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## THE TRUMP ADMINISTRATION AGENDA: POTENTIAL IMPACT ON THE ASSET MANAGEMENT INDUSTRY

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# INVESTMENT MANAGEMENT, HEDGE FUNDS, AND ALTERNATIVE INVESTMENTS

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# ASSET MANAGEMENT TRENDS

February 2017

Nathan Dean  
Government Policy Analyst  
Bloomberg Intelligence

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The article list includes:

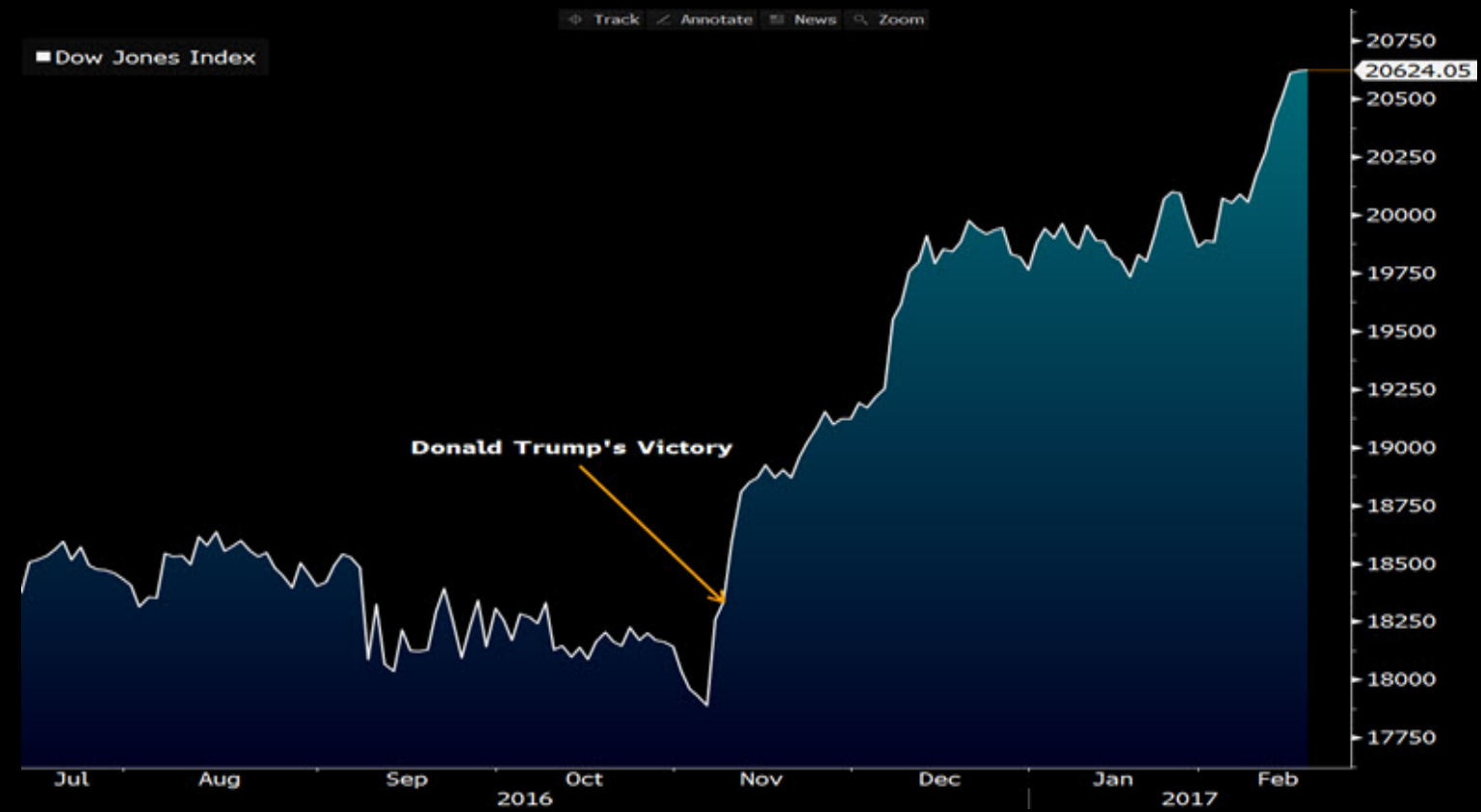
- 101) U.S. Election 2016 - GOP Debate Wrap, 11/10/2015
- 102) MiFID II - For The Next Generation
- 103) Amazon, Cloud Peers Lead Data Center Transformation
- 104) Africa Luxury Goods Market: Full of Untapped Promise
- 105) Volkswagen Gets Hit With Second EPA Violation Notice
- 106) Keystone Decision: Policy Watch

Below the article list, there are tabs for "Recent" and "More", and a tab for "Analysis & Data". The "Analysis & Data" tab is active, showing a list of articles with their respective durations:

- 107) J.B. Hunt Consensus Sales Estimates at Bottom of Guidance Range (12:51)
- 108) Hotels in Las Vegas Get a Boost From Big-Spending Conventioneers (12:50)
- 109) Fannie Mae's Guarantee Fees Boost Net Interest Income: Primer (12:39)
- 110) Big Business Take Note, This Is Not Your Father's GOP (12:33)
- 111) E&Ps Prepare for a 'Lower for Longer' Oil-Price Scenario Post 3Q (12:31)
- 112) Beazer Maintains 2B-10 View, Focused on Deleveraging: 4Q Review (12:26)
- 113) Conventions Keep Las Vegas Hotel Capacity and Visits in Balance (12:24)
- 114) Alnylam '2020' Guidance Is Tracking Ahead of Schedule: 3Q Review (12:22)
- 115) L'Oreal Operating Margin Stagnates on Short-Term Issues: Primer (12:06)
- 116) Further Utilization Drop Could Build Risk to Bank Credit Costs (12:06)
- 117) Tod's Key Quarterly Earnings Metrics: Analyzer (12:06)
- 118) Walgreens Capital Deployment May Hinge on Rite Aid Deal Timing (12:06)
- 119) WEX's Margins Driven Lower by Competition, Investments: Primer (11:55)
- 120) U.S. Banks Further Ease Business Credit, Mostly on Price (11:51)
- 121) Upstream Squeeze in Margins, Cash Flow Rattle Cenovus: Primer (11:49)
- 122) Walgreens' Staggered Debt Gives Options for \$5 Billion Free Cash (11:48)
- 123) Loan Competition Economy Key to Banks Easing Business Credit (11:47)



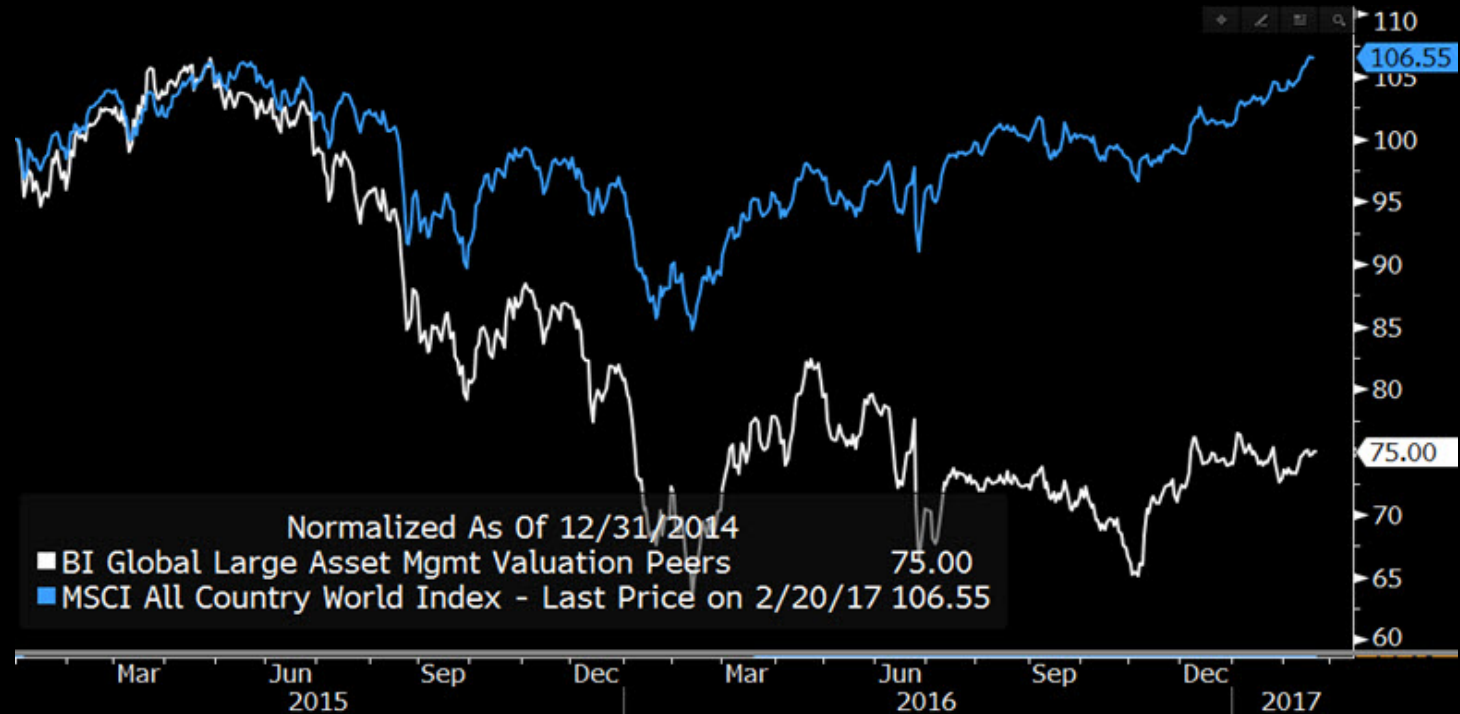
# DOW JONES INDEX



Source: Bloomberg Intelligence



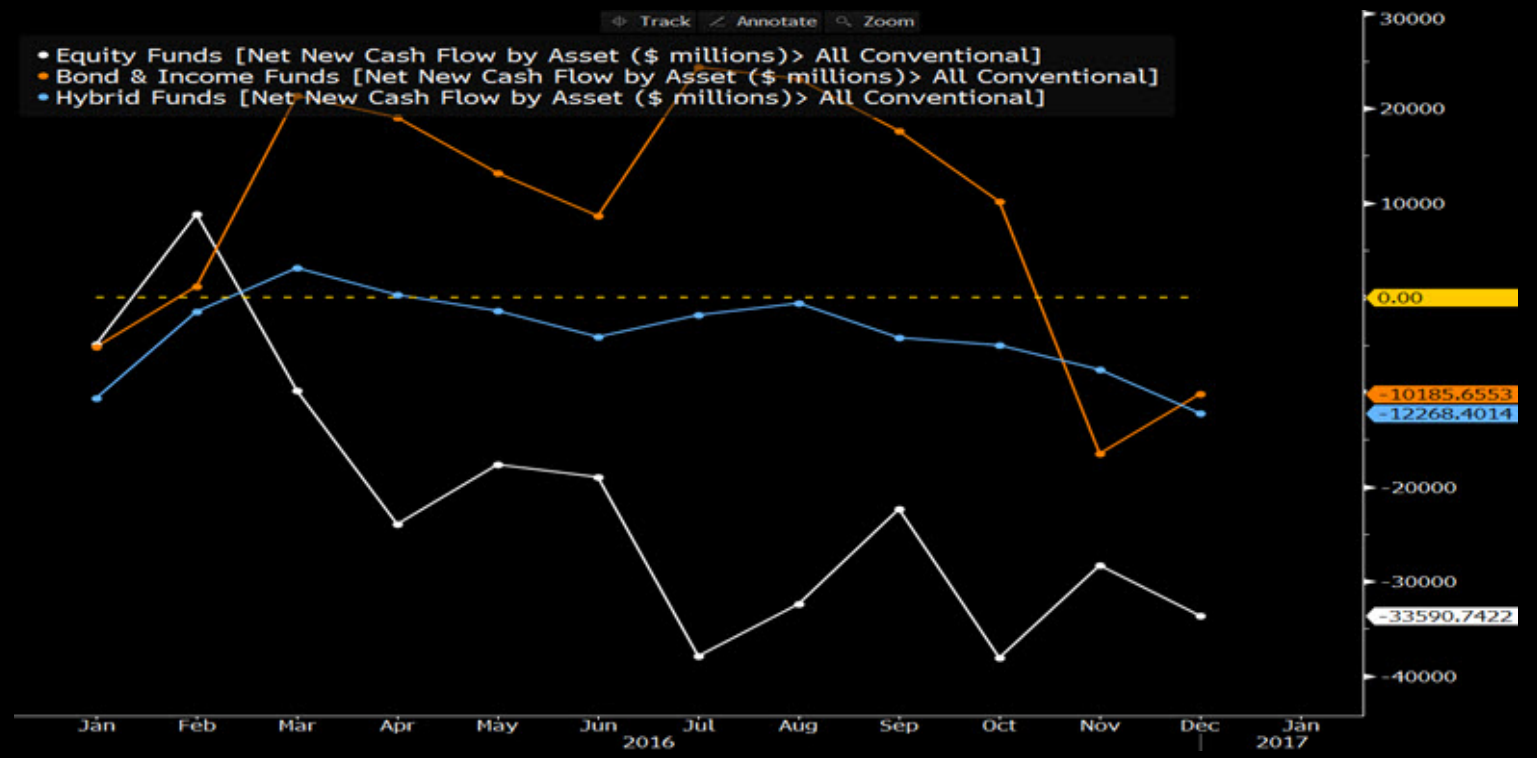
# ASSET MANAGEMENT



Source: Bloomberg Intelligence



# NETFLOWS

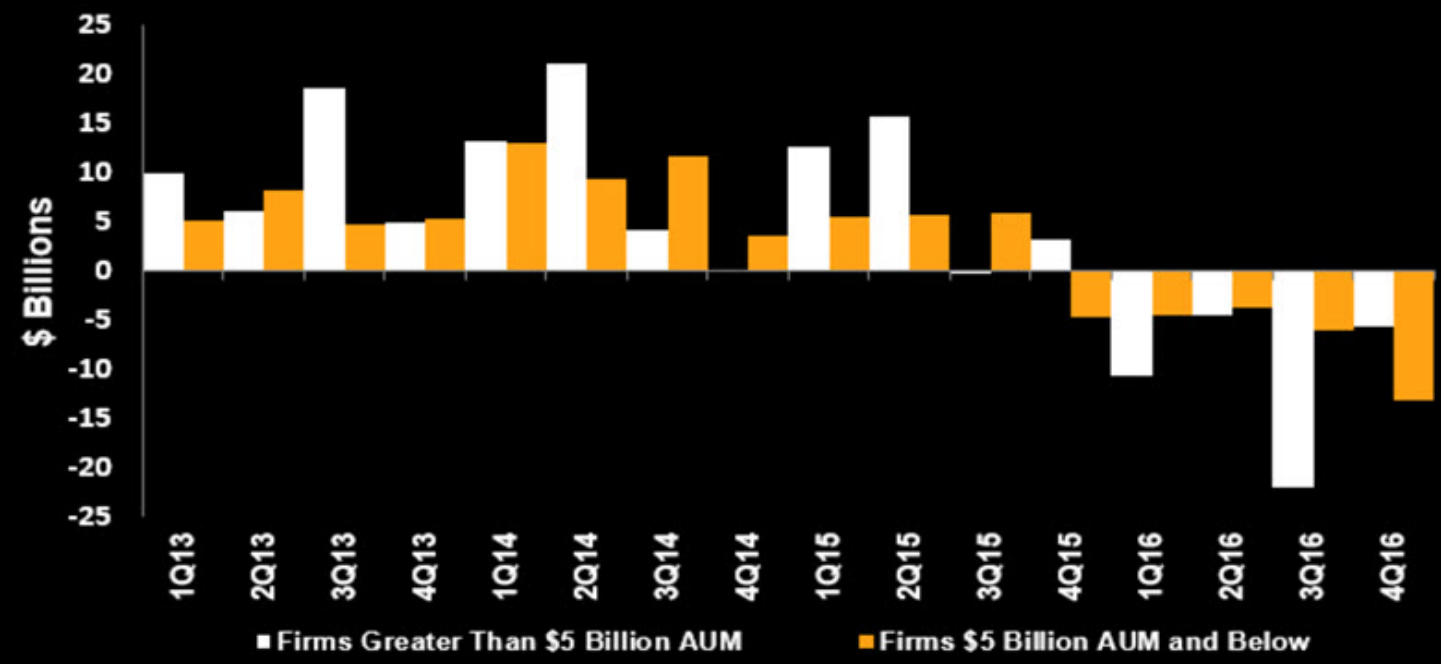


Source: Bloomberg Intelligence





# NET FLOWS LARGE V. SMALL

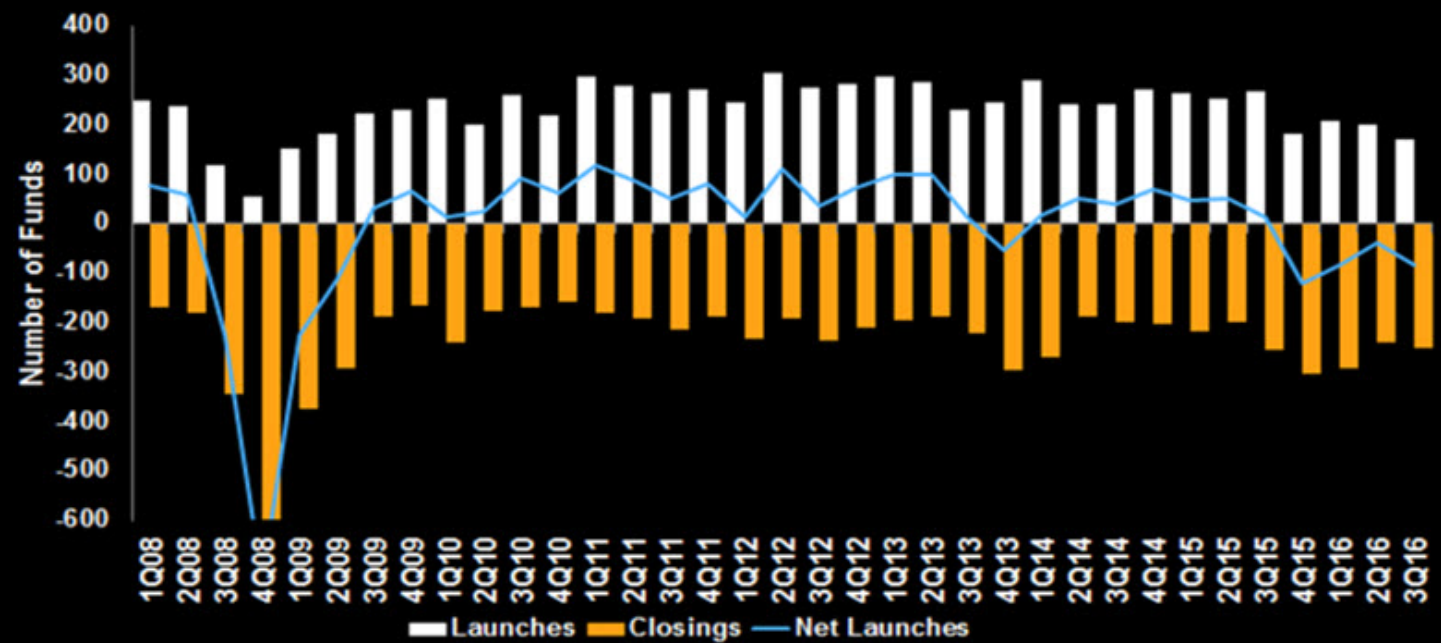


Source: HFR, Bloomberg Intelligence





# HEDGE FUND OPEN V. CLOSE



Note: 4Q08 data truncated; number of closings was 778  
 Source: HFR, Bloomberg Intelligence



# THE FINANCIAL CHOICE ACT

- 10% Leverage Ratio
- Repeal Volcker
- Stress Testing
- CFPB
- Retroactive SIFI Tag
- Durbin Amendment
- Light touch on Derivatives

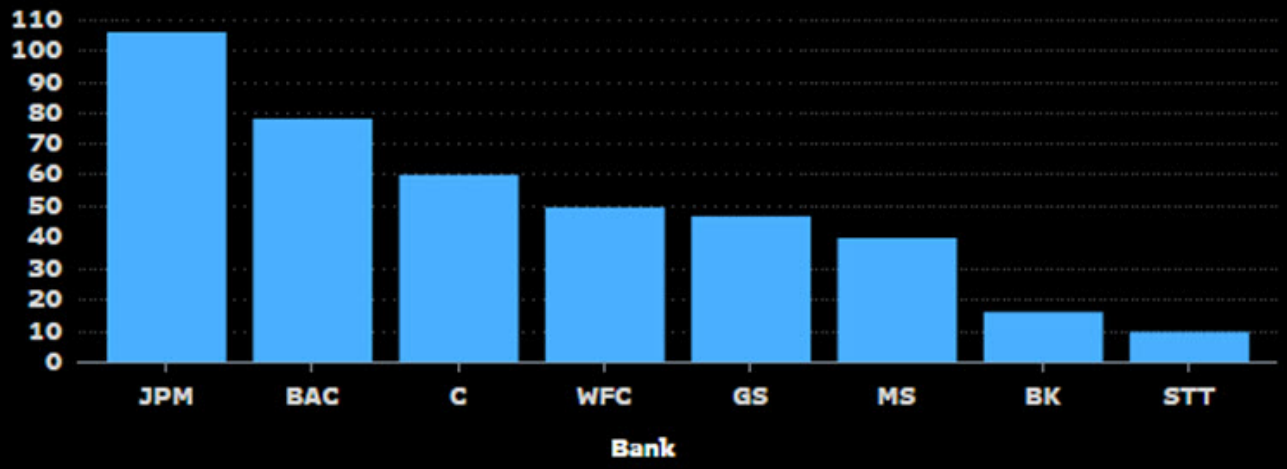
Name	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3
<b>Capital and Liquidity Ratios</b>					
+ Basel III Estimated Tier 1 Common Ratio	10.2	10.5	10.7	10.7	10.5
+ Basel III Estimated Risk Weighted Assets	172,461.00	173,157.50	167,104.00	165,817.50	166,863.00
- Basel III Fully Phased-In Leverage Ratio	6.5	6.4	6.3	6.2	6.1
+ Goldman Sachs Group Inc	6.30	6.10	6.00	5.90	5.80
+ JPMorgan Chase & Co	6.60	6.60	6.60	6.50	6.40
Citigroup Inc	7.40	7.48	7.44	7.08	6.85
Morgan Stanley	6.20	6.10	6.00	5.80	5.50
+ Bank of America	7.10	6.90	6.80	6.40	6.40
Wells Fargo	7.70	7.70	7.60	7.70	7.80
Bank of New York Mellon Corp/T	5.70	5.00	5.10	4.90	4.80
+ State Street Corp	6.00	6.10	6.00	5.80	5.40



# THE FINANCIAL CHOICE ACT

## Big Banks Need \$410B in New Capital To Reach 10% Leverage Ratio

■ Add'l Capital



Source: Bloomberg Intelligence

# THANK YOU

## CONTACT THE ANALYST

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## **The Trump Administration Agenda: Potential Impact on the Asset Management Industry**

**Pamela Garvie**  
February 23, 2017

## CANDIDATES TAKE AIM AT REGULATIONS

- During his campaign, Republican Presidential candidate Donald Trump promised "I will eliminate all needless and job-killing regulations now on the books."
- Republicans running for the House and Senate report that too many regulations is the top complaint they hear about on the campaign trail, and also promise relief



## REG REFORM EFFORTS -- “HUUGE”?

- James Gattuso with the Heritage Foundation says “If successful [efforts to reduce regulations] would be the first in a generation”
- During the Reagan era, Congress reduced regulation of trucks, railroads, and ships; ended federal control of Reagan and Dulles Airports, Conrail, and the Alaska Railroad; and overhauled the tax code





## IMPACT OF REG REFORM ALSO “HUUGE”

- New regulatory reform efforts could have a big impact on many businesses and their customers, suppliers, and investors
- Will be winners and losers
- Need to stay on top of the efforts



## USING EVERYTHING IN THEIR TOOLBOXES

- Not easy because the President and Congressional Republicans are and will be using everything in their toolboxes to eliminate and roll back regulations
- Includes Executive Orders, Congressional Review Act Resolutions of Disapproval, Executive Branch and independent agency actions, and legislation



## WILL REG REFORM BE SUCCESSFUL?

- The President and Congress already have succeeded in eliminating some regulations through Executive Orders and CRA Resolutions
- Eliminating other regulations will take time and be challenged in court
- Other regulations can only be changed through legislation



# Washington Policy Outlook

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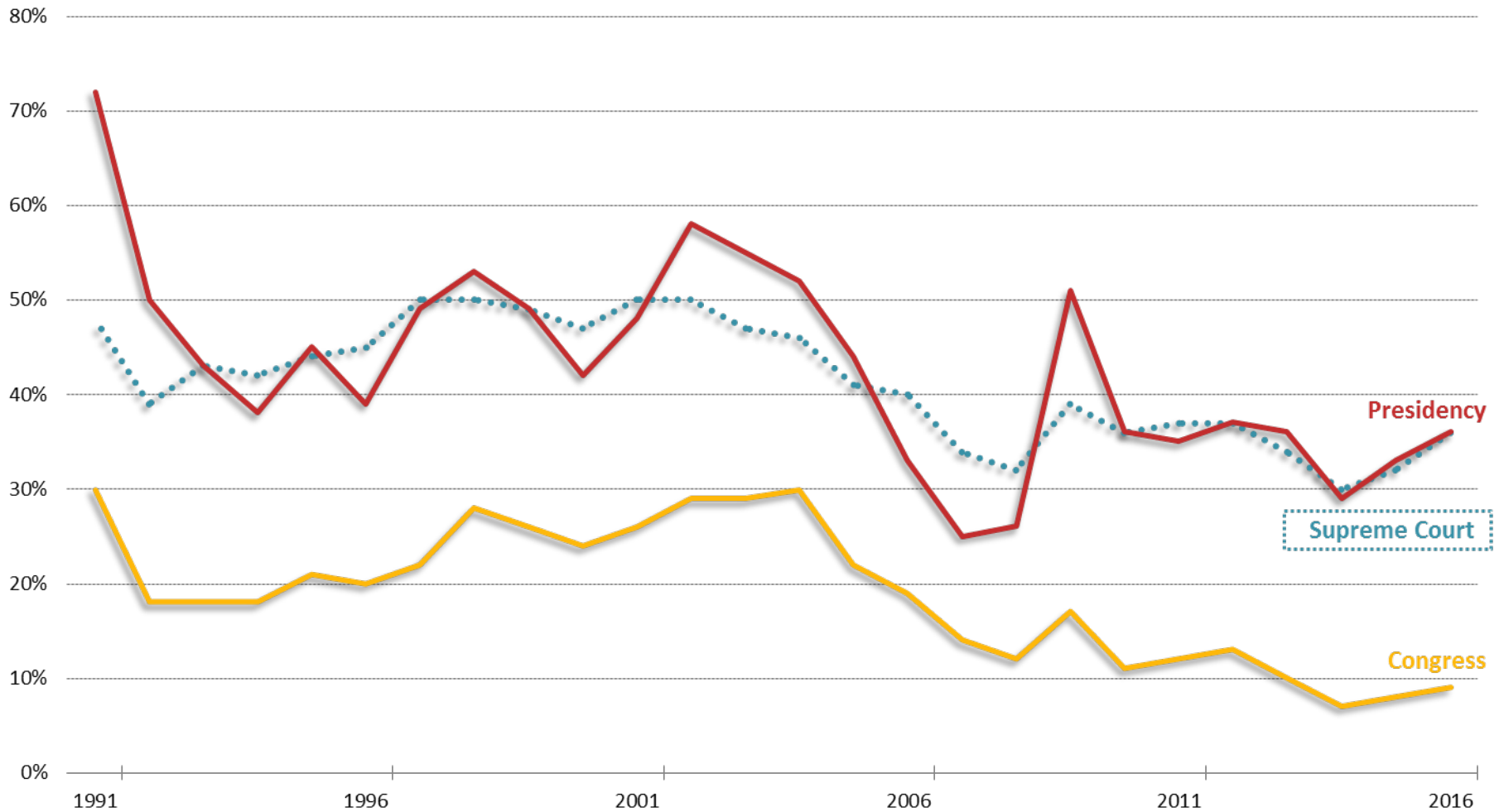
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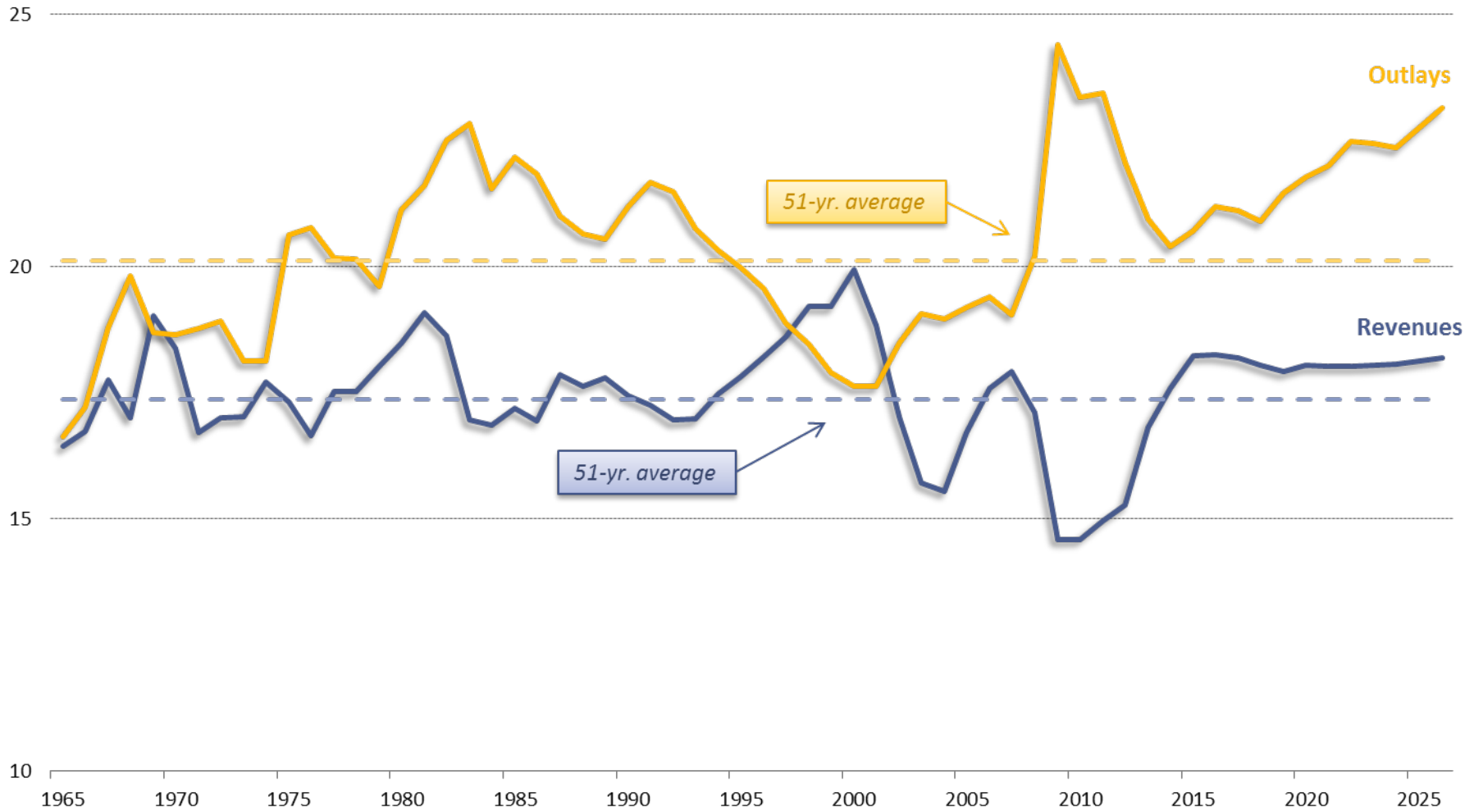


# Washington: Branch of the problem

Confidence in Federal Branches of Government (great deal + quite a lot)



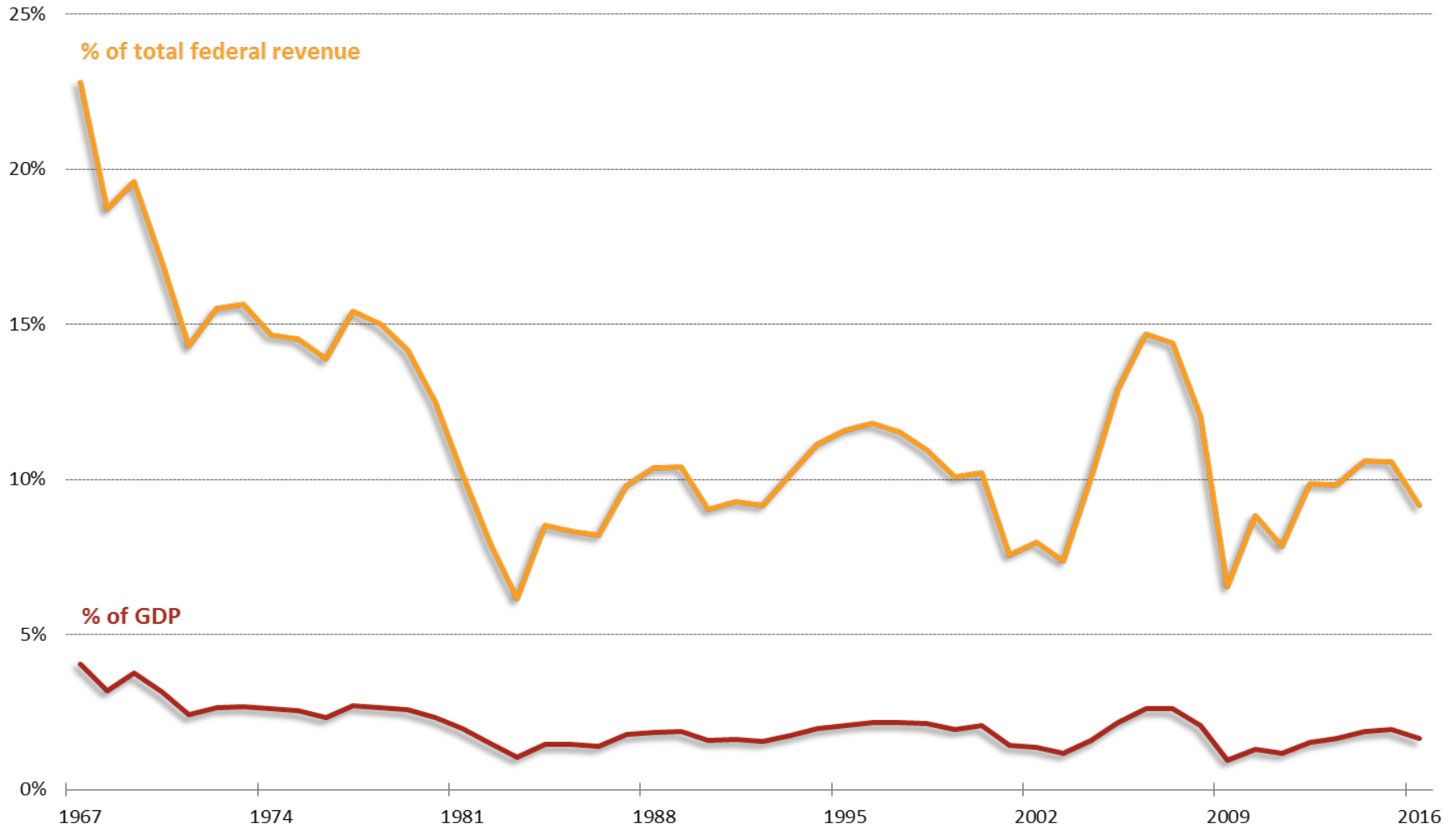
Federal Revenues & Outlays (% GDP)



## Corporate taxation

Country	% total taxation	% GDP
Canada	9.8	3.1
Germany	4.7	1.7
Japan	12.9	4.3
United Kingdom	7.0	2.3
United States	7.4	1.9

## US Corporate Income Tax





**20% income tax**  
**No border adjustment**

	Business 1: All Domestic	Business 2: Foreign Inputs, Domestic Sales	Business 3: Domestic Inputs, Foreign Sales
Revenue	\$100	\$100	\$100
COGS	60	48	60
Taxable income/profits	40	100	-60
Tax	8	20	-12
After-tax income	32	32	32

**20% income tax**  
**Border adjusted**  
**Not currency adjusted**

	Business 1: All Domestic	Business 2: Foreign Inputs, Domestic Sales	Business 3: Domestic Inputs, Foreign Sales
Revenue	\$100	\$100	\$100
COGS	60	60	60
Taxable income/profits	40	40	40
Tax	8	8	8
After-tax income	32	32	32

**20% income tax**  
**Border adjusted**  
**Currency adjusted**

	Business 1: All Domestic	Business 2: Foreign Inputs, Domestic Sales	Business 3: Domestic Inputs, Foreign Sales
Revenue	\$100	\$100	\$100
COGS	60	60	60
Taxable income/profits	40	100	-60
Tax	8	20	-12
After-tax income	32	20	52

**Kim N. Wallace**  
***Head of RenMac Washington Policy***



In his role as Executive Managing Director and Partner at Renaissance Macro Research, Kim N. Wallace is responsible for Washington Policy Research. Mr. Wallace has enjoyed a 30-year career in policy analysis in state and federal governments and capital markets. Nominated by President Obama in March 2009 and confirmed by the U.S. Senate, Mr. Wallace most recently served as Treasury Assistant Secretary for Legislative Affairs until October 2011. During this period Mr. Wallace focused on helping to implement fiscal, financial, and international trade policies designed to advance U.S. economic recovery and growth. Mr. Wallace is proud to have received the Alexander Hamilton Award from Secretary Timothy Geithner, the highest honor bestowed on Treasury Department officials.

Prior to his service in the Obama administration, from 1994-2008, Mr. Wallace was an analyst and managing director at Lehman Brothers and briefly at Barclays Capital where he managed two research units. He analyzed a range of policy developments including deregulation of electricity, telecommunications, and financial markets (1994-2001). In his role as chief policy analyst, Mr. Wallace also built and managed a team dedicated to geopolitical risk analysis (2002-2008) and served as an advisor to Lehman's executive committee. During his time at Lehman Mr. Wallace was a multiple recipient of the Institutional Investor All-American award. From 1990-1994, Mr. Wallace focused on fiscal policy as a legislative assistant to Senate Majority Leader George J. Mitchell, and from 1986-1989 served as a staff analyst at the U.S. Senate Budget Committee. Prior to entering federal service, Mr. Wallace worked from 1982-1985 as an analyst and legislative assistant for the Texas state legislature and later in the Texas Governor's office.

Mr. Wallace received a Bachelor's Degree from the University of Texas at Austin, and a Master's Degree from the Johns Hopkins University.

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## **The Trump Administration Agenda: Potential Impact on the Asset Management Industry**

**Karishma Shah Page**  
February 23, 2017

# Marathon or Sprint?

Jan

- 1/3 – 115<sup>th</sup> Congress convenes
- 1/12 – Congress passes FY 2017 budget resolution, with reconciliation instruction for ACA repeal
- 1/20 – Presidential Inauguration

Feb

- 2/6 – Statutory requirement for President to submit FY 2018 budget (currently pending)
- 2/28 – State of the Union

Mar

- ACA repeal and replace advances?**
- 3/20 – Senate begins confirmation process on Supreme Court nominee Neil Gorsuch

Apr

- 4/15 – FY 2018 budget resolution, with reconciliation instruction for ACA repeal and replace and tax reform?
- Mid-April – Debt limit expires?
- 4/28 – CR expires

May

- FY 2018 appropriations?

Jun

- Tax reform advances?**





# Priorities

- Top priorities:
  - ACA repeal and replace
    - Reg reform
    - Repeal+ (some replace) under reconciliation
    - Regular order (i.e. 60 votes in the Senate)?
  - Tax reform (under reconciliation?)
  - Financial services reform
- Other priorities:
  - Immigration and border security
  - Infrastructure
- The “din”:
  - Confirmations
  - Reg reform
  - Twitter
  - International relations



# Financial Services Reform

- House Financial Services Chairman Jeb Hensarling's Financial Choice Act
  - Process: Expected to be introduced and move through Committee and House floor quickly
  - Key provisions:
    - “Off-ramp” election for strongly capitalized, well managed institutions
    - End TBTF and “bank bailouts”
    - CFPB reform
    - Regulator reform and accountability
    - Incentivize capital formation
    - Community financial institution relief
- Senate Banking Committee
  - Attempt bipartisan package under regular order?
  - GSE reform



# Tax Reform

- House Ways & Means Committee
  - Process: Drafting bill along the lines of House Blueprint; once introduced, move through Committee and House floor quickly
  - Key provisions:
    - Cutting the corporate rate to 20%
    - Creating a separate 25% rate on business income from pass-throughs
    - Cutting the top individual rate from 39.6% to 33%
    - Creating a 50% exclusion for dividends, interest and capital gains, resulting in a top rate of 16.5%
    - Providing full business expensing while repealing the interest deduction
    - Shifting to a territorial tax system with a 100% dividend deduction
    - **Border adjustment tax**
- President Trump: Developing “tremendous” tax reform plan
- Senate Finance Committee: Developing its own bill, likely under reconciliation?
- Does “comprehensive” tax reform become tax relief plus infrastructure?





Questions?



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