expenses are perpetually high for registered investment advisor (RIA) aggregators.

Wealth managers sector view and rating triggers

Rating dispersion of global wealth managers



As of Jan 22, 2024. Source: S&P Global Ratings.

S&P Global
Ratings

Our sector view for wealth managers is stable.

- Most wealth managers we rate have relatively low credit ratings, reflecting high leverage, aggressive inorganic growth, and exposure to rising interest rates.
- We could take a more negative view of the sector if a protracted, severe market dislocation leads us to believe interest coverage or liquidity are strained. Further debt-funded acquisitions without commensurate earnings growth could result in downgrades as current leverage and coverage levels for most rated wealth managers are weak.
- We could take a more positive view of the sector if companies lower leverage by repaying debt or growing EBITDA. Slowing M&A would provide greater transparency into true operating power and margins, allowing for better assessment of business sustainability through a cycle.
- We will continue to monitor performance of acquired RIAs relative to purchase multiples, client retention, and liquidity as interest coverage comes under pressure.

Key credit metrics and leverage triggers for wealth managers

Wealth managers	Rating	Outlook	--Debt to adj. EBITDA (x)-- FY 2022a	FY 2023e	FY 2024e	--Leverage (coverage§) outlook triggers-- Downside	Upside	--Adj. EBITDA to interest (x)-- FY 2022a	FY 2023e	FY 2024e
Focus Financial Partners Inc.	B+	Stable	5.4	5.5-6.5	5.0-6.0	> 7.0; <2§	< 5.0	5.3	3.0-4.0	3.0-4.0
HighTower Holding LLC	B-	Stable	8.8	7.0-10.0	7.0-10.0	~1.5§	< 5.0	1.9	> 1.5	> 1.5
Kane Bidco Ltd.	B+	Stable	4.6	4.0-4.5	3.9-4.3	> 5.0	-	3.4	3.8-4.2	4.0-4.5
Mariner Wealth Advisors	B-	Stable	-	> 5.0	> 5.0	< 1.0§	< 5.0	-	> 1.0	> 1.0
Superannuation and Investments Finco Pty Ltd.	BB-	Stable	5.1	6.3	4.5	> 6.0	-	-	-	-
Edelman Financial Center LLC (The)	B	Stable	7.5	< 8.0	< 8.0	~ 8.0	< 5.0	2.3	1.5-2.0	> 2.0

FY--Fiscal Year. A--Actual. *As of FY 2021. §EBITDA interest coverage trigger

- Cushions exist, but most issuers are closer to downside rating thresholds than upside.
- For issuers with high leverage, declining interest coverage could result in negative rating actions.
- Business-related factors (such as changes in diversification, AUM growth, profitability, etc.) could also affect ratings.

Alternative asset managers credit overview | Key rating supports

Our sector view for alternative asset managers is stable.

Key rating supports:

- Good investment returns.
- Growing demand for alternative investment products from institutional and private wealth LPs. Recently, average fund sizes have grown and platforms have broadened.
- Borrowers are increasingly accessing private markets, which offer greater execution certainty and more flexible terms.
- Most managers have significant dry powder available, and market dislocation provides opportunities for deployment.
- Stabilizing interest rates may help steady asset valuations, improving realization and deployment prospects.
- Locked-up AUM base and capital that is not yet earning fees provide insight into future management fee generation.
- Earnings mix shifting toward more stable sources (management fees versus performance fees) provides further visibility into future earnings.
- We apply a significant haircut to net realized performance fees and investment income, so we believe there is a level of conservatism baked into our leverage metrics that should accommodate historical levels of volatility.

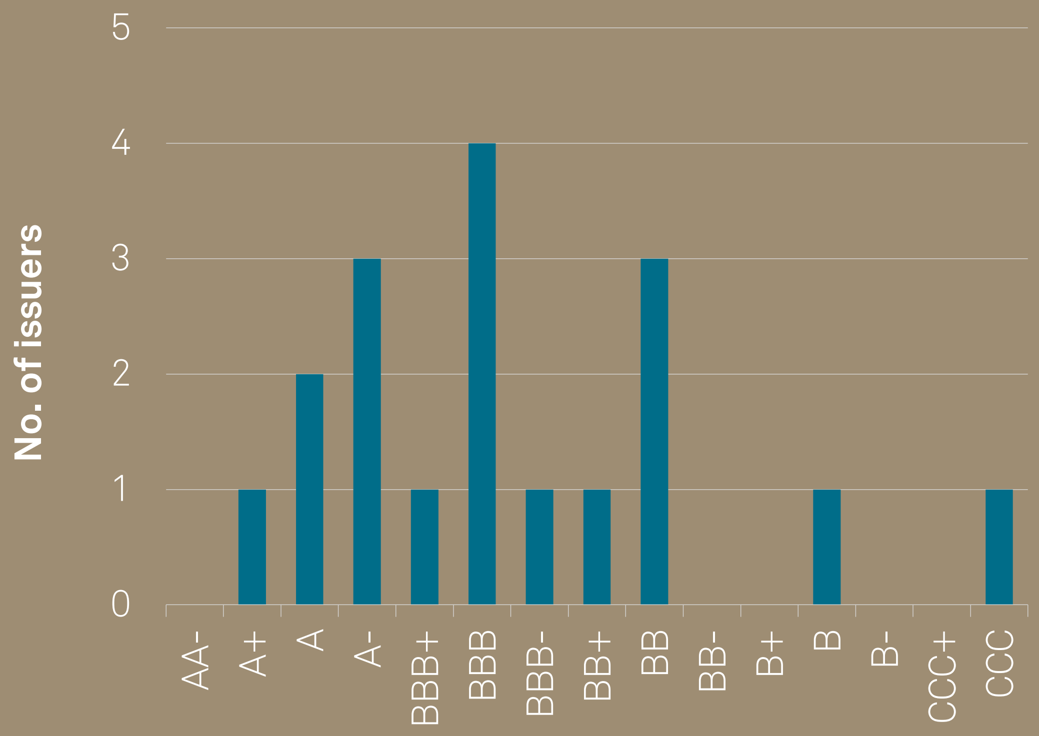
Alternative asset managers credit overview | Key rating risks

Key rating risks:

- Realizations could remain subdued as managers contend with interest rate changes and asymmetric views on asset valuations, lowering performance fees and distributions to LPs. Tepid capital returns could in turn impact LP liquidity and, as a result, fundraising.
- If investment performance were to weaken due to a protracted market downturn or poor underwriting, earnings could deteriorate and potentially affect future fundraising. Vintage risk could arise if capital is deployed rapidly.
- Growth in unseasoned strategies and product structures could pose risks. Products for private wealth clients, for instance, may have greater liquidity needs, draw greater regulatory scrutiny, and require investment in client education. Private wealth channel growth also faces risks from increasing competition.
- Institutional investors may be at their target allocations to certain alternative products, particularly PE.
- Private markets offer less transparency than public markets. Asset valuation is subjective, making it more challenging to assess risk.

Alternative asset managers sector view and rating triggers

Rating dispersion of global alternative asset managers



As of Jan. 22, 2024. Source: S&P Global Ratings.

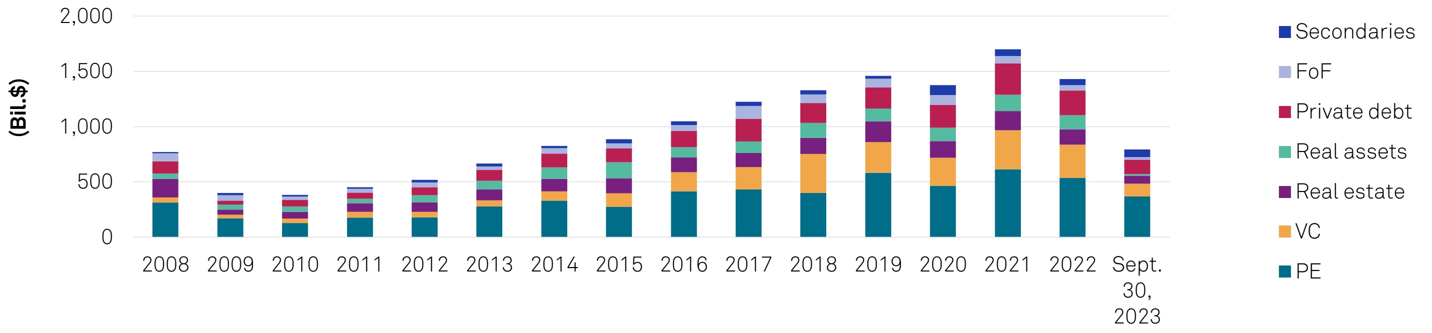
S&P Global
Ratings

Our sector view for alternative asset managers is stable.

- Credit metrics for alternative asset managers, while largely stable, are unlikely to strengthen.
- A larger portion of fee-related earnings, successful performance during a downturn--particularly with newer strategies--and maintenance of conservative financial policies could improve our view of the sector.
- Protracted, severe market dislocation could quickly pressure EBITDA and, ultimately, leverage. Increasingly shareholder-friendly financial policies could weaken financial profiles. Newer strategies or riskier investment pursuits also pose risks, as does increasing competition for deployment.
- We will continue to monitor companies' fundraising, deployment, net realizations, and performance (absolute and relative).

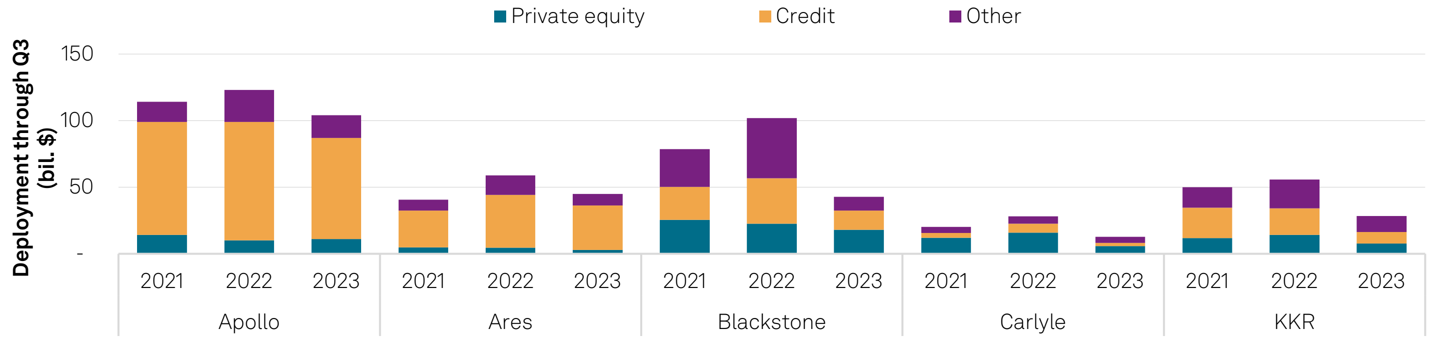
Alternatives continue to grow, though economic conditions were challenging in 2023

Fundraising by asset class



Through Sept. 30, 2023. Sources: PitchBook and S&P Global Ratings.

Deployment by asset class for select asset managers

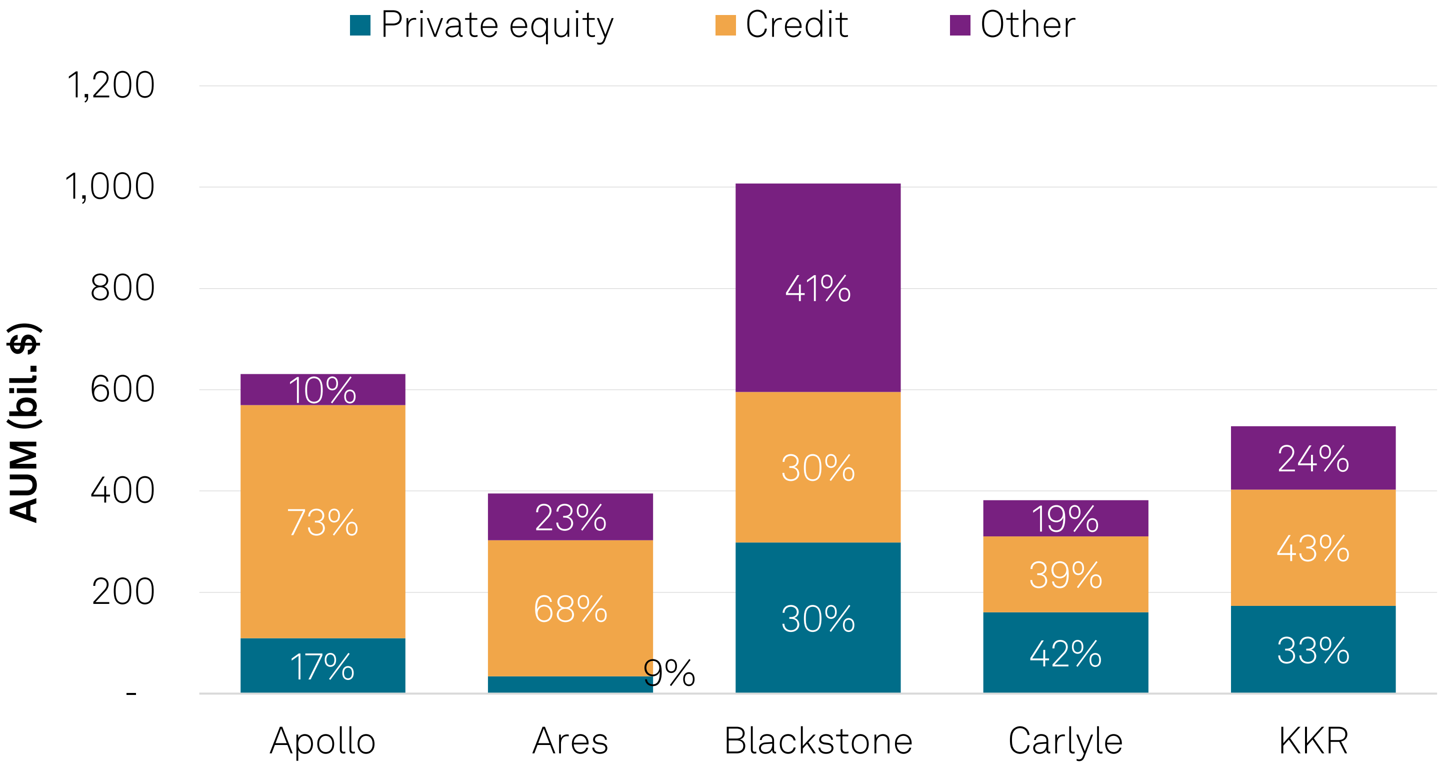


Sources: Company data and S&P Global Ratings.

- LP allocations to alternative assets have increased as investors search for yield and diversification.
- Fundraising, deployment, and realization activity could improve in 2024, as the trajectory of interest rates and economic growth becomes clearer, and buyers and sellers come to consensus on asset valuations.
- Many managers expanded their private credit business in recent years, and we expect fundraising to remain strong in 2024. Private credit managers have gained market share from banks due to more flexible lending terms, greater execution certainty, and banks' lower risk appetites in 2023.
- Secular shifts in demand for CRE and higher capitalization rates have pressured asset valuations in this sector. While lower valuations lengthen hold periods and present risks to investment returns, they could also present future investment opportunities.

Headwinds persist for private equity...

PE Exposure Is Sizable, But Most Alternative Asset Mangers Are Well Diversified



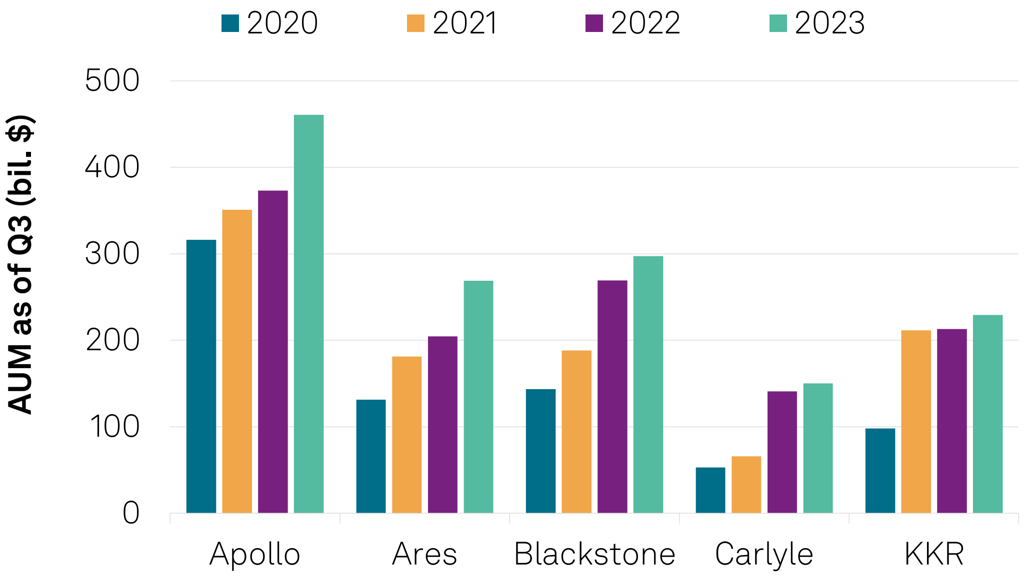
As of Sept. 30, 2023. Credit segments are 'yield' for Apollo, 'credit and insurance' for Blackstone, 'global credit' for Carlyle, and 'credit and liquid strategies' for KKR. Sources: Company data and S&P Global Ratings.

- PE comprises a significant portion of alternative AUM, though many LPs have limited further allocation to this asset class.
- PE performance for select large, diversified alternative asset managers has held up--for now. We expect rates to remain high in 2024, pressuring portfolio companies' interest metrics and keeping financing costs high.
- Equity market volatility and a tepid IPO market could continue to dampen PE exit opportunities and realizations.
- However, PE exposure remains manageable, as most large alternative asset managers have broad, diversified platforms.

...while private credit accelerates

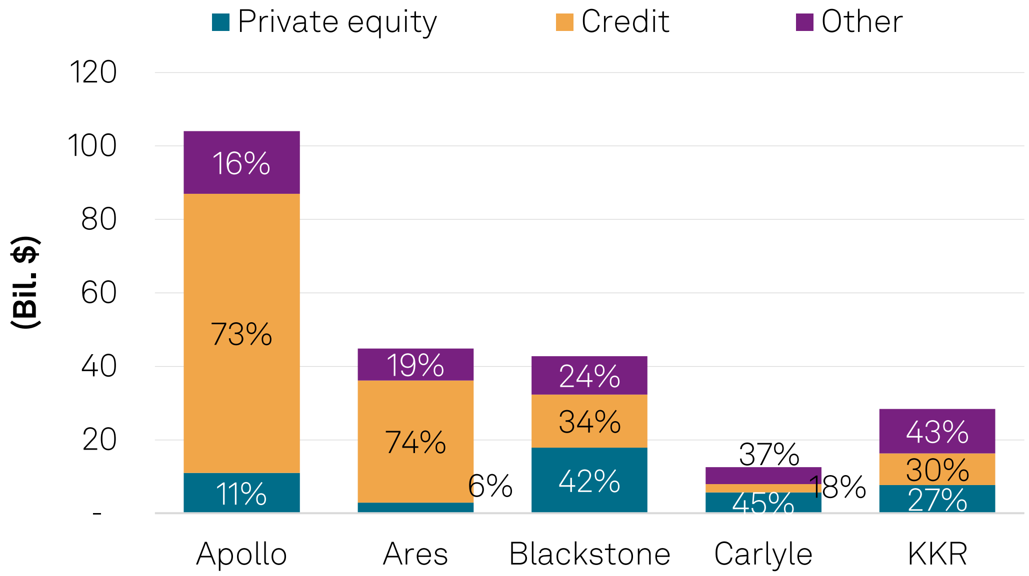
- Private credit strategies have grown in recent years due to credit investors searching for yield, borrowers seeking more flexible financing terms and faster execution, and the contraction in the bank syndicated loan market as banks looked to derisk in 2023.
- Of the largest alternative managers we rate, those with larger credit platforms deployed the most capital in the first three quarters of the year.

Growth in credit AUM for select alternative asset managers



Credit defined for Apollo as 'yield' for 2023 and 2022 and 'credit' for 2021 and 2020, for Blackstone as 'credit and insurance,' for Carlyle as 'global credit,' and for KKR as 'credit and liquid strategies' for 2023 and 2022 and 'public markets' for 2021 and 2020. Sources: Company data and S&P Global Ratings.

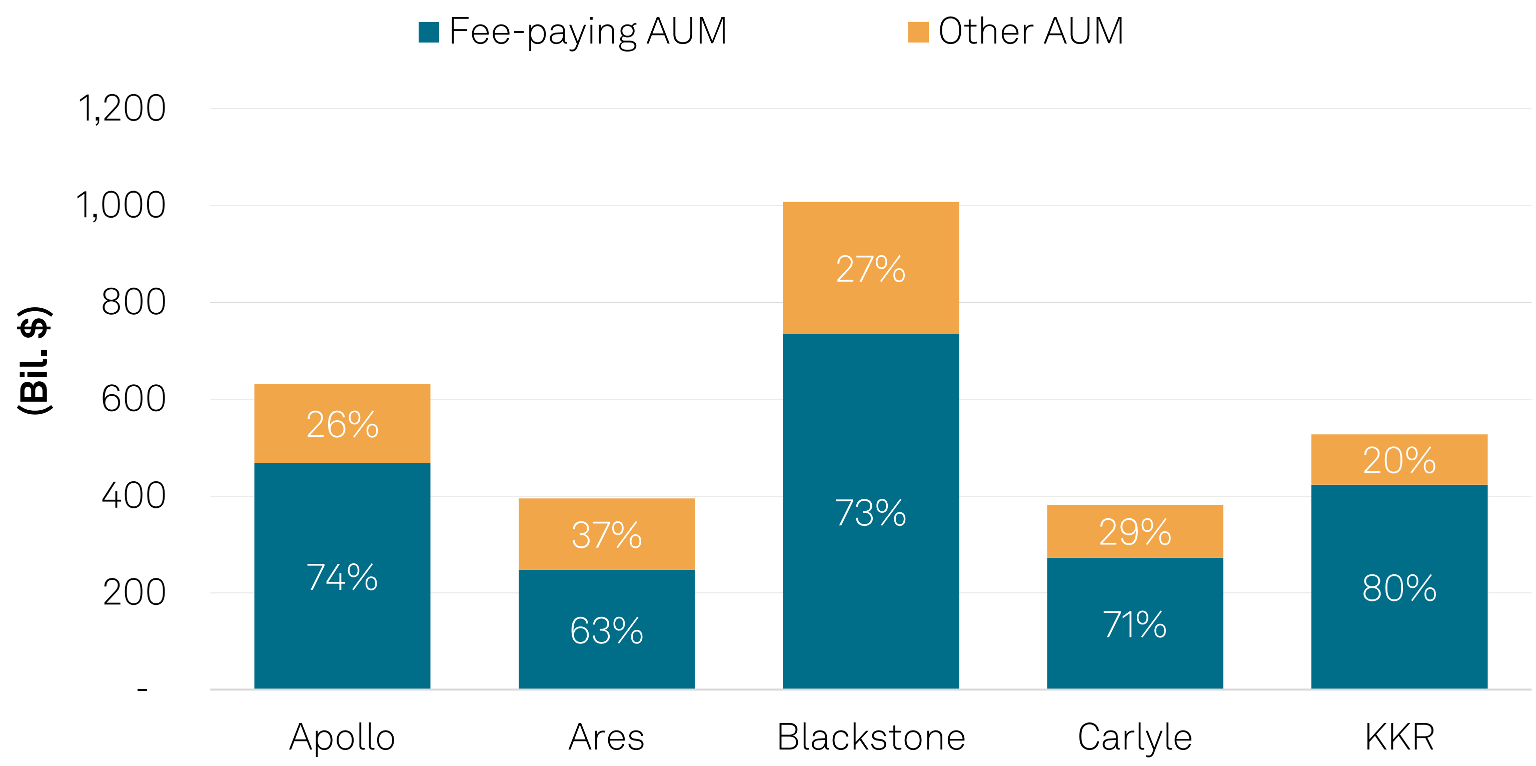
Capital deployment by asset class in the first three quarters of 2023



Credit defined for Apollo as 'yield' for 2023 and 2022 and 'credit' for 2021 and 2020, for Blackstone as 'credit and insurance,' for Carlyle as 'global credit,' and for KKR as 'credit and liquid strategies' for 2023 and 2022 and 'public markets' for 2021 and 2020. Sources: Company data and S&P Global Ratings.

Locked-up capital supports earnings stability

FPAUM makes up the bulk of AUM for alternative asset managers



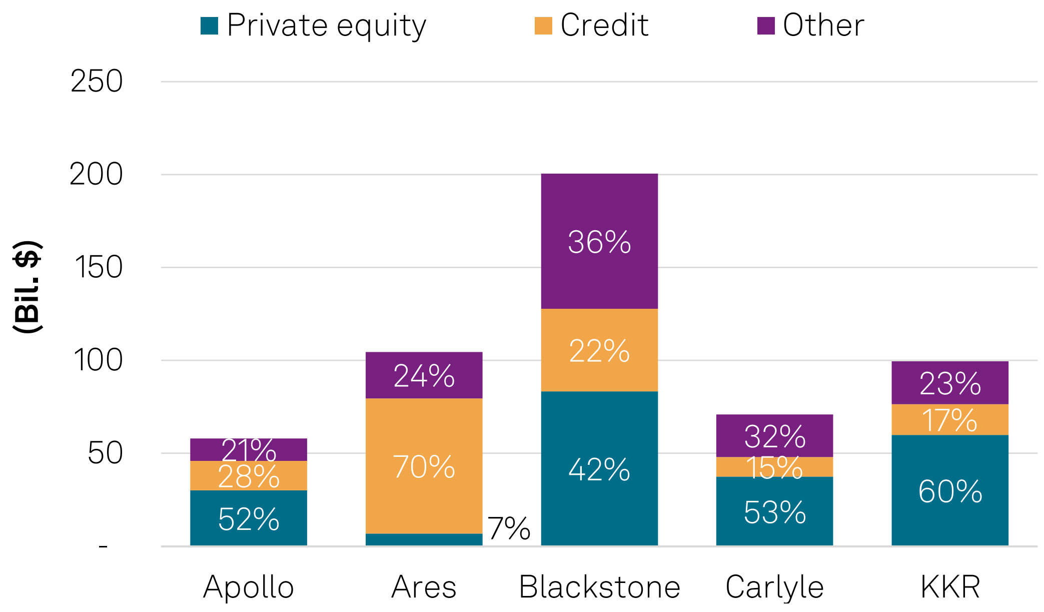
As of Sept. 30, 2023. Sources: Company data and S&P Global Ratings.

- Alternative asset managers' fee-paying assets under management (FPAUM) are largely locked up, providing support and visibility to earnings. Management fees generated by FPAUM have little sensitivity to market performance, stabilizing fee-related earnings.
- Net realized performance fees and investment income are sensitive to investment performance and the pace of realizations. However, we significantly haircut these more volatile sources of income. As such, there is a level of conservatism baked into our leverage metrics that should accommodate historical levels of volatility.

Dry powder and perpetual capital further support the predictability of future earnings

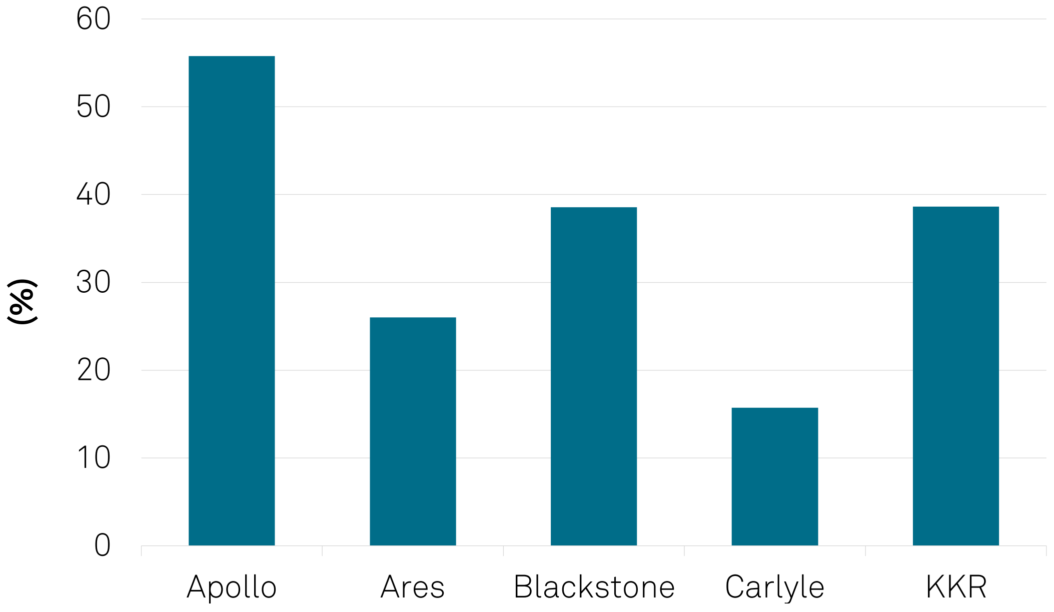
- Dry powder provides further insight into fee-related earnings growth and allows issuers to deploy capital opportunistically, even if fundraising slows. Most issuers we rate have significant dry powder heading into 2024.
- Alternative asset managers' strategic pairings with insurance companies provides a source of perpetual capital, adding a stable fee stream, but also complexity and new (regulatory and insurance-related) risks.

Dry powder by asset class



As of Sept. 30, 2023. Credit segments are 'yield' for Apollo, 'credit and insurance' for Blackstone, 'global credit' for Carlyle, and 'credit and liquid strategies' for KKR. Sources: Company data and S&P Global Ratings.

Perpetual capital as a percent of AUM



As of Sept. 30, 2023. Source: S&P Global Ratings.

Key credit metrics and leverage triggers for alternative asset managers

- Most issuers have comfortable cushions to their downside leverage thresholds.
- Predictable management fee generation and conservative haircuts on performance-related income lend to more stable credit metrics.
- In some cases, rating upside is contingent upon business related factors.

	Rating	Outlook	--Debt to adj. EBITDA (x)--			--Leverage (coverage§) outlook triggers--		--Adj. EBITDA to interest (x)--		
Entity			**FY 2022a**	**FY 2023e**	**FY 2024e**	**Downside**	**Upside**	**FY 2022a**	**FY 2023e**	**FY 2024e**
U.S. alternative asset managers										
Apollo Asset Management, Inc.	A	Stable	1.5	1.0-1.5	1.0-1.5	>1.5	-	11.4	10.0-15.0	10.0-15.0
Ares Management Corp.	BBB+	Stable	2.0	1.5-2.0	1.5-2.0	>2.0	<1.5	13.0	10.0-15.0	10.0-15.0
Blackstone Group Inc.	A+	Stable	1.0	<1.5	<1.5	>1.5	-	16.0	>15	>15
Blue Owl Capital Inc.	BBB	Stable	>3.0	2.0-3.0	2.0-3.0	>3.0	<2.0	>11.0	13.0-15.0	13.0-15.0
Brookfield Corp.	A-	Stable	2.3	2.0-3.0	2.0-3.0	>3.5	<2.0	9.1	8.0-10.0	8.0-10.0
Carlyle Group Inc. (The)	A-	Stable	1.4	1.2-1.5	1.2-1.5	>2.0	-	10.2	10.0-15.0	10.0-15.0
Citadel Limited Partnership	BBB	Stable	1.1*	<1.5	-	>2.0	-	15.2*	>15.0	-
EIG Management Company, LLC	BB	Stable	2.3	2.5-3.0	<3.5	>3.5	<2.5	5.0	>3.0	>3.0
Finco I LLC (Fortress)	BB	Stable	1.4	3.0-4.0	3.0-4.0	>4.0	-	2.8	2.0-4.0	2.0-4.0
Franklin Square Holdings, L.P.	BB	Stable	1.9	2.75-3.25	2.0-3.0	>3.0	<2.0	7.0	4.0-6.0	4.0-6.0
Grosvenor Capital Management Holdings LLLP	BB+	Stable	2.6	2.0-3.0	2.0-3.0	>3.0	<2.0	6.3	6.0-10.0	6.0-10.0
Intermediate Capital Group PLC	BBB	Positive	3.0	2.4 (A)	2.3-2.4	-	<2.0 (>10§)	7.1	7.5 (A)	10.0-13.0
KKR & Co. Inc.	A	Stable	1.6	<1.75	<1.75	>1.75	<1.5	12.4	10.0-15.0	10.0-15.0
Oaktree Capital Management, L.P.	A-	Stable	1.4	1.5-2.0	1.5-2.0	>2.0	-	10.4	9.0-11.0	9.0-11.0
Obra Capital (Vida)	CCC	Negative	23.1	>15.0	>10.0	-	-	0.5	<1.0	<1.0

FY--Fiscal Year. A--Actual. *As of FY 2021. §EBITDA interest coverage trigger.

Items we're monitoring across asset management

- Negative rating actions could occur if the economy performs worse than we expect, including worsening geopolitical turmoil or persistently high inflation, causing further rate hikes.
- Competing capital management priorities like share repurchases and debt-funded dividend activity could pressure credit metrics.
- Some asset managers have large cash balances. Because we net surplus cash from funded debt in our view of leverage for some issuers, projections of how and when this cash is deployed could affect our view of leverage.
- We expect continued M&A in 2024, such as RIA consolidation, alternative manager partnerships with insurers, and traditional managers expanding into alternative products. Depending on how acquisitions are financed and executed, ratings could be affected.
- If issuers repurchase significant amounts of their outstanding debt at distressed levels, we could consider this tantamount to default.
- Investors or regulators could bring more attention to the return disclosures of alternative asset managers, particularly as new products are developed for private wealth investors. We will monitor regulatory bodies' potential proposals for the sector as their scrutiny of NBFIs increases, which may open to up to greater regulatory risks in private markets.
- We expect issuers to continue to focus on ESG factors at the firm and investment level. We are also monitoring the potential for increasing ESG-related reporting requirements, investor preferences, and associated challenges.

Items we're monitoring across asset management continued

- Further investment in technology could improve operating efficiency and competitive advantages for asset managers. We continue to monitor the risks and advantages offered by AI.
- For companies with key-person risk, management transition and succession planning remain a credit consideration.

Additional considerations for asset and wealth managers outside of North America

- EMEA faces risks from geopolitical conflicts spilling over to Europe, a sharp rise in unemployment dragging Europe into recession, and a protracted period of higher inflation and rates exposing financial vulnerabilities. Moreover, due to weak economic growth expected in EMEA, potential differences in the speed and magnitude of monetary and fiscal policies could bring the sovereign-bank nexus back under market scrutiny in 2024, with potential implications for funding conditions.
- While growth momentum has improved from a weak second quarter in 2023, China's growth outlook remains moderate with confidence subdued and weak property valuations continuing to weigh on the economy. In the asset management sector, legacy shadow banking activities such as wealth management products that serve as loans have nearly halved to RMB 3.2 trillion from the peak in 2020, vs. RMB 409.8 trillion total assets in the banking system. Still, more defaults could arise from at-risk trust products amid prolonged weakness in the property sector.

The sector has very little near-term debt maturities

Near Term Debt Maturities

Company	2024 ($ Mil.)	2025 ($ Mil.)
Affiliated Managers Group Inc.	400	350
AllianceBernstein L.P	900	-
Apollo Global Management Inc.*	499	
Ares Management Corp.	249	-
BlackRock Inc.*	1,000	741
Blackstone Inc.	-	322
Brookfield Corp.*	568	500
EIG Management Co. LLC	-	205
Franklin Resources Inc.	250	400
Franklin Square Holdings L.P.	-	650
Invesco Ltd.	600	-
Janus Henderson Group plc	-	300
KKR & Co. Inc.	-	33
Lazard Group LLC	-	400
Nuveen Finance LLC	1,000	-
Oaktree Capital Group LLC	50	-
Russell Investments Cayman Midco Ltd.	-	1,260

As of Sept 30, 2023. Amounts exclude revolver draws. Table excludes publicly rated asset managers that do not have an upcoming maturity in 2024 or 2025. *Includes maturities that have been prefunded, fully or in part.

- Many issuers refinanced over the past several years while capital costs were low. From a liquidity perspective, most issuers remain well positioned, with few near-term debt maturities.
- A couple of managers we rate underwent distressed exchanges in 2023. While we believe that original investors were not adequately compensated in these cases, post-transaction capital structures are stronger.
- We expect those with maturities in 2024 and 2025 to have adequate liquidity to repay, or refinance with short-term debt, if they are unwilling to refinance with longer-term debt given relatively higher interest rates.

Global asset managers--recent rating actions

Company	Date	Rating/outlook actions	
Resolute Investment Managers Inc.	January 4, 2024	Upgraded to 'B' from 'D' following restructuring; outlook stable	↑
Resolute Investment Managers Inc.	January 2, 2024	Downgraded to 'D' from 'CC'	↓
TortoiseEcofin Parent Holdco LLC	December 19, 2023	Upgraded to 'CCC+' from 'SD'; outlook negative, ratings withdrawn	↑
Intermediate Capital Group PLC	December 5, 2023	Outlook revised to positive from stable at 'BBB'	↑
Apollo Asset Management Inc.	November 7, 2023	Upgraded to 'A' from 'A-'; outlook stable	↓
TortoiseEcofin Parent Holdco LLC	November 1, 2023	Downgraded to 'SD' from 'CCC'	↓
Russell Investments Cayman Midco Ltd.	September 29, 2023	Downgraded to 'B+' from 'BB-'; outlook stable	↓
CORESTATE Capital Holdings	September 27, 2023	'D' ratings suspended	-
Obra Capital Inc.	September 22, 2023	Downgraded to 'CCC' from 'CCC+'; outlook negative	↓
abrdn PLC	August 10, 2023	Downgraded to 'BBB+'; outlook stable	↓
TortoiseEcofin Parent Holdco LLC	August 2, 2023	Downgraded to 'CCC' from 'CCC+'; outlook negative	↓
Resolute Investment Managers Inc.	July 18, 2023	Downgraded to 'CC' from 'B-'	↓
Tongchuangjiuding Investment Management Group Co., Ltd.	July 11, 2023	Ratings withdrawn at company's request	-
Noah Holdings Ltd.	June 15, 2023	Ratings withdrawn at company's request	-
Tongchuangjiuding Investment Management Group Co., Ltd.	June 9, 2023	Downgraded To 'CCC/C'; CreditWatch developing	↓
Zhongrong International Trust Co. Ltd.	May 30, 2023	Ratings withdrawn at company's request	-
Kane Bidco Ltd.	May 18, 2023	Upgraded to 'B+'; outlook stable	↑
Resolute Investment Managers Inc.	May 17, 2023	Downgraded to 'B-' from 'B'; outlook negative	↓
Focus Financial Partners Inc.	May 4, 2023	Downgraded to 'B+' from 'BB-'; outlook stable	↓
CI Financial Corp.	May 1, 2023	Downgraded to 'BB+'; ratings withdrawn	↓
Apollo Global Management Inc.	April 14, 2023	Assigned 'A-' issuer credit rating; outlook positive	-
FIL Ltd.	April 27, 2023	Upgraded to 'BBB+'; outlook stable	↑
abrdn PLC	March 9, 2023	Outlook revised to negative from stable at 'A-'	↓
Russell Investments Cayman Midco Ltd.	March 8, 2023	Outlook revised to negative; 'BB-' rating affirmed	↓
Resolute Investment Managers Inc.	February 24, 2023	Outlook revised to negative; 'B' rating affirmed	↓
IDC Overseas Ltd.	January 23, 2023	Assigned 'B/B' issuer credit ratings; outlook stable	-

↓-- downgrade. ↓-- negative outlook revision. ↑-- upgrade. ↑-- positive outlook revision. Source: S&P Global Ratings.

North American and European traditional asset managers rating factor assessments

Company	Business risk profile	Financial risk profile	Anchor	Capital structure	Financial policy assessment	Liquidity	Management and governance	Peer adjustment	SACP	Group influence	Government support	ICR	Outlook
abrdn plc	Satisfactory	Minimal	a-	Neutral	Neutral	Exceptional	Neutral	Negative	bbb+	Not applicable	Not applicable	BBB+	Stable
Affiliated Managers Group, Inc.	Satisfactory	Modest	bbb+	Neutral	Neutral	Strong	Neutral	Neutral	bbb+	Not applicable	Not applicable	BBB+	Stable
AllianceBernstein L.P.	Satisfactory	Minimal	a	Neutral	Neutral	Exceptional	Neutral	Neutral	a	Strategically important	Not applicable	A	Stable
Allspring Buyer LLC	Fair	Aggressive	bb-	Neutral	FS-5	Adequate	Moderately Negative	Neutral	bb-	Not applicable	Not applicable	BB-	Negative
BlackRock, Inc.	Strong	Minimal	aa-	Neutral	Neutral	Exceptional	Positive	Neutral	aa-	Not applicable	Not applicable	AA-	Stable
BrightSphere Investment Group Inc.	Weak	Modest	bb+	Neutral	Neutral	Strong	Moderately Negative	Neutral	bb+	Not applicable	Not applicable	BB+	Stable
Clipper Acquisitions Corp.	Fair	Intermediate	bb+	Neutral	Neutral	Exceptional	Moderately Negative	Neutral	bb+	Not applicable	Not applicable	BB+	Stable
FEH Inc.	Fair	Aggressive	bb-	Neutral	FS-5	Adequate	Moderately Negative	Neutral	bb-	Not applicable	Not applicable	BB-	Negative
FIL Ltd.	Satisfactory	Modest	bbb+	Neutral	Neutral	Exceptional	Moderately Negative	Neutral	bbb+	Not applicable	Not applicable	BBB+	Stable
FMR LLC	Strong	Minimal	aa-	Neutral	Neutral	Exceptional	Moderately Negative	Neutral	a+	Not applicable	Not applicable	A+	Stable
Franklin Resources Inc.	Satisfactory	Minimal	a	Neutral	Neutral	Exceptional	Neutral	Neutral	a	Not applicable	Not applicable	A	Stable
IGM Financial Inc.	Satisfactory	Modest	bbb+	Neutral	Neutral	Strong	Neutral	Positive	a-	Moderately strategic	Not applicable	A	Stable

North American and European traditional asset managers rating factor assessments continued

Company	Business risk profile	Financial risk profile	Anchor	Capital structure	Financial policy assessment	Liquidity	Management and governance	Peer adjustment	SACP	Group influence	Government support	ICR	Outlook
Invesco Ltd.	Satisfactory	Intermediate	bbb	Neutral	Neutral	Exceptional	Neutral	Positive	bbb+	Not applicable	Not applicable	BBB+	Stable
Janus Henderson Group PLC	Fair	Minimal	bbb	Neutral	Neutral	Exceptional	Neutral	Positive	bbb+	Not applicable	Not applicable	BBB+	Stable
Lazard Group LLC	Satisfactory	Modest	bbb+	Neutral	Neutral	Exceptional	Neutral	Neutral	bbb+	Not applicable	Not applicable	BBB+	Stable
Neuberger Berman Group LLC	Satisfactory	Modest	bbb+	Neutral	Neutral	Exceptional	Neutral	Neutral	bbb+	Not applicable	Not applicable	BBB+	Stable
Nuveen Finance LLC	Satisfactory	Significant	bb+	Neutral	Neutral	Adequate	Neutral	Positive	bbb-	Strategically important	Not applicable	A	Stable
Resolute Investment Managers, Inc.	Weak	Aggressive	b+	Neutral	Neutral	Adequate	Moderately Negative	Negative	b	Not applicable	Not applicable	B	Stable
Russell Investments Cayman Midco, Ltd.	Fair	Highly Leveraged	b	Neutral	FS-6	Adequate	Moderately Negative	Positive	b+	Not applicable	Not applicable	B+	Stable
Victory Capital Holdings, Inc.	Fair	Aggressive	bb-	Neutral	FS-5	Adequate	Moderately Negative	Neutral	bb-	Not applicable	Not applicable	BB-	Stable
Virtus Investment Partners Inc.	Fair	Intermediate	bb+	Neutral	Neutral	Strong	Neutral	Neutral	bb+	Not applicable	Not applicable	BB+	Stable

U.S. alternative asset managers rating factor assessments

Company	Business risk profile	Financial risk profile	Anchor	Capital structure	Financial policy assessment	Liquidity	Management and governance	Peer adjustment	SACP	Group influence	Government support	ICR	Outlook
Apollo Asset Management Inc.	Satisfactory	Minimal	a	Neutral	Neutral	Exceptional	Neutral	Neutral	a	Core	Not applicable	A	Stable
Ares Management Corp.	Satisfactory	Modest	bbb+	Neutral	Neutral	Strong	Neutral	Neutral	bbb+	Not applicable	Not applicable	BBB+	Stable
Blackstone Inc.	Strong	Minimal	aa-	Neutral	Neutral	Exceptional	Positive	Negative	a+	Not applicable	Not applicable	A+	Stable
Blue Owl Capital Inc.	Satisfactory	Intermediate	bbb	Neutral	Neutral	Strong	Neutral	Neutral	bbb	Not applicable	Not applicable	BBB	Stable
Brookfield Corporation	Strong	Intermediate	bbb+	Positive	Neutral	Exceptional	Positive	Neutral	a-	Not applicable	Not applicable	A-	Stable
Citadel Limited Partnership	Fair	Minimal	bbb	Neutral	Neutral	Adequate	Neutral	Neutral	bbb	Not applicable	Not applicable	BBB	Stable
EIG Management Company, LLC	Fair	Significant	bb	Neutral	Neutral	Adequate	Neutral	Neutral	bb	Not applicable	Not applicable	BB	Stable
Finco I LLC	Fair	Significant	bb	Neutral	Neutral	Exceptional	Neutral	Neutral	bb	Nonstrategic	Not applicable	BB	Stable
Franklin Square Holdings LP	Fair	Intermediate	bb+	Neutral	Neutral	Adequate	Neutral	Negative	bb	Not applicable	Not applicable	BB	Stable
Grosvenor Capital Management Holdings LLLP	Fair	Intermediate	bb+	Neutral	Neutral	Adequate	Neutral	Neutral	bb+	Not applicable	Not applicable	BB+	Stable
Intermediate Capital Group PLC	Satisfactory	Intermediate	bbb-	Neutral	Neutral	Strong	Neutral	Positive	bbb	Not applicable	Not applicable	BBB	Positive
KKR & Co. Inc.	Satisfactory	Modest	bbb+	Positive	Neutral	Exceptional	Neutral	Positive	a	Not applicable	Not applicable	A	Stable
Oaktree Capital Group, LLC	Satisfactory	Modest	bbb+	Positive	Neutral	Exceptional	Neutral	Neutral	a-	Moderately strategic	Not applicable	A-	Stable
The Carlyle Group Inc.	Satisfactory	Modest	bbb+	Neutral	Neutral	Exceptional	Neutral	Positive	a-	Not applicable	Not applicable	A-	Stable
Tikehau Capital SCA	Fair	Modest	bbb-	Neutral	Neutral	Strong	Neutral	Neutral	bbb-	Not applicable	Not applicable	BBB-	Stable
Obra Capital, Inc.	--	--	--	--	--	--	--	--	--	--	--	CCC	Negative

Other asset managers rating factor assessments

Company	Business risk profile	Financial risk profile	Anchor	Capital structure	Financial policy assessment	Liquidity	Management and governance	Peer adjustment	SACP	Group influence	Government support	ICR	Outlook
Other													
Wealth managers													
Focus Financial Partners Inc.	Fair	Highly Leveraged	b	Neutral	FS-6	Adequate	Moderately Negative	Positive	b+	Not applicable	Not applicable	B+	Stable
Hightower Holding LLC	Weak	Highly Leveraged	b-	Neutral	FS-6	Adequate	Moderately Negative	Neutral	b-	Not Applicable	Not Applicable	B-	Stable
Kane Bidco Ltd.	Fair	Aggressive	bb-	Neutral	FS-5	Adequate	Moderately Negative	Negative	b+	Not Applicable	Not Applicable	B+	Stable
Mariner Wealth Advisors, LLC	Weak	Highly Leveraged	b-	Neutral	Negative	Adequate	Moderately Negative	Neutral	b-	Not applicable	Not applicable	B-	Stable
The Edelman Financial Engines Center LLC	Fair	Highly Leveraged	b	Neutral	FS-6	Adequate	Moderately Negative	Neutral	b	Not applicable	Not applicable	B	Stable
Investment holding companies													
Compass Group Diversified Holdings LLC	Weak	Aggressive	b+	n/a	n/a	Adequate	Neutral	Neutral	b+	Not applicable	Not applicable	B+	Stable
E-L Financial Corporation Limited	Satisfactory	Minimal	a	n/a	n/a	Exceptional	Neutral	Neutral	a	Not applicable	Not applicable	A	Stable
Hunt Companies Inc.	Weak	Intermediate	bb	n/a	n/a	Adequate	Moderately Negative	Negative	bb-	Not applicable	Not applicable	BB-	Positive
Icahn Enterprises L.P.	Fair	Aggressive	bb-	n/a	n/a	Adequate	Moderately Negative	Positive	bb	Not applicable	Not applicable	BB	Stable
Innovate Corp.	--	--	--	--	--	--	--	--	--	--	--	CCC+	Stable
Loews Corporation	Satisfactory	Minimal	a-	n/a	n/a	Exceptional	Neutral	Positive	a	Not applicable	Not applicable	A	Stable

Related research

- The Fed Pivots, Holding Rates Steady With Surprisingly Dovish Tilt, Dec. 15, 2023
- Global Credit Outlook 2024: New Risks, New Playbook, Dec. 2, 2023
- Economic Outlook U.S. Q1 2024: Cooling Off But Not Breaking, Nov. 28, 2023
- Private Markets Look Forward, Apr. 18, 2023
- S&P Global Ratings: Economic Research landing page

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