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Raymond James gets midsize 'bolt-on' as UMB Financial exits wealth management

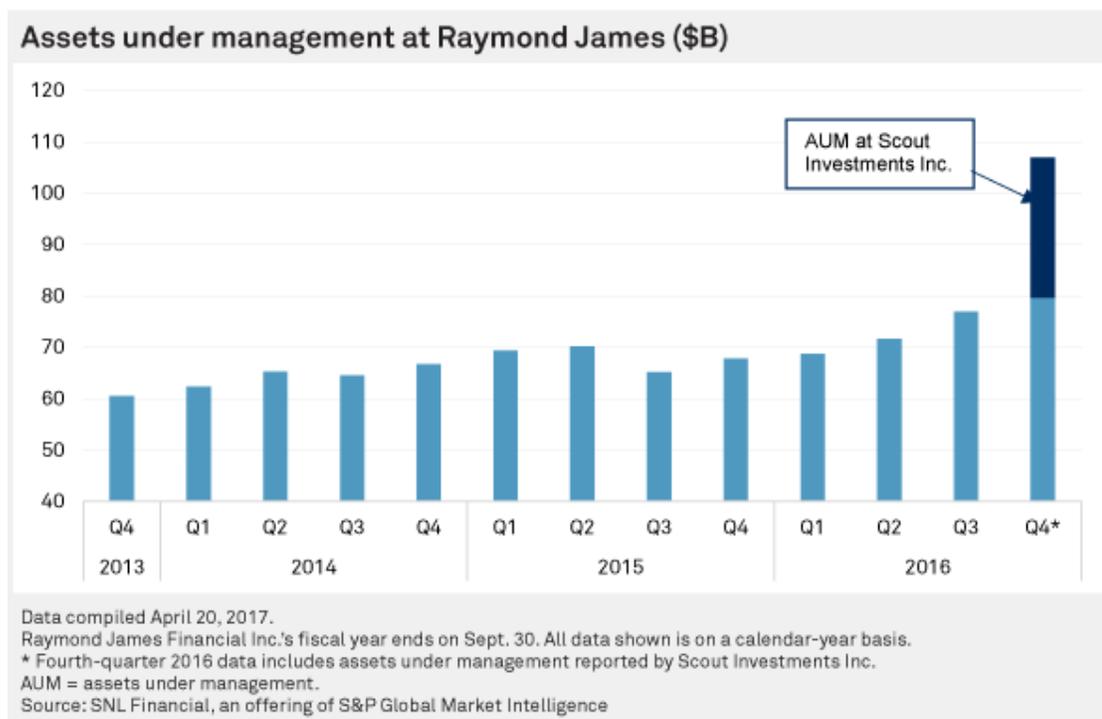
By David Hood

The continued trend toward passive asset management played a major role in [Raymond James Financial Inc.](#)'s planned purchase of [UMB Financial Corp.](#) unit [Scout Investments Inc.](#)

Ann Dai, an equity analyst at Keefe Bruyette & Woods, said the move fits into Raymond James' strategy to grow its asset management business.

"I think they've been looking not for huge scale, like not transformational acquisitions, but looking for that bolt-on acquisition or a midsize acquisition that can help their business," said Dai. "This certainly is of the size where that fits."

Dai said the all-cash \$172.5 million deal gives Raymond James more breadth in its investment offering, will allow the company to expand its distribution channels, and will help with flow trends for the product in general distribution. [Carillon Tower Advisers Inc.](#), the unit of Raymond James buying Scout Investments, has \$27.3 billion in assets under management, according to the most recent data.



Jeffrey Brand, a managing director at Silver Lane Advisors, said the size of the [deal](#) is indicative of passive strategies' popularity, but active management will "have its day again."

"Not to say that active [management] will make a resurgence, but passive [management] will still be the dominant open architecture form," said Brand. "It's more difficult to outperform today. It's more challenging in a long bull market, and it's hard to differentiate yourself over the last several years."

UMB Financial Chairman and CEO Mariner Kemper [acknowledged](#) that the strength of passive management was a significant reason it opted to sell Scout Investments, as the current climate requires "greater focus and scale" for active managers.

KBW's Dai said the broader industry trend toward passive management has been stronger in the retail space than in the institutional segment because of the way retail accounts are structured. "As retail assets move more toward fee-based programs, it's also kind of pushing some more assets more passive," she said.

The transaction is expected to close by the end of the year and is subject to mutual fund board approval and consent of the mutual fund shareholders and certain advisory clients.

Number of brokers at Raymond James



Data compiled April 20, 2017.

Raymond James Financial Inc.'s fiscal year ends on Sept. 30. All data shown is on a calendar-year basis.

Data does not include the impact of the Scout Investments Inc. acquisition announced on April 20, 2017.

Brokers employed = retail and institutional brokers directly employed by the company

Independent brokers contracted = retail and institutional brokers acting as independent contractors for the company

Source: SNL Financial, an offering of S&P Global Market Intelligence