CONFIDENTIAL
PREMIUM RECOMMENDATIONS

Organization	**FEDERATED HERMES, INC. (FHI)**
Volume 1	Issue 1

THE VALUE LINE®

M&A Service

Value Line®

IN THIS ISSUE

Federated Hermes, Inc. (NYSE: FHI) provides investment management products such as mutual funds and balanced portfolios, as well as related financial services. At June 30, 2020, it had assets under management of more than $628 billion. These funds are distributed among money market, equity, fixed income, and alternative investments. The company is headquartered in Pittsburgh, PA and employs about 1,825 individuals. In our view, its sizable managed asset portfolio, relatively small size (market capitalization of $2.1 billion), and the stock's attractive valuation make Federated Hermes an acquisition target.

THE MERGERS & ACQUISITIONS ENVIRONMENT: IN BRIEF

By Ian Gendler

Welcome to the inaugural issue of The Value Line M&A Service. This service is designed for investors who are interested in mergers & acquisitions. The objective of the publication is to identify companies (one per month) that offer characteristics, such as a successful product lineup, market position, important technology, and/or enticing valuation, that would interest larger corporations or private equity firms. When choosing our candidates, we will be very selective. Not only are our recommendations good M&A material but, in our view, would also make fine holdings in their own right. Thus, we expect that subscribers who follow our recommendations will achieve worthwhile investment returns, with the added possibility of generating sizable and relatively quick profits should acquisitions come about. On that note, going forward, we will provide updates to prior recommendations, and include our thoughts in regard to whether they still merit inclusion in an M&A-focused portfolio.

In addition to the special highlight on a stock Value Line thinks is a good acquisition candidate, subscribers to The Value Line M&A Service will receive comprehensive monthly reports that include a detailed discussion of the broader economy and stock market. In that context, our reports will offer concise information and analysis on recently announced acquisitions, as well as deals that were freshly completed. Each one of these research-note style commentaries will contain advice on what you as an investor should do that comes directly from Value Line's Research Department.

The mergers & acquisition environment had been unusually strong over the past several years. In fact, transactions in the tens-of-billions-of-dollars had become quite commonplace, with a number of Fortune 500 companies having been acquired. This was not all that surprising since a decade-long bull market and economic expansion padded many large companies' coffers, putting them in a position to close acquisitions rapidly. Interest rates were also historically low, making borrowing costs quite reasonable for those enterprises seeking expansion through mergers.

The coronavirus and corresponding economic recession have thrown some chaos into the mix. Although mergers and acquisitions are still being announced and consummated, the total number of transactions has slowed during the past six months or so. Because of the virus, supply chains have been severely disrupted and numerous sectors have felt the brunt of lockdowns, stay-at-home orders, and other measures implemented to combat the spread of COVID-19. Countless corporations have pivoted to capital preservation, rather than spending. This has led to the accumulation of debt and the reduction or elimination of dividend payouts, among other cash-saving initiatives. All told, balance sheets are not as strong as they were earlier in 2020.

Somewhat surprisingly, the stock market has shown great resilience. Following the steep drop in February/March, the major equity indexes have recovered almost all of the lost ground, albeit with increased volatility recently. Near-term prospects for countless companies are lackluster and/or cloudy amid the threat of further spread of the coronavirus and the potential of a second wave in the fall. Coupled with the stock market's recent recovery, current price-to-earnings ratios and other valuation metrics appear lofty and unsustainable. For the market to maintain this course, it will be vital that the coronavirus come under control, and the global economy recovers rather quickly.

Still, we think that the merger & acquisition pipeline will be solid over the next few years. Interest rates are likely to remain at historically low levels, and it may be easier, less expensive, and less risky for many enterprises to expand their businesses via purchases of established companies, rather than invest in internal growth initiatives.

Specifically, the asset management industry has been active on the acquisition front for some time, and we think that this trend will persist. Meaningful increases in assets under management are hard to come by through regular marketing and sales channels, and experiments with new services and means of distribution can be a hit-or-miss proposition. This group also has to contend with the explosive growth of indexed ETFs. Investments in these types of securities come with sharply reduced fees for the manager. In this competitive space, profit margins are not radically widening except through economies of scale; hence, the urge to consider consolidation. Thus, the large players in this space have been aggressive when it comes to buying smaller rivals. We think that Federated Hermes (FHI) is one such company that will become a target, perhaps of industry behemoth BlackRock (BLK). ■

A NOTE FROM THE MANAGING EDITOR

By Harvey S. Katz, CFA

Emotions are running high on Wall Street. First, there was the electrifying run by the bulls in August and the first two days of September, with a string of all-time highs being made by the S&P 500 Index and the NASDAQ. Then, the stock market hit a wall. Importantly, though, the rapid selloff did not reflect a shift in the economy's performance. Indeed, recent statistics noted a strengthening in manufacturing activity, a solid showing in the services sector, and larger-than-expected declines in new weekly jobless filings and the August unemployment rate. Clearly,

The fundamentals are taking a backseat. As noted, most of the economic data are supportive. In fact, the current period may see GDP turn positive by as much as 20%, after a depressed second quarter in which output plunged by 31.7%. Also, the Federal Reserve is likely to keep interest rates near zero for many months; a divided Congress could yet agree on another fiscal stimulus package; and the next several months may see progress in securing a vaccine for COVID-19. With these favorable outcomes seemingly possible, stocks could soon regroup and head higher.

Meanwhile, the economy is likely to continue improving. But this comeback may come in fits and starts over the next 12 to 18 months. Thereafter, an orderly and sustainable expansion figures to resume and possibly carry through the middle years of this decade.

What's ahead for investors? Our sense is that the long-term uptrend is intact, with the recent selling (most notably in the richly-valued technology sector) helping to eliminate some of the market's froth.

Conclusion: For now, we think the recent ups and downs in the market do not change the positive outlook for stocks. In addition, a brighter economic picture, coupled with historically low interest rates, may well lead to a pickup in merger & acquisition activities. ■

THIS MONTH'S RECOMMENDATION: FEDERATED HERMES, INC.

Federated Hermes, Inc. (FHI), our inaugural M&A selection, provides investment management products including mutual funds and balanced portfolios, and related financial services. At June 30, 2020, it had assets under management (AUM) of more than $628 billion. These funds are distributed among money market, equity, fixed income, and alternative investments. The company is headquartered in Pittsburgh, PA and employs about 1,825 individuals.

The M&A Case

The asset management/advisory industry has been active on the mergers & acquisitions front for many years now. Competition in this space is fierce, with many players offering similar products and services. Thus, the fight for customers (individuals, businesses, pension funds, etc.), and the fees they provide, is intense, and it is truly a global battlefield. Over the past few years, this industry has experienced a number of tie ups, including the 2017 merger between Colorado-based Janus Capital and U.K.-headquartered Henderson Group plc. Janus Henderson plc (JHG), as it is known today, boasts more than $375 billion in assets under management and generates annual fees of more than $2 billion. More recently, on July 31st of this year, Franklin Templeton, a subsidiary of Franklin Resources (BEN), completed the acquisition of Legg Mason. The combined entity now has more than $1.5 trillion in assets under management. The addition of Legg Mason broadened Franklin's international presence and exposure to the alternative and institutional asset classes.

In our view, there is a fair chance that Federated Hermes becomes an acquisition target in the near term. In fact, the company itself is a product of a merger. In 2018, Federated Investors, as it was known then, purchased London-based Hermes Fund Managers, for approximately $325 million in cash. The transaction brought in a sizable amount of assets and gave Federated an outlet to distribute its products in Europe.

Our thesis is mostly based on the changing landscape of the asset management industry. In addition to the competitive forces mentioned above, the fee levels managers charge customers have been drastically reduced. For instance, within the past year or so, all of the major brokerage houses eliminated many trading fees for individual investors. This policy change filtered down to asset managers who also had to adjust or eliminate some fees. *On a side note, since that announcement, many of the brokerage houses have merged themselves, believing that bigger is better.*

The proliferation of indexed ETFs and mutual funds is another hurdle for money managers. These securities, which now boast trillions of dollars in invested capital, are based on the major stock market benchmarks like the S&P 500 Index and Russell 2000. Virtually all asset managers offer these securities, and they come with very low expense ratios (and profit margins).

Now, focusing on Federated Hermes, it checks a number of boxes when it comes to acquisition suitability. It currently has more than $628 billion in assets under management, which is a new high-water mark for the company. The majority of those assets are in money market funds, which tend to be shorter-term investments (usually a year or less) that are less risky than many other asset classes. In fact, Federated began selling money market fund products in 1974, and is one of the largest providers of such securities in the U.S. These assets are particularly of interest to institutions, which often have strict rules when it comes to regulatory compliance, risk, and liquidity. We think it is likely that this part of Federated's business will continue to perform well, especially during this period of COVID-19 and economic uncertainty, as large institutions stash capital in money market funds rather than riskier and/or less liquid investments. Even at a reduced rate, the fees generated here should fuel healthy annual profits for Federated over the years ahead. Lastly, due to their shorter term and lower volatility, mass outflows of money market funds are less common when compared to more-standard equity funds.

Federated Hermes' valuation is another plus. Unlike a great many others, FHI is presently trading at a discount, when considering its price-to-earnings, price-to-book, and other metrics. For instance, its current P/E ratio is less than 10.0. This is materially lower than its historical average (last 10 years) of 14.0, as well as our three- to five-year projection of 16.0. Book value tells a similar story. The issue usually trades at five-to-six times book value per share. Presently, it is less than three times. Simply put, the shares of Federated Hermes appear undervalued, and we think that one of its larger competitors will take notice.

The total size of the company is also favorable. Federated's market capitalization is only $2.4 billion. This is a relatively small amount when you compare it to the largest players in the asset management arena. For instance, BlackRock (BLK) and the aforementioned Franklin Resources (BEN) possess market caps of roughly $90 billion and $11 billion, respectively. There are certainly many others who could, more or less easily, afford and absorb a company like Federated Hermes. In fact, we do think BlackRock makes a good deal of sense. Without skipping a beat, it could acquire Federated and benefit from its sizable asset total and enviable money market presence.

We estimate that a buyout offer that values Federated Hermes at $3.5 billion, or roughly $35 per share would get the attention of stockholders. At $35, that works out to a premium of about 55% over FHI's current price.

A Potential Hurdle to an Acquisition

John F. Donahue co-founded Federated in 1955 (a brief company history is provided below). Fast forward to today, and the Donahue family is still at the helm. Mr. Donahue's sons, Christopher and Thomas, are in charge. J. Christopher Donahue is the company's President, CEO, and Chairman. Thomas R. Donahue is the Vice President, Treasurer, and CFO. Along with other family members, they control 100% of the Class A stock. An entity interested in purchasing Federated Hermes would need to convince the Donahue clan to sell at least a majority of the Class A stock and, essentially, control of the family business. We assume that this potential impasse can be resolved with the right terms.

Company History

Two friends from high school, John F. Donahue and Richard B. Fisher, founded Federated Investors in October 1955. Four years later, the company had $13 million in assets under management (AUM) and completed its initial public offering. In 1976, Federated created the industry's first institutional-only money market fund and one of the first municipal bond funds. At this time, AUM exceeded $820 million.

In the summer of 1982, the company was sold to Aetna Life & Casualty Co. The marriage lasted until 1989, when John F. Donahue and Jim Lynn, Aetna's CEO at the time, returned Federated Investors to self-ownership. In May 1998, Federated Investors completed another IPO and began trading on the New York Stock Exchange under the ticker FII. It became a component of the S&P 500 Index in April 2003. During the early 2000s, the company completed several acquisitions that bolstered its AUM and product roster. It surpassed $300 billion in assets by the beginning of 2007. The company, as we know it today, was formed in July 2018 via the merger with Hermes Investment Management. At that time, it changed its name to Federated Hermes and its ticker to FHI.

Recent Financial Results

Through both acquisitions and internal growth, Federated Hermes has been able to achieve steady annual increases in revenues and earnings. In fact, full-year 2019 saw the company achieve record results, which was surely helped by the decade-long bull market and economic expansion. All good things must come to an end, and the coronavirus put an emphatic stamp on that. However, Federated is holding up better than most. For the first six months of 2020, the company has brought in increased revenues, earnings, and assets under management, and we expect new records to be set for the full year. The stock market's surprising resilience at a time when the real economy briefly shrank by the largest margin on record has been a boon for Federated and other asset managers, especially compared to businesses that felt a much greater impact on demand and profits.

For the first half of 2020, revenues were $719.9 million, compared to $628.5 million last year. Increased advisory fees, investment income, and a reduction in debt expense helped earnings reach $1.44 per share, a year-over-year increase of 24%. Federated Investors ended the first half with assets under management of $628.8 billion, of which $457.6 billion were money market assets.

Business Prospects

We are upbeat about the money manager's business, despite competitive pressures and the secular shift toward passive investments, such as indexed ETFs. A large number of FHI's mutual funds have consistently outpaced their respective peer group averages over various periods. If that trend holds, it should help the firm attract new clients, and assets under management will surely benefit. What's more, leadership, aware of the challenges facing the broader industry, has done a good job of adding assets through consolidations in recent years. After Federated purchased Hermes Fund Managers in 2018, it then followed that up with a deal for assets from PNC Financial Services. For full-year 2020, we now expect share earnings to slightly exceed last year's tally. This is rather impressive when you consider the economic fallout from COVID-19.

Longer term, we are also bullish. Federated Investors should be able to continue to expand its market reach and assets under management, which will make absorbing lower fees-per-service easier to bear. Its balance sheet is also in fine shape, with $278 million in cash and long-term debt of only $90 million. This financial flexibility will allow it to fund operations, the quarterly dividend and, if it remains an independent entity, acquisitions of its own. Looking out three to five years, we project that revenues and earnings will reach $1.55 billion and $3.25 per share, respectively.

What About the Stock?

The shares of Federated had been on the upswing for a couple of years until the coronavirus-caused market decline earlier this year. The issue certainly got hit hard, dropping from $38 to as low as $13. However, as with the broader market, it recovered quite a bit, and is now priced in the neighborhood of $21. Clearly, it still has some ground to make up, and we think FHI will get there in time. At the current price, we think that the stock is undervalued. The issue's price-to-earnings, price-to-book, and other metrics are all below historical averages. Our 18-month and three- to five-year Target Price Ranges suggest ample appreciation.

All told, we are bullish in regard to Federated Investors' business prospects and stock performance. We think FHI would make a fine holding for buy-and-hold investors. Within the next three to five years, we expect it to trade between $40 and $60. Of course, we also think it could be a worthwhile acquisition target for BlackRock (BLK) or another large asset manager. ■

TABLE 1 - Value Line Projections	
Recent Price	$20.70
18-Month Target Price Range	$15 - $50
Current Price to 18-Month Midpoint	55%
2023-2025 Target Price Range	$40-$60
2023-2025 Expected Price Appreciation	95%-190%

TABLE 2 - Company Data	
Industry	Financial Services (Div.)
Exchange	NYSE
Ticker Symbol	FHI
Options	Yes
Financial Strength	B++
Safety Rank	3
Actual E.P.S. FY '18	$2.39
Actual E.P.S. FY '19	$2.69
Estimated E.P.S. FY' 20	$2.75
Estimated E.P.S. FY' 21	$2.65
Current P/E Ratio	8.7
Relative P/E	0.40
Dividend Yield	4.70%
Shares Outstanding	100,187,143
Insider Holdings	100% of Class A; 5.2% of Class B
Market Capitalization	$2.1 billion (Mid Cap)
Address	Federated Investors Tower Pittsburgh, PA 15222-3779
Telephone	412-288-1900
Website	www.federatedinvestors.com

FINANCIALS — Federated Hermes, Inc.

Table 3 - Income Statement Data

	2018	2019	2020	2021	2023-2025
Operating Expenses	1135.7	1326.9	1450.0	1440.0	1550.0
Gross Income	805.4	978.9	1105.0	1100.0	1160.0
Other Income (Expenses)	330.3	348.0	345.0	340.0	390.0
Income Taxes	-34.1	17.3	10.0	5.0	20.0
Minority Interest	73.9	88.1	80.4	80.4	88.8
Preferred Dividends	2.0	4.9	5.5	5.5	6.0
Net Income	0.0	0.0	0.0	0.0	0.0
Diluted Shares	96.9	97.3	97.0	97.0	98.0
Earnings Per Share	2.39	2.69	2.75	2.65	3.25

Table 4 - Historical Balance Sheet

	2018	2019	6/30/2020
Cash & Equivalents	156.8	249.2	277.8
Receivables	95.1	102.1	120.5
Inventories	0.0	0.0	0.0
Other	52.2	110.0	123.1
Total Current Assets	304.1	461.3	521.4
Net Property, Plant	53.2	51.7	50.7
Intangible Assets	1149.2	1220.7	1241.8
Other	37.2	146.4	120.0
Total Assets	1543.7	1880.1	1933.9
Payables	56.1	69.0	89.1
Debt Due	0.0	0.0	0.0
Other	125.1	161.7	159.9
Total Current Liabilities	181.2	230.7	249.0
Long-Term Debt	135.0	100.0	90.0
Other	370.4	508.1	508.2
Shareholders' Equity	857.1	1041.3	1086.7
Total	1543.7	1880.1	1933.9

Quarterly Net Revenues

	Mar.31	Jun.30	Sep.30	Dec.31	Year
2017	273.5	272.8	278.3	278.3	1102.9
2018	263.9	256.0	308.6	307.2	1135.7
2019	307.1	321.5	340.3	358.0	1326.9
2020	359.2	360.7	365.0	365.1	1450.0
2021	350.0	350.0	370.0	370.0	1440.0

Quarterly Net Revenues Growth

	Mar.31	Jun.30	Sep.30	Dec.31	Year
2018	-3.5%	-6.2%	10.9%	10.4%	3.0%
2019	16.4%	25.6%	10.3%	16.5%	16.8%
2020	17.0%	12.2%	7.3%	2.0%	9.3%
2021	-2.6%	-3.0%	1.4%	1.3%	-0.7%

Quarterly Earnings Per Share

	Mar.31	Jun.30	Sep.30	Dec.31	Year
2017	22.4%	11.3%	5.4%	0.0%	9.6%
2018	-10.0%	5.1%	22.0%	32.8%	12.6%
2019	16.7%	29.0%	-6.9%	-19.8%	2.2%
2020	-4.8%	-6.3%	-3.0%	0.0%	-3.6%
2021	-2.6%	-3.0%	1.4%	1.3%	-0.7%

Quarterly Earnings Per Share Growth

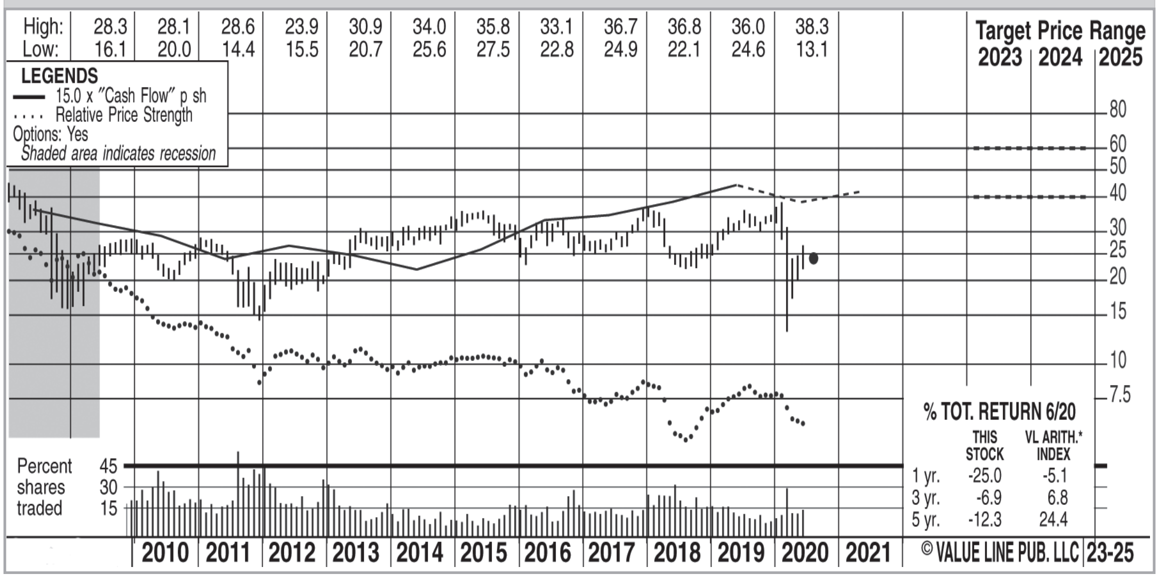
	Mar.31	Jun.30	Sep.30	Dec.31	Year
2018	22.4%	11.3%	5.4%	0.0%	9.6%
2019	-10.0%	5.1%	22.0%	32.8%	12.6%
2020	16.7%	29.0%	-6.9%	-19.8%	2.2%
2021	-4.8%	-6.3%	-3.0%	0.0%	-3.6%

FINANCIALS — Federated Hermes, Inc.

Quarterly Dividends Paid					
	Mar.31	**Jun.30**	**Sep.30**	**Dec.31**	**Year**
2016	0.25	0.25	0.25	0.25	1.00
2017	0.25	0.25	0.25	0.25	1.00
2018	0.25	0.27	0.27	0.27	1.06
2019	0.27	0.27	0.27	0.27	1.08
2020	0.27	0.27	0.27		

All numbers, except percentages and per-share data, are in millions. Numbers in bold are *Value Line* estimates. Years end on December 31st.
All estimates except percentages and per-share figures are rounded to the nearest whole number.

Federated Hermes, Inc. Price Chart



THE VALUE LINE M&A SERVICE UPDATES

On the following pages are details, information, and analysis on pending and recently completed mergers & acquisitions. Just because a deal already has been announced doesn't mean that money can't still be made. We encourage readers to carefully peruse this content and pay special attention to Value Line's investment recommendations. There are certainly opportunities here. The content below is ordered via prospective investment opportunity (from best to worst), according to Value Line's Research Department.

Maxim Integrated (MXIM)

Maxim Integrated Products, a designer and manufacturer of linear and mixed-signal integrated circuits, is on track to be acquired by Analog Devices (ADI), which also produces linear, mixed-signal, and digital integrated circuits. The deal, an all-stock one valued at roughly $21 billion, calls for Maxim shareholders to receive 0.63 of a share of ADI stock for each MXIM share held. The enterprise value of the combination would be in excess of $68 billion. The union, which has been approved by the boards of directors of both companies, would strengthen ADI as an analog semiconductor leader, with increased breadth and scale across multiple end markets. The transaction is expected to be accretive to adjusted earnings within 18 months of closing. Management expects $275 million in cost synergies by the end of year two, driven by lower operating expenses and cost of goods sold. The deal is expected to close in the summer of 2021, subject to the satisfaction of customary closing conditions, including the approval of the stockholders of both companies.

> **Investment Recommendation:** Shares of Maxim advanced 8% following the acquisition announcement on July 13th. It is now priced at roughly $65, which works out to a market capitalization of $17.4 billion. Thus, the stock is trading approximately 20% below the purchase price. We think that current Maxim Integrated shareholders should maintain their positions and, due to the decent upside, new commitments can be established.

Johnson & Johnson (JNJ)

Global healthcare conglomerate Johnson & Johnson is throwing its hat in the acquisition ring. On August 19th, the company announced that it has agreed to acquire autoimmune disease therapy maker Momenta Pharmaceuticals, Inc. (MNTA) in an all-cash transaction valued at $6.5 billion in total. Specifically, JNJ is set to pay Momenta stockholders $52.50 for each share owned. Management said that the takeover ought to expand JNJ's footprint in immune-medicated diseases and ``help further drive growth through expansion into autoantibody-driven disease". The full global rights to nipocalimab (M281), a clinically validated, potentially best-in-class anti-FcRn antibody, appears to the centerpiece of the deal, with JNJ leadership seemingly believing that it will lead to the development of multiple applications. If all goes well, the deal is expected to close within the next few months. Momenta will be added to JNJ's Janssen Pharmaceutical unit.

We like the deal from JNJ's perspective. While the tie-up is estimated to be modestly dilutive to earnings per share this year, it should turn $0.10-$0.15 accretive next year. Momenta looks to be a complementary business that will give JNJ a far greater presence in an underserved and expanding niche. We are not worried about the price tag, as JNJ has ample finances to fund the acquisition.

Investment Recommendation: The stock price ticked slightly higher on the news. Although these shares do not jump off the page for long-term capital appreciation potential, the JNJ story is brighter on a risk-adjusted total-return basis. We think that conservative-minded accounts may like what they see here. The Momenta deal adds to our optimism.

As for Momenta shareholders, the purchase price represented a more than 70% premium on its pre-announcement stock price, and it is now trading just under the buyout level. Thus, most MNTA shareholders can probably sell their shares and reallocate the proceeds.

Builders FirstSource (BLDR)

Shares of Builders FirstSource, a building materials provider, traded higher following the company's announcement that it plans to acquire BMC Stock Holdings (BMCH) in an all-stock transaction valued at roughly $2.5 billion. Under the terms of the deal, shareholders of BMC Stock would receive an exchange ratio of 1.3125 for each Builders' share. Builders stockholders would own 57% of the new entity upon the completion of the merger. The combination next year could generate a projected $11 billion in sales. About $130 million to $150 million in cost synergies are anticipated by the third year of full operation.

The deal is expected to close later this year or in early 2021. Importantly, the combined company is likely to benefit from greater scale, geographic diversification, and continued strength in the homebuilding industry. Additional fiscal stimulus and the continued migration of people moving from cities into the suburbs should serve as tailwinds.

Investment Recommendation: We like the deal from the perspective of Builders FirstSource, and recommend that current shareholders stay the course. New commitments can also be considered, since we are bullish in regard to the merger and the long-term benefits that should come with it.

As for BMC shareholders, that company now has a market capitalization of roughly $2.7 billion, which is above the purchase price. Thus, taking profits may well be prudent. Alternatively, keeping your shares and then taking ownership of the combined entity may serve you well given our optimism.

Immunomedics (IMMU)

Immunomedics, the New Jersey-based clinical-stage biopharmaceuticals company, has agreed to be acquired by drugmaker Gilead Sciences (GILD). Under the terms of the proposed deal, Gilead would pay $21 billion or $88 a share for Immunomedics. The amount was more than double Immunomedics' stock price prior to the announcement. Not surprisingly, IMMU shares advanced roughly 100% following the news.

The transaction, per usual, needs to be approved by regulatory agencies and the shareholders of both companies. We don't envision problems on either of these fronts, and the deal is likely to close within several months.

Investment Recommendation: We like the deal from both sides. If completed, Gilead would gain an innovative cancer drug and pipeline. The benefits for Immunomedics' shareholders are obvious, with a premium of more than 100%. At this time, IMMU shares are now trading near the $88 price tag, so most investors are encouraged to immediately sell their shares and take the ample profits.

TerraForm Power (TERP)

TerraForm Power, an owner and operator of facilities that produce clean electricity, was acquired by Brookfield Renewable Partners, a subsidiary of Brookfield Asset Management (BAM). Early in 2020, Brookfield made an unsolicited bid for the approximately 38% of the outstanding stock of TERP that it did not already own. Shareholders of TERP were paid about a 17% premium over the price of where the equity was trading before the takeover offer. For each share of TerraForm Class A stock, holders received 0.36 of a share of Brookfield Renewable Corporation (BEPC).

Investment Recommendation: TerraForm Power shareholders received a premium on their investment, and are now, indirectly, owners of Brookfield Asset Management. We are bullish in regard to this well-diversified company's business prospects, and think that the stock would make a nice holding in most equity portfolios. According to our analysis, BAM ought to reward shareholders with meaningful returns over the near and long term. ■

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