



Figures 20-22 shows the results of this valuation analysis. Figure 20 shows the absolute and relative forward P/Es (on next 12 months forecast EPS) historically over the last 12 months and last two years for the each of the Alts, as well as for the S&P 500 and the median traditional asset manager (15 largest publicly traded asset management stocks). It also shows the current P/E on 2014 ENI Consensus estimates. We then assign target premiums or discounts for each of the Alts vs. their relative P/Es over the last 12 months to derive our target relative P/Es (the last two columns of Figure 20).

Figure 20: DB Target Forward Relative P/E Derivation for the Alts

Historical Avg P/Es	Absolute P/E on NTM		Rel P/E vs. S&P 500		Current P/E on '14	Current Rel P/E	Rel P/E LTM	Target Prem/Disc	Target Rel P/E
	LTM	Last 2 Yrs	LTM	Last 2 Yrs					
APO	9.1x	7.4x	62%	53%	10.6x	69%	62%	15%	77%
BX	9.4x	8.8x	64%	64%	10.4x	68%	64%	25%	89%
CG	10.2x	N/A	70%	N/A	11.4x	74%	70%	15%	85%
KKR	8.8x	8.0x	60%	58%	9.7x	64%	60%	20%	80%
OAK	10.9x	N/A	74%	N/A	12.3x	80%	74%	10%	84%
Median Alt Mgrs	9.4x	8.0x	64%	58%	10.6x	69%	64%	20%	84%
Median Asset Mgrs	16.4x	17.3x	111%	125%	16.4x	107%	111%		
S&P 500	14.7x	13.9x			15.3x				
Median Alts vs. Asst Mgrs	-6.9x	-9.3x	-47%	-67%		-38%	-47%		-23%

Source: Thomson Reuters and Deutsche Bank

Figure 21 converts these target relative P/Es into absolute P/Es and price targets. The valuation analysis in both tables show that we expect the Alts to trade at median P/E of 12-13x on 2015 DE, a year from now – which implies achieving a relative PE of ~85% of the S&P 500, or said differently, a 15% discount to the S&P 500 P/E – vs. their current discount of 30% (i.e. the 69% value shown in Figure 20). Compared with the traditional asset managers, this implies improving the Alts' P/E discount to traditional managers to about 23%, given the traditional are currently trading at a 7% premium to the S&P 500 vs. our 26% forecast discount for the Alts. However, this implies a static relative P/E for the traditional asset managers, which may not be the case (though the asset managers had modest relative P/E contraction over the last two years).

Figure 21: DB P/E-based Price Target Derivation for the Alts

Alt Manager	Forecast DE per unit			Target Relative PE on 2015E	Alts Target PE in 12 Mths on 2015E	12-Month Fair Value Estimate	Current Price	Fair Value vs. Current	Distribution Yield	Potential ROI to PT
	2013E	2014E	2015E							
APO	\$3.82	\$3.22	\$2.70	77%	11.5x	\$31.01	\$32.20	-3.7%	9.5%	5.8%
BX	\$1.40	\$2.33	\$2.91	89%	13.3x	\$38.59	\$31.13	24.0%	6.3%	30.2%
CG	\$2.11	\$2.84	\$3.38	85%	12.6x	\$42.70	\$36.04	18.5%	6.2%	24.6%
KKR	\$2.01	\$1.99	\$2.09	80%	11.9x	\$24.90	\$24.56	1.4%	6.5%	7.8%
OAK	\$5.70	\$5.14	\$5.40	84%	12.6x	\$67.94	\$58.88	15.4%	6.4%	21.8%
Median				84%	12.6x			15.4%	6.4%	21.8%
S&P 500 EPS est	\$104	\$110	\$119	\$125						
P/E (current SPX)		16.3x	15.0x	14.3x						
S&P 500 DPS est		\$36	\$42	\$47						
Implied yield		2.0%	2.3%							