



# M&A on the Rebound

Q3 2021

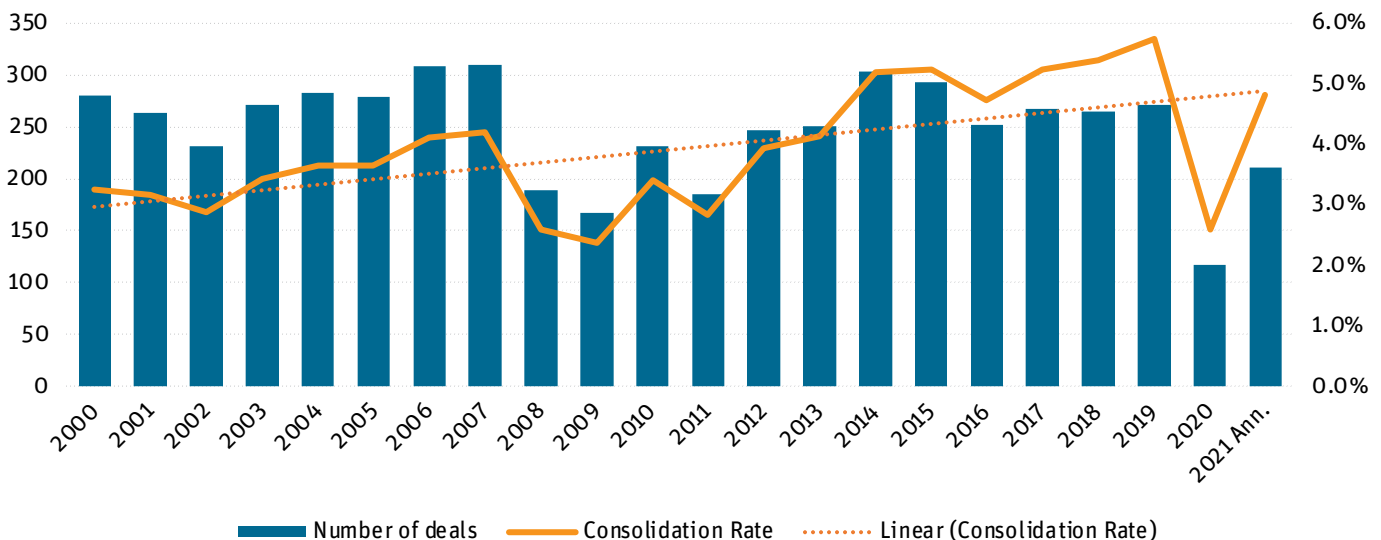
Mergers and acquisitions (M&A) has been a positive secular trend for the banking sector for a number of years, particularly following the great financial crisis (GFC) as the regulatory backdrop became more friendly. We have been expecting this trend to accelerate as banks focus on driving better scale and profitability in a still low interest rate environment with high regulatory/compliance costs and rising technology costs. M&A can allow banks to reduce expenses, scale large fixed costs, improve funding costs, expand revenue growth opportunities and/or deploy excess capital. Importantly, cost savings from bank consolidation are tangible and meaningful, and typically range from 20% to 30% of the target's expense base.

We are seeing a definitive reacceleration in M&A activity following a pandemic-driven slowdown in 2020, where volumes were down approximately 60% from 2019. The reacceleration in 2021 has added back more than two percentage points to the consolidation rate (up to 4.8% from 2.6%), with volumes up more than 140% on an annualized basis versus 2020.

Total deal value year-to-date 2021 already exceeds the full year 2020. Additionally, we are seeing a particular pickup in “mega deals” (deals over \$500M in transaction value) with 13 megadeals year-to-date versus six in 2020 and 12 in all of 2019, suggesting that the need for scale is increasingly important at the large community bank/small regional bank level. With still low absolute levels of interest rates and slow loan growth, we believe banks will increasingly be focused on driving incremental earnings growth through enhanced efficiency (including M&A) over the coming years.

M&A is particularly positive for our community bank debt strategies, as typically a smaller institution is acquired by a larger institution and the debt of the smaller bank is acquired by the bigger bank. This results in spread tightening and often very significant price appreciation in the bonds. Our portfolios have typically seen higher levels of consolidation than the banking sector overall given the faster-growing and perhaps more capital-optimizing/strategically focused nature of the types of banks issuing debt.

**BANKING SECTOR CONSOLIDATION RATE**



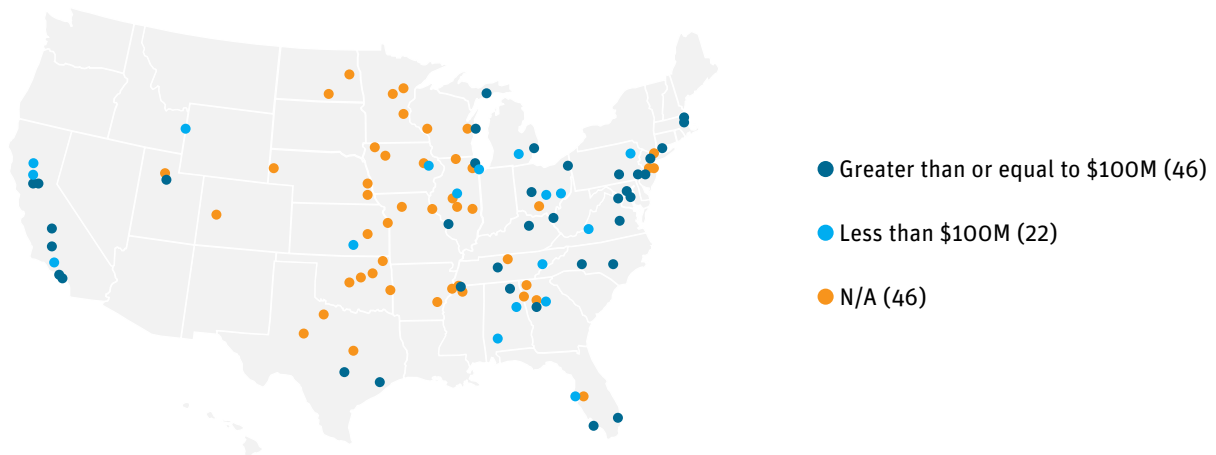
Source: S&P Global Market Intelligence as of 8/9/21.

LARGEST DEALS OF 2021

BUYER	TARGET	TARGET CITY & STATE	DATE	DEAL VALUE (\$M)	DEAL/TBV (%)	DEAL/DEPOSITS (%)
SVB Financial Group	Boston Private Financial Holdings, Inc.	Boston, MA	1/4/21	942.6	115.3	12.0
M&T Bank Corp.	People's United Financial, Inc.	Bridgeport, CT	2/22/21	7,599.0	166.5	14.6
WSFS Financial Corp.	Bryn Mawr Banc Corp.	Bryn Mawr, PA	3/10/21	989.9	228.8	22.6
Eastern Bankshares Inc.	Century Bancorp Inc.	Medford, MA	4/7/21	641.9	174.6	11.8
BancorpSouth Bank	Cadence Bancorp.	Houston, TX	4/12/21	2,872.8	155.3	17.8
Webster Financial Corp.	Sterling Bancorp	Pearl River, NY	4/19/21	5,225.2	188.7	21.9
Independent Bank Corp.	Meridian Bancorp Inc.	Peabody, MA	4/22/21	1,150.6	149.6	22.6
New York Community Bancorp Inc.	Flagstar Bancorp Inc.	Troy, MI	4/26/21	2,559.1	115.0	13.2
Glacier Bancorp Inc.	Altabancorp	American Fork, UT	5/18/21	934.8	288.3	29.6
Old National Bancorp	First Midwest Bancorp Inc.	Chicago, IL	6/1/21	2,468.6	165.1	14.9
Regions Financial Corp.	EnerBank USA	Salt Lake City, UT	6/8/21	960.0	305.8	35.1
United Community Banks Inc.	Reliant Bancorp Inc.	Brentwood, TN	7/15/21	518.4	191.2	19.8
South State Corp.	Atlantic Capital Bancshares Inc.	Atlanta, GA	7/23/21	545.8	169.3	16.7

Source: S&P Global Market Intelligence as of 8/9/21.

US BANK DEALS ANNOUNCED IN 2021



Source: S&P Global Market Intelligence as of 8/31/21.

Includes whole company and minority stake bank and thrift deals from Jan. 1, 2021, to July 31, 2021. Targets' headquarters locations shown. Deals with multiple targets or company divisions are not depicted on the map. Excludes branch, government-assisted and terminated deals, as well as thrift merger conversions.

Mutual fund investing involves risk; loss of principal is possible.

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