Credit FAQ:

For Asset Managers, The Potential For An Economic Downturn Is The Biggest Risk Amid An Otherwise Stable Outlook

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PRIMARY CREDIT ANALYSTS

Clayton D Montgomery
New York
(1) 212-438-5079
clayton.montgomery@spglobal.com

Brian Estiz, CFA
New York
(1) 212-438-3735
brian.estiz@spglobal.com

Elizabeth A Campbell
New York
(1) 212-438-2415
elizabeth.campbell@spglobal.com

S&P Global Ratings' outlook for the asset management sector remains stable, though the lack of a meaningful correction or downturn since the Great Recession is, in our view, reason for caution. S&P Global's economists are now forecasting a flat to slightly down S&P 500 over the next two years and a continued rise in interest rates and bond yields, which we think could present challenges for some managers with fixed-income exposure. We have continued to observe lackluster organic growth for many traditional asset managers and very few outperformers.

However, we do expect the environment for the remainder of 2018 to be good enough for the majority of rated managers to maintain roughly stable operating performance and credit metrics. We currently rate 57 asset managers (both traditional and alternative) on a public, private, or confidential basis globally. Supporting this view is our economists' forecast that the chance of recession over the next 12 months is low, with modest GDP growth and low unemployment. Furthermore, traditional managers have largely built cushion relative to their downside leverage thresholds and have limited near-term maturities. That said, we expect to take few positive rating actions, and those that we do take are likely to be company specific.

While we continue to expect alternative managers to outperform the traditional managers, the possibility of a downturn is just as relevant for them. Largely, the more prominent alternative managers have had success raising capital, investment performance has been good, and diversity continues to improve for many. While passive products threaten to eat away at the businesses of many rated traditional managers, demand for alternative products, especially those offered by the larger alternative managers (which are the majority of the alternative managers we rate), has remained strong, a trend we do not think is set to subside. However, the main issue, in our view, is that when the tides do turn, we expect performance fees and investment income will meaningfully worsen. Overall, our currently stable outlook could change quickly based on markets or any further negative expectations set out by our economists.

Table 1

Economic Forecast

	Current	Q4 2018E	2019E	2020E
Real GDP growth (%)	-	3.2	2.5	1.8

Table 1

Economic Forecast (cont.)

	Current	Q4 2018E	2019E	2020E
10-year Treasury note yield (%)	3.0	3.2	3.3	3.5
'AAA' corporate bond yield (%)	3.5	3.9	4.3	4.7
S&P 500	2,803	2,853	2,760	2,753

Note: Current reflects data as of July 30, 2018. E--Estimate.

Here we address more aspects of our outlook for asset managers and respond to questions investors have been asking recently about our ratings and trends in the sector.

Frequently Asked Questions

Whose ratings are most at risk in a downturn?

When we think about ratings that could be most at risk, we tend to look at three categories: companies with negative rating outlooks, companies with more volatile earnings (typically that are either equity or performance fee oriented) that could approach or exceed downside leverage thresholds in the event of stress, and companies with speculative-grade ratings. However, we believe there are exceptions to these categories, based on company-specific factors.

Here we provide a high-level view of the companies that meet one or more of these characteristics and would, as of now, be the first ones we would look at in the event of a downturn (see table 2). There are 17 companies on the list, representing about half of the 37 publicly rated companies in North America. Around two-thirds of the companies have speculative-grade ratings, which we would expect to be more volatile over a cycle.

Table 2

Asset Managers Most At Risk In A Downturn

Entity	Long-term rating/outlook	Negative outlook	Equity oriented	Performance fee oriented	Speculative grade	S&P Global Ratings' expected weighted leverage (x)	Downside trigger (x)
Invesco Ltd.	A/Negative	X	X			1.1-1.3	>1.5
Affiliated Managers Group Inc.	A-/Stable		X			1.5-2.0	>2.0
Ares Management L.P.	BBB+/Stable			X		1.5-2.0	>2.0
CI Financial Corp.	BBB+/Stable		X			1.0-1.5	~2.0
Citadel Limited Partnership	BBB/Stable			X		1.5-2.0	>2.0

Table 2

Asset Managers Most At Risk In A Downturn (cont.)

Entity	Long-term rating/outlook	Negative outlook	Equity oriented	Performance fee oriented	Speculative grade	S&P Global Ratings' expected weighted leverage (x)	Downside trigger (x)
BrightSphere Investment Group plc	BBB-/Stable		X			2.0-2.5	~3.0
First Eagle (FEH)	BB+/Stable		X		X	2.6-2.9	N/A*
EIG Management Company LLC	BB+/Stable				X	1.5-2.0	>2.0
Franklin Square Holdings L.P.	BB/Stable			X	X	2.0-2.5	>3.0
Victory Capital Holdings, Inc.	BB/Stable		X		X	2.0-3.0	>3.0
Fortress (FinCo I LLC)	BB/Negative	X		X	X	~4.5	> 5.0
Russell Investments Cayman Midco, Ltd.	BB-/Stable		X		X	~4.5	> 5.0
Tortoise Parent Holdco LLC	BB-/Stable		X		X	~4.0	~5.0
CIFC LLC	BB-/Stable			X	X	4.0-4.5	> 5.0
Och-Ziff Capital Management Group LLC	BB-/Stable			X	X	4.0-4.5	> 5.0
Resolute Investment Managers Inc.	B+/Stable		X		X	4.5-5.0	> 6.0
Edelman Financial	B/Negative	X	X		X	7.5-8.0	> 8.0

Note: Equity oriented and performance fee oriented refer to companies we believe have more volatile earnings streams that could approach or breach leverage thresholds in the event of a stress scenario. Speculative grade is not a qualifier by itself, in our view, for a downgrade in a stress scenario (although we believe speculative-grade-rated entities, on average, are more likely to be downgraded). To be included on this list, a company has to either also have a negative outlook or we believe the company could approach or breach a leverage threshold in a stress. *For FEH, despite leverage and coverage metrics that suggest a better assessment, we view the company's financial risk as aggressive given the financial sponsor ownership.

How are traditional asset managers approaching China?

The size of the Chinese asset management industry is expected to grow meaningfully over the next 10 years. Additionally, events over the past several years have increased foreign asset managers' ability to access this market. For example, foreign asset managers can now be a majority owner of an onshore joint asset management venture. (Currently, the limit is a 51% stake, though that limit is scheduled to end in three years.) Additionally, foreign asset managers can form a wholly owned foreign owned enterprise (WFOE) and become a private fund manager (PFM). The PFM status allows a foreign firm to manage private funds and raise assets directly from qualified investors in mainland China, including qualified high-net-worth individuals and local institutions. Several of the asset managers we rate have already secured PFM licenses. Lastly, Chinese regulators started to grant qualified domestic limited partnership (QDLP) licenses and quotas this year (allowing foreign asset managers to raise money onshore to invest offshore) after stopping in 2015.

Table 3

Sample Of Traditional Asset Managers Under Coverage With Chinese Businesses

	JV	WFOE	PFM	Equity stake	QDLP
AllianceBernstein		X			X
BlackRock	X	X	X		X
Franklin Resources	X	X			
Fidelity International		X	X		
IGM Financial				X	
Invesco	X	X	X		
Neuberger Berman		X	X		X
Russell Investments		X			

JV--Joint ventures. WFOE--Wholly owned foreign owned enterprise. PFM--Private fund manager. QDLP--Qualified domestic limited partnership.

Other rated asset managers have chosen to gain exposure through joint ventures (JVs) or equity investments. For example, Invesco (which also has PFM status) has a JV with Great Wall Securities, which was established in 2003. Additionally, IGM acquired a 13.9% interest (or almost 28% interest in combination with its parent company, Power Corp.) in China Asset Management Co., one of the largest fund management companies in China.

In our opinion, while China presents a meaningful opportunity for asset managers, we think the path to success will be long and uncertain--as it is when establishing a business in any new geography. Additionally, we believe the financial impact will be minimal for most of the traditional asset managers we rate for the foreseeable future, while other developed geographies remain the key breadwinners. That said, we view favorably companies that invest for their growth and believe China could, at some point, become a differentiator versus peers.

Determining which entities are poised to have the best success is difficult given the early stages we are currently in. However, generally, we think those that are best positioned long term are the ones that have already made a commitment to the country (those with JVs, WFOEs, QDLPs, or stakes in Chinese companies) and have the resources to invest, stay in the geography, and build a brand and reputation.

What are the conditions for considering an upgrade of Legg Mason to 'BBB+', and which companies do you view as key 'BBB+' rated comparables?

We think that 'BBB+' is an attainable rating for Legg Mason (currently rated 'BBB'). For us to consider an upgrade, we would need to see the company take certain steps. The biggest hurdle remains sustained leverage below 2x, a key threshold for our rating, as outlined in our current outlook on the company (see "Legg Mason Inc.," published May 2, 2018). We currently project Legg Mason's leverage to decline into fiscal 2019 to around 2x as a result of debt repayment and modest growth. Our projection is relatively in line with the leverage target the company provided in its earnings call for the fourth quarter of 2018 (ended in March 2018), citing the anticipated repayment of the revolving credit facility and the upcoming 2019 notes during the next few quarters.

Additionally, for us to raise the rating, we would need to expect business fundamentals to remain at least stable and supportive of our view of the company's competitive position. We continue to see the company's flows and investment performance as key gauges of this.

Two entities we would consider as comparably rated at 'BBB+' are Neuberger Berman and Janus Henderson (see table 4). Both companies have lower leverage than Legg Mason but, in our view, somewhat weaker businesses. If we believe that Legg Mason will sustain leverage under 2x, somewhat closing the gap with Neuberger and Janus, and the company's business characteristics remain similar or stronger, we would view Legg Mason as relatively comparable in terms of overall creditworthiness.

Table 4

Key Metrics For Legg Mason And Peers

Legg Mason

	FY2017A	FY2018A	FY2019E
Debt/EBITDA (x)	2.6	2.5	1.8-2.2
EBITDA/interest (x)	5.6	6.0	6.5-8.0

Neuberger Berman

	FY2017A	FY2018E	FY2019E
Debt/EBITDA (x)	1.3	1.0-1.5	1.0-1.5
EBITDA/interest (x)	7.3	7.0-9.0	7.0-9.0

Janus Henderson

	FY2017A	FY2018E	FY2019E
Debt/EBITDA (x)	0.3	0.0-0.5	0.0-0.5
EBITDA/interest (x)	22.4	29.0-32.0	29.0-32.0

Note: Legg Mason's fiscal year ends on March 31. FY--Fiscal year. A--Actual. E--Estimate.

Is the strong demand for alternative products a cyclical or secular trend?

We believe that the demand is both secular and cyclical. Over the last several years, we have observed institutional investors increasing their allocations to alternative investments. This has resulted in significant fundraising momentum for a lot of the alternative managers we rate and organic growth that has outpaced that of traditional managers.

We believe the economic environment has been very supportive of this trend. Specifically, declining interest rates, which have been near all-time lows, have resulted in lower yields on traditional fixed-income instruments, which has led investors to seek higher-yielding strategies that alternative managers offer. However, we also believe institutions have been increasingly attracted to alternative strategies because they provide a source of diversification and have continued to perform well (on an absolute and relative basis), as shown by their track records throughout cycles. Thus, while we believe there have been very strong cyclical pressures that have boosted demand for alternatives, there are secular elements as well.

We do not believe that momentum is set to let up for alternatives, at least in the near term. Sentiment on earnings calls, or that we have heard directly from management teams, and fundraising results are all supportive of this view. However, that's not to say that alternatives are immune from a change in the macro environment. A meaningful correction or sharp rise in bond yields could throw a wrench in this assumption and quickly lead to a change in the pace of fundraising.

What's your view on wealth management firms such as Edelman and Focus Financial?

We believe that for wealth management firms, tailwinds in the advisory channel could effectively provide significant growth over the next several years. These entities benefit from a push to enhance fiduciary standards for financial planners, a change we view as secular despite that the Department Of Labor fiduciary rule was vacated during the first half of 2018. As a result, firms offering fee-based, rather than commission-based, products have been garnering attention in this highly fragmented industry.

We rate two wealth management firms: Focus Financial Partners LLC and Edelman Financial Center LLC. These two companies operate in a relatively similar environment but have fairly different business models. Focus is an aggregator of independent fiduciary firms (registered independent advisers, or RIAs) that focus mostly on the high-net-worth channel. Edelman, on the other hand, is a large RIA mostly focusing on the mass affluent segment, and it recently broadened its scope with the acquisition of Financial Engines, a provider of 401(k) managed accounts.

Both Focus and Edelman have exhibited significant growth as a result of both organic and inorganic initiatives. Edelman had positive net inflows in every quarter since 2007, while the recent acquisition of Financial Engines (a business that has also had a good organic growth track record over time) provides further support and diversification from a cash flow generation standpoint. Focus closed 80 transactions during 2014-2017 while also exhibiting organic growth. Furthermore, client retention for both firms has been robust, which we view as a credit positive.

Despite some tailwinds and their good track record of growth, we believe these firms could also be affected by market volatility and changes in the advisory landscape. In our view, cash flow generation could be imperiled in a stress scenario given portfolio allocations, which could have a meaningful equity tilt. That said, Focus has downside protection stemming from its cumulative preferred position retained from earnings at the affiliate level.

Another factor is the growth of robo-advisers, which, in some instances, compete for the same assets that RIA firms look to gather. While robo-advisers are a recent phenomenon, we intend to monitor the progression during the next several years and particularly the impact that they have on millennial investors.

We also intend to monitor the response of wirehouses and broker-dealers that have seen increased pressure as a result of the growth of RIAs. Some of these platforms have been investing in technology and adapting to pricing trends that could affect asset gathering for firms like Focus and Edelman.

What impact will the relaxation of leverage limitations on BDCs have on alternative asset managers?

Overall, we expect the relaxation of leverage limitations on business development companies

(BDCs) will likely have a limited impact on alternative asset managers. (The Small Business Credit Availability Act, passed earlier this year, lowered the asset coverage requirements for BDCs to 150% from 200%, thereby giving these companies the option to significantly increase their leverage.) The change will serve to boost some alternative managers' earnings given that BDCs earn management fees off of gross assets, which will increase as a result of higher leverage. However, an increase in earnings may be very modest for some asset managers, given the limited size of their BDC platforms relative to other vehicles and segments and their moderate use of incremental leverage. Some BDCs have chosen not to utilize or seek approval for additional leverage.

Additionally, many BDCs have expressed an interest in shifting to somewhat more senior loan-oriented portfolios. To the extent portfolios become less risky, this could be a positive for the sustainability of management fees, but this remains to be seen. There have also been some fee changes announced alongside plans for additional leverage that will partially offset the upside from growth under these vehicles (see table 5). Notably, Apollo set a lower base management fee (1.0% versus 1.5%) on leverage above 1x. Additionally, it added a three-year lookback feature, which will reduce or eliminate incentive fees in the event the BDC starts to generate losses. This effectively added a total return requirement and could, in turn, hurt the consistency of the company's incentive fees. However, we also believe implementing equityholder favorable structures could be beneficial to the BDC's long-term viability and asset gathering capability.

Table 5

Actions Taken By BDCs Run By Alternative Asset Managers

Company	Action
Apollo Global	Board approved 2x leverage with plans to grow leverage to 1.25x-1.4x; leverage over 1x gets 1% management fee versus 1.5%; three-year lookback feature added
Ares Management	Board approved 2x leverage with plans to grow leverage modestly; leverage over 1x gets 1% management fee versus 1.5%
Carlyle	Board approved 2x leverage, plans to utilize unclear; no fee structure change
Franklin Square Holdings	Board approved 2x leverage for FSIC I but rescinded approval; management fees lowered by 25 bps on all FS BDCs (CCT left at 1.5%); hurdle rates lowered on all BDCs
KKR	See above for Franklin Square Holdings; KKR is co-investment adviser with Franklin Square Holdings on six BDCs
Oaktree	No change

S&P Global Ratings downgraded several BDCs after these BDCs announced that they would seek to utilize additional leverage and increase middle-market loan exposures amid a very competitive environment. We share the concern about the environment that BDCs will be increasing leverage and exposures in and also view this as a partial offset to the incremental fees gained from the change in regulation.

How do you view asset managers with other business lines?

Only a few of the asset managers we rate have a second business line. The extent to which we view these businesses as incrementally positive contributors to a company's business strength (or, conversely, negative detractors) depends on the size of the business segment and nature of the segment.

For example, we see Lazard's financial advisory business as a source of strength given its material size (52% of revenues in 2017), strong competitive position (top five market share), and solid performance over time. Additionally, we think it provides an element of diversity to the firm's earnings, especially given the restructuring business is countercyclical.

We view KKR's capital markets business less favorably from this perspective. Although it has grown quickly and helped boost the company's earnings over the past several years, it is small relative to the company's overall revenues and earnings (approximately 14% of realized revenues in 2017). The capital markets business is strategically important to KKR's operations and differentiates the company from some of its competitors. (KKR uses the platform to enhance its own portfolio companies' access to debt and equity markets while also earning fees that it would otherwise have paid out to third-party investment banks.) However, capital markets revenues are very transactional, dependent on market conditions, and lower quality than the firm's management fee revenues (which are largely locked-up and long dated).

Table 6

Asset Manager Rating And Outlook Changes

Company	Date	Rating/outlook actions
Focus Financial Partners LLC	July 2018	Upgraded to 'BB-'; outlook stable
Franklin Square Holdings L.P.	July 2018	Assigned 'BB' rating; outlook stable
Focus Financial Partners LLC	June 2018	Placed on CreditWatch positive
The Edelman Financial Center, LLC	June 2018	Outlook revised to negative from stable
Russell Investments Cayman Midco, Ltd.	May 2018	Downgraded to 'BB-' and removed from CreditWatch negative; outlook stable
Finco I LLC	May 2018	Upgraded to 'BB'; outlook negative
Russell Investments Cayman Midco, Ltd.	May 2018	Placed on CreditWatch negative
Franklin Resources Inc.	May 2018	Outlook revised to stable from negative
Och-Ziff Capital Management Group LLC	March 2018	Outlook revised to stable from negative
Russell Investments Cayman Midco, Ltd.	March 2018	Outlook revised to stable from negative
CI Financial Corp.	February 2018	Downgraded to 'BBB+'; outlook stable
Victory Capital Holdings, Inc.	February 2018	Upgraded to 'BB'; outlook stable
StepStone Group LP	February 2018	Assigned 'BB' rating; outlook stable
Virtus Investment Partners Inc.	February 2018	Downgraded to 'BB'; outlook stable
Victory Capital Holdings, Inc.	January 2018	Placed on CreditWatch positive
EIG Management Company LLC	January 2018	Rating removed from CreditWatch negative; outlook stable

Table 7

Global Asset Managers Rating Factor Assessments

Company	Business risk profile	Financial risk profile	Anchor	Capital structure	Financial policy assessment	Liquidity	Management & governance	Peer adjustment	SACP	Group influence	Government support	ICR
BlackRock Inc.	Strong	Minimal	aa-	Neutral	Neutral	Exceptional	Strong	Neutral	aa-	Not applicable	Not applicable	AA-/Stable
Blackstone Group LP	Strong	Minimal	aa-	Neutral	Neutral	Exceptional	Strong	Unfavorable	a+	Not applicable	Not applicable	A+/Stable

Table 7

Global Asset Managers Rating Factor Assessments (cont.)

Company	Business risk profile	Financial risk profile	Anchor	Capital structure	Financial policy assessment	Liquidity	Management & governance	Peer adjustment	SACP	Group influence	Government support	ICR
FMR LLC	Strong	Minimal	aa-	Neutral	Neutral	Exceptional	Fair	Neutral	a+	Not applicable	Not applicable	A+/Stable
Franklin Resources Inc.	Satisfactory	Minimal	a	Neutral	Neutral	Exceptional	Satisfactory	Favorable	a+	Not applicable	Not applicable	A+/Stable
AllianceBernstein L.P.	Satisfactory	Minimal	a	Neutral	Neutral	Strong	Satisfactory	Neutral	a	Not applicable	Not applicable	A/Stable
Apollo Global Management, LLC	Satisfactory	Minimal	a	Neutral	Neutral	Exceptional	Satisfactory	Neutral	a	Not applicable	Not applicable	A/Stable
China Jianyin Investment Ltd.	Fair	Minimal	bbb	Neutral	Negative	Adequate	Fair	Neutral	bb+	Not applicable	Extremely high	A/Stable
IGM Financial Inc.	Satisfactory	Modest	bbb+	Neutral	Neutral	Strong	Satisfactory	Favorable	a-	Moderately strategic	Not applicable	A/Stable
Invesco Ltd.	Satisfactory	Minimal	a	Neutral	Neutral	Exceptional	Satisfactory	Neutral	a	Not applicable	Not applicable	A/Negative
KKR & Co. L.P.	Satisfactory	Minimal	a	Neutral	Neutral	Exceptional	Satisfactory	Neutral	a	Not applicable	Not applicable	A/Stable
Affiliated Managers Group Inc.	Satisfactory	Modest	bbb+	Neutral	Neutral	Strong	Satisfactory	Favorable	a-	Not applicable	Not applicable	A-/Stable
Eaton Vance Corp.	Satisfactory	Minimal	a-	Neutral	Neutral	Exceptional	Satisfactory	Neutral	a-	Not applicable	Not applicable	A-/Stable
Lazard Group LLC	Satisfactory	Minimal	a-	Neutral	Neutral	Exceptional	Satisfactory	Neutral	a-	Not applicable	Not applicable	A-/Stable
Oaktree Capital Group LLC	Satisfactory	Minimal	a-	Neutral	Neutral	Exceptional	Satisfactory	Neutral	a-	Not applicable	Not applicable	A-/Stable
Ares Management L.P.	Satisfactory	Modest	bbb+	Neutral	Neutral	Strong	Satisfactory	Neutral	bbb+	Not applicable	Not applicable	BBB+/Stable
CI Financial Corp.	Satisfactory	Minimal	a-	Neutral	Neutral	Adequate	Satisfactory	Unfavorable	bbb+	Not applicable	Not applicable	BBB+/Stable
FIL Ltd.	Satisfactory	Intermediate	bbb	Positive	Neutral	Exceptional	Fair	Neutral	bbb+	Not applicable	Not applicable	BBB+/Stable
Janus Henderson Group PLC	Satisfactory	Minimal	a-	Neutral	Neutral	Exceptional	Satisfactory	Unfavorable	bbb+	Not applicable	Not applicable	BBB+/Stable
Neuberger Berman Group LLC	Satisfactory	Modest	bbb+	Neutral	Neutral	Exceptional	Satisfactory	Neutral	bbb+	Not applicable	Not applicable	BBB+/Stable
Nuveen Finance LLC	Satisfactory	Significant	bb+	Neutral	Neutral	Adequate	Fair	Neutral	bb+	Strategically important	Not applicable	BBB+/Stable
The Carlyle Group L.P. and subsidiaries	Satisfactory	Intermediate	bbb	Neutral	Neutral	Exceptional	Fair	Favorable	bbb+	Not applicable	Not applicable	BBB+/Stable
3i Group PLC	Fair	Minimal	bbb	Neutral	Neutral	Strong	Satisfactory	Neutral	bbb	Not applicable	Not applicable	BBB/Stable

Table 7

Global Asset Managers Rating Factor Assessments (cont.)

Company	Business risk profile	Financial risk profile	Anchor	Capital structure	Financial policy assessment	Liquidity	Management & governance	Peer adjustment	SACP	Group influence	Government support	ICR
Citadel Limited Partnership	Fair	Modest	bbb-	Neutral	Neutral	Strong	Satisfactory	Favorable	bbb	Not applicable	Not applicable	BBB/Stable
Legg Mason Inc.	Satisfactory	Intermediate	bbb	Neutral	Neutral	Exceptional	Satisfactory	Neutral	bbb	Not applicable	Not applicable	BBB/Stable
Gamco Investors Inc.	Fair	Minimal	bbb-	Neutral	Neutral	Strong	Fair	Neutral	bbb-	Not applicable	Not applicable	BBB-/Stable
Intermediate Capital Group PLC	Satisfactory	Intermediate	bbb-	Neutral	Neutral	Strong	Fair	Neutral	bbb-	Not applicable	Not applicable	BBB-/Stable
MIPL Group Ltd.	Fair	Minimal	bbb-	Neutral	Neutral	Strong	Fair	Neutral	bbb-	Not applicable	Not applicable	BBB-/Stable
BrightSphere Investment Group plc	Satisfactory	Intermediate	bbb-	Neutral	Neutral	Strong	Fair	Neutral	bbb-	Not applicable	Not applicable	BBB-/Stable
Waddell & Reed Financial Inc.	Fair	Minimal	bbb-	Neutral	Neutral	Strong	Fair	Neutral	bbb-	Not applicable	Not applicable	BBB-/Stable
Clipper Acquisitions Corp.	Satisfactory	Intermediate	bbb-	Neutral	Negative	Exceptional	Fair	Neutral	bb+	Not applicable	Not applicable	BB+/Stable
CORESTATE Capital Holding S.A. Luxembourg	Fair	Intermediate	bb+	Neutral	Neutral	Adequate	Satisfactory	Neutral	bb+	Not applicable	Not applicable	BB+/Stable
EIG Management Company LLC	Fair	Modest	bbb-	Neutral	Neutral	Adequate	Fair	Unfavorable	bb+	Not applicable	Not applicable	BB+/Stable
FEH, Inc.	Satisfactory	Aggressive	bb	Neutral	FS-5	Adequate	Fair	Favorable	bb+	Not applicable	Not applicable	BB+/Stable
Zhongrong International Trust Co. Ltd.	Fair	Minimal	bbb	Neutral	Negative	Strong	Weak	Neutral	bb	Non-Strategic	Not applicable	BB+/Stable
Finco I LLC	Fair	Aggressive	bb-	Neutral	Neutral	Strong	Fair	Neutral	bb-	Moderately strategic	Not applicable	BB/Negative
Franklin Square Holdings L.P.	Fair	Aggressive	bb+	Neutral	Neutral	Adequate	Fair	Unfavorable	bb	Not applicable	Not applicable	BB/Stable
StepStone Group LP	Fair	Significant	bb	Neutral	Neutral	Adequate	Fair	Neutral	bb	Not applicable	Not applicable	BB/Stable
Victory Capital Holdings, Inc.	Fair	Significant	bb	Neutral	FS-4	Adequate	Fair	Neutral	bb	Not applicable	Not applicable	BB/Stable
Virtus Investment Partners Inc.	Fair	Intermediate	bb+	Neutral	Neutral	Strong	Fair	Unfavorable	bb	Not applicable	Not applicable	BB/Stable
CIFC LLC	Fair	Aggressive	bb-	Neutral	Neutral	Adequate	Fair	Neutral	bb-	Not applicable	Not applicable	BB-/Stable
GP Investments Ltd.	Weak	Intermediate	bb	Neutral	Neutral	Strong	Satisfactory	Neutral	bb	Not applicable	Not applicable	BB-/Stable

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Global Asset Managers Rating Factor Assessments (cont.)

Company	Business risk profile	Financial risk profile	Anchor	Capital structure	Financial policy assessment	Liquidity	Management & governance	Peer adjustment	SACP	Group influence	Government support	ICR
Och-Ziff Capital Management Group LLC	Fair	Aggressive	bb-	Neutral	Neutral	Adequate	Fair	Neutral	bb-	Not applicable	Not applicable	BB-/Stable
Russell Investments Cayman Midco Ltd.	Fair	Aggressive	bb-	Neutral	FS-5	Adequate	Fair	Neutral	bb-	Not applicable	Not applicable	BB-/Stable
Tortoise Parent Holdco LLC	Fair	Aggressive	bb-	Neutral	FS-5	Adequate	Fair	Neutral	bb-	Not applicable	Not applicable	BB-/Stable
Focus Financial Partners LLC	Fair	Aggressive	bb-	Neutral	FS-5	Adequate	Fair	Neutral	bb-	Not applicable	Not applicable	BB-/Stable
Resolute Investment Managers Inc.	Fair	Aggressive	bb-	Neutral	FS-5	Adequate	Fair	Unfavorable	b+	Not applicable	Not applicable	B+/Stable
The Edelman Financial Center LLC	Fair	Highly Leveraged	b	Neutral	FS-6	Adequate	Fair	Neutral	b	Not applicable	Not applicable	B/Negative

SACP--Stand-alone credit profile. ICR--Long-term issuer credit rating and outlook.

This report does not constitute a rating action.